

**FOR IMMEDIATE RELEASE**

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## **BAILED OUT BUT STILL ON PROBATION? 7IM ON BANKS 10 YEARS ON FROM GLOBAL FINANCIAL CRISIS**

8 October 2018 will mark 10 years since the British government announced a bank rescue package totalling £500 billion of loans and guarantees.

Whilst stockmarkets have, to date at least, bounced back strongly in the decade since the global financial crisis, bank stocks have been a major underperformer and still appear to be on probation as far as investors are concerned.

On a total return basis, the FTSE All Share is up 139% over the last decade to end September. In contrast, the FTSE All Share Banks Index is down -6% over the decade.

On a total return basis, European banks have fared even worse, with the Euro Stoxx Banks price index down -37% over the decade, whilst the Euro Stoxx 50 price index is up 68%.

### **Like them or loathe them – you probably still hold them!**

**Justin Urquhart Stewart, Co-founder and Head of Corporate Development, 7IM said:**

“Forget ‘vampire squids’ – banking stocks have been more like ‘damp squibs’ over the last decade. But whether you like them or loathe them, the odds are that you probably still hold them. Banks account for 11.9% of the FTSE 100, 12.2% of the MSCI UK Index and 11.3% of the Euro Stoxx 50 alone.

“Ten years on from the bank bailouts, it’s a timely reminder about the importance of having a balanced portfolio – even if our stock market indices can seem anything but. This is where good active managers can really come into their own. And if you are sitting on individual share certificates gained from historic demutualisation’s (and these are often inherited), take note – you might find that your portfolio has an even bigger weighting towards banks – and that’s if the share certificates are still valid.”

### **Active underweight**

According to **Dr Alessandro Laurent**, who leads on the **7IM UK Equity Value Fund** and **7IM European (Ex. UK) Equity Value Fund**, which are systematically managed, being underweight banks has contributed to benchmark outperformance (the MSCI UK and MSCI Europe ex UK indices respectively) over three years – the funds were launched just over three years ago.

**Dr Alessandro Laurent, Senior Investment Manager, 7IM** said: “Banks have been a perennial underperformer since the global financial crisis, and are a classic example that a beaten up sector or stock isn’t always a screaming buy – things can be cheap for a very good reason. We look for companies that are profitable, growing and trading below their intrinsic value.

“Up to now, we’ve been doing all we can to ‘underweight’ banks. But given they are such a huge component of the major indices, it is hard to avoid them completely. Indeed HSBC Holdings is the third largest holding in the 7IM UK Equity Value Fund, but at 4% this is still a large underweight, given that HSBC accounts for around 7% of the MSCI UK Index.

“We are also underweight Barclays and Lloyds, although there may come a point when the strategy starts to identify opportunities.”

### The multi manager view – is sentiment changing?

#### Tony Lawrence, Senior Investment Manager, 7IM, and who leads on 7IM’s multi manager funds, sees signs that active managers are beginning to turn more positive on banks:

“Ten years on from the global financial crisis, banks’ share prices are taking a beating once more – a timely reminder of the cyclical nature of the sector. Last Friday alone, European banking stocks fell 4.4%. Whilst our multi manager funds have relatively low exposure to banks, anecdotally we are hearing from a number of our active managers that banking stocks are starting to look interesting again.

“Eurozone banks have been one of the worst performing sectors over the year to date, and are trading back at or towards 2016 valuation metrics, despite improved capital positions, return profiles, dividends and profitability. That said, the Italian political situation is a potential wild card and question marks still remain over exposure to Turkey.

“In our multi manager funds, we have relatively low exposure to banks, although this may start to increase if our underlying managers begin to take advantage of opportunities. Despite this, even small holdings can hurt returns. However with a diversified portfolio, we have assets that in the event of a market sell off, aim to provide some down side protection, with holdings in Yen, US Treasuries and Put Options.”

Cumulative Total Return to 30/09/2018	1 Year	3 Years	5 Years	10 Years
FTSE All Share	5.8%	38.4%	43.4%	138.8%
FTSE All-Share Banks	-6.0%	20.4%	1.9%	-6.0%
Euro Stoxx 50	-2.2%	22.0%	40.2%	67.6%
Euro Stoxx Banks	-20.0%	-8.8%	1.6%	-36.9%
Source: Bloomberg				
7IM European (ex UK) Equity Value Fund*	4.3%	51.7%		
7IM UK Equity Value Fund*	9.6%	45.1%		
Source: Northern Trust				
<b>MSCI Indices</b>				
MSCI Europe ex UK	1.4%	47.0%		
MSCI UK	5.7%	39.3%		
Source: MSCI				

<b>Annual discreet returns (end Sept - end Sept)</b>	<b>17-18</b>	<b>16-17</b>	<b>15-16</b>	<b>14-15</b>	<b>13-14</b>
FTSE All Share	5.8%	12.0%	16.9%	-2.3%	6.1%
FTSE All-Share Banks	-6.0%	30.0%	-1.5%	-11.1%	-4.8%
Euro Stoxx 50	-2.2%	23.7%	0.8%	-0.5%	15.5%
Euro Stoxx Banks	-20.0%	54.8%	-26.4%	-9.1%	22.6%
Source: Bloomberg					
7IM European (Ex. UK) Equity Value Fund*	4.3%	27.6%	14.1%		
7IM UK Equity Value Fund*	9.6%	8.9%	21.6%		
Source: Northern Trust					
<b>MSCI Indices</b>					
MSCI Europe ex UK	1.4%	23.2%	17.6%		
MSCI UK	5.7%	11.7%	18.0%		
Source: MSCI					

\*Launched April 2015

7IM European (Ex. UK) Equity Value Fund and 7IM UK Equity Value Fund data is the C Income share class total return data and is net of fund charges.

The value of investments may fluctuate in price or value and you may get back less than the amount originally expected. Past performance is not a guide to the future.

Any fund or index reference is not intended to provide specific fund, sector, index or investment recommendations.

## Ends

### For further information, please contact:

Jemma Jackson  
PR Manager, 7IM  
jemma.jackson@7im.co.uk  
020 3823 8696  
07776 204 610

## 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 £14.3bn (more than doubling since 2013), and we have moved from 'basement' to 'Bishopsgate' in the City of London.

We manage money aiming to meet people's medium to long term return expectations.

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority and by the Jersey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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 funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- 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 funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- 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.

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 and the Jersey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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