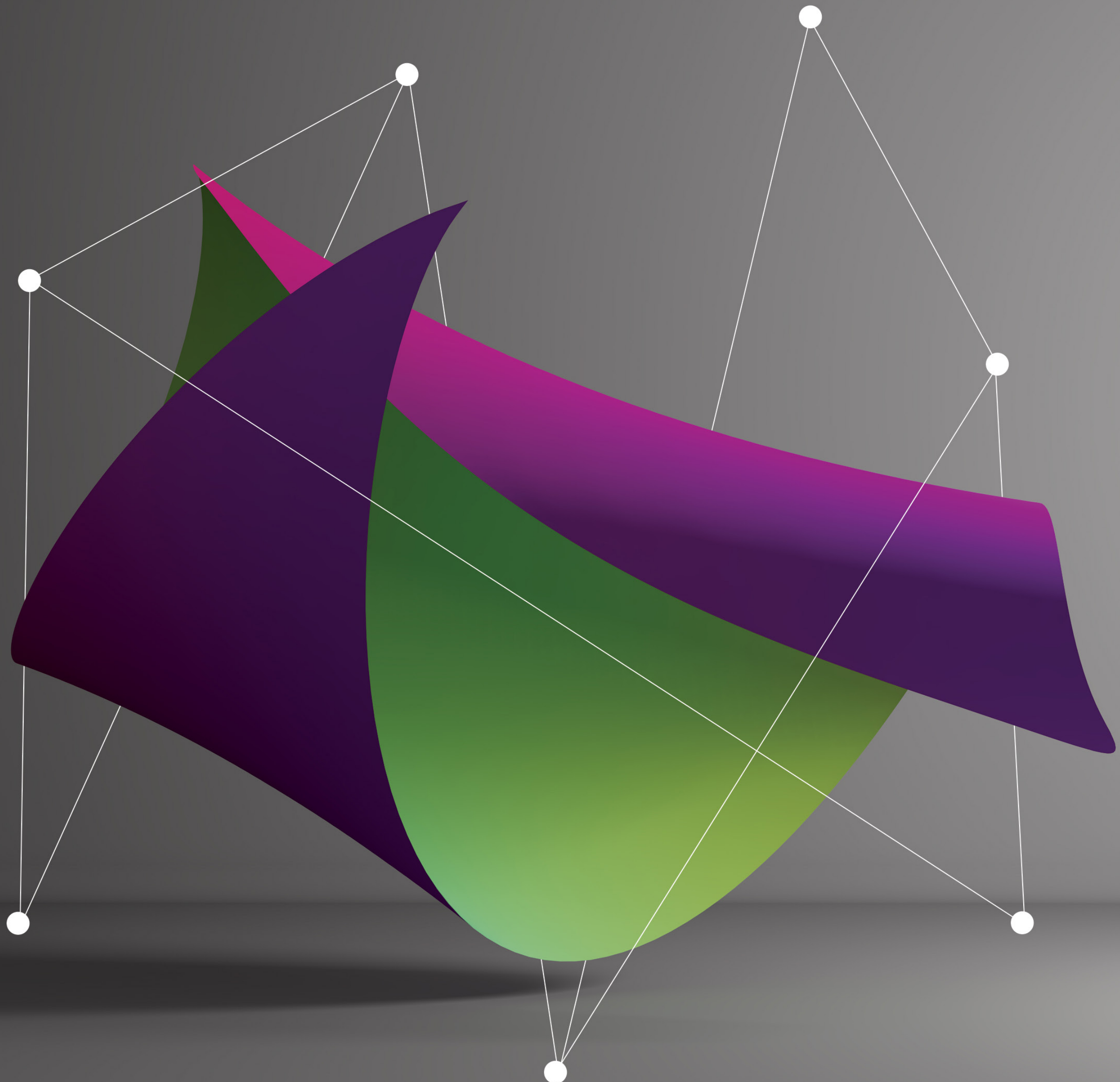
7IM: Assessment of value

September 2021



Succeeding together

7IM

For funds with an accounting period ending 31 May 2021

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

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7IM ICVC Funds:

7IM Absolute Return Portfolio (Suspended)

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7IM Arden

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7IM Mulgy

7IM Randolph Place Diversified

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Introduction

The world has changed significantly since we published our last assessment of value report on these funds 12 months ago. Economies, policymakers and broader society have faced and continue to face some unprecedented challenges in the wake of the ongoing COVID-19 pandemic.

Coping with these challenges has been hugely disruptive for businesses and our own has been no exception to that. At all times we have focused on maintaining the service and communication levels our clients expect, respecting government guidelines and ensuring the well being of our staff.

Prior to the onset of the pandemic we were already in the process of reviewing and resetting our culture and redefining our purpose, which I'm pleased to say we have successfully done. My belief has always been that if you get the culture right, and if your colleagues feel valued, then they in turn will deliver value, regardless of how challenging the environment is. I am extremely proud of the way in which our colleagues have responded to the demands presented by the extraordinary conditions we have seen.

I should also recognise that we have also had to face some more specific internal challenges over the past 12 months. In March this year, we decided to temporarily suspend two of our funds, the 7IM Absolute Return (formerly VT Tcam Absolute Return Portfolio) and 7IM Income Portfolio (formerly VT Tcam Income Portfolio), with concerns centring around the reduced liquidity of two holdings within the portfolios.

While we have inherited these funds from Tcam when we acquired the business in July 2018, the funds and its holdings are our responsibility, as is the impact that the suspension has had on our investors. We have therefore been working to resolve the situation in a manner that is in the best interests of investors, which we detail in this report. As you would expect, we are reviewing the events that led to the suspension to learn from this experience and to ensure that our processes and controls are robust as well as continually reviewed and enhanced as required.

Acting in the best interests of investors is quite rightly our absolute priority. Indeed one of our founding principles is our total commitment to putting clients first. As part of this commitment we want to ensure we are delivering value to our clients across a range of areas. This is why I believe that these assessment of value reports are so important. They challenge asset managers like us to really scrutinise whether we are delivering value across seven different metrics – not just performance and fees. And, while greater consistency is required in how asset managers report on value, competitor reports have enabled us to again look harder at our own funds and to answer questions such as whether our annual management charges are positioned appropriately and what service improvements we can make.

While we have made a number of improvements since our last report, we will never be complacent and are always willing to listen and respond. With this in mind, as we had done last year, we have once again identified areas for further improvement. Of course, if there are any areas you think we have overlooked, and you would like to share your views then please email: **information@7im.co.uk**

Dean M. Proctor, Chief Executive Officer, 7IM

A word from our Chief Investment Officer

It's been several months since the end of lockdown and while everyday life seems to be getting back to a semblance of 'normality', in the investment world, things are far from 'normal'.

We're around 18 months on from the start of the COVID-19 pandemic, and already investors are worrying about the next recession. After decades of quiescence, inflation – the arch enemy of preserving capital – has reared its head again. Manufacturers in particular are struggling with soaring input costs and supply chain bottlenecks. And let's not forget about the unforeseen government regulatory interventions in China which have questioned their commitment to equity shareholders

On the face of it these are all reasons to worry to some extent but it also provides an excellent backdrop for us to demonstrate that we are genuinely delivering value to investors in an extremely challenging environment.

Our Strategic Asset Allocation framework successfully navigated the trials of 2020, and we're pleased to see that so far, 2021 has been the same. We are seeing, yet again, that a diversified asset allocation can deliver when we need it to. As the COVID-19 recovery changes into the beginnings of the next cycle, we remain convinced that our approach makes sense and are confident that this same long-term, diversified approach will continue to deliver value irrespective of what may lie ahead.

Of course, there will be challenges, not least of which will be the gradual removal of stimulus. Our clients can be sure that we will remain flexible while continuing to trust the beliefs and process that have served us well over the last 18 years of running our Strategic Asset Allocation.

We will also continue to keep a keen eye on some of the longer-term economic and financial shifts that are taking place – such as the continued rise of Environmental, Social and Governance (ESG) considerations. We take a closer look at these considerations and what we are doing to address them both as an investment manager and as a business under the 'quality of service' section within this report. As always our overall investment approach will be to balance the capture of important long-term themes with shorter-term opportunities around the cornerstone of our proven strategic asset allocation framework. We're confident that this will deliver good value over time.

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**

Our assessment of value report 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 areas for improvement. We have since reviewed these areas and taken the following steps:

Action	Status	
Refresh the Investment Management Team structure and processes	✓	The leadership of the Investment Management Team has now been in place for over two years, while most of the rest of the senior team has been in place for at least seven years. Recruitment has been ongoing at a junior level, with three hires made in the course of 2020. Improvements to the investment process over the past two years have resulted in more structure, both in terms of decision-making and research direction. The mixture of quantitative and qualitative skill has been enhanced over time.
Make information on funds more accessible to the investor	✓	In December 2020, 7IM launched a new and improved website. This included working with the leading data vendor, FE Fundinfo, to launch our 'Fund Centre' – a part of the website dedicated to giving investors and advisers access to fund prices, information and documentation on the 7IM funds. In addition, 7IM have launched an improved fund documentation service, again working with FE Fundinfo.

Action	Status	
Develop 7IM's brand, identity and culture as well as launch client centric vision, purpose and values	✓	Over the past 18 months we have taken a number of positive steps to develop our culture, including the formation of a Culture and Sustainability Committee, moved 350+ employees from in-office to at-home working in March 2020 and supported them throughout the pandemic, introduced a new HR system for annual reviews, and put in place improved mental health awareness, diversity and inclusivity plans. The results from our second Annual Employee Survey have shown a marked increase in employee satisfaction and support from line managers. Furthermore, our culture programme won a gold award in partnership with ABSTRACT for 'external learning partnership of the year'. Throughout the pandemic we have encouraged usage of electronic signatures and have driven a reduction in post and paper, to avoid the need for staff in-office where possible and maintain service levels. Our Executive Committee have made a commitment to offset our carbon footprint from 2021 onwards. This will be complemented by campaigns encouraging frequent flyers to switch to train over air travel.
Enhance the experience of our customers, including the transfer of management of complaints to the Client Experience Team	✓	Complaints have had strong involvement from the Client Experience Team, including the Chief Client Officer. This has seen the average time taken to resolve complaints, drop from nearly five weeks to below two weeks.
Learn from customer feedback by conducting periodic adviser surveys with the help of a third party	✓	In September 2020, we commissioned Cicero/AMO to undertake a telephone survey in order to better understand how we are viewed across brand, proposition, service and communications, by advisers currently using 7IM products and services. The results are being used to inform future strategy.

Actions we have taken since our last report
Continued

Action	Status	
Review/retender of third party contracts	✓	While we have been satisfied with our relationships with our third-party vendors, we have continued to review our contracts with them throughout 2020. Notable changes include our agreement with Sarasin & Partners, who assist us with the management of the equity component of our Sustainable Balance Fund, where we agreed a 15bps fee discount. We have also extended our agreement with MSCI, a data provider, to help support Environmental, Social & Governance (ESG) integration within the risk management policy. 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.
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	✓	In our annual Product Governance review of the funds in this report, we have assessed their costs and charges against the market. We concluded that some of the funds are priced more expensively relatively to the peer group and that action may be required. We will continue to monitor and review our costs and charges against our peers.
Review remaining book of business in legacy share classes	✓	We have identified a small number of investors who continue to hold legacy bundled share classes. We are in the process of converting investors to the corresponding cheaper, clean share class, subject to Authorised Corporate Director (ACD) approval.
Review costs of running the 7IM Real Return Fund being borne by the ACD rather than being charged to the fund	✓	We have reviewed the running costs of the 7IM Real Return Fund being borne by the ACD rather than being charged to the fund and concluded that this should not change as it would lead to an increase in the fund's ongoing charges figure (OCF).

A snapshot of our assessment of value

	Fund	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Share classes	Overall assessment
Specialist Funds	7IM Personal Injury	Teal	Teal	Orange ↓	Teal	Orange	Teal	Teal	Teal
Opportunity Funds	7IM Real Return	Teal	Teal	Orange	Teal	Orange	Teal	Teal	Teal
	7IM Select Adventurous	Teal	Teal ↑	Orange	Teal	Orange	Teal	Teal	Teal ↑
	7IM Select Moderately Adventurous	Teal	Teal ↑	Orange	Teal	Orange	Teal	Teal	Teal ↑
	7IM Select Balanced	Teal	Teal ↑	Orange	Teal	Orange	Teal	Teal	Teal ↑
	7IM Select Moderately Cautious	Teal	Teal ↑	Orange	Teal	Orange	Teal	Teal	Teal ↑
	7IM Pathbuilder 1	Teal	N/A	Orange	Teal	Orange	Teal	Teal	N/A
	7IM Pathbuilder 2	Teal	N/A	Orange	Teal	Orange	Teal	Teal	N/A
	7IM Pathbuilder 3	Teal	N/A	Orange	Teal	Orange	Teal	Teal	N/A
ICVC Funds	7IM Absolute Return Portfolio	Pink ↓	Orange	Pink	Teal	Pink	Teal	Teal	Pink ↓
	7IM Income Portfolio	Pink ↓	Orange	Pink	Teal	Pink	Teal	Teal	Pink ↓
	7IM Arden	Pink ↓	Teal	Orange	Teal	Orange	Teal	Teal	Orange ↓
	7IM Matterhorn	Teal	Orange	Orange	Teal	Orange	Teal	Teal	Orange ↑
	7IM Mulgy	Pink ↓	Orange	Orange	Teal	Orange	Teal	Teal	Orange ↑
	7IM Randolph Place Diversified	Teal	Orange	Orange	Teal	Orange	Teal	Teal	Orange

Key: Teal: Offers good value; Orange: Offers reasonable value but action may be required; Pink: Action required; ↑↓ A change to the rating from last year's report

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 the quality of services we procure on behalf of them.

Quality of service assessment

Last year, in conducting our assessment of the quality of service we provide, we split our analysis into two broad areas – quality of fund management and the broader investor experience. This year we have also looked at the quality of risk management and ESG issues given the increased focus in these area from clients.

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 structure and personnel:

Our Investment Management Team is well-resourced with 16 investment professionals, many of whom have extensive experience in the industry and within the business. 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.

Chief Investment Officer

	Years' experience
Martyn Surguy	35

Investment, Strategy & ESG

	Years' experience
Terence Moll	29
Matthew Yeates	9
Ahmer Tirmizi	12
Ben Kumar	10
Camilla Ritchie	31
Chris Cowell	6
Jack Turner	11
Tiziano Hu	1

Portfolio Management

	Years' experience
Uwe Ketelsen	25
Duncan Blyth	23
Fraser Harker	6
Peter Sleep	30
Salim Jaffar	1
Stephen Penfold	36
Tony Lawrence	20

Risk Management

	Years' experience
Joe Cooper	10
Alex Mitsialis	5
Hugo Brown	2
Haris Slamnik	2
Matthew Donlan	1

Names in **bold** are members of the Investment Committee

Quality of service
Continued

Philosophy:

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

01 As investors we take a long-term approach, based around a proprietary cutting-edge Strategic Asset Allocation.

02 Markets are not always efficient, and we can add value through Tactical Asset Allocation.

03 No-one has perfect foresight, so we want to have well-diversified portfolios strategically and tactically.

04 Emotions can be the most damaging thing for long-term growth of investments – so we have processes which mitigate instinctive actions and reactions.

05 We believe that being cost-conscious is important in a low-return world, so will seek to drive costs down where possible. However, we are also not afraid to pay for quality, provided the price is reasonable.

06 We value independent opinions from third parties, whether external economists, strategists or fund managers.

07 Where we make mistakes, the important thing is the lessons we learn.

Process:

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

Fund objectives:

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

Transparency:

We provide a high level of transparency on our funds. Detail of all the fund holdings and their weightings are clearly displayed and provided on a timely basis. This is further supported by regular market commentary from our Investment 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 the worst of the COVID-19 crisis.

Quality of service
Continued

Liquidity and fund suspensions

Many of the funds in this report were transferred to 7IM as part of our acquisition of Tcam Asset Management in 2018. Some of these funds contain two illiquid securities. Under the FCA's COLL rules, 7IM must at all times be able to meet its obligations to our investors, so in the first quarter of 2021, we conducted a review into these funds in order to consider the best course of action. The decision was made to suspend trading in two funds – 7IM Absolute Return Portfolio (formerly VT Tcam Absolute Return Portfolio) and 7IM Income Portfolio (formerly VT Tcam Income Portfolio), which were both exposed to the risk of potentially large outflows and therefore an increased concentration of illiquid assets for remaining investors. Two other funds – 7IM Arden and 7IM Mulgy, were not suspended due to not being exposed to the risk of redemptions, as they are both held by one single client family.

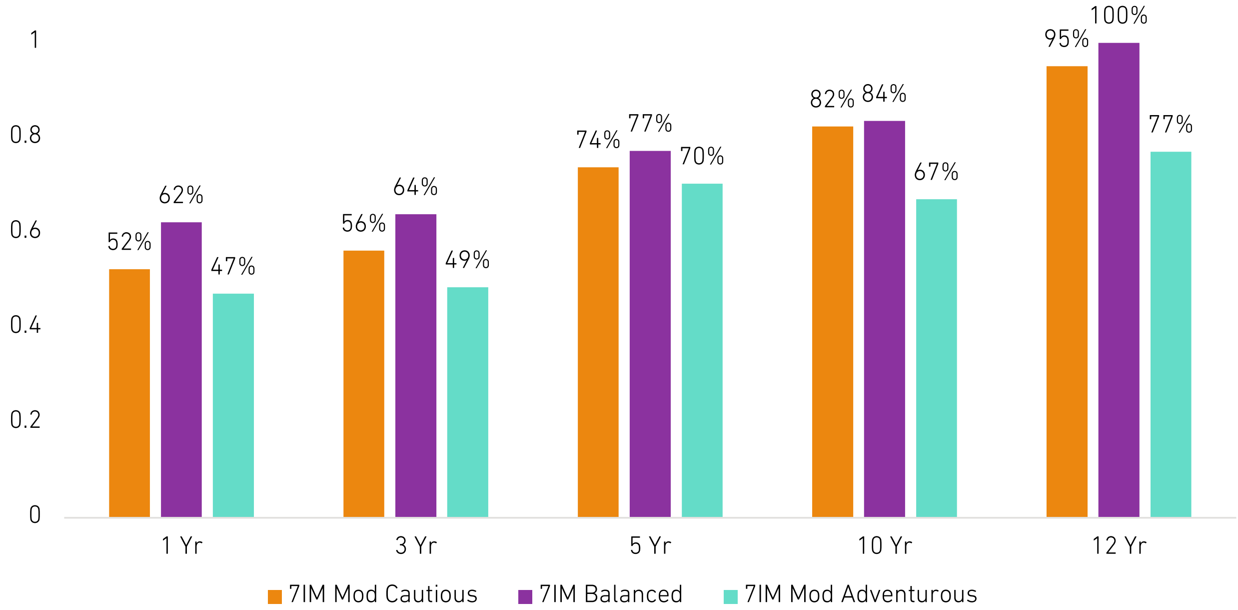
While the positions in the two securities were inherited from Tcam, 7IM are, clearly, ultimately accountable for protecting the interests of our investors, and have been considering all suitable steps to take in this regard. Immediately after the two funds were suspended, the Authorised Corporate Director approved the waiving of 20% of their annual management charge. As at the end of May, 7IM had received regulatory approval to merge all of the liquid assets in the suspended funds into similar 7IM funds, providing investors with a route out of suspension for the majority of their assets.

Validation of our quality of fund and risk management

At 7IM we have always believed in taking 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 has proven its value.

The chart below uses our longest standing funds, which are underpinned by the same Strategic Asset Allocation that the funds within this report use, 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 2020. Return of C-Share Class as at 31 December 2020.

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:

As part of our previous assessment of value, we established 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.

Following some changes made over the course of 2020 (as outlined on page 10), our review this year concluded that we are satisfied with the relationships with our third-party suppliers and they are meeting the standards expected of them.

Client feedback:

As we did last year, we once again sought feedback from our clients regarding the quality of service we provide. This year we also sought feedback from the financial advisers that we partner with.

To determine the quality of service we provide our clients, 7IM participated in the 2020 UK Client Experience syndicated benchmark study, conducted by Aon. This included a survey conducted online for 7IM between September and October 2020, with a total of 244 client respondents completing the survey.

The key findings showed that:

- There are clear indications that our increased communication approach has worked during the Covid-19 pandemic
- Investment performance, despite improvements in the last year, continues to be a continued area of focus
- There was an increase in overall client satisfaction

In assessing the quality of service we provide financial advisers, we commissioned Cicero/AMO to undertake a telephone survey in September 2020 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:

- Advisers who had adopted 7IM solutions in more recent years felt less favourably about short-term performance but those who had used 7IM historically acknowledged that 7IM's long-term performance is good
- Advisers were happy about the stewardship of 7IM's funds and believed 7IM to be a trustworthy company
- Advisers were happy with the breadth of 7IM's proposition

In our last assessment of value, 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.

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 2021, 7IM received twelve complaints in this area.

Following last year's assessment of value, complaints have had strong involvement from the Client Experience Team, including the Chief Client Officer.. This saw the average time taken to resolve all complaints, covering all aspects of 7IM's products and services, drop from nearly five weeks to below two weeks.

In relation to the suspension of the 7IM Absolute Return Portfolio and 7IM Income Portfolio funds which were suspended on March 2021, 7IM received 11 related complaints. There were all handled in line with DISP (complaint resolution) rules and responded to within eight weeks, except for one case whereby we required further time to investigate. In this instance, we still complied with DISP in updating the client and reminding them of their right to refer to the Financial Ombudsman Service (FOS).

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.

Over the last 12-18 months, ESG has been carefully integrated into each stage of our investment process, and an ESG Investment Committee has been established to discuss and monitor progress in this area. Furthermore, in 2021 we intend to incorporate metrics around the ESG rating and carbon footprint of our investment products into our portfolio and risk management reporting.

7IM has also been extremely active in embracing ESG and working principles in our business practices. The Covid-19 outbreak in early 2020 presented our industry with some unprecedented challenges, to which we believe 7IM responded well. We moved 350+ employees to home working in just a few days; business continuity preparations we had already put in place meant ongoing service and communication levels with our customers were not affected.

Our Executive Committee have made a commitment to offset our carbon footprint from 2021 onwards. The culture programme initiated in 2019 was completed last year and has recently been given a gold award with our partners, ABSTRACT, for 'external partnership of the year'.

Finally, a Culture & Sustainability Committee was established in early 2021 to oversee our work in this area, and to drive forward the messages of what culture and sustainability mean to us as a business.

Quality of service
Continued

Overall conclusion on quality of service:

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

However, we acknowledge that the service received by investors in the 7IM Absolute Return Portfolio and 7IM Income Portfolio has been poor due to their suspensions. We have therefore been working to resolve the situation in a manner that is in the best interests of clients and immediately after the two funds were suspended, we waived 20% of their annual management charge. This was followed by 7IM seeking and gaining regulatory approval to merge all of the liquid assets in the suspended funds into similar 7IM funds, providing investors with a route out of suspension for the majority of their assets.

As ever, the Client Experience Team will continue to review all aspects of the service we provide to our customers, identifying further areas for improvement.

Performance

How are 7IM assessing value in relation to performance?

The regulator has asked 7IM to compare the performance of our funds against their stated objectives over an appropriate timescale. In reviewing the performance of our funds, we have assessed them against their investment objectives over the past five years and any named benchmarks to determine whether they have performed in line with them.

7IM's investment philosophy and process is focused on long-term performance and the careful management of risks. It is guided by seven over-arching principles as outlined in the quality of fund management section on page 14.

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

Our findings for each fund are outlined below:

7IM Personal Injury

The fund's objective:

The fund aims to provide a long-term return (at least 5 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 comparator benchmark:

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.

Performance assessment:

Following a period of strong performance up until 2016, the fund has since underperformed its benchmark. The Strategic Asset Allocation (SAA) of the Personal Injury Fund is deliberately designed to be more defensive than the IA 0-35% sector, with significantly lower equity weight than the median to reduce volatility. Whilst the product is in the IA sector, it should not be compared on a like for like return basis. Tactical Asset Allocation (TAA) and selection decisions in 2016 did however detract significant value from an outperforming SAA.

We believe that the fund has performed as intended, significantly outperforming its benchmark in drawdowns, such as in the first quarter of 2020, while underperforming in equity market rallies due to its more defensive design. The excellent long-term track record of the SAA is another reason we feel optimistic about the fund's long-term outlook.

Conclusion:

Our board of directors believe that the 7IM Personal Injury Fund has performed broadly in line with the sector across the majority of periods analysed. However, it has underperformed the sector since 2016 due to it structurally holding lower than average equity exposure during a sustained period of market growth.

7IM Real Return

The fund's objective:

The objective of the fund is to seek growth in real terms over the medium to long 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.

Target benchmark:

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.

Performance assessment:

The fund has provided a return ahead of the target benchmark over the past five years when measured on a cumulative basis, as well as over the long term.

The fund invests in a number of strategies which, when aggregated together, collectively enable the fund to achieve its inflation linked objective. These strategies include explicit inflation linked assets but also a variety of alternative assets which provide exposure to a number of risk premia. The last two years have seen two very different periods of performance. The sharp reduction in investors' appetite for risk during the COVID pandemic and subsequent deflationary shock led to some underperformance against the target benchmark. That said, since the summer of 2020 markets have more than recovered and inflation expectations have risen, which has contributed so some significant outperformance versus the target benchmark.

Conclusion:

Our board of directors concluded that the 7IM Real Return Fund has generally delivered superior returns to the target benchmark over the medium-to-long term.

7IM Select Adventurous

The fund's objective:

The fund aims to provide capital growth over the medium to longer term (5 years or more).

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a 5-year track record.

The strategy utilises the 7IM Strategic Asset Allocation (SAA) which has a strong long-term track record in addition to implementing the tactical views of the 7IM Strategy Team which have, in general, also been positive for returns over the longer term. The fund also makes use of derivatives and various alternative assets to provide some protection from falling markets.

An expected increase in equity exposure in this fund's SAA this year has led the Risk Management Team to propose a review of the appropriateness if the ARC Sterling Steady Growth PCI as a performance comparator benchmark, with a view to potentially changing it to the ARC Sterling Equity PCI.

Conclusion:

The Select Adventurous Fund has less than a 3 year track record although since inception it has outperformed its benchmark.

Performance
Continued

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 (5 years or more). There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a 5-year track record.

The strategy utilises the 7IM Strategic Asset Allocation which has a strong long-term track record in addition to implementing the tactical views of the 7IM Strategy Team which have, in general, also been positive for returns over the longer term. The fund also makes use of derivatives and various alternative assets to provide some protection from falling markets.

Conclusion:

The Select Moderately Adventurous Fund has less than a 3 year track record although since inception it has outperformed its benchmark.

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 (5 years or more). There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a 5-year track record.

The strategy utilises the 7IM Strategic Asset Allocation (SAA) which has a strong long-term track record in addition to implementing the tactical views of the 7IM Strategy Team which have, in general, also been positive for returns over the longer term. The fund also makes use of derivatives and various alternative assets to provide some protection from falling markets.

Conclusion:

The Select Balanced Fund has less than a 3 year track record although since inception it has outperformed its benchmark.

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 (5 years or more). There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in July 2019 so as at the date of this report does not yet have a 5-year track record.

The strategy utilises the 7IM Strategic Asset Allocation which has a strong long-term track record in addition to implementing the tactical views of the 7IM Strategy Team which have, in general, also been positive for returns over the longer term. The fund also makes use of derivatives and various alternative assets to provide some protection from falling markets.

Conclusion:

The 7IM Select Moderately Cautious Fund has less than a 3 year track record although since inception it has outperformed its benchmark.

7IM Pathbuilder 1

The fund's objective:

The fund aims to provide a return of capital and income over 5 years or more, which is consistent with its risk profile. There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in December 2020 so as at the date of this report does not yet have a 5-year track record.

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 should deliver on its objectives over the medium-to-long term.

The fund does not have a named performance comparator benchmark. We shall review this along with the fund's investment objective, policy and strategy, to determine whether changes need to be made to help investors understand what it is designed to achieve and whether it is delivering on their expectations.

Conclusion:

The 7IM Pathbuilder 1 Fund has less than a 1 year track record so it is not yet appropriate to assess its performance.

Performance
Continued

7IM Pathbuilder 2

The fund's objective:

The fund aims to provide a return of capital and income over 5 years or more, which is consistent with its risk profile. There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in December 2020 so as at the date of this report does not yet have a 5-year track record.

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 should deliver on its objectives over the medium-to-long term.

The fund does not have a named performance comparator benchmark. We shall review this along with the fund's investment objective, policy and strategy, to determine whether changes need to be made to help investors understand what it is designed to achieve and whether it is delivering on their expectations.

Conclusion:

The Pathbuilder 2 Fund has less than a 1 year track record so it is not yet appropriate to assess its performance.

7IM Pathbuilder 3

The fund's objective:

The fund aims to provide a return of capital and income over 5 years or more, which is consistent with its risk profile. There is no guarantee that a positive return will be delivered.

Performance comparator benchmark:

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.

Performance assessment:

The fund was launched in December 2020 so as at the date of this report does not yet have a 5-year track record.

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 should deliver on its objectives over the medium-to-long term.

The fund does not have a named performance comparator benchmark. We shall review this along with the fund's investment objective, policy and strategy, to determine whether changes need to be made to help investors understand what it is designed to achieve and whether it is delivering on their expectations.

Conclusion:

The Pathbuilder 3 Fund has less than a 1 year track record so it is not yet appropriate to assess its performance.

7IM Absolute Return Portfolio

The fund's objective:

The fund aims to provide a positive capital return over a 12-month period regardless of market conditions with a low level of volatility. There is no guarantee that this return will be achieved over this or any time period.

Performance comparator benchmark:

Performance may be compared to the LIBOR (3 month) +2% which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance assessment:

The fund invests in a number of strategies which, when aggregated together, aim to provide a return which seeks to outperform cash plus 2%. These strategies includes explicit inflation linked assets but also a variety of alternative assets which provide exposure to a number of risk premia.

The sharp reduction in investors' appetite for risk during the COVID-19 pandemic and subsequent deflationary shock led to some underperformance against the target benchmark. That said, since the summer of 2020 markets have more than recovered and inflation expectations have risen, contributing to some significant performance until the first quarter of 2021. The performance of two illiquid assets within the fund impacted performance towards the end of the period under review.

On the 16th March 2021, the Authorised Corporate Director made the decision to suspend trading in the fund due to the presence of the two illiquid assets, in order to protect the interests of investors. As at the fund's year-end date, 7IM had received regulatory approval to merge the majority of assets in the fund, excluding the illiquid securities, into the 7IM Real Return Fund, which would provide investors with a route out of the suspension for the majority of their holdings.

Conclusion:

Our board of directors believe that the 7IM Absolute Return Portfolio fund has generally delivered return in line with the target benchmark over the medium-to-long term.

7IM Income Portfolio

The fund's objective:

The fund aims to provide a relatively high level of income and some long-term capital growth.

Performance comparator benchmark:

Performance may be compared to the LIBOR (3 month) +2% which has been chosen because it is representative of the fund's agreed risk profile and the type of assets in which it invests. It is therefore an appropriate comparator for the fund's performance.

Performance
Continued

Performance assessment:

The fund had consistently been outperforming both its target benchmark and peer group until the first quarter of 2020. The market drawdown in 2020 was very challenging for income funds which are a subset of the IA 0-35% peer group. Many of the more income-oriented sectors of the economy such as Financials and Energy have suffered and in many cases, dividends were cancelled. Over the last year the performance has recovered as many of the challenged sectors outperformed as the market rallied in anticipation of economic growth returning.

On the 16th March 2021, the Authorised Corporate Director made the decision to suspend trading in the fund due to the presence of two illiquid securities, in order to protect the interests of investors. As at the fund's year-end date, 7IM had received regulatory approval to merge the majority of assets in the fund, excluding the illiquid securities, into the 7IM AAP Income Fund, which would provide investors with a route out of the suspension for the majority of their holdings.

Conclusion:

Our board of directors concluded that the 7IM Income Portfolio fund has generally outperformed its target benchmark across the majority of the periods analysed, although it dipped below this measure in 2020 but has now recovered with the 5-year rolling returns now broadly in line with the target benchmark.

7IM Arden

The fund's objective:

The fund aims to provide long term capital and income growth.

Performance comparator benchmark:

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

Performance assessment:

The fund has outperformed the ARC PCI Steady Growth 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.

An expected increase in equity exposure in this fund's Strategic Asset Allocation this year has led the Risk Management Team to propose a review of the appropriateness if the ARC Sterling Steady Growth PCI as a performance comparator benchmark, with a view to potentially changing it to the ARC Sterling Equity PCI.

The fund holds an illiquid asset which up until the end of the review period for this report could not be sold. The Authorised Corporate Director has been considering potential actions to protect the interests of investors in the fund.

Conclusion:

Our board of directors concluded that the 7IM Arden Fund has generally delivered superior returns to the performance comparator benchmark over the medium-to-long term.

7IM Matterhorn

The fund's objective:

The fund aims to provide long term capital and income growth.

Performance comparator benchmark:

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

Performance assessment:

The fund was launched in May 2018 so as at the date of this report does not yet have a 5-year track record. The phasing of cash into the market and also being more defensively positioned contributed to the relative underperformance versus the ARC PCI Balanced peer group in 2018 and 2019.

The fund has subsequently outperformed the peer group through 2020 and 2021.

Conclusion:

The 7IM Matterhorn Fund has less than a 3 year track record although since inception it has underperformed its benchmark.

7IM Mulgy

The fund's objective:

The fund aims to provide long term capital and income growth.

Performance comparator benchmark:

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

Performance assessment:

The fund was launched in August 2017 so as at the date of this report does not yet have a 5-year track record. The phasing of cash into the market and also being more defensively positioned contributed to the relative underperformance versus the ARC PCI Balanced peer group in 2018 and 2019.

The fund has subsequently outperformed the peer group through 2020 and 2021.

The fund holds an illiquid asset which up until the end of the review period for this report could not be sold. The Authorised Corporate Director has been considering potential actions to protect the interests of investors in the fund.

Conclusion:

The 7IM Mulgy Fund has less than a 3 year track record although since inception it has underperformed its benchmark.

7IM Randolph Place Diversified

The fund's objective:

The fund aims to provide long term capital growth.

Performance
Continued

Performance comparator benchmark:

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

Performance assessment:

The fund 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 has 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 have been 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 over the last year during the post-COVID economic and market recovery.

Conclusion:

Our board of directors concluded that the 7IM Randolph Place Diversified Fund, despite some recent performance headwinds, has generally delivered returns in line with the target benchmark over the medium-to-long term.

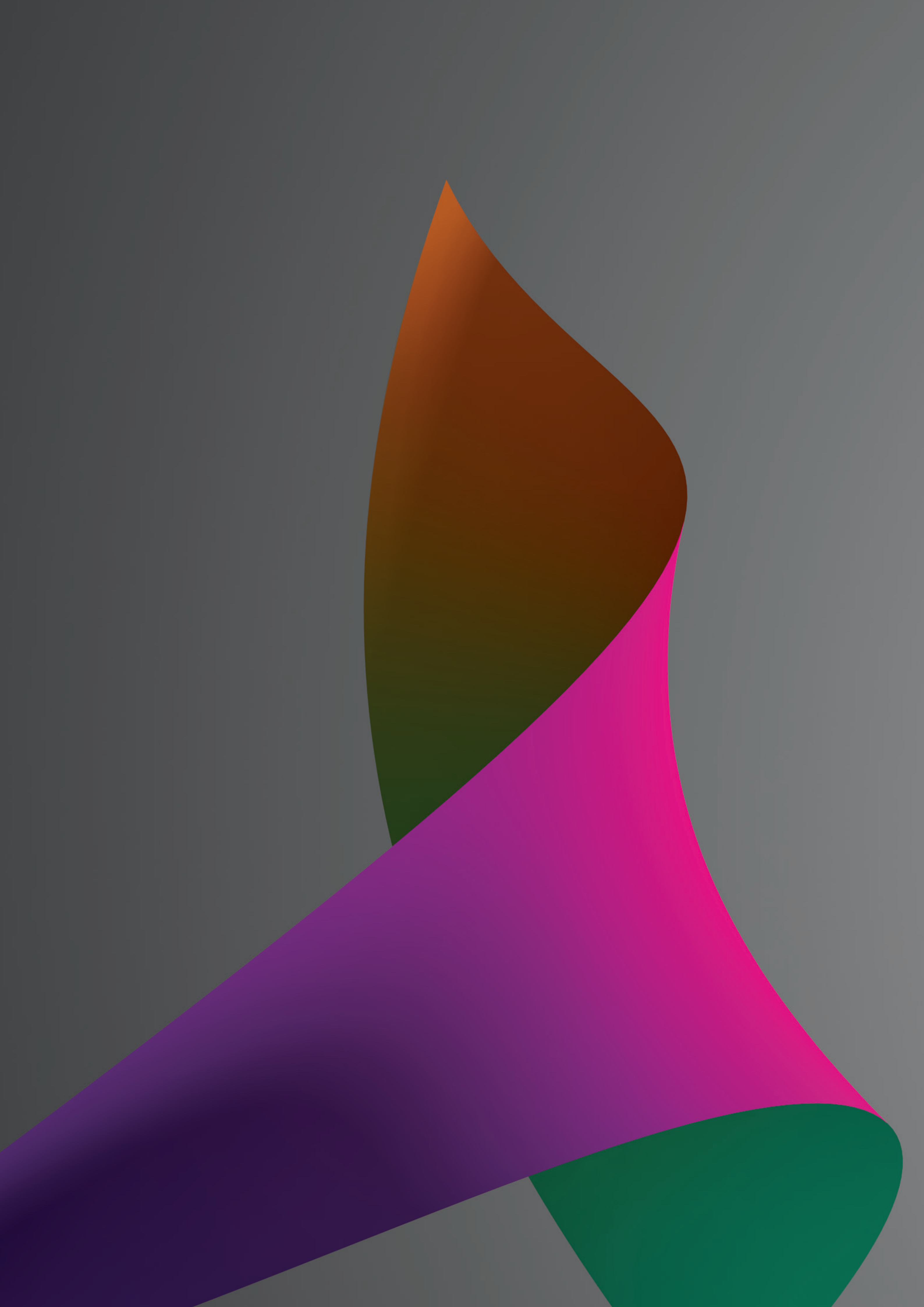
Overall conclusion on performance:

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

Over the last five years our Strategic Asset Allocation (SAA) has delivered exceptionally strong returns and value. While our Tactical Asset Allocation (TAA) added significant value across our range during the COVID-19 crisis, over the last five years certain decisions have at times led to periods of short-term underperformance. Similarly, some of our investment selection decisions have added significant value, such as the allocation to alternative strategies in 2020, while other decisions have underperformed over the period. Nonetheless, all the funds have delivered positive cumulative returns.

We continue to learn from these lessons and have continued to refine our investment process as well as bolster our Investment Team over the past 12 months.

From these lessons, we believe that over both the medium and long term our proprietary SAA, TAA and investment selection should deliver good value to investors and add to returns.



Authorised Fund Manager (AFM) costs

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

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

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 and custody costs. We will also need to demonstrate that we are delivering value against these. In reviewing the additional costs incurred by the funds, the board of directors were satisfied that these were equal to the amounts actually paid.

AFM costs assessment

7IM Personal Injury

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Real Return

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

We have reviewed the running costs of the fund being borne by the Authorised Corporate Director (ACD) rather than being charged to the fund and concluded that this should not change as it would lead to an increase in the fund's ongoing charges figures (OCF).

7IM Select Adventurous

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

In the last 12 months, we capped the ongoing charges figures (OCF) of the fund at 1.70% (C share class) until it had reached a sufficient size whereby its actual figure was in line with the rest of the Select fund range, and also with the corresponding fund in the 7IM Multi-Manager range. In the latest annual accounts, the OCF of the C share class is 1.61%.

7IM Select Moderately Adventurous

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Select Balanced

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Select Moderately Cautious

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Pathbuilder 1

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

The additional expenses element of the ongoing charges figure (OCF), which includes for example trustee, legal and audit fees, was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

7IM Pathbuilder 2

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

The additional expenses element of the ongoing charges figure (OCF), which includes for example trustee, legal and audit fees, was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

Authorised Fund Manager (AFM) costs
Continued

7IM Pathbuilder 3

We have reviewed all costs incurred by the funds and can confirm that all charges to scheme property were equal to the amounts paid.

The additional expenses element of the ongoing charges figure (OCF), which includes for example trustee, legal and audit fees, was capped at 0.05% at launch until the fund grows to a sufficient size for this to no longer be required.

7IM Absolute Return Portfolio

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

Following the fund's suspension on the 16th March, the ACD approved the waiving of 20% of the annual management charge of the fund, for the duration of the suspension period.

7IM Income Portfolio

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

Following the fund's suspension on the 16th March, the ACD approved the waiving of 20% of the annual management charge of the fund, for the duration of the suspension period.

7IM Arden

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Matterhorn

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Mulgy

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

7IM Randolph Place Diversified

We have reviewed all costs incurred by the fund and can confirm that all charges to scheme property were equal to the amounts paid.

Conclusion:

Our board of directors concluded that having reviewed all the costs incurred by the funds, the all charges to scheme properties were equal to the amounts paid.

We shall continue to review every cost charged to our funds to ensure they are priced appropriately and competitively.

Comparable market rates

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

In determining whether 7IM offers value in relation to comparable market rates, we must assess the value of our charges objectively versus the wider peer group as well as against a select range of comparable funds with similar objectives.

Comparable market rates assessment:

7IM Personal Injury Fund

OCF: 0.72% (C share class)

Relative to all active funds in the sector, the fund has an ongoing charges figure (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

OCF: 0.99% (C share class)

Relative to all active funds in the sector, the fund has an ongoing charges figure (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

OCF: 1.61% (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.

This fund's ongoing charges figure (OCF) is still slightly higher than that of the 7IM Adventurous Fund although it has reduced significantly in the last 12 months as it has grown in scale.

7IM Select Moderately Adventurous

OCF: 1.40% (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.

This fund's ongoing charges figure (OCF) is generally aligned to that of the 7IM Moderately Adventurous Fund.

7IM Select Balanced

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.

This fund's ongoing charges figure (OCF) is generally aligned to that of the 7IM Balanced Fund.

7IM Select Moderately Cautious

OCF: 1.33% (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.

This fund's ongoing charges figure (OCF) is generally aligned to that of the 7IM Moderately Cautious Fund.

7IM Pathbuilder 1

OCF: 0.35% (C share class)

The fund has a lower ongoing charges figure (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

OCF: 0.36% (C share class)

The fund has a lower ongoing charges figure (OCF) than the median for the peer group, the FE Risk Targeted Multi-Asset Moderate 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 Pathbuilder 3

OCF: 0.35% (C share class)

The fund has a lower ongoing charges figure (OCF) than the median for the peer group, the FE Risk Targeted Multi-Asset Moderate 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.

Comparable market rates
Continued

7IM Absolute Return Portfolio

OCF: 1.27% (C share class)

Relative to all active funds in the sector, the fund has an ongoing charges figure (OCF) that is higher than the sector median and in the fourth quartile. Therefore, purely on up-front costs, the fund represents good value for money.

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 Income Portfolio

OCF: 1.30% (C share class)

Relative to all active funds in the sector, the fund has an ongoing charges figure (OCF) that is higher than the sector median and in the fourth quartile. Therefore, purely on up-front costs, the fund represents good value for money.

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 Arden

OCF: 0.95% (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 ongoing charges figure (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

OCF: 1.13% (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 ongoing charges figure (OCF) is generally aligned to that of the 7IM Balanced Fund.

7IM Mulgy

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 ongoing charges figure (OCF) is generally aligned to that of the 7IM Balanced Fund.

7IM Randolph Place Diversified

OCF: 1.28% (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 ongoing charges figure (OCF) is generally aligned to that of the 7IM Moderately Adventurous Fund.

Conclusion:

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

We have always believed that being the cheapest does not necessarily mean that you are delivering value. However, we acknowledge that our costs could be more competitive against the various peer group.

Furthermore, we will continue to assess the costs and charges of our funds as part of our annual Product Governance review.

Economies of scale

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

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

Economies of scale assessment:

In determining whether we offer value in relation to passing on savings achieved through economies of scale we have looked at the 15 funds covered in this report. While these funds are varied in terms of their investment objectives and target market client, they are all managed by the Investment Management Team as a collective, along with the other 7IM funds outside of the scope of this report. Treating the full range of 7IM funds as a single portfolio of assets used across the different strategies enables the Investment Management Team to use economies of scale in the construction and management of each fund. This gives the Team more time to carry out investment research and analysis, with less operational portfolio management at a fund-by-fund level, which we believe adds value over time to our investors.

The ongoing charge figures (OCF) for 11 of the 15 funds have been reduced in the last year. The reductions are primarily due to flows into these funds, as well as positive market movement, increasing their size meaning that fixed costs were spread across a larger investor base. As mentioned in the fund-by-fund costs assessment, the additional expenses element of the OCFs of the newly launched 7IM Pathbuilder funds has been capped at 0.05% until such point that they have grown to a sufficient size whereby this is not necessary.

Over the last 18 months, the Investment Management Team has been rationalising the number of securities held across many of our funds. For example, at the end of November 2019, the 7IM Balanced Fund held 40 different securities, whereas at the end of November 2020, it held 29. As well as having more conviction and belief in a more select number of underlying funds and managers, this has given the Team more power when negotiating access with managers either to cheaper share classes or rebates – this in particular has been a key driver of the reduction in many of our fund OCFs. While the funds within this report have tended to hold more concentrated positions in securities than in the Multi-Manager funds, they have also benefitted from this wider strategy.

At the end of May 2021, 7IM received regulatory approval to merge the majority of assets in the 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. As well providing investors in the former two funds with a route out of the suspensions, the mergers will see them moving into lower cost funds managed to the same investment mandate. Combining the two pairs of assets into two funds should also create 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:

Having compared the charges associated with the funds in this report as outlined above, our board of directors have concluded that our investors receive good value when assessed against comparable services.

Classes of units

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

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

Classes of unit assessment:

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

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

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

We shall write out to these firms asking them to re-confirm the arrangements they have in place to pass these rebates onto the end investor. If they do not respond within a given timeframe, we shall look to take action including potentially converting their holdings into the C share class.

There are a small number of investors who continue to hold these legacy share classes with no rebate in place. As mentioned in the IA guidance on PS18/8, we now have the authority to carry out share class conversions without express consent and have identified clients who we believe could be in cheaper share classes. We have completed our analysis and shall shortly be giving the relevant investors 60 days' notice of our intention to convert their holding unless they instruct us otherwise.

Conclusion:

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

However, the board of directors recognised that some investors could benefit from being moved to the cheaper C share class. 7IM now have the authority to carry out share class conversions without express consent and have identified clients who we believe could be in cheaper share classes. We have a clear plan to convert investors who are still in legacy share classes to the appropriate clean share class in the coming months.

Summary of the value assessment

Our board of directors' overall conclusion was that in assessing value against the FCA's seven pillars, 7IM provides good or reasonable value to investors in 13 of the funds that are covered in the report. However, due to the aforementioned suspensions of the 7IM Absolute Return Portfolio and 7IM Income Portfolio funds, the board concluded that these two funds have offered poor value for money. As mentioned in the report, 7IM have received regulatory approval to merge the majority of assets in the 7IM Absolute Return Portfolio and 7IM Income Portfolio funds (excluding the illiquid assets) into the 7IM Real Return and 7IM AAP Income funds respectively. This will not only provide investors in the two suspended funds with a route out of the suspensions but will see them moving into lower cost funds managed to the same investment mandate.

As always, we do not wish to be complacent and believe that we should always operate in the spirit of our culture and vision, which is centred around the following values:

1. We put our clients first

2. We listen and respond

3. We demand excellence

4. We do the right thing

5. We keep things simple

6. We value our people

7. We succeed together

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

	Fund		Overall assessment
Specialist Funds	7IM Personal Injury	The Fund generally performed in line with its benchmark, although it has underperformed since 2016 due to it structurally holding lower than average equity exposure during a sustained period of market growth (although it has was aided by periods of strong performance in the 18 months thanks to its defensive positioning relative to the peer group), at below average cost relative to the peer group.	
Opportunity Funds	7IM Real Return	The Fund has generally delivered superior returns to the target benchmark over the medium-to-long term, albeit it at higher than average cost.	
	7IM Select Adventurous	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	
	7IM Select Moderately Adventurous	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	
	7IM Select Balanced	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	
	7IM Select Moderately Cautious	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	
	7IM Pathbuilder 1	The Fund has less than a 1 year track record so it is not yet appropriate to assess its performance; from a cost perspective it is charged below average relative to the peer group.	
	7IM Pathbuilder 2	The Fund has less than a 1 year track record so it is not yet appropriate to assess its performance; from a cost perspective it is charged below average relative to the peer group.	
	7IM Pathbuilder 3	The Fund has less than a 1 year track record so it is not yet appropriate to assess its performance; from a cost perspective it is charged below average relative to the peer group.	

Key: Offers good value | 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		Overall assessment
ICVC Funds	7IM Absolute Return Portfolio	The Fund has generally delivered returns in line with the target benchmark over the medium-to-long term, albeit it at higher than average cost. The Fund was suspended in March due to illiquidity concerns relating to two underlying securities.	Offers poor value and action required
ICVC Funds	7IM Income Portfolio	The Fund has experienced some recent performance headwinds, although it has generally delivered returns in line with the target market over the medium-to-long term, albeit it significantly higher cost. The Fund was suspended in March due to illiquidity concerns relating to two underlying securities.	Offers poor value and action required
ICVC Funds	7IM Arden	The Fund has generally delivered superior returns to the target 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.	Offers reasonable value but action may be required
ICVC Funds	7IM Matterhorn	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	Offers reasonable value but action may be required
ICVC Funds	7IM Mulgy	The Fund has less than a 3 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 reviewed as part of our annual product governance process.	Offers reasonable value but action may be required
ICVC Funds	7IM Randolph Place Diversified	The Fund, despite some recent performance headwinds, has generally delivered returns in line with the target 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.	Offers reasonable value but action may be required

Key: Offers good value (teal) · Offers reasonable value but action may be required (orange) · Offers poor value and action required (pink) · N/A – Less than one year track record (black)

If you would like further information regarding any of our services:

020 7760 8777

information@7im.co.uk

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