

East Sussex Pension Fund

Review of Investment Managers' Performance for Second Quarter of 2015

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For and on behalf of Hymans Robertson LLP
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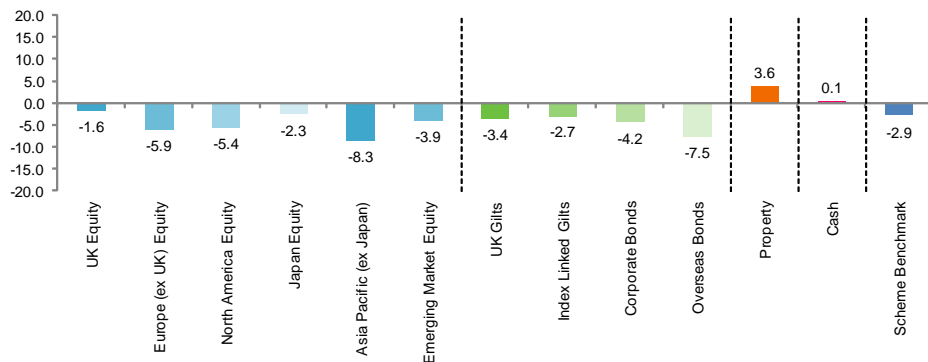
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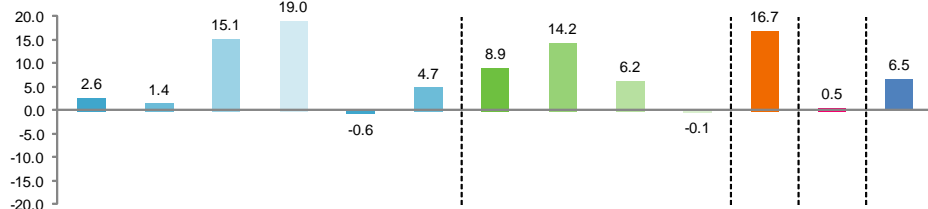
Historic Returns for World Market to 30 June 2015

Historic Returns - Chart 1 ^[1]

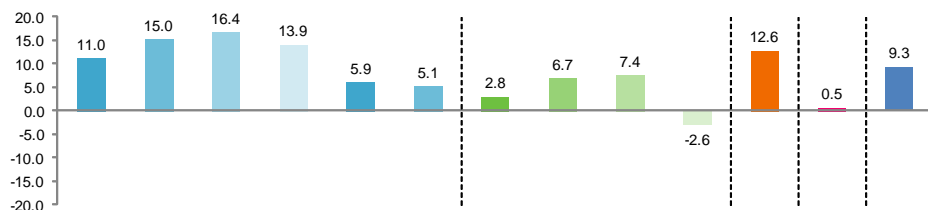
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Comment

Global equity and bond markets fell during the second quarter of 2015. Concerns about deflation eased and pushed bond yields steadily higher; sterling strengthened against most major currencies, and so broadly flat equity markets in local currency delivered negative sterling returns. Economic news was mildly positive in most regions. The US enjoyed a modest rebound after a disappointing first quarter, and data relating to the Eurozone suggested a continuation of the gradual recovery seen in recent quarters.

In the UK, economic growth estimates for Q1 2015 were revised upwards from 0.3% to 0.4%, and the estimate of growth for 2014 as a whole was revised from 2.8% to 3.0%, the highest rate since 2007. Inflation turned marginally negative in April for the first time in 50 years as prices declined by 0.1% compared with a year earlier, although this was reversed with a 0.1% increase on an annual basis in May.

Negotiations over a bailout for Greece dominated headlines, as the four-month extension negotiated in February grew closer to expiry. Towards the end of June the Greek government dramatically called a referendum on the terms of the expired bailout proposal, which was widely considered to be a referendum on euro membership; following a “no” vote in early July, banks remained closed and last-ditch negotiations continued.

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 -0.1% in April, but recovered to 0.1% in May;
- Modest deflationary pressures in the Eurozone gave way to mild inflation throughout the quarter;
- Japan’s economy continued to grow moderately, after emerging from recession in late 2014;
- Trade data increased fears that the Chinese economy is slowing more quickly than expected; the authorities responded with a surprise cut to interest rates at the end of June;

Equities

- The strongest sectors relative to the FTSE All World Index were Telecoms (+2.5%) and Financials (+1.6%); the weakest were Utilities (-2.6%) and Industrials (-1.6%);
- Corporate activity came close to the record levels experienced in Q2 2007, driven by the £47bn takeover of BG Group by Royal Dutch Shell and the continued activity in the healthcare sector.

Bonds and currencies

- Sterling strengthened against major currencies; the yen weakened the most, with the euro surprisingly resilient to the Greek crisis;
- Bond yields generally rose; German ten year bonds dipped below 0.1% p.a. in April, before rising sharply to finish the quarter around 0.8% 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.

Fund Asset Allocation and Performance

Valuation Summary [1]

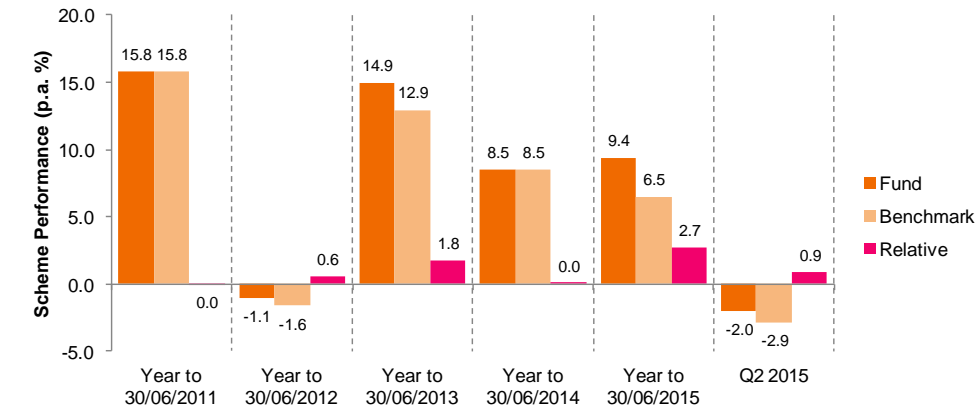
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q1 2015	Q2 2015			
Global Equity	1080.9	1038.2	38.6	38.0	0.6
UK Equity	271.6	267.4	10.0	12.0	-2.0
Fixed Interest	113.1	107.0	4.0	3.5	0.5
Index-Linked Gilts	144.6	139.8	5.2	5.0	0.2
Property	293.9	299.2	11.1	10.0	1.1
Infrastructure	55.6	61.3	2.3	2.0	0.3
Private Equity	153.3	151.0	5.6	5.5	0.1
Absolute Return Funds	507.2	501.4	18.7	20.0	-1.3
Cash	43.9	44.1	1.6	0.0	1.6
UK Financing Fund	10.7	10.6	0.4	1.0	-0.6
Absolute Return Bonds	67.7	67.8	2.5	3.0	-0.5
Total Client	2742.4	2687.9	100.0	100.0	

Fund performance [2]

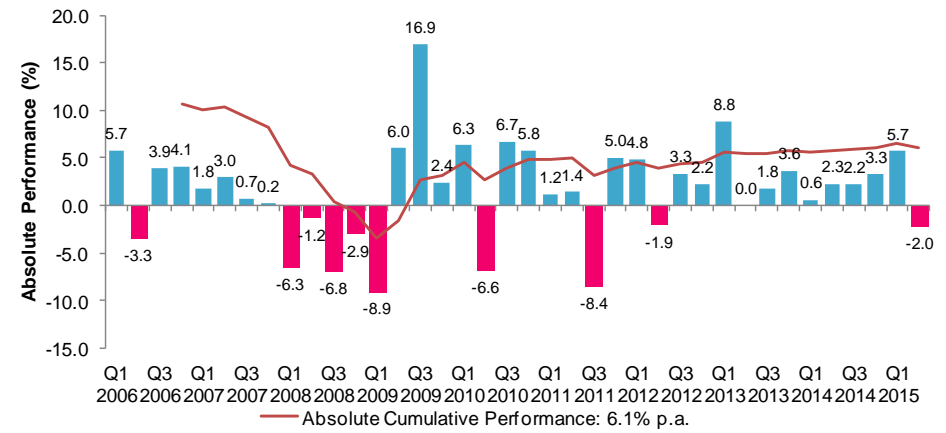
The Fund outperformed the aggregate benchmark by 0.9% during the second quarter of 2015, returning -2.0% in absolute terms. Over the twelve month period, the Fund has delivered a positive absolute return of 9.4%, versus a benchmark return of 6.5%.

At a manager level, Lazard and Longview's global equity funds outperformed their respective benchmarks over the quarter. This was slightly offset by Newton's real return fund which lagged the benchmark over the period.

Performance Summary [i]



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	
Lazard - Global Equities	Thematic	26 May 2010	FTSE All World	+3% (gross of fees) over rolling 3 year periods	
Longview - Global Equity	Active	16 Apr 2013	MSCI ACWI (GBP)	-	
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 Actuaries UK Conventional Gilt Over 5 Years	0	
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

Manager Summary Comment

There were no changes to manager ratings over the quarter. We discuss Lazard, and the potential implications of its rating on the Fund's equity structure, in a separate paper.

The Fund continues to be underweight UK equity and overweight global equity. Property and cash allocations also remain overweight. The Fund is underweight absolute return funds. There was no transition activity during the quarter

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	5.7	14.3	11.0	8.3
WM average Local Authority	5.3	12.9	11.0	8.7
Relative	0.4	1.2	0.0	-0.4

[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 31 March 2015.

Source: [1] WM/State Street

Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q1 2015	Q2 2015			
L&G - Global Equities	216.4	205.6	7.6	8.0	-0.4
Lazard - Global Equities	410.4	392.9	14.6	15.0	-0.4
Longview - Global Equity	174.8	168.0	6.2	5.0	1.2
State Street - Fundamental Indexation	291.2	277.0	10.3	10.0	0.3
L&G - UK Equities	271.6	267.4	10.0	12.0	-2.0
Newton - Absolute Return	250.1	243.3	9.1	10.0	-0.9
Ruffer - Absolute Return	257.1	258.1	9.6	10.0	-0.4
L&G - 5yr ILG	144.6	139.8	5.2	5.0	0.2
M&G - Bonds	180.8	174.8	6.5	6.5	0.0
Schroder - Property	300.5	310.7	11.6	10.0	1.6
M&G - Infrastructure Fund	33.5	41.1	1.5	1.0	0.5
UBS - Infrastructure	22.1	20.2	0.8	1.0	-0.2
Adams Street - Private Equity	83.3	78.8	2.9	2.8	0.2
HarbourVest - Private Equity	70.0	72.3	2.7	2.8	-0.1
M&G - UK Financing Fund	10.7	10.6	0.4	1.0	-0.6
Cash account	25.4	27.4	1.0	0.0	1.0
Total	2742.4	2687.9	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 Benchmark	-5.0	-4.1	-3.8	-4.9	-1.5	-2.8	0.2	-3.3	-3.2	3.4	-2.0
		-5.0	-5.0	-5.3	-4.8	-1.6	0.1	0.1	-3.3	-3.5	3.3	-2.9
	Relative	0.0	0.9	1.6	-0.1	0.1	-2.9	0.1	0.0	0.3	0.1	0.9
12 Months (%)	Absolute Benchmark	10.3	10.7	21.1	6.5	2.7	2.5	11.5	3.7	5.5	16.1	9.4
		10.2	10.2	9.5	6.4	2.6	0.5	0.5	3.7	4.0	15.5	6.5
	Relative	0.1	0.4	10.6	0.0	0.1	2.0	11.0	0.0	1.5	0.5	2.7
3 Years (% p.a.)	Absolute Benchmark	13.7	12.4	18.6	6.7	11.2	3.7	8.8	N/A	6.8	12.3	10.9
		13.6	13.6	8.5	6.8	11.0	0.5	0.5	N/A	3.9	10.8	9.3
	Relative	0.1	-1.1	9.3	-0.1	0.1	3.2	8.3	N/A	2.8	1.4	1.5
10 Years (% p.a.)	Absolute Benchmark	9.2	8.6	N/A	N/A	5.4	5.0	6.7	N/A	5.9	9.3	7.1
		9.1	9.9	N/A	N/A	5.2	0.6	0.6	N/A	4.2	8.9	6.6
	Relative	0.1	-1.1	N/A	N/A	0.2	4.4	6.1	N/A	1.6	0.4	0.5

[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.



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 Benchmark	-5.0	-4.3	-3.9	-4.9	-1.5	-2.9	0.0	-3.4	-3.3	3.3	-2.1
		-5.0	-5.0	-5.3	-4.8	-1.6	0.1	0.1	-3.3	-3.5	3.3	-2.9
	Relative	0.0	0.8	1.4	-0.1	0.1	-3.0	-0.1	-0.1	0.2	0.0	0.8
12 Months (%)	Absolute Benchmark	10.2	10.0	20.3	6.4	2.7	1.9	10.6	3.6	5.1	15.8	9.0
		10.2	10.2	9.5	6.4	2.6	0.5	0.5	3.7	4.0	15.5	6.5
	Relative	0.0	-0.2	9.9	0.0	0.1	1.4	10.2	-0.1	1.1	0.3	2.3
3 Years (% p.a.)	Absolute Benchmark	13.5	11.7	17.9	6.7	11.1	3.0	7.9	N/A	6.4	12.0	10.5
		13.6	13.6	8.5	6.8	11.0	0.5	0.5	N/A	3.9	10.8	9.3
	Relative	0.0	-1.7	8.7	-0.1	0.1	2.6	7.4	N/A	2.4	1.1	1.2
10 Years (% p.a.)	Absolute Benchmark	9.1	8.0	N/A	N/A	5.4	4.4	5.9	N/A	5.7	9.1	7.0
		9.1	9.9	N/A	N/A	5.2	0.6	0.6	N/A	4.2	8.9	6.6
	Relative	0.0	-1.7	N/A	N/A	0.1	3.8	5.3	N/A	1.4	0.2	0.4

[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 and fundamental index-tracking equity capability at '5 - Preferred strategy'.

LGIM has not yet found a direct replacement for Joseph Molloy, the Head of Index Equities who left in March 2015. Julian Harding, Director of Fund Management has assumed responsibility for Molloy's previous roles. In addition a new fund manager, Michel Porte has been recruited into the index equities team. LGIM is also still working on a succession plan for Ali Toutounchi, Head of Index who retires later this year. We are not changing our ratings at this time but LGIM do seem to be weathering an unwelcome degree of disruption amongst its senior management on the index side of the business.

Performance Attribution Comment

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

The UK equity fund delivered a negative absolute return of -1.5% throughout the quarter. Fund performance remains positive and broadly in line with benchmark over 12 months and 3 years. Since inception, performance is marginally ahead of the benchmark by 0.2% p.a.

The global equity mandate also matched the performance of the benchmark over Q2, delivering a negative absolute return of -5.0%. Long term performance is broadly in line with the FTSE All World Index over 3 years and since the mandate's inception.

L&G UK Fund Performance ^[i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-1.5	2.7	11.2	5.4
Benchmark	-1.6	2.6	11.0	5.2
Relative	0.1	0.1	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	-5.0	10.3	13.7	9.2
Benchmark	-5.0	10.2	13.6	9.1
Relative	0.0	0.1	0.1	0.1

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

Legal and General - 5 year ILG

HR View Comment & Rating



There were no significant changes to report over the quarter to 30 June 2015.

Performance Summary - Table [i]

	3 Months (%)	Since Inception*
Fund	-3.3	3.7
Benchmark	-3.3	3.7
Relative	0.0	0.0

* Inception date 11 Mar 2015.

Performance Attribution Comment

Over the quarter and since inception, Legal & General's 5 year index linked gilts fund performed in line with the benchmark.

It was a difficult quarter for the gilt market with yields rising, driving prices downwards. The current low level of RPI inflation has also negatively impacted the longer term index linked gilts.

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'.

There were no relevant business issues reported over the period.

Performance Summary - Table

	3 Months (%)	12 Months (%)	Since Inception*
Fund	-4.9	6.5	6.7
Benchmark	-4.8	6.4	6.8
Relative	-0.1	0.0	-0.1

* Inception date 06 Aug 2013.

Performance Attribution Comment

The fundamental index portfolio delivered performance broadly in line with benchmark over the quarter, returning -4.9% in absolute terms. RAFI moderately outperformed the equivalent cap weighted index in Q2 2015 as the value and growth styles performed in line, it is behind year to date and remains true to its 'contrarian' principles with an overweight to Energy and underweight to Health Care.

Performance remains broadly in line with benchmark over 12 months and since inception.

Lazard - Global Equity

HR View Comment & Rating



Our rating on Lazard's Global Thematic Equity strategy remains at '2 Sell – review options'. We are still comfortable with Lazard's structure as an independent team focused on a single, unconstrained strategy and building portfolios with low turnover based on long term views. Unfortunately we have lost confidence in the Lazard team's ability to execute this approach effectively. Our loss of confidence stems from our belief that:

- the team's macroeconomic stance 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 migration of stock holdings from retired themes to new themes undermines their differentiation.

Global Thematic may see some short term performance recovery, possibly around a US rate rise in late 2015, but we have lost confidence in the team's long term ability to replicate the success enjoyed pre-2008. There were no relevant business issues reported over the period.

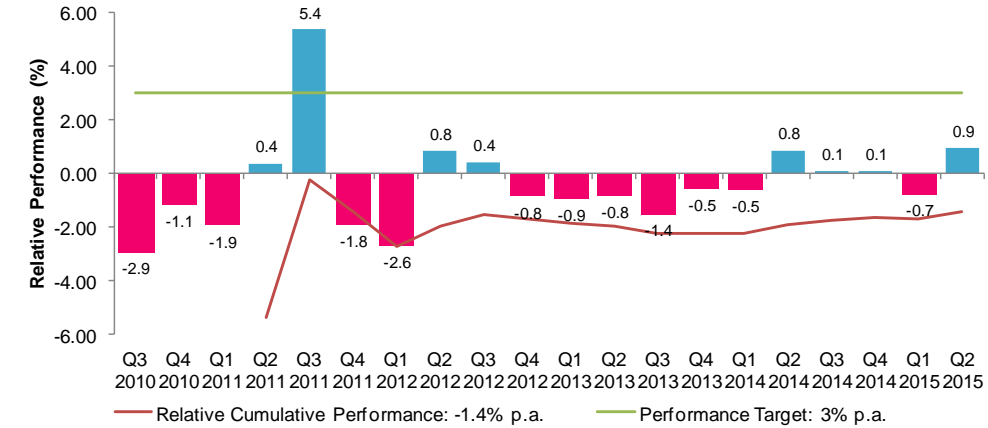
Performance Attribution Comment

Lazard's Global Thematic Equity strategy returned -4.1% over the quarter in absolute terms, outperforming the benchmark by 0.9%. The fund is ahead of benchmark over twelve months but over 3 years and since inception, the fund lags the benchmark.

The most significant contributor to performance over the quarter was the National Platforms theme due to strong performance from Hong Kong. The fund benefitted from its allocation to Hong Kong Exchanges & Clearing as the company outperformed. Due to foreign investment and encouraging company results, Japan has been the best performing market over the last six months. This has contributed to the fund's performance with exposure to Japanese banks such as Daiwa contributing to total fund performance.

The biggest individual detractors from performance over the quarter came from the Secure Streams theme and included Union Pacific, Costco and Mean Johnson Nutrition. Union Pacific was negatively impacted by a reduction in oil and gas freight volumes. Insurance stock Prudential had a negative impact on fund performance following the departure of the well-respected CIO.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary to 30 June 2015 [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-4.1	10.7	12.4	8.6
Benchmark	-5.0	10.2	13.6	9.9
Relative	0.9	0.4	-1.1	-1.1

* Inception date 26 May 2010.

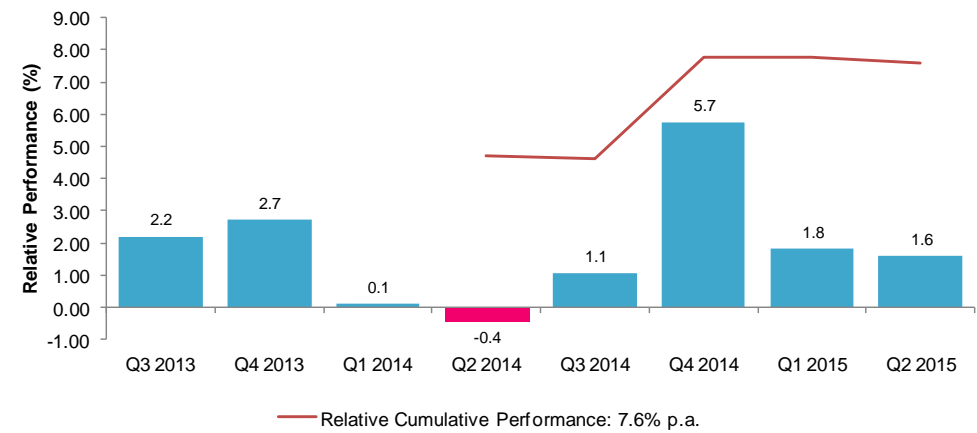
Longview - Global Equity

HR View Comment & Rating



In July 2015 Longview announced that Daryn Hutchinson, a non-executive Director on its Guernsey Board, had been replaced by Frank Moon. Moon is Managing Director at Intertrust Fund Services (Guernsey) Limited having previously spent much of his career with ABN Amro. Emma Davies, Financial Controller of Longview Partners, replaces Hutchinson on the Board of Longview Partners (UK) Limited. We see no material impact from these changes and remain strongly supportive. We continue to rate Longview's Global Equity strategy at '5 - Preferred strategy'.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Attribution Comment

Despite a volatile quarter, Longview's global equity fund outperformed the benchmark by 1.6%, returning -3.8% versus a benchmark return of -5.3%. Over all longer periods considered, the fund continues to outperform the benchmark.

The fund's stock selection in the Healthcare and Financials sectors was the main contributor over the quarter with holdings in Lloyds bank, hospital operator HCA Holdings and fast-food restaurant chain Yum! Brands driving performance at individual stock level. The reduction in political uncertainty following the general election saw Lloyds bank outperform. The fund's exposure to Yum! Brands contributed positively as the Chinese arm of the company, which makes up around 60% of the overall revenue, delivered better than expected profit margins over the quarter. HCA Holdings also drove performance as they reported strong financial results following the US Supreme Court ruling in favour of authorising insurance subsidy payments to Americans regardless of where they purchased their plans.

This was marginally offset by the fund's allocation to UK education publishing company, Pearson as their US revenue was affected by losing 3 of the 6 state testing contracts for the Texan Education Authority. Electronic components producer, TE Connectivity and payment services provider, Fidelity National Information Services also underperformed over the quarter.

Performance Summary to 30 June 2015 [ii]

	3 Months (%)	12 Months (%)	Since Inception*
Fund	-3.8	21.1	18.6
Benchmark	-5.3	9.5	8.5
Relative	1.6	10.6	9.3

* Inception date 16 Apr 2013.

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

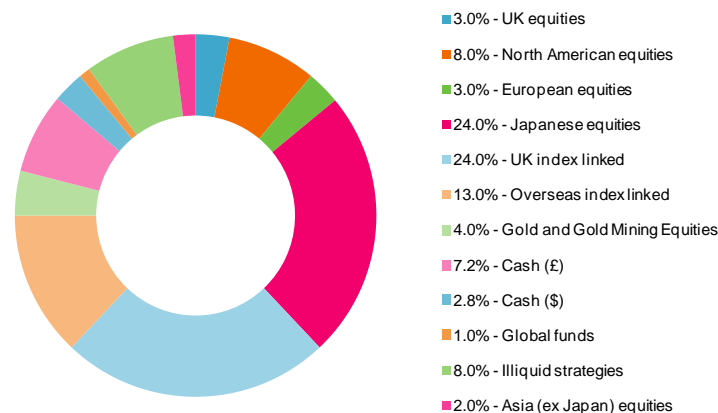
Ruffer - Absolute Return

HR View Comment & Rating



We rate Ruffer '5 - Preferred strategy'. There were no significant changes over the quarter to end of June 2015.

Asset Allocation



Performance Attribution Comment

The absolute return portfolio returned 0.2% over the three months to June 2015, marginally outperforming the proxy target by 0.1%. The portfolio remains comfortably ahead of target over all longer periods considered.

Japanese equities were one of the key drivers of performance for the fund over Q2 as the stock market in Japan outperformed all other developed markets. The financial sector in Japan, specifically the banking industry gained over the quarter with financial groups Mizuho and SMFG outperforming. This gain was due to growing investor confidence as management focused on profitability and shareholder dividends. Another contributor was the fund's option protection (in the form of 'swaptions') which increased in value as yields rose over the quarter. These provided a protection layer for the index-linked bonds which fell in value at the start of May due to rising yields.

Negative contributors throughout the quarter included the decline of the Japanese yen and the US dollar relative to sterling. As the UK general election saw an unexpected majority result and the continued strengthening of the sterling, the pound rose against the dollar and the yen by 6% and 8% respectively. However, the fund was not significantly affected by this depreciation as the manager had hedging in place to minimise the currency risk. The fund's allocation to long dated UK index-lined bonds detracted from returns due to the decline of the bond market.

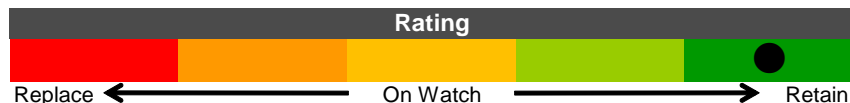
Performance Summary to 30 June 2015 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	0.2	11.5	8.8	6.7
Benchmark	0.1	0.5	0.5	0.6
Relative	0.1	11.0	8.3	6.1

* Inception date 06 May 2010.

Newton - Absolute Return

HR View Comment & Rating



We rate Newton at '5 - Preferred strategy'. As at the end of the second quarter the Real Return strategy had assets under management of £12.8bn. 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.

Newton recently announced that its CIO, Simon Pryke, is leaving the firm. Pryke has been in the role for just over 3 years and has been involved in many of the recent organisational changes at the firm. There will be no direct CIO replacement. Instead Charles French, who has been with Newton for 15 years, will assume a Head of Investment role, which will focus on the successful functioning of the investment process; he will report to Chief Executive Officer, Helena Morrissey. There will be no change to the investment process as a result of Pryke's departure and French's appointment. At this point all our Newton ratings are unchanged by this news.

Performance Attribution Comment

Newton's Real Return Fund returned -2.8% over the second quarter of 2015, underperforming the proxy target by 2.9%. Over 12 months and 3 years the Fund lags the LIBOR +4% target but since inception, it outperformed.

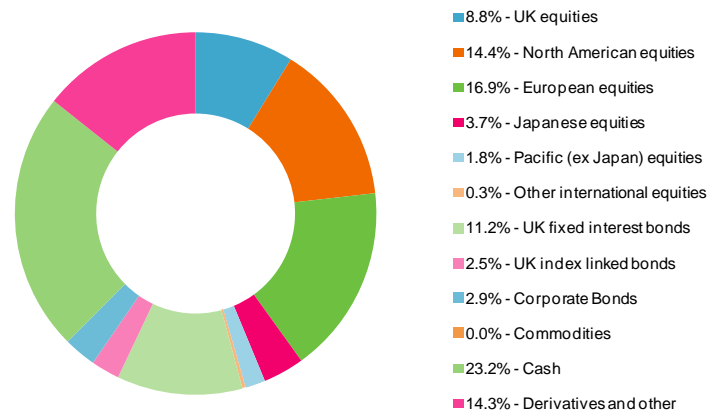
As global equity markets fell over the quarter, the Fund's equity exposure had a detrimental effect on performance, specifically in the customer services, health care and telecommunications sectors. Within these sectors, holdings in global information company Wolters Kluwer and publishing multinational Reed Elsevier were among the worst performers. The marginal allocation to high yield corporate debt also had a negative impact on overall Fund performance, affected in part by the weakened US dollar. Global bond yields rose over the quarter, driving prices downwards which negatively impacted the holdings in government bonds, specifically US and Australian sovereign debt. The Fund's gold exposure continues to detract with the precious metal down 12% this year, and the negative return exacerbated by Sterling strength against the US Dollar.

This was marginally offset by the Fund's marginal exposure to infrastructure in the UK and renewable energy which were incrementally positive overall. As the pound appreciated considerably against the US dollar, Japanese yen and the New Zealand dollar, the manager's decision to implement hedging against the strength of the Fund's base currency, drove performance.

[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] [i]}



Performance Summary to 30 June 2015 ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-2.8	2.5	3.7	5.0
Benchmark	0.1	0.5	0.5	0.6
Relative	-2.9	2.0	3.2	4.4

* Inception date 06 May 2010.

M&G - Bonds

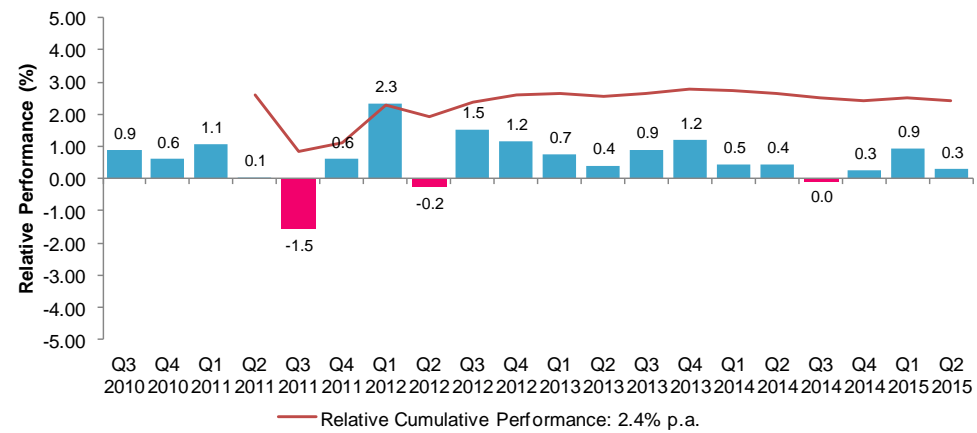
HR View Comment & Rating



M&G is rated '5 - Preferred strategy' for fixed income.

No significant changes to report over the quarter to end June 2015.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

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 allocation to each and have 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.

The Alpha Opportunities fund delivered a positive absolute return of 0.4% over the quarter, ahead of the LIBOR benchmark by 0.3%. The corporate bond fund returned -5.3% during Q2, outperforming the benchmark by 0.3%. Aggregate performance from the two bond funds outperformed the composite benchmark during the second quarter of 2015. Over 12 months, 3 years and 5 years, aggregate relative performance was ahead of the benchmark.

Performance Summary to 30 June 2015 ^{[1] [2]}

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-3.2	5.5	6.8	6.8
Benchmark	-3.5	4.0	3.9	4.3
Relative	0.3	1.5	2.8	2.4

[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: [1] DataStream, Hymans Robertson

M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute Benchmark	-5.3	0.4	-3.2
		-5.6	0.1	-3.5
	Relative	0.3	0.3	0.3
12 Months (%)	Absolute Benchmark	8.2	1.6	5.5
		7.8	0.5	4.0
	Relative	0.4	1.1	1.5
3 Years (% p.a.)	Absolute Benchmark	7.9	5.1	6.8
		7.1	0.5	3.9
	Relative	0.8	4.6	2.8
5 Years (% p.a.)	Absolute Benchmark	8.3	4.7	6.8
		7.6	0.6	4.3
	Relative	0.7	4.1	2.4

Source: [i] DataStream, Hymans Robertson



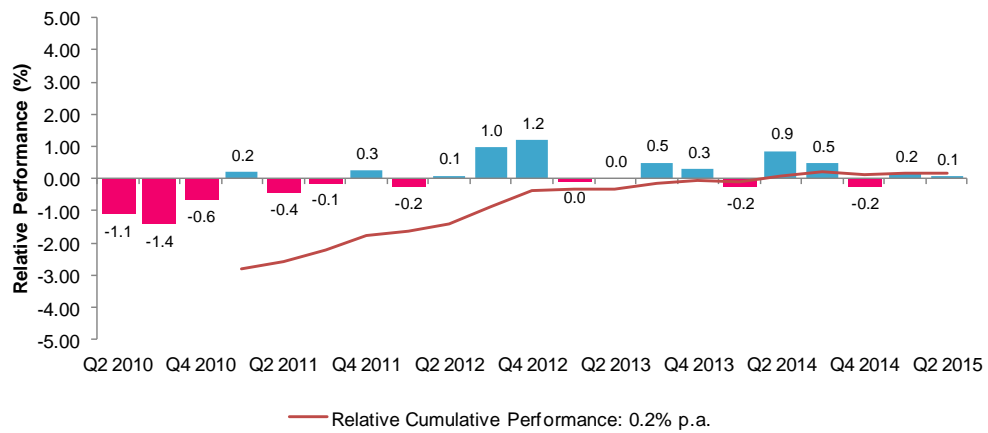
Schroders - Property

HR View Comment & Rating



There were no significant changes to report over the quarter to 30 June 2015.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

The Schroders property mandate marginally outperformed the benchmark over the quarter returning 3.4% in absolute terms. The mandate remains ahead of benchmark since inception.

Throughout the second quarter of 2015, the property market continued to deliver strong capital growth. The office sector drove market performance due to continuing rental growth. The Industrial sector also delivered positive absolute performance, with the Industrial Property Investment Fund in particular outperforming the IPD benchmark.

On the other hand, retail funds lagged the benchmark over the quarter, although the manager's strategy is to reduce holdings in this area.

Performance Summary to 30 June 2015 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	3.4	16.1	12.3	9.3
Benchmark	3.3	15.5	10.8	8.9
Relative	0.1	0.5	1.4	0.4

* Inception date 20 Feb 2010.

Source: [i] DataStream, Hymans Robertson

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	0.6	-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.0	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5	0.5	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0	0.2	-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0	1.1	-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	0.3	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	0.1	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-1.3	-	-	-	-	-	-	-	-	-	-
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	0.2	0.0	1.0	2.8	-0.1	5.0	0.2	8.0	-0.4

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	-1.3	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	-	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	0.0	1.3	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-	100.0	0.0
Absolute Return Bonds	-	-	-	-	-	-	37.5	1.3	-	-	-	-
Proportion of Total Assets	12.0	-2.0	15.0	-0.4	5.0	1.2	6.5	0.0	1.0	0.5	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	-3.7	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	100.0	0.0
Private Equity	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	100.0	0.0	100.0	0.0	-	-	-	-	-	-
Cash	-	-	-	-	0.0	3.7	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	10.0	-0.9	10.0	-0.4	10.0	1.6	10.0	0.3	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, 53% 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.

