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 attractive returns are available to investors that can access private 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 approximate 1.8% yield premium for investment grade structured credit assets is primarily a ‘complexity premium’ associated with sourcing, researching and investing in private 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 significantly higher levels of protection.

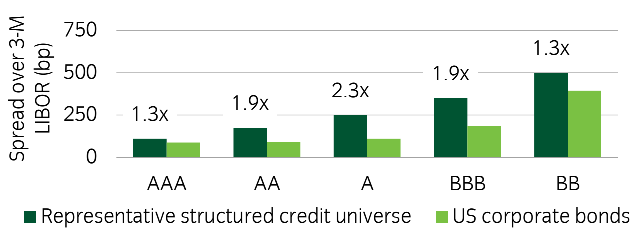
Structured credit provides a potentially attractive high credit quality alternative to multi-asset credit and leveraged credit which are historically volatile asset classes, subject to drawdowns and credit defaults. Using Insight’s High Grade ABS strategy – managed by the same team that manages our structured credit strategy – for comparison purposes, we find a low correlation to multi-asset credit and absolute return bond funds[1].

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 offers 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
- Assets providing a floating rate which, unlike fixed rate bonds, may help mitigate the price impact of rising interest rates
- 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 assets[2]



GLOBAL STRUCTURED CREDIT SNAPSHOT

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 residentials 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	CLO’s, whole business securitizations, EETC	Corporate loan warehouse, SME pools, Trade Finance

[1] Correlation analysis from March 31, 2011 (common date) through September 30, 2020. 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 September 30, 2020.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.

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. Structured credit markets can offer a compelling opportunity for investors who want 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.

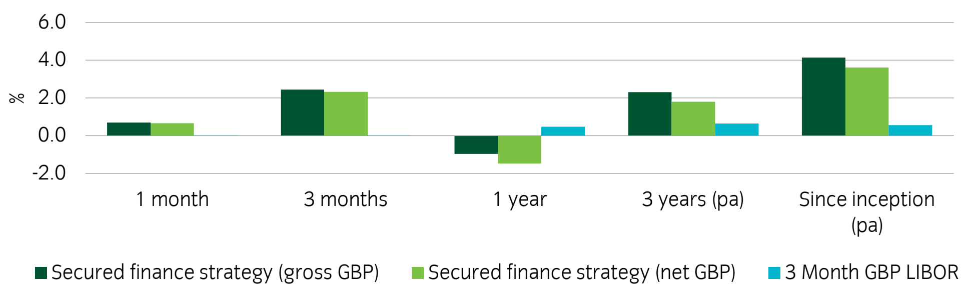
In our view, a premium is available from structured credit that is associated with the complexity of the underlying assets. Assessing risk and opportunity in structured credit requires a specific skill-set and an understanding of:

- 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).
Long-term target	3% pa over 3 Month GBP LIBOR (gross of fees and expenses) over rolling three-year periods[3]
Current spread	Annual yield spread over LIBOR of +363bp[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).

PERFORMANCE



When marketed outside the United States, this strategy is referred to as the secured finance strategy. Source: Insight as of September 30, 2020. Returns for the structured credit strategy (C0937) are shown in GBP. Strategy inception: November 30, 2015. 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.

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 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.

THE TEAM

- The Structured Credit Team is a specialist team of investment professionals overseeing $29.2bn[4] 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 115 investment professionals, with an average industry experience of 17 years[5]. It is built on specialist knowledge,

[3] Represented by the following indices: BofA Merrill Lynch AAA European Corporate Index; BofA Merrill Lynch A European Corporate Index; BofA Merrill Lynch BBB European Corporate Index; BofA Merrill Lynch BB European High Yield Index.[4] Source: Insight, as of September 30, 2020. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. See footnote on page 3 for more information.

[4] Source: Insight, as of September 30, 2020. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. See footnote on page 3 for more information.

[5] As of September 30, 2020. Includes employees of Insight North America LLC (INA) and its affiliates, which provide asset management services as part of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML).

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 STRATEGY

The investment strategy currently seeks to allocate between what we believe to be the following attractive opportunities[6].

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 strategy[7]. Insight's active asset allocation model guides portfolio construction.

Figure 2: By rating

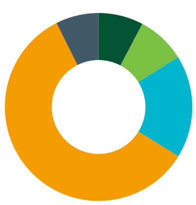


Figure 3: By maturity (years)

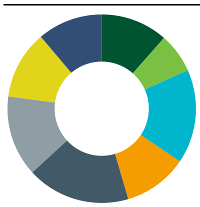


Figure 4: By asset type

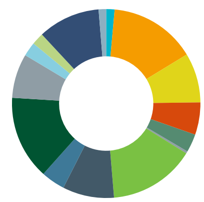
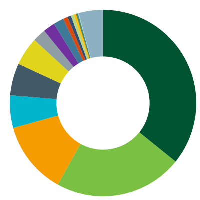


Figure 5: By geography



ABOUT INSIGHT INVESTMENT[8]

Insight Investment is a global asset manager and a leader in liability-driven investment (LDI) and fixed income solutions. We manage $946bn globally 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. It is built on three main pillars: fixed income; absolute return and unconstrained investment; and risk management solutions:

- Insight is the largest LDI manager in the world[9] and was a pioneer of liability-management solutions.

[6] 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.

[7] As of September 30, 2020. Each investor's portfolio is individually managed and may vary from the information shown.

[8] As of September 30, 2020.Insight's assets under management (AUM) are represented by the value of cash securities and other economic exposures and are calculated on a gross notional basis. 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, Insight Investment International Limited and Insight Investment Management (Europe) Limited. Advisory services referenced herein are available in the US only through INA. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates.

[9] Source: Greenwich Associates 2020. Results are based on interviews with 10 UK consultants evaluating LDI.

- 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 have helped clients dynamically manage currency risk for two decades.
- A founding signatory to United Nations-supported Principles for Responsible Investment (PRI) in 2006, we integrate ESG analysis into all investment decisions. We understand the complex requirements of insurers through substantive team experience.

FIND OUT MORE

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IMPORTANT INFORMATION

IMPORTANT DISCLOSURES

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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.

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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The quoted benchmarks within this document 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.

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Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown.

Defined as 3 month GBP LIBOR minus 0.1% or 0.125%. The average is deannualized and then compounded on a daily basis for the month. The 3 Month GBP LIBOR index is calculated as a monthly return based on the average month's 3 Month GBP LIBOR daily annualized rates. LIBOR is the primary benchmark for short-term interest rates globally and is used as the basis for settlement of interest rate contracts on many of the world's major futures and options exchanges. Rates are quoted for a range of borrowing periods, ranging from overnight loans to 12 months, in a range of world currencies.