

IMX S⁵

Allocation to growth assets



Objective

IMX spend 5 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 30%-60% 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 you if you require a low to medium level of return. You're likely to have a preference for a degree of predictability of future returns but with a tolerance and capacity to accept some 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.

Always remember investment returns aren't guaranteed. The value of an investment can go down as well as up and may be less than the amount paid in.

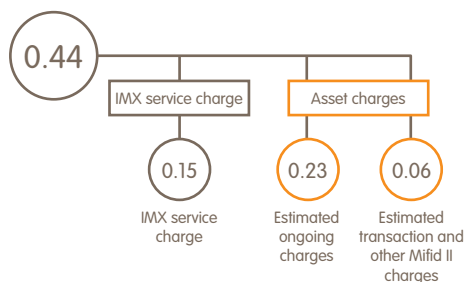
Key facts

Growth assets at factsheet date	43.5%
Estimated long-term* annual volatility	8.2%
Estimated long-term* annual return	2.8%
Rebalancing frequency	Quarterly
Launch date	31/07/2020

*10-years

Portfolio charges

Total annual charge (%)

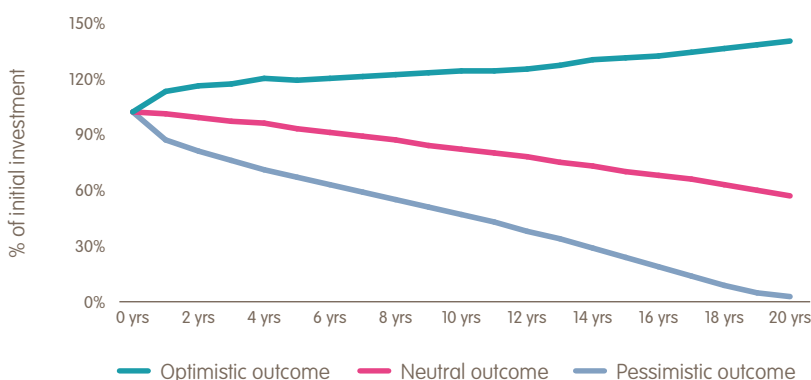


Estimated portfolio outcomes

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, withdrawing 4% of the initial investment each year

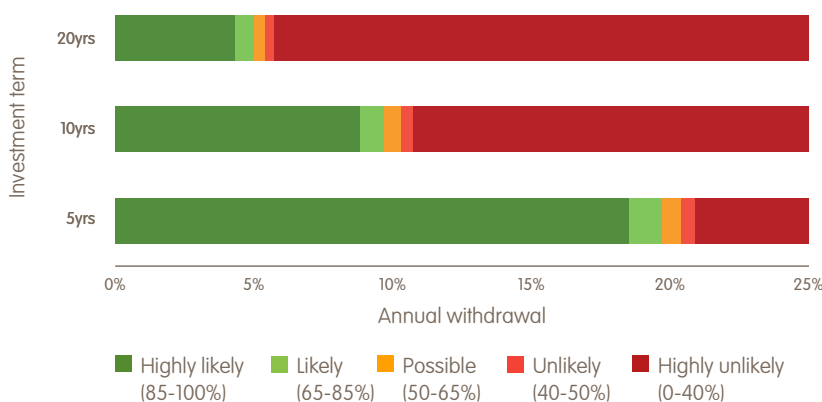
This chart gives an indication of the spread in potential outcomes if good (optimistic), average (neutral), or poor (pessimistic) performance is experienced whilst withdrawing 4% of the initial investment per year.



	5yrs	10yrs	15yrs	20yrs
Optimistic	117%	122%	129%	138%
Neutral	91%	80%	68%	55%
Pessimistic	65%	45%	22%	1%

Likelihood of achieving annual withdrawals

This chart estimates the likelihood of achieving annual withdrawals (how often the annual withdrawal rate 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 (85%)	18.5%	8.8%	4.3%
Likely (65%)	19.7%	9.7%	5.0%
Possible (50%)	20.4%	10.3%	5.5%

Market commentary Q2 2020

Summary

A very strong quarter for equity and credit markets as governments provided support during the Covid-19 pandemic. At the same time there's emerging evidence of less resilience in 'safe-haven' assets e.g. short maturing bonds. The first-quarter GDP fell globally and falls in the second-quarter are likely to be greater. UK CPI inflation fell from 1.5% in March to 0.5% in May and the forecast is for inflation to fall in 2020, with modest increases in 2021.

Asset classes

Equity

This quarter saw a sharp rebound in equity markets, with economies re-opening. Global equities are down only 5.2% year-to-date in local currency terms. North American equity markets led Q2's recovery given a high weight in the top performing technology sector. UK equities underperformed, with the market weighed down by its higher exposure to financials and low technology exposure. Japanese equities also performed poorly while Europe ex-UK rose, as economies re-opened.

Bonds

In the second half of May, UK yields at short maturing bonds dipped below zero and remained negative at the end of the quarter. The Treasury issued debt (3-year) at a negative yield for the first time ever. 10-year UK gilt yields have fallen 0.2% p.a. since the end of March driving prices up.

Alternative credit

Easier monetary policy in developed economies, alongside reduced domestic inflation pressures, allowed some emerging market central banks to cut rates and purchase assets. This included speculative-grade credit spreads (bonds with lower ratings than investment grade bonds). Following a sell-off in Q1, these recovered strongly, but are still in negative territory year to date.

Property

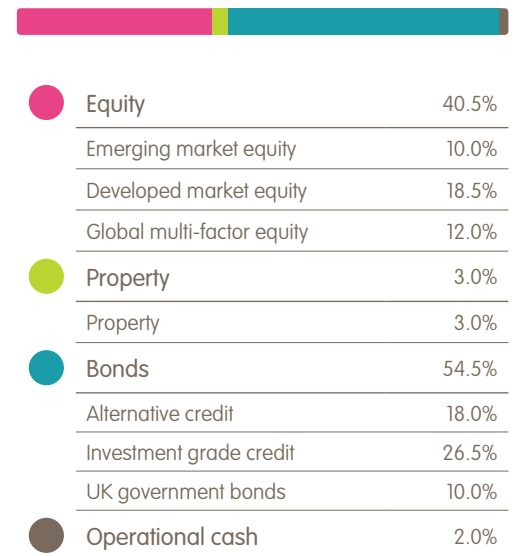
The property sector has been impacted by reducing capital values in all sectors. The retail property sector has experienced the largest reduction with capital values falling 18.4% over the last year. Values in the industrial and office sectors fell 1.0% and 2.9%, respectively, over the same period.

Provided by our investment partner, Hymans Robertson LLP.

Portfolio past performance

We will include past performance once the portfolio has accrued a full year of performance.

Asset classes in the portfolio



Notes and further information

Key facts

Estimated long-term annual return and volatility

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 June 2020 – 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 June 2020 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, withdrawing 4% of the initial investment each year

The scenarios included are:

- ‘Pessimistic’ – the average of the worst 10% of projected outcomes i.e. the average outcome in 1 in 10 projected future scenarios.
- ‘Neutral’ – the median outcome
- ‘Optimistic’ – the upper 10% outcome i.e. outcome experienced in 1 in 10 projected future scenarios.

Likelihood of achieving annual withdrawals

This chart estimates the likelihood of achieving annual withdrawals (how often the annual withdrawal rate 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: 85-100%
- Likely: 65-85%
- Possible: 50-65%
- Unlikely: 40-50%
- Highly unlikely: 0-40%

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 very 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%

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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