

FOR IMMEDIATE RELEASE

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## 7IM ON SUSTAINABLE INVESTING AS ELECTRIC CARS AND INFRASTRUCTURE HIT THE HEADLINES AND GOOD MONEY WEEK APPROACHES

- **Infrastructure (Renewable Energy) investment company sector highlighted as a particular success story**

In over ten years leading the **7IM Sustainable Balance Fund**, one of the UK's first multi asset funds with a sustainable investment philosophy, **7IM's Camilla Ritchie** says that the most frequently asked question remains "*will sustainable investment compromise my returns?*"

Whilst Ritchie, whose comments come ahead of **Good Money Week (8-14 October)**, can't claim to have powers of prediction, she says that sustainable investment need not be limiting to returns, but it's important investors do their homework, to help ensure their views on sustainability match the funds on offer.

### Blurred lines and electric cars

**Camilla Ritchie, Senior Investment Manager, 7IM** said: "The lines between 'sustainable' and 'ethical' can be quite blurry and funds in this sector come in all shades of green. I look at assets where the underlying companies, countries and institutions score well on social and environmental criteria, but it is important investors look at what rules the manager applies.

"Electric cars are perhaps a case in point. James Dyson announced last week that he expects to have an electric car in production by 2020. Whilst welcome news to urban dwellers suffering high levels of pollution from petrol and diesel cars, from my perspective there's a bit more to it than that. If the electricity charging the batteries is generated by coal fired power stations, pollution is still happening – just in a different place."

### Infrastructure and renewables

**Camilla Ritchie** admits a particular fondness for the **Renewable Energy Infrastructure** investment company sector\*. Holdings include **Greencoat UK Wind, NextEnergy Solar, Foresight Solar, The Renewable Infrastructure Group** and **Bluefield Solar Income**, which together account for almost 6% of **7IM Sustainable Balance Fund's** portfolio.

**Camilla Ritchie** said: "It's been professionally and personally satisfying to watch the evolution of investment companies in the renewable energy infrastructure space, where spectacular growth in assets has come despite significant headwinds like changes in Government policy towards renewable energy and a fall in the oil price. This has come hand in hand with a substantial fall in installation and operational costs leading companies to look at how to approach the post subsidy era, with some beginning to look at the potential that battery storage might have for the 'intermittent' energy sector."

A useful source of alternative income, these renewable infrastructure companies have dividends linked to inflation which makes them attractive as part of a multi asset portfolio.

According to the **Association of Investment Companies (AIC)**, assets in the **Sector Specialist: Infrastructure – Renewable Energy** sector have grown 375% since the sector was established four years ago to end August 2017. This makes it the second fastest growing investment company sector over the last four years, behind the **Property Specialist** sector,

which has also been on Ritchie's radar. Ritchie invested at launch into **Civitas Social Housing**, which owns assets mainly in supported living social housing, and **Residential Secure Income**, which targets supported living and shared ownership housing helping 'generation rent' to afford to buy.

Also in the news last week was **Shadow Chancellor John McDonnell's** announcement that a Labour Government would nationalise Private Finance Initiative (PFI) assets. Once seen as a neat solution by the Labour Government to fund big infrastructure projects, the sector has suffered from a reputation of being poor value for money, although this largely applied to the early projects.

**Camilla Ritchie** said: "We see risk to infrastructure companies as being fairly low. It would be expensive for the Government to break these PFI contracts, adding to its already enormous debt pile and with shareholders in infrastructure companies, largely pension and other funds which are owned by the many, suffering. In a later statement from the Labour Party, the nationalisation threat was downplayed."

### **Can sustainable investing be a drag on returns?**

Commenting on whether sustainable investing can act as a drag on returns, **Camilla Ritchie** added: "Sustainable investing can actually improve returns and reduce risk, potentially protecting your portfolio from some nasty shocks. For instance in May 2015, Volkswagen fell out of the MSCI ACWI ESG Index – an index which screens for environmental, social and governance factors – over governance concerns. Months later, diesel emission test results were exposed as being rigged and the share price plunged. This is an extreme example in terms of the timing of a firm with poor governance being involved in a scandal. But it is reasonable to suggest that a firm that produces high levels of emissions during a manufacturing process may be exposed to potential future legislation, such as a carbon tax. Or a firm that treats its employees poorly may face a backlash from its consumers and see its sales plummet."

### **Core active strategy, but with tactical use of passives**

Ritchie uses both active and passive strategies and was an early adopter of **ESG screened ETFs**. While the fund has a core actively managed equity and bond allocation, regional equity ESG screened ETFs can be an efficient way to tactically tilt the asset allocation.

### **Ends**

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#### **Notes to Editors:**

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

#### **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 £12bn (more than doubling since 2013), and we have moved from

'basement' to 'Bishopsgate' in the City of London. There are now around 240 of us.

### Radical common sense

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

7IM use multi asset strategies with choices: active or passive, onshore or offshore, and we also have specialist 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 an offshore version of the fund.
- 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 an offshore version of the fund.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Unconstrained 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. Like the Asset Allocated Passive (AAP) funds, the

entire asset allocation is fulfilled with 'Smart Passive' market cap weighted passive instruments (for example UK and US equities) which track those markets and systematic instruments. 7IM undertake the due diligence on the passive securities (such as counterparty risk and concentration). 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. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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