

FOR IMMEDIATE RELEASE

9 MAY 2017

UK ELECTION COUNTDOWN: 7IM CIO SAYS INVESTORS SHOULD CONSIDER DIVERSIFYING AWAY FROM UK ASSETS

- **7IM publishes 'four scenarios': 'Landslide', 'Job done', 'Misfire' and 'Hung parliament'**

There's just one month to go before the UK General Election, as Theresa May seeks a clear Brexit mandate. **Chris Darbyshire, Chief Investment Officer, Seven Investment Management (7IM)** believes UK investors - already heavily exposed to the UK through property, jobs, and investment portfolios - should consider diversifying beyond the UK.

Chris Darbyshire, Chief Investment Officer, 7IM said: "There are many risks that can be mitigated in life, but country risk is not one of them. Country risk typically occurs at times of deep recession or financial crises and is particularly pernicious, not just on your investment portfolio, but also your short-term earnings, long term career prospects (what we call 'human capital') and house value. These all decline at the same time.

"Such events are expected to occur no more than once every 50 years or so but, with Brexit, the risks have become elevated. Much depends on the government's actual plans, and the negotiations themselves, but there is, perhaps, a one-in-ten chance that Brexit leads to a deep recession in the UK in the next few years. While we hope that this will not be the case, 'hope' is not an acceptable investment strategy. Investors should consider diversifying away from UK assets at this time of elevated country risk."

7IM UK portfolio positioning

Whilst 7IM is underweight UK assets, the portfolios are overweight Sterling due to 7IM's ability to manage currencies. For example, the **7IM Balanced Fund** has 64.1% exposure to Sterling but exposure to UK equities is just 10%. The portfolio positioning is designed to reduce investors' reliance on the UK economy, while protecting portfolios against exchange rate risk.

Chris Darbyshire continued: "International diversification and managing Sterling currency risk do not have to be the same thing. When you buy a foreign asset you create two risks in the portfolio – one is the underlying performance of the foreign asset, and one is the change in exchange rates. You want to add to international assets, but hedge the currency risks back to Sterling. That way you receive only the foreign asset performance, and can avoid unexpected political risks that could influence the exchange rate."

Election scenarios

7IM has published the four election scenarios that it is reflecting on:

- **Landslide:** Here, the Conservative party increases its majority to 160 seats – beyond the market consensus. In this scenario, UKIP voters flock to the government's cause and the Lib Dems are unable to inspire much tactical, anti-Brexit voting. Sterling gains on a stronger mandate for the Prime Minister to face down hard-core Brexiteers.

- *Job done:* Here, the current government's majority is extended to about 90 seats. Tactical voting in favour of Lib Dems and Labour candidates prevents a landslide, however. In this scenario, there is no change to Sterling.
- *Misfire:* Here, the government maintains its current majority, in all likelihood due to voter fatigue/ low turnout. Labour support is more robust than expected and Lib Dems gain momentum from Remain voters. In this instance, Sterling reverses its recent gains on the prospect of a harder Brexit.
- *Hung parliament:* In this scenario, the government is deeply damaged by the expenses scandal. Labour's campaign unexpectedly strikes a chord with voters and tactical voting by Remainers turns moderate Conservative voters into Lib Dem voters. Sterling surges on the prospect of a lack of appetite for Brexit.

Ends

For further information, please contact:

Jemma Jackson

PR Manager

Seven Investment Management

jemma.jackson@7im.co.uk

0203 823 8696

07776 204 610

Notes to editors

About Seven Investment Management:

7IM provides investment services to professional wealth managers, planners, advisers and investors.

These include:

- Discretionary investment management with advice
- A range of multi-asset portfolios
- An investment and open architecture trading platform
- A fantastic app, 7IMagine, to bring the client portfolios to life.

7IM – a story of Continuous Innovation

Since 7IM launched back in early 2002, it has pioneered a continuous stream of developments regarding how investment services are provided and charged for. We could just provide a list of our awards but actually think it is more useful to tell you what we have done and what we have provided for clients and their planners - and there is still more to come.

January 2001 – First Sterling Online Wrap Account launched with ongoing Asset Allocation

January 2003 – First White Label live

January 2004 – 7IM OEIC live

July 2005 – 7IM Platform live

September 2005 – New 7IM Income Fund launched

February 2007 – 7IM Sustainable Balance Fund launched

December 2007 – 7IM gains its own FSA authorisation and new institutional investors

January 2008 – 7IM joins the London Stock Exchange

March 2008 – 7IM launches the AAP (Asset Allocated Passives) range of funds

October 2009 – 7IM introduces 3rd party multi manager funds into the DFM service

October 2009 – 7IM Personal Injury Fund launched

April 2011 – 7IM launches enhanced, 'on-demand' client reporting

January 2012 – 7IM Unconstrained Fund launched

June 2012 – 7IM launches Fixed Term Deposits

January 2013 – 7IM launches Asset Backed Lending

March 2013 – '7IMagine' launched

June 2013 - Assets under Management pass £5bn

October 2013 – 7IM launches preferred SIPP's with DP Pensions Ltd and Carey Pensions UK

October 2014 – Assets under Management pass £7bn

January 2015 – Assets under Management pass £8bn

March 2015 – In partnership with AXA Wealth, 7IM announces preferred Offshore Bond offering

June 2015 – Assets under Management pass £10bn

February 2016 – 7IM launches My Future a new feature of the 7IMagine app which allows advisers and clients to enter the details of their existing savings and pension contributions, as well as spending expectations in retirement to identify when their cash will run out.

August 2016 – 7IM launches a Windows version of the 7IMagine App which allows 7IMagine to be used on all Windows devices including Microsoft Surface Pro, Windows phones and PC's.

WWW.7IM.CO.UK