

## 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 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.

## Fund Facts

<b>Fund Name</b>	NOW: Pensions Diversified Growth Fund
<b>Fund Manager</b>	NOW: Pensions Investment A/S
<b>Fund size</b>	£321m
<b>Fund Launch Date</b>	18th December 2012
<b>Annual Management Charge</b>	0.3%
<b>Pricing Basis</b>	Single price
<b>Valuation and Dealing Frequency</b>	Weekly, every Wednesday (excludes UK bank holidays)
<b>Unit Price (21st December 16)</b>	137.19
<b>Base Currency</b>	GBP
<b>Domicile</b>	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.

## Member Returns

Five year member returns showing percentage increase or decrease					
	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
<b>NOW: Pensions Diversified Growth Fund</b>	-	9.1%	21.7%	-8.0%	10.8%
<b>60% Equity / 40% Bond Portfolio</b>	10.6%	12.0%	9.3%	1.2%	10.2%
<b>Cash + 3%</b>	3.5%	3.5%	3.5%	3.5%	3.4%

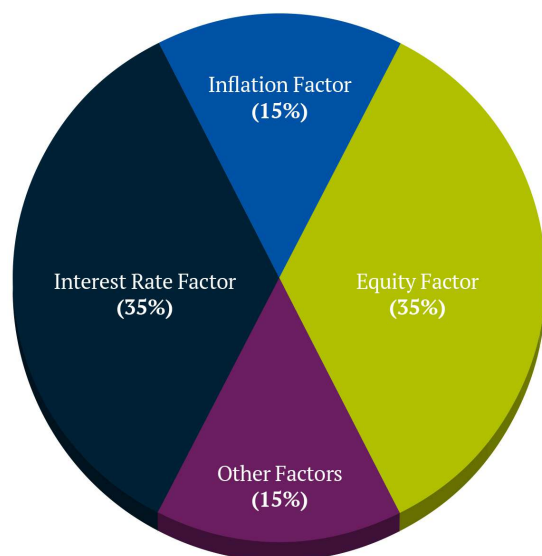
Cumulative member returns showing percentage increase or decrease					
	3 months to 31/12/2016	1 Year to 31/12/2016	3 Years to 31/12/2016	5 Years to 31/12/2016	Launch to 31/12/2016
<b>NOW: Pensions Diversified Growth Fund</b>	-0.5%	10.8%	23.6%	-	36.7%
<b>60% Equity / 40% Bond Portfolio</b>	2.0%	10.2%	22.1%	42.7%	34.3%
<b>Cash + 3%</b>	0.8%	3.4%	10.8%	18.2%	14.6%

## 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. UK 1.25% Treasury Gilt 2018	17.4%
2. US Treasury 2YR Future	12.1%
3. EUR SCHATZ FUTURE	12.0%
4. UK 1.5% Treasury Gilt 2021	7.1%
5. US Treasury 5YR Future	5.1%
6. Euro BOBL Future	4.6%
7. Euro Credit High Yield	3.5%
8. TRS Equity Risk Premia Strategies	3.0%
9. German Inflation Linked Bond	3.0%
10. S&P500 Index	2.9%

## Market Review

The portfolio delivered a slightly negative return of -0.5% during the last quarter of 2016, resulting in an overall annual performance for the full year of 10.8%.

The performance of the Equity Risk Factor during the final quarter can be viewed in two parts - pre and post the US Presidential election. In the run up to the election, equity markets remained mostly flat as investors tried to predict who the next president would be. Trump unexpectedly won the race and the result sent shockwaves throughout global markets where the initial reaction was one of fear as we saw equity and bond markets fall dramatically. Following Trump's victory speech, markets rallied after being reassured that his economic policies would generally be positive for markets.

European equities were largely unchanged by the news, as all eyes were focused on the Italian referendum at the beginning of December. Once the US election was taken out of the equation and news was received that the European Central Bank (ECB) would extend the asset purchase programme by a further nine months, European equities joined in the global market rally.

After the US Election we saw significant sector rotation where cyclical and financials strongly outperformed defensive stocks. The Rates Risk Factor was the only factor that contributed towards the portfolio's overall negative performance for the quarter. Prior to the US election, US rate positions were already feeling the pressure, but that intensified once Trump announced his policies, which were widely received as inflationary.

The portfolio's Inflation Risk Factor contributed positively to the overall portfolio performance, mainly due to a very strong November. Similarly, commodities rallied post the US election due to Trump's planned expansion of infrastructure projects within the US.

The best performing strategy in the Other Risk Factors was an Emerging Market Currency trend strategy, benefiting from being short emerging market currencies and long US dollar.

Total risk of the portfolio was 13.5% at the end of the quarter, slightly higher than the target 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.**

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