

# Diversified Growth Fund

## 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.

### + Fund Facts

**Fund Name:** NOW: Pensions Diversified Growth Fund

**Fund Size:** £422m

**Annual Management Charge:** 0.3%

**Base Currency:** GBP

**Valuation and Dealing Frequency:** Weekly, every Wednesday (excludes UK bank holiday)

**Fund Manager:** NOW: Pensions Investment A/S

**Fund Launch Date:** 18th December 2012

**Pricing Basis:** Single price

**Unit Price (28th June 17):** 146.12

**Domicile:** United Kingdom

### + Fund Objectives

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 four risk factors: Equity Factor, Interest Rate Factor, Inflation Factor, and Other Factors. The risk management of the fund is based on a model where control of risk level and diversification are the main tools.

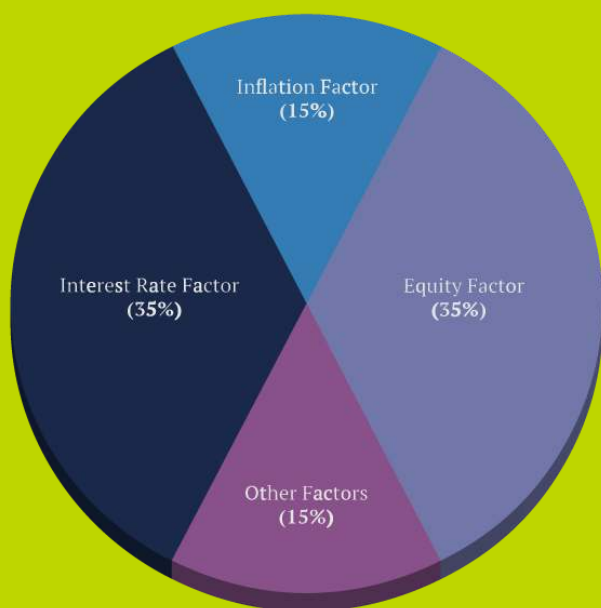
### + Five Year Member Returns

	01/01/2012 31/12/2012	01/01/2013 31/12/2013	01/01/2014 31/12/2014	01/01/2015 31/12/2015	01/01/2016 31/12/2016
NOW: Pensions Diversified Growth Fund	–	9.1%	21.7%	-8.0%	10.8%
60% Equity / 40% Bond Portfolio	10.6%	12.0%	9.3%	1.2%	10.2%
Cash + 3%	3.5%	3.5%	3.5%	3.5%	3.4%

### + Cumulative Returns

	3 months to 30/06/2017	1 year to 30/06/2017	3 years to 30/06/2017	5 years to 30/06/2017	Launch to 30/06/2017
NOW: Pensions Diversified Growth Fund	0.3%	8.2%	8.7%	–	42.5%
60% Equity / 40% Bond Portfolio	0.4%	10.2%	21.3%	47.5%	39.8%
Cash + 3%	0.8%	3.3%	10.7%	18.5%	16.5%

## + Target Risk Exposures



## + Top 10 Holdings

1. EUR SCHATZ FUTURE	14.6%
2. UK 1.75% TREASURY GILT 2019	13.7%
3. US 2YR FUTURE	12.7%
4. UK 1.75% TREASURY GILT 2022	5.8%
5. US 5YR FUTURE	5.4%
6. EURO BOBL FUTURE	5.1%
7. GERMAN INFLATION LINKED BOND	3.3%
8. EU CREDIT	2.9%
9. RADAR COMMODITY INDEX	2.6%
10. S&P 500 INDEX	2.5%



## Market Review

At the end of the first half of 2017, the portfolio had delivered a positive return of 4.4%. Much of this came during the first quarter, with quarter two delivering a fairly flat 0.3%.

April and May saw positive returns while June was more challenging and ended in negative territory. All components in the equity factor performed well during the quarter. European equity markets outperformed other regions in April and May, driven by fading political risk after Emmanuel Macron was elected as French president.

Global markets were flat early in June, primarily because of hawkish signals from the Fed and Bank of England. This view was compounded towards the end of the month when Mario Draghi's comments added to the hawkish sentiment and led to a sharp sell-off in global markets, particularly European bond and equity markets. Draghi noted that the recovery was broad-based and dispersion across countries had fallen causing concern for many investors, triggering the outflows from markets.

There was no change to the strategic allocation within the DGF during June. European equity markets contributed negatively, whilst Asia equity markets outperformed, driven primarily by South Korea and Japanese markets. The Japanese recovery seemed largely on track and the weaker Japanese Yen also supported equity markets.

The Rates factor followed the same pattern as the Equity factor with largely positive returns until the turnaround in late June. Despite rising stock markets and strong Eurozone economic data, there was a positive undertone in bond markets for most of the quarter. Inflation posted negative returns in both April and May but ended flat in June, largely because of the pressure being brought to bear on commodity prices and break-even inflation. Crude oil prices were down by up to 21% since beginning of the year - positive news for motorists as prices at the pumps continued to come down.

Almost all the alternative strategies in the Diversifying Strategies Factor enjoyed a positive return during the quarter. Two of the best performing strategies in proportion to their risk contribution were an equity global beta strategy and a commodity carry strategy which benefited from the fall in commodity prices.

At the end of the quarter, total risk of the portfolio was 12.3%, slightly below target risk of 13%.

**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.