

Dorset County Pension Fund Committee – 8 September 2014

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 (£581.3M at 30June2014) 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 June 2014, the FTSE All Share index was made up of 637 individual stocks ranging from HSBC Holdings, the largest UK company (market value £113.0 Billion) down to the smallest in the index, New World Resources Plc(market value £28.7Million). Direct investment is made in the largest 350companies, which comprises 97.0% by value of the index. Investment in the smallest companies which make up3.0% 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 There was mixed performance in the UK Equity markets in the three month period to 30 June 2014. The FTSE100 was the best performing UK index rising 2.2% (146 points), whilst the FTSE250 was the worst performing major UK index falling 3.4% (550 points). In comparison, all major world indices rose in the same period with the Hang Seng rising 4.7% (1,040 points), whereas the Cac40 performed the worst, rising only 0.7% (31 points). The Dow Jones rose 2.2% (369 points) over the same period.

4.2 In June, US shares closed at new record highs, helped by strong data on the manufacturing sector. On 20 June 2014, the Dow Jones recorded its highest closing position of 16,947, whilst the broader S&P 500 also closed at a record high of 1962.9.

Three Months to 30 June 2014

Country	Index	31/03/2014	30/06/2014	% Change
UK	FTSE100	6,598.4	6,743.9	2.2
UK	FTSE250	16,273.7	15,723.6	-3.4
UK	FTSE350	3,616.7	3,664.2	1.3
UK	Small Cap	4,473.2	4,442.5	-0.7
UK	All Share	3,555.6	3,600.2	1.3
Japan	Nikkei225	14,827.8	15,162.1	2.3
US	Dow Jones	16,457.7	16,826.6	2.2
Hong Kong	Hang Seng	22,151.1	23,190.7	4.7
France	Cac 40	4,391.5	4,422.8	0.7
Germany	Dax	9,559.9	9,833.1	2.9

- 4.3 In May, it was announced that the UK economy grew by 0.8% in the first three months of 2014, as households spent more and firms lifted investment. Business investment rose 5.0%, contributing 0.4% of the 0.8% expansion in the economy. Household spending, which accounts for nearly two thirds of the UK's expenditure, rose by 0.8%. UK manufacturing was one of the strongest performers in the quarter, with output growing by 1.4%, its strongest quarter for nearly four years. The UK economy has now risen for five consecutive periods of GDP growth, the longest positive run since the financial crisis and is now 0.6% smaller than its 2008 peak.
- 4.4 In May, Eurostat, the EU's statistics office announced that economic growth in the Eurozone increased, rising 0.2%, the same as the previous quarter but weaker than forecast. Annualised growth is now 1%. Germany remains the strongest economy, growing by 0.8%. The French economy stagnated, with the only positive contribution to growth coming from inventories and public spending. The Spanish economy grew by 0.4% but Italy and the Netherlands contracted by 0.1% and 1.4% respectively, while Portugal contracted 0.7% after three quarters of growth, having exited their rescue package in May. Moody's upgraded its outlook for Ireland debt, grading the country as "stable". Their rating was raised two points from Baa3 to Baa1, citing Ireland's improved growth for the reason.
- 4.5 In June, the European Central Bank (ECB) lowered its benchmark interest rate to 0.15% from 0.25% in an effort to stimulate economic growth and avoid deflation in the Eurozone. It has also reduced its deposit rate to -0.1% which means commercial banks will have to pay to invest their money with the central bank, rather than receive interest. The ECB also announced a €400 billion loans package to the region's banks as long as the cash goes to companies outside the financial sector. The idea was to incentivise the banks to lend to businesses, thereby stimulating growth. Equity markets rose on this announcement. Inflation in the Eurozone is 0.5%, significantly below the ECB's 2% target.
- 4.6 In June, credit rating agency, Standard & Poor's (S&P) upgraded the UK's credit outlook to "stable" from "negative" and kept its AAA rating. The reason for this was their forecast for improving economic growth. S&P forecast that economic growth would be around 3% this year and 2.5% in 2015 as business investment and private consumption lead the recovery. Fitch left its sovereign rating for the UK at AA+, giving it a "stable" outlook due to the economic recovery. S&P is the only major agency to leave the UK sovereign debt rating at AAA and the stable outlook means the agency only regards the possibility of a downgrade in the next two years at less

than a one in three chance.

- 4.7 In June, the rate of UK inflation rose to 1.9% up from 1.5% in May. The rise was due to higher clothing, footwear, food and non-alcoholic drink prices. Air fares and furniture prices also pushed up the inflation rate. The rate is now close to the Bank of England's 2% target. It has remained below the target for seven consecutive months.

5 Performance

5.1 Internally managed passive portfolio

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 %
30/06/14	2.44	2.30
Total	<u>2.44</u>	<u>2.30</u>

Notes:

- The Dorset Fund has outperformed the benchmark over the three month period to 30June 2014 but within the allowed tolerances.

5.2

THREE MONTHS TO 30 JUNE 2014

Manager	Market Values		Performance %	Benchmark %	Benchmark Description
	31/03/2014 £M	30/06/2014 £M			
Internal	365.6	370.4	2.44	2.30	FTSE 350
AXA Framlington	102.9	100.8	-2.00	2.24	All-Share
Standard Life	78.8	77.0	-2.15	2.24	All-Share
Schroders	33.3	33.1	-0.35	-1.61	Small Cap
Total	<u>580.6</u>	<u>581.3</u>	<u>0.86</u>	<u>2.15</u>	

The figures for the whole UK equity portfolio show:

- The combined portfolio has underperformed its benchmark over the three month period by 1.29%
- Schroders outperformed their benchmark by 1.26% whilst Standard Life and AXA Framlington underperformed their benchmark by 4.39% and 4.24% respectively in the three month period to 30 June 2014.

THREE AND FIVE YEAR ANNUALISED PERFORMANCE

Manager	Three Years		Five Years	
	Performance	Benchmark	Performance	Benchmark
	%	%	%	%
Internal	8.98	8.81	14.40	14.41
AXA Framlington	11.43	8.92	18.49	14.49
Standard Life	10.44	8.92	15.45	14.49
Schroders	14.80	17.58	23.51	20.17

5.3 Each external manager's commentary is summarised below:

Schroders

1st Quarter 2014/15

Performance and Market Summary

During the quarter, the Fund returned -0.4% against the Small Cap benchmark of -1.6%. Over the twelve month period the Fund returned 22.1% against its benchmark of 25.3%. The second quarter produced a negative return for both the fund and the benchmark. The change in sentiment towards small companies can be attributed to a number of factors, the increase in corporate activity in the FTSE100 with the bids for AstraZeneca and Shire, the indication from Mark Carney that interest rates may well go up sooner than the market expected and the large number of new issues. Despite these factors those companies that reported numbers continued to produce strong earnings and dividend growth. Trifast was the major contributor to performance as the company continued to achieve growth ahead of market expectations. Lamprell announced some large new orders and a refinancing while Cohort reported excellent results and Games Workshop returned to the dividend list. Dart Group announced that sales and profits would be flat this year due to an increase in capacity which had not sold as quickly as possible. Ted Baker was sold after a very strong performance. Charles Stanley and Carclo were sold after reporting that they would have to take a write off for costs overruns and lack of orders in one division respectively. In terms of stocks not owned the main detractors were Caracal Energy and Wolfson Microelectronics who both received cash bids.

Activity

During the quarter advantage was taken of the most attractively priced new issues to buy positions in Polypipe which is a beneficiary of the recovering construction market and Game Digital which returned out of administration with a much lower cost base. New holdings were also started in Hill & Smith and James Latham both of who are going to benefit from increased infrastructure spending. The position in Tungsten was sold following a management change and took profits on a number of the existing holdings.

Outlook and Strategy

The focus remains on investing in companies with strong balance sheets, sensible management, clear business models, identifiable barriers to entry, prudent accounts and where possible, pricing power. This approach has generated long term value but underperforms when highly indebted recovery plays are the trend.

Standard Life

1st Quarter 2014/15

Performance

During the quarter, the Fund returned -1.8% against the FTSE All Share Index return of 2.2%. Over the year to 30 June 2014, the Fund returned 15.4% against the index

return of 13.1%. BP was a notable contributor with its first year on year growth since the Macondo crisis in 2010. Mining firm Glencore performed well as robust volume growth and cost savings compensated for an arguably less favourable commodity mix. Insurer Aviva helped performance following positive results, while management suggested there is more to come in terms of restructuring. Negatives to performance included the underweight position in Shire after a takeover approach from Abbvie increased share value. International Consolidated Airlines affected performance due to concerns about rising industry capacity and the potential effect on yields, a view compounded by weak results from peers. Trinity Mirror shares responded negatively to ongoing news regarding the UK phone hacking case, despite the fact that circulation volume and revenue pressure is being countered with cover price increases.

Activity

The Fund was active in the housebuilding and property sectors, buying shares in Bellway, Bovis and Savills. The holding in Dixons was increased after the shares struggled to maintain the momentum that the business delivered into the new year. This offered a good entry point into an economically sensitive self-help opportunity. The Fund bought shares in First Quantum whose management has a track record of achieving lower capital intensity than other miners, while the acquisition of Cobre Panama improved the balance sheet efficiency. Sales activity included disposals of FirstGroup and Stagecoach. Shares in the former improved strongly based on the based on the impact of the new chairman as financial targets look optimistic. Stagecoach has performed similarly but with a reasonably full valuation and potential reached the concern is that bus and, in particular, rail could be the next sectors to come under political attack to the “cost of living crisis”.

Outlook and Strategy

Due to geopolitical issues, the market is likely to revert to scrutinising individual companies' earnings and dividend fundamentals. Conditions are likely to be benign for bottom-up stock pickers, an environment which should reward investors with enhanced total returns in the medium to long term. The quarter saw significant rotation away from previous market trends, as many of the stocks that had performed well suffered a rapid de-rating. However, economic data during the quarter were broadly positive globally. Corporate balance sheets remain strong and corporate confidence appears to be gently rising as witnessed by increasing investment levels and merger and acquisition activity which is supportive for equity markets.

AXA Framlington

1st Quarter 2014/15

Performance

During the quarter, the Fund returned -1.9% against the FTSE All Share Index return of 2.2%. For the year to date the Fund returned 14.3% against its benchmark of 13.1%. Positives to performance included Shire, which was the best performing stock as it received a bid approach from US company Abbvie; being underweight in Vodafone and not owning Barclays. Healthcare and pharmaceuticals were the best performing sectors. Negatives to performance were Xaar, which was the biggest loss, as pricing issues in China led to a profit warning, and being overweight in industrials and consumer services (media and retailers). Growth stock, especially in the FTSE250, derated and fell in the quarter which was another negative to performance.

Activity

Holdings in the oil and gas sector, due to geopolitical influences, were added to including Royal Dutch Shell B, Ithaca and BP. Holdings in the discount retail sector were increased with further purchases of Poundland and B&M Stores. Holdings were sold in WPP, Meggitt, Wolseley and Vodafone. Profits were taken in Next and Travis

Perkins, whilst B SkyB was sold on news of their pan European merger plan.

Outlook and Strategy

The Scottish Independence Referendum and the UK General Election in 2015 will create uncertainty in the second half of 2014 as does the timing of any interest rate rise. Merger and acquisition activity will continue to increase.

6 Review of Activity

6.1 There has been three significant corporate action in the three month period to 30 June 2014.

- In May, Foreign and Colonial Asset Management was acquired by BMO Global Asset Management for £0.1M.
- In May, AZ Electronic Materials was involved in a Scheme of Arrangement by Merck KGaA for £0.3M.
- In June, Heritage Oil Plc was involved in a Scheme of Arrangement by Energy Investments Global Ltd for £0.1M.

6.2 The portfolio was rebalanced once in the three month period to June 2014. In May, the total value of purchases and sales were £4.4M with a net purchase of £0.6M. There were 26 purchases (£2.5M) and 64 sales (£1.9M).

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 June 2014 is £28,968. Net income for UK stock lending was £36,240 over the same period, giving a total of £65,208. This compares to the period to 30 June 2013 where overseas stock lending was £35,863 and the UK stock lending figure was £36,330, giving a total of £72,193.

Nick Buckland
Chief Treasury and Pensions Manager
August 2014

If you have any queries on this report please contact Nick Buckland, Chief Treasury and Pensions Manager on 01305 224763 or email n.j.buckland@dorsetcc.gov.uk

DORSET COUNTY PENSION FUND

VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 30 JUNE 2014

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
UK EQUITIES				
MINING				
AFRICAN BARRICK GOLD LTD	28,000	133	2.05	57
ANGLO AMERICAN ORD USD0.54	241,090	2,614	14.30	3,448
ANTOFAGASTA ORD GBP0.05	66,500	103	7.63	507
BHP BILLITON ORD USD0.50	390,026	1,646	18.90	7,370
CENTAMIN EGYPT LTD	193,000	328	0.64	123
FRESNILLO	31,000	44	8.72	270
GLENCORE XSTRATA	1,776,243	4,476	3.26	5,782
KAZAKHMYS ORD GBP0.20	49,584	336	3.04	151
LONMIN ORD USD1.00	80,027	305	2.37	190
PETRA DIAMONDS	75,000	111	1.88	141
POLYMETAL INT'L	37,000	416	5.78	214
RANDGOLD RESOURCES ORD USD0.05	16,950	332	48.73	826
RIO TINTO ORD GBP0.10 (REG)	230,050	2,157	31.09	7,151
VEDANTA RESOURCES ORD USD0.10	18,500	74	11.09	205
Total MINING		13,075		26,434
OIL & GAS PRODUCERS				
AFREN PLC	201,000	200	1.45	291
BG GROUP ORD GBP0.10	628,475	1,742	12.35	7,762
BP ORD USD0.25	3,407,500	10,987	5.15	17,545
CAIRN ENERGY ORD GBP0.06153846153	108,207	217	2.00	216
ENQUEST PLC	135,000	197	1.41	190
OPHIR ENERGY	95,400	434	2.20	210
PREMIER OIL ORD GBP0.50	99,348	137	3.34	332
ROYAL DUTCH 'B' ORD EUR0.07	1,129,795	15,107	25.43	28,725
SOCO INTL ORD GBP0.20	41,000	96	4.12	169
TULLOW OIL ORD GBP 0.10	167,500	729	8.53	1,429
Total OIL & GAS PRODUCERS		29,846		56,870
CHEMICALS				
CRODA INTL ORD GBP0.10	25,000	89	22.01	550
ELEMENTIS	85,000	97	2.60	221
JOHNSON MATTHEY ORD GBP1.00	37,820	258	31.00	1,172
SYNTHOMER	50,665	94	2.32	118
VICTREX ORD GBP0.01	15,000	69	17.00	255
Total CHEMICALS		607		2,316
CONSTRUCTION & MATERIALS				
BALFOUR BEATTY ORD GBP0.50	128,020	317	2.34	299
CRH PLC	134,000	1,694	15.00	2,010
GALLIFORD TRY ORD GBP0.05	15,000	88	11.42	171
KELLER GROUP ORD GBP0.10	13,000	127	9.21	120

Description	Holding	Book Cost	Market Price	Market Value
KIER GROUP ORD GBP0.01	10,000	170	17.72	177
Total CONSTRUCTION & MATERIALS		2,395		2,777
FORESTRY & PAPER				
MONDI PLC EUR0.20	68,250	126	10.62	725
Total FORESTRY & PAPER		126		725
AEROSPACE & DEFENCE				
BAE SYSTEMS ORD GBP0.025	590,616	1,024	4.33	2,556
COBHAM ORD GBP0.25	202,000	136	3.12	631
MEGGITT ORD GBP0.05	147,187	338	5.06	745
QINETIQ ORD GBP0.01	119,000	205	2.07	246
ROLLS ROYCE ORD GBP0.20	345,978	920	10.69	3,699
SENIOR	76,000	95	2.83	215
ULTRA ELECTRONICS ORD GBP0.05	12,500	81	18.64	233
Total AEROSPACE & DEFENCE		2,799		8,324
ELECTRONIC & ELECTRICAL EQUIPMENT				
DOMINO PRINTING SCIENCES	21,000	67	6.00	126
HALMA ORD GBP0.10	71,017	70	5.89	418
HELLERMANNTYTON GROUP	38,000	117	3.11	118
LAIRD GROUP ORD GBP0.28125	47,000	54	2.84	133
MORGAN ADVANCE MATERIALS	53,000	106	3.24	172
OXFORD INSTRUMENTS	10,000	128	13.00	130
RENISHAW ORD GBP0.20	7,000	46	16.46	115
SPECTRIS ORD GBP0.05	22,000	112	22.18	488
XAAR ORD	14,000	118	5.21	73
Total ELECTRONIC & ELECTRICAL EQUIPMENT		818		1,774
INDUSTRIAL ENGINEERING				
BODYCOTE INT ORD GBP 0.10	36,252	152	6.88	249
FENNER	34,000	70	3.58	122
IMI ORD GBP0.25	50,968	129	14.86	757
MELROSE INDUSTRIES	198,565	327	2.60	517
ROTORK ORD GBP0.05	16,000	82	26.68	427
SPIRAX-SARCO ORD GBP0.25	13,961	81	27.33	382
WEIR GROUP ORD GBP0.125	39,250	130	26.19	1,028
Total INDUSTRIAL ENGINEERING		971		3,481
AUTOMOBILES & PARTS				
GKN ORD GBP0.50	303,044	261	3.63	1,099
Total AUTOMOBILES & PARTS		261		1,099
HOUSEHOLD GOODS & HOME CONSTRUCTION				
BARRATT DEVEL ORD GBP0.10	179,634	355	3.74	671
BELLWAY ORD GBP0.125	22,000	112	15.64	344
BERKELEY GP UNITS	23,580	106	24.18	570
BOVIS HOMES GROUP ORD GBP0.50	25,000	105	7.91	198
CREST NICHOLSON ORD GBP0.10	40,000	137	3.45	138
PERSIMMON ORD GBP0.10	55,645	262	12.72	708
RECKITT BENCKISER ORD GBP0.10	119,050	1,152	51.00	6,072
REDROW ORD GBP0.10	40,928	63	2.72	111

Description	Holding	Book Cost	Market Price	Market Value
TAYLOR WIMPEY ORD GBP0.25	600,000	258	1.14	684
Total HOUSEHOLD GOODS & HOME CONSTRUCTION		2,551		9,495
BEVERAGES				
BARR (A G)	16,000	36	6.36	102
BRITVIC ORD GBP0.20	43,000	115	7.28	313
COCA-COLA HBC AG-CDI	37,000	644	13.42	497
DIAGEO PLC ORD GBP0.28935	464,677	2,671	18.66	8,669
SABMILLER ORD USD 0.10	174,500	1,230	33.88	5,911
Total BEVERAGES		4,696		15,491
FOOD PRODUCERS				
ASSD BRITISH FOODS ORD GBP0.0568	64,460	194	30.48	1,965
CRANWICK	9,000	63	12.65	114
DAIRY CREST ORD GBP0.25	24,500	88	4.71	115
GREENCORE GROUP	75,000	119	2.65	199
TATE & LYLE ORD GBP0.25	86,400	241	6.85	591
UNILEVER ORD GBP0.031111	222,728	1,027	26.50	5,902
Total FOOD PRODUCERS		1,732		8,887
HEALTH CARE EQUIPMENT & SERVICES				
AL NOOR HOSPITALS GROUP	8,000	66	10.16	81
NMC HEALTH PLC	12,000	39	5.00	60
SMITH & NEPHEW ORD USD0.2	165,272	295	10.38	1,716
SYNERGY HEALTH	10,000	40	14.10	141
Total HEALTH CARE EQUIPMENT & SERVICES		440		1,998
PERSONAL GOODS				
BURBERRY GROUP ORD GBP0.0005	82,372	155	14.82	1,221
PZ CUSSONS ORD GBP0.01	56,970	87	3.46	197
SUPERGROUP PLC	6,000	38	10.56	63
TED BAKER PLC	5,000	45	18.11	91
Total PERSONAL GOODS		326		1,572
PHARMACEUTICALS & BIOTECHNOLOGY				
ASTRAZENECA ORD USD0.25	230,000	3,732	43.40	9,982
BTG	67,000	163	6.33	424
DECHRA PHARMACEUTICALS	16,000	79	7.22	115
GENUS	11,000	86	11.38	125
GLAXOSMITHKLINE ORD GBP0.25	898,088	4,254	15.64	14,042
HIKMA PHARMA ORD GBP0.10	25,000	98	16.78	420
SHIRE ORD GBP0.05	108,500	1,164	45.70	4,958
Total PHARMACEUTICALS & BIOTECHNOLOGY		9,575		30,066
TOBACCO				
BRITISH AMERICAN TOBACCO ORD GBP0.25	349,000	3,287	34.78	12,138
IMPERIAL TOBACCO ORD GBP0.10	178,262	1,693	26.29	4,687
Total TOBACCO		4,980		16,825
GENERAL RETAILERS				

Description	Holding	Book Cost	Market Price	Market Value
BROWN (N) GROUP ORD GBP0.1105263157	28,761	26	4.22	121
CARPHONE WAREHOUSE ORD GBP0.001	68,000	188	3.23	219
DEBENHAMS ORD GBP0.01	231,000	299	0.68	158
DIGNITY	9,813	93	13.64	134
DSG INTERNATIONAL ORD GBP0.025	680,345	380	0.50	339
DUNELM GROUP	17,000	34	8.34	142
HALFORDS GRP ORD GBP0.01	37,000	110	4.73	175
HOME RETAIL GROUP ORD GBP0.10	153,870	122	1.77	272
INCHCAPE ORD GBP0.25	84,300	163	6.33	534
JD SPORTS FASHION PLC	12,000	48	4.00	48
KINGFISHER ORD GBP0.157142857	437,078	825	3.59	1,569
MARKS AND SPENCER GROUP ORD GBP0.25	300,600	476	4.25	1,278
NEXT ORD GBP0.10	27,500	102	64.70	1,779
SMITH WH ORD GBP0.20	21,447	54	10.70	229
SPORTS DIRECT INT'L ORD GBP0.10	39,000	93	7.06	275
Total GENERAL RETAILERS		3,012		7,273
INDUSTRIAL METALS				
ALENT	41,281	140	3.66	151
EVRAZ PLC	94,000	321	0.88	83
FERREXPO	29,000	111	1.31	38
VESUVIUS	50,281	170	4.58	230
Total INDUSTRIAL METALS		742		502
TRAVEL & LEISURE				
888 HOLDINGS	26,000	39	1.19	31
BETFAIR GROUP	17,000	130	10.21	174
BWIN ENTERTAINMENT ORD GBP0.000015	131,900	358	0.96	126
CARNIVAL ORD USD1.66	33,865	416	22.08	748
COMPASS GROUP ORD GBP0.10	331,388	777	10.80	3,577
DOMINO'S PIZZA UK& IRL	25,000	75	5.23	131
EASYJET ORD GBP0.25	46,257	194	13.65	631
ENTERPRISE INNS ORD GBP0.025	95,000	100	1.26	120
FIRSTGROUP ORD GBP0.05	218,749	373	1.27	277
GO AHEAD GROUP ORD GBP0.10	8,000	74	23.68	189
GREENE KING ORD GBP0.125	40,799	138	8.44	344
INT'L CONSOLIDATED AIR	377,250	958	3.71	1,398
INTERCONTINENTAL HOTELS ORD GBP0.13617	47,819	103	26.22	1,254
LADBROKES ORD GBP0.28333	169,805	642	1.40	238
MARSTONS ORD GBP0.07375	107,154	108	1.45	155
MERLIN ENTERTAINMENT	62,000	227	3.57	221
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.3	27,910	108	5.81	162
MITCHELLS & BUTLER ORD GBP0.085416	43,430	132	3.90	169
NATIONAL EXPRESS ORD GBP0.05	79,666	202	2.62	208
RANK GROUP ORD GBP0.13888	19,215	46	1.67	32
RESTAURANT ORD GBP0.28125	36,000	42	6.00	216
STAGECOACH GROUP ORD GBP0.009824	80,395	72	3.76	302
THOMAS COOK ORD EUR0.10	266,000	343	1.34	355
TUI TRAVEL ORD GBP0.10	94,500	139	3.98	376
WETHERSPOON (JD) ORD GBP0.02	16,500	43	7.91	130
WHITBREAD ORD GBP0.76797385	33,285	177	44.01	1,465
WILLIAM HILL ORD GBP0.10	160,552	288	3.28	526

Description	Holding	Book Cost	Market Price	Market Value
Total TRAVEL & LEISURE		6,303		13,557
MEDIA				
BRITISH SKY BROADCASTING ORD GBP0.50	177,500	801	9.04	1,605
ENTERTAINMENT ONE LTD	36,000	81	3.10	112
EUROMONEY INST INVESTOR ORD GBP0.0025	7,000	47	11.00	77
INFORMA ORD GBP0.001	110,948	270	4.79	531
ITE GROUP ORD GBP0.01	44,000	70	2.37	104
ITV ORD GBP0.10	694,146	768	1.78	1,237
MONEYSUPERMARKET.COM	80,000	111	1.87	150
PEARSON ORD GBP0.25	151,027	865	11.53	1,741
PERFORM GROUP	17,000	70	2.31	39
REED ELSEVIER ORD GBP0.1444	216,670	651	9.40	2,037
RIGHTMOVE ORD GBP0.001	17,615	54	21.43	377
UBM ORD GBP0.338068	45,437	405	6.66	302
WPP GROUP ORD GBP0.10	248,966	1,154	12.74	3,172
Total MEDIA		5,350		11,484
SUPPORT SERVICES				
AGGREKO ORD GBP0.20	44,765	102	16.50	739
ASHTHEAD GROUP ORD GBP0.10	94,000	142	8.75	822
ATKINS WS ORD GBP0.005	19,000	73	13.19	251
BABCOCK INTL GRP ORD GBP0.60	91,979	335	11.62	1,069
BERENDSEN PLC	31,957	90	9.79	313
BUNZL ORD GBP0.32142857	61,720	172	16.21	1,000
CAPITA GROUP ORD NVP	121,902	342	11.44	1,395
CARILLION ORD GBP0.50	80,699	150	3.31	267
CONNAUGHT	22,000	90	0.00	0
DCC ORD	15,500	422	35.81	555
DE LA RUE ORD GBP	17,998	144	8.09	146
DIPLOMA PLC	22,000	104	6.40	141
ELECTROCOMPONENTS ORD GBP0.10	79,000	94	2.63	208
ESSENTRA	43,749	80	7.63	334
EXPERIAN ORD USD0.10	186,870	449	9.88	1,846
G4S ORD GBP0.25	288,213	549	2.55	736
GRAFTON GROUP	39,000	250	5.80	226
HAYS ORD GBP0.01	262,500	125	1.46	383
HOMESERVE ORD GBP0.125	51,000	80	3.22	164
HOWDEN JOINERY GROUP	116,000	96	3.10	359
INTERSERVE ORD GBP0.10	26,000	91	6.00	156
INTERTEK GROUP ORD GBP0.01	29,850	187	27.48	820
MICHAEL PAGE INTL ORD GBP0.01	55,000	97	4.31	237
MITIE GROUP ORD GBP0.025	67,500	128	3.19	215
NORTHGATE ORD GBP0.05	24,000	126	5.24	126
PAYPOINT	12,000	87	10.99	132
PREMIER FARNELL ORD GBP0.05	66,657	201	2.04	136
REGUS ORD GBP0.05	119,000	100	1.81	216
RENTOKIL INITIAL ORD GBP0.01	340,624	274	1.11	378
RPS GROUP ORD GBP0.03	41,000	98	2.78	114
SERCO ORD GBP0.02	93,000	193	3.65	340
SIG ORD GBP0.10	106,285	169	1.88	199
TRAVIS PERKINS ORD GBP0.10	45,672	180	16.38	748

Description	Holding	Book Cost	Market Price	Market Value
WOLSELEY ORD GBP0.25	48,813	715	32.03	1,563
Total SUPPORT SERVICES		6,533		16,332
INDUSTRIAL TRANSPORT				
BBA AVIATION ORD GBP0.2976	89,200	159	3.09	276
FISHER (JAMES) & SONS	8,000	77	14.06	112
ROYAL MAIL	115,000	696	4.99	574
Total INDUSTRIAL TRANSPORT		932		962
FOOD & DRUG RETAILERS				
BOOKER GROUP	266,000	109	1.30	345
MORRISON (WM) ORD GBP0.10	402,283	470	1.83	738
OCADO GROUP PLC	80,000	126	3.71	297
SAINSBURY (J) ORD GBP0.28571428	259,000	782	3.15	817
TESCO ORD GBP0.05	1,483,212	2,221	2.84	4,215
UDG HEALTHCARE	45,000	126	3.42	154
Total FOOD & DRUG RETAILERS		3,835		6,565
FIXED LINE TELECOMMUNICATION				
BT GROUP ORD GBP0.05	1,453,398	2,764	3.85	5,594
CABLE & WIRELESS COMMU	459,000	556	0.49	226
COLT TELECOM ORD EUR1.25	58,757	435	1.38	81
KCOM GROUP	96,000	76	0.92	88
TALKTALK TELECOM	97,000	133	3.25	316
TELECOM PLUS	11,284	99	13.31	150
Total FIXED LINE TELECOMMUNICATION		4,063		6,455
ELECTRICITY				
DRAX GROUP ORD GBP0.1155172	74,744	556	6.40	478
SSE PLC ORD GBP0.50	176,940	966	15.67	2,773
Total ELECTRICITY		1,522		3,251
GAS WATER & MULTIUTILITIES				
CENTRICA ORD GBP0.061728395	939,474	1,507	3.13	2,936
INFINIS ENERGY	17,000	35	2.29	39
NATIONAL GRID ORD GBP0.11395	689,086	2,841	8.40	5,788
PENNON ORD GBP0.407	68,279	143	7.85	536
SEVERN TRENT ORD GBP0.9789	43,509	213	19.32	841
UNITED UTILITIES ORD GBP1.00	126,439	452	8.82	1,115
Total GAS WATER & MULTIUTILITIES		5,191		11,255
BANKS				
BANK OF GEORGIA HLDGS	5,000	65	23.40	117
BARCLAYS ORD GBP0.25	2,968,270	6,202	2.13	6,314
HSBC HLDGS ORD USD 0.50	3,521,447	15,034	5.93	20,879
LLOYDS TSB GROUP ORD GBP0.25	9,980,923	9,255	0.74	7,411
ROYAL BANK OF SCOTLAND	387,772	5,952	3.28	1,273
STANDARD CHARTERED ORD USD0.50	365,311	2,862	11.94	4,362
Total BANKS		39,370		40,355
NON LIFE INSURANCE				

Description	Holding	Book Cost	Market Price	Market Value
ADMIRAL GRP ORD GBP0.001	36,000	186	15.49	558
AMLIN ORD GBP0.28125	92,289	151	4.68	432
BEAZLEY GROUP ORD GBP0.05	97,421	109	2.53	246
CATLIN GROUP USD0.01	62,331	243	5.35	333
DIRECT LINE INSURANCE GRP	277,000	623	2.70	747
ESURE GROUP	46,000	142	2.66	122
HISCOX ORD GBP0.05	58,579	148	7.07	414
JARDINE LLOYD THOMPSON ORD GBP0.05	23,000	55	10.40	239
LANCASHIRE HOLDINGS LTD	34,000	189	6.53	222
RSA INSURANCE	185,216	1,174	4.75	879
Total NON LIFE INSURANCE		3,020		4,194
LIFE INSURANCE				
AVIVA ORD GBP0.25	543,432	3,510	5.10	2,772
JUST RETIREMENT GROUP	33,000	49	1.46	48
LEGAL & GENERAL GP ORD GBP0.025	1,082,334	477	2.25	2,438
OLD	902,435	1,283	1.98	1,784
PARTNERSHIP ASSURANCE GROUP	27,000	108	1.29	35
PHOENIX GROUP HOLDINGS	38,479	256	6.49	250
PRUDENTIAL CORP ORD GBP0.05	471,136	1,210	13.41	6,318
RESOLUTION ORD GBP0.05	252,210	713	3.15	795
ST JAMES PLACE ORD GBP0.15	94,000	469	7.62	716
STANDARD LIFE ORD GBP0.10	434,106	1,122	3.74	1,624
Total LIFE INSURANCE		9,200		16,779
EQUITY INVESTMENT INSTRUMENTS				
3I INFRASTRUCTURE LTD	111,000	127	1.36	151
ABERFORTH SMALLER COS TRUST ORD GBP	18,000	57	10.46	188
ALLIANCE TRUST ORD GBP0.25	105,735	167	4.46	471
BANKERS I.T. ORD GBP0.25	21,500	38	5.61	121
BH GLOBAL LTD	6,500	61	11.96	78
BH MACRO LTD	12,500	204	19.59	245
BLACKROCK WORLD MINING TRST	32,500	85	4.62	150
BLUECREST ALLBLUE FUND LTD	83,000	123	1.83	152
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.10	29,000	57	4.97	144
CALEDONIA INVESTMENT ORD GBP0.05	6,000	36	22.15	133
CITY OF LONDON TRUST ORD GBP0.25	50,600	89	3.81	193
EDINBURGH I.T. ORD GBP0.25	37,100	66	6.04	224
ELECTRA PRIVATE EQUITY GBP0.25	6,500	19	26.82	174
F & C INVEST TRUST ORD GBP0.25	108,000	81	3.77	407
FIDELITY CHINA SPECIAL	111,868	130	1.03	115
FIDELITY EUROPEAN VALUES ORD GBP0.25	80,000	41	1.57	126
GENESIS EMERGING MARKETS	24,000	108	5.41	130
HERALD INVESTMENT TRUST	14,000	63	6.50	91
HICL INFRASTRUCTURE CO	221,725	257	1.40	310
INTERNATIONAL PUB PTR	141,345	147	1.33	188
JOHN LAING INFRASTRUCTURE	118,125	129	1.17	138
JPMORGAN AMERICAN IT	90,000	170	2.47	222
JPMORGAN EMERGING MKTS	23,000	106	5.55	128
LAW DEBENTURE CORP	22,000	65	5.19	114
MERCANTILE TRUST	18,700	30	14.55	272
MERCHANTS TRUST ORD GBP0.25	19,000	80	5.03	95

Description	Holding	Book Cost	Market Price	Market Value
MONKS INVESTMENT ORD GBP0.05	44,500	38	3.86	172
MURRAY INCOME ORD GBP0.25	12,500	67	7.74	97
MURRAY INTERNATIONAL ORD GBP0.25	22,800	112	10.66	243
NB GLOBAL FLOATING RATE	230,000	232	0.99	227
PERPETUAL INCOME & GRTH ORD GBP0.10	41,000	84	3.80	156
PERSONAL ASSETS TRUST	286	100	333.50	95
POLAR CAPITAL TECHNOLOGY TR	23,000	53	4.74	109
RIT CAPITAL PARTNERS ORD GBP1.00	23,479	51	13.12	308
RIVERSTONE ENERGY LTD	5,000	46	9.21	46
SCOTTISH I.T ORD GBP0.25	22,100	36	5.84	129
SCOTTISH MORTGAGE ORD GBP0.25	234,000	77	2.10	491
TEMPLE BAR IT ORD GBP0.25	12,000	85	12.41	149
TEMPLETON EMERGING MARKETS I.T. ORD GBP0.	60,000	91	5.61	336
TR PROPERTY INVESTMENT TRUST ORD GBP0.25	58,500	41	2.57	150
WITAN IT ORD GBP0.25	36,100	52	7.05	255
WORLDWIDE HEALTH	9,000	86	13.03	117
Total EQUITY INVESTMENT INSTRUMENTS		3,783		7,839
REAL ESTATE INVESTMENT & SERVICES				
CAPITAL & COUNTIES PROPERTIES	123,333	195	3.26	402
COUNTRYWIDE PLC ORD GBP0.05	28,000	168	5.14	144
DAEJAN HOLDINGS ORD GBP0.25	1,000	42	47.60	48
FOXTONS GROUP	35,000	126	3.00	105
GRAINGER TRUST ORD0.05	77,000	112	2.10	162
HANSTEEN HOLDINGS	114,000	99	1.03	117
LONDON & STAMFORD PROPERTY	110,000	138	1.35	149
SAVILLS ORD 2.5GBP	24,000	84	6.28	151
ST. MODWEN PROPERTIES ORD GBP0.10	31,000	78	3.59	111
UNITE GROUP ORD GBP0.25	36,142	113	3.94	142
Total REAL ESTATE INVESTMENT & SERVICES		1,155		1,530
REAL ESTATE INVESTMENT TRUSTS				
BIG YELLOW GROUP ORD GBP0.10	23,000	110	4.96	114
BRITISH LAND ORD GBP0.25	185,000	726	7.03	1,300
CAPITAL SHOPPING CENTRES	160,333	619	3.12	500
DERWENT LONDON ORD GBP0.05	17,096	181	26.77	458
F & C COMMERCIAL PROPERTY TRUST	91,000	95	1.20	109
GREAT PORTLAND ESTATE ORD GBP0.125	63,172	162	6.44	407
HAMMERSON ORD GBP0.25	130,847	397	5.80	759
LAND SECURITIES GROUP ORD GBP0.10	145,276	636	10.36	1,505
SEGRO REIT	139,052	405	3.45	480
SHAFTESBURY ORD GBP0.25	46,666	147	6.56	306
UK COMMERCIAL PROPERTY ORD GBP0.25	77,000	64	0.82	63
WORKSPACE GROUP - ORD GBP0.10	20,000	69	5.70	114
Total REAL ESTATE INVESTMENT TRUSTS		3,612		6,113
TECHNOLOGY HARDWARE & EQUIPMENT				
ARM HOLDINGS ORD GBP0.05	258,500	414	8.81	2,277
CSR ORD GBP0.0001	31,500	124	5.92	186
IMAGINATION TECH GROUP PLC	37,000	89	2.11	78
PACE PLC	58,000	134	3.55	206
SPIRENT ORD GBP0.0333	113,000	35	0.95	107

Description	Holding	Book Cost	Market Price	Market Value
Total TECHNOLOGY HARDWARE & EQUIPMENT		795		2,855
SOFTWARE & COMPUTER SERVICES				
AVEVA GROUP ORD GBP0.0333	11,686	123	20.36	238
COMPUTACENTER PLC ORD GBP0.05	14,400	50	5.99	86
FIDESSA GROUP	7,000	50	21.96	154
MICRO FOCUS INT'L ORD GBP0.10	26,584	95	8.67	230
PLAYTECH ORD	35,000	183	6.16	216
SAGE GROUP ORD GBP0.01	203,263	203	3.84	781
TELECITY GROUP	38,000	157	7.54	286
Total SOFTWARE & COMPUTER SERVICES		860		1,991
FINANCIAL SERVICES				
3I GROUP ORD GBP0.738636	177,781	435	4.02	715
ABERDEEN ASSET MGT ORDGBP0.10	176,000	232	4.54	799
ASHMORE GROUP ORD GBP0.0001	73,000	196	3.70	270
BREWIN DOLPHIN HLDGS	46,000	71	3.10	142
CLOSE BROTHERS GROUP ORD GBP0.25	27,500	117	12.77	351
HARGRAVES LANSDOWN	41,000	127	12.38	508
HENDERSON GRP ORD GBP0.125	192,518	116	2.41	464
ICAP ORD GBP0.10	101,000	259	3.80	384
IG GROUP ORD GBP0.05	68,000	140	5.87	399
INTERMEDIATE CAPITAL GRP ORD GBP0.20	75,181	238	3.90	293
INTL PERSONAL FINANCE ORD GBP0.10	45,236	55	5.87	265
INVESTEC ORD GBP0.0002	92,500	245	5.39	499
IP GROUP PLC	83,620	128	1.99	166
JUPITER FUND MANAGEMENT	77,000	226	3.99	308
LONDON STOCK EXCHANGE ORD GBP0.069186	32,942	183	20.05	660
MAN GROUP ORD USD0.0342857	307,375	448	1.05	323
PARAGON GRP OF COMPANIES ORD GBP1	57,000	103	3.52	200
PROVIDENT FINANCIAL ORD GBP0.2072722	25,618	119	22.83	585
RATHBONE BROTHERS ORD GBP0.05	8,000	76	19.80	158
SCHRODERS ORD GBP1.00	20,999	52	25.05	526
SVG CAPITAL ORD GBP1.00	41,000	111	4.17	171
TULLETT PREBON ORD GBP0.25	39,500	111	2.64	104
Total FINANCIAL SERVICES		3,788		8,291
GENERAL INDUSTRIAL				
REXAM ORD GBP0.64285714	129,632	446	5.35	693
RPC GROUP	31,000	113	6.27	194
SMITH (DS) ORD GBP0.10	172,475	209	2.77	477
SMITHS GROUP ORD GBP0.375	72,527	363	12.96	940
Total GENERAL INDUSTRIAL		1,132		2,305
MOBILE TELECOMMUNICATIONS				
INMARSAT ORD EURO0.0005	79,000	281	7.48	591
VODAFONE GROUP ORD USD0.11428571	4,905,281	9,182	1.95	9,563
Total MOBILE TELECOMMUNICATIONS		9,463		10,153
OIL EQUIPMENT SERVICES & DISTRIBUTION				
AMEC ORD GBP0.50	55,500	175	12.14	674

Description	Holding	Book Cost	Market Price	Market Value
HUNTING ORD GBP0.25	26,000	110	8.57	223
KENTZ CORP LTD	18,000	69	9.26	167
PETROFAC ORD USD0.025	48,000	144	12.02	577
WOOD GROUP (JOHN) ORD GBP0.03333	67,833	238	8.06	547
Total OIL EQUIPMENT SERVICES & DISTRIBUTION		735		2,187
Total UK EQUITIES		<u>189,596</u>		<u>370,362</u>

Other Transactions

The following Capitalisation / Consolidation issues took place during the 3 month period 1 April 2014 - 30 June 2014

<u>Company</u>	<u>Old Holding</u>	<u>New Holding</u>
Capitalisation Issues		
JD Sports	3,000	12,000
Scottish Mortgage	46,800	234,000
Fidelity European	8,000	80,000
Consolidation Issues		
Aggreko	47,036	44,765
Rexam	145,837	129,632

