Diversified Growth Fund

as at 31 December 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 £100m
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 (29-Dec 14)	136.7838
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 centrered 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 becuase 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	-	-	10.56%	9.10%	21.70%
60% Equity / 40% Bond Portfolio	9.27%	3.50%	10.63%	11.98%	9.26%
Cash + 3%	3.49%	3.57%	3.46%	3.44%	3.48%

Cumulative member returns showing percentage increase or decrease					
	3 months to 31/12/2014	1 Year to 31/12/2014	3 Years to 31/12/2014	5 Years to 31/12/2014	Launch to 31/12/2014
NOW: Pensions Diversified Growth Fund	1.69%	21.70%	36.49	-	36.49%
60% Equity / 40% Bond Portfolio	3.03%	9.26%	20.34%	52.72%	31.11%
Cash + 3%	0.87%	3.48%	7.09%	18.56%	10.86%

Important Information

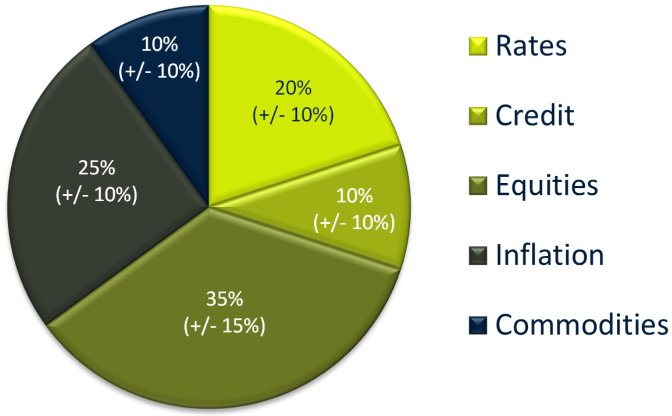
Please note that from 01 Jan 2012 to 31 Dec 2012 NOW: Pensions Investments ran a model portfolio, this entailed making daily decisions concerning implementation of investment strategy, as if the assets had been physically held. Whilst returns are not real all investors in the NOW: DGF during the model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

Target Risk Exposures



Top 10 Risk Holdings

Holding	Risk Allocation
1. UK Inflation Linked Bond	16.2%
2. US Inflation Linked Bond	14.4%
3. UK Long Gilt Future	13.2%
4. US 10 yr Note Future	11.4%
5. S&P Mini Index Future	7.7%
6. CDS EU High Yield	6.6%
7. STOXX Europe 50 Index Future	6.4%
8. CDS US High Yield	5.6%
9. RADAR Commodity Index	4.8%
10. CDS Emerging Markets	2.8%

Market Review

The portfolio had a positive performance of 1.63% in the fourth quarter. October and November generated positive returns while December posted a negative return. The portfolio gained 11.92% in total over the year.

The Commodity risk class had a negative performance in each of the last three months of the year and Rates had positive performance. The performance of the other risk classes were mixed between the months. Equity, Rates and Inflation ended the quarter with positive performance while Commodity and Credit were negative.

Three major themes dominated financial markets in the fourth quarter. The first was the sharp fall in oil prices after OPEC failed to agree to cut supply levels. The price of Brent fell almost 40% in the quarter to the lowest level since May 2009. The fall in oil prices initially hit energy stocks but spread to global equity markets generally in December. Pressure also mounted on Russia, which is relying on energy exports and already suffered from economic sanctions. The Ruble weakened by almost 30% against the USD in the first two weeks in December until the Central Bank of Russia responded with an aggressive rate hike to act on the uncontrolled ruble weakening.

The second was the divergence theme between the economic situation in the US and the Eurozone that continued during the fourth quarter. Economic data from the US showed that the economic recovery is on track and the Fed managed to guide that the first hike may be earlier than was being priced (June versus September 2015) without spooking financial markets. Speculation that the ECB would be forced into launching a sovereign QE programme in 2015 intensified during the quarter after ECB staff made large downward revisions to their 2015 growth and inflation forecasts. US equity markets outperformed Eurozone and Eurozone government bonds outperformed US. UK government bonds also performed well after the Bank of England released its quarterly Inflation Report in November, where it cut its growth forecasts and said inflation will slow further in coming months.

The final major theme of the quarter was the renewed turmoil in Greece prompting snap parliamentary elections on January 25. The opposition party Syriza, which pushes to abandon the austerity measures tied to Greece's bailout, led polls and caused increased uncertainty. As a consequence, Eurozone rates, equity markets and the EUR fell even further at the end of the quarter.

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.

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

Source: Morningstar Direct