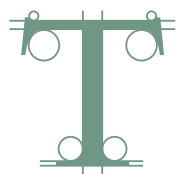


Absolute Insight UK Equity Market Neutral Fund

May 2011



The Absolute Insight UK Equity Market Neutral Fund has continued to deliver positive returns to investors over a period when the market has changed direction a number of times and there has been significant sector rotation within the market. Returns have continued to demonstrate low volatility and remain largely uncorrelated with other asset classes.

Retaining pricing power focus

The Fund continues to benefit from investing in those companies which are demonstrating strong pricing power and/or an ability to grow revenues strongly despite the low-growth economic environment. Our long position in Blinkx (hedged with other technology stocks) has been particularly beneficial, with earnings coming in ahead of expectations. The company provides mission-critical data services and has been re-rated significantly over the past twelve months.

The paper company Mondi has also performed well as increasing demand and reduced industry capacity has driven prices higher. We have benefited from the position which was hedged against a combination of the market and materials stocks.

A bounce in retail stocks

Over the past couple of months some consumer stocks have seen a significant rebound, as extremely favourable weather conditions have

provided a much-needed boost to spending. While we think discretionary UK consumer spending will remain under pressure, we are pleased to say that we have avoided any negative impact from recent market moves having taken profits on our short positions during March. This protected Fund returns as stocks rose in the sector. Valuations had fallen significantly, consumer confidence was extremely low and short positions in the sector were high, all of which were indicative of a possible reversal of the sector's downwards trend.

A change in consumer focus

With falling real incomes across the UK we remain cautious on domestically focused stocks and have moved some of our hedges from directly-affected retail names to companies which we believe will be indirectly affected by a slowdown in consumer spending and where we feel the market still has a view that is too positive. These include companies selling big-ticket retail items, as well as property companies with exposure to floor space which is

predominantly occupied by retail companies. Property valuations in this area look expensive to us, and with rental rates also high, weaker retail companies could be forced to close outlets leading to a rise in vacancy levels.

This interview is available online on our audio and video library.
www.insightinvestment.com

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