

Is it possible to
have equity income to
the power of two?

Insight

UK Equity Income Booster Fund

➤ A BNY MELLON COMPANYSM



About Insight Investment

Insight Investment is a leading asset manager focused on designing investment solutions to meet our clients' needs. Launched in 2002, Insight is responsible for assets under management of £168.3bn¹ across liability-driven investment, absolute return, fixed income, cash management, multi-asset and specialist equity strategies.

We manage money for private investors, pension funds, sovereign wealth funds, insurance groups, local government, charities and other financial institutions.

¹As of 31 December 2011, represented by the value of physical securities and liability benchmarks

Why enhanced income products?

Generating sustainable, enhanced levels of income has become increasingly difficult. With base rates at or near historic lows, deposit rates and bond yields have tumbled. In addition, equity dividend yields have fallen.

Income investors are seeking to make their investments work harder, resulting in increasing demand for enhanced income products. One way of enhancing equity income is by using a type of equity derivative known as a call option. Effectively, the proceeds received from the sale of call options are used to top up the income the Fund receives from equity dividends.

We have tried to explain financial terms as clearly as possible but if you need further clarification, please visit the investment glossary on our website www.insightinvestment.com or speak to a financial adviser.

About the Fund

The Insight UK Equity Income Booster Fund is a compelling solution for investors seeking a higher income stream than that generated by traditional equity income funds, which generally only pay distributions based on dividends received. The Fund combines a traditional equity portfolio approach with an income-generating call option strategy to enhance the overall payouts, although this may restrict the Fund's growth in rising markets. Further details of how we aim to achieve this can be found on page 5.

Key features

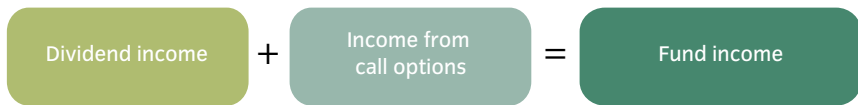
- Actively managed, equity-based Fund, designed for income-seeking investors, who are prepared to accept equity risk.
- Aims to deliver higher income than traditional equity income funds, currently targeting an 8%² yield p.a.
- The Fund provides monthly income distributions and offers daily dealing.

Please note the value of investments and any income from them will fluctuate. This may be due to exchange rate changes and investors may not get back the full amount invested. Details of the risks associated with this Fund are set out on Page 7.

² The target is approximate, and is not guaranteed. The target will be reviewed annually and may change according to market conditions. The target yield is based on 12 month distributions to the end of March each year quoted net of charges (which are deducted from capital) and net of basic rate tax.

How the Fund works

The Fund brings together a traditional equity portfolio approach with an income generating call option strategy, combining the income stream from each component to generate its target yield of 8%. The Fund is co-managed by Tim Rees our equity income specialist and Takis Anastassopoulos from Insight's Financial Solutions Group.



Equities

The equity income component is managed by Insight's highly experienced equity income fund manager Tim Rees. Tim focuses on adding value through informed, opportunistic stock selection, with the aim of delivering consistent, repeatable performance, within a strict risk management framework.

In equity income, Tim focuses on companies that he believes are well-placed to benefit from expected industry and economic conditions, are attractively valued and can provide the Fund with a healthy and growing dividend income. Taking a long-term approach, he typically holds stocks in the portfolio for two to three years and seeks to balance risks across the portfolio. As a result, the Fund tends to have a very low turnover, making it well suited to a call option overlay strategy.

Call options

The call option strategy is managed by Takis Anastassopoulos who draws upon our well resourced and highly experienced Financial Solutions Group (FSG). The team have established a position as leaders in investment risk management with extensive use of derivatives. Indeed, Insight is one of the largest derivatives managers in the UK.

Using call options is a well established investment technique that can be used to enhance income in an equity portfolio. It is also a defensive strategy, which can reduce volatility.

Call options may sound complicated, but the principle behind them is actually quite simple. A call option is a type of equity derivative on a stock held by the Fund which gives the option buyer the right, but not the obligation, to buy a specific quantity of the stock at a specified price on an agreed date. By selling call options on stocks held within its portfolio, the Fund receives a premium (payment) from the buyer of the call option. The premium the buyer pays provides the Fund with an additional source of income, boosting the Fund's income.

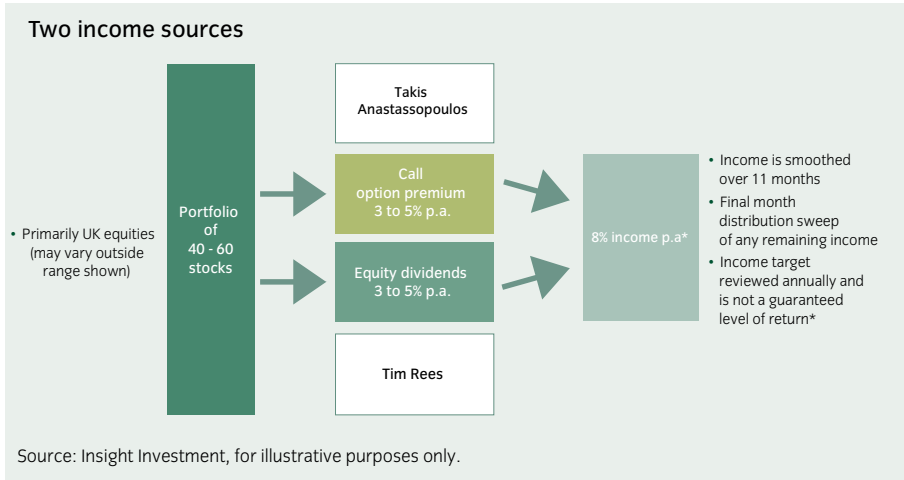
However, while selling call options can enhance income and help dampen overall volatility, they can also reduce the Fund's growth potential in strongly rising markets, as the Fund is prioritising the income generated from the call options over significant potential gains in a stock's price in the future.

Examples of how call options work in practice can be found on page 8.

For more details about how call options work,
please speak to your financial adviser.

Where does the Fund's yield come from?

The diagram below is an illustration of how the Fund generates its target yield of 8%³. The proportion of the Fund's yield derived from each component may vary according to market conditions.



³The income target of 8% is not guaranteed and may fluctuate. The target yield is based on 12 month distributions to the end of March each year quoted net of charges (which are deducted from capital) and net of basic rate tax. Details of the risks associated with this Fund are set out on the next page.

Investment risks

The Fund offers no capital or income guarantees and, therefore, like most investments that are exposed to the stock market, there is a risk that the Fund can fall in value and you could get back less than you invest.

What risks should I be aware of?

It is important to understand the risks involved in any investment before you invest.

Please seek professional financial advice if you are in any doubt about your investment decision.

The specific risks associated with this Fund are as follows:

- The Fund has charges deducted from capital. Whilst this increases the income paid, it will also reduce the potential for capital growth.
- The Fund uses a derivatives strategy to generate additional income which may restrict the Fund's growth in rising markets.

Full details of the risk factors associated with investment in the Fund can be found in the Simplified Prospectus and associated Fund Information Supplement (or the Key Investor Information and Supplementary Information Document after 30 April 2012), which are available on our website. You should read these documents before you invest.

Call option overwriting examples



While option premiums and strike prices will vary in practice, it is worth running through a few theoretical examples of how call options work in changing markets. Here, we have a fund which owns 100 shares in XYZ Plc bought for 100p each. The fund sells a three-month call option on these 100 shares of XYZ Plc to an investor with a strike price of 130p. The buyer of the call option agrees to pay a premium to the fund of 1p a share (a total of 100p) for this option. At the expiration date, the following scenarios could occur:

Scenario 1: The share price is flat

Outcome

The shares remain valued at 100p each. The buyer does not exercise the call option since the shares are cheaper in the market than buying them from the fund.

The buyer has lost 1p for each call option purchased.

The Fund makes 1p from each call option sold (100p in total), i.e. the premium paid by the investor.

Scenario 2: The share price falls by 15%

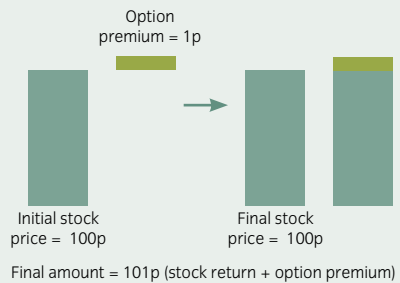
Outcome

The shares are now valued at 85p each. The buyer does not exercise the call option since the shares are cheaper in the market than buying them from the fund.

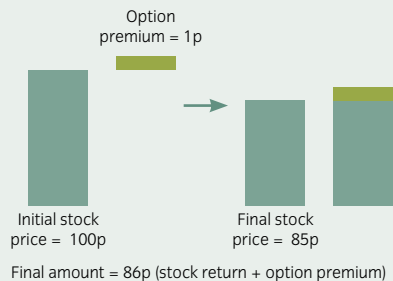
The buyer has lost 1p for each call option purchased.

The Fund makes 1p from each call option sold (100p in total), i.e. the premium paid by the investor. This helps cushion the loss from the fall in the stock price. Now the loss is 14% rather than 15%.

Option strike price = 130p



Option strike price = 130p

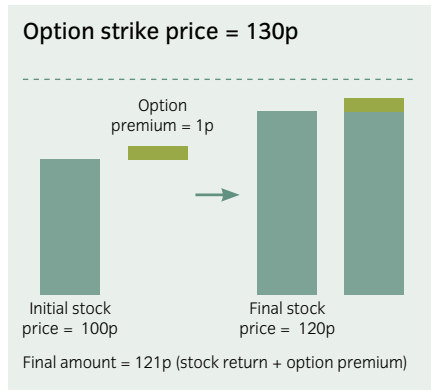


Scenario 3: Share price rises by 20%

Outcome

The shares are now worth 120p each.
The buyer does not exercise the call option since the shares are still cheaper in the market than buying them from the fund at the pre-agreed exercise price of 130p.

The Fund makes a profit of 21p per share. This represents a gain of 20p in the stock price and 1p from each call option sold, i.e. the premium paid by the investor. The buyer has lost 1p for each call option purchased.



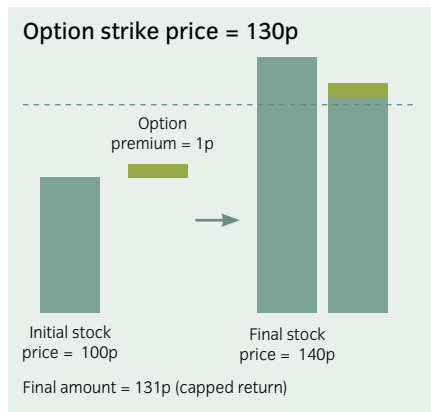
Scenario 4: Share price rises by 40%

Outcome

The shares are now worth 140p each.
The buyer decides to exercise the call option since the shares are now trading at a price higher than the call option strike price.

The buyer makes 10p per share from owning each call option, the difference between the final share price of 140p and the strike price of 130p. From this amount must be deducted the 1p per call option premium paid to the fund. Therefore, the buyer makes a net profit of 9p per share.

The Fund makes a profit of 31p per share. This represents a gain of 40p in the stock price and a net loss of 9p from the call option (1p premium income received less the 10p paid to the investor).



Examples included are for illustrative purposes only – exercise prices and option premiums will differ in practice. All figures used in these examples are for the benefit of clarity only.

Two teams, one income solution



Tim Rees

Equity Income
Fund Manager

The equity income component is managed by Tim Rees our equity income specialist.

Tim joined Insight (formerly Clerical Medical Investment Management) in May 1984 and works within our specialist equities team as a UK equity income portfolio manager. Tim worked in various roles at Clerical Medical, transferring to the investment team in 1987 and then the UK equity team in 1990. Tim holds a BA (hons) degree in Philosophy and Economics from the University of East Anglia.

Tim is supported by our 9-strong specialist equity team who have an average of 19 years industry experience.



Takis

Anastassopoulos

Call Option Overlay
Manager, Financial
Solutions Group

Takis joined Insight's Financial Solutions Group in June 2004 as a senior portfolio manager with responsibility for index replication funds as well as derivative-based structured products. He was previously the Managing Director of Quant Technology Ltd, a specialist consultancy that designs tailor-made investment and risk management solutions.

Takis began his investment career at Investcorp as a senior quant trader in the proprietary trading area, followed by six years at Govett Investments as an Associate Director, Head of Quantitative Analysis. Takis has a PhD from the University of London in Computer Science.

Fund facts

Investment objective	The investment objective of the Fund is to provide an enhanced level of income with potential for capital growth primarily through investment in equity and equity related securities
Investment policy	The Fund will invest primarily in a portfolio of UK listed equity and equity related securities, although there may be some investment, from time to time, in securities listed outside of the UK. In addition the Fund will employ a derivatives strategy designed to generate additional income. The Fund may also use derivative instruments for other efficient portfolio management purposes. The Fund may also invest in other transferable securities, collective investment schemes, cash and near cash, deposits and money market instruments
Target yield of underlying equity portfolio	The underlying equity portfolio is targeting an annualised yield of 110% of the yield of the FTSE All-Share index
Income payments	Income is paid at a rate of 0.625% of the prevailing unit price per month for 11 months with the final balancing payment in the 12th month. This has the effect of smoothing income from the Fund. The Fund's accounting date is 31 August each year
Fund yield	The yield is calculated by dividing each monthly distribution by the mid-market unit price on the first day of the month in which that distribution is accrued. The annual yield is calculated as the sum of these monthly yields over 12 consecutive months ⁴
Benchmark / IMA sector	FTSE All-Share index / UK Equity Income
Target annual income	8% p.a. ⁵
Annual management fee	1.5%
Minimum investment	£3,000
Income distributions	Monthly
Fund structure/currency	FSA authorised ICVC (UCITS III) / GBP
Share class types	Accumulation and Income
Performance fee	No
ISA/SIPP	Yes
Dealing time	12 noon each dealing day

⁴ Please note that other funds in the IMA UK Equity Income sector may calculate yields on a different basis.

⁵ The target yield quoted is approximate and not guaranteed. It is based on the anticipated level of income distributions over a twelve month period. The target yield will be reviewed on an annual basis and is quoted net of charges and basic rate tax.

Your questions answered

Is the 8% annual income target guaranteed?

The target yield is not guaranteed and will be reviewed annually. It may be adjusted in line with changing market conditions.

The Fund generates extra income from call options by giving up some of the potential equity capital growth.

Over the medium to long-term we would expect the Fund's total return to be in line with other equity income funds but with a higher proportion of that return having been achieved through call options.

Is my capital in this product guaranteed?

No, the Fund is an equity investment and therefore the capital value of the Fund will fall and rise as a result of the performance of the underlying equity investments. The call option strategy employed on the portfolio is expected to make the Fund more defensive but will not prevent capital loss.

How is this Fund different to Insight's Equity High Income Fund?

The UK Equity Income Booster Fund and the Equity High Income Fund share the same fund manager and investment process but the portfolios are not identical and there may also be differences in performance from time to time.

Both funds invest in UK equities but the UK Equity Income Booster Fund also utilises a call option strategy to boost income. This strategy generates income in return for selling some of the future potential capital growth on the stocks held in the portfolio. Therefore, all else being equal, in a weak rising, flat or falling market the UK Equity Income Booster Fund would be expected to outperform a traditional equity income fund. In a strongly rising market the Fund would be expected to underperform a traditional equity income fund in terms of total returns, although income levels would still be higher.

I already hold the Equity High Income Fund, can I transfer my holding?

Yes, you may switch into the UK Equity Income Booster Fund and Insight makes no charges for this switch, although a switch may be subject to Capital Gains Tax.

Will the Fund be able to sell options if the market is forecast to fall?

Yes. The options market is very large and developed and is supported by large investment banks who provide market liquidity whatever the direction of the market. Banks can do this efficiently because they aggregate a large number of positions and manage the overall risk in their books.

Is the Fund exposed to counterparty risk through the overlay strategy?

The Fund is expected to have minimal exposure to counterparty risk as credit risk of the call options is principally borne by the Fund's counterparties.

Can the call option strategy be affected by market conditions?

The call option strategy is primarily affected by market volatility rather than whether share prices are moving up or down. In laymans terms, one of the main influences on option prices is how much markets are moving up and down, rather than in which overall direction. The strategy has proved effective in back-tests in both high and low volatility environments.

Who is this Fund suitable for?

The Fund may be suitable for investors who:

- Want a more defensive equity investment that would usually have lower volatility than a traditional equity fund.
- Are targeting a high income with potential for some capital growth over the long-term.
- Are looking for smoothed monthly distributions.
- Want to hold their investment over the medium to long-term (five years or more), but still want the flexibility of rapid access to their money.

The Fund is not suitable for investors who:

- Are looking for a low-risk investment where their capital is not at risk.
- Have a short-term investment time frame.

How to invest

We aim to make investing with us simple and straightforward, so your investments can start working for you as soon as possible.

Investing with your adviser

You can invest in this Fund, or any other Insight Investment Fund, through an independent financial adviser (IFA).

An IFA will be able to advise on your overall investment strategy and the suitability of this product for your investment needs.

To find an IFA in your area, visit www.unbiased.co.uk, run by IFA Promotions, a non-profit organisation.

Investing directly – without an adviser

We would strongly encourage you to seek professional advice before investing.

Please ensure you read the Simplified Prospectus and accompanying Fund Information Supplement before completing the application form.

Copies are available on our website www.insightinvestment.com or by calling our customer services team on 0845 777 2233⁶.

Please send your completed application to:

**Insight Investment,
PO Box 23630,
Edinburgh EH7 5GR**

Keeping you informed

We aim to keep you fully informed about your investment's progress.

When you invest with us, you will receive:

- A contract note when your initial or any subsequent investment has been made, detailing the number of shares bought and at what price.
- Half-yearly statements detailing all transactions on your investment account and the latest valuation on your fund(s).
- Annual and Interim Short Reports for the funds in which you are invested⁷.

⁶ Telephone calls may be recorded. Call charges may vary by provider.

⁷ Long form and short form report and accounts are available on request.

Find out more

For further information please contact us:

Wholesale Business Development

brokersupport@bnymellon.com

0500 66 00 00

www.insightinvestment.com

Telephone calls may be recorded.

Call charges may vary by provider.

Customer Service Enquiries

service@insightinvestment.com

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For full product details please refer to the Funds Prospectus, available on our website.

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