Agenda Item 08

Suffolk County Council Pension Fund

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

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For and on behalf of Hymans Robertson LLP

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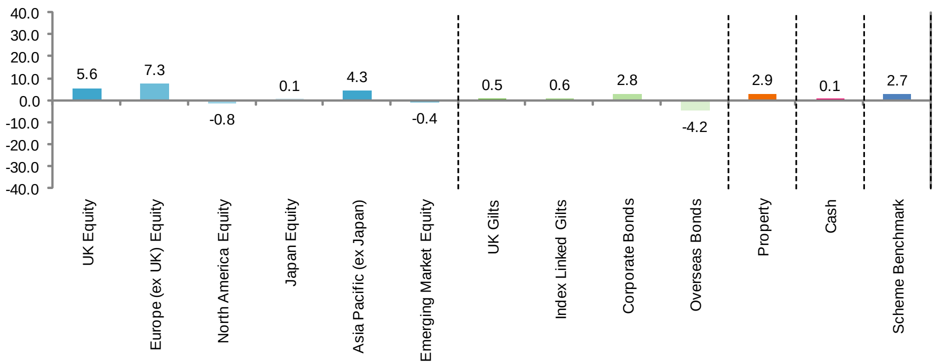
Contents

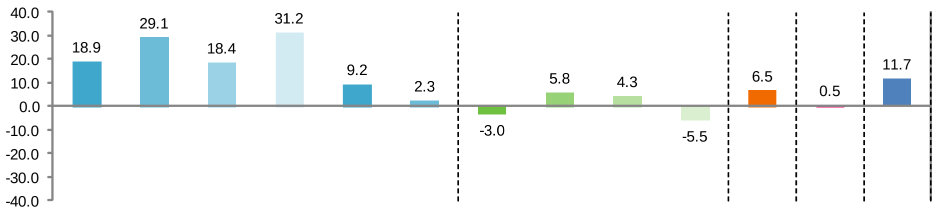
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile 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 September 2013

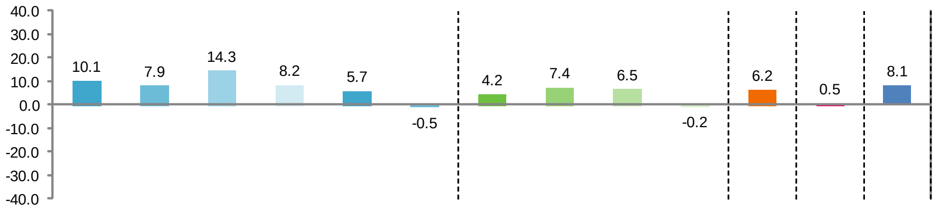
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

The quarter to end September 2013 contained a mix of positive economic news and more nuanced financial events. The Eurozone emerged from recession, although there remains a wide divergence in the performance of individual members. In the UK, data published in July indicated strong economic growth, prompting the Chancellor of the Exchequer to comment that the economy is ‘turning a corner’ and to cite ‘signs of a balanced, broad based and sustainable recovery’. Positive economic developments were also evident in the US and, to a lesser extent, in Japan.

Notwithstanding positive economic data, action by central banks tended to reflect a more cautious attitude. Short-term interest rates in the UK, Eurozone and US were held at record lows. In the US, the Federal Reserve indicated there would be no immediate unwinding of monetary support (currently $85bn a month), a step back in tone from the preceding quarter. In addition, both the UK and European central banks provided forward guidance on monetary policy for the first time. The underlying message from the major central banks was, and remains, that economic conditions, whilst improving, still need very careful management.

Global ten year bond yields rose (prices fell) but then stabilised. At the end of the quarter, investors were unsettled by concerns that the US may not renew its debt ceiling by the mid October deadline.

Key events during the quarter were:

Global Economy
• Forecasts for UK economic growth were revised upwards by the Bank of England and IMF;
• Global economic growth forecasts were revised down by the IMF;
• China announced a series of measures to boost economic growth;
• Short-term interest rates were unchanged in UK, US and Eurozone;
• The Eurozone economy recovered from recession, after four consecutive quarters of economic contraction.

Equities
• The best performing sectors relative to the ‘All World’ Index were Basic Materials (+3.9%) and Industrials (+2.8%); the worst were Utilities (-3.6%) and Consumer Goods (-2.2%);
• Barclays Bank announced a £5bn rights issue (and a £2bn bond issue) to meet new capital requirements;
• Vodafone sold its 45% stake in Verizon for $130bn (one of the largest deals in corporate history).

Bonds and Currencies
• UK government bonds (All Stocks) returned +0.5%;
• Corporate issues outperformed government counterparts by a comfortable margin;
• Sterling strengthened against all major currencies.

Market Conditions

General

After a spell of consolidation over Q2 of 2013, equity markets rose over Q3, with all regions participating. The economic picture was reinforcing and there was an absence of unexpected events. With the US economy no longer viewed as the sole area of growth, the US$ weakened. Sterling strength against the US$ and other major currencies affected overseas market returns to sterling based investors. Towards the end of the quarter, concerns increased around political tensions arising from US budget negotiations. These appear to have been resolved (or at least postponed into 2014) following an 11th hour agreement on 16 October.

Equities

In local currency terms, equity markets rose over Q3. The strongest return came from Europe ex UK (+9.7%) followed by Asia Pacific ex Japan (+6.7%). Japan, North America, Europe and the UK all returned 5.6%-5.7%. Sterling strength against major currencies over the period meant that international equity returns to sterling-based investors were reduced. In sterling terms, Europe ex UK returned 7%, UK equities 5.6%, Asia Pacific 4.3%, Japan 0.1%, emerging market equities -0.4% and US equities -0.8%. Over the 12 month period ending 30 September 2013, the strongest returns (sterling denominated) came from Japan (31.2%) followed by Europe ex UK (28.3%). UK equities returned 18.9% and North American equities returned 18.6%. The laggards were Asia Pacific (9.2%) and Emerging Markets (2.3%).

Over Q3, the variation in sector returns was quite modest. The strongest returns relative to the All World index came from Basic Materials (+3.9% relative) and Industrials (+2.8%) and the weakest sector returns came from Utilities (-3.6% relative) and Consumer Goods (-2.2%). Over 12 months, the strongest sector returns relative to the All World index came from Industrials and Consumer Services (both +6.7% relative) followed by Healthcare (+6.1% relative) and Financials (+5.9%). The weakest sector return came from Basic Materials (-15.6% relative). A gradual transformation in the pattern of growth in China, from capital investment to consumption, has damaged performance in the Basic Materials sector. Style variation over both 3 month and 12 month periods was not particularly strong; Growth stocks outperformed value stocks by 1.3% over the quarter; value stocks outpaced growth stocks by 1.4% over 12 months.

UK equities

Large cap stocks (FTSE 100) returned 4.9% over the quarter, with FTSE 250 (mid cap stocks) returning +8.7% and Small Cap returning +10.8%. Over the 12 month period ending 30 September 2013, the FTSE 100 returned +16.7% significantly underperforming the FTSE 250 (+30.5%) and Small Cap (+34.2%). Value stocks outperformed growth stocks by 0.6% over the quarter; growth was ahead of value by 0.9% over 12 months. At a sector level, the strongest sector was Basic Materials (+9.4% relative to the FTSE All-Share), followed by Telecoms (+8.1%). The weakest industrial sector was Oil & Gas (-5.6% relative). Over 12 months, the strongest sectors were Technology (+15.7% relative but only 1.6% of the index) and Consumer Services (+13.7% relative). The weakest sectors over 12 months were Basic Materials (-18.9% relative) and Oil & Gas (-16.3%). The strongest performing stock in the FTSE 100 over Q3 was Royal Bank of Scotland (+24.6% relative to the FTSE All-Share). Among the top performers were two mining stocks – Glencore Xstrata and Anglo American. The weakest performer was Tate & Lyle (-15.4%). Much of the relative performance over the quarter was due to specific news on individual stocks, rather than being driven by sector or macro influences.

Bonds

Prices of conventional gilts fell over the third quarter, with the All-Stocks index returning +0.5%, less than the income return. The long-dated index fared better, returning +1.3%. The All Index Linked index returned 0.6%. Corporate bond prices performed better, with UK investment grade credit returning +2.8% over the quarter. BBB issues continue to produce the strongest returns (+3%). Overseas bonds returned 2.7% in local terms but -4.2% when translated into sterling. Over the 12 month period ending 30 September 2013, the All-Stocks gilts index returned -3% and index-linked gilts delivered +5.8%. Corporate bonds returned +4.3% over 12 months with BBB-rated issues producing the strongest returns (+7.4%).

Property

The IPD Monthly index return for Q3 of 2013 was +2.9% (this represents the return on directly held property). The sector returns were +3.7% for Industrial, +3.7% for Offices and 2.0% for Retail. The income component of returns was relatively strong at 1.7%; there was capital growth in each sector but this was strongest in Industrial and Office segments. For pooled funds, the weighted average return (net of manager fees) for All Balanced Pooled Property Funds was 2.4%, with a distribution yield (after fees) of 2.8%.

Market Conditions (Ctd)

Active managers performance

Global equities

Among 60 global equity managers we follow, the median return over the third quarter of 2013 was +0.55% relative to benchmark. Managers with a value bias were among better performers. Over the 12 month period ending 30 September 2013, the median return was +2% relative to benchmark; the interquartile range of outcomes, excluding the top and bottom quartile, was from +3.9% to -0.7% relative to benchmark. Many of the best performing funds over 12 months had a value bias; there were several income focussed funds among the weaker performers. Over the 3 year period ending 30 September 2013, the median return was +0.3% relative to benchmark. The interquartile range was from +1.2% p.a. to -1.2% p.a. The strongest managers outperformed by at least 2.5% p.a. while the weakest underperformed by at least 2% p.a. The performance of managers with a value style bias has been gradually improving but remains 1-1½% p.a. behind benchmark over three years.

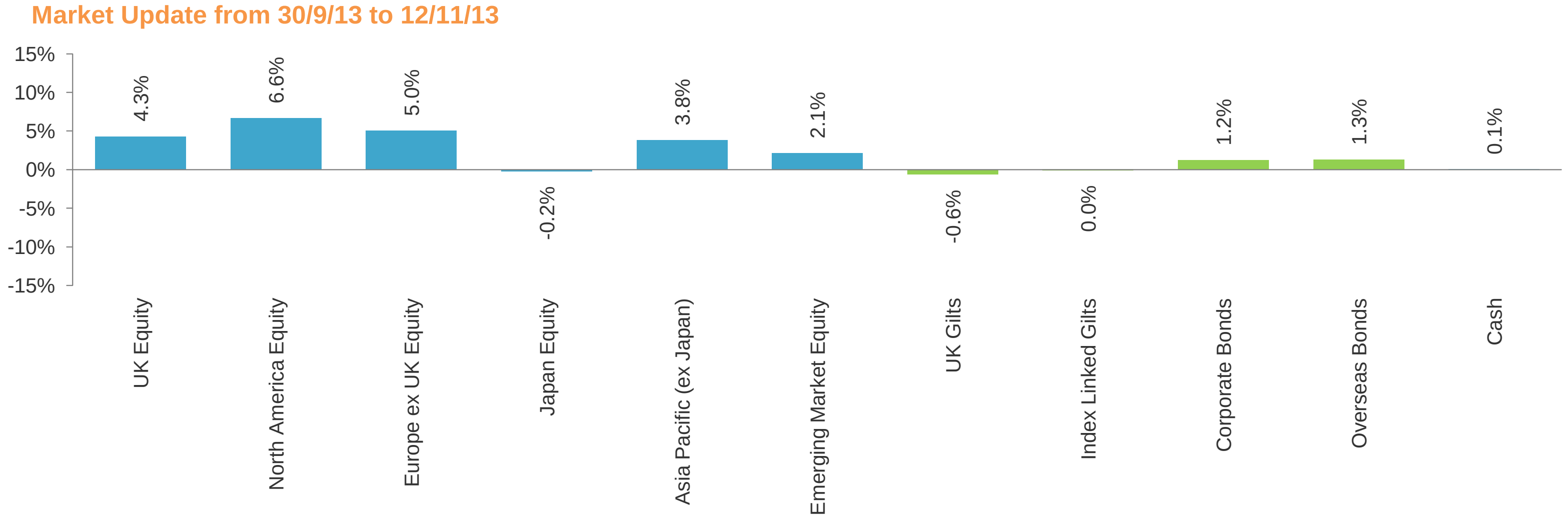
UK equities

Among 27 UK equity managers' funds we follow, the median return over the third quarter of 2013 was 0.2% ahead of benchmark. Over the 12 months ending 30 September 2013, the median return was +4.3% relative to benchmark; the interquartile range of outcomes was from +10% to +0.8% relative to benchmark. The dispersion of returns was very wide. There was a variety of approaches among the more successful managers. Core managers and those with an income focus were among the weaker performers. Over 3 years, the median return was +1.7% p.a. relative to benchmark. The interquartile range was from +4.0% p.a. to +0.6% p.a. The strongest managers outperformed by at least 4.5% p.a. while only the weakest manager underperformed the benchmark. Managers with strong 3-year performance had a bias away from large cap stocks; those with a value or income style bias remain anchored at the foot of the performance table over this period.

Bonds

Among 67 bond managers' funds we follow, 37 are benchmarked against broad bond benchmarks (gilts and corporates) and 30 are benchmarked against gilts or cash. For the manager benchmarked against broad bonds, the median absolute return over the quarter was 2.2%, just ahead of benchmark. Over the 12 month period ending 30 September 2013, the median absolute return was 3%; the interquartile range of outcomes was from +3.9% to +0.9% absolute over this period. Over 3 years, the median return was 6.8% p.a. in absolute terms. The interquartile range was from +7.2% p.a. to +6.2% p.a. The median outperformance was +0.7% relative to benchmark. The strongest managers outperformed by at least 1.5% p.a. relative while the weakest typically delivered returns behind the benchmark. This suggests managers in aggregate were overweight credit and, in particular, more lowly rated credit over this 3 year period. For the managers benchmarked against gilts or cash, the median absolute return over the third quarter was 0.7%. Over the 12 month period and 3 year period ending 30 September 2013, managers with dedicated index-linked funds delivered the highest absolute returns (typically 6.7% - 7.7% over 12 months 6.5% - to 8.5% p.a. over 3 years). Among other managers in this category, the median absolute return over the 12 month period

Markets - Historic Returns for World Market Update



Equity markets have posted generally positive returns in sterling terms since quarter end with Japan the only major market not to make gains. Bond performance has been more mixed, with gilts (both conventional and index-linked) posting nil or marginally negative returns but corporate bonds and overseas bonds gaining (in sterling terms).

Source: [i] DataStream

Portfolio Summary

Manager Valuations

Manager	Value (£m) Q2 2013	Q3 2013	Actual Proportion %	Target Proportion %	Difference %
Newton - Global Equity	257.1	257.9	14.4	13.5	0.9
Alliance Bernstein - UK Equity	136.6	143.8	8.0	7.5	0.5
BlackRock - UK Equity	163.2	172.0	9.6	9.5	0.1
BlueCrest Hedge Fund	32.1	32.0	1.8	2.0	-0.2
Legal & General - Multi Asset	727.5	744.5	41.5	42.5	-1.0
Pyrford - Absolute Return	99.7	99.7	5.6	6.0	-0.4
Winton - Hedge Fund	33.0	32.7	1.8	2.0	-0.2
M&G Debt Opportunities Fund	13.1	21.2	1.2	0.0	1.2
Schroders - Property	166.1	174.0	9.7	10.0	-0.3
Private Equity	95.1	97.3	5.4	5.0	0.4
Suffolk Internal Cash	32.3	20.2	1.1	2.0	-0.9
Total	**1755.9**	**1795.3**	**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 2%					●
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%	-					●
M&G Debt Opportunities Fund	Distressed Debt	30 Jun 2012	Absolute Return of 15% p.a.	-					●
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) Q2 2013	Q3 2013	Actual Proportion %	Target Proportion %	Difference %
UK Equity	317.1	334.9	18.7	18.1	0.5
North American Equity	242.2	235.1	13.1	13.6	-0.5
Europe (ex UK) Equity	176.3	181.8	10.1	9.0	1.1
Japanese Equity	60.1	65.3	3.6	3.1	0.5
Pacific Basin (ex Japan) Equity	57.8	61.8	3.4	3.7	-0.3
Emerging Market Equity	73.4	71.0	4.0	4.4	-0.5
UK Corporates	215.5	220.0	12.3	12.5	-0.3
UK Gilts	35.8	37.3	2.1	2.1	0.0
Emerging Market Debt	35.0	36.2	2.0	2.1	-0.1
UK Index-Linked Gilts	71.3	74.6	4.2	4.3	-0.1
Property	166.1	174.1	9.7	10.0	-0.3
Private Equity	95.1	97.3	5.4	5.0	0.4
Absolute Return Funds	164.9	164.4	9.2	10.0	-0.8
Cash	32.3	20.2	1.1	2.0	-0.9
Absolute Return Bonds	13.1	21.2	1.2	0.0	1.2
Total Client	**1755.9**	**1795.3**	**100.0**	**100.0**	

Performance Summary

Performance Summary [i]

		Newton - Global Equity	Alliance Bernstein - UK Equity	BlackRock - UK Equity	BlueCrest Hedge Fund	Legal & General - Multi Asset	Pyrford - Absolute Return	Winton - Hedge Fund	M&G Debt Opportunities Fund	Schroders - Property	Total Fund
3 Months (%)	Absolute	0.5	5.3	5.4	-0.3	2.4	0.3	-1.1	N/A	2.7	1.9
	Benchmark	1.2	5.6	5.6	1.4	2.3	1.4	1.4	N/A	2.4	2.7
	Relative	-0.7	-0.3	-0.2	-1.7	0.0	-1.0	-2.4	N/A	0.3	-0.7
12 Months (%)	Absolute	19.3	22.7	17.9	0.5	10.5	5.2	3.0	N/A	6.3	11.8
	Benchmark	17.5	18.9	18.9	5.6	10.5	5.5	5.5	N/A	4.2	11.7
	Relative	1.5	3.1	-0.9	-4.9	0.0	-0.2	-2.4	N/A	2.0	0.1
3 Years (% p.a.)	Absolute	9.7	9.2	9.2	N/A	8.0	4.9	N/A	N/A	5.1	7.3
	Benchmark	9.2	10.1	10.1	N/A	7.9	5.5	N/A	N/A	4.5	8.1
	Relative	0.4	-0.8	-0.7	N/A	0.1	-0.5	N/A	N/A	0.6	-0.7
5 Years (% p.a.)	Absolute	9.7	7.0	12.2	N/A	9.1	N/A	N/A	N/A	0.8	7.5
	Benchmark	9.8	10.7	10.7	N/A	9.0	N/A	N/A	N/A	0.7	8.7
	Relative	-0.1	-3.4	1.4	N/A	0.0	N/A	N/A	N/A	0.1	-1.1

Comment

The Suffolk Fund returned 1.9% over Q3 of 2013 underperforming its benchmark return of 2.7%. It is 0.1% ahead of benchmark over the last 12 months returning 11.8% versus a benchmark return of 11.7%. Longer term numbers lag the total fund benchmark. Relative returns are 0.7% 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 2013 by 0.3%. They are 3.1% ahead of the benchmark over 12 months. Despite a stronger 12 months, they remain behind benchmark over 3 years (-0.8% p.a.) and they are 3.4% p.a. behind benchmark over 5 years.

BlackRock: BlackRock underperformed their benchmark by 0.2% over Q3. Their portfolio is 0.9% behind benchmark over 12 months and 1.4% p.a. ahead of benchmark over 5 years.

Newton: Newton underperformed their benchmark over Q3 of 2013 by 0.7%. They are 1.5% ahead of benchmark over 12 months. They are 0.1% p.a. behind benchmark over 5 years.

Schroder (Property): Schroder's portfolio returned 2.7% (net of fees) over Q3. This was 0.3% ahead Schroder's benchmark (IPD All balanced Property index) which returned 2.4%. Over 12 months, Schroder's net return was 6.3%, 2.0% ahead of their benchmark. Over 3 years, Schroder returned 5.1% p.a. (net) which was 0.6% p.a. ahead of their benchmark return of 4.5% p.a.

Pyrford: Pyrford returned 0.3 % over Q3. Over the same period, the cash +5% p.a. benchmark returned 1.4%. Pyrford have returned 4.9% since inception (31 August 2012) compared to the cash +5% p.a. return of 5.5% over that period.

Winton: Winton returned -1.1% over Q3. Over the same period, the cash +5% p.a. benchmark returned 1.4%. Winton have returned 3.0% since inception (30 September 2012) compared to the cash +5% p.a. return of 5.5% over that period.

BlueCrest: BlueCrest returned -0.3% over Q3. Over the same period, the cash +5% p.a. benchmark returned 1.4%. BlueCrest have returned 0.5% since inception (30 September 2012) compared to the cash +5% p.a. return of 5.5% over that period.

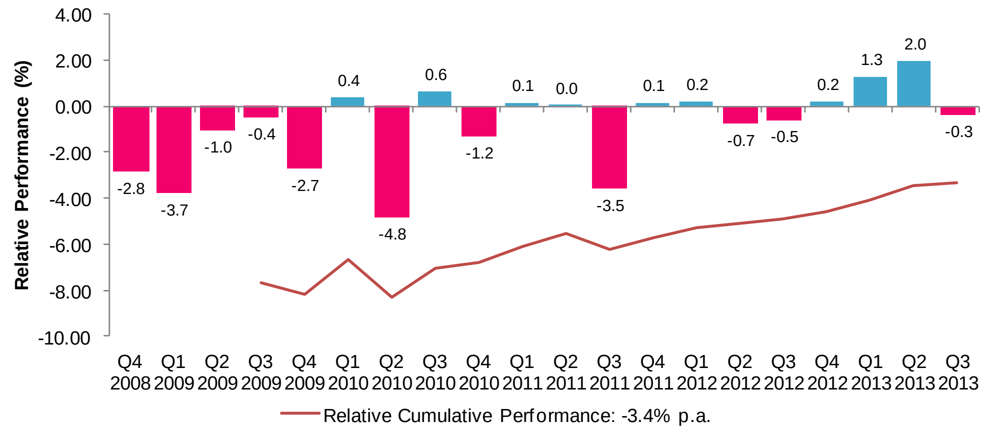
Source: [i] DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited, WM/State Street

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. Outwith this area, Amy Raskin (Director of Research and Portfolio Manager - Global Growth and Thematic) has decided to leave the firm. Amy joined the investment team in May 2013 and was responsible for organising the thematic research effort to identify key secular growth trends.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The fund underperformed the FTSE All-Share Index by 0.3% over the quarter. Over the longer term the fund has outperformed by 3.1% over the year to 30 September 2013, but underperformance remains over the 3 year period to 30 September 2013 (-0.8% p.a.).

Stock selection in the technology sector was the main driver of the funds underperformance. Hewlett-Packard, previously the funds top performer, underperformed over the quarter and was the largest detractor from quarterly returns. Alliance Bernstein has stated that they still view the technology sector positively and believe it remains attractively valued. The fund's bias to larger-capitalisation stocks had a negative impact on overall performance as small-cap stocks performed well in Q3 2013. An overweight position to the medical sector also detracted, with holdings in GlaxoSmithKline being the second largest negative contributor.

In terms of ongoing positioning, Bernstein continue to focus on finding opportunities in cyclical stocks which have fallen out of favour. They recently took holdings in Ladbrokes, and also two pub groups (Mitchells and Butlers and JD Wetherspoon).

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	5.3	22.7	9.2	7.0
Benchmark	5.6	18.9	10.1	10.7
Relative	-0.3	3.1	-0.8	-3.4

3 Year Relative Return

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

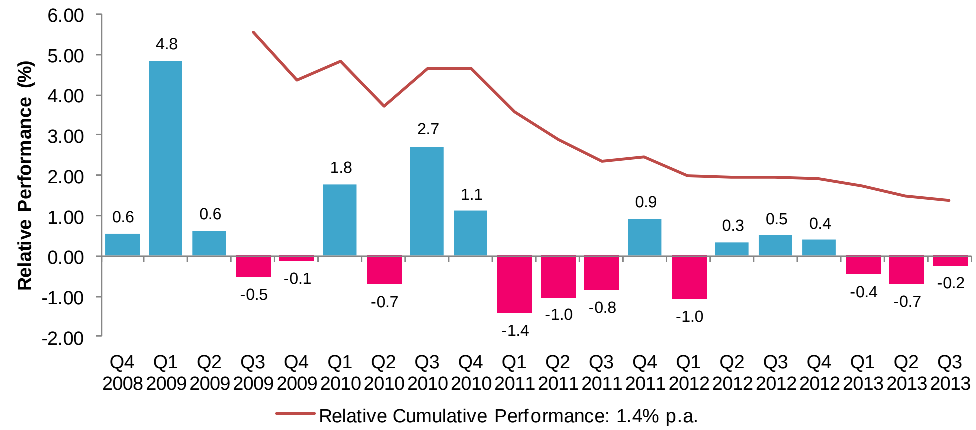
Recent News & Rating

Rating

Replace ← On Watch → Retain

BlackRock are merging the processes involved in running both and Core and Specialist UK equity mandates. We have had a positive view on the BlackRock UK equity teams for some time and that remains in place. We like the flexibility of their investment approach coupled with deep resources and strong and informative risk control. We are comfortable with the changes BlackRock have made to their processes - constructing portfolios based on the active risk contribution of stocks rather than absolute size is logical - and we approve of the tighter controls on investment in mid-/small-caps. The changes to the portfolio management responsibilities are not substantial, and BlackRock's pro-activeness in ensuring all team members remain motivated is commendable.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The portfolio modestly underperformed its benchmark and now with three consecutive quarters of negative relative performance trails the benchmark by 0.9% over 12 months. Longer term returns remain ahead of benchmark although performance over 3 years is also now negative relative to the benchmark.

No single stock holding had a particularly large negative impact on performance, more an aggregation of small negative contributions. Tate & Lyle fell on concerns over lower bulk volumes and sugar prices, whilst Whitbread reported slower growth at Costa Coffee (this stock was added to the portfolio in quarter two of this year). Standard Life saw profit taking as investors became concerned about economic newsflow early in the quarter.

BlackRock have added to their holding of GlaxoSmithKline (reducing the underweight position) and at the same time sold out of rival pharmaceutical AstraZeneca, on concerns over expiring patents. Other new holdings included engineering company Spirax-Sarco and broadcaster ITV. Blackrock like the former due to its strong barriers to entry and entrenched emerging markets position. ITV was added based on an improved advertising outlook

Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	5.4	17.9	9.2	12.2
Benchmark	5.6	18.9	10.1	10.7
Relative	-0.2	-0.9	-0.7	1.4

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.7	2.0

3 Year Tracking Error

Actual % p.a.	Target % p.a.
1.7	-

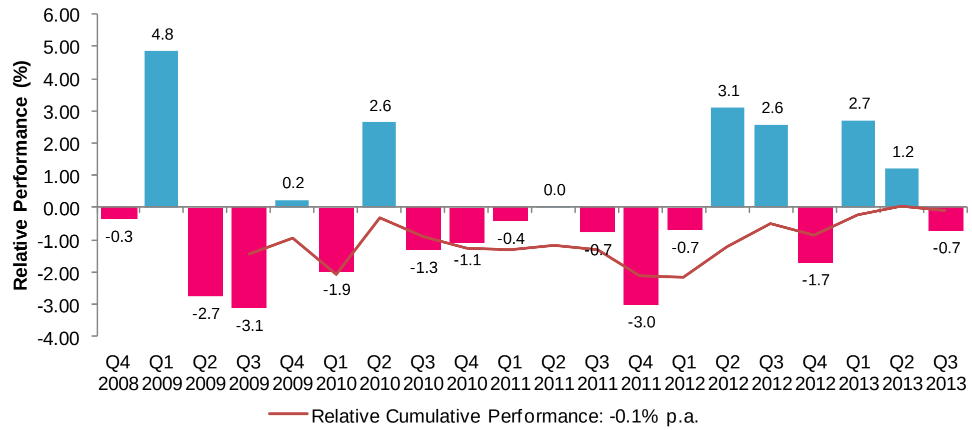
Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Newton - Global Equity - Summary

Recent News & Rating

There were no significant developments over the quarter that would affect the management of the Scheme's assets.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

Newton underperformed their benchmark over the quarter but still remain ahead of benchmark over 12 months and 3 years. The portfolio has been more defensively positioned and underperformance over the quarter was due to a more favourable environment for cyclical stocks. Stock selection in the Financials sector was a significant detractor from performance over the quarter – the holding of Bangkok Bank was negative, as its share price fell on the basis of macro concerns for the region. Stock selection in the technology sector was also negative, with Microsoft one of the largest underperformers following disappointing results and negative reaction to its Nokia takeover. Newton continue to believe it is well positioned in areas such as cloud computing and is on an attractive valuation.

Looking forward, Newton believe that structural challenges facing the developed economies remain despite talk of economies improving. They think volatility will remain high and continue to believe that a relatively cautious approach remains warranted.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.5	19.3	9.7	9.7
Benchmark	1.2	17.5	9.2	9.8
Relative	-0.7	1.5	0.4	-0.1

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.4	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	8.2	7.2	-1.0
North America	51.1	44.2	-7.0
Europe	16.5	23.5	7.0
Japan	8.1	11.1	3.0
Asia Pacific	5.1	5.2	0.1
Emerging Markets	10.9	5.9	-5.0
Property	0.0	0.0	0.0
Total Fixed Interest	0.0	0.0	0.0
Cash & Alternatives	0.0	3.0	3.0
Total	**100.0**	**100.0**	0.0

Performance Attribution Asset Allocation [ii]

Asset Class	Benchmark %	Fund %	Difference %
Energy	9.9	7.8	-2.1
Materials	6.3	4.8	-1.5
Industrials	10.8	9.7	-1.1
Consumer Discretionary	11.9	10.2	-1.6
Consumer Staples	10.0	13.0	3.0
Healthcare	10.1	19.0	8.9
Financials	21.6	13.7	-7.8
Information Technology	12.1	13.4	1.3
Telecommunication	4.2	4.2	0.1
Utilities	3.3	1.2	-2.1
Cash & Others	0.0	3.0	3.0
Total	**100.0**	**100.0**	-0.0

Comment

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 positions remain the underweighting of North America, the largest geographical component of the index, and a corresponding overweight to Europe ex UK. Their underweight to Emerging Markets has also increased.

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). Sector allocation detracted from performance over the quarter (-0.3% to relative performance) with consumer staples (a non-cyclical area) being the biggest detractor.

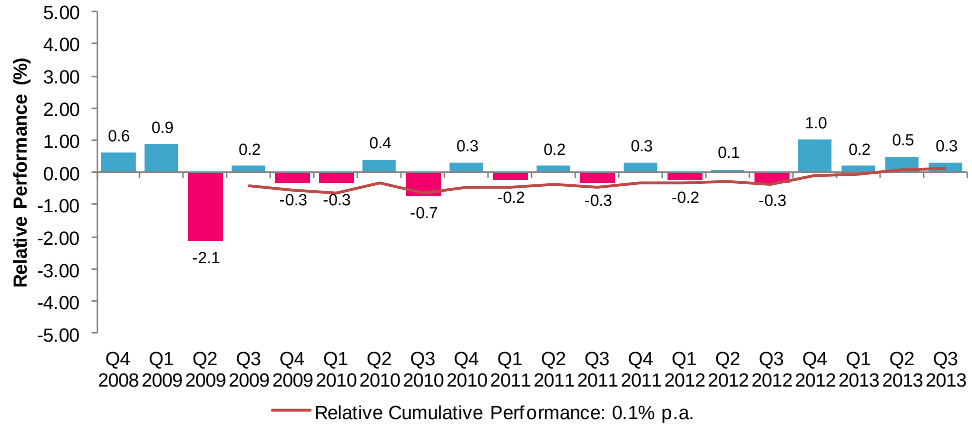
Source: [i] Fund Manager, [ii] Fund Manager

Schroder - Property Fund of Funds

Recent News & Rating

Schroders has recently announced that William Hill is stepping down as Head of Property. He has clearly been influential in driving forward the property business at Schroders, therefore his departure is significant news. Duncan Owens will replace Hill as Head of Property with immediate effect. Owens joined Schroders in the role of Head of Property Investment at the beginning of 2012 when Schroders bought over the Invista business. Owens has already taken over some of Hill's responsibilities; indeed he is already Chairman of the Investment Committee for the Schroders Property Fund. Although this is significant news, it should not impact the day to day management of property portfolios, at least in the short term. We will arrange to meet with Duncan Owens in order to understand his future vision for the property business. We have not been informed as to who will replace William Hill on Investment Committees. Our research team are meeting with Owens shortly and we will update our research view following this.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The Property portfolio outperformed over the quarter and is ahead of its benchmark over the longer term. Over the quarter, outperformance came from specialist funds. The performance from core funds was impacted by the sale of the holding in the Rockspring Hanover PUT at a discount to valuation. Schroders invested the proceeds in the BlackRock UK Property Fund.

Over 12 months, holdings such as the BlackRock UK Property Fund (core) and the specialist Henderson UK Retail Warehouse Fund have added to performance. These holdings were purchased at a discount to valuation at the end of 2012. The overweight position to the London office sector has continued to add to relative performance as has investments in alternative sectors.

Schroders' broad views remain unchanged, remaining underweight Retail and overweight London Offices and Industrial properties. They aim to invest cash as quickly as possible to avoid a drag on performance, investing in core and specialist funds.

Performance Summary - Table[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.7	6.3	5.1	0.8
Benchmark	2.4	4.2	4.5	0.7
Relative	0.3	2.0	0.6	0.1

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.6	0.75

3 Year Tracking Error

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

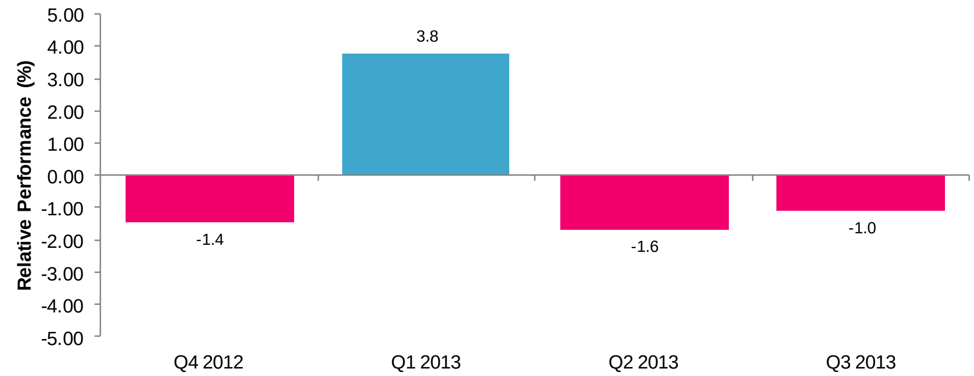
Source: [i] Fund Manager, Hymans Robertson, Investment Property Databank Limited, [ii] DataStream, Fund Manager, Hymans Robertson

Pyrford - Absolute Return

Recent News & Rating

No significant news to report over the quarter.

Relative Quarterly and Relative Cumulative Performance [1]



Comment

The portfolio return was marginally positive (0.3%) during the third quarter of 2013 but underperformed the performance target. The portfolio remains defensively positioned with only 35% in equities. This defensive positioning had a negative impact on performance over the quarter as the portfolio did not fully benefit from the strong equity performance. This reflects Pyrford's continuing view that there is very little fundamental value in either equities or longer duration quality sovereign bonds and that capital market valuations do not discount the significant structural economic problems and material risks that exist. There is a further defensive aspect in the equity portfolio with a zero weighting in UK and European banks and limited exposure to more cyclical sectors such as capital goods and materials. The focus of the portfolio is on balance sheet strength, profitability, earnings visibility and value. During the quarter high quality sovereign bond yields continued to rise before a partial retreat in September. Pyrford continues to adopt a defensive stance by owning short duration securities in order to protect the capital value of the portfolio from rises in yields (the duration of the bond portfolio was trimmed further over the quarter).

Although lagging the outperformance target marginally, Pyrford have delivered above inflation absolute returns since inception with an absolute return of 5.2%.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.3	5.2	N/A	4.9
Benchmark	1.4	5.5	N/A	5.5
Relative	-1.0	-0.2	N/A	-0.5

* 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 -1.1% over the quarter. Since inception returns remain positive (+3.0%) but trail the LIBOR +5% p.a. benchmark.

The Fund fell in July and August before rallying in September. Portfolio returns in July were modestly negative (-0.6%) due to the short yen, gold, copper and crude oil positions. The biggest falls were in August. Equity falls caused losses in their stock index positions and a rally in metals prices led to losses in their short gold and silver positions. Overall the fund fell 3.7% in August. It rallied in September, rising 3.4% with US stock holdings benefitting from the delayed decision on US tapering. Metal prices reversed, helping the gold and silver short positions to recover. Overall, a supportive environment for capital markets in September helped the fund.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-1.1	3.0	N/A	3.0
Benchmark	1.4	5.5	N/A	5.5
Relative	-2.4	-2.4	N/A	-2.4

* Inception date 30 Sep 2012.

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

BlueCrest - AllBlue Mandate

Recent News & Rating

No significant changes to report over the quarter.

Comment

The portfolio gains exposure to a number of different BlueCrest strategies. The overall fund return was negative (-0.3%). 3 of the 6 strategies produced negative returns. The worst performing strategies were BlueMatrix (a global market neutral equity strategy) and BlueTrend Alignment (global trend following strategy) which returned -3.0% and -2.3% respectively. The BlueMatrix underperformance came from North American and Asian equities. For the BlueTrend Alignment strategy, metals detracted from performance as market direction reversed over the quarter (for example, gold rallied and then fell back). The best performing strategy was BlueCrest Mercantile (Credit), up 2.2%. Since inception returns are modestly positive but trail the LIBOR +5% p.a. benchmark.

Over the quarter the allocation to BlueMatrix was increased by 4% with reductions in BlueCrestCapital International (global macro) and BlueCrest Multi Strategy Credit of 3.5% and 0.5%. Allocations to other strategies remained broadly unchanged.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.3	0.5	N/A	0.5
Benchmark	1.4	5.6	N/A	5.6
Relative	-1.7	-4.9	N/A	-4.9

* 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.