Insight INVESTMENT

STRATEGY PROFILE
SECURED FINANCE

OPPORTUNITY

Long-term investors are increasingly filling the space left by banks who continue to rebuild their balance sheets and scale-back their lending activities. We believe attractive returns are available to investors that can access private direct lending and related opportunities.

We believe the risk and return trade-off in the secured finance arena is compelling. These investment opportunities typically involve lending that is secured against a portfolio of physical assets providing investors with tangible security.

Enhanced yields are available relative to, for example, investment grade corporate bonds (Figure 1). In our view, the approximate 3.1% yield premium for investment grade secured finance assets is primarily a 'complexity premium' associated with sourcing, researching and investing in private debt, one component of secured finance. It is not a reflection of additional credit default risk. Indeed, compared to unsecured investment grade bonds, we believe high quality secured finance investments are likely to provide significantly higher levels of protection.

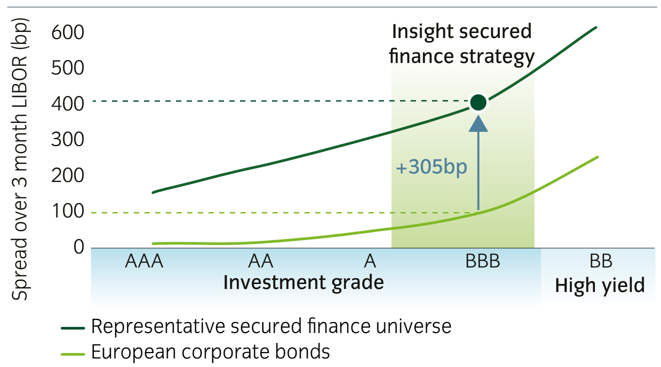
Secured finance provides a potentially attractive high credit quality alternative to multi-asset credit and leveraged credit which are historically volatile asset classes, subject to drawdowns and credit defaults. Using Insight's LIBOR plus strategy – managed by the same team that manages our secured finance strategy – for comparison purposes, we find a low correlation to multi-asset credit and absolute return bond funds[1].

For many investors, including pension funds, secured finance investments could provide a valuable bridge between the investor's return-seeking assets and their liability matching portfolios. Investments with contractual cash flows provide control and certainty over the timing of returns. The generally predictable nature of the return stream from these investments can potentially help long-term investors avoid inopportune selling-down of return-seeking assets to meet short-term cash flow needs.

In secured finance, Insight offers investors the following:

- The benefit of specialist skills and experience in sourcing, researching and investing in secured finance opportunities designed to exploit the 'complexity premium'
- Portfolios that aim to capture the yield premium over investment grade corporate bonds with equivalent risk ratings, with a focus on high quality, low risk opportunities
- Rigorous approach to risk management designed to measure lending risk, loan structure and security package
- Assets providing a floating rate which, unlike fixed rate bonds, may help mitigate the price impact of rising interest rates
- Broad and evolving opportunity set of private market opportunities, not available to all investors, which Insight can utilize for clients either on a pooled fund or a segregated basis
- Ability through segregated portfolios to tailor the return stream to meet client-specific needs and, if required, for the portfolio to be managed on a buy-and-hold-to-maturity basis
- Access to a wide opportunity set with additional benefits of low governance for investors and with Insight managing reinvestment of cash flows from the underlying investments, with access to some liquidity on a quarterly basis

Figure 1: Spreads available on secured finance assets



Source: Insight as of December 31, 2018.

SECURED FINANCE SNAPSHOT

A wide range of investment opportunities exists including those backed by the following collateral types. Each asset class can be accessed through a public market or a private market.

	Public	Private
Residential and consumer	RMBS	Mortgage, bridge, auto/card, warehouses
Commercial real estate	CMBS	Office, retail, hotel
Secured corporates	CLO's, whole business, securitizations	CLO/SME, warehouse

[1] Correlation analysis from March 31, 2011 (common date) through December 31, 2018. LIBOR Plus is a strategy managed by Insight investing in public asset-backed securities markets with a longer track record dating back to March 2011. Source: Bloomberg, Insight. [2] TBased on Insight data, the universe is comprised of residential and consumer-backed, commercial real estate-backed and secured corporate-backed public and private credit market assets. These benchmarks are unmanaged and cannot be purchased directly by investors. Benchmark performance is based on Insight data and is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison such as differences in volatility, and regulatory and legal restrictions between the indices shown, the secured finance universe and the strategy. [3] Represented by the following indices: BofA Merrill Lynch AAA European Corporate Index; BofA Merrill Lynch A European Corporate Index; BofA Merrill Lynch BBB European Corporate Index; BofA Merrill Lynch BB European High Yield Index.

WHY SECURED FINANCE?

Investors typically seek an enhanced return from credit by lowering credit quality, increasing duration, moving into deeply illiquid areas of the market or applying portfolio leverage. However, Insight believes that investors should consider strategies, such as secured finance, focused on extracting complexity and some illiquidity risk within a robust asset allocation framework. Secured finance markets can offer a compelling opportunity for investors who want to generate excess returns while preserving credit quality, and remaining relatively liquid and unlevered.

We believe the opportunity in secured finance is increasing as banks continue to face pressures to scale back their lending activities and boost capital held in liquid instruments such as government bonds. Insight anticipates that regulation will continue to drive the evolution of capital markets and that is creating a structural investment opportunity for non-bank lending strategies such as secured finance.

There are, however, barriers to market entry that will restrict the amount of capital that will flow into secured finance markets from traditional fixed income investors. For example, many investors are restricted by benchmarks, style biases, liquidity and resource constraints from considering opportunities outside of the bond markets.

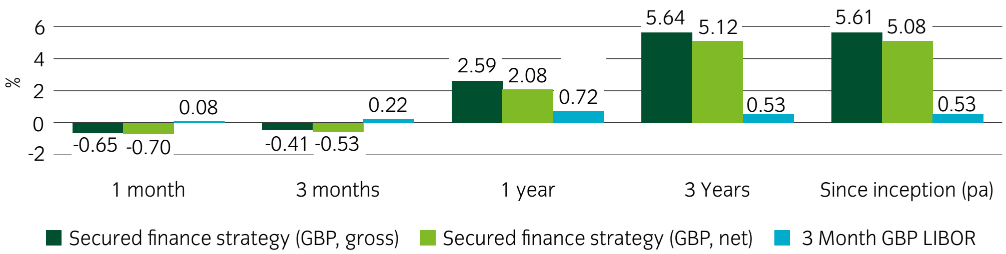
In our view, a premium is available from secured finance that is associated with the complexity of the underlying assets. Assessing risk and opportunity in secured finance requires a specific skill-set and an understanding of:

- Type and quality of the underlying assets
- Seniority of the credit risk and legal documentation
- Nature of any credit enhancements
- Prepayment risk
- Liquidity and mark-to-market risks

SECURED FINANCE STRATEGY – KEY FACTS

Strategy launch date: March 31, 2015 (EUR), November 30, 2015 (GBP)
Long-term target: 3% pa over 3-month GBP LIBOR (gross of fees and expenses) over rolling three-year periods[3]
Current spread: Annual yield spread over LIBOR of +381bp[3]
Investments: Secured finance opportunities which are senior in the capital structure and backed by portfolios of real assets. Currency and interest rate risk are hedged to low tolerances.
Credit quality: Investment grade (weighted average credit quality of BBB+). Maximum of 15% in sub investment grade rated assets
Liquidity: Quarterly (four month notice period for redemptions)

PERFORMANCE



Source: Insight as of December 31, 2018. Returns for the secured finance strategy (C0937) are shown in GBP. Strategy inception: November 30, 2015. 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.

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.

THE TEAM

- The Secured Finance Team is a specialist team of investment professionals overseeing $19.2bn[4] of secured lending across residential mortgages, supply chain finance, commercial real estate loans, corporate loans, ABS and CLOs. Led by Shaheer Guirguis, the team has complementary experience in secured finance transactions across market segments, transaction stage (e.g. origination, underwriting, valuation, structuring and modelling) and portfolio management.
- The Secured Finance Team is supported by the skills and capabilities in Insight's Fixed Income Group, of which the Team is a part. The Fixed Income Group numbers 115 investment professionals, with an average industry experience of 17 years[4].
- Insight's Fixed Income Group is built on specialist knowledge, experience and organized into specialist units, which enables us to maintain the diversity and precision which lies at the heart of our investment philosophy and long-term track record.

[4] Source: Insight, as of December 31, 2018. Please refer to disclosures at the back of this document.

INVESTMENT STRATEGY

The investment strategy currently seeks to allocate between what we believe to be the following attractive opportunities[5].

Public investments c.70%

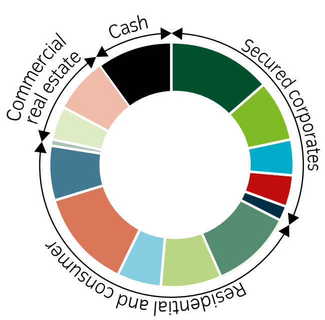
- Asset backed securities and CLOs: valuations currently appear to be attractive on assets that have a strong fundamental outlook; exceptionally low historical default track record

Private investments c.30%

- Residential and consumer financing: strong historical performance across credit cycles; full recourse lending against granular pools of assets
- Commercial real estate (CRE) loans: backed by high quality real estate with conservative income profiles and loan structures; lending at bottom of the cycle loan-to-values (LTV) to best of breed sponsors
- CLO and SME warehouses, diversified, short-dated, high-grade supply chain/trade finance paper

The information below shows the types of assets and their weightings within the secured finance strategy[5].Insight's active asset allocation model guides portfolio construction.

Figure 3: By asset type

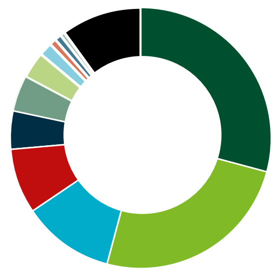


Leveraged Loan CLO's	13.7%
Small and medium-sized enterprise CLO's	8.1%
Whole business securitisation	4.6%
Trade finance	4.3%
SME finance	1.8%
Residential mortgage-backed securities	10.9%
Consumer finance	8.2%
Auto finance	5.7%
Non-performing loan finance	13.2%
Residential finance	7.1%
Credit card financing	0.8%
Commercial real estate loan	4.5%
Commercial mortgage-backed securities	7.2%
Cash	9.9%

Figure 4: By rating

AAA	11.3%
AA	5.7%
A	12.4%
BBB	59.2%
BB	11.4%

Figure 5: By geography



US	29.2%
UK	25.1%
Australia	11.3%
Pan-Europe	8.1%
Ireland	4.7%
Italy	4.4%
Spain	3.5%
Greece	1.5%
Finland	0.9%
Netherlands	0.8%
Portugal	0.5%
Germany	0.1%
Cash	9.9%

Figure 6: By maturity (years)

< 0.5	11.7%
<1	2.5%
<1.5	11.8%
<2	7.0%
<3	16.3%
<4	15.4%
<5	13.3%
>=5	22.2%

[5] The strategy allocations referenced herein should not be relied upon as a complete listing of the strategy's past investment decisions. Asset allocation weightings are subject to change without notice, represent Insight's present opinions only, may not represent current or future decisions and should not be construed as investment recommendations. [4] As of December 31, 2018. Each investor's portfolio is individually managed and may vary from the information shown.

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 $791bn 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

Insight Investment
200 Park Avenue, 7th Floor
New York, NY 10166
212-527-1800

Call charges may vary by provider.

Institutional Business Development
institutionalna@insightinvestment.com

Consultant Relationship Management
consultantsna@insightinvestment.com

Client Service Management
clientservicena@insightinvestment.com

www.insightinvestment.com

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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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Defined as 3 month GBP LIBOR minus 0.1% or 0.125%. The average is deannualized and then compounded on a daily basis for the month. The 3 Month GBP LIBOR index is calculated as a monthly return based on the average month's 3 Month GBP LIBOR daily annualized rates. LIBOR is the primary benchmark for short-term interest rates globally and is used as the basis for settlement of interest rate contracts on many of the world's major futures and options exchanges. Rates are quoted for a range of borrowing periods, ranging from overnight loans to 12 months, in a range of world currencies.