

LDI Solutions Plus Gilts Funds

FOR PROFESSIONAL CLIENTS ONLY, NOT TO BE DISTRIBUTED TO RETAIL CLIENTS

The Insight LDI Solutions Plus fund range has been designed to help UK defined benefit pension schemes manage the interest rate and inflation risks inherent in their unique liabilities. Although liability driven investment is focused on removing unrewarded risks, Insight believes that simply removing the risk without an ‘intelligent’ perspective on relative valuations and timing can be costly. Market conditions can be such that it is more cost-effective to hedge interest rate and inflation risks using gilts rather than swaps. Insight has responded to these market conditions by adding a series named the Gilts Funds to the LDI Solutions Plus range.

Please note 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.

The Funds

The Insight LDI Solutions Plus Gilts Funds enable those clients with a preference or requirement for a pooled LDI structure to take advantage of the existing market situation where it is cheaper and more efficient to obtain interest and inflation exposure using repo to access gilts rather than interest rate and inflation rate swaps.

Consistent with the wider LDI Solutions Plus pooled fund range, the Gilts Funds provide the benefits of partial cash backing. This enables schemes to use the Funds in conjunction with return-seeking strategies, as only 25% – 30% of capital is required to be invested in the Gilts Funds for full exposure. By using sale and repurchase agreements in respect to existing gilts in the Fund, cash can be generated which can be used to purchase further gilts. This process can be repeated until the desired level of gilt exposure is built up. The partially funded nature of the Gilts Funds also broadens their appeal to schemes that simply wish to take advantage of their capital efficient nature, allowing greater investment opportunities for the allocation of a scheme’s overall assets.

Each Gilt Fund invests primarily in UK conventional and/or index-linked government bonds together with sale and repurchase agreements (repos), in order to provide extra funding for the gilt investment. The Funds also have the flexibility to invest in interest rate swaps, inflation swaps and total return swaps in relation to such gilts.

Key benefits

- Offers cost effective hedging in current market conditions
- Partially funded, giving potential for enhanced returns
- Dedicated team of professionals with expertise in derivatives and market leading risk management experience

AWARDS AND RATINGS

European Pensions Awards

LDI Manager of the Year 2010

Financial News Awards

LDI Manager of the Year 2010

Key fund facts

Funds	The Insight LDI Solutions Plus Index-Linked Gilts (10 Year Duration) Fund The Insight LDI Solutions Plus Index-Linked Gilts (20 Year Duration) Fund The Insight LDI Solutions Plus Index-Linked Gilts (30 Year Duration) Fund The Insight LDI Solutions Plus Gilts (15 Year Duration) Fund
Objective	The objective of these Funds is to deliver nominal and inflation-linked returns through primarily investing in UK government gilts and index-linked gilts, on a partially funded basis
Investment guidelines	Target duration + / - one year Minimum of three gilts Maximum of 50% in any one gilt
Bond universe	Each Fund can invest in gilts that have a duration + / - five years of the Fund target duration

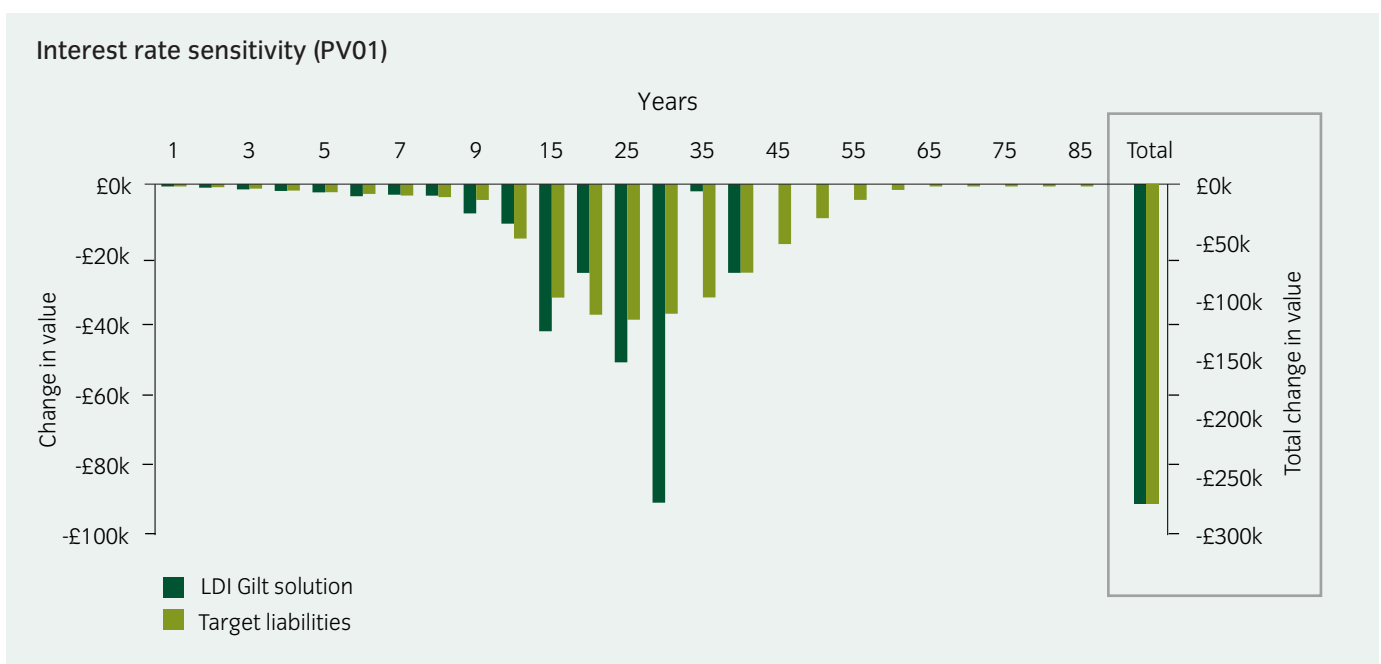
As with other funds in the LDI Solutions Plus range, the Gilts Funds with shorter duration have a lower level of cash backing than the longer dated funds, to reflect their differing sensitivities to movements in interest rate and inflation expectations. The current leverage levels are illustrated below:

	Current leverage
LDI Solutions Plus Index-Linked Gilts (10 Year Duration) Fund	4.6
LDI Solutions Plus Index-Linked Gilts (20 Year Duration) Fund	2.6
LDI Solutions Plus Index-Linked Gilts (30 Year Duration) Fund	1.9
LDI Solutions Plus Gilts (15 Year Duration) Fund	3.1

Subject to change. Figures as of 30 November 2011.

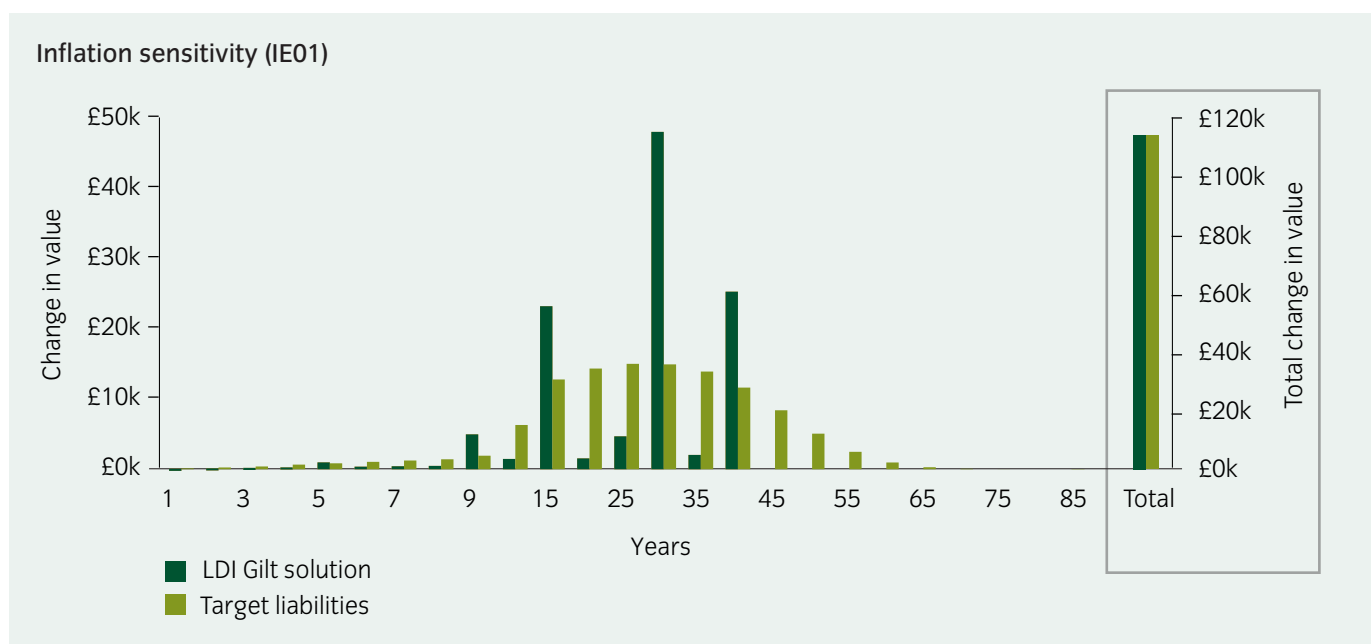
Illustrative characteristics

The hedging characteristics of investment into the Gilts Funds is illustrated in the below charts. The solution will match inflation and interest rate risk in total, but due to the nature of the underlying gilt assets, there is a degree of ‘lumpiness’ along the term structure. For example, the principal payment of an index-linked gilt will be significantly larger than any coupons, but maturity dates are only available every 2 – 3 years, which will lead to this lumpiness. The first chart compares the interest rate sensitivity (PV01) of the Gilts Fund solution to that of the target liabilities of an illustrative scheme, across the entire term structure. The PV01 analysis shows the change in the present value of the assets and liabilities resulting from a one basis point parallel upward shift in the discount curve.



Source: Insight Investment. For illustrative purposes only.

The same comparison is shown for inflation sensitivity (IE01) below. The IE01 analysis shows the change in the present value of the assets/liabilities resulting from a one basis point parallel upward shift in the inflation expectation curve.



Source: Insight Investment. For illustrative purposes only.

Flexible, cost effective solutions

The addition of the Gilts Funds to the existing LDI Solutions Plus pooled fund range further enhances the flexibility of our “intelligent” implementation approach, allowing costs to be saved and value added for clients. Insight’s LDI Solutions Plus range of funds provides:

- **Optimal timing and extent** – our range of funds provides for the independent management of interest rate and inflation risks. This means that for each aspect, the timing of the hedge and the extent to which it is applied can be optimised
- **Curve positioning** – for each fund range there are a series of maturity dates available. This allows us to exploit market opportunities by positioning the hedge at maturities which offer the best value for the client, whilst staying within the limits of the overall liability profile
- **Instrument selection** – the scope of instruments available within the LDI Solutions Plus range enables us to build the hedge with the most efficient instrument.

Fund specifics

Legal structure	Qualifying Investor Fund
Domicile	Ireland
Listing	Irish Stock Exchange
Reporting	Annual report and accounts and quarterly factsheets
Liquidity	Weekly subscription and redemption
Custodian	Northern Trust Fiduciary Services (Ireland) Limited
Administrator	Northern Trust International Fund Administration Services (Ireland) Limited

About Insight Investment

Insight Investment is a specialist asset manager at the forefront of designing investment solutions to meet our clients' needs. Launched in 2002, Insight has £151.3 billion in assets under management¹ across fixed income, liability driven investment, cash management, multi-asset, absolute return 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 at 30 September 2011, represented by the value of physical securities and liability benchmarks.

Find out more

For further information please contact:

Institutional Business Development

business.development@
insightinvestment.com
020 7321 1547

Consultant Relationship Management

consultantrelations@
insightinvestment.com
020 7321 1209

Client Relationship Management

cddirect@insightinvestment.com
020 7321 1499

www.insightinvestment.com

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

Our team



Andrew Giles
CIO – Solutions

Our capabilities and credentials in relation to the design and implementation of LDI solutions are exceptionally strong. Insight stands out in the investment management industry as perhaps the only major company to have restructured its entire investment platform specifically to provide clients with access to effective investment solutions. Our 30-strong Financial Solutions Group (FSG), headed by Andrew Giles, and created in 2003 manages all aspects of the design, implementation and ongoing management of liability risk management solutions. The team's specialist skills encompass risk management, derivatives, quantitative analysis and modelling as well as actuarial and fund management expertise.

Two ways to invest

Investing in the LDI Solutions Plus funds is a simple process. There are two ways of investing – discretionary management and execution-only.

The discretionary management service involves Insight's Financial Solutions Group (FSG) working directly with clients and their consultants to gain a detailed understanding of the interest rate and inflation risks inherent in their projected liabilities. Insight's FSG will then construct and manage a portfolio designed to match either all of the liabilities or a portion of them.