

PROFESSIONAL ADVISERS ONLY

7IM Sustainable Balance

Embracing future growth

Succeeding together

7iM

Capital at risk

You should be aware that the value of investments may go up and down and you may receive back less than you invested originally.

Past performance is not a guide to future returns.

7IM may hold positions in some or all of the securities mentioned here either in 7IM funds as part of widely diversified portfolios or via the third party funds in which we invest. Any reference to specific investments are included for information purposes only and are not intended to provide stock recommendation or investment recommendations to individual investors.

Some funds make a difference

Not only to the people who invest in them, but to the wider world too.

7IM Sustainable Balance is one of those funds. It's designed to embrace – and support – the world's economic growth in the long run, investing in companies that demonstrate positive and sustainable conduct.

At 7IM, we're passionate about responsible investment and corporate behaviour. We've long believed that sustainability matters, and there's good evidence to show that environmental, social and governance (ESG) issues can influence company and investment returns.

As part of our responsibility, not only to our clients but as a corporate citizen, we have signed up to the UN Principles for Responsible Investment (PRI). Well before the Covid-19 pandemic, we were cutting our travel emissions and reducing our carbon footprint. And our programme of charity and community work has been running for many years.

Long-time investors in a better future

Many investment businesses that talk about responsible investing are relatively new to the area. Not us. We've been running the 7IM Sustainable Balance fund since 2007. That gives us a successful track record of performance over 13 years, when many funds cannot even be assessed over three.

The fund's Investment Team are long-time advocates of responsible investing. Senior Investment Manager Camilla Ritchie, Investment Manager Jack Turner and Head of Investment Strategy Terence Moll are highly experienced in ESG issues and genuinely interested in making a difference.



A fund for the future: portfolio construction

At the heart of the 7IM Sustainable Balance portfolio are three rigorous processes we use across all our funds and products:

- Strategic Asset Allocation (SAA), to set the long-term plan
- Tactical Asset Allocation (TAA), to find opportunities to enhance returns
- Risk Management

We believe these processes provide the fundamentals of a well-diversified investment portfolio.

Onto these robust foundations, we apply our responsible investing approach. We see this as covering a spectrum – from the avoidance of poor ethical practices to the search for a positive long-term impact on the world.

7IM Sustainable Balance Investment Spectrum					
Traditional Investment	Ethical	Sustainable	Thematic	Impact	Philanthropy
No screens	Negative screens <i>E.g. alcohol, arms, adult entertainment</i>	ESG and ethical screens <i>E.g. carbon emissions, labour, practices, corporate governance</i>	Sustainable themes and future growth areas <i>E.g. climate change, ageing, demographics</i>	Not just ESG or sustainable but with additional impact	Focus on social & environmental opportunities but with both ESG input and output
100% financial return focus	Up to 100% financial return focus	100% financial return focus but compliant with ESG and ethical screens	100% financial returns focus but compliant with ESG and ethical screens	Up to 100% financial returns, social & environmental returns and additional impact returns	Financial returns 0-100% but with focus on social & environmental returns

Portfolio themes

Our 7IM portfolio themes represent positions where we see strong stand-alone investment cases. We have seven of these at present:

- 01 The world is getting older
- 02 Bond safety comes at a price
- 03 The global climate is changing
- 04 We are consuming in different ways
- 05 Everything is becoming more automated
- 06 It's all about big data and cloud storage
- 07 Riding the economic wave: stimulus could catalyse a global growth boom

Stock selection

One of 7IM's guiding investment principles is that we collaborate with specialist third parties. This brings an extra layer of impartiality and expertise to our decisions, which benefits our clients. Following that principle, we use Sarasin & Partners LLP – well-known experts in sustainable investing and stewardship – to actively manage sustainable equities for the fund.



Sustainability matters. Many people are worried about global warming and the future of the planet. The media and politicians talk about the environment, human rights, inequality and the responsibilities of business. And there is good reason to believe that ESG – environmental, social and governmental – issues can influence company and investment returns in the long run.”

Terence Moll, Head of Investment Strategy, 7IM

Embracing positive conduct and themes

The selection processes for 7IM Sustainable Balance screen out the negative, and then actively seek the positive.

We exclude



Companies in acceptable industries that behave badly, with poor records on, e.g. environment, labour practices, human rights and corporate governance.



Companies with more than 10% revenue exposure to:
Adult entertainment, alcohol, arms, gambling, GMOs in agriculture, nuclear power generation and tobacco.

We look for



Companies showing positive ethical conduct on, e.g. environment, labour practices, human rights, corporate governance.



A 'theme universe' of future growth areas that are driving investment returns long term:
Ageing, automation, climate change, digitalisation, evolving consumption.

Embracing positive conduct and themes

Continued

Materiality: why set a 10% revenue exposure limit?

A 10% revenue exposure limit allows us to exclude investments in companies that are materially involved in ethically unacceptable businesses. This means that companies with a lower revenue exposure do not get excluded, and we think there are good reasons for this approach.

If we adopted a zero tolerance to companies with any ethically unacceptable revenues, it would be very difficult to implement: it is hard to have 100% sight of where all revenues come from. Zero tolerance would also exclude about 18% of the universe of companies that the fund could invest in; the 10% revenue limit excludes only 5%.

We therefore believe the 10% tolerance level is reasonable, allowing us to screen out companies with material involvement in unacceptable areas, without shutting down opportunities to invest in companies with strong sustainable credentials.

Portfolio themes: The world's future growth areas

CASE STUDY: RENEWABLE ENERGY

One future growth area we've identified is renewable energy. The rollout of wind and solar electricity is gathering pace, driven by demand, technical advances and economies of scale. Our holdings include Ørsted, which moved on from its previous incarnation as DONG (Danish Oil and Natural Gas) Energy to become a global leader in offshore wind. We also hold The Renewables Infrastructure Group and Greencoat.

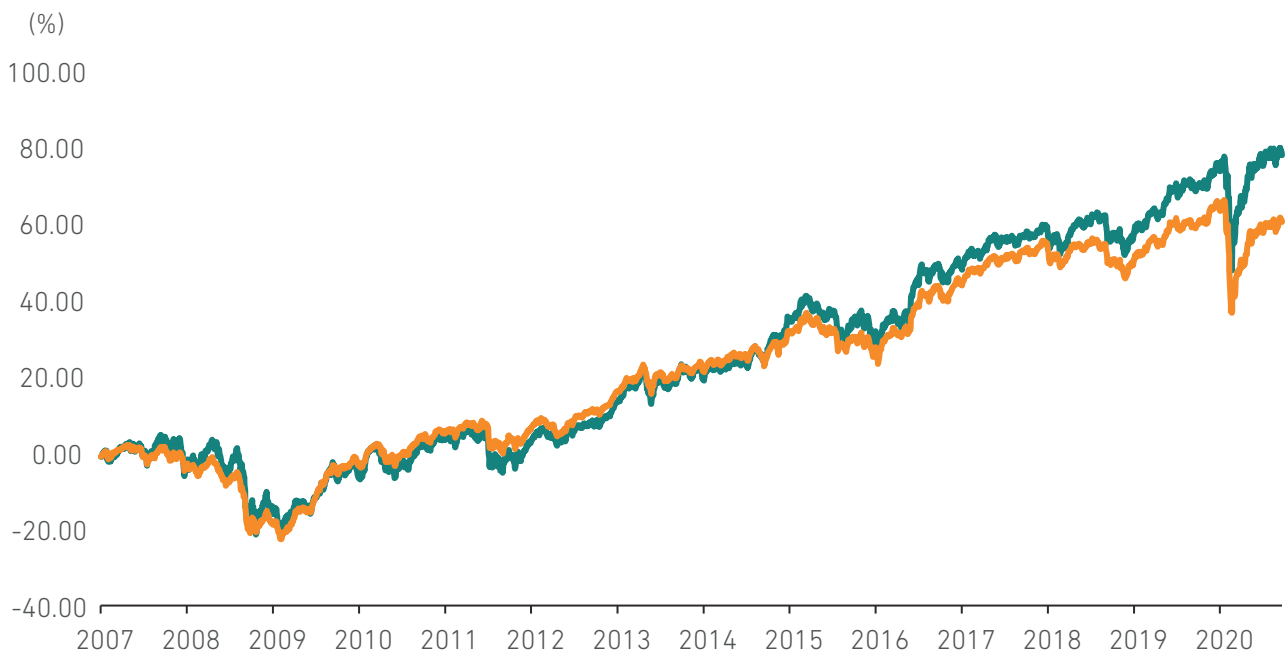
CASE STUDY: HEALTHCARE

An ageing population is driving long-term growth in healthcare and pharmaceuticals. Alongside well-known corporates AstraZeneca, GlaxoSmithKline and Smith & Nephew, our holdings include Abcam. Having started out in 1998 delivering antibodies to Cambridge researchers in ice buckets, the company is now a multibillion dollar business.

A track record of outperformance

We have a long history of successful responsible investing. That experience has fed into the fund's performance history. Since inception, the 7IM Sustainable Balance fund has returned 79%, versus the comparative benchmark's 61% and is ranked in the first quartile over 1, 3, 5 and 10 years.

7IM Sustainable Balance v comparative benchmark



Source: 7IM/FE. Returns as at 30 September 2020 net of charges

Discrete Performance	Q3 2019 – Q3 2020 (%)	Q3 2018 – Q3 2019 (%)	Q3 2017 – Q3 2018 (%)	Q3 2016 – Q3 2017 (%)	Q3 2015 – Q3 2016 (%)
7IM Sustainable Balance S Share class	3.71	5.81	4.80	5.79	14.11
IA Mixed Investment 20-60% Shares	-1.19	4.01	2.60	6.15	12.11

A track record of outperformance

Continued

A key driver of our performance is risk – or rather, the management of it.

Robust risk management was one of 7IM's founding principles, and remains central to our SAA and TAA. Responsible investing adds another layer of risk management.

A focus on ESG ratings means a focus on companies that are managed well and plan sustainably for the future. This adds a tilt towards quality and growth, which, in our view, can reduce risk and enhance returns. These enhanced returns are evident in our performance track record.

Want to know more?

For more information about how 7IM Sustainable Balance could help your clients invest responsibly and meet their investment goals, get in touch with us at:

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We believe that that ESG will be a long-term winner from COVID-19. Green recovery and governance issues are high on the global agenda, and the 7IM Sustainable Balance fund is designed to embrace the opportunities here.”

Camilla Ritchie, Senior Investment Manager, 7IM

For more information about the
7IM Sustainable Balance fund,
get in touch on:



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www.7im.co.uk

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