

FOR IMMEDIATE RELEASE

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7IM PREDICTS 'BREXTENSION' BUT ALSO PREPARES TO PROTECT PORTFOLIOS FROM 'NO DEAL' AND SHOCK 'REMAIN' BREXIT OUTCOMES

Six-month countdown: Latest 7IM Brexit scenarios, probabilities and currency concerns

Britain's EU leaving date is now six months away, but **Seven Investment Management (7IM)** has predicted there is a 75% chance of a "Brextension" – with the divorce negotiations pushed back for talks to continue.

The "**Brextension – keep kicking the can**" outcome is considered by far the more likely of three Brexit scenarios that 7IM is considering as the investment manager seeks to safeguard client portfolios against market uncertainty and from large currency swings.

Ben Kumar, Investment Manager, 7IM, said: "Just over two years after the EU Referendum, the level of the FTSE 100 is around 20% higher and the economy is still growing, but Sterling remains close to recent lows, the domestic political situation is fragile and negotiations with the EU look no closer to a satisfactory outcome.

"As investment managers, we have to prepare for a range of scenarios and, in particular, to guard our clients from large moves in Sterling, in either direction. We try to look at the broad shape of the likely outcomes, and the implications for Sterling. With this we can then stress test our portfolios and see the impact of any large moves."

Scenario 1: Brextension – keep kicking the can (75% probability)

- The only agreement reached is to keep on trying to reach an agreement, extending the deadline for negotiations to continue.
- Existing trade terms and freedom of movement remain, but also uncertainty for businesses, investors and individuals.

Kumar said: "The weak UK government is only part of the reason for thinking this is the most likely outcome; the EU loves nothing more than to extend and postpone difficult situations. In this scenario the value of Sterling is likely to be driven as much by global affairs as by the progress on Brexit. Sterling exposure is less important here than the global picture for equities and bonds."

Scenario 2: No deal (20% probability)

- The UK exits the EU without a deal of any kind in place, transitional or otherwise. Negotiations may well continue, but the EU link is severed.

Ben Kumar said: "This is what will happen if both sides play hardball until it's too late. No deal is not as unlikely as it might seem. The Conservative Government might believe that any concession in the Brexit negotiations could result in a vote of no confidence, another leadership contest and a general election; the EU might struggle to achieve compromise simply because of the number of countries and interests involved. In this scenario Sterling would fall in waves as key dates go by with no agreement, and then plunge on the passing of the final 29 March 2019 date – perhaps a scale of movement similar to the immediate aftermath of the EU Referendum, of around 10-15%."

"Domestic UK equities would suffer, and even the more international large caps would feel pain. Global equity markets would shrug off the impact quite quickly, although European companies

could be more exposed. In a **No Deal** scenario, the foreign currency exposure in our funds could help – around a third of our Balanced portfolios are allocated to non-Sterling assets.”

Scenario 3: Shock remain (5% probability)

- Here, there is a sudden capitulation by the British government – or a People’s Vote - rejecting the deal – and the outcome is not very different to EU membership (or something akin to Norway’s deal with the EU).

Kumar said: “This seems unlikely. Progress towards some sort of agreement is going to be a drawn out affair, where the final outcome doesn’t become clear for a long time (**Brextension – Keep Kicking the Can**). Even the intermediate steps towards a change in attitude don’t remove the ambiguity. An announcement of a second referendum might well be seen as a positive, but the outcome would not be a sure thing. Similarly, a general election carries with it uncertainty.”

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 £14.3bn (more than doubling since 2013), and we have moved from 'basement' to 'Bishopsgate' in the City of London. There are now around 266 of us.

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 funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- 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 funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- 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

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