

# 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 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.

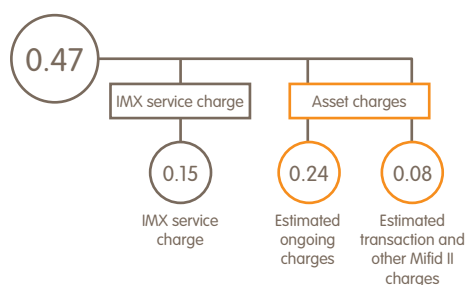
## Key facts

Growth assets at factsheet date	23.5%
Estimated long-term* annual volatility	4.6%
Estimated long-term* annual return	2.4%
Rebalancing frequency	Quarterly
Launch date	31/07/2020

\*10-years

## Portfolio charges

Total annual charge (%)

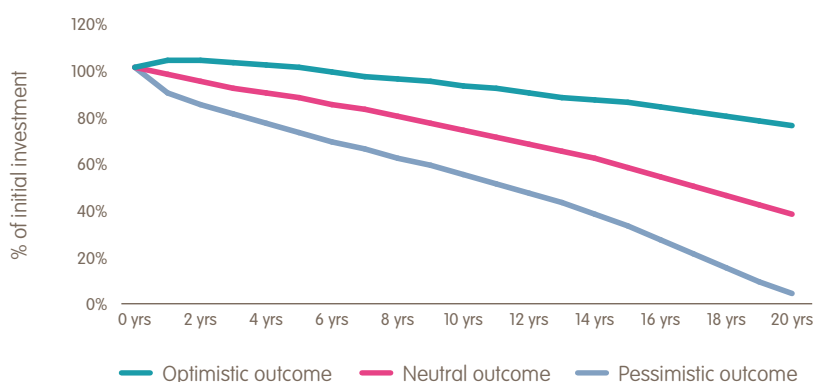


## Estimated portfolio outcomes

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, withdrawing 4% of the initial investment each year

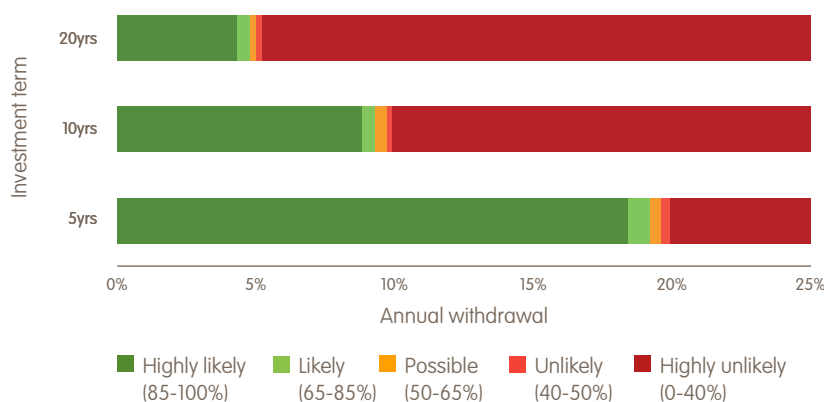
This chart gives an indication of the spread in potential outcomes if good (optimistic), average (neutral), or poor (pessimistic) performance is experienced whilst withdrawing an inflation-linked 4% of the initial investment per year.



	5yrs	10yrs	15yrs	20yrs
Optimistic	100%	92%	85%	75%
Neutral	87%	73%	57%	37%
Pessimistic	72%	54%	32%	3%

### 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%)	18.4%	8.8%	4.3%
Likely (65%)	19.2%	9.3%	4.8%
Possible (50%)	19.6%	9.7%	5.0%

## Market commentary Q1 2021

### Economic background

2020 Q4 GDP releases confirm the economic recovery slowed. Resurgence in COVID-19 infection rates and slower vaccine rollouts suggest global growth in Q1 2021 will be weaker. Increasing evidence of vaccine effectiveness and deployment of the \$1.9tn US fiscal stimulus, an acceleration in global GDP growth is expected from Q2 2021. Consensus forecasts for global growth in 2021 have risen to 5.3% (after a 3.7% contraction in 2020). GDP in most major economies is not expected to reach pre-pandemic levels until 2022.

Realised inflation has remained subdued (UK headline CPI inflation fell to 0.4% year-on-year in February), a resumption of activity and consumption alongside rising oil prices are expected to lead to higher inflation in the short-term.

### Asset classes

#### Equity markets

Global equity markets rose 6.2% during Q1 with a favourable economic outlook for the more cyclical sectors, such as industrials and oil & gas. This helps explain regional equity performance: Japan and Europe ex-UK, with above average exposures to industrials, lead the performance rankings year-to-date. The US market, with a defensive earnings profile, underperformed. Despite a higher-than-average exposure to oil & gas and financials, the UK underperformed, perhaps weighed down by sterling strength given the high proportion of overseas earnings.

#### Sovereign bond yields

The recovery in growth and inflation expected over 2021 has seen global sovereign bond yields rise substantially in Q1. US 10-year Treasury yields rose 0.8% p.a. to 1.7% p.a. and UK yields rose 0.7% p.a. to 0.8% p.a. UK implied inflation, measured by the difference between conventional and inflation-linked bonds (same maturity), has risen 0.4% p.a. since the start of the year, as nominal yields rose above real yields.

#### Developed IG bonds

Rising sovereign bond yields have weighed on total returns in fixed interest credit markets, which are negative year-to-date for investment-grade markets given their longer duration. Global investment grade spreads fell 0.1% p.a. to 1.0% p.a. while Sterling investment grade credit spreads remained at 1.1% p.a.

#### Alternative bonds

Speculative-grade spreads fell 0.4% p.a. to 3.7% p.a. Recent data suggest defaults have already passed their peak and are declining – Moody's US high yield 12-month trailing default rate fell to 7.9% in February, from 8.3% in January, and is expected to average 4.7% in Q4 2021.

Local currency emerging market debt, as measured by the GBI-EM Global Diversified Traded Index, returned -6.7% in dollar terms as yields rose 0.5% p.a. and index currencies weakened against the dollar. Hard currency debt returned -4.5%, driven by a significant rise in underlying US treasury yields.

#### Property

Listed property generated a positive return over Q1, with the FTSE 350 Real Estate Index returning 2%. The outlook for the UK property market has improved slightly, as rental declines have eased, though any tailwinds will likely require the UK's path out of lockdown and economic recovery to be smooth.

#### Outlook

The forecast recovery in earnings should prove supportive of corporate debt fundamentals, although very thin credit spreads provide little upside exposure to the economic recovery. Equity markets are more directly exposed to economic recovery and they seem less stretched than those in credit markets against a backdrop of low real yields.

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%
Bonds	74.5%
Alternative credit	19.0%
Investment grade credit	29.5%
UK government bonds	10.0%
Short-dated bonds and cash	16.0%
Operational cash	2.0%

## 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 March 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 31 March 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, 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%

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.

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