PRESS RELEASE

SEVEN VII IM
Investment Management

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7IM: NOW IS NOT THE TIME TO TAKE BIG BETS, BUT THAT'S NO REASON TO BE OUT OF THE GAME

One of the most current concerns cropping up from direct clients who are new to **Seven Investment Management (7IM)** is a concern that stock market valuations are too high, as well as worries about the UK economy, particularly in light of Brexit negotiations.

With the 10th anniversary of the start of the financial crisis approaching, and with the Bank of England stepping up its scrutiny of banks and other lenders amidst high consumer indebtedness, it is perhaps easy to see why investors are concerned.

David Carroll, Head of Strategy, 7IM (and one of the original '7') has some pointers for investors, conceding that "now is not the time for big bets, but that's no reason to be out of the game." Here are David Carroll's '7 steps' to consider:

1. **How diversified is your portfolio?**

David Carroll said: "Portfolio diversification shouldn't just be about a spread of equities, but a spread of asset classes, too – it's the ultimate golden rule of not putting all your eggs in one basket. There's a decent argument for being 'risk off' right now, and our own equity exposure is currently 38%, around 10% below our usual strategic asset allocation. But money is still being put to work and multi asset approaches offer flexibility to diversify beyond traditional equities. That's not to say 7IM are shying away from equity investment entirely. Equity markets we like include Europe and Asia, although we still hold 8% in North American Equity in the Balanced and Adventurous portfolios and between 10% - 11% in UK Equities."

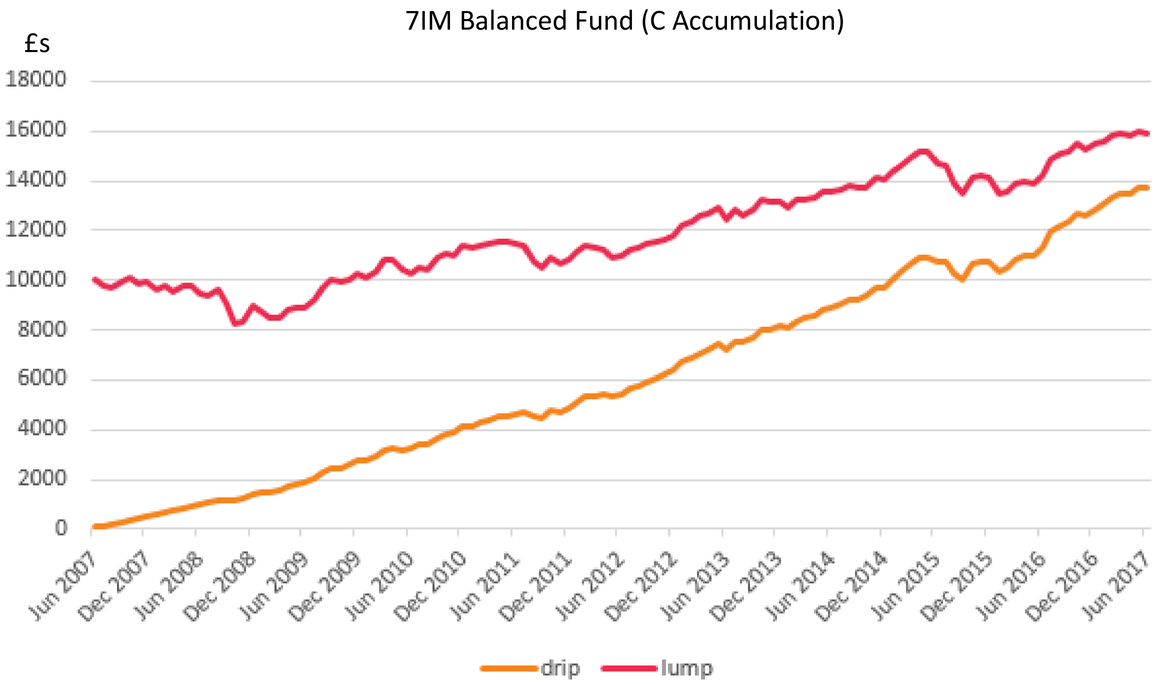
2. **New clients tending to prefer pound cost averaging approach**

David Carroll said: "Despite the fact that we are a multi asset house, and currently relatively 'risk off', many new clients or those who have capital they need to invest for the long term are rightly opting to invest their money in stages, which demonstrates the level of investor caution in the current climate. Regular investing smooths out some of the stock market ups and downs: those who sit on their hands waiting for 'the correction' will probably miss the bottom. So regular investing is a good option for investors who need to invest for the medium and longer term, but who are wary of markets which seem to be high and whose other alternative would be to do nothing."

3. **Lump sum investment tends to outperform – if you have the stomach for it**

However, **David Carroll** points out that over the long term, lump sum investment tends to outperform and is the ultimate 'patient capital' approach. David Carroll said: "For those who do have the stomach to commit a lump sum to the markets, patience can be rewarded over the long term. Lump sum investment means that more money is being put to work for longer – the ultimate patient capital approach for those prepared to ride out the highs and the lows. Investing in 7IM Balanced Fund at the end June 2007 won't have broken even until Q4 2009, but is up 59% over 10 years to end June 2017." Source: Bloomberg.

Drip feeding versus lump sum investment: £10,000 versus equivalent amount 'drip fed' into the markets over 10 years (£83 per month)



Source: Bloomberg (end June 2007 – end June 2017). Past performance is not a guide to the future.

Rolling performance to 30 June 2017 (Source: Bloomberg)

30/06/2017	6 Mths	1 Year	2 Years	3 Years	4 Years	5 Years
7IM Balanced (C Acc)	2.86%	12.09%	8.11%	17.71%	28.20%	44.46%

4. **Active and passive – it doesn't have to be an 'either/or scenario'**

David Carroll said: "If you like a region, then you might like to consider investing money across two or three managers, using both passive and active managers as each style will perform differently over time and differing market cycles. 7IM use both strategies: for example, in the US, we are more likely to use passive managers for large caps, a market notoriously difficult in which to outperform, but are more likely to use active managers to access small caps."

5. **Rainy day money**

David Carroll said: "Have a clear plan of why you are investing and over what timescale – keep any capital you will need within three years in cash so that you will be able to ride out any lulls or falls in markets. Most investors realise that investment is for the long term, but it's much easier to stick to your guns if you have some rainy day money to fall back on."

6. **Country diversification – 7IM clients worried about the economic impact of Brexit**

David Carroll said: "It isn't just equity and asset class diversification that is important, but country risk too. Many investors would not dream of putting 80% of their portfolios in an India fund, but we would argue that the same caution should also be applied to any single country. Many of our clients are worried about the impact of Brexit on the UK economy. Most of us have jobs in the UK, our homes are in the UK – we are all over exposed to the UK already. When it comes to investments, it's important to diversify – and that includes away from developed markets, such as the UK."

7. **How long is long term?**

David Carroll said: “When it comes to equity investment, it really is a case of the longer, the better. But it is easier said than done, and new 7IM clients tend to say they are investing for 10-15 years, probably because psychologically it is harder to see much beyond that time horizon. But whilst 5 years should be the absolute minimum investment horizon, 10-15 is the more ideal minimum – and preferably longer.”

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 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.

WWW.7IM.CO.UK

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