

FOR IMMEDIATE RELEASE

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7IM BUDGET RESPONSE: TALKIN' 'BOUT MY GENERATION

- **House prices should be closer to half their current levels had they risen at the same rate that wages have**

Its 60 years since Prime Minister Harold Macmillan gave his “most of our people have never had it so good” speech at a Tory party rally – words which seem unthinkable for any Prime Minister or Chancellor today.

One of the themes of today’s Budget is the intergenerational divide. **Seven Investment Management (7IM)** shares its thoughts on stamp duty, alongside other, broader measures in today’s Budget from housing to sustainable investment.

Stamp duty and the intergenerational divide

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, Seven Investment Management (7IM) said: “Most generations have had their challenges; from the hyperinflation of the 1970s and the 3 day week, through to the double digit mortgage rates of the 1980s. In the 1990s, we saw the UK crash out of the ERM, a fall in sterling and the **only** fall in house prices outside of the global financial crisis since the data begins.

“But today’s struggles are unique because of the stark intergenerational differences. Sky high house prices disproportionately affect the young, as do the uncertainties around Brexit in the long-run, which is increasingly becoming a dragging sea anchor. So the scrapping of stamp duty for first time buyers has to be welcomed, although for the wealthier it may well be the Bank of Mum and Dad, already apparently Britain’s ninth largest mortgage lender, who may benefit the most.”

Debt, house prices, housing and wages

Ahmer Tirmizi, Investment Manager, Seven Investment Management (7IM) said: “UK Government debt to GDP has been going up since 2003 – sharply so since 2008 – and has been a perennial Budget focus since the financial crisis. But is not at the forefront of the UK’s problems – housing is. Today’s measures to build more houses are hugely welcome, as long as the Government is able to deliver on it – the housing shortfall has been a recurring Budget theme, but it has never been successfully addressed.

“Housing is a serious issue that the Government are right to target. Take the ratio of house price to income, which has doubled since 1971. According to the UK Land registry the average house price in January 1971 was £4,300 and is now £226,000. Current average income is around £20,000 – had incomes kept up with property prices, average wages would be closer to £45,000. Put another way, given current levels of income, house prices should be closer to half their current levels had they risen at the same rate that wages have.”

Environmental and social impact

Camilla Ritchie, who leads on the **7IM Sustainable Balance Fund**, said: “The new Clean Air Fund is an important step forward, but the issue of air quality, particularly in high density areas, is a huge challenge – renewable energy, with zero emissions, is going to need to play a greater role. On social infrastructure, the consultation on first time buyer led developments and affordable rent is long overdue. The recent launches of investment companies addressing

affordable housing has been allowing local authorities and housing associations to increase their building programmes, but more support from Government is vital.”

Ends

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Notes to Editors:

About 7IM

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 Real Return 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.

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