

East Sussex Pension Fund

Review of Investment Managers' Performance for Fourth Quarter of 2016

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Review of Investment Managers' Performance for Fourth Quarter of 2016

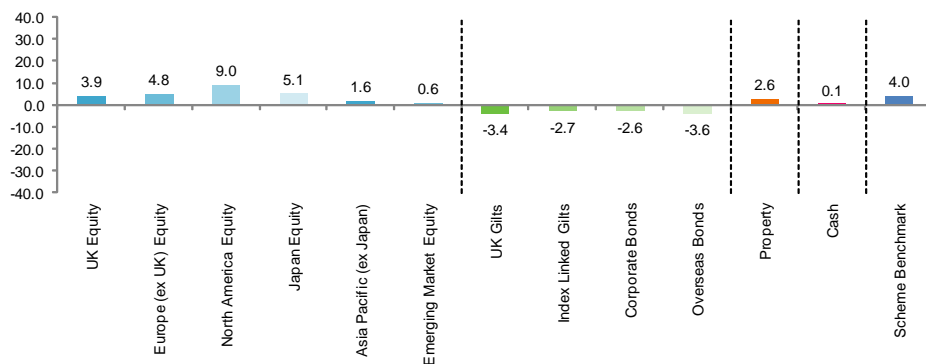
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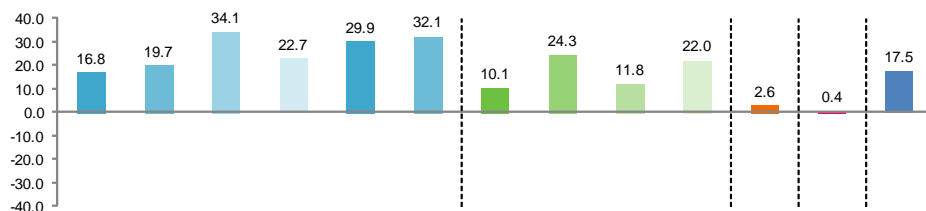
Historic Returns for World Market to 31 December 2016

Historic Returns - Chart 1 ^[1]

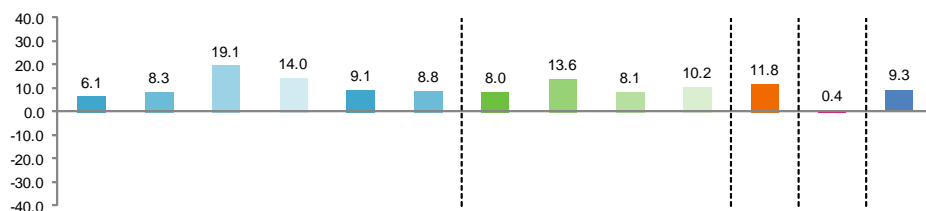
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Comment

A resilient post-referendum performance from the UK economy and some fiscal easing has lowered expectations that the Bank of England will cut interest rates again in the short term.

The US economic background was buoyant – reported GDP growth in Q3 was the strongest for two years. As almost universally expected, the Federal Reserve raised US interest rates in December.

Brent crude rose from \$49 to \$57 per barrel over the quarter, as OPEC and non-OPEC oil-producing nations agreed at the end of November to cut production of oil by 600,000 barrels per day.

Gilt yields rose for most of the quarter as further monetary easing seemed less likely. 30-year gilt yields rose from 1.5% p.a. to 2.1% p.a. in mid-December, before falling a little by the year-end. There was a smaller rise in long-dated index-linked gilts, and so the cost of inflation protection increased.

US Treasury Bond yields moved sharply higher following the Presidential election. In mid-December, 10-year yields reached 2.6% p.a., the highest level for over two years.

In general, yield spreads in global credit markets narrowed further. However, UK investment-grade credit spreads, which had tightened considerably in Q3, were little changed over the quarter.

Sterling fell another 5% in trade-weighted terms at the start of Q4, but recovered some ground later as an interest rate cut seemed less likely and investors' concerns about a hard Brexit eased a little.

Higher interest rates supported the US dollar, which was the strongest of the major currencies over the quarter. The yen was the weakest, suffering from a sharp swing in sentiment after the US election.

Global equities also responded positively to the election after a subdued start to the quarter. US equities reached new all-time highs, but the strongest local currency performance came from Japan, where the market was boosted by currency weakness and better-than-expected economic growth.

Emerging market equities bucked the trend – dipping sharply in the wake of the US election and falling over the quarter as a whole – amid concerns over Trump's protectionist stance.

The strongest performing global equity sectors over the quarter were Financials – viewed as the main beneficiaries of higher rates in 2017 – and Oil & Gas – reacting to rising oil prices. It was a relatively poor quarter for defensive areas such as Healthcare, Consumer Goods and Utilities.

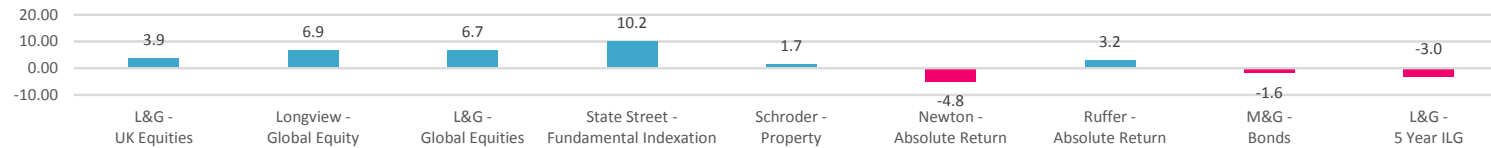
UK property stabilised after the third-quarter downturn. Capital values, as reflected in the IPD UK Monthly Index, rose a little in October and November.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

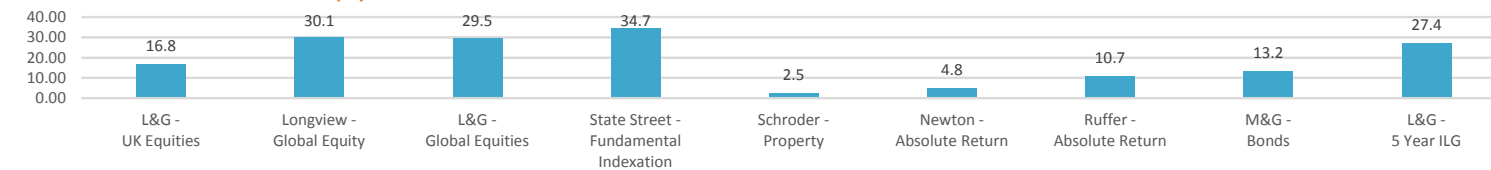


Summary of mandate absolute performance to 31 December 2016

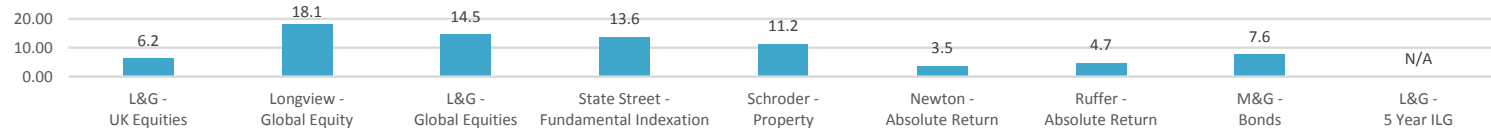
3 Month Absolute Performance (%)



12 Month Absolute Performance (%)



3 Year Absolute Performance (%)



Comments

This page sets out the absolute returns of each of the Fund's mandates over 3 month, 12 month and 3 year periods. It aims to give an indication of the role that each mandate has in the Fund's investment structure (i.e. typically to either generate growth, provide diversification or to give some protection) and how well the mandate has performed this role over the time periods shown.

Growth (Equities)

Growth assets have strengthened over the quarter, in particular, global equities have delivered absolute returns of c.7%. This has contributed to returns over longer time periods with Longview Global equities performing well over the past 12 months, returning 30.1%.

Diversification/Income oriented (Property/Absolute Return)

Equities provided growth throughout the quarter. Newton underperformed the LIBOR benchmark this quarter whilst Ruffer produced a positive return.

Protection (bonds)

Gilt yields rose over the last quarter of 2016 as monetary easing policies seemed less likely to be extended. This had a negative impact on the absolute value of the Fund's bond holdings. However, over the longer term, the M&G bond mandates and the Legal & General Index Linked Gilt fund have delivered strong returns.

Fund Asset Allocation and Performance

Valuation Summary

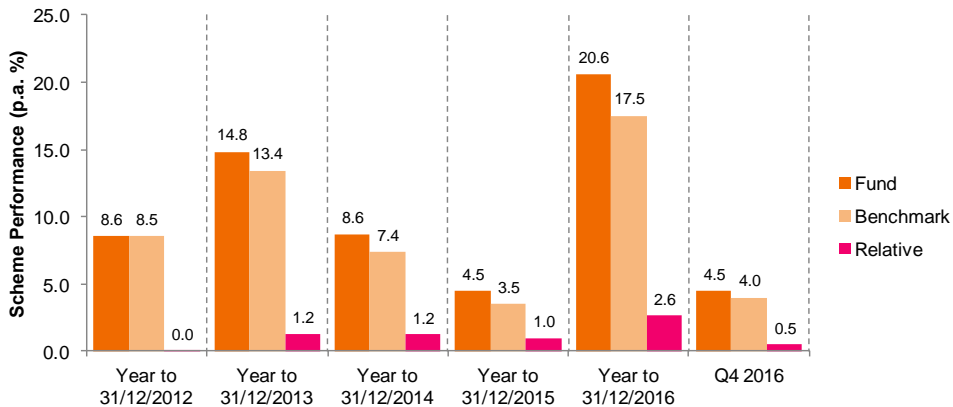
Asset Class	Value (£m)		Actual Proportion	Target Proportion	Re-balancing range %	Difference
	Q3 2016	Q4 2016	%	%		
Global Equity	1268.9	1374.0	42.4	38.0	45.0 - 55.0	4.4
UK Equity	294.9	306.4	9.5	12.0		-2.5
Fixed Interest	130.6	125.5	3.9	3.5	2.5 - 4.5	0.4
Index-Linked Gilts	181.6	176.2	5.4	5.0	4.0 - 6.0	0.4
Property	324.5	330.0	10.2	10.0	7.0 - 13.0	0.2
Infrastructure	51.0	59.1	1.8	2.0	0.0 - 4.0	-0.2
Private Equity	185.5	197.0	6.1	5.5	3.5 - 7.5	0.6
Absolute Return Funds	527.9	573.5	17.7	20.0	17.0 - 23.0	-2.3
Cash	63.9	21.5	0.7	0.0	0.0 - 2.0	0.7
UK Financing Fund	8.3	5.5	0.2	1.0	0.0 - 2.0	-0.8
Absolute Return Bonds	70.5	71.5	2.2	3.0	2.0 - 4.0	-0.8
Total Client	3107.5	3240.2	100.0	100.0		

Fund performance [1]

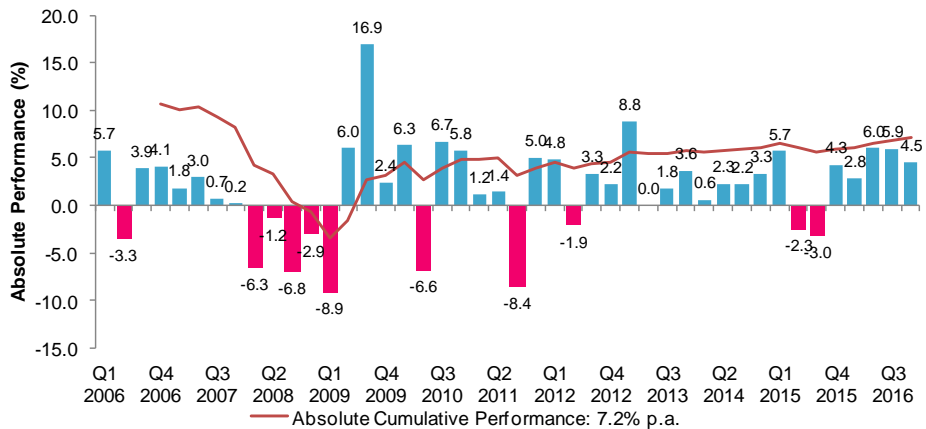
Over the quarter, the Fund delivered a return of 4.5%, ahead of the aggregate benchmark by 0.5%. The Fund remains ahead of the aggregate benchmark over all longer periods.

Newton's Absolute Return Fund and Schroders Property fund underperformed relative to their benchmarks. However, this was partially offset by the outperformance of Longview's global equity mandate, M&G bond portfolio and Ruffer's Absolute Return Fund.

Performance Summary [1]



Absolute Quarterly and Absolute Cumulative Performance [1]



[1] Total Fund return is estimated. Historical returns are backdated with WM figures.

Source: [i] Hymans Robertson, [ii] Hymans Robertson

Summary of Mandates

Manager Summary ^[1]

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
L&G - Global Equities	Passive	11 May 2010	FTSE All World	Track index	
Longview - Global Equity	Active	16 Apr 2013	MSCI ACWI (GBP)	+3% (gross of fees) over rolling 3 year periods	
State Street - Fundamental Indexation	Passive	06 Aug 2013	FTSE RAFI All-World 3000	Track Index	
L&G - UK Equities	Passive	21 Nov 2007	FTSE All Share	Track index	
Newton - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	
Ruffer - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	
L&G - 5yr ILG	Passive	11 Mar 2015	FTSE A Index-linked Gilts Over 5 Years	Track index	
M&G - Bonds	N/A	01 Jan 1997	Bespoke	+0.8% (gross of fees) for corporate bonds only	
Schroder - Property	Fund of Funds	20 Feb 2010	IPD All Balanced Funds	0.75% p.a. (net of fees) over rolling 3 year periods	

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Summary Comment

There were no changes to manager ratings over the quarter. We will continue to monitor developments closely.

The Fund remains overweight to Global Equities and cash. UK Equity and the Absolute Return Funds continue to be underweight.

All asset classes are within their re-balancing range therefore we do not propose any rebalancing activity.

[1] Ruffer does not have a specific performance target, we have assumed a proxy for measurement purposes. Ruffer's stated objective is to 'preserve capital over rolling 12 month periods', and to grow the portfolio at a higher rate than could be expected from depositing the cash in a UK bank (net of fees)



Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2016	Q4 2016			
L&G - Global Equities	489.5	522.2	16.1	15.5	0.6
Longview - Global Equity	206.6	220.5	6.8	5.0	1.8
State Street - Fundamental Indexation	572.9	631.3	19.5	17.5	2.0
L&G - UK Equities	294.9	306.4	9.5	12.0	-2.5
Newton - Absolute Return	268.5	280.5	8.7	10.0	-1.3
Ruffer - Absolute Return	259.4	293.0	9.0	10.0	-1.0
L&G - 5yr ILG	181.6	176.2	5.4	5.0	0.4
M&G - Bonds	201.1	197.8	6.1	6.5	-0.4
Schroder - Property	324.5	330.0	10.2	10.0	0.2
M&G - Infrastructure Fund	28.8	35.1	1.1	1.0	0.1
UBS - Infrastructure	22.1	24.0	0.7	1.0	-0.3
Adams Street - Private Equity	96.6	104.6	3.2	2.8	0.5
HarbourVest - Private Equity	88.9	92.3	2.8	2.8	0.1
M&G - UK Financing Fund	8.3	5.5	0.2	1.0	-0.8
Cash account	63.9	21.5	0.7	0.0	0.7
Total	3107.5	3241.0	100.0	100.0	0.0

[1] The Fund retains a small cash position to service the commitments made to the private equity portfolio and the infrastructure funds. The M&G UK Financing Fund can no longer draw on outstanding commitments.



Performance Summary (net of fees)

Performance Summary (net of fees) [1] [i]

		L&G - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	6.7	6.8	10.2	3.9	-4.9	3.0	-3.1	-1.7	1.6	4.4
		6.6	6.4	10.2	3.9	0.1	0.1	-3.0	-2.4	2.3	4.0
	Relative	0.0	0.3	0.0	0.0	-5.0	2.9	-0.1	0.7	-0.6	0.4
12 Months (%)	Absolute Benchmark	29.4	29.3	34.6	16.8	4.2	9.9	27.0	12.8	2.3	20.3
		29.3	28.7	34.8	16.8	0.4	0.5	27.4	9.2	2.8	17.5
	Relative	0.1	0.5	-0.2	0.0	3.7	9.4	-0.3	3.3	-0.5	2.3
3 Years (% p.a.)	Absolute Benchmark	14.4	17.4	13.5	6.1	2.9	3.9	11.2	7.2	10.9	10.7
		14.4	13.7	13.7	6.1	0.5	0.5	11.5	5.7	10.7	9.3
	Relative	0.0	3.2	-0.2	0.1	2.4	3.4	-0.3	1.4	0.3	1.3
10 Years (% p.a.)	Absolute Benchmark	11.5	18.8	12.6	6.0	4.1	4.9	N/A	6.4	8.3	6.6
		11.5	12.8	12.8	5.9	0.5	0.5	N/A	4.7	8.2	6.0
	Relative	0.0	5.3	-0.1	0.1	3.5	4.4	N/A	1.7	0.1	0.6

[1] We have estimated net returns based on each manager's expected fee levels. The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Total fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total fund performance was calculated excluding private market investments. Q3 and Q4 2016 total fund performances have been calculated using estimated valuations for private market investments.



Legal and General - UK and Global Equities

HR View Comment & Rating



We rate Legal and General Investment Management's index-tracking equity capability at '5 – Preferred strategy'.

There were no significant developments over the quarter.

Performance Attribution Comment

Both the Legal & General equity funds performed in line with their respective benchmarks over the quarter, as expected from passive mandates.

The UK fund returned 3.9% over the quarter. Over all longer periods considered, the mandate remains broadly in line with its benchmark. The UK equity market continues to lag its global counterpart.

The Global equity fund returned 6.7% over the last quarter of 2016, in line with its benchmark. Over the 12 month, 3 year periods and since inception, the fund remains broadly in line with the benchmark.

L&G UK Fund Performance ^[i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.9	16.8	6.2	6.1
Benchmark	3.9	16.8	6.1	5.9
Relative	0.0	0.0	0.1	0.2

* Inception date 21 November 2007

L&G Global Fund Performance ^[ii]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	6.7	29.5	14.5	11.6
Benchmark	6.6	29.3	14.4	11.5
Relative	0.0	0.2	0.1	0.1

* Inception date 11 May 2010 (since restructure of Fund)

Source: [i] DataStream, Hymans Robertson, [ii] DataStream, Hymans Robertson



Legal and General - 5 year ILG

HR View Comment & Rating



There were no significant changes to report over the quarter to end December 2016

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-3.0	27.4	11.5
Benchmark	-3.0	27.4	11.5
Relative	0.0	0.0	0.0

* Inception date 11 Mar 2015.

Performance Attribution Comment

The Index-Linked Gilt fund delivered a negative performance over the quarter, in line with its benchmark. Over the 12 month period and since its inception, the fund remains in line with benchmark.

State Street - Fundamental Indexation

HR View Comment & Rating



We rate State Street's market cap and fundamental index-tracking equity capability at '5 – Preferred strategy'.

John Tucker has been appointed as Global Investments Chief Operating Officer, a newly created role. Tucker was previously Co-Head of Global Equity Beta Solutions ("GEBS") in the Americas with Mike Feehily as the other co-head. As a result of Tucker's promotion, Feehily will become the sole head of GEBS in the Americas, with Karl Schneider announced as his deputy. We do not believe any of these changes will have a negative effect on any passive equity portfolios.

Performance Attribution Comment

State Street's Fundamental Indexation Global Equity Fund returned 10.2% over the last quarter of 2016, broadly in line with its benchmark. Over all longer periods considered, the fund remains broadly in line with benchmark.

Performance Summary - Table

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	10.2	34.7	13.6	12.7
Benchmark	10.2	34.8	13.7	12.8
Relative	-0.0	-0.1	-0.1	-0.1

* Inception date 06 Aug 2013.



Longview - Global Equity

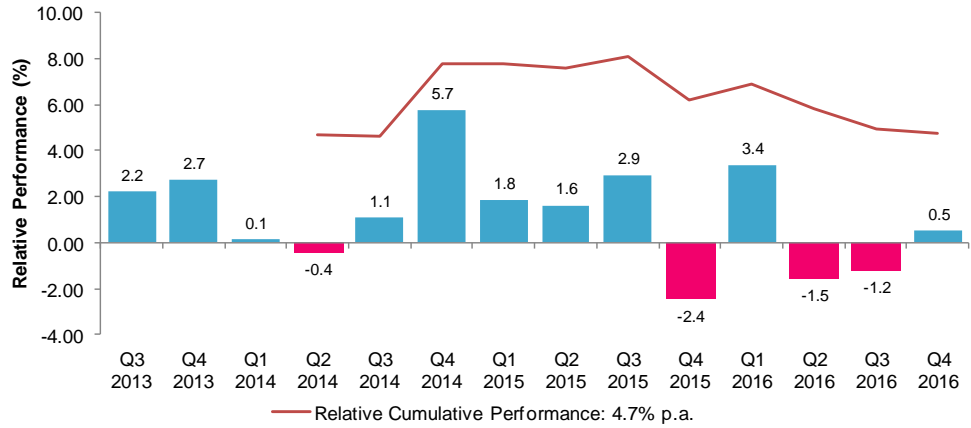
HR View Comment & Rating



We rate Longview's Global Equity strategy at '5 – Preferred manager'.

There were no significant developments over the quarter.

Relative Quarterly and Relative Cumulative Performance ⁽ⁱ⁾



Performance Attribution Comment

Longview's global equity portfolio outperformed by 0.5% over the quarter, returning 6.9% in absolute terms. Over the 12 month, 3 year periods and since inception, the fund remains ahead of the benchmark.

The portfolio's zero exposure to lower quality and more interest rate sensitive stocks within the Financials sector detracted from relative performance over the quarter as Trump's unexpected election prompted speculation that his government would scale back regulation. The overweight position to Healthcare also detracted amidst the uncertainty of the presidential election. Individual holding Zimmer Biomet Holdings, was the largest detractor as a temporary shortage of stock halted revenue growth. Willis Towers Watson also negatively contributed to performance as growth figures underperformed budget. Another detractor was Thermo Fisher Scientific which underperformed, primarily due to the defensive nature of the company and market belief that Trump's proposed tax cuts will not impact their already low tax rates.

The main drivers of performance over the quarter included the portfolio's overweight exposure to the Consumer Staples sector as rising interest rates had a positive impact on the expensive sector. Wells Fargo performed well over the quarter due to the belief that they will benefit from the expected rise in interest rates. Bank of New York Mellon also benefitted from this expectation as well as higher revenues. Time Warner, the media company, also contributed to performance as the company was bid for by AT&T, the telecommunications conglomerate to create the world's largest vertically integrated content and distribution company.

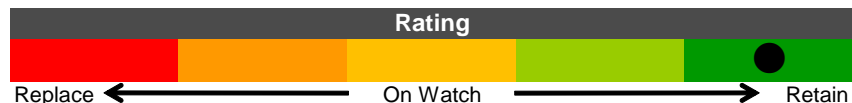
Performance Summary to 31 December 2016 ⁽ⁱⁱ⁾

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	6.9	30.1	18.1	19.4
Benchmark	6.4	28.7	13.7	12.8
Relative	0.5	1.1	3.9	5.9

* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



Ruffer has appointed Clemmie Vaughan as CEO, effective from 1 April 2017, taking over from current joint CEO and CIO, Henry Maxey. Maxey, who took up the joint position five years ago when Jonathan Ruffer moved to Executive Chairman, will now be wholly dedicated to the CIO role, and will continue to lead Ruffer's investment process. Jonathan Ruffer remains as Executive Chairman. Vaughan has been at Ruffer for over 10 years, and is currently head of the firm's private client department and a member of the executive committee and management board. We are cautiously supportive of this change as it will allow Maxey to devote more of his time to the investment side of the business.

We continue to rate Ruffer's Absolute Return Fund '5 - Preferred Strategy'.

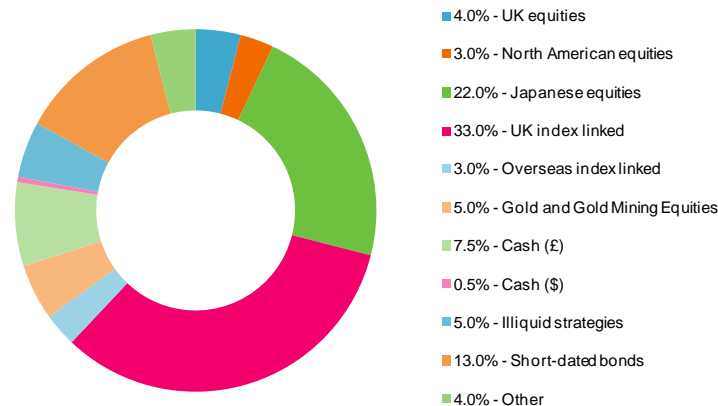
Performance Attribution Comment

The absolute return fund outperformed its cash benchmark by 2.9% over the quarter. Over all longer time periods considered, the fund remains ahead of benchmark and ahead of its target (4% p.a. gross of fees over 5 years)

Despite a difficult year, the fund's Japanese equities and in particular, banks and life assurance holdings benefitted from bond yields rising sharply over the quarter. Individual holdings such as Resona Bank and Dai-ichi Life were some of the main contributors to performance. On a more global scale, equity holdings in banking, industrials and oil also drove performance as these sectors outperformed the broader market over the quarter. The fund also benefitted from the manager's interest rate option positions which protected the fund against rising bond yields (falling prices).

This outperformance was partially offset by the fund's exposure to gold which underperformed amidst the appreciating US dollar and rising bond yields. The fund's UK index-linked bonds also detracted over the quarter as the value of longer maturity bonds fell.

Asset Allocation



Performance Summary to 31 December 2016 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.2	10.7	4.7	5.7
Benchmark	0.1	0.5	0.5	0.5
Relative	3.1	10.2	4.2	5.2

* Inception date 06 May 2010.

Newton - Absolute Return

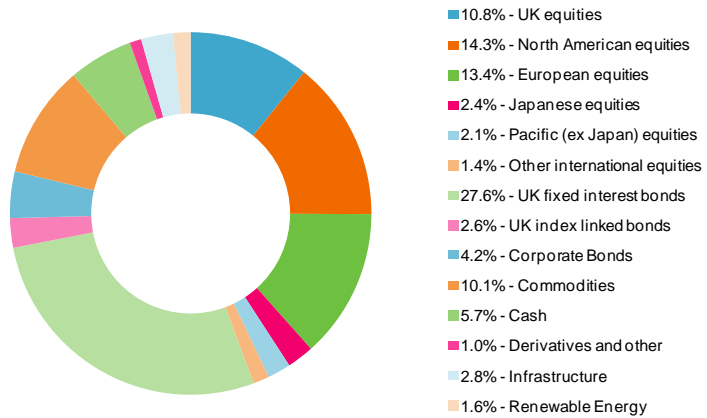
HR View Comment & Rating



Susan Noble was appointed as Chair of the Board of Directors as of 1 January 2017. In addition, former CEO Helena Morrissey stepped down from the Board of Directors during the quarter and has subsequently joined Legal & General Investment Management as Head of Personal Investing.

We continue to rate Newton's Real Return Fund '5 - Preferred manager'.

Asset Allocation ^[i]



Performance Attribution Comment

Newton's real return fund delivered a return of -4.8% over the quarter, lagging the benchmark return by -4.8%. The fund remains comfortably ahead of the benchmark over the longer period and ahead of the target return over 12 months and since inception.

Following Donald Trump's unexpected election victory, US bond and other 'safe haven' asset prices fell which negatively impacted performance of the fund over the quarter. The equity holdings within the fund were also affected as they are stable in nature (utilities, consumer staples etc) and ultimately underperformed the global equity indices. This was due to increased investor demand in sectors which are positioned to benefit from rising longer-term interest rates such as financials. The fund's currency hedging strategy was impacted by the depreciation of sterling against other global currencies, specifically the US dollar which appreciated over the quarter. Exposure to gold and government bonds was also detrimental for the fund.

However, the fund's overseas investments contributed to relative performance due to the weaker sterling. Another contributor was the fund's active currency strategies.

Performance Summary to 31 December 2016 ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-4.8	4.8	3.5	4.7
Benchmark	0.1	0.4	0.5	0.5
Relative	-4.8	4.3	3.1	4.1

* Inception date 06 May 2010.

M&G - Bonds

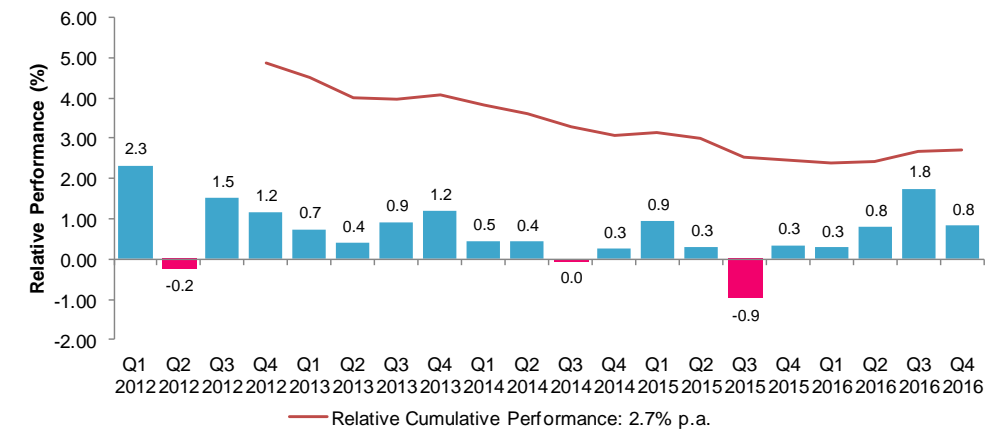
HR View Comment & Rating



There were no significant changes to report during the quarter to 31 December 2016.

We continue to rate M&G '5 - Preferred manager' for fixed income.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

M&G does not allocate between the corporate bonds and the absolute return bonds portfolios which it manages for the Fund. We have therefore provided performance estimates based on the sizes of the allocation to each. The current allocation of the M&G bond mandate is c.60% to the traditional portfolio and c.40% to the Alpha Opportunities fund.

The Alpha Opportunities fund returned 1.4% in absolute terms over the quarter, ahead of its benchmark of 0.1%. Over the longer term, the fund continues to comfortably outperform the benchmark. The Corporate Fund outperformed its benchmark over the quarter, returning -3.3% in absolute terms.

Aggregate performance of the two funds was positive and outperformed the aggregate benchmark by 0.8%. The aggregate performance is ahead of benchmark over the longer periods of three and five years.

Performance Summary to 31 December 2016 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-1.6	13.2	7.6	7.7
Benchmark	-2.4	9.2	5.7	4.9
Relative	0.8	3.7	1.8	2.7

[1] The longer term performance figures shown are for bonds only. Performance of the holding in the M&G property fund is no longer shown.

Source: [i] DataStream, Hymans Robertson

M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

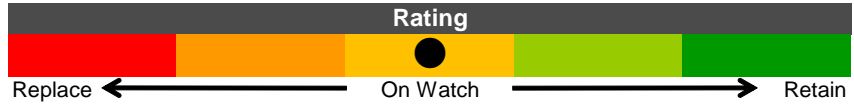
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute Benchmark	-3.3	1.4	-1.6
		-3.9	0.1	-2.4
	Relative	0.7	1.4	0.8
12 Months (%)	Absolute Benchmark	17.3	6.7	13.2
		14.6	0.4	9.2
	Relative	2.4	6.2	3.7
3 Years (% p.a.)	Absolute Benchmark	10.6	3.1	7.6
		9.7	0.5	5.7
	Relative	0.8	2.6	1.8
5 Years (% p.a.)	Absolute Benchmark	9.3	5.2	7.7
		8.4	0.5	4.9
	Relative	0.9	4.7	2.7

Source: [i] DataStream, Hymans Robertson



Schroders - Property

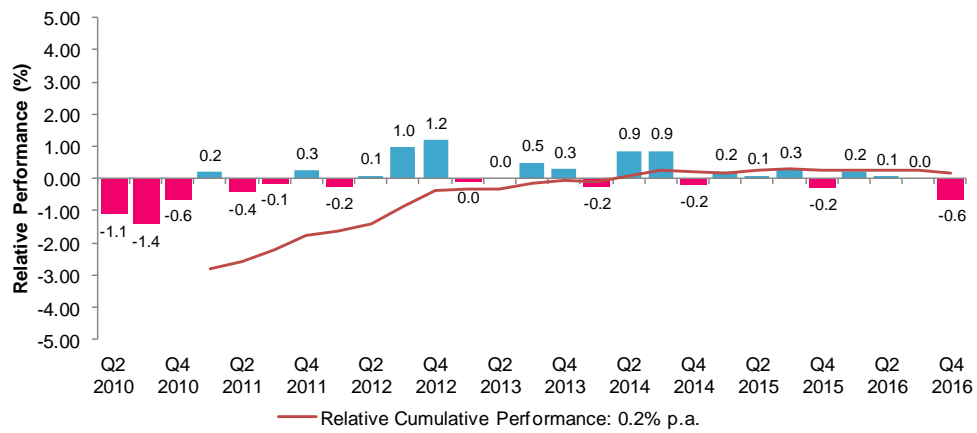
HR View Comment & Rating



There were no business developments over the quarter to 31 December 2016.

We continue to rate Schroders RECaP at '3 - On Watch'.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

The property fund underperformed the IPD All Balanced Fund benchmark over the quarter, delivering 1.7% in absolute terms. Over the 12 month period, the fund continues to lag the benchmark but has outperformed over the 3 year period and since inception.

Exposure to London offices was the main detractor for the property portfolio over the quarter, with the West End of London P.U.T the main individual detractor. This was due to further valuation reductions and partial sales at a 9% discount to the valuation. Schroders, having sold off some of their holdings in this P.U.T, believe that London offices have been and will continue to be the worst affected in the wake of the EU referendum. Another detractor over the quarter was dealing costs due to the high level of transactions within the fund (£6.7m of purchases and £13.9m of sales).

Exposure to the industrial and alternative sectors (non core sectors, such as student accommodation) was positive for relative performance as both outperformed over the quarter. The strongest contributor to Q4 performance was the Schroder Real Estate Real Income Fund (SRERIF) as a result of its holdings in the alternative sectors. The Legal & General Managed Property Fund also had a positive impact on performance.

Performance Summary to 31 December 2016 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.7	2.5	11.2	8.5
Benchmark	2.3	2.8	10.7	8.2
Relative	-0.6	-0.3	0.5	0.3

* Inception date 20 Feb 2010.

Source: [i] DataStream, Hymans Robertson

Summary of Alternative Funds

Adams St	2003 Non US Fund	HarbourVest	HIPEP 4 Europe	M&G	Infracapital
	2003 US Fund		HIPEP 5 Europe		UK Financing Fund
	2005 Non US Fund		HIPEP 6 Europe		
	2007 Direct Fund		HIPEP 7 Europe	UBS	International Infrastructure Fund
	2007 Non US Fund		HarbourVest Partners VII - Buyout		
	2007 US Fund		HarbourVest Partners VII - Mezzanine		
	2008 Direct Fund		HarbourVest Partners VII - Venture		
	2008 Non US Fund		HarbourVest Partners VIII - Buyout		
	2008 US Fund		HarbourVest Partners VIII - Mezzanine		
	2009 Direct Fund		HarbourVest Partners VIII - Venture		
	2009 Non US Developed Markets Fund		HarbourVest Partners IX - Venture		
	2009 Non US Emerging Markets Fund		HarbourVest Partners IX - Buyout		
	2009 US Fund		HarbourVest Partners IX - Credit Opps		
	2010 Direct Fund		HarbourVest CleanTech		
	2010 Non US Developed Markets Fund		HarbourVest CleanTech II		
	2010 Non US Emerging Markets Fund				
	2010 US Fund				
	2011 Direct Fund				
	2011 Non US Developed Markets Fund				
	2011 Non US Emerging Markets Fund				
	2011 US Fund				
	2013 Non US Developed Markets Fund				
	2013 Non US Emerging Markets Fund				
	2013 US Fund				
	2014 Global Fund				
	Co-Investment Fund II				



Performance Summary (gross of fees)

Performance Summary (gross of fees) ^[1] ^[i]

		L&G - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	6.7	6.9	10.2	3.9	-4.8	3.2	-3.0	-1.6	1.7	4.5
		6.6	6.4	10.2	3.9	0.1	0.1	-3.0	-2.4	2.3	4.0
	Relative	0.0	0.5	0.0	0.0	-4.8	3.1	0.0	0.8	-0.6	0.5
12 Months (%)	Absolute Benchmark	29.5	30.1	34.7	16.8	4.8	10.7	27.4	13.2	2.5	20.6
		29.3	28.7	34.8	16.8	0.4	0.5	27.4	9.2	2.8	17.5
	Relative	0.2	1.1	-0.1	0.0	4.3	10.2	0.0	3.7	-0.3	2.6
3 Years (% p.a.)	Absolute Benchmark	14.5	18.1	13.6	6.2	3.5	4.7	11.5	7.6	11.2	11.0
		14.4	13.7	13.7	6.1	0.5	0.5	11.5	5.7	10.7	9.3
	Relative	0.1	3.9	-0.1	0.1	3.1	4.2	0.0	1.8	0.5	1.6
10 Years (% p.a.)	Absolute Benchmark	11.6	19.4	12.7	6.1	4.7	5.7	N/A	6.6	8.5	6.8
		11.5	12.8	12.8	5.9	0.5	0.5	N/A	4.7	8.2	6.0
	Relative	0.1	5.9	-0.1	0.2	4.1	5.2	N/A	1.9	0.3	0.8

[1] The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Total fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total fund performance was calculated excluding private market investments. Q3 and Q4 2016 total fund performances have been calculated using estimated valuations for private market investments.



Summary of Benchmarks

Summary of Benchmarks

	Total Fund		Adams Street - Private Equity		Cash account		HarbourVest - Private Equity		L&G - 5yr ILG		L&G - Global Equities	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	38.0	4.4	-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.5	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5	0.4	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0	0.4	-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0	0.2	-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-0.2	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	0.6	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-2.3	-	-	-	-	-	-	-	-	-	-
Cash	0.0	0.7	-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-0.8	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.8	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.5	0.0	0.7	2.8	0.1	5.0	0.4	15.5	0.6

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	L&G - UK Equities		Longview - Global Equity		M&G - Bonds		M&G - Infrastructure Fund		M&G - UK Financing Fund		Newton - Absolute Return	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	-	-	100.0	0.0	-	-	-	-	-	-	-	-
UK Equity	100.0	0.0	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	62.6	1.3	-	-	-	-	-	-
Index-Linked Gilts	-	-	-	-	-	-	-	-	-	-	-	-
UK Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	100.0	0.0	-	-	-	-
Private Equity	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	-	-	-	-	-	-	-	-	-	-	100.0	0.0
Cash	-	-	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	100.0	0.0	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	12.0	-2.5	5.0	1.8	6.5	-0.4	1.0	0.1	1.0	-0.8	10.0	-1.3

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	Ruffer - Absolute Return			Schroder - Property			State Street - Fundamental Indexation			UBS - Infrastructure		
	Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %	
Global Equity	-	-	-	-	-	-	100.0	-	0.0	-	-	-
UK Equity	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	-	-	-	-	-	-	-	-	-	-	-	-
UK Property	-	-	-	100.0	-	0.0	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	100.0	-	0.0
Private Equity	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	100.0	-	0.0	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	10.0	-1.0		10.0	0.2		17.5	2.0		1.0	-0.3	

Benchmarks Summary Comment

The main points to note from this table are:

- The L&G global equity mandate is benchmarked against the FTSE All World Index. Longview is benchmarked against a similar index (the MSCI All Countries). The FTSE All World Index covers around 2800 global firms, with a large or mid size market capitalisation and constitutes around 90%-95% of the world's investible markets. The index focuses on around 45 different countries, including 24 in the so called developed markets, and 21 in the emerging markets. The approximate allocations of the index to the regional stock markets is as follows: 6% UK, 56% US, 15% Europe, 6% Asia (ex Japan), 8% Japan and 9% emerging markets.
- M&G does not allocate between the corporate bonds and the absolute return bonds which it manages. The target shown is an assumed target based on the size of the initial allocation of the Fund made to the M&G Alpha Opportunities fund (absolute return bonds).



Performance Calculation Explanation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left(\left(1 + \text{Fund Performance} \right) / \left(1 + \text{Benchmark Performance} \right) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.

If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.

If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.

