PRESS RELEASE

SEVEN Investment Management

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7IM REFLECTIONS AS 30TH ANNIVERSARY OF BLACK MONDAY APPROACHES

- **Black Monday in 1987 saw the biggest daily falls for the S&P 500 and FTSE 100 over the last 30 years, but Global Financial Crisis saw bigger cumulative losses**
- **Today, tech stocks are driving markets: 23% of S&P 500 in technology**

Next week will mark the 30th anniversary of the apocalyptically entitled ‘Black Monday’ (19 October 1987), when the S&P 500 index plunged 20.5% and the FTSE 100 dropped 10.8% in a single day.

Data published today by **Seven Investment Management (7IM)** shows that Black Monday remains the worst day by far for the S&P 500 and FTSE 100 over the last 30 years. The next worst days would come during the Global Financial Crisis: on 10 October 2008 for the FTSE 100 and 15 October 2008 for the S&P 500. Both indices were down around 9%.

But the FTSE 100 and S&P 500 haven’t gone on to lose over 10% in a single day again – at least to date. The FTSE 100 particularly suffered over two trading days – 19 and 20 October 1987. These were the worst two individual trading days over the last 30 years for the FTSE 100.

The falls were so bad that circuit breakers were introduced post 1987 (which halt trading if the market falls by a certain amount).

Looking beyond single trading days, the months of October and November 1987 capture the full extent of the 1987 crash and remain one of the periods that **7IM** uses in historical stress tests of the **7IM** funds.

Gold gains

Whilst the FTSE 100 and S&P 500 were down 33% and 28% respectively in October and November 1987, gold was up 8%. Whilst no surprise to see gold holding up during a stockmarket crash, it does illustrate its potential diversification benefits.

1987 Black Monday	October 19 Return	1987 Market Crash	October and November return
FTSE 100	-10.8%	FTSE 100	-33.2%
S&P 500	-20.5%	S&P 500	-28.0%
FTSE 250	-8.8%	FTSE 250	-36.3%
Euro Stoxx 50	-7.9%	Euro Stoxx 50	-29.3%
Topix Index	-2.4%	Topix Index	-13.6%
Gold	2.2%	Gold	8.4%

Source: Bloomberg

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, 7IM said: “We may remember Black Monday because of its doom laden title, but look at the FTSE 100 year to year and it looks as though it didn’t exist. The fact is that the markets ended up higher at the end of the year than at the beginning, despite the crash.

“Black Monday came and went, with plenty more ups and downs in its wake. Whilst the subsequent tech boom and bust and the global financial crisis might feel like a world away given today’s heady stock market valuations, they are a much more recent reminder that things can and will go wrong. It is important to remember that investing is for the long-term, and not about daily worries and short term scares.

“A well designed portfolio, like a well-made yacht, can help ride out the storms and sail through troubles to the calmer seas beyond. Multi asset funds, the ultimate balanced portfolio, can be a useful way to spread risk across a range of assets and strategies.”

Global Financial Crisis still saw the biggest cumulative losses

Whilst Black Monday saw the largest daily falls in 30 years for the FTSE 100 and S&P 500, cumulatively the Global Financial Crisis was a more cataclysmic stock market event.

The maximum drawdowns (cumulative days) were bigger in the Global Financial Crisis, with losses of around 50% on S&P 500 and around 40% on FTSE 100 between October 2007 – March 2009.

Tech boom and bust/ Spyro the Dragon

The period between the beginning of the **tech bust** in March 2000, and the invasion of Iraq in March 2003, also saw large cumulative losses, with the FTSE 100 down around 42% and the S&P 500 down around 45%.

Ben Kumar, Investment Manager, Seven Investment Management (7IM) said: “I wasn’t even born in 1987, and the closest I got to the tech boom and bust was playing Spyro the Dragon on PlayStation 1 as a 12 year old. But today, it is interesting to see how much technology is once again, post tech boom and bust, driving markets. For example, the S&P 500 index now has 23% in technology stocks, and that is without the inclusion of Amazon, which is classed as a consumer discretionary and takes up a further 2% of the index. Apple, Alphabet (Google), Microsoft and Facebook take up 12.5% of the index.

“The world is quite different now to my Spyro the Dragon days. Giants like Apple and Amazon are now firmly embedded in our lives, and may struggle to deliver growth in the same way as they have in the past few years, particularly as their areas of competition begin to overlap. More traditional US companies look better placed to see further growth, so we look to tilt towards these in our portfolios. The 7IM US Equity Value Strategy has zero in Facebook, zero in Amazon, and are underweight Apple, Alphabet and Microsoft. Our exposure to those top five is just 3.2% versus the 12.5% in the index – so we really are underweight!”

Ends

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Notes to Editors:

All data in this press release is from 7IM using Bloomberg.

<u>About 7IM</u>

It all began in 2002, with seven of us in a basement establishing Seven Investment Management (7IM) because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £12bn (more than doubling since 2013), and we have moved from ‘basement’ to ‘Bishopsgate’ in the City of London. There are now around 240 of us.

Radical common sense

We manage money aiming to meet people’s medium to long term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: Discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

Multigenerational investing

We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.
In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional ‘gamers’ uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

– Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**. Some of these risk profiles have an offshore version of the fund.
– Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. Again, there are different funds for different profiles: **7IM Adventurous**, **7IM Moderately Adventurous**, **7IM Balanced** and **7IM Moderately Cautious.** Again, some of these risk profiles have an offshore version of the fund.
– We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Unconstrained Fund** or the SRI focussed **7IM Sustainable Balance Fund**.
– We also have a range of ‘smart passive’ funds known as the equity value funds. The range includes: the **7IM UK Equity Value Fund**, the **7IM US Equity Value Fund**, the **7IM European (ex. UK) Equity Value Fund** or the **7IM Emerging Markets Equity Value Fund**. These are entirely systematically managed based solely on company fundamentals, the aim being to outperform the relevant passive market cap-weighted alternative by selecting profitable, high-quality, cash-flow generating companies that trade at a discount to their intrinsic value.

Our Model Portfolios

The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds. Like the Asset Allocated Passive (AAP) funds, the entire asset allocation is fulfilled with ‘Smart Passive’ market cap weighted passive instruments (for example UK and US equities) which track those markets and systematic instruments. 7IM undertake the due diligence on the passive securities (such as counterparty risk and concentration). Our range of Model

Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio**.

The 7IM funds and Model Portfolios are available through the 7IM Discretionary, Managed Investment, Platform, and Self Invest services, as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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