

Insight European Credit Strategy



Introduction to Insight Investment

One of Europe's largest active managers, providing tailored, and cost-effective, investment solutions for a wide range of clients, including pension plans, insurers, sovereign wealth funds and individuals. With expertise, strength and depth of knowledge spanning the entire risk-return spectrum, Insight is able to offer innovative, highly flexible and practical investment solutions that reflect client objectives.

Established:	2002
AUM (EUR billions):	677.8
Locations:	London, Frankfurt, New York, Sydney, Tokyo
Investment focus:	Fixed income, absolute return and risk management solutions

Why Insight European Credit Strategy?

High-conviction approach: The Strategy seeks to deliver excess returns, regardless of the prevailing market backdrop, through an actively managed, high-conviction portfolio of Insight's best ideas in the European investment-grade credit market.

Diverse drivers of performance: The Strategy combines the assessment of spreads fair value with a long-term strategic perspective and a shorter-term tactical view to harness diverse sources of added value. This ensures that performance cannot be driven by one specific investment decision, from stock or sector selection to duration.

Flexible exposures: Although the portfolio primarily comprises euro investment grade corporate bonds, the manager has the ability to invest in other instruments, including non-euro denominated corporate bonds, government bonds, high yield bonds and emerging market debt, if appropriate.

Consistent and resilient: The Strategy has a strong track record dating back to 2006, and has generated consistent performance through a number of different market environments, proving resilient in periods of market uncertainty.

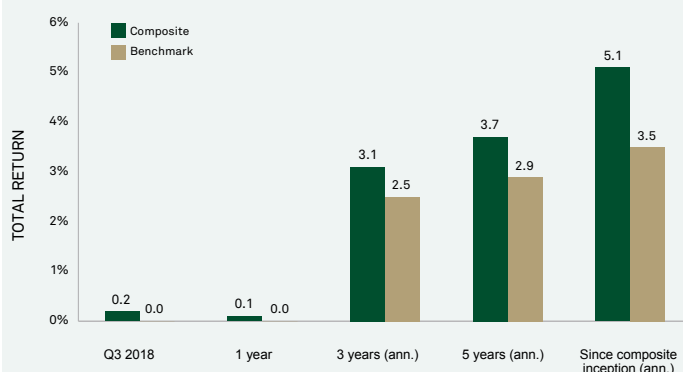
Precision and diversification: Insight's broad fixed-income philosophy focuses on the generation of consistent returns through the key investment tenets of precision and diversification, and the manner in which those two fundamental principles are blended and applied.

All information as at 30 September 2018, unless otherwise stated.

Strategy key facts

ASSET CLASS:	Fixed income
REGIONS:	Europe
INVESTMENT OBJECTIVE:	To generate a total return comprised of income and capital growth by investing primarily in a broad range of euro-denominated debt and debt-related investments and in financial derivative instruments relating to such investments
PERFORMANCE TARGET:	To outperform the benchmark by 1-1.5% per annum over rolling 3-year periods
PERFORMANCE COMPOSITE:	Insight Euro Corporate Composite
BENCHMARK:	Markit iBoxx Euro Corporates Index
COMPOSITE INCEPTION:	31 August 2005
STRATEGY AUM (EUR MILLIONS):	17,198.0
BASE CURRENCY:	EUR
EXPECTED TRACKING ERROR:	1.0%-3.0% relative to benchmark per annum
LEAD PORTFOLIO MANAGER:	Lucy Speake
AVAILABILITY:	Segregated account, pooled fund

Strategy performance



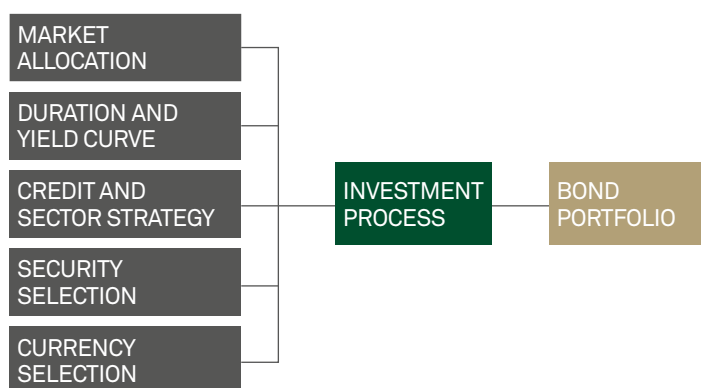
Source: eVestment. Insight performance calculated as total return, income reinvested, gross of fees, in EUR. Fees and charges apply and can have a material effect on the performance of your investment. Insight claims compliance with the Global Investment Performance Standards (GIPS). Please see performance disclosures on page 3.

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Investment philosophy

Insight's credit and sector strategy focuses on three factors: value assessment, strategic and tactical views. Insight undertakes quantitative analysis to derive spread fair value. The strategic view concentrates on a 12-month outlook and is based on the fundamental economic analysis of credit market segments. The tactical view assesses a shorter-term timeframe of up to three months. Duration is approached from a similar standpoint.

Insight believes that the primary sources of risk and potential value offered by fixed income portfolios are: market allocation; duration and yield curve; credit and sector strategy; security and currency selection. The emphasis placed on each factor will depend on prevailing market conditions.



Investment process

ACTIVE APPROACH TO SECTOR EXPOSURE

Sector weightings within the portfolio are driven by the collective perspectives of the analytical team and are based on their assessment of fundamentals, technical factors and valuations.

GLOBAL INPUT

The Strategy is managed by Insight's European Fixed Income team, led by Head of European Fixed Income, Lucy Speake. The European Fixed Income team leverages the opinions and ideas of Insight's entire fixed income team, which comprises 116 highly experienced investment professionals, including 48 dedicated credit specialists.

INTENSIVE CREDIT ANALYSIS

Security selection is a primary source of added value. Insight screens the corporate bond universe to recognise potential opportunities that are then subjected to intensive fundamental credit analysis. Insight's team of credit analysts has a strong record of successfully identifying and avoiding defaults, using Insight's 'landmine checklist' to evaluate the risks inherent in any issue.

LANDMINE CHECKLIST

- ✓ Liquidity
- ✓ Contingent liabilities
- ✓ Regulatory risk
- ✓ Event risk
- ✓ Leveraged buyout (LBO) risk
- ✓ Environmental, social and governance (ESG) risk

Past performance is not a guide to future performance.

The value of investments can fall. Investors may not get back the amount invested.

Performance disclosures

Year	Total return (%)					Rolling composite 3yr std. dev.	Rolling benchmark 3yr std. dev.	No. of portfolios (throughout period)	Market value at end of period (m)	Total firm assets at end of period (m)
	Composite gross (weighted average) return	Benchmark return	Arithmetic difference	Highest value	Lowest value					
2017	3.39	2.37	1.02	3.90	3.09	2.85	2.84	12(11)	3,887	284,026
2016	5.11	4.73	0.39	5.79	4.91	2.85	2.77	12(11)	3,279	249,634
2015	0.34	-0.66	1.01	0.94	-0.38	3.11	2.95	13(9)	2,253	230,326
2014	9.07	8.24	0.83	10.10	8.73	3.05	2.91	11(8)	1,856	188,291
2013	3.95	2.24	1.71	4.52	3.66	4.33	4.19	9(7)	1,407	122,672
2012	16.21	13.57	2.63	17.69	15.76	4.39	4.14	8(6)	1,197	113,285
2011	3.19	1.73	1.46	3.27	2.96	5.70	4.37	6(4)	509	80,521
2010	6.20	4.81	1.39	5.94	5.84	6.51	4.70	4(2)	265	61,362
2009	24.61	14.41	10.19	24.61	24.61	6.29	4.50	1(1)	54	52,342
2008	-4.34	-2.58	-1.76	-4.34	-4.34	4.24	3.66	1(1)	49	86,851

Data source: Insight Investment.

FIRM-WIDE DISCLOSURES

- The GIPS® firm is defined as Insight Investment and is the corporate brand for the companies managed or administered by Insight Investment Management Limited.
- Since the firm's creation in 2002, the firm has added a number of investment teams under its brand. These include the Pareto brand and the Cutwater Asset Management brand. In all cases, the decision making processes of the investment teams that have transitioned under the brand remain substantially intact and independent within Insight Investment.
- Insight claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Insight has been independently verified for the periods 1 January 1998 to 31 December 2016. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.
- The assets under management figure is the most up-to-date available, and is subject to change. A complete list of composites and their descriptions is available on request.
- Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- The measure of dispersion is represented by the lowest and highest annual returns of accounts that have been included within the composite for a full calendar year. Three-year annualised ex post standard deviation measures are not presented when there are less than 36 monthly observations available.

C0322: FIXED, EURO CORPORATE (ALL FUNDS) – BASE CURRENCY EUR – INCEPTION DATE 31 AUGUST 2005 – CREATION DATE 31 AUGUST 2005

- This composite comprises actively managed portfolios invested in a range of European credit instruments. Prior to 30 September 2017 the composite was known as Fixed, Euro Corporate. The change of the name was for clarification purposes, and didn't represent a change in strategy.
- The composite is benchmarked against the iBoxx Euro Corporates Index.
- The standard annual management fee for this type of mandate is 0.33% per annum. Fees are variable and depend on the asset class or Fund being invested in and the value of the investment.
- Portfolios within this composite are permitted to use leverage, derivative instruments and/or short positions for efficient portfolio management. The extent to which these instruments may be used for investment purposes may vary over time and may be material. More detail on the degree of leverage/derivative/short position usage within this composite is available upon request.
- Accounts below £10m are excluded from the composite, as they are not considered able to be fully invested in the Insight style. To avoid frequent changes to composite membership, existing accounts need to fall below £9m in value before being excluded and excluded accounts need to rise above £11m before being included.
- For segregated mandates any cash flow larger than 20% of the portfolio market value is deemed to be significant. In the event of a significant cash flow, the portfolio in question will be removed from its composite for the entire calendar month, subject to review depending on market conditions at the time.

FOR MORE INFORMATION ON THIS STRATEGY PLEASE VISIT OUR WEBSITE www.bnymellonim.com

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