MD Financial Management

MD Stable Income Fund Buyer's Guide

Name of Insurance Product
MD Stable Income Fund (MDSIF)

Type of Insurance Product
Segregated group annuity

Name of Insurer
MD Life Insurance Company

Name of Administrator
MD Financial Management Inc.

Address of Insurer and Administrator
1870 Alta Vista Dr.
Ottawa ON K1G 6R7
Tel: 1 800 267-4022 | 613 731-4552

This Buyer's Guide provides key information about the MD Stable Income Fund ("MDSIF"), including potential restrictions or adjustments to redemptions under the MDSIF Group Annuity Certificate ("MDSIF Certificate") and the MDSIF Group Annuity Policy ("Policy") that you should be aware of before purchasing the product. **Before you invest in MDSIF, you are encouraged to read the MDSIF Certificate and consider how the product would work with your other investments and your tolerance for risk and liquidity**. If you are purchasing MDSIF for the first time, and/or would like a copy of the MDSIF Certificate, please contact your MD Advisor*, or the MD Trade Centre at 1 800 267-2332.

* MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec).

What Is MDSIF?

While the MD Stable Income Fund is often referred to as a fund, it is not a mutual fund; it is a segregated group annuity policy underwritten by MD Life Insurance Company and administered by MD Financial Management Inc.

Your MD Advisor* can help you determine the right mix of investment solutions for your portfolio, based on your personal needs and objectives. All MD Financial Management (MD) employees advising clients on life insurance products hold life insurance licences.

Features and Benefits

MDSIF:

- offers risk-averse investors with a mid- to long-term investment time horizon a unique fixed-income alternative to complement a diversified portfolio;
- protects investors in the event the insurer fails, as it is set up as a segregated trust;
- subject to applicable law, ensures assets are ultimately paid to valid designated beneficiaries, and may offer credit protection, depending on the account type;
- generates a non-volatile monthly income—as an actively managed portfolio—that is distributed as new notional units and reinvested in MDSIF.

What Makes MDSIF Stable?

- **Pricing:** MDSIF is a book-based fund that is bought and sold on a book value basis, rather than on a market value basis, making it less sensitive to changes in interest rates.
- **Non-volatile returns:** This is achieved by amortizing the investments over their term and by actively managing the yield terms within the fund. As a result, the daily book value does not change to reflect daily market and interest rate swings.
- **Interest credited daily:** With MDSIF, interest income is allocated and accrued daily and reinvested monthly in the form of additional units (income distributions).
- **Investments:** MDSIF invests primarily in conservative fixed-term securities (such as bonds where in-depth analysis is conducted to enhance yield by appropriately managing risk exposures, and mortgage investments), which are selected using a balanced approach for generating income and maintaining desired risk exposures (e.g., credit quality and loan-to-value).
- **Market value adjustment (MVA):** MVA is a stabilizing feature that continuously compares the book value of the MDSIF investment portfolio with its market value. When the book value exceeds the market value, an adjustment is applied on certain withdrawals from MDSIF in accordance with the Policy, which, in turn, may translate into redemptions that are worth less than the book value of the units redeemed.
- **High withdrawal activity (HWA):** HWA is a stabilizing feature that is triggered when withdrawals from MDSIF exceed 7% of total assets over three consecutive months. HWA applies further controls limiting the amounts a client may withdraw, which protects MDSIF's assets for remaining unitholders.

Purchasing MDSIF

Clients can make premium payments, which are held in a separate segregated account and will be used to acquire notional units in MDSIF (currently set at $10.00 per unit). These newly acquired units will be recorded as part of the client's account.

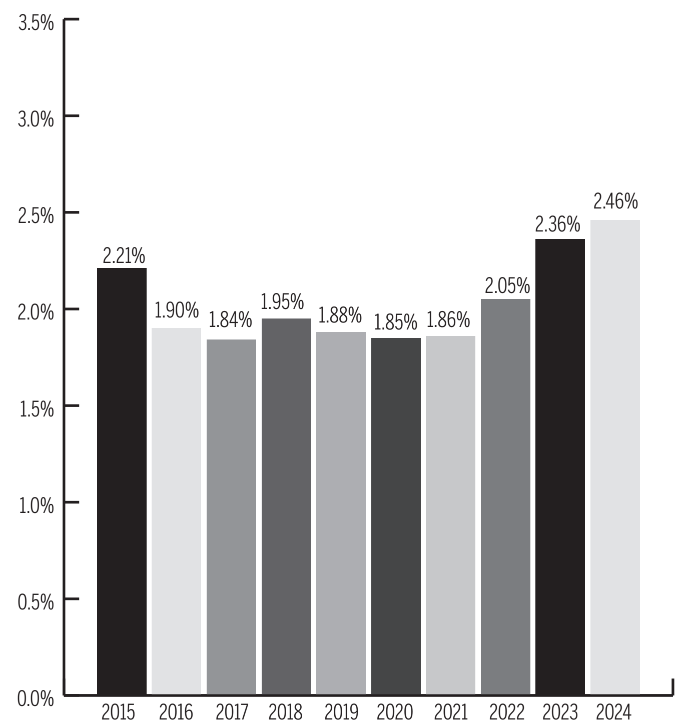
MDSIF Income

When the underlying assets of MDSIF generate income, that income will be calculated and credited in the form of new notional units and allocated to each client's account on a proportionate basis.

Withdrawals From MDSIF

Clients may generally withdraw from their account balance as permitted by notionally redeeming sufficient units, which are determined by dividing the amount of the withdrawal by the book value of a unit. Certain stabilizing features such as HWA and MVA, described above, can impose restrictions on, limit and/or impact clients' withdrawals. Please review the Withdrawals Under Normal Withdrawal Activity section, below, for more details.

CHART 1—MDSIF'S ANNUAL PERFORMANCE



- The performance data above represent the annual compound return for MDSIF in each given year and are not necessarily indicative of future performance. Unit values, yields and investment returns will fluctuate.
- MDSIF is not a mutual fund; it is a segregated group annuity policy issued by MD Life Insurance Company.
- The performance data above are as of December 31, 2024. To view more recent performance data, please contact your MD Advisor, or the MD Trade Centre at 1 800 267-2332.

a. Unrestricted Withdrawals

Under certain conditions, a client may request to withdraw from his or her account without regard to any of the limitations or restrictions imposed in the Policy. Examples of unrestricted withdrawals are:

- after the client's death (in the case of a client that is a corporation, a shareholder's death);
- total withdrawal of an account when the consolidated value of the account is $5,000 or less;
- minimum annual payments under a registered retirement income fund (RRIF), as required by law;
- withdrawals from a client's account upon marriage breakdown, provided such withdrawals are transferred to the benefit of the client's spouse.

For a complete list of unrestricted withdrawals, as well as their terms and conditions, please review the MDSIF Certificate.

b. Withdrawals Under Normal Withdrawal Activity

- Under normal withdrawal activity, and when no MVA is in effect, clients can request to withdraw their entire account in a lump sum amount.
- If the book value of the notional units held by the client exceeds the market value of MDSIF's underlying investment portfolio, in an effort to provide stability and ensure that all clients are treated fairly, an MVA is applied, which causes the excess to be paid in an amount equal to a fraction. That fraction is determined by dividing the market value of MDSIF by the aggregate book value of the units. This stabilization feature is put in place to ensure clients redeem what they are actually owed when the market value is below the book value, as illustrated in Table 1.
- When an MVA is in effect, clients can withdraw, in any 12-month period, an amount that does not exceed 25% of their entire account balance at the beginning of the month of the earliest withdrawal in the previous 11 months, less any prior withdrawals during the same 12-month period MVA free. If the withdrawal amount exceeds 25% of the account balance within a 12-month period, then that excess amount will be subject to MVA, which may translate into losses at the time of withdrawal.
- Alternatively, to avoid the impact of MVA and any resulting losses at the time of withdrawal, clients can request the withdrawal of the entire account balance by electing to receive four annual instalments as illustrated in Table 2.

c. Withdrawals Under High Withdrawal Activity

- Under HWA, when overall clients' withdrawals from MDSIF exceed 7% of the total underlying assets over three consecutive months, to protect MDSIF's assets for remaining unitholders, withdrawal restrictions are put in place that would allow clients to withdraw, in any 12-month period, an amount that does not exceed 16.7% based on six installments (20% for five installments, or 25% for four installments) of their entire account balance less any prior withdrawals within that same 12-month period.

d. Alternatively, to avoid the impact of any HWA restrictions at the time of withdrawal, clients can request the withdrawal of the entire account balance by electing to receive it in instalments[4]. Table 2 illustrates a six annual instalment plan.

TABLE 1

	When the Market Value Adjustment is not in effect		When the Market Value Adjustment is in effect		
Transaction Type	**Purchase**	**Sell**	**Purchase**	**Sell**	
Transaction Date	**January 1, 2025**	**December 31, 2025**	**January 1, 2025**	**December 31, 2025**	
Description	Client pays $100,000 to purchase 10,000 notional units priced at the book value of $10.00 per unit.	Client sells all units held in the account in one transaction where the book value per unit is $10.00.	Client pays $100,000 to purchase 10,000 notional units priced at the book value of $10.00 per unit.	Client sells all notional units held in the account in one transaction where the market value of MDSIF is less than the book value of the units (e.g., market value per unit = $9.8 and book value per unit = $10): • In any 12-month period, up to 25% is redeemable with no MVA applied. • The remaining 75% of the account balance is redeemable within the same 12-month period, but is subject to MVA.	
Units attributed to client every business day, based on performance		As of Dec 31, 2025, client has earned 195 additional units totalling 10,195 units, which reflects the increase in value of the underlying assets.		As of Dec 31, 2025, client has earned 195 additional units totalling 10,195 units, which reflects the increase in value of the underlying assets.	
Formula	(No. of units x book value per unit)	(Total units x book value per unit) x fraction[1]	(No. of units x book value per unit)	Formula for first 25%: (25% of total units x book value per unit) x fraction[2]	Formula for remaining 75%: (75% of total units x book value per unit) x fraction[3]
Calculation	10,000 x $10	(10,195 x $10) x 1	10,000 x $10	(2,548.75 x $10) x 1 **+**	(7,646.25 x $10) x 0.98
Paid	$100,000.00		$100,000.00		
Earned		$101,950.00		$25,487.50 + $74,933.25 = $100,420.75	

[1] If the market value is greater than the book value, no MVA is in effect, and the fraction equals 1.

[2] Where MVA is not applied, the fraction equals 1.

[3] If the market value is less than the book value, the fraction equals the market value divided by the book value.

TABLE 2

	One-Time Withdrawal	Instalment Plan
Normal Withdrawal Activity	If no MVA is in effect: • The fund is 100% redeemable and MVA does not apply.	Not applicable
	If an MVA is in effect: • In any 12-month period, up to 25% is redeemable with no MVA applied. • Except for unrestricted withdrawals, all other withdrawals made in the past 12 months count toward this 25% limit. • The remaining balance is fully redeemable but is subject to MVA.	**Four-year withdrawal schedule:** Year 1–Up to 25% of account balance Year 2–33% of account balance Year 3–50% of account balance Year 4–100% of account balance
High Withdrawal Activity	• In any 12-month period, up to 16.67% is redeemable with no MVA applied. • Except for unrestricted withdrawals, all other withdrawals made in the past 12 months count toward this 16.67% limit. • The remaining balance is not redeemable.	**Six-year withdrawal schedule:** Year I–16.67% of account balance Year 2–20% of account balance Year 3–25% of account balance Year 4–33.33% of account balance Year 5–50% of account balance Year 6–100% of account balance

Note: All redemptions, whether one-time withdrawals or in accordance with instalment plans, include earned income.

Annuity Options

A client may choose to purchase an annuity specified in the Policy equal to the book value of her or his units. The annuity shall be paid to the client monthly, commencing on the client's chosen retirement date (not later than December 1 of the calendar year in which the client reaches 71 years of age) and continuing until 120 monthly payments have been made and, thereafter, so long as the client lives.

A Word About Taxes

In general, if clients hold MDSIF in a non-registered account, they will be subject to tax on any income or capital gains allocated to them (and reported on a T3 slip).

While book-based accounting is used for maintaining a steady unit value, tax-based accounting must be used for purposes of determining the amount allocated for tax purposes.

Clients may also realize a capital gain or loss when they redeem units of MDSIF.

Fees and Expenses

Any expenses incurred by MDSIF, including management fees, shall be deducted from MDSIF. Where units are held in fee-based accounts, the fee for the account will be adjusted to ensure that there is no fee duplication.

Investment Risks

How risky is MDSIF?

MDSIF's volatility is considered low. This is based on how much the returns have changed from year to year over the past 10 years (see Chart 1). Chart 1 does not show how volatile MDSIF will be in the future. A product that is seen as low risk can still lose money.

Who is this product for?

It's suitable for clients who do not require full liquidity in the near future and who wish to use a short-term fixed-income investment as a long-term asset in their investment portfolio. MDSIF is also an ideal solution for retirement accounts (registered retirement savings plans, RRIFs).

Are there other risks to consider?

As with any other investment, MDSIF is subject to the following kinds of risks:

Credit	Liquidity
Foreign currency	Securities lending
Market	Emerging market
Sovereign	High-yield bond
Derivative	Foreign securities

To read more about these investment risks, please see the MDSIF Certificate.

[4] Applicable number of instalments shall mean a number equal to the lesser of 1. and 2. as defined below, but not less than four in any case:

1. six;
2. the lowest integer exceeding twice the number of years of the average term to maturity of investments within the segregated portfolio assets of the Policy as at the date of request for withdrawal.

* MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec).

MD Financial Management provides financial products and services, the MD Family of Funds and investment counselling services through the MD Group of Companies and Scotia Wealth Insurance Services Inc. For a detailed list of the MD Group of Companies visit md.ca and visit scotiawealthmanagement.com for more information on Scotia Wealth Insurance Services Inc.

MD Stable Income Fund is not a mutual fund. It is a segregated group annuity policy, issued by MD Life Insurance Company. Important information about this product, including potential restrictions or adjustments to redemptions, can be found in the MD Stable Income Fund Group Annuity Certificate, which can be obtained by contacting the MD Trade Centre at 1 800 267-2332 or online at md.ca. Please read it carefully before purchasing. All MD Financial Management employees dealing with clients regarding insurance products hold life licences.

All insurance products are sold through Scotia Wealth Insurance Services Inc., an insurance agency and subsidiary of Scotia Capital Inc., a member of the Scotiabank group of companies. When discussing life insurance products, advisors are acting as Insurance Advisors (Group Insurance and Group Annuity Plans Advisors or Group Annuity Plans Advisors in Quebec) representing Scotia Wealth Insurance Services Inc.

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