

24 November 2017

Dear Sir / Madam,

Here are Insight Investment's comments on the 12 questions in your Exposure Draft:

Question 1: Are these examples regarding the determination of discretion appropriate or are additional examples or other criteria needed? If additional examples or other criteria are needed, please explain your suggestions.

Yes

Question 2: Are the three "allowable methods" for calculating overlay exposure appropriate?

Yes

Question 3: Are there other methods for calculating overlay exposure that are also appropriate? If so, please explain.

A fourth method should be where the client specifies a fixed notional exposure.

Question 4: Should the allowable method(s) be required or recommended by strategy type? If so, please propose a required or recommended method by strategy type.

Allowable methods should be required by strategy type. If the strategy is passive, then the notional exposure method should be used.

If the strategy is active, then the underlying portfolio value method should be used.

Question 5: Are the methods used to calculate the denominator in an overlay portfolio return calculation appropriate?

All are appropriate in different circumstances. i) is appropriate for passive portfolios, ii) for active portfolios

Question 6: Is the requirement to include collateral income in the overlay portfolio return when the collateral is actively managed appropriate? If not, should this be changed to a recommendation?

N/A

Question 7: Is the requirement to establish a composite specific policy on the treatment of collateral appropriate? If not, should this be changed to a recommendation?

N/A

Question 8: Do you agree that the returns for overlay portfolios must be geometrically linked when the overlay exposure changes over the time period? If not, please explain what method(s)

you believe is appropriate.

Yes

Question 9: Do you agree that overlay returns must not be geometrically linked when the exposure remains constant, but rather the returns must be calculated as the cumulative profit/loss for the calculation period divided by the denominator? If not, please explain what method(s) you believe is appropriate.

Yes, provided that this is referring to the denominator which remains constant.

Question 10: Should text be added to this Guidance Statement recommending disclosure of the sum of (a) total firm overlay exposure and (b) total firm assets, also known as total firm economic exposure?

Yes

Question 11: Are the required disclosures appropriate? If not, please explain.

Yes

Question 12: Is the proposed effective date appropriate or would additional time be needed to implement this Guidance Statement?

Yes

Kind Regards,

Jeremy Schuman