

East Sussex Pension Fund

Review of Investment Managers' Performance for Fourth Quarter of 2015



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For and on behalf of Hymans Robertson LLP
January 2016

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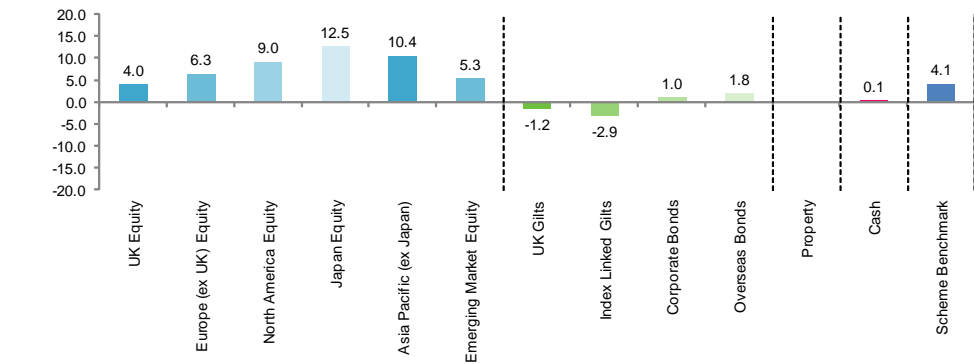
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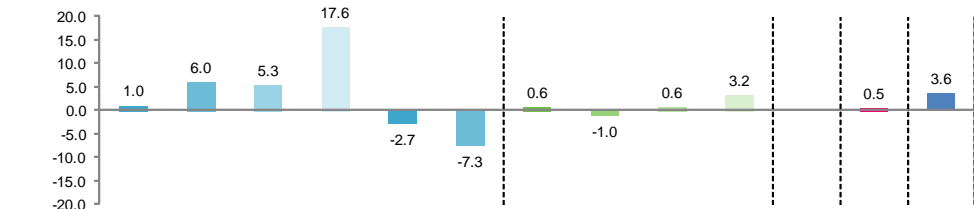
Historic Returns for World Market to 31 December 2015

Historic Returns - Chart 1 ^[1] ^[i]

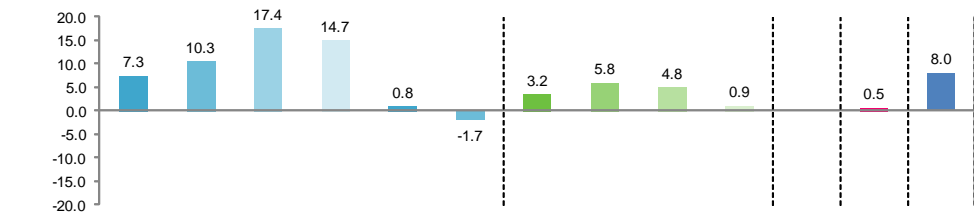
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Comment

Global equity markets rebounded strongly from the setback of Q3, with the FTSE All World index returning 8.1%. In the UK the FTSE All Share index rose by 4.0%; in the US, the S&P 500 index increased by 10.0%. The defensive qualities of government bonds were in less demand and they delivered negative returns over the period.

Economic news was varied. The US and China appeared to be slowing, while Japan and Eurozone showed signs of improvement. There was no relief for oil exporting countries as oil prices fell to their lowest level in seven years. Brent crude finished the year just above \$35 per barrel, less than one-third of its mid-2014 highs.

There was growing divergence in the policies of major central banks. In response to stubbornly low inflation, the European Central Bank extended its monthly €60bn quantitative easing programme by six months and cut its overnight deposit rate from -0.2% p.a. to -0.3% p.a. Many had expected more drastic measures. After almost a decade of no change, the Federal Reserve raised US interest rates from 0.25% p.a. to 0.50% p.a. Continuing labour market strength had made this all but inevitable and market reaction was muted. In the UK, the Bank of England hinted that a rise in UK interest rates was unlikely until much later this year.

Key events during the quarter included:

Global Economy

- December's rise in US interest rates was the first for nearly 10 years.
- In November's Inflation Report, the Bank of England indicated that UK interest rates were unlikely to rise until late 2016.
- Oil prices fell to their lowest levels in seven years, finishing the year just above \$35 per barrel.
- Slowdown in the Chinese economy continued with GDP growth falling below 7% for the first time since 2009.
- Cyclical commodities such as industrial metals and energy have particularly suffered from China's slowdown.

Equities

- The strongest sectors relative to the FTSE All World Index were Technology (+3.2%) and Health Care (+2.0%); the weakest were Oil & Gas (-2.0%) and Utilities (-3.9%).
- Japan was the strongest performer during the quarter; while Emerging Markets were again the weakest.

Bonds and currencies

- Sterling was broadly flat against the Euro but weakened against the Dollar and Yen.
- UK gilts fell (yields rose) as equity markets rallied and investors switched to higher risk assets.

[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 %
	Q3 2015	Q4 2015			
Global Equity	951.6	1041.8	38.6	38.0	0.6
UK Equity	252.2	262.2	9.7	12.0	-2.3
Fixed Interest	107.4	107.9	4.0	3.5	0.5
Index-Linked Gilts	143.0	138.3	5.1	5.0	0.1
Property	306.9	322.9	12.0	10.0	2.0
Infrastructure	43.9	45.5	1.7	2.0	-0.3
Private Equity	162.0	162.0	6.0	5.5	0.5
Absolute Return Funds	483.2	485.5	18.0	20.0	-2.0
Cash	79.2	53.7	2.0	0.0	2.0
UK Financing Fund	10.6	10.7	0.4	1.0	-0.6
Absolute Return Bonds	66.7	67.2	2.5	3.0	-0.5
Total Client	2606.8	2697.7	100.0	100.0	

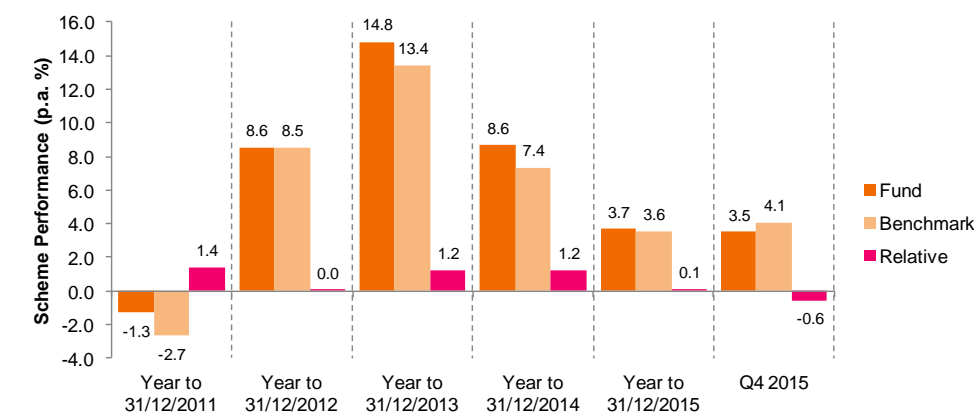
Fund performance [2]

Over the fourth quarter of 2015, the Fund's more growth oriented elements generated positive absolute performance. As expected in such an environment, the Fund's more defensive elements did less well.

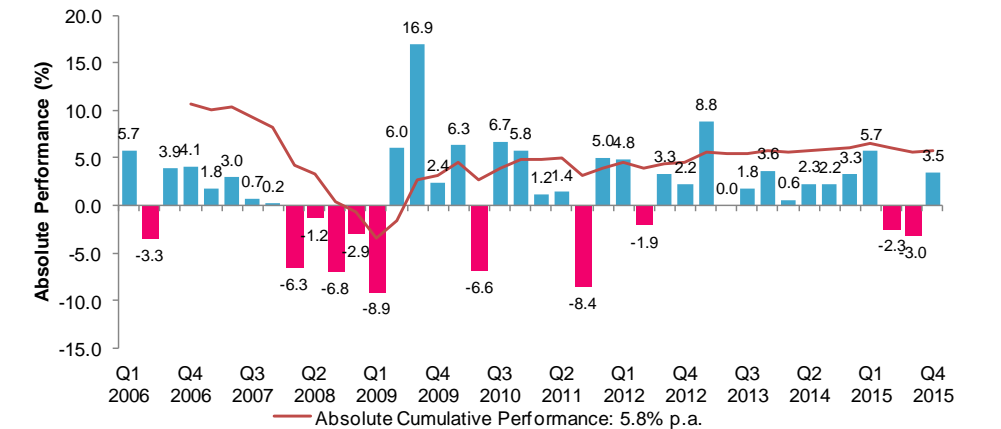
The Fund underperformed the aggregate benchmark over the quarter, returning 3.5% in absolute terms, against a benchmark return of 4.1%. Over the twelve month period to end December 2015, the Fund delivered a positive relative return of 0.1%.

Ruffer's Absolute Return Fund and Longview's Global Equity Fund underperformed over the quarter. This was partially offset by outperformance from the Newton Real Return Fund. All passive funds performed in line with their benchmarks.

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). Cash figure includes c£0.1m of residual cash in the Lazard custody account., [2] Total Fund return is estimated. Historical returns are backdated with WM figures.

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

Summary of Mandates

Manager Summary ^[1]

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
L&G - Global Equities	Passive	11 May 2010	FTSE All World	Track index	<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)	+3% (gross of fees) over rolling 3 year periods	<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 A Index-linked Gilts Over 5 Years	Track index	<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

There were no changes to manager ratings over the fourth quarter of 2015. On 24 November 2015 the Trustees terminated the Lazard Global Equity mandate. The assets were split 50:50 and transferred to the Legal and General Global Equity Fund and the State Street Fundamental Indexation Global Equity Fund.

The Fund continues to be underweight to UK equity. Property and cash remain overweight. The Absolute Return Funds remain underweight due in part to the recent strong performance of equities.

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

	3 months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-3.0	4.0	8.8	7.3
WM average Local Authority	-2.9	2.2	7.3	6.2
Relative	-0.1	1.8	1.4	1.0

[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 30 September 2015.

Source: [1] WM/State Street

Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2015	Q4 2015			
L&G - Global Equities	193.6	402.8	14.9	15.5	-0.6
Lazard - Global Equities	358.3	0.0	0.0	0.0	0.0
Longview - Global Equity	162.2	170.6	6.3	5.0	1.3
State Street - Fundamental Indexation	255.4	468.4	17.4	17.5	-0.1
L&G - UK Equities	252.2	262.2	9.7	12.0	-2.3
Newton - Absolute Return	240.1	243.8	9.0	10.0	-1.0
Ruffer - Absolute Return	243.1	241.7	9.0	10.0	-1.0
L&G - 5yr ILG	143.0	138.3	5.1	5.0	0.1
M&G - Bonds	174.1	175.1	6.5	6.5	-0.0
Schroder - Property	320.8	325.7	12.1	10.0	2.1
M&G - Infrastructure Fund	22.8	25.2	0.9	1.0	-0.1
UBS - Infrastructure	21.1	20.2	0.8	1.0	-0.2
Adams Street - Private Equity	85.1	85.0	3.2	2.8	0.4
HarbourVest - Private Equity	76.9	77.0	2.9	2.8	0.1
M&G - UK Financing Fund	10.6	10.7	0.4	1.0	-0.6
Cash account	47.4	50.9	1.9	0.0	1.9
Total	2606.8	2697.7	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	8.2	8.5	5.4	6.9	4.0	1.3	-0.7	-3.3	0.7	3.1	3.5
	Benchmark	8.1	7.6	7.9	7.0	4.0	0.1	0.1	-3.3	0.3	3.1	4.1
	Relative	0.0	0.8	-2.4	0.0	0.0	1.2	-0.8	0.0	0.3	0.0	-0.6
12 Months (%)	Absolute	4.1	1.5	7.3	0.3	1.1	1.8	-2.4	-4.3	0.3	13.3	3.7
	Benchmark	4.1	3.6	3.3	0.2	1.0	0.5	0.5	-4.3	-0.3	12.8	3.6
	Relative	0.0	-2.0	3.9	0.1	0.2	1.4	-2.9	0.0	0.6	0.5	0.1
3 Years (% p.a.)	Absolute	11.9	9.8	15.7	4.7	7.4	4.1	5.4	N/A	4.5	13.8	8.9
	Benchmark	11.9	11.7	7.4	4.7	7.3	0.5	0.5	N/A	2.7	13.0	8.0
	Relative	0.1	-1.7	7.7	0.0	0.1	3.6	4.9	N/A	1.7	0.7	0.8
10 Years (% p.a.)	Absolute	8.7	7.6	N/A	N/A	4.8	4.7	4.8	N/A	5.4	9.6	5.8
	Benchmark	8.6	9.2	N/A	N/A	4.6	0.6	0.6	N/A	3.8	9.2	5.4
	Relative	0.1	-1.4	N/A	N/A	0.2	4.1	4.2	N/A	1.5	0.4	0.4

[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; since inception for Lazard to termination 24 November 2015.

Source: [i] DataStream, Hymans Robertson

Performance Summary (net of fees)

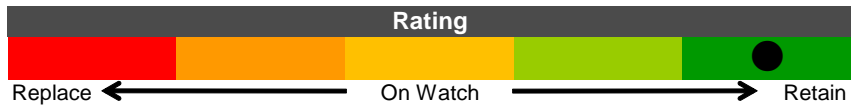
Performance Summary (net of fees) [1] [i]

		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	8.1	8.3	5.2	6.9	4.0	1.2	-0.9	-3.4	0.6	3.0	3.4
	Benchmark	8.1	7.6	7.9	7.0	4.0	0.1	0.1	-3.3	0.3	3.1	4.1
	Relative	0.0	0.7			0.0	1.1			0.2		
12 Months (%)	Absolute	4.0	0.8	6.7	0.2	1.1	1.2	-3.2	-4.6	-0.1	13.1	3.3
	Benchmark	4.1	3.6	3.3	0.2	1.0	0.5	0.5	-4.3	-0.3	12.8	3.6
	Relative			3.3	0.0	0.1	0.8			0.2	0.3	
3 Years (% p.a.)	Absolute	11.8	9.1	15.0	4.6	7.4	3.5	4.6	N/A	4.1	13.6	8.6
	Benchmark	11.9	11.7	7.4	4.7	7.3	0.5	0.5	N/A	2.7	13.0	8.0
	Relative			7.1			3.0	4.1		1.3	0.5	
10 Years (% p.a.)	Absolute	8.6	7.0	N/A	N/A	4.8	4.1	4.0	N/A	5.2	9.4	5.7
	Benchmark	8.6	9.2	N/A	N/A	4.6	0.6	0.6	N/A	3.8	9.2	5.4
	Relative			N/A	N/A	0.1	3.5	3.4		1.4	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. Since inception for Lazard to termination 24 November 2015.

Legal and General - UK and Global Equities

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for passive equities.

Performance Attribution Comment

Both the Legal and General Global and UK equity mandates performed in line with their benchmarks over the quarter.

The UK equity fund delivered a positive absolute return of 4.0% over the quarter. Long term fund performance remains positive and in line with the benchmark at both 3 years and since the mandate's inception.

The Global equity fund delivered a positive absolute return of 8.2%, just marginally ahead of it's benchmark. Over the 3 year period, fund performance remains positive and broadly in line with the FTSE All World Index.

Following the termination of Lazard's global equity mandate, c£192m was invested in the L&G Global Equity fund during December.

L&G UK Fund Performance [i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.0	1.1	7.4	4.8
Benchmark	4.0	1.0	7.3	4.6
Relative	0.0	0.2	0.1	0.2

* Inception date 21 November 2007

L&G Global Fund Performance [ii]

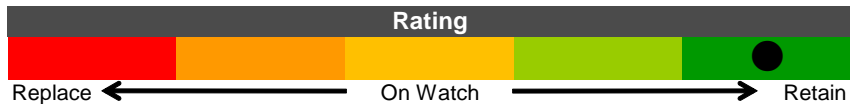
	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	8.2	4.1	11.9	8.7
Benchmark	8.1	4.1	11.9	8.6
Relative	0.0	0.0	0.0	0.1

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

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

Legal and General - 5 year ILG

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for passive fixed income.

Performance Summary - Table [i]

	3 Months (%)	Since Inception*
Fund	-3.3	-4.3
Benchmark	-3.3	-4.3
Relative	0.0	0.0

* Inception date 11 Mar 2015.

Performance Attribution Comment

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

The fund delivered a negative absolute return of -3.3% over the quarter in a period where 'safe haven' assets underperformed equities. Absolute returns remain negative since inception.

Source: [i] DataStream, Hymans Robertson



State Street - Fundamental Indexation

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager'.

Performance Summary - Table

	3 Months (%)	12 Months (%)	Since Inception*
Fund	6.9	0.3	4.7
Benchmark	7.0	0.2	4.7
Relative	-0.0	0.1	-0.0

* Inception date 06 Aug 2013.

Performance Attribution Comment

Over the quarter, State Street's Fundamental Indexation Fund performed broadly in line with its benchmark returning a positive absolute value of 6.9%. The fund remains in line with the benchmark over the long term.

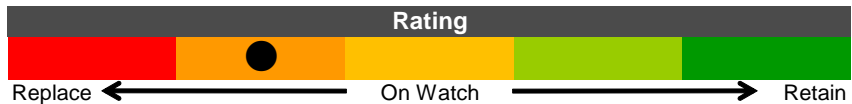
RAFI moderately underperformed the equivalent cap weighted index in Q4 2015.

Following the termination of Lazard's global equity mandate, c.£192m was invested in the State Street Fundamental Indexation Fund during December.



Lazard - Global Equity

HR View Comment & Rating

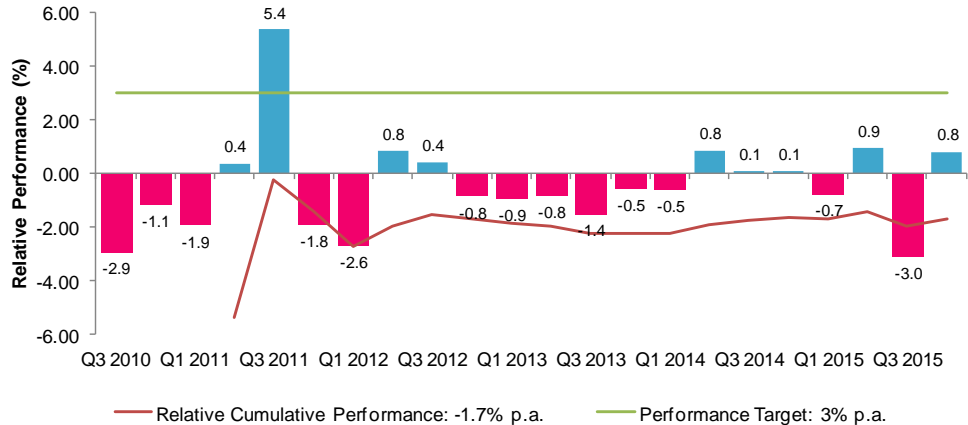


On 24 November 2015 the Trustees terminated the Lazard Global Equity mandate. The assets were split 50:50 between the Legal and General Global Equity Fund and the State Street Fundamental Indexation Fund.

Performance Attribution Comment

From 30 September 2015 to 24 November 2015, the Lazard global equity mandate returned a positive return of 8.5% in absolute terms. The fund outperformed it's benchmark by 0.8%. Long term portfolio performance remained behind benchmark at the point of termination.

Relative Quarterly and Relative Cumulative Performance [i]



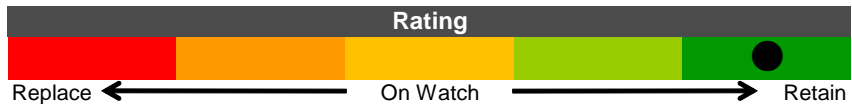
Performance Summary to 31 December 2015 [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	8.5	1.5	9.8	7.6
Benchmark	7.6	3.6	11.7	9.2
Relative	0.8	-2.0	-1.7	-1.4

* Inception date 26 May 2010.

Longview - Global Equity

HR View Comment & Rating



During the quarter, Phil Corbet, Managing Director of Longview, announced his retirement after 41 years in the financial industry. Phil has been replaced by Barbara Sanderson who joined Longview last year and previously worked as a consultant at State Street and an advisor at Profit&Non-Profit Finance. Also during the quarter, Stuart Tostevin joined the Board at Longview as an Executive Director after joining the company in 2014. Prior to this, Stuart worked at Fauchier Partners for 10 years.

We continue to rate the manager '5 - Preferred Manager'.

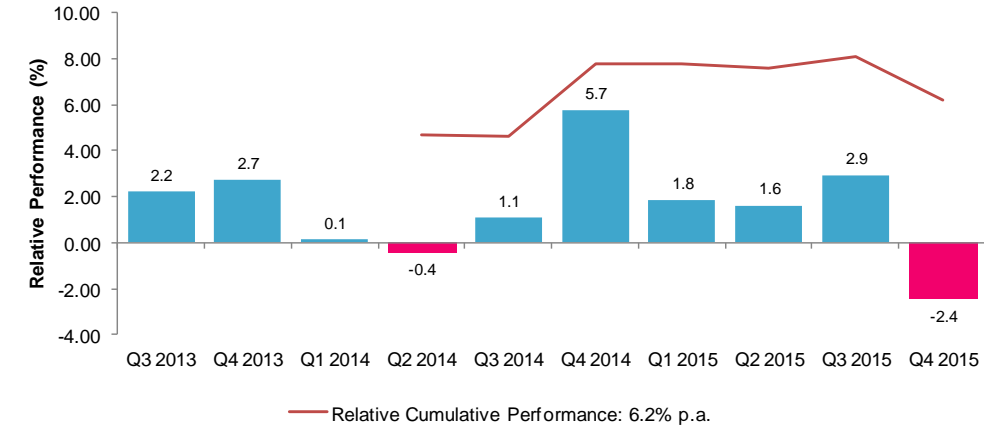
Performance Attribution Comment

The mandate underperformed the benchmark by -2.4% over the final quarter of 2015, delivering 5.4% in absolute terms. Longer term performance remains comfortably ahead of the benchmark.

The mandate's zero weight to the Energy sector, had a positive impact on relative performance as did the overweight to the IT sector. Software company SAP was the top individual contributor to mandate performance over the quarter as they reported strong earnings growth in its expanding Cloud business. Other contributors included tyre manufacturer Continental, who benefitted from a reduction in Chinese Sales Tax.

Detractors from performance included publishing firm Pearson. Pearson looked to be performing well during the first half of the year, but has since declined as a result of the decline in the US college book business. Having reviewed Pearson, Longview downgraded the quality rating and sold their position. Having been amongst the best performing stocks in the third quarter, U.S. auto parts retailer Advance Auto Parts underperformed in the fourth quarter after reporting disappointing third quarter earnings and announcing the departure of the CEO. Stock selection within the Consumer Discretionary and Healthcare sectors also had a negative impact on mandate performance.

Relative Quarterly and Relative Cumulative Performance [i]



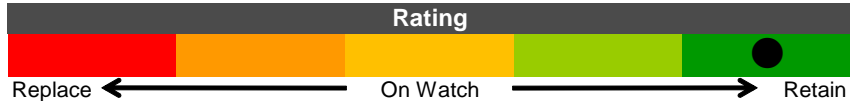
Performance Summary to 31 December 2015 [ii]

	3 Months (%)	12 Months (%)	Since Inception* (%)
Fund	5.4	7.3	15.7
Benchmark	7.9	3.3	7.4
Relative	-2.4	3.9	7.7

* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



We continue to rate Ruffer '5 - Preferred Manager'.

There were no significant changes to report over the quarter to 31 December 2015.

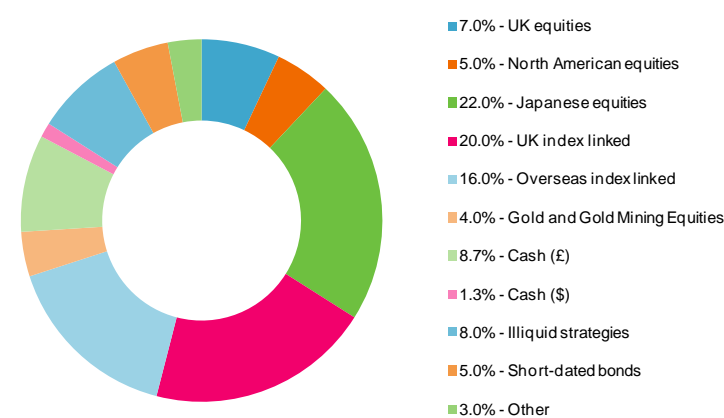
Performance Attribution Comment

The Ruffer Absolute Return Fund underperformed its benchmark over the quarter, returning -0.7% in absolute terms. The Fund has underperformed the benchmark over the year, but remains ahead over 3 years and since inception.

The Fund made gains during the first month of the quarter but these were more than offset by losses in the final two months to December. The allocation to index-linked gilts had a negative impact on relative returns as bond yields rose in anticipation of an increase in US interest rates. Ruffer have retained this defensive position in the expectation of higher inflation and negative real yields. The Fund's protection option strategies also detracted from performance as equity markets rebounded following the sell-off in Q3. A number of equity holdings in banking and commodities stocks underperformed the broader equity market.

The Fund's holding in Japanese equities had a positive impact on fund performance as the region rebounded following a disappointing Q3. Equity holdings in other regions including the US, Europe and the UK also had a small positive impact on relative performance. The Fund's weighting in equities is now at a historic low of c35%.

Asset Allocation



Performance Summary to 31 December 2015 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-0.7	-2.4	5.4	4.8
Benchmark	0.1	0.5	0.5	0.6
Relative	-0.8	-2.9	4.9	4.2

* Inception date 06 May 2010.

Newton - Absolute Return

HR View Comment & Rating



During Q4 2015 James Harries, the alternate manager for the Real Return strategy, resigned. Although Harries was the alternate lead for the strategy, it is Iain Stewart that has had overall responsibility for managing the Real Return Fund since its launch in 2004 and Matthew Brown has also supported Stewart as an investment manager since then. While the Fund draws on a range of inputs from various investment teams at the firm, we believe that the success, or otherwise, is still heavily reliant on Iain Stewart, and as we have previously communicated there is therefore a high level of key man risk.

In our view we do not think this warrants a downgrade of our manager rating. Firstly because we still view Iain Stewart as the key decision maker for the Real Return strategy and, secondly because we believe there is a 'Newton' approach to investing and that is demonstrated throughout the firm. We intend to monitor developments closely. We will update our views accordingly.

Performance Attribution Comment

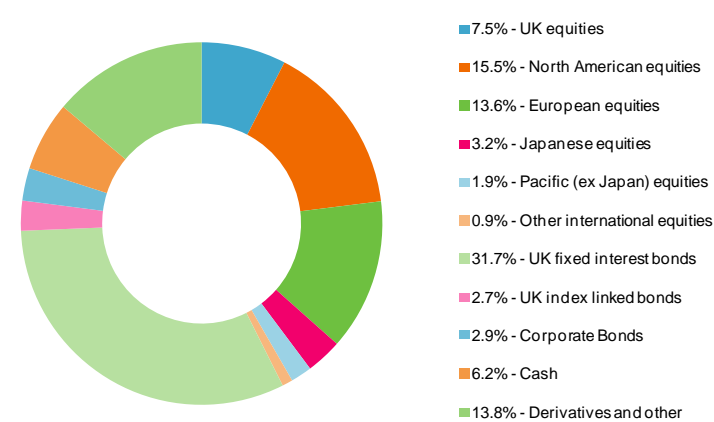
Over the quarter the Real Return Fund returned 1.3% in absolute terms, ahead of the LIBOR +4% target. Over 12 months and 3 years the Fund lags the LIBOR +4% target but since inception is in line with the target.

Following significant volatility and sell-offs during Q3, equity markets rebounded over the final quarter of 2015. The fund's return-seeking "core" had a positive impact on performance. Equities form a large proportion of this core and the quarter saw strong performance from its technology and pharmaceutical holdings. The allocation to alternative assets, including infrastructure and renewable energy assets, also contributed to fund performance as did the exposure to commodity related companies including Barrick Gold and Yamana Gold.

The fund's protection strategies had a negative impact on relative returns as risk assets delivered strong positive performance.

During the quarter the fund reduced its cash holdings and increased its government bond holdings. The manager also trimmed the equity holdings in Microsoft and SAP following a period of significant outperformance.

Asset Allocation ^[1] ^[i]



Performance Summary to 31 December 2015 ^[ii]

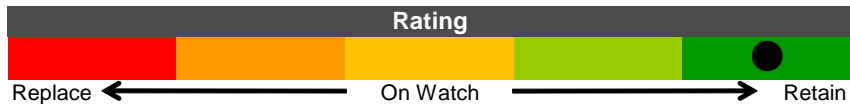
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	1.3	1.8	4.1	4.7
Benchmark	0.1	0.5	0.5	0.6
Relative	1.2	1.4	3.6	4.1

* Inception date 06 May 2010.

[1] The Fund maintains a high level of derivatives protection. On a notional basis, 30% of the Fund is protected.

M&G - Bonds

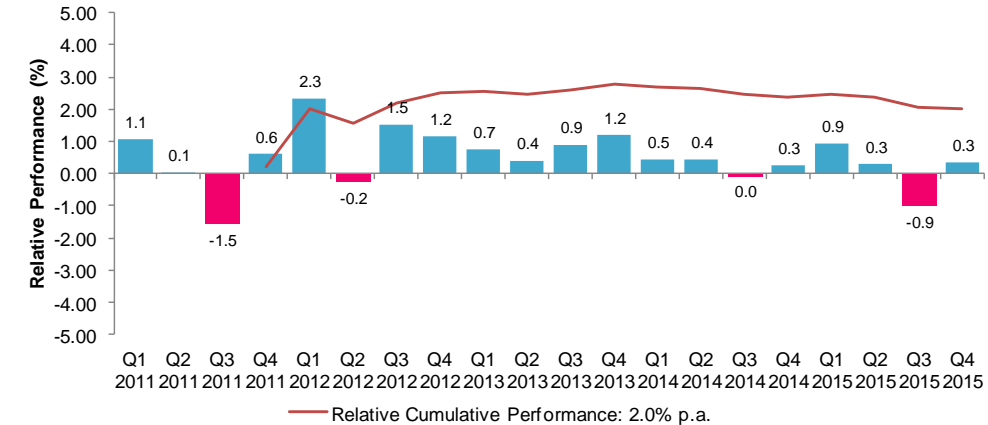
HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for fixed income.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

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

The Alpha Opportunities fund delivered a positive absolute return of 1.0% over the quarter outperforming the LIBOR benchmark by 0.8%. The Corporate Fund also delivered a positive absolute return of 0.5% matching its benchmark.

Aggregate performance of the two funds was positive and outperformed the aggregate benchmark by 0.3%. The aggregate performance is consistently ahead of benchmark over the longer periods of one, three and five years.

Performance Summary to 31 December 2015 ^[1] ^[2]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.7	0.3	4.5	6.2
Benchmark	0.3	-0.3	2.7	4.1
Relative	0.3	0.6	1.7	2.0

[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]

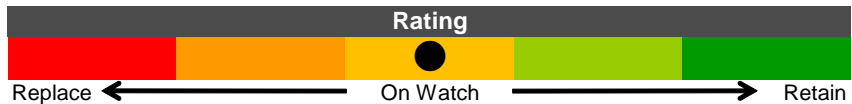
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute	0.5	1.0	0.7
	Benchmark	0.5	0.1	0.3
	Relative	0.0	0.8	0.3
12 Months (%)	Absolute	-0.2	1.2	0.3
	Benchmark	-0.4	0.5	-0.3
	Relative	0.1	0.7	0.6
3 Years (% p.a.)	Absolute	5.2	3.2	4.5
	Benchmark	4.9	0.5	2.7
	Relative	0.4	2.8	1.7
5 Years (% p.a.)	Absolute	7.9	3.9	6.2
	Benchmark	7.4	0.6	4.1
	Relative	0.5	3.3	2.0

Source: [i] DataStream, Hymans Robertson



Schroders - Property

HR View Comment & Rating



Over the quarter, there has been further change to the Schroder RECaP business. Keeran Kang and Gianlorenzo Polella have both left the business to respectively join Partners Group and a Sovereign Wealth Fund. In line with their previously stated intentions, Schroder has recruited to replace previous departures with Nick Prince joining as a Senior Analyst from Aviva and Alice Russell joining as a graduate recruit. Schroder also note that an offer has been made to an experienced portfolio manager. From an investment perspective, Schroder RECaP has added to its range of partnership funds with the addition of a regional office fund.

We currently retain our rating at '3 - On Watch', although this is presently under review.

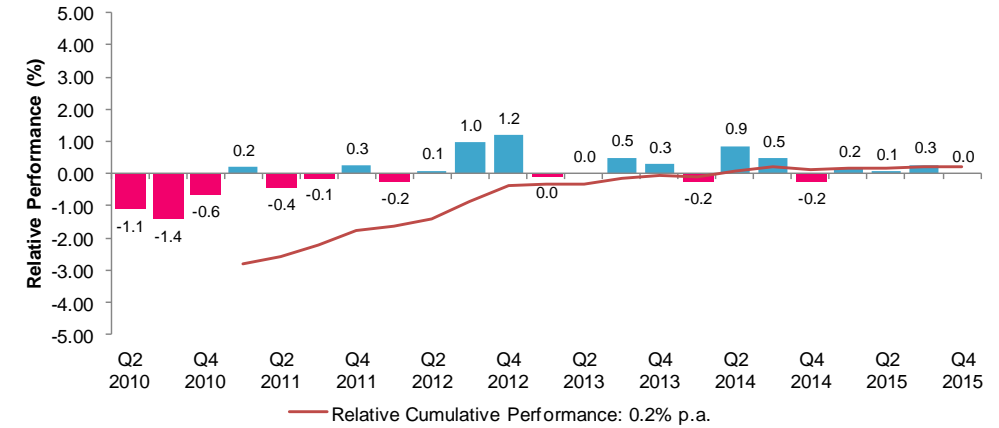
Performance Attribution Comment

Performance information was not available at the time of writing this report.

The IPD quarterly weighted average benchmark for Q4 has been used as a proxy for actual and benchmark performance.

We will issue an updated report once this information becomes available.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 31 December 2015 [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception*
Fund	3.1	13.3	13.8	9.6
Benchmark	3.1	12.8	13.0	9.2
Relative	0.0	0.5	0.7	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	<div><div></div><div></div><div>0.6</div></div>	-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.3 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5	<div><div></div><div></div><div>0.5</div></div>	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0	<div><div></div><div></div><div>0.1</div></div>	-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0	<div><div></div><div></div><div>2.0</div></div>	-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-0.3 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	<div><div></div><div></div><div>0.5</div></div>	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-2.0 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Cash	0.0	<div><div></div><div></div><div>2.0</div></div>	-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-0.6 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.5 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.4	0.0	1.9	2.8	0.1	5.0	0.1	15.5	-0.6



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	L&G - UK Equities		Longview - Global Equity		M&G - Bonds		M&G - Infrastructure Fund		M&G - UK Financing Fund		Newton - Absolute Return	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	-	-	100.0	0.0	-	-	-	-	-	-	-	-
UK Equity	100.0	0.0	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	62.6	-0.9	-	-	-	-	-	-
Index-Linked Gilts	-	-	-	-	-	-	-	-	-	-	-	-
UK Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	100.0	0.0	-	-	-	-
Private Equity	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	-	-	-	-	-	-	-	-	-	-	100.0	0.0
Cash	-	-	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	100.0	0.0	-	-
Absolute Return Bonds	-	-	-	-	37.5	0.9	-	-	-	-	-	-
Proportion of Total Assets	12.0	-2.3	5.0	1.3	6.5	0.0	1.0	-0.1	1.0	-0.6	10.0	-1.0



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	Ruffer - Absolute Return			Schroder - Property			State Street - Fundamental Indexation			UBS - Infrastructure		
	Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %	
Global Equity	-		-	-		-	100.0		0.0	-		-
UK Equity	-		-	-		-	-		-	-		-
Fixed Interest	-		-	-		-	-		-	-		-
Index-Linked Gilts	-		-	-		-	-		-	-		-
UK Property	-		-	100.0	-0.8		-		-	-		-
Infrastructure	-		-	-		-	-		-	100.0		0.0
Private Equity	-		-	-		-	-		-	-		-
Absolute Return Funds	100.0		0.0	-		-	-		-	-		-
Cash	-		-	0.0	0.8		-		-	-		-
UK Financing Fund	-		-	-		-	-		-	-		-
Absolute Return Bonds	-		-	-		-	-		-	-		-
Proportion of Total Assets	10.0	-1.0		10.0	2.1		17.5	-0.1		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), 9% Japan and 8% 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.

