Public Document Pack

Agenda

Dorset County Council

Meeting:	Pension Fund Committee
Time:	10.00 am
Date:	1 July 2016
Venue:	Royal Hampshire Room, Bournemouth Borough Council, Town Hall, Bournemouth, BH2 6DY

John Beesley	Bournemouth Borough Council
Mike Byatt	Dorset County Council
Andy Canning	Dorset County Council
Ronald Coatsworth	Dorset County Council
May Haines	Borough of Poole
Mike Lovell	Dorset County Council
Peter Wharf	Dorset County Council
John Lofts	Dorset District Councils
Johnny Stephens	Scheme Member Representative

Notes:

- The reports with this agenda are available at www.dorsetforyou.com/countycommittees then click on the link "minutes, agendas and reports". Reports are normally available on this website within two working days of the agenda being sent out.

- We can provide this agenda and the reports as audio tape, CD, large print, Braille, or alternative languages on request.

- **Public Participation**

  Guidance on public participation at County Council meetings is available on request or at http://www.dorsetforyou.com/374629.

  (a) Public Speaking
  Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 28 June 2016, and statements by midday the day before the meeting.

  (b) Petitions
  The Committee will consider petitions submitted in accordance with the County Council's Petition Scheme.

Debbie Ward
Chief Executive

Contact: Liz Eaton, Democratic Services Officer
County Hall, Dorchester, DT1 1XJ
01305 225113 - e.a.eaton@dorsetcc.gov.uk

Date of Publication:
Thursday, 23 June 2016

1. **Election of Chairman**

To elect a Chairman for the remainder of the year 2016/17.

2. **Appointment of Vice-Chairman**

To appoint a Vice-Chairman for the remainder of the year 2016/17.

3. **Apologies for Absence**

To receive any apologies for absence.

4. **Code of Conduct**

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests.

- Check if there is an item of business on this agenda in which you or a relevant person has a disclosable pecuniary interest.
- Inform the Secretary to the Joint Committee in advance about your disclosable pecuniary interest and if necessary take advice.
- Check that you have notified your interest to your own Council's Monitoring Officer (in writing) and that it has been entered in your Council's Register (if not this must be done within 28 days and you are asked to use a notification form available from the clerk).
- Disclose the interest at the meeting and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

Each Councils' Register of Interests is available on Dorsetforyou.com and the list of disclosable pecuniary interests is set out on the reverse of the form.

5. **Terms of Reference**

To exercise all functions of the Council as administering authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto.

In broader terms this means that the Committee has responsibility for:

* Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice
* Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the Statement of Investment Principles (SIP), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan, Communications Strategy
* Appointing and reviewing the performance of all Fund Managers and other professional service providers
* Reviewing all aspects of performance across the Pension Fund service
* Deciding upon requests for admission of qualifying organisations wishing to join the Fund
* Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority
* Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund.
* Making appointments to the Pension Board of the Dorset County Pension Fund.

6. **Minutes** 1 - 6

To confirm and sign the minutes of the meeting held on 1 March 2016.

7. **Public Participation**

(a) Public Speaking

(b) Petitions

8. **Funding Update**

To receive a verbal update from the Fund's actuary Barnett Waddingham giving an indicative position ahead of the results of the full Valuation exercise.

9. **Pension Administration** 7 - 16

To receive the report of the Fund Administrator on Pension Administration.

10. **Statement of Investment Principles** 17 - 30

To consider the revised Statement of Investment Principles.

11. **Fund Administrator's Report** 31 - 64

To consider the report of the Chief Financial Officer. This includes Strategic Fund Allocation for the period ending 31 March 2016, cash flow and performance analysis and other topical issues. As part of this item the Committee will receive the report from the Independent Adviser on investment outlook and asset allocation (Appendix 2 of the report refers).

12. **Other Manager reports** 65 - 204

To receive the following reports:

(a) UK Equity Report
(b) Allianz – Global Equities
(c) Investec – Global Equities
(d) Wellington – Global Equities
(e) Royal London Asset Management – Corporate Bonds
(f) CBREi Global Investors – Property
(g) Insight Investment – Liability Hedging

13. **Dates of Future Meetings**

To confirm the dates for the meeting of the Committee in 2016:-

12 September - County Hall, Dorchester ***(please note change of date)***

23/24 November - London (venue TBC)

14. **Questions**

To answer any questions received in writing by the Chief Executive by not later than 10.00 am on 28 June 2016.

15. **Exempt Business**

To consider passing the following resolution:

To agree that in accordance with Section 100 A (4) of the Local Government Act 1972 to exclude the public from the meeting in relation to the business specified below it is likely that if members of the public were present, there would be disclosure to them of exempt information as defined in the paragraphs detailed below of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

16. **LGPS - Investment Reform and Pooling - "Project Brunel" (Paragraph 3)**

To consider an exempt report by the Pension Fund Administrator to follow – **NOT FOR PUBLICATION.**

Dorset County Council

Pension Fund Committee

Minutes of the meeting held at County Hall, Dorchester
on 1 March 2016

Present:
John Beesley (Chairman)
Mike Byatt (Dorset County Council) (Vice-Chairman), Andy Canning, Ronald Coatsworth,Mike Lovell (Dorset County Council), May Haines (Borough of Poole), John Lofts (District Council Representative) and Johnny Stephens (Scheme Member Representative).

Officer Attendance:
Richard Bates (Fund Administrator), Nick Buckland (Chief Treasury and Pensions Manager), David Wilkes (Finance Manager – Treasury and Investments) and Martin Riglar (Investment Technician).

Manager and Advisor Attendance
Alan Saunders (Independent Adviser).

(Notes:These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Pension Fund Committee to be held on **Friday, 1 July 2016**.)

Apology for Absence
13 An apology for absence was received from Peter Wharf (Dorset County Council).

Code of Conduct
14 There were no declarations by members of disclosable pecuniary interests under the Code of Conduct.

Minutes
15 The minutes of the meeting held on 28 January 2016 were confirmed and signed.

Matters Arising
16 Minute 5.3 – Fund Administrator's Report
The Committee were informed that planning permission for the proposed development of 270 Cambridge Science Park had been agreed by Cambridge County Council.

Public Participation
17 Public Speaking
There were no public questions received at the meeting in accordance with Standing Order 21(1).

There were no public statements received at the meeting in accordance with Standing Order 21(2).

Petitions
There were no petitions received at the meeting in accordance with the County Council's Petition Scheme.

Treasury Management Strategy
18 The Committee considered a report by the Fund Administrator setting out the Treasury Management Strategy (TMS) for 2016/17. The Finance Manager (Treasury and Investments) explained that the TMS for 2016/17 was unchanged from the TMS

for the current financial year and was the same as for the County Council, with some different limits to reflect the different expected cashflows.

The Independent Adviser asked if the Fund was able to invest in Money Market Funds (MMFs) which could give returns approximately 2% above London Interbank Offered Rate (LIBOR). The Chief Treasury and Pensions Manager replied that the Fund did invest in overnight MMFs but these only returned approximately 50 basis points (bps). The Chairman suggested that the Independent Adviser speak to the Fund Administrator about these potential additional opportunities for cash investments.

A member asked if the Fund's cash balances were still effectively 'under-written' by the County Council, as they had been at the time of the Icelandic banks crisis. The Chief Treasury and Pensions Manager replied that this was now not the case as Fund balances were no longer co-mingled with County Council balances.

A member asked if cash would be pooled in the Brunel Collective Asset Pool. The Chief Treasury and Pensions Manager replied that the detail of this was not yet agreed, but individual funds would still need to hold some cash balances for transactional purposes, such as payments to pensioners.

Resolved
That the Treasury Management Strategy for 2016/17 be agreed.

Pensions Administration

19 The Committee received a report by the Pension Fund Administrator on matters relating to the administration of the Fund.

The Chief Treasury and Pensions Manager highlighted the Local Government Association's response to the consultation on the Government's intention to impose a £95,000 limit on the total value of payments made in connection with the termination of a public sector worker's employment. He also informed members that the Fund had agreed to join a framework run by Northumberland County Pension Fund for the re-procurement of the Fund's administration software.

The Chief Treasury and Pensions Manager highlighted the underperformance of a large number of the Key Performance Indicators (KPIs). He explained that this had coincided with the restructure of the Benefits Administration Team and resulting recruitment freeze, and the office relocation of the Team. He also informed members that transactions handled by the Team in the financial year to date exceeded the whole of the previous financial year by 55%, largely due to the number of restructures being undertaken by the Fund's employers. He also informed members that funds did not publish their KPIs and the Fund did not know how it compared to other funds. The Chairman requested a comprehensive update on performance at the next meeting on 1 July 2016.

A member asked if the Fund was on top of the changes to rules relating to elected members, including preservation of the rights for widows. The Chief Treasury and Pensions Manager explained that no new elected members were allowed to join the LGPS and existing elected members could remain active members until their next election, after which they would become deferred members with all other rights protected. He confirmed that the Fund kept full records for all members of the scheme.

Noted

Fund Administrator's Report

20 The Committee considered a report by the Pension Fund Administrator on the

allocation of assets and overall performance of the Fund up to 31 December 2015.

The Independent Adviser presented Appendix 2 and provided a commentary on the investment outlook, and how it was likely to affect each asset class. He said that markets had calmed since his report was written but the outlook was still not positive. There had been a slowing in economic growth driven by China attempting to rebalance from investment to consumption, the continued slowdown in Emerging Markets (except India) and a fall back in world trade growth. Central bankers had adjusted their strategies to reflect changing market conditions and the first increase in UK base rates was not now expected until 2017 because of a slowing in UK growth and wage growth, despite high levels of employment.

The Independent Adviser said that an ‘out’ vote in the forthcoming UK referendum on EU membership would lead to selling of gilts and sterling. He said that he expected sterling to weaken against the dollar and the Euro, but the Euro was also likely to weaken against the dollar.

The Independent Adviser’s expectations for 2016 were that equities would outperform bonds, unless there were any further scares in markets, and that UK commercial property would outperform equities for the last year. A member asked about the Fund’s exposure to retail property as he had seen a report predicting a very significant reduction in the demand for retail outlets. The Finance Manager (Treasury and Investments) commented that details of all the Fund’s property investments by sector were included in Appendix 3 to the report from CBRE, later on the agenda.

The Fund Administrator highlighted that the Fund had outperformed its benchmark and the LGPS average over the 12 months, three years and five years to 31 December 2015. He said that the Global Equity Managers transition had gone well and he thanked Legal & General Investment Management (LGIM), the transition manager, for their help with the process. The Chief Treasury and Pensions Manager added that the transition involved total transactions of nearly £1 Billion, and that LGIM had been able to secure significantly greater savings on transition costs than if the transition had been managed in-house.

The Independent Adviser asked if the difference in performance by the two Private Equity Managers was due to their relative exposures to dollars and Euros. The Chief Treasury and Pensions Manager replied that this was partly the case but that this would be investigated further and clarified.

The Chief Treasury and Pensions Manager informed members that representatives of Project Brunel had recently met with Treasury officials. The feedback had been generally positive but the Treasury officials sought clarity on the proposed governance arrangement and on the level of commitment to invest in infrastructure. He added that he and the Chairman had met with Sir Merrick Cockell, Chairman of the London Pension Fund Authority, who was trying to develop a ‘clearing house’ for infrastructure projects proposed by Government that may be suitable for LGPS investment.

The Committee noted that the Oxfordshire and Buckinghamshire funds had joined Project Brunel, increasing the size of the pool to approximately £23 Billion. Although this was still slightly below the Government’s target of £25 Billion the feedback from the meeting with Treasury officials was that this should not be a concern.
The Chairman told members that the first meeting of the Shadow Oversight Board for Project Brunel was on 22 March 2016. It was agreed that the Chairman and the Chief Treasury and Pensions Manager would attend this meeting and report back to members.

The Independent Adviser asked if cash balances accrued in the Fund presented an opportunity to equalise the allocation between UK and overseas equities. The Chief Treasury and Pensions Manager replied that the recommendations for allocating surplus cash would achieve that. It was agreed to change the target allocation for UK Equities from 27.5% to 26.25% and the target allocation for Overseas Equities from 25% to 26.25%.

Resolved

(i) That the activity and overall performance of the Fund be noted.
(ii) That the comments on future private equity allocations be noted.
(iii) That the Fund invests £35 Million in UK equities.
(iv) That the Fund invests £15 Million with Insight Investments, subject to resolving the outstanding issues.
(v) That the Chairman represent the Fund on the Project Brunel Shadow Oversight Board.
(vi) That the target allocations for UK Equities and Overseas Equities be equalised at 26.25% each.

Currency Hedging

21 The Committee considered a report by the Fund's investment consultants, JLT, regarding the impact of the forthcoming EU referendum on the Fund's currency hedging programme. The report concluded that the Fund's current 50% hedging position against the major overseas currencies should remain 'as is'.

A member asked if, given the uncertainty created by the EU referendum, it would be prudent to remove foreign currency exposure completely for the next few months by temporarily increasing the hedging ratio to 100%. The Independent Adviser replied that he would advise against doing so as market expectation was that sterling could fall further against the dollar, Euro and other currencies, in which case increasing the hedge would have an adverse impact on the Fund.

The Chief Treasury and Pensions Manager commented that the current hedging strategy had been in place for approximately 10 years, but it could be reviewed as part of the overall review of strategy that would take place later in the year.

Resolved

That no changes be made to the currency hedging strategy at this time.

Manager Reports

22 (a) CBRE Global Investors

The Committee considered a report from CBRE Global Investors, the Fund's Property Manager. The Finance Manager (Treasury and Investments) informed members that as planning permission for the proposed development of 270 Cambridge Science Park had been agreed this would have a positive impact on the next valuation of the portfolio at 31 March 2016. He also highlighted the difference in performance between the directly owned portfolio and the holdings in pooled funds. He said that the pooled funds were invested in the retail sector which had performed less well than other sectors, such as offices and industrial property.

A member requested a full table of expiry dates for tenancies on all of the Fund's properties and a member asked if, in future, the reports could be produced in colour. The Chief Treasury and Pensions Manager agreed to both these requests.

Noted

(b) Insight Investment

The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy. The Chief Treasury and Pensions Manager reported that he and the Independent Adviser were in the process of resolving some presentational issues with Insight Investment.

Noted

(c) Royal London Asset Management (rlam)
The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio, which showed continued good performance over the longer term.

Noted

(d) UK Equity Report
The Committee considered a report by the Finance Manager (Treasury and Investments) which highlighted the performance of the internally managed UK equities portfolio, the Standard Life UK Equities Fund, the AXA Framlington Fund and the Schroders Small Cap Fund. The Chief Treasury and Pensions Manager informed members that the contract for stock lending income had been renegotiated and the Fund would receive increased revenue in 2016/17.

Noted

Dates of Future Meetings

23 **Resolved**
That meetings be held on the following dates:

1 July 2016	Town Hall, Bournemouth
8 September 2016	County Hall, Dorchester
23/24 November 2016	London (to be confirmed)

Questions

24 No questions were asked by members under Standing Order 20 (2).

Exclusion of the Public

25 **Resolved**
That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 26 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

Review of UK Equity Management Arrangements (Paragraph 3)

26 The Committee considered an exempt report by the Pension Fund Administrator that set out proposed changes to the UK Equity Management Arrangements. Members of the Committee discussed the report and a number of questions were raised.

Resolved

(i) That the Standard Life mandate be terminated and the funds allocated as described in paragraph 3.1 of the report.
(ii) That the additional £35 Million be allocated as described in paragraph 3.2 of the report.

Meeting Duration: 10.00 am - 12.30 pm

This page is intentionally left blank

Pension Fund Committee

Agenda Item:

9

Dorset County Council

Date of Meeting	1 July 2016
Officer	Pension Fund Administrator
Subject of Report	**Pensions Administration**
Executive Summary	This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following: • Consultation: Local Government Pension Scheme (Amendment) Regulations 2016 • Enterprise Act 2016 • Staff and Employer Training • Address Tracing and Mortality Screening Service • Workflow and Key Performance Indicators • Backlog • Valuation 2016
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	Risk Assessment: N/A
	Other Implications: N/A
Recommendation	It is recommended that the Committee note and comment on the contents of the report.
Reason for Recommendation	To update the Committee on aspects of Pensions Administration
Appendices	• Appendix 1 - Key Performance Indicators • Appendix 2 - Mortality Screening results summary
Background Papers	• Consultation: The Local Government Pension Scheme (Amendment) Regulations 2016 • Enterprise Act 2016
Report Originator and Contact	Name: Karen Gibson Tel: 01305 228524 Email: k.p.gibson@dorsetcc.gov.uk

1. Background

1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

2. Consultation: Local Government Pension Scheme (Amendment) Regulations 2016

2.1 On 27th May 2016 the Government issued the Consultation documents for the proposed LGPS regulation amendments. Amendments to LGPS 2014, and LGPS Transitional Provisions 2014, in regard to areas in need of clarity, or change in approach have been proposed, plus changes in Government policies such as Freedom and Choice and Fair Deal. Responses and comments from interested parties on these amendments need to be made by 20th August. The key issues are outlined in the following paragraphs.

2.2 Introduction of the 'Fair Deal for Staff Pensions' for LGPS staff compulsorily transferred to independent providers delivering public services. This sets out new requirements for securing pension protection for transferring staff by ensuring they have continued access to their public service pension scheme. There will no longer be the option for the alternative 'broadly comparable' scheme.

2.3 In Local Government, there is the Best Value Staff Transfers (Pensions Direction) 2007 which sets out the current level of protection for employees in 'best value authorities' covering staff transferred under TUPE. This will be replaced by the reformed Fair Deal in LGPS.

2.4 The consultation also looks at the admitted body status framework, and comments on the following are also invited:

- Staff covered are those eligible for LGPS on compulsory transfer.
- Fair Deal does not apply to higher and further education institutions.

2.5 New terminologies will include, 'Protected Transferee'- the transferred member – who will remain protected so long as that member remains wholly or mainly employed on the delivery of the service or function transferred, and **'**Protected Transferee Employer' who is obliged to participate in the LGPS for any 'transferee employees' they receive.

2.6 If there was a subsequent transfer on of the service, the transferred employees would retain their protected status. The costs of providing LGPS to transferring staff should be clearly set out in the tender documentation.

2.7 More options for using AVC contributions**.** This is as a result of 'Freedom and Choice' in pensions as introduced by the chancellor. The proposed regulation sets out new options for accessing benefits through AVC arrangements to include one or more lump sums.

2.8 Transitional Regulations. Proposal to remove the need for the employer to give their consent to the introduction of preserved benefits for members aged 55-60 (Leavers pre 14 under 2007 regulations). Benefits are actuarially reduced so no cost to fund or employer. This is in response to Pensions Freedom and Choice legislation.

3. Enterprise Act 2016

3.1 The Enterprise Bill received Royal Assent in May and is now the Enterprise Act 2016. The Act provides the legislative framework for the introduction of the £95k cap on public service exit payments which, it is expected, will become effective later this year, but no earlier than 1st October. HM Treasury regulations which are due to provide further detail on how the cap will work in practice and the implementation date are expected shortly.

3.2 HM Treasury directions are also expected providing detail of the circumstances in which the cap may be relaxed by permitted bodies including local authorities in certain circumstances.

4. Staff & Employer Training

4.1 The complexities and constantly changing regulations mean that continued updated training and development plans are key to maintaining an efficient and effective service. Thus training is essential for both staff and employers.

4.2 The implementation of the new structure has meant that a Training and Development Manager post is now in place. Due to the pressures of the end of financial year and the Actuarial valuation, the post holder has been unable to fully start progressing this. However, it is expected that in the autumn this role will start to develop.

4.3 Five members of the team have recently attending LGA training on retirement benefits, four more are booked to attend training on Death and Survivor benefits, and four team members will be attending the forthcoming Insight Residential course in Blackpool in September.

4.4 Employers training events have included our ‘Employer Workshop’, attended by 15 employers, and in addition we have run training for the End of Year Processes. This was run over several days and in locations around the county and was attended by approximately 25 employers.

5. Address Tracing and Mortality Screening Service

5.1 During the period 1 January 2016 to 30 April 2016, 134 pensioner deaths were identified with a 99.99% high confidence that this is our member (validated against the name, date of birth and address). Plus another 35 which matched our member data to a lower degree, so required further verification by Payroll. The detailed data is shown in Appendix 2.

6. Workflow and Key Performance Indicators

6.1 Appendix 1 shows the top ten KPI’s for the period 1 February 2016 to 30 April 2016.

6.2 Compared to the previous quarter they show an improvement in cases completed within the required timescales can be seen, rising from 41.28% in the last quarter to 65.90% in this. Further improvement is expected in the next quarter due to the benefit of changing processes and the effect of vacant posts being filled.

6.3 A slight decreases in performance is evident in regard to retirements and refunds paid. This will be investigated and processes reviewed where necessary to ensure this does not happen in future months.

7. Backlog

7.1 The backlog of preserved benefits has now been cleared. The remaining 515 cases were cleared in the February to April quarter.

7.2 The backlog of Aggregation cases remains and stands at 1675. These have been unable to be processed due to the absence of the 2014 regulations in regard to aggregation and the final salary link. All LGPS administering authorities are affected.

7.3 The position in regard to the final salary link was confirmed in January 2015, all authorities continued to put cases on hold awaiting amendments to regulations and further guidance.

7.4 Further guidance issued in May 2015 allowed us to proceed with some categories of aggregation, but this is a complex and time consuming technical area. Staff have been trained and training notes exist that have been shared with the South West authorities. The Authorities have met to discuss shared approaches to this work area.

7.5 The current LGPS 2016 consultation includes further amendments to the aggregation process, which should simplify some of the most unworkable cases.

7.6 Further delays have occurred as a result of the March 2016 budget change to the discount rate. This has resulted in the need for revised transfer factors. These have just been received and we hope they will be in our Altair software system by August allowing us to proceed with the delayed payments of inter-fund aggregation cases.

7.7 In addition, as a result of the regulatory confusion over this work area, our Altair software system has been unable to process and accommodate the various types of aggregation cases. This should finally be addressed in the new software release due in August. This backlog area is currently being monitored and categorising the cases to enable us to implement plans to clear these cases once the software is in place.

8. Valuation 2016

8.1 The Pensions team is currently processing the employer end of year returns. This is a time consuming, labour intensive process that is especially important this year with the 2016 Valuation data due to be extracted in July.

8.2 The employers have been asked to submit their yearly returns in a different format in order to help achieve the deadlines. The employers have been supported and offered training and support by the Employer Relationship and Communication team. Resources within the section have been diverted to this task to enable us to meet the deadlines, and may result in some reduction in performance of the KPIs whilst it is completed.

Richard Bates
Pension Fund Administrator
June 2016

This page is intentionally left blank

Dorset Council KPI Report - CMS stats

Performance 2016/17 - report for period : All Teams: Feb - April 2016	
Number of complaints received	**1**

Top 10 detail - cases completed on time	Completed in period	Performance	KPI (days)	Cases completed on time or early
Admissions (DR01 & DR01W)	1313	68.62%	30	901
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	105	69.52%	15	73
Transfers In Actual (DR02A & DR03A)	22	0.00%	20	0
Transfers Out (DR09E & DR10E)	33	42.42%	10	14
Transfers Out actual (DR09A & DR10A)	11	45.45%	10	5
Estimates Employee (DR08)	135	56.30%	15	76
Estimates Employer (DR22R & DR22W)	148	46.62%	15	69
Retirements (DR14, DR14W & DR12 & DR12I & DR14I & DR22I)	334	51.50%	5	172
Deferred Benefits (DR11 & DR11W)	515	57.48%	40	296
Refunds (DR16 & DR16W)	245	55.10%	15	135
Deaths (DR23)	29	96.55%	5	28
Correspondence (DR24 & DR24A)	550	90.55%	30	498
Total	**3440**	**65.90%**		**2267**

Top 10 detail - Average elapsed time for cases completed within 6 months of receipt	2015-16		
	Total cases	Average elapsed time	Target
Admissions (DR01 & DR01W)	1157	36	10
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	105	53	64
Transfers In Actual (DR02A & DR03A)	22	70	64
Transfers Out (DR09E & DR10E)	33	40	23
Transfers Out actual (DR09A & DR10A)	11	63	23
Estimates Employee (DR08)	135	31	10
Estimates Employer (DR22R & DR22W)	148	28	9
Retirements (DR14, DR14W & DR12 & DR14I & DR12I)	334	53	53
Retirements only (DR14 & DR14W & DR14I & DR22I)	**185**	**45**	**53**
Deferred into payment only (DR12 & DR12I)	**149**	**64**	**53**
Deferred Benefits (DR11 & DR11W)	515	73	23
Refunds (DR16 & DR16W)	245	53	28
Deaths (DR23)	29	1	44
Correspondence (DR24 & DR24A)	550	5	2

Top 10 detail - Cases currently over 6 months old	Total cases
Admissions (LP01 & LP01W)	0
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	0
Transfers In Actual (DR02A & DR03A)	0
Transfers Out (DR09E & DR10E)	0
Transfers Out actual (DR09A & DR10A)	0
Estimates Employee (DR08)	0
Estimates Employer (DR22 & DR22W)	0
Retirements (DR14, DR14W & DR12 & DR14I & DR12I & DR22I)	0
Deferred Benefits (DR11 & DR11W)	0
Refunds (DR16 & DR16W)	0
Deaths (DR20)	0
Correspondence (DR24 & DR24A)	0
Total	**0**

This page is intentionally left blank

Monthly Mortality Screening Summary

Dorset County Council - Mortality Summary

DORSET County Council

target professional services

Initial Screening Results - April

Initial Grade	No. of Records	Comments
High	37	Name, Date of Birth and Address Supplied match a death record. There is a 99.99% confidence that this is your member.
Medium	18	Two pieces of supplied information match a death record. For example, Name & Date of Birth. These are manually investigated.
Low	0	Only one piece of supplied information matches a death record. These are manually investigated.

To reduce false matches, Target manually investigate all initial **Low** or **Medium** grade matches. This involves searches for member existence, links between member and location or death addresses, and dismissal of unconnected persons sharing member name and date of birth. Verified matches are graded as **High**. Matches not confirmed as your member are graded **Negative** and removed from final spread sheet report. Investigated data that suggests a high match possibility but cannot confirm, will result in a **Needs Verification** grade. Investigated data that suggests a low match possibilty, but cannot exclude the match as your member will result in a **Low Match** grade.

Final Results

Final Grade	No. of Records	Comments
High	42	The record has been matched on Name, Date of Birth and Address. Where information on the death record differs from that supplied it has been investigated and confirmed as accurate.
NV	13	Match results suggest a high likelihood that this is your member; due to date of birth anomalies, the lack of a presented address, no linking data between presented and returned addresses, we cannot guarantee 100% member confirmation.
Low Match	0	Limited information was provided to match against death records e.g. records with only an initial and common surname. These records have **not** been returned, are unlikely to be your member and should not be flagged deceased without further evidence.
Total	55	

Year Results - 2015

Final Grade	January	February	March	April	May	June	July	August	September	October	November	December	Total
High	41	38	24	51	35	23	27	27	25	31	39	29	390
NV	12	13	14	20	10	14	2	11	6	13	7	9	131
Low Match	1	0	0	0	1	0	0	0	0	0	1	0	3
Total	54	51	38	71	46	37	29	38	31	44	47	38	524

Year Results - 2016

Final Grade	January	February	March	April	May	June	July	August	September	October	November	December	Total
High	34	30	28	42									134
NV	7	6	9	13									35
Low Match	0	0	0	0									0
Total	41	36	37	55	0	0	0	0	0	0	0	0	169

This page is intentionally left blank

DORSET COUNTY PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES – July 2016

1. THE STATUTORY REQUIREMENTS FOR A STATEMENT OF INVESTMENT PRINCIPLES (SIP)

- ♦ Regulations made by the Secretary of State (The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) under powers contained in Section 7 of the Superannuation Act 1972 revised the requirement for administering authorities to prepare, maintain and publish a Statement of Investment Principles (SIP) and consult with persons they deem appropriate when drawing up their statements. The revised statements must be published no later than 1 July, 2010. The regulations came into force on 1 January, 2010.

- ♦ A consultation on revised LGPS Investment Regulations was launched by the Government in 2015 as part of the wider structural reform of LGPS investments. It is likely that the revised regulations will come into force by 1 April 2017. It is also likely that these regulations will require Funds to produce and Investment Strategy Statement, which will effectively replace this document.

- ♦ The County Council have delegated all aspects of the management of the pension scheme to the Pension Fund Committee the minutes of which are reported to the County Council.

- ♦ This revised document was agreed by the Pension Fund Committee on 24 June 2015.

2. COMMITTEE CONSTITUTION

- ♦ The Pension Fund Committee is a Committee of the County Council which appoints five County Council members, with invitations to Bournemouth and Poole unitary authorities (one member each) and to the six Dorset district councils (one member in total). The scheme members are also represented on the Committee by one member, who is nominated by the Trade Unions.

3. COMMITTEE RESPONSIBILITIES

- The Terms of Reference of the Pension Fund Committee are to exercise all functions of the Council as administering authority under the Local Government Superannuation Act and Regulations and to deal with all matter relating thereto. Such as:

- Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice
- Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the Statement of Investment Principles (SIP), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan, Communications Strategy.
- Appointing and reviewing the performance of all Fund Managers and other professional service providers
- Reviewing all aspects of performance across the Pension Fund service
- Deciding upon requests for admission of qualifying organisations wishing to join the Fund
- Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority
- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund.
- Making appointments to the Pension Board of the Dorset County Pension Fund

4. INVESTMENT POLICY

♦ The investment policy of the Pension Fund is intended to ensure that all statutory payments made from the fund are at the least possible cost to local taxpayers.

♦ Investment returns are a key factor and achieving satisfactory returns will to a considerable degree reflect the risks taken. The Committee seeks to control risk, not eliminate it, and deals only with reputable service providers to minimise counterparty risk.

♦ Consideration is given to the ongoing risks which may arise through a mismatch, over time, between assets of the Fund and its liabilities. These are looked at in greater detail within the Fund's Funding Strategy Statement. However, the major risks that the Fund has are the impact of Interest and Inflation Yields on the liabilities, which can lead to this mismatch. This was highlighted in a Strategic review of the Fund undertaken by JLT in June 2011. The Committee decided to begin a process to reduce the level of mismatch, but without significantly reducing the potential for return. As part of this review process a new strategic target allocation for the portfolio was agreed. This strategy was revised in 2014, and the new target allocation is shown below.

♦ Investment risk can be measured and managed in many other ways:

  ♦ The absolute risk of a reduction in the value of assets through negative returns. Whilst this cannot be avoided entirely, it can be mitigated by positioning the assets of the Fund across a number of different types of assets and markets.

  ♦ The risk of underperforming the benchmarks or relative risk. Our investment managers can, to a large extent, control relative risk by using statistical techniques to forecast how volatile their performance is likely to be relative to their benchmark or target. Each manager has a mandate specific benchmark and controls.

- ♦ Different asset classes have different risk and return characteristics, e.g. equities. In setting the investment strategy, the Committee takes into account with the Fund actuary, the expected risks and returns of the various asset classes and the correlation between those returns to target or expected return within an acceptable level of risk.

- ♦ Other financially material risks such as corporate governance and environmental issues are required to be considered and managed by our investment managers in relation to all asset classes.

♦ The adoption of a asset allocation strategy and the detailed monitoring of performance and risks relative to the targets set, constrains the investment managers from deviating too far from the intended outcome, whilst at the same time allowing adequate flexibility to manage the portfolios in such a way as to enhance returns.

♦ Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. The Committee believes that the asset allocation policy currently in place provides an appropriately diversified distribution of assets for this purpose.

♦ The key measure for the Fund will be the performance against its own unique benchmark which is derived from the asset allocation structure and the performance benchmarks set for each of the asset and manager categories. The strategic asset allocation of the Fund was revised at the Committee meeting in February 2014, with a target implementation date of 1 October 2014. This strategy was temporarily amended in September 2014 to reflect the concern over the Barings DGF mandate, and the decision to postpone the procurement of an additional DGF manager. The benchmark was amended again in March 2016 after the appointment of the new Global Equity managers, to equalise the target between UK and Global Equity(including Emerging Markets). This is shown below:

Asset Class		Exposure
Equities		
	UK	26.25%
	Global (developed)	23.25%
	Emerging Markets	3%
Bonds		
	Corporate	12.50%
Property		10%
Alternatives		
	Diversified Growth	5%
	Private Equity	4%
	Infrastructure	4%
Liability Hedging Programme		12%

Note: There are flexibility bands of +/- 5% on UK and Overseas Equities, and +/- 2.5% on Bonds, Property and the Liability Hedging programme.

- The Committee reviews asset allocation on at least a six monthly basis, and the individual manager's reports setting out activity and transactions are received quarterly.

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 set out certain restrictions to apply in managing investments including:-

    - Not more than 10% of the Fund may be invested in unlisted company securities.

    - Not more than 10% to be invested in any one holding (excluding unit trusts, gilt edged stock and bank deposits).

    - Not more than 25% to be invested in unit trust schemes managed by one person, but not more than 10% in a single holding.

    - Not more than 10% to be deposited with any one bank (excluding the National Savings Bank).

    - Any loans, other than to the Government, may not exceed 10% of the Fund.

    - Not more than 25% to be invested in insurance contracts.

    - Not more than 25% of all securities to be transferred (or agreed to be transferred) by the Fund under stock lending arrangements.

    - Not more than 15% in all sub-underwriting contracts, and not more than 1% in any single sub-underwriting contract.

    - Not more than 8% invested in all partnerships, and not more than 5% in any single partnership.

Flexibility is given around some of these limits, under the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003. On 26 June 2014 were recommended to make use of the headroom allowed for unlisted securities. The limit for all unlisted securities will now be 15%. The regulations require that the following information be included in the SIP:

Requirement	**Statement**
Take proper advice	From Fund Administrator, Independent Adviser and Legal Advisers
The description of investment to which it applies	Unlisted securities
The limit on the amount	Increase limit from 10% to 15%

The reason for that decision	To extend the Inflation hedging programme with Insight
The period for which the decision will apply	Until further notice
That the decision complies with the regulation	Confirmed
The decision must be published in the SIP before it takes effect	Revised SIP considered on 26 June 2014

In addition the County Council, as the administering local authority, must have regard to:-

- The need for the diversification of investments (as described above)
- The suitability of investments
- Proper advice, obtained at regular intervals

The regulations also enable the County Council to vary the manner in which monies are invested thus enabling the switching of monies from one investment to another.

The employment of external investment managers is expressly permitted subject to:-

- Appropriate diversification between managers.
- Regular reviews of managers' performance, dealings and employment (which is terminable at not more than one month's notice).
- Their authorisation under the Financial Services Act for 1986 or for European Institutions similarly authorised by their home state and reasonably believed to be suitably qualified by ability and practical experience.

5. INVESTMENT MANAGEMENT ARRANGEMENTS

- Dorset County Council is the administering authority for the Fund and has delegated its responsibilities to the Pension Fund Committee.
- The Chief Financial Officer is the Administrator of the Fund and has delegated responsibilities from the Council for the administration of the Pension Fund. These responsibilities are set out in paragraph 7 of this document. In carrying out these duties he and the Committee take advice from the Fund's independent adviser, Mr Alan Saunders from Allenbridge Epic Investment Advisers.
- The appointment of an appropriate number of managers for each major asset class, with different investment styles, helps provide an adequate level of diversification of manager risk.
- Two thirds of UK Equities are managed by staff in the Chief Executive's department, and the remainder by 2 specialist UK equity managers. In addition

external managers are employed in specialist areas including Global Equities, Bonds, Property, Private Equity, Diversified Growth and Infrastructure. Managers are required to report on portfolio management on a quarterly basis, they must comply with all instructions given to them by the authority (in accordance with the mandates agreed) and contracts can be terminated at one month's notice.

- GLOBAL EQUITIES

Global developed Equities are currently managed by three different fund managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management arrangements were effective from 1 January 2016. Each of the managers has a target to outperform the MSCI Global Index and are all managing on an active basis. In addition to this the Fund has exposure to Global Emerging Markets equities withJP Morgan Asset Management who have been managing it on an active basis since 1 April 2012. The investment is in a pooled fund, which has a diversified strategy, with a target of outperforming the MSCI Emerging Markets Index by 2%.

- GLOBAL BONDS

Global bonds are presently managed by Royal London Asset Management (rlam) and Insight Investments. rlam were appointed with effect from 1 July 2007, and Insight 1 April 2012. rlam has 12.5% of the overall Fund under management, and Insight have 12%.

rlam use the iBoxx Non-Gilt Over 5 Year Index as their benchmark with an outperformance target of 0.75%. This is achieved by investing in the RLPPC Core Bond Fund. The Fund invests in a diversified portfolio of mainly UK Bonds with an emphasis on the corporate sector.

Insight were appointed in 2012 to help the Fund manage its liability risks, with particular focus on inflation. The target is to reduce the Fund's exposure to Inflation by putting together a portfolio that moves in a similar way to the liabilities. This will be achieved initially by holding a portfolio of Index Linked Gilts. Over time and after setting of a series of key trigger points this will develop into a broader hedge of the Fund Inflation risks. This will be achieved by investing in a bespoke Qualifying Investor Fund (QIF), which will enable Insight to use a range of derivative instruments to further protect the Fund.

- PROPERTY INVESTMENTS

CBRE Global Investors is presently the Fund's property advisers and managers. The Manager presents to the Committee for approval sectoral targets within the total approved and carries out acquisitions and disposals to achieve the distribution agreed. Performance of the portfolio is measured against an industry standard benchmark. The Fund also invests in a number of indirect property funds including; Hercules Unit Trust, the Lend Lease Retail Partnership (Jersey) Unit Trust, and the ING Retail Fund Britannica and the

ING UK Property Value Added Fund. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return for a rolling five year period. The performance against the WM Local Authority Universe is also noted.

- UK EQUITIES

The majority of the UK equity portfolio is presently managed by staff in the Chief Executive's Department on a passive or index tracking basis. The target set is the FTSE 350 Index, with an annual deviation allowed of $\pm$ 0.5%. No derivatives or financial gearing is permitted. The constituents of the FTSE 350 index are fully replicated by the in house team. The remaining 3% of the FT All share index not included in the FTSE 350 index is captured by a separate external fund managed by Schroders (w.e.f. 1 April 2006) in a fund specialising in Small Cap investments. Schroders have a target to outperform the FTSE Small Cap index by 2.5% per annum. This is managed in a pooled vehicle. In addition a proportion of the Fund is managed on an active basis. The manager for this part of the portfolio with effect from 1 April 2016 are AXA Framlington with a target of outperforming the FTSE All Share Index by 3.5% per annum. These Funds are invested in Pooled vehicles.

- PRIVATE EQUITY FUNDS

Since April 2006 the Fund has invested in Private Equity Fund of Funds. The Fund invests in Fund of Fund products managed by Harbourvest and Standard Life. Harbourvest specialise in the US, whereas Standard Life focus mainly on Europe, and both managers aim to outperform public equity markets by between 4-6% per annum over the life of the Fund (generally 10-15 years). The reasons for these investments is to potentially improve returns, and to improve Fund diversification.

- DIVERSIFIED GROWTH

Since April 2012 the Fund has invested with Barings Asset Management in their Dynamic Asset Allocation Fund. This pooled fund seeks to achieve equity like returns with lower risk, by investing in a range of asset classes and focussing on asset allocation. The Fund identifies an optimal long term strategic position, and makes dynamic asset allocation decisions around this. The target return is cash plus 4% with 70% of equity risk. The Fund will increase its allocation to DGF to 10% later in 2014, and this will either be way of an additional manager appointment, or allocating additional funds to Barings.

.

- INFRASTRUCTURE

In 2014 the Fund appointed 2 Global Infrastructure managers; Hermes Investment Management and International Fund Management (IFM). The Hermes investments are mainly UK focussed, and IFM have a wider remit across the globe. Like Private Equity these funds will take some time to completely draw-down all of the committed capital, however once invested are intended to remain as long term holdings.

- SOCIALLY RESPONSIBLE INVESTMENTS AND CORPORATE GOVERNANCE

Funds are also required to include a statement on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments and a summary of the policy (if any) in relation to the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Committee has decided to place no restrictions on investment managers in choosing individual investments in companies in either the UK or overseas markets. It is noted that emerging markets investments, are made in a wide range of developing countries where conditions of employment and standards of environmental protection are not the same as they are in the developed countries.

The Committee expects that the boards of companies in which the pension fund invests should pay due regard to environmental matters and thereby further the long-term financial interests of the shareholders. Ethical and environmental issues arise not only in board policy decisions but in daily operations. The Pension Fund Committee cannot become involved in those decisions and therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The Dorset Fund is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

- CORPORATE GOVERNANCE

The Pension Fund Committee has in place a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds and the Fund's voting rights are used according to this advice and the agreed policy. LAPFF also advise the Fund on any contentious areas where voting differently to the agreed policy maybe considered.

- THE UK STEWARDSHIP CODE

The Fund's compliance with the Seven Principles of the UK Stewardship Code was presented to the Committee on 12 September 2011. This document will be published separately. The Fund complies with each of the Principles, and has confirmed with each of its appointed Equity managers have taken action to comply with the Code. Each manager also publishes a Stewardship Policy.

- OVERSEAS CURRENCY EXPOSURE

The Fund aims to eliminate the exposure to non-sterling currency by fully hedging any exposures within the Bond and Hedge Fund portfolios. The Fund also has a permanent 50% currency hedge on its entire overseas equity portfolio. This has been in place since July 2005, and is not intended as a speculative decision, but is intended to return the Fund to a level of currency exposure it had before the increase in weight in overseas equities.

- STOCK LENDING

  The Committee permits the lending of UK equities, overseas equities and bonds. This is currently limited by the Fund to 25% of the value of the Fund. The Fund lends Global Equities and UK equities from the portfolios managed by Pictet Asset Management and the Internal manager respectively. The Fund's custodians HSBC and Pictet undertake the stocklending as an agent for the Fund. The custodians ensure that on a daily basis collateral (worth at least 105% of the value of the stock on loan) is collected from the counterparties. The Fund does not have a policy of recalling stock for voting reasons, and accepts that there may be occasion where voting rights are lost due to stocklending.

- POOLING OF INVESTMENTS

  In 2015 the Government announced its intentions to require the 89 English and Welsh Local Government Pension Funds to pool their investments to create economies of scale which would lead to efficiencies in the costs of administering Funds, and also potentially improve investment performance. A consultation was issued and Funds had to respond by February 2016 with proposals for pooling. The Dorset Fund has worked closely with the other 7 South West funds for a number of years, and as it seemed logical to discuss pooling. "Project Brunel" was formed and with the addition of Oxfordshire and Buckinghamshire the pool totalled 10 funds with assets in excess of £23 Billion. The initial proposal was accepted by the Government in February 2016, and work has been ongoing to meet the July deadline for detailed submissions.

6. RESPONSIBILITIES OF THE FUND ADMINISTRATOR

The Fund Administrator is responsible for:

- Development of an asset allocation strategy in consultation with the Fund's Independent Adviser and Actuary, for approval by the Committee.

- Funding allocation decisions consistent with the asset allocation strategy agreed by the Committee.

- The provision of monitoring information (provided by HSBC) to the Committee on the performance of each manager and the Fund overall,

- The management of Fund Managers and other professional service providers and advising the Committee on terms of engagement.

.

- All other aspects of the management of the Fund.

7. RESPONSIBILITIES OF THE CUSTODIAN

- Pictet & Cie, based in Geneva and HSBC Global Investor Services, based in London are presently the appointed custodians for all fund assets except for direct property holdings where title deeds are held in the Council's archives.

- The custodians safeguard assets, ensure that all associated income is collected and settle all transactions (purchases/sales and stock loans). The Fund is provided with statements of assets, cash flow and corporate actions which are reconciled by the Fund Administrator' staff to the reported actions of the managers.

- The Custodian will inform the Council of any areas of concern which arise in its dealings with managers.

8. AUDIT RESPONSIBILITIES

- The Dorset County Pension Fund is subject to review by both the County Council's external auditors (KPMG) and the County Council's internal auditors (a service provided by the South West Audit Partnership).

- The external auditors are responsible for reporting on whether the Statement of Accounts presents fairly the income and expenditure for the year and the financial position of the Dorset County Pension Fund, for the year then ended. Their audit report to Dorset County Council is contained in the County Council's Annual Report and Accounts.

- The internal audit team carries out a programme of work designed to re-assure the Fund Administrator that Pension Fund investment systems and records are properly controlled to safeguard the Fund's assets.

9. ACTUARIAL RESPONSIBILITIES

- The Dorset County Pension Fund is subject to a full actuarial review every 3 years by the Fund's actuary, currently Barnett Waddingham. The last full review was at 31 March 2013 which reported an overall 82% funding level.

- The actuary is responsible for providing advice as to the maturity of the Fund and its funding level and to determine employers' contributions so as to maintain the Fund's ability to meet its liabilities.

10. RESPONSIBILITIES OF INDEPENDENT ADVISER

The Independent Adviser to the Committee is currently Alan Saunders from Allenbridge Epic, and is responsible for assisting the Fund Administrator and Committee:

- in the preparation and review of this document,

- In the development of an appropriate asset allocations strategy,

- ♦ in the regular monitoring of the investment managers' performance,
- ♦ in asset allocation decisions, and
- ♦ in the selection and appointment of investment managers and custodians.

11. RESPONSIBILITIES OF THE INDEPENDENT PROFESSIONAL OBSERVER

The Department for Communities and Local Government (CLG) issued guidance to Local Government Pension Funds in 2008 recommending the participation of an Independent Professional Observer (IPO) in the governance arrangements of schemes. The IPO's role is outlined as undertaking independent assessment of compliance against the Myners' principles and other benchmarks, and to offer a practical approach to the management of risks. The Fund has appointed Peter Scales of Allenbridge Epic to this position. The adviser reports annually to the Committee with his independent assessment on the Fund's work, and its compliance with governance and other principles.

Over time, this role has widened to become Governance adviser to the Fund, and since the creation of a Local Pension Board the adviser has assumed the role of adviser to the Board. This role includes helping to shape the agenda of the Board, and regular attendance to assist and train Board member on governance issues.

12. COMPLIANCE WITH MYNERS' PRINCIPLES

Since the original Myners Review in 2001 established 10 principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into 6 new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers. The Investment Governance Group – LGPS Sub-Group has issued an adapted version for LGPS pension funds.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require, inter alia, administering authorities to state in their Statement of Investment Principles, the extent to which they comply with the updated principles as contained in guidance issued by CIPFA. If an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them.

Dorset County Pension Fund maintains a high level of compliance with the updated principles and guidance, as shown in the following table.

Principle 1: Effective decision-making	**Fully compliant**
Dorset County Pension Fund has ensured that decisions are taken by those with the skills, knowledge, advice and resources necessary to make them effectively, that their implementation is regularly monitored, and that they have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	

Principle 2: Clear objectives	**Fully compliant**
Dorset County Pension Fund has set out an overall investment objective that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and has clearly communicated these to advisers and investment managers.	

Principle 3: Risk and liabilities	Fully compliant
In setting and reviewing their investment strategy, Dorset County Pension Fund has taken full and proper account of the form and structure of liabilities, including the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	

Principle 4: Performance assessment	Fully compliant
Dorset County Pension Fund has made suitable arrangements for the formal measurement of performance of the investments, investment managers and advisers, and periodically makes a formal assessment of their own effectiveness as a decision-making body, reporting to scheme members each year.	

Principle 5: Responsible ownership	Fully compliant
Dorset County Pension Fund has included a statement of the fund's policy on responsible ownership in the Statement of Investment Principles and the discharge of such responsibilities is reported periodically to scheme members.	

Principle 6: Transparency and reporting	Fully compliant
Dorset County Pension Fund acts in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives, and reports regularly to scheme members.	

County Hall
DORCHESTER
June 2015

This page is intentionally left blank

Agenda Item:

11

Pension Fund Committee

Dorset County Council

Date of Meeting	1 July 2016
Officer	Pension Fund Administrator
Subject of Report	**Fund Administrator’s Report**
Executive Summary	The purpose of this report is to update the Committee on the allocation of the assets and overall performance of the Fund as at the end of the fourth quarter of the 2015/16 Financial Year to 31 March 2016. The report also provides a commentary on the performance of the fund managers who are not considered elsewhere on the agenda and to address other topical issues for the Fund that do not require a separate report. The Independent Adviser’s report is contained at Appendix 2, and will be presented separately at the meeting. The report shows that overall the Fund returned 0.08% over the twelve months to 31 March 2016, outperforming its benchmark which returned -0.93%. Return seeking assets returned 2.04%, whilst the liability matching assets returned -13.89%. For the same period the WM Local Authority average returned 0.2%.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	Risk Assessment: The Fund assesses the risks of its investments in detail, and considers them as part of the strategic allocation. In addition, risk analysis is provided alongside the quarterly performance monitoring when assessing and reviewing fund manager performance.
	Other Implications: None
Recommendation	That the Committee : i) Review and comment upon the activity and overall performance of the Fund. ii) Make no additional changes to asset allocation at this time. iii) Agree that the Fund Administrator monitors the cash-flow and if required instructs the Corporate Bond and/or the Global Equity managers to return income to the Fund.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place and are being monitored, and to keep the asset allocation in line with the strategic benchmark.
Appendices	Appendix 1: New Money Forecast Appendix 2: Report of the Independent Adviser Appendix 3: HSBC Manager Performance for the twelve months to 31 March 2016 Appendix 4: Summary of development proposal for Cambridge Science Park property
Background Papers	HSBC Performance Statistics
Report Originator and Contact	Name: Nick Buckland Tel: 01305 224763 Email: n.j.buckland@dorsetcc.gov.uk

1. Background

1.1 The Dorset County Pension Fund currently receives more money in contributions and investment income than it pays out as pensions and retirement grants. There has been a surplus of income over expenditure from these cash flows of approximately £24M in the 2015-16 financial year. This compares to the forecast of approximately £21M. The outturn cash-flows for 2015/16 and the anticipated cash flows for 2016/17 along with the historic trends are illustrated in Appendix 1.

1.2 These "new money" levels are reviewed throughout the year, and Members are alerted if there is any significant variance from what is expected.

2. Cash flow

2.1 The table below summarises the main cash flows for the Fund for the twelve months under review.

Statement of cash-flow for the twelve months ended 31 March 2016

	£M	**£M**
Cash at 1 April 2015		**33.1**
Less:		
Property transactions (net)	0.9	
UK Equity transactions (net)	3.4	
Currency Hedge (net loss)	4.3	
		8.6
Plus:		
Infrastructure transactions (net)	1.4	
Hedge Fund redemptions	5.7	
Private Equity transactions (net)	5.8	
Overseas Equities transition proceeds	30.4	
Increase in Cash	24.0	
		67.3
Cash at 31 March 2016		**91.8**

2.2 The cash flow above summarises the most significant transactions that have taken place for the twelve months to the end of March 2016. Since the end of March the most significant transactions have been the upfront payment of contributions by a number of employers (£26 Million inflow), the funding of the agreed changes to UK equity management arrangements (£35 Million net outflow), the first drawdown by IFM (£29 Million outflow), and the sale of Washford Mills retail warehouse, Redditch (£7 Million inflow), leaving cash balances of £61 Million at the end of May 2016.

3. Fund Portfolio Distribution

3.1 The table below shows the position as at 31 March 2016. The target allocation shown is the strategy as agreed at the September 2014 meeting of the Committee, due to the then concerns over the Barings mandate, and subsequent postponement of the search for an additional Diversified Growth Fund manager, amended by the decision made at the meeting 1 March 2016 to equalise the target allocations for UK Equities and Global Equities at 26.25% each.

		31-Mar-15		31-Mar-16		Target Allocation	
Asset Class	**Manager**	**£M**	**%**	**£M**	**%**	**£M**	**%**
Bonds	(Several)	562.6	24.2%	524.1	23.0%	557.6	24.50%
UK Equities	(Several)	623.5	26.8%	584.2	25.7%	597.4	26.25%
Overseas Equities	(Several)	628.8	27.0%	625.6	27.5%	597.4	26.25%
Property	(CBREi)	228.8	9.8%	246.3	10.8%	227.6	10.00%
Absolute Return Funds	(Several)	8.3	0.4%	1.8	0.1%	-	0.00%
Infrastructure	(Several)	26.8	1.2%	29.0	1.3%	91.0	4.00%
Private Equity	(Several)	59.2	2.5%	65.4	2.9%	91.0	4.00%
Diversified Growth	(Barings)	111.6	4.8%	107.6	4.7%	113.8	5.00%
Cash	(Internal)	75.5	3.2%	91.8	4.0%	-	0.00%
Total		**2,325.0**	**100.0%**	**2,275.8**	**100.0%**	**2,275.8**	**100.0%**

3.2 The table above shows that in most asset classes the Fund’s allocation is now close to or slightly above target, with the exception of Private Equity and Infrastructure which will take a number of years to fully drawdown.

3.3 To show the impact of changes since the end of March, the table below shows the draft position as at the end of May.

		31-May-16		Target Allocation	
Asset Class	**Manager**	**£M**	**%**	**£M**	**%**
Bonds	(Several)	522.1	22.6%	564.9	24.50%
UK Equities	(Several)	627.1	27.2%	605.2	26.25%
Overseas Equities	(Several)	626.8	27.2%	605.2	26.25%
Property	(CBREi)	240.4	10.4%	230.6	10.00%
Absolute Return Funds	(Several)	0.9	0.0%	-	0.00%
Infrastructure	(Several)	57.7	2.5%	92.2	4.00%
Private Equity	(Several)	65.4	2.8%	92.2	4.00%
Diversified Growth	(Barings)	109.0	4.7%	115.3	5.00%
Cash	(Internal)	56.3	2.4%	-	0.00%
Total		**2,305.7**	**100.0%**	**2,305.7**	**100.0%**

3.4 The table shows that the decision taken at the last meeting to equalise the UK and Overseas equity exposures has proven successful. Although both are ahead of target weight, when the underweight in Private Equity is considered the position is broadly neutral.

3.5 The table also shows the increase in Infrastructure investment with the recent drawdown from IFM. The final point worth noting is the underweight position in the Bonds category. The make-up of this element of the portfolio needs to be de-constructed to analyse the position; the rlam Corporate Bond portfolio is valued at £291M or 12.6% of the Fund (against a target of 12.5%).

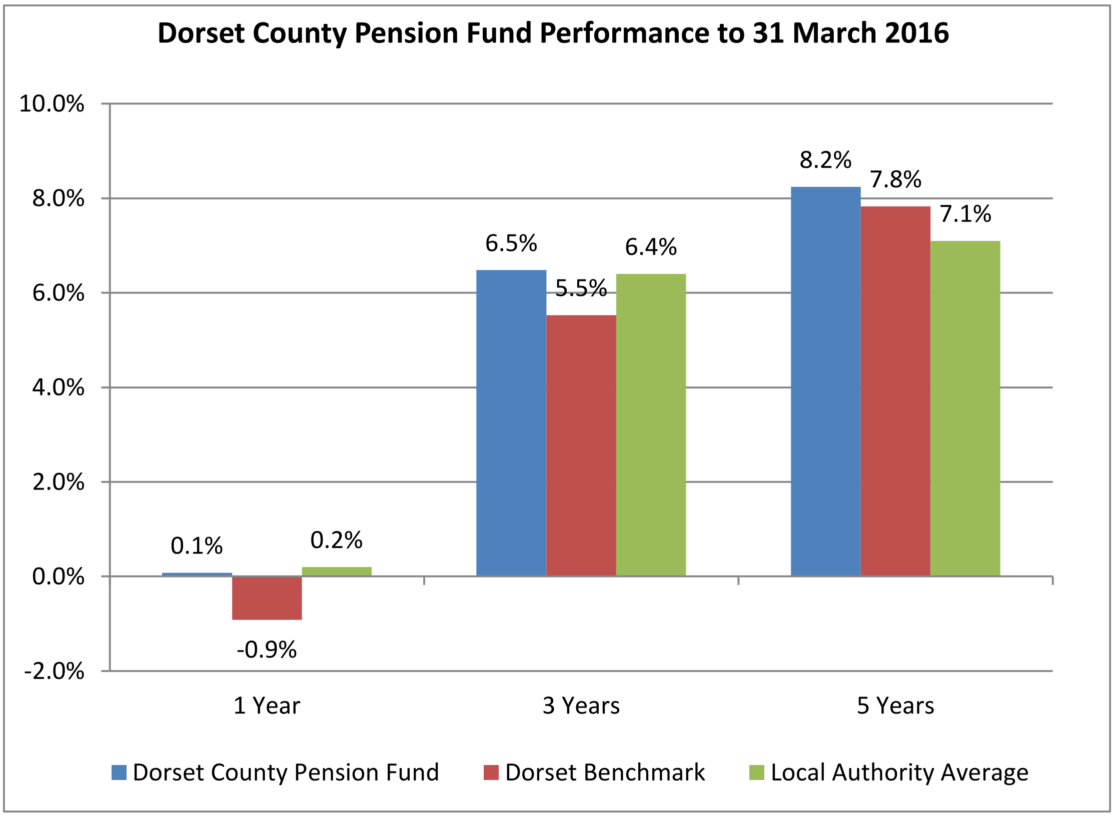
3.6 The Insight portfolio makes up the rest of the Bond portfolio and has fallen significantly in market value in the last 12 months. At the end of June 2015 it was valued at £291M and is now around £231M, or around 10% versus a target of 12%. Whilst the fall in value would not appear positive, in effect it means that the value of the Fund’s liabilities have also fallen by a similar proportion. Given the very different role that the Insight portfolio plays in the overall Fund, it is not necessarily appropriate to rebalance to a target weight when the value falls or rises, this is more of a strategic decision around the proportion of the Fund to be hedged. It is therefore suggested that this should be reviewed as part of the overall strategic review the Fund undertakes after receiving the results of the Actuarial Valuation.

4. Overall Fund Performance

4.1 The performance of the Fund for the twelve months to 31 March 2016 shows an overall return of 0.08%, an outperformance of the benchmark of -0.93% by 1.01%.

4.2 The Fund has exceeded its benchmark over 3 years, returning an annualised 6.48% against the benchmark of 5.53%, and over 5 years, returning an annualised 8.24% against the benchmark of 7.83%.

4.3 The chart below shows the overall performance for 1, 3 and 5 years against the Fund's bespoke benchmark, and the Local Authority average performance.



4.4 When considering the overall performance it is important to note the split between the "Return Seeking assets" and the "Liability Matching assets". Since the implementation of the strategic review in 2012, the Fund has held a proportion of the assets in an Inflation Hedging Strategy, managed by Insight. These assets are not held to add growth, but to match the movements in the Fund's liabilities. It is therefore important to consider that in normal circumstances, the benchmark movement of these assets is a proxy for the Fund's liabilities.

4.5 For the twelve months to 31 March 2016, Return Seeking assets have returned 2.04% against the benchmark of 1.30%. The Liability Matching assets have returned -13.89% against the benchmark of -13.89%. This strategy is intended to hedge against the impact of increasing pensions liabilities which are linked to, amongst other things; the consumer prices index (CPI). CPI cannot currently be hedged as there is not a sufficiently developed futures market, so the Dorset strategy targets the retail prices index (RPI) swaps market to act as a proxy for CPI which tends to be lower than RPI. The table below shows the overall performance of the Fund, but makes the distinction between the return seeking assets and the liability matching assets.

		12 Months to 31 March 2016		
Asset Category	Manager	Dorset %	Benchmark %	Over/(Under) %
Overall Fund Performance	**All**	**0.08**	**-0.93**	**1.01**
Total Return Seeking Assets	**Various**	**2.04**	**1.30**	**0.74**
UK Equities	(Various)	-2.93	-3.12	0.19
Overseas Equities	(Various)	-0.45	1.86	-2.31
Bonds	(RLAM)	-0.11	0.05	-0.16
Property	(CBREi)	12.44	11.27	1.17
Private Equity	(Various)	23.22	-2.39	25.61
Diversified Growth	(Barings)	-3.62	4.61	-8.23
Infrastructure	(Various)	12.78	9.98	2.80
Total Liability Matching Assets		**-13.89**	**-13.89**	**0.00**
Bonds	(Insight)	-13.89	-13.89	0.00

4.6 In relative terms each asset class has outperformed its own benchmark over the twelve month period with the only exceptions being Diversified Growth, Bonds and Overseas Equities. It is a positive sign that, despite the negative absolute returns in a number of asset classes, the Dorset fund managers have been successful in "riding the storm". Whilst the Diversified Growth Fund manager has suffered, it is to be expected in an asset class that is benchmarked against cash, in times of falling global markets, however it is a little disappointing that it has also underperformed equities.

4.7 In considering the performance of the Fund as a whole, there are two main areas that explain where the performance is being generated. These are the asset allocation (market contribution) of the Fund and within those allocations the stock selection (selection contribution) choices that have been made. The stock selection element is a measure of the fund managers' ability to outperform their benchmark. The asset allocation is the effect of decisions to change the weighting of the different asset classes within the Fund.

4.8 The HSBC performance report, contained at Appendix 3, gives an attribution analysis of the performance for the year to date on pages 6 and 7. This analysis shows that the market contribution had a negative effect of 163bps against the benchmark and stock selection was positive by 14bps. Return seeking assets had an overall positive contribution of 112bps mainly driven by UK equities (12bps), total cash (27bps) and private equity (71bps).

5. Manager Progress

Diversified Growth

5.1 The Diversified Growth allocation was mandated to Barings on 30 March 2012. Diversified Growth Funds are designed to give fund managers total discretion over how and where they invest which means that the portfolio holds a wide range of investments against a diverse range of asset classes. The Barings fund seeks to achieve out performance against a cash benchmark by focussing on asset allocation decisions. This fund targets equity like returns with about 70% of the equity risk.

5.2 The performance for Barings for the twelve months to 31 March 2016 is summarised below.

	Market Value at 1 April 2015	Market Value at 31 March 2016	12 months to 31 March 2016	
	£000s	£000s	Performance %	Benchmark %
Barings	111,640	107,588	-3.62	4.61

5.3 Over the twelve months the Fund delivered a 3.62% negative return, against the benchmark of 4.61%. The fund manager comments that in general, equity markets were the source of losses for the portfolio. While our allocations had little direct exposure to the banking system, thus avoiding the main source of losses, exposures to both Europe and Japan affected performance. As mentioned earlier in the report and underperformance against a cash benchmark is not surprising, but a small underperformance against equities is a little disappointing.

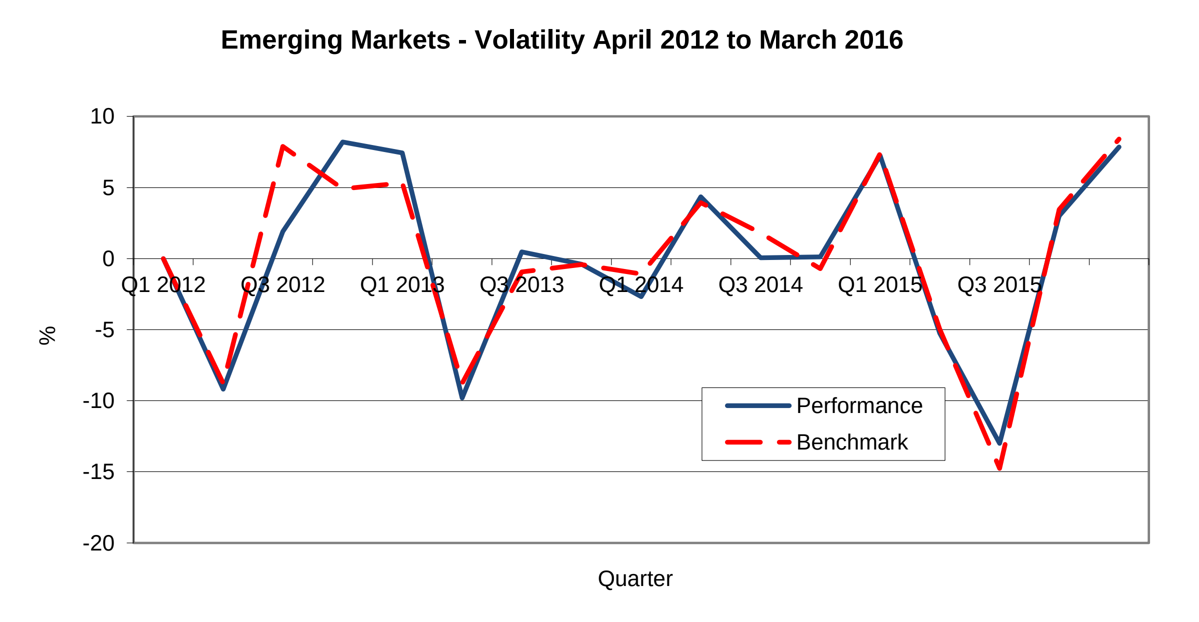
<u>Emerging Market Equity</u>

5.4 The performance of JP Morgan is summarised below.

	Value at 1 April 2015	Market Value at 31 March 2016	12 months to 31 March 2016	
	£000s	£000s	Performance %	Benchmark %
JPM	71,205	65,186	-8.44	-8.78

5.5 The return of -8.44% for the twelve months to 31 March 2016 was above the benchmark of -8.78% by 0.34%. The fund manager comments that the performance was positive in the quarter, but this bellies a significant amount of volatility, with asset class witnessing a double digit fall in the first three weeks of the quarter, before rallying sharply through March. After an awful start to the year driven by concerns of falling global economic activity, the Federal Reserve tightening amid a slowing US economy, the Chinese renminbi decline and further collapse in oil prices led to policy makers starting to acknowledge the economic slowdown and the possibility of more monetary easing.

5.6 Emerging market equities are seen as the asset class which will offer the most growth over the medium term, albeit with high levels of volatility. The chart below shows the differences in quarterly performance since inception and highlights the volatility of the performance to date alongside the benchmark.



Private Equity

5.7 The Fund has committed to investing with Harbour Vest and Standard Life in their Private Equity Fund of Funds. Private Equity is an area that takes several years for commitments to be fully invested, and the table below shows the position as at 31 March 2016.

5.8 The table shows the commitment Dorset has made to each fund in Euros and US Dollars, the draw-downs that have taken place to date and the percentage of the total drawdown against Dorset's commitment. It also shows the funds that have been returned to the Dorset Fund, the valuation as at 31 March 2016 and the total gains or losses, which includes the distribution plus the latest valuation.

Manager/Fund	**Commitment**	**Drawdown**	**% of Commitment**	**Distribution**	**Valuation**	**Gain/(Loss)**
	€m	**€m**		**€m**	**€m**	**€m**
HV Partnership V	12.000	11.400	95%	10.830	6.130	5.560
HV Direct V	3.000	2.880	96%	3.081	0.996	1.197
SL 2006	22.000	19.809	90%	17.276	9.043	6.511
SL 2008	17.000	13.652	80%	5.295	11.558	3.201
	$m	**$m**		**$m**	**$m**	**$m**
HV Venture VIII	15.200	14.820	98%	11.761	13.227	10.169
HV Buyout VIII	22.800	20.862	92%	18.522	13.316	10.976
HV Buyout IX	15.000	7.988	53%	1.909	7.677	1.598
HV Partnership VII (AIF)	20.000	3.950	20%	0.295	3.810	0.156
HV Venture IX	10.000	7.350	74%	1.604	8.561	2.816
SL SOF I	16.000	8.473	53%	0.580	9.085	1.192
SL SOF II	20.000	5.187	26%	0.000	6.383	1.195
HV X AIF	10.000	0.250	3%	0.000	0.235	-0.015
HV X AIF	5.000	0.175	4%	0.000	0.156	-0.019

5.9 For the twelve months to 31 March 2016 total drawdowns have been £13.9M and total distributions £19.7M. In order to meet the target allocation, there is a requirement to keep committing to Private Equity funds, and officers are in regular discussions with HarbourVest and SL Capital to identify further opportunities.

5.10 Private Equity is a long term investment and as such the performance should be reviewed over the longer term. The benchmark used for this fund is the FTSE All Share index. The table below shows the performance over 3 and 5 years against the benchmark. Both managers are showing strong performance over both periods, which is pleasing. The difference between the two sets of performance is largely due to HarbourVest investing mainly in US dollars and Standard Life mainly in Euros.

Private Equity Overall Performance

	3 Years to 31 Mar 2016		**5 Years to 31 Mar 2016**	
Manager	**Dorset**	**Benchmark**	**Dorset**	**Benchmark**
	%	**%**	**%**	**%**
HarbourVest	16.57	3.67	16.12	5.69
Standard Life	11.75	3.67	11.31	5.69

6. Treasury Management

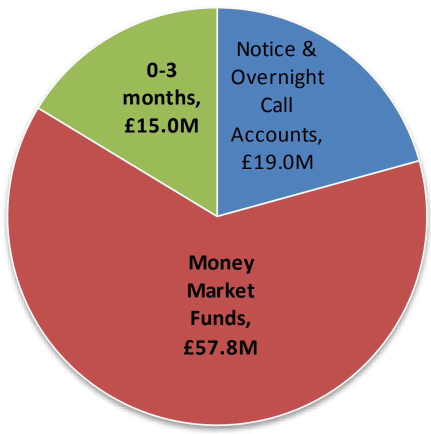
6.1 The Fund generates cash flows throughout the year which need to be managed. The Fund therefore holds a proportion of cash that is invested in call accounts, money market funds and fixed term deposits. A breakdown of the balances held internally as at 31 March 2016 is shown in the table below. Relatively small cash balances are also held in the custodian bank account at HSBC and in a property rent collection account where a float is required for working capital purposes.

6.2 Since the financial crisis of 2008-09, there has been a significant reduction in the number of countries and financial institutions that are deemed safe for investments. The Council's treasury management advisers, Capita, have advised that cash balances can be invested for more than 3 months in the big four UK banking groups – Barclays, HSBC, Lloyds and RBS. The majority of cash continues to be lent for less than 3 months in UK institutions to ensure that the money is both secure and liquid, and so it is available for distribution. For further details, please see the annual Treasury Management report on this agenda.

6.3 In terms of performance, the weighted average yield continues to reduce as higher return investments mature and have to be replaced with lower rate ones. Internally managed cash returned 0.57% over the twelve months, which is ahead of the benchmark, as measured by the 7 day LIBID, at 0.37% for the same period. These low market rates have broadly been caused by the funding for lending scheme and Bank of England restrictions on how banks have to treat liquid deposits.

Lender/Borrower	Amount £000s	Rate %
Fixed Term Deposits		
Smitomo Mitsui Corp	10,000	0.73%
Smitomo Mitsui Corp	5,000	0.73%
Total Loans	15,000	0.73%
Call Accounts		
National Westminster Bank	807	0.25%
Svenska Handelsbanken	6,600	0.45%
Santander UK Plc 120 Day Notice	5,000	1.05%
Santander UK Plc 180 Day Notice	5,000	1.15%
Total Call Accounts	17,407	0.81%
Money Market Funds		
Standard Life	12,800	0.50%
Deutsche	15,000	0.51%
BNP Paribas	15,000	0.52%
Federated Prime Rate	15,000	0.53%
Total Money Market Funds	57,800	0.52%
Holding Accounts		
HSBC Custodian Account	680	0.00%
Property Client Account	942	0.00%
Total Holding Accounts	1,622	0.00%
Total Cash / Average Return	**91,829**	**0.60%**

Duration of Investments



7. Property investment – Cambridge Science Park

7.1 At previous meetings of the Committee the potential to redevelop the property at Cambridge Science Park was discussed and it was agreed that CBREi could progress with the project and seek to gain the necessary planning permission. All planning permissions have now been granted and CBREi have recommended that the Fund undertakes the development.

7.2 To enable the development to proceed promptly it was not possible to wait for this meeting to reach a decision so a detailed paper was circulated to all Committee members by email, together with a short summary of the proposals. A summary is attached at Appendix 4.

7.3 Members approval was sought to commence on the development project that will take around 18 months to complete, and will cost around £14M. The proposal explained the risks of the transaction, and how the Fund could mitigate these. One of the biggest risks would be the potential to let the newly developed building, however this is removed with a tenant already in place.

7.4 An additional issue that was considered was the proportion that Property makes up of the total Fund. The table at paragraph 3.3 shows that Property is currently 10.4%, or around £10M over target. By the end of the construction, this is likely to rise, dependent on values of other elements of the Fund; on current values it would be around 11%. Whilst this higher than target it is not a significant concern, particularly in light of the potential return against other asset classes. It should, however be kept under review.

7.5 After consideration of the issues members of the Committee unanimously agreed to the proposals, and CBREi have been instructed to proceed.

8. Asset Allocation

8.1 At the meeting of the committee 1 March 2016 it was agreed to terminate the UK Equities mandate with Standard Life, and to reinvest the proceeds, together with a further £35 Million from cash balances, with AXA and the internally managed portfolio. Legal and General Investment Management (LGIM) were appointed to manage the transition which was successfully concluded 29 April 2016.

8.2 It was also agreed to invest a further £15 Million with Insight, the Fund's inflation hedging manager, subject to resolving a couple of outstanding issues. These issues have now been resolved and therefore the allocation to Insight will be made shortly from cash balances.

8.3 At the last meeting, members were informed that a number of the Fund's employers opted to pay the employer's element of their monthly contributions for 2016/17 up front on 1 April 2016, receiving a small discount in the contribution rate for doing so, as agreed by the Fund's actuary. The total upfront payments were £26 Million, which have been invested in line with strategy early in April. However, the counterpoint to this is that the cash-flows will be reduced during the year.

8.4 As mentioned in paragraph 2.2 the infrastructure investment managed by IFM issued a drawdown notice for £29M on 1st April, this was the first amount to be called by IFM and is nearly 60% of the total commitment.

8.5 After the transactions that have taken place in the last couple of months, when considering allocating cash it is important to look at any predicted inflow/outflows of cash over the next 3/6 months, to ensure that the appropriate balance is maintained. Through conversations with the Fund's infrastructure managers it has been identified that it is likely that around £35 Million will be drawn down by the end of September and therefore the Fund will need to maintain appropriate balances to fund this. The construction costs of £14 Million for Cambridge Science Park over the next 18 months also need to be allowed for.

8.6 Given the issues highlighted above the current cash-flow projections are showing that the Fund may well need additional income later in 2016/17. It is therefore appropriate to consider how the Fund may boost its cash-flow. The simplest way would be to instruct the Corporate Bond and Global Equity managers to start returning dividend income to the Fund, rather than the current practice of re-investing it. In total these investments currently generate around £20 - £25 Million per annum, which would easily cover any potential shortfall.

8.7 Each of the managers concerned has been consulted and it is a solution that could be initiated quite simply, and quickly. Given that the Actuarial Valuation results are due in the next 6 months, and these will drive Employers' contributions for the 3 years commencing 1 April 2017, it would not be sensible to put in place a long term solution without knowing the impact of these. It is worth remembering that there was always a chance that this position would arise when it was agreed that the employers' could pay their deficit contributions for three years up-front in April 2014.

8.8 It is therefore proposed that the Fund Administrator and the internal team monitor the cash-flow for the remainder of the calendar year, and implement the proposed return of income from the fund managers if it becomes necessary.

Richard Bates
Pension Fund Administrator
June 2016

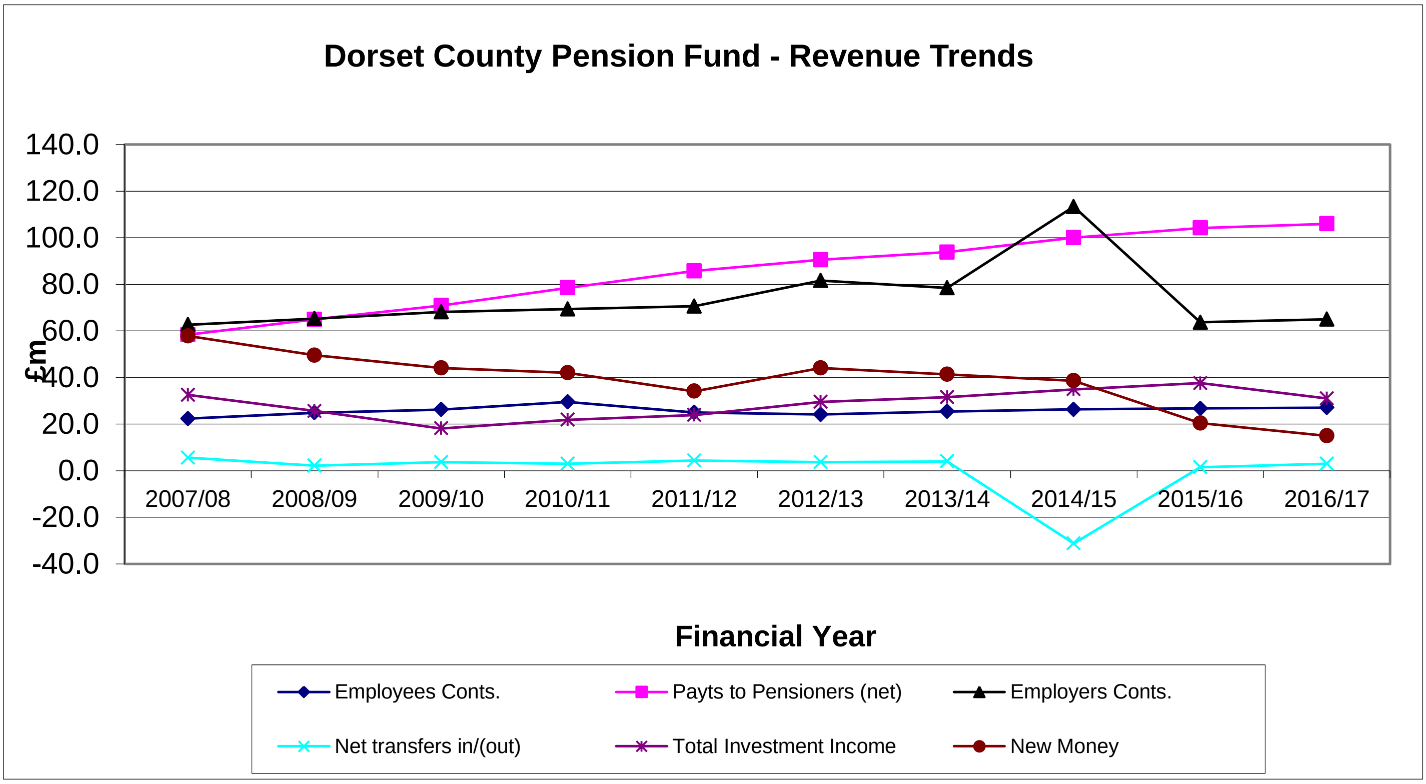
This page is intentionally left blank

Appendix 1

BUDGET MONITORING

	Actual 2013/14 £'000	Actual 2014/15 £'000	Actual 2015/16 £'000	Estimate 2016/17 £'000
INCOME:				
Employers' Contributions	78,500	113,400	63,700	65,000
Employees' Contributions	25,400	26,300	26,700	27,000
Transfer Values (net)	4,000	3,200	1,500	3,000
Investment Income	31,600	34,900	37,600	31,000
TOTAL INCOME:	**139,500**	**177,800**	**129,500**	**126,000**
EXPENDITURE:				
Net Management Expenses	4,300	4,800	4,900	5,000
Payments to Pensioners (net)	93,800	100,000	104,200	106,000
Transfer of Probation Service to Gtr Manchester		34,400	0	0
TOTAL EXPENDITURE:	**98,100**	**139,200**	**109,100**	**111,000**
NET SURPLUS FOR THE YEAR	**41,400**	**38,600**	**20,400**	**15,000**

REVENUE TRENDS & FORECASTS



This page is intentionally left blank

REPORT PREPARED FOR

Dorset County Pension Fund

Pension Fund Investment Committee

Investment Outlook

July 2016

Alan Saunders
AllenbridgeEpic Investment Advisers Limited (Allenbridge)

alan.saunders@allenbridge.com
www.allenbridge.com

Investment Outlook

The first quarter started badly for equities and risk assets as evidence of a weakening in global growth at the end of 2015 came through. Encouraged by accommodating moves or guidance from the central banks and by better data, markets bounced back late February so that the US and UK finished the quarter in positive territory. With their weaker economic background, both Japan and Europe finished in the red but the star performer was emerging markets which rebounded strongly on the back of a weaker dollar and strengthening commodity prices, notably oil of course. Best returns from the quarter came though from gilts as yields fell sharply, causing more problems for pension fund deficits while corporate bonds saw spreads widening a little.

Now we are well in to the second quarter, sentiment has settled down but markets are really trendless at present. There is a more relaxed view on global growth while the Fed continues to take a dovish line on future interest rate rises. The risks to the outlook are obvious, Brexit in the short term and the unpredictable US election in the medium term while China and a growing support for protectionism or competitive devaluation appear longer term challenges.

The outlook for risk assets is not exciting therefore and this is unsurprising as we have had a long period of market recovery since the last bear market. Markets have run ahead of earnings so valuations do not offer much support while government bond yields are too low for comfort. Markets are not pricing in a shock from any of the above risk factors so cautions should be the order of the day. Stronger global growth is what we need at present but does not seem likely.

Economy

Globally, we seem still to be stuck in secular stagnation with moderate growth and weak inflation numbers. The US like the UK is growing around 2% and generating strong employment growth, the corollary of which is weak productivity growth. Inflation in the US appears to be picking up towards 2% and the FED would normally be moving towards its second rate increase but it is holding off. External factors are having an effect here with a weaker dollar potentially threatening the modest recovery in emerging markets. Bond markets in the US are not pricing in a move in the short term so a rate increase could provide an upset.

In the UK, the economy appears to have slowed in Q1 as companies defer decisions because of the referendum. Sterling weakened sharply but recovered some of the losses in the current quarter. While the polls suggest a narrow victory for the Remain camp, the economic risks are on the downside if the vote goes the other way. Short term, the consensus suggests a slowdown which could tip into recession while longer term, the period of protracted uncertainty while we extricate ourselves from treaty obligations and seek alternative trading arrangements would suggest a period of slow growth at best. A particular difficulty will be establishing access for exports from the service sector which accounts for half our exports.

In the UK, this backdrop suggests the BoE will hold off this year on raising interest rates. If the referendum vote goes against the government, it will face some policy dilemmas. The expectation is that sterling will weaken considerably, more against the dollar than the euro which would suggest a rate rise to counter the inflation risk. If the economy is weakening though, such a move could exacerbate the downside risk so they may hold off for a while.

Brexit of course poses a risk to the European economy as well. While Germany has grown steadily during recent years, other economies drag overall GNP growth down to the 1.5% level but there are some green shoots of recovery coming through in France and Italy. The ECB is of course on a major quantitative easing programme and is now buying corporate bonds as well as government bonds while offering negative interest rates on bank deposits with the central bank to encourage credit growth. At the same time, despite German protests, governments are being given more time to bring fiscal deficits down to below 3% of GNP.

Japan remains caught in deflation despite the efforts of simulative monetary and fiscal policy and the consequent weakening of the Yen. Part of Japan's problem is of course demographics with a declining work force capping potential GNP growth. Emerging markets are coming off the bottom. Their currencies bounced back in Q1 though are now giving up some ground. With the oil price back to $50/ bbl and recovery in iron ore and copper prices, the commodity story is not quite the disaster is has been. China too is trending around the 6.5% growth path the government is targeting with its latest round of accommodating monetary moves though the structural challenge of moving from an investment to a consumption economy seems far from resolution. As with developed markets, we have to accustom ourselves to slower growth from emerging markets than we grew accustomed to.

Markets

Long gilts produced a remarkable 8% return in Q1 and corporate bonds 3%, reflecting widening credit spreads. In contrast, UK equities were slightly negative. Sterling weakness softened the impact of weakness in Europe and Japan but emerging markets returned 8% in sterling terms, half of which came from currency gains. Property produced a subdued 1% return. As so often, the quarter was a story of risk off, risk on with no clear trend.

A major problem for equities is the corporate earnings picture. Global earnings, heavily weighted by US corporations, have been negative for twelve months and estimates are still being revised downward. Partly, this reflects the down-drag of the energy and resource sectors which have held the UK market back but these negative numbers will begin to drop out of the equation. Valuations really price in earnings recovery with global price/earnings at 19.0 and price/book at 2.1.

Sluggish macroeconomic forecasts suggest weak top line sales growth and limited margin improvement except for recovery stocks and value plays. Quality growth stocks with dividend paying capacity have been the place to be for the last few years but at some stage value stocks will take over. Likewise, we should expect to see emerging markets outperform developed markets at some stage, continuing the theme of the first quarter, but it seems a little early to anticipate that. Developments in Brazil lend hope to improved governance in a major economy while India continues to do well but China remains the key.

With 10-year gilt yields around the 1.5% level, gilts continue to disappoint those expecting mean reversion which would imply yields moving back to some 3%. Likewise with index linked gilts where real yields remain negative unlike in the US. Pension fund demand to hedge liabilities prevents the yield curve rising though the muted response of inflation to sterling weakness has not provided much fundamental reason for selling gilts. Corporate bonds should outperform gilts as spreads narrow in but returns will be muted. Increasingly, institutions are moving to non- sterling bonds or to alternative credit seeking to access the so-called illiquidity premium in such as high yield or private debt or even emerging market debt.

Finally, property continues to provide solid returns but after three years of double digit returns, we must expect to see single digit returns this year. Yields have little further to fall as we are at bull market levels in terms of price so much is dependent on rental income growth as well as running yield. Barring a Brexit vote, top of the market is expected to be next year.

Alternatives

The alternative credit investments mentioned above could be classified as alternative investments though we do not hold any currently.

We have two different types of alternative exposure at present. Our Diversified Growth manager times moves across markets according to short term tactical views and is judged as to how he produces returns over and above a cash benchmark. Hedge funds do a similar thing but at a greater fee and we no longer have exposure to them

The other category exploit an illiquidity premium as well as a skill premium. Private equity and infrastructure are both illiquid assets where we have to commit for a long time and where our allocations are drawn down over time. Private equity is a geared equity play where we should expect higher returns over time than quoted equities while infrastructure is also a long term investment where we are attempting to achieve a positive return in real terms. To the extent that infrastructure assets returns are inflation linked, we could regard them as a quasi-liability hedging investment.

Asset Allocation

The above analysis suggest we cannot expect a very exciting return from our growth assets this year. In order to reduce the deficit over time, we need to produce asset returns in excess of the liability returns set by the actuary .As we are not using a gilts plus benchmark, this can be done only by management alpha, by tactical asset allocation or by introducing new asset classes. This will be the subject of a strategy review after the valuation is complete.

We are of course also hedging the volatility in our liabilities caused by the risk of inflation exceeding the assumption made by the actuary on future inflation. To date, we have hedged some 20-25% of that inflation risk but have put further progress on hold following the upwards revision to liabilities following the last valuation. Restructuring the existing hedge to allow for the longer duration of the liabilities will get a better match and will also serve to reduce the leverage of the size of the hedge versus the capital we have allocated to LDI. This is necessary to ensure we do not need to access extra collateral from our growth assets in the event of a sharp fall in inflation. While welcome in terms of reducing future liabilities, such a fall would require us to post more collateral on the swaps that represent our hedges.

For further information, please contact Alan Saunders on 0207 079 1000 or at alan.saunders@allenbridge.com.

This page is intentionally left blank

Dorset County Pension Fund Total

01 Apr 2015 - 31 Mar 2016

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
TOTAL ASSETS	**2,325,040,739**	**-15,931,526**	**2,275,869,658**	**-33,239,556**	**31,596,271**	**0.08**
Total Return Seeking Assets	**2,048,580,463**	**-15,931,526**	**2,037,882,658**	**5,233,721**	**31,596,271**	**2.04**
Total Assets ex Hedging	2,048,580,463	4,300,999	2,037,882,658	-14,998,805	31,596,271	1.03
Total Equities	1,252,269,270	-2,768,625	1,204,486,152	-45,014,492	19,028,096	-1.98
UK	623,507,597	34,485,772	623,753,699	-34,239,670	15,491,284	-2.93
Dorset UK Internally Managed	401,418,226	-3,429,138	365,653,815	-32,335,273	15,412,835	-4.23
AXA Framlington UK Equity	108,712,914		107,991,777	-721,136		-0.66
Standard Life UK Equity Select Fund	78,504,102	-525,868	71,934,884	-6,043,351		-7.71
Schroders UK Small Cap Equity	34,872,355	-189,584	38,612,216	3,929,444		11.26
Allianz UK		14,195,570	14,278,804	83,234	1,475	3.07
Investec UK		11,459,713	12,862,096	1,402,382	76,975	19.10
Wellington UK		12,975,078	12,420,107	-554,971		-1.41
Overseas Equities	628,761,673	-37,254,398	580,732,453	-10,774,822	3,536,812	-0.45
North America	371,909,234	-17,874,899	358,738,949	4,704,614	2,136,956	2.53
Pictet North America	226,665,662	-220,277,207		-6,388,455	807,958	-2.22
Janus Intech US Equity	145,243,572	-147,620,036		2,376,463		3.10
Allianz North America		138,993,900	143,553,644	4,559,744	128,146	3.84
Investec North America		99,410,539	99,497,174	86,635	635,088	1.53
Wellington North America		111,617,905	115,688,131	4,070,226	565,764	5.96
Europe ex UK	107,618,148	-12,442,930	88,289,672	-6,885,546	1,001,938	-4.69
Pictet Europe ex UK	107,618,148	-103,655,638		-3,962,509	909,970	-2.92
Allianz Europe Ex UK		39,588,395	40,437,255	848,860	15,710	5.45
Investec Europe Ex UK		27,672,811	27,742,121	69,310	66,139	2.75
Wellington Europe Ex UK		23,951,503	20,110,296	-3,841,207	10,119	-14.87
Japan	57,331,352	-10,898,866	44,447,325	-1,985,161	333,433	-0.20
Pictet Japan Equity	57,331,352	-56,169,277		-1,162,075	46,177	1.68
Allianz Japan		19,986,901	19,747,236	-239,665	40,836	3.55
Investec Japan		12,746,772	12,536,971	-209,802	240,511	5.86
Wellington Japan		12,536,738	12,163,119	-373,619	5,909	-0.98
Pacific ex Japan	20,698,276	-3,334,931	16,641,368	-721,977	55,172	5.62

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
Pictet Pacific ex Japan	20,698,276	-18,502,421		-2,195,855	22,444	22.88
Allianz Pacific ex Japan		4,729,050	5,543,736	814,686		22.72
Investec Pacific ex Japan		7,400,226	7,474,355	74,130	24,395	5.13
Wellington Pacific ex Japan		3,038,214	3,623,277	585,063	8,333	31.04
Emerging Markets	71,204,662	7,297,228	72,615,139	-5,886,751	9,313	-8.91
JP Morgan Global Emerging Markets	71,204,662		65,185,698	-6,018,964		-8.44
Allianz Emerging Markets		1,704,022	1,594,498	-109,524		-3.43
Investec Emerging Markets		4,379,315	4,507,045	127,730	9,313	2.37
Wellington Emerging Markets		1,213,891	1,327,898	114,007		16.55
Total Bonds	286,132,625	1,119,610	286,117,469	-1,134,766	838,153	-0.11
Royal London Bonds	286,132,625	1,119,610	286,117,469	-1,134,766	838,153	-0.11
Total Property	228,774,054	3,451,548	246,330,128	14,104,526	11,278,258	12.44
ING Property	228,774,054	3,451,548	246,330,128	14,104,526	11,278,258	12.44
Total Cash	75,524,281	16,570,504	97,115,759	5,020,974	451,764	5.52
Total Hedge Funds	8,327,242	-6,292,747	1,782,809	-251,686		-6.37
Gottex Hedge Fund	1,960,675	-1,308,220	955,884	303,428		28.84
Pioneer Hedge Fund	1,549,332	-356,760	815,489	-377,082		-29.14
IAM (Hedged)	4,817,235	-4,627,766	11,437	-178,032		-41.64
IAM Hedge Fund	4,817,235	-4,627,766	11,437	-178,032		-41.64
Private Equity	59,156,020	-6,740,327	65,432,306	13,016,613		23.22
HarbourVest	34,570,876	-4,029,601	38,337,441	7,796,166		23.71
Standard Life Private Equity	24,585,144	-2,710,726	27,094,865	5,220,446		22.35
Diversified Growth Fund	111,639,571		107,587,835	-4,051,736		-3.62
Baring Dynamic Asset Allocation Fund	111,639,571		107,587,835	-4,051,736		-3.62
Infrastructure	26,757,401	-1,038,964	29,030,200	3,311,764		12.78
Hermes	26,757,401	-1,038,964	29,030,200	3,311,764		12.78
Total Currency Hedging	0	-20,232,525	0	20,232,525		�
Total Matching Assets	**276,460,276**		**237,986,999**	**-38,473,276**		**-13.89**
Insight Liability Fund	276,460,276		237,986,999	-38,473,276		-13.89

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return

All periods > 1 year have been annualised.

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
TOTAL ASSETS	**100.00**	**100.00**	**100.00**	**100.00**	**-2.41**	**-0.94**	**0.08**	**-0.93**
Total Return Seeking Assets	**88.11**	**88.00**	**89.54**	**88.00**	**-0.81**	**1.30**	**2.04**	**1.30**
Total Assets ex Hedging	88.11	88.00	89.54	88.00	-1.79	1.30	1.03	1.30
Total Equities	53.86	52.50	52.92	52.50	-6.62	-1.02	-1.98	-0.90
UK	26.82	27.50	27.41	27.50	-3.12	-3.12	-2.93	-3.12
Dorset UK Internally Managed	17.26	18.50	16.07	18.50	-4.23	-4.11	-4.23	-4.11
AXA Framlington UK Equity	4.68	3.75	4.75	3.75	-0.66	-3.91	-0.66	-3.91
Standard Life UK Equity Select Fund	3.38	3.75	3.16	3.75	-7.71	-1.65	-7.71	-1.65
Schroders UK Small Cap Equity	1.50	1.50	1.70	1.50	11.26	5.85	11.26	5.85
Allianz UK			0.63		3.07		3.07	
Investec UK			0.57		5.80		19.10	
Wellington UK			0.55		-1.50		-1.41	
Overseas Equities	27.04	25.00	25.52	25.00	-10.55	0.86	-0.45	1.86
North America	16.00	14.00	15.76	14.00	0.37	4.41	2.53	5.03
Pictet North America	9.75	9.00		9.00	2.20	5.99	-2.22	3.28
Janus Intech US Equity	6.25	5.00		5.00	2.38	1.78	3.10	5.11
Allianz North America			6.31		-1.80		3.84	
Investec North America			4.37		-3.73		1.53	
Wellington North America			5.08		4.16		5.96	
Europe ex UK	4.63	5.00	3.88	5.00	-45.87	-3.46	-4.69	-1.05
Pictet Europe ex UK	4.63	5.00		5.00	-12.84	-3.46	-2.92	-1.05
Allianz Europe Ex UK			1.78		-4.11		5.45	
Investec Europe Ex UK			1.22		-56.58		2.75	
Wellington Europe Ex UK			0.88		-96.96		-14.87	
Japan	2.47	2.00	1.95	2.00	-7.54	4.33	-0.20	2.01
Pictet Japan Equity	2.47	2.00		2.00	3.93	4.33	1.68	2.01
Allianz Japan			0.87		-11.38		3.55	
Investec Japan			0.55		-4.01		5.86	
Wellington Japan			0.53		-12.28		-0.98	
Pacific ex Japan	0.89	1.00	0.73	1.00	-58.63	-10.40	5.62	-8.27

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Pictet Pacific ex Japan	0.89	1.00		1.00	8.08	-10.40	22.88	-8.27
Allianz Pacific ex Japan			0.24		7.68		22.72	
Investec Pacific ex Japan			0.33		-95.98		5.13	
Wellington Pacific ex Japan			0.16		-48.98		31.04	
Emerging Markets	3.06	3.00	3.19	3.00	-10.83	-7.34	-8.91	-8.78
JP Morgan Global Emerging Markets	3.06	3.00	2.86	3.00	-8.44	-7.34	-8.44	-8.78
Allianz Emerging Markets			0.07		-11.03		-3.43	
Investec Emerging Markets			0.20		1.02		2.37	
Wellington Emerging Markets			0.06		-100.00		16.55	
Total Bonds	12.31	12.50	12.57	12.50	-0.11	0.05	-0.11	0.05
Royal London Bonds	12.31	12.50	12.57	12.50	-0.11	0.05	-0.11	0.05
Total Property	9.84	10.00	10.82	10.00	12.44	11.27	12.44	11.27
ING Property	9.84	10.00	10.82	10.00	12.44	11.27	12.44	11.27
Total Cash	3.25		4.27		5.52		5.52	
Total Hedge Funds	0.36	0.00	0.08	0.00	-9.21	6.51	-6.37	6.51
Gottex Hedge Fund	0.08	0.00	0.04	0.00	28.84	5.64	28.84	5.64
Pioneer Hedge Fund	0.07		0.04		-31.38	6.71	-29.14	6.71
IAM (Hedged)	0.21	0.00	0.00	0.00	-41.64	7.38	-41.64	7.38
IAM Hedge Fund	0.21	0.00	0.00	0.00	-41.64	7.38	-41.64	7.38
Private Equity	2.54	4.00	2.88	4.00	20.50	-2.39	23.22	-2.39
HarbourVest	1.49	2.00	1.68	2.00	19.07	-1.65	23.71	-1.65
Standard Life Private Equity	1.06	2.00	1.19	2.00	22.35	-3.91	22.35	-3.91
Diversified Growth Fund	4.80	5.00	4.73	5.00	-3.62	4.61	-3.62	4.61
Baring Dynamic Asset Allocation Fund	4.80	5.00	4.73	5.00	-3.62	4.61	-3.62	4.61
Infrastructure	1.15	4.00	1.28	4.00	12.78	9.98	12.78	9.98
Hermes	1.15	2.00	1.28	2.00	12.78	9.98	12.78	9.98
IFM		2.00		2.00		9.98		9.98
Total Currency Hedging	0.00		0.00		�		�	
Total Matching Assets	**11.89**	**12.00**	**10.46**	**12.00**	**-13.89**	**-13.89**	**-13.89**	**-13.89**
Insight Liability Fund	11.89	12.00	10.46	12.00	-13.89	-13.89	-13.89	-13.89

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark

All periods > 1 year have been annualised.

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
TOTAL ASSETS	**2.55**	**-1.63**	**0.14**	**1.02**
Total Return Seeking Assets	**2.56**	**-1.53**	**0.14**	**1.12**
Total Assets ex Hedging	2.55	-2.39	0.14	0.24
Total Equities	2.50	-2.40	-0.18	-0.13
UK	0.04	0.18	-0.10	0.12
Dorset UK Internally Managed	-0.00	0.02	-0.02	0.00
AXA Framlington UK Equity	-0.00	-0.04	0.17	0.13
Standard Life UK Equity Select Fund	0.00	0.19	-0.33	-0.14
Schroders UK Small Cap Equity	-0.00	0.01	0.08	0.09
Allianz UK	-0.00	0.01		0.00
Investec UK	0.05	0.01		0.07
Wellington UK	-0.00	-0.02		-0.02
Overseas Equities	2.46	-2.57	-0.08	-0.25
North America	0.34	-0.35	-0.07	-0.08
Pictet North America	0.08	-0.35	-0.11	-0.38
Janus Intech US Equity	-0.14	-0.03	0.05	-0.12
Allianz North America	0.24	-0.04		0.20
Investec North America	0.15	-0.13		0.03
Wellington North America	0.00	0.19		0.20
Europe ex UK	1.48	-1.60	0.03	-0.12
Pictet Europe ex UK	-0.19	0.16	0.03	-0.01
Allianz Europe Ex UK	0.14	-0.10		0.04
Investec Europe Ex UK	0.63	-0.61		0.02
Wellington Europe Ex UK	0.91	-1.05		-0.15
Japan	0.15	-0.23	-0.00	-0.08
Pictet Japan Equity	-0.05	-0.01	-0.00	-0.06
Allianz Japan	0.10	-0.11		-0.01
Investec Japan	0.05	-0.04		0.01
Wellington Japan	0.04	-0.06		-0.02

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Pacific ex Japan	0.38	-0.33	0.02	0.07
Pictet Pacific ex Japan	-0.03	0.01	0.02	-0.01
Allianz Pacific ex Japan	0.02	0.01		0.04
Investec Pacific ex Japan	0.32	-0.30		0.01
Wellington Pacific ex Japan	0.08	-0.05		0.03
Emerging Markets	0.10	-0.05	-0.06	-0.01
JP Morgan Global Emerging Markets	0.04	0.00	-0.06	-0.01
Allianz Emerging Markets	0.00	-0.01		-0.00
Investec Emerging Markets	-0.00	0.01		0.00
Wellington Emerging Markets	0.06	-0.05		0.01
Total Bonds	-0.00	-0.03	-0.02	-0.06
Royal London Bonds	-0.00	-0.03	-0.02	-0.06
Total Property	-0.01	0.01	0.15	0.15
ING Property	-0.01	0.01	0.15	0.15
Total Cash	-0.01	0.28		0.27
Total Hedge Funds	0.00	-0.02	0.00	-0.01
Gottex Hedge Fund	0.00	0.00	0.01	0.01
Pioneer Hedge Fund	0.00	-0.02		-0.02
IAM (Hedged)	0.00	-0.00	-0.01	-0.01
IAM Hedge Fund	0.00	-0.00	-0.01	-0.01
Private Equity	0.07	0.07	0.57	0.71
HarbourVest	0.07	0.05	0.30	0.41
Standard Life Private Equity	-0.00	0.03	0.28	0.30
Diversified Growth Fund	0.00	-0.00	-0.42	-0.42
Baring Dynamic Asset Allocation Fund	0.00	-0.00	-0.42	-0.42
Infrastructure	-0.00	-0.30	0.03	-0.28
Hermes	-0.00	-0.09	0.03	-0.06
IFM	0.00	-0.22		-0.22
Total Currency Hedging	0.01	0.88		0.88

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Total Matching Assets	**-0.01**	**-0.09**	**-0.00**	**-0.10**
Insight Liability Fund	-0.01	-0.09	-0.00	-0.10

All periods > 1 year have been annualised.

This report is prepared solely for your use and reliance. This report is not to be reproduced or distributed to any third party without this disclaimer, except with the prior written consent of the issuer of this report. This report is not intended to serve as analysis, advice or recommendation in relation to the acquisition or disposal of any securities, and must not be relied upon as such. You should make decisions on the acquisition or disposal of any securities independently and seek expert advice as appropriate.

Rimes Technologies Limited/Thomson Financial Datastream/FTSE International/MSCI/JP Morgan/HFR

Index information in this report has been created using indices from the following sources:

Rimes Technologies Limited
Source: RIMES Technologies Limited

Thomson Financial Datastream
Source: Thomson Financial Datastream.

FTSE International Limited
Calculated with content provided by FTSE International Limited. Neither FTSE nor its licensors accept any responsibility for any errors or omissions in the content of the data.

MSCI
Copyright Morgan Stanley International Inc. All Rights Reserved.
Unpublished. PROPRIETARY TO MORGAN STANLEY CAPITAL INTERNATIONAL INC.
The information and data contained herein may be used solely for internal purposes and may not be distributed externally for any purpose or in any manner or form. Additionally such information and data may not be altered, modified or varied in any manner or form. The data and information contained in the report is provided on an "as is" basis and all warranties, including, without limitation, the implied warranties of merchantability and fitness for a particular purpose, are excluded by Morgan Stanley Capital International Inc. ("MSCI"). In no event shall MSCI be liable for any damages relating to the data and information contained herein, including, without limitation, damages resulting from any use of or reliance on such data or information.

JP Morgan
The assets invested on behalf of the Client (“The Fund(s)”) are not sponsored, endorsed, sold or promoted by J.P. Morgan Chase & Co. J.P. Morgan Chase & Co makes no representation or warranty, express or implied, to the owners of the Fund(s) or any members of the public regarding the advisability of investing in the Fund(s) particularly or the ability of the J.P. Morgan Global Index to track general bond market performance. J.P. Morgan Chase & Co's only relationship to HSBC Securities Services (“HSBC”) is the licensing of the J.P. Morgan Global Index which is determined, composed and calculated by J.P. Morgan Chase & Co without regard to HSBC or the Fund(s). J.P. Morgan Chase & Co has no obligation to take the needs of HSBC or the Fund(s) into consideration in determining, composing or calculating the J.P. Morgan Global Index. J.P. Morgan Chase & Co is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Fund(s) to be issued or in the determination or calculation of the equation by which the Fund(s) are to be converted into cash. J.P. Morgan Chase & Co has no obligation or liability in connection with the administration, marketing or trading of the Fund(s). J.P. Morgan Chase & Co does not guarantee the quality, accuracy and/or the completeness of the J. P. Morgan Global Index or any data included therein, or otherwise obtained by HSBC, owners of the Fund(s), or any other person or entity from the use of the J.P. Morgan Global Index in connection with the rights licensed hereunder or for any other use. J.P. Morgan Chase & Co makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability of fitness for a particular purpose or use with respect to the J.P. Morgan Global Index or any data included therein. Without limiting any of the foregoing, in no event shall J.P. Morgan Chase & Co have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

Merrill Lynch
The Merrill Lynch Indices are used with permission. Copyright Merrill Lynch, Pierce, Fenner & Smith Incorporated. All Rights Reserved.
The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch’s prior written approval.

Hedge Fund Research

Source: Hedge Fund Research, Inc. - www.hedgefundresearch.com

IPD

This portfolio has not been independently validated by IPD.

Barclays Capital

Indices and data are provided for informational purposes only. The indices are provided 'as is'. Barclays Capital expressly disclaims any responsibility or liability for any inaccuracies or inconsistencies in the data or indices.

Markit/iBoxx

Any information provided is on an 'as is' basis. Markit makes no warranty, expressed or implied, as to its accuracy, completeness or timeliness, or as to the results to be obtained by recipients, and shall not in any way be liable to any recipient for any inaccuracies, errors or omissions. Without limiting the foregoing, Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.

Third Floor
One New Change
London
EC4M 9AF

www.cbreglobalinvestors.com

May 2016

Summary of Capital Expenditure Request for Development at 270 Cambridge Science Park, Cambridge

Request

- This request seeks permission for circa £14.0m capital expenditure including fees required to develop a new car park and 40,000 sq ft office.

Portfolio Rationale for the Development

- The Dorset portfolio currently has limited risk over the next few years.
- As a relative mandate, in order to continue outperforming the benchmark, some element of risk is required.
- We recommend the development at Cambridge as a number of the key risks associated with development have been mitigated and therefore we believe the risk adjusted profit from the development is acceptable given the risks (highlighted below).
- This project is anticipated to be a key driver of performance for the portfolio over the next two years.

Background to Cambridge Science Park Project

- Purchased in November 2013 for £8.8m (6.85%).
- The business plan has been executed with planning granted for a 40,000 sq ft office building, and a car park deck to broadly maintain car parking ratios.
- A pre-let has been agreed but not yet signed, with a tenant who will relocate on practical completion of the new build.
- A lease regear and land acquisition with the freeholder, has been agreed but not yet signed.
- The freeholder will grant a new 125 year lease has been agreed over the land required for the new building and carpark deck.
- The terms of the lease on the existing building will remain as they currently are.

Outcome

- All documentation which is now all in an agreed form would be signed and completed immediately, these include:
  - Agreement for lease and lease with the tenant
  - Headlease restructure with freeholder
  - Construction contract with the contractor
  - Professional team construction documents
- The development would commence in October 2016 for an approximate 15 month build program.
- Practical completion of the building is expected January 2018

- Options regarding holding or selling either or both office buildings can be made at this stage.

- **Expected returns:**
    - Considered acceptable for a project of this nature

- **Key Risks:**
    - **Build Cost –** if these increase this will reduce profits from the project
    - **Yield –** if this increases this will reduce profit from the proposed project.

DORSET COUNTY PENSION FUND

UK Equity
Report for 6 months ending 31 March 2016

- Internal Managers Report
- Valuation Report
- Transaction Report

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 three active managers, AXA Framlington, Standard Life and Schroders as well as the internally managed passive fund. This was reduced to two active managers after the Standard Life mandate was terminated in April 2016. 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, which is maintained after the April 2016 change. Details of the combined portfolio (£584.2M at 31 March 2016) 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 31 March 2016, the FTSE All Share index was made up of 642 individual stocks ranging from Royal Dutch Shell Plc, the largest UK company (market value £134.6 Billion) down to the smallest in the index, Hansa Trust Plc (market value £29.4 Million). Direct investment is made in the largest 350 companies, which comprises 96.6% by value of the index. Investment in the smallest companies which make up 3.4% 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 major UK Equity markets rose in the six months to 31 March 2016. The best performing index was the FTSE Small Cap index which rose 2.6% (160 points), whilst the FTSE250 was the worst performing major UK index rising 1.5% (243 points). The FTSE100 rose 1.9% (113 points) over the same period. In comparison, there was mixed performance from the major world indices. The Dow Jones was the best performer rising 8.6% (1,400 points) whilst the Nikkei225 was the worst performer falling 3.6% (630 points).

4.2 Over the twelve month period, there was mixed performance from the major UK Equity markets. The FTSE Small Cap ex IT was the best performing index rising 5.9% (333 points) whilst the FTSE100 was the worst performing major UK index falling 8.8% (598 points). In comparison, all major world indices fell. The Dow Jones fell 0.5% (91 points) whilst the Shanghai Composite was the worst performer falling 19.9% (744 points) over the same period.

4.3 The FTSE100 reached a 2016 calendar year high on 30 March 2016 at 6,203.2, with help from the mining sector which rose 5.6% and confirmation that US rates would be raised more cautiously. On 11 February 2016 the FTSE100 was at its lowest level since 11 January 2010 amid continuing concerns about the slowdown in China's growth, while banking stocks were impacted by losses of Italian financial stocks. In February 2016, the Dow Jones closed at a six month low of 15,660.2. This was 16.9%

(2,652 points) lower than the all-time high on 19 May 2015 of 18,312.4.

Six Months to 31 March 2016

Country	Index	30/09/2015	31/03/2016	% Change
UK	FTSE100	6,061.6	6,174.9	1.9
UK	FTSE250	16,683.0	16,926.1	1.5
UK	FTSE350	3,384.7	3,445.4	1.8
UK	Small Cap	6,105.2	6,264.8	2.6
UK	Small Cap ex Investment Trusts	5,885.5	6,009.7	2.1
UK	All Share	3,335.9	3,395.2	1.8
Japan	Nikkei225	17,388.2	16,758.7	-3.6
US	Dow Jones	16,284.7	17,685.1	8.6
Hong Kong	Hang Seng	20,846.3	20,776.7	-0.3
France	Cac 40	4,455.3	4,385.1	-1.6
Germany	Dax	9,660.4	9,965.5	3.2
China	Shanghai Composite	3,052.8	3,003.9	-1.6

Twelve Months to 31 March 2016

Country	Index	31/03/2015	31/03/2016	% Change
UK	FTSE100	6,773.0	6,174.9	-8.8
UK	FTSE250	17,090.6	16,926.1	-1.0
UK	FTSE350	3,726.4	3,445.4	-7.5
UK	Small Cap	6,165.0	6,264.8	1.6
UK	Small Cap ex Investment Trusts	5,676.9	6,009.7	5.9
UK	All Share	3,663.6	3,395.2	-7.3
Japan	Nikkei225	19,207.0	16,758.7	-12.7
US	Dow Jones	17,776.1	17,685.1	-0.5
Hong Kong	Hang Seng	24,900.9	20,776.7	-16.6
France	Cac 40	5,033.6	4,385.1	-12.9
Germany	Dax	11,966.2	9,965.5	-16.7
China	Shanghai Composite	3,747.9	3,003.9	-19.9

5. Performance

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 %
30/06/15	-1.56	-1.72
30/09/15	-5.70	-5.79
31/12/15	3.87	4.00
31/03/16	-0.72	-0.38
Annual Total	-4.23	-4.11

Notes:

- The Dorset Fund has underperformed the benchmark over the twelve month period to 31 March 2016 by 0.12% which is within the allowed tolerances.

5.2 **TWELVE MONTHS TO 31 MARCH 2016**

	Market Values 31/03/2015 £M	Market Values 31/03/2016 £M	Performance %	Benchmark %	Benchmark Description
Internal	401.4	365.7	-4.23	-4.11	FTSE 350
AXA Framlington	108.7	108.0	-0.66	-3.91	All-Share
Standard Life	78.5	71.9	-7.71	-3.91	All-Share
Schroders	34.9	38.6	11.26	5.85	Small Cap*
Total	623.5	584.2	-2.93	4.61	

*FTSE Small Cap ex Investment Trusts

The figures for the whole UK equity portfolio show:

- The combined portfolio has outperformed its benchmark over the twelve month period by 0.19%.
- Two of the three active UK managers outperformed their benchmarks. Schroders and AXA Framlington outperformed their benchmarks by 5.41% and 3.25% respectively, whilst Standard Life underperformed its benchmark by 3.80% in the twelve month period to 31 March 2016.

THREE AND FIVE YEAR ANNUALISED PERFORMANCE

Manager	Three Years Performance %	Three Years Benchmark %	Five Years Performance %	Five Years Benchmark %
Internal	3.57	3.52	5.62	5.58
AXA Framlington	6.93	3.67	8.92	5.69
Standard Life	3.42	3.67	4.86	5.69
Schroders	14.10	12.31	13.52	12.61

The figures for the whole UK equity portfolio show:

- Over both the three and five year period the Internally Managed Fund has outperformed its benchmarks by 0.05% and 0.04% respectively, within its agreed tolerance.
- AXA Framlington outperformed their benchmark for both three and five years by 3.26% and 3.23% respectively. Standard Life underperformed both their benchmarks for the three year period by 0.25% and by 0.83% over the five year period. Schroders outperformed its benchmark over three years by 1.79% and 0.91% over five years.

5.3 The table below shows how the four UK Equity manager's valuations have changed over the year to 31 March 2016. All UK Managers valuations, with the exception of Standard Life have increased over the period to 31 March 2016.

MARKET VALUE OVER TWELVE MONTHS TO 31 MARCH 2016

Manager	Market Value 31/03/15	Market Value 31/03/16	Total % of UK Equity As At 31/03/15	Total % of UK Equity As At 31/03/16
	£M	£M	%	%
Internal	401.4	365.7	64.4	62.6
AXA Framlington	108.7	108.0	17.4	18.5
Standard Life	78.5	71.9	12.6	12.3
Schroders	34.9	38.6	5.6	6.6
Total	**623.5**	**584.2**	**100.0**	**100.0**

5.4 Each external manager's commentary is summarised below:

Schroders
4th Quarter 2015/16
Performance and Market Summary
During the 4th quarter, the Fund returned -0.2% against the Small Cap benchmark of -0.6%. Over the twelve month period the Fund returned 11.3% against its benchmark of 5.9%.The Small Cap indices underperformed the wider market as they lagged the sharp rise in mining and oil shares as these two sectors have a much higher weighting in the FTSE100. Dart Group was the main contributor as the company announced that it was trading ahead of expectations, while Internetq received a cash bid at a substantial premium to the current price. Dechra Pharmaceuticals, Photo-Me International and MJ Gleeson all announced positive results with double digit dividend increases. The main negatives to performance came from Avon Rubber over concerns about a slowdown in its index, while companies with domestic exposure such as Ted Baker and CLS Holding suffered concerns about whether Brexit may become a reality after the referendum.
Activity
New holdings included Imagination Technology Group, Bioventix, Sinclair Pharma, Blue Prism, Harwood Wealth and Tracsis. The holding is SDL was added to as were Conviviality and MP Evans. The total holding in Chesnara were sold whilst there were partial sales in Tyman and Rathbone Brothers.
Outlook and Strategy
The sharp increase in commodity share prices has seen them recover far faster than the underlying commodities but this area is expected to come under pressure in the next quarter. The introduction of the National Living Wage is going to be inflationary and companies are looking at increasing capital expenditure to compensate. Where these costs cannot be passed on, then profits are going to come under pressure. Concerns over the Brexit vote are leading to increased volatility in the market, especially in domestic focused stocks. Companies are being sought using the environment of low interest rates to make acquisitions to supplement organic growth. This is being well received in the market and it is a trend that is expected to continue. Organic growth will continue to be sought along with pricing power where possible and avoiding companies with too much debt because, in a deflationary environment, the latter can destroy the value of equity very quickly.

Standard Life
4th Quarter 2015/16
Performance
During the quarter, the Fund returned -0.2% against the FTSE All Share Index return of -0.4%. Over the year to 31 March 2016, the Fund returned -7.7% against the index return of -3.9%. A major positive for relative performance came from exposure to a number of commodity-related stocks, which recovered strongly over the quarter. The long held view was that the commodity sell off discounted the importance of basic and industrial materials in a still growing world. As a result, holdings in Glencore, Anglo

American, First Quantum, Hochschild and Lonmin all performed well as commodity prices staged a revival later in the quarter. Meanwhile, Mergers and Acquisitions activity proved positive for holdings in Premier Foods. McCormick, the owner of the Schwartz brand, bid for the owner of the Bisto and Mr Kipling brands. Nissin, the Japanese noodle producer, has also built a stake in the company. On the downside, positions in Royal Bank of Scotland and Barclays struggled as the cost of regulatory compliance, internal restructuring and lower-for-longer interest rates weighed on growth and profitability. Airline operators Flybe and IAG (the owner of the British Airways and Iberia brands) were weak given heightened security concerns following the terrorist attacks in Brussels. Despite this, summer booking profiles look to be robust. Finally, Trinity Mirror was weak as investors doubted the potential for its new publication "New Day" as investors would have preferred to see regional consolidation.

Activity

Purchases over the quarter included Standard Chartered. A meeting with the new CEO gave reassurance that the company is capable of delivering on the base case return-on-equity target. The belief is that the trading environment is no more difficult than consensus expects, but also appreciates that because balance sheet pressure is easing, management will have greater ability to drive growth. This makes the valuation look particularly compelling. An improved set of results prompted the purchase of GlaxoSmithkline. The results proved the company is on the right track, with earnings ahead of expectations, discipline on costs and strong growth from vaccines and consumer, particularly HIV, drugs. It also reiterated its guidance for double-digit growth in 2016. The view is that the market is being too conservative on future profitability, which gives management scope to beat expectations. Centrica was purchased as it continued to leverage its ability to take out costs, focus on cash generation and commit to growing the dividend. The risks from low oil and gas prices are well understood by the management and should meet their targets under various stress scenarios. Furthermore, the Competition & Markets Authority's conclusions were more positive than expected. Other purchases included Sports Direct, Ophir and Sthree. Sales over the period included Tullow Oil which had performed well despite the weak oil price. The previously significant discount to NAV has closed somewhat on the back of this. Likewise, BP had also held up relatively well in the face of the falling oil price but evidence from company results suggest it is not cutting capital expenditure and costs quite as quickly as some global peers. This gave grounds for concern and therefore reduced the holding. Elsewhere, the holding in HSBC was reduced. While Asian growth remains a concern, management are understanding the cost base and redeploying capital into growth opportunities. The shares look fairly priced relative to book value. Finally, after a phenomenal run of performance, the holding in Darty was reduced as they were in talks about its potential acquisition.

Outlook and Strategy

Investors are nervous of recessionary risks, and while these risks have generally risen the view is that global growth will continue to remain positive, albeit somewhat reduced and relatively modest compared with longer-term trends. A growth environment will be supportive for UK equities, and attractive stock specific opportunities continue to be identified. Uncertainty and concern around the growth outlook for the Chinese economy, monetary policy in the US, and geo political tensions as well as Brexit will act to increase volatility.

AXA Framlington

4th Quarter 2015/16

Performance

During the fourth quarter, the fund returned -3.7% against the FTSE All Share return of -0.4%. For the twelve months to date the Fund returned -0.7% against its benchmark of -3.9%. The three and five year's performance outperformed its benchmarks by 3.2% over both periods. It was a difficult quarter with a poor absolute return and relative performance although there was good long term performance. Prior to the merger and admission to the FTSE100 of the merged Paddy Power Betfair, Betfair was the biggest contributor to relative performance. RPC continued to perform well whilst being underweight in banks and financials shares was the largest contributor to relative returns. Negatives to performance were Paddy Power Betfair after the merger date and was the worst performer. Also, Consumer services; media and retailers was the worst sector by relative contribution and also being underweight in consumer goods was a negative.

Activity

No new holdings were established in the quarter. Stocks added to included Experian, Wordpay, Eco Animal Health and GlaxoSmithkline. The holdings in Next were sold at the beginning of the quarter. Following the takeover of Synergy Healthcare by US corporation Steris, the shares in Steris were sold, which were issued and US listed. Holdings also reduced included B&M, HSBC, Booker, St. James Place and Wolseley.

Outlook and Strategy

Global growth expectations continue to fall and bring with it uncertainty and volatility. The UK referendum on EU membership creates more uncertainty. Commodity prices rallied, the US dollar weakened and China growth did not disappoint. Confidence is however fragile and expectations for Company earnings are punished when they disappoint. There has been a rise in commodity prices and a stronger Chinese economy, whilst the US dollar weakened. Global growth expectations are still weak.

6 Review of Activity

6.1 The Internal managed portfolio had eight corporate action in the three month period to 31 March 2016, and include:

- In January, there was a Rights Issue for RPC Group Plc for £0.1M
- In January bwin Interactive Entertainment AG was taken over by GVC Holdings Plc for £0.4M
- In January, Telecity Group Plc was acquired by Equinix Inc for £0.2M.
- In February, Amlin Plc was taken over by MS&AD Insurance Group for £0.6M
- In February, BG's merger with Royal Dutch Shell received £2.5M in cash. However, as part of the merger extra Royal Dutch shares were received for a value of £4.7M making the overall total of the merger to be £7.2M.

6.2 The UK Equity Internally Passive Fund was rebalanced once in the three month period to 31 March 2016.

- In January 2016 the total value of purchases and sales were £3.8M with a net purchase of £0.2M. There were 19 purchases (£2.0M) and 74 sales (£1.8M).

6.3 After the decision at the last Committee to invest monies to the Internal Managed Fund this was undertaken in April 2016.The total value of purchases and sales were £47.8M with a net purchase of £47.3M. There were 326 purchases (£47.5M) and 4 sales (£0.2M).

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 31 March 2016 is £45,690. Net income for UK stock lending was £145,351 over the same period, giving a total of £191,041. This compares to the period to 31 March 2015 where overseas stock lending was £76,162 and the UK stock lending figure was £145,167, giving a total of £221,329.

David Wilkes
Finance Manager (Treasury and Investments)
June 2016

DORSET COUNTY PENSION FUND

VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 31 March 2016

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
UK EQUITIES				
MINING				
ACACIA MINING	28,000	133.39	2.81	78.76
ANGLO AMERICAN ORD USD0.54	252,090	2,766.16	5.52	1,391.79
ANTOFAGASTA ORD GBP0.05	69,500	123.37	4.69	326.23
BHP BILLITON ORD USD0.50	405,026	2,064.19	7.83	3,170.54
CENTAMIN EGYPT LTD	213,000	339.24	0.88	188.19
FRESNILLO	33,000	59.36	9.52	314.00
GLENCORE XSTRATA	2,242,243	5,512.77	1.57	3,524.81
POLYMETAL INT'L	49,000	483.88	6.79	332.47
RANDGOLD RESOURCES ORD USD0.05	17,950	371.69	63.65	1,142.52
RIO TINTO ORD GBP0.10 (REG)	235,050	2,516.24	19.55	4,595.23
VEDANTA RESOURCES ORD USD0.10	19,500	81.53	3.43	66.89
Total MINING		**14,451.82**		**15,131.41**
OIL & GAS PRODUCERS				
BP ORD USD0.25	3,490,500	11,490.15	3.50	12,221.99
CAIRN ENERGY ORD GBP0.06153846153	113,207	224.90	2.00	226.07
NOSTRUM OIL & GAS	12,000	80.35	2.38	28.56
OPHIR ENERGY	128,400	487.68	0.77	98.87
PREMIER OIL ORD GBP0.50	102,348	144.53	0.44	45.29
ROYAL DUTCH 'B' ORD EUR0.07	1,500,461	17,191.77	17.00	25,507.84
TULLOW OIL ORD GBP 0.10	177,500	777.37	1.97	349.50
Total OIL & GAS PRODUCERS		**30,612.69**		**38,478.11**
CHEMICALS				
CRODA INTL ORD GBP0.10	26,000	128.25	30.33	788.58
ELEMENTIS	90,000	109.57	2.39	215.46
JOHNSON MATTHEY ORD GBP1.00	36,607	327.38	27.41	1,003.40
SYNTHOMER	50,665	93.78	3.63	184.02
VICTREX ORD GBP0.01	15,000	79.56	16.48	247.20
Total CHEMICALS		**738.54**		**2,438.65**
CONSTRUCTION & MATERIALS				
BALFOUR BEATTY ORD GBP0.50	132,020	319.45	2.55	336.12
CRH PLC	156,000	2,067.05	19.66	3,066.96
IBSTOCK PLC	36,000	74.14	2.05	73.73
KELLER GROUP ORD GBP0.10	13,000	126.92	8.60	111.74
KIER GROUP ORD GBP0.01	17,139	231.41	12.85	220.24
MARSHALLS GROUP ORD GBP0.25	39,000	139.37	3.55	138.49
Total CONSTRUCTION & MATERIALS		**2,958.34**		**3,947.27**
FORESTRY & PAPER				
MONDI PLC EUR0.20	70,250	161.07	13.36	938.54
Total FORESTRY & PAPER		**161.07**		**938.54**

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
AEROSPACE & DEFENCE				
BAE SYSTEMS ORD GBP0.025	605,616	1,133.84	5.09	3,082.59
COBHAM ORD GBP0.25	220,000	193.56	2.17	477.62
MEGGITT ORD GBP0.05	150,187	366.40	4.07	610.66
QINETIQ ORD GBP0.01	115,000	201.03	2.28	262.20
ROLLS ROYCE ORD GBP0.20	351,978	1,049.43	6.82	2,398.73
SENIOR	82,000	110.01	2.28	187.04
ULTRA ELECTRONICS ORD GBP0.05	13,500	98.17	18.03	243.41
Total AEROSPACE & DEFENCE		**3,152.44**		**7,262.24**
ELECTRONIC & ELECTRICAL EQUIPMENT				
HALMA ORD GBP0.10	73,017	86.40	9.11	665.18
MORGAN ADVANCE MATERIALS	56,000	114.48	2.27	127.23
RENISHAW ORD GBP0.20	7,000	46.45	18.35	128.45
SPECTRIS ORD GBP0.05	23,000	129.32	18.43	423.89
Total ELECTRONIC & ELECTRICAL EQUIPMENT		**376.66**		**1,344.76**
INDUSTRIAL ENGINEERING				
BODYCOTE INT ORD GBP 0.10	37,252	158.03	6.04	224.82
IMI ORD GBP0.25	52,968	160.75	9.52	504.26
MELROSE INDUSTRIES	28,063	11.67	3.57	100.04
ROTORK ORD GBP0.05	170,000	106.79	1.83	310.76
SPIRAX-SARCO ORD GBP0.25	14,021	114.76	36.39	510.22
WEIR GROUP ORD GBP0.125	41,250	192.22	11.07	456.64
Total INDUSTRIAL ENGINEERING		**744.22**		**2,106.74**
AUTOMOBILES & PARTS				
GKN ORD GBP0.50	330,044	346.31	2.89	953.17
Total AUTOMOBILES & PARTS		**346.31**		**953.17**
HOUSEHOLD GOODS & HOME CONSTRUCTION				
BARRATT DEVEL ORD GBP0.10	190,634	406.66	5.60	1,067.55
BELLWAY ORD GBP0.125	23,500	142.68	26.17	615.00
BERKELEY GP UNITS	24,180	126.56	32.15	777.39
BOVIS HOMES GROUP ORD GBP0.50	26,000	117.41	9.32	242.19
CREST NICHOLSON ORD GBP0.10	48,000	169.44	5.63	270.24
GALLIFORD TRY ORD GBP0.05	16,000	99.43	14.34	229.44
PERSIMMON ORD GBP0.10	58,645	321.37	20.84	1,222.16
RECKITT BENCKISER ORD GBP0.10	121,850	1,447.11	67.30	8,200.51
REDROW ORD GBP0.10	40,928	63.12	4.01	164.08
TAYLOR WIMPEY ORD GBP0.25	618,000	291.28	1.90	1,175.44
Total HOUSEHOLD GOODS & HOME CONSTRUCTION		**3,185.07**		**13,963.99**
BEVERAGES				
BARR (A G)	16,000	35.63	5.30	84.72
BRITVIC ORD GBP0.20	48,000	148.78	7.10	340.56
COCA-COLA HBC AG-CDI	38,000	653.72	14.79	562.02
DIAGEO PLC ORD GBP0.28935	481,677	3,129.24	18.81	9,060.34
SABMILLER ORD USD 0.10	181,000	1,589.81	42.54	7,699.74

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
Total BEVERAGES		**5,557.19**		**17,747.38**
FOOD PRODUCERS				
ASSD BRITISH FOODS ORD GBP0.0568	66,960	295.96	33.49	2,242.49
CRANWICK	9,000	62.65	21.33	191.97
DAIRY CREST ORD GBP0.25	27,000	130.96	6.19	167.00
GREENCORE GROUP	80,000	131.70	3.75	299.92
TATE & LYLE ORD GBP0.25	89,400	264.60	5.78	516.29
Total FOOD PRODUCERS		**885.86**		**3,417.66**
HEALTH CARE EQUIPMENT & SERVICES				
MEDICLINIC	15,000	128.16	8.96	134.40
NMC HEALTH PLC	12,000	39.34	10.55	126.60
SMITH & NEPHEW ORD USD0.2	171,272	391.01	11.47	1,964.49
SPIRE HEALTHCARE GRP	54,000	163.09	3.58	193.32
UDG HEALTHCARE	47,000	134.90	5.84	274.48
Total HEALTH CARE EQUIPMENT & SERVICES		**856.49**		**2,693.29**
PERSONAL GOODS				
BURBERRY GROUP ORD GBP0.0005	85,372	224.20	13.65	1,165.33
JIMMY CHOO	21,000	36.79	1.28	26.78
PZ CUSSONS ORD GBP0.01	56,970	87.03	3.02	172.11
SUPERGROUP PLC	6,000	38.32	14.19	85.14
TED BAKER PLC	5,000	45.14	27.22	136.10
UNILEVER ORD GBP0.031111	231,228	1,352.54	31.53	7,289.46
Total PERSONAL GOODS		**1,784.01**		**8,874.91**
PHARMACEUTICALS & BIOTECHNOLOGY				
ASTRAZENECA ORD USD0.25	242,000	4,426.65	39.03	9,444.05
BTG	73,000	215.38	6.21	453.33
CIRCASSIA PHARMACEUTICALS	35,000	96.87	2.70	94.54
DECHRA PHARMACEUTICALS	17,000	86.64	12.03	204.51
GENUS	12,000	97.70	15.23	182.76
GLAXOSMITHKLINE ORD GBP0.25	930,088	4,942.24	14.11	13,123.54
HIKMA PHARMA ORD GBP0.10	26,000	129.19	19.79	514.54
INDIVIOR	127,050	43.47	1.63	207.22
SHIRE ORD GBP0.05	112,000	1,445.52	39.58	4,432.96
VECTURA GROUP	79,000	142.22	1.63	128.45
Total PHARMACEUTICALS & BIOTECHNOLOGY		**11,625.86**		**28,785.90**
TOBACCO				
BRITISH AMERICAN TOBACCO ORD GBP0.25	357,000	3,787.79	40.90	14,601.30
IMPERIAL BRANDS ORD GBP0.10	184,762	1,930.29	38.63	7,137.36
Total TOBACCO		**5,718.08**		**21,738.66**
GENERAL RETAILERS				
AA PLC	119,000	466.77	2.65	315.11
AO WORLD	35,000	57.76	1.78	62.27
B&M EUROPEAN VALUE RETAIL SA	131,000	460.48	2.65	347.54

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
BROWN (N) GROUP ORD GBP0.1105263157	28,761	26.06	3.26	93.88
CARD FACTORY	45,000	119.53	3.26	146.57
DEBENHAMS ORD GBP0.01	231,000	298.72	0.75	173.48
DFS FURNITURE ORD GBP0.05	24,000	76.44	3.13	75.19
DIGNITY	9,411	102.59	24.78	233.20
DIXONS CARPHONE	191,453	643.68	4.26	816.16
DUNELM GROUP	17,000	34.49	9.14	155.30
HALFORDS GRP ORD GBP0.01	39,000	119.27	3.94	153.74
HOME RETAIL GROUP ORD GBP0.10	161,870	136.32	1.65	267.73
INCHCAPE ORD GBP0.25	85,300	187.18	7.24	617.15
JD SPORTS FASHION PLC	12,000	47.83	11.22	134.64
JUST EAT	87,997	313.09	3.77	332.01
KINGFISHER ORD GBP0.157142857	446,078	871.07	3.77	1,679.93
LOOKERS PLC	62,000	104.29	1.58	98.21
MARKS AND SPENCER GROUP ORD GBP0.25	314,600	569.39	4.06	1,277.59
NEXT ORD GBP0.10	28,200	220.41	53.95	1,521.39
PETS AT HOME GRP	71,000	154.32	2.68	190.42
POUNDLAND GRP	35,000	110.85	1.56	54.51
SAGA	145,000	257.52	1.98	286.81
SMITH WH ORD GBP0.20	21,447	61.55	18.18	389.91
SPORTS DIRECT INT'L ORD GBP0.10	49,000	158.70	3.78	185.27
Total GENERAL RETAILERS		**5,598.33**		**9,608.01**
INDUSTRIAL METALS				
EVRAZ PLC	101,000	329.42	0.90	90.55
Total INDUSTRIAL METALS		**329.42**		**90.55**
TRAVEL & LEISURE				
CARNIVAL ORD USD1.66	34,865	449.87	37.49	1,307.09
CINEWORLD GRP	38,000	128.22	5.37	204.06
COMPASS GROUP ORD GBP0.10	314,893	928.05	12.28	3,866.89
DOMINO'S PIZZA UK& IRL	26,000	84.28	10.06	261.56
EASYJET ORD GBP0.25	47,257	227.10	15.19	717.83
ENTERPRISE INNS ORD GBP0.025	95,000	99.85	0.96	90.73
FIRSTGROUP ORD GBP0.05	236,749	392.95	0.97	228.94
GO AHEAD GROUP ORD GBP0.10	8,500	86.18	26.41	224.49
GREENE KING ORD GBP0.125	59,985	305.74	8.71	522.47
INT'L CONSOLIDATED AIR	351,250	919.34	5.53	1,942.41
INTERCONTINENTAL HOTELS ORD GBP0.13617	45,319	97.44	28.69	1,300.20
LADBROKES ORD GBP0.28333	196,805	670.27	1.17	229.67
MARSTONS ORD GBP0.07375	107,154	108.21	1.52	162.55
MERLIN ENTERTAINMENT	136,000	527.44	4.63	630.22
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.30	22,910	88.40	4.12	94.39
MITCHELLS & BUTLER ORD GBP0.085416	46,430	142.83	2.78	128.94
NATIONAL EXPRESS ORD GBP0.05	79,666	202.13	3.43	273.25
PADDYPOWER BETFAIR	6,699	123.80	97.05	650.14
PLAYTECH ORD	41,000	231.70	8.65	354.45
RANK GROUP ORD GBP0.13888	33,215	72.59	2.54	84.37
RESTAURANT ORD GBP0.28125	39,000	61.98	3.92	153.00

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
SSP GRP	91,000	246.60	2.89	263.35
STAGECOACH GROUP ORD GBP0.009824	84,395	87.57	2.52	212.68
THOMAS COOK ORD EUR0.10	297,000	379.30	0.93	275.76
TUI TRAVEL ORD GBP0.10	90,697	768.68	10.79	978.62
WETHERSPOON (JD) ORD GBP0.02	16,500	42.95	7.03	115.91
WHITBREAD ORD GBP0.76797385	35,085	274.53	39.60	1,389.37
WILLIAM HILL ORD GBP0.10	168,552	321.26	3.27	551.17
WIZZ AIR HOLDINGS PLC	8,000	139.02	18.37	146.96
Total TRAVEL & LEISURE		**8,208.27**		**17,361.45**
MEDIA				
AUTO TRADER GROUP	138,000	483.11	3.90	538.20
ENTERTAINMENT ONE LTD	78,998	158.07	1.52	119.68
EUROMONEY INST INVESTOR ORD GBP0.0025	7,000	46.86	9.42	65.94
INFORMA ORD GBP0.001	124,948	346.18	6.94	866.51
ITV ORD GBP0.10	716,146	828.43	2.41	1,726.63
MONEYSUPERMARKET.COM	94,000	147.43	3.18	298.54
PEARSON ORD GBP0.25	157,027	948.95	8.75	1,373.99
RELX	213,670	706.86	12.93	2,762.75
RIGHTMOVE ORD GBP0.001	17,615	70.62	42.08	741.24
SKY PLC	200,500	1,021.83	10.23	2,051.12
UBM ORD GBP0.338068	85,184	520.50	6.01	511.53
WPP GROUP ORD GBP0.10	247,966	1,236.85	16.26	4,031.93
ZOOPLA PROPERTY GRP	45,000	93.37	2.49	112.01
Total MEDIA		**6,609.05**		**15,200.06**
SUPPORT SERVICES				
AGGREKO ORD GBP0.20	46,765	131.70	10.77	503.66
ASHTEAD GROUP ORD GBP0.10	97,000	188.08	8.64	838.08
ATKINS WS ORD GBP0.005	19,000	81.75	13.69	260.11
BABCOCK INTL GRP ORD GBP0.60	96,979	401.51	9.50	920.82
BERENDSEN PLC	32,957	105.40	12.02	396.14
BUNZL ORD GBP0.32142857	63,720	230.98	20.23	1,289.06
CAPITA GROUP ORD NVP	126,902	432.07	10.41	1,321.05
CARILLION ORD GBP0.50	84,699	163.31	2.94	248.93
DCC ORD	17,000	490.83	61.50	1,045.50
DIPLOMA PLC	22,000	103.62	7.42	163.24
ELECTROCOMPONENTS ORD GBP0.10	86,000	108.74	2.41	207.26
ESSENTRA	50,749	139.36	8.28	419.95
EXPERIAN ORD USD0.10	186,870	507.21	12.44	2,324.66
G4S ORD GBP0.25	299,213	580.32	1.91	570.30
GRAFTON GROUP	42,000	268.38	7.22	303.24
HAYS ORD GBP0.01	269,500	138.86	1.21	325.56
HOMESERVE ORD GBP0.125	50,140	89.48	4.30	215.70
HOWDEN JOINERY GROUP	120,000	113.79	4.78	573.60
INTERSERVE ORD GBP0.10	28,000	102.60	4.33	121.30
INTERTEK GROUP ORD GBP0.01	30,850	231.21	31.67	977.02
MICHAEL PAGE INTL ORD GBP0.01	59,000	111.93	4.27	251.75
MITIE GROUP ORD GBP0.025	69,500	136.14	2.57	178.62

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
NORTHGATE ORD GBP0.05	26,000	135.97	4.03	104.83
PAYPOINT	12,000	87.03	7.48	89.76
REGUS ORD GBP0.05	120,000	105.32	3.17	380.04
RENTOKIL INITIAL ORD GBP0.01	349,624	287.13	1.76	616.39
SERCO ORD GBP0.02	216,000	344.60	1.03	221.40
SIG ORD GBP0.10	106,285	168.55	1.46	155.07
TRAVIS PERKINS ORD GBP0.10	47,672	222.53	18.27	870.97
WOLSELEY ORD GBP0.25	49,813	779.33	39.39	1,962.13
WORLDPAY GROUP PLC	199,000	590.93	2.75	547.45
Total SUPPORT SERVICES		**7,668.58**		**18,403.58**
INDUSTRIAL TRANSPORT				
BBA AVIATION ORD GBP0.2976	199,039	311.80	2.00	398.87
CLARKSON PLC	5,000	139.22	22.20	111.00
ROYAL MAIL	175,000	992.33	4.81	841.23
Total INDUSTRIAL TRANSPORT		**1,443.36**		**1,351.10**
FOOD & DRUG RETAILERS				
BOOKER GROUP	319,000	178.45	1.72	549.32
GREGGS ORD GBP0.20	20,000	173.21	10.86	217.20
MORRISON (WM) ORD GBP0.10	418,283	497.21	1.99	830.71
OCADO GROUP PLC	79,000	127.04	2.90	229.02
SAINSBURY (J) ORD GBP0.28571428	273,000	812.42	2.76	753.75
TESCO ORD GBP0.05	1,554,212	2,347.91	1.92	2,980.20
Total FOOD & DRUG RETAILERS		**4,136.24**		**5,560.20**
FIXED LINE TELECOMMUNICATION				
BT GROUP ORD GBP0.05	1,601,398	3,429.98	4.41	7,054.16
CABLE & WIRELESS COMMU	544,000	601.03	0.77	419.15
TALKTALK TELECOM	104,000	152.73	2.37	246.58
TELECOM PLUS	11,284	99.42	9.21	103.87
Total FIXED LINE TELECOMMUNICATION		**4,283.16**		**7,823.76**
ELECTRICITY				
DRAX GROUP ORD GBP0.1155172	78,744	579.77	2.72	214.26
SSE PLC ORD GBP0.50	188,940	1,187.57	14.91	2,817.10
Total ELECTRICITY		**1,767.34**		**3,031.36**
GAS WATER & MULTIUTILITIES				
CENTRICA ORD GBP0.061728395	971,474	1,634.81	2.28	2,211.07
NATIONAL GRID ORD GBP0.11395	722,086	3,229.46	9.87	7,126.27
PENNON ORD GBP0.407	79,279	230.60	8.10	642.16
SEVERN TRENT ORD GBP0.9789	45,509	267.56	21.72	988.46
UNITED UTILITIES ORD GBP1.00	131,439	508.01	9.23	1,212.52
Total GAS WATER & MULTIUTILITIES		**5,870.43**		**12,180.48**
BANKS				
ALDERMORE GROUP	35,000	96.67	2.09	73.08

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
BANK OF GEORGIA HLDGS	6,000	89.07	20.28	121.68
BARCLAYS ORD GBP0.25	3,205,270	6,763.09	1.50	4,807.91
HSBC HLDGS ORD USD 0.50	3,735,447	16,483.28	4.34	16,208.10
LLOYDS TSB GROUP ORD GBP0.25	12,248,923	10,939.17	0.68	8,330.49
ROYAL BANK OF SCOTLAND	619,772	6,689.24	2.23	1,380.23
SHAWBROOK GROUP	22,000	69.19	2.99	65.85
STANDARD CHARTERED ORD USD0.50	513,969	3,756.48	4.73	2,428.50
VIRGIN MONEY HOLDINGS UK	44,000	172.38	3.69	162.32
Total BANKS		**45,058.56**		**33,578.16**
NON LIFE INSURANCE				
ADMIRAL GRP ORD GBP0.001	38,000	218.96	19.82	753.16
BEAZLEY GROUP ORD GBP0.05	99,421	118.26	3.60	357.72
DIRECT LINE INSURANCE GRP	265,416	660.35	3.70	982.30
ESURE GROUP	46,000	142.17	2.73	125.67
HASTINGS GROUP HOLDINGS LTD	25,000	40.13	1.72	42.88
HISCOX ORD GBP0.05	55,069	174.39	9.69	533.62
JARDINE LLOYD THOMPSON ORD GBP0.05	24,000	64.64	8.43	202.20
LANCASHIRE HOLDINGS LTD	37,000	209.14	5.52	204.24
RSA INSURANCE	196,216	1,222.45	4.76	933.20
Total NON LIFE INSURANCE		**2,850.48**		**4,134.99**
LIFE INSURANCE				
AVIVA ORD GBP0.25	773,907	4,423.37	4.56	3,529.02
JUST RETIREMENT GROUP	51,834	81.14	1.57	81.53
LEGAL & GENERAL GP ORD GBP0.025	1,136,334	652.70	2.35	2,671.52
OLD	935,435	1,354.66	1.93	1,804.45
PHOENIX GROUP HOLDINGS	43,479	293.67	9.43	410.01
PRUDENTIAL CORP ORD GBP0.05	488,136	1,589.15	13.01	6,350.65
ST JAMES PLACE ORD GBP0.15	99,000	505.49	9.18	908.82
STANDARD LIFE ORD GBP0.10	374,174	1,227.83	3.56	1,332.06
Total LIFE INSURANCE		**10,129.91**		**17,088.06**
EQUITY INVESTMENT INSTRUMENTS				
3I INFRASTRUCTURE LTD	99,900	126.75	1.73	172.33
ABERFORTH SMALLER COS TRUST ORD GBP	18,000	56.55	10.05	180.90
ALLIANCE TRUST ORD GBP0.25	106,735	179.40	5.02	535.28
BANKERS I.T. ORD GBP0.25	21,500	37.86	5.78	124.27
BH MACRO LTD	6,500	105.83	19.91	129.42
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.10	27,000	53.33	4.67	126.09
CALEDONIA INVESTMENT ORD GBP0.05	6,500	46.64	22.68	147.42
CITY OF LONDON TRUST ORD GBP0.25	59,600	123.35	3.69	219.92
EDINBURGH I.T. ORD GBP0.25	37,100	73.80	6.65	246.72
ELECTRA PRIVATE EQUITY GBP0.25	5,000	38.84	34.58	172.90
F & C INVEST TRUST ORD GBP0.25	109,000	94.30	4.34	472.52
FIDELITY CHINA SPECIAL	111,868	130.43	1.36	152.14
FIDELITY EUROPEAN VALUES ORD GBP0.25	80,000	41.41	1.63	130.16
FINSBURY GR&INC TRUST-ORD	24,000	140.68	6.04	144.96
GCP INFRASTRUCTURE INVESTMENTS	111,000	134.22	1.17	130.20

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
GENESIS EMERGING MARKETS	27,000	123.63	4.87	131.49
HARBOURVEST GLOBAL PRIVA	15,000	129.89	9.05	135.75
HICL INFRASTRUCTURE CO	255,725	308.05	1.59	407.11
HIGHBRIDGE MULTI STRATEGY FUND	15,000	107.04	1.83	27.39
INTERNATIONAL PUB PTR	183,762	203.65	1.44	264.07
JOHN LAING INFRASTRUCTURE	136,125	150.84	1.21	164.17
JPMORGAN AMERICAN IT	55,000	103.73	2.91	160.05
JPMORGAN EMERGING MKTS	25,000	117.67	5.74	143.50
MERCANTILE TRUST	18,700	41.19	16.61	310.61
MONKS INVESTMENT ORD GBP0.05	41,500	35.12	4.13	171.56
MURRAY INTERNATIONAL ORD GBP0.25	24,800	132.69	8.86	219.60
NB GLOBAL FLOATING RATE	234,000	235.57	0.91	211.77
P2P GLOBAL INVESTMENTS	16,000	162.08	8.66	138.48
PERPETUAL INCOME & GRTH ORD GBP0.10	46,000	102.55	3.76	172.78
POLAR CAPITAL TECHNOLOGY TR	26,000	68.39	5.77	150.02
RENEWABLES INFRASTRUCTURE GROUP	140,000	137.54	1.02	142.52
RIT CAPITAL PARTNERS ORD GBP1.00	24,479	74.83	16.49	403.66
RIVERSTONE ENERGY LTD	10,000	94.65	8.12	81.20
SCOTTISH I.T ORD GBP0.25	22,100	35.63	5.98	132.16
SCOTTISH MORTGAGE ORD GBP0.25	248,000	109.57	2.62	649.76
TEMPLE BAR IT ORD GBP0.25	13,000	96.37	10.06	130.78
TEMPLETON EMERGING MARKETS I.T. ORD GBP0.25	61,000	107.58	4.53	276.33
TR PROPERTY INVESTMENT TRUST ORD GBP0.25	62,500	50.77	2.98	185.94
WITAN IT ORD GBP0.25	37,100	58.47	7.39	274.17
WOODFORD PATIENT CAPITAL TRU	155,000	182.14	0.94	145.62
WORLDWIDE HEALTH	9,000	86.19	17.12	154.08
Total EQUITY INVESTMENT INSTRUMENTS		**4,439.19**		**8,469.78**
REAL ESTATE INVESTMENT & SERVICES				
CAPITAL & COUNTIES PROPERTIES	140,333	255.05	3.30	462.82
CLS HOLDINGS ORD GBP0.25	3,000	49.03	15.28	45.84
COUNTRYWIDE PLC ORD GBP0.05	30,000	177.24	3.85	115.35
DAEJAN HOLDINGS ORD GBP0.25	1,000	42.37	56.60	56.60
F & C COMMERCIAL PROPERTY TRUST	99,000	104.94	1.30	129.10
GRAINGER TRUST ORD0.05	77,000	111.92	2.25	173.40
KENNEDY WILSON EUR REAL EST.	23,000	244.63	11.70	269.10
SAVILLS ORD 2.5GBP	24,000	83.66	7.60	182.40
ST. MODWEN PROPERTIES ORD GBP0.10	35,000	92.73	3.03	105.88
UK COMMERCIAL PROPERTY ORD GBP0.25	118,000	99.70	0.83	98.47
UNITE GROUP ORD GBP0.25	43,142	151.60	6.37	274.60
Total REAL ESTATE INVESTMENT & SERVICES		**1,412.87**		**1,913.55**
REAL ESTATE INVESTMENT TRUSTS				
ASSURA GROUP ORD GBP0.10	314,000	165.01	0.53	166.42
BIG YELLOW GROUP ORD GBP0.10	28,000	139.53	7.75	216.86
BRITISH LAND ORD GBP0.25	197,000	826.67	7.00	1,379.00
DERWENT LONDON ORD GBP0.05	19,096	245.48	31.52	601.91
GREAT PORTLAND ESTATE ORD GBP0.125	66,172	189.37	7.28	481.73
HAMMERSON ORD GBP0.25	150,847	530.96	5.79	872.65

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
HANSTEEN HOLDINGS	135,000	120.85	1.06	143.24
INTU PROPERTIES REIT	177,333	673.13	3.13	554.87
LAND SECURITIES GROUP ORD GBP0.10	151,276	724.83	11.00	1,664.04
LONDON METRIC	110,000	138.21	1.59	174.35
REDEFINE INT'L REIT	191,000	99.10	0.47	89.75
SAFESTONE HLDGS	40,000	136.96	3.36	134.28
SEGRO REIT	143,052	422.04	4.10	586.94
SHAFTESBURY ORD GBP0.25	53,666	199.15	9.11	488.90
TRITAX BIG BOX REIT PLC	142,909	171.35	1.34	192.07
WORKSPACE GROUP - ORD GBP0.10	23,000	92.29	7.83	179.98
Total REAL ESTATE INVESTMENT TRUSTS		**4,874.94**		**7,926.98**
TECHNOLOGY HARDWARE & EQUIPMENT				
ARM HOLDINGS ORD GBP0.05	270,500	571.15	10.14	2,742.87
LAIRD GROUP ORD GBP0.28125	52,000	69.10	3.80	197.60
Total TECHNOLOGY HARDWARE & EQUIPMENT		**640.24**		**2,940.47**
SOFTWARE & COMPUTER SERVICES				
AVEVA GROUP ORD GBP0.0333	12,686	137.58	15.72	199.42
COMPUTACENTER PLC ORD GBP0.05	12,705	43.83	8.40	106.72
FIDESSA GROUP	7,500	60.73	24.36	182.70
MICRO FOCUS INT'L ORD GBP0.10	30,683	183.59	15.69	481.42
NCC GROUP LTD	46,000	138.34	2.51	115.23
SAGE GROUP ORD GBP0.01	206,263	257.24	6.29	1,296.36
SOPHOS GROUP	45,000	111.39	2.18	98.10
Total SOFTWARE & COMPUTER SERVICES		**932.70**		**2,479.96**
FINANCIAL SERVICES				
3I GROUP ORD GBP0.738636	185,781	470.82	4.56	847.90
ABERDEEN ASSET MGT ORDGBP0.10	190,000	298.45	2.77	526.87
ALLIED MINDS	22,000	101.02	4.73	104.15
ASHMORE GROUP ORD GBP0.0001	77,000	208.60	2.88	221.38
BREWIN DOLPHIN HLDGS	52,000	87.56	2.59	134.89
CLOSE BROTHERS GROUP ORD GBP0.25	28,500	139.77	12.61	359.39
HARGRAVES LANSDOWN	42,000	141.77	13.44	564.48
HENDERSON GRP ORD GBP0.125	202,518	141.77	2.58	522.70
ICAP ORD GBP0.10	103,000	271.84	4.75	488.94
IG GROUP ORD GBP0.05	70,000	158.83	8.00	559.65
INTERMEDIATE CAPITAL GRP ORD GBP0.20	63,294	236.09	6.18	391.16
INTL PERSONAL FINANCE ORD GBP0.10	45,236	55.08	2.92	132.04
INVESTEC ORD GBP0.0002	98,500	281.76	5.13	504.81
IP GROUP PLC	103,620	171.39	1.75	180.92
JOHN LAING GROUP	70,000	139.95	2.28	159.67
JUPITER FUND MANAGEMENT	80,000	236.82	4.09	327.12
LONDON STOCK EXCHANGE ORD GBP0.069186	59,925	745.74	28.20	1,689.89
MAN GROUP ORD USD0.0342857	295,375	430.75	1.53	450.45
ONESAVINGS BANK PLC	18,000	70.00	3.31	59.53
PARAGON GRP OF COMPANIES ORD GBP1	57,000	107.70	3.23	183.83
PROVIDENT FINANCIAL ORD GBP0.20727272	28,118	180.53	29.62	832.86

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
RATHBONE BROTHERS ORD GBP0.05	9,000	94.60	21.05	189.45
SCHRODERS ORD GBP1.00	21,499	73.12	26.83	576.82
SVG CAPITAL ORD GBP1.00	33,000	89.53	5.01	165.33
TULLETT PREBON ORD GBP0.25	45,500	131.43	3.52	159.98
Total FINANCIAL SERVICES		**5,064.95**		**10,334.18**
GENERAL INDUSTRIAL				
REXAM ORD GBP0.64285714	135,632	476.64	6.33	857.87
RPC GROUP	58,197	225.74	7.60	442.01
SMITH (DS) ORD GBP0.10	181,475	234.83	4.08	740.24
SMITHS GROUP ORD GBP0.375	75,527	409.49	10.75	811.92
VESUVIUS	53,281	182.42	3.31	176.25
Total GENERAL INDUSTRIAL		**1,529.12**		**3,028.28**
MOBILE TELECOMMUNICATIONS				
INMARSAT ORD EURO0.0005	86,000	346.32	9.85	846.67
VODAFONE GROUP ORD USD0.11428571	5,084,281	9,555.35	2.21	11,243.89
Total MOBILE TELECOMMUNICATIONS		**9,901.67**		**12,090.56**
OIL EQUIPMENT SERVICES & DISTRIBUTION				
AMEC ORD GBP0.50	75,500	350.53	4.50	339.75
PETROFAC ORD USD0.025	50,000	171.87	9.21	460.25
WOOD GROUP (JOHN) ORD GBP0.03333	70,833	257.69	6.15	435.62
Total OIL EQUIPMENT SERVICES & DISTRIBUTION		**780.08**		**1,235.62**
Total UK EQUITIES		**216,683.55**		**365,653.81**

Summary of Transactions for the Period

1 April 2015 - 31 March 2016

Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	12,159,147.10	15,588,285.45	-3,429,138.35
	12,159,147.10	15,588,285.45	-3,429,138.35

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
108,000	Serco	17-Apr	1.01	109,080.00
20,000	SSP Group Plc	23-Apr	3.07	61,478.00
30,000	Merlin Entertainment	23-Apr	4.53	135,852.00
49,000	BT Group Plc	23-Apr	4.59	224,728.70
21,000	Saga Plc	23-Apr	1.86	39,047.40
14,000	CRH Plc	23-Apr	18.76	262,693.20
13,000	Just Retirement	23-Apr	1.74	22,629.10
29,000	Ophir Energy Plc	23-Apr	1.58	45,733.00
119,000	AA Plc	23-Apr	3.92	466,765.60
14,000	Rank Group Plc	23-Apr	1.89	26,476.80
19,000	Redefine International Plc	23-Apr	0.58	11,078.90
47,000	Imagination Tech Group Plc	23-Apr	2.11	99,395.60
23,000	Virgin Money Holdings Uk	23-Apr	3.90	89,706.90
10,000	Dixons Carphone Plc	23-Apr	4.45	44,452.00
4,000	BTG Plc	23-Apr	7.46	29,851.20
7,000	Sage Group Plc	23-Apr	4.78	33,432.00
3,000	City of London Investment Tr	23-Apr	4.10	12,290.10
6,000	Poundland Group Plc	23-Apr	3.35	20,125.20
4,000	Inmarsat Plc	23-Apr	9.76	39,030.40
7,000	John Laing Infrastructure	23-Apr	1.22	8,556.80
7,000	Tui	23-Apr	12.25	85,718.50
3,000	Arm Holdings Plc	23-Apr	11.96	35,878.50
1,000	Derwent London Plc	23-Apr	35.48	35,476.20
2,000	De La Rue Plc	23-Apr	5.70	11,409.80
1,000	Riverstone Energy Ltd	23-Apr	10.86	10,855.00
1,000	Bank of Georgia Holdings Plc	23-Apr	19.51	19,513.30
1,000	Domino Printing Sciences Plc	23-Apr	9.14	9,144.40
1,000	Shire Plc	23-Apr	55.58	55,576.00
7,139	Kier Group	28-May	8.58	61,252.62
9,997	Just Eat	29-May	4.25	42,487.25
79,000	Vectura Group Plc	5-Aug	1.80	142,215.80
38,000	Barclays Plc	5-Aug	2.83	107,399.40
51,000	HSBC Holdings Plc	5-Aug	5.92	301,889.40
592,000	Lloyds Banking Group Plc	5-Aug	0.83	489,584.00
122,000	Tritax Big Box Reit Plc	5-Aug	1.19	145,180.00
138,000	Auto Trader Group Plc	5-Aug	3.50	483,110.40

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price £	Proceeds £	Profit / (Loss) £
66,331	Catlin	15-Apr	3.88	257,364.28	-6,177.32
16,000	Game Digital Plc	23-Apr	2.57	41,048.00	-729.60
9,000	Royal Dutch Shell Plc-B	23-Apr	21.29	191,610.00	64,200.13
10,000	Oxford Instruments Plc	23-Apr	9.00	89,968.00	-37,987.00
40,000	Intl Consolidated Airline	23-Apr	5.84	233,612.00	128,918.59
5,000	SVG Capital Plc	23-Apr	5.11	25,542.50	11,977.29
6,000	Marks & Spencer Group Plc	23-Apr	5.57	33,437.40	22,578.06
2,000	British Emp Sec & Gen	23-Apr	5.50	10,998.00	7,047.84
3,000	WPP Plc	23-Apr	15.78	47,327.70	32,363.80
3,000	Reed Elsevier Plc	23-Apr	11.40	34,185.00	24,260.43
2,000	Capita Plc	23-Apr	11.15	22,302.60	15,493.09
2,000	Inchcape Plc	23-Apr	8.39	16,770.00	12,381.17
1,000	Mercantile Investment Trust	23-Apr	15.88	15,881.20	13,678.63
21,000	Brit Group	29-May	2.80	58,800.00	8,870.33
22,000	Domino Printing Sciences	8-Jun	9.15	201,300.00	125,485.12
5,160,223	Rolls Royce C Shares	3-Jul	0.00	51,602.89	51,602.89
49,000	TSB Banking	10-Jul	3.40	166,600.00	38,123.50
0	Coca Cola	3-Jul	0.00	9,930.85	9,930.85
48,000	Vodafone Group Plc	5-Aug	2.44	117,081.60	26,870.84
3,000	Reckitt Benckiser Group Plc	5-Aug	62.42	187,262.40	151,633.94
3,000	Astrazeneca Plc	5-Aug	43.99	131,971.50	77,095.69
33,000	BP Plc	5-Aug	3.94	130,089.30	21,458.73
19,998	De La Rue Plc	5-Aug	5.12	102,297.77	-52,632.10
9,000	Glaxosmithkline Plc	5-Aug	14.08	126,707.40	78,883.79
22,000	Law Debenture Corp Plc	5-Aug	5.26	115,737.60	50,937.50
35,500	Blackrock World Mining Trust	5-Aug	2.51	89,019.80	-6,249.65
316	Personal Assets Trust Plc	5-Aug	342.63	108,271.96	-1,662.64
3,000	British American Tobacco Plc	5-Aug	38.23	114,704.70	82,874.53
47,000	Imagination Tech Group Plc	5-Aug	2.31	108,739.20	9,343.60
31,500	CSR Group	28-Aug	9.00	283,500.00	159,871.18
4,192	Perform	24-Aug	4.36	10,899.20	1,059.45
319,000	Booker Grp B shares	14-Aug	0.04	11,165.00	11,165.00
58,757	Colt Group	10-Sep	1.90	108,193.60	-313,228.72
0	Glencore Plc	10-Sep	0.00	82,166.60	0.00
4,000	3i Group Plc	30-Sep	4.64	18,542.40	8,405.25
3,000	Alliance Trust Plc	30-Sep	4.57	13,719.90	8,677.47
3,000	Anglo American Plc	30-Sep	5.50	16,509.30	-16,409.41
3,000	Arm Holdings Plc	30-Sep	9.42	28,256.40	21,922.07
2,000	Ashtead Group Plc	30-Sep	9.22	18,442.00	14,564.15
1,000	Associated British Foods Plc	30-Sep	33.12	33,116.30	28,696.40
2,000	Babcock Intl Group Plc	30-Sep	9.09	18,174.20	9,893.91
8,000	BAE Systems Plc	30-Sep	4.47	35,743.20	20,765.48
11,000	Barclays Plc	30-Sep	2.45	26,934.60	3,724.70
3,000	Barratt Developments Plc	30-Sep	6.42	19,259.70	12,860.16
500	Bellway Plc	30-Sep	24.81	12,404.25	9,368.48

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
9,000	BG Group Plc	30-Sep	9.50	85,530.60	56,295.14
5,000	BHP Billiton Plc	30-Sep	9.97	49,829.50	24,347.27
1,000	Bovis Homes Group Plc	30-Sep	10.07	10,073.30	5,557.38
12,000	BP Plc	30-Sep	3.32	39,830.40	328.37
1,000	British American Tobacco Plc	30-Sep	36.22	36,216.90	25,606.84
3,000	British Land Co Plc	30-Sep	8.33	24,999.00	12,547.37
21,000	BT Group Plc	30-Sep	4.20	88,204.20	43,225.06
1,000	Bunzl Plc	30-Sep	17.67	17,665.80	14,040.87
1,000	Burberry Group Plc	30-Sep	13.58	13,581.00	10,954.89
1,000	Capita Plc	30-Sep	11.99	11,989.80	8,585.05
3,000	Capital & Counties Properties	30-Sep	4.33	12,977.40	7,525.11
1,000	Carnival Plc	30-Sep	34.15	34,150.00	21,246.73
12,000	Centrica Plc	30-Sep	2.28	27,380.40	7,284.74
1,000	Close Brothers Group Plc	30-Sep	14.87	14,867.00	9,962.65
4,000	Cobham Plc	30-Sep	2.84	11,340.40	7,821.16
1,000	Coca-Cola HBC	30-Sep	13.96	13,958.80	-3,244.38
4,000	Compass Group Plc	30-Sep	10.44	41,755.20	29,966.47
2,000	CRH Plc	30-Sep	17.33	34,662.80	8,162.11
7,000	Diageo Plc	30-Sep	17.62	123,319.00	77,843.08
500	Dignity Plc	30-Sep	23.69	11,845.25	6,394.48
5,000	Direct Line Insurance Group	30-Sep	3.74	18,712.00	6,272.15
3,000	DS Smith Plc	30-Sep	3.95	11,844.90	7,962.95
2,000	Experian Plc	30-Sep	10.56	21,118.80	15,690.37
3,000	Foreign & Colonial Invest Tr.	30-Sep	4.16	12,471.30	9,875.77
6,000	G4s Plc	30-Sep	2.30	13,810.20	2,173.32
3,000	Glaxosmithkline Plc	30-Sep	12.59	37,773.60	21,832.40
26,000	Glencore Plc	30-Sep	0.90	23,340.20	-44,627.39
2,000	Great Portland Estates Plc	30-Sep	8.53	17,065.00	11,341.33
1,000	Halma Plc	30-Sep	7.19	7,189.20	6,005.90
2,000	Howden Joinery Group Plc	30-Sep	4.81	9,617.40	7,720.86
13,000	HSBC Holdings Plc	30-Sep	4.97	64,608.70	7,244.04
3,000	ICAP Plc	30-Sep	4.55	13,661.40	5,743.64
2,000	IG Group Holdings Plc	30-Sep	7.69	15,387.80	10,849.82
1,000	IMI Plc	30-Sep	9.43	9,432.10	6,397.28
2,000	Imperial Tobacco Group Plc	30-Sep	34.01	68,017.60	47,122.76
17,000	Infinis Energy Plc	30-Sep	1.32	22,472.30	-12,892.00
1,000	Inmarsat Plc	30-Sep	9.79	9,786.10	5,759.15
2,000	Intermediate Capital Group	30-Sep	5.14	10,283.80	2,823.74
1,000	Intertek Group Plc	30-Sep	24.24	24,235.50	16,740.79
5,000	Intl Consolidated Airline	30-Sep	5.85	29,263.50	16,176.82
4,000	Intu Properties Plc	30-Sep	3.29	13,141.60	-2,041.72
2,000	Investec Plc	30-Sep	5.07	10,133.60	4,412.58
10,000	ITV Plc	30-Sep	2.46	24,593.00	13,025.13
13,000	Kingfisher Plc	30-Sep	3.57	46,397.00	21,011.38
1,000	Land Securities Group Plc	30-Sep	12.54	12,540.80	7,749.33
16,000	Legal & General Group Plc	30-Sep	2.38	38,088.00	28,897.80
40,000	Lloyds Banking Group Plc	30-Sep	0.75	30,032.00	-6,426.65

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	London Stock Exchange Group	30-Sep	24.14	24,138.10	11,693.46
12,000	Man Group Plc	30-Sep	1.53	18,310.80	810.95
4,000	Marks & Spencer Group Plc	30-Sep	5.00	19,999.20	12,759.64
6,000	Meggitt Plc	30-Sep	4.74	28,464.60	13,826.78
4,000	Melrose Industries Plc	30-Sep	2.64	10,541.60	3,741.60
5,000	Millennium & Copthorne Hotel	30-Sep	4.82	24,120.50	4,827.45
1,000	Mondi Plc	30-Sep	13.74	13,738.60	11,445.80
3,000	Monks Investment Trust Plc	30-Sep	3.78	11,345.40	8,806.73
9,000	National Grid Plc	30-Sep	9.12	82,046.70	41,795.11
12,000	Old Mutual Plc	30-Sep	1.88	22,596.00	5,218.12
2,000	Pearson Plc	30-Sep	11.14	22,276.00	10,189.52
1,000	Persimmon Plc	30-Sep	20.15	20,151.90	14,672.04
500	Provident Financial Plc	30-Sep	31.41	15,704.75	12,494.46
7,000	Prudential Plc	30-Sep	13.83	96,781.30	73,992.47
8,000	Qinetiq Group Plc	30-Sep	2.24	17,923.20	3,938.78
200	Reckitt Benckiser Group Plc	30-Sep	59.80	11,960.60	9,585.37
3,000	Relx Plc	30-Sep	11.23	33,684.00	23,759.43
7,000	Rentokil Initial Plc	30-Sep	1.47	10,283.70	4,534.97
2,000	Rexam Plc	30-Sep	5.23	10,462.20	3,433.78
1,000	Rightmove Plc	30-Sep	36.56	36,555.20	32,546.13
3,000	Rio Tinto Plc	30-Sep	22.01	66,038.40	33,923.06
11,000	Rolls-Royce Holdings Plc	30-Sep	6.72	73,884.80	41,088.06
500	Royal Dutch Shell Plc	30-Sep	15.55	7,775.85	673.54
41,000	RPS Group Plc	30-Sep	2.24	91,749.80	-6,363.76
2,000	RSA Insurance Group Plc	30-Sep	3.98	7,958.60	-4,501.66
2,000	SaABmiller Plc	30-Sep	37.21	74,411.80	56,844.86
2,000	Sage Group Plc/The	30-Sep	4.99	9,970.20	7,475.91
5,000	Sainsbury (J) Plc	30-Sep	2.60	13,000.00	-1,879.52
3,000	Segro Plc	30-Sep	4.28	12,848.40	3,997.56
1,000	Severn Trent Plc	30-Sep	21.81	21,810.30	15,931.07
2,000	Shire Plc	30-Sep	44.98	89,959.60	64,146.73
2,000	Sky Plc	30-Sep	10.34	20,688.60	10,495.83
2,000	Smith & Nephew Plc	30-Sep	11.47	22,941.60	18,375.67
41,000	Soco International Plc	30-Sep	1.56	64,058.40	-31,458.04
1,000	Spirax-Sarco Engineering Plc	30-Sep	27.94	27,936.90	20,699.61
1,000	Sports Direct International	30-Sep	7.53	7,532.00	4,293.17
2,000	SSE Plc	30-Sep	14.89	29,774.80	17,203.95
2,000	St James's Place Plc	30-Sep	8.49	16,979.60	6,767.74
5,000	Standard Life Plc	30-Sep	3.85	19,256.00	2,848.73
3,000	SVG Capital Plc	30-Sep	4.67	14,001.60	5,862.47
12,000	Taylor Wimpey Plc	30-Sep	1.96	23,472.00	17,816.04
3,000	Templeton Emerging Markets	30-Sep	3.96	11,877.30	6,586.72
21,000	Tesco Plc	30-Sep	1.82	38,264.10	6,539.94
1,000	Travis Perkins Plc	30-Sep	19.62	19,622.60	14,954.58
2,000	UBM Plc	30-Sep	4.82	9,641.40	-2,579.15
3,000	Unilever Plc	30-Sep	26.81	80,444.10	62,895.93
2,000	United Utilities Group Plc	30-Sep	9.18	18,359.20	10,629.28

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price £	Proceeds £	Profit / (Loss) £
17,000	Vodafone Group Plc	30-Sep	2.07	35,273.30	3,323.66
500	Whitbread Plc	30-Sep	46.72	23,361.95	19,625.17
8,000	Wm Morrison Supermarkets	30-Sep	1.66	13,255.20	3,745.69
2,000	Wolseley Plc	30-Sep	38.05	76,104.00	44,813.63
3,000	WPP Plc	30-Sep	13.68	41,040.60	26,076.70
413,026	South 32	12-Oct	0.63	260,174.13	260,174.13
4,000	Aberdeen Asset Mgmt Plc	22-Oct	3.34	13,346.80	7,063.59
2,000	Amlin Plc	22-Oct	6.59	13,179.00	9,562.61
500	Associated British Foods Plc	22-Oct	33.70	16,847.70	14,637.75
1,000	Astrazeneca Plc	22-Oct	39.92	39,919.60	21,627.66
3,000	Aviva Plc	22-Oct	4.64	13,915.20	-3,231.71
1,000	Bank of Georgia Holdings Plc	22-Oct	20.87	20,868.60	6,023.88
11,000	Barclays Plc	22-Oct	2.50	27,464.80	4,254.90
400	Berkeley Group Holdings	22-Oct	32.19	12,875.12	10,781.41
2,000	BG Group Plc	22-Oct	10.77	21,538.60	15,041.83
1,000	BH Macro Ltd	22-Oct	20.20	20,195.00	3,914.09
2,000	BHP Billiton Plc	22-Oct	11.13	22,264.00	12,071.11
12,000	BP Plc	22-Oct	3.87	46,396.80	6,894.77
2,000	British American Tobacco Plc	22-Oct	38.23	76,468.80	55,248.69
6,000	BT Group Plc	22-Oct	4.41	26,484.00	13,632.82
2,000	BTG Plc	22-Oct	5.49	10,983.60	5,082.69
5,000	Compass Group Plc	22-Oct	10.85	54,257.00	39,521.09
500	DCCPlc	22-Oct	52.44	26,220.40	11,784.20
1,000	Diageo Plc	22-Oct	18.56	18,556.80	12,060.24
3,000	Dixons Carphone Plc	22-Oct	4.42	13,245.00	3,158.76
4,000	Experian Plc	22-Oct	10.96	43,837.20	32,980.33
2,000	Glaxosmithkline Plc	22-Oct	13.36	26,729.80	16,102.33
2,000	Hammerson Plc	22-Oct	6.35	12,695.40	5,655.64
1,000	Hargreaves Lansdown Plc	22-Oct	14.07	14,068.50	10,692.91
5,000	Henderson Group Plc	22-Oct	2.66	13,311.00	9,810.89
12,000	HSBC Holdings Plc	22-Oct	5.06	60,709.20	7,757.21
500	Imperial Tobacco Group Plc	22-Oct	35.16	17,578.05	12,354.34
2,000	Inchcape Plc	22-Oct	7.87	15,730.20	11,341.37
2,000	Informa Plc	22-Oct	5.71	11,412.40	5,871.17
8,000	James Fisher & Sons Plc	22-Oct	9.42	75,399.20	-1,281.28
1,000	Land Securities Group Plc	22-Oct	13.30	13,299.20	8,507.73
102,535	Lonmin Plc	22-Oct	0.30	30,278.59	-274,930.04
2,000	Meggitt Plc	22-Oct	4.73	9,455.20	4,575.93
3,000	Micro Focus International	22-Oct	12.28	36,838.50	20,560.23
3,000	National Grid Plc	22-Oct	9.29	27,858.00	14,440.80
3,000	Paragon Group Companies Plc	22-Oct	4.29	12,881.10	7,212.67
72,657	Premier Farnell Plc	22-Oct	1.05	76,071.88	-136,159.82
1,000	Prudential Plc	22-Oct	15.01	15,009.90	11,754.35
500	Reckitt Benckiser Group Plc	22-Oct	63.11	31,554.30	25,616.22
4,000	Regus Plc	22-Oct	3.30	13,197.20	9,686.47
3,000	Relx Plc	22-Oct	11.49	34,455.60	24,531.03
5,000	Rio Tinto Plc	22-Oct	24.59	122,954.00	69,428.44

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
8,000	Royal Dutch Shell Plc-B Shs	22-Oct	18.00	143,960.80	30,323.89
500	Sabmiller Plc	22-Oct	39.25	19,626.85	15,235.12
1,000	Shaftesbury Plc	22-Oct	9.14	9,135.60	5,424.68
500	Shire Plc	22-Oct	44.69	22,343.25	15,890.03
1,000	Smiths Group Plc	22-Oct	9.79	9,791.30	4,369.57
1,000	SSE Plc	22-Oct	15.69	15,686.60	9,401.17
2,000	Standard Chartered Plc	22-Oct	7.28	14,555.60	-1,581.19
2,000	Tate & Lyle Plc	22-Oct	5.86	11,712.60	5,793.10
1,000	Telecity Group Plc	22-Oct	11.27	11,268.40	6,977.17
500	Unilever Plc	22-Oct	29.50	14,751.80	11,827.11
18,000	Vodafone Group Plc	22-Oct	2.14	38,484.00	4,654.97
1,000	WH Smith Plc	22-Oct	16.63	16,629.10	13,759.22
5,000	WPPPlc	22-Oct	14.11	70,530.00	45,590.17
11,000	Synergy Health	30-Oct	4.39	48,290.00	-9,504.52
39,483	Alent	30-Nov	5.03	198,599.49	58,937.36
4,738	Steris Group	23-Dec	50.16	237,664.01	237,664.01
8,622	XL Group	23-Dec	25.08	216,281.78	216,281.78
38,000	Hellermann Tyton	31-Dec	4.80	182,400.00	64,925.97
42,369	Pace	31-Dec	1.33	82,150.00	-64,946.50
32,906	Rolls Royce 'C'	6-Jan	0.00	32,906.45	32,906.45
2,000	Arm Holdings Plc	21-Jan	9.61	19,215.60	14,992.71
1,000	Astrazeneca Plc	21-Jan	42.85	42,854.60	24,562.66
1,000	Atkins (WS) Plc	21-Jan	14.29	14,290.10	9,987.69
4,000	Aviva Plc	21-Jan	4.58	18,316.00	-4,546.54
5,000	BAE Systems Plc	21-Jan	4.82	24,085.50	14,724.42
4,000	Balfour Beatty Plc	21-Jan	2.37	9,491.60	-187.14
15,000	Barclays Plc	21-Jan	1.85	27,685.50	-3,964.36
6,000	BBA Aviation Plc	21-Jan	1.55	9,301.20	-98.04
3,000	Beazley Plc	21-Jan	3.58	10,733.70	7,165.38
1,000	Berendsen Plc	21-Jan	10.34	10,342.40	7,144.43
3,000	BG Group Plc	21-Jan	9.15	27,442.80	17,697.65
1,000	BHP Billiton Plc	21-Jan	6.19	6,192.90	1,096.45
6,000	Bluecrest Allblue Fund Ltd	21-Jan	1.91	11,473.80	2,553.69
17,000	BP Plc	21-Jan	3.37	57,308.70	1,347.50
1,000	British American Tobacco Plc	21-Jan	35.71	35,709.30	25,099.24
8,000	BT Group Plc	21-Jan	4.61	36,885.60	19,750.69
1,000	Capita Plc	21-Jan	11.41	11,407.70	8,002.95
2,000	Compass Group Plc	21-Jan	10.88	21,762.60	15,868.23
1,000	CRH Plc	21-Jan	17.87	17,866.80	4,616.46
3,000	Diageo Plc	21-Jan	18.17	54,523.50	35,033.82
1,000	Domino's Pizza Group Plc	21-Jan	9.11	9,109.40	5,867.74
1,000	Easyjet Plc	21-Jan	16.27	16,269.20	11,463.52
2,000	Edinburgh Investment Trust	21-Jan	6.64	13,286.80	9,308.25
2,000	Electra Private Equity Plc	21-Jan	34.06	68,119.60	52,584.67
1,000	Experian Plc	21-Jan	11.16	11,164.00	8,449.78
50,000	Foxtons Group Plc	21-Jan	1.58	79,150.00	-39,420.00
6,000	Glaxosmithkline Plc	21-Jan	13.70	82,181.40	50,298.99

Dorset County Pension Fund Transactions (1 April 2015 - 31 March 2016)

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
8,000	Hays Plc	21-Jan	1.20	9,628.00	5,506.00
18,000	HSBC Holdings Plc	21-Jan	4.69	84,421.80	4,993.81
27,000	Hunting Plc	21-Jan	2.46	66,349.80	-50,535.76
1,000	Imperial Tobacco Group Plc	21-Jan	34.58	34,576.20	24,128.78
1,000	Inmarsat Plc	21-Jan	10.24	10,238.70	6,211.75
500	Intercontinental Hotels Group	21-Jan	22.04	11,017.50	9,942.50
2,000	Intl Consolidated Airline	21-Jan	5.49	10,979.20	5,744.53
6,000	ITV Plc	21-Jan	2.53	15,182.40	8,241.68
1,000	Johnson Matthey Plc	21-Jan	23.87	23,870.60	15,424.53
2,000	Jupiter Fund Management	21-Jan	3.91	7,817.60	1,897.02
49,584	Kaz Minerals Plc	21-Jan	0.96	47,491.56	-288,937.06
4,000	Kingfisher Plc	21-Jan	3.35	13,413.60	5,602.64
9,000	Legal & General Group Plc	21-Jan	2.35	21,182.40	16,012.91
3,000	Marks & Spencer Group Plc	21-Jan	4.15	12,435.60	7,005.93
3,000	Merlin Entertainment	21-Jan	3.99	11,977.20	342.40
3,000	Mitie Group Plc	21-Jan	2.75	8,250.90	2,374.54
1,000	Mondi Plc	21-Jan	11.93	11,934.30	9,641.50
3,000	National Grid Plc	21-Jan	9.17	27,524.40	14,107.20
12,000	NB Global Floating Rate Inc	21-Jan	0.89	10,710.00	-1,370.47
300	Next Plc	21-Jan	65.40	19,620.90	17,276.08
8,000	Old Mutual Plc	21-Jan	1.53	12,228.00	642.75
93,000	Petra Diamonds Ltd	21-Jan	0.70	65,034.90	-69,320.49
1,000	Petrofac Ltd	21-Jan	6.87	6,866.90	3,429.59
1,000	Phoenix Group Holdings	21-Jan	8.37	8,371.80	1,617.50
3,000	Prudential Plc	21-Jan	13.11	39,328.20	29,561.56
500	Reckitt Benckiser Group Plc	21-Jan	60.04	30,021.45	24,083.37
2,000	Relx Plc	21-Jan	11.47	22,937.80	16,321.42
1,000	Rio Tinto Plc	21-Jan	16.42	16,421.30	5,716.19
3,000	Rolls-Royce Holdings Plc	21-Jan	5.29	15,868.20	6,923.63
2,000	Royal Dutch Shell Plc-B Shs	21-Jan	12.95	25,892.00	-2,517.23
1,000	RPC Group Plc	21-Jan	7.24	7,238.00	3,503.26
1,000	SAABmiller Plc	21-Jan	41.33	41,327.00	32,543.53
2,000	Sage Group Plc	21-Jan	5.49	10,985.00	8,490.71
500	Schroders Plc	21-Jan	25.64	12,821.30	11,120.69
1,000	Shire Plc	21-Jan	41.52	41,519.80	28,613.36
2,000	Sky Plc	21-Jan	10.11	20,219.60	10,026.83
2,000	Smith & Nephew Plc	21-Jan	10.93	21,859.40	17,293.47
1,000	SSE Plc	21-Jan	13.46	13,460.30	7,174.87
2,000	Standard Chartered Plc	21-Jan	4.74	9,481.60	-5,135.93

Other Transactions

The following Capitalisation / Consolidation issues took place

during the 12 month period 1 April 2015 - 31 March 2016)

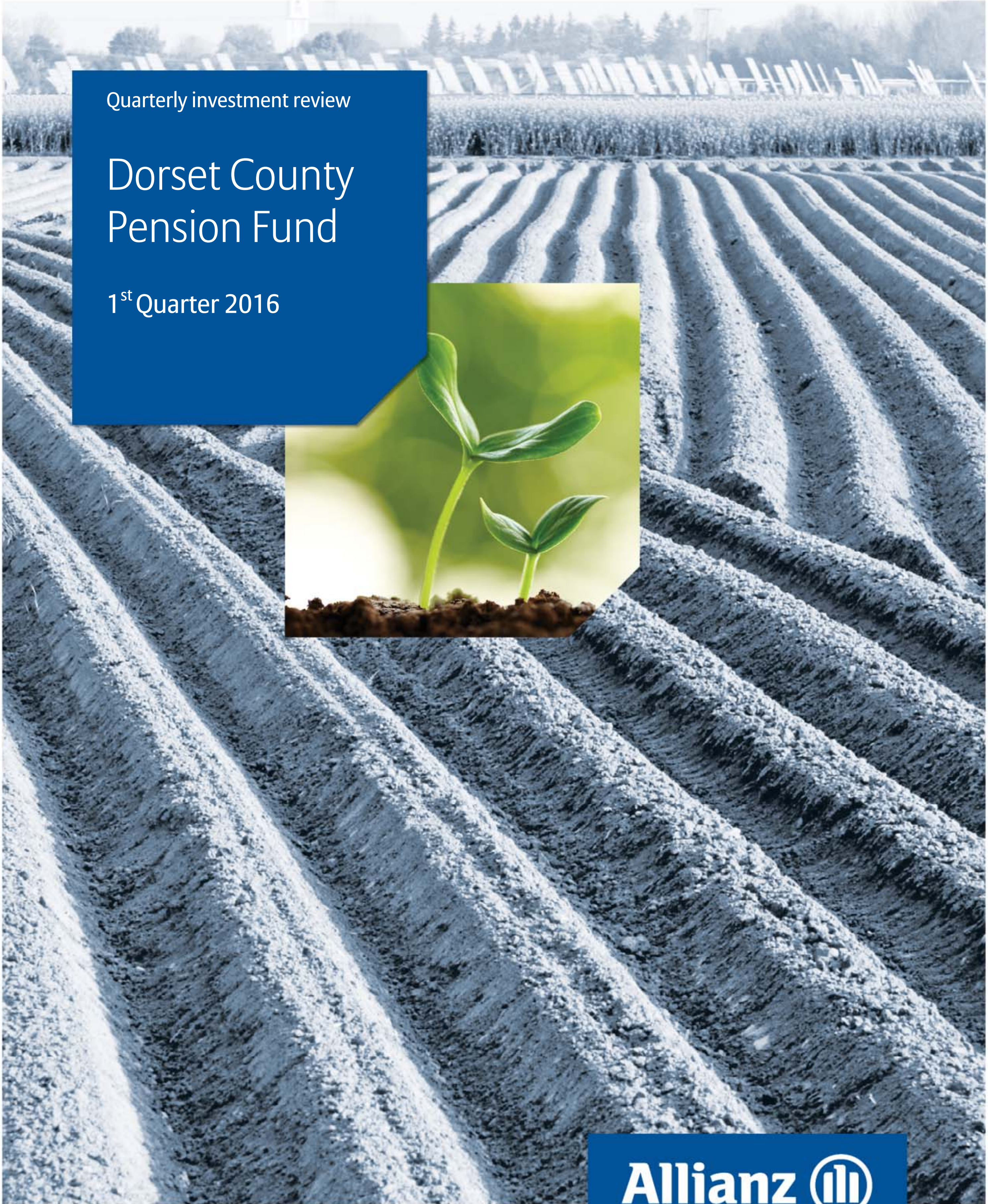
Company	Old Holding	New Holding
Capitalisation Issues		
Lonmin	80,027	102,535
Rotork	17,000	170,000
Royal Dutch 'B'	1,210,295	1,500,461
Consolidation Issues		
3i infrastructure	111,000	99,900
Direct Line	295,000	270,416
Homeserve	54,000	50,140
Intermediate Capital	76,181	65,294
Spirax Sarco	14,961	13,421
Johnson Matthey	39,820	36,607
Paddypower Betfair	15,790	6,699

This page is intentionally left blank

Quarterly investment review

Dorset County Pension Fund

1st Quarter 2016



Allianz Global Investors

Understand. Act.

Contents

Client contact

Jo Wheatley
Telephone: +44 (0)20 3246 7573
Mobile: +44 (0)7701 397806
Email: joanne.wheatley@allianzgi.com

Administration

UKICSTeam@allianzgi.com

Allianz Global Investors GmbH
199 Bishopsgate
London, EC2M 3TY

Telephone: 44 (0)20 3246 7000
Web site: www.allianzgi.com

Section one

Key points

Mandate

- Best Styles Global Strategy managed on a segregated basis.
- The Best Styles team implement a well-diversified blend of the five long-term successful investment styles Value, Momentum, Earnings Revisions, Growth and Quality.

Investment objective

- The investment objective of the Portfolio is to maximize excess returns relative to the Benchmark, targeting an annualized excess return of 1-2% per annum net of fees over a rolling 3 year period with a tracking error in the range of 1-3% p.a.

Inception date

- The inception date for the portfolio is 17 December 2015.

Change in value

- Closing value of GBP 222,349,487 as at 1 January 2016.
- Closing value of GBP 227,083,032 as at 31 March 2016.
- There were no subscriptions/redemptions during the period.

Long performance

- The portfolio returned 3.40% versus the benchmark return of 3.71% since the inception of the fund.

Performance

Recent performance

Returns to 31 March 2016	Portfolio (Gross)	MSCI World TR	Relative
Quarter	2.13%	2.19%	-0.06%
Since inception 17 Dec 2015	3.40%	3.71%	-0.31%

Portfolio return - Gross of fees/total return/GBP

Section two

Market review

- The first quarter of 2016 was a volatile quarter for global equities. Most markets suffered the worst start to a year in decades, with some entering bear-market territory, amid renewed fears about the slowdown in China and further oil price weakness. However, signs that commodity prices may be stabilizing, as well as further central bank stimulus, helped markets to recover in March. Most equity markets ended the quarter with modest losses, although the US and many emerging markets recorded positive returns.

- Global sector returns reflected the quarter's volatility with defensive areas, such as utilities and telecommunications, outperforming alongside materials and energy. Health care and financials lagged, the former due to the rise of drug pricing as a political issue in the US and the later mainly as a result of European bank profitability concerns due to increasingly negative interest rates.

- Global bonds advanced, as the volatility in equity markets boosted demand for assets seen as safe havens. Dovish statements from the Federal Reserve (Fed) and further policy easing from the European Central Bank (ECB) and Bank of Japan also underpinned government bonds. Corporate bonds had a volatile quarter as they mirrored the movement in equity markets, selling off sharply in the first half of the quarter before rallying in March.

- As widely expected, the ECB cut its main interest rate to zero in March and reduced banks' deposit rate further into negative territory. It also extended its quantitative easing programme. The Fed amended its 'dot plot' projections, indicating it now expects to raise rates just twice this year. Janet Yellen, Fed chair, noted that the Fed will need to proceed cautiously given "the economic risk from abroad". The Bank of Japan surprised investors by cutting interest rates to below zero.

- Emerging market currencies rallied as the US dollar weakened, reflecting the Fed's more dovish comments. The Japanese yen also rose, as it benefitted from its "safe haven" status. However, the British pound fell sharply amid concerns over the UK's referendum on EU membership in June.

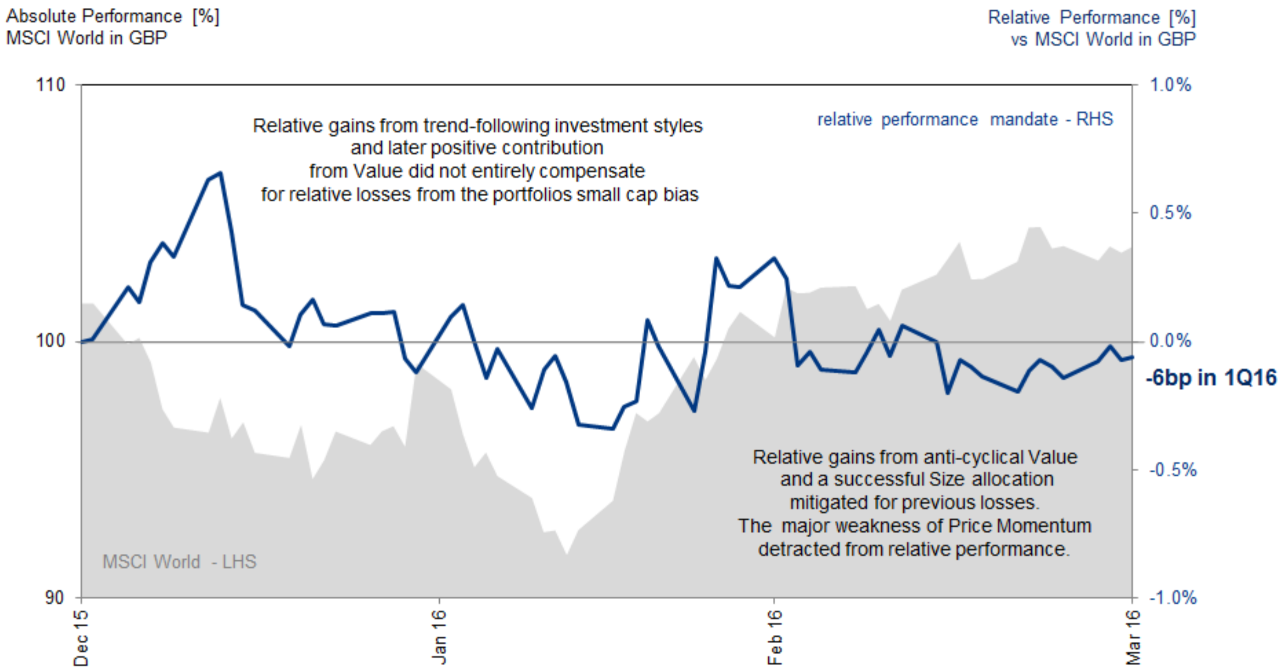
- Commodity prices fell sharply in January, with the prospect of the lifting of sanctions against Iran causing oil to fall below $30 a barrel. However, commodity prices appeared to stabilize in the second half of the quarter, with oil rising back above $40 a barrel, a rally of almost 50% from the lows reached in January.

Portfolio review

- The first quarter of 2016 has been a fairly volatile and unnerving period so far for style investors. Rising concerns over the health of the global economy led to a sell-off in equities at the beginning of the year followed by a flight to safety lasting into February. Against that backdrop, cyclical, higher beta investment styles like Value, Small Caps and High Risk were lagging, and defensive, High Quality stocks were leading alongside trend-following strategies like Price Momentum and Earnings Revisions due to a bias towards non-cyclical, defensive names. From mid-February to the end of March, with the market recovery taking place, the pattern of investment style performance has reversed. The investment styles Value and Small Cap have seen one of the strongest 6-week-periods of the last 5 years and are up for the year, while the Momentum, Revisions, Quality and Growth have seen one of the weakest 6-week-periods of the last 5 years and were down or flat for the year.

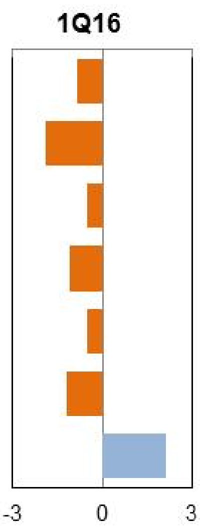
- The portfolio delivered a return of 2.13% which was modestly behind the benchmark return of 2.19% by 0.06% for the quarter ending 31 March 2016. The broad and well diversified implementation of investment styles dampened the impact of the strong reversal in the investment style regime in March supported by positive return contributions from smaller market capitalizations.

Dorset County Pension Fund: Absolute and Relative Performance to 31 March 2016



Performance calculated by IDS, graphical representation by Portfolio Management, Allianz Global Investors

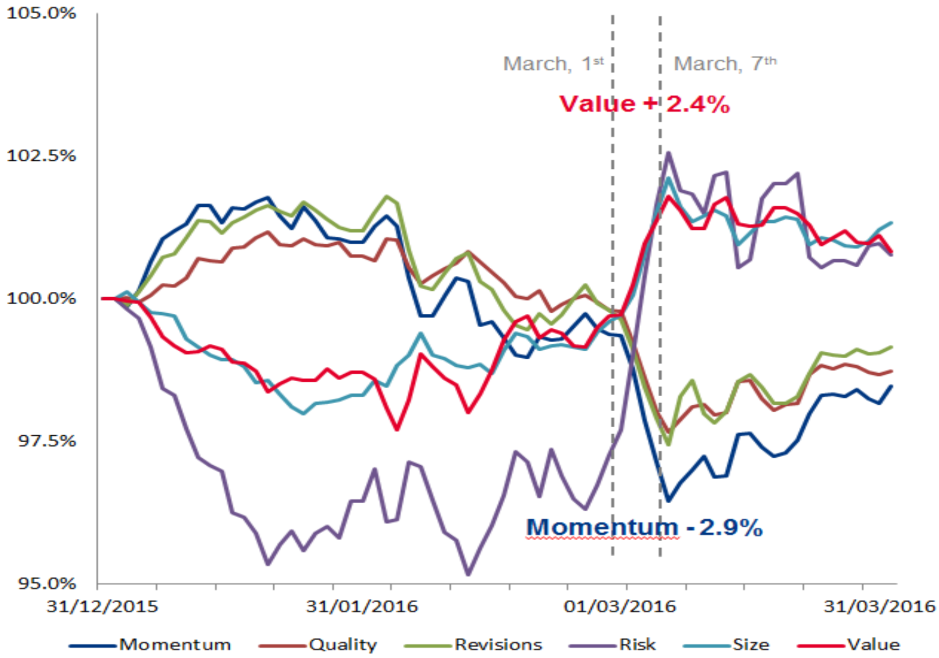
Relative performance of investment style over the last 6 months



	1Q15	2Q15	3Q15	4Q15	Jan 16	Feb 16	Mar 16	1Q16
Value	-0.1	1.5	-4.0	0.2	-1.8	0.3	0.7	-0.8
Growth	0.5	0.4	1.3	2.2	-0.7	-0.9	-0.3	-1.9
Revisions	-1.0	0.5	3.0	0.8	0.8	-0.8	-0.5	-0.5
Momentum	0.1	0.0	1.7	0.9	0.7	-0.6	-1.2	-1.1
Quality	-0.3	0.1	2.1	0.6	1.0	-0.9	-0.6	-0.5
Risk	0.7	0.3	-5.3	-0.8	-4.9	1.0	2.7	-1.2
Small Cap	1.8	0.3	-1.0	-0.3	-0.3	0.9	1.6	2.1

Performance of long-only style mimicking portfolios against MSCI World
Source: AllianzGI, March 31st, 2016

Daily Relative Performance of Investment Styles vs FTSE World

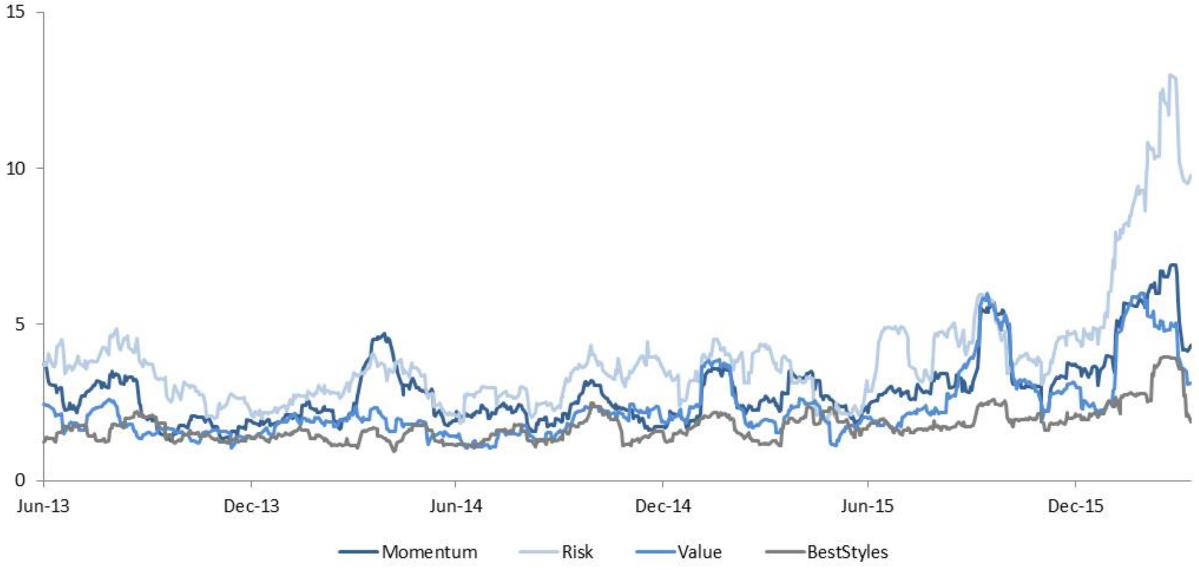


Performance of long-only style mimicking portfolios against FTSE World
Source: AllianzGI, March 31st, 2016

- The pattern of relative returns from our preferred investment styles started to change around mid-February when Value and High Risk began to outperform, as shown above
- The anti-cyclical and higher risk investment styles started to outperform in February but accelerated during the first week of March. The outperformance of Value, High Risk and Small Caps was matched by an equivalent strength in underperformance of Price momentum, Earnings Revisions and Quality.

- From 1st to 7th March, Value outperformed strongly by 2.4% while Momentum suffered from a relative loss of -2.9%.
- The regime change in investment styles began to rewind after March 7th.
- The resurfacing of anti-cyclical investment styles seems to have been a flash-in-the-pan for now. Without further major positive macro news e.g., better-than-expected growth prospects for the Emerging Markets and China in particular, major renewed efforts to defeat deflation in Japan, stronger-than-expected growth or lower than anticipated inflation rates in Europe, a major and sustained swing back to Value and High Risk remains unlikely

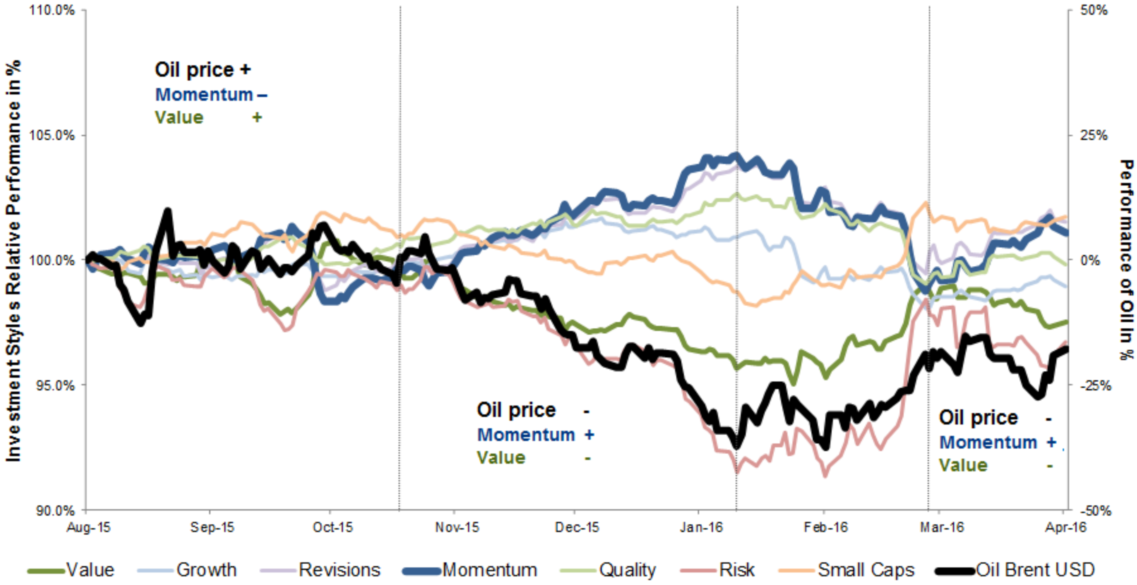
Annualized Volatility in Relative Performance of Investment Styles vs FTSE World



Source: AllianzGI, April 11st, 2016

- Volatility of relative investment style returns reached vastly increased levels.
- The well diversified blend of investment styles within the Best Styles strategy helped to mitigate the increased risk from investment styles in March.

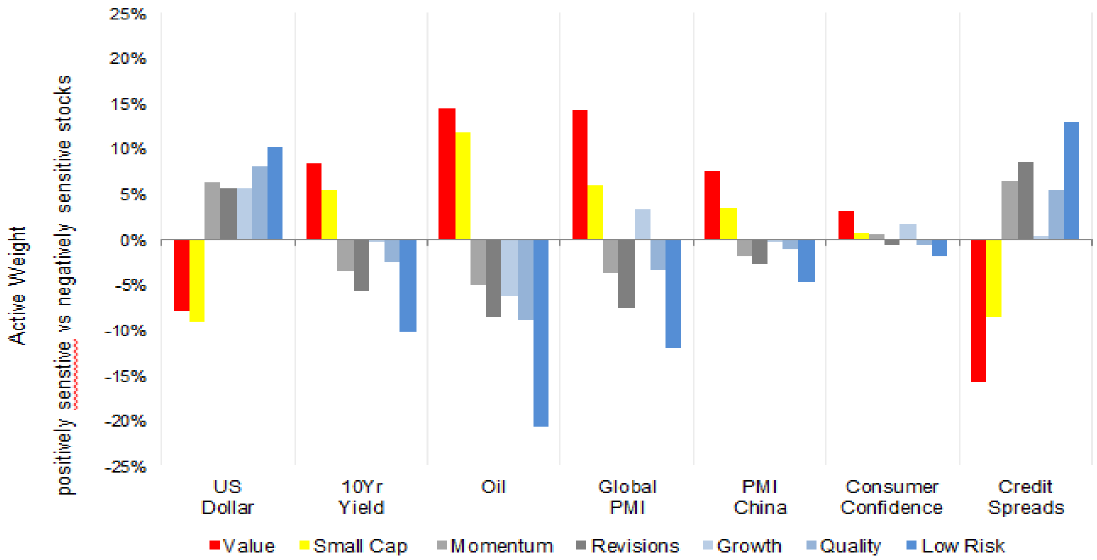
Correlation of performance of the global investment styles with the movement in the oil price



Source: Allianz Global Investors. Calculations are performed by the portfolio management team. Not independently verified.

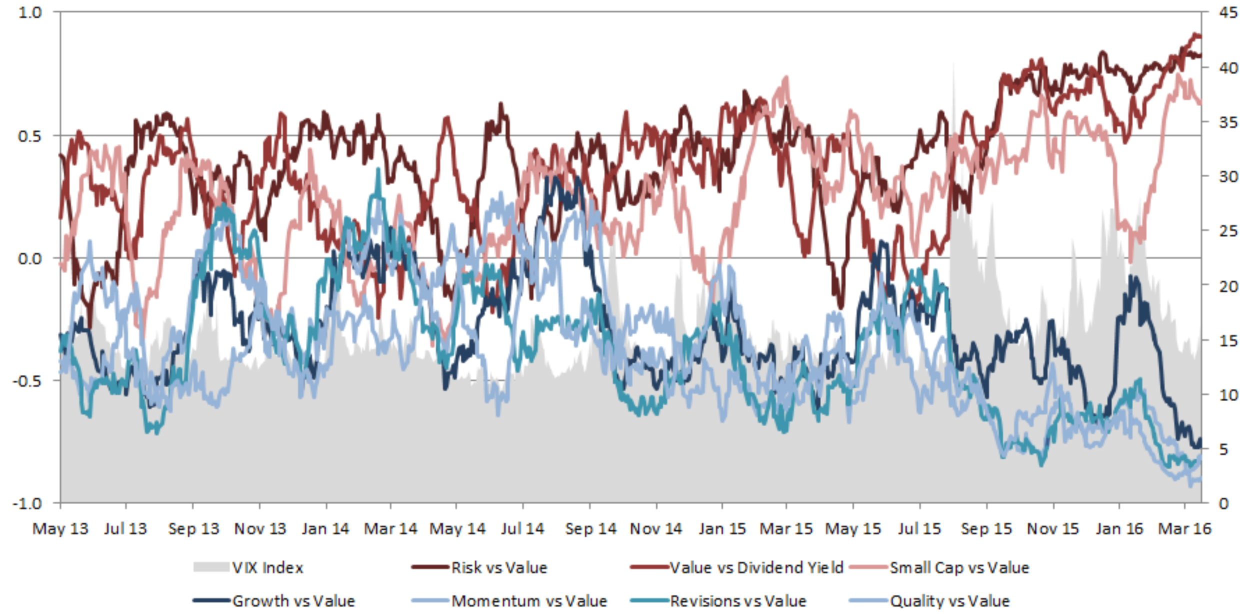
- Performance of global investment styles is correlated in different ways to the movement in the oil price. The trend-following strategies, such as momentum and earnings revisions suffer from rising oil prices. Conversely, contrarian investment styles, such as value and small caps benefit from the recovery of the oil price recovery

Macro-economic exposures of investment styles



Data source: Allianz Global Investors. Calculations are performed by the portfolio management team.
Not independently verified.

Correlation of Value with other Investment Styles.



Data source: Allianz Global Investors. Data as at April 2016. Calculations are performed by portfolio management team. Not independently verified.

- Value is currently the only diversifier to trend following strategies.
- Value' as an investment style is positively correlated with 'Size', but negatively correlated with all other strategies.

Portfolio outlook

- Deleveraging in industrialized countries is likely to last and will lead to lower trend growth compared to before the great financial crisis. Private sector de-leveraging in the US and Europe advanced but is probably not yet over. In the US, the corporate sector is re-leveraging again. Support from monetary policy and negative real interest rates are likely to stay for longer even with the Federal Reserve having entered the rate hiking cycle. Monetary policy will remain supportive for valuation levels of risky assets as the Bank of Japan (BoJ) as well as the European Central Bank (ECB) have further eased monetary policy in the first quarter in order to stimulate inflation in consumer prices. Rising leverage in the emerging markets require easy monetary policy in the EM as well.

- Global high frequency data remain lacklustre and growth momentum is fading. Leading indicators have peaked and are retreating since then and have started to signal a contraction in the US and Japan since summer/autumn last year. The current reading of the OECD leading indicator is below or only slightly above the reading at a trough of a mid-cycle slowdown like 1986, 1995, 1998 or 2012 and much weaker readings than today have only been seen around recessions. However, we do not expect a deflationary environment and global growth at potential in the coming quarters is still possible. We do not expect a recession, but a slowdown in growth momentum. Structurally, growth dynamics are better in the developed relative to emerging markets. On an historical basis, Value stocks are now considered cheap and have only been cheaper in 6% of all monthly data points since December 1987.

- The US recovery is at an advanced stage, but the general upward trend of the US economy remains intact. Consumer spending should remain an important source of support for economic growth in the coming quarters – alongside residential construction. Both are helped by a robust labour market as well as from improved purchasing power resulting from lower gasoline prices. With the value of the US Dollar having risen further against other currencies in recent months, exports will probably increase only moderately.

- The Eurozone economy is continuing on its path to recovery, although sentiment indicators were somewhat subdued at the start of 2016, there are no signs that sentiment is turning. The ECB's ultra-loose monetary policy, increased purchasing power as a result of the oil price and the continuing recovery in the labour market are spurring domestic demand and helping to drive an economic upswing that is becoming increasingly self-supporting.

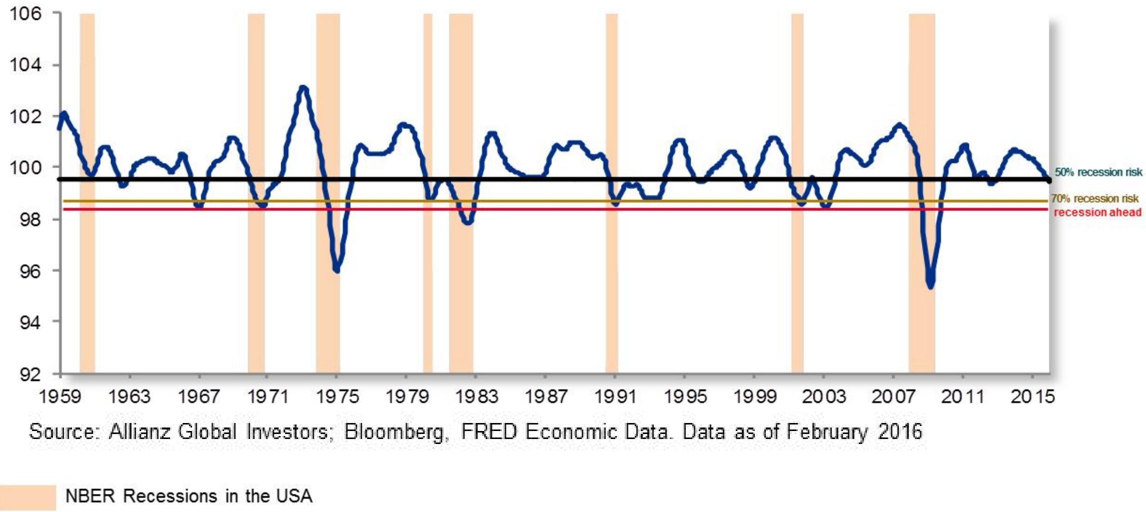
- In China, the real estate sector remains the critical factor and seems to be stabilising further. But economic growth momentum continues to slow and markets have to be prepared for continued weak growth compared to past standards, rising financial distress. The 'two steps forward, one step back' progress on reform path and possible policy mistakes will remain with us while the Chinese economy shifts from having been an investment-led economy to become consumption-led.

- The Japanese economy shrank in the fourth quarter of 2015. Irrespective of the volatility of a host of statistics, the ongoing recovery on the labour market points towards a return to overall economic expansion at the beginning of the year.

- Potential risks are coming from a stronger than expected slowdown in China or a stronger than anticipated rise in interest rates in the US. The value of the US Dollar having risen further against other currencies in recent months, exports will probably increase only moderately. Moreover, adjustments in the oil sector will probably adversely affect business investment for longer than previously expected. At a European level, many reforms have been initiated since 2010 in order to create a more crisis-resistant foundation for the Eurozone. Increasingly centrifugal political forces and the refugee debate are shaking the very foundations of the EU and the single currency area. Political impasse in a number of reform countries highlights the potential political risks associated with investing in the Eurozone, as does the forthcoming referendum in the UK.

- Volatilities are to be expected to rise again at any time. A rather weak earnings environment, persisting worries about the growth prospects in some emerging markets, especially China, uncertainties as to the trajectory of the Fed's rate hikes, geopolitical event and liquidity risks as well as valuations in some asset classes could all herald temporary headwinds for risky assets. In our base scenario, we nevertheless expect equities to grind higher on the backdrop of an ongoing accommodative monetary policy stabilizing economic growth and still reasonable valuations.

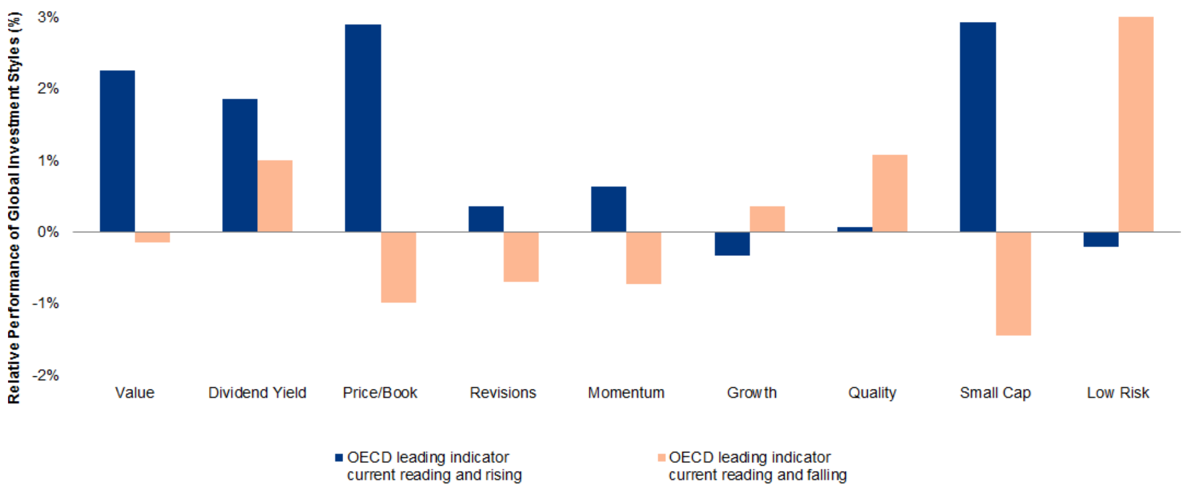
OECD G7 Leading indicator



Source: Allianz Global Investors; Bloomberg, FRED Economic Data. Data as of February 2016

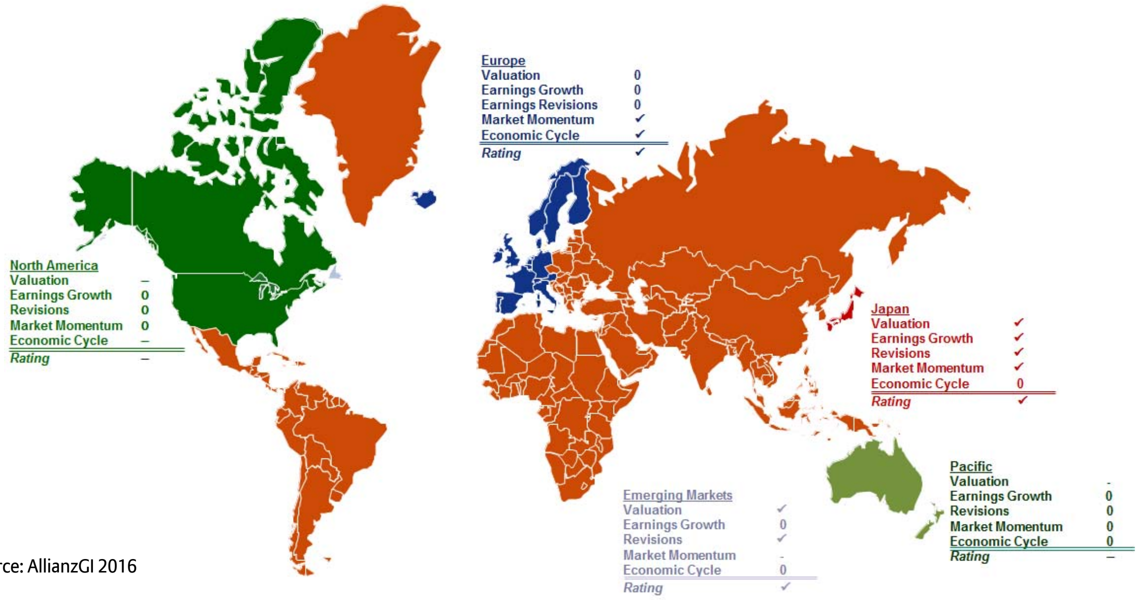
- OECD leading indicators are approaching the bottom of a typical mid-cycle slowdown. The current level of the negative momentum OECD composite leading indicators has meant historically that over the period most of our investment styles were not delivering, except the investment style quality. If the leading indicators were to accelerate again, Value and Small Caps would be leading investment styles.

Relative performance of investment styles at current levels of the leading indicators.



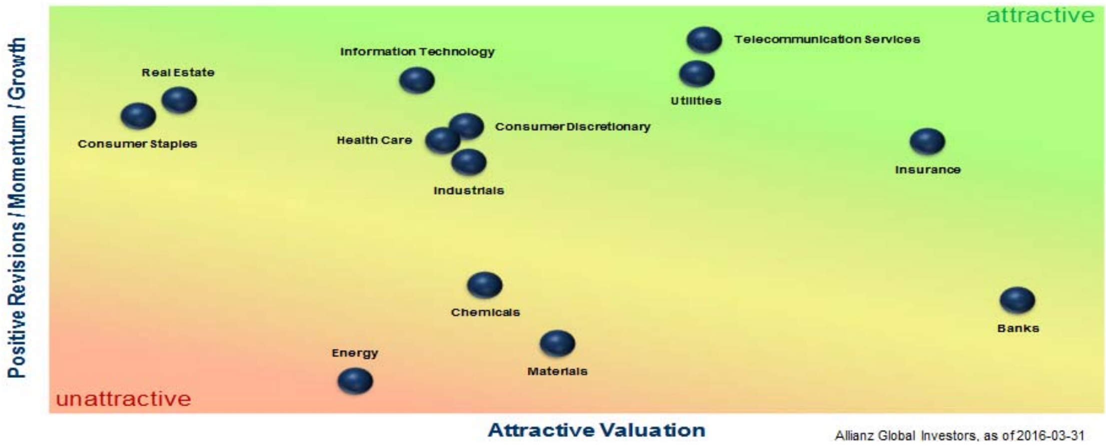
Source: Allianz Global Investors. Calculations are performed by the portfolio management team. Not independently verified.

Investment style attractiveness of global regions 2016



Source: AllianzGI 2016

Investment style attractiveness of global sectors with respect to Investment Styles



- Insurance companies are still most attractive as they offer both attractive Valuation levels combined with positive Earnings Revisions and strong Price Momentum. Real Estate remains the most unattractive industry group within Financials.
- Utilities and Telecommunication Services are the most favored *defensive* sectors. Health Care still stands out with strong momentum, but Valuation has advanced significantly and, therefore, the sector has become less favorable. Consumer Staples are least favored due to high valuations and uninspiring earnings revisions and growth.
- Information Technology, Consumer Discretionary and Industrials are currently the most attractive *cyclical* sectors, but still only score slightly above neutral. Energy and Materials are less favorable as current valuation levels barely compensate for their poor Momentum and Growth.
- We seek a balanced exposure to cyclical and defensive sectors targeting a performance profile that is largely independent of the economic cycle.

Market outlook

- In Q2 2016, Best Styles will be overweight in stocks with attractive valuation and stocks with positive momentum and positive revisions, in line with the longer term strategic investment style mix of Best Styles Global. The analysis of the performance of such an investment style mix showed stable outperformance since 1987, largely independent from the general economic environment and market conditions. The investment style mix has also historically done well in the macro economic environment expected going forward - rising interest rates and subdued economic growth.

- Risks have risen, but we do not believe the global economy is heading toward recession. In the US—while odds of an April rate hike are low—we still think that the outlook for growth and inflation will prompt the Fed to raise rates twice in 2016.

- Against this backdrop, we continue to favor risky assets, in part, because valuations have become attractive, but also because we expect monetary policy, globally, to remain very accommodative.

- In our base scenario, we expect equities to grind higher on the back of an re-accelerating economy, ongoing accommodative monetary policy and still reasonable valuations.

- Global equities currently trade on trailing Price/Earnings-Ratio in line with the long-run median. Historically, there is little evidence that current valuation levels may hinder risky assets from appreciating any further. On the contrary, history clearly shows that as long as monetary policy is highly accommodative and rates remain below "neutral" levels, i.e. a level at which the economy is running at around trend growth, risky assets tend to do well and outperform bonds.

- The recovery in commodities has helped stabilize some of the stress points in the world economy—which should support inflation, growth and portfolio performance. Still, the ebb and flow of economic and political uncertainties will likely result in persistent volatility.

- In terms of investment styles, the shift in the investment style regime away from trend-following Momentum and Quality to Value, Small Caps and High Risk in particular has faded. Without further major positive macro news going forward like e.g. major renewed efforts to defeat deflation in Japan, stronger-than-expected growth or lower than anticipated inflation rates in Europe, a major and sustained swing back to Value and High Risk remains unlikely.

- However, as just seen in March, profit taking in Momentum and flows into neglected tranches of the equity market (Value in general, Materials, Emerging Markets and Asia Pacific in particular) are to be expected at any time under the current globally divergent macro-economic conditions.

- The balanced and well diversified blend of investment styles of the Best Styles investment approach has shown to succeed under macro-economic conditions comparable to today's several times before and will, therefore, not be set aside in favor of any tempting shorter term investment style timing efforts. Within the investment styles, individual factors like e.g. dividend yield within Value will likely attract more attention under the current macro-economic conditions as compared to times of a strong and sustained market upswing.

- We will continue to be overweight in stocks with attractive valuation and stocks with positive momentum and positive revisions, in line with the longer term strategic investment style mix of Best Styles Global.

Appendix

Investment guidelines

Investment Restrictions and Limitations

- The Manager shall comply with and adhere to the investment restrictions and limitations provided below.

Permitted Investments and Prohibited Investments

- Investments shall be restricted to constituents of the "MSCI World Investable Market Index (IMI)" and Bloomberg ticker MXWOIM Index ("Investment Universe").
- Investments in securities outside the Investment Universe which, e.g., may arise from stocks leaving Investment Universe or from corporate actions, shall be sold as soon as reasonably possible.

General Restrictions

- The Portfolio shall not borrow cash, securities and/or other assets for leveraging the Portfolio. For the avoidance of doubt, short-term overdrafts which may result from operation difficulties such as "trade fails," "limit orders" or discrepancies in security settlement dates, shall not be deemed a borrowing or acts which leverage the Portfolio.
- The Securities held in the Portfolio may not be lent or be subject to a repurchase transaction.
- The Portfolio may not sell short.
- The investments of the Portfolio shall maintain reasonable liquidity at all times.

Investment Limitation

- The maximum amount to be invested in the Securities of any one issuer is the higher of (a) 10% of the Value of the Portfolio or (b) 150% of the Benchmark weight.
- Number of different stock issuers should be 20 or more.
- No investment shall be more than 10% of the outstanding Securities of any one (1) issuer in the Portfolio.
- Investment in non-Benchmark countries shall not exceed 20% of the Value of the Portfolio.

Cash/bank Deposits

- A deposit shall be placed with:

  i) A bank with deposit taking license which has short term credit rating of at least 'A-1' as measured by Standard & Poor's or 'P-1' by Moody's.

  ii) The custodian or its sub-custodian(s) for transaction purposes.

- Deposits with any institution authorised by the Client should not exceed 5% of that institution's issued capital and published reserves and deposits with any single institution should not exceed 5% of the assets of the Portfolio. This limit does not apply to the custodian or its sub-custodian(s).

- Deposits will be in freely convertible currencies.

- Currency transactions, both spot and forward currency contracts, shall be entered into with the Custodian or counterparties which have a credit rating of A3/A- or higher recognized by rating agencies which mean Standard & Poor's, Moody's and Fitch . In the case of a split rating, the middle of the three ratings will be applied. In case that two of the 3 ratings are same, the same rating will be applied and in the event of the issuer being rated by only two agencies, the lower rating is applicable. If there exists only one rating, that rating will be applied.

Investment management teams

Portfolio mangement team

Source: Allianz Global Investors, as at 29/02/2016

Global research headcount

	Consumer	Financial Services	Health Care	Industrials & Resources	Technology/ Telecom/Media	ESG Research	Grassroots℠ Research	Credit	Total
Asia Pacific	2	3	1	2	3	0	1	3	15
Europe	4	4	3	12	5	9	2	9	48
US	3	1	3	5	6	0	3	0	21
Total	9	8	7	19	14	9	6	12	84

- An average of 15 years of industry experience
- Innovative and proprietary investment tools
- Analysts manage sector and thematic mandates
- Each analyst conducts circa 100 meetings per year with corporate management
- Research identifies the key drivers of each stock, which frames and focuses the analytical process
- Dedicated sustainability research analysts
- Complemented by Grassroots℠ Research

The cornerstone of our investment process – generating information advantage

Source: AllianzGI, as at 31 December 2015.

Disclaimer

Valuation of investments

- Investments within the portfolio are valued as at the close of business on the valuation date using mid-market, bid or last traded prices, depending on the convention of the exchange on which the investment is listed.
- Investments in UK authorised open ended investment companies for which Allianz Global Investors GmbH is the authorised corporate Director are valued at the noon daily dealing price.
- Unlisted or suspended investments are valued on the basis of the best information available to the manager.
- Running yields attributable to equity pooled vehicles and gross redemption yields attributable to fixed interest pooled vehicles are each stated before deduction of management fees.

Risk warning

- Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested. You should not make any assumptions about the future on the basis of this information.
- Except for products investing exclusively in the UK, currency exposure exists in all funds. These funds will suffer a negative impact if sterling rises in value relative to the currencies in which the investments are made.

Disclaimer

- The information is for the sole use of the addressee, who it is believed is an intermediate investor as defined by the Financial Conduct Authority, Allianz Global Investors GmbH staff, or consultants and independent financial advisors who have received instructions from Allianz Global Investors GmbH. Furthermore, the material contained herein is directed only at persons or entities in any jurisdiction or country where such information and the use thereof is not contrary to local law or regulation. Accordingly, it may not be reproduced in any form without the express permission of Allianz Global Investors GmbH. To the extent that it is passed on, care must be taken to ensure that this is in a form which accurately reflects the information presented here and that it complies with the laws and regulations of any jurisdiction in which it is used.
- While Allianz Global Investors GmbH believe that the information is correct at the date of this document, no warranty or representation is given to this effect and no responsibility can be accepted by Allianz Global Investors GmbH to any intermediaries or end users for any action taken on the basis of the information.
- The information contained herein including any expression of opinion is for information only and is given on the understanding that anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk.
- For our mutual protection, calls are recorded and may be used for quality control and training purposes, however, Allianz Global Investors GmbH reserves the right to use such recordings in the event of a dispute.

Regulatory status

- This is a marketing communication issued by Allianz Global Investors GmbH, www.allianzglobalinvestors.co.uk. Allianz Global Investors GmbH is an investment company with limited liability incorporated in Germany and registered in England as a branch with branch establishment No 009058 and with its registered office at 199 Bishopsgate, London, EC2M 3TY. It is authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). Details about the extent of our regulation by the Financial Conduct Authority are available from us on request. The duplication, publication, or transmission of the contents, irrespective of the form, is not permitted.

This page is intentionally left blank

Dorset County Council

4Factor Global Equity Strategy

Investment report for the quarter ended
31 March 2016

Investec
Asset Management

4Factor™ investment philosophy and process

Traditional factors

High quality

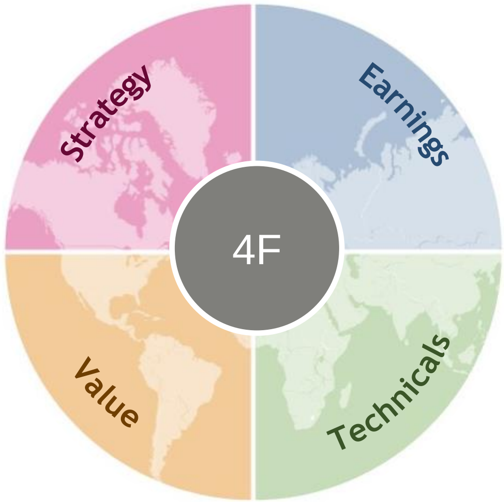
Companies that have created value for their shareholders in the past

- High level of CFROI versus cost of capital
- Returning cash to shareholders and prudently expanding
- Strong management teams who are improving margins and driving cashflow

Attractive valuation

Companies that look cheap relative to the market

- CFROI based valuation
- Weighted P/E
- Sector relative metrics



Behavioural factors

Improving operating performance

Companies whose profit forecasts are being revised upwards

- Positive revisions for FY1 and FY2 relative to the market
- Analysts moving estimates in the same direction

Increasing investor attention

Companies whose relative share prices are trending upward

- Share price above rising 50 and 200 day moving averages

Our four factors can individually drive share prices and in combination can drive consistent outperformance

NEGATIVE ← → POSITIVE

4 5 6 7 8 9 10 11 12 13 14 15 16

Stocks score between 1 and 4 on each factor. Stocks scoring 12 and above are reviewed weekly for possible purchase.

4Factor™ Framework

>3000 global stock universe

Stage 1	4Factor™ screen Ranks universe to identify high scoring **'Good Ideas'**	Disciplined idea generation
Stage 2	In-depth, fundamental company research Identifies our **'Best Ideas'**	Qualitative evaluation
Stage 3	Construction of high conviction, risk-aware portfolios	Rigorous decision discipline
Stage 4	Continuous focus on portfolio integrity	Active risk/reward management

No assurance can be given that the strategy will be successful or that the investors will not lose some or all of their capital. Internal parameters and process which are subject to change, not necessarily with shareholder notification.

Executive summary

Quarter ended 31 March 2016

Investment strategy

This strategy aims to achieve long-term capital growth in a diversified portfolio of the more liquid equity securities around the world.

Performance objective

The objective is to outperform the MSCI World Index NDR by 2-3% over a three year rolling average, gross of fees.

Performance commentary

The portfolio generated positive returns over the quarter but was behind the performance comparison index. On a sector level, financials, materials and energy were the biggest detractors from returns, whereas information technology and consumer staples positively contributed to performance.

Within financials, our holdings in Citigroup, Jones Lang LaSalle (JLL), Alliance Data Systems, Sumitomo Mitsui Financial Group and Morgan Stanley negatively impacted returns. Shares in JLL, the US real estate broker, pulled back on concerns that macroeconomic volatility may reduce appetite for large real estate transactions, whereas sentiment towards global banks, like Citigroup, deteriorated during the quarter on worries about asset quality and loan exposure to the energy sector.

The portfolio's healthcare stocks, including Valeant Pharmaceuticals International, Shire, AmerisourceBergen and Teva Pharmaceuticals Industries, came under pressure. On the back of a tough fourth quarter amid criticism over its pricing model, Valeant was hit by yet more bad news.

Stock selection in the materials and energy sectors hampered returns over the quarter. Detractors included US oil refiner Marathon Petroleum and Japanese chemicals stocks Nitto Denko and Sumitomo Chemical. Marathon faced ongoing concerns surrounding its Master Limited Partnership deal, whereas Nitto lowered its earnings guidance on slowing smartphone growth, and reports that Sumitomo was stepping up its capital spending weighed on the shares.

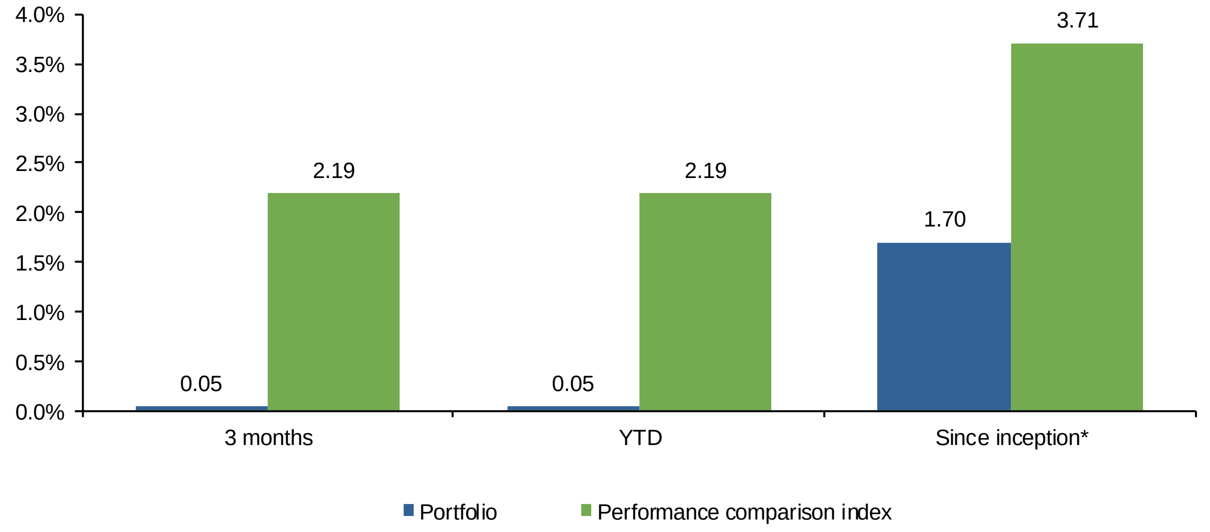
The portfolio's defensive holdings, like Tyson Foods, Public Service Enterprise Group, Japan Tobacco, Philip Morris International and AT&T, performed well. Tyson Foods, the US meat processor and marketer, gained on strong earnings, while management delivered an optimistic outlook and increased its share buybacks. Meanwhile, tobacco stocks were underpinned by good industry pricing and slowing volume declines.

Information technology names Mellanox Technologies, Vantiv and Amdocs added to returns. Elsewhere, power generator manufacturer Generac rallied on strong numbers, and US broadcaster CBS's revenue boosting plans were well-received.

Factor performance was unsupportive over the quarter – the underperformance of Earnings offset the outperformance of Strategy and Technicals had a neutral impact as markets saw a strong rotation later in the quarter. This coincided with a clear rebound in Value linked to the outperformance of energy, materials and emerging markets.

Performance

Periods ended 31 March 2016



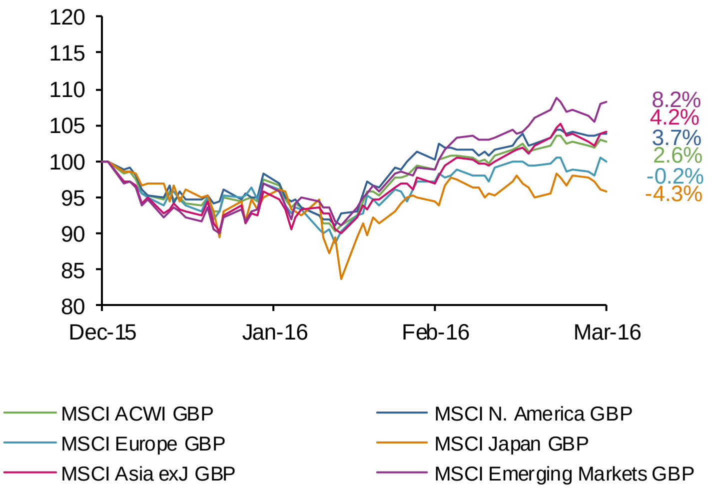
Market value : GBP 166,965,953

Past performance should not be taken as a guide to the future, losses may be made. Data is not audited.
The investment strategy and performance objective will not necessarily be achieved.
Source: Investec Asset Management. Returns are stated gross of fees.
Performance comparison index: MSCI World NDR, in GBP.
*Inception date: 17 December 2015.

Global equity market background

Quarter ended 31 March 2016

World equity indices



Source: Bloomberg, total return.

It was one of the worst starts to the year for global equities on record, but a rebound in global oil prices and hopes of further central bank action encouraged investors to put their money to work in riskier assets and markets bounced back in the latter part of the quarter

Emerging market equities staged an impressive rally, whereas Japanese and European stocks suffered the biggest drawdowns over the quarter

March saw a rotation out of high quality, growth stocks and into out-of-favour value stocks. Low Volatility continued to do well alongside High Dividend Yield although Momentum struggled

Healthcare and financials stocks underperformed as pharmaceutical companies faced ongoing pressure to cut drug prices, while banks were hit by worries about rising bad loans and margin pressures from negative rates

Market background

The first quarter of 2016 was a tale of two halves. Much of the market narrative was centred on concerns over Chinese currency devaluation, widening credit spreads in energy amid falling prices, emerging market currency weakness and slowing global growth – particularly in China where fears about a ‘hard landing’ triggered significant capital outflows out of onshore and offshore markets. All of which led to one of the worst starts to the year for global equities on record. At the same time, volatility and correlations rose, highlighting broad-based concern. Investors duly cut their risk positions in favour of perceived safe-haven assets, such as gold, the Japanese yen and highly-rated government bonds.

However, global stock markets saw a strong rotation in the second half of the quarter as investors sold out of their winners and previously out-of-favour stocks rebounded from oversold levels. The recovery in global oil prices – Brent crude oil hit a 12-year low of $27.10 on 20 January and closed out the quarter shy of $40 a barrel – together with hopes that central banks would take further action to prop up economic growth encouraged investors to put their money to work in riskier assets.

Having plumbed multi-year lows in January, emerging market equities staged an impressive rally, with Brazil leading the charge as investors welcomed fresh moves to impeach President Dilma Rousseff on hopes of much-needed reform. By contrast, Japanese stocks lagged behind in relative terms as a stronger Japanese yen contradicted the Bank of Japan’s negative interest rate policy introduced on 29 January. It was also a particularly tough quarter for European stocks, driven by weak sentiment surrounding financials.

Elsewhere, UK financial markets were starting to show signs of uncertainty surrounding the upcoming referendum on EU membership on 23 June, with sterling depreciating against the US dollar. While the US economy appears to be tracking along well despite recession talk, dovish remarks from the Federal Reserve prompted investors to question whether the rally in the US dollar has run its course.

Factor performance was unstable over the quarter. With the rotation in markets, it is perhaps no surprise that Momentum pulled back after a strong start to the quarter and Value rebounded strongly. Low Volatility, which has been performing well for a while, continued to do well alongside High Dividend Yield. While Small Cap strategies found favour in March after significant underperformance at the start of the quarter.

With global growth concerns brought back to the fore, the more defensive sectors of utilities and telecommunication services found favour with investors. These dividend-paying sectors have indirectly benefited from the pullback in long-dated government bond yields during the quarter. Central banks continue to push the short end of the yield curve down relative to the longer end through low rate and quantitative easing policies and investors have had to move further out the curve in the search for yield. Tobacco was one of the best performing subsectors, supported by good quarterly earnings and favourable industry pricing trends.

The shift in market leadership in March saw previously heavily-punished energy and metals & mining stocks rebounding strongly. Restructuring efforts and slowing supply has boosted confidence around energy and materials companies and this has supported the rotation out of financially-stronger companies and into leveraged names.

More surprising, perhaps, was the sell-off in biotechnology and life sciences stocks as pricing pressures intensified, while global growth worries triggered a broad sell-off in automobiles stocks over the quarter.

Financials was one of the worst performing sectors in the index over the quarter (representing over a fifth of the index) amid fears about a turn in the asset quality cycle globally and worries about rising bad loans from the energy sector and emerging markets. Banks found themselves firmly under the spotlight as investors fretted about the impact of negative borrowing rates on net interest margins, while weak capital markets and consumer lending trends weighed on diversified financials.

Global equity market outlook

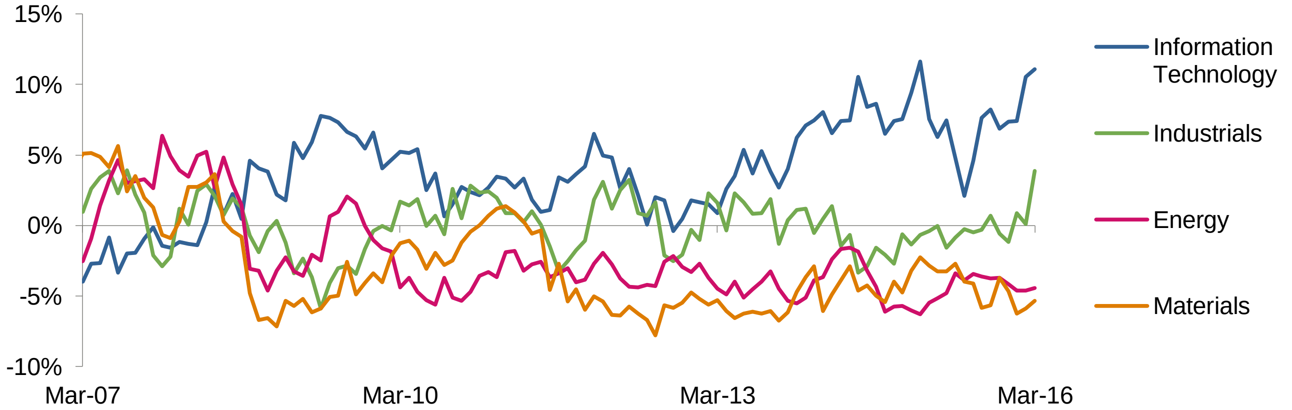
Quarter ended 31 March 2016

Market outlook

There can be no denying that it has been a fairly poor fourth-quarter 2015 earnings season, with company outlooks generally disappointing – resulting in another leg down for corporate profit expectations for the year. It seems that the perennial issue of slow top-line growth has persisted, but what was interesting to see this time around was that cost trends provided much of the disappointment. This is perhaps surprising in an environment of weak input prices. However, we believe this also potentially reflects some tightening in labour markets, which could prove supportive for consumption. With the first-quarter earnings season fast-approaching, markets are not overly optimistic about growth, suggesting that a good deal of negativity has already been discounted.

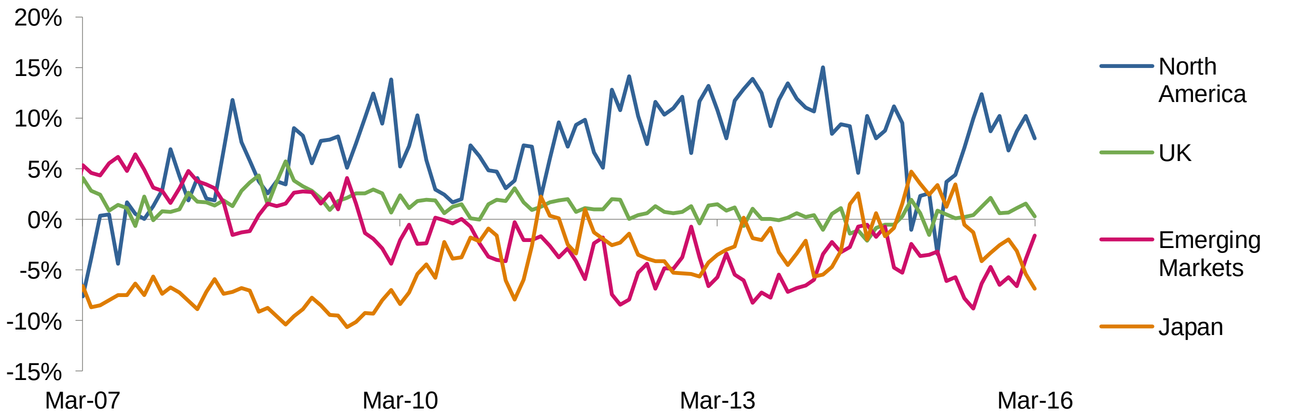
However, the sharp rally in some of the more distressed 'value' stocks is rather puzzling. As yet, we see no evidence of an improved fundamental backdrop for energy and materials stocks – which have rebounded strongly – and the market needs to decide whether this is the start of a long-awaited rally in value stocks or a 'dead cat bounce' (a temporary recovery after a prolonged period of decline). In this regard, first-quarter results could prove pivotal in potentially demonstrating that analysts have become too pessimistic about value stocks. With value looking particularly cheap and with technical momentum improving, the addition of positive earnings revisions could prove the catalyst for a more sustained change in market leadership.

GICS Sector, Top and Bottom Universe Underweight & Overweight 4Factor™ Steers



Source: Investec Asset Management. Sector weights of the top quartile of 4Factor™ scores relative to the 4Factor™ universe.

Region, Top and Bottom Universe Underweight & Overweight 4Factor™ Steers

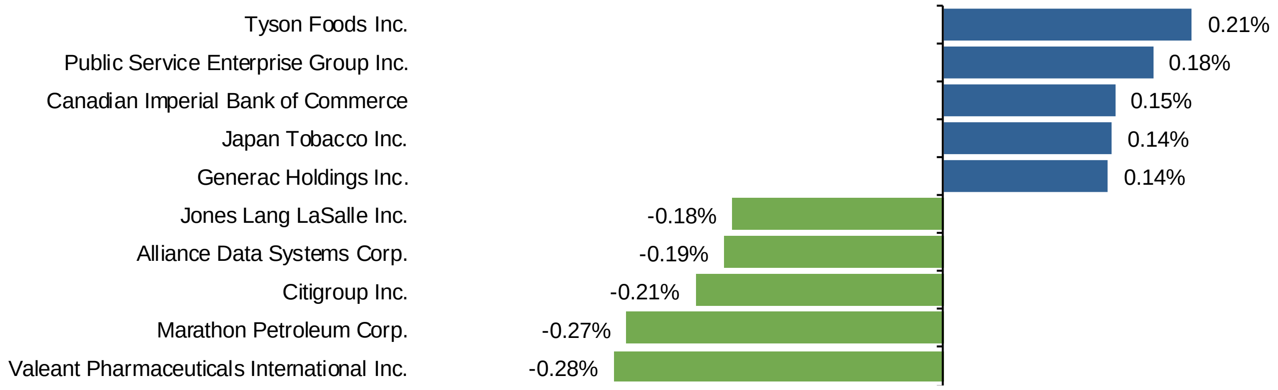


Source: Investec Asset Management. Sector and region weights of the top quartile of 4Factor™ scores relative to the 4Factor™ universe.

Performance analysis

Quarter ended 31 March 2016

Top and bottom 5 stock contributions



Source: Investec Asset Management, Factset, security attribution versus the MSCI World NDR.
Past performance should not be taken as a guide to the future, data is not audited.
There is no guarantee that this investment will make profits, losses may be made.

Positive contribution

Tyson Foods Inc.: US meat processor and marketer. Tyson rallied on the back of very strong results, which showed margins significantly ahead of expectations, improved sales momentum at its packaged food units and strong cash generation underpinning an enhanced share buyback. This saw the company substantially increasing its earnings guidance for 2016.

Public Service Enterprise Group Inc.: US public utility company. The company's stable earnings and dividend proved defensive amid the difficult conditions experienced by markets at the start of the quarter. Furthermore, the stock held up well when markets subsequently rallied.

Canadian Imperial Bank of Commerce: Canadian financial services provider. Canadian banks benefited from improved sentiment during the quarter. The company's operating results remained resilient despite broader turmoil in the sector globally, and management raised quarterly dividends.

Japan Tobacco Inc.: Third largest international cigarette company. The stock rallied along with other tobacco names given evidence of good industry pricing momentum and slowing volume declines. Japan Tobacco also reported robust results, while large exposures to both Japan and Russia -- which saw strong currency appreciation during the quarter -- also proved beneficial.

Generac Holdings Inc.: US manufacturer of power generators. The company reported strong fourth-quarter 2015 results, with residential generator shipments growing on an organic basis and better-than-expected shipments to telecom national account customers. This helped offset declines in mobile products sold into oil & gas and general rental markets.

Negative contribution

Valeant Pharmaceuticals International Inc.: Pharmaceutical company based in Canada. Valeant's shares fell further on a string of bad news. The company restated its Philidor earnings and withdrew guidance, was downgraded by credit rating agencies, announced an undisclosed SEC investigation, and risks breaching its debt covenants due to a late 10k filing.

Marathon Petroleum Corp: US petroleum refining, marketing and transportation company. Marathon Petroleum was negatively impacted by the market's concerns about the level of support it would have to provide its Master Limited Partnership (MLP) following the acquisition of MarkWest Energy Partners by its pipeline unit MPLX LP.

Citigroup Inc.: US multinational banking and financial services company. Sentiment towards global banks, like Citigroup, was weaker during the quarter due to falling sovereign bond yields, weaker equity markets and concern around lending exposures to energy companies.

Alliance Data Systems Corp: Provider of data-driven and transaction-based marketing and customer loyalty solutions. The company underperformed alongside other US credit card companies due to growing fears of a downturn in the US consumer credit cycle.

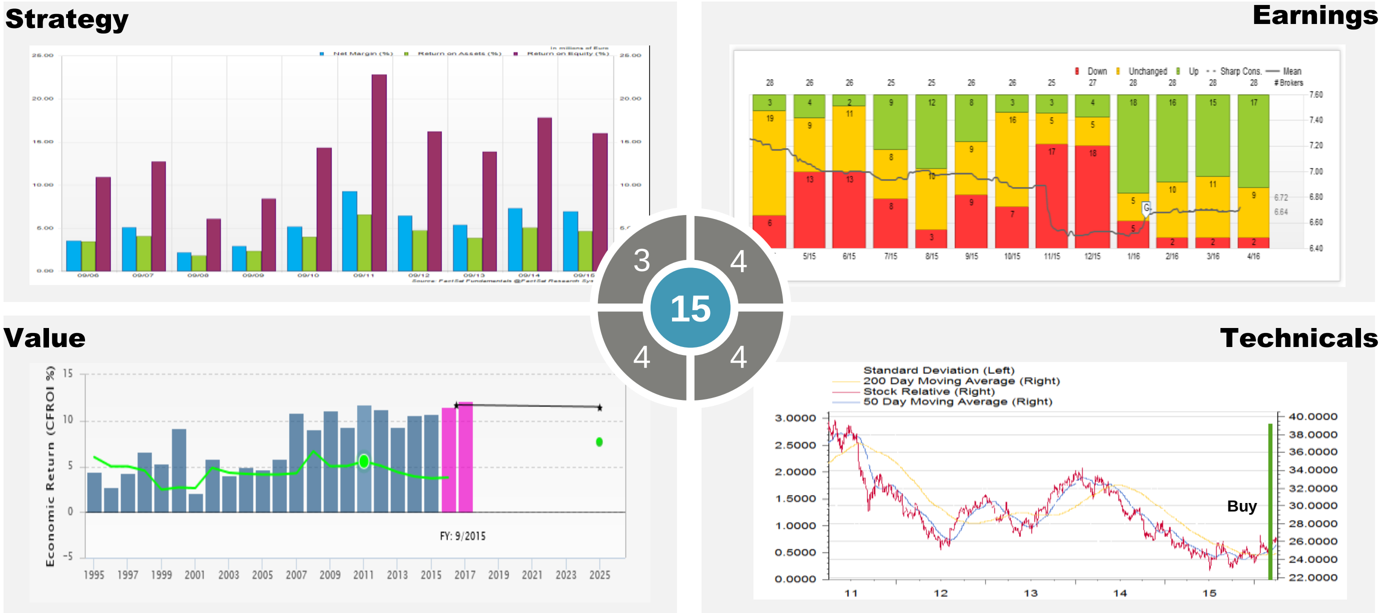
Jones Lang LaSalle Inc.: US real estate and brokerage company. The stock underperformed during the quarter due to concerns that macroeconomic volatility may reduce appetite for large real estate transactions.

Source: Investec Asset Management.
This is not a recommendation to buy, sell or hold a particular security.
The specific securities listed or discussed herein are provided as representative transactions of the portfolio.
No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided

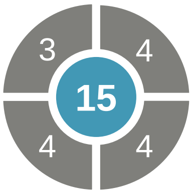
Significant transactions

Quarter ended 31 March 2016

Purchase: Siemens AG



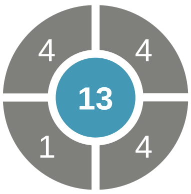
Featured purchase



Siemens AG: German electronic engineering and electronics company. Siemens has undergone a lengthy period of restructuring, in terms of both its portfolio and businesses and its operational cost base. The company is currently at an interesting juncture – while there are risks to its short-cycle businesses if macroeconomic conditions worsen, its long-cycle businesses have strong order backlogs and positive outlooks. On the cost side, margins are expected to continue improving as restructuring savings take effect, and as improved risk management on large projects shows through. At the same time, the company has been exiting underperforming assets (e.g. lighting) and has earmarked a further €14 billion of revenue (circa 20% of sales) for essentially an 'up or out' approach. Going forward, cash outflows for restructuring are expected to fall which should improve earnings quality and create the potential for increased share buybacks.

Other significant purchases

Gilead Sciences Inc.: US research-based biopharmaceutical company. Gilead has transitioned from a dominant company in the treatment of HIV to a leader in the field of hepatitis C therapies, and has an excellent track record of bringing best-in-class treatments to the market. In hepatitis C, competition has not materially impacted Gilead's market share and pricing has stabilised. We believe further upside could come from better sales outside of the US, primarily Europe and Japan – both in terms of volume and pricing. The company has continued to innovate in the HIV space, having recently received FDA approval for its second TAF-based treatment, Odefsey. Moreover, the stock offers good risk-reward.



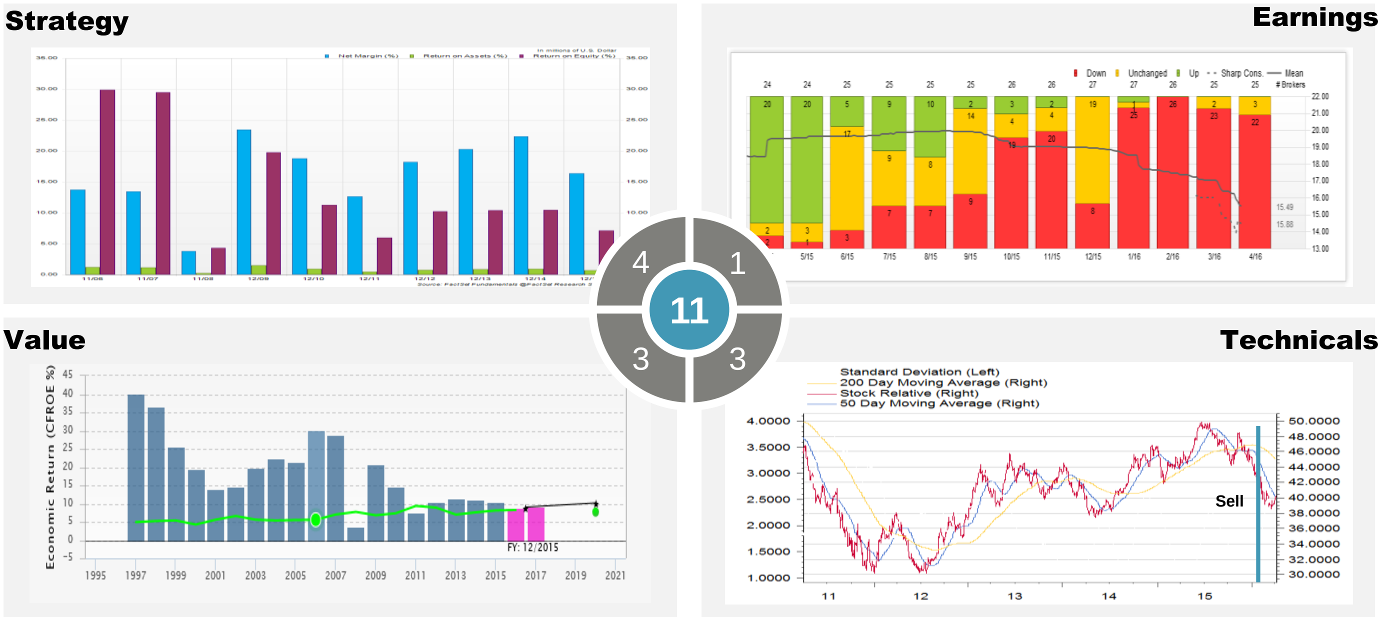
CME Group Inc.: One of the largest options and futures exchanges globally. As the dominant exchange for US interest rate futures, CME is benefiting from favourable tailwinds on volumes, contract pricing and expense control. Furthermore, low levels of leverage relative to peers and a lack of M&A opportunities since the global financial crisis has allowed CME to maintain its current dividend policy and return more than 100% of earnings back to shareholders each year.

Source: Investec Asset Management.
4Factor™ scores as at time of purchase. Sample of new securities purchased or significant increases in existing positions during the quarter.
This is not a recommendation to buy, sell or hold a particular security.
The specific securities listed or discussed herein are provided as representative transactions of the portfolio.
No representation is being made that any investment will or is likely to achieve profits or losses similarly in those achieved in the past, or that significant losses will be avoided

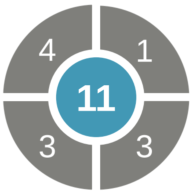
Significant transactions

Quarter ended 31 March 2016

Sale: Goldman Sachs Group Inc.

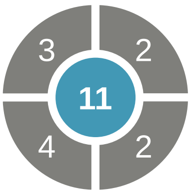


Featured sale

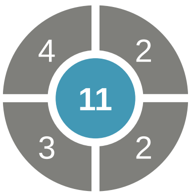


Goldman Sachs Group Inc.: Global investment banking, securities and investment management company. Despite making great strides on cost-cutting and improving capital returns in recent years, Goldman Sachs has struggled to generate returns on equity materially above the cost of equity capital. With nearly half of the business still focused on low-return Fixed Income, Currency and Commodities (FICC) and Principal Investments activities, it is difficult to see how management can increase returns without an improvement in the market environment. Furthermore, regulatory scrutiny of brokers remains high, with payouts at greater risk than for simple commercial banks.

Other significant sales



Bridgestone Corp.: Japanese multinational automobile and truck parts manufacturer. Our investment case on Bridgestone has not played out for several reasons: i) there has been little evidence of a volume benefit from cheaper oil increasing miles driven; ii) mining has been a source of downgrades; iii) it has not benefited from US anti-dumping tariffs; iv) capital expenditure has been increasing and is guided to increase further; and lastly, capital returns have not helped to support its returns on equity target, having announced that it will engage in M&A rather than share buybacks. While there is still value in the name, our earnings-based investment case has been undermined along with the anticipated improvement in quality following financial targets and a change in stance towards M&A.



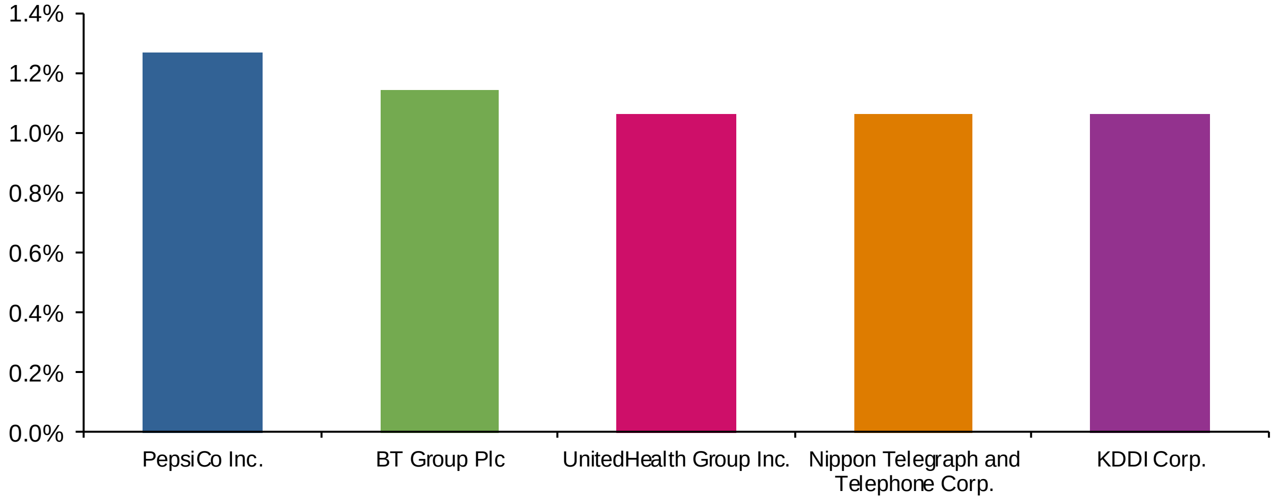
Novartis AG: Multinational pharmaceutical company based in Switzerland. Novartis is a high quality diversified pharmaceutical company, with earnings supported by ongoing productivity initiatives and R&D success – to some extent. However, the company has encountered several headwinds. For one, Alcon, its eye care business, is struggling, with the surgical equipment and ophthalmic pharmaceutical businesses facing competition from lower-priced products and generic competition, respectively. Second, the company continues to be impacted by currency-related headwinds, which has resulted in downgrades. In our view, there is not enough upside on offer given the risk to earnings from further downgrades to Alcon margins and high expectations built into new product launches.

Source: Investec Asset Management.
4Factor™ scores as at time of sale. Sample of new securities sold or significant increases in existing positions during the quarter.
This is not a recommendation to buy, sell or hold a particular security.
The specific securities listed or discussed herein are provided as representative transactions of the portfolio.
No representation is being made that any investment will or is likely to achieve profits or losses similarly in those achieved in the past, or that significant losses will be avoided

Top active security positions

Quarter ended 31 March 2016

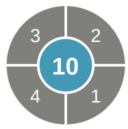
Top 5 active security positions



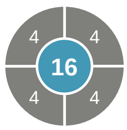
Source: Investec Asset Management, FactSet, top 5 active security positions relative to the MSCI World NDR.
The portfolio may change significantly over a short period of time.

Investment case

PepsiCo Inc.: US multinational food and beverage company. PepsiCo trades in line with global peers but has a more secure earnings profile, with all business divisions showing improvement either in the top line (gross sales) or margins, given favourable commodity trends as well as support from several years of increased advertising and promotional spending. The business generates strong cashflow returns to shareholders and is starting to see returns rise after the company's significant acquisitions in 2010, and as margin enhancements come through. Moreover, an activist investor has been vocal about its intentions to keep pressure on PepsiCo's board to continue to pursue shareholder-friendly policies.



BT Group Plc: UK telecommunication services company. BT benefits from the growth potential from underlying fibre broadband growth, while the convergence with TV services is being enhanced by adding on mobile services with the recent acquisition of mobile operator EE. In our view, current valuations do not reflect the success of this strategy.



UnitedHealth Group Inc.: US managed healthcare services company. UnitedHealth has a unique position within the US healthcare delivery system; not only is it a dominant player of scale in the commercial, Medicare and Medicaid markets, but it is also a large and growing presence in other markets, thanks to its Optum healthcare services business. The company is both operating and executing well in spite of consistent healthcare reform headwinds. In addition, UnitedHealth is managing cost trends well and continues to actively return capital to shareholders via share buybacks and a growing dividend.

Nippon Telegraph and Telephone Corp.: Large Japanese fixed-line and mobile telephone operator. Historically, Nippon Telegraph and Telephone's (NTT) returns have been at the low end of global telecommunications carriers given very high investment levels. However, management's multi-year plan sets out explicit earnings-per-share growth targets supported by cost-cutting, lower capital spending and share buybacks.

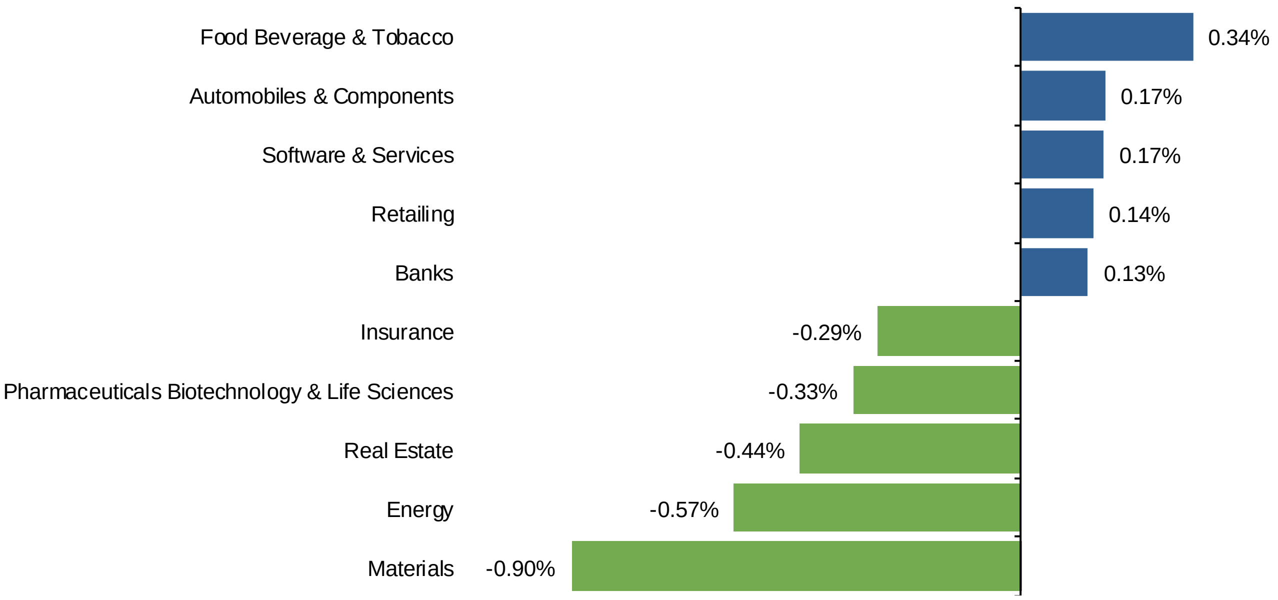
KDDI Corp.: Japanese fixed-line and mobile communication services operator. The competitive structure of the Japanese telecommunication services market remains benign and cost-cutting is providing further support for earnings. In addition, excess cash is being used to grow the dividend and buy back shares.

Source: Investec Asset Management.
This is not a recommendation to buy, sell or hold a particular security.
The specific securities listed or discussed herein are provided as representative transactions of the portfolio.
No representation is being made that any investment will or is likely to achieve profits or losses similarly in those achieved in the past, or that significant losses will be avoided.

Industry analysis

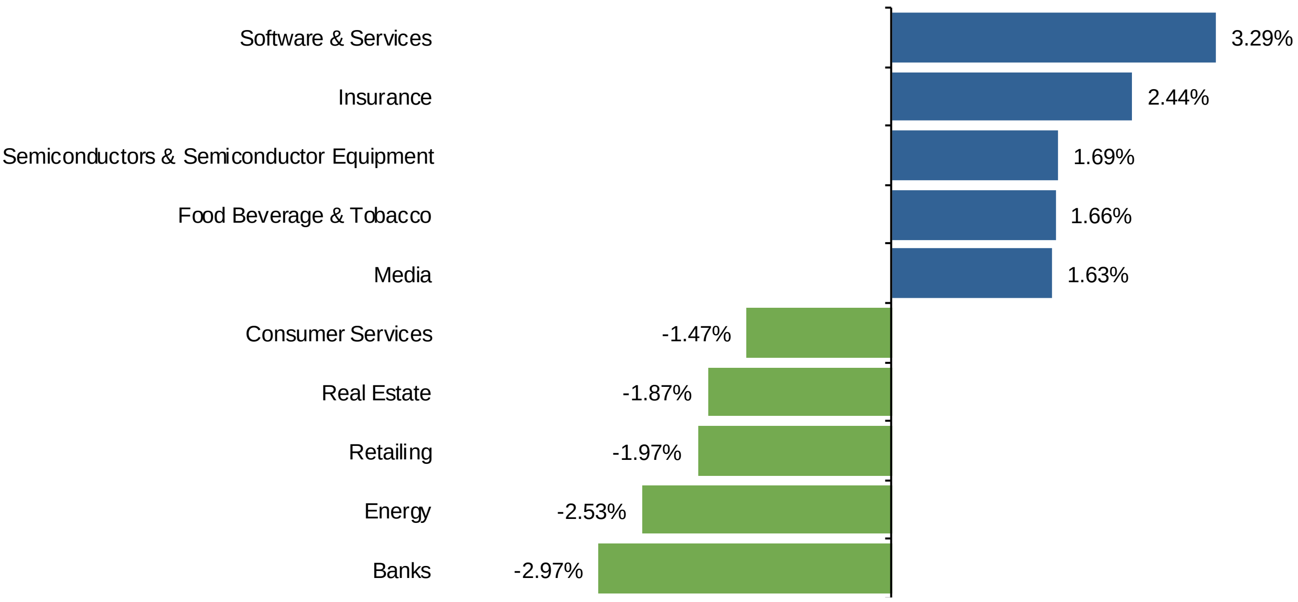
Quarter ended 31 March 2016

Top and bottom 5 performance contributions by industry



Source: Investec Asset Management, Factset, sector attribution versus the MSCI World NDR.

Top and bottom 5 active industry positions

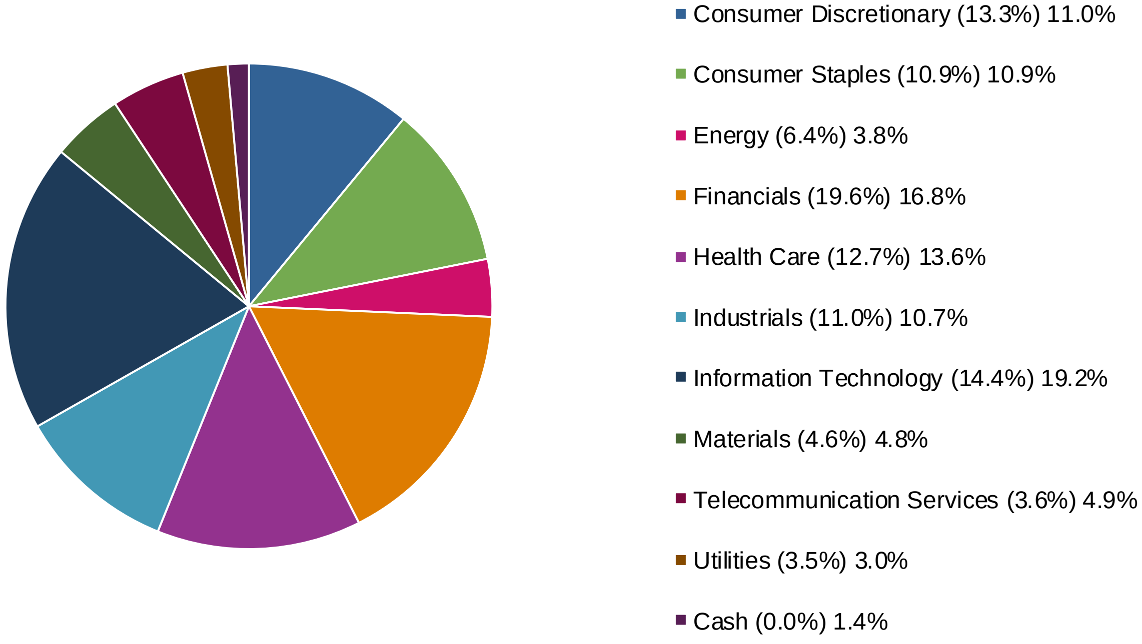


Source: Investec Asset Management, Factset, top and bottom sector positions relative to the MSCI World NDR.
The security classification system used by Investec Asset Management's 4Factor™ team is the Global Industry Classification Standard (GICS).
Past performance should not be taken as a guide to the future, data is not audited.
There is no guarantee that this investment will make profits, losses may be made.
The portfolio may change significantly over a short period of time.

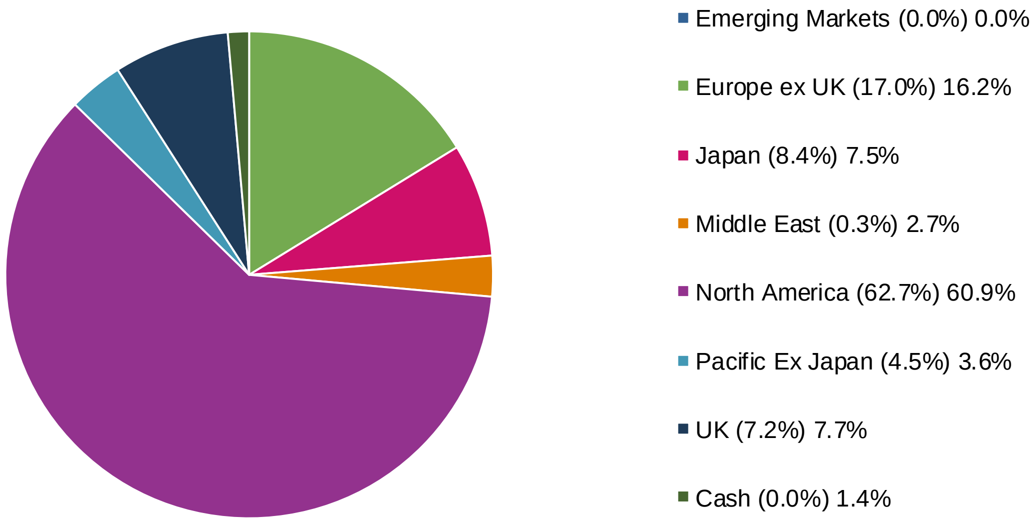
Absolute sector and regional weights

Quarter ended 31 March 2016

Sector position



Regional allocation

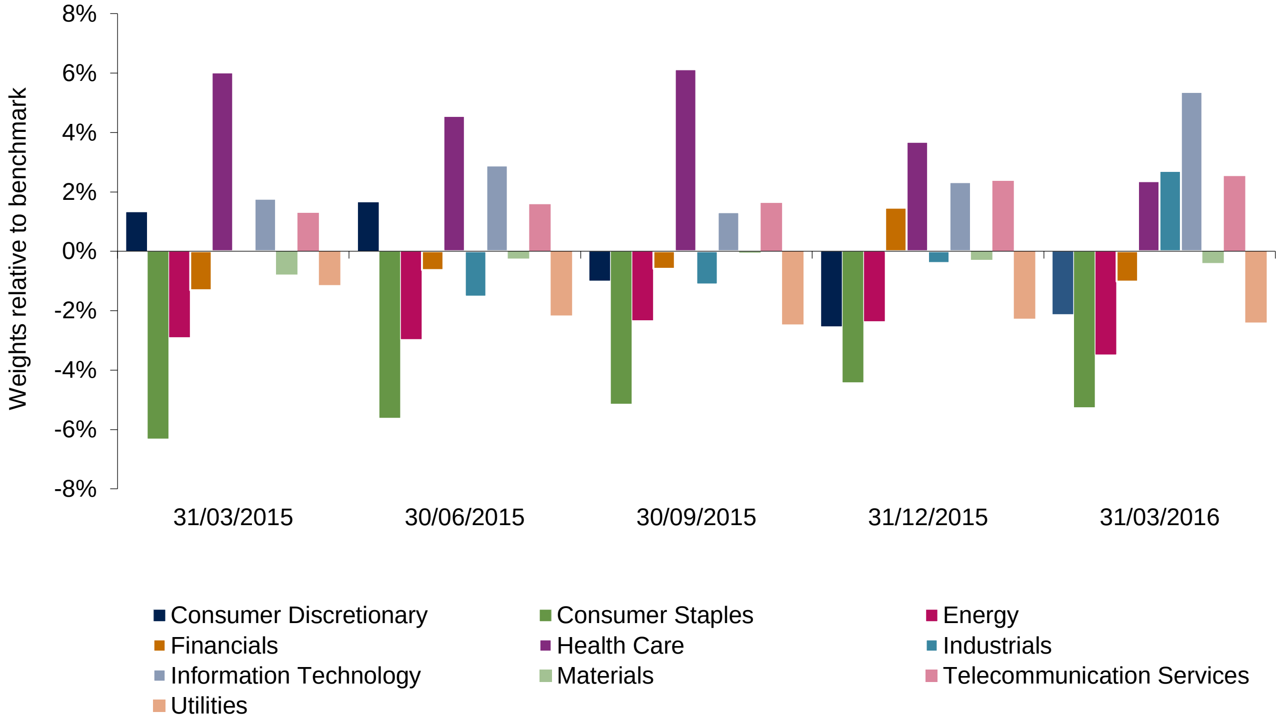


Source: Investec Asset Management, Factset, absolute portfolio weights. MSCI World NDR weights shown in brackets.
Please note that the weightings may not sum to 100.0% due to rounding.
The portfolio may change significantly over a short period of time.

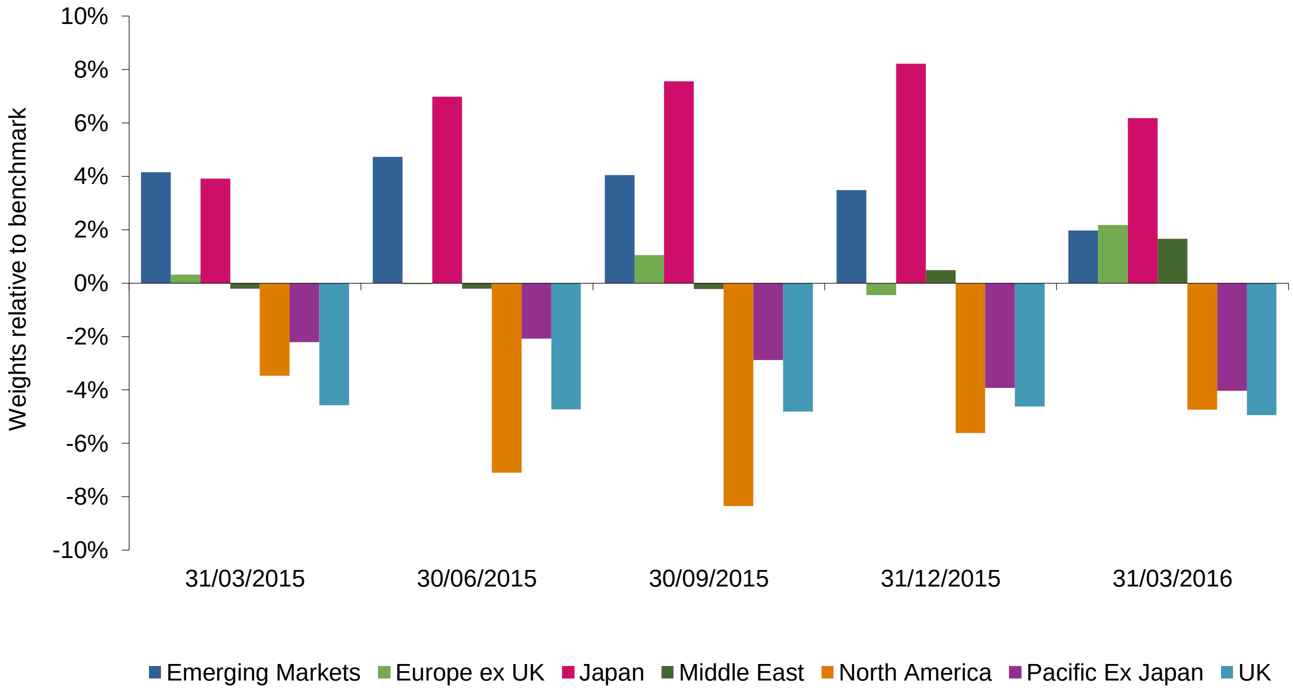
Active sector and regional trends

Quarter ended 31 March 2016

Historic sector positions



Historic regional allocation



Source: Investec Asset Management, Factset, portfolio weights relative to the MSCI ACWI NDR.
The dates above may represent the last business day of a quarter or the last calendar day of a quarter. The above charts represent the Investec Fund Series iii: Global Equity Fund.
The portfolio may change significantly over a short period of time.

Attribution analysis

Quarter ended 31 March 2016

Performance attribution by sector

Investec Sectors	Portfolio Ending Weight	Benchmark Ending Weight	Overweight / Underweight	Portfolio Average Weight	Benchmark Average Weight	Portfolio Total Return	Benchmark Total Return	Allocation	Selection + Interaction	Total Effect
Consumer Discretionary	**10.96**	**13.27**	**-2.31**	**11.20**	**13.20**	**2.03**	**1.79**	**0.00**	**0.03**	**0.03**
Automobiles & Components	2.58	2.63	-0.05	2.51	2.67	-0.68	-6.23	0.02	0.15	0.17
Consumer Durables & Apparel	1.62	2.07	-0.45	1.80	2.03	-5.76	5.79	-0.01	-0.22	-0.23
Consumer Services	0.37	1.84	-1.47	0.39	1.80	-1.53	6.14	-0.05	-0.03	-0.08
Media	4.49	2.86	1.63	4.72	2.85	5.20	5.43	0.06	-0.01	0.04
Retailing	1.90	3.87	-1.97	1.77	3.85	5.98	1.15	0.03	0.11	0.14
Consumer Staples	**10.91**	**10.94**	**-0.03**	**10.54**	**10.95**	**9.85**	**7.22**	**-0.05**	**0.29**	**0.23**
Food & Staples Retailing	1.92	2.21	-0.29	1.46	2.22	9.33	7.06	-0.07	0.03	-0.04
Food Beverage & Tobacco	8.10	6.44	1.66	8.21	6.44	10.21	7.25	0.09	0.25	0.34
Household & Personal Products	0.89	2.29	-1.40	0.87	2.30	7.15	7.30	-0.07	0.00	-0.07
Energy	**3.83**	**6.36**	**-2.53**	**4.53**	**6.24**	**-1.99**	**7.77**	**-0.12**	**-0.45**	**-0.57**
Energy	3.83	6.36	-2.53	4.53	6.24	-1.99	7.77	-0.12	-0.45	-0.57
Financials	**16.84**	**19.56**	**-2.72**	**18.19**	**19.87**	**-8.42**	**-3.99**	**0.08**	**-0.95**	**-0.87**
Banks	5.26	8.22	-2.97	7.13	8.57	-8.37	-8.63	0.18	-0.04	0.13
Diversified Financials	3.41	3.74	-0.33	3.14	3.79	-13.60	-5.15	0.04	-0.31	-0.27
Insurance	6.49	4.05	2.44	6.20	4.08	-4.73	-1.83	-0.09	-0.19	-0.29
Real Estate	1.69	3.55	-1.87	1.72	3.43	-11.24	7.46	-0.08	-0.36	-0.44
Health Care	**13.57**	**12.74**	**0.82**	**15.06**	**13.28**	**-6.48**	**-4.45**	**-0.10**	**-0.33**	**-0.43**
Health Care Equipment & Services	4.61	3.57	1.03	5.60	3.57	0.07	1.48	-0.02	-0.08	-0.10
Pharmaceuticals Biotechnology & Life Sciences	8.96	9.17	-0.21	9.46	9.70	-10.38	-6.56	0.06	-0.39	-0.33
Industrials	**10.66**	**11.02**	**-0.36**	**9.10**	**10.79**	**6.35**	**5.96**	**-0.07**	**0.05**	**-0.02**
Capital Goods	7.39	7.75	-0.36	5.86	7.58	8.43	5.98	-0.07	0.15	0.07
Commercial & Professional Services	0.56	1.04	-0.48	1.06	0.99	-1.13	6.51	0.01	-0.12	-0.11
Transportation	2.71	2.23	0.48	2.18	2.21	6.31	5.66	-0.01	0.03	0.02
Information Technology	**19.21**	**14.37**	**4.84**	**17.55**	**14.12**	**5.16**	**3.61**	**0.06**	**0.33**	**0.39**
Semiconductors & Semiconductor Equipment	3.63	1.94	1.69	3.20	1.91	7.30	3.85	0.01	0.11	0.12
Software & Services	11.51	8.22	3.29	10.22	8.09	5.05	3.60	0.03	0.13	0.17
Technology Hardware & Equipment	4.06	4.20	-0.14	4.14	4.11	6.21	3.57	-0.01	0.12	0.10
Materials	**4.76**	**4.60**	**0.15**	**4.14**	**4.42**	**-11.79**	**7.11**	**-0.03**	**-0.86**	**-0.89**
Materials	4.76	4.60	0.15	4.14	4.42	-11.79	7.11	-0.03	-0.86	-0.90
Telecommunication Services	**4.88**	**3.65**	**1.23**	**5.45**	**3.62**	**7.11**	**9.58**	**0.12**	**-0.14**	**-0.02**
Telecommunication Services	4.88	3.65	1.23	5.45	3.62	7.11	9.58	0.12	-0.15	-0.03
Utilities	**2.99**	**3.48**	**-0.49**	**2.89**	**3.39**	**12.13**	**11.35**	**-0.05**	**0.02**	**-0.03**
Utilities	2.99	3.48	-0.49	2.89	3.39	12.13	11.35	-0.05	0.02	-0.03

Glossary:

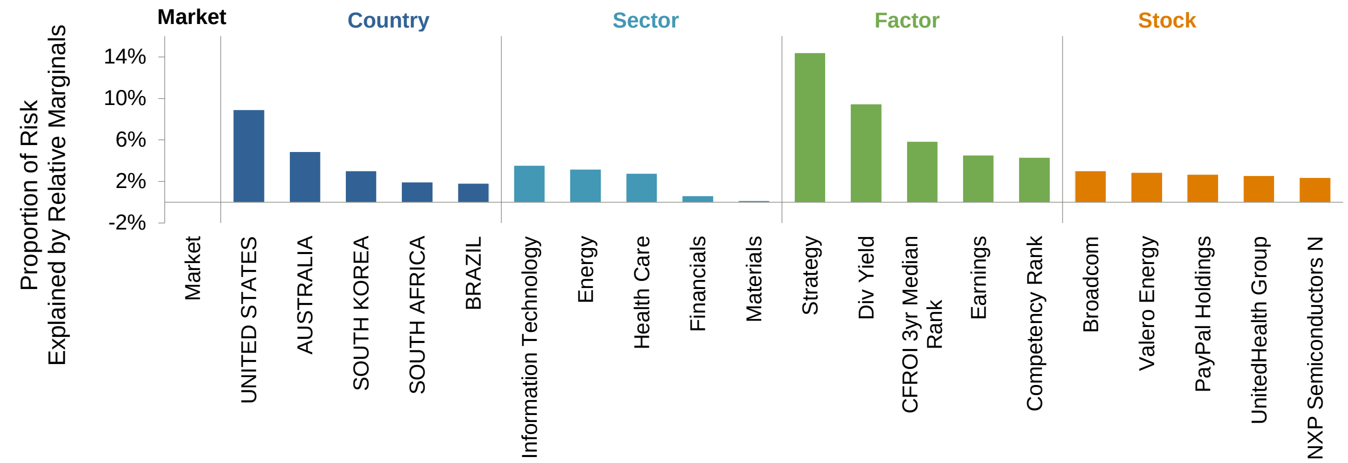
Attribution Analysis – The attribution of the portfolio performance relative to its index
Allocation Effect – The performance impact of being overweight or underweight a sector
Interaction & Selection Effect – The effect of selecting a stock relative to the index

Source: Investec Asset Management, Factset.
Attribution for the portfolio, versus the MSCI World NDR.
Performance differentials between the portfolio and the attribution analysis can be due to expenses, timing differences, calculation methodology and rounding. Past performance should not be taken as a guide to the future, data is not audited.
There is no guarantee that this investment will make profits, losses may be made.
The portfolio may change significantly over a short period of time.

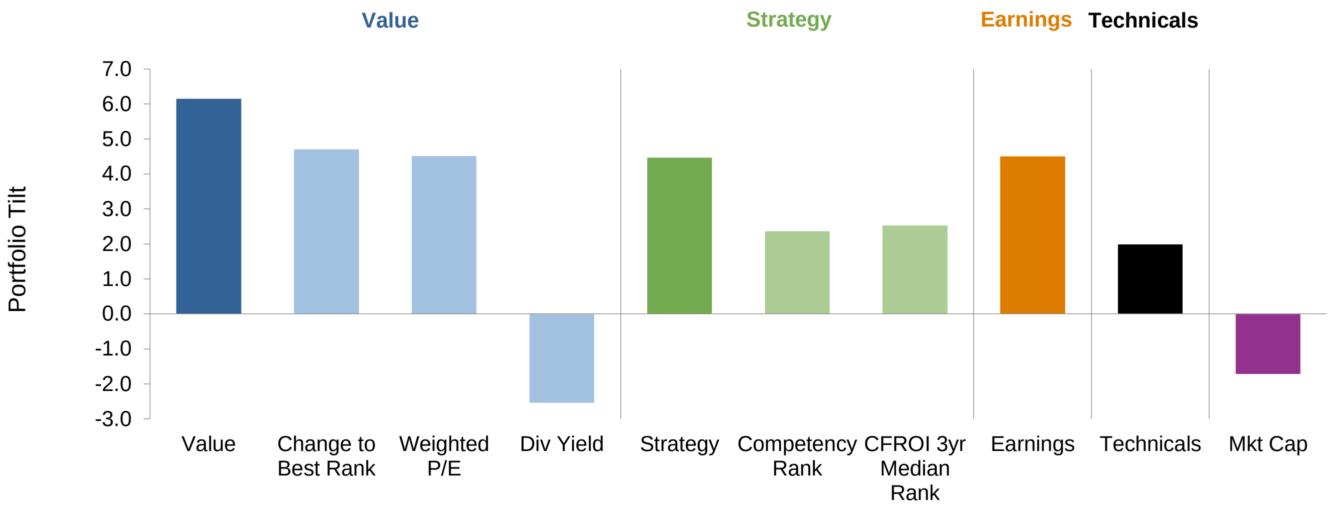
Factor exposure and risk management

Factor sensitivity and decomposition of the tracking error as at 31 March 2016

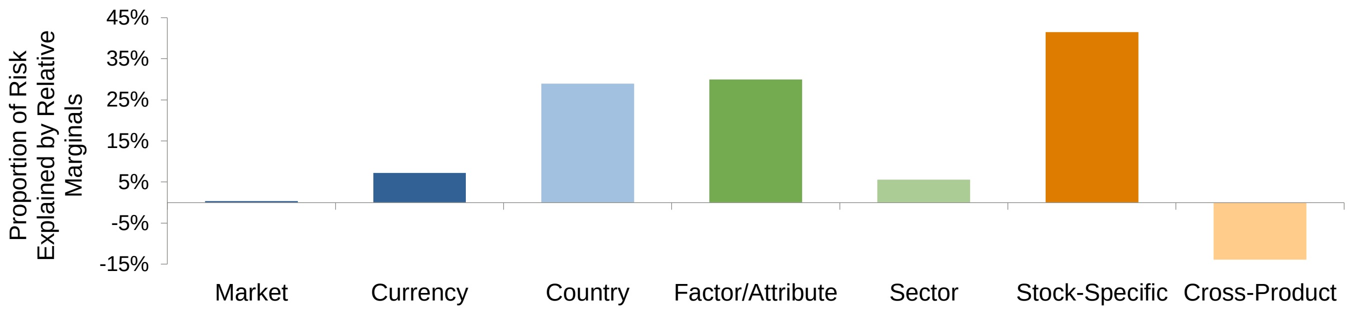
Top 5 country, sector, factor and security contributions to tracking error



Current factor exposure



Total decomposition of tracking error



Tracking Error: 2.53%
Portfolio Beta: 1.01

Source: EMA/Investec Asset Management, EMA risk report snapshot.
Units show how significant the portfolio's exposure is to the given attribute.
The portfolio may change significantly over a short period of time.
Past performance should not be taken as a guide to the future, data is not audited.
There is no guarantee that this investment will make profits, losses may be made.

Stewardship Review: Responsible investment 10 years on

Quarter ended 31 March 2016

Investec Asset Management takes an active and transparent approach to voting and engagement with the companies in our portfolios. We aim to encourage and reward better corporate governance and business integrity. The goal of this is to benefit clients and also improve the broader environmental, social realms in which we invest.

In April 2006 the Principles for Responsible Investment (PRI) were launched at the New York Stock Exchange. The PRI has a number of events planned for 2016 to mark their 10 year anniversary. The organisation is now trying to differentiate between the signatories that are implementing the Principles and those that have made inadequate progress.

A number of countries have used the PRI Principles as a foundation for their Stewardship or Responsible Investment Codes. The Principles and Codes have encouraged global awareness of the importance of active ownership and integrating material environmental, social and governance (ESG) or sustainability factors into the investment and decision making process. The UK Stewardship Code was the first code to be launched in 2010. The Financial Reporting Council (FRC) is introducing public tiering of signatories to the Stewardship Code, to improve reporting against the Principles of the Code, and to assist investors.

Some may argue that a decade is too long to wait before differentiating PRI signatories. Investors concerned about long-term sustainability issues destroying their savings have had little more than investment manager claims to guide their important decisions. Investment research firm Morningstar now provides sustainability ratings for about 2000 retail-focused funds. The fund rating is based on the ESG rating of the shares held by the fund. The rating attempts to measure how well the fund's underlying companies are managing their ESG risks and opportunities. Unfortunately Morningstar does not rate the fund managers' active ownership skills. It will not take into account instances where managers deliberately invest in companies that have a low ESG rating, then utilise their skills and track record to engage with the company to unlock value from better ESG practices and disclosure.

The PRI and UK regulator's differentiation of signatories and Morningstar's sustainability ratings will help improve transparency in responsible investment. Bringing responsible investment into the mainstream is taking time and continues to be dependent on asset owners, consultants and regulators taking action. This anticipated action, together with growing investor awareness, improved technology and regulator attention to the misalignment between fund liabilities and mandates allocated to investment managers, should eventually translate into mandates that more fully integrate responsible investment.

When we stand back and consider responsible investment progress against the growing complexity of global risks, it is clear that more needs to be done. The World Economic Forum Global Risk Report 2016 sets out the high likelihood and impact of 29 global risks. These include environmental and social risks like climate change, water scarcity, large-scale migration, biodiversity loss, profound social instability and the spread of infectious diseases. These global risks can only be mitigated by leadership that focuses the work of government, business, investors and society.

The Paris Climate Change Agreement in December 2015 provides hope that leadership will collaborate and manage these global risks. Recent data from the International Energy Agency showed that carbon emissions stayed flat for the second year in a row even though the global economy grew. The material growth of renewable energy was the main reason – over 90 per cent of new electricity generated in 2015 came from renewable sources.

Investec Asset Management, through CEO Hendrik du Toit, is participating in the Global Commission for Business and Sustainable Development. The Commission is working to encourage business, government and society to work together for the delivery of the United Nations Sustainable Development Goals (SDGs). Achieving the SDGs will help to mitigate the serious global social, environment and economic risks. World leadership has to stop looking back and instead develop the capacity to collaborate for inclusive global growth in the future.

Perhaps the Principles for Responsible Investment need to be renamed the Principles for Inclusive Investment. Will this help encourage the awareness and action that is required for sustainable growth and investment over the next decade? Only time will tell – however, as the World Business Council for Sustainable Development stated: "Business cannot ultimately succeed in a society that fails."

For further details of our ESG efforts, please visit: http://www.investecassetmanagement.com/en/investment-expertise/stewardship/, where you can access the latest quarterly stewardship report.

Special Focus: The impact of negative interest rate policy (NIRP) on Japanese and European bank business models

Negative steer into the financials sector at levels last seen in early 2012

The 4Factor™ steer into financials has deteriorated since the start of the year. Financial stocks have suffered a sharp de-rating as the sell-off in global markets stepped up a gear in January and February, leading to a moderation in Technical scores. The downward shift in the overall steer has, however, been largely driven by earnings. To put things into perspective, the Earnings steer is more negative now than it was back in mid-2011 – when fears of contagion from the European sovereign debt crisis triggered a notable fall in stock prices.

While the falls in equity markets puts pressure on fee-driven income, banks are facing a number of headwinds that threaten profitability, such as i) market volatility, which has reduced capital markets activity and resulted in lower trading income ii) rising loan impairments, particularly from the energy sector, due to lower commodities prices and concerns about a turn in the asset quality cycle iii) impact of regulation iv) flattening yield curves due to strong investor demand for longer duration bonds.

On the latter, with central banks pushing the short end of the yield curve down relative to the longer end through low rate (including ZIRP and NIRP) and quantitative easing policies, investors have had to move further out the curve in the search for yield.

Negative interest rate policy (NIRP) and the impact on bank business models

Many believed that the 0.25% rate hike from the US Federal Reserve (Fed) in December 2015 marked the first shift away from an extraordinary period of near-zero interest rate policy (ZIRP). Although the US monetary authorities have begun the slow normalisation of policy, they are unlikely to be in a hurry – Fed chair Janet Yellen recently said that the actual pace of rising interest rates would be more gradual, implying rates will stay lower for longer.

On 29 January, the Bank of Japan (BoJ) surprised the markets by unexpectedly cutting the benchmark interest rate below zero, to -0.1%. While this has arguably been on the cards for some time as Japanese officials have struggled to stimulate sluggish economic growth and tackle deflation despite its vast quantitative easing (QE) programme, few predicted the BoJ's move. In response, the 10-year Japanese government bond (JGB) yield fell below zero – the first time ever for a G7 country – and Japanese banking shares clocked up double-digit losses as the broader stock market fell (after the Japanese yen rose sharply on safe haven demand).

The European Central Bank (ECB) and a few other central banks are already charging commercial banks to look after their cash held in deposits. Sweden, Denmark and Switzerland have, like the euro zone and Japan, introduced some form of negative interest policy, albeit for different reasons. So, what is the impact of NIRP on bank business models? Negative rates not only serve as a tax on bank reserve holdings, but also compress net interest margins (NIMs) due to lower-than-expected returns on bank lending. The challenge for banks is that given their reluctance to take deposit rates below zero, any further fall in lending rates pressures NIMs.

NIRP in the euro zone

The ECB started charging 30 basis points (bps) on central bank deposits above required levels in November 2014, and this was revised up to 40bps in March 2016 to stop banks from parking funds as reserves at the central bank. Initially, the impact on profitability was modest due to low levels of excess system deposits. However, with the advent of QE, continued weak net loan demand has led to the creation of substantial and growing excess liquidity subjected to negative interest rates.

According to ECB data, net interest income accounts for 51% of banks' profits, so the pressure on profitability has the potential to be significant. Given the desire to stimulate lending growth, banks have limited room to protect margins. The ECB has acknowledged the accelerating cost of negative deposit rates. Daniele Nouy, the ECB's top supervisor, recently remarked (source: Reuters): "Over the long term, low profitability threatens the ability of banks to generate capital and access financial markets", adding "ultimately, a lack of profitability affects the stability of banks."

In pursuing its price stability mandate, the ECB announced measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy. The new targeted long-term refinancing operation (TLTRO) effectively pays banks to lend money (lending at -40bps over four years), and is expected to provide some offset from higher volumes, if successful.

NIRP in Japan

As hopes for accelerating domestic loan growth have not come to pass, Japanese policymakers have had little option but to expand their policy toolkit, leading the BoJ down the path of negative interest rates. It is worth noting that Japanese banks are particularly vulnerable to NIRP given already wafer-thin NIMs (now sub-1%), near-zero deposit rates and a relatively high reliance on retail deposits (which represent two-thirds of total deposit funding).

The BoJ has already sought to mitigate the impact of NIRP on Japanese banks, grandfathering (offering exemptions for) 2015 average deposit balances and allowing a ¥20 trillion per quarter increase in the permissible balance in step with asset purchases.

How can banks adjust for NIRP?

Banks can, of course, increase loan rates i.e. hold absolute levels where they currently are. This could help to preserve margins but would be considered as a counter-productive response to what central banks are trying to achieve by cutting rates.

Banks could also start charging for deposits. With little room left to cut interest paid on deposits (Japanese banks have cut retail deposits from 4 to 0.25bps on 2-4 year term deposits), the next step would be to charge account holders for what have previously been free services. In Switzerland, banks have been living with negative rates for more than one year (the key policy interest rate is currently -0.75%) and have managed to pass on 90% of the interest rate decline from the Swiss National Bank (SNB) to their clients. Swiss banks have been selective here, applying negative rates to large corporate and institutional deposits. As the SNB's main motivation for introducing NIRP was to

Special Focus: The impact of negative interest rate policy (NIRP) on Japanese and European bank business models (continued)

weaken the Swiss franc (to reduce capital flows that were resulting in undesired currency strength), the central bank has been happy to allow banks to pass on the cost to their clients. It has also helped to cool an over-heated housing market as mortgage lending has slowed, although Switzerland has deployed a number of macro-prudential tools to help mitigate the risks to financial stability.

While charging for deposits is indeed possible for large corporate clients, it is worth bearing in mind that retail deposits are highly prized due to their inclusion in the Net Stable Funding Ratio (which measures the quality of funding) – making charging less plausible. Retail banks, in particular, have been reluctant to impose negative interest rates on to ordinary depositors for fear of running the risk of depositor outflows.

Any relief on excess reserve holdings would be beneficial for banks. Like the SNB, central banks could make negative rate policies less punitive by exempting larger portions of excess reserve holdings. This is one way to help banks protect their margins.

A proactive approach

If the Swiss experience tells us anything, it is that combined with support measures from central banks, the fallout from NIRP can be contained. Some banks will have the capital and profits to withstand a squeeze on margins, others will not. While the BoJ has indicated that it will gauge the market's mood before lowering rates further, we decided to sell out of our positions in Japanese banks **Sumitomo Mitsui Financial Group (SMFG)** and **Resona** following a review of the investment cases of the names we hold. As bottom-up stock pickers, we will always look at the fundamentals on a case-by-case basis, but we believe the investment cases for both of these banks are now impaired. Historically, SMFG has been the most commercial and profitable of the Japanese megabanks, but earnings momentum has stalled. Despite much improved capital ratios and our best efforts to engage with the company, payout ratios have remained low and prospects for dividend growth from here look to be limited. In the case of regional bank Resona, we had already noted that NIM pressure was the main risk to the investment case, and decided to sell out of our position following the BoJ's announcement.

Finding stocks with a good balance of all four factors can be challenging, but we continue to believe that the best opportunities are captured by a disciplined bottom-up investment process of using return on capital, valuation, improving operating performance and positively trending share prices.

4Factor™ equities update

Quarter ended 31 March 2016

Team update

There has been one new addition to the 4Factor Equities team during the quarter. In March, Varun Laijawalla joined as an analyst for emerging markets. Varun’s expertise in emerging markets equity research will be applicable across the range of 4Factor Global, Asian and Emerging Markets strategies.

Important information

This document is directed at professional investors only and not for general public distribution. Please contact us if you are a private investor and receive it as part of a general circulation. Contact details can be found at www.investecassetmanagement.com/contactus.

The information discusses general market activity or industry trends and should not be construed as investment advice. The economic and market forecasts presented herein reflect our judgment as at the date shown and are subject to change without notice. These forecasts will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There can be no assurance that these forecasts will be achieved. Past performance figures should not be taken as a guide to the future and are not audited. While the Manager shall use its best endeavours to achieve the investment objectives and target returns, these will not necessarily be achieved and investors are not certain to make profits; losses may be made.

Where specific companies or other securities are listed or discussed, these are included as representative transactions of the portfolio. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Where FTSE data is shown, source: FTSE International Limited ("FTSE") © FTSE 2014. Please note a disclaimer applies to FTSE data and can be found at http://www.ftse.com/products/downloads/FTSE_Wholly_Owned_Non-Partner.pdf

The information contained in this document is believed to be reliable but may be inaccurate or incomplete. Any opinions stated are honestly held but are not guaranteed and should not be relied upon.

This document does not create any legal or contractual obligation with Investec Asset Management Ltd (IAM). The recipient agrees that this information shall remain strictly confidential where it relates to IAM's business. The prior consent of IAM should be obtained prior to the disclosure of commercially sensitive information to a third party (excluding the professional advisors of the recipient). Information reasonably deemed to be commercially sensitive and obtained from IAM should not be disclosed. This information is supplied with a reasonable expectation that it will not be made public. We also request that any information obtained from IAM in your possession is destroyed as soon as it is no longer required.

This communication is provided for general information only. It is not an invitation to make an investment nor does it constitute an offer for sale and is not a buy, sell or hold recommendation for any particular investment. Internal investment parameters are subject to change not necessarily with prior notification to shareholders.

In the U.S., this communication should only be read by institutional investors, professional financial advisors and, at their exclusive discretion, their eligible clients. THIS INVESTMENT IS NOT FOR SALE TO US PERSONS EXCEPT QUALIFIED PURCHASERS.

In Australia, this document is provided for general information only to wholesale clients (as defined in the Corporations Act 2001). In Hong Kong, this document is intended solely for the use of the person to whom it has been delivered and is not to be reproduced or distributed to any other persons; this document shall be delivered to professional investors only. Investec Asset Management Asia Limited is licensed by the Securities and Futures Commission in Hong Kong.

In South Africa, Investec Asset Management is an authorised financial services provider.

Issued by Investec Asset Management.

Investec
Asset Management

Your client management team

Please contact a member of your Investec Asset Management team if you have any questions regarding this report.

Client Management

Stephen Lee
Sales Director
T: +44 (0) 20 7597 1853
E: stephen.lee@investecmail.com

Operations and Reporting

Max Ward
Client Operations Analyst
T: +44 (0) 20 7597 2416
E: max.ward@investecmail.com

Dorset County Pension Fund

WELLINGTON MANAGEMENT®

INVESTMENT REPORT

- Executive Summary
- Investment Review(s)
- Highlights

RELATIONSHIP MANAGEMENT TEAM

Nicola Staunton
Relationship Manager
Phone: 44-20-7126-6070
Email: njstaunton@wellington.com

Mark Woodroffe
Relationship Analyst
Phone: 44-20-7126-6301
Email: mawoodroffe@wellington.com

Alison Smith
Client Service Analyst
Phone: 44-20-7126-6481
Email: asmith@wellington.com

Andrea Jardine
Administrative Assistant
Phone: 44-20-7126-6071
Email: ajardine@wellington.com

Page 135

14 April 2016

David Wilkes
Finance Manager (Treasury and Investments)
Dorset County Council
County Hall
Dorchester
DT1 1XJ

Dear David,

Please find enclosed the most recent quarterly investment report for your portfolio under our management.

If you have any questions regarding the enclosed materials, or if we can be of assistance in any other way, please do not hesitate to contact me.

Sincerely,

Nicola Staunton

Nicola Staunton
Managing Director

Enclosures

Cc: investments@dorsetcc.gov.uk

ACCOUNT SUMMARY

	Market Value	
Dorset County Council - GRE	166,340,794	GBP

Base currency is calculated using 4:00 pm EST London spot exchange rates.

PERFORMANCE SUMMARY

Annualised total returns (%)
Returns reported in GBP
As of 31 March, 2016

	1 Mo	3 Mos	Since Incep	Incep Date
Dorset County Council - GRE	3.4	-0.3	2.8	18 Dec, 2015
MSCI World	3.6	2.3	5.3	18 Dec, 2015

Returns for periods less than one year are not annualised.
Base currency is calculated using 4:00 pm EST London spot exchange rates.
Past performance is no guarantee of future results

WELLINGTON MANAGEMENT®

Dorset County Pension Fund - Global Research Equity

Page 137

PORTFOLIO MANAGEMENT

Managed by Wellington Management's Global Industry Analysts

OBJECTIVE

Long-term return in excess of the MSCI World Index

PERFORMANCE REVIEW

	Total Returns (%) (GBP) Periods Ended 31 March 2016	
	3 Mos	*SI (1)*
Dorset CC GRE	- 0.3	2.8
MSCI World	2.3	5.3

Base currency is calculated using 4:00 PM EST London spot.
MSCI benchmark(s) is calculated using 3:00 PM EST Geneva spot exchange rates.
1 Performance reported since 18 December, 2015

QUARTERLY OVERVIEW

2016 got off to a volatile start as Chinese stocks plunged in early January, sparking a global risk-off trade. Along with ongoing worries about a hard landing in China, the world's second largest economy, fears that Yuan weakness could unleash a wave of global deflationary pressure resurfaced. Once again, extended monetary policy accommodation by major central banks helped support risk assets. First, the Bank of Japan (BoJ) followed the lead of central banks in Europe by cutting its benchmark rate to negative territory in January. Next, the People's Bank of China (PBoC) lowered the reserve-requirement ratio, the amount of cash banks must keep on reserve, by 50 basis points (bps) in February in an effort to boost growth. Finally, while European Central Bank (ECB) President Mario Draghi previously hinted more stimulus was coming, he over-delivered at the March meeting. In addition to cutting the deposit rate, the ECB increased its monthly asset purchase programme and unexpectedly cut the main refinancing and marginal lending rates. Draghi signalled an important shift in ECB policy by de-emphasising euro weakness as a means to stimulate higher inflation. Instead, this wave of ECB policy is focused on increasing bank lending and easing domestic credit conditions.

During the quarter, the portfolio underperformed the MSCI World Index. Stock selection in consumer staples, financials and health care were the primary detractors from relative performance.

In consumer staples, security selection in food products dampened performance. Our overweight position to Mondelez weighed on relative results. The snack food and beverage company announced fourth quarter earnings below consensus expectations and revised 2016 revenue growth estimates downward, negatively affecting the stock price. Mondelez attributed this to foreign exchange headwinds and declining sales due to weak macroeconomic conditions in the latter half of 2015. We believe the company continues to be undervalued and has notable margin upside and long term organic growth prospects that make the stock attractive.

Our holdings in financials also detracted from relative performance. A top detractor in this sector was Unione Di Banche Italiane (UBI), an Italy-based bank. UBI's shares fell alongside other major Italian Banks amidst the negative interest rate environment and a more aggressive ECB stance on non-performing loans and asset quality. We see the market's concerns as overblown and believe that the ECB's focus on asset quality could facilitate an improvement of the balance sheets of UBI and other Italian banks.

Within health care, security selection in biotechnology was the most notable detractor from relative results. Alkermes, a US-based biopharmaceutical company and the portfolio's largest detractor, saw its shares decline sharply after reporting that its new depression drug performed poorly in certain test trials. We have maintained our position and believe that the company's drug pipeline remains strong despite the recent setback. We believe the market has overreacted to this as the fundamentals remain strong.

Stock selection in utilities was the smallest detractor from relative performance. Holdings in the electric utilities industry led the way. NextEra Energy, a US-based electric power provider, is our largest overweight in this sector. The company reported stronger-than-expected fourth quarter earnings, which drove the stock price. This was in part due to strong revenue growth in NextEra's subsidiary, Florida Power and Light, which resulted from a large increase in its customer base.

Dorset County Pension Fund - Global Research Equity

WELLINGTON MANAGEMENT®

POSITIONING & OUTLOOK

The first quarter of 2016 proved to be a challenging one for the portfolio. In particular, January and the first half of February were difficult periods for relative performance. While the underperformance is disappointing, it is not out of line with what we would expect given the risk profile of the approach in recent history. Our Global Industry Analysts remain focused on stock selection in their specific coverage industries and continue to identify themes and opportunities that will shape their investment decisions going forward.

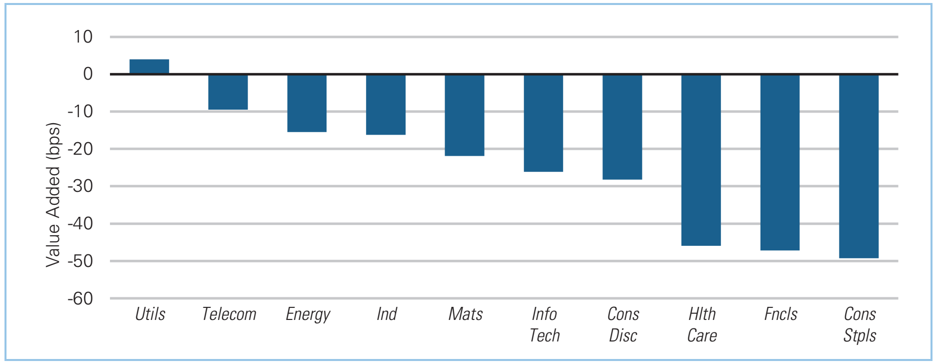
Within industrials, we view the economic outlook for 2016 as uncertain given heavy capex spending remains weak. Light industrial is showing signs of stabilisation and consumer related end markets have helped offset some of the pure industrial markets in this sector over the first quarter. We acknowledge that industrials are a very cyclical sector and we remain overweight companies that have proved to be resilient regardless of the market cycle. Two of our largest overweight positions in this sector that meet this criteria are Danaher and Illinois Tool Works, which are both US-based manufacturers of industrial products and equipment. We have also been adding to companies that have shown progress in managing this downturn more aggressively.

In consumer discretionary, lower fuel prices and improving jobs and wages have persisted, allowing for a more favourable consumer spending environment. Valuations for stocks across the sector have not been as attractive, with most of these tailwinds already being well identified and priced into the market. We continue to avoid traditional "brick-and-mortar" retail companies and look for opportunities where internet encroachment is minimal or a tailwind. An example of this is Signet, a mall and off-mall US-based jeweler that has benefitted from improving consumer demand. The bridal jewellery retail market has been difficult to replicate online and is an example where e-commerce has not had a major impact on fundamentals.

Given recent oil prices and the overall weakness in the energy markets, we have been focused on companies in this sector that have the ability to weather the storm and capitalise on the inevitable price recovery. Over the quarter we established a position in Total SA, a France-based energy provider. Total has been ahead of competitors in regards to cutting costs and capital expenditures, helping to insulate the company from further energy price declines.

A theme we are still bullish on in the information technology sector is the Internet of Things. We believe the connectivity of consumer and industrial devices will provide opportunities, especially for well positioned semiconductor companies. Although the semiconductor industry exhibited weak fundamentals and share price volatility during the first quarter, we believe the longer term outlook remains compelling as current valuations are relatively inexpensive. We added to our position in GlobalWafers, a Taiwan-based company that manufactures silicon wafers for semiconductor chips. We believe semiconductor companies that have exposure to content growth in the automotive industry, such as Belgium-based NXP Semiconductor, will have strong performance going forward.

SECTOR ATTRIBUTION



Financials(-)
Santander Consumer

- US-based consumer lender
- During the quarter, the market became more sensitive to the company's sub-prime auto loan portfolio given the deterioration in macro-economic sentiment. The stock sold off as a result.
- We have maintained our position as we believe the market is overreacting to the potential for credit erosion within the company's balance sheet

Consumer Staples(-)
Nomad Foods

- UK-based frozen foods company
- The grocery retailer's stock has come under pressure as the weaker macro environment in Europe fuelled more price-conscious consumer behaviour. The company's levered capital structure has recently been viewed as unattractive amidst the current “risk off” market mentality.
- We believe Nomad's management are good capital allocators and will likely continue to pursue acquisitions of synergistic assets in the frozen and packaged food space.

Health Care(-)
Regeneron Pharm

- US-based biopharmaceutical company
- In February, the company announced poor fourth quarter earnings and conservative guidance for the upcoming year which dampened the stock price. Additionally, a verdict was reached during the quarter that Regeneron violated Amgen's patent on an injectable cholesterol drug. This headline news also weighed on the stock price.
- We continue to favour this stock and believe the likely impact of the verdict will be less than 1 percent of earnings. Also, we have confidence that their scientific team and research enterprise will create substantial value over time.

Utilities(+)
Edison Intl

- US-based public utility company servicing Southern California
- Edison reported strong fourth quarter results and offered above consensus guidance for 2016, sending the share price higher
- We maintained our overweight position

TOP TEN ACTIVE POSITIONS

Company	*Industry*	*Portfolio**	*Index*	*Active Weight*
Amazon.com	Retailing	2.3%	0.7%	1.5%
Bristol-Myers Squibb	Pharm, Biotech & Life Sciences	1.6	0.3	1.3
Exxon Mobil	Energy	0.0	1.1	- 1.1
NTT DOCOMO	Telecommunication Svcs	1.2	0.1	1.1
Newfield Exploration	Energy	1.0	0.0	1.0
Bank of America	Banks	1.5	0.4	1.0
NextEra Energy	Utilities	1.2	0.2	1.0
XL Group	Insurance	1.0	0.0	1.0
Johnson & Johnson	Pharm, Biotech & Life Sciences	0.0	0.9	- 0.9
Sky	Media	0.9	0.0	0.9

*Percent of Equities

PORTFOLIO STATISTICS

	Portfolio	*Index*
Market Cap - Asset Weighted	$77.4 bil	$99.9 bil
Yield	2.0%	2.6%
Number of Equity Names	286	1629
Number of Countries	20	23
Valuation		
EPS Growth (Next 3-5 Years)	12.3%	9.5%
P/E (Projected)	14.2x	14.0x
P/B	2.1x	2.1x
Risk Characteristics (Projected)		
Tracking Risk	1.6%	—
Beta	1.02	—
R-Squared	0.99	—

Portfolio statistics were calculated using WMC's internal systems, which use the BARRA factor model for certain data. For projected risk statistics, certain assumptions were made within the BARRA factor model with respect to model type, benchmark, security classification and risk assignment, and timing to calculate results. Differing assumptions can cause projected risk statistics to vary and may cause the figures to deviate significantly from those obtained with another risk model.

Note: Totals may not add due to rounding.

Andre J. Desautels, CFA
Senior Managing Director, Partner

Catherine Gunn, CFA
Vice President

Global industry coverage: Telecom

Global Telecommunications: Looking for Sustainable Returns

Amid a tumultuous start to 2016, performance in the telecommunications sector has varied both across and within specific markets. In the US, yield seeking investors have bolstered share prices of communications service providers, whereas in Europe this group has moved in concert with broader equity markets as expectations for consolidation – related synergies and macro related top line benefits - have failed to materialise at the pace embedded in earnings expectations.

Intra-sector returns have continued to vary widely, illustrating the potential opportunities – and risks – this sector presents for investors. In the first quarter of 2016 the difference in total return between the best to worst performance for telecommunications stocks in the MSCI World index was roughly 40 percentage points. This wide short term spread is not overly anomalous with longer time periods.

The investment philosophy we have developed as dedicated career analysts in this space is predicated on our belief that stocks of companies with sustainably high returns and free cash flow generation are better positioned, over the long term, to outperform their industry peers.

Specifically, we think the key to high profitability and sustainable free cash generation is domestic scale within a healthy or improving market structure – namely a rational competitive ecosystem and a reasonably benign regulatory regime. This tenant applies equally to developed and emerging communications markets.

In-country scale matters because of the high fixed costs and capital intensity of these businesses. Large customer and revenue bases are required to profitably monetise the significant investments that are driven by exponential volume/data growth. These heavy investment cycles span multiple years, which can make it challenging to consistently earn returns in excess of capital costs, particularly for subscale operators that cannot spread high fixed costs over a wide enough revenue base.

The competitive backdrop within each country is likewise a critical consideration, as smaller operators may at times use aggressive pricing in an attempt to gain better scale and soak up excess capacity on their networks.

When in-market scale and healthy competitive balance align to drive solid cash flow generation for well positioned companies, we carefully assess the extent to which companies exhibit strong capital discipline with the excess returns they generate—be it through re-investing in their business (including smart acquisitions) or returning capital to shareholders in the form of dividends and/or share repurchases. In addition, strong balance sheets are an important consideration in helping companies ride out heavy investment cycles or short term competitive pressures.

Given the legacy of state ownership and influence in the communications sector, good governance and shareholder-aligned incentives are particularly important and government objectives also impact the regulatory environment in which service providers operate. For example, governments seeking revenue sources to help balance their budgets may raise the cost of spectrum, the lifeblood of the wireless communications industry, or impose additional taxes on these essential services.

We also exercise a valuation discipline that focuses on enterprise value based free cash flow, normalising for where each company is in its investment cycle, adjusting for recurring “non-recurring” items, pension deficits and the like. We believe this gives us a differentiated view of the long term sustainability of free cash flow and by extension, intrinsic value and potential shareholder returns.

Given the tremendous impact technology developments have on the costs, popularity and form of communications going forward, the telecom sector also presents numerous thematic opportunities and risks. We focus on how well our companies are positioned relative to these, but also recognise the inherent uncertainty around the impacts of technology over the very long term. It is our belief that scale players in disciplined markets, that have the capacity and discipline to re-invest appropriately in their businesses, also have the best chance of monetising future opportunities, as well as minimising the downside risks these changes may present.

* * *

Note: In an effort to share the diversity of talent and insights from our broader GIR team, we feature a different GIR analyst each quarter. Please note that not all analysts manage directly in your portfolio. However, each analyst's research is shared broadly across the research team to leverage relevant insights for your portfolio.

Biographies

Andre Desautels, CFA

- Member of Wellington Management's Global Industry Research Group
- 20 years of professional experience; 10 years at Wellington, with a primary focus on global telecommunications companies
- BA – Finance and International Business – McGill University
- Prior to joining Wellington Management, Andre worked at Trilogy Advisors LLC, Bolton Tremblay, and HSBC

Catherine Gunn, CFA

- Member of Wellington Management's Global Industry Research Group
- 10 years of professional experience; 6 years at Wellington; 3 years covering the telecoms services sector with a primary focus on telecommunications companies based in Asia
- BA – Economics – University of Cambridge
- Prior to joining Wellington Management, Catherine worked at Sanford C. Bernstein and Morgan Stanley

Account ID :	65D8
Reporting Currency Code:	GBP
Portfolio Manager:	Martin

Dorset County Council - GRE

Holdings Summary by Country-Equity

March 31, 2016

WELLINGTON MANAGEMENT

Country	Cost	Market Value	Pct Total	Yield
Cash/Cash Eq				
Euro Currency	*	*	*	-0.37
United Kingdom	*	*	*	0.48
United States	1,005,619	1,007,967	0.61	-0.05
Total Cash/Cash Eq	**1,005,620**	**1,007,967**	**0.61**	**-0.05**
Equity				
Australia	1,712,884	1,870,685	1.12	5.05
Austria	141,806	101,580	0.06	1.49
Belgium	1,410,119	1,370,090	0.82	2.13
Canada	3,283,547	3,776,396	2.27	2.99
Denmark	413,577	470,553	0.28	0.62
France	6,445,101	6,778,377	4.07	3.95
Germany	3,123,206	3,493,717	2.10	1.82
Hong Kong	792,123	920,604	0.55	5.06
Ireland	949,580	1,004,652	0.60	2.59
Israel	1,190,828	1,327,898	0.80	7.62
Italy	3,900,216	3,278,690	1.97	2.79
Japan	11,864,524	12,163,119	7.31	1.92
Netherlands	2,269,026	2,388,894	1.44	1.37
Norway	697,636	725,848	0.44	3.22
Singapore	727,840	815,795	0.49	3.68
Spain	920,336	828,437	0.50	3.85

Dorset County Council - GRE

Holdings Summary by Country-Equity

March 31, 2016

WELLINGTON MANAGEMENT

Country	Cost	Market Value	Pct Total	Yield
Sweden	464,608	566,361	0.34	2.01
Switzerland	1,529,458	1,515,586	0.91	5.98
United Kingdom	12,340,329	12,716,539	7.64	2.92
United States	104,749,443	109,219,006	65.66	1.54
Total Equity	**158,926,186**	**165,332,828**	**99.39**	**2.02**
Total Assets	**159,931,806**	**166,340,794**	**100.00**	**2.00**

* Indicates a non-zero value that rounds to zero.
Market Value for Fixed Income and Cash Equivalents includes estimated Accrued Interest
Yield is a market value weighted average. Yield number represents Dividend Yield for Equity Securities and Yield to Maturity for Fixed Income Securities.
This information is confidential and the recipient agrees to use this information solely for the lawful and appropriate purpose(s) intended by the parties.

DORSET COUNTY PENSION FUND

Quarterly Report 31 March 2016

YOUR PORTFOLIO

Fund performance objective

The fund objective is to outperform the benchmark by 0.5% per annum gross of the standard management fees.

Fund asset allocation and benchmark ranges

Fund and benchmark index	Fund allocation (%)
RLPPC Over Five Year Corporate Bond Fund Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.	100.0

Portfolio value

	Portfolio total (£m)
31 March 2016	**286.12**
31 December 2015	277.01
Change over quarter	9.11
Net cash inflow (outflow)	0.00

EXECUTIVE SUMMARY

Performance

- The Fund returned 3.28% over the quarter, gross of management fees, compared with a benchmark return of 3.95%, bringing 12 month returns for the Fund and benchmark to -0.11% and 0.05%, respectively.
- Over the quarter, UK government bond yields fell sharply, with the asset class recording one of the strongest quarterly total returns in recent years. Sterling investment grade credit bonds returned 3.16%, reflecting a widening of credit spreads. The average yield premium of credit bonds over gilt yields increased from 1.38% to 1.52%.
- The underperformance recorded over the quarter was primarily a result of duration positioning and credit sector selection, although the position in the Royal London Sterling Extra Yield Bond Fund was also marginally detrimental.

The economy and bond markets

- Markets suffered a volatile start to the year, although managed to recover by the end of the quarter. Nevertheless, global growth forecasts were downgraded, and markets remain subject to the effects of a low oil price and a high degree of sensitivity to negative economic news.
- The UK economy continues to expand, albeit slowly, supported by domestic demand and residential investment. Having increased interest rates in December, the US Federal Reserve declined to do so again, citing concerns about the global economy as a primary factor. In the eurozone, the European Central Bank (ECB) continued to loosen its monetary policy, and inflation remains well below the 2% target. Japan also continued its trajectory of loose monetary policy over the quarter, and its economy remains sluggish.
- Conventional UK government bonds returned 4.92% over the quarter, performing broadly in line with US treasuries but underperforming equivalent European and Japanese government bonds. 10-year UK government bonds yields fell 0.50%. Index linked UK government bonds returned 5.67%, with real yields falling across all maturities, but underperformed global counterparts, particularly European bonds which were supported by the ECB's extension to its quantitative easing programme.
- Sterling investment-grade credit returned 3.01% over the first quarter, underperforming UK government bonds by 1.14% (on a duration-adjusted basis); average sterling investment-grade credit spreads widened by 0.14% to 1.52%. By contrast, spreads in the basic industry sector narrowed, as a slight increase in the price of Brent Crude oil acted as a reprieve; this was the only sector to outperform UK government bonds over the quarter. Global high yield bonds (BofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained, 100% hedged to sterling) returned 3.41%. Although 2016 opened with a very weak January, the second part of the quarter experienced a solid rebound with two consecutive months of positive returns.

Investment outlook

- We anticipate that current global economic expansion will be sustained into 2016, supported primarily by loose monetary policy, low bond yields and a low oil price.
- We expect a very gradual rise in government bond yields over 2016, as we feel much of the current market concern is disproportionate; we do not expect a dramatic increase in yields this year. We believe that long-term real interest rates in the UK do not reflect long term economic fundamentals.
- We still believe that investment grade and high yield credit offer better relative value than government bonds, and that credit valuations are underpinned by strong company balance sheets and extended central bank liquidity. We expect that sterling investment grade credit bonds will outperform UK government bonds by approximately 1.5% p.a. over the next three years.

The key views within your portfolio

- A significant underweight in supranational bonds, as we expect corporate bonds to outperform over the medium term.
- Duration shorter than that of the benchmark, as we expect underlying gilt yields to rise.
- A bias towards asset backed securities, an area that we believe still offers the best risk/return characteristics.
- An overweight position in subordinated financial debt, where we believe yields are attractive.
- Targeted exposure to higher yielding bonds through investment in the Royal London Sterling Extra Yield Bond Fund.

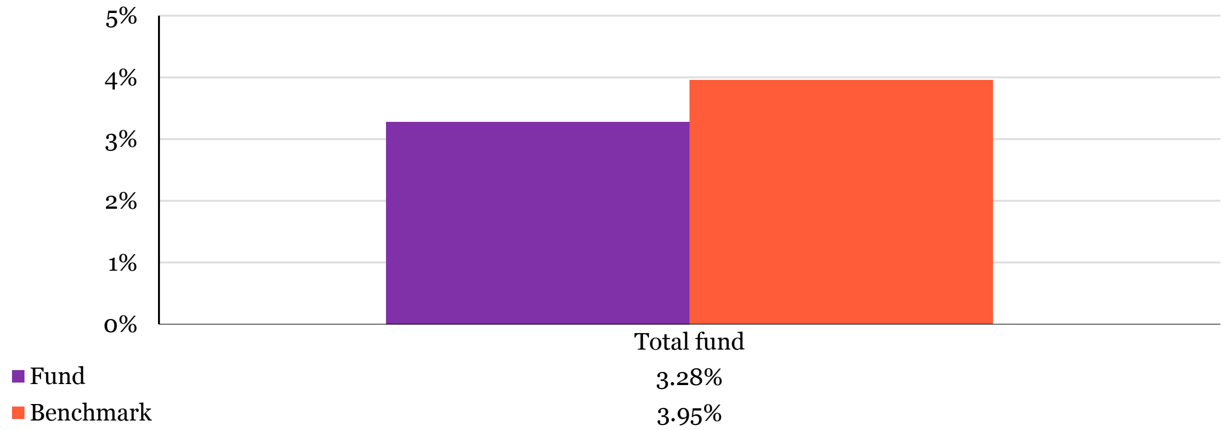
FUND PERFORMANCE

The table below shows the gross performance of your portfolio and the benchmark for the periods ending 31 March 2016:

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Q1 2016	**3.28**	**3.95**	**-0.67**
Rolling 12 months	-0.11	0.05	-0.16
Three years p.a.	6.66	5.83	0.83
Five years p.a.	11.48	11.46	0.02
Since inception 02.07.07 p.a.	9.04	9.37	-0.33

Quarterly performance



The total fund returns in the above chart include the impact of the cash holding during the quarter.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Asset split

	Fund (%)	Benchmark[1] (%)
Conventional credit bonds[2]	99.9	98.9
Index linked credit bonds	0.0	0.0
Sterling conventional gilts	0.0	0.0
Sterling index linked gilts	0.0	0.0
Foreign conventional sovereign	0.1	1.1
Foreign index linked sovereign	0.0	0.0
Derivatives	0.0	0.0

Fund data

	Fund	Benchmark[1]
Duration	9.5 years	10.0 years
Gross redemption yield[3]	3.89%	3.29%
No. of stocks	295	682
Fund size	£357.7m	-

Launch date: 02.07.2007
[1] Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.
[2] Conventional credit bond allocation includes exposure to non-sterling credit bonds and CDs, where applicable.
[3] The gross redemption yield is calculated on a weighted average basis.
Figures in relation to the asset spilt table exclude the impact of cash where held.

Performance

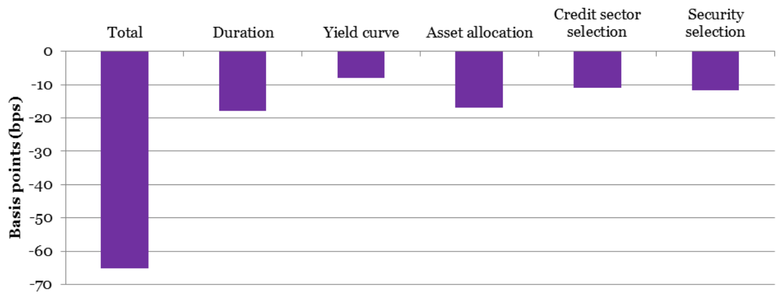
	Fund (%)	Benchmark[1] (%)	Relative (%)
Q1 2016	**3.30**	**3.95**	**-0.65**
Year-to-date	3.30	3.95	-0.65
Rolling 12 months	-0.03	0.05	-0.08
3 years p.a.	6.71	5.83	0.88
Since inception p.a. (02.07.2012)[2]	8.96	7.58	1.38

[1] Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.
[2] The Fund launched 02.07.2007 but its benchmark and objective changed on 02.07.2012.Performance prior to 02.07.2012 has therefore been omitted. If you require performance prior to this change, please contact your client account manager.
Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

The Fund objective is to outperform the benchmark by 0.5% per annum gross of the standard management fees.

The Fund returns in the above table are gross of standard management fees and include the impact of cash holdings over the period.

Performance attribution for Quarter 1 2016



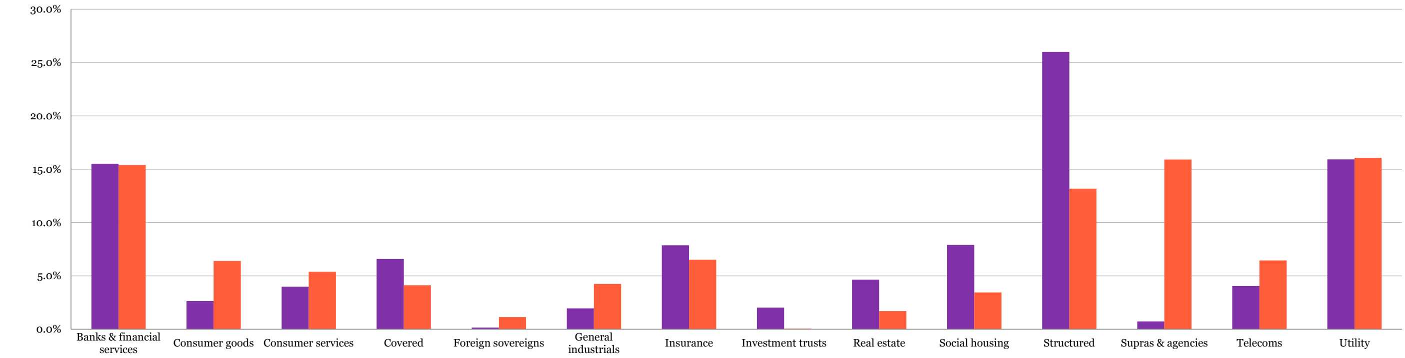
Source: *RLAM and UBS Delta. The above performance attribution is an estimate. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.*

Page 150

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Sector breakdown



	Banks & financial services	Consumer goods	Consumer services	Covered	Foreign sovereigns	General industrials	Insurance	Investment trusts	Real estate	Social housing	Structured	Supras & agencies	Telecoms	Utility
PPLCP	15.5%	2.6%	4.0%	6.6%	0.2%	2.0%	7.9%	2.0%	4.6%	7.9%	26.0%	0.7%	4.1%	15.9%
Benchmark	15.4%	6.4%	5.4%	4.1%	1.1%	4.2%	6.5%	0.1%	1.7%	3.4%	13.2%	15.9%	6.4%	16.1%

Source: *RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.*

What we thought	What we did	What happened	Effect on portfolio
We expected that corporate bonds would outperform supranational debt.	We maintained the underweight position in supranational bonds.	With the start of 2016 characterised by volatility and risk aversion stemming from renewed concerns over global growth, supranational bonds outperformed over the quarter.	Fund positioning in supranational debt had a negative impact on performance.
We continued to prefer a combination of covered bank bonds and subordinated bank debt to senior bonds.	Positioning within financial sectors was broadly unchanged with the underweight exposure to senior unsecured bank debt maintained, and offset by above benchmark exposures to covered and subordinated bank debt.	Subordinated financial (bank and insurance) debt lagged over the quarter while senior bonds performed relatively well; covered bonds outperformed.	The benefit of the overweight exposure to covered bonds partially offset the impact of Fund's bias towards subordinated financial debt.
We thought that high profile consumer orientated bonds were unattractively priced relative to corporate debt. We maintained selective exposure to industrial bonds.	Exposure to industrial and consumer sectors was broadly unchanged over the quarter.	Industrial sector bonds rallied over the quarter, in part spurred by a recovery in commodity prices in the latter half of the quarter. With the exception of the autos sector, which was impacted by weaker results from several popular manufacturers, consumer bonds performed relatively well, marginally outperforming the wider credit market.	The low weighting in consumer and industrial bonds was a negative factor in relative performance, partially offset by the lack of exposure to autos.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

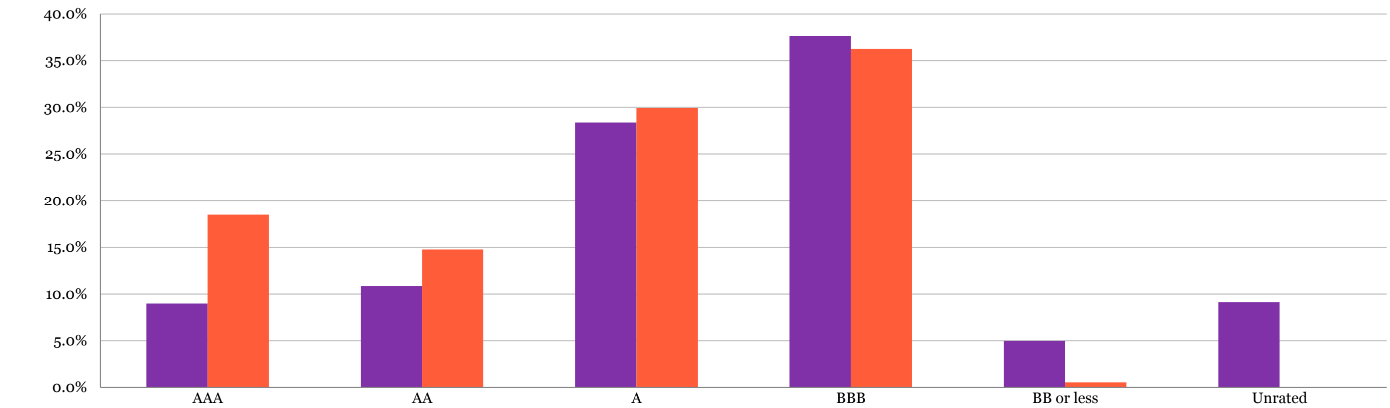
Sector breakdown continued

What we thought	What we did	What happened	Effect on portfolio
We continued to believe that secured bonds were undervalued relative to unsecured debt.	We maintained a significant overweight position in sectors that benefit from enhanced security e.g. asset backed securities (ABS), social housing and investment trusts.	Credit spreads in secured and ABS bonds rose in line with the overall market, while this reflected their more defensive characteristics, they generally outperformed.	The overweight in ABS supported Fund returns over the quarter.

RLPPC OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Rating breakdown



	AAA	AA	A	BBB	BB or less	Unrated
PPLCP	9.0%	10.9%	28.4%	37.6%	5.0%	9.1%
Benchmark	18.5%	14.8%	29.9%	36.2%	0.5%	0.0%

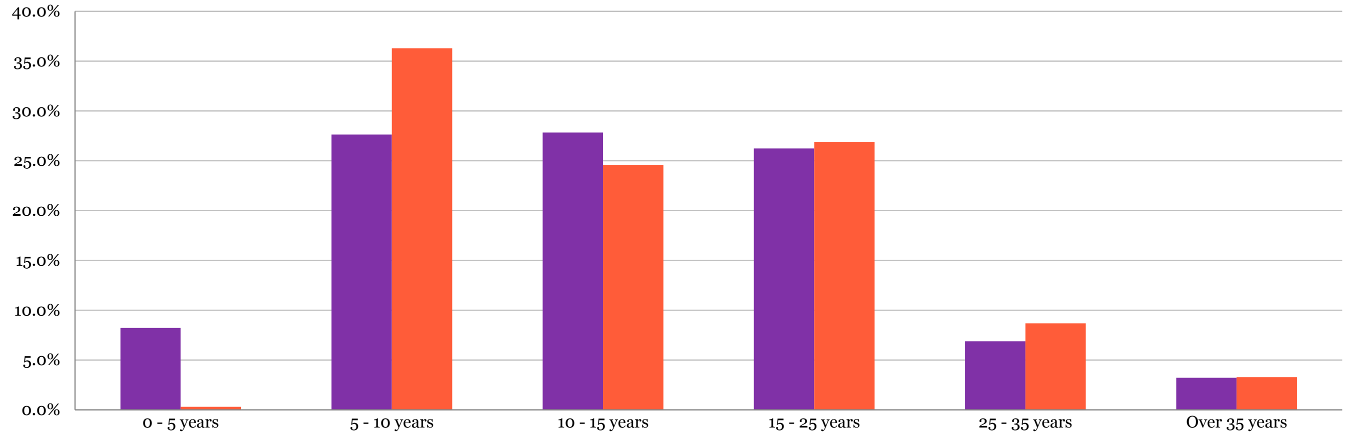
Source: *RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.*

What we thought	What we did	What happened	Effect on portfolio
We believed that lower rated credit bonds offered better value than AAA/AA rated securities.	The bias towards lower rated bonds was maintained over the quarter.	Lower rated bonds underperformed, reflecting their greater sensitivity to the widening in overall credit spreads in the period.	The credit rating profile of the portfolio detracted from performance.
Credit ratings, while useful, are not sufficient in the assessment of creditworthiness and value of corporate bonds.	We retained exposure to bonds rated below investment grade where we believed they were consistent with the overall objective of the Fund. In part this exposure reflected the Fund's holding in the Royal London Sterling Extra Yield Bond Fund. Exposure to unrated bonds, which predominantly have investment grade risk characteristics and are in many instances secured, was broadly unchanged at 9.1%.	Although global high yield debt was weak during the early part of the quarter there was an improvement in March as risk aversion declined. The Royal London Sterling Extra Yield Bond Fund underperformed investment grade credit bonds. Conversely, unrated debt performed relatively well.	Exposure to bonds rated below investment grade, especially subordinated financial debt, detracted from performance, partially offset by the Fund's exposure to unrated debt. The position in the Royal London Sterling Extra Yield Bond Fund had a small negative impact in the quarter.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Maturity profile



	0 - 5 years	5 - 10 years	10 - 15 years	15 - 25 years	25 - 35 years	Over 35 years
PPLCP	8.2%	27.6%	27.8%	26.2%	6.9%	3.2%
Benchmark	0.3%	36.3%	24.6%	26.9%	8.7%	3.3%

Source: *RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.*

What we thought	What we did	What happened	Effect on portfolio
We expected that UK government bond yields would rise.	The Fund's short duration stance was maintained within a range of 0.4 to 0.6 years below benchmark.	Early in the quarter, yields fell sharply across the maturity spectrum as renewed concerns over global growth fuelled demand for safe haven assets.	The short duration position maintained over the quarter was a negative factor in relative performance.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Ten largest holdings

	Weighting (%)
Lloyds Bank Plc 6% 2029	1.2
Commonweath Bank of Australia 3% 2026	1.1
Finance for Residential Social Housing 8.369% 2058	1.0
RWE Finance 6.125% 2039	1.0
Citigroup Inc 7.375% 2039	1.0
Annington Finance 0% 2022	0.9
Co-operative Bank 4.75% 2021	0.9
Abbey National Treasury 5.75% 2026	0.9
Equity Release 5.7% 2031	0.9
Bank Of America 7% 2028	0.9
Total	**9.8**

Source: *RLAM. Figures in the table above exclude derivatives where held.*

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2016

Fund activity

- A volatile start to the year, fuelled by resurfacing concerns over China and the outlook for global growth, further compounded already tepid liquidity conditions in sterling credit markets, where regulatory pressures on banks has resulted in less capital being devoted to market making of securities. New issuance was further impacted by uncertainty of the outcome of the June referendum on the UK's EU membership. Nevertheless, the Fund participated in several new issues brought to market.
- **Vicinity Centres**, an Australian real estate company involved in developing and operating shopping centres, issued a £350 million 10 year bond rated A- at an attractive credit spread of 1.97% over the reference gilt yield.
- Within the structured bond sector, the Fund purchased a senior secured bond issued by **Thames Water**. The 12 year bond was rated A- and purchased with a yield of 1.90% over gilts, an attractive premium to existing Thames Water bonds.
- Purchases of consumer-orientated bonds included charitable organisation **Motability**, a provider of vehicles to disabled people throughout the UK.
- In secondary markets, the Fund added to existing structured and secured bond positions including **Broadgate** bonds secured against prime City of London property, **Telereal** bonds backed by cashflows and assets of telecoms incumbent BT, **Heathrow Funding**, and **Dignity Finance**, the UK's leading provider of funeral services. A new exposure was established in subordinated insurance debt from **Phoenix Life**.
- Sales undertaken over the quarter were relatively modest. Holdings of rolling stock companies **Porterbrook** and **Great Rolling Stock**, and **CRH**, a globally diversified building material company, were reduced to fund new issue and secondary market purchases. The Fund also switched within issues of **Intu**, **HSBC** and **EDF**, in each case extending duration.
- Following the widely publicised plan by General Electric Company (GE) to reduce the size of its financial services business through a sale of most of the assets of **GECC** (General Electric Capital Corporation), the company announced a number of tender and exchange offers in quarter four 2015. Following this, in quarter one 2016, the company tendered for shorter dated corporate hybrid bonds issued by GECC as part of their capital exit plan. Tenders were at attractive levels relative to previous valuations.

Key views in your portfolio

- A significant underweight in supranational bonds, as we expect corporate bonds to outperform over the medium term.
- Duration shorter than that of the benchmark, as we expect underlying gilt yields to rise.
- A bias towards asset backed securities, an area that we believe still offers the best risk/return characteristics.
- An overweight position in subordinated financial debt, where we believe yields are attractive.
- Targeted exposure to higher yielding bonds through investment in the Royal London Sterling Extra Yield Bond Fund.

ROYAL LONDON

ECONOMIC REVIEW

Key points

- The year began with an onslaught of volatility, caused primarily by Asian stock market turbulence, fears of another global recession and an imminent banking crisis. Nevertheless, markets began to recover from mid-February, recouping much of their losses by the end of the quarter. The International Monetary Fund (IMF) downgraded its global growth forecasts once again, and the combination of beleaguered commodity prices and risk-averse market sentiment continued to haunt emerging markets.
- Having increased interest rates in December, the US Federal Reserve (Fed) declined to do so again, citing concerns about the global economy as a primary factor. Broad expectations suggest that the Fed will restrict itself to two hikes in interest rates this year, safeguarding the domestic growth which has been supported by better employment figures, income growth and consumer spending.
- The European Central Bank (ECB) appeased markets in March by cutting its central deposit rate and expanding its quantitative easing programme to include purchases of corporate bonds. Inflation remains low, and far from the 2% target, but strong industrial production and manufacturing data from January suggest that growth over the quarter is likely to have been encouraging.
- Japan also continued its trajectory of loose monetary policy over the quarter, and once again is expected to delay implementation of its proposed consumer tax increase. The economy remains sluggish, and has been beset by wavering Chinese and broader Asian demand and lacklustre private consumption.
- In the UK, the hotly anticipated Budget announcement was overshadowed by disappointing GDP figures, as nominal GDP growth slowed during 2015, to an annual rate of 2.6% in quarter four. Nevertheless, the economy continues to expand, albeit at a slower rate than hoped, supported by domestic demand and residential investment. "Brexit" looms as a threat to stability, causing weakness in the value of sterling relative to other major currencies.
- With inflation well below target in most major economies, dragged down primarily by tumbling commodity prices, nominal global GDP growth remains tepid.

BOND MARKET REVIEW

Investment grade financial & corporate bonds

Key points

- Sterling investment-grade credit returned 3.01% over the first quarter, underperforming UK government bonds by 1.14% (on a duration-adjusted basis).
- Average sterling investment-grade credit spreads widened by 0.14% to 1.52%; most sectors expanded over the quarter, following a start to the year characterised by volatility and risk aversion, caused primarily by shockwaves from falling stock markets in Asia. By contrast, spreads in the basic industry sector narrowed, as a slight increase in the price of Brent Crude oil acted as a reprieve; this was the only sector to outperform UK government bonds over the quarter.
- Bank debt was muted and mixed: while senior issues performed relatively well, subordinated bonds lagged amid broader concerns about the industry, particularly in continental Europe. Similarly, subordinated insurance company debt was weak, partly reflecting heavy supply in the latter part of 2015. The more defensive characteristics of asset backed and secured bonds continued to support absolute performance over the quarter. Among other sectors, healthcare, consumer goods and telecommunications also generated relatively good returns.
- Sterling bond issuance remained at low levels, with many firms debating whether to postpone capital raising until after the June referendum on EU membership. Issuance was dominated by the financial sector, within which all issues were of senior unsecured debt.
- By credit rating, higher-rated bonds were the strongest performers. Sterling high yield debt suffered in comparison, buffeted by market volatility at the beginning of the year.
- By maturity, the highest absolute returns were recorded by longer-dated bonds although short dated bonds recorded the lowest spread widening.

Outlook

- Liquidity in credit markets remained at low levels, reflecting capital constraints on banks (resulting in fewer resources available for trading fixed-income securities). We expect liquidity conditions to remain difficult in the medium-term.
- We believe that the current credit spread premium, over UK government bonds yields, adequately compensates for default and other risks (e.g. liquidity and rating migration). We expect that investment-grade credit bonds will outperform UK government securities by more than 1.5% p.a. over the next three years.

BOND MARKET REVIEW

Conventional government bonds

Key points

- Conventional UK government bonds returned 4.92% over the first quarter as the market rallied, helped by weaker oil prices early in the quarter, softer data from China, rate cuts from the Bank of Japan (BoJ) and the European Central Bank (ECB) and a more dovish tone from the US Federal Reserve (Fed).
- On a duration-adjusted basis, medium-dated gilts outperformed short and long-dated gilts.
- The ECB cut its deposit rate by another 0.1% in addition to cutting the headline rate to zero. It also extended its quantitative easing programme to include purchasing corporate bonds. The BOJ also cut its headline rate from 0.1% to -0.1% sparking a rally in Japanese government bonds, which boosted the yen. Gilts performed broadly in line with US treasuries but underperformed European and Japanese government bonds.
- UK government bond yield curves flattened between two and 10 year maturities, but steepened between 10 and 50 years, reflecting the market rally, while supply weighed on longer maturities.
- The Bank of England (BoE) Monetary Policy Committee (MPC) left its policy rate and quantitative easing unchanged at 0.5% and £375 billion, respectively. Minutes from the MPC meetings over the course of the quarter showed a clear concern over low inflation and global political concerns as a headwind to raising rates too early.
- UK Gross Domestic Product (GDP) grew by 0.6% in the fourth quarter, resulting in average annual GDP growth of 2.1%.
- The UK Consumer Price Index rose to 0.3%, still well below the BoE's 2% inflation target.
- The Debt Management Office (DMO) announced the issuance schedule for the upcoming quarter, with three short, five medium and three long-dated auctions, plus two long-dated syndications.

Outlook

- We expect global government bond yields to rise from current levels. As the Fed raises interest rates further in 2016, we expect the BoE to follow. Our base case assumes a very gradual rise in policy rates, so we do not expect a dramatic sell-off in government bond markets over the next 12 months.
- Our central case is for UK government bond yields across maturities to rise over 2016, and for the yield curve to steepen marginally, although we expect some volatility around this trend.

Index linked bonds

Key points

- Index linked UK government bonds returned 5.67% in the first quarter of 2016. Index linked UK government bonds gained as real yields fell across all maturities, which took place against a backdrop of concerns over global growth early in the quarter and later in response to the potential for inflationary pressures.
- The price of Brent Crude collapsed by 25% in January sparking renewed concerns over deflation. But talk of co-ordinated action by the Organisation of Exporting Countries (OPEC) to limit supply led to a sharp rally in oil prices, which ended the quarter marginally higher.
- Good demand for ten year index linked gilts led their yields to fall by around 0.40% over the quarter. Demand for longer-dated bonds was more sporadic and real yields in the 30 year sector fell by around 0.25%.
- The current negative levels of real yields (-1.10%, -1.28% and –0.89% for five, ten and 30 year bonds, respectively) can be contrasted with levels of around 2% when index linked bonds were first issued in the early 1980s and 4% in the early 1990s.
- Index linked UK government bonds underperformed global counterparts, as heavy supply in February hampered their performance relative to the best performing markets of the US and Europe. The longer dated end of the European market was also supported by the European Central Bank's announced extension of its quantitative easing programme.
- Sterling non-government index linked bonds underperformed index linked gilts by around 0.10%.
- UK inflation, as measured by the Consumer Price Index (CPI), rose to 0.3%, but despite increasing domestic price pressures, concerns about inflation remained subdued.

Outlook

- We view a long-term real interest rate in the UK of -0.90% (the level at the end of March) as too low and not reflective of long term fundamentals.
- Pension fund demand for longer-dated real yield securities remains strong, but is becoming more sporadic. At current levels, these assets are very dependent on pension fund buying, and may be tested by the June referendum on UK membership of the European Union.
- We believe global inflation linked bonds offer better value than UK index linked bonds, with real yields of European and US bonds approximately 0.8% and 1.7% higher, respectively, than those of UK bonds. However after their recent strong performance, and with a current lack of supply in long dated UK issues until May, we believe there may be better levels to add to existing positions.
- We think that five-to-ten year breakeven (implied) inflation rates of between 2.14% and 2.45% now look undervalued on a longer term view. However, long-dated breakeven rates of 3.2% appear above fair value. We believe that real yields for ten and 30 year gilts will rise during 2016.

BOND MARKET REVIEW

Overseas government bonds

Key points

- Bonds rallied across all markets in the first two months of 2016, helped by declining oil prices, speculation over central bank actions and mixed economic data. Meanwhile, bond yields stabilised in March.
- Over the quarter, yields for 10 year US and UK government bonds fell by 0.50% and 0.55%, respectively, with similar moves for equivalent German and French yields. Spanish and Italian bonds underperformed, with yields falling by around 0.30% to 0.40%, whilst the corresponding 10 year Japanese yield fell by 0.29%.
- US economic data was mixed. Fourth quarter Gross Domestic Product (GDP) fell to an annualised 1.4% from 2.0% in the third quarter. The Consumer Price Index (CPI) began to recover slightly and unemployment continued to fall – though both saw a slight softening in March.
- The US Federal Reserve (Fed) left the Federal Fund Rate unchanged over the quarter, but hinted at two further rises this year. The Fed adopted a more dovish tone in its March statement, stating that global developments "continue to pose risks".
- Eurozone data remained stable, with GDP and core CPI of 0.3% and 1.0% respectively. The European Central Bank (ECB) announced more stimulus measures in March, but signalled that further deposit rate cuts are not likely in the short term.
- Ten year conventional government bond yields in the US, Germany, the UK and Japan were 1.77%, 0.15%, 1.42% and -0.03% respectively at quarter end.
- In the first half of the quarter, index linked government bonds underperformed against their conventional counterparts in all markets, but staged a recovery in the second.
- Yield curves continued to reflect diverging monetary policies. US yield curve steepened between 10 and 30 year maturities as the Fed pushed back expectations of rate rises. The European curve flattened, as investors' hunt for yield increased demand for positive yielding longer maturity bonds.

Outlook

- We believe that the global economy will to continue to grow over the near term.
- US growth should remain reasonably strong and more increases in the Federal Fund Rate in 2016 look likely.
- Events in the Eurozone, where the situation remains unpredictable, will continue to dominate market sentiment. We therefore find the yields on peripheral Eurozone government bonds unattractive.
- We expect a rise in real yields, notably in the UK; how much will depend on the extent of global growth. Sustained inflation looks unlikely, unless economic growth picks up much faster than expected. Nor does a prolonged period of deflation seem probable. Breakeven (implied) inflation rates at current levels offer longer-term value.
- We consider developed government bond markets to be expensive. Yields should rise over the next 18 months.

Global high yield bonds

Key points

- Global high yield bonds (BofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained, 100% hedged to sterling) returned 3.41%. Although 2016 opened with a very weak January, the second part of the quarter experienced a solid rebound with two consecutive months of positive returns.
- Global new issuance in the quarter was over USD46 billion, down 62% on the same period last year.
- The index yield ended the quarter 0.80% lower at 6.55%, with the average high yield credit spread narrowing by 0.33% to 5.54% above government bond yields.
- The UK was the weakest performing region, returning 1.21%; the EU returned 2.04% while the US returned 3.02%. Emerging Markets outperformed, returning 4.30%.
- BB rated bonds outperformed B rated bonds, with returns of 3.96% and 2.67% respectively. Outside of the benchmark index, the Global High Yield CCC & Lower index returned 2.62%. Returns for longer duration bonds outperformed shorter maturities.
- High yield bonds began January on a weak note against a backdrop of falling oil prices, persistent concerns about China's economy and a downgrade in global growth forecasts by the World Bank.
- Weakness continued at the beginning of February. A rally in commodity prices with a potential production freeze from oil-producing countries allowed risk-assets to finish the month on a stronger footing.
- The strong recovery observed towards the end of February continued well into March, boosted by better economic data from the US, the European Central Bank announcement of further easing and the inclusion of corporate investment-grade bonds to the list of eligible assets for purchases, as well as the US Federal Reserve's patient stance towards further tightening.

Outlook

- We continue to believe that Global High Yield bonds are attractive on a spread basis and overcompensate for default risk, while their level of income generation is also appealing on a relative basis.
- The current growth and rate environment provides a moderate albeit rising default climate, with ongoing refinancing opportunities.

BofA Merrill Lynch Indices: H0UC for US and Canada, HEEC for Europe, EMHB for Emerging Markets, all 100% hedged to sterling

INVESTMENT OUTLOOK

Key points

- We believe that loose monetary policy, low bond yields and a low oil price should support economic expansion through 2016.
- We expect UK CPI inflation to remain below the Bank of England's (BoE) 2% target over the next 12 months.
- We assume a very gradual rise in policy rates during 2016; we do not expect a dramatic rise in yields over the next 12 months.

Global economic growth prospects

- We anticipate that current global economic expansion will be sustained into 2016, supported primarily by loose monetary policy, low bond yields and a low oil price.
- In the US, growth will be driven by the private sector and reinforced by rising employment, low interest rates, and the lagged benefits of a lower oil price for households and businesses. These factors should offset the effect of US dollar appreciation and the impact of a lower oil price on shale production.
- We expect GDP growth in the eurozone to be a little stronger in 2016, compared with 2015, as the European Central Bank (ECB) continues its very accommodative monetary policy stance, having expanded its quantitative easing programme. A lower oil price, looser monetary conditions and an end to fiscal austerity remain key props for growth.
- Recent data suggest the UK economy continues to expand, despite a small downgrade to the GDP forecast for 2016. The main business surveys indicate that growth continues at a solid pace, led by consumer spending; the current account deficit, however, has reached record levels. Forecasts assume that the UK will remain in the EU.
- In China, we keep our base case forecast for official GDP growth at 6% for 2016, although we now consider risks to be skewed to the upside, given recent stimulus measures. We expect further monetary easing through interest rate reductions and Reserve Requirement Ratio cuts. China's credit expansion has been funded domestically, which should lower the risk of global contagion. Nevertheless, the scale of the country's credit growth since 2009 remains a concern. Continued global growth, a lower price of oil, rising real wages and loose policy is expected to bolster modest GDP growth in Japan.

Inflation and growth – how will they impact interest rates?

- We expect UK CPI inflation to remain below the BoE's 2% target over the next 12 months, as the lagged effects of historical sterling appreciation and declines in commodity prices feed through. Our base case assumes a gradual stabilisation of wage growth as the labour market tightens which, together with the impact of weaker sterling, should help move CPI back to 2% over the medium term.
- Although "emergency" monetary policy has encouraged growth, the strength and persistence of the recovery is still questionable; we expect only marginal policy tightening in the UK and US in 2016. Global economic headwinds persist, with the imbalance between global savings and investment flows requiring lower equilibrium interest rates in the medium term. We assume a gradual profile of rate increases, to a level much lower than in previous rate cycles. Central banks are likely to have an asymmetric view of inflation risk following the financial crisis, while levels of public and private debt have heightened economic sensitivity to changes in the cost of money.

Our views on the outlook for the main bond asset classes

- At current yield levels, we still believe that markets discount quite a bearish view of global growth prospects; we expect yields to rise from current levels, as we feel much of this market concern is disproportionate. However, our base case assumes only a very gradual rise in policy rates during 2016. We do not expect a dramatic rise in yields over the next twelve months.
- Investment-grade and high-yield credit offer better relative value than government bonds. We believe that credit valuations are underpinned by strong company balance sheets and extended central bank liquidity, which is forcing investors to broaden their search for yield.
- We expect returns from investment-grade corporate bonds to exceed those from government bonds by over 1.5% p.a. over the next three years

SPECIAL TOPIC

Heading for the "Brexit"

June will witness a rare event: the referendum of an EU country on whether to remain in the Union, or to leave (Brexit). Uncertainty over both the outcome and the impact is already an undercurrent in financial markets, which we expect only to increase in the run-up to the vote. Below, we look at the real possibility of the UK leaving the EU, and what this might mean for the UK economy.

The polls

- At the end of 2015, polls suggested a slim majority would vote to stay in the EU.
- There remains a significant percentage of "undecideds" (polls suggest 20-30%), however, and opinion appears volatile.
- Recent experience from the 2014 Scottish Referendum and the 2015 General Election has demonstrated the inaccuracy of opinion polls, and revealed that they tend to overweight younger voters.
- Turnout among the "out" campaign is likely to be higher on the day.
- Research suggests that "out" campaign support consists of three main groups: non-graduates, older voters and small business operators.

Our "base case" economic view

- We assume that the UK will remain in the EU, and that undecided voters, when faced with key uncertainties about the alternative, will prefer to keep the status quo.
- If our base case is correct, any long-term economic impact is likely to be limited, and there could be an increase in economic activity as uncertainty subsides.
- Nevertheless, we anticipate an increase in volatility ahead of the referendum.

Arguments in favour of Brexit

- The Brexit campaign is based on a combination of political and economic arguments.
- A prominent economic claim is that the EU share of global GDP is in decline, and that Brexit would better enable the UK to take advantage of the changing global economic environment.
- If the UK were to leave the EU, its default trade agreement would be under World Trade Organisation rules, and it is speculated that the UK could negotiate more favourable terms on account of its existing trade networks and interdependencies, particularly with EU countries.
- On the political side, the Brexit group states that leaving the EU would enable the UK to adopt an immigration policy which does not discriminate on the basis of EU or non-EU citizenship.
- Leaving the EU would also liberate the UK from what the Brexit group claim is an absence of democratic legitimacy in EU institutions.

Brexit uncertainties

- Even if the UK were to negotiate a "good deal" on leaving the EU, this would not become apparent for some time, as the Lisbon Treaty provides a two-year window for negotiations.
- In the short-term, we expect GDP growth would be damaged, and that sterling would weaken; in an extreme scenario, this might force the Bank of England to raise interest rates.
- The Single Economic Market (SEM) of the EU is based on four "freedoms": goods, services, labour and capital. The long-term impact of Brexit on the UK would depend upon the replacement for the SEM negotiated with EU, and the new agreements created between the UK and the rest of the world.
- There is a range of common agreements that the UK could strike with the EU, entailing varying levels of trade freedoms, regulatory and policy independence, restrictions on global trade and contributions to the EU budget.
- We think the EU would be reluctant to strike a very favourable deal with the UK, if only to reduce the risk that an improved post-Brexit economic performance from the UK might encourage other countries also to leave.
- Nevertheless, the UK remains an important destination for EU exports which, combined with historical trade links, suggests a free trade on goods agreement would be likely.

Conclusion

- Our base case is that the UK will not leave the EU, but we still recognise a significant risk of Brexit, and that this will affect the UK economy and currency in the near-term.
- If the UK were to leave the EU, the longer-term impact upon the economy would depend upon the nature of the negotiated post-Brexit relationship with the EU and with the rest of the world.

Source: RLAM. Views expressed are those of RLAM Economist Ian Kernohan.

CORPORATE GOVERNANCE & COMPLIANCE

MiFID (Markets in Financial Instruments Directive)

- Pursuant to the FCA rules and based on information that we hold about you, we have classified you a 'Professional Client'.

Whistleblowing requirements of the Pensions Act

- We confirm that we have not made any reports to the Pensions Regulator during the quarter, as we do not believe there has been a breach of law relevant to the administration of the scheme.

The UK Stewardship Code and Royal London Asset Management

- Our voting records and the details of how RLAM approaches the stewardship of the securities we hold on behalf of our clients are disclosed on our website: www.rlam.co.uk.
- RLAM has a dedicated Governance Team which implements RLAM's Voting Policy across all UK holdings. Our public voting records are fully transparent, searchable and updated on a monthly basis. We also disclose information publicly about our engagement with companies on a quarterly basis.
- RLAM supports the principles of the UK Stewardship Code. Our underlying belief is that management are appointed by the shareholders to manage the business in the best interests of shareholders over time. While engagement is largely from an equity investors perspective, given that in most instances there is a limited amount of leverage that a bond holder can exercise over the issuing company, our own experience is that we are becoming more involved in corporate bond restructuring and in many cases these involve a bond holder vote. We ensure that we approach such decisions in the same way we would on an equity issue in aiming to support management where appropriate but always seeking to enhance value on behalf of our underlying clients.
- All enquiries with respect to our voting and engagement activities should be directed in the first instance to the RLAM Chief Investment Officer.

Responsible Investing

- RLAM is committed to being a responsible investor. This means being a good steward of our client's assets and promoting responsible investment with other stakeholders.
- In 2008, Royal London Asset Management became a signatory to the United Nations Principles for Responsible Investment (PRI), and was an early signatory to the UK Stewardship Code. This set the company on a long-term commitment to making responsible ownership 'business as usual'.
- The aim is to generate sustainable, risk adjusted returns that reflect a wider understanding of what will drive economic performance in the future.
- We seek to understand environmental, social and governance risks and opportunities within the investment process.
- We engage with companies and industry regulators to understand the issues that are most material to their business, and to promote best practice.

Engagement

- Engagement refers to our dialogue with companies, regulators, non-governmental organisations and other agents in the investment chain to support better standards of behaviour, risk management and reform for a more sustainable economy.
- Engagement will normally meet more than one of the following criteria:
- Materiality to investment performance
- Importance to our clients
- Reputational impact
- We track our engagements and report on the outcomes in quarterly public reports and to the PRI.
- We initiate or join collective engagements with other investors where we believe it will be more effective than engaging alone, or to draw attention to a worthy topic.

CORPORATE GOVERNANCE & COMPLIANCE

Sustainable Investing/SRI

- We offer a range of Sustainable Funds that seek to invest in companies well positioned to benefit from products and services that help solve major environmental and social challenges and manage their Environmental, Social and Governance (ESG) risks better than average. This may be through the products and services they offer or by virtue of the fact that while not 'solution' companies in terms of products and services they nevertheless show leadership in their management of ESG impacts.
- We also offer an Ethical Bond Fund and an Ethical Equity Fund aimed at clients that wish to avoid sectors with the highest ethical concerns; namely tobacco, armaments, alcohol, gambling, pornography, nuclear power and animal testing for non-medical purposes. Companies with 10% of revenues or more coming from these activities or those with the worst performance on environmental issues are excluded.

Our relationships with our broker counterparties

- We currently deal through approximately 50 brokers globally; a mixture of global firms and regional specialists which enables us to access different information flows and therefore, enhances the overall investment process.
- We undertake a comprehensive broker rating/review process where all brokers used are scored for the quality and utility of their research, dealing abilities, administrative efficiency, accuracy and sales advice. To get a full picture, we involve fund managers, dealers and any comment from the back-office. We do not have soft commission arrangements with any counterparties.

RLAM TEAM

Your fund managers

Jonathan Platt
Head of Fixed Interest

Paola Binns
Senior Credit Fund Manager

Your dedicated contact

James Stoddart

Head of Client Account Management

T: 020 7506 6619
F: 020 7506 6784
E: james.stoddart@rlam.co.uk

In James' absence, please feel free to contact any of the Client Relationship team members listed below or email: ClientRelationships@rlam.co.uk.

Lucy Bramwell	T: 020 7506 6537	E: lucy.bramwell@rlam.co.uk
Fraser Chisholm	T: 020 7506 6591	E: fraser.chisholm@rlam.co.uk
Victoria McArdle	T: 020 7506 6563	E: victoria.mcardle@rlam.co.uk
Rob Nicholson	T: 020 7506 6736	E: robert.nicholson@rlam.co.uk
Daniel Norsa Scott	T: 020 7506 6602	E: daniel.norsascott@rlam.co.uk

Product launches

The Royal London Global Multi Asset Portfolios were launched on 14 March. The range consists of six multi asset funds aiming to maximise real returns for a range of risk appetites. The Funds are managed by RLAM's six strong multi asset team led by Head of Multi Asset, Trevor Greetham. The Funds combine both active and passive investments, aiming to offer the best of both strategies with a focus on RLAM's own award-winning funds.

Corporate team changes

In February, RLAM's Sustainable and Corporate Governance teams, previously based in Wilmslow, relocated to our Gracechurch Street office. This move brought together all members of our Equity team onto a single investment floor, allowing them to benefit from closer interaction and resource sharing.

GLOSSARY

ABS – Asset backed securities – Debt secured against assets of the issuer.

Amortisation – Incremental repayment of a bond over its lifetime.

Attribution – The measurement of a fund's return versus the underlying benchmark return that breaks up the active performance into component parts:

> **Stock selection** – Performance attributed to stock selection.
>
> **Yield curve** – Performance attributed to positioning on the yield curve.
>
> **Duration** – Performance attributed to relative duration of the portfolio versus that of the benchmark.
>
> **Asset allocation** – Performance attributed to asset allocation between fixed interest gilts and credit bonds.

Basel – The Basel Committee on Banking Supervision provides a forum for regular global co-operation on banking supervisory matters.

Benchmark – An index or other market measurement that is used by an investment manager as a standard against which to assess the risk and performance of a portfolio.

Book cost – A measure of the historical cost of a bond or a portfolio of bonds represented as a clean value. It is calculated as the product of the number of bonds held and the average price paid. It remains unchanged regardless of movements in market price. If the price paid is the same as the face value of the bond, book cost will be the same as the nominal value.

Breakevens – The level of inflation required to make the return on index linked bonds equal to return on conventional bonds of similar maturity.

Capital cover – The degree to which debt is covered by the assets of the issuer.

Certificate of deposit (CD) – A certificate of deposit is a negotiable receipt issued by a deposit taking institution in respect of a specified sum of money deposited with that institution at a fixed rate of interest, with an undertaking to repay to the bearer of the certificate at a specified date the sum deposited with interest outstanding. The term of a CD generally ranges from one month to five years – with annual interest payments for those that are issued for longer than a year.

CDO – Collateralized debt obligations – A relatively small subset of the wider ABS market, CDOs are securitisations of a pool of debt receivables (that are not secured on tangible property). Typically, these securities are divided into different tranches: senior tranches, mezzanine tranches and equity tranches. Losses are applied based on the seniority of the tranche, with the most junior tranche absorbing losses first. The bonds are tranched to provide investors with different levels of seniority and credit rating. Variations include collateralised loan obligations (CLOs) and collateralised synthetic obligations (CSOs), where the underlying pools of assets are corporate loans and credit default swaps (that are not secured on tangible property).

Consumer price index – An index number calculated as the weighted average price of consumer goods and services.

Coupon – Interest paid by the bond issuer expressed as a percentage of the face value of a bond; typically paid annually or semi-annually.

Covenant – Legal rules found in bond documentation that place restrictions on the issuer.

Covered bond – Senior bonds issued by banks and collateralised by a high quality pool of residential mortgage assets.

CDS – Credit default swaps – Insurance purchased to protect against the default of a bond. In the event of default, the CDS buyer receives the face value of the bond in return for delivering the bond to the provider of protection.

Credit rating – A rating agency (Moody's, S&P, Fitch) measure of the credit worthiness of a bond issuer – investment grade credit ratings range from AAA to BBB with BB and below referred to as sub-investment grade (sometimes known as 'junk bonds' or 'high yield'). In general, for investment grade credits the rating agency rates only on the probability of default and does not take into account the potential recovery prospects of the bond.

Credit spread – Extra yield offered to compensate the holder of a credit bond versus an underlying risk free bond of similar maturity. Specifically, the holder requires compensation for the expected loss on default, reflecting a combination of probability of default and recovery rate on default. Compensation may also be required for extra market risk and liquidity risk.

Cyclicals – Bonds/stocks that are sensitive to the economic cycle.

Default – Failure of a bond issuer to pay the coupon, or principal when required, on a debt instrument.

DTS – Duration times spread – An expression of the portfolio's sensitivity to changes in yield spreads (the difference between the yields of credit bonds and government bonds) based on proportional spread movements. DTS is an appropriate measure for credit portfolios in particular, and for managers with particular skill in sector and stock selection and a focus on these.

Duration – A measure of the sensitivity of the portfolio to small and uniform changes in bond yields across the maturity spectrum. Duration, also referred to as interest rate risk, is expressed in years as a result of the measure's calculation from the weighted average maturity of all of the portfolio's discounted future cash flows.

ECN – Enhanced capital notes. ECN is a subordinated debt instrument issued by Lloyds Banking Group as part of the 2009 capital restructuring. The bonds were issued in exchange for Lloyd's existing upper tier 2 and tier 1 bonds and are lower tier 2 in the capital structure. Although the regulator also classifies these instruments as LT2, for the purposes of stress testing they are included in the equity capital base of the bank. Coupon payments of ECNs are not deferrable and the bonds are dated. However, should the core tier 1 capital ratio fall below 5%, the ECNs will mandatorily convert into equity.

European Financial Stability Facility (EFSF) – Agreed in May 2010 by EU member states, the temporary program can issue bonds or other debt instruments to raise funds needed to provide financial assistance to eurozone states in economic difficulty. The EFSF is financed by members of the eurozone.

European Stability Mechanism (ESM) – A permanent rescue fund program designed to replace the temporary EFSF which commenced operations in October 2012.

FRN – Floating Rate Notes – a bond with a variable coupon. Typically, coupons of sterling FRNs are referenced against 3 month LIBOR and are reset quarterly.

Funding for Lending Scheme (FLS) – Launched in July 2012, the scheme is designed to lower bank funding rates by allowing banks and building societies to borrow directly from the Bank of England for up to 4 years. Those that increase lending to UK households and businesses will be able to borrow more in the FLS, and do so at lower cost than those that scale back lending.

Futures – A contract between two parties where one agrees to buy and the other to sell an underlying instrument at a future date at a price agreed at the start of the contract.

FX – Foreign exchange.

Gearing – The level of debt to equity.

Interest cover – The degree to which interest expense is covered by the profit of the issuer.

Interbank rate – Lending rate between banks in the wholesale money market; LIBOR stands for London InterBank Offered Rate.

Internal rating – RLAM's assessment of the creditworthiness of a bond; crucially this takes account not only of the probability of default of a company but also the likely recovery rate on default.

Investment restrictions – Restrictions imposed on the portfolio managers by clients as outlined in the investment management agreement (IMA).

Liability management exercise (LME) – Under certain circumstances, companies can offer to buy back or swap their bonds at a discount to par value in order to boost capital reserves. This process has been used most extensively in the financial services sector and, typically, these exercises have been undertaken at premiums to prevailing market prices.

Loan to value (LTV) – Expressed as a %, the value of the loan to the value of the assets backing the loan.

LDI – Liability driven investment – Investing in order to match liability cash flows with asset cash flows. This is often achieved using derivatives products to overlay a bond portfolio in order to control duration.

LTRO – Long Term Repo Operation – European Central Bank debt facility to provide 3 year term funding to European financial institutions.

Market value – Market value reflects the value of a security after issuance as influenced by movements in underlying gilt prices and the market's assessment of credit risk. The value of bonds held in the portfolio reflects this market value. Although borrowers typically pay coupons on an annual or semi-annual basis, different treatment of the accrual of coupon payments results in two market value definitions.

> **Market value clean** – Accrued interest is calculated separately and not reflected in the clean market value.
>
> **Market value dirty** – The market value includes accrued interest.

Maturity – Final payment date of a bond, requiring the borrower to repay the bond.

MBS – Mortgage backed securities – An asset backed security (ABS) where cash flows are backed by the principal and interest payments of mortgage loans. RMBS relates to residential MBS. CMBS refers to commercial MBS.

Monoline insurance company – The original business model of the monoline insurers was to provide credit-wrapping (credit insurance) of lower rated bonds by guaranteeing the payment of coupon and principal of the underlying bonds in return for premium payments. This sector had been characterised by decades of unbroken profitability and the consistent maintenance of AAA credit ratings, however, over the past ten years, the focus of the sector shifted from the US municipal market to the credit-wrapping of structured products, such as sub-prime RMBS and CDOs. As losses in these instruments have increased in recent years, concerns have arisen regarding the adequacy of the insurers' claims paying reserves. This has resulted in material rating downgrades within the sector. Following these downgrades, a large majority of credit wrapped bonds are now rated according to the underlying credit quality of the issue rather than the monoline's rating. The main monoline insurance companies are AMBAC, MBIA, FSA and FGIC.

Nominal value – Also known as the face value. It refers to the price of a security when issued. For fixed income assets, nominal value is the product of the number of bonds issued and face value per bond (usually denoted by 1,000). Within the portfolio valuation, nominal value represents a client's holding in a bond expressed at face value**.**

Operation Twist – The name given to the Federal Reserve's monetary policy designed to lower long term interest rates by selling short-term Treasury bonds in its portfolio and buying longer-term Treasury bonds.

Outright Monetary Transactions (OMT) – An unlimited bond-buying scheme aimed at cutting the borrowing cost of debt-burdened eurozone members by buying their short-dated bonds, but only after countries have requested a bailout from the European Central Bank. The scheme was announced in September 2012.

PFI – Private finance initiative – Projects that involve the provision of assets for the public sector by private companies. For instance, the Octagon PFI involves the design, financing, construction and operation of Norfolk & Norwich Hospital by a private company for the Norfolk & Norwich NHS Trust.

Quantitative easing – In March 2009, the Bank of England (BoE) announced its intention to purchase UK government bonds (primarily medium dated UK government bonds) by creating new money (effectively printing money, but electronically). The process was subsequently paused by the Band of England during the first quarter of 2010 and later restarted in the fourth quarter of 2011. This process of purchasing assets through 'printing' money is called quantitative easing (QE).

Redemption yield – The annual interest rate on a bond including any capital gain or loss if it were held to redemption and assuming that all coupon and principal payments are made. If the coupon rate exceeds the redemption yield, then the bond will experience capital loss as it approaches maturity and vice versa.

Sale & leaseback – A process by which a company sells an asset then leases it back.

Securities Market Program (SMP) – A monetary policy tool aimed at providing market liquidity by allowing the European Central Bank to purchase distressed government bonds of peripheral European countries.

Seniority/subordination – Represents a bond holder's relative claim on the assets of an issuer before or after default.

Structured bonds – Bonds issued by a legally separate structure and secured on assets. The structure is often tranched, with different credit ratings for different levels of seniority. The process of issuing structured bonds is often referred to as securitisation.

Sub-investment grade – A credit rating that is below BBB-, also referred to as high yield or junk.

Sub-prime – Riskier mortgage lending to non-prime borrowers.

Supranationals – International non-government agencies/institutions such as the European Investment Bank and the World Bank.

Swaps – A derivative product representing an agreement to exchange one series of cash flows for another.

Interest rate swaps – Exchange fixed cash flows for floating cash flows or vice versa.

Inflation swaps – Exchange inflation index linked cash flows for conventional cash flows or vice versa.

Swaption – This derivative gives the holder the option (a right but not an obligation) to enter into an underlying swap.

Tracking error – Defined as the standard deviation of the fund's excess return over the benchmark index return, and generally quoted as an annualised figure based on monthly observations. This measure quantifies how closely the portfolio's return pattern follows that of a benchmark index. It is an important concept in risk measurement, and is used as both an ex post (historic) and ex ante (expected) measure. RLAM employs systems that allow us to estimate the ex ante tracking error of a portfolio.

Underwriting – The process by which an underwriter guarantees the new issue of securities (equity or bond).

Unrated bonds – Bonds that are not rated by any of the rating agencies; traditionally, unrated bonds benefit from security over the assets of the issuer. Unrated bonds are assigned an internal rating by RLAM.

Yield – Interest rate earned on a bond, expressed as an annual percentage.

Yield curve – The relation between the interest rate and the time to maturity of a bond.

Issued by Royal London Asset Management April 2016.

Royal London Asset Management Limited, registered in England and Wales number 2244297; Royal London Unit Trust Managers Limited, registered in England and Wales number 2372439. RLUM Limited, registered in England and Wales number 2369965. All of these companies are authorised and regulated by the Financial Conduct Authority.

All of these companies are subsidiaries of The Royal London Mutual Insurance Society Limited, registered in England and Wales number 99064. Registered Office: 55 Gracechurch Street, London, EC3V 0RL. The marketing brand also includes Royal London Asset Management Bond Funds Plc, an umbrella company with segregated liability between sub-funds, authorised and regulated by the Central Bank of Ireland, registered in Ireland number 364259. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland. Ref: 457-PRO-04/2016-CAM

Portfolio Valuation

As at 31 March 2016

Dorset County Pension Fund

	Holding	Identifier	Asset Description	Market Price (Bid £)	Book Cost Capital (£)	Market Cap. Value (£)	Accrued Inc. Value (£)	Market Value (£)	Days Accrued	Market Value %
Funds Held										
	138,192,293	GB00B1ZB3X88	RLPPC Over 5 Year Corp Bond Pen Fd	2.07043	173,395,091.02	286,117,468.57	0.00	286,117,468.57	0	100.0
				Funds Held total	**173,395,091.02**	**286,117,468.57**	**0.00**	**286,117,468.57**		**100.0**
				Grand total	**173,395,091.02**	**286,117,468.57**	**0.00**	**286,117,468.57**		**100.0**

Trading Statement

For period 01 January 2016 to 31 March 2016

Dorset County Pension Fund

	Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)
Acquisitions						
Funds Held						
	07 Jan 2016	Acquisition Rebate	102,612.54	RLPPC Over 5 Year Corp Bond Pen Fd	2.06	211,233.04
					Funds Held total	**211,233.04**
					Acquisitions total	**211,233.04**

This page is intentionally left blank

South Bristol Trade Park, Bristol

QUARTERLY REPORT Q1 2016

CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

TABLE OF CONTENTS

EXECUTIVE SUMMARY
Q1 2016

MARKET

This quarter the market was negatively impacted by the increase in SDLT from 4% to 5% on commercial property transactions imposed by the Chancellor in the March budget. This led to capital growth being flat for the quarter. However, the Index still produced a positive return as a result of income yield.

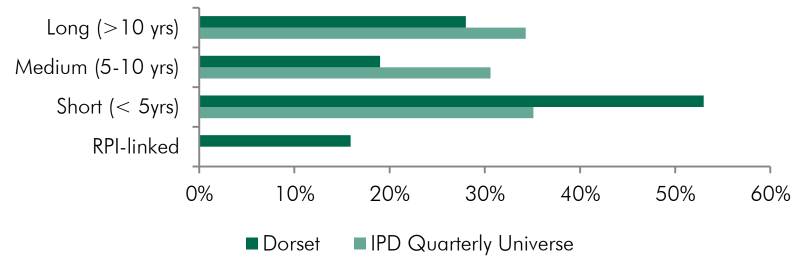
PORTFOLIO

During Q1 2016 there were no purchases. Four properties staircased from the Derwent Shared Ownership portfolio during the quarter.

PERFORMANCE

	Quarter	12 months	3 years p.a.	5 years p.a.
Direct Property Total Return	1.9%	13.1%	16.1%	11.7%
Indirect Property Total Return	2.5%	8.6%	9.8%	8.1%
Benchmark	1.1%	11.3%	14.0%	10.2%

LEASE LENGTH



GEOGRAPHICAL STRUCTURE

London & SE	41%
Eastern	17%
South West	9%
Midlands	11%
North	13%
Rest of UK	9%

Overview

The target is to achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.

Portfolio

	Value	Assets
UK Direct	£221.1m	26
UK Indirect	£25.2m	2
Total value of portfolio	**£246.3m**	

NIY / EY	5.1% / 6.1%
Vacancy rate	4.1%
AWULT to expiry (lease break)	9.8 yrs (9.4 yrs)
Largest asset	Cathedral Retail Park Norwich (£17.45m / 7.9% direct portfolio)
Largest tenant	ACI Worldwide EMEA Ltd (£902,750 / 7.1% of portfolio rent)

Performance

	Portfolio	Benchmark	Relative
Q1 2016 %	2.0%	1.1%	0.9%
1 Year % (2015)	12.6%	11.3%	1.2%
3 Year % pa (2013-15)	15.1%	14.0%	0.9%
5 Year % pa (2010-15)	11.1%	10.2%	0.8%

Transactions

	Q1 2015
Money available	£0.0m
Purchases	£0.0m
Sales	£0.2m
Committed Equity	£1.0m

2.0 MARKET COMMENTARY

UK ECONOMIC OUTLOOK

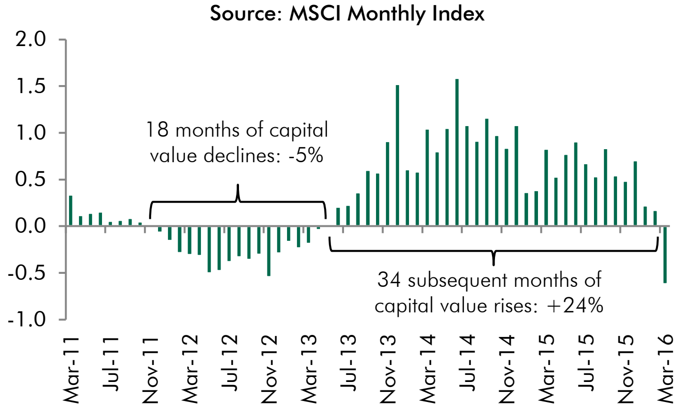
Global financial markets have quieted since the turbulent start of the year. Fears over Chinese growth appear to have been overdone, the tone from the Fed has become increasingly dovish and equity markets have regained lost ground. Domestically, this has enabled the June 23rd referendum on EU membership to dominate discussions and influence decision making. In this quarter's commentary, we have chosen not to dedicate significant space to the topic. Rather we provide a separate whitepaper from our Research team which takes a closer look at the ramifications of a Brexit on UK property. The key take-away is that in the run up to the plebiscite and even in the weeks following a potential exit from the EU, we are not recommending fundamentally altering portfolio strategy.

Turning to the real economy, many of the favourable demand drivers that helped propel economic expansion over the past year endure. A low interest rate, low inflationary, low unemployment environment is providing support for consumer spending, which remains the backbone of the economy. This is one reason why we see improving performance prospects from the retail sector in our forecasts. The 2016 Budget was not favourable for UK commercial property. Specifically, a 1% increase in stamp duty has had a 1% negative impact on property valuations. As a result we have adjusted downward our expectation of commercial property's 2016 total return to 7-8%. Needless to say, the mood in property circles has noticeably cooled.

UK PROPERTY PERFORMANCE

The total return delivered from UK commercial property, while still healthy by historical standards, has begun to moderate from the heady levels witnessed in recent years. For the first time since April 2013, capital growth was negative on the monthly MSCI index. While this is a direct reflection of the increase in stamp duty, a deceleration of rental growth and a flat initial yield feeds investor trepidation and underscores that we are operating in a different environment than the previous three years (Figure 1).

Figure 1 IPD Capital Growth, % m/m.
Source: MSCI Monthly Index



The all property total return in Q1 2016 was 1.1%, it's softest quarterly outturn since Q1 2012. Industrials were the best performing sector, delivering a quarterly return of 1.5%. Office performance was a close second at 1.3%. For structural reasons highlighted in previous commentaries, retail was the relative laggard, having produced a quarterly return of 0.6%.

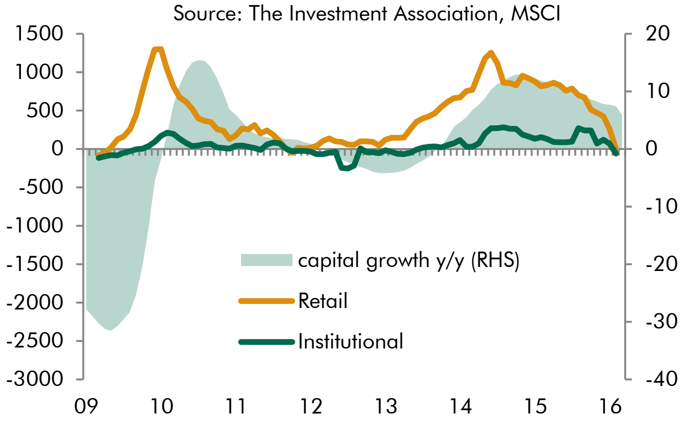
Occupier Markets

Owing to a relatively stable domestic economic environment and a diminishing supply of modern stock, occupier markets continue to tick along nicely. We are signing numerous new leases and extensions, though we are conscious that is somewhat of a lagging indicator. Whilst vacancy rates for Central London offices hover at cyclically low levels, letting interest especially at the top end of the market appears to be fading. We continue to see a healthy level of active requirements from a broad range of business segments elsewhere. Industrial markets, across formats and geographies are doing particularly well as Britain's SME's expand and third party logistics operators adapt to a shifting retail landscape. Unsurprisingly, the supply side is responding, which is one reason why we believe that we are now moving past the period of peak rental growth for both the office and industrial sectors.

Capital Markets

In terms of deal activity, 2016 has gotten off to a much quieter start than the previous three years. There are fewer active participants in the market and we have seen poorer quality product struggle to find a clearing price. The spectre of Brexit is necessitating inactivity from international capital while domestic investors appear increasingly mindful that we are late in the property cycle. UK institutions have accounted for very weak net investment volumes for the past three quarters, while retail investors have withdrawn more money from property funds in the first two months of the year than at any time since 2008 (Figure 2). The latter is at odds with the behaviour of retail money a decade ago. We suspect that one explanation may be investors rotating into direct buy-to-let residential property before the increased stamp duty came into effect in early April. Regardless of the rationale, it is clear that domestic capital is growing increasingly cautious.

Figure 2 Retail & Institutional Fund Flows to Property
Source: The Investment Association, MSCI



Outlook

While property performance is being supported at the moment by favourable fundamentals and delivering an attractive income yield relative to gilts, downside risks are overshadowing the upside. A potential Brexit is not the only show in town. The domestic economy has been losing momentum in recent quarters and exogenous risks are many. This suggests that any relief rally from a potential resounding mandate to remain in the EU would be muted. As identified at the onset of the year, we feel that it is important to actively position UK property portfolios for much weaker market conditions during the forecast horizon. This specifically includes:

- Disposing of assets in secondary locations with poor letting prospects
- Addressing major lease expiries, especially for London offices, during 2018-20
- Securing above average lease lengths and convent strengths on lease re-gears
- Being highly selective in terms of income quality with new acquisitions
- Reducing the number of active capital expenditure projects

For the past two years the UK economy and its real estate market have been standout performers. Accepting the historical cyclicality of the UK property market now is the appropriate time to adopt to a more cautious portfolio strategy.

3.0 STRATEGY

Information in respect of the strategy for the Fund.

Size	▪ Target portfolio size £230 million. (Currently £246.3m, with a further £1m committed to the purchase of Henbury Building, Macclesfield).
Performance	▪ To achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.
Income yield	▪ Maintain the portfolio income yield at a higher level than the IPD index net initial yield. ▪ Continue to focus on maintaining a low void rate and a resilient income yield. ▪ Ensure held properties / new acquisitions have strong rental growth prospects or a high income yield.

ALLOCATION

Property type	▪ Target core property holdings in good locations with a proportion of exposure to properties that will allow active management to generate outperformance. ▪ We anticipate maintaining a total of between 25 and 30 properties with an average lot size of c. £8m. ▪ Invest indirectly to gain exposure to sectors or lot sizes that the fund would be unable to achieve through direct investment e.g Shopping Centres.
Geographic allocation	▪ Diversified by location but with a bias towards London and the South East.
Sector allocation	▪ Diversified by sector with a maximum of 50% in any single sector. ▪ Target a lower than average weighting to Offices and Retail and a higher than average weighting to Industrial and Other commercial. ▪ Source suitable HLV* investments that could be available in any sector.

*HLV Property stands for High Lease to Value Property. HLV Property generates long-term predictable cash-flows. It is characterised by long lease lengths (20+ years) often with a link to a reference rate (RPI).

OTHER RESTRICTIONS AND GUIDELINES

Investment size	▪ Target a maximum of 10% in any single asset
Tenants	▪ Maximum rent from any single tenant 10% of rental exposure. ▪ Target financial strength better than the benchmark.
Lease length portfolio	▪ Target new assets where the lease expiry profile fits with the existing profile of the fund. ▪ Seek to maintain expiries in any one year below 10% of the fund's lease income. ▪ Target an average unexpired lease term in excess of the benchmark.
Development	▪ Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it.
Debt	▪ Avoid debt exposure.
Environmental and Social Governance ("ESG")	▪ Energy performance: to improve EPC ratings where it is financially viable and, where applicable, apply for certification.

4.0 PORTFOLIO OVERVIEW

PORTFOLIO COMPOSITION

UK direct*	£221.1m	(89.8%)
UK indirect**	£25.2m	(10.2%)
Total value of portfolio	£246.3m	(100.0%)

*See **Appendix 3** for full property list and performance over the quarter by asset
See **Appendix 2 for more information on the indirect performance over the quarter.

RISK CONTROL MEASURES

	Fund (Direct property only)	Aim
Number of assets	26	25-30
Number of tenancies*	78 with a further 2 units void	70-100
Net initial yield	5.1% p.a.	Above benchmark
Vacancy rate (% of rent)	4.1%	Below benchmark
Rent with +10 years remaining	28.5% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	10.5% of total rent	Minimum 10% of total rent
Largest property (% of value)	7.9% (Cathedral Retail Park, Norwich)	Below 10%
Largest tenant (% of rent)	7.1% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	79% / 21%	Minimum 70% freeholds

*The Derwent portfolio is classified as 1 tenancy albeit the underlying income is derived from multiple shared owners.

PROPERTY / TENANT DIVERSIFICATION

AIM – Maintain a diversified tenant base with individual tenancies providing rent rolls in excess of £25,000 pa.

The portfolio is currently well diversified with a range of tenants and a well balanced rental income stream.

ACTION – Continue to maintain a diversified tenant mix.

NET INITIAL YIELD

AIM – Maintain a net initial yield above the benchmark.

The IPD Quarterly Universe net initial yield is 4.8% as at Q1 2016. The portfolio net initial yield as measured by IPD is currently 0.3% above the Benchmark figure. The margin over the benchmark has remained unchanged during the quarter. The portfolio yield has reduced in general over the last year due to stronger market conditions and the acquisition of a number of lower yielding properties which deliver secure RPI linked income. This has added to the quality of the income stream from the portfolio.

ACTION – the portfolio's initial yield currently has a 30 basis point advantage over the Benchmark of the IPD Quarterly Universe. In order to increase the gap further our ongoing focus is to enhance the portfolio income, principally by:

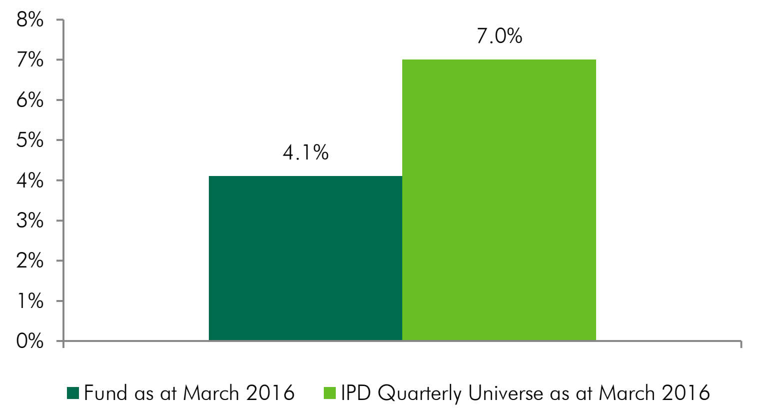
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.1%	4.8%
Equivalent yield p.a.	6.1%	5.8%
Income return over quarter	1.3%	1.2%

VACANCY RATE

AIM – maintain a low void rate through letting vacant space and mitigating future expiry risks.

There was no change to the Fund's void rate during the quarter. The portfolio void rate remains below the benchmark which rose to 7.0% over the period. Lettings of both the vacant units, Unit D, Woolborough Lane Industrial Estate, Crawley and The Logistics Centre, Heathrow completed post quarter end. From Q2 the two vacant office floors at Pilgrim House, Aberdeen will be included in the portfolio vacancy rate, this is anticipated to amount to c. 2.7% as a percentage of ERV.



ACTION – seek to let vacant space through using best in class letting agents and proactively manging upcoming lease expiries (see Appendix 1 for the list of void properties).

LEASE LENGTH AND EXPIRY PROFILE

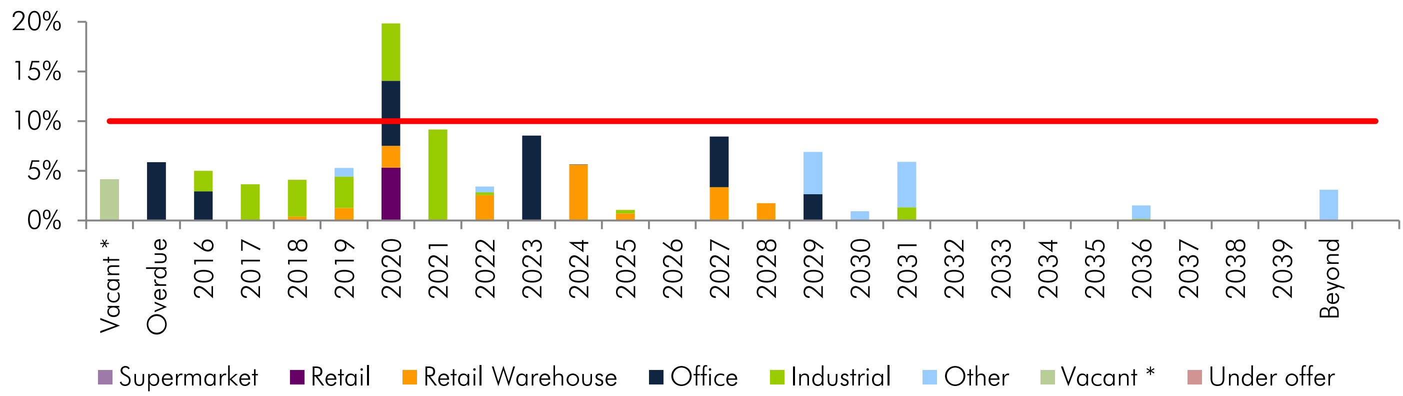
AIM – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.8	9.4	9.8
Benchmark	12.0	11.2	12.4

*Breaks are assumed to be executed if the lease is overrented and the break is at the option of the tenant or mutual.

The average lease length of the Fund using the PAS assumption is in a reasonable potision in comparison to the benchmark. The Manager is conscious that the lease expiry spike that had presented itself in 2015 has moved to 2020 following a number of lease renewals and asset management initiatives. A big focus for the year is to tackle the overdue element on the lease expiry chart relating to 270 Cambridge Science Park where the tenant is holding over following lease expiry on 31st December 2015. Negotiations are ongoing regarding a short term lease on their existing building and a new lease on the proposed new building.

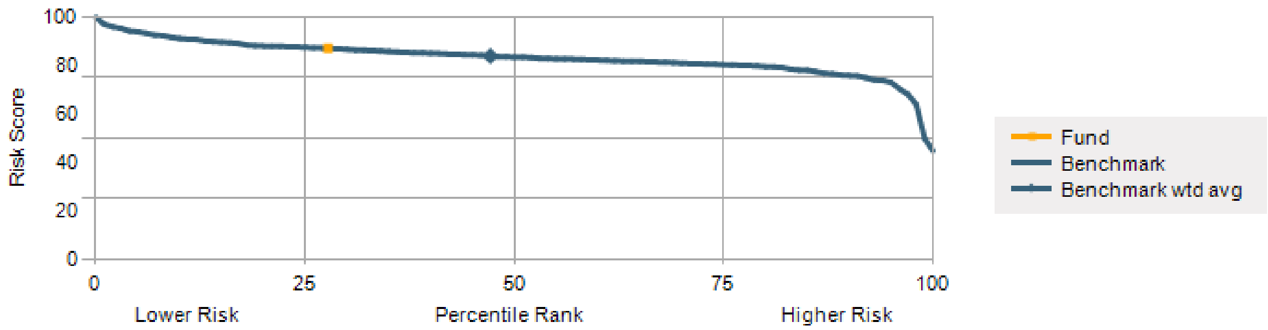


ACTION – seek to maintain the average lease length through the active management of lease events in the portfolio. Aim to create a "dumbbell" shaped expiry profile to allow short term asset management balanced by long term secure income.

TENANT FINANCIAL STRENGTH

AIM – maintain covenant strength better than the benchmark

The graph below compares the covenant risk score of the portfolio compared to the Benchmark as at 31 March 2016. The Fund is in the second quartile with a Weighted Risk Score on the 27.7th percentile. This has improved since the previous quarter (33.5th percentile). The portfolio remains in a good position, with the Fund score ahead of the benchmark average. IPD IRIS risk weightings are as at March 2016. During the quarter Brantano entered into administration, they are the 20th largest tenant in the portfolio. However, this has been off-set by improvements to other tenant covenant risk scores in the portfolio.



ACTION – seek to improve the covenant risk profile of the portfolio through letting activity and ensuring tenants are properly classified by IPD.

INCOME/LEASE TYPE

AIM – maintain the weighting to HLV income in excess of 15% of total portfolio income.

Open market income – this is the standard rent review structure for UK direct property leases and makes up the majority of the portfolio income. It generally involves a five yearly open market rent review, which is upwards only.

HLV income – defined as properties let on leases with inflation-linked rent review structures and those which have defined uplifts (fixed increases) periodically. This type of income is effective in generating a consistent real return.

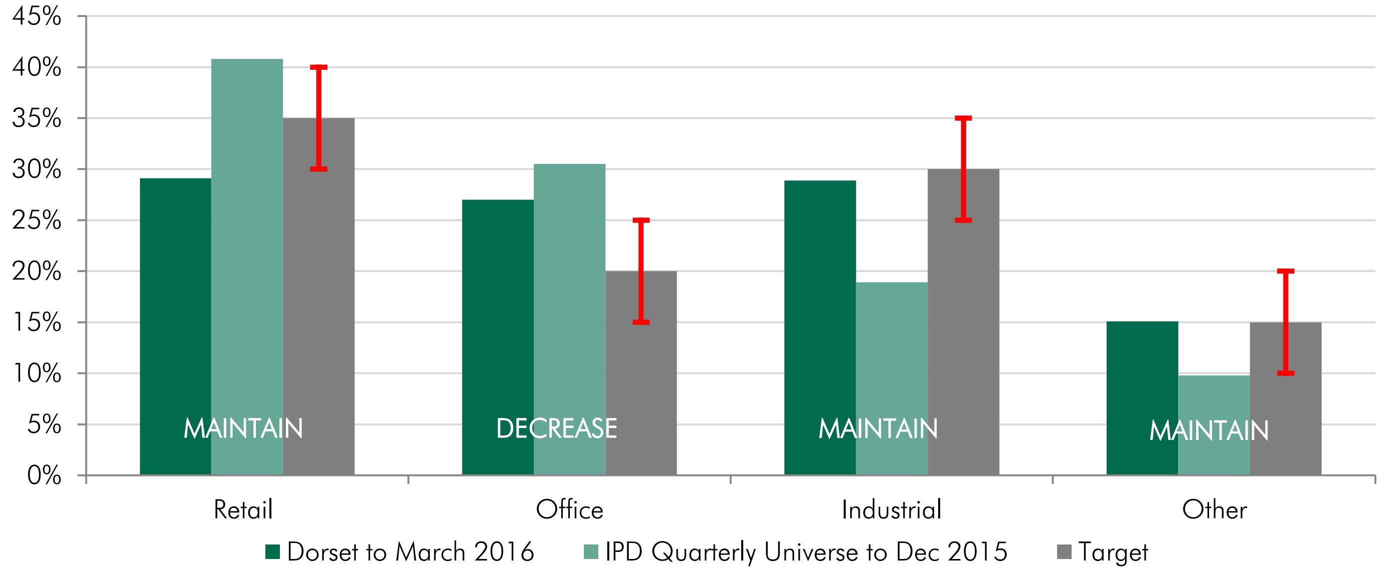
The portfolio is currently achieving the target. The amount of HLV income will increase further in Q2 2016 following the purchase of the Henbury Building Macclesfield.

% of portfolio income	Q1 2016
Open market income	84%
RPI/Index linked income	16%

ACTION – continue to monitor HLV ratio to Open Market income when considering purchases or sales.

SECTOR AND GEOGRAPHICAL STRUCTURE

AIM – to maintain a well diversified portfolio as part of our overall risk management strategy.



The portfolio sector weightings are displayed above in comparison to the benchmark with a target range depicted in red in line with houseview recommendations. The portfolio sector split has continued to be beneficial with the low retail weighting, given that overall retail has continued to be the poorest performing sector over the past 12 months. Over the longer term proceeds from sales from the office sector may be redistributed into retail, industrial or the other sector. The geographical split as shown on page 1 is well diversified at present. There is a large London and South East weighting which has particularly aided performance over the last year. There is also a large eastern weighting; Cambridge falls into this region albeit it has historically performed more like the South East market and therefore is not considered a significant risk in contrast to IPD.

ACTION – Ensure that purchases and sales maintain the geographical and sector diversity within the portfolio having due regard to the current point in the economic cycle.

DEVELOPMENT

AIM – to maintain a development exposure below 10% of the value of the portfolio.

There is currently no speculative development ongoing within the portfolio. The proposed development at Cambridge Science Park is intended to proceed only on the basis of an Agreement for Lease with a tenant for the completed building with a fixed price building contract in place. This will mitigate two of the major risks associated with development.

ACTION – Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it having due regard to local supply/demand dynamics and the point in the economic cycle.

5.0 UK DIRECT PORTFOLIO ACTIVITY

Below are examples of key drivers of performance within the Fund:

Address	Ingersley Building, Hope Park, Macclesfield
Sector	Other - Residential
Valuation Q1 2016	£4.0m (4.0% NIY)
IRR	28.0% p.a. since purchase

Ingersley Building, Macclesfield was a strong performer for the portfolio in Q1. The property is small within the portfolio, but having been acquired at 5.5% NIY the yield for this type of property, which is now very sought after in the market has come in sharply.

The property provided a total reutn of 19.0% over the quarter, this was a relative weighted contribution to the portfolio performance of 0.25%.

With the remaining part purchase of Henbury Building, Hope Park, Macclesfield that completed post quarter end, further performance is anticipated as that yield similarly is anticipated to sharpen from the 5.5% NIY acquisition price.

Address	Derwent Shared Ownership Portfolio
Sector	Other – Shared Ownership Housing
Valuation Q1 2016	£9,675,000
IRR	18.9% p.a. since purchase

During the quarter a further 4 properties 'staircased', meaning that they bought themselves out of the shared ownership sceme. That has reduced the amount in the portfolio from 218 properties at the start to 210 properties.

At the point of purchase the rate of staircasings was forecast at 2% per annum, for the year 2015 we saw 2.3% p.a. and for the calendar year to the point of print the staircasing rate from the portfolio was 3.3% p.a.. In the event of more staircasings the IRR over the hold period is actually improved. It is also worth noting, staircasing is considered to be cyclical with more staircasing events taking place in a good economy with fewer taking place in a downturn.

The property continues to perform well ahead of expectations, having been acquired for 4.2% NIY and now showing a valuation of 3.8% NIY.

6.0 TRANSACTIONS

TRANSACTIONS OVER QUARTER

PURCHASES

No purchases were comleted during the quarter.

SALES

Address	35 Alexandra Mills, Derby
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed flat
Completion Date	6th January 2016
Purchase Price*	£16,559 (gross of all fees)
Net Dorset Sale Receipt*	£19,388

*The values reported are the Fund’s 25% share.

Address	10 Welland House, Lutterworth
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	28th January 2016
Purchase Price*	£38,638 (gross of all fees)
Net Dorset Sale Receipt*	£56,608

*The values reported are the Fund’s 50% share.

Address	10 Castle Close, Borrowash
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 3 bed semi-detached house
Completion Date	16th February 2016
Purchase Price*	£40,478 (gross of all fees)
Net Dorset Sale Receipt*	£51,806

*The values reported are the Fund's 50% share.

Address	11 Blackthorn Drive, Cinderhill, Nottingham
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed house
Completion Date	29th January 2016
Purchase Price*	£38,019 (gross of all fees)
Net Dorset Sale Receipt*	£52,286

*The values reported are the Fund's 50% share.

TRANSACTION PLAN

The key objectives are as follows:-

- Maintain exposure to quality assets with a suitable risk profile across all sectors. The focus for 2016 is to ensure that the portfolio is in a strong position to capture rental growth.
- Now that the Fund has exceeeded the target size of between £225m and £230m, with one further part acquisition in the pipeline, the Manager will seek to use current market liquidity to sell any assets that are expected to underperform in a market downturn.

Our proposed 2016 sales are as follows:

Asset	Sector	Q1 2016 Value	Estimated Timescale	Status
Washford Mills, Redditch	Retail Warehouse	£7,300,000	Q2 2016	Under offer at £7.56m with completion expected during Q2 2016.
Total		£7,300,000		

ONGOING TRANSACTIONS

PURCHASES

Address	Henbury Building, Macclesfield
Sector	Other
Price	£1,000,000*
Net initial yield	5.5%

The purchase of Henbury Building, Macclesfield has exchanged and was completed post quarter end. The property comprises 9 flats – 3x 1 bed and 6 x 2 bed apartments.

On completion the property was let to East Cheshire NHS Trust for a term of 21 years with rent reviews every 3 years on an upward only basis to uncapped RPI.

*This does not include a retention was also repaid in respect of Ingersley House. This was withheld from the Ingersley purchase price to ensure the developer completed the Henbury Building in good order.

SALES

Address	Washford Mills, Redditch
Sector	Retail Warehouse
Price	£7,560,000
Net initial yield	6.8%

The disposal of this property to Surrey County Council has been agreed and the transaction is expected to complete post quarter end. The proposed sale price is £260,000 ahead of the Q1 valuation.

The property has recently become fully let after a letting to Bensons for Beds following a 2 year void. With the property now fully let and income producing it is an optimum time for disposal of a secondary asset which we expect to struggle to re-let in poorer market.

7.0 PERFORMANCE

PERFORMANCE OBJECTIVE

The target is to achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.

2016 PERFORMANCE

Q1 2016	Portfolio	Benchmark	Relative
Capital growth	0.7%	0.0%	0.7%
Income return	1.3%	1.2%	0.1%
Total return	**2.0%**	**1.1%**	**0.9%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio comfortably outperformed the benchmark over the last three months. Income return remains ahead of the benchmark. The capital growth of the portfolio was also 70 basis points ahead of the benchmark this quarter driven by outperformance across all sectors except the Industrial assets which performed in line with the Index. The longer term pattern is for income return to be stronger than capital growth, with capital growth anticipated to slow over the next 12 months the Fund's income return will become an increasingly important driver of performance.

12 months to Q1 2016	Portfolio	Benchmark	Relative
Capital growth	7.2%	6.3%	0.9%
Income return	5.1%	4.7%	0.3%
Total return	**12.6%**	**11.3%**	**1.2%**

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q1 2016	Portfolio	Benchmark	Relative
Capital growth	8.9%	8.4%	0.4%
Income return	5.8%	5.2%	0.6%
Total return	**15.1%**	**14.0%**	**1.0%**

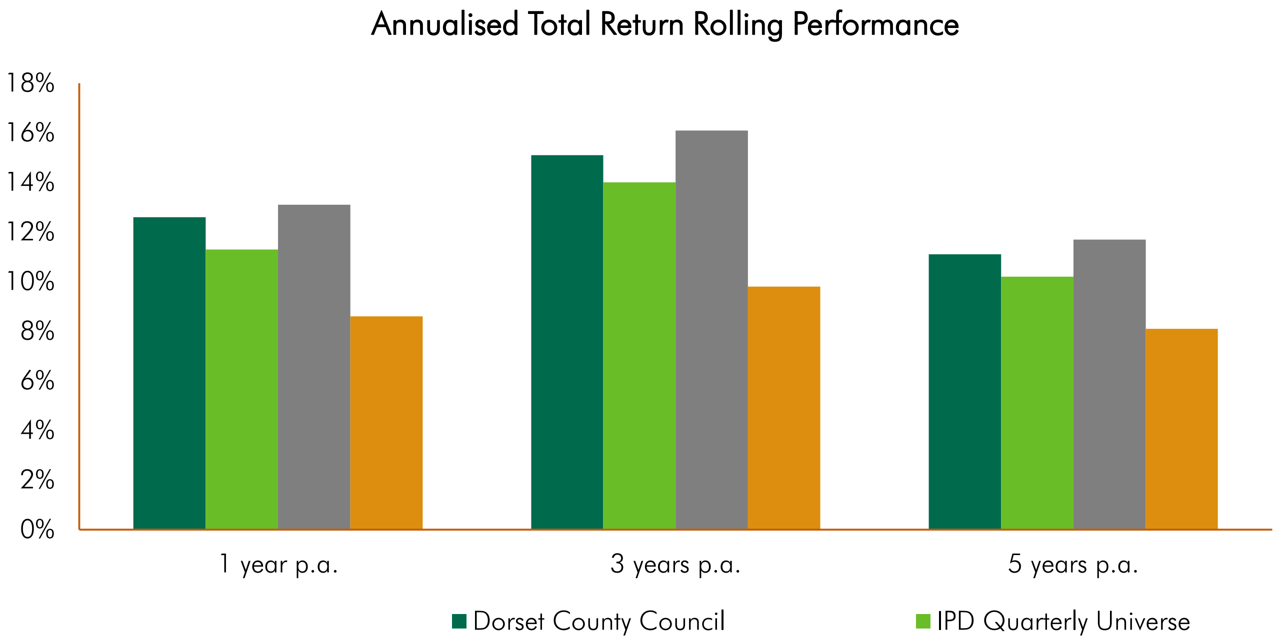
Source: CBREGI and IPD Quarterly Benchmark Report

5 yrs to Q1 2016	Portfolio	Benchmark	Relative
Capital growth	4.9%	4.6%	0.3%
Income return	6.0%	5.4%	0.5%
Total return	**11.1%**	**10.2%**	**0.8%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio is outperforming over the last 1, 3 and 5 years, driven by both the income return from the portfolio and capital growth. The longer term performance is of particular note given the amount of acquisitions made over this time frame. The figures also demonstrate the advantage over the longer term of running a higher income strategy, provided the quality of the properties within the portfolio is maintained.

ROLLING PERFORMANCE FIGURES



The portfolio is comfortably outperforming over 1, 3 and 5 year rolling periods. This chart includes all benchmarked assets, therefore comprising all direct and indirectly held assets during each time horizon. The direct property performance is outperforming over the 1, 3 and 5 year rolling periods. The indirect property performance over the past year comprises Shopping Centre exposure; the assests in these vehicles are very prime and provide access to a market that could not be obtained directly for a Fund of this size. The portfolio's indirect holdings are considered to be defensive within the portfolio in the event of a weaker economic climate.

The Fund continues to achieve its key objective on the five year rolling performance measure.

8.0 ACCOUNTING AND ADMINISTRATION

The three measures listed below; the arrears level, speed of rent collection and service charge account closure position, are designed to be "litmus" tests showing the health of the accounting and administration of the portfolio.

The targets are designed to be demanding, however, we would expect to hit GREEN a large proportion of the time.

ARREARS LEVEL (RENT, SERVICE CHARGE, INSURANCE OVER 3 MONTHS OLD)

Target:	GREEN	maximum £25,000, no single item over £10,000	
	AMBER	maximum £75,000	
	RED	above £75,000	
Result at:	31 March 2016	RED	£79,235.00*
	31 December 2015	AMBER	£34,453.25
	30 September 2015	GREEN	£5,285.20
	30 June 2015	GREEN	£9,158.57

*The arrears position was high this quarter due to Charlotte House, Newcastle, where the tenant is in significant arrears. The Manager is taking further action on this.

SPEED OF RENT COLLECTION

Target:	GREEN	90% of collectable rent banked by 6th working day after the quarter day, 95% by 15th working day	
	AMBER	80% by 6th working day, 90% by 15th	
	RED	worse than Amber	
Result at:	31 March 2016	AMBER*	(88.7% collected by 6 days, 98.0% by 15th day)
	31 December 2015	AMBER*	(87.4% collected in 6 days, 96.5% by 15th day)
	30 September 2015	GREEN	(96.4% collected in 6 days, 97.2% by 15th day)
	30 June 2015	AMBER	(92.3% collected in 6 days, 94.3% by 15th day)

* Excludes Charlotte House where rent collection is on hold pending forfeiture proceedings.

SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target:	GREEN	all service charge accounts closed within 3 months of the year end
	RED	any account not closed
Result at:	31 March 2016	GREEN (None currently outstanding/overdue)
	31 December 2015	GREEN (None currently outstanding/overdue)
	30 September 2015	RED (Three not closed)
	30 June 2015	RED (Three not closed)

9.0 SUSTAINABILITY

The Encironmental and Social Governance "ESG" Risk Mitigation Programme has been designed to address the risk presented by the Energy Act 2011 which stipulates that from 2018, it will be prohibited to lease a building with poor energy performance.

CHANGE IN RISK LEVEL

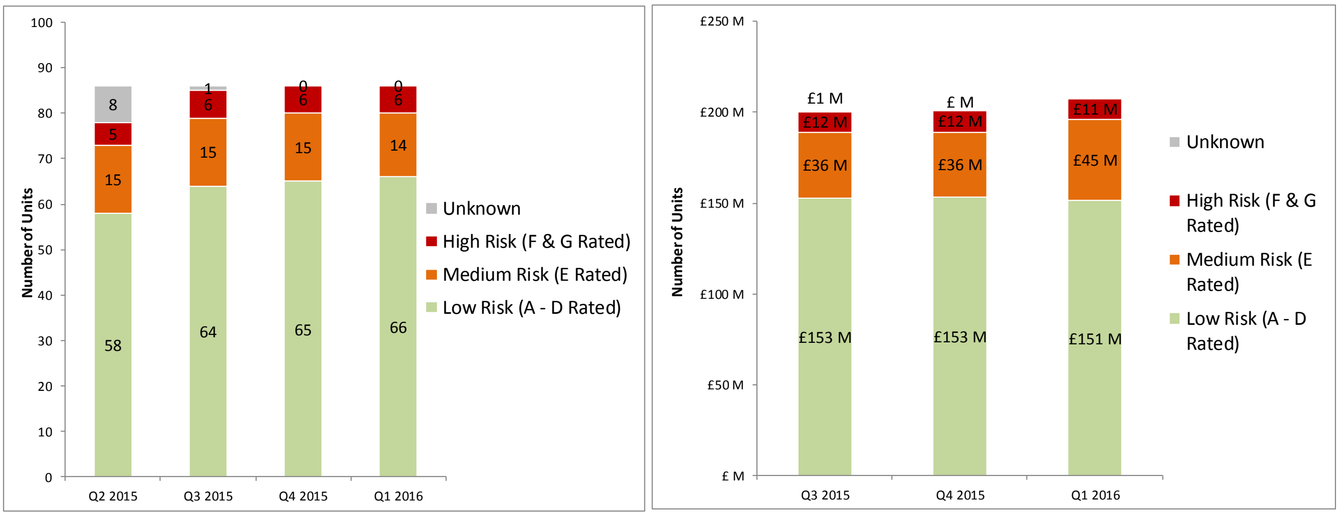


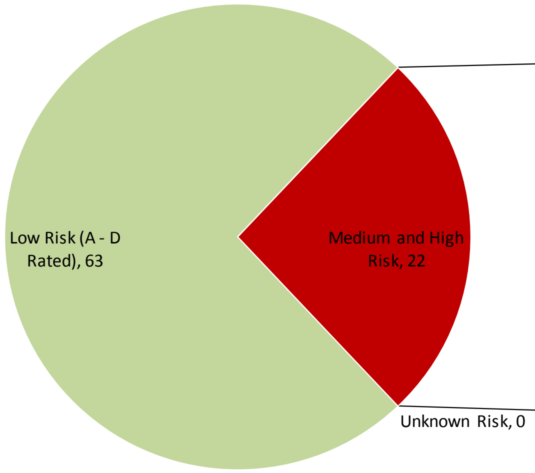
Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2

COMPLETED PROJECTS: Q1 2016

SITE/TENANT	UNIT	ACTION	OUTCOME
All units		Data collection	Energy, water and waste data has been collected from the Facilities and Property Managers for each of the properties across the portfolio. This data will be analysed as part of the Responsible Property Investors (RPI) report.
Washford Mills		EPC following refurbishment	Following a refurbishment the EPC rating of the unit improved from an E to a C

AGREED ACTIONS FOR MITIGATING RISK ACROSS THE PORTFOLIO

Figure 2 outlines the actions that have been identified to improve the EPC ratings of all units with E, F, or G ratings. Managed risk refers to all units that will be upgraded at the end of current tenancies, prior to the legislation taking effect.



Action	Number of Units
High quality EPC	4
Energy Audit	3
Monitor - potential sale	0
Tenant Engagement	10
Consult on current works	0
Scottish units under risk	5

Figure 2: Strategy for risk mitigation for remaining medium and high risk units

RISK MITIGATION PROCESS

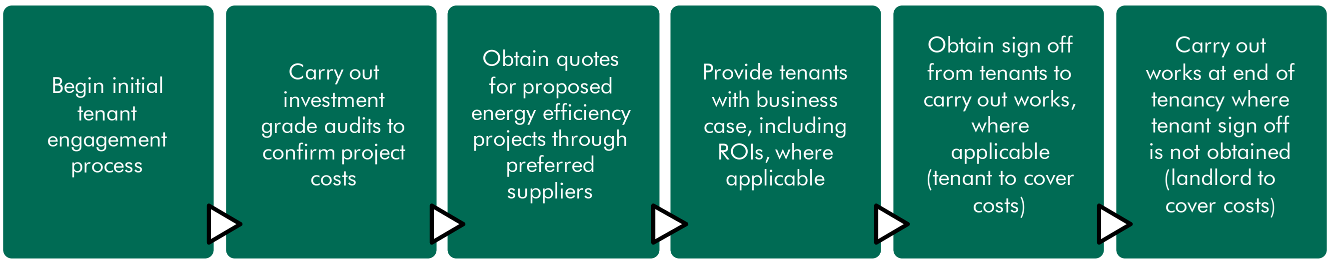


Figure 3: Process for carrying out risk mitigation actions

PLANNED PROJECTS: Q1 2016

SITE/TENANT	UNIT	ACTION	AIM
75-81 Sumner Road	Unit 4	Energy Audit	Investigate the most appropriate works to improve on the unit's current F rating.
All properties		Calculate top consuming sites	Following RPI reporting, an analysis will be carried out to calculate the portfolios top energy consuming sites. These sites will be the priority sites to engage with tenants to reduce energy consumption.
Scottish Properties	All	Legislation update	Following final version of the Scottish energy performance standards being released a risk rating for the Scottish properties in the portfolio will be established.
Euroway Industrial Park	Unit 5	EPC	A recent site visit confirmed that it is likely that the unit will improve on its current EPC rating of a G

COMPLIANCE

CARBON REDUCTION COMMITMENT COMMITMENT (CRC)

The Carbon Reduction Commitment Energy Efficiency ("CRC") Scheme is a mandatory carbon trading scheme, requiring qualifying organisations to accurately report their carbon emissions and then purchase "allowances" for these each year.

CBRE Energy & Sustainability Services collate the relevant information and prepare an annual Evidence Pack to support the overall CRC Group's (Dorset County Council) Annual Report.

ENERGY SAVINGS OPPORTUNITY SCHEME (ESOS)

The Energy savings Opportunity Scheme (ESOS) is a mandatory initiative, requiring large companies to calculate their total energy consumption and conduct energy audits across 90% of this consumption to identify cost-effective energy saving opportunities.

We have been advised that Dorset County Council meets the definition of a contracting authority as set out in the Public Contracts Regulations 2015 that is that "the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include Her Majesty in her private capacity". Therefore Dorset County Council is not required to participate in ESOS.

IMPORTANT INFORMATION

The information contained herein must be treated in a confidential manner and may not be reproduced, used or disclosed, in whole or in part, without the prior written consent of CBRE Global Investors.

The indirect property portion of this portfolio is managed by CBRE Global Investment Partners Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In accordance with the restrictions on the promotion of non-mainstream pooled investments, the communication of this document in the United Kingdom is only made to persons defined as professional client or eligible counterparties, as permitted by COBS 4.12.5R (Exemption 7) and the Collective Investment Scheme (Exemptions) Order 2001.

Acceptance and/or use of any of the information contained in this document indicate the recipient's agreement not to disclose any of the information contained herein. This document does not constitute any form of representation or warranty on the part of CBRE Global Investors, investment advice, a recommendation, or an offer or solicitation, and it is not the basis for any contract to purchase or sell any security, property or other instrument, or for CBRE Global Investors to enter or arrange any type of transaction. CBRE Global Investors expressly disclaims any liability or responsibility therefore.

This document should not be regarded as a substitute for the exercise by the recipient of its, his or her own judgement. The figures in this document have not been audited by an external auditor. This document does not purport to be a complete description of the markets, developments or securities referred to in this report. The value of an investment can go down as well as up and an investor may not get back the amount invested. Past performance is not a guide to future performance. Forecasts of future performance are not an indicator of future performance. All target or projected "gross" internal rates of return ("IRRs") do not reflect any management fees, incentive distributions, taxes, transaction costs and other expenses to be borne by certain and/or all investors, which will reduce returns. "Gross IRR" or "Gross Return" shall mean an aggregate, compound, annual, gross internal rate of return on investments. "Net IRR" or "Net Returns" are shown after deducting fees, expenses and incentive distributions. There can be no assurance that the mandate will achieve comparable results, that targeted returns, diversification or asset allocations will be met or that the investment strategy and investment approach will be able to be implemented or that the mandate will achieve its investment objective. Actual returns on unrealized investments will depend on, among other factors, future operating results, the value of the underlying assets and market conditions at the time of disposition, foreign exchange gains or losses which may have a separate and uncorrelated effect, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, actual returns may differ materially from the returns indicated herein. The value of any tax benefits described herein depends on your individual circumstances. Tax rules may change in the future.

CBRE Global Investors and its affiliates accept no liability whatsoever for any direct, consequential or indirect loss of any kind arising out of the use of this document or any part of its contents.

Where funds are invested in property, investors may not be able to realise their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer's opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors. CBRE Global Investors Limited is regulated by the Royal Institution of Chartered Surveyors (RICS). CBRE Global Investors (UK Funds) Limited is authorised and regulated by the Financial Conduct Authority (FCA).

APPENDIX 1 – SCHEDULE OF VOID UNITS

VOIDS WITHIN THE PORTFOLIO – 31 MARCH 2016

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit D, Woolborough Lane Industrial Estate, Crawley	40,145	2.4%	£341,200	Letting completed post quarter end
Skylink,Green Lane, Hounslow, Heathrow	20,613	1.7%	£242,200	Letting completed post quarter end
TOTAL PORTFOLIO VOID	60,758	4.1%	£583,400	

APPENDIX 2 – INDIRECT INFORMATION

LEND LEASE RETAIL PARTNERSHIP

Lend Lease Retail Partnership returned 2.5% over the quarter and 9.0% over the last year.

Performance was driven by capital value uplifts and asset management initiatives at the fund's two shopping centres (Bluewater and Touchwood, Solihull). During the quarter, the portfolio NAV increased by 1.6% due to an increase in valuation of Bluewater at the end of 2015 in line with the wider prime shopping centre market and a number of asset management initiatives completing.

Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared and currently has an annualised distribution yield of 3.4%. The fund has a portfolio comprising two prime regionally dominant properties: Bluewater, Kent (25% stake) and Touchwood, Solihull (100% owned).

During the quarter Bluewater completed on six new leases, exchanged on three and had two rent reviews. Net operating income at Touchwood increased as a result of three new leases completing and increased revenues from the car park and commercialisation. Capital value at Touchwood benefitted from a slight yield compression and as the asset has now received planning permission. Further work on the land assembly for the project is ongoing.

The fund manager continues to be in discussion with investors to seek an extension of the fund's life and to modernize its terms. The manager has also engaged an advisor to assist in this process. We expect this to conclude during 2016.

STANDARD LIFE SHOPPING CENTRE TRUST

Standard Life UK Shopping Centre Trust produced a total return of 2.6% over the quarter and 7.6% over the last 12 months. On a like-for-like basis (excluding the impact of SDLT changes), the returns were driven by slight valuation uplifts on assets in Wimbledon and Brighton; whereas, Stirling continued to drag performance.

At quarter end, the trust had a property portfolio valued at £1.6bn providing exposure to eight shopping centres across the UK. The fund remains ungeared with a portfolio weighted average unexpired lease term of 7.2 years, and the void rate remained unchanged at 2.9% by estimated rental value.

During the quarter, retailers in administration represented 2.0% of passing rent, largely as a result of BHS entering into a CVA. The terms of the CVA had an impact on the Trust's assets at Brighton and Stirling. Across the portfolio, new lettings occurred at Brent Cross, Stirling and Perry Barr.

Two of the largest assets in the fund, Churchill Square, Brighton and Brent Cross, London saw further progress with their respective development programmes. The development agreement for Churchill Square, Brighton remains in negotiation with the council, with completion anticipated in Q3 2016. At Brent Cross, the Manager is progressing negotiations with stakeholders, statutory bodies and the council, and preparing for the May CPO inquiry. In addition, restructuring of the complex leasehold arrangement is likely to complete during H2 2016. In the second half of 2016, the manager will commence discussions with potential funding partners to participate in the redevelopment of Brent Cross.

Further consultation on Crossrail II (a new rail link across London, later in 2016) will determine the business plan for Centre Court, Wimbledon (the third largest asset in the Fund).

Returns stated reflect returns reported by the Manager at a Fund level. These may differ to actual returns achieved by an investor due to transactional activity undertaken during the holding period.

APPENDIX 3 – PORTFOLIO VALUATION

Valuation Schedule (UK Property) - Q1 2016

Property Address	Mar-16	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES					
Aberdeen, Pilgrim House	£ 9,800,000	-0.4%	£ 691,597	£ 704,214	6.7%
Cambridge, The Eastings	£ 3,550,000	1.3%	£ 190,500	£ 226,000	5.0%
Cambridge, 270 Science Park	£ 12,075,000	7.5%	£ 641,616	£ 893,616	5.0%
London EC1, 83 Clerkenwell Rd	£ 17,150,000	1.5%	£ 836,000	£ 1,034,000	4.3%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,425,000	4.5%	£ 272,588	£ 649,400	3.0%
Watford, Clarendon Road	£ 15,500,000	0.5%	£ 902,750	£ 999,000	5.5%
TOTAL OFFICES	£ 66,500,000	2.4%	£ 3,535,051	£4,506,230	5.0%
RETAIL WAREHOUSE					
Northampton, Becket Retail Park	£ 6,750,000	-2.0%	£ 431,000	£ 429,000	6.0%
Norwich, Cathedral Retail Park	£ 17,450,000	0.4%	£ 1,074,000	£ 1,054,000	5.8%
Rayleigh, Rayleigh Road	£ 3,650,000	1.5%	£ 222,783	£ 222,783	5.7%
Redditch, Washford Mills	£ 7,300,000	2.8%	£ 431,689	£ 422,800	5.5%
TOTAL RETAIL WAREHOUSE	£ 35,150,000	0.5%	£ 2,159,472	£2,128,583	5.8%
SUPERMARKET					
Tesco, Sheffield	£ 11,275,000	0.4%	£ 680,000	£ 680,000	5.7%
TOTAL SUPERMARKET	£ 11,275,000	0.4%	£ 680,000	£ 680,000	5.7%
INDUSTRIAL					
Bristol, South Bristol Trade Park	£ 4,250,000	1.5%	£ 252,757	£ 268,550	5.6%
Crawley, Woolborough IE	£ 15,550,000	2.2%	£ 673,541	£ 1,192,300	4.1%
Croydon, 75/81, Sumner Road	£ 2,550,000	1.3%	£ 137,000	£ 162,200	5.1%
Heathrow, Skylink	£ 3,800,000	-0.3%	£ -	£ 242,200	0.0%
London, Phoenix Park, Apsley Way	£ 10,000,000	1.7%	£ 348,501	£ 557,400	3.3%
London, Apsley Centre	£ 3,325,000	2.1%	£ 165,900	£ 180,100	4.7%
London, 131 Great Suffolk St	£ 4,200,000	8.4%	£ 110,000	£ 293,500	2.5%
Sunbury, Windmill Road	£ 10,700,000	0.5%	£ 599,750	£ 653,250	5.3%
Swindon, Dunbeath Court	£ 4,700,000	0.7%	£ 333,716	£ 331,716	6.7%
Swindon, Euroway IE	£ 12,050,000	0.8%	£ 803,422	£ 817,935	6.3%
TOTAL INDUSTRIAL	£ 71,125,000	1.6%	£ 3,424,587	£4,699,151	4.5%
OTHER					
Derwent Shared Ownership	£ 9,675,000	3.4%	£ 393,711	£ 393,711	4.1%
Glasgow, Mercedes	£ 10,400,000	1.9%	£ 585,500	£ 565,600	5.3%
Leeds, The Calls	£ 7,450,000	0.9%	£ 444,110	£ 491,550	5.6%
Macclesfield, Hope Park	£ 4,000,000	19.0%	£ 172,263	£ 172,263	4.0%
Newcastle, Charlotte House	£ 5,550,000	0.7%	£ 365,587	£ 396,800	6.2%
TOTAL OTHER	£ 37,075,000	3.5%	£ 1,961,171	£ 2,019,924	5.2%
TOTAL DIRECT PROPERTY	£ 221,125,000	1.9%	£ 11,760,281	£ 14,033,888	5.1%
INDIRECT PROPERTY					
Lend Lease Retail Partnership	£ 10,081,200			-	
Standard Life Investments UK Shopping Centre Trust	£ 15,123,928			-	
TOTAL INDIRECT PROPERTY	£ 25,205,128	2.5%	£ -	-	3.5%
GRAND TOTAL	£ 246,330,128	2.0%	£ 11,760,281	-	4.7%

Notes:
1. Total returns for both the direct and indirect properties for the quarter to March 2016 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to March 2016 as reported by CBRE Global Investors (UK Funds) Ltd (CBREGIF) / CBRE Global Investors in respect of the indirect portfolio.
2. Net Initial Yields as reported by BNP Paribas and Allsop LLP (Independent Valuers for the Fund) in respect of the direct portfolio. Net Initial Yields as reported by CBRE Global Investors in respect of the indirect portfolio.
3. Valuation figures provided by CBRE Global Investors (UK Funds) Ltd (CBREGIF) are the February 2016 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD.

APPENDIX 4 – AFFILIATED SERVICES

FEES PAID TO CBRE DURING QUARTER

Company	Property	Fee	Service
n/a this quarter			
Q1 2016 TOTAL		£0.00	

www.cbreglobalinvestors.com

Dorset County Pension Fund

Insight mandate investment update at 31 March 2016

Our understanding of the Fund's objectives and strategy

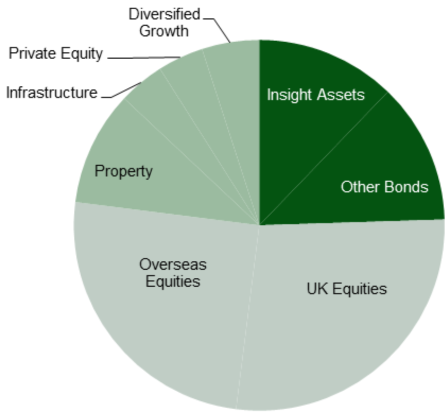
Funding objectives and policy

- To set contribution levels required to build up assets sufficient to meet all future benefit commitments at lowest possible cost
- Investment strategy designed to ensure contributions are as stable as possible

Investment strategy

- Control but not eliminate risk
- Current priority is to mitigate 'unrewarded risks'
  - increase inflation protection
  - consider impact of other liability risks

Strategic asset allocation (c.£2.29bn at 31 December 2015)



Source: Dorset County Pension Fund.

Performance to 31 Mach 2016

	3 months		12 months		Since inception	
	%	£	%	£	% p.a.	£ cum.
Portfolio	-10.95	-22,029,617	-17,74	-38,511837	5.04	26,757,578
Benchmark	-7.27	-15,108,440	-10.72	-23,115,122	7.27	40,519,474
Relative	**-3.67**	**-6,921,177**	**-7.02**	**-15,396,715**	**-2.23**	**-13,761,896**

Impact of leverage: The % returns shown here are expressed as a proportion of the benchmark value, which is materially smaller than the value of the inflation exposure being hedged. Consequently, the % returns are all larger (in absolute terms) than they would be if expressed as a proportion of the liabilities hedged. Inception date for performance purposes: 31 October 2012

Portfolio valuation and hedge characteristics as at 31 March 2016

	Value	Interest rate sensitivity (PV01[1])		Inflation sensitivity (IE01[2])	
	£m	£k	% of benchmark	£k	% of benchmark
Conventional gilts	309.8	-543	101.5	0	0.0
Index-linked gilts	306.2	-888	166.0	878	42.3
Futures	-0.2	71	-13.3	0	0.0
Interest rate swaps	-84.6	861	-161.0	0	0.0
RPI swaps	-11.0	-44	8.3	1,192	57.4
Repurchase agreements	-301.3	3	-0.5	0	0.0
Network Rail	3.2	-9	1.6	9	0.4
Insight Libor Plus Fund	11.7	0	0.0	0	0.0
Liquidity	4.8	0	0.0	0	0.0
Total assets	**238.7**	**-549**	**102.6**	**2,079**	**100.2**
Liability benchmark	**192.5**	**-535**	**100.0**	**2,075**	**100.0**

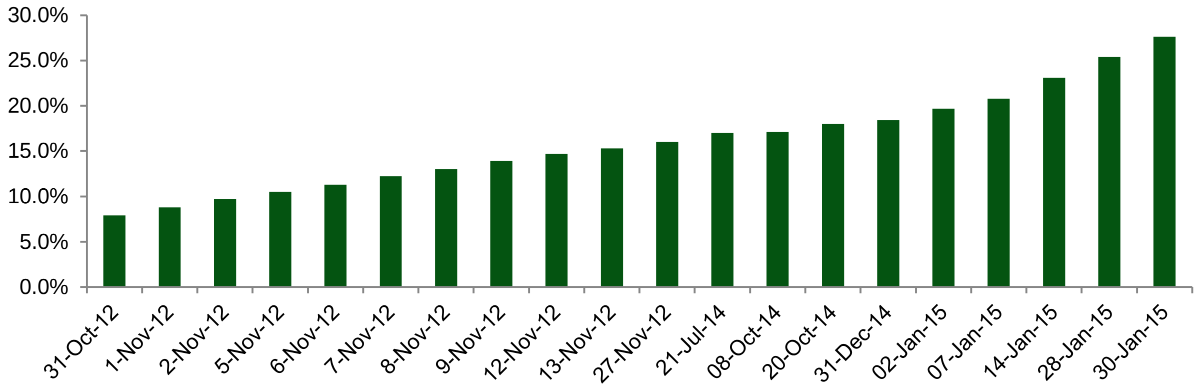
1 PV01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant discount curve.

2 IE01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant inflation expectation curve.

Hedge coverage measures

- Liability benchmark inflation sensitivity as % of mandate cashflows : 26.9%
- Liability present value of real rates hedged as % of mandate cashflows : 29.6%
- Liability present value of real rates hedged as % of Pension Fund assets : 54.8%

Dorset inflation hedge accumulation progress - Shown over time as a proportion of the liabilities hedged



- Time-based underpin put in place on 1 July 2014. On a quarterly basis, depending on how many triggers have been hit previously, the hedge is increased incrementally to target 36% over 5 years.
- We have accumulated under the time-based underpin twice, on 21 July 2014 and 20 October 2014. There were no changes to the hedge during Q1 2016; the last hedge accumulation as a result of triggers was in January 2015.
- The triggers are reviewed by Insight and Dorset periodically to ensure they remain appropriate to the Fund's overall objectives. The latest version was put in place in March 2015 with the remaining triggers being lowered. Triggers were suspended in March 2016 pending further discussion of the evolution of the mandate.

Trigger levels (monitoring currently suspended)

Trigger maturity	30/09/2020	30/09/2031	30/09/2038	30/09/2045	30/09/2062
Market level	n/a	3.11%	3.24%	3.23%	3.19%
Next Trigger	n/a	2.80%	2.95%	2.95%	2.95%
Distance to next trigger	n/a	-0.31%	-0.28%	-0.28%	-0.24%

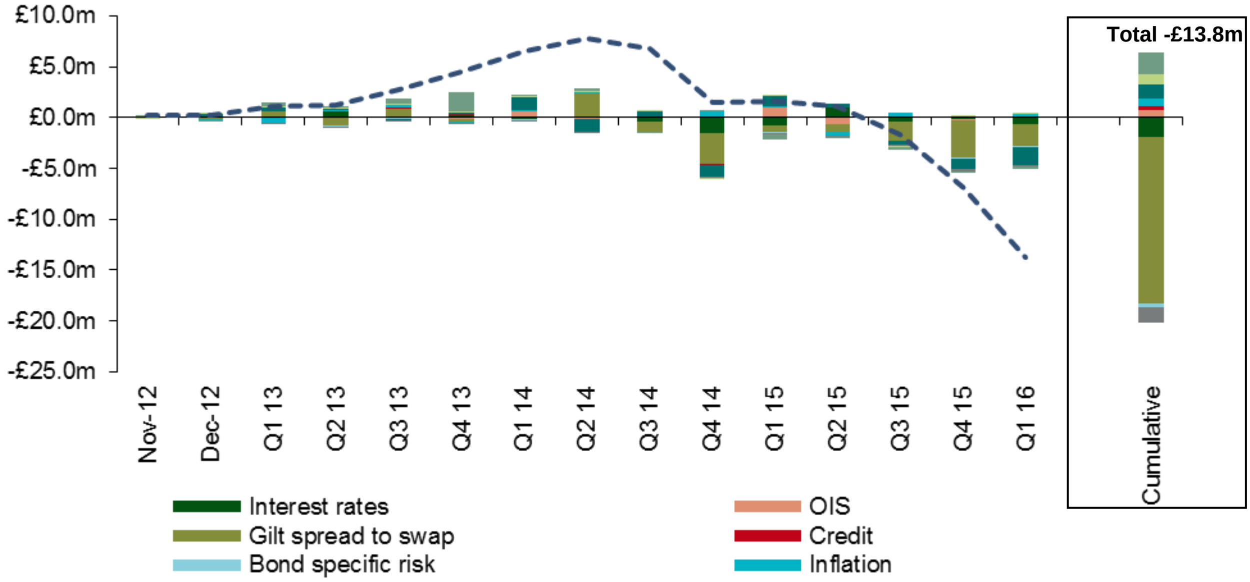
Data as at 31 March 2016

Collateral position

- Leverage ratio stood at 5.2x as at end March 2016 (This is based on the present value of liabilities covered by inflation hedge of £1.23bn and a portfolio value of £239m).
- Collateral stress test. A 50bp fall in inflation would reduce the value of the portfolio by c£100m.

Relative performance attribution (since inception)

- The fund is actively managed to cheapen the cost of the hedge. The following chart shows the performance attribution of the portfolio relative to its benchmark since inception



Relative performance attribution (since inception, £)

	3 month	12 month	Since Inception
Interest Rates	-689,454	-206,553	-1,884,285
OIS	-19,945	-768,590	675,709
Gilt Spread to Swap	-2,137,113	-8,416,897	-16,437,371
Credit	0	19,516	420,331
Bond Specific Risk	-46,352	-103,628	-360,816
Inflation	334,158	276,240	778,215
Gilt Inflation Spread To Swap	-1,787,978	-2,843,737	1,331,612
Carry	-179,431	-567,609	-1,427,999
Libor Plus	62,441	36,266	1,099,578
Other	-181,765	-545,983	2,043,130
Relative Performance	-6,921,177	-15,396,715	-13,761,896

- Over the last quarter, and indeed 12 months, the performance impact of our decision to hold some of the exposure in gilts rather than swaps (with a view to cheapening the cost of hedging) has been negative. This is as a result of yields on gilts having moved wider relative to swaps. The extra yield available from gilts creates a significant economic opportunity for the Fund to benefit from over the long term, although in the short term the mark to market impact has been negative.
- We do not have concerns over the UK government's ability to pay its debt over the long term and therefore remain confident that our dynamic management process and overweight position in gilts will add value to the hedging programme over the long term.

This page is intentionally left blank