

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

AT A GLANCE

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

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

Management	
Manager Name	Start Date
-	30 th January 2012

FUND PERFORMANCE

Performance from 1st January 2017 – 28th February 2021

	2017	2018	2019	2020	2021
7IM Real Returns Fund	4.63%	-2.55%	5.76%	2.23%	-0.15%
FTSE World ex UK	13.45%	-2.68%	23.10%	14.15%	-0.69%

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

	1 year	3 years	Since launch
7IM Real Returns Fund	3.03%	5.85%	67.60%
FTSE World ex UK	20.01%	36.31%	208.09%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
4.11	-	52.45	66.23	33.33	0.74	-2.17	Blend/Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	6.70%
3-Yr Mean Return (average)	1.91%

Investment Style Details	
Giant	0.61%
Large	1.11%
Medium	4.67%
Small	2.70%
Micro	0.43%

Top 5 Holdings – 36 Equity Holdings		
J.P. Morgan Structured Products ...	-	8.30%
Northern Trust Global Sterling D	-	7.79%
United States Treasury Bonds 0.94%	-	7.23%
BlueBay Financial Cptl Bd K GBP ...	-	6.67%
ML Angel Oak Mltstrgy Inc GBP In...	-	6.47%

Top 5 Sectors	
Financial Services	32.50%
Consumer Cyclical	24.97%
Industrials	14.18%
Technology	6.83%
Basic Materials	6.68%

Top 5 Regions	
United States	40.18%
United Kingdom	32.91%
Switzerland	4.64%
Israel	4.36%
France	4.10%

UPDATE....

There has been much debate recently around the place of bonds in portfolios. It is clear going forward that it is unlikely they will deliver 5% p.a. with lower volatility. US Government Bonds went negative in 2020, bonds also sold off rapidly causing a liquidity squeeze and therefore it is fair to assume that those looking to invest in bonds moving forward must be prepared for zero returns.

This strategy looks to provide an alternative to bonds by offering significantly lower volatility than equities and a target return of between 2% to 5% per annum on average over a rolling 3-year period. They look to hold different styles of alternatives – alternative risk premia (long / short strategies across

all asset classes), yield investments (mortgage-backed securities), real assets (Infrastructure) and directional investments (short-term opportunities e.g., dividend futures).

The aim is to make this as transparent as possible, publishing a full list of holdings each month. They see this as a best-in-class strategy in alternatives, with 60% using other funds and investments and 40% are their own strategies. They can liquidate 60% of the portfolio in one day, and about 10/15% will take longer to liquidate.

2020 was a good test for the strategy. When the market was down around 35% this was down about 7%. The fund took longer to recover than then market because they were not buying directly into the market so did not benefit from that uplift.

In summary, they see this as a transparent alternative strategy, offering returns between 2% and 5% over a rolling 3-year period, with volatility lower than equities. Although they use other strategies, they also develop their own trades which they believe gives a best-in-class strategy. We would add this to our watch list to compare to other similar strategies.

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