



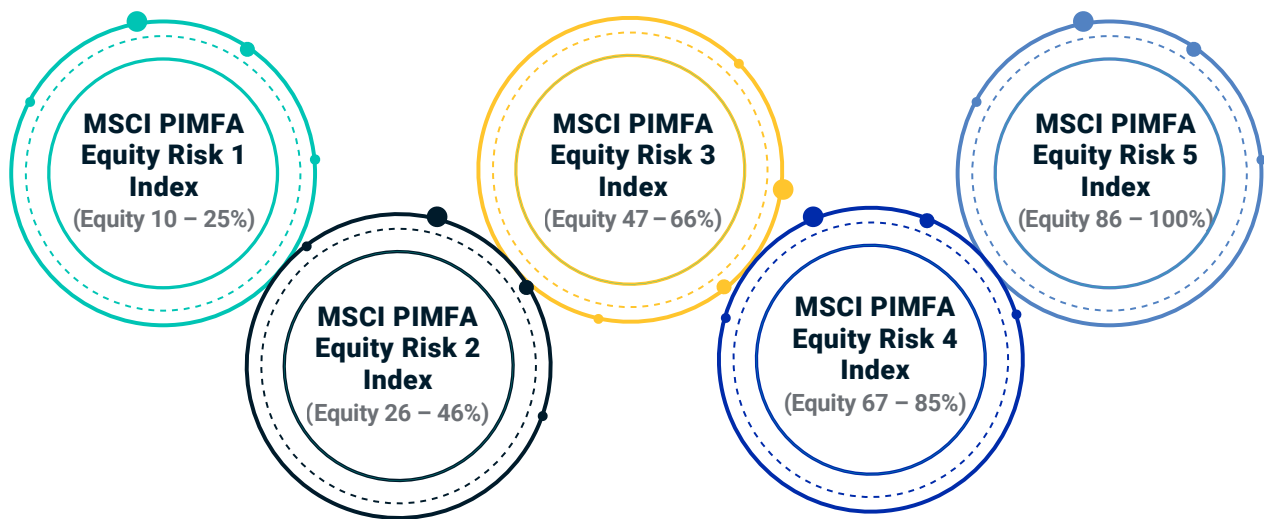
# MSCI PIMFA Equity Risk Index Series



# MSCI Multi- Asset Indexes: Introducing the MSCI PIMFA Equity Risk Index Series \_\_\_\_\_

MSCI, in collaboration with the Personal Investment Management and Financial Advice Association\* (PIMFA), has created the **MSCI PIMFA Equity Risk Index Series** consisting of five composite indices designed to represent the weightings, and show returns of, selected multi-asset class strategies of UK Wealth firms. The indices can be used to measure and compare portfolio performance in financial product information documents and client portfolio statements.

The indices include weightings of equities, bonds, real estate and “alternative” investments based on the strategic asset allocations (SAA) of PIMFA member firms **grouped by the percentage of equities held in the strategies.**



**Example: For the MSCI PIMFA Equity Risk 2 Index, all strategic asset allocations submitted quarterly by PIMFA member firms that contain allocations to equities of 26% to 46% are grouped, and the mean allocation weights to each asset class in those SAA's calculated to determine the weightings for that composite index.**

The weights are validated by the PIMFA's Indices Committee, which is responsible for regularly polling PIMFA members and reflecting in each index the industry's collective view for each strategy objective. The result is a suite of indices that can be used as benchmarks to compare the performance of portfolios having investment objectives similar to the strategy represented in the respective index.



# What sets the MSCI PIMFA Equity Risk Indices apart? \_\_\_\_\_

- » They reflect current UK private client investment industry allocation views obtained via regular polling
- » The methodology negates differing industry interpretations of strategies such as “Conservative” or “Balanced” by using the percentage of equities as the primary means for grouping similar strategies
- » Calculated and published daily by MSCI, an EU Regulated Authorised Benchmark Administrator
- » Asset allocation weights are published quarterly
- » Composite index components are all replicable

\* The PIMFA is a UK-based trade association representing over 1000 member firms that collectively look after over £1.2 billion of private investor assets.

# MSCI PIMFA Equity

## Risk Index Data Module Content

Users can access the returns of the indices by subscribing to the MSCI PIMFA Equity Risk Index data module. The module will include the following:

- » Daily index-level returns for each of the five MSCI PIMFA Equity Risk indices, including history from inception (July 2007).
- » The option to view index performance in both Total Return (Net) and Price variants
- » Index-level return data for the component MSCI sub-indices that will be used to represent the asset classes receiving the Committee's allocations for each MSCI PIMFA Equity Risk index
- » Permission to show the performance of the MSCI PIMFA Equity Risk indices in both public (e.g., product factsheets, research articles) and private (e.g. client portfolio statements) reports

Subscribers may access the data via direct download from MSCI with the intention to make the indices available via third-party market data providers\*\*

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\*\* MSCI cannot guarantee data availability by any 3rd party data vendor source as they alone determine the data they will distribute based on client demand.



# About the asset classes and related component sub-indices

The following is a list of asset classes and the indices selected by the PIMFA Private Investor Indices Committee to reflect their returns.

## Equities

### » UK Equities:

#### **MSCI UK IMI (Investible Market Index)**

Tracks the performance of the large, mid- and small-cap segments of the U.K. market. The index covers approximately 99% of the free float-adjusted market capitalization in the U.K.

### » Global Equities:

#### **MSCI All Country World Index (ACWI) ex UK (in GBP)**

Tracks the performance of large and mid-cap stocks across 22 developed markets (excluding the UK) and 26 emerging markets. The index covers approximately 85% of the global equity opportunity set outside the UK.

Indexed to  
**iBoxx**<sup>®</sup>  
by markit<sup>™</sup>

## Fixed income

### » Government Bonds:

#### **Markit iBoxx £ Gilts Index**

Reflects the performance of the UK government bond market for fixed coupon bonds. Eligible bonds have a time to maturity of one year or more and an amount outstanding of at least £2 billion.

### » Corporate Bonds:

#### **Markit iBoxx £ Corporates Index**

Reflects the performance of sterling denominated corporate debt from domestic and international

issuers. Eligible bonds will have an investment grade rating and a fixed coupon. The time to maturity of the bonds is one year or more and the required amount outstanding is \$250 million.

### » Inflation-Linked Bonds:

#### **Markit iBoxx UK Gilt Inflation Linked Index**

Reflects the performance of UK government bonds that are connected to inflation. The index includes bonds with a time to maturity of at least one year and the minimum amount outstanding is £1 billion.



## Other

### » Real Estate:

#### **MSCI UK IMI Liquid Real Estate Index**

Aims to achieve a risk/return profile similar to direct real estate indices by using liquid instruments. The MSCI UK IMI Liquid Real Estate Index, based on the MSCI UK IMI Index, combines the MSCI UK IMI Core Real Estate Volatility Tilt and Markit iBoxx inflation-linked indices. This combination aims to reduce the effects of leverage and achieve a risk/return profile closer to the unlevered return of commercial property

### » Alternatives:

#### **Custom Index of 100% Long MSCI World Diversified Multiple Factor Index + 70% Short MSCI World Index**

The MSCI World Diversified Multiple-Factor Index is based on its parent MSCI World Index, which includes large and mid-cap stocks across 23 developed markets. The DMF index aims to maximize its exposure to four factors – value, momentum, quality and small size – while maintaining a risk profile similar to that of the parent index. The cash component from shorting 70% of MSCI World Index is represented by Bank of England Base Rate. The blended custom index aims to deliver the risk/return profile of a combination of securities commonly deemed alternative assets.

### » Cash:

#### **Custom Index of Bank of England Base Rate – 0.75%, with a floor of 0%**

Cash will be represented by the return of the Bank of England Base Rate less 0.75%, with an imposed floor so that the return will never be lower than 0%.



# About the Personal Investment Management and Financial Advice Association (PIMFA)

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The Personal Investment Management and Financial Advice Association (PIMFA) is the trade association for firms that provide investment management and financial advice to everyone from individuals and families to charities, pension funds, trusts and companies. PIMFA represents over 1000 firms who look after £1,214Bn AUM\*. Created in June 2017, PIMFA is the outcome of the merger between the Association of Professional Financial Advisers (APFA) and the Wealth Management Association (WMA) with a history as a trade association since 1991.

Our mission is to create the best possible environment so that our member firms can focus on delivering the best service to their clients and providing responsible stewardship for their long-term savings and investments. PIMFA leads the debate on policy and regulatory recommendations to ensure that the UK remains a global centre of excellence in the personal investment management and financial advice arena.

\*As at June 2019.

To learn more, please visit [www.pimfa.co.uk](http://www.pimfa.co.uk)

# About MSCI Inc.

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MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com/pimfa-equity-risk-indexes](http://www.msci.com/pimfa-equity-risk-indexes)

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