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NOT FOR ONWARD DISTRIBUTION

How do you  
target *absolute returns* in  
emerging market debt?

Absolute Insight  
Emerging Market  
Debt Fund

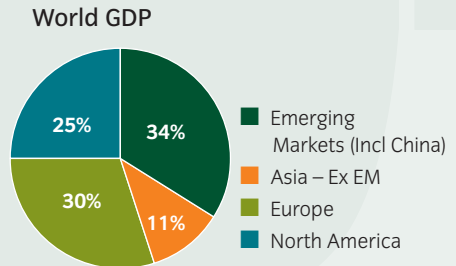
➤ A BNY MELLON COMPANY<sup>SM</sup>



# Why emerging market debt?

## Wide opportunity set

The total size of the emerging debt market (both government and corporate) is almost \$8 trillion. In terms of economic power, emerging market countries are collectively larger than either North America or Europe and account for 35% of global trade.



Source: IMF.

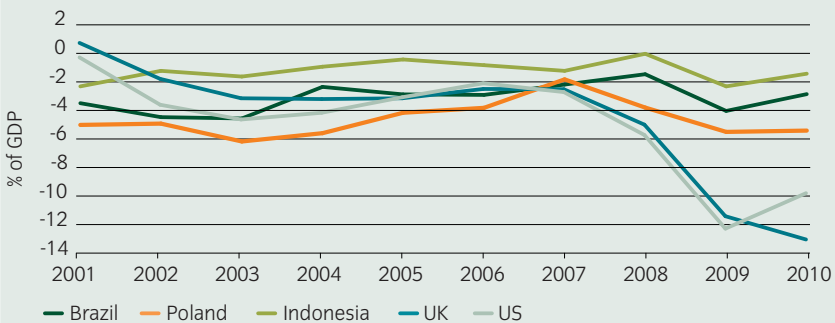
## Low correlations

Emerging debt markets no longer move in tandem with each other, neither are they highly correlated with developed bond markets. In addition, volatility compared to the world's major equity markets is typically lower.

## Healthier economies than developing markets

Developed markets are suffering from anaemic economic growth and rapidly deteriorating fiscal conditions. However, emerging market economies have proved to be highly resilient in the face of the Western credit crisis, generally enjoying robust growth and healthier fundamentals.

## Deteriorating UK and US fiscal deficits



Source: IMF.

# About the Fund

The Absolute Insight Emerging Market Debt Fund aims to provide positive absolute returns in all market conditions by investing in a broad range of emerging market debt securities. The Fund sits within our broader emerging market debt capability (which includes segregated accounts, income funds and pension fund pooled vehicles) and also forms part of our Absolute Insight range of absolute return funds.

## Key features

- The Fund is a multi-strategy fund targeting ‘best ideas’ in emerging market debt.
- The absolute return approach seeks to reduce the volatility normally associated with investing in emerging markets.
- The Fund is able to express both positive and negative views, aiming to generate performance in any market environment, through the use of a range of derivatives.
- Insight are fixed income experts with a large and experienced team.
- Investors in the Fund have access to daily liquidity.
- The Fund is benchmarked against cash, and is therefore not constricted to investing within the limits of a traditional emerging market debt index.
- UCITS III compliant – providing a high degree of investor protection in regard to risk and liquidity management, regulation and transparency.



# The Fund in more detail

## **Investment universe**

Offers investors access to opportunities in a market worth almost US\$8 trillion. The Fund invests in external and local government debt, external and local corporate debt, currencies and derivatives across the emerging market universe.

## **UCITS III vehicle**

The Fund is a sub-fund of Absolute Insight Funds plc, an Ireland-domiciled open-ended investment company. As a sophisticated UCITS III fund, the Fund provides a high degree of investor protection with regard to risk and liquidity management, regulation and transparency.

## **Free from index constraints**

The Fund is benchmarked against cash, not an emerging market debt index. This frees the portfolio from being tied to particular weightings or exposures. In addition, because the Fund aims to generate performance in any market environment, it makes use of derivatives to give the portfolio's managers the ability to express negative views as well as positive ones.

## **Active currency management**

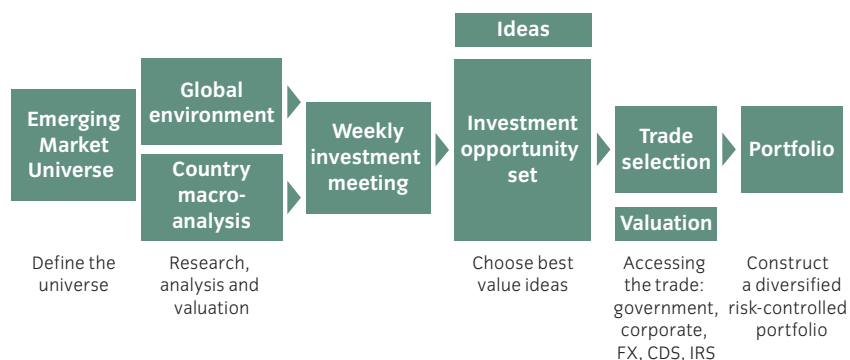
We view the management of local emerging market currencies as an important source of alpha within the Fund. When we are holding a local market bond, the decision to hedge or not to hedge is an active decision. We may also take direct currency exposures to express a negative or positive view on the direction of a currency.

# Investment process

The Fund's investment process is built around a strong analytical framework designed to increase the competitive advantage of the portfolio decisions taken by the emerging market debt investment team. The team:

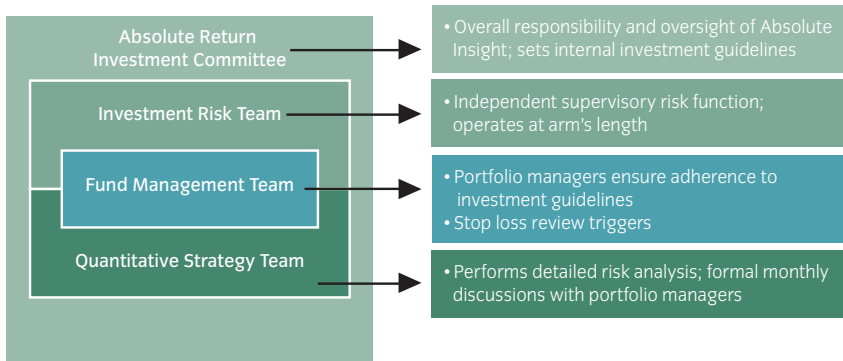
- identifies key fundamental and market themes through individual country macro-analysis.
- carries out micro-analysis of instruments and market depth, evaluating the best mechanism to express those themes.
- selects and sizes risk/reward investment ideas in the context of security and portfolio characteristics.
- incorporates global asset class trends by working within the strong analytical framework of the credit, currency, global bond and high yield teams.
- actively manages portfolio risk and takes advantage of market volatility.

## Defining investment universe to portfolio construction



# Monitoring risk

Insight has developed a robust and integrated risk management process for the Absolute Insight fund range. Overall responsibility and oversight lies with the Absolute Return Investment Committee (ARIC), chaired by Reza Vishkai, Head of Specialist Investments.



- The **ARIC** is responsible for setting internal risk and investment guidelines. This committee meets monthly to review performance, risk levels and policy within the Fund.
- Insight's **Risk Management Team** has a supervisory function. The Team is responsible for ensuring compliance with the relevant risk limits and for initiating action in the case of a breach.
- The **Quantitative Strategy Team** analyses non trivial biases and sensitivities at the portfolio level, risk concentrations, and ad-hoc measures depending on the market environment using a wide range of quantitative approaches.
- Each of the **Fund Management Teams** is responsible for running their underlying strategies within their set limits. These limits include (where appropriate) gross and net exposure, beta, modified duration and value-at-risk (VaR).

# About Insight Investment

Insight Investment is a specialist asset manager at the forefront of designing investment solutions to meet our clients' needs. Launched in 2002, Insight is a leading asset manager, with £88.1 billion in assets under management<sup>1</sup> across fixed income, liability driven investment, cash management, multi-asset, absolute return and specialist equity strategies. We manage money for private investors, pension funds, sovereign wealth funds, insurance groups, local governments, charities and other financial institutions.

The Fund is managed by Colm McDonagh, supported by the Insight Emerging Market Debt Team, part of the wider Fixed Income Team. The Fixed Income Team is fully integrated into the investment infrastructure of Insight, benefitting from scale of resources.



**Colm McDonagh**

Head of Emerging Market Debt

Colm joined Insight in October 2008 as Head of Emerging Market Fixed Income. Prior to Insight, Colm was a partner at Hydra Capital Management Ltd, an emerging market fixed income boutique he joined in January 2006, where he managed both alternative and traditional emerging market strategies. He was Head of Global Emerging Market Debt at Aberdeen Asset Management until November 2005, responsible for total return and income funds for institutional and retail clients. Colm began his investment career as an Emerging Market Eurobond trader in 1996 at Bank of America. He graduated with a Bachelor of Business and Legal Studies honours degree in Finance and Law from University College Dublin.

<sup>1</sup> As at 31 December 2009.

# Fund specifics

<b>Objective</b>	To provide attractive, positive absolute returns in all market conditions
<b>Investment universe</b>	Interest rate and exchange rate strategies across a range of emerging market bond markets, using a full range of financial derivative instruments
<b>Scheme type</b>	Open Ended Investment Company, UCITS III
<b>Umbrella scheme</b>	Absolute Insight Funds plc
<b>Domicile / Listing</b>	Ireland / Irish Stock Exchange
<b>IMA classification</b>	Absolute Return
<b>Benchmark</b>	Sterling 3-month LIBID (defined as LIBOR minus 0.125% per annum)
<b>Inception date</b>	28 February 2007
<b>Share classes</b>	Institutional and retail share classes are available in sterling and euro, with different minimum investment amounts and annual management charges (AMC)
<b>Fee schedule</b>	<ul style="list-style-type: none"><li>• Annual management charge 1% per annum<sup>2</sup></li><li>• 10% of any performance in excess of the benchmark return and net of AMC (subject to high water mark)</li></ul>
<b>Base currency</b>	Sterling
<b>Pricing/dealing</b>	Daily NAV calculation and dealing
<b>Platforms</b>	Ascentric (FundsDirect), Cofunds, Hargreaves Lansdown (Vantage), Novia, Nucleus, Transact

<sup>2</sup>1% AMC is for the B1p share classes, other classes are available upon request. For full product details please refer to the Funds Prospectus, available on our website.

## Find out more

For further information please contact us:

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Telephone calls may be recorded.

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