Diversified Growth Fund

as at 31 March 2015

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.

The NOW: Pensions Diversified Growth Fund is designed to achieve a risk exposure in line with a 60% equity / 40% bond portfolio. In order to achieve this target, we utilise a dynamic approach to investing that is based on diversification of risk rather than traditional asset allocation. The fund is based on a model where control of risk level and diversification are the main tools. Risk allocation is diversified by investing across five different risk classes: Credit, Commodities, Equities, Inflation and Rates.

We use the Sterling OverNight Index Average (SONIA) as a measure for Cash.

Fund Facts

Fund Name	Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	Less than £100m
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 (25 Mar 15)	142.4549
Base Currency	GBP
Domicile	United Kingdom

Fund Description

The 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 diversifcation effects within the portfolio weaken.

Member Returns

Five year member returns showing percentage increase or decrease

	01/01/2010 - 31/12/2010	01/01/2011 - 31/12/2011	01/01/2012 - 31/12/2012	01/01/2013 - 31/12/2013	01/01/2014 - 31/12/2014
NOW: Pensions Diversified Growth Fund	-	-	-	9.1%	21.7%
60% Equity / 40% Bond Portfolio	9.3%	3.5%	10.6%	12.0%	9.3%
Cash + 3%	3.5%	3.6%	3.5%	3.5%	3.5%

Cumulative member returns showing percentage increase or decrease

	3 months to 31/03/2015	1 Year to 31/03/2015	3 Years to 31/03/2015	5 Years to 31/03/2015	Launch to 31/03/2015
NOW: Pensions Diversified Growth Fund	3.6%	14.6%	-	-	38.7%
60% Equity / 40% Bond Portfolio	5.0%	12.8%	32.5%	55.9%	26.2%
Cash + 3%	0.9%	3.5%	10.9%	18.6%	8.0%

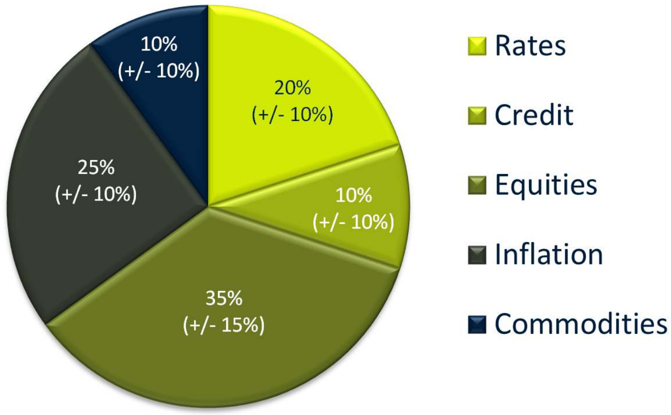
Important Information

Member Returns for the DGF from November 2013 to April 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.

Source: Morningstar Direct

Target Risk Exposures



Top 10 Risk Holdings

Holding	Risk Allocation
1. UK Inflation Linked Bond	16.3%
2. US Inflation Linked Bond	14.2%
3. UK Long Gilt Future	12.0%
4. STOXX Europe 50 Index Future	10.8%
5. US 10 yr Note Future	10.5%
6. S&P 500 Index Future	7.6%
7. CDS US High Yield	5.3%
8. CDS EUR High Yield	5.1%
9. RADAR Commodity Index	4.5%
10. CDS Emerging Markets	3.4%

Commentary

The portfolio had a positive performance of 3.6% in the first quarter. January generated a positive return while February and March posted small negative returns. The rolling 12 month performance was 14.6%.

All risk classes except Commodities showed positive performance over the quarter. Equity was the only risk class with a positive performance in each of the last three months; the others deliever mixed returns.

Energy prices remained under pressure for most of the quarter, leading to the Commodities risk class being the worst performer. The main reason for the decline in prices was the return to the fundamentals of supply and demand following February's price squeeze, but also the weight of hope for a P5+1 (China, France, Russia, UK, US plus Germany) and Iran agreement. The March 31 political deadline for a P5+1 and Iran framework deal or draft came and went without agreement. However, the escalating events in Yemen put a floor under the drop in prices.

The divergence theme between the economic outlook in the US and the Eurozone continued for yet another quarter and it was visible within both the equity and fixed income elements of the portfolio. European equities outperformed US equities by more than 8% and Eurozone rates outperformed US rates by more than 2%. Many sovereign bond yields in the Euro area fell to record lows, as asset purchases began within the ECB sovereign bond QE programme. This proved positive for equity markets.

Volatility rose during the period, mostly driven by the strong US non-farm payrolls reports at the beginning of February and March, which bolstered expectations of a US rate hike in the summer. The March FOMC meeting surprised on the dovish side, as the Fed revised down its expected path of the hiking cycle in response to lower growth / inflation and wider slack forecasts. The result was a wipe-out of consensus trades, postponed rate hike expectations and a major rally in all risk classes.

Asian equity markets, led by the Hang Seng index, started to outperform US and European markets towards the end of the quarter, as the People's Bank of China spurred hopes of further reform and monetary easing against the backdrop of a slowing economy.

Important information

Source: Morningstar Direct