As at 30th June 2019

Diversified Growth Fund

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Portfolio Overview

On 7th June 2019, Cardano Risk Management Ltd (CRML) took over from NOW: Pensions (NPI) as investment manager of NOW: Pensions' Scheme assets. The change of investment manager was approved by the Trustee Board after in-depth due dilligence. This follows our announcement in February 2019 that the Cardano Group has agreed to acquire NOW: Pensions Ltd from ATP.

A lot of work went on behind the scenes in preparation for this change and the smooth transition is testament to the attention to detail of both CRML and NPI.

The CRML investment philosophy is very similar to that of NPI and there won't be any change of investment design. The Diversified Growth Fund in particular continues to be managed with the same all-weather approach.

Fund Facts

Fund Name: NOW: Pensions Diversified Growth Fund

Fund Size: £1,173 million

Annual Management Charge: 0.3%

Base Currency: GBP

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

Fund Manager: Cardano Risk Management Ltd

Fund Launch Date: 18th December 2012

Pricing Basis: Single price

Unit Price: (26th June 2019): 162.4062

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**

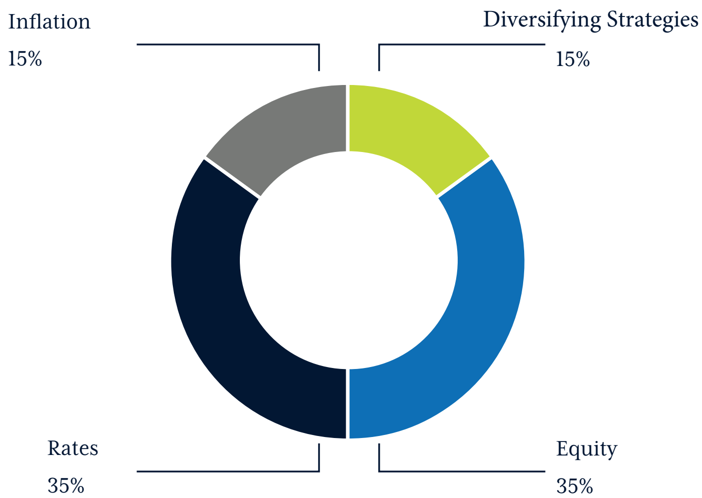
The risk management of the fund is based on a model where control of risk level and diversification are the main tools.

Five Year Member Returns	01/01/2014 31/12/2014	01/01/2015 31/12/2015	01/01/2016 31/12/2016	01/01/2017 31/12/2017	01/01/2018 31/12/2018
NOW: Pensions Diversified Growth Fund	21.7%	-8.0%	10.8%	11.0%	-6.2%
Cash + 3%	3.5%	3.5%	3.4%	3.3%	3.6%

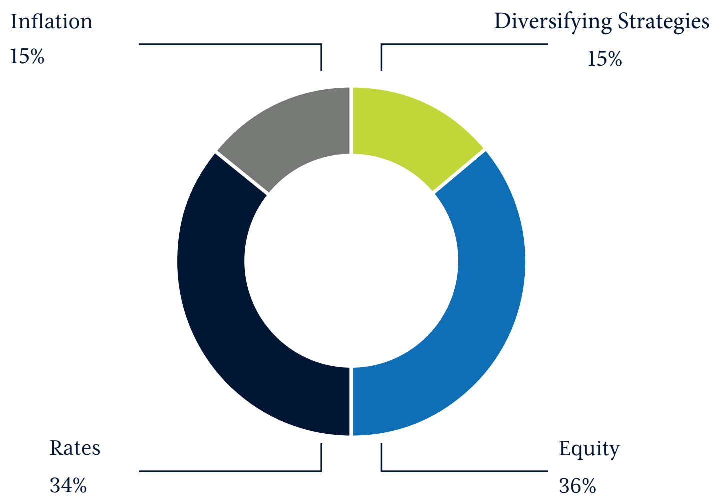
Cumulative Returns	3 months to 30/06/2019	1 year to 30/06/2019	3 years to 30/06/2019	5 years to 30/06/2019	Launch to 30/06/2019
NOW: Pensions Diversified Growth Fund	3.92%	5.86%	21.21%	21.80%	57.71%
Cash + 3%	0.92%	3.69%	10.65%	18.42%	24.92%

Important information:
Member Returns for the NOW: Pensions DGF during Quarter 4 2013, and Quarter 1 2014 included extraordinary returns in respect of assets sold by the NOW: Pensions Trust during 2013.

Target Risk Exposures



Actual Risk Exposures



Market commentary

Following the 8% posted in the first quarter of 2019 the portfolio had another strong quarter, delivering a positive return of almost 4%. The two quarters combine to create a very healthy return of 12.2% for the first half of 2019.

What drove returns over the quarter?
The Rates factor was the largest contributor to performance. This followed increased expectations of interest rate cuts by central banks. The returns were broad based across regions, but US rates were the standout performer.

Equity was also a positive contributor. European, US and UK equities all performed strongly and although Asia was also a positive contributor, it lagged other markets due to the impact of trade tariffs.

Economic developments over the quarter
Disappointing economic data suggested a further slowing of global growth. Both consumer and business confidence weakened, while European manufacturing remained mired in a deep contraction.

The US-China trade war ratcheted up through May and June until an apparent truce was agreed at the end of the quarter. New tariffs were implemented in May following the breakdown in talks:

- The US increased tariffs from 10% to 25% on $200bn worth of Chinese imports

- In retaliation, China raised tariffs from the 5-10% range to a maximum of 25% on $60bn of US goods

Following the G20 Osaka summit at the end of June, Trump and Xi agreed to resume trade talks with further tariff hikes paused.

In response to economic conditions, central banks indicated that easing measures were on the horizon. In June, the US Fed indicated that they expected to keep interest rates on hold for the rest of the year, with the potential for a rate cut in 2020. The ECB suggested that further bond purchases in their Quantitative Easing programme may be warranted if conditions in Europe remain depressed.

Economic outlook
There has been a sharp deterioration in manufacturing and trade activity as a result of implemented and threatened trade tariffs but on the plus side, unemployment is low and consumer spending has been strong. The key question is whether a recession can be delayed, or avoided. In particular, could monetary and fiscal stimulus outweigh the consequences of heightened geopolitical tensions?

NOW: Pensions

The future is now

Important information: This factsheet has been created by 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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