

**SHINING A LIGHT ON THE.....
7IM Real Return Fund**

AT A GLANCE

Investment Objective
The investment objective of the Fund is to seek growth in real terms over the medium to longer term. The Fund will aim to provide a total return, net of fees, that exceeds UK inflation (as measured by Consumer Prices Index-All Items) by 2% on average over a rolling three-year horizon. Capital invested in the Fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of rolling three year periods. There may be a moderate risk to capital. The Fund will have a flexible investment policy, allowing investment in transferable securities, money market instruments, units in collective investment schemes, deposits, cash, near cash, and derivative instruments including forward transactions in accordance with the FCA Rules.

Inception Date	30 th January 2012
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000NMM2

Management	
Manager Name	Start Date
-	30 th January 2012

FUND PERFORMANCE

Performance from 1st January 2016 – 31st October 2021

	2016	2017	2018	2019	2020	2021
7IM Real Returns Fund	11.52%	4.63%	-2.55%	5.76%	2.23%	0.35%
FTSE World ex UK	30.42%	13.45%	-2.68%	23.10%	14.15%	18.30%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
7IM Real Returns Fund	4.65%	2.20% p.a.	5.49% p.a.
FTSE World ex UK	32.21%	16.14% p.a.	14.26% p.a.

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
4.13	-	45.30	66.46	30.56	0.75	-3.55	Blend/Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	6.71%
3-Yr Mean Return (average)	2.20%

Investment Style Details	
Giant	0.44%
Large	2.18%
Medium	4.55%
Small	1.77%
Micro	0.33%

Top 5 Holdings		
J.P. Morgan Structured Products ...	-	8.27%
BlueBay Financial Cptl Bd K GBP ...	-	7.96%
MI TwentyFour AM Monument Bond L...	-	7.84%
Fulcrum Equity Dispersion F GBP ...	-	7.23%
BSF Global Event Driven I5 GBP H	-	7.12%

Top 5 Sectors	
Financial Services	35.82%
Consumer Cyclical	19.29%
Healthcare	10.31%
Communication Services	7.66%
Industrials	7.64%

Top 5 Regions	
United States	34.23%
United Kingdom	30.58%
France	4.79%
Israel	4.40%
Canada	3.48%

UPDATE....

This was a follow up to our meeting in February. The strategy aims to deliver CPI plus 2% after fees, with lower volatility. In reality this means the strategy should have been delivering between 1.5% and 3.0% p.a. Over five years the fund has delivered 2.29% p.a. which by their own admission is below the target. With higher inflation the target is now between 3.50% and 5.00%. They believe this will be achievable.

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We pushed further on whether they felt the pressure to catch up on lost returns, and the team explained that they only focus on the future rather than the past. This means that if the fund continues to lag its target, then the gap will get wider over time.

For investors the feeling is that this is less about the return but more about providing an alternative to equities that can protect on the downside. Effectively this should be seen as an insurance policy and viewed this way if the returns over 3 to 5 years are averaging 2 to 3%, and if it is providing that safety net then it is doing its job. Some may argue that that is not what they are promoting, and I think that is a fair debate.

To achieve this, they look to hold different styles of alternatives – alternative risk premia (long / short strategies across all asset classes), yield investments (mortgage-backed securities), real assets (Infrastructure) and directional investments (short-term opportunities e.g., dividend futures).

They believe that this is not a multi-asset strategy because it does not rely on equities and bonds to drive returns. Because they have the different blocks, they will all perform differently at different points in time, and this is what will drive the long-term returns. We talked about whether macro views come into this and although this is a consideration, it is only in terms of sizing the positions within the building blocks they use.

In summary, the aim is to deliver something that is not complicated and is an alternative to bonds and equities. We would add to our watch list. Our concern is, although we understand that this is effectively an insurance policy, if it doesn't deliver on its target return then is this the best insurance policy or are there others that do deliver on what they say?

The source of information in this note has been provided by 7IM and is correct as of October 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.