Insight INVESTMENT

RESPONSIBLE INVESTMENT AT INSIGHT

INSIGHT BELIEVES COMPANY MANAGEMENT CAN INFLUENCE THE LONG-TERM PERFORMANCE OF THEIR BUSINESS BY TAKING ENVIRONMENTAL AND SOCIAL FACTORS INTO ACCOUNT AND BY MAINTAINING GOOD STANDARDS OF CORPORATE GOVERNANCE.

We therefore recognise that delivering superior investment solutions depends on the effective management of the risks and opportunities presented by environmental, social and governance (ESG) issues.

Insight was a founding signatory to the UN-supported Principles for Responsible Investment (PRI) in 2006. For over a decade we have worked to integrate a responsible investment approach across our business, with direct support from our senior executive management team and oversight from our ESG Working Group.

HOLISTIC APPROACH TO RESPONSIBLE INVESTMENT

Our responsible investment policy focuses on three areas:

Integrating ESG factors in research and decisions: ESG factors are one of the key risks our credit analysts consider when analysing potential investments, alongside other risk factors such as regulatory and event risk and liquidity.

In 2017, the PRI awarded Insight an A+ rating for its efforts across corporate bond portfolios (see right).

Exercising our stewardship role: We engage with companies on ESG factors where we believe they are material to the long-term value in our investments.

For example, in 2016, our analysts engaged on ESG matters with over 150 companies across a range of issues.

Supporting sustainable economic development: We work with our clients and policymakers to support wider efforts focused on ensuring that financial markets are stable and effectively governed, and to encourage transparency and resilience across wider social, environmental and economic risks.

Over the last year, this has included projects focusing on accounting standards and on how credit rating agencies take ESG risks into account.

For more details on Insight's responsible investment policy and how it is implemented in practice, please see our website.

CONTINUALLY IMPROVING OUR APPROACH

We have continued to build on our history of responsible investment by pursuing research and developing new approaches. Over the last year, we have:

- Developed a pooled fund with ESG-specific objectives, the Insight Sustainable Euro Corporate Bond Fund
- Published papers on a range of issues, from green bonds to the impact of ESG exclusion screens on fixed income portfolios
- Developed a new model to help us manage and monitor carbon risks, which ranks fixed income corporate credit issuers

WIDELY RECOGNISED AS A LEADER IN RESPONSIBLE INVESTMENT[1]

In 2017, the PRI awarded Insight an A+ rating for strategy, governance and the integration of responsible investment-related issues across corporate bond portfolios (see table).

Module name	Insight's score	Median score
01 Strategy and governance	A+	A
13 Fixed income – corporate financial	A+	B
14 Fixed income – corporate non-financial	A+	B

Insight is also a signatory to the UK Stewardship Code, which is overseen by the Financial Reporting Council (FRC). Insight was delighted to receive a Tier 1 status in an assessment by the FRC, the highest possible, signifying that we "provide a good quality and transparent description of [our] approach to stewardship and explanations of an alternative approach where necessary".

In June 2017, our annual responsible investment report won 'Best Responsible Investment Report by an asset manager' at the Responsible Investor awards.

As a result of our focus on delivering superior investment solutions that aim to demonstrate responsible investment in action, we manage mandates focused on different aspects of responsible investment, ranging from portfolios emphasising 'best-in-class' ESG ratings through to carbon reduction-focused strategies. Please contact us to discuss how we can help you integrate a responsible investment approach across your portfolio.

[1] Source: PRI Annual Assessment Report, Insight Investment, 2017.

IMPORTANT INFORMATION

RISK DISCLOSURES

Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

ASSOCIATED INVESTMENT RISKS

Fixed income

Where the portfolio holds over 35% of its net asset value in securities of one governmental issuer, the value of the portfolio may be profoundly affected if one or more of these issuers fails to meet its obligations or suffers a ratings downgrade.

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.

The issuer of a debt security may not pay income or repay capital to the bondholder when due.

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 emerging markets can be less liquid and riskier than more developed markets and difficulties in accounting, dealing, settlement and custody may arise.

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

Where high yield instruments are held, their low credit rating indicates a greater risk of default, which would 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.

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.

FIND OUT MORE

Institutional Business Development
businessdevelopment@insightinvestment.com
+44 20 7321 1552

European Business Development
europe@insightinvestment.com
+44 20 7321 1928

Consultant Relationship Management
consultantrelations@insightinvestment.com
+44 20 7321 1023

Client Relationship Management
clientdirectors@insightinvestment.com
+44 20 7321 1499

@InsightInvestIM

company/insight-investment

www.insightinvestment.com

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