



MONTHLY FUND UPDATE

ABSOLUTE INSIGHT CREDIT FUND

Fund performance as at end April 2012

	1 month return (%)	YTD return (%)	1 year return (%)	3 year return (% p.a.)	Since inception return (% p.a.) ¹
Credit Fund	-1.07	6.36	-4.09	-	20.71
Benchmark: 3 month Libid	0.07	0.31	0.84	0.71	0.69

¹The inception date for the Fund is 2 June 2009.

All figures sourced from Insight and Bloomberg. Returns are sterling, share class B1p and net of 1% annual management charge and 10% performance fee.

Past performance is not a guide to the future.

MARKET BACKDROP

April was the first negative month for credit markets in 2012 with the credit default swap (CDS) market falling by 1.6% on average and the cash bond market falling by an average of 0.4%. The underperformance of the CDS market over the month was relatively unusual (only the second occurrence of cash bonds performing better than CDS in a down market in the last five years) and we believe this is largely to do with the long-term refinancing operation in Europe which is supporting cash bonds.

PERFORMANCE AND ACTIVITY

At the end of March we significantly reduced risk in the Fund by selling assets and buying further CDS protection, mainly in the iTraxx Crossover index. This proved to be a correct decision given the market falls over the month. However, the Fund lost 1.28% on its position in IVG bonds which closed the month 26% lower than where they had started despite not having any meaningful default risk. We continue to hold the position as we know IVG management well and feel that this is a par instrument with no major default risk. As such we believe that more value can be created by actively holding this position rather than selling it at the prevailing price.

On a more positive note our position in a Greek Lottery Future receivables asset-backed security (ABS) bond that we bought in January and February at prices ranging between 50 and 60

cents in the euro was called at par, giving us a near 100% return on the overall position. Although the size of the position meant the gain at Fund level for this month was only 0.1%, the total contribution of the position at Fund level over the four months of holding it was almost 0.4%.

The managers invested some of the Fund's cash balance in ABS bonds over the month, with a preference for AAA rated bonds, which are the most liquid. Over 5% of the Fund's net asset value is currently invested in such AAA rated ABS at the moment in addition to a cash balance that exceeds 10% given the managers' cautious short-term outlook for credit markets.

OUTLOOK

We remain on the look-out for good investment opportunities but are wary of market direction at the moment given the ongoing uncertainty in Europe. As such, the net long exposure of the Fund remains extremely low at 32% at month end. As a result of this low net long exposure the Fund's carry has come down as well, but we prefer this over the potential onsequences of increased risk aversion in markets as a result of the current situation in Europe.

Please note the value of investments and any income from them will fluctuate and is not guaranteed (this may be partly due to exchange rate fluctuations). Investors may not get back the full amount invested.

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