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## 10 YEARS OF 7IM AAP FUNDS - PASSIVE AGGRESSIVE STRATEGIES FROM FINANCIAL CRISIS TO RECOVERY

Whilst Bear Stearns was going out of business and the Global Financial Crisis was in full swing, **Seven Investment Management (7IM)** was holding its breath and launching the **7IM AAP Funds**, which turned 10 on 28 March 2018.

Everyone has their own different attitudes to risk, and **Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, 7IM** declares himself a 'Moderately Adventurous' sort of an investor "because I like a bit of adventure, but then I get quite scared, too!"

The **7IM AAP** funds span a range of risk profiles: **7IM AAP Moderately Cautious Fund, 7IM AAP Balanced Fund, 7IM AAP Moderately Adventurous Fund** and **7IM AAP Adventurous Fund (in 2015, 7IM Cautious Fund was added to the range).**

### Passive aggressive

**Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, 7IM** explains: "Before 2008, the bricks for building globally diversified, multi asset portfolios using passive tools just weren't there. But by the time we launched the AAP funds, Rome was burning in the form of the financial crisis. So it was far from a dull start, from disaster through to recovery.

"Passive tools in their own right might be dull, but what is exciting about the AAP funds is the breadth of imagination, using different styles. Whilst we started out using ETFs, today they account for just 9% of the AAP range. We are looking at futures contracts, currency hedging, options and building our own baskets of shares via our equity value funds, as well as our own baskets of bonds. We're also looking at other assets such as gold. Being passive might be boring – but a passive aggressive approach is anything but."

### Pure Play

**Ben Kumar, Investment Manager, 7IM** said: "We've always believed that the first priority for any investor should be asset allocation. The implementation stage is important too, but the focus first of all should be finding or avoiding the right areas of the financial markets. In a sense, the 7IM AAP funds represent the purest expression of our asset allocation calls, because the implementation is done passively – we let the asset allocation do (almost) all the talking."

### Frontiers – the active exception to the passive rule

Despite using passive vehicles in the AAP range, there are exceptions. **Ahmer Tirmizi, Investment Manager, 7IM** explains: "Whilst the AAP funds are all about using passive tools, we won't be held to ransom on it. Where we see no credible options in the passive space, we will go active, with frontier markets a case in point. For example, 7IM AAP Adventurous Fund has around 6% in an active Frontiers manager, T. Rowe Price Frontier Markets Equity (it is 1% in 7IM AAP Balanced Fund)."

### Adviser views

**Caroline Anstee, Managing Director, Anstee & Co Limited** said: "We are in a world where (quite rightly) cost is ever more transparent. However, we are also in a world where the consumer thinks cheapest is best. In the retail world comparing like-for-like and buying the cheapest online has become a hobby – take Amazon and ebay, for example. That is fine because every copy of a book should be the same. As investments have become more accessible, more frequently the consumer is buying on price. However we know that cheapest isn't always best, they may look the same, but lift the bonnet and they are very different.

“Passive funds are known for being cheap and therefore attractive to the consumer. The best of both worlds is a fund that uses passive vehicles, therefore keeping costs down but actively managing those assets. Blended with a fully actively managed fund gives the best of both worlds and that is what the 7IM AAP funds do. As an adviser we are trying to find not the cheapest but the best value for our clients and by using different vehicles and various tax wrappers, we can achieve this. We are lucky to have investment houses like 7IM who offer that solution.”

**Pete Matthew, Managing Director, Jacksons Wealth Management**, said: “When the AAP range was launched in 2008, at a very challenging time for the world markets, we knew that this was an exciting development. Over the years our views on how investing should be done have developed and refined down to a few golden rules. Obviously, investments should be diversified across asset classes and geographical regions. Next, costs should be kept low through the use of passive vehicles, and finally, it makes sense to use a blend of strategic and tactical asset allocation that seeks to let the markets do their thing, while overlaying a shorter-term view on the world.

“In our view, the 7IM AAP range meets this brief perfectly. Situated as we are in the depths of Cornwall, we have neither the scale nor the resources to move quickly enough to optimise our clients’ portfolios in this fast-moving world. Leaving the day-to-day tactical stuff to the experts, and knowing that all other elements of our brief are consistently met, give both us and our clients welcome peace of mind. The 7IM AAP funds were a stand-out product at launch, and are still a leader in their field today.”

**Francis Klonowski, Principle, Klonowski & Co** said: “There are many client situations where simply tracking the markets – whether equities or fixed interest – is the best option. Costs have a lot to do with it, but the idea of simply tracking the markets within a chosen asset allocation is very attractive to clients.

“Once the approach has been determined, the next decision is which funds to use. Yes, there are research tools, but I have to ask whether or not I have the time to do this – *properly* – as well as the risk profiling, financial planning, asset allocation, and all the other things that clients really value from their planner.

“Then I have the reviews, whether annual or at some other agreed frequency. My initial asset allocation will now have changed to a greater or lesser degree. So I either have to leave it – and therefore no longer match the agreed risk profile – or spend time selling / buying in order to bring it back in line. The underlying funds may be passive, but the portfolio itself must be actively run.

“This is where the AAP funds from 7IM are ideal. Having determined the asset allocation, I simply choose the AAP fund that most closely matches that risk profile. I then have an expert choosing the underlying holdings, with probably greater diversification than I can ever achieve – not to mention funds that are only available to institutional investment managers. And I don’t have to worry about rebalancing: the only change I ever need to make is if the client’s risk requirement changes, and then I simply change the AAP fund. For a one-man practice like mine, it’s the ideal solution.”

**Cumulative % performance – AAP versus sector average to 31 March 2018**

	1 Year		3 Years (cum.)		5 Years (cum.)		10 Years (cum.)	
	Fund	IA	Fund	IA	Fund	IA	Fund	IA
<b>31/03/2018</b>								
7IM AAP Mod Cautious vs IA Mixed Investment 0%-35% Shrs TR in GB	0.1%	0.4%	4.3%	7.9%	16.8%	17.4%	47.9%	47.2%
7IM AAP Balanced vs. IA Mixed Investment 20%-60% Shrs TR in GB	1.4%	0.8%	8.2%	11.0%	27.6%	25.0%	62.5%	56.3%
7IM AAP Mod Adventurous vs. IA Mixed Investment 40%-85% Shrs TR in GB	3.1%	1.5%	13.0%	15.4%	39.2%	34.9%	72.6%	73.4%
7IM AAP Adventurous vs. IA Flexible Investment TR in GB	4.4%	2.4%	15.5%	16.6%	45.9%	36.2%	76.1%	71.1%

**Discrete % performance (March to March) – AAP versus sector average**

	2017-2018		2016-2017		2015-2016		2014-2015		2013-2014	
	Fund	IA	Fund	IA	Fund	IA	Fund	IA	Fund	IA
<b>31/03/2018</b>										
7IM AAP Mod Cautious vs IA Mixed Investment 0%-35% Shrs TR in GB	0.1%	0.4%	7.4%	9.4%	-3.0%	1.7%	9.8%	7.5%	2.0%	1.2%
7IM AAP Balanced vs. IA Mixed Investment 20%-60% Shrs TR in GB	1.4%	0.8%	13.1%	12.9%	-5.7%	2.5%	13.0%	8.6%	4.4%	3.6%
7IM AAP Mod Adventurous vs. IA Mixed Investment 40%-85% Shrs TR in GB	3.1%	1.5%	17.5%	17.1%	-6.7%	2.9%	14.9%	10.6%	7.2%	5.6%
7IM AAP Adventurous vs. IA Flexible Investment TR in GB	4.4%	2.4%	18.6%	19.1%	-6.7%	4.3%	15.6%	11.6%	9.3%	4.6%

Source: Fund data is the C Accumulation share class sourced from Bloomberg. IA Sector Index is sourced from FE. 7IM Funds are Multi-Asset and therefore comparisons with the IA are offered as a guide only.

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

## 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.

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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