

FOR IMMEDIATE RELEASE

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## **7IM: WHERE DOES HAMMOND'S PFI "NON ANNOUNCEMENT" LEAVE THE INFRASTRUCTURE INVESTMENT COMPANY SECTOR?**

Monday's Budget saw Chancellor Philip Hammond state that the Government will honour existing PFI contracts, a sideways swipe at John McDonnell, Labour's Shadow Chancellor.

The reference follows McDonnell's comment on 25 September 2017 that Labour would "bring existing PFI contracts in-house", which at the time saw some share price wobbles in the infrastructure investment company sector.

Where do Hammond's comments leave the infrastructure investment company sector today?

**Matthew Yeates, Investment Manager, Seven Investment Management (7IM)** said:

"Hammond's announcement on PFI in the Budget was an absolute non-announcement if you look at 'new' PFI flow in recent years – it has largely tailed off so he has announced stopping... not a lot!

"The point on the cost of breaking existing contracts was a reminder of the absolute minefield in implementing the policy suggested by McDonnell. It reinforces the belief that it would be very hard and unlikely for a Labour government to be able to follow through in full, even if they did come to power.

"I agree with Hammond's emphasis that Public Private infrastructure projects can represent a true risk transfer. For the listed infrastructure vehicles we own, the performance at the beginning of the year was a reminder of this – the pain of a Carillion breakup and the subsequent costs were born by the private sector and the shareholders of companies in the infrastructure investment company sector – ourselves included. It was this move that seemed at odds with Labour's comments – it was proof that risk transfer did exist.

"With the combination of political risk and Carillion risk at the beginning of the year, we took an opportunity to add. The subsequent performance of the sector has vindicated this move. Infrastructure remains an attractive underlying asset class, with government backed, inflation linked cash flows. Listed infrastructure remains one of the most successful holdings in portfolios this year, with positions concentrated in lower risk portfolios."

**Simon Moore, Senior Investment Manager, Seven Investment Management (7IM)** added:

"The government will need to use private capital to build out their infrastructure plans and will have to offer decent returns for the extra risk (as demonstrated by the Carillion collapse). We are currently happy holders of HICL Infrastructure, BBGI SICAV S.A. and International Public Partnerships."

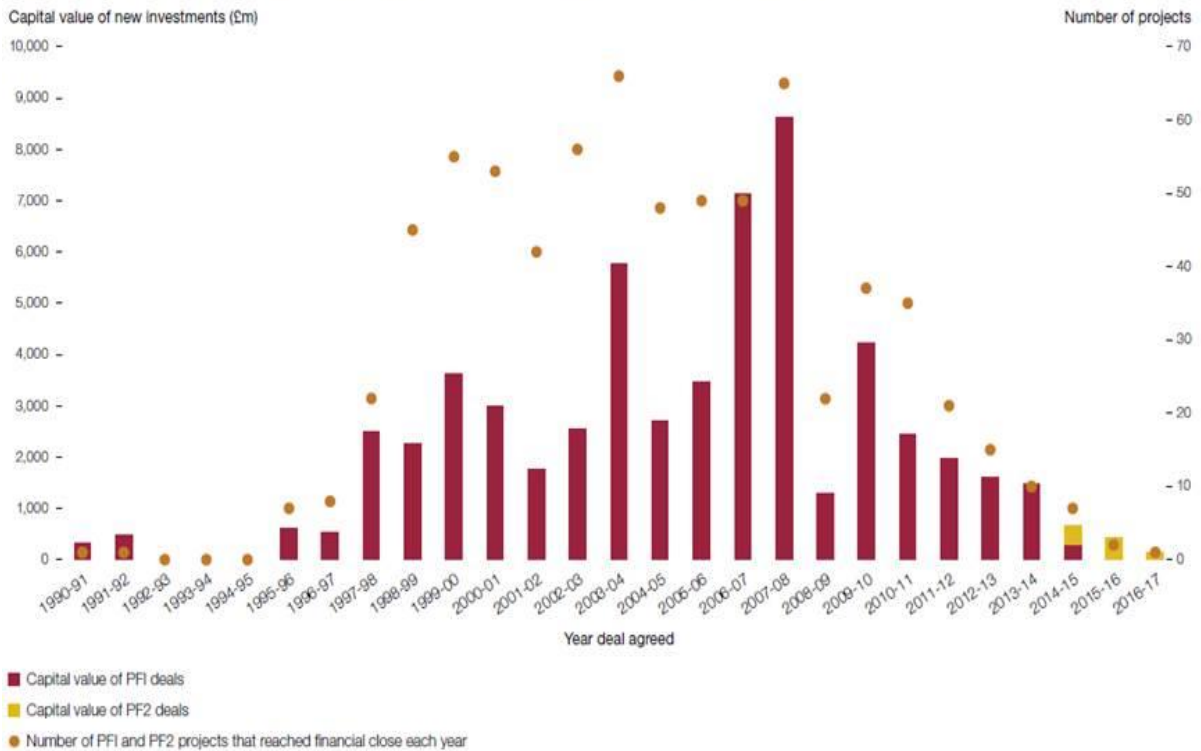
\*The reference to specific investment companies or sectors is not intended to be and should not be taken as a recommendation to invest in them.

**Capital value of PFI deals over time (Source: HM Treasury’s 2016 PFI database, infraDeals, National Audit Office analysis)**

**Figure 6**

Capital value and the number of PFI deals over time

Private Finance Initiative (PFI) capital investment peaked in 2007/08 at £8.6 billion and has been on a downward trend since



**Notes**  
 1 These data do not include data for projects initially procured as PFI projects but which were terminated (eg TIL Metronet, Channel Tunnel Rail Link).  
 2 The Private Finance 2 (PF2) model was launched in 2012.

Source: HM Treasury’s 2016 PFI database; InfraDeals; National Audit Office analysis

**Ends**

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## Notes to Editors:

### About 7IM

It all began in 2002, with seven of us in a basement establishing Seven Investment Management (7IM) because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £14.3bn (more than doubling since 2013), and we have moved from 'basement' to 'Bishopsgate' in the City of London.

We manage money aiming to meet people's medium to long term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: Discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

### **Multigenerational investing**

We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.

In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional 'gamers' uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

### **Our funds**

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**. Some of these risk profiles have funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. Again, there are different funds for different profiles: **7IM Adventurous, 7IM Moderately Adventurous, 7IM Balanced and 7IM Moderately Cautious**. Again, some of these risk profiles have funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund**.
- We also have a range of 'smart passive' funds known as the equity value funds. The range

includes: the **7IM UK Equity Value Fund**, the **7IM US Equity Value Fund**, the **7IM European (ex. UK) Equity Value Fund** or the **7IM Emerging Markets Equity Value Fund**. These are entirely systematically managed based solely on company fundamentals, the aim being to outperform the relevant passive market cap-weighted alternative by selecting profitable, high-quality, cash-flow generating companies that trade at a discount to their intrinsic value.

## **Our Model Portfolios**

The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio**, **7IM Moderately Adventurous Model Portfolio**, **7IM Balanced Model Portfolio**, **7IM Moderately Cautious Model Portfolio**, **7IM Cautious Model Portfolio** and **7IM Income Model Portfolio**.

The 7IM funds and Model Portfolios are available through the 7IM Discretionary, Managed Investment, Platform, and Self Invest services, as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority and the Jersey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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