

# LOAN FUND

## OVERVIEW

- The Loan Fund aims to provide investors with LIBOR-based returns over a market cycle, investing mainly in senior secured loans
- The Fund is conservatively managed, focused on fundamentals and aims to provide strong risk-adjusted returns.

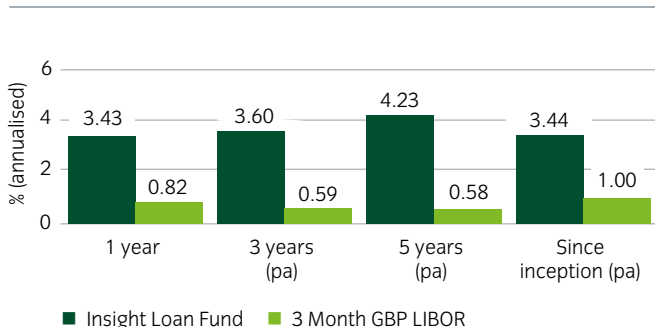
The Fund seeks to achieve its investment objective mainly through investment in a portfolio of high quality loans, primarily senior loans, with an allocation to other debt including second lien and mezzanine loans as well as other loan classes. The focus is on loans from the UK, Europe and the US.

The investable universe of syndicated senior secured loans for well-established corporates includes those which are used to fund acquisitions, undertake refinancings to improve balance sheet efficiency and for leveraged buy-out transactions. These facilities typically pay higher rates of interest than vanilla corporate loans and are seen as an attractive asset on a risk-adjusted basis. They are usually positioned at a more senior level than bonds and therefore benefit from higher levels of collateral protection.

The Fund is conservatively managed and positioned at the higher quality end of the loans market, with the majority of the loans rated B or BB. The Fund's managers use a repeatable investment process, executed in a risk-controlled environment. Default avoidance is a priority.

This process has produced strong long-term risk-adjusted returns: the Fund has a gross Sharpe ratio of 2.29 annualised over 5 years<sup>1</sup>.

### Performance<sup>1</sup>



<sup>1</sup> Source: Insight as at 30 September 2019. Inception 31 March 2008. The Fund's returns are shown for the S £ Acc share class 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

### Credit strategy

This is a top-down approach, which seeks to add value through diversified market and sector allocation decisions including credit rating allocation and credit beta management. Key decisions taken include which part of the loan market to have exposure to, which rating or seniority offers better value and what maturity is preferred.

### Strategic and tactical components

The strategic forecast for the market, over the next twelve months, is based primarily on fundamental economic analysis of our credit market segments. For each segment of the credit market, including loans, default rate forecasts are produced based on lending standards, interest rates, GDP forecasts, company earnings, current ratings and ratings outlooks. We combine this strategic forecast with our short-term, typically three month, tactical view. This takes investor positions and sentiment into account when considering how to time the allocation of the risk budget to the various parts of the loans market.

### Security selection

Our security selection process seeks to add value through bottom-up credit selection and avoiding defaults and large falls in individual security prices. This process is comprised of several stages:

- **Deal sourcing** – the loan team ensure access to the widest range of opportunities both in the primary and secondary markets
- **Pre-screening** – the goal of our pre-screening process is to filter a large universe of names into a far more manageable list, taking into account factors such as sector and deal size
- **Credit appraisal** – after narrowing down the universe, a credit appraisal is completed on the credits that the Fund could potentially invest in, to identify attractive investment opportunities
- **Value/pricing** – our specialist team of dealers work closely with the loan team and external brokers or lead arrangement banks
- **Portfolio management** – once an investment has been made, it is continuously monitored

## FUND SNAPSHOT

Objective	To produce an annual interest-based return, primarily through investment in a portfolio of loans, with a target of LIBOR +250bps
Benchmark	3 month LIBOR
Investment universe	<ul style="list-style-type: none"><li>• Senior loans (at least 51% of the Fund's NAV)</li><li>• Bonds (not more than 20% of the Fund's NAV)</li></ul> In pursuit of its investment objective, the Fund may invest in derivatives (including but not limited to credit default swaps), high yield securities, corporate debt securities, liquid or near-cash assets and collective investment schemes.
Launch date	31 March 2008
Legal structure	QIAIF
Base currency	GBP, EUR and USD share classes available
Minimum investment	£1 million (sterling share class B) €2 million (Euro share class B) US\$2 million (USD share class B)
Domicile	Ireland
Listing	Irish Stock Exchange (share class S)
Pricing	Single swinging price
Liquidity/dealing	Monthly subscription and redemption
Reporting	Semi-annual, annual reports and accounts and quarterly factsheets
Custodian	Northern Trust Fiduciary Services (Ireland) Limited
Administrator	Northern Trust International Fund Administration Services (Ireland) Limited

## ABOUT INSIGHT INVESTMENT

Insight Investment is a leading asset manager focused on designing investment solutions to meet our clients' needs. Launched in 2002, Insight is responsible for assets under management of €802.7bn<sup>2</sup> across absolute return, fixed income, liability-driven investment, cash management, multi-asset, specialist equity strategies and currency risk management. We manage money for pension funds, sovereign wealth funds, insurance groups, local government, charities, private investors and other financial institutions.

## 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.

<sup>2</sup>As at 30 September 2019. 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 (IIL) and Insight North America LLC (INA), each of which provides asset management services. Insight's assets under management are represented by the value of cash securities and other economic exposure managed for clients.

## OUR TEAM

The Fund is managed by the European high yield and loan team. This team is part of Insight's Global Fixed Income Group. The group comprises 116 fixed income investment professionals, with an average of 17 years industry experience, managing €163.4 billion of fixed income assets<sup>2</sup>. The team is built on specialist knowledge, experience and proven ability to generate strong performance and is organised into dedicated areas of specialism.



**Lorraine Specketer**  
Portfolio Manager,  
Leveraged Loans

Lorraine joined the Fixed Income Group at Insight in July 2007 to help establish and manage the loan platform and is the portfolio manager for the Loan Fund, as well as being responsible for Insight's leveraged loan investments more widely. She has a wide range of contacts in the European loan market and a broad range of transactional experience across both leveraged and CRE loan deals. She has been closely involved in the design and oversight of Insight's loan processes and has extensive knowledge of Insight's loan management systems. Prior to joining Insight, Lorraine worked at Bayern LB for five years, latterly as an associate in the Acquisition & Leveraged Finance Team where she was part of a deal team that sourced and transacted loans. Lorraine graduated from the University of Bath with a BA (Hons) degree in French, German and European Studies. She also holds the Investment Management Certificate from the CFA Society of the UK.

## ASSOCIATED INVESTMENT RISKS

### Fixed income

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 bonds are affected by interest rates and inflation trends which may 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.

### FIND OUT MORE

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## VOLCKER DISCLOSURES

The fund described in this document meets the definition of a covered fund under Volcker regulations, that is, a domestic or foreign hedge fund, private equity fund, venture capital fund, commodity pool or alternative investment fund (AIF) that is sold in a private, restricted or unregistered offering to investors who must meet certain net worth, income or sophistication standards or is sold to a restricted number of investors. Generally, any such fund is not registered with a securities/commodity regulator and therefore cannot be offered to the general or retail public unless the investor meets some type of qualification to demonstrate the investor doesn't need the protection of the securities or commodities regulations.

- Any losses in the fund will be borne solely by investors in the fund and not by BNY Mellon (including its affiliates); therefore BNY Mellon's losses in the fund will be limited to losses attributable to the ownership interests in the fund held by BNY Mellon and any affiliate in its capacity as an investor in the fund or as beneficiary of a restricted profit interest held by BNY Mellon or any affiliate.
- Ownership interests in the fund are not insured by the FDIC, are not deposits, obligations of, or endorsed or guaranteed in any way, by BNY Mellon. Neither BNY Mellon nor any of its controlled affiliates (which includes the fund's general manager/ managing partner/ investment adviser), may directly or indirectly, guarantee, assume, or otherwise insure the obligations or performance of the fund or of any other covered fund in which the fund invests.
- Investors should read the fund's offering documents before investing in the fund. Information about the role of BNY Mellon, its controlled affiliates, and their employees in sponsoring or providing services to the fund are described in the Volcker Rule section of the offering documents.

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