PRESS RELEASE

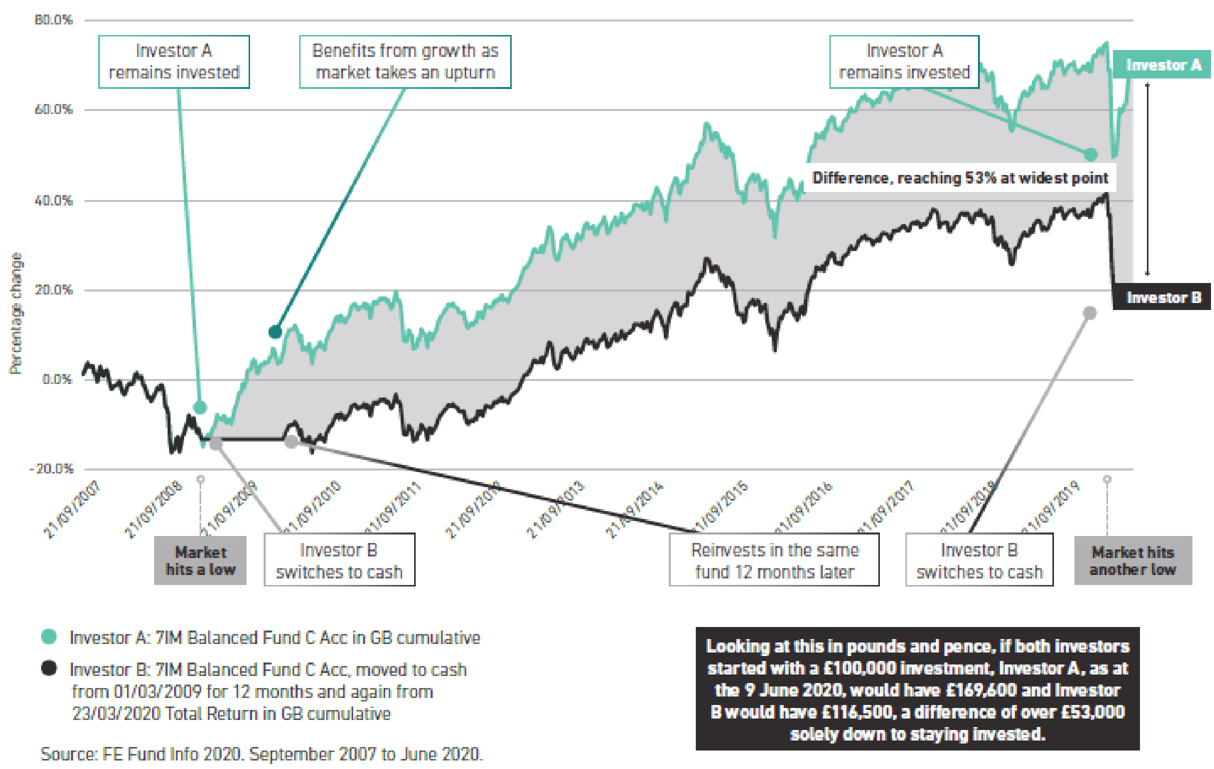
30July 2020

CASH IS NOT KING: CRISIS CASH MOVE LEFT INVESTORS £50,000 BEHIND THEIR FULLY-INVESTED PEERS

Retreating to cash during the 2009 market slump left investors £50,000 worse-off than their more patient counterparts, data from 7IM reveals.

A move to cash when large crashes occur is a common response in a crisis. But timing the market is hard, if not impossible. Ben Kumar, Senior Investment Strategist at 7IM believes that investors who hold their nerve will benefit most in the long run.

Switching to cash vs. waiting it out



NB: The above chart is based on past performance which is not a guarantee for future performance

Looking at the financial crisis in pounds and pence, if two investors started with a £100,000 investment, Investor A, as at the 9 June 2020, would have £169,600 and Investor B (who moved to cash) would have £116,500 - a difference of over £53,000 solely down to staying invested.

Kumar says: “The investment facts are clear. Moving to cash and trying to ‘time’ the market doesn’t work. No-one calls the top successfully, and no-one calls the bottom either. Stay invested. It sounds simple. It is simple. But for many investors, the simplest thing to do is often the hardest.

“Often the facts don’t matter to basic instincts. Moving to cash is always tempting, because the basic instinct in our heads is loss-aversion.”

The data would suggest however, that overcoming this fear during a market sell-off would have a significantly better long-term outcome for an investor.

Kumar adds: “In general, there are two particularly dangerous periods for people struggling to stay invested. The first danger period is when things start going wrong, like March of this year when coronavirus really started to be taken seriously outside of Asia. Sharp falls in the FTSE 100, and scary headlines created a perfect storm of fear and panic.

“At these times, it is understandable that investors want to sell everything – they may have lost money already, but it feels like the world is going to end.”

Kumar warned many investors could currently be faced with a more subtle danger period though.

“When things get back to where they were before the crisis, for investors who stayed the course through the pain and have seen their portfolios rebound, there always comes this bit of time. They start to feel relieved that the money wasn’t lost.”

This, he says, is when investors could start to panic about further falls and may again be tempted by the ‘safe option’ of selling down and moving to cash.

“Although markets are recovering, we are not out of the woods yet.

“Questions start to creep in, with people asking whether they should sell now, and buy back in lower down ‘when the market falls again’. Or they’ll ask whether the market has gone too far, and if now is the time to hold cash.

“Unfortunately, the economics don’t always matter when someone is scared. The desire to hold cash comes from a psychological place, not an economic one. Our view though is that abandoning a long-term investment plan due to short-term fears is, and will always be, a bad idea.”

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For further information, please contact:

Henry Chan
Head of Communications & Content
Seven Investment Management
Henry.Chan@7im.co.uk
0203 823 8696
07786 000 313

Adam Walmsley
PR & Social Media Manager
Seven Investment Management
Adam.Walmsley@7im.co.uk
0203 823 8727
07790 655 584

Notes to Editors:

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About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £14bn, and we have moved from 'basement' to 'Bishopsgate' in the City of London.

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. 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**.

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.

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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**.

In 2019, we launched **7IM Pathway**, a diversified range of passive multi asset model portfolios underpinned by our robust Strategic Asset Allocation (SAA) process. The Pathway Model Portfolios differ from our traditional offering and are built purely using a streamlined version of 7IM's robust (SAA).

The 7IM funds and Model Portfolios are available through the 7IM Discretionary and Platform 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, the Jersey Financial Services Commission and the Guernsey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.