



# Buy and Maintain Credit

Aiming to generate cashflow,  
preserve capital and harness the  
long-term credit risk premium



## Buy and maintain credit

Buy and maintain portfolios seek to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade bonds, while preserving value over the course of the credit cycle. This is achieved by seeking to avoid defaults and securities that are experiencing a significant deterioration in credit quality.

# Benefits of LGIM buy and maintain credit

## 01

### Globally diversified and a proven track record

Our buy and maintain credit strategies are globally diversified by sector, issuer and region, with a long-term investment horizon which aims to preserve and grow capital through avoiding defaults and enhancing credit spread over time.

## 02

### Integrated hedging and cashflow matching

Buy and maintain credit provides interest rate exposure, contributing to a pension scheme's overall hedging strategy while offering a yield pick-up versus gilts. LGIM can fully integrate buy and maintain credit into pension schemes' liability-driven investment strategies to optimise efficient portfolio management and capital use. Buy and maintain credit places emphasis on bonds with more predictable cashflows that can be used to help meet a pension scheme's cashflow requirements, which can act as the foundation for a cashflow-driven investment strategy.

## 03

### Preparation for endgame

Buy and maintain credit—an insurer-friendly asset—is aimed at providing expected returns above government bonds, which can help increase a pension scheme's funding level while aligning the scheme's asset allocation to an insurer, potentially making buyout more affordable with greater efficiency. For schemes targeting self-sufficiency, we believe buy and maintain credit can form an important part of this.

## 04

### ESG capabilities

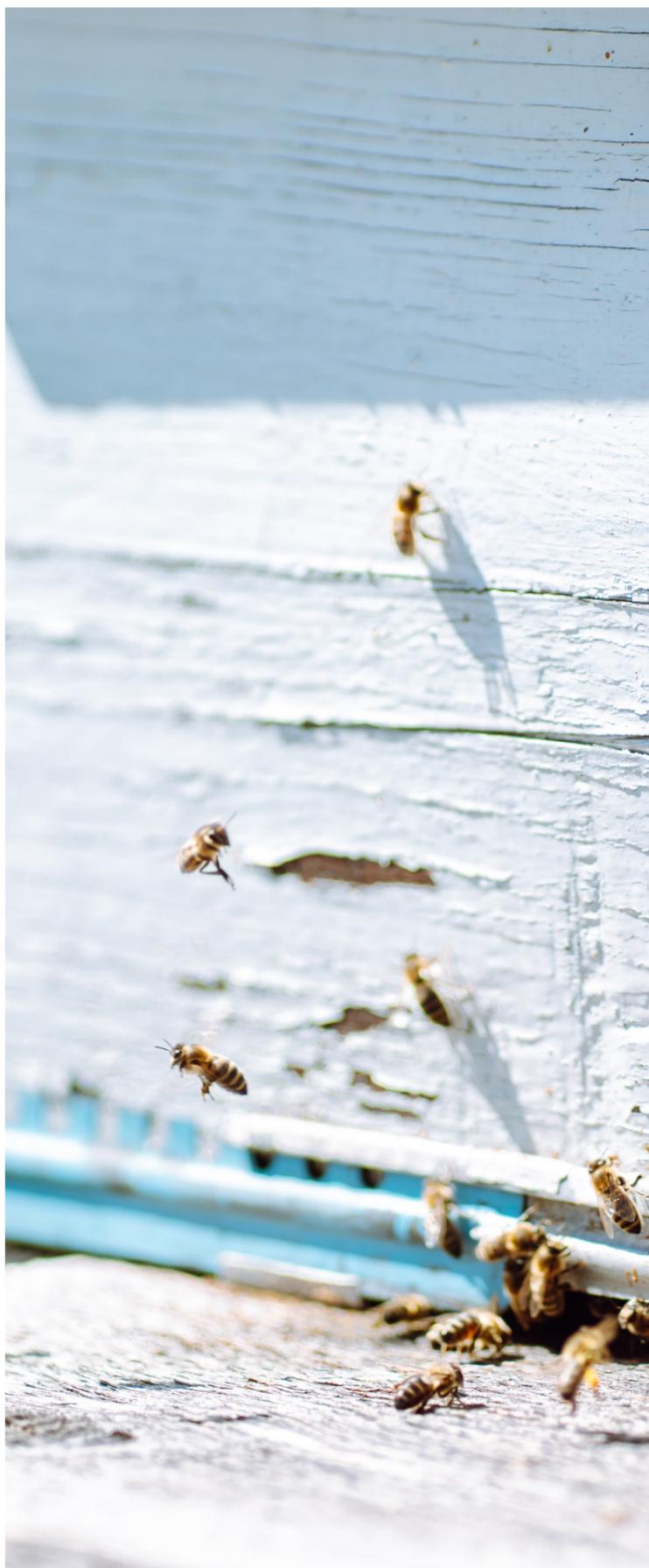
ESG is integrated within all our buy and maintain credit portfolios, where material ESG factors are identified using a dual top-down and bottom-up approach. For schemes that want to take ESG integration a step further, we are able to offer strategies with explicit Net Zero and UN SDG (UN Sustainable Development Goals) alignment targets, using our forward looking, proprietary in-house models. We believe our approach can help uncover investment opportunities, and help to guard our clients from future risks and lead to better investment outcomes.

**Key risk - The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.**

# Our approach to buy and maintain

The principle behind our approach to buy and maintain is to structure a credit portfolio of investment grade securities that can be held through to maturity. Our investment process has two distinct parts: 'buy', which determines initial portfolio construction; and 'maintain', which covers portfolio monitoring, decisions about when to hold and sell securities and how to replace the value of bonds that have been sold.

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## We focus on the following areas:

### Core features



#### 1. Globally diversified

- Seeks to reduce concentration risk
- Take advantage of relative value across regions



#### 2. Macro thematic research

- Utilise the work of in-house economists
- Establish long-term themes
- Cross team debate



#### 3. Fundamental credit analysis

- Average 16\* years' industry experience
- RAG rating long-term fundamental assessment
- Analyst / portfolio manager interaction ensures best ideas implemented



#### Value Preservation

- Capital preservation key
- Long-term perspective including ESG
- Enhances credit spread premium

### Additional features available



Climate-aligned



Cashflow-aware

### Buy process

- Driven by long-term thematic views
- ESG fundamental to long-term credit selection
- Aiming to reflect best bottom-up ideas
- Filter out issuers of concern

### Maintain process

- Trade to preserve value based on changes in fundamental views
- Focus on efficiency
- Avoid defaults

Source: LGIM as at 31 December



**“This is not a matter of putting principle before profit. It is putting responsibility before reticence, sustainability before silence.”**

**Michelle Scrimgeour,**  
CEO, Legal & General Investment Management

# ESG factors and sustainability

## Standard approach

Applies to all Buy and Maintain Funds



### ESG integration

ESG factors are integrated into our credit research and issuer selection process. We seek to understand how individual companies are managing ESG risks and opportunities. We evaluate these factors alongside all other components of fundamental investment analysis.



### Active engagement

Our Investment Stewardship and Investments teams engage globally with companies, industry peers and policymakers to tackle systemic issues to address company-specific and market-wide risks and opportunities. Read more about our approach in LGIM's [latest Active ownership report](#).



### Climate leadership

LGIM is restlessly innovative in tackling the climate crisis, from modelling the energy transition via our Destination@Risk tool, to conducting targeted engagements, such as our [Climate Impact Pledge](#).

Whilst LGIM has integrated Environmental, Social, and Governance (ESG) considerations into its investment decision-making and stewardship practices, this does not guarantee the achievement of responsible investing goals within funds that do not include specific ESG goals within their objectives.

## For schemes that want to take ESG integration one step further...

We offer **climate- and SDG-aligned** strategies in addition to the standard approach via the Future World Net Zero Buy and Maintain Fund.



### Climate alignment

Target net zero by 2050 with a 'pathway to net-zero' clearly established by 2030 through targeting a temperature alignment for the portfolio of 1.5C by that date. Leverage our proprietary LGIM Destination@Risk model, which analyses scenarios for how the energy system may evolve over the next 30 years – and their investment implications.



### UN SDG alignment

Exclude negatively-aligned companies, tilt towards positively-aligned companies and seek to improve those on the borderline as part of our wider engagement efforts.

\* Source: LGIM internal data as at 31 December 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.

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## Why LGIM?

We are Legal & General Investment Management (LGIM), the asset management business of Legal & General Group. Our purpose is to create a better future through responsible investing. We strive to achieve this through a strong sense of partnership with our clients, working together to achieve positive long-term outcomes.

We draw on industry-leading expertise to innovate constantly across public and private assets, index and active strategies. And we are a responsible investor, rising to the challenges of a rapidly changing world. On behalf of savers, retirees and institutions worldwide, we manage £1.159 trillion in assets.\*

# Buy and maintain capabilities

	Global Buy and Maintain Fund	Maturing Buy and Maintain Credit Funds	Future World Net Zero Buy and Maintain Fund	Future World Net Zero Maturing Buy and Maintain Funds
<b>Inception date</b>	May 2014	July 2019	June 2018	April 2023
<b>Vehicle</b>	SICAV, PMC, Seg	QIAIF, PMC, Seg	QIAIF, PMC, Seg	QIAIF, PMC, Seg
<b>Evergreen*</b>	✓		✓	
<b>Run off**</b>		✓		✓
<b>ESG integration</b>	✓	✓	✓	✓
<b>Climate alignment</b>			✓	✓
<b>UN SDG alignment</b>			✓	✓

\* Coupon and principle repayment are reinvested.

\*\* Coupon and principle repayment are not reinvested but are distributed back to investors.

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# Our experience



Over  
30 years

Experience of managing B&M credit



Over  
£29 billion\*

Managed in B&M credit



£378.1 billion\*\*

AUM in strategies explicitly linked to ESG criteria

\*LGIM, as at 31 December 2023.

\*\*LGIM, as at 31 December 2023. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement.



Awards should not be considered a recommendation. Past performance is not a guide to the future.



## Fund risks

### Global Buy and Maintain Fund, Maturing Buy and Maintain Credit Funds

Past performance is no guarantee of future results.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

The return from your investment is not guaranteed and therefore you may receive a lower or higher return than you anticipated. There will be a variation in performance between funds with similar objectives due to the different assets selected.

PMC's charges and associated transaction costs are subject to change, with notice for the former and without notice for the latter. Charges and transactions costs deducted from the policy reduce your potential for capital growth in the future.

Tax rules and the treatment of income and capital gains could change in the future and may be applied retrospectively.

Inflation reduces the purchasing power of money over time as the cost of purchasing goods and services increases. If the rate of inflation exceeds the rate of return on your portfolio, it will erode the value of your portfolio and its investments in real terms.

In extreme market conditions it may be difficult to realise assets held for a fund and it may not be possible to redeem units at short notice. We may have to delay acting on your instructions to sell or the price at which you cancel the units may be lower than you anticipated.

The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.

PMC seeks to mitigate counterparty risk wherever possible on behalf of its policyholders through a variety of measures which include: each fund's noncash assets being held with independent custodians, sweeping cash (where appropriate) overnight into the LGIM's range of Liquidity funds (above a deminimus level), using the delivery versus payment system when settling transactions and the use of central clearing for exchange traded derivatives and forward foreign exchange transactions. However, in the event of the failure of a counterparty, custodian or issuer there is a residual risk that a fund may suffer asset losses which are unrecoverable

### Future World Buy and Maintain Credit Funds

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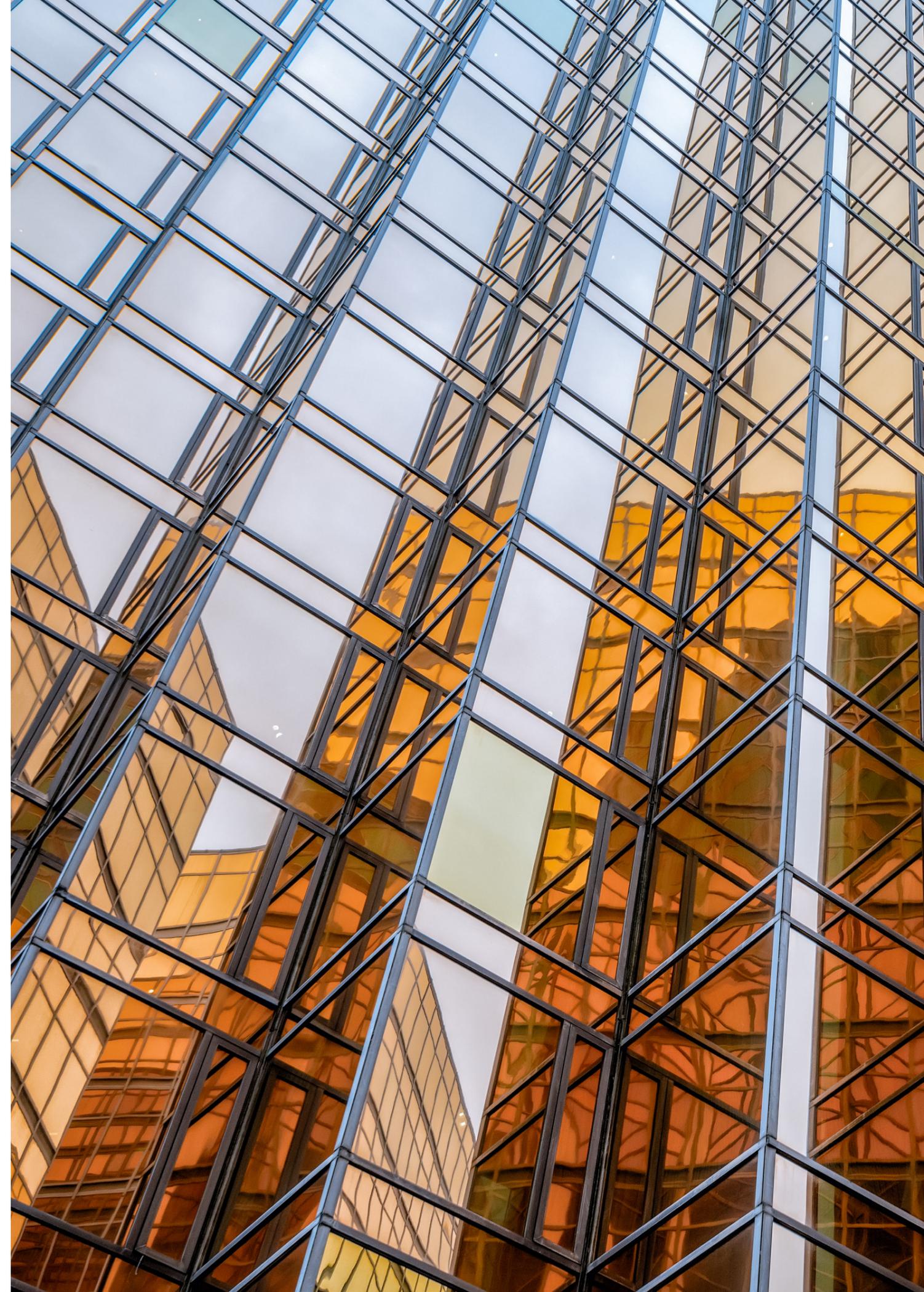
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The FW ESG Funds have a sustainability and/or ESG focus in its investment process which may i) limit the Fund's exposure to or exclude certain companies, industries or sectors ii) impact the Fund's investment performance compared to other funds that do not apply such criteria and, iii) differ from an investor's own sustainability and/or ESG criteria.



## Contact us

For further information about LGIM, please visit [LGIM.com](https://www.lgim.com), email [SolutionsDistribution@lgim.com](mailto:SolutionsDistribution@lgim.com) or contact your usual LGIM representative



### Key risks

The value of investments and the income from them can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance.

### Important information

The information in this document is for professional investors and their advisers only. This document is for information purposes only and we are not soliciting any action based on it. The information in this document is not an offer or recommendation to buy or sell securities or pursue a particular investment strategy and it does not constitute investment, legal or tax advice. Any investment decisions taken by you should be based on your own analysis and judgment (and/or that of your professional advisors) and not in reliance on us or the Information.

This document does not explain all of the risks involved in investing in the fund. No decision to invest in the fund should be made without first reviewing the prospectus, key investor information document and latest report and accounts for the fund, which can be obtained from <https://fundcentres.lgim.com/>.

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