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INTRODUCTION

Fixed Maturity Portfolios

Access

Fixed Maturity Portfolios are an attractive and unique way for investors to access fixed income markets

Diversification

Fixed Maturity Portfolios offer a diversified portfolio of bonds while maintaining the typical characteristics of an individual bond

Maturity

Fixed Maturity Portfolios are a buy, hold and maintain solution set to mature at a specific predetermined date

As clients continue to look for alternative ways to build income generating, diversified and efficient bond portfolios, Fixed Maturity Portfolios (FMPs), also known as term or defined maturity trusts, have become an increasingly popular means for investors to access fixed income markets.

Fixed Maturity Portfolios help investors build a diversified portfolio of bonds while maintaining the typical characteristics of an individual bond – including periodic coupons and return of principal upon maturity.

Individual bond investors are open to significant risks given the concentration of their portfolio, including default and downgrade risk. Given these considerations, investors could potentially benefit from these types of portfolios, which seek to complement existing bond exposures as well as help mitigate volatility with professional management and diversification.

Similar to individual bonds, FMPs have a known maturity date, aim to generate income along the way and target return of principal (+- market fluctuations/credit events) at a specified maturity date while like traditional bond mutual funds aim to provide greater diversification potential and reduced transaction costs vs. individual bonds.

A broad universe of Fixed Income exposures

As FMPs have evolved over time, current offerings target different areas of the bond market, including corporate, government, high-yield, and municipal securities. It is important to understand that these products are fixed income investments and should not be confused with asset allocation strategies such as target-maturity, target-date or target-risk funds.

Key Structural Attributes

- **Term dated strategy**: Buy, hold and maintain solution set to mature at a specific predetermined date
- **Diversified:** Designed to be a complement or alternative to solely holding individual bonds
- **Income/credit-oriented:** Aims to offer attractive yields, active credit monitoring and lower volatility
- **Limited offering period:** Only open for subscriptions during the asset gathering period

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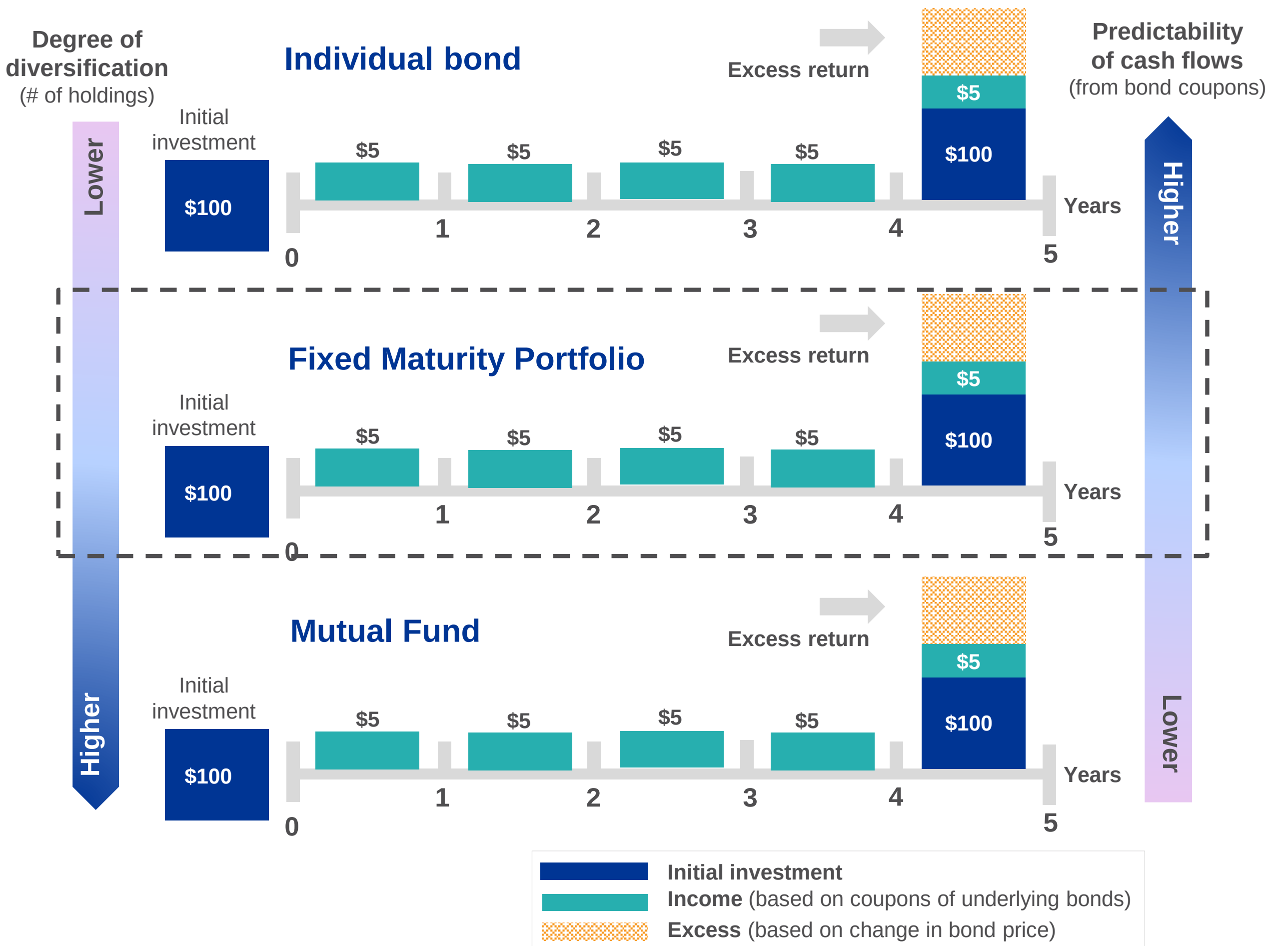
Portfolio framework

Even though FMPs share some similarities with both individual bonds and traditional bond mutual funds, there are differences in their mechanics and behavior due to their hybrid structure.

1 Initial offering period	▪ Asset gathering period, investor subscriptions ▪ Investor subscriptions to remain in cash for this period
2 Investment period	▪ Assets stabilization, no new capital allowed ▪ Portfolio ramp, and initial bond purchases executed ▪ Maintenance of bond positions; Investors receive regular coupon payments (i.e. interest) on underlying bond exposures
3 Post-investment period	▪ Assets gradually decrease ▪ Gradual disposition of portfolio assets ▪ Return of principal to investors reflecting any market impact

Illustrative Investor Experience

Similar to owning an individual bond or a mutual fund, a fixed maturity portfolio may provide stability in income with a reasonable degree of predictability over its life.



This is an illustrative example only and is not meant to predict performance of any fund. Only certain share classes will distribute Income. All others will be accumulating shares and not distribute Income.

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The role of Fixed Maturity Portfolios (FMPs)

- **Seek to diversify and complement existing individual bond holdings:** FMPs help investors build a diversified portfolio of bonds while maintaining the typical characteristics of an individual bond including periodic coupons and anticipated return of principal upon maturity. Given their unique structure, FMPs can serve as a transition tool for many individual bond investors to thoughtfully move towards managed bond funds. Additionally by providing an alternative way to manage duration and maturity exposures, investors are able to complement already existing exposures in individual bonds and bond mutual funds with FMPs as well.
- **Construct a bond ladder in an alternative way:** Some investors build strategic fixed income allocations using series of individual bonds across different maturities and then reinvest maturing proceeds into additional bonds. Investors may believe that directly managing bond portfolios using strategies like bond ladders offers more control than using traditional bond mutual funds; however, a downside of this approach is that diversification is often difficult to achieve. Such an approach could potentially be enhanced through the use of FMPs with broader pools of capital to diversify across multiple bonds in credit-sensitive areas of the fixed income market.
- **Pre-fund future liabilities:** When individual bonds and FMPs mature, they provide cash flow at a known point in time. Traditional bond funds do not have a fixed maturity date, so the value of the fund at a future point is even more uncertain. When an investor has a predetermined future spending need, and in particular if it is near-term, an individual bond with a maturity date that matches this liability may be preferable to a traditional bond fund. Alternatively, investors may pre-fund these known obligations using FMPs. There is some degree of variability in the amount that a FMP returns at maturity; however, in these cases, FMPs may provide better cost-effective access to a more diversified corporate, high-yield, or municipal bond portfolio than an investor could build on his or her own.

Conclusion

The role of FMPs will depend on an investor's objectives and preferences. FMPs help investors to build a diversified portfolio of bonds while maintaining the typical characteristics of both an individual bond and bond mutual funds. We believe this unique hybrid structure helps investors with efficient portfolio management and diversification for a portion of a client's fixed income portfolio.

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