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How do you capture a *diversified* source of absolute returns?

Absolute Insight Fund

2007
INSIGHT INVESTMENT | ABSOLUTE INSIGHT
3 YEARS

Insight INVESTMENT

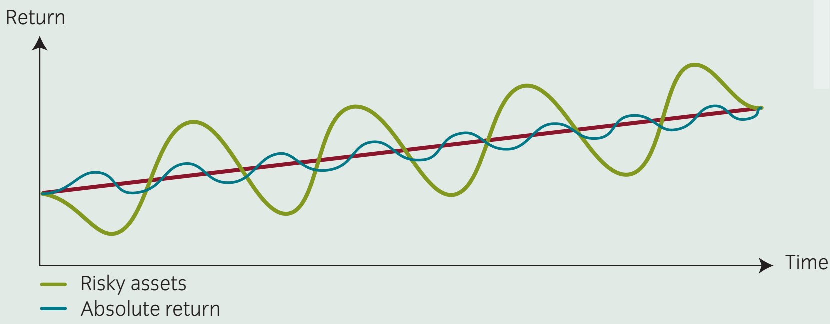
A BNY MELLON COMPANY[SM]

Why absolute return funds?

With the aim of producing positive returns, regardless of market conditions, absolute return funds can remove some of the uncertainty from investors' portfolios.

Such strategies make use of a wide range of investment techniques – such as derivatives – to isolate profits, hedge risk and smooth returns. The end result is reduced volatility of returns, as the absolute return process attempts to reduce or eliminate the effects of market fluctuations.

Lower volatility around the targeted rate of return



This is in contrast to more traditional long-only funds which can leave investors exposed to market moves which may negatively impact the value of their investment.

Many absolute return funds are now available in fully regulated frameworks, which, coupled with the creation of their own IMA sector, brings transparency and accessibility to investors.

Absolute Insight allows investors to capture the benefits of Insight's range of UCITS III absolute return strategies, within one fund, for a diversified source of absolute returns.

About the Fund

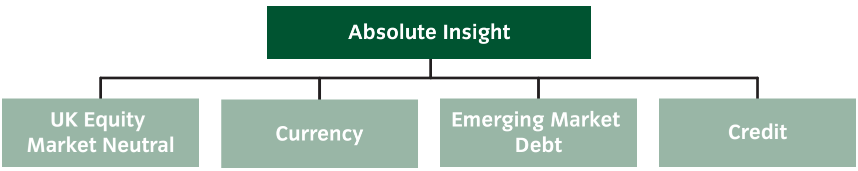
Absolute Insight (the Fund) is designed to offer consistent absolute returns with lower volatility. Its key investment objective is to deliver attractive, positive absolute returns in all market conditions.

The Fund invests across a range of uncorrelated strategies, all of which fall under the Absolute Insight UCITS III range of sub-funds, thereby providing a diversified source of absolute return to investors. All the underlying strategies are managed by Insight.

Key features

- **Invests in a range of uncorrelated strategies each with an absolute return investment mandate and within the Absolute Insight fund range.**
- **Track record – Absolute Insight first launched in a Cayman vehicle in May 2005, with the UK domiciled Fund launching in February 2007.**
- **Focuses on capital preservation by investing in diversified range of funds with strict risk controls – a low risk proposition.**
- **As a non-UCITS Retail Scheme (NURS) Absolute Insight is a UK domiciled fund with investors having access to daily dealing.**
- **Single layer of fees meaning management and performance fees only apply at the overall Fund level.**

The sub-funds in which Absolute Insight invests are allocated on a broadly 'equal risk' basis and chosen to optimise diversification benefits within the Fund.



The underlying strategies include a non-directional equity market neutral fund, expected to provide stability; a macro discretionary currency fund, which is expected to be uncorrelated in periods of extreme volatility; an emerging market debt fund and a multi-strategy credit fund which are both expected to provide greater upside capture.

Investment process

The investment styles of the underlying absolute return strategies have been chosen to maximise the diversification benefits for investors. Each of the underlying strategies is able to invest both long and short within its market universe, enabling them to deliver positive absolute returns.

The allocation between the underlying strategies is determined on a broadly ‘equal risk’ basis. Periodic rebalancing takes place and the basis for the target allocations may be revised from time to time.

Each underlying strategy is selected on the basis of quality of investment proposition and fit within the overall Absolute Insight mandate, while aiming for low correlations between underlying strategies.

Broad opportunity set + **Diversification** + **Precision** = **Consistent return**

Broad opportunity set: the Fund invests in the UCITS III Absolute Insight fund range, extracting returns (alpha) from a range of asset classes. Derivatives are used in underlying strategies for hedging risk and for the short selling of overvalued assets, rather than simply buying attractive ones.

Diversification: the structure is designed to combine different fund strategies, asset types and management styles. Strategies have been designed to have low intended correlations with each other, resulting in reduction in overall risk of the Fund.

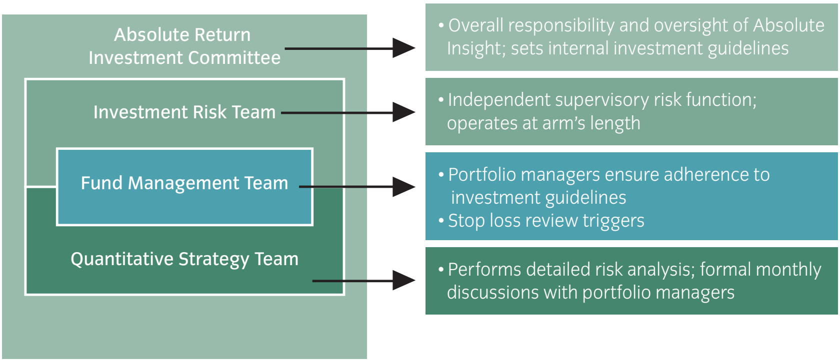
Precision: in contrast to traditional investing, the use of derivatives in the underlying strategies, allows managers to precisely target a specific investment opportunity and hedge any unintended or unwanted risk associated with that particular market, sector or asset class.

Underlying strategies at a glance

Strategy	Universe	Approach	Fund manager	Target allocation
UK Equity Market Neutral	Predominantly UK listed equities and their derivatives	• Each position consists of two units (a long and short) • The lead unit (long or short) drives position whilst secondary unit creates a market neutral position and isolates the alpha identified in the lead unit	Andy Cawker, Richard Howarth and Iain Brown	33%
Currency	All traded currencies and their derivatives including currency forwards, futures and options	• Global macro discretionary strategy • Investment process used to identify cyclical trade ideas	Dale Thomas and Max Wahl	25%
Emerging Market Debt	External and local emerging market debt, EM interest rates, EM currencies and their derivatives	• Opportunities identified from bottom-up and top-down valuation models • Refined through fundamental and structural analysis • Management of credit, duration, currency risk • View on market and global conditions	Colm McDonagh	21%
Credit	Global credit instruments including investment grade and high yield bonds, asset backed securities, loans and full suite of derivatives	• Generate return from multi-strategy approach such as yield, long/short, capital structure or market structure arbitrage, tactical macro and hedging • Strong credit research function to identify future market catalysts • May take varying levels of beta exposure to market	Alex Veroude	21%

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. The ARIC is responsible for deciding the allocation to the underlying funds.
- 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[1] in assets under management 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.

Investment team

Overall responsibility of the Fund lies with Reza Vishkai, Head of Specialist Investments. In conjunction with the ARIC which he chairs, he is responsible for determining the allocation between the underlying strategies. Other members of the ARIC include the Chief Executive Officer (who is also Chief Investment Officer for Investments), Head of Investment Risk as well as the heads of each of the investment functions at Insight.

Each of the underlying strategies are managed by Insight's specialist fund managers, who are fully integrated within Insight's investment platform.

Reza Vishkai

Head of Specialist Investments

Reza joined Insight in June 2005 as Head of Alternatives and is now responsible for Insight's Specialist Investments activities, which includes Insight's absolute return, specialist equity and real assets such as farmland. Before joining Insight, he spent eight years at Schroder Investment Management Limited (Schroders) as manager of structured investments and hedge funds. Prior to Schroders, he was a consultant with Rogers, Casey and Associates. Reza began his investment career at Salomon Brothers as a fixed income analyst. Reza holds a BS degree in Operations Research from Columbia University's School of Engineering and Applied Science and holds a BA degree in Liberal Arts from Columbia College.

[1] As at 31 December 2009.

Fund specifics

Objective	To provide attractive, positive absolute returns in all market conditions
Investment universe	Invests in the Absolute Insight UCITS III range of funds
Scheme type	Non-UCITS Retail Scheme (NURS)
Umbrella scheme	Insight Investment Funds-of-Funds II ICVC
Domicile	United Kingdom
Listing	No listing
IMA classification	Absolute Return
Benchmark	Sterling 3-month LIBID (defined as LIBOR minus 0.125% per annum)
Inception date	28 February 2007
Share classes	Various sterling share classes are available, with different minimum investment amounts and annual management charges (AMC)
Fee schedule[2]	• Annual management charge 1% per annum • 10% of any performance in excess of the benchmark return and net of AMC (subject to high water mark)
Base currency	Sterling
Pricing/dealing	Daily NAV calculation and dealing
Platforms	Ascentric (FundsDirect), Cofunds, Hargreaves Lansdown (Vantage), Novia, Nucleus, Transact

[2] Fp share class, other share classes are available upon request. For full product details please refer to the Funds Prospectus, available on our website.

Find out more

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