Diversified Growth Fund

as at 30 June 2015

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	£104m
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 (24 June 15)	138.8623
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. 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 diversifcation effects within the portfolio weaken.

Member Returns

Five year member returns showing percentage increase or decrease

	01/01/2010 - 31/12/2010	01/01/2011 - 31/12/2011	01/01/2012 - 31/12/2012	01/01/2013 - 31/12/2013	01/01/2014 - 31/12/2014
NOW: Pensions Diversified Growth Fund	-	-	-	9.1%	21.7%
60% Equity / 40% Bond Portfolio	9.3%	3.5%	10.6%	12.0%	9.3%
Cash + 3%	3.5%	3.6%	3.5%	3.5%	3.5%

Cumulative member returns showing percentage increase or decrease

	3 months to 30/06/2015	1 Year to 30/06/2015	3 Years to 30/06/2015	5 Years to 30/06/2015	Launch to 30/06/2015
NOW: Pensions Diversified Growth Fund	-2.2%	4.2%	-	-	34.3%
60% Equity / 40% Bond Portfolio	-2.7%	6.5%	29.5%	59.3%	22.7%
Cash + 3%	0.9%	3.5%	10.8%	18.5%	8.9%

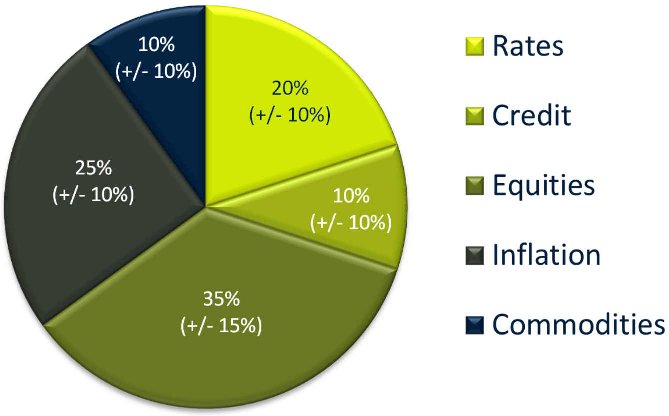
Important Information

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

Target Risk Exposures



Top 10 Holdings

Holding	Allocation
1. EUR Inflation Linked Bond	14.1%
2. UK Inflation Linked Bond	11.1%
3. US Inflation Linked Bond	10.2%
4. STOXX Europe 50 Index Future	9.5%
5. UK Long Gilt Future	9.2%
6. US 10yr Note Future	7.2%
7. EUR Bund Future	6.5%
8. S&P 500 Index Future	5.2%
9. CDS EUR High Yield	5.0%
10. RADAR Commodity Index	3.4%

Market Review

The portfolio had a negative performance of 2.2% in the second quarter. April generated a positive return while May and June both posted negative returns. The rolling 1 year performance to the end of June was 4.2%.

All risk classes delivered a negative performance in the second quarter. The Rates risk class was the worst performer delivering a negative performance in all three months of the quarter. The other four risk classes had mixed performance in the different months.

Following a very weak first quarter, in particular in the US and China, growth indicators picked up somewhat during quarter two indicating improvements in global growth. The US seems to be rebounding from the contraction it experienced during quarter one, and the euro area and Japan seem to be continuing their gradual recovery.

After rallying relentlessly over the past year, bond yields rose sharply during quarter two, led by German bonds. 10 year German yields rose from roughly 0.05% to 1% in a period of two months, pushing yields higher across other developed bond markets. With core inflation rates drifting higher during the quarter, part of the reason for the sharp rise in interest rates, was a pricing out of deflation fears. Other contributing reasons were corrections of positions and poor liquidity.

Towards the end of the quarter interest rates fell back somewhat as Greece once again took centre stage. Negotiations between the Greek administration and the ECB, IMF and the European Commission intensified towards the end of the month. The ECB, which had increased its liquidity assistance to Greece several times during June, decided not to increase it any further, forcing Greece to close its banks until after the referendum, and leading to increased volatility in financial markets.

The rally in the quarter which led commodity prices to move higher across the board and deliver their strongest investment performance for almost three years, ground to a halt in May. Since then, a period of relative calm - particularly for oil and gold - was broken only by a sharp move lower in the price of base metals.

With the focus on Greece, it was not a big surprise that European equity markets fared worse than most Asian and US markets during the quarter. However, China's equity market finally felt the effects of gravity in June.

Important information

For more information please visit our website www.nowpensions.com

Source: Morningstar Direct