

Passive LDI Funds

Low risk gilt or swap hedging solutions

BMO Global Asset Management is a leading provider of Liability Driven Investment (LDI) solutions in the UK marketplace with a reputation for innovation and client-focused solutions.

Our liability-profile based swap and gilt funds are part of a comprehensive range of funds designed to support all stages of a pension scheme's funding journey.

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Telephone calls may be recorded.

Passive Liability Driven Investment

Passive LDI aims to match pension scheme liabilities in a low risk and low cost manner. Other approaches, such as our dynamic or active LDI strategies, introduce alternative approaches that seek to outperform liabilities. BMO Global Asset Management's range of passive LDI funds ensure the core of a client's solution focuses on four key things:

- › Hedge accuracy
- › Efficient implementation
- › Flexibility
- › Low cost

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The interest rate and inflation risks faced by a pension scheme are significant. Passive LDI allows schemes to manage these risks in a straightforward, capital-efficient way.

Alex Soulsby, Head of Investment Solutions EMEA



Key risks

The value of investments can go down as well as up as a result of market movements and changes in interest rates and inflation expectations. Investors may get back less than the original amount invested.

Gearing is used for investment purposes to obtain, increase or reduce exposure to an asset, index or investment. The use of gearing can enhance returns to investors in a rising market, but if the market falls the losses may be greater.

Passive LDI funds

Our range consists of liability-matching profile funds and selected target maturity funds. The range recognises that pension schemes today face a variety of challenges. Some are poorly funded and require leverage to meet their objectives, while others may be maturing and preparing for buy-out or self-sufficiency.

Our range caters for all scenarios. Our passive swap and gilt funds are subdivided as follows:

- **Unleveraged profile gilt funds** – fully-funded gilts
- **Leveraged profile gilt funds** – partially-funded gilts
- **Leveraged profile swap funds** – swaps plus cash
- **Target maturity leveraged gilt funds** – partially-funded long-dated gilts
- **Target maturity leveraged swap funds** – inflation swaps plus cash

The profile funds aim to track a set of liability cashflows resembling those of a typical UK defined benefit (DB) pension scheme, providing an accurate solution from day one.

Our passive funds use low-risk hedging instruments (either gilts or swaps) to match interest rate and inflation risk for pension schemes. The gilt funds are available in leveraged or unleveraged versions, offering schemes flexibility of implementation.

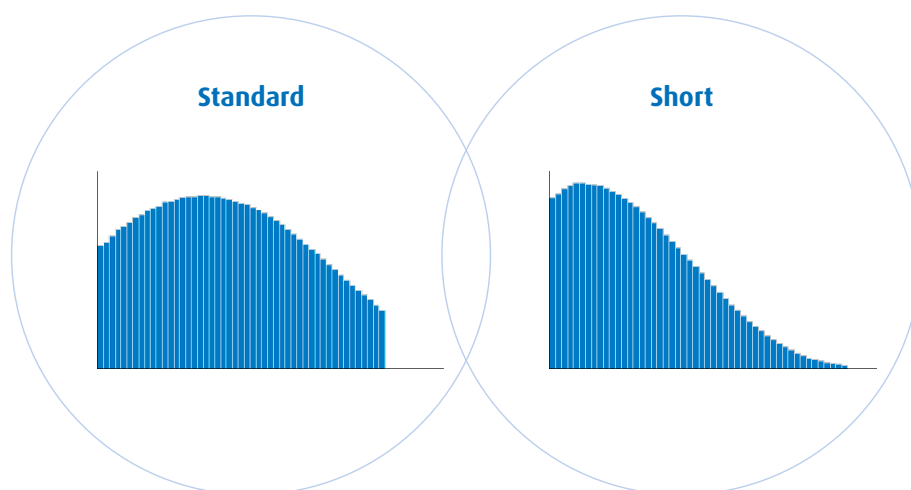
Our target maturity leveraged gilt funds are designed for schemes with longer than average liability durations. Our target maturity leveraged swap funds are for those clients needing inflation-only liability hedging, for example pension schemes that have significant existing allocations to corporate bonds.

Sound risk management practices are embedded in our investment process. Counterparty and leverage risks are managed via our tried-and-tested approach, in place for over a decade.

Liability profile fund range

Our innovative profile funds ensure an efficient, flexible and accurate solution for all investors. Crucially, liability profiles are consistent across the full range to facilitate cost-efficient transitions between funds. Our cashflow profiles are available in both standard and short-profile variations, allowing clients to blend between funds and achieve a hedging solution that fits their unique liabilities.

The flexibility inherent in the range means when a scheme's circumstances change, they can efficiently and cost-effectively transition to a solution that better matches their changed requirements.



Our unleveraged profile gilt funds

The funds hedge either fixed or inflation-linked liabilities, aimed at schemes with typical maturities ('standard profile') or those that are more mature ('short profile'). The funds are fully funded meaning if you invest £100 in the unleveraged funds you will generate liability hedging of £100 through the use of physical gilts.

Our leveraged profile gilt funds

The funds hedge either fixed or inflation-linked liabilities, targeting schemes with typical maturities ('standard profile') or those that are more mature ('short profile'). Leverage is generated through gilt repo, gilt total return swaps or gilt futures. The standard funds target three times leverage with the short-profile funds targeting four times leverage.

Our leveraged profile swap funds

The funds hedge either fixed or inflation-linked liabilities, aimed at schemes with typical maturities ('standard profile') or those that are more mature ('short profile'). Leverage is generated through interest rate and /or inflation swaps. The standard funds target three times leverage with the short-profile funds targeting four times leverage.

Our ultra-long leveraged gilt target maturity funds

The funds hedge either fixed liabilities (Ultra-Long Nominal Gilt fund) or inflation-linked liabilities (Ultra-Long Index-Linked Gilt fund). Leverage is generated through gilt repo or gilt total return swaps. The funds target three times leverage.

Our inflation only leveraged swap funds

The funds hedge inflation risk. Leverage is generated through inflation swaps. The funds are approximately three times leveraged. Typically these funds are used by schemes with a high allocation to credit, which leaves them short of inflation hedging.

Leaders in LDI

A market leader with a reputation for innovation, BMO Global Asset Management has a strong derivatives execution pedigree and is regarded by many clients as their derivative fund manager as well as LDI manager. We have a track record for delivering effective synthetic equity, foreign exchange and options-based solutions as well as offering the full range of traditional LDI solutions.

Forefront of the market since
2003

£138bn
of pension scheme liabilities under management

More than
580+
clients

Leaders in investment solutions

BMO Global Asset Management has been at the forefront of the LDI market since 2003. We are renowned within the industry for our innovation and have been first to market with a wide range of pooled fund solutions, in turn allowing schemes of all sizes to have access to strategies that have historically been the preserve of larger segregated schemes.

Our innovation, client service and keen focus on risk management has led to us receiving a number of industry awards. This successful framework means that we now manage solutions for over 580 clients and have implemented over £624bn in notional derivatives overlay transactions (as at 31 December 2020).

Team and resources

Led by Alex Soulsby, the Investment Solutions team includes 28 investment professionals dedicated to LDI mandates. The team includes derivatives fund managers, quantitative analysts and investment specialists who are experts in derivatives, insurance, pensions, quantitative methods and fund management, with an average of 14 years in the industry. The team is well supported in its activities by the global rates, credit and dealing teams, as well as a deep pool of middle office and client servicing functions. The seamless delivery of investment solutions to our clients is underpinned by a first-class technology and systems infrastructure.

BMO  **Global Asset Management**

Part of



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The Funds are sub funds of BMO LDI Fund, a fonds commun de placement, registered in Luxembourg and authorised by the Commission de Surveillance du Secteur Financier (CSSF).

English language copies of the Fund's Prospectus can be obtained from BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: client.service@bmogam.com or electronically at www.bmogam.com. Please read the Prospectus before taking any investment decision.

The information provided in the marketing material does not constitute, and should not be construed as, investment advice or a recommendation to buy, sell or otherwise transact in the Funds.

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LDI Manager of the Year 2021 and 2020



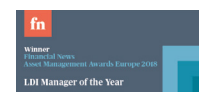
LDI Provider of the Year 2019, 2017, 2016, 2015, 2014, 2013 and 2012



Asset Manager of the Year 2019



LDI Manager of the Year 2019 and 2018



Risk Management Provider of the Year 2020, 2018, 2017 and 2015



UK LDI Manager of the Year 2018 and 2017



UK LDI Manager of the Year 2016



LDI Manager of the Year 2013, 2012 and 2011



Past performance should not be seen as an indication of future performance.