

7IM: Assessment of value

March 2020

For funds with an accounting period ending of 30th November 2019

AAP Range:

- 7IM AAP Adventurous
- 7IM AAP Moderately Adventurous
- 7IM AAP Balanced
- 7IM AAP Moderately Cautious
- 7IM Cautious
- 7IM AAP Income

Multi Manager Range:

- 7IM Adventurous
- 7IM Moderately Adventurous
- 7IM Balanced
- 7IM Moderately Cautious

7IM Sustainable Balance

Contents:

1. What is a value assessment?
2. Quality of service
3. Performance
4. AFM cost
5. Comparable market rates
6. Economies of scale
7. Comparable services
8. Classes of units
9. Summary

1. Introduction: What is a value assessment?

Last year, our regulator the Financial Conduct Authority (FCA), introduced new rules as part of its Asset Management Market Study (AMMS) to ensure the asset management industry acted in investors' best interests. As a part of these new rules, all authorised fund managers (AFM) such as 7IM are now required to carry out an annual assessment across their fund range to determine whether they are delivering value for money to investors.

In conducting our assessment, we enlisted Square Mile Investment Consulting & Research, an independent research firm, to provide input into our review.

This report will look to assess value according to the 7 pillars set out in the FCA guidelines.

1. Quality of service
2. Performance
3. AFM cost
4. Comparable market rates
5. Economies of scale
6. Comparable services
7. Classes of units

The funds which are included in this report all fall under our 7IM Investment Fund umbrella – our Multi-Manager and AAP fund ranges. This includes the following funds:

- 7IM AAP Adventurous Fund
- 7IM AAP Moderately Adventurous Fund
- 7IM AAP Balanced Fund
- 7IM AAP Moderately Cautious Fund
- 7IM Cautious Fund
- 7IM Income Fund

- 7IM Adventurous Fund
- 7IM Moderately Adventurous Fund
- 7IM Balanced Fund
- 7IM Moderately Cautious Fund

- 7IM Sustainable Balance Fund

The remaining fund ranges will be assessed in an additional report that will be published at a later date.

2. Quality of service

How are 7IM assessing value in relation to quality of service?

In appraising whether we offer good value when it comes to the quality of service we deliver, we have assessed both the quality of service we provide to our investors and also the quality of services we procure on behalf of them.

Quality of service assessment:

In conducting our assessment of the quality of service we provide, we have split our analysis into two broad areas – quality of fund management and the broader investor experience.

Quality of fund management:

Our analysis into the quality of fund management that we offer investors covers five areas which are listed below:

Investment Team structure and personnel. Our Investment Team is well-resourced with 15 investment professionals, many of whom have extensive experience in the industry and within the business. Each member of the Investment Team has clearly defined roles, responsibilities and accountabilities.

Philosophy. 7IM has always been clear about its investment philosophy, which is based on a number of key tenets:

- As investors we take a long-term approach
- Markets are not always efficient, and value can be added through active management
- No-one has perfect foresight, so in order to manage risk we favour well-diversified portfolios
- We seek to take the emotion out of investing so have built a process which helps to achieve this
- We are cost-conscious and seek to drive costs down where possible
- We collaborate with specialist third parties where their expertise is greater than our own
- We accept that we will not get everything right but are committed where we can to learn lessons from the past

Process. Our process is structured around our Strategic Asset Allocation (SAA), which provides a robust framework for each fund. The SAA is designed to meet each fund's long-term risk and return guidelines and is reviewed annually. In keeping with our philosophy on active management, we will also take tactical positions (Tactical Asset Allocation) away from our SAA in line with market conditions.

Fund Objectives. Our fund objectives are designed to provide investors with guidance. The objectives are clearly outlined in our documents however, we will be reviewing our documents to ensure that we are following the latest industry practice.

Transparency. We provide a high level of transparency on our funds. Detail of all the fund holdings and their weightings are clearly displayed and provided on a timely basis. This is further supported by regular market commentary from our Investment Team.

Broader investor experience:

In looking at the broader investor experience we deliver, we have looked at three key criteria:

Third Parties: We have assessed the quality of services that are provided by third parties. Our assessment found that all our suppliers are meeting the standards expected of them.

Client Feedback: We sought feedback from our investors regarding the quality of service we provide. The responses were largely positive but highlighted some room for improvement in certain areas such as our website.

Complaints: We looked at the volume of complaints received between December 2018 and November 2019. Over that period we received 91 complaints, with only a handful being directed related to the funds. On average, we took 23 days to resolve a complaint.

Conclusion:

Providing a superior service has always been at the core of how 7IM operates. Our board of directors concluded that overall, 7IM provide a good quality of service.

However, we do not wish to be complacent and recognise that there are areas for improvement and we have put in place a programme to review various aspects of the service we provide to our investors through the formation of a new Client Experience Team.

3. Performance

How are 7IM assessing value in relation to performance?

The regulator has asked 7IM to compare the performance of our funds against their stated objectives over an appropriate timescale. In reviewing the performance of our funds, we have assessed them against their investment objectives over the past five years and the Investment Association (IA) sectors to which they belong to determine whether they have performed in line with them.

7IM's investment philosophy and process is focused on long-term performance and the careful management of risks. It is guided by 7 over-arching principles:

1. *A long-term approach to investing is essential.* The majority of returns are driven by asset allocation and it is important to get this right
2. *We do not have perfect foresight.* We cannot predict what will happen tomorrow and so we ensure that portfolios are properly diversified.
3. *Financial markets are not always efficient.* We can add value through tactical tilts in portfolios
4. *Emotional responses can damage wealth.* Making decisions based on emotions can be damaging. We try to rely on experience, discipline and patience.
5. *Independence and openness is important.* We collaborate with specialist third parties where their expertise is greater than our own.
6. *Controlling costs is critical.* The impact of costs can be significant. We implement investments flexibly (active or passive) and are always striving to drive down costs.
7. *Learn lessons.* We are constantly reviewing and evolving our investment process.

We therefore believe that it is also important that 7IM's investment philosophy is taken into account when assessing value in relation to performance.

Our findings for each fund are outlined below:

7IM AAP Adventurous

The fund's objective:

The fund aims to provide capital growth. Performance may be compared to the IA Flexible Investment sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has provided a return ahead of the sector over the past five years when measured on a cumulative basis.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 98% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 85% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that the 7IM AAP Adventurous Fund has demonstrated good performance against its IA sector.

7IM AAP Moderately Adventurous

The fund's objective:

The fund aims to provide a return primarily by way of capital growth with some income. Performance may be compared to the IA Mixed Investment 40-85% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

While the fund has provided consistent positive returns, more recently, it has not always been able to outperform its sector.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 95% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 58% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively

in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors concluded that while the 7IM AAP Moderately Adventurous Fund has delivered positive cumulative returns, certain tactical investment decisions have meant that, more recently, the fund has not always outperformed its IA sector. As a result, action has been taken as outlined in the overall conclusion on performance below.

7IM AAP Balanced

The fund's objective:

The fund aims to provide a balance of income and capital growth. Performance may be compared to the IA Mixed Investment 20-60% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has provided a return ahead of the sector over the past five years when measured on a cumulative basis.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 95% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 75% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors concluded that while the 7IM AAP Balanced Fund has delivered positive cumulative returns, certain tactical investment decisions have meant that, more recently, the fund has not always outperformed its IA sector. As a result, action has been taken as outlined in the overall conclusion on performance below.

7IM AAP Moderately Cautious

The fund's objective:

The fund aims to provide a return by way of income with some capital growth. Performance may be compared to the IA Mixed Investment 0-35% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has not always been able to provide a return ahead of the sector over the past five years when measured on a cumulative basis. The fund has however, consistently delivered positive returns over the past three year period.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 95% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 58% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling 5 year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that while the 7IM AAP Moderately Cautious Fund has delivered positive cumulative returns, it has not consistently outperformed the sector and action has been taken as outlined in the overall conclusion on performance below.

7IM Cautious

The fund's objective:

The fund aims to provide a return by way of income with some capital growth. Performance may be compared to the IA Mixed Investment 0-35% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has yet to provide a return ahead of the sector at any point over the past three years when measured on a cumulative basis. The fund has however, delivered positive returns over 80% of the past 3 year period.

The Strategic Asset Allocation (SAA) of the Cautious Fund is deliberately designed to be more defensive than the IA Mixed Investment 0-35% sector, with significantly lower equity weight than the median in order to reduce the volatility. Whilst the product is in the IA sector, this should be borne in mind when comparing performance.

The fund was tactically overweight equities in 2015 during a period of market volatility, and suffered from an underweight to fixed income throughout 2019. We believe that the personnel changes and the accompanying improvements made to the investment and risk management processes has significantly reduced the likelihood of a similar situation happening again. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that while the 7IM Cautious Fund has delivered positive cumulative returns, it has not consistently outperformed the sector and action has been taken as outlined in the overall conclusion on performance below.

7IM AAP Income

The fund's objective:

The fund aims to provide income, while seeking to maintain capital over the long term (five years or more). Performance may be compared to the IA Mixed Investment 0-35% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has provided a return broadly in line with and marginally ahead of the sector over the last five years, when measured on a cumulative basis.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 95% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 81% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that the 7IM AAP Income Fund has demonstrated good performance against its IA sector.

7IM Adventurous

The fund's objective:

The fund aims to provide capital growth. Performance may be compared to the IA Flexible Investment sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has provided a return broadly in line with the sector over the last five years, when measured on a cumulative basis. Furthermore, the fund has remained consistent in providing positive returns year on year.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 98% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 58% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that the 7IM Adventurous Fund has demonstrated good performance against its IA sector.

7IM Moderately Adventurous**The fund's objective:**

The fund aims to provide a return primarily by way of capital growth, with some income. Performance may be compared to the IA Mixed Investment 40-85% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

While the fund has provided consistent positive returns, more recently, it has not always been able to outperform its sector.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 95% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 77% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors concluded that while the 7IM Moderately Adventurous Fund has delivered positive cumulative returns, certain tactical investment decisions have meant that, more recently, the fund has not always outperformed its IA sector. As a result, action has been taken as outlined in the overall conclusion on performance below.

7IM Balanced**The fund's objective:**

The fund aims to provide a balance of income and capital growth. Performance may be compared to the IA Mixed Investment 20-60% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has provided a return broadly in line with the sector over the last five years, when measured on a cumulative basis. It has stayed consistent in providing positive returns year on year.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 99% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 84% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that while the 7IM Balanced Fund has delivered positive cumulative returns, certain tactical investment decisions have meant that, more recently, the fund has not always outperformed its IA sector. As a result, action has been taken as outlined in the overall conclusion on performance below.

7IM Moderately Cautious

The fund's objective:

The fund aims to provide a return by way of income with some capital growth. Performance may be compared to the IA Mixed Investment 0-35% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has not always been able to provide a return ahead of the sector over the past five years when measured on a cumulative basis. The fund has however, consistently delivered positive returns over the past three year period.

The fund's Strategic Asset Allocation (SAA) has outperformed the sector over 99% of rolling five year periods since the inception of the SAA, and in general the tactical overlay has also been positive for returns. Overall, the fund has outperformed its IA sector on 81% of monthly rolling five year periods since inception.

There are two periods of poor tactical performance which are contributing to the decline in the rolling five year figures relative to the sector. In 2015, the portfolio was tactically too aggressive in a falling market, whilst in 2017 the portfolios were positioned too defensively in a rising market. Over the long term, we believe that our tactical decisions will add value to a fundamentally strong SAA process.

Conclusion:

Our board of directors believe that while the 7IM Moderately Cautious Fund has delivered positive cumulative returns, it has not consistently outperformed the sector and action has been taken as outlined in the overall conclusion on performance below.

7IM Sustainable Balance

The fund's objective:

The fund aims to provide a balance of income and capital growth. Performance may be compared to the IA Mixed Investment 20-60% Shares sector which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund has consistently delivered returns in excess of the sector, both on a rolling and cumulative basis.

The Strategic Asset Allocation (SAA) of the Fund has outperformed the sector over 99% of rolling five year periods since inception of the SAA, and the tactical overlay has also been positive for returns vs. the sector over the entire period. Overall, the fund has outperformed its IA sector on 66% of monthly rolling five year periods since inception.

Over the past few years, the environmental, social and governance (ESG) investment constraints have meant that some of tactical asset allocation decisions that have been implemented in other 7IM funds and led to underperformance have been avoided in this fund.

Conclusion:

Our board of directors believe that the 7IM Sustainable Balance Fund has consistently outperformed its IA sector.

Overall conclusion on Performance:

Overall, our board of directors believes that the majority of our funds have performed broadly in line with their objectives.

Over the last five years our Strategic Asset Allocation (SAA) has delivered strong returns. However, our Tactical Asset Allocation (TAA) and fund selection has at times led to periods of short-term underperformance against their respective IA sectors. Nonetheless, all the funds have delivered positive cumulative returns.

We have learnt from these lessons and have refined our investment process as well as bolstered our Investment Team with some senior appointments.

However, we do not wish to be complacent and have introduced further steps to strengthen our governance to ensure we regularly review our process with the view of helping our funds consistently perform in line with their objectives.

That said, we do not intend to change our investment philosophy and we continue to believe in the importance of diversification and taking a long-term investment view. This diversification and long-term investment view can help insulate our portfolios from sharp bouts of volatility markets can experience from time to time.

4. Authorised Fund Manager (AFM) costs

How are 7IM assessing value in relation to AFM costs?

The FCA has asked Authorised Fund Managers (AFMs) to compare the charges they levy against the cost of providing their services. In other words, we need to demonstrate that the charges paid by our investors are reasonable in comparison to the cost of the service they are receiving.

To assess whether our costs are reasonable and represent value, we have looked at our ongoing charge figure (OCF) of our primary clean 'C' share class of each of our funds, which is held by the majority of our investors. We have then compared these charges from our funds to the cost of all the funds within each of their respective sectors.

In addition, we have also reviewed all the underlying costs incurred in running the funds, including those provided by third parties. For example, authorised corporate director and depositary or trustee charges, audit fees, custody costs. We will also need to demonstrate that we are delivering value against these. In reviewing the additional costs incurred by the funds, the board of directors were satisfied that these were equal to the amounts actually paid.

AFM costs assessment:

7IM AAP Adventurous

OCF: 0.69%

Relative to all of the funds in the IA Flexible Investment sector, the fund has an OCF that is better than the sector median and in the second quartile.

7IM AAP Moderately Adventurous

OCF: 0.65%

Relative to all of the funds in the IA Mixed Investment 40-85% Shares sector, the fund has an OCF that is better than the sector median and in the top quartile.

7IM AAP Balanced

OCF: 0.62%

Relative to all of the funds in the IA Mixed Investment 20-60% Shares sector, the fund has an OCF that is significantly better than the sector median.

7IM AAP Moderately Cautious

OCF: 0.64%

Relative to all of the funds in the IA Mixed Investment 0-35% Shares sector, the fund has an OCF that is lower than the sector median and in the second quartile.

7IM Cautious

OCF: 0.79%

Relative to all of the funds in the IA Mixed Investment 0-35% Shares sector, the fund has an OCF that is marginally lower than the sector median and in the second quartile.

7IM AAP Income

OCF: 0.83%

Relative to all active funds in the IA Mixed Investment 0-35% Shares sector, the fund has an OCF that is marginally better than the sector median.

7IM Adventurous

OCF: 1.53%

Relative to all active funds in the IA Flexible Investment sector, the fund has an OCF that is higher when compared to the sector median.

7IM Moderately Adventurous

OCF: 1.44%

Relative to all active funds in the IA Mixed Investment 40-85% Shares sector, the fund has an OCF that is higher than the sector median.

7IM Balanced

OCF: 1.34%

Relative to all active funds in the IA Mixed Investment 20-60% Shares sector, the fund has an OCF that is higher than the sector median.

7IM Moderately Cautious

OCF: 1.32%

Relative to all of the funds in the IA Mixed Investment 0-35% Shares sector, the fund has an OCF that is higher than the sector median and in the third quartile.

7IM Sustainable Balance

OCF: 1.44%

Relative to all of the funds in the IA Mixed Investment 20-60% Shares sector, the fund has an OCF that is higher than the sector median and sits in the third quartile.

Conclusion:

7IM has always been conscious of costs. However, we also believe that being the cheapest does not necessarily mean that you are delivering value.

Having conducted our assessment on AFM costs, while our board of directors concluded that the majority of our funds are competitive on cost, we recognise that there is more that we could do.

As a result, we will be further assessing the costs and charges of our funds against comparable offerings to consider whether they are justified and appropriate, or whether they should be changed.

5. Comparable market rates

How are 7IM assessing value in relation to comparable market rates?

In determining whether 7IM offers value in relation to comparable market rates, we must assess the value of our charges objectively versus the market. In particular, we will be assessing the charges of each of the 7IM funds against a peer group of close competitors identified by an independent consultant.

Comparable market rates assessment:

Relative to their respective narrower peer groups, the funds within this assessment are priced at the more expensive end of their respective ranges and on this measure alone, it would indicate that we should review our costs and charges.

Conclusion:

When reviewing the cost of the 7IM funds against their respective peer groups alone, our board of directors concluded that action may be required across the range to ensure that 7IM's cost and charges remain competitive.

While we believe that being the cheapest does not necessarily mean that you are delivering value, we acknowledge that our costs could be more competitive against the various peer groups. As a result, we will be conducting a further assessment of the costs and charges of our funds as part of our Product Governance review.

6. Economies of scale

How are 7IM assessing value in relation to economies of scale?

As the number of investors or assets under management grow within a fund, we may be able to achieve economies of scale. We look at whether the savings achieved by the economies of scale have been passed on to investors.

Economies of scale assessment:

In determining whether we offer value in relation to passing on savings achieved through economies of scale we have looked at the 11 funds covered in this report. These funds form part of two ranges – the 7IM Multi-Manager Funds and the 7IM Asset Allocated Passive (AAP) Funds. Having a set of multi-asset class funds with similar objectives (albeit across different risk profiles), with the same investment engine (the Strategic Asset Allocation) enables the Investment Team to use economies of scale in the construction and management of each fund.

Treating all of the funds as a single portfolio of assets gives the Investment Team more time to carry out investment research and analysis, with less operational portfolio management at a fund-by-fund level, which we believe adds value over time to our investors.

The scale of our business and our relationship with third parties allows for use of operationally more complex instruments (such as futures, FX forwards, money market funds and structured products). This allows us to manage cost and risk, providing more flexibility and scope for us to again, over time, deliver value to our investors.

As the size of the 7IM funds has grown over the years, so has the skill and expertise within the Investment Team. This has enabled us to negotiate better terms with third party fund managers, as well as in some instances run in-house 'baskets' of stocks or bonds to gain the intended asset class exposure, rather than using other managers at additional costs.

Conclusion:

Over the years, 7IM has grown to a business looking after over £14.5bn of client assets (as at 30 November 2019). This scale has enabled us to achieve significant savings. Our board of directors have concluded that these savings have been passed on to our investors.

7. Comparable services

How are 7IM assessing value in relation to comparable services?

In this section, we consider the charges our investors pay when compared with other investors in similar or comparable funds.

As part of our comparison the regulator expects us to compare how our charges compare to investors in institutional mandates.

Comparable services assessment:

7IM does not run segregated mandates for any institutional investors that could be defined as 'comparable services' to the funds covered in this report.

However, the Investment Association, in their 'Guidance on PS18/8 Value Assessment and Reporting Requirements' paper, suggested that the definition of 'comparable services' could apply to any overseas domiciled funds 'with size, investment objective and policy similar to the fund being assessed'.

Despite being significantly smaller in size than their UK counterparts, 7IM have six Dublin domiciled funds that share similar investment objectives and policies which we have compared here.

The OCFs of the Dublin funds are slightly higher than their UK counterparts.

The difference in charges between the two is justified due to the Dublin funds being more costly to run as we are unable to benefit from economies of scale, as well as an extra layer of governance.

Conclusion:

As 7IM does not offer segregated mandates for institutional investors and because of the nature of the Dublin funds, our board of directors have concluded that our investors receive good value when assessed against comparable services.

8. Classes of units

How are 7IM assessing value in relation to classes of units?

7IM offers different share classes so we need to appraise the relative expense of the share classes that investors hold as some may be more expensive than others. As such, we need to determine whether investors are in the most suitable share class given their investment objective.

Classes of unit assessment:

The Retail Distribution Review (RDR), which came into effect at the beginning of 2013, triggered a wave of fund managers moving assets from bundled share classes to clean versions in an effort to create more transparency around fees.

Around this time, 7IM supported this development by converting all of its Discretionary assets, as well as those fund investments held directly with 7IM as opposed to via platforms, to the more transparent and lower cost clean C share class. Similarly, the majority of retail platforms that previously held bundled share classes also converted investors to the C share class.

However, certain distributors of 7IM funds continue to have access to the bundled D share class, where they have confirmed with 7IM that they are entitled to continue to receive rebates from fund managers.

Conclusion:

Overall, the board of directors concluded that vast majority of our investors are in the appropriate share class.

However, the board of directors recognised that some investors could benefit from being moved to the cheaper C share class. 7IM is able to confirm that we now have the authority to carry out share class conversions without express consent and have identified clients who we believe could be in cheaper share classes. We shall look to move them into the appropriate share class unless they inform us otherwise in the coming months.

9. Summary of the value assessment:

Our board of directors' overall conclusion was that in assessing value against the FCA's 7 pillars, 7IM provides good or reasonable value to investors in the 11 funds that are covered in the report.

However, we do not wish to be complacent and are of the mind-set we should always operate in the spirit of our recently revised culture and vision, which is centred around the following values:

1. We put our clients first
2. We listen and respond
3. We demand excellence
4. We do the right thing
5. We keep things simple
6. We value our people
7. We succeed together

With this in mind, we recognise that there is more that we could do for our investors and we will be taking the remedial actions outlined in the report so that we can deliver even better value to our investors.

Fund		Assessment Summary	Overall Assessment of Value
AAP	7IM AAP Adventurous	The fund, despite some recent performance headwinds, has generally delivered superior returns to the peer group over the medium-to-long term, at below average cost.	●
	7IM AAP Moderately Adventurous	The fund, despite some recent performance headwinds, has generally delivered superior returns to the peer group over the medium-to-long term, at below average cost.	●
	7IM AAP Balanced	The fund, despite some recent performance headwinds, has generally delivered superior returns to the peer group over the medium-to-long term, at below average cost.	●
	7IM AAP Moderately Cautious	The fund has underperformed the sector over the medium-to-long term due to its tactical positioning over the last few years, albeit it at below average cost.	●
	7IM Cautious	While the fund does not yet have a five year track record, it has underperformed the sector since launch due to it structurally holding lower than average equity exposure during a sustained period of market growth. As and when the current market cycle comes to end, the fund is likely to outperform the peer group, and at below average cost.	●
	7IM AAP Income	The fund, despite some recent performance headwinds, has generally delivered superior returns to the peer group over the medium-to-long term, at below average cost.	●
Multi Manager	7IM Adventurous	The fund, despite some recent performance headwinds, has generally delivered superior returns to the peer group over the medium-to-long term, at below average cost.	●
	7IM Moderately Adventurous	The fund has experienced some performance headwinds in the recent past, although it has generally delivered returns in line with the sector over the medium-to-long term, albeit it at higher than average cost.	●
	7IM Balanced	The fund has experienced some performance headwinds in the recent past, although it has generally delivered returns in line with the sector over the medium-to-long term, albeit it at higher than average cost.	●
	7IM Moderately Cautious	The fund has underperformed the sector over the medium-to-long term due to its tactical positioning over the last few years, albeit it at below average cost.	●
	7IM Sustainable Balance	The fund has consistently delivered superior returns to the peer group, albeit it at a significantly higher cost (which is being reviewed)	●

Key: ● Offers good value ● Offers reasonable value but action may be required ● Offers poor value and action required

For more information call 020 7760 8777 or visit www.7im.co.uk

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 number OC378740.

