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AMIDST POLITICAL RISKS 7IM CASH LEVELS NEAR ALL TIME HIGHS WHILST HIGH VALUATIONS MEAN UK AND US FIRM UNDERWEIGHTS

Warren Buffet famously said “be fearful when others are greedy, and greedy when others are fearful.” But with markets still clearly in ‘risk on’ mode, despite some ‘flashing ambers’ over a faltering UK economy, managers who have taken risk off the table need steady nerves.

Nevertheless, **Seven Investment Management (7IM)** is holding high cash weightings across its more cautious funds, as it awaits better entry points elsewhere, and with political risks a key driver. In the **7IM Balanced** fund the cash weighting is currently 12%, the highest it has been since just before the EU referendum (12.5%). There have only been three other occasions* since the funds launch 14 years ago when the cash weighting on the **7IM Balanced** fund was higher, with the cash weighting as low as 3% in March 2014.

Meanwhile, 7IM remains firmly underweight UK and US equities. **Alex Scott, Deputy Chief Investment Officer, 7IM** said: “We see plenty of flashing amber signals for the UK economy, and risks ahead as Brexit negotiations get underway in earnest, but UK shares have continued to make progress – helped of course by their high exposure to overseas assets. Without a repeat of last year’s boost to foreign profits from the fall in Sterling and with uncertainty ahead for domestic profits, we are worried that UK equity valuations don’t fully price in the risks.

“In the US, investors are understandably ratcheting back their expectations for what the President can achieve on tax reform, infrastructure spending and deregulation: this puts a sharper focus on valuation, where current market levels leave little margin of safety. This leaves us with clear underweights in both the US and UK, seeing better value in other equity markets around the world, and relatively high cash positions in portfolios. This can be uncomfortable in ‘risk on’ markets, but as conviction investors with a focus on delivering target returns over the medium-term, we have to have the courage to do what we believe is right.”

What UK funds does 7IM like?

7IM still has some favoured UK plays for the multi manager range, and remains invested in the **Majedie UK Focus Fund**, which has a similar ethos to 7IM and is not afraid to be contrarian.

Commenting on **Majedie UK Focus Fund**, **Tony Lawrence, Investment Manager, 7IM** said: “Like us, Majedie are not afraid to step back from the herd. They hunt up and down the market cap spectrum for ideas, stamping their own individual style on each sub-portfolio and blending them together to produce something distinct. This approach enables us to use them as a primary building block in all our risk profiles and we have been well-rewarded over the years for doing so. They are currently holding large positions in UK supermarkets and oil majors, two industries that have been deeply maligned over the last few years, which is testament to the contrarian nature of their thinking.”

Ends

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Notes to Editors:

* Previous high cash positions: 12.5% May 2016 (just before EU Referendum), 14.5% Aug 2015 (following China devaluation), 13.5% '08 crisis.

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 £11bn (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 it is not an invitation or inducement to engage in investment activity. 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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