

Diversified Growth Fund

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.

+ Fund Facts

Fund Name: NOW: Pensions Diversified Growth Fund

Fund Size: £376m

Annual Management Charge: 0.3%

Base Currency: GBP

Valuation and Dealing Frequency: Weekly, every Wednesday (excludes UK bank holiday)

Fund Manager: NOW: Pensions Investment A/S

Fund Launch Date: 18th December 2012

Pricing Basis: Single price

Unit Price (29th March 17): 143.94

Domicile: United Kingdom

+ Fund Objectives

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.

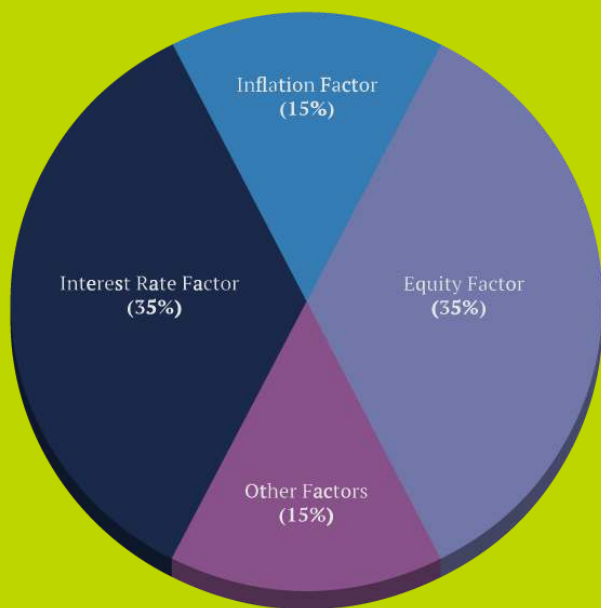
+ Five Year Member Returns

	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
NOW: Pensions Diversified Growth Fund	-	9.1%	21.7%	-8.0%	10.8%
60% Equity / 40% Bond Portfolio	10.6%	12.0%	9.3%	1.2%	10.2%
Cash + 3%	3.5%	3.5%	3.5%	3.5%	3.4%

+ Cumulative Returns

	3 months to 31/03/2017	1 year to 31/03/2017	3 years to 31/03/2017	5 years to 31/03/2017	Launch to 31/03/2017
NOW: Pensions Diversified Growth Fund	4.0%	13.4%	17.2%	-	42.2%
60% Equity / 40% Bond Portfolio	3.8%	13.8%	24.4%	51.0%	39.5%
Cash + 3%	0.8%	3.4%	10.7%	18.2%	15.5%

+ Target Risk Exposures



+ Top 10 Holdings

1. UK 1.25% TREASURY GILT 2018	14.3%
2. EUR SCHATZ FUTURE	13.3%
3. US 2YR FUTURE	11.5%
4. EURO BOBL FUTURE	5.3%
5. UK 1.5% TREASURY GILT 2021	5.0%
6. US 5YR FUTURE	4.6%
7. UK 1.75% TREASURY GILT 2019	3.9%
8. GERMAN INFLATION LINKED BOND	3.2%
9. US 10YR FUTURE	3.2%
10. LONG GILT FUTURE	3.1%



Market Review

The portfolio delivered a solid performance of 4.1% during the first quarter of 2017.

Every month saw a positive return, with February posting a healthy 3.6%. All four risk factors contributed positively, with the Equity Risk factor being the best performer, followed by alternative risk premia strategies within the Other Factors.

Global equity markets started the year with a strong performance. However, as markets became increasingly sceptical about the outlook for pro-growth policies in the US, defensive stocks generally outperformed cyclicals. Additionally, the Eurozone outperformed US equity markets towards the end of the quarter, as economic indicators in the US started to lose momentum.

The Rates factor showed positive performance only in February, although the losses in January and March were small. Germany was the major drag on performance due to the surprisingly strong economic data (although that had the benefit of boosting Eurozone equity markets). At the end of the quarter, various ECB governors dampened speculation of an early end to the accommodative policy stance and any idea that the ECB might actually increase interest rates before the end of QE. Their comments, together with lower than expected CPI data, pared some of the losses from German fixed income markets.

The Inflation factor posted a positive performance of 1.8% in January largely because of continued expectations of rising inflation and hopes for greater infrastructure investments. Market sentiment started to change in February and the Inflation factor ended the quarter with a small 0.2% return. Commodities had a positive quarter overall, predominantly because of the returns from base metals and precious metals. Energy prices were driven lower by concerns surrounding OPEC members' commitment to the latest deal and a disappointing crude oil inventory data.

Almost all our alternative strategies within the "Other" risk factor made a positive contribution during the quarter. The best performing strategies relative to the level of risk taken were the CLI strategies that were long US and Eurozone equity markets. Another strategy that performed well was betting-against-beta, as markets rotated into defensive stocks.

At the end of the quarter, the total portfolio risk was 12.4%, which is slightly below the 13% target.

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.