

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. 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 five different risk classes: Credit, Commodities, Equities, Inflation and Rates. The risk management of the fund is based on a model where control of risk level and diversification are the main tools.

Fund Facts

Fund Name	NOW: Pensions Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	£154m
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 Dec 15)	125.5386
Base Currency	GBP
Domicile	United Kingdom

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. 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					
	01/01/2011 - 31/12/2011	01/01/2012 - 31/12/2012	01/01/2013 - 31/12/2013	01/01/2014 - 31/12/2014	01/01/2015 - 31/12/2015
NOW: Pensions Diversified Growth Fund	-	-	9.1%	21.7%	-8.0%
60% Equity / 40% Bond Portfolio	3.5%	10.6%	12.0%	9.3%	1.2%
Cash + 3%	3.6%	3.5%	3.5%	3.5%	3.5%

Cumulative member returns showing percentage increase or decrease					
	3 months to 31/12/2015	1 Year to 31/12/2015	3 Years to 31/12/2015	5 Years to 31/12/2015	Launch to 31/12/2015
NOW: Pensions Diversified Growth Fund	-2.8%	-8.0%	22.2%	-	22.2%
60% Equity / 40% Bond Portfolio	2.7%	1.2%	21.8%	42.8%	21.8%
Cash + 3%	0.9%	3.5%	10.8%	18.5%	10.8%

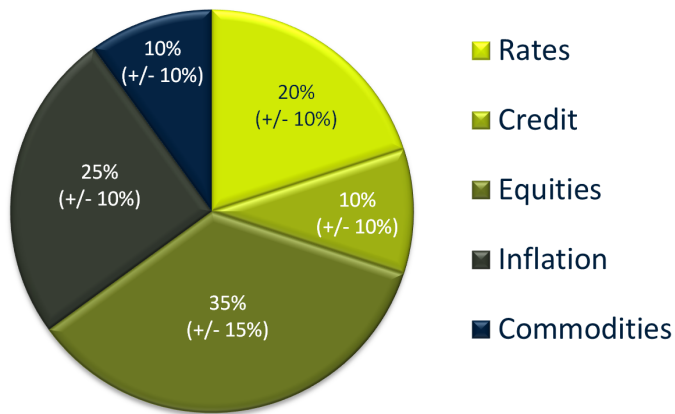
Important Information

Member Returns for the NOW: Pensions 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 Holdings



Holding	Allocation
1. EUR Inflation Linked Bond	17.7%
2. UK Inflation Linked Bond	13.9%
3. UK Long Gilt Future	11.8%
4. US Inflation Linked Bond	11.6%
5. US 10yr Note Future	9.5%
6. US Equity Options	4.9%
7. TRS Swap on equity risk premia strategies	4.1%
8. CDS EUR High Yield	4.0%
9. German Bund Future	3.5%
10. Euro Area Equity Options	3.4%

Market Review

The portfolio delivered a negative return of -2.7% during the fourth quarter. Although October and November saw positive returns of 2.7% and 0.4% respectively, the portfolio's negative return of -5.7% in December dominated the quarter.

Most of the risk classes delivered positive performance in the first two months of the quarter, but December was a very difficult month for all risk classes, especially equity and inflation. The Inflation risk class was the biggest contributor towards the negative performance.

At the beginning of the quarter, risky assets performed well as investors sentiment was that low interest rates would be maintained. There was good reason for that belief - Mario Draghi hinted that the ECB would provide additional quantitative easing; China lowered interest rates for the 6th time in a year; and weak US economic data led to investors pushing back expectations of an interest rate hike from the FED.

During November macro economic figures from the euro area provided signs that the economy was gaining momentum on the back of the Emerging Market turmoil. Firstly, composite PMI (Purchasing Managers Index) showed an encouraging increase, suggesting growth would increase to 2% in early 2016. Secondly, the German Business Climate Index (IFO) beat expectations again and showed another solid rise, suggesting German activity was rebounding following some weakness in the industrial sector in Q3. And thirdly, M1 (monetary aggregate) rose significantly. Real M1 growth has been one of the best leading indicators for the euro area economy. In US the major positive surprise came from the labour market with 271,000 jobs being created in October – far better than had been expected and also a big improvement on the lower than expected number from September.

On 3rd December, the ECB announced that it would extend its €60bn QE programme by six months and further reduce the deposit rate from -0.2% to -0.3%. However, the market had hoped for a bigger interest rate cut coupled with an increase in monthly asset purchases. With expectations not fulfilled, equity markets fell, bond yields rose and the euro strengthened. Two weeks later, on the other side of the Atlantic, after seven years of holding the interest rate at near zero, the FED decided to raise the target for short term interest rates from a range of 0% to 0.25% to a range of 0.25% to 0.50%, thus signaling improved economic conditions. Markets reacted well to this decision, and equity markets and bond yields stabilised over the remainder 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.

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