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Insight
INVESTMENT

STRATEGY PROFILE

GLOBAL STRUCTURED CREDIT

OPPORTUNITY

Our observations suggest that long-term investors are increasingly filling the space left by banks who continue to rebuild their balance sheets and scale-back their lending activities. We believe compelling returns are available to investors that can access “esoteric” deals, including direct lending and related opportunities.

We believe the risk and return trade-off in the structured credit arena is compelling. These investment opportunities typically involve lending that is secured against a portfolio of physical assets providing investors with tangible security.

Enhanced yields are available relative to, for example, investment grade corporate bonds (Figure 1). In our view, the yield premium for investment grade structured credit assets is primarily a “complexity premium” associated with sourcing, researching and investing in esoteric debt, one component of structured credit. It is not a reflection of additional credit default risk. Indeed, compared to unsecured investment grade bonds, we believe high quality structured credit investments are likely to provide higher levels of protection.

Structured credit provides a potentially attractive high credit quality alternative to multi-asset credit and leveraged credit which are historically volatile asset classes, subject to drawdowns and credit defaults. Using Insight’s High Grade ABS strategy – managed by the same team that manages our structured credit strategy – for comparison purposes, we find a historically low correlation to multi-asset credit and absolute return bond funds¹.

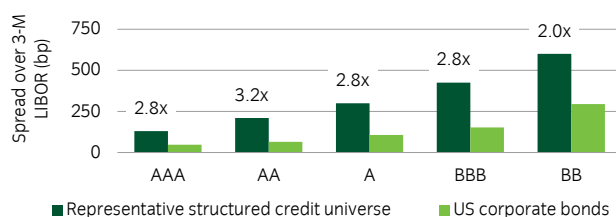
For many investors, including pension funds, structured credit investments could provide a valuable bridge between the investor’s return-seeking assets and their liability matching portfolios. Investments with contractual cashflows provide control and certainty over the timing of returns. The generally predictable nature of the return stream from these investments can potentially help long-term investors avoid inopportune

selling-down of return-seeking assets to meet short-term cashflow needs.

In structured credit, Insight seeks to offer investors the following:

- The benefit of specialist skills and experience in sourcing, researching and investing in structured credit opportunities designed to exploit the “complexity premium”
- Portfolios that aim to capture the yield premium over investment grade corporate bonds with equivalent risk ratings, with a focus on high quality, low risk opportunities
- Rigorous approach to risk management designed to measure lending risk, loan structure and security package
- Broad and evolving opportunity set of private market opportunities, not available to all investors, which Insight can utilize for clients either on a pooled fund or a segregated basis
- Ability through segregated portfolios to tailor the return stream to meet client-specific needs and, if required, for the portfolio to be managed on a buy-and-hold-to-maturity basis
- Access to a wide opportunity set with additional benefits of low governance for investors and with Insight managing reinvestment of cashflows from the underlying investments, with access to some liquidity on a quarterly basis

Figure 1: Spreads available on structured credit assets²



GLOBAL STRUCTURED CREDIT SNAPSHOT

¹ Past performance is no assurance of future returns. Investment in any of these strategies involves a risk of loss. Correlation analysis from March 31, 2011 (common date) through December 31, 2024. High Grade ABS is a strategy managed by Insight investing in public asset-backed securities markets with a longer track record dating back to March 2011. Source: Bloomberg, Insight.

² Source: Insight as of December 31, 2024. The spreads shown are for illustrative purposes only and are not indicative of the strategy spreads. US corporate bonds used to reflect corporate bonds: BofA Merrill Lynch AAA US Corporate Index, AA US Corporate Index, A US Corporate Index, BBB US Corporate Index & BB US High Yield Index. Representative structured credit universe reflects the global universe of structured credit opportunities plus lending margins in private debt markets where appropriate. Information shown does not reflect any strategy account or fund managed by Insight. There could be material differences between the information shown and the strategy. Each account is individually managed and could differ from what is presented herein.

A wide range of investment opportunities exists including those backed by the following collateral types. Each asset class can be accessed through a public market or a private market.

	Public	Private
Residential and consumer	Prime residential mortgages, MI/MSR RMBS, Consumer ABS	Mortgage pools, Bridging finance, Auto/credit card pools
Commercial	Commercial mortgage securities, CRE CLOs, NPL portfolios	CRE loans, Multifamily, Aircraft
Secured corporates	CLOs, whole business securitizations, EETC	Corporate loan warehouse, SME pools, Trade Finance

WHY STRUCTURED CREDIT?

Investors typically seek an enhanced return from credit by lowering credit quality, increasing duration, moving into deeply illiquid areas of the market or applying portfolio leverage. However, Insight believes that investors should consider strategies, such as structured credit, focused on extracting complexity and some illiquidity risk within a robust asset allocation framework. We believe structured credit markets can offer a compelling opportunity for investors who seek to generate excess returns while preserving credit quality and remaining relatively liquid and unlevered.

We believe the opportunity in structured credit is increasing as banks continue to face pressures to scale back their lending activities and boost 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 such as structured credit.

There are, however, barriers to market entry that will restrict the amount of capital that will flow into structured credit 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 the bond markets.

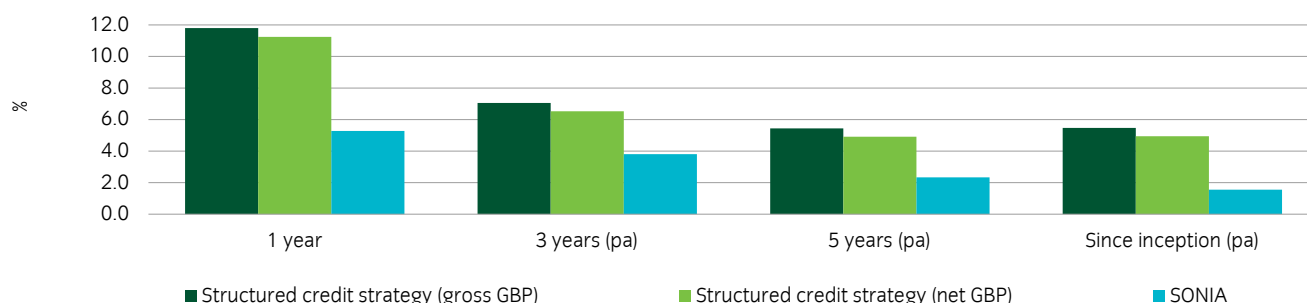
In our view, a premium is available from structured credit that is associated with the complexity of the underlying assets. Assessing risk and opportunity in structured credit requires a specific skill set and an understanding of:

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

STRUCTURED CREDIT STRATEGY – KEY FACTS

Strategy launch date	March 31, 2015 (EUR), November 30, 2015 (GBP).
Current spread	Annual yield spread over benchmark of +338bp ³
Investments	Structured credit opportunities which are senior in the capital structure and backed by portfolios of real assets. Currency and interest rate risk are hedged to low tolerances.
Credit quality	Investment grade (weighted average credit quality of BBB). Maximum of 15% in sub investment grade rated assets.
Liquidity	Quarterly (four-month notice period for redemptions).

PERFORMANCE⁴



³ Past performance is no assurance of future returns. Investment in any of these strategies involves a risk of loss. Data as of December 31, 2024.

⁴ Past performance is no assurance of future returns. Investment in any of these strategies involves a risk of loss. 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. The net returns have been calculated using the standard annual management fee for this strategy of 0.75% pa. Please refer to the important disclosures and index descriptions at the back of this document. When marketed outside the United States, this strategy is referred to as the secured finance strategy. Source: Insight as of December 31, 2024. Returns for the structured credit strategy (C0937) are shown in GBP. Strategy inception: November 30, 2015. Benchmark: SONIA. 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.

THE TEAM

- The Structured Credit Team is a specialist team of investment professionals, based in the US and the UK, overseeing \$18.1bn⁵ of secured lending across residential mortgages, supply chain finance, commercial real estate loans, corporate loans, ABS and CLOs. Led by Shaheer Guirguis, the team has complementary experience in structured credit transactions across market segments, transaction stage (e.g. origination, underwriting, valuation, structuring and modelling) and portfolio management.
- The Structured Credit Team is supported by the skills and capabilities in Insight's Fixed Income Group, of which the Team is a part. The Fixed Income Group numbers 164 investment professionals, with an average industry experience of 19 years⁶. It is built on specialist knowledge, experience and organized 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.

INVESTMENT STRATEGY⁷

The investment strategy currently seeks to allocate between what we believe to be the following attractive opportunities⁸.

Public investments c.70%

- Asset backed securities and CLOs: valuations currently appear to be attractive on assets that have a strong fundamental outlook; exceptionally low historical default track record.

Private investments c.30%

- 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.

The information below shows the types of assets and their weightings within the structured credit strategy⁹. Insight's active asset allocation model guides portfolio construction.

Figure 2: By rating

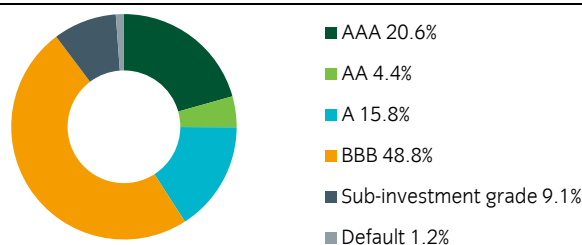
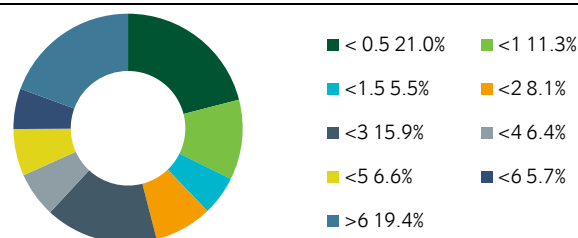


Figure 3: By maturity (years)



⁵ Source: Insight, as of December 31, 2024. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. See footnote later in the document for more information.

⁶ As of December 31, 2024.

⁷ Source: Insight as of December 31, 2024. For illustrative purposes only. Investment and exposure values vary as markets move. Rating breakdown shows highest available rating from three major ratings agencies (S&P, Moody's and Fitch or equivalent) on individual assets where available. For private debt securities the Insight Credit Rating has been used.

⁸ The strategy allocations referenced herein should not be relied upon as a complete listing of the strategy's past investment decisions. Asset allocation weightings are subject to change without notice, represent Insight's present opinions only, may not represent current or future decisions and should not be construed as investment recommendations.

⁹ As of December 31, 2024. Each investor's portfolio is individually managed and may vary from the information shown.

Figure 4: By asset type

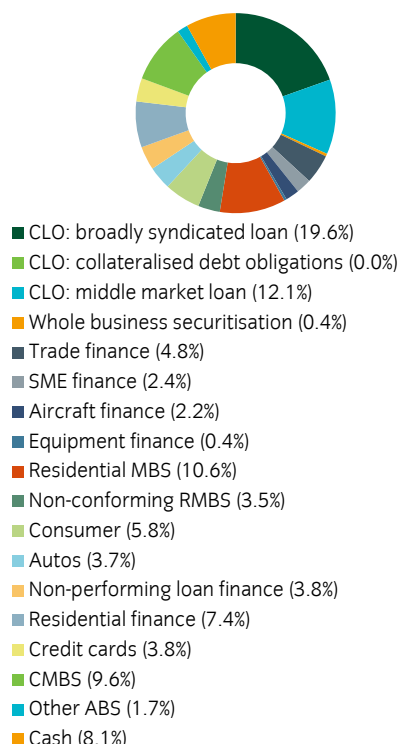
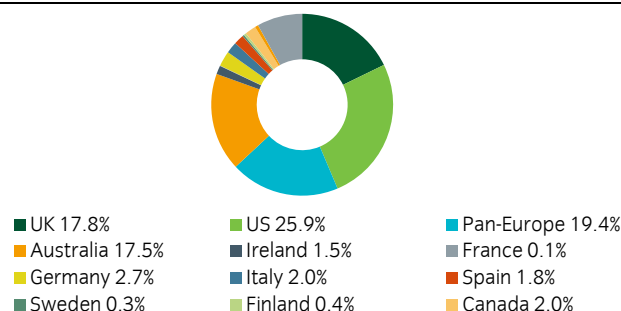


Figure 5: By geography



ABOUT INSIGHT INVESTMENT

Insight Investment is a global asset manager and a leader in liability-driven investment (LDI) and fixed income solutions. We manage \$784bn¹⁰ across risk management, alpha generation and liquidity management strategies. We aim to meet our clients' objectives with the highest degree of certainty and work closely with them through all stages of their investment journey.

- Insight is the largest LDI manager in the world¹¹ and was a pioneer of liability-management solutions
- Our fixed income solutions use proprietary systems and processes, such as our Units of Risk framework and our landmine checklist
- We are a pioneer of integrated fixed income and derivative strategies for risk management purposes
- We are a founding signatory to United Nations-supported Principles for Responsible Investment (PRI)¹² in 2006

¹⁰ As of December 31, 2024. Assets under management (AUM) are represented by the value of the client's assets or liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark and/or the notional value of other risk exposure through the use of derivatives. Where the methodology defines it, some asset reporting focuses on cash securities only. Insight North America (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 (IIMG), Insight Investment International Limited (IIL) and Insight Investment Management (Europe) Limited (IIMEL). Advisory services referenced herein are available in the US only through INA. Legal entity Insight North America LLC's AUM is \$137.9bn as of December 31, 2024. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates. Excludes previous parent introduced assets prior to 2009.

¹¹ Source: Coalition Greenwich 2024 UK Investment Consultant Research. LDI results are based on interviews with 10 UK consultants evaluating LDI. Insight Investment Management (Global) Limited paid a fee to Greenwich for access to the GQI scores and research underlying the scores.

¹² PRI is a United Nations-supported international network with a goal of understanding the implications of sustainability for investors and supporting signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.

FIND OUT MORE

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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

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.

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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.

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SONIA is a financial benchmark administered by the Bank of England (BoE) that measures the interest paid on overnight, unsecured funds in the wholesale banking market.

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