

BMO MM Lifestyle funds

Suitability report paragraphs are an important part of offering investors the most appropriate investment advice. They are an area we can help you with. This document aims to help you with ideas you can include in these letters when recommending the Lifestyle Funds.

Please note that it is your responsibility and not that of BMO Global Asset Management to ensure that your letter is compliant with the rules of the regulatory authorities. You should have a particular regard to the suitability of the investment for your client and that they are aware of the risks involved.

An array of choice

In the UK market there are over 5,000 investment funds to choose from, making individual fund selection very difficult even for the experts. To make the right decision you need a high degree of expertise as well as a tried and tested system for narrowing down your fund selection.

As advisers we believe our investment process clearly assesses your level of risk and matches this to an investment solution that best fits your personal profile.

Why risk profiling is important

Accurate risk profiling is essential to providing quality investment advice. The consequences of not doing it or getting it wrong can be severe for both investor and adviser. In the UK, there are many examples of individuals being mis-sold products which did not fit their risk profile. The benefits of getting it right however are also significant; from your perspective there is the opportunity to avoid unwanted investment experiences which are either too risky, or indeed too conservative (which is the case for many UK consumers).

The Lifestyle investment process

To ensure we have a robust investment process we have developed business partnerships with firms who specialise in risk profiling and investments.

Our risk modelling is provided by Distribution Technology (DT), a market leader in this field. DT has developed a methodology that focuses on how an individual feels about risk to their savings and investments through a series of questions. Once completed a risk characteristic is clearly identified. When doing your assessment your risk profile was deemed to be **[insert profile and description]**.

The risk characteristic is automatically matched to a recommended investment portfolio which is managed by one of our investment specialists, the multi-manager team at BMO Global Asset Management. The team not only select the funds for your portfolio but also consistently monitor them to ensure they are performing as intended.

Your risk profile matches the **[insert fund name]**. This portfolio is managed by the multi-manager team at BMO Global Asset Management and is made up of typically 25 to 40 funds from across the market including big names such as Schroders, Artemis and Invesco Perpetual as well as small niche investment firms.

Benefits of a fund of funds structure

The underlying funds are held within a fund of funds structure as a way of maximising tax efficiency and reducing cost. The managers can sell underlying funds without having to pay capital gains tax (CGT) - a CGT liability will only arise for investors when they sell their holding and they will only need to pay CGT on the amount by which any gains exceed their annual CGT allowance. Multi-managers are often able to access funds at a lower cost than if you invested in the underlying funds directly, either as a result of their increased buying power, or because they can access cheaper institutional share classes.

Importance of rebalancing

Fund selection and monitoring are critical but so is ensuring your investment is still in line with your risk characteristics. On a quarterly basis DT review the markets and adjust the risk parameters and the asset allocation of their model portfolios to ensure they continue to match their identified risk characteristic. If the asset allocation is changed the investment experts at BMO Global Asset Management will adjust the neutral weightings of the Lifestyle portfolios accordingly.

Benefits of active management

The Lifestyle Funds predominantly invest in actively managed funds. Active fund managers can add value by selecting or avoiding companies that passive funds cannot, as passive funds are tied to tracking a stock market index. Active managers also have the flexibility to tilt their portfolios to focus on different sectors in light of prevailing market conditions. However, if the management team believe value cannot be added from active funds in certain areas, they will invest in lower cost passive funds. It is likely that no more than 35% of the Lifestyle Funds may be invested in passive funds at any one time.

The BMO Multi-Manager Lifestyle funds

The five Lifestyle funds provide investment solutions for risk profiles 3 through to 7. The indicative asset allocations determined by Distribution Technology for the risk profiles associated with each of the BMO MM Lifestyle funds at 31 December 2017 is below:

Risk profile 3 – BMO MM Lifestyle 3 (%)

UK Equity	Euro Equity	US Equity	Japan Equity	Pacific ex Japan	Emerging markets	Property	UK Gilts	UK Index linked Bonds	UK Corp Bonds	Intl Bonds	Global High Yield	Hedge Funds	Cash
14	2	6	2	0	0	8	14	9	21	9	0	0	15

Risk profile 4 – BMO MM Lifestyle 4 (%)

UK Equity	Euro Equity	US Equity	Japan Equity	Pacific ex Japan	Emerging markets	Property	UK Gilts	UK Index linked Bonds	UK Corp Bonds	Intl Bonds	Global High Yield	Hedge Funds	Cash
19	4	10	4	4	0	8	8	5	22	3	3	0	10

Risk profile 5 – BMO MM Lifestyle 5 (%)

UK Equity	Euro Equity	US Equity	Japan Equity	Pacific ex Japan	Emerging markets	Property	UK Gilts	UK Index linked Bonds	UK Corp Bonds	Intl Bonds	Global High Yield	Hedge Funds	Cash
26	4	12	6	5	5	7	5	0	21	0	4	0	5

Risk profile 6 – BMO MM Lifestyle 6 (%)

UK Equity	Euro Equity	US Equity	Japan Equity	Pacific ex Japan	Emerging markets	Property	UK Gilts	UK Index linked Bonds	UK Corp Bonds	Intl Bonds	Global High Yield	Hedge Funds	Cash
31	5	12	7	8	8	5	0	0	16	0	5	0	4

Risk profile 7 – BMO MM Lifestyle 7 (%)

UK Equity	Euro Equity	US Equity	Japan Equity	Pacific ex Japan	Emerging markets	Property	UK Gilts	UK Index linked Bonds	UK Corp Bonds	Intl Bonds	Global High Yield	Hedge Funds	Cash
35	5	10	8	13	14	5	0	0	5	0	5	0	0

Ongoing charges

The annual management charge for the Lifestyle Fund B shares is 0.5% which, together with other costs, means that the ongoing annual charges range between 1.12-1.15% depending on the Fund.

The annual management charge for the Lifestyle Fund D shares is 0.75% which, together with other costs, means that the ongoing annual charges range between 1.40-1.53% depending on the Fund.

Investment expertise

The management of the funds is outsourced to the multi-manager team, part of BMO Global Asset Management, a global investment manager with over 20 offices worldwide. BMO Global Asset Management has £192bn in assets under management (as at 31.12.17). The multi-manager team has won numerous industry awards and accolades over many years.

Why invest in the BMO MM Lifestyle 3 Fund?

Exposure to diverse asset classes

The Fund offers exposure to a range of asset classes including equities, corporate bonds and commercial property. By diversifying in terms of both capital growth and income generation, investors can expect returns to be less vulnerable to the fluctuations of any one particular asset class.

Experienced fund management team

The BMO Global Asset Management multi-manager team is one of the most successful multi-manager teams in the industry. The team is co-headed by Rob Burdett and Gary Potter, who are recognised leaders in the UK multi-manager market. Rob and Gary were among the multi-manager pioneers in the early 1990s and have worked together for more than 20 years, successfully building up three businesses each with over £1billion in assets under management. Now 9-strong, their stability as a team is a major strength.

Identifying your risk profile

Through using Distribution Technology's Dynamic Planner we have been able to identify your attitude to risk and match it to an investment portfolio that is actively rebalanced to ensure it is in line with your risk profile and financial objectives.

An asset allocation that optimises risk

Independent expert Distribution Technology is used to determine the neutral asset allocation for the Fund. The combination of this with the investment approach of the management team is specifically designed to produce an investment approach that closely mirrors your attitude to risk.

Daily portfolio management

The BMO Multi-Manager Lifestyle funds provide access to some of the best funds in the market and are managed on a day-to-day basis by investment experts who keep a consistent watch on the market, identifying new opportunities and reviewing existing holdings.

Majoring on consistency

The investment process aims to deliver consistency – consistency of performance and consistency in the manner returns are achieved. Crucial to this objective is to blend together a range of different funds from different investment management companies through a disciplined portfolio construction philosophy. Such a philosophy is predicated on the basis that few fund managers deliver the consistency the team seeks on a permanent basis and that past performance is little guide to the future in isolation. Whilst they do spend time analysing past performance numbers, more specific effort is allocated to understanding what performance has been achieved and in what circumstances the fund manager delivered that performance. A 16 factor qualitative scoring process for funds underpins a rigorous selection process using a range of software tools to analyse and interpret investment performance. Sector reviews are conducted on a six monthly basis and they monitor both the funds they are investing in and those they are prospecting from a research perspective on the same basis. Such a system, combined with the qualitative fund scoring system allows the team to continually make sure they strip emotion from decision making and invest in the funds that when combined together deliver the long-term consistency investors deserve. Stringent portfolio construction and monitoring controls are then applied, ensuring the portfolio remains aligned with investor needs.

Process

The fund aims to provide consistent returns over the long-term by generating small amounts of outperformance on a regular and frequent basis.

Investment protection - **Applicable for Lifestyle 'D' Shares only**

Investment protection safeguards the value of your investment against capital loss of up to £150,000 on death and is available on investments you make when you are aged 79 or under. If you die and the value of your investment on your date of death is less than the amount you originally invested (less the proportion of any shares sold), the difference will be paid out to your estate, subject to a £150,000 maximum. Investment Protection is provided via a group life assurance policy which BMO Global Asset Management renegotiate every two years. It is their intention to maintain this protection but in the unlikely event that the terms of the policy change, they reserve the right to withdraw the cover.

Why invest in the BMO MM Lifestyle 4 Fund?

Exposure to diverse asset classes

The Fund offers exposure to a range of asset classes including equities, corporate bonds and commercial property. By diversifying in terms of both capital growth and income generation, investors can expect returns to be less vulnerable to the fluctuations of any one particular asset class.

Experienced fund management team

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Why invest in the BMO MM Lifestyle 5 Fund?

A cautious approach

The Fund seeks to offer investors peace of mind by diversifying across equities both in the UK and overseas, corporate bonds and commercial property. It seeks to harness the capital growth potential of equities with the stability and strong income streams offered by bonds and property. This approach offers diversity both in terms of assets held and sources of income for the Fund.

Experienced fund management team

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Why invest in the BMO MM Lifestyle 6 Fund?

A highly diversified offering

The Fund blends equities (both UK and international), bonds and a modest amount of commercial property exposure. Exposure to each asset class is highly diversified offering the potential for a combination of capital growth and income.

Experienced fund management team

The BMO Global Asset Management multi-manager team is one of the most successful multi-manager teams in the industry. The team is co-headed by Rob Burdett and Gary Potter, who are recognised leaders in the UK multi-manager market. Rob and Gary were among the multi-manager pioneers in the early 1990s and have worked together for more than 20 years, successfully building up three businesses each with over £1 billion in assets under management. Now 9-strong, their stability as a team is a major strength.

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Why invest in the BMO MM Lifestyle 7 Fund?

Diverse exposure to shares

The Fund primarily offers exposure to equities at home and abroad, with modest exposure to corporate bonds and commercial property. Diversifying in this manner reduces vulnerability to underperformance in any one market and ensures investors are potential beneficiaries of often overlooked opportunities abroad or performance differentials between companies of different sizes.

Experienced fund management team

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