INSIGHT LIQUID ABS FUND

OPPORTUNITY

The Insight Liquid ABS Fund aims to generate an attractive level of yield from short-dated high quality, liquid asset-backed securities (ABS).

- High credit quality with over 90% of securities having a credit rating of AAA
- Focus on daily liquidity management and will therefore have a high allocation to instruments with short maturities
- Potentially attractive alternative to money market-instruments that offer low or negative yields
- Aims to benefit from investing in ABS, an asset class on which the European Central Bank is focusing its asset-purchase programme
- Potentially suitable to generate LIBOR-based returns for the floating-rate part of a swap or gilt-based hedging strategy within a liability driven investment (LDI) solution

SNAPSHOT

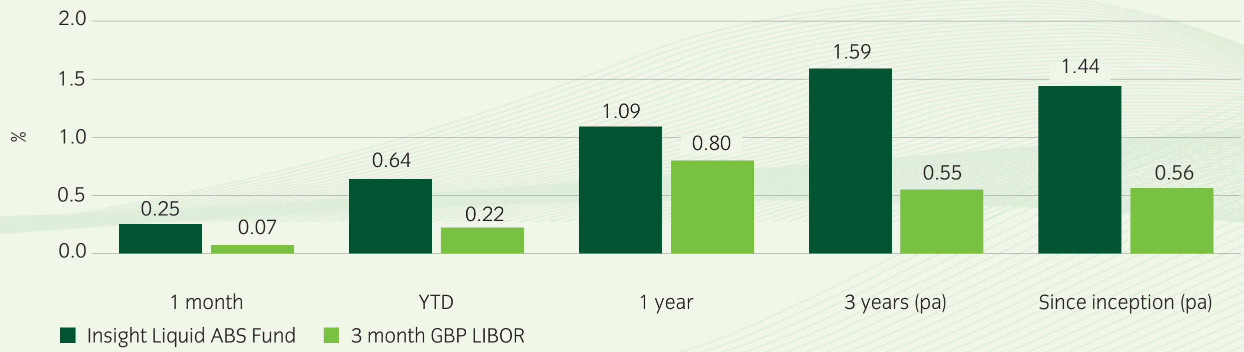
Performance target: The Fund aims to achieve a return of 3-month sterling LIBOR plus 0.5% on a rolling 3-year basis, gross of fees and expenses. The aim is to achieve this by investing in a portfolio of liquid ABS and corporate floating rate notes (FRNs)

Universe: ABS and FRNs including, but not limited to, residential mortgage-backed securities, commercial mortgage-backed securities, money market instruments, fixed rate bonds, currency, swaps and the Insight Liquidity Funds

Credit quality: Subject to a rating of at least AA- at the date of purchase or, if unrated, deemed to be of equivalent quality by the manager

Rating: AAA/V2 from FitchRatings

PERFORMANCE



Source: Insight as at 31 March 2019. Inception January 2015. The Fund's returns are shown for share class S £ Acc and quoted gross of annual management charge and net of irrecoverable withholding tax and are not grossed up for charges applied to underlying unitised holdings. All returns over one year are annualised.

INVESTMENT PROCESS

There are four stages to our investment process. This process is the same as that adopted for the Insight LIBOR Plus Fund:

1. Asset screening: Our defensive philosophy and the scope of the opportunity set means we can decline around 80% of the available investments whilst retaining the prospect of high risk-adjusted returns. Our approach to sector strategy is to identify preferred sectors and exposures based on economic analysis and the management of diversification. With regard to our issuer universe, we cover approximately 150 issuers with the bulk of our active trading occurring in some 60 to 70 issuers.

2. Qualitative analysis: The starting point for our qualitative analysis is top-down in nature and focused on the current economic environment and our outlook. The different stages of the economic cycle will directly impact key variables such as unemployment, property prices and interest rates. These are taken into account by our models, giving us a good understanding of how different environments may impact our holdings. Another critical aspect of our top-down analysis is considering the quality of the originating institution as defined by their financial strength and loan underwriting standards. We also consider how they service and deal with both performing and non-performing borrowers.

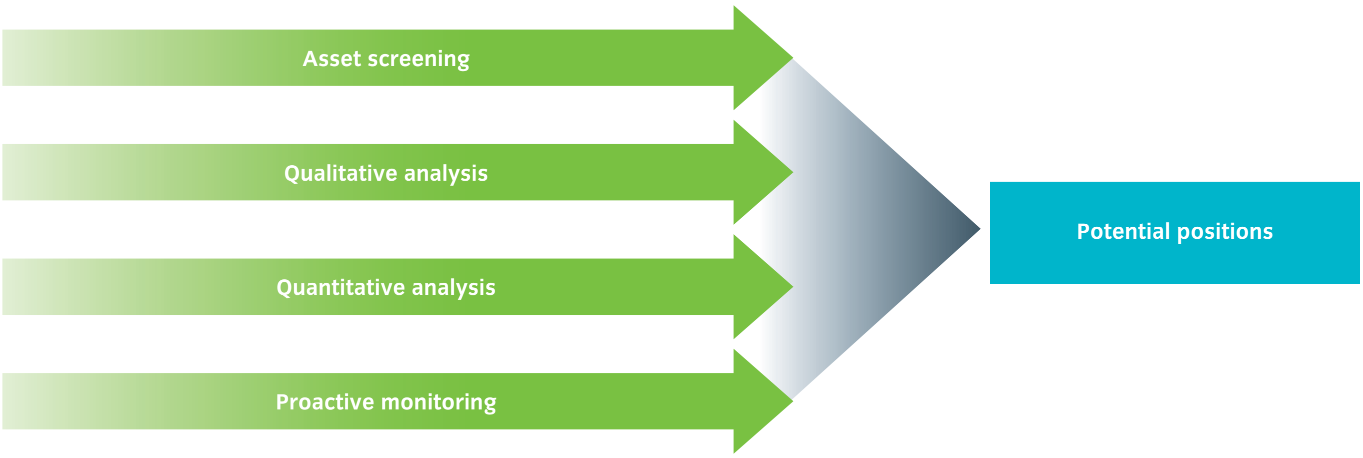
Our qualitative analysis is also bottom-up in approach. We undertake similar steps as the original underwriter in looking at the characteristics of a bond's collateral. For example, on a residential mortgage backed security we look at variables such as the loan-to-value (LTV) ratios of the mortgages in the pool, the borrowers' debt to income ratio and the geographic spread of borrowers. We will then consider the historical performance of the collateral within the bond since issue, examining arrears, defaults, losses, etc.

Our access to proprietary macroeconomic forecasting tools and our deep understanding of mortgage-originating practices allows us to select what we believe to be the highest quality investments.

3. Quantitative analysis: A combination of our proprietary analytics and third party systems allow us to price investments accurately and conservatively. We use our models to predict how high the losses can be on a collateral pool, based on individual loan level analysis, and stress test each deal to see what it can withstand before losses occur.

4. Proactive monitoring: Our surveillance systems enable us to spot potential problems quickly, allowing us to exit positions in a timely fashion.

Figure 1: Investment process



THE TEAM

- Insight's Fixed Income Group, comprises 115 investment professionals with an average of 17 years' industry experience, and manages mandates comprising over £129.2 billion of assets[1]. Insight ranked number one for Fixed Income with UK consultants in the Greenwich Associates survey for the fifth consecutive year[2].
- The strategy is managed by portfolio managers Jeremy Deacon and Tristan Teoh. Jeremy joined Insight in October 2010 as a structured credit analyst. Previously, he worked at CQS where he was responsible for monitoring their ABS fund and also analysed European RMBS and CMBS. Tristan joined Insight from Morgan Stanley May in 2012 where he was responsible for pricing and structuring commercial and residential mortgage loans.
- Support is provided by analysts Justyna Kochanska and Pritesh Solanki. Justyna joined Insight in February 2016 as an analyst with a primary focus on CLOs and other structured finance products. Prior to Insight, she worked at Moody's as their primary ratings analyst for CLOs and ABS SME transactions. Pritesh joined us an analyst in May 2015 having spent two years at MKP Capital Europe as an associate portfolio manager.

[1] As at 31 March 2019. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL)) and Insight North America LLC (INA), each of which provides asset management services. [2] Source: Greenwich Associates survey 2018, GICF FI-18 fixed income overall. Results are based on interviews with 13 UK consultants evaluating fixed income managers.

INVESTMENT CAPABILITY

Table 1: Comparison of Insight's liquid, short-dated strategies

	Liquid ABS	LIBOR Plus	Global ABS	Secured Finance II	Secured Finance
Benchmark	3 month LIBOR	3 month LIBOR	3 month LIBOR	3 month LIBOR	3 month LIBOR
Outperformance target (bp)	50	200	200	300	400
Structured Credit	100%	95%	95%	60%	60%
Secured Loans	0%	5%	5%	30%	30%
Geographic focus	Global	Europe	Global	Global	Global
Weighted average maturity	1.4 years	3.2 years	3.9 years	4-7 years	3.1 years
Spread over LIBOR	**+78bp**	**+162bp**	**+180bp**	**+314bp**	**+359bp**
Rating					
Average Rating	**AAA**	**AAA**	**AA**	**BBB**	**BBB**
Below IG max	0%	0%	0%	15%	15%
Notice period	Four days	Same day (subscriptions), previous dealing day (redemptions)	Four days	Fifth business day prior to relevant dealing day (subscriptions) First business day of the third month preceding the relevant dealing day (redemptions)	Fifth business day prior to relevant dealing day (subscriptions) First business day of the third month preceding the relevant dealing day (redemptions)

ABOUT INSIGHT INVESTMENT

- Insight Investment has over the past 15 years built a unique investment platform that delivers to clients outcome-oriented investment solutions. We currently manage £648bn.
- Our clients are among the most sophisticated institutional investors in the world and include leading pension funds, sovereign wealth funds, corporations and insurers.
- We build portfolios aimed at an outcome, in partnership with clients. Our investment strategies are designed to evolve to meet changing needs and stay ahead of market developments.
- We were among the first asset managers to bring institutional-quality processes and transparency to absolute return investing.
- Insight is at the forefront of developing new ways of investing, providing institutional investors with access to innovative investment strategies, coupled with robust risk management techniques. We were a pioneer in recognising the unrewarded nature of currency risk and the importance of liabilities. Liability-driven investment (LDI) has been a significant contributor to protecting funding levels for pension funds over the past decade.

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FUND DETAILS

Objective	To generate a return for investors mainly through investment in a portfolio of liquid asset backed securities (ABS) and corporate floating rate notes (FRNs)
Benchmark	3 month GBP LIBOR
Target	Aims to achieve its objective on a rolling 3-year basis, targeting 3-month sterling LIBOR plus 0.5% on an annual basis, gross of fees and expenses
Universe	ABS and FRNs including, but not limited to, residential mortgage-backed securities, commercial mortgage-backed securities, money market instruments, fixed rate bonds, currency, swaps and the Insight Liquidity Funds
Fund manager	Shaheer Guirguis
Scheme type	UCITS
Domicile	Ireland
Base currency	GBP
Share classes	GBP, EUR, USD
Annual charge	Annual management charge 0.15%, B share class
Umbrella	Insight Global Funds II plc
Notice	Four business days
Settlement	Same business day
Income frequency	Quarterly
Dealing frequency	Daily
Registration	Registered for sale in UK and Ireland
Credit quality	Subject to a rating of at least AA- at the date of purchase or, if unrated, deemed to be of equivalent quality by the manager
Rating	AAA/V2 from FitchRatings

IMPORTANT INFORMATION

RISK DISCLOSURES

Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

The performance results shown, whether net or gross of investment management fees, reflect the reinvestment of dividends and/or income and other earnings. Any gross of fees performance does not include fees and charges and these can have a material detrimental effect on the performance of an investment.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. Strategies which have a higher performance aim generally take more risk to achieve this and so have a greater potential for the returns to be significantly different than expected.

Portfolio holdings are subject to change, for information only and are not investment recommendations.

ASSOCIATED INVESTMENT RISKS

Fixed income

Where the portfolio holds over 35% of its net asset value in securities of one governmental issuer, the value of the portfolio may be profoundly affected if one or more of these issuers fails to meet its obligations or suffers a ratings downgrade.

A credit default swap (CDS) provides a measure of protection against defaults of debt issuers but there is no assurance their use will be effective or will have the desired result.

The issuer of a debt security may not pay income or repay capital to the bondholder when due.

Derivatives may be used to generate returns as well as to reduce costs and/or the overall risk of the portfolio. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.

Investments in emerging markets can be less liquid and riskier than more developed markets and difficulties in accounting, dealing, settlement and custody may arise.

Investments in bonds are affected by interest rates and inflation trends which may affect the value of the portfolio.

Where high yield instruments are held, their low credit rating indicates a greater risk of default, which would affect the value of the portfolio.

The investment manager may invest in instruments which can be difficult to sell when markets are stressed.

Where leverage is used as part of the management of the portfolio through the use of swaps and other derivative instruments, this can increase the overall volatility. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Any event that adversely affects the value of an investment would be magnified to the extent that leverage is employed by the portfolio. Any losses would therefore be greater than if leverage were not employed.

While efforts will be made to eliminate potential inequalities between shareholders in a pooled fund through the performance fee calculation methodology, there may be occasions where a shareholder may pay a performance fee for which they have not received a commensurate benefit.

FIND OUT MORE

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