



# ABSOLUTE INSIGHT CREDIT OPPORTUNITIES

## OPPORTUNITY

**Alpha-seeking credit:** The strategy aims to generate returns from across the credit spectrum, targeting a large proportion of returns from alpha, rather than being reliant on market returns.

**'Best ideas' portfolio construction:** The strategy combines Insight's robust fixed income investment process with a multi-strategy, long-short investment approach to credit.

**Unconstrained:** The performance of the strategy is measured against cash, rather than an index benchmark, therefore the portfolio managers can focus on the areas of the market where they feel value can be added. In negative markets the strategy is not constrained by having to track a falling index.

**Flexible, transparent:** The strategy seeks to combine the advantages of traditional asset management such as transparency, regulation and liquidity with benefits available to hedge fund strategies such as flexibility and access to the use of derivatives.

**Robust process and risk controls:** The strategy's managers follow an established investment process which is monitored and overseen by an independent risk team.

**Experienced, well-resourced team:** The strategy is managed by an experienced team with an attractive long-term track record, who are supported by investment professionals across Insight's Fixed Income Group.

## SNAPSHOT

**Strategy inception:** June 2009

**Strategy assets:** \$283.8m<sup>1</sup>

**Investment objective:** Provide attractive, positive absolute returns in all market conditions

**Interest rate duration profile:** Zero +/- 2 years

**Credit spread duration profile:** Zero +/- 3.5 years

**Quality profile:** Blend of long/short exposures across investment grade and sub-investment grade

**Sharpe ratio:** 1.09 (gross), 0.82 (net) since inception<sup>2</sup>

**Investment universe:** Investment grade and high yield corporate debt, structured credit such as asset-backed securities (ABS), loans, convertibles and cash instruments, along with a wide range of derivatives such as credit default swaps (CDS) on single names and indices, interest rate and inflation swaps, futures, forwards and options

**Investment approach:** Fully flexible long-short credit strategy

**Portfolio manager:** Alex Veroude

**Portfolio manager experience:** 22 years industry experience, 12 years at Insight

**Availability:** Separate account (minimum size \$100m)

**Strategy offered by:** Insight North America LLC

<sup>1</sup>As of March 31, 2018. Insight North America (INA) is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Insight Investment International Limited. Insight's assets under management are represented by the value of cash securities and other economic exposures, and are calculated on a gross notional basis. Advisory services referenced herein are available in the US only through INA. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates.

## PERFORMANCE<sup>2</sup>



Past performance is no assurance of future returns. Investment in any of these strategies involves a risk of loss. The value of investments and the income from them can fall as well as rise and are not guaranteed, investors may not get back the original amount invested. The performance results shown are net and gross of investment management fees and reflect the reinvestment of dividends and/or income and other earnings. Gross of fees performance results do not reflect the deduction of investment advisory fees; as such, client's returns will be reduced by the investment advisory fees and other expenses. Please refer to the important disclosures and index descriptions at the back of this document.

<sup>2</sup>Source: Insight as of March 31, 2019. Performance statistics for the Absolute Insight credit opportunities strategy are in USD and, unless otherwise specified, are net of 1% annual management charge and 10% performance fee. USD strategy inception: October 31, 2011 (USC0770SCUSD). The underlying strategy launched in June 2009. The quoted benchmark does not reflect deductions for fees, expenses or taxes. The benchmark is unmanaged and does not reflect actual trading. There could be material factors relevant to any such comparison such as differences in the volatility, and regulatory and legal restrictions between the index shown and the strategy.

## INVESTMENT PHILOSOPHY

Insight's fixed income investment philosophy focuses on the delivery of consistent performance by virtue of two key investment principles: precision and diversification. While neither concept, if looked at individually, is necessarily unique, it is the way our investment managers combine and apply them that we believe is a unique approach to investment management.

### Precision

We believe in building portfolios that target precisely sources of added value that reflect our prevailing investment views. This means that when we assess investment opportunities, we seek to include only those elements of market risk that we consider attractive, and aim to eliminate unintended risks. Investing with this degree of precision is a key ingredient in seeking to achieve consistent, repeatable performance.

### Diversification

Diversification across credit strategies and instruments can minimize risks. We believe that steady and superior long-term portfolio returns can be generated by covering a wide range of credit investment opportunities as opposed to a narrow focus on any particular source of added value. Consequently, our portfolio managers seek to add value through active management of risk and return across a broad range of investment opportunities using proprietary management techniques.

Our philosophy and process applied to fixed income portfolios has been in place since 2003. Our investment process is continually evolving through the changing market as we continually seek to improve all aspects of our day-to-day operations; however our core philosophy and process remains unchanged.

### Investment philosophy



<sup>4</sup>Manager makes no assurance that performance targets will be achieved.

## SAMPLE GUIDELINES<sup>3</sup>

### Aggregate exposure limits

- Net exposure limit: +/-150% of portfolio
- Gross exposure limit: 250% of portfolio
- Credit spread duration: Zero +/- 3.5 years
- Interest rate duration: Zero +/- 2 years
- Equity related securities (including convertibles) excluding derivatives: 15% of portfolio
- High yield securities, excluding derivatives: 50% of portfolio
- Net single corporate issuer: +/-10% of portfolio
- The value of all securities in which a portfolio invests more than 5% cannot exceed 40% of the portfolio's total value

### Stop-think mechanisms

- The strategy employs a 3% of portfolio 'stop-think' trigger applied on a rolling 20-day basis at aggregate portfolio level

<sup>3</sup> For illustrative purposes only.

## THE TEAM

- Insight's global Fixed Income Group is built on specialist knowledge, experience. The group is organized into specialist units, which enables us to maintain the diversity and precision which lie at the heart of our long-term track record.
- The Credit Team, led by Alex Veroude, includes over 48 credit analysts who are responsible for providing security and sector recommendations to our portfolio managers. The team is arranged with each analyst taking responsibility for either individual industry groups (e.g. consumer non-cyclicals) or specific sub-sectors within the credit asset class (e.g. ABS).

Where an analyst is covering an industry they will cover issuers within that industry across the entire rating spectrum from investment grade to high yield.

- The Credit Team surveys a universe of over 1,100 issuers and aims to screen out companies where there is either insufficient or inadequate financial reporting, where there is no or very limited access to management, or where our analysts have identified other areas of significant concern.

## WHY THE ABSOLUTE INSIGHT CREDIT OPPORTUNITIES STRATEGY?

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The strategy follows a multi-strategy investment approach searching for opportunities across the credit spectrum. The strategy's broad investment universe includes investment grade and high yield corporate debt, structured credit such as asset-backed securities (ABS), loans and cash instruments. It also includes with a wide range of derivatives such as credit default swaps (CDS) on single names and indices, futures, forwards and options.

The investment rationale is primarily to identify idiosyncratic credit opportunities and exploit pricing anomalies in the markets. Additionally, the strategy will also take long or short directional views. The range of strategies which might be used by the portfolio managers include carry, momentum (long or short credit), special situations (distressed), tactical macro and basis active duration management, as well as risk-hedging across credit, interest rate and equity markets.

This strategy offers investors an alternative to a traditional, fixed income benchmark index approach, with a two significant potential benefits:

**Alpha generation:** opportunities are more easily accessible with diversification in credit markets and segments. By contrast an index approach offers limited alpha generation potential as most indices are generally concentrated in efficiently priced market sectors.

**Directional risk or beta tilt:** the strategy takes directional views on the different parts of the credit universe through either physical bond holdings or derivative strategies. The strategy will also implement tail risk hedging strategies when markets look vulnerable or investment risk becomes asymmetric.

## ABOUT INSIGHT INVESTMENT

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Insight Investment is a leading investment manager with key operations in the UK, Germany, US, Australia and Japan. Through its predecessor companies, Insight has a 25-year history in North America and manages \$844bn globally. It is built on three main pillars: fixed income; absolute return and unconstrained investment; and risk management solutions:

- Insight's global fixed income team has a demonstrated long-term track record both for performance and innovation.
- Risk management solutions have played a significant role in the Insight story. In Europe, members of Insight were pioneers in liability-driven investment.
- Insight has been managing currency risk for two decades.
- Insight has a decade-long history of applying institutional-quality processes and governance to absolute return and unconstrained mandates.
- We understand the complex requirements of insurers through substantive team experience.

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## FIND OUT MORE

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Past performance is not a guide to future performance, which will vary. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes). Future returns are not guaranteed and a loss of principal may occur.

Certain performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios that they manage and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV. A full description of INA's advisory fees are described in Part 2A of Form ADV available from INA at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Targeted returns intend to demonstrate that the strategy is managed in such a manner as to seek to achieve the target return over a normal market cycle based on what Insight has observed in the market, generally, over the course of an investment cycle. In no circumstances should the targeted returns be regarded as a representation, warranty or prediction that the specific deal will reflect any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment.

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Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown.

LIBID (the London Interbank Bid Rate) is the average interest rate which major London banks borrow eurocurrency deposits from other banks. LIBID is calculated through a survey of London banks to determine the interest rate which they are willing to borrow large eurocurrency deposits. 3-month USD LIBID is calculated as a monthly return based on the average month's daily 3-month USD LIBID annualised rates. The average is deannualised and then compounded on a daily basis for the month.

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