



Nest's Investment Approach using Target Date Funds

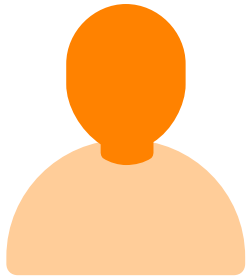
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Chief Executive Officer, Nest Invest

9th April 2024

nestpensions.org.uk

What is Nest?



13m
members



1m
employers



£39bn (\$50bn)
assets under management

Nest's investment goals



Achieve good
risk-adjusted returns



Invest in
functioning markets



Support long-term
wealth creation



Manage
reputational risks

Nest's quality default fund

99% of members are in the default fund



Nearly **50** single
year target
date funds



Funds to suit
most members,
whether 22 or 62



Diversified assets
to reduce risk



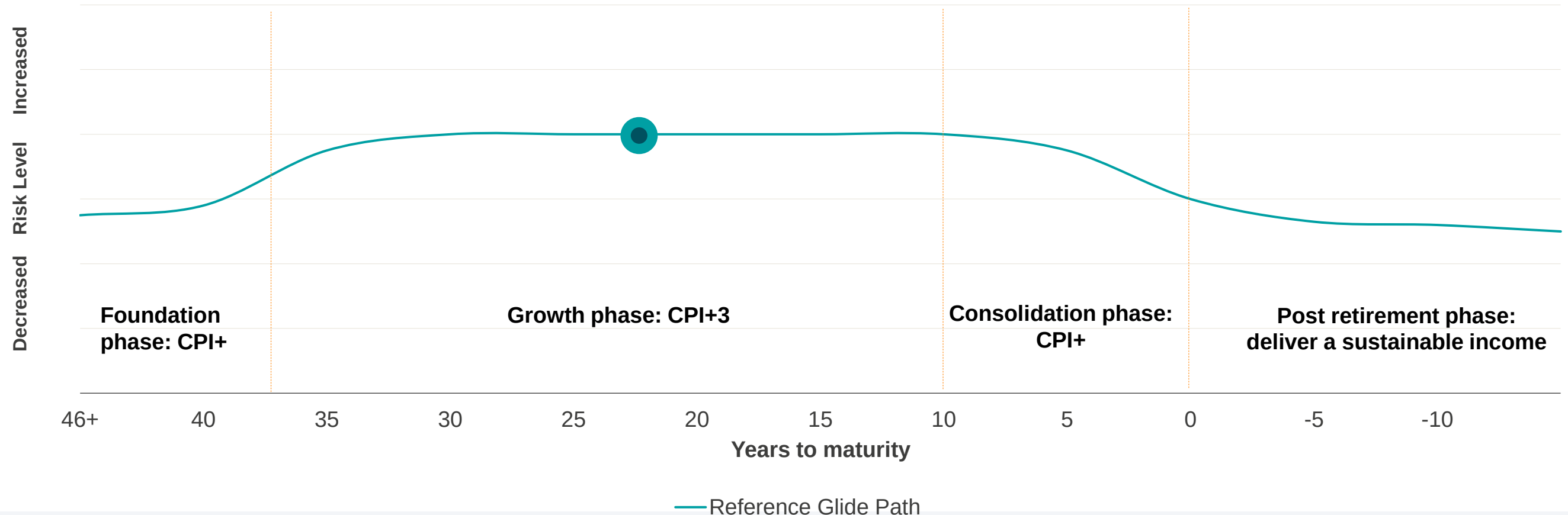
Flexible four-phase
fund that responds
to
market moves



Award-winning,
high quality
approach at
low cost

Why Target Date Funds (TDFs)?

- › Operationally efficient for 13m members
- › Can manage portfolios by cohort
- › Creates internal market for illiquid assets
- › Easy to change the glidepath



Nest Retirement Date Funds



Phased risk management

Objective: to target long-term investment returns well in excess of inflation

Foundation phase (approx 5 years)

- › Outperform inflation (after charges)
- › Promote confidence in saving
- › Minimise impact of investment shocks

Growth phase (approx 30 years)

- › Target inflation +3 per cent (after charges)
- › Maximise diversification
- › Capture global growth
- › Reduce impact of investment shocks

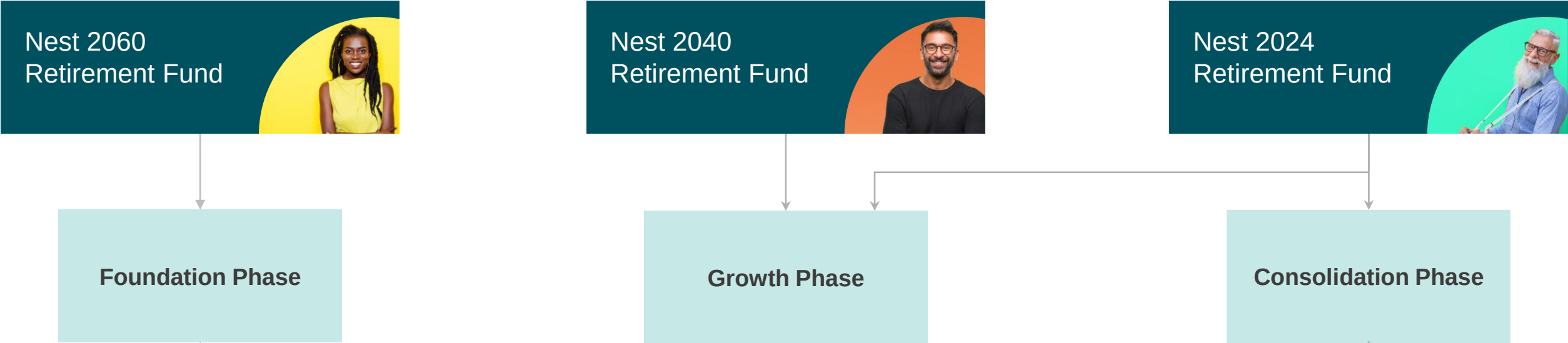
Consolidation phase (approx 10 years)

- Reflects new pension freedoms
- › De-risking to CPI+ portfolio
 - › Reduce volatility as retirement approaches

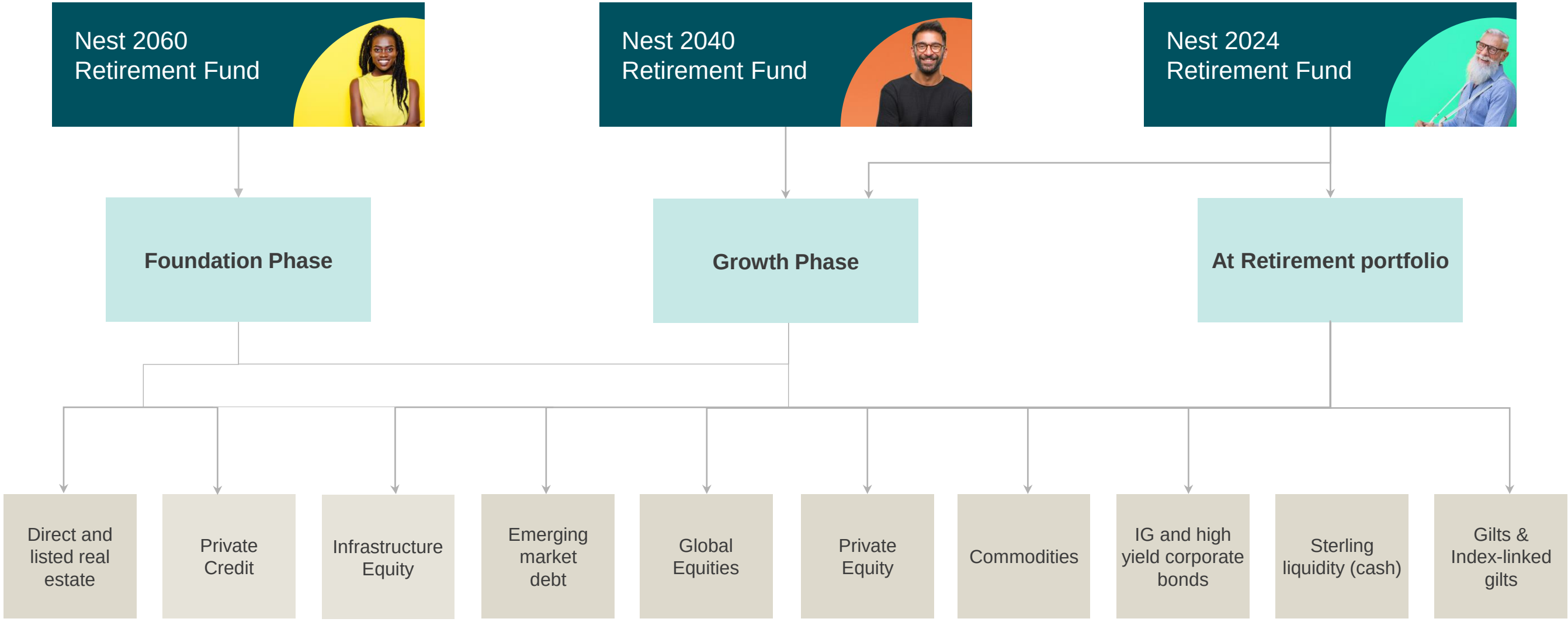
Post retirement phase

- › Provides suitable investment for those who leave money with Nest at retirement

How the funds work

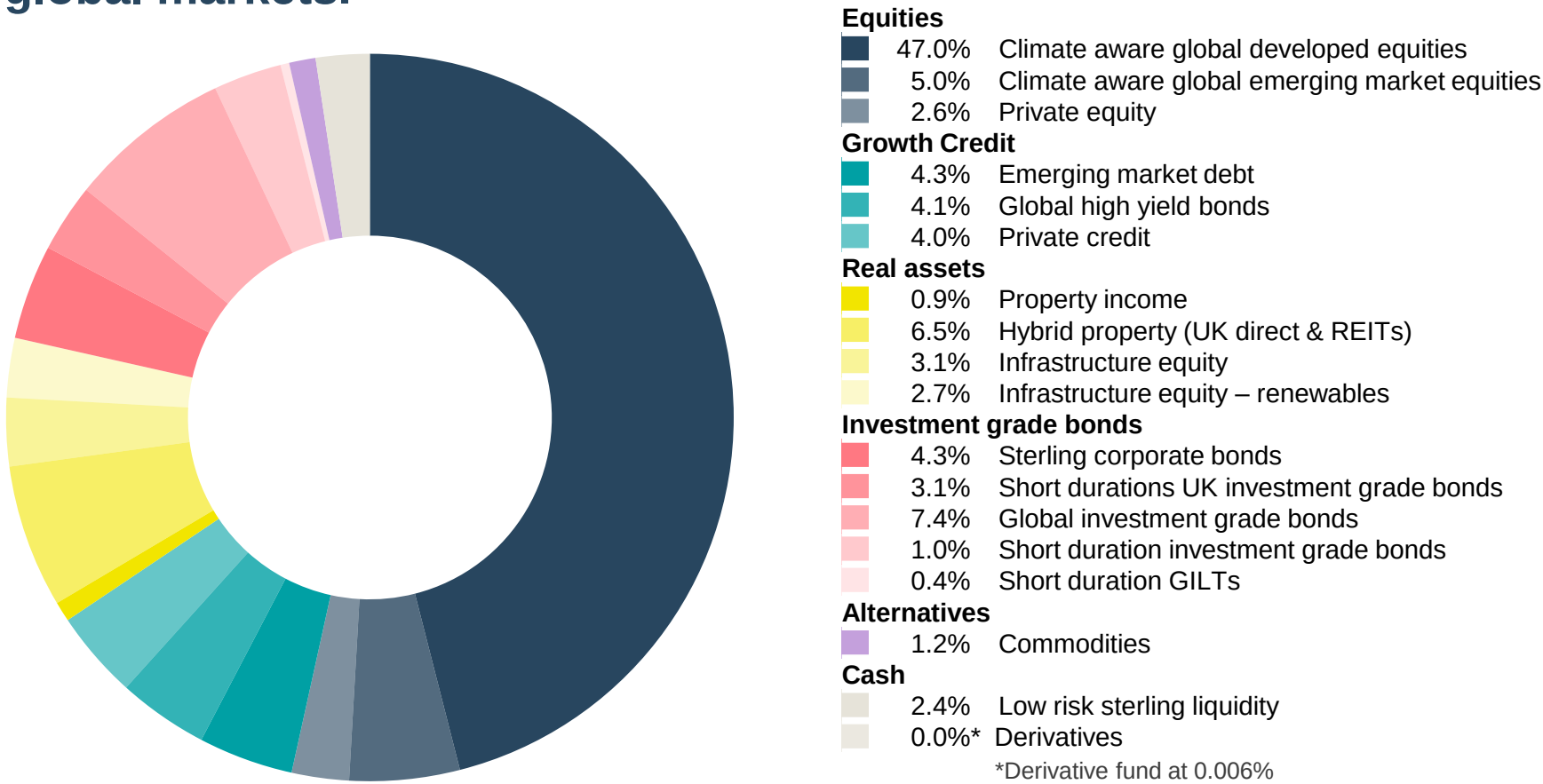


How the funds work



Protecting funds from market volatility

We're truly diversified, with investments in a broad range of global markets.



A proportion of the foreign currency exposure is hedged in our developed market credit funds, global developed equity fund and our private market funds.

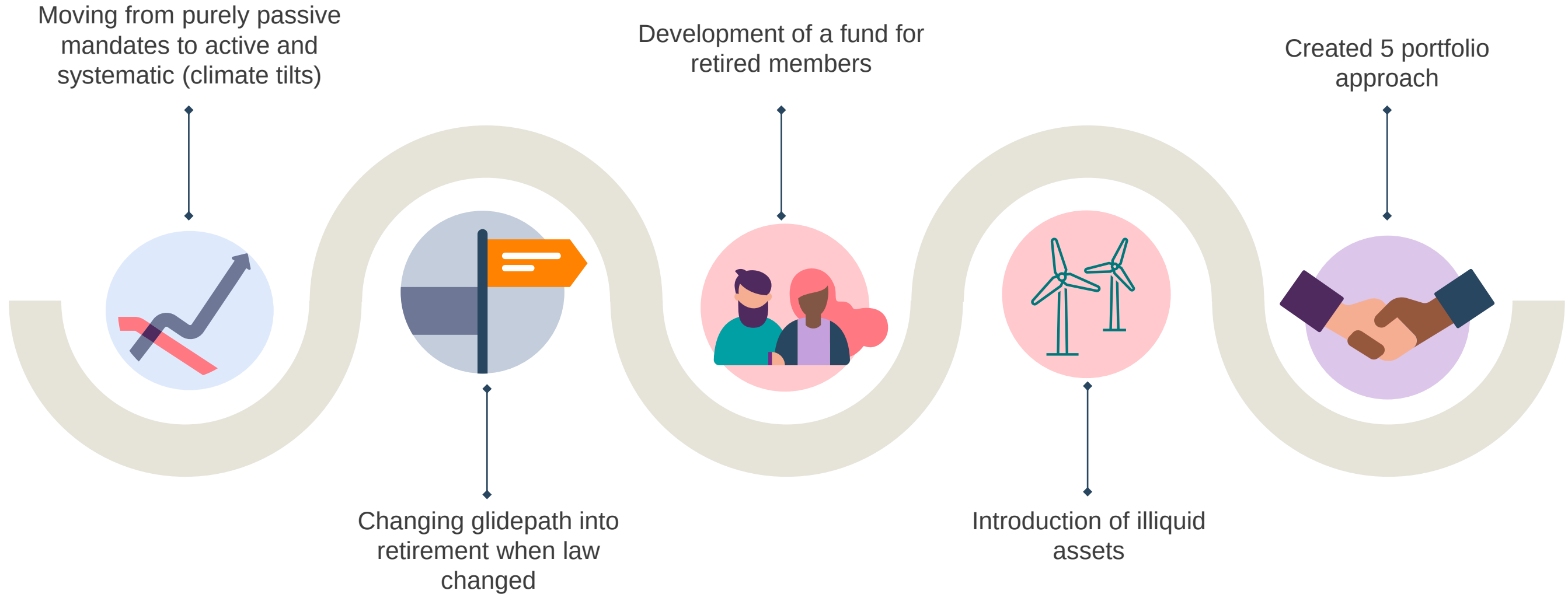
Source: Data for Nest 2040 Retirement Date Fund as of end December 2023.

One of the most diversified portfolios in the industry

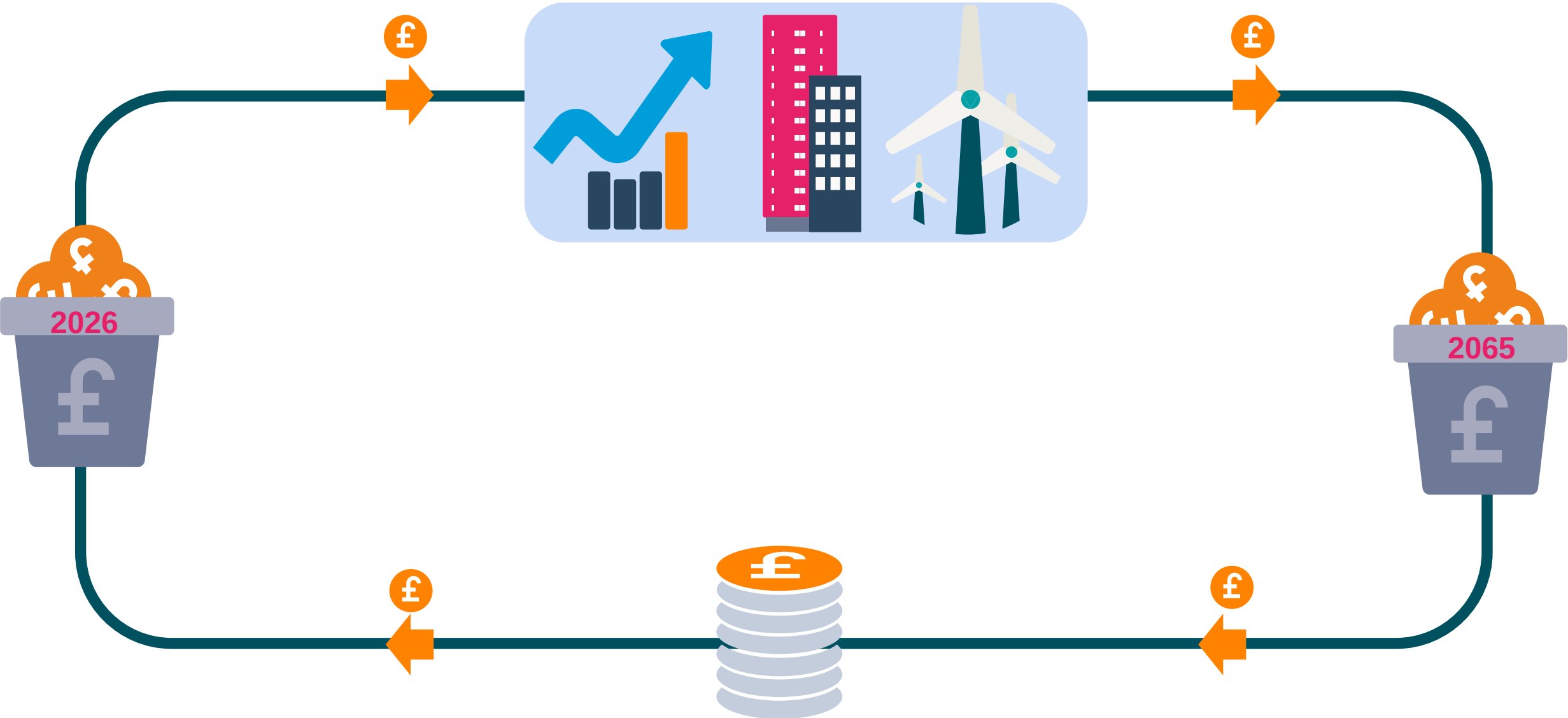
Increased opportunities with private markets, which offer more sophisticated investments

The evolution of our funds

A more sophisticated strategy to meet changing needs



Internal market for illiquid assets





Additional fund choices

Nest Ethical Fund

For those with specific values and beliefs

Nest Lower Growth Fund

For a conservative approach to risk

Nest Higher Risk Fund

For potentially higher returns

Nest Sharia Fund

For investments compliant with Islamic law

Nest Pre-retirement Fund

For members close to retirement

Nest Guided Retirement Fund

For qualifying retired members

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