

# IMX<sup>S3</sup>

## Allocation to growth assets



## Objective

IMX spend 3 is made up of a selection of investment funds to enable regular withdrawals. The main types of investment asset classes included are equity and bonds.

It will usually hold 20%-40% in growth assets although the amount held in these assets may move outside this range depending on changes in economic conditions.

## Typical clients

This portfolio is suited to advised clients who require a low level of return. You're likely to have an emphasis on predictability of future returns with a tolerance and capacity to accept small investment losses in the short term.

You'll be comfortable about the portfolio holding being diverse, including a notable proportion of your portfolio in higher risk investments.

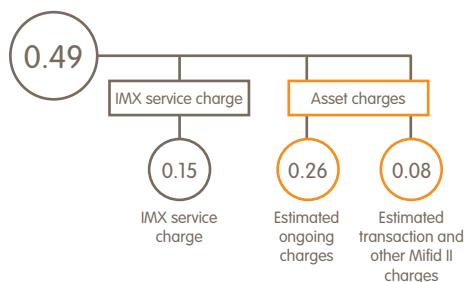
## Key facts

Growth assets at factsheet date	38.0%
Estimated long-term* annual volatility	6.7%
Estimated long-term* annual return	3.4%
Rebalancing frequency	Quarterly
Launch date	31/07/2020

\*10-years

## Portfolio charges

Total annual charge (%)

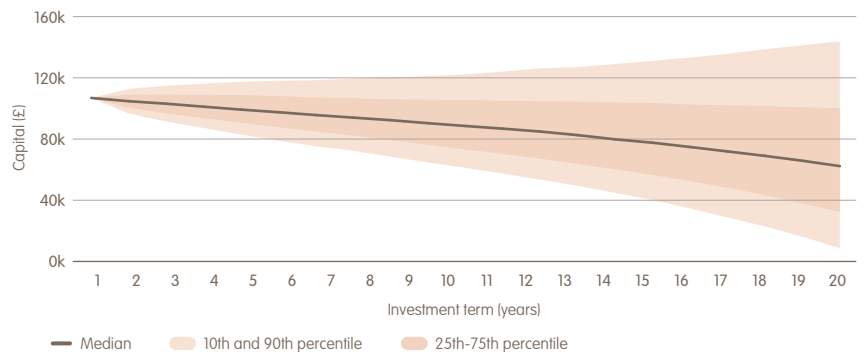


## Estimated portfolio outcomes

To help you understand the nature of this portfolio, we provide estimated projections which reflect the aggregate risk and return characteristics of the allocations in the portfolio.

### Estimated portfolio size in different future scenarios

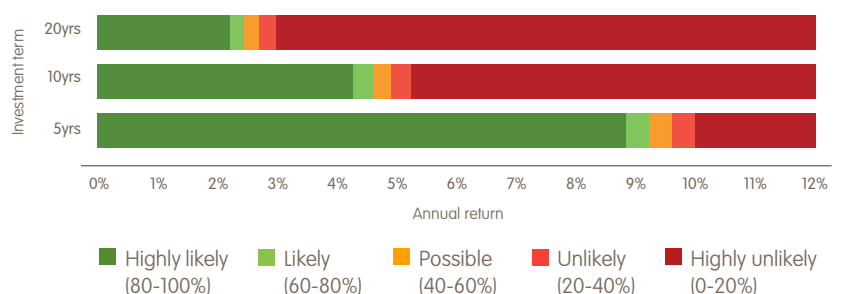
This chart gives an indication of the spread in potential outcomes from an initial investment of £100K.



	5yrs	10yrs	15yrs	20yrs
90th percentile	110.6K	114.5K	122.7K	134.7K
75th percentile	101.1K	98.8K	96.9K	93.7K
Median	91.3K	82.8K	72.6K	58.2K
25th percentile	82.0K	68.4K	52.8K	30.2K
10th percentile	73.9K	57.1K	37.4K	7.9K

## Likelihood of achieving annual return

This chart estimates the likelihood of achieving annual returns (how often the annual return is achieved or exceeded in projected scenarios). We show this for three investment terms and five different ranges of likelihood.



	5yrs	10yrs	20yrs
Highly likely (80-100%)	18.4%	8.9%	4.6%
Likely (60-80%)	19.2%	9.6%	5.1%
Possible (40-60%)	20.0%	10.2%	5.6%

## 1 year commentary

### Portfolio performance commentary

IMX spend 3 delivered 6.6% over the year. Despite a low allocation to growth assets, the performance was largely driven by strong equity returns that contributed 4.7% towards the overall performance.

Allocations to investment grade credit and emerging market debt (within the alternative credit asset class bucket) slightly offset some of the positive performance.

## Market commentary

### Economic background

Economic momentum has eased as the initial impact of reopening economies continues to fade, however the pace of growth in the major advanced economies is forecast to remain strong over the next couple of years.

Concerns about coronavirus have reduced, but supply-side risks and China's economic slowdown have intensified. UK headline CPI inflation rose to 3.2% year-on-year in August.

### Equities

This backdrop has been favourable to equities with the FTSE All World index delivering a return of 28.1% over the year.

Emerging market equities have lagged due to weak performance from China, where announcements of tighter regulation have been compounded by issues over Evergrande.

### Property

Listed property generated a positive return, with the FTSE 350 UK Real Estate Index returning 30.9% over the 12-month period.

### Fixed income

A combination of strong growth and high inflation has resulted in indications from central banks that rates will rise a little faster than previously thought and markets have adjusted accordingly with government bonds delivering negative returns, whilst index-linked gilts have been broadly flat.

The rise in underlying gilt yields weighed on UK corporate bonds (all stocks) which returned -0.4% over the year.

### Alternative credit

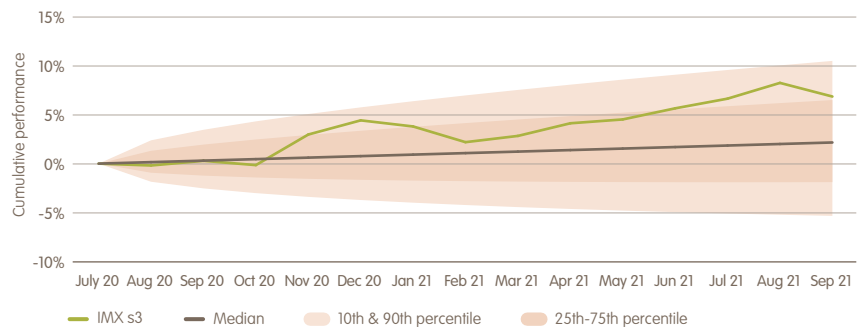
Strengthening corporate finances provide a strong fundamental backdrop for credit markets: defaults and leverage levels are falling, interest coverage is rising, and liquidity is plentiful. As a result, US high yield bonds delivered a return of 11.5% over the year.

Local currency emerging market debt, as measured by the GBI-EM Global Diversified Traded Index, returned 2.6% in dollar terms over the year.

Provided by our investment partner, Hymans Robertson LLP

## How has the portfolio performed versus expectations since inception?

This chart shows the realised portfolio performance versus the range of potential outcomes projected at the start of the period, based on the risk return characteristics of the allocation.



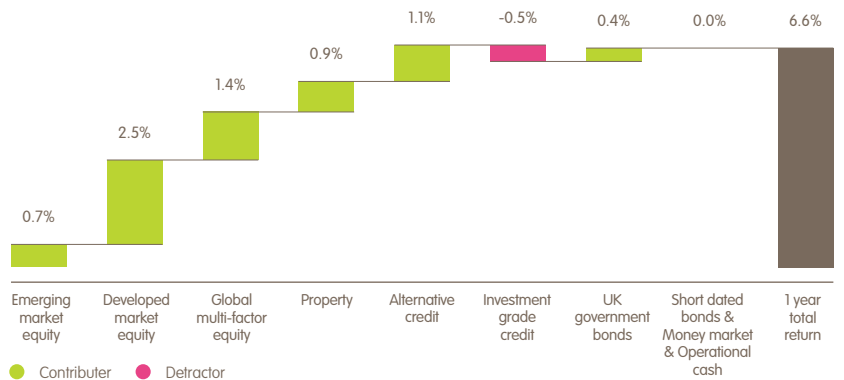
Cumulative performance to 30 September 2021	3 months	6 months	1 year	since inception
IMX s3	1.1%	3.9%	6.6%	6.9%

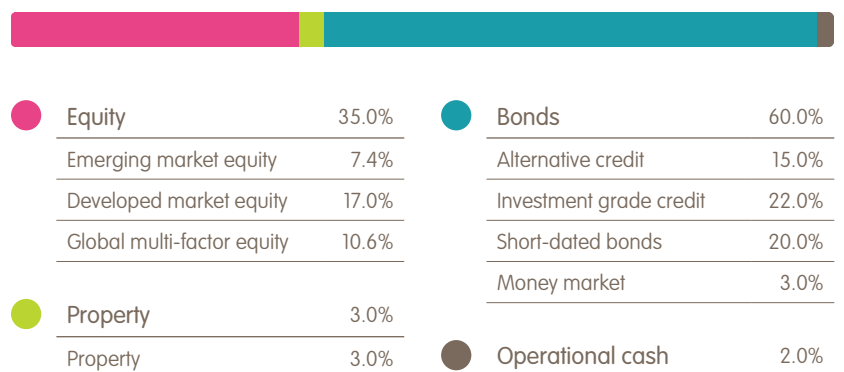
Annualised risk vs return since inception to 30 September 2021	Risk (p.a.)	Return (p.a.)
IMX s3	4.3%	5.9%

## What were the drivers of performance over the year?

This chart shows a breakdown of how the asset classes in the portfolio contributed to 1 year performance to 30 September 2021.



## Asset classes in the portfolio



## Sustainable investing approach

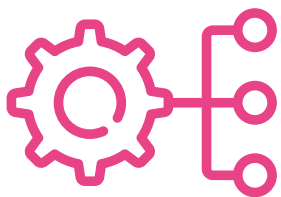
Sustainable investing is about understanding the environmental, social and governance (ESG) impact of an investment as well as the potential for financial return, and it's core to our overall investment approach for IMX.

There are three areas of ESG consideration for the portfolio:



### 1. ESG integration

We believe that ESG factors have a material impact on investment outcomes. We therefore consider ESG factors throughout our investment process.



### 2. Stewardship voting and engagement

We believe that through effective stewardship, fund managers can positively impact the direction of a company.



### 3. Sustainability

As well as financial measures of the risk and return, we assess sustainability measures to help us understand the sustainability of the portfolio.

## ESG integration

Our fund managers evidence their ESG integration by being signatories of industry recognised initiatives.

# 100%

are signatories of the UN Principles of Responsible Investment (PRI) and UK Stewardship code.

# 90%

scored A+ in the 2020 UN PRI's independent assessment of strategy & governance.

# 76%

are signatories to the climate action 100+.

## Stewardship in action – LGIM and ExxonMobil

In this section we include an example of where a fund manager in the IMX portfolio has engaged with a company in their fund(s)

### What was the issue?

Exxon has been subject to persistent concerns from some investors around governance and lack of progressive climate strategy. The company proposed re-electing the chair/CEO. This was met with opposition from shareholders.

### What did LGIM do?

LGIM have engaged with the company on multiple occasions, but have been dissatisfied with the company's climate targets and strategy. In 2021 they supported an activist investor in their proposal for an alternative group of directors with more progressive views on managing climate risk. Four candidates were put forward and LGIM agreed they would make a positive contribution to board effectiveness and oversight.

### Why is this a significant vote?

This is viewed as the most high-profile example of climate-related shareholder activism and led to the replacement of a third of the board at a large-cap company.

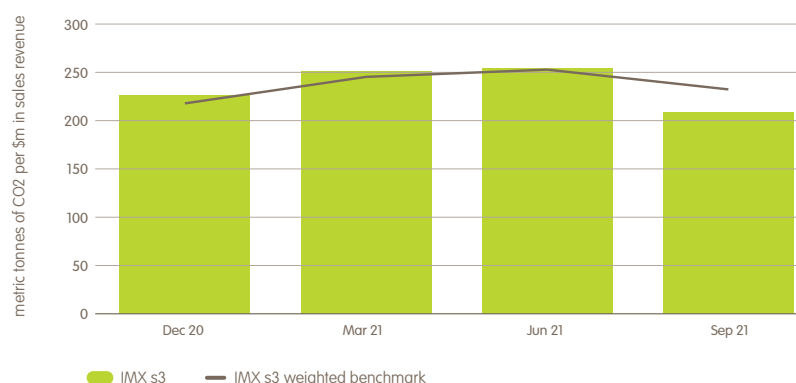
Provided by our investment partner, Hymans Roberston LLP

## Sustainability

To help understand the portfolio's exposure to climate risk, we measure the carbon footprint of the portfolio. Here we show the taskforce on climate-related financial disclosure (TCFD)-aligned carbon emissions intensity of the portfolio. This shows how efficient the portfolio is in terms of carbon emissions per unit of revenue.

As we only have carbon intensity data for the equity funds, the below data represents the 35% equity portion of this portfolio.

Portfolio carbon emissions intensity compared to a weighted benchmark (metric tons of CO<sub>2</sub> per \$million in sales revenue)



## Key facts

### Estimated long-term annual return

Estimated return and volatility figures are annual, based on the holdings at the factsheet date – measured by Hymans Roberston's Economic Scenario Service (ESS) as at 30 September 2021 – and will vary with changing market conditions. The return estimate is the median 10-year annualised return and the volatility is the average estimated annual volatility over 10 years. The figures represent estimates net of portfolio charges.

### Estimated portfolio outcomes

Assumptions for projections are based on Hymans Robertson's ESS which simulates 5000 different economic outcomes. The projections in the factsheet are based on the portfolio asset allocation at the factsheet date and economic conditions as at 30 September 2021 and represent outcomes net of portfolio charges. Performance projections are not a reliable indicator of future performance and are illustrative only.

### Estimated portfolio size in different future scenarios

The scenarios included are:

- 90th percentile – the upper 10% outcome i.e. if very strong returns are experienced
- 75th percentile – the upper 25% outcome i.e. if strong returns are experienced
- Median – the central outcome i.e. if average returns are experienced
- 25th percentile – the lower 25% outcome i.e. if poor returns are experienced
- 10th percentile – the lower 10% outcome i.e. if very poor returns are experienced

### Likelihood of achieving annual return

This chart estimates the likelihood of achieving annual returns (how often the annual return is achieved or exceeded in projected scenarios). We show this for three investment terms and five different ranges of likelihood. The likelihood is shown in ranges of:

- Highly likely: 80-100%
- Likely: 60-80%
- Possible: 40-60%
- Unlikely: 20-40%
- Highly unlikely: 0-20%

## ESG initiatives

More information on the ESG initiatives on the following websites:

[UN PRI](#) [Climate action 100+](#)

## Portfolio charges

### IMX service charge

The IMX annual charge for the management of the portfolio.

### Asset charges

The total ongoing charge of the funds in the portfolio. In addition, we include the total transaction and other Mifid II charges expected to be incurred in the funds in the portfolio.

## Allocation to growth assets

Growth assets are higher risk asset classes (such as equity and property) which are expected to provide higher returns over the long-term. The portfolio objective details the range of growth assets the portfolio allocates to. The growth assets allocation scale indicates the proportion allocated to growth assets in relation to the other IMX portfolios.

The portfolios are also classified from low to very high, based on the portfolio's growth assets allocation range minimum and maximum figures:

- Very low: minimum and maximum both below 25%
- Low: minimum below 25% and maximum between 25-50%
- Medium: minimum between 25-50% and maximum between 50-75%
- High: minimum between 50-75% and maximum over 75%
- Very high: minimum and maximum both above 75%

## Portfolio past performance

The IMX portfolio performance figures are net of ongoing fund charges but gross of all other charges including the IMX service charge. Inclusion of other charges will negatively impact performance. Performance data is drawn from Morningstar Direct. IMX portfolio since inception date is 31 July 2020.

## Sustainability metrics

The sustainability metric (carbon emissions intensity) is provided by Sustainalytics through Morningstar Direct. The weighted comparator benchmark is a composite benchmark representing the equity asset allocation of the portfolio (including regional weights) if taking a passive, market capitalisation approach.

### Carbon emissions intensity

Carbon emissions intensity is an asset-weighted measure of the portfolio's exposure to carbon-intensive companies. The metric is calculated at individual holding level by dividing the company's emissions (in metric tons of CO<sub>2</sub>) by their revenue (in Mil USD) and aggregated to fund level based on the weight of the holding.

## Important Information

This factsheet is for information purposes only and should not be construed as advice or an investment recommendation and you should not make any investment decisions on the basis of it. It has been provided to help you understand how the IMX Portfolio is invested and performing. Please contact your adviser for further explanation or advice if you want to know if this IMX Portfolio is, or remains, appropriate for you.

Please be aware that the value of investments and any income can go

down as well as up and you may not recover the amount of your original investment.

Past performance should not be taken as a guide to future performance and there is no guarantee that the results of advice, recommendations or the objective will be achieved. No representation or warranty (express or otherwise) is given as to the accuracy or completeness of the information contained in this factsheet and Nucleus Financial Services Limited and its partners and employees accept no liability for the consequences of your acting upon the information contained herein.



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