FOR PROFESSIONAL ADVISERS ONLY

Brooks Macdonald Retirement Strategies - Modelled

Adviser Due Diligence Information

Realising Ambitions.
Securing Futures.
We are Brooks Macdonald.

The Modelled Retirement Strategy

Structure

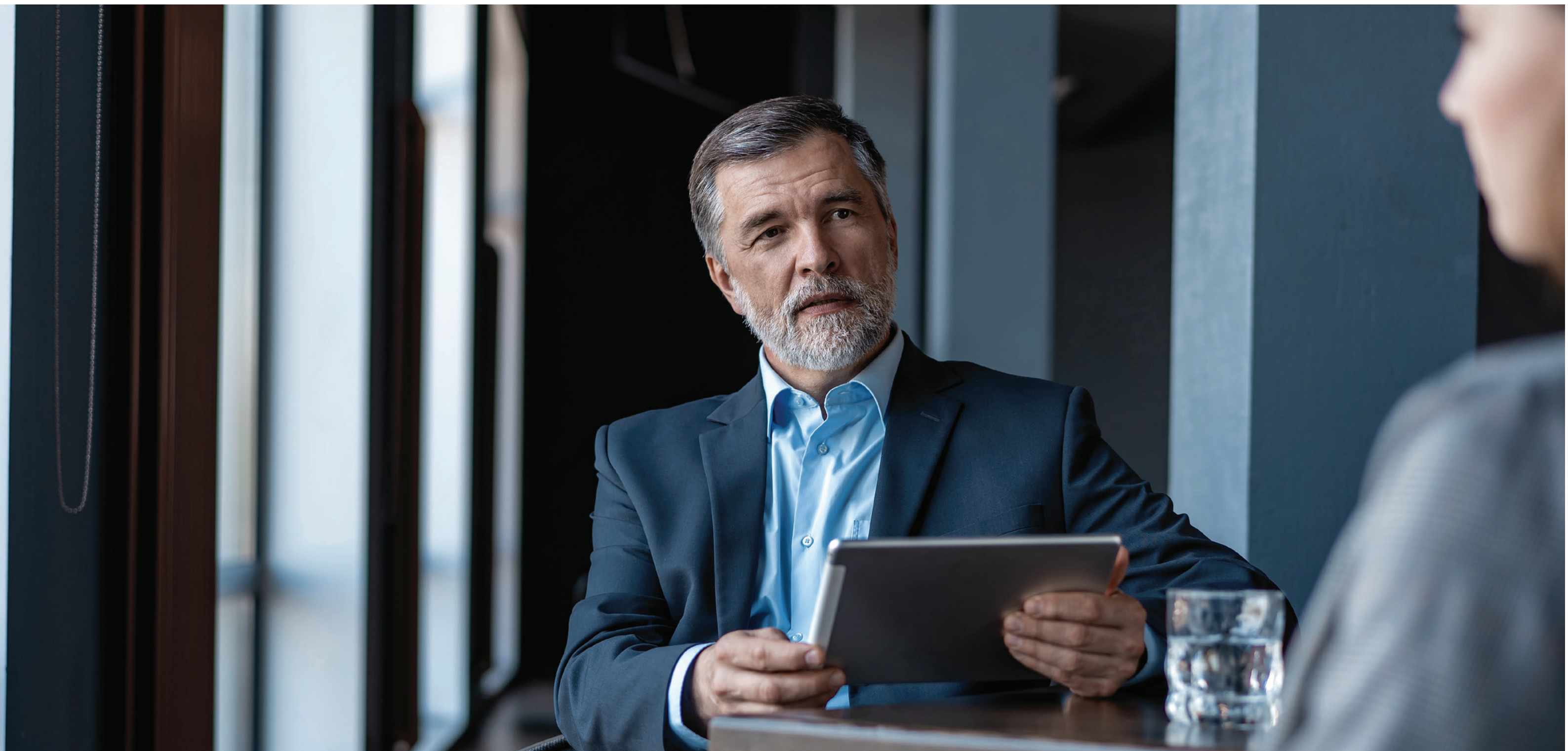
This model-based discretionary portfolio management service, is available to access on third party platforms.

It is operated under the agent-as-client arrangement. We do not have a direct relationship with the underlying investor. Instead, the underlying investor has a direct contractual relationship with their adviser rather than Brooks Macdonald. The adviser, in turn, has a direct contract with Brooks Macdonald and so is treated as being our 'client'. In order to facilitate the Managed Portfolio Service via a platform, we also have separate agreements in place with each platform provider. These set out the dealing functions, custody of assets and client monies, etc, that the platform provider shall provide. Advisers enter into a direct agreement with the provider of each platform, too, and this sets out the platform provider's duties to them.

The solution can be held within various tax-efficient structures facilitated by the platform, providing greater flexibility for investors. Please contact your regional business development manager for the latest platform availability.

Range Overview and Investment Options

The range consists of a series of six portfolios launched each year, across two risk profiles. Each portfolio is divided into shorter-term and longer-term components. The shorter-term component aims to mitigate sequencing risk by investing in cash and fixed maturity products that align with specific time horizons. The longer-term component aims to mitigate longevity risk by investing in a diverse range of asset classes.



We manage each portfolio using a consistent investment approach. While each portfolio is standardised, we offer a range of different options to allow advisers to select the most suitable one for their client. All models are open for investment at any time, offering advisers and their clients a variety of solutions to choose from initially, and the flexibility to switch into alternative models in the future if their withdrawal requirements change or if they wish to extend their years of sequencing risk management.

At each risk level, there are three options which are each aligned with different withdrawal capacities.

Portfolios currently available for investment are:

Equity risk parameters **BM Low to Medium Risk**	Equity risk parameters **BM Medium Risk**
Modelled Retirement Strategy Portfolio A 2025 launch	Modelled Retirement Strategy Portfolio A 2025 launch
Modelled Retirement Strategy Portfolio B 2025 launch	Modelled Retirement Strategy Portfolio B 2025 launch
Modelled Retirement Strategy Portfolio C 2025 launch	Modelled Retirement Strategy Portfolio C 2025 launch

Risk Mappings

Please refer to our factsheets for the latest third party risk ratings.

Target Market

We produce a target market guide for this product – by considering the characteristics of the investment solution, the guide aims to demonstrate the Target Market that the product has been deemed potentially suitable (and unsuitable) for. The document is available to access here.

The information in this document is intended to aid professional advisers in completing target market assessments. However, professional advisers should ensure their own target market assessments are conducted and all their regulatory obligations, including those related to MiFID II, PROD and Consumer Duty, are adhered to.

Investment approach

Each portfolio is divided into shorter-term and longer-term components. The shorter-term component aims to mitigate sequencing risk by investing in cash and fixed maturity products that align with specific time horizons. The longer-term component aims to mitigate longevity risk by investing in a diverse range of asset classes, with the goal of maximising total returns over the long term whilst remaining within a specified equity risk band.

Shorter-term allocation

- The focus within the shorter-term allocation is on managing sequencing risk. This allocation includes a mixture of cash and fixed maturity products. We may also make use of cash-like investments. The fixed maturity products are funds that invest in a diverse collection of bonds that all mature in a specific year. These products are chosen because their maturity dates align with the seven-year time horizon of the portfolio's shorter-term component.

- At launch, each portfolio holds a ladder of six fixed maturity products, with one product maturing each year. The individual allocations to each fixed maturity product in the ladder correspond to the specific withdrawal rate that the portfolio is designed to support at launch. This calculation is based on the expected return of the fixed maturity products, which is not guaranteed. The 2025 models are launching part-way through a calendar year and will hold a ladder of five fixed maturity investments, with the first one maturing in December 2026 to fund cash requirements for 2027.

- As a fixed maturity product matures each year, the number of these held in the portfolio decreases until they have all matured and the final distribution of cash provided.

Longer-term allocation

- The longer-term allocation aims to manage longevity risk. It is invested in a diverse range of asset classes, including equities, fixed income, alternatives and cash, with the goal of maximizing total return over the long term. A multi asset fund is held alongside equity funds. The overall portfolio is managed to remain within a specific risk profile, and we use the allocation to equity funds dynamically over the first seven years to counteract the overall risk-lowering effect of the fixed maturity products held in the shorter-term allocation. Whilst each portfolio targets a specific level of equity risk, there may be times during the early years of the portfolio's life where it takes less risk than the target profile.

- As the allocation to fixed maturity products decreases each year, the allocation to the equity funds decreases in favour of the multi asset fund. When all fixed maturity products in the shorter-term allocation have matured and the final distribution into cash is made, the equity funds are no longer required, and the portfolio holds one actively managed multi asset fund. If the investor wishes to continue making withdrawals after their final distribution amount is utilised, this will be funded by selling down the holding in the multi asset fund.

This portfolio has a higher allocation to lower-risk assets in its short-term component, which are time horizon-matched to reduce sequencing risk. As a result, it may underperform a conventional portfolio during periods of strong market growth, particularly in higher-risk assets. However, this strategy is beneficial because market timing is uncertain. For example, if a downturn occurs early in the investment period, the lower-risk short-term allocation can help preserve capital and maintain income stability.

Portfolio Construction and Management

The portfolios are managed to central models and are initially constructed so that:

- **Shorter-term allocation:** the allocations to cash and passive fixed maturity products (funds) for the first seven years are determined by the portfolio's annual withdrawal capacity alignment. A buffer is added to the allocation to the fixed maturity funds, to account for potential fluctuations in the yield of these funds over time. Portfolios designed for higher withdrawal capacities have a relatively higher allocation to fixed maturity products compared to portfolios within the same risk profile designed for lower withdrawal capacities, and vice versa.

- **Longer-term allocation:** the allocation between the multi-asset fund and passive equity funds is guided by the target equity risk level mandated for the overall portfolio, factoring in equity content within the multi asset fund. Adjustments are made over time to maintain the appropriate level of overall equity risk, which is managed within strict parameters.

Every six months, the portfolios undergo a full rebalance. During this rebalance, a target model equity allocation is set. Typically, this is set at the neutral level for the selected risk profile. If equity markets have not delivered a positive average return over the past three years, the target may drift up to 7% tolerance above the neutral level. If a sufficient long-term allocation is unavailable to meet the target, the entire long-term allocation will be directed to the equity counterbalance funds. Allocations between the equity funds are also rebalanced to their original weightings.

Equity content and compliance with parameters is monitored on a monthly basis. We provide monthly reporting on the level of equity content within the portfolios.

The multi-asset fund held in the portfolios is actively managed, investing in a range of different asset classes with allocations changing over time according to investment views.

Underlying Holdings

The portfolios have exposure to a diverse range of asset classes, including equities, fixed income, alternatives, and cash. The portfolios achieve this exposure through investment in funds, which include collective investment schemes such as Exchange Traded Funds (ETFs), and Open-Ended Investment Companies (OEICs). These may be managed by third parties, or by Brooks Macdonald.

The Asset Selection Committee (ASC) provides a buylist of funds, which are used to build the investment portfolios.

The ASC is chaired by one of the Co-CIOs, and typically meets weekly but can do so on an ad hoc basis if needed. Buylist investments are regularly reviewed and appraised.

The ASC reviews buy, hold and sell recommendations brought to it by the head of each sector team.

The formal review process evaluates whether investments are performing as expected, in consideration of the risk they represent. They also ensure that changes to the prospects of such investments are understood. The latest holdings are displayed on the portfolio factsheets.

Portfolio Oversight

We consider risk management to be a key component of our investment philosophy. We have embedded controls into our investment process that are designed with the aim of ensuring a good outcome under a range of market conditions. The portfolios are monitored on an ongoing basis, by our dedicated Investment Risk Oversight Committee.

Tax Planning

We do not provide tax advice, and independent professional advice should be sought. Tax treatment depends on each individual's circumstances and may be subject to change in the future. There is no guarantee that the tax efficient nature of any investment will remain. Brooks Macdonald does not provide tax advice and independent professional advice should be sought. As individual PMPS investment accounts produce capital gains or losses when investments are sold within them, clients may utilise some, or all, of their CGT allowance through our PMPS. They may also realise more capital gains than their allowance. However, as our PMPS is not tailored to individual clients, it is not possible to accommodate individual client CGT requirements.

Servicing and Reporting

Advisers are responsible for assessing the suitability of different portfolio options. To assist with this, we provide a range of supporting information.

Our **Retirement Strategies Illustrator** helps financial advisers by generating illustrative examples of various withdrawal scenarios for a given level of risk over time and the potential future portfolio values. To generate, visit proposalgenerator.brooksmacdonald.com. Together with a suite of marketing materials, we provide monthly factsheets for the model portfolios, which include information such as portfolio holdings, the number of years of sequencing remaining in each model, the level of equity content in each model, and the annual withdrawal capacity that the model currently supports.

Advisers are supported by the dedicated Business Development Manager within their geographic area, who is the primary contact. Reporting for Platform Managed Portfolio Service (PMPS) clients is undertaken by the platform.

Fees & Charges

Brooks Macdonald charges a 0.35% annual portfolio management fee for the first seven years of the portfolio's life e.g. a portfolio launching on 1st January 2026 will incur a management fee until 31st December 2032.

Investors will also incur costs associated with the underlying investments held in the portfolios ('Ongoing Charges'), Transaction Costs and Incidental Costs. An in-house fund managed by Brooks Macdonald is held within the portfolios – management and other costs associated with this fund are accounted for within the Ongoing Charge figure for the portfolio. For a full breakdown of Platform MPS costs and charges, please see the MPS costs and charges document on our website here or the latest portfolio factsheets.

For details of any initial charges, dealing charges or ISA charges, please see your preferred platform provider's website.

Contact us

We understand your world because we're part of it, supporting advisers like you to grow, adapt, and deliver for your clients. Ready to explore how we can help enhance your client offerings? Get in touch today to discuss how we can help you:

Build with confidence by partnering with a wealth manager that's committed to helping you grow your businesses for the long term.

Free up your time to focus on what you do best by using our range of tailored solutions to remove regulatory and administrative burdens.

Access proven investment expertise through a team of 60+ investment professionals committed to delivering strong and consistent performance.

Meet diverse client needs with a broad range of outcome-focused investment solutions.

Let's realise ambitions and secure futures together.

Phone
020 7499 6424

Email
businessdevelopmentsupport@brooksmacdonald.com

Website
www.brooksmacdonald.com

Important information

This document is intended for investment professionals only and should not be relied upon by any persons who do not have professional experience in matters relating to investments. The information in this document does not constitute advice or a recommendation and investment decisions should not be made on the basis of it. The value of investments, and the income from them, may go down as well as up and neither is guaranteed. Investors could get back less than they invested.

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More information about the Brooks Macdonald Group can be found at brooksmacdonald.com