



# US SELECT INCOME STRATEGY

## OPPORTUNITY

**Opportunistic, income-oriented strategy:** The Insight US select income strategy's dynamic, multi-sector approach seeks to capture diverse sources of income and total return with an emphasis on managing downside risk. In the current low yield environment, investors seeking substitutes for core-style mandates that have been challenged to generate meaningful returns, may find a strategy that seeks to generate a high level of income with a focus on downside protection as an attractive alternative. This strategy has the flexibility to select securities across all sectors of the fixed income universe with the aim of capturing the best income generating ideas.

**Diversified investment style:** The investment team endeavors to manage credit, sector and duration risk through a diversified portfolio of primarily investment-grade fixed income securities while typically managing duration within 20% of its benchmark. The strategy focuses on credit with an emphasis on security selection, and active management of duration, yield curve and market allocations. The team employs bottom-up security selection, drawing on the expertise of Insight's extensive team of research analysts. Utilizing these resources across the full universe of the fixed income market, the strategy benefits from a diverse source of alpha opportunities. The strategy seeks to outperform in all phases of the cycle, and is designed 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. The team has managed multi-sector strategies for over 20 years and have produced attractive risk-adjusted performance through multiple economic cycles.

## SNAPSHOT

**Strategy inception:** January 2005

**Strategy assets:** \$832.1m<sup>1</sup>

**Benchmark:** Bloomberg Barclays US Credit Index

**Investment objective:** Income and total return focus with emphasis on managing downside risk

**Investment approach:** Adds value through credit focus, security selection, and active management of duration, yield curve, and market allocations

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

**Quality profile:** Typical average credit quality BAA1, with up to 25% in below investment grade

**Investment universe:** Focus on US investment grade credit plus high yield, loans, secured finance, global bonds and emerging market debt

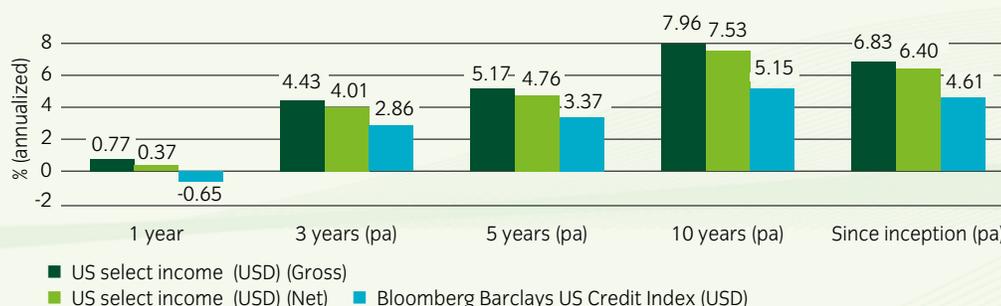
**Portfolio manager:** Gautam Khanna, CFA<sup>®</sup>, CPA and team<sup>2</sup>

**Portfolio manager experience:** 24 years industry experience and 15 years at Insight and its affiliates<sup>1</sup>

**Availability:** Separate account with \$100 million minimum, mutual fund

<sup>1</sup> As of June 30, 2018. <sup>2</sup> CFA<sup>®</sup> and Chartered Financial Analyst<sup>®</sup> are registered trademarks owned by CFA Institute.

## PERFORMANCE



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 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 disclosures and index definition at the back of this document.

Data as of June 30, 2018. Performance presented is that of the US select income strategy (USC5007) 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.

## 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 investment opportunities available to us. We leverage our investment specialists in order to evaluate 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.



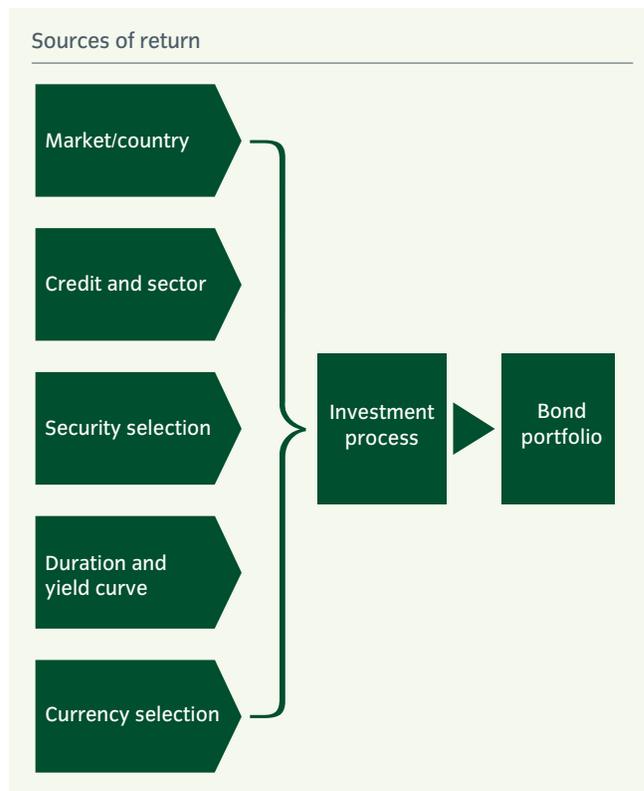
**Precision:** In assessing investment opportunities, we seek to include only those elements of market risk that we consider attractive and we aim to eliminate unintended risks.

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

## 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 are equally important and can significantly impact portfolio performance depending on market conditions. While we have the ability to use any of these

sources of added value, for select income portfolios the primary drivers of alpha have historically been sector and security selection and to a lesser extent duration and yield curve positioning. 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 an assessment of valuations, long-term macro fundamentals and shorter-term tactical views and observations of market trends. In addition, there is extensive bottom-up analysis to identify the most compelling investment opportunities for our clients.

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

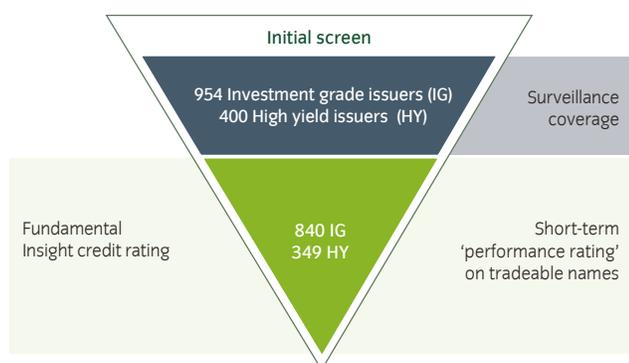
## THE TEAM

- Insight's global Fixed Income Group numbers 112 investment professionals with an average industry experience of 17 years.
- The US team is comprised of 32 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 over 49 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.

## SECURITY SELECTION

In constructing portfolios, portfolio managers bring together the inputs from our top-down global macroeconomic analysis, credit and sector strategy output, 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.

This is based on an understanding of the key drivers of a business which will include aspects such as the structure of the industry and how the issuer is positioned within it, the bargaining power of suppliers and customers, barriers to entry, the legal and regulatory environment and the quality of the issuer's management. We balance this against the strength of the issuer's balance sheet, its profitability and its ability to generate recurring free cashflow. Cashflow modeling is an important part of our analysis, allowing us to project forward to seek an understanding of how the company's credit profile could change in the coming years.



As of July 16, 2018.

## 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 indicators. 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.

## 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 \$794bn 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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## 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
- Maximum 25% exposure to below investment grade
- Minimum quality at purchase is CCC

### 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.

## FIND OUT MORE

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Assets under management include exposures and cash, and are calculated on a gross notional basis. Regulatory assets under management without exposures shown can be provided upon request.

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.

The information shown is derived from a representative account deemed to appropriately represent the management styles herein. Each investor's portfolio is individually managed and may vary from the information shown. The mention of a specific security is not a recommendation to buy or sell such security. The specific securities identified are not representative of all the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.

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#### **INDEX DEFINITION**

The Bloomberg Barclays US Credit Index is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate and non-corporate debt, where the non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Governments. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

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