

FOR PROFESSIONAL CLIENTS ONLY. NOT TO BE DISTRIBUTED TO RETAIL CLIENTS.

This strategy is offered by Insight North America LLC (INA) in the United States. INA is part of Insight Investment. Performance presented is that of Insight Investment and should not specifically be viewed as the performance of INA. Please refer to the important disclosures at the back of this document.



EXECUTIVE SUMMARY

THE US MARKET IS RIPE FOR DISRUPTION FROM MULTI-ASSET INVESTING

— VIEWS FROM 264 US ASSET OWNERS

NOVEMBER 2017

Background

With the multi-asset industry poised for growth in the US, in 2017 Insight Investment paid¹ Institutional Investor's Custom Research Lab to survey more than 260 senior US investment decision makers to gain insights on the following:

- Trends in investor behavior
- Growth drivers of multi-asset investing
- Multi-asset traits valued by investors
- Potential industry watch points

We are grateful to the 264 asset owners who gave their valuable time to respond to the survey online and to the 15 CIOs, directors of investment, portfolio managers, and consultants who provided additional insight through interviews with Institutional Investor's research team.

To request a copy of full report, email institutionalna@insightinvestment.com

¹ See end disclaimer for more details.

Executive summary

The increasing popularity of multi-asset investing among US institutional investors is causing disruption, challenging conventional wisdom such as the perception that institutions are generally keen to cut their manager rosters and to shift from active to passive strategies. In our view, this study clearly indicates that US institutions are searching for new opportunities and strategies that can target returns that meet their goals, while at the same time demanding more sophisticated risk management approaches.

Indeed, 57% of the 264 senior institutional asset owners responding to a survey conducted by Institutional Investor's Custom Research Lab anticipate increasing the number of asset managers serving their institution in the years ahead, contrasting with 20% who indicated that they intended to decrease their roster in the future.

We believe that much of this disruption is due to an increase in the popularity of multi-asset strategies. In total, 67% of those surveyed already have a meaningful allocation to multi-asset, and a substantial proportion of respondents – 19% – indicate an intention to evaluate a multi-asset manager in the future. Notably, the flows into multi-asset are less likely to come from investors' alternatives allocations, with 84% of respondents indicating they have funded (or expect to fund) their multi-asset allocations from conventional active equity and fixed income allocations.

The allocations being made are substantial, with the majority of respondents establishing a weighting between 5% and 15% of their total assets. Investors seemingly want their assets to keep working hard, but with an emphasis on risk-managed solutions, greater transparency, higher liquidity, and lower fees.

We observe in the data that respondents use multiple benchmarks to assess their multi-asset strategies, especially the most common cash-plus metric, which was cited by 71% of respondents. This suggests that investors value providers with a focus on delivering a defined outcome which can contribute in a clearer and more reliable way to meeting an institution's liabilities and funding requirements. A substantial proportion of survey respondents that use or intend to use multi-asset strategies – 65% – see them as a source of smoother, more predictable returns relative to other growth investments.

The majority of survey respondents – 58% – strongly views the use of derivatives as a source of returns, not just a tool to manage risk, and respondents hold strongly positive views on multi-asset strategies' ability to generate returns through dynamic asset allocation and exposure to a wide array of asset classes. These characteristics are important in a strategy, but the qualities of the investment manager running the strategy are also critical to choices being made by institutions. In this respect, respondents are seeking out managers with proven robust risk-management capability and firms with a partnership and solutions mindset.

Finally, the results highlight one watch point for the industry. In multi-asset, perhaps more so than other asset strategies, it is typical for respondents to use multiple benchmarks and measures to assess performance, with around three selected on average by the survey audience. This runs the risk of investors losing sight of the primary goal and benchmark, potentially leading to disappointment, managers straying away from their core processes or managers cherry picking results that present them in a favorable but ultimately misleading light. To counter these potential risks, we believe that multi-asset managers need to stick to their process and investors should judge their multi-asset strategies based on a single, primary benchmark and the most relevant assessment measures as agreed with the provider.

57%

anticipate expanding their roster of asset managers in the years ahead, while only 20% expect to work with fewer managers



71%

use cash-plus as a performance benchmark for assessing multi-asset strategies, the most frequent measure cited



58%

strongly agree that multi-asset solutions employ derivatives to deliver return and manage risk



Key statistics

Of the 264 senior institutional asset owners responding to a survey from Institutional Investor's Custom Research Lab:

57%

anticipate expanding their roster of asset managers in the years ahead, while only 20% expect to work with fewer managers

69%

already have a multi-asset allocation, and an additional 19% expect to make a decision to allocate to multi-asset in the future

42%

value managers that can demonstrate a long-term partnership approach, the highest-rated selection criterion after delivery of investment performance

Among the 264 respondents who have a multi-asset allocation or anticipate evaluating one:

58%

strongly agree that multi-asset solutions employ derivatives to deliver return and manage risk



65%

strongly agree that multi-asset strategies are attractive because of their potential to deliver smoother, more consistent returns



84%

draw on their equity and fixed income allocations to fund their multi-asset strategies, rather than alternatives

71%

use cash-plus as a performance benchmark for assessing multi-asset strategies, the most frequent yardstick cited



Sample investor quotes²



Asset managers should come up with new ways to reduce both drawdowns and volatility by focusing on eliminating risk exposures.

EQUITY ANALYST, PRIVATE BANK

If markets are volatile, endowments have a hard time being opportunistic. You can try with hedges and options, and we do so occasionally, but unless you are very large and trading options all the time, execution risk is high, timing risk is high, and it's very hard to be good at that, especially with a staff of five people.

CIO, UNIVERSITY ENDOWMENT

Success in conventional asset management is necessary, but hardly sufficient for a first-rate multi-asset investment team. The manager's track record, ability, and experience in using these instruments and asset classes on a standalone basis should be backed by a solid risk management system which cuts across these strategies and that can look through the total, and that's not limited to asset classes or by geography... This narrows the playing field significantly to those that have the infrastructure, the technology, and people to deliver and to execute.

CIO, CHARITABLE FOUNDATION



²These are sample quotes from the qualitative interviews and do not necessarily represent the views of all the survey participants.

About Insight Investment

[Click to read Insight's history](#)



Insight Investment is a leading investment manager with key operations in London, New York and Sydney. Through its predecessor companies, Insight has a 25-year history in North America and manages \$741bn globally.³ 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.

³As of September 30, 2017. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates. 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), Pareto Investment Management Limited (PIML), Cutwater Asset Management Corp. (CAMC), Cutwater Investor Services Corp. (CISC) and Insight North America LLC (INA), each of which provides asset management services.

FIND OUT MORE

Insight Investment

200 Park Avenue, 7th Floor
New York, NY 10166
212-527-1800

Call charges may vary by provider.

Institutional Business Development

institutionalna@insightinvestment.com

Consultant Relationship Management

consultantsna@insightinvestment.com

Client Service Management

clientservicena@insightinvestment.com



www.insightinvestment.com

IMPORTANT DISCLOSURES

Insight paid Institutional Investor a fee to gather information and conduct a survey from more than 260 investment decision makers. Survey was conducted to gain insights on trends, growth drivers of multi-asset investment, multi-asset traits valued by investors and potential industry watch points and should not be viewed as an endorsement or recommendation of Insight's services.

Insight pays a fee to eVestment for a subscription that allows access to its data. Insight did not pay eVestment for their contribution to this report. eVestment collects information directly from investment management firms and other sources believed to be reliable. eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information either collected, sourced or otherwise provided to eVestment or its partners and is not responsible for any errors or omissions. eVestment Data Analysts review several key criteria to determine fit and maintain consistency within each peer group; including profile selections, key characteristics, and investment strategy narratives. The Data Team reviews and approves every universe assignment as well as performs periodic reviews of the universe structure to match rising industry trends. Insight does not pay to be included in the analysis undertaken by eVestment but does pay to be able to access the eVestment database information.

This document has been prepared by Insight North America LLC (INA), a registered investment adviser under the Investment Advisers Act of 1940 and regulated by the US Securities and Exchange Commission. INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Pareto Investment Management Limited, Cutwater Asset Management Corp., and Cutwater Investor Services Corp.

Opinions expressed herein are current opinions of Insight, and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes. Any outlooks, forecasts or portfolio weightings presented herein are as of the date appearing on this material only and are also subject to change without notice. Insight disclaims any responsibility to update such views. No forecasts can be guaranteed.

Nothing in this document is intended to constitute an offer or solid action to sell or a solid action of an offer to buy any product or service (nor shall any product or service be offered or sold to any person) in any jurisdiction in which either (a) INA is not licensed to conduct business, and/or (b) an offer, solicitation, purchase or sale would be unavailable or unlawful.

This document should not be duplicated, amended, or forwarded to a third party without consent from INA. This is a marketing document intended for institutional investors only and should not be made available to or relied upon by retail investors. This material is provided for general information only and should not be construed as investment advice or a recommendation. You should consult with your adviser to determine whether any particular investment strategy is appropriate.

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. Unless otherwise specified, the performance shown herein is that of Insight Investment (for Global Investment Performance Standards (GIPS®), the 'firm') and not specifically of INA. See the GIPS® composite disclosure page for important information and related disclosures about firm performance.

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.

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 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.

The quoted benchmarks within this presentation do not reflect deductions for fees, expenses or taxes. These benchmarks are unmanaged and cannot be purchased directly by investors. Benchmark performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison such as differences in volatility, and regulatory and legal restrictions between the indices shown and the strategy.

Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

Information herein may contain, include or is based upon forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals expansion and growth of our business, plans, prospects and references to future or success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe', and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Insight and MBSC Securities Corporation are subsidiaries of BNY Mellon. MBSC is a registered broker and FINRA member. BNY Mellon is the corporate brand of the Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates and joint ventures of the Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction. Unless you are notified to the contrary, the products and services mentioned are not insured by the FDIC (or by any government entity) and are not guaranteed by or obligations of the Bank of New York Mellon Corporation or any of its affiliates. The Bank of New York Mellon Corporation assumes no responsibility for the accuracy or completeness of the above data and disclaims all expressed or implied warranties in connection there with. Personnel of certain of our BNY Mellon affiliates may act as: (i) registered representatives of MBSC Securities Corporation (in its capacity as a registered broker-dealer) to offer securities, (ii) officers of the Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds and (iii) associated persons of MBSC Securities Corporation (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY Mellon Investment Management firms.

Disclaimer for Non-US Clients: Prospective clients should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the purchase and ongoing provision of advisory services. No regulator or government authority has reviewed this document or the merits of the products and services referenced herein.

This document is directed and intended for 'institutional investors' (as such term is defined in various jurisdictions). By accepting this document, you agree (a) to keep all information contained herein (the 'Information') confidential, (b) not use the Information for any purpose other than to evaluate a potential investment in any product described herein, and (c) not to distribute the Information to any person other than persons within your organization or to your client that has engaged you to evaluate an investment in such product.

Telephone conversations may be recorded in accordance with applicable laws.

© 2017 Insight Investment. All rights reserved.

13728-12-17

