Diversified Growth Fund

as at 30 September 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 DGF 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) measure for Cash.

Fund Facts

Fund Name	NOW: Pensions Diversified Growth Fund
Fund Manager	NOW: Pensions Investment A/S
Fund size	£128m
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 (30 Sept 15)	129.2732
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. 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 30/09/2015	1 Year to 30/09/2015	3 Years to 30/09/2015	5 Years to 30/09/2015	Launch to 30/09/2015
NOW: Pensions Diversified Growth Fund	-6.3%	-3.7%	-	-	27.5%
60% Equity / 40% Bond Portfolio	-3.3%	1.6%	23.0%	43.0%	20.8%
Cash + 3%	0.9%	3.5%	10.6%	18.5%	9.7%

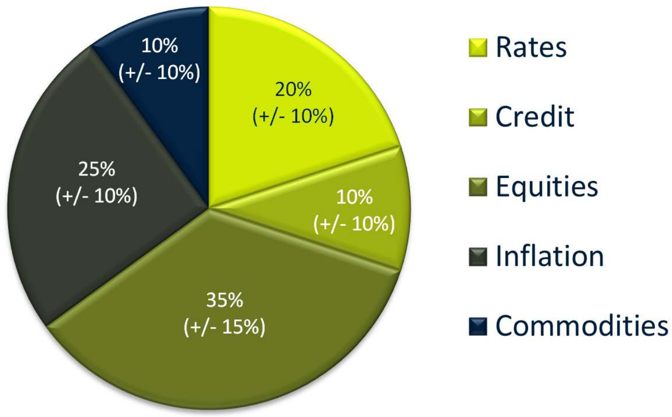
Important Information

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.

Source: Morningstar Direct

Target Risk Exposures



Top 10 Holdings

Holding	Allocation
1. EUR Inflation Linked Bond	7.2%
2. UK Long Gilt Future	6.3%
3. UK Inflation Linked Bond	5.9%
4. S&P 500 Index Future	5.2%
5. US Inflation Linked Bond	5.1%
6. US 10yr Note Future	4.8%
7. RADAR Commodity Index	4.7%
8. CDS EUR High Yield	3.6%
9. CDS US High Yield	3.2%
10. CDS EM Government Bonds	3.2%

Market Review

The portfolio delivered a negative performance of 6.3% during the quarter. July started positively, delivering a return of 1.4%, but then risky assets, led by equity markets, fell during August and September, with August being by far the worst month.

With the exception of Rates, all risk classes delivered a negative performance, with the Equity risk class showing the most negative performance. Rates had positive performance in all three months, whereas the other risk classes had mixed performance in the different months.

Greece was in focus at the beginning of the quarter, with a deal on a rescue plan being struck in July. However, it wasn't long before the focus on the increasing weakness in emerging markets intensified, with China attracting the most attention. China devalued its currency in August and the market interpreted the devaluation as a sign of weakness in the economy, leading to widespread fears about growth in the global economy. China tried to calm markets with the central bank cutting interest rates and lowering banks' reserve requirements, but the damage had been done. China may not experience a hard landing in terms of a collapse in its overall growth, but its manufacturing sector is very close to what could be characterised as a hard landing – growth in industrial production is half what it was in the period 2000-2012; import growth is in negative territory; and a Purchasing Managers' Index (PMI) number released towards the end of September, came in at the weakest level since April 2009.

The potential impact on the global economy of China's growth concerns, meant that global equities fell during the third quarter with Chinese equities and emerging market indices leading the way. However, after the very large initial falls, equities traded without much of a trend for the rest of the quarter, although volatility remained very high.

With China traditionally being a major buyer of commodities, it was no surprise that commodity markets came under pressure during August. However, by September commodity prices in general were trading within a typical range.

The quarter was broadly positive for nominal bonds, as commodity price weakness, fears over global economic growth and the Fed's decision in September to defer "lift off" of interest rates led investors to buy nominal bonds. Inflation-linked bonds didn't perform as well as nominal bonds over the period, as investors demanded higher real yields as compensation for lower inflation expectations.

Important information

For more information please visit our website www.nowpensions.com

Source: Morningstar Direct