

East Sussex Pension Fund

Review of Investment Managers' Performance for First Quarter of 2015



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For and on behalf of Hymans Robertson LLP
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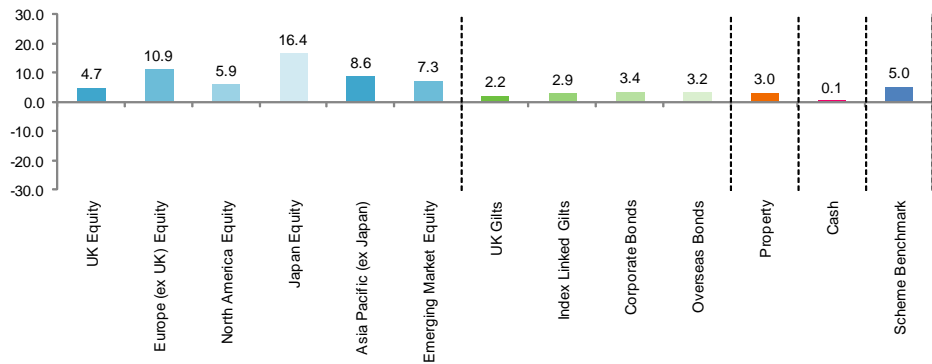
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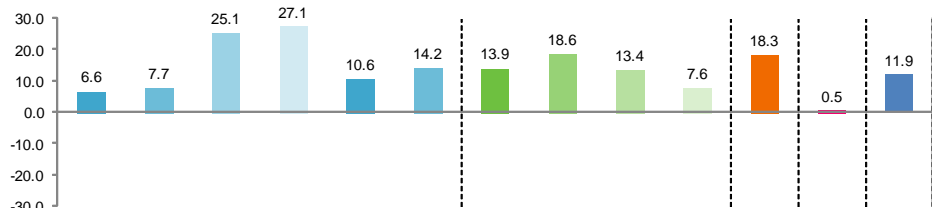
Historic Returns for World Market to 31 March 2015

Historic Returns - Chart 1 ^[1]

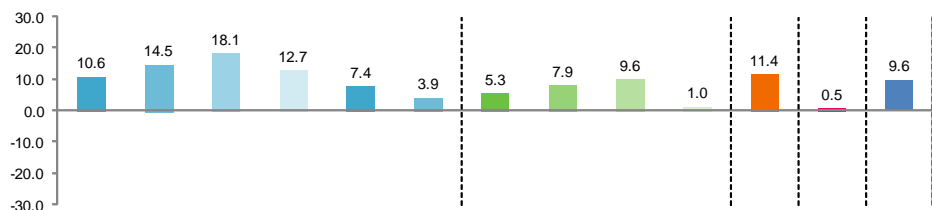
3 Months (%)



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.

Historic Returns - Comment

Global equity and bond markets rose during the first quarter of 2015. A major support was lower inflation, which lessened investors' concerns about short-term interest rates being raised, at least in the immediate future.

Economic news was varied. Although the US has enjoyed higher economic growth than other major markets, news during the quarter was a little disappointing. Poor weather and the impact of the strong dollar were contributory factors. In contrast, data relating to the Eurozone indicated some improvement, albeit from a very low base. The European Central Bank launched a programme of quantitative easing in March. This will result in the purchase of up to €1.1tn of government and private debt over the next eighteen months.

In the UK, official estimates for economic growth in 2014 were revised from 2.6% to 2.8%, the highest rate since 2007, and estimates for 2015 remain strong. In February, the Governor of the Bank of England expressed the view that inflation could temporarily fall below zero because of falling oil prices.

A recurring theme throughout the quarter was when and by how much the US might start to 'normalise' short-term interest rates from the current record low. This difficult task has to be handled with extreme care in the US, and ultimately in other major financial centres.

Key events during the quarter included;

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- UK inflation (CPI) fell to 0% in February (lowest since records started in 2008);
- Modest deflationary pressures persisted in the Eurozone throughout the quarter;
- The US Central Bank gave mixed signals over potential rises in short-term interest rates;
- Japan's economic growth remained subdued, after emerging from recession in late 2014;
- China set 2015 growth target at 7.0%, lower than that achieved (7.4%) in 2014.

Equities

- The strongest sectors relative to the FTSE All World Index were Health Care (+5.4%) and Consumer Services (+2.6%); the weakest were Utilities (-7.0%) and Oil & Gas (-5.4%);
- Corporate activity included \$50bn merger of Heinz and Kraft Foods (US) and £10.3bn acquisition of O2 (UK) by Hutchison Whampoa of Hong Kong.

Bonds and currencies

- The Euro fell to 11 year low against US \$, unsettled by Eurozone quantitative easing;
- German five year bonds sold at a negative yield, joining Denmark, Finland and Netherlands.

Fund Asset Allocation and Performance

Valuation Summary [1]

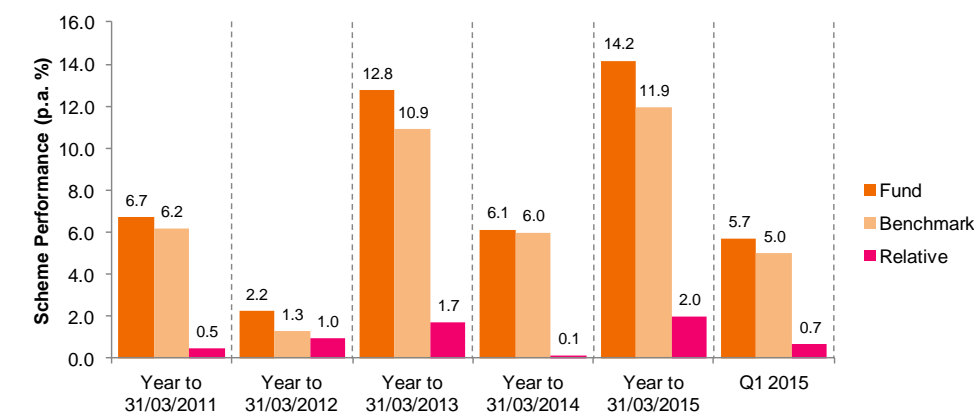
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2014	Q1 2015			
Global Equity	1083.9	1080.9	39.4	38.0	1.4
UK Equity	406.7	271.6	9.9	12.0	-2.1
Fixed Interest	108.4	113.1	4.1	3.5	0.6
Index-Linked Gilts	0.0	144.6	5.3	5.0	0.3
Property	283.0	293.9	10.7	10.0	0.7
Infrastructure	56.2	55.6	2.0	2.0	0.0
Private Equity	148.3	153.3	5.6	5.5	0.1
Absolute Return Funds	487.2	507.2	18.5	20.0	-1.5
Cash	41.3	43.9	1.6	0.0	1.6
UK Financing Fund	10.7	10.7	0.4	1.0	-0.6
Absolute Return Bonds	66.8	67.7	2.5	3.0	-0.5
Total Client	2692.5	2742.4	100.0	100.0	

Fund performance [2]

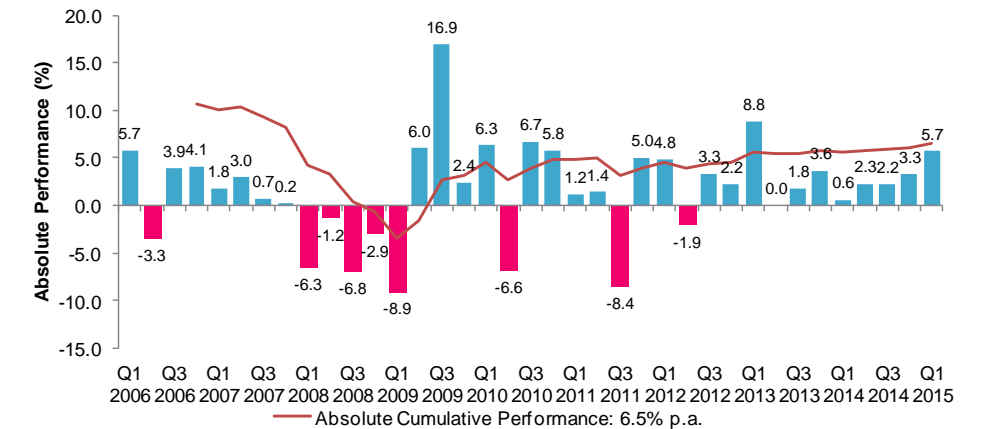
The Fund outperformed the aggregate benchmark by 0.7% during the first quarter of 2015, returning 5.7% in absolute terms. Over the twelve month period to end March 2015, the Fund delivered an absolute return of 14.2%, versus a benchmark return of 11.9%.

At a manager level the Longview global equity mandate and both absolute return portfolios outperformed over the quarter. M&G also delivered marginal outperformance. Underperformance from Lazard detracted from total Fund performance.

Performance Summary [1]



Absolute Quarterly and Absolute Cumulative Performance [iii]



[1] The cash figure shown includes the cash balances held by managers (the asset class allocations are shown on a 'look-through' basis) , [2] Total Fund return is estimated. Historical returns are backdated with WM figures.

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	<div><div></div><div></div><div></div><div></div><div></div></div>
Lazard - Global Equities	Thematic	26 May 2010	FTSE All World	+3% (gross of fees) over rolling 3 year periods	<div><div></div><div></div><div></div><div></div><div></div></div>
Longview - Global Equity	Active	16 Apr 2013	MSCI ACWI (GBP)	-	<div><div></div><div></div><div></div><div></div><div></div></div>
State Street - Fundamental Indexation	Passive	06 Aug 2013	FTSE RAFI All-World 3000	Track Index	<div><div></div><div></div><div></div><div></div><div></div></div>
L&G - UK Equities	Passive	21 Nov 2007	FTSE All Share	Track index	<div><div></div><div></div><div></div><div></div><div></div></div>
Newton - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	<div><div></div><div></div><div></div><div></div><div></div></div>
Ruffer - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	<div><div></div><div></div><div></div><div></div><div></div></div>
L&G - 5yr ILG	Passive	11 Mar 2015	FTSE Actuaries UK Conventional Gilt Over 5 Years	0	<div><div></div><div></div><div></div><div></div><div></div></div>
M&G - Bonds	N/A	01 Jan 1997	Bespoke	+0.8% (gross of fees) for corporate bonds only	<div><div></div><div></div><div></div><div></div><div></div></div>
Schroder - Property	Fund of Funds	20 Feb 2010	IPD All Balanced Funds	0.75% p.a. (net of fees) over rolling 3 year periods	<div><div></div><div></div><div></div><div></div><div></div></div>

^{*} For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Manager Summary Comment

The rating for Lazard has changed from a "3 - On watch" to a "2 - Sell - review options" due to the lack of confidence Hymans Robertson have in the team's ability to execute their approach.

Since investing in the L&G 5 year ILG fund in March and making the transfers in respect of the Probation Liabilities, the Fund is now underweight UK Equity and overweight Global Equity whilst remaining underweight in absolute return funds.

The figures to the right are based on the mandate positioning shown on page 6 (i.e. the allocation which the Panel has control over, as opposed to the 'look through' allocations on page 4).

Performance versus WM Local Authorities ^{[2] [1]}

	3 months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	3.3	8.5	10.6	8.3
WM average Local Authority	3.1	8.1	11.0	8.9
Relative	0.2	0.4	-0.4	-0.6

[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) , [2] Performance is shown as at the end of last quarter.

Source: [1] WM/State Street

Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2014	Q1 2015			
L&G - Global Equities	276.9	216.4	7.9	8.0	-0.1
Lazard - Global Equities	384.3	410.4	15.0	15.0	-0.0
Longview - Global Equity	160.0	174.8	6.4	5.0	1.4
State Street - Fundamental Indexation	272.2	291.2	10.6	10.0	0.6
L&G - UK Equities	406.7	271.6	9.9	12.0	-2.1
Newton - Absolute Return	239.5	250.1	9.1	10.0	-0.9
Ruffer - Absolute Return	247.7	257.1	9.4	10.0	-0.6
L&G - 5yr ILG	0.0	144.6	5.3	5.0	0.3
M&G - Bonds	175.2	180.8	6.6	6.5	0.1
Schroder - Property	292.4	300.5	11.0	10.0	1.0
M&G - Infrastructure Fund	31.8	33.5	1.2	1.0	0.2
UBS - Infrastructure	24.4	22.1	0.8	1.0	-0.2
Adams Street - Private Equity	78.7	83.3	3.0	2.8	0.3
HarbourVest - Private Equity	69.6	70.0	2.6	2.8	-0.2
M&G - UK Financing Fund	10.7	10.7	0.4	1.0	-0.6
Cash account	22.3	25.4	0.9	0.0	0.9
Total	2692.5	2742.4	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 (gross of fees)

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

		L&G - Global Equities	Lazard - 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	7.6	6.9	9.4	7.0	4.7	4.2	4.0	7.2	3.2	3.0	5.7
	Benchmark	7.7	7.7	7.5	6.9	4.7	1.1	0.1	7.2	2.3	2.8	5.0
	Relative			1.8	0.1	0.0	3.0	3.9	0.0	0.9	0.2	0.7
12 Months (%)	Absolute	19.2	19.5	28.4	14.8	6.7	6.8	11.4	N/A	11.1	18.2	14.2
	Benchmark	19.0	19.2	18.4	14.8	6.6	1.5	0.5	N/A	9.3	16.6	11.9
	Relative	0.2	0.3	8.4	0.0	0.1	5.3	10.9	N/A	1.6	1.3	2.0
3 Years (% p.a.)	Absolute	14.2	12.9	23.6	11.1	10.7	6.1	7.2	N/A	8.5	11.2	10.9
	Benchmark	14.1	14.2	12.7	11.2	10.6	0.8	0.5	N/A	5.7	9.7	9.6
	Relative	0.1	-1.1	9.6	-0.1	0.1	5.2	6.7	N/A	2.6	1.4	1.3
10 Years (% p.a.)	Absolute	10.8	10.1	N/A	N/A	5.8	5.9	7.0	N/A	6.8	9.1	7.8
	Benchmark	10.8	11.6	N/A	N/A	5.7	0.8	0.6	N/A	5.1	8.6	7.5
	Relative	0.0	-1.4	N/A	N/A	0.2	5.1	6.4	N/A	1.6	0.4	0.3

[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.

Source: [i] DataStream, Hymans Robertson

Performance Summary (net of fees)

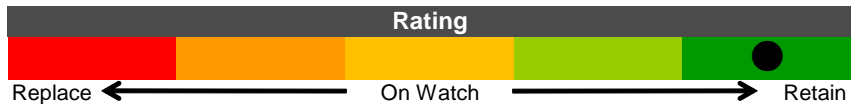
Performance Summary (net of fees) [1] [i]

		L&G - Global Equities	Lazard - 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	7.6	6.7	9.3	6.9	4.7	4.0	3.8	7.2	3.1	2.9	5.6
	Benchmark	7.7	7.7	7.5	6.9	4.7	1.1	0.1	7.2	2.3	2.8	5.0
	Relative			1.7	0.0	0.0	2.9	3.7		0.9	0.1	0.6
12 Months (%)	Absolute	19.1	18.8	27.6	14.7	6.6	6.2	10.5	N/A	10.7	17.9	13.8
	Benchmark	19.0	19.2	18.4	14.8	6.6	1.5	0.5	N/A	9.3	16.6	11.9
	Relative	0.1		7.8		0.0	4.6	10.0	N/A	1.3	1.1	1.6
3 Years (% p.a.)	Absolute	14.1	12.2	22.9	11.1	10.7	5.4	6.3	N/A	8.1	10.9	10.6
	Benchmark	14.1	14.2	12.7	11.2	10.6	0.8	0.5	N/A	5.7	9.7	9.6
	Relative			9.1		0.1	4.6	5.8	N/A	2.2	1.2	0.9
10 Years (% p.a.)	Absolute	10.7	9.4	N/A	N/A	5.8	5.3	6.2	N/A	6.6	8.8	7.7
	Benchmark	10.8	11.6	N/A	N/A	5.7	0.8	0.6	N/A	5.1	8.6	7.5
	Relative			N/A	N/A	0.1	4.5	5.6	N/A	1.4	0.2	0.2

[1] We have estimated net returns based on each manager's expected fee levels. The table shows since inception returns in place of three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period.

Legal and General - UK and Global Equities

HR View Comment & Rating



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

In addition to the leadership changes announced previously, including the retirement later this year of Ali Toutounchi, Managing Director Index Funds, LGIM has also announced in March the departure of Joseph Molloy, Head of Index Equities, who has subsequently joined HSBC. LGIM is currently assessing internal and external candidates to replace Molloy. Due to the continuity of a systematic investment process such as indexation, we are not changing our rating at this point. However, there is clearly significant change taking place in the senior management at LGIM and in particular we will be keeping a close eye on the manager's progress in finding replacements for Molloy and, eventually, Toutounchi.

Performance Attribution Comment

Both the Legal & General global and UK equity mandates performed broadly in line with their respective benchmarks over the quarter.

The UK equity fund delivered a positive absolute return of 4.7% over the quarter. Over the longer term, fund performance remains positive and marginally ahead of the benchmark, with relative performance of +0.2%p.a. over the last three years.

The global equity mandate also matched the performance of the benchmark over Q1, delivering an absolute return of 7.6%. Long term performance remains in line with the FTSE All World Index at both 3 years and since the mandate's inception.

The 85% funding level trigger was reached in March 2015 and Legal & General were instructed to disinvest £135m from the UK and global equity holdings. The holdings were also reduced during the quarter due to the bulk transfer of assets to the Greater Manchester Pension Fund. These transfers took place in January and March 2015.

L&G UK Fund Performance [i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.7	6.7	10.8	5.8
Benchmark	4.7	6.6	10.6	5.7
Relative	0.0	0.1	0.1	0.2

* Inception date 21 November 2007

L&G Global Fund Performance [iii]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	7.6	19.2	14.2	10.8
Benchmark	7.7	19.1	14.2	10.8
Relative	-0.1	0.1	0.0	0.1

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

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

Legal and General - 5 year ILG

HR View Comment & Rating



LGIM announced the addition of a senior fixed income portfolio manager during Q1. We do not see this addition as having a significant impact on the manager's passive fixed income business and we continue to rate the manager '5 – Preferred Strategy' for passive fixed income.

Performance Summary - Table ^[i]

	Since Inception* (%)
Fund	7.2
Benchmark	7.2
Relative	0.0

* Inception date 11 Mar 2015.

Performance Attribution Comment

On the 11th March 2015, holdings were disinvested from the Legal & General global equity and UK equity funds and the proceeds invested in the Legal & General 5 year index linked gilts fund. Partial performance for the quarter was 7.2%, in line with the benchmark.

Source: ^[i] DataStream, Hymans Robertson



State Street - Fundamental Indexation

HR View Comment & Rating



We rate the FTSE RAFI 3000 global equity index at '5 – Preferred Strategy' This is a 'fundamental' index with constituents' weightings calculated by their share of total universe sales, cash flow, book value and dividends using 5 year historic data. Index weightings are calculated annually with rebalancing implemented quarterly. The main sources of potential outperformance versus a market cap weighted index are: a) wider universe; b) contrarian rebalancing (typically rotates from outperforming to underperforming stocks when it rebalances) and c) a robust tilt to value and a more moderate tilt to mid/small cap stocks. Has added 1.5% to 2.0% over backtested periods but with tracking error (relative to cap weighted indices) similar to mainstream active managers. Preferred implementation is through the main UK passive managers all of whom have good index tracking capability. The recent poor performance of 'value' has hurt index returns but we remain confident of the long term outlook. There were no relevant business issues reported over the period. We are happy with State Street's ability to track the RAFI index.

Performance Attribution Comment

State Street's fundamental indexation fund performed slightly ahead of benchmark during the first quarter of 2015, returning 7% in absolute terms. Since inception, the fund is broadly in line with the benchmark.

Performance Summary to 31 March 2015

	3 Months (%)	12 Months (%)	Since Inception*
Fund	7.0	14.8	11.1
Benchmark	6.9	14.8	11.2
Relative	0.1	-0.0	-0.1

* Inception date 06 Aug 2013.

Lazard - Global Equity

HR View Comment & Rating



In February we took the decision to downgrade our rating on Lazard's Global Thematic Equity strategy from '3 On Watch' to '2 Sell – review options'. We remain comfortable with Lazard's structure as an independent team focused on a single, unconstrained strategy and building portfolios with low turnover based on the portfolio managers' long term views. Unfortunately we have lost confidence in the Lazard team's ability to execute this approach effectively. This stems from our belief that:

- The team's portfolio positioning has given the strategy a de facto macroeconomic stance which is not consistent with building a well-diversified approach informed by the thematic investment philosophy;
- The multi-sector, wealth creation themes are too diverse to give Lazard a sustained competitive advantage and the team's ability to add value through the selection of narrower, focused themes appears to have deteriorated (albeit we accept some of these are aimed at mitigating macroeconomic risk);
- While Global Thematic's portfolio positioning may see a transitory benefit from a possible US rate rise in 2015, we attach a relatively low probability to the strategy receiving sustained support from a meaningful tightening of global financial markets in the short to medium term.

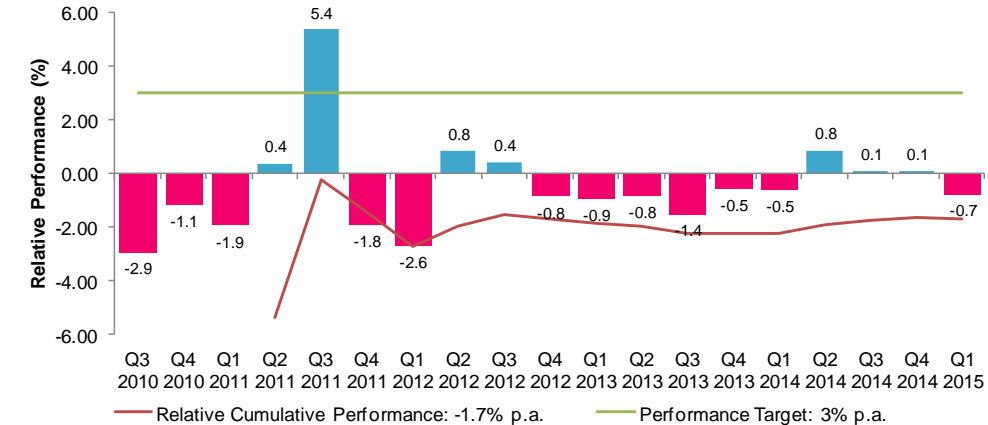
Performance Attribution Comment

Over the quarter, Lazard's global equity fund returned 6.9% in absolute terms, underperforming the benchmark by -0.8%. Over the 12 month period, the fund outperformed benchmark by 0.3% but since inception, it lagged by -1.4%.

Stock selection within the Gas & Oil theme detracted as Cenovus Energy and Southwestern Energy both reported poor quarterly results due to weakening oil prices. Stock selection in consumer goods, Gold & Precious Metals and Information in Systems - Asset Light also detracted. Individual holdings in Microsoft and EMC were amongst the biggest detractors from relative returns. At country level, the fund's stock selection in the US and the underweight positioning to Continental Europe had a negative impact on performance.

Stock selection in the UK had a positive effect on relative performance as well as the fund's overweight allocation to Japan and Hong Kong. Within the Information in Systems - Asset Heavy theme, robot manufacturer Fanuc performed very strongly over the quarter as they announced plans for solidifying investor relations, which created a greater confidence in business efficiency amongst the investors. In the Secure Streams theme, Costco posted positive returns for the quarter. General retailers also contributed to performance as well as financials and industrial engineering, at sector level.

Relative Quarterly and Relative Cumulative Performance [i]



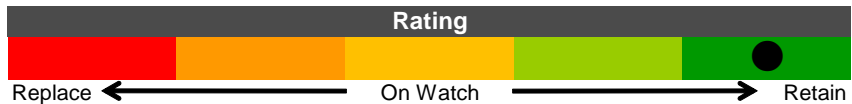
Performance Summary to 31 March 2015 [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	6.9	19.5	12.9	10.1
Benchmark	7.7	19.2	14.2	11.6
Relative	-0.7	0.3	-1.1	-1.4

* Inception date 26 May 2010.

Longview - Global Equity

HR View Comment & Rating



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

Longview's flexible style and focused 35 stock portfolio continues to perform exceptionally well. The long running lack of exposure to Energy paid off handsomely in 2014. We would note that current exposure to listed US equity is around 70% with zero exposure to the Far East / Japan. There were no relevant business issues reported over the period.

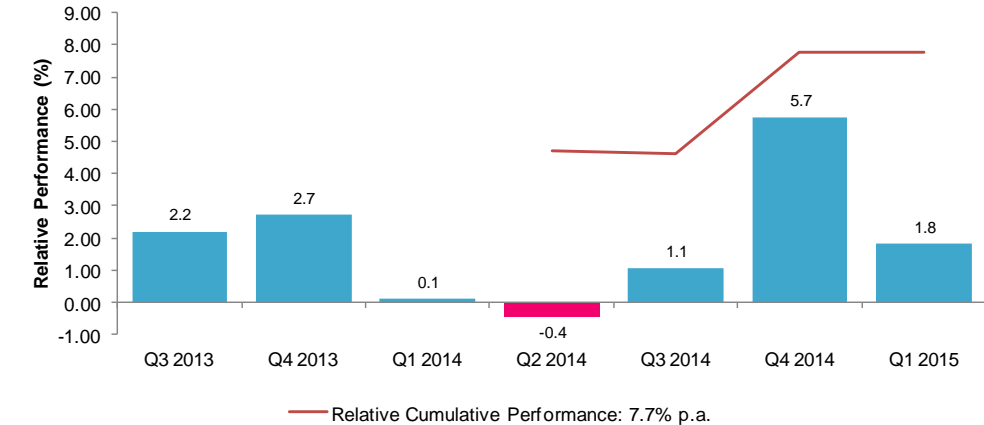
Performance Attribution Comment

Longview's global equity mandate outperformed the benchmark this quarter by 1.8%. Over the longer term, the fund has outperformed the benchmark since inception delivering an absolute return of 23.6% p.a.

The largest contributor to relative returns was stock selection in Information Technology. Individual holdings Continental, Pearson and United Health performed well over the quarter. United Health acquired the fourth largest pharmacy benefit manager, Catamaran Corporation which will almost double the company's pharmacy benefit management business and further increase their market share in the US healthcare market. Continental profited from the depreciating Euro over the quarter whilst Pearson benefitted from weakening of sterling. The overweight allocations to Consumer Discretionary and IT also benefitted mandate performance.

Over the quarter, detractors included selection within the financials sector and holdings in Oracle, Viacom and Emerson Electric. Oracle underperformed following appreciation of the US dollar during Q1 and Emerson performed badly due to repercussions from the declining oil price. Viacom suffered over the quarter as TV viewing ratings fell due to the rise in the use of tablets and laptops, however Longview are confident that the company's assets are strong enough to withstand these challenges.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary to 31 March 2015 ^[ii]

	3 Months (%)	12 Months (%)	Since Inception* (%)
Fund	9.4	28.4	23.6
Benchmark	7.5	18.4	12.7
Relative	1.8	8.4	9.6

* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



We rate Ruffer ‘5 – Preferred Strategy’. We are confident in Ruffer’s abilities as an absolute return manager. The success of the firm’s approach is dependent on its ability to construct portfolios which can outperform cash, regardless of the market direction – which they have been successful in achieving since inception and in particular during the difficult period of 2008/09. Our only concern is the durability of the business as assets under management and the team both grow and adapt to Jonathan Ruffer’s lesser input. However to date this does not appear to have had a detrimental impact on the strategy. In Q1 2015 Ruffer asked investors to approve the inclusion of new illiquid strategies, designed to provide protection against the tail-risk associated with credit markets. These investments have a 5 year illiquidity term. While this is not appropriate for all investors, we are comfortable with an allocation of up to 5% for East Sussex as proposed by Ruffer.

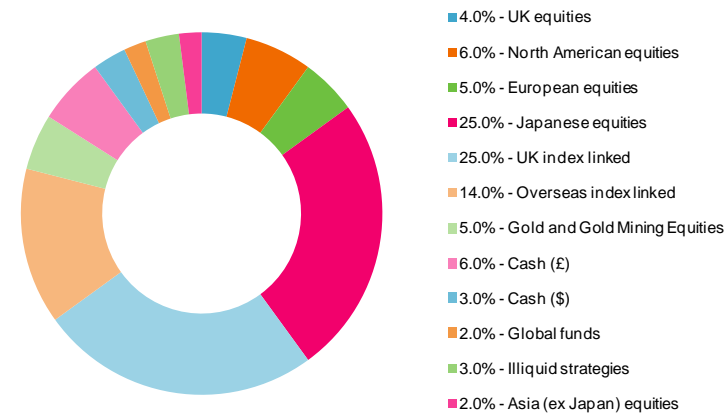
Performance Attribution Comment

Ruffer’s absolute return fund returned 4% over the first quarter of 2015. This was ahead of the benchmark by 3.9%. Over the longer term, the fund remains comfortably ahead of the proxy target.

The Fund’s allocation to Japanese equities was the biggest contributor to relative returns over the quarter with several holdings such as Sony and Rakuten performing well. The dollar strengthened throughout January, due to the cessation of quantitative easing by the US Federal Reserve in Q4 of 2014 and the easing which was implemented in Europe and Japan. Ruffer made the decision to bank the profits and decreased dollar holdings to 5% at the end of January. Index-linked bonds were also positive for performance due to a decrease in commodity prices, low inflation and the continuation of an easy monetary policy environment which drove global yields further down causing prices to rise.

The fund’s allocation to RBS and JPMorgan had a negative impact on performance because of the continued pressure on banks since the credit crisis. RBS specifically have been subjected to major restructuring charges but Ruffer remain confident about the management of both RBS and JPMorgan. Where the fund’s allocation to index linked bonds benefitted from falling yields, exposure to options detracted due to the rising prices. Holdings in Mazda and Mitsubishi had a detrimental effect on performance as the two companies reported poor results over the quarter. Ruffer decided to sell holdings in Mitsubishi but continue to favour Mazda because of attractive new models being released to market and cheap valuations.

Asset Allocation



Performance Summary to 31 March 2015 ^[i]

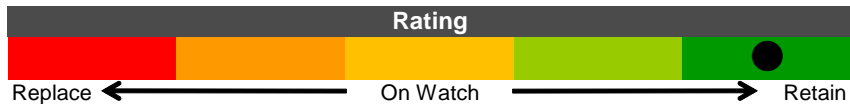
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	4.0	11.4	7.2	7.0
Benchmark	0.1	0.5	0.5	0.6
Relative	3.9	10.9	6.7	6.4

* Inception date 06 May 2010.

Source: ^[i] DataStream, Hymans Robertson

Newton - Absolute Return

HR View Comment & Rating



We rate Newton at ‘5 – Preferred Strategy’. The Real Return Fund is an unconstrained multi-asset strategy that seeks to generate a return through both dynamic asset allocation and security specific selection. We like the unconstrained nature of the Newton approach and the real focus on downside protection. It is this focus on risk as the loss of capital rather than a measure of portfolio volatility that distinguishes ‘absolute return’ managers such as Newton. While the approach draws on a range of inputs from various investment staff in the wider Newton team, we believe that the success or otherwise of the strategy is heavily reliant on the head of the team, Iain Stewart, and there is therefore a high level of key man risk.

As at the end of the first quarter the Real Return strategy had assets under management of £12.9bn. Capacity is a consideration due to the portfolio investing in single stock names however at this level Newton do not believe this is a concern. There were no significant changes to report over the quarter to 31st March 2015.

Performance Attribution Comment

The Real Return Fund returned 4.16% over the first quarter of 2015, outperforming the cash benchmark by 3.05%. Over 12 months, 3 years and since inception, the Fund is ahead of its LIBOR +4% target.

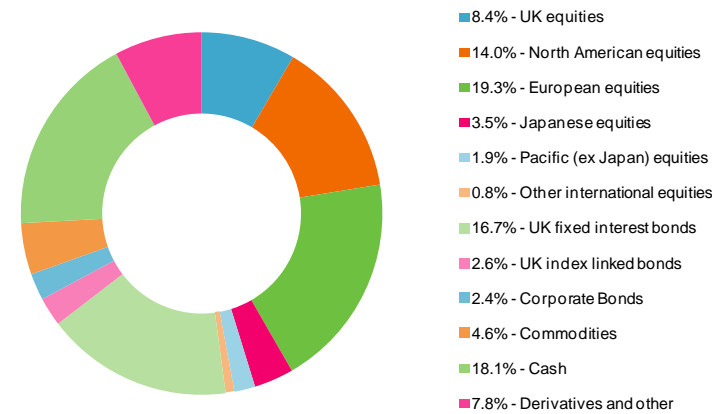
Over the quarter, a number of global equity markets reached new highs; as such, the fund’s equity exposure was the key driver for the portfolio’s strong performance. Within the fund’s equity holdings, performance was led by the long-standing positions in healthcare companies including Novartis, Sanofi and GlaxoSmithKline.

Within the insulating layer of the fund, government bonds, in particular Australian and US government bonds contributed significantly to the portfolio’s performance. This was driven by signs emerging of slowing growth in China, which is a one of Australia’s largest trading partners and mixed signals from the US Federal Reserve on their forward guidance for interest rate expectations, which sent bond yields lower. The fund’s small exposure to gold continued to benefit from the strengthening of the US dollar. At the same time, the fund’s derivative positions held as a hedge against equity market setbacks, detracted from the fund’s performance as most equity markets rallied. Similarly, the manager’s decision to hedge the currency exposure of the fund’s international assets also detracted from returns as the Dollar continued to appreciate.

[1] The Fund maintains a high level of derivatives protection. On a notional basis, 30% of the Fund is protected. The manager uses options to achieve this and so the delta adjusted equity exposure will vary with changing market levels.

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

Asset Allocation ^[1] _[ii]



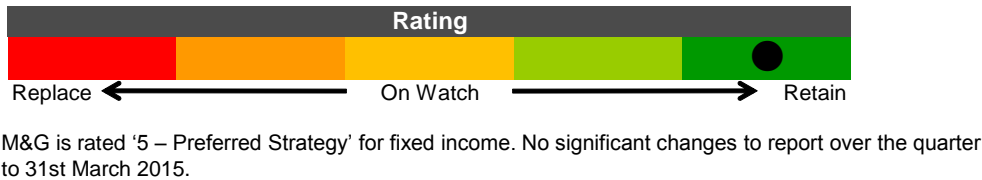
Performance Summary to 31 March 2015 ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	4.2	6.8	6.1	5.9
Benchmark	1.1	1.5	0.8	0.8
Relative	3.0	5.3	5.2	5.1

* Inception date 06 May 2010.

M&G - Bonds

HR View Comment & Rating



Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

M&G's corporate bond fund returned 4.4% in the first quarter of 2015, outperforming the benchmark by 0.3%. The Alpha Opportunities fund outperformed the LIBOR benchmark over the quarter by 1.2%, delivering an absolute return of 1.3%. Aggregate performance from both the funds was 3.2% for the quarter, 0.9% ahead of the benchmark. Over the longer term, the aggregate relative performance continues to outperform.

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

Performance Summary to 31 March 2015 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	3.2	11.1	8.5	7.7
Benchmark	2.3	9.3	5.7	5.3
Relative	0.9	1.6	2.6	2.3

[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]

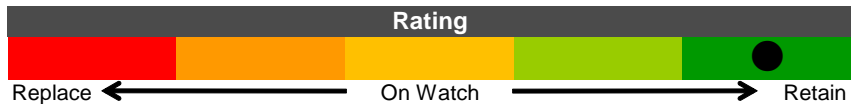
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute	4.4	1.3	3.2
	Benchmark	4.1	0.1	2.3
	Relative	0.3	1.2	0.9
12 Months (%)	Absolute	17.4	2.0	11.1
	Benchmark	17.3	0.5	9.3
	Relative	0.1	1.5	1.6
3 Years (% p.a.)	Absolute	10.9	4.9	8.5
	Benchmark	10.3	0.5	5.7
	Relative	0.6	4.4	2.6
5 Years (% p.a.)	Absolute	10.1	4.4	7.7
	Benchmark	9.4	0.6	5.3
	Relative	0.6	3.8	2.3

Source: ^[i] DataStream, Hymans Robertson



Schroders - Property

HR View Comment & Rating



Schroders informed clients in December 2014 that the name of its property business was changing to Schroder Real Estate (from Schroder Property) with immediate effect. Schroders believes the new name better conveys the wide variety of products and services it offers. Some fund names may change as a result in due course. More recently the multi manager business has also changed its name to Schroder Real Estate Capital Partners. This reflects the new name of the broader real estate business and also describes how the team now operates and sources investment opportunities. Jeremy Marsh joined Schroders as Head of UK Real Estate Research in January 2015 following Patrick Bone's move to the multi manager team in the summer of 2014.

Performance Attribution Comment

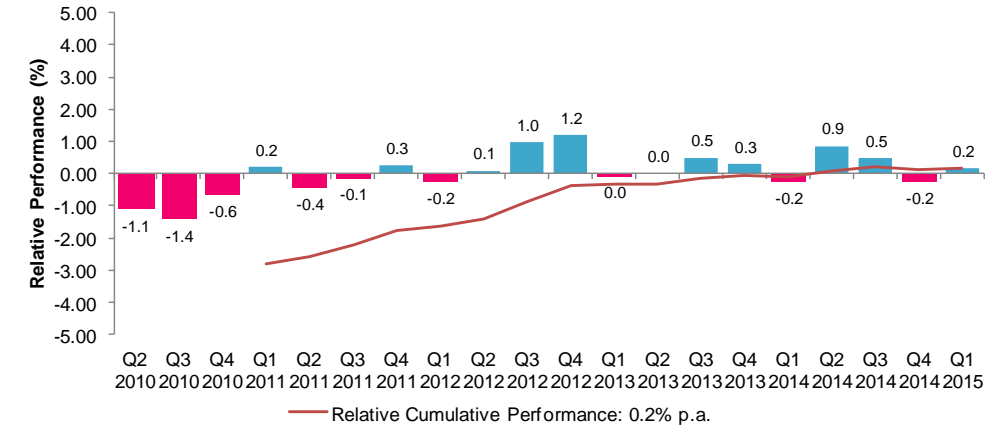
Schroders property mandate outperformed the benchmark by 0.2% over the quarter. The fund remains comfortably ahead of the benchmark over all longer periods considered.

The key drivers of performance in Q1 were funds with exposure to student accommodation and industrial assets. In particular, the Industrial Property Investment Fund and the UNITE UK Student Accommodation Fund contributed. Columbus UK Real Estate Fund also had a positive impact on performance.

This was marginally offset by retail holding funds which lagged the benchmark. The Henderson UK Retail Warehouse Fund performed poorly over the quarter after expensive re-financing. Schroders is confident that this will result in increased returns in the future.

Over the 12 month period, value add and core funds both contributed to relative performance. However, BlackRock and Aviva Investors Pensions had a negative impact as did the mandate's cash holdings.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 31 March 2015

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception*
Fund	3.0	18.2	11.2	9.1
Benchmark	2.8	16.6	9.7	8.6
Relative	0.2	1.3	1.4	0.4

* Inception date 20 Feb 2010.

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		-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.1	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5		-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0		-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0		-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0		-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	0.1	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-1.5	-	-	-	-	-	-	-	-	-	-
Cash	0.0	1.6	-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-0.6	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.5	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.3	0.0	0.9	2.8	-0.2	5.0	0.3	8.0	-0.1



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	L&G - UK Equities		Lazard - Global Equities		Longview - Global Equity		M&G - Bonds		M&G - Infrastructure Fund		M&G - UK Financing Fund	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	-	-	100.0	-2.9	100.0	0.0	-	-	-	-	-	-
UK Equity	100.0	0.0	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	-	-	54.0	8.6	-	-	-	-
Index-Linked Gilts	-	-	-	-	-	-	-	-	-	-	-	-
UK Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	100.0	0.0	-	-
Private Equity	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	-	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	0.0	2.9	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-	100.0	0.0
Absolute Return Bonds	-	-	-	-	-	-	46.0	-8.6	-	-	-	-
Proportion of Total Assets	12.0	-2.1	15.0	0.0	5.0	1.4	6.5	0.1	1.0	0.2	1.0	-0.6



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	Newton - Absolute Return		Ruffer - Absolute Return		Schroder - Property		State Street - Fundamental Indexation		UBS - Infrastructure	
	Target %	Difference %	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	-2.2	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	100.0	0.0
Private Equity	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	100.0	0.0	100.0	0.0	-	-	-	-	-	-
Cash	-	-	-	-	0.0	2.2	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	10.0	-0.9	10.0	-0.6	10.0	1.0	10.0	0.6	1.0	-0.2

Benchmarks Summary Comment

The main points to note from this table are:

- The L&G global equity mandate and the Lazard global equity mandate are 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: 7% UK, 55% 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:

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

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.

