



# US CORE FIXED INCOME STRATEGY

## OPPORTUNITY

**Risk-aware bond strategy:** Navigating an evolving fixed income landscape characterized by rising yields, reduced liquidity, and increased market volatility can be challenging for investors.

An actively managed core fixed income strategy that seeks to maximize risk-adjusted excess returns with controlled volatility may provide investors with enhanced returns and a more stable investment option than a passively-managed core strategy.

The Insight US core fixed income strategy aims to offer investors a diversified, risk-controlled approach to gain broad market fixed income exposure. This can also serve as a stabilizing influence when added to riskier assets, such as equities, at the overall portfolio level.

**Diversified investment style:** The investment team manages credit, sector and duration risk through a diversified portfolio of primarily investment-grade fixed income securities while typically managing duration closely to its benchmark, the Bloomberg Barclays US Aggregate index. The strategy can invest up to 10% in out-of-benchmark sectors including high yield and tax-exempt securities. The strategy focuses on active portfolio management with an emphasis on sector allocation and security selection. The team employs bottom-up security selection, drawing on the expertise of Insight's extensive team of research analysts. The principle of diversification can add value through the use of broad and deep capabilities across the full universe of the fixed income market. The strategy seeks to outperform in all phases of the cycle and to do so with predictability and controlled volatility. Strong risk controls are integral to the management of the strategy.

**Experienced Team:** Our US portfolio management team averages over 25 years of experience and has expertise across all subsectors of the fixed income market. We have managed multi-sector core style strategies for over 20 years and have produced attractive risk-adjusted returns through multiple economic cycles.

## SNAPSHOT

**Strategy inception:** January 2005

**Strategy assets:** \$1,603.2 m<sup>1</sup>

**Benchmark:** Bloomberg Barclays US Aggregate index

**Target<sup>2</sup>:** To outperform the benchmark by 75bp pa and target a high information ratio over a full economic cycle

**Investment approach:** Strategy emphasizes sector allocation and security selection

**Duration profile:** Typically +/-20% versus the benchmark

**Quality profile:** Typical average credit quality AA, with up to 10% in below investment grade

**Investment universe:** Index sectors plus up to 10% in non-index sectors such as high yield, collateralized loan obligations, TIPs, and tax exempt securities

**Portfolio managers:** Gautam Khanna, CFA®, CPA, Gerry Berrigan, Jason Celente, CFA® and team<sup>3</sup>

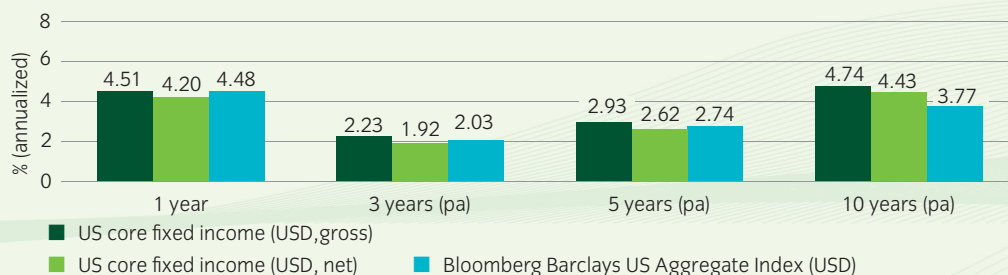
**Portfolio manager experience:** 25, 35 and 22 years industry experience respectively; 16, 25 and 22 years at Insight and its affiliates

**Availability:** Separate account with \$100 million minimum

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

<sup>1</sup> As of March 31, 2019. Not all strategy assets are measured against the benchmark.<sup>2</sup> Please see important disclosures at the back of this document. <sup>3</sup> CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

## PERFORMANCE



Data as of March 31, 2019. Performance presented is that of the US core fixed income strategy (USC5003) in USD. 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.

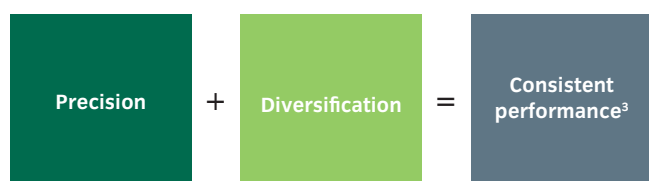
Past performance is not a guide to future performance. Investment in this strategy involves substantial risk of loss. The value of investments and the income from them can fall as well as rise and are not guaranteed, investors may not get back the original amount invested. The performance results are shown both net and gross of investment management fees and reflect the reinvestment of dividends and other earnings. Gross performance results do not reflect the deduction of investment advisory fees; as such, clients' returns will be reduced by the investment advisory fees and other expenses. Please refer to the disclosures and index definition at the back of this document.

## INSIGHT'S EXPERTISE

Insight's global fixed income team is deeply resourced and highly experienced. Our investment professionals are specialists, not generalists, in their area of expertise. Each has their own focused area of market knowledge, which gives us the skills and resources to analyze a very broad range of the investment opportunities available to us. We leverage our investment specialists to exploit the full universe of the fixed income market.

## INVESTMENT PHILOSOPHY

Our philosophy focuses on two key investment principles: precision and diversification. While neither concept, when viewed in isolation, is unique, it is the way our portfolio managers combine and apply them that we believe provides a highly differentiated approach to investment management.



**Precision:** In assessing investment opportunities, we seek to include only those elements of market risk that we consider attractive and we aim to eliminate unintended risks.

**Diversification:** We seek to add value through active management of risk and return across a broad range of investment opportunities using proprietary management techniques.

<sup>3</sup> Manager makes no assurance that performance targets will be achieved.

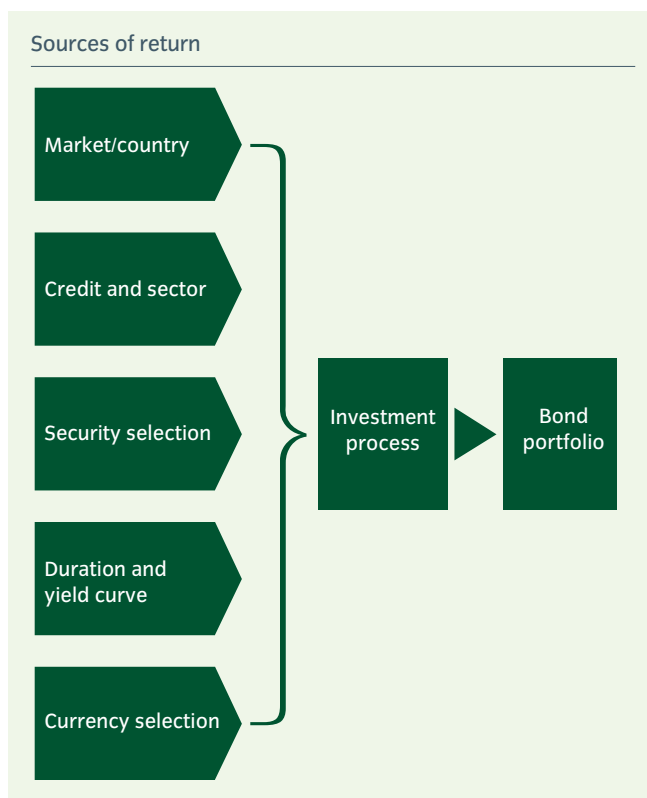
## THE TEAM

- Insight's global Fixed Income Group numbers 115 investment professionals with an average industry experience of 17 years.
- The US team is comprised of 35 fixed income investment professionals made up of analysts, portfolio managers and dedicated traders.
- Experienced and stable US investment team has an average of 18 years industry experience.
- The global Credit Team covers both corporate and structured sectors, includes 48 research 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 (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.

As of March 31 2019. Includes employees of Insight North America and affiliates.

## INVESTMENT APPROACH

There are five broad investment areas which we identify as the main sources of risk and potential added value within global fixed income portfolios. We believe that all these areas, which can vary over time, are equally important and can have an equally significant impact on portfolio performance. While we have the ability to use any of the sources of added value, for our US-centric portfolios the main drivers of alpha have been primarily focused on sector allocation, security selection, and duration and yield curve. Within the context of a global process, the main sources of added value vary by strategy and are depicted in the following chart:



## CREDIT AND SECTOR

Our sector allocation is based on a top-down approach that combines long-term strategic forecasts, shorter-term tactical views and observations of market trends. In addition, there is extensive bottom-up analysis to identify what we believe to be the most compelling investment opportunities for our clients.

## SECURITY SELECTION

In constructing the portfolios, portfolio managers bring together the inputs from our top-down global macro-economic analysis, US credit and sector strategy with the bottom-up individual security selection inputs from our credit analysts. Only what we consider to be attractive opportunities, at the right valuation, are included in our client portfolios. Typically, credit and securitized security selection and sector allocation will be the primary drivers of alpha within the portfolios.

## DURATION AND YIELD CURVE

When managing portfolio duration, we are taking a view on the direction of bond yields and interest rates. To achieve consistency across markets in this area, we have developed an approach based upon strategic, tactical and momentum decisions. Our strategic forecast for bond yields over the next 12 months is based primarily on fundamental economic analysis. Our tactical view of markets takes into account a much shorter period and also considers momentum.

## RISK MANAGEMENT

### Process

<b>Units of risk</b>	<ul style="list-style-type: none"><li>• Proprietary risk calibration process</li><li>• Linked to performance targets</li></ul>
<b>Risk systems</b>	<ul style="list-style-type: none"><li>• Advanced risk modeling, volatility forecasting and scenario analysis</li><li>• Tracking error and Value-at-Risk measures</li></ul>
<b>thinkFolio</b>	<ul style="list-style-type: none"><li>• Comprehensive portfolio analytics</li><li>• Pre-trade compliance checking</li><li>• Post-trade compliance monitoring</li></ul>
<b>Insight risk team</b>	<ul style="list-style-type: none"><li>• Specialist internal risk team</li><li>• Monitors investment and operational risk</li><li>• Board level representation within Insight</li></ul>

## SAMPLE GUIDELINES

### Typical parameters

- Maximum 5% exposure per issuer
- +/-20% in duration versus the benchmark
- Non-index exposure typically up to 10%, including below investment grade
- Minimum quality at purchase is BB-

## COLLABORATIVE APPROACH

Insight's approach is centered upon working closely with our clients to understand their requirements and agree upon the parameters of the mandate to ensure their target objective is met. We construct each portfolio on a tailored, segregated basis to reflect each client's unique requirements.

## 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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## FIND OUT MORE

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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 index 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.

The Bloomberg Barclays US Aggregate Bond Index is an unmanaged index composed of securities from the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

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