

Suffolk Pension Fund

Review of Investment Managers' Performance for the Third Quarter of 2016



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For and on behalf of Hymans Robertson LLP
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Contents

	Page
Managers	
Legal & General (Passive Multi-Asset)	3
BlackRock - UK Equity	4
Newton - Global Equity	5
Schroder - Property Fund of Funds	6
Pyrford - Absolute Return	7
Winton - Futures Fund	8
BlueCrest - AllBlue Mandate	9
M&G Alpha Opportunities	10
BlackRock Fixed Interest Global Opportunities	11

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Legal & General (Passive Multi-Asset)

Recent News & Rating



We rate Legal and General Investment Management's market cap and fundamental index-tracking equity capability at '5 – Preferred strategy'.

In October LGIM announced some changes to the standard conditions for its unit-linked pooled life fund insurance policies which relate to tax transparency and anti money laundering amongst other minor areas. We have reviewed these changes and are comfortable that they bring LGIM's conditions into line with industry practice and may provide some marginal benefit to clients in certain pricing scenarios. Clients are not required to take any action in respect of these changes.

Comment

Both the component funds and overall portfolio continue to track their benchmarks within the expected tolerances.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary - Table

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	8.7	24.6	10.8	8.7
Benchmark	8.6	24.7	10.9	8.7
Relative	0.1	-0.1	-0.1	0.0

* Inception date 31 Mar 2004.



BlackRock - UK Equity

Recent News & Rating



There were no relevant business issues reported over the period and we are maintaining our rating on BlackRock's UK equity capability at '5 – Preferred manager'.

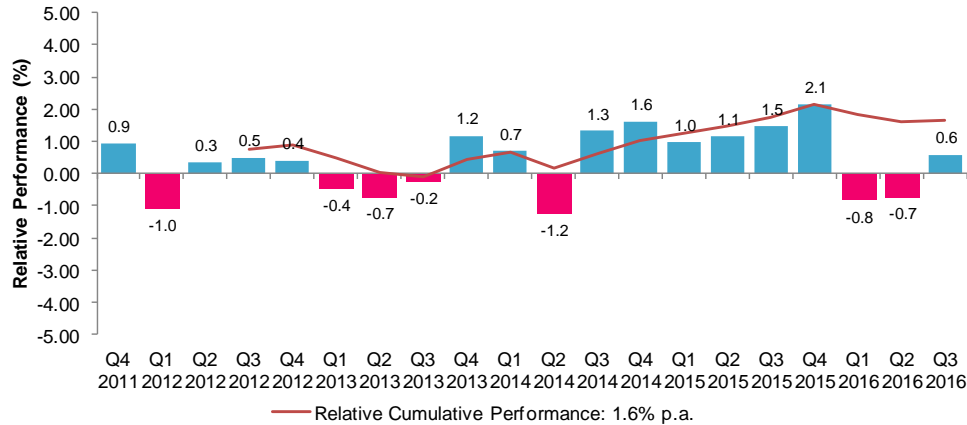
Comment

Following 2 quarters of modest relative underperformance, the BlackRock portfolio marginally outperformed its benchmark by 0.6% this quarter, and remains comfortably ahead of benchmark over 12 months and the longer term.

Strategy last quarter was dominated by the anticipation of the result of the EU referendum, which had a modest effect on relative performance. Equities performed strongly this quarter, with volatility easing following the immediate aftermath of Brexit. Among blue chip UK equities, mining and energy stocks performed well, lifted by firmer oil prices, and the FTSE 100 continued to benefit from the boost to international earnings provided by the weakness in sterling.

BlackRock believe there is a huge level of political and economic uncertainty and emphasise the need to maintain focus on businesses with clear competitive advantages. They also recognise that as managers they need to be nimble enough to adjust or change positions quickly, mindful of what was learned from the financial crisis of 2008/9.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	8.4	18.3	9.6	12.9
Benchmark	7.8	16.8	6.6	11.1
Relative	0.6	1.3	2.8	1.6

3 Year Relative Return

Actual % p.a.	Target % p.a.
2.8	2.0

3 Year Tracking Error

Actual % p.a.	Target % p.a.
2.1	-

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



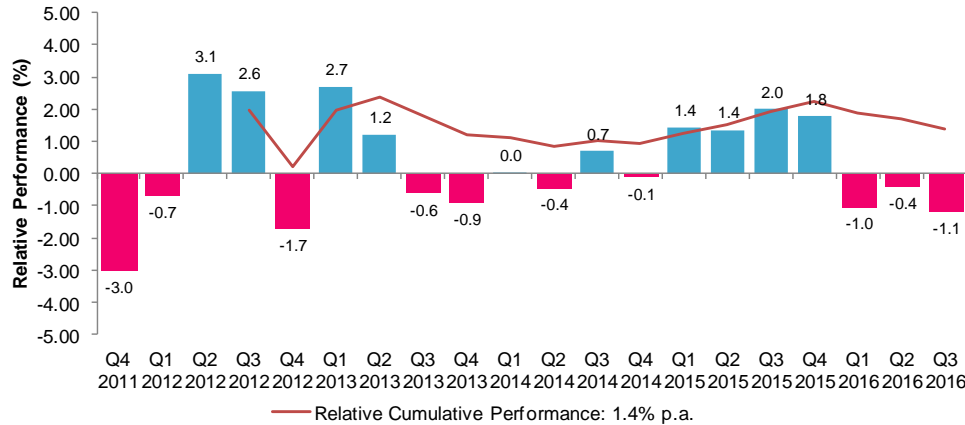
Newton - Global Equity

Recent News & Rating



There were no significant developments over the quarter and we continue to rate Newton at '5 - Preferred manager'.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The portfolio returned 7.2% over the quarter underperforming its benchmark by 1.2%.

In contrast to last quarter, the fund's underweight to the energy sector contributed positively to performance, as did its overweight to information technology - indeed a number of the fund's best performers came from this space. Infineon, in particular, performed well on the back of strong results for the third quarter, outgrowing its peers and the semiconductor sector in general. As per previous quarter, the fund's large underweight to financials was beneficial to performance. The fund's overweight to healthcare was a significant detractor over the quarter with a number of stocks, such as Sawai Pharmaceutical; suffering on the back of weak first-quarter company results, and Express Scripts; facing pricing scrutiny in the drug supply chain, performing poorly.

Despite underperforming its benchmark this quarter, the fund's performance remains ahead of its benchmark over the longer term. Newton continue to favour a cautious approach in a market which they see as distorted by central bank actions, and hold a bias towards "higher quality" assets, seeking out investments with solid cash flows, robust balance sheets and flexible cost bases.

Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	7.2	29.6	14.5	16.3
Benchmark	8.4	30.6	13.2	14.7
Relative	-1.1	-0.7	1.1	1.4

3 Year Relative Return

Actual % p.a.	Target % p.a.
1.1	2.5

3 Year Tracking Error

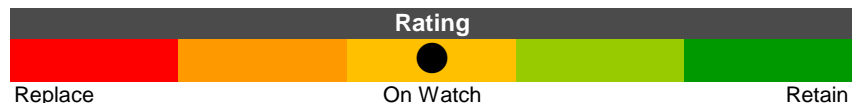
Actual % p.a.	Target % p.a.
2.3	5-7

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



Schroder - Property Fund of Funds

Recent News & Rating



The Schroder RECaP business experienced considerable personnel change during the second half of 2015, with four departures from the team of six. This resulted in a change in our rating to "3: On Watch" in August 2015. Whilst Schroder RECaP has completed its recruitment and now has a new team in place, we retain concerns relating to the relationship between RECaP and the broader Schroder business and are meeting further with the full team to establish how the new team dynamics have developed. We therefore retain our rating at '3: On Watch' at this time, subject to further review. Over the longer term, we regard the threat posed by LGPS pooling to be significant to the Schroder RECaP business. We consider Schroder to be in a weaker position than its peers and an unfavourable outcome from pooling could see the viability of the business in its current form being challenged.

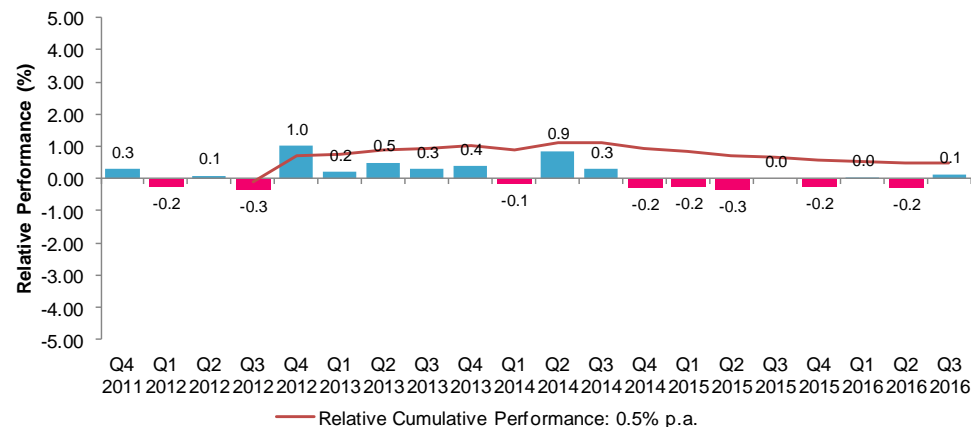
Comment

The return on the portfolio was relatively flat over the quarter, outperforming the benchmark by 0.1%.

Within the fund's underlying Schroder's portfolio, L&G's Managed Property Fund was the strongest performer over the quarter having removed their downward "fair value adjustment" (FVA) which had seen a 5% discount applied to second quarter valuations. Performance was also boosted by the removal of the temporary dealing charge that had been applied to the BlackRock UK Property Fund following the EU referendum vote. The Schroder Real Estate Income Fund, which has a high exposure to student accommodation and healthcare, also delivered positive returns as the alternative sector performed strongly.

The weakest performing fund over the quarter was the West End of London Property Unit Trust (WELPUT) which incurred sales at a discount price and valuation falls of around 4.7%. London offices, which WELPUT has a high exposure to, continue to be viewed as the most vulnerable part of the market following Brexit, particularly whilst passporting remains a threat to the financial services sector.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-0.6	3.1	11.5	8.5
Benchmark	-0.7	3.3	11.4	7.9
Relative	0.1	-0.3	0.1	0.5

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.1	0.75

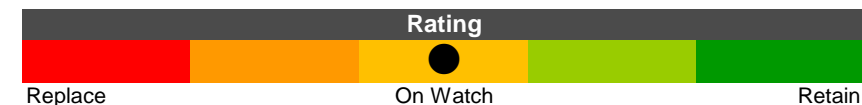
3 Year Tracking Error

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



Pyrford - Absolute Return

Recent News & Rating



We continue to rate the fund as '3 - On watch'. There were no further significant updates during the third quarter of 2016.

Comment

The fund generated an absolute return of 3.0% over the third quarter of 2016, bringing the 1 year performance to 12.9%.

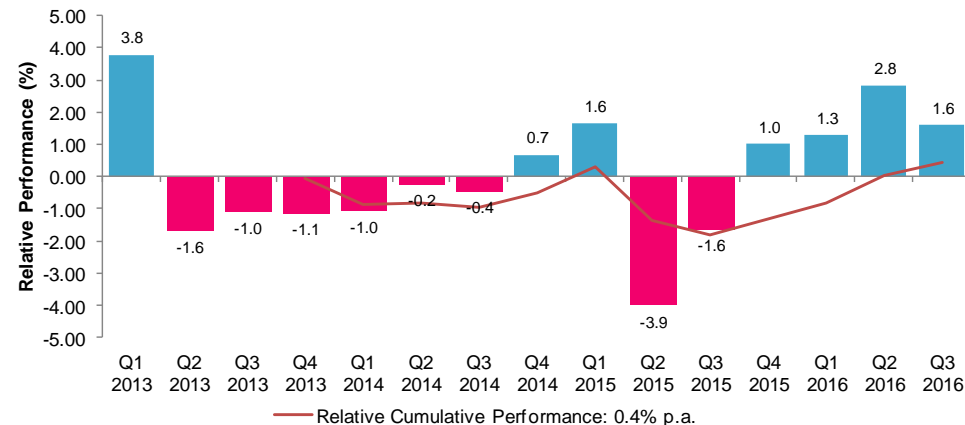
Over Q3, markets recovered from the initial shock of the UK voting to leave the European Union. The fund's performance continues to be driven by overseas equities, which represent 15% of the Fund's allocation, largely supported by sterling falling sharply across all major currencies. The team continue to maintain a defensive UK equity portfolio with no exposure to Housebuilders or Banking sectors, which were hit by the result of the Brexit referendum but subsequently rebounded. As a result, the UK equities portfolio underperformed the FTSE All Share Total Return Index. Against the risk-off backdrop, the bond portfolio contributed positive absolute returns.

The team have reduced the equity allocation by 5% to 30% of the total fund and increased the fixed income allocation to 67%. The fund is back to the same defensive position as it was during 2008 with the remaining 3% allocation to cash. This decision was made by the Investment Strategy Committee at the end of July based on continued strength in equities and a weakening sterling. The duration of the fixed income portfolio has increased from 1.25 to 1.9 years. The team has sold the portfolio's US government bonds and, as a result, only 10% of the bond portfolio remains invested overseas which may be sold during Q4. 25% of the fund is exposed to overseas currency and the Swiss franc is the only currency exposure (1.7%) in the portfolio to be fully hedged.

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

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

Relative Quarterly and Relative Cumulative Performance [1]



Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.0	12.9	5.9	5.6
Benchmark	1.4	5.7	5.7	5.6
Relative	1.6	6.9	0.2	0.0

* Inception date 31 Aug 2012.

Winton - Futures Fund

Recent News & Rating



We rate Winton as '5 - Preferred manager'. There were no significant changes over the third quarter.

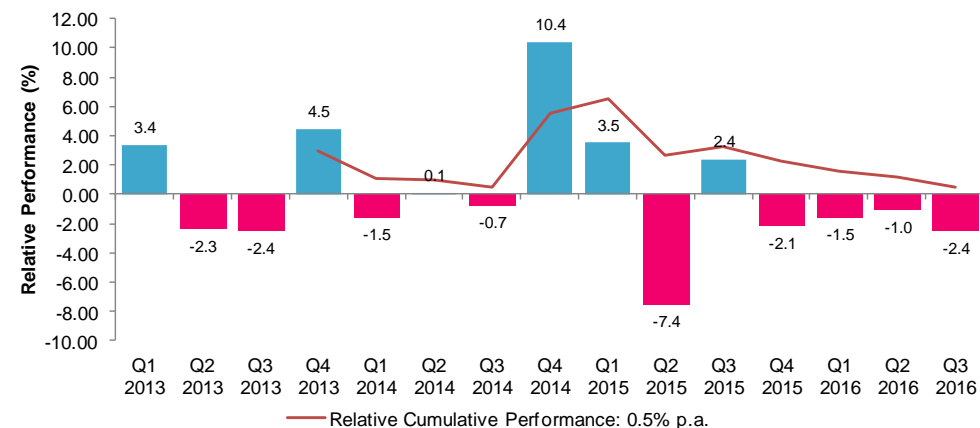
Comment

The Fund returned -1.1% over the quarter, trailing the Cash + 5% p.a target over the quarter and 12 months to 30 September 2016. However, the Fund has exceeded this target over 3 years and remains in line with it since inception.

The fund posted positive returns in July, a month in which markets gained to recover their post-Brexit losses, followed by two months of negative returns.

Over the quarter, long positions in stock indices benefited the fund as stocks rallied, and short positions in precious metals also added value, with gold rising significantly in value over the year. Strong performance in currencies was driven by long exposure to the Japanese yen which gained 2% against the US dollar towards the end of the quarter (and nearly 20% since the start of the year). These gains, however, were more than offset by the long positions in bonds detracting from performance on the back of yields rising due to hawkish comments from the US Federal Reserve, and short positions in energies suffering as crude oil rallied mid-quarter on the hopes of a production freeze.

Relative Quarterly and Relative Cumulative Performance



Performance Summary - Table ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-1.1	-1.5	6.8	5.7
Benchmark	1.4	5.7	5.7	5.7
Relative	-2.4	-6.8	1.1	0.0

* Inception date 30 Sep 2012.



BlueCrest - AllBlue Mandate

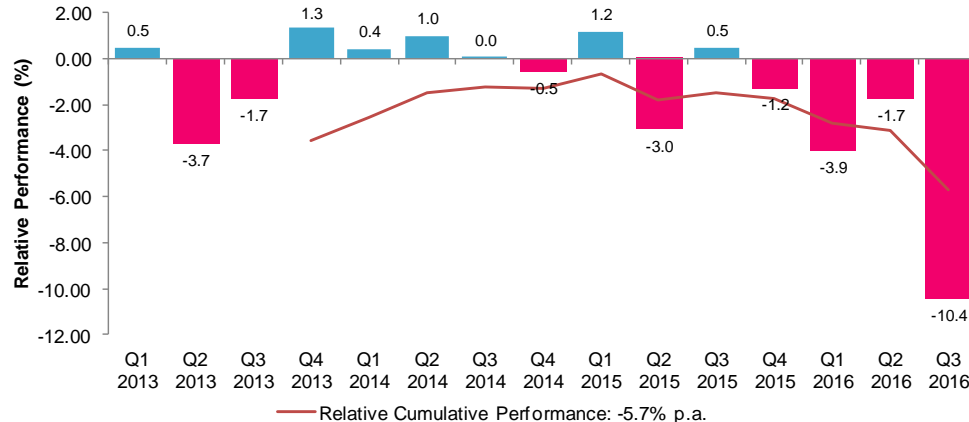
Recent News Comment

We no longer rate this manager as it is not open to external clients.

Comment

Distributions of £3.1m were made over Q3 16. The end June valuation was £2.6m.

Relative Quarterly and Relative Cumulative Performance ⁽ⁱ⁾



Performance Summary - Table ⁽ⁱⁱ⁾

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-9.1	-11.6	-0.1	0.0
Benchmark	1.4	5.7	5.7	5.7
Relative	-10.4	-16.4	-5.5	-5.4

* Inception date 30 Sep 2012.



M&G Alpha Opportunities

Recent News & Rating



M&G is rated '5 - preferred provider' for global bonds. There were no significant changes to report over the quarter to end September 2016.

Comment

The M&G Alpha Opportunities fund outperformed the cash benchmark by 2.0%, returning 3.4% over the quarter. The strong second quarter performance brought the 1 year performance of the fund in line with its target. Since inception, the fund has lagged behind its target by 3.6%.

Over the quarter, investors focussed on Central Bank action, as monetary easing measures drove bond yields to historic lows, and pushed corporate bond prices higher. Although the Bank of England's base rate was cut was widely anticipated, the announcement of the £10 billion of corporate bond purchases took the market by surprise. Subsequently, sterling corporate bond markets outperformed both European and US investment grade markets, boosted by surprisingly positive economic data and a more stable political backdrop than Q2.

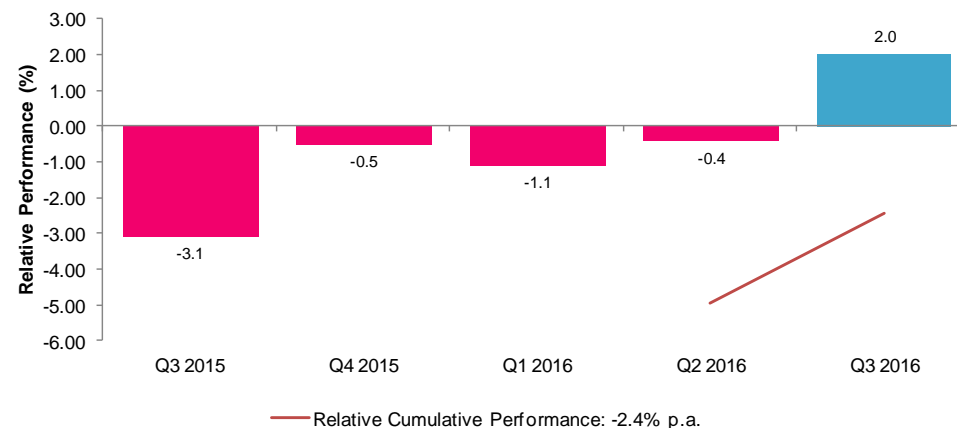
The fund's industrial holdings were the largest contributor to outperformance over the quarter, with names such as Sprint (telecoms) and Glencore (mining) performing strongly. The fund's positioning in securitised bonds also performed well. As credit rallied during the quarter, the manager continued to focus on reducing credit risk across the fund. The industrial sector saw the largest reduction in exposure, as the manager sold out of many positions in July after a rally in their prices. Exposure to the financial sector was also reduced. A portion of the proceeds from the risk reduction across the fund were redeployed into new issues, and a number of securitised bonds which the manager believed offered good value in the secondary market.

The manager believes that central bank action has distorted bond prices away from their credit fundamentals and made value harder to identify. Nevertheless, M&G seek to identify attractive opportunities on a security by security basis.

[1] Excludes part quarter to 30 Jun 2015

Source: [i] DataStream, Fund Manager, WM/State Street, [ii] DataStream, Fund Manager, WM/State Street

Relative Quarterly and Relative Cumulative Performance ^{[1] [i]}



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	3.4	5.7	1.8
Benchmark	1.4	5.7	5.6
Relative	2.0	0.0	-3.6

* Inception date 28 Apr 2015.



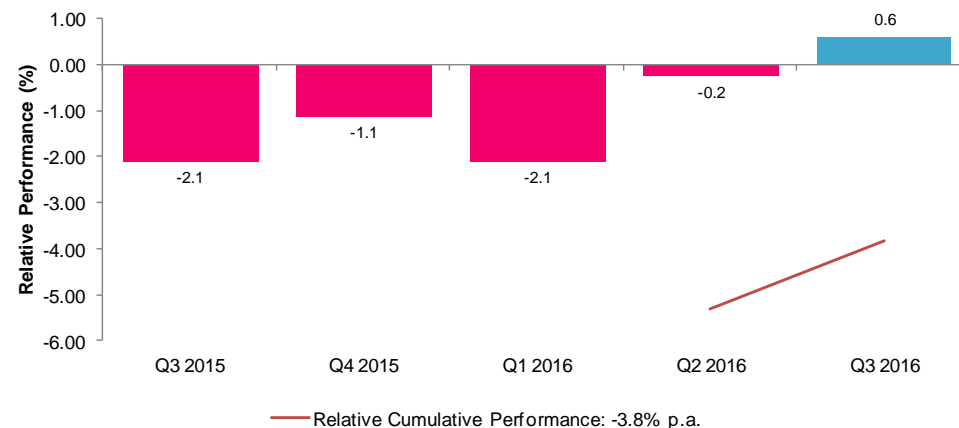
BlackRock Fixed Interest Global Opportunities

Recent News & Rating



BlackRock is rated '5 - preferred provider' for global bonds. There were no significant changes to report over the quarter to end September 2016.

Relative Quarterly and Relative Cumulative Performance ^{[2] [i]}



Recent News Comment ^[1]

The Fund's positive return in quarter three was driven by income generating positions including securitised assets, high yield and investment grade credit in the US, Europe and Asia. Exposure to emerging markets, in particular Latin America and Asia, also contributed to returns. In global rates, positions in UK and US inflation-linked bonds were positive. The Fund's short position in the long-end of the Japanese curve and tactical long positions in UK gilts also added to returns.

On the other hand, the Fund's long US Treasury duration position and short positions in lower-yielding emerging markets, such as Mexico detracted from returns over the quarter. Currency positions, in particular their small long position in sterling, and the Gold ETF hedge were also negative.

BlackRock maintain a carry-focused strategy, sourcing income from various asset classes including investment grade and high yield corporate bonds, securitised assets and emerging markets. However, overall they reduced the Fund's risk by taking profits from some asset classes that have performed well over the past months, including high yield, emerging markets and inflation-linked bonds. BlackRock believe that a number of political events could re-introduce volatility in the coming months, which also led them to reduce the Fund's risk.

Performance Summary - Table ^[iii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	2.0	2.8	1.3
Benchmark	1.4	5.7	5.7
Relative	0.6	-2.8	-4.1

* Inception date 04 Jun 2015.

[1] Comment, [2] Excludes part quarter to 30 Jun 2015



