Core capabilities

European Credit

Expertise

Insight Investment is one of the UK's largest active fixed income managers. This market presence is attributable to a range of industry-leading processes which target the most attractive risk-adjusted returns from a broad range of opportunities and over a variety of time horizons and market conditions.

Our credit team has an average industry experience of 10 years[1] and a broad range of expertise across the credit market covering investment grade, high yield, loans and ABS. Our credit managers have the flexibility to increase or reduce allocations to credit depending on economic factors and the attractiveness of credit markets. Within credit markets, we also allocate to different parts of the market or corporate capital structures and generate views on desired portfolio beta.

[1] As at 31 March 2010.

Investment philosophy

Fixed income philosophy

Insight's fixed income investment philosophy focuses on the delivery of consistent performance by virtue of two key investment principles: **precision** and **diversification.**

Precision Targeting Investments + **Diversification** Spreading Investments = **Consistent outperformance**

Precision: in assessing investment opportunities, we seek to include only those elements of market risk that we consider attractive and we aim to eliminate unintended risks.

Diversification: we seek to add value through active management of risk and return across a broad range of investment opportunities using proprietary management techniques.

Credit investment process

Our credit strategy is a top-down approach which combines long-term strategic forecasts, shorter-term tactical views and observations of market trends.

Market allocation

We form a view on bond market allocation to identify the most compelling investment strategies for our clients:

Firstly, we consider what is the most attractive part of the bond market with regard to expected total returns; i.e. government bonds versus corporate bonds.

Secondly, we form a view on which type of corporate bond has the best risk/reward characteristics; i.e. investment grade versus high yield bonds.

Following these decisions, we form our credit strategy view which is based on two key factors: strategic and tactical value.

Credit strategy view – market allocation

Strategic forecast: the strategic forecast for the market over the next twelve months is based primarily on fundamental economic analysis of our credit market segments.
This proprietary analysis is broken down into two parts:

Firstly, our in-house credit strategist quantifies expected loss arising from defaults (adjusted for recovery value) using a number of fundamental variables, such as economic growth, corporate leverage and lending conditions. This analysis seeks to identify whether investors are adequately compensated for the risks of default in all types of credit.

Secondly, the credit team assesses the additional risk premium required given current market conditions such as the market's appetite for risk, volatility and trends in issuance. Together, these steps provide us with the market spread forecast from which we can calculate an expected excess return.

Tactical view: the next step in the decision-making process is our tactical view of the market place, typically of up to three months. This takes investor positions and sentiment into account when considering how to time the allocation of the risk budget to credit.

Sector strategy

Our sector allocation recommendations are based on the collective views of the analysis team on fundamentals, technical score and valuations for each of our predefined sectors. These views are then each assigned a rating of under/over/neutral-weight.

Stock selection – credit universe

The universe for credits within our fixed income portfolios covers four main areas; investment grade credit, high yield, loans and asset-backed securities. Within these areas we also consider the merits of cash bonds versus the derivative alternative.

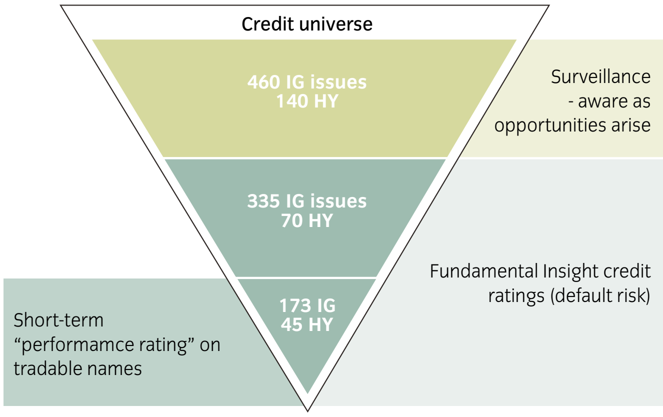
The credit universe consists of approximately 460 investment grade issuers, 140 high yield issuers and 1,300 asset-backed issuers. We apply various filters to the universe to arrive at a smaller group of investable credits (currently around 335 for investment grade issuers) which then undergo fundamental analysis by the credit analysts. This leaves a smaller group of around 170 investment grade issuers which are subject to relative value analysis.

To identify value we screen from two perspectives:

- Where an edge can be gained from fundamental analysis
- Identify tradable issues for relative value opportunities

Our credit universe is screened on a weekly basis by the credit analysis team when research priorities are reassessed in consultation with portfolio managers.

Coverage model



Although some elements of our credit research are qualitative in nature based on our team's extensive experience in interpreting data analysis, we also employ a range of quantitative tools to assist us in filtering information and to help us identify opportunities.

Risk management and analysis

Risk management: managing and understanding portfolio risk is a strategic objective at Insight and a key factor in achieving consistent performance. We approach this using a proprietary system called `units of risk'. This system allows us to appropriately size the risk we take in the portfolio via different investment decisions according to each client's risk profile.

Credit risk analysis: to evaluate the likelihood of future changes in a company's credit rating and also the potential for a sudden change in credit quality, our credit analysts conduct a credit risk analysis. Particular attention is paid to the scoring of key risks in a 'land mine checklist'. The land mine checklist examines important sources of risk which can lead to a sudden deterioration in credit quality.

This checklist covers liquidity risk, contingent liabilities, regulatory risk, litigation risk, governance and accounting and event risk. These factors are scored on a scale of one to five, with higher numbers indicating more risk and scores greater than four highlighting areas of significant concern.

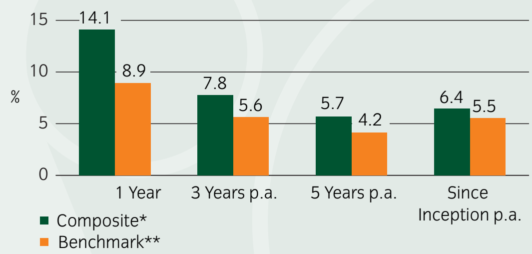
Our credit analysts also use the screening system Governance Metrics International to assist them in monitoring emerging governance, social or environmental risks such as new regulatory requirements or consumer trends. Unless all the components of land mine risk are analysed and evaluated to the satisfaction of the credit analyst and the broader credit team, we will not consider a purchase for our clients. All corporate issuers we analyse are evaluated in this way before a purchase is made.

Strategies and performance

At Insight, we offer access to our broad credit spectrum covering investment grade, high yield, loans, ABS and distressed debt. Depending on the risk tolerance of a client, the type of bonds and the credit quality chosen, our strategies offer compelling opportunities for generating returns. Examples are provided below:

European Aggregate

- **Attractive returns:** this strategy employs a mix of government and corporate bonds. While corporate bonds are typically more risky than government bonds, their central appeal is that they have higher yields than those available on government securities, offering the potential for higher returns over the longer term. The strategy seeks out the best opportunities across a diverse range of sectors and markets.
- **Track record:** this strategy has a long track record, and during this time has built up a reputation with investors seeking outperformance. Our fund managers seek to add value through the active management of risk and return across a range of factors such as market allocation duration and yield curve management, credit strategy and security selection.



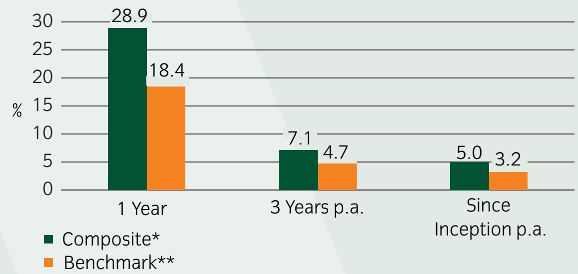
*GIPS® – Fixed, European Aggregate, C0332. Inception: 31/07/00.
** Barclays Capital European Aggregate (unhedged).

European Credit

- **Making best use of opportunities:** this strategy targets returns in excess of the Barclays Capital Europe Aggregate Credit (unhedged) index. Our Euro credit portfolios invest actively across the credit spectrum in Europe, looking to profit from opportunities in both the bond and derivative markets.
- **Excellent management techniques:** our portfolio managers seek to add value through active management of risk and return across a broad range of investment opportunities using proprietary management techniques. These diversified sources of added value include market allocation, duration and yield curve, credit strategy and security and currency selection. In combination, they are used to build portfolios that we believe will meet our clients' objectives.

European Credit Composite

Performance in EUR terms 31/03/10



*GIPS® – Fixed,European Credit, C0322. Inception: 31/08/05.
** Barclays Capital Europe Aggregate Credit (unhedged).

Absolute Insight Credit Fund[2]

- **'Best ideas' Fund:** this Fund follows a multi-strategy investment approach searching for idiosyncratic credit opportunities, with the ability to take long or short directional views, while targeting high risk-adjusted returns from alpha and beta opportunities.
- **Broad investment universe:** this includes investment grade and high yield corporate bonds, asset-backed securities, loans and cash instruments. In addition, a wide range of derivatives are used both for investment and hedging purposes.
- **Superior risk management:** this is applied through a multi-dimensional and integrated risk management framework.
- Representative performance is not available for this Fund as the Fund has not yet been running for a sufficient period of time.

[2]Pooled Fund, minimum investments apply. Source: Insight Investment. Returns shown are GIPS compliant. A full disclosure report is available on request. All performance data is shown in EUR and is gross of fees. All figures are to 31 March 2010.

The team

Our key credit personnel have an average industry experience of 10 years[3]. They are supported by our highly-focused and specialised team of credit analysts. The team is arranged with each analyst taking responsibility for individual market sectors for which detailed credit analysis and report writing is undertaken. Junior analysts focus on investment grade names, while senior analysts cover investment grade and high yield.

Our investment professionals are specialists, not generalists. Each has their own focused area of market expertise, which gives us the skills and resources to analyse every investment opportunity available to us and to maintain the diversity and precision which lie at the heart of our long-term track record. This means that individuals within specialist teams are encouraged to focus on a particular area of the market and put findings and recommendations to their team.

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 €111.9 billion in assets under management[3] 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 government, charities and other financial institutions.

[3]As at 31 March 2010.

Find out more

For further information, please contact:

Institutional Business Development
business.development@insightinvestment.com
020 7321 1547

International Business Development
internationalsales@bnymellon.com
+44 (0)20 7163 2367

www.insightinvestment.com

Telephone calls may be recorded.