

FOR IMMEDIATE RELEASE

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2018 OUTLOOK: 7IM'S KEY INVESTMENT THEMES TO LOOK FOR

- Will value investing return to vogue?
- Gender equality to become a key ESG theme?
- How to diversify when most asset classes have marched upwards?

2017 has been a record breaking year for equities, not least in US markets. If the S&P 500 sticks to tradition, and finishes December up (in true 'Santa Rally' style), 2017 will be the first calendar year in its history with no negative months, according to **Seven Investment Management (7IM)**.

FAANG style stocks lead the pack in 2017, but will growth stocks continue to dominate in 2018, or might active equity managers need to work harder?

Meanwhile, with February 2018 set to mark 100 years since women got the vote in the UK, **7IM's Camilla Ritchie** believes that gender equality looks like a timely, not to mention overdue, Environmental, Social and Governance (ESG) theme for the next year. There has already been a recent fund launch* along these lines.

Passive becomes the 'Despicable Me' of investments

Peter Sleep, Senior Investment Manager, 7IM said: "2017 was the year that passive investing become, perhaps more than ever, the 'Despicable Me' of the investment world. They were seen as gradually taking over the world and driving growth stocks higher.

"But with the majority of ETFs being market cap weighted, it is simplistic to blame passives for the direction of the market. As for next year, whilst ETFs are becoming increasingly specialised in what they offer, from robotics, ageing and millennials, newer themes look likely to be variations on income, ESG and batteries."

Equity managers may need to work harder in 2018

Damian Barry, Senior Investment Manager, Seven Investment Management (7IM) added: "Stock markets have already started to see a modest rotation away from growth stocks in December in favour of value, and this may well continue as a theme in 2018. Will value investing be the comeback kid of 2018? It's too early to tell, but it's hard to believe that the market will continue to be as narrowly led by FAANG stocks as in 2017.

"We are increasing the allocation to active managers in our multi manager funds and will continue to look at managers that are conviction led, and focused on improving company fundamentals. Whilst the global economy looks relatively benign, we see pockets of value here and there. 7IM continue to hold some assets in cash for the time being, ready to deploy when an opportunity presents itself. As central banks withdraw the punchbowl of liquidity, this may be the catalyst for active managers to deliver stronger outperformance in 2018."

ESG – Gender equality and social housing

Camilla Ritchie, who leads on the 7IM Sustainable Balance Fund* said "A key ESG theme to watch out for in 2018 could be gender equality and we have already seen a recent launch – the Lyxor Global Gender Equality ETF, with the apt ticker 'elle', meaning 'she.' Gender Equality is the UN's fifth sustainable development goal and I would expect more choice to develop to

meet this theme. With 6 February set to mark 100 years since women got the vote in the UK, it would be timely – not to mention overdue.

“We have seen a number investment company launches addressing affordable housing, and we saw the first launch in this space towards the end of last year. I wouldn’t be surprised to see more launches such as these in 2018 as local authorities and housing associations increase their building programmes.”

How to diversify when most asset classes have gone up?

Alex Scott, Chief Strategist, 7IM said: “Equities and bonds are looking relatively expensive at the same time – something of a historical anomaly at a time when other asset classes more broadly have also gone up. So, as we head towards a New Year, one of the key questions for multi asset managers and investors alike is perhaps the issue of how do you adequately diversify portfolios? The days when it was as simple as buying government bonds are long gone.

“Alternatives have been a key way to look outside the box, but this needs to be handled with care. Not all alternatives can be viewed as ‘uncorrelated assets’ – real estate is a case in point. We think a number of real estate funds are too exposed to the UK economy, but for many this is where the list of potential alternatives stops.

“We don’t think there is a single alternative asset class that is the panacea to the problems of government bonds in the current environment. We think a mix of alternative asset classes, combined with solid risk management (that is especially important in this area) is one solution.”

* The reference to specific funds is not intended to be and should not be taken as a recommendation to invest in them.

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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.

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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