

FOR INVESTMENT PROFESSIONALS ONLY, NOT FOR ONWARD DISTRIBUTION

Expertise

Insight Investment is one of the UK's largest active fixed income managers. This success 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 fixed income team's success has resulted in a considerable increase in assets under management. We have an established presence in the UK pensions market and continue to launch innovative new solutions and develop tailored specialist bond mandates.

Investment philosophy

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. Any bond has several distinct components of risk and return such as market risk, credit risk and security risk. We assess these risks separately, and will only target those risks that offer attractive returns, while eliminating unintended and unwanted risks.

Diversification means a willingness and ability to find a broad range of opportunities rather than focusing on a particular source of returns. 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.



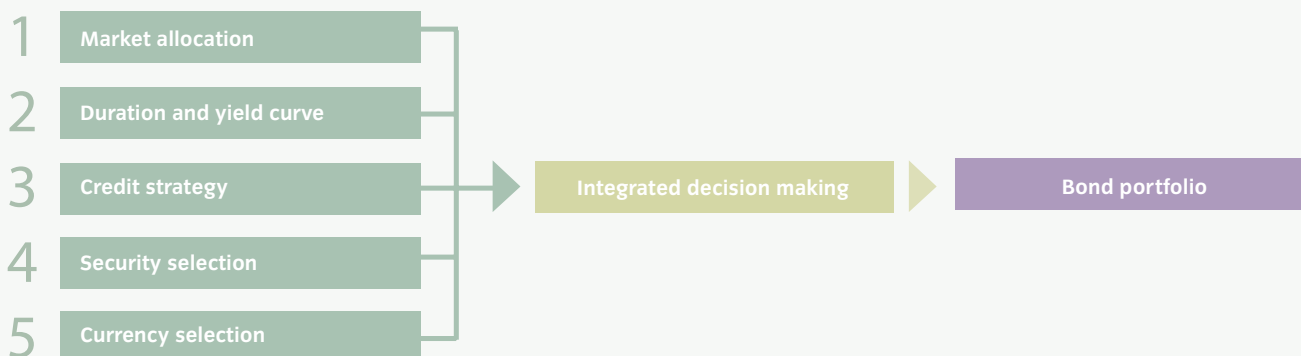
Precision and diversification are not new concepts, but we believe that the way in which we combine and apply these is a unique and repeatable approach that has proven results.

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.

Fixed income investment process:

Five areas of our investment process:



Market allocation, duration and yield curve

As part of our overall research process, portfolio managers look at macroeconomic and microeconomic influences on interest rates, relative market value, inflation-linked bonds and corporate markets. 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.

Market allocation, duration and yield curve positioning has historically been a strong driver of returns for our 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 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 allocations to credit depending on economic factors and the attractiveness of credit markets compared to supranational bonds. 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 investment grade, high yield and asset-backed securities in the UK, Europe, US and emerging markets.

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 consistent 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.

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 client's mandate, we allocate risk across the various sources of return. We do this by using a proprietary system. 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 a strategic objective at Insight. We believe that our risk systems are among the most sophisticated and rigorous in the industry. Our systems are 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 systems are 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 UK strategies:

ILF Sterling Cash

- **Accessible and more stable alternative to short-term deposits:** this strategy provides you with access to your funds with simple administration and web-based reporting.
- **Professional and active investment management:** expert managers actively seek to secure capital preservation as well as a competitive return.

UK Aggregate Bonds

- **Diversified exposure:** this strategy typically has a mix of gilts, corporates and index-linked bonds. While corporate bonds are typically more risky than government bonds, their central appeal is that they offer higher yields than those available on government securities, offering the potential for higher returns over the longer term.

UK Government All Maturities Bonds

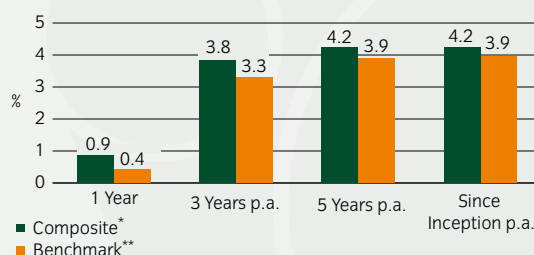
- **Large and established:** this strategy provides access to one of the world's oldest and largest markets for government bonds aiming to maximise investment returns over the medium to long term in all market conditions. In practice, our core principle of diversification involves the construction of a portfolio which not only contains a wide spectrum of UK gilts of all maturities but which contains additional investments where opportunities to add value are identified.

UK Corporate Long Maturities Bonds

- **Attractive opportunities:** the corporate credit universe contains a very wide range of issuers which our credit analysts screen on a regular basis to formulate research priorities. A list of the most attractive opportunities is maintained and reviewed with the credit portfolio managers. This process is used to select those securities with the greatest potential to add to investment returns.

ILF Sterling Cash Composite

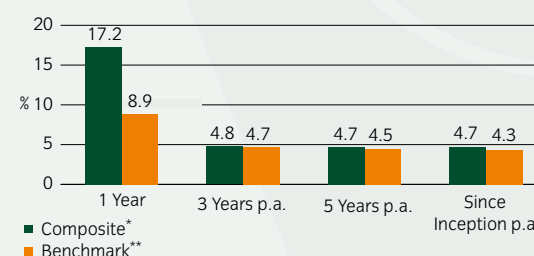
Performance in GBP terms 31/03/10



*GIPS® – Fixed, ILF Cash, 7 Day LIBID Liquidity, C0410. Inception: 31/12/02.
**7 Day Sterling LIBID.

UK Aggregate Bonds Composite

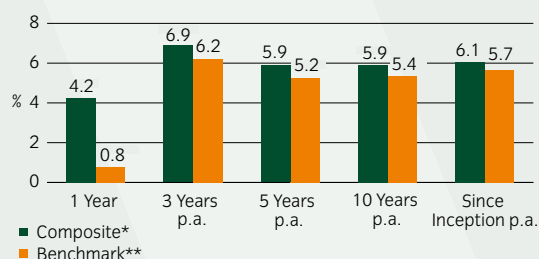
Performance in GBP terms 31/03/10



*GIPS® – Fixed, UK All Stocks OEIC, C0620 Inception: 30/11/04.
**IBoxx £ Overall TR.

UK Government All Maturities Bonds Composite

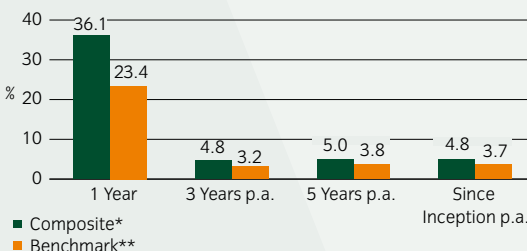
Performance in GBP terms 31/03/10



*GIPS® – Fixed, FTA BG All Stocks Segregated, C0406. Inception: 30/04/98.
** FTSE A British Govt All Stocks.

UK Corporate Long Maturities Bonds Composite

Performance in GBP terms 31/03/10



*GIPS® – Fixed, UK Non-Gilts 10+ OEIC, C0622. Inception: 30/11/04.
** IBoxx £ Non-Gilt 10+TR.

The team

Our fixed income team is one of the largest in the UK marketplace, our team of 47 investment professionals have an average of 14 years of industry experience³.

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, 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 is a leading asset manager, with £99.9 billion in assets under management³ 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.

³As at 31 March 2010.

Find out more

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