

# MONTHLY FUND UPDATE

## ABSOLUTE INSIGHT MULTI-STRATEGY FUND

### Fund Performance – April 2012

The Fund invests in the following underlying UCITS absolute return strategies, all managed by Insight. The month-end weighting and performance figures are shown below:

	Fund weighting (%)	1 month return (%)	1 year return (%)	3 year return (% p.a.)
Absolute Insight (Fp)	–	-0.53	-0.92	6.49
Benchmark: 3 month Libid	–	0.07	0.84	0.71
<b>Component strategies</b>				
UK equity market neutral (B1p)	24.0	-0.07	0.72	1.89
Currency (B1p)	23.7	-0.13	-1.31	2.28
Emerging market debt (B1p)	21.5	0.70	3.40	11.21
Credit (B1p)	22.4	-1.07	-4.09	–
Absolute return equity (S)	8.3	-0.05	0.77	–

### Fund performance – calendar year

	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)	YTD (%)
Absolute Insight (Fp)	2.06	-0.16	10.53	8.97	2.44	2.13

All data sourced from Insight and Bloomberg. Returns are in GBP for share classes indicated above, net of fees. Cash instruments and accrued assets and liabilities accounted for 0.1% of the Fund at the end of April 2012. Since inception on 28 February 2007, the Absolute Insight Fund has produced returns of 4.51% per annum.

Past performance is not a guide to the future.

### FUND PERFORMANCE

The **Absolute Insight Fund** returned -0.53% (net of fees) in April compared to a 3-month sterling Libid return of 0.07%. Equities and credit markets generally produced negative returns over the month as investors continued to take some profits following the strong rally in the first two months of the year.

### UNDERLYING STRATEGIES

The **credit** strategy underperformed over the month. At the end of March the managers significantly reduced risk by selling assets and buying further CDS protection, mainly in the iTraxx Crossover index. This position contributed positively to return as CDS spreads widened into April. However, gains were reversed mainly by losses on the strategy's holding in IVG Immobilien. These bonds are backed by German real estate and in our opinion, are well collateralised with very little default risk. We therefore feel that the market has overreacted and hold on to them with strong conviction that they will still redeem at par. The manager remains cautious in his short-term outlook and has increased holdings in AAA rated asset-backed securities, along with retaining a cash balance of 10%. The overall net exposure of the strategy is therefore low at 32%.

The **currency** strategy delivered slightly negative returns in April. A short position in the euro versus the US dollar was held throughout April. This was based on the view that moderating global growth would lead to an economic slowdown in Europe, and that this would lead to a fall in interest rate expectations, thereby weakening the currency. The position worked well initially, but these gains were lost as the euro stabilised mid month and subsequently strengthened. However, the strategy retains a sizeable short position in the euro (via options) as a hedge against further worries about the eurozone given the region's sovereign debt problems and the political uncertainty brought about given the recent change in power in both Greece and France following elections in these countries.

The **emerging market debt** strategy was the main driver of overall Fund performance in April, with exposure to local interest rates and external government debt proving to be the main positive contributors. The strategy's overall net long exposure was increased by 13% to 71% over the month, with exposure to external government debt seeing the largest increase. The managers bought Ukrainian bonds as a new gas deal with Russia should significantly improve the country's balance of payments position and added exposure to Argentina, where a significant amount of risk appears to be priced in and there is a comfortable financing schedule. The managers also

<sup>1</sup>Fp and B1p share class returns are net of 1% AMC and 10% performance fee above hurdle rate. S share class returns are net of 1% AMC and 15% performance fee above hurdle rate.

took profits in Colombia, where spreads and yields are at historic lows and reduced exposure to the Dominican Republic ahead of local elections.

The **UK equity market neutral** and the **absolute return equity** strategies delivered slightly negative returns over the month. While the market environment continues to be tricky in the short term with the noise surrounding elections likely to drive sentiment, broadly speaking the managers remain constructive on the opportunities in markets. As such they continue to develop gross investment levels which are currently around 80% in the market neutral strategy and 140% in the absolute return strategy, leaving the managers flexibility to react to opportunities as and when they arrive. Regarding the absolute

return equity strategy in particular, net exposure is being run in the 0-10% range to provide a hedge against a spike in volatility, and will be reviewed in light of any weakness in markets.

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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