

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

AT A GLANCE

Investment Objective	
The fund's objective is to seek growth in real terms over the medium to longer term. The Fund will aim to provide a total return that exceeds UK inflation (as measured by Consumer Prices Index –All Items) by 2% on average, over a rolling three-year horizon. The fund will have a flexible investment policy, allowing investment in transferable securities, money market instruments, units in collective investment schemes, deposits, cash, near cash, and derivative instruments including forward transactions in accordance with the FCA Rules. The fund may use derivatives for investment purposes as well as for Efficient Portfolio Management.	

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

Management	
Manager Name	Start Date
Real Return Fund Team	30 th January 2012

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	33.36%
Large	28.62%
Medium	22.13%
Small	15.08%
Micro	0.80%

Top 10 Holdings		
Total number of holdings	20	
Assets in Top 10 Holdings	38.98%	
Name	Sector	% of Assets
Source Physical Gold P-ETC	-	6.93%
US Treasury Note 2.25%	-	6.82%
NN (L) Glb Convert Opps I Cap USD	-	5.31%
ETFS Lombard Odier IM EM Lcl GvtBdFdm	-	4.01%
Credit Suisse 0.00%	-	3.57%
US Treasury Note 2.375%	-	2.88%
Credit Suisse Intl.	-	2.62%
7IM Emerg Mrkts Equity Value Z Inc GBP	-	2.53%
ShireWts. Gs International	-	2.36%
US Treasury Bond	-	1.96%

Volatility Measurements	
3-Yr Std Dev (volatility)	7.80%
3-Yr Mean Return (average)	6.52%

FUND PERFORMANCE

Performance from 30th January 2012 to 31st October 2017:

	2012	2013	2014	2015	2016	2017
7IM Real Return Fund	3.37%	15.81%	8.31%	2.49%	10.80%	3.69%
Vanguard Global Bond Index	5.04%	-0.13%	7.97%	1.25%	3.51%	2.03%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
7IM Real Return Fund	4.78%	19.97%	52.34%	52.66%
Vanguard Global Bond Index	0.37%	8.56%	16.01%	21.13%

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

UPDATE....

The aim of the fund is to deliver returns of inflation (CPI) plus 2% over a rolling three-year period, net of fees. Most 'real' return funds target cash plus x%; this fund focuses on inflation as they believe this is a more important measure and in the long term will be achievable.

The fund is run with an absolute fund mindset, with the aim to minimise any potential negative returns. The aim is to have volatility around 50% of world equities but the sensitivity to equities is more important. This is at around 20%; if markets fall by 10% they would expect to be down around 2%. We talked about when the fund might not perform, and their view is that it should work in most markets.

The current market is benign and this is good for the fund as it just ticks along delivering small incremental returns. The way it is set up is to be insensitive to markets, and if we had a global crash it aims to protect on the downside.

The fund uses five sources of alternatives to drive returns; alternative risk premia, alternative yield, real assets, directional alternatives and hedging / defensive.

Risk premia looks to drive a return in excess of the risk-free rate of return; the fund uses the BMO Global Market Neutral Fund to access this. The fund is sector, market and country neutral. Yield investments uses a variety of instruments, but a good example of what they hold is Fair Oaks Income Fund which invests in US loans.

In terms of real assets, they tend to use other managers to access the market; for example infrastructure and property. Other examples of direct holdings would be inflation certificates. Directional assets would be instruments like convertibles.

In terms of hedging this is effectively the wrapper around the holdings; this can include gold, government bonds and currency, which tends to only be used if there is a positive or hedging quality.

The aim is to keep the portfolio simple so that investors can see the different sources of return. Building the portfolio is a mix of coming from the top down (view of the investment environment) and then bottom up (so looking at individual assets) and then meeting in the middle and overlaying the risk side.

Risk plays a big part in the overall proposition. On a daily basis reports are run to evaluate the fund and ensure it stays within its risk parameters. If there is a breach, then the team have to respond to this and where necessary make appropriate changes.

In summary, we are seeing more and more investors move away from fixed income, to seek alternative options. The aim being to drive out positive returns, protect on the downside and reduce volatility. The fund delivers on all those fronts and may well act as a good blend with other funds in the market. It is worth adding that the fund has assets of circa £65 million so there is plenty of room for the fund to grow, but the maximum fund size would be circa £1 to £2 billion.

The source of information in this note has been provided by 7IM and is correct as at November 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.