

FOR IMMEDIATE RELEASE

6 FEBRUARY 2018

GONG XI FA CAI: 7IM ON CHINA'S YEAR OF THE DOG - CRUFTS WINNER OR POORER POOCHES?

- **As the dog symbolises loyalty and responsibility, China enters a more environmental and sustainable growth policy**
- **Home or away – how might investors play to China's strengths?**

They might be man's best friend, but the poor pooch can have wider and more negative connotations. Yet as the Chinese New Year approaches on 16 February, the year of the dog is associated with honesty, faithfulness, and a strong sense of responsibility in the Chinese zodiac.

So it is fitting that the Chinese New Year coincides with a change of government focus towards improving its citizens' well being. The emphasis on growth is still there, but not at any cost – environmental and health issues are now coming into focus.

Camilla Ritchie, who leads on the **7IM Sustainable Balance Fund**, said: "China goes into the Year of the Dog with a more environmental and sustainable growth policy than it had last year. Blue skies over Beijing this winter is visible evidence of the effectiveness of a crackdown on air pollution, achieved by putting tight restrictions on heavy industry. Despite warnings that this would lead to a drop in the growth rate, overall economic growth has actually been reasonably well contained.

"Meanwhile, China has vowed to raise the portion of its renewable and non-fossil fuel power consumption to 15% of the energy mix by 2020 and there are plans to increase production of electric vehicles and ban combustion engine vehicles altogether. Geely Auto, the owners of Volvo Cars, has already said it will cease production of fossil fuel-powered vehicles by 2020."

China – pure play or via wider exposure?

7IM does not currently invest in any pure China funds, preferring instead to access China more broadly.

From a multi manager perspective, **Tony Lawrence, Investment Manager, 7IM** said: "While we don't feel the need to hold a pure-play China position right now, we do allocate to a range of bottom-up stock-picking fund managers who are currently savouring the opportunity set in China. The Mirae Asia Great Consumer Equity Fund in particular is always likely to have significant exposure to China due to focusing on companies that directly benefit from the increasing wealth in the Asian middle classes – a theme that is especially relevant for China. The fund currently has just under half its assets invested in China, with a particular focus on high growth technology companies."

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, 7IM added: "It's time again to celebrate the no doubt auspicious Year of the Dog. So is it going to be a Crufts winner of a year, or will we end up as poorer pooches by the end of it? Whilst last year was a champion year, we'll have to wait and see. But as China strengthens its position in the world economy, it is also the case that its markets still don't have, as yet, the pedigree of other leading indices, but equally are not the mongrels that some have made out to be. Equally, investors don't necessarily have to invest in China directly, but rather in the 'China effect' – in other words, companies, sectors and markets that are benefiting from China's extraordinary growth. From banking and finance, through to pharmaceuticals and retail, these can often be found closer to home - not least in the FTSE."

Ben Kumar, Investment Manager, 7IM said: "For the last few decades, China has been a country that has drifted on and off of investors' radars – occasionally there have been bursts of excitement (usually followed by fear), with long periods where China was largely ignored. Mainly, this was due

to its closed nature – for all the economic pull it had on the world from around the millennium, China remained politically distant from international affairs.

“That situation has changed, though. Chinese markets are slowly opening up to foreign investors, the Chinese government has joined the global political scene, and Chinese citizens are buying OUR goods, rather than the other way round.

“We believe that the next 12 months for China are likely to see some volatility, as the government keeps undertaking structural reforms. Whilst these reforms are likely to be positive for a more sustainable level of growth over the long term, there is always the potential for short term negative surprises – whether in the equity markets, the property market, or perhaps some political disruption in some of the less well-developed provinces.

“Our exposure to China, outside of our multi manager funds, comes through the MSCI Emerging Market Index; China is 30% of this, and is likely to keep growing. Chinese equities have been incredibly strong performers over the last twelve months (with the consumer technology stocks such as Alibaba and Tencent seeing large gains), and we see no reason to be overweight the benchmark. We will be paying close attention to Chinese equity markets over the coming year, and should that situation change, we might well consider adding a specific allocation.”

*The reference to specific funds or indices is not intended to be and should not be taken as a recommendation to invest in them.

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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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