

Fund Objective

Our investment objective is to achieve a return of 3 per cent over and above the return on Cash over a rolling five year period. We use the Sterling OverNight Index Average (SONIA) measure for Cash.

The NOW: Pensions DGF is designed to achieve a risk exposure in line with a 60% equity / 40% bond portfolio, but in a more diversified way. In order to achieve this target, we utilise an approach to investing that is based on diversification of risk rather than traditional asset allocation. Risk diversification is achieved by investing across five different risk classes: Credit, Commodities, Equities, Inflation and Rates. The risk management of the fund is based on a model where control of risk level and diversification are the main tools.

Fund Facts

Fund Name	NOW: Pensions Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	£192m
Fund Launch Date	18th December 2012
Annual Management Charge	0.3%
Pricing Basis	Single price
Valuation and Dealing Frequency	Weekly, every Wednesday (excludes UK bank holidays)
Unit Price (30 Mar 16)	127.1025
Base Currency	GBP
Domicile	United Kingdom

Fund Description

The NOW: Pensions DGF adopts a multi-asset diversified strategy to deliver good expected returns in most economic scenarios. The fund is different from traditional approaches to multi-asset investment in that our approach focuses on the risk characteristics of each asset class. Traditional asset allocation approaches often have a high proportion of total risk allocated to equities, while we believe that our risk allocation approach enables us to maximise the benefits of diversification.

The investment strategy offers members exposure to global equity, fixed income, commodities, and credit markets.

The core strategy is centred on the principle that over the long-term, diversification of assets provides higher risk adjusted returns. This approach provides a very simple form of protection because in normal markets, assets with different return characteristics behave in different ways, i.e. some go down and some go up in each economic cycle. The fund is also armed with a set of dynamic strategies which aim to enhance the return secured from the core strategy, while also responding proactively when the portfolio is suffering from adverse market conditions or when the diversification effects within the portfolio weaken.

Member Returns

Five year member returns showing percentage increase or decrease					
	01/01/2011 - 31/12/2011	01/01/2012 - 31/12/2012	01/01/2013 - 31/12/2013	01/01/2014 - 31/12/2014	01/01/2015 - 31/12/2015
NOW: Pensions Diversified Growth Fund	-	-	9.1%	21.7%	-8.0%
60% Equity / 40% Bond Portfolio	3.5%	10.6%	12.0%	9.3%	1.2%
Cash + 3%	3.6%	3.5%	3.5%	3.5%	3.5%

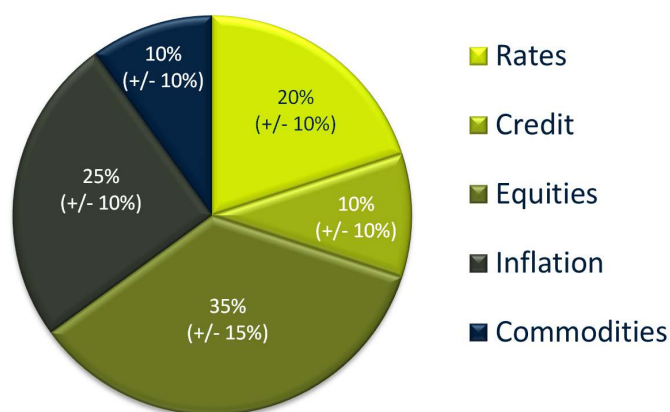
Cumulative member returns showing percentage increase or decrease					
	3 months to 31/03/2016	1 Year to 31/03/2016	3 Years to 31/03/2016	5 Years to 31/03/2016	Launch to 31/03/2016
NOW: Pensions Diversified Growth Fund	1.51%	-9.47%	17.82%	-	23.63%
60% Equity / 40% Bond Portfolio	0.53%	-2.94%	17.66%	40.88%	22.46%
Cash + 3%	0.87%	3.52%	10.87%	18.46%	11.81%

Important Information

Member Returns for the NOW: Pensions DGF during Quarter 4 2013, Quarter 1 and Quarter 2 2014 included extraordinary returns in respect of assets sold by the NOW: Pensions Trust during 2013.

This fact sheet is for member information only and should not be used for marketing purposes.

Target Risk Exposures



Top 10 Holdings

Holding	Allocation
1. EUR Inflation Linked Bond	21.0%
2. UK Inflation Linked Bond	11.6%
3. US Inflation Linked Bond	11.3%
4. UK Long Gilt Future	10.2%
5. US 10yr Note Future	8.8%
6. Euro STOXX 50 Future	6.1%
7. TRS on Equity Risk Premia Strategies	6.0%
8. S&P500 Future	5.8%
9. CDS EUR High Yield	4.8%
10. TRS on Diversified Commodity Basket	3.9%

Market Review

The portfolio had a positive performance of 1.5% in the first quarter. January and February posted small negative returns while almost all the risk classes produced positive performance in March delivering a significant contribution to the year-to-date. The rolling performance over 1 year was -9.70% to the end of March.

All risk classes except Equity delivered positive performance in the first quarter, with the Commodity risk class showing the highest positive performance following significant declines during previous quarters.

The beginning of the quarter saw significant pressure on risk assets. While the Chinese Yuan devaluation in early January and the general poorly communicated foreign exchange (FX) policy sparked the risk-off in global financial markets, other factors such as oil, weak data and 2016 earnings revisions played a bigger role in the continued decline in risk assets. Other macroeconomic themes included the economic and political crisis in Brazil; the spill-over on Emerging Market credits and sovereign bonds as well as the impact on global energy spending in a world where oil might stay close to current levels; the European Union (EU) referendum in the UK, where a 'no' vote could have negative implications for both the UK and Europe; and by how much the Federal Reserve (FED) will hike rates, what the impact will be, and how will other central banks react.

During March risk assets regained investor confidence, reversing the downward trend of previous months. The European Central Bank (ECB) announced further quantitative easing which exceeded market expectations. Included in the QE package was a further cut to deposit rates. Furthermore, monthly assets purchases were increased by €20bn to €80bn in total. Global markets breathed a sigh of relief when the FED decided to leave interest rates unchanged, noting that the FED would watch the markets closely. The FED's remarks were contrary to the US current macroeconomic data, which on the whole was positive, as the FED suggested that the number of rate hikes this year would be reduced from four to two. In the UK, the Bank of England (BoE) kept rates on hold given the uncertainty ahead of the European Union referendum and falling inflation expectations.

Important information

This factsheet has been created by the the Trust Manager on behalf of the NOW: Pensions Trust.

Nothing in this factsheet should be construed as advice and is therefore not a recommendation to buy or sell units. NOW: Pensions has expressed its own views and these may change. The information and opinions contained in this document have been obtained from sources we consider to be reliable. No responsibility can be accepted for errors of fact or opinion. Past performance is not a guide to future performance.

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