



CURRENCY MANAGEMENT SOLUTIONS

OPPORTUNITY

'Hidden' currency risk. The global currency market can be viewed as a complex system, populated by a broad range of diverse participants, each pursuing different investment objectives and with varying time horizons. Currencies are prone to extreme moves, owing to structural breaks in drivers of currency or market cycles. Sources of return and generators of loss can shift rapidly with significant portfolio consequences. Currencies exhibit multi-year trends that can erode an international asset portfolio (Figure 1).

Managing unintended risks and seeking additional returns. While it is generally accepted that unmanaged developed market currency exposure has no expected return, its susceptibility to exogenous factors can leave investors vulnerable to losses from unintentional risk. Equally, skillful investors can exploit these opportunities to capture value. At Insight, we have dedicated significant resources and intellectual capital over many years to developing specific currency expertise and delivering currency solutions to our clients.

SNAPSHOT

Long-standing philosophy: Actively managing currency risk since 1991

Risk management expertise: Informs our investment philosophy, process and business systems

Resilient alpha generation: Currency alpha approach offers the potential to add value in all market conditions

Flexibility of framework: Robust, integrated infrastructure supported by proprietary, market-leading currency trading system built to customize client-specific solutions

Strategy assets: \$50.1bn¹ in currency risk management exposures and an additional \$14.8bn² in currency strategy assets managed within fixed income portfolios

Availability: Separate account

Strategy offered by: Insight North America LLC

¹ As of March 31, 2019. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. See footnote on page 3 for more information. ² AUM figures shown consist of both unfunded mandates (where Insight is not responsible for investing the underlying assets) and fully funded mandates (where Insight is responsible for investing the underlying assets). For unfunded mandates the AUM figure represents the notional value of the assets or portfolio that the currency overlay is being run on. For fully funded mandates the AUM figure is the NAV of the assets being managed by Insight which have a currency overlay being run on them, for example fixed income portfolios that have an active currency overlay.

Figure 1: Currencies experience large protracted moves creating possible opportunities and costs



Source: Insight. Monthly data from November 2, 1993 to March 31, 2019. Currency contribution to returns for a US investor with a broad developed market allocation; exposures in data presented here are broadly in line with the MSCI World ex USA Index and include currencies from the eurozone, United Kingdom, Japan, Switzerland and Australia. This data is presented to illustrate the potential volatility that unhedged currency exposure may introduce to a portfolio invested across a range of developed market assets. The impact of unhedged currency exposure in a portfolio will vary, depending on the underlying asset allocation and currency market movements. ³ Currency effect on a portfolio with 15% allocation to international based on unhedged passive position from currency exposure and does not take account of investment fees.

CUSTOMIZED CURRENCY SOLUTIONS TO MEET A RANGE OF RISK AND RETURN OBJECTIVES

Insight Passive

Currency risk management is an established core activity. At Insight, we pride ourselves on delivering a highly-flexible and solution-driven offering that benefits from the same dedicated currency trading desk, state-of-the-art infrastructure, competitive pricing and trade efficiency as active mandates. Proprietary currency models monitor hedge levels and calculate adjustment trades. Tight operational and risk controls are embedded in the systems and processes. Passive hedging assignments receive the oversight of our experienced currency team. This framework can also be employed to deliver bespoke solutions with downside limits on realized cash flows or currency translation losses.

Currency Risk Management (CRM)

CRM, our flagship currency risk management strategy, has a 25-year track record. CRM is an active hedging program that is tailored to manage each client's foreign currency exposure and risk sensitivity. By applying hedges dynamically (i.e. increasing hedges when the base currency strengthens and reducing them to allow foreign currency strength to flow through to the portfolio) CRM seeks to add value over the client's passive strategic

currency benchmark through time. CRM is a systematic program that is supported by state-of-the-art infrastructure and an experienced London trading desk, with dedicated product specialists in New York.

Absolute Return Currency

The Absolute Insight currency strategy is focused on liquid currency markets to construct a widely-diversified portfolio. The investment approach is absolute return, discretionary macro, with an emphasis on downside risk control. It aims to provide a diversifying source of alpha with limited drawdowns. Our absolute return currency capability is managed by an experienced currency team within a large, well-resourced specialist fixed income group.

Combining Currency Solutions

Our systems and infrastructure are highly flexible and allow for seamless combination of the currency solutions above. Examples include a combination of passive hedging with an allocation to our Absolute Return Currency strategy or asset class level specific solutions on a segregated account basis.

Insight provides a range of currency solutions that offers a holistic approach to currency management

Insight Passive	Currency Risk Management	Absolute Return Currency
<ul style="list-style-type: none">Offsets foreign currency exposures and neutralizes translation impactStatic hedge ratio	<ul style="list-style-type: none">Seeks to protect against foreign currency losses while capturing gainsDynamically alters hedges	<ul style="list-style-type: none">Seeks positive returns in developed and liquid emerging markets in all market conditionsScalable absolute return orientation

THE TEAM

- The Currency Solutions Group comprises 23 investment professionals globally and is divided into a quantitative risk management team (Portfolio Management and Research), an established team of product specialists and a dedicated Currency Trading Team.
- Portfolio Management is headed in London by Rabia Shirazi, with local product specialists in North America led by Carl Mastroianni. The team is responsible for constructing and maintaining portfolios and communicating results. Carl has been with the firm for 14 years.
- The Research Team is responsible for maintaining and

enhancing the investment signals that inform our risk management solutions as well as undertaking proprietary research into the structure and characteristics of the global currency markets.

- Paul Lambert, with 29 years of industry experience, leads the Currency Alpha Team in London. The team undertakes fundamental and technical research to develop currency views and construct return-seeking portfolios.
- The trading desk is led by Richard Pursell in London, a 21-year veteran of the team. Richard also sits on various external advisory panels that address implementation of global regulatory changes.

INVESTMENT APPROACH

Insight Passive

Our objective for passive hedging is to reduce the foreign exchange risk from the client's international investments and to limit trading costs. As such, we regularly perform transaction cost analysis on client portfolios, including the recent hiring of a third-party provider as we aim to align our strategies with currency market trading activity. Insight's long-standing active approach to managing currency risk has driven the development of an integrated trading, risk management and reporting infrastructure, facilitating an institutional quality passive solution. We provide this service to institutional investors, either on a stand-alone basis or as a complement to an active currency strategy.

Currency Risk Management

Our CRM strategy employs a proprietary, quantitative model with highly-flexible framework to accommodate a range of client requirements. These include managing against any benchmark hedge ratio from 0% to 100%, adherence to a strict downside loss constraint and inclusion of a variety of value-adding elements. We expect to achieve this goal by adopting a modular approach that allows an overall strategy to be constructed from component parts. We believe one of Insight's key competitive advantages lies in the ability to understand and model currency risk (e.g., 3% relative to benchmark over a 12-month horizon with 98% confidence). The evaluation of currency risk with CRM is a highly-quantitative process that is built upon certain prior knowledge about the time-dependent nature of currency movements.

⁴As of March 31, 2019.

ABOUT INSIGHT INVESTMENT

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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Absolute Return Currency

We aim to build portfolios that precisely target sources of return that reflect our prevailing investment views. We include only those elements of market risk we consider attractive and seek to eliminate unintended risks. We believe good, consistent long-term performance is generated by covering a wide range of opportunities, and allowing no single source of alpha to dominate returns over time. Our investment process combines long-term valuation, cyclical economic and volatility analysis, along with timing tools in a single process. Quantitative tools support the fundamental decision-making process.

INSIGHT OFFERS EXPERIENCE, PARTNERSHIP CULTURE AND CUSTOMIZED CURRENCY SOLUTIONS

Outcome-oriented investment philosophy

- Collaborate with clients on tailored risk sensitivity and performance targets, build resilient stand-alone or combination portfolios aimed at achieving desired outcome and emphasize downside protection across all strategies

Experience and skill to tailor and execute currency program

- Over 20-year track record⁴ managing currency risk for US institutions, dedicated currency hedging and alpha teams and specialist currency trading team in London

Institutional quality infrastructure and risk controls

- Oversight by North American product specialists, integrated trading, risk management and reporting and competitive pricing and efficient trade execution

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.

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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