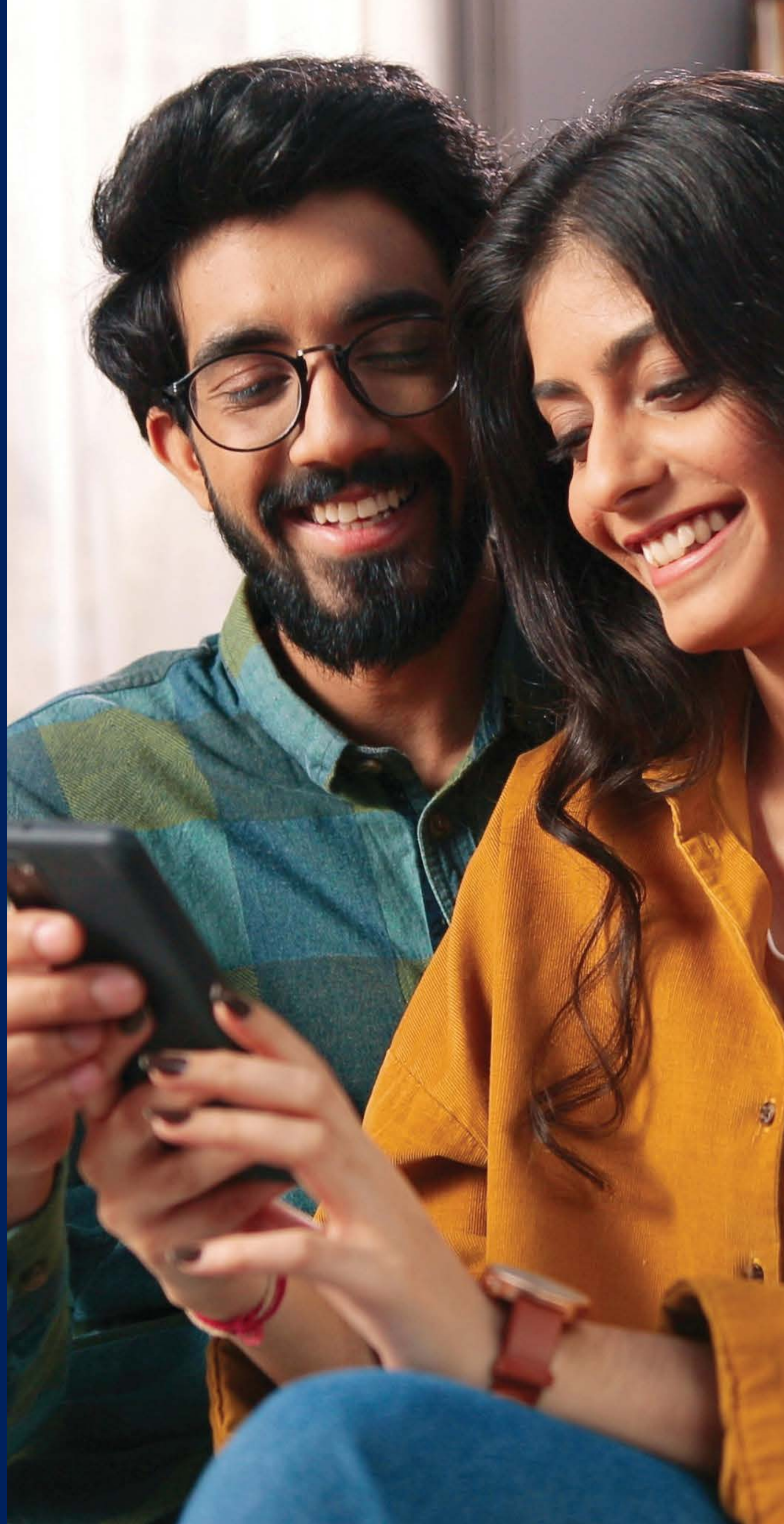
BROOKS MACDONALD

What is a Fixed Maturity Investment *and how are they used?*



Realising Ambitions. Securing Futures. We are Brooks Macdonald.

A fixed maturity investment is used to match the income requirements of the client. They mature on a set date and, while not guaranteed, they provide a reasonably predictable income stream based on the client's requirements.

This income liability matching is at the centre of Brooks Macondald's range of retirement strategies as our approach to tackling sequencing risk. i.e. the impact of withdrawals during market downturns, which can impact the future returns of your savings.

There are three main ways in which Brooks Macdonald achieves this. For the **Bespoke** offering, either Gilts and Structured Products are used, or just Structured Products. For the **Tailored** offering, Structured products are used. For the **Modelled** offering, defined-maturity Exchange Trade Funds (ETFs) are used.

Gilts

A portfolio of gilts (UK Government Bonds) can be used to provide a steady, predictable stream of income. This is using a gilt 'ladder', whereby a portfolio of gilts with staggered maturities creates a stream of income over a set period as one or more gilts redeem each year. The gilts with different maturities form the 'rungs' of the ladder.

Structured Products**

Structured products are investments that are designed to provide predefined returns over a set period. They are typically issued by large, well-capitalised banks and are usually linked to one or two market indices. For the Tailored Solution, a new structured product is created every six months which will mature (pay out) in six and a half years if the levels of the indices to which the product is linked are not more than 40% lower than the levels when the product was created. Our research* shows that historically, there has never been a time when the indices against which we link our products has been 40% lower after a six-and-a-half-year period. (The structured products used in the Tailored Solution are based on the FTSE100 and the S&P500 indices) By constructing a 'ladder' of structured products which mature every June and December, the expected income requirement of the client over the first seven years should be met.

Invesco BulletShares ETFs

For the Modelled Strategy, there is a requirement that the instrument be widely available within a model portfolio on platforms, which rules out directly held gilts and structured products. In order to provide a regular income, Invesco BulletShares ETFs have been selected. These are Target Maturity ETFs which provide direct, bond-like exposure. Similar to holding bonds directly, they provide a regular income which is reinvested, and a final distribution at the end of the term. They offer daily liquidity, transparency to view the underlying holdings, and are very diversified.

In order to ensure sufficient liquidity, it is necessary to use an instrument which is based on a broad investable index and only certain bond markets have both the breadth and depth required to construct a diverse index of bonds. For this reason, the Bloomberg US Aggregate Investment Grade Corporate Bond index has been chosen. While Target Maturity ETFs are fairly new to the UCITs universe, they have been in existence in the US since 2010 and there is more than $20bn invested globally. Unlike other offerings in the market, the Invesco BulletShares have been chosen as they offer a currency hedged option.

*Source: Brooks Macdonald analysis of the Barclays Equity Gilt Study, February 2025. **These products are not guaranteed and should any of these products not pay out in full or in the event of the financial failure of the bank (counterparty) issuing the structured product, the income needs would need to be met by realising monies from elsewhere within the portfolio.

Invesco BulletShares ETFs continued

There is an Invesco BulletShare ETF issued with maturity dates coinciding with each calendar year. The BulletShare for each year is based on the Bloomberg 20XX Maturity USD Corporate Bond Screened Index which measures the investment grade ("IG"), USD-denominated, fixed-rate corporate bond market with additional ESG Screening. The ESG screening eliminates issuers with involvement in controversial weapons, small arms, military contracting, oil sands, thermal coal, tobacco and cannabis. Each maturity (year) of Bloomberg index is made up of a maturity-constrained subset of the broader Bloomberg USD Corporate Index and is very diversified by underlying holding and by issuer; Bloomberg apply an issuer exposure limit of 4.5% by market cap weight within each ETF. Replication is physical and uses a 'sampling' method. The ETF is rebalanced monthly. Each BulletShare will mature and a final distribution will be paid out in the third Wednesday of December of the year in which it matures – i.e. the 2026 US Corporate Bond ETF will pay out in December 2026 and provide the funds for income over the course of 2027. All foreign exchange exposure is fully hedged to avoid the impact of any exchange rate volatility.

Let's realise ambitions and secure futures together.

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