

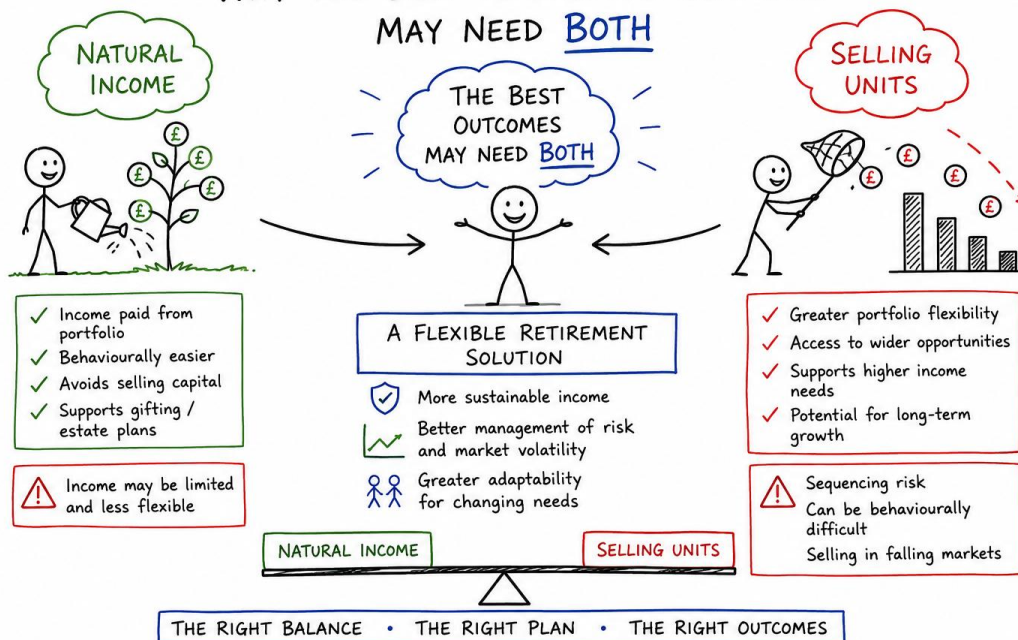


Sarasin Decumulation Strategy Review – May 2026

This review is based on information supplied by Sarasin & Partners, including direct discussions with the team, technical papers, modelling outputs, portfolio factsheets, rebalancing reports, and supporting due diligence documentation.

NATURAL INCOME vs SELLING UNITS:

WHY THE BEST RETIREMENT SOLUTIONS MAY NEED **BOTH**



Executive Summary

Retirement remains one of the most complex and least standardised areas of financial planning.

While accumulation portfolios have become increasingly commoditised, decumulation requires a fundamentally different mindset, one that balances:

- Sustainable income
- Behavioural resilience
- Sequencing risk
- Inflation protection
- Longevity planning
- Ongoing adviser oversight

Sarasin & Partners has developed a dedicated retirement proposition for advisers supporting clients transitioning from accumulation to income.

Rather than simply repurposing an existing balanced model portfolio, Sarasin has built two distinct retirement solutions:

A closer look at two income strategies

Natural Income and Structured Decumulation

The diagram consists of two circular icons separated by a vertical line. The left icon is a light blue ring containing the text 'Natural Income Strategy'. The right icon is a dark blue ring containing the text 'Structured Decumulation Strategy'.

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1. Natural Income Strategy

Designed for clients seeking portfolio-generated income while preserving capital where possible.

2. Structured Decumulation Strategy

Designed for clients requiring higher, more flexible withdrawals using a blend of natural income, capital withdrawals and adviser-controlled cash reserves.

What differentiates this proposition is not simply the portfolio construction.

It is the combination of:

- Investment design
- Behavioural understanding
- Adviser flexibility
- Historical simulation modelling
- Consumer Duty alignment

Investment Philosophy

Sarasin's retirement proposition is built on a simple but often overlooked truth:

Retirement is not accumulation with withdrawals added on.

The firm believes decumulation creates a distinct investment challenge requiring portfolios specifically designed around:

Principal investment solutions when entering decumulation
Helping clients navigate the many risks associated with taking income

 Drawdowns Planning and phasing reduce risks of untimely strategy changes	 Volatility drag Build efficient portfolios which minimise volatility for a given level of return	 Sequencing Hold sufficient defensive/liquid assets so you are not a forced seller
 Liquidity Ensure there is always enough cash to pay income requirements	 Inflation Sufficient long-term real assets that can keep pace with, and exceed, inflation over time	 Longevity Try to draw from your assets sustainably if possible

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Six key retirement risks:

1. Sequencing risk

Poor market returns early in retirement can permanently impair portfolio sustainability.

2. Drawdown risk

Clients withdrawing income during falling markets may crystallise losses.

3. Longevity risk

Clients may outlive their assets.

4. Inflation risk

Purchasing power erosion becomes increasingly significant over multi-decade retirements.

5. Liquidity risk

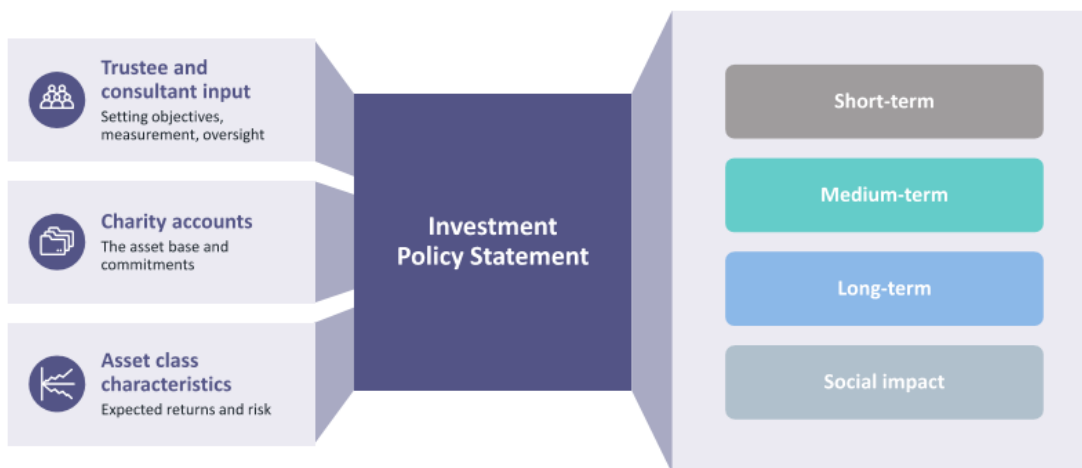
Retirees need access to cash without becoming forced sellers.

6. Volatility drag

Excessive portfolio volatility can materially reduce the sustainability of long-term withdrawals.

This philosophy reflects Sarasin's heritage managing charity and endowment portfolios, where sustainable withdrawals have been central for over 30 years.

We have been building decumulation strategies for charities for over 30 years



Money Wise UK View

This is one of the strongest philosophical foundations we have seen in the retirement MPS market.

Rather than leading with yield or risk scores, Sarasin begins with:

What can go wrong in retirement?

That feels aligned with both:

- FCA TR24/1
- Consumer Duty
- Real client behaviour

Portfolio Characteristics

Natural Income Strategy

Characteristic	Detail
Inception	July 2020
Risk Profile	Balanced
Return Objective	CPI +3%
Target Yield	3–4%
Current Yield	3.20%
OCF	0.83%
DFM Fee	0.25%

Portfolio currently allocated:

- Equities: 61.2%
- Fixed Income: 32.7%
- Alternatives: 4.0%
- Cash: 2.2%

Structured Decumulation Strategy

Characteristic	Detail
Inception	September 2025
Risk Profile	Balanced
Objective	5% withdrawals while aiming to preserve nominal capital
Current Yield	2.85%
OCF	0.79%
DFM Fee	0.25%

Portfolio currently allocated:

- Equities: 65.7%
- Fixed Income: 29.1%
- Alternatives: 3.0%
- Cash: 2.2%

Money Wise UK View

The higher equity allocation in decumulation may surprise some advisers.

However, Sarasin's modelling suggests that lower growth portfolios materially increase longevity risk.

This aligns with the reality that:

Retirement portfolios still need growth.

Portfolio Construction

This is arguably where Sarasin becomes most differentiated.

Natural Income Strategy


Sarasin Natural Income Strategy

This approach draws only the income generated by the portfolio

Platform based portfolio with a target yield of 3% to 4% per annum

Focus on high-quality dividend-paying equities and income-generating bonds, rebalanced quarterly

Balanced Risk Profile



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Built around:

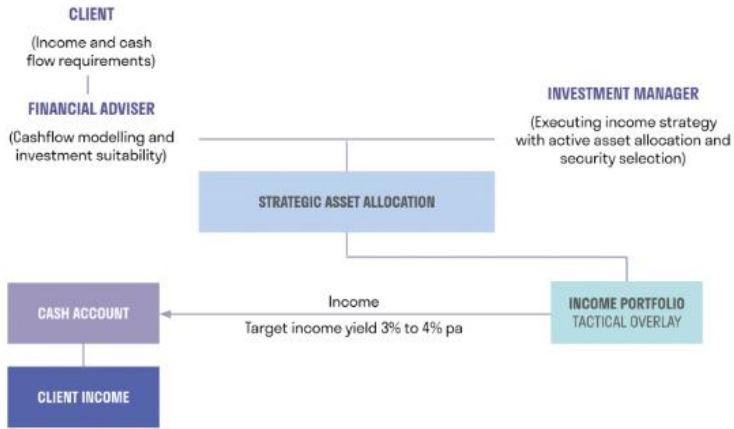
- Dividend-paying global equities
- Income-generating bonds
- Select alternatives
- Tactical overlays

The objective:

Generate a sustainable income stream while protecting real capital over time.

Sarasin Natural Income Strategy

Targeting a 3% – 4% yield



Long-term strategic asset allocation



Source: Sarasin & Partners, 30.09.25

Current portfolio yield:


3.3% (April 2026 rebalance)


Structured Decumulation Strategy

Built around a **three-pot framework**:

Sarasin Structured Decumulation Strategy

Combining three pots to deliver steady income in retirement





Balanced Risk Profile

Pot 1: Short-term assets
Cash reserve (adviser discretion)


- Optional two years of income in cash
- Provides immediate liquidity protects against market volatility
- Avoids selling investments during downturns, reducing sequencing risk

Pot 2: Medium-term assets
Bonds and real assets

- Invested for capital preservation and modest growth
- Aiming to support the replenishment of the cash reserve while maintaining lower volatility

Pot 3: Long-term assets
Income-producing equities with some defensive exposure


- This pot forms the long-term growth engine of the portfolio
- Invested in income-generating equities with the aim of generating returns that deliver income and growth

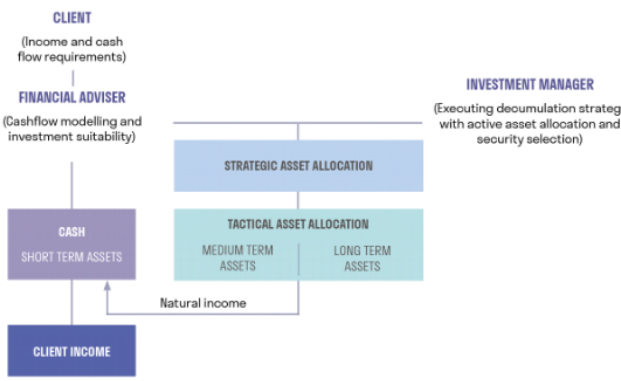
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Sarasin Structured Decumulation Strategy


Modelled to sustain 5% withdrawals while aiming to preserve nominal capital






Source: Sarasin & Partners, 30.09.25

Long-term strategic asset allocation



■ Equities ■ Fixed income
■ Alternatives ■ Cash

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Pot 1 – Short-Term Assets

Held under adviser discretion.

Typically:

1–3 years of cash reserves

Designed to:

- meet immediate income needs
- reduce forced selling
- reduce sequencing risk

Pot 2 – Medium-Term Assets

Current allocation:

33%

Includes:

- Government bonds
- Corporate bonds
- Real assets
- Short-duration credit

Objective:

- Lower volatility
- Preserve capital
- Replenish cash reserves

Pot 3 – Long-Term Assets

Current allocation:

65%

Includes:

- Global dividend equities
- UK equities
- Emerging markets

- Asia and Japan

Objective:

- Long-term inflation protection
- Growth
- Income generation

Money Wise UK View

This effectively bridges the:

Natural Income vs Selling Units debate

Rather than taking an ideological position, Sarasin blends:

Natural income

Approximately:

2.8–3.0%

Plus

Adviser-led capital withdrawals

Up to:

5%+

when appropriate.

This allows advisers to focus on:

delivering the right client outcome rather than defending a particular investment philosophy.

Team & Governance

Lead managers:

Ben Gilbert

Joined Sarasin in 2019.

Previous experience includes:

- Tilney
- Asset allocation committees
- Private client portfolio management

Currently:

- Lead manager for MPS
- Chairs External Funds Committee
- Member of Investment Strategy Group

Edward Lloyd

Joined from Quilter Cheviot.

Experience includes:

- Private client investment management
- Trusts and charities
- Fixed income committee experience

Supported by:

Sarasin investment platform

Approximately:

85 investment professionals

Including:

- Macroeconomics
- Equity research
- Stewardship
- Fixed income specialists

Governance Process

Oversight includes:

Investment Strategy Group

Long-term capital market assumptions.

Investment Policy Committee

Quarterly tactical asset allocation.

External Funds Committee

Third-party fund selection and monitoring.

Money Wise UK View

Strong governance structure.

This reduces key-person dependency, which we continue to monitor closely in MPS providers.

FCA Alignment & Good Practice

The FCA's retirement income thematic review highlighted good practice in firms that:

- Segment retirement clients separately
- Use tailored withdrawal modelling
- Stress test market falls
- Review withdrawal sustainability
- Consider inflation and longevity together

Sarasin's proposition directly addresses these areas through:

Bootstrap simulation modelling

Using:

500 historic market simulations

over:

20 years

with:

- inflation assumptions
- platform fees
- adviser fees
- DFM fees included

HOW LONG COULD YOUR RETIREMENT SAVINGS LAST? A 5% WITHDRAWAL SIMULATION

WHAT IS A BOOTSTRAP SIMULATION?

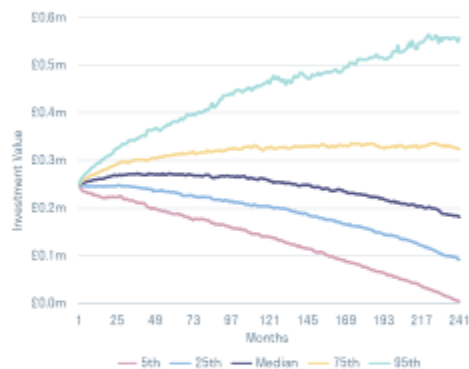
Bootstrap simulation is a statistical method used to test how reliable an investment result or model is, by using the data we already have. Rather than assuming markets always behave in a particular way (like following a 'normal' distribution), bootstrapping repeatedly resamples from the actual historical data to see how much results might vary if the data had played out slightly differently. In this case we have re-sampled 500 20 year periods using re-sampled monthly data.

The simulation tested how a portfolio might perform when withdrawing 5% each year, with that withdrawal increasing by 2.5% inflation per year.

The charts show:

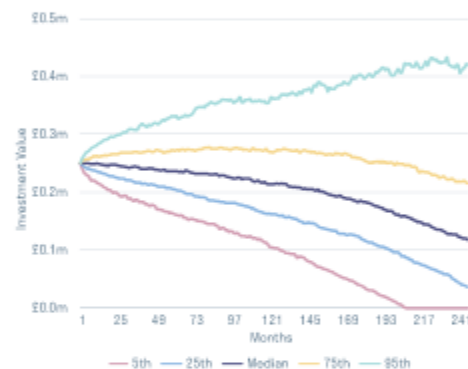
- A range of possible portfolio paths, from optimistic to more challenging markets.
- The likelihood of the portfolio keeping pace with withdrawals while preserving nominal capital value.
- How often the strategy succeeded in sustaining wealth across the full time horizon (and how often a theoretical client would have run out of money).
- This analysis helps illustrate the potential risks and rewards of a 5% withdrawal approach, showing both the opportunity to sustain capital and the chance of falling short if markets underperform.

No withdrawals from strategy for first two years



- 75% Clients sustain their withdrawal rate and are left with approximately £100,000 or more.
- The 'unluckiest' 5% run out of money after 237 months (around 3 months less than the average retirement length).
- The 'luckiest' 5% do not run out of money and are left with more than £580,000.

Withdrawals from day one



- 75% Clients sustain their withdrawal rate and are left with approximately £35,000 or more.
- The 'unluckiest' 5% run out of money after 203 months (around 3 years less than the average retirement length).
- The 'luckiest' 5% do not run out of money and are left with more than £400,000.

The simulation has assumed the following parameters:

Values and withdrawals

Start Value – £250,000
Annual Withdrawal – 5.0%
Monthly Calculated Withdrawal – £1,041.67

Fees

Investment Manager – 0.8%
Platform – 0.2%
IFA – 0.75%
Total Fee – 1.75%

Inflation Assumption – 2.5%

Performance period – 240 months (20 years)

Benchmark details

13.3% ICE BofA Global Broad Market Index (GBP)
13.3% ICE BofA UK Gilts All Stocks (GBP)
13.4% ICE BofA Sterling Corporate & Collateralized Index (GBP)
60.0% MSCI ACWI High Dividend Yield USD Net Total Return Index (GBP)

Source: Sarasin & Partners, October 2025

Forecasts are not a reliable indicator of future performance and may differ to actual performance achieved.

Money Wise UK View

This is potentially one of the strongest Consumer Duty tools within the proposition. Not because it predicts outcomes.

But because it helps advisers demonstrate:

Why is this solution suitable?

Key Strengths

1. Genuine retirement design

Not a repurposed balanced portfolio.

2. Bridges natural income vs unit sales

A practical rather than ideological solution.

3. Behaviourally aligned

May help clients stay invested during market stress.

4. Strong adviser toolkit

Simulation modelling supports suitability.

5. Strong institutional heritage

Built from charity and endowment experience.

6. Monthly rebalancing

Helps reduce sequencing risk.

Key Considerations

Platform functionality matters

Cash ringfencing capability varies.

Adviser implementation risk

Success depends on:

- cash reserve policy
- review process
- withdrawal discipline

Balanced-only proposition

Currently limited to one core risk profile.

Some firms may want:

- cautious retirement solutions
- higher-risk growth retirement solutions

Education requirement

Advisers need to understand:

- cash top-up mechanics
- natural income behaviour
- client communication

Role Within a Portfolio

This proposition may suit:

Natural Income Strategy

Ideal for:

- Lower withdrawal clients
- Strong DB income clients
- Estate planning clients
- Clients seeking behavioural comfort

Structured Decumulation Strategy

Ideal for:

- Flexible drawdown clients
- Lifestyle-led retirees
- Clients with higher income needs
- Firms operating a Centralised Retirement Proposition

Adviser Flexibility, Risk Calibration and Cash Management

One of the more interesting aspects of Sarasin's retirement proposition is that, despite being built around a single balanced investment strategy, advisers retain significant control over the client experience.

Independent third-party risk validation through Oxford Risk and Defaqto supports suitability and provides advisers with an additional layer of comfort when assessing client risk profiles. However, unlike many retirement solutions, which determine risk solely by the underlying asset allocation, Sarasin enables advisers to calibrate the client's experience by adjusting the amount held in cash.

In effect, advisers can dial risk up or down by altering the size of the cash reserve, while the underlying investment strategy remains consistent.

During due diligence discussions, Sarasin explained that advisers may typically hold between one and three years of planned withdrawals in cash, depending on:

- Client behaviour and emotional resilience
- Capacity for loss
- Dependency on portfolio income
- Prevailing market conditions

This creates a highly practical framework. At the client's annual review, the adviser can reassess income requirements for the year ahead and determine whether market conditions are favourable for replenishing the cash reserve or whether income should continue to be paid from the existing cash bucket.

Alongside this, Sarasin manages the underlying portfolio with monthly rebalancing, designed to reduce sequencing risk. Importantly, because income is paid from the cash reserve rather than through ad hoc unit sales, the client's income date remains operationally consistent regardless of short-term market volatility.

In Money Wise UK's view, retirement planning requires a different interpretation of risk. In accumulation, risk is often defined by volatility or short-term market movements. In retirement, the more important question becomes:

Can the client sustain their income without making poor decisions during periods of market stress?

Sarasin's proposition provides a strong framework for addressing this challenge. By blending natural income with the flexibility to sell units when appropriate, advisers can focus on delivering the right outcome for clients rather than adhering to a rigid investment philosophy. At the same time, the adviser retains control over one of the most behavioural elements of retirement planning—the size of the cash reserve—something only the adviser truly understands within the context of the client's wider journey.

Sarasin's broader investment thinking is supported by its Compendium of Investment Management, which draws heavily on the firm's long history of managing charitable portfolios and sustainable withdrawal strategies. That thinking appears to carry through into the retirement proposition, particularly around market drawdowns and behavioural resilience.

Historical market evidence suggests that many equity market drawdowns recover within one to three years, with median recovery periods often near two to two-and-a-half years, though severe structural bear markets can take considerably longer. This provides a reasonable behavioural rationale for Sarasin's use of a two-year cash reserve, helping reduce the need for clients to encash units during short-term market stress.

Money Wise UK® Summary View

Sarasin has developed one of the more thoughtful and differentiated retirement propositions currently available in the UK intermediary market.

What makes this proposition stand out is that it goes beyond traditional portfolio construction. Sarasin has combined decades of institutional experience, behavioural insight, and practical adviser flexibility to address one of the most complex challenges in financial planning:

How do you help clients draw a sustainable income without becoming forced sellers at the wrong time?

The real innovation lies not simply in the underlying portfolio, but in the combination of:

- Investment discipline and institutional governance
- Behavioural understanding built around real client outcomes
- Adviser flexibility through cash-flow and cash reserve management
- Alignment with FCA retirement income good practice and Consumer Duty
- Practical tools that support suitability, communication, and ongoing service

Most importantly, Sarasin recognises something many retirement propositions still overlook:

Retirement is not just about maximising returns.

It is about sustaining income, managing behaviour, and giving clients the confidence to stay invested through the journey.

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Review Completed: May 2026