FOR PROFESSIONAL ADVISERS ONLY

Brooks Macdonald Retirement Strategies - Tailored

Adviser Due Diligence Information

Realising Ambitions.
Securing Futures.
We are Brooks Macdonald.

The Tailored Retirement Strategy

Structure

The Tailored Retirement Strategy is a bespoke discretionary portfolio management service, available in Brooks Macdonald's direct custody.

The investor has a contractual relationship with Brooks Macdonald and so is treated as our 'client' for the purposes of the investment management services we provide to them. Each client will have a separate agreement in place with their adviser under which the adviser will agree to provide independent financial advice to them. Under this arrangement Brooks Macdonald may also make use of the 'Reliance on Others' provisions, meaning that we are able to rely on information provided to us by suitably regulated advisers who act as intermediaries between us and our shared clients. A third agreement is also in place between each adviser and Brooks Macdonald. This documents each's respective duties and responsibilities in relation to investment management and advice (and mirrors the division of responsibilities, as explained to the client within their agreement with us).

Range and Overview Investment Options

The service is available in three risk levels:	The minimum initial investment is:
BM Low to Medium **BM Medium** **BM Medium to High**	**£250,000**

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 markets assessments are conducted and all their regulatory obligations, including those related to MiFID II, PROD and Consumer Duty, are adhered to.

Shorter-term allocation

- The short-term allocation uses a combination of cash and structured products to cover potential income withdrawals for up to seven years.

- The term 'structured product' describes investments that are designed to provide predefined returns which are dependent on an underlying asset (often a market index), over a set period. They are typically issued by banks.

- Within our Tailored Retirement Strategy, we use a specific type of structured product, commonly known as a 'synthetic zero' or a 'defined return' product. They are designed to mature at a known date, subject to certain conditions being met.

- We create a new structured product every six months. At the point of creation, this will mature in 6.5 years' time, subject to neither of the underlying indices being 40% lower than they were at the point of the product's creation.

- There may be a number of factors that influence the return, and these may be complex. Structured products may be difficult to compare to other assets. For structured products linked to market indices, market movements are likely to affect returns and may do so to a significant extent. Market movements cannot be forecast with accuracy, and may be affected by political, economic and other risks.

- If the underlying index is not above the barrier at the point of maturity, the investor will not receive the full value of the contract. In this scenario they will receive a proportion of the value based on how much the underlying index has fallen.

- In our Tailored Retirement Strategy, we use structured products with barriers that are at fairly conservative/defensive levels. Prior to maturity, the value of a structured product will be determined by market pricing which will be influenced by a variety of factors including current index levels and volatility.

- Structured products also involve counterparty risk (the risk of the issuer not being able to pay back the capital as promised under the terms of the products). Credit ratings of issuers can be useful indicators of their level of risk, but other factors should also be taken into account.

- Credit ratings are assigned by independent bodies. Issuers' credit ratings and risk levels may change over the lifetime of the structured product and there is no guarantee that the issuer will be able to pay back the anticipated amount. We undertake in-depth counterparty due diligence to minimise counterparty risk and undertake proprietary analysis, which focuses on each counterparty's ability to repay its debts.

- We take a holistic view of a counterparty, considering multiple internal and external factors including balance sheet strength, capital structure and business/profitability outlook.

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 while taking a specific level of risk. These assets are held within a multi asset fund.

- This strategy 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 by a central team, within a rules-based framework.

During the initial investment a cash balance will be set aside to meet all income expected in the first year. A ladder of structured products is purchased, in line with the annual income requirement. One structured product matures every 6 months, for the next six years.

Th remainder of the portfolio (longer term allocation) is invested in a multi asset fund. The multi-asset fund is actively managed, investing in a range of different asset classes with allocations changing over time according to investment views. The fund selected will either be from the Cornelian RMF or RMP range, depending on if the client has selected an active or passive investment approach. These are in-house funds managed by Brooks Macdonald.

The portfolio is rebalanced twice per year – a new structured product be purchased to replenish the ladder (funded by selling down the longer term allocation), depending on the total return of the longer term investments.

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.

We have implemented BITA (Better Investment Through Analysis) Risk Management software to review our bespoke discretionary content holdings. BITA provides traffic light reports that enable investment managers to identify investment policy exceptions, and promptly bring flagging accounts into line. The second line Investment Risk team produce and distribute weekly BITA management information highlighting any non-compliance.

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. It is not possible to accommodate individual client CGT requirements in this service, however we are able to facilitate the use of a clients ISA account if the client has given us consent to do so.

As well as Investment Accounts and ISAs clients can have Offshore Bonds (in or outside of trust – dependent on ability to hold structured products) and SIPPs. Third party trustees are used for bond and SIPP/SSAS wrappers – these would be selected by the adviser for the client.

Administration and Servicing

Initial investment: We accept adviser information to produce an initial investment proposal, but require the client to complete and sign our application form to open an account. The adviser is able to pre-populate the application forms, however the client must check all information given is correct and sign the declaration confirming so. For all applications where a professional adviser is assessing suitability, they must also sign the completed application pack to confirm that they have undertaken this process. We also require documents that help us to verify client identity, including proof of address, proof of identification, source of wealth and source of funds all in accordance with UK regulatory standards (see section 'Know Your Client'). The different types of documents we require are listed in the relevant application packs. Clients must read the application pack carefully and complete it with as much detail as possible. FCA rules mean that we will not be able to accept an application if the application form is incomplete or due diligence is not satisfied. New portfolios will typically take two forms, either a new cash funded portfolio or a transferred in-specie portfolio.

Portfolio closure: Upon receipt of instruction we will sell the holdings within the portfolio (for SIPP's and Offshore Bonds) and the client will be advised of the anticipated settlement dates. For investment accounts and ISAs the funds will be transferred to an account nominated by the client in their formal instruction. For SIPPs, SSASs and Offshore Bonds the funds will be returned to the provider, for them to either return to the client or transfer to a new product as applicable. For clients leaving In Specie, we will need to receive instruction from the client confirming that they wish to transfer their entire portfolio away from Brooks Macdonald. This letter of instruction needs to:

- Be an original signed instruction
- Confirm that the holdings are to be transferred in specie and where they are to be transferred to
- Confirm the bank details that are to be used for the available cash in the portfolio

Once the instruction is received, a dealing block will be applied to the portfolio and Brooks Macdonald will send written confirmation to the client informing them that the instruction has been received. The new Investment Manager should be in contact regarding this transfer out and Brooks Macdonald will send the new Investment Manager a current valuation of the portfolio. The new Investment Manager must confirm to Brooks Macdonald as soon as possible if there is a holding that cannot be transferred in specie and therefore it will need to be sold and transferred as cash. Charges will be levied for in-specie transfers out, please refer to the fees and charges section. All clients will receive a closing letter which will include a final valuation to confirm the balance of their portfolio as zero. The letter also confirms that the account will remain open for at least three months to allow for any residual dividends to be paid, which will be returned to the client or provider as appropriate.

Client interaction and servicing

The local office in each region will assist with onboarding and general queries. Once onboarded, no personalised relationship management or servicing is provided to the client.

Our secure online client portal (InvestBM), accessed via our website, provides clients and their advisers with an account summary that lists their Brooks Macdonald portfolios. Each portfolio valuation is priced on a daily basis and provides cash balance and transaction details for all investments. Clients receive valuation reports on a quarterly basis in January, April, July and October. Reports include a formal custody statement.

Ad hoc valuation reports are provided on request. A comprehensive year-end tax report is also sent out annually at the end of the tax year.

Fees & Charges

Brooks Macdonald charges a 0.40%+VAT management fee for the first £500,000, and a 0.20%+VAT management fee on funds thereafter.

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 our full fee schedule and a proposal of costs and charges, please contact your Brooks Macdonald representative.

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.

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Important information