Core capabilities

European Fixed Income

FOR PROFESSIONAL CLIENTS ONLY. NOT TO BE DISTRIBUTED TO RETAIL CLIENTS

Expertise

Over the past few years, our reputation as one of the UK's leading fixed income fund managers has enabled us to increase our presence beyond our home territory.

Our business objective is to be regarded as the manager of choice in the European market place for fixed income.

Our success has been driven by our commitment to create tailored solutions to meet our clients' investment needs. We continue to develop industry-leading investment processes, which target the most attractive risk-adjusted returns from a broad range of opportunities.

Investment philosophy

Our team takes a global view of markets, managing eurozone, US, Japan, UK and emerging markets fixed income assets.

We aim to provide clients with consistent outperformance. We believe that the most effective way to do this is through a combination of precision and diversification.

Precision means that our portfolios target precise opportunities. All bonds have a number of risk components. We assess these risks separately to identify mispricings, targeting only those risks that offer attractive returns, while eliminating unintended and unwanted risks.

Diversification means a willingness and ability to find a broad range of uncorrelated opportunities rather than focusing on a particular source of return. 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, foreign currency and security selection.

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

Precision and diversification are not new concepts, but we believe that the way in which we combine and apply these is a unique and repeatable approach that has proven results.

Our investment process aims to target returns from a wide range of sources. To produce consistent returns our process must be flexible enough to cope with different points in the economic cycle, and different market conditions.

We focus on risk as much as return and organise our team in specialist units to constantly identify a variety of investment opportunities. By doing so, we are able to construct portfolios that have sound risk-adjusted performance.

Five areas of our investment process:

1 Market allocation
2 Duration and yield curve
3 Credit strategy
4 Security selection
5 Currency selection

→ Investment process → Bond portfolio

Market allocation, duration and yield curve

As part of our overall research process, portfolio managers look at macroeconomic and microeconomic influences on interest rates, government bonds, inflation-linked bonds and corporate bonds. Credit sectors and individual securities are analysed by our in-house credit analyst team. Around 85% of the team's research is generated internally. All research emphasises the risk as well as opportunities of each potential position.

We also determine the relative attractiveness and risk/reward profiles of different countries within the eurozone. This is based on factors such as financing needs, competitiveness and current market conditions.

Market allocation, duration and yield curve positioning have historically been strong drivers of returns for our government and aggregate bond portfolios, and would typically be expected to deliver around half of the overall performance target. Market allocation uses portfolio manager research to take views on different markets according to our views on the global and local economies and markets. This means taking a view on the attractiveness or otherwise of inflation-linked bonds as well as overseas government bonds.

The timescale of our investment process is both strategic and tactical. The strategic element is based on our long-term expectations for the relevant bond market, based primarily on fundamental economic analysis. We also look at short-term, tactical considerations such as the possible impact of bond auctions or technical factors. Finally, we incorporate a proprietary momentum model designed to capture strong trends within markets.

Credit strategy

Credit managers have the flexibility to increase or reduce risk budget 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.

Security selection

Our credit analyst team is one of the largest in-house teams in the UK. We cover pan European and global investment grade, high yield and asset-backed securities, as well as emerging market debt.

The selection of individual securities is a key source of added value within both government and non-government investment. Using proprietary measures of yield and price movements for securities relative to others of similar maturity, we are able to add value through conventional and index-linked security selection.

Within corporate bonds we apply a quantitative filtering system to identify securities which have greatest potential to add to investment returns. Those securities are researched both via bottom-up detailed company research and through analysis of market value. Only attractive opportunities at the right level of valuation are included in our client portfolios.

Currency selection

We believe that where possible, management of underlying bond assets should be separated from the management of the total currency exposure. The strength and sophistication of our dealing, settlement and risk systems allow us to use various instruments to ensure that the portfolio currency exposure is not dependent on the currency exposure of the underlying assets.

For portfolios that allow it, we put in place active currency overlays. Our currency strategies are derived from a philosophy that currencies in the larger currency blocs are driven by relative monetary policy. Trends in these policies tend to be slow and long-lasting, creating slow and long-lasting currency moves. However, in the short-term, these long-term trends can be outweighed by other factors. We therefore also look at cyclical demand dynamics, and non-macroeconomic influences such as sentiment, momentum and skew in the options markets.

Risk management

Understanding and measuring risk in any portfolio is a key factor in producing consistent performance. Depending on the fund mandate, we allocate risk across the various sources of return. We do this by using a proprietary system called Units of Risk. This approach allows us to consider risk both on a stand-alone basis as well as in terms of overall portfolio effects.

Effective risk management is also a strategic objective at Insight. We believe that our risk systems are among the most sophisticated and rigorous in the industry. Our system is capable of measuring risk on the full range of investment instruments including swaps and other derivatives, allowing proper assessment of the most complex types of portfolios. The system is flexible enough to carry out live daily comparisons with any benchmark, allowing the building of tailored client investment solutions where appropriate.

Strategies and performance

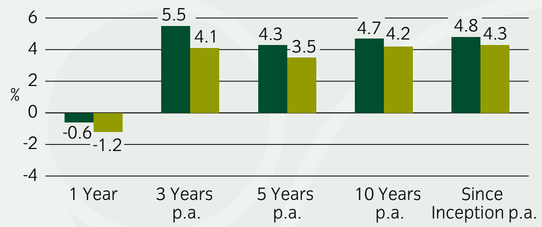
Please find below a selection of our European fixed income strategies:

European Government Bonds

- **Large and established:** the eurozone bond market is the world's second-largest fixed income market. This strategy provides access to a wide range of securities, issued by governments and related entities.
- **Team of specialists:** We have a large, well-resourced team of specialists that enable them to cover every aspect of the market with dedicated expertise.

European Government Bonds Composite

Performance in EUR terms 31/10/11



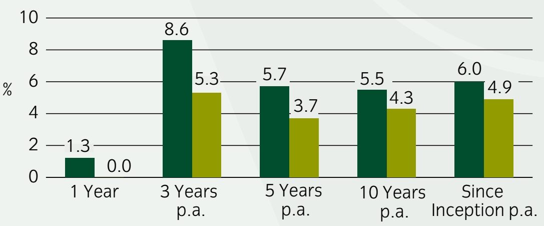
GIPS®- Fixed, European Government, C0008. Inception: 31/12/98.
iBoxx Euro Sovereigns Bond index.

European Aggregate Bonds

- **Attractive mix:** 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 strong long-term record, and 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.

European Aggregate Bonds Composite

Performance in EUR terms 31/10/11



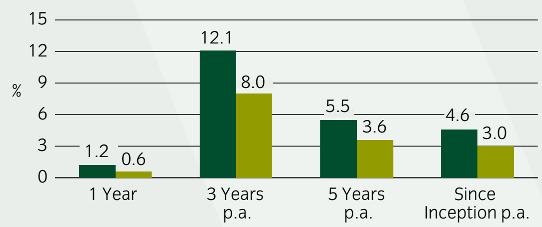
GIPS® - Fixed, Euro Aggregate, C0332. Inception: 31/07/00.
Barclays Capital Euro Aggregate (Unhedged).

European Credit

- **Sector and stock allocation:** this strategy invests actively across the credit spectrum in Europe, looking to profit from opportunities in both the bond and derivative markets. Strategies in duration and yield curve provide additional sources of return and a hedging mechanism, although the principal source of return remains sector and stock selection.

European Credit Composite

Performance in EUR terms 31/10/11



GIPS®- Fixed, Euro Credit, C0322. Inception: 31/08/05.
Barclays Capital Europe Aggregate Credit (Unhedged) .

Please note the value of investments and any income will fluctuate and is not guaranteed (this may be partly due to exchange rate fluctuations). Investors may not get back the full amount invested.

Source: Insight Investment. Returns shown are GIPS compliant. A full disclosure report is available on request. All performance data is shown in EUR and gross of fees.

Our team

Our fixed income team is one of the largest in the UK marketplace and our team of 47 investment professionals have an average of 15 years of industry experience[1].

All our fixed income professionals are specialists focused on specific areas of expertise that combine to provide us with in-depth knowledge of the broad range of opportunities available to us. Thus, we have specialists in government and inflation-linked bonds, corporate bonds, money markets, asset backed securities, loans, emerging markets, high yield and currencies.

Our teams are all located at our London office. A combination of close proximity and regular meetings means that ideas and opinions can be continuously exchanged and fed directly into decision-making.

We offer access to the full fixed income spectrum via pooled and segregated solutions.

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 has €176 billion in assets under management[1] 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.

[1]As of 30 September 2011 represented by the value of physical securities and liability benchmarks.

Our awards

We have been recognised as a leader in our field with successes marked by industry awards and accolades.

FT Business Pension and Investment Provider Awards

Overseas Fixed Income Manager of the Year 2010
Currency Manager of the Year 2010

European Pensions Awards

Fixed Income Manager of the Year 2010

Find out more

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