

As at 31 March 2020

Portfolio Overview

The quarter will always be remembered as the time when we started to face up to the unknown enemy of coronavirus. With the world responding to the global pandemic, investors have been trying to quantify the financial impact on the global economy. Combined with a dispute between OPEC and Russia, this has caused huge volatility in financial markets, with equity markets and oil prices suffering the biggest impact.

The NOW: DGF has a balanced investment approach which has helped the portfolio to navigate through the uncertainty. While some assets such as equities and inflation struggled over the quarter, others such as the rates factor, which invests in government bonds, have delivered strong returns. By the end of the quarter, the DGF had registered a negative return of -12% which compares against a negative return from the FTSE 100 of -24%.

Fund Facts

Fund Name: NOW: Pension Diversified Growth Fund

Fund Size: £1,429 million

Annual Management Charge: 0.3%

Base Currency: GBP

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

Fund Manager: Cardano Risk Management Ltd.

Fund Launch Date: 18 December 2012

Pricing Basis: Single price

Unit Price: 141.4786 (25 March 2020)

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.

Fund Objectives

Our investment objective is to achieve a return of 3% 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
- > Inflation Factors
- > Interest Rate Factor
- > Diversifying Strategies

The risk management of the fund is based on a model where control of and diversification are the main tools.

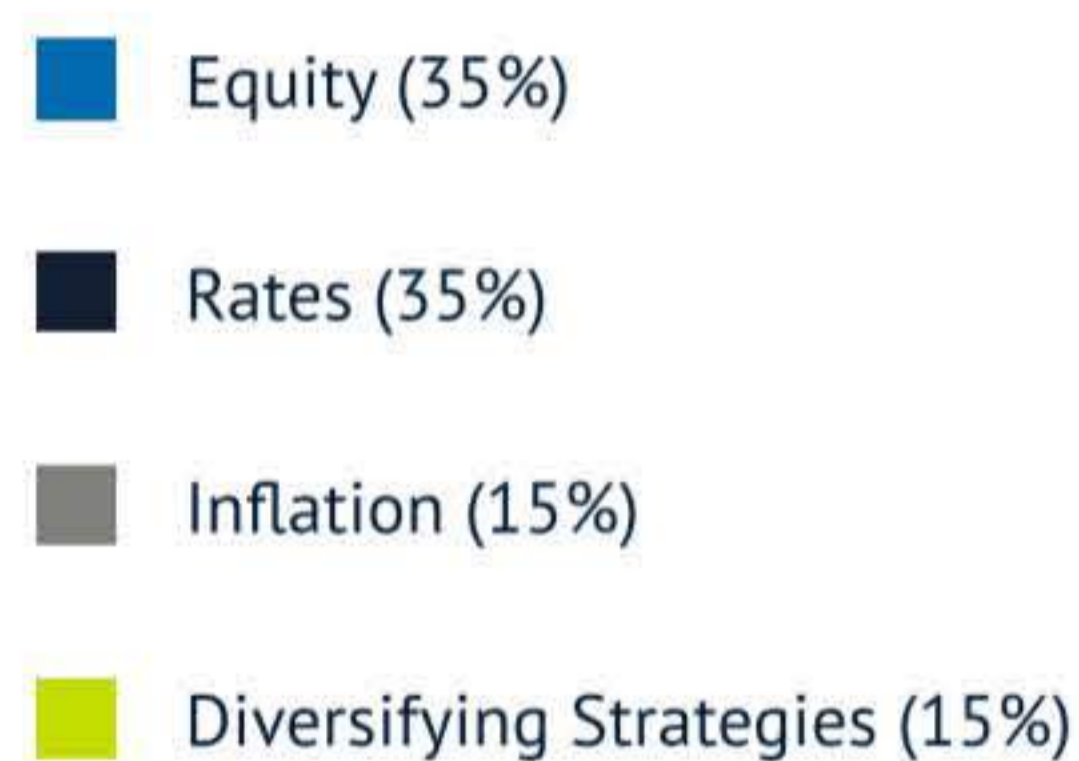
Five Year Member Returns

	01/01/15 31/12/15	01/01/16 31/12/16	01/01/17 31/12/17	01/01/18 31/12/18	01/01/19 31/12/19
NOW: Pensions Diversified Growth Fund	-8.0%	10.8%	11.0%	-6.2%	15.7%
Cash +3%	3.5%	3.4%	3.3%	3.6%	3.7%

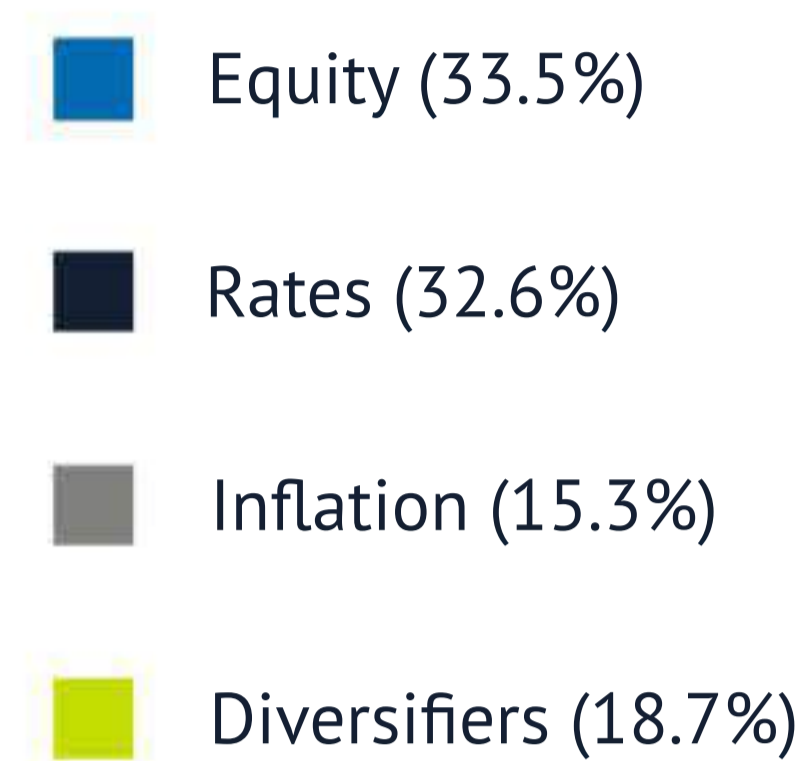
Cumulative Returns

	3 months to 31/03/2020	1 year to 31/03/2020	3 years to 31/03/2020	5 years to 31/03/2020	Launch to 31/03/2020
NOW: Pensions Diversified Growth Fund	-12.19%	-5.94%	1.61%	4.09%	42.74%
Cash +3%	0.89%	3.68%	11.00%	18.62%	28.34%

Target Risk Exposures



Actual Risk Exposures



Market Review

What drove returns over the quarter?

As expected, given the stressed market environment, the Rates Factor was the largest contributor to performance, led by US Treasuries.

Equities experienced large falls due to the sharp and severe economic contraction from actions taken to help stop the spread of Covid-19.

Inflation suffered due to the impact of the economic environment, which was exacerbated by large falls in the Oil price after a deal between oil producers to reduce supply fell through.

The Diversifiers also delivered negative returns over the quarter.

Economics

With Covid-19 spreading gradually from Asia to Europe and on to the US through the quarter, each government implemented nation-wide lockdowns to help contain the spread of the virus. This led to a sharp economic contraction with businesses closing and sharp rises in unemployment.

Governments and central banks

Unprecedented levels of support from authorities was enacted in a very short space of time. On the fiscal side, governments stepped in to support businesses and households through a combination of corporate loans, subsidised wages and tax breaks. In particular, the US Senate passed its largest ever stimulus package, summing to \$2 trillion in aid.

Central banks acted swiftly to increase liquidity and maintain functioning financial markets. The US Fed took the lead by cutting interest rates twice in March and announced unlimited bond buying. Further measures were taken to support the solvency of state and local governments, banks and businesses.

Economic outlook

We expect the global economy to suffer a reasonably severe recession, the extent of which will depend on how long lockdown measures remain in place.

We foresee the possibility of three broad paths from here of differing severity:

1. A quick recovery towards the end of this year thanks to the development of an effective drug that reduces the severity of symptoms and/or quarantine measures.
2. A slow recovery with normality reached during 2021 as strict quarantines are gradually lifted, but with some measures remaining in place to limit the chance of a second wave of infections.
3. Quarantines remaining in place for an extended period causing a deep recession. Governments and central banks exhausting their toolkits, leading to a period of depression.

Portfolio risk at the end of March was slightly lower than target at 12.4%.

NOW:
Pensions

The future is now

Important information:

This fact sheet has been created by the Trust Manager on behalf of the NOW: Pensions Trust. Nothing in this fact sheet 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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