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ALTERNATIVE WAYS TO WEATHER POTENTIAL STORMS: 7IM ALTERNATIVES EXPOSURE REACHES RECORD HIGH IN 2017

It's all about diversification, 7IM says, amidst low bond yields, political turmoil and hunt for defensive strategies that don't travel in same direction as the mainstream

Seven Investment Management (7IM) has increased its exposure to alternative strategies to their highest ever levels as it seeks alternatives that can generate stable, defensive returns. The hunt for uncorrelated strategies has been in response to high stock market valuations, low bond yields and concerns about political instability, fulfilled by last week's hung parliament election result.

For example, the **7IM AAP Balanced fund** has seen alternative strategies exposure increase from 2.5% at the start of 2016, moving to 5.5% a year ago, and up to 8% in May 2017. The previous peak was 7% in October 2011 during the Eurozone crisis and US debt ceiling crisis. These figures do not include 7IM's gold, infrastructure, private equity or property exposure.

7IM's move follows a key trend. Last week's [*European Asset Allocation Survey*](#) by **Mercer** showed pension funds raising their exposure to alternatives, amid expectations of tougher times ahead for financial markets.

Damian Barry, Senior Investment Manager, 7IM, said: "We have always been able to find interesting opportunities in the alternatives space and it continues to offer up options that are attractive in the current conditions. Last week's hung parliament suggests plenty more political turmoil lies ahead, vindicating our effort to search out regulated and liquid strategies that don't travel in the same direction as mainstream financial markets and are not so susceptible to negative political and economic events.

"We want our funds to offer private investors the same diversification options available to institutional investors, as well as the more traditional asset classes. Choosing the right alternative vehicle is key and we are looking at alternatives through the lens of defensive positioning. The challenge is that there is a huge array of investment strategies to choose from and many come with complicated portfolio construction. We believe that having a large and experienced investment team helps us pinpoint the best funds."

Alternative strategies

7IM has exposure to alternative investments via a range of strategies. A number of the funds have exposure to **UK Mortgages**, a closed ended investment company in the Sector Specialist: Debt sector. This is a fund which 7IM has supported since launch two years ago, with **Alex Scott, Deputy CIO, 7IM** pointing out that the company "has paid out a decent income along the way, offers a unique and robust strategy and offers lots of potential – having built up an attractive portfolio of assets over the last year or so, and secured very cheap debt against its assets."

In May and June 2017 **7IM** added to existing alternatives investments within the **7IM Asset Allocated Passive (AAP) Funds**. It invested 1% of the total value of its **Moderately Cautious** and **Balanced Funds** to the **AQR Managed Futures Strategy Fund**.

A further 1% of its **Balanced Fund** and 2% of the **Moderately Cautious Fund** were invested in **CS Risk Premia**, while 1% of the **Moderately Cautious Fund** was added to the **BNP Commodity Carry Note**.

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.

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