

FOR IMMEDIATE RELEASE

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BANG, FIZZ & PHUT: 7IM ON WHAT'S REALLY HAPPENED TO UK COMPANIES POST REFERENDUM

In the one year since the UK's referendum on 23 June 2016, the FTSE 100 has shot off with enthusiasm – a '**bang**' to the FTSE 250's almost equally impressive '**fizz**'. However, research from **Seven Investment Management (7IM)** suggests that the real story behind domestically focussed UK companies isn't so compelling, pointing to the little heard **FTSE Local United Kingdom Index** instead.

Indeed whilst the strong performance of the FTSE 100 and FTSE 250 has provided something of a feel good factor, much of this performance has been boosted by the fall in Sterling. But with question marks now appearing over the shape of the UK economy, most recently in the form of disappointing consumer spending figures, it's time to look behind traditional indices.

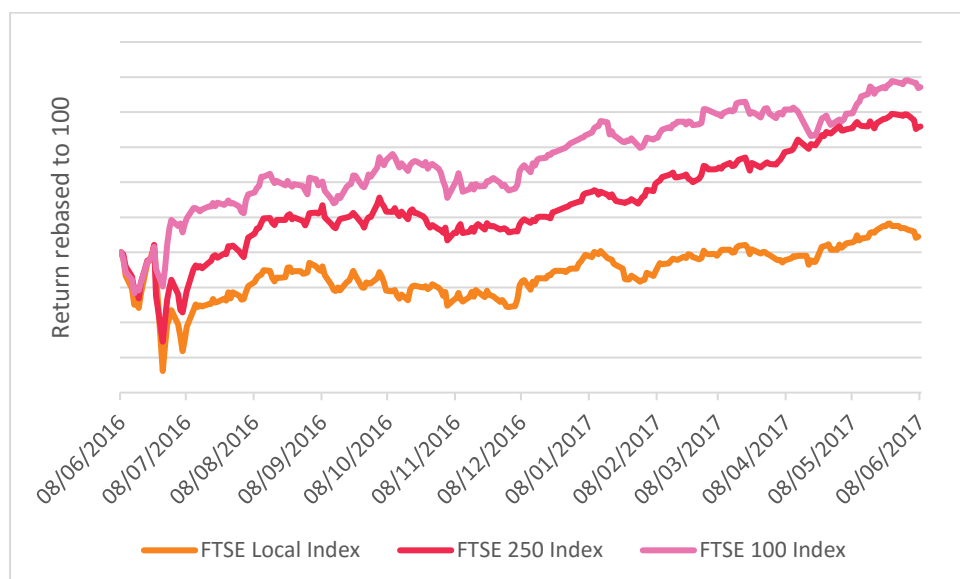
7IM believes that the real story behind the UK economy is less '**bang**' and '**fizz**', but more '**phut**'. The **FTSE Local United Kingdom Index**, which consists of companies who derive more than 70% of their revenues from the UK, is up over the last year - but only just - merely providing a rather unimpressive '**phut**' in comparison to the FTSE 100 '**bang**' and the FTSE 250's '**fizz**'.

Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, Seven Investment Management (7IM), said: "Nearly three quarters of the FTSE 100's value and turnover is not in the UK and thus not in Sterling. With all the mining, resources and oil companies, their valuations have been flattered, not by some brilliant corporate wheeze, but rather due to the fact that the value of Sterling had dropped dramatically after the Brexit vote, and thus their overseas' values magically rose.

"For the **FTSE 250**, often said to reflect the UK economy, there was a strong **Fizz**. In fact this index still has around 50% in overseas investments and therefore after an initial stumble, while the market worked this out, it followed its larger brother but on a less dynamic trajectory.

"However if Sterling reverses then the noisy echos of the larger indices may fade away, and possibly then those UK based values improve - that is if the economy does not turn down first! With stock markets still currently near record highs, it is perhaps a good time for investors to think about how diversified their portfolios really are. Whilst multi asset portfolios can miss out on some of the stock market 'upside', they can also leave investors less exposed on the downside, too. Either way, that all important long-term view is crucial."

UK index comparison



Source: Bloomberg

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 £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

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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.

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