

IMX g⁵

Allocation to growth assets



Objective

IMX grow 5 is made up of a selection of investment funds to achieve investment growth. The main types of investment asset classes included are equity and bonds.

It will usually hold 40%-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 advised clients targeting a medium level of return. You're likely to have a preference for predictability of future returns but with a tolerance and capacity to accept reasonable investment losses in the short and medium term.

You'll be comfortable about the portfolio holding being diverse with a bias towards higher risk investments.

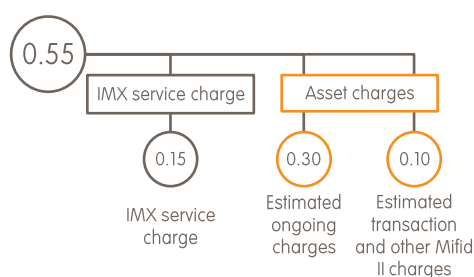
Key facts

Growth assets at factsheet date	48.0%
Estimated long-term* annual volatility	8.4%
Estimated long-term* annual return	3.9%
Rebalancing frequency	Quarterly
Launch date	31/07/2020

*10-years

Portfolio charges

Total annual charge (%)

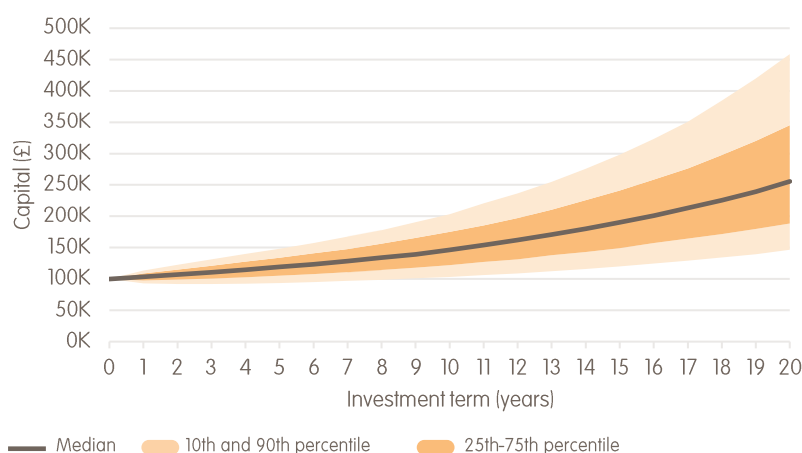


Estimated portfolio outcomes

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

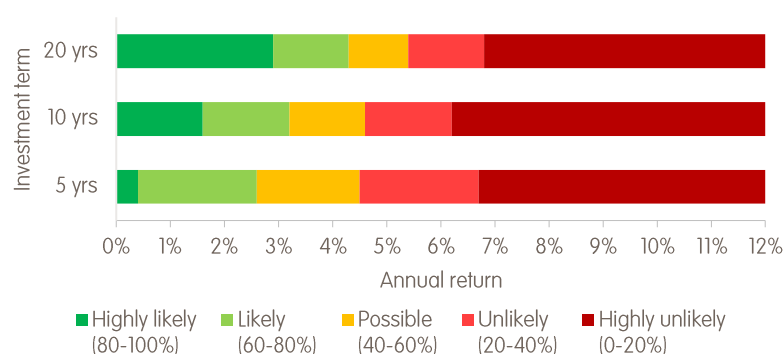
This chart gives an indication of the spread in potential outcomes from an initial investment of £100K.



	5yrs	10yrs	15yrs	20yrs
90th percentile	148.3K	203.3K	298.4K	458.3K
75th percentile	134.1K	175.2K	241.2K	345.0K
Median	119.1K	146.3K	190.3K	255.6K
25th percentile	105.4K	122.2K	149.3K	188.5K
10th percentile	93.7K	103.5K	119.9K	146.8K

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%)	0.4%	1.6%	2.9%
Likely (60-80%)	2.6%	3.2%	4.3%
Possible (40-60%)	4.5%	4.6%	5.4%

1 year commentary

Portfolio performance commentary

IMX grow 5 returned 7.0% for the year. Allocation to equities was the main driver, contributing 6.8% whilst allocations to investment grade credit and short dated bonds slightly offset some of the positive performance.

Market commentary

Economic background

Early in the year, opening of economies globally supported economic growth. However, this momentum eased in the latter half of the year on the back of inflationary pressures and concern surrounding the effect of Omicron COVID variant.

Major central banks have begun to adopt less accommodative monetary policy stances in acceptance that ongoing inflationary pressures are more persistent than first thought. UK headline CPI inflation rose to 5.1% year-on-year in November.

Equities

Supportive policies from central banks and a successful roll-out of vaccines, leading to a re-emergence from COVID-19 restrictions, helped global equities to return 21.4% for the year.

Emerging markets fell behind over the year, returning 1.8% as economic and political uncertainty in China weighed heavily on returns.

Property

Listed property returned strongly, with the FTSE 350 UK Real Estate Index returning 29.5% for the year.

Fixed income

Sovereign bond yields rose over the year as investors continued to expect interest rate rises amid higher inflation. Global sovereign bond markets delivered negative returns over the year against this backdrop.

This rise in yields also weighed on returns for corporate bonds, though spreads remained broadly unchanged over the period. UK corporate bonds (all stocks) returned -3.1% for the year.

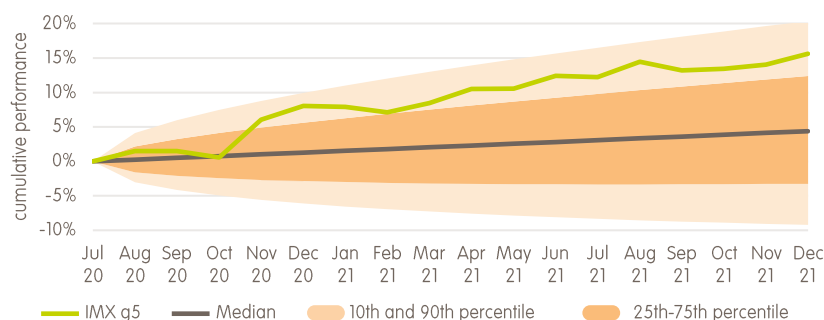
Alternative Credit

The fundamental backdrop for credit markets remained strong over the year as the rebound in growth and earnings allowed for very low default levels, falling leverage levels and a rise in interest rate coverage. As a result, US high yield bonds returned 5.4%. In emerging markets, local currency debt (-8.7%) fared worse than hard currency debt (-1.8%) due to the impact of both rising yields and weakening currencies.

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 an return characteristics of the allocation.

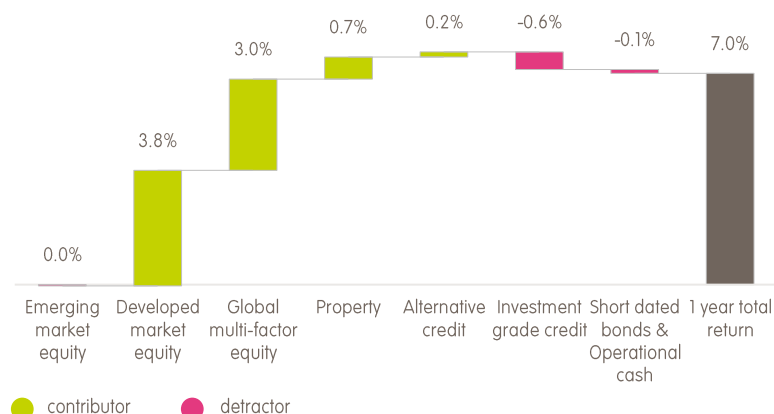


Cumulative performance to 31 December 2021	3 months	6 months	1 year	Since inception
IMX g5	2.1%	2.9%	7.0%	15.6%

Annualised risk vs return since inception to 31 December 2021	Risk (p.a.)	Return (p.a.)
IMX g5	5.4%	10.8%

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 31 December 2021.



Asset classes in the portfolio

Equity	45.0%	Bonds	50.0%
Emerging market equity	7.8%	Alternative credit	25.0%
Developed market equity	23.7%	Investment grade credit	10.0%
Global multi-factor equity	13.5%	Short-dated bonds	15.0%
Property	3.0%	Operational cash	2.0%
Property	3.0%		

Sustainable investing approach

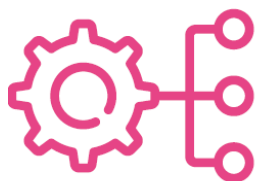
Sustainable investing is about understanding the environmental, social and governance (ESG) impact of an investment as well as the potential for financial return, and it's core to our overall investment approach for IMX.

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.

91%

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

77%

are signatories to the climate action 100+.

Stewardship in action – Blackrock and Whitehaven Coal

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

What was the issue?

BlackRock have regularly engaged with the company on its approach to climate and energy transition risks and its TCFD disclosures. Despite this dialogue, and whilst the company does reference TCFD in its disclosures, they do not address all four pillars of the framework, contain GHG reductions targets, or align with a net zero by 2050 target.

What did Blackrock do?

BlackRock voted against the re-election of two directors to raise concerns about the suitability of the disclosures. BlackRock believe this is one of the most important tools to signal concern about a board's oversight of management.

What was the outcome?

Ultimately the re-election votes passed; however, BlackRock have stated their concern surrounding the matter. BlackRock will continue to engage with the board and management to encourage them to speed up their efforts and set out how the company plans to consider climate-related risks and opportunities within their business model.

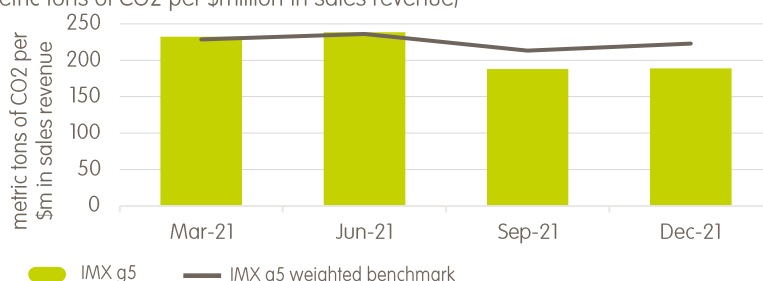
Provided by our investment partner, Hyman Robertson LLP

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 45% equity portion of this portfolio.

Portfolio carbon emissions intensity compared to a weighted benchmark (metric tons of CO₂ per \$million in sales revenue)



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 Robertson's Economic Scenario Service (ESS) as at 31 December 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 December 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 returns

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+](#)

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

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 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 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 CO₂) by their revenue (in Mil USD) and aggregated to fund level based on the weight of the holding.

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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