

East Sussex Pension Fund

Review of Investment Managers' Performance for First Quarter of 2018



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For and on behalf of Hymans Robertson LLP
June 2018

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Capital Market Outlook

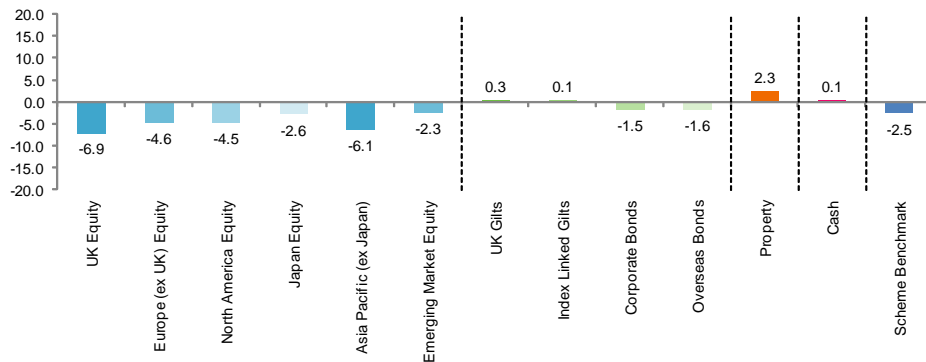
	December 2017	March 2018	Comment
Index-linked gilts	Cautious to Negative	Cautious to Negative	Again our view remains unchanged. Inflation protection remains very expensive, particularly in the UK where the demand for index-linked gilts is greater than the supply. We expect real yields to closely follow nominal yields over 2018, with higher levels of inflation already baked into pricing. Any increase of cash rates earlier than expected has the potential to impact the short-end of the curve, however, ongoing demand for index-linked gilts by UK institutions should continue to dampen the potential for real yields to rise.
Conventional gilts	Cautious to Negative	Cautious to Negative	Our view remains unchanged. Although yields rose over the quarter, valuations still remain unattractive relative to historic levels. Demand for gilts to hedge pension and insurance liabilities remains strong.
Sterling non-government bonds	Cautious	Cautious	A buoyant economic background has driven yield spreads to historically low levels. Room for further spread tightening is limited, leaving coupon income the main source of return. ABS spreads have declined, although the end of the Term Funding Scheme should see renewed borrowing in this market.
Equities	Neutral to Cautious	Neutral to Cautious	Earnings growth continues to emerge although equity valuations remain high relative to history even after recent market falls. Sentiment has been hit by concerns over valuation levels and the return of equity volatility after the abnormally low levels of 2017.
UK Property	Neutral to Attractive	Neutral to Attractive	Yields are still low, but provide a reasonable buffer relative to gilts and IG bonds. We have a strategic preference for long lease property given the security of the contractual rental growth, which becomes increasingly attractive as inflation ticks up. However, yields here are c.1% lower than core property, so there is no expected return advantage.
Infrastructure	Neutral to Attractive	Neutral to Attractive	There is evidence that managers may be finding it more difficult to secure deals. Our valuation assessment is predicated on managers who are able to secure core infrastructure assets on current income yields of 5-7% p.a. by focussing on deals with a degree of complexity.
Absolute Return Strategies	Neutral	Neutral	We expect absolute return strategies to continue to deliver low single-digit returns. Active currency and interest rate calls may remain challenging given the lack of political predictability. Cash provides flexibility to capture more attractive buying opportunities.



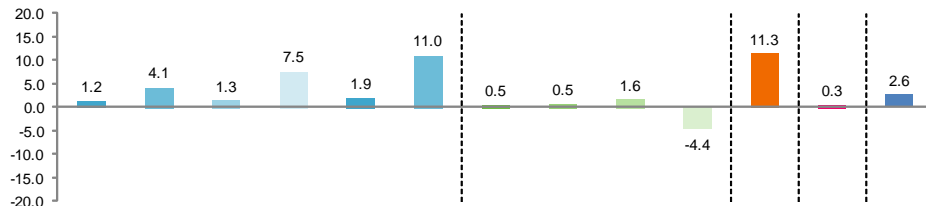
Historic Returns for World Market to 31 March 2018

Historic Returns - Chart 1 ^[1]

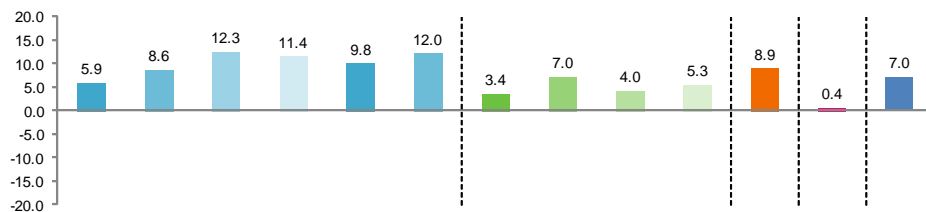
3 Months (%)



12 Months (%)



3 Years (% p.a.)



[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.

Comment

Q4 economic data confirmed that global growth remained buoyant through to the year-end yet the UK continues to lag behind its peers. Japan continued its longest streak of growth since 1989, although initial estimates suggest growth had eased very slightly in Q4, as it had in the US and Eurozone.

Survey evidence suggested that growth remained robust into the new year, although the outlook was clouded by early skirmishes in what might develop into a trade war between the US and China.

Underlying inflation rates remained relatively stable in the major economies, although investors were briefly unsettled by higher-than-expected US wage growth in January. UK CPI inflation fell from 3% to 2.7% in February. Even so, there is speculation that interest rates may rise in May. The US Federal Reserve, under a new Chairman, continued to tighten policy gradually raising rates by another 0.25%.

Global economic momentum and inflation concerns helped to push government bond yields higher at the start of the year. Inflation concerns receded later, particularly outside the US. Long-dated gilt yields fell over the quarter, although 10-year yields rose.

Yen was the strongest of the major currencies, although sterling also rose 2% in trade-weighted terms.

Oil prices pushed higher – Brent crude reached a three-year high of \$70 a barrel. The impact of rising US production was tempered by declines in Venezuela, prospects of renewed US sanctions on Iran and strong demand. In contrast, industrial metals prices fell sharply – relevant indices were down 7%.

Buoyant global growth supported credit markets at the start of the year. Yield spreads narrowed further in January, but ended the quarter higher as concerns grew about tighter monetary policy and rising trade tension.

Similar factors drove equity returns. Global indices rose strongly in January, but fell over the quarter as a whole. Sterling's strength further reduced returns to UK investors. The best regional performance came from Emerging Markets, extending the relative momentum of 2016 and 2017. Sterling's strength contributed to the underperformance of the UK market, because of the significance of foreign earnings.

Technology remained investors' favourite sector, although the current travails of Facebook were putting this position under threat as the quarter closed. Telecommunications was the worst performer – rising US rates may be undermining what is a preferred area for income investors.

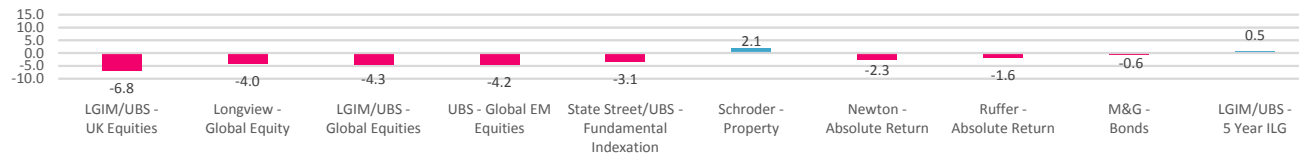
The turn of the year brought little change for the UK commercial property market. Capital values and rents nudged higher. Again, this was driven primarily by strong growth in Industrials, although there are some signs that the sector's rental growth may be flagging.



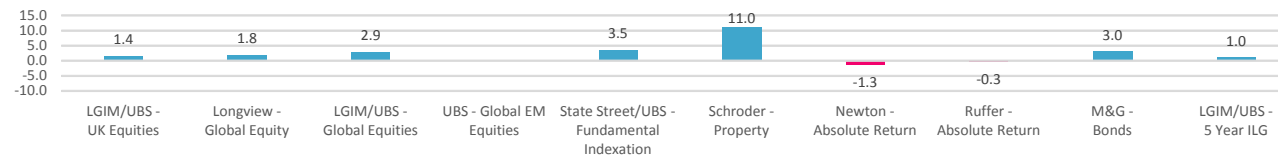
Summary of mandate absolute performance to 31 March 2018

Performance Summary ^[1]

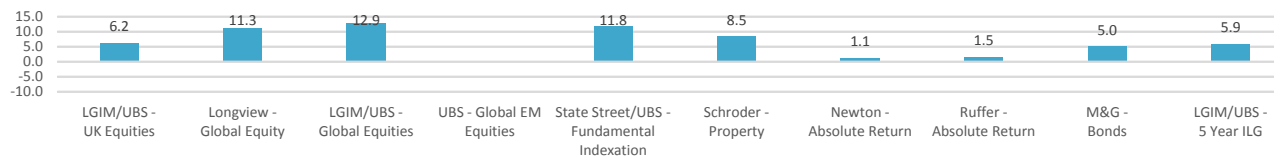
3 Month Absolute Performance (%)



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)

The Fund's equity mandates delivered negative results over the first quarter of 2018 due to the volatility in global equity markets. The equity mandates continue to deliver strong returns over the one year and three year periods.

Diversification/Income oriented (Property/Absolute Return)

Gilt yields rose over the quarter (prices fell) and given the sell off in equity markets, the absolute return funds detracted and underperformed their LIBOR benchmarks. Property returns were positive over the quarter due to Schroder's exposure to the industrials sector which continued to strengthen.

Protection (Bonds)

Over the first quarter of 2018, gilt yields rose which negatively impacted the absolute value of the Fund's bond holdings. Over the longer term, the bond funds have delivered positive absolute returns.

[1] LGIM/UBS ILG, Global Equities and UK Equities funds and State St/UBS Fundamental Indexation funds combine historical performance of the previous managers and since inception performance of the new UBS funds.



Fund Asset Allocation and Performance

Valuation Summary

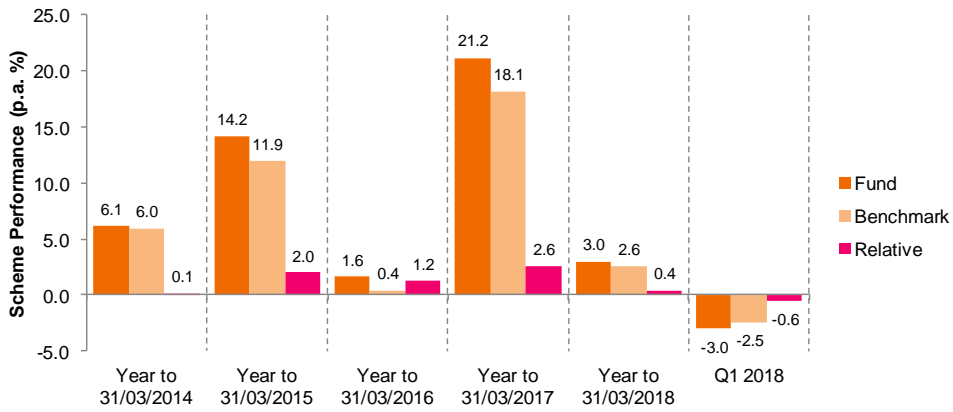
Asset Class	Value (£m)		Actual Proportion	Target Proportion	Re-balancing range %	Difference
	Q4 2017	Q1 2018	%	%		
Global Equity	1485.4	1415.5	41.8	40.0	45.0 - 55.0	1.8
UK Equity	347.8	324.0	9.6	10.0		-0.4
Fixed Interest	134.3	132.7	3.9	3.5	2.5 - 4.5	0.4
Index-Linked Gilts	180.7	181.0	5.3	5.0	4.0 - 6.0	0.3
Property	357.7	362.8	10.7	10.0	7.0 - 13.0	0.7
Infrastructure	21.6	19.0	0.6	2.0	0.0 - 4.0	-1.4
Private Equity	185.1	182.8	5.4	5.5	3.5 - 7.5	-0.1
Absolute Return Funds	639.8	625.0	18.5	20.0	17.0 - 23.0	-1.5
Cash	66.6	65.6	1.9	0.0	0.0 - 2.0	1.9
UK Financing Fund	1.4	1.0	0.0	1.0	0.0 - 2.0	-1.0
Absolute Return Bonds	74.6	74.6	2.2	3.0	2.0 - 4.0	-0.8
Total Client	3495.2	3384.1	100.0	100.0		

Fund performance [1]

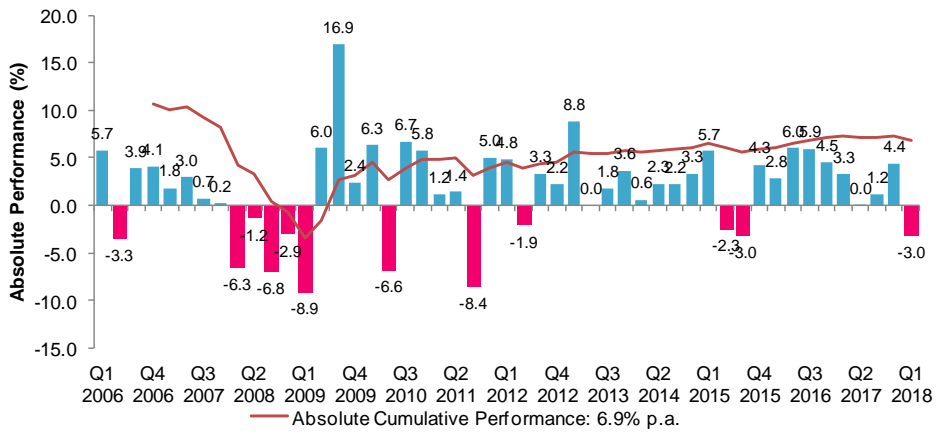
Over the quarter to end March 2018, the Fund returned -3.0%, underperforming the benchmark by 0.6%. Over the longer time periods considered, the Fund has outperformed the aggregate benchmark.

The relative underperformance was driven entirely by the Fund's absolute return mandates. Ruffer and Newton both underperformed their cash benchmarks, as equity and credit markets sold off during the quarter. Longview and Schroders both outperformed their benchmarks, which partially offset the underperformance from the absolute return managers.

Performance Summary [1]



Absolute Quarterly and Absolute Cumulative Performance [ii]



[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 *
Longview - Global Equity	Active	16 Apr 2013	MSCI ACWI (GBP)	+3% (gross of fees) over rolling 3 year periods	
UBS - Fundamental Indexation	Passive	07 Feb 2018	FTSE RAFI All-World 3000	Track Index	
UBS - Global EM Equity Fund	Passive	21 Feb 2018	FTSE All World Emerging Index	Track Index	
UBS - World Equity Fund	Passive	21 Feb 2018	FTSE All World	Track Index	
UBS - UK Equity Fund	Passive	17 Jan 2018	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	
M&G - Bonds	N/A	01 Jan 1997	Bespoke	+0.8% (gross of fees) for corporate bonds only	
UBS - Over 5 year IL Gilt Fund	Passive	14 Feb 2018	FTSE A Index-linked Gilts Over 5 Years	Track Index	
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:- - No Rating - Negative - Suitable - Positive - Preferred

Summary Comment

There have been no new developments with managers over the quarter that would result in a change in rating. However, there were some notable changes at Longview, Newton and Ruffer that are described in further detail on each respective manager page. We will continue to monitor developments closely.

During the quarter, the Fund transferred all passive assets with L&G and State Street to UBS.

[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 %
	Q4 2017	Q1 2018			
L&G - Global Equities	593.8	0.0	0.0	0.0	0.0
Longview - Global Equity	246.1	236.0	7.0	7.0	-0.0
State Street - Fundamental Indexation	645.5	0.0	0.0	0.0	0.0
UBS - Fundamental Indexation	0.0	612.0	18.1	17.5	0.6
UBS - Global EM Equity Fund	0.0	59.2	1.7	1.5	0.2
UBS - World Equity Fund	0.0	508.3	15.0	14.0	1.0
L&G - UK Equities	347.8	0.0	0.0	0.0	0.0
UBS - UK Equity Fund	0.0	324.0	9.6	10.0	-0.4
Newton - Absolute Return	316.6	308.5	9.1	10.0	-0.9
Ruffer - Absolute Return	323.2	316.5	9.4	10.0	-0.6
L&G - 5yr ILG	180.7	0.0	0.0	0.0	0.0
M&G - Bonds	208.7	207.4	6.1	6.5	-0.4
UBS - Over 5 year IL Gilt Fund	0.0	181.0	5.3	5.0	0.3
Schroder - Property	357.7	362.8	10.7	10.0	0.7
M&G - Infrastructure Fund	0.0	0.0	0.0	1.0	-1.0
UBS - Infrastructure	21.6	19.0	0.6	1.0	-0.4
Adams Street - Private Equity	97.6	96.1	2.8	2.8	0.1
HarbourVest - Private Equity	87.5	86.7	2.6	2.8	-0.2
M&G - UK Financing Fund	1.4	1.0	0.0	1.0	-1.0
Cash account	66.6	65.6	1.9	0.0	1.9
Total	3495.0	3384.1	100.0	100.0	0.0

Summary Comment

The Fund remains underweight to UK Equities and both the absolute return funds, although these positions are likely to have reduced slightly following quarter end. Global Equity and cash were overweight. All asset classes were within their re-balancing range.

The Committee has agreed to increase the allocation to infrastructure and private debt to 4% and 3% respectively. This is to be funded from the Fund's absolute return mandates.

[1] The Fund retains a small cash position to service the commitments made to the private equity portfolio and the infrastructure funds.



Performance Summary (net of fees)

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

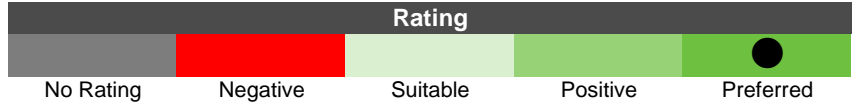
		Longview - Global Equity	UBS - Fundamental Indexation	UBS - Global EM Equity Fund	UBS - World Equity Fund	UBS - UK Equity Fund	Newton - Absolute Return	Ruffer - Absolute Return	M&G - Bonds	UBS - Over 5 year IL Gilt Fund	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	-4.1 -4.5	-2.4 -2.5	-4.2 -4.2	-2.3 -2.3	-7.3 -7.3	-2.5 0.1	-1.8 0.1	-0.7 -0.8	5.4 5.4	2.0 1.9	-3.2 -2.5
	Relative	0.4	0.0	0.0	0.0	0.0	-2.6	-1.9	0.0	0.0	0.1	-0.7
12 Months (%)	Absolute Benchmark	1.2 2.4	N/A N/A	N/A N/A	N/A N/A	N/A N/A	-1.9 0.3	-1.1 0.3	2.6 1.1	N/A N/A	10.8 10.1	2.6 2.6
	Relative	-1.2	N/A	N/A	N/A	N/A	-2.3	-1.5	1.5	N/A	0.7	0.1
3 Years (% p.a.)	Absolute Benchmark	10.6 10.2	N/A N/A	N/A N/A	N/A N/A	N/A N/A	0.5 0.4	0.7 0.4	4.6 3.0	N/A N/A	8.3 8.1	7.6 7.0
	Relative	0.4	N/A	N/A	N/A	N/A	0.1	0.3	1.6	N/A	0.2	0.6
10 Years (% p.a.)	Absolute Benchmark	15.3 11.2 3.7	N/A N/A	N/A N/A	N/A N/A	N/A N/A	3.4 0.5 2.9	4.1 0.5 3.5	6.6 4.7 1.8	N/A N/A	8.6 8.4	7.3 6.6
	Relative		N/A	N/A	N/A	N/A				N/A	0.2	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. From Q3 2016 to Q3 2017 total fund performances have been calculated using estimated valuations for private market investments. From Q4 2017 total fund performance has been provided by Northern Trust. 3 month returns for UBS funds are since inception.



UBS - UK Equity

HR View Comment & Rating



We rate UBS UK Equity as 'Preferred'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018 [1] [i]

	Since Inception* (%)
Fund	-7.3
Benchmark	-7.3
Relative	0.0

* Inception date 17 Jan 2018.

Performance Attribution Comment

During the quarter, the Fund switched all passive equity holdings with L&G to UBS. Since the assets were transferred, UBS has matched the benchmark on both the UK and global equity funds.

Following a sustained period of strong returns, equity markets sold off sharply in the first quarter of 2018. This was, in part, driven by concerns from investors that central banks may increase rates quicker than had originally been anticipated. However, markets have largely recovered since quarter end.

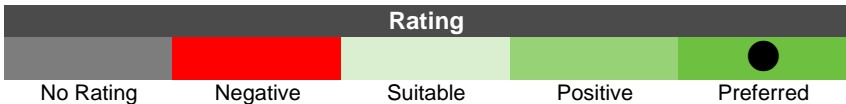
[1] Benchmark: FTSE All Share

Source: [i] Fund Manager



UBS - World Equity

HR View Comment & Rating



We rate UBS Fundamental Indexation at 'Preferred'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018 [1] [i]

	Since Inception* (%)
Fund	-2.3
Benchmark	-2.3
Relative	0.0

* Inception date 21 Feb 2018.

Performance Attribution Comment

During the quarter, the Fund switched all global equity holdings with L&G to UBS. Since the assets were transferred, UBS has matched the benchmark, returning -2.3%.

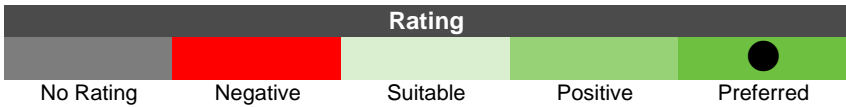
[1] Benchmark: FTSE All World

Source: [i] Fund Manager



UBS - Fundamental Indexation

HR View Comment & Rating



We rate UBS Fundamental Indexation at 'Preferred'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018 [1] [i]

	Since Inception* (%)
Fund	-2.4
Benchmark	-2.5
Relative	0.0

* Inception date 07 Feb 2018.

Performance Attribution Comment

During the quarter, the Fund switched the passive RAFI holdings with State Street to UBS. Since the assets were transferred, UBS has broadly matched the benchmark.

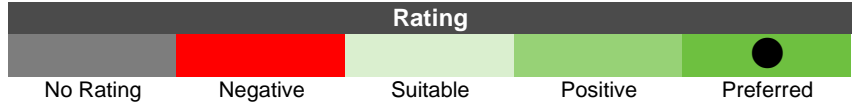
[1] Benchmark: FTSE RAFI All World 3000

Source: [i] Fund Manager



UBS - Global Emerging Markets Equity

HR View Comment & Rating



We rate UBS Fundamental Indexation at 'Preferred'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018 ^[1] ^[i]

	Since Inception* (%)
Fund	-4.2
Benchmark	-4.2
Relative	0.0

* Inception date 21 Feb 2018.

Performance Attribution Comment

During the quarter, the Fund switched all passive equity holdings with L&G to UBS. Since the assets were transferred, UBS has matched the benchmark on the emerging market equity fund.

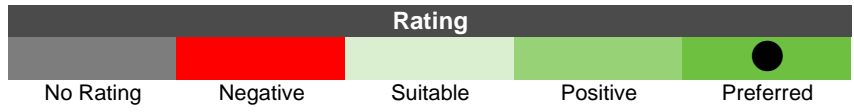
[1] Benchmark: FTSE All World Emerging Index

Source: [i] Fund Manager



UBS 5 year IL Gilt

HR View Comment & Rating



We rate UBS 5 year IL Gilt Tracker Fund at 'Preferred'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018 ^[1]

	Since Inception* (%)
Fund	5.4
Benchmark	5.4
Relative	0.0

* Inception date 14 Feb 2018.

Performance Attribution Comment

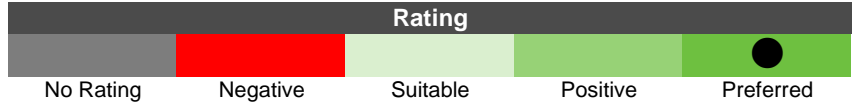
During the quarter, the Fund switched all passive index-linked gilt holdings with L&G to UBS. Since the assets were transferred, UBS has matched the benchmark, returning 5.4%.

Source: [1] Fund Manager



Longview - Global Equity

HR View Comment & Rating



We rate Longview's Global Equity strategy at 'Preferred.' Longview's flexible style and concentrated 35 stock portfolio has performed exceptionally well over an extended period. Longview's focus on less cyclical companies and sectors has served it well for much of the recent past. The fund retains a significant bias to US equity, with c.80% exposure to listed US equity (albeit lower when analysed by revenue) and zero exposure to the Far East / Japan.

During the quarter, Longview announced that founder and co-CEO Ramzi Rishani is to retire at the end of 2018, with Alastair Graham taking over the CIO role, in addition to his Head of Research responsibilities. We do not believe these changes will have a material impact on the way in which research is undertaken and performed. We have for some time felt that Alastair Graham had become the key figure in the investment process, with Rishani's focus more on running the business. For these reasons, we are maintaining the current 'Preferred' rating, although will be monitoring the handover of responsibilities and the new team structure later in the year.

Performance Attribution Comment

During the first quarter of 2018, Longview's Global Equity mandate returned -4.0%, outperforming the MSCI World benchmark by 0.9%. Over all longer periods considered, the fund remains ahead of benchmark.

The main contributors over the quarter were WW Grainger, Thermo Fisher Scientific and HCA Healthcare. Industrial supplies distributor, WW Grainger, saw another period of strong performance, exceeding expectations, largely driven by sales growth. Thermo Fisher Scientific and HCA also outperformed, with the latter issuing quarterly dividends at the end of January.

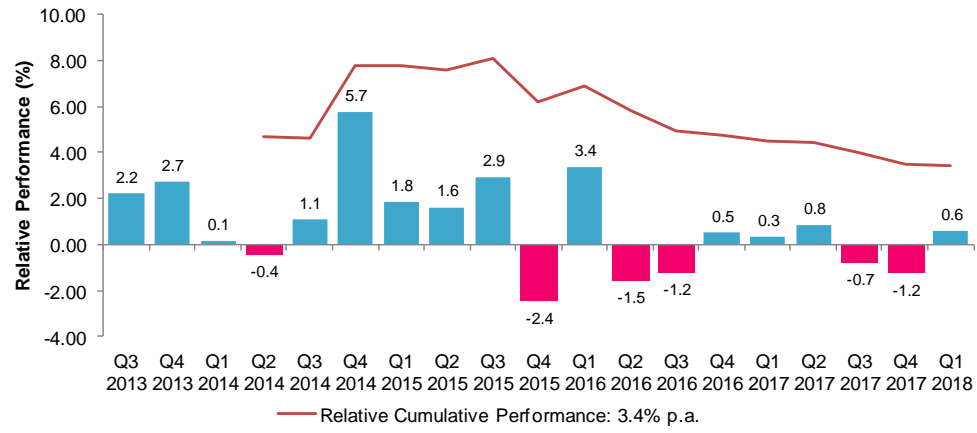
Exposure to WPP, Wells Fargo and Sodexo marginally offset this outperformance over the quarter. Advertising company, WPP, reported its most disappointing set of earnings since the financial crisis, and management reported that it expects no sales growth in 2018, both of which caused a drag on performance. US Bank, Wells Fargo, underperformed following regulatory restrictions being imposed on the bank by the US federal reserve. Wells Fargo is prohibited from expanding beyond the \$1.95 trillion in assets that it had at the end of 2017 until it improves its governance and controls. Also, food services company, Sodexo, underperformed after management announced that profit margins for the year would be less than expected.

Performance Summary to 31 March 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-4.0	1.8	11.3	16.0
Benchmark	-4.5	2.4	10.2	11.2
Relative	0.6	-0.5	1.0	4.3

* Inception date 16 Apr 2013.

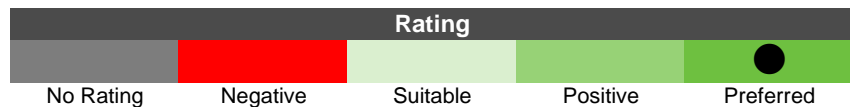
Relative Quarterly and Relative Cumulative Performance [1]



Source: [1] Fund Manager

Ruffer - Absolute Return

HR View Comment & Rating



Ruffer has announced that Trevor Bradley, a portfolio manager and member of its Management Board will be leaving the firm. We understand that the decision was mutual and Bradley is currently on gardening leave and is not moving to join another asset management firm, at least initially. We are comfortable with this departure due to the structure within Ruffer. However, we note that he was a member of Ruffer's leadership team so his departure is significant. That said, we do not believe it warrants a review of the rating.

Performance Attribution Comment

The Ruffer Absolute Return Fund returned -1.8% over the quarter compared to its cash benchmark return of 0.1% and has failed to "preserve capital" over the last 12 months.

The re-emergence of volatility to equity markets and the upheaval this brought has somewhat validated the manager's recent bearish outlook and the use of VIX call options (volatility strategy) as a protection against sharp falls in equity markets. Almost 50% of the portfolio was exposed to equity markets at the start of Q1.

The fund's sizable holding in Japanese equities was the largest detractor over the quarter with other equity holdings and interest rate protection also hurting performance. Equity protection and volatility strategies performed positively and did offer some protection from the fall in equities initially during February, and Ruffer locked in profits, but markets continued to fall in March.

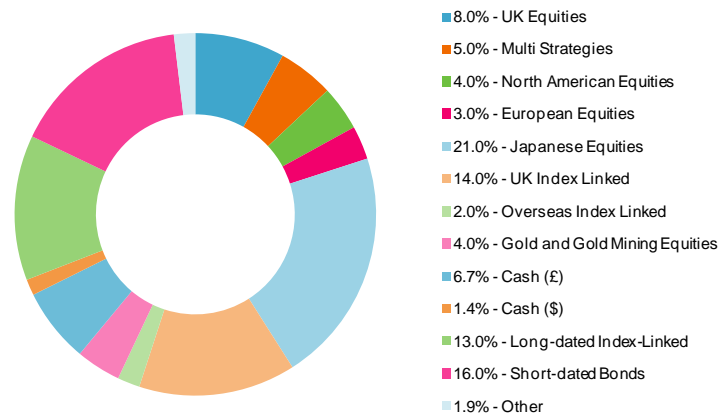
In outlook terms, Ruffer believe the recent market events offer further evidence to their central hypothesis of an impending downturn. Protecting capital in this environment will be their major aim and thus explains their continued defensive positioning.

Performance Summary to 31 March 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-1.6	-0.3	1.5	4.9
Benchmark	0.1	0.3	0.4	0.5
Relative	-1.7	-0.7	1.1	4.3

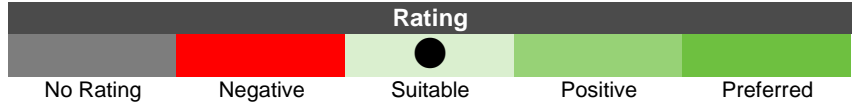
* Inception date 06 May 2010.

Asset Allocation



Newton - Absolute Return

HR View Comment & Rating



We rate Newton's Absolute Return strategy as 'Suitable - On Watch'.

During the quarter Ian Clark, a member of the Real Return team with a focus on equities resigned and will leave the business in August 2018. This is a further negative development in the team which has seen Iain Stewart reduce his role. Whilst Clark was not a named portfolio manager for the fund, his departure is significant as he was regarded as the equity expert in the team, which utilise individual stocks for the majority of their equity holdings. It is also further example of turnover at the firm. Our conviction in the strategy has reduced over recent quarters and will monitor how the team re-organises to account for Clark's upcoming departure.

Performance Attribution Comment

The fund returned -2.3% over the quarter, well behind the target return, albeit during what was a tough period for more traditional 'directional' multi-asset funds such as Newton. Longer term performance has been disappointing with the fund losing value over 12 months and only registering positive returns of 1.1% p.a. over a 3 year period – well short of the Libor +4% p.a. target return.

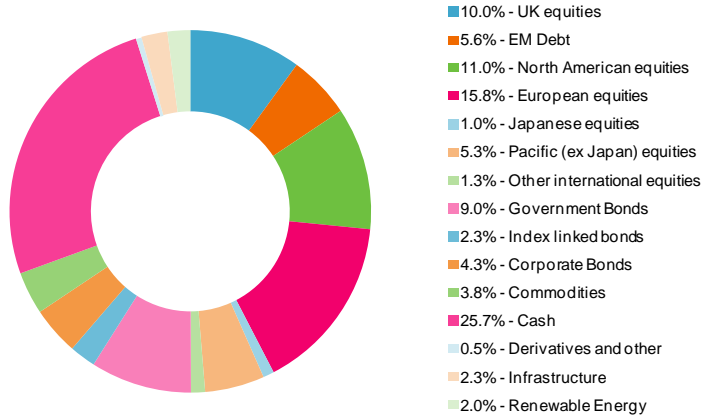
Underperformance for the period was driven primarily by equity holdings. Smaller allocations to listed infrastructure funds and precious metals were also detractors. Government bond holdings were broadly flat over the period. The fund's protective derivative positions, designed to insulate the portfolio from sharp falls in equity valuations, performed positively due to bouts of volatility experienced over the quarter. The fund also profited from positions in futures and put options over the quarter; short index futures were beneficial.

Performance Summary to 31 March 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-2.3	-1.3	1.1	4.0
Benchmark	0.1	0.3	0.4	0.5
Relative	-2.4	-1.7	0.7	3.5

* Inception date 06 May 2010.

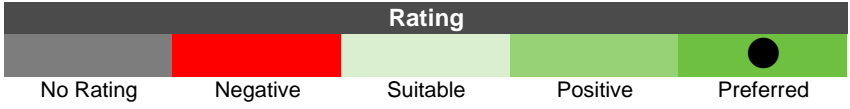
Asset Allocation [1]



Source: [1] Fund Manager

M&G - Bonds

HR View Comment & Rating



We rate M&G Bonds at 'Preferred'.

M&G plan to re-open the Alpha Opportunities Fund to investors in Q2 2018. Having grown assets fairly quickly, the fund has been hard closed for just over 12 months. The team wanted to ensure that they were able to invest effectively in a range of market conditions with the existing AuM of €10bn. Over the last 12 months, the team are of the view that they have been able to effectively actively manage the portfolio, and continue to deliver on the stated performance objective, with the existing capacity. They have therefore taken the decision to re-open the fund in the belief that they can manage the Fund with an increased size of assets. There is no change to the process, or team, or underlying assets in which the Fund can invest. We will closely monitor levels of inflows to the Fund.

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.

Over the quarter credit spreads narrowed as credit markets sold off alongside equities.

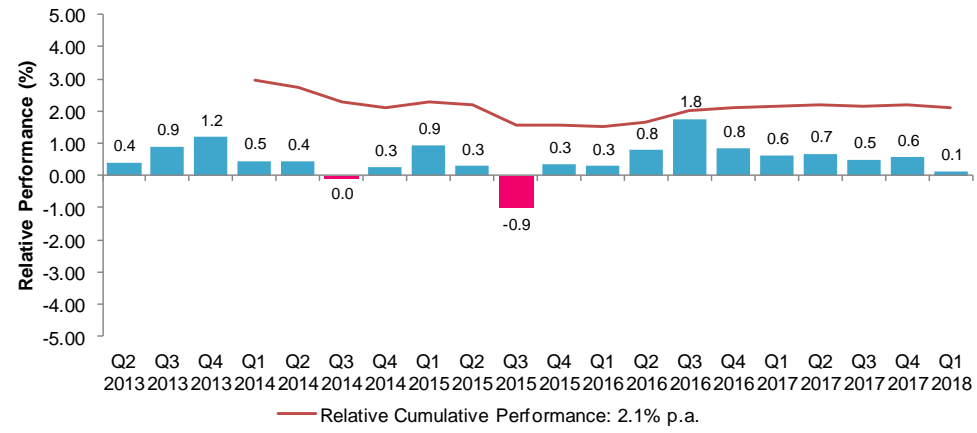
Aggregate performance of the two funds was -0.6%, marginally ahead of benchmark. The aggregate performance is comfortably ahead of benchmark over the longer periods of three and five years.

Performance Summary to 31 March 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-0.6	3.0	5.0	N/A
Benchmark	-0.8	1.1	3.0	N/A
Relative	0.1	1.9	1.9	N/A

* Inception date 01 Jan 1997.

Relative Quarterly and Relative Cumulative Performance



M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

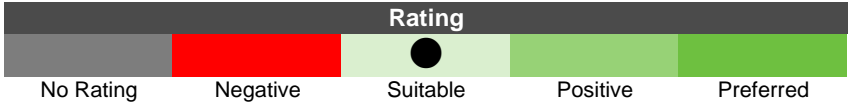
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute	-1.1	0.2	-0.6
	Benchmark	-1.3	0.1	-0.8
	Relative	0.2	0.1	0.1
12 Months (%)	Absolute	2.8	3.4	3.0
	Benchmark	1.6	0.3	1.1
	Relative	1.2	3.1	1.9
3 Years (% p.a.)	Absolute	5.7	3.7	5.0
	Benchmark	4.4	0.4	3.0
	Relative	1.2	3.3	1.9
5 Years (% p.a.)	Absolute	7.2	3.9	6.0
	Benchmark	6.2	0.4	3.8
	Relative	0.9	3.5	2.1

Source: [i] DataStream, Hymans Robertson



Schroders - Property

HR View Comment & Rating



We rate Schroders Property at 'Suitable - On Watch'.

There were no significant developments over the quarter.

Performance Summary to 31 March 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception*
Fund	2.1	11.0	8.5	8.9
Benchmark	1.9	10.1	8.1	8.4
Relative	0.2	0.9	0.4	0.4

* Inception date 20 Feb 2010.

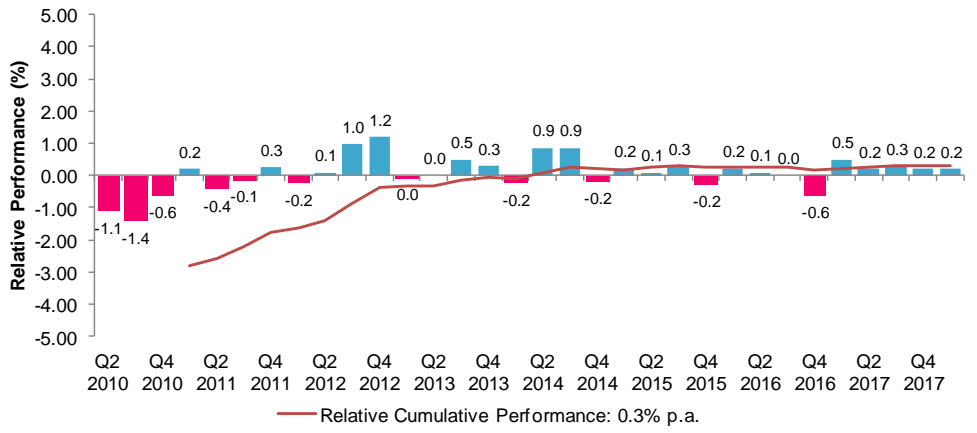
Performance Attribution Comment

Schroder's property portfolio outperformed the IPD benchmark over the quarter to end March 2018, returning 2.1%. Over all longer periods considered, it has outperformed the benchmark.

As per last quarter, the strongest contributor to performance in Q1 was the Industrial Property Investment Fund. The Metro Property Unit Trust, Schroder UK Real Estate Fund and Mayfair Capital Property Unit Trust also added to performance.

The largest detracting fund was the UK Retail Warehouse Fund, due to slowing demand across the retail sector. The Aviva Investors Pensions Property Fund also detracted as a result of exit costs incurred in selling down exposure the fund. Schroders decided to sell the fund after a sustained period of poor performance.

Relative Quarterly and Relative Cumulative Performance



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		HIPEP 8		
	2007 US Fund		HarbourVest Partners VII - Buyout		
	2008 Direct Fund		HarbourVest Partners VII - Mezzanine		
	2008 Non US Fund		HarbourVest Partners VII - Venture		
	2008 US Fund		HarbourVest Partners VIII - Buyout		
	2009 Direct Fund		HarbourVest Partners VIII - Mezzanine		
	2009 Non US Developed Markets Fund		HarbourVest Partners VIII - Venture		
	2009 Non US Emerging Markets Fund		HarbourVest Partners IX - Venture		
	2009 US Fund		HarbourVest Partners IX - Buyout		
	2010 Direct Fund		HarbourVest Partners IX - Credit Opps		
	2010 Non US Developed Markets Fund		HarbourVest CleanTech		
	2010 Non US Emerging Markets Fund		HarbourVest CleanTech II		
	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				
	2017 Global Fund				
	Co-Investment Fund II				



Performance Summary (gross of fees)

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

		Longview - Global Equity	UBS - Fundamental Indexation	UBS - Global EM Equity Fund	UBS - World Equity Fund	UBS - UK Equity Fund	Newton - Absolute Return	Ruffer - Absolute Return	M&G - Bonds	UBS - Over 5 year IL Gilt Fund	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	-4.0	-2.4	-4.2	-2.3	-7.3	-2.3	-1.6	-0.6	5.4	2.1	-3.0
		-4.5	-2.5	-4.2	-2.3	-7.3	0.1	0.1	-0.8	5.4	1.9	-2.5
	Relative	0.6	0.0	0.0	0.0	0.0			0.1	0.0	0.2	
12 Months (%)	Absolute Benchmark	1.8	N/A	N/A	N/A	N/A	-1.3	-0.3	3.0	N/A	11.0	3.0
		2.4	N/A	N/A	N/A	N/A	0.3	0.3	1.1	N/A	10.1	2.6
	Relative		N/A	N/A	N/A	N/A			1.9	N/A	0.9	0.4
3 Years (% p.a.)	Absolute Benchmark	11.3	N/A	N/A	N/A	N/A	1.1	1.5	5.0	N/A	8.5	8.0
		10.2	N/A	N/A	N/A	N/A	0.4	0.4	3.0	N/A	8.1	7.0
	Relative	1.0	N/A	N/A	N/A	N/A	0.7	1.1	1.9	N/A	0.4	0.9
10 Years (% p.a.)	Absolute Benchmark	16.0	N/A	N/A	N/A	N/A	4.0	4.9	6.9	N/A	8.9	7.5
		11.2	N/A	N/A	N/A	N/A	0.5	0.5	4.7	N/A	8.4	6.6
	Relative	4.3	N/A	N/A	N/A	N/A	3.5	4.3	2.1	N/A	0.4	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. From Q3 2016 total fund performances has been calculated using estimated valuations for private market investments. 3 month returns for UBS funds are since inception.



Summary of Benchmarks

Summary of Benchmarks

	Total Fund		Adams Street - Private Equity		Cash account		HarbourVest - Private Equity		Longview - Global Equity		M&G - Bonds	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	40.0	1.8	-	-	-	-	-	-	100.0	0.0	-	-
UK Equity	10.0	-0.4	-	-	-	-	-	-	-	-	-	-
International Equity	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5	0.4	-	-	-	-	-	-	-	-	62.6	1.5
Index-Linked Gilts	5.0	0.3	-	-	-	-	-	-	-	-	-	-
UK Property	10.0	0.7	-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-1.4	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	-0.1	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-1.5	-	-	-	-	-	-	-	-	-	-
Cash	0.0	1.9	-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-1.0	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.8	-	-	-	-	-	-	-	-	37.5	-1.5
Proportion of Total Assets	-	-	2.8	0.1	0.0	1.9	2.8	-0.2	7.0	0.0	6.5	-0.4

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	M&G - Infrastructure Fund		M&G - UK Financing Fund		Newton - Absolute Return		Ruffer - Absolute Return		Schroder - Property		UBS - Fundamental Indexation			
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %		
Global Equity	-	-	-	-	-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International 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	100.0	0.0	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	100.0	0.0	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	1.0	-1.0	1.0	-1.0	10.0	-0.9	10.0	-0.6	10.0	0.7	17.5	0.6		

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	UBS - Global EM Equity Fund		UBS - Infrastructure		UBS - Over 5 year IL Gilt Fund		UBS - UK Equity Fund		UBS - World Equity Fund	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	100.0	-	-	-	-	-	-	-	100.0	-
UK Equity	-	-	-	-	-	-	100.0	0.0	-	-
International Equity	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	-	-	-	-	100.0	0.0	-	-	-	-
UK Property	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	100.0	0.0	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	1.5	0.2	1.0	-0.4	5.0	0.3	10.0	-0.4	14.0	1.0

Benchmarks Summary Comment

The main points to note from this table are:

- The UBS 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, 54% US, 15% Europe, 6% Asia (ex Japan), 9% Japan and 10% 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.

