

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 Wednesday (excludes UK bank holidays)
Unit Price (24-Sept 14)	134.8929
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 diversification effects within the portfolio weaken.

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	15.55%	9.27%	3.50%	10.63%	11.98%
Cash + 3%	3.64%	3.49%	3.57%	3.46%	3.44%

Cumulative member returns showing percentage increase or decrease					
	3 months to 30/09/2014	1 Year to 30/09/2014	3 Years to 30/09/2014	5 Years to 30/09/2014	Launch to 30/09/2014
NOW: Pensions Diversified Growth Fund	1.00%	36.44%	-	-	34.23%
60% Equity / 40% Bond Portfolio	1.38%	10.11%	40.91%	52.34%	27.26%
Cash + 3%	0.87%	3.48%	10.66%	18.57%	9.90%

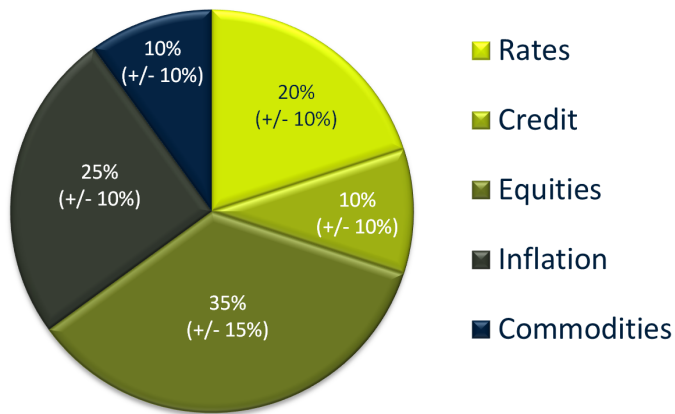
Important Information

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.

Target Risk Exposures



Top 10 Risk Holdings

Holding	Risk Allocation
1. German Inflation Linked Bond	11.87%
2. UK Inflation Linked Bond	10.91%
3. US Inflation Linked Bond	10.05%
4. UK Long Gilt Future	9.09%
5. US 10YR Note Future	7.96%
6. EUROBUND Future	6.85%
7. IShares USD High Yield Corp Bond ETF	6.23%
8. IShares EUR High Yield Corp Bond ETF	5.58%
9. S&P Mini Index Future	5.45%
10. STOXX Europe 50 Index Future	5.00%

Market Review

The portfolio performed positively in Q3, ending the quarter with a return of 1.07%. The performance was slightly positive in July, while in August the portfolio had one of its best performing months. In September however, the portfolio generated a negative return.

The performance of each of the five risk classes was diverse, with Rates and Equity showing significant positive performance, Credit and Commodity the opposite and Inflation close to flat.

During Q3 one of the main themes was the monetary policy divergence with the Fed normalising policy and continued or further easing from Bank of Japan and ECB. During the quarter the Fed cut down on its purchase programme to \$15 bn per month and with the end of the purchase programme in sight, speculation about when the first rate hike will take place increased. The ECB cut rates by 10bps and decided to start purchasing private sector assets and to launch its third purchase program for covered bonds. The Bank of Japan continued its balance sheet expansion, and the market even speculated in when, if and how Bank of Japan will ease monetary policy more. The monetary policy divergence had major implications for asset markets during Q3, with European assets performing significantly better than comparable US assets.

Asset prices were also influenced by geopolitical events. During most of the quarter the conflict between Ukraine and Russia was looming with EU and US stepping up economic sanctions against Russia thereby impacting the European economy and asset prices. Early in the quarter, the unrest in Israel/Gaza hit the headlines while towards the latter part of the quarter focus was on the protests in Hong Kong which negatively impacted Asian equities. Lastly, the Scottish "no" vote initiated a drop in UK yields lasting the rest of September.

On the macroeconomic front growth related numbers from the Euro-zone weakened while growth in the US continued to look fairly solid. Economic data from China began to look soft towards the latter part of the quarter, and in general consensus growth expectations were downgraded across a number of regions weighing on risky assets in September.

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. Past performance is not a guide to future performance.

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