The case for: INSIGHT ALL-MATURITIES GILT STRATEGY

January 2025

Why buy Insight's active gilt strategy?

In an uncertain world, we believe there are several compelling reasons to investigate investing in Insight's active gilt strategy:

- Resurging income and investment appeal: Since the pandemic lows, gilt yields have surged back to pre-global financial crisis levels, offering investors meaningful income from a government-backed asset for the first time in over a decade. This means that gilts are once again a serious investment choice for investors.
- A strong track record of adding value: Insight's All-Maturities Gilt strategy is actively managed and has generally outperformed its benchmark over time. This would have added significant value versus passive alternatives which are only designed to match benchmarks.
- Very low credit risk: As gilts are issued on behalf of His Majesty's Treasury and fully backed by the UK government, they have a very low credit risk.
- Potential diversification benefits: Traditionally, government bonds have been valued in investment portfolios for their ability to perform well during sharp equity downturns. With higher yields, we believe gilts are once again poised to offer these diversification benefits.

A strong track record of adding value

Insight's long-established government bond team have been managing the All-Maturities Gilt strategy since 2004 and, although future performance is not guaranteed, they have added considerable value over that period (see Figure 2). Since inception the team has generated a return of 70bp per annum above the FTSE Actuaries UK Conventional Gilts All Stocks Index (gross of fees, in sterling). This demonstrates the appeal of active management within fixed income, where managers can seek to take advantage of market inefficiencies to boost returns.

FIGURE 1: GILT YIELDS ARE BACK TO PRE-FINANCIAL CRISIS RANGES[1]

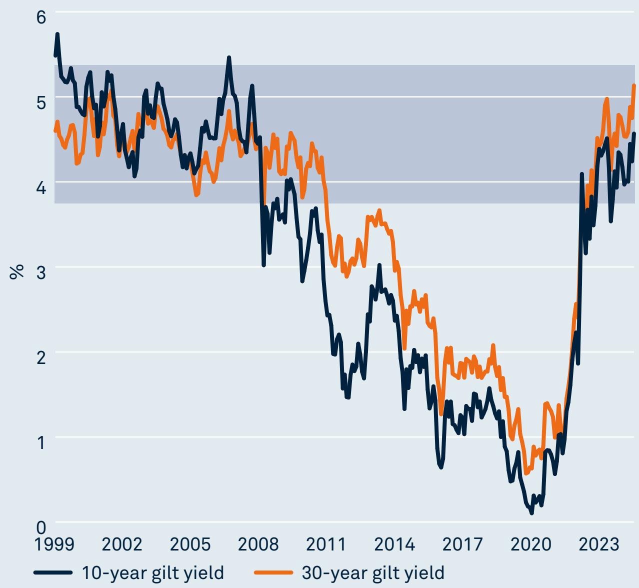
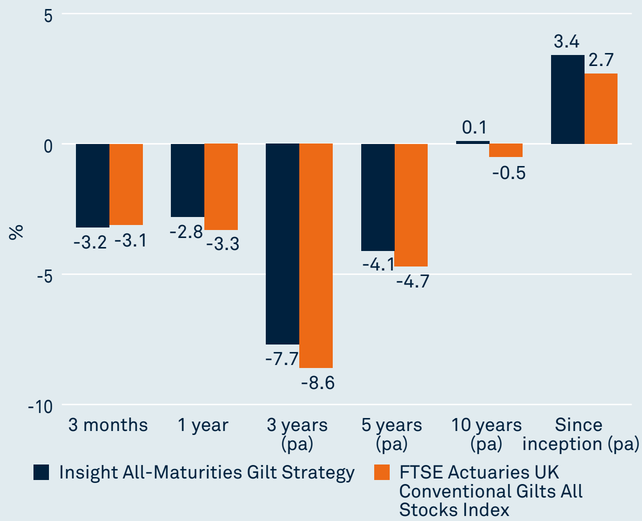


FIGURE 2: PERFORMANCE TRACK RECORD[2]



1 Source: Insight and Bloomberg. Data as at 31 October 2024. Indices: UK Gilt 10 Year (GTGBP10Y:GOV) and UK Gilt 30 Year (GTGBP30Y:GOV). Shaded area represents gilt yields' range prior to the 2008 global financial crisis.

2 Source: Insight and Bloomberg. Data as at 31 December 2024. Performance calculated as total return, income reinvested, gross of fees, in GBP. Fees and charges apply and can have a material effect on the performance of your investment.
Benchmark: FTSE Actuaries UK Conventional Gilts All Stocks Index.
Inception: 30 November 2004

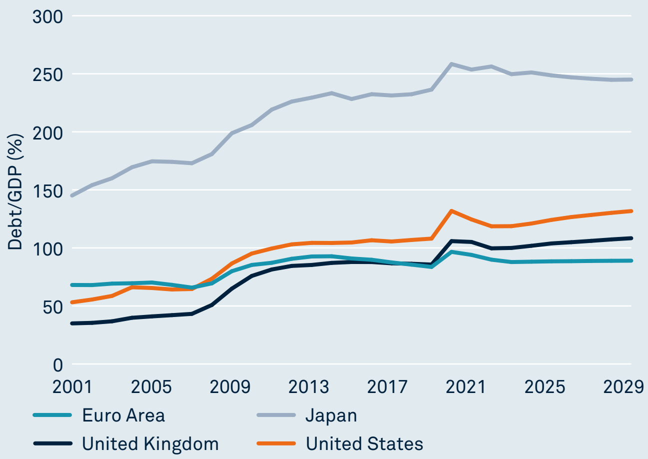
BNY | INVESTMENTS

Insight INVESTMENT

Very low credit risk

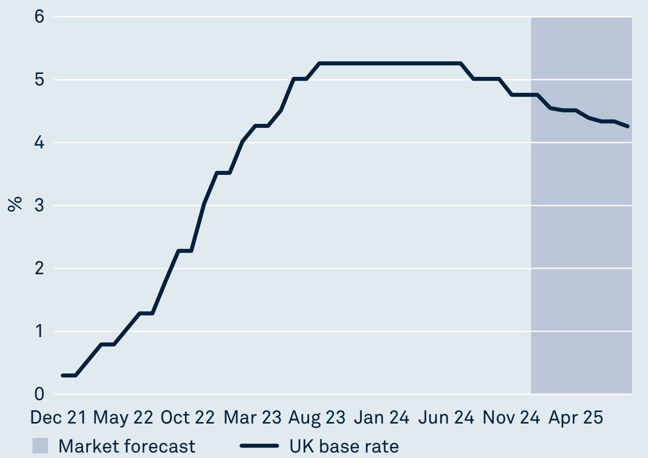
The strategy primarily invests in gilts, which are fully backed by the UK government. The UK has never defaulted on a gilt coupon or principal repayment. UK debt/GDP has risen following the pandemic and is expected to continue to rise over the next few years, but this is not out of line with other major developed markets (see Figure 3).

FIGURE 3: UK DEBT/GDP IS COMPARABLE TO OTHER MAJOR ECONOMIES[3]



One risk gilt holders face is duration risk, where changes in market yields impact gilt prices. We believe that the Bank of England's easing policy (see Figure 4) should help anchor yields in the short to intermediate segments of the yield curve. However, rates at longer maturities could be more volatile due to increasing levels of gilt issuance. This volatility could provide opportunities for active investors to take strategic positions along the yield curve.

FIGURE 4: UK INTEREST RATES ARE EXPECTED TO DECLINE IN 2025[4]



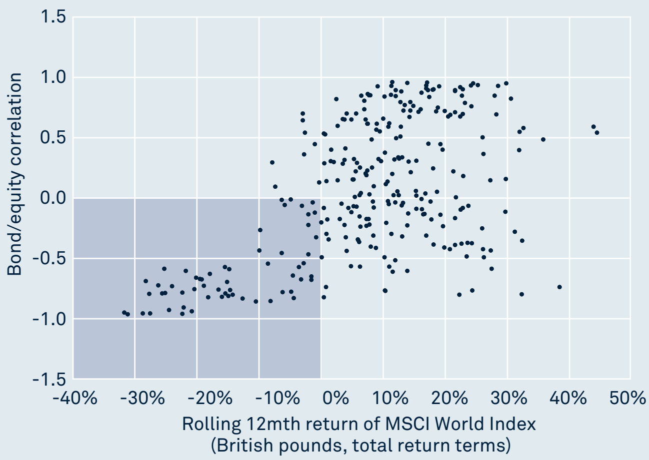
Potential diversification benefits

Government bonds such as gilts have another useful attribute.

Economic downturns, when equity markets are falling and economies enter recession, have often been some of the best periods for gilt performance. As the Bank of England eases policy to boost growth it generally pulls longer maturity yields downwards – and lower yields mean capital appreciation in bond markets.

The negative gilt/equity correlation during the worst equity drawdowns can be clearly seen in Figure 5. This means that an allocation to gilts can be a complementary addition to holdings in more risky assets such as equities.

FIGURE 5: THE CORRELATION BETWEEN BOND AND EQUITY RETURNS HAS BEEN NEGATIVE WHEN EQUITIES FALL[5]



3 Source: IMF, Macrobond. Data as at 31 October 2024, includes IMF forecasts from 2024 to end 2029.

4 Source: Bloomberg as at 31 October 2024. Market forecasts are based on the Bank of England's Market Consensus Forecast which is modeled from Sterling Overnight Index Average's futures.

5 Source: Insight and Bloomberg. Data as at 31 October 2024. Shows FTSE Actuaries UK Conventional Gilts All Stocks Index vs MSCI World Total Return Index in GBP. Rolling 12 month returns of MSCI World Index. For illustrative purposes only.

Insight: A reliable partner

Insight is a specialist global fixed income manager with a singular focus on delivering best in class performance within fixed income markets. Our investment process is designed with the aim of delivering consistent alpha regardless of the market environment. Insight's government bond team is made up of 10 investment professionals, that sit within a team of 164 across all fixed income capabilities.[6]

Ten-year performance record to 31 December 2024

	Calendar year returns (%)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Insight All-Maturities Gilt strategy	-2.84	4.76	-22.62	-5.50	9.08	7.24	0.10	2.82	11.33	1.27
FTSE Actuaries UK Conventional Gilts All Stocks	-3.32	3.69	-23.83	-5.16	8.27	6.90	0.57	1.83	10.10	0.57

	12 month-rolling returns (%)									
	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2014 - 2015
Insight All-Maturities Gilt strategy	-2.84	4.76	-22.62	-5.50	9.08	7.24	0.10	2.82	11.33	1.27
FTSE Actuaries UK Conventional Gilts All Stocks	-3.32	3.69	-23.83	-5.16	8.27	6.90	0.57	1.83	10.10	0.57

Source: Insight. As at 31 December 2024.
Performance calculated as total return, income reinvested, gross of fees, in GBP. Fees and charges apply and can have a material effect on the performance of your investment.

6 Source: Insight. As at 30 September 2024

Key investment risks

- **Objective/Performance Risk:** There is no guarantee that the Strategy will achieve its objectives.
- **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 Risk:** The issuer of a security held by the Strategy may not pay income or repay capital to the Strategy when due.
- **Geographic Concentration Risk:** Where the Strategy invests significantly in a single market, this may have a material impact on the value of the Strategy.
- **Performance Aim Risk:** The performance aim is not a guarantee, may not be achieved and a capital loss may occur. Strategies which have a higher performance aim generally take more risk to achieve this and so have a greater potential for returns to vary significantly.
- **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.
- **Concentration Risk:** A fall in the value of a single investment may have a significant impact on the value of the Strategy because it typically invests in a limited number of investments.

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.

BNY | INVESTMENTS