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SYSTEMATIC FIXED INCOME TECHNOLOGY FOR THE 21ST CENTURY

Paul Benson

Head of Systematic Fixed Income, Insight Investment

UK Investment Conference
May 2025



Learning objectives

By the end of this presentation, you should be able to:

1. Articulate the benefits and limitations of systematic investment approaches in fixed income.
2. Understand the differences between systematic and traditional discretionary investment approaches.
3. Demonstrate the obstacles and potential solutions to overcoming illiquidity and large transaction costs in implementing fixed income portfolios.

Who are we?

20+ year history of managing systematic strategies



Paul Benson (6 members total)
Head of Systematic Fixed Income



Deepak Agrawal (8 members total¹)
Head of Quantitative Research



Manuel Hayes
Senior Portfolio Manager



Stephanie Shu
Senior Portfolio Manager



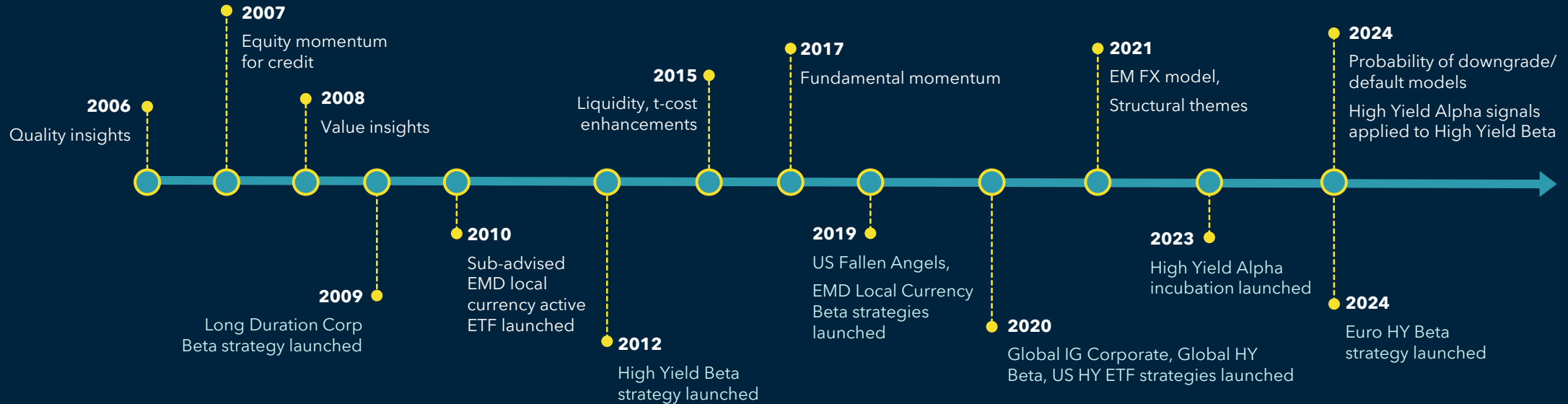
Syed Zamil
Senior Investment Strategist



Nishanth Rajan
Senior Research Analyst



Saransh Mittal
Senior Research Analyst



Source: Insight As of January 2025. All staff numbers quoted are as of December 31, 2024. Located in: San Francisco, Boston, New York and London. ¹ Including four BNY Mellon employees based in Pune, India. Includes employees of Insight North America LLC (INA) which provides asset management services as part of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML).

Key benefits of Insight's systematic strategies



Seeks consistent alpha delivery through a quantitative investment process



Low alpha correlation vs. traditional active



More diversified vs. traditional active (less prone to idiosyncratic risks)







Exceptional liquidity in an illiquid asset class



Significantly lower trading costs vs. traditional methods

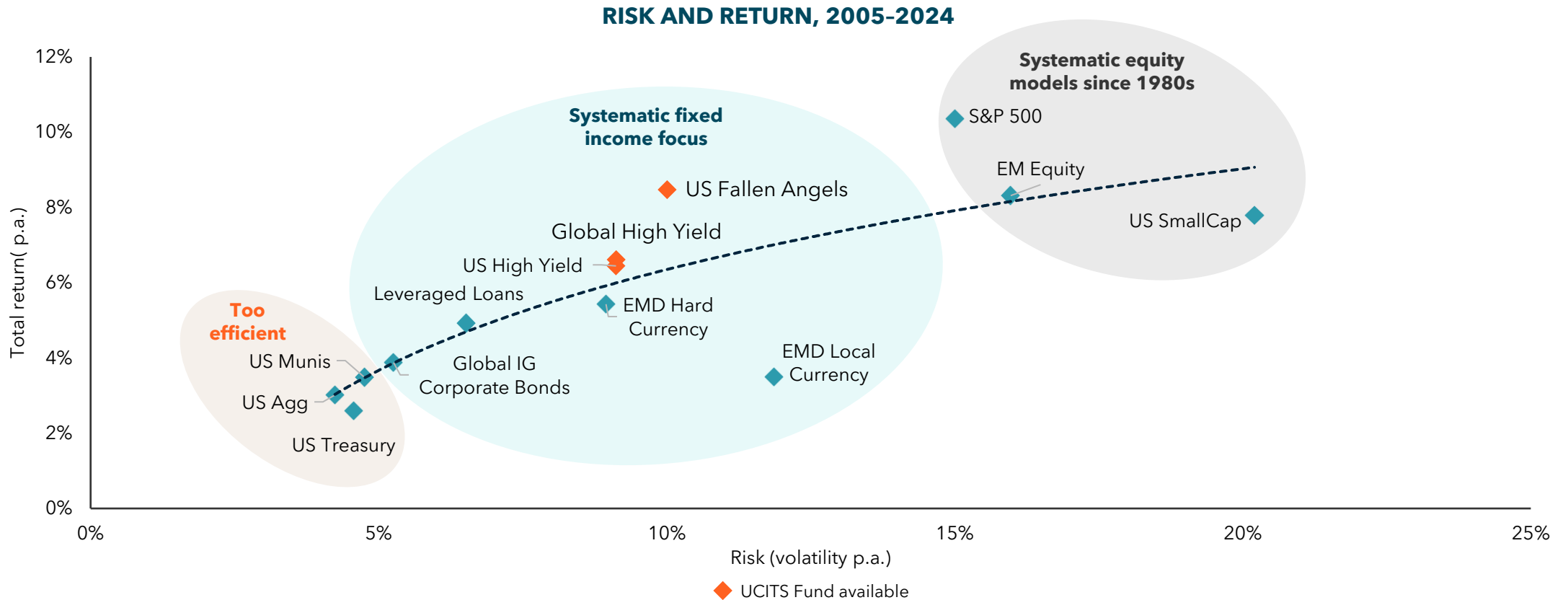
Source: Insight as at 31 March 2025. For illustrative purposes only.

How does a systematic approach differ from a traditional approach?

CATEGORY	TRADITIONAL DISCRETIONARY FIXED INCOME	SYSTEMATIC FIXED INCOME
 Research / investment process	<ul style="list-style-type: none"> Analyst driven 	<ul style="list-style-type: none"> Model and data driven Systematically leverage vast amounts of data quickly
 Universe coverage	<ul style="list-style-type: none"> Limited by analyst coverage 	<ul style="list-style-type: none"> Broad
 Alpha source	<ul style="list-style-type: none"> Discretionary PM bets on sector, industry, country, duration, security selection 	<ul style="list-style-type: none"> Factor-based relative-value bond evaluation drives security selection
 Portfolio construction	<ul style="list-style-type: none"> High concentration risk Weights based on PM conviction level 	<ul style="list-style-type: none"> Highly diversified portfolios Weights driven by model assessment of alpha potential, risk, and liquidity

Source: Insight as at 31 March 2025.

Where does systematic fixed income make sense?



Source: Insight, calculated in USD. Period covered: January 31, 2005 - December 31, 2024. Emerging Market Debt (LC) = GBI-EM Global Diversified Index, Emerging Market Debt (HC) = JP Morgan EM Bond Index (EMBI Global Diversified Index), US Agg=Bloomberg US Agg Total Return Index, US Munis = Bloomberg Municipal Bond Index, US High Yield = Bloomberg US Corporate High Yield Index, Global IG Corporate Bond = Bloomberg Global Aggregate Bond Index, Leveraged Loans = iBoxx USD Leveraged Loan Index, US Fallen Angels = Bloomberg US HY Fallen Angel 3% Cap Total Return Index Value Unhedged, Global High Yield = Bloomberg Global High Yield Corporate Bond TR Index USD Hedged, US Treasury = ICE BofA US Treasury Index, Leveraged Loans = EM Equity = MSCI Emerging Markets Index, S&P 500 = S&P 500 Index, US Small Cap = Russell 2000 Index.

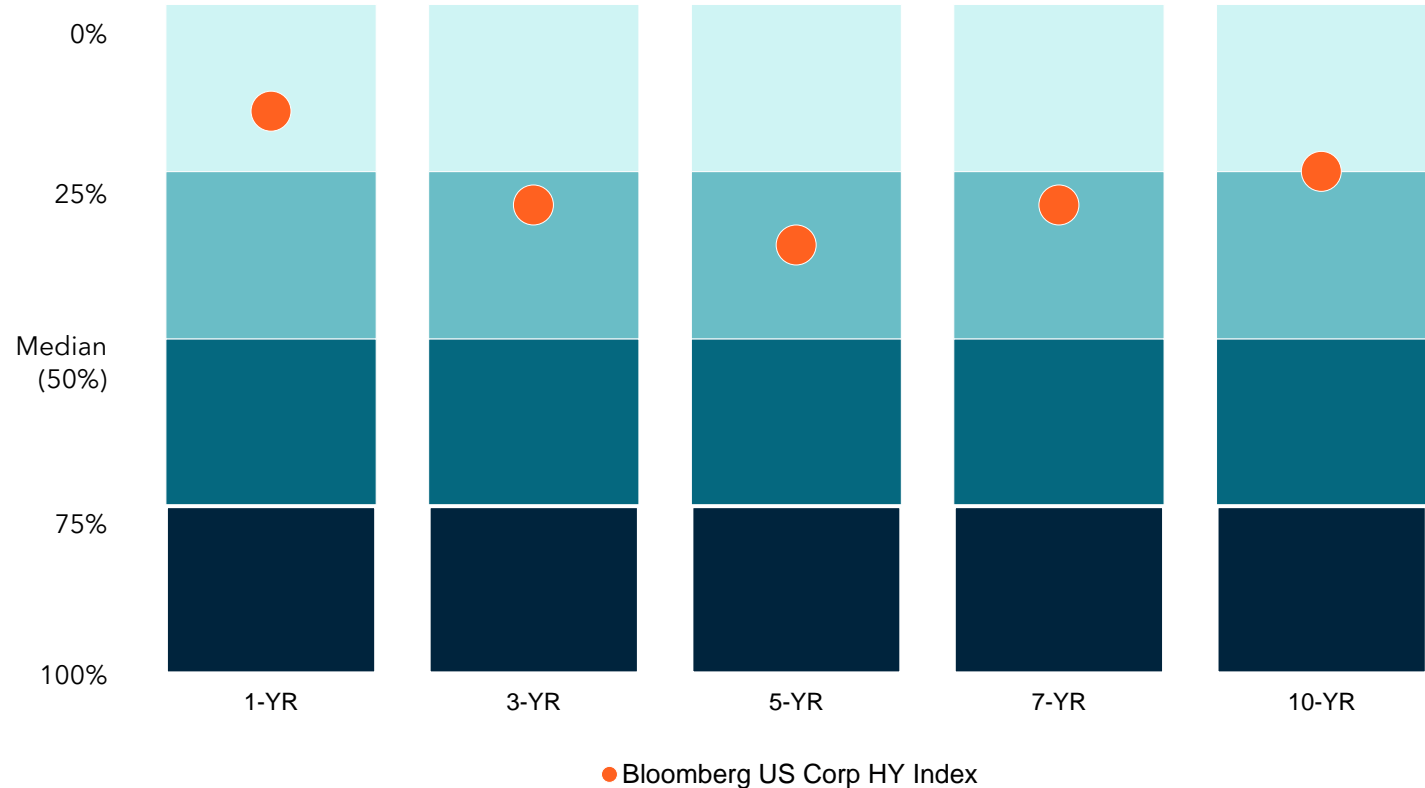
High yield index returns are difficult to attain

Peer ranking - net of fees as of March 31, 2025

MARKET CHALLENGES

- Liquidity and cost have been persistent sources of performance drag
- Active investors face difficulty in achieving consistent outperformance
- Purely passive approach typically delivers 'index-minus' results

BROAD HIGH YIELD INDEX EVESTMENT PEER RANKING VS US HIGH YIELD UNIVERSE¹



Source: eVestment Alliance as of March 31, 2025. Benchmark: Bloomberg US Corp HY Index. Data is shown in USD. The benchmark is unmanaged and does not reflect actual trading.

¹. Universe = Evestment US High Yield Universe. Number of observations in the universe: 154 (1 year), 150 (3 years), 143 (5 years), 129 (7 years), 103 (10 years).

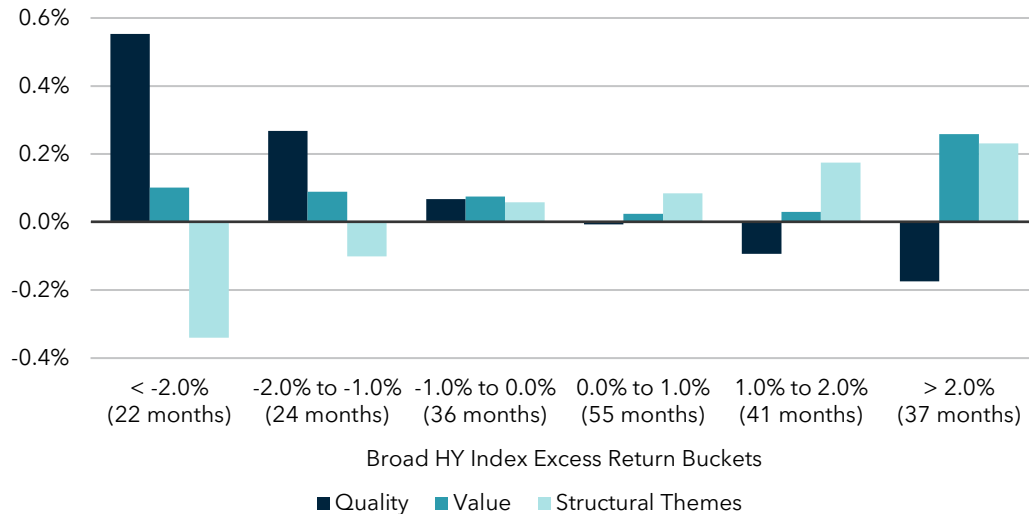
What do systematic alpha drivers look like?

Signals rooted in fundamentals, diversified to work across varying market regimes

- Fully systematic implementation removes shortfalls of human behavioural biases

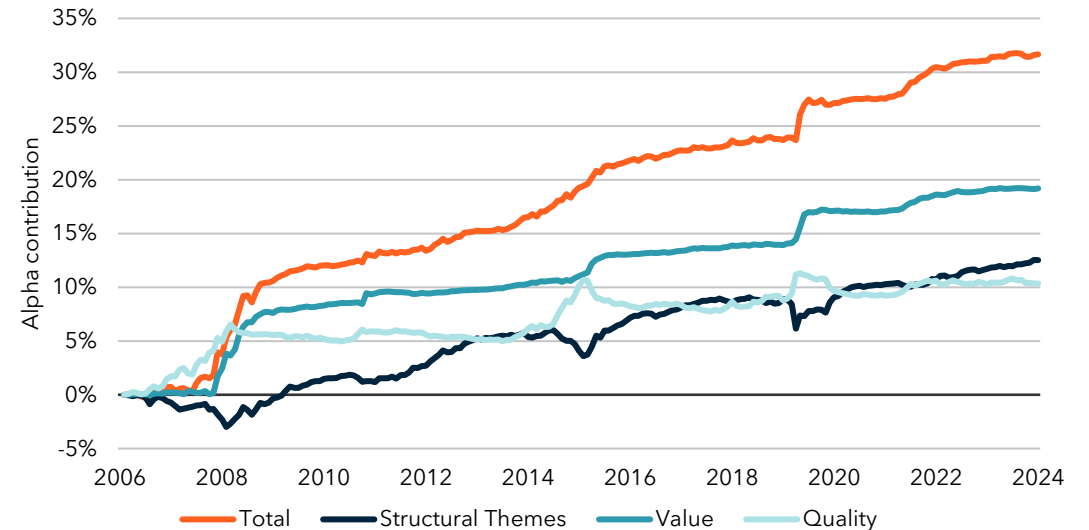
COMPLEMENTARY ALPHA STREAMS ACROSS MARKET REGIMES

Insight High Yield Alpha average monthly alpha contribution by signal vs broad high yield index (Jan 2007 - Dec 2024)



CUMULATIVE ALPHA BY SIGNAL

(Jan 2007 - Dec 2024)



Simulated performance results have certain inherent limitations. Simulated results do not represent actual trading/returns and are not a reliable indicator of future performance. Fees and charges apply and can have a material effect on the performance of your investment. Simulated results are based on the Bloomberg US Corporate High Yield Total Return Index.

Source: Insight, Bloomberg, as of December 31, 2024. Benchmark: Bloomberg US Corporate High Yield Total Return Index. Inception: January 31, 2007. Returns for periods greater than one year are annualized. Variations in totals due to rounding. The simulated representative portfolio adheres to the same investment approach as Insight's High Yield Alpha Strategy. Performance calculated as total return, income reinvested, gross of fees in USD. Fees and charges apply and can have a material effect on the performance of your investment.

Systematic investment process

How to construct a diversified portfolio

1

Mitigate defaults / downgrades (low quality)

- Underweight companies with poor fundamentals (i.e., leverage and profitability)

2

Capture mispricing opportunities (tilt to higher quality and better value)

- Micro tilt across thousands of bonds to manage idiosyncratic risk

3

Exploit structural themes (new issues, fallen angels, carry)

- “Safely” harvest higher income within BB/B bonds

HIGH YIELD BETA DISTRIBUTION OF BONDS¹

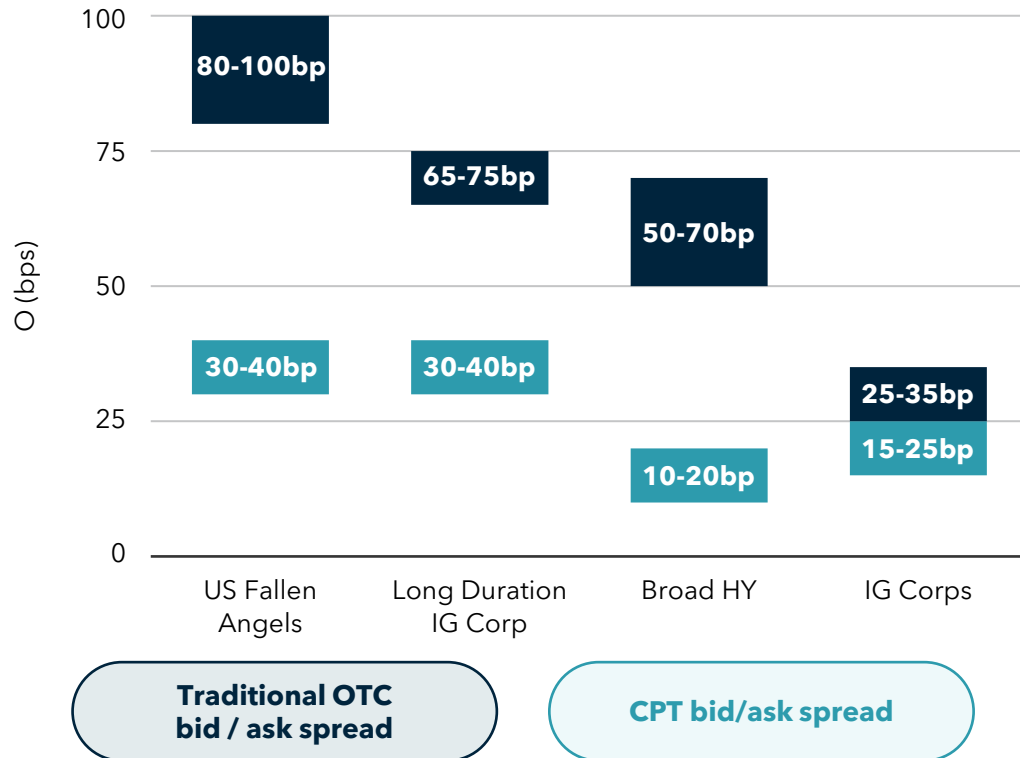


Source: Insight as at 31 December 2024. Universe: Bloomberg US Corporate HY index. Value and Quality are factors in our proprietary model. Results are based on Firm models which are proprietary and confidential. ¹ For illustrative purposes only as at 31 December 2024.

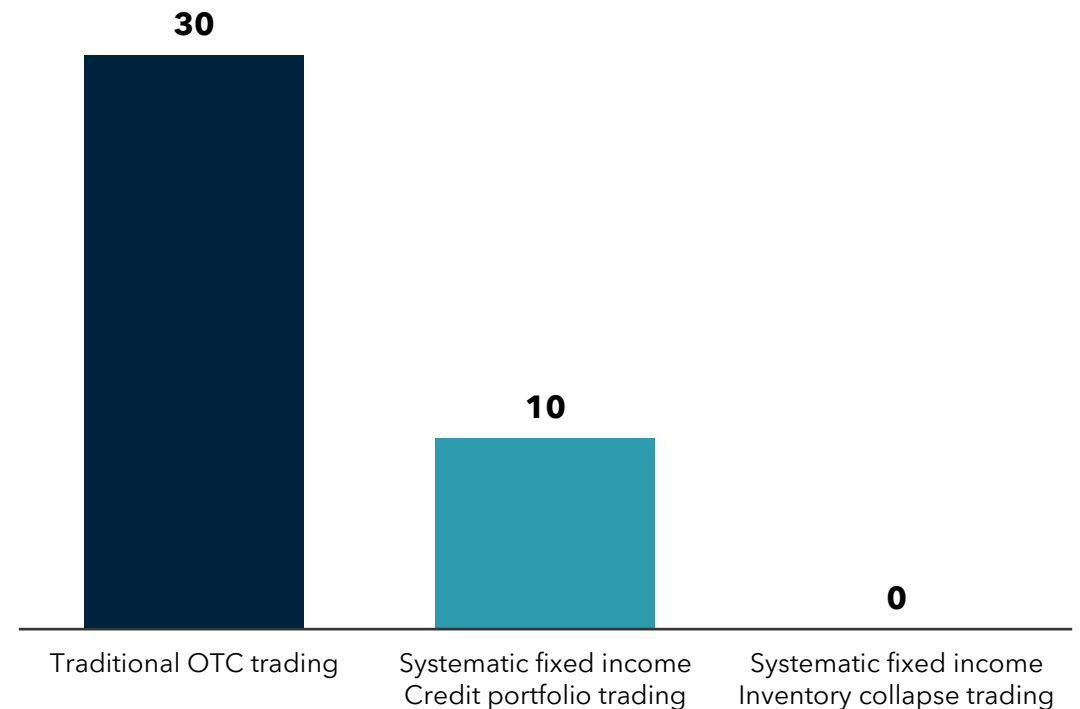
Implementation is key

Dramatically lower transaction costs while also improving liquidity

CREDIT PORTFOLIO TRADING (CPT) REDUCES TRANSACTION COST AND CAN RESULT IN BETTER IMPLEMENTATION*



TRANSACTION COST IMPACT AT PORTFOLIO LEVEL IN BPS

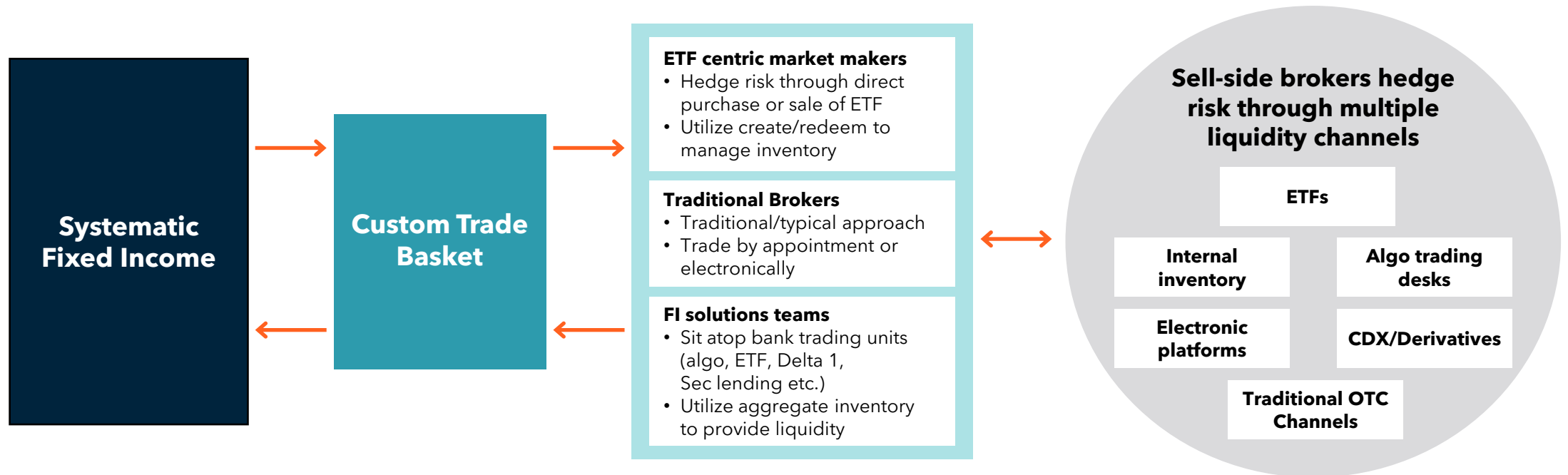


Source: Insight as at 31 December 2024. Estimated transaction costs based on Insight trades. For illustrative purposes only. Hypothetical trade example: actual trading may reflect prices from banks, bids and offers that are materially different than what is shown herein. Each account is individually managed and could differ from what is presented herein. Insight makes no assurances that the bp represented on this slide will be within the range. Actual bp could be higher or lower than what is shown. * Compared with a traditional OTC trading approach.

Credit portfolio trading is a gamechanger

Meaningfully lower transaction costs, instant diversification and exact fills

- 1** Create custom diversified 'basket' trade list →
- 2** Obtain competitive bids from multiple sell-side brokers to trade entire basket →
- 3** Receive exact bonds from winning bidder



Source: Insight. For illustrative purposes only.

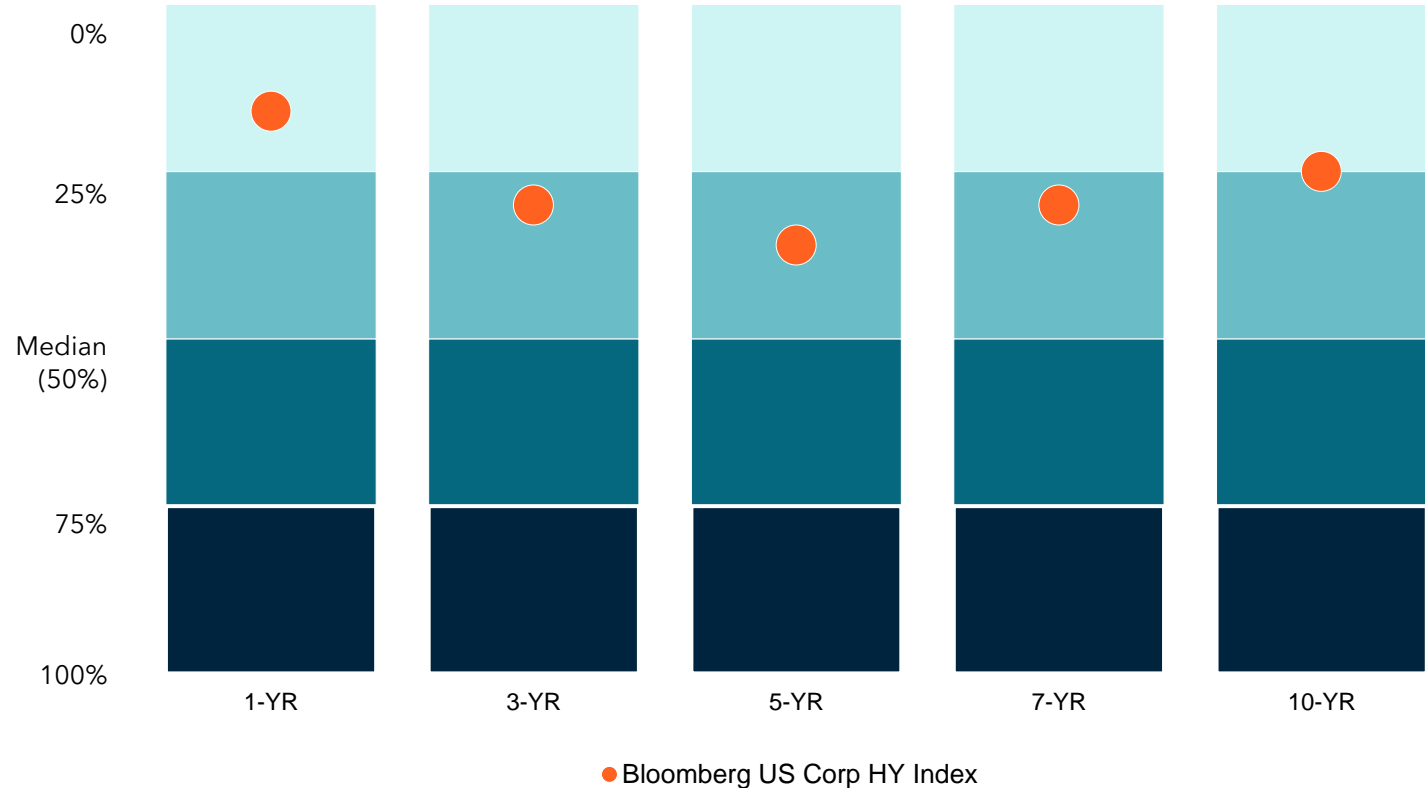
High yield index returns are difficult to attain

Peer ranking - net of fees as of March 31, 2025

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BROAD HIGH YIELD INDEX EVESTMENT PEER RANKING VS US HIGH YIELD UNIVERSE¹



Source: eVestment Alliance as of March 31, 2025. Benchmark: Bloomberg US Corp HY Index. Data is shown in USD. The benchmark is unmanaged and does not reflect actual trading.

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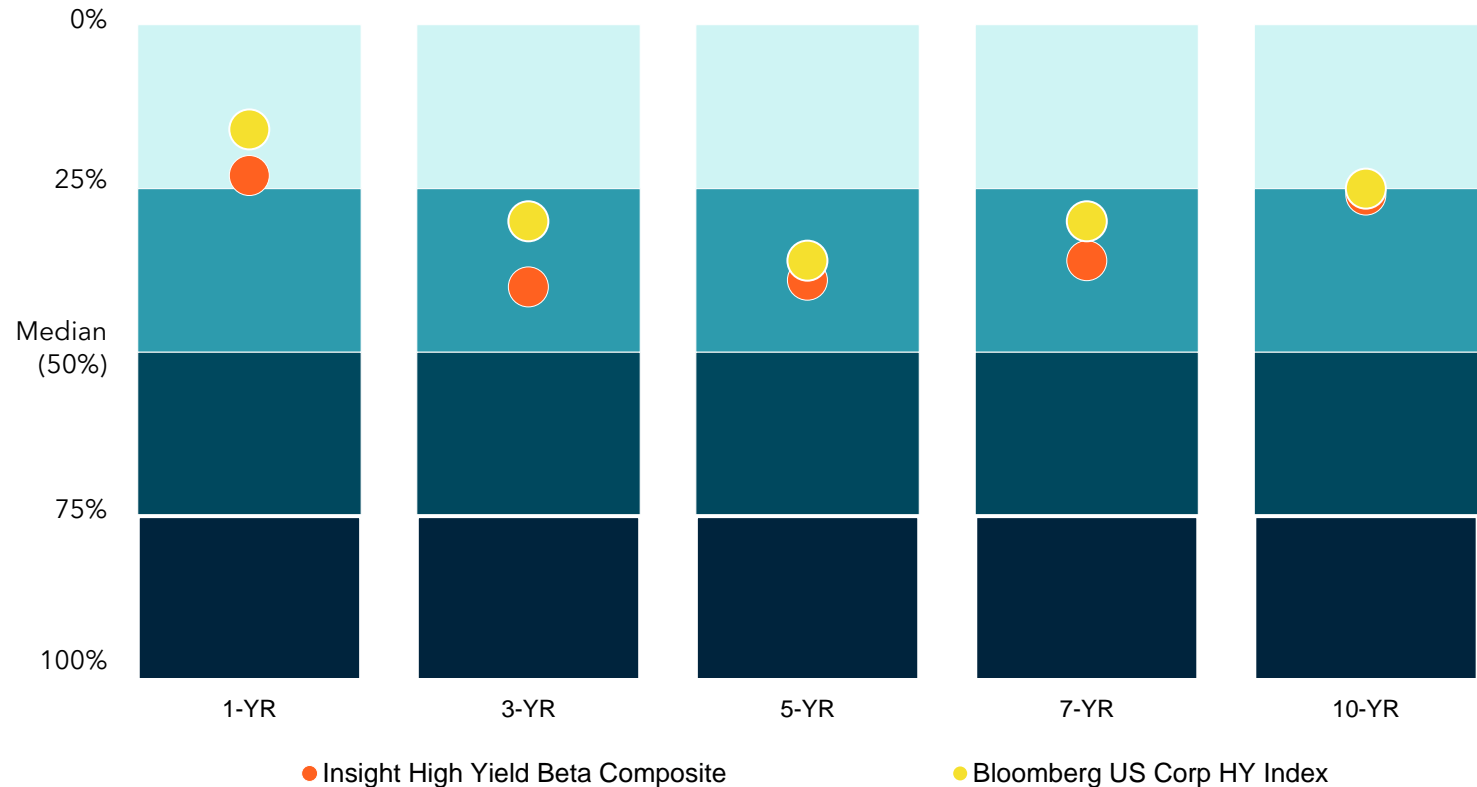
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INSIGHT'S SYSTEMATIC SOLUTION

- **Innovative implementation techniques:** cost effectively source bonds and access liquidity through bond basket trading
- **Consistent beta:** seek to deliver a beta 1.0 strategy while actively managing systematic (market) and idiosyncratic (issuer-specific) risk exposures
- **Improved security selection:** seek to utilize proprietary Credit Model to make informed decisions and mitigate downside risk

INSIGHT HIGH YIELD BETA COMPOSITE EVESTMENT PEER RANKING VS US HIGH YIELD UNIVERSE¹



Source: eVestment Alliance as at 31 March 2025. Data in USD. Returns greater than one year are annualised. Composite performance calculated as total return, income reinvested, net of annual charges (including AMC of 0.25%), in USD.

¹ Universe = Evestment US High Yield Universe. Number of observations in the universe: 154 (1 year), 150 (3 years), 143 (5 years), 129 (7 years), 103 (10 years).

Systematic fixed income: assets under management

Objectives		
Target: benchmark return	Target: outperformance	
Efficient Beta	Systematic Alpha	
Seeks to achieve benchmark return net of costs and fees by adding systematic alpha to an index portfolio.	Seeking alpha via active, systematic drivers of return reflecting fundamental and structural themes. Broad diversification and enhanced liquidity.	
	USD (millions)	Inception
High Yield	3,737.3	
US high yield beta	2,665.9	Sep 2012
Global high yield beta	1,043.2	Mar 2020
Euro high yield beta	28.1	June 2024
Investment Grade	986.5	
US long duration corporate beta	986.5	Mar 2010
EMD	3,655.3	
EMD local currency beta	3,655.3	Oct 2019
Other¹	\$222.4	
	Total Systematic Fixed Income AUM	
	\$10,115.9m	

Source: Insight: as of March 31, 2025. Variations in totals due to rounding. Where applicable, assets include discretionary and non-discretionary assets, the notional value of overlay strategies, and assets managed by investment personnel acting in their capacity as officers of affiliated entities. Assets under management (AUM) are represented by the value of the client's assets or liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark and/or the notional value of other risk exposure through the use of derivatives. Insight North America (INA) is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Insight Investment International Limited and Insight Investment Management (Europe) Limited. Advisory services referenced herein are available in the US only through INA. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates. ¹ Other includes custom strategies and US STRIPS.

Learning outcomes

By now, you should be able to:

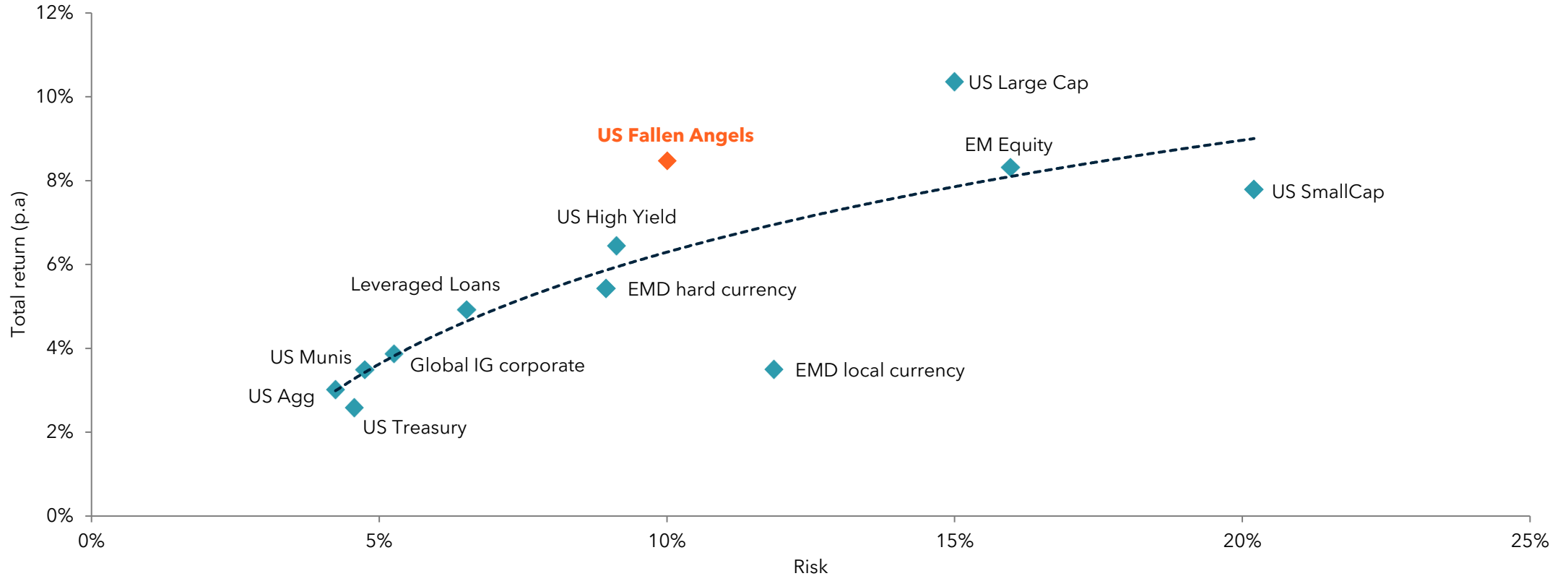
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FALLEN ANGELS



Fallen angels merit a closer look?

RISK AND RETURN, 2005-2024

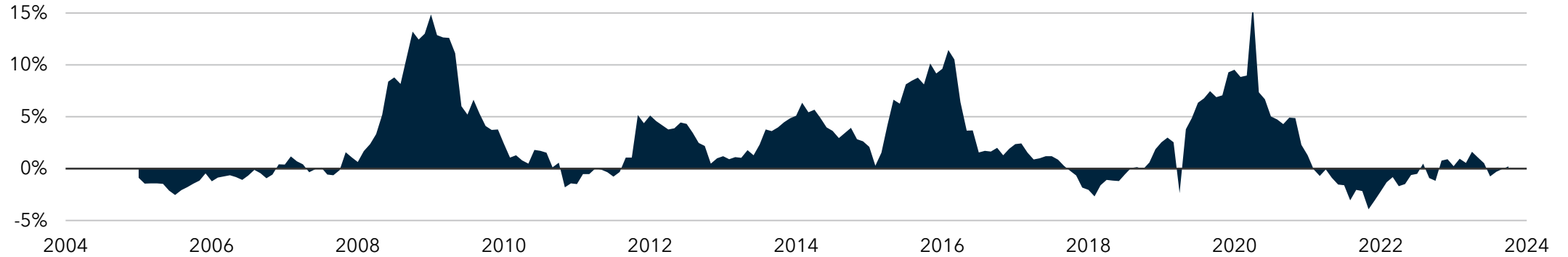


Source: Insight. Period covered: January 31, 2005 - December 31, 2024. Emerging Market Debt (LC) = GBI-EM Global Diversified Index, Emerging Market Debt (HC) = JP Morgan EM Bond Index (EMBI Global Diversified Index), US Agg=Bloomberg US Agg Total Return Index, US Munis = Bloomberg Municipal Bond Index, US High Yield = Bloomberg US Corporate High Yield Index, Leveraged Loans = iBoxx USD Leveraged Loan Index, Global IG Corporate = Bloomberg Global Aggregate Bond Index, EM Equity = MSCI Emerging Markets Index, US Large Cap = S&P 500, US Small Cap = Russell 2000 Index. US Fallen Angels = Bloomberg US HY Fallen Angel 3% Cap Total Return Index, US Treasury = ICE BofA US Treasury Index,

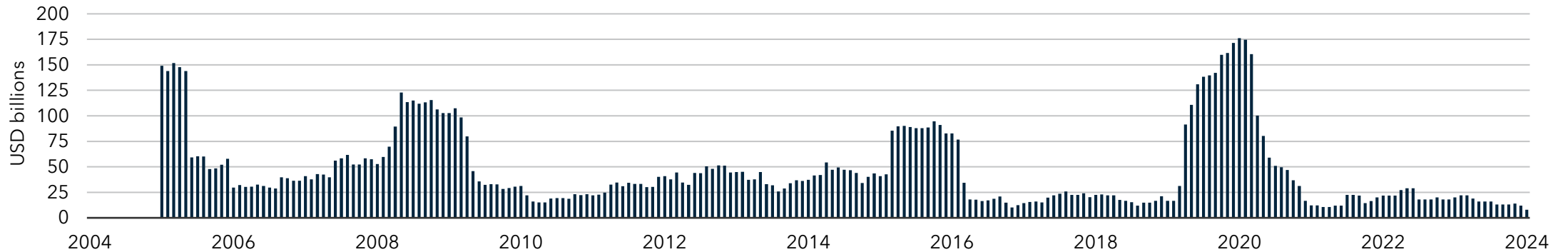
Fallen angel performance vs. HY

Strongest in periods of elevated downgrades

FALLEN ANGEL INDEX OUTPERFORMANCE VS. HY INDEX, JAN 2005-DEC 2024, ROLLING 1 YEAR



FALLEN ANGEL DOWNGRADES FROM IG, JAN 2005-DEC 2024, ROLLING 1 YEAR

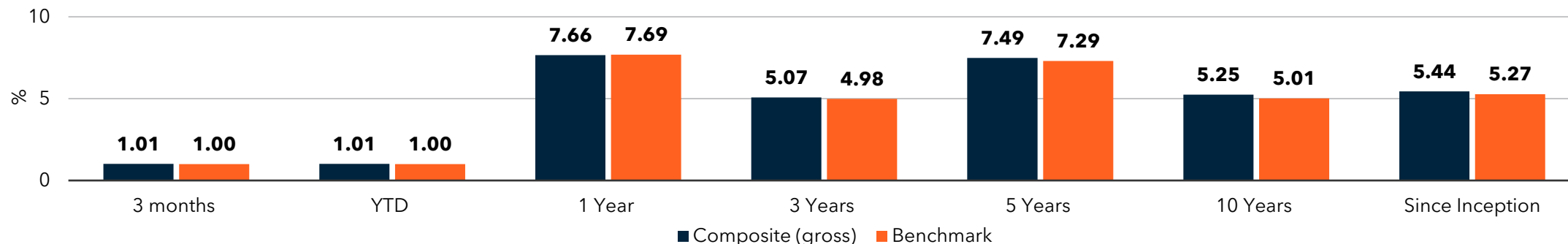


Source: Insight and Bloomberg as at 31 December 2024. Bloomberg Fallen angel index is the Bloomberg US fallen angel 3% capped index; HY Index is the Bloomberg US corporate HY index.

Performance

Gross of fees as at 31 March 2025

HIGH YIELD BETA COMPOSITE AND BLOOMBERG US CORPORATE HIGH YIELD INDEX (%)



	3 months	YTD	1 year	3 years (pa)	5 years (pa)	10years (pa)	Since inception (pa)
Composite (gross)	1.01	1.01	7.66	5.07	7.49	5.25	5.44
Benchmark	1.00	1.00	7.69	4.98	7.29	5.01	5.27
Relative to benchmark	0.00	0.00	-0.04	0.09	0.19	0.23	0.17
Tracking error			0.13	0.24	0.31	0.36	0.39

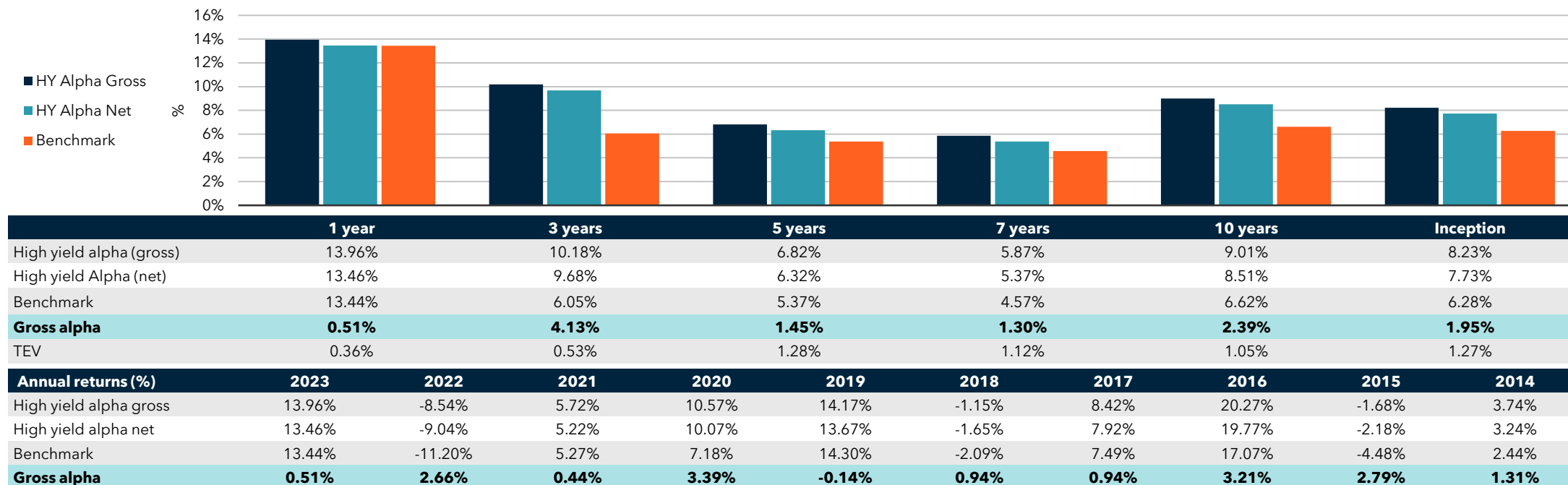
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Composite (gross)	8.28	13.55	-10.97	5.20	7.43	14.63	-1.87	7.89	17.06	-3.61	1.98	7.87
Benchmark	8.19	13.44	-11.19	5.28	7.11	14.32	-2.08	7.50	17.13	-4.47	2.45	7.44
Excess return	0.07	0.10	0.21	-0.08	0.31	0.31	0.21	0.39	-0.07	0.86	-0.47	0.43
Tracking error	0.19	0.27	0.37	0.17	0.54	0.30	0.32	0.13	0.62	0.46	0.60	0.75

Source: Insight. Performance calculated as total return, income reinvested, gross of fees, in USD. Fees and charges apply and can have a material effect on the performance of your investment. Returns for periods greater than one year are annualised. Variations in totals due to rounding. Inception date: 30 September 2012.

High yield alpha performance (simulation)

As of December 31, 2023

HIGH YIELD ALPHA VS BLOOMBERG US CORPORATE HIGH YIELD TOTAL RETURN INDEX (%)



Simulated performance results have certain inherent limitations. Simulated results do not represent actual trading/returns and are not a reliable indicator of future performance. Fees and charges apply and can have a material effect on the performance of your investment. Simulated results are based on the Bloomberg US Corporate High Yield Total Return Index.

Source: Insight, Bloomberg, as of December 31, 2023. Benchmark: Bloomberg US Corporate High Yield Total Return Index. Inception: January 31, 2007. Returns for periods greater than one year are annualized. Variations in totals due to rounding. The simulated representative portfolio adheres to the same investment approach as Insight's High Yield Alpha Strategy. Gross performance calculated as total return, income reinvested, gross of fees, in USD. Fees and charges apply and can have a material effect on the performance of your investment. Net performance calculated as total return, income reinvested, net of annual charges (including AMC of 0.5%), in USD. Please note the simulated performance track record ceased to be maintained on 31 December 2013. TEV: Tracking error volatility.

Strong, consistent record since incubation launch

HIGH YIELD ALPHA PERFORMANCE (GROSS OF FEES)

May 2023 - Mar 2025

	Q1 2025	1 Year	Since Inception
High yield alpha (gross)	-1.07%	7.87%	10.09%
Benchmark	-1.02%	7.69%	9.41%
Alpha (gross)	-0.05%	0.18%	0.67%
Tracking error volatility		0.47%	0.47%

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Source: Insight, Bloomberg, as of March 31, 2025. Benchmark: Bloomberg US Corporate High Yield Total Return Index. Inception: April 30, 2023. Returns for periods greater than one year are annualized. Variations in totals due to rounding. The simulated representative portfolio adheres to the same investment approach as Insight's High Yield Alpha Strategy. Gross performance calculated as total return, income reinvested, gross of fees, in USD. Fees and charges apply and can have a material effect on the performance of your investment.

Key investment risks

Objective/Performance Risk: There is no guarantee that the strategies will achieve their objectives.

Geographic Concentration Risk: Where the strategies invest significantly in a single market, this may have a material impact on the value of the portfolios.

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 strategies can lose significantly more than the amount they have 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 portfolios.

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 portfolios.

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

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 portfolios to financial loss.

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.

THE VALUE OF INVESTMENTS CAN FALL. INVESTORS MAY NOT GET BACK THE AMOUNT INVESTED. INCOME FROM INVESTMENTS MAY VARY AND IS NOT GUARANTEED.

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