

# Positive Change 3 Strategy

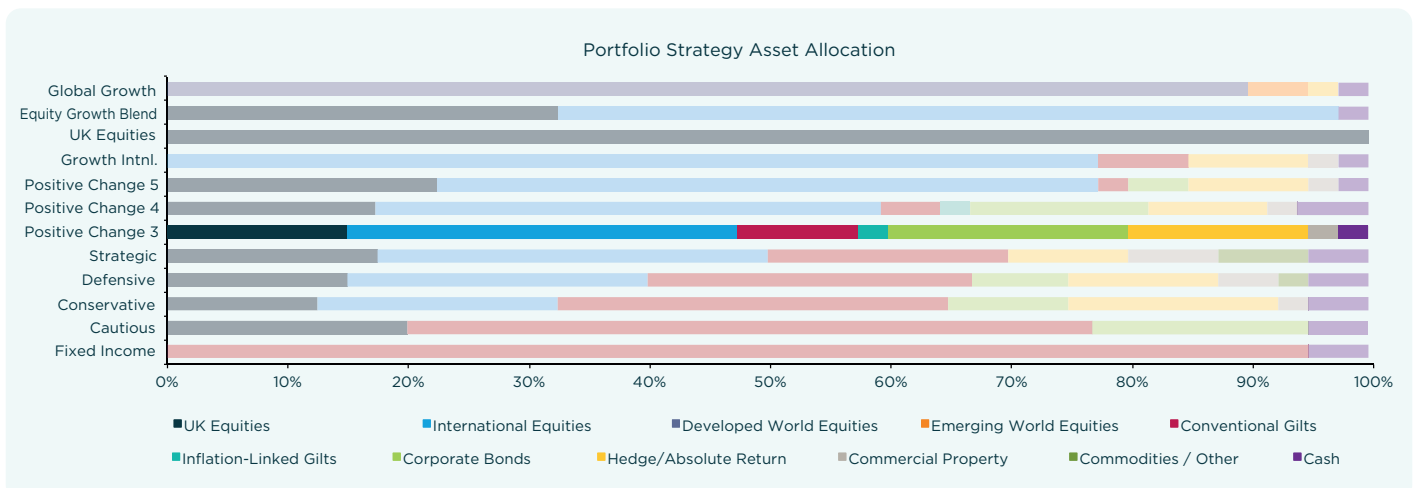
## Investment policy summary

### Investment Objective

The objective of the Quilter Cheviot Positive Change 3 Strategy is to grow the capital value of the portfolio while placing an emphasis on environmental, social and governance (ESG) considerations and stewardship. The strategy will have exposure to several funds investing with a sustainability focus or for impact.

### Strategy

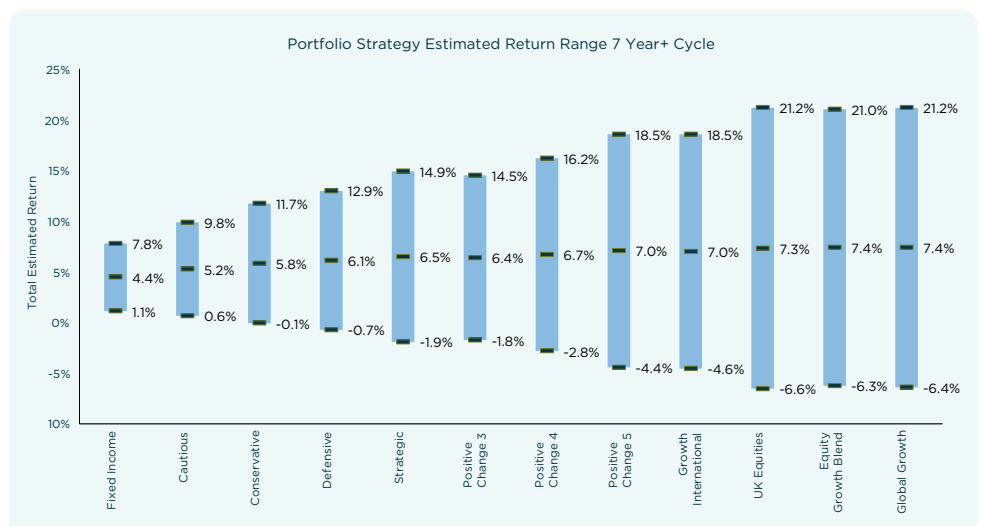
The Quilter Cheviot Positive Change 3 Strategy is a diversified multi-asset portfolio which follows the asset allocation of our core Income Strategy but includes funds that place an emphasis on improving ESG practices and making a positive contribution to the environment and society. The Strategy is a wholly funds-based approach that predominantly invests in domestic and international equities as well as some fixed interest. Equities will provide the opportunity for capital to grow over time as well as some dividend income. Fixed interest will provide stability of capital and a regular level of income. We may also include an allocation to other types of investment such as commercial property, infrastructure, absolute return or hedge funds, structured products, private equity and commodities (sometimes collectively referred to as 'alternatives'). We will blend the growth, income and risk characteristics of these investments in your portfolio to aid diversification.



As at 31/05/2024

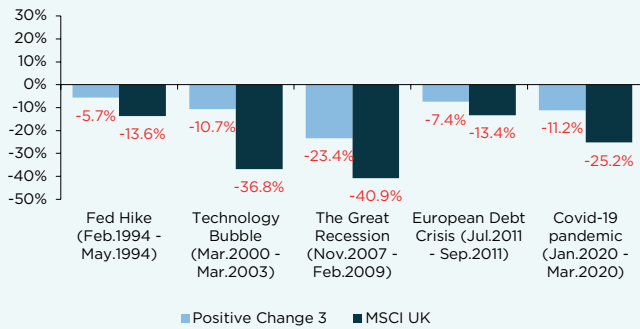
### Estimated returns

Portfolio managers use estimates of the long-term future returns of different types of assets to construct balanced portfolios. Not surprisingly, the riskier investments, such as equities, are usually forecast to produce the highest rates of return but history shows that the outcome can vary quite widely compared with expectations. There are various technical ways of measuring the expected outcomes used by industry professionals but, to simplify matters, Chart 1 translates these into annual return ranges for different portfolio strategies. The Positive Change 3 Strategy has an estimated annual return of 6.4% over the longer term. Using future expectations of risk, the range of outcomes could be as high as 14.5% or as low as -1.8% per annum. **Forecasts are not a reliable indicator of future performance.**



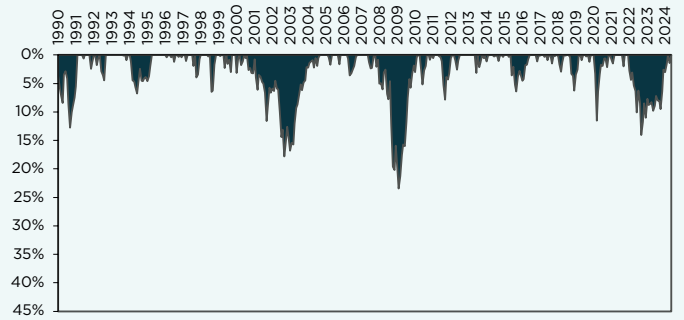
Source of data Quilter Cheviot, 31/05/2024

Positive Change 3 Strategy  
Stress Test During Selected Financial Crisis



Source of MSCI data is Refinitiv Datastream, 31/05/2024

Positive Change 3 Strategy  
Drawdown 1990-May 2024



Source of MSCI data is Refinitiv Datastream, 31/05/2024

**Past performance is not a guarantee of future returns.**

**Risk**

Having looked at the potential future returns, we need to consider how the Strategy might react in adverse conditions. By their nature these are largely unpredictable in terms of both extent and timing but investors are particularly sensitive to these events and the publicity surrounding them. For illustration we have taken five such events since 1990 when the MSCI UK index (£) has fallen by more than 10%.

Based on the central asset allocation of the Strategy, the bar chart below compares how the MSCI UK index (£) and the Positive Change Strategy, are expected to have performed during previous episodes of market stress.

The portfolio stress test is good for illustrating how a portfolio is expected to have reacted under specific events but does not provide a complete picture. This is where the concept of peak to trough drawdown fits in.

Drawdown illustrates the peak to trough movement and also helps to provide an indication of the time taken to recover back to previous levels.

The drawdown chart above shows the simulated drawdown for the Strategy since 1990. During severe market downturns, the Positive Change 3 Strategy was down around -23.4% peak to trough.

**Benchmark:** MSCI PIMFA Private Investor Income Index

**Summary**

The Quilter Cheviot Positive Change 3 Strategy is a diversified portfolio comprising a range of asset classes. The Positive Change Strategy is one of our targeted approaches for clients with ESG interests. Selected holdings are researched and monitored by our fund research analysts, including how ESG factors are considered within the investment process and stewardship. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

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**Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest.**

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