

# Agenda

Dorset County Council



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Meeting: Pension Fund Committee  
Time: 10.00 am  
Date: 21 June 2017  
Venue: Committee Room 1, County Hall, Colliton Park, Dorchester, DT1 1XJ

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John Beesley	Bournemouth Borough Council
Andy Canning	Dorset County Council
Tony Ferrari	Dorset County Council
Spencer Flower	Dorset County Council
May Haines	Borough of Poole
Colin Jamieson	Dorset County Council
Peter Wharf	Dorset County Council
John Lofts	Dorset District Councils
Johnny Stephens	Scheme Member Representative

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## Notes:

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### 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 16 June 2017, and statements by midday the day before the meeting.

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**Debbie Ward**  
Chief Executive

Contact: Liz Eaton, Democratic Services Officer  
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Date of Publication:  
Tuesday, 13 June 2017

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### 1. **Apologies for Absence**

To receive any apologies for absence.

### 2. **Election of Chairman**

To elect a Chairman for the year 2017/18.

### 3. **Appointment of Vice-Chairman**

To appoint a Vice-Chairman for year 2017/18.

### 4. **Code of Conduct**

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

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

Each Councils' Register of Interests is available on [Dorsetforyou.com](http://Dorsetforyou.com) and the list of disclosable pecuniary interests is set out on the reverse of the form.

### 5. **Terms of Reference**

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

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

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

**6. Minutes** 5 - 10

To confirm the minutes of the meeting of the Pension Fund Committee held on 1 March 2017.

**7. Public Participation**

- (a) Public Speaking**
- (b) Petitions**

**8. The Brunel Pensions Partnership - project progress report** 11 - 42

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

**9. Application for Admission Body Status in the Local Government Pension Scheme (LGPS) from the Jurassic Coast Trust (JCT)** 43 - 46

To consider an admission agreement request for Jurassic Coast Trust to become an admitted body of the scheme (attached).

**10. Fund Administrator's Report** 47 - 128

To consider the report of the Chief Financial Officer (attached). This includes Strategic Fund Allocation for the period 31 March 2017, cash flow and performance analysis and other topical issues. As part of this item the Committee will receive the report from the Independent Adviser on investment outlook and asset allocation (Appendix 2 refers), the draft annual pension fund accounts for 2016-17 (Appendix 4) and the updated Funding Strategy Statement (Appendix 5).

**11. Other Manager reports** 129 - 232

To receive the following reports (attached):

- (a) UK Equity Report
- (b) Global Equities
- (c) Royal London Asset Management – Corporate Bonds
- (d) CBRE Global Investors – Property
- (e) Insight Investment – Liability Hedging

**12. Dates of Future Meetings**

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

- |                |   |   |
|----------------|---|---|
| 13 September   | - | County Hall, Dorchester ( <i>Please note change of date</i> ) |
| 23/24 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 16 June 2017.

**Exempt Business**

To consider passing the following resolution:

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

14. **Strategic Asset Allocation Review (Paragraph 3)**

233 - 290

To consider an exempt report by the Pension Fund Administrator and Mercer –  
**NOT FOR PUBLICATON.**



### Pension Fund Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Wednesday, 1 March 2017

#### **Present:**

John Beesley (Chairman)

Mike Byatt (Vice-Chairman), Andy Canning, Mike Lovell, Peter Wharf (Dorset County Council), May Haines (Borough of Poole), John Lofts (District Council Representative), Johnny Stephens (Scheme Member Representative) and Andrew Cattaway (Local Pension Board Chairman).

#### Officer Attendance:

Richard Bates (Chief Financial Officer), Jim McManus (Deputy Chief Financial Officer), Charlotte Peach (Pension Fund Accountant), Anne Weldon (Pensions Benefits Manager), David Wilkes (Finance Manager) and Tom Wilkinson (Interim Chief Treasury and Pensions Manager).

#### Manager, Advisor and Others Attendance:

Alan Saunders (Independent Adviser), Graeme Muir (Barnett Waddingham, Fund Actuary), Steve Lee and Jonathan Parker (Investec Asset Management).

(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, 21 June 2017.**)

#### **Apologies for Absence**

10 An apology for absence was received from Trevor Jones (Dorset County Council).

#### **Code of Conduct**

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

#### **Minutes**

12 The minutes of the meeting held on 9 January 2017 were confirmed and signed.

#### **Public Participation**

##### 13 Public Speaking

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

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

##### Petitions

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

#### **Review of 2016 Fund Valuation Process**

14 The Committee received a report from the Fund Administrator that gave an update on the progress of the triennial Pension Fund valuation 2016, and 'lessons learned' for future valuations. Graeme Muir, Barnett Waddingham, the Fund's Actuary gave a

summary of the challenges that had been faced in completing the 2016 valuation, and added that these challenges were consistent with those faced by most other LGPS funds.

The Chairman invited the Deputy Chief Financial Officer to comment on behalf of the Dorset Finance Officers Group (DFOG). The Deputy Chief Financial Officer said he was pleased to see the report and the action plan for the next valuation. However, he was concerned that as the next valuation was three years away, the action plan may not be fully implemented, in particular improvements relating to the quality and timeliness of data.

The Actuary replied that employers' data could now be uploaded directly into Barnett Waddingham's systems and was then subject to an automatic 'data cleanse', thus identifying problems with data more quickly. An on-line monitoring tool would also be available for employers. A member asked if there was regular cleansing of employers' data. The Pensions Benefits Manager commented that the team encouraged employers to do this on a quarterly basis and the Committee strongly supported this approach. The Pensions Benefits Manager added that issues relating to data were also raised at the quarterly Pension Liaison Officers Group (PLOG) meetings attended by employer representatives.

The Fund Administrator added that, from a Section 151 Officer perspective, for future valuations he wished to see realistic, prudent expectation management with no nasty surprises. The Actuary agreed but highlighted that the extent of the impact of new oversight arrangements from the Government Actuary's Department (GAD) on this valuation had not really been understood until late 2016.

The Vice-Chairman asked when the Committee needed to timetable implementation of the action plan for the 2019 valuation into the Forward Plan. The Interim Chief Treasury and Pensions Manager replied that an update would be reported to the meeting on 13 September 2017. He added that the timetable for Local Government Reorganisation (LGR), if approved by government, would potentially cause an additional challenge for the next valuation.

The Independent Adviser questioned the statement in the report that the Fund had not performed as well as other funds, as the annualised return for the last three years had been equal to the average return of all LGPS funds, and outperformed the target set at the 2013 valuation. The Actuary clarified that the comparison was with other Barnett Waddingham clients only not all LGPS funds, and that the liabilities of the Fund had increased more than expected when the discount rate was set.

The Vice-Chairman asked if the Fund's assets were generating sufficient returns. The Fund Administrator replied that this was the reason for the review of the Strategic Asset Allocation that was discussed later in the meeting. The Actuary explained that although increased asset prices improved the valuation of the Fund's assets, as the Fund still received net cash contributions from members, increased asset prices also made further investments more expensive and therefore added to the challenge to meet the required rate of return.

### **Resolved**

1. That indicative future employer contribution rates be provided by the Fund's Actuary for the years 2020/21 and 2021/22 to provide early planning for medium term financial plans.
2. That employers conduct regular data cleansing reviews to ensure that the data which the valuation would be based on would be clean to aid a smooth process in 2019.
3. That a plan be put in place to ensure a more timely release of future valuation results.

4. That the Committee note the particular difficulties encountered during the 2016 process which were not anticipated in future valuations.
5. That an update on the timetable for the 2019 valuation be provided to the meeting of the Committee on 13 September 2017.

### **Brunel Pensions Partnership**

- 15 The Committee considered a report by the Fund Administrator on the progress to date in implementing the Full Business Case (FBC) for the Brunel Pension Partnership (BPP). The Fund Administrator told members that all ten administering authorities had now approved the FBC and that a letter from Marcus Jones MP, Minister for Local Government, had been received confirming he was content for the pooling proposals to proceed, two of the major risks to the project had therefore been removed.

The Fund Administrator said that a request from the pool had been sent to David Gauke MP, Chief Financial Secretary to the Treasury, 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 other pools were being encouraged to send similar requests. He also highlighted that the detailed process for adding, amending and deleting portfolios was being developed.

The Chairman reported that there had been a meeting of the Shadow Oversight Board (SOB) on 28 February 2017, which he had chaired. He confirmed that SOB provided a high level of scrutiny and challenge on all matters, including appointments and costs, due to the necessity of getting the new pooling arrangements absolutely right. If this resulted in proposals not implemented as quickly as intended, interim measures might be needed. The Chairman also highlighted the comprehensive legal and financial advice provided to the project by Osborne Clarke and PwC respectively.

The Fund Administrator informed members that in addition to monthly meetings of SOB, attended by representatives of all ten pension fund committees or equivalent, there were also regular meetings of the chief financial and legal officers for each fund, the Finance and Legal Assurance Group (FLAG), and the investment officers of each fund, the Client Operating Group (COG).

The Vice-Chairman asked if there was a project timeline up to April 2018. The Fund Administrator replied that there was a detailed timeline that could be incorporated into the report to the next meeting of the Committee.

### **Noted**

### **Pensions Administration**

- 16 The Committee received a report by the Pension Fund Administrator on matters relating to the administration of the Fund. The Pensions Benefits Manager highlighted the very good performance against the Key Performance Indicators (KPIs) over the most recent quarter, but anticipated some drop in performance reported to the next meeting as the team were entering the busiest period of the year. The Committee were informed that the backlog of cases had decreased substantially since the last meeting and that a project had been set up to continue to reduce the backlog by a target of 30 cases per week.

### **Noted**

### **Fund Administrator's Report**

- 17 The Committee considered a report by the Pension Fund Administrator on the allocation of assets and overall performance of the Fund up to 31 December 2016.

The Independent Adviser presented his report at Appendix 1 and provided a commentary on the investment outlook, and how it was likely to affect each asset class. His expectation was that momentum in equities would continue although likely to hit headwinds in the second half of 2017, with single digit returns expected for the calendar year, it was unlikely to see further significant movement in sterling, returns from bonds would be lower than equities (possibly even negative returns), and 2-3% returns from property for 2017 and 2018, with some erosion of capital values likely. The Independent Adviser felt that although there was now some clarity of intention on Brexit from the government, there was still a high level of uncertainty about the outcome of the process. He highlighted two significant risks from China to world economic growth - the very large debt burden (higher than in any other major economy) and the continued imbalance between investment and consumer spending.

A member questioned the comment in the Independent Adviser's report that the UK government had decided to leave the single European market, as he believed the government had simply set out an initial negotiating position. The Independent Adviser commented that his report reflected the general interpretation by markets of the government's statements.

A member asked about the results of a recent survey of investor optimism that was very positive. The Independent Adviser felt this reflected the short term positives markets perceived, particularly as a result of expectations of changes in the US and largely already factored into asset prices, such as deregulation, increased government spending and lower taxation, but possibly underplayed the long term potential negatives, such as greater protectionism.

The Fund Administrator highlighted the very strong absolute performance of the Fund's assets over the financial year to 31 December 2016, primarily as a result of the impact of sterling's depreciation on equity prices and the increase in the value of inflation hedging instruments. Members were reminded that the value of the Fund's liabilities would also have increased over this same period because of the same higher inflationary expectations.

The Independent Adviser presented the interim report from Mercer, Investment Consultant, who had been engaged to review the Fund's strategic allocation to asset classes following the results of the 2016 actuarial valuation. The Chairman confirmed that the final report would be discussed and any changes to asset allocation agreed at the next meeting of the Committee on 21 June 2017. He added that any changes would need to take into consideration the Brunel Pension Partnership (BPP) and transition costs.

### **Resolved**

1. That the activity and overall performance of the Fund be noted.
2. That no changes to asset allocation be made at this time.
3. That the results of the review of the strategic allocation be agreed at the next meeting of the Committee on 21 June 2017.
4. That the Investment Strategy Statement (ISS) March 2017 be approved.

### **Manager Presentation from Investec, Global Equity Investments**

18 The Committee considered a report from Steve Lee and Jonathan Parker, Investec Asset Management, who were appointed to the active Global Equities mandate in December 2015. Mr Parker reminded the Committee of Investec's "4Factor" approach, that combined the traditional factors of 'quality' and 'value' that determine asset prices in the long term, with behavioural factors that affect prices in the shorter term, 'earnings' (improving operating performance leading to upwards revisions of profit forecasts) and 'technicals' (increasing investor attention leading to relative share prices trending up). He explained that these four factors were used to screen approximately 3,000 companies in the benchmark 'universe', with more detailed



'bottom up' analysis of the remaining approximately 600 companies by sector specialists.

The Independent Adviser asked whether the poor performance relative to benchmark for 2016 was due to the presence of other investment factors not captured by the Investec approach or whether it was the result of poor stock selection. Mr Parker replied that it was roughly an equal combination of the two. He explained that Investec's approach looked for investments with all four factors present, whereas markets had been seeking 'quality' at almost any price. He added that 2016 had witnessed unusual wide-spread volatility both geographically and in sectors, but he believed that Investec's approach would deliver benefits to investors over the longer term.

A member asked if Investec had identified any changes to their approach or processes as a result of the under-performance in 2016. Mr Parker replied that their processes were subject to continual review, with two formal 'off-site' reviews each year. He did not believe that structural changes were needed to their approach, only incremental improvements. The Chairman added that the Committee were looking for signs of improvement over the coming periods.

**Noted**

## **Manager Reports**

### 19 (a) CBRE Global Investors

The Committee considered a report from CBRE Global Investors, the Fund's Property Manager. The Interim Chief Treasury and Pensions Manager highlighted that the valuation had dropped over the financial year primarily as a result of net sales of assets, and that the vacancy rate was higher than historic levels because of un-let property in Aberdeen. He informed members that the development of Cambridge Science Park was expected to 'break ground' in the next few weeks.

**Noted**

### (b) Insight Investment

The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy. The Interim Chief Treasury and Pensions Manager highlighted that the valuation had increased by approximately 70% over the financial year but that liabilities would also have increased over that period. The Independent Adviser added that the leverage ratio had fallen from over four to below three.

**Noted**

### (c) Royal London Asset Management (rlam)

The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio. The Interim Chief Treasury and Pensions Manager highlighted the absolute poor performance but relative outperformance in the quarter, and the strong performance (absolute and relative) over the three and five year periods.

**Noted**

### (d) UK Equity Report

The Committee considered a report by the Finance Manager (Treasury and Pensions) which summarised the performance of the internally managed UK equities portfolio, the AXA Framlington Fund and the Schroders Small Cap Fund.

The Finance Manager (Treasury and Pensions) highlighted that the return from the internally managed passive portfolio was inside the agreed tolerance of +/- 0.5% for

the quarter, outside for the financial year to date, and inside for the 12 months, 3 years and 5 years ending 31 December 2016. The position would continue to be monitored very closely and internal procedures would be subject to on-going review.

The performance of AXA was also highlighted. The recovery from the poor absolute and relative performance for the quarter ending 30 June 2016 had been minimal in the financial year to 31 December 2016. The Committee agreed to invite AXA to attend the next meeting of the Committee on 21 June 2017 to explain more fully the reasons for the underperformance and to discuss the outlook for future performance.

**Resolved**

That AXA be invited to attend the next meeting of the Committee on 21 June 2017.

**(e) Global Equities Report**

The Committee considered a report by the Finance Manager (Treasury and Pensions) which summarised the performance of the three Global Equities managers Allianz, Investec and Wellington. He highlighted that the three managers had been selected to a large extent because their different approaches were expected to complement each other, but the performance of all three was below benchmark since inception in December 2015.

**Noted**

**Treasury Management Strategy**

20 The Committee considered a report by the Fund Administrator setting out the Treasury Management Strategy (TMS) for 2017/18. The Finance Manager (Treasury and Pensions) explained that the TMS for 2017/18 was unchanged from the TMS for the current financial year and was the same as for the County Council, with some different limits to reflect the different expected cashflows.

The Finance Manager (Treasury and Pensions) reported that the Fund was currently quite cash rich as a result of decisions taken in the summer 2016 to give sufficient liquidity to meet hedging liabilities and to fund drawdowns to infrastructure and private equity, but that the levels of cash held would be reviewed. Members asked that if high cash balances were maintained other options for investing cash to generate higher returns should be considered.

**Resolved**

That the Treasury Management Strategy for 2017/18 be agreed.

**Dates of Future Meetings**

21 **Resolved**

That meetings be held on the following dates:

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

**Questions**

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

Meeting Duration: 10.00 am - 1.00 pm

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	21 June 2017
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>The Brunel Pensions Partnership – project progress report</b>
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	Appendix 1 Corporate Structure and Governance Summary Appendix 2 Brunel Pension Partnership (BPP) Business Plan 2017-18
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 the nine other nine participating administering authorities.
- 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.

## **2. Recruitment of the BBP Ltd Company Board**

- 2.1 As reported at the last meeting of the Committee, Korn Ferry, an executive search agency, were appointed to carry out recruitment processes, and had embarked on the initial task of organising the recruitment of the chair and two external non-executive directors (NEDs). Denise Le Gal was appointed to the position of chair during March and took up the position at the beginning of April. She was previously the chair of the Surrey County Council Pension Fund, but stood down as a councillor in May, and she has significant experience of working within financial services and investments.
- 2.2 Interviews were also held for the two external NEDs and the shareholder NED on 1 and 2 June. The outcome of those interviews will be reported to the Committee at the meeting.
- 2.3 Advertisements have also been placed for the BPP Ltd's operational directors, with a closing date for applications of 9 June 2017. The posts advertised are:
  - Chief Executive Officer (CEO);
  - Chief Investment Officer (CIO);
  - Chief Compliance and Risk Officer (CCRO); and
  - Chief Operating Officer (COO).
- 2.4 As it may be some time before these individuals are in post it was agreed to appoint an interim Managing Director for BPP Ltd drawn from the chief pensions officers of the ten funds. Dawn Turner from the Environment Agency Pension Fund was appointed to this role, which she will hold until the permanent Chief Executive Officer is appointed and in post.
- 2.5 It will be the responsibility of the Company's Remuneration Committee to put together a remuneration policy for its employees. However, some general principles

have been agreed, including no bonus payments and a potential salary cap. The company will be an admitted body in the LGPS on an open basis for all employees for the first three years, at which point the position will be reviewed. This is in line with the policy adopted by other pools, and is therefore required to ensure that Brunel can compete for the best staff available.

### **3. Legal Agreements**

3.1 A key part of setting up the company will be the agreement of various legal agreements that govern the operations of BPP Ltd. These documents have been developed by the project's Legal Services Group comprising representatives of Osborne Clarke, who have been providing legal support to the project, and legal officers from the administering authorities.

3.2 The Shadow Oversight Board (SOB) considered and agreed the following legal documents at their meeting on 30 May:

- the Articles of Association;
- the Shareholders' Agreement;
- the Services Agreement; and
- the terms of reference of the Company Board, the Oversight Board and other committees.

3.3 A summary of the content of these documents and related corporate governance issues, prepared by legal advisors Osborne Clarke, is attached at Appendix 1 to this report.

3.4 The Oversight Board is to include two representatives of scheme members in a non-voting capacity. They will be chosen and nominated for this role by the local pension boards for the ten funds, and will be drawn from the current member representatives appointed to either pension committees or local pension boards.

3.5 These documents will need to be agreed by each of the ten administering authorities and they 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 [and Council] in January.

### **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 Financial Conduct Authority (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 An Invitation to Tender (ITT) was published at the end of April and six submissions have been received in response. The responses are currently being evaluated by representatives of BBP Ltd and officers of each of the ten client funds and it is anticipated that an appointment should be made by the end of July.

### **5. Business Plan 2017/18**

5.1 An updated business plan for the Brunel Pension Partnership for 2017/18 is attached at Appendix 2. This sets out the key activities required during the year in order to

meet the target dates for the company to commence operation. It also sets out the key risks to the project.

**6. Conclusion**

- 6.1 The Brunel project continues to make good progress, and is currently on track to meet the target date of April 2018 for the company to begin transitioning assets from the participating funds.

**Richard Bates**  
**Pension Fund Administrator**  
June 2017

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## **Brunel Pension Partnership Corporate Structure and Governance Summary**

### **1. Introduction**

This note has been prepared to summarise the structure and constitution of Brunel Pension Partnership Limited ("**BPP Ltd**" or the "**Company**"), which is the company which is to be set up to manage the pooling of the assets in the pension funds of the 10 BPP Administering Authorities (being nine local authorities and the Environment Agency) (the "**Funds**").

### **2. Review process**

As would be expected given the complexity of the project and the involvement of the 10 Funds the documents have been subject to a considerable level of review and comment. This includes review by the s151 officers / chief finance officers, monitoring officers / legal directors, as well as the pension committee representatives of each of the Funds, as well as BPP Ltd and its chair and interim managing director.

The legal documents have mostly been prepared by Osborne Clarke ("**OC**"), with input from PricewaterhouseCoopers ("**PwC**") and Alpha Financial Markets Consulting ("**Alpha**").

### **3. Constitution and documentation**

#### **3.1 Corporate structure**

BPP Ltd will be a private company limited by shares, registered in England and Wales and with its registered office in Bristol.

The Company will be one tenth owned by each of the 10 Funds and each of the Funds will be responsible for providing one tenth of the capital required by the Company to be set up. Once operational, each Fund will be charged a service fee depending on the services taken up and assets under management.

#### **3.2 The key legal documents**

The key documents required for the creation of BPP Ltd are as follows:

- Articles of Association
- Shareholders' Agreement
- Services Agreement
- Business plan
- Terms of reference of the Oversight Board
- Terms of reference of the Client Group
- Terms of reference of the Audit, Risk and Compliance Committee
- Terms of reference of the Remuneration Committee
- Remuneration Policy

Further detail of each of these is given below.

### **4. Summary of documents**

#### **4.1 Articles of Association**

This document is required by company law, and will set out the Company's constitution and regulate the relationship between the Administering Authorities and BPP Ltd. It sets out the Company's powers and procedures and will be filed at Companies House. It is mostly procedural and mechanical, with the vast majority of the substance in the Shareholders' Agreement.

#### **4.2 Shareholders' Agreement**

This regulates key aspects of the relationship between the Administering Authorities as shareholders of the Company as well as with the Company itself. BPP Ltd will be a party to this agreement and it will define contractually the manner in which the shareholders will control BPP Ltd, and include contractual restrictions on what the company can do rather than limiting the power of the Company itself. Key provisions are:

- **Reserved matters and special reserved matters:** The Shareholders' Agreement sets out certain matters which cannot be undertaken by the Company without first obtaining the approval of shareholders. There are two lists – "special reserved matters" which cannot be undertaken without the approval of all shareholders (including approval of the business plan/budget and other matters considered fundamental to the structure and rationale of the project) and other matters which require the approval of 80% of the shareholders (i.e. eight out of the ten) (matters which are considered less significant but over which some measure of control is considered desirable without the ability for any one (or two) Funds to veto). It is worth noting that if any action is included in the business plan (which must be unanimously approved) then it is considered approved for the purposes of the reserved/special reserved matters.
- **Initial funding:** The Shareholders' Agreement sets out the requirement for each Administering Authority to provide the capital required for the Company to be set up and become operational, which is to be provided one tenth each by each Administering Authority. This may be payable in tranches rather than all up front.
- **Exit charge:** One of the matters subject to the most debate has been the proposal for there to be an exit charge. This would be a charge payable by an Administering Authority which exits from the pool operated by BPP Ltd. A proposal has been put forward by PwC which is intended to model an estimate of the loss incurred by the Company in the event that an Administering Authority were to exit. This covers both direct costs of disinvestment together with a formula for calculating the anticipated loss resulting from loss of scale and the operating costs / overheads of the Company (which will then fall to be borne by the remaining authorities). This would be expressed as a maximum or default amount, which would be subject to a duty to mitigate by BPP Ltd and would be reduced to reflect any such mitigation and to the extent otherwise agreed by the remaining Administering Authorities. This approach should provide certainty of a maximum outcome upon exit for any exiting authority together with a reasonable degree of protection for the remaining pool members that the economics of the model should not be disadvantaged too significantly by any exit.
- **Directors:** The Shareholders' Agreement sets out the agreed structure of the board of the Company, being four executive directors, one non-executive chair, two non-executive directors and a shareholder representative non-executive director. Directors must be approved by shareholders by 80% majority.

#### 4.3 **Services Agreement**

The Services Agreement will be entered into between the 10 Funds and BPP Ltd when the pool becomes operational in April 2018 (or shortly before).

This is a comprehensive document which sets out in detail the key operational and technical aspects. It covers such matters as the following: definition of services to be provided, duty of care obligations, the portfolio construction terms, FCA authorisation obligations, pricing terms, managing conflicts of interest, reporting and valuation provisions. Key provisions are:

- **Investment Objectives and Portfolios:** The Services Agreement sets out the portfolios into which the Administering Authorities' assets will be invested and the procedure whereby new portfolios can be created (at the request of Administering Authorities) and portfolios can be deleted if no longer required. There has been a level of debate around whether Administering Authorities will be able to continue holding segregated mandates – i.e. investments which cannot themselves be pooled (for example closed-ended private equity funds). The agreed position is that the Services Agreement will not prohibit such holdings, and the Client Group will have the ability to approve these on a case-by-case basis, after undertaking appropriate cost/benefit analysis.
- **Services:** Schedules to the Services Agreement set out the Core Services and the Elective Services to be provided by BPP Ltd. The Core Services will be provided to all Administering Authorities and these cover the design of portfolios, transitioning of assets, asset management and reporting. Administering Authorities may separately agree with BPP Ltd. to be provided with Elective Services for an additional fee. Elective Services include reviewing an Administering Authority's investment strategy statement, project support, specific levels of reporting, attending meetings and training sessions, and assisting with Freedom of Information Requests.

- **Reporting:** BPP Ltd. will provide each Administering Authority with quarterly and annual reports containing financial information, investment performance analysis and written commentary. An example form of report will be attached to the Services Agreement.
- **Liability:** There has been debate around whether Administering Authorities should be able to bring a claim against BPP Ltd. should it be in breach of its obligations under the Services Agreement (in the same way that would be seen in a usual investment management agreement). The position has been agreed where a claim can be brought, but subject to the terms of the Shareholders' Agreement (under which there is a duty to keep all other Administering Authorities informed of any such claim).

#### 4.4 **Business Plan**

The Business Plan is not a legal document but is important in that it defines the purpose and freedom of the Company to operate. As noted above, to the extent that an action is included within the Business Plan, the Company need not come back to the Administering Authorities to request permission to undertake the relevant action.

#### 4.5 **Terms of reference for Oversight Board**

These set out the procedures and responsibilities of the Oversight Board, which is intended to have a supervisory function. It will include representatives of each of the Funds, together with two representatives of fund members. It will not be a joint committee and does not have formal decision making powers.

#### 4.6 **Terms of reference for Client Group**

These set out the procedures and responsibilities for the Client Group, which will provide practical and technical support, guidance and assistance to the Oversight Board. It will comprise one representative of each of the 10 Funds. As with the Oversight Board, the Client Group has no formal decision-making powers.

#### 4.7 **Terms of reference for the Audit, Risk and Compliance Committee**

These set out the procedures and responsibilities of the Audit, Risk and Compliance Committee, which is a committee of the board of directors of the Company. This committee will be comprised of at least three members all of whom must be non-executive directors of the Company (including the Shareholder non-executive director).

#### 4.8 **Terms of reference of the Remuneration Committee**

These set out the procedures and responsibilities of the Remuneration Committee, which is a committee of the board of directors of the Company. This committee will be comprised of at least three members all of whom must be non-executive directors of the Company (including the Shareholder non-executive director) and shall be chaired by the chair of the Company.

#### 4.9 **Remuneration policy**

The remuneration policy defines the key elements of remuneration, particularly for senior executives. Changes to that policy (or remuneration which is inconsistent with that policy) will be a special reserved matter, and hence will require unanimous express shareholder approval. Key provisions are:

- **Remuneration caps:** Remuneration caps will be included for different levels of employees, reflecting a consistency with the approach for the public sector.
- **Performance related pay:** There will be no performance related pay (though with the ability to give recognition awards).
- **LGPS membership:** Membership of the LGPS will be offered as part of the remuneration package for new employees. The LGPS is to be open for the first three years, and revisited thereafter.

#### 5. **Decision required**

It is anticipated that the above documents will be finalised and signed in mid July and therefore appropriate approvals/delegations for finalising documents and executing them on behalf of the administering authority need to be given.

**Osborne Clarke LLP**  
2 June 2017

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# Brunel Pension Partnership

## Business Plan 2017 - 18

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# Chair's Forward

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The Local Government Pension Scheme (LGPS) provides for the pensions of people who are or have worked for local authorities and associated public services and, in the case of Brunel Pension Partnership's shareholder funds, the Environment Agency. The LGPS is a funded defined benefit scheme and it is very important for both members and employers to invest well and responsibly.

The formation of Brunel Pension Partnership Limited is the start of an exciting new era of investment opportunity, bringing together the assets of our 10 founding funds, in order to save on investment fees, provide opportunities to access wider asset classes collectively, create enhanced asset performance and to leverage the power that being responsible asset owners can bring in managing long term financial risks.



**Denise Le Gal**




## Our Objectives

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The 10 funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset, Wiltshire and the Environment Agency came together as Brunel Pension Partnership following the directive from government for LGPS pension funds in England and Wales to create assets pools of £25 billion. The work started on developing the pool in September 2015 and by February 2017 the business case was approved on the basis of the following benefits and objectives:

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- Establish an investment management company and gain FCA authorisation in order to be able to start servicing its clients by April 2018
- Develop investment portfolios\* that will meet the needs of all its clients' investment strategies
- Make fee savings, whilst maintaining investment performance, of £27.8 million (8.9 basis points) by 2025
- Manage transition and operational costs to achieve break even by 2023, and cumulative net savings of £550 million to 2036

\* In the region of 22 portfolios, with initial limit of no more than 30

# Business Plan 2017 - 2019





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The business case provided the financial case through to 31 March 2036 and the management case to establish BPP Ltd. The operating model provides how BPP Ltd will operate.

This business plan provides for what BPP Ltd needs to do to:

- 2017 – 2018** Establish itself, working within the operating model, as an FCA regulated company by April 2018, and
- 2018 – 2019** Start transitioning assets into the investment portfolios and complete first service year.

The business plan includes:

-  Finance plan
-  Resource plan
-  Action plan
-  Risks and opportunities
-  Key performance indicators
-  Supporting information



## Finance Plan - introduction

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The business case provided for a budget for each financial year through to 2036 both in terms of the clients financial year (ending 31 March) and BPP Ltd's financial year (ending 30 September).

The costs are split between:

**September 2015 – March 2018:** Development costs, funded by equity share (stage 1 – 3c)

**April 2018 onwards:** Operational budget, paid for by service charge or portfolio fee as per the pricing policy (stage 4).

The 5 development stages are:

Stage 1 – Pooling options and 1<sup>st</sup> submission to DCLG

Stage 2 – Specification development and 2<sup>nd</sup> submission to DCLG

Stage 3a – Operating model and business case

Stage 3b – Legal formation of BPP Ltd and initial resourcing

Stage 3c – FCA authorisation and preparing for first service year

## Finance Plan - comparison

Shareholders require a comparison to previous business plans. In this, the first business plan, we compare the finance plan to the financial model that supported the business case. Development costs have risen by £187k (within the tolerance of £200k agreed in December 2016).

Operational budget is as per business case.

Business Case £'000					Business Case £'000					Variance to Business Case
Client's FY	2015 - 16	2016 - 17	2017 - 18	2018 - 19	Client's FY	2015 - 16	2016 - 17	2017 - 18	2018 - 19	
Stage 1	164				Stage 1	128				36
Stage 2	280				Stage 2	41	279			(40)
Stage 3a		725			Stage 3a		679			46
Stage 3b		1500			Stage 3b		606	1004		(110)
Stage 3c			2681		Stage 3c			2800		(119)
Dev. Costs	5350				Dev. Costs	5523				(187)
Stage 4				6095	Stage 4				6091	4

# Finance Plan – revenue expenditure

Expenditure on stages 1 to 3a is complete. This business plan will focus on the expenditure for BPP Ltd as per the client’s financial years 2017–18 and 2018–19.

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	£'000 <u>2017-18</u>	£'000 <u>2018-19</u>
<b>Stage 3b</b>	1004	-
	<b>Stage 3c</b>	<b>Stage 4</b>
Non-executives	132	138
Staff	1202	2502
Administrator	734	1800
Investment costs	108	833
Operational costs	624	818
<b>Total</b>	<u>3804</u>	<u>6091</u>

These are the figures that require shareholder sign off as a special reserve matter (SRM) or reserve matter (RM). The tolerance being set at 10% on any line or 5% in totality for each stage before returning as an SRM or RM.

# Finance Plan – capital expenditure

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BBP Ltd will have limited fixed assets (and therefore limited capital expenditure). The expense for this business plan is included in development costs for:






-  Furniture
-  IT hardware - bought

Any further capital expenditure in excess of £100k would be a RM.

# Resource Plan – introduction

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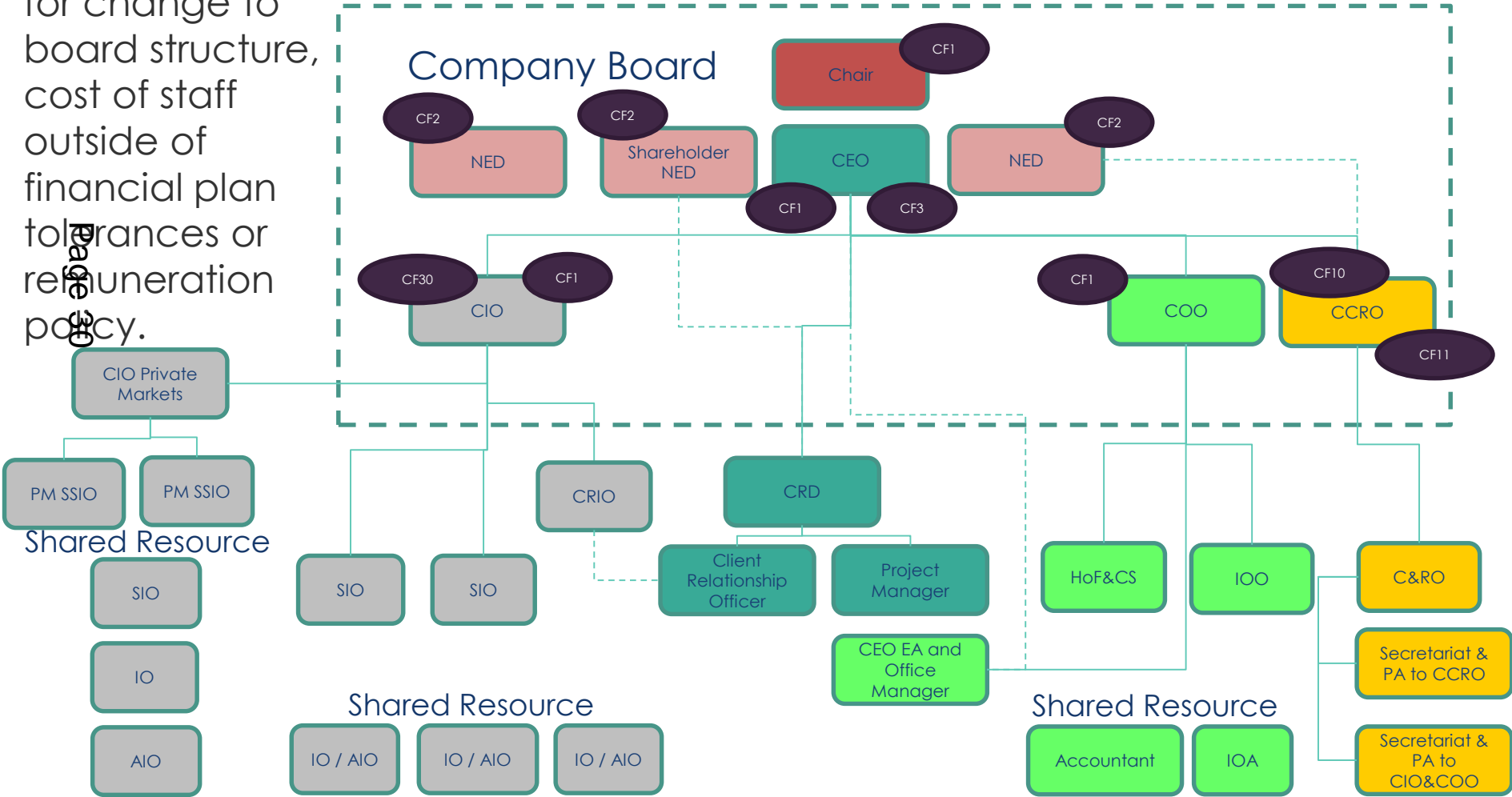
The operating model highlights that in order to deliver the services to the clients, as per the service agreement, BPP Ltd will have both internal and external resource. The following are provided for in the financial plan:

-  Non-executives
-  Staff
-  Administrator and custodian
-  IT service provider
-  HR payroll and service provider
-  External Auditor
-  Internal Auditor
-  Banking and procurement card services
-  Office facilities
-  Website provider
-  Software support provider
-  Legal service provider
-  Investment consultants, tools and benchmarking services
-  Insurers

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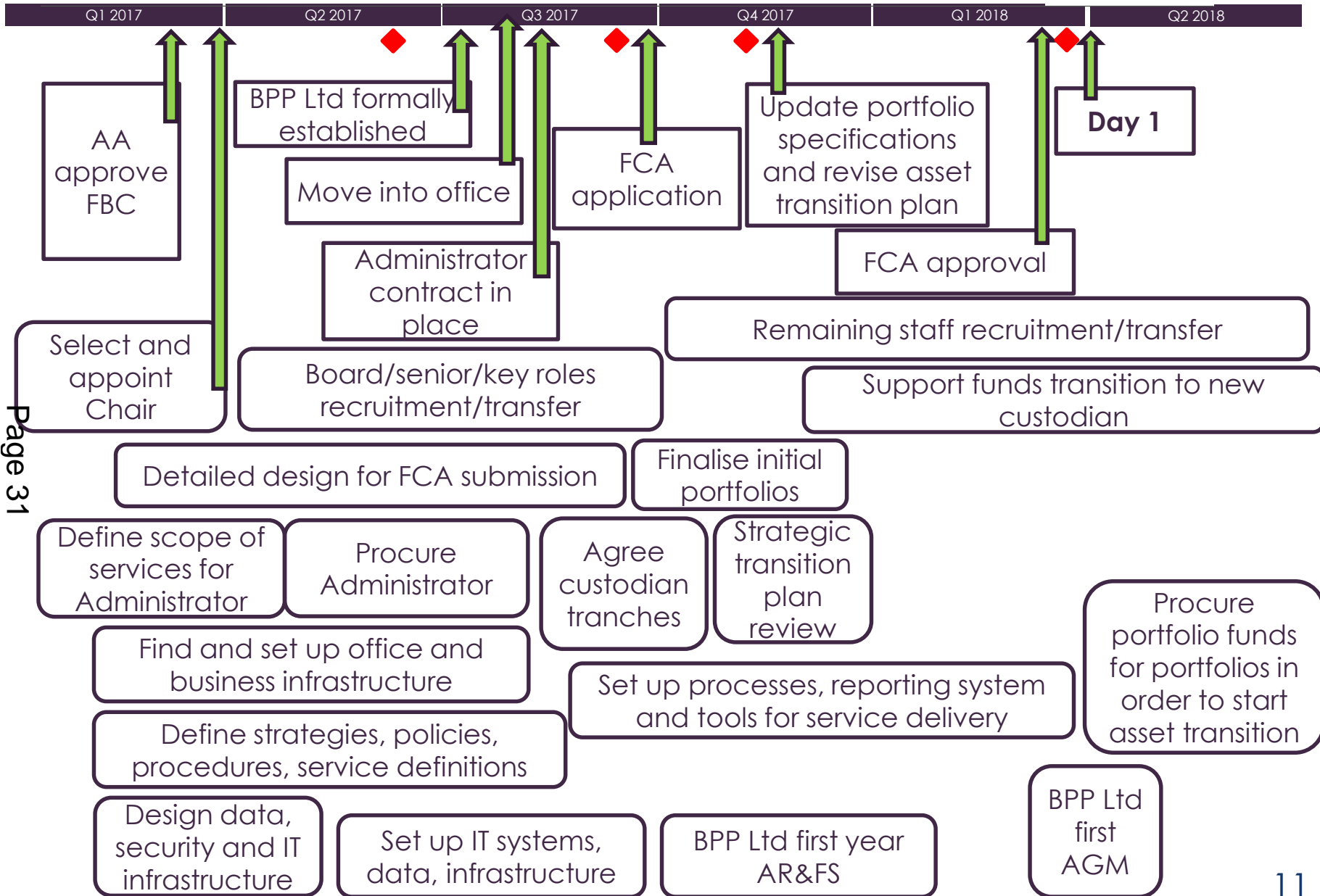
# Resource Plan – staff structure

SRM or RM apply for change to board structure, cost of staff outside of financial plan tolerances or remuneration policy.



# Action Plan – BPP Ltd implementation

◆ = key review points



Key milestones

BPP Ltd

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# Action Plan – shareholder and client dependency

Q1 2017

Q2 2017

Q3 2017

Q4 2017

Q1 2018

Q2 2018

Governance

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Draw up governance and contractual documents

Formalise initial BPP Oversight Board / Client Group arrangements

New shadow arrangements in place under revised MOU

Inaugural OB and CG meeting

Preparations for Fund changes

Implement governance and organisational changes, update processes

Agree custodian tranches

On board to new custodian

Funds



The key high risks are mainly financial in nature that significantly deviate from the business case.

**Transition costs**, there is a risk that the transition costs are significantly higher than the level assumed within the business case. **Mitigation**, implement robust strategic transition management, controls and practical flexibility.

**Investment cost and fee savings**, there is a risk that the fee savings, whilst maintaining performance, are not achieved. **Mitigation**, wide research and stimulation of the market, investment team have strong negotiation skills and intelligent consideration of balance between performance and fees.

**Assets under management**, there is a risk that clients delay the transition of assets into the pool limiting economies of scales and diminishing the value of the pool structure. **Mitigation**, clear pooling and investment principles within shareholders and service agreements. Excellent communications from BPP Ltd to clients.

**FCA application**, there is a risk that BPP Ltd application is rejected or is delayed significantly. **Mitigation**, use of expert advisers to support the application both in terms of detailing operations and ensuring that BPP Ltd resources can carry out functions and controls.

**Operational costs**, there is a risk that the required on-going operational costs are significantly higher than the business case. **Mitigation**, robust remuneration policy and clear communication of the benefits of working for BPP Ltd, quality procurement procedures and experienced financial management resource within BPP Ltd.

**Operational delivery**, there is a risk that the development of BPP Ltd is delayed and service cannot start 1 April 2018. **Mitigation**, approving legal documentation, employ excellent project management processes, resource BPP Ltd in line with recruitment plan and leverage appropriate external resources to fill gaps.

**FCA application**, there is an opportunity that BPP Ltd application is approved earlier than March 2018. **Enabling**, use of expert advisers to support the application to minimise the questions that FCA have to raise. Prepare strategic transition plan and research market such that development of portfolios can start as soon as authorisation is obtained. Early focus on detailed processes, procedures and delivery tools.

**Reduced costs**, there is an opportunity that any of the costs are less than the business case. **Enabling**, engagement with and stimulation of the market, strong negotiation skills within the internal team and strong financial management and controls.

**Resources**, there is an opportunity that BPP Ltd recruit quality staff that enable improved delivery in terms of speed, cost and performance. **Enabling**, strategic use of quality recruitment agencies, good office location and clear vision and communications on BPP Ltd to attract diverse and value add staff.

**Collaboration**, there is an opportunity to collaborate with other pools and wider pension funds to gain wider access to investments, reduced costs through use of same service providers and finding solutions to cross pool risks, issues and opportunities e.g. tax costs and stewardship. **Enabling**, participation and take lead roles in cross pool collaboration groups and other associated committees and groups e.g. Chair is Deputy Chair of LAPFF.

**Enhanced performance**, there is an opportunity that investment performance is significantly improved. **Enabling**, outcome focused specifications for a fit for purpose number of portfolios that will maximise the advantages of diversification both reducing risk and increasing the chances of alpha performance.









**Reputation**, there is an opportunity that BPP Ltd gains a strong reputation and thus gaining benefit through the market wanting to be associated with BPP Ltd. **Enabling**, open and transparent communication, focused engagement plan for stakeholders and participation in thought leadership events.

# Key Performance Indicators

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The development of the BPP pool has been successful through good governance, clear communications, quality and diverse resource, collaboration, leverage of experience, focus on value for money, excellent project management and sheer determination. These attitudes and behaviours provide the cultural foundation to BPP Ltd and alongside the detailed financial and management plans, summarised in this business plan, provide BPP Ltd with confidence that it will deliver well for its clients.

The key performance indicators by which to measure successful delivery of this business plan are:

-  Delivering within budget
-  Obtaining FCA approval
-  Establishment of first portfolios in 2018
-  Application of the investment principles
-  Control of transition costs
-  Selection of fund managers that indicate investment cost and fee savings with maintained or enhanced performance
-  Compliance and risk management
-  Feedback from clients and reputation



# BRUNEL

Pension Partnership

## Supporting information

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The business case provided significant details of the options for development and the recommended approach and the consequential financial and business management requirements.

BPP Ltd will continue to use the business case as a foundation for its development and implementation whilst further developing the necessary processes and procedures needed for an FCA regulated company to function.

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The business plan is a summary of detailed financial and management plans within BPP Ltd. The detailed plans are operational drivers and controls for BPP Ltd. The supporting information of recruitment plan and expenditure plan are provided to enable the shareholder to further understand components that feed into the summarised financial plan, but are not in themselves subject to approval as part of the business plan.

# Recruitment plan

The recruitment plan has been developed to reflect the resource requirements of the action plan. Changes that increase the people cost by more than 10% in a FY would be a SRM or RM.

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<b>BPP Ltd Recruitment Plan</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Total</b>
<b>NEDs</b>	1	3	0	0	0	0	0	<b>4</b>
<b>Executive Board</b>	1	4	-1	0	0	0	0	<b>4</b>
<b>Investment Directorate</b>	0	0	2	8	2	0	0	<b>12</b>
<b>Operations Directorate</b>	0	3	1	1	0	0	0	<b>5</b>
<b>Compliance and Risk Directorate</b>	0	1	2	0	0	0	0	<b>3</b>
<b>Client Relations Directorate</b>	4	0	0	-1	0	0	0	<b>3</b>
<b>FTE</b>	6	11	4	8	2	0	0	<b>31</b>
<b>Total FTE</b>	<b>6</b>	<b>17</b>	<b>21</b>	<b>29</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>



# Expenditure plan

The expenditure plan reflects the resource requirements of the action plan and ongoing service delivery. Changes that increase the bolded lines by more than 10% in a FY would be a SRM or RM.

Quarter	1	2	3	4	5	6	7	8	9
Period Start	01/01/2017	01/04/2017	01/07/2017	01/10/2017	01/01/2018	01/04/2018	01/07/2018	01/10/2018	01/01/2019
Period End	31/03/2017	30/06/2017	30/09/2017	31/12/2017	31/03/2018	30/06/2018	30/09/2018	31/12/2018	31/03/2019
<b>1a. People - Staff</b>	-	<b>39.3</b>	<b>246.0</b>	<b>379.2</b>	<b>538.1</b>	<b>612.3</b>	<b>624.6</b>	<b>629.5</b>	<b>635.1</b>
Base salaries	-	28.8	187.4	287.9	397.5	450.0	459.0	462.6	466.7
Other direct employment costs	-	10.6	58.5	91.2	140.6	162.3	165.6	166.9	168.4
<b>1b. People - Board</b>	-	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>	<b>36.8</b>	<b>35.5</b>	<b>33.0</b>	<b>33.0</b>
Base salaries	-	30.0	30.0	30.0	30.0	33.8	32.5	30.0	30.0
Other direct employment costs	-	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>2. Administrator</b>	-	-	<b>66.7</b>	<b>316.7</b>	<b>350.0</b>	<b>450.0</b>	<b>450.0</b>	<b>450.0</b>	<b>450.0</b>
<b>3. Investment costs</b>	-	-	-	<b>10.0</b>	<b>98.3</b>	<b>207.5</b>	<b>207.5</b>	<b>207.8</b>	<b>210.5</b>
External advisers	-	-	-	-	8.3	117.5	117.5	117.5	117.8
External services	-	-	-	10.0	90.0	90.0	90.0	90.3	92.7
<b>4. Operational costs</b>	-	-	<b>224.0</b>	<b>224.9</b>	<b>174.9</b>	<b>195.0</b>	<b>204.9</b>	<b>209.1</b>	<b>209.1</b>
Professional services	-	-	134.3	129.4	79.4	62.0	68.8	72.0	72.0
Facilities and equipment	-	-	26.5	26.5	26.5	30.3	31.0	31.0	31.0
Finance costs	-	-	15.7	21.5	21.5	34.0	34.5	34.6	34.6
Other costs	-	-	47.5	47.5	47.5	68.8	70.6	71.4	71.4
<b>Total</b>	-	<b>72.3</b>	<b>569.7</b>	<b>963.7</b>	<b>1,194.3</b>	<b>1,501.6</b>	<b>1,522.5</b>	<b>1,529.4</b>	<b>1,537.7</b>
					<b>2017/18 = 2,800.0</b>			<b>2018/19 = 6,091.2</b>	

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# Pension Fund Committee

**Dorset County Council**



Date of Meeting	21 June 2017
Officer	Fund Administrator
Subject of Report	<b>Application for admission body status in the Local Government Pension Scheme (LGPS) from the Jurassic Coast Trust (JCT)</b>
Executive Summary	<ul style="list-style-type: none"> <li>• Dorset County Council is transferring a small number of employees to the Jurassic Coast Trust (JCT)</li> <li>• In order to protect those staff transferring, a community admission agreement is sought between Dorset County Council and the Jurassic Coast Trust.</li> <li>• JCT is a charitable company limited by guarantee.</li> <li>• The date of transfer, and effective date of commencement of the admission agreement will be 1 July 2017</li> <li>• Dorset County Council undertakes to meet any unmet future pension liabilities.</li> </ul>
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as:                  Current Risk: LOW                  Residual Risk LOW</p>
	<p>Other Implications:</p> <p>None</p>
Recommendation	That Dorset County Council enters into an admission agreement with the Jurassic Coast Trust who will become an Admitted Body employer within the Dorset Pension Fund.
Reason for Recommendation	To enable four members of staff who will be transferring from the employment of Dorset County Council to continued access to the Local Government Pension Scheme (LGPS).
Appendices	None
Background Papers	<ul style="list-style-type: none"> <li>Local Government Pension Scheme Regulations 2013, Schedule 2, Part 3 Reg. 1(a)</li> </ul>
Report Originator and Contact	Name: Richard Bates Tel: 01305 224303 Email: r.m.bates@dorsetcc.gov.uk

## **1. Background**

- 1.1 Schedule 2 Part 3 Regulation 1(a) of the Local Government Pension Scheme 2013 Regulations allows the Dorset County Pension Fund to enter into an admission agreement with certain employing bodies to allow employees transferred to the new employer to join, or continue as, members of the LGPS.
- 1.2 Whilst those members of staff transferred retain the right to be members of the LGPS, the admission agreement in place will be a closed agreement, meaning that no future new employees can be admitted to the LGPS.
- 1.3 Setting up of Jurassic Coastal Trust was agreed by the County Council Cabinet in June 2017 with the aim of both revenue savings to the County Council and additionally creating better access to external funding for JCT.
- 1.4 In particular, the County Council wishes to ensure that the Trust is able to effectively co-ordinate the delivery of the aims and actions set out in the World Heritage Site (WHS) Management Plan, enabling the social, economic and environmental opportunities which WHS status represents to be harnessed. Details are set out in the Grant Agreement to the Admission Body. A total of four employees who are currently in the Dorset LGPS will TUPE transfer to JCT as part of this proposal.

## **2. Funding arrangements and Financial Information**

- 2.1 The County Council is providing strategic grant funding to the Admission Body to help ensure the good management of the Jurassic Coast World Heritage Site. The Grant Agreement covers County Council financial support for the next three years.
- 2.2 JCT has agreed to a pooled approach to future funding under the LGPS and will not bear the liability for historic funding deficits, these will remain with the County Council and the contribution rate applicable to JCT is adjusted accordingly.
- 2.3 The Dorset County Pension Fund requires an undertaking from the transferor body, Dorset County Council, that they will meet any unmet pension liabilities if the community admission body is wound up. This is to prevent any such liabilities having to be spread across all employers in the Fund. Dorset County Council as the transferor body will need to agree to accept this liability. Agreement to this was received from the County Council's Cabinet on 7 June 2017. It is therefore recommended that the Fund enters into a Community Admission Agreement with the Jurassic Coast Trust, as there is no financial risk to the Dorset County Pension Fund itself as the County Council act as guarantor.

Richard Bates  
Fund Administrator  
June 2017

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Agenda Item:

10

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	21 June 2017
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Fund Administrator’s Report</b>
Executive Summary	<p>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 financial year 2016/17 Financial Year to 31 March 2017. 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.</p> <p>The Independent Adviser’s report is contained at Appendix 1, and will be presented separately at the meeting.</p> <p>The report shows that overall the Fund returned 23.6% over the twelve months to 31 March 2017, outperforming its benchmark which returned 23.3%. Return seeking assets returned 20.9%, whilst the liability matching assets returned 43.6%.</p>
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	<p><b>Risk Assessment:</b> 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.</p>
	<p><b>Other Implications:</b> None</p>
<p><b>Recommendation</b></p>	<p>That the Committee :</p> <ul style="list-style-type: none"> <li>i) Review and comment upon the activity and overall performance of the Fund.</li> <li>ii) Make no additional changes to asset allocation at this time.</li> <li>iii) Note the publication of the draft Pension Fund accounts for 2016/17.</li> <li>iv) Consider and approve the Funding Strategy Statement (FSS) as a basis for consultation with the Fund’s employers.</li> </ul>
<p><b>Reason for Recommendation</b></p>	<p>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.</p>
<p><b>Appendices</b></p>	<p>Appendix 1: Report of the Independent Adviser Appendix 2: New Money Forecast Appendix 3: HSBC Manager Performance to 31 March 2017 Appendix 4: Draft Pension Fund Accounts 2016/17 Appendix 5: Funding Strategy Statement June 2017 Appendix 6: Actuarial Valuation 2016</p>
<p><b>Background Papers</b></p>	<p>HSBC Performance Statistics</p>
<p><b>Report Originator and Contact</b></p>	<p>Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk</p>



## 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, compared to the forecast of approximately £20M for the full year. The outturn cash-flows for 2016/17 and the anticipated cash flows for 2017/18 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 twelve months under review.

### Statement of cash-flow for the twelve months ended 31 March 2017

	<u>£M</u>	<u>£M</u>
<b>Cash at 1 April 2016</b>		<b>91.8</b>
<b>Less:</b>		
Infrastructure Drawdowns (net)	57.6	
UK Equity transactions (net)	15.7	
Liability Matching Bond (net)	45.0	
Currency Hedge (net loss)	32.2	
		<u>150.5</u>
<b>Plus:</b>		
Property Transactions (net)	4.8	
Hedge Fund redemptions (net)	1.4	
Private Equity (net)	2.2	
Fixed Interest (net)	10.0	
Overseas Equities (net)	55.0	
Increase in Cash	15.6	
		<u>89.0</u>
<b>Cash at 31 March 2017</b>		<u><b>30.3</b></u>

- 2.2 The cash flow above summarises the most significant transactions that have taken place for the twelve months to the end of March 2017. Since the end of March, the most significant transactions have been the third drawdown by IFM (£6M outflow) and the Hermes Infrastructure Distribution No.13 (£2M inflow), Insight redemption (£20M inflow) leaving cash balances of approximately £44M at the 31 May 2017.

## 3. Fund Portfolio Distribution

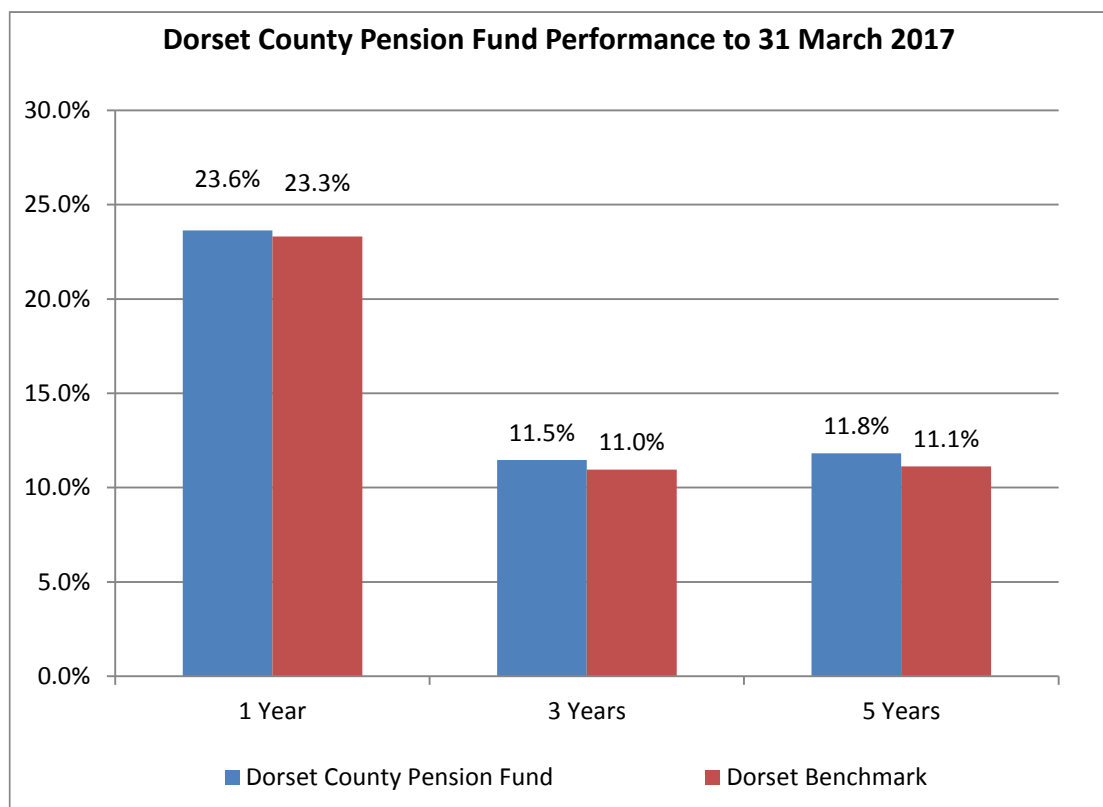
- 3.1 The table below shows the position as at 31 March 2017. The target allocation shown is the strategy as agreed at the September 2014 meeting of the Committee, due to the then concerns over the Barings mandate, and subsequent postponement of the search for an additional Diversified Growth Fund manager, 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.

<u>Asset Class</u>	<u>Manager</u>	<u>31-Mar-16</u>		<u>31-Mar-17</u>		<u>Target Allocation</u>	
		<u>£M</u>	<u>%</u>	<u>£M</u>	<u>%</u>	<u>£M</u>	<u>%</u>
Bonds	RLAM	286.1	12.6%	313.5	11.5%	342.1	12.50%
UK Equities	Several	584.2	25.7%	694.7	25.4%	718.4	26.25%
Overseas Equities	Several	625.6	27.5%	763.0	27.9%	718.4	26.25%
Property	CBRE	246.3	10.8%	241.1	8.8%	273.7	10.00%
Absolute Return Funds	Several	1.8	0.1%	0.4	0.0%	-	0.00%
Infrastructure	Several	29.0	1.3%	98.0	3.6%	109.5	4.00%
Private Equity	Several	65.4	2.9%	77.0	2.8%	109.5	4.00%
Diversified Growth	Barings	107.6	4.7%	119.1	4.4%	136.8	5.00%
Cash	Internal	91.8	4.0%	30.3	1.1%	-	0.00%
<b>Total Return Seeking Assets</b>		<b>2,037.8</b>	<b>89.5%</b>	<b>2,337.1</b>	<b>85.4%</b>	<b>2,408.5</b>	<b>88.0%</b>
Liability Matching Assets	Insight	238.0	10.5%	399.8	14.6%	328.4	12.00%
<b>Total Asset Valuation</b>		<b>2,275.8</b>	<b>100.0%</b>	<b>2,736.9</b>	<b>100.0%</b>	<b>2,736.9</b>	<b>100.0%</b>

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 which will take a number of years to fully drawdown. Since December 2016, there has been two drawdowns of approximately £30.1M (£23.9M on 3 February 2017 and £6.2M on 19 April 2017) against the commitment with IFM, one of the Fund’s two Infrastructure managers, to 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 twelve months to 31 March 2017 shows an overall return of 23.64%, a marginal over-performance of the benchmark of 23.32% by 0.32%. 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 11.47% against the benchmark of 10.96%, and over 5 years, returning an annualised 11.82% against the benchmark of 11.13%. The chart below shows the overall performance for 1, 3 and 5 years against the Fund’s bespoke benchmark.



- 4.3 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.
- 4.4 For the twelve months to 31 March 2017, Return Seeking assets have returned 20.86% against the benchmark of 19.99%, and the Liability Matching assets have returned 43.58% against the benchmark of 44.23%. 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.

Asset Category	Manager	12 Months to 31 March 2017		
		Dorset %	Benchmark %	Over/(Under) %
<b>Overall Fund Performance</b>	<b>All</b>	<b>23.64</b>	<b>23.32</b>	<b>0.32</b>
<b>Total Return Seeking Assets</b>	<b>Various</b>	<b>20.86</b>	<b>19.99</b>	<b>0.87</b>
UK Equities	(Various)	18.08	21.84	-3.76
Overseas Equities	(Various)	44.24	33.62	10.62
Bonds	(RLAM)	12.79	11.71	1.08
Property	(CBRE)	4.56	4.61	-0.05
Private Equity	(Various)	17.81	21.95	-4.14
Diversified Growth	(Barings)	10.67	4.46	6.21
Infrastructure	(Various)	16.71	10.00	6.71
<b>Total Liability Matching Assets</b>		<b>43.58</b>	<b>44.23</b>	<b>-0.65</b>
Liability Driven Investment	(Insight)	43.58	44.23	-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 - 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 7 to 8. This analysis shows that the market contribution had a positive effect of 142bps against the benchmark and stock selection was positive by 5 bps.

## 5. Manager Progress

### Diversified Growth

- 5.1 The Diversified Growth allocation was mandated to Barings on 30 March 2012. Diversified Growth Funds are designed to give fund managers total discretion over how and where they invest which means that the portfolio holds a wide range of investments against a diverse range of asset classes. The Barings fund seeks to achieve out performance against a cash benchmark by focussing on asset allocation decisions. This fund targets equity like returns with about 70% of the equity risk.
- 5.2 The performance for Barings for the twelve months to 31 March 2017 is summarised below.

	Market Value	Market Value	12 months to 31 March 2017	
	01-Apr-16	31-Mar-17	Performance %	Benchmark %
	£000s	£000s		
Barings	107,588	119,069	10.67	4.46

- 5.3 The return of 10.67% for the twelve months to 31 March 2017 was above the benchmark of 4.46% by 6.21%. The fund manager comments that their allocation to the emerging markets and European equities delivered strong gains. The holding in government bonds contributed most to returns in emerging markets whilst both the European small cap holding and allocation to the broader market helped returns in European equities. The fund is ahead of its performance comparator over all periods.

Emerging Market Equity

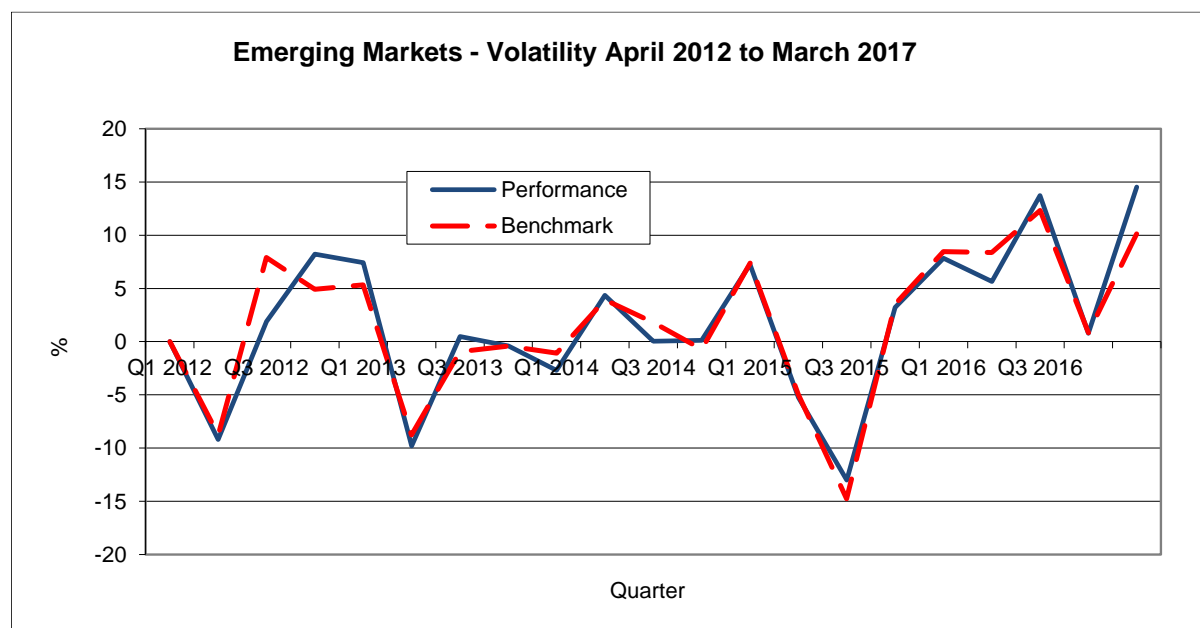
5.4 The performance of JP Morgan is summarised below.

**Emerging Markets Equity**

	Market Value	Market Value	12 months to 31 March 2017	
	01-Apr-16 (£000’s)	31-Mar-17 (£000’s)	Performance %	Benchmark %
JPM	65,186	91,232	39.96	35.23

5.5 The return of 39.96% for the twelve months to 31 March 2017 was above the benchmark of 35.23% by 4.73%. The fund manager comments that the overweight position in North Asia and Eastern Europe shows the best combinations of attractive valuations and positive trends in earnings. Materials have been added to since the start of 2016 and this positioning has contributed. The exposure to Chinese names, particularly banks, which hurt through 2016 has now turned and is contributing, with asset quality expected to improve.

5.6 Emerging market equities are seen as the asset class which is likely to 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 March 2017.

5.8 The table shows the commitment Dorset has made to each fund in Euros and US Dollars, the draw-downs that have taken place to date and the percentage of the total drawdown against Dorset’s commitment. It also shows the funds that have been

returned to the Dorset Fund, the valuation as at 31 March 2017 and the total gains or losses, which includes the distribution plus the latest valuation.

### Private Equity Commitments, Drawdowns and Valuations

<u>Manager / Fund</u>	<u>Commitment</u>	<u>Drawdown</u>	<u>% of</u>	<u>Distribution</u>	<u>Valuation</u>	<u>Gain /</u>
	<u>€m</u>	<u>€m</u>	<u>Commitment</u>	<u>€m</u>	<u>€m</u>	<u>(Loss)</u>
HV Partnership V	12.000	11.400	95%	13.072	4.597	6.269
HV Direct V	3.000	2.880	96%	3.387	0.617	1.124
<b>HarbourVest Total €m</b>	<b>15.000</b>	<b>14.280</b>	<b>95%</b>	<b>16.459</b>	<b>5.214</b>	<b>7.393</b>
SL 2006	22.000	20.018	91%	20.020	7.405	7.408
SL 2008	17.000	15.065	89%	7.483	12.208	4.625
<b>Standard Life Total €m</b>	<b>39.000</b>	<b>35.083</b>	<b>90%</b>	<b>27.503</b>	<b>19.613</b>	<b>12.033</b>
<b>Overall Total €m</b>	<b>54.000</b>	<b>49.363</b>	<b>91%</b>	<b>43.962</b>	<b>24.827</b>	<b>19.426</b>
	<u>\$m</u>	<u>\$m</u>		<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
HV Venture VIII	15.200	14.896	98%	13.539	11.082	9.726
HV Buyout VIII	22.800	21.432	94%	22.390	11.223	12.180
HV Buyout IX	15.000	9.038	60%	3.112	8.525	2.599
HV Partnership VII (AIF)	20.000	7.050	35%	0.431	6.846	0.228
HV Venture IX	10.000	8.250	83%	2.282	9.070	3.103
Harbourvest Partners X AIF	10.000	0.850	9%	0.000	0.865	0.015
Harbourvest Partners X AIF	5.000	0.475	10%	0.000	0.463	-0.012
<b>HarbourVest Total \$m</b>	<b>98.000</b>	<b>61.991</b>	<b>63%</b>	<b>41.755</b>	<b>48.073</b>	<b>27.838</b>
SL SOF I	16.000	11.102	69%	4.504	11.506	4.908
SL SOF II	20.000	8.274	41%	2.643	10.157	4.525
SL SOF III	20.000	0.000	0%	0.000	0.000	0.000
<b>Standard Life Total \$m</b>	<b>56.000</b>	<b>19.376</b>	<b>35%</b>	<b>7.146</b>	<b>21.664</b>	<b>9.434</b>
<b>Overall Total \$m</b>	<b>154.000</b>	<b>81.367</b>	<b>53%</b>	<b>48.901</b>	<b>69.737</b>	<b>37.271</b>

5.9 For the twelve months to 31 March 2017 total drawdowns have been £13.5M and total distributions £15.7M. In order to meet the target allocation, there is a requirement to keep committing to Private Equity funds, and officers are in regular discussions with HarbourVest and SL Capital to identify further opportunities.

5.10 Private Equity is a long term investment and as such the performance should be reviewed over the longer term. The benchmark used for this fund is the FTSE All Share index. The table below shows the performance over 3 and 5 years against the benchmark.

### Private Equity Overall Performance

<u>Manager</u>	<u>3 Years to 31 Mar 2017</u>		<u>5 Years to 31 Mar 2017</u>	
	<u>Dorset</u>	<u>Benchmark</u>	<u>Dorset</u>	<u>Benchmark</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
HarbourVest	22.25	7.68	18.98	9.67
Standard Life	12.02	7.68	13.23	9.67

## **6. Treasury Management**

6.1 The Fund generates cash flows throughout the year which need to be managed. The Fund therefore holds a proportion of cash that is invested in call accounts, money market funds and fixed term deposits. A breakdown of the balances held internally

as at 31 March 2017 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 Internally managed cash returned 0.26% over the twelve months, which is ahead of the benchmark, as measured by the 7 day LIBID, at 0.20% 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.

	<b>Amount</b>	<b>Rate</b>
	<b>£000s</b>	<b>%</b>
<b><u>Fixed Term Deposits</u></b>		
Total Fixed Term Deposits	-	-
<b><u>Call Accounts</u></b>		
National Westminster Bank	788	0.01%
Total Call Accounts	788	0.01%
<b><u>Money Market Funds</u></b>		
Standard Life	7,600	0.28%
BNP Paribas	10,500	0.32%
Federated Prime Rate	7,500	0.26%
Deutsche	1,550	0.26%
Total Money Market Funds	27,150	0.29%
<b><u>Holding Accounts</u></b>		
HSBC Custodian Account	1,797	0.00%
Property Client Account	557	0.00%
Total Holding Accounts	2,354	0.00%
<b>Total Cash / Average Return</b>	<b>30,292</b>	<b>0.26%</b>

## 7. Pension Fund Accounts 2016/17 (Appendix 4)

- 7.1 Dorset County Council draft unaudited accounts for 2016/17, including the Pension Fund accounts, were approved for publication by the Chief Financial Officer 15 May 2017, two weeks earlier than for 2015/16, and six weeks earlier than for 2014/15. The statutory deadline for publication of the draft accounts is currently 30 June each year, but this will become 31 May with effect 2017/18.

## 8. Funding Strategy Statement (Appendix 5)

- 8.1 The Local Government Pension Scheme Regulations 2004 provided the statutory framework within which Local Government Pension Scheme administering authorities were required to produce a Funding Strategy Statement (FSS) by 31 March 2005. The regulations require that the Fund consults with employers and that the Committee formally approve the FSS for consultation.
- 8.2 The attached document is the fourth revision of Dorset’s FSS and has been produced by the Fund’s actuary after discussions with officers. The intention of the document is for the strategy to be cohesive and comprehensive for the Fund as a whole, recognising that these will be individually desirable but conflicting objectives that need to be balanced and reconciled. The statement aims therefore to set out how the administering authority has balanced the conflicting aims of affordability of

contributions, transparency of processes, stability of employer contributions and prudence in the funding basis.

8.3 The FSS forms part of a framework for the governance of the Fund and the key documents include:

- i) the Rates and Adjustments certificate, which can be found appended to the latest actuarial valuation (see Appendix 6)
- ii) the Investment Strategy Statement (ISS), which is reviewed regularly and updated when appropriate..
- iii) the Fund’s governance policy and compliance statement.

**Richard Bates**  
**Pension Fund Administrator**  
June 2017



REPORT PREPARED FOR

**Dorset County Pension Fund**

**Pension Fund Committee**

**June 2017**

**Alan Saunders**

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## INVESTMENT OUTLOOK

Markets continued the positive momentum of last year into 2017, both in Q1 and so far in Q2. While there are now some doubts as to whether President Trump can deliver his pro-growth agenda of deregulation, tax cuts and infrastructure spending, the election of Macron in France and Merkel's better showing in Germany have been well received. In the UK, we are in the middle of an unexpected election which has pushed Brexit off the front pages for a while but markets have taken reassurance from the seeming consensus on the need for a transition arrangement to avert the risk of a cliff edge effect.

There has also been increasing evidence of improvements in the global economy, led by the underperforming Europe and emerging markets which, if US reported profits are any guide, has given some validity to the resilience of equity markets. Global liquidity remains of course the primary driver of the elevated asset prices we see all around us, created in particular by central bank asset purchases, which will begin to tail off at some stage.

What perhaps has been more surprising than the ongoing strength of risk assets like equities has been the lack of volatility in markets. They seem impervious to challenges but this cannot go on for ever. The risk most commentators flag is that of the US Federal Reserve raising rates quicker than the markets have priced in. With the dollar surprisingly losing all its strength gained since the election, markets clearly assume the Fed will go slowly still.

## ECONOMY

With steady economic growth, the US is almost at full employment levels, at which point wages should start to take off causing central bank concern. This has not happened so far so the markets may have read it right in expecting only two more rate hikes this year. Given the president's weakening authority, the fiscal stimulus that we were expecting may not come to pass which would reduce inflationary risk but nor may the protectionist measures he was threatening to pass. Despite all the political excitement, though, markets remain calm.

In the UK, Q1 GNP numbers showed a slowdown to 0.3% from the 0.6% growth of the preceding quarter, suggesting the post – Brexit bounce may have run out of steam. Manufacturing and business investment look good, helped by the pound's depreciation. The problem lies with consumer spending, the main motor to growth, where wages are now beginning to lag retail prices, indicating a squeeze on real disposable income. On the fiscal front, the election campaign has produced more public spending promises from the government and a deferral of the move back to budget surplus. Sterling has moved back to \$1.30, partly reflecting dollar weakness but also a slightly more relaxed view on Brexit as the Prime Minister has spoken of the need for a transition period of at least two years.

The best economic news has come at last from Europe. Germany has been growing in line with the UK in recent years but the rest of the economy has lagged. Now, helped by the ECB's extraordinary bond buying QE programme, we see signs of perhaps sustainable growth in the other major economies. After recovering well from the 2008 crash, the European economies fell again in 2010 at the start of the euro crisis and have only just climbed back to the output levels of those years. Even Greece is close to agreeing a third debt relief package, provided fellow Europeans are prepared to write down debt. President

Macron offers France supply side reform but also a challenge to Germany, namely that Europe moves to budgetary union to ensure the euro survives future challenges. Though economically sensible, politically it is a tall order for countries like Germany to accept as it means pooling of risk. Meanwhile, as the ECB has just warned, the accumulation of government debt leaves countries vulnerable to so-called tapering or slowing of QE support should interest rates spike up as a consequence.

Elsewhere, there are signs of emerging markets picking up, some revival in commodity prices, not least oil which is now over \$50/bbl, and China being reasonably successful in cooling down its economy. It is too soon to talk of synchronised growth but almost ten years on from the market crash, the world economy is looking in better order. Political risks remain high but are seldom factored into market thinking.

## **MARKETS**

Almost all asset classes reported positive returns in Q1 and this has continued into the current quarter. UK equities produced 4%, overseas equities almost 6% in sterling and local currency with emerging markets at 9%. With gilt yields falling back again, bond returns were around 2% and UK commercial property recovered somewhat to record 2.5%. Sell in May and go away is an old stock market axiom so what are the chances of it coming true this year after such a strong run?

Surprisingly, gilt yields have fallen again, with 10 year yields down to 1.15%, having risen from a record 0.8% post Brexit to 1.4%. This is seriously out of line with the US equivalent, standing at 2.4%. The contrast is even more striking with real yields with index linked showing strongly negative yields. With CPI now reported at 2.7%, which suggests RPI at 3.5%, nominal gilt yields should be rising. The recovery in sterling has helped while the BoE's continuing purchase of corporate bonds provides support. Because of the latter, corporate bond spreads have fallen to levels that could be challenged if sentiment on the economy changes though default rates on investment grade bonds are always very low.

The buoyancy of equity markets has been tested once or twice recently, mainly because of politics in the US, suggesting the possibility of a Trump dump after the Trump bump to markets! So far, markets have proved resilient and strong US profits reports have underwritten the rally since November. Valuation, growth and momentum are the main drivers behind markets normally. Valuation provides the least support for the US at least which is why portfolios are switching to Europe, Japan and emerging markets. Growth is picking up and momentum remains good so the omens look quite good for the time being.

What might be the catalysts for a significant market correction? The Fed is likely to raise rates again in June but that is priced in: a faster rate of increase after that would unsettle markets, especially if the economy starts to slow without the Trump fiscal boost. In the UK, the risks of the Brexit negotiations starting badly is a potential concern though not perhaps of a global nature. An implementation of Trump's protectionist rhetoric would go down badly but he seems to be moving away from earlier threats. China is always mentioned but the authorities seem to be alert to the risks, especially the debt overhang. Volatility measures rose briefly before falling back but they are a poor forecasting tool.

In conclusion, markets could remain at these more elevated levels for some time without going anywhere. The economic news flow is positive and gradually catching up with equities. The same is true of the UK commercial property market which has recovered nicely from the sell off around Brexit. Forecasts for this year suggest muted but positive returns with only slight weakness in capital values. In contrast to risk assets like equities, so-called diversifying assets or absolute return funds like DGFs or hedge funds have produced somewhat disappointing returns. Their time will come when markets correct.

## **ASSET ALLOCATION**

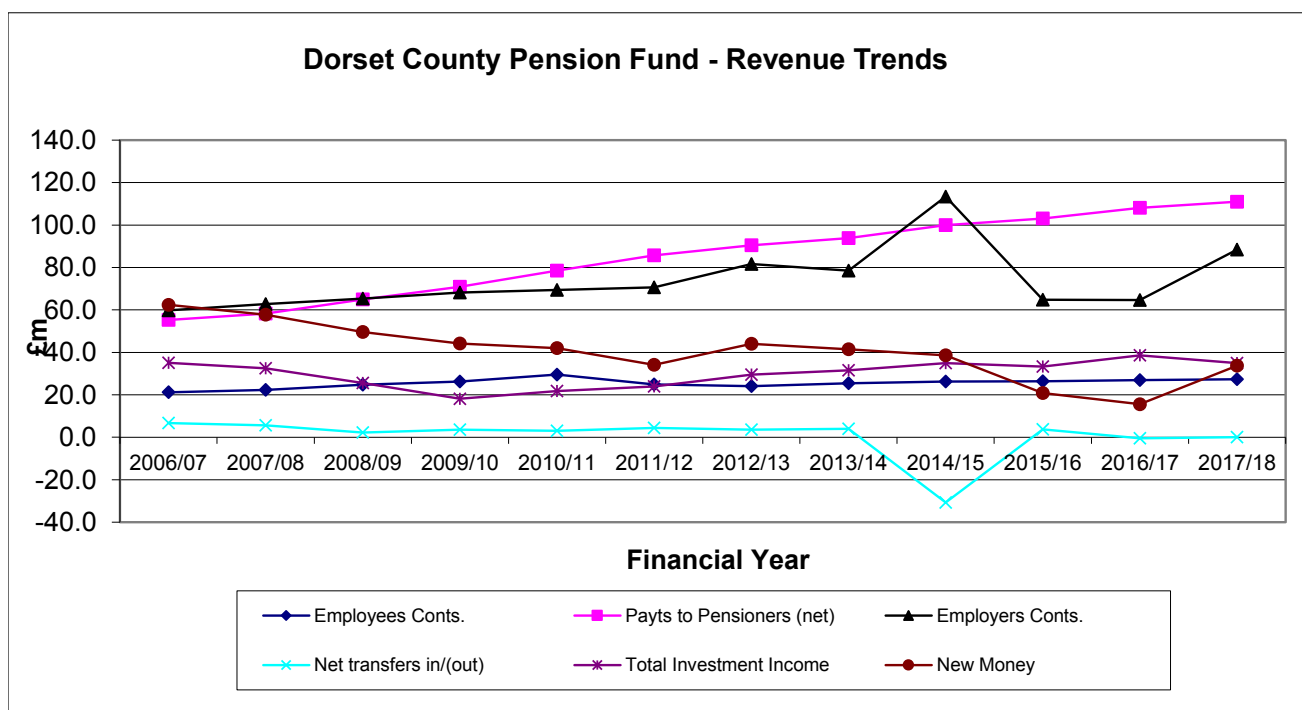
The investment strategy review commissioned after the valuation will be discussed at the meeting. The starting point for any investment strategy discussion is the actuarial discount rate which is set at 5.4% and which scheme assets need to return if the deficit is to be closed over the recovery period, in conjunction with contributions from sponsors. This is a higher hurdle rate compared to that which would be suggested by the two alternative discount rates actuaries use, namely a gilts plus and an inflation plus approach. The consequence is that it requires a high commitment to equities which increase potential volatility. It also makes it more difficult to derisk the scheme as funding improves because that would lower the discount rate and raise liabilities, reducing the gains.

Such an analysis provides a good framework for discussing strategy. Agreement on conclusions regarding appropriate asset classes and asset allocation is the next stage. Working out a time line for implementation of any change will follow accordingly.

For further information, please contact Alan Saunders on 0207 079 1000 or at [alan.saunders@allenbridge.com](mailto:alan.saunders@allenbridge.com)

## NEW MONEY FORECAST

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate
	£'000	£'000	£'000	£'000	£'000
<b>RECEIPTS:</b>					
Employers' Contributions	78,500	113,400	64,800	64,600	88,400
Employees' Contributions	25,400	26,300	26,400	27,000	27,300
Transfer Values (net)	4,000	3,200	3,700	-500	0
Investment Income	31,600	34,900	33,300	38,600	35,000
<b>TOTAL RECEIPTS:</b>	<b>139,500</b>	<b>177,800</b>	<b>128,200</b>	<b>129,700</b>	<b>150,700</b>
<b>PAYMENTS:</b>					
Management Expenses	4,300	4,800	4,300	6,000	6,000
Payments to Pensioners (net)	93,800	100,000	103,100	108,100	111,000
Transfer of Probation Service to Gtr Manchester		34,400	0	0	0
<b>TOTAL PAYMENTS:</b>	<b>98,100</b>	<b>139,200</b>	<b>107,400</b>	<b>114,100</b>	<b>117,000</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>41,400</b>	<b>38,600</b>	<b>20,800</b>	<b>15,600</b>	<b>33,700</b>

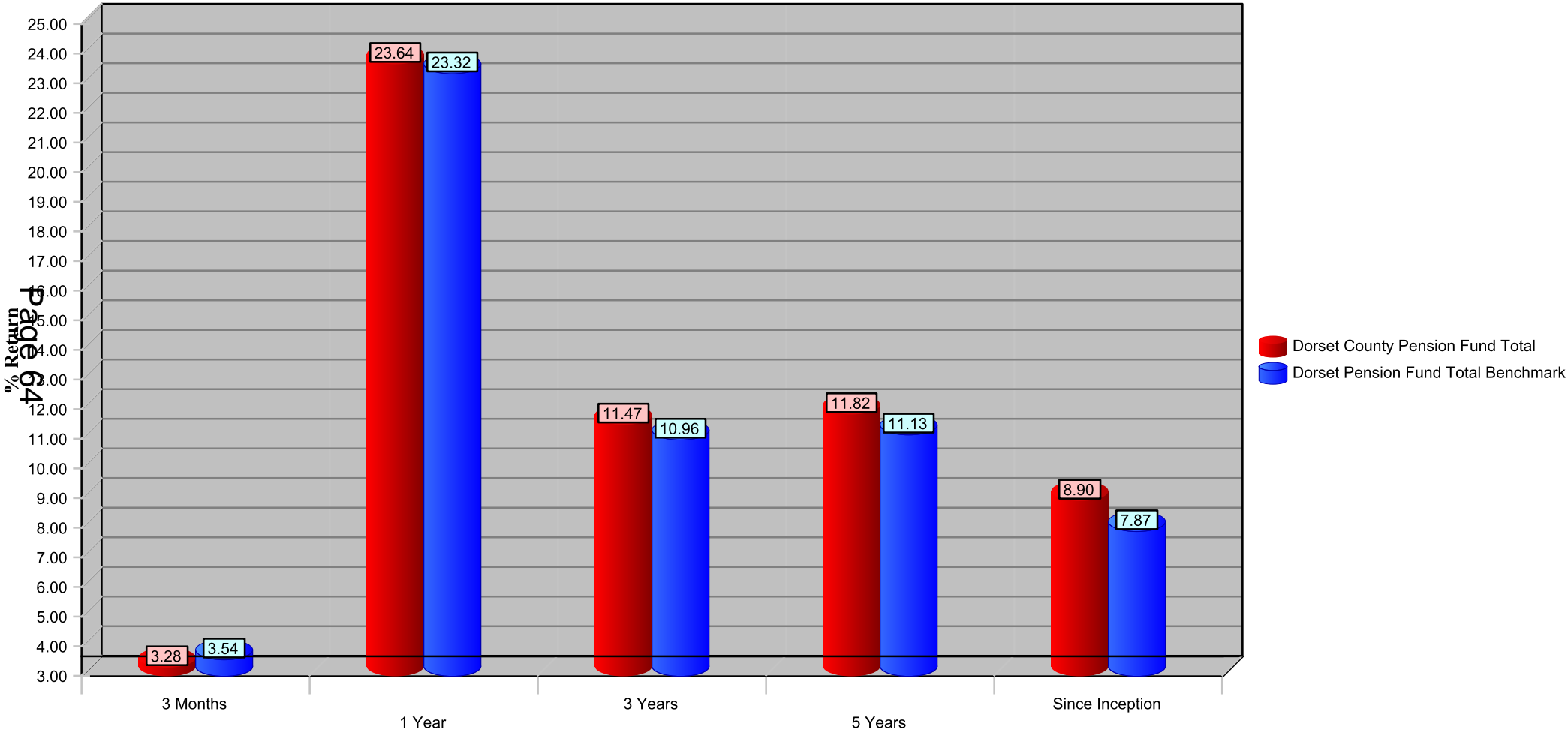
REVENUE TRENDS & FORECASTS

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**Dorset County Pension Fund Total**  
**01 Apr 2016 - 31 Mar 2017**

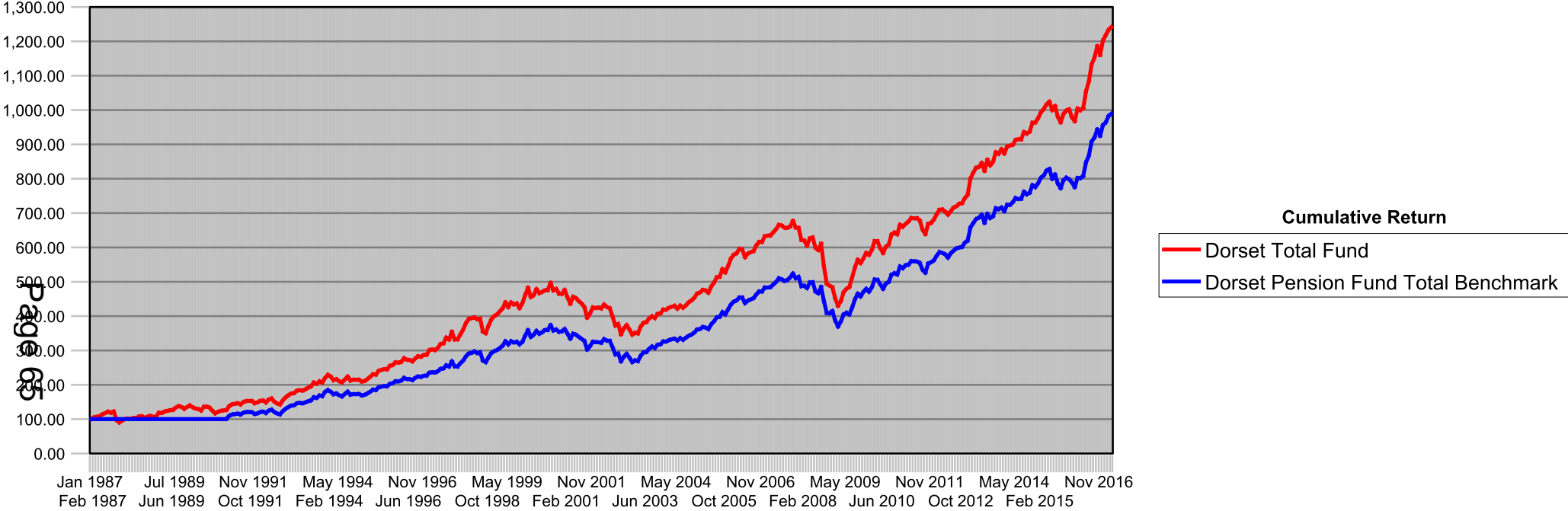
Long Term Performance, Total Fund



All periods > 1 year have been annualised.



Long Term Cumulative Performance, Dorset Total Fund



Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
<b>TOTAL ASSETS</b>	<b>2,276,573,004</b>	<b>-27,099,811</b>	<b>2,736,896,827</b>	<b>487,423,634</b>	<b>44,880,676</b>	<b>23.64</b>
<b>Total Return Seeking Assets</b>	<b>2,038,586,004</b>	<b>-72,099,811</b>	<b>2,337,108,296</b>	<b>370,622,103</b>	<b>44,880,676</b>	<b>20.86</b>
Total Assets ex Hedging	2,038,586,004	-39,901,482	2,337,108,296	338,423,774	44,880,676	19.09
Total Equities	1,205,494,119	-76,789,573	1,449,582,470	320,877,924	32,151,892	29.94
UK	624,050,130	15,923,073	737,172,049	97,198,846	19,032,586	18.08
Dorset UK Internally Managed	365,653,815	25,520,781	461,719,110	70,544,514	17,434,811	22.29
AXA Framlington UK Equity	107,991,777	60,800,000	185,413,138	16,621,361		9.79
Standard Life UK Equity Select Fund	71,934,884	-69,975,105		-1,959,779		-14.35
Schroders UK Small Cap Equity	38,612,216	-202,494	47,615,349	9,205,627		23.92
Allianz UK	14,278,804	1,313,550	14,699,274	-893,080	604,573	-1.81
Investec UK	12,862,096	-1,513,977	12,771,420	1,423,301	518,198	16.35
Wellington UK	12,716,539	-19,682	14,953,757	2,256,900	475,003	21.02
Overseas Equities	581,443,989	-92,712,646	712,410,421	223,679,078	13,119,306	44.24
North America	355,740,586	-77,296,983	427,285,723	148,842,120	7,789,775	49.18
Allianz North America	143,553,644	-10,520,983	174,517,138	41,484,477	3,820,411	32.95
Investec North America	99,497,174	-48,618,525	118,847,242	67,968,593	2,078,752	88.65
Wellington North America	112,689,768	-18,157,476	133,921,343	39,389,051	1,890,612	40.69
Europe ex UK	92,015,764	-8,211,850	111,294,306	27,490,392	2,801,402	33.82
Allianz Europe Ex UK	40,437,255	-1,621,284	44,342,404	5,526,433	1,272,134	17.90
Investec Europe Ex UK	27,742,121	-7,775,085	35,875,602	15,908,566	634,763	68.83
Wellington Europe Ex UK	23,836,387	1,184,518	31,076,299	6,055,394	894,505	25.73
Japan	44,447,325	-6,180,456	50,417,180	12,150,311	1,446,550	36.38
Allianz Japan	19,747,236	-2,313,884	23,761,029	6,327,677	836,674	45.24
Investec Japan	12,536,971	-3,895,956	11,230,003	2,588,988	315,757	27.67
Wellington Japan	12,163,119	29,384	15,426,148	3,233,645	294,120	30.39
Pacific ex Japan	16,625,175	2,974,585	27,414,436	7,814,676	957,941	45.04
Allianz Pacific ex Japan	5,543,736	1,223,083	9,079,699	2,312,880	469,590	27.68
Investec Pacific ex Japan	7,474,355	-3,179,988	8,400,507	4,106,140	200,298	85.23
Wellington Pacific ex Japan	3,607,084	4,931,490	9,934,229	1,395,655	288,054	32.71
Emerging Markets	72,615,139	-3,997,942	95,998,776	27,381,579	123,637	38.86
JP Morgan Global Emerging Markets	65,185,698		91,231,982	26,046,284		39.96
Allianz Emerging Markets	1,594,498	-1,175,066	2,826,455	2,407,023	21,301	359.86
Investec Emerging Markets	4,507,045	-2,578,561	972,036	-956,448	29,872	-34.39
Wellington Emerging Markets	1,327,898	-244,315	968,302	-115,281	72,464	-2.43
Total Bonds	286,117,469	-8,327,514	313,504,335	35,714,380	911,864	12.79
Royal London Bonds	286,117,469	-8,327,514	313,504,335	35,714,380	911,864	12.79

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
Total Property	246,330,128	-5,165,073	241,070,984	-94,071	10,876,284	4.56
ING Property	246,330,128	-5,165,073	241,070,984	-94,071	10,876,284	4.56
Total Cash	96,504,185	-7,278,624	38,413,790	-50,811,771	235,374	-56.72
Total Hedge Funds	2,089,763	-1,235,688	421,575	-432,500		-20.63
Gottex Hedge Fund	955,884	-596,356	421,575	62,047		14.09
Pioneer Hedge Fund	1,122,443	-639,332		-483,111		-86.07
IAM (Hedged)	11,437			-11,437		-100.00
IAM Hedge Fund	11,437			-11,437		-100.00
Private Equity	65,432,306	-328,805	77,003,052	11,899,551		17.81
HarbourVest	38,337,441	-3,531,391	42,903,283	8,097,233		21.10
Standard Life Private Equity	27,094,865	3,202,586	34,099,769	3,802,318		13.23
Diversified Growth Fund	107,587,835		119,069,465	11,481,630		10.67
Baring Dynamic Asset Allocation Fund	107,587,835		119,069,465	11,481,630		10.67
Infrastructure	29,030,200	59,223,794	98,042,624	9,788,630	705,263	16.71
Hermes	29,030,200	5,017,761	36,711,036	2,663,075		9.16
IFM		54,206,033	61,331,587	7,125,554	705,263	23.24
Total Currency Hedging	0	-32,198,329	0	32,198,329		0.00
<b>Total Matching Assets</b>	<b>237,986,999</b>	<b>45,000,000</b>	<b>399,788,531</b>	<b>116,801,532</b>		<b>43.58</b>
Insight Liability Fund	237,986,999	45,000,000	399,788,531	116,801,532		43.58

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
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>21.15</b>	<b>19.41</b>	<b>23.64</b>	<b>23.32</b>
<b>Total Return Seeking Assets</b>	<b>89.55</b>	<b>88.00</b>	<b>85.39</b>	<b>88.00</b>	<b>18.13</b>	<b>15.60</b>	<b>20.86</b>	<b>19.99</b>
Total Assets ex Hedging	89.55	88.00	85.39	88.00	16.38	15.60	19.09	19.99
Total Equities	52.95	52.50	52.96	52.50	25.47	19.76	29.94	27.41
UK	27.41	27.50	26.93	27.50	18.04	21.84	18.08	21.84
Dorset UK Internally Managed	16.06	18.50	16.87	18.50	22.29	21.91	22.29	21.91
AXA Framlington UK Equity	4.74	3.75	6.77	3.75	9.79	21.95	9.79	21.95
Standard Life UK Equity Select Fund	3.16	3.75		3.75	-14.35	21.95	-14.35	21.95
Schroders UK Small Cap Equity	1.70	1.50	1.74	1.50	23.92	19.74	23.92	19.74
Allianz UK	0.63		0.54		-1.81		-1.81	
Investec UK	0.56		0.47		14.58		16.35	
Wellington UK	0.56		0.55		21.02		21.02	
Overseas Equities	25.54	25.00	26.03	25.00	33.62	17.37	44.24	33.62
North America	15.63	14.00	15.61	14.00	40.92	17.41	49.18	34.80
Pictet North America		9.00		9.00		17.54		34.87
Janus Intech US Equity		5.00		5.00		17.17		34.68
Allianz North America	6.31		6.38		15.78		32.95	
Investec North America	4.37		4.34		114.55		88.65	
Wellington North America	4.95		4.89		22.11		40.69	
Europe ex UK	4.04	5.00	4.07	5.00	23.73	18.69	33.82	28.35
Pictet Europe ex UK		5.00		5.00		18.69		28.35
Allianz Europe Ex UK	1.78		1.62		9.09		17.90	
Investec Europe Ex UK	1.22		1.31		54.72		68.83	
Wellington Europe Ex UK	1.05		1.14		17.21		25.73	
Japan	1.95	2.00	1.84	2.00	15.73	13.83	36.38	31.97
Pictet Japan Equity		2.00		2.00		13.83		31.97
Allianz Japan	0.87		0.87		24.41		45.24	
Investec Japan	0.55		0.41		3.87		27.67	
Wellington Japan	0.53		0.56		12.27		30.39	
Pacific ex Japan	0.73	1.00	1.00	1.00	-9.53	18.35	45.04	36.24
Pictet Pacific ex Japan		1.00		1.00		18.35		36.24
Allianz Pacific ex Japan	0.24		0.33		12.35		27.68	
Investec Pacific ex Japan	0.33		0.31		-100.00		85.23	
Wellington Pacific ex Japan	0.16		0.36		16.56		32.71	
Emerging Markets	3.19	3.00	3.51	3.00	33.98	15.49	38.86	35.23
JP Morgan Global Emerging Markets	2.86	3.00	3.33	3.00	39.96	15.49	39.96	35.23

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Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Allianz Emerging Markets	0.07		0.10		285.35		359.86	
Investec Emerging Markets	0.20		0.04		-100.00		-34.39	
Wellington Emerging Markets	0.06		0.04		-18.24		-2.43	
Total Bonds	12.57	12.50	11.45	12.50	12.79	11.71	12.79	11.71
Royal London Bonds	12.57	12.50	11.45	12.50	12.79	11.71	12.79	11.71
Total Property	10.82	10.00	8.81	10.00	4.56	4.61	4.56	4.61
ING Property	10.82	10.00	8.81	10.00	4.56	4.61	4.56	4.61
Total Cash	4.24		1.40		-56.75		-56.72	
Total Hedge Funds	0.09	0.00	0.02	0.00	-19.88	6.43	-20.63	6.43
Gottex Hedge Fund	0.04	0.00	0.02	0.00	14.09	5.47	14.09	5.47
Pioneer Hedge Fund	0.05				-85.71	6.53	-86.07	6.53
IAM (Hedged)	0.00	0.00		0.00	-100.00	7.40	-100.00	7.40
IAM Hedge Fund	0.00	0.00		0.00	-100.00	7.40	-100.00	7.40
Private Equity	2.87	4.00	2.81	4.00	10.15	21.95	17.81	21.95
HarbourVest	1.68	2.00	1.57	2.00	7.83	21.95	21.10	21.95
Standard Life Private Equity	1.19	2.00	1.25	2.00	13.23	21.95	13.23	21.95
Diversified Growth Fund	4.73	5.00	4.35	5.00	10.67	4.46	10.67	4.46
Baring Dynamic Asset Allocation Fund	4.73	5.00	4.35	5.00	10.67	4.46	10.67	4.46
Infrastructure	1.28	4.00	3.58	4.00	16.71	10.00	16.71	10.00
Hermes	1.28	2.00	1.34	2.00	9.16	10.00	9.16	10.00
IFM		2.00	2.24	2.00	23.24	10.00	23.24	10.00
Total Currency Hedging	0.00		0.00					
<b>Total Matching Assets</b>	<b>10.45</b>	<b>12.00</b>	<b>14.61</b>	<b>12.00</b>	<b>43.58</b>	<b>44.23</b>	<b>43.58</b>	<b>44.23</b>
Insight Liability Fund	10.45	12.00	14.61	12.00	43.58	44.23	43.58	44.23

All periods > 1 year have been annualised.

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
<b>TOTAL ASSETS</b>	<b>-1.18</b>	<b>1.42</b>	<b>0.05</b>	<b>0.26</b>
<b>Total Return Seeking Assets</b>	<b>-1.22</b>	<b>1.70</b>	<b>0.11</b>	<b>0.58</b>
Total Assets ex Hedging	-1.20	0.38	0.11	-0.71
Total Equities	-1.39	2.50	-0.12	0.95
UK	-0.02	-0.24	-0.70	-0.96
Dorset UK Internally Managed	0.02	-0.06	0.06	0.02
AXA Framlington UK Equity	-0.10	0.05	-0.72	-0.78
Standard Life UK Equity Select Fund	0.13	-0.08	-0.09	-0.04
Schroders UK Small Cap Equity	-0.00	-0.01	0.06	0.04
Allianz UK	-0.02	-0.12		-0.14
Investec UK	-0.01	-0.04		-0.05
Wellington UK	-0.02	0.01		-0.01
Overseas Equities	-1.38	2.75	0.58	1.93
North America	-1.18	2.84		1.63
Pictet North America	-0.98	0.11		-0.87
Janus Intech US Equity	-0.55	0.08		-0.48
Allianz North America	0.67	-0.18		0.49
Investec North America	-0.85	2.69		1.82
Wellington North America	0.53	0.13		0.66
Europe ex UK	-0.05	0.17		0.11
Pictet Europe ex UK	-0.23	0.00		-0.23
Allianz Europe Ex UK	0.07	-0.14		-0.07
Investec Europe Ex UK	0.06	0.32		0.38
Wellington Europe Ex UK	0.05	-0.02		0.03
Japan	-0.02	0.05		0.04
Pictet Japan Equity	-0.22	0.07		-0.15
Allianz Japan	0.06	0.07		0.13
Investec Japan	0.08	-0.06		0.02
Wellington Japan	0.06	-0.03		0.03
Pacific ex Japan	0.26	-0.20		0.06
Pictet Pacific ex Japan	-0.12	0.01		-0.11
Allianz Pacific ex Japan	0.06	-0.03		0.03
Investec Pacific ex Japan	0.30	-0.17		0.12
Wellington Pacific ex Japan	0.02	-0.00		0.02
Emerging Markets	-0.39	-0.11	0.58	0.08
JP Morgan Global Emerging Markets	-0.51	0.00	0.58	0.07

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Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Allianz Emerging Markets	0.01	0.06		0.08
Investec Emerging Markets	0.10	-0.16		-0.06
Wellington Emerging Markets	0.01	-0.02		-0.01
Total Bonds	-0.01	0.04	0.10	0.13
Royal London Bonds	-0.01	0.04	0.10	0.13
Total Property	-0.01	0.01	-0.00	-0.00
ING Property	-0.01	0.01	-0.00	-0.00
Total Cash	-0.07	-2.24		-2.31
Total Hedge Funds	-0.00	-0.02	0.00	-0.03
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	0.24	-0.03	-0.29	-0.08
HarbourVest	0.21	-0.01	-0.20	-0.00
Standard Life Private Equity	0.03	-0.02	-0.09	-0.08
Diversified Growth Fund	0.01	0.05	0.26	0.32
Baring Dynamic Asset Allocation Fund	0.01	0.05	0.26	0.32
Infrastructure	0.04	0.11	0.16	0.32
Hermes	0.02	0.06	-0.01	0.08
IFM	0.02	0.05	0.17	0.24
Total Currency Hedging	-0.02	1.31		1.29
<b>Total Matching Assets</b>	<b>0.03</b>	<b>-0.28</b>	<b>-0.06</b>	<b>-0.31</b>
Insight Liability Fund	0.03	-0.28	-0.06	-0.31

All periods > 1 year have been annualised.

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PENSION FUND ACCOUNT				
2015/16			2016/17	
£'000	£'000		£'000	£'000
		<b>Dealings with members, employers and others directly involved in the Fund</b>		
		<b>Contributions</b>		<i>8 &amp; 9</i>
77,413		Employers, normal	79,776	
2,582		Employers, other	2,392	
26,677	106,672	Employees, normal	26,978	109,146
	4,728	<b>Transfers in from other pension funds</b>		3,494
	<b>111,400</b>	<b>Total additions from dealing with members etc.</b>		<b>112,640</b>
		<b>Benefits</b>		<i>9</i>
83,924		Pensions	87,976	
17,831		Commutations and retirement grants	17,421	
2,402	104,157	Death benefits	2,678	108,075
		<b>Payments to and on account of leavers</b>		
234		Refunds of contributions	364	
48	282	State scheme premiums	71	435
	3,158	<b>Transfers to other pension funds</b>		4,024
	<b>3,803</b>	<b>Net additions/(withdrawals) from dealings with members etc.</b>		<b>106</b>
	11,108	Management expenses		13,751
	<b>(7,305)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>		<b>(13,645)</b>
		<b>Investment Income *</b>		
23,364		Dividends from equities	33,632	
13,560		Rents from properties	11,828	
356		Interest	228	
191	37,471	Other investment income	197	45,885
		<b>Profit on disposal of and changes in the market value of investments</b>		
208,238		Profit/(loss) on disposal of investments	54,234	
(273,090)	(64,852)	Increase/(decrease) in market value of investments	383,077	437,311
	<b>(27,381)</b>	<b>Net return on investments</b>		<b>483,196</b>
	<b>(34,686)</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>		<b>469,551</b>
	<b>2,301,132</b>	<b>Opening net assets of the fund 1 April</b>		<b>2,266,446</b>
	<b>2,266,446</b>	<b>Closing net assets of the fund 31 March</b>		<b>2,735,997</b>

\* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

NET ASSETS STATEMENT				
31 March 2016			31 March 2017	
£'000	£'000	Note	£'000	£'000
		<b>Investment assets</b>		
		11		
365,654		UK equities (quoted)	461,719	
560,389		Overseas equities (quoted)	671,721	
971,428		Pooled investment vehicles	1,279,377	
10		Absolute return funds	-	
65,432		Private equity	77,003	
221,125		Property	216,790	
31,600		Temporary investments	-	
1,680	<b>2,217,318</b>	Other investment asset balances	2,369	<b>2,708,979</b>
	<b>(2,625)</b>	<b>Investment liabilities</b>		<b>(4,109)</b>
	<b>2,214,693</b>	<b>Total net investments</b>		<b>2,704,870</b>
	4,825	Long term debtor		3,860
	-	Long term deferred income		-
		<b>Current assets</b>		
9,447		Trade & other receivables	9,287	
60,226	<b>69,673</b>	Cash deposits	29,778	<b>39,065</b>
		<b>Current liabilities</b>		
<b>(4,891)</b>		Trade & other payables	<b>(4,213)</b>	
<b>(17,854)</b>	(22,745)	Deferred income	<b>(7,585)</b>	(11,798)
	<b>2,266,446</b>	<b>Net assets available to fund benefits at 31 March</b>		<b>2,735,997</b>

The above Pension Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2017. The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2016-17 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

## 1. GENERAL

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset County Council ("the Council").

The Council administers the Fund on behalf of its own full time and part-time staff and employees of other local authorities and similar bodies within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, School Academies and Police and Fire non-uniformed staff. The uniformed police and fire services and teachers are not included as they are members of their own unfunded schemes.

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

In its role as the administering authority, the Council's responsibilities include the collection of contributions, the payment of pension benefits, the investment of surplus funds, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners. These activities are governed by the Public Services Pensions Act 2013 and administered in accordance with the LGPS Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016 (as amended).

Performance of these above responsibilities is overseen by the Dorset County Pension Fund Committee ("the Committee") comprising elected members of the Council and other local authorities together with a scheme member representative (nominated by the unions), with day to day administration of the Fund's activities undertaken by Council officers headed by the Fund Administrator. Also, with effect from 1 April 2015, a Local Pension Board ("the Board") was established by the Committee to secure compliance with regulations, legislation and other requirements relating to the governance and administration of the Fund.

For more detailed information, please refer to the Fund's Annual Report.

## 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account:

**Contribution income:** Contributions from both the members and the employers are accounted for on an accruals basis in the payroll period to which they relate. "Other" contributions from employers for early retirement costs are accrued for based on the date of retirement.

**Transfers to and from other schemes:** Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged.

**Investment income:** Dividend income is recognised on the date the shares are quoted ex-dividend, rents from properties are recognised on an accruals basis in the accounting period they relate to.

**Benefits payable:** Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as trade and other payables (current liabilities).

**Management expenses:** Fund management expenses are accounted for in accordance with the CIPFA guidance "LGPS Management Expenses".

### Net Assets Statement:

**Financial assets:** Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Investments with a stock exchange listing are valued at bid prices as at the reporting date, investments in pooled vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the investment manager. Unquoted securities are included at an estimated fair value based on advice from the investment manager. All foreign currencies are translated at the rate ruling at the net assets statement date.

**Freehold and leasehold properties:** Direct holdings of property are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the prevailing valuation standards of the Royal Institution of Chartered Surveyors (RICS).

**Derivatives:** The Fund uses derivative financial instruments to manage its exposure to currency risk. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open forward foreign exchange contracts as at 31 March 2017.

**Cash and cash equivalents:** Cash comprises cash in hand and demand deposits, and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value.

#### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in is line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 16 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

#### 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenue and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

#### 6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are classified as:

**Adjusting events:** events that provide evidence of conditions that existed at the end of the reporting period, for example new information coming to light regarding the methodology employed in the valuation of an asset.

**Non-adjusting events:** events that are indicative of conditions that arose after the end of the reporting period, for example a marked decline in global stock markets that would impact on the market value of the Fund's investments were they to be valued as at the date when the accounts were authorised for issue.

There are no adjusting or non-adjusting events after the reporting date to disclose.

#### 7. MEMBERSHIP

Under the new LGPS scheme effective 1 April 2014 membership of the Fund is automatic for staff with a contract of employment of more than three months. Those with a contract of less than three months can opt to join by request.

Employees of scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme. Employees of admitted bodies will have separate individual arrangements on admission depending on their employer's agreement in place. Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them. All employees can opt out of the scheme at any time.

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2017 and 31 March 2016.

31 March 2016	Contributors	31 March 2017
7,644	Dorset County Council	7,952
17,255	Scheduled Bodies	17,528
999	Admitted Bodies	884
<b>25,898</b>	<b>Total Contributors</b>	<b>26,364</b>
<b>Pensioners</b>		
7,879	Dorset County Council	8,155
10,484	Scheduled Bodies	10,978
1,148	Admitted Bodies	1,211
<b>19,511</b>	<b>Total Pensioners</b>	<b>20,344</b>

In addition there were 22,428 deferred members as at 31 March 2017 who have entitlement to a benefit at some time in the future (21,802 as at 31 March 2016).

**8. EMPLOYER CONTRIBUTIONS**

The normal contributions made by employers consist of two elements - (1) to fund pensions on future service and (2) to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers.

The average contribution rates for the years 2014-15, 2015-16 and 2016-17 set by the 2013 valuation were 13.3% for future service and 5.3% for deficit funding. These rates reflect funding levels at the valuation date of 82% and assumes full deficit recovery over a period not exceeding 25 years depending on each employer's circumstances.

Set out below is an analysis of the employers' normal contributions.

2015/16		2016/17
£'000	Employer Contributions	£'000
55,234	Contributions re Future Service Costs	56,938
22,011	Contributions re Past Service Costs	22,690
168	Voluntary Additional Contributions	148
<b>77,413</b>	<b>Total Contributions</b>	<b>79,776</b>

Other Employers' contributions of £2,392k shown in the Fund Account (£2,582k for 2015/16) are amounts paid by employers to the Fund to meet the capital costs of early retirements.

**9. ANALYSIS OF CONTRIBUTIONS AND BENEFITS**

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2015/16			2016/17	
Contributions £'000	Benefits £'000		Contributions £'000	Benefits £'000
33,447	36,246	Dorset County Council	31,461	37,133
67,490	61,452	Scheduled Bodies	73,461	64,123
5,735	6,459	Admitted Bodies	4,224	6,819
<b>106,672</b>	<b>104,157</b>		<b>109,146</b>	<b>108,075</b>

**10. MANAGEMENT EXPENSES**

The table below shows a breakdown of the management expenses incurred during the year.

2015/16		2016/17
£'000		£'000
1,337	Administration Expenses	1,425
497	Oversight and Governance	524
9,274	Investment Management Expenses	11,802
<b>11,108</b>	<b>Total Management Expenses</b>	<b>13,751</b>

Investment Management Expenses for 2016/17 consist of management fees of £8.2M (£6.8M in 2015-16), performance related fees of £0.7M (£0.5M), transaction costs of £0.8M (£0.4M), custody fees of £0.2M (£0.1M), direct operating expenses relating to investment properties of £1.0M (£1.3M) and other fees and costs of £0.9M (£0.2M), in accordance with the CIPFA guidance "LGPS Management Expenses".

**11. INVESTMENTS**

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

<b>31 March 2016</b>		<b>Portfolio / Manager / Pooled Vehicle</b>	<b>31 March 2017</b>	
<b>Market Value</b>			<b>Market Value</b>	
<b>%</b>	<b>£'000</b>		<b>£'000</b>	<b>%</b>
<b>Segregated Investments</b>				
16.10%	365,654	UK equities - Quoted Dorset County Council	461,719	16.90%
24.60%	560,389	Overseas equities - Quoted Allianz Investec Wellington	671,721	24.50%
0.00%	10	Absolute Return (Hedge) Funds International Asset Management	-	0.00%
2.90%	65,432	Private Equity HarbourVest Standard Life	77,003	2.80%
9.70%	221,125	Property Portfolio CBRE Global Investors	216,790	7.90%
1.40%	31,600	Temporary investments Dorset County Council	-	0.00%
<b>54.70%</b>	<b>1,244,210</b>	<b>Total - Segregated Investments</b>	<b>1,427,233</b>	<b>52.10%</b>
<b>Pooled Investments</b>				
12.60%	286,118	Bonds RLAM / Unit Linked Inv Fund - Life Policy	313,505	11.50%
6.40%	146,604	U.K. Equities - Listed AXA Framlington / Unit Trust Schroders / Unit Trust	233,028	8.50%
3.20%	71,935	U.K. Equities - Unlisted Standard Life / Trustee Inv Plan	-	0.00%
2.90%	65,186	Overseas Equity Portfolio - Listed JP Morgan / Unit Trust	91,232	3.30%
0.10%	1,771	Absolute Return Funds Gottex Fund Management / Open Ended Fund Pioneer Alternative Inv. / Mutual Fund	426	0.00%
1.10%	25,205	Property Lend Lease Retail Partnership Standard Life UK Shopping Centre Trust	24,281	0.90%
4.70%	107,588	Diversified Growth Funds Barings Asset Management / Non UCITS (PIF)	119,069	4.40%
1.30%	29,030	Infrastructure Hermes GPE / Infrastructure Fund IFM / Global Infrastructure Fund	98,043	3.60%
10.50%	237,991	Liability Driven Investment Insight / LDI Active 16 Fund	399,793	14.60%
<b>42.70%</b>	<b>971,428</b>	<b>Total - Pooled Investments</b>	<b>1,279,377</b>	<b>46.80%</b>
<b>2.60%</b>	<b>60,226</b>	<b>Cash &amp; Cash Equivalents</b>	<b>29,778</b>	<b>1.10%</b>
<b>100.0%</b>	<b>2,275,864</b>	<b>Total Investments</b>	<b>2,736,388</b>	<b>100.0%</b>

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.



**12. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES**

The following table summarises details of purchases, sales and changes in the market valuation of investments in the fund during the financial year.

	Value 1 April 2016 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2017 £'000
UK equities - Quoted	365,654	60,677	35,157	70,545	461,719
Overseas equities - Quoted	560,389	386,104	426,138	151,366	671,721
Pooled Investment Vehicles	971,428	116,151	33,402	225,200	1,279,377
Absolute Return (Hedge) Funds	10	-	8	(2)	-
Private Equity	65,432	13,467	15,713	13,817	77,003
Property	221,125	3,064	8,212	813	216,790
Forward Foreign Exchange	-	32,723	525	(32,198)	-
<b>Sub-Total</b>	<b>2,184,038</b>	<b>612,186</b>	<b>519,155</b>	<b>429,541</b>	<b>2,706,610</b>
Temporary investments	31,600	-	31,600	-	-
Cash Deposits	60,226	243,140	273,588	-	29,778
<b>Total</b>	<b>2,275,864</b>	<b>855,326</b>	<b>824,343</b>	<b>429,541</b>	<b>2,736,388</b>

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the Fund Account.

**13. STOCK LENDING**

The Fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £197k comprising £169k from UK equities and £28k from overseas equities, net of charges. The value of stock on loan as at 31 March 2017 was £287.0M, comprised of £278.9M in the UK and £8.1M overseas, secured by total collateral worth £301.8M.

**14. FAIR VALUE OF ASSETS**

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets;
- Level 2:** where market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- Level 3:** where at least one input that could have a significant effect on the valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2017 and at 31 March 2016 measured at fair value according to the above fair value hierarchy.

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	461,719	-	-	461,719
Overseas Equities - Quoted	671,721	-	-	671,721
Pooled Investment Vehicles	-	1,156,627	122,750	1,279,377
Absolute Return (Hedge) Funds	-	-	-	-
Private Equity	-	-	77,003	77,003
Property	-	-	216,790	216,790
Temporary Investments	-	-	-	-
<b>Sub Total</b>	<b>1,133,440</b>	<b>1,156,627</b>	<b>416,543</b>	<b>2,706,610</b>
Cash and Cash Equivalents	29,778	-	-	29,778
<b>Total</b>	<b>1,163,218</b>	<b>1,156,627</b>	<b>416,543</b>	<b>2,736,388</b>

<b>31 March 2016</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
UK Equities - Quoted	365,654			365,654
Overseas Equities - Quoted	560,389			560,389
Pooled Investment Vehicles	-	915,432	56,006	971,438
Absolute Return (Hedge) Funds	-	-	10	10
Private Equity			65,432	65,432
Property			221,125	221,125
Temporary Investments	31,600			31,600
<b>Sub Total</b>	<b>957,643</b>	<b>915,432</b>	<b>342,573</b>	<b>2,215,648</b>
Cash and Cash Equivalents	60,226	-	-	60,226
<b>Total</b>	<b>1,017,869</b>	<b>915,432</b>	<b>342,573</b>	<b>2,275,874</b>

During the year ended 31 March 2017 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy .

The basis of the valuation of each class of investment asset is summarised below.

<b>Description of Asset</b>	<b>Basis of Valuation</b>	<b>Key Inputs</b>	<b>Key Sensitivities</b>
<b>Level 1:</b>			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
<b>Level 2:</b>			
Pooled investments - unit trusts and property funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
<b>Level 3:</b>			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - hedge funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

**15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

**(a) Market Risk**

Market risk is the risk of loss resulting from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities, and by gaining exposure to different markets through different investment managers. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

**(a) (i) Other Price Risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding temporary investments and cash deposits.

<b>As at 31 March 2017</b>	<b>Value £'000</b>	<b>Change %</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
UK equities - Quoted	461,719	15.00%	69,258	(69,258)
Overseas equities - Quoted	671,721	15.00%	100,758	(100,758)
Pooled Investment Vehicles	1,279,377	15.00%	191,907	(191,907)
Absolute Return (Hedge) Funds	-	15.00%	-	-
Private Equity	77,003	15.00%	11,550	(11,550)
Property	216,790	15.00%	32,519	(32,519)
Temporary investments	-	0.00%	-	-
Cash Deposits	29,778	0.00%	-	-
<b>Total</b>	<b>2,736,388</b>	<b>14.84%</b>	<b>405,992</b>	<b>(405,992)</b>

<b>As at 31 March 2016</b>	<b>Value £'000</b>	<b>Change %</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
UK equities - Quoted	365,654	15.00%	54,848	(54,848)
Overseas equities - Quoted	560,389	15.00%	84,058	(84,058)
Pooled Investment Vehicles	971,428	15.00%	145,714	(145,714)
Absolute Return (Hedge) Funds	10	15.00%	2	(2)
Private Equity	65,432	15.00%	9,815	(9,815)
Property	221,125	15.00%	33,169	(33,169)
Temporary investments	31,600	0.00%	-	-
Cash Deposits	60,226	0.00%	-	-
<b>Total</b>	<b>2,275,864</b>	<b>14.39%</b>	<b>327,606</b>	<b>(327,606)</b>

**(a) (ii) Interest Rate Risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate movements on those investments at 31 March 2017 and 2016 are provided below, based on underlying financial assets at fair value.

**(a) (ii) Interest Rate Risk - Sensitivity Analysis**

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2017	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	29,778	298	(298)
Bonds and LDI	713,298	7,133	(7,133)
Temporary investments	-	-	-
<b>Total</b>	<b>743,076</b>	<b>7,431</b>	<b>(7,431)</b>

As at 31 March 2016	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	60,226	602	(602)
Bonds and LDI	524,109	5,241	(5,241)
Temporary investments	31,600	316	(316)
<b>Total</b>	<b>615,935</b>	<b>6,159</b>	<b>(6,159)</b>

#### (a) (iii) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

To mitigate the affect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

Currency	31 March 2017	31 March 2016
	£'000	£'000
US Dollar	258,366	220,525
Euro	63,364	60,247
Canadian Dollar	27,423	21,016
Japanese Yen	25,509	22,461
Swiss Franc	11,278	6,379
Hong Kong Dollar	10,128	1,770
Australian Dollar	9,956	6,190
Singapore Dollar	9,754	1,127
Norwegian Krone	6,432	1,846
Danish Krone	5,996	2,066
Israeli Shekel	4,759	2,920
Swedish Krona	1,542	3,156
<b>Total Net Exposure</b>	<b>434,507</b>	<b>349,703</b>

#### (a) (iii) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out below. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2017 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

<b>As at 31 March 2017</b>	<b>Change in net assets</b>		
<b>Currency</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
US Dollar	3.24%	8,371	(8,371)
Euro	2.98%	1,888	(1,888)
Canadian Dollar	1.98%	543	(543)
Japanese Yen	3.25%	829	(829)
Swiss Franc	2.70%	305	(305)
Hong Kong Dollar	0.41%	42	(42)
Australian Dollar	2.56%	255	(255)
Singapore Dollar	1.66%	162	(162)
Norwegian Krone	0.46%	30	(30)
Danish Krone	0.40%	24	(24)
Israeli Shekel	0.39%	19	(19)
Swedish Krona	0.32%	5	(5)
<b>Total</b>		<b>12,473</b>	<b>(12,473)</b>

<b>As at 31 March 2016</b>	<b>Change in net assets</b>		
<b>Currency</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
US Dollar	2.40%	5,293	(5,293)
Euro	2.21%	1,331	(1,331)
Canadian Dollar	2.21%	464	(464)
Japanese Yen	2.78%	624	(624)
Swiss Franc	1.74%	111	(111)
Hong Kong Dollar	0.30%	5	(5)
Australian Dollar	2.69%	167	(167)
Singapore Dollar	1.40%	16	(16)
Norwegian Krone	0.46%	8	(8)
Danish Krone	0.30%	6	(6)
Israeli Shekel	0.39%	11	(11)
Swedish Krona	0.33%	10	(10)
<b>Total</b>		<b>8,048</b>	<b>(8,048)</b>

**(b) Credit Risk**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of temporary investments and bonds held in pooled investment vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2017 is the carrying amount of the financial assets.

<b>Investment</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Temporary Investments	-	31,600
Bank Account Deposits	2,628	2,426
Money Market Funds	27,150	57,800
Bonds held in Pooled Investment Vehicles	713,298	524,109
<b>Total</b>	<b>743,076</b>	<b>615,935</b>

An analysis of the fair value of bonds held as at 31 March 2016 and 2015 by credit grading within the credit risk is shown below.

Bond Rating	31 March 2017		31 March 2016	
	%	£'M	%	£'M
Government bonds	56.0%	400	45.4%	238
Corporate bonds:				
AAA	3.6%	26	5.0%	26
AA	4.5%	32	5.9%	31
A	12.9%	92	15.5%	81
BBB	16.6%	117	20.5%	108
BB or less	2.2%	16	2.7%	14
Unrated	4.2%	30	5.0%	26
<b>Total</b>	<b>100.0%</b>	<b>713</b>	<b>100.0%</b>	<b>524</b>

### (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2017, liquid assets were £2,344M representing 86% of total net assets (£1,958M at 31 March 2016 representing 86% of total net assets at that date).

## 16. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2017 were set at the previous valuation calculated as at 31 March 2013. The common contribution rate for 2016/17 was 18.6%, comprising future service contributions of 13.3% and deficit recovery contributions of 5.3%. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017/18	2018/19	2019/20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
<b>Total employer contributions</b>	<b>20.00%</b>	<b>20.70%</b>	<b>21.40%</b>

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period has been reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 and 2013 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation	Valuation	
	2016	2013	
Rate of return on investments	5.40%	6.00%	per annum
Rate of increases in pay (long term)	3.90%	4.20%	per annum
Rate of increases in pay (short term)	2.40%	2.70%	per annum
Rate of increases to pensions in payment	2.40%	2.70%	per annum

**17. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2017 is set out in Appendix C Pension Fund - IAS 26 Disclosures to these financial statements 2016/17.

**18. ADDITIONAL VOLUNTARY CONTRIBUTIONS**

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Equitable Life. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund Accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £322k in 2016-17 (£352k in 2015-16).

**19. RELATED PARTIES**

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2017 contributions of £1.2M were accrued as at 31 March 2017. Management and administration costs of £1.5M were incurred by the Council and recharged to the Fund in 2016/17. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2017, four members of the Committee were contributing members of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator.

**20. CONTINGENT ASSETS AND LIABILITIES**

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2017 do not reflect any potential recovery of tax.

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# **Dorset County Pension Fund**

## **Funding Strategy Statement**

### **Introduction**

This is the Funding Strategy Statement (FSS) for the Dorset County Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Dorset County Council's strategy, in its capacity as administering authority, for the funding of the Dorset County Pension Fund (the Fund).

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS)/Statement of Investment Principles (SIP) and has been prepared with regard to the 2016 guidance issued by CIPFA.

### **Purpose of the Funding Strategy Statement**

The purpose of the FSS is to explain the Fund's approach to meeting employers' pension liabilities and in particular to:

- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

### **Aims and purposes of the Fund**

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and

maintaining fund solvency and long-term cost efficiency. This should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and

- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to scheme members as provided under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive contributions, transfer values and investment income; and
- Accumulate and invest money received, and facilitate the management of this.

## **Funding objectives**

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective.
- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund; and
- Ensure the solvency of the Fund; and
- Ensure effective and efficient management of each employer's liabilities.

## **Key parties**

The key parties involved in the funding process and their responsibilities are as follows:

### **The administering authority**

The administering authority for the Pension Fund is Dorset County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect and account for employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;

- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Prepare the Fund accounts;
- Effectively manage any potential conflict of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

### Individual employers

In addition to the administering authority, a number of other employers, including admission bodies, participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs, particularly in respect of early retirement strains, in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

### Scheme members

Active scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government.

## Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations, including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency, after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- Prepare advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

## Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical, with consideration of the long-term cost efficiency objective.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to represent 83% of the accrued liabilities for the Fund, corresponding to a deficit of £452m.

The primary rate required to cover the employer cost of future benefit accrual was 15.6% of payroll p.a.

A summary of the methods and assumptions adopted is set out in the sections below.

## Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service assumed to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is assumed to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

## Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

### Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

### Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

### Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

### Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a.

For some employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

### **Asset valuation**

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

### **Statistical assumptions**

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

### **Deficit recovery periods**

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant deficit then the levels of required employers’ contributions will include an adjustment to fund the deficit over a period of years.

The deficit recovery period for each employer will depend upon the significance of the deficit relative to that employer’s liabilities, the covenant of the individual employer and any limited period of participation in the Fund, and the implications in terms of stability of future levels of employers’ contribution.

At the 2016 valuation, a maximum deficit recovery period of 22 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the remaining contract period if this is known.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the administering authority before making one-off capital payments.

### **Pooling of individual employers**

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Currently there are the following pools within the Fund:

- Dorset County Council;
- Bournemouth Borough Council;
- Borough of Poole;
- Small scheduled bodies;
- Small admitted bodies;
- Academies;
- SLM Poole.

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

### **Cessation valuations**

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an immediate exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.



In certain circumstances, if it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the administering authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a “minimum risk” discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

### **Early retirement costs**

The funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

### **Links with the Investment Strategy Statement (ISS)**

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the assumed rate of investment return which is assumed to be achieved by the underlying investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the assumed return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

### **Risks and counter measures**

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks, and employer risks.

### **Financial risks**

The main financial risk is that the actual investment strategy fails to produce the assumed rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than assumed and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

## **Demographic risks**

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

## **Regulatory risks**

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

## **Employer risks**

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

However, the administering authority maintains dialogue with participating employers and monitors the position of employers participating in the Fund, particularly those which may be susceptible events that could affect the long-term financial health of an employer, with particular emphasis on their continued ability to support their obligations to the Fund, and takes advice from the Fund actuary when required.

In addition, the administering authority keeps individual employers briefed on funding and related issues.

### **Monitoring and review**

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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# Dorset County Pension Fund

Actuarial valuation as at 31 March 2016

**Valuation report**



## Introduction

In accordance with Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), we have been asked by Dorset County Council to prepare an actuarial valuation of the Dorset County Pension Fund (the Fund) as at 31 March 2016 as part of their role as the Administering Authority to the Fund.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

This report is provided further to earlier advice dated 10 January 2017 which set out the background to the valuation and explains the proposed underlying methods and assumptions derivation.

This report summarises the results of the valuation and is addressed to the Administering Authority of the Fund. It is not intended to assist any user other than the Administering Authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice is subject to and complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council (namely, the Pensions TAS and generic TASs relating to reporting, data and modelling).

We would be pleased to discuss any aspect of this report in more detail.

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# 1 Summary of results

A summary of the results of the valuation is as follows:

## Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 83% of the accrued liabilities as at 31 March 2016.

This represents a small increase since 2013.

## Changes since 2013

The Public Sector Pensions Act 2013 and updated guidance from CIPFA have introduced and reinforced requirements to focus on securing **solvency** of the pension fund and **long-term cost efficiency**.

## Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe are appropriate for the 31 March 2016 valuation.

## Employer contributions

Individual employer contributions are set out in Appendix 3 in the Rates and Adjustment certificate to cover the period from 1 April 2017 to 31 March 2020.

The next actuarial valuation should be carried out with an effective date of 31 March 2019 and the contributions payable by the participating employers will be reviewed as part of that valuation.

## 2 Background to valuation approach

The purpose of the 2016 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. This is required under regulation 62 of the LGPS Regulations. The Regulations for actuarial valuations have changed since the 2013 valuation and so has the context surrounding the valuation. Regulation 62 specifies four requirements that the actuary “must have regard to” and are detailed below:

- “the desirability of maintaining as nearly constant a primary rate as possible”;
- “the current version of the administering authority’s funding strategy statement”;
- “the requirement to secure the solvency of the pension fund”; and
- “the long-term cost efficiency of the Scheme (i.e. the LGPS for England and Wales as a whole), so far as relating to the pension fund”.

We have considered these changes when providing our advice and choosing the method and assumptions used and a number of reports and discussions have taken place with the Administering Authority before agreeing the final assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 31 March 2016 which provides information and results on a whole fund basis as well as more detailed background to the method and derivation of the assumptions.
- The follow up report dated 10 January 2017 confirming the agreed actuarial assumptions following the meeting of 24 November 2016.
- The Funding Strategy Statement which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The final assumptions have been agreed with the Administering Authority. We suggest that the Fund’s Funding Strategy Statement is reviewed to ensure that it is consistent with this approach as well as complying with the updated version of CIPFA’s Funding Strategy Statement guidance.

### Membership data

A summary of the membership data used for the valuation is set out in Appendix 1.

The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund accounts. Any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

### Benefits

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS [website](#) and the Fund’s membership booklet. We have made no allowance for discretionary benefits.

### Assets

Assets have been valued at a six month smoothed market value straddling the valuation date.

We have been provided with the audited Fund accounts for the years ending 31 March 2014, 31 March 2015 and 31 March 2016.

**The market asset valuation as at 31 March 2016 was £2,266m.**

The Fund’s long-term investment strategy has been taken into consideration in the derivation of the assumptions used.



## 3 Results

### Previous valuation

The previous valuation was carried out as at 31 March 2013 by Barnett Waddingham LLP. The results are summarised in the valuation report dated 31 March 2014 and show a funding level of 82% corresponding to a deficit of £413m.

The average employer contribution was calculated to be 13.3% of Pensionable Pay in order to cover the cost of future benefits being built up by active members.

In practice, each employer paid their own contribution rate which will have been a combination of contributions to cover the cost of future benefits (which will not necessarily have been the same as the average given above) and contributions towards a past service deficit.

### Shortfall between assets and liabilities

Using the assumptions summarised in Appendix 2, the results of the valuation are set out in the tables below which show:

- The past service funding position which means how well funded the Fund was at the valuation date; and
- The primary rate for the whole Fund which is the weighted average (by payroll) of the individual employers' primary rates.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustment certificate in Appendix 3. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 3 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning with 1 April 2017. The secondary rate is an adjustment to the primary rate each employer is required to pay.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

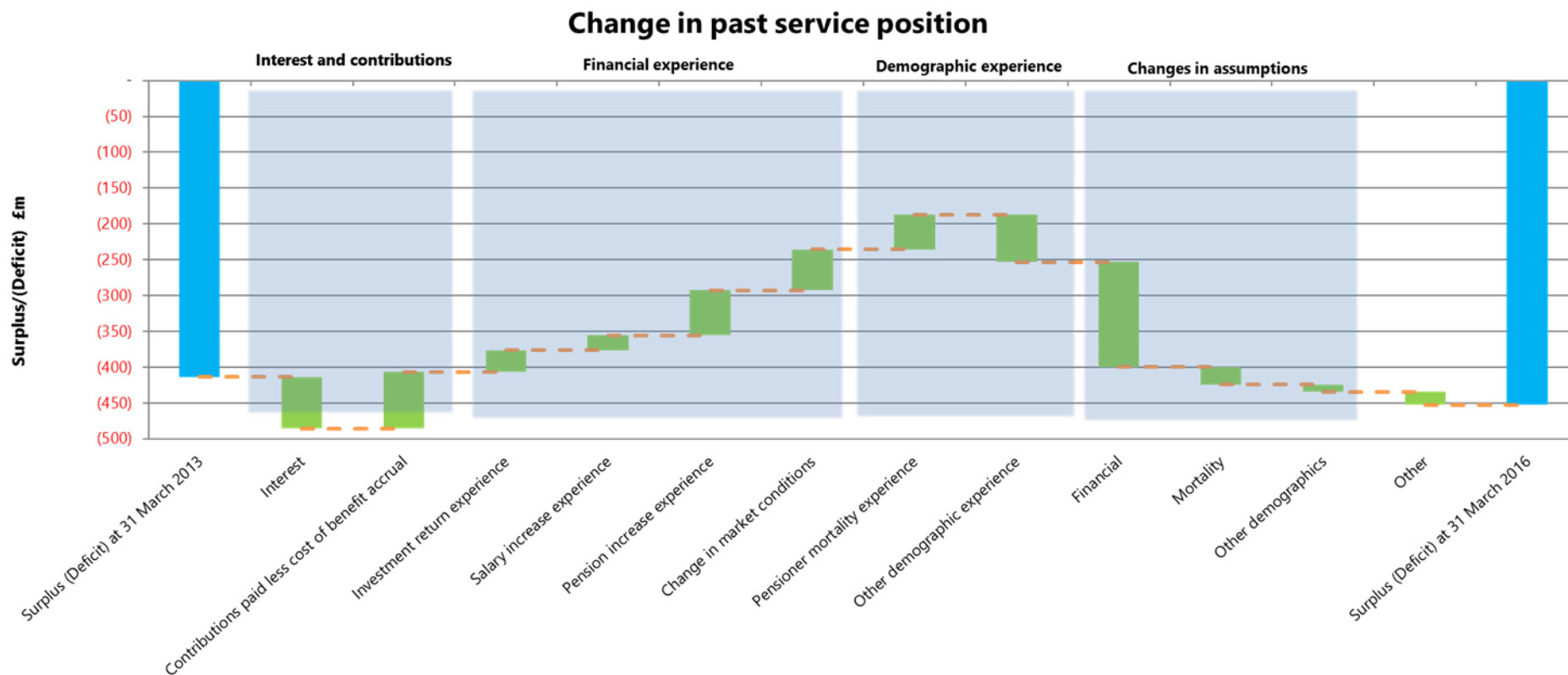
Past service funding position		31 March 2016
		£m
<b>Smoothed asset value</b>		2,249
<b>Past service liabilities</b>		
	Actives	992
	Deferred pensioners	458
	Pensioners	1,251
	Total	2,701
<b>Surplus (Deficit)</b>		<b>(452)</b>
<b>Funding level</b>		83%

Primary rate	% of payroll
Total future service rate	22.0%
less employee contribution rate	<b>(6.4%)</b>
<b>Total primary rate</b>	<b>15.6%</b>

There was a deficit of £452m in the Fund at the valuation date, and the Fund's assets were sufficient to cover 83% of its liabilities.

## Reconciliation to previous valuation

The key factors that have influenced the funding level of the Fund over the intervaluation period are as follows:



The funding level as a percentage has increased (due to good investment returns, employer contributions and pension increases being less than expected) although this has been partly offset by changes to the financial assumptions used.

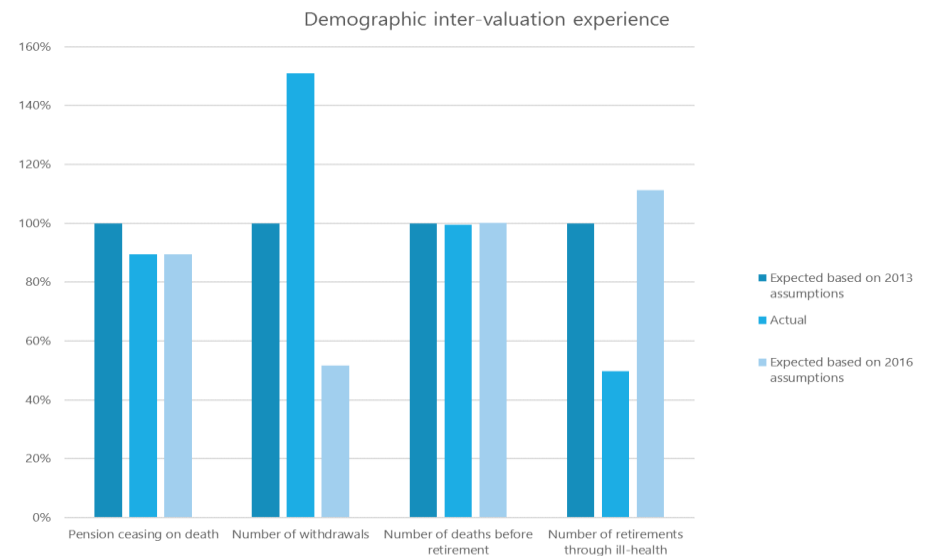
The table below sets out the change in future service contribution rate over the intervaluation period.

Change in future service contribution rate		% of payroll
<b>Average employer rate at 31 March 2013</b>		<b>13.3%</b>
Change in market conditions		(0.5%)
Change in assumptions		
	Financial	1.7%
	Mortality	0.2%
	Other demographics	0.5%
Legislative changes		(0.3%)
Other		0.6%
<b>Average employer rate at 31 March 2016</b>		<b>15.6%</b>

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## Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2013 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2013.



## Valuations on other bases

The liability value as set out in the previous section is known as the Fund’s “funding target” and should be consistent with the Administering Authority’s Funding Strategy Statement. However, as part of the valuation, we have also considered an estimate of the liabilities represented with all margins for prudence removed (the “neutral estimate”).

## Neutral estimate

The neutral basis is set with the main purpose of providing the Administering authority an idea of the level of prudence contained within the funding basis. The neutral estimate represents our best estimate of the funding position, in other words, we believe that it is equally likely that the Fund will beat or miss the funding target based on the neutral assumptions derived.

For the assumptions used for the funding basis, it is appropriate to include a margin for prudence to protect against the risk of not meeting the funding target and to essentially build a cushion for future adverse experience.

The neutral estimate does not contain any margins for prudence.

The funding basis includes an allowance for prudence in the discount rate assumption only. The discount rate on the neutral basis is therefore 5.8% p.a. rather than 5.4% p.a. All other assumptions are the consistent with the ongoing funding basis.

The funding level on the neutral basis was 88%.

## Projected future results

The progression of the funding level over time is influenced by a large number of factors, including the experience of the Fund's membership, the investment return achieved and the contributions paid.

We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on a funding basis will be 85%. This allows for contributions to be paid as described in Appendix 3 and assumes that investment returns and other experience over the next three years is in line with the assumptions used for the valuation as set out in Appendix 2.

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## 4 Sensitivity analysis

### Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

Sensitivity analysis - Past service funding position		Discount Rate		CPI inflation		Long-term salaries		Mortality improvement rate	
		-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	-0.25%	+0.25%
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Smoothed asset value	2,249	2,249	2,249	2,249	2,249	2,249	2,249	2,249	2,249
<b>Past service liabilities</b>									
Actives	992	1,012	970	974	1,008	984	998	981	1,001
Deferred pensioners	458	464	445	445	464	454	454	450	459
Pensioners	1,251	1,263	1,236	1,237	1,262	1,250	1,250	1,239	1,259
Total	2,701	2,739	2,651	2,656	2,734	2,688	2,702	2,670	2,719
Surplus (Deficit)	(452)	(490)	(402)	(407)	(485)	(439)	(453)	(421)	(470)
Funding level	83%	82%	85%	85%	82%	84%	83%	84%	83%

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### Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below.

Sensitivity analysis - Primary rate		Discount Rate		CPI inflation		Long-term salaries		Mortality improvement rate	
		-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	-0.25%	+0.25%
	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
Total future service rate	22.0%	22.5%	21.3%	21.4%	22.5%	21.8%	22.1%	21.6%	22.1%
less employee contribution rate	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)
<b>Total primary rate</b>	<b>15.6%</b>	<b>16.1%</b>	<b>14.9%</b>	<b>15.0%</b>	<b>16.1%</b>	<b>15.4%</b>	<b>15.7%</b>	<b>15.2%</b>	<b>15.7%</b>

## 5 Final comments

### Funding Strategy Statement

The assumptions used for the valuation must be documented in a revised Funding Strategy Statement to be agreed between the Fund Actuary and the Administering Authority. We are able to help the Fund to prepare the Funding Strategy Statement using the latest guidance issued by CIPFA.

### Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Legislative risk

Sensitivity to some of these risks were set out in section 4. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the Funding Strategy Statement.

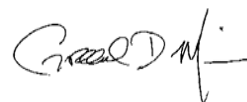
### Rates and Adjustment Certificate

The contributions payable in respect of benefit accrual, expenses and any deficit contributions under each employer's recovery period have been set out in Appendix 3 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

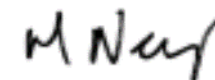
The contributions as set out in Appendix 3 in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, this is targeted in line with the Fund's Funding Strategy Statement and all employers are projected to be fully funded in 22 years.

This document has been agreed between the Administering Authority and the Fund Actuary. Contributions have been set that in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's Funding Strategy Statement.

The next formal valuation is due to be carried out as at 31 March 2019 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.



**Graeme Muir FFA**



**Mark Norquay FFA**

**Barnett Waddingham LLP**

## Appendix 1 Summary of membership data

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison.

	Number		Pensionable pay				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	6,472	5,999	149,035	140,636	23,028	23,443	45.5	46.5
Females	19,930	17,370	270,294	242,216	13,562	13,944	46.0	46.4
Total	26,402	23,369	419,329	382,852	15,882	16,383	45.9	46.4

	Number		Annual pensions current				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	7,395	6,482	11,012	9,907	1,489	1,528	44.2	44.4
Females	20,354	17,971	19,914	15,855	978	882	46.1	45.2
Total	27,749	24,453	30,926	25,762	1,114	1,054	45.6	45.0

	Number		Annual pensions current				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	6,437	6,293	48,172	45,043	7,484	7,158	71.5	72.0
Females	9,678	8,151	29,655	24,158	3,064	2,964	69.6	69.6
Dependants	2,558	2,301	7,772	6,466	3,038	2,810	71.9	72.8
Total	18,673	16,745	85,599	75,667	4,584	4,519	70.6	70.9

- The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2016 pension increase order.
- Pensionable Pay is actual earnings.

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2016 to 31 March 2020 as required under the Rates and Adjustment Certificate.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Year to	Number of members	Retirement benefits £m's
31/03/2017	1,145	13
31/03/2018	1,263	14
31/03/2019	1,458	14
31/03/2020	1,317	14

## Appendix 2 Actuarial assumptions

A summary of the assumptions adopted in the valuation is set out below:

Asset class	Percentage of Fund	Return assumption (% p.a.)	Real (relative to CPI)
Gilts	13%	2.4%	0.0%
Other bonds	12%	3.3%	0.9%
Cash/temporary investments	0%	1.8%	-0.6%
Equities	57%	7.4%	5.0%
Property	14%	5.9%	3.5%
Absolute return fund – LIBOR plus 3%	5%	4.8%	2.4%
Expenses (deduction)		-0.2%	
<b>Neutral estimate of discount rate based on long-term investment strategy</b>		<b>5.8%</b>	<b>3.4%</b>
Prudence allowance		0.4%	
<b>Final discount rate assumption</b>		<b>5.4%</b>	<b>3.0%</b>

Financial assumptions			
		31 March 2016	31 March 2013
		% p.a.	% p.a.
Discount rate		5.4%	6.0%
Pay increases	Long-term	3.9%	4.2%
	Short-term	CPI for period from 1 April 2016 to 31 March 2020	CPI for period from 1 April 2013 to 31 March 2015
Pension increases (CPI)		2.4%	2.7%
Pension increases on GMP		Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	No allowance for limit in increases for any members.



Demographic assumptions		
	31 March 2016	31 March 2013
Pre-retirement mortality - base table	GAD tables (updated)	GAD tables
Post-retirement mortality (member) - base table	85% of the S2PA tables	S1PA tables
Post-retirement mortality (dependant) - base table	100% of the S2DA tables for female dependants and 115% of the S2PA tables for male dependants	S1PA tables
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	GAD tables (updated)	GAD tables
Allowance for early retirements (ill health)	GAD tables (updated)	GAD tables
Allowance for withdrawals	GAD tables (updated)	GAD tables
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership	Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is a 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

## Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These are the same as those used by the Government Actuary's Department when LGPS reforms were designed and are based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds, details of which are saved here: <http://www.lgpsregs.org/index.php/dclg-publications/dclg-other>

### Allowance for ill health early retirements (GAD table b6.1)

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.05%	0.03%
45	0.10%	0.07%
50	0.20%	0.15%
55	0.41%	0.33%
60	0.84%	0.71%
65	1.72%	1.53%

The proportion of ill health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

### Death before retirement for all members (GAD table b8)

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Males	Females
25	0.03%	0.01%
30	0.04%	0.02%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.13%
60	0.32%	0.20%
65	0.51%	0.30%

### Allowance for withdrawals (GAD table b7)

This assumption is regarding active members who leave service to move to deferred member status or take a transfer out but do not yet retire. Active members are assumed to leave service at the following sample rates:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	8.10%	9.08%
30	6.38%	7.20%
35	5.02%	5.71%
40	3.95%	4.53%
45	3.11%	3.59%
50	2.44%	2.85%
55	1.92%	2.26%
60	1.51%	1.79%
65	1.19%	1.42%

### Promotional salary scale (using GAD table b9)

In addition to the assumption made about annual salary increases, we have also included an allowance for a promotional salary scale which applies at each age and some sample rates are set out in the table below:

Age	Males	Females
25	1.0368	1.0165
30	1.1177	1.0526
35	1.1741	1.0820
40	1.2137	1.1033
45	1.2472	1.1040
50	1.2715	1.1043
55	1.2716	1.1044
60	1.2717	1.1045

## Appendix 3 Rates and Adjustment Certificate

### Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement and in this report.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2017 to 31 March 2020 is set out in the table overleaf. The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

### Primary and secondary rate summary

The primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates, and is 15.6% of payroll.

The secondary rates across the entire Fund (as a percentage of projected payroll and as an equivalent monetary amount) in each of the three years in the period 1 April 2017 to 31 March 2020 is set out in the table below.

Secondary contributions	2017/18	2018/19	2019/20
Average as a % of payroll	4.4%	5.1%	5.8%
Total monetary amounts	£18,780,000	£22,625,000	£25,984,000

### General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the Administering Authority and an individual employer.

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
<b>Dorset County Council</b>								
993	Dorset County Council	16.0%	£6,255,000	£7,569,000	£8,943,000	16.0% plus £6,255,000	16.0% plus £7,569,000	16.0% plus £8,943,000
814	Lytchett Minster School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
924	Woodroffe School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
930	Budmouth Technology College	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
968	Westfield School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
974	Shillingstone Primary School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
<b>Bournemouth Borough Council</b>								
900	Bournemouth Borough Council	15.2%	£3,785,000	£4,863,000	£5,941,000	15.2% plus £3,785,000	15.2% plus £4,863,000	15.2% plus £5,941,000
857	Malmesbury Park School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
858	Kinson Primary School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
872	St Michael's Primary School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
<b>Borough of Poole</b>								
903	Borough of Poole Council (non-education)	15.9%	£1,988,000	£2,193,000	£2,193,000	15.9% plus £1,988,000	15.9% plus £2,193,000	15.9% plus £2,193,000
	Borough of Poole Council (education)	15.9%	4.3%	5.1%	5.1%	20.2%	21.0%	21.0%
927	Poole High School	15.9%	4.3%	5.1%	5.1%	20.2%	21.0%	21.0%
<b>Other major employers</b>								
901	Christchurch Borough Council	15.2%	£263,000	£260,000	£266,000	15.2% plus £263,000	15.2% plus £260,000	15.2% plus £266,000
902	North Dorset District Council	15.3%	£148,000	£154,000	£159,000	15.3% plus £148,000	15.3% plus £154,000	15.3% plus £159,000
904	Purbeck District Council	15.3%	£240,000	£258,000	£265,000	15.3% plus £240,000	15.3% plus £258,000	15.3% plus £265,000
905	West Dorset District Council	15.3%	£403,000	£419,000	£434,000	15.3% plus £403,000	15.3% plus £419,000	15.3% plus £434,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
906	Weymouth and Portland Borough Council	15.3%	£451,000	£469,000	£486,000	15.3% plus £451,000	15.3% plus £469,000	15.3% plus £486,000
907	East Dorset District Council	15.2%	£276,000	£280,000	£286,000	15.2% plus £276,000	15.2% plus £280,000	15.2% plus £286,000
890	Dorset Police Authority	14.7%	-1.45% plus £150,000	-0.35% plus £350,000	0.8% plus £550,000	13.25% plus £150,000	14.35% plus £350,000	15.50% plus £550,000
976	Dorset Fire Authority	n/a	£188,000	£192,000	£197,000	£188,000	£192,000	£197,000
487	Dorset & Wiltshire FRA	17.1%	-	-	-	17.1%	17.1%	17.1%
<b>Small scheduled bodies</b>								
419	Stalbridge Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
420	Osmington Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
423	Bere Regis Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
456	Crossways Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
808	West Moors Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
811	Alderholt Parish	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
819	Wool Parish	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
824	Chickerell Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
831	West Parley Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
855	Milborne St Andrew Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
910	Blandford Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
911	Bridport Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
912	Dorchester Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
913	Lyme Regis Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
914	Portland Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
915	Shaftesbury Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
916	Sherborne Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
917	Swanage Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
918	Wareham Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
919	Wimborne Minster Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
920	Gillingham Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
926	Corfe Mullen Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
932	Ferndown Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
934	Lytchett Minster Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
937	Colehill Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
983	Verwood Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
<b>Small admitted bodies</b>								
925	Age Concern Bournemouth	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
948	Dorset Association of Town and Parish Councils	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
952	Dorset County Museum	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
953	Weymouth Port Health Authority	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
985	Dorset Community Action	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
<b>Academies</b>								
400	Queen Elizabeth's School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
401	Longspee Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
403	Magna Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
404	Beaminster St Marys Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
405	Dunbury Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
406	Parkfield School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
410	Winton Media College	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
411	Glenmoor Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
412	Jewell Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
414	Stanley Green Infants Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
416	Plymouth CAST Dorset	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
417	Portsmouth & Winchester Diocesan Academies Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%



Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
418	Southern Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
421	Plymouth CAST Poole	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
422	Plymouth CAST - Bournemouth	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
426	Blandford Education Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
428	Dorset Studio School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
429	Broadstone Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
430	Broadstone First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
431	Castleman Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
432	Ambitions Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
433	Marshwood Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
435	Manorside Primary Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
436	Kings Park Primary Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
441	Allenbourn Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
442	Colehill First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
443	St John's First School Wimborne	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
444	Hayeswood School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
445	Witchampton School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
446	St Michaels Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
447	Merley First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
448	Haymoor Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
449	Ad Astra Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
450	Canford Heath Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
451	Canford Heath Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
457	Wareham St Mary (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
458	St Marks Swanage (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
459	Corfe Castle Primary (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
460	St Clement's and St John's CE Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
461	Bethany CE Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
462	St Luke's CE Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
463	Heathlands Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
464	Wimborne MAT	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
465	The Saturn Educational Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
466	Ocean Learning Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
467	Greenwood Tree Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
468	Bournemouth Primary MAT	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
475	Heath Multi-academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
476	Ocean Academy Poole	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
477	Moordown St Johns CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
478	Kinson Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
479	Kingsleigh Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
481	Muscliff Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
482	St Michael's Primary (Septenary Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
483	St Marks CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
488	Winton Primary Academy (Septenary Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
838	Queens Park Infant Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
842	St Aldhelms	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
843	Bourne Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
844	Bishop of Winchester	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
848	Twynham School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
850	Parkstone Grammar School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
851	Thomas Hardye School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
852	Corfe Hills School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
859	St Peters	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
860	Bournemouth School for Boys	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
861	Montacute Grammar School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
862	Poole Grammar	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
863	Highcliffe Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
867	Bournemouth School for Girls	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
869	Dorchester Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
871	St Osmund's Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
873	Avonbourne Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
875	Epiphany Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
876	Tregonwell	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
877	The Wey Valley	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
878	Gryphon School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
880	IPACA Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
881	Stourfield Infant Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
882	Wyvern School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
883	Queens Park Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
885	Chickerell Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
886	Elmrise Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
887	Oakmead College of Technology	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
888	The Studio Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
893	Pokesdown	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
894	The Quay Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
895	Carter Community Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
896	Education Swanage Ltd	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
897	Minerva Learning Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
<b>SLM Poole</b>								
815	SLM Food & Beverage (Poole)	16.0%	£1,000	£1,000	£1,000	16.0% plus £1,000	16.0% plus £1,000	16.0% plus £1,000
817	SLM Community & Leisure Ltd (Poole)	16.0%	£24,000	£25,000	£25,000	16.0% plus £24,000	16.0% plus £25,000	16.0% plus £25,000
<b>Individual</b>								
321	Edwards and Ward Ltd	25.9%	-	-	-	25.9%	25.9%	25.9%
402	Wessex Education Shared Services Ltd (WESS)	19.4%	-	-	-	19.4%	19.4%	19.4%
408	The Children's Society	16.7%	-0.5%	-0.5%	-0.5%	16.2%	16.2%	16.2%
413	Stour Valley and Poole Partnership	15.8%	£38,000	£39,000	£40,000	15.8% plus £38,000	15.8% plus £39,000	15.8% plus £40,000
415	East Boro Housing Trust	17.7%	£15,000	£16,000	£16,000	17.7% plus £15,000	17.7% plus £16,000	17.7% plus £16,000
424	Colliton Club	15.9%	£1,000	£1,000	£1,000	15.9% plus £1,000	15.9% plus £1,000	15.9% plus £1,000
434	Dorset Arts Development	19.8%	£3,000	£3,000	£3,000	19.8% plus £3,000	19.8% plus £3,000	19.8% plus £3,000
438	Millbrook Healthcare	16.8%	£2,000	£2,000	£2,000	16.8% plus £2,000	16.8% plus £2,000	16.8% plus £2,000
440	Tricuro	17.7%	-	-	-	17.7%	17.7%	17.7%
486	Nviro	21.9%	£140	£150	£150	21.9% plus £140	21.9% plus £150	21.9% plus £150
800	Bournemouth Transport	23.2%	£275,000	£286,000	£297,000	23.2% plus £275,000	23.2% plus £286,000	23.2% plus £297,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
805	Spectrum Housing Group	17.3%	£241,000	£246,000	£252,000	17.3% plus £241,000	17.3% plus £246,000	17.3% plus £252,000
813	Care UK Ltd	20.9%	-3.5%	-3.5%	-3.5%	17.4%	17.4%	17.4%
820	Weyco Services	15.3%	£3,000	£3,000	£4,000	15.3% plus £3,000	15.3% plus £3,000	15.3% plus £4,000
825	Mack Trading	18.1%	£1,000	£1,000	£1,000	18.1% plus £1,000	18.1% plus £1,000	18.1% plus £1,000
826	SLM Community & Leisure (Weymouth)	13.0%	-	-	-	13.0%	13.0%	13.0%
828	South Dorset Community Sports Trust	26.6%	-	-	-	26.6%	26.6%	26.6%
837	Care Quality Commission	14.4%	£26,000	£27,000	£28,000	14.4% plus £26,000	14.4% plus £27,000	14.4% plus £28,000
840	BH Live	15.4%	-	-	-	15.4%	15.4%	15.4%
847	SLM (Blanford Leisure Centre)	13.0%	-1.0%	-1.0%	-1.0%	12.0%	12.0%	12.0%
864	Dorset, Poole & Bournemouth Adult Learning	19.6%	£115,000	£118,000	£120,000	19.6% plus £115,000	19.6% plus £118,000	19.6% plus £120,000
865	Action for Children	20.9%	0.1%	0.1%	0.1%	21.0%	21.0%	21.0%
874	1610 Ltd	11.0%	3.2%	3.2%	3.2%	14.2%	14.2%	14.2%
891	Places For People	17.7%	-	-	-	17.7%	17.7%	17.7%
922	Bournemouth University	13.1%	£572,000	£585,000	£599,000	13.1% plus £572,000	13.1% plus £585,000	13.1% plus £599,000
933	Stonewater Ltd	14.7%	£98,000	£100,000	£102,000	14.7% plus £98,000	14.7% plus £100,000	14.7% plus £102,000
941	Arts University College at Bournemouth	13.0%	£90,000	£92,000	£95,000	13.0% plus £90,000	13.0% plus £92,000	13.0% plus £95,000
942	Bournemouth & Poole College of Further Education	15.5%	£356,000	£551,000	£566,000	15.5% plus £356,000	15.5% plus £551,000	15.5% plus £566,000
943	Kingston Maurward College	15.1%	£5,000	£5,000	£5,000	15.1% plus £5,000	15.1% plus £5,000	15.1% plus £5,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
944	Weymouth College	15.3%	£183,000	£188,000	£192,000	15.3% plus £183,000	15.3% plus £188,000	15.3% plus £192,000
957	Sovereign Housing Association	16.3%	£147,000	£150,000	£154,000	16.3% plus £147,000	16.3% plus £150,000	16.3% plus £154,000
958	Care South	21.1%	£183,000	£187,000	£192,000	21.1% plus £183,000	21.1% plus £187,000	21.1% plus £192,000
959	Magna Housing Association	17.2%	£227,000	£232,000	£238,000	17.2% plus £227,000	17.2% plus £232,000	17.2% plus £238,000
961	Ansbury	16.0%	-1.0% plus £33,000	£33,000	£35,000	15.0% plus £33,000	16.0% plus £33,000	16.0% plus £35,000
970	Anglo-European College of Chiropractic	18.0%	2.5%	2.5%	2.5%	20.5%	20.5%	20.5%
982	Magna Housing Group	16.6%	£80,000	£82,000	£84,000	16.6% plus £80,000	16.6% plus £82,000	16.6% plus £84,000
996	Poole Housing Partnership	15.3%	-0.9%	-0.9%	-0.9%	14.4%	14.4%	14.4%
998	Synergy Housing Group	17.1%	£148,000	£151,000	£155,000	17.1% plus £148,000	17.1% plus £151,000	17.1% plus £155,000

## Post valuation employers

A number of employers joined the Fund on or after 1 April 2016 and their rates were certified at their date of joining and have been reviewed as part of the 2016 valuation process. The table summarises the start dates and contributions required from these employers where known.

Employer Code	Employer Name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Start date
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
301	Hilary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
320	Diocese of Salisbury Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
323	Loders Primary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/04/2016
324	Arne Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/01/2017
489	Baden Powell & St Peter School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
490	Longfleet CE VC Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
491	Oakdale Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
492	Court Hills Infants School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
493	Lilliput CE CV Infants School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
494	Old Town Infant School & Nursery	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
495	Sturminster Marshall Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/06/2016
496	Teach Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/08/2016
497	Harbourside Learning	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
498	East Stoke Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	TBC
499	Lytchett Matravers Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/08/2016

Any employer that joined the Fund after 31 March 2016 and is not listed above will be advised of their contribution rates separately.

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# **DORSET COUNTY PENSION FUND**

## **UK Equity Report for 12 months ending 31 March 2017**

- Internal Managers Report
- Valuation Report
- Transaction Report

## **Dorset County Pension Fund Committee – 21 June 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 (£694.7M at 31 March 2017) are shown in the table at paragraph 5.2.

3.2 The internally managed passive fund aims to track as closely as possible the FTSE 350 index which measures the progress of the majority of the UK equity market. At 31 March 2017, the FTSE All Share index was made up of 634 individual stocks ranging from Royal Dutch Shell Plc, the largest UK company (market value £174.6 Billion) down to the smallest in the index, The Lindsell Train Investment Trust Plc (market value £1.4 Million). Direct investment is made in the largest 350 companies, which comprises 96.6% by value of the index. Investment in the smallest companies which make up 3.4% of the index is achieved by a holding in the Schroders Institutional UK Smaller Companies Fund which is managed on an active basis.

#### **4. Market Background**

4.1 There was good positive performance from the UK markets in the three months to March 2017. The Small Cap ex Investment Trusts was the best performing index rising 5.8% (393 points), whilst the FTSE100 was the worst performing major UK index rising 2.5% (180 points). In comparison, performance from major world indices was equally strong with the exception of the Nikkei 225 which fell 1.1% (205 points). The Hang Seng was the best performing index rising 9.6% (2,111 points). The Dow Jones rose 4.6% (901 points) over the same period.

4.2 Over the twelve month period, all major UK equity markets rose. The Small Cap ex Investment Trusts was the best performing index rising 19.7% (1,186 points), whilst the FTSE250 was the worst performing UK index rising 12.1% (2,046 points). The FTSE100 rose 18.6% (1,148 points) over the same period. The Dax was the best performing world index rising 23.6% (2,347 points), whilst the Shanghai Composite was the worst performing index rising 7.3% (219 points). The Dow Jones rose 16.8% (2,978 points) over the same period.

4.3 On 20 March 2017 the FTSE100 recorded a record high for the third successive day at 7,429.8 as sterling weakened following news that the UK government would trigger Article 50, officially notifying the European Union of its decision to leave on 29 March

2017. The FTSE250 also closed on a record high on 20 March 2017 at 19,151.8 due mainly to Merger and Acquisitions and the rise in the pound.

- 4.4 On 1 March 2017 the Dow Jones reached a record high of 21,115.6, breaking the 21,000 barrier for the first time. This was due to renewed optimism over a huge economic stimulus in the US and hopes of a rate rise, as well as industrial and banking stocks performing well. The Dow Jones only took twenty five trading sessions to rise from 20,000 to 21,000 and was the fastest move between thousand point milestones since 1999. The technology heavy Nasdaq reached a record high of 5,914.3 on 30 March 2017 due mainly to financials as banks rose more than 2%.

#### Three Months to 31 March 2017

Country	Index	31/12/2016	31/03/2017	% Change
UK	FTSE100	7,142.8	7,322.9	2.5
UK	FTSE250	18,077.3	18,971.8	4.9
UK	FTSE350	3,931.7	4,046.6	2.9
UK	Small Cap	5,143.2	5,430.5	5.6
UK	Small Cap ex Investment Trusts	6,802.3	7,196.1	5.8
UK	All Share	3,873.2	3,990.0	3.0
Japan	Nikkei225	19,114.4	18,909.3	-1.1
US	Dow Jones	19,762.6	20,663.2	4.6
Hong Kong	Hang Seng	22,000.6	24,111.6	9.6
France	Cac 40	4,862.3	5,122.5	5.4
Germany	Dax	11,481.1	12,312.9	7.2
China	Shanghai Composite	3,103.6	3,222.5	3.8

## 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
3 months to 31/03/2017	3.71	3.95	-0.24
12 months to 31/03/2017	22.29	21.91	0.38
3 years to 31/03/2017	7.71	7.61	0.10
5 years to 31/03/2017	9.58	9.54	0.04

The internally managed portfolio has underperformed the benchmark over the three month period to 31 March 2017 by 0.24% which is within the allowed tolerances of +/-0.5%. The performance of the internally managed portfolio was outside the agreed tolerance for the second quarter, but is still within its tolerance for the twelve months, three years and five years to date.

## 5.2 FINANCIAL YEAR TO 31 MARCH 2017

	Market Values		Performance	Benchmark	Benchmark
	31/03/2016	31/03/2017	%	%	Description
	£M	£M			
Internal	365.7	461.7	22.3	21.9	FTSE 350
AXA Framlington	108.0	185.4	9.8	22.0	All-Share
Standard Life	71.9	-	-	-	All-Share
Schroders	38.6	47.6	23.9	19.7	Small Cap*
<b>Total</b>	<b>584.2</b>	<b>694.7</b>	<b>19.1</b>	<b>21.8</b>	

\*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 2.7%.
- Schroders outperformed its benchmark by 4.2% whilst AXA Framlington underperformed its benchmark by 12.2%.

### THREE AND FIVE YEAR ANNUALISED PERFORMANCE

	Three Years		Five Years	
	Performance	Benchmark	Performance	Benchmark
	%	%	%	%
Internal	7.7	7.6	9.6	9.5
AXA Framlington	4.9	7.7	9.1	9.7
Schroders	13.2	8.7	18.0	16.8

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 2.8% and also underperformed its benchmark by 0.6% over five years.
- Schroders outperformed its benchmark over three years by 4.5% and by 1.2% 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 March 2017.

### MARKET VALUE OVER FINANCIAL YEAR TO 31 MARCH 2017

<u>Manager</u>	<u>Market Value</u>		<u>% of Total UK Equity as at</u>	
	<u>31/03/16</u>	<u>31/03/17</u>	<u>31/03/16</u>	<u>31/03/17</u>
	£M	£M	%	%
Internal	365.7	461.7	62.6	66.5
AXA Framlington	108.0	185.4	18.5	26.7
Standard Life	71.9	0.0	12.3	0.0
Schroders	38.6	47.6	6.6	6.9
<b>Total</b>	<b>584.2</b>	<b>694.7</b>	<b>100.0</b>	<b>100.0</b>

- 5.4 Officers met with the fund managers for both AXA Framlington and Schroders in May, and each external manager's commentary is summarised below:

#### **AXA Framlington - 4th Quarter 2016/17**

Performance: During the quarter, the fund underperformed the FTSE All Share with a return of 1.5% against the benchmark of 4.0%. For the twelve months to date the Fund returned 9.8% against its benchmark of 22.0%. Over the three years, the fund underperformed its benchmark by 2.8% and also underperformed by 0.6% over the five year period. It was a poor relative return in the quarter, mainly stock specific. Growth stocks continued to rise helped by the election of a US president perceived to be business friendly, whilst political uncertainty continued to plague markets.

Activity: This was a difficult quarter for the Fund where Brexit fears continued to influence markets. RPC, the second largest holding, had a 1 for 4 rights issue to fund an acquisition and this accounted for -1.48% of the relative underperformance and was the biggest negative contributor to relative performance.

Other negatives to performance included not owning British American Tobacco which was the second biggest negative to relative return at -0.49%; being underweight in consumer goods which was the biggest negative contributor to relative returns and consumer services was also negative. Positives to performance included being underweight in Royal Dutch Shell and BP which were the greatest performers to relative return of 0.49% and 0.42% respectively, whilst the best relative contributing sectors were being underweight in oil and gas and being overweight in industrials.

There were three new holdings purchased in Rentokil, Bodycote and Severn Trent. Holdings added to included Clinigen, Lloyds Banking Group Plc, Ashtead, Ascential and Johnson Matthey. The exposure to telecoms of BT and Vodafone were reduced. Following the bid for Booker from Tesco, the holding in Booker was reduced. Premier Oil was sold following their dilutive re-financing and part holdings were sold in RPC, Hunting, Dixons Carphone, Rightmove and ITV.

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. The US presidential election result has led to a further rally in global equities and expectations that corporate taxes will be reduced in the USA. US monetary tightening occurred and more is expected in 2017.

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. There is much political uncertainty affecting capital markets. Fragile global economic growth is causing many companies to downgrade expectations, compounded by the EU Referendum. Monetary tightening in the USA is occurring, but the new president will hopefully be business friendly and cut corporate taxes.

#### **Schroders - 4th Quarter 2016/17**

Performance and Market Summary: During the quarter, the fund returned 9.0% against the Small Cap benchmark of 5.8%. Over the twelve month period the Fund returned 23.9% against its benchmark of 19.7%. Over three years the Fund outperformed the benchmark by 4.5% and outperformed by 1.3% over the five year period.

Activity: Over the three month period to 31 March 2017 the fund outperformed its benchmark by 3.2%. The main contributors to performance were mainly from technology or engineering stocks. The most significant contributor was Microgen which announced results ahead of expectations and has started to use its surplus cash to make small acquisitions. Taptica continued its run of upgrades during the quarter, having delivered five upgrades over the past twelve months. Despite that performance, the shares still only trade on a p/e ratio of eleven times. Taptica has recently opened new offices in Japan and the UK. Games Workshop released an upbeat trading statement on 6<sup>th</sup> March to which the shares responded commensurately.

The fund benefited from being underweight in NCC which saw the departure of its Chief Executive following weak trading and poor integration of acquisitions. In early February, RM announced good results in addition to the acquisition of the Education and Care business of Connect Group for £56.5m in cash. Negatives to performance included Colefax who reported weak results towards the end of January, arising from weakness in the US. Autins, a manufacturer of automotive insulation products, suffered delays at its largest customer. SQS also experienced what its management team reckon to be a hiatus in demand from several of its automotive customers for its software testing products. In a February trading update, Tracsis indicated that revenues would be weighted more to the second half than has been the case historically thanks to longer sales cycles with the UK's Department of Transport. The management also pointed to pricing pressure in its Traffic and Data services division. Tracsis' shares were marked down accordingly.

There was an energetic approach to recycling capital in successful investments over the course of the quarter. With regards to disposals, profits were taken in a number of names over the period. Additionally, Amino Technologies was completely disposed of at a good profit. Similarly, profits were taken in other names such as Anpario, Gateley and Luceco where the risk-reward profile was not as attractive as it had once been.

Similarly, profits were taken in several positions but still left the fund with meaningful positions in those names. This approach was taken across the market cap range. The proceeds of these divestments were invested in a number of new names as well as topping up existing holdings where there is still some value to be exploited. A couple of additions were floatations, namely Medica and UP Global Sourcing, the former providing teleradiology services in the UK, whilst the latter provides merchandising, sourcing and distribution of kitchenware products.

Outlook and Strategy: This quarter has seen a strong start by small companies as investors reflect the level of earning and dividend growth being delivered. To a degree, there has also been some catch up following the strong currency induced performance of the FTSE100 last year. In the UK, economic growth has continued to surpass the expectations of most forecasters who expected a significant slowdown. Consumer spending has remained robust even if the traditional bricks and mortar retailers faced incessant margin pressure from lower cost internet competitors. Employment remains high but wage growth has started to slow and is now only matching inflation. The weakness of sterling has started to see higher costs being passed on to the consumer and it will be seen whether companies will be able to make these increases stick or will have to reverse them due to falling demand.

Companies, are using the environment of low interest rates, which 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 expect to continue for some time. The trend will continue in seeking organic growth and pricing power where possible and avoiding companies with too much debt. There is an expectancy for a

Merger and Acquisition activity pick up, particularly with the recent weakness of sterling.

## 6 **Review of Activity**

6.1 The Internal managed portfolio had two corporate actions in the three month period to 31 March 2017:

- In February, there was a RPC Rights Issue for £0.1M
- In March, there was a Segro Rights Issue for £0.1M.

6.2

- In January, the UK Equity Internally Managed Passive Fund was rebalanced. The total value of purchases and sales were £2.0M with a net purchase of £0.5M. There were 8 purchases (£1.2M) and 10 sales (£0.7M).
- In February, the UK Equity Internally Managed Passive Fund was rebalanced. The total value of purchases and sales were £1.9M with a net sale of £1.1M. There were 15 purchases (£0.4M) and 74 sales (£1.5M).

## 7 **Stock Lending**

7.1 Stock lending of equities is managed in the UK on an agency basis by HSBC, and on global equities by Allianz, Investec and Wellington.

7.2 For the year to 31 March 2017, net income from UK stock lending was £169,000 and overseas stock lending income was £28,000, giving a total of £197,000.

**David Wilkes**  
**Finance Manager (Treasury and Investments)**  
**June 2017**

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**DORSET COUNTY PENSION FUND**

**VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 31 March 2017**

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
<b>UK EQUITIES</b>				
<b>MINING</b>				
ACACIA MINING	33,000	147.93	4.502	148.57
ANGLO AMERICAN ORD USD0.54	270,390	2,804.18	12.27	3,317.69
ANTOFAGASTA ORD GBP0.05	74,500	151.50	8.355	622.45
BHP BILLITON ORD USD0.50	436,926	2,401.54	12.395	5,415.70
CENTAMIN EGYPT LTD	226,000	349.07	1.732	391.43
FRESNILLO	35,500	88.20	15.52	550.96
GLENCORE XSTRATA	2,412,543	5,662.91	3.141	7,577.80
HOCHSCHILD MINING ORD GBP0.25	49,000	108.90	2.765	135.49
KAZ MINERALS	53,600	89.80	4.551	243.93
PETRA DIAMONDS	106,900	169.67	1.329	142.07
POLYMETAL INT'L	53,800	514.30	9.945	535.04
RANDGOLD RESOURCES ORD USD0.05	19,250	485.32	69.7	1,341.73
RIO TINTO ORD GBP0.10 (REG)	250,150	2,876.49	32.185	8,051.08
VEDANTA RESOURCES ORD USD0.10	18,500	75.07	8.11	150.04
<b>Total MINING</b>		<b>15,924.89</b>		<b>28,524.69</b>
<b>OIL &amp; GAS PRODUCERS</b>				
AFREN PLC	218,000	215.93	0	0.00
BP ORD USD0.25	3,948,100	13,177.95	4.5885	18,115.86
CAIRN ENERGY ORD GBP0.06153846153	119,207	236.32	2.048	244.14
NOSTRUM OIL & GAS	17,700	84.36	4.796	84.89
ROYAL DUTCH 'B' ORD EUR0.07	1,642,961	20,190.09	21.945	36,054.78
TULLOW OIL ORD GBP 0.10	188,500	789.92	1.99026	375.16
<b>Total OIL &amp; GAS PRODUCERS</b>		<b>34,694.58</b>		<b>54,658.45</b>
<b>CHEMICALS</b>				
CRODA INTL ORD GBP0.10	26,995	211.15	35.77	965.61
ELEMENTIS	99,000	130.23	2.899	287.00
JOHNSON MATTHEY ORD GBP1.00	40,357	446.31	30.82	1,243.80
SYNTHOMER	57,665	118.87	4.751	273.97
VICTREX ORD GBP0.01	17,000	111.61	19.02	323.34
<b>Total CHEMICALS</b>		<b>1,018.16</b>		<b>3,087.91</b>
<b>CONSTRUCTION &amp; MATERIALS</b>				
BALFOUR BEATTY ORD GBP0.50	142,920	345.98	2.695	385.17
CRH PLC	171,600	2,430.00	28.17	4,833.97
IBSTOCK PLC	47,200	92.72	2.077	98.03
KELLER GROUP ORD GBP0.10	15,000	143.63	9.09	136.35
KIER GROUP ORD GBP0.01	19,139	256.60	13.69	262.01
MARSHALLS GROUP ORD GBP0.25	43,000	152.97	3.532	151.88
POLYPIPE GROUP	41,000	127.39	3.814	156.37
<b>Total CONSTRUCTION &amp; MATERIALS</b>		<b>3,549.29</b>		<b>6,010.56</b>
<b>FORESTRY &amp; PAPER</b>				
MONDI PLC EUR0.20	76,250	272.54	19.29	1,470.86
<b>Total FORESTRY &amp; PAPER</b>		<b>272.54</b>		<b>1,467.05</b>
<b>AEROSPACE &amp; DEFENCE</b>				
BAE SYSTEMS ORD GBP0.025	654,316	1,453.85	6.44	4,213.80
COBHAM ORD GBP0.25	356,499	343.56	1.338	477.00
MEGGITT ORD GBP0.05	162,187	421.07	4.477	726.11
QINETIQ ORD GBP0.01	120,000	215.13	2.794	335.28
ROLLS ROYCE ORD GBP0.20	342,378	1,160.94	7.555	2,586.67
SENIOR	90,000	127.75	2.057	185.13
ULTRA ELECTRONICS ORD GBP0.05	14,500	125.15	20.74	300.73
<b>Total AEROSPACE &amp; DEFENCE</b>		<b>3,847.44</b>		<b>8,800.71</b>

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
<b>ELECTRONIC &amp; ELECTRICAL EQUIPMENT</b>				
HALMA ORD GBP0.10	78,517	154.65	10.27	806.37
MORGAN ADVANCE MATERIALS	61,000	125.55	3.112	189.83
RENISHAW ORD GBP0.20	7,500	61.32	31.21	234.08
SPECTRIS ORD GBP0.05	24,500	163.05	25	612.50
<b>Total ELECTRONIC &amp; ELECTRICAL EQUIPMENT</b>		<b>504.57</b>		<b>1,838.17</b>
<b>INDUSTRIAL ENGINEERING</b>				
BODYCOTE INT ORD GBP 0.10	39,552	174.21	7.98	315.62
HILL & SMITH	17,000	168.23	12.73	216.41
IMI ORD GBP0.25	56,968	208.81	11.98	682.48
ROTORK ORD GBP0.05	180,000	128.82	2.441	439.38
SPIRAX-SARCO ORD GBP0.25	15,021	175.55	47.68	716.20
WEIR GROUP ORD GBP0.125	44,950	244.15	19.16	861.24
<b>Total INDUSTRIAL ENGINEERING</b>		<b>1,099.76</b>		<b>3,226.58</b>
<b>AUTOMOBILES &amp; PARTS</b>				
GKN ORD GBP0.50	354,544	435.74	3.651	1,294.44
<b>Total AUTOMOBILES &amp; PARTS</b>		<b>435.74</b>		<b>1,288.05</b>
<b>HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</b>				
BARRATT DEVEL ORD GBP0.10	207,634	515.33	5.465	1,134.72
BELLWAY ORD GBP0.125	25,500	213.21	27.06	690.03
BERKELEY GP UNITS	26,680	213.77	32.18	858.56
BOVIS HOMES GROUP ORD GBP0.50	29,000	145.27	8.46	245.34
COUNTRYSIDE	33,000	78.49	2.416	79.73
CREST NICHOLSON ORD GBP0.10	52,000	189.91	5.435	282.62
GALLIFORD TRY ORD GBP0.05	17,200	120.54	14.69	252.67
MCCARTHY & STONE ORD GBP0.20	61,000	148.65	1.894	115.53
PERSIMMON ORD GBP0.10	63,645	444.90	20.95	1,333.36
RECKITT BENCKISER ORD GBP0.10	130,100	2,248.49	73.05	9,503.81
REDROW ORD GBP0.10	46,928	85.97	5.115	240.04
TAYLOR WIMPEY ORD GBP0.25	681,000	420.28	1.938	1,319.78
<b>Total HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</b>		<b>4,824.80</b>		<b>16,020.64</b>
<b>BEVERAGES</b>				
BARR (A G )	18,000	46.45	5.805	104.49
BRITVIC ORD GBP0.20	52,000	185.30	6.495	337.74
COCA-COLA HBC AG-CDI	40,400	685.07	20.68	835.47
DIAGEO PLC ORD GBP0.28935	521,177	4,116.88	22.9	11,934.95
<b>Total BEVERAGES</b>		<b>5,033.69</b>		<b>13,175.28</b>
<b>FOOD PRODUCERS</b>				
ASSD BRITISH FOODS ORD GBP0.0568	72,360	547.04	26.13	1,890.77
CRANWICK	10,500	105.72	25.62	269.01
DAIRY CREST ORD GBP0.25	30,000	148.73	5.55	166.50
GREENCORE GROUP	144,020	246.76	2.452	353.14
TATE & LYLE ORD GBP0.25	97,400	319.81	7.685	748.52
<b>Total FOOD PRODUCERS</b>		<b>1,368.06</b>		<b>3,418.64</b>
<b>HEALTH CARE EQUIPMENT &amp; SERVICES</b>				
CONVATEC GROUP	134,100	324.33	2.782	373.07
MEDICLINIC	81,000	771.85	7.135	577.94
NMC HEALTH PLC	14,400	81.37	17.67	254.45
SMITH & NEPHEW ORD USD0.2	182,972	611.14	12.15	2,223.11
SPIRE HEALTHCARE GRP	60,000	184.39	3.242	194.52
UDG HEALTHCARE	51,000	165.68	7.03	358.53
<b>Total HEALTH CARE EQUIPMENT &amp; SERVICES</b>		<b>2,138.76</b>		<b>3,980.72</b>
<b>PERSONAL GOODS</b>				
BURBERRY GROUP ORD GBP0.0005	91,672	337.47	17.29	1,585.01
PZ CUSSONS ORD GBP0.01	39,070	66.56	3.213	125.53
SUPERGROUP PLC	11,000	115.75	14.84	163.24

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
TED BAKER PLC	6,000	71.01	27.58	165.48
UNILEVER ORD GBP0.031111	249,628	2,183.44	39.365	9,826.61
<b>Total PERSONAL GOODS</b>		<b>2,774.24</b>		<b>11,868.81</b>
<b>PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>				
ASTRAZENECA ORD USD0.25	261,100	5,426.27	49.21	12,848.73
BTG	80,000	264.78	5.85	468.00
DECHRA PHARMACEUTICALS	19,000	110.31	16.77	318.63
GENUS	13,000	113.02	17.31	225.03
GLAXOSMITHKLINE ORD GBP0.25	1,005,788	6,321.81	16.64	16,736.31
HIKMA PHARMA ORD GBP0.10	29,000	210.19	19.89	576.81
INDIVIOR	150,550	109.12	3.235	487.03
SHIRE ORD GBP0.05	186,200	5,089.90	46.775	8,709.51
VECTURA GROUP	140,600	238.11	1.535	215.82
<b>Total PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>		<b>17,883.52</b>		<b>40,481.59</b>
<b>TOBACCO</b>				
BRITISH AMERICAN TOBACCO ORD GBP0.25	385,700	5,395.50	52.95	20,422.82
IMPERIAL BRANDS ORD GBP0.10	199,362	2,660.60	38.82	7,739.23
<b>Total TOBACCO</b>		<b>8,056.10</b>		<b>28,151.42</b>
<b>GENERAL RETAILERS</b>				
AO WORLD	35,000	57.76	1.32	46.20
B&M EUROPEAN VALUE RETAIL SA	142,000	487.37	2.995	425.29
BROWN (N) GROUP ORD GBP0.1105263157	32,761	38.68	2.0975	68.72
CARD FACTORY	50,000	137.38	2.853	142.65
DEBENHAMS ORD GBP0.01	264,000	322.73	0.5445	143.75
DIGNITY	10,411	127.73	23.86	248.41
DIXONS CARPHONE	207,453	715.89	3.174	658.46
DUNELM GROUP	20,000	62.01	6.37	127.40
HALFORDS GRP ORD GBP0.01	43,000	136.22	3.554	152.82
INCHCAPE ORD GBP0.25	87,200	225.95	8.435	735.53
JD SPORTS FASHION PLC	76,600	91.07	3.854	295.22
JUST EAT	114,997	444.88	5.675	652.61
KINGFISHER ORD GBP0.157142857	468,478	990.02	3.276	1,534.73
MARKS AND SPENCER GROUP ORD GBP0.25	335,600	694.71	3.373	1,131.98
NEXT ORD GBP0.10	29,400	360.68	43.2	1,270.08
PETS AT HOME GRP	79,000	174.53	1.824	144.10
SAGA	230,800	428.20	2.038	470.37
SMITH WH ORD GBP0.20	22,547	93.46	17.77	400.66
SPORTS DIRECT INT'L ORD GBP0.10	54,000	177.54	3.08	166.32
<b>Total GENERAL RETAILERS</b>		<b>5,766.81</b>		<b>8,801.03</b>
<b>INDUSTRIAL METALS</b>				
EVRAZ PLC	101,000	329.42	2.172	219.37
FERREXPO	45,300	61.05	1.686	76.38
<b>Total INDUSTRIAL METALS</b>		<b>390.46</b>		<b>294.74</b>
<b>TRAVEL &amp; LEISURE</b>				
CARNIVAL ORD USD1.66	37,715	583.05	45.85	1,729.23
CINEWORLD GRP	40,400	144.29	6.645	268.46
COMPASS GROUP ORD GBP0.10	340,893	1,372.16	15.12	5,154.30
DOMINO'S PIZZA UK & IRL	103,500	171.14	3.087	319.50
EASYJET ORD GBP0.25	52,257	310.56	10.29	537.72
FIRSTGROUP ORD GBP0.05	249,149	399.82	1.318	328.38
GO AHEAD GROUP ORD GBP0.10	9,000	106.80	17.33	155.97
GREENE KING ORD GBP0.125	63,985	346.12	7.025	449.49
GVC PLC	59,400	426.09	7.335	435.70
INT'L CONSOLIDATED AIR	352,350	1,032.88	5.29	1,863.93
INTERCONTINENTAL HOTELS	40,716	321.88	39.2	1,596.07
LADBROKES ORD GBP0.28333	190,105	607.03	1.297	246.57
MARSTONS ORD GBP0.07375	123,154	132.89	1.345	165.64
MERLIN ENTERTAINMENT	148,000	585.87	4.822	713.66

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.30	25,910	101.36	4.41	114.26
MITCHELLS & BUTLER ORD GBP0.085416	50,430	153.52	2.453	123.70
NATIONAL EXPRESS ORD GBP0.05	87,566	231.73	3.602	315.41
PADDYPOWER BETFAIR	16,999	1,143.13	86.15	1,464.46
PLAYTECH ORD	51,500	320.35	9.3	478.95
RANK GROUP ORD GBP0.13888	33,215	72.59	2.095	69.59
RESTAURANT ORD GBP0.28125	43,000	76.49	3.331	143.23
SSP GRP	97,700	267.41	4.167	407.12
STAGECOACH GROUP ORD GBP0.009824	91,395	106.44	2.096	191.56
THOMAS COOK ORD EUR0.10	307,000	380.95	0.8535	262.02
TUI TRAVEL ORD GBP0.10	97,497	846.83	11.09	1,081.24
WETHERSPOON (JD) ORD GBP0.02	16,400	50.43	9.42	154.49
WHITBREAD ORD GBP0.76797385	37,785	411.86	39.61	1,496.66
WILLIAM HILL ORD GBP0.10	181,552	375.18	2.901	526.68
WIZZ AIR HOLDINGS PLC	9,000	157.76	16.44	147.96
<b>Total TRAVEL &amp; LEISURE</b>		<b>11,236.62</b>		<b>20,892.17</b>
<b>MEDIA</b>				
ASCENTIAL	62,100	170.64	3.202	198.84
AUTO TRADER GROUP	198,200	715.34	3.918	776.55
ENTERTAINMENT ONE LTD	67,698	131.59	2.441	165.25
EUROMONEY INST INVESTOR ORD GBP0.0025	11,100	89.71	10.7	118.77
INFORMA ORD GBP0.001	170,581	595.80	6.515	1,111.34
ITV ORD GBP0.10	774,546	999.96	2.192	1,697.80
MONEYSUPERMARKET.COM	110,000	205.04	3.297	362.67
PEARSON ORD GBP0.25	170,627	1,074.32	6.835	1,166.24
RELX	226,970	1,002.87	15.66	3,554.35
RIGHTMOVE ORD GBP0.001	18,365	140.94	39.88	732.40
SKY PLC	216,900	1,230.47	9.76	2,116.94
UBM ORD GBP0.338068	81,716	560.82	7.645	624.72
WPP GROUP ORD GBP0.10	265,266	1,658.16	17.6	4,668.68
ZOOPLA PROPERTY GRP	51,000	109.55	3.633	185.28
<b>Total MEDIA</b>		<b>8,685.21</b>		<b>17,440.20</b>
<b>SUPPORT SERVICES</b>				
AA PLC	125,800	481.32	2.656	334.12
AGGREKO ORD GBP0.20	49,765	178.87	8.84	439.92
ASHTHEAD GROUP ORD GBP0.10	104,100	272.34	16.57	1,724.94
ATKINS WS ORD GBP0.005	21,000	116.34	15.4	323.40
BABCOCK INTL GRP ORD GBP0.60	104,979	491.65	8.825	926.44
BERENDSEN PLC	35,957	149.23	7.33	263.56
BUNZL ORD GBP0.32142857	69,470	385.76	23.24	1,614.48
CAPITA GROUP ORD NVP	137,902	571.00	5.66	780.53
CARILLION ORD GBP0.50	92,699	186.17	2.229	206.63
DCC ORD	18,300	597.28	70.35	1,287.41
DIPLOMA PLC	24,000	118.81	10.6	254.40
ELECTROCOMPONENTS ORD GBP0.10	90,800	126.13	4.752	431.48
ESSENTRA	55,749	181.18	5.245	292.40
EXPERIAN ORD USD0.10	198,570	716.90	16.23	3,222.79
G4S ORD GBP0.25	324,213	629.56	3.046	987.55
GRAFTON GROUP	46,000	296.45	7.125	327.75
HAYS ORD GBP0.01	298,500	184.32	1.569	468.35
HOMESERVE ORD GBP0.125	53,140	106.69	5.635	299.44
HOWDEN JOINERY GROUP	127,000	166.47	4.336	550.67
INTERTEK GROUP ORD GBP0.01	33,550	346.02	39.35	1,320.19
IWG Group	141,000	173.57	2.423	341.64
MICHAEL PAGE INTL ORD GBP0.01	63,300	135.20	4.286	271.30
MITIE GROUP ORD GBP0.025	77,500	158.55	2.219	171.97
PAYPOINT	14,000	104.26	10.25	143.50
PAYSAFE GROUP	100,000	401.28	4.68	468.00
RENTOKIL INITIAL ORD GBP0.01	381,624	350.97	2.474	944.14
SERCO ORD GBP0.02	228,300	352.22	1.162	265.28
SIG ORD GBP0.10	120,285	188.36	1.115	134.12

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
TRAVIS PERKINS ORD GBP0.10	51,672	322.00	15.15	782.83
WOLSELEY ORD GBP0.25	52,213	929.29	50.1	2,615.87
WORLDPAY GROUP PLC	349,400	1,017.68	2.952	1,031.43
<b>Total SUPPORT SERVICES</b>		<b>10,435.90</b>		<b>23,324.64</b>
<b>INDUSTRIAL TRANSPORT</b>				
BBA AVIATION ORD GBP0.2976	217,039	350.08	3.044	660.67
CLARKSON PLC	5,000	139.22	26	130.00
FISHER (JAMES) & SONS	9,000	139.34	15.93	143.37
ROYAL MAIL	190,000	1,062.94	4.251	807.69
<b>Total INDUSTRIAL TRANSPORT</b>		<b>1,691.58</b>		<b>1,741.89</b>
<b>FOOD &amp; DRUG RETAILERS</b>				
BOOKER GROUP	343,000	217.53	1.957	671.25
GREGGS ORD GBP0.20	22,000	195.21	10.46	230.12
MORRISON (WM) ORD GBP0.10	451,283	571.98	2.401	1,083.53
OCADO GROUP PLC	87,000	154.91	2.409	209.58
SAINSBURY (J) ORD GBP0.28571428	347,473	860.91	2.647	919.76
TESCO ORD GBP0.05	1,680,512	2,597.84	1.864	3,132.47
<b>Total FOOD &amp; DRUG RETAILERS</b>		<b>4,598.38</b>		<b>6,229.66</b>
<b>FIXED LINE TELECOMMUNICATION</b>				
BT GROUP ORD GBP0.05	1,731,198	4,124.02	3.194	5,529.45
TALKTALK TELECOM	113,000	174.69	1.894	214.02
TELECOM PLUS	12,384	109.35	11.98	148.36
<b>Total FIXED LINE TELECOMMUNICATION</b>		<b>4,408.05</b>		<b>5,871.04</b>
<b>ELECTRICITY</b>				
DRAX GROUP ORD GBP0.1155172	84,044	585.19	3.262	274.15
SSE PLC ORD GBP0.50	210,540	1,571.93	14.78	3,111.78
<b>Total ELECTRICITY</b>		<b>2,157.12</b>		<b>3,381.05</b>
<b>GAS WATER &amp; MULTIUTILITIES</b>				
CENTRICA ORD GBP0.061728395	1,126,774	2,003.01	2.178	2,454.11
NATIONAL GRID ORD GBP0.11395	780,486	3,961.06	10.155	7,925.84
PENNON ORD GBP0.407	85,279	293.66	8.82	752.16
SEVERN TRENT ORD GBP0.9789	49,009	368.90	23.88	1,170.33
UNITED UTILITIES ORD GBP1.00	141,039	627.97	9.965	1,405.45
<b>Total GAS WATER &amp; MULTIUTILITIES</b>		<b>7,254.59</b>		<b>13,675.50</b>
<b>BANKS</b>				
ALDERMORE GROUP	35,000	96.67	2.221	77.74
BANK OF GEORGIA HLDGS	7,000	109.23	32.28	225.96
BARCLAYS ORD GBP0.25	3,500,270	7,131.35	2.259	7,907.11
CYBG	182,600	436.36	2.774	506.53
HSBC HLDGS ORD USD 0.50	4,148,547	18,301.66	6.529	27,085.86
LLOYDS TSB GROUP ORD GBP0.25	13,243,923	11,505.19	0.6655	8,813.83
METRO BANK	15,500	302.18	32.61	505.46
ROYAL BANK OF SCOTLAND	677,972	6,673.44	2.429	1,646.79
SHAWBROOK GROUP	22,000	69.19	3.383	74.43
STANDARD CHARTERED ORD USD0.50	555,269	3,877.75	7.65	4,247.81
VIRGIN MONEY HOLDINGS UK	58,500	222.31	3.204	187.43
<b>Total BANKS</b>		<b>48,725.34</b>		<b>51,124.15</b>
<b>NON LIFE INSURANCE</b>				
ADMIRAL GRP ORD GBP0.001	41,400	304.97	19.91	824.27
BEAZLEY GROUP ORD GBP0.05	108,721	155.10	4.278	465.11
DIRECT	287,416	750.80	3.487	1,002.22
ESURE GROUP	58,900	137.33	2.348	138.30
HASTINGS GROUP HOLDINGS LTD	62,600	115.49	2.706	169.40
HISCOX ORD GBP0.05	59,069	224.55	10.96	647.40
JARDINE LLOYD THOMPSON ORD GBP0.05	26,000	81.77	11.34	294.84
LANCASHIRE HOLDINGS LTD	41,200	231.87	6.72	276.86

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
RSA INSURANCE	210,116	1,275.91	5.885	1,236.53
<b>Total NON LIFE INSURANCE</b>		<b>3,277.79</b>		<b>5,043.03</b>
<b>LIFE INSURANCE</b>				
AVIVA ORD GBP0.25	836,907	4,660.70	5.345	4,473.27
JRP GROUP	100,834	132.32	1.32	133.10
LEGAL & GENERAL GP ORD GBP0.025	1,228,434	956.98	2.48	3,046.52
OLD	1,011,035	1,522.28	2.011	2,033.19
PHOENIX GROUP HOLDINGS	81,290	513.21	7.48	608.05
PRUDENTIAL CORP ORD GBP0.05	533,536	2,317.36	16.875	9,003.42
ST JAMES PLACE ORD GBP0.15	108,000	602.45	10.63	1,148.04
STANDARD LIFE ORD GBP0.10	408,174	1,349.06	3.558	1,452.28
<b>Total LIFE INSURANCE</b>		<b>12,056.26</b>		<b>21,841.58</b>
<b>EQUITY INVESTMENT INSTRUMENTS</b>				
3I INFRASTRUCTURE LTD	144,565	201.71	1.894	273.81
ABERFORTH SMALLER COS TRUST ORD GBP	20,000	77.26	11.87	237.40
ALLIANCE TRUST ORD GBP0.25	107,735	201.24	6.85	737.98
BANKERS I.T. ORD GBP0.25	26,500	68.25	7.355	194.91
BH MACRO LTD	4,500	73.26	21.16	95.22
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.10	27,000	53.33	6.64	179.28
CALEDONIA INVESTMENT ORD GBP0.05	6,500	61.17	27.5	178.75
CITY OF LONDON TRUST ORD GBP0.25	69,600	161.81	4.167	290.02
EDINBURGH I.T. ORD GBP0.25	42,100	108.23	7.155	301.23
ELECTRA PRIVATE EQUITY GBP0.25	6,000	74.72	49.45	296.70
F & C INVEST TRUST ORD GBP0.25	114,000	135.86	5.65	644.10
FIDELITY CHINA SPECIAL	77,968	92.23	1.957	152.58
FIDELITY EUROPEAN VALUES ORD GBP0.25	90,000	58.02	1.918	172.62
FINSBURY GR&INC TRUST-ORD	30,200	179.98	6.94	209.59
GCP INFRASTRUCTURE INVESTMENTS	152,400	185.67	1.288	196.29
GENESIS EMERGING MARKETS	27,000	123.63	6.42	173.34
GREENCOAT UK WIND	152,400	176.44	1.182	180.14
HARBOURVEST GLOBAL PRIVA	17,000	147.98	12.18	207.06
HICL INFRASTRUCTURE CO	315,330	404.77	1.692	533.54
INTERNATIONAL PUB PTR	223,462	261.27	1.562	349.05
JOHN LAING INFRASTRUCTURE	165,125	186.09	1.339	221.10
JPMORGAN AMERICAN IT	56,000	109.71	3.779	211.62
JPMORGAN EMERGING MKTS	26,000	125.72	7.57	196.82
JPMORGAN INDIAN INV TRUST	22,000	148.70	6.97	153.34
MERCANTILE TRUST	18,400	66.55	18.22	335.25
MONKS INVESTMENT ORD GBP0.05	44,400	53.96	6.36	282.38
MURRAY INTERNATIONAL ORD GBP0.25	26,800	155.22	12.13	325.08
NB GLOBAL FLOATING RATE	214,300	214.37	0.975	208.94
P2P GLOBAL INVESTMENTS	17,600	175.28	7.7	135.52
PERPETUAL INCOME & GRTH ORD GBP0.10	51,000	121.73	3.76	191.76
PERSONAL ASSETS TRUST	350	131.76	407	142.45
POLAR CAPITAL TECHNOLOGY TR	28,000	80.37	9.35	261.80
RENEWABLES INFRASTRUCTURE GROUP	172,200	171.06	1.074	184.94
RIT CAPITAL PARTNERS ORD GBP1.00	26,479	121.14	18.73	495.95
RIVERSTONE ENERGY LTD	12,000	110.64	12.39	148.68
SCOTTISH I.T ORD GBP0.25	20,500	33.05	7.98	163.59
SCOTTISH MORTGAGE ORD GBP0.25	274,000	197.02	3.657	1,002.02
TEMPLE BAR IT ORD GBP0.25	14,000	106.82	12.22	171.08
TEMPLETON EMERGING MARKETS I.T. ORD GBP0.25	60,300	117.25	6.62	399.19
TR PROPERTY INVESTMENT TRUST ORD GBP0.25	68,500	69.28	3.143	215.30
WITAN IT ORD GBP0.25	38,300	92.82	9.55	365.77
WOODFORD PATIENT CAPITAL TRU	178,000	205.24	0.91	161.98
WORLDWIDE HEALTH	10,000	104.67	23	230.00
<b>Total EQUITY INVESTMENT INSTRUMENTS</b>		<b>5,745.28</b>		<b>11,795.52</b>
<b>REAL ESTATE INVESTMENT &amp; SERVICES</b>				
CAPITAL & COUNTIES PROPERTIES	151,333	299.68	2.898	438.56
CLS HOLDINGS ORD GBP0.25	3,000	49.03	17.62	52.86

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
DAEJAN HOLDINGS ORD GBP0.25	1,000	42.37	64.05	64.05
F & C COMMERCIAL PROPERTY TRUST	113,000	123.72	1.44	162.72
GRAINGER TRUST ORD0.05	89,000	139.46	2.459	218.85
KENNEDY WILSON EUR REAL EST.	20,600	219.91	9.465	194.98
SAVILLS ORD 2.5GBP	28,000	113.56	9.2	257.60
ST. MODWEN PROPERTIES ORD GBP0.10	35,000	92.73	3.25	113.75
UK COMMERCIAL PROPERTY ORD GBP0.25	142,000	120.24	0.8545	121.34
UNITE GROUP ORD GBP0.25	46,142	175.56	6.36	293.46
<b>Total REAL ESTATE INVESTMENT &amp; SERVICES</b>		<b>1,376.26</b>		<b>1,920.39</b>
<b>REAL ESTATE INVESTMENT TRUSTS</b>				
ASSURA GROUP ORD GBP0.10	351,000	185.48	0.578	202.88
BIG YELLOW GROUP ORD GBP0.10	29,600	155.80	7.285	215.64
BRITISH LAND ORD GBP0.25	211,900	958.45	6.105	1,293.65
DERWENT LONDON ORD GBP0.05	20,696	305.82	28.1	581.56
GREAT PORTLAND ESTATE ORD GBP0.125	72,172	243.02	6.52	470.56
HAMMERSON ORD GBP0.25	163,847	620.83	5.7	933.93
HANSTEEN HOLDINGS	155,000	142.58	1.193	184.92
INTU PROPERTIES REIT	180,133	669.33	2.788	502.21
LAND SECURITIES GROUP ORD GBP0.10	162,876	896.52	10.57	1,721.60
LONDON METRIC	126,000	164.45	1.593	200.72
NEWRIVER REIT PLC	48,400	160.60	3.38	163.59
REDEFINE INT'L REIT	255,000	129.18	0.3643	92.90
SAFESTONE HLDGS	44,000	150.70	3.778	166.23
SEGRO REIT	207,302	671.03	4.552	943.64
SHAFTESBURY ORD GBP0.25	49,566	211.03	9.155	453.78
TRITAX BIG BOX REIT PLC	228,664	289.39	1.441	329.50
WORKSPACE GROUP - ORD GBP0.10	25,000	108.75	7.83	195.75
<b>Total REAL ESTATE INVESTMENT TRUSTS</b>		<b>6,062.96</b>		<b>8,660.75</b>
<b>SOFTWARE &amp; COMPUTER SERVICES</b>				
AVEVA GROUP ORD GBP0.0333	13,686	153.05	19.48	266.60
COMPUTACENTER PLC ORD GBP0.05	14,705	60.85	7.42	109.11
FIDESSA GROUP	8,000	80.33	25.08	200.64
MICRO FOCUS INT'L ORD GBP0.10	46,083	458.82	22.77	1,049.31
SAGE GROUP ORD GBP0.01	224,263	400.22	6.32	1,417.34
SOFTCAT PLC	22,100	72.84	3.948	87.25
SOPHOS GROUP	50,000	122.11	2.717	135.85
<b>Total SOFTWARE &amp; COMPUTER SERVICES</b>		<b>1,348.22</b>		<b>3,262.04</b>
<b>FINANCIAL SERVICES</b>				
3I GROUP ORD GBP0.738636	200,781	555.64	7.54	1,513.89
ABERDEEN ASSET MGT ORDGBP0.10	206,000	353.84	2.644	544.66
ALLIED MINDS	28,000	123.67	3.049	85.37
ASHMORE GROUP ORD GBP0.0001	81,000	221.82	3.535	286.34
BREWING DOLPHIN HLDGS	58,000	104.08	3.113	180.55
CLOSE BROTHERS GROUP ORD GBP0.25	31,500	183.00	15.37	484.16
CMC MKTS	20,000	57.42	1.19	23.80
HARGRAVES LANSDOWN	50,300	260.03	13.04	655.91
HENDERSON GRP ORD GBP0.125	220,518	198.69	2.333	514.47
IG GROUP ORD GBP0.05	76,000	215.87	4.983	378.71
INTERMEDIATE CAPITAL GRP ORD GBP0.20	60,482	271.27	7.085	428.51
INTL PERSONAL FINANCE ORD GBP0.10	45,236	55.08	1.63	73.73
INVESTEC ORD GBP0.0002	130,900	448.73	5.465	715.37
IP GROUP PLC	115,620	190.83	1.56	180.37
JOHN LAING GROUP	79,000	160.45	2.717	214.64
JUPITER FUND MANAGEMENT	87,000	269.54	4.263	370.88
LONDON STOCK EXCHANGE ORD GBP0.069186	65,525	931.12	31.85	2,086.97
MAN GROUP ORD USD0.0342857	319,375	467.81	1.475	471.08
NEX ICAP	63,996	319.32	5.685	363.82
ONESAVINGS BANK PLC	18,000	70.00	4.052	72.94
PARAGON GRP OF COMPANIES ORD GBP1	58,600	117.75	4.182	245.07
PROVIDENT FINANCIAL ORD GBP0.20727272	30,368	266.94	29.82	905.57

Description	Holding	Book Cost	Market Price	Market Value
		£000's		£000's
RATHBONE BROTHERS ORD GBP0.05	10,000	115.28	24.01	240.10
SCHRODERS ORD GBP1.00	23,499	145.47	30.27	711.31
SVG CAPITAL ORD GBP1.00	21,700	58.87	7.22	156.67
TP ICAP ORD GBP0.25	113,494	194.99	4.655	528.31
<b>Total FINANCIAL SERVICES</b>		<b>6,357.51</b>		<b>12,409.58</b>
<b>GENERAL INDUSTRIAL</b>				
RPC GROUP	85,995	439.36	7.835	673.77
SMITH (DS) ORD GBP0.10	195,475	304.34	4.352	850.71
SMITHS GROUP ORD GBP0.375	81,527	491.82	16.2	1,320.74
SMURFIT KAP	49,000	870.40	21.19	1,038.31
VESUVIUS	44,481	150.53	5.22	232.19
<b>Total GENERAL INDUSTRIAL</b>		<b>2,256.45</b>		<b>4,108.58</b>
<b>MOBILE TELECOMMUNICATIONS</b>				
INMARSAT ORD EURO0.0005	93,000	433.41	8.545	794.69
VODAFONE GROUP ORD USD0.11428571	5,496,181	10,503.92	2.0865	11,467.78
<b>Total MOBILE TELECOMMUNICATIONS</b>		<b>10,937.33</b>		<b>12,228.51</b>
<b>OIL EQUIPMENT SERVICES &amp; DISTRIBUTION</b>				
AMEC ORD GBP0.50	81,100	378.37	5.305	430.24
HUNTING ORD GBP0.25	28,800	160.82	5.645	162.58
PETROFAC ORD USD0.025	54,000	214.58	9.215	497.61
WOOD GROUP (JOHN) ORD GBP0.03333	76,833	300.21	7.615	585.08
<b>Total OIL EQUIPMENT SERVICES &amp; DISTRIBUTION</b>		<b>1,053.98</b>		<b>1,673.79</b>
<b>Total UK EQUITIES</b>		<b>259,248.26</b>		<b>461,719.11</b>



**Summary of Transactions for the Period****1 April 2016 - 31 March 2017**

## Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	60,678,091.22	35,157,220.15	25,520,871.07
	<u>60,678,091.22</u>	<u>35,157,220.15</u>	<u>25,520,871.07</u>

**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	Intercontinental 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
39,100	HSBC holdings plc	19-Jan	6.78	265,074.54
17,700	Nostrum Oil & Gas plc	19-Jan	4.77	84,356.43
49,000	BP plc	19-Jan	4.99	244,666.80
48,400	Newriver Reit plc	19-Jan	3.32	160,596.04
45,300	Ferrexpo plc	19-Jan	1.35	61,046.28
7,500	Playtech plc	19-Jan	8.21	61,587.00
10,700	TP ICAP plc	19-Jan	4.38	46,856.37
134,100	Convatec Group plc	19-Jan	2.42	324,334.26
13,100	Ascential	21-Feb	3.11	40,678.12
3,100	Euromoney Institute	21-Feb	10.90	33,778.22
2,200	Finsbury Growth	21-Feb	6.76	14,876.84
14,400	GCP Infrastructure	21-Feb	1.27	18,312.48
27,300	Greencoat UK	21-Feb	1.18	32,260.41
9,600	Hastings Gp	21-Feb	2.29	22,029.12

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
8,900	HSBC Infrastructure Co Ltd	21-Feb	1.69	15,033.88
2,700	Hunting	21-Feb	5.72	15,431.58
1,300	NNC Health	21-Feb	17.55	22,809.67
4,100	Royal Dutch Shell 'B'	21-Feb	21.95	89,999.92
14,200	Renewables	21-Feb	1.06	15,098.86
1,600	SSE Plc	21-Feb	15.42	24,664.00
1,900	T & F Informa	21-Feb	6.67	12,675.28
32,400	Tritax Big Box	21-Feb	1.43	46,289.88
9,500	Virgin Money	21-Feb	3.42	32,456.75
17,198	RPC Group	24-Feb	6.65	114,366.70
13,705	HICL	17-Mar	1.59	21,790.95
34,550	Segro	27-Mar	3.45	119,197.50

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**60,678,091.22**

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## Dorset County Pension Fund Transactions ( 1 April 2016 - 31 March 2017 )

## 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	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 Americian Tobacco	25-Jul	47.90	143,700.00	101,733.46
2,000	British Land	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	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 March 2017 )

## 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 March 2017 )

## 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	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 International	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 March 2017 )

## 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	Intercontinental 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 International Trust	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 March 2017 )

## 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 March 2017 )

## 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	Ladbroke 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 March 2017 )

## 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
15,868,988	Rolls Royce 'C'	6-Jan	0.00	15,868.98	15,868.98
1,100	British American Tobacco Plc	19-Jan	47.03	51,737.84	36,350.11
56,000	NCC Group Plc	19-Jan	1.95	109,401.60	-55,578.60
58,000	Laird Plc	19-Jan	1.45	84,308.80	-7,566.48
8,100	Shaftesbury Plc	19-Jan	8.89	72,007.38	37,521.42
33,000	Countrywide Plc	19-Jan	1.69	55,918.50	-132,234.85
33,000	DFS Furniture Plc	19-Jan	2.27	74,837.40	-20,705.10
11,300	SVG Capital Plc	19-Jan	7.11	80,288.76	49,631.39
4,700	WPP Plc	19-Jan	18.45	86,736.15	57,356.68
13,800	Vesuvius Plc	19-Jan	4.38	60,394.32	13,692.87
24,900	Pz Cussons Plc	19-Jan	3.36	83,661.51	41,244.17
600	Admiral Grp	21-Feb	18.67	11,202.84	6,783.03
1,700	Anglo American Plc	21-Feb	13.46	22,887.78	5,257.28
900	Ashtead Grp.	21-Feb	17.24	15,511.86	13,157.31
1,000	Astrazeneca Ord Shs \$0.25	21-Feb	45.80	45,797.00	25,014.65
3,800	Auto Trader	21-Feb	4.02	15,272.96	1,558.06
3,400	Aviva	21-Feb	5.06	17,189.72	-1,744.73

## Dorset County Pension Fund Transactions ( 1 April 2016 - 31 March 2017 )

## UK Equities

Sales					
No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
2,500	BAE Systems	21-Feb	6.10	15,250.75	9,695.92
13,700	Barclays	21-Feb	2.36	32,378.58	4,466.59
1,900	BHP Billiton	21-Feb	14.04	26,669.73	16,226.47
1,700	Bodycote	21-Feb	7.07	12,014.92	4,527.31
2,300	BP Plc	21-Feb	4.54	10,453.27	2,776.34
300	British American Tobacco	21-Feb	49.95	14,986.02	10,789.37
2,100	British Land	21-Feb	6.10	12,802.23	3,303.64
1,600	BSkyB	21-Feb	9.95	15,927.20	6,850.43
6,700	BT Group	21-Feb	3.22	21,563.95	5,603.36
700	Burberry Grp	21-Feb	16.62	11,636.10	9,059.17
5,000	Cairn Energy	21-Feb	2.28	11,422.00	1,509.67
400	Carnival	21-Feb	43.16	17,265.00	11,081.22
1,600	Cineworld	21-Feb	6.29	10,063.84	4,349.56
600	Cocacola HBC	21-Feb	19.80	11,881.92	1,707.59
1,500	Compass Group	21-Feb	14.70	22,042.65	16,004.85
600	CRH	21-Feb	28.17	16,900.32	8,403.81
2,000	Diageo	21-Feb	22.73	45,456.40	29,658.02
2,700	Drax	21-Feb	3.47	9,357.39	-9,442.44
3,200	Electrocomponents	21-Feb	4.91	15,714.56	11,269.32
900	Experian	21-Feb	15.98	14,380.38	11,131.09
9,600	Firstgroup	21-Feb	1.20	11,492.16	-3,913.47
2,000	Foreign & Colonial Iv.Tst	21-Feb	5.65	11,295.40	8,911.97
3,500	GKN	21-Feb	3.50	12,233.20	7,931.65
4,200	Glaxosmithkline	21-Feb	16.45	69,100.50	42,701.68
8,900	Glencore	21-Feb	3.27	29,130.59	8,239.82
4,900	Greencore Grp.	21-Feb	2.50	12,237.75	3,842.12
5,200	HSBC Holdings	21-Feb	6.66	34,634.08	11,693.85
700	Imperial Brands	21-Feb	37.41	26,187.84	16,845.93
3,100	Inchcape	21-Feb	7.41	22,968.21	14,935.51
400	Intercontinental Hotels	21-Feb	38.95	15,581.68	12,419.44
15,200	Intu Properties	21-Feb	2.77	42,064.48	-14,414.90
6,600	ITV	21-Feb	2.04	13,453.44	4,932.62
3,400	JB Sports	21-Feb	3.53	11,988.74	7,946.36
1,300	JPMorgan Mercentile	21-Feb	18.14	23,576.80	18,874.78
2,400	Kazakhmys	21-Feb	5.76	13,818.96	9,797.95
4,400	Kennedy Wilson	21-Feb	9.83	43,241.44	-3,728.82
1,400	Land Secs. Ord 10p	21-Feb	10.59	14,827.96	7,121.91
4,700	Legal & General	21-Feb	2.45	11,506.54	7,845.12
48,800	Lloyds Banking Group	21-Feb	0.67	32,774.08	-9,619.18
3,000	Marks & Spencer	21-Feb	3.26	9,777.60	3,567.46
2,700	Michael Page	21-Feb	4.28	11,553.03	5,786.36
2,900	National Grid	21-Feb	9.65	27,977.75	13,259.90
8,400	Old Mutual	21-Feb	2.18	18,274.20	5,626.61
1,400	P2P Global Investments	21-Feb	7.90	11,063.22	-2,879.63
100	PaddyPower Betfair	21-Feb	84.36	8,436.45	1,711.74
1,800	Phoenix Grp	21-Feb	7.72	13,904.64	2,540.64
1,200	Polymetals International	21-Feb	9.85	11,824.80	353.47
2,300	Prudential	21-Feb	16.30	37,487.01	27,497.17
500	Reckitt Benckiser	21-Feb	70.76	35,379.80	26,738.42
700	Relx	21-Feb	14.77	10,337.32	7,244.35
500	Rightmove	21-Feb	42.40	21,197.65	17,360.53
1,000	Rio Tinto	21-Feb	36.57	36,570.70	25,071.65

## Dorset County Pension Fund Transactions ( 1 April 2016 - 31 March 2017 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
2,600	Rolls-Royce	21-Feb	7.29	18,961.54	10,145.45
5,800	Royal Bank Scotland	21-Feb	2.55	14,801.02	-42,289.80
2,100	RSA Grp	21-Feb	5.82	12,225.99	-526.11
800	Shire	21-Feb	48.41	38,731.60	16,863.05
3,400	Smith & Nephew	21-Feb	12.09	41,114.84	29,758.59
500	Spectris	21-Feb	24.15	12,075.65	8,748.01
2,200	Standard Chartered	21-Feb	7.60	16,719.56	1,355.73
900	Telecom Plus	21-Feb	12.11	10,898.19	2,951.60
7,800	Tesco	21-Feb	1.92	15,007.98	2,950.23
1,200	Tui Travel	21-Feb	11.26	13,514.52	3,091.67
1,000	Unilever	21-Feb	35.58	35,582.30	26,835.52
1,400	United Utilities	21-Feb	9.57	13,400.94	7,167.52
22,300	Vodafone Group	21-Feb	2.02	45,030.39	2,412.16
1,100	Wetherspoon (JD)	21-Feb	9.53	10,484.10	7,101.31
300	Whitbread	21-Feb	39.15	11,744.40	8,474.33
200	Wolseley	21-Feb	50.12	10,024.06	6,464.43
				<b>35,157,220.15</b>	<b>17,043,833.40</b>

**Other Transactions**

The following Capitalisation / Consolidation issues took place during the 9 month period 1 April 2016 - 31 March 2017 )

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

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	21 June 2017
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Global Equities Managers Report</b>
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 fourth quarter of the 2016/17 Financial Year to 31 March 2017.
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	<p>That the Committee :</p> <p>i) Review and comment upon the performance of the Fund’s Global Equities managers.</p>
Reason for Recommendation	<p>To ensure that the Fund has the appropriate management arrangements in place and are being monitored.</p>
Appendices	<p>None</p>
Background Papers	<p>Quarterly manager reports.</p>
Report Originator and Contact	<p>Name: David Wilkes          Tel: 01305 224119          Email: d.wilkes@dorsetcc.gov.uk</p>



## 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 March 2017.

	<b>Allianz</b>	<b>Investec</b>	<b>Wellington</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Valuation 01-Apr-16	227,083	166,965	166,341	560,389
Investment	-	-	-	-
Distribution	(20,000)	(20,000)	(15,000)	(55,000)
Increase in Valuation	63,803	47,001	55,527	166,331
Valuation 31-Mar-17	270,886	193,966	206,868	671,720

- 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 March 2017.

	<b>Allianz</b>	<b>Investec</b>	<b>Wellington</b>
<b>Quarter to Date</b>			
Performance	4.4%	5.3%	6.2%
Benchmark	5.1%	5.1%	5.1%
Relative Return	-0.7%	0.2%	1.1%
<b>Twelve Months to Date</b>			
Performance	29.6%	30.0%	33.2%
Benchmark	31.9%	31.9%	31.9%
Relative Return	-2.3%	-1.9%	1.3%
<b>Since Inception</b>			
Performance	25.8%	24.9%	26.9%
Benchmark	25.4%	25.4%	25.4%
Relative Return	0.4%	-0.5%	1.5%

- 3.2 All three managers have returned very high absolute returns over the three periods measured but both Allianz and Investec have underperformed their benchmarks for the 12 months to 31 March 2017 whilst Wellington has outperformed over the same period. Since inception, Wellington and Allianz have outperformed their index by 1.5% and 0.4% respectively, whilst Investec have underperformed their benchmark by 0.5%.

#### 4. Market Review

- 4.1 Global equities climbed over the first three months of 2017, buoyed by signs of strengthening growth and optimism over company earnings, although this faded towards the end of the quarter. Information technology stocks performed best, while the energy sector retreated amid weak oil prices.
- 4.2 US equities rallied over the quarter, posting their strongest quarterly gain in four years. Shares were aided by signs of the improving economic momentum, optimism over company earnings and by hopes that the new administration would introduce tax and regulatory reform. However, the positive gains appeared to fade towards the end of the quarter.
- 4.3 European equities rose over the quarter, reaching fifteen month highs and signs of strengthening growth. Almost all sectors advanced, with information technology being the best performer as it recorded double digit returns. In contrast, the energy sector retreated due to falling oil prices.
- 4.4 Equity markets in the Pacific (excluding Japan) produced robust returns over the quarter, outperforming many of their western counterparts as sentiment was boosted by signs of strengthening growth in the global economy. All countries in the region gained with Hong Kong and China leading the advance.
- 4.5 Japanese equities ended the quarter with marginal losses, lagging other regions as exporters were hurt by the firmer tone to the Japanese yen.
- 4.6 Emerging market equities delivered robust returns over the period, outperforming their more developed counterparts amid signs of stronger global growth and a weaker US dollar.

#### Manager Commentaries

#### 5. Allianz

- 5.1 This quarter has been a mixed quarter for global investment styles with the return of 4.4% underperforming the benchmark by 70bps. Sector allocation added 15bps to relative performance over the quarter largely through being overweight in IT and an underweight position in Energy. Stock selection within sectors was unsuccessful during the quarter with holdings in Consumer Staples, Industrials and Healthcare offsetting gains made from those companies held within the Energy sector.
- 5.2 Regional allocations detracted slightly -4bps on a relative basis as a result of the unsuccessful underweight in Pacific ex Japan. Within the regions, stock selection was also disappointing, in particular across Europe, as the reflation trade seen in the latter part of 2016 began to unwind during the quarter.
- 5.3 Performance over the quarter has varied with investment styles Value, High Risk, Small Caps and Growth lagging the market. The two trend following styles (Price Momentum and Earnings Revision) were the best performers, however, their positive contribution overall to relative performance was not sufficient to offset the weakness in the performance of Value. The relative performance of global Value stocks peaked at the beginning of December and has been gradually trending downwards since then.

## **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 extended its strong run from the second half of 2016. The Earnings and Strategy Factors bounced back from being negative in the last quarter, while the Technical Factor was weak.
- 6.2 US chipmaker Broadcom advanced over the quarter on the back of strong earnings growth, increasing demand and analyst attention. A similar dynamic boosted the holdings in US semiconductor manufacturing equipment maker Lam Research. Despite these performances stock selection within information technology detracted from performance over the quarter. Being underweight in Apple weighed heavily on relative returns after it announced better than expected iPhone results. Being underweight in Facebook also held back relative performance.
- 6.3 Holdings in consumer-related stocks advanced strongly over the quarter, led by Tiffany’s which gained following successful ousting of its CEO. US online travel company Priceline gained after earnings showed evidence of market share gains. Medical device maker Zimmer Biomet also contributed to returns after guiding higher on sales.
- 6.4 Being underweight in the energy sector, with a lack of exposure to global oil companies Exxon Mobil, Chevron and Royal Dutch Shell helped support relative returns. The overweight holding in independent US oil exploration and production company Hess held back returns as it retreated in line with oil prices over the quarter.
- 6.5 The holding of Fuji Heavy Industries, the maker of Subaru brand cars detracted over the quarter. Despite delivering a good set of results and upgrading forward guidance, the market feared increased competition in the Americas, alongside rising rebates and warranty costs related to an ongoing airbag recall.

## **7. Wellington**

- 7.1 During the quarter, the Global Research Equity portfolio outperformed the MSCI World Index. Stock selection within consumer staples, information technology, industrials and financials were contributors to relative outperformance while stock selection in health care offset some of these gains.
- 7.2 Consumer staples, in a reverse from last quarter, were an area of strength for the portfolio this quarter with Unilever and British American Tobacco showing solid performance. Unilever underwent a strategic review, the results of which were encouraging. The company is exiting a period of heavy reinvestment to reinvigorate growth and is on a solid trajectory, moving forward with an even sharper focus on costs.
- 7.3 Within information technology, Arista Network delivered strong, above consensus earnings, citing strong customer demand and consistent performance. Workday was also a strong performer during the quarter.
- 7.4 Stock selection was successful across a number of industries within industrials. Within capital goods, the portfolio successfully avoided holding General Electric. The company’s share price declined after it reported revenues that fell short of market expectations. TransUnion was a strong performer within the commercial services industry. The company reported strong results that soundly beat prior guidance and consensus expectations. The company is viewed favourably after declining capital expenditure, an attractive economic profile and strong growth prospects.

- 7.5 In financials, banks led the sector higher this quarter with a number of holdings outside the US posting solid results. Spain's CaixaBank was a notable performer this quarter. The macro story in Spain continues to improve as housing prices and real estate activity seem to have reached an inflection point. There is room for CaixaBank's loan portfolio to grow and the company stands to benefit from rising interest rates, which should lead to an improvement in earnings.
- 7.6 Healthcare was a modest detractor for the portfolio this quarter driven primarily by difficulties in the pharmaceutical industry. Bristol-Myers Squibb was the top underperforming stock in this category. Early in the quarter the company opted to pursue a traditional filing pathway for its lung cancer drug instead of an accelerated approval approach. The market acted negatively to news of the six month delay. On a more positive note, the company did gain some ground as it reached a settlement with Merck on patent infringement litigation. In addition to receiving a large initial payment from Merck, Bristol-Myers Squibb will benefit from ongoing royalties.

**Richard Bates**  
**Pension Fund Administrator**  
June 2017



## **DORSET COUNTY PENSION FUND**

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**Quarterly Report 31 March 2017**



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## 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 (%)
<b>RLPPC Over Five Year Corporate Bond Fund</b> Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.	100.0

### Portfolio value

	Portfolio total (£m)
<b>31 March 2017</b>	<b>313.50</b>
31 December 2016	304.26
Change over quarter	9.24
Net cash inflow (outflow)	0.00

## EXECUTIVE SUMMARY

### Performance

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- The Fund gave a gross return of 3.04% over the quarter, compared with a benchmark return of 2.32%.
- Politics continued to dominate during the quarter, with fears over the spread of populism driving volatility and divergence in European government bond markets, while Trump's failure to deliver healthcare reforms threatened to destabilise the extended rally in risk assets. Central banks in the UK, Europe and Japan maintained loose monetary policies, while the US delivered an anticipated hike.
- The Fund's bias towards subordinated financials and secured and structured bonds was positive for performance. Underweight allocations to consumer-orientated sectors and supranationals were also advantageous, while the short duration position and exposure to short-dated bonds had a small negative impact on relative performance

### The economy and bond markets

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- Strong global data continued to support expectations for higher inflation and growth, but political risk in Europe dominated markets. Despite the defeat of the far-right candidate in the Dutch election, ongoing anxiety over the outcome of the French election led to volatility and divergence in core and peripheral European government bond yields.
- The US Federal Reserve (Fed) delivered its anticipated interest rate rise in March and indicated no change to its planned rate of hikes during the year. On the other side of the Atlantic, the European Central Bank (ECB) maintained policy, but signalled the potential for a tapering of its quantitative easing programme later in the year. The UK economy remained resilient during the quarter, with initial estimates for GDP growth in the first quarter revised upward to 0.6%. Conventional UK government bonds returned 1.62% Yields were volatile, but ended the period lower, as concerns over a slowdown in consumer spending and a potential 'hard' Brexit offset the positive outlook for global growth and inflation.
- Sterling investment grade credit returned 1.85%, outperforming UK government bonds. As bond yields fell, the average sterling investment grade credit spread narrowed by 2 basis points (bps) to 121bps, but remains close to the lows that followed the Bank of England's (BoE) August 2016 rate cut.

### Investment outlook

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- Recent evidence suggests that global growth is running at higher levels than anything seen since the temporary rebound after the financial crisis.
- UK GDP growth for 2017 has been revised upward, but we expect real incomes to be squeezed by higher inflation. We anticipate two further rate rises by the Fed in 2017.



## 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 (%)
<b>Q1 2017</b>	<b>3.04</b>	<b>2.32</b>	<b>0.72</b>
Rolling 12 months	12.91	11.71	1.20
Three years p.a.	9.62	9.29	0.33
Five years p.a.	10.41	9.41	1.00
Since inception 02.07.07 p.a.	9.43	9.61	-0.18

### Quarterly performance



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

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

### Asset split

	Fund (%)	Benchmark <sup>1</sup> (%)
Conventional credit bonds <sup>2</sup>	99.8	98.9
Index linked credit bonds	0.0	0.0
Sterling conventional gilts	0.0	0.0
Sterling index linked gilts	0.0	0.0
Foreign conventional sovereign	0.2	1.1
Foreign index linked sovereign	0.0	0.0
Derivatives	0.0	0.0

### Fund data

	Fund	Benchmark <sup>1</sup>
Duration	9.9 years	10.4 years
Gross redemption yield <sup>3</sup>	3.07%	2.49%
No. of stocks	285	676
Fund size	£393.9m	-

Launch date: 02.07.2007

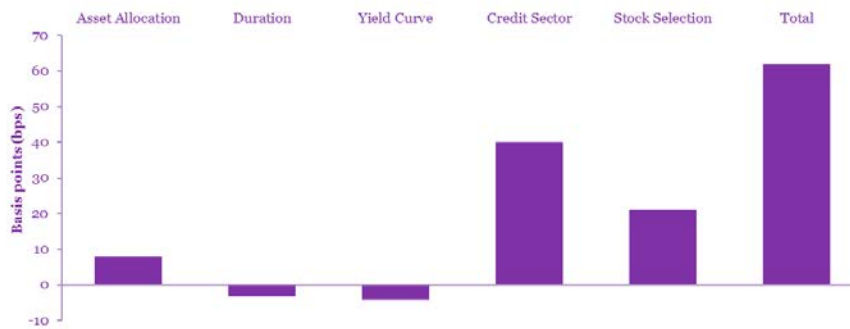
<sup>1</sup> Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.

<sup>2</sup> Conventional credit bond allocation includes exposure to non-sterling credit bonds and CDs, where applicable.

<sup>3</sup> The gross redemption yield is calculated on a weighted average basis.

Figures in relation to the asset split table exclude the impact of cash where held.

### Performance attribution for quarter 1 2017

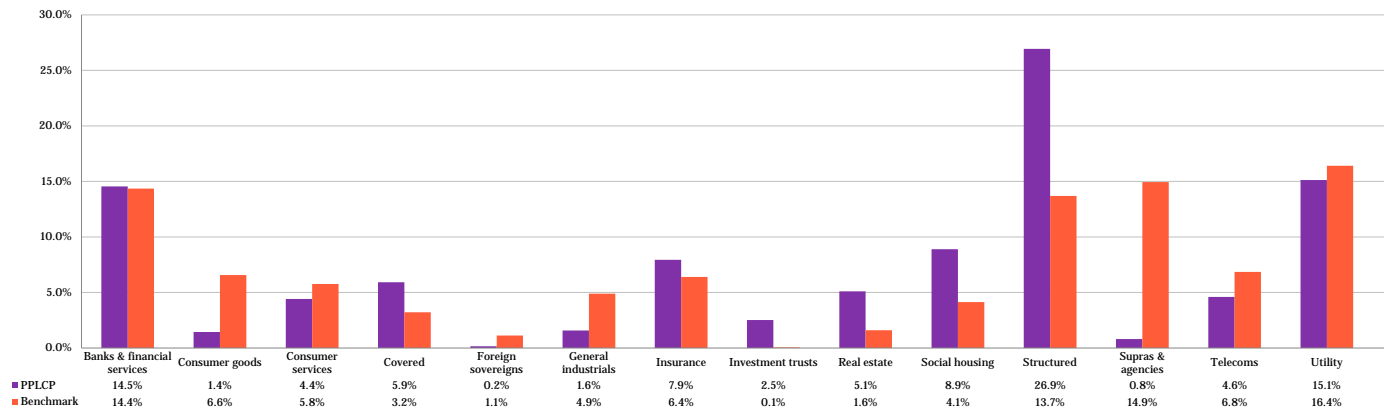


Source: RLAM and UBS Delta. The above performance attribution is an estimate. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

### Sector breakdown



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 underperformed the broader credit market over the quarter as investor risk appetite remained robust, favouring corporate bonds.	The Fund's substantial underweight position in supranationals had a strong positive impact upon relative performance.
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.	Positioning within financials was broadly unchanged, with underweight exposure to senior unsecured debt offset by above-benchmark exposures to subordinated debt and covered bonds.	Financials, led by subordinated bonds, outperformed over the quarter as a steady flow of existing subordinated debt being called by issuing banks, together with investor demand for higher yielding short-dated assets in a rising interest rate environment, supported the sector.	The overweight allocation to financials and the preference for subordinated debt helped performance.
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.	Consumer sector bonds lagged the market overall, especially towards the end of the quarter as, having been bolstered by their prominence in the Bank of England's corporate bond purchase scheme, demand fell away with the end of corporate bond quantitative easing approaching. The industrials sector continued to benefit from broad-based global growth and inflation expectations.	The low weighting in consumer sectors was a positive factor in relative performance, partially offset by a low exposure to industrials.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

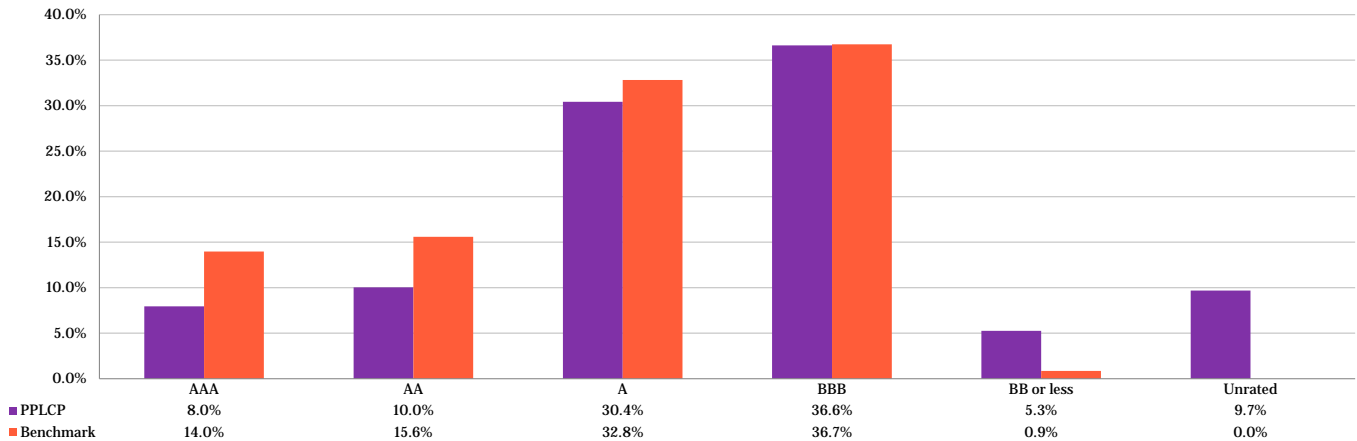
### Sector breakdown continued

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 significantly outperformed the market over the quarter, supported by positive sentiment.	The overweight positions in structured and secured debt had a positive impact upon performance.

## RLPPC OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

### Rating breakdown



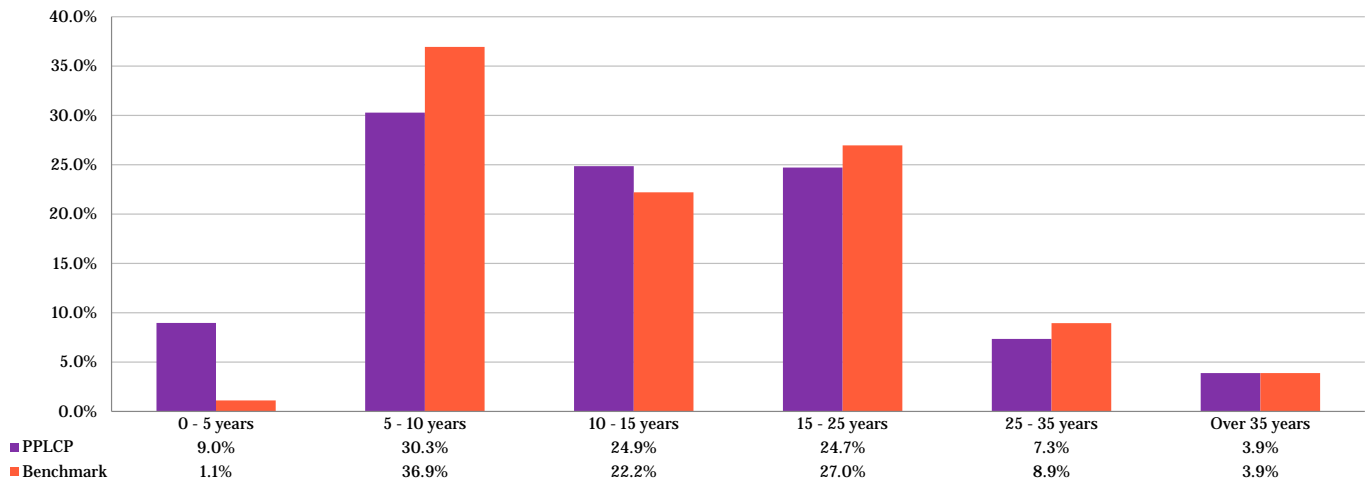
Source: RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.

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.	Against a positive market backdrop, lower rated issues outperformed higher rated counterparts.	The bias towards lower rated debt had a positive 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. In part, this exposure reflected the Fund's holding in the Royal London Sterling Extra Yield Fund.  Exposure to unrated bonds, which predominantly have investment grade risk characteristics and are in many instances secured, was broadly unchanged.	Unrated bonds, particularly asset backed securities (ABS), along with high yield debt, outperformed investment grade credit over the quarter.	Exposure to unrated and sub-investment grade bonds, and to the Royal London Sterling Extra Yield Fund, had a positive impact upon performance.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

### Maturity profile



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 Fund remained short duration versus the benchmark over the quarter.	UK government bond yields were volatile over the quarter, ending the period lower, as uncertainty surrounding Brexit and elections in mainland Europe meant that gilts retained their appeal.	The short duration position had a small negative 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 underperformed longer dated credit over the quarter.	The short-dated bond exposure had a small negative impact upon performance.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 1 2017

### Ten largest holdings

	Weighting (%)
Innogy Finance BV 6.125% 2039	1.2
Lloyds Bank Plc 6% 2029	1.2
Commonwealth Bank of Australia 3% 2026	1.1
Citigroup Inc 7.375% 2039	1.0
Annington Finance 0% 2022	1.0
Prudential Plc 5.7% VRN 2063	0.9
Finance for Residential Social Housing 8.369% 2058	0.9
Abbey National Treasury 5.75% 2026	0.9
Co-operative Bank 4.75% 2021	0.9
HSBC Bank 5.375% 2033	0.9
<b>Total</b>	<b>10.0</b>

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



## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

### Quarter 1 2017

#### Fund activity

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- Sterling investment grade sterling bond issuance rose in the first quarter, led by financials, with senior bank issuance high relative to recent history.
- Gilts were employed over the quarter to manage cashflows awaiting suitable corporate bond investment opportunities as well as Fund duration. At the end of the period, the Fund had a no remaining exposure in gilts.
- Activity in secured and structured sectors encompassed participation in a new commercial mortgage backed security transaction from **Land Securities**, and in new issues from utility companies **Anglian Water** and **Thames Water**, rated BBB and A- respectively. Profits were taken on the **Anglian Water** bonds following robust performance in secondary markets after their launch. Towards the end of the quarter, a position was established in structured bonds of **St James Oncology**, an AA rated Leeds hospital PFI deal. Away from new issues, structured bonds of **Gatwick** were switched into longer dated **Heathrow** bonds, while **High Speed Rail** bonds appeared fully priced and were sold. Within the social housing sector, a new issue was also purchased from **GB Social Housing**, a provider of loans to the UK social housing sector, and existing holdings of **Places for People**, **Aspire Defence**, a PFI initiative by the Ministry of Defence, and **Freshwater Finance**, secured against the National Grid, were increased.
- The Fund purchased attractively priced new bonds of **Motability**, a scheme providing vehicle financing for disabled people in the UK, as well as **McKesson**, the US pharmaceutical distributor and healthcare company, and **Westfield** shopping centres. Exposure to **Firstgroup** was switched into **National Express** for an increase in spread, while the holding in **EDF** was switched into a longer dated issue. Profits were taken on the exposure to the **RAC** and, having performed well, the Fund's exposure to **Apple** bonds appeared fully priced and was sold over the quarter.
- Within financial sectors, new issues were purchased of senior unsecured bonds of broker **ICAP**, as well as subordinated bonds of specialist insurer **Lloyds of London**. Exposure to the latter was increased in secondary market trading and funded through switches of existing holdings of the issuer.
- In utilities, the Fund's holdings in **Energy North West** and Spanish electricity company **Iberdrola** were sold.

#### Key views in your portfolio

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- 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.

*Information as at 31 March 2017 and correct at that date, unless otherwise stated. For professional investors and advisors only. This document may not be distributed to any unauthorised persons and is not suitable for retail clients. The views expressed are the authors own and do not constitute investment advice. 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. Sub-investment grade bonds have characteristics which may result in a higher probability of default than investment grade bonds and therefore a higher risk. For funds that use derivatives, their use may be beneficial, however, they also involve specific risks. Derivatives may alter the economic exposure of a fund over time, causing it to deviate from the performance of the broader market.*



## ECONOMIC & BOND MARKET REVIEW

### Economic review

- Over the quarter, the spotlight shifted away from the US and onto Europe, where political concerns, particularly surrounding the French election, took centre stage. Despite the defeat of the far right in Holland, worries about the outcome in France have been visible in markets. In the US, the Federal Reserve (Fed) raised interest rates by 25 basis points (bps), as anticipated. Although Trump-fuelled optimism remained strong at the beginning of the quarter, cracks began to appear with the uncertain progress of the contentious healthcare bill at the end of March. In the UK, Theresa May triggered the Article 50 provision to leave the European Union.
- The Fed's statement and Summary of Economic Projections suggests little change in its thinking since December. With the scale, mix and timing of any fiscal stimulus still unclear, the central bank is right to be cautious with the pace of tightening. Both Institute for Supply Management (ISM) surveys remain comfortably in expansionary territory, while the rate of job creation has improved. Despite a fall in unemployment, growth in labour costs has remained modest.
- Eurozone GDP growth was 0.4% in the last quarter of 2016, the same as the previous quarter. Employment growth has picked up, while the unemployment rate has fallen to less than 10%. Headline inflation rose sharply to 2% in February, although this is more a reflection of the now diminishing drag from the prior decline in the oil price, rather than evidence of a pick-up in underlying inflation. Core CPI is still less than 1%. The European Central Bank (ECB) plans to continue its asset purchase scheme to December 2017, at a reduced rate of €60 billion per month from April, and there is no sense of urgency to ease policy further. Mr Draghi has noted, perhaps prematurely, that the risk of a rate cut has diminished, as has the downside risk to growth.
- The Bank of Japan kept monetary policy on hold, with no hint of change. Domestic data remain encouraging, and US dollar strength has helped in some measure to relieve pressures from a strong yen.
- While the vagaries of Chinese New Year holiday make reading the economic news more difficult in the early part of the year, business survey indicators point to continued GDP growth. The Caixin Purchasing Manager's Index (PMI) indicates expansion, industrial production grew by 6.3% in the year to February, and fixed asset investment rose by 8.9% over the same period.
- The Bank of England (BoE) revised its "Nowcast" for quarterly GDP growth in the first quarter of 2017 upward to 0.6%, 0.1 percentage points higher than at the time of the February *Inflation Report*. While the composite PMI has weakened, there has been relatively little evidence from the output indicators of a significant slowdown in overall GDP growth. There are, however, some signs of weakness in household consumption.

### Bond Market Review

- **Conventional UK government bonds returned 1.62%**. While the outlook for global growth and inflation remained positive, markets focussed on political risk, and global yields diverged over the period. Yields rose across core and most peripheral European markets, but fell in the UK and the US. The UK yield curve flattened, and longer dated gilts outperformed medium and short-dated gilts. UK inflation, as measured by the Consumer Price Index (CPI), rose to 2.3% year-on-year in February, above the 2% target, mainly owing to the rise in the oil base effect. Gilts outperformed US bonds and European government bonds.
- **Index linked UK government bonds (all maturities) returned 1.90%**, outperforming conventional gilts. Real yields fell across the maturity spectrum, led by shorter dated bonds, amid expectations of higher inflation, along with persistently weak sterling and uncertainty over impending Brexit negotiations. Pension fund demand continued to support longer dated issues, particularly around the 2065 index linked gilt syndication in February. Higher inflation figures and robust economic data caused breakeven (implied) inflation rates to increase sharply at the shorter end of the yield curve. In longer dated maturities, however, breakeven rates generally fell slightly. Index linked UK government bonds outperformed their US equivalents and significantly outperformed core European counterparts over the quarter.
- Having sold off during January, a subsequent recovery saw **overseas government bonds** finish the quarter largely unchanged in sterling terms. The J.P. Morgan Global Government Bond Index, (TR) increased by 0.24%, from a sterling perspective. Political risk dominated markets, with the gap between French and German government bond yields reaching its highest level since 2012 and the yield on short-term German government debt touching new record lows. Central banks maintained quantitative easing in Europe and Japan, while the US Federal Reserve (Fed) raised rates as expected. European government yield curves ended the quarter steeper, though the final month saw a significant flattening, particularly in core markets. The J.P. Morgan Japan index returned 2.93%, while the US and European Government Bond indices returned -0.48% and -0.74%, respectively (in local currency terms).
- **Sterling investment grade credit returned 1.85%**, outperforming UK government bonds by 0.56% (duration adjusted). The release of strong global data over the quarter provided a supportive backdrop for corporate bonds. Average sterling investment grade credit spreads narrowed by 2 basis points (bps) to 121bps, but remained close to the lows that followed the Bank of England's (BoE) August 2016 rate cut. Sterling investment grade bond issuance, at £16.4bn, increased compared to the previous quarter. Senior bank issuance, in particular, was high relative to recent history.
- **Global high yield bonds returned 2.30%** (BofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained, 100% hedged to sterling). Emerging markets led performance, while Europe lagged. High yield enjoyed a positive quarter, with spreads narrowing at the beginning of March to their tightest since the financial crisis. Despite European government and investment grade credit markets experiencing some volatility as political risks heightened, the high yield market remained relatively unscathed, although euro issuance in the middle of the quarter was slightly lower as a result.

## INVESTMENT OUTLOOK

### Key points

- Recent evidence suggests that global growth is running at higher levels than anything seen since the temporary rebound after the financial crisis.
- UK GDP growth for 2017 has been revised upward, but we expect real incomes to be squeezed by higher inflation.
- We anticipate two further rate rises by the Fed in 2017.

### Global economic growth prospects

- Our base case assumes US GDP growth picks up in 2017. Even before the recent friction surrounding healthcare reform, we assumed some compromise on the overall Trump fiscal stimulus, with tax and spending plans totalling 1-1.5% of GDP, rather than the 3%+ outlined during the election campaign. Markets will be keen to see that any legislation is passed by the summer recess. Any signs of serious delay and a key plank of the post-election equity market rally could be undermined. We expect two further rate rises in 2017.
- In the UK, the Office for Budget Responsibility has revised its GDP growth forecasts upwards for this year, in line with the new Bank of England forecast, to 2%. GDP growth is expected to slow to 1.6% in 2018. While consumer confidence remains steady, we expect this to weaken, as real incomes are squeezed by higher inflation. While we acknowledge that there are a range of possible outcomes, our base case assumes that the UK leaves the EU in the second quarter of 2019.
- We expect eurozone activity to be supported by loose monetary policy, a more expansionary fiscal stance, and stronger global demand. However, this will, to some extent, be offset by rising longer-term interest rates and the cost of energy. In contrast to the US, which will see a stabilisation in energy investment, the boost from cheaper energy in the eurozone (a large net energy importer) is now fading, with headline inflation set to rise, squeezing still modest nominal income growth and consumer demand.
- In China, this year will be critical for President Xi Jinping, as he prepares for a leadership transition. This will determine whether he will be able to push through difficult economic reforms during his second term. While the impact of the 2015/16 stimulus will wane, we would not expect growth to weaken materially during 2017. The government's new macroeconomic targets are broadly unchanged, aiming for real GDP growth of 'around 6.5%', CPI inflation at 3%, and a budget deficit of 3%.
- In Japan, we think the BoJ will retain its bias towards monetary easing. The economy 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

- The terms of the UK's exit from the EU are likely to remain unclear during 2017. This uncertainty, combined with a squeeze on disposable income as inflation rises, will impact UK growth. On a global basis, the greatest uncertainty is the direction of US fiscal and monetary policies.
- 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. We expect global government bond yields to rise gradually from current levels, as the inflation outlook and global growth picks up. We expect the Fed to raise rates two further times in 2017. Our base case assumes a gradual rise in yields over the next 12 months.
- In **index linked gilts**, we think UK long-term real interest rates are too low. Pension fund demand for longer dated, real yield securities remains strong, but tied to supply events. We believe global inflation linked bonds offer better value but in the short term, given the lack of supply in the second quarter, there is scope for real yields to fall and the UK to outperform. We think 5- and 10-year breakeven (implied) inflation rates look fair value on a longer term view, while long-dated breakeven rates are marginally undervalued.
- In **overseas government bonds**, we consider developed market government bonds to be expensive and we believe yields should rise over the next 18 months. Events in the eurozone, where the situation remains unpredictable, will continue to impact market sentiment and, with elections still to take place in France and Germany, volatility around these events is likely to present trading opportunities.
- In **credit**, 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 bond yields is adequate compensation for default and other risks (e.g. liquidity and rating migration). We expect investment grade credit bonds will outperform UK government securities over the next three years.
- We continue to believe that **global high yield bonds** are attractive on a spread basis and that they 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 default climate with ongoing refinancing opportunities.



## CORPORATE GOVERNANCE & COMPLIANCE

### MiFID (Markets in Financial Instruments Directive)

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- 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

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- 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

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- 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](http://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

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- 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

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- 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

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

## RLAM TEAM

### Your fund managers

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**Jonathan Platt**  
Head of Fixed Interest



**Paola Binns**  
Senior Credit Fund  
Manager

### Your dedicated contact

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**Rob Nicholson**  
Client Relationship Director

**T:** 020 7506 6736  
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**E:** robert.nicholson@rlam.co.uk

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

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### Company news

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Royal London reported strong results for 2016, with growth across Intermediary and Consumer divisions, alongside further growth at Royal London Asset Management (RLAM). RLAM attracted gross inflows of £6.7bn (2015: £3.1bn) arising from both Institutional and Wholesale markets. Funds under management increased over the year to £100bn (31 December 2015: £85bn).

### Investment team changes

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In January, RLAM announced the creation of a global equity team with the appointments of Peter Rutter, James Clarke and William Kenney. Peter is head of global equities and reports to RLAM's CIO, Piers Hillier. James and William are senior fund managers, both reporting to Peter. All three were previously at Waverton Investment Management.

## 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.

Royal London Asset Management is a marketing group which includes the following companies:

Royal London Asset Management Limited provides investment management services, registered in England and Wales number 2244297; Royal London Unit Trust Managers Limited manages collective investment schemes, registered in England and Wales number 2372439. RLUM (CIS) Limited, registered in England and Wales number 2369965. All of these companies are authorised and regulated by the Financial Conduct Authority.

Royal London Pooled Pensions Company Limited provides pension services, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, registered in Scotland number SC048729.

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



# Financial Statements

Portfolio Valuation

Trading Statement



# Portfolio Valuation

As at 31 March 2017

## 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									
134,504,458	GB00B1ZB3X88	RLPPC Over 5 Year Corp Bond Pen Fd	2.33081	169,323,475.11	313,504,334.99	0.00	313,504,334.99	0	100.0
<b>Funds Held total</b>				<b>169,323,475.11</b>	<b>313,504,334.99</b>	<b>0.00</b>	<b>313,504,334.99</b>		<b>100.0</b>
<b>Grand total</b>				<b>169,323,475.11</b>	<b>313,504,334.99</b>	<b>0.00</b>	<b>313,504,334.99</b>		<b>100.0</b>





# Trading Statement

For period 01 January 2017 to 31 March 2017

## Dorset County Pension Fund

Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)
<b>Acquisitions</b>					
<b>Funds Held</b>					
06 Jan 2017	Acquisition Rebate	100,205.53	RLPPC Over 5 Year Corp Bond Pen Fd	2.28	228,464.60
<b>Funds Held total</b>					<b>228,464.60</b>
<b>Acquisitions total</b>					<b>228,464.60</b>

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**DORSET COUNTY COUNCIL PENSION FUND**  
QUARTERLY REPORT Q1 2017

**CBRE**  
GLOBAL  
INVESTORS

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# 1. EXECUTIVE SUMMARY: Q1 2017

## MARKET

The UK property market has begun 2017 much as it ended the final quarter of 2016. The economic and political risks reflected at the end of last year, remain most notably Brexit, where the direction of travel is expected to become clearer after the General Election. At present in spite of the political uncertainty the economy continues to hum along quite nicely and the property market is holding up well.

Over the quarter, our assessment of property market conditions hasn't changed materially. We have grown to accept heightened uncertainty but property remains at historically keen yields and we are late in the economic cycle. We feel strongly that the strategic focus over the coming quarters should be proactively managing income and lengthening leases, advancing sales of assets that will struggle to deliver adequate performance in difficult economic conditions and ensuring a strong structural story for any new purchases.

## PORTFOLIO

Over the quarter, one lease renewal completed and three rent reviews were settled achieving an average rental growth for the units of 10%. The void rate has improved marginally to 2.5%. A void rate at this level is unsustainably low in the long term, however, coupled with a good AWULT (9.3 yrs to break) and the strategic increase in the exposure to secure index-linked income streams, the fund remains well placed for any market turbulence. During Q1 2017 there were no purchases or sales. Five properties staircased from the Derwent Shared Ownership portfolio during the quarter.

Figure 1 Lease Length

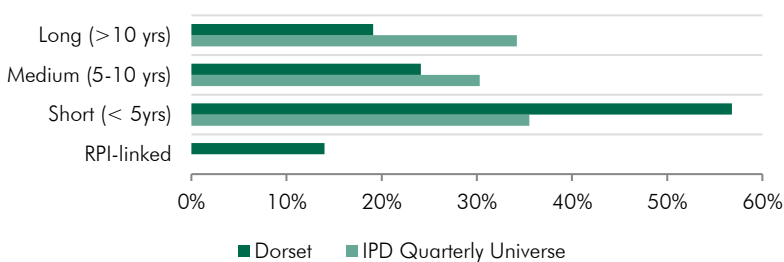
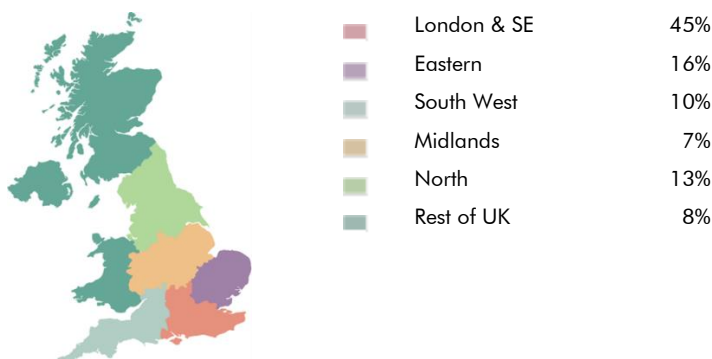


Figure 2 Geographical Structure



## 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	£216.8m	25
UK Indirect	£24.3m	2
<b>Total value of portfolio</b>	<b>£241.1m</b>	

NIY/EY	4.7%	5.5%
Vacancy rate	2.5%	
AWULT to expiry (lease to break)	9.3yrs	(8.9yrs)
Largest asset	Woolborough Lane, Crawley (£19.0m/8.8% of portfolio value)	
Largest tenant	ACI Worldwide EMEA (£1,070,000/9.2% of portfolio rent)	

## Performance

Target: To achieve a return on Assets at least equal to the average IPD Quarterly Universe.

	Portfolio	Target	Relative
Q1 2017 %	2.0	2.2	-0.1
1 Yr %	4.7	4.6	0.1
3 Yr % p.a. (2015-2017)	11.8	10.9	0.8
5 Yr % p.a. (2013-2017)	10.7	9.8	0.8

## Transactions

	Q1 2017
Money available	£20.0m
Purchases	£0.0m
Sales	£0.3m

## 2. MARKET COMMENTARY

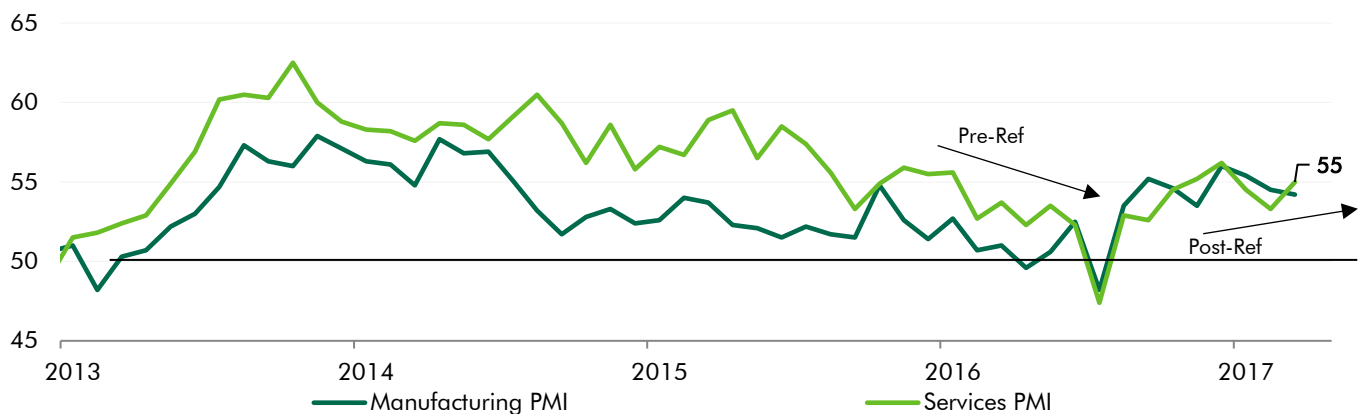
### UK ECONOMIC OUTLOOK

The UK economy and property market are surprisingly better positioned than many would have expected nine months ago, with the positive momentum generated at the end of last year continuing into 2017. In large part this is because Brexit has, thus far, proven more of a political construct rather than a material factor adversely dictating business decisions. On the contrary Britain's dominant service industry is humming along rather nicely (Figure 3) and UK CFOs, as read by Deloitte's quarterly survey, have become less risk averse. This translates to an improved near term growth outlook and a property industry which has become less pessimistic about the near term prospects for the asset class.

However, the triggering of Article 50 solidifies that Brexit will indeed happen and a general election in early June is being used by the current government to achieve a mandate to negotiate its position. 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 emerges of how this new-found relationship will work. Political rancour and subsequent financial market volatility undoubtedly cloud the outlook and will complicate investment decision making.

As if that were not enough, it is now widely accepted that another independence referendum is inevitable in Scotland. Local property performance and transactional volumes have struggled to bounce back since the September 2014 plebiscite and we expect that investor skittishness will suppress activity for the foreseeable future. Owners of Scottish property have not appeared willing to accept discounts for sales, which has limited price discovery. We appreciate that giving up relatively high yielding assets is a difficult proposition, but we also feel that the risk of being out of the Scottish market is less than being overly exposed to it. The corollary is that our Oversight Committee is scrutinising all of our Scottish holdings closely.

Figure 3 UK PMI Surveys, Balance Of Responses



### UK PROPERTY PERFORMANCE

Despite well-documented risks, the UK property market is holding up well. At a market level, capital values rose for a second successive quarter in Q1 2017 with all segments measured by CBRE's Monthly Index delivering a positive outturn. The all property total return in Q1 2017 was 2.7%, a modest improvement compared to the final quarter of 2016. As has been a reoccurring theme, industrials proved to be the most resilient sector, delivering a quarterly return of 4.7%. Offices and retail both underperformed the broader market delivering returns of 2.2% and 2.0%, respectively.

### OCCUPIER MARKETS

Occupier markets remain satisfactory throughout much of the country owing to a favourable supply and demand balance. Rents have now grown for 15 successive quarters at an all property level and the physical vacancy rate is stable. We are however cognisant that both of these metrics are backward looking. Economic uncertainty, business rates, rising inflation expectations and

the national living wage are increasingly at the forefront of tenants’ minds. Here are some of the occupational themes that we have observed over the past quarter:

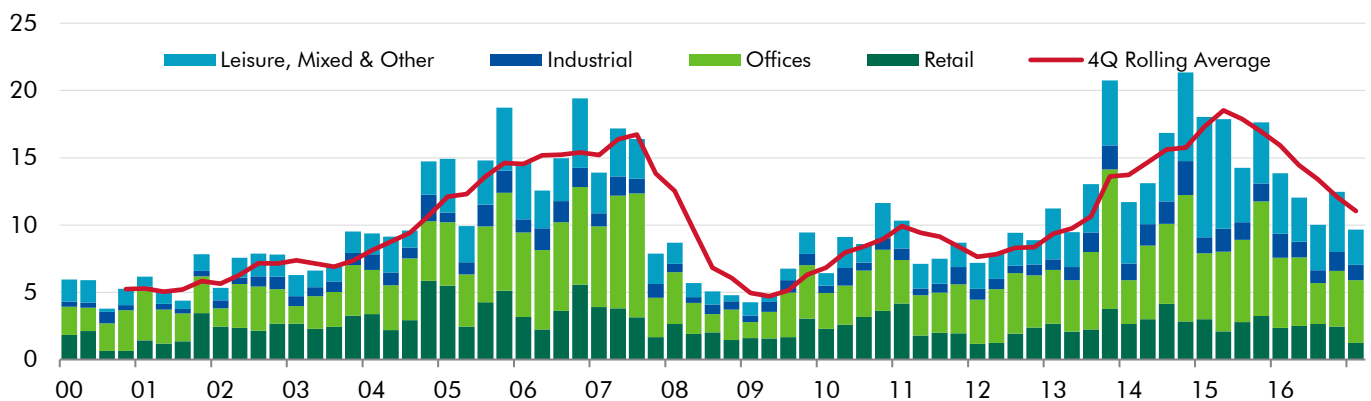
The Central London office market has become rather patchy of late and prime rents are being dropped in the best buildings. We are signing new leases in regional cities but terms are shortening and we are seeing more tenant space coming back on the market. The big box logistics market is underpinned by a resilient structural story, but a recent lack of modern space has triggered the return of speculative development and is creating more choice. But it has yet to hamper recently strong rental growth.

With notably fewer new A3 (restaurants and cafés) entrants than a year ago, we feel this segment of the market has peaked. Anecdotal evidence suggests that headline rents in top quartile towns have fallen since the start of the year and churn within the sector has diminished. It goes without saying that the retail sector continues to see the most polarising activity. The UK has an oversupply of prosaic offerings that most retailers already have exposure to and an undersupply of retail formats that are able to transcend ever-evolving consumer expectations. While clearly a nuanced picture across much of the market, we feel that over the coming quarters the bargaining position will shift from landlord to tenant.

## CAPITAL MARKETS

UK transaction volumes have noticeably subsided from the heady levels of 2014 and 2015 (Figure 4). Many investors have come to accept a higher degree of uncertainty, but there is little pressure to invest and few obvious alternatives to recycle capital. There are few motivated sellers and, with interest rates so low, servicing debt is a non-issue. The increase in stamp duty in last year’s Budget creates a further disincentive to trade assets due to the punitive round trip costs of buying and selling (c.9%).

Figure 4 Overall Market Transactions By Sector, £Bn.



Source: Property Data, latest Q1 2017.

The majority of activity is occurring in those sectors where investors feel most compelled, namely South East industrials, long income and trophy assets. Demand for this type of stock far exceeds supply, which continues to support historically keen yields being paid. Continuing a recent trend, and consistent with our House activity, UK institutions have been net sellers; overseas capital remains highly discerning and focused on London while local authorities, somewhat paradoxically, are able to borrow cheaply to acquire assets often at historically strong prices.

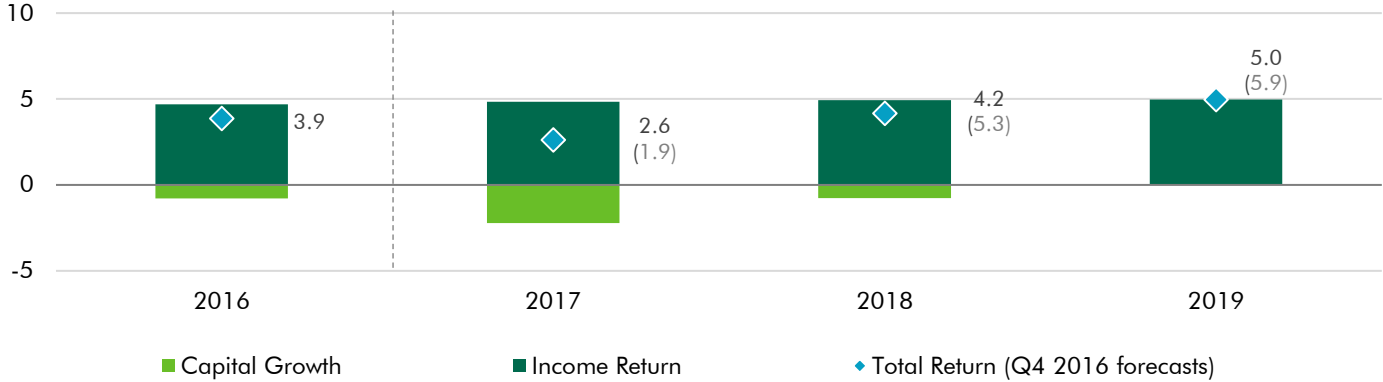
## OUTLOOK

Over the previous quarter, our assessment of conditions hasn’t changed materially. We have grown to accept heightened uncertainty but see little impetus for aggressively acquiring property at historically keen yields late in the economic cycle. We feel strongly that the strategic focus over the coming quarters should be proactively managing income and lengthening leases, advancing sales of assets that will struggle to deliver adequate performance in difficult economic conditions and ensuring a strong structural story for any new purchases.

Our forecasts of 2017 property performance have improved marginally over the quarter, and we expect an outturn not too dissimilar to last year with income eclipsing modest capital value falls (Figure 5). Accepting an eventual albeit slight increase in interest rates and below trend rental growth, we anticipate that the market will be able deliver a nominal total return of c. 4%

p.a. over the coming three years. While this is a fairly dull outturn relative to history, property's income advantage, in particular, and the prospect of less volatile returns going forward positions it favourably against other assets classes. There is a tug of war between investors' search for yield and the myriad risks we are all alert to. At the moment yield, even at historically dear levels, is winning.

Figure 5 All Property Total Return Forecast, 2017-19, % P.A.



Source: MSCI, CBRE Global Investors, H1 2017.



## 3. STRATEGY

Size	<ul style="list-style-type: none"> <li>Target portfolio size £260 million. Currently £241.1m.</li> </ul>
Performance	<ul style="list-style-type: none"> <li>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.</li> </ul>
Income yield	<ul style="list-style-type: none"> <li>Maintain the portfolio income yield at a higher level than the IPD index net initial yield.</li> <li>Continue to focus on maintaining a low void rate and a resilient income yield.</li> <li>Ensure held properties / new acquisitions have strong rental growth prospects or a high income yield.</li> </ul>

### ALLOCATION

Property type	<ul style="list-style-type: none"> <li>Remain diversified while seeking to increase the average lot size and tenancy size via sales and purchases Target core property holdings in good locations with a proportion of exposure to properties that will allow active management to generate outperformance.</li> <li>We anticipate maintaining a total of between 25 and 30 properties with an average lot size of c. £8m.</li> <li>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.</li> </ul>
Geographic allocation	<ul style="list-style-type: none"> <li>Diversified by location but with a bias towards London and the South East.</li> </ul>
Sector allocation	<ul style="list-style-type: none"> <li>Diversified by sector with a maximum of 50% in any single sector.</li> <li>Target a lower than average weighting to Offices and Retail and a higher than average weighting to Industrial and Other commercial.</li> <li>Source suitable HLV* investments that could be available in any sector.</li> </ul>

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

### OTHER RESTRICTIONS AND GUIDELINES

Investment size	<ul style="list-style-type: none"> <li>Target a maximum of 10% in any single asset</li> </ul>
Tenants	<ul style="list-style-type: none"> <li>Maximum rent from any single tenant 10% of rental exposure.</li> <li>Target financial strength better than the benchmark.</li> </ul>
Lease length portfolio	<ul style="list-style-type: none"> <li>Target new assets where the lease expiry profile fits with the existing profile of the fund.</li> <li>Seek to maintain expiries in any one year below 10% of the fund's lease income.</li> <li>Target an average unexpired lease term in excess of the benchmark.</li> </ul>
Development	<ul style="list-style-type: none"> <li>Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it.</li> </ul>
Debt	<ul style="list-style-type: none"> <li>Avoid debt exposure.</li> </ul>
Environmental and Social Governance ("ESG")	<ul style="list-style-type: none"> <li>Energy performance: to improve EPC ratings where it is financially viable and, where applicable, apply for certification.</li> </ul>

## 4. PORTFOLIO OVERVIEW

UK direct*	£216.8m	90%
UK indirect**	£24.3m	10%
Total value of portfolio	£241.1m	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)	2.5%	Below benchmark
Rent with +10 years remaining	24.4% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	6.3% of total rent	Minimum 10% of total rent
Largest property (% of value)	8.8% (Woolborough Lane IE, Crawley )	Below 10%
Largest tenant (% of rent)	9.2% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	80% / 20%	Minimum 70% freeholds

### 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:**

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 Q1 2017. The portfolio net initial yield as measured by IPD is currently 5.0%. The margin over the benchmark has stayed broadly 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 and the sale of a higher yielding retail warehouse. The transactions have added to the quality of the income stream from the portfolio.

**ACTION**

The portfolio’s initial yield currently is 15 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:

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

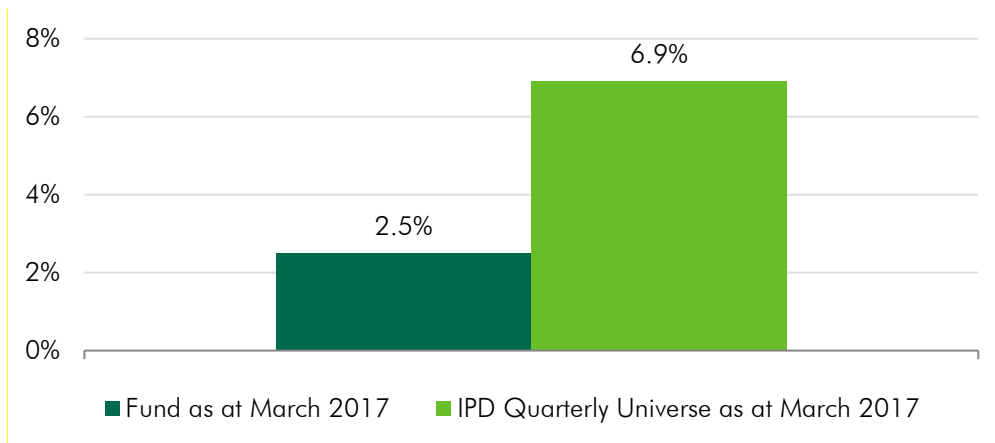
	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.0%	4.9%
Equivalent yield p.a.	5.9%	5.8%
Income return over quarter	1.2%	1.2%

**VACANCY RATE**

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

The vacancy rate currently amounts to 2.5% 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 at Phoenix Park (Unit 7) and two office floors at Pilgrim House, Aberdeen.

Figure 10 Vacancy Rate



**ACTION**

Seek to let vacant space through using best in class letting agents and proactively managing 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.

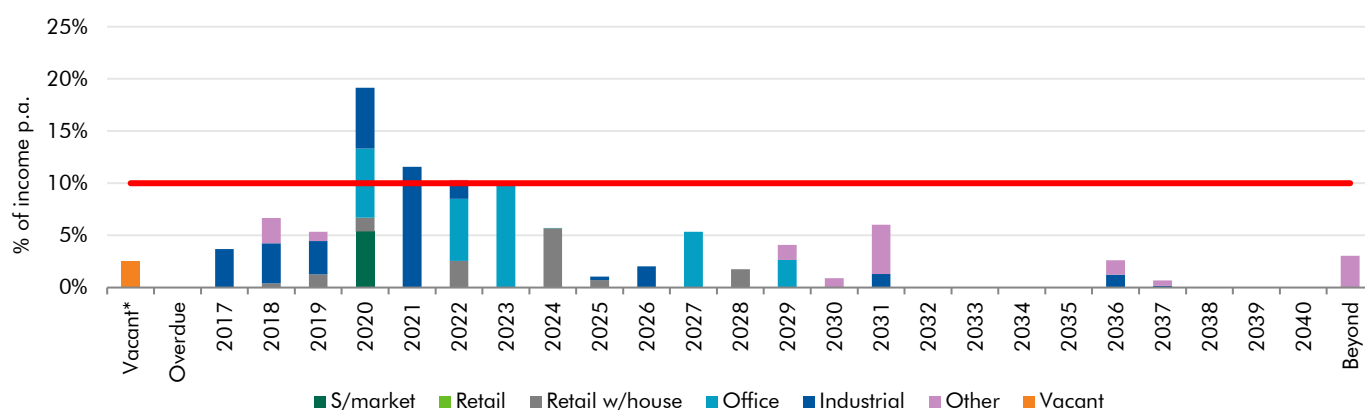
### UNEXPIRED LEASE TERM, YEARS

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.6	9.1	9.6
Benchmark	12.2	11.4	12.7

\*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 position in comparison to the benchmark. The main risk is the 2020 expiry spike. The vast majority of these are already being discussed with tenants. Neotiations 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.

Figure 11 Lease Expiry Profile



\*Vacancy expressed as percentage of ERV

### ACTION

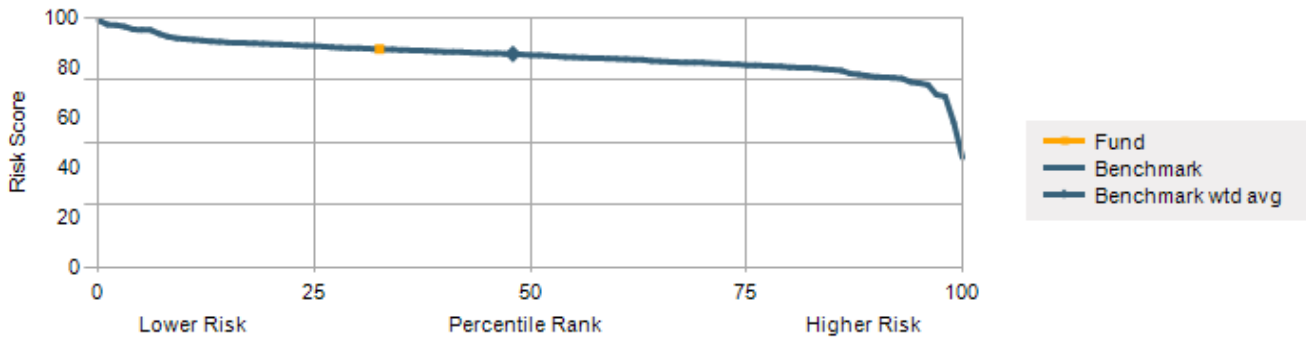
Seek to extend the average lease length through the active management of lease events in the portfolio. Aim to establish a “dumbbell” shaped expiry profile to allow short term asset management to be balanced by long term secure income.

## 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 March 2017. The Fund is in the second quartile with a Weighted Risk Score on the 32<sup>nd</sup> percentile. The score has decreased marginally since Q4 2016 (30.9<sup>th</sup> percentile), but remains ahead of the benchmark (47.9<sup>th</sup>), demonstrating that the covenant risk of the portfolio is below the average benchmark risk. IPD IRIS risk weightings are as at March 2017

Figure 12 Ranking Of Weighted Risk Score



**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 the second half of 2016 the amount of HLV income decreased due to the forfeiture of the lease at Charlotte House, Newcastle. The rent here is now on a direct let basis and therefore subject to fluctuations. At 14% the HLV component of the income means a good proportion of the portfolio providing some form of index linkage.

% of portfolio income	Q1 2017
Open market income	86%
RPI/Index linked income	14%

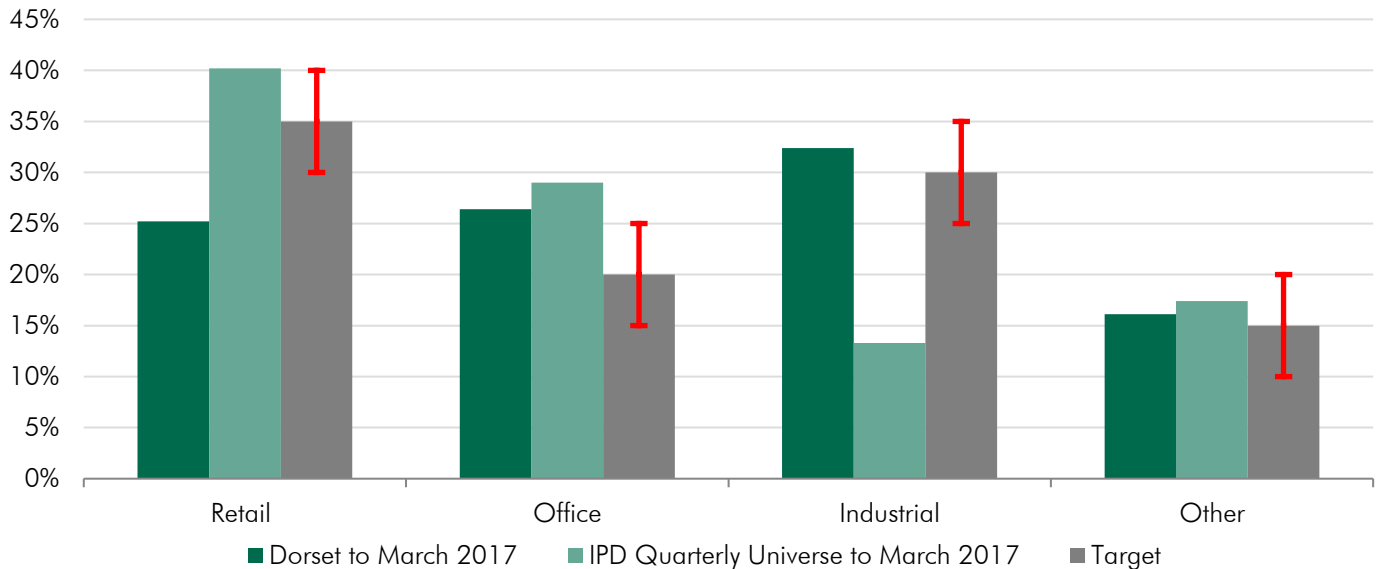
**ACTION**

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.

Figure 13 Portfolio Sector Weightings



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 and elow benchmark weighting to offices, given that overall these two sectors have been the poorest performing sectors 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 Q1 the Minor Material Ammendments Application and variation to the S106 Agreement with the local authority was progressed and is expected to be completed in Q2 2017 which will allow the build contract to be signed and development works to commence on site. The planning position has been delayed as we have sought the sign off of all pre-commencement conditions by the local planning authority at the same time.

### 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. UK DIRECT PORTFOLIO ACTIVITY

Below are examples of key drivers of performance within the Fund over the last quarter:



- The April 2016 rent review was settled with the tenant during the quarter.
- The previous rent passing was £590,000 which equates to £8.26 psf. The new rent has been agreed at £650,000, equating to £9.10 psf.
- The uplift of £60,000 reflected rental growth of 10.1% over the five year review period.
- The uplift drove the performance of the property which delivered a 4.2% total return during the quarter and a weighted contribution of 0.09% to fund performance.

Address	Booker Cash & Carry 164-168 Windmill Road, Sunbury
Sector	Industrial
Valuation Q1 2017	£11.0m



- The July 2016 rent review was settled with Hermes Parcelnet during the quarter.
- The previous rent passing was £292,936 which equates to £6.50 psf. The new rent has been agreed at £380,000, equating to £8.43 psf.
- The uplift of £87,064 reflected rental growth of 29.7% over the five year review period.
- This significant uplift helped the property to be the top performer in the portfolio delivering a 5.8% total return during the quarter and a weighted contribution of 0.27% to fund performance.

Address	Woolborough Industrial Estate, Crawley
Sector	Industrial
Valuation Q1 2017	£19.0m

## 6. TRANSACTIONS

There were no purchases in Q1 2017

### SALES – STAIRCASINGS FROM THE DERWENT PORTFOLIO



Address	4 Columbia Place, 77 Fornham Street, Sheffield
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed flat
Completion Date	6 <sup>th</sup> February 2017
Dorset's Purchase Price*	£38,019 (gross of all fees)
Net Dorset Sale Receipt*	£50,602

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



Address	4 Welland House, Leicester Road, Lutterworth LE17 4PL
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	24th February 2017
Dorset's Purchase Price*	£38,638 (gross of all fees)
Net Dorset Sale Receipt*	£56,599

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



Address	11 Rymill Drive, Oakwood, Derby DE21 2UW
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 3 bed house
Completion Date	30th January 2017
Dorset's Purchase Price*	£49,424 (gross of all fees)
Net Dorset Sale Receipt*	£67,411

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





Address	14 Buscott Parkway, Daventry NN11 8AT
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 1 bed flat
Completion Date	22nd March 2017
Dorset's Purchase Price*	£28,829 (gross of all fees)
Net Dorset Sale Receipt*	£39,796

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



Address	29 Alexandra Mill, Great Northern Road, Derby DE1 1LW
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	17 <sup>th</sup> January 2017
Dorset's Purchase Price*	£17,108 (gross of all fees)
Net Dorset Sale Receipt*	£19,626

\*The values reported are for the Fund's 25% 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.
- The Manager is continuing to 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 is seeking to dispose of the property if a suitable price can be realised.
- During Q2 2017 the manager will seek to dispose of 131 Great Suffolk Street, London SE1, following the departure of the tenant in April. This asset was purchased as a relatively short term hold in 2014. Following strong capital growth since purchase, we are can either crystallise the capital uplift or undertake an extensive refurbishment and re-letting of the property. At present the market appears to be under pricing the refurbishment risk which offers the fund the opportunity to exit at an attractive price now without taking on this risk. It is being marketed for offers in excess of £4.5m. The Q1 valuation is £4.35m.
- During Q1 2017 the opportunity has arisen to invest in a club deal with other CBRE Global Investors clients. The proposed Unit Trust which is being set up will invest in a Park Plaza branded hotel in Waterloo, London SE1 for £160m (see below for details of the deal). This proposed acquisition will increase the portfolio weighting to assets delivering an element of RPI linked income and will provide exposure to a different sector of the market within the "Other" category.
- 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. See Appendix 2 for further information about the indirect holdings.

## ONGOING TRANSACTIONS

### PURCHASES



Address	Waterloo Park Plaza, London SE1
Sector	Hotel
Purchase price	£15.0m (contribution)
Conventional / HLV	High Lease Value

- CBRE Global Investors have agreed terms to acquire the freehold for the recently developed Park Plaza hotel, in Waterloo, for a total consideration of £160m, equating to a net initial yield of 3.25% p.a.
- The transaction has been structured as a sale and leaseback with Park Plaza, for a lease term of 199 years, at a starting rent of £5.6m p.a.
- The proposed purchase price equates to 65% of day one vacant possession value and the starting rent equates to 54% of the property's estimated rental value.
- The lease will allow for annual rent reviews in line with the RPI (collared at 2% and capped at 4%).
- The investment will be held by a Guernsey Property Unit Trust, whereby a number of CBRE Global Investors' clients will be allocating capital. We have provisionally agreed a contribution from Dorset County Council of £15m (plus purchaser's costs).
- Income from the investment (and the associated costs of the vehicle) will be divided proportionately between the co-invested parties, based upon their initial capital allocation.
- Redemptions from the vehicle will be available after the first seven years, and five yearly thereafter. However, we expect that the parties invested in the vehicle at the outset will hold the investment for the long term.
- We are negotiating the lease with the vendor and exchanging of the property acquisition is expected to take place in mid-June. We forecast that the investment will realise a real return of 3.0% p.a. over the long term.

## 7. UK DIRECT 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.

Q1 2017	Portfolio	Benchmark	Relative
Capital growth	0.8%	1.0%	-0.2%
Income return	1.2%	1.2%	0.1%
Total return	2.0%	2.2%	-0.1%

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio has marginally underperformed the benchmark over the last three months, with a total return of 2.0% against the benchmark return of 2.2%. This was mainly driven by the underperformance of the office and retail assets. Pilgrim House, Aberdeen was again the worst performing asset in the portfolio contributing -0.2% to the overall total return driven by a fall in capital value of -4.1%, 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 again over the next 12 months the Fund's income return will remain a key driver of performance.

12 months to Q1 2017	Portfolio	Benchmark	Relative
Capital growth	-0.3%	-0.1%	-0.2%
Income return	5.0%	4.7%	0.3%
Total return	4.7%	4.6%	0.1%

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q4 2016	Portfolio	Benchmark	Relative
Capital growth	6.1%	5.8%	0.4%
Income return	5.3%	4.8%	0.4%
Total return	11.8%	10.9%	0.8%

Source: CBREGI and IPD Quarterly Benchmark Report

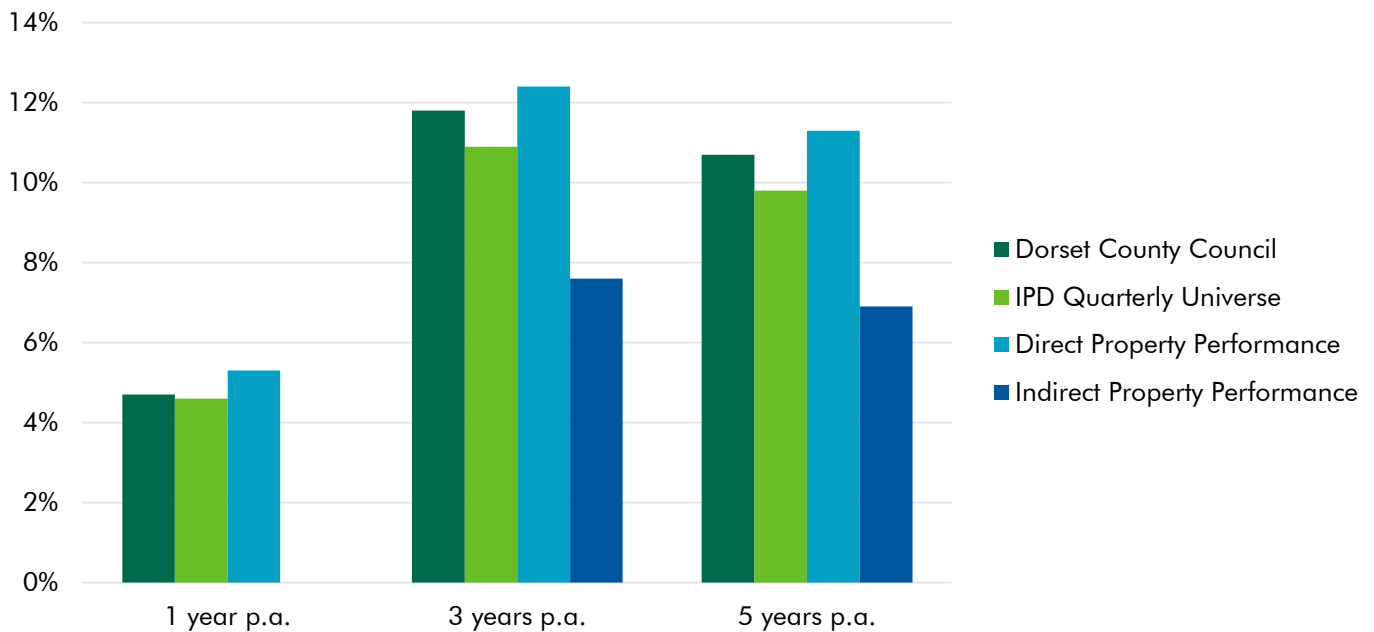
5 yrs to Q4 2016	Portfolio	Benchmark	Relative
Capital growth	4.7%	4.4%	0.3%
Income return	5.7%	5.2%	0.5%
Total return	10.7%	9.8%	0.8%

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 over the longer time periods. 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

Figure 14 Annualised Total Return Rolling Performance



The portfolio is 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 has been weaker than the direct holdings across the timeframes shown. The indirect property holdings comprise Shopping Centre exposure; the assets 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.

## 8. ACCOUNTING AND ADMINISTRATION

### RENT COLLECTION AND ARREARS

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 THREE MONTS OLD)

Target			
GREEN	Max. £25,000, no single item over £10,000		
AMBER	Max. £75,000		
RED	Above £75,000		
	<b>31 March 2017</b>	<b>RED</b>	<b>£137,023.02</b>
	31 December 2016	RED	£131,515.46
	30 September 2016	RED	£153,788.03
	30 June 2016	RED	£189,663.92

#### RESULT

The arrears position is skewed due to £134,408.78 of arrears at Charlotte House, Newcastle. The lease was forfeited during Q3 through legal action and the arrears are in the process of being recovered, and were 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		
	<b>31 March 2017</b>	<b>GREEN</b>	<b>(99.3% collected by 6 days, 98.0% by 15th day)</b>
	31 December 2016	AMBER	(85.1% collected in 6 days, 94.7% 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)

### SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target	
GREEN	all service charge accounts closed within 3 months of the year end
RED	any account not closed

# 9. 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.

**Figure 15** Change in level of risk across all units (left) and value (right) within the Fund

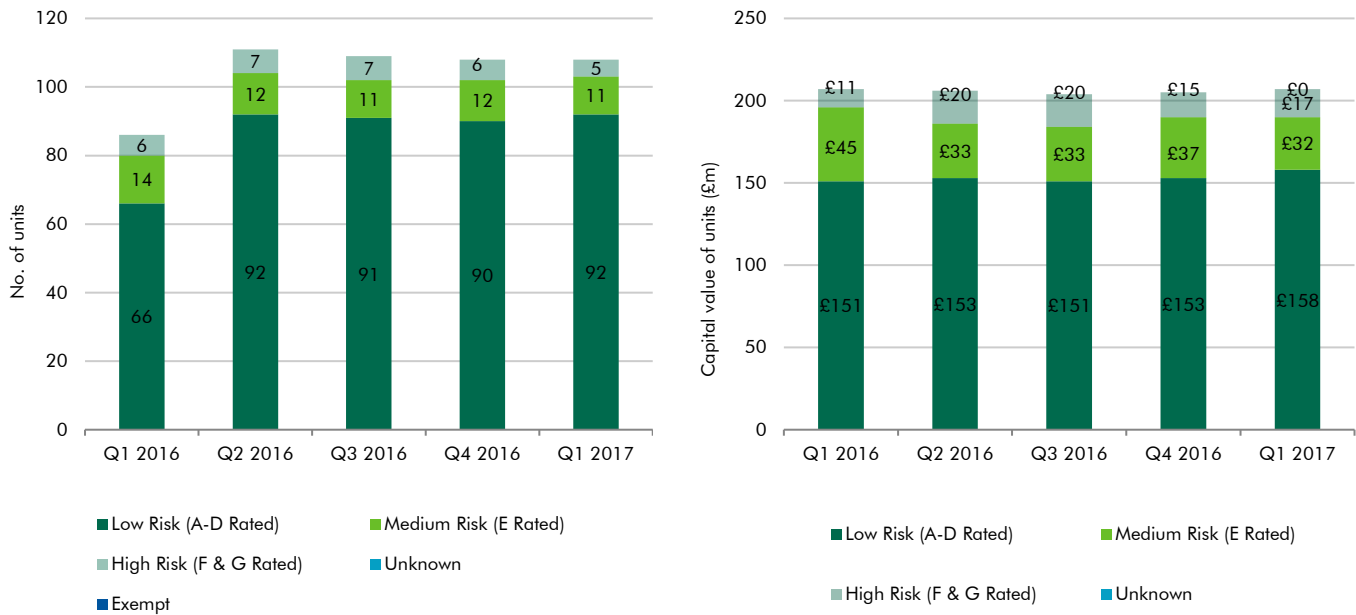


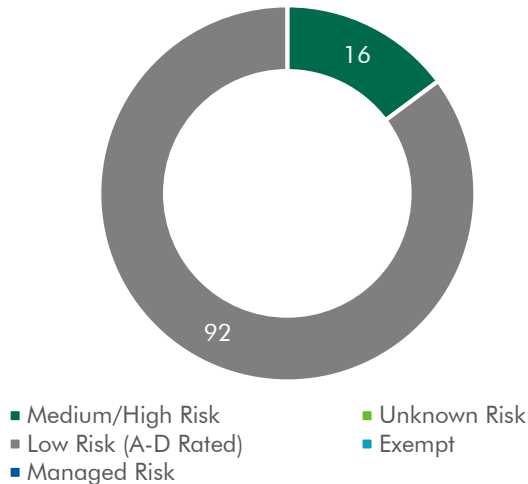
Figure 15: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2.

## COMPLETED PROJECTS: Q1 2017

Size	Unit	Action	Outcome
Euroway Industrial Estate	Unit 1-3	EPC	Improvement in the EPC rating from a high risk item into low risk.
Euroway Industrial Estate	Unit 5	EPC	Improvement in the EPC rating from a high risk item into low risk.

# ACTIONS FOR MITIGATING RISK ACROSS THE PORTFOLIO

Figure 16 Strategy For Risk Mitigation For Remaining Medium And High Risk Units



Action plan for Medium / High Risk units	Number of units
Carry out high quality EPC	1
Scottish properties	2
Tenant engagement	11
Monitor – potential sale	0
Consult on current works	2

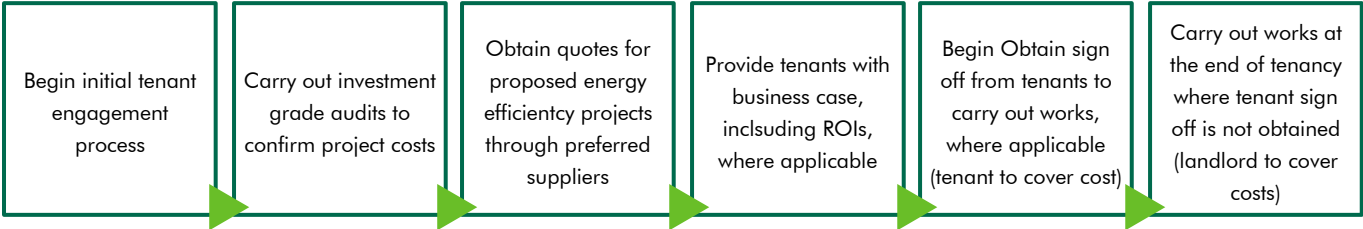
Figure 16 outlines the actions that have been identified to improve the EPC ratings of all units with E, F, or G ratings. Managed risk refers to all units that will be upgraded at the end of current tenancies, prior to the legislation taking effect.

## RISK MITIGATION PROCESS

Where possible, tenants will be engaged to help spread the cost of investment and mitigate risk.

Figure 17 illustrates the process that will be undertaken throughout the year to engage with tenants.

Figure 17 Process For Carrying Out Risk Mitigation Actions



## PLANNED PROJECTS: Q2 2017

Size	Unit	Action	Outcome
The Aspley Building	Unit B	Modelled EPC	To confirm tenant engagement with suggested improvements
South Bristol Trade Park	Unit 3B	Modelled EPC	Modelled EPC to provide improvement measures in order to move the unit into medium/low risk categories.
Dunbeath Court, Swindon	2 Units	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants. Work with tenants and property managers to implement energy efficiency projects to improve EPC rating.
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.



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# APPENDIX 1

## SCHEDULE OF VACANCIES

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
1st and 2nd floor, Pilgrim House, Aberdeen	13,805	2.0%	£276,100	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 – will need to be combined with unit 7 letting
<b>TOTAL PORTFOLIO VOID</b>		<b>2.5%</b>	<b>£345,300</b>	

# APPENDIX 2

## INDIRECT INFORMATION

## PORTFOLIO COMPOSITION

The Dorset portfolio is invested in the following funds and as at 31 March 2017 had a value of £24.3 million.

The performance of the Dorset indirect portfolio was 1.4% over the last quarter and 0.0% over the last 12 months. This return is based on February prices. The table below reflects the valuations based on these reporting cut-off dates.

Fund Name	Manager	Sector	LTV	Value (£m)
CBRE Retail Property Fund Britannica Unit Trust	CBRE Global Investors	Shopping Centres	-	-
Lend Lease Retail Partnership	Lend Lease	Shopping Centres	-	9.650
Standard Life UK Shopping Centre Trust	Standard Life	Shopping Centres	-	14.631
<b>Total</b>			-	<b>24281</b>

## INVESTMENT ACTIVITY

There was no transactional activity during the quarter.

## COMMENTARY

The Dorset indirect property portfolio has three indirect holdings, although the holding in CBRE Retail Property Fund Britannica Unit Trust has no value and is in wind down. These are specialist funds that provide the portfolio with exposure to the shopping centre sector. The combined indirect investments have a value of £24.3 million and nil look-through exposure to gearing.

## LEND LEASE RETAIL PARTNERSHIP

**Lend Lease Retail Partnership** produced a total return of -0.3% over the quarter and -1.0% over the year.

Performance in the last quarter was dragged by a 1.4% fall in NAV, driven by an outward yield shift for Touchwood, Solihull (an asset that represents approximately 33% of the fund's portfolio value). The valuers moved the yields out by 20bps due to a reduced certainty around the execution of the extension at Touchwood resulting from an impending fund wind-down and potential sale of the assets.

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

During the quarter, the manager continued with asset management initiatives at the two schemes:

- At Bluewater, the manager agreed one new letting, one lease renewal and completed three rent reviews. Further work on extension of MSUs and repositioning of 'Glow' from an events venue to a leisure destination continued as lettings to a cinema operator, restaurants and a trampoline operator were concluded.
- At Touchwood two lease renewals were concluded. There are only two vacancies at the asset. As part of the proposed Touchwood extension, the manager purchased adjacent high street units under the CPO (compulsory purchase order) process.

The fund has a wind-down period commencing from November 2017. Following a consultation with investors, the manager held a vote on 31 October 2016 seeking investor approval for a fund modernization and extension of the fund life to 2024. This was 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.

During the quarter, the manager reported that it was unable to achieve the required equity rotation process that was approved in Q3 2016. As such the manager is considering options for the future of LLRP including an early wind-down of the fund commencing with the sale of its 25% stake in Bluewater, Kent.

## STANDARD LIFE UK SHOPPING CENTRE TRUST

Standard Life UK Shopping Centre Trust produced a total return of 2.6% over the quarter and 0.7% over the last 12 months.

Over the quarter, the return was driven by both capital and income performance. At quarter end, the trust had a net asset value of £1.6 billion with the portfolio providing exposure to six shopping centres across the UK (following sale of One Stop, Perry Barr). The fund remains ungeared and the portfolio has a weighted average unexpired lease term of 7.4 years.

As at quarter end, the void rate remained at 4.3% (by ERV) however this would fall to c. 2.7% if the pre-letting of the former BHS unit in Brighton to Zara (relocating within the centre) was assumed as let. The Zara unit has received strong interest from three occupiers; the letting of this unit is expected to complete during Summer 2017. At Brent Cross the Waitrose lease was re-gearred for an additional 10 years, an agreement for lease was signed with Zara (regarding the former Gap unit), and the re-letting of the All Saints store to JD Sports also completed. The manager secured several new lettings at the Fund's other assets in Wimbledon and Stirling.

As noted last quarter, the Trust completed the sale of One Stop Perry Barr, Birmingham for £69.3m / 7.0% NIY, in line with the Trust's strategy to focus on dominant shopping centres. Following this sale, there is now c. £90m of cash (5.6% by NAV) in the Trust, being held for capital expenditure and other working capital required to deliver asset management initiatives across the portfolio.

The Manager is in discussions with a number of capital sources interested in funding the extension to Brent Cross. Further engagement with unitholders will commence during Q2/Q3 2017, when more details will then be made available.

# APPENDIX 3

## PORTFOLIO VALUATION

## Valuation Schedule (UK Property) Q1 2017

Property Address	March 2017	Qtr Total Return <sup>1</sup>	Annual Income	OMRV	Net Initial Yield <sup>2</sup>
<b>OFFICES</b>					
Aberdeen, Pilgrim House	£7,100,000.00	-3.3%	£318,862.00	£517,414.00	4.23%
Cambridge, The Eastings	£3,500,000.00	2.8%	£190,500.00	£226,000.00	5.11%
Cambridge, 270 Science Park	£11,500,000.00	-0.3%	£641,616.00	£952,616.00	5.23%
London EC1, 83 Clerkenwell Rd	£17,650,000.00	1.2%	£836,000.00	£1,034,000.00	4.44%
London N1, 15 Ebenezer St & 25 Provost St	£8,650,000.00	0.8%	£272,588.00	£673,100.00	2.95%
Watford, Clarendon Road	£15,250,000.00	1.8%	£902,750.00	£1,070,000.00	5.55%
<b>TOTAL OFFICES</b>	<b>£63,650,000.00</b>	<b>0.6%</b>	<b>£3,162,316.00</b>	<b>£4,473,130.00</b>	<b>4.59%</b>
<b>RETAIL WAREHOUSE</b>					
Northampton, Becket Retail Park	£6,200,000.00	1.7%	£431,000.00	£417,700.00	6.52%
Norwich, Cathedral Retail Park	£16,100,000.00	0.1%	£1,074,000.00	£1,054,000.00	6.25%
Rayleigh, Rayleigh Road	£3,500,000.00	1.6%	£222,783.00	£222,783.00	6.01%
<b>TOTAL RETAIL WAREHOUSE</b>	<b>£25,800,000.00</b>	<b>0.7%</b>	<b>£1,727,783.00</b>	<b>£1,694,483.00</b>	<b>6.26%</b>
<b>SUPERMARKET</b>					
Tesco, Sheffield	£10,600,000.00	1.6%	£680,000.00	£680,000.00	6.01%
<b>TOTAL SUPERMARKET</b>	<b>£10,600,000.00</b>	<b>1.6%</b>	<b>£680,000.00</b>	<b>£680,000.00</b>	<b>6.00%</b>
<b>INDUSTRIAL</b>					
Bristol, South Bristol Trade Park	£4,550,000.00	6.0%	£258,106.00	£282,137.00	5.32%
Crawley, Woolborough IE	£19,000,000.00	5.8%	£917,932.00	£1,238,100.00	4.53%
Croydon, 75/81, Sumner Road	£2,950,000.00	10.6%	£137,000.00	£169,800.00	4.36%
Heathrow, Skylink	£4,650,000.00	2.9%	£125,478.00	£256,300.00	2.53%
London, Phoenix Park, Apsley Way	£11,150,000.00	3.1%	£487,469.00	£604,413.00	4.10%
London, Apsley Centre	£3,500,000.00	1.7%	£165,900.00	£195,000.00	4.45%
London, 131 Great Suffolk St	£4,350,000.00	0.6%	£110,000.00	£297,500.00	2.37%
Sunbury, Windmill Road	£11,000,000.00	4.2%	£659,750.00	£699,350.00	5.62%
Swindon, Dunbeath Court	£4,800,000.00	1.7%	£333,716.00	£337,300.00	6.52%
Swindon, Euroway IE	£12,050,000.00	1.8%	£803,422.00	£817,935.00	6.25%
<b>TOTAL INDUSTRIAL</b>	<b>£78,000,000.00</b>	<b>3.8%</b>	<b>£3,998,773.00</b>	<b>£4,897,835.00</b>	<b>4.61%</b>
<b>OTHER</b>					
Derwent Shared Ownership	£9,740,000.00	0.3%	£382,837.00	£382,837.00	3.93%
Glasgow, Mercedes	£10,500,000.00	2.4%	£597,453.00	£566,600.00	5.36%
Leeds, The Calls	£7,450,000.00	3.0%	£476,110.00	£484,750.00	5.99%
Macclesfield, Hope Park	£6,350,000.00	8.7%	£236,964.00	£236,964.00	3.50%
Newcastle, Charlotte House	£4,700,000.00	-3.5%	£115,178.00	£304,800.00	2.30%
<b>TOTAL OTHER</b>	<b>£38,740,000.00</b>	<b>2.2%</b>	<b>£1,808,542.00</b>	<b>£1,975,951.00</b>	<b>4.22%</b>
<b>TOTAL DIRECT PROPERTY</b>	<b>£216,790,000.00</b>	<b>2.1%</b>	<b>£11,377,414.00</b>	<b>£13,721,399.00</b>	<b>5.00%</b>
<b>INDIRECT PROPERTY</b>					
Lend Lease Retail Partnership	£9,650,100.00	-0.3%	£259,098.00		
Standard Life Investments UK Shopping Centre Trust	£14,630,884.49	2.6%	£515,902.00		
<b>TOTAL INDIRECT PROPERTY</b>	<b>£24,280,984.49</b>	<b>1.4%</b>	<b>£775,000.00</b>		
<b>GRAND TOTAL</b>	<b>£241,070,984.49</b>	<b>2.0%</b>	<b>£12,152,414.00</b>	<b>£13,721,399.00</b>	<b>5.00%</b>

Notes:

- Total returns for both the direct and indirect properties for the quarter to March 2017 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.
- 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.
- Valuation figures provided by CBRE Global Investors (UK Funds) Ltd (CBREGIF) are the March 2017 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD.





# APPENDIX 4

## AFFILIATED SERVICES

Property	Fee	Service
Norwich, Barn Road	£175	Flood risk screening project
Q1 2017 Total	£175	



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# Dorset County Pension Fund

## Insight mandate investment update at 31 March 2017

Our understanding of the Fund's objectives and strategy

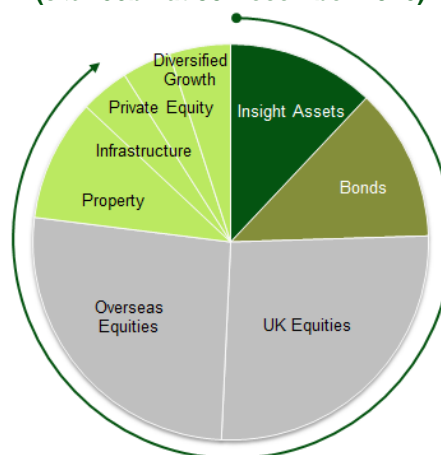
### Funding objectives and policy

- 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 31 March 2017

	3 months		12 months		Since inception	
	%	£	%	£	% p.a.	£ cum.
Portfolio	0.29	956,255	67.31	118,120,929	97.90	144,878,506
Benchmark	-1.99	-5,795,042	49.29	94,723,020	89.72	135,242,494
<b>Relative</b>	<b>2.28</b>	<b>6,751,298</b>	<b>18.02</b>	<b>23,397,909</b>	<b>8.18</b>	<b>9,636,013</b>

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 -0.52% as a proportion of the value of the inflation exposure hedged and the portfolio return was +0.09% 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% (based on 31 December 2016 total Fund asset value)

### Collateral position

- Leverage ratio stood at 2.8x at 31 March 2017. This is based on the present value of liabilities covered by inflation hedge of £1,123.2m and a portfolio value of £400.8m.
- 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.£128m.

Portfolio valuation and hedge characteristics as at 31 March 2017

	Value	Interest rate sensitivity (PV01 <sup>1</sup> )		Inflation sensitivity (IE01 <sup>2</sup> )	
	£m	£k	% of benchmark	£k	% of benchmark
Conventional gilts	233.1	-393	50.1	0	0.0
Index-linked gilts	308.7	-821	104.6	805	34.7
Futures	-1.6	71	-9.0	0	0.0
Interest rate swaps	-102.3	484	-61.7	0	0.0
RPI swaps	31.3	-126	16.1	1,505	64.8
Repurchase agreements	-165.8	2	-0.2	0	0.0
Network Rail bonds	4.0	-11	1.4	11	0.5
Insight Libor Plus Fund	12.3	0	0.0	0	0.0
Liquidity	80.9	0	0.0	0	0.0
<b>Total assets</b>	<b>400.8</b>	<b>-795</b>	<b>101.4</b>	<b>2,321</b>	<b>100.0</b>
<b>Liability benchmark</b>	<b>285.0*</b>	<b>-784</b>	<b>100.0</b>	<b>2,321</b>	<b>100.0</b>

\*The value of the inflation exposure hedged is c.£1,123.2m

<sup>1</sup> PV01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant discount curve.

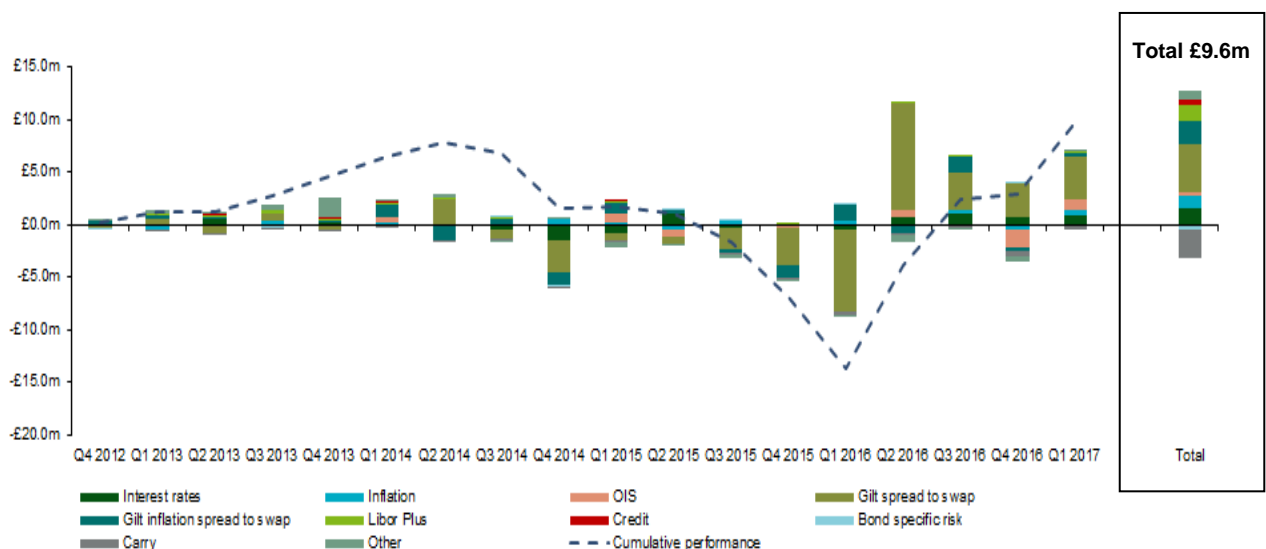
<sup>2</sup> IE01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant inflation expectation curve.

Performance commentary

- Benchmark performance in the first quarter of 2017 was driven by falls in cost of inflation protection in the swaps market (20 year rate moved from 3.63% down to 3.55%). This impact was partially offset by lower real yields on index-linked (20 year yield fell from -1.64% to -1.72%).
- The portfolio outperformed the benchmark return over the quarter, with the most material benefit arising from further tightening in z-spreads (yields on gilts contracted over the quarter relative to swaps).

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	3.4	1.5
OIS	0.9	-0.2	0.4
Gilt Spread to Swap	4.0	21.0	4.6
Credit	0.0	0.0	0.4
Bond Specific Risk	0.1	0.0	-0.4
Inflation	0.7	0.4	1.2
Gilt Inflation Spread To Swap	0.4	0.7	2.1
Carry	-0.4	-1.3	-2.7
Libor Plus Fund	0.1	0.5	1.7
Other	0.1	-1.2	0.9
<b>Relative performance</b>	<b>6.8</b>	<b>23.4</b>	<b>9.6</b>

#### 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. Subsequently 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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