JANUARY 2025

REASONS TO CONSIDER INSIGHT'S GLOBAL SHORT-DATED HIGH YIELD STRATEGY

KEY STATS: 31 DECEMBER 2024[1]

Yield to expected takeout:	Contractual duration:	Anticipated duration:	YTD performance:
5.60% (euro terms)	3.16 years	1.92 years	+7.96% (euro terms)

OUR CORE BELIEF: FOCUS ON VISIBLE CASHFLOWS

For the Insight's global short-dated high yield strategy, we aim to target issues which we believe will be repaid within a two-year time horizon. Ideally, the companies in which we invest are seeking to enhance their business in some way; this can take the form of selling an asset, buying a competitor, or undertaking capital investment such as building a factory or plant. This activity will lead to an increase in the amount of cash generated by the company, either via increased revenue streams or from the proceeds of a sale, which can be used by the company to repay its debt, or to refinance its debt on more attractive terms.

Once we have identified a potential target for investment, regular contact with management follows to ensure the plan is progressing as expected. We would normally identify four to five key stages over the two-year period which need to be met for us to be confident that we will be repaid on time. If it becomes clear that the plan is deviating from the expected timeline, we sell the issue. A sale in this situation is generally straightforward, as the original business plan is generally still in place, just delayed or not meeting our prudent timelines.

In our view, this approach can consistently produce attractive levels of income while minimising earnings and default risk.

A STRONG RECORD OF PROTECTING OUR CLIENTS FROM DEFAULTS

Our focus on visible cashflows and the monitoring we undertake means we expect to avoid defaults under normal market conditions, allowing our clients to fully enjoy the yields available in the asset class.

We follow other simple rules to make our process even more robust. We avoid companies with a short track record or that are asset-light. We also don't believe that CCC-rated issues offer a yield premium sufficient to compensate for higher default risk, so we generally avoid them (see Table 1). An exception to this is the subordinated debt of higher-rated issuers, where the default risk is that of the higher-rated BB or B-rated company.

This process has worked well to protect our clients' assets from defaults in the past (see Table 2), and we would expect it to continue to do so in the future.

Table 1: Annual default rates by rating[2]

BB	0.3%
B	0.9%
CCC	8.9%
Aggregate high yield	4.6%

Table 2: Insight's global short-dated high yield strategy has had few defaults historically[3]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Global HY universe: corporate issuers	45	72	73	64	105	145	116	73	98	219	54	90	163	144
Short-dated high yield strategy	0	0	0	2	0	0	0	0	0	1	0	0	0	0

Insight classifies a default as a loss of more than 50 points on one of its investments – far more conservative than market convention.

[1] Source: Insight. Data as at 31 December 2024. The return of the strategy is a representative account for the global short-dated high yield bond strategy in euros (C0810SCEUR), gross of fees with an inception date of 30-Nov-2016. Yield is yield to expected takeout.

[2] Source: Moody's Annual Default Report August 2024.

[3] Source: Moody's and Insight as at 31 December 2024. The global HY universe constitutes of global issuers rated by Moody's based on their rating at the beginning of the year.

WHY WE BELIEVE A SHORT-DATED APPROACH WORKS

Duration generally doesn't pay in high yield markets

When credit rating agencies give a credit rating, it is given for all the debt issued by a company of the same seniority, regardless of the maturity of that debt. But the further into the future you go, the greater the uncertainty there is about the risks a company faces, and the probability of default rises accordingly (see Figure 1). Credit spreads in high yield markets tend to be relatively flat, especially when yield curves are inverted, so there is generally little benefit to taking duration risk unless you have a particularly strong view on the market outlook. In our view, this means investors in short-dated high yield are paid disproportionately for the credit risk they are taking.

Figure 1: Default risk rises with time, but spreads don't[4]

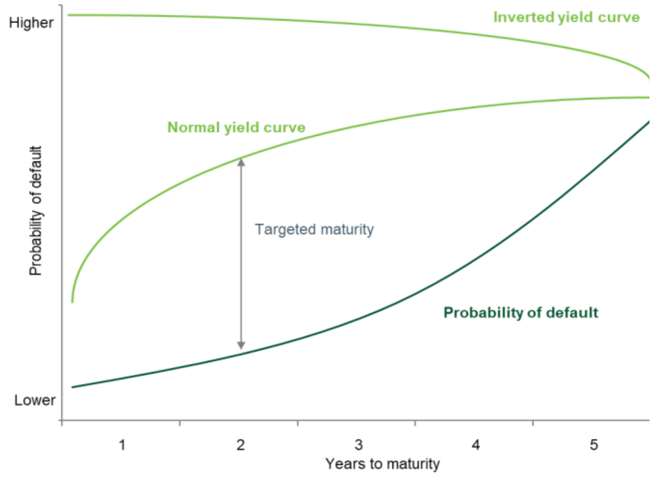
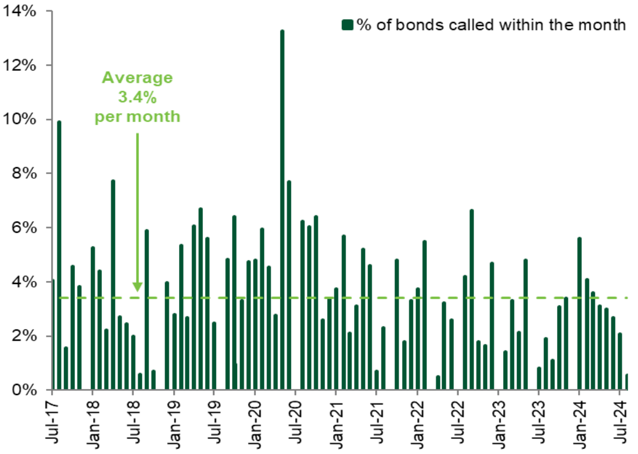


Figure 2: Constant inflows from bond redemptions[5]



Exploiting call premiums can enhance returns

Most high yield bonds have structures which allow the issuer to redeem the issue at set future dates before its final maturity. This is very different to the investment grade market where bonds generally have a single maturity date. These redeemable dates are known as call dates, and generally an issuer has to pay a price above 100 to redeem or 'call' the bond early. The prices and dates at which the bond can be called are established on the day the bond is issued and are legally binding. The earlier the call, the higher the price the issuer needs to pay, declining over time to 100 at final maturity. For example, a bond may mature in five years' time at 100 but be callable in two years at 101. Once markets expect a bond to be called, the price of the bond tends to gravitate towards the call price and the investor makes a short-term gain.

Our focus on visible cashflows means that we are actively seeking bonds that we believe will be called early. This allows us to exploit call premiums to add returns and also means that we have potential for regular liquidity from coupons and call payments, which we can use to seek out new opportunities. On average 35%-50% of our holdings redeem each year (see Figure 2).

STRATEGY OUTLOOK

We think the current environment is extremely positive for high yield investors. Central banks are easing which should support growth, and earnings are generally coming in higher than expectations. Issuers have returned to markets in 2024 to tap into elevated levels of demand and this is presenting abundant opportunities to add new names and lock in high coupon levels for at least two years. Supply is dominated by refinancing activity, with existing issues often being called early at a premium to market levels.

We believe the current market dynamics are unlikely to change significantly for some time. Investors waiting for higher spreads before committing may miss out on a period of high absolute yields, which have the potential to compound over time. Returns are expected to be primarily driven by income, with opportunities to enhance them through careful security selection and the exploitation of call premiums. The combination of resilient growth, better-than-expected earnings, and improved capital market access has kept defaults at low levels, with no significant signs of stress in the broader market. Additionally, the recent decline in interest rates should support economic activity and boost corporate revenues.

For those concerned about higher yields in longer maturities, the high yield asset class is largely rate insensitive with returns generally dependent on the performance of individual companies. This is amplified in the short duration sector of the market where interest rate volatility is minimised, providing protection if we see continued volatility in longer yields.

---

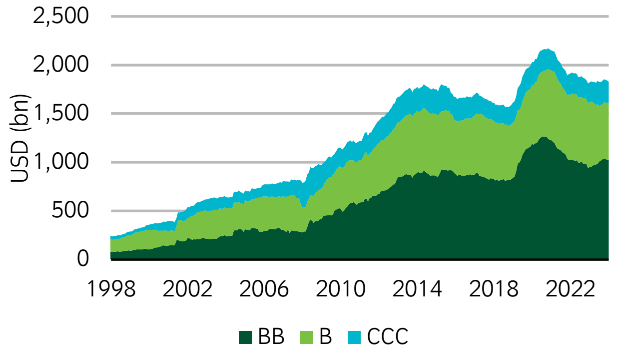
[4] For illustrative purposes only.

[5] Insight. Data as at 30 September 2024.

FOUR REASONS WE BELIEVE HIGH YIELD MAY BE SAFER THAN YOU THINK

1 Many investors are unaware that there has been a structural change within high yield markets, with the credit quality of both US and European issuers improving over time. Between 2007 and 2024, the proportion of global high yield issuers rated BB, the best rating category for high yield, increased from 38% to 56%, while the proportion rated CCC declined from 19% to just 12% over the same period. This improvement has occurred over a period where investment grade ratings have gradually deteriorated, trending towards BBB.

Figure 3: Credit quality has improved over time[6]

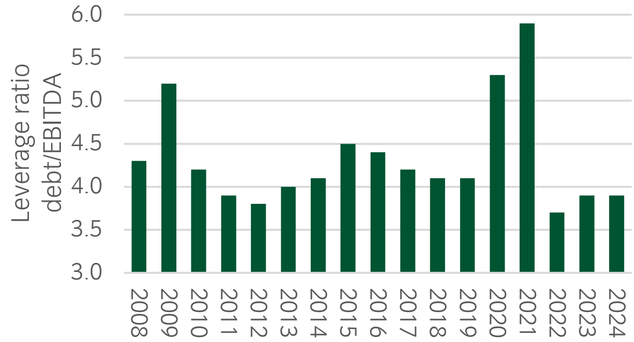


2 Global gross profit margins remain high as high-yield companies have become bigger and more efficient over the last 25 years. The high level of margins shows that companies have successfully passed on higher costs to their customers through the recent period of high inflation. Even during the pandemic, margins declined by just a few percentage points, demonstrating how resilient many corporate models are even during times of stress.

Figure 4: Profit margins remain high[6]

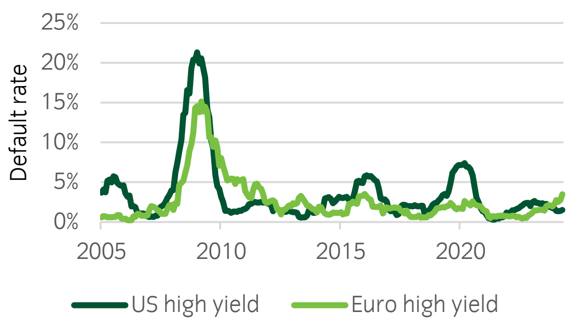
3 High-yield issuers have deleveraged, and extended their maturity profiles, locking in funding when interest rates were low. There is clear evidence that companies have been repaying gross debt, which peaked in 2020 during the pandemic. A similar story can be seen across a range of metrics, for example interest coverage, which is the number of times interest payments are covered by earnings before interest and taxes, remains elevated.

Figure 5: US companies are not overly leveraged[7]



4 Default rates have increased from the lows but remain close to long-term average levels. Despite a rising rate environment in 2023 US defaults remained low at less than 2.5%, in 2024 defaults were at or below 2% and we expect them to trend down in 2025. Many of the defaults that do occur will be in the CCC-rated category where overall debt levels tend to be far higher than in the BB and B-rated categories. We do not see material stress in the overall markets, and our strategy only invests in a small percentage of the market, being selective through the need for a two-year principal repayment, excluding some sectors and ratings.

Figure 6: These factors have kept default rates low[6]



[6] Source: Bank of America. Data as at 31 December 2024. Bank of America create their own indices to monitor the size of financial instruments based on internal data.

[7] Source: JP Morgan as at 31 December 2024. JP Morgan create their own indices to monitor the size of financial instruments based on internal data.

PERFORMANCE

TEN-YEAR PERFORMANCE RECORD TO 31 DECEMBER 2024

	Calendar year returns									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Short-dated high yield bond strategy (USD)	9.76	14.71	-3.14	5.63	1.87	8.84	1.24	6.47	--	--
Comparator (USD)	5.36	4.90	4.90	1.17	0.06	0.56	2.28	2.28	--	--
Short-dated high yield bond strategy (GBP)	9.52	14.05	-3.68	5.41	0.43	6.93	-0.41	5.23	7.95	4.06
Comparator (GBP)	5.19	4.34	1.03	-0.03	0.17	0.68	0.60	0.23	0.38	0.45
Short-dated high yield bond strategy (EUR)	7.96	12.36	-5.11	4.69	0.06	5.59	-1.65	4.36	--	--
Comparator (EUR)	3.60	3.27	0.35	-0.65	-0.54	-0.49	-0.47	-0.47	--	--

	12-month rolling returns									
	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Short-dated high yield bond strategy (USD)	9.76	14.71	-3.14	5.63	1.87	8.84	1.24	6.47	--	--
Comparator (USD)	5.36	4.90	4.90	1.17	0.06	0.56	2.28	2.28	--	--
Short-dated high yield bond strategy (GBP)	9.52	14.05	-3.68	5.41	0.43	6.93	-0.41	5.23	7.95	4.06
Comparator (GBP)	5.19	4.34	1.03	-0.03	0.17	0.68	0.60	0.23	0.38	0.45
Short-dated high yield bond strategy (EUR)	7.96	12.36	-5.11	4.69	0.06	5.59	-1.65	4.36	--	--
Comparator (EUR)	3.60	3.27	0.35	-0.65	-0.54	-0.49	-0.47	-0.47	--	--

The short-dated high yield bond composites (C0810SCUSD, C0810 and C0810SCEUR) are gross of fees and in USD, GBP and EUR respectively, with inception dates of 31-Jul-2013, 30-Nov-2009 and 30-Nov-2016. Effective 1 November 2021, the comparator for C0810SCUSD changed from the 3-Month USD LIBOR to SOFR (Secured Overnight Financing Rate) and the comparator for C0810 changed from the 3-Month GBP LIBOR to SONIA (Sterling Overnight Index Average) (90-day compounded). All benchmark past performance prior to this date was calculated against 3-Month GBP LIBOR. The comparator for C0810SCEUR is the euro short-term rate (€STR). Fees and charges apply and can have a material effect on the performance of your investment.

IMPORTANT INFORMATION

RISK DISCLOSURES

Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

The performance results shown, whether net or gross of investment management fees, reflect the reinvestment of dividends and/or income and other earnings. Any gross of fees performance does not include fees, taxes and charges and these can have a material detrimental effect on the performance of an investment. Taxes and costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of certain currency conversions, such as currency hedging, and exchange rate fluctuations.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies over time, and/or prevailing market conditions and are not an exact indicator. They are speculative in nature and are only an estimate. What you will get will vary depending on how the market performs and how long you keep the investment/product. Strategies which have a higher performance aim generally take more risk to achieve this and so have a greater potential for the returns to be significantly different than expected.

Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate.

Portfolio holdings are subject to change, for information only and are not investment recommendations.

Insight Global Short-Dated High Yield Bond strategy

Objective/Performance Risk: There is no guarantee that the strategy will achieve its objectives.

Currency Risk: This strategy invests in international markets which means it is exposed to changes in currency rates which could affect the value of the strategy.

Derivatives Risk: Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the strategy can lose significantly more than the amount it has invested in derivatives.

Changes in Interest Rates & Inflation Risk: Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the strategy.

Credit Ratings and Unrated Securities Risk: Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the strategy.

Credit Risk: The issuer of a security held by the strategy may not pay income or repay capital to the strategy when due.

Emerging Markets Risk: Emerging Markets have additional risks due to less-developed market practices.

Liquidity Risk: The strategy may not always find another party willing to purchase an asset that the strategy wants to sell which could impact the strategy's ability to sell the asset or to sell the asset at its current value.

Share Class Hedging Risk: The hedging strategy is used to reduce the impact of exchange rate movements between the share class currency and the base currency. It may not completely achieve this due to factors such as interest rate differentials.

Counterparty Risk: The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the strategy to financial loss.

FIND OUT MORE

Institutional Business Development
businessdevelopment@insightinvestment.com

European Business Development
europe@insightinvestment.com

Consultant Relationship Management
consultantrelations@insightinvestment.com

@InsightInvestIM

company/insight-investment

www.insightinvestment.com

This document is a financial promotion/marketing communication and is not investment advice.

This document is not a contractually binding document and must not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or otherwise not permitted. This document should not be duplicated, amended or forwarded to a third party without consent from Insight Investment.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to seek professional advice regarding any potential strategy or investment.

For a full list of applicable risks, investor rights, KIID/KID risk profile, financial and non-financial investment terms and before investing, where applicable, investors should refer to the Prospectus, other offering documents, and the KIID/KID which is available in English and an official language of the jurisdictions in which the fund(s) are registered for public sale. Do not base any final investment decision on this communication alone. Please go to www.insightinvestment.com

Unless otherwise stated, the source of information and any views and opinions are those of Insight Investment.

Telephone conversations may be recorded in accordance with applicable laws.

For clients and prospects of Insight Investment Management (Global) Limited: Issued by Insight Investment Management (Global) Limited. Registered office 160 Queen Victoria Street, London EC4V 4LA. Registered in England and Wales. Registered number 00827982. Authorised and regulated by the Financial Conduct Authority. FCA Firm reference number 119308.

For clients and prospects of Insight Investment Management (Europe) Limited: Issued by Insight Investment Management (Europe) Limited. Registered office Riverside Two, 43-49 Sir John Rogerson's Quay, Dublin, D02 KV60. Registered in Ireland. Registered number 581405. Insight Investment Management (Europe) Limited is regulated by the Central Bank of Ireland. CBI reference number C154503.