

Psigma Fixed Interest Capability

Introducing our Diversified Credit Solution

Psigma's Fixed Interest Portfolio offers a diversified credit solution to institutions wanting to diversify their return seeking assets or produce an alternative income stream.

This strategy is designed to blend a range of UK and overseas credit opportunities to achieve a net return of 4-5%* on an annualised basis over the recommended holding period. We believe the mix of assets we have selected should outperform both cash rates and inflation over the coming years. The actual annual return will vary depending on the performance of the underlying managers and investment vehicles. For example, there are likely to be years when returns are above this target and others when they are below, with movements in bond markets being the key drivers of risk and return.

We have worked hard to reduce the levels of risk ordinarily associated to the underlying instruments, and believe that our fixed interest portfolio is an appropriate method of targeting such returns through the opportunities present in global bond and credit markets.

Our Process

Our investment process has evolved over the past 14 years and continues to develop to reflect an ever-changing investment environment, wider industry developments and our clients' needs. It allows us to be forward looking, dynamic and to move decisively to capture potential market returns.

We provide an institutional investment approach, with a rigorous approach to risk analysis and investment selection.



Simple fee structure:

- No entry fees
- No trading fees
- No exit fees

Clients have direct access to their investment manager.

Regular and ongoing communication.

Comprehensive reporting package.

Objective: To grow your wealth above the rate of inflation and to generate returns through an income focused, diversified, short duration fixed interest portfolio.

Return Expectations: The strategy aims to generate a net return of 4-5% per annum over the medium term.

Risk Tolerance: Investors in this category are prepared to accept some risk of capital loss in the short-to-medium term. Portfolios will comprise, but will not be limited to, a broadly balanced blend of fixed interest funds.

Recommended holding period:

Five Years +

Annual Management Charge:

Up to £10m	0.20%
£10m+	0.15%

Custody, Settlement & Execution:

(Charged monthly)	0.12%
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Attitude to Risk

We place a great deal of emphasis on asset performance, which coupled with a clear understanding of our clients attitude to capital loss and volatility is of equal, if not greater importance. We work with trustees and their advisers from the outset to establish appropriate risk guidelines and obtain a comprehensive view of their investment needs.

Managing Risk

Whilst many of our competitors have chosen to focus on volatility as the primary risk factor, we have focused on a range of additional factors that help us determine the optimal portfolio. These include inflation, liquidity, downside, correlation, counterparty as well as volatility risk. We also acknowledge the potential challenges posed by external fund managers who have invested assets on our behalf. Our proprietary analysis tools allow us to monitor all of these forms of risk and assist us to make informed decisions on investment suitability for our clients.

Dynamic Asset Allocation

Our asset allocation is dynamic and determined by a combination of top down Strategic Asset Allocation and bottom up Tactical Asset Allocation. Initial decisions made on our portfolios are made through strategic asset allocation, driven by our proprietary qualitative and quantitative risk analytical systems. This top down view is then complemented by bottom up investment selection. We apply tactical asset allocation decisions over client portfolios in response to changes in the wider market and macro-economic environment.

Oversight

The Investment Team works closely with senior members of Psigma's Investment Business to form an Investment Oversight Committee, whose primary responsibility is to ensure that our process avoids specific risks in client portfolios and that our investment process is running smoothly.

The Investment Oversight Committee meets formally each month and on an ad-hoc basis, as market conditions demand.

Investment Selection

We believe that we can provide added value value through investment selection and investment blending within our overall asset allocation.

STRENGTH OF LEADERSHIP

Our People and Philosophy

Investment philosophy and style is the backbone of our selection process. Our team spends time getting to know and build strong relationships with Fund Managers, external analysts and corporate contacts. They seek to uncover long-term individual talent and meet with all of our managers at least every quarter. On average, the 500 meetings annually ensure that we have a deep understanding of the managers and the investments we select on behalf of our clients.

STRENGTH OF IMPLEMENTATION CONVICTION

Process and Positioning

A deep understanding of the investment vehicles style, geographic and portfolio positioning is of paramount importance, as too is sector stance. Quantitative overlays and systems also require thorough analysis in order to establish and explain both relative and absolute performance at any given point in time.

EVIDENCE

Performance

We know that performance is important, but individual past performance is not one of our key concerns. We seek out investments that blend well and perform in certain conditions. Our selection process is constructed to allow us to find the best investments of the next three years, not the previous three years

COST

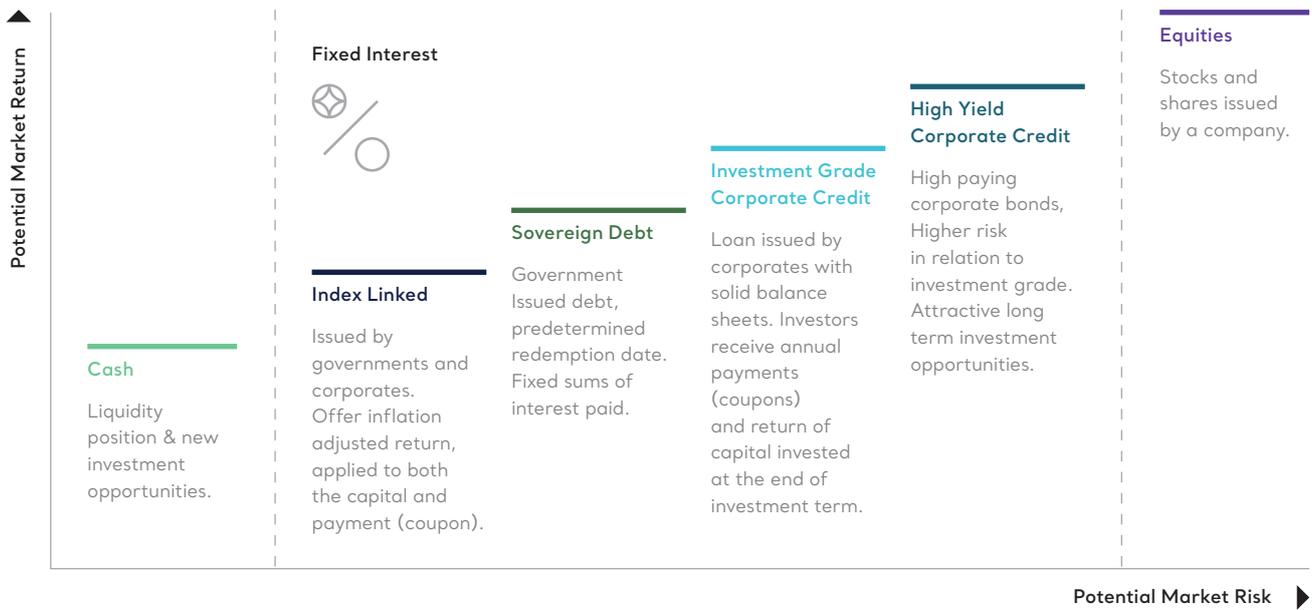
Price

Finally, all investments must pass our price criteria. We work to ensure the fee we pay is commensurate with the investments we are making; fees must be appropriate and competitive.

We consider there to be four important factors for successful investment selection.

Fixed Interest Investment Range

The chart below illustrates the potential risk and return characteristics of the types of fixed interest investments - which are historically less volatile than equities - used in our portfolio.



Why consider Psigma for a Fixed Interest Portfolio?



- Allocation to a range of UK and overseas credit using our established asset allocation expertise
- Instrument selection seeks to create predictable returns with reduced levels of volatility
- Strong track record in delivering innovative investment solutions through exclusive mandate arrangements
- Robust research and selection process with rigorous investment oversight
- Enhanced research capability through established relationships with external partners
- Highly liquid portfolio of funds
- Over 40 years' combined experience in fixed interest markets

Best of Breed Manager Selection

Our investment team have a long track record of selecting and working closely with a range of managers to bring together bespoke mandates or choose funds designed to generate inflation beating returns.

To build our innovative Diversified Credit Solution, we have worked closely with some of our most established fixed interest managers to construct a portfolio of diverse credit opportunities. We have selected specific managers for certain credit specialisms to design the best return profile with reduced levels of volatility. This portfolio is designed to provide a return materially ahead of inflation with lower levels of volatility than typically experienced in the equity markets.

The table below provides details of our external managers and the credit opportunities they bring to the portfolio.

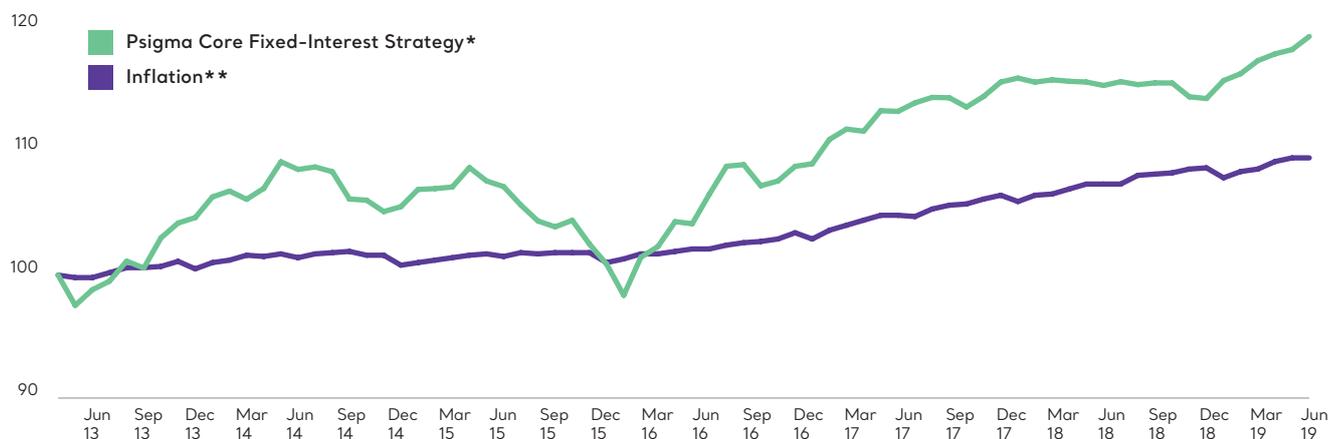
Working with four specialist fixed interest managers, our Portfolio is constructed using funds from across the fixed interest spectrum, including Sovereign Debt, Investment Grade Corporate Credit and High Yield Corporate Credit.

External Fund Manager Overview

Working with four specialist fixed interest managers, our portfolio is constructed using funds from across the fixed interest spectrum, including sovereign debt, investment grade corporate credit and high yield corporate credit.

SECTOR	FUND	FUND MANAGER	DETAILS
Sovereign Debt	Allianz Gilt Yield	Allianz	Outstanding capabilities in fixed interest management with a well-resourced team. We have invested with Allianz for over a decade.
	Neuberger Berman Short Duration Emerging Market Debt	Neuberger Berman	Emerging market experts with deep resources and proven capability to manage through all market conditions. On the ground presence and around the clock coverage.
Investment Grade Corporate Credit	AXA Global Short Duration	AXA	A world class team that have a long-term proven track record in short duration investing.
	TwentyFour Corporate Bond (Corporate Bonds)	TwentyFour Asset Management	Boutique house who we work with to create bespoke mandates. Funds are designed to exploit and maximise investment opportunities in fixed interest markets.
	TwentyFour Focus (Short-Dated Corporate Credit)		
High Yield Corporate Credit	Semper Strategic Focus High Yield	Semper Capital Management	Specialist manager in US high yield bonds with extensive knowledge of this sub-sector. They work with us on a tailored investment offering and help ensure liquidity for our clients.
	TwentyFour Asset Backed Income (Asset Backed Securities)	TwentyFour Asset Management	Boutique house who we work with to create bespoke mandates. Funds are designed to exploit and maximise investment opportunities in fixed interest markets.

Psigma Fixed Interest Portfolio Net Performance (since inception).



NET PERFORMANCE %	2013	2014	2015	2016	2017	2018	2019
Annual Return	4.24	0.90	-2.52	6.17	6.31	-1.16	4.42
Annual Volatility ***	5.64	3.84	3.64	6.08	2.47	1.16	2.07

CUMULATIVE PERFORMANCE %	1 Month	3 Months	6 Months	1 Year	3 Years	ITD
Strategy	0.90	1.68	4.42	3.45	14.62	19.42
Inflation **	0.00	0.84	0.75	1.98	7.26	9.54

Past performance is not a guide to future performance.

Yearly data relates to close of market on 31/12 in the preceding year to close of market on 31/12 in the stated year. Inception from 29/02/12.

* This data represents the performance of the Psigma Core Fixed Interest Portfolio Service. All performance figures above are shown net of underlying fund charges and net of Psigma Investment Management fees applicable at the time. Currently the Psigma Fixed Interest Portfolio AMC is 0.50% plus VAT (charged pro rata on a quarterly basis) and 0.12% custody, settlement and execution (charged pro rata on a monthly basis).

** Inflation Source: CPI from the Office for National Statistics. Crown Copyright material is reproduced with the permission of the Office of Public Sector Information (OPSI). Reproduced under the terms of the Click-Use License.

*** Annual volatility statistics are reported on a rolling 12 month basis. Annual Volatility is a measure of the price variation of an investment over time. It is a contributor to defining the risk characteristics of a specific asset class or a portfolio of diverse investments.

Source: Interactive Data 30/06/2019.



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Investment Risks:

- The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money that he/she invests. Past performance is not a guide to future performance.
- Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the value of, and income from, the investment.
- Investors should consult their professional advisers on the possible tax and other consequences of their holding any of the investments contained in this publication.

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