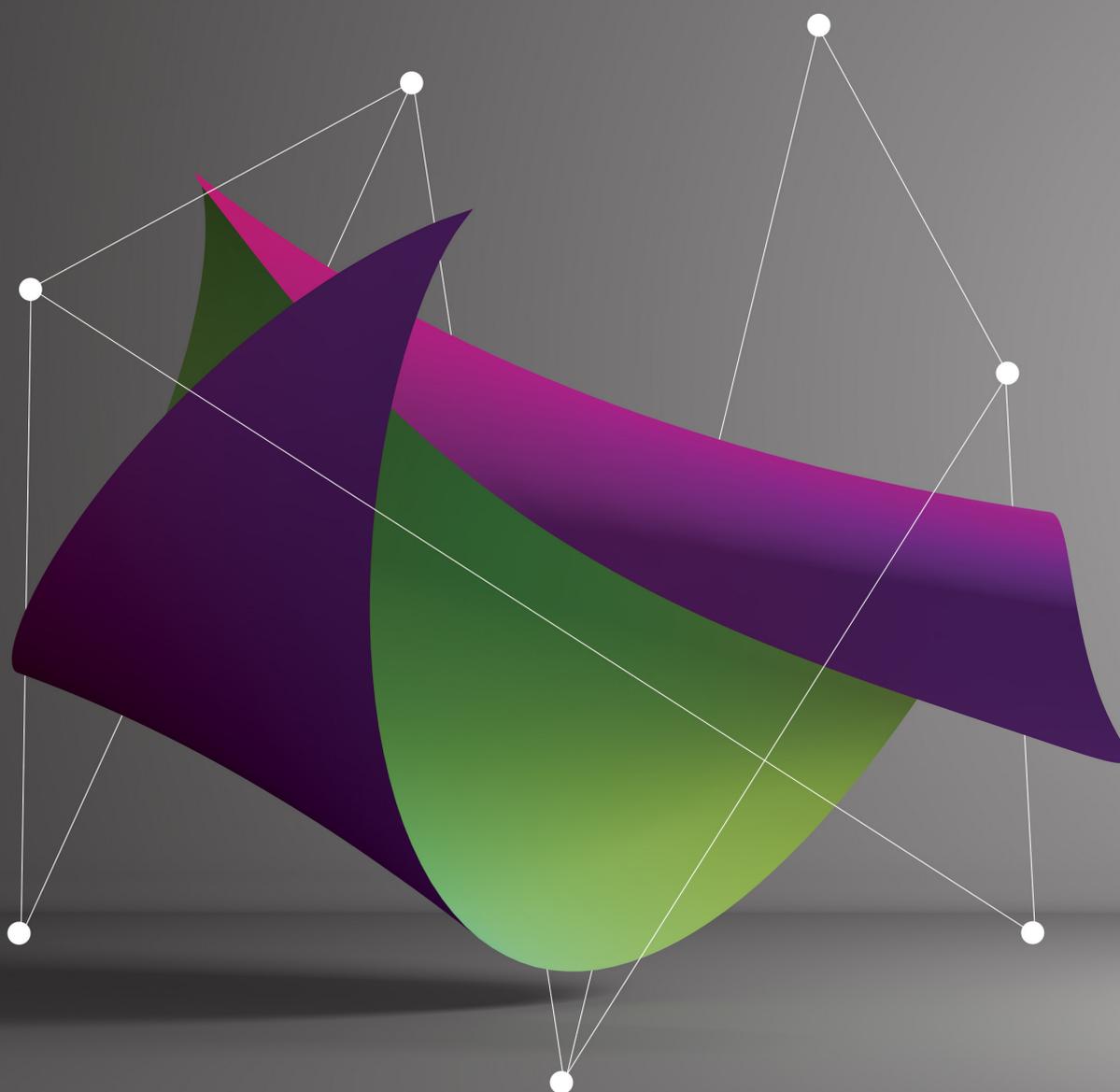


# 7IM: Assessment of value

September 2022



Succeeding together

7IM

For funds with an accounting period  
ending of 31 May 2022

### **7IM Specialist Funds**

7IM Personal Injury

### **7IM Opportunity Funds**

7IM Real Return

7IM Select Adventurous

7IM Select Moderately Adventurous

7IM Select Balanced

7IM Select Moderately Cautious

7IM Pathbuilder 1

7IM Pathbuilder 2

7IM Pathbuilder 3

7IM Pathbuilder 4

### **7IM ICVC Funds**

7IM Arden

7IM Matterhorn

7IM Mulgy

7IM Randolph Place Diversified

### **In termination**

7IM Absolute Return Portfolio

7IM Income Portfolio

7IM Capital Strategy

7IM CTAK CAPIV

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# Introduction

This year marks a momentous year for 7IM as we recently turned 20. And we wouldn't be celebrating this milestone if it wasn't for our clients, who have been with us every step of the way.

That's why we take our Assessment of Value so seriously. We believe these reports provide us an opportunity to regularly challenge ourselves on whether we are truly delivering value to our clients – something we feel is particularly important as the world, and our clients' circumstances continue to change.

Speaking of change, 2022 has once again proved Greek philosopher Heraclitus' words to be very true and that "change is the only constant". So far, we have had to deal with the escalating cost-of-living crisis, interest rates rising month after month, all change at 10 Downing Street, a Mini-Budget and the immensely sad passing of Queen Elizabeth II, all whilst the war in Ukraine continues to rage on.

Yet despite all the change, what we are focusing on at 7IM this year remains the same as when we were first founded 20 years ago – and that is to put our clients' interests at the heart of everything we do.

Acting in the best interests of clients has quite rightly been and will continue to be our absolute priority, and we believe it should be the priority for everybody within our industry. That's why we welcome and support the Financial Conduct Authority's decision to introduce the Consumer Duty, a new set of principles that requires all firms to demonstrate how they act to deliver good outcomes for retail customers.

Of course, even with our best endeavours, we recognise that we won't and don't always get everything right for clients. That's why we, as part of our Assessment of Value, continue to identify areas where we feel we are falling short of delivering good value to our clients and have outlined remedial actions accordingly.

We have also looked at how we conduct our Assessment of Value after the Financial Conduct Authority published a report last year detailing the key findings from their review of 18 Authorised Fund Managers' approach to the Assessment of Value. Following this review, we have evolved our own approach in the spirit of what the regulator is asking firms.

While we hope that this report will reassure you that we are delivering value to our clients – and where we are not, we are taking the right corrective actions – we, as ever, don't wish to ever be complacent and are always willing to listen and respond. With this in mind, if there are any areas you think we have overlooked or believe there are areas for further improvement, and you would like to share your views, then please email: [\*\*information@7im.co.uk\*\*](mailto:information@7im.co.uk)



A handwritten signature in black ink, appearing to read 'D. Proctor', with a horizontal line underneath.

**Dean M. Proctor, Chief Executive Officer, 7IM**

# A word from our Chief Investment Officer

When we survey the investment and economic horizon, the old Chinese curse 'May you live in interesting times' springs to mind.

While questions remain about the true origin of the saying, there is no question that the world we are living in is an interesting, and not to mention challenging, place.

Leading economies are sliding into recession, interest rates continue to ratchet up to combat stubborn inflation, stock and bond markets continue to fall in lockstep, and closer to home, sterling recently hit an "all-time low".

Any one of these developments might cause investors to feel rather uncomfortable. Combine them all together and it's easy to see why investors might be feeling increasingly anxious and for them to conclude that it's just not worth investing right now.

However, it's during these times of uncertainty that investment managers are offered the opportunity to demonstrate the real value they deliver to investors. As I've alluded to before, the best way to test how sturdy your investment vessel is and how skilled your crew is, is not when waters are calm, but rather when waters become choppy. Or in other words, while "a rising tide floats all boats" as legendary investor Warren Buffet summed it up rather neatly "... it's only when the tide goes out do you discover who's been swimming naked".

And once again, I'm tremendously proud of how we, at 7IM, have assessed and navigated the various obstacles, which have helped our portfolios continue to deliver positive returns over the long term for our investors.

A key component of our long-term success derives from our investment identity, to which we remained firmly anchored. Our identity won't ever change. We pride ourselves on being unashamedly conservative, we continue to - and will always - build properly diversified portfolios, and we refuse to follow investment fashions and instead, we remain focused on our clients' goals - meaning we will naturally be 'anti-fashion'.

It's this identity and philosophy, alongside our resolute focus on risk management, that has carried us since our inception, seeing us through the Global Financial Crisis, through the pandemic, and we are confident it will carry us through this current period of economic uncertainty.

As always, we will continue to remain flexible when needed, while staying faithful to our investment philosophy and identity, so that no matter how turbulent the waters may become, our clients can trust us to deliver real value for them.



A handwritten signature in blue ink, appearing to read 'Martyn Surguy'.

**Martyn Surguy, Chief Investment Officer, 7IM**

# Recap: What is a value assessment?

In 2019, 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.

**This report will look to assess value according to the seven pillars set out in the FCA guidelines:**



**1. Quality of service**



**2. Performance**



**3. AFM cost**



**4. Comparable market rates**



**5. Economies of scale**



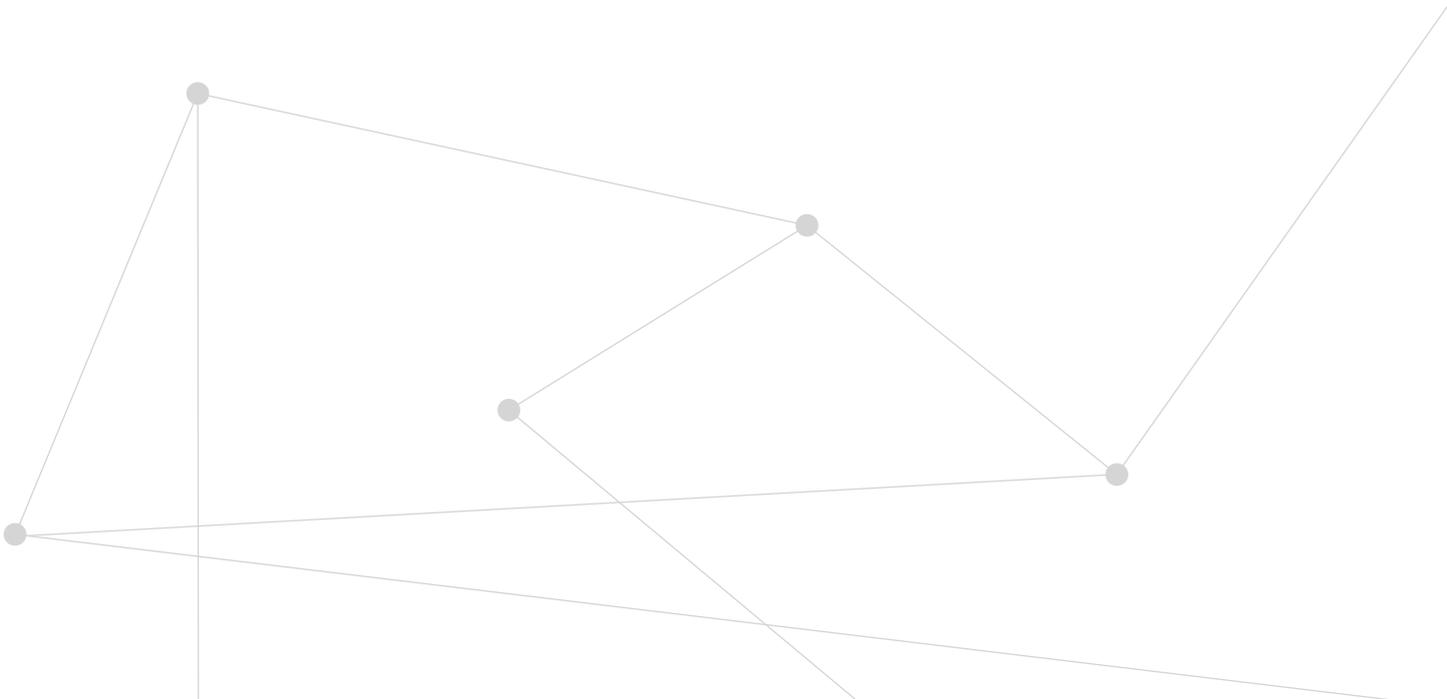
**6. Comparable services**



**7. Classes of units**

As with previous reports, our assessment of value has been conducted by 7IM's Client Experience Team to ensure the outcomes are fair and impartial. The findings from our assessment were presented to the 7IM board, who reviewed and validated the conclusions drawn. The 7IM board includes two Independent Non-Executive Directors who bring an external perspective and undertake a key role providing independent oversight and challenging the approach taken where necessary.

Our report in March of this year covered the funds in our Investment Funds umbrella – our Multi Manager, AAP and Sustainable Balance funds. This report covers the remaining funds across our Specialist, Opportunity and ICVC Fund umbrellas, with an accounting year end date of 31 May. This includes four Private OEICs that we manage for specific individual or family clients.



# Actions we have taken since our last report

In last year's report we identified a number of actions. We have since reviewed these areas and taken the following steps:

Action	Status
Carry out periodic private client and adviser surveys with third party research agency and learn from feedback	<p>To determine the quality of the service we provide our private clients, we participated in the 2021 UK Client Experience Benchmark Study, conducted by Aon.</p> <p>To better understand how we are viewed, across brand, proposition, service and communications by provide financial advisers that use 7IM, we commissioned Research in Finance to undertake a telephone survey in October 2021.</p> <p>The results from both surveys are being used to inform future strategy and shape our marketing and communication efforts.</p>
Launch new fund documentation production service with FE Fundinfo	<p>Following the launch of the new 'Fund Centre' on the 7IM website in December 2020, we completed the launch of our new fund documentation service, again working with FE Fundinfo.</p> <p>This ensures the timely and accurate publication of fund documents which can be accessed by investors via the Fund Centre on the 7IM website.</p>
Review / retender of third-party contracts	<p>Our review this year indicates that almost all third-parties are meeting the standards expected of them and that we have the right level of engagement with them.</p> <p>The only exception is one third-party, where we continue to experience some issues in terms of their turnaround time for responding to requests and other queries, but none of which affect investors in the funds.</p> <p>We have replaced KPMG with BDO as our auditors for 2021 and will be carrying out further evaluation of Bloomberg to potentially replace Barra, whom our Investment Risk Team use for risk analysis.</p>

Action	Status
Submit 2020 Stewardship Code report for approval	 <p>The 7IM 2020 Stewardship report was submitted and in March 2022 we had confirmation that we had been accepted as a signatory of the Financial Reporting Council's UK Stewardship Code 2020.</p> <p>The team are working on the 2021 stewardship report which will be submitted before the end of October 2022.</p>
File first report as signatory of the PRI	 <p>We produced our first full PRI report in March 2021.</p>
Embed newly formed Culture & Sustainability Committee as a key part of the firm's governance structure	 <p>The 7IM Culture and Sustainability Committee has been established and is working with the business on implementing our corporate commitments as a key part of the firm's governance structure.</p>
Incorporate ESG data for our funds into investor-facing collateral	 <p>In light of the FCA's recent 'Dear AFM Chair' letter and Guiding Principles on sustainable disclosures, we are reviewing the design, delivery and disclosures we make on the 7IM Sustainable Balance fund to ensure that they are all in accordance with the Principles.</p> <p>We are also looking at the potential to provide ESG-related information on all of our funds through our fund documents.</p>
Commence ESG integration and decarbonisation into the SAA; offset and reduce corporate footprint	 <p>We have incorporated metrics around the ESG rating and carbon footprint of our portfolios into the standard reporting platform that we use as part of portfolio and risk management.</p> <p>In 2021 we commenced with our intended plan to de-carbonise our Strategic Asset Allocation (SAA). Our first step concentrated on equity and reducing the carbon exposure in the US equity portion of the SAA. Furthermore, we introduced a framework for measuring the emissions for our government bond and alternatives holdings and our next step will focus on other equity regions and credit markets.</p> <p>We have enhanced the fund due diligence process by sending every third-party fund manager a questionnaire which asks questions about the sustainability and ESG credentials of the manager, of the specific fund and how the manager addresses its Stewardship responsibilities through engaging with the underlying companies on ESG issues and how they vote.</p>

## Actions we have taken since our last report

### Continued

Action	Status
As part of 7IM's annual Product Governance review, assess costs and charges of funds against comparable offerings to consider whether they are justified and appropriate	 <p>In our annual Product Governance review of the funds in this report, we have assessed their costs and charges against the market. While some of the funds are priced more expensively relatively to the peer group, we concluded that they were priced appropriately.</p> <p>We will continue to monitor and review our costs and charges against our peers.</p>
Review the appropriateness of the IA 0-35% sector as a performance comparator benchmark for the 7IM Cautious Fund	 <p>In last year's report, we noted an action to review the appropriateness of the IA 0-35% Shares sector as a performance comparator benchmark for the fund. We have determined that while the fund is likely to underperform the sector in a rising market environment due to its lower equity allocation, it continues to be a suitable benchmark.</p>
Proceed with conversion of eligible holdings in bundled share classes to the corresponding clean share class	 <p>In order to proceed with converting eligible holdings in bundled share classes to the corresponding clean share class we were required to insert new wording into our fund Prospectuses stating that the Authorised Corporate Director (ACD) has the discretion to conduct 'mandatory share class conversions' on holdings without the investor's express instruction.</p> <p>We wrote out to all investors in 7IM funds informing them of this in December 2021, and then in January 2022 we wrote again to investors whose holdings we had identified as suitable to be converted, confirming that unless they told us otherwise, we would convert their holding by the end of March 2022.</p>
Write to distributors still receiving rebates asking them re-confirm that they are passing them onto the end investor	 <p>We have written to all platforms to whom we continue to pay rebates and received confirmation that they are passing them onto the underlying investor, as required by the FCA as a condition for rebates on legacy holdings to continue.</p>

Action	Status
Review ARC Sterling Steady Growth PCI as performance comparator benchmark for the 7IM Select Adventurous and 7IM Arden funds.	 To reflect a gradual increase in equity exposure in these funds' SAA, its performance comparator benchmark is due to be changed from the ARC Sterling Steady Growth PCI to the ARC Sterling Equity PCI.
Complete partial merger of 7IM Absolute Return Portfolio and 7IM Income Portfolio into a different 7IM fund, enabling its suspension to be lifted and to go into liquidation	 The merger of the funds has now been completed.
Consider potential actions to protect interests of investors in the 7IM Absolute Return Portfolio, 7IM Income Portfolio, 7IM Arden and 7IM Mulgy funds due to the presence of an illiquid asset, including possible remediation	 7IM have completed a remediation programme to provide financial redress for investors
Review the Pathbuilder fund range's investment objective, strategy and policy, as well as any possible addition of a performance comparator benchmark	 Completed – no changes required. IA sectors to be used as performance comparators for the purpose of this assessment.



# 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 four broad areas – quality of fund and risk management, the broader investor experience, relationships with third party service providers and Environmental, Social and Governance (ESG) issues.

## Quality of fund management

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

### **Investment Management Team structure and personnel – who manages our clients' money**

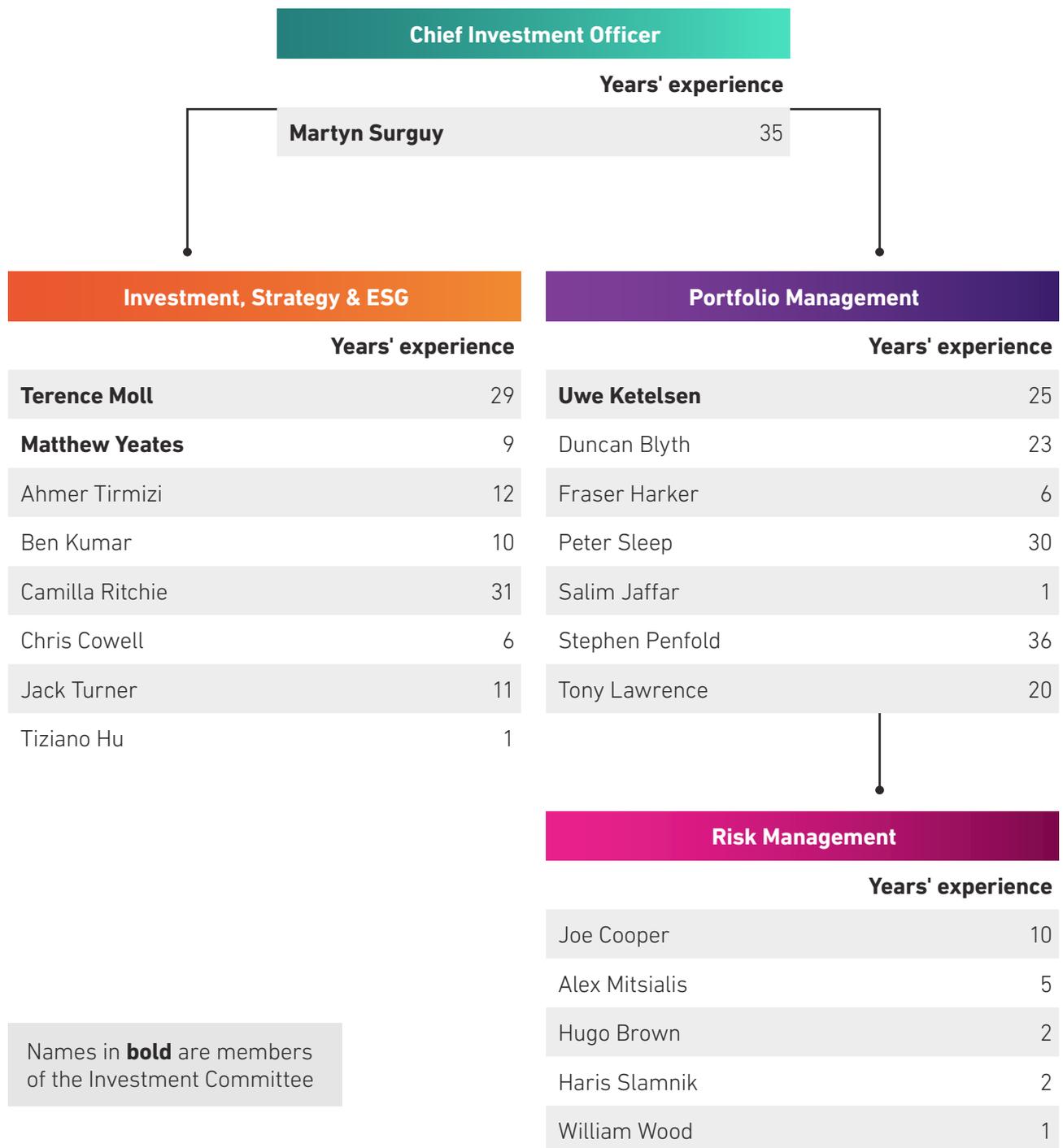
Our Investment Management Team is well-resourced with 17 investment professionals, many of whom have extensive experience in the industry and within the business.

One significant senior hire was made in 2021, with Uwe Ketelsen taking charge of the Portfolio Management Team. Another significant development was the promotion of Matthew Yeates from Head of Alternatives and Quantitative Strategy to Deputy Chief Investment Officer. To complement this experience, recruitment has been ongoing at a junior level to bring fresh ideas and expertise to the team, with three hires made in the course of 2020.

The result is that we have a far better mixture of quantitative and qualitative skill within the team. Furthermore, each member of the Investment Management Team has clearly defined roles, responsibilities and accountabilities.

## Quality of service

### Continued



## Objectives – what we want to deliver for our clients

### **1. Strong investment performance**

Our clients' goals are to preserve and grow capital. Steady inflation adjusted growth is key.

- Over the long term, our portfolios have consistently delivered excellent real returns

### **2. Managing risks in an uncertain world**

Our job is to take risk for our clients. Effective management of those risks is vital.

- Our robust risk management has worked when most needed i.e. Global Financial Crisis, Brexit, COVID

### **3. Communication, support and transparency**

One of our most powerful tools is our ability to talk clearly and honestly to our clients about what is going on.

- Communications throughout the COVID crisis has elicited consistently great feedback from clients

## Quality of service

### Continued

#### **Identity – what our clients should expect**

##### *Unashamedly conservative*

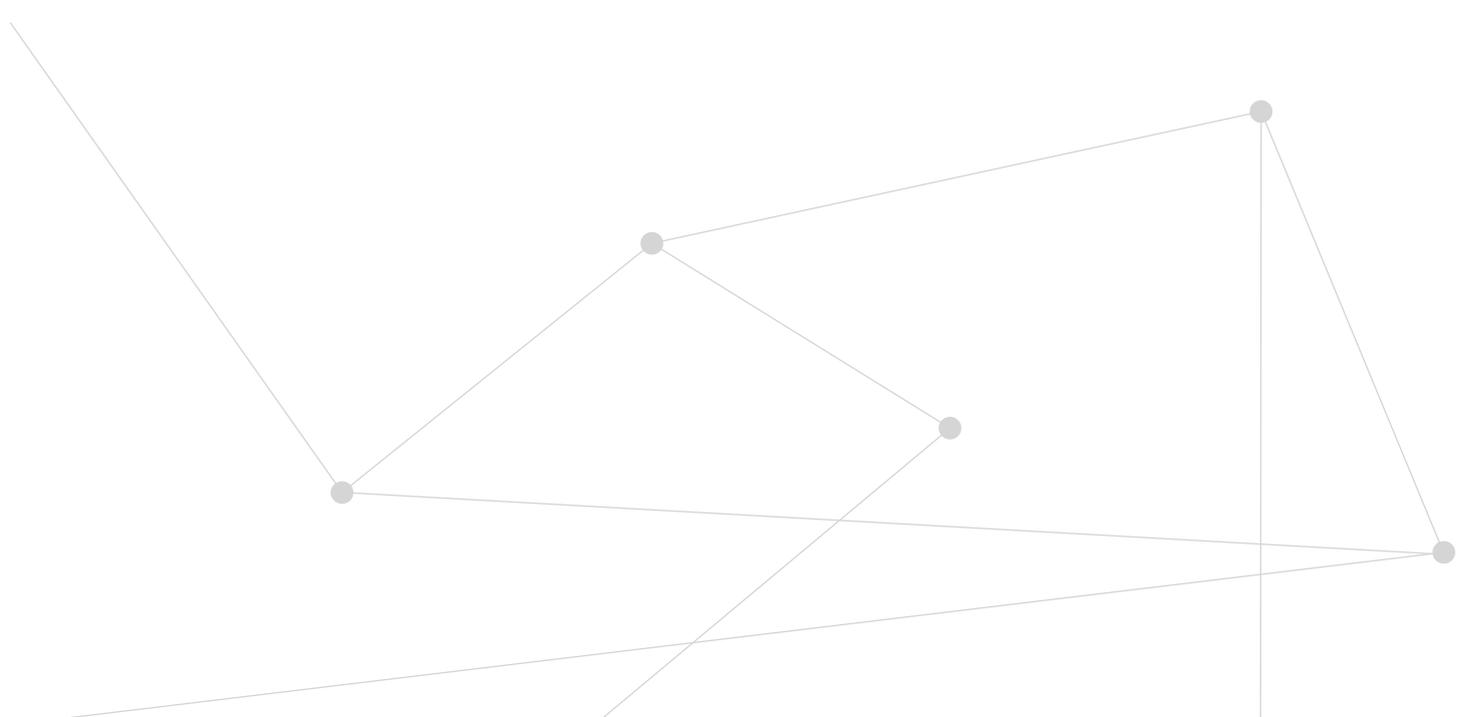
- We are obsessive about risk management across all of our products; resulting in well-controlled, well-understood position sizes.
- Our collegiate approach leads to considered, rather than extreme, risk-taking.
- We use alternative ways to manage risks in portfolios.

##### *Equal-weight bias*

- Our portfolios allocate risks more equally and thoughtfully across asset classes, geographies and exposures.
- Our tactical trades won't all be positioning for the same outcome.

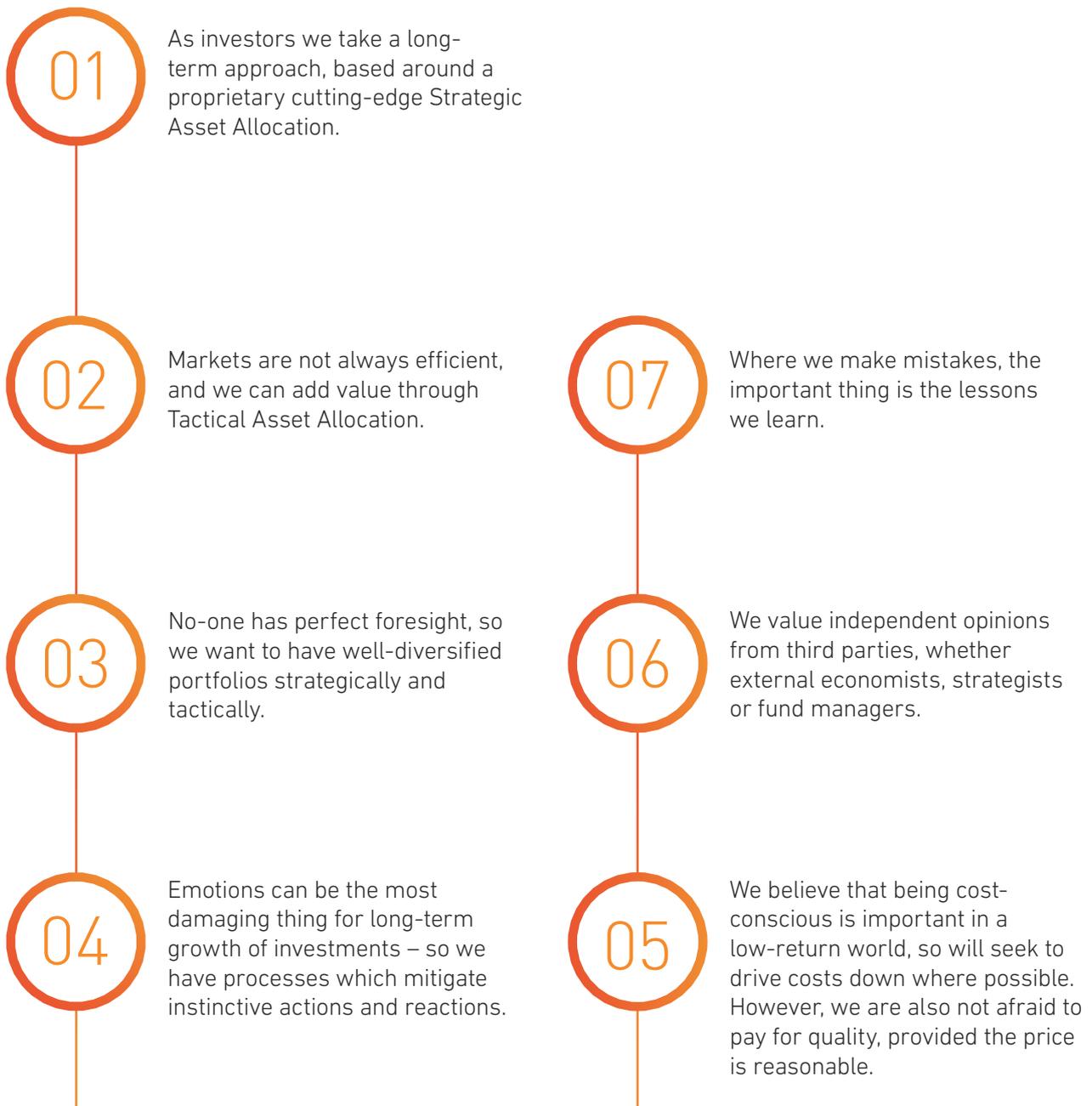
##### *Anti-fashion*

- We will tactically lean against prevailing trends when they are at extremes.
- We will look for opportunities where others won't go; in unfashionable areas, over unfashionably long-time horizons.
- We won't chase high-risk, expensive trends for short-term gain.



## Philosophy – how we think about managing our clients' money

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



## Quality of service

### Continued

#### **Process – How we execute our investment approach**

The framework for the funds is the Strategic Asset Allocation (SAA). This process sets the long-term structure for each fund and risk profile, in order to maximise returns for a given level of diversified risk. We review this framework every year, using cutting-edge statistical tools and academic research.

In accordance with our beliefs, we take tactical positions away from the SAA, in order to try to exploit market inefficiencies. We use a number of quantitative models and qualitative overlays, drawing on the various groups and specialisations within the team – depending on the nature of the tactical position.

Each fund has specific tracking error guidelines ensuring it cannot deviate too far from the neutral benchmark and remains within its risk parameters, and is overseen by both the Investment Management Team, and the independent Risk Management Team.

#### **Quality of risk management**

At 7IM, we have always believed that the management of risk comes equal first. The Investment Risk Team plays a crucial role, working alongside the Investment Management Team albeit in an independent capacity, monitoring the funds for their volatility, liquidity and attribution, as well as carrying out a series of stress tests to understand how they could perform in extreme market conditions.

Over the past 12 months, the 7IM Investment Risk Team and their rigorous processes have been instrumental in managing the risks within our portfolios, helping to insulate our clients from recent market turbulence.

#### **Liquidity**

Following the ACD's review in February 2021, from which the decision was made to suspend the 7IM Absolute Return Portfolio and 7IM Income Portfolio funds, 7IM received regulatory approval to merge all of the liquid assets in these suspended funds into the 7IM Real Return and 7IM AAP Income funds, given their similar investment objectives, policies and strategies. The mergers took place in June 2021, providing investors with a route out of the suspended funds for the majority (c. 84%) of their assets. The merging sub-funds were immediately placed in termination, pending the disposal of the remaining assets. Two distributions have since been paid out to investors, in December 2021 and January 2022, and work to dispose of the remaining holdings is ongoing. Investors have been provided with regular communications from 7IM providing updates on this process.

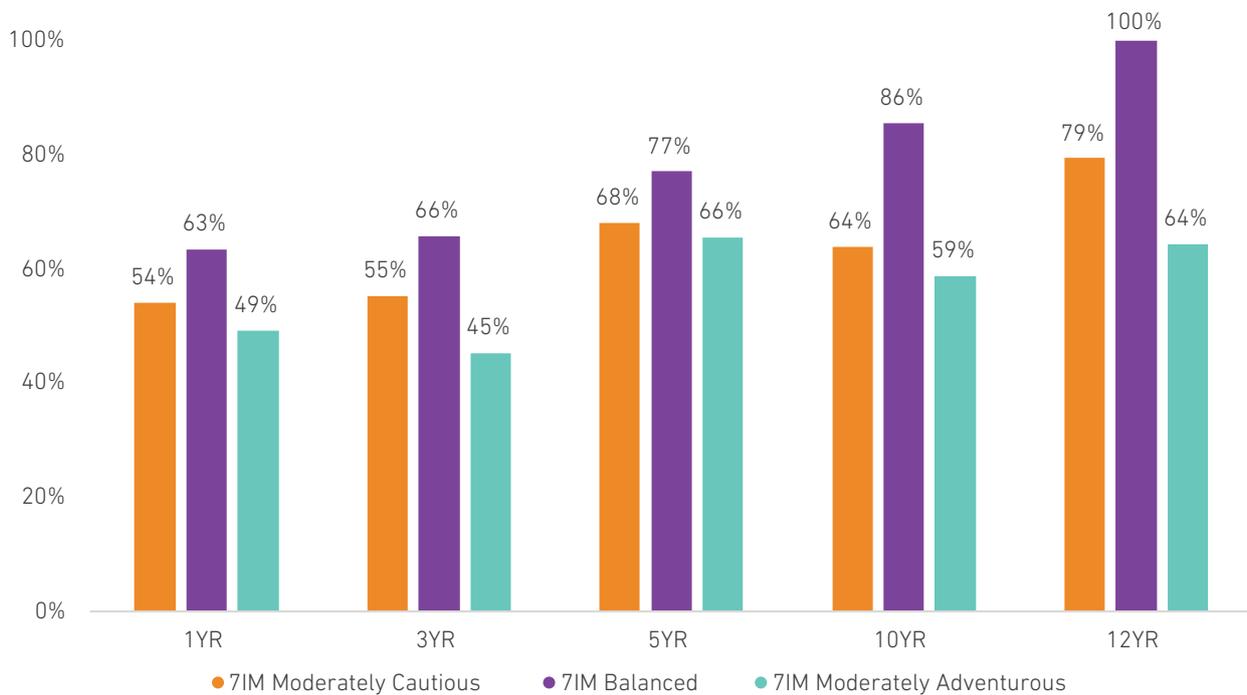
7IM have also completed a remediation programme to provide financial redress for investors caused by the exposure across the two funds named above, as well as the 7IM Arden and 7IM Mulgy funds, to the illiquid securities.

### Validation of our quality of fund and risk management

At 7IM we continue to take a long-term approach to investing to deliver steady returns, and our investment and risk management processes are centred around this philosophy. We believe that our approach to investment and risk management continues to deliver value.

The chart below uses our longest standing funds, to illustrate how we have consistently outperformed the relevant IA sector over the long term:

#### What percentage of historical year periods (to month end) have the 7IM Portfolios outperformed the relevant IA Sector?



Source: Bloomberg Finance L.P. / FE / 7IM 2021. Return of C-Share Class as at 31 December 2021.

Please be aware that this is for illustrative purposes only and the investment may go up and down more than expected and you may receive back less than you invested originally. Past performance is not a reliable indicator of future results.

## Quality of service

### Continued

#### Broader investor experience:

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

#### Third Parties

Over the past few years, we have established and refined a framework of our third-party suppliers which documents who (within 7IM) is responsible for managing our relationship with them, whether they are meeting their key performance indicators/ service level agreements, and if not, what actions we are taking to address them.

Our review this year showed that we are satisfied with the relationships with almost all our third-party suppliers and they are meeting the standards expected of them and that. The only exception is one third-party, where we continue to experience some issues in terms of their turnaround time for responding to requests and other queries, but none of which affect investors in the funds.

#### Client Engagement

As we have done in previous years, we once again sought feedback from our clients and the financial advisers we partner with regarding the quality of service we provide.

To determine the quality of service provided to our clients by our Private Client Team in London, 7IM participated in the 2021 UK Client Experience Benchmark study, conducted by Aon. This included an online survey for 7IM taking place between November and December 2021, with a total of 201 respondents completing the survey.

The key findings showed that:

- Overall, there was a significant increase in client satisfaction

- There are clear indications that our quality of service and approach to communication have helped to drive client satisfaction
- Areas for improvement centred around issues we're already aware of and are addressing, including our digital offering which is currently undergoing enhancements and a shortfall in our ESG offering which has been addressed with a recent product launch.

In assessing the quality of service we provide financial advisers, we commissioned Research in Finance to undertake a telephone survey in October 2021 in order to better understand how we are viewed, across brand, proposition, service and communications, by those currently using 7IM products and services.

The key findings from our financial adviser survey showed that:

- Overall, there was a material increase in adviser satisfaction
- A key area for improvement was that advisers would like more information about 7IM for their own benefit but also for their clients
- This feedback has shaped our marketing activities and caused us to focus more communications efforts on our corporate activities, particularly from a sustainability and diversity and inclusion point of view, as well as better explain our investment identity.

In our previous assessment of value reports, one area that was identified by our clients that could be improved was our website. In response to this feedback, we launched a new and improved website in December 2020 which included a dedicated 'Fund Centre' powered by FE Fundinfo. In January 2021, we made further improvements and, working with FE FundInfo again, launched the 7IM fund documentation service.

By producing our fund KIIDs and factsheets through the fund documentation service, we have streamlined production to ensure the timely and accurate publication of these documents to be accessed by investors via the Fund Centre on the 7IM website.

### Complaints

Due to the nature of 7IM's fund business, where the majority of assets are held on third-party platforms, we rarely receive more than a handful of complaints every year in relation to our funds, from customers whose investment is held directly with us through our fund administrators, Northern Trust.

In the last year to the end of May 2022, 7IM received six complaints in this area, or which only four were upheld.

Following an internal thematic review carried out as part 7IM's compliance monitoring, the decision was made to move the complaint handling function back to the Compliance team from Client Experience (CX) in September 2021. This would allow for oversight to be provided by a centralised and independent complaints function, whilst aiming to maintain the improvement in complaints response times put in place by the CX team since early 2020.

Since the process has moved to the Compliance team, there have further been developments to our complaints management system to allow for better root cause analysis to be conducted and shared with Senior Management. In addition, there was a circa 6% decrease in complaints upheld in 2021, when compared to 2020.

Finally, we have analysed regulatory breach statistics for the last 12 months, which are collated by our Compliance team and regularly reported to the Authorised Corporate Director (ACD); the majority were administrative in nature, and none resulted in financial losses or gains for investors.

### A focus on Environmental Social and Governance (ESG) considerations:

As a business we have, for some time now, recognised that clients have been increasingly focussed on sustainability and ESG issues. With this in mind, we have been reviewing what we do both as an investor and as a business through this lens.

In 2019, 7IM signed up to the UN Principles for Responsible Investment (PRI), instilling in the business a firm commitment to incorporate ESG issues into how we manage our customers' money, as well as into our ownership policies and practices as a corporate citizen. For us as investors, the crucial PRI principles are the first two:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices. As signatories of the UNPRI we are required to report on the PRI principles, and this will form part of our assessment of progress and success in incorporating ESG into our investment process. We view the PRI requirements as complementing the UK Stewardship Code.

In last year's assessment of value, we resolved to carry out several actions in relation to ESG, which would reinforce our commitment to adhering with the PRI, and in particular Principles 1 and 2.

As part of our commitment to the PRI, we are fully integrating ESG issues into how we manage our clients' money as well as how we operate as a corporate entity, and produced our first full PRI report in March 2021.

## Quality of service

### Continued

In terms of our integration of ESG into how we manage our clients' money, in 2021 we commenced with our intended plan to de-carbonise our Strategic Asset Allocation (SAA). Our first step concentrated on equity and reducing the carbon exposure in the US equity portion of the SAA. Furthermore, we introduced a framework for measuring the emissions for our government bond and alternatives holdings and our next step will focus on other equity regions and credit markets.

We have also enhanced the fund due diligence process by sending every third-party fund manager a questionnaire which asks questions about the sustainability and ESG credentials of the manager, of the specific fund and how the manager addresses its Stewardship responsibilities through engaging with the underlying companies on ESG issues and how they vote. Each manager is scored on their responses giving us more insight into the manager and whether we feel they have appropriate ESG criteria in place.

As a corporate, we have taken a number of steps to incorporate ESG issues into our policies and practices. The 7IM Culture & Sustainability Committee has been established and is working on implementing our commitments to ESG.

In the second half of 2021, we defined our vision and commitments, based on delivering an unrivalled experience for our clients, employees and society in general, as well as creating positive impact through a number of focused ESG-related goals to be achieved by 2026 including:

- **Cleaner investments** – 30% reduction in CO<sub>2</sub> in our SAA
- **Sustainable choices** – 20% reduction in scope 1, 2 & 3 CO<sub>2</sub> emissions and carbon neutral from 2021
- **Inclusive team** – Achieve a diverse and equitable employee base
- **Giving back** – Support charities aiming to reduce inequalities

We are nearing the completion of the setup of our partnership with World Land Trust (WLT), to offset our CO<sub>2</sub> footprint for 2021 by supporting conservation through WLT's Carbon Balanced programme. The carbon offset is part of 7IM's commitment to one of four sustainability goals, a 20% reduction in scope 1, 2 and 3 CO<sub>2</sub> emissions. Alongside reducing emissions, remaining unavoidable emissions are offset, to achieve a carbon neutral position from 2021 onwards.

Lastly and by no means least, in March 2022 we had confirmation that we had been accepted as a signatory of the Financial Reporting Council's UK Stewardship Code 2020.

#### 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 in the four key areas we have assessed.

In particular, we have made significant progress in incorporating ESG matters into how we manage our clients' money and how we operate as a corporate entity.

However, we do not wish to be complacent, so the Client Experience Team will continue to review all aspects of the service we provide to our customers, identifying further areas for improvement.

Quality of service:

7IM Arden  
7IM Mulgy



Value for money but action may be required

Quality of service:

All other funds



Good value for money



# Assessment of Funds

## Performance, AFM Costs and Comparable Market Rates

### How are 7IM assessing each of the funds?

In this section of the report, we shall consider each fund (with the exception of the funds that are currently in termination) in turn against the following three pillars of the assessment of value:

#### **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, we have assessed each fund against their investment objective, policy and strategy and any named benchmarks to determine whether they have performed in line with them.

The vast majority of our fund investors hold our standard clean 'C' share class, so we have used this for the purposes of the performance assessment. Past performance on all 7IM funds and share classes is available in our Fund Centre at [www.7im.co.uk/our-funds/fund-centre](http://www.7im.co.uk/our-funds/fund-centre)

7IM's investment philosophy and process is focused on long-term performance and the careful management of risks. It is guided by seven overarching principles as outlined in the quality of fund management section on page 17.

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

#### **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.

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.

#### **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 wider peer group, as well as against a select range of comparable funds with similar objectives.

Our findings for each fund are detailed below:

## 7IM Personal Injury

### The fund's objective:

The fund aims to provide a long-term total return (over at least five years) from investment in a range of asset classes. The fund has been designed to be potentially suitable for investment by or on behalf of individuals who have been granted personal injury awards but is not restricted to such persons.

Performance may be compared to the IA Mixed Investment 0-35% Shares (Net Tax) which has been chosen because of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

### Snapshot of assessment:

Performance	 Good value for money
AFM costs	 Good value for money
Comparable market rates	 Value for money but action may be required

### Performance assessment:

Over the last 10 years, the fund slightly underperformed the IA benchmark (33.9% vs 37.7%). In the last five years, the fund's rolling five-year relative return has moved between 0% and -0.5% (-0.1% as at 31/05/2022).

The fund has generally held a 10% lower equity allocation than the benchmark, resulting in underperformance in equity market rallies and outperformance in equity market downturns. For example, the maximum drawdown in 2020 when equity markets crashed following the beginning of the COVID-19 pandemic, was -8.1% for the fund vs -11.8% for the benchmark (weekly data).

The excellent long-term track record of the Strategic Asset Allocation continues to give us reason to feel optimistic about the fund's long-term outlook.

In May 2022, we wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the Quality of Service section under 'Third-parties' and can confirm that all charges to scheme property were equal to the amounts paid. We have reviewed the service provided by these parties in the 'Quality of Service' section of this report, and we concluded that they largely offer good value for money.

## Assessment of Funds

### Continued

#### Comparable market rates assessment:

##### Ongoing charges figure (OCF):

0.78% (C share class)

Using the above-mentioned 'C' share class, relative to all active funds in the sector the fund has an OCF that is better than the sector median and in the second quartile. Therefore, purely on up-front costs, the fund represents good value for money.

Relative to the narrower peer group, the fund is priced at the bottom end of the range and on this measure alone, indicating that action may be required to maintain value for money against the more refined group.

#### 7IM Real Return

##### The fund's objective:

The 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 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 Consumer Prices Index-All Items (plus 2%) has been selected as a target benchmark because it is a key measure of consumer inflation in the United Kingdom and is therefore an appropriate target for the fund.

#### Snapshot of assessment:

Performance  Value for money but action may be required

AFM costs  Good value for money

Comparable market rates  Value for money but action may be required

#### Performance assessment:

Over the last 10 years, the fund has outperformed the CPI +2% benchmark (62.9% vs 53.5%). In the last five years, the fund's rolling five-year relative return has largely trended downwards (-4.2% as at 31/05/2022). The fund changed its objectives in 2017, leading to a significantly lower expected return and volatility, partly explaining why the rolling relative return versus the benchmark has declined.

After a period of significant outperformance versus the target benchmark in 2020/21, during the market recovery following the initial COVID-19 outbreak, the fund has significantly underperformed the benchmark in 2022 to date due to the exceptional spike in inflation. However, it should be noted that all funds with a performance objective linked to inflation will have experienced this over the past few months.

The Authorised Corporate Director (ACD) will review the appropriateness of the CPI + 2% measure as a target benchmark for the fund, and in particular the objective to outperform this measure over a rolling three-year period.

**AFM costs assessment:**

We have reviewed all costs incurred by the funds, all of which are noted in the Quality of Service section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid. While these charges are not incurred by investors, we have reviewed the service provided by these parties in the 'Quality of Service' section of this report, and we concluded that they largely offer good value for money.

**Comparable market rates assessment:****Ongoing charges figure (OCF):**

1.00% (C share class)

Relative to all active funds in the sector, the fund has an OCF that is higher than the sector median and in the third quartile.

Relative to the narrower peer group, the fund is priced towards the bottom end of the range and on this measure alone, indicates that action may be required to maintain value for money against the more refined group.

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

The fund aims to provide capital growth over the medium to longer term (five years or more). There is no guarantee that a positive return will be delivered.

Performance may be compared to the ARC Sterling Steady Growth Private Client Index which has been chosen because it is representative of the fund's risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

**Snapshot of assessment:**

Performance	 Good value for money
AFM costs	 Good value for money
Comparable market rates	 Value for money but action may be required

**Performance assessment:**

The fund was launched in July 2019, so as at the date of this report does not yet have a five-year track record.

Since launch, the fund has significantly outperformed the ARC benchmark (12.9% vs 8.5%). Two areas of positive relative performance this year are the fund's alternatives strategies basket which has a low correlation to traditional asset classes which have struggled, and the fund's active equity managers that are tilted to the value investment style.

To reflect a gradual increase in equity exposure in this fund's Strategic Asset Allocation, its performance comparator benchmark is due to be changed from the ARC Sterling Steady Growth PCI to the ARC Sterling Equity PCI.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

## Assessment of Funds

### Continued

#### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the Quality of Service section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

#### Comparable market rates assessment:

##### Ongoing charges figure (OCF):

1.42% (C share class)

The fund is distributed exclusively through the 7IM Private Client service. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager fund.

We believe that the OCF of the fund is generally in line with that of the 7IM Adventurous fund.

#### 7IM Select Moderately Adventurous

##### The fund's objective:

The fund aims to provide a return made up of capital growth with some income over the medium to longer term (five years or more).

Performance will be compared to the ARC Sterling Steady Growth Private Client Index which has been chosen because it is representative of the fund's risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

#### Snapshot of assessment:

Performance	 Good value for money
AFM costs	 Good value for money
Comparable market rates	 Value for money but action may be required

#### Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a five-year track record.

Since its launch, the fund has outperformed the ARC benchmark (9.9% vs 8.7%). Although the fund's fixed income allocation has had a negative performance contribution this year, this has been partly offset by its alternatives strategies basket which has a low correlation to traditional asset classes, resulting in relatively strong performance this year. Another source of positive relative performance is the fund's active equity managers that are tilted to the value investment style.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

#### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the Quality of Service section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

**Comparable market rates assessment:****Ongoing charges figure (OCF):**

1.28% (C share class)

The fund is distributed exclusively through the 7IM Private Client service. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager fund.

We believe that the OCF of the fund is generally in line with that of the 7IM Moderately Adventurous fund.

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

The fund aims to provide a balance of income and capital growth over the medium to longer term (five years or more).

Performance will be compared to the ARC Sterling Balanced Private Client Index which has been chosen because it is representative of the fund's risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance

**Snapshot of assessment:**

Performance		Good value for money
AFM costs		Good value for money
Comparable market rates		Value for money but action may be required

**Performance assessment:**

The fund was launched in July 2019 so as at the date of this report does not yet have a five-year track record.

Since its launch, the fund has slightly underperformed the ARC benchmark (6.1% vs 6.7%). Although the fund's fixed income allocation has had a negative performance contribution this year, this has been partly offset by its alternative strategies basket which has a low correlation to traditional asset classes, resulting in relatively strong performance this year.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

**AFM costs assessment:**

We have reviewed all costs incurred by the fund, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

**Comparable market rates assessment:****Ongoing charges figure (OCF):**

1.26% (C share class)

The fund is distributed exclusively through the 7IM Private Client service. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager fund.

We believe that the OCF of the fund is generally in line with that of the 7IM Balanced fund.

## Assessment of Funds

### Continued

#### 7IM Select Moderately Cautious

##### The fund's objective:

The fund aims to provide a return made up of income with some capital growth over the medium to longer term (five years or more).

Performance will be compared to the ARC Sterling Cautious Private Client Index which has been chosen because it is representative of the fund's risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

##### Snapshot of assessment:

Performance	●	Value for money but action may be required
AFM costs	●	Good value for money
Comparable market rates	●	Value for money but action may be required

##### Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a five-year track record.

Since its launch, the fund has underperformed the ARC benchmark (1.2% vs 4.6%). The main detractors have been fixed income holdings which have struggled this year due to rising inflation and central bank tightening. Estimates show that the ARC benchmark has recently had a much higher allocation to cash which has performed well on a relative basis.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

##### AFM costs assessment:

We have reviewed all costs incurred by the fund, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

##### Comparable market rates assessment:

##### Ongoing charges figure (OCF):

1.31% (C share class)

The fund is distributed exclusively through the 7IM Private Client service. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager fund.

We believe that the OCF of the fund is generally in line with that of the 7IM Moderately Cautious fund.

## 7IM Pathbuilder 1

### The fund's objective:

The fund aims to provide a return of capital and income over the medium to longer term (five years or more) consistent with its risk profile.

The fund does not use a comparator, constraining or target benchmark to assess performance. Performance may be assessed by considering the extent to which the fund has met its investment objective.

### Snapshot of assessment:

Performance	● Value for money but action may be required
AFM costs	● Good value for money
Comparable market rates	● Value for money but action may be required

### Performance assessment:

The fund does not have a named performance comparator benchmark. For the purposes of this assessment, we have compared the fund with the IA Mixed Investment 0-35% Shares sector, in which other 7IM funds with a similar risk profile sit.

The fund was launched in December 2020 so as at the date of this report does not yet have five-year track record.

Since its launch, the fund has underperformed the IA sector (-5.3% vs -3.6%). The main detractors have been fixed income holdings which have struggled this year due to rising inflation and central bank tightening. This range of funds follows a simpler asset allocation than other 7IM funds with a higher allocation to fixed income securities, particularly in lower risk profiles, and no exposure to alternative strategies that have a low correlation to traditional asset classes and have performed better this year. However, the excellent long-term track record of the fund's Strategic Asset Allocation gives us optimism about the fund's future performance.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

The 'other expenses' element of the OCF was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

## Assessment of Funds

### Continued

#### Comparable market rates

##### Ongoing charges figure (OCF):

0.36% (C share class)

The fund has a lower OCF than the median for the peer group, the FE Risk Targeted Multi-Asset Cautious sector, and is in the second quartile. Therefore, purely on upfront cost, the fund would appear to represent good value for money.

The fund sits towards the bottom end of the more select group of comparable peers when looking at the OCF, indicating that action may be required to maintain value for money against the more refined group.

#### 7IM Pathbuilder 2

##### The fund's objective:

The fund aims to provide a return of capital and income over the medium to longer term (five years or more) consistent with its risk profile.

The fund does not use a comparator, constraining or target benchmark to assess performance. Performance may be assessed by considering the extent to which the fund has met its investment objective.

##### Snapshot of assessment:

Performance		Good value for money
AFM costs		Good value for money
Comparable market rates		Value for money but action may be required

#### Performance assessment:

The fund does not have a named performance comparator benchmark. For the purposes of this assessment, we have compared the fund with the IA Mixed Investment 20-60% Shares sector, in which other 7IM funds with a similar risk profile sit.

The fund was launched in December 2020 so as at the date of this report does not yet have a five-year track record.

Since its launch, the fund has underperformed the IA sector (-0.1% vs 1.2%). The main detractors have been fixed income holdings which have struggled this year due to rising inflation and central bank tightening. Fixed income holdings have contributed negatively to performance, albeit to a lesser degree due to their lower weighting. However, the excellent long-term track record of the fund's Strategic Asset Allocation gives us optimism about the fund's future performance.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

#### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

The 'other expenses' element of the OCF was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

**Comparable market rates assessment:****Ongoing charges figure (OCF):**

0.36% (C share class)

The fund has a lower OCF than the median for the peer group, the FE Risk Targeted Multi-Asset Moderate sector, and is in the second quartile. Therefore, purely on upfront cost, the fund would appear to represent good value for money.

The fund sits towards the bottom end of the more select group of comparable peers when looking at the OCF, indicating that action may be required to maintain value for money against the more refined group.

**7IM Pathbuilder 3****The fund's objective:**

The fund aims to provide a return of capital and income over the medium to longer term (five years or more) consistent with its risk profile.

The fund does not use a comparator, constraining or target benchmark to assess performance. Performance may be assessed by considering the extent to which the fund has met its investment objective.

**Snapshot of assessment:**

Performance		Good value for money
AFM costs		Good value for money
Comparable market rates		Value for money but action may be required

**Performance assessment:**

The fund does not have a named performance comparator benchmark. For the purposes of this assessment, we have compared the fund with the IA Mixed Investment 40-85% Shares sector, in which other 7IM funds with a similar risk profile sit.

The fund was launched in December 2020 so as at the date of this report does not yet have a five-year track record.

Since its launch, the fund has slightly outperformed the IA sector (3.8% vs 3.7%). In this year's downward-trending market, the fund has performed very much in line with the benchmark. The fund's UK equities have performed relatively well due to their higher exposure to commodities, while US equities which are more exposed to global growth expectations, have struggled. The excellent long-term track record of the fund's Strategic Asset Allocation gives us optimism about the fund's future performance.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

**AFM costs assessment:**

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

The 'other expenses' element of the OCF was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

## Assessment of Funds

### Continued

#### Comparable market rates assessment:

##### Ongoing charges figure:

0.35% (C share class)

The fund has a lower OCF than the median for the peer group, the FE Risk Targeted Multi-Asset Growth sector, and is in the second quartile. Therefore, purely on upfront cost, the fund would appear to represent good value for money.

The fund sits towards the bottom end of the more select group of comparable peers when looking at the OCF, indicating that action may be required to maintain value for money against the more refined group.

#### 7IM Pathbuilder 4

##### The fund's objective:

The fund aims to provide a return of capital and income over the medium to longer term (five years or more) consistent with its risk profile.

The fund does not use a comparator, constraining or target benchmark to assess performance. Performance may be assessed by considering the extent to which the fund has met its investment objective.

##### Snapshot of assessment:

Performance	 N/A – Less than one year track record
AFM costs	 Good value for money
Comparable market rates	 Value for money but action may be required

#### Performance assessment:

The fund was launched in December 2021 so as at the date of this report does not yet have a one-year track record. Going forward, for the purposes of this assessment we shall compare the fund with the IA Flexible Investment sector, in which other 7IM funds with a similar risk profile sit.

The strategy utilises the 7IM Strategic Asset Allocation (SAA) which has, in general, been positive for returns over the longer term. Prior to the launch of the fund, 7IM carried out comprehensive back-testing of the SAA, which has given us confidence that the fund, whilst this is not guaranteed, should perform strongly in the medium-to-long term.

In May 2022, 7IM wrote to investors informing them of our intention to amend the wording in the fund's investment policy relating to cash limits, to give the Investment Management Team more flexibility to make full use of index futures with cash held as cover for those positions. This was deemed to be in the best interests of the fund and its investors on an ongoing basis.

#### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

The 'other expenses' element of the OCF was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

**Comparable market rates assessment:****Ongoing charges figure:**

0.33% (C share class)

The fund has a lower OCF than the median for the peer group, the FE Risk Targeted Multi-Asset Adventurous sector, and is in the first quartile. Therefore, purely on upfront cost, the fund would appear to represent good value for money.

The fund sits towards the bottom end of the more select group of comparable peers when looking at the OCF, indicating that action may be required to maintain value for money against the more refined group.

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

The investment objective of the 7IM Arden Fund is to provide long-term capital and income growth by gaining exposure to a broad range of investments including equities, derivatives, transferable securities, money market instruments, bonds, deposits and cash and near cash, principally through investment in collective investment schemes. There will be no particular emphasis on any geographical area or any industrial or economic sector.

The fund may use derivatives for investment purposes or for Efficient Portfolio Management as appropriate.

Performance may be compared to the ARC Sterling Steady Growth PCI 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.

**Snapshot of assessment:**

Performance	 Good value for money
AFM costs	 Good value for money
Comparable market rates	 Value for money but action may be required

**Performance assessment:**

The fund has outperformed the ARC Sterling Steady Growth PCI peer group over the past five years when measured on a cumulative basis. The fund performed particularly well in the first quarter of 2018 when various protection strategies preserved value when markets fell. Through 2019 the fund was more defensively positioned in a rising market which led to a period of relative underperformance. This positioning then contributed to a recovery in the relative returns in the first quarter of 2020 following the market drawdown.

The fund has continued to outperform the benchmark this year to date, two areas of positive relative performance being the fund's alternatives basket which has a low correlation to traditional asset classes which have struggled, and the fund's active equity managers that are tilted to the value investment style.

To reflect a gradual increase in equity exposure in this fund's Strategic Asset Allocation, its performance comparator benchmark is due to be changed from the ARC Sterling Steady Growth PCI to the ARC Sterling Equity PCI.

**AFM costs assessments:**

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

### Comparable market rates assessment:

#### Ongoing charges figure (OCF):

0.97% (C share class)

The fund is a private OEIC run for a specific 7IM Private Client. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager Fund. This fund's OCF is lower than that of the 7IM Moderately Adventurous Fund due to the fund investing in more of a blend of active and passive securities than the 7IM Multi-Manager Fund.

### 7IM Matterhorn

#### The fund's objective:

The investment objective of the 7IM Matterhorn Fund is to provide long-term capital and income growth by gaining exposure to a broad range of investments which may include equities, fixed interest securities and alternative strategies, principally through investment in collective investment schemes (including those managed or operated by the Authorised Corporate Director).

The fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash. The fund has no particular emphasis on any geographical areas or any industrial or economic sector. The fund may use derivatives for investment purposes or for Efficient Portfolio Management as appropriate.

Performance may be compared to the ARC Sterling Balanced PCI 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.

### Snapshot of assessment:

Performance  Value for money but action may be required

AFM costs  Good value for money

Comparable market rates  Value for money but action may be required

### Performance assessment:

The fund was launched in May 2018 so as at the date of this report does not yet have a five-year track record. The phasing of cash into the market and also being more defensively positioned contributed to the relative underperformance versus the ARC Sterling Balanced PCI peer group in 2018 and 2019.

Since the beginning of 2020, the fund has been fully invested in line with the long-term strategy and has outperformed the benchmark.

### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

### Comparable market rates assessment:

#### Ongoing charges figure (OCF):

1.18% (C share class)

The fund is a private OEIC run for a specific 7IM Private Client. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager Fund. This fund's OCF is generally aligned to that of the 7IM Balanced Fund.

## 7IM Mulgy

### The fund's objective:

The investment objective of the 7IM Mulgy Fund is to provide long-term capital and income growth by gaining exposure to a broad range of investments which may include equities, fixed interest securities and alternative assets principally through investment in collective investment schemes (including those managed or operated by the Authorised Corporate Director).

The fund may also invest in transferable securities, money market instruments, deposits and cash and near cash. There will be no particular emphasis on any geographical area or any industrial or economic sector. The fund may use derivatives for investment purposes or for Efficient Portfolio Management as appropriate.

Performance may be compared to the ARC Sterling Equity Risk PCI 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.

### Snapshot of assessment:

Performance	●	Value for money but action may be required
AFM costs	●	Good value for money
Comparable market rates	●	Value for money but action may be required

### Performance assessment:

The fund was launched in August 2017 so as at the date of this report does not yet have a five-year track record. The phasing of cash into the market and also being more defensively positioned contributed to the relative underperformance versus the ARC Sterling Balanced PCI in 2018 and 2019.

Since the beginning of 2020, the fund has been fully invested in line with the long-term strategy and has outperformed the benchmark.

In February 2022, due to a request from the investors in the fund to increase the level of equity exposure, the fund's performance comparator benchmark was changed to the ARC Sterling Equity Risk PCI.

### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

### Comparable market rates assessment:

#### Ongoing charges figure (OCF):

1.14% (C share class)

The fund is a private OEIC run for a specific 7IM Private Client. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM Multi-Manager Fund. This fund's OCF is generally aligned to that of the 7IM Adventurous Fund.

## 7IM Randolph Place Diversified

### The fund's objective:

The investment objective of the 7IM Randolph Place Diversified Fund is to provide long-term capital and income growth by gaining exposure to a diversified portfolio of assets including equities, bonds, money market instruments and cash and near cash, principally through investment in collective investment schemes. There may be times when the Investment Manager chooses to hold a high level of cash or money market instruments. There will be no particular emphasis on any geographical area or any industrial or economic sector.

The fund may use derivatives for investment purposes or for Efficient Portfolio Management as appropriate.

Performance may be compared to the ARC Sterling Steady Growth PCI 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.

### Snapshot of assessment:

Performance		Good value for money
AFM costs		Good value for money
Comparable market rates		Value for money but action may be required

### Performance assessment:

The fund had provided a return in line with the ARC Sterling Steady Growth PCI peer group over the five years up to January 2020. The strategy has an income bias which impacted returns in the first quarter of 2020. Many of the more income-oriented sectors of the economy such as Financials and Energy have suffered and in many cases dividends were cancelled. This impacted many of the holdings in the fund.

In addition, the fund has exposure to many closed-ended vehicles which were impacted by a widening discount to net asset value in the market drawdown.

The fund has however outperformed the peer group since the post-COVID economic and market recovery, and then subsequently during the market falls during the first half of 2022.

### AFM costs assessment:

We have reviewed all costs incurred by the funds, all of which are noted in the 'Quality of Service' section under 'Third parties' and can confirm that all charges to scheme property were equal to the amounts paid.

### Comparable market rates assessment:

#### Ongoing charges figure (OCF):

1.07% (C share class)

The fund is a private OEIC run for a specific 7IM Private Client. Rather than identify a peer group for the purposes of a charges comparison we have compared it with the corresponding 7IM MultiManager Fund. This fund's OCF is generally aligned to that of the 7IM Moderately Adventurous Fund.

### **Conclusion on Assessment of Funds – Performance, AFM costs and comparable market rates:**

Overall, our board of directors concluded that our funds have performed broadly in line with their objectives and peer groups over the medium-to-long term, net of charges. Our Strategic Asset Allocation (SAA), the bedrock of our investment process, continues to deliver strong returns, while our Tactical Asset Allocation (TAA) and selection decisions, in the relevant funds, have also added value at times.

Our board remain confident that our SAA, TAA and selection decisions will offer good value for money over the medium to long term and add to net returns.

The board acknowledged that, whilst cost control is a key consideration in how 7IM manages our investors' money, we firmly believe that being the cheapest does not necessarily mean that you are delivering value. Earlier in this report we talked about the service we provide to investors through our fund management process; this is constantly evolving although we stay true to our longstanding investment philosophy and beliefs. We apply an institutional approach to investing, many aspects of which make us quite different to many of our peers; for example, we firmly believe that alternative strategies can play a crucial role in a well-diversified portfolio – these can be expensive to invest in relative to other asset classes such as bonds, but we believe that these will add additional value as we potentially move into a world of rising interest rates.

We shall review the peer groups and benchmarks that we use when analysing our funds' performance, costs and charges, to ensure that the comparisons being made to assess their value are as appropriate as possible.



# 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:

We continue to feel strongly that 7IM uses economies of scale in the construction and management of our funds. We use many of the same core underlying holdings across a number of our funds, individually selected through our rigorous due diligence process but with extra care taken to ensure that they play a role in pursuing each fund's objectives for investors. This gives the Investment Management 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.

Furthermore, the Investment Management Team uses our size and scale to negotiate, with third-party fund managers, access either to institutional share classes or rebate terms in respect of their funds that we are looking to use in our own. We have analysed the effect of this on our fund charges by looking, for example, at the underlying holdings in the 7IM Select Balanced fund. The fund's latest Ongoing Charge Figure (OCF) is 1.26% (for the 'C' share class) of which the weighted cost of the underlying holdings is 0.46% per annum. We have deduced that a single retail investor, replicating the underlying holdings in the 7IM Select Balanced fund but purchasing their standard retail share class, would be paying circa 0.77% per annum for the underlying holdings – meaning a 0.31% cost saving for investors through the 7IM fund.

We also use our size and scale to negotiate fees with service providers to the funds, such as Northern Trust – savings which we pass on to investors through lower OCFs.

The OCFs of the 7IM funds have generally stayed stable over the last 12 months; the OCF of the 7IM Personal Injury fund has increased slightly in the last twelve months due to the Investment Management Team taking positions in a number of 'active' strategies where they believed this was the best way to capture a theme, or if an appropriate 'passive' solution was unavailable in that asset class. In the last year we added the Ninety One Global Environment fund to Personal Injury fund, representing a key theme at 7IM as we grow ever more aware of ESG considerations in our portfolios. In summary, in looking to position our funds for a very different next ten years to the last ten, we have needed to use a little more cost budget to construct what we believe is an optimal portfolio.

In June 2021, 7IM merged the majority of assets in the previously suspended 7IM Absolute Return Portfolio and 7IM Income Portfolio funds (excluding the illiquid assets), into the 7IM Real Return and 7IM AAP Income funds respectively. The two merging funds were immediately placed in termination, pending the disposal of the remaining assets. As well providing investors with a route out of the suspended funds, the mergers saw them moving into lower cost funds managed to the same investment mandate, providing more economies of scale for the benefit of our investors.

### Conclusion:

Our board of directors have concluded that we continue to apply economies of scale for the benefit of our investors.



# 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 specific, e.g., institutional investors, that could be defined as 'comparable services' to the funds covered in this report.

Many of the funds within this report, namely the Select Funds and Private OEICs, are managed with a similar objective, policy and strategy to the 7IM Multi-Manager Funds, so in this sense can be deemed to be 'comparable services'.

In comparing these funds against the corresponding 7IM Multi-Manager Funds, we believe that the costs of the Select Funds and Private OEICs are generally in line with each corresponding fund.

### Conclusion:

Our board of directors have concluded that our investors receive good value when assessed against comparable services.

Comparable services  Good value for money

# 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:

In last year's assessment, we outlined our intention to identify legacy holdings in bundled share classes of our funds, on which no rebate was being paid to a platform and therefore it was in those investors' best interests for us to convert these holdings to the clean 'C' share class of the relevant 7IM fund.

In order to proceed with this, we were required to insert new wording into our fund Prospectuses stating that the Authorised Corporate Director (ACD) has the discretion to conduct 'mandatory share class conversions' on holdings without the investor's express instruction. We wrote out to all investors in 7IM funds informing them of this in December 2021, and then in January 2022 we wrote again to investors whose holdings we had identified as suitable to be converted, confirming that unless they told us otherwise, we would convert their holding by the end of March 2022.

We have also written to all platforms to whom we continue to pay rebates and received confirmation that they are passing them onto the underlying investor, as required by the FCA as a condition for rebates on legacy holdings to continue.

### Conclusion:

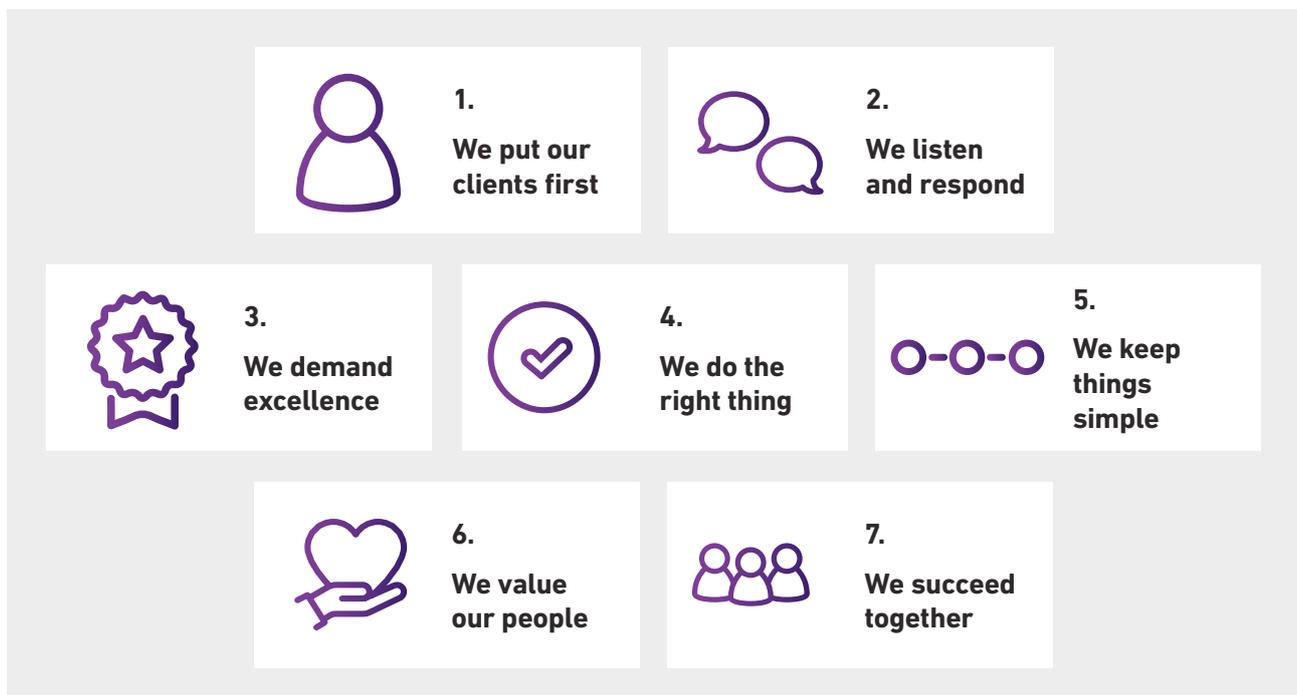
Overall, the board of directors concluded that vast majority of our investors are in the appropriate share class, and that appropriate steps have been taken to move investors in more expensive share classes to the cheaper alternatives where possible.

Comparable services  Good value for money

# Summary of the value assessment

In assessing value against the FCA's seven pillars, our board of directors' overall conclusion was that 7IM provides good or reasonable value to investors in the 14 funds that are covered in the report.

However, in the spirit of 7IM's vision, which is to deliver an unrivalled experience, we as always, do not wish to be complacent and believe that we should always operate around the following seven core values:



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 look to deliver even better value to our investors.

Fund	Assessment summary	Overall assessment
<b>Specialist Funds</b>	7IM Personal Injury	The fund has generally performed in line with the sector on a rolling five year basis, with periods of over and underperformance due to its defensive positioning relative to the peer group, at below average cost. ●
	7IM Real Return	The fund has generally delivered superior returns to the target benchmark over the long term, but has significantly underperformed in the recent period due to the extraordinary spike in inflation, and at higher than average cost. ●
	7IM Select Adventurous	The fund has less than a three year track record although since inception it has outperformed its benchmark; from a cost perspective it is charged in line with other 7IM funds which are regularly reviews as part of our annual product governance process. ●
	7IM Select Moderately Adventurous	The fund has less than a three year track record although since inception it has outperformed its benchmark; from a cost perspective it is charged in line with other 7IM funds which are regularly reviews as part of our annual product governance process. ●
<b>Opportunity Funds</b>	7IM Select Balanced	The fund has less than a three year track record although since inception it has marginally underperformed its benchmark; from a cost perspective it is charged in line with other 7IM funds which are regularly reviews as part of our annual product governance process. ●
	7IM Select Moderately Cautious	The fund has less than a three year track record although since inception it has underperformed its benchmark; from a cost perspective it is charged in line with other 7IM funds which are regularly reviews as part of our annual product governance process. ●
	7IM Pathbuilder 1	The fund has less than a two year track record although since inception it has underperformed the peer group; from a cost perspective it is charged below average relative to the peer group. ●
	7IM Pathbuilder 2	The fund has less than a two year track record although since inception it has marginally underperformed the peer group; from a cost perspective it is charged below average relative to the peer group. ●
	7IM Pathbuilder 3	The fund has less than a two year track record although since inception it has outperformed the peer group; from a cost perspective it is charged below average relative to the peer group. ●
	7IM Pathbuilder 4	The fund has less than a one year track record so it is not yet appropriate to asses its performance; from a cost perspective it is charged below average relative to the peer group. ●

**Key:** ● Offers good value for money ● Offers reasonable value but action may be required ● Offers poor value and action required  
● N/A – Less than one year track record

## Summary of the value assessment

### Continued

Fund	Assessment summary	Overall assessment	
7IM Arden	The fund has generally delivered superior returns to the comparator benchmark over the medium-to-long term; from a cost perspective it is charged in line with other 7IM funds which are regularly reviewed as part of our annual product governance process.		
ICVC Funds	7IM Matterhorn	The fund has less than a five year track record although since inception it has underperformed its comparator benchmark, although since being fully invested in line with the long-term strategy in January 2020, it has performed in line; from a cost perspective it is charged in line with other 7IM funds which are regularly reviewed as part of our annual product governance process.	
	7IM Mulgy	The fund has less than a five year track record although since inception it has underperformed its comparator benchmark, although since being fully invested in line with the long-term strategy in January 2020, it has performed in line; from a cost perspective it is charged in line with other 7IM funds which are regularly reviewed as part of our annual product governance process.	
	7IM Randolph Place Diversified	The fund has generally delivered returns in line with the comparator benchmark over the medium-to-long term; from a cost perspective it is charged in line with other 7IM funds which are regularly reviewed as part of our annual product governance process.	

**Key:**  Offers good value for money  Offers reasonable value but action may be required  Offers poor value and action required

 N/A – Less than one year track record

If you would like further  
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