

FOR IMMEDIATE RELEASE

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DEAD CALM: COULD US STOCKMARKET VOLATILITY HIT 50 YEAR LOW IN 2017?

Next week will mark one year since Donald Trump was elected President of the United States. It comes at a time when the probe into his campaign team's links with Russia is stepping up a gear, with charges against two former aides now filed.

This week is a big week for President Trump, who is set to announce a new Fed Chair – who will take office in February, subject to Senate confirmation.

It's oh so quiet

Despite a tumultuous year for the US administration – with North Korea tensions another case in point – the S&P 500, over the year to date, remains 'dead calm'. **7IM research** suggests that if the S&P 500 continues in the same vein as it has in 2017 so far, volatility will be at its lowest in over 50 years.

Whilst this is no indication of *when* the financial weather will change, it could be seen as a reminder of how unusual current conditions are.

Alex Scott, Deputy Chief Investment Officer, 7IM said: "US markets saw periods of volatility in 2015 and 2016, but so far in 2017 we have only seen eight days where the S&P 500 moved by more than 1% in either direction. This is extremely unusual: we have to go back to the mid-1960s to see such conditions, to the period 1963-1965 when we saw three years of similar dead calm, with fewer days when the S&P 500 moved more than 1%.

"To put that into perspective, in the average year since 1950 there has been 49 days where the S&P 500 has moved more than 1%. This gives a good illustration of how unusual current conditions are. There is time yet for volatility to return, but if it does not, 2017 will stand (on this measure) as the least volatile year in over 50 years. Whilst there's no particular reason to suggest that today's period of calm will result in a dramatic correction – it is, at least, a useful reminder that nothing lasts forever."

Meanwhile, it's well over a year since the S&P 500 last experienced a 5% drawdown (or correction). There are only three periods before when the S&P 500 has seen a longer streak of trading days without falling 5% (a drawdown) going back to 1950 – twice in the mid-nineties and once in the mid-60s.

Alex Scott continued: "Theories abound as to why stock movements are so calm, but, as ever in markets, there is no definite explanation for precisely why what's happening is happening. Some point the finger at Quantitative Easing (QE), with central bank action dampening market volatility (why worry, if Draghi and Yellen have got your back?). Others suggest that investors are still under-risked, remain scarred by 2008 and wary of the next crash. As that fails to occur, and the equity market bears give up on waiting for disaster, there is a ready supply of buyers for every market dip, no matter how small.

"We might observe that markets are behaving in a highly unusual manner, but how does this help us? After all, today's record-low levels of volatility may be unusual, but conditions like this can persist long enough to be very painful for any investor who predicts a change of environment and positions for it much too early. We are already very familiar with this dilemma. Our portfolios are currently tilted somewhat towards a cautious stance, as we try to balance a fairly benign economic environment against rather demanding asset valuations. Observing today's dead calm in markets gives us no particular insight on *when* the financial weather will

change, but reminding ourselves how unusual current conditions are helps us to be prepared for the inevitable when it does come.”

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 £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 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.

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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