

SECURED FINANCE II FUND PROFILE

OPPORTUNITY

As banks continue to rebuild their balance sheets and scale back their lending activities, we believe long-term investors have the opportunity to step in to fill the void. Secured Finance is a fixed income asset category with the following attractive features:

- **Certainty:** Contractual cashflows have the potential to offer a higher degree of certainty and control on timing of returns and can help avoid inopportune forced selling to meet short-term cashflow needs
- **Spread:** A 'complexity premium' exists above comparably-rated corporate credit, reflecting the complexity of sourcing, analysing, modelling, and structuring private debt investments
- **Security:** Lending is typically secured against a portfolio of physical assets and subject to structural protections
- **Diversification:** Exposure to residential and consumer risks, commercial real estate debt and secured corporate lending allows for diversification across public and private debt and against traditional corporate bond holdings
- **Floating rates:** Coupons providing floating rates above cash can help mitigate the impact of rising interest rates
- **Higher risk-rated returns:** Potentially a higher risk-rated alternative to multi-asset credit and leveraged credit strategies, which are historically volatile asset classes, subject to drawdowns and credit default risks
- **Growth and liability-matching properties:** The combination of higher yield and more reliable cashflow generation provides a potential bridge between return-seeking and liability matching portfolios

SNAPSHOT

Investment strategy: Invests in a globally diversified portfolio of Secured Finance assets

Performance target: 3-month GBP LIBOR plus 3% pa, gross of fees and expenses over rolling 3-year periods¹

Benchmark: 3-month GBP LIBOR

Investment universe: Primarily senior public and private Secured Finance assets backed by residential, consumer, commercial real estate and secured corporate assets

Quality profile: Weighted average 'BBB' rated portfolio with limited exposure to high yield

EU risk retention compliance: Fully complies with EU risk retention requirements and regulations

Cashflows: Primarily floating rate cashflows

Liquidity: Quarterly

Fund Manager: Shaheer Guirguis, Head of Secured Finance

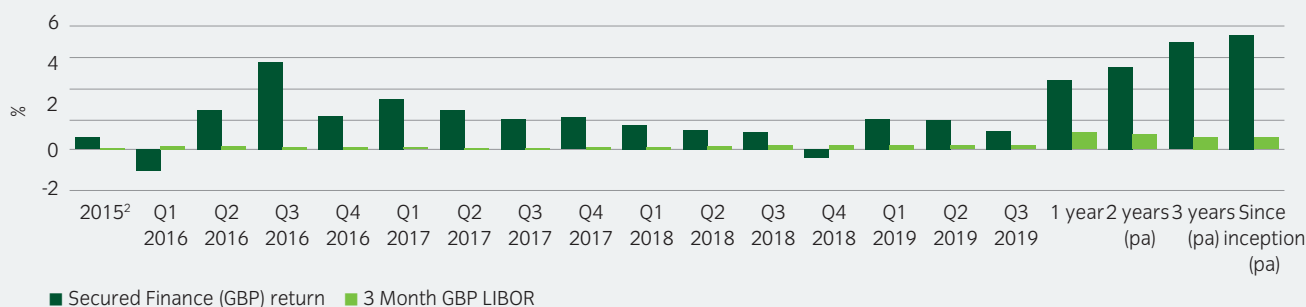
Minimum investment: £1m/€1m/\$1m/¥15m

Base currency: GBP

¹ The strategy aims to select assets which best take advantage of the prevailing risk premia that can be earned in the secured finance universe. Changes in these risk premia may lead to a future reassessment of the performance expectations of the strategy.

INSIGHT SECURED FINANCE FUND PERFORMANCE

The historical performance of Insight's Secured Finance Fund is provided below. It is managed by the same team and with the same process of the Secured Finance Fund II, but with a greater emphasis on active trading. Our track record has had no defaults and no performance-related downgrades. The returns of the Insight Secured Finance Fund II may differ materially from the Insight Secured Finance Fund.



Please refer to the risk disclosures at the back of this document. Source: Insight as at 30 September 2019. Returns data is gross of fees and in GBP. ² From inception 27 November 2015 to 31 December 2015.

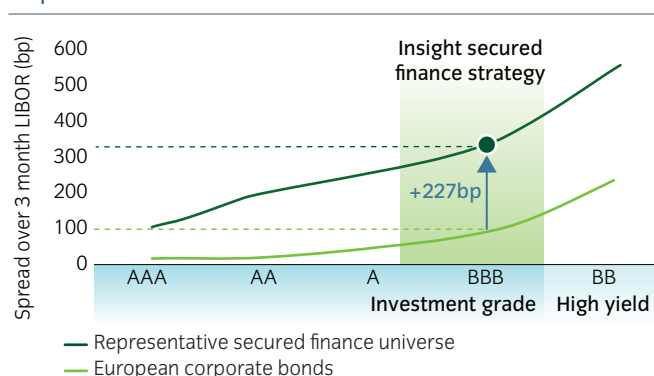
WHY SECURED FINANCE?

Investors are increasingly seeking enhanced yields from credit by investing lower down the credit quality spectrum, increasing duration or applying portfolio leverage. However, Insight believes that investors can extract complexity and illiquidity risk premia while preserving credit quality and remaining unlevered. The premium available in Secured Finance is illustrated in Figure 2.

The opportunity is growing as banks continue to face pressure to scale back their lending activities and raise 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.

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 bond markets. **In our view the opportunity will therefore remain structurally attractive.**

Figure 2: Secured Finance complexity premium above corporate bonds³



³Source: Insight as at 30 September 2019. The spreads shown are for illustrative purposes only and are not indicative of the strategy spreads. European corporate bonds used to reflect corporate bonds.

THE TEAM

- Insight's Secured Finance Team is a specialist team of global investment professionals overseeing £19.5bn of secured lending across residential and consumer lending, commercial real estate and secured corporates global residential mortgages, supply chain finance, commercial real estate loans, corporate loans, ABS and CLOs. Led by Shaheer Guirguis, the team has complementary experience of 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 of Insight's Fixed Income Group, of which the Team is a part. The Fixed Income Group numbers 116 investment professionals, together managing over £145.3bn of fixed income and money market assets. Within the Group, investment professionals' average industry experience is 17 years.
- Insight's Fixed Income Group is built on specialist knowledge, experience and organised 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.

INSIGHT'S CAPABILITY

Assessing risk and opportunity in secured finance requires an understanding of:

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

Insight offers investors the following capabilities in providing access to Secured Finance opportunities either directly or through multi-client pooled vehicles.

- Specialisation:** Complementary experience in sourcing, underwriting, structuring, closing and trading in Secured Finance
- Asset allocation:** Proprietary asset allocation model for liquid and illiquid credit and robust top-down and bottom-up credit investment process
- Risk management:** Rigorous approach to control over lending risk, loan structure and security package through bespoke credit ratings models
- Pooled fund and segregated offerings:** Insight can exploit for clients either on a pooled fund or a segregated basis
- Tailored return streams (for segregated portfolios):** Insight can tailor segregated portfolios' to meet client-specific strategy, credit quality and maturity profile needs and modelling scheme liability profiles to matching with high quality cashflows

The Secured Finance universe includes a wide range of public and private debt opportunities backed by three collateral types. Examples are highlighted in Figure 3.

INVESTMENT STRATEGY

The Fund's investment strategy will seek to allocate between the following attractive opportunities.

Public investments c.60%

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

Private investments c.40%

- 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

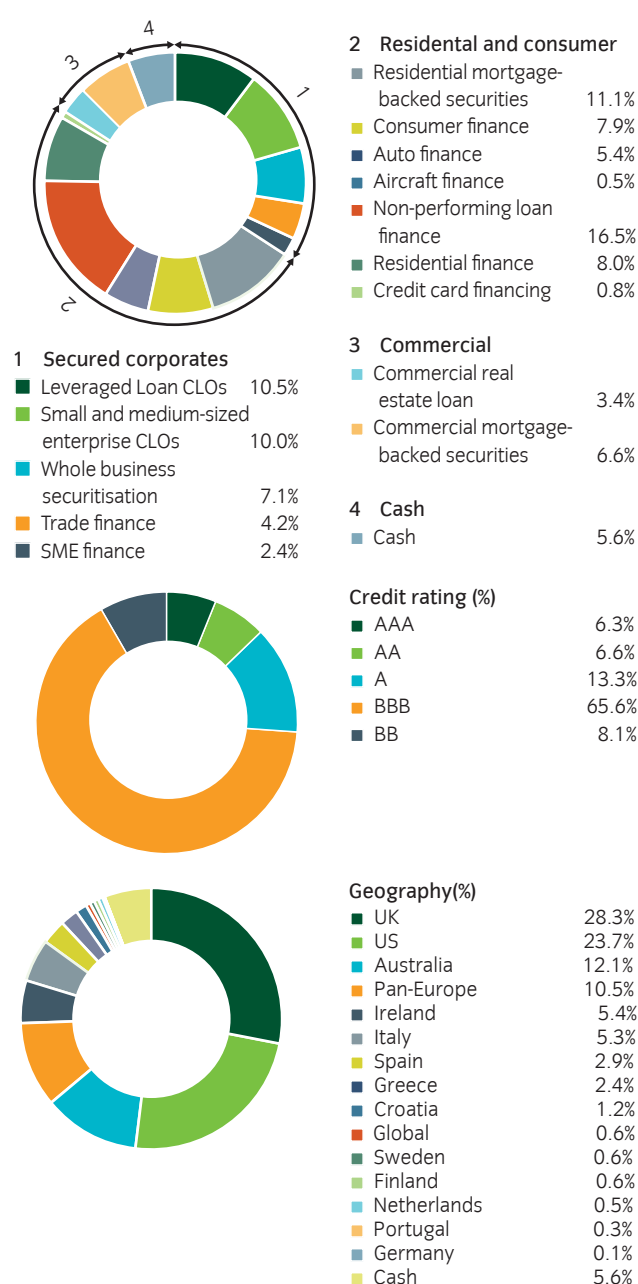
Figure 3: Primary Secured Finance universe⁴

	Residential and consumer	Commercial	Secured corporates
Public securities	Prime residential mortgages, MI/MSR RMBS, Consumer ABS	Commercial mortgage securities, CRE CLOs, NPL portfolios	Collateralised loan obligations (CLOs), whole business securitisations, EETC
Private debt	Mortgage pools, Bridging finance, Auto/credit card pools	CRE loans, Multifamily, Aircraft	Corporate loan warehouse, Small medium enterprise pools, Trade Finance

MODEL PORTFOLIO

The Fund's model allocations by asset type, ratings and geography (guided by Insight's active asset allocation model) are illustrated in Figure 4.

Figure 4: Model portfolio ratings, jurisdiction and asset type⁵



ABOUT INSIGHT INVESTMENT

- Insight has, over the past 15 years, built a unique investment platform that delivers outcome-oriented investment solutions to our clients. We currently manage £714bn in assets under management (AUM).
- Our clients are among the most sophisticated institutional investors in the world and include leading pension funds, sovereign wealth funds, corporations and insurers.
- We build portfolios aimed at an outcome, in partnership with clients. Our investment strategies are designed to evolve to meet changing needs and stay ahead of market developments.
- We were among the first asset managers to bring institutional-quality processes and transparency to absolute return investing.
- Insight is at the forefront of developing new ways of investing, providing institutional investors with access to innovative investment strategies, coupled with robust risk management techniques. We were a pioneer in recognising the unrewarded nature of currency risk and the importance of liabilities. Liability-driven investment (LDI) has been a significant contributor to protecting funding levels for pension funds over the past decade.

As at 30 September 2019. AUM are represented by the value of cash securities and other economic exposure managed for clients. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL) and Insight North America LLC (INA), each of which provides asset management services.

INSIGHT'S SECURED FINANCE OFFERING⁶

We provide a comparison of Insight's strategies, all of which are EU Risk Retention compliant, in the table below:

	Liquid ABS	LIBOR Plus	Global ABS	Secured Finance II	Secured Finance
Benchmark	3 month LIBOR	3 month LIBOR	3 month LIBOR	3 month LIBOR	3 month LIBOR
Structured Credit	100%	95%	95%	60%	60%
Secured Loans	0%	5%	5%	30%	30%
Geographic focus	Global	Europe	Global	Global	Global
Weighted average maturity	1.7 years	3.2 years	4.2 years	4.1 years	3.7 years
Spread over LIBOR	+81bp	+168bp	+172bp	+351bp	+374bp
Rating					
Average Rating	AAA	AAA/AA	AA	BBB	BBB
Notice period	Four days	Same day (subscriptions), previous dealing day (redemptions)	Four days	Fifth business day prior to relevant dealing day (subscriptions) First business day of the third month preceding the relevant dealing day (redemptions)	Fifth business day prior to relevant dealing day (subscriptions) First business day of the third month preceding the relevant dealing day (redemptions)

FUND DETAILS

Investment strategy	Invests in a globally diversified portfolio of Secured Finance assets
Performance target	3-month GBP LIBOR plus 3% pa, gross of fees and expenses over rolling 3-year periods
Benchmark	3-month GBP LIBOR
Launch Date	30 April 2018
Investment universe	Primarily senior public and private Secured Finance assets backed by residential and consumer, commercial real estate and secured corporate assets.
Credit quality	Weighted average 'BBB' rated portfolio with limited exposure to high yield
EU risk retention compliance	Fully complies with EU risk retention requirements and regulations
Cashflows	Primarily floating rate cashflows
Liquidity	Monthly (subscriptions) Quarterly (redemptions)
Fund structure	QIAIF
Fund Managers	Shaheer Guirguis, Jeremy Deacon and Jason Cameron
Minimum investment	£1m/€1m/\$1m/¥15m
Base currency	GBP
Standard management fee	0.50%
Notice for subscriptions	Monthly on 5 days' notice
Notice for redemptions	Quarterly on 4 months' notice

⁶Source: Insight, September 2019. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL) and Insight North America LLC (INA), each of which provides asset management services.

IMPORTANT INFORMATION

RISK DISCLOSURES

Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

The performance results shown, whether net or gross of investment management fees, reflect the reinvestment of dividends and/or income and other earnings. Any gross of fees performance does not include fees and charges and these can have a material detrimental effect on the performance of an investment.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. Strategies which have a higher performance aim generally take more risk to achieve this and so have a greater potential for the returns to be significantly different than expected.

Portfolio holdings are subject to change, for information only and are not investment recommendations.

ASSOCIATED INVESTMENT RISKS

Secured Finance Fund, Secured Finance II Fund

A credit default swap (CDS) provides a measure of protection against defaults of debt issuers but there is no assurance their use will be effective or will have the desired result.

Derivatives may be used to generate returns as well as to reduce costs and/or the overall risk of the portfolio. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.

Investments in bonds are affected by interest rates and inflation trends which may affect the value of the portfolio.

The investment manager may invest in instruments which can be difficult to sell when markets are stressed.

Where leverage is used as part of the management of the portfolio through the use of swaps and other derivative instruments, this can increase the overall volatility. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Any event that adversely affects the value of an investment would be magnified to the extent that leverage is employed by the portfolio. Any losses would therefore be greater than if leverage were not employed.

The specific collateral used to secure a loan may decline in value or become illiquid, which would adversely affect the loan's value. Also, many loans are not actively traded, which may impair the ability of the portfolio to realise full value in the event of the need to liquidate such assets.

Property assets are inherently less liquid and more difficult to sell than other assets. The valuation of physical property is a matter of the valuer's judgement rather than fact.

VOLCKER DISCLOSURES

The fund described in this document meets the definition of a covered fund under Volcker regulations, that is, a domestic or foreign hedge fund, private equity fund, venture capital fund, commodity pool or alternative investment fund (AIF) that is sold in a private, restricted or unregistered offering to investors who must meet certain net worth, income or sophistication standards or is sold to a restricted number of investors. Generally, any such fund is not registered with a securities/commodity regulator and therefore cannot be offered to the general or retail public unless the investor meets some type of qualification to demonstrate the investor doesn't need the protection of the securities or commodities regulations.

- Any losses in the fund will be borne solely by investors in the fund and not by BNY Mellon (including its affiliates); therefore BNY Mellon's losses in the fund will be limited to losses attributable to the ownership interests in the fund held by BNY Mellon and any affiliate in its capacity as an investor in the fund or as beneficiary of a restricted profit interest held by BNY Mellon or any affiliate.
- Ownership interests in the fund are not insured by the FDIC, are not deposits, obligations of, or endorsed or guaranteed in any way, by BNY Mellon. Neither BNY Mellon nor any of its controlled affiliates (which includes the fund's general manager/ managing partner/ investment adviser), may directly or indirectly, guarantee, assume, or otherwise insure the obligations or performance of the fund or of any other covered fund in which the fund invests.
- Investors should read the fund's offering documents before investing in the fund. Information about the role of BNY Mellon, its controlled affiliates, and their employees in sponsoring or providing services to the fund are described in the Volcker Rule section of the offering documents.

FIND OUT MORE

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