

Suffolk Pension Fund

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



Prepared By:

Matt Woodman - Senior Investment Consultant
Mufaddal Jamali - Investment Analyst

For and on behalf of Hymans Robertson LLP
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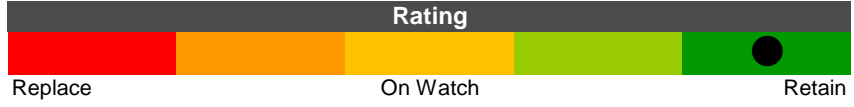
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Legal & General (Passive Multi-Asset)

Recent News & Rating



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

There were no significant developments over the quarter.

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	5.9	25.6	12.1	9.0
Benchmark	5.8	25.6	12.3	9.0
Relative	0.0	-0.0	-0.1	0.0

* Inception date 31 Mar 2004.



BlackRock - UK Equity

Recent News & Rating



We rate BlackRock's main UK Equity +2% strategy at '5 - Preferred strategy'.

This is a bottom-up, stock picking investment approach based on fundamental research carried out by a well resourced team. BlackRock has announced that it plans to take a tough stance on the issue of executive compensation amid growing criticism of the rising gulf between the pay executives and their workforce receive. It has written a letter to 300 companies stating that it will use its significant ownership positions in companies to vote against executive pay rises unless such rises are made to their workforces.

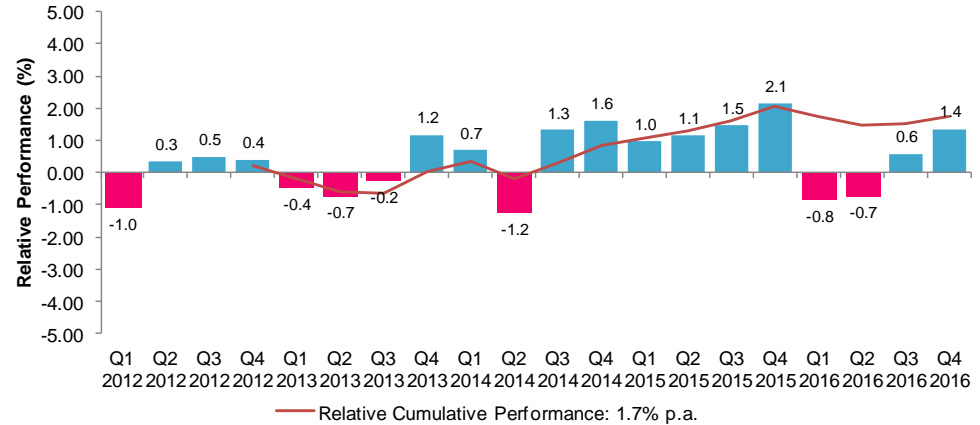
There were no significant changes over the quarter at fund level.

Comment

Over Q4 the portfolio delivered a positive absolute return of 5.3%, taking performance over the course of 2016 to 17.3%. The fund remains ahead of its benchmark over all durations up to 5 years.

Rio Tinto (mining) performed well as the price of iron ore doubled in value over the course of 2016. Wolseley and CRH, construction companies with largely US based operations, also contributed positively to performance - their share prices were boosted by the markets expectations of increased fiscal spending on US infrastructure. The underweight to banks, Barclays and HSBC in particular, detracted from performance, as did holdings in consumer staples and cash compounders (these are companies which typically have durable brands, high market shares, lasting customer relationships, and very low levels of debt). Bond yields rising would, at least theoretically, lead to a fall in the value of their long-duration cashflows.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	5.3	17.3	9.1	12.0
Benchmark	3.9	16.8	6.1	10.1
Relative	1.4	0.5	2.9	1.7

3 Year Relative Return

Actual % p.a.	Target % p.a.
2.9	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



Susan Noble was appointed as Chair of the Board of Directors as of 1 January 2017. In addition, former CEO Helena Morrissey stepped down from the Board of Directors during the quarter and has subsequently joined Legal & General Investment Management as Head of Personal Investing.

We continue to rate Newton at '5 - Preferred manager'.

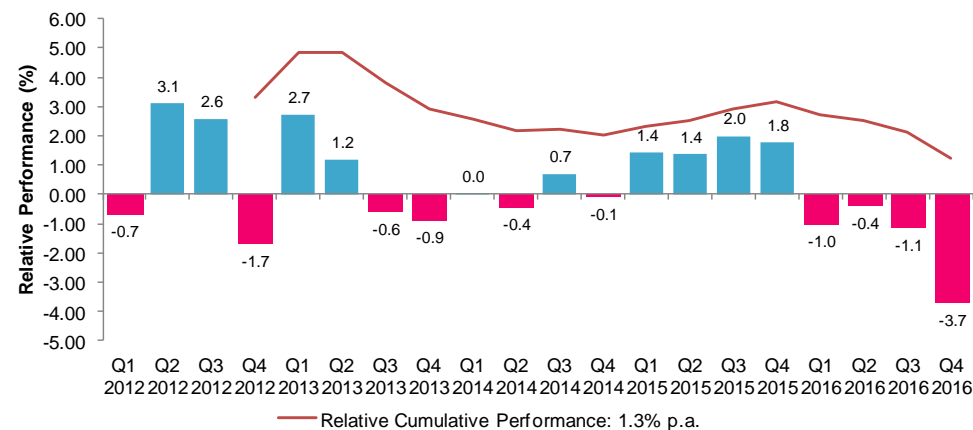
Comment

The fund returned 2.5% over the quarter underperforming its benchmark by -3.7%. Over the 12 month period, the fund is lagging its benchmark by 6%, though it is ahead of the benchmark over the 3 and 5 year periods.

Sector allocation relative to the benchmark was the primary reason for the underperformance. In particular, the underweights to financials; a sector which performed well on the back of higher yields and expectations of rising interest rates, and the overweight to consumer staples; a value orientated sector which did not keep pace with rest of the equity markets in a bullish period, detracted from performance. Stock selection also detracted from performance, most notably in industrials and health care. Counter-intuitively, the fund's best performance over the quarter was Citigroup. The stock benefitted from expectations of the US Fed's rate rise.

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.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.5	20.9	13.9	15.9
Benchmark	6.4	28.7	13.7	14.5
Relative	-3.7	-6.0	0.2	1.2

3 Year Relative Return

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

3 Year Tracking Error

Actual % p.a.	Target % p.a.
3.2	5-7



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. Now that the team is fully staffed we believe Schroder RECaP is a suitable manager of property assets. 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. Our concerns relating to the relationship between RECaP and the broader Schroder business are still present.

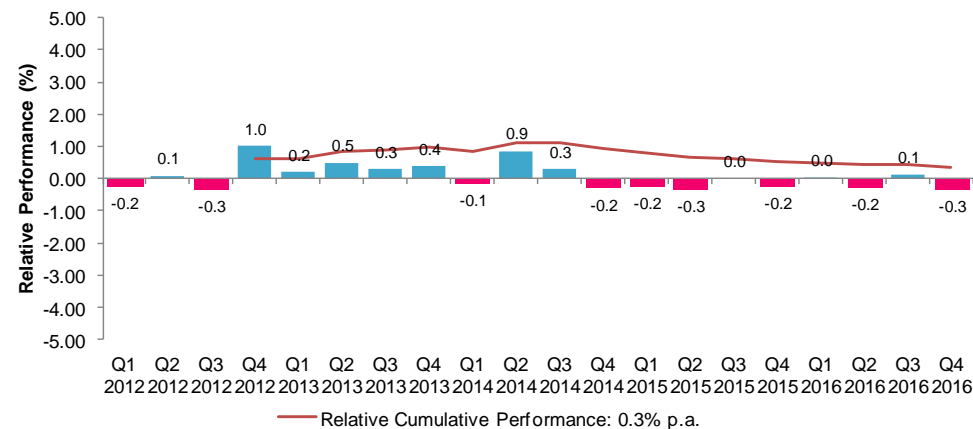
Comment

The property portfolio underperformed its benchmark by 0.3% over the quarter. Over the 12 month and 3 year periods the portfolio is lagging its benchmark by 0.4% and 0.1%, respectively.

The underlying Schroder Real Estate Real Income Fund (SRERIF) was the strongest performing fund as a result of its high exposure to the alternatives sector (i.e. non-core sectors such as care homes and student accommodation). In contrast, the West End of London Property Unit Trust (WELPUT) has been the weakest performing fund for 2 consecutive quarters. The trust continues to incur sales at a discount to price and further valuation falls of c.2.2% (following a fall of 4.7% over Q3).

Schroder believe that real estate yields within continental Europe will be broadly flat over the next few years and they continue to review their strategy going forward. In addition, cash holdings were a drag on performance as the property market outperformed cash holdings over the quarter.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.0	2.5	10.6	8.6
Benchmark	2.3	2.8	10.6	8.2
Relative	-0.3	-0.4	-0.1	0.3

3 Year Relative Return

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

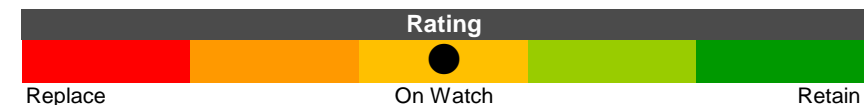
3 Year Tracking Error

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



Pyrford - Absolute Return

Recent News & Rating



There were no significant developments over the quarter.

We continue to rate the fund as '3 - On watch'.

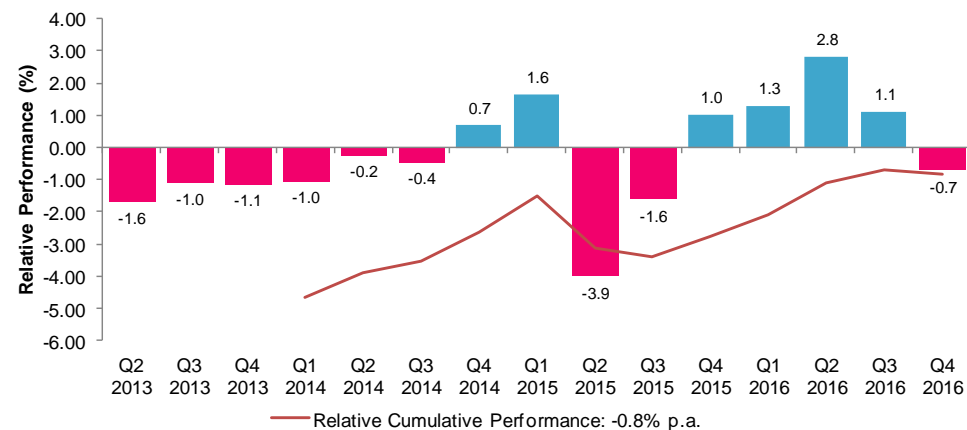
Comment

The fund generated an absolute return of 0.7% over the fourth quarter of 2016, underperforming the RPI benchmark by 0.7%. Over the longer term, the fund is ahead of benchmark, though it is marginally lagging its benchmark, by 0.2%, since inception.

The fund maintained an allocation of 30% equities, 67% bonds and 3% cash during the quarter. Within the equity portfolio, the fund remains overweight to defensive sectors such as utilities, energy and telecommunications. This defensive positioning will have underperformed the wider market during the quarter, with cyclical sectors outperforming their defensive counterparts.

At the end of the quarter, the average duration of the fixed income portfolio was 1.7 years, and this short duration will have been to the benefit of the fund, with interest rates rising over the quarter. Pyrford will continue to hold short duration bonds to protect capital against future rate rises.

Relative Quarterly and Relative Cumulative Performance ^[1]



Performance Summary - Table ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.7	10.5	5.9	5.4
Benchmark	1.4	5.6	5.7	5.6
Relative	-0.7	4.6	0.2	-0.2

* Inception date 31 Aug 2012.

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

Winton - Futures Fund

Recent News & Rating



There were no significant changes over the quarter to 31.12.16.

We continue to rate Winton as '5 - Preferred manager'.

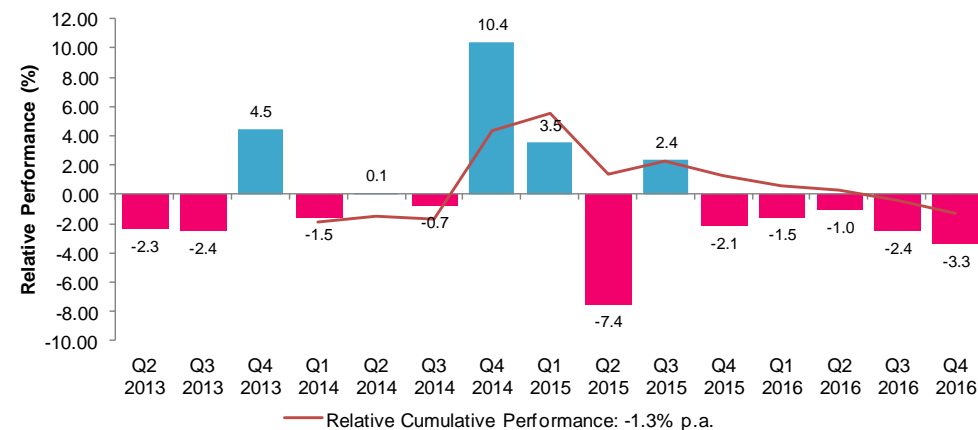
Comment

The Fund returned -2.0% over the quarter, trailing the Cash + 5% p.a target over the quarter and 12 months to 30 December 2016. The fund has fallen behind this target over 3 years and since inception.

The fund posted negative returns in October and November, a period in which bond prices were volatile and gold suffered its heaviest one-day fall since 2013, followed by positive returns in December, which partially offset the poor returns over the first 2 months.

Over the quarter, long positions in gold and silver detracted from performance as the prices of precious metals fell. Exposure to fixed income and precious metals was reduced over the quarter due to strengthening US dollar and rising yields, respectively. By December, the short positioning in fixed income actually contributed to performance. Long positions in developed market stock indices also contributed to performance as equity markets rallied. In terms of currency, the fund's short positions in the British pound and euro delivered positive returns, as did long positions in the Brazilian real, which appreciated 5% against the US dollar in December.

Relative Quarterly and Relative Cumulative Performance



Performance Summary - Table ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-2.0	-2.8	4.1	4.9
Benchmark	1.4	5.6	5.7	5.7
Relative	-3.3	-8.0	-1.5	-0.7

* Inception date 30 Sep 2012.

BlueCrest - AllBlue Mandate

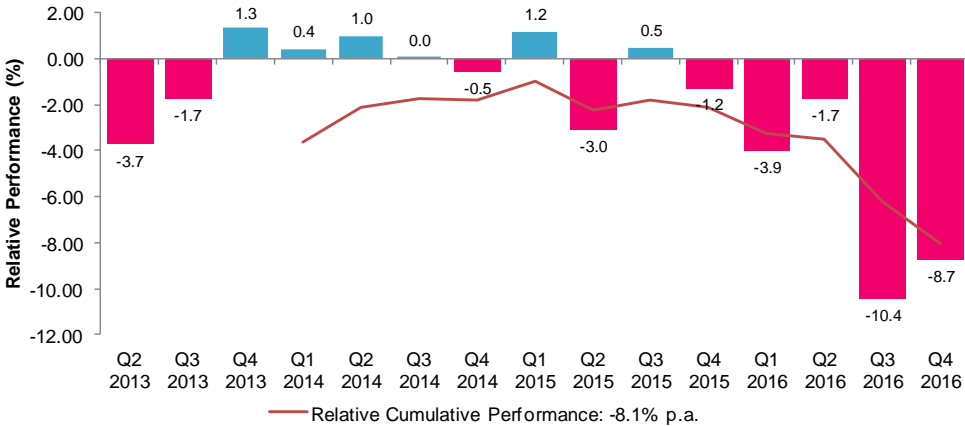
Recent News Comment

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

Comment

Distributions of £0.4m were made over Q4 16. The end December valuation was £2.0m.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-7.5	-18.3	-3.6	-1.8
Benchmark	1.4	5.6	5.7	5.7
Relative	-8.7	-22.7	-8.7	-7.0

* Inception date 30 Sep 2012.



M&G Alpha Opportunities

Recent News & Rating



There were no significant changes to report over the quarter to 31 December 2016, and we continue to rate M&G as '5 - Preferred manager'.

Comment

The M&G Alpha Opportunities Fund returned 1.4% over the quarter, matching its benchmark. Over the 12 month period, the fund is ahead of its benchmark by 1.0%.

The fourth quarter surprised with the shock US presidential election result and the unexpectedly positive responses of both the equity and bond markets. Equities rallied on the hopes of infrastructure spending and a pro-business agenda coming from Washington. This also fed into the bond markets where government yields showed signs of rising from their historically low levels and US credit spreads tightened. The manager expects to see upcoming monetary policy divergence between the US and other developed economies.

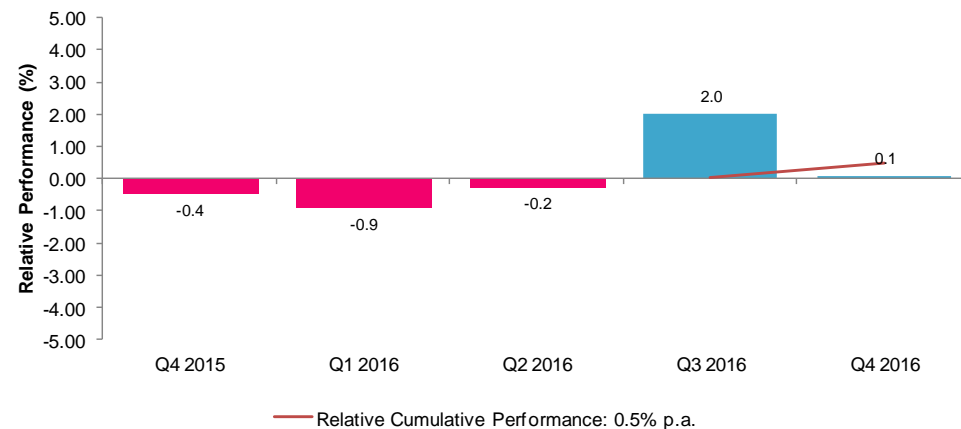
The fund's industrial holdings continued to be the largest contributor to the outperformance, with names such as Dell (a computer hardware firm), Four Seasons (a Health Care facilities firm) and Preem (an Oil Refinery) performing strongly. Following strong performance in the credit markets the manager continued to focus on reducing credit risk across the fund. Risk reduction trades have led to the average credit rating of the fund rising from A- to A.

The manager foresees continued political shocks and uncertainty moving into 2017. 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	1.4	6.7	2.4
Benchmark	1.4	5.6	5.6
Relative	0.1	1.0	-3.0

* 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 December 2016.

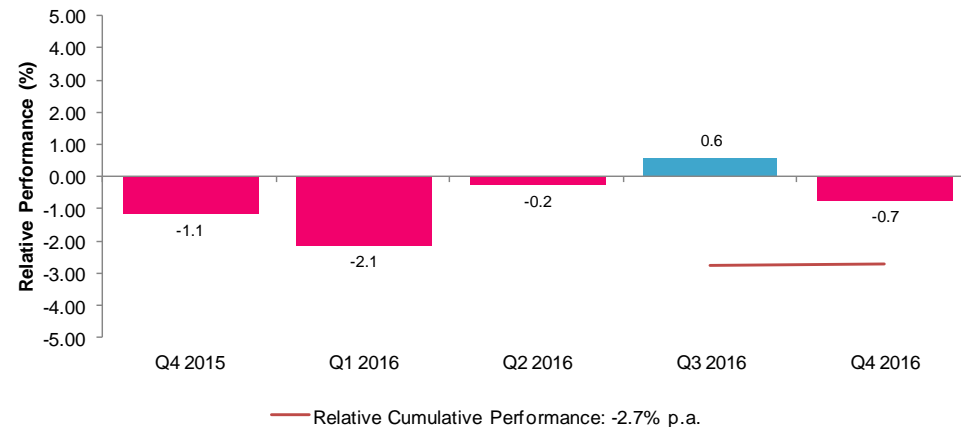
Comment

The fund delivered a return of 0.7% over the quarter, underperforming its benchmark by 0.7%. The fund remains behind benchmark over the 12 month period and since inception.

The fund's positive return in quarter four was driven by its positions in high yield and high-grade US and European corporates, as well as global securitised assets. Positioning in UK and US inflation-linked bonds, and short positions in rates across France, Poland, and Hungary also contributed to returns. On the other hand, the fund's long US municipal bonds positions detracted from returns on the expectation of further spending. Bond positions in various emerging market territories such as South Korea and Indonesia also detracted from returns.

BlackRock maintain a strategy of holding assets for their income characteristics, sourcing income from various asset classes including investment grade and high yield corporate bonds, securitised assets, and emerging markets. They expect a reflationary theme to prevail during 2017, bringing the 35-year bull markets in bonds to an end. However, due to expectations of increased volatility, the fund reduced risk in Q4 2016 and begins 2017 with a conservative stance.

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



Performance Summary - Table ^[ii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	0.7	3.1	1.5
Benchmark	1.4	5.6	5.6
Relative	-0.7	-2.3	-3.9

* Inception date 04 Jun 2015.

[1] Excludes part quarter to 30 Jun 2015



