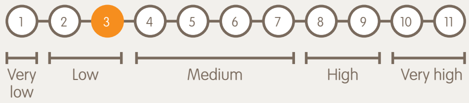
Factsheet date: 31 January 2021

nucleus

IMX s3

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 10%-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 you if you 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.

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.

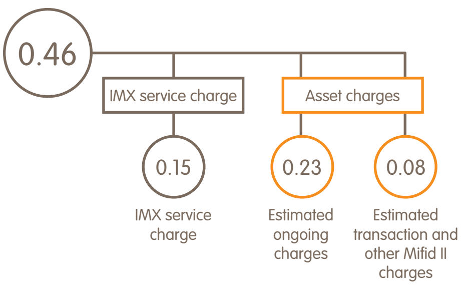
Key facts

Growth assets at factsheet date	23.5%
Estimated long-term* annual volatility	4.6%
Estimated long-term* annual return	1.7%
Rebalancing frequency	Quarterly
Launch date	31/07/2020

*10-years

Portfolio charges

Total annual charge (%)

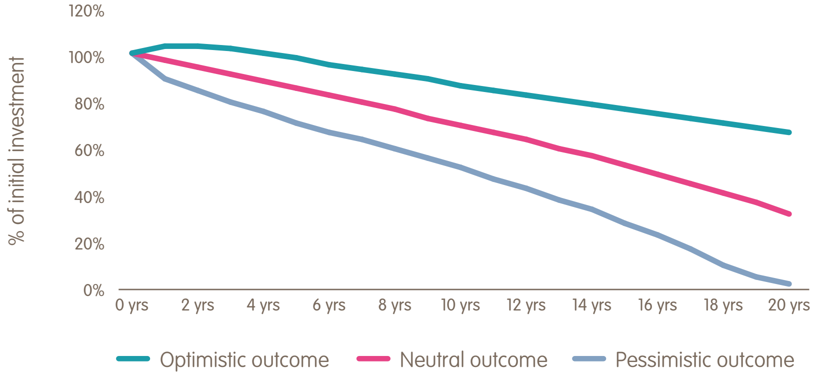


Estimated portfolio outcomes

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

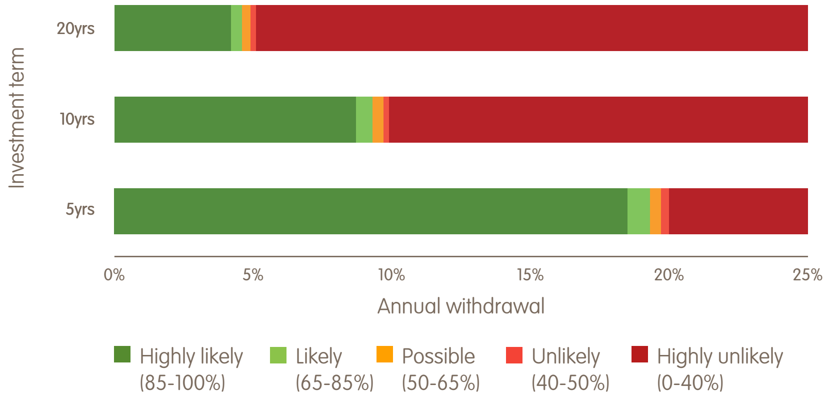
This chart gives an indication of the spread in potential outcomes if good (optimistic), average (neutral), or poor (pessimistic) performance is experienced whilst withdrawing an inflation-linked 4% of the initial investment per year.



	5yrs	10yrs	15yrs	20yrs
Optimistic	98%	86%	76%	66%
Neutral	85%	69%	52%	31%
Pessimistic	70%	51%	27%	1%

Likelihood of achieving annual withdrawals

This chart estimates the likelihood of achieving annual inflation-linked 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%	8.7%	4.2%
Likely (65%)	19.3%	9.3%	4.6%
Possible (50%)	19.7%	9.7%	4.9%

For more information on each section please see page three

Market commentary Q4 2020

Introduction and economic background

Global equity markets in Europe, the UK and US improved strongly in the fourth quarter as news of effective vaccines propped up the markets. However, Europe, the UK and US economies ended 2020 on a weak note as an increase in COVID cases led to re-imposed restrictions and in November, UK inflation (as measured by the Consumer Prices Index) slowed more than expected, falling from 0.7% in October to 0.3% year-on-year.

With regards to GDP (a common measure of size of a country's economy), market forecasts suggest a 4.2% fall in 2020 to be followed by a 4.8% increase in 2021.

Asset classes

Equities

After falling in October, equity markets recovered globally to generate positive returns over the quarter, with Oil and Gas and Basic Materials being the best performing sectors. From a regional perspective, Asia Pacific and emerging markets performed strongly too, generating double digit returns over the period. The UK was also one of the strongest performing markets, with the FTSE All Share generating a return of 12.6% in the fourth quarter.

Developed market investment grade bonds

Compared to other asset classes, government bonds remained relatively stable over the quarter e.g. 1.2% return for UK index linked gilts. Optimism created by the vaccine was offset by the UK's economic weakness resulting in little change in bond yields and therefore prices. Corporate bonds experienced a greater return of 2.2% in Q4, reflecting some of the sentiment seen in the equity markets.

Alternative bonds

This asset class has a greater economic sensitivity than investment grade bonds and (as a result of the positive economic sentiment in Q4) it did better than investment-grade corporate bonds over the quarter. HY markets and EMD (in $ terms) returned 5.6% in Q4. Defaults (i.e. where issuers of debt are unable to pay it all back) remain high but have, so far, mostly been contained in the US energy and retail sectors. Expectations for increased default rates have fallen since first half of the year.

Property

Listed property generated a positive return over the quarter, with the FTSE 350 Real Estate Index returning 12.8% in Q4. However, the 12 month returns to 31 December 2020 still showed a loss of 12.2%, reflecting the challenges the real estate sector faced earlier in the year. Within property, the retail sector experienced the largest declines, with smaller falls in the office sector and a slight improvement in the industrial sector.

Outlook

Equity markets have seen growth since Q3, and sentiment currently seems relatively positive. However, despite the vaccine, with COVID cases on the rise and continuing uncertainty surrounding asset classes and economies, a degree of caution is appropriate at this time.

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

Equity	**20.5%**
Emerging market equity	5.0%
Developed market equity	9.5%
Global multi-factor equity	6.0%
Property	**3.0%**
Property	3.0%
Bonds	**74.5%**
Alternative credit	19.0%
Investment grade credit	37.5%
UK government bonds	10.0%
Short-dated bonds and cash	8.0%
Operational cash	**2.0%**

For more information on each section please see page three

IMX s3

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 31 December 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 31 December 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 an inflation-linked 4% of the initial investment per year

Withdrawals are linked to CPI.

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 inflation-linked 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%

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