Suffolk County Council Pension Fund

REVIEW OF PERFORMANCE
THIRD QUARTER OF CALENDAR YEAR 2012

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For and on behalf of Hymans Robertson LLP
November 2012

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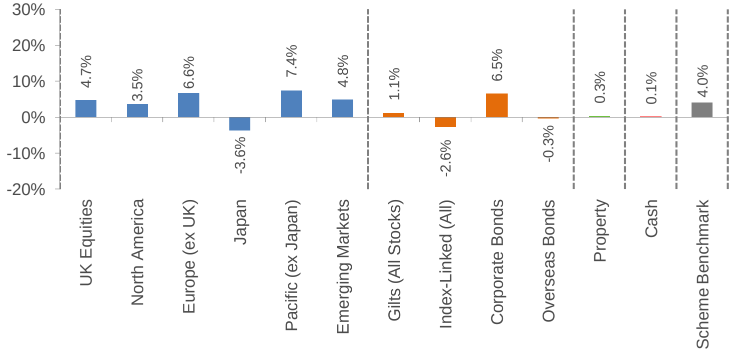
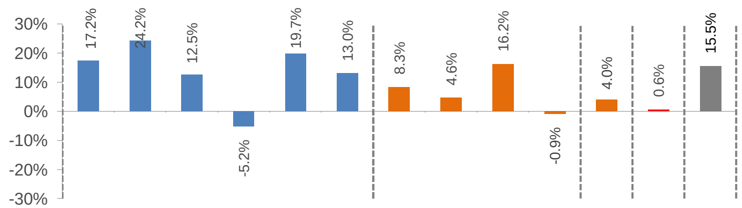
Markets - Historic Returns for World Markets to 30 September 2012

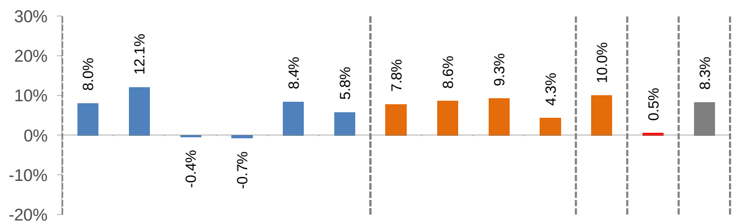
3 Months



12 Months



3 Years



Initiatives announced by central banks during the quarter to end September differed in nature and size, but not in purpose. The common goal was to stimulate economic growth, in the context of an uncertain global outlook. In many European countries, including the UK, there was an active debate over the balance between austerity measures and the need to promote economic growth. Civil unrest in Spain and Greece, in September, was proof of the deep unpopularity of austerity measures. In the US, weak employment numbers were a recurring source of concern.

During the quarter, economic growth forecasts for the UK were revised down. The Bank of England cut its forecast for growth in 2012 to close to zero with some forecasters predicting economic contraction. Economic growth forecasts for other regions were also revised downwards. The Eurozone crisis was regularly cited as the greatest threat to the global economy. In the US and China decelerating economic growth was the catalyst for further monetary easing.

In bond markets, Spain, Portugal and Italy continued to pay a ‘premium’ price for borrowing. In contrast, certain German bonds, at times, returned a negative yield, as investors effectively paid for the security they offered.

Key events during the quarter were:

Global Economy

Policy makers in the UK, Eurozone, US, Japan and China announced further asset purchase programmes to stimulate economies;
Short-term interest rates were unchanged in UK, US and Japan;
Eurozone short-term interest rates were cut, from 1.0% to 0.75%;
France and Italy pressed the case for economic growth rather than austerity as policy priority;
Moodys placed the outlook for credit ratings of Germany and Netherlands on ‘negative watch’.

Equities

Apple became world’s largest company measured by market capitalisation ($623bn);
The strongest sectors relative to the ‘All World’ Index were Oil & Gas (+2.6%) and Financials (+1.6%); the weakest were Utilities (-5.7%) and Consumer Goods (-2.4%).

Bonds

The ECB announced a bond purchase programme to assist countries struggling to raise funds;
Corporate bonds outperformed government issues by a significant margin.

The action taken by policy makers during the quarter reflects deep unease about the global economic outlook. For the US, and indeed the global economy, much depends on the outcome of the November presidential election. The two main candidates offer very different economic strategies.

Market Conditions to 30 September 2012

General

The recovery in risk markets which took hold late in Q2 of 2012 continued into Q3. Support has come from continuing financial stimulus measures in the US and Europe. In particular, investors believe that risks in the Eurozone have become less imminent. They also managed to look beyond softness in reported earnings to take markets higher late in the quarter.

Global Equities

In local currency terms, North American equities returned 6.3%, European ex UK equities returned 8%, and Asia Pacific equities returned 8.6%. Japanese equities returned -3.2% in local currency terms. Sterling strengthened against most currencies so the sterling denominated returns were generally lower, e.g. North American equities returned only 3.5% in sterling terms. Emerging Market equities returned 4.8% in sterling terms. UK equities delivered 4.7%. Over the 12 months ending 30 September 2012, North American equities returned 24.2% in sterling terms, substantially greater than other regional markets. Asia Pacific equities returned 19.7%, UK equities 17.2%, Emerging Markets and European equities approximately 13% and Japanese equities -5.2%.

Over Q3, the differential returns from sectors were generally slim. However, Oil & Gas outperformed by 2.6%, Consumer Goods underperformed by 2.4% and Utilities underperformed by a more material 5.7%. Utilities have underperformed significantly over 12 months (-12.9% relative) as has Basic Materials (-11% relative), largely due to Industrial Metals and Mining. There was no strong variation between growth and value stocks over Q3. Over the 12-month period, Growth stocks outperformed Value stocks by approximately 2.5%.

UK Equities

Large cap stocks (FTSE 100) returned 4.1%, significantly less than the mid cap stocks (FTSE 250) which returned 8.2% and Small Cap returning 8.6%. Over the 12 months ending 30 September 2012, mid cap returns are over 6% ahead of large cap and small cap returns. UK sector performance differed markedly from global sector returns. The strongest sector was Technology (+6.4% relative), followed by Financials (+3.5% relative) and the weakest sectors were Telecoms (-3.8% relative) and Oil & Gas (-3% relative). Over 12 months, the strongest sector was Industrials (+11.1% relative) and the weakest was Basic Materials (-10.5%).

Among FTSE 100 stocks, the top six all underperformed (BP only marginally), but since they account for over 30% of the All-Share index, it is hardly surprising that large cap stocks underperformed. Among FTSE 100 stocks, the best performers were a mixed bunch including two precious metal mining stocks, three major banks, three other financial stocks and one mining stock (Xstrata). Among the underperformers were three mining stocks, and a mix of other securities. A number of the price setbacks were due to poor earnings outlooks.

Market Conditions to 30 September 2012 (continued)

Bonds

In a quarter that was kind to risk assets, corporate bonds performed particularly well. Investment grade credit returned 6.5% in aggregate with BBB-rated credit returning 8.2% and A-rated credit returning 5.8%. AA-rated credit returned a more modest 4.0% and AAA bonds 3.0%. Gilts returned 1.1%, mostly interest income with a modest capital gain. Index-linked gilts returned -2.6%, as inflation weakened and the basis of calculation of the Retail Price Index (RPI) came under review.

Property

The IPD Monthly index return for Q3 was +0.6%; the strong income return of 1.7% was eroded by capital returns of -1.1%. The net return from All Balanced pooled funds was +0.4%. The UK property market continues to be a story dominated by income and the divergence between prime and secondary properties. Voids continue at a relatively high level, particularly in Retail where there has been a significant number of high street closures.

Generic Commentary on Active Managers

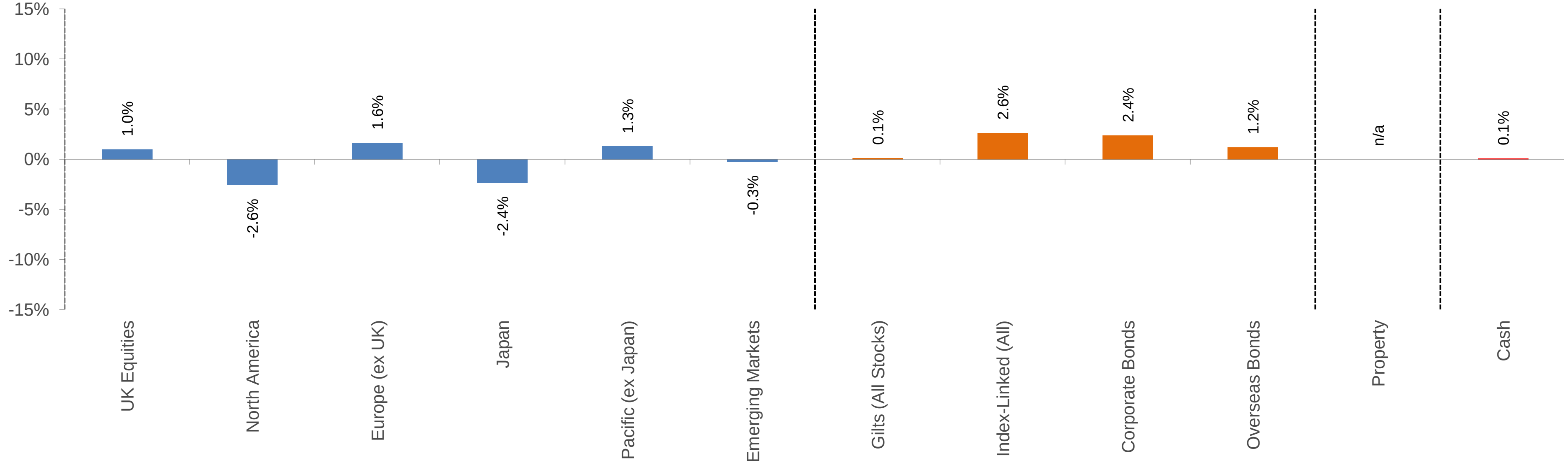
Among 59 global equity managers we follow, the median return over the third quarter was +0.1% relative to benchmark. Over the 12 months ending 30 September 2012, the median return was -0.2% relative to benchmark; the interquartile range of outcomes, i.e. excluding the top and bottom quartile, was from +2.3% to -2.3%. Over 3 years, the median return was -0.1% p.a. relative to benchmark. Over 12 months, managers with a value style bias or a strong fundamental approach represent a sizeable proportion of the underperforming managers. Among 27 UK equity managers, the median return over the third quarter was 0.5% ahead of benchmark. Over the 12-month period ending September 2012, the median return was 1.5% ahead to benchmark with the interquartile range of outcomes from +3.3% to +0.1% relative to benchmark. We believe this is because most active managers are underweight the mega-cap stocks and overweight mid-cap. Over 3 years, the median return was +0.4% ahead of benchmark.

Among 30 bond managers, the median return over the third quarter was +0.5% relative to benchmark. Over the 12 month period ending 30 September 2012, the median return was +1.7% relative to benchmark with the interquartile range of outcomes from +2.5% to +0.9% relative to benchmark. Over 3 years, the median return was +0.9% p.a. relative to benchmark. The main reason for outperformance has come from managers overweighting credit relative to gilts in their mandates over periods when there has been credit spread contraction. A persistent overweight in credit tends to result in outperformance when momentum favours risk taking and underperformance when risk aversion has the upper hand.

We believe the institutional manager constituencies we track provide representative data and information applicable to the wider active management universes.

Markets - Historic Returns for World Markets Update

Period from 30/09/12 to 13/11/12



Equity markets have experienced mixed returns to date in the fourth quarter of 2012 to date with UK, Europe and Asia Pacific ex Japan posting gains but North America and Japan falling back. Corporate bonds have continued to perform well with index-linked gilts also recovering after weaker performance earlier in the year.

Managers

The Suffolk Fund returned an estimated 4.5% over Q3 of 2012 outperforming its estimated benchmark by 0.5%. It is 0.5% behind benchmark over the last 12 months returning 15.0% versus a benchmark return of 15.5%. Longer term numbers lag the total fund benchmark. Relative returns are 0.9% p.a. behind benchmark over 3 years and 1.1% p.a. behind over 5 years.

Alliance Bernstein: Alliance Bernstein underperformed their benchmark over Q3 of 2012 by 0.5%. They are 0.9% behind the benchmark over 12 months and 3.9% p.a. behind benchmark since inception on 10 June 2005.

BlackRock: BlackRock outperformed their benchmark by 0.5% over Q3. Their portfolio is 0.7% ahead of benchmark over 12 months and 2.7% p.a. ahead of benchmark over the period since inception (on 19 July 2007).

Newton: Newton outperformed their benchmark over Q3 of 2012 by 2.6%. They are 2.0% ahead of benchmark over 12 months and 0.4% p.a. ahead of benchmark since inception (on 27 July 2007). Relative performance has been boosted by significant outperformance over the last two quarters.

Millennium: Millennium underperformed their LIBOR cash benchmark by 1.5% (net of fees) over Q3. They are 4.1% p.a. behind benchmark (net of fees) over 12 months and 4.4% p.a. behind since the mandate commenced on 1 April 2008.

Schroder (Property): Schroder’s No 1 portfolio returned -0.4% (net of fees) over Q3. This was 0.8% behind Schroder's benchmark (IPD Pooled Property index) which returned 0.4%. Over 12 months, Schroder's net return was 1.8%, 1.0% behind their benchmark. Over 3 years, Schroder returned 8.8% p.a. (net) which was 0.8% p.a. behind their benchmark return of 9.6% p.a. (benchmark is the IPD Pooled Property index since 31 March 2011 chainlinked with the IPD Balanced Fund index for longer term periods).

MANAGER SUMMARY

Mandate	Manager	Value £M 30-Jun-12	Value £M 30-Sep-12	Actual Allocation 30-Sep-12
Multi Asset Passive	Legal & General	436.4	673.9	42.5%
UK Equities	AllianceBernstein	162.3	117.2	7.4%
UK Equities	BlackRock	138.8	146.0	9.2%
Global Equities	JP Morgan	199.2	0.1	0.0%
Global Equities	Newton	203.3	216.2	13.6%
Bonds	Aberdeen	114.2	-	-
Property	Schroder	156.3	155.8	9.8%
Currency Active	Millennium	33.4	32.9	2.1%
Private Equity	Private Equity	73.5	82.3	5.2%
Absolute Return	Pyrford	-	97.1	6.1%
Hedge Fund	Winton	-	31.9	2.0%
Hedge Fund	All Blue	-	31.9	2.0%
Total Invested Assets		**1,517.3**	**1,585.3**	**100.0%**

ASSET ALLOCATION

Asset Class	Fund (£m) 30/06/2012	Fund (£m) 30/09/2012	Strategic Benchmark (%) (Pre-Transition)	Fund (%) 30/06/2012	Interim Benchmark (%)	Fund (%) 30/09/2012	Relative to Strategic Benchmark (%) 30/06/2012	Relative to Strategic Benchmark (%) 30/09/2012
UK Equities	**331.8**	**272.2**	**22.8**	**21.9**	**17.8**	**17.2**	-0.9	-0.6
Overseas Equities	**600.7**	**538.7**	**38.2**	**39.6**	**33.4**	**34.0**	1.4	0.6
North America	274.1	207.4	15.1	18.1	13.5	13.1	3.0	-0.4
Europe ex UK	147.9	152.3	10.5	9.7	8.8	9.6	-0.8	0.8
Japan	47.5	45.8	6.2	3.1	2.8	2.9	-3.1	0.1
Pacific ex Japan	51.5	59.9	3.6	3.4	3.4	3.8	-0.2	0.4
Other	79.8	73.3	2.8	5.3	4.9	4.6	2.5	-0.3
British Govt Bonds	**54.2**	**33.0**	**4.0**	**3.6**	**2.1**	**2.1**	-0.4	0.0
Corporate Bonds	**183.1**	**198.9**	**10.4**	**12.1**	**12.5**	**12.5**	1.7	0.0
Index-Linked	**66.0**	**64.5**	**4.3**	**4.3**	**4.3**	**4.1**	0.0	-0.2
E.M. Govt Bonds		**33.4**			**2.1**	**2.1**		0.0
Alternatives	**106.8**	**276.0**	**8.2**	**7.0**	**17.2**	**17.4**	-1.2	0.2
Private Equity	73.5	82.3	5.0	4.8	4.6	5.2	-0.2	0.6
Active Currency	33.4	32.9	3.2	2.2	2.6	2.1	-1.0	-0.5
Absolute Return / Hedge		160.9			10.0	10.1		0.1
Property	**154.2**	**153.1**	**12.0**	**10.2**	**10.6**	**9.7**	-1.8	-0.9
Cash	**20.5**	**15.5**	**0.0**	**1.4**	**0.0**	**1.0**	1.4	1.0
Total Invested Assets	**1,517.3**	**1,585.3**	**100.0**	**100.0**	**100.0**	**100.0**		

Manager Allocation - Global Equity Benchmarks

Asset Class	Target %	Newton Relative %	Target %
UK Equities	8.3	-0.9	8.3
Overseas Equities	91.7	-1.7	91.7
North America	*51.6*	-6.4	*51.6*
Europe	*15.0*	5.4	*15.0*
Japan	*7.2*	0.1	*7.2*
Asia Pacific	*5.1*	2.0	*5.1*
Emerging Markets	*12.8*	-2.8	*12.8*
Total Equities	100.0	-2.6	100.0
Property	-	-	-
Total Fixed Interest	-		-
Cash & Alternatives	-	2.7	-
Total	**100.0**		**100.0**

Comments

Newton's regional positioning remains broadly similar to last quarter (driven by their thematic views). In the past, they have typically taken more aggressive asset allocation positions than shown above. Their most significant current position remains the underweighting of North America, the largest geographical component of the index and a corresponding overweight to Europe ex UK.

Sector Allocation - Global Equity Benchmarks

Sector	Target %	Newton Relative %
Energy	11.1	-5.0
Materials	7.5	-0.3
Industrials	10.2	-2.0
Consumer Discretionary	10.4	-1.7
Consumer Staples	10.6	5.6
Healthcare	9.5	7.5
Financials	19.9	-6.3
Information Technology	12.8	-0.9
Telecommunication	4.6	2.0
Utilities	3.6	-2.3
Cash & Others	-	3.3
Total	**100.0**	

Comments

Newton's themes remain similar to last quarter and sector positions also remain similar. Their cautious position in Financials as part of their "deleverage" theme was a negative influence over the quarter. The portfolio's outperformance over the quarter was driven more by individual stock selection than sector views.

Alliance Bernstein - UK Equity Mandate

Overview

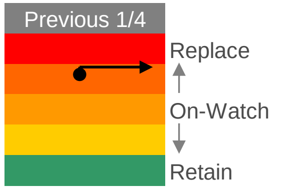
Comments

The portfolio's stock selection was a positive for the quarter, but this was more than offset by the negative impact of its sector positions. In an environment of generally increasing confidence, the portfolio's overweight exposure to the defensive medical and telecom sectors and underweight in financials hurt returns. The portfolio's lack of holdings in the small gold sector was also a significant negative, as central bank money creation increased the appeal of gold.

Mining company Anglo American was the largest individual stock detractor. It underperformed on worse than expected earnings and concerns about risks to its South African operations amid rising industrial unrest. Stock selection within financials was the largest positive contributor to portfolio performance. Barclays and Lloyds Banking Group were the biggest individual contributors, as worst-case fears about the potential impact of the eurozone crisis on the financial system receded. Barclays also posted better than expected results.

Alliance Bernstein believe that markets will remain volatile with macro-economic issues and risk aversion presenting opportunities to exploit mispricing. They added to their holding of Morrisons and other supermarkets (Tesco and Sainsbury) attracted by the non discretionary spend qualities of these companies and purchased a holding in Centrica where they believe investors have taken an overly pessimistic view.

Hymans Robertson View



Recent News

No significant changes to report.

Alliance Bernstein's mandate has been reduced in size and now (at quarter end) represents 7.4% of invested assets.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	4.1	16.2	3.8	2.0
Benchmark	4.7	17.2	8.0	6.1
Relative	-0.5	-0.9	-4.0	-3.9

3 Year Relative Return

Actual % p.a.	Target % p.a.
-4.0	1.5

3 Year Tracking Error

Actual	Target
3.5	3-5%

BlackRock - UK Equity Mandate

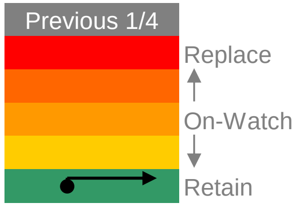
Overview

Comments

The portfolio outperformed over the quarter. It is ahead of benchmark (although below its outperformance target of +2% p.a.) over 12 months and 3 years. It has exceeded its target over 5 years. Performance over the quarter was sourced from positive stock selection. The zero holding of mining company Anglo American added 0.3% to relative performance. Overweight positions in United Business Media and mining company Antofagasta also added over 0.2% respectively to relative performance. On the negative side, the main detractors were an underweight to banks which rallied on central bank announcements (notably Barclays) and the holding of Tullow Oil which fell on concerns over its assets and costs.

BlackRock acquired a holding in drinks company Diageo which they believe will reap the benefits of investment into developing markets and some new brand additions. They also acquired a holding in plastics products company Filtrona attracted by stable earnings from cash generative products like cigarette filters and growth in other areas. They sold out of their holding in Barclays, believing additional regulatory restraints will reduce the return on equity, in contrast to other Banks (such as Lloyds where they are overweight) which have made good progress in restructuring their businesses to meet the "ring fencing" regulatory requirements.

Hymans Robertson View



Recent News

BlackRock has aligned their Institutional and BlackRock Solutions businesses more closely under common leadership. There will be no changes to portfolio managers or client relationship managers but there have been a number of high level changes.

Arno Kitts joined BlackRock as Head of UK Institutional Sales. Kitts replaces Juliet Bullick who transfers to a new role as Head of Diversity EMEA. Andrew Tunningley has been appointed to the role of Head of UK Strategic Team replacing Mark Johnson who moves to the newly created role of Head of UK Sales for iShares.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	5.2	18.1	8.9	4.4
Benchmark	4.7	17.3	8.0	1.7
Relative	0.5	0.7	0.8	2.7

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.8	1.5

3 Year Tracking Error

Actual	Target
2.5	

Newton - Global Equity Mandate

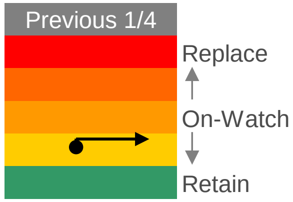
Overview

Comments

The telecoms services sector was a large contributor to performance, as the US mobile operator Sprint Nextel reported impressive second quarter earnings amid positive changes of internal management. Merger and Acquisition activity boosted holdings in the Energy sector. Canadian company Nexen was acquired by China's CNOOC and Singapore listed Sakari Resources was approached by Thailand's PTT. The industrial sector and healthcare sector also produced positive returns. US company Shaw Group (nuclear industrial company) benefitted from being a takeover target during the period. Healthcare stocks such as Bayer and Apollo Hospitals outperformed.

Newton highlight that cyclical areas of the market recovered sharply in Q3 after the Federal Reserve's announcement of more QE but over the quarter as a whole the shares of stable, high quality, companies performed well, reflecting investor's recognition of remaining problems. Newton believe the current backdrop of central bank support has caused a dislocation between asset performance and macroeconomic fundamentals. They continue to use their thematic framework to identify and invest in companies in structural growth areas which have the characteristics to do well despite the difficulties in the global economy.

Hymans Robertson View



Recent News

During the quarter Newton announced some changes to their process execution. There are two parts to this initiative. The first is in relation to the governance of their investment strategies; every Newton portfolio is now the responsibility of one of six teams. Secondly, they have simplified the governance of the thematic investment approach, replacing the Macro Strategy Group, Equity Strategy Group and Global Investment Group meetings with a new Investment Strategy Group (ISG).

We are comfortable with the changes and continue to support Newton as an active global equity manager.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	6.4	19.0	6.7	3.1
Benchmark	3.8	16.7	6.9	2.7
Relative	2.6	2.0	-0.2	0.4

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.2	1.5

3 Year Tracking Error

Actual	Target
16.0	5-7%

Schroder - Property Fund of Funds

Overview

Comments

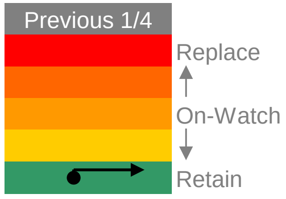
The portfolio underperformed its benchmark over the quarter and also trails the benchmark over the longer term periods shown. Schroders point out that removing transaction costs of investing cash, the fund is in line with benchmark over 3 years.

Schroders attribute the underperformance over the quarter to three holdings. The RREEF UK office Property Fund suffered a fall in valuation following a change in their valuer. Schroders had previously served a redemption notice and are working on other exit options with the manager. The Gresham Real Estate Fund II has experienced higher than expected costs on lettings and lease incentives have reduced performance. Schroders will be looking to sell the holding in the medium term, believing the initiatives taken will help. The final fund to hurt performance was the Threadneedle Strategic Property Fund which experienced falls in the value of its retail warehousing which was exacerbated by gearing.

Central London office properties continue to boost returns as do income focussed funds such as the Real Income Fund.

The portfolio cash position has increased following receipt of £3m in portfolio income. Post quarter end, Schroders invested £2.5m in the Lothbury Property Trust (on the secondary market to reduce investment costs). This fund has a Central London bias.

Hymans Robertson View



Recent News

No significant changes to report.

Schroders have recommended that any future new money will be invested in the Real Income Fund (an income fund in non traditional areas) and in closed-ended funds on the secondary market.

Performance Summary (No 1 Fund)

	Current 1/4 %	1 Year %	3 Years % p.a.	5 Years % p.a.
Fund	-0.4	1.8	8.8	-4.9
Benchmark	0.4	2.8	9.6	-4.4
Relative	-0.8	-1.0	-0.8	-0.5

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.8	1.5

3 Year Tracking Error

Actual	Target
0.7	n/a

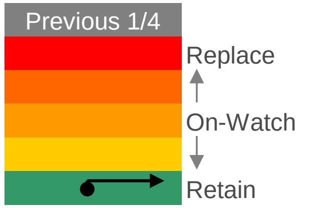
Millennium - Active Currency

Overview

Comments

The Global Currency fund was down -1.4% over the quarter. One of the fund's key structural views this year has been the weakening of the Euro. Like many currency managers, the fund has been positioned short EUR vs USD. At the start of Q3 this position was a key contributor to performance as weak economic data, combined with concerns over the solvency of Spain led to broad based EUR weakening. Gains from this holding were, however, offset by losses from both the AUD/USD position as the Australian Dollar remained resilient to the global economic slowdown and a short JPY/USD position as investors saw Japan as a safe haven. In August, expectations of central bank easing boosted the single currency. This position detracted 0.63% from the fund's overall performance for the month. A positive contribution came from short Zloty vs Euro, as the currency weakened on expectations that Polish interest rates would be cut. The key detractor from performance in September was the fund's short Euro/USD position. The single currency strengthened in September as the ECB announced its conditional bond buying programme. This also coincided with the Fed's QE3 announcement which advised that quantitative easing to boost economic growth would be open-ended – a monetary policy that is expected to weaken the USD over the short to medium term.

Hymans Robertson View



Recent News

The Millennium global currency fund has seen its assets under management fall from $166m at the beginning of 2012 to just $65m as end of September. These redemptions reflect increased lack of investor confidence both in active currency as an investment strategy and Millennium's fundamental discretionary approach combined with disappointing performance of the fund.

Performance Summary (absolute return)

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-1.4	-3.1	-3.4	-2.8

* Inception - 1 April 2008, performance shown is absolute return net of fees

3 Year Relative Return

Actual % p.a.	Target % p.a.
-3.4	n/a

3 Year Tracking Error

Actual	Target
5.1	n/a