

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

Fund Name	NOW: Pensions Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	£294m
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 (28th September 16)	139.48
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.

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%

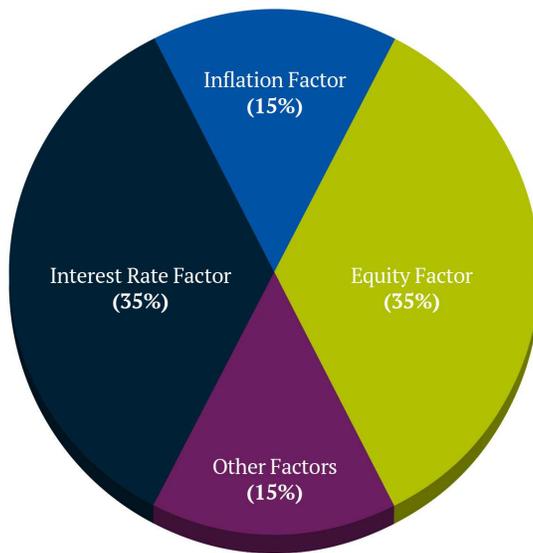
Cumulative member returns showing percentage increase or decrease					
	3 months to 30/09/2016	1 Year to 30/09/2016	3 Years to 30/09/2016	5 Years to 30/09/2016	Launch to 30/09/2016
NOW: Pensions Diversified Growth Fund	4.1%	8.2%	42.2%	-	37.9%
60% Equity / 40% Bond Portfolio	3.8%	10.9%	24.1%	54.7%	31.6%
Cash + 3%	0.8%	3.5%	10.8%	18.4%	13.7%

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	16.7%
2. EUR SCHATZ FUTURE	14.6%
3. US 2YR Future	14.0%
4. UK 1.5% Treasury Gilt 2021	6.9%
5. Euro BOBL Future	6.3%
6. US 5YR Future	5.7%
7. TRS Equity Risk Premia Strategies	3.2%
8. German Inflation Linked Bond	3.1%
9. Euro Credit High Yield	2.7%
10. FTSE 100 Index Future	2.4%

Market Review

The portfolio delivered a positive return of 4.1% in the third quarter, contributing to a year to date performance at the end of September of 11.3%

The Equity risk factor benefited specifically from the return of risk appetite on global markets after the sell-off in risky assets following the UK's Brexit vote in June. The positive contribution came from both equities and credit with the best performing markets being UK and Asian equities. At the beginning of August, the Bank of England cut interest rates by 0.25%, and boosted the Quantitative Easing programme to the tune of £70bn. UK macro data continued to deliver significant positive news on a number of fronts including services, company capital expenditure and confidence, suggesting that there was more momentum in growth prior to the referendum, and a limited fallout after the vote. All this positive news helped to boost UK equity markets.

Performance within the Rates factor hovered around zero in all three months of the quarter. Market opinion was delicately balanced between fears of a more hawkish view from central banks and the continued availability of easy money.

The "Inflation" factor had a particularly strong September, where both break-even inflation and commodities contributed to a positive return. Commodities performed very well as OPEC oil ministers emerged from the informal meeting with an agreement to cut production, although that will not be implemented until some point after the November OPEC meeting. Among the break-even positions, the UK delivered the strongest performance mainly driven by the impact of the weaker Pound on inflation.

The alternative strategies within the "Other" risk factor contributed a negative performance during the quarter. The best performing strategy within this risk factor was a long US equities position. The total risk of the portfolio was 12.9% at the end of the quarter which is in line with the 13%-target.

The portfolio continues to benefit from its global diversification and strategy mix. Future fallout from the Brexit vote is still unclear and will leave investors cautious as we enter the final quarter of 2016.

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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