HYMANS ROBERTSON
The Spirit of Independence

Suffolk County Council Pension Fund

Review of Investment Managers' Performance for the Second Quarter of 2013

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For and on behalf of Hymans Robertson LLP

September 2013

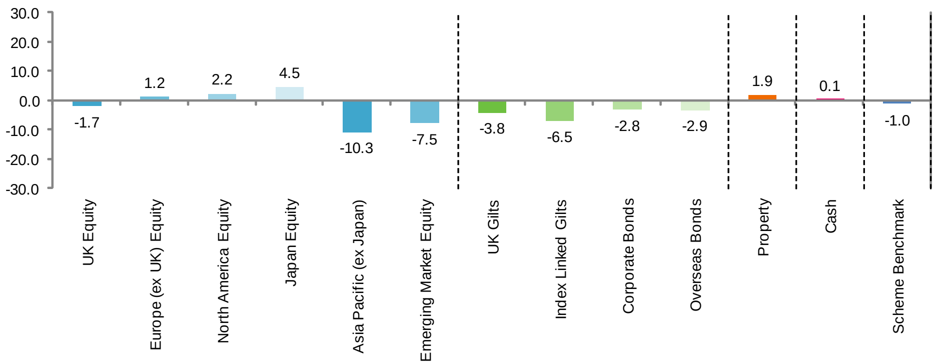
Real people. Real skills. Real results.

Contents

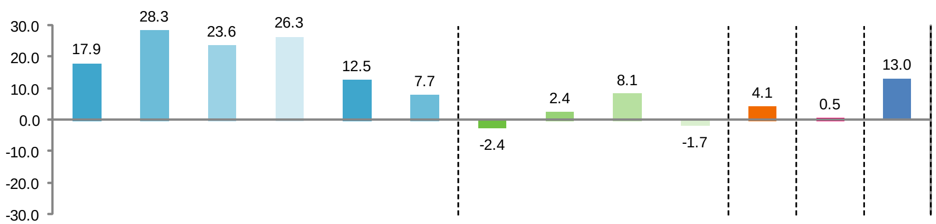
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Historic Returns for World Markets to 30 June 2013

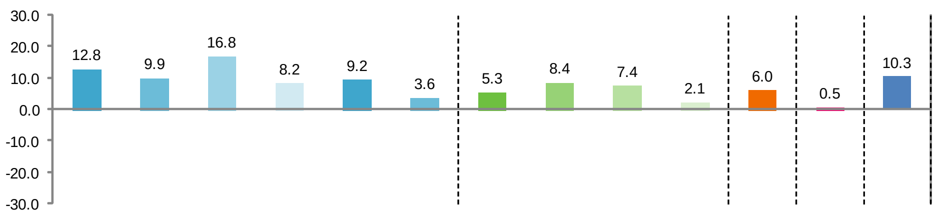
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

Perhaps the most significant event during the quarter came in late May, when the US central bank hinted it may begin scaling back its programme of asset purchases by the end of the year. This raised immediate concerns that economic activity, which the programme was designed to support in the first instance, might be adversely affected. Signs of a potential credit crunch in China, reduced forecasts for economic growth in the Eurozone and an uncertain outlook in the UK added to the sense of unease. Equity markets responded with sharp falls, particularly in Asia Pacific and Emerging Markets, offsetting gains earlier in the quarter. The FTSE All-World index was flat over the quarter. In the UK, the FTSE All Share index returned -1.66% over the quarter.

Bond investors interpreted the prospect of reduced assets purchases in the US with some caution. Bond prices fell (yields rose), in all major markets. The yield on the 10 year US Treasury, a widely followed benchmark, reached its highest level in more than a year.

In the UK, the Chancellor of the Exchequer presented his spending review in June against a background of intense debate over the efficacy of austerity. Further savings of £11.5bn were announced. With an eye beyond the immediate difficulties, the Chancellor also announced funding of £100bn for infrastructure projects between now and the end of the decade.

Key events during the quarter were:

Global Economy

- The Governor of the Bank of England stated the UK economy is showing signs of renewed vigour; the UK ‘funding for lending’ scheme was extended, despite poor initial take up;
- Rating agency S&P raised its outlook for the US economy but reiterated concerns about the high level of debt;
- The European Commission allowed some member states to slow the pace of austerity measures;
- Short-term interest rates were unchanged in UK, US and Japan but were cut in the Eurozone, from 0.75% to 0.50%;
- The Eurozone reported a fourth consecutive quarter of economic contraction.

Equities

- The best performing sectors relative to the ‘All World’ Index were Health Care (+3.0%) and Telecommunications (+2.9%); the worst were Basic Materials (-9.8%) and Oil & Gas (-3.1%);
- The Dow Jones equity index (US) reached a record high (15,000) in May.

Bonds

- UK government bond prices fell (yields rose), but outperformed their overseas counterparts;
- UK index linked issues (-6.5%) underperformed fixed interest issues (-3.8%).

Market Conditions

General

The rally in risk markets which had been in place since the summer of 2012 came to a rather untidy end in May, essentially arising from concerns about central banks' stimulus packages. In Japan, where stimulus started only this year, the question marks related to the likelihood of success. In the US, the statement from Ben Bernanke about the need for an eventual tapering of quantitative easing was sufficient to create unease. Adding to these problems, China indicated in June that it would rein in credit creation, allowing interest rates to rise, in order to take some heat out of the economy. Market reaction reflected dependency on the programmes and the underlying strength of economies. US equities were largely unaffected; equities in Europe (including the UK) which have a greater cyclical exposure, had a modest setback. However, Asia Pacific and Emerging Market equities suffered a more material decline; this reflects not just a likely lower demand from China but also weaker investment flows into these areas as US quantitative easing tapers off. The effect on bond markets was more material with quite significant rises in real and nominal yields in major government bond markets. Corporate bond yields also rose, but higher coupons provided some additional cushion.

Equities

In sterling terms, global equities were flat over Q2 (as measured by the FTSE All World index). The strongest returns came from Japan (+4.5% in sterling terms) followed by North America (+2.2% in sterling terms). The weakest regions were Asia Pacific ex Japan (-10.3% in sterling terms, but -2.4% when denominated in local currencies) and Emerging Markets (-7.5% in sterling terms). Europe (ex UK) returned +0.8% in sterling terms while UK equities returned -1.7%. Sterling declined by +0.6% on a trade-weighted basis. Over the 12 month period ending 30 June 2013, the strongest returns (sterling denominated) came from Europe (ex UK) closely followed by Japan and North America (all in the range +23.6 to +28%). UK equities returned +17.9%, Asia Pacific returned +12.5% and Emerging Markets +7.7%.

Over Q2, the strongest sector return relative to the All World index came from Healthcare (+3% relative). The weakest relative sector return came from Basic Materials (-9.8% relative). Over 12 months, the same pattern emerged with Healthcare strongest (+8.5% relative) followed by Financials (+7.9%) and Basic Materials weakest (-18.9%). Weakening growth in China, a significant importer of basic materials, has damaged performance in that sector.

Value stocks outperformed growth stocks modestly over the second quarter. The style variation over the 12 month period was not particularly strong; value stocks outpaced growth stocks by just under 3%.

UK equities

Large cap stocks (FTSE 100) returned -2% over the quarter, with FTSE 250 (mid cap stocks) returning +0.1% and Small Cap returning +1.2%. Over the 12 month period ending 30 June 2013, the FTSE 100 returned +15.8% significantly underperforming the FTSE 250 (+29.9%) and Small Cap (+31.5%). Value stocks outperformed growth stocks modestly over the quarter (-1.6% versus -2.4%); value was ahead of growth by 1.2% over 12 months. At a sector level, the strongest sector was Telecoms (+7% relative to the FTSE All-Share), followed by Healthcare (+4%). The weakest sector was Basic Materials (-15.2% relative), principally the Mining sector. Over 12 months, the weakest sectors were Basic Materials (-25.6% relative) and Oil & Gas (-14.1% relative). The strongest sector over 12 months was the tiny Technology sector (+16.2% relative) followed by Financials (+13.3%) and Consumer Services (+12.4%). The strongest performing stock in the FTSE 100 over Q2 was Lloyds Banking Group (+31.9% relative to the FTSE All-Share); another strong performer was Easyjet (+22% relative over 3 months and +111% relative over 12 months). A large number of weakest performers were Mining stocks, led by Fresnillo (-32.1% relative), but also including Randgold, Anglo American and Glencore Xstrata (all underperforming by more than 20% relative).

Bonds

Prices of conventional gilts fell over the second quarter, with the All-Gilts index returning -3.8%. The long-dated index returned -5.9%. Index-linked gilts were also weak, with the All Index Linked index returning -6.5%. Corporate bond prices fell less sharply, with UK investment grade credit returning -2.8% over the quarter. The strongest area yet again was the BBB issues (-2.3%). Overseas bonds returned -2.9% (in sterling terms). Over the 12 month period ending 30 June 2013, the All-Gilts index returned -2.4%, index-linked gilts delivered +2.4%. Corporate bonds returned +8.1% over 12 months. BBB-rated issues producing the strongest returns (+12.9%).

Property

The IPD Monthly index return for Q2 of 2013 was +1.9% (this represents the return on directly held property). The sector returns were +2.3% for Industrial, +2.4% for Offices and 1.4% for Retail. The income component of returns was relatively strong at 1.7%, and there was capital growth in Industrial and Office segments; the latter is surprising because overall void levels for Office properties has increased. For pooled funds, the weighted average return (net of manager fees) for All Balanced Pooled Property Funds was 1.4%, with a distribution yield (after fees) of 2.7%. There is evidence of recognition of value in some elements of secondary property.

Market Conditions (Ctd)

Active managers performance

Global equities

Among 59 global equity managers' funds we follow, the median return over the second quarter of 2013 was +0.4% relative to benchmark. Managers with fundamental and value-biased approaches were among the stronger performers. Over the 12 month period ending 30 June 2013, the median return was +1.8% relative to benchmark; the interquartile range of outcomes, i.e. excluding the top and bottom quartile, was from +4.2% to-0.2% relative to benchmark. The best performing funds over 12 months adopted fundamental and value-biased approaches; the poorest performing funds included dividend focussed funds and those with an allocation bias to Asia / Emerging Markets. Over the 3 year period ending 30 June 2013, the median return was +0.3% relative to benchmark. The inter-quartile range was from +1.2% p.a. to -1.0% p.a. The strongest managers outperformed by at least 2% p.a. while the weakest underperformed by at least 2% p.a. Although managers with a value style bias continue to dominate the bottom quartile of performance over 3 years, style rotation is gradually turning in their favour (see 12 month returns above).

UK equities

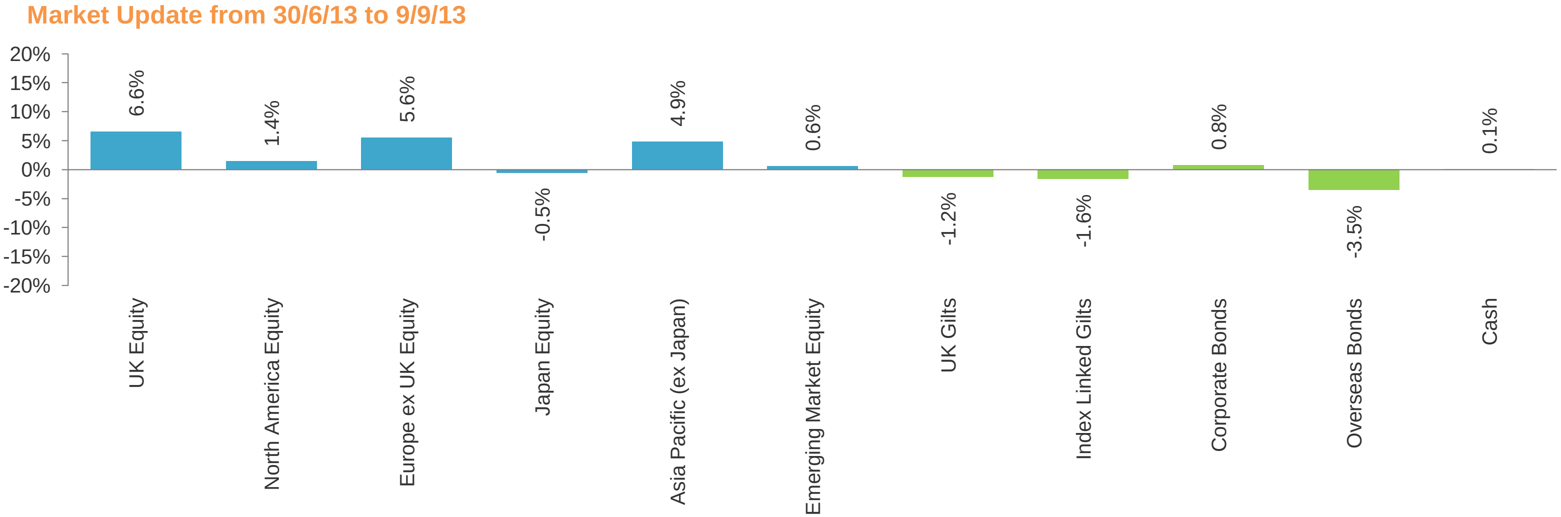
Among 26 UK equity managers' funds we follow, the median return over the second quarter of 2013 was 1.9% ahead of benchmark. Over the 12 months ending 30 June 2013, the median return was +4.1% relative to benchmark; the interquartile range of outcomes was from +6.7% to +1.2% relative to benchmark. There was no particularly strong style bias differentiating the most successful from the least successful managers over either the first quarter or the 12 month period. However, truly active managers (i.e. those that ran concentrated portfolios or portfolios that did not closely resemble index shape) were well represented among the strong performers. Over 3 years, the median return was +1.8% p.a. relative to benchmark. The interquartile range was from +3.2% p.a. to +0.3% p.a. The strongest managers outperformed by at least 4% p.a. while only the weakest managers underperformed the benchmark.

Bonds

Among 66 bond managers' funds we follow, the median return over the second quarter of 2013 was flat relative to benchmark. Over the 12 month period ending 30 June 2013, the median return was +1.0% relative to benchmark; the interquartile range of outcomes was from +1.6% to +0.4% relative to benchmark over this period. The strong level of outperformance is not surprising in a 12 month period when UK corporate bonds outperformed gilts by over 10% (most managers were overweight credit relative to benchmark). Over 3 years, the median return was +0.5% p.a. relative to benchmark. The interquartile range was from +1.3% p.a. to +0.1% p.a. The strongest managers outperformed by at least 1.5% p.a. relative, while the weakest typically delivered returns modestly behind benchmark.

There is significant dispersion of absolute returns over the three year period ending 30 June 2013, led by specialist index-linked gilt funds. Pure corporate bond funds performed relatively strongly over this period; they benefited from a starting point when credit spreads were wide. Absolute return bond funds benchmarked against cash generally performed poorly, due to the low interest rates on cash.

Markets - Historic Returns for World Market Update



Equity markets have posted generally positive returns in sterling terms since quarter end led by positive returns from UK, Europe and Asia Pacific ex Japan. Bond performance has been more mixed, with gilts (both conventional and index-linked) posting negative returns but corporate bonds gaining. Overseas government bonds also fell (in sterling terms).

Source: [i] DataStream

Portfolio Summary

Manager Valuations

Manager	Value (£m) Q1 2013	Value (£m) Q2 2013	Actual Proportion %	Target Proportion %	Difference %
Newton - Global Equity	254.4	257.1	14.7	13.5	1.2
Alliance Bernstein - UK Equity	136.3	136.6	7.8	7.5	0.3
BlackRock - UK Equity	167.1	163.2	9.4	9.5	-0.1
BlueCrest Hedge Fund	32.9	32.1	1.8	2.0	-0.2
Legal & General - Multi Asset	747.4	727.5	41.7	42.5	-0.8
Pyrford - Absolute Return	99.5	99.7	5.7	6.0	-0.3
Winton - Hedge Fund	33.3	33.0	1.9	2.0	-0.1
Schroders - Property	158.4	166.1	9.5	10.0	-0.5
Millenium - Active Currency	36.0	0.0	0.0	0.0	0.0
Private Equity	91.6	95.1	5.5	5.0	0.5
Suffolk Internal Cash	0.0	32.3	1.9	2.0	-0.1
Total	**1756.9**	**1742.8**	**100.0**	**100.0**	0.0

Manager Summary

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *				
Newton - Global Equity	Global Thematic	23 Jul 2007	MSCI AC World	Outperform by 2.5% p.a. over 3 and 5 years				●	
Alliance Bernstein - UK Equity	Value	10 Jun 2005	FTSE All Share	Outperform by 2% p.a. over rolling 3 year periods		●			
BlackRock - UK Equity	Active	19 Jul 2007	FTSE All Share	Outperform by 1.5%					●
BlueCrest Hedge Fund	Credit	30 Sep 2012	3M LIBOR +5%	-					●
Legal & General - Multi Asset	Passive	31 Mar 2004	Composite	Track Benchmark					●
Pyrford - Absolute Return	Absolute Return	31 Aug 2012	3M LIBOR +5%	-					●
Winton - Hedge Fund	Momentum	30 Sep 2012	3M LIBOR +5%	-					●
Schroders - Property	-	31 Mar 2001	IPD All Balanced Funds Wtd Ave	Outperform by 0.75% p.a. over rolling 3 year period					●

* For information on our manager ratings, see individual manager pages

Key:- Replace - On-Watch - Retain

Asset Allocation

Asset Class	Values (£m) Q1 2013	Q2 2013	Actual Proportion %	Target Proportion %	Difference %
UK Equity	323.7	317.1	18.2	18.1	0.1
North American Equity	244.1	242.2	13.9	13.8	0.1
Europe (ex UK) Equity	175.4	176.3	10.1	8.9	1.2
Japanese Equity	61.2	60.1	3.4	3.1	0.3
Pacific Basin (ex Japan) Equity	62.5	57.8	3.3	3.7	-0.3
Emerging Market Equity	76.4	73.4	4.2	4.5	-0.3
UK Corporates	213.1	215.5	12.4	12.5	-0.2
UK Gilts	36.8	35.8	2.1	2.1	-0.1
Emerging Market Debt	36.9	35.0	2.0	2.1	-0.1
UK Index-Linked Gilts	75.1	71.3	4.1	4.3	-0.2
Property	158.4	166.1	9.5	10.0	-0.5
Currency	36.0	0.0	0.0	0.0	0.0
Private Equity	91.6	95.1	5.5	5.0	0.5
Absolute Return Funds	165.7	164.9	9.5	10.0	-0.5
Cash	0.0	32.3	1.9	2.0	-0.1
Total Client	**1756.9**	**1742.8**	**100.0**	**100.0**	

Performance Summary

Performance Summary [i]

Period	Measure	Newton - Global Equity	Alliance Bernstein - UK Equity	BlackRock - UK Equity	BlueCrest Hedge Fund	Legal & General - Multi Asset	Pyrford - Absolute Return	Winton - Hedge Fund	Schroders - Property	Total Fund
3 Months (%)	Absolute	0.9	0.3	-2.3	-2.3	-2.7	-0.3	-1.0	1.9	-1.0
	Benchmark	-0.3	-1.7	-1.7	1.4	-2.7	1.4	1.4	1.4	-1.0
	Relative	1.2	2.0	-0.7	-3.7	0.0	-1.6	-2.3	0.5	0.0
12 Months (%)	Absolute	26.4	21.4	17.7	0.8	12.5	4.3	3.5	3.1	13.6
	Benchmark	20.5	17.9	17.9	4.2	12.5	4.7	4.2	1.7	13.0
	Relative	4.8	2.9	-0.2	-3.2	0.0	-0.4	-0.6	1.4	0.5
3 Years (% p.a.)	Absolute	12.1	12.2	13.0	N/A	9.6	N/A	N/A	4.6	9.6
	Benchmark	11.8	12.8	12.8	N/A	9.5	N/A	N/A	4.3	10.3
	Relative	0.2	-0.5	0.2	N/A	0.0	N/A	N/A	0.3	-0.6
5 Years (% p.a.)	Absolute	6.1	2.9	7.8	N/A	7.5	N/A	N/A	-1.0	5.2
	Benchmark	8.0	6.7	6.7	N/A	7.6	N/A	N/A	-1.0	6.6
	Relative	-1.8	-3.6	1.1	N/A	-0.1	N/A	N/A	0.0	-1.3

Source: [i] DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited, WM/State Street

Comment

The Suffolk Fund returned -1.0% over Q2 of 2013 performing in line with its estimated benchmark. It is 0.5% ahead of benchmark over the last 12 months returning 13.6% versus a benchmark return of 13.0%. Longer term numbers lag the total fund benchmark. Relative returns are 0.6% p.a. behind benchmark over 3 years and 1.3% p.a. behind over 5 years.

Alliance Bernstein: Alliance Bernstein outperformed their benchmark over Q2 of 2013 by 2.0%. They are 2.9% ahead of the benchmark over 12 months. Improved performance has reduced the underperformance over 3 years to 0.5% p.a. but they are still 3.3% p.a. behind benchmark since inception on 10 June 2005.

BlackRock: BlackRock underperformed their benchmark by 0.7% over Q2. Their portfolio is 0.2% behind benchmark over 12 months and 1.1% p.a. ahead of benchmark over 5 years.

Newton: Newton outperformed their benchmark over Q2 of 2013 by 1.2%. They are 4.8% ahead of benchmark over 12 months. They are 0.7% p.a. ahead of benchmark since inception (on 27 July 2007).

Schroder (Property): Schroder’s portfolio returned 1.9% (net of fees) over Q2. This was 0.5% ahead Schroder's benchmark (IPD All balanced Property index) which returned 1.4%. Over 12 months, Schroder's net return was 3.1%, 1.4% ahead of their benchmark. Over 3 years, Schroder returned 4.6% p.a. (net) which was 0.3% p.a. ahead of their benchmark return of 4.3% p.a.

Pyrford: Pyrford returned -0.3 % over Q2. Over the same period, the cash +5% p.a. benchmark returned 1.4%. Pyrford have returned 4.3% since inception (31 August 2012) compared to the cash +5% p.a. return of 4.7% over that period.

Winton: Winton returned -1.0% over Q2. Over the same period, the cash +5% p.a. benchmark returned 1.4%. Winton have returned 3.5% since inception (30 September 2012) compared to the cash +5% p.a. return of 4.2% over that period.

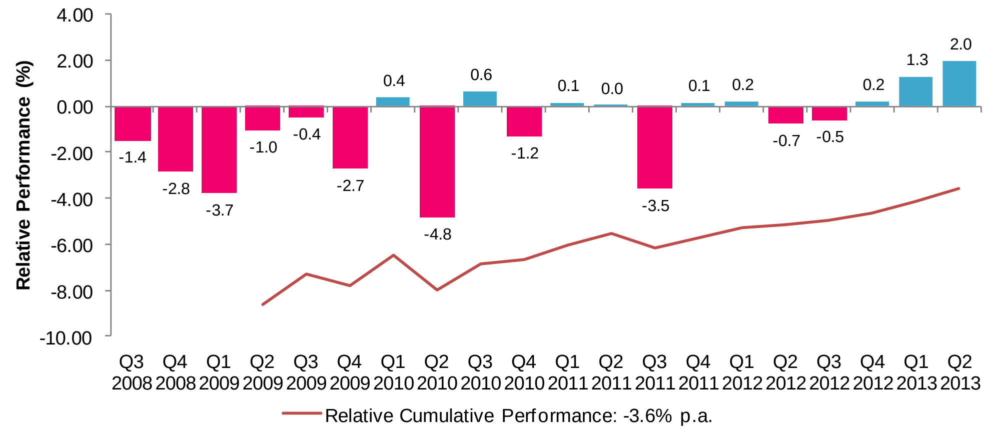
BlueCrest: BlueCrest returned -2.3% over Q2. Over the same period, the cash +5% p.a. benchmark returned 1.4%. BlueCrest have returned 0.8% since inception (30 September 2012) compared to the cash +5% p.a. return of 4.2% over that period.

Alliance Bernstein - UK Equity

Recent News & Rating

No significant news to report this quarter. There were no changes to the UK Value team or process. Bernstein have made some adjustments to the “growth” side of their research. The Thematic research team will be merged with the Growth team as Bernstein believes it has identified synergies between Growth and Thematic investing. This has no impact on their value products.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The portfolio outperformed the FTSE All-Share Index by 2.0% over the quarter. The portfolio’s underweight exposure to gold producers and overweight positions in telecoms and capital equipment sectors added value but the biggest factor was stock selection. Bernstein note that stock specific factors have become the significant driver of share prices of late (instead of macro issues). Their holding of Lloyds Banking Group helped as it was buoyed by falling competition for deposits which improved lending margins. An improved UK housing situation also helped Persimmon Homes and Taylor Wimpey. Avoiding Standard Chartered was beneficial, as it recorded disappointing earnings due to slowing growth in Asia. Bernstein were also short of higher valued defensive names which boosted the portfolio.

Performance is now looking better over the medium term although still modestly behind benchmark over 3 years. Bernstein expect the recent “normalisation of equity markets” to continue and believe their fundamental research driven approach should continue to support improved portfolio performance.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.3	21.4	12.2	2.9
Benchmark	-1.7	17.9	12.8	6.7
Relative	2.0	2.9	-0.5	-3.6

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.5	2.0

3 Year Tracking Error

Actual % p.a.	Target % p.a.
2.7	3-5

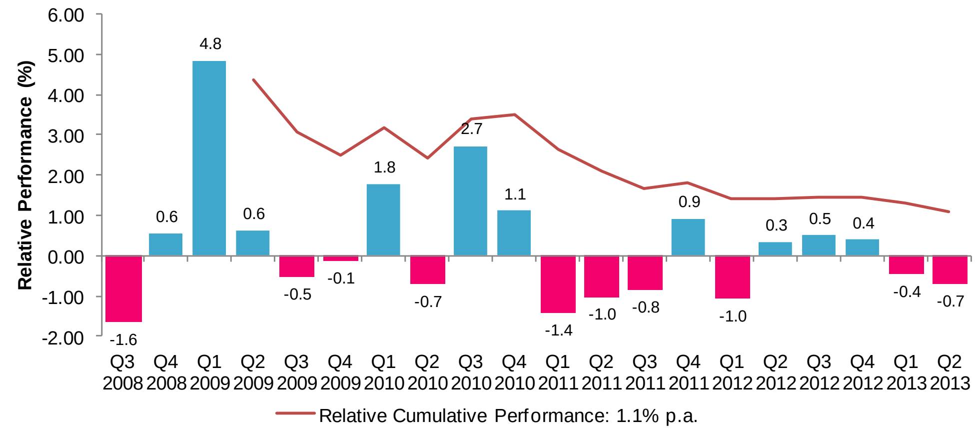
Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

BlackRock - UK Equity

Recent News & Rating

As reported last quarter, a BlackRock fund manager unrelated to the Suffolk portfolio was implicated in insider trading in activities unrelated to his role at BlackRock. The FCA has confirmed that neither BlackRock itself nor any existing BlackRock employees are under investigation.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The portfolio underperformed its benchmark for the second consecutive quarter, leaving 12 month returns modestly behind the benchmark. Longer term returns remain ahead of benchmark. Over the quarter, underperformance was largely due to stock specific factors. In particular, Spectris (precision instrument company) reported weaker than expected earnings, Tullow Oil reported a dry oil well and the underweight position in GlaxoSmithKline detracted due to investor sentiment.

BlackRock added two new holdings. They find the growth potential in Whitbread attractive with the expansion of its Costa Coffee chain in the UK and Europe and expansion of Premier Inns. They also took a position in Reed Elsevier believing in higher margins going forward, beneficial disposals of some underlying businesses and an improving balance sheet.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-2.3	17.7	13	7.8
Benchmark	-1.7	17.9	12.8	6.7
Relative	-0.7	-0.2	0.2	1.1

3 Year Relative Return

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

3 Year Tracking Error

Actual % p.a.	Target % p.a.
2.4	-

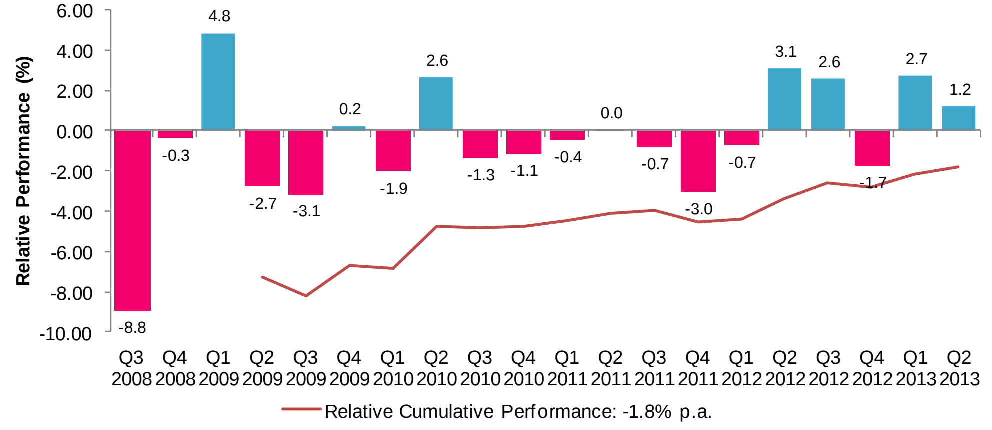
Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Newton - Global Equity - Summary

Recent News & Rating

There were no significant developments at Newton that affect the management of the Scheme's assets.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

Newton significantly outperformed the benchmark over the quarter. They have recorded a particularly strong 12 months of performance (both in absolute and relative terms). Both stock and sector selection was beneficial. As with the previous quarter, the overweight position in the healthcare sector added value. Stock selection in the technology sector was a major positive contributor with Microsoft being the main source of this outperformance. Its strong cashflow proved attractive to investors. The portfolio also benefitted from the strong performance of Google and also by Apple’s underperformance. Another positive factor over the quarter was Newton’s overweight exposure to Japan; the Japanese market outperformed other equity markets (and Newton’s holdings also outperformed the Japanese index).

Newton’s portfolio remains similarly positioned, remaining focussed on the same central themes.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.9	26.4	12.1	6.1
Benchmark	-0.3	20.5	11.8	8.0
Relative	1.2	4.8	0.2	-1.8

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.2	2.5

3 Year Tracking Error

Actual % p.a.	Target % p.a.
3.8	5-7

Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Newton - Global Equity

Asset Allocation [i]

Asset Class	Benchmark %	Fund %	Difference %
UK Equities	7.9	6.6	-1.4
North America	52.2	47.1	-5.1
Europe	15.5	21.8	6.3
Japan	8.2	9.8	1.6
Asia Pacific	5.0	4.9	-0.2
Emerging Markets	11.2	7.9	-3.3
Property	0.0	0.0	0.0
Total Fixed Interest	0.0	0.0	0.0
Cash & Alternatives	0.0	2.0	2.0
Total	**100.0**	**100.0**	0.0

Performance Attribution Asset Allocation [ii]

Asset Class	Benchmark %	Fund %	Difference %
Energy	9.9	6.9	-3.0
Materials	6.0	4.7	-1.3
Industrials	10.4	9.7	-0.7
Consumer Discretionary	11.6	9.6	-2.0
Consumer Staples	10.5	14.1	3.6
Healthcare	10.2	18.9	8.7
Financials	21.6	14.1	-7.4
Information Technology	12.1	13.3	1.2
Telecommunication	4.3	5.4	1.1
Utilities	3.4	1.2	-2.2
Cash & Others	0.0	2.0	2.0
Total	**100.0**	**100.0**	-0.0

Comment

Newton's regional positioning remains broadly similar to last quarter (driven by their thematic views) although they have moved marginally (-0.2%) underweight Asia Pacific ex Japan (previously 0.7% overweight) due to market movements. In the past, they have typically taken more aggressive asset allocation positions than shown above. Their most significant current positions remain the underweighting of North America, the largest geographical component of the index, and a corresponding overweight to Europe ex UK.

Comment

Newton's themes remain similar to last quarter and sector positions also remain similar. They have been overweight more defensive areas of the market such as Healthcare and Consumer Staples (sectors which have greater certainty of earnings and steady growth as opposed to more cyclical sectors), The Healthcare sector again made a positive contribution to performance over the quarter and remains the biggest overweight sector position.

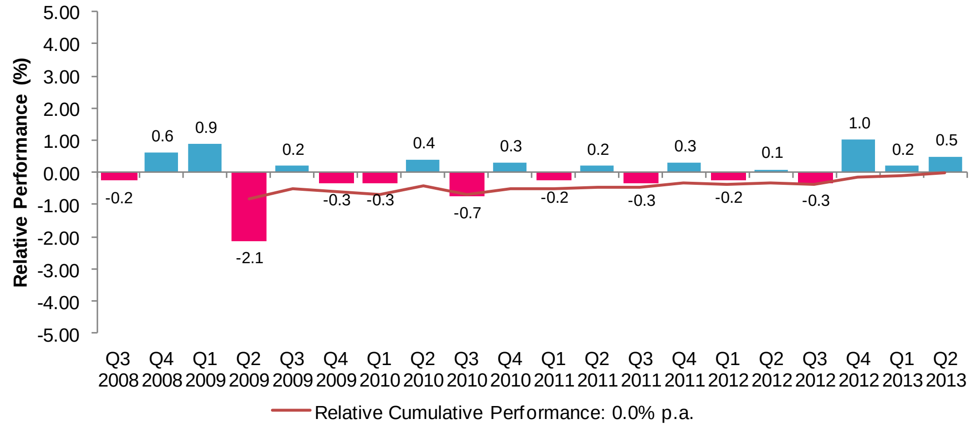
Source: [i] Fund Manager, [ii] Fund Manager

Schroder - Property Fund of Funds

Recent News & Rating

There have been no significant changes to Schroders' property team or process over the quarter.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

Schroders' property portfolio continued to perform well outperforming its benchmark by 0.5% over the quarter and a significant 1.7% ahead over 12 months. Core funds in the portfolio have continued to perform well, benefitting from overweight exposure to London Offices and South East properties. The value add funds with a high income return have also done well (West End of London Property Unit Trust and Schroder Property Real Income Fund). Longer term returns (3 years) are also positive, with value add funds driving returns (similar themes of London focus and income focus).

Schroders' analysis of commercial property sectors has led them to underweight standard retail although they remain overweight to shopping centres and retail warehouses. They are also overweight office and industrial property reflecting affordability of rents to occupiers.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	1.9	3.1	4.6	-1.0
Benchmark	1.4	1.7	4.3	-1.0
Relative	0.5	1.4	0.3	0.0

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.3	0.75

3 Year Tracking Error

Actual % p.a.	Target % p.a.
0.9	-

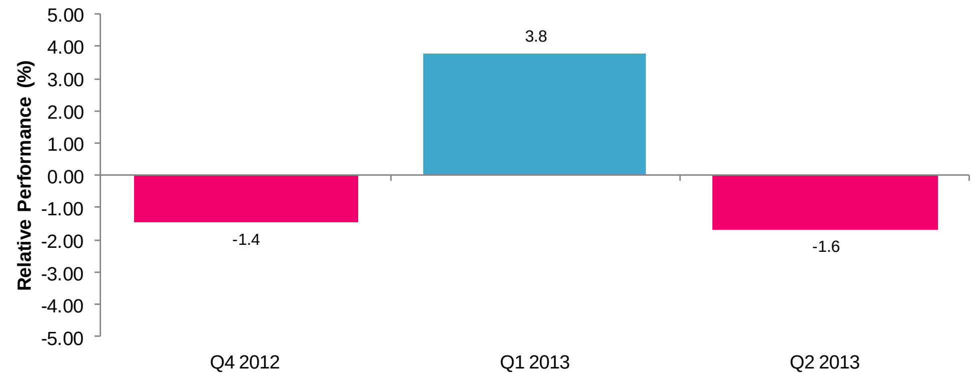
Source: [i] Fund Manager, Hymans Robertson, Investment Property Databank Limited, [ii] DataStream, Fund Manager, Hymans Robertson

Pyrford - Absolute Return

Recent News & Rating

Pyrford has hired Andrew Sykes as the firm's second manager covering North American equities. Sykes previously worked at Schroders and private wealth boutique manager Stenhouse Capital. Pyrford has been light in its American equity coverage so this should be a useful addition to the team. Less positive is the departure of Asia Pacific portfolio manager, Geraldine Arrigoni, who is leaving at the end of September for a role investing in small cap Pan Asian companies. Four of the ten strong investment team at Pyrford focus on Asia Pacific equities and Arrigoni was the second most experienced of those (after Paul Simons who remains in place). Pyrford is already seeking a replacement. The strengthening of North American equity coverage is welcome. Pyrford's Asia Pacific equity exposure has been an important component in its strong global equity track record and losing the second most senior investor for the region is a negative. Having said that, the process is 'top down' focused, Simons remains in place and overall team stability has been good so far. We believe Pyrford can manage this change reasonably comfortably though further personnel turnover, especially if involving another experienced investor, would be a cause for concern. We maintain our rating.

Relative Quarterly and Relative Cumulative Performance [1]



Comment

The Fund produced a marginally negative absolute return over the quarter of -0.3%. UK bonds returned -0.85%, their relatively high weighting in the portfolio meant they were the biggest overall detractor from performance. The bond component of the portfolio is positioned in favour of shorter dated issues, a defensive stance to protect against rises in yields. Since inception, the fund has produced a positive absolute return of 6.5%. Currency hedging was beneficial over the quarter, Pyrford remain fully hedged against Australian and Canadian dollar and Swiss Franc exposures. The portfolio has a low equity exposure at present. Pyrford remain bearish on the outlook for equities and remain defensively positioned. Pyrford expect a rise in interest rates rather than an inflation scenario but will continue to be positioned defensively until there is less uncertainty on the outlook for equities. Indeed, they may reduce the equity allocation further to their minimum of 30%. Overall, despite the slightly negative return, over the quarter most asset classes in the portfolio outperformed their broad market proxies. However, the absolute return of the portfolio trailed its benchmark.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-0.3	N/A	N/A	4.3
Benchmark	1.4	N/A	N/A	4.7
Relative	-1.6	N/A	N/A	-0.4

* Inception date 31 Aug 2012.

[1] Excludes initial part quarter (1 month to 30/9/12)

Source: [i] DataStream, Fund Manager, Hymans Robertson

Winton - Futures Fund

Recent News & Rating

No significant news to report this quarter.

Comment

The fund delivered a negative return of -1.0% over the quarter. Gains made in April were lost in May and June. The fund rose in April as financial markets extended their rally but then fell in May as financial markets reacted to actions and statements from central banks. This continued into June although there was some recovery towards the end of the month. Long positions across equity and fixed income markets fell. Emerging Markets were hit, particularly the fund's Turkish and Russian holdings. Short positions in metals helped offset losses (with copper and gold prices falling significantly, by 8% and 25% from start year levels). Since inception returns remain positive but modestly trail the LIBOR +5% p.a. benchmark.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-1.0	N/A	N/A	3.5
Benchmark	1.4	N/A	N/A	4.2
Relative	-2.3	N/A	N/A	-0.6

* Inception date 30 Sep 2012.

Source: [i] DataStream, Fund Manager, Hymans Robertson

BlueCrest - AllBlue Mandate

Recent News & Rating

No significant news to report this quarter.

Comment

The portfolio gains exposure to a number of different BlueCrest strategies. The overall fund returned -2.3%. This can be attributed to the negative performance of two of the strategies (which represented 44% of the portfolio at the start of the quarter). The BlueTrend Alignment strategy fell by 15.5%, falling in May and June after statements from the Fed regarding tapering of QE. The bond sector of the Alignment strategy was the largest detractor from performance. The other strategy to post negative returns was the BlueCrest Capital International strategy which fell by 2.5% (curve trading and directional / relative value strategies were detrimental). The Rates and Alignment strategies within the Capital International Fund also detracted.

During the quarter, BlueCrest increased the allocations to Bluematrix (a global market neutral equity strategy from 5% to 8%), Emerging Markets (18% to 20%) and BlueTrend Alignment trend following fund (from 16% to 18%). This was sourced from reductions in the Capital International (global macro) and Mercantile (credit) strategies which represented 23% and 9% of the portfolio at quarter end.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-2.3	N/A	N/A	0.8
Benchmark	1.4	N/A	N/A	4.2
Relative	-3.7	N/A	N/A	-3.2

* Inception date 30 Sep 2012.

Source: [i] DataStream, Fund Manager, Hymans Robertson

Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

Some industry practitioners use the simpler arithmetic method as follows:

Fund Performance - Benchmark Performance

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

	Arithmetic Method			Geometric Method			Difference
Period	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	**0.10%**
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	**-1.24%**
Linked 6 months			-0.25%			0.96%	**-1.21%**
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	**0.34%**

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.
If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.
If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.