

PRESS RELEASE



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7IM: 'ASIAN HIGH YIELD BONDS MUCH SAFER INVESTMENT THAN RETURN SUGGEST'

Investors should not ignore Asian high yield bonds as they are much safer investments than their generous returns suggest, says Haig Bathgate of Seven Investment Management (7IM).

At present, the interest paid on Asian high yield corporate bonds is much higher than other emerging or developed market bonds.

Typically, the higher the interest rate paid by a company, the more likely it is to default and swallow up investors' money in the process.

However, Bathgate, Head of Portfolio Management at 7IM, believes Asian corporate debt is actually a much safer bet at present than many other countries, including the US.

He says: "When you invest in credit, you are lending money to companies that pay you interest. The higher the chance the company will default, the more interest you earn.

"But while the interest being paid by Asian high yield companies is generous, we believe they are far less likely to default than their high yields suggest."

He adds: "One reason we like this asset class is that China is a large component of the [Asian] index. China has handled the global pandemic very well and should recover more quickly, making its companies less likely to default.

"By contrast, we do worry about the US high yield sector, since many of its companies might be vulnerable if Covid-19 continues rampaging through the south and west."

Bathgate also believes the Chinese government has shown great willingness to help its firms weather the coronavirus crisis.

He adds: "The Chinese government is more likely to support struggling companies than those in the US or Europe, which also helps explain why its historical default rate on high yield has been so low.

"After weeks of research, we believe there is currently a strong case for investing in Asian high yield bonds.

7IM currently recommends the UBS Asian High Yield Fund, which has returned 1.2% over the past three years.

Bathgate likes the fund because he believes it will deliver "robust returns" over the long term.

Other Asian high yield funds he likes include PIMCO GIS Asia High Yield and Allianz Dynamic Asian High Yield.

Ends

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Notes to Editors:

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.

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.

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