

MAY 2022

MULTI-ASSET UPDATE

INSIGHT BROAD OPPORTUNITIES FUND (IBOF, GBP)

SUMMARY

The investment backdrop remains characterised by tightening financial conditions, uncomfortably high inflation, and mixed evidence as to whether growth was moderating sufficiently to quell inflationary pressures. Both the economic outlook and the market environment appears heavily dependent on the path of inflation as central banks prioritise the need to avoid a self-reinforcing wage price spiral.

Against that background our asset allocation remains defensive in terms of our holdings in traditional assets, although sentiment and positioning extremes may well present tactical opportunities in these areas. Our regime-based framework reinforces the idea that real assets have an attraction in inflationary environments, even when growth risks are high. Other alternative strategies, taking advantage of elevated volatility, continue to offer good diversification opportunities.

The strategy posted a return of -0.49% last month. This takes our 1-year, 3-year and 5-year returns to -1.19%, 3.33%, and 2.87% respectively.

Table 1: Performance as at end May 2022

	1 month return %	3 month return %	1 year return %	3 year return % pa	5 year return % pa
Insight Broad Opportunities Fund	-0.49	-1.51	-1.19	3.33	2.87
Benchmark	0.05	0.13	0.16	0.23	0.34

Table 2: Performance as per calendar year

	YTD %	2021 %	2020 %	2019 %	2018 %	2017 %
Insight Broad Opportunities Fund	-4.72	7.53	0.18	13.13	-4.99	10.13
Benchmark	0.16	-0.03	0.17	0.68	0.60	0.24

Data sourced from Lipper. Returns are in GBP, gross of annual management charge and net of irrecoverable withholding tax and are not grossed up for charges applied to underlying unithised holdings. Fund inception date: 30 September 2009. The benchmark was changed to SONIA (90 day compounded) on 1 October 2021. Benchmark performance shown before that date is for the previous benchmark, 3-month GBP LIBID.

Figure 1: Current pull back in equities – at the cusp of a bear market?



Source: Insight and Bloomberg as at 31 May 2022.

ECONOMIC AND MARKET REVIEW

Inflationary pressures remain in focus

May continued the run in which most asset classes posted negative returns against a backdrop characterised by tightening financial conditions, uncomfortably high inflation, and mixed evidence as to whether growth was moderating sufficiently to quell inflationary pressures.

Of course, the challenge for central banks remains complicated by the fact that much of the inflationary pulse has been caused by supply side factors over which they have no control – specifically the impact on energy and agriculture from the Russian invasion of Ukraine and the supply chain impact of China’s zero-COVID policy and the resultant disruption caused by lockdowns and containment measures. Nevertheless, with labour markets in some economies tight (for example the US and the UK) and post COVID pent up demand still fuelling activity, tighter monetary policy is required to stop inflationary pressures from becoming entrenched.

The US labour market can be described as the tightest for many decades. For every unemployed worker, there are reportedly 1.9 vacant positions. Wages are rising sharply with average weekly wages rising 6.8% year-on-year, but real (inflation adjusted) earnings are still declining. What the Federal Reserve (Fed) fears most is a wage-price spiral where workers demand higher pay to keep up with inflation which prompts companies to raise prices for goods and services thereby creating a self-reinforcing loop.

In the minutes of the May Federal Open Market Committee (FOMC) meeting officials discussed the idea of moving rates to a ‘restrictive’ policy stance, in order to bring inflation under control. Federal Reserve chairman Powell has been clear that the balancing act the authorities are aiming to deliver is difficult and markets are grappling with the risks that the economic landing may not be as soft as we would like.

Some elements of the economy are responding to higher rates. Both new home and pending home sales have fallen sharply, as have mortgage applications, which have fallen over 25% in the last few months. The monthly payment required to buy a home has risen by about 50% since September, so the trend in sales seems clearly down. Indeed, this is the sixth straight monthly decline in pending home sales, and it seems inevitable that housing construction and housing-related spending will decline, with the usual lags.

Like the US, the UK labour market is tight with unemployment close to a 50-year low, but the labour force has shrunk dramatically since the pandemic - the most of any G7 country. And Brexit has meant an end of the free movement of workers from the European Union (EU), which was a key source of labour. This in turn has negatively affected inflation trends, growth, and public finances.

UK consumer confidence has fallen to the lowest level since records began in 1974 amid what is described as a cost-of-living crisis. Inflation is currently sitting at 9% in April (a 40-year high) and is set to rise further. According to research by XpertHR, the

median pay increase in the 3 months to end April was running at 4% - the highest since 1992 – but obviously well below the current rate of inflation.

Figure 2: Inflationary pulse continues



Source: Insight and Bloomberg as at 31 May 2022.

Consequently, the Bank of England has little option but to raise interest rates despite the obvious risks to growth. The government response has been targeted fiscal support in the form of £15bn in energy support measures partially funded by a windfall tax on energy companies.

The eurozone has the same inflation problem and is more vulnerable to the energy price shock from the war in Ukraine, but the labour market is not as tight as in the US or the UK. The removal of COVID restrictions has given a strong boost to the service sector which is an offset to the loss of purchasing power due to the energy price shock. The PMIs point to resilience, although demand from abroad for manufacturing goods has declined noticeably. Against this backdrop the European Central Bank (ECB) has joined most central banks in signalling higher rates, albeit at a more modest trajectory. ECB president Lagarde has said interest rates – currently at -0.5% – should hit zero by the end of September.

The inflation backdrop has not been helped by supply chain disruptions emanating from China where large-scale lockdowns are affecting millions of people. Indeed, the Chinese government’s adherence to its zero COVID policy is leaving the 2022 growth target of 5.5% under grave threat. Official data showed activity contracted in April with retail sales down 11% while industrial profits dropped 8.5% in April (YoY) – the worst fall since March 2020. The policy response thus far has involved monetary easing, including cuts to mortgage rates, but further measures of support including fiscal policy seem inevitable given the pressure on growth and the scale of ongoing COVID disruption.

Markets remain volatile

The early part of May saw a continuation of the precipitous declines in stock markets that have characterised much of the year so far. At one point the MSCI World Index was down nearly

6%, taking its year-to-date peak to trough loss to -19%, almost bear market territory.

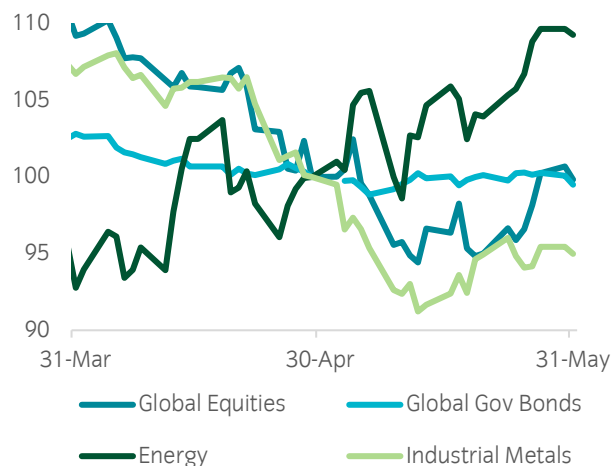
Equity indices found some comfort from a rally in bond yields as markets began to focus on the growth implications of reining in inflation. Indeed, in the last few weeks, the market pricing of official interest rate curves has proven increasingly sensitive to broader market movements as well as the macro data flow.

Asset price moves in the rest of the month were insufficient to deliver what could be described as a 'rebound month'. Most government bond markets saw declines – with the exception of the US Treasury market. The gains here, whilst modest, were sufficient to allow US investment grade credit and high yield to have their first positive return month of the year

Both the MSCI World Index and its emerging market equivalent posted small negative returns for the month although some European equity markets enjoyed healthier returns.

The US dollar, the defensive asset of choice for much of the year, gave back some of its recent gains declining against all the major developed market currencies, while local currency emerging market debt enjoyed one of the strongest performances driven by rebounds in emerging market currencies.

Figure 3: Volatile moves in asset classes during May



Source: Insight and Bloomberg as at 31 May 2022.

The broad commodity complex continued to move higher – albeit at a more modest pace than in recent months and returns were a function of strong gains in the energy complex once more. Agriculture prices were close to flat on the month while both industrial metals and gold declined.

Figure 4: One month moves (volatility adjusted)

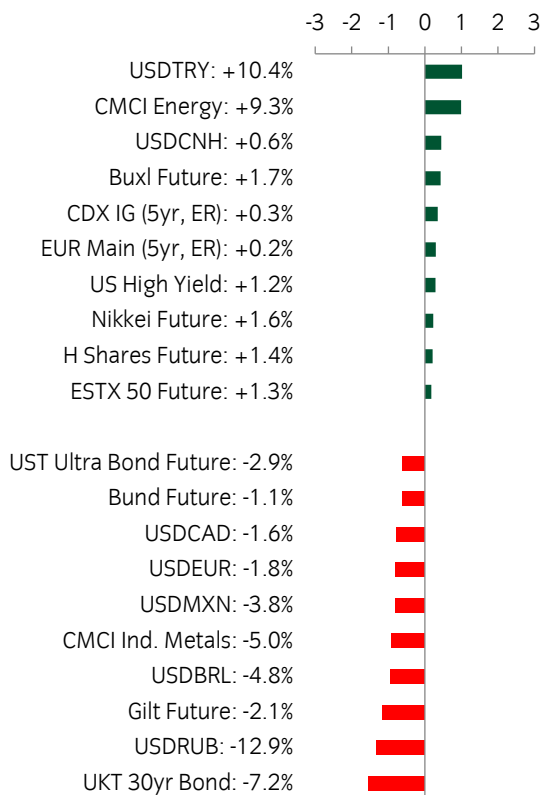
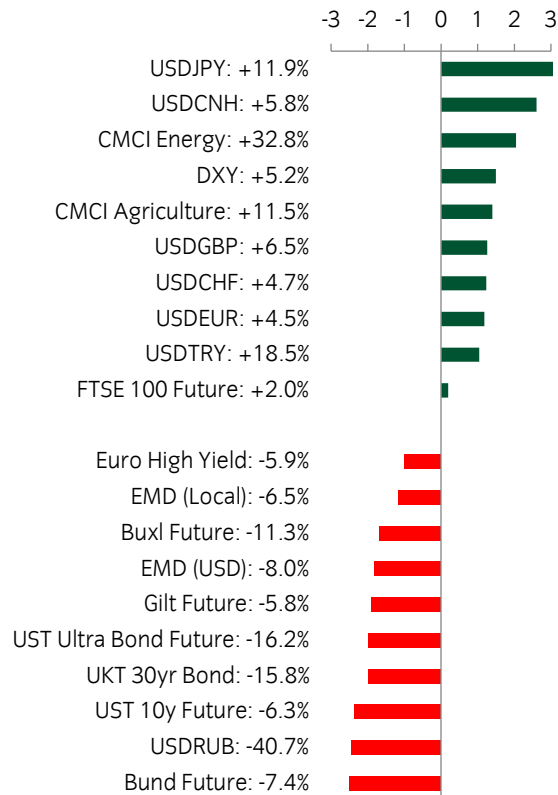


Figure 5: Three month moves (volatility adjusted)



Source: Bloomberg and Insight as at 31 May 2022. The price movement of each asset is shown next to its name. The data used by the bar chart divides the price movement by the annualised historical volatility of each asset.

PORTFOLIO PERFORMANCE

Markets were highly volatile in May, with US assets in particular under-performing. The portfolio navigated the period reasonably well ending the month with a small negative performance.

Precipitous equity market declines as seen in the early part of May have characterised much of the year so far. Having reduced our equity exposure early in the year, this limited the negative impact on portfolio returns but equity exposure was still the largest detractor to performance during May.

Our commodity exposure produced a small positive return. A continuing escalation of events in Ukraine added pressure to energy prices, however these were partially offset by growth concerns impacting industrial metals prices. Infrastructure holdings were a small negative this month as sentiment turned on concerns of a potential UK windfall tax being applied to energy generators, including renewables.

With central banks increasingly focussed on addressing the building inflationary pressures, government bonds remained under pressure. Our relatively low duration exposure, mostly in government bonds, helped but these were still a detractor in an absolute sense. Credit markets generally suffered. However, our low levels of exposure in high yield and emerging market debt, and zero in investment grade credit, meant the impact from these asset classes were limited.

Within total return strategies, option-based positions designed to benefit from certain equity markets trading softer within ranges helped during the market downturns. Relative value trades in currencies that we have been adding in recent months were a small positive.

Figure 6: Performance of the Insight broad opportunities strategy (GBP) since launch



Source: Insight Investment. As at 31 May 2022. Gross returns. Performance rebased as at 31 December 2004. The performance shown is the long-term track record of Insight's overall multi-asset strategy and is intended to illustrate the team's capabilities. The performance of the Insight Broad Opportunities Fund, which launched on 7 September 2009, may differ. The long-term track record of the Insight broad opportunities strategy has a base currency of USD. This has been adjusted by interest rate differentials to derive a GBP proxy. No currency adjustments have been made to the underlying investments. The benchmark was changed to SONIA (90 day compounded) on 1 October 2021. Benchmark performance shown before that date is for the previous benchmark, 3-month GBP LIBID.

PORTFOLIO ACTIVITY

Our activity was focused on maintaining a balanced shape of the overall portfolio risk that would allow us to capture any short-term rallies (which are to be expected even during periods of prolonged market stress) without suffering punitive costs during episodes of market stress.

Recognising the extent of rate hikes already priced in the yield curve on one hand and the recent strength of the US dollar on the other, we modified defensive positions, replacing some of our long dollar exposures with government bond duration.

We also reduced exposure to Chinese government bonds as a gradual lifting of lockdowns would indicate a reduced need for accommodative monetary policy, which has thus far been a positive technical support for this exposure.

In alternatives, we added option positions to capture upside potential in equity markets (UK and Japan) where valuations are more supportive, and their composition is more resilient to the current macro-economic backdrop.

RESPONSIBLE INVESTMENT UPDATE

Engagement with market participants in relation to our ESG screened portfolio exposures is one of the tenets of how we embed responsible investment considerations in the strategy. This month, we engaged with select European and US exchanges to seek appropriate assessments of ESG screened exposures under new regulation expected next year.

Elsewhere, engagement with a social infrastructure holding focussed on the sustainability of their active management activities. Additional focus was on their sustainability report, highlighting social impact initiatives undertaken, progress on sustainability related metrics and net zero emissions commitments. We also engaged with the chairperson of a renewable infrastructure holding on proposed changes to the investment management agreement which could lower costs to investors.

Lastly, our engagement with the new chairperson of a digital infrastructure holding focused on a range of topics including their continued adoption of responsible investment considerations in decision making.

Trades put on in the month

- Increased duration in government bonds
- Added options positions for upside in UK, eurozone and Japanese equity
- Added defensive option positions in the US, UK, eurozone and emerging market equities, and US and European government bonds
- Relative value equity position long UK vs emerging markets
- Adjusted relative value currency positions, retaining long US dollar versus UK pound (GBP), euro (EUR), Chinese yuan (CNH)

Trades expired / closed in the month

- Reduced Chinese government bonds
- Several equity & currency option positions expired

ECONOMIC AND MARKET OUTLOOK

Decomposing the inflation problem

Both the economic outlook and the market environment appears heavily dependent on the path of inflation. This reflects the dual impact the current elevated level of inflation is having on eating into real disposable incomes, and in prompting many central banks to tighten monetary policy to stop inflationary expectations from becoming embedded and thus avoiding a self-reinforcing wage price spiral.

The inflation outlook is of course more uncertain than usual. From such elevated levels it seems likely that some inflationary pressures should be peaking soon. Supply chain pressures are key and these can be decomposed into three elements:

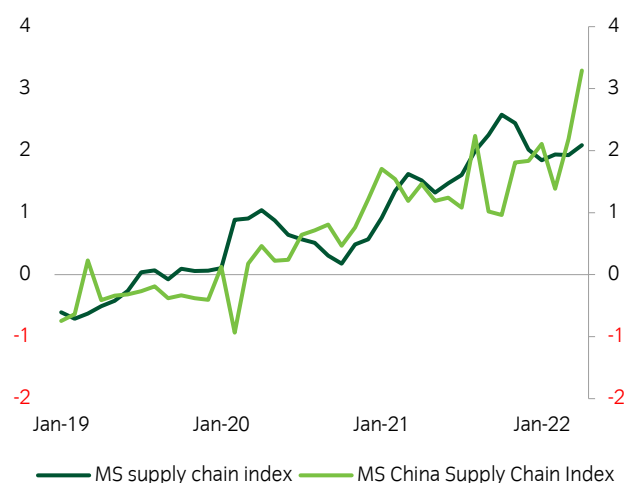
1. Those caused by impediments such as COVID related disruption from China.

Some of these channels have started to show improvement, and this may continue, assuming COVID case trends abate or restrictions become less onerous.

For some supply chains, things are improving – for example, order delivery time on semi-conductors, copper and plastics, whilst still elevated, are well off their extremes. This may reflect alternative supply lines coming online or simply that the most extreme bottlenecks are in the rear-view mirror. That said, several supply chain metrics have deteriorated again more recently. As Figure 7 shows, the most obvious cause is the impact of lockdowns in China, although any improvements in these pressures looking ahead could reflect weakening demand.

In China, the growth slowdown has prompted both a monetary and a fiscal response while an easing of regulation on the housing and technology sectors can be seen as stimulative. In the background, efforts to boost vaccinations amongst the elderly are ongoing and it may not be until Q4 2022 that a policy bias shift towards 'living with COVID' takes hold. These are the conditions required to support a genuine rebound in Chinese activity and an alleviation of supply side bottlenecks.

Figure 7: Supply chain pain exacerbated by China lockdowns



Source: Insight and Bloomberg as at 31 May 2022.

2. Commodity related price shocks in energy and agriculture are caused, in large part, by Russia's invasion of Ukraine.

These look set to be more enduring, and while base effects may eventually bring inflation rates down, this looks set to remain a challenge for some time.

Using oil as a key example. Russia produced more than 10% of global oil supplies prior to the crisis. The latest move by the EU to ban seaborne Russian oil imports combined with plans to taper pipeline purchases by the end of 2022 are likely to mean that Russian exports to the EU will decline by 90% this year. Energy will need to be sourced from other suppliers, prices will rise accordingly, and these price rises are unlikely to reverse soon.

Similarly, with regards to agriculture. Russia and Ukraine produced around 30% of global wheat exports prior to the crisis. The subsequent leap in prices is felt hard in developed economies and risks famine in some emerging ones. Plans for alternative routes to export Ukrainian wheat are underway but the volumes are limited. Russia is prepared to lift the port blockade but only if the West eases sanctions on it, which at this point seems unlikely.

3. Labour market shortages.

These are most evident where demand is strong, and economies are running 'hot'. This most obviously includes the US, and as a result has been guiding global monetary policy tighter.

As we noted last month, the US labour market is as tight as it has been in decades. So far, the Fed has raised interest rates by 75bp and expectations are firmly set on another two 50bp moves at its next meetings. Beyond the slowdown in housing, other data points to a worrying cocktail. The US ISM manufacturing index for May points to both an acceleration in manufacturing and prices, while job openings at the start of June were running at a rate of roughly twice the pool of unemployed Americans which does little to suggest wage pressures are on the cusp of abating.

Given the strength in the labour market many economists estimate that growth will need to slow sharply, to close to 1%, to get the unemployment rate up sufficiently to allow wage growth to slow. Changes in the supply of labour may help. In the US, as elsewhere, the pandemic has caused a major disruption to the jobs market but over the last year around 1.7mn retirees have re-entered the labour market.

Of course, inflation pressures could be absorbed at least to an extent by a squeeze on corporate margins. As we have discussed in recent months, corporate margins are close to record highs and one surprise thus far in the inflation shock, has been the ability of companies to defend margins. This of course, reflects the strength of underlying demand.

Businesses are not equal. Recent profit warnings by retailers Target and WalMart were taken badly by the market. Retail margins are notoriously poor and the ability of companies to defend them is small. In other higher value-added sectors margins are higher, and here there is some scope for companies to absorb costs. The upcoming Q2 2022 earnings season will offer a window into the extent this is happening and what the market (stock price reaction) is to those that do. Last quarter was another strong season for corporate results, with continued strength in consumer demand more than enough to offset increasing cost pressures and a tight labour market.

At a headline growth level, S&P 500 Index profits are currently set to report YoY growth at +5%, down from +10% last quarter, with a notable decline in the technology sector where growth is expected to fall from +13% to just +0.7% (down from annual growth of +35% in 2021). However, given the importance of margin growth in the post global financial crisis era, any profit warnings, similar to those posted in the retail sector, from other sectors will be a big test for the market.

Another question will be, if headline inflation comes off its peak, whether central banks take the opportunity to pause and or tone down their hawkish rhetoric, assuming that, by then, activity data will also be softening. To change the central bank narrative is risky. Having misjudged the inflation risk coming out of the pandemic central bank credibility is at stake. The sole focus of their communication over the last few months has been controlling inflation is the best thing they can do (whatever the short-term consequences) to ensure longer-term economic

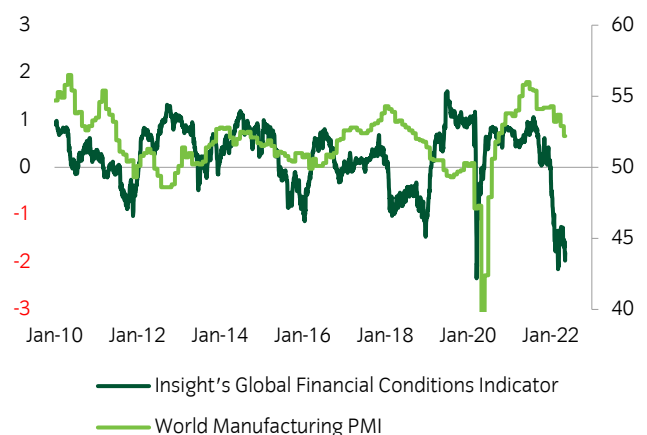
growth and prosperity. To roll-back from that pledge without having delivered on it brings with it obvious risks.

Near-term uncertainties and market pricing

All of this suggests that the near-term uncertainties are unlikely to dissipate soon. In turn that leads us to assess the extent to which different asset markets have adjusted to reflect that uncertainty.

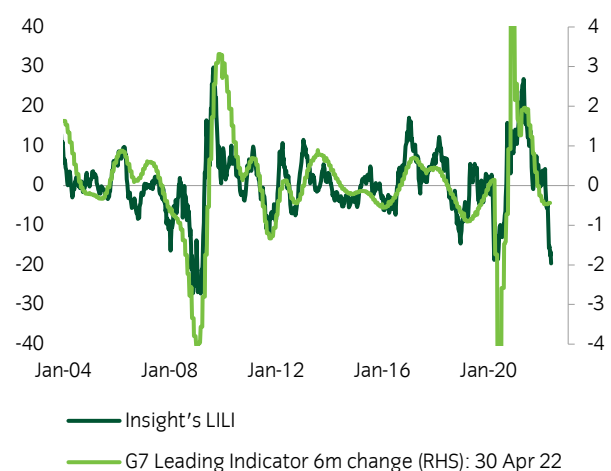
From an interest rate perspective, market pricing across the major rates markets is consistent with the sharpest tightening of policy we have seen in decades. The tightening in our financial conditions indicator (FCI) so far this year is almost as extreme as during COVID, and conditions have remained tighter for far longer. Simply looking at the relationship between our FCI and global manufacturing (Figure 8), explains why markets have increasingly focused on the growth implications of reining in inflation. Indeed, in recent weeks, interest rate pricing has proven very sensitive to market movements as well as the macro data flow.

Figure 8: Insight's GFCI and world manufacturing



Source: Insight and Bloomberg as at 31 May 2022.

Figure 9: Insight's LILI and G7 leading indicators



Source: Insight and Bloomberg as at 31 May 2022.

This reflects a shift in markets dynamics where forward growth concerns are a balance (to inflation concerns) as to how many further hikes can get priced-in and, importantly, stick. This suggests that while a further rise in yields is probably likely, we are getting to the point where the long end of yield curves have regained some attraction as a partial hedge to a further sell-off in risk assets.

Figure 10: Insight's cross asset cyclical momentum monitor



Source: Insight and Bloomberg as at 31 May 2022.

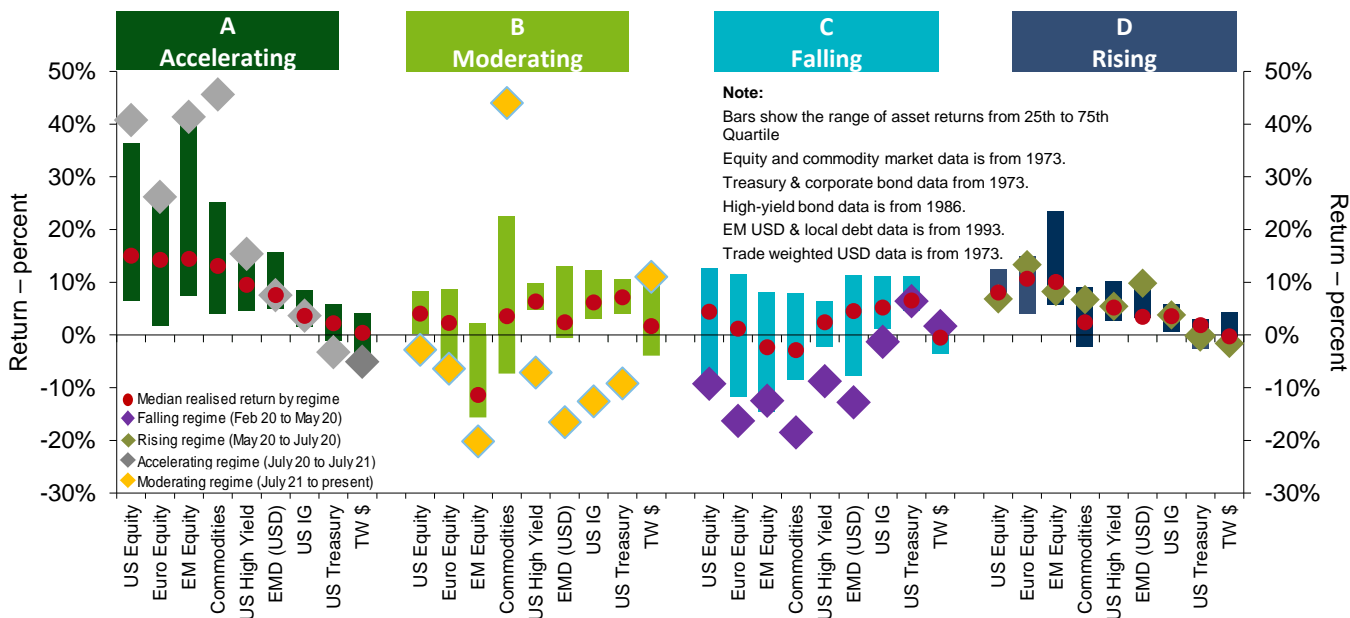
The extent to which different asset classes are pricing-in a slowdown varies. Equity market indicators are showing greater sensitivity than those based on other asset classes, and intra-equity market indicators are most extreme. Figure 9 shows our Cyclical LILI (leading indicator of leading indicators) which implies a contraction on a par with COVID and not far from the extremes seen in the GFC. This, to us, appears somewhat extreme while our cross-asset class cyclical momentum monitor (CMM) in Figure 10 is implying a global manufacturing PMI falling to just below 50 (i.e. at the cusp of contraction).

Cross asset class movements in a moderating growth backdrop

For good reason, it is the move in bond markets that deserves most attention given they are centre stage in arguably a regime shift from the ultra-low interest rate era that has existed since the GFC. However, the moves across asset classes have been unusually large – given the concurrent economic data set.

We illustrate this in Figure 11 with reference to our regime framework that compares asset class performances with different growth regimes. Based on our assessment, we have been in a moderating economic environment (where growth is positive, but the rate of change is declining) for almost a year. Realised volatility has been consistent with historic comparisons but drawdowns and returns have been extreme (mostly below the 25th percentile – with commodities an outlier in the other direction) for such periods going back to the 1970s.

Figure 11: Insight's growth regime framework and asset class performance



Source: Insight and Bloomberg as at 31 May 2022.

Figure 12: Comparing different bear market characteristics and the growth environment

	Bear Market Characteristics				Growth Environment				
	Drawdown	Length (months)	Realised Vol. (Average)	Realised Vol. (High 22d)	EPS Decline	NIPA Profits Decline	Real GDP Decline (Total)	ISM Manufacturing Fall (Pts.)	Real Personal Consumption Fall
Normal Bear Markets									
Jun-46 to Apr-48	-28%	22	18	43			-5.1%		
Aug-56 to Oct-57	-22%	15	12	24	-11%	-24%	-3.6%	-12.4	
Dec-61 to Jun-62	-27%	6	19	37	-14%	-4%	-3.8%	-12.0	-1.0%
Feb-66 to Oct-66	-22%	9	13	20	-13%	-4%	-5.2%	-8.1	-1.5%
Nov-80 to Aug-82	-27%	21	14	20	-16%	-17%	-4.1%	-22.7	-1.3%
Jul-90 to Oct-90	-20%	4	20	25	-8%	-10%	-1.4%	-4.7	-0.4%
Average	-24%	13	16	28	-13%	-12%	-3.9%	-12.0	-1.1%
Big Bear Markets									
Jan-73 to Oct-74	-48%	22	19	35	-37%	-13%	-3.9%	-25.9	-1.8%
Nov-68 to May-70	-36%	19	12	32	-17%	-19%	-3.3%	-13.1	-0.4%
Aug-87 to Dec-87	-34%	5	48	92	-29%	-8%	-3.0%	-3.2	-1.1%
Mar-00 to Oct-02	-49%	31	23	46	-26%	-25%	-5.4%	-15.0	-2.4%
Feb-20 to Mar-20	-32%	1	83	86	-33%	-33%	-11.4%	-9.8	-11.3%
Average*	-40%	16	37	58	-28%	-20%	-5.4%	-13.40	-3.4%
Mega Bear markets									
Sep-29 to Jun-32	-86%	33	40	101	-62%				
Mar-37 to Apr-42	-60%	62	25	56	-17%				
Oct-07 to Mar-09	-57%	18	38	88	-48%	-33%	-4.0%	-19.3	-1.5%
Average	-68%	38	34	82	-42%	-33%	-4.0%	-19.3	-1.5%
Current (thus far)	-18%	5	23	31					

Source: Insight and Bloomberg as at 31 May 2022.

Of course, markets are discount mechanisms. Given the fear of a hard landing, it's worth reminding ourselves what bear markets look like and, as Figure 12 illustrates, not all bear markets are the same.

Prior to the end-May equity market rebound, the S&P 500 Index was on the cusp of a 20% decline. What is common amongst bear markets is that they are generally associated with contractionary growth and profit environments. Certainly, on the latter front, expectations still have some way to go.

Factors that are normally associated with a sustained rebound in risk can be summarised by:

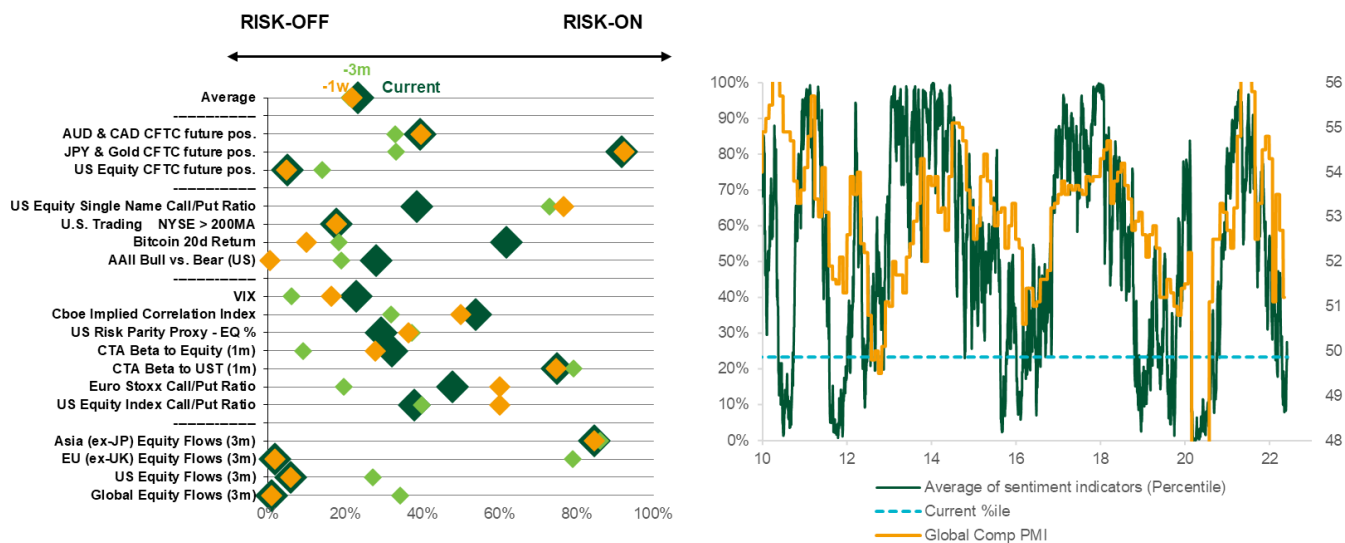
1. A decline in both interest rate expectations and bond yields starting to rally – as growth fears come to the fore
2. Capitulation – as risk appetite becomes exhausted
3. Time – for economic uncertainties to lift

The current policy dilemma is clear - to achieve victory over inflation, policy makers may have to accept a short-term negative hit to growth. So, the conditions for 1 are not yet seemingly in place.

Whilst volatility remains elevated, it is not extreme in an historical context and, to the extent that much of the pain, certainly for risk assets, has been in the retail investor domain, it is not clear whether we will see the traditional forced selling blow-off to the downside. That said, Figure 13 shows a range of sentiment indicators we track. On the right-hand side, we aggregate them. Sentiment and positioning are clearly cyclical and we are approaching extreme negative territory which suggests bounce potential, even with a bearish macro backdrop.

Catalysts for a bounce in sentiment include any evidence that inflation may be peaking or that supply chain pressures might be abating. As discussed above, we see little prospect of that in the commodity complex given the war, but any reopening of China may help, at least for a while.

Figure 13: Sentiment indicators approaching extreme negative territory



Source: Insight and Bloomberg as at 31 May 2022.

PORTFOLIO POSITIONING

Clearly, the combination of high inflation and the prospect of slower growth paints a challenging environment for most traditional assets. Against that background our asset allocation remains defensive in these areas, and our equity weight remains below average.

As we noted last month, the recent combination of steep market falls and rising corporate earnings is creating potential value opportunities but we believe it is premature to deploy capital without a positive growth catalyst. That said, we are mindful that tactical opportunities may exist given the positioning illustrated in Figure 13.

We prefer more value driven markets. These should benefit from the economic rebalancing we expect should the economic environment stabilise, and cheaper valuations should act as a cushion if the macroeconomic environment deteriorates further.

Whilst we have recently added to our government bond holdings our starting point was the lowest level of duration we have run, and we remain light in an historical context. We also remain light in terms of our holdings of risky fixed income. For investment grade in particular, spreads have yet to get to a level where they provide a sufficiently attractive entry opportunity.

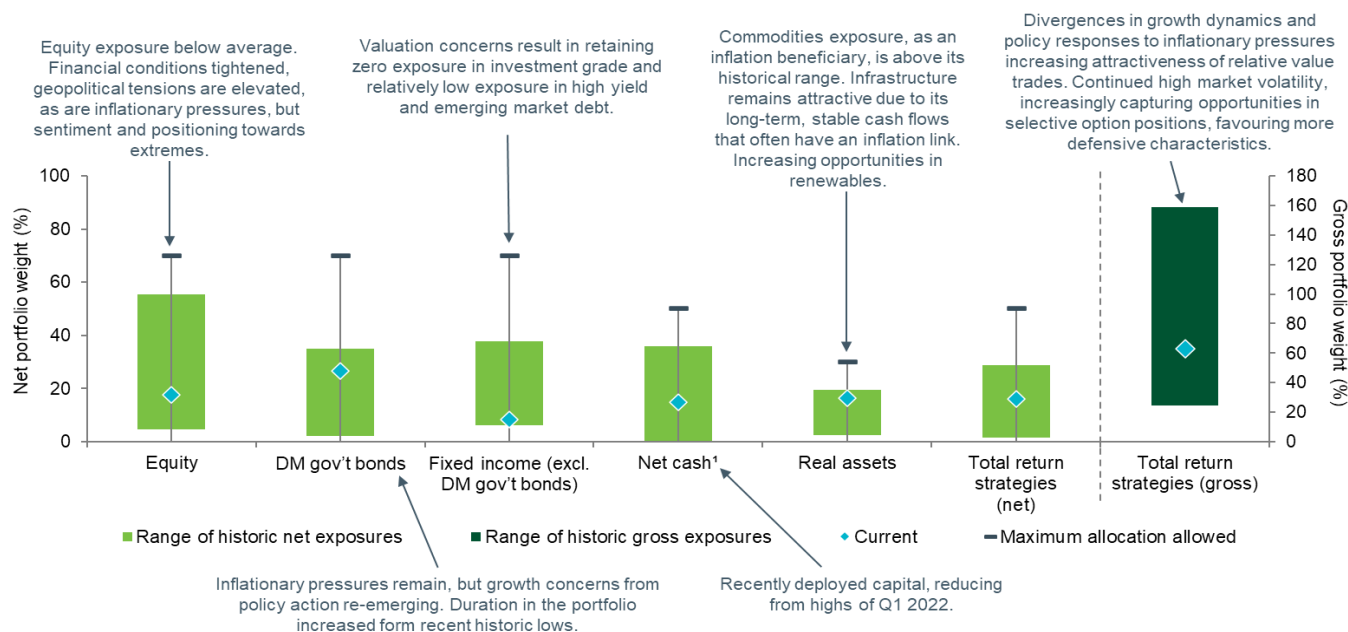
Our regime-based framework reinforces the idea that real assets have an attraction in inflationary environments, even when

growth risks are high. The cyclical appeal of commodities may have waned, but they remain attractive as a hedge to inflation and geopolitical risks. We had raised exposure before the most recent escalation and retain exposures towards the top end of our historic ranges.

Our other real asset exposure is focused on infrastructure. Holdings here allow us to deploy capital in environmentally supportive endeavours, which have a positive ESG footprint whilst also delivering attractive returns. These investments also exhibit lower sensitivity to interest rates and have proved themselves to be good diversifiers in the face of the current risks we face.

We entered the year trimming cyclical risk in January as we saw financial conditions move into restrictive territory, then escalating tensions in Eastern Europe added to uncertainty. Our option positions within total return strategies have been and remain skewed defensively to help buffer the portfolio in mild risk pullbacks. We are currently using this part of the portfolio as an additional source of diversification. With volatility elevated we've been active in deploying new positions and we expect new opportunities to continue to present themselves. We also see opportunities in currency markets with our regime framework guiding us towards a long US dollar bias.

Figure 14: Current positioning



Please refer to the risk disclosures at the back of this document. As at 31 May 2022. Data is given for a representative portfolio that adheres to the same investment approach as Insight's broad opportunities strategy. Data is shown from inception of that vehicle (September 2009). Positions are shown on a net basis apart from total return strategies which are shown both net and gross. ¹ Cash: Includes cash at bank, FX forwards and money market instruments.

THE INVESTMENT TEAM

Insight's broad opportunities strategy is managed by a team of 11 dedicated investment professionals. They sit within Insight's investment division which comprises over 200 front-line investment professionals. The team is able to harness investment ideas from all the specialist investment units within the firm ensuring that the strategy benefits from a rich source of investment ideas. The team is specialised in asset allocation, macroeconomic analysis and portfolio construction and has developed a clear and transparent investment process that allows ideas to be channelled into a robust portfolio specifically designed to meet its objectives.

PERFORMANCE

TEN-YEAR PERFORMANCE RECORD TO 31 MARCH 2022

	Calendar year returns									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Insight Broad Opportunities Fund	7.53	0.18	13.13	-4.99	10.13	5.05	-1.19	6.40	7.65	8.76
Benchmark	-0.02	0.17	0.68	0.60	0.24	0.38	0.45	0.42	0.39	0.70

	12-month rolling returns									
	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Insight Broad Opportunities Fund	4.23	14.84	-5.15	2.45	3.76	8.02	-5.71	10.35	5.70	8.36
Benchmark	0.04	0.01	0.63	0.68	0.28	0.32	0.46	0.43	0.39	0.56

Data sourced from Lipper as at 31 March 2022. Returns are in GBP, gross of annual management charge and net of irrecoverable withholding tax and are not grossed up for charges applied to underlying unitholdings. Fund inception date: 30 September 2009. The benchmark of the fund changed to reference SONIA from 1 October 2021. Benchmark performance shown before that date is for the previous benchmark, 3-month GBP LIBID.

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, taxes and charges and these can have a material detrimental effect on the performance of an investment. Taxes and certain charges, such as currency conversion charges may depend on the individual situation of each investor and are subject to change in future.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies over time, and/or prevailing market conditions and are not an exact indicator. They are speculative in nature and are only an estimate. What you will get will vary depending on how the market performs and how long you keep the investment/product. 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.

Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate.

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

ASSOCIATED INVESTMENT RISKS

Multi-asset

- 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.
- 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.
- While efforts will be made to eliminate potential inequalities between shareholders in a pooled fund through the performance fee calculation methodology, there may be occasions where a shareholder may pay a performance fee for which they have not received a commensurate benefit.

ESG

- **Investment type:** The application and overall influence of ESG approaches may differ, potentially materially, across asset classes, geographies, sectors, specific investments or portfolios due to the nature of the specific securities and instruments available, the wide range of ESG factors which may be applied and ESG industry practices applicable in a particular investable universe.
- **Integration:** The integration of ESG factors refers to the inclusion of ESG risk factors alongside financial risk factors in investment analysis and research to judge the fair value of a particular investment and may also include the monitoring and reporting of such risks within a portfolio. Integrating ESG factors in this way will not typically restrict the potential investable universe, but rather aims to ensure that relevant and material ESG risks are taken into account by analysts and/or portfolio managers in their decision-making, alongside other relevant and material financial risks.
- **Ratings:** The use and influence of our ESG ratings in specific investment strategies will vary, potentially significantly, depending on a number of factors including the nature of the asset class and the structure of the investment mandate involved. For an investment portfolio with a financial objective, and without specific ESG or sustainability objectives, a high or low ESG rating may not automatically lead to a buy or sell decision: the rating will be one factor among others that may help a portfolio manager in evaluating potential investments consistently.
- **Engagement activity:** The applicability of Insight firm level ESG engagement activity and the outcomes of this activity relating to buy, hold and sell decisions made within specific investment strategies will vary, potentially significantly, depending on the nature of the asset class and the structure of the investment mandate involved.
- **Reporting:** The ESG approach shown is indicative and there is no guarantee that the specific approach will be applied across the whole portfolio.
- **Performance/quality:** The influence of ESG criteria on the overall risk and return characteristics of a portfolio is likely to vary over time depending on the investment universe, investment strategy and objective and the influence of ESG factors directly applicable on valuations which will vary over time.
- **Costs:** The costs described will have an impact on the amount of the investment and expected returns.

Insight applies a wide range of customised ESG criteria to mandates which are tailored to reflect individual client requirements. Individual investor experience will vary depending on the investment strategy, investment objectives and the specific ESG criteria applicable to a Fund or portfolio. Please refer to the investment management agreement or offering documents such as the prospectus, Key Investor Information Document (KIID) or the latest Report and Accounts which can be found at www.insightinvestment.com and where applicable information in the following link for mandates in scope of certain EU sustainability regulations <https://www.insightinvestment.com/regulatory-home/sustainability-regulations/>; alternatively, speak to your main point of contact in order to obtain details of specific ESG parameters applicable to your investment.



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