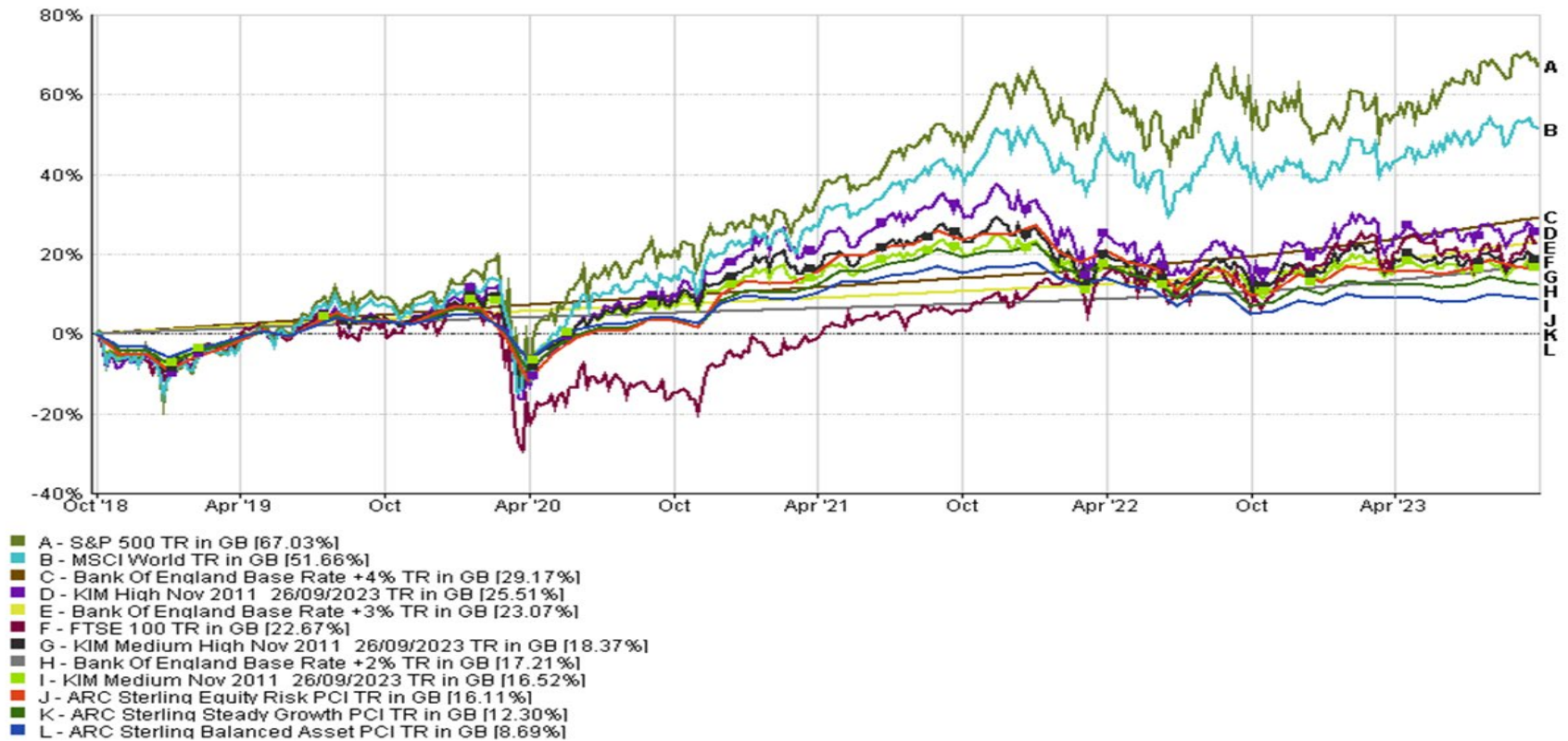


# Agenda

- Speakers
  - Patrick McIntosh
  - Ben Kumar - Head of Equity Strategy in the Investment Team at 7IM
  - Julian Jessop – Independent Economist
  - Q&A
  - Buffet Lunch

# How are we doing?

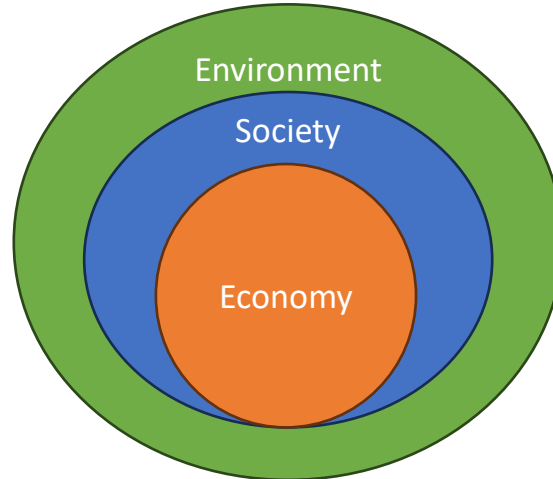
Customise Columns (1st October 2023)	3yr	5yr
Portfolio : KIM High Nov 2011	14.42	25.51
Portfolio : KIM Medium High Nov 2011	9.5	18.37
Portfolio : KIM Medium Nov 2011	8.72	16.52
Index : ARC Equity Risk PCI	12.09	16.11
Index : ARC Steady Growth PCI	8.34	12.30
Index : ARC Balanced Asset PCI	4.42	8.69
Index : S&P 500	39.57	67.03
Index: MSCI World	33.73	51.66
Index : FTSE 100	45.04	22.67
BM: Bank of England Base rate + 4%	18.04	29.17
BM: Bank of England Base rate + 3%	14.67	23.07
BM: Bank of England Base rate + 2%	11.36	17.21



28/09/2018 - 29/09/2023 Data from FE fundinfo2023

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# Systems Thinking



# Fear of change and new inventions

- Dwight Eisenhower's Advanced Research Projects Agency – Internet
- Robert Hooke 1665 New Scientific Instruments – “adding of artificial organs to the natural”

# Silent Spring – Rachel Carson

- American marine biologist, writer, and conservationist whose influential book Silent Spring written 61 years ago sold over 12 million copies
- Credited with advancing the global environmental movement
- Excellent podcast about Donella Meadows who pursued environmentalism at Harvard and the principles of sustainability and taught “systems thinking”  
<https://www.bbc.co.uk/programmes/m001pt9w>

# Systems Thinking catching up - Have we now finally got the message?

- If you push nature beyond its ability to manage, we all suffer - lesson first taught by Greeks and Romans – we are painfully slow to respond
- Politics – Truss & Kamikaze attempted the impossible through economic naivete
- Banking – 2008 financial collapse nobody understood interconnectedness & can't lend to those that can't pay
- Monetary policy – worryingly huge amounts of money pumped into system & difficulty of controlling through just fiscal and interest rate policy
- Health – poor diet “responsible corporations” promoting and food choices
- Pensions – state pension - is it affordable?

# Covid

- Systems loops from Covid and outcomes for different sectors
- Lockdown & furloughing
- Positive – development of skills, gardening, music, zoom, takeaways – surviving
- Negative – demands on health services, death, debt & isolation
- Vaccines, medical science and healthcare – speed of development
- Economy and productivity – shown to be stronger than first thought

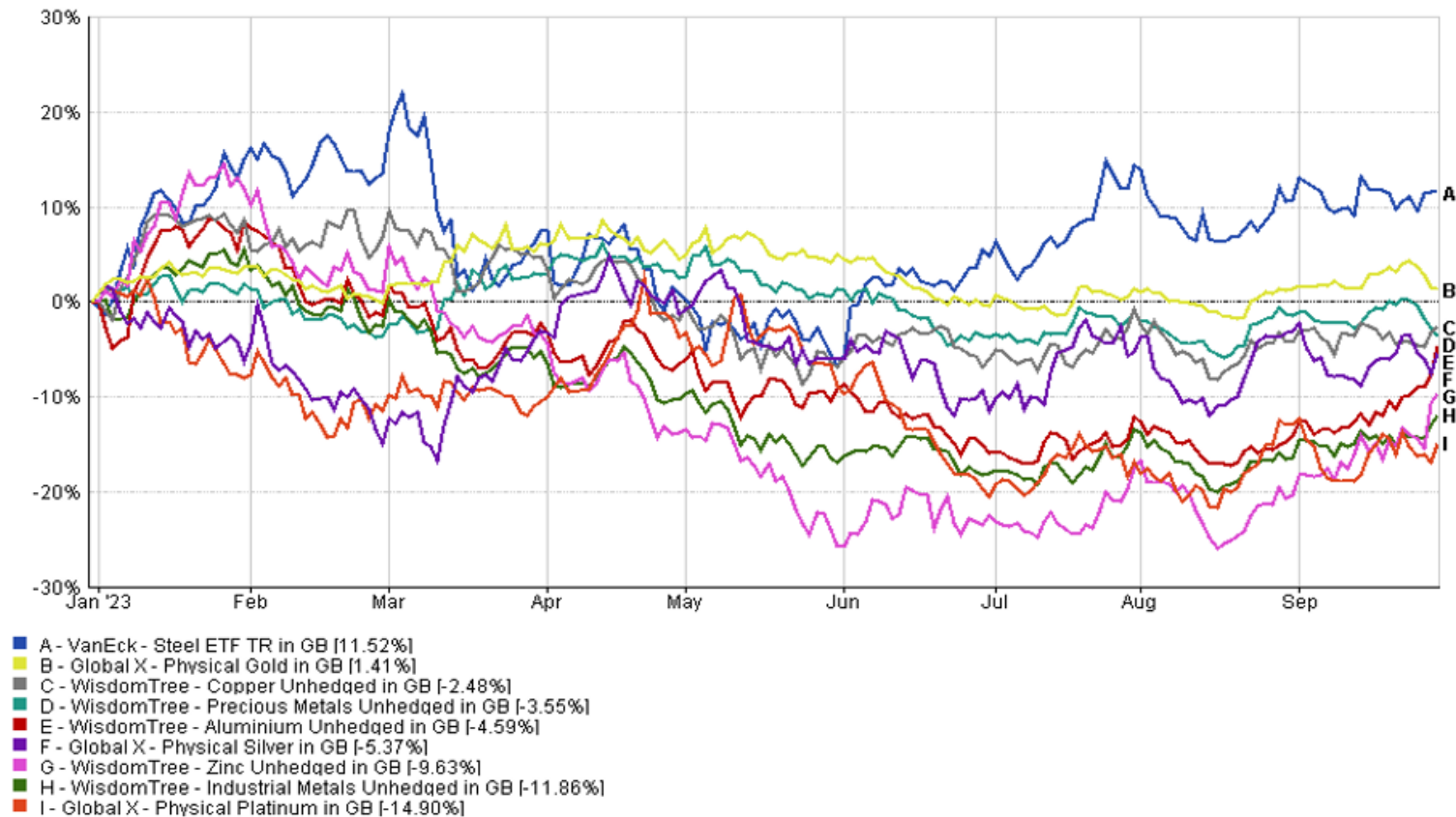


# The Future

- 48 years advising clients
  - Always looking to the future and the interconnected way we live
  - Choosing relevant corresponding investment themes
- Change is positive – as humans we meet all challenges including saving the planet
- AI, ChatGPT opportunity for mass improvement in education and positive outcomes
- Growth in raw sense at an end – US huge spending programme – bolster sustainability, energy, security and will filter through to improve the planet and your investment portfolio

# Upcycle, recycle, efficiency

## Metals Chart (YTD)



# Conclusion

- Price is what you pay; value is what you get
- At KMG we “Think in systems” and invest in the future. In time your portfolio will produce investment returns.



# Ben Kumar

Head of Equity Strategy in the investment  
Team at 7IM



**Abstract thought  
and imagination**

**Emotions and  
memories**

**Reliable but  
compulsive**



**Human / primate**  
(*neocortex*)

**Mammal** (*limbic  
system*)

**Lizard** (*reptilian  
complex*)





- Fast
- Short term
- Fear and greed
- Information overload
- Compulsive
- Copy others
- Instinctive





# Loss Aversion











Anchoring





# Endowment





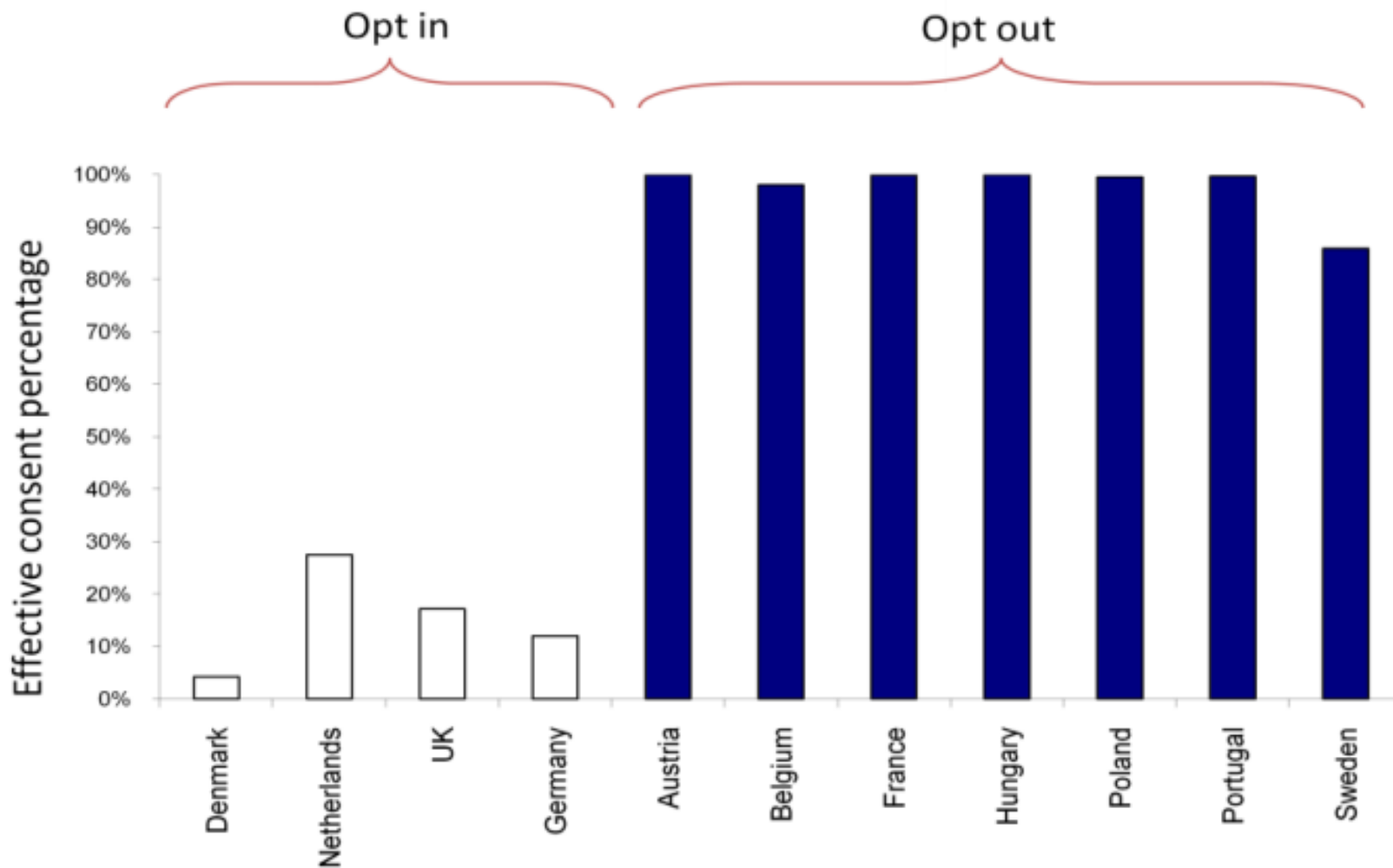




# Confirmation

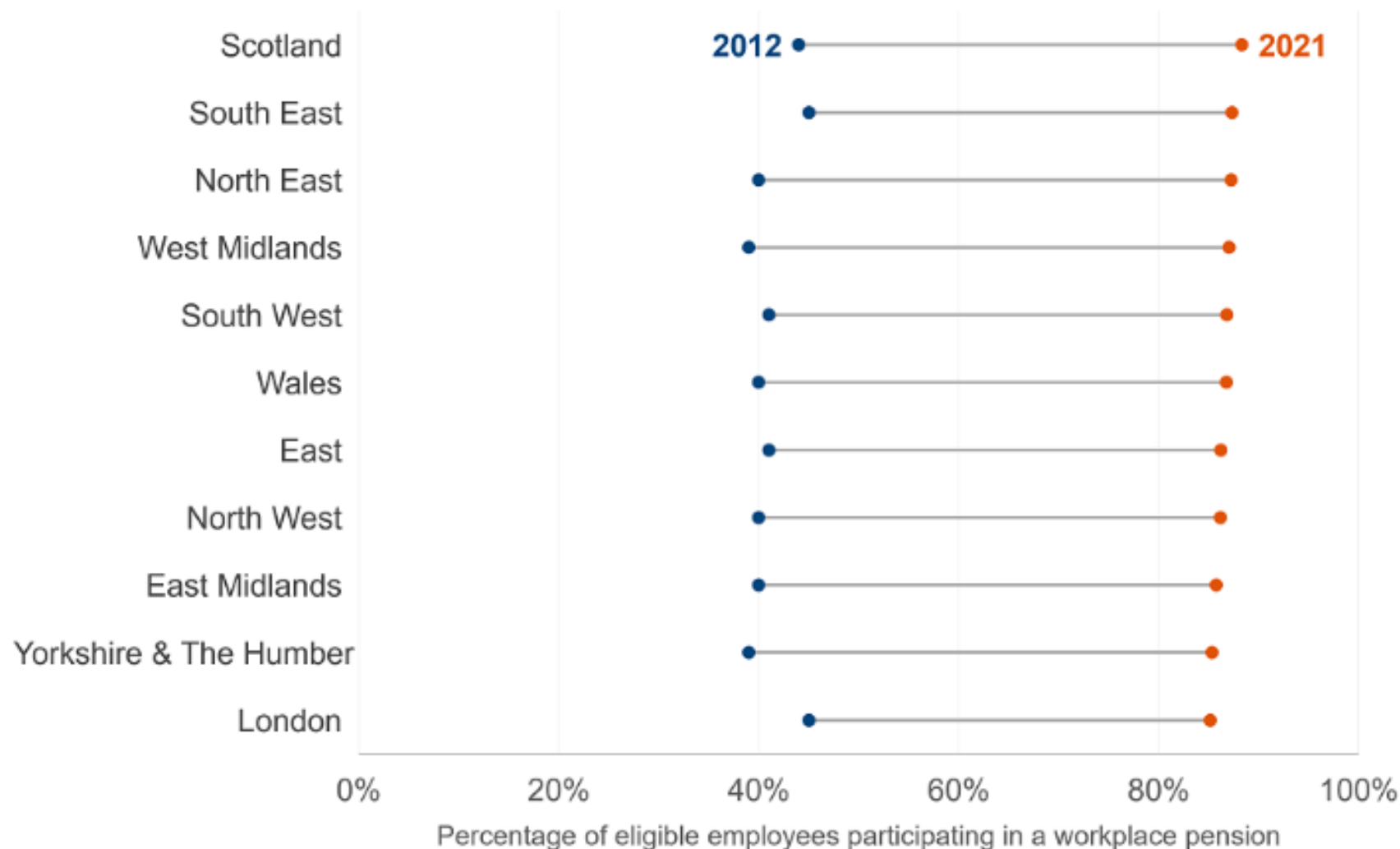


## Percentage of adults registered as organ donors



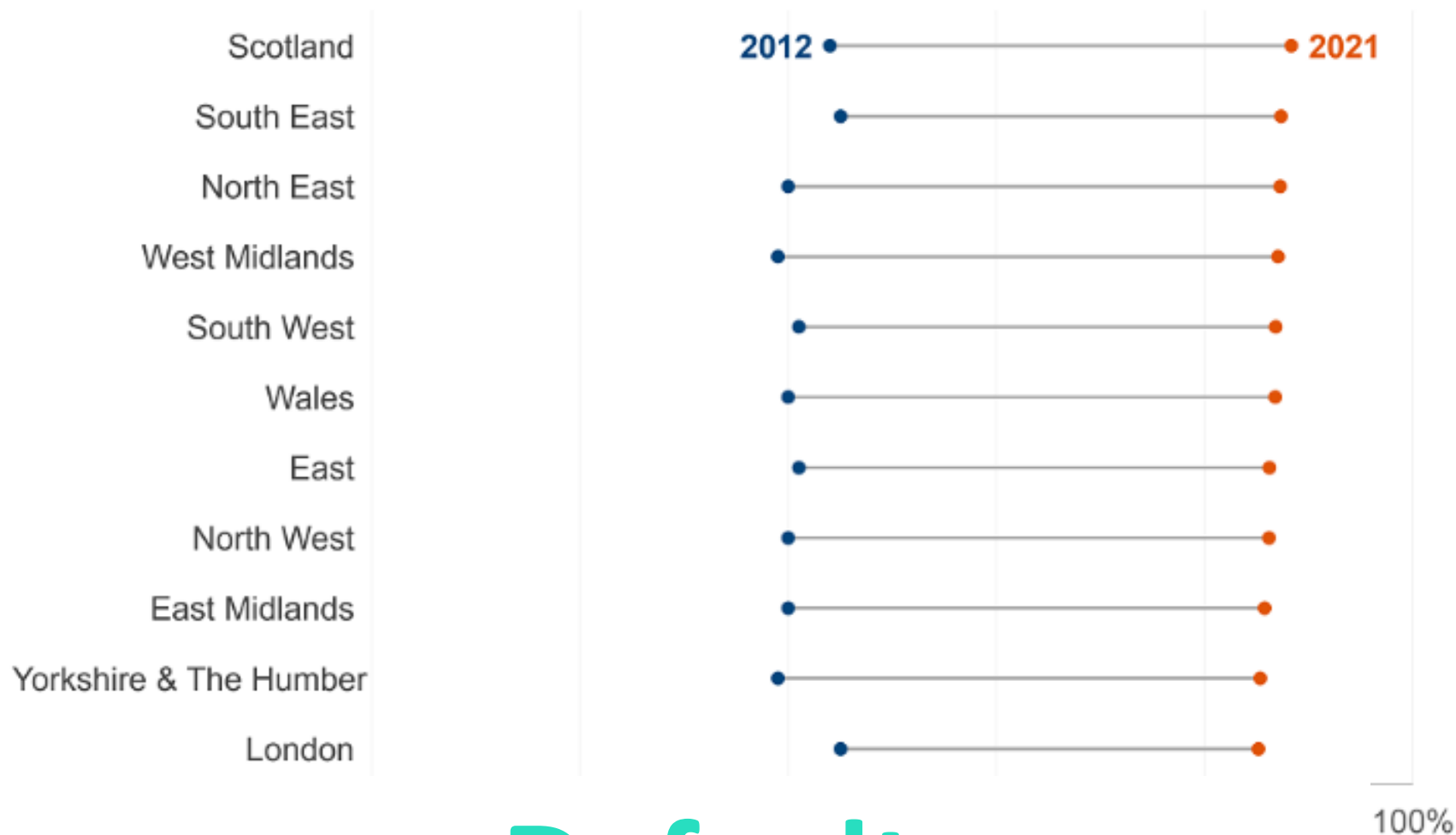
Source: *Mindspace: Influencing behaviour through public policy* (2010)

**Figure 2: Participation rates of eligible employees in 2012 and 2021 within the private sector for each GB region**



Source: DWP estimates derived from the ONS ASHE, GB, 2012 to 2021

**Figure 2: Participation rates of eligible employees in 2012 and 2021 within the private sector for each GB region**



Defaults









# Mere Exposure

THE OFFICIAL SOFT DRINK PARTNER



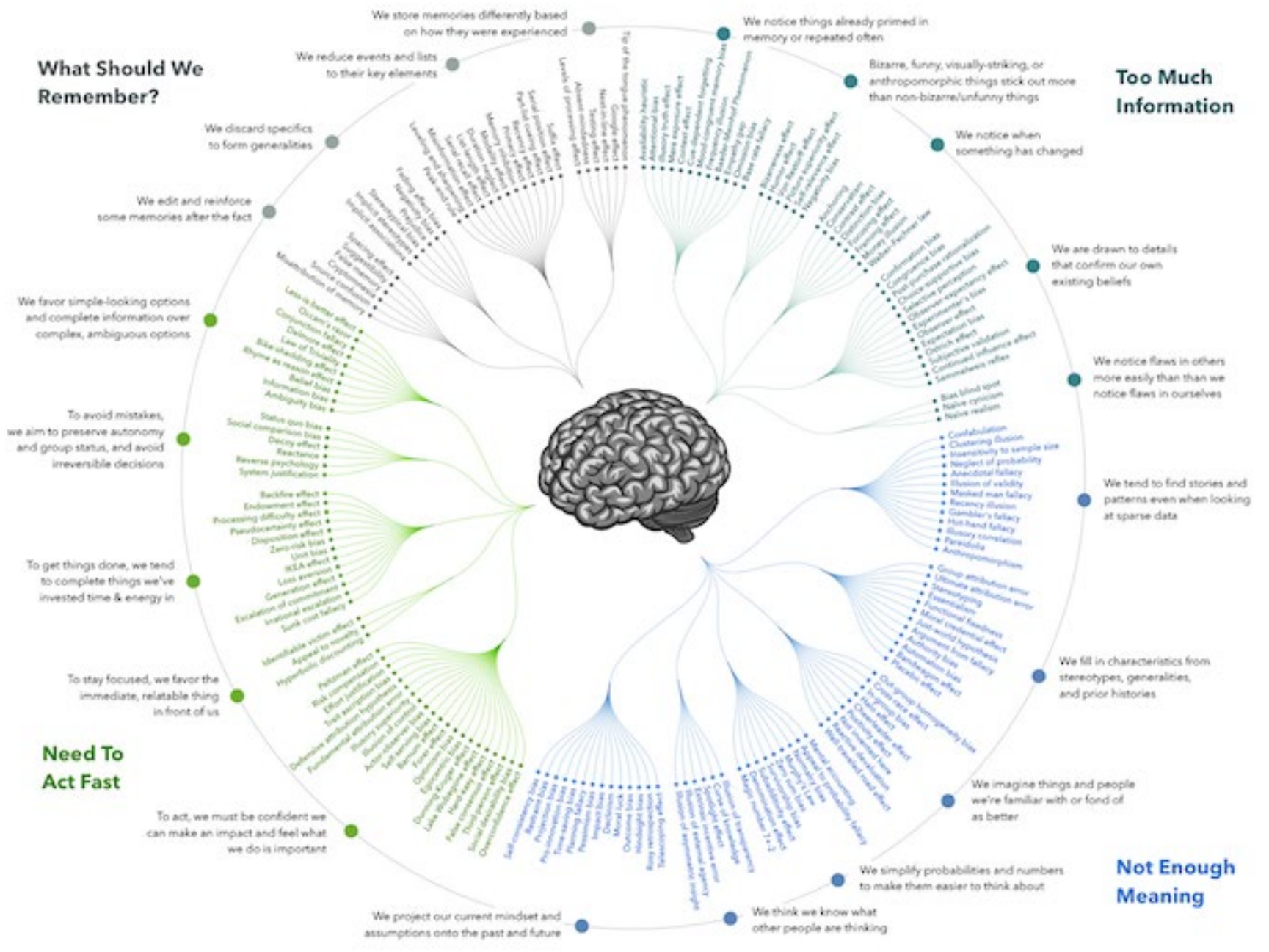
# COGNITIVE BIAS CODEX



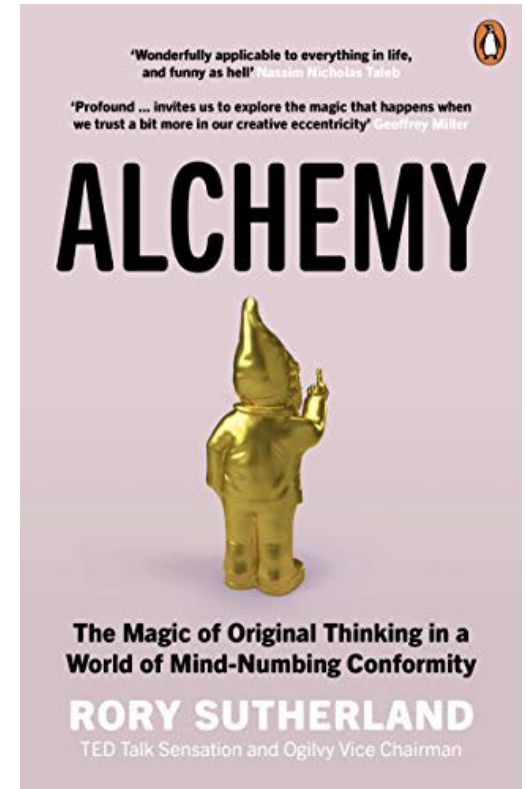
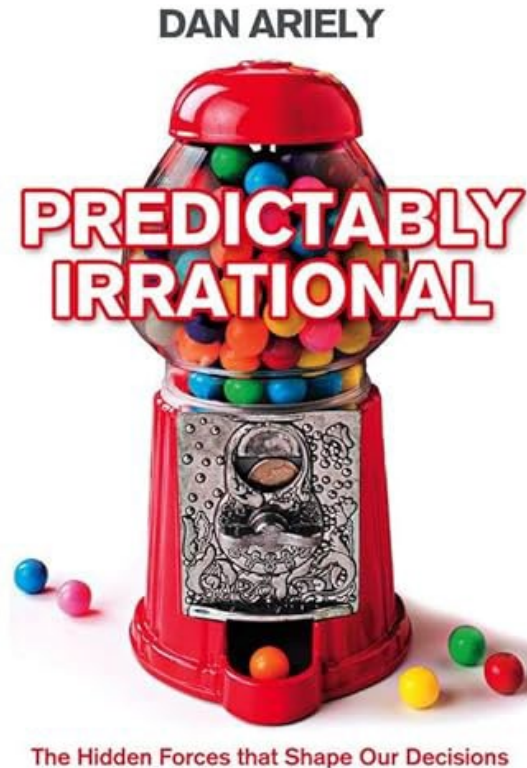
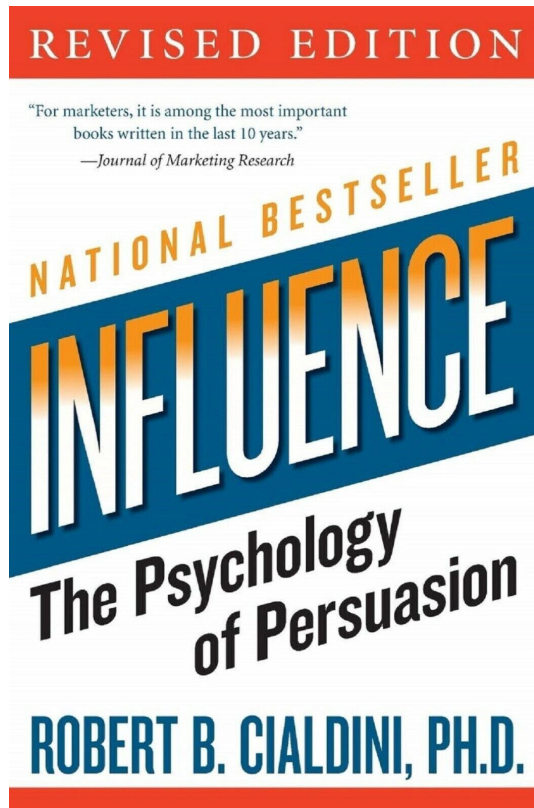
## What Should We Remember?

## Too Much Information

## Not Enough Meaning



# Interested?



# Thank you

**This presentation consists of 27 slides. You should be aware that the value of investments may go up or down and you may receive back less than you invested originally. Past performance is not a guide to the future. This presentation is for Professional Advisers only and is not to be provided to or relied upon by Retail Investors.**

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**7iM**



# **Economic Overview**

Julian Jessop

11<sup>th</sup> October 2023

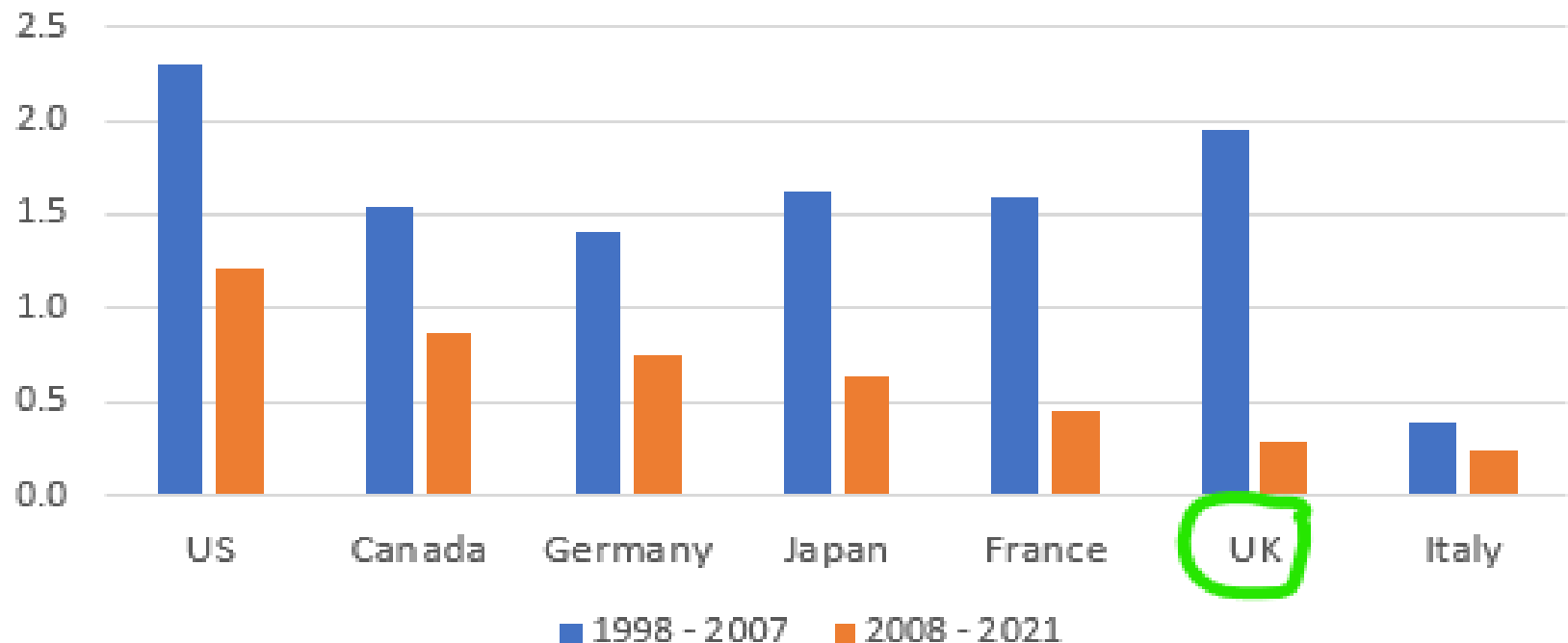
# 1. Outline

- Global themes
  - Stagnation or recovery?
  - Inflation or *deflation*?
  - Interest rates – peak or plateau?
- UK focus
  - What did we learn from the party conferences?
  - What will Labour do?



## 2. Stagnation or recovery?

Average annual growth in output per hour worked (%) (Source: ONS)



### 3. The importance of productivity

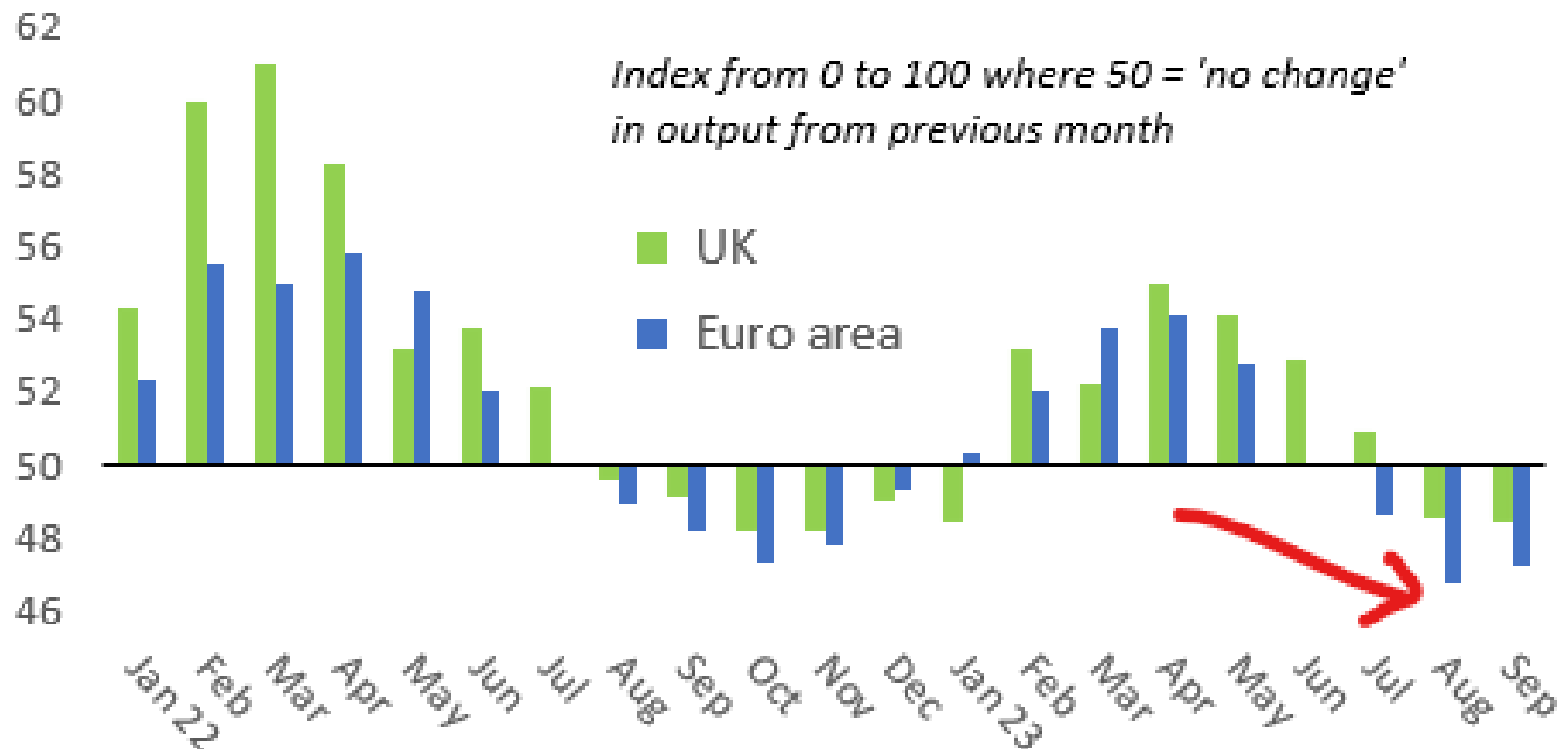
- *‘Productivity isn’t everything, but in the long run it is almost everything’* (Paul Krugman)
  1. Higher productivity means **higher wages** and allows people to work **fewer hours** for the same pay
  2. Productivity gains allow economies to grow without using more resources (so **‘good for the planet’**)
  3. Growth is the best way to increase **tax revenues** to fund vital **public services**

## 4. Two takes

- Pessimists think we're only at the start of a long period of 'secular stagnation'
- Headwinds here include deficient demand due to rising inequality, ageing populations, environmental constraints, and the unwinding of globalisation
- I'm more positive...
  - scope for productivity to catch up
  - new wave of gains from IT and AI
  - new ways of working

## 5. Near-term outlook is poor

Composite PMI Output Indices (Source: S&P Global)



## 6. Adjusting to higher interest rates



### Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 10/05/2023



## 7. Inflation or *deflation*?

- Monetary and **financial conditions** are now much tighter across the Western world
- Broad money and credit growth have collapsed
- Long-term interest rates still rising (Quantitative Tightening, crisis in US Congress, 'Bidenomics')
- Plenty of scope for **productivity** to recover
- Less positively: the example of **Japan**

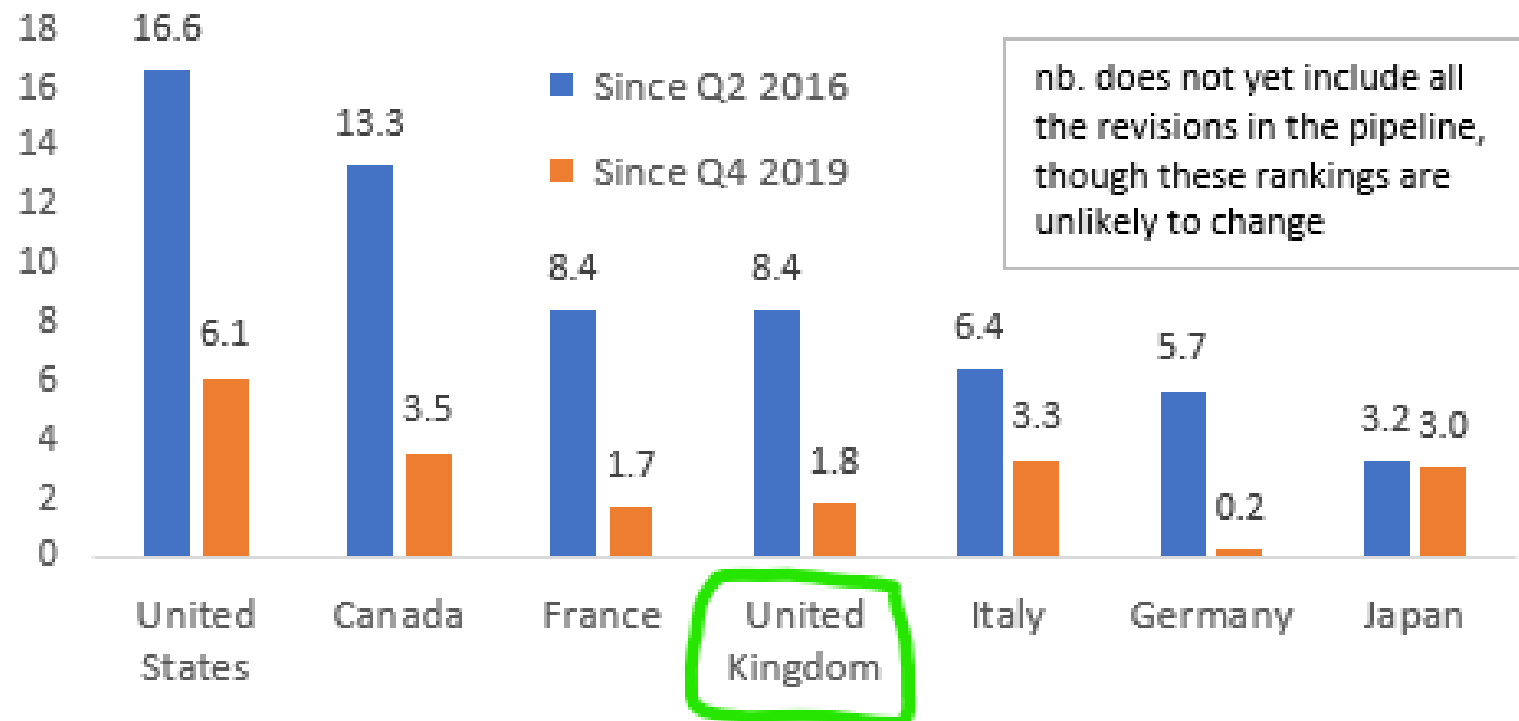


## 8. Interest rates – peak or plateau?

- Consensus is now ‘higher for longer’ (plateau)
- Seems premature to be talking of a ‘pivot’ to lower rates when policy has only just been normalised
- Central banks will worry about tight labour markets, and be wary of repeating the mistake of easing policy too much after the recent inflation shock
- But **inflation** is likely to fall more quickly, and policy is tightening in other ways
- My **guess**: rates will be cut sooner than most expect

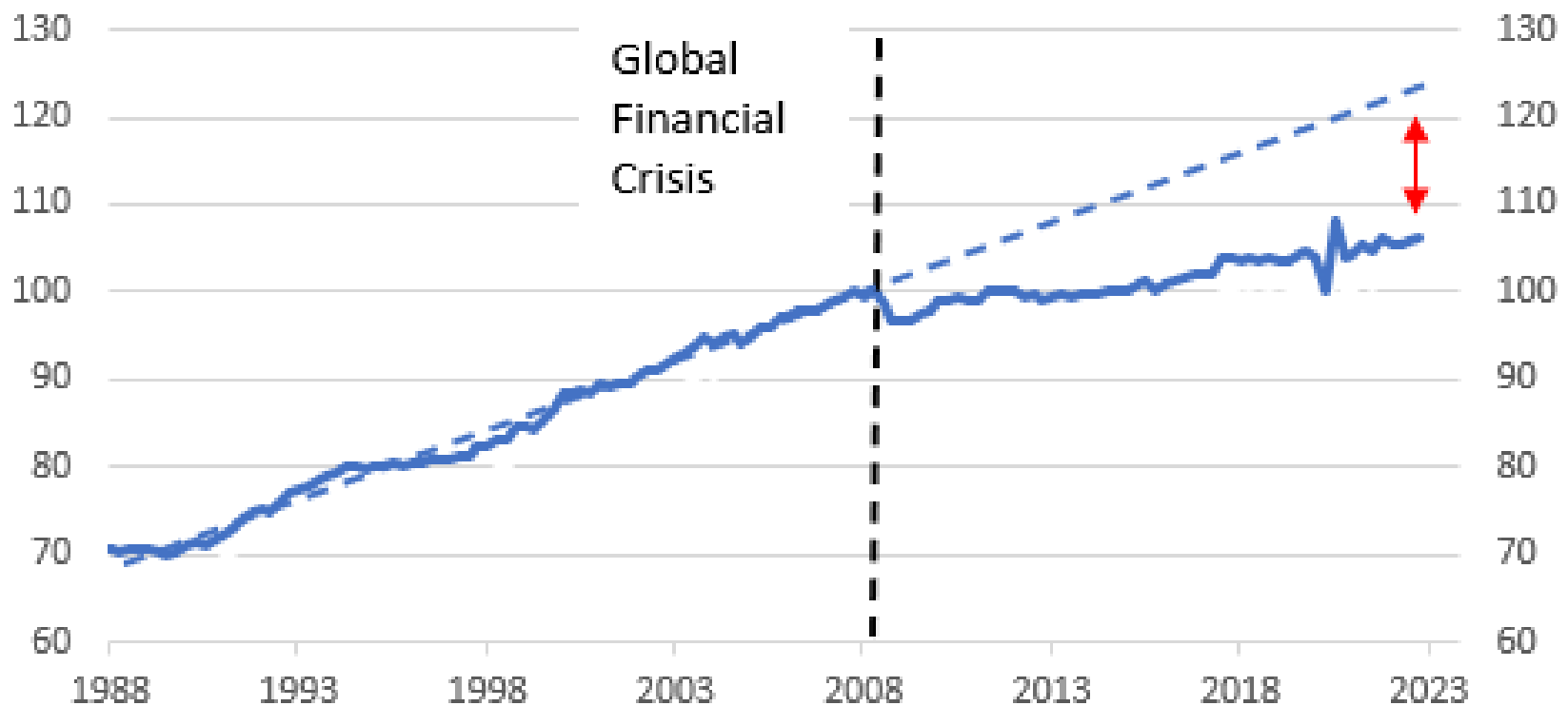
## 9. 'Brexit Britain' has not done quite as badly as many feared...

Cumulative Growth in Real GDP up to Q2 2023  
(%) (Data sources: ONS, OECD, Istat)



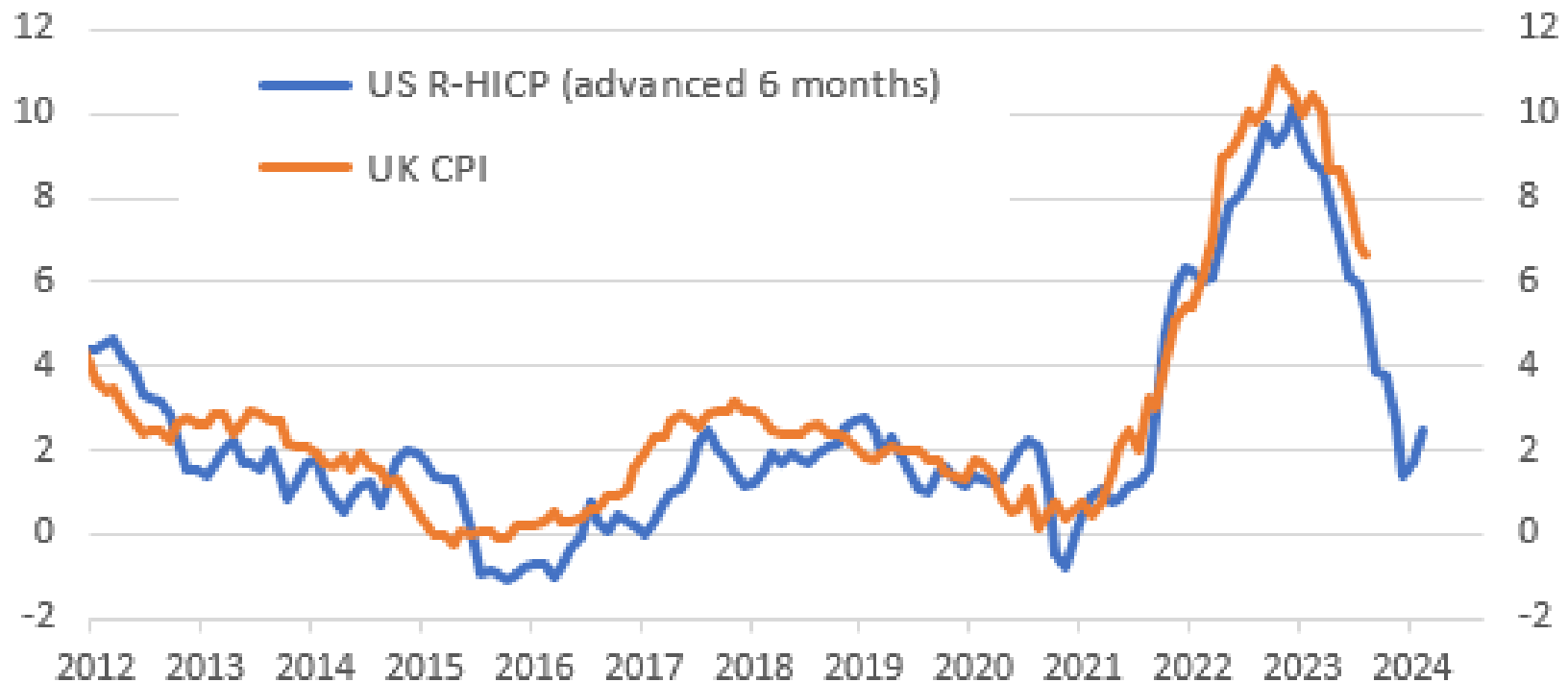
## 10. ... but there's still a productivity puzzle

UK Output Per Hour Worked  
(Index where 2007 Q4 = 100) (Source: ONS)



# 11. UK inflation will continue to tumble

Harmonised Measures of CPI Inflation (%)  
(Data sources: BLS, ONS)



## 12. What did we learn from the party conferences?



- Limited **fiscal space**
- Both parties would broaden the bases of *existing* taxes
- Alternative paths to **net zero**
- Raising the **smoking age**
- VAT on **school fees**
- IHT vs non-doms?
- Labour more ambitious on **housing**, investment, and NHS



## 13. Conclusions

- The worry list
  - the **boiling frog** problem
  - huge fiscal challenges
  - the **climate emergency**
- Reasons to be cheerful
  - opportunity to **reset after Covid**
  - prizes for solving the **productivity** puzzle
  - human ingenuity!

# Question and Answer Session

## Panel

Patrick McIntosh

Ben Kumar

Julian Jessop

Andrew Heath

Thank you for coming  
Please join us for lunch!

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