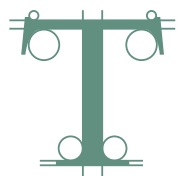


Absolute Insight UK Equity Market Neutral Fund



March 2011



The Absolute Insight UK Equity Market Neutral Fund has made a good start to 2011, delivering positive returns to investors against a background of renewed volatility in equity markets.

Commodity prices put more pressure on consumers

Rising inflationary pressures offer opportunities on the short side of our pairs. With consumers saddled with high levels of debt and already facing tax increases, rising food, energy and commodity prices will only serve to act as an additional "tax" on household budgets. This is leading to a noticeable reduction in footfall in the high streets and is likely to reduce profits for companies who find it difficult to pass on raw material price increases to their customers. The Fund has looked to benefit from this situation by taking short positions in selected retail and leisure stocks, hedged with more resilient consumer facing companies.

Pricing power born out of structural change

On the long side, we have found opportunities to invest in companies where specific industry dynamics are supporting pricing power:

- The paper industry has seen meaningful capacity reductions over recent years, prices are going up and we believe Mondi the paper supplier will benefit.

- Pricing power is also emerging in capital intensive industries like telecommunications where the absence of (finance for) new capacity build is allowing established players like Virgin Media to raise their prices.

Some of our long positions in property companies have also been beneficial given the inflation-linked attributes of their rental income.

Protection from Emerging Market underperformance

In combination with the unrest in the Middle East and North African (MENA) region, rising inflationary pressures and concerns over monetary tightening have led to underperformance from emerging market equities relative to developed markets.

We were intrigued to find that this underperformance was not initially reflected by industrial and mining stocks in developed markets which rely on demand from the emerging world and we adjusted a number of our hedges which protected the fund when those stocks subsequently did underperform. While we remain believers in the long-run emerging markets growth story, towards the end of last year we had started to build long

positions in companies more reliant on developed world economies. One example was Intercontinental Hotels Group which performed well as the market became more optimistic on prospects for the US.

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

A recording of the call is available online on our audio and video library. www.insightinvestment.com

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