

PROFESSIONAL ADVISERS ONLY

Investing for the greater good

What's in the 7IM Responsible Choice
Model Portfolios, and why?

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.

For professional advisers only – not to be distributed to retail investors.

Some funds make a difference

Factsheets and top ten holdings are a vital part in understanding an investment. But they don't give you the full picture. They don't tell you the story behind the holdings, what the investments are supporting or tell you those who are making the investment decisions.

In this document, we bring the 7IM Responsible Choice Model Portfolios to life, detailing where the holdings sit on our responsible investing spectrum and show you who is making the investment decisions, in order to help you understand the difference your investment is making.



Get to know the team behind our responsible products

We at 7IM, are proven performers in responsible investing. We've been running a successful Sustainable Balance fund for over 14 years which boasts top quartile performance over 3, 5 and 10 years.

By contrast, many new funds and managers in the space don't even have three-year track records. We've been active Environmental, Social and Governance (ESG) investors for a long time, which gives us a unique insight into how it works – and how to spot problem areas and 'greenwashing'.

We're also specialists in multi-asset investing. Our investment team has decades of experience in this space. We have developed our strategy and processes over time and are used to dealing with whatever happens in the markets. Now, with, your clients

can access our experience and expertise in responsible and multi-asset investing, with a choice of risk-rated portfolios designed to fit their needs and goals.

Meet the team



Terence Moll

Head of Investment Strategy and ESG

Terence has 30 years of investment experience, mostly in multi-asset roles. With a research background in economics, he has long been interested in the environment and development and is responsible for ensuring that stewardship and ESG issues are entrenched in the investment process.



Camilla Ritchie

Senior Investment Manager

Camilla has more than 30 years' experience of managing investments. She has run the 7IM Sustainable Balance Fund since inception in 2007 and has been a leader in driving the Investment Team's thoughts and processes around stewardship and responsible investing.



Jack Turner

Investment Manager

Jack has been a member of the 7IM Investment Team since 2016 and has been instrumental in driving forward ESG integration across the investment process. He is lead portfolio manager on the Responsible Choice Model Portfolios.

About responsible investing

At 7IM, we consider there to be four main approaches that fall within the term responsible investing. These sit within a spectrum of increasing levels of screening.



On the following pages, you'll see a reference to which area of the responsible investing spectrum each holding sits within.

Regnan Global Equity Impact Solutions

Why did we include it?

The Regnan team has an innovative way of classifying and measuring impact, which reassures us that we are getting exposure to companies that are providing benefits to society and the environment. Their process for selecting companies involves identifying solutions to issues outlined in the UN's Sustainable Development Goals, and then investing in companies that are delivering solutions.

The holdings within the fund include:

Hoffman Green Cement Technologies

Hoffman Green Cement Technologies is an innovative cement manufacturing company that uses an approach that cuts emissions by one fifth compared to traditional cement. This technology will have a significant positive environmental impact as cement production makes up 8% of the world's greenhouse gas emissions. Currently, there are few decarbonisation options, meaning that the sector is coming under increased pressure to innovate.

Afya

Afya is a US-listed Brazilian education company focused on training doctors, with a key part of its offering focusing on digital solutions. Afya is particularly important in contributing towards an increase in the number of physicians in Brazil, particularly in more remote regions. Due to its size, Brazil has a very low level of medical density despite the population ageing fast.

Holding: **5%** in the Responsible Choice Balanced Model Portfolio

Impact



Driving positive change

From the manager:

The Regnan Global Equity Impact Solutions strategy is a solutions-first strategy.

The fund is focused on investing in mission-driven businesses that address underserved environmental and social challenges and deliver real, systematic change for the better. The team aspire to demonstrate that investing for impact not only makes good environmental and social sense, it also makes good financial sense.

Source: www.regnan-johcm.com

Threadneedle UK Social Bond Fund

Why did we include it?

The Threadneedle UK Social Bond Fund differs from other sustainable finance funds in the fact that they achieve the right balance between positive impact and returns. The fund doesn't just invest in ESG labelled Social bonds, which can be low yielding, but also traditional bonds from issuers in impactful sectors such as social care or affordable housing.

The holdings within the fund include:

Social housing

The lack of quality affordable housing remains a major social challenge for the UK. ONS data shows between 1997 and 2017, median house prices increased by 259%, while median earnings only increased 68% over the same period. The Threadneedle fund holds bonds from 24 Housing Associations. In total, these organisations own and manage 722,510 regulated properties. The fund accesses two social housing companies in particular; Accent Group, which is looking to deliver 2,000 affordable homes between 2019 and 2024 and Longhurst Group, which is aiming to deliver 700 homes per year, 600 of which will be for affordable rent and shared ownership.

Construction of NHS hospitals

The Threadneedle UK Social Bond Fund holds bonds that have supported the construction and financing of an NHS hospital in Peterborough and the operation of the Norfolk and Norwich University Hospital. This university hospital employs 6,500 people and provides healthcare services to the people of Norfolk, as well as training to a wide range of health professionals.

Holding: **6%** in the Responsible Choice Balanced Model Portfolio

Impact



Driving positive change

From the manager:

The Threadneedle UK Social Bond Fund was launched in 2014 and is designed to balance the three main elements of social outcome, liquidity and financial return.

This approach offers UK corporate bond risk-return characteristics with the attainment of demonstrable social alpha. This is achieved through specific bond selection based upon proprietary fundamental social analysis.

Source:

www.columbiathreadneedle.co.uk/en/intm/

Liontrust Sustainable Future UK Growth

Why did we include it?

This Liontrust Sustainable Future UK Growth fund is a standout performer in the UK equity space. The team have a great process that has been fine-tuned since 2001, using themes to prioritise investments and focus on companies with a quality and growth bias. The fund is supported by a great team of analysts focused on thematic research and is headed up by Peter Michaelis.

A cleaner, healthier or safer economy

The Liontrust team look to invest in companies which are making a positive contribution to the economy by making it either cleaner, healthier or safer. They do this by investing in 21 different investment themes that are linked to either improved healthcare, better resource efficiency or greater safety and reliance. In many cases the stocks they pick are household names, such as Legal & General or Trainline.

The holdings within the fund include:

Smurfit Kappa

Smurfit Kappa is a holding in the fund's 'delivering a circular materials economy' theme. Smurfit Kappa is the number one cardboard box manufacturer in Europe and is well positioned to benefit from the shift from plastic packaging to recyclable and biodegradable cardboard packaging. Over 75% of their packaging is from recycled sources and 99% of its raw materials have a Chain of Custody certificate, meaning it is from a sustainable source.

Oxford Biomedica

Another great company Liontrust invests in is Oxford Biomedica, which sits in the 'enabling innovation in healthcare' theme. Oxford Biomedica specialises in gene therapy, an innovation identified by Liontrust as part of their thematic research. Gene therapy provides the opportunity for a one and done approach to therapy, as opposed to daily medication that is often prescribed indefinitely. With over 20 years of experience, Oxford Biomedica believes it is 2 years ahead of competitors in being able to provide this technology.

Holding: **10%** in the Responsible Choice Balanced Model Portfolio

Thematic



Environmental and social opportunities

From the manager:

The Liontrust team's process is based on the belief that in a fast-changing world, the companies that will survive and thrive are those which improve people's quality of life.

Whether it's through medical, technological or educational advances, driving improvements in the efficiency with which we use increasingly scarce resources, or helping to build a more stable, resilient and prosperous economy, the Liontrust process seeks to generate strong returns while benefiting society through identifying long-term transformative developments. They achieve this by investing in companies exposed to these powerful trends, that have a positive impact and can make for attractive and sustainable investments.

Source: www.liontrust.co.uk/funds/sustainable-future-uk-growth-fund

Amundi MSCI European SRI

Why did we include it?

The Amundi MSCI European SRI Fund gives us low cost exposure to the MSCI Europe SRI filtered Ex Fossil Fuel Index. This index selects the top 25% of companies in each sector based on their MSCI ESG rating.

This approach gives us exposure across a range of different sectors, including the best companies in sectors that are often underrepresented in sustainable offering such as Utilities, Energy and Materials.

This means broad market exposure whilst still focusing on strong ESG characteristics.

The index also excludes businesses that have exposure to controversial activities such as Nuclear Power, Tobacco and Gambling to name a few.

The holdings within the fund include:

Siemens AG

The methodology used in the fund favours companies that are managing the ESG risks that they face. One of the largest holdings in the fund is the German industrial company Siemens AG. The company puts great emphasis on its ambitions to improve its sustainability credentials and was one of the first industrial companies of its size to commit to carbon neutrality by 2030. Siemens AG gets a much larger proportion of its revenues from clean technology compared to sector peers, making it a great addition to the fund.

ASML

Another large holding in the fund is the tech company ASML. The company specialises in making lithography systems, machines that make semiconductors. ASML is a market leader in the production of these machines and is used by all the major semiconductor makers, meaning their technology is used in the production of everyday items such as smart phones, TVs and cars. The company scores well on ESG factors with sector leading scores in human capital development and corporate behaviour.

Holding: **4.5%** in the Responsible Choice Balanced Model Portfolio

Ethical



Excluding negative activities

From the manager:

As a pioneer in sustainable investing, Amundi is delighted to see growing interest from investors in ESG solutions. It is also encouraging to see that use of ETFs to implement these strategies is continuing to rise.

Source:

www.amundiETF.co.uk/professional/Amundi-ETF

First Sentier Global Property Securities

Why did we include it?

We really like the bottom up approach the management team uses to integrate ESG into its valuation framework. ESG factors feed into their valuation methodology, meaning a lower ESG score will reduce their forward-looking return expectations for the proposed investment. The team has been using the process since 2013. The team at First Sentier includes experts located across the world's major property markets and has an average industry experience of 18 years.

The holdings within the fund include:

Global Property Securities

The team aims to invest in high quality urban real estate in high barrier to entry markets in the world's most bustling cities. The team has an adaptable investment style meaning they can react to changes in real estate demand.

The team has reduced some office space exposure due to the threat from the 'work from home' thematic however they still have an 11% exposure to office buildings. Much of this exposure is to "A" grade suburban offices, which are a likely beneficiary of decentralisation and the WFH thematic. This trend could see tenants increasingly adopting 'hub and spoke' models by leasing high quality office buildings at lower occupancy costs closer to where workers live, in the suburbs and city fringes.

They also have exposure to medical offices and life science laboratories. They believe these assets are very well placed given their essential nature, particularly amid heightened investment into healthcare systems. These holdings highlight the ability of the team to adapt to changing themes in the real estate market.

Holding: **4.5%** in the Responsible Choice Balanced Model Portfolio

ESG



Targeting ESG Leaders

From the manager:

Responsible Investment has been deeply ingrained in our team culture and investment process and philosophy for over a decade. We firmly believe it is our responsibility to influence ESG outcomes where possible in our activities. We believe that investing responsibly not only helps effectuate positive change for society; it also enhances the long-term risk-adjusted returns delivered to investors.

Source: www.firstsentierinvestors.com/uk/en/intermediary/our-funds/infrastructure-real-estate/global-property/responsible-investment.html

For more information about
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