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Agenda

Dorset County Council

Meeting:	Pension Fund Committee
Time:	10.00 am
Date:	1 March 2017
Venue:	Committee Room 2, County Hall, Colliton Park, Dorchester, DT1 1XJ

John Beesley (Chairman)	Bournemouth Borough Council
Mike Byatt (Vice-Chairman)	Dorset County Council
Andy Canning	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
Vacancy	

Notes:

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- **Public Participation**

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

  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 24 February 2017, and statements by midday the day before the meeting.

Debbie Ward
Chief Executive

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Date of Publication:
Tuesday, 21 February 2017

1. **Apologies for Absence**

To receive any apologies for absence.

2. **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.

3. **Minutes** 5 - 8

To confirm the minutes of the meeting of the Pension Fund Committee held on 9 January 2017 (attached).

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Review of 2016 Fund Valuation Process** 9 - 18

To consider a report by the Fund Administrator (attached) and presentation from the Fund Actuary.

6. **Brunel Pensions Partnership** 19 - 24

To consider a report by the Fund Administrator on the progress to date on the Brunel Pensions Partnership (attached).

7. **Pensions Administration** 25 - 62

To consider a report by the Pension Fund Administrator (attached).

8. **Fund Administrator's Report** 63 - 152

To consider the quarterly report of the Fund Administrator (attached). This includes asset allocation, cash flow and performance analysis for the period ending 31 December 2016 and other topical issues; the report from the independent Adviser on investment outlook; a report from Mercer on the high level strategic asset allocation review commissioned in light of the latest actuarial fund valuation; and the Investment Strategy Statement that has to be published by 31 March 2017, replacing previous requirement for the Statement of Investment Principles.

9. **Manager Presentation from Investec, Global Equity Investments** 153 - 170

To consider a report from Stephen Lee and Jonathan Parker from Investec (attached).

10. **Manager Reports** 171 - 268

To receive the following reports (attached):

(a) CBRE Global Investors
(b) Insight Investment
(c) Royal London Asset Management (rlam)
(d) UK Equity Report
(e) Global Equities Report

11. **Treasury Management Strategy** 269 - 280

To consider a report by the Pension Fund Administrator (attached).

12. **Dates of Future Meetings**

To confirm the dates for the meeting of the Committee in 2017:

21 June	-	County Hall, Dorchester
13 September	-	County Hall, Dorchester
22/23 November	-	London (venue TBC)

13. **Questions**

To answer any questions received in writing by the Chief Executive by not later than 10.00 am on 24 February 2017.

Pension Fund Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Monday, 9 January 2017

Present:
John Beesley (Chairman)
May Haines, Mike Lovell, Peter Wharf, John Lofts and Johnny Stephens

Officer Attendance: Alan Saunders, Gary Wilkinson, Richard Bates (Chief Financial Officer), David Wilkes (Finance Manager), Tom Wilkinson (Children's Services and Interim Chief Pensions and Investments Manager) and Anne Weldon (Pensions Benefits Manager).

Manager, Advisor and Others Attendance:
Alan Saunders (Independent Adviser), Gary Wilkinson, Paul Richmond and Robert Chin (Insight Investments).

(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 **Wednesday, 1 March 2017**.)

Apologies for Absence

1 Apologies for absence were received from Mike Byatt, Andy Canning and Ronald Coatsworth (Dorset County Council).

Code of Conduct

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

Minutes

3 The minutes of the meeting held on 24 November 2016 were confirmed and signed.

Public Participation

4 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).

LGPS Investment Reform and Pooling - Approval of the Full Business Case for the Brunel Pension Partnership

5 The Committee considered a report by the Fund Administrator setting out the Full Business Case (FBC) for the Brunel Pension Partnership (BPP). He highlighted the clear legal requirement for Local Government Pension Scheme (LGPS) funds to pool investments, including the provision for the Secretary of State to intervene should funds not meet this requirement satisfactorily. He also reminded members that the feedback from the Department for Communities and Local Government (CLG) on earlier proposals had been that the pooling vehicle must be subject to Financial Conduct Authority (FCA) regulation.

The Fund Administrator told members that the key sensitivity to the Financial Case was the level of estimated savings from investment manager fees. The level of estimated savings had been ‘stress tested’ by Bfinance, investment consultants, who had extensive knowledge of the market and had worked with the Fund previously. A member asked if the pessimistic scenario of minus 2 basis points (0.02%) was too low. The Fund Administrator replied that he was reasonably confident that the level of savings achieved would be within the sensitivity range set out in the FBC.

The Fund Administrator confirmed that progress on developing BPP was significantly advanced compared to most other pools but the timetable for implementing the FBC was tight. Progress would be reported to the Committee as a standing item on the agenda of all future meetings. It was agreed that the standing item would include details of the five major risks facing the project.

The Independent Adviser commented that the FBC reflected a great deal of good quality work to get to this stage. He also highlighted that the estimated savings needed to be viewed in the context of the size of the deficit. He asked for clarity of the precise legal status of the Collective Investment Vehicle (CIV). The Chairman asked officers to liaise with Osborne Clarke, the project's legal advisers, to provide a detailed explanatory note.

One member noted the significant costs of transition and queried whether central government should be asked for financial support as investment pooling was now a legal requirement for LGPS funds, not a choice. The Chairman confirmed this had been raised with Marcus Jones MP, Minister for Local Government, who had replied that no funding was available from CLG and that funds were effectively 'investing to save'. The Chairman added however that funds would continue to lobby government for an exemption to the application of Stamp Duty Land Tax (SDLT) on the transfer of assets from individual funds to their respective pooled vehicles as this was viewed as an unintended windfall gain for HM Treasury.

The Interim Chief Treasury and Pensions Manager reported that a recruitment agency had been appointed to recruit the chairman of BPP Ltd by March 2017, and two non-executive directors (NEDs) thereafter. A third NED would be appointed at a later date, and would represent the shareholders (the ten member funds). Members requested that the Committee be informed of the process and deadlines for appointing the shareholders' representative NED when known.

One member asked if the staff employed by BPP Ltd would have local government and LGPS experience. The Fund Administrator replied that recruitment to the new company would be open, and not subject to Transfer of Undertakings Protection of Employment (TUPE) regulations. In order to meet the needs of the company, staff appointed were likely to be a mix of those with previous local government and LGPS experience, and those with FCA regulated experience.

On member asked if the IT systems required by the new company would be bespoke or 'off the shelf'. The Fund Administrator anticipated that it would mostly be 'off the shelf' but requirements, such as performance reporting, may require a bespoke solution.

Resolved
1. That the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the Full Business Case, and more particularly:

- that a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability;
- that a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and

participation in the Brunel Pension Partnership;
- that Dorset County Council as administering authority owns a 10% share in Brunel Pensions Partnership Limited.

2. That the Chief Finance Officer and Chief Legal Officer be authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pension Fund Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pension Fund Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.
3. That, subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pension Fund Committee.
4. That there be a standing item on all future agendas to update progress against implementing the Full Business Case.
5. That recommendations 1 to 3 above are reported to Dorset County Council, as administering authority for the Fund.

Governance Changes to Hedging Instruments

6 The Committee considered a report from Gary Wilkinson, Paul Richmond and Robert Chin, Insight Investments, which explained the likely impact for the Fund's investments from forthcoming regulatory changes under European Market Infrastructure Regulation (EMIR).

Mr Chin explained that over-the-counter (OTC) derivatives had historically been traded bilaterally between two parties. Following the 2008 financial crisis, EMIR introduced new requirements for central clearing, collateral and margin payments to address regulators' concerns about the lack of transparency of entities' exposure to OTC risk, how entities mitigate this risk, and systemic risk i.e. the failure of one entity leading to the failure of others.

Mr Chin said that the changes would be introduced for most market participants from March 2017 but pension schemes had an exemption until August 2017, which was expected to be extended until August 2018. He added that although inflation swaps were not currently subject to the new requirements, Insight Investments were preparing for clearing should that be required. There was also a requirement for foreign currency swaps and foreign currency forward agreements to be documented and subjected to collateral payments from March 2017 and January 2018 respectively.

The Finance Manager (Treasury and Pensions) informed members that currency forward agreements were entered into on behalf of the Fund by Banque Pictet, the Fund's custodian for overseas holdings. Banque Pictet had advised that the Swiss Financial Market Infrastructure Act (FMIA), which expressly excludes currency swaps and currency forward transactions from the variation margin requirements, applied to these transactions not EMIR. Following discussion with Insight Investments, the Finance Manager (Treasury and Pensions) had asked Banque Pictet to review this advice and to explain in detail why Swiss regulations and not EMIR were applied to the Fund. The Chairman asked that the Committee be informed if Banque Pictet were unable to satisfactorily confirm the regulatory requirements that applied and meet those requirements accordingly.

A member asked if these regulatory changes would still apply when the UK leaves the EU. Mr Richmond replied that the general expectation was that EMIR would be replicated in UK law.

The Independent Adviser suggested that currency hedging be covered by the forthcoming strategic asset allocation review. The Fund Administrator said that currency and liability hedging would both be covered by the review.

Noted

Proposals for future changes to Employer Contribution Rates

7 The Committee received an update on the results of the triennial valuation from the Interim Chief Treasury and Pensions Manager. He reported that the final results of the valuation had been received on 21 December 2016 and that Graeme Muir, Barnett Waddingham, the Fund's Actuary, had explained that the delay had been primarily caused by the need for Government Actuaries Department (GAD) section 13 comparison work, and some queries with the data provided to the Actuary.

The Interim Chief Treasury and Pensions Manager reported that late notice of the results had presented employers with significant challenges setting their budgets for 2017/18. In order to mitigate this challenge, the Actuary had agreed a stepped increase in contribution rates for some employers, and for those increases to be implemented over a five year, not a three year, period.

The Interim Chief Treasury and Pensions Manager said that Graeme Muir would attend the next meeting of the Committee on 1 March 2017 for a 'wash-up' session to discuss the final results of the valuation, and how to avoid late notification of results for future valuations. Chief Financial Officers for the largest employers would also be invited to attend.

One member asked if there would be any changes to employee contribution rates. It was noted that any changes to employee contribution rates would be made by central government based on the overall funding position of all LGPS funds.

Noted

Dates of Future Meetings

8 **Resolved**

That meetings be held on the following dates:

1 March 2017	County Hall, Dorchester
21 June 2017	County Hall, Dorchester
13 September 2017	County Hall, Dorchester
22/23 November 2017	London (to be confirmed)

Questions

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

Meeting Duration: 11.00 am - 1.00 pm

Pension Fund Committee

Dorset County Council

Date of Meeting	1 March 2017
Officer	Pension Fund Administrator
Subject of Report	**Review of Fund Valuation 2016 – lessons learnt**
Executive Summary	The purpose of this report is to update the Committee on the progress on the Triennial Pension Fund Valuation 2016 and lessons learned from this year's process. It offers recommendations to provide more certainty to employers about contribution rates in future valuations, and the work that employers need to do to ensure a smooth valuation in 2019.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A
	Risk Assessment: The rate of employers' contributions are variable unlike the employee contribution rate that is fixed. This means that any funding shortfall currently has to be made up by adjusting the employers' contribution rates. In the current financial and economic climate contributions certainty is required to ensure that employers can provide sufficiently for changes to their contribution rates in a timely and planned way, so as to minimise the impact on wider council services.

	Other Implications: None
Recommendation	i) That indicative future employer contribution rates are provided for the years 2020/21 and 2021/22 to provide early planning for medium term financial plans; ii) That employers conduct regular data cleansing reviews to ensure that the data which the valuation is based on is clean to aid a smooth process in 2019; iii) That a plan be put in place to ensure a more timely release of future valuation results; iv) That the committee note the particular difficulties encountered during the 2016 process which are not anticipated in future valuations.
Reason for Recommendation	To ensure that employers have greater certainty of future years contribution rates, enabling them to better plan over the medium term.
Appendices	Appendix 1 – Summary of Data issues and Action Plan
Background Papers	2016 valuation
Report Originator and Contact	Name: Tom Wilkinson Tel: 01305 224366 Email: Thomas.wilkinson@dorsetcc.gov.uk

1. Background

1.1. The Dorset County Pension Fund, like all Local Government Pension Scheme funds, is required to undertake a triennial valuation of its assets and liabilities, in order to set future employer contribution rates to be paid into the Fund for the following three financial years. The latest valuation took place based on asset and liability information and data records as at 31st March 2016. Valuation rates for all employers have to be legally certified by the fund actuary by 31st March 2017 for the following three years. In reality, because of the contributing employers' requirement to set a budget, employer rates are usually announced in the December prior to the legal deadline.

1.2. The 2016 valuation was the first valuation since the new 2014 scheme had been introduced and has been the first valuation since new oversight arrangements had been introduced from both the Government Actuary's Department (GAD) and the new LGPS Scheme Advisory Board.

2. The 2016 Valuation

2.1. There were a number of new factors that had to be considered as part of the 2016 valuation which added to the complexity of the valuation. These are considered in turn:

Discount Rate assumptions

2.2. The new oversight rules, has resulted in a drive for consistency between the different actuarial valuation approaches in deriving the discount rate used to value the Fund's liabilities. Barnett Waddingham, the Fund's actuary, has developed over a number of years an economic model approach, which considers the mix of assets owned by the Fund and looks at likely future returns from each asset class on a smoothed basis to help stabilise employer contributions.

2.3. These returns are added together and a discount rate is derived reflecting the expected rate of investment return from the long term strategic asset mix. Other actuaries use different approaches ranging from a gilts plus return model to an inflation linked model. The impact of these different approaches affects the discount rate used. The higher the discount rate used the lower the funding gap.

2.4. Liabilities are affected by four main things:

2.4.1. Inflation – pensions are index linked to CPI so this needs to be factored into the calculations on future pension payments;
2.4.2. Pay growth – the majority of the Fund liabilities are linked to final salary, with only the past 2 years on a career average basis. The rate of wage growth therefore impacts on the amount of pension that will be paid when the employee retires;
2.4.3. Longevity – the length of time that pensioners live after retirement impacts on the full quantum of pensions paid;
2.4.4. The accrual rate – the rate at which pension benefits are accrued. The current scheme is now a mixture of 1/80th, 1/60th and 1/49th depending on when benefits were accrued.

2.5. The Fund is comfortable with the economic model approach because it invests in mainly growth assets and remains in a cashflow positive position (whereby employer and employee contributions exceed amount paid out in pensions). There has been downward pressure on the discount rate since the financial crash of 2008 due to lower yields and expected investment returns. This has had the impact of increasing deficits and therefore higher contribution rates.

2.6. Unlike the majority of private sector pension schemes, the LGPS remains open to all employees, and the majority of employers in the Fund (by value) are sovereign tax raising bodies. This provides a good degree of certainty and most employers carry the Government's high credit rating, meaning they are unlikely to go bust, unlike some private sector companies. Private sector valuations and some LGPS valuations take a very prudent approach and essentially measure liabilities based on gilt returns which have fallen to all-time lows. This has had the impact of lowering the discount rate and increasing deficits, resulting in higher contribution rates for employers, and, in a lot of cases in the private sector, closure of schemes to new employees.

2.7. However, the impact of the new GAD rules (s13 of the 2013 Public Service Pensions Act) and the Scheme Advisory Board (SAB)'s plea for more consistency in approaches to valuations and standardised results have resulted in more focus on greater convergence of assumptions. In setting assumptions therefore, actuaries have to take heed of the GAD s13 basis and the SAB standard basis. This essentially resulted in the actuaries having to increase the overall prudence level and effectively reducing the discount rate applied to the Fund increasing the "pace of funding" and ultimately increased employer contribution rates in the short term, albeit lower contributions in the longer term. The discount rate has reduced from 6% in the 2013 valuation to 5.4% in the 2016 valuation, although in real terms the discount rate only reduced by 0.3%.

2.8. Under s13 there is provision for DCLG to effectively intervene and require an administering authority to take remedial steps as recommended by GAD if in GAD's view the contribution levels set do not satisfy the requirements of s13. This could potentially mean, for example, higher contribution rates being required to be paid than have been certified.

<u>Deficit Recovery Periods</u>

2.9. In addition, because the LGPS is an open, funded scheme, and taxpayer backed, it has meant that deficit recovery plans have typically extended for up to 25 years. The previous valuation for Dorset assumed a 25 year recovery period. These recovery periods are unusual in private sector schemes, mainly because of the going concern issues within the private sector. As a result the pensions industry is seeing recovery periods reduce which is feeding through to public sector funded schemes. GAD and the SAB are pushing for recovery periods of less than 20 years and that continue to reduce overtime. This again is placing pressure on contributions levels as more has to be paid in to shorten the recovery period.

2.10. The new approach from GAD has placed scrutiny on these assumptions and there is industry pressure to reduce deficit recovery periods significantly.

<u>2014 Scheme</u>

2.11. A new scheme came into place from April 2014, whereby future pensions moved from a final salary basis to a career average or CARE (Career Average Revalued Earnings) scheme. As a result the accrual rate improved from 60ths to 49ths. A major assumption was that there would be a new 50:50 element to the scheme, whereby employees could pay in 50% of their contributions in return for 50% of the benefits. Employers would continue to pay the full rate. It was assumed there would be a 10% take up. The actual take up has been much lower, presenting additional pressure on the scheme.

2.12. The 2016 valuation has been the first one since the 2014 scheme was introduced and now means that there are multiple benefit scenarios for scheme members, with some long service members in up to 4 different schemes. This has added complexity for funds and difficulties with aggregation of member benefits which has made the valuation of liabilities more complicated.

Data Quality from Employers

2.13. There were a number of data issues encountered as a result of the transition to the CARE scheme, and changing employers due to new academies and Local Authority Trading Companies. Appendix 1 illustrates the review of the data issues, sets out the timeline of data related events and provides an action plan to ensure these issues do not arise in future valuations.

Asset Returns

2.14. Whilst asset returns have been favourable at 6.4% per annum, the Dorset Fund has not performed as well as other funds. Outperformance over the last three years would have eased the pressure on the employer contributions rates as the Fund would have operated from a higher asset base.

Number and type of Employers in the Scheme

2.15. A further complexity has been the growth in number of employers in the scheme, specifically with the increase of schools becoming academies and the growing trend of Councils setting up Local Authority Trading Companies. Changes by government to the treatment of FE colleges (effectively treating them as private companies and stating that they will not be underwritten by government guarantee) has changed the risk profile of employers and impacted on contribution rates.

3. Employer Results

3.1. As outlined in section 2, there are many factors involved in producing a robust valuation. It was hoped that results would be with employers by November 2016, but the delays caused by the various changes to the scheme and data issues meant that this timetable slipped towards the end of December 2016.

3.2. In the run up to the valuation date some indicative high level results at total Fund level were provided and it appeared that there was a possibility that contribution rates could remain at 2016 levels. However, as the results of the s13 “dry run” valuation emerged in spring 2016 (GAD went back to the 2013 valuations and carried out a dry run s13 valuation) it became evident that this might be more of a challenge as details of how they would carry out a s13 valuation emerged. Graeme Muir, Barnett Waddingham, the Fund’s actuary, presented some indicative results to the September Committee meeting before any actual numbers were run and indicated that contribution increases should be expected. The actual results being issued later than expected, coupled with previous expectations of some contribution stability has caused a number of employers serious difficulties in balancing their budgets for 2017/18.

3.3. A few employers, mainly those with very complex inter-valuation multiple transfers of staff between employers, were waiting well into January 2017 for their results which has made budget preparation extremely challenging. During the inter-valuation period there were over 100 “employer events” – new employers, transfers of staff, employers ceasing, bulk transfers etc.

3.4. Most practical issues have now been resolved and the actuary has been working hard with employers to mitigate the 2017/18 increases by agreeing stepped increases across the valuation period.

3.5. There has therefore been a lot of dissatisfaction from employers about this valuation process and it is important to learn from these issues and take mitigating action for future valuations. Employers are accepting that rates have to increase and have not challenged the assumptions used, they have been mainly affected by the timing and the unexpected nature of the increases.

3.6. It should be noted that in the majority of private schemes actuarial valuations taken place over a 15 month period, rather than the 8 months that the LGPS requires in order to set budgets. Also, most private sector schemes are single employer schemes only requiring one contribution rate to be calculated. In the Dorset Fund the number of employers means the actuaries have to set almost 200 contribution rates. The complexities mentioned in this report have therefore added pressure to an already tight timescale.

4. Summary and next steps

4.1. A combination of the new Scheme and its additional data requirements, issues with the new valuation data extract programs, the large increase in the number of employers in the LGPS and changes to their risk profile, coupled with the new legislative and oversight requirements made the 2016 valuation one of the most complex and challenging ever for all concerned. This impacted on all Funds not just the Dorset Fund.

4.2. The majority of the issues faced during this valuation have been one off due to the changing assumptions and regulatory pressures. Employers have indicated that they mainly require contribution certainty and value this over contribution stability.

4.3. The actuary has therefore agreed to provide employers with certified rates for the three years to 2019/20 as required by law, but also to provide indicative rates, most of which will show an increase, for 2020/21 and 2021/22. This is required to allow employers to budget with greater certainty.

4.4. There is however also a responsibility on the employers to ensure that their employee records are up to date and of high quality, which will smooth the future valuation process.

4.5. Barnett Waddingham have an online inter-valuation monitoring model that will allow employers access to provide inter-valuation valuation results to assist with valuation outcome projections and so aid future budget planning. They will also produce in conjunction with the Fund a detailed plan outlining the expectations on employers for the 2019 valuation process.

Richard Bates
Pension Fund Administrator
February 2017

Appendix 1 - Data Issues arising from the 2016 pension fund valuation

This was the first Valuation of the Fund since the revised Local Government Pension Scheme was introduced in 2014.

Timeline of events
A planning meeting was held with representatives of Barnett Waddingham (BW) on 2 February 2016, in which the timescales for the submission of data and the production of Employer Valuation reports were discussed amongst other items (preparation note attached). The time-table shows that the employer results should have been available around the 11 November.

The date agreed for the submission of the data to BW was end of July. The valuation extract was sent via BWebstream (BW in house secure portal) on 29 July. BW identified an issue with the extract on 2 August and contacted the DCPF systems team with their concerns. The issue was raised with the software providers, a fix put in place and the extract was re-run. The Systems team were then asked for another extract of the Active and Dependant members by BW on 12 August and this was provided. Additional information also had to be provided as the new extract did not identify un-processed leavers held on the system.

According to the timetable data cleansing would take 7 days from date of submission, however the queries were not received back from the Actuary until 16 August, 10 working days albeit only 4 working days after the further Active and Dependant information was provided. There were c.12,000 queries (from 88,000 member records) that needed attention. These were categorised into the most important (Level 1 c. 3,000 errors – mostly missing data) and Level 2 (querying actual data provided) or Level 3 (observations on some of the data provided that was not critical for the valuation). This work was completed in 14 working days and sent back to the Actuary on 7 September. During this period there was a lot of email exchanges between the Fund and BW ensuring the focus was on the more critical errors – missing data – and understanding/discussing some of the estimates BW were intending to use.

The majority of the queries were eventually dealt with by 30 September.

The 2016 valuation data was also to be used for the first actuarial valuation of the whole LGPS for cost management purposes to be carried out by the Government Actuary's Department (GAD). All actuarial firms had to supply the final data they were going to use for the triennial valuation to GAD. GAD would also be carrying out their own data checks and so whereas in the past there may have been a higher level of data estimation, all the actuarial firms were keen to minimise this at this valuation given GAD's involvement.

As part of the valuation, BW were also to carry out a mortality study to better inform the assumptions to be used in the valuation. Once the data was cleaned up and the mortality work began an additional issue was identified. The initial results of the mortality study indicated that there was a cohort of historic pensioners where the number of deaths was significantly lighter than expected. On further investigation it transpired that their records had not been updated to record their death. A further data extract was therefore provided from the pensioner payroll system to identify who was still alive or dead. This also took some time to resolve as the payroll records also includes non LGPS pensions and so inevitably delayed the date when the data was signed off as sufficiently clean to satisfy actuarial data standards and in a state that hopefully would not raise further queries from GAD and allow the calculations to begin. It was recognised that there were still a few employer issues that would need to be resolved but at the whole Fund level these were deemed not significant.

The calculations began at the beginning of November and initial results were reported by email on Wednesday 16 November with results documentation issued on Tuesday 22nd November and presented to Committee on Thursday 24th November. Results were reported within 2 weeks of the data sign off rather than the 3 week target turnaround.

Most of the individual employers' results were sent to the Fund on Tuesday 20 December and all individual employer results sent by Friday 20 January.

All 4 actuarial firms have reported that all Funds had valuation extract and data issues as there were problems with the new extract programs written by the software providers. The Dorset experience was not untypical of the experience elsewhere and inevitably the data issues meant that most valuation results were reported later than planned.

The main error was that was reported back for the Dorset Fund (and elsewhere) was 'missing care pay'. The main reasons for this was:

- Data submitted by Employer incorrect
- End of Year posting errors caused by inexperienced staff, especially when dealing with multiple member employments (Section restructured in January 2016 and Systems Team apart from the Systems Manager quite inexperienced)
- One Employer not updated at all c.500 Scheme members
- One Employer's data was so inaccurate it has taken until the beginning of February 2017 to cleanse the member records.
- Missing starters and leavers information – not provided throughout the valuation period by Employers
- Tricuro moves within the Fund – caused significant issue when trying to update records – c.3,000 member records to be looked at as information for these members came from 3 different payrolls (DCC, BBC, BoP)

Due to the number of errors, during August resources had to be diverted from the Technical Teams to clear them. Due to the normal everyday work pressures of 'business as usual' only a limited number of staff with the necessary knowledge required were available. At the same time the Systems Team had to work on producing the LGPS and Fire Annual Benefits statements. This was extremely important as statutory timescales needed to be adhered to and the ABS' had to be sent out by 31/8/2016. To ensure we reached these deadline some members of staff put themselves out to do overtime during the week and at weekends to ensure our obligations were fulfilled. Key staff also did not take any leave during this time. The Fire ABS' proved a significant challenge as this was the first year of the new Fire Scheme and the software providers had not been able to get the system right for this exercise and so the team had to manually intervene to meet the deadline.

The Valuation process has been reviewed and the following table shows the main areas that need improvement and the actions we are now taking.

Employer data (missing information)	• ER and Comms to provide more training to those identified as providing poor data.

	• Data improvement notices to be issued to poorly performing employers in line with the Pensions Administration Strategy • Highlight issues in the Employer Newsletter • Your Fund to be used by all employers before the next Valuation • Additional guidance on EoY process
Inexperienced Pensions Team staff	• Having identified the issues on the Systems Team a program of training is in place to bring staff up to date with the processes. • More experienced staff will be used to ensure the accuracy of the data being loaded to the member records.
Computer system/software	• Missing CARE data – the software providers are aware of the problem of identifying records that have missing CARE pay and have now provided a report that interrogates the member records and picks up those with the missing data • Your Fund/CMS system – improvement in information provided to employers on what data is held in the Altair system. We will run a report within Altair and provide a snap shot of the data held and put it in a pre-populated spreadsheet prior to year-end. This way the employers can check the data against their records thus putting the onus back on the employer to ensure that we hold correct data for their employees
Understanding of Error types	• Work with Actuary and software providers to gain a better understanding of the error types on the GAD specification.

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Pension Fund Committee

Dorset County Council

Date of Meeting	1 March 2017
Officer	Pension Fund Administrator
Subject of Report	**The Brunel Pensions Partnership – project progress report**
Executive Summary	At its meeting 7 January 2017, the Pension Fund Committee approved the Full Business Case (FBC) for the establishment of the Brunel Pensions Partnership. This report provides an update to the Committee on progress in implementing the FBC.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Extensive use of finance industry expertise has been drawn on during the development of the Full Business Case.
	Budget: Details of the expected costs of implementing the project are included in the report.
	Risk Assessment: Details of the expected risks of implementing the project are included in the report
	Other Implications: None.

Recommendation	That the Committee notes the progress establishing the Brunel Pension Partnership.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place.
Appendices	None.
Background Papers	Brunel Pensions Partnership Full Business Case
Report Originator and Contact	Name: Tom Wilkinson Tel: 01305 224366 Email: thomas.wilkinson@dorsetcc.gov.uk

1. Introduction

1.1 Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, considerable work has been undertaken by the Fund, in conjunction with nine neighbouring funds, to set up the Brunel Pension Partnership.

1.2 Regular reports have been brought to this Committee at all stages of the process, with additional engagement events also being held to provide the opportunity for Committee members to provide input to the proposals. As required by Government an initial joint submission from the ten Brunel funds was approved by this Committee in February 2016 and a more detailed response in June 2016 which was submitted to the Government in July 2016.

1.3 At the additional meeting on 9 January 2017 the Committee resolved that the Brunel Pension Partnership investment pool be developed, funded and implemented in accordance with the Full Business Case (FBC), including the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.). This was then ratified by Council on 16 February 2017. The FBC had also been approved by six of the other nine participating administering authorities as at the 16 February. The other three authorities, Bath and North East Somerset (Avon Pension Fund), Buckinghamshire and Wiltshire will have held their meetings by 24 February 2017, and the outcome of those meetings will be reported at the Committee.

1.4 This report provides members with update on progress against implementing the FBC, in particular work that is now underway to form the company, and the decisions that will be required over the next four months in order to keep to the project implementation timetable.

2. Recruitment of the BBP Ltd Company Board

2.1 The first step in forming the new company is to begin the process of appointing the board. Korn Ferry, an executive search agency, has been appointed to carry out recruitment processes, and has embarked on the initial task of organising the recruitment of the Chair and two external Non-Executive Directors (NEDs). An advertisement was placed in the Sunday Times on 16 January 2017, with a deadline for applications of 30 January 2017.

2.2 The applications received are now being evaluated and it is envisaged that the Chair will be appointed during March, and two NEDs will be appointed in April / May. A panel drawn from the Shadow Oversight Board (SOB) and the Finance and Legal Assurance Group (FLAG) will undertake the final interview process, advised by Korn Ferry and Pricewaterhouse Coopers (PwC). A third, shareholder representative, NED will be appointed at a later date, and members will be informed of the process and deadlines when agreed.

2.3 The next step will then be to recruit the Chief Executive Officer. This is a vital role and the newly appointed Chair will need to play a key part in the recruitment process. It is envisaged that this will take place during May. Recruitment of other operational directors and staff will then follow.

2.4 A key aspect of the recruitment of the Board and key staff will be the contractual arrangements for the appointments, and the company's remuneration policies. These will need to be signed off as the recruitment process progresses. One of the issues to be determined is whether BPP Ltd. should be an admitted body in the

LGPS. This will be part of the decision on the remuneration packages for staff and will also be influenced should TUPE principles apply to any staff appointed from the current administering authorities. If BPP Ltd does become an admitted body, then a decision will be required as to which Fund admits them.

3. Legal Agreements

3.1 A key part of setting up the company will be the agreement of various legal agreements between the ten administering authorities, as shareholders, that govern the operations of BPP Ltd. These documents are being developed by a Legal Services group comprising representatives of Osborne Clark, who have been providing legal support to the project, and legal officers from the administering authorities. The required documents include the following:

3.2 The **Articles of Association** of BPP Ltd. (the "Articles"): This is required under company law, and will set out the constitution of the company and regulate the relationship between the Administering Authorities as shareholders and BPP Ltd. The Articles set out the powers and procedures of BPP Ltd., and will be filed at Companies House and be publicly available.

3.3 The **Shareholders' Agreement** between the Administering Authorities: This regulates the relationship between the Funds as shareholders of BPP Ltd. It will define contractually the manner in which the shareholders will run BPP Ltd., rather than limiting the power of the company itself. Some of its content can overlap with the Articles, and there are some provisions which can be moved from one to the other.

3.4 The pooling and asset management services agreement (the "**Services Agreement**"): There will be one agreement between the Funds and BPP Ltd. setting out the pooling and other services BPP Ltd. will perform and the relevant terms.

3.5 These documents will need to be agreed by each of the ten administering authorities under the delegation arrangements in place, to enable BPP Ltd. to become operational. The Articles and the Shareholders' Agreement are likely to be agreed in interim form at the outset. They will include details of reserved matters that cannot be changed without the agreement of shareholders, and for each reserved matter what level of agreement (e.g. simple majority or 75% of shareholders) is required for a change to be made. Reserved matters would include significant issues such as the admission of a new shareholder or a move to internal management of assets.

3.6 There will be various other documents of importance to the structure and governance arrangements covering the terms of reference for the Oversight Board and other bodies, the terms of appointment of key personnel, and BPP Ltd.'s internal policies and agreements with third party providers of back office support.

3.7 Once SOB loses its shadow status and becomes a formal body, the Dorset Fund will need to formally appoint a representative to serve on it. In addition, while the Pension Fund Committee will continue its key role in monitoring the performance and activities of BPP Ltd. an individual will need to be identified to formally take shareholder decisions on behalf of Dorset County Council.

4. Appointment of Administrator to BPP Ltd

4.1 Each LGPS Fund employs a custodian bank (or banks) to safeguard its investment assets and process transactions. The Dorset Fund employs HSBC and Banque Pictet as their custodians for UK and overseas holdings respectively. BPP Ltd. will also need to appoint a custodian. However, the nature of the business they will be undertaking and the requirement for FCA regulation will mean that the role will be wider than the custodian's current role. As a result, the role is defined by the FCA as an "administrator" rather than a custodian, as it encompasses other tasks beyond the custodian role.

4.2 The administrator will need to be in place before the FCA will authorise BPP Ltd to operate. Therefore the administrator needs to be appointed before the application for authorisation is made to the FCA. Work is under way to draw up the specification for an invitation to tender, which will need to be signed off by 1 April 2017. This should then enable the administrator to be appointed by the target date of 1 August 2017. Any delay is likely to delay the application for FCA authorisation.

5. Project Costs

5.1 Project costs on the development of the proposals have been split equally between the ten administering authorities on the basis of 10% each. For the 2017/18 financial year a budget for the project of £680,000 has been agreed by SOB and the FLAG. This equates to £68,000 per Fund. Any significant variance against individual budget items will need to be signed off by each Fund through their Section 151 Officer. Also the Funds continue to lobby government for an exemption to the application of Stamp Duty Land Tax (SDLT) on the transfer of assets from individual funds to pooled vehicles.

5.2 This only includes the project costs, not the running costs of BPP Ltd, once the company is established. These will be dependent on the remuneration policies agreed, the results of the administrator procurement and other contractual arrangements still to be determined. The Full Business Case allowed for total costs of around £4m for 2017/18, plus the provision of £2m working capital. A pricing policy is being developed for charging the on-going running costs of BPP Ltd. These will not be charged purely on equal shares, but will be partly based on the total Assets Under Management (AUM), and on any additional services that the Fund may use over and above the core services.

6. Project Risks

6.1 The Full Business Case included a risk register for the project, which will be maintained and updated by the project office. The highest risks for each stage of the project are summarised below:

6.2 The high risks that need to be reduced by the time the Administering Authorities become shareholders of BPP Ltd are:

- **Pool Structure and Sustainability:** the collaboration/ partnership between the funds breaks down.
- **Resources and Skills:** resources required for BPP implementation are not engaged in line with the project schedule or become unavailable.
- **Governance:** the legal requirements or delegations for each Fund to pool are not in place or insufficiently scoped.

6.3 The high risks that need to be reduced in the next 9 – 12 months are:

- **Resources and Skills:** key resources in funds become unavailable, and/or Funds are unable to retain or recruit staff.

6.4 The high risks that that need to be reduced by the time BPP Ltd is ready to start transitioning assets are:

- **Pool Structure and Sustainability:** proposal is rejected by one or more administering authorities, and/or FCA authorisation not achieved.
- **External drivers:** changes in local government impact on decision making.

- **Resources and Skills:** delays to delivery of key products impact critical path or interdependencies, and/or BPP Ltd is unable to recruit or retain staff.

6.5 The remaining high risks when BPP Ltd is fully operational are:

- **Governance:** the pool does not meet its liabilities, and/or does not deliver on the Services Agreement with a Fund or Funds.
- **Assets and performance:** cost benefit ratio not achievable in pool, and/or transition management is ineffective or excessive in costs, and/or increased investment with large managers squeezes out smaller fund managers from market

7. Conclusion

7.1 Decisions relating to the issues listed above will be required over the next four months in order to achieve the timeframe required by Government, such that BPP Ltd. can be established, achieve FCA authorisation and begin to transition assets from 1 April 2018. The legal documents and activity required to set up BPP Ltd. over that period will be signed off on behalf of Dorset by the Chief Financial Officer and the Chief Legal Officer as appropriate, in consultation with the Chairman, under the delegation agreed by the Committee in January.

Richard Bates
Pension Fund Administrator
February 2017

Pension Fund Committee

Dorset County Council

Date of Meeting	1 March 2017
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: • Communications Strategy • Address Tracing and Mortality Screening Service • Workflow and Key Performance Indicators • Backlog • The Pensions Regulator • Exit Payment Cap Update • LGPC Trustees Conference
Impact Assessment: *Please refer to the protocol for writing reports.*	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 – Updated Communications Strategy • Appendix 2 - Screening results summary • Appendix 3 - Key Performance Indicators • Appendix 4 - Public Service Governance Survey • Appendix 5 – LGPC Trustees Conference
Background Papers	• Public Service Pensions Act 2013 • LGPS Regulations 2013 • Enterprise Act 2016 (Commencement No. 2) Regulations 2017
Report Originator and Contact	Name: Anne Weldon Tel: 01305 224025 Email: a.m.weldon@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. Communications Strategy

2.1 The Local Government Pension Scheme Regulations 2013, Regulation 61 states that an Administering Authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:

- Members;
- Representatives of members;
- Prospective members; and
- Scheme employers.

2.2 The statement must set the policy on:

- The provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- The format, frequency and method of distributing such information or publicity; and
- The promotion of the Scheme to prospective members and their employers.

2.3 The Administering Authority is obliged to keep the policy under review and following the creation of the Pension Board the policy has been updated.

2.4 The updated policy can be found in Appendix 1, the main changes are:

- Key audience group now contains the Local Pension Board (page 5);
- The Fund will now charge an active member £50 + VAT for additional estimate requests over and above the Annual Benefit Illustration and one other per rolling year (page 6);
- The LGPS is now closed to elected members (page 7);
- There is a dedicated email address for Employers to when contacting the Pensions Section (page 8);
- In January 2016, under the restructure of the Pensions Section, an Employer Relationship and Communications Team was set up. This team is dedicated to employers and communications (page 9);
- The National Association of Pension Funds has been rebranded and are now known as Pension and Lifetime Savings Association (page 9);
- Details of the Local Pension Board has been added (page 10); and
- The use of Quick Response codes has been stopped due to lack of use by those we communicate with.

3. Address Tracing and Mortality Screening Service

3.1 During the period 1 October 2016 to 31 January 2017, 183 pensioner deaths were identified with a 99.99% high confidence this is our member (validated against the name, date of birth and address). Plus another 50 which matched our member data to a lower degree, so required further verification by Payroll. The detailed data is shown in Appendix 2.

4. Workflow and Key Performance Indicator's

4.1 In July 2014, in collaboration with the London Pension's Fund Authority, a new electronic workflow system was introduced in the benefits area called CMS. We continue to work with the LPFA to improve the reporting capability to more accurately reflect the Fund's timescales and processes.

4.2 Appendix 3 shows the top ten KPI's for November to January 2017.

4.3 There has been continued good performance with 98.98% of cases completed within the required timescales compared to 95.02% in the last quarter

4.5 Annual Benefit Illustration (ABI) queries are not included in these KPI's as they are separated out from the normal workflow to enable analysis of the queries with a view to improving processes and communications in this area of work. An additional 498 cases were completed during this quarter with a further 434 outstanding. The majority of the outstanding cases are deferred benefits ABIs returned as addressee gone away, these are classed as non-urgent work and so do not take high priority during busy periods.

5. Backlog

5.1 I am pleased to report that since the last committee meeting the backlog of Aggregation cases has fallen from 1723 to 1306, a total of 317 being completed between 1 November 2016 and 31 January 2017. A project has been set up which aims to complete 30 cases per week.

6. The Pensions Regulator

6.1 As reported to Committee in November 2016, The Pensions Regulator invited the Dorset County Pension Fund to take part in the Public Service Governance Survey which was conducted by OBM Research.

6.2 The purpose of the survey was to help the regulator build a picture of the current standards of governance and administration in public service pension schemes and to understand how schemes are progressing.

6.3 The survey was jointly completed by the Independent Governance Adviser, the Interim Chief Treasury and Pensions Manager and Pensions Benefit Manager (Appendix 4).

6.4 The results of the survey will be available mid-March.

7. Exit Payment Cap Update

7.1 HM Treasury issued the Enterprise Act 2016 (Commencement No. 2) Regulations 2017 on 24th January 2017, effective from 1 February 2017.

7.2 The regulations commence certain parts of the Enterprise Act 2016 including changes to the Small Business, Enterprise and Employment Act 2015, which enable the £95k exit payment cap to be introduced. However, the commencement order does not itself bring the exit payment cap into effect, but merely allows the Government to make regulations providing for the introduction of the cap.

7.3 It is understood that HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this become effective.

8. Local Government Pensions Committee (LGPC) Trustees Conference

8.1 Advance notice of the 14th LGPC Trustees conference has been received (Appendix 5). It is being held at the Highcliff Marriott in Bournemouth on 29th and 30th June.

8.2 The conference is themed "Brave New World" and the likely topics to be included are:

- Pooling – Transition Management
- Article 50 – Short, medium and long-term effects
- MIFIDII and IORPII – Still a reality
- Cost Management Mechanism – 49ths affordable
- Deficits Down? – Employer Contributions Up?
- Comparing like-for-like – Consistency of data
- Legal update

8.3 The conference is not bookable at this stage and a Circular will be issued this month which will include a full programme of events.

8.4 When the Circular is received it will be forwarded to the Committee and the Local Board.

Richard Bates
Pension Fund Administrator
November 2016

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Communication Policy Statement

For the

Dorset County Pension Fund

February 2017

Contents

Introduction

The Dorset County Pension Fund currently has 258 scheme employers and 27,688 active members as at 31 March 2016. We are continuously looking at ways to improve communications with the various stakeholders in the Local Government Pension Scheme administered by Dorset County Council.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

This document explains our existing methods of communication and describes some of our future plans.

Minimum Standards

Under the Occupational and Personal Pension Schemes (Disclosure of Information Regulations) 2013, administrators of the Local Government Pension Scheme are required to:

Provide a copy of the scheme regulations and any overriding legislation, on request, within two months of the request - either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.

Automatically provide basic information about the scheme to every prospective member before starting, or, if this is not practical, within two months of joining. This information must also be provided on request (unless issued within the previous 12 months) to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.

Notify any material changes to the LGPS to all members and beneficiaries (except excluded persons i.e. deferred pensioners whose present address is unknown) where possible before or as soon as possible after (and in any event within three months after) the change.

Compulsorily provide an annual benefit statement to all active, deferred and pension credit members.

This Communication Policy Statement will be reviewed annually and a revised version will be republished following any material change.

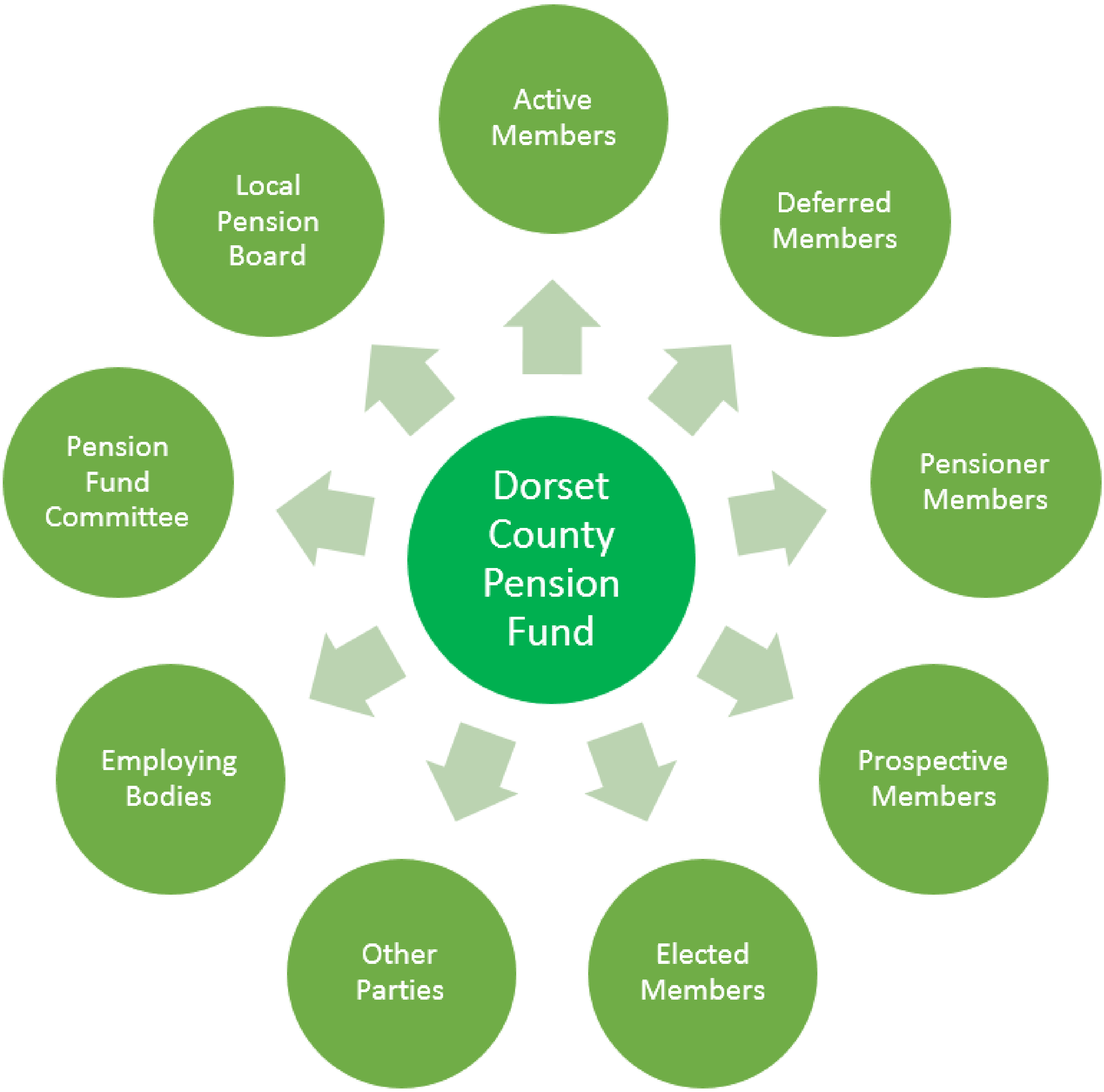
Key Objectives

To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

Communication Objectives

- To use the most appropriate ways of communicating with stakeholders, and to seek continuous improvement in the way we communicate
- To keep all stakeholders informed about the management and administration of the pension fund
- To inform stakeholders to enable them to make the decisions they need to make regarding pensions and the pension fund
- To promote the pension scheme as an important tool in recruitment and as a benefit to scheme members
- To consult, where possible, with key stakeholders about proposed changes in policies and procedures, in relation to the administration of the Local Government Pension Scheme
- To aim to communicate technical pensions legislation in plain English
- To engage where possible in face-to-face communication.
- To evaluate the effectiveness of our communication objectives:
    - Feedback questionnaires
    - Monitoring complaints and compliments
    - Customer surveys

Our Key Audience Groups



Methods of Communication

We communicate with our current and former scheme members, and their representatives, through various means and aim to provide a high quality service.

Active Scheme Members

Annual Benefit Statements
These are issued to our members by 31 August. Feedback from our members about our statements has helped us improve our procedures for this process.

All active members are entitled to one further estimate of benefits per rolling year, in addition to the Annual Benefit Statement. If the member requests a further estimate with a 12 month period there will be a charge of £50 + VAT levied.

Employee Newsletters
A newsletter is issued annually to keep members up to date with proposed changes to the scheme and any other relevant details. Further newsletters are sent to members highlighting issues of importance, such as forthcoming changes in scheme regulation or operation as any issues arise.

Pension Fund Publications
Information guides, leaflets and forms are available on request covering different aspects of the LGPS; these can also be found on our website.

Annual Report
An Annual report containing information on the management, administration and performance of the pension fund and pension benefits is published annually. This report can be found online at our pensions website.

Pension Fund Website
Our pension fund website can be found at www.yourfund.org.uk/Dorset and is available to view at all times. It is regularly updated and revised.

Pensions Helpline
The pensions helpline is a dedicated telephone number and email address for queries. Telephone lines are open 8:40am to 5:20pm Monday to Thursday and 8:40am to 4:00pm Friday (except bank holidays). We also receive and send communications by post and by fax.

Tel: 01305 224845 **Email:** **pensionshelpline@dorsetcc.gov.uk**

Presentations and roadshows
We are available for presentations throughout the county by arrangement with employers. Our aim is to explain existing, proposed and new legislation; the information may be presented in one of the following formats;

- LGPS presentations, including new scheme information
- face to face education sessions
- pre-retirement seminars

Pensioner Members

Pensioner Newsletters
An annual newsletter is sent to our pensioners. This newsletter is used to inform pensioners of the annual pensions increase and also any other relevant information.

Pensioner's Payslips
A payslip is sent annually to all pensioners. If the monthly amount alters by more than £5.00 a payslip will also be sent.

Pension Fund Website
Our pension fund website can be found at www.yourpension.org.uk/Dorset and is available to view at all times. It is regularly updated and revised.

Deferred Scheme Members

Deferred Annual Benefit Illustration
These are issued to our deferred members annually.

Pension Fund Website
Our pension fund website can be found at www.yourpension.org.uk/Dorset and is available to view at all times. It is regularly updated and revised.

Prospective Scheme Members

New Starter Pack
On commencement of employment a pensions pack is issued. This pack is sent to all new starters and includes a Scheme short guide, membership form, death grant expression of wish forms, transfer forms, nomination of cohabiting partner form and contact details for further information.

Pension Fund Website
Our pension fund website can be found at www.yourpension.org.uk/Dorset and is available to view at all times. It is regularly updated and revised.

Elected Members

All the provisions we have made for Scheme Members are also available for Elected Members, including information and forms specifically aimed at Councillor Members. The LGPS is now closed to Elected Members.

Scheme Employers

Employers Website
The Dorset Pension Fund maintains a section of their website dedicated to the scheme employers. This forms our online Employer Guide and holds all relevant up to date forms and publications along with useful information on a variety of subjects.

Employers Section: **www.yourpension.org.uk/Dorset/Employers**

Email Contact List
The Dorset Pension Fund has set up an email contact list for the scheme employers. This enables us to circulate technical advice and guidance to our pensions liaison officers around the county.

There is a dedicated email address (lgpsemployers@dorsetcc.gov.uk) for employers to use when contacting the Employer Relationship and Communications Team.

Your Fund
This is Dorset County Pension Fund's secure internet portal which allows employers to upload files and submit pension forms on-line.

Your Fund Home Page: **https://dorset.yourfund.org.uk**

Employer's Newsletters
A newsletter is sent to all employers, at least once a year, containing a variety of information of interest to LGPS employers.

Pension Liaison Officer Group Meetings
These meetings are held a minimum of three times a year. All scheme employers are invited to attend. During the meeting any changes to scheme regulations or our administrative procedures are discussed. There is also a presentation on a relevant topic.

Individual Employer Meetings
Meetings can be arranged on an individual basis for an employer to discuss individual requirements. These meetings are available at the employer's request by contacting the Dorset County Pension Fund.

Presentations
Throughout the year the Dorset Pension Fund offer a variety of presentations to employers in different locations.

Employer Meeting
An employers meeting is held annually in autumn and there are a variety of presentations provided in the meeting.

Annual Report
The Dorset County Pension Fund Annual Report is published and distributed to all employers. It is also made available to members of the public and all stakeholders and can be found on our website.

Fund Staff

Pensions Staff
Individual training is provided, as required, to all members of staff. Staff are able to attend training events and conferences both internally and externally. Members of staff are encouraged to take, and helped with, qualifications in pension administration.

Employer Relationship and Communications Team
There is a team dedicated to employers and communications, this team consists of a manager and a officer. It is their responsibility to ensure relevant communications are sent to the correct audience.

Team Meetings
Meetings are held once a month to update all staff on any changes to regulations or practice.

Senior Management Meetings
The Chief Treasury and Pensions Manager is a member of the Financial Services Management Team and attends regular meetings convened by the Chief Financial Officer. The Chief Treasury and Pensions Manager is able to bring any matters of concern / importance to the attention of the Chief Financial Officer through this mechanism.

Other Parties

South West Area Pensions Officer Group (SWAPOG)
The SWAPOG which meets regularly to discuss and share information on pensions administration. Sub groups of the SWAPOG meet to discuss specific topics such as communications or pensions software.

South West Investment Managers (SWIM) Group
The SWIM group meets twice a year, and communicate regularly in connection with all Investment related matters. The group regularly has guest speakers keeping the members up to date with market developments.

Pension and Lifetime Saving Association (PLSA)
The Fund is a member of the PLSA, and officers regularly attend national and regional events to keep up to date with all pension related matters.

Trade Unions
We will work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties.

Others
We regularly exchange information with Government bodies such as HMRC, the Pensions Regulator, Secretary of State and DCLG and will respond to Freedom of Information requests from external parties and members of the public.

Pension Fund Committee

The Pension Fund Committee meets formally at least quarterly, and has the following terms of reference:

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

Members of the Committee receive regular training on a bespoke basis, as well as attending a number of national conferences and seminars to ensure that they are fully informed to fully undertake their responsibilities.

The Chief Treasury and Pensions Manager is in regular contact with the Committee outside of the formal meetings, and ensures that the Committee are kept informed of issues that affect the Fund.

The Committee set and regularly review a number of Pension Fund Policies and Strategies. These are published on the Fund's website, and can be found at:

www.yourpension.org.uk/Dorset/Investments/Strategy-Valuation

The current membership of the Pension Fund Committee is as set out below:

- Five County Council members - appointed by the County Council (not more than one being a member of the Council's Cabinet)
- Two Unitary Authority members - one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole.
- One District Council representative
- One Scheme Member representative

Pension Board

With effect from 1 April 2015 Dorset County Pension Fund (DCPF) has created a Local Pension board.

The function of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to:

- assist the Scheme Manager
- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify;
- secure the effective and efficient governance and administration of the LGPS for the DCPF; and
- provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

The Local Pension Board also help ensure that the DCPF is managed and administered effectively and efficiently and complies with the Public Service Pension Act 2013 on the governance and administration of public pension schemes and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Scheme Advisory Board.

The Local Pension Board of the Dorset County Pension Fund consists of 3 member representatives and 3 employer representatives and meets at least 2 times a year.

Publications Matrix

Communication Material	Paper-based	Electronic Form	Website	When Published	When Reviewed
Scheme Guide	✔	✔	✔	Constantly available	Annually
New Starter Pack	✔	✘	✘	Constantly available	Annually
Councillors' Guide	✔	✔	✔	Constantly available	Annually
Scheme Information Leaflets	✔	✔	✔	Constantly available	Annually
Scheme Member Newsletter	✔	✔	✔	Annually	n/a
Pensioner Newsletter	✔	✔	✔	Annually	n/a
Scheme Member's Annual Benefit Statement	✔	✘	✘	Annually	Annually
Deferred Member's Annual Benefit Statement	✔	✘	✘	Annually	Annually
Member Forms & Factsheets	✔	✔	✔	Constantly available	Annually
Pensioner Forms & Factsheets	✔	✔	✔	Constantly available	Annually
Opt Out Form	✔	✔	✔	Constantly available	Annually
Deferred Benefits Guide	✔	✔	✔	Constantly available	Annually
Funding Strategy Statement	✔	✔	✔	Constantly available	Annually
Communication Strategy Statement	✔	✔	✔	Constantly available	Annually
Administration Strategy	✔	✔	✔	Constantly available	Annually
Investment Strategy	✔	✔	✔	Constantly available	Annually
Annual Report and Accounts	✔	✔	✔	Annually	Annually
Employer's Guide	✔	✔	✔	Constantly available	Annually
Employer Forms & Factsheets	✔	✔	✔	Constantly available	Annually
Employer Newsletters	✔	✔	✔	3 per year	n/a
Employer LGPS Updates	✔	✔	✔	As required	n/a

Improving Our Standards

We aim to achieve continuous improvement in our communications with all stakeholders and aim to deliver the following in the future to further improve our communications;

- Internet `self service' facilities - allowing scheme members to view their pension record on the internet at any time.
- Improved general information on the pension scheme on our website.

We are continuously seeking ways for stakeholders to provide feedback on the service they have received from the Dorset County Pension Fund. We are now providing the following methods of feedback;

- online feedback form
- paper based feedback form provided at presentations
- tear out form in all Annual Benefit Illustrations.

Data Protection

To protect any personal information held on computer, Dorset County Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the Dorset County Pension Fund on 01305 224845 or via email at pensionshelpline@dorsetcc.gov.uk .

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Contact Details

Write to us at:

Dorset County Pension Fund
County Hall
Dorchester
Dorset
DT1 1XJ

Tel: 01305 224845
Fax: 01305 224049

Email: pensionshelpline@dorsetcc.gov.uk
Web: www.yourpension.org.uk/Dorset

Monthly Mortality Screening Summary

Dorset County Council - - February 2017

target
professional services

Initial Screening Results

Initial Grade	No. of Records	Comments
High	29	Name, Date of Birth and Address Supplied match a death record. There is a 99.99% confidence that this is your member.
Medium	16	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

Initial Grade	No. of Records	Comments
High	36	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	9	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	45	

Year Results

Final Grade	July	August	September	October	November	December	January	February				
High	22	36	23	27	35	40	45	36				
NV	11	9	7	7	6	15	13	9				
Low	1	0	0	0	0	0	0	0				
Total	34	45	30	34	41	55	58	45				

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Dorset Council KPI Report - CMS stats	All teams		Appendix 3
Performance 2016/17 - report for period : Nov to January 2017			

Top 10 detail - cases completed on time	Completed in period	Performance	Last quarter Performance	KPI (days)	Cases completed on time or early	Remarks
Admissions (DR01 & DR01W)	825	100.00%	99.89%	30	825	
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	339	97.64%	67.61%	15	331	
Transfers In Actual (DR02A & DR03A)	40	100.00%	90.24%	20	40	
Transfers Out (DR09E & DR10E)	92	97.83%	87.69%	10	90	
Transfers Out actual (DR09A & DR10A)	37	100.00%	93.75%	10	37	
Estimates Employee (DR08)	235	100.00%	94.92%	15	235	
Estimates Employer (DR22R & DR22W)	92	100.00%	99.29%	15	92	
Retirements (DR14, DR14W & DR12 & DR12I & DR14I)	187	96.26%	91.32%	5	180	
Deferred Benefits (DR11 & DR11W)	945	98.84%	97.93%	40	934	
Refunds (DR16 & DR16W)	982	98.37%	92.42%	15	966	
Deaths (DR23)	95	100.00%	100.00%	5	95	
Correspondence (DR24&DR24A)	945	99.47%	96.88%	30	940	
Total	**4814**	98.98%	95.02%		**4765**	

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**

Appendix 3

Top 10 detail - Average elapsed time for cases completed within 6 months of receipt	2016/2017			
	Total cases	August - January Average elapsed time	May - October Average elapsed time	Target
Admissions (DR01 & DR01W)	746	57	26	10
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	339	38	60	64
Transfers In Actual (DR02A & DR03A)	40	58	80	64
Transfers Out (DR09E & DR10E)	92	50	55	23
Transfers Out actual (DR09A & DR10A)	37	47	80	23
Estimates Employee (DR08)	235	23	29	10
Estimates Employer (DR22R & DR22W)	92	20	24	9
Retirements (DR14, DR14W & DR12 & DR14I & DR12I)	637	50	50	53
Retirements only (DR14 & DR14W & DR14I)	310	41	41	53
Deferred into payment only (DR12 & DR12I)	328	60	63	53
Deferred Benefits (DR11 & DR11W)	945	81	78	23
Refunds (DR16 & DR16W)	982	79	73	28
Deaths (DR23)	95	0	3	44
Correspondence (DR24 & DR24A)	945	5	5	2

JOINT RESPONSE

The Pensions Regulator

Public Service Governance Survey 2016

THIS DOCUMENT IS INTENDED TO BE USED AS A GUIDE TO HELP YOU GATHER THE INFORMATION REQUIRED FOR THE SURVEY. PLEASE NOTE, HOWEVER, THAT WE NEED YOU TO COMPLETE THE QUESTIONNAIRE THROUGH THE ONLINE SURVEY LINK CONTAINED IN YOUR INVITATION EMAIL.

Thank you for taking the time to complete this survey.

The questions in the survey should be answered in relation to the scheme referenced in your invitation email. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pension Regulator's engagement with you in the future.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. You should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

SECTION A – BASIC INFORMATION

QA1. EVERYONE TO ANSWER
Which of the following best describes your role within the pension scheme?
Please select one answer only

1. Scheme manager or employee of the scheme manager*
2. Pension board chair
3. Pension board member
4. Administrator
5. Other (please specify): ....INDEPENDENT GOVERNANCE ADVISER

**In this survey 'scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department.*

SECTION B – GOVERNANCE

The first set of questions is about how your pension board works in practice.

QB1. EVERYONE TO ANSWER
Does your scheme have a conflicts policy and procedure for pension board members?
Please select one answer only

1. Yes
2. No
3. Don't know

QB2. EVERYONE TO ANSWER

Does your scheme have a register of interests?

Please select one answer only

1. Yes
2. No
3. Don't know

QB3. EVERYONE TO ANSWER

Has your scheme developed policies and arrangements to help pension board members acquire and retain the knowledge and understanding they require?

Please select one answer only

1. Yes
2. No
3. Don't know

QB4. EVERYONE TO ANSWER

Thinking about the interaction between the pension board and the scheme manager (or employee of the scheme manager), which of the following applies to your scheme?

Please select all that apply and use the 'Other' option to specify any other ways in which the pension board and scheme manager interact

1. The scheme manager attends pension board meetings
2. The scheme manager commissions advice from the pension board
3. The pension board submits written reports to the scheme manager
4. The pension board chair has face-to-face meetings with the scheme manager
5. Other (please specify) ....
6. Don't know

QB5. ANSWER IF THE SCHEME MANAGER ATTENDS PENSION BOARD MEETINGS (QB4=1)

How often does the scheme manager, or an employee of the scheme manager, attend pension board meetings?

Please select one answer only

1. Every time the pension board meets
2. As required
3. Don't know

QB6. EVERYONE TO ANSWER

On a scale of 1 to 10, where 10 represents 'very good' and 1 represents 'very poor', how would you rate the pension board's ability to...?

Please select one answer per statement

a) Identify to the scheme manager where there are poor standards and/or non-compliance with legal requirements

Very poor ------------------------------→ *Very good*

1 2 3 4 5 6 7 8 9 10 Don't know

b) Set out recommendations to the scheme manager on addressing poor standards and/or non-compliance with legal requirements

Very poor ------------------------------→ *Very good*

1 2 3 4 5 6 7 8 9 10 Don't know

c) Advise the scheme manager on scheme regulations, the governance and administration requirements set out in legislation, and the standards expected by TPR

Very poor ------------------------------→ *Very good*

1 2 3 4 5 6 7 8 9 10 Don't know

d) Take or secure actions to address poor standards and/or non-compliance with legal requirements

Very poor ------------------------------→ *Very good*

1 2 3 4 5 6 7 8 9 10 Don't know

QB7. EVERYONE TO ANSWER

If you would like to add any further comments in relation to this question (QB6), please use the space below.

THE BOARD IS MADE UP OF BOTH PRACTICING AND RETIRED CFO'S AND LONG STANDING ELECTED POLITICIANS THEY RECEIVE REGULAR TRAINING

SECTION C – MANAGING RISKS

The next set of questions is about managing risks.

QC1. EVERYONE TO ANSWER

Does your scheme have documented procedures for assessing and managing risk?

Please select one answer only

1. Yes
2. No
3. Don't know

QC2. ANSWER IF SCHEME HAS PROCEDURES FOR ASSESSING & MANAGING RISK (QC1=1)
To what extent would you say your risk management procedures have contributed to establishing new or revised internal controls? Would you say they have...?

Please select one answer only

1. Contributed significantly
2. Contributed in some way
3. Not contributed at all
4. Don't know

QC3. EVERYONE TO ANSWER
Does your scheme have a risk register?

Please select one answer only

1. Yes
2. No
3. Don't know

QC4. ANSWER IF SCHEME HAS RISK REGISTER (QC3=1)
What are the top three governance and administration risks on your register?

Please write in

1. Risk 1: FAILURE TO ACHIEVE INVESTMENT RETURN
2. Risk 2: IMPACT OF ASSET POOLING ON TRANSATION COSTS AND ASSET SECURITY
3. Risk 3: MANAGING SCHEME LIABILITIES, LONGEVITY AND INFLATION
4. Don't know

QC5. EVERYONE TO ANSWER
Which of the following best describes your administration services?

Please select one answer only

1. Delivered in house
2. Outsourced to another public body (e.g. a county council)
3. Outsourced to a commercial third party
4. Other (please specify): ....

QC6. EVERYONE TO ANSWER
Which of the following do you use to monitor and manage the performance of your administrators (whether in-house or outsourced)?

Please select all the options that apply

1. Performance metrics are set out in contracts or service level agreements
2. Administrators provide independent assurance reports
3. Independent auditors review the performance of administrators
4. Administrators deliver regular reports to the scheme manager and/or pension board on service provided
5. Administrators attend regular meetings with the scheme manager and/or pension board
6. Penalties are applied where contractual terms or service standards are not met
7. Other (please specify): ....
8. Don't know

SECTION D – ADMINISTRATION AND RECORD-KEEPING PROCESSES

The next set of questions is about administration and record-keeping.

QD1. EVERYONE TO ANSWER
Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?

Please select one answer only

1. Yes
2. No (please use the space below if you would like to provide more information):

   ....

3. Don't know

QD2. EVERYONE TO ANSWER
Does the scheme have an agreed process in place with employer(s) to receive, check and review data?

Please select one answer only

1. Yes
2. No
3. Don't know

QD3. EVERYONE TO ANSWER
What proportion of your scheme's employers provide you with timely, accurate and complete data as a matter of course?

Please write in a percentage. If you do not know exactly, please give an approximate percentage

1. @98 %
2. Don't know

QD4. EVERYONE TO ANSWER
Does the scheme have a process in place for monitoring the payment of contributions?

Please select one answer only

1. Yes
2. No
3. Don't know

QD5. EVERYONE TO ANSWER
Does the scheme have a process in place for resolving contribution payment issues and assessing whether to report payment failures to TPR?

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION E – DATA REVIEW

QE1. EVERYONE TO ANSWER
When did your scheme last carry out a data review exercise?

Please select one answer only

1. Within the last 12 months
2. More than 12 months ago
3. Never
4. Don't know

QE2. ANSWER IF SCHEME HAS CARRIED OUT A DATA REVIEW EXERCISE (QE1=1 OR 2)
What data did the review cover?

Please select one answer only

1. Data collected after 1 April 2015 but not before this date
2. Data collected before 1 April 2015 but not after this date
3. Data collected both before and after 1 April 2015
4. Other (please specify): ....

QE3. ANSWER IF SCHEME HAS CARRIED OUT A DATA REVIEW EXERCISE (QE1=1 OR 2)
Did your scheme's most recent data review exercise identify any issues or problems?

Please select one answer only

1. Yes
2. No
3. Don't know

QE4. ANSWER IF MOST RECENT DATA REVIEW IDENTIFIED ANY ISSUES OR PROBLEMS (QE3=1)
What action, if any, was taken to address the issues the review identified?

Please select all the options that apply

1. A data improvement plan was put in place or updated
2. A data cleansing exercise was carried out
3. Additional validation checks
4. Pensioner existence checks
5. Address chasing exercises
6. Further or improved member communications (e.g. reminding members to check their records are up to date)
7. Other (please specify): ......EMPLOYER ENGAGEMENT........
8. No action taken
9. Don't know

QE5. ANSWER IF A DATA IMPROVEMENT PLAN WAS PUT IN PLACE/UPDATED (QE4=1)
What is the current end date for the data improvement plan you have put in place or updated?

1. MONTH: ..APRIL........ YEAR: ..2017..........
2. Don't know

QE6. ANSWER IF A DATA IMPROVEMENT PLAN WAS PUT IN PLACE/UPDATED (QE4=1)
What data does your improvement plan cover?

Please select one answer only

1. Data collected after 1 April 2015 but not before this date
2. Data collected before 1 April 2015 but not after this date
3. Data collected both before and after 1 April 2015
4. Other (please specify): ....

SECTION F – COMMUNICATIONS

The next set of questions is about communicating to members and resolving issues or complaints the scheme has received.

QF1. EVERYONE TO ANSWER

In 2016, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in a percentage. If you do not know exactly, please give an approximate percentage.

1. ...@97... %
2. Don't know

QF2. EVERYONE TO ANSWER

Does the scheme do any of the following to assess and, where necessary, to improve, the effectiveness of its communications to members?

Please select all the options that apply

1. Research the views of members
2. Conduct an annual communications review
3. Have a communications plan
4. Review relevant innovations in technology that could improve member access to communications, including interactive tools
5. Seek feedback from the pension board's member representatives
6. None of the above
7. Don't know

SECTION G – RESOLVING ISSUES

QG1. EVERYONE TO ANSWER

In the last 12 months, how many complaints have you received from members or beneficiaries in relation to their benefits and/or the running of the scheme?

Please include all complaints, including those which have not entered the Internal Dispute Resolution (IDR) process. If you do not know exactly, please give an approximate number.

1. ...9...
2. Don't know

QG2. ANSWER IF ANY COMPLAINTS RECEIVED IN THE LAST 12 MONTHS (QG1>0)

Please list the top three types of complaints received (e.g. benefit payment delays, incorrect estimate of pension entitlement, inaccurate personal data held).

Please specify

1. SLOW RESPONSE TO QUERIES
2. CALCULATION OF BENEFITS AND ILL HEALTH NOT AGREED BY EMPLOYER
3. AUTO ENROLMENT
4. Don't know

QG3. ANSWER IF ANY COMPLAINTS RECEIVED IN THE LAST 12 MONTHS (QG1>0)
How many of these complaints have entered the IDR process?

1. ....7......................................
2. Don't know

SECTION H – REPORTING BREACHES

QH1. EVERYONE TO ANSWER
Does the scheme have procedures in place to allow the scheme manager, pension board members and others to identify and assess breaches of the law, and report these to TPR if required?

Please select one answer only

1. Yes
2. No
3. Don't know

QH2. EVERYONE TO ANSWER
In the last 12 months, have you identified any breaches of the law?

Please select one answer only

1. Yes
2. No
3. Don't know

QH3. ANSWER IF ANY BREACHES HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (QH2=1)
What were the root causes of the breaches identified?

Please select all the options that apply

1. Systems or process failure
2. Failure to maintain records or rectify errors
3. Management of transactions (e.g. errors or delays in payments of benefits)
4. Failure of employers to provide timely, accurate or complete data
5. Other employer-related issues (please specify): ....
6. Conflicts of interest
7. Lack of knowledge and understanding
8. Something else (please specify): ....
9. Don't know

QH4. ANSWER IF ANY BREACHES HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (QH2=1)
In the last 12 months, have you reported any breaches to TPR as you thought they were materially significant?

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION I – GOVERNANCE AND ADMINISTRATION

The next set of questions is about your progress in addressing governance and administration issues.

QI1. EVERYONE TO ANSWER
What are the main barriers you face to improving the governance and administration of your scheme?
Please specify

- COMPLEXITY AND QUANTITY OF REGULATIONS AND GUIDANCE
- INABILITY AT PRESENT TO ISSUE COMMUNICATIONS ELECTRONICALLY E.G. ANNUAL BENEFIT STATEMENTS AND ESTIMATES
- LATE OR NON-NOTIFICATION OF CHANGES TO SCHEME MEMBERS CIRCUMSTANCES

QI2. ANSWER IF BARRIERS TO IMPROVING SCHEME GOVERNANCE & ADMINISTRATION (AT QI1)
And what steps are you currently taking to address these barriers?
Please specify

- INVESTIGATING PURCHASE OF A MEMBER SELF SERVICE SYSTEM
- FEEDING BACK TO DCLG, GAD AND LGA ON REGULATIONS
- ENGAGING WITH SOFTWARE PROVIDERS
- ATTENDING RELEVANT MEETINGS, CONFERENCES, TRAINING + SEMINARS
- RESPONDING TO HM GOVT. CONSULTATIONS
- REVIEW REGULARLY

QI3. EVERYONE TO ANSWER
To what would you attribute any improvements made to the scheme's governance and administration in the last 12 months?
Please select all the options that apply

1. Improved understanding of underlying legislation and standards expected by TPR
2. Improved understanding of the risks facing the scheme
3. Resources increased or redeployed to address risks
4. Administrator action (please specify): TRANSPARENCY + DATA MANAGEMENT SYSTEM INTRODUCED
5. Scheme manager action (please specify): INTERACTION WITH LPB
6. Pension board action (please specify): MONITORING OF ADMIN PROCEDURES AND PERFORMANCE
7. Other (please specify): ...
8. Don't know

SECTION J – TPR PRODUCTS AND PERCEPTIONS

The final set of questions is about your views of TPR and its products.

QJ1. EVERYONE TO ANSWER
To what extent have you used the following products provided by TPR?
Please select one answer per product

	I am not aware of this	I am aware of this but have not used it	I have used this	Don't know
a) Public service section of the TPR website	o	o	o	o
b) Public service code of practice	o	o	o	o
c) Guide to issuing annual benefit statements	o	o	o	o
d) Guides to public service pension boards	o	o	o	o
e) Public service toolkit	o	o	o	o
f) Reporting breaches guidance	o	o	o	o
g) Self-assessment tool	o	o	o	o
h) News by email service	o	o	o	o

QJ2. ANSWER FOR ANY TPR PRODUCTS <u>USED</u> (CODE 3 AT QJ1a-h)
How useful did you find each of the following TPR products?
Please select one answer per product used

	Very useful	Fairly useful	Not very useful	Not at all useful	Don't know
a) Public service section of the TPR website	o	o	o	o	o
b) Public service code of practice	o	o	o	o	o
c) Guide to issuing annual benefit statements	o	o	o	o	o
d) Guides to public service pension boards	o	o	o	o	o
e) Public service toolkit	o	o	o	o	o
f) Reporting breaches guidance	o	o	o	o	o
g) Self-assessment tool	o	o	o	o	o
h) News by email service	o	o	o	o	o

QJ3. EVERYONE TO ANSWER
Are there any products you would like TPR to provide that it does not currently offer?
Please select one answer only

1. Yes (please specify): GUIDANCE AND ADVICE SPECIFIC TO LGPS AS A FUNDED SCHEME
2. No
3. Don't know

QJ4. ANSWER IF HAVE USED THE PUBLIC SERVICE SECTION OF TPR'S WEBSITE (QJ1a=3)
When did you most recently visit TPR's website?

Please select one answer only

1. In the last month
2. 2-3 months ago
3. 4-6 months ago
4. 7-12 months ago
5. More than a year ago
6. Don't know/ can't remember

QJ5. ANSWER IF HAVE USED THE PUBLIC SERVICE SECTION OF TPR'S WEBSITE (QJ1a=3)
To what extent would you say you get what you want from the website when you visit it? Would you say you typically...?

Please select one answer only

1. Get everything you want
2. Get most of what you want
3. Get some of what you want
4. Do not get what you want
5. Don't know

QJ6. EVERYONE TO ANSWER
Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per statement

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) Informative	o	o	o	o	o	o
b) Respected	o	o	o	o	o	o
c) Authoritative	o	o	o	o	o	o
d) Approachable	o	o	o	o	o	o
e) Straightforward	o	o	o	o	o	o

QJ7. EVERYONE TO ANSWER
Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

Please select one answer only

1. Very effective
2. Fairly effective
3. Neither effective nor ineffective
4. Not very effective
5. Not at all effective
6. Don't know

SECTION K – ATTRIBUTION

That's it. Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments.

QK1. EVERYONE TO ANSWER
Finally, what other parties did you consult with to complete this survey?
Please select one answer only

1. Scheme manager or employee of the scheme manager*
2. Pension board chair
3. Pension board member
4. Administrator
5. Other (please specify): INDEPENDENT GOVERNANCE ADVISOR
6. Did not consult with any other parties

**In this survey 'scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department.*

QK2. EVERYONE TO ANSWER
To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your identity will not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?
Please select one answer only

1. Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR
2. No, I would like my responses to remain anonymous

The Local Government Pensions Committee
Secretary: Jeff Houston

CIRCULAR

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

No. 302 – JANUARY 2017

14th ANNUAL LGPS “TRUSTEES” CONFERENCE

Purpose of this circular:

1. This Circular has been issued to give **advance notice** of the fourteenth Annual LGPS Trustees’ conference organised by the Local Government Pensions Committee (LGPC).

Background:

2. Responding to numerous requests from elected members, the LGPC staged an inaugural trustees’ conference at York back in September 2003. The conference was specifically aimed at elected members with responsibility for the Local Government Pension Scheme in their area, and a number of speakers addressed issues from a “trustee” perspective. It has since become a popular annual event.

Local Government House, Smith Square, London SW1P 3HZ **T** 020 7664 3000
F 020 7664 3030 **E** info@local.gov.uk www.local.gov.uk

Intended Audience

3. Delegate places have never been restricted to elected members only; indeed the conference has been attended by many officers who either support pension committees or hold pension fund investment or administration responsibilities, along with trade union and other scheme member representatives. From 2015 onwards, it has also attracted many local pension board members as the conference programme is of equal relevance to board members as well as committee members.

Venue and Programme

4. The conference programme will have its popular lunchtime-to-lunchtime format commencing on Thursday 29th and concluding on Friday 30th June 2017. Having previously been held at numerous locations across Great Britain (e.g. Cardiff in 2015 and Manchester in 2016), the conference heads South this year to the Highcliff Marriott Hotel in Bournemouth.

5. The conference is **not** bookable at this stage - the programme is yet to be finalised and a further Circular will be issued in March 2017 which will include a full programme of events. As the move to pooled funds in England and Wales gets underway and the ramifications of Brexit for the United Kingdom are to the forefront of everyone's mind presently, the conference is themed "Brave New World" and topics likely to be included are:

Pooling – Transition management

Article 50 – Short, medium and long-term effects

MIFIDII and IORPII – Still a reality

Cost Management Mechanism – 49ths affordable?

Deficits Down? - Employer Contributions Up?

Comparing like-for-like – Consistency of data

Legal Update

6. If you wish to discuss speaking or sponsorship opportunities, please contact the Pensions Training and Development Manager in the first instance by email to tim.hazlewood@local.gov.uk

7. If you want to register your interest in attending this year's conference, please send a short-email with "Annual Trustee Conference" in the subject line to Elaine.english@local.gov.uk who will make sure you receive the circular as soon as it is issued (as places are always on a strictly first-come, first-served basis).

ACTIONS FOR ADMINISTERING AUTHORITIES

8. Administering Authorities are urged to bring this Circular to the attention of all Pension Committee/Panel members, members of the new local pension boards and those who attend/advise the meetings, sub-committees etc.

Tim Hazlewood
Pensions Training and Development Manager
25 January 2017

Distribution sheet

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Agenda Item:

Pension Fund Committee

8

Dorset County Council

Date of Meeting	1 March 2017
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 first two quarters of the 2016/17 Financial Year to 31 December 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 19.5% over the nine months to 31 December 2016, underperforming its benchmark which returned 19.1%. Return seeking assets returned 16.1%, whilst the liability matching assets returned 43.3%.
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) Consider a report from Mercer on the high level strategic asset allocation review. iv) Approve the Investment Strategy Statement (ISS) March 2017.
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: Report of the Independent Adviser Appendix 2: New Money Forecast Appendix 3: HSBC Manager Performance to 31 December 2016 Appendix 4: Strategic Asset Allocation Review (report from Mercer) Appendix 5: Investment Strategy Statement (ISS) 2017/18 **The public should be excluded during consideration of Appendix 4 because its discussion in public would be likely to lead to the disclosure to members of the public present of exempt information as defined in the paragraph detailed below of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended):** **3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)** **and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure at this time is likely to prejudice the final outcome of the strategic asset allocation review**.
Background Papers	HSBC Performance Statistics

Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@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 £16M in 2016-17 to date, compared to the forecast of approximately £20M for the full year. The outturn cash-flows for 2015/16 and the anticipated cash flows for 2016/17 along with the historic trends are illustrated in Appendix 2.

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 nine months under review.

Statement of cash-flow for the nine months ended 31 December 2016

	£M	£M
Cash at 1 April 2016		**91.8**
Less:		
Infrastructure Drawdowns (net)	28.8	
UK Equity transactions (net)	32.7	
Liability Matching Bond (net)	45.0	
Currency Hedge (net loss)	32.7	
Private Equity (net)	1.4	
		140.6
Plus:		
Upfront Payments of Employer Contributions*	19.5	
Property Transactions (net)	4.7	
Hedge Fund redemptions (net)	1.4	
Fixed Interest (net)	9.6	
Overseas Equities (net)	55.0	
Increase in Cash	15.6	
		105.8
Cash at 31 December 2016		**57.0**

*£26M received as upfront contributions, of which 9/12ths represents cash in advance as at 31 December 2016.

2.2 The cash flow above summarises the most significant transactions that have taken place for the nine months to the end of December 2016. Since the end of December, the most significant transaction has been the second drawdown by IFM (£24M outflow), leaving cash balances of approximately £31M at the 3 February 2017.

3. Fund Portfolio Distribution

3.1 The table below shows the position as at 31 December 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-16		31-Dec-16		Target Allocation	
Asset Class	**Manager**	**£M**	**%**	**£M**	**%**	**£M**	**%**
Bonds	RLAM	286.1	12.6%	304.3	11.5%	332.0	12.50%
UK Equities	Several	584.2	25.7%	675.1	25.4%	697.1	26.25%
Overseas Equities	Several	625.6	27.5%	719.6	27.1%	697.1	26.25%
Property	CBRE	246.3	10.8%	239.2	9.0%	265.6	10.00%
Absolute Return Funds	Several	1.8	0.1%	0.4	0.0%	-	0.00%
Infrastructure	Several	29.0	1.3%	65.7	2.5%	106.2	4.00%
Private Equity	Several	65.4	2.9%	80.2	3.0%	106.2	4.00%
Diversified Growth	Barings	107.6	4.7%	115.2	4.3%	132.8	5.00%
Cash	Internal	91.8	4.0%	57.1	2.2%	-	0.00%
Total Return Seeking Assets		**2,037.8**	**89.5%**	**2,256.8**	**85.0%**	**2,337.1**	**88.0%**
Liability Matching Assets	Insight	238.0	10.5%	399.0	15.0%	318.7	12.00%
Total Asset Valuation		**2,275.8**	**100.0%**	**2,655.8**	**100.0%**	**2,655.8**	**100.0%**

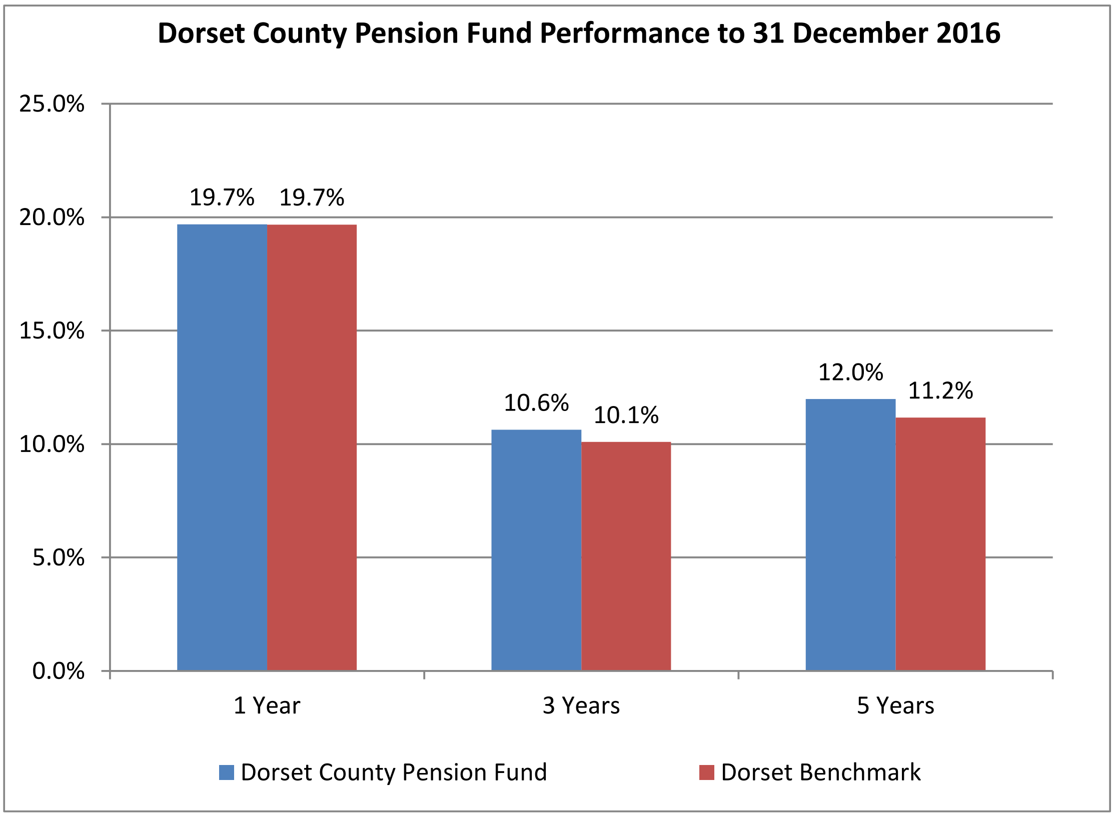
3.2 The table above shows that in most asset classes the Fund's allocation is now close to or slightly above target, with the exception of Private Equity and Infrastructure which will take a number of years to fully drawdown. Since 31 December 2016, there has been a drawdown of approximately £24M against the commitment with IFM, one of the Fund's two Infrastructure managers, which will bring the Fund's allocation to this asset class closer to target.

4. Overall Fund Performance

4.1 The performance of the Fund for the nine months to 31 December 2016 shows an overall return of 19.46%, a marginal over-performance of the benchmark of 19.10% by 0.36%. This high level of short term returns by the Fund and its benchmark have been driven largely by the impact of sterling's depreciation, following the result of the EU referendum, on the asset classes the Fund is invested in, rather than relative outperformance of the markets by the Fund's managers.

4.2 Over the longer term, the Fund has exceeded its benchmark over 3 years, returning an annualised 10.63% against the benchmark of 10.09%, and over 5 years, returning an annualised 11.98% against the benchmark of 11.17%.

4.3 The chart below shows the overall performance for 1, 3 and 5 years against the Fund's bespoke benchmark. Following State Street's decision to discontinue providing performance measurement services to third party UK clients after Q1 2016, we are not currently able to provide a comparison with the LGPS average performance. However, the Cross Pool group have asked LGPS National Frameworks to run a tender for a replacement provider.



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 Investments. 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 nine months to 31 December 2016, Return Seeking assets have returned 16.14% against the benchmark of 15.45%, and the Liability Matching assets have returned 43.28% against the benchmark of 43.93%. 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.

		9 Months to 31 December 2016		
Asset Category	**Manager**	**Dorset %**	**Benchmark %**	**Over/(Under) %**
Overall Fund Performance	**All**	**19.46**	**19.10**	**0.36**
Total Return Seeking Assets	**Various**	**16.14**	**15.45**	**0.69**
UK Equities	(Various)	13.67	17.07	-3.40
Overseas Equities	(Various)	29.55	25.93	3.62
Bonds	(RLAM)	9.46	9.19	0.27
Property	(CBRE)	2.50	2.39	0.11
Private Equity	(Various)	18.98	17.24	1.74
Diversified Growth	(Barings)	7.12	3.36	3.76
Infrastructure	(Various)	12.53	7.41	5.12
Total Liability Matching Assets		**43.28**	**43.93**	**-0.65**
Liability Driven Investment	(Insight)	43.28	43.93	-0.65

4.6 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.

4.7 The HSBC performance report, contained at Appendix 3, gives an attribution analysis of the performance for the year to date on pages 8 to 10. This analysis shows that the market contribution had a positive effect of 29bps against the benchmark and stock selection was negative by 1bps.

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 nine months to 31 December 2016 is summarised below.

	Market Value 01-Apr-16	Market Value 31-Dec-16	9 months to 31 December 2016	
	£000s	£000s	Performance %	Benchmark %
Barings	107,588	115,248	7.12	3.36

5.3 The return of 7.12% for the nine months to 31 December 2016 was above the benchmark of 3.36% by 3.76%. The fund manager comments that their position in Japanese equities was a positive contributor to performance, whilst their holding in the FTSE100 was a mild positive due to its large proportion of multinational companies that benefitted from their overseas earnings. The return was ahead of both the performance compactor and global equities.

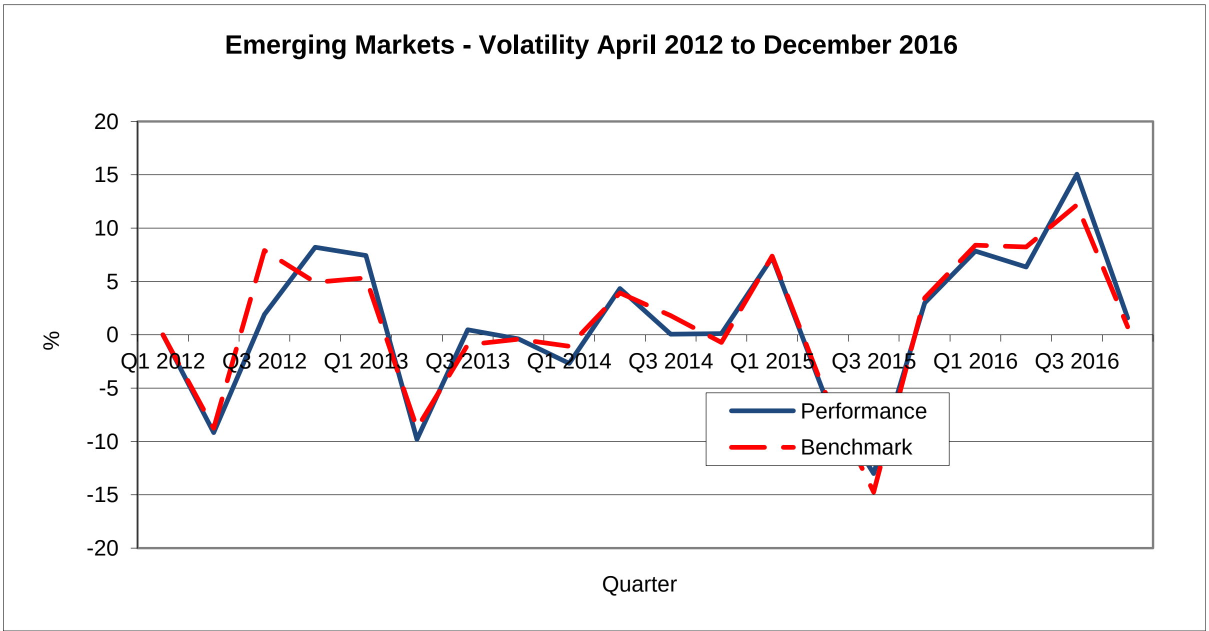
Emerging Market Equity

5.4 The performance of JP Morgan is summarised below.

	Market Value 01-Apr-16	Market Value 31-Dec-16	9 months to 31 December 2016	
	(£000's)	(£000's)	Performance %	Benchmark %
JPM	65,186	81,025	24.30	22.75

5.5 The return of 24.30% for the nine months to 31 December 2016 was above the benchmark of 22.75% by 1.55%. The fund manager comments that the outperformance benefitted from the commodity exposure in Russia which was the largest country overweight and being overweight in North Asia and Eastern Europe, which shows the best combinations of attractive valuations and positive trends in earnings. Turkey detracted from performance which reflected US strength and political challenges such as external financing needs and a weakening in the country's credit fundamentals as economic growth slows.

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 HarbourVest 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 December 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 December 2016 and the total gains or losses, which includes the distribution plus the latest valuation.

Private Equity Commitments, Drawdowns and Valuations

Manager / Fund	Commitment	Drawndown	% of Commitment	Distribution	Valuation	Gain / (Loss)
	€m	€m		€m	€m	€m
HV Partnership V	12.000	11.400	95%	12.517	5.175	6.292
HV Direct V	3.000	2.880	96%	3.337	0.667	1.124
HarbourVest Total €m	15.000	14.280		15.853	5.842	7.415
SL 2006	22.000	19.937	91%	19.651	7.178	6.893
SL 2008	17.000	14.736	87%	7.012	11.677	3.954
Standard Life Total €m	39.000	34.673		26.664	18.856	10.847
Overall Total €m	**54.000**	**48.953**		**42.517**	**24.698**	**18.262**
	$m	$m		$m	$m	$m
HV Venture VIII	15.200	14.896	98%	13.322	11.668	10.094
HV Buyout VIII	22.800	21.432	94%	21.369	12.290	12.227
HV Buyout IX	15.000	9.038	60%	2.513	9.161	2.637
HV Partnership VII (AIF)	20.000	6.550	33%	0.295	6.506	0.252
HV Venture IX	10.000	8.250	83%	2.048	9.330	3.128
Harbourvest Partners X AIF	10.000	0.850	9%	0.000	0.868	0.018
Harbourvest Partners X AIF	5.000	0.475	10%	0.000	0.465	-0.010
HarbourVest Total $m	98.000	61.491		39.547	50.288	28.344
SL SOF I	16.000	11.433	71%	4.039	12.103	4.709
SL SOF II	20.000	11.230	56%	2.159	10.655	1.584
SL SOF III	20.000		0%			0.000
Standard Life Total $m	56.000	22.663		6.198	22.758	6.293
Overall Total $m	**154.000**	**84.153**		**45.745**	**73.045**	**34.637**

5.9 For the nine months to 31 December 2016 total drawdowns have been £12.2M and total distributions £10.8M. 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. For example, the Interim Chief Treasury and Pensions Manager and the Independent Adviser recently met with HarbourVest to discuss a potential further investment.

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

Manager	3 Years to 31 Dec 2016		5 Years to 31 Dec 2016	
	Dorset %	Benchmark %	Dorset %	Benchmark %
HarbourVest	22.82	6.05	19.12	10.10
Standard Life	13.89	6.05	13.51	10.10

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 30 September 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 over the six months, which is ahead of the benchmark, as measured by the 7 day LIBID, at 0.21% 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.

	Amount £000s	Rate %
Fixed Term Deposits		
Total Fixed Term Deposits	-	-
Call Accounts		
National Westminster Bank	1,979	0.01%
Total Call Accounts	1,979	0.01%
Money Market Funds		
Standard Life	15,000	0.30%
BNP Paribas	15,000	0.33%
Federated Prime Rate	15,000	0.31%
Deutsche	8,000	0.30%
Total Money Market Funds	53,000	0.31%
Holding Accounts		
HSBC Custodian Account	1,352	0.00%
Property Client Account	725	0.00%
Total Holding Accounts	2,077	0.00%
Total Cash / Average Return	**57,056**	**0.29%**

7. Review of Strategic Asset Allocation

7.1 Following the results of the latest triennial actuarial valuation, investment consultants Mercer have been commissioned to review the Fund's current strategic asset allocation. Mercer's initial high level findings are included in Appendix 4 for consideration by the Committee. It is proposed that a final report will be prepared for the June 2017 meeting of the Committee to agree any changes to the existing strategic asset allocation.

8. Investment Strategy Statement (ISS)

8.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish an Investment Strategy Statement (ISS), in accordance with guidance issued by the Department for Communities and Local Government (CLG) in September 2016.

8.2 The ISS replaces the requirement for administering authorities to formulate and publish a Statement of Investment Principles (SIP). The aim of the new investment regulations is to transfer investment decisions and their consideration more fully to administering authorities, with less central prescription than before. The ISS must also detail the Fund's approach to pooling, including its commitment to "a suitable pool" that meets the criteria published by CLG in November 2015.

8.2 The ISS must be published by 1 April 2017, then kept under review and revised from time to time, but at least every three years. It may be necessary to amend the ISS following the final outcome of the review of the strategic asset allocation described in paragraph 7 above.

Richard Bates
Pension Fund Administrator
February 2017

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REPORT PREPARED FOR

Dorset County Pension Fund

Pension Fund Committee

March 2017

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INVESTMENT OUTLOOK

After the shock Brexit vote, markets have had to digest the equally surprising victory of Donald Trump in the US presidential election race. In both cases, markets have not exhibited the negative responses that most risk analyses had suggested beforehand. The strong momentum in the UK economy has continued into the new year, supporting the rally in equities, but gilts have now sold off and sterling has remained weak though it is now stabilising.

President Trump's victory has opened up a Pandora's box of potential outcomes. Initial equity market response has been positive because of the expansionary effects of major tax cuts and massive increases in infrastructure and defence spending which sounds like an old-fashioned Keynesian fiscal stimulus. Down the track, ominously, stands the spectre of protectionism and rising tariffs with planned trade agreements already being torn up. Downside risk is potentially considerable but how much is implemented is yet another of the uncertainties markets must adjust to.

In any case, we are dealing with a very unfamiliar world looking forward in many ways. Some are calling this the end of the post war consensus on global capitalism based upon free trade and mobility of labour. In some ways, it is a delayed response to the financial crisis of recent memory as electorates respond strongly to the perceived failures of leaders to raise living standards across the income spectrum. The US and UK may be near full employment but real incomes have not risen for middle and low income households. Mr Trump in particular has tapped into this but with a programme that may prove very damaging to the global business cycle longer term.

ECOMOMY

In the US, the economic expansion continues with inflation beginning to pick up to the Fed's 2% target. While the Fed increased interest rates at the end of last year, they will move slowly this year, at least until they gauge how expansionary the budget will be. The issue is how quickly inflation will pick up via wages as employment levels are now high. Higher interest rates will tend to boost the dollar of course which will affect exports, the antithesis of Trump's wish to restore the US manufacturing base at the expense of imports. For the time being, the economy should remain strong with business investment likely to rise and consumers happy to borrow. At some stage, the Fed may start to reverse QE to reduce its balance sheet.

In the UK, we have had the Autumn statement and the government has given greater clarity to its Brexit objectives since our last report. The former confirmed a more relaxed approach to reducing the budget deficit and the better GNP growth forecasts now from the Bank- growth last year and this year of 2%- will help tax revenues. The Bank of England reduced interest rates and provided liquidity in the summer and shows no sign of following the US in terms of an upward trajectory for interest rates given the uncertain background. Sterling has been rocky but has recovered to the 1.25 level against the dollar which of course means higher inflation as importers pass on the higher dollar costs of imports. Inflation could well rise from near 2% to 3% by year end but the Governor has said he can live with that so long as wages remain subdued. The subsequent squeeze on real incomes would put pressure on consumer spending, offset hopefully in part by an improvement in the net trade balance.

On Brexit, the government has, for better or worse, decided to leave the single market in order to avoid freedom of movement and the jurisdiction of the ECJ. Europe remains our biggest market, far larger than the US in terms of exports so the risks are clear. Tariffs are not the real issue as these are low in trade in manufactured goods between developed markets, typically 5% or less. The problems arise with non-tariff barriers, i.e. regulations, standards, etc. designed to offer consumer, employee and investor protection. These are reckoned to be around an equivalent figure of 20% and take much longer to negotiate. And of course, are critical to services, which account for half our exports and 80% of GNP. Whatever the final destination, it is important to arrange a transitional period to avoid a cliff edge that would deter business from investment.

Brexit is a risk to Europe too though exports to the UK are much less as a percentage of GNP than is the reverse case for the UK. Meanwhile, the European recovery appears to be proceeding and even inflation is picking up with 1.8% GNP growth and 1.8% inflation recorded for last year. Business and consumer confidence surveys are showing a better picture at last. The ECB will however continue with its policy of buying bonds until so- called escape velocity in the economy is clearly evident. Elsewhere, Japanese recovery continues in its muted fashion with the central bank also pursuing an aggressive QE strategy while emerging markets are picking up, helped by some recovery in commodity prices. China continues to muddle through, successfully maintaining expansion at 5-6%, while trying slowly to resolve the imbalances in the economy.

MARKET

In the last report, we assumed a relief rally in the event of a Clinton victory but argued that markets would struggle to make further progress. In the event, led by the US, equities rose strongly after Trump's shock win on a favourable interpretation of the impact of proposed tax cuts, deregulation and increased government spending programme. The S&P rose 8% in Q4, the FTSE 100 by 3.5% and the MSCI World Index by 6.6% in sterling terms, helped by further sterling weakness. Moreover, the rally has continued into the new year though it now shows signs of consolidation. Last year was a year of strong returns for a sterling investor with global equities up some 25% in sterling terms, though only 5% in dollar terms.

In the bond markets, though, the opposite happened in Q4 with government bond yields rising as investors began to worry about the inflationary consequences of Trump's programme and the likely tightening of monetary policy. US ten year yields rose from 1.5% to 2.4% while gilt yields, which had already risen to 1.0% in our last report, have traded through year end around 1.4%. Gilt yields are still lower than a year ago, and returns were positive for the year. Index linked yields have not begun to rise, [suggesting the sell -off in nominal gilts was all about rising inflationary expectations] and returned some 27% for the year. Corporate bonds also produced double digit returns.

Stronger economic growth forecasts are essentially good for equities and bond negative. Consensus forecasts expect modest further yield rises and negative returns from gilts in the near term but do not suggest ten year gilt yields rising above the 2% level they were at a year ago, similarly, we should expect modest returns from investment grade corporate bonds. We are still some way though from an environment of full mean reversion, meaning a more typical yield curve for this stage of the cycle, reflecting the lingering influence of QE

Led by the US, company earnings per share forecasts are being revised upwards encouraged by hopes of greater macro momentum, with leadership coming from sector like financials and energy that should benefit from Trump. The rally in markets has discounted this and valuations remain elevated. The higher multiple on US earnings has made Europe and Japan look relatively attractive while the UK has a valuation discount appropriate for the risks of Brexit. Emerging markets were the top performer last year reducing some of their attractions currently and they remain vulnerable to a scenario of rising US interest rates and a stronger dollar.

While momentum has slowed, equities could remain well placed in the short run and could absorb the likely gradual pace of Fed tightening in the months ahead. They will become unnerved though about any escalation of protectionist rhetoric and a period of volatility may be ahead of us. However, though this bull market is long in the tooth, the seeming improvement in near term economic growth could take it higher before the eventual sell-off.

UK commercial property finished last year with total returns of some 2% with Q4 showing a stabilisation after the Q3 sell off post Brexit. Expectations are for a similar low return this year with the high running yield of 5.5% absorbing modest falls in capital values. Open ended fund pricing has returned to normal removing some of the anxiety from the market. Clearly, the better than expected progress of the economy has helped sentiment and overseas buyers are still showing interest, encouraged by the collapse of sterling. Holding up better than expected!

ASSET ALLOCATION

In the event, the cautious approach we advocated in our last report was somewhat misplaced given the rally in equity markets though it proved valid for property and bond markets. The repricing of inflation has been beneficial to our inflation hedging programme after the concerns of a quarter ago when we paid away collateral on the fall in the price of inflation.

The strategic review following the triennial valuation is now taking place. The discount rate used in that valuation sets the return required from the strategic asset allocation. A different discount rate approach would suggest a different asset allocation and it might be worth exploring further these divergences as we move closer to pooling and experience more comparison with other schemes. The consultant chosen will bring a fresh pair of eyes to our existing strategy and will also examine the validity of a liability hedging commitment as part of that strategy.

For Further Information

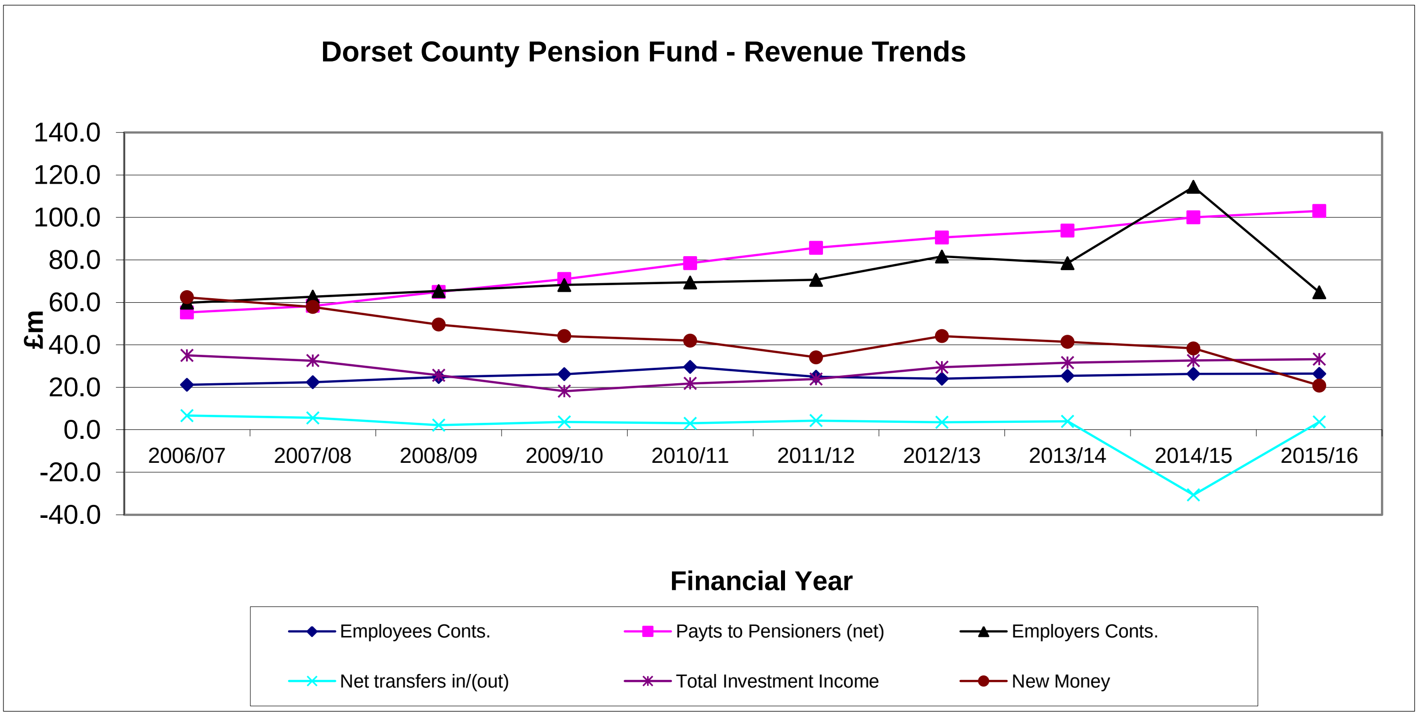
For further information, please contact Alan Saunders on 0207 079 1000 or at alan.saunders@allenbridge.com

Appendix 2

NEW MONEY FORECAST

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Estimate
	£'000	£'000	£'000	£'000
RECEIPTS:				
Employers' Contributions	78,500	113,400	64,800	66,000
Employees' Contributions	25,400	26,300	26,400	26,500
Transfer Values (net)	4,000	3,200	3,700	3,000
Investment Income	31,600	34,900	33,300	33,000
TOTAL RECEIPTS:	**139,500**	**177,800**	**128,200**	**128,500**
PAYMENTS:				
Management Expenses	4,300	4,800	4,300	4,500
Payments to Pensioners (net)	93,800	100,000	103,100	104,000
Transfer of Probation Service to Gtr Manchester		34,400	0	0
TOTAL PAYMENTS:	**98,100**	**139,200**	**107,400**	**108,500**
NET SURPLUS FOR THE YEAR	**41,400**	**38,600**	**20,800**	**20,000**

REVENUE TRENDS & FORECASTS



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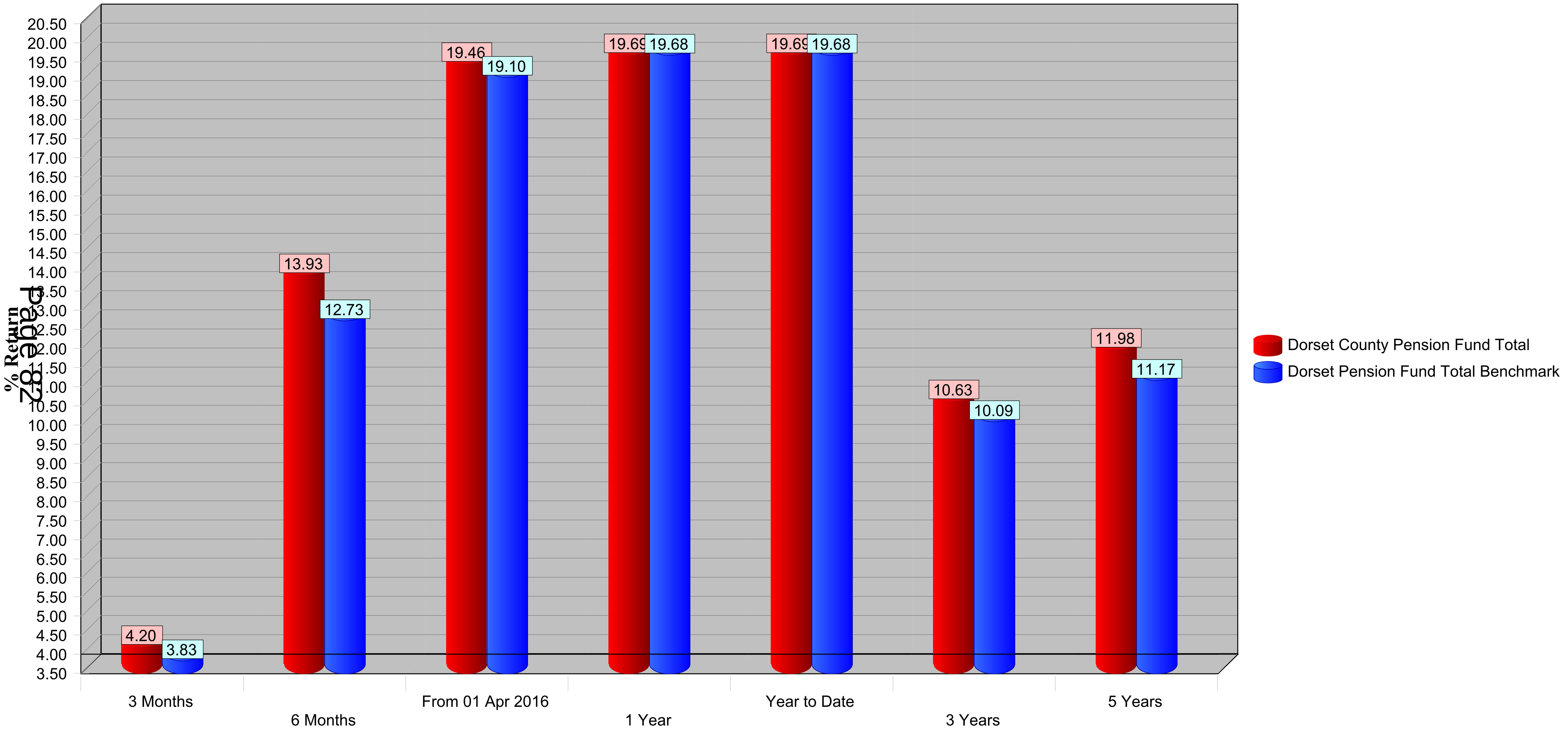
Dorset County Pension Fund Total

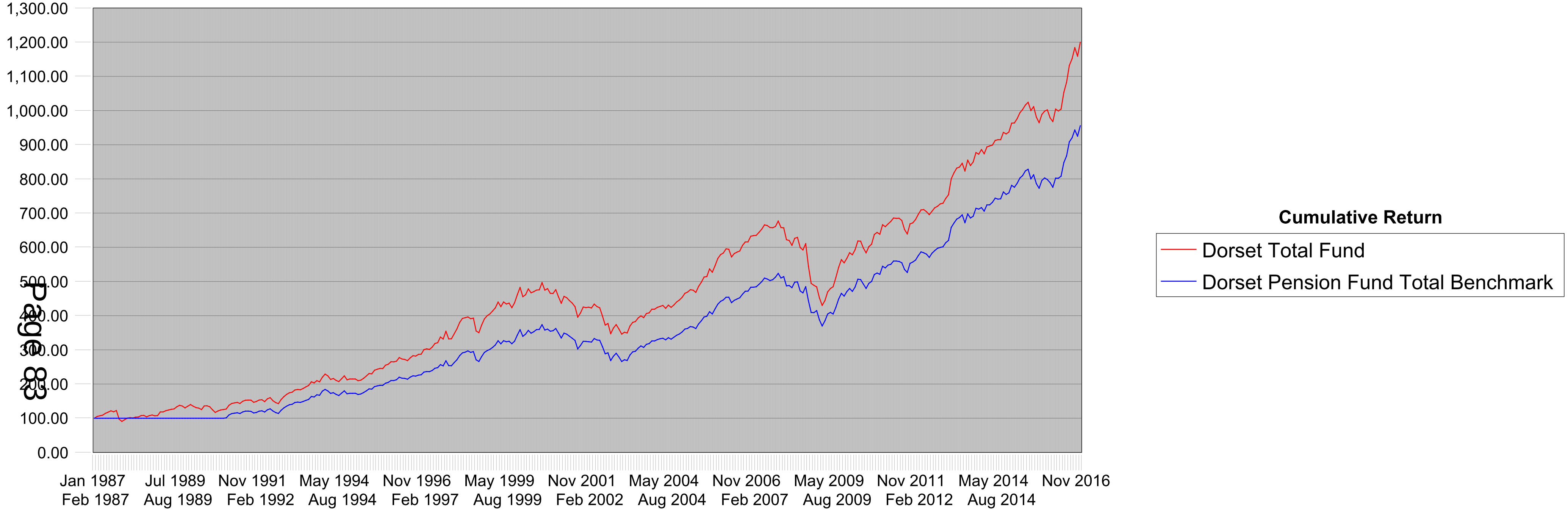
01 Apr 2016 - 31 Dec 2016

Long Term Performance, Total Fund



All periods > 1 year have been annualised.

Long Term Cumulative Performance, Dorset Total Fund



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Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
TOTAL ASSETS	**2,276,176,611**	**-32,345,685**	**2,655,739,417**	**411,908,491**	**28,105,800**	**19.46**
Total Return Seeking Assets	**2,038,189,612**	**-77,345,685**	**2,256,779,805**	**295,935,879**	**28,105,800**	**16.14**
Total Assets ex Hedging	2,038,189,612	-44,622,728	2,256,779,805	263,212,921	28,105,800	14.41
Total Equities	1,204,486,152	-48,329,238	1,389,366,096	233,209,182	18,446,739	20.94
UK	623,753,699	18,001,614	715,683,984	73,928,671	14,629,354	13.67
Dorset UK Internally Managed	365,653,815	25,857,919	448,634,220	57,122,486	14,247,922	17.92
AXA Framlington UK Equity	107,991,777	60,800,000	182,750,905	13,959,128		8.21
Standard Life UK Equity Select Fund	71,934,884	-69,975,105		-1,959,780		-14.35
Schroders UK Small Cap Equity	38,612,216	-147,057	43,731,942	5,266,784		13.68
Allianz UK	14,278,804	264,493	13,586,523	-956,774		-6.28
Investec UK	12,862,096	868,883	12,720,087	-1,010,892	375,043	-4.79
Wellington UK	12,420,107	332,481	14,260,307	1,507,719	6,389	11.43
Overseas Equities	580,732,453	-66,330,852	673,682,112	159,280,510	3,817,386	29.55
North America	358,738,949	-51,982,206	412,054,803	105,298,059	2,906,623	32.48
Allianz North America	143,553,644	-10,520,983	167,143,561	34,110,900		24.34
Investec North America	99,497,174	-24,066,413	115,219,431	39,788,669	1,527,000	47.07
Wellington North America	115,688,131	-17,394,811	129,691,811	31,398,491	1,379,623	31.04
Europe ex UK	88,289,672	-5,417,701	104,864,065	21,992,093	490,392	25.24
Allianz Europe Ex UK	40,437,255	-1,621,284	45,714,656	6,898,685		17.88
Investec Europe Ex UK	27,742,121	-5,455,539	33,466,882	11,180,300	490,392	46.76
Wellington Europe Ex UK	20,110,296	1,659,123	25,682,528	3,913,109		14.98
Japan	44,447,325	-6,290,876	48,017,438	9,860,990	186,810	26.89
Allianz Japan	19,747,236	-2,313,884	21,614,520	4,181,168		26.61
Investec Japan	12,536,971	-3,895,956	11,049,973	2,408,958	186,810	24.20
Wellington Japan	12,163,119	-81,037	15,352,945	3,270,864		28.91
Pacific ex Japan	16,641,368	491,503	24,056,130	6,923,259	205,641	34.90
Allianz Pacific ex Japan	5,543,736	1,223,083	9,797,658	3,030,840		31.77
Investec Pacific ex Japan	7,474,355	-3,179,988	7,616,908	3,322,541	205,641	68.06
Wellington Pacific ex Japan	3,623,277	2,448,408	6,641,563	569,879		9.58
Emerging Markets	72,615,139	-3,131,571	84,689,676	15,206,109	27,920	21.10

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
JP Morgan Global Emerging Markets	65,185,698		81,024,509	15,838,811		24.30
Allianz Emerging Markets	1,594,498	-1,175,066	745,242	325,810		19.80
Investec Emerging Markets	4,507,045	-1,642,975	1,955,158	-908,911	27,920	-31.54
Wellington Emerging Markets	1,327,898	-313,531	964,766	-49,601		-2.46
Total Bonds	286,117,469	-8,555,979	304,257,626	26,696,136	683,730	9.46
Royal London Bonds	286,117,469	-8,555,979	304,257,626	26,696,136	683,730	9.46
Total Property	246,330,128	-5,032,593	239,150,327	-2,147,208	8,121,789	2.50
ING Property	246,330,128	-5,032,593	239,150,327	-2,147,208	8,121,789	2.50
Total Cash	97,115,759	-13,510,494	62,419,723	-21,185,542	205,559	-26.78
Total Hedge Funds	2,089,763	-1,235,688	444,435	-409,640		-16.33
Gottex Hedge Fund	955,884	-596,356	431,133	71,605		16.68
Pioneer Hedge Fund	1,122,443	-639,332		-483,110		-86.07
IAM (Hedged)	11,437		13,302	1,866		16.31
IAM Hedge Fund	11,437		13,302	1,866		16.31
Private Equity	65,432,306	2,073,832	80,194,598	12,688,460		18.98
HarbourVest	38,337,441	-1,617,776	45,682,385	8,962,719		23.45
Standard Life Private Equity	27,094,865	3,691,607	34,512,213	3,725,741		12.98
Diversified Growth Fund	107,587,835		115,248,457	7,660,622		7.12
Baring Dynamic Asset Allocation Fund	107,587,835		115,248,457	7,660,622		7.12
Infrastructure	29,030,200	29,967,432	65,698,543	6,700,911	647,983	12.53
Hermes	29,030,200		30,964,982	1,934,782		6.66
IFM		29,967,432	34,733,561	4,766,129	647,983	18.29
Total Currency Hedging	0	-32,722,957	0	32,722,957		0.00
Total Matching Assets	**237,986,999**	**45,000,000**	**398,959,612**	**115,972,613**		**43.28**
Insight Liability Fund	237,986,999	45,000,000	398,959,612	115,972,613		43.28
Unassigned Group						**-100.00**

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**	**15.65**	**15.33**	**19.46**	**19.10**
Total Return Seeking Assets	**89.54**	**88.00**	**84.98**	**88.00**	**11.90**	**11.23**	**16.14**	**15.45**
Total Assets ex Hedging	89.54	88.00	84.98	88.00	10.21	11.23	14.41	15.45
Total Equities	52.92	52.50	52.32	52.50	14.14	14.02	20.94	21.30
UK	27.40	27.50	26.95	27.50	13.63	17.07	13.67	17.07
Dorset UK Internally Managed	16.06	18.50	16.89	18.50	17.92	17.29	17.92	17.29
AXA Framlington UK Equity	4.74	3.75	6.88	3.75	8.21	17.24	8.21	17.24
Standard Life UK Equity Select Fund	3.16	3.75		3.75	-14.35	17.24	-14.35	17.24
Schroders UK Small Cap Equity	1.70	1.50	1.65	1.50	13.68	13.19	13.68	13.19
Allianz UK	0.63		0.51		-6.28		-6.28	
Investec UK	0.57		0.48		-6.23		-4.79	
Wellington UK	0.55		0.54		11.43		11.43	
Overseas Equities	25.51	25.00	25.37	25.00	14.60	10.63	29.55	25.93
North America	15.76	14.00	15.52	14.00	15.63	10.74	32.48	28.64
Pictet North America		9.00		9.00		10.89		28.72
Janus Intech US Equity		5.00		5.00		10.47		28.50
Allianz North America	6.31		6.29		7.08		24.34	
Investec North America	4.37		4.34		33.07		47.07	
Wellington North America	5.08		4.88		12.39		31.04	
Europe ex UK	3.88	5.00	3.95	5.00	15.75	10.81	25.24	19.56
Pictet Europe ex UK		5.00		5.00		10.81		19.56
Allianz Europe Ex UK	1.78		1.72		9.29		17.88	
Investec Europe Ex UK	1.22		1.26		34.49		46.76	
Wellington Europe Ex UK	0.88		0.97		6.69		14.98	
Japan	1.95	2.00	1.81	2.00	10.59	13.86	26.89	27.63
Pictet Japan Equity		2.00		2.00		13.86		27.63
Allianz Japan	0.87		0.81		12.15		26.61	
Investec Japan	0.55		0.42		1.05		24.20	
Wellington Japan	0.53		0.58		14.77		28.91	
Pacific ex Japan	0.73	1.00	0.91	1.00	-14.83	8.74	34.90	22.58

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		1.00		1.00		8.74		22.58
Allianz Pacific ex Japan	0.24		0.37		18.98		31.77	
Investec Pacific ex Japan	0.33		0.29		-100.00		68.06	
Wellington Pacific ex Japan	0.16		0.25		-1.92		9.58	
Emerging Markets	3.19	3.00	3.19	3.00	17.05	7.13	21.10	22.75
JP Morgan Global Emerging Markets	2.86	3.00	3.05	3.00	24.30	7.13	24.30	22.75
Allianz Emerging Markets	0.07		0.03		5.17		19.80	
Investec Emerging Markets	0.20		0.07		-100.00		-31.54	
Wellington Emerging Markets	0.06		0.04		-14.35		-2.46	
Total Bonds	12.57	12.50	11.46	12.50	9.46	9.19	9.46	9.19
Royal London Bonds	12.57	12.50	11.46	12.50	9.46	9.19	9.46	9.19
Total Property	10.82	10.00	9.01	10.00	2.50	2.39	2.50	2.39
ING Property	10.82	10.00	9.01	10.00	2.50	2.39	2.50	2.39
Total Cash	4.27		2.35		-26.81		-26.78	
Total Hedge Funds	0.09	0.00	0.02	0.00	-15.53	4.81	-16.33	4.81
Gottex Hedge Fund	0.04	0.00	0.02	0.00	16.68	4.12	16.68	4.12
Pioneer Hedge Fund	0.05				-85.71	4.90	-86.07	4.90
IAM (Hedged)	0.00	0.00	0.00	0.00	16.31	5.50	16.31	5.50
IAM Hedge Fund	0.00	0.00	0.00	0.00	16.31	5.50	16.31	5.50
Private Equity	2.87	4.00	3.02	4.00	10.71	17.24	18.98	17.24
HarbourVest	1.68	2.00	1.72	2.00	8.99	17.24	23.45	17.24
Standard Life Private Equity	1.19	2.00	1.30	2.00	12.98	17.24	12.98	17.24
Diversified Growth Fund	4.73	5.00	4.34	5.00	7.12	3.36	7.12	3.36
Baring Dynamic Asset Allocation Fund	4.73	5.00	4.34	5.00	7.12	3.36	7.12	3.36
Infrastructure	1.28	4.00	2.47	4.00	12.53	7.41	12.53	7.41
Hermes	1.28	2.00	1.17	2.00	6.66	7.41	6.66	7.41
IFM		2.00	1.31	2.00	18.29	7.41	18.29	7.41
Total Currency Hedging	0.00		0.00					
Total Matching Assets	**10.46**	**12.00**	**15.02**	**12.00**	**43.28**	**43.93**	**43.28**	**43.93**
Insight Liability Fund	10.46	12.00	15.02	12.00	43.28	43.93	43.28	43.93

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Unassigned Group					**-100.00**		**-100.00**	

All periods > 1 year have been annualised.

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
TOTAL ASSETS	**0.03**	**0.29**	**-0.01**	**0.30**
Total Return Seeking Assets	**-0.01**	**0.43**	**0.05**	**0.48**
Total Assets ex Hedging	0.01	-0.89	0.05	-0.82
Total Equities	-0.20	0.07	-0.10	-0.22
UK	-0.02	-0.34	-0.54	-0.90
Dorset UK Internally Managed	0.01	-0.04	0.10	0.07
AXA Framlington UK Equity	-0.10	0.03	-0.55	-0.62
Standard Life UK Equity Select Fund	0.13	-0.06	-0.09	-0.03
Schroders UK Small Cap Equity	-0.00	-0.01	0.01	-0.01
Allianz UK	-0.02	-0.12		-0.14
Investec UK	-0.01	-0.11		-0.13
Wellington UK	-0.02	-0.02		-0.04
Overseas Equities	-0.18	0.42	0.44	0.68
North America	-0.06	0.57		0.51
Pictet North America	-1.08	0.33		-0.76
Janus Intech US Equity	-0.61	0.20		-0.41
Allianz North America	0.75	-0.45		0.29
Investec North America	0.29	0.60		0.90
Wellington North America	0.60	-0.11		0.49
Europe ex UK	-0.05	0.21		0.16
Pictet Europe ex UK	-0.22	0.18		-0.05
Allianz Europe Ex UK	0.07	-0.08		-0.02
Investec Europe Ex UK	0.06	0.19		0.25
Wellington Europe Ex UK	0.05	-0.07		-0.03
Japan	-0.00	-0.03		-0.03
Pictet Japan Equity	-0.16	0.00		-0.15
Allianz Japan	0.04	0.02		0.05
Investec Japan	0.08	-0.06		0.03
Wellington Japan	0.03	0.01		0.04

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Pacific ex Japan	0.27	-0.16		0.10
Pictet Pacific ex Japan	-0.09	0.06		-0.04
Allianz Pacific ex Japan	0.05	0.00		0.05
Investec Pacific ex Japan	0.30	-0.19		0.10
Wellington Pacific ex Japan	0.02	-0.03		-0.01
Emerging Markets	-0.33	-0.18	0.44	-0.07
JP Morgan Global Emerging Markets	-0.44	-0.00	0.44	-0.01
Allianz Emerging Markets	0.01	-0.01		0.00
Investec Emerging Markets	0.10	-0.15		-0.06
Wellington Emerging Markets	0.00	-0.01		-0.01
Total Bonds	-0.01	0.03	0.02	0.04
Royal London Bonds	-0.01	0.03	0.02	0.04
Total Property	-0.01	-0.01	0.01	-0.01
ING Property	-0.01	-0.01	0.01	-0.01
Total Cash	-0.08	-1.09		-1.16
Total Hedge Funds	-0.00	-0.02	0.00	-0.02
Gottex Hedge Fund	-0.00	-0.00	0.00	-0.00
Pioneer Hedge Fund	-0.00	-0.02		-0.02
IAM (Hedged)	-0.00	-0.00	0.00	-0.00
IAM Hedge Fund	-0.00	-0.00	0.00	-0.00
Private Equity	0.25	-0.02	-0.16	0.07
HarbourVest	0.22	-0.01	-0.12	0.10
Standard Life Private Equity	0.03	-0.01	-0.04	-0.03
Diversified Growth Fund	0.01	0.04	0.17	0.21
Baring Dynamic Asset Allocation Fund	0.01	0.04	0.17	0.21
Infrastructure	0.04	0.10	0.12	0.26
Hermes	0.02	0.05	-0.01	0.07
IFM	0.02	0.05	0.13	0.19
Total Currency Hedging	-0.02	1.33		1.31

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Total Matching Assets	**0.03**	**-0.15**	**-0.06**	**-0.18**
Insight Liability Fund	0.03	-0.15	-0.06	-0.18
Unassigned Group	**0.00**	**-0.00**		**-0.00**

All periods > 1 year have been annualised.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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INVESTMENT STRATEGY STATEMENT

DORSET COUNTY PENSION FUND - MARCH 2017

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities of LGPS funds to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. This statement must be reviewed by the administering authority at least every three years, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

All functions of Dorset County Council ("the Council") as the administering authority for the Dorset County Pension Fund ("the Fund") have been delegated to the Pension Fund Committee ("the Committee"). This includes responsibility for determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice.

The primary investment objective of the Fund is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To meet this objective a major review of the Fund's strategic asset allocation is undertaken every three years shortly after the results of the triennial actuarial valuation are known. The Fund's strategic asset allocation was last reviewed in this way in 2014, advised by Jardine Lloyd Thompson Group (JLT), a leading provider of employee benefits advice, with considerable LGPS experience and expertise, and Alan Saunders, Allenbridge Epic Investment Advisers, the Fund's independent adviser. The Committee will also consider asset allocation at each of its quarterly meetings.

The Fund allocates across a variety of different asset classes in order to prudently diversify sources of investment return and risk. To be judged suitable for investment, asset classes must be consistent with the Fund's risk and return objectives, improve diversification and be fully understood by officers and the Committee. The Fund's current target strategic asset allocation is set out in the table below, together with tolerances by which the actual allocation can vary without further agreement by the Committee:

Asset Class	Allocation	Tolerance
UK Equities	26.25%	+/- 5.0%
Global Equities	23.25%	+/- 5.0%
Emerging Markets Equities	3.00%	+/- 0.5%
Bonds	12.50%	+/- 2.5%
Property	10.00%	+/- 2.5%
Diversified Growth Funds (DGF)	5.00%	+/- 1.0%
Private Equity	4.00%	+/- 1.0%
Infrastructure	4.00%	+/- 1.0%
Total Return Seeking Assets	**88.00%**	-
Liability Driven Investment (LDI)	12.00%	+/- 3.5%
Total Assets	**100.00%**	-

The appointment of more than one manager, with differing investment approaches, in a number of the asset classes, adds a further level of diversification. All managers are required to report on portfolio management on a quarterly basis, they must comply with all instructions given to them by the Fund (in accordance with the mandates agreed) and contracts can be terminated at one month's notice.

UK Equities (26.25%)
Approximately two thirds of the allocation to UK Equities is managed internally by officers in the Chief Executive's Department on a passive basis. The target is to track the FTSE 350 index, with an annual deviation allowed of +/- 0.5%, and no derivatives or financial gearing are permitted. The constituents of the FTSE 350 index are fully replicated by the in house team. Exposure to the remaining 3% of the FTSE All Share index not included in the FTSE 350 index is captured by an external active allocation to a pooled fund specialising in 'small cap' investments managed by Schroders (effective April 2006), with a target to outperform the FTSE Small Cap index by 2.5% per annum. The remaining allocation to UK Equities is managed on an active basis by AXA Framlington (effective April 2006) in a pooled vehicle with a target of outperforming the FTSE All Share Index by 3.5% per annum.

Global Equities – Developed Markets (23.25%)
Equities in developed markets are managed by three external investment managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management agreements were effective from December 2015, and each manager has a target to outperform the MSCI Global Index. All three are managed on an active basis but each has a different investment approach, thus adding a further degree of diversification.

Global Equities – Emerging Markets (3.0%)
The Fund has exposure to Emerging Markets equities through JP Morgan Asset Management who have managed an active mandate since April 2012. The investment is in a pooled fund, which has a diversified strategy, and the target is to outperform the MSCI Emerging Markets Index by 2% per annum.

Bonds (12.5%)
The Fund's Bonds' manager is Royal London Asset Management (rlam), appointed with effect from July 2007, with a target to outperform the iBoxx Non-Gilt Over 5 Year Index by 0.75%. The allocation is invested in the RLPPC Core Bond Fund, which holds a diversified portfolio of mainly UK Bonds with an emphasis on the corporate sector.

Property (10.0%)
CBRE Global Investors is the Fund's property adviser and manager. Approximately 90% of the Fund's investment is in directly owned commercial property in the UK, with a wide diversification both geographically and across sectors. The remaining 10% is invested in indirect property funds, the Lend Lease Retail Partnership (Jersey) Unit Trust, and the Standard Life Shopping Centre Trust Fund, which give exposure to the shopping centre sector not covered by the direct investments. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return, the industry standard benchmark, over a rolling five year period.

Diversified Growth Funds (DGF) (5.0%)
The Fund has invested with Baring Asset Management in their Dynamic Asset Allocation Fund since April 2012. This pooled fund seeks to achieve equity like returns but with lower risk, by investing in a range of asset classes and focussing on asset allocation. The target return is cash plus 4%, with 70% of equity risk.

Private Equity (4.0)
Since April 2006 the Fund has invested in Private Equity 'fund of funds' 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).

Infrastructure (4.0%)
Two Infrastructure managers, Hermes Investment Management and International Fund Management (IFM), were appointed in 2014. Hermes focus mainly on UK opportunities, whereas IFM have a wider global reach. Like Private Equity, it will take some time for all of the committed capital to be completely drawndown, but once invested these are intended to remain as long term holdings.

Liability Driven Investment (LDI) (12.0%)
Insight Investments were appointed in April 2012 with the objective to reduce the Fund's exposure to inflation risk by putting together a portfolio that moves in a similar way to the liabilities. The Fund is invested in a bespoke Qualifying Investor Fund (QIF) set up by Insight which enables them to use a range of derivative instruments in addition to index linked or conventional gilts.

3. Risk measurement and management

Achieving satisfactory investment returns will, to a considerable degree, reflect the risks taken, and therefore the Fund seeks to understand, measure and manage risk, not eliminate it.

Investment risk can be measured and managed in a number of 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: The Fund's 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: In setting the investment strategy, the Committee considers 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.

Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. The adoption of an 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.

Other financially material risks arising from social, environmental and corporate governance issues are required to be considered and managed by the Fund's investment managers in relation to all asset classes. The Fund's approach is set out in more detail in section 5 below.

Consideration is also given to the on-going risks of a mismatch, over time, between the Fund's assets and its liabilities. The Fund's Funding Strategy Statement considers these risks in greater detail, however, the major risks that can lead to this mismatch are the impact of interest and inflation yields on liabilities. Following a strategic review of the Fund undertaken by JLT in June 2011, the Committee began a process to address this risk, leading to the current asset allocation of 12.0% to Liability Driven Investment (LDI), and the appointment of Insight Investments.

4. Approach to asset pooling

The Fund is working with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once BPP Ltd. is established the Fund, through the Committee, will retain the responsibility for setting the detailed strategic asset allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

BPP Ltd will be a new company which will be wholly owned by the administering authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme (CIV). It will be responsible for implementing the detailed strategic asset allocations of the participating funds by investing funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds (MOFs) needed to meet the requirements of the detailed strategic asset allocations. These MOFs will be operated by professional external investment managers. The Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of the Fund as a client, including a duty of care for BPP Ltd to act in its clients' interests.

An Oversight Board will be established, comprised of representatives from each of the administering authorities, set up according to an agreed constitution and terms of reference. Acting for the administering authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the administering authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each administering authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the administering authorities but will also draw on administering authorities' finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel Pension Partnership pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

The Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

5. Social, environmental and corporate governance policy

The primary aim of the Committee is to maximise the value of investments made for the benefit of the many stakeholders, including council tax payers, employer bodies, the current employee contributors and pensioners. The Committee does not place restrictions on investment managers in choosing individual investments in companies or sectors 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.

However the Committee expects that the boards of companies in which the Fund invests should pay due regard to social environmental matters and thereby further the long-term financial interests of the shareholders. Social and environmental issues arise not only in board policy decisions but also in daily operations, and the Committee therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The 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.

Please follow the link below to view the Fund's policies relating to responsible investment:

http://www.yourpension.org.uk/Dorset/Investments-Governance/Responsible-Investment.aspx

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Fund has a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds (NAPF) 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 may be considered.

The Fund has outsourced proxy voting to Institutional Shareholder Services (ISS). ISS's core business is the provision of proxy research, vote recommendations and related governance research services, including an end-to-end proxy voting platform and leading compliance and risk management solutions, to institutional investors worldwide. ISS has close to 30 years of experience and is a recognised industry leader in the field of corporate governance and proxy voting.

The Pension Fund Committee receives an annual report on voting activity in the previous year. Please follow the link below to view the most recent report:

http://dorset.moderngov.co.uk/ieListDocuments.aspx?CId=135&MId=380&Ver=4

Investec 4Factor™ Global Equity Strategy

Dorset County Council

Investment report for the quarter ended
31 December 2016

Investec
Asset Management

4Factor™ investment philosophy and process

Traditional factors

High quality

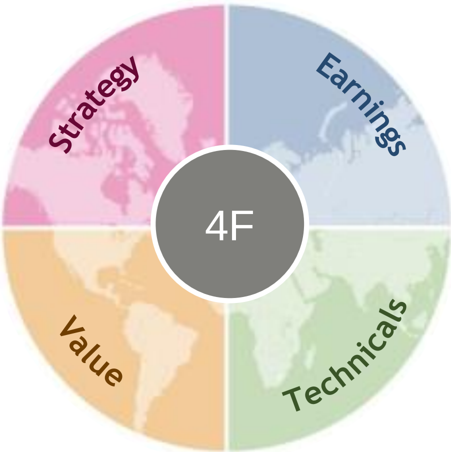
Companies that have created value for their shareholders in the past

- 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

These four factors can individually drive share prices and in combination can drive long-term 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 a total of 12 and above are potential buy candidates.

4Factor™ Framework

> 3,000 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	Ongoing 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 are subject to change and not necessarily with prior notification.
* 'Good Ideas' represent the number of 4Factor™ high scoring stocks from the stage 1 screen. 'Best Ideas' represents our highest conviction ideas following fundamental analysis. For further information on investment process, please see the Important Information section.

Executive summary

Quarter ended 31 December 2016

Investment strategy

The portfolio follows the Investec 4Factor™ Global Equity Strategy, aiming to achieve long-term capital growth in a diversified portfolio of the more liquid equity securities around the world.

Performance objective

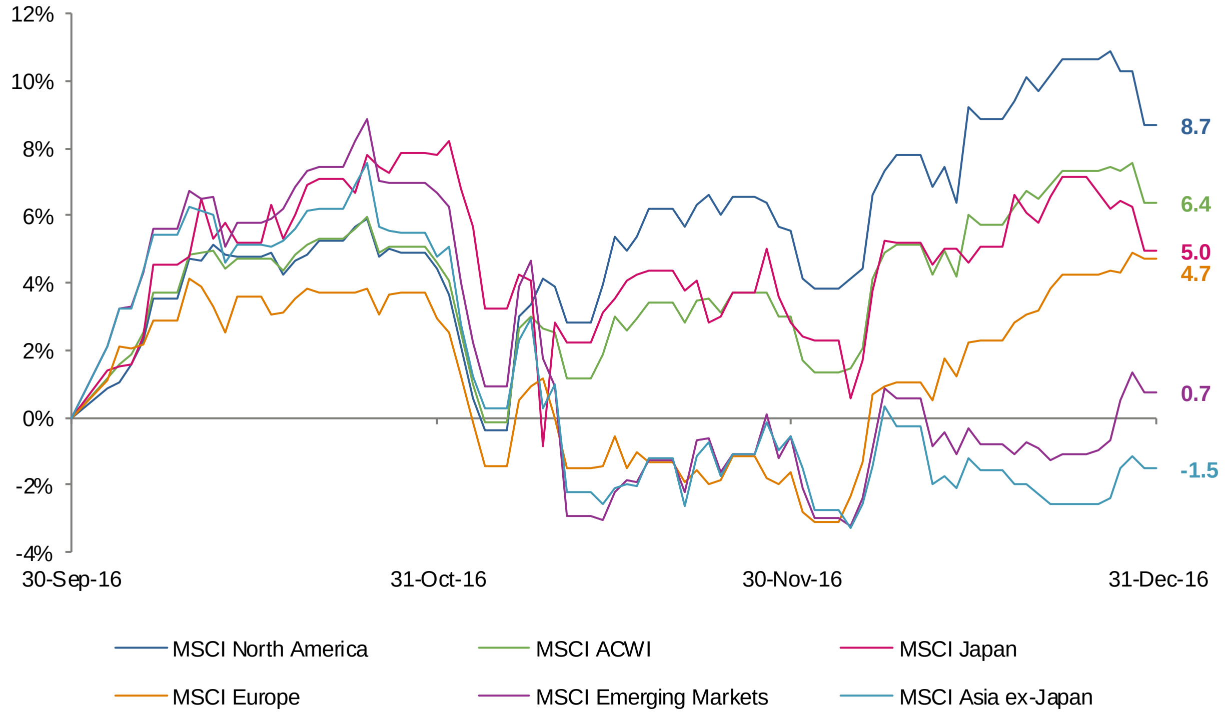
To outperform the MSCI World Index NDR by 2 - 3% over a three year rolling average, gross of fees.

Market background

As the US election dominated the news agenda, markets were positioning towards a Hillary Clinton victory at the beginning of the quarter, only for many investors to be wrong footed when Donald Trump won the contest. The US dollar index was up 7% over the quarter and was up a substantial 15% versus the yen. On a macro level, global growth projections were upgraded due to a more favourable outlook for the US and emerging markets. Global equities climbed over the quarter in dollar terms, with developed markets significantly outperforming emerging markets. Investors continued their rotation into certain sectors, with financials, healthcare and technology among those notably impacted. Sector leadership was all about financials and, to a lesser extent, resources. Consumers, telecommunications, utilities and real estate were all weak.

In financials, Trump policies of lower taxation and lighter regulation lifted hopes along with expectations of higher interest rates in the coming months. The energy sector also rallied, driven by gains from oil refinery and exploration companies. At Opec's meeting in November, members agreed to cut oil production in an attempt to reduce stockpiles to "normal" levels. This decision, combined with a similar decision from Russia and other producers outside of the cartel, led to a significant rise in many companies in the sector. While the quarter was good for US financials, it wasn't quite so good for their Asian counterparts. Chinese financials suffered, in particular, as a result of tighter capital restrictions being implemented by Beijing. Elsewhere, the consumer discretionary sector saw some companies reporting good earnings for third quarter trading with US-focused companies also benefiting from the anticipation of deregulation and the prospect for increased consumer spending under Trump's economic plan.

World equity indices



Source: Morningstar, total return, in GBP. The stated performance objective is determined by the estimated relative performance which we believe, based on empirical back testing of the 4Factor™ model within the portfolio's investable universe, may be achieved through active application of the 4Factor™ process, and in accordance with the construction parameters of the portfolio. This performance objective is subject to change and may not be achieved in the event that stocks selected fail to perform in line with expectations, losses may be made. For further information on indices, please see the Important Information section.

Executive summary

Quarter ended 31 December 2016

Performance review

The performance of our Four Factors provided a tailwind for our portfolio performance in the fourth quarter, rather than a headwind. The Value Factor outperformed to such an extent that it became the best performing Factor across the year as a whole. The Earnings, Strategy and Technical Factors were negative in the fourth quarter, but overall Factor performance was positive due to the contribution from Value alone. While our portfolio is positively skewed towards Value stocks, our process favours companies that score well on a number of different measures. This means the portfolio is more balanced, but we missed out on some exposure to those 'deep value' companies that rallied so strongly in the second half of 2016. Additionally, our stock selection had a negative overall impact on returns.

With the rotation into financials – especially US banks – driving market returns over the quarter, much of the performance of the portfolio came down to which of these companies we did or did not own. Our positions in Citigroup and Morgan Stanley were among the best performers over the quarter, bolstered by the US election result, a rise in bond yields and the prospect of a potential rolling back of existing and slated regulation by president-elect Donald Trump. In contrast, our lack of exposure to Bank of America, JP Morgan Chase and Wells Fargo meant we missed out on some of the gains witnessed across the US banking sector after the election result.

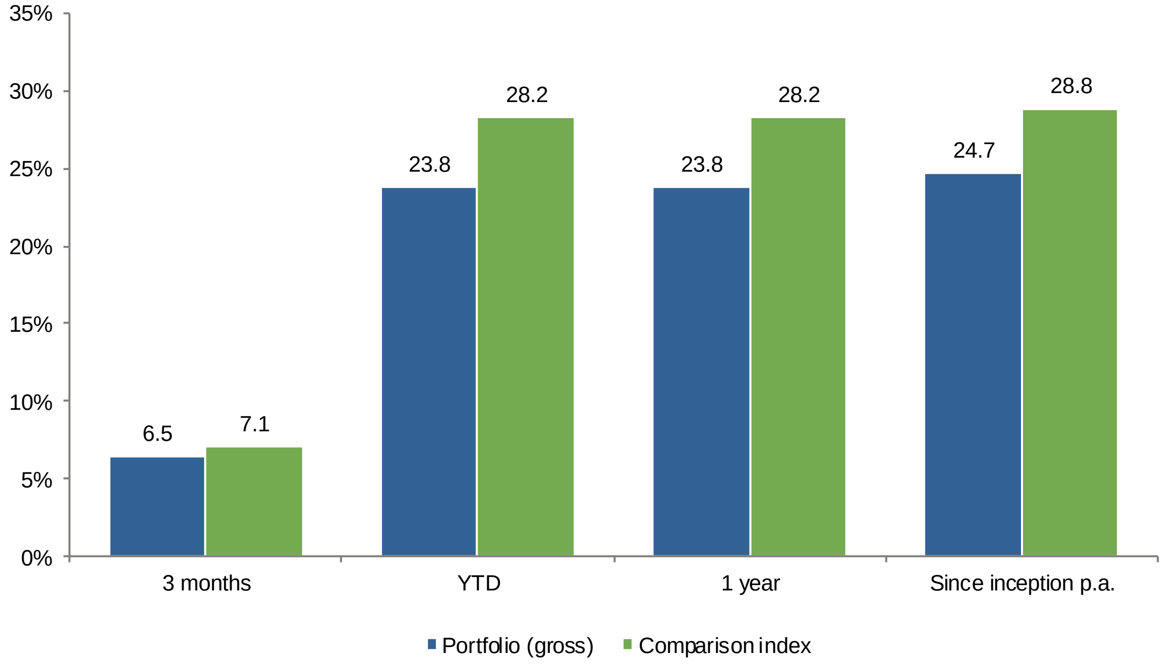
Stocks within the materials sector made a significant contribution to the performance of the portfolio over the period, thanks to good stock selection in the mining, chemicals and paper manufacturing industries. Within this sector, our holdings in Lundin Mining Corporation, Rio Tinto and UPM Kymmene Oyj all added to returns. Canadian mining group Lundin saw gains from an increase in metals production – ahead of levels previously announced – and the sale of an African copper mine for US$1.14 billion. Anglo-Australian miner Rio Tinto, meanwhile, performed well as it continued to streamline operations by divesting or closing low returning assets. Finnish paper manufacturer UPM rallied on earnings upgrades and a confirmation that it had exceeded operating profit forecasts.

Our stock selection in healthcare equipment & services stocks boosted performance during the quarter, with our holding in UnitedHealth performing notably well as a result of its programme to manage costs and actively return capital to shareholders via buybacks and dividend growth. The potential repeal of Obamacare would also be supportive for health insurers.

Our holding in Japanese telecoms group KDDI hurt returns, as the company saw sales revenue growth nudge downwards and it was chastised by the Japanese Communications Ministry – along with two of its rivals – for disguising higher service fees by discounting handsets. More broadly, telecoms and utilities firms have been negatively affected by developments in the bond market and by concerns of higher inflation.

Our overweight in the software & services sector also hurt returns, with computer games group Activision Blizzard among the worst performers. Activision Blizzard fell after uninspired reviews for its latest products and evidence of declining volumes.

Performance



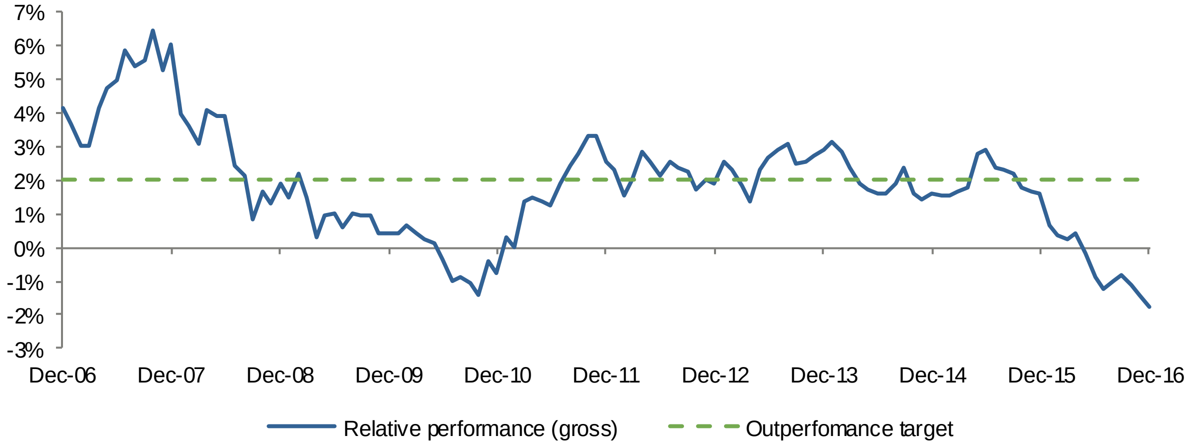
Market value: GBP 184,158,962

Source: Investec Asset Management.
Returns are stated gross of fees, in GBP. Past performance should not be taken as a guide to the future, losses may be made. For further information on indices, please see the Important Information section.
Comparison index: MSCI World NDR.
Client inception date: 17 December 2015.

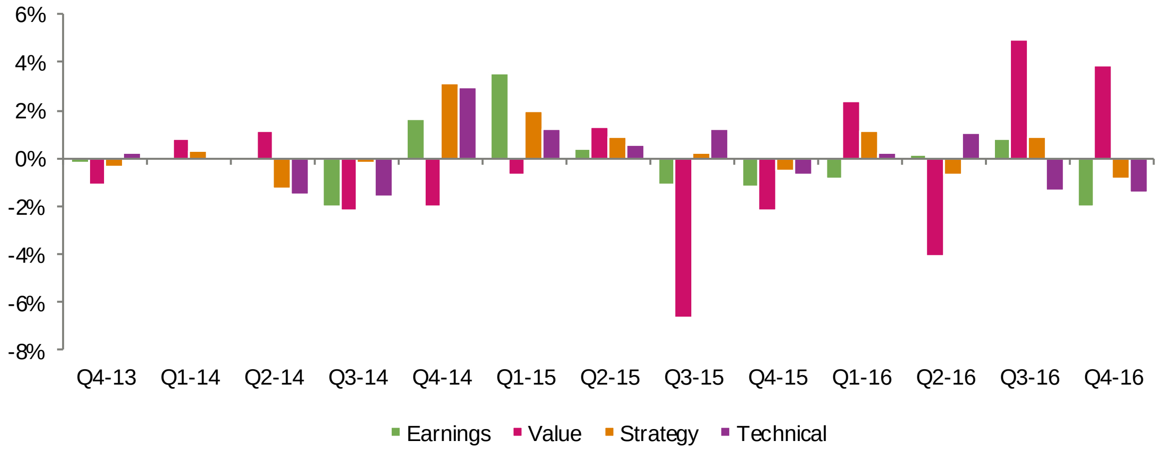
Executive summary

Quarter ended 31 December 2016

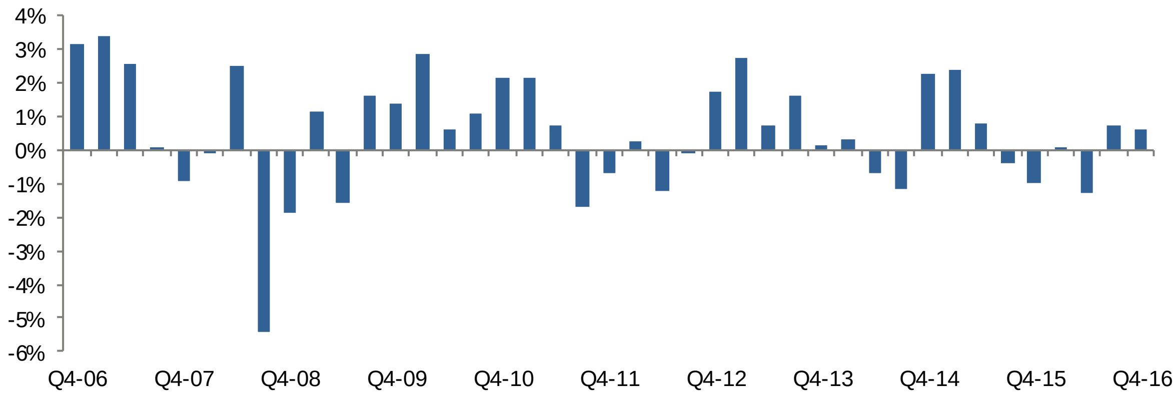
3 year rolling performance (10 years)



Individual factors vs. comparison index (3 years)



Factors combined vs. comparison index (10 years)



3 year rolling outperformance - Source: Investec Asset Management. Returns gross of fees, in GBP. Data reflects the composite performance for the strategy. Past performance should not be taken as a guide to the future, losses may be made. Returns will be reduced by deduction of management fees and other expenses incurred relative to its advisory account. For further information on indices and other data provided, please see the Important Information and Glossary sections.
Factors - Source: Investec Asset Management. The Factors combined show the relative performance of a portfolio of stocks comprising of the top quartile of ranked stocks from our four factors against the index over time. This strategy is rebalanced quarterly and has no risk constraints or transaction costs.
Comparison index: MSCI AC World NDR (MSCI World NDR pre 01/01/2011).
Investec 4Factor™ Global Equity Core Strategy inception date: 01 August 2000.

Executive summary

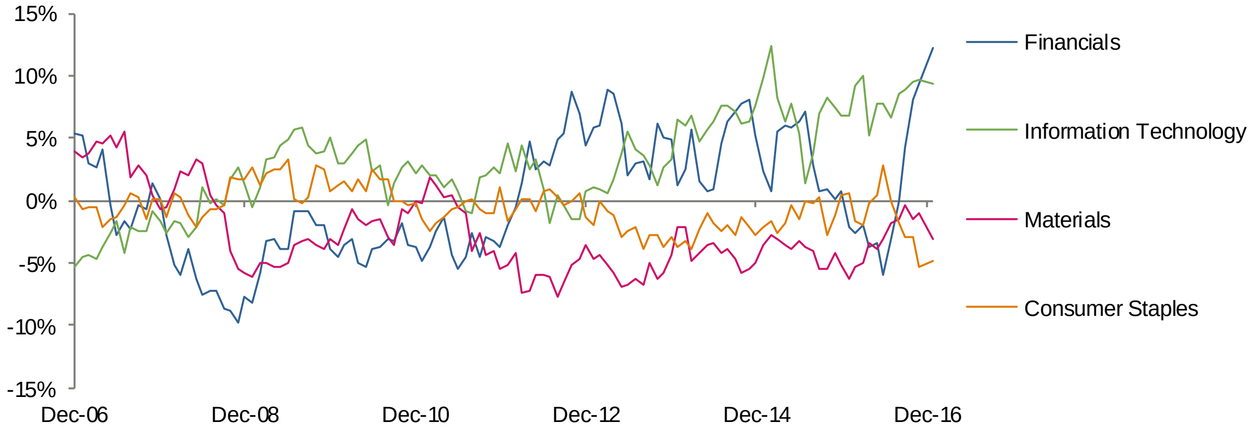
Quarter ended 31 December 2016

Market outlook

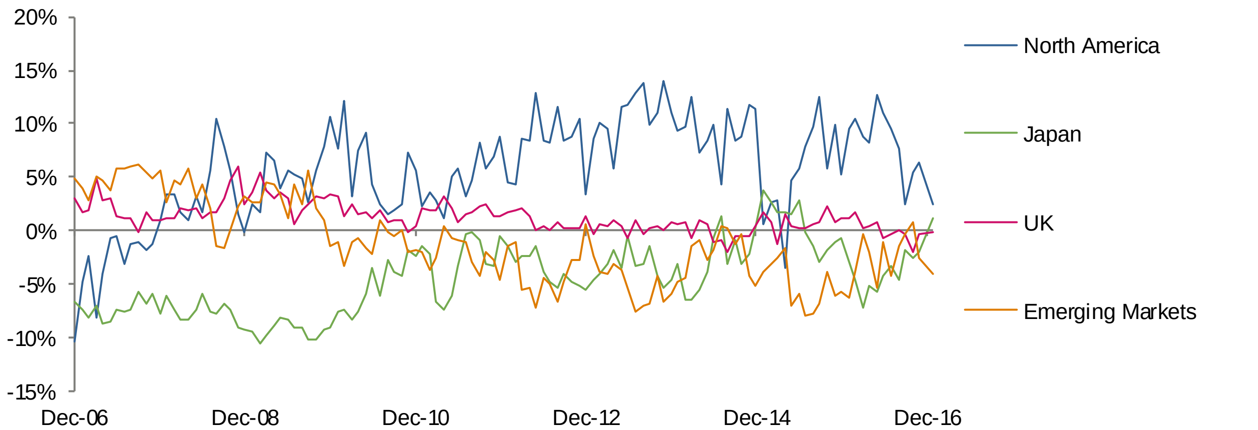
The broad expectation that a Trump victory would result in the Federal Reserve delaying plans to raise interest rates has been largely discredited. Expectations are moving towards a faster cycle of interest rate hikes in the face of the new administration's planned economic stimulus. Furthermore, recent economic data from China, Japan and Europe has proved generally stronger than market expectations. Although the case for a strong short term link between macro-economic growth and stock market performance is tenuous, we do note that corporate earnings growth (where there is a stronger correlation) is accelerating. Expectations are for US profits to grow by 3% in in the fourth quarter, extending the upward trend which began in the third quarter.

Forecasters have raised expectations for the inflation outlook. The recent shake out in the bond market shows investors are beginning to believe a turn in inflation is on the way, as longer term yields have pushed sharply higher. Central bank policy has pumped cash into the global economy through QE since the global financial crisis. This hasn't impacted inflation significantly until now because people were holding on to their money. However, if people think inflation is going to rise, they may be less inclined to put off purchases, and money will start changing hands more quickly. This itself will lead to an actual increase in inflation. The vast majority of market observers' expectations for global equity markets predict only a small increase in equity prices for the next 12 months. Also, many investment strategies out there still seem very focused on avoiding too much risk, preferring a more defensive approach. While it's certainly important to consider the risks, at this juncture our bottom up analysis suggests that there is in fact good value to be found in segments of the equity market. This is particularly apparent in those sectors which historically have proven to lead the market when risk appetite increases. These include resources, technology and financials and are areas where our momentum measures have been improving of late. Any persistence in the market's expectations for rising growth and inflation could see more money being diverted to these segments, though markets, as always remain vulnerable to geo-political upheaval.

GICS sector relative 4Factor™ steers (top and bottom 2)



Regional relative 4Factor™ steers (top and bottom 2)

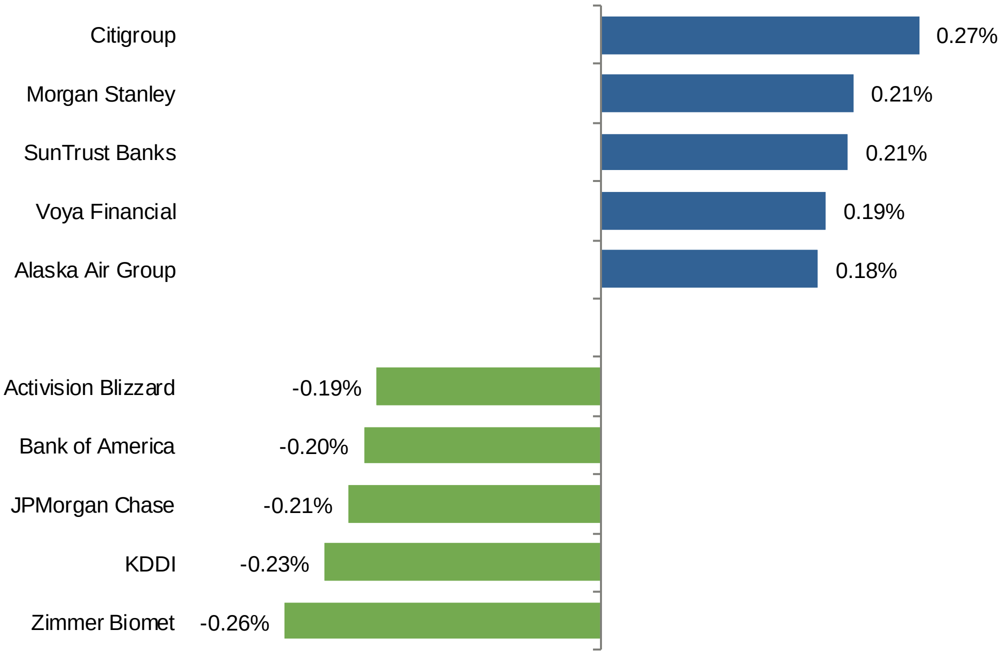


Source: Investec Asset Management.
The weights show the top quartile of 4Factor™ scores relative to the 4Factor™ universe.
An indication of where our proprietary 4Factor™ screen is identifying 'good ideas' – relative to the average or expected output for each steer.
For further information on investment process, please see the Important Information section.

Performance analysis

Quarter ended 31 December 2016

Relative holding contribution (top and bottom 5)



Top 10 holdings

	Portfolio %
Citigroup	1.8
UnitedHealth Group	1.7
PepsiCo	1.7
Comcast	1.6
Pfizer	1.6
Siemens	1.4
Cisco Systems	1.3
Nestlé	1.3
Alphabet	1.3
AT&T	1.2

Source: FactSet.
The portfolio may change significantly over a short period of time. Past performance should not be taken as a guide to the future, losses may be made.
Holding contribution reflects the top-contributing and top-detracting securities within the portfolio and should not be considered to be buy or sell recommendations.
There is no assurance that Investec Asset Management will be able to identify or secure investment in securities like those discussed.
For further information on performance analysis, investment process, specific portfolio names and indices, please see the Important Information and Glossary sections.
Holding contribution is relative to the MSCI World NDR Index.

Significant transactions

Quarter ended 31 December 2016

Purchases

Danske Bank: Danish bank with other Nordic operations. The bank had a turbulent period following the global financial crisis, however current management have done a good job of steadying the ship and rebuilding strong capital levels. Tailwinds from the economy (loan growth, provision recoveries) and self-help (cost cuts, lower funding costs) are driving up returns on equity and this looks sustainable. Changing competitive dynamics in the under-earning Danish mortgage market could meaningfully add to this and there is evidence that net interest margins will now improve from here. Danske offers the best capital return story in European banks (c100% payout ratio) and the stock trades at a discount to Swedish peers despite superior profit growth potential.

DBS: Singaporean bank. DBS has made good progress in recent years on both profitability and strengthening the balance sheet. Its capital position is now comparable to peers, it has a market leading domestic retail deposit platform and currency-matched lending leaves it well placed to take advantage of growth in the region. There is a clear strategy to expand the wealth management division, which is gaining pace and, along with its insurance distribution agreement with Manulife, enables it to offer a full spectrum of products to its clients. With the last set of results slightly above expectations and rising interest rate expectations boosting earnings forecasts, estimates are also moving into an improving trend.

Hologic: US medical technology group. While pricey acquisitions have weighed on historic returns, Hologic is on the right side of the healthcare debate with early detection of breast cancer seen as a cost saving to the US healthcare system. The company has a recently-installed management team focussed on organic growth and running a more efficient business, resulting in improving operating margins. The company also holds market leading shares in a host of diagnostic tests focussed on women's health. We believe that the valuation of the stock is reasonable for what is a good quality healthcare name.

Sales

Cap Gemini: French IT services company. The company missed third quarter sales expectations, citing business environment headwinds and a larger FX impact for the year, which has led to analyst downgrades. Although some of the issues cited are cyclical and could potentially be a deferral rather than a permanent impediment to earnings and growth, some of the challenges appear to be core execution issues in the US region due to distraction from the 2015 merger with US company IGATE.

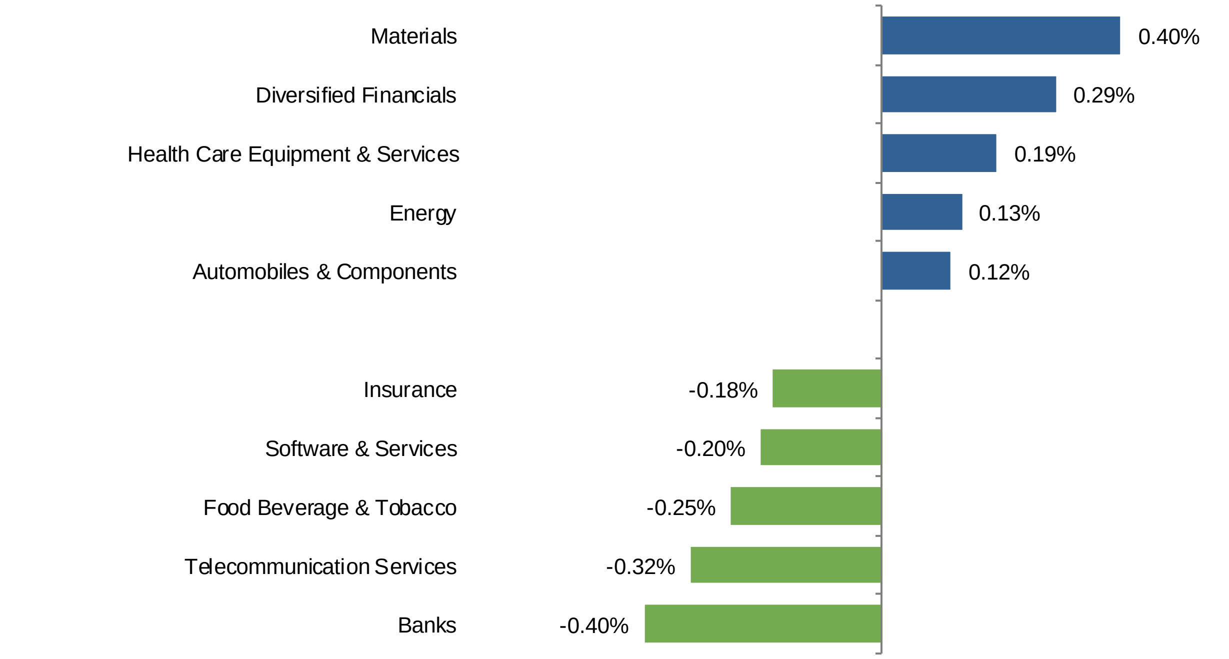
Japan Airlines: Airline. First quarter revenue and operating profit fell short of initial guidance, driven by lower-than-expected international and domestic passenger numbers as well as poor cost control. Yields fell as the Kumamoto earthquake hit domestic traffic. Elsewhere, poor business demand on North American and Chinese routes hit international revenue. On the cost side, maintenance was much higher than expected which is tied to an engine issue discovered in Feb 2016 that has required wider fleet maintenance. The company has consistently failed to make the best of a strong balance sheet and a supportive environment to return cash to shareholders. Without this, the valuation may be attractive but the returns to shareholders are uncertain.

Source: Investec Asset Management.
These holdings do not represent all of the securities purchased and sold. This is not a recommendation to buy, sell or hold a particular security.
There is no assurance that Investec Asset Management will be able to identify or secure investment in securities like those discussed.
For further information on specific portfolio names, please see the Important Information section.

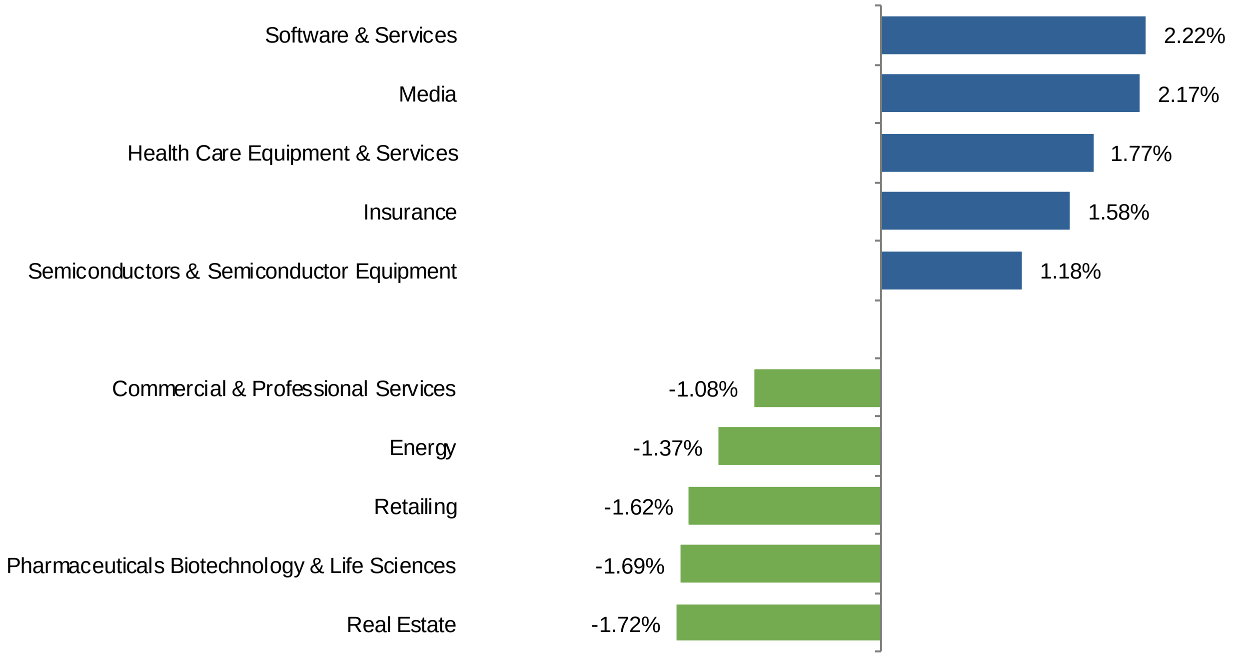
Performance analysis

Quarter ended 31 December 2016

Relative industry contribution (top and bottom 5)



Relative industry positions (top and bottom 5)

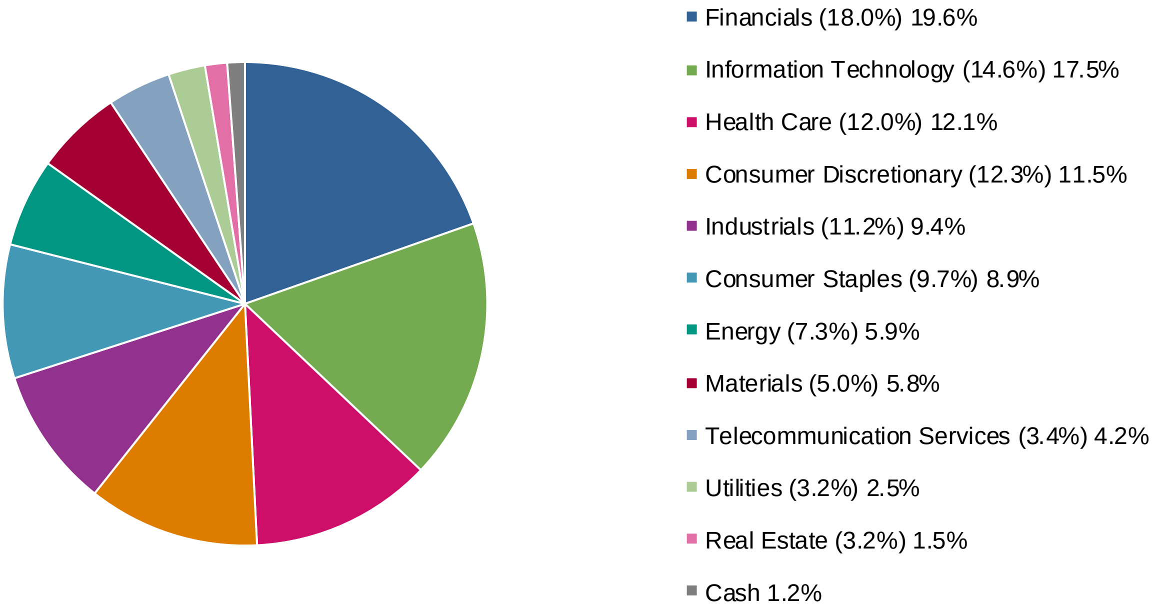


Source: FactSet.
The portfolio may change significantly over a short period of time. Past performance should not be taken as a guide to the future, losses may be made. Industry performance contribution reflects the top-contributing and top-detracting industries within the portfolio and should not be considered to be buy or sell recommendations. For further information on performance analysis, investment process and indices, please see the Important Information and Glossary sections. Industry attribution is relative to the MSCI World NDR Index.

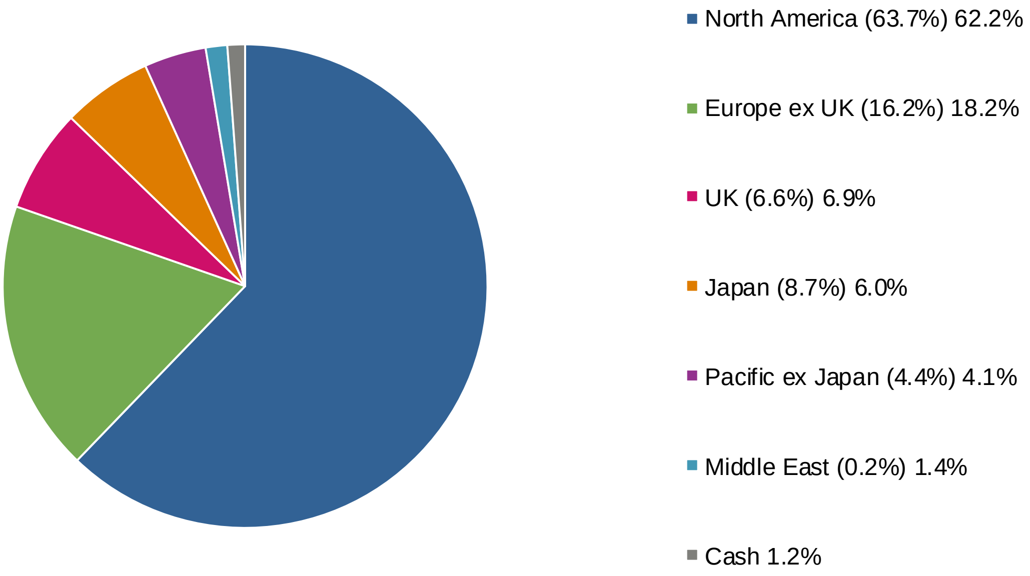
Positioning analysis

Quarter ended 31 December 2016

Sector positions



Regional allocation



Source: FactSet.
The portfolio may change significantly over a short period of time.
Figures represent the percentage portfolio allocation.
For further information on positioning analysis, investment process and indices, please see the Important Information and Glossary sections.
Figures in brackets represent the MSCI World NDR Index weighting.

Attribution analysis

Quarter ended 31 December 2016

Sector performance attribution (gross %)

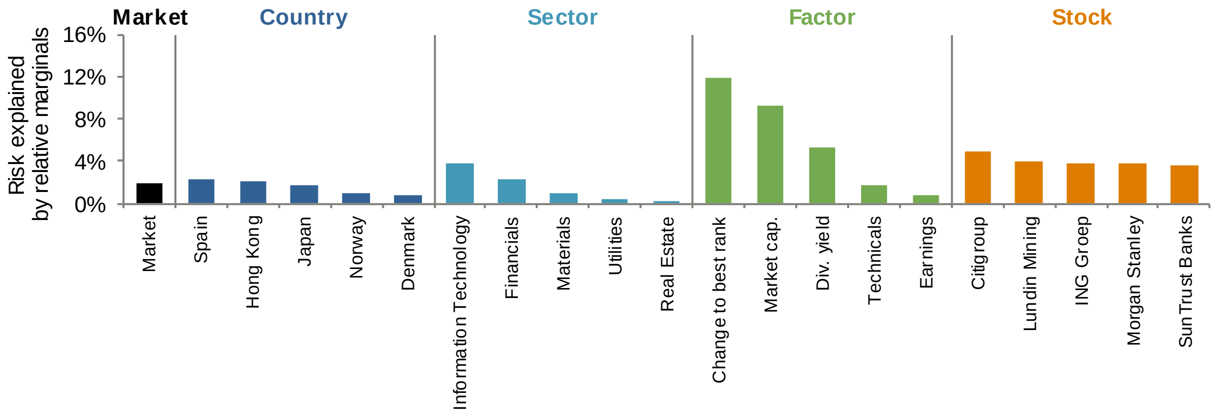
	Portfolio ending weight	Benchmark ending weight	Over / under weight	Portfolio average weight	Benchmark average weight	Portfolio total return	Benchmark total return	Allocation	Selection + interaction	Total effect
Consumer Discretionary	**11.5**	**12.3**	**-0.9**	**10.9**	**12.4**	**7.6**	**7.2**	**0.0**	**0.1**	**0.1**
Automobiles & Components	19	2.5	-0.6	19	2.5	18.5	10.2	0.0	0.1	0.1
Consumer Durables & Apparel	2.0	19	0.1	18	19	-17	4.4	0.0	-0.1	-0.1
Consumer Services	0.7	17	-10	0.7	17	14.6	8.4	0.0	0.0	0.0
Media	4.6	2.5	2.2	4.5	2.4	9.3	10.9	0.1	-0.1	0.0
Retailing	2.1	3.8	-16	2.0	3.9	13	3.9	0.0	0.0	0.0
Consumer Staples	**8.9**	**9.7**	**-0.8**	**9.6**	**10.0**	**-3.7**	**-0.8**	**0.0**	**-0.3**	**-0.3**
Food & Staples Retailing	15	2.0	-0.5	16	2.0	-19	2.5	0.0	-0.1	-0.1
Food Beverage & Tobacco	5.9	5.7	0.2	6.4	5.9	-3.5	-0.6	-0.1	-0.2	-0.3
Household & Personal Products	16	2.1	-0.5	17	2.1	-6.0	-4.2	0.1	0.0	0.0
Energy	**5.9**	**7.3**	**-1.4**	**5.6**	**7.0**	**17.2**	**12.8**	**-0.1**	**0.2**	**0.1**
Energy	5.9	7.3	-14	5.6	7.0	17.2	12.8	-0.1	0.2	0.1
Financials	**19.6**	**18.0**	**1.6**	**18.1**	**17.3**	**18.4**	**20.5**	**0.1**	**-0.4**	**-0.3**
Banks	9.0	9.6	-0.6	7.7	9.1	22.5	24.7	-0.2	-0.2	-0.4
Diversified Financials	4.9	4.3	0.6	4.7	4.2	24.2	18.0	0.0	0.2	0.3
Insurance	5.7	4.1	16	5.7	4.0	8.8	14.0	0.1	-0.3	-0.2
Health Care	**12.1**	**12.0**	**0.1**	**12.4**	**12.3**	**0.6**	**-0.5**	**0.0**	**0.1**	**0.1**
Health Care Equipment & Services	5.5	3.7	18	5.2	3.8	6.1	0.7	-0.1	0.3	0.2
Pharmaceuticals Biotechnology & Life Sciences	6.7	8.3	-17	7.2	8.6	-3.0	-10	0.1	-0.1	-0.1
Industrials	**9.4**	**11.2**	**-1.9**	**9.5**	**11.3**	**7.7**	**7.3**	**0.0**	**0.0**	**0.0**
Capital Goods	8.2	8.0	0.2	8.2	8.0	6.2	7.9	0.0	-0.1	-0.1
Commercial & Professional Services	0.0	11	-11	0.0	11	0.0	19	0.1	0.0	0.1
Transportation	12	2.2	-10	12	2.2	17.4	7.9	0.0	0.1	0.1
Information Technology	**17.5**	**14.6**	**2.9**	**18.1**	**14.8**	**3.9**	**5.3**	**-0.1**	**-0.3**	**-0.3**
Semiconductors & Semiconductor Equipment	3.5	2.3	12	3.6	2.3	5.8	9.9	0.0	-0.1	-0.1
Software & Services	10.5	8.3	2.2	11.1	8.5	2.8	3.6	-0.1	-0.1	-0.2
Technology Hardware & Equipment	3.5	4.0	-0.5	3.5	4.0	5.6	6.4	0.0	0.0	0.0
Materials	**5.8**	**5.0**	**0.8**	**5.4**	**5.0**	**16.6**	**8.2**	**0.0**	**0.4**	**0.4**
Materials	5.8	5.0	0.8	5.4	5.0	16.6	8.2	0.0	0.4	0.4
Telecommunication Services	**4.2**	**3.4**	**0.9**	**4.3**	**3.3**	**-2.5**	**3.5**	**-0.1**	**-0.3**	**-0.3**
Telecommunication Services	4.2	3.4	0.9	4.3	3.3	-2.5	3.5	-0.1	-0.3	-0.3
Utilities	**2.5**	**3.2**	**-0.7**	**2.5**	**3.2**	**-3.3**	**1.9**	**0.0**	**-0.1**	**-0.1**
Utilities	2.5	3.2	-0.7	2.5	3.2	-3.3	19	0.0	-0.1	-0.1
Real Estate	**1.5**	**3.2**	**-1.7**	**1.9**	**3.2**	**-6.6**	**-1.1**	**0.1**	**-0.1**	**0.0**
Real Estate	15	3.2	-17	19	3.2	-6.6	-11	0.1	-0.1	0.0

Source: FactSet.
The portfolio may change significantly over a short period of time. Past performance should not be taken as a guide to the future, losses may be made.
Performance differentials between the portfolio and the attribution analysis can be due to expenses, timing differences, calculation methodology and rounding.
For further information on attribution analysis, investment process and indices, please see the Important Information and Glossary sections.
Attribution for the portfolio versus the MSCI World NDR Index.

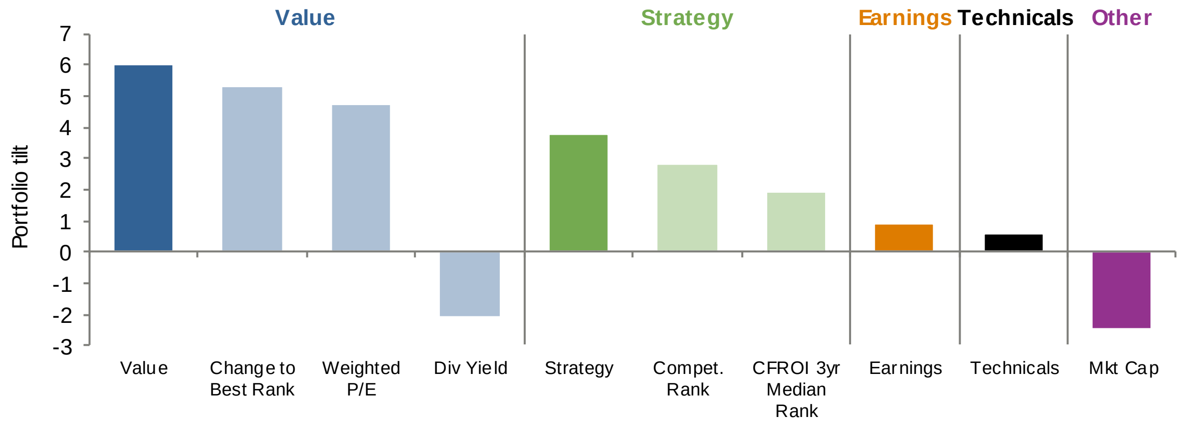
Factor exposure and risk management

Quarter ended 31 December 2016

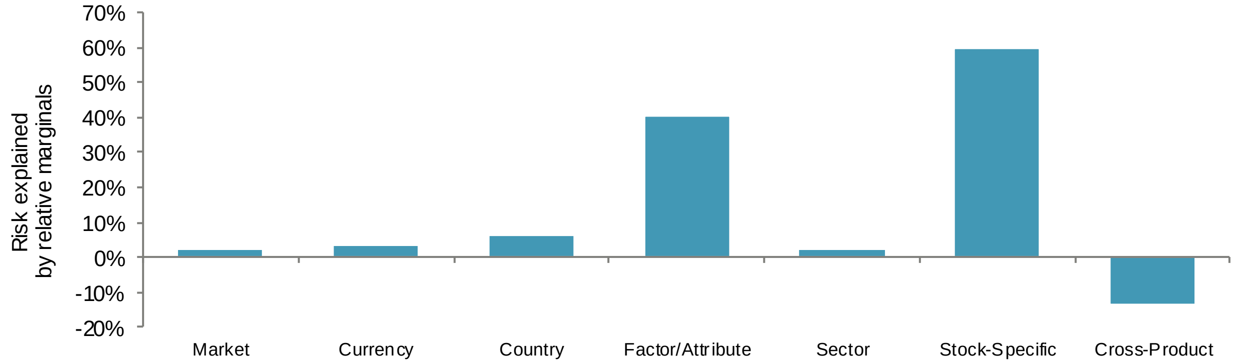
Contribution to tracking error (top 5)



Factor exposure



Tracking error decomposition



Active share: 82.5%
Tracking error: 2.0%
Portfolio beta: 1.02

Source: Investec Asset Management. The portfolio may change significantly over a short period of time. Information is provided for reference only and not intended as a representation or warranty by us as to the actual composition or performance of any future investment. Diversification does not protect against a loss or ensure a profit. Equity securities are subject to price volatility. EMA risk report snapshot: Units show how significant the portfolio's exposure is to the given attribute. Risk report run on a custom EMA template – we believe the template to be reliable, however we make no undertaking in this regard. For further information on portfolio data, investment process, specific portfolio names and other data provided, please see Important Information and Glossary sections.

4Factor™ update

Quarter ended 31 December 2016

4Factor™ Equities team update

In December, Wanyi Yao decided to leave the firm after three years of helping us build our China capability as co-manager of our All China Fund with Greg Kuhnert. Wanyi is going to take some time out and attend to some family business matters and we wish her the best in this endeavour. Our efforts to build our capability in China continue unabated. Greg will continue as the primary portfolio manager responsible for the fund. Wenchang Ma relocated to Hong Kong in November, and from December has stepped up to serve as the assistant strategy leader for the All China Fund. We are looking to hire more expertise to support the team, which has built up an outstanding performance history for the All China Fund and we will celebrate our three year track record for China this year.

From the start of 2017, Charlie Linton has stepped up to become the co-manager of the team's Asia Pacific products, alongside Greg Kuhnert.

In December we completed the switch from using the former Investec 'Super-Sectors' to the widely accepted Global Industry Classification Standards (GICS) sector structure. This has minimal implications on the management of our team or strategies, and rather reflects client and industry expectations to monitor and report on portfolio exposures on a GICS basis.

For further information on investment team, please see the Important Information section.

Environmental, Social and Governance review

Quarter ended 31 December 2016

Every quarter we provide an update on relevant business and industry developments, developments in our investment teams, and highlights of our engagement and proxy voting activities.

ESG integration and creating sustainable value

A new year is a good opportunity to reflect on the work to date as well as consider strategies and plans for the year ahead. For the past six years, the ESG team has used this time to set increasingly challenging targets and plans. It is exciting to think that at this point we are focusing less on building systems and tools and more on ways to make ESG integration more meaningful together with the investment teams. No longer are ESG considerations just for equities but developments across other asset classes, including fixed income and multi-asset, have been encouraging. An exciting development during 2016 was the increased focus on private markets, and especially a new fund at Investec Asset Management, Emerging Africa Infrastructure Fund (EAIF), which invests in infrastructure across Africa, often from a greenfield basis. In many ways, this is a pure form of impact investing seeking real developmental contributions.

Our clients across the world are increasingly focusing on ESG as part of their manager selection and evaluation processes. A similar shift can be seen across consultants and investment platforms such as Morningstar, which is now providing fund ratings derived from Sustainalytics research. The combination of increasing insight into our clients' priorities together with deeper involvement by the investment teams has allowed us to further develop our integration strategies to consider both climate change and sustainable development goals. Following IAM's investment offsite in late 2016, we agreed to develop tailored integration programmes for the coming year, exploring six key areas of evaluation and improvements: communication; innovation; monitoring; active ownership; use of research, tools and data; and participating in the debate.

All teams will commit to a set of deliverables that will be overseen by the investment team head and discussed later on in 2017. We believe this next step will help us achieve more accountability and ownership within the investment teams and support further discussion and analysis of ESG within the traditional investment process.

Integrating ESG in Investments

Last quarter we profiled some of the work being done by our 4Factor team. This quarter we would like to highlight an example from the Quality team.

In November our analysts visited Unilever's main manufacturing and R&D facility in the UK based at Port Sunlight, the Wirral, as part of the company's annual Investor Day. Unilever is best known for its dominance in the food & beverage and home & personal care industries, with most consumers all too familiar with big global brands such as Dove, Lipton, Surf and Hellman's, each of which generates in excess of €1 billion in annual sales for the company. However, what often goes largely unnoticed are the company's great strides in improving its environmental footprint in the manufacturing and distribution of its consumer goods products. This has been the focal point of the Unilever Sustainable Living Plan (USLP), first formally implemented in 2010, and which built upon the company's prior efforts to, among other factors, reduce its carbon footprint, water usage and waste production. Port Sunlight itself is just one of Unilever's hundreds of manufacturing facilities across the globe but is at the forefront of the company's sustainability activities, such as its goal of being 'carbon positive' by 2030 (i.e. 100% of Unilever's energy will come from renewable sources with the intention to generate more renewable energy than is consumed, with the surplus available to the markets and communities in which the company operates).

In fact, such steps have been made in reducing the company's own environmental footprint that now the focus is increasingly shifting to the way in which Unilever can reduce the footprint of its consumers. The invention of 'compressed' deodorants is just one example of the way Unilever has reduced product packaging, but other examples include 'MuCell technology' for extrusion blow moulding which reduces the amount of raw materials required for plastic bottles.

This is one example of how long-term sustainability may be considered in formulating a view on a company. For our Quality capability, for example, the sustainability attributes of Unilever's business only enhances the quality characteristics in terms of ongoing cash generation and returns on capital. Unilever has been a core holding for the Global Franchise Fund since its inception in April 2007.

Active ownership

For the coming year, engagements will play a key role. Strategically, we will focus on a few key areas such as climate change, governance reform in emerging markets and diversity. We will also continue to respond to consultations from companies, and we expect these to increase in number.

Proxy voting is run through a stable process and we will expand our polices to better respond to the increasing number of shareholder resolutions relating to environmental issues, such as climate change reporting, and shareholder rights, such as executive compensation and proxy access.

There are many consultations underway across markets and we intend to provide feedback to many of these. The UK government is for example seeking feedback on a consultation about corporate governance in the UK. Asian stock exchanges are consulting shareholders for feedback on their governance guidelines and new stewardship codes. We also expect other organisations to play an increasingly important role with investors, such as the OECD, UN Sustainable Development Goal programme and non-governmental organisations to name a few.

Finally, we are planning to provide more training and development for the investment teams through arranging a range of internal seminars on ESG issues. We believe that this will be an important contribution to existing data and research and encourage more debate and discussions.

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

Glossary

Factors: A stock classification system which define the 4Factor™ investment process. Investec Asset Management use four factors (traditional and behavioural) to rank the universe.

Sector: The stock classification system used by Investec Asset Management's 4Factor™ team is the Global Industry Classification Standard (GICS®). This is a four-tiered, hierarchical industry classification system.

Relative performance: Relative performance is the difference between the absolute return achieved by the stock and the return achieved by the performance comparison index.

Relative positions: Relative positions is the difference between the portfolio weight and the performance comparison index weight for any stock, sector or country.

Attribution analysis: Attribution analysis is a process used to analyse the absolute return and the excess return between a portfolio and its performance comparison 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.

Active share: A measure of difference between the portfolio holdings and the benchmark. Calculated as the sum of absolute active weights divided by 2.

Tracking error: A measure of how much a fund's returns deviate from those of its performance comparison index. The lower the number the closer the fund's historic performance has followed that of its performance comparison index.

Portfolio beta: A measure of the volatility of a fund relative to its performance comparison index, i.e. how sensitive the fund is to movements in the market. A figure greater than 1 indicates that the fund will tend to outperform in a rising market and under perform in a falling one, i.e. is more volatile than the market. The reverse applies to a Beta of less than 1.

EMA: Expectation Maximisation Applications. This third-party risk system allows for a wide range of instruments to be modelled and provides risk measurement and reporting for equity, fixed income and mixed asset portfolios. EMA creates specific stress tests for a portfolio, based on average factor exposures, on an absolute and benchmark-relative basis.

HOLT: This third-party platform is a equity valuation tool which facilitates the aggregation of markets, indices, sectors and industries.

Indices

MSCI World: The MSCI World Index is a market capitalisation weighted index which captures large and mid-cap representation across a number of developed markets. Maintained by Morgan Stanley Capital International.

MSCI AC World: The MSCI All Country World Index is a market capitalisation weighted index designed to provide a broad measure of equity-market performance throughout the world. Comprised of stocks from developed and emerging markets. Maintained by Morgan Stanley Capital International.

MSCI AC World ex US: The MSCI All Country World ex-US Index is a market capitalisation weighted index designed to provide a broad measure of equity-market performance throughout the world with the exception of the United States. Comprised of stocks from developed and emerging markets.

MSCI AC Asia ex Japan: The MSCI AC Asia ex Japan Index is a market capitalisation weighted index which captures large and mid-cap representation across both developed and emerging countries in Asia (excluding Japan). Maintained by Morgan Stanley Capital International.

MSCI AC Asia Pacific ex Japan: The MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across developed market countries (excluding Japan) and emerging markets countries in the Asia Pacific region. Maintained by Morgan Stanley Capital International.

MSCI Europe: The MSCI Europe Index is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed markets in Europe. Maintained by Morgan Stanley Capital International.

MSCI Emerging Markets: The MSCI Emerging Markets Index is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. Maintained by Morgan Stanley Capital International.

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Investment Process

Any description or information regarding investment process or strategies is provided for illustrative purposes only, may not be fully indicative of any present or future investments and may be changed at the discretion of the manager without notice. References to specific investments, strategies or investment vehicles are for illustrative purposes only and should not be relied upon as a recommendation to purchase or sell such investments or to engage in any particular Strategy. Portfolio data is expected to change and there is no assurance that the actual portfolio will remain as described herein. There is no assurance that the investments presented will be available in the future at the levels presented, with the same characteristics or be available at all. Past performance is no guarantee of future results and has no bearing upon the ability of Manager to construct the illustrative portfolio and implement its investment strategy or investment objective.

Performance Target

The target is based on Manager's good faith estimate of the likelihood of the performance of the asset class under current market conditions. There can be no assurances that any Strategy or Fund will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance of Fund investments and the Fund overall may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns may be expected to change over time and may differ from previous reports.

Specific Portfolio Names

References to particular investment or strategies are for illustrative purposes only. Unless stated otherwise, the specific companies listed or discussed are included as representative of the Strategy or Strategies. Such references are not a complete list and other positions, strategies, or vehicles may experience results which differ, perhaps materially, from those presented herein due to different investment objectives, guidelines or market conditions. The securities or investment products mentioned in this document may not have been registered in any jurisdiction. More information is available upon request.

Indices

Indices are shown for illustrative purposes only, are unmanaged and do not take into account market conditions or the costs associated with investing. Further, the manager's strategy may deploy investment techniques and instruments not used to generate Index performance. For this reason, the performance of the manager and the Indices are not directly comparable.

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investment decision and may not be relied on as such.

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Other

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QUARTERLY REPORT Q4 2016

CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

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EXECUTIVE SUMMARY
Q4 2016

MARKET

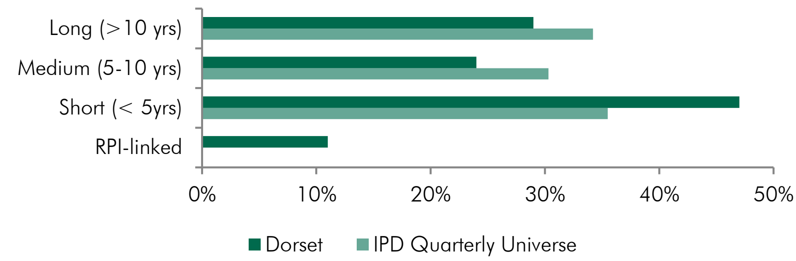
The UK economy and property market enter 2017 in a much stronger position than anticipated just six months ago. However, rules of engagement between Britain and the EU are only beginning to be drawn and it will be a further two years, at best, before a clearer picture exists. Acrimony, volatility and uncertainty are likely to cloud the outlook and complicate investment decisions in the interim.

It is anticipated that all property performance in 2017 will be broadly comparable to 2016 with modest capital value falls and income driving returns. Against this backdrop we will continue to focus on proactively managing income and lengthening leases, to continue to improve the defensive quality of the portfolio.

PORTFOLIO

Over the quarter, two lease renewals completed achieving rental growth between 17% and 20%. The low void rate has been maintained at 2.6%. A void rate at this level is unsustainably low in the long term, however, coupled with a long AWULT (9.3 yrs to break) and the strategic increase in the exposure to secure index-linked income streams, this provides a robust income profile to help weather anticipated market turbulence. During Q4 2016 there were no purchases or sales. Three properties staircased from the Derwent Shared Ownership portfolio during the quarter.

LEASE LENGTH



GEOGRAPHICAL STRUCTURE

London & SE	43%
Eastern	16%
South West	10%
Midlands	8%
North	14%
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	£215.0m	25
UK Indirect	£24.2m	2
Total value of portfolio	**£239.2m**	

NIY / EY	5.0% / 6.0%
Vacancy rate	2.6%
AWULT to expiry (to lease break)	9.7 yrs (9.3 yrs)
Largest asset	Woolborough Lane IE, Crawley (both £18.2 / 8.4% direct portfolio)
Largest tenant	ACI Worldwide EMEA (£1,070,000 / 7.9% of portfolio rent)

Performance

	Portfolio	Benchmark	Relative
Q4 2016 %	1.4%	2.2%	-0.8%
1 Year % (2015-2016)	4.7%	3.6%	1.1%
3 Year % pa (2013-16)	12.3%	11.4%	0.8%
5 Year % pa (2011-2016)	10.4%	9.5%	0.8%

Transactions

	Q4 2016
Money available	£20.0m
Purchases	£0.0m
Sales	£0.2m
Committed Equity (Cambs)	£12.7m

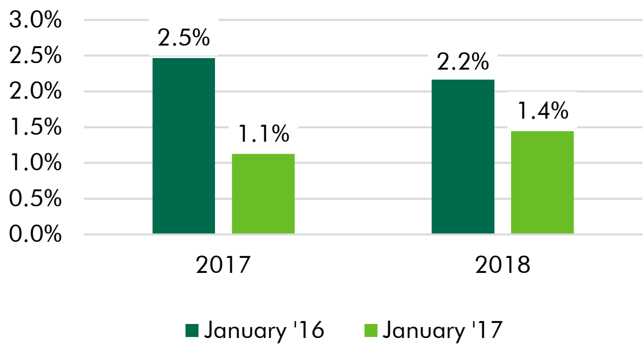
2.0 MARKET COMMENTARY

UK ECONOMIC OUTLOOK

We find ourselves in a most perplexing operating environment. Over the past year political uncertainty has changed so often and in such a pronounced manner. Domestic economic activity is surprising to the upside, due in part to low expectations but also the powerful buffering effect of a depreciating currency. While property markets have become rather boring: what little distress existed during "peak fear" in July saw an orderly resolution and both yields and vacancy rates have remained remarkably stable.

We are coming to accept that Brexit may no longer be the greatest threat to the UK economy and property market. However, this is hardly a consolation as focus now shifts to the numerous potentially destabilising forces elsewhere in the world today. On the domestic front, mounting consumer credit, a burgeoning current account deficit and the fall in Sterling have the potential to coalesce in a particularly painful fashion. This translates to a growth outlook in 2017-18 which is approximately half of what it was a year ago (Figure 1). Looking further afield, Europe's 2017 election cycle could easily see a repeat of last's year's populist successes, ushering in further market volatility and dislocating capital markets. Geopolitical tensions too have taken on a new-found animation. Whilst we believe the UK is generally well-positioned on the world stage and will remain a fundamentally sound place to invest in commercial real estate, any urgency to do so now has receded.

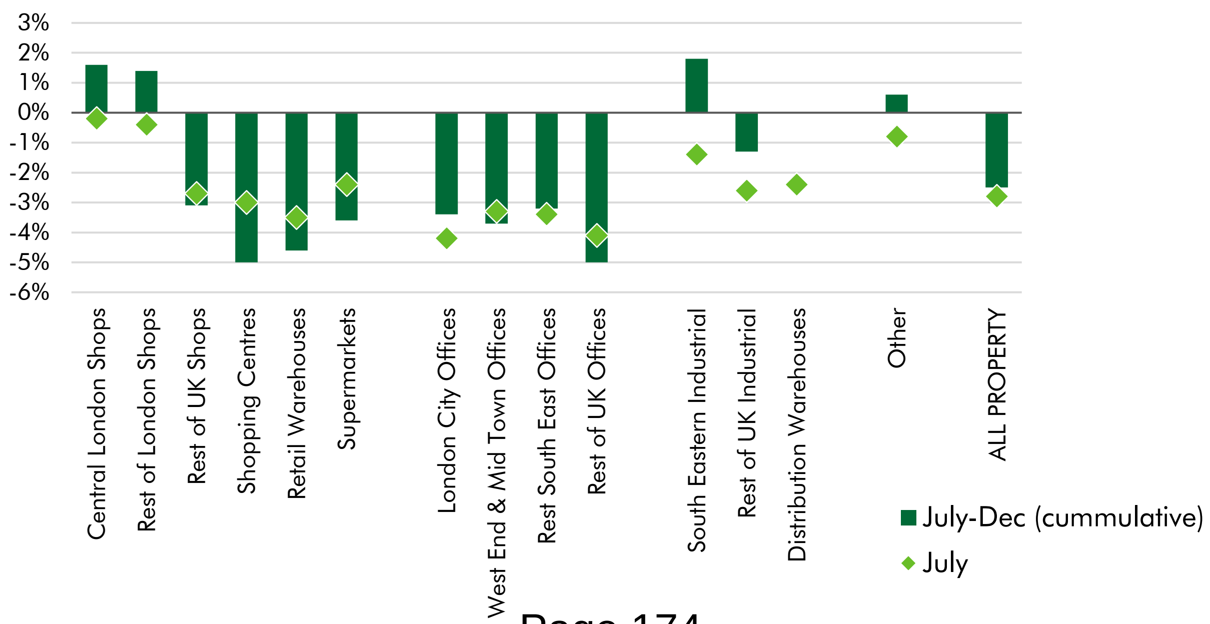
Figure 1 Comparative UK GDP forecasts, % p.a.
Source: Oxford Economics



UK PROPERTY PERFORMANCE

It may be easy to paint many pessimistic scenarios which could have negative repercussions for UK property, but for the time being performance is holding up reasonably well. In fact capital values actually rose in multiple property sectors in the final months of the year (Figure 2). According to the MSCI monthly index, the all property total return in Q4 2016 was 2.6%, nearly reversing the previous quarter's decline. Given the increase to stamp duty and flat

Figure 2 Capital value movements since the 2016 EU Referendum, %



capital values earlier in the year, the annual total return was coincidentally 2.6% as well. As has been a reoccurring theme, industrials proved to be the most resilient sector, delivering a quarterly return of 4.2%. Retail and offices both underperformed the broader market delivering returns of 1.9% and 2.2%, respectively.

Occupier Markets

The sound economic backdrop remains supportive of occupier markets throughout much of the country. Underpinned by a lack of modern supply, the physical vacancy rate at an all property level was static in the second half of 2016. The South East industrial market is arguably best positioned. Existing stock is being replaced with higher value land uses and eCommerce is providing a strong structural uplift to demand.

The London office market is holding up well after a notable pause during the middle of last year. While rental growth is clearly decelerating on the MSCI index, we are seeing new enquiries for space in both central and fringe locations. Despite recent activity, we continue to feel that London offices are vulnerable to Brexit-related uncertainty and a slower growth environment. This is already being reflected at the very prime end of the market where the negotiating position is shifting in favour of the tenant and headline rents are under pressure.

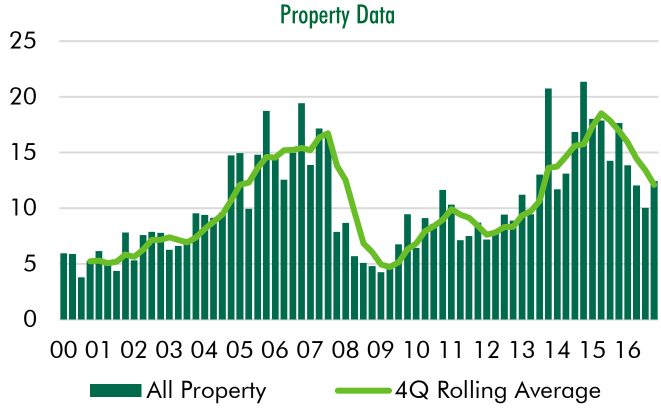
The retail sector continues to see the most polarising tenant activity. Demand for well-configured in-town units in top quartile towns such as Brighton, Guildford and York has been robust, while certain retail formats are genuinely benefiting from retailers linking up and offering mutually beneficial click-and-collect services. This is contrasted by demand for more prosaic retail formats, which the UK has an oversupply of. We hold a cautious stance toward retail warehousing. There have been no new entrants of scale in recent years and all too often available unit sizes rarely meet the few requirements that exist in the market.

As flagged in previous commentaries, the impending business rates revaluation is beginning to register with tenants. Taking effect from April of this year, the impact will be not be symmetrical across UK property markets: London, top-tier retailing pitches and supermarkets will see the greatest uplift and benefit less from transitional relief. New entrants to London and low margin food and beverage operators, in particular, have begun to voice concerns about punitive occupational costs.

Capital Markets

Property investor appetite returned in Q4 after an understandable mid-year lull. With £12.4bn transacted, quarterly volumes were comparable to post-GFC levels, though nearly 30% off of 2015's historic outturn (Figure 3). Continuing a recent trend, and consistent with our house activity, domestic institutions, have been net sellers; overseas capital remained highly selective and focused on London while private property companies created liquidity for secondary assets.

Figure 3 Overall Market Transactions by Sector, £bn. Source: Property Data



The London commercial property market is doing well though it does feel somewhat fragile. With no forced sellers, motivated one-off buyers are propping up historically high values. Led by Asian investors, CBRE reports that more international capital is targeting London now than a year ago. While this could continue to have a stabilising effect on prime yields, recent evidence suggests that these investors will be discerning. We are however encouraged by the fact that investors from around the world are compelled to London. We can categorically say that Brexit has not resulted in the city losing its standing as a preeminent destination to invest in property.

The hottest sector at the moment is South East industrials, which is underpinned by a compelling structural story. However, a lack of available supply has resulted in institutional investors bidding down yields to what in some cases are record low levels. This may present an opportunity during the coming year to sell into such enthusiasm.

Commensurate with direct property markets, the indirect funds space is faring better. The valuation penalties that were placed on open-ended retail property funds in the weeks after the EU referendum vote have now been removed, some have posted marginal net capital inflows, while at least one is making new acquisitions. Institutional funds have proven relatively unscathed by Brexit. Modest discounts to underlying NAVs are evaporating, there were no meaningful redemptions in Q4 and consultants appear keen to allocate to UK balanced funds.

Outlook

The UK economy and its property market enter 2017 in a much better position than we would have anticipated just six months ago. In large part this is because Brexit is proving more of a political construct rather than dictating business decisions. But that lies ahead. The rules of engagement between Britain and the EU are only beginning to be drawn and it will be a further two years, at best, before a clearer picture exists. Acrimony, volatility and uncertainty will cloud the outlook and complicate investment decisions.

Against this backdrop we remain risk off: the strategic focus over the coming year should be proactively managing income and lengthening leases, selling wisely into perceived irrational exuberance and having a strong structural story for new acquisitions. We anticipate all property performance in 2017 to be broadly comparable to last year with modest capital value falls and income being the primary driver of returns. But 2017 is also likely to be a year of price discovery, which could mean that compelling buying opportunities begin to arise sooner than is currently anticipated. However, we feel that it is too early to be contrarian.

3.0 STRATEGY

Information in respect of the strategy for the Fund.

Size	▪ Target portfolio size £260 million. (Currently £239.2m).
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 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*	£215.0m	(90%)
UK indirect**	£24.2m	(10%)
Total value of portfolio	£239.2m	(100%)

*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	25	25-30
Number of tenancies*	76 with a further 3 units void	70-100
Net initial yield	5.0% p.a.	Above benchmark
Vacancy rate (% of rent)	2.6%	Below benchmark
Rent with +10 years remaining	26.1% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	8.2% of total rent	Minimum 10% of total rent
Largest property (% of value)	8.4% (Woolborough Lane IE, Crawley)	Below 10%
Largest tenant (% of rent)	9.3% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	80% / 20%	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 4.9% as at Q4 2016. The portfolio net initial yield as measured by IPD is currently 5.0%. The margin over the benchmark has stayed the same during the quarter. The portfolio yield has reduced in general over the last year due to stronger market conditions and the acquisition of a lower yielding property which delivers secure RPI linked income. This has added to the quality of the income stream from the portfolio. In addition, moving Charlotte House, Newcastle to a direct let basis has reduced the income from this asset.

ACTION – the portfolio's initial yield currently is 10 basis points above the Benchmark IPD Quarterly Universe. In order to improve the yield gap further our ongoing focus is to enhance the portfolio income, principally by:

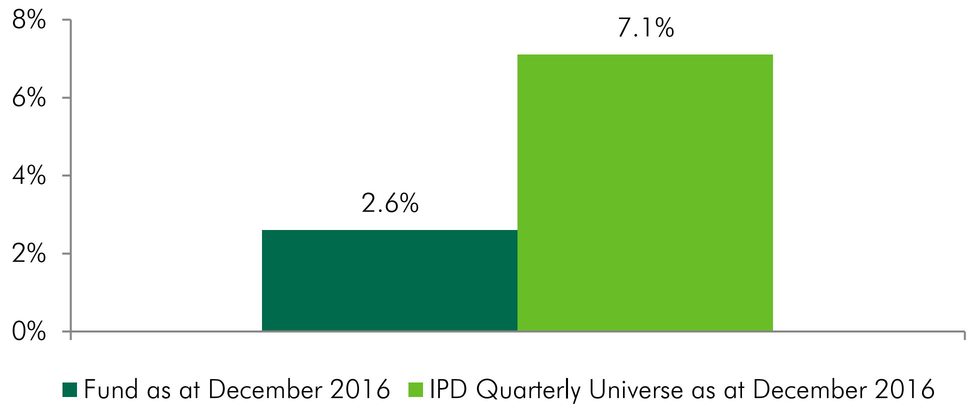
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.0%	4.9%
Equivalent yield p.a.	6.0%	5.9%
Income return over quarter	1.2%	1.2%

VACANCY RATE

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

The vacancy rate currently amounts to 2.6% of ERV, less than half the amount in the benchmark. There were no additional vacancies during the quarter. The portfolio's void rate comprises an industrial unit and service yard at Phoenix Park (Unit 7) and two office floors at Pilgrim House, Aberdeen.



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

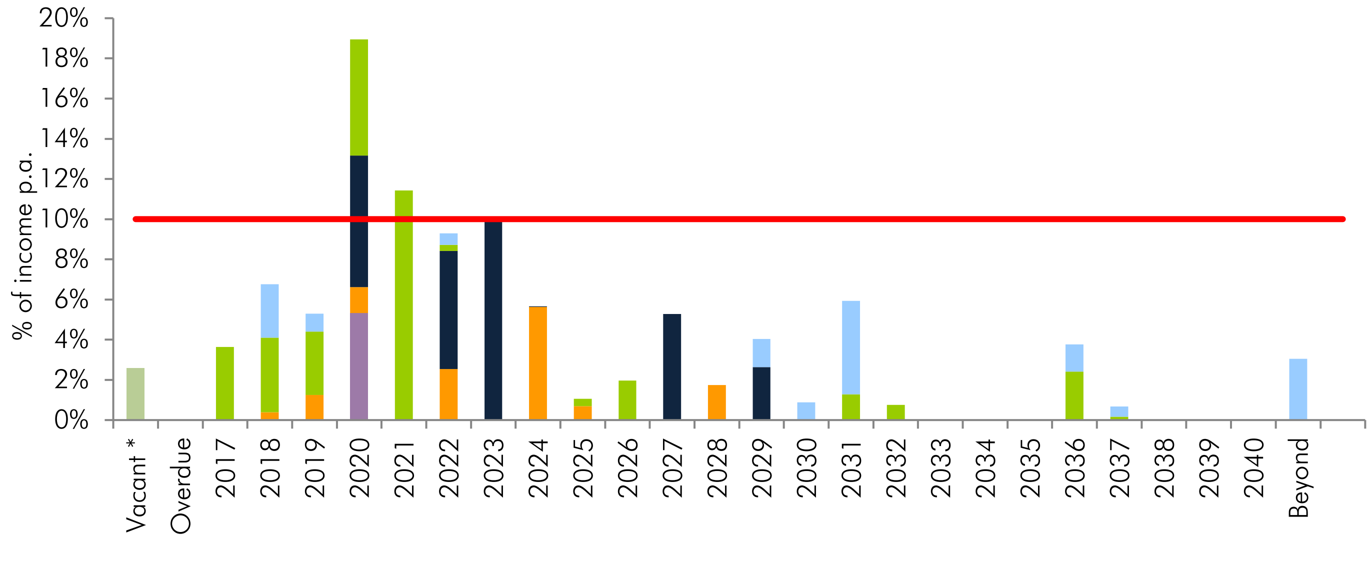
AIM – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.7	9.3	9.8
Benchmark	12.4	11.5	12.8

*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 lease expiry spike that had presented itself in 2015 has moved to 2020 following a number of lease renewals and asset management initiatives. The vast majority of the expiries in 2020 are already being discussed. Neogtiations are progressing with Tesco to agree a lease regear on their unit in Sheffield. Their lease currently expires in October 2020 but we are discussing options for a reversionary lease of either fifteen or twenty years. This represents 5.3% out of the 18.9% of income currently expiring in 2020.



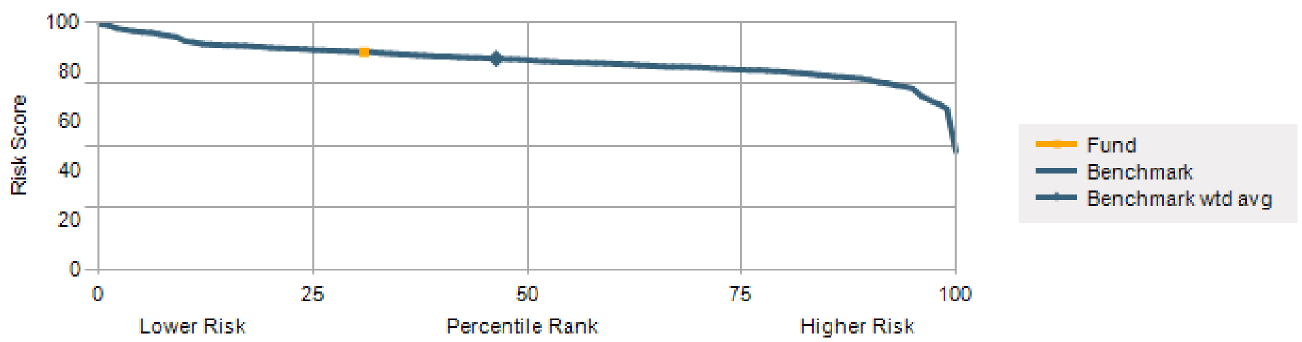
* Vacancy rate expressed as percentage

ACTION – seek to extend the average lease length through the active management of lease events in the portfolio. Aim to establish a "dumbbell" shaped expiry profile to allow short term asset management to be 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 December 2016. The Fund is in the second quartile with a Weighted Risk Score on the 30.9th percentile. The score has improved since Q3 (34.3th percentile) and is ahead of the benchmark, demonstrating that the covenant risk of the portfolio is below the average benchmark risk. IPD IRIS risk weightings are as at December 2016.



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

INCOME AND 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.

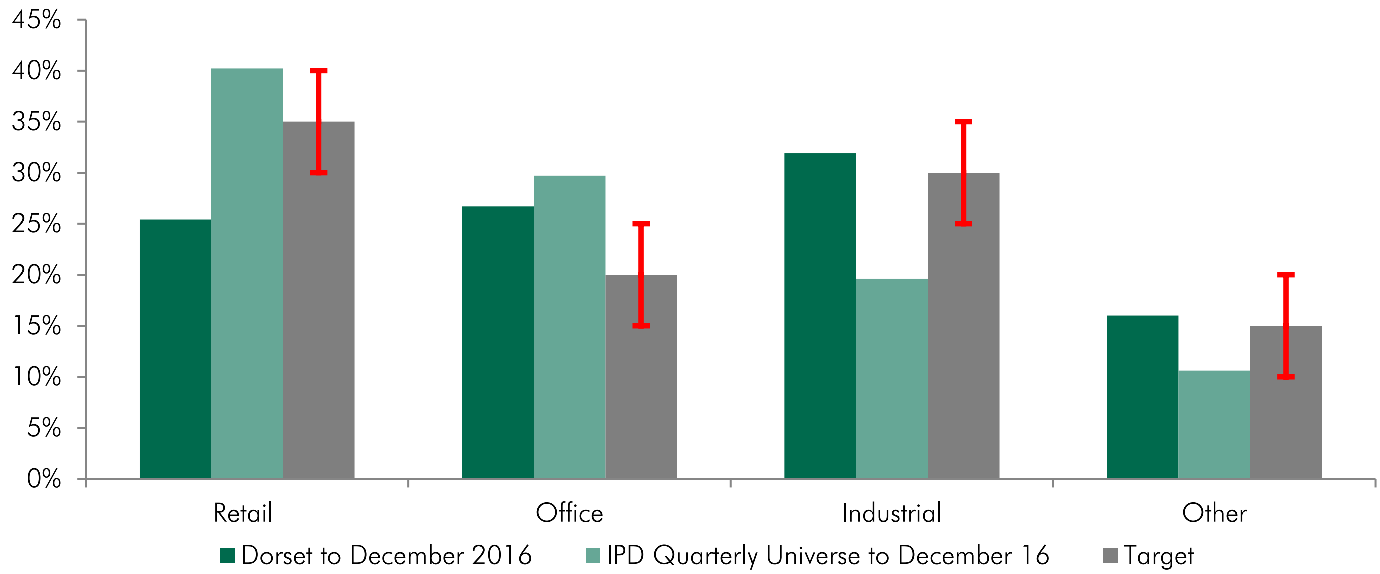
The portfolio was reaching this target, but during Q3 the amount of HLV income decreased. This was due to the forfeiture of the lease at Charlotte House, Newcastle so the rent is now on a direct let basis and therefore subject to fluctuations. At an appropriate time with any additional capital sums the manager will seek to increase the portfolio weighting to RPI/ Index linked income. However at 14% this is still a good proportion of the portfolio income providing some form of index linkage.

% of portfolio income	Q4 2016
Open market income	86%
RPI/Index linked income	14%

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 of 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 therefore considered a positive risk when compared to the Index.

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 preparation for development at Cambridge Science Park is proceeding. During Q4 the headlease with Trinity College was re-geared to allow the development. A contractor has been appointed for the fixed building contract, and second stage tender pricing was received during Q4 2016 with pricing now to be finalised by the end of February 2017. During Q1 2017 the Minor Material Ammendments Application and variation to the S106 Agreement with the local authority is expected to be completed which will allow the build contract to be signed and development works to commence on site.

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 over the last quarter:

Address	Phoenix Park, Apsley Way, Staples Corner
Sector	Industrial
Valuation Q4 2016	£10,900,000
Net Initial Yield	4.0%
Total Return Q4	8.0%

This property was the best performing asset in the portfolio this quarter, providing a 0.25% relative weighted contribution to the Fund's performance. It continues to perform very strongly due to strong rental growth improving the valuation of the property. It delivered a total return of 8.0% in Q4 2016.

Two lease renewals completed this quarter, at Units 4 and 8. A new lease for a term of 15 years was completed at Unit 4 with an uplift in passing rent of 20%. A lease renewal at Unit 8 was also completed, for a new 10 year lease with an uplift in passing rent of 17%. This has improved the rental tone on the estate from £11.50-£12.00 psf in Q3 to £12.50 to £13.00 psf.

The marketing of Unit 7 is ongoing with strong interest from a range of tenants.

Address	Henbury and Ingersley Buildings, Macclesfield
Sector	Residential
Valuation Q4 2016	£5,900,000
Net Initial Yield	3.8%
Total Return Q4	7.4%

This property was the second best performing asset in the portfolio this quarter, providing a 0.12% relative weighted contribution to the Fund's performance.

The Henbury and Ingersley Buildings have seen an increase in valuation from £4.0m at purchase in Q4 2015 to £5.9m in Q4 2016- an increase of 48% in the year. The attractive lease for a term of 20 with three yearly rent reviews to uncapped RPI delivers exactly what many investors are currently seeking, leading to a significant yield shift over the year. The property provided a total return of 7.4% this quarter.

6.0 TRANSACTIONS

TRANSACTIONS OVER QUARTER

There were no purchases during Q4.

SALES

Address	1 Comfrey Close, Littleover, Derby DE23 3UF
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed house
Completion Date	2nd November 2016
Dorset's Purchase Price*	£45,622 (gross of all fees)
Net Dorset Sale Receipt*	£68,614

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

Address	7 Welland House, Leicester Road, Lutterworth LE17 4PL
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	5th December 2016
Dorset's Purchase Price*	£38,638 (gross of all fees)
Net Dorset Sale Receipt*	£56,608

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

Address	29 Etruria Gardens, City Road, Derby, DE1 3RL
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed house
Completion Date	8th December 2016
Dorset's Purchase Price*	£38,779 (gross of all fees)
Net Dorset Sale Receipt*	£56,608

*The values reported are for 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 2017 is to ensure that the portfolio remains in a strong position to capture rental growth.
- During 2017 the Manager will review the situation in respect of Charlotte House, Newcastle, following the forfeiture of the lease with the tenant, Charlotte House Limited. This has led to the building becoming a direct let student accommodation block which will take some investment and time to reposition within the market. With this in mind the Manager may seek to dispose of the property if a suitable price can be realised.
- In addition, the two indirect holdings will continue to be monitored and if an opportunity arises to reduce the Fund's holdings at a sensible price, this will be pursued. It is not however the intention of the Manager to fully divest.

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

Q4 2016	Direct	Indirect	Portfolio	Benchmark	Relative
Capital growth	0.3%	-1.1%	0.1%	1.0%	-0.9%
Income return	1.3%	0.8%	1.2%	1.2%	0.1%
Total return	**1.6%**	**-0.3%**	**1.4%**	**2.2%**	**-0.8%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio has underperformed the benchmark over the last three months, with a total return of 1.4% against the benchmark return of 2.2%. This was partially driven by the underperformance of the indirect assets and underperformance of capital growth of the direct portfolio following a strong previous quarter. Pilgrim House, Aberdeen for example contributed -0.3% to the overall total return driven by a fall in capital value of -7.5%, due to market conditions caused by continuing depressed oil prices. The income return from the portfolio was in line with the benchmark at 1.2%. With capital performance anticipated to slow further over the next 12 months the Fund's income return will remain a key driver of performance.

12 months to Q4 2016	Portfolio	Benchmark	Relative
Capital growth	-0.3%	-1.1%	-0.9%
Income return	5.0%	4.7%	0.3%
Total return	**4.7%**	**3.6%**	**1.1%**

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q4 2016	Portfolio	Benchmark	Relative
Capital growth	6.6%	6.2%	0.3%
Income return	5.4%	4.9%	0.5%
Total return	**12.3%**	**11.4%**	**0.8%**

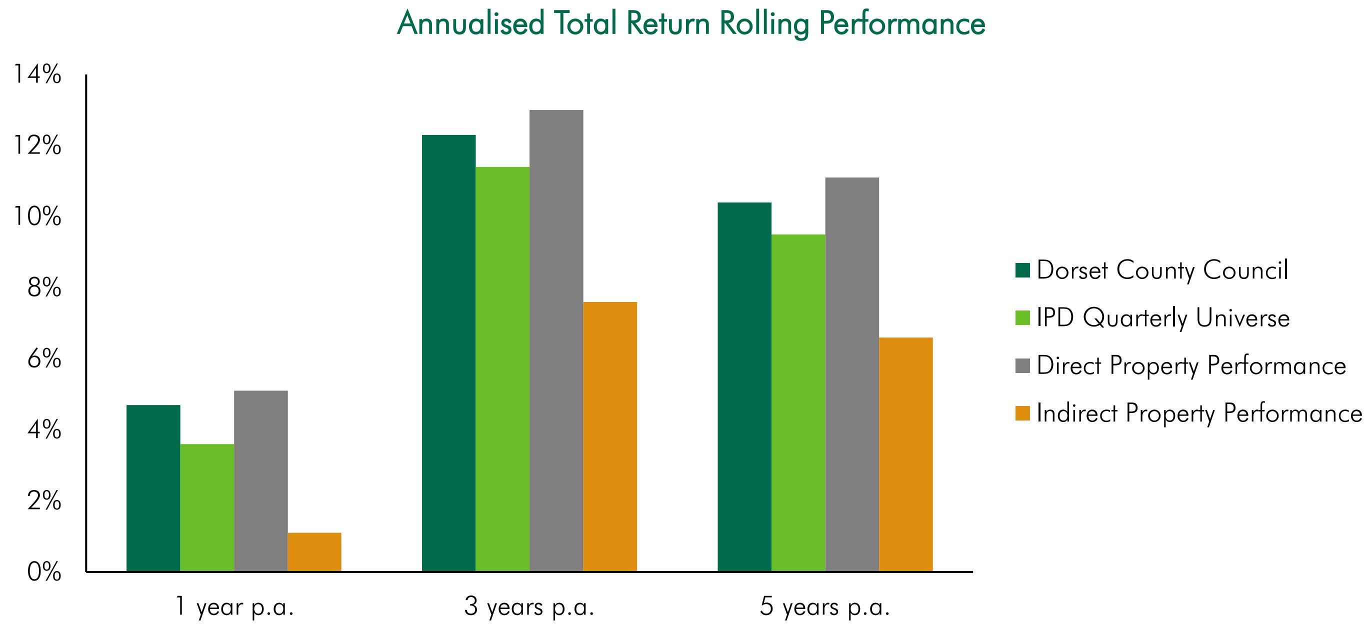
Source: CBREGI and IPD Quarterly Benchmark Report

5 yrs to Q4 2016	Portfolio	Benchmark	Relative
Capital growth	4.4%	4.1%	0.3%
Income return	5.8%	5.2%	0.5%
Total return	**10.4%**	**9.5%**	**0.8%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio continues to outperform the benchmark over 1, 3 and 5 year rolling periods. This outperformance has been delivered both by the strong income return and capital growth. The longer term performance is of particular note given the amount of acquisition activity 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 has continued to outperform the benchmark over the rolling timeframes shown above. The indirect property performance over the past year has been weaker across the timeframes shown. The indirect property holdings comprise Shopping Centre exposure; the assests in these vehicles are generally very prime and provide access to a market that we would not purchase directly for a Fund of this size given their scale. 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.

7.0 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 December 2016	RED	£131,515.46
	30 September 2016	RED	£153,788.03
	30 June 2016	RED	£189,663.92
	31 March 2016	RED	£79,235.00

The arrears position is skewed due to £131,515 of arrears at Charlotte House, Newcastle. The lease was forefeited during Q3 through legal action and the arrears are in the process of being recovered, and have been reduced during Q4. A liquidation notice was submitted post quarter end, in an attempt to recover further arrears. The Manager will continue to seek to secure the outstanding arrears at Newcastle. Excluding Charlotte House, Newcastle from the arrears the results are "green".

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 December 2016	AMBER	(85.13% collected in 6 days, 94.74% by 15th day)
	30 September 2016	GREEN	(97.7% collected in 6 days, 100% by 15th day)
	30 June 2016	GREEN	(96.5% collected by 6 days, 98.69% by 15th day)
	31 March 2016	AMBER*	(88.7% collected by 6 days, 98.0% by 15th day)

SERVICE CHARGES – ACCOUNT CLOSURE POSITION

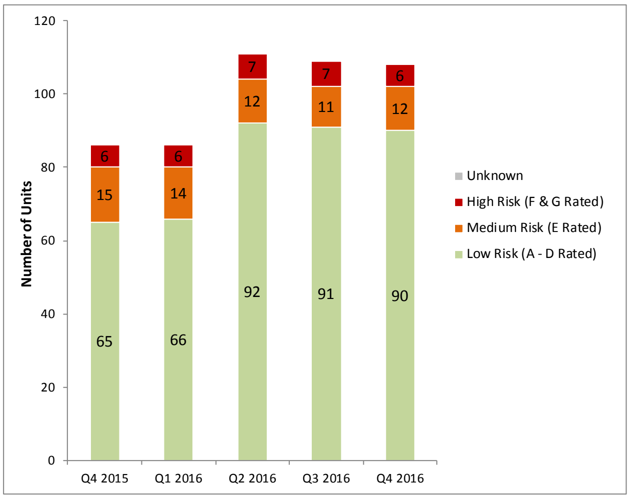
Target:	GREEN	all service charge accounts closed within 3 months of the year end
	RED	any account not closed
Result at:	31 December 2016	GREEN (None currently outstanding/overdue)
	30 September 2016	RED*
	30 June 2016	GREEN (None currently outstanding)
	31 March 2016	GREEN (None currently outstanding/overdue)

*Will be closed on receipt of VAT election certificate for Pilgrim House, Aberdeen. No other accounts were overdue.

8.0 SUSTAINABILITY

The 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



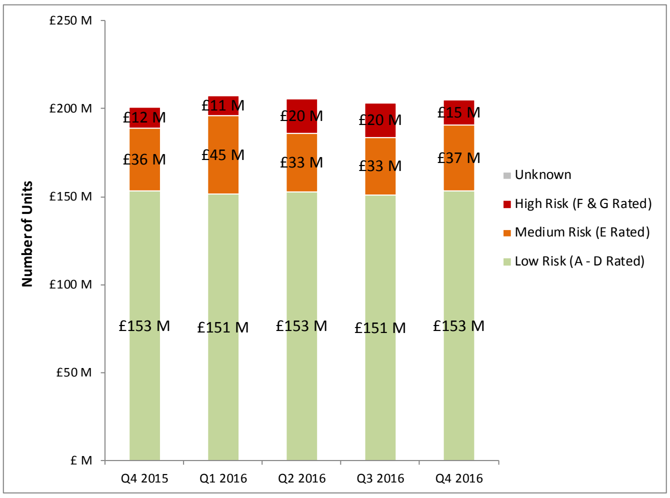


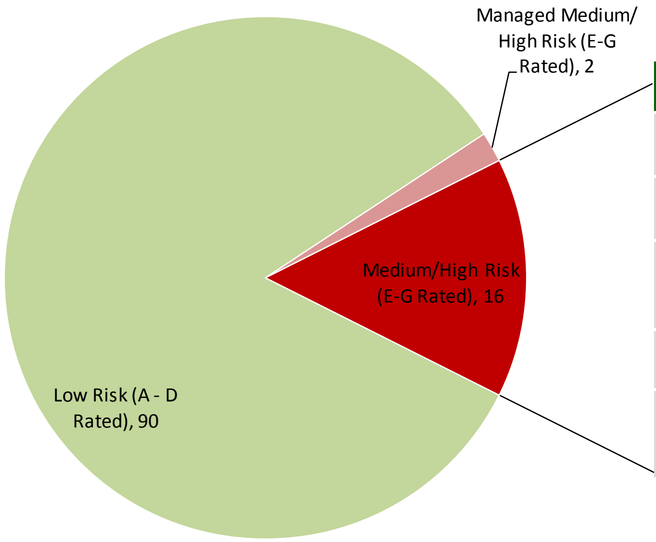
Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2 of each year.

COMPLETED PROJECTS: Q4 2016

Site/Tenant	Unit	Action	Outcome
Charlotte House, Newcastle Upon Tyne	Whole site	Review tenant work specification for recently completed refurbishment	No energy efficiency projects have been identified. No further action will be taken in completing a revised EPC.
Euroway Industrial Estate	Unit 14	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants.
Euroway Industrial Estate	Unit 1-5	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants.
Dunbeath Court, Swindon	Unit 7	Tenant Engagement	Discussions with tenant on potential energy efficiency projects as part of lease renewal discussions.
All	All	Identifying key targets for tenant engagement	Identified priority sites and tenants to engage with over the next 6 months to increase energy efficiency in the selected properties.
All	All	Engaging with solicitors to incorporate green lease clauses	Discussions have taken place with Dorset's solicitors to determine strategy for the uptake of basic and intermediate green clauses into new leases.

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	0
Scottish action plan	2
Monitor - potential sale	0
Tenant Engagement	13
Consult on current works	1

Figure 2: Strategy for risk mitigation for remaining medium and high risk units

RISK MITIGATION PROCESS

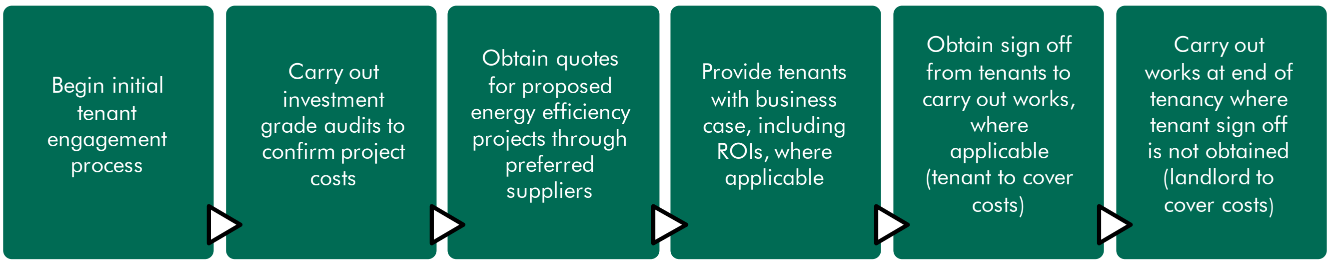


Figure 3: Process for carrying out risk mitigation actions

PLANNED PROJECTS: Q1 2017

Site/Tenant	Unit	Action	Aim
Charlotte House	Upper floors	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.
Euroway Industrial Estate	Units 1-5, Unit 14	Tenant Engagement	Continue to engage with tenant & confirm their interest in funding energy efficiency projects.
75-81 Sumner Road	4 Units	Tenant Engagement	Work with tenants & property managers to implement energy efficiency projects to improve EPC rating.
Cathedral Retail Park, Norwich	2 Units	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants. Work with tenants & property managers to implement energy efficiency projects to improve EPC rating.
Dunbeath Court, Swindon	2 Units	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants. Work with tenants & property managers to implement energy efficiency projects to improve EPC rating.

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.

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APPENDIX 1 – SCHEDULE OF VOID UNITS

VOIDS WITHIN THE PORTFOLIO – 31 DECEMBER 2016

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
1st and 2nd floor, Pilgrim House, Aberdeen	13,805	2.1%	£289,900	Marketing
Unit 7, Phoenix Park, Staples Corner, London	5,131	0.5%	£66,700	Marketing
Service Yard, Phoenix Park, Staples Corner, London	n/a	0.0%	£2,500	Marketing – likely to be combined with unit 7 letting
TOTAL PORTFOLIO VOID		2.6%	£359,100	

APPENDIX 2 – INDIRECT INFORMATION

Portfolio Composition

The Dorset portfolio is invested in the following funds and as at 31 December 2016 had a value of £24.2 million.

The performance of the Dorset indirect portfolio was -0.3% over the last quarter and 1.1% over the last 12 months. This return is based on November prices. The table below reflects the valuations based on these reporting cut-off dates.

Fund Name	Manager	Sector	LTV	Value (£m)
Lend Lease Retail Partnership	Lend Lease	Shopping Centres	-	9.783
Standard Life UK Shopping Centre Trust	Standard Life	Shopping Centres	-	14.407
Total			-	**24.190**

Investment Activity

There was no transactional activity during the quarter.

Commentary

The Dorset indirect property portfolio has two indirect holdings. These are specialist funds that provide the portfolio with exposure to the shopping centre sector. The combined indirect investments have a value of £24.2 million and nil look through exposure to gearing.

Lend Lease Retail Partnership

Lend Lease Retail Partnership produced a total return of -0.9% over the quarter and 2.0% over the year.

Performance in the last quarter was dragged by a 1.6% fall in NAV as a result of shopping centre yields moving out following the outcome of the EU referendum. The fund continues to provide a stable annualised income return of 3.3% which has been the primary contributor to returns over the past quarter and 12 months.

Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared. It has a portfolio comprising two prime regionally dominant properties: Bluewater, Kent (25% stake) and Touchwood, Solihull (100% owned).

During the quarter, the manager continued with asset management initiatives at the two schemes. At Bluewater, the manager agreed five new lettings and one lease renewal, whilst at Touchwood three lease renewals, one new letting and two rent reviews were concluded. As a result of the positive leasing activity at Touchwood, the rental tone at the Crescent Arcade has increased over the quarter.

As part of the proposed Touchwood extension, the manager purchased adjacent high street units, The Square and 146-158 The High Street, under the CPO (compulsory purchase order) process. Further work on land assembly for the project is ongoing, in preparation for the construction phase of this planned project. The manager is discussing the proposed extension with investors.

The fund has an expiry in 2017 with a fund life extension proposed by the manager to 2024. Following consultation with investors, the manager held a vote on 31 October 2016 for investors to approve fund modernization subject to an efficient rotation of capital whereby investors requiring an exit or partial exit are matched by new investors to the fund. This resolution was passed with 96% investor support. The manager is now marketing the fund and is targeting liquidity for approximately £500m for exiting investors. Further updates on the equity rotation process by the manager and its advisors are expected at the end of Q1 2017.

Standard Life UK Shopping Centre Fund

Standard Life UK Shopping Centre Trust produced a total return of 0.2% over the quarter and 0.9% over the last 12 months.

Over the quarter, the return was driven by income, offsetting a 0.7% decline in the Fund's NAV. At quarter end, the trust had a property portfolio valued at £1.5bn providing exposure to seven shopping centres across the UK. The fund remains ungeared and the portfolio has a weighted average unexpired lease term of 6.8 years and a distribution yield of 4.0%.

At the quarter end, the void rate increased from 3.4% (by ERV) to 4.3% (by ERV) primarily as a result of three new voids at Brent Cross. Retailers in administration represented 0.9% of passing rent. The manager secured new lettings at the fund's assets in Brighton, Enfield, Brent Cross and Wimbledon. In addition a number of rent reviews and lease renewals were also completed during the quarter. The surrender of BHS lease at Brighton resulted in an increase in vacancy and loss of income in the portfolio, however, the space has been successfully re-let to Zara at an improved ERV.

In December 2016, the sale of One Stop, Perry Barr, Birmingham was completed for £69.3m (7.0% NIY), slightly below the book value of the asset as at September 2016. This asset had been identified for sale by the manager as part of the Trust's business plan due to its weak performance and outlook.

The portfolio has two development opportunities in the form of major extensions at Brent Cross and Churchill Square, Brighton with the business plan for Brent Cross at a more advanced stage. The manager is seeking joint venture partners to fund the scheme and is reaching out to the major investors in the Fund before marketing the opportunity more widely through Morgan Stanley (appointed as capital advisors in Q4 '16). Further detail on development strategy and equity raise is likely to be presented to investors in early 2017.

APPENDIX 3 – PORTFOLIO VALUATION

Property Address	Dec-16	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES					
Aberdeen, Pilgrim House	£ 7,400,000	-6.8%	£ 318,862	£ 544,114	4.1%
Cambridge, The Eastings	£ 3,450,000	1.4%	£ 190,500	£ 226,000	5.2%
Cambridge, 270 Science Park	£ 11,500,000	0.9%	£ 641,616	£ 952,616	5.2%
London EC1, 83 Clerkenwell Rd	£ 17,650,000	1.2%	£ 836,000	£ 1,034,000	4.4%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,650,000	0.8%	£ 272,588	£ 673,100	3.0%
Watford, Clarendon Road	£ 15,250,000	1.5%	£ 902,750	£ 1,070,000	5.6%
TOTAL OFFICES	£ 63,900,000		£ 3,162,316	£4,499,830	4.6%
RETAIL WAREHOUSE					
Northampton, Becket Retail Park	£ 6,200,000	-0.7%	£ 431,000	£ 417,700	6.5%
Norwich, Cathedral Retail Park	£ 16,350,000	-0.8%	£ 1,074,000	£ 1,054,000	6.2%
Rayleigh, Rayleigh Road	£ 3,500,000	1.6%	£ 222,783	£ 222,783	6.0%
TOTAL RETAIL WAREHOUSE	£ 26,050,000		£ 1,727,783	£1,694,483	6.2%
SUPERMARKET					
Tesco, Sheffield	£ 10,600,000	1.6%	£ 680,000	£ 680,000	6.0%
TOTAL SUPERMARKET	£ 10,600,000		£ 680,000	£ 680,000	6.0%
INDUSTRIAL					
Bristol, South Bristol Trade Park	£ 4,350,000	1.3%	£ 228,757	£ 282,137	4.9%
Crawley, Woolborough IE	£ 18,150,000	3.5%	£ 760,605	£ 1,238,100	3.9%
Croydon, 75/81, Sumner Road	£ 2,700,000	7.3%	£ 137,000	£ 165,600	4.8%
Heathrow, Skylink	£ 4,550,000	7.2%	£ 125,478	£ 251,000	2.6%
London, Phoenix Park, Apsley Way	£ 10,900,000	8.0%	£ 467,138	£ 604,400	4.0%
London, Apsley Centre	£ 3,500,000	3.7%	£ 165,900	£ 195,000	4.5%
London, 131 Great Suffolk St	£ 4,350,000	0.6%	£ 110,000	£ 297,500	2.4%
Sunbury, Windmill Road	£ 10,700,000	1.6%	£ 659,750	£ 699,350	5.8%
Swindon, Dunbeath Court	£ 4,800,000	3.9%	£ 333,716	£ 337,300	6.5%
Swindon, Euroway IE	£ 12,050,000	1.8%	£ 803,422	£ 817,935	6.3%
TOTAL INDUSTRIAL	£ 76,050,000		£ 3,791,766	£4,888,322	4.6%
OTHER					
Derwent Shared Ownership	£ 9,810,000	0.8%			
Glasgow, Mercedes	£ 10,400,000	1.4%	£ 594,936	£ 566,600	5.4%
Leeds, The Calls	£ 7,350,000	0.3%	£ 476,110	£ 484,750	6.1%
Macclesfield, Hope Park	£ 5,900,000	7.4%	£ 236,964	£ 236,964	3.8%
Newcastle, Charlotte House	£ 4,900,000	-3.8%	£ 115,178	£ 339,639	2.2%
TOTAL OTHER	£ 38,360,000		£ 1,423,188	£ 1,627,953	4.7%
TOTAL DIRECT PROPERTY	£ 214,960,000		£ 10,785,053	£ 13,390,588	5.0%
INDIRECT PROPERTY					
Lend Lease Retail Partnership	£ 9,782,760	-0.9%	£ 259,098		
Standard Life Investments UK Shopping Centre Trust	£ 14,407,567	0.2%	£ 515,902		
TOTAL INDIRECT PROPERTY	£ 24,190,327		£ 775,000		
GRAND TOTAL	£ 239,150,327		£ 11,560,053	£ 13,390,588	5.0%

Notes:

1. Total returns for both the direct and indirect properties for the quarter to 2016 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to December 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 December 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

Property	Fee	Service
Portfoio	£3,700.00	ESG Risk Management – Q1 and Q2 2016
Portfoio	£4,108.91	RCA project
Q4 2016 TOTAL	£7,808.91	

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Dorset County Pension Fund

Insight mandate investment update at 30 December 2016

Our understanding of the Fund's objectives and strategy

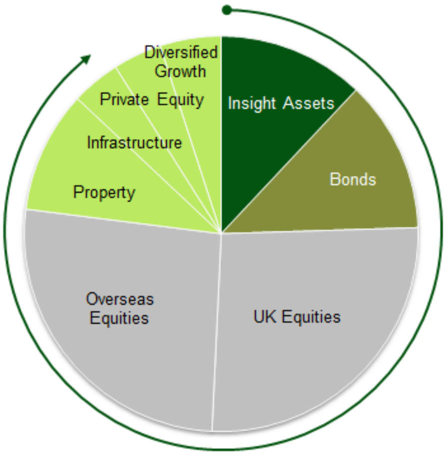
Funding objectives and policy

- 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.£2.66bn at 30 December 2016)



Source: Dorset County Pension Fund.

Performance to 30 December 2016

	3 months		12 months		Since inception	
	%	£	%	£	% p.a.	£ cum.
Portfolio	10.30	27,565,598	48.57	95,135,056	97.33	143,922,251
Benchmark	10.19	27,102,015	41.25	85,409,622	93.58	141,037,536
Relative	**0.11**	**463,583**	**7.32**	**9,725,434**	**3.76**	**2,884,715**

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

If we adjust for the leverage in the portfolio: the benchmark return over the quarter was 2.05% as a proportion of the value of the inflation exposure hedged and the portfolio return was 2.09% on that basis.

Hedge coverage measures

- Liability benchmark inflation sensitivity as % of mandate cash flows: 23%
- Present value of inflation exposure hedged as % of mandate cash flows: 23%
- Present value of inflation exposure hedged as % of total Pension Fund assets: 42.0%

Collateral position

- Leverage ratio stood at 2.8x at 30 December 2016. This is based on the present value of liabilities covered by inflation hedge of £1,122.6m and a portfolio value of £399.9m. The fall in leverage was driven the implementation of the revised liability benchmark and a move higher of inflation expectations.
- Collateral stress tests: a 0.2% fall in inflation expectations (swap RPI rates) would reduce the value of the portfolio by c.£45m and a 0.6% fall in inflation expectations would reduce the value of the portfolio by c.£129m.

Portfolio valuation and hedge characteristics as at 30 December 2016

	Value	Interest rate sensitivity (PV01[1])		Inflation sensitivity (IE01[2])	
	£m	£k	% of benchmark	£k	% of benchmark
Conventional gilts	301.4	-513	62.7	0	0.0
Index-linked gilts	302.7	-811	99.2	796	33.8
Futures	-1.9	71	-8.7	0	0.0
Interest rate swaps	-104.5	592	-72.4	0	0.0
RPI swaps	41.2	-162	19.8	1,533	65.1
Repurchase agreements	-222.5	7	-0.8	0	0.0
Network Rail bonds	3.9	-11	1.3	11	0.4
Insight Libor Plus Fund	12.1	0	0.0	0	0.0
Liquidity	67.5	0	0.0	0	0.0
Total assets	**399.9**	**-827**	**101.1**	**2,339**	**99.3**
Liability benchmark	**290.9***	**-818**	**100.0**	**2,357**	**100.0**

*The value of the inflation exposure hedged is c.£1,122.6m

[1] PV01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant discount curve.

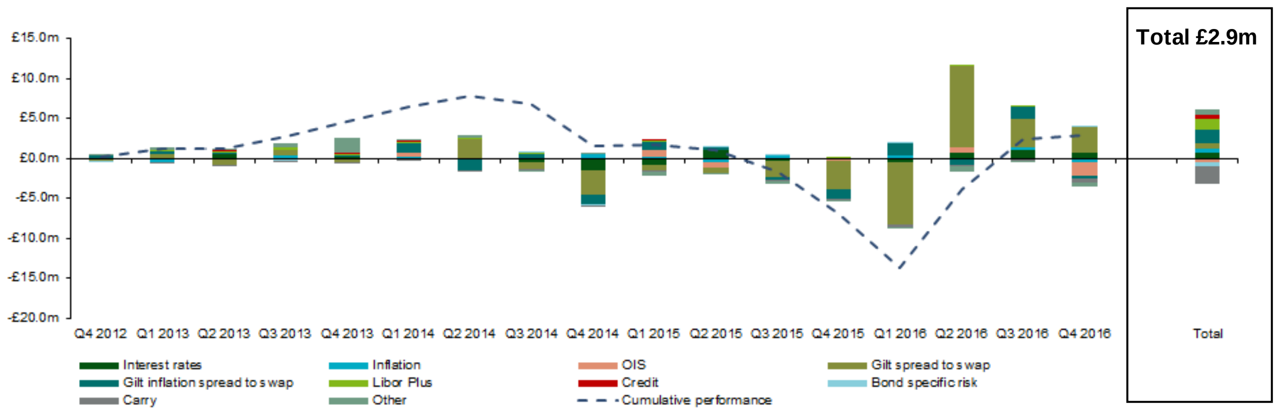
[2] IE01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant inflation expectation curve.

Performance commentary

- Absolute performance in the fourth quarter of 2016 was driven by a further rise in the cost of inflation protection in the swaps market (20 year rate rose 0.25% to 3.63%), though about half of the impact of this was offset by a rise in gilt rates (20 year bond yield rose 0.4% to 1.93%).
- Yields on longer-dated conventional gilts contracted over the quarter relative to swaps (by 2-3bp), which was a positive driver of relative performance over the period. We remain overweight to gilts (vs swaps) as we believe that the extra yield available from gilts creates a significant economic opportunity for the Fund to benefit from over the long term.

Relative performance attribution (monetary)

Within the portfolio Insight has the ability to change the composition of hedging assets with a view to cheapening the cost of hedging over the long term. The chart and table below shows the performance attribution of the portfolio relative to its benchmark since inception.



Relative performance attribution factor	3 month £m	12 month £m	Since inception £m
Interest Rates	0.8	2.1	0.7
OIS	-1.7	-1.1	-0.5
Gilt Spread to Swap	3.1	9.3	0.6
Credit	0.0	0.0	0.4
Bond Specific Risk	0.1	0.0	-0.5
Inflation	-0.4	0.2	0.6
Gilt Inflation Spread To Swap	-0.4	1.8	1.7
Carry	-0.5	-1.0	-2.3
Libor Plus Fund	0.1	0.3	1.5
Other	-0.6	-1.6	0.7
Relative performance	0.5	9.7	2.9

Recap of mandate evolution

- The hedge was initially accumulated using market based triggers and also through time-based accumulation between July and October 2014.
- Triggers were suspended in March 2016 pending further discussion of the evolution of the mandate. Subsquently a new set of investment guidelines was put in place in October 2016 and the hedge was restructured to reflect a move to a pro-rate slice of the inflation exposure of the projected liability cash flows based on the March 2013 actuarial valuation. Triggers are no longer being monitored.

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DORSET COUNTY PENSION FUND

Quarterly Report 31 December 2016

YOUR PORTFOLIO

Fund performance objective

The fund objective is to outperform the benchmark by 0.5% per annum net 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 December 2016	**304.26**
30 September 2016	312.73
Change over quarter	(8.47)
Net cash inflow (outflow)	0.36

EXECUTIVE SUMMARY

Performance

- The fund gave a gross return of -2.82% over the quarter, compared with a benchmark return of -3.68%. This brings 2016 returns to 13.18% against a benchmark return of 13.49%
- The election of Donald Trump and the increase in interest rates in the US were prominent themes over the quarter. The ECB announced an extension of its monetary support programme, and the UK economy remained resilient against a backdrop of uncertainty regarding negotiations to leave the EU. The oil price increased significantly following agreements by key suppliers to limit production.
- Credit sector and stock selection were primarily responsible for the relative performance of the Fund. In particular, the Fund benefitted from an overweight allocation to financials and stock selection within secured and structured sectors. Asset allocation and a short duration stance also supported performance

The economy and bond markets

- The election of Donald Trump was the dominant event of the quarter, boosting equity markets, inflation expectations and the US dollar. While the US Federal Reserve (Fed) delivered its much anticipated rate increase in December, on the other side of the Atlantic, the European Central Bank (ECB) extended its quantitative easing programme beyond its original March 2017 deadline. The oil price surged following co-ordinated agreements by the Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC suppliers to cut production and support pricing.
- The UK economy continued to shrug off Brexit in the fourth quarter. During 2016 as a whole, its resilience was largely down to consumer spending. The housing market also remained robust, with a pick-up in mortgage approvals and house price inflation. Nevertheless, protracted political uncertainty continued to dampen 2017 growth forecasts, and to put downward pressure on sterling, with consequent expectations of higher inflation over the coming year.
- Conventional UK government bonds returned -3.43%. Yields rose steeply in response to expectations of higher inflation and following continued resilient UK economic data, while additional gilt issuance announced in the Autumn Statement weighed on the conventional gilt market. Gilts outperformed US bonds but underperformed European government bonds, as the ECB extended its quantitative easing programme. With breakeven (implied) inflation rates rising over the quarter, index linked assets outperformed conventional gilts.
- Sterling investment grade credit returned -2.58%, yet outperformed UK government bonds in absolute terms, despite posting one of its lowest quarterly returns for several years. As bond yields rose, average sterling investment grade credit spreads widened by 5bps to 123bps, but remain close to the lows that followed the BoE's August rate cut.

Investment outlook

- We expect greater momentum in the global economy during 2017, with US growth picking up and growth in China and the eurozone remaining close to 2016 rates. We expect UK GDP growth to slow in 2017 as the economy navigates the uncertainty of Brexit negotiations. We expect UK CPI inflation to rise above target during the year.
- We expect the central banks of the UK, Japan and Europe to retain their biases towards policy easing, while in the US we anticipate three further rate rises in 2017. We expect global government bond yields to rise gradually over the next 12 months, as the inflation outlook and global growth picks up.
- Our central case is for UK government bond yields across maturities to rise over 2017, and for the yield curve to steepen marginally, although we expect some volatility. For index linked bonds, we think long term real interest rates in the UK are too low, and do not reflect long-term fundamentals.
- We expect that investment grade credit will outperform UK government securities over the next three years. We consider that the current credit spread premium, over UK government bonds yields, is adequate compensation for default and other risks (e.g. liquidity and rating migration).
- Portfolio diversification continues to be important during bouts of volatility, and a focus on bonds supported by stable income streams and structural enhancements should provide protection in times of market turbulence.

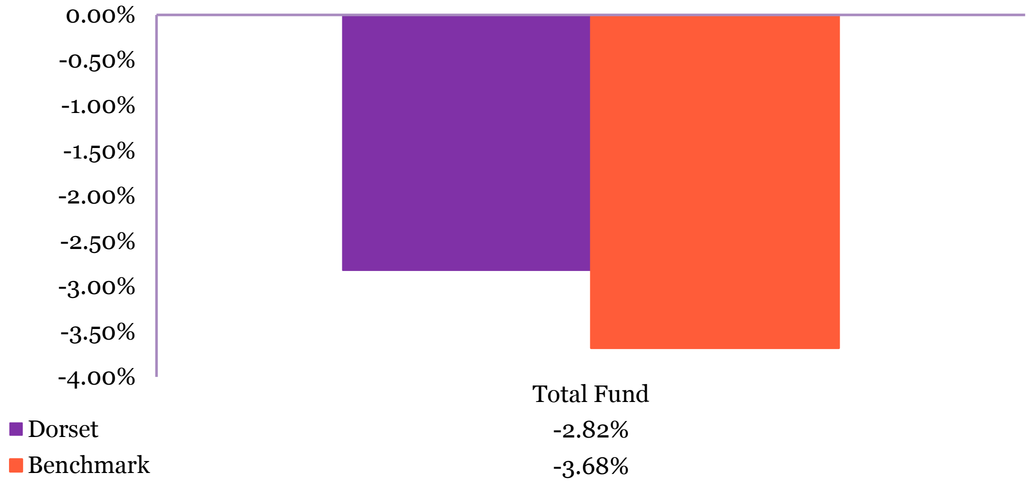
FUND PERFORMANCE

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

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Q4 2016	**-2.82**	**-3.68**	**0.86**
Rolling 12 months	13.18	13.49	-0.31
Three years p.a.	9.86	9.51	0.35
Five years p.a.	9.42	7.93	1.49
Since inception 02.07.07 p.a.	9.34	9.61	-0.27

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 4 2016

Asset split

	Fund (%)	Benchmark[1] (%)
Conventional credit bonds[2]	99.6	98.9
Index linked credit bonds	0.0	0.0
Sterling conventional gilts	0.2	0.0
Sterling index linked gilts	0.0	0.0
Foreign conventional sovereign	0.2	1.1
Foreign index linked sovereign	0.0	0.0
Derivatives	0.0	0.0

Fund data

	Fund	Benchmark[1]
Duration	9.9 years	10.4 years
Gross redemption yield[3]	3.30%	2.64%
No. of stocks	285	677
Fund size	£380.2m	-

Launch date: 02.07.2007

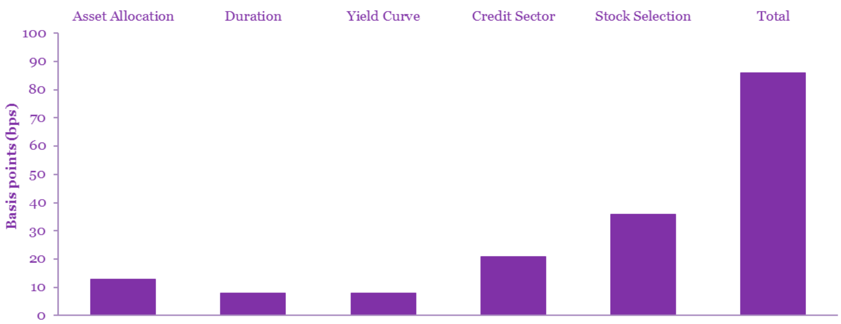
[1] Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.

[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 attribution for quarter 4 2016

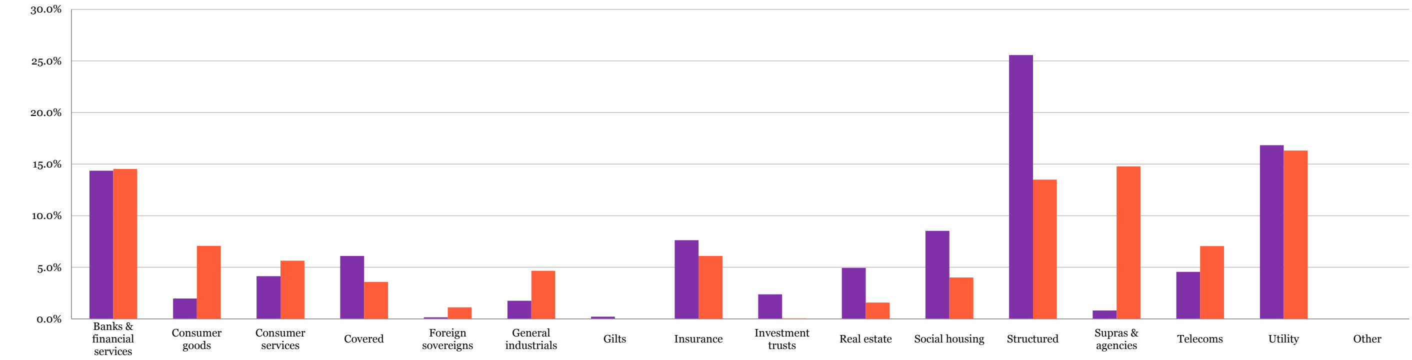


Source: *RLAM and UBS Delta. The above performance attribution is an estimate. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.*

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

Sector breakdown



	Banks & financial services	Consumer goods	Consumer services	Covered	Foreign sovereigns	General industrials	Gilts	Insurance	Investment trusts	Real estate	Social housing	Structured	Supras & agencies	Telecoms	Utility	Other
PPLCP	14.4%	2.0%	4.1%	6.1%	0.2%	1.8%	0.2%	7.6%	2.4%	4.9%	8.5%	25.6%	0.8%	4.6%	16.8%	0.0%
Benchmark	14.5%	7.1%	5.6%	3.6%	1.1%	4.7%	0.0%	6.1%	0.1%	1.6%	4.0%	13.5%	14.8%	7.1%	16.3%	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 expected that corporate bonds would outperform supranational debt.	We maintained the overweight position in corporate bonds versus supranational debt.	Supranational debt marginally outperformed the broader credit market over the quarter, but underperformed over the year as a whole.	The Fund's underweight positioning in supranationals had a small negative impact upon relative performance over the quarter.
We continued to see value in financials (banks and insurers), and to favour a combination of covered bonds and subordinated bank debt to senior bonds.	Within financials, the bias towards subordinated versus senior debt was slightly increased over the quarter	The financials sector as a whole outperformed over the quarter, led by subordinated insurance. Senior bank bonds outperformed subordinated bank debt, especially in peripheral Europe where the Italian referendum outcome reignited concerns of another eurozone banking crisis. Covered debt underperformed both senior and subordinated debt. Over the year financials lagged the broader market.	The overweight allocation to, and positioning within, financials was positive for performance, although the preference for subordinated bank debt and covered bonds was less beneficial.
We thought that high-profile, consumer-orientated bonds and industrials were unattractively priced, relative to other sectors.	We maintained the underweight allocation to industrial and consumer sectors.	While consumer sector bonds lagged the market overall, the autos sector was the strongest performer. Conversely, longer dated sectors (healthcare, transport and telecoms) underperformed. Despite some recovery in the oil price, industrials underperformed the market. Over the year, autos were the weakest sector, dogged by ongoing emissions scandals.	The low weighting in industrial and consumer sectors was a positive factor in relative performance, partially offset by the lack of exposure to autos.

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RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

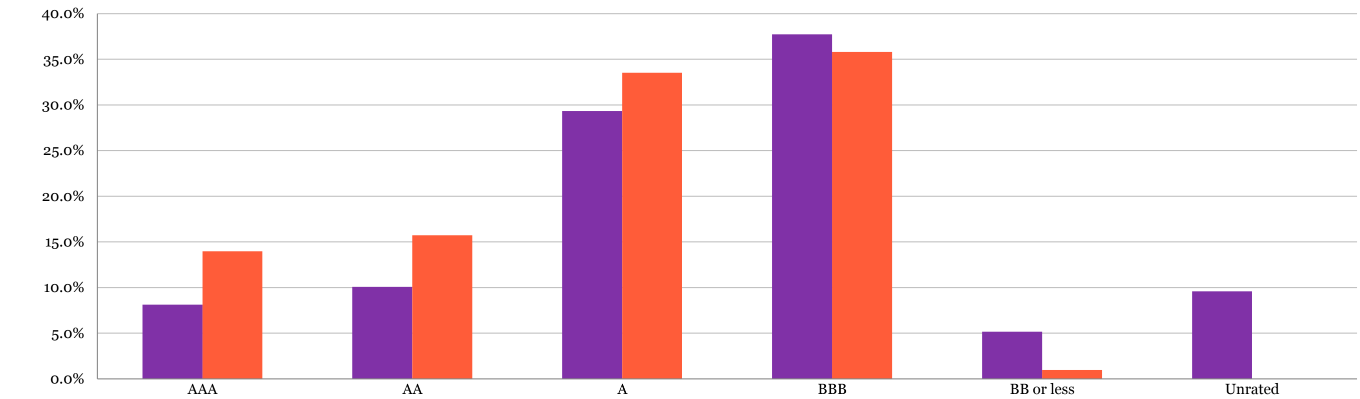
Sector breakdown continued

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 kept the Fund's significant overweight positions in sectors that benefit from enhanced security, e.g. asset-backed securities (ABS), social housing and investment trusts.	Structured and secured sectors performed broadly in line with the market over the quarter, having outperformed over the year as a whole.	Although the overweight positions in structured and secured debt had a neutral impact on performance, stock selection within these bonds was beneficial.

RLPPC OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

Rating breakdown



	AAA	AA	A	BBB	BB or less	Unrated
PPLCP	8.1%	10.1%	29.3%	37.7%	5.2%	9.6%
Benchmark	14.0%	15.7%	33.5%	35.8%	1.0%	0.0%

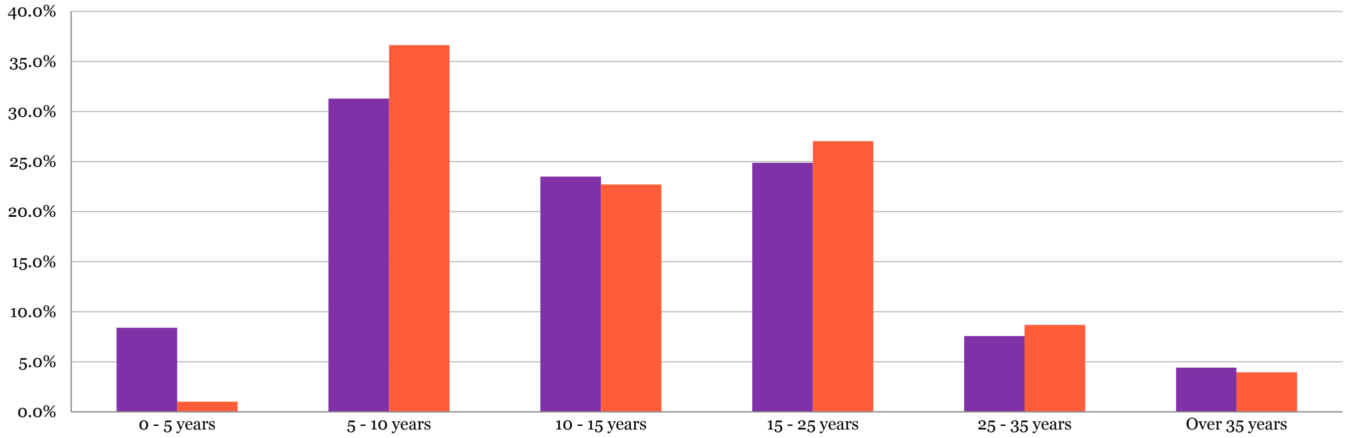
Source: *RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.*

What we thought	What we did	What happened	Effect on portfolio
We believed lower rated credit bonds offered better value than AAA/AA rated securities.	The bias towards lower rated bonds was maintained over the quarter.	Absolute returns across investment grade credit were negative, but when adjusting for duration, lower rated issues fared better than higher rated counterparts as market sentiment remained positive, despite the bearish backdrop of rising yields for fixed income assets.	The underweight in higher rated debt had a neutral impact upon performance.
Credit ratings, while useful, are not a complete assessment of creditworthiness and value.	We maintained exposure to bonds rated below investment grade where we believed they were consistent with the overall objective of the Fund. Exposure to unrated bonds, which predominantly have investment grade risk characteristics and are in many instances secured, was broadly unchanged at 9.6%.	High yield bonds outperformed investment grade credit over the quarter, and also over the year.	Exposure to unrated and sub-investment grade bonds had a positive impact upon performance.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

Maturity profile



	0 - 5 years	5 - 10 years	10 - 15 years	15 - 25 years	25 - 35 years	Over 35 years
PPLCP	8.4%	31.3%	23.5%	24.9%	7.6%	4.4%
Benchmark	1.0%	36.6%	22.7%	27.0%	8.7%	3.9%

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 a gradual increase in UK government bond yields.	The duration of the Fund was maintained below benchmark through the quarter.	UK government bond yields rose significantly over the quarter, returning to pre-referendum levels. The increase was spurred by rising inflation expectations, and by the announcement in the Autumn Statement of £15bn additional gilt issuance before the end of the financial year.	The short duration position had a small positive impact upon relative performance.
We believed there were some attractive investment opportunities in short-dated credit, although these lie outside the Fund's benchmark.	The Fund maintained a position in short-dated credit bonds, partially reflecting the allocation to the Royal London Sterling Extra Yield Bond Fund.	Short-dated bonds outperformed over the quarter.	The short-dated bond exposure had a positive impact upon performance.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

Ten largest holdings

	Weighting (%)
Lloyds Bank Plc 6% 2029	1.2
Innogy Finance 6.125% 2039	1.2
Commonweath Bank of Australia 3% 2026	1.1
Citigroup Inc 7.375% 2039	1.0
Annington Finance 0% 2022	1.0
Abbey National Treasury 5.75% 2026	0.9
Prudential Plc 5.7% VRN 2063	0.9
Co-operative Bank 4.75% 2021	0.9
Electricite De France 6% 2114	0.9
Finance for Residential Social Housing 8.369% 2058	0.9
Total	**10.0**

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

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 4 2016

Fund activity

- Following a spike in sterling credit issuance in the previous quarter, supply fell back to levels more in line with previous years' new issuance in the final quarter of the year, led by financials. Across sectors, the Fund participated in a number of attractively priced new issues.
- Within financials (banks and insurance), the Fund purchased a number of new issues, including a 10-year subordinated bond from diversified health insurance business **Bupa** at a credit spread of 367 basis points (bps), and senior 10-year bond from the specialist lending arm of banking group **Close Brothers**; the latter holding was later increased by switching from shorter dated bonds of the issuer. Holdings in **Credit Suisse** and **Rabobank** were switched into longer dated issues.
- Within consumer sectors, the Fund participated in a new 7-year BBB+ rated issue from high street retailer **Marks & Spencer,** purchased with a yield of 210bps over the reference government bond. The Fund also purchased a new issue from intercity coach operator **National Express** with a credit spread of 165bps. Holdings in **GlaxoSmithKline** and **British American Tobacco** were sold over the quarter.
- **Verizon**, the US telecommunications company, issued both sterling and euro denominated bonds during the quarter to fund recent acquisitions. The Fund participated in the £450m BBB+ rated 19-year issue at a yield of 155bps over UK government bonds. Elsewhere in telecommunications, exposure to **America Movil** was reduced.
- Within social housing, the Fund purchased a new A+ rated 12-year senior unsecured bond from residential property company **A2Dominion**. Proceeds of the bonds are to be used to fund development plans, split between social housing and market rents, adding approximately 1,000 homes per annum to the firm's portfolio of 36,000 properties across London and the South East. The bonds were purchased at a yield of 230bps over the reference government bond. The Fund's position in national housing association **Places for People** was increased. Elsewhere within structured and secured debt, the Fund increased its exposure to **Telereal Secured Finance**, debt secured against BT properties, as well as investment trust **Scottish Mortgage and Trust**.
- Adding to the Fund's utilities exposure, new longer dated issues were purchased from water companies **Severn Trent** and **Thames Water**. Rated BBB+ and A- respectively, both performed well post issuance, although the exceptionally attractive pricing of the Thames Water issue helped these bonds rally significantly in secondary market trading. The Fund's holding in **Wessex Water** was sold during the quarter.
- Gilts were held and traded over the quarter for duration and liquidity management.

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.

ECONOMIC & BOND MARKET REVIEW

Economic review

- The surprise election of Donald Trump was the dominant event of the quarter, boosting equity markets, inflation expectations and the US dollar. While the US Federal Reserve (Fed) delivered its much-anticipated rate increase in December, on the other side of the Atlantic, the European Central Bank (ECB) extended its quantitative easing programme beyond its original March 2017 deadline. The oil price surged following co-ordinated agreements by the Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC suppliers to cut production and support pricing.
- The victory of Donald Trump in the US presidential elections was unexpected, but market turmoil was short-lived and rapidly succeeded by an upward surge. The US economy showed greater momentum in the latter half of 2016. Third-quarter GDP growth was revised up to 3.5% (annualised), while a range of business surveys suggested a post-election bounce, and the unemployment rate fell. The Fed delivered its long-expected rate rise of 25 basis points in December, signalling a further three rate increases during 2017. Bolstered by positive data, Chairman Janet Yellen confirmed that this step was 'a vote of confidence in the economy'.
- Eurozone GDP grew by 0.3% in the third quarter of 2016, with surveys pointing towards a similar rate in the fourth. Despite concerns over the Italian referendum on constitutional reform, the market impact of the 'no' vote was minimal. Of greater importance was the fragility of Italian banking system and worries over its potential to spill over into the broader eurozone financial system. The ECB announced an extension of its quantitative easing programme to the end of 2017, albeit at a reduced rate of €60bn per month, and broadened its remit to include the ability to purchase bonds with yields below the official deposit rate.
- In Japan, yen strength abated, relieving some pressures on the economy and allowing many firms to improve their 2017 forecasts. Despite the Bank of Japan's (BoJ) latest interventions, inflation has so far failed to ignite. Nevertheless, domestic data over the quarter remained firm.
- In China, data remained encouraging: consumption and investment were the main supports for growth over 2016, and the Caixin PMI manufacturing series rose in December.
- The UK economy continued to shrug off Brexit in the fourth quarter. During 2016 as a whole, its resilience was largely down to consumer spending. The housing market also remained robust, with a pick-up in mortgage approvals and house price inflation. Nevertheless, protracted political uncertainty continued to dampen 2017 growth forecasts, and to put downward pressure on sterling, with consequent expectations of higher inflation over the coming year. The Autumn Statement was muted, announcing a further £15bn of gilt issuance before the end of the financial year, with only limited plans for spending.

Bond Market Review

- **Conventional UK government bonds returned -3.43%**. Yields rose steeply in response to expectations of higher inflation and following continued resilient UK economic data, while additional gilt issuance announced in the Autumn Statement weighed on the conventional gilt market. The UK yield curve steepened, as the market priced in higher inflation expectations. UK inflation, as measured by the Consumer Price Index (CPI), rose to 1.2% year-on-year in November, its highest level for two years. Gilts outperformed US bonds but underperformed European government bonds, as the ECB extended its quantitative easing programme.
- **Index linked UK government bonds returned -2.68%.** Against a backdrop of rising yields, demand for shorter dated maturities remained robust, with yields falling by 30 basis points (bps) over the quarter, while pension fund demand continued to support longer dated maturities. Ultra-long real yields rose 8bps over the quarter. With breakeven (implied) inflation rates rising over the quarter, index linked assets outperformed conventional gilts. US real yields also rose; index linked UK government bonds outperformed both US and French counterparts and performed in line with German inflation linked bonds.
- Following a particularly strong showing for **overseas sovereign bonds** in the first half of the year, and a steady return in the third quarter, the last quarter of the year saw bonds post negative returns. The J.P. Morgan Global Government Bond Index fell by 3.6% in total return terms, producing an annual return for 2017 of 21% (in sterling terms). Continuing central bank quantitative easing in Europe and Japan maintained government bond yields at low levels. Low inflation persisted in the eurozone; as the ECB extended its quantitative easing programme and removed buying restrictions on debt yielding below the deposit rate, European government yield curves steepened dramatically, before easing back slightly into the year end. US government bonds outperformed both European and Japanese counterparts, with US bonds returning 0.81%, while the Japanese and European bonds returned -10.33% and -4.21%, respectively (in local currency terms, J.P. Morgan indices).
- **Sterling investment grade credit returned-2.58%**, yet outperformed UK government bonds in absolute terms, despite posting one of its lowest quarterly returns for several years. As bond yields rose, average sterling investment grade credit spreads widened by 5bps to 123bps, but remain close to the lows that followed the BoE's August rate cut. After a busy third quarter, investment grade sterling bond issuance declined in the final quarter, returning to levels more in line with previous years. Issuance was led by the financial and industrial sectors.
- **Global high yield** bonds outperformed sterling investment grade credit, returning 1.16% (BofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained, 100% hedged to sterling). Europe was the strongest performing region, followed by the US and the UK. Emerging markets lagged, suffering under the effect of a stronger US dollar. In a subdued quarter for high yield returns, the recurring positive themes were the increase in oil price, stronger growth expectations in the US and continued monetary support in Europe. Periods of risk aversion in the run-up to the US election in November and following the Fed's December increase in rates and hawkish comments had a negative impact. Further challenges stemmed from the substantial outflows experienced during November.

INVESTMENT OUTLOOK

Key points

- We expect greater momentum in the global economy during 2017, with US growth picking up and growth in China and the eurozone remaining close to 2016 rates.
- We expect UK GDP growth to slow in 2017 as the economy navigates the uncertainty of Brexit negotiations. We expect UK CPI inflation to rise above target during the year.
- We expect the central banks of the UK, Japan and Europe to retain their biases towards policy easing, while in the US we anticipate three further rate rises in 2017.

Global economic growth prospects

- The outlook for the US largely depends on the size and composition of any fiscal stimulus package from the Trump administration, and upon how far the new administration translates sceptical rhetoric on current global trade arrangements and global security into actual policies. We expect the Fed to continue to raise rates during 2017, but that they will be wary of both excessive dollar appreciation and the impact on mortgage rates. There are clear upside risks to the pace of rate increases.
- In the UK, our base case is for growth to be slower in 2017 than 2016, as household real income growth weakens and corporate investment is impacted by uncertainty. Access to EU markets could be materially reduced for UK firms, which would restrain business activity and supply growth. We expect global growth to improve in 2017, which should limit the downside to the UK. We have assumed weaker growth, rather than recession, as a base case. We expect CPI inflation to rise in 2017.
- In the eurozone, with rising political risks ahead, economic growth remains tepid and inflation is still too low. Fiscal policy across the region should provide some support and corporate lending conditions have improved, but there is no sense that the economy has reached 'escape velocity', with GDP growth moving towards 2%, year on year. The boost from cheaper energy in the eurozone (a large net energy importer) is now waning, with headline inflation set to rise, squeezing still modest nominal income growth and consumer demand. Elections in a number of core countries have potential to spark bouts of volatility.
- In China, the most recent economic data suggest that GDP will easily meet the authorities' target for growth of 6.5-7% in 2016. We expect growth to remain steady, and for tighter capital controls to ensue in order to stem outflows, as US dollar strength increases pressure on the renminbi. While the impact of the 2015/16 stimulus will wane, we would not expect growth to slow materially during 2017.
- In Japan, we think the BoJ will retain its bias towards monetary easing. Japan is well placed to benefit from a strong dollar and an increase in global growth, and support from domestic monetary and fiscal policy should continue to boost the economy.

Outlook

- We expect global government bond yields to rise gradually over the next 12 months, as the inflation outlook and global growth picks up. We expect the Fed to raise rates three times in 2017.
- Our central case is for **UK government bond** yields across maturities to rise over 2017, and for the yield curve to steepen marginally, although we expect some volatility.
- For **index linked bonds**, we think long-term real interest rates in the UK are too low, and do not reflect long-term fundamentals. Pension fund demand for longer dated, real yield securities remains strong, but has become more sporadic and tied to supply events. We believe global inflation linked bonds offer better value, with the real yields of European and US bonds higher than their UK counterparts. We think that 5- and 10-year breakeven (implied) inflation rates now look fair value on a longer term view, while long-dated breakeven rates appear to be above fair value. Heavy index linked and gilt supply in the first quarter is likely to put pressure on UK yields.
- In **overseas bond markets**, we believe the global economy will to continue to grow over the near term. Political risks in Europe will be greater in 2017 on account of forthcoming elections, and volatility around these events is likely to present trading opportunities. We consider developed market government bonds to be expensive.
- We expect that **investment grade credit** will outperform UK government securities over the next three years. We continue to believe that portfolio diversification is important and a focus on bonds supported by stable income streams and structural enhancements should provide protection in times of market turbulence. We consider that the current credit spread premium, over UK government bonds yields, is adequate compensation for default and other risks (e.g. liquidity and rating migration).
- 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.

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.

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

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Company news

Quarterly results showed that Royal London Asset Management (RLAM) continued to perform well. In the year to 30 September 2016, RLAM attracted external new year-to-date inflows of £4.8bn (30 September 2015: £2.5bn). This was largely due to a significant increase in Institutional flows into RLAM's fixed income range. The combination of new business flows, as well as rising markets, meant that RLAM's assets under management exceeded £100 billion for the first time.

GLOSSARY

ABS – Asset Backed Securities. Debt secured against assets of the issuer. Subsectors of ABSs include mortgage backed securities (MBS), which can be residential (RMBS) or commercial (CMBS).

Amortisation – incremental repayment of a bond over its lifetime.

Attribution –measurement of a fund's return versus its benchmark return, breaking up the active performance into component parts, such as the impact of stock selection, asset allocation (between different asset classes), yield curve positioning (for fixed income portfolios) and duration (for fixed income portfolios).

Basis point – 1 basis point = 0.0001

Benchmark – an index or other market measurement used 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. 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.

Breakeven rates – the level of inflation required to make the return on index linked bonds equal to return on conventional bonds of similar maturity. Effectively, the price of the breakeven rate is the price investors are willing to pay for inflation protection, and is therefore an indicator of inflation expectations.

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

CD - Certificate of Deposit**.** 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 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.

CDS – Credit Default Swap. 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.

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 in bond documentation that place restrictions on the issuer.

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

CPI - Consumer Price Index. An inflation indicator, calculated as the weighted average price of consumer goods and services.

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 – the difference in yield between a corporate bond yield and a reference government bond yield.

Cyclicals – sectors 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.

Defensives – sectors that are less sensitive to the economic cycle.

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.

Duration –sensitivity of a bond's price to changes in interest rates. Duration 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.

Ex ante – expected

Ex post - historic

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.

Future – an exchange-traded 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.

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. 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.

LDI – Liability Driven Investment. Investing in order to match asset cash flows to liability cash flows.

Market value –the price at which a security can be bought in the market on the date specified.

Maturity – the final payment date of a bond on which the principal and final coupon are repaid.

Monoline insurance – credit insurance of lower rated bonds, provided by guaranteeing the payment of coupon and principal of the underlying bonds in return for premium payments. Most of these 'credit wrapped' bonds are now rated according to the underlying credit quality of the issue rather than the monoline's rating.

Nominal value – Also known as the face value: the price of a security at the time of issuance.

PFI – Private Finance Initiative. Projects that involve the provision of assets for the public sector by private companies. **Quantitative easing** – A type of monetary policy employed by central banks to stimulate an economy by creating new money to purchase government bonds. .

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 split into tranches, 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'.

Supranationals – international non-government agencies or 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. Common swaps include interest rates, inflation or currency.

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

Tracking error – a measure which expresses how closely a portfolio's return pattern matches that of its benchmark index. It is calculated 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. It is used as both an *ex post* (historic) and *ex ante* (expected) measure. **Underwriting** – the process of guaranteeing the new issue of securities.

Unrated bonds – bonds that are not rated by any of the rating agencies. RLAM assigns an internal rating to the unrated bonds in which it invests.

Yield – the 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.

Financial Statements

Portfolio Valuation

Trading Statement

Portfolio Valuation

As at 31 December 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									
134,404,252	GB00B1ZB3X88	RLPPC Over 5 Year Corp Bond Pen Fd	2.26375	169,095,010.51	304,257,625.79	0.00	304,257,625.79	0	100.0
			Funds Held total	**169,095,010.51**	**304,257,625.79**	**0.00**	**304,257,625.79**		**100.0**
			Grand total	**169,095,010.51**	**304,257,625.79**	**0.00**	**304,257,625.79**		**100.0**

Trading Statement

For period 01 October 2016 to 31 December 2016

Dorset County Pension Fund

	Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)
Acquisitions						
Funds Held						
	04 Oct 2016	Acquisition	150,639.93	RLPPC Over 5 Year Corp Bond Pen Fd	2.36	355,796.46
	06 Oct 2016	Acquisition Rebate	103,018.70	RLPPC Over 5 Year Corp Bond Pen Fd	2.32	238,781.90
					Funds Held total	**594,578.36**
					Acquisitions total	**594,578.36**

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10(d)

DORSET COUNTY PENSION FUND

UK Equity
Report for 3 months ending 31 December 2016

- Internal Managers Report
- Valuation Report
- Transaction Report

Dorset County Pension Fund Committee – 1 March 2017

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 two active managers, AXA Framlington and Schroders as well as the internally managed passive fund. This combination of managers and styles is designed to give the opportunity of outperformance against the FTSE All Share index and has a two thirds passive and one third active mix. Details of the combined portfolio (£675.1M at 31 December 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 December 2016, the FTSE All Share index was made up of 635 individual stocks ranging from Royal Dutch Shell Plc, the largest UK company (market value £186.2 Billion) down to the smallest in the index, The Lindsell Train Investment Trust Plc (market value £1.6 Million). Direct investment is made in the largest 350 companies, which comprises 96.7% by value of the index. Investment in the smallest companies which make up 3.3% of the index is achieved by a holding in the Schroders Institutional UK Smaller Companies Fund which is managed on an active basis.

4. **Market Background**

4.1 There was good performance from the UK markets in the three months to December 2016. The Small Cap ex Investment Trusts was the best performing index rising 4.6% (298 points), whilst the FTSE250 was the worst performing major UK index rising 1.2% (206 points). The FTSE100 rose 1.2% (244 points) over the same period. In comparison, there was mixed performance from major world indices. The Nikkei 225 was the best performer rising 16.2% (2,665 points), whilst the Hang Seng was the worst performer falling 5.6% (1,297 points).

4.2 Over the twelve month period, all major UK equity markets rose. The FTSE100 was the best performing index rising 14.4% (901 points), whilst the FTSE250 was the worst performing UK index rising 3.7% (648 points) over the same period. The Dow Jones rose 13.4% (2,338 points), whilst the Shanghai Composite fell 12.3% (436 points) over the same period.

4.3 At the end of October 2016 the FTSE100 closed higher for a fifth straight month, the first time since 2013, helped by a rally in banks and mining stocks and a weaker Sterling. Although the FTSE100 fell back in November it rose sharply again in December. The FTSE100 index reached its record high on 30 December at 7,142.8. This was mainly due to mining companies, with many gaining about 30% over the year. The FTSE100 benefitted from the fall in the pound since the EU Referendum vote, because the many international companies whose shares are traded in the UK tend to benefit from it. Profits earned abroad by multinationals such as GlaxoSmithKline and major mining companies are worth more when converted into sterling. This makes a company's shares appear better value when compared with the higher profits it will make, prompting a revaluation of the stock.

4.4 The Dow Jones reached its record high on 20 December 2016 at 19,974.6 after it had recorded seven previous record highs since the US election on 8 November 2016. The Dow Jones has risen 1,430 points since the US election result as investors back Donald Trump's policies to boost the US economy. The technology heavy Nasdaq reached its record high on 27 December 2016 at 5,487.4 rising 1.3% (71 points) in the quarter and 7.5% (376 points) over the year. The broader S & P 500 index recorded its highest close on 13 December 2016 at 2,271.7 rising 3.2% (71 points) in the quarter and 9.5% (195 points) over the year.

Financial Year to 31 December 2016

Country	Index	31/03/2016	31/12/2016	% Change
UK	FTSE100	6,174.9	7,142.8	15.7
UK	FTSE250	16,926.1	18,077.3	6.8
UK	FTSE350	3,445.4	3,931.7	14.1
UK	Small Cap	4,542.8	5,143.2	13.2
UK	Small Cap ex Investment Trusts	6,009.7	6,802.3	13.2
UK	All Share	3,395.2	3,873.2	14.1
Japan	Nikkei225	16,758.7	19,114.4	14.1
US	Dow Jones	17,685.1	19,762.6	11.7
Hong Kong	Hang Seng	20,776.7	22,000.6	5.9
France	Cac 40	4,385.1	4,862.3	10.9
Germany	Dax	9,965.5	11,481.1	15.2
China	Shanghai Composite	3,003.9	3,103.6	3.3

Twelve Months to 31 December 2016

Country	Index	31/12/2015	31/12/2016	% Change
UK	FTSE100	6,242.3	7,142.8	14.4
UK	FTSE250	16,085.4	18,077.3	12.4
UK	FTSE350	3,494.5	3,931.7	12.5
UK	Small Cap	4,634.7	5,143.2	11.0
UK	Small Cap ex Investment Trusts	6,044.5	6,802.3	12.5
UK	All Share	3,444.3	3,873.2	12.5
Japan	Nikkei225	19,033.7	19,114.4	0.4
US	Dow Jones	17,425.0	19,762.6	13.4
Hong Kong	Hang Seng	21,914.4	22,000.6	0.4
France	Cac 40	4,637.1	4,862.3	4.9
Germany	Dax	10,743.0	11,481.1	6.9
China	Shanghai Composite	3,539.1	3,103.6	-12.3

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 summarise the performance of this portfolio:

Period	Dorset	Index	Relative
	%	%	%
3 months to 30/06/2016	5.03	4.90	0.13
3 months to 30/09/2016	8.15	7.63	0.52
3 months to 31/12/2016	3.81	3.88	-0.07
9 months to 31/12/2016	17.92	17.29	0.63
12 months to 31/12/2016	16.87	16.81	0.06
3 years to 31/12/2016	6.10	5.98	0.12
5 years to 31/12/2016	10.04	9.94	0.10

The internally managed portfolio has underperformed the benchmark over the three month period to 31 December 2016 by 0.07% which is within the allowed tolerances of +/-0.5%. The performance of the internally managed portfolio is outside the agreed tolerance for the financial year to date due to the second quarter's figure, but still within its tolerance for the twelve months, three years and five years to date.

5.2 **FINANCIAL YEAR TO 31 DECEMBER 2016**

	Market Values		Performance	Benchmark	Benchmark
	31/03/2016	31/12/2016	%	%	Description
	£M	£M			
Internal	365.7	448.6	17.9	17.3	FTSE 350
AXA Framlington	108.0	182.8	8.2	17.2	All-Share
Standard Life	71.9	0.0	-	-	All-Share
Schroders	38.6	43.7	13.7	13.2	Small Cap*
Total	584.2	675.1	15.0	16.2	

*FTSE Small Cap ex Investment Trusts

The figures for the whole UK equity portfolio show:

- The combined portfolio has underperformed its benchmark over the financial year to date by 1.2%.
- Schroders outperformed its benchmark by 0.5% whilst AXA Framlington underperformed its benchmark by 9.0%.

THREE AND FIVE YEAR ANNUALISED PERFORMANCE

	Three Years		Five Years	
	Performance	Benchmark	Performance	Benchmark
	%	%	%	%
Internal	6.1	6.0	10.0	9.9
AXA Framlington	4.7	6.1	10.7	10.1
Schroders	10.7	7.4	18.8	19.4

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 0.1%, within the agreed tolerance.

- AXA Framlington underperformed their benchmark over the three year period by 1.4% but outperformed its benchmark by 0.6% over five years.
- Schroders outperformed its benchmark over three years by 3.3% but underperformed its benchmark by 0.6% over five years.

5.3

The table below shows how the three UK Equity manager's valuations have changed over the financial year to 31 December 2016.

MARKET VALUE OVER FINANCIAL YEAR TO 31 DECEMBER 20

	Market Value		% of Total UK Equity as at	
	31/03/16	31/12/16	31/03/16	31/12/16
Manager	£M	£M	%	%
Internal	365.7	448.6	62.6	66.4
AXA Framlington	108.0	182.8	18.5	27.1
Standard Life	71.9	0.0	12.3	0.0
Schroders	38.6	43.7	6.6	6.5
Total	**584.2**	**675.1**	**100.0**	**100.0**

5.4 Each external manager's commentary is summarised below:

AXA Framlington
3rd Quarter 2016/17
Performance
During the third quarter, the fund underperformed the FTSE All Share with a return of 3.8% against the benchmark of 3.9%. For the twelve months to date the Fund returned 4.2% against its benchmark of 16.7%. Over the three years, the fund underperformed its benchmark by 1.3% but outperformed by 0.6% over the five year period. Growth stocks continued to rally helped by the election result in the USA. Recovery in the quarter continued and a good relative and absolute return, especially in the six months where the fund outperformed the index by 3.0%. However, political uncertainty continues to plague markets.
Activity
RPC, the largest holding in the portfolio was again the biggest contributor to relative performance with a return of 11.5% and a relative contribution of 0.5%. Elementis shares recovered after better trading results with a return of 27.2% and a relative contribution rate of 0.5%. Not owning British American Tobacco was a relative positive. The best relative performing sector was industrials and being underweight in consumer goods was a positive to performance. The biggest negative contributor to performance was being underweight in Royal Dutch which performed strongly with a return of 19.9% and a relative contribution rate of -0.75%. The worst relative performing sector was consumer services whilst financials continued to perform as the holding remained underweight. No new holdings were established in the quarter, but stocks added to were Breedon, Ascential and Johnson Matthey. The holding is B&M European Value Retail S.A. were sold and holdings were sold in BT Plc, Travis Perkins Plc and AstraZeneca Plc. Part of RPC was sold, as it had, through success, become too large a holding to be in the fund.
Outlook and Strategy
The UK domestic stocks are still under pressure regarding the outlook for consumption post the EU Referendum. The uncertainty created by the nature of the negotiations is unhelpful for confidence and causing some volatility. Weak economic global growth will lead to further lowering of earnings expectations except those UK overseas earners who are benefitting from the weaker pound sterling. The fragile global economic growth is causing many companies to downgrade expectations,

compounded by the EU Referendum. Monetary tightening in the USA is occurring and a new President will hopefully be business friendly.

Schroders

3rd Quarter 2016/17

Performance and Market Summary

During the third quarter, the Fund returned 6.7% against the Small Cap benchmark of 4.6%. Over the twelve month period the Fund returned 13.5% against its benchmark of 12.5%. Over three years the Fund outperformed the benchmark by 3.3% but underperformed by 0.6% over the five year period.

Activity

Over the three month period to December 2016 the fund delivered a return 2.1% points ahead of its benchmark. Notable contributions to outperformance came from Trifast and Blue prism, as well as MP Evans which received an unsolicited bid approach which was declined later in the quarter. The most significant detractor to performance came from NAHL Group. In September 2016, NAHL Group commenced the trial of a small proportion of enquiries through different commercial and structural arrangements, playing a more proactive role in the entire conduct and financing of personal injury cases. In December 2016, the Board decided to accelerate investment in these cases. To position the group for this different approach to funding and processing enquiries, an exceptional investment of £1.7M is anticipated by the end of the 2017 financial year, with around £0.5M of this by the end of the 2016 financial year. This will fund investment in the National Accident Helpline brand and the creation of these alternative business structures. This new approach will see a deferment of operating profit of approximately £4M in the 2017 financial year with a reduction in cash conversion to about 60% from the assumed 65% in the second half of the 2016 financial year. It is anticipated that cases put through the approach will settle within two years when the cashflow will be received and the remaining revenue and operating profit recognised. This chain of events saw the shares marked down aggressively. With regards to disposals, profits were taken in a number of names over the period. Additionally, the holding in NCC were sold, a significant proportion of which was before that company's profit warning. Stakes in Kainos and Mears were sold because of being increasingly concerned about rising constraints on UK government expenditure. The proceeds of these divestments were invested in a number of new names as well as adding to existing holdings where there is still some value to be exploited. A couple of additions were flotations, namely Luceco and Warpaint, the former being a manufacturer and distributor of electrical fittings and LED luminaires whilst the latter manufactures and designs cosmetics. AB Dynamics, Redt Energy and Futura Medical were also new purchases. Tracsis, Gresham Technologies and Carclo were added to the existing holdings. There were partial sales in Sanne, Fisher (James), Dart and Polypipe.

Outlook and Strategy

For the UK equity market overall, the 12 month price/earnings ratio has increased from 9.5x in 2011 to today's 14x. The increase in the market's valuation multiple has been notably driven by a number of defensive sectors such as beverages, tobacco and pharmaceuticals, which have witnessed historically high valuations. Multiples for oil producers have increased further more recently, as earning estimates have been further revised downwards whilst the share price has grown. The key as always is investing in those companies that can maintain their competitive advantage as the relentless pressure on profitability continues across the market. This can be seen in the recent warnings from Pearson and BT, two large constituents of the FTSE 100 index. Companies, using the environment of low interest rates, looks set to continue for some time to make acquisitions to supplement organic growth. This is being well received by the market and it is a trend that is expected to continue. Organic growth and pricing power and where possible avoiding companies with too much debt are sought. There should be opportunities for Mergers and Acquisitions activities, particularly with the recent weakness in sterling.

6 **Review of Activity**

6.1 The Internal managed portfolio had six corporate actions in the three month period to 31 December 2016:

- In October, SABMiller was taken over by Anheuser-Busch Inbev for £8.9M.
- In October, there were two corporate actions. These were Informa Rights Issue (£0.1M) and Phoenix Rights Issue (£0.2M).
- In November, there was a demerger between esure Group Plc and Gocompare.com for £0.2M
- In December, there were two corporate actions. There was a merger between NEX and ICAP for £0.3M and a merger between Tullett Prebon and ICAP for £0.1M.

6.2

- In October, the UK Equity Internally Managed Passive Fund was rebalanced. The total value of purchases and sales were £4.1M with a net purchase of £0.7M. There were 25 purchases (£2.4M) and 68 sales (£1.7M).

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 December 2016 is £22,320. Net income for UK stock lending was £124,530 over the same period, giving a total of £146,850.

David Wilkes
Finance Manager (Treasury and Investments)
February 2017

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DORSET COUNTY PENSION FUND

VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 31 DECEMBER 2016

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
UK EQUITIES				
MINING				
ACACIA MINING	33,000	147.9	3.74	123.3
ANGLO AMERICAN ORD USD0.54	272,090	2,821.8	11.59	3,153.5
ANTOFAGASTA ORD GBP0.05	74,500	151.5	6.75	502.9
BHP BILLITON ORD USD0.50	438,826	2,412.0	13.05	5,726.7
CENTAMIN EGYPT LTD	226,000	349.1	1.39	313.0
FRESNILLO	35,500	88.2	12.20	433.1
GLENCORE XSTRATA	2,421,443	5,683.8	2.77	6,715.9
HOCHSCHILD MINING ORD GBP0.25	49,000	108.9	2.12	103.6
KAZ MINERALS	56,000	93.8	3.57	200.0
PETRA DIAMONDS	106,900	169.7	1.57	167.5
POLYMETAL INT'L	55,000	525.8	8.55	470.3
RANDGOLD RESOURCES ORD USD0.05	19,250	485.3	64.05	1,233.0
RIO TINTO ORD GBP0.10 (REG)	251,150	2,888.0	31.54	7,921.3
VEDANTA RESOURCES ORD USD0.10	18,500	75.1	8.79	162.6
Total MINING		**16,000.9**		**27,226.6**
OIL & GAS PRODUCERS				
AFREN PLC	218,000	215.9	0.00	0.0
BP ORD USD0.25	3,901,400	12,941.0	5.10	19,877.6
CAIRN ENERGY ORD GBP0.06153846153	124,207	246.2	2.36	293.0
ROYAL DUTCH 'B' ORD EUR0.07	1,638,861	20,100.1	23.53	38,562.4
TULLOW OIL ORD GBP 0.10	188,500	789.9	3.12	588.5
Total OIL & GAS PRODUCERS		**34,293.1**		**59,321.5**
CHEMICALS				
CRODA INTL ORD GBP0.10	26,995	211.1	31.88	860.6
ELEMENTIS	99,000	130.2	2.77	274.0
JOHNSON MATTHEY ORD GBP1.00	40,357	446.3	31.81	1,283.8
SYNTHOMER	57,665	118.9	3.82	220.5
VICTREX ORD GBP0.01	17,000	111.6	19.30	328.1
Total CHEMICALS		**1,018.2**		**2,967.0**
CONSTRUCTION & MATERIALS				
BALFOUR BEATTY ORD GBP0.50	142,920	346.0	2.68	382.9
CRH PLC	172,200	2,438.5	28.16	4,849.2
IBSTOCK PLC	47,200	92.7	1.85	87.3
KELLER GROUP ORD GBP0.10	15,000	143.6	8.39	125.8
KIER GROUP ORD GBP0.01	19,139	256.6	13.73	262.8
MARSHALLS GROUP ORD GBP0.25	43,000	153.0	2.93	125.8
POLYPIPE GROUP	41,000	127.4	3.24	132.8
Total CONSTRUCTION & MATERIALS		**3,557.8**		**5,966.5**

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
FORESTRY & PAPER				
MONDI PLC EUR0.20	76,250	272.5	16.61	1,266.5
Total FORESTRY & PAPER		**272.5**		**1,266.5**
AEROSPACE & DEFENCE				
BAE SYSTEMS ORD GBP0.025	656,816	1,459.4	5.89	3,868.6
COBHAM ORD GBP0.25	356,499	343.6	1.64	583.6
MEGGITT ORD GBP0.05	162,187	421.1	4.58	743.0
QINETIQ ORD GBP0.01	120,000	215.1	2.63	315.4
ROLLS ROYCE ORD GBP0.20	344,978	1,169.8	6.68	2,304.5
SENIOR	90,000	127.8	1.94	174.6
ULTRA ELECTRONICS ORD GBP0.05	14,500	125.1	19.39	281.2
Total AEROSPACE & DEFENCE		**3,861.8**		**8,270.8**
ELECTRONIC & ELECTRICAL EQUIPMENT				
HALMA ORD GBP0.10	78,517	154.7	8.96	703.5
MORGAN ADVANCE MATERIALS	61,000	125.5	2.85	174.0
RENISHAW ORD GBP0.20	7,500	61.3	25.25	189.4
SPECTRIS ORD GBP0.05	25,000	166.4	23.13	578.3
Total ELECTRONIC & ELECTRICAL EQUIPMENT		**507.9**		**1,645.1**
INDUSTRIAL ENGINEERING				
BODYCOTE INT ORD GBP 0.10	41,252	181.7	6.44	265.7
HILL & SMITH	17,000	168.2	11.98	203.7
IMI ORD GBP0.25	56,968	208.8	10.36	590.2
ROTORK ORD GBP0.05	180,000	128.8	2.41	434.2
SPIRAX-SARCO ORD GBP0.25	15,021	175.5	41.84	628.5
WEIR GROUP ORD GBP0.125	44,950	244.2	18.85	847.3
Total INDUSTRIAL ENGINEERING		**1,107.3**		**2,969.5**
AUTOMOBILES & PARTS				
GKN ORD GBP0.50	358,044	440.0	3.30	1,181.9
Total AUTOMOBILES & PARTS		**440.0**		**1,181.9**
HOUSEHOLD GOODS & HOME CONSTRUCTION				
BARRATT DEVEL ORD GBP0.10	207,634	515.3	4.62	960.1
BELLWAY ORD GBP0.125	25,500	213.2	24.71	630.1
BERKELEY GP UNITS	26,680	213.8	28.08	749.2
BOVIS HOMES GROUP ORD GBP0.50	29,000	145.3	8.19	237.4
COUNTRYSIDE	33,000	78.5	2.46	81.1
CREST NICHOLSON ORD GBP0.10	52,000	189.9	4.53	235.5
GALLIFORD TRY ORD GBP0.05	17,200	120.5	12.90	221.9
MCCARTHY & STONE ORD GBP0.20	61,000	148.6	1.61	98.2
PERSIMMON ORD GBP0.10	63,645	444.9	17.75	1,129.7
RECKITT BENCKISER ORD GBP0.10	130,600	2,257.1	68.71	8,973.5
REDROW ORD GBP0.10	46,928	86.0	4.29	201.3
TAYLOR WIMPEY ORD GBP0.25	681,000	420.3	1.54	1,045.3
Total HOUSEHOLD GOODS & HOME CONSTRUCTION		**4,833.4**		**14,563.3**

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
BEVERAGES				
BARR (A G)	18,000	46.4	4.97	89.5
BRITVIC ORD GBP0.20	52,000	185.3	5.66	294.3
COCA-COLA HBC AG-CDI	41,000	695.2	17.65	723.7
DIAGEO PLC ORD GBP0.28935	523,177	4,132.7	21.10	11,036.4
Total BEVERAGES		**5,059.7**		**12,143.9**
FOOD PRODUCERS				
ASSD BRITISH FOODS ORD GBP0.0568	72,360	547.0	27.38	1,981.2
CRANWICK	10,500	105.7	23.41	245.8
DAIRY CREST ORD GBP0.25	30,000	148.7	6.18	185.3
GREENCORE GROUP	148,920	255.2	2.46	366.8
TATE & LYLE ORD GBP0.25	97,400	319.8	7.08	689.1
Total FOOD PRODUCERS		**1,376.5**		**3,468.2**
HEALTH CARE EQUIPMENT & SERVICES				
MEDICLINIC	81,000	771.8	7.71	624.1
NMC HEALTH PLC	13,100	58.6	15.35	201.1
SMITH & NEPHEW ORD USD0.2	186,372	622.5	12.17	2,268.1
SPIRE HEALTHCARE GRP	60,000	184.4	3.38	202.6
UDG HEALTHCARE	51,000	165.7	6.69	340.9
Total HEALTH CARE EQUIPMENT & SERVICES		**1,803.0**		**3,636.9**
PERSONAL GOODS				
BURBERRY GROUP ORD GBP0.0005	92,372	340.1	14.94	1,380.0
PZ CUSSONS ORD GBP0.01	63,970	109.0	3.34	213.9
SUPERGROUP PLC	11,000	115.8	16.48	181.3
TED BAKER PLC	6,000	71.0	27.98	167.9
UNILEVER ORD GBP0.031111	250,628	2,192.2	32.88	8,239.4
Total PERSONAL GOODS		**2,828.0**		**10,182.4**
PHARMACEUTICALS & BIOTECHNOLOGY				
ASTRAZENECA ORD USD0.25	262,100	5,447.1	44.28	11,605.8
BTG	80,000	264.8	5.88	470.4
DECHRA PHARMACEUTICALS	19,000	110.3	13.40	254.6
GENUS	13,000	113.0	17.96	233.5
GLAXOSMITHKLINE ORD GBP0.25	1,009,988	6,348.2	15.61	15,760.9
HIKMA PHARMA ORD GBP0.10	29,000	210.2	18.90	548.1
INDIVIOR	150,550	109.1	2.96	445.5
SHIRE ORD GBP0.05	187,000	5,111.8	46.84	8,758.1
VECTURA GROUP	140,600	238.1	1.37	192.8
Total PHARMACEUTICALS & BIOTECHNOLOGY		**17,952.6**		**38,269.6**
TOBACCO				
BRITISH AMERICAN TOBACCO ORD GBP0.25	387,100	5,415.1	46.20	17,884.0
IMPERIAL BRANDS ORD GBP0.10	200,062	2,669.9	35.37	7,076.2
Total TOBACCO		**8,085.0**		**24,960.2**

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
GENERAL RETAILERS				
AO WORLD	35,000	57.8	1.81	63.5
B&M EUROPEAN VALUE RETAIL SA	142,000	487.4	2.78	394.8
BROWN (N) GROUP ORD GBP0.1105263157	32,761	38.7	2.22	72.8
CARD FACTORY	50,000	137.4	2.53	126.5
DEBENHAMS ORD GBP0.01	264,000	322.7	0.57	151.3
DFS FURNITURE ORD GBP0.05	33,000	95.5	2.26	74.4
DIGNITY	10,411	127.7	24.63	256.4
DIXONS CARPHONE	207,453	715.9	3.54	735.2
DUNELM GROUP	20,000	62.0	8.01	160.2
HALFORDS GRP ORD GBP0.01	43,000	136.2	3.65	156.8
INCHCAPE ORD GBP0.25	90,300	234.0	7.02	633.5
JD SPORTS FASHION PLC	80,000	95.1	3.18	254.3
JUST EAT	114,997	444.9	5.84	671.0
KINGFISHER ORD GBP0.157142857	468,478	990.0	3.50	1,639.2
MARKS AND SPENCER GROUP ORD GBP0.25	338,600	700.9	3.50	1,184.1
NEXT ORD GBP0.10	29,400	360.7	49.82	1,464.7
PETS AT HOME GRP	79,000	174.5	2.39	188.8
SAGA	230,800	428.2	1.95	450.3
SMITH WH ORD GBP0.20	22,547	93.5	15.54	350.4
SPORTS DIRECT INT'L ORD GBP0.10	54,000	177.5	2.78	150.2
Total GENERAL RETAILERS		**5,880.6**		**9,178.3**
INDUSTRIAL METALS				
EVRAZ PLC	101,000	329.4	2.21	223.1
Total INDUSTRIAL METALS		**329.4**		**223.1**
TRAVEL & LEISURE				
CARNIVAL ORD USD1.66	38,115	589.2	41.21	1,570.7
CINEWORLD GRP	42,000	150.0	5.64	236.9
COMPASS GROUP ORD GBP0.10	342,393	1,378.2	14.98	5,129.0
DOMINO'S PIZZA UK& IRL	103,500	171.1	3.61	373.4
EASYJET ORD GBP0.25	52,257	310.6	10.00	522.6
FIRSTGROUP ORD GBP0.05	258,749	415.2	1.04	267.8
GO AHEAD GROUP ORD GBP0.10	9,000	106.8	22.40	201.6
GREENE KING ORD GBP0.125	63,985	346.1	6.97	445.7
GVC PLC	59,400	426.1	6.42	381.3
INT'L CONSOLIDATED AIR	352,350	1,032.9	4.41	1,553.2
INTER	41,116	325.0	36.25	1,490.5
LADBROKES ORD GBP0.28333	190,105	607.0	1.16	220.3
MARSTONS ORD GBP0.07375	123,154	132.9	1.36	167.2
MERLIN ENTERTAINMENT	148,000	585.9	4.49	663.9
MILLENNIUM & COPTHORNE HOTELS ORD GBP	25,910	101.4	4.58	118.5
MITCHELLS & BUTLER ORD GBP0.085416	50,430	153.5	2.51	126.4
NATIONAL EXPRESS ORD GBP0.05	87,566	231.7	3.54	309.7
PADDYPOWER BETFAIR	17,099	1,149.9	86.95	1,486.8
PLAYTECH ORD	44,000	258.8	8.25	363.0
RANK GROUP ORD GBP0.13888	33,215	72.6	1.94	64.6
RESTAURANT ORD GBP0.28125	43,000	76.5	3.24	139.4
SSP GRP	97,700	267.4	3.87	378.3
STAGECOACH GROUP ORD GBP0.009824	91,395	106.4	2.16	197.6
THOMAS COOK ORD EUR0.10	307,000	380.9	0.87	267.7
TUI TRAVEL ORD GBP0.10	98,697	857.3	11.62	1,146.9

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
WETHERSPOON (JD) ORD GBP0.02	17,500	53.8	8.88	155.4
WHITBREAD ORD GBP0.76797385	38,085	415.1	37.75	1,437.7
WILLIAM HILL ORD GBP0.10	181,552	375.2	2.90	526.9
WIZZ AIR HOLDINGS PLC	9,000	157.8	17.91	161.2
Total TRAVEL & LEISURE		**11,235.3**		**20,104.2**
MEDIA				
ASCENTIAL	49,000	130.0	2.69	131.6
AUTO TRADER GROUP	202,000	729.1	4.09	826.2
ENTERTAINMENT ONE LTD	67,698	131.6	2.30	155.8
EUROMONEY INST INVESTOR ORD GBP0.0025	8,000	55.9	11.45	91.6
INFORMA ORD GBP0.001	168,681	583.1	6.77	1,142.0
ITV ORD GBP0.10	781,146	1,008.5	2.06	1,606.0
MONEYSUPERMARKET.COM	110,000	205.0	2.94	323.5
PEARSON ORD GBP0.25	170,627	1,074.3	8.18	1,395.7
RELX	227,670	1,006.0	14.45	3,289.8
RIGHTMOVE ORD GBP0.001	18,865	144.8	39.03	736.3
SKY PLC	218,500	1,239.5	9.91	2,165.3
UBM ORD GBP0.338068	81,716	560.8	7.30	596.5
WPP GROUP ORD GBP0.10	269,966	1,687.5	18.13	4,894.5
ZOOPLA PROPERTY GRP	51,000	109.6	3.19	162.8
Total MEDIA		**8,665.7**		**17,517.8**
SUPPORT SERVICES				
AA PLC	125,800	481.3	2.77	348.6
AGGREKO ORD GBP0.20	49,765	178.9	9.14	454.9
ASHTEAD GROUP ORD GBP0.10	105,000	274.7	15.80	1,659.0
ATKINS WS ORD GBP0.005	21,000	116.3	14.50	304.5
BABCOCK INTL GRP ORD GBP0.60	104,979	491.6	9.51	998.4
BERENDSEN PLC	35,957	149.2	8.71	313.0
BUNZL ORD GBP0.32142857	69,470	385.8	21.04	1,461.6
CAPITA GROUP ORD NVP	137,902	571.0	5.30	730.9
CARILLION ORD GBP0.50	92,699	186.2	2.36	218.4
DCC ORD	18,300	597.3	60.35	1,104.4
DIPLOMA PLC	24,000	118.8	10.35	248.4
ELECTROCOMPONENTS ORD GBP0.10	94,000	130.6	4.77	448.0
ESSENTRA	55,749	181.2	4.61	256.9
EXPERIAN ORD USD0.10	199,470	720.2	15.71	3,133.7
G4S ORD GBP0.25	324,213	629.6	2.35	760.9
GRAFTON GROUP	46,000	296.4	5.50	253.0
HAYS ORD GBP0.01	298,500	184.3	1.49	445.4
HOMESERVE ORD GBP0.125	53,140	106.7	6.17	327.9
HOWDEN JOINERY GROUP	127,000	166.5	3.84	487.0
INTERTEK GROUP ORD GBP0.01	33,550	346.0	34.76	1,166.2
IWG Group	141,000	173.6	2.46	346.9
MICHAEL PAGE INTL ORD GBP0.01	66,000	141.0	3.91	257.7
MITIE GROUP ORD GBP0.025	77,500	158.6	2.24	173.9
PAYPOINT	14,000	104.3	10.01	140.1
PAYSAFE GROUP	100,000	401.3	3.71	371.2
RENTOKIL INITIAL ORD GBP0.01	381,624	351.0	2.22	848.0
SERCO ORD GBP0.02	228,300	352.2	1.43	326.5
SIG ORD GBP0.10	120,285	188.4	1.03	124.1

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
TRAVIS PERKINS ORD GBP0.10	51,672	322.0	14.52	750.3
WOLSELEY ORD GBP0.25	52,413	932.9	49.55	2,597.1
WORLDPAY GROUP PLC	349,400	1,017.7	2.69	941.3
Total SUPPORT SERVICES		**10,455.3**		**21,998.0**
INDUSTRIAL TRANSPORT				
BBA AVIATION ORD GBP0.2976	217,039	350.1	2.83	614.7
CLARKSON PLC	5,000	139.2	21.70	108.5
FISHER (JAMES) & SONS	9,000	139.3	15.53	139.8
ROYAL MAIL	190,000	1,062.9	4.62	877.0
Total INDUSTRIAL TRANSPORT		**1,691.6**		**1,740.0**
FOOD & DRUG RETAILERS				
BOOKER GROUP	343,000	217.5	1.76	602.0
GREGGS ORD GBP0.20	22,000	195.2	9.70	213.4
MORRISON (WM) ORD GBP0.10	451,283	572.0	2.31	1,040.2
OCADO GROUP PLC	87,000	154.9	2.64	229.8
SAINSBURY (J) ORD GBP0.28571428	347,473	860.9	2.49	866.3
TESCO ORD GBP0.05	1,688,312	2,609.9	2.07	3,491.4
Total FOOD & DRUG RETAILERS		**4,610.4**		**6,443.0**
FIXED LINE TELECOMMUNICATION				
BT GROUP ORD GBP0.05	1,737,898	4,140.0	3.67	6,374.6
TALKTALK TELECOM	113,000	174.7	1.69	191.2
TELECOM PLUS	13,284	117.3	11.73	155.8
Total FIXED LINE TELECOMMUNICATION		**4,432.0**		**6,721.6**
ELECTRICITY				
DRAX GROUP ORD GBP0.1155172	86,744	604.0	3.78	327.8
SSE PLC ORD GBP0.50	208,940	1,547.3	15.53	3,244.8
Total ELECTRICITY		**2,151.3**		**3,572.6**
GAS WATER & MULTIUTILITIES				
CENTRICA ORD GBP0.061728395	1,126,774	2,003.0	2.34	2,636.7
NATIONAL GRID ORD GBP0.11395	783,386	3,975.8	9.50	7,442.2
PENNON ORD GBP0.407	85,279	293.7	8.27	705.3
SEVERN TRENT ORD GBP0.9789	49,009	368.9	22.22	1,089.0
UNITED UTILITIES ORD GBP1.00	142,439	634.2	9.01	1,282.7
Total GAS WATER & MULTIUTILITIES		**7,275.5**		**13,155.7**
BANKS				
ALDERMORE GROUP	35,000	96.7	2.34	82.0
BANK OF GEORGIA HLDGS	7,000	109.2	29.83	208.8
BARCLAYS ORD GBP0.25	3,513,970	7,159.3	2.22	7,815.1
CYBG	182,600	436.4	2.81	512.4
HSBC HLDGS ORD USD 0.50	4,114,647	18,059.5	6.57	27,012.7
LLOYDS TSB GROUP ORD GBP0.25	13,292,723	11,547.6	0.62	8,305.3
METRO BANK	15,500	302.2	29.21	452.8
ROYAL BANK OF SCOTLAND	683,772	6,730.5	2.25	1,535.8
SHAWBROOK GROUP	22,000	69.2	2.70	59.5

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
STANDARD CHARTERED ORD USD0.50	557,469	3,893.1	6.63	3,695.5
VIRGIN MONEY HOLDINGS UK	49,000	189.9	3.02	148.0
Total BANKS		**48,593.5**		**49,827.6**
NON LIFE INSURANCE				
ADMIRAL GRP ORD GBP0.001	42,000	309.4	18.21	764.8
BEAZLEY GROUP ORD GBP0.05	108,721	155.1	3.86	419.6
DIRECT	287,416	750.8	3.69	1,061.7
ESURE GROUP	58,900	137.3	2.02	118.7
HASTINGS GROUP HOLDINGS LTD	53,000	93.5	2.47	130.8
HISCOX ORD GBP0.05	59,069	224.6	10.14	599.0
JARDINE LLOYD THOMPSON ORD GBP0.05	26,000	81.8	9.85	256.0
LANCASHIRE HOLDINGS LTD	41,200	231.9	6.94	285.9
RSA INSURANCE	212,216	1,288.7	5.82	1,235.1
Total NON LIFE INSURANCE		**3,272.9**		**4,871.5**
LIFE INSURANCE				
AVIVA ORD GBP0.25	840,307	4,679.6	4.86	4,079.7
JRP GROUP	100,834	132.3	1.49	150.6
LEGAL & GENERAL GP ORD GBP0.025	1,233,134	960.6	2.47	3,049.5
OLD	1,019,435	1,534.9	2.07	2,111.2
PHOENIX GROUP HOLDINGS	83,090	524.6	7.34	609.9
PRUDENTIAL CORP ORD GBP0.05	535,836	2,327.4	16.23	8,696.6
ST JAMES PLACE ORD GBP0.15	108,000	602.5	10.13	1,094.0
STANDARD LIFE ORD GBP0.10	408,174	1,349.1	3.71	1,515.1
Total LIFE INSURANCE		**12,112.9**		**21,306.8**
EQUITY INVESTMENT INSTRUMENTS				
3I INFRASTRUCTURE LTD	144,565	201.7	1.86	269.0
ABERFORTH SMALLER COS TRUST ORD GBP	20,000	77.3	11.05	221.0
ALLIANCE TRUST ORD GBP0.25	107,735	201.2	6.37	685.7
BANKERS I.T. ORD GBP0.25	26,500	68.2	6.98	184.8
BH MACRO LTD	4,500	73.3	21.16	95.2
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0	27,000	53.3	6.36	171.6
CALEDONIA INVESTMENT ORD GBP0.05	6,500	61.2	25.80	167.7
CITY OF LONDON TRUST ORD GBP0.25	69,600	161.8	4.06	282.5
EDINBURGH I.T. ORD GBP0.25	42,100	108.2	7.16	301.2
ELECTRA PRIVATE EQUITY GBP0.25	6,000	74.7	47.75	286.5
F & C INVEST TRUST ORD GBP0.25	116,000	138.2	5.44	630.5
FIDELITY CHINA SPECIAL	77,968	92.2	1.70	132.8
FIDELITY EUROPEAN VALUES ORD GBP0.25	90,000	58.0	1.83	165.0
FINSBURY GR&INC TRUST-ORD	28,000	165.1	6.49	181.6
GCP INFRASTRUCTURE INVESTMENTS	138,000	167.4	1.23	169.1
GENESIS EMERGING MARKETS	27,000	123.6	6.03	162.7
GREENCOAT UK WIND	125,100	144.2	1.19	149.2
HARBOURVEST GLOBAL PRIVA	17,000	148.0	11.50	195.5
HICL INFRASTRUCTURE CO	292,725	367.9	1.64	480.9
INTERNATIONAL PUB PTR	223,462	261.3	1.54	343.7
JOHN LAING INFRASTRUCTURE	165,125	186.1	1.29	213.3
JPMORGAN AMERICAN IT	56,000	109.7	3.68	206.0
JPMORGAN EMERGING MKTS	26,000	125.7	6.91	179.7
JPMORGAN INDIAN INV TRUST	22,000	148.7	5.90	129.7

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
MERCANTILE TRUST	19,700	71.3	17.10	336.9
MONKS INVESTMENT ORD GBP0.05	44,400	54.0	5.67	251.5
MURRAY INTERNATIONAL ORD GBP0.25	26,800	155.2	11.84	317.3
NB GLOBAL FLOATING RATE	214,300	214.4	0.97	207.1
P2P GLOBAL INVESTMENTS	19,000	189.2	7.99	151.8
PERPETUAL INCOME & GRTH ORD GBP0.10	51,000	121.7	3.69	188.0
PERSONAL ASSETS TRUST	350	131.8	390.90	136.8
POLAR CAPITAL TECHNOLOGY TR	28,000	80.4	8.44	236.2
RENEWABLES INFRASTRUCTURE GROUP	158,000	156.0	1.10	173.0
RIT CAPITAL PARTNERS ORD GBP1.00	26,479	121.1	18.83	498.6
RIVERSTONE ENERGY LTD	12,000	110.6	13.43	161.2
SCOTTISH I.T ORD GBP0.25	20,500	33.1	7.69	157.6
SCOTTISH MORTGAGE ORD GBP0.25	274,000	197.0	3.20	877.6
TEMPLE BAR IT ORD GBP0.25	14,000	106.8	12.19	170.7
TEMPLETON EMERGING MARKETS I.T. ORD GB	60,300	117.2	5.95	358.8
TR PROPERTY INVESTMENT TRUST ORD GBP0	68,500	69.3	2.98	203.8
WITAN IT ORD GBP0.25	38,300	92.8	9.02	345.5
WOODFORD PATIENT CAPITAL TRU	178,000	205.2	0.90	160.9
WORLDWIDE HEALTH	10,000	104.7	21.08	210.8
Total EQUITY INVESTMENT INSTRUMENTS		**5,648.9**		**11,149.0**
REAL ESTATE INVESTMENT & SERVICES				
CAPITAL & COUNTIES PROPERTIES	151,333	299.7	2.97	449.5
CLS HOLDINGS ORD GBP0.25	3,000	49.0	15.29	45.9
COUNTRYWIDE PLC ORD GBP0.05	33,000	188.2	1.76	58.2
DAEJAN HOLDINGS ORD GBP0.25	1,000	42.4	61.90	61.9
F & C COMMERCIAL PROPERTY TRUST	113,000	123.7	1.36	153.1
GRAINGER TRUST ORD0.05	89,000	139.5	2.38	211.6
KENNEDY WILSON EUR REAL EST.	25,000	266.9	9.59	239.8
SAVILLS ORD 2.5GBP	28,000	113.6	7.00	196.0
ST. MODWEN PROPERTIES ORD GBP0.10	35,000	92.7	3.04	106.4
UK COMMERCIAL PROPERTY ORD GBP0.25	142,000	120.2	0.84	119.8
UNITE GROUP ORD GBP0.25	46,142	175.6	6.05	278.9
Total REAL ESTATE INVESTMENT & SERVICES		**1,611.4**		**1,921.0**
REAL ESTATE INVESTMENT TRUSTS				
ASSURA GROUP ORD GBP0.10	351,000	185.5	0.57	199.9
BIG YELLOW GROUP ORD GBP0.10	29,600	155.8	6.83	202.2
BRITISH LAND ORD GBP0.25	214,000	968.0	6.29	1,346.1
DERWENT LONDON ORD GBP0.05	20,696	305.8	27.69	573.1
GREAT PORTLAND ESTATE ORD GBP0.125	72,172	243.0	6.68	482.1
HAMMERSON ORD GBP0.25	163,847	620.8	5.73	938.0
HANSTEEN HOLDINGS	155,000	142.6	1.14	175.9
INTU PROPERTIES REIT	195,333	725.8	2.81	548.7
LAND SECURITIES GROUP ORD GBP0.10	164,276	904.2	10.64	1,747.9
LONDON METRIC	126,000	164.4	1.55	195.8
REDEFINE INT'L REIT	255,000	129.2	0.39	99.8
SAFESTONE HLDGS	44,000	150.7	3.49	153.5
SEGRO REIT	172,752	551.8	4.58	791.4
SHAFTESBURY ORD GBP0.25	57,666	245.5	9.07	523.0
TRITAX BIG BOX REIT PLC	196,264	243.1	1.39	272.6
WORKSPACE GROUP - ORD GBP0.10	25,000	108.8	7.91	197.8
Total REAL ESTATE INVESTMENT TRUSTS		**5,845.0**		**8,447.8**

Description	Holding	Book Cost £000's	Market Price	Market Value £000's
TECHNOLOGY HARDWARE & EQUIPMENT				
LAIRD GROUP ORD GBP0.28125	58,000	91.9	1.52	88.3
Total TECHNOLOGY HARDWARE & EQUIPMENT		**91.9**		**88.3**
SOFTWARE & COMPUTER SERVICES				
AVEVA GROUP ORD GBP0.0333	13,686	153.0	18.68	255.7
COMPUTACENTER PLC ORD GBP0.05	14,705	60.8	7.97	117.2
FIDESSA GROUP	8,000	80.3	22.89	183.1
MICRO FOCUS INT'L ORD GBP0.10	46,083	458.8	21.77	1,003.2
NCC GROUP LTD	56,000	165.0	1.81	101.2
SAGE GROUP ORD GBP0.01	224,263	400.2	6.55	1,467.8
SOFTCAT PLC	22,100	72.8	2.95	65.2
SOPHOS GROUP	50,000	122.1	2.61	130.3
Total SOFTWARE & COMPUTER SERVICES		**1,513.2**		**3,323.7**
FINANCIAL SERVICES				
3I GROUP ORD GBP0.738636	200,781	555.6	7.01	1,407.5
ABERDEEN ASSET MGT ORDGBP0.10	206,000	353.8	2.57	530.0
ALLIED MINDS	28,000	123.7	4.68	131.0
ASHMORE GROUP ORD GBP0.0001	81,000	221.8	2.83	229.0
BREWIN DOLPHIN HLDGS	58,000	104.1	3.04	176.4
CLOSE BROTHERS GROUP ORD GBP0.25	31,500	183.0	14.45	455.2
CMC MKTS	20,000	57.4	1.09	21.8
HARGRAVES LANSDOWN	50,300	260.0	12.13	610.1
HENDERSON GRP ORD GBP0.125	220,518	198.7	2.36	519.5
IG GROUP ORD GBP0.05	76,000	215.9	4.94	375.5
INTERMEDIATE CAPITAL GRP ORD GBP0.20	60,482	271.6	6.98	422.2
INTL PERSONAL FINANCE ORD GBP0.10	45,236	55.1	1.72	77.9
INVESTEC ORD GBP0.0002	130,900	448.7	5.35	700.3
IP GROUP PLC	115,620	190.8	1.78	205.8
JOHN LAING GROUP	79,000	160.5	2.70	213.5
JUPITER FUND MANAGEMENT	87,000	269.5	4.44	385.9
LONDON STOCK EXCHANGE ORD GBP0.069186	65,525	931.1	28.73	1,882.5
MAN GROUP ORD USD0.0342857	319,375	467.8	1.18	377.8
NEX ICAP	63,996	319.3	4.65	297.3
ONESAVINGS BANK PLC	18,000	70.0	3.37	60.6
PARAGON GRP OF COMPANIES ORD GBP1	58,600	117.8	4.15	243.1
PROVIDENT FINANCIAL ORD GBP0.20727272	30,368	266.9	28.43	863.4
RATHBONE BROTHERS ORD GBP0.05	10,000	115.3	19.74	197.4
SCHRODERS ORD GBP1.00	23,499	145.5	29.98	704.5
SVG CAPITAL ORD GBP1.00	33,000	89.5	7.08	233.6
TP ICAP ORD GBP0.25	102,794	148.1	4.33	444.7
Total FINANCIAL SERVICES		**6,341.6**		**11,766.6**
GENERAL INDUSTRIAL				
RPC GROUP	68,797	325.0	10.64	732.0
SMITH (DS) ORD GBP0.10	195,475	304.3	4.08	797.0
SMITHS GROUP ORD GBP0.375	81,527	491.8	14.11	1,150.3
SMURFIT KAP	49,000	870.4	18.73	917.8
VESUVIUS	58,281	197.2	3.95	230.4
Total GENERAL INDUSTRIAL		**2,188.8**		**3,827.5**

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
MOBILE TELECOMMUNICATIONS				
INMARSAT ORD EURO0.0005	93,000	433.4	7.51	698.4
VODAFONE GROUP ORD USD0.11428571	5,518,481	10,546.5	2.00	11,025.9
Total MOBILE TELECOMMUNICATIONS		**10,979.9**		**11,724.4**
OIL EQUIPMENT SERVICES & DISTRIBUTION				
AMEC ORD GBP0.50	81,100	378.4	4.70	381.2
HUNTING ORD GBP0.25	26,100	145.4	6.28	163.8
PETROFAC ORD USD0.025	54,000	214.6	8.69	469.3
WOOD GROUP (JOHN) ORD GBP0.03333	76,833	300.2	8.74	671.5
Total OIL EQUIPMENT SERVICES & DISTRIBUTION		**1,038.5**		**1,685.7**
Total UK EQUITIES		**258,963.4**		**448,634.2**

Summary of Transactions for the Period

1 April 2016 - 31 December 2016

Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	58,737,823.34	32,879,814.44	25,858,008.90
	58,737,823.34	32,879,814.44	25,858,008.90

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
21,000	3i Group	15-Apr	4.83	101,420.16
12,760	3i Infrastructure Plc	15-Apr	1.74	22,206.44
1,240	3i Infrastructure Plc	15-Apr	1.74	2,154.77
11,000	AA Plc	15-Apr	2.78	30,622.63
22,000	Aberdeen Asset Mgmt	15-Apr	2.99	65,696.94
1,735	Aberforth Smaller Cos Tst Plc	15-Apr	10.36	17,970.09
265	Aberforth Smaller Cos Tst Plc	15-Apr	10.37	2,746.90
5,000	Acacia Mining Plc	15-Apr	2.91	14,538.23
5,000	Admiral Group Plc	15-Apr	19.56	97,790.80
5,000	Aggreko Plc	15-Apr	10.87	54,362.43
6,000	Alliance Trust Ord	15-Apr	5.20	31,179.20
3,000	Allied Minds Plc	15-Apr	3.79	11,357.85
8,000	Amec Ord	15-Apr	4.88	39,037.11
29,000	Anglo American Plc	15-Apr	5.14	148,992.18
7,000	Antofagasta Hldgs	15-Apr	4.60	32,197.78
33,000	Arm Hldgs	15-Apr	10.33	341,028.88
7,000	Ashmore Group Ltd	15-Apr	3.06	21,435.49
11,000	Ashtead Group	15-Apr	8.59	94,469.87
8,000	Associated British Foods Plc	15-Apr	33.84	270,737.92
37,000	Assura Plc	15-Apr	0.55	20,468.93
29,000	Astrazeneca Plc	15-Apr	41.56	1,205,366.98
3,000	Atkins (WS) Plc	15-Apr	13.38	40,138.91
70,000	Auto Trader Group Plc	15-Apr	3.82	267,599.83
1,000	Aveva Group Plc	15-Apr	15.47	15,471.88
95,000	Aviva Plc	15-Apr	4.37	415,533.38
15,000	B&M European Value Retail	15-Apr	2.71	40,617.93
11,000	Babcock Intl Group Plc	15-Apr	9.47	104,190.32
74,000	BAE Systems	15-Apr	5.08	376,218.14
16,000	Balfour Beatty Plc	15-Apr	2.43	38,877.66
1,000	Bank Of Georgia Holdings Plc	15-Apr	20.16	20,161.04
1,185	Bankers Inv Trust	15-Apr	5.91	7,000.70
1,815	Bankers Inv Trust	15-Apr	5.89	10,685.81
391,000	Barclays Plc	15-Apr	1.45	568,524.51
2,000	Barr (A.G.) Plc	15-Apr	5.41	10,816.10
23,000	Barratt Developments	15-Apr	5.37	123,561.53
24,000	BBA Aviation Plc	15-Apr	2.00	47,959.66
12,000	Beazley Plc	15-Apr	3.39	40,691.84
3,000	Bellway Plc	15-Apr	26.30	78,888.06
4,000	Berendsen Plc	15-Apr	12.00	47,983.16
3,000	Berkeley Gp Hldgs	15-Apr	30.40	91,209.37
49,000	BHP Billiton Plc	15-Apr	8.80	431,339.92
3,000	Big Yellow Group	15-Apr	7.88	23,637.48
4,000	Bodycote Plc	15-Apr	5.92	23,660.94
34,000	Booker Group	15-Apr	1.67	56,717.01

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
3,000	Bovis Homes Group Plc	15-Apr	9.29	27,855.15
479,000	BP Plc	15-Apr	3.34	1,602,092.29
6,000	Brewin Dolphin	15-Apr	2.75	16,513.58
43,000	British American Tobacco Plc	15-Apr	42.04	1,807,748.53
23,000	British Land Co.	15-Apr	7.32	168,422.80
25,000	Sky Plc	15-Apr	10.30	257,432.46
6,000	Britvic Plc	15-Apr	7.27	43,640.05
4,000	Brown (N) Group	15-Apr	3.16	12,620.36
196,000	BT Group Plc	15-Apr	4.35	851,745.93
9,000	BTG Plc	15-Apr	6.22	56,016.65
8,000	Bunzl	15-Apr	20.91	167,275.51
10,000	Burberry Group	15-Apr	12.69	126,898.65
52,000	Cable & Wireless Communication	15-Apr	0.80	41,684.04
11,000	Cairn Energy Plc	15-Apr	1.94	21,336.69
777	Caledonia Investment	15-Apr	23.93	18,596.83
223	Caledonia Investment	15-Apr	23.98	5,347.97
15,000	Capita Plc	15-Apr	10.37	155,489.72
16,000	Capital & Counties Properties	15-Apr	3.41	54,536.34
5,000	Card Factory Plc	15-Apr	3.57	17,851.47
8,000	Carillion Plc	15-Apr	2.86	22,865.93
4,000	Carnival Plc	15-Apr	37.74	150,959.07
19,000	Centamin Plc	15-Apr	1.01	19,096.26
114,000	Centrica Plc	15-Apr	2.23	254,004.90
4,000	Cineworld Group Plc	15-Apr	5.45	21,781.90
4,000	Circassia Pharmaceutica	15-Apr	2.65	10,591.60
7,957	City of London Inv	15-Apr	3.85	30,607.28
2,043	City of London Inv	15-Apr	3.84	7,852.74
4,000	Close Brothers Group Plc	15-Apr	12.26	49,035.43
25,000	Cobham	15-Apr	2.06	51,574.39
4,000	Coca Cola HBC	15-Apr	14.62	58,482.20
39,000	Compass Group Plc	15-Apr	12.73	496,443.87
2,000	Computacenter Plc	15-Apr	8.51	17,012.93
3,000	Countrywide Plc	15-Apr	3.64	10,915.06
2,000	Cranswick	15-Apr	24.05	48,106.94
4,000	Crest Nicholson Holdings Ltd	15-Apr	5.12	20,472.65
19,000	CRH Plc	15-Apr	20.81	395,460.90
3,000	Croda International	15-Apr	30.24	90,718.90
3,000	Dairy Crest Group	15-Apr	5.92	17,770.62
2,000	DCC Plc	15-Apr	64.65	129,291.03
33,000	Debenhams Plc	15-Apr	0.73	24,016.10
2,000	Dechra Pharm	15-Apr	11.84	23,670.02
2,000	Derwent London	15-Apr	33.13	66,255.93
59,000	Diageo	15-Apr	19.35	1,141,666.47
1,000	Dignity Plc	15-Apr	25.13	25,131.53
2,000	Diploma	15-Apr	7.59	15,188.72

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
30,000	Direct Line Insurance Group	15-Apr	3.71	111,347.67
22,000	Dixons Carphone Plc	15-Apr	4.22	92,909.98
3,000	Dominos Pizza	15-Apr	10.09	30,279.81
8,000	Drax Group	15-Apr	3.03	24,218.99
20,000	DS Smith Plc	15-Apr	3.94	78,853.19
3,000	Dunelm Group Ltd	15-Apr	9.17	27,513.13
6,000	Easyjet Plc	15-Apr	14.90	89,399.20
4,572	Edinburgh Inv Tr	15-Apr	6.89	31,484.27
428	Edinburgh Inv Tr	15-Apr	6.89	2,946.90
920	Electra Private Equity	15-Apr	35.89	33,014.47
80	Electra Private Equity	15-Apr	35.86	2,868.78
8,000	Electrocomponents	15-Apr	2.73	21,838.67
9,000	Elementis	15-Apr	2.30	20,658.35
9,000	Entertainment One Ltd	15-Apr	1.44	12,978.65
5,000	Essentra Plc	15-Apr	8.36	41,818.03
6,000	Esure Group Plc	15-Apr	2.77	16,606.64
1,000	Euromoney Inst Inv	15-Apr	9.07	9,067.30
19,000	Experian Plc	15-Apr	12.42	236,050.85
9,941	F&C Comm Prop Tst	15-Apr	1.34	13,345.21
4,059	F&C Comm Prop Tst	15-Apr	1.34	5,436.22
8,000	Fidelity China Special	15-Apr	1.42	11,361.30
9,577	Fidelity European Values Plc	15-Apr	1.66	15,907.58
423	Fidelity European Values Plc	15-Apr	1.66	703.04
1,000	Fidessa Group	15-Apr	24.62	24,621.90
3,640	Finsbury G&I Tst	15-Apr	6.10	22,219.33
360	Finsbury G&I Tst	15-Apr	6.11	2,201.32
22,000	Firstgroup	15-Apr	1.01	22,279.76
6,504	Foreign &Col.Inv.Trust	15-Apr	4.42	28,774.09
4,496	Foreign &Col.Inv.Trust	15-Apr	4.43	19,927.41
3,000	Fresnillo Plc	15-Apr	10.03	30,087.26
34,000	G4S PLC	15-Apr	1.96	66,720.91
2,000	Galliford Try Plc	15-Apr	13.36	26,716.61
15,987	GCP Infrastructure Investment	15-Apr	1.19	19,076.56
1,013	GCP Infrastructure Investment	15-Apr	1.19	1,205.96
1,000	GCP Infrastructure Investment	15-Apr	15.33	15,328.73
38,000	GKN Plc	15-Apr	2.79	106,019.93
115,000	Glaxosmithkline Plc	15-Apr	14.14	1,626,589.83
263,000	Glencore Plc	15-Apr	1.40	367,736.30
1,000	Go-Ahead Group	15-Apr	26.56	26,556.12
4,000	Grafton Group Plc	15-Apr	7.02	28,064.36
12,000	Grainger Plc	15-Apr	2.29	27,531.41
8,000	Great Portland Estate	15-Apr	7.55	60,383.63
8,000	Greencore Group Plc	15-Apr	3.78	30,252.56
6,000	Greene King Plc	15-Apr	8.53	51,197.29
2,000	Greggs Plc	15-Apr	11.00	21,998.52

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
4,000	Halfords Grp	15-Apr	4.24	16,947.72
8,000	Halma	15-Apr	9.15	73,176.20
18,000	Hammerson Plc	15-Apr	6.04	108,808.87
20,000	Hansteen Hldgs Plc	15-Apr	1.09	21,723.47
1,385	Harbourvest Global Private Equity	15-Apr	9.06	12,547.78
615	Harbourvest Global Private Equity	15-Apr	9.02	5,546.34
5,000	Hargreaves Lansdown Plc	15-Apr	13.83	69,146.48
38,000	Hays	15-Apr	1.34	51,021.03
24,000	Henderson Group Plc	15-Apr	2.60	62,325.20
26,857	HICL Infrastructure Co Ltd	15-Apr	1.62	43,485.64
10,143	HICL Infrastructure Co Ltd	15-Apr	1.62	16,417.65
11,896	Highbridge Multi	15-Apr	1.83	21,768.64
1,104	Highbridge Multi	15-Apr	1.83	2,020.05
4,000	Hikma Pharmaceuticals	15-Apr	22.06	88,246.51
6,000	Hiscox Ltd	15-Apr	9.63	57,763.91
15,000	Home Retail Group	15-Apr	1.70	25,541.29
5,000	Homeserve Plc	15-Apr	4.25	21,225.51
13,000	Howden Joinery Group	15-Apr	4.66	60,539.84
456,000	HSBC Holdings Plc	15-Apr	4.17	1,901,998.66
12,000	ICAP	15-Apr	4.67	56,033.93
8,000	IG Group Holdings	15-Apr	7.84	62,718.09
6,000	IMI Plc	15-Apr	9.23	55,396.48
22,000	Imperial Brands Plc	15-Apr	37.69	829,074.96
8,000	Inchcape Plc	15-Apr	6.82	54,574.58
11,000	Indivior Plc	15-Apr	1.66	18,293.09
15,000	Informa Plc	15-Apr	6.95	104,270.02
10,000	Inmarsat	15-Apr	10.11	101,070.56
5,000	Intercontinental Hotels Group	15-Apr	29.23	146,144.70
7,000	Intermediate Capital Group	15-Apr	6.35	44,484.70
43,000	Intl Consolidated Airline	15-Apr	5.50	236,362.80
5,465	Int Public Partner	15-Apr	1.40	7,639.50
23,535	Int Public Partner	15-Apr	1.40	32,882.50
3,000	Interserve Plc	15-Apr	4.20	12,599.08
4,000	Intertek Group	15-Apr	32.06	128,220.60
24,000	Intu Properties Plc	15-Apr	3.12	74,977.06
11,000	Investec	15-Apr	5.23	57,507.27
12,000	IP Group Plc	15-Apr	1.62	19,440.28
88,000	ITV Plc	15-Apr	2.38	209,750.48
2,000	Jardine Lloyd Thompson	15-Apr	8.56	17,129.30
9,000	John Laing Group Plc	15-Apr	2.28	20,503.95
23,042	John Laing Infrastructure Fund	15-Apr	1.22	28,001.96
5,958	John Laing Infrastructure Fund	15-Apr	1.22	7,245.15
5,000	Johnson Matthey Plc	15-Apr	26.55	132,750.31
4,000	JPMorgan American Invest Tst	15-Apr	2.96	11,853.87
2,574	JPMorgan American Invest Tst	15-Apr	5.91	15,201.11

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
426	JPMorgan American Invest Tst	15-Apr	5.91	2,517.65
10,000	Jupiter Fund Management Plc	15-Apr	4.20	42,006.72
11,000	Just Eat Plc	15-Apr	3.82	41,994.70
56,000	Kaz Minerals Plc	15-Apr	1.68	93,823.57
2,000	Keller Group Plc	15-Apr	8.35	16,707.11
2,000	Kennedy Wilson Europe Real Estate	15-Apr	11.12	22,243.06
2,000	Kier Group Plc	15-Apr	12.59	25,185.20
44,000	Kingfisher	15-Apr	3.74	164,590.28
21,000	Ladbrokes	15-Apr	1.20	25,217.86
6,000	Laird Plc	15-Apr	3.80	22,777.78
6,000	Lancashire Holdings Ltd	15-Apr	5.48	32,857.60
18,000	Land Secs Grp	15-Apr	11.50	206,914.98
139,000	Legal & General Group Plc	15-Apr	2.45	340,821.74
1,499,000	Lloyds Banking Group Plc	15-Apr	0.67	1,003,849.20
7,000	London Stock Exchange	15-Apr	28.08	196,547.62
16,000	Londonmetric Property Plc	15-Apr	1.64	26,233.24
34,000	Man Group Plc	15-Apr	1.52	51,704.25
34,000	Marks & Spencer Grp	15-Apr	4.48	152,226.39
4,000	Marshalls Group	15-Apr	3.40	13,606.32
16,000	Marston's	15-Apr	1.54	24,675.25
24,525	McCarthy & Stone Ltd	15-Apr	2.71	66,509.36
21,475	McCarthy & Stone Ltd	15-Apr	2.70	58,043.43
52,829	Mediclinic	15-Apr	9.67	511,011.13
41,171	Mediclinic	15-Apr	9.70	399,487.29
17,000	Meggitt	15-Apr	3.98	67,651.62
3,000	Melrose Industries Plc	15-Apr	3.60	10,814.67
1,674	Mercantile Investment Trust	15-Apr	16.84	28,192.03
326	Mercantile Investment Trust	15-Apr	16.84	5,490.43
16,000	Merlin Entertainments Plc	15-Apr	4.64	74,265.08
7,000	Michael Page International	15-Apr	4.15	29,028.23
10,000	Micro Focus International	15-Apr	16.02	160,242.96
3,000	Millennium & Copthorne	15-Apr	4.32	12,958.30
4,000	Mitchells & Butlers Plc	15-Apr	2.67	10,687.77
8,000	Mitie Grp	15-Apr	2.80	22,418.92
9,000	Mondi Plc	15-Apr	13.58	122,192.72
20,000	Moneysupermarket.Co	15-Apr	3.25	65,070.66
4,358	Monks Invest Trust	15-Apr	4.28	18,649.07
642	Monks Invest Trust	15-Apr	4.27	2,743.27
5,000	Morgan Crucible	15-Apr	2.21	11,065.93
47,000	Morrison (Wm) Supermkt	15-Apr	1.97	92,520.04
2,336	Murray Intl Trust	15-Apr	9.43	22,038.39
664	Murray Intl Trust	15-Apr	9.45	6,277.06
11,000	National Express Group	15-Apr	3.44	37,806.18
88,000	National Grid	15-Apr	10.02	881,827.40
16,000	NB Global Floating Rate	15-Apr	0.91	14,512.59

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
10,000	NCC Group Plc	15-Apr	2.66	26,644.40
3,000	Next Group	15-Apr	54.12	162,350.91
2,000	NMC Health Plc	15-Apr	11.62	23,249.88
8,000	Ocado Group Plc	15-Apr	3.48	27,863.10
115,000	Old Mutual Plc	15-Apr	1.97	226,947.70
18,000	Ophir Energy Plc	15-Apr	0.75	13,583.87
2,636	P2P Global Investments Plc	15-Apr	9.04	23,840.95
364	P2P Global Investments Plc	15-Apr	9.08	3,303.44
11,000	Paddy Power Betfair	15-Apr	96.95	1,066,410.75
6,000	Paragon Grp of Co.	15-Apr	3.15	18,892.61
2,000	Paypoint	15-Apr	8.62	17,232.78
12,746	Paysafe Group Plc	15-Apr	4.02	51,226.70
88,554	Paysafe Group Plc	15-Apr	4.01	355,280.09
1,700	Paysafe Group Plc	15-Apr	4.01	6,815.98
19,000	Pearson	15-Apr	8.39	159,365.46
300,000	Pendragon	15-Apr	0.37	110,087.24
9,000	Pennon Group	15-Apr	8.15	73,386.13
3,512	Perpetual Inc & Growth Inv Tst	15-Apr	3.83	13,462.07
1,488	Perpetual Inc & Growth Inv Tst	15-Apr	3.84	5,717.63
7,000	Persimmon	15-Apr	19.64	137,514.73
306	Personal Assets Tst	15-Apr	376.45	115,193.81
44	Personal Assets Tst	15-Apr	376.40	16,561.39
6,000	Petrofac Ltd	15-Apr	8.44	50,659.31
8,000	Pets At Home Group Plc	15-Apr	2.53	20,212.62
5,000	Phoenix Group Holdings	15-Apr	8.84	44,201.65
4,000	Playtech Plc	15-Apr	8.23	32,939.93
1,171	Polar Cap Tech Trust	15-Apr	5.99	7,015.18
829	Polar Cap Tech Trust	15-Apr	5.99	4,961.90
6,000	Polymetal International Plc	15-Apr	6.98	41,885.78
41,000	Polypipe Group Plc	15-Apr	3.11	127,389.18
3,000	Provident Financial	15-Apr	31.00	93,002.42
60,000	Prudential Plc	15-Apr	12.58	754,958.25
7,000	PZ Cussons	15-Apr	3.13	21,943.07
11,000	Qinetiq Plc	15-Apr	2.26	24,856.09
2,000	Randgold Resources	15-Apr	65.64	131,275.72
1,000	Rathbone Bros Plc	15-Apr	20.67	20,673.78
13,000	Reckitt Benckiser	15-Apr	67.96	883,471.31
64,000	Redefine International Plc	15-Apr	0.47	30,087.79
6,000	Redrow Plc	15-Apr	3.81	22,845.83
14,000	Regus Plc	15-Apr	3.10	43,341.29
27,000	RELX Plc	15-Apr	13.21	356,545.89
18,000	Renewables Infrastructure Grp	15-Apr	1.02	18,428.43
1,000	Renishaw	15-Apr	18.95	18,951.95
40,000	Rentokil Initial	15-Apr	1.78	71,202.80
4,000	Restaurant Group	15-Apr	3.63	14,514.00

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
15,000	Rexam Plc	15-Apr	6.25	93,698.96
2,000	Rightmove Plc	15-Apr	39.96	79,910.35
25,000	Rio Tinto Plc	15-Apr	18.96	474,090.47
2,432	RIT Cap Partners	15-Apr	16.97	41,275.21
568	RIT Cap Partners	15-Apr	16.93	9,618.27
2,000	Riverstone Energy Ltd	15-Apr	8.00	15,996.71
43,000	Rolls Royce	15-Apr	6.74	289,862.71
15,000	Rotork Plc	15-Apr	1.71	25,609.26
76,000	Royal Bank of Scotland Group	15-Apr	2.10	159,417.93
30,006	Royal Dutch Shell Plc-B Shs	15-Apr	16.38	491,523.50
177,994	Royal Dutch Shell Plc-B Shs	15-Apr	18.07	3,216,753.02
20,000	Royal Mail Plc	15-Apr	4.93	98,574.63
7,000	RPC Group	15-Apr	7.62	53,336.55
22,000	RSA Insurance Group Plc	15-Apr	4.67	102,650.61
24,000	Sabmiller	15-Apr	42.51	1,020,150.09
4,000	Safestore Hldgs Ltd	15-Apr	3.43	13,738.72
18,000	Saga Group Plc	15-Apr	1.99	35,836.10
25,000	Sage Group Plc	15-Apr	6.22	155,477.27
30,000	Sainsbury (J) Plc	15-Apr	2.76	82,773.43
4,000	Savills Plc	15-Apr	7.48	29,907.43
3,000	Schroders Vtg Shs	15-Apr	26.18	78,540.20
30,484	Scottish Mortgage Inv Tr Plc	15-Apr	2.74	83,568.73
3,516	Scottish Mortgage Inv Tr Plc	15-Apr	2.74	9,635.86
16,000	Segro Plc	15-Apr	4.34	69,397.86
8,000	Senior Plc	15-Apr	2.22	17,746.94
20,000	Serco Group Plc	15-Apr	0.98	19,502.74
5,000	Severn Trent Plc	15-Apr	22.53	112,634.07
6,000	Shaftesbury	15-Apr	9.15	54,879.33
14,000	Shire	15-Apr	42.89	600,511.66
14,000	Sig Plc	15-Apr	1.41	19,808.34
21,000	Smith & Nephew	15-Apr	11.96	251,194.09
9,000	Smiths Group	15-Apr	11.16	100,427.54
17,000	Softcat Plc	15-Apr	3.31	56,308.61
5,000	Sophos Group Plc	15-Apr	2.14	10,717.06
2,000	Spectris	15-Apr	18.53	37,063.39
2,000	Spirax Sarco Engineering Plc	15-Apr	36.24	72,476.95
6,000	Spire Healthcare	15-Apr	3.55	21,300.87
5,000	Sports Direct International	15-Apr	3.77	18,839.09
27,000	SSE Plc	15-Apr	15.24	411,531.94
10,000	SSP Group Plc	15-Apr	2.98	29,839.24
12,000	St James's Place	15-Apr	9.47	113,698.90
7,000	Stagecoach Group Plc	15-Apr	2.70	18,870.40
63,000	Standard Chartered Plc	15-Apr	4.33	272,818.33
46,000	Standard Life Plc	15-Apr	3.50	160,881.49
1,000	Supergroup Plc	15-Apr	13.38	13,382.84

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
7,000	Synthomer Plc	15-Apr	3.58	25,094.60
9,000	Talktalk Telecom Group	15-Apr	2.44	21,952.20
11,000	Tate & Lyle	15-Apr	5.91	65,060.46
76,000	Taylor Wimpey	15-Apr	1.80	137,025.60
1,000	Ted Baker	15-Apr	25.88	25,877.22
2,000	Telecom Plus Plc	15-Apr	8.94	17,872.73
725	Temple Bar Inv.Trt.	15-Apr	10.45	7,574.34
275	Temple Bar Inv.Trt.	15-Apr	10.46	2,875.90
1,131	Templeton Emerg Mkts	15-Apr	4.71	5,322.02
2,869	Templeton Emerg Mkts	15-Apr	4.70	13,490.29
191,000	Tesco	15-Apr	1.83	349,953.84
33,000	Thomas Cook Group Plc	15-Apr	0.91	30,188.62
5,308	TR Property Inv. Tr.	15-Apr	3.09	16,378.40
692	TR Property Inv. Tr.	15-Apr	3.09	2,135.27
6,000	Travis Perkins	15-Apr	18.66	111,933.06
37,000	Tritax Big Box Reit Plc	15-Apr	1.36	50,155.30
11,000	Tui Travel	15-Apr	10.42	114,628.53
5,000	Tullett Prebon	15-Apr	3.34	16,703.91
17,000	Tullow Oil Plc	15-Apr	2.22	37,696.43
9,000	UBM Plc	15-Apr	6.00	54,044.07
19,857	UK Commercial Property Trust	15-Apr	0.86	17,005.65
4,143	UK Commercial Property Trust	15-Apr	0.85	3,532.84
2,000	Ultra Electronics	15-Apr	17.80	35,609.58
28,000	Unilever Plc	15-Apr	32.67	914,868.44
5,000	Unite Group	15-Apr	6.31	31,570.73
6,000	United Drug Plc	15-Apr	6.21	37,280.37
15,000	United Utilities	15-Apr	9.60	144,004.69
9,000	Vectura Group Plc	15-Apr	1.73	15,541.28
3,000	Vedanta Resources Plc	15-Apr	3.26	9,773.21
5,000	Vesuvius Plc	15-Apr	2.96	14,807.67
2,000	Victrex Plc	15-Apr	16.02	32,043.81
5,000	Virgin Money Hldgs	15-Apr	3.50	17,479.15
622,000	Vodafone Group Plc	15-Apr	2.17	1,350,100.66
4,000	Weir Group	15-Apr	11.20	44,808.60
2,000	Wetherspoon (JD)	15-Apr	6.97	13,946.16
2,000	WH Smith Plc	15-Apr	17.82	35,636.65
4,000	Whitbread	15-Apr	37.88	151,501.34
21,000	William Hill	15-Apr	3.35	70,451.39
5,427	Witan Inv Trust	15-Apr	7.67	41,603.07
573	Witan Inv Trust	15-Apr	7.65	4,384.77
1,000	Wizz Air Holdings Plc	15-Apr	18.74	18,735.57
5,000	Wolseley Plc	15-Apr	39.25	196,236.34
8,000	Wood Group (John) Plc	15-Apr	6.29	50,337.45
19,830	Woodford Patient	15-Apr	1.00	19,925.15
3,170	Woodford Patient	15-Apr	1.00	3,176.77

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
2,000	Workspace Group	15-Apr	8.23	16,468.21
24,000	Worldpay Group Plc	15-Apr	2.76	66,285.74
694	Worldwide Health Care Trust Plc	15-Apr	18.47	12,819.35
306	Worldwide Health Care Trust Plc	15-Apr	18.49	5,658.12
31,000	WPP Plc	15-Apr	16.35	506,956.76
6,000	Zoopla Property Group Plc	15-Apr	2.70	16,179.59
12,110	Liberty Global 'C'	27-May	31.35	379,648.50
4,946	Liberty Global	27-May	32.55	160,992.30
30,665	3i Infrastructure	7-Jun	1.65	50,597.25
122,499	Cobham	16-Jul	0.89	109,024.11
6,880	Ball Group	30-Jun	0.01	68.80
3,000	Allied Minds	19-Jul	3.76	11,293.50
33,000	Ascential	19-Jul	2.55	83,994.90
2,000	Bankers IT.	19-Jul	6.35	12,697.40
70,000	Centrica	19-Jul	2.36	165,214.00
20,000	CMC Markets	19-Jul	2.87	57,422.00
33,000	Countryside	19-Jul	2.38	78,487.20
2,000	CRH	19-Jul	21.98	43,956.00
187,000	CYBG	19-Jul	2.39	446,873.90
85,000	Darty	19-Jul	1.70	144,738.00
9,000	DFS Furniture	19-Jul	2.12	19,102.50
28,000	Hastings Group	19-Jul	1.90	53,337.20
17,000	Hill & Smith	19-Jul	9.90	168,225.20
49,000	Hochschild	19-Jul	2.22	108,902.50
25,000	HSBC Hldgs	19-Jul	4.84	121,055.00
3,000	Intercontiental Hotel	19-Jul	29.13	87,396.00
4,000	JD Sports	19-Jul	11.82	47,280.40
49,000	Just retirement	19-Jul	1.04	51,175.60
15,000	McCarthy & Stone Ltd	19-Jul	1.61	24,093.00
16,000	Metro Bank	19-Jul	19.50	311,932.80
7,000	Micro Focus	19-Jul	18.70	130,915.40
4,000	Phoenix Grp	19-Jul	7.80	31,199.20
73,000	Saga	19-Jul	1.98	144,496.20
61,000	Shire	19-Jul	48.67	2,968,711.40
50,000	Smurfit Kappa Grp.	19-Jul	17.41	888,166.00
4,000	Supergroup	19-Jul	16.01	64,047.20
62,000	Vectura	19-Jul	1.55	96,273.60
58,000	Worldpay Grp	19-Jul	2.88	166,784.80
1,509	Liberty Lilac 'C'	25-Jul	0.01	15.09
615	Liberty Lilac 'A'	25-Jul	0.01	6.15
9,000	J Fisher and Sons	26-Aug	15.48	139,337.10
10,000	GPC Infrastructure	26-Aug	1.29	12,850.00
16,355	Tritax	13-Oct	1.32	21,588.60
16,000	Ascential Plc	20-Oct	2.87	45,964.80
20,700	Barclays Plc	20-Oct	1.82	37,630.53

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
45,900	BP Plc	20-Oct	4.90	224,708.04
16,500	Domino's Pizza Group Plc	20-Oct	3.43	56,575.20
6,900	Esure Group Plc	20-Oct	2.92	20,159.73
125,100	Greencoat Uk Plc	20-Oct	1.15	144,177.75
59,400	GVC Holdings Plc	20-Oct	7.17	426,088.08
4,800	Hargreaves Lansdown Plc	20-Oct	11.63	55,839.84
26,100	Hunting Plc	20-Oct	5.57	145,390.05
11,200	Ibstock Plc	20-Oct	1.66	18,581.92
15,500	Indivior Plc	20-Oct	3.14	48,704.10
10,700	International Public Partner	20-Oct	1.60	17,103.95
24,400	Investec Plc	20-Oct	4.87	118,759.68
22,000	JPMorgan Indian Inv Trust	20-Oct	6.76	148,695.80
19,000	Just Eat Plc	20-Oct	5.29	100,557.50
600	London Stock Exchange Group	20-Oct	28.31	16,984.38
3,700	Prudential Plc	20-Oct	13.97	51,670.50
11,000	Regus Plc	20-Oct	2.67	29,341.40
5,400	Royal Dutch Shell Plc-B Shs	20-Oct	21.77	117,538.02
5,600	RPC Group Plc	20-Oct	9.73	54,475.12
13,700	Segro Plc	20-Oct	4.41	60,393.71
4,000	Shire Plc	20-Oct	51.07	204,296.00
5,100	Softcat Plc	20-Oct	3.24	16,532.67
700	Weir Group Plc	20-Oct	17.65	12,357.31
74,400	Worldpay Group Plc	20-Oct	2.84	211,273.68
33,733	Informa	25-Oct	4.41	148,762.53
30,611	Phoenix	31-Oct	5.08	155,503.88
58,900	Go Compare Group Plc	3-Nov	0.71	41,602.12
58,900	Ensure Group	3-Nov	2.33	137,331.71
106,900	Petra Diamonds	15-Dec	1.59	169,671.68
60,920	Greencore	21-Dec	1.53	93,207.60
63,996	Nex Group	30-Dec	4.99	319,323.65
102,792	TP ICAP	30-Dec	1.44	148,130.95
				58,737,823.34

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

UK Equities

Sales

No. of Shares	Description	Date	Price £	Proceeds £	Profit / (Loss) £
20,751	Enterprise Inns	15-Apr	1.02	21,165.75	-644.24
25,169	Enterprise Inns	15-Apr	1.01	25,512.52	-940.93
49,080	Enterprise Inns	15-Apr	1.01	49,521.18	-2,063.52
5,097	Nostrum Oil & Gas Plc	15-Apr	2.37	12,091.63	-22,038.82
6,903	Nostrum Oil & Gas Plc	15-Apr	2.43	16,751.45	-29,472.32
35,000	Poundland Group Plc	15-Apr	1.47	51,624.00	-59,222.71
102,348	Premier Oil Plc	15-Apr	0.51	52,370.76	-92,156.74
596,000	Cable & Wire	27-May	0.91	540,640.80	-102,071.18
150,632	Rexam	30-Jun	4.07	613,072.24	42,734.29
1,000	A.B.Foods	25-Jul	27.87	27,867.30	20,307.34
26,000	Mediclinic	25-Jul	10.58	275,030.60	27,276.86
3,000	Alliance Trust	25-Jul	5.42	16,258.80	10,655.02
3,000	Anglo American plc	25-Jul	8.01	24,030.00	-7,082.65
3,000	Arm Hldgs.	25-Jul	16.69	50,070.30	41,053.75
2,000	Astrazeneca	25-Jul	45.15	90,301.40	48,736.71
8,000	Aviva ord 25p	25-Jul	3.80	30,419.20	-14,132.44
7,000	BAE Systems	25-Jul	5.32	37,273.60	21,720.07
33,000	Barclays	25-Jul	1.49	49,212.90	-18,063.27
5,000	BHP Billiton	25-Jul	9.47	47,338.00	19,855.73
85,000	Highbridge Multi Strategy	25-Jul	1.83	155,779.50	24,949.47
35,000	BP Plc	25-Jul	4.46	156,212.00	40,774.65
3,000	British Amercian Tobacco	25-Jul	47.90	143,700.00	101,733.46
2,000	British Land ord 25p	25-Jul	6.30	12,591.00	3,544.72
2,000	Sky Plc	25-Jul	8.96	17,917.00	6,571.03
17,000	BT Group	25-Jul	3.93	66,731.80	26,234.77
1,000	Bunzl	25-Jul	23.46	23,456.60	17,903.67
1,000	Burberry Grp	25-Jul	12.62	12,621.20	8,939.88
1,000	Caledonia Investment	25-Jul	22.65	22,651.20	13,240.27
3,000	Compass Group	25-Jul	14.54	43,609.20	31,533.59
5,000	Diageo	25-Jul	20.93	104,634.50	65,138.56
1,000	Experian	25-Jul	14.61	14,606.10	10,995.78
10,000	Glaxosmithkline	25-Jul	16.45	164,457.00	101,602.67
24,000	Glencore	25-Jul	1.79	42,847.20	-13,487.47
2,000	Hammerson	25-Jul	5.34	10,684.20	3,106.07
500	Hikma Pharma	25-Jul	25.54	12,770.70	9,146.74
3,000	Howden Joinery	25-Jul	4.16	12,476.70	8,544.39
2,000	Imperial Brands	25-Jul	39.99	79,973.60	53,282.42
31,000	Interserve	25-Jul	2.76	85,436.00	-29,763.13
1,000	Intertek Group	25-Jul	35.99	35,993.90	25,680.20
26,000	Intl Consolidated Air	25-Jul	4.24	110,219.20	34,002.97
8,000	ITV	25-Jul	1.85	14,816.00	4,487.74
21,000	Jimmy Choo	25-Jul	1.06	22,245.30	-14,540.40
500	Johnson Matthey	25-Jul	31.29	15,643.35	10,113.88
5,000	Kingfisher	25-Jul	3.31	16,541.50	5,975.18
2,000	Land Securities	25-Jul	10.52	21,040.60	10,031.96
11,000	Legal & General	25-Jul	1.90	20,927.50	12,358.22
120,000	Lloyds Banking Grp	25-Jul	0.55	65,940.00	-38,305.73
1,000	London Stock Exchange	25-Jul	26.71	26,712.30	12,632.47
62,000	Lookers ord 25p	25-Jul	1.07	66,203.60	-38,086.60
4,000	Marks & Spencer	25-Jul	3.33	13,321.60	5,041.42
31,063	Melrose Industries	25-Jul	6.20	192,587.49	170,104.02

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	Mondi	25-Jul	14.20	14,199.70	10,625.41
7,000	National Grid	25-Jul	10.92	76,448.40	40,922.56
23,000	NB Global	25-Jul	0.92	21,065.70	-1,941.82
500	Next	25-Jul	50.87	25,435.20	19,301.16
26,000	Northgate	25-Jul	3.52	91,621.40	-44,346.44
10,000	Old Mutual	25-Jul	2.02	20,227.00	5,170.34
146,400	Ophir Energy	25-Jul	0.70	102,567.84	-398,698.89
250	Paddy Power Betfair	25-Jul	86.13	21,532.25	4,720.48
1,000	Pearson	25-Jul	9.59	9,592.10	3,295.81
5,000	Prudential	25-Jul	13.16	65,788.00	44,405.46
22,000	Royal Dutch 'B'	25-Jul	21.12	464,721.40	195,589.66
1,000	Reckitt Benckiser	25-Jul	74.02	74,024.30	56,741.54
7,000	Reed Elsevier	25-Jul	14.01	98,074.20	67,144.51
500	Rightmove	25-Jul	36.58	18,288.15	14,451.03
3,000	Rio Tinto	25-Jul	23.70	71,085.90	36,588.76
43,000	Rolls-Royce	25-Jul	7.33	315,177.10	169,372.54
2,000	SABmiller	25-Jul	44.24	88,484.80	63,021.80
2,000	Sage Group	25-Jul	6.74	13,483.60	9,914.36
500	Schroders	25-Jul	25.44	12,719.70	9,624.41
500	Severn Trent	25-Jul	24.55	12,277.20	8,513.59
1,000	Smith & Nephew	25-Jul	12.92	12,922.80	9,582.73
1,000	Smiths Group	25-Jul	12.10	12,099.00	6,066.44
1,000	Spirax-Sarco	25-Jul	38.40	38,395.10	26,708.15
2,000	SSE	25-Jul	16.03	32,054.40	17,243.80
5,000	Standard Chartered	25-Jul	5.97	29,825.00	-5,092.79
2,000	Informa	25-Jul	7.48	14,955.60	8,518.17
2,000	Templeton Emerging Markets	25-Jul	5.36	10,712.20	6,823.35
16,000	Tesco	25-Jul	1.63	26,056.00	1,322.16
23,000	Thomas Cook Group plc	25-Jul	0.64	14,690.10	-13,849.99
1,000	Tui AG	25-Jul	9.41	9,406.70	720.99
2,000	Unilever	25-Jul	35.63	71,266.00	53,772.43
1,000	Utd Utilities	25-Jul	10.26	10,259.70	5,807.26
4,000	Vedanta	25-Jul	5.10	20,386.40	4,154.20
49,000	Vodafone Group	25-Jul	2.24	109,745.30	16,099.87
4,000	William Hill	25-Jul	2.68	10,716.80	2,450.79
1,000	Wolseley	25-Jul	40.68	40,677.30	22,879.15
3,000	WPP Grp.	25-Jul	16.57	49,713.30	30,960.45
85,000	Darty	25-Jul	1.70	144,500.00	-238.00
280,430,000	Rolls Royce 'C'	25-Jul	0.00	28,043.43	28,043.43
0	Booker (Return of Capital)	25-Jul	0.00	11,295.99	0.00
6,000	3i Grp.	26-Aug	6.12	36,749.40	20,145.09
1,000	A.B.Foods	26-Aug	29.50	29,501.50	21,941.54
6,000	Aberdeen Asset Management	26-Aug	3.32	19,897.80	9,591.69
1,000	Admiral Grp	26-Aug	20.48	20,475.90	13,109.55
2,000	Aggreko	26-Aug	10.64	21,278.20	14,089.54
2,000	Mediclinic	26-Aug	10.36	20,718.80	1,660.82
2,000	Alliance Trust	26-Aug	5.68	11,358.80	7,622.95
6,000	Anglo American	26-Aug	8.54	51,235.80	-10,989.49
2,000	Antofagasta	26-Aug	5.36	10,714.80	6,647.73
6,000	Arm Hldgs.	26-Aug	16.87	101,246.40	83,213.29
3,000	Ashtead Grp.	26-Aug	12.59	37,759.80	29,911.30
6,000	Astrazeneca	26-Aug	49.56	297,372.60	172,678.52

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	Atkins(WS)	26-Aug	15.01	15,005.00	9,464.79
6,000	Auto Trader	26-Aug	3.91	23,437.80	1,782.70
17,000	Aviva	26-Aug	4.19	71,155.20	-23,517.03
4,000	B&M European	26-Aug	2.83	11,306.00	-2,422.60
3,000	Babcock Intl	26-Aug	10.32	30,948.60	16,898.72
12,000	BAE Systems	26-Aug	5.41	64,887.60	38,224.40
70,000	Barclays	26-Aug	1.65	115,745.00	-26,962.02
6,000	Barratt Development	26-Aug	4.98	29,896.20	15,004.80
6,000	BBA Grp.	26-Aug	2.46	14,743.80	5,065.79
1,000	Bellway	26-Aug	23.66	23,664.70	15,303.59
1,000	Berendsen Plc	26-Aug	12.20	12,197.60	8,047.41
2,000	BH Macro Gbp	26-Aug	18.98	37,957.80	5,395.99
8,000	BHP Billiton	26-Aug	10.69	85,484.00	41,512.37
10,000	Booker Ord 1p	26-Aug	1.78	17,841.00	11,179.09
79,000	BP Plc	26-Aug	4.34	342,512.40	81,953.82
8,000	British American Tobacco	26-Aug	48.06	384,440.00	272,529.22
4,000	British Land	26-Aug	6.61	26,430.00	8,337.44
2,000	Britvic	26-Aug	6.46	12,922.20	5,795.40
5,000	Sky	26-Aug	8.68	43,423.50	15,058.58
35,000	BT Group	26-Aug	3.94	138,029.50	54,653.26
2,000	BTG	26-Aug	6.13	12,250.80	5,631.29
1,250	Bunzl	26-Aug	24.12	30,145.13	23,203.96
2,000	Burberry Grp	26-Aug	13.18	26,362.00	18,999.35
5,000	Capital & Counties Properties	26-Aug	2.91	14,538.00	4,636.65
4,000	Capita Group	26-Aug	10.47	41,880.80	25,318.39
750	Carnival	26-Aug	36.37	27,273.75	15,679.16
6,000	Dixons Carphone	26-Aug	3.73	22,380.00	1,675.01
6,000	Centamin	26-Aug	1.68	10,063.80	796.37
23,000	Centrica	26-Aug	2.35	54,155.80	13,269.92
1,000	Close Brothers	26-Aug	13.73	13,726.70	7,917.18
11,000	Cobham	26-Aug	1.60	17,630.80	7,030.16
1,000	Coca - Cola HBC AG	26-Aug	16.93	16,931.40	-25.82
7,000	Compass Group	26-Aug	14.59	102,154.50	73,978.08
500	Cranswick	26-Aug	23.91	11,957.20	6,922.85
4,000	CRH Grp	26-Aug	25.43	101,709.60	45,066.20
1,000	Croda Intl.	26-Aug	33.75	33,751.00	25,929.23
500	DCC	26-Aug	70.07	35,036.70	18,717.71
10,000	Diageo	26-Aug	21.50	214,983.00	135,991.11
8,000	Direct Line Insurance	26-Aug	3.66	29,316.80	8,418.96
1,000	Easyjet	26-Aug	11.01	11,012.10	5,069.19
4,000	Experian	26-Aug	15.18	60,704.80	46,263.52
500	Fidessa Group	26-Aug	24.93	12,462.75	7,442.14
4,000	Foreign & Colonial Inv.Tst	26-Aug	4.99	19,953.60	15,186.75
500	Fresnillo	26-Aug	17.75	8,877.10	7,634.79
10,000	GKN	26-Aug	3.09	30,890.00	18,599.87
21,000	Glaxosmithkline	26-Aug	16.47	345,840.60	213,846.50
49,000	Glencore	26-Aug	1.84	90,336.40	-24,680.22
500	Go-Ahead Group	26-Aug	19.74	9,868.85	3,935.33
2,000	Great Portland	26-Aug	6.69	13,384.40	6,649.87
2,000	Greene King	26-Aug	8.21	16,416.80	5,598.03
9,000	G4S	26-Aug	2.31	20,779.20	3,302.85
2,500	Halma	26-Aug	10.66	26,658.75	21,734.56

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
3,000	Hammerson	26-Aug	5.72	17,166.00	5,798.80
1,500	Hargreaves	26-Aug	13.33	19,992.60	13,261.08
9,000	Hays	26-Aug	1.31	11,746.80	6,189.31
6,000	Henderson Grp	26-Aug	2.41	14,466.60	9,060.61
500	Hikma Pharma	26-Aug	21.79	10,895.85	7,271.89
2,000	Hiscox	26-Aug	10.52	21,036.60	13,433.51
2,000	Homeserve	26-Aug	5.57	11,141.80	7,126.45
3,000	Howden Joinery	26-Aug	4.59	13,771.20	9,838.89
84,000	HSBC Hldgs	26-Aug	5.46	458,539.20	89,856.28
3,000	ICAP	26-Aug	4.79	14,383.20	5,829.89
2,000	IG Group	26-Aug	9.57	19,131.40	13,450.70
2,000	IMI	26-Aug	10.69	21,372.80	14,041.87
4,000	Imperial Brands Grp	26-Aug	40.01	160,054.80	106,672.44
3,000	Inchcape	26-Aug	7.07	21,205.50	13,431.92
3,000	Indivior	26-Aug	3.14	9,415.20	8,073.11
3,000	Inmarsat	26-Aug	8.05	24,151.50	10,170.60
2,000	Intermediate Capital Grp	26-Aug	6.07	12,148.40	3,167.47
750	Intercontiental Hotel	26-Aug	33.07	24,801.38	18,872.17
300	Intertek Group	26-Aug	35.52	10,656.84	7,562.73
7,000	Intl Consolidated Air	26-Aug	3.93	27,534.50	7,014.75
6,000	Intu Properties Plc	26-Aug	3.14	18,866.40	-3,428.09
3,000	Investec	26-Aug	4.65	13,957.20	4,662.19
15,000	ITV	26-Aug	2.02	30,279.00	10,913.50
750	Johnson Matthey	26-Aug	33.03	24,772.13	16,477.92
3,000	JP Morgan American IT	26-Aug	3.28	9,833.10	3,956.02
2,000	JP Morgan Emerging Markets	26-Aug	6.90	13,803.80	4,133.14
1,000	Mercantile Inv. Trust	26-Aug	16.80	16,803.40	13,186.47
3,000	Jupiter Fund Management	26-Aug	4.19	12,562.50	3,268.17
3,000	Just Eat	26-Aug	5.52	16,568.40	5,807.99
9,000	Kingfisher	26-Aug	3.71	33,366.60	14,347.22
3,000	Land Securities	26-Aug	10.91	32,744.40	16,231.44
26,000	Legal & General	26-Aug	2.07	53,848.60	33,593.94
278,000	Lloyds Banking Grp	26-Aug	0.58	161,851.60	-79,651.00
1,000	London Stock Exchange	26-Aug	27.79	27,790.40	13,710.57
10,000	Man Group	26-Aug	1.10	10,983.00	-3,664.61
6,000	Marks & Spencer	26-Aug	3.45	20,707.20	8,286.93
5,000	Meggitt	26-Aug	4.68	23,411.50	10,430.42
4,000	Merlin Entertainment	26-Aug	4.81	19,242.40	3,407.95
1,000	Micro Focus	26-Aug	19.96	19,961.60	10,005.21
2,000	Mondi	26-Aug	15.93	31,862.00	24,713.43
4,000	Moneysupermarket.com	26-Aug	2.97	11,889.60	4,433.46
14,000	Morrison (Wm)	26-Aug	1.99	27,799.80	10,055.34
1,000	Murray Intl.Tst	26-Aug	10.92	10,922.90	5,131.16
16,000	National Grid	26-Aug	10.73	171,758.40	90,556.47
3,000	Paysafe Group	26-Aug	4.33	12,984.30	945.77
500	Next	26-Aug	55.27	27,636.55	21,502.51
21,000	Old Mutual	26-Aug	1.97	41,437.20	9,818.22
350	Paddy Power Betfair	26-Aug	96.22	33,675.81	10,139.34
3,000	Pearson	26-Aug	8.64	25,919.40	7,030.52
3,000	Pennon Group	26-Aug	8.88	26,636.40	16,305.91
2,000	Persimmon	26-Aug	18.86	37,710.00	23,729.32
2,000	Petrofac	26-Aug	8.67	17,338.60	9,391.29

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	Playtech	26-Aug	9.20	9,199.00	3,318.13
750	Provident Financial	26-Aug	30.10	22,573.58	15,980.86
11,000	Prudential	26-Aug	13.54	148,979.60	101,938.01
500	Randgold Resources.	26-Aug	76.53	38,267.40	25,661.71
53,000	Royal Dutch 'B'	26-Aug	19.71	1,044,577.00	396,214.18
2,750	Reckitt Benckiser	26-Aug	74.27	204,250.48	156,722.88
5,000	Relx	26-Aug	14.43	72,146.00	50,053.36
4,000	Regus Grp	26-Aug	3.05	12,202.40	7,764.69
500	Renishaw	26-Aug	26.35	13,175.50	9,087.62
8,000	Rentokil Initial	26-Aug	2.16	17,267.20	9,909.74
250	Rightmove	26-Aug	41.97	10,492.68	8,574.12
5,000	Rio Tinto	26-Aug	24.47	122,361.50	64,866.27
1,000	RIT Capital	26-Aug	17.04	17,043.50	12,468.41
7,000	Rolls-Royce	26-Aug	7.83	54,805.10	31,069.47
5,000	Rotork	26-Aug	2.05	10,225.50	6,647.27
12,000	Royal Bank Scotland	26-Aug	1.96	23,546.40	-94,572.54
5,000	Royal Mail	26-Aug	5.20	25,997.00	-1,974.98
6,000	RSA Insurance	26-Aug	5.00	29,983.20	-6,451.38
2,000	RPC Grp.	26-Aug	8.73	17,452.60	8,891.50
3,500	SABmiller	26-Aug	43.79	153,266.75	108,706.49
5,000	Sage Grp.	26-Aug	7.26	36,320.00	27,396.89
8,000	Sainsbury(J)	26-Aug	2.41	19,307.20	-4,328.32
500	Schroders	26-Aug	27.47	13,733.45	10,638.16
8,000	Scottish Mortgage	26-Aug	3.07	24,528.80	18,776.25
1,000	Severn Trent	26-Aug	24.20	24,203.40	16,676.19
2,000	Shaftesbury	26-Aug	9.53	19,052.80	10,537.75
4,000	Shire	26-Aug	48.55	194,187.60	86,920.35
4,000	Smith & Nephew	26-Aug	12.22	48,882.00	35,521.71
6,000	Smith(DS)	26-Aug	4.18	25,056.60	15,715.13
2,000	Smiths Group	26-Aug	13.41	26,829.00	14,763.87
1,000	Smurfit Kappa Grp	26-Aug	19.38	19,382.00	1,618.68
4,000	SSE Plc	26-Aug	15.19	60,772.00	31,150.80
3,000	St.James's Place	26-Aug	9.60	28,802.40	12,067.64
12,000	Standard Chartered	26-Aug	6.22	74,634.00	-9,168.69
12,000	Standard Life	26-Aug	3.54	42,519.60	2,858.42
3,000	Informa	26-Aug	7.12	21,351.90	11,695.75
3,000	Tate & Lyle	26-Aug	7.36	22,078.80	12,228.34
13,000	Taylor Wimpey	26-Aug	1.65	21,403.20	13,380.15
35,000	Tesco	26-Aug	1.64	57,281.00	3,175.73
2,000	Travis Perkins	26-Aug	17.02	34,044.60	21,581.24
2,000	Tui Travel	26-Aug	10.40	20,803.60	3,432.18
6,000	Tullow Oil	26-Aug	2.30	13,806.00	-11,337.44
1,000	Ultra Electronic	26-Aug	17.00	16,996.60	8,365.59
5,500	Unilever	26-Aug	35.52	195,345.70	147,238.40
2,000	Unite Group	26-Aug	6.17	12,333.00	4,723.24
3,000	Utd Utilities	26-Aug	9.81	29,441.40	16,084.08
2,000	UBM	26-Aug	6.87	13,734.80	8.83
2,000	UDG Healthcare	26-Aug	6.21	12,410.80	5,913.61
116,000	Vodafone Group	26-Aug	2.33	269,955.20	48,263.98
1,000	Weir Grp.	26-Aug	15.67	15,674.20	10,435.91
1,000	Wetherspoon (JD)	26-Aug	8.92	8,922.20	5,846.94
1,000	Whitbread	26-Aug	41.86	41,862.10	30,961.88

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
4,000	William Hill	26-Aug	3.24	12,972.00	4,705.99
1,000	Witan Investment Trust	26-Aug	8.30	8,300.40	5,876.86
1,000	Wolseley	26-Aug	43.26	43,255.20	25,457.05
2,000	Wood Grp (J)	26-Aug	7.15	14,300.80	6,486.15
6,000	Worldpay Group	26-Aug	2.99	17,961.60	367.27
6,000	WPP Group	26-Aug	18.00	107,971.80	70,466.10
12,110	Liberty Global 'C'	1-Sep	23.56	285,345.86	-94,302.64
4,946	Liberty Global 'A'	1-Sep	24.23	119,855.60	-41,136.70
6,880	Ball Group	1-Sep	61.86	425,577.73	425,508.93
615	Lilac 'A'	1-Sep	20.98	12,905.32	12,899.17
1,509	Lilac 'C'	1-Sep	21.58	32,559.62	32,544.53
294,500	Arm Holding	15-Sep	17.00	5,006,500.00	4,121,375.04
176,870	Home Retail	16-Sep	0.83	146,448.35	-15,416.03
199,500	SABMiller	10-Oct	45.00	8,977,500.00	6,437,565.28
4,200	AA Plc	20-Oct	2.61	10,941.00	-5,128.47
2,400	Amec Foster Wheeler Plc	20-Oct	5.99	14,368.32	3,171.21
3,000	Ashmore Group Plc	20-Oct	3.62	10,860.00	2,644.42
600	Associated British Foods Plc	20-Oct	25.08	15,046.86	10,510.88
900	Astrazeneca Plc	20-Oct	49.66	44,692.65	25,988.54
3,600	Aviva Plc	20-Oct	4.39	15,815.16	-4,233.08
3,800	BAE Systems Plc	20-Oct	5.42	20,582.32	12,138.97
5,100	Balfour Beatty Plc	20-Oct	2.77	14,132.61	1,786.61
2,700	Beazley Plc	20-Oct	3.77	10,190.61	6,338.94
500	Berkeley Group Holdings/The	20-Oct	24.72	12,361.90	8,355.75
2,200	BHP Billiton Plc	20-Oct	12.17	26,780.38	14,688.18
1,400	Big Yellow Group Plc	20-Oct	6.97	9,751.56	2,382.55
1,900	British American Tobacco Plc	20-Oct	47.95	91,099.11	64,520.30
7,500	BT Group Plc	20-Oct	3.78	28,312.50	10,446.16
5,700	Centrica Plc	20-Oct	2.18	12,423.15	2,290.56
39,000	Circassia Pharmaceuticals	20-Oct	0.90	35,088.30	-72,369.30
1,500	Compass Group Plc	20-Oct	14.89	22,336.50	16,298.70
800	CRH Plc	20-Oct	26.82	21,455.04	10,126.36
4,400	CYBG Plc	20-Oct	2.68	11,803.88	1,289.20
200	DCC Plc	20-Oct	66.75	13,349.40	6,821.80
400	Derwent London Plc	20-Oct	25.14	10,054.64	4,143.92
2,500	Diageo Plc	20-Oct	21.80	54,494.00	34,746.03
20,300	Entertainment One Ltd	20-Oct	2.31	46,984.35	7,526.15
1,400	Experian Plc	20-Oct	15.84	22,174.18	17,119.73
41,900	Fidelity China Special	20-Oct	1.92	80,280.40	30,718.25
800	Galliford Try Plc	20-Oct	13.44	10,753.20	5,146.68
4,100	Glaxosmithkline Plc	20-Oct	16.63	68,179.72	42,409.44
10,800	Glencore Plc	20-Oct	2.37	25,571.16	220.56
17,800	HSBC Holdings Plc	20-Oct	6.20	110,441.88	32,316.21
700	Imperial Brands Plc	20-Oct	38.49	26,941.67	17,599.76
8,900	Intl Consolidated Airline	20-Oct	4.03	35,826.95	9,737.55
7,600	Kingfisher Plc	20-Oct	3.62	27,483.12	11,422.31
27,700	Ladbrokes Plc	20-Oct	1.37	38,070.88	-50,379.53
1,800	Lancashire Holdings Ltd	20-Oct	7.20	12,965.58	2,835.46
5,200	Legal & General Group Plc	20-Oct	2.10	10,915.32	6,864.39
57,200	Lloyds Banking Group Plc	20-Oct	0.55	31,677.36	-18,013.10
500	Metro Bank Plc	20-Oct	27.10	13,547.55	3,799.65
600	Micro Focus International	20-Oct	21.65	12,992.94	7,019.11

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

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
2,100	Monks Investment Trust Plc	20-Oct	5.48	11,500.02	8,947.93
3,100	National Express Group Plc	20-Oct	3.51	10,880.07	2,676.34
3,700	National Grid Plc	20-Oct	10.66	39,432.75	20,654.80
12,700	Nb Global Floating Rate Inc	20-Oct	0.94	11,996.42	-707.73
800	Next Plc	20-Oct	48.59	38,868.96	29,054.49
900	NMC Health Plc	20-Oct	14.88	13,395.24	9,371.73
4,400	Paragon Group Companies Plc	20-Oct	3.28	14,443.88	5,602.49
1,400	Pearson Plc	20-Oct	7.61	10,651.48	1,836.67
300,000	Pendragon Plc	20-Oct	0.28	83,580.00	-26,507.24
6,000	Qinetiq Group Plc	20-Oct	2.31	13,857.00	3,100.71
200	Randgold Resources Ltd	20-Oct	70.68	14,135.30	9,093.02
500	Reckitt Benckiser Group Plc	20-Oct	71.53	35,762.55	27,121.17
1,000	Relx Plc	20-Oct	14.56	14,559.70	10,141.17
900	Rio Tinto Plc	20-Oct	26.21	23,586.03	13,236.89
5,200	Saga Plc	20-Oct	2.04	10,617.36	969.78
4,300	Sainsbury (J) Plc	20-Oct	2.38	10,231.85	-421.91
1,600	Scottish Investment Trust	20-Oct	7.52	12,033.92	9,454.26
7,700	Serco Group Plc	20-Oct	1.36	10,479.70	-1,399.88
900	Smith & Nephew Plc	20-Oct	12.28	11,050.29	8,044.22
1,000	SSE Plc	20-Oct	15.96	15,959.60	8,554.30
3,300	SSP Group Plc	20-Oct	3.32	10,965.90	1,933.77
2,500	Standard Chartered Plc	20-Oct	6.90	17,255.50	-203.39
2,700	Templeton Emerging Markets	20-Oct	6.18	16,697.61	11,447.67
5,900	Tesco Plc	20-Oct	2.11	12,472.60	3,352.00
1,100	Unilever Plc	20-Oct	34.84	38,319.38	28,697.92
9,400	Vectura Group Plc	20-Oct	1.34	12,614.80	-3,304.46
22,800	Vodafone Group Plc	20-Oct	2.24	50,980.80	7,407.01
900	WH Smith Plc	20-Oct	15.91	14,319.45	10,588.98
3,800	Witan Investment Trust Plc	20-Oct	8.54	32,445.16	23,235.69
400	Wolseley Plc	20-Oct	44.38	17,751.60	10,632.34
58,900	Ensure Goup	3-Nov	3.04	178,933.83	0.00
22,000	Connaught Plc	13-Dec	4.08	0.00	-89,932.56
58,900	GoCompare.com	15-Dec	0.68	40,169.80	-1,432.32
112,000	ICAP	30-Dec	2.85	319,323.65	0.00
50,500	Tullett Prebon	30-Dec	2.93	148,130.95	0.00
				32,879,814.44	**16,421,509.22**

Other Transactions

The following Capitalisation / Consolidation issues took place

during the 9 month period 1 April 2016 - 31 December 2016)

Company	Old Holding	New Holding
Capitalisation Issues		
Domino Pizza	29,000	87,000
JD Sports	16,000	80,000
Consolidation Issues		
Croda International	29,000	27,995
Intercontinental Hotels	46,640	38,866
UBM	94,184	83,716
Intermediate Cap	70,294	62,482

10(e)

Pension Fund Committee

Dorset County Council

Date of Meeting	1 March 2017	
Officer	Pension Fund Administrator	
Subject of Report	**Global Equities Managers Report**	
Executive Summary	The purpose of this report is to update the Committee on the performance of the Fund's Global Equities Managers as at the end of the third quarter of the 2016/17 Financial Year to 31 December 2016.	
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 performance of the Fund's Global Equities managers.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place and are being monitored.
Appendices	None
Background Papers	Quarterly manager reports.
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk

1. Background

1.1 With effect from mid December 2015, the Fund replaced its then two global equities managers, Pictet Asset Management and Janus Intech, with three new managers, Allianz Global Investors, Investec Asset Management and Wellington Investment Management.

2. Valuation

2.1 The table below summarises the valuations for the three managers as at 1 April 2016 and 31 December 2016.

	Allianz	Investec	Wellington	Total
	£000s	£000s	£000s	£000s
Valuation 01-Apr-16	227,083	166,965	166,341	560,389
Investment	-	-	-	-
Distribution	(20,000)	(15,000)	(20,000)	(55,000)
Increase in Valuation	52,938	32,194	48,063	133,195
Valuation 31-Dec-16	260,021	184,159	194,404	638,584

2.2 No additional investment has been made with the three managers this financial year. At the meeting of the Pension Fund Committee September 2016 it was agreed to redeem £20M from Allianz, £20M from Investec, and £15M from Wellington. These redemptions have now been received in full.

3. Performance

3.1 The table below summarises the performance for each manager in absolute terms and compared to their respective benchmarks for the quarter, the financial year and since inception to 31 December 2016.

	Allianz	Investec	Wellington
Quarter to Date			
Performance	7.4%	6.5%	6.6%
Benchmark	7.1%	7.1%	7.1%
Relative Return	0.3%	-0.6%	-0.5%
Financial Year to Date			
Performance	21.5%	23.4%	25.5%
Benchmark	25.5%	25.5%	25.5%
Relative Return	-4.0%	-2.1%	0.0%
12 Months to Date			
Performance	23.2%	23.8%	24.8%
Benchmark	28.2%	28.2%	28.2%
Relative Return	-5.0%	-4.4%	-3.4%

3.2 All three managers have returned very high absolute returns over the three periods measured but all three managers have significantly underperformed their benchmarks for the 12 months to 30 December 2016.

4. Market Review

4.1 Global equities climbed for the third consecutive quarter, as shares were buoyed by expectations that President-elect Trump would implement tax cuts, reduce regulatory restrictions and adopt a pro-growth policy stance. Many major developed market indices touched multi-month highs, while emerging market equities tended to retreat. The Financials sector led the advance, boosted by higher bond yields, while rising oil prices bolstered energy companies. Economic news in the US was positive. The final estimate of third-quarter GDP growth was revised up to an annualized rate of 3.5%, driven by higher-than-expected consumer spending. The unemployment rate fell to a nine-year low of 4.6% in November, while housing starts and consumer confidence reached nine-year highs.

4.2 European equities overcame rising political concerns to end the quarter near 11-month highs. The rally was partly driven by weakness in the euro, which helped to lift the outlook for the region’s exporters.

4.4 Emerging market equities fell over the final quarter of 2016 amid fears of higher US interest rates and concerns over more protectionist policies in the US. However, returns at a regional level varied considerably: while emerging markets in Asia were among those with the weakest returns, Eastern European equities posted strong gains. Along with China, Indian shares were among those with the weakest returns over the quarter.

Manager Commentaries

5. Allianz

5.1 The pronounced strength of the investment style ‘value’ was offset by the weakness of the more defensive styles in the quarter.. Sector allocation added slightly to relative performance over the quarter with a positive contribution from the underweight in Real Estate and Consumer Staples and a small negative contribution from the underweight to Financials. Stock selection was most successful in Consumer Staples and Consumer Discretionary but was weaker in Health Care and Energy. Regional allocations resulted in a 1bp loss, however, stock selection within regions was successful with positive contributions from North America, Japan and the Eurozone. Stock selection within the UK and Pacific Basin ex Japan was negative this quarter.

5.2 2016 was a challenging year for Allianz’s investment styles, and hence for the strategy, as four of their five key investment styles were lagging. However, the investment style ‘value’, their most prominent investment style, ended the year in positive territory.

6. Investec

6.1 The performance of Investec’s Four Factors approach provided a tailwind for portfolio performance in the quarter, rather than a headwind. The Value Factor outperformed to such an extent that it became the best performing Factor across the year as a whole. The Earnings, Strategy and Technical Factors were negative in the fourth quarter, but overall Factor performance was positive due to the contribution from Value alone. While the portfolio is positively skewed towards Value stocks, Investec’s process favours companies that score well on a number of different measures. This means the portfolio is more balanced, but missed out on some exposure to those ‘deep value’ companies that rallied so strongly in the second half of 2016. Additionally, stock selection had a negative overall impact on returns.

6.2 With the rotation into Financials (especially US banks) driving market returns over the quarter, much of the performance of the portfolio came down to which of these companies we did or did not own. The positions in Citigroup and Morgan Stanley were among the best per formers over the quarter, bolstered by the US election result, a rise in bond yields and the prospect of a potential rolling back of existing and slated regulation by president-elect Donald Trump. In contrast, the lack of exposure to Bank of America, JP Morgan Chase and Wells Fargo meant some of the gains witnessed across the US banking sector after the election result were missed.

6.3 Stocks within the Materials sector made a significant contribution to the performance of the portfolio over the period, thanks to good stock selection in the mining, chemicals and paper manufacturing industries. Within this sector, the holdings in Lundin Mining Corporation, Rio Tinto and UPM Kymmene Oyj all added to returns. Canadian mining group Lundin saw gains from an increase in metals production (ahead of levels previously announced) and the sale of an African copper mine for US$1.14 billion. Anglo-Australian miner Rio Tinto, meanwhile, performed well as it continued to streamline operations by divesting or closing low returning assets. Finnish paper manufacturer UPM rallied on earnings upgrades and a confirmation that it had exceeded operating profit forecasts.

6.4 Stock selection in healthcare equipment & services stocks boosted performance during the quarter, with the holding in United Health performing notably well as a result of its programme to manage costs and actively return capital to shareholders via buybacks and dividend growth. The potential repeal of Obamacare would also be supportive for health insurers.

6.5 The holding in Japanese telecoms group KDDI hurt returns, as the company saw sales revenue growth nudge downwards and it was chastised by the Japanese Communications Ministry, along with two of its rivals, for disguising higher service fees by discounting handsets. More broadly, telecoms and utilities firms have been negatively affected by developments in the bond market and by concerns of higher inflation.

6.6 Investec's overweight in the software and services sector also hurt returns, with computer games group Activision Blizzard among the worst performers, after uninspired reviews for its latest products and evidence of declining volumes.

7. Wellington

7.1 During the quarter, the Global Research Equity portfolio underperformed the MSCI World Index. Stock selection within energy information technology, and consumer staples were the primary detractors from relative performance, while the portfolio's holdings in financials and materials helped boost relative returns.

7.2 In contrast to last quarter where the oil and gas industry was a significant source of outperformance, this quarter saw a reversal with oil and gas representing the portfolio's weakest industry on a relative basis. Underweight positions in several major oil and gas companies, such as Royal Dutch Shell and Chevron, weighed on portfolio results. In addition, the portfolio's overweight to other US players including Newfield Exploration, Pioneer Natural Resources, and Rice Energy detracted from relative returns.

7.3 Information technology, particularly software and services companies, also proved to be challenging for the portfolio this quarter. Workday, a US-based record-keeping company with an integrated application system and cloud computing capability, delivered healthy quarterly results, but a handful of delayed deals due to post-election and Brexit uncertainties weighed on investor confidence. Wellington view this as a short-term hiccup for a company with strong subscription growth potential and solid cash flow margins, and took the opportunity to add to our position on weakness.

7.4 Consumer staples was another area of relative underperformance mainly due to our food and beverage holdings. Netherlands-based Unilever came under pressure owing to currency headwinds and a challenging economic environment in a number of its primary markets. More generally, we saw a rotation out of franchise stocks, considered safe and defensive, in favour of highly cyclical investment opportunities. Wellingotn view Unilever as an attractively valued food, home, and personal care company with strong growth prospects and compounding capabilities, and have added to our position on weakness.

7.5 Coty, a US-based beauty distributor, was also a detractor within consumer staples this quarter. The company reported soft results with weak organic sales growth and a tepid outlook. Coty has an attractive portfolio of assets, which was recently enhanced by the acquisition of Proctor & Gamble's beauty assets. Wellington expect the relatively new CEO and private equity investors, JAB, to drive organic growth by focusing on a handful of brands, categories, and geographies that offer the most promising opportunity going forward which should reward patient investors.

7.6 The materials sector was a notable contributor this quarter with chemical company Methanex serving as the primary driver of relative sector outperformance. Canada-based Methanex, the world's largest supplier of methanol (used as antifreeze, solvent, denaturant for ethanol, and biodiesel production), rallied on the back of rising methanol prices and limited new supply coming on. The company has a diverse network of production sites, which enables the company to deliver methanol cost effectively. In addition, Methanex is increasing its capacity after a period of heavy capex and is transitioning into a phase of strong free cash flow generation.

Richard Bates
Pension Fund Administrator
February 2017

Pension Fund Committee

Dorset County Council

Date of Meeting	1 March 2017
Officer	Pension Fund Administrator
Subject of Report	**Treasury Management Strategy**
Executive Summary	The Pension Fund at any one time holds a level of cash balances that are generated from the positive cash-flows from member contributions, investment income less payments to members in the form of pensions. Periodically this surplus cash is distributed in line with the Funding Strategy Statement. In 2008 a number of public sector bodies had monies frozen when the Icelandic Banks collapsed and since then the rules and regulations have been tightened to provide better security of cash balances. The Dorset County Pension Fund seeks to ensure the security and liquidity of its cash resources prior to their allocation and previously agreed a new Treasury Management Strategy in March 2016. The strategy set limits on the amount and length of time that cash can be invested with specific counterparties, to a maximum of two years. This is to reflect the fact that there is not a strategic allocation to cash and investing cash sums for more than this period would be contrary to the Fund's investment strategy. In relation to counterparty risks and limits, this strategy continues to be consistent with that of the County Council.
Impact Assessment: *How have the following contributed to the development of this report?**	Equalities Impact Assessment: N/A Use of Evidence: The use of evidence and information sources to support the Treasury Management Strategy is set out in detail in the main body of this report.

	Budget/ Risk Assessment: None
Recommendation	That the Committee agrees to continue with the current Treasury Management Strategy.
Reason for Recommendation	To ensure that the Dorset County Pension Fund invests its surplus cash-flows appropriately prior to allocation to fund managers.
Appendices	Appendix 1 – Treasury Management Practice 1 – Credit and Counterparty Risk Management Appendix 2 – Summary of Investment Criteria
Background Papers	Dorset County Council – Investments and Creditworthiness Policy
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk

Dorset County Pension Fund- Treasury Management Strategy and Investment Policy

1. Introduction

1.1 The investment policy of Dorset County Pension Fund [the "Fund"] closely follows that of Dorset County Council, who administer the Fund and has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Fund's cash investment priorities will be security first, liquidity second, then return, so that cash resources are safeguarded prior to distribution in line with the Fund's Investment Strategy.

1.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Fund has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the approved lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the ratings service, provided by Capita Asset Services, the Council's Treasury Management Advisers, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

2. Cash Investments Policy

2.1 The Fund's cash investments policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Fund's cash investments priorities will be security first, liquidity second, then return.

2.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Fund applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

2.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Fund will engage with its Treasury Management advisers, Capita Asset Services, to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

2.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

2.5 Investment instruments identified for use in the financial year are listed in Appendix 1 of this Policy under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Fund's treasury management practices schedules.

3. Creditworthiness Policy

3.1 The primary principle governing the Fund's cash investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Fund will ensure that:

- It maintains this policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in Appendix 1; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

3.2 Risk of default by an individual borrower is minimised by placing limits on the amount to be lent. These limits use, where appropriate, credit ratings from Fitch, Standard and Poors, and Moodys Credit Rating Agencies. All banks and building societies used by the Fund will have a long-term rating of at least A- and a minimum short term rating of F1. Long-term ratings vary from AAA (the highest) down to D the lowest. Short-term ratings vary from F1+ (the highest) down to D. Individual ratings vary from A (the highest) down to E, and these are now being replaced by viability ratings (aaa the highest, to c the lowest) and estimate how likely the bank is to need assistance from third parties. Local authorities are not generally rated. The limits to be used are set out in paragraph 3.5.

3.3 The Pension Fund Administrator will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the Pension Fund Committee for approval as necessary. These criteria are separate to that which determines which type of investment instrument are either Specified and Non-Specified investments as it provides an overall pool of counterparties considered to be high quality that the Fund may use, rather than defining what types of cash investment instruments are to be used.

3.4 Credit rating information is supplied by the Fund's treasury management advisers, Capita Asset Services, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term change) are provided almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Fund criteria will be suspended from use, with all others being reviewed in light of market conditions.

Security

3.5 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

i. Sovereign Ratings

3.5.1 The Fund will only lend to counterparties in countries with the highest sovereign Credit Rating of AAA. The maximum that can be deposited with banks in any one sovereign is £30m at any time. The exception to both rules is the United Kingdom.

ii. Counterparties with Good Credit Quality

3.5.2 The Fund will lend to counterparties with the following counterparty ratings:

Table 1 Counterparty Ratings

Category	Minimum Credit Rating	Limit
Any Local Authority	n/a	£15 Million
Banks & Building Societies	Short F1, Long A-	£15 Million
Money Market Funds	AAA	£15 Million (individual)
Money Market Funds Notice Account	AAA	£10 Million (individual)
UK Government including gilts and the Debt Management Account Deposit Facility (DMADF)	n/a	no limit

3.5.3 Where a counterparty is part of a larger group, it is appropriate to limit the Fund's overall exposure to the group. Individual counterparties within the group will have their own limit, but will be subject to an overall limit for the group. The limit for any one group will be £15m, except in the case of the four major UK banking groups where the limit would be £30m.

iii. Part Nationalised Banking Groups

3.5.4 The Fund will continue to use banking groups whose ratings fall below the criteria specified above if that banking group remains part nationalised, up to a limit of £30m for the group.

iv. Fund's own banker

3.5.5 The limit for the Fund's own bank is £30m, however, due to occasional short term unexpected cashflows this limit may be breached. For this reason additional flexibility of an additional £1m is allowed to cover such movements, and to minimise the transaction costs involved with moving small sums of money. Over the long term the £30m should be the maximum. The breaches of the £30m limit will be monitored and reported to the Fund Administrator on a monthly basis.

3.5.6 If the Fund's own banker, NatWest, fell below the Fund's criteria it would continue to be used for transactional and clearing purposes with the maximum balances deposited with them overnight being limited to £500k.

v. Major UK Banks

3.5.7 The Fund may invest up to £30m with each of the four major UK banking groups, Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC, and The Royal Bank of Scotland PLC (which owns the Fund's bank, National Westminster Bank PLC), taking into account the restrictions of group limits and any other limits which apply. These four banking groups were added explicitly to the Treasury Management Strategy with the rationale that in a worst case scenario, all of the Fund's cash could be placed across these four banks.

vi. Use of Additional Information other than Credit Ratings

3.5.8 Additional requirements under the Code of Practice now require the County Council (and therefore the Fund) to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches / Outlooks) will be applied to compare the relative security of differing investment counterparties.

Liquidity

3.6 Liquidity is defined as an organisation "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice).

3.7 In addition it is prudent to have rules for the balance of cash investments between short term and longer term deposits to maintain adequate liquidity. They are:

i. Fixed Term Investments

A minimum cash balance of £10M must be maintained in call accounts or instant access Money Market Funds. Any amount above this can be invested in fixed term deposits.

ii. Call Deposits

The amount of call deposits (instant access accounts) should be a minimum of £10m to allow for any unforeseen expenditures, up to a maximum of 100%. From time to time, it may be necessary for call deposits to fall below £10M, when this occurs it should be for no more than one working day. The breaches of the £10M limit will be monitored and reported to the Fund Administrator on a monthly basis.

iii. Time and Monetary limits applying to Investments

The time and monetary limits for institutions on the Fund's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

Table 3 – Time and Monetary Limits

	Minimum Long Term and Short Term Counterparty Rating (LCD Approach)	Money Limit	Time Limit
Any Local Authority	n/a	£15 Million	2 Years
Banks & Building Societies	AA- / F1+	£15 Million	2 Years
Banks & Building Societies	A - / F1	£15 Million	364 Days
Major UK Banks*	n/a	£30 Million	2 Years
Money Market Funds	AAA	£15 Million (individual)	Overnight
Money Market Funds	AAA	£10 Million (individual)	7 Day Notice
UK Government including gilts and the DMADF	n/a	Unlimited	6 Months
Part Nationalised Banking Groups**	n/a	£30 Million	2 Years
Fund's Own Banker	n/a	£30 Million	2 Years
*Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC and The Royal Bank of Scotland PLC. ** Lloyds Banking Group PLC and The Royal Bank of Scotland PLC.			

iv. Longer Term Instruments

The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-Specified investment category. These instruments will only be used where the Fund's liquidity requirements are safeguarded. This will be limited to counterparties rated AA- long term, and F1+ short term. The level of overall investments should influence how long cash can be invested for. For this reason it has been necessary to introduce a sliding scale of limits that depend on the overall size of cash balances. The smaller the size of the overall cash balances the more important it is that the money is kept liquid to meet the day to day cashflows of the organisation. Likewise if cash balances are large, a greater proportion of the funds can be invested for longer time periods. Table 4 sets out the investment limits.

Table 4 Time Limits for Investments over 365 days

Time Limit	Money Limit invested with Counterparties rated AA- - F1 + and above	
Projected Annual Balances	**%**	
More than 1 year, no more than 2 years	100%	£15M

3.8 In the normal course of the Fund's cash flow operations it is expected that both Specified and Non-Specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

3.9 A summary of the proposed criteria for investments is shown in Appendix 2, and a list of counterparties as at 11 January 2016 in accordance with these criteria is shown as Appendix 3 to this policy for information.

APPENDIX 1

Investment Policy - Treasury Management Practice 1

Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The CLG issued Investment Guidance on April 2010, and this forms the structure of the Fund's policy below. The CLG is currently consulting over revisions to the Guidance and where applicable the Consultation recommendations have been included within this policy. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sector Guidance Notes. This Fund adopted the Code, through the Administering Authority during 2002 and will apply its principles to all investment activity. In accordance with the Code, the Fund Administrator has produced the Fund's treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy, requires approval each year.

Annual Investment Strategy

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Fund will use. These are high security (i.e. high credit rating, although this is defined by the Fund, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Fund is set out below.

Strategy Guidelines

The main strategy guidelines are contained in the body of the treasury strategy statement (the Investment Strategy).

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Fund has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or gilt with less than one year to maturity).

2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council

4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

5. A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Fund has set additional criteria to set the time and amount of monies which will be invested in these bodies.

Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). This would include investments greater than 1 year in duration. It is proposed that counterparties will be restricted to those in the specified category above when investing for more than a year. In total these longer term loans will be limited to £30m of the total investment portfolio and this has been determined with regard to the forecasts of future cash flow.

The Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Fund receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Fund Administrator, and if required new counterparties which meet the criteria will be added to the list.

Summary of Investment Criteria

APPENDIX 2

Paragraph	Criteria	Minimum Rating		Maximum Investment and Exceptions
		Long	Short	
Sovereign Limit for All Loans				
3.5.1	**AAA Sovereign Rating**	n/a	n/a	£30 Million with any one sovereign, UK no limits
Notice Money				
A minimum of 10% of total investments, up to a maximum of 100%				
3.5.5	**Council's own Banker**	n/a	n/a	£30 Million
3.5.2	**Money Market Funds**	AAA		£15 Million individual
3.5.2	**Money Market Fund Notice Account**	AAA	n/a	£10 Million individual
Fixed Term Investments				
Limited to the amount of excess balances for that term less a margin of £10 Million				
Up to 6 months				
3.5.2	**UK Government including gilts and DMADF**			Unlimited
Up to 364 Days				
3.5.2	**Any Local Authority**			£15 Million
3.5.2	**Banks & Building Societies**	A-	F1	£15 Million Note that no more than £15 Million can be invested with banks in the same group where the highest rated counterparty has a minimum of these ratings See 3.5.4, 3.5.5, 3.5.6, 3.5.7 for exceptions
3.5.7	**Four Major UK Banking Groups**: Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC, The Royal Bank of Scotland PLC (including National Westminster Bank PLC)	N/a	N/a	£30 Million
Up to 2 years				
3.5.2	**Major Banks & Building Societies**	AA-	F1+	£15 Million per bank Note that no more than £15 Million can be invested with banks in the same group where the highest rated counterparty has a minimum of these ratings See 3.5.4, 3.5.5, 3.5.6, 3.5.7 for exceptions
3.5.4	**Part Nationalised Banking Groups:** Lloyds Banking Group PLC, The Royal Bank of Scotland PLC (including National Westminster Bank PLC)	n/a	n/a	£30 Million

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