

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

The Absolute Insight Currency Fund seeks to provide an uncorrelated source of alpha by exploiting opportunities created by the impact of relative supply and demand for global currencies. The Fund forms part of the Absolute Insight range of Funds.

The focus of the Fund is to generate long term-capital growth primarily by maintaining well-diversified exposure to a wide range of global currencies, using a full range of derivative instruments including futures, forwards and options. The portfolio managers aim to maximise return while minimising risk with the ability to use a combination of qualitative and quantitative techniques. The portfolio managers will take directional views on currencies, as well as expressing a view on currency volatility. The Fund operates within a liquid, regulated UCITS III structure.

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.

The Fund

- **Aims for positive absolute returns over rolling 12-month periods in all market conditions** – by maintaining well-diversified exposure to a wide range of global currencies.
- **Macro-discretionary approach** – the Fund makes use of a macro top down investment process with a strong money management discipline, looking to exploit short-term tactical inefficiencies in a generally efficient market.
- **Strong performance** – track record dating back to 28 February 2007, displaying low volatility and high risk-adjusted returns.
- **Investment process used to identify cyclical trade ideas** – combined with strong money management discipline to ensure optimal timing for implementation of trade ideas.
- **Investment universe** – the Fund invests in a wide range of primarily developed market currencies, predominantly using currency forward contracts and currency options.
- **Advantageous fee structure** – the performance fee only applies when returns are over and above the cash benchmark and are subject to a high water mark.

Key benefits

- Potential for positive returns over rolling twelve month periods in all market conditions
- Captures ‘best ideas’ for the asset class, executed in a way that seeks to generate lower levels of volatility, allowing capture of upside while minimising downside risk
- Low correlation with most major asset classes, providing portfolio diversification benefits
- Highly liquid asset class, driving lower trading costs and minimising liquidity risk
- An award-winning team with a strong track record

AWARDS AND RATINGS

UK Pensions Awards

Currency Manager of the Year 2011

FT Business Pensions and Investment Provider Awards

Currency Manager of the Year 2010

Past performance is not a guide to future performance.

The approach

- **Sources of alpha** – a currency rate is a price and like any other price, it is driven by relative supply and demand factors. The Fund focuses on determining the drivers of that relative price in order to generate alpha.

Insight's expertise

- **Dedicated currency team** – fully integrated within the investment infrastructure of Insight, benefiting from a wider pool of resources.
- **Superior risk management** – applied through a multi-dimensional and integrated risk management framework.

UCITS III vehicle

- **UCITS III compliant** – The Fund is a sub-fund of Absolute Insight Funds plc, an Ireland-domiciled open-ended investment company.

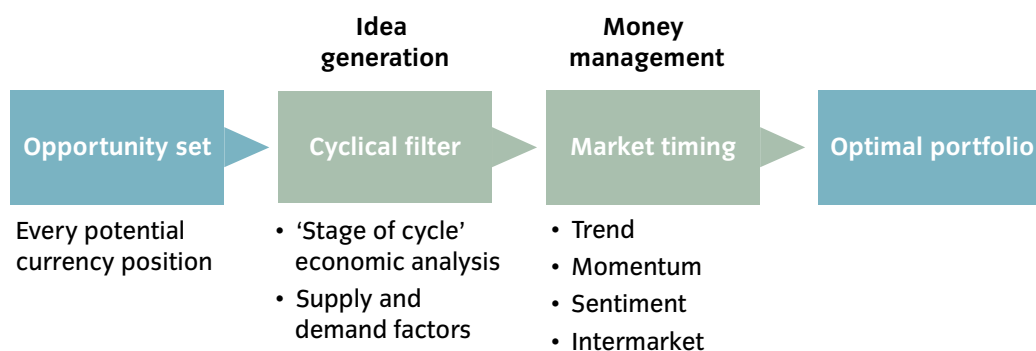
Investment approach

The currency team has adopted a macro-discretionary management approach that has been developed to exploit opportunities in the market. It provides a strong analytical framework within which the investment team can take discretionary positions and add value to the portfolio.

Our robust investment process combines long-term valuations, cyclical economic and volatility analysis, along with timing tools in a single process.

The second stage filtering of potential opportunities using technical market measures, results in an optimal portfolio of high quality currency decisions while the structured but flexible framework generates repeatable performance over the economic cycle.

Figure 1: Framework for maximising currency decisions



Opportunity set: Using a base of cash and near cash instruments the Fund primarily invests in a wide range of developed market currencies, using predominantly currency forward contracts and currency options, taking long and short positions with a view to maintaining a diversified portfolio.

Cyclical analysis: Currency values are driven by changes in the economic and interest rate cycles of the relevant countries. The portfolio manager identifies where different economies are in these cycles and how this will drive relative currency movements.

Market timing: Currency markets exhibit high levels of volatility around cyclical trends. Our process uses a number of proprietary market price based tools, to determine good entry and exit points for our trades.

Our investment process is designed to maximise return while minimising risk using these key building blocks. Market timing filters based on a consistent set of variables are used to identify opportune entry and exit points for discretionary currency management trades. The portfolio manager has full discretion on selecting the optimal instrument to express a view.

Low correlations to other asset classes

One of the main advantages of a discretionary approach to active management of currency is that it has a proven lack of correlation with global bonds, equities, commodities and property, making it an excellent diversifier within a portfolio.

Absolute Insight Currency Fund	Correlation
FTSE All Share	-0.23
S&P 500	-0.31
Corporate bonds	-0.20
UK Gilts	-0.03
Commodities	-0.17
IPD All Property Index	-0.22
JPM EMBI Global	-0.36

Source: Insight, Rimes and Bloomberg, as at July 2011. Correlations are calculated using monthly returns since inception of the Fund apart from UK Property and Emerging Market Debt indices which are calculated using monthly returns. Fund inception date: 28.02.07.

Highly liquid market

The foreign exchange market is the most heavily traded market in the world, with currency being the single most liquid asset class. Investing in foreign exchange is one of the purest ways to play macroeconomic themes, as currencies tend to move together with changes in their countries' underlying economic conditions. The Fund is predominantly invested in developed market currencies.

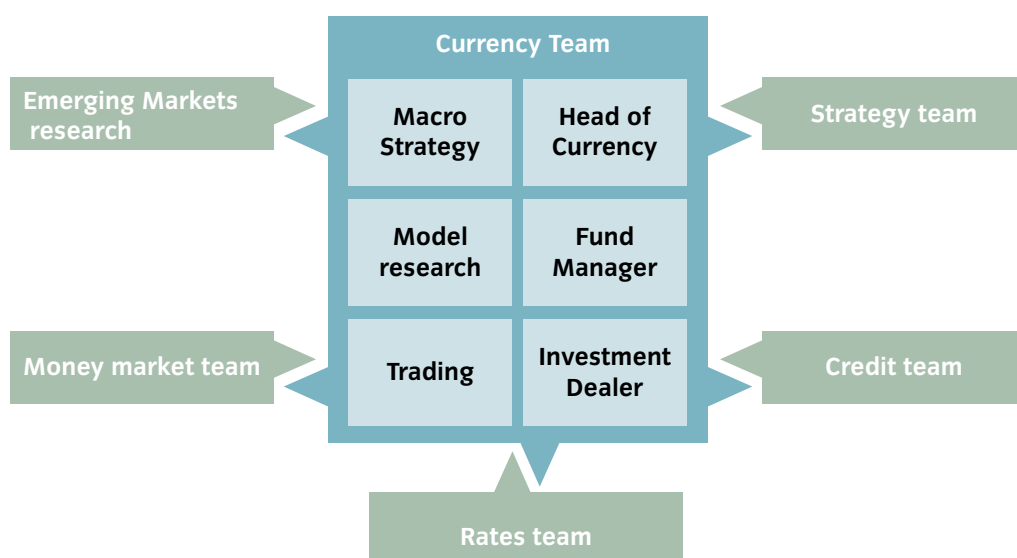
Due to the large volumes of the foreign exchange market, transaction costs tend to be relatively low, making this more suited to an active currency trading strategy.

Specialist currency team

The Currency Team is part of Insight's wider Fixed Income Team. The most important aid to decision-making is ensuring effective communication between our fixed income analysts, portfolio managers and traders. In addition to constant informal interaction, a formal structure of daily, weekly and monthly meetings has been designed specifically to allow individuals to express their investment views in a structured and process-led environment.

The below chart demonstrates the input that the Currency Team receives from other areas of Insight's Investment platform.

Figure 2: Drawing on resources from Insight's investment teams:

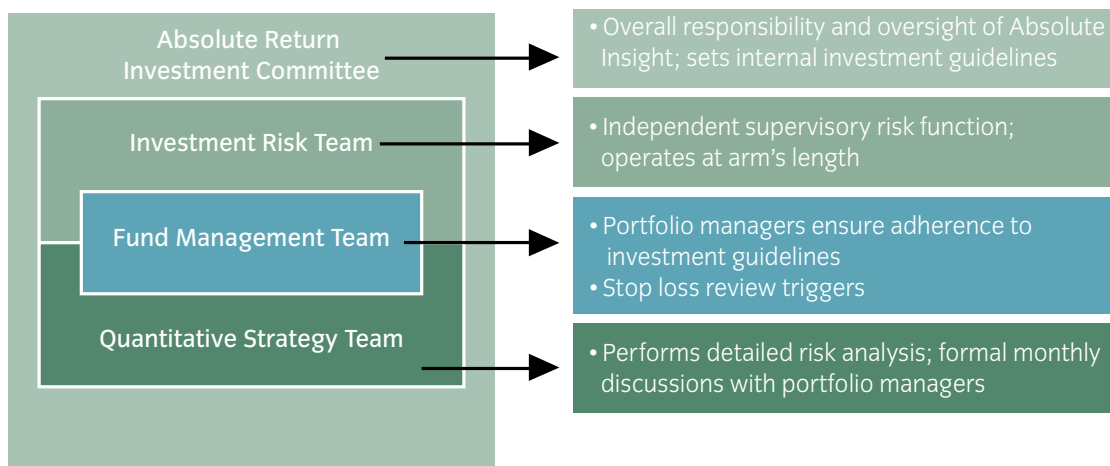


The Currency Team is part of the wider Fixed Income unit and is therefore fully integrated within the investment infrastructure of Insight, benefiting from a wider pool of resources.

Risk management

Multi-dimensional risk management

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 **Investment Risk 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.

Risk parameters

As a sophisticated UCITS III fund, the Fund is subject to a series of criterion as required by the regulator. In addition, we have imposed a series of constraints and limits which are consistent with the Fund's investment objective. The Fund is constrained by the following:

- gross exposure
- VAR
- stress tests

Counterparty risk

Insight's **Risk Management Team** monitor and ensure compliance with all aspects of business risk including the use of derivatives. We have a clear process for the selection of approved counterparties. We apply credit guidelines and maintain a list of approved counterparties, which is continually monitored and formally reviewed on a regular basis.

UCITS III vehicle

The Fund complies with UCITS III regulations in regard to liquidity, transparency, diversification and risk management. Under these UCITS III risk regulations, where a Fund invests in complex derivative for investment purposes, one of the recommended methodologies for monitoring risk is VaR and our portfolio managers have to measure the VaR on a daily basis. The VaR is calculated using a five year time horizon, based on the maximum drawdown over a five day holding period with a 99% confidence. In addition, internal UCITS III guidelines also require stress testing on at least a quarterly basis. However, we do not use VaR in isolation but as part of our multi-dimensional risk management approach. This is supported by our risk teams, internal guidelines and regular stress tests, as outlined in the section above.

Fund specifics

Objective	To provide attractive, positive absolute returns in all market conditions
Investment universe	Exposure to global currencies via a full range of derivative instruments and or liquid or near cash assets
Investment strategy	Macro-discretionary approach, looking to exploit short-term tactical inefficiencies in a generally efficient market
Scheme type	Open Ended Investment Company, UCITS III
Domicile/Listing	Ireland/Irish Stock Exchange
IMA classification	Absolute Return
Benchmark	Sterling 3-month LIBID (defined as LIBOR minus 0.125% per annum)
Inception date	28 February 2007
Share classes	Accumulation shares
Currency denomination	Sterling, euros, US dollars and yen
Annual Management Charge (AMC) ¹	Institutional (B1p) 1%, Retail (Ap) 1.5%
Performance fee	10% of any performance in excess of the benchmark return and net of AMC (subject to high water mark as defined in the prospectus)
Dealing frequency	Daily
Valuation basis	Swinging single price
Platforms	Ascentric (FundsDirect), Aviva, Axa, Cofunds, Hargreaves Lansdown (Vantage), Novia, Nucleus, Transact, 7im

¹ AMC for other share classes may vary. For full product details please refer to the Funds Prospectus, available on our website.

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 responsible for assets under management of £137.3 billion² across fixed income, liability driven investment, cash management, multi-asset, absolute return and specialist equity strategies. We manage money for pension funds, sovereign wealth funds, insurance groups, local government, charities, private investors and other financial institutions.

² As of 30 June 2011 represented by the value of physical securities and liability benchmarks.

Our team

Dale Thomas

Head of Currency

Dale joined Insight in April 2003 following the acquisition of Rothschild Asset Management Limited (RAM). He is Head of Currency Management within the fixed income team with responsibility for currency allocation. He is also responsible for research on the US economy. Dale joined RAM in 1995 where he was responsible for Japanese research, overseeing currency research and the management of non-dollar bond portfolios. Before joining RAM he spent six years at the Bank of England, where as a Manager in foreign exchange his brief included the monetary and fiscal policy implications of exchange rate movements, the inter-relationship between currency and bond markets, and credit issues associated with currency markets. Dale holds a BA honours degree in Mathematics from Kings College, Cambridge University, a MSc in Operational Research from Lancaster University and a Post-Graduate Certificate in Economics from London University.

Max Wahl

Portfolio Manager, Absolute Insight Currency Fund

Max joined Insight in April 2003 following its acquisition of RAM. Within the fixed income team, he is a member of the currency team which is responsible for currency allocation across ex-UK funds. Max joined RAM in 1998 as a graduate trainee within their international bond team. Max holds a BSc honours degree in Economics from the London School of Economics and Political Science and is an Associate Member of the CFA Society of the UK.

Richard Nibloe

Portfolio Manager, Investment Dealer, Fixed Income

Richard joined Insight in April 2003 following the acquisition of Rothschild Asset Management Limited (RAM) as both a foreign exchange portfolio manager and dealer within our currency team. Richard's investment career began in 1985 when he joined the treasury division of NM Rothschild and Sons where he spent 13 years trading in a variety of areas, including foreign exchange and precious metals. He transferred to RAM's trading team in 1998 and progressed to be Assistant Director of foreign exchange dealing. He has considerable experience in trading differing instruments, including running options books and trading metals products.

Find out more

For further information, please contact:

Institutional Business Development

business.development@insightinvestment.com
020 7321 1547

Wholesale Business Development

brokersupport@bnymellon.com
0500 66 00 00

International Business Development

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

Consultant Relationship Management

consultantrelations@insightinvestment.com
020 7321 1209

Client Relationship Management

cddirect@insightinvestment.com
020 7321 1499

www.insightinvestment.com

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