

Dorset County Pension Fund Committee – 21 November 2013

UK Equity Report

Report of the Internal Manager

1. Purpose of the Report

1.1 To review the management of the UK equity portfolio.

2. Recommendations

2.1 That the report and performance be noted.

3. Background

3.1 The UK Equity portfolio has 3 active managers, AXA Framlington, Standard Life and Schroders as well as the internally managed passive fund. This combination of managers and styles is designed to give the opportunity of outperformance against the FTSE All Share index and has a two thirds passive and one third active mix. Details of the combined portfolio (£562.7M at 30 September 2013) are shown in the table at paragraph 5.2.

3.2 The internally managed passive fund aims to track as closely as possible the FTSE 350 index which measures the progress of the majority of the UK equity market. At 30 September 2013, the FTSE All Share index was made up of 617 individual stocks ranging from HSBC Holdings, the largest UK company (market value £124.6 Billion) down to the smallest in the index, Hansa Trust (market value £31.6 Million). Direct investment is made in the largest 350 companies, which comprises 97.4% by value of the index. Investment in the smallest companies which make up 2.6% of the index is achieved by a holding in the Schroders Institutional UK Smaller Companies Fund which is managed on an active basis.

4. Market Background

4.1 All UK markets rose in the six month period to September 2013 with the Small Cap Index performing best, rising 10.5% (399 points), whilst the FTSE100 was the worst performing major UK index rising 0.8% (51 points). In comparison, all major world indices rose in the same period with the Nikei225 rising 16.6% (2,058 points) whilst the Dow Jones rose 3.8% (551 points). The table below shows the change in indices for the first six months to September 2013.

Country	Index	31/03/2013	30/09/2013	% Change
UK	FTSE100	6,411.7	6,462.2	0.8
UK	FTSE250	13,923.0	14,908.2	7.1
UK	FTSE350	3,448.6	3,506.1	1.7
UK	Small Cap	3,805.6	4,204.1	10.5
UK	All Share	3,380.6	3,443.9	1.9
Japan	Nikkei225	12,397.9	14,455.8	16.6
US	Dow Jones	14,578.5	15,129.7	3.8
Hong Kong	Hang Seng	22,299.6	22,859.9	2.5
France	Cac 40	3,731.4	4,143.4	11.0
Germany	Dax	7,795.3	8,594.4	10.3

- 4.3 In July, credit rating agency Moody's upgraded its outlook for the US credit rating, citing the declining budget deficit for its upgrade and raised its outlook to stable from negative as it affirmed the country's AAA rating. Moody's stated that the US economy was growing at a faster rate compared with several other AAA rated countries and demonstrated a "degree of resilience" to major reductions in the growth of government spending. The deficit was expected to shrink further in the next few years. In July, the Irish economy was also upgraded by credit rating agency Standard & Poors from Stable to Positive due to faster than expected reduction in the country's debt levels as a percentage of GDP, from 122% to 112% by 2016.
- 4.4 In August, the Eurozone moved out of its longest recession since the single currency was launched in 1999 after a record eighteen months of economic contraction. The Eurozone's GDP grew by 0.3% in the second quarter of 2013, slightly ahead of forecasts due to increases in exports and spending. The German economy rose by 0.7% after narrowly avoiding recession last year but this rise in GDP was due to demand from both consumers and businesses, whilst the French economy rose by 0.5%, bringing the country out of recession. The Spanish and Italian economies fell by 0.1% and 0.2% respectively and remain in recession due to their economic output falling. However, in October Spain emerged from recession as GDP grew 0.1% between July and September 2013. Despite its growth, the Eurozone economy remains 0.7% smaller than the same period last year.
- 4.5 In August, it was announced that the UK economy grew by 0.7% in the three month period to June 2013, up from 0.4% growth in the previous quarter. Services, production, construction and agriculture all grew, the first time this has happened since the third quarter of 2010. Services, which accounts for 78% of the UK economy, grew 0.6% in this quarter, adding 0.5 percentage points to its GDP. Construction rose 1.4%, whilst agriculture and production rose 1.7% and 0.6% respectively. Within production, manufacturing rose 0.7%; the services sector now only 0.2% below its peak level recorded in early 2008; the construction sector remains 16% below its peak and manufacturing was still 9.9% short of its pre-recession level.
- 4.6 In September, the American government began shutting non-essential services due to the failure of US politicians to agree a new budget for the 2013-2014 financial year, which started on 1 October 2013. The main reason for the failure was that the Republicans insisted on the President's healthcare reforms being delayed as a condition of the budget being passed. The outcome was the first partial shutdown in seventeen years, with over 700,000 government workers facing mandatory unpaid leave. An agreement between the two political parties was resolved in October to

avoid a default on national debt. The deal assures to fund the government until 15 January 2014 and extended the debit ceiling until 7 February 2014.

- 4.7 In September, the new governor of the Bank of England, Mark Carney unveiled a new strategy called “forward guidance” in relation to the bank base interest rates. The new strategy would keep bank rate rises linked to unemployment rates and would not consider raising interest rates from 0.5% until unemployment levels drop to 7%, which currently stands at 7.7%. The Bank of England expects it to take three years before the 7% level is reached.

5. Performance

Internally managed passive portfolio

- 5.1 The internally managed passive portfolio is modelled to track the index with a tolerance of +/- 0.5% pa allowing for the costs of rebalancing. The figures shown below are for this part of the Fund only.

Quarter To	Dorset %	Index %
30/06/13	-1.62	-1.72
30/09/13	5.78	5.46
Total	<u>4.07</u>	<u>3.64</u>

Notes:

- The Dorset Fund has outperformed the benchmark over the six month period to 30 September 2013 but within the allowed tolerances.

5.2

SIX MONTHS TO SEPTEMBER 2013

Manager	Market Values		Performance %	Benchmark %	Benchmark Description
	31/03/2013 £M	30/09/2013 £M			
Internal	355.0	363.8	4.07	3.64	FTSE 350
AXA Framlington	88.3	94.5	7.03	3.84	All - Share
Standard Life	66.4	73.9	12.69	3.84	All - Share
Schroders	26.4	30.5	15.78	20.57	Small Cap
Total	<u>536.1</u>	<u>562.7</u>	<u>6.21</u>	<u>4.25</u>	

The figures for the whole UK equity portfolio show:

- The combined portfolio has outperformed its benchmark over the six month period by 1.96%
- Standard Life and AXA Framlington outperformed their benchmark by 8.85% and 3.19% respectively in the six month period to 30 September 2013 whilst Schroders underperformed their benchmark by 4.79%.

- 5.3 Each external manager’s commentary is summarised below:

Schroders

2nd Quarter 2013/14

During the quarter, the Fund returned 11.7% against the Small Cap benchmark of 16.1%. For the twelve month period to 30 September 2013, the fund returned 34.0%

against its benchmark of 44.9%. These underperformances reflect the strong share price moves in a number of recovery stocks and the inability of a lot of companies owned to keep pace with a fast moving market. Dart Group was again the largest contributor to performance while Gresham Computing and Avon Rubber also announced very positive trading updates. Pharmaceutical companies Eco Animal Health and Dechra Pharmaceuticals and companies with strong balance sheets (Microgen, James Fisher and Carclo) were left behind by the sharp increase in the FTSE Small Cap Index. Negatives to performance came from companies not owned such as recovery stocks (Premier Foods, Northgate and Stobart) and those stocks which were expected to benefit from a return to growth in Europe (Brammer and Robert Walters). A new holding in S & U were purchased which provides credit services. The business demonstrated an excellent long term growth record and is benefitting from the lack of lending from the banks. This purchase was financed by the complete sales of the RPC Group and Shanks Group over concerns about trading prospects. The focus remains on investing in companies with strong balance sheets, sensible management, clear business models, identifiable barriers to entry, prudent accounts and pricing power. This approach has generated long term value, but underperforms when highly indebted recovery occurs.

Standard Life

2nd Quarter 2013/14

During the quarter, the fund returned 11.2% against the FTSE All Share index return of 5.6%. Over the year to 30 September 2013, the fund returned 34.9% against the index return of 18.9%. The fund bought a holding in housebuilder Persimmon to benefit from continuing house price inflation and recovering volumes. A holding in oil and gas business Enquest was also purchased. The shares trade at a substantial discount to net asset value, while there is significant upside potential from acquisitions in its North Sea and Tunisian Fields. The holding in Barclays was increased as the expectation of shares to re-rate following the rights issue, which was prompted by regulatory requirements to boost its capital levels. The fund moved from an underweight position to a more neutral position in Anglo American following a positive meeting with new management, which indicated the many avenues available to turn the poorly performing business. Sales activity included the reduction in the holding of electrical retailer Dixons following a strong run in the shares to the point where the valuation appeared extended. The fund also reduced its holding in Lloyds Banking Group. Following a strong re-rating, the shares are more vulnerable to the potential disappointment resulting from any deterioration in asset margins or regulatory pressure on the dividend payout ratio. The fund further reduced Tesco due to on-going weak trading and loss of market share in the core UK market, while the holding in Lonmin was sold where safety stoppages and labour negotiations are disrupting business. International Consolidated Airlines Group shares outperformed following particularly strong traffic and yield growth on their most profitable North Atlantic routes. Glencore Xstrata was a notable contributor after doubling its targeted merger cost savings. Royal Bank of Scotland performed well in the quarter, as the market anticipated the imminent end to the non-core asset disposal programme and focused on the housing market recovery's positive impact. GKN rose in response to positive US and Asian automotive production data and stabilising European markets. Negatives to performance were; the outsourced services business Serco who underperformed, as the Ministry of Justice investigates alleged fraud in selected contracts and being underweight in microchip designer Arm Holdings affected performance as the shares rose significantly following Apple's unexpected announcement that it would use significantly more of Arm's products than expected in its new smartphone range.

AXA Framlington

2nd Quarter 2013/14

During the quarter, the Fund returned 7.4% against the FTSE All share Index return

of 5.6%. Over the year to September 2013, the fund returned 22.7% against the benchmark of 18.9%. Positives to performance included ITV, the largest holding in the fund, which was the main contributor to performance as the recovering UK economy helped their prospects for increased advertising revenue. Expectations of some recovery in Europe helped Brammer, the Pan European bearings distributor to be the second biggest contributor to relative performance and customer services, which includes retailers and media companies, was the best performing sector. Negatives to performance were being underweight in Vodafone relative to the All Share Index benchmark making it the biggest negative contributor; Telecoms, where the underweight holding in Vodafone, had a negative effect on sector allocation and holding cash in a rising market was also a negative influence. It was a much busier quarter in terms of turnover in the fund as the UK economy gained momentum and stocks added to included Dixons, Booker, Travis Perkins, Wolseley, Xaar, WPP, Shire, BG, Rio Tinto and Johnson Matthey. New positions bought were Lloyds Banking Group, BskyB and Betfair. Holdings sold completely were SDL, Unilver, Diageo, Golden Prospect and International Greetings.

6 Review of Activity

- 6.1 There have been four significant corporate actions in the six month period to 30 September 2013.
- In April 2013 William Hill had a Rights Issue for £0.1M
 - In May 2013 there was a Scheme of Arrangement for the merger of Xstrata Plc with Glencore International Plc for £1.4M
 - In June 2013 First Group had a Rights Issue for £0.1M
 - In September 2013 Barclays had a Rights Issue for £1.1M.
- 6.2 The portfolio was rebalanced twice in the six month period to September 2013. In June, the total value of purchases and sales were £2.6M with a net purchase of £1.2M. There were 35 purchases (£1.9M) and 18 sales (£0.7M), whilst in July the total value of purchases and sales were £2.5M with a net purchase of £0.8M. There were 25 purchases (£1.6M) and 18 sales (£0.8M).

7 Stock Lending

- 7.1 Stock lending is managed in the UK on an agency basis by HSBC, and overseas on the same basis by Pictet.
- 7.2 Total overseas stock lending income for the year to 30 September 2013 is £52,790. Net income for UK stock lending was £72,780 over the same period, giving a total of £125,570. This compares to the period to 30 September 2012 where the UK stock lending figure was £70,455 and the overseas stock lending was £53,013, giving a total of £123,468.

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November 2013

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DORSET COUNTY PENSION FUND

VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 30 SEPTEMBER 2013

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
UK EQUITIES				
MINING				
AFRICAN BARRICK GOLD LTD	22,000	120	1.64	36
ANGLO AMERICAN ORD USD0.54	245,090	2,657	15.175	3,719
ANTOFAGASTA ORD GBP0.05	66,500	103	8.185	544
BHP BILLITON ORD USD0.50	396,026	1,671	18.2	7,208
BUMI Plc	16,000	138	2.18	35
CENTAMIN EGYPT LTD	193,000	328	0.4421	85
EURASIAN NATURAL RESOURCES	46,000	520	2.125	98
FRESNILLO	31,000	44	9.73	302
GLENCORE INTERNATIONAL	1,632,243	3,990	3.367	5,496
HOCHSCHILD MINING ORD GBP0.25	30,000	101	1.809	54
KAZAKHMYS ORD GBP0.20	39,000	309	2.658	104
KENMARE RESOURCES	475,000	113	0.2832	135
LONMIN ORD USD1.00	80,027	305	3.189	255
PETRA DIAMONDS	114,000	169	1.185	135
PETROPAVLOVSK PLC	1,613	2	0.765	1
POLYMETAL INT'L	37,000	416	6.535	242
RANDGOLD RESOURCES ORD USD0.05	17,250	338	44.46	767
RIO TINTO ORD GBP0.10 (REG)	234,050	2,195	30.23	7,075
VEDANTA RESOURCES ORD USD0.10	18,500	74	10.8	200
Total MINING		13,593		26,490
OIL & GAS PRODUCERS				
AFREN PLC	201,000	200	1.383	278
BG GROUP ORD GBP0.10	638,475	1,770	11.805	7,537
BP ORD USD0.25	3,571,500	11,516	4.33	15,465
CAIRN ENERGY ORD GBP0.06153846153	113,207	227	2.617	296
ENQUEST PLC	135,000	197	1.3	176
ESSAR ENERGY PLC	54,000	292	1.297	70
OPHIR ENERGY	95,400	434	3.336	318
PREMIER OIL ORD GBP0.50	99,348	137	3.253	323
ROYAL DUTCH 'B' ORD EUR0.07	1,169,295	15,635	21.345	24,959
SALAMANDER ENERGY	46,197	84	1.1725	54
SOCO INTL ORD GBP0.20	41,000	96	3.935	161
TULLOW OIL ORD GBP 0.10	169,500	737	10.24	1,736
Total OIL & GAS PRODUCERS		31,326		51,373
CHEMICALS				
AZ ELECTRONIC MATERIALS	72,000	217	2.923	210
CRODA INTL ORD GBP0.10	25,000	89	26.55	664
ELEMENTIS	85,000	97	2.397	204
JOHNSON MATTHEY ORD GBP1.00	38,320	262	28.07	1,076
SYNTHOMER	46,665	83	2.374	111
VICTREX ORD GBP0.01	15,000	69	15.95	239
Total CHEMICALS		817		2,504

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
CONSTRUCTION & MATERIALS				
BALFOUR BEATTY ORD GBP0.50	128,020	317	2.839	363
CRH PLC	136,000	1,719	14.78	2,010
GALLIFORD TRY ORD GBP0.05	15,000	88	10.37	156
KELLER GROUP ORD GBP0.10	14,000	137	10.32	144
KIER GROUP ORD GBP0.01	7,000	117	16.85	118
Total CONSTRUCTION & MATERIALS		2,378		2,792
FORESTRY & PAPER				
MONDI PLC EUR0.20	69,250	128	10.43	722
Total FORESTRY & PAPER		128		722
AEROSPACE & DEFENCE				
BAE SYSTEMS ORD GBP0.025	608,616	1,056	4.544	2,766
CHEMRING GROUP ORD GBP0.05	34,500	130	3.034	105
COBHAM ORD GBP0.25	202,000	136	2.869	580
MEGGITT ORD GBP0.05	147,187	338	5.49	808
QINETIQ ORD GBP0.01	119,000	205	1.911	227
ROLLS ROYCE ORD GBP0.20	351,978	936	11.12	3,914
SENIOR	76,000	95	2.695	205
ULTRA ELECTRONICS ORD GBP0.05	13,500	88	18.88	255
Total AEROSPACE & DEFENCE		2,982		8,859
ELECTRONIC & ELECTRICAL EQUIPMENT				
DIALIGHT	6,000	73	11.35	68
DOMINO PRINTING SCIENCES	21,000	67	6.4	134
HALMA ORD GBP0.10	71,017	70	5.645	401
LAIRD GROUP ORD GBP0.28125	47,000	54	2.2	103
MORGAN ADVANCE MATERIALS	53,000	106	3.103	164
OXFORD INSTRUMENTS	10,000	128	12.56	126
RENISHAW ORD GBP0.20	7,000	46	18.03	126
SPECTRIS ORD GBP0.05	22,000	112	22.06	485
XAAR ORD	14,000	118	7.935	111
Total ELECTRONIC & ELECTRICAL EQUIPMENT		774		1,719
INDUSTRIAL ENGINEERING				
BODYCOTE INT ORD GBP 0.10	36,252	152	6.5	236
FENNER	34,000	70	3.979	135
IMI ORD GBP0.25	60,250	133	14.54	876
MELROSE INDUSTRIES	237,669	392	2.997	712
ROTORK ORD GBP0.05	16,500	85	27.25	450
SPIRAX-SARCO ORD GBP0.25	13,961	81	30.05	420
WEIR GROUP ORD GBP0.125	40,250	133	23.27	937
Total INDUSTRIAL ENGINEERING		1,046		3,765
AUTOMOBILES & PARTS				
GKN ORD GBP0.50	306,044	263	3.419	1,046
Total AUTOMOBILES & PARTS		263		1,046
HOUSEHOLD GOODS & HOME CONSTRUCTION				
BARRATT DEVEL ORD GBP0.10	182,634	361	3.086	564
BELLWAY ORD GBP0.125	23,000	117	13.12	302
BERKELEY GP UNITS	23,080	85	20.7	478
BOVIS HOMES GROUP ORD GBP0.50	25,000	105	7.165	179
CREST NICHOLSON ORD GBP0.10	23,000	79	3.311	76
PERSIMMON ORD GBP0.10	56,645	267	10.86	615

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
RECKITT BENCKISER ORD GBP0.10	121,050	1,171	45.2	5,471
REDROW ORD GBP0.10	40,928	63	2.317	95
TAYLOR WIMPEY ORD GBP0.25	600,000	258	1.003	602
Total HOUSEHOLD GOODS & HOME CONSTRUCTION		2,507		8,382
BEVERAGES				
BARR (A G)	16,000	36	5.255	84
BRITVIC ORD GBP0.20	43,000	115	5.715	246
DIAGEO PLC ORD GBP0.28935	472,677	2,717	19.65	9,288
SABMILLER ORD USD 0.10	177,500	1,251	31.435	5,580
Total BEVERAGES		4,119		15,198
FOOD PRODUCERS				
ASSD BRITISH FOODS ORD GBP0.0568	65,460	197	18.76	1,228
CRANWICK	9,000	63	11.68	105
DAIRY CREST ORD GBP0.25	24,500	88	4.544	111
DEVRO PLC	29,000	66	3.244	94
TATE & LYLE ORD GBP0.25	87,400	244	7.365	644
UNILEVER ORD GBP0.031111	226,728	1,046	24.39	5,530
Total FOOD PRODUCERS		1,703		7,712
HEALTH CARE EQUIPMENT & SERVICES				
NMC HEALTH PLC	12,000	39	3.255	39
SMITH & NEPHEW ORD USD0.2	168,272	300	7.7	1,296
SYNERGY HEALTH	10,000	40	10.94	109
Total HEALTH CARE EQUIPMENT & SERVICES		379		1,444
PERSONAL GOODS				
BURBERRY GROUP ORD GBP0.0005	82,372	155	16.32	1,344
PZ CUSSONS ORD GBP0.01	56,970	87	4.132	235
SUPERGROUP PLC	6,000	38	11.45	69
Total PERSONAL GOODS		281		1,648
PHARMACEUTICALS & BIOTECHNOLOGY				
ASTRAZENECA ORD USD0.25	234,000	3,797	32.155	7,524
BTG	65,000	130	3.825	249
DECHRA PHARMACEUTICALS	16,000	79	7.055	113
GENUS	11,000	86	14.31	157
GLAXOSMITHKLINE ORD GBP0.25	924,088	4,377	15.575	14,393
HIKMA PHARMA ORD GBP0.10	26,000	102	10.39	270
SHIRE ORD GBP0.05	105,000	981	24.78	2,602
Total PHARMACEUTICALS & BIOTECHNOLOGY		9,552		25,308
TOBACCO				
BRITISH AMERICAN TOBACCO ORD GBP0.25	360,000	3,391	32.765	11,795
IMPERIAL TOBACCO ORD GBP0.10	183,262	1,740	22.87	4,191
Total TOBACCO		5,131		15,987
GENERAL RETAILERS				
BROWN (N) GROUP ORD GBP0.1105263157	28,761	26	5.235	151
CARPETRRIGHT ORD GBP0.01	8,500	56	6.465	55
DEBENHAMS ORD GBP0.01	242,000	313	1.02	247
DIGNITY	9,813	93	14.44	142
DSG INTERNATIONAL ORD GBP0.025	680,345	380	0.4654	317
DUNELM GROUP	17,000	34	9.22	157
HALFORDS GRP ORD GBP0.01	37,000	110	3.93	145
HOME RETAIL GROUP ORD GBP0.10	153,870	122	1.681	259

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
INCHCAPE ORD GBP0.25	86,300	167	6.1	526
KINGFISHER ORD GBP0.157142857	444,078	838	3.859	1,714
MARKS AND SPENCER GROUP ORD GBP0.25	301,600	472	4.965	1,497
NEXT ORD GBP0.10	29,000	107	51.5	1,494
SMITH WH ORD GBP0.20	23,447	59	8.25	193
SPORTS DIRECT INT'L ORD GBP0.10	39,000	93	7.075	276
TED BAKER PLC	5,000	45	19.07	95
Total GENERAL RETAILERS		2,914		7,267
INDUSTRIAL METALS				
ALENT	41,281	140	3.549	147
EVRAZ PLC	94,000	321	1.276	120
FERREXPO	29,000	111	1.771	51
VESUVIUS	50,281	170	4.468	225
Total INDUSTRIAL METALS		742		542
TRAVEL & LEISURE				
888 HOLDINGS	26,000	39	1.665	43
BETFAIR GROUP	17,000	130	10.27	175
BWIN ENTERTAINMENT ORD GBP0.000015	131,900	358	1.221	161
CARNIVAL ORD USD1.66	34,365	422	20.94	720
COMPASS GROUP ORD GBP0.10	341,388	800	8.5	2,902
DOMINO'S PIZZA UK& IRL	25,000	75	5.84	146
EASYJET ORD GBP0.25	46,257	194	12.77	591
ENTERPRISE INNS ORD GBP0.025	95,000	100	1.44	137
FIRSTGROUP ORD GBP0.05	218,749	373	1.194	261
GO AHEAD GROUP ORD GBP0.10	8,000	74	16.72	134
GREENE KING ORD GBP0.125	40,799	138	8	326
INT'L CONSOLIDATED AIR	306,250	696	3.378	1,035
INTERCONTINENTAL HOTELS ORD GBP0.13617	49,819	107	18.01	897
LADBROKES ORD GBP0.28333	169,805	642	1.692	287
MARSTONS ORD GBP0.07375	107,154	108	1.509	162
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.085416	27,910	108	5.545	155
MITCHELLS & BUTLER ORD GBP0.085416	43,430	132	4.109	178
NATIONAL EXPRESS ORD GBP0.05	79,666	202	2.561	204
RANK GROUP ORD GBP0.13888	19,215	46	1.54	30
RESTAURANT ORD GBP0.28125	36,000	42	5.32	192
STAGECOACH GROUP ORD GBP0.009824	80,395	72	3.255	262
THOMAS COOK ORD EUR0.10	238,000	302	1.533	365
TUI TRAVEL ORD GBP0.10	94,500	139	3.676	347
WETHERSPOON (JD) ORD GBP0.02	16,500	43	7.265	120
WHITBREAD ORD GBP0.76797385	33,585	179	29.64	995
WILLIAM HILL ORD GBP0.10	162,552	292	4.03	655
Total TRAVEL & LEISURE		5,812		11,479
MEDIA				
BRITISH SKY BROADCASTING ORD GBP0.50	182,500	824	8.7	1,588
EUROMONEY INST INVESTOR ORD GBP0.0025	7,000	47	11.45	80
INFORMA ORD GBP0.001	112,948	275	5.25	593
ITE GROUP ORD GBP0.01	44,000	70	2.715	119
ITV ORD GBP0.10	686,146	745	1.753	1,203
MONEYSUPERMARKET.COM	68,000	91	1.509	103
PEARSON ORD GBP0.25	153,027	877	12.55	1,920
PERFORM GROUP	17,000	70	5.59	95
REED ELSEVIER ORD GBP0.1444	222,670	669	8.325	1,854
RIGHTMOVE ORD GBP0.001	18,615	57	23.59	439
UBM ORD GBP0.338068	45,437	405	7.14	324

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
WPP GROUP ORD GBP0.10	235,966	984	12.7	2,997
Total MEDIA		5,114		11,315
SUPPORT SERVICES				
AGGREKO ORD GBP0.20	47,036	102	16.03	754
ASHTREAD GROUP ORD GBP0.10	94,000	142	6.145	578
ATKINS WS ORD GBP0.005	19,000	73	11.68	222
BABCOCK INTL GRP ORD GBP0.60	67,432	135	11.95	806
BERENDSEN PLC	31,957	90	9.025	288
BUNZL ORD GBP0.32142857	61,720	172	13.37	825
CAPITA GROUP ORD NVP	121,902	342	9.96	1,214
CARILLION ORD GBP0.50	80,699	150	3.123	252
CONNAUGHT	22,000	90	0	0
DCC ORD	16,000	435	25.26	404
DE LA RUE ORD GBP	17,998	144	9.895	178
DIPLOMA PLC	22,000	104	6.53	144
ELECTROCOMPONENTS ORD GBP0.10	79,000	94	2.759	218
EXPERIAN ORD USD0.10	189,870	456	11.77	2,235
FILTRONA ORD GBP0.25	43,749	80	7.455	326
G4S ORD GBP0.25	264,213	491	2.542	672
HAYS ORD GBP0.01	253,500	113	1.182	300
HOMESERVE ORD GBP0.125	51,000	80	2.564	131
HOWDEN JOINERY GROUP	113,000	86	2.902	328
INTERSERVE ORD GBP0.10	24,000	78	5.615	135
INTERTEK GROUP ORD GBP0.01	30,200	190	33.05	998
MENZIES(JOHN) PLC	9,000	57	7.985	72
MICHAEL PAGE INTL ORD GBP0.01	55,000	97	4.918	270
MITIE GROUP ORD GBP0.025	67,500	128	2.954	199
PAYPOINT	12,000	87	10.62	127
PREMIER FARNELL ORD GBP0.05	66,657	201	2.166	144
REGUS ORD GBP0.05	119,000	100	1.819	216
RENTOKIL INITIAL ORD GBP0.01	340,624	274	1.089	371
RPS GROUP ORD GBP0.03	38,000	87	2.673	102
SERCO ORD GBP0.02	93,000	193	5.465	508
SIG ORD GBP0.10	106,285	169	1.857	197
TRAVIS PERKINS ORD GBP0.10	45,672	180	16.48	753
WOLSELEY ORD GBP0.25	51,200	726	31.96	1,636
Total SUPPORT SERVICES		5,944		15,604
INDUSTRIAL TRANSPORT				
BBA AVIATION ORD GBP0.2976	89,200	159	3.044	272
FISHER (JAMES) & SONS	8,000	77	10.59	85
Total INDUSTRIAL TRANSPORT		236		356
FOOD & DRUG RETAILERS				
BOOKER GROUP	266,000	109	1.341	357
GREGGS ORD GBP0.20	17,500	59	4.236	74
MORRISON (WM) ORD GBP0.10	406,283	475	2.8	1,138
OCADO GROUP PLC	80,000	126	3.956	316
SAINSBURY (J) ORD GBP0.28571428	262,000	791	3.912	1,025
TESCO ORD GBP0.05	1,508,212	2,258	3.59	5,414
UDG HEALTHCARE	45,000	126	3.192	144
Total FOOD & DRUG RETAILERS		3,945		8,468
FIXED LINE TELECOMMUNICATION				
BT GROUP ORD GBP0.05	1,477,398	2,810	3.424	5,059
CABLE & WIRELESS COMMU	459,000	556	0.3958	182

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
COLT TELECOM ORD EUR1.25	58,757	435	1.162	68
KCOM GROUP	96,000	76	0.9075	87
TALKTALK TELECOM	94,000	123	2.416	227
TELECOM PLUS	10,000	80	12.64	126
Total FIXED LINE TELECOMMUNICATION		4,080		5,749
ELECTRICITY				
DRAX GROUP ORD GBP0.1155172	75,744	564	6.825	517
SSE PLC ORD GBP0.50	179,940	982	14.74	2,652
Total ELECTRICITY		1,546		3,169
GAS WATER & MULTIUTILITIES				
CENTRICA ORD GBP0.061728395	967,474	1,552	3.696	3,576
NATIONAL GRID ORD GBP0.11395	683,086	2,782	7.305	4,990
PENNON ORD GBP0.407	68,279	143	6.985	477
SEVERN TRENT ORD GBP0.9789	44,509	218	17.61	784
UNITED UTILITIES ORD GBP1.00	127,439	455	6.905	880
Total GAS WATER & MULTIUTILITIES		5,151		10,706
BANKS				
BANK OF GEORGIA HLDGS	5,000	65	19.3	97
BARCLAYS ORD GBP0.25	3,017,270	6,305	2.655	8,011
HSBC HLDGS ORD USD 0.50	3,494,447	14,784	6.692	23,385
LLOYDS TSB GROUP ORD GBP0.25	7,877,923	7,651	0.7358	5,797
ROYAL BANK OF SCOTLAND	387,772	5,952	3.599	1,396
STANDARD CHARTERED ORD USD0.50	371,311	2,909	14.81	5,499
Total BANKS		37,665		44,183
NON LIFE INSURANCE				
ADMIRAL GRP ORD GBP0.001	36,000	186	12.32	444
AMLIN ORD GBP0.28125	92,289	151	4.051	374
BEAZLEY GROUP ORD GBP0.05	97,421	109	2.091	204
CATLIN GROUP USD0.01	62,331	243	4.811	300
DIRECT LINE INSURANCE GRP	147,000	321	2.123	312
ESURE GROUP	46,000	142	2.443	112
HISCOX ORD GBP0.05	65,819	148	6.48	427
JARDINE LLOYD THOMPSON ORD GBP0.05	23,000	55	9.415	217
LANCASHIRE HOLDINGS LTD	30,000	158	7.65	230
RSA INSURANCE	686,082	944	1.208	829
Total NON LIFE INSURANCE		2,457		3,447
LIFE INSURANCE				
AVIVA ORD GBP0.25	552,432	3,568	3.968	2,192
LEGAL & GENERAL GP ORD GBP0.025	1,100,334	485	1.962	2,159
OLD	917,435	1,305	1.875	1,720
PHOENIX GROUP HOLDINGS	32,479	211	7.44	242
PRUDENTIAL CORP ORD GBP0.05	479,136	1,231	11.51	5,515
RESOLUTION ORD GBP0.05	255,210	721	3.175	810
ST JAMES PLACE ORD GBP0.15	75,000	319	6.135	460
STANDARD LIFE ORD GBP0.10	442,106	1,142	3.454	1,527
Total LIFE INSURANCE		8,986		14,625
EQUITY INVESTMENT INSTRUMENTS				
3I INFRASTRUCTURE LTD	111,000	127	1.327	147
ABERFORTH SMALLER COS TRUST ORD GBP	18,000	57	9.785	176
ALLIANCE TRUST ORD GBP0.25	105,735	167	4.251	449
BANKERS I.T. ORD GBP0.25	21,500	38	5.635	121

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
BH GLOBAL LTD	8,500	80	11.86	101
BH MACRO LTD	12,000	191	21.38	257
BLACKROCK WORLD MINING TRST	32,500	85	4.828	157
BLUECREST ALLBLUE FUND LTD	83,000	123	1.718	143
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.	29,000	57	4.848	141
CALEDONIA INVESTMENT ORD GBP0.05	6,500	39	17.65	115
CITY OF LONDON TRUST ORD GBP0.25	47,600	78	3.632	173
EDINBURGH DRAGON TRUST	37,000	53	2.599	96
EDINBURGH I.T. ORD GBP0.25	37,100	66	5.98	222
ELECTRA PRIVATE EQUITY GBP0.25	7,000	21	22.3	156
F & C INVEST TRUST ORD GBP0.25	108,000	81	3.61	390
FIDELITY CHINA SPECIAL	123,868	144	0.967	120
FIDELITY EUROPEAN VALUES ORD GBP0.25	8,000	41	14.85	119
GENESIS EMERGING MARKETS	24,000	108	5.45	131
HERALD INVESTMENT TRUST	14,000	63	6.35	89
HICL INFRASTRUCTURE CO	209,725	242	1.295	272
INTERNATIONAL PUB PTR	133,345	136	1.239	165
JOHN LAING INFRASTRUCTURE	118,125	129	1.116	132
JPMORGAN AMERICAN IT	9,000	60	10.95	99
JPMORGAN EMERGING MKTS	23,000	106	5.555	128
JPMORGAN INDIAN INV TRUST	20,400	57	3.08	63
LAW DEBENTURE CORP	22,000	65	4.975	109
MERCANTILE TRUST	18,700	30	13.85	259
MERCHANTS TRUST ORD GBP0.25	19,000	80	4.875	93
MONKS INVESTMENT ORD GBP0.05	44,500	38	3.82	170
MURRAY INCOME ORD GBP0.25	12,500	67	7.58	95
MURRAY INTERNATIONAL ORD GBP0.25	22,800	112	10.93	249
NB GLOBAL FLOATING RATE	70,000	69	1.049	73
PERPETUAL INCOME & GRTH ORD GBP0.10	41,000	84	3.506	144
PERSONAL ASSETS TRUST	286	100	329.6	94
POLAR CAPITAL TECHNOLOGY TR	23,000	53	4.445	102
RIT CAPITAL PARTNERS ORD GBP1.00	23,479	51	12.35	290
SCHRODERS ASIA PACIFIC FUND	32,000	78	2.4	77
SCOTTISH I.T ORD GBP0.25	22,100	36	5.71	126
SCOTTISH MORTGAGE ORD GBP0.25	47,800	78	9.3	445
TEMPLE BAR IT ORD GBP0.25	11,000	72	11.83	130
TEMPLETON EMERGING MARKETS I.T. ORD GBF	62,000	94	5.43	337
TR PROPERTY INVESTMENT TRUST ORD GBP0.	58,500	41	2.09	122
UTILICO EMERGING MARKETS LTD	41,000	65	1.73	71
WITAN IT ORD GBP0.25	36,100	52	6.19	223
WORLDWIDE HEALTH	9,000	86	11.35	102
Total EQUITY INVESTMENT INSTRUMENTS		3,695		7,471
REAL ESTATE INVESTMENT & SERVICES				
CAPITAL & COUNTIES PROPERTIES	123,333	195	3.343	412
COUNTRYWIDE PLC ORD GBP0.05	14,000	85	5.19	73
DAEJAN HOLDINGS ORD GBP0.25	1,000	42	37.96	38
GRAINGER TRUST ORD0.05	77,000	112	1.743	134
HANSTEEN HOLDINGS	114,000	99	0.985	112
LONDON & STAMFORD PROPERTY	110,000	138	1.195	131
SAVILLS ORD 2.5GBP	24,000	84	6.18	148
ST. MODWEN PROPERTIES ORD GBP0.10	31,000	78	3.033	94
UNITE GROUP ORD GBP0.25	33,000	100	3.947	130
Total REAL ESTATE INVESTMENT & SERVICES		933		1,273

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
REAL ESTATE INVESTMENT TRUSTS				
BIG YELLOW GROUP ORD GBP0.10	23,000	110	4.397	101
BRITISH LAND ORD GBP0.25	185,000	726	5.775	1,068
CAPITAL SHOPPING CENTRES	125,333	510	3.211	402
DERWENT LONDON ORD GBP0.05	17,096	181	23.66	404
F & C COMMERCIAL PROPERTY TRUST	91,000	95	1.147	104
GREAT PORTLAND ESTATE ORD GBP0.125	65,172	167	5.37	350
HAMMERSON ORD GBP0.25	132,847	403	5.01	666
LAND SECURITIES GROUP ORD GBP0.10	146,276	634	9.185	1,344
SEGRO REIT	139,052	405	3.099	431
SHAFTESBURY ORD GBP0.25	46,666	147	5.89	275
UK COMMERCIAL PROPERTY ORD GBP0.25	77,000	64	0.745	57
WORKSPACE GROUP - ORD GBP0.10	20,000	69	4.538	91
Total REAL ESTATE INVESTMENT TRUSTS		3,512		5,294
TECHNOLOGY HARDWARE & EQUIPMENT				
ARM HOLDINGS ORD GBP0.05	262,500	421	9.86	2,588
CSR ORD GBP0.0001	31,500	124	5.135	162
IMAGINATION TECH GROUP PLC	37,000	89	3.256	120
PACE PLC	58,000	134	2.535	147
SPIRENT ORD GBP0.0333	123,000	38	1.273	157
Total TECHNOLOGY HARDWARE & EQUIPMENT		805		3,174
SOFTWARE & COMPUTER SERVICES				
ANITE PLC	54,000	70	1.125	61
AVEVA GROUP ORD GBP0.0333	12,186	128	25.94	316
COMPUTACENTER PLC ORD GBP0.05	14,400	50	5.305	76
FIDESSA GROUP	7,000	50	19.75	138
INVENSYS ORD GBP0.10	121,204	991	4.976	603
MICRO FOCUS INT'L ORD GBP0.10	28,800	95	7.545	217
PLAYTECH ORD	28,000	137	7.34	206
SAGE GROUP ORD GBP0.01	208,263	208	3.296	686
TELECITY GROUP	38,000	157	8.295	315
Total SOFTWARE & COMPUTER SERVICES		1,886		2,619
FINANCIAL SERVICES				
3I GROUP ORD GBP0.738636	180,781	443	3.638	658
ABERDEEN ASSET MGT ORDGBP0.10	176,000	232	3.786	666
ASHMORE GROUP ORD GBP0.0001	73,000	196	3.903	285
BREWIN DOLPHIN HLDGS	46,000	71	2.706	124
CLOSE BROTHERS GROUP ORD GBP0.25	27,500	117	11.68	321
F & C ASSET MGT ORD GBP0.001	79,000	58	0.9665	76
HARGRAVES LANSDOWN	41,000	127	9.795	402
HENDERSON GRP ORD GBP0.125	192,518	116	1.888	363
ICAP ORD GBP0.10	101,000	259	3.738	378
IG GROUP ORD GBP0.05	68,000	140	5.78	393
INTERMEDIATE CAPITAL GRP ORD GBP0.20	75,181	238	4.456	335
INTL PERSONAL FINANCE ORD GBP0.10	47,236	58	6.075	287
INVESTEC ORD GBP0.0002	92,500	245	4.003	370
IP GROUP PLC	65,000	96	1.399	91
JUPITER FUND MANAGEMENT	64,000	174	3.653	234
LONDON STOCK EXCHANGE ORD GBP0.069186	32,942	183	15.37	506
MAN GROUP ORD USD0.0342857	307,375	448	0.8385	258
PARAGON GRP OF COMPANIES ORD GBP1	54,000	92	3.119	168
PROVIDENT FINANCIAL ORD GBP0.20727272	25,618	119	16.62	426
RATHBONE BROTHERS ORD GBP0.05	9,000	85	15.45	139

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
SCHRODERS ORD GBP1.00	20,999	52	25.75	541
SVG CAPITAL ORD GBP1.00	44,000	119	3.883	171
TULLETT PREBON ORD GBP0.25	39,500	111	3.454	136
Total FINANCIAL SERVICES		3,779		7,329
GENERAL INDUSTRIAL				
REXAM ORD GBP0.64285714	147,837	452	4.815	712
RPC GROUP	29,000	101	4.55	132
SMITH (DS) ORD GBP0.10	172,475	209	2.877	496
SMITHS GROUP ORD GBP0.375	73,527	368	13.99	1,029
Total GENERAL INDUSTRIAL		1,131		2,369
MOBILE TELECOMMUNICATIONS				
INMARSAT ORD EURO0.0005	81,000	289	7.09	574
VODAFONE GROUP ORD USD0.11428571	9,137,187	17,104	2.1595	19,732
Total MOBILE TELECOMMUNICATIONS		17,392		20,306
OIL EQUIPMENT SERVICES & DISTRIBUTION				
AMEC ORD GBP0.50	56,500	178	10.74	607
HUNTING ORD GBP0.25	26,000	110	7.94	206
KENTZ CORP LTD	18,000	69	4.777	86
PETROFAC ORD USD0.025	49,000	147	14.04	688
WOOD GROUP (JOHN) ORD GBP0.03333	67,833	238	8.02	544
Total OIL EQUIPMENT SERVICES & DISTRIBUTION		742		2,131
Total UK EQUITIES		195,443		363,827

Summary of Transactions for the Period**1 April - 30 September 2013**

Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	6,324,432.66	2,961,275.14	3,363,157.52
	<u>6,324,432.66</u>	<u>2,961,275.14</u>	<u>3,363,157.52</u>

UK Equities**Purchases**

No. of Shares	Description	Date	Price £	Cost £
29,552	William Hill	5-Apr	2.45	72,402.40
198	HICL Infrastructure	9-Apr	1.20	236.61
930,243	Glencore Xstrata	1-May	1.49	1,390,445.66
23,000	HICL Infrastructure	14-Jun	1.29	29,739.00
4,000	Royal Bank of Scotland Group	14-Jun	3.14	12,573.97
1,000	Berendsen	14-Jun	7.61	7,605.00
8,000	Fisher James and Sons	14-Jun	9.59	76,680.48
1,000	Rolls-Royce Holdings	14-Jun	11.90	11,900.00
2,000	Phoenix Group Holdings	14-Jun	6.50	13,002.85
4,000	Morgan Advanced Materials	14-Jun	2.70	10,795.88
5,000	Brewin Dolphin Holdings	14-Jun	2.34	11,698.50
42,000	HSBC Holdings	14-Jun	6.89	289,389.12
1,000	Murray International Trust	14-Jun	11.35	11,352.27
2,000	BAE Systems	14-Jun	3.91	7,814.19
1,000	Rathbone Bros	14-Jun	15.47	15,469.35
47,000	Direct Line Insurance Group Ord	14-Jun	2.14	100,567.60
128,000	Barclays Ord	14-Jun	3.00	384,301.49
5,000	Sports Direct International	14-Jun	5.20	26,005.92
36	Personal Assets Trust	14-Jun	346.60	12,477.60
5,000	Ophir Energy	14-Jun	3.64	18,208.82
170,000	Thomas Cook Group	14-Jun	1.18	199,795.26
1,000	Wood John Group	14-Jun	7.96	7,961.74
5,000	Filtrona	14-Jun	6.88	34,413.84
6,000	Ocado Group	14-Jun	3.22	19,302.23
1,000	CRH	14-Jun	13.34	13,339.30
18,000	British Land Reit	14-Jun	6.00	107,960.74
23,000	Glencore Xstrata	14-Jun	3.15	72,384.21
22,000	St.James's Place	14-Jun	5.55	122,128.31
31,000	Dixons Retail	14-Jun	0.42	12,965.09
26,000	888 Holdings	14-Jun	1.50	38,932.24
12,000	NMC Health	14-Jun	3.28	39,338.11
32,000	Schroder Asia Pacific Fund	14-Jun	2.43	77,742.65
6,000	Home Retail Group	14-Jun	1.35	8,120.01
1,000	Close Bros Group	14-Jun	9.45	9,454.90
10,000	Rentokil Initial	14-Jun	0.89	8,923.83
2,000	Bodycote	14-Jun	5.11	10,215.50
3,000	St Modwen Properties Reit	14-Jun	2.86	8,567.23
12,000	Keller Group	14-Jun	9.47	113,621.74
131,249	First Group	25-Jun	0.85	111,561.65
4,000	Arm Holdings	24-Jul	9.19	36,757.12
6,000	BG Group	24-Jul	12.03	72,180.47
1,000	Bank of Georgia Holdings	24-Jul	17.83	17,830.27
23,000	Crest Nicholson Holdings	24-Jul	3.42	78,589.55
3,000	City of London Investment Trust	24-Jul	3.70	11,098.34

UK Equities**Purchases**

No. of Shares	Description	Date	Price £	Cost £
14,000	Countrywide	24-Jul	6.08	85,131.75
16,000	DCC	24-Jul	27.20	435,174.03
46,000	Esure Group	24-Jul	3.09	142,167.46
25,000	Evraz	24-Jul	1.06	26,590.50
7,000	ITV	24-Jul	1.56	10,911.78
7,000	Jupiter Fund Management	24-Jul	3.27	22,870.23
2,000	Keller Group	24-Jul	11.53	23,060.82
21,000	Intu Properties Reit	24-Jul	3.39	71,156.84
90,000	Lloyds Banking Group Ord	24-Jul	0.69	61,728.03
20,000	Moneysupermarket.Com	24-Jul	2.07	41,459.50
12,000	Ophir Energy	24-Jul	3.86	46,333.60
4,000	Perform Group	24-Jul	5.10	20,410.10
3,000	Phoenix Group Holdings	24-Jul	7.29	21,860.54
12,000	RSA Insurance Group	24-Jul	1.27	15,266.42
2,000	SabMiller	24-Jul	32.70	65,398.93
16,000	St.James's Place	24-Jul	5.88	94,003.49
68,000	Thomas Cook Group	24-Jul	1.50	101,824.56
1,000	Ultra Electronics Holdings	24-Jul	18.33	18,332.61
3,000	Unite Group Reit	24-Jul	3.83	11,480.73
14,000	Xaar	24-Jul	8.43	118,018.82
1,613	Petropavlovsk	26-Jul	0.96	1,548.48
603,454	Barclays	30-Sep	1.85	1,116,389.90
33,750	John Laing	30-Sep	1.11	37,462.50

6,324,432.66

Other Transactions

The following Capitalisation / Consolidation issues took place
during the 6 month period 1 April - 30 September 2013

<u>Company</u>	<u>Old Holding</u>	<u>New Holding</u>
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Capitalisation Issues

None this quarter

Consolidation Issues

Hiscox	73,955	65,819
Spirax Sarco	14,500	13,961
Sage	227,500	216,265
Invensys	151,505	121,204
Computacenter	16,000	14,400
Aveva	13,000	12,186
Dignity	10,571	9,813