Diversified Growth Fund

as at 30 June 2014

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.

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

We use the Sterling OverNight Index Average (SONIA) measure for Cash

Fund Facts

Fund Name	NOW: Pensions Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	Less than £50m
Fund Launch Date	18th December 2012
Annual Management Charge	0.3%
Pricing Basis	Single price
Valuation and Dealing Frequency	Weekly, every Wedsnesday (excludes UK bank holidays)
Unit Price (25-June 14)	132.7435
Base Currency	GBP
Domicile	United Kingdom

Fund Description

The NOW: DGF adopts a multi-asset diversified strategy to deliver good expected returns in most economic scenarios.

- 'Multi asset' means that a significant return is expected to arise from asset classes other than Equities
- 'Diversified' means that not every asset class is expected to produce a high return at the same time.
- The investment strategy offers members exposure to global equity, fixed income, commodities, and credit markets.

The fund is in the family of Risk Parity portfolios. Risk parity is an approach to investing which focuses on allocation of risk (measured by volatility and potential loss), rather than allocation of capital. Our belief is that such portfolios will perform better over the long term. The Fund aims to achieve higher risk-adjusted returns than traditional portfolios in the long term.

Member Returns

Five year member returns showing percentage increase or decrease					
	01/01/2009 - 31/12/2009	01/01/2010 - 31/12/2010	01/01/2011 - 31/12/2011	01/01/2012 - 31/12/2012	01/01/2013 - 31/12/2013
NOW: Pensions Diversified Growth Fund	-	-	-	10.56%	9.10%
60% Equity / 40% Bond Portfolio	15.30%	9.42%	3.62%	10.63%	11.98%
Cash + 3%	3.57%	3.50%	3.54%	3.46%	3.44%

Cumulative member returns showing percentage increase or decrease					
	3 months to 30/06/2014	1 Year to 30/06/2014	3 Years to 30/06/2014	5 Years to 30/06/2014	Launch to 30/06/2014
NOW: Pensions Diversified Growth Fund	8.58%	39.04%	-	-	29.25%
60% Equity / 40% Bond Portfolio	2.90%	12.64%	27.57%	54.05%	16.21%
Cash + 3%	0.86%	3.48%	9.81%	15.84%	5.15%

Important Information

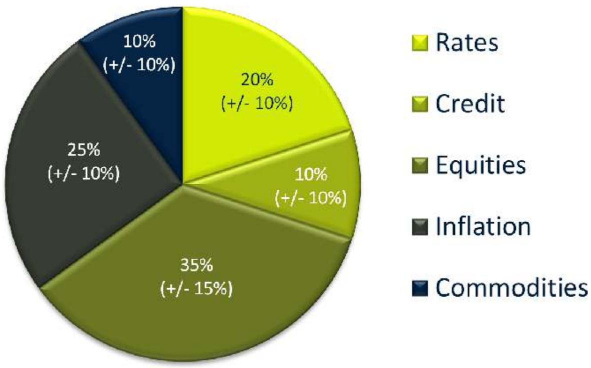
Please note that from 01 Jan 2012 to 31 Dec 2012 NOW: Pensions Investments ran a model portfolio, this entailed making daily decisions concerning implementation of investment strategy, as if the assets had been physically held. Whilst returns are not real all investors in the NOW: DGF during the model portfolio period (01 Jan 2012 to 31 Dec 2012) received this return.

Member Returns for the 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.

Source Morningstar Direct and NOW: Pensions Investment A/S

Target Risk Exposures



Top 10 Risk Holdings

Holding	Risk Allocation
1. Asia-Pacific Equity Index Futures	12.75%
2. STOXX Europe 50 Index Future	12.69%
3. S&P 500 Mini Index Future	12.62%
4. UK Inflation Linked Bond	10.22%
5. German Inflation Linked Bond	10.20%
6. US Inflation Linked Bond	10.12%
7. RADAR Commodity Index	8.42%
8. EUROBUND Future	7.51%
9. US 10YR Note Future	7.51%
10. UK Long Gilt Future	7.45%

Market Review

The DGF had a very strong performance in the second quarter of 2014. The positive risk sentiment in the market was driven by dovish comments from the central banks and the ECB further cutting the official rate by 10 basis points to record lows. The positive sentiment in the market resulted in all risk classes producing a positive return over the quarter.

The Equity risk class was the second best performer producing a 4.3% return over the quarter. The equity markets have been buoyant over the second quarter due to the low interest rate environment providing a positive sentiment in the market. With global economic data picking up and reduced concerns over China's hard landing this helped equity markets over the quarter. We changed our Asian Equity exposure in May from just Japan to include Hong Kong, South Korea and Australia.

The Rates risk class produced a positive return of 2.3% over the quarter. April and May were both good months for the Rates risk class with yields in Germany, UK and the US all falling on the back of dovish comments from the central banks. However, June started with upside pressure on rates but the ECB's decision to cut rates combined with surprising negative macro data and geopolitical risks helped push yields lower.

The Inflation risk class produced a positive return of 1.7% over the quarter. The result was driven by a change from break-even inflation to real yields in May; this helped the positive return with real yields falling in Germany and the US. We initiated a tactical position in inflation-linked bonds at the end of May by underweighting a basket of German, UK and US bonds.

The Credit risk class produced a positive return of 2.3% after strong performance from emerging market bonds and US High Yield in April and May as spreads continued to narrow.

Commodities were the best performing risk class over the quarter with a return of 6.6%, with precious metals, energy and base metals all having a positive performance in June. The diminishing concern over China's future growth potential helped to support industry metals over the quarter and energy prices have been pushed higher by the deepening security situation in Iraq. We have decided to reduce our Oil index position and switch the exposure to a broad diversified Commodity basket.

Important information

This factsheet has been created by the NOW: Pensions Trust. All data within this factsheet is valid at the date of its publication.

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.

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