

Tailored Liability Driven Investment

Investment solutions customised to individual pension schemes

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

Our tailored LDI strategies are designed to be unique to a single pension scheme. The investment portfolio is custom-made to meet specific client requirements and can be adapted quickly to your changing needs or to new market conditions.

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Telephone calls may be recorded.

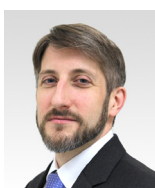
Key risks

The value of investments can go down as well as up as a result of market movements and investors may get back less than the original amount invested. Changes in interest rates and inflation expectations could also have an effect on the value of your investment.

BMO Global Asset Management has been running tailored LDI solutions for our clients for over fifteen years. These LDI strategies aim to make use of the full range of hedging assets available to a defined benefit pension scheme to construct a unique liability risk management solution. This can be combined with a tailored credit portfolio or a number of bespoke derivative strategies, such as synthetic growth assets or downside protection, to provide an investment portfolio aligned to each client's unique objectives.

- > A flexible solution tailored to your unique investment objectives
- > Delivered via a segregated mandate or a flexible fund wrapper
- > Value added through expert derivatives execution and optimal portfolio construction
- > Long-term collaborative approach
- > Highly experienced and dedicated LDI investment team

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A tailored LDI solution is extremely flexible. It allows us to build a bespoke de-risking strategy in combination with innovative derivative and growth asset solutions, supporting our clients in achieving their long-term goals.

Alex Soulsby, Head of Investment Solutions EMEA

Key features

Our core philosophy is that an LDI strategy is, first and foremost, a hedge for liability risks. Our focus is on managing the liability risks faced by a pension scheme with a high awareness of costs, market conditions and scheme-specific factors. An LDI portfolio aims to match the sensitivities exhibited by the liabilities and hence reduce the volatility in the scheme's funding ratio over time.

- **Flexibility** – Your LDI needs are specific to you, so any mandate we deliver will be tailored to them. We will devise a strategy taking your needs into account and incorporating what we believe are the most efficient instruments executed in a timely and cost-effective manner.
- **Best execution** – Our LDI team is made up of derivatives experts and, when combined with the scale of our diverse client base, we are able to achieve highly competitive pricing for our clients from investment banking-counterparties.
- **Excellent access** – Our clients and their advisers get direct access to our LDI team. Our close proximity to the market and swift communication to our clients enables better-informed and quicker decision making.
- **Fair fees** – We believe an LDI mandate must evolve to take advantage of market trends, and we view this as a basic requirement to any mandate. The fees we charge are competitive and transparent, and we will not charge additional fees for services directly related to the hedging mandate.
- **Transparency** – We regard excellent client service as being a critical part of any LDI mandate. From our comprehensive range of LDI guides to direct face-to-face access to the investment team, we support trustee decision making. Through our extensive and understandable implementation and client reporting packs, we seek to ensure complete transparency, as we believe only then can we support trustees in meeting their governance requirements and also demonstrate the effectiveness of our approach.

Instruments typically used in LDI strategies

A typical LDI portfolio will hold a range of physical and derivative instruments, each designed to hedge a specific risk faced by a defined benefit pension scheme.

These risks are usually:

- Interest rate ➤ Inflation ➤ Equity downside ➤ Credit downside ➤ Currency

We believe these risks can be controlled and reduced via investments in a range of hedging instruments. Efficient portfolio management looks at ways in which these instruments can be combined to provide the best outcome for the scheme.

The table below provides a summary of the instruments that could be used to hedge these risks:

Asset or derivative instrument used to hedge specific risk	Interest rate risk	Inflation risk	Equity risk	Credit risk	Currency risk
Government bonds	✓	✓			
Corporate bonds	✓	✓			
Interest rate swaps	✓				
Inflation swaps		✓			
Gilt Total Return Swaps/Repos	✓	✓			
Swaptions	✓				
Replacement of equities with government bonds and equity derivatives (using equity futures and Total Return Swaps)	✓	✓			
Equity options			✓		
Credit Default Swaps				✓	
Forward FX					✓

The portfolio can also be combined with other derivative based strategies which could, for example, synthetically replicate growth asset returns or capture a specific liability characteristic such as CPI inflation or an inflation cap.

Implementation

Many schemes pursue a phased implementation of their LDI strategy. This can take many forms and is commonly a function of time, interest rates, inflation rates and/or funding status.

We have a wealth of experience in managing and executing the following implementation strategy types:

- Single tranche
- Multiple tranche
- Delegated approach
- Trigger-based approach (market-level or funding level)

Through any implementation, our specialist team of derivative lawyers can put in place relevant legal documentation including: The Investment Management Agreement (IMA), International Swaps and Derivatives Association Master Agreements (ISDAs), Global Master Repo Agreements (GMRAs) and central clearing documentation.

- Tailored and flexible investment solutions to meet specific objectives
- A range of instruments and implementation strategies at the schemes' disposal
- Umbrella legal documentation available for counterparty banks and clearing houses/members
- A range of LDI services, which provide an end-to-end solution for schemes
- A leading LDI provider: key strengths in our expertise, cost efficiency and client servicing

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.

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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.