Allenbridge

APPENDIX 1

REPORT PREPARED FOR

London Borough of Islington Pension Fund

August 2016

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1. Fund Manager Overview

Table 1 provides an overview of the external managers, in accordance with the Committee's terms of reference for monitoring managers.

Table 1

Manager	Leavers, joiners and departure of key individuals	Performance	Assets under management	Change in strategy/risk	Manager specific concerns
London CIV - AllianzGI	Now monitored by London CIV.	Underperformed the Index for the quarter by -0.8% but outperforming by +0.1% p.a. over three years to end June 2016. Behind the target of +2.0% p.a. over three years.	£358 billion AUM as at 31st March.	New performance target is 2% per annum outperformance over 3 years (was 3% prior to transferring onto CIV).	
Newton	One joiner and no leavers this quarter. After quarter end, Newton announced that the CEO will be stepping down.	Underperformed the Index by -0.6% in the quarter. Outperforming over three years by +1.1% per annum and by +0.6% per annum since inception. Trailing the performance target of 2% p.a. outperformance, however.	£51.8 billion as at 30th June 2016, up from £48.3 billion as at 31st March 2016.		
Standard Life	11 joiners (one in fixed income), and 13 leavers (one from the credit team) during the quarter.	Over three years the Fund has outperformed by +0.4% p.a., behind the performance target of +0.8% p.a.	Underlying fund value rose by £192 million in Q2 2016. Islington's holding is 5.9% of the value of the total pooled fund.	Holding 4.8% in high yield non-Investment-grade bonds.	
Manager	**Leavers,**	**Performance**	**Assets under**	**Change in**	**Manager**

	joiners and departure of key individuals		management	strategy/risk	specific concerns
Aviva	Andrew Davey, Co-Manager of the Lime Property Fund, has resigned and will be leaving Aviva Investors on 27 July.	Underperformed the gilt benchmark by -3.8% p.a. over three years following the strong rally in gilts post the EU referendum.	Fund was valued at £1.72 billion as at end Q2 2016.		
Columbia Thread-needle	6 joiners and 4 leavers in the quarter. One new member of the property team.	Outperformed the benchmark by +0.8% per annum over three years. Slightly behind their performance target of 1% p.a. outperformance.	Combined assets of new firm £344 billion as at 30th June 2016. Pooled fund has assets of £1.58 billion.		
Legal and General	Not reported.	Regional funds are all tracking the indices.	Assets under management of £841.5 billion at end June 2016, growing by 18%.	Fundamental index fund in emerging markets has outperformed the market capitalisation index by 9% over the past 12 months.	
Franklin Templeton	Karim Hassouna, senior vice president, and Danita Johnson, vice president, are leaving the firm.	70% of investments in Fund 1 are trading above target or better. Portfolio return over three years was +25.8% p.a., well ahead of the target of 10% p.a.		One sub-fund in Fund 1 has been downgraded to below target.	

Manager	Leavers, joiners and departure of key individuals	Performance	Assets under management	Change in strategy/risk	Manager specific concerns
Hearth-stone	Four new joiners including team from Mill Group.	Outperformed the benchmark by +1.7% p.a. over three years to end June 2016.	Fund was valued at £48.4 m at end Q2 2016.		
Schroders	44 joiners and 59 leavers including senior management departures.	Fund returned +2.7% during the quarter and -0.7% over 12 months.	Total AUM of £343.8 billion as at 30th June 2016.		

Key to shading in Table 1:

Minor concern

Monitoring required

2. Individual Manager Reviews

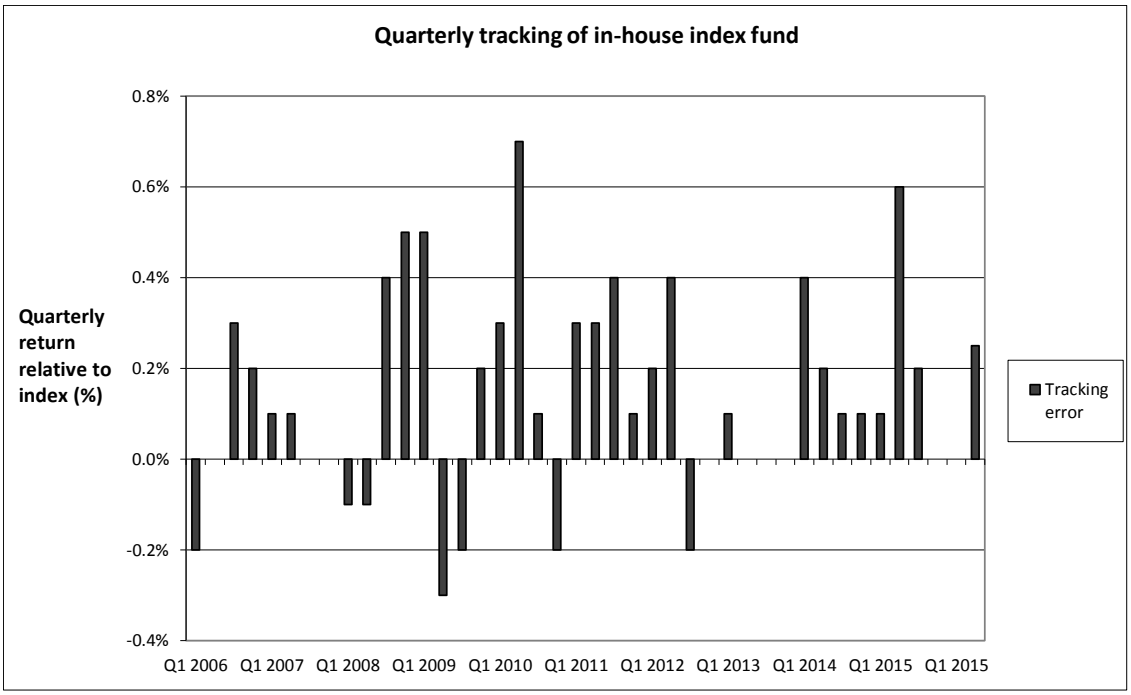
2.1. In-house – Passive UK Equities – FTSE All Share Index Fund

***Headline comments*:** The portfolio continues to meet its objectives. The fund delivered a quarterly return of +5.0%, which was +0.3% ahead of the index benchmark return of -4.7%. Over three years the fund has outperformed the index by +0.75% p.a. and delivered a return of +6.6% per annum.

***Mandate summary*:** A UK equity index fund designed to match the total return on the UK FTSE All Share Index. The in-house manager uses Barra software to create a sampled portfolio whose risk/return characteristics match those of the index.

Performance attribution: Chart 1 shows the tracking error of the in-house index fund against the FTSE All Share Index since Q1 2006. **There are no performance issues.** Over three years, the small quarterly positive relative returns (shown in Chart 1) have accumulated, and as a result the portfolio has outperformed its three-year benchmark by +0.75% per annum.

Chart 1



Source: Allenbridge based on BNY Mellon performance calculations

2.2. AllianzGI (RCM) – Global Active Equities

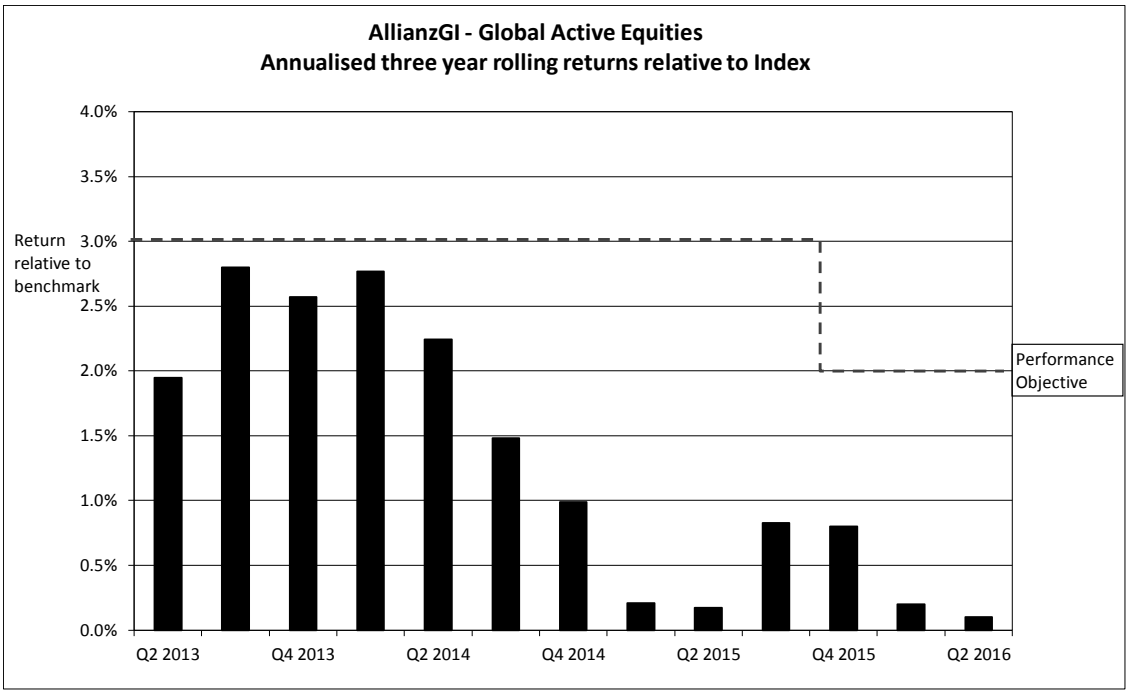
Headline comments: In terms of relative performance, the fund was behind the benchmark return of +8.8% for Q2 2016, delivering an absolute return of +8.1%, net of fees. Over three years the fund is ahead of the benchmark by 0.1% per annum: however, this is behind the performance target of 2% per annum.

Mandate summary: An active global equity portfolio. AllianzGI operates a bottom-up global stock selection approach. They employ a team of research analysts to identify undervalued stocks in each geographical region (Europe, US, Asia Pacific). A global portfolio team is responsible for constructing the final portfolio. London Borough of Islington invests in this approach via the London CIV. The new objective of the fund (after transferring to the CIV) is to outperform the MSCI World Index by 2.0% per annum over rolling 3 year periods net of fees.

Performance attribution: For the three years to June 2015, AllianzGI is ahead of its benchmark by +0.1% per annum, so **they are still trailing their new performance target of 2% per annum**, shown by the dotted line in Chart 2. Note that the dotted line drops in Q4 2015 when the mandate transferred to the London CIV sub fund, which has a lower performance objective than when AllianzGI ran a bespoke mandate for London Borough of Islington.

The portfolio's underperformance in Q2 was attributed by the manager to a lack of exposure to low growth sectors such as Energy and Utilities.

Chart 2



Source: Allenbridge based on BNY Mellon performance data

Portfolio Risk: The largest overweight regional allocation was in European Equities (+9.8% overweight). The most underweight allocation was North American Equities (-5.7%), replacing Japan which in Q1 was the most overweight region.

In terms of sector bets, AllianzGI's most overweight allocation was in Information Technology. Energy was the most underweight sector in Q2.

Portfolio Characteristics: as at end Q2, the portfolio held 51 stocks, down from 55 as at end Q1 2016. During the quarter the manager sold some of the lower conviction holdings in the portfolio and this accounted for the drop in number. The portfolio has a beta of 0.99 so is broadly matched to the market, but the active share of the portfolio increased to 90%, following the introduction of several new names. The active share measures how different the holdings in the portfolio are, compared to the index.

Organisation: On June 6th, AllianzGI announced that it had completed an acquisition of Rogge Global Partners (RGP). RGP is a fundamental global fixed income manager.

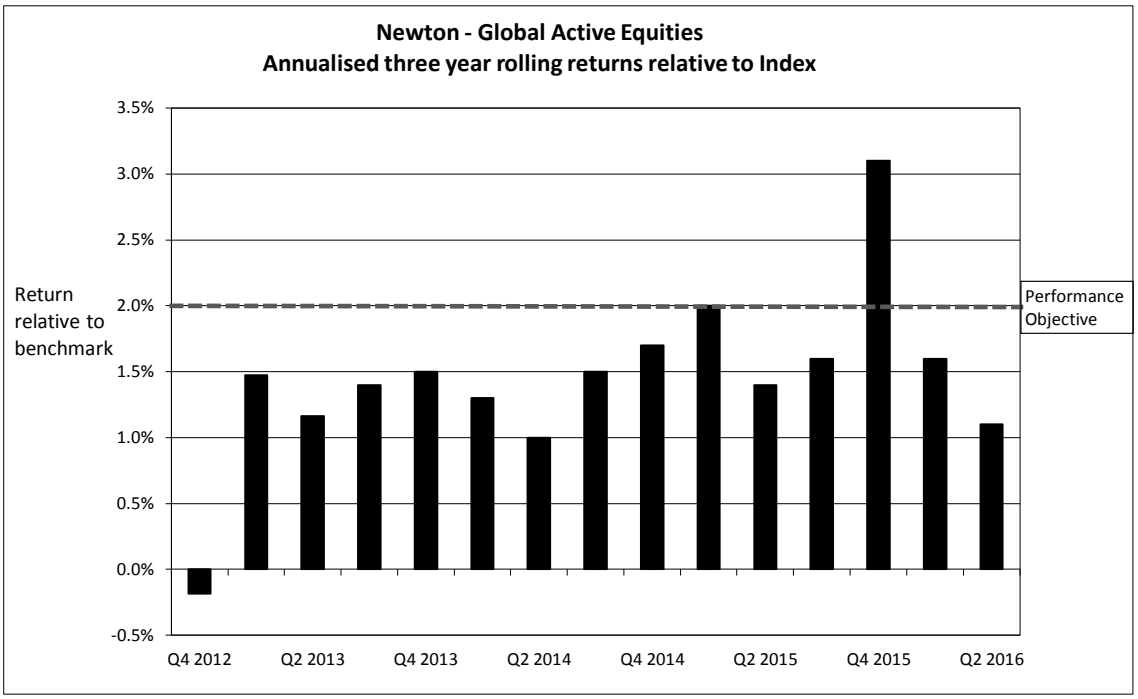
2.3. Newton – Global Active Equities

Headline comments: Newton were behind their benchmark by -0.6% during Q2 2016 but delivered a strong absolute return of +8.2%. Over three years the portfolio has outperformed by +1.1% per annum, but this is behind the target of 2% p.a. This outperformance can be equally attributed to successful stock selection and successful asset allocation.

Mandate summary: An active global equity portfolio. Newton operates a thematic approach based on 12 key themes that impact the economy and industry. Some are broad themes that apply over the longer term; others are cyclical. Stock selection is based on the industry analysts' thematic recommendations. The objective of the fund is to outperform the FTSE All World Index by 2.0% per annum over rolling 3 year periods, net of fees.

Performance attribution: Chart 3 shows the three year rolling returns of the portfolio relative to the Index (the black bars) and compares this with the performance target, shown by the dotted line.

Chart 3



Source: Allenbridge based on BNY Mellon performance numbers

For the three-year period to the end of Q2 2016, the fund (shown by the right hand black bar) is +1.1% p.a. ahead of benchmark so trailing the performance objective by -0.9% per annum ahead (the performance objective is shown by the dotted line).

Over the three years to June 2016, Newton's return was a very strong +12.4% p.a. compared to the index return of +11.3% p.a., an outperformance of +1.1% p.a. Stock selection accounted for approximately half the outperformance with the balance from asset allocation.

Since the inception of Newton's portfolio in November 2008, the pension fund is better off than it would have been with a passive mandate, before taking fees into account. Newton's 'since inception' return is +13.9% per annum, compared to the benchmark return at 13.3% per annum, an outperformance of +0.6% p.a. *(source: Newton, gross of fees performance shown)*.

During the quarter the largest sector contribution came from the underweight allocation to Financials (+0.8% contribution to relative performance), of which +0.5% came from good stock selection, and the balance from being -10.9% underweight. The least successful sector was Oil and Gas (-0.54% from relative performance). -0.43% came from being underweight, and the balance was attributed to poor stock selection. The Oil and Gas sector of the Index returned +17.54% in Q2.

Portfolio Risk: The largest overweight regional allocation was in Europe ex UK Equities (+4.4% overweight). The most underweight allocation was Other Equities (-5.3%).

In terms of sector bets, Newton remained most overweight in Consumer Services (+8.5% relative to benchmark.) The most underweight sector remained in Financials (-10.8%). This underweight position has been in place since Q2 2009 but is now at its highest level.

The level of active risk in the portfolio (i.e. the relative risk of the active bets being taken by Newton, or the tracking error) stood at 2.9%, as at end June 2016. This is within Newton's normal range of 2% and 6%.

Portfolio characteristics: At the end of Q1 2016, the portfolio held 65 securities (64 as at the end of Q1 2016). Turnover over the past 12 months was 24%, at the low end of Newton's normal expected range of turnover to 30%-70%.

Staff turnover: during the quarter there was one new joiner and no leavers. Amy Chamberlain joined as a global industry analyst.

In August (post the quarter end), Newton issued a press statement indicating that Helena Morrissey, the Chief Executive (CEO), was standing down after 15 years in the role. She will become the Chair of the Board of Directors. Hanneke Smits has been appointed as Helena Morrissey's successor. She was the Chief Investment Officer of Adams Street Partners and a member of their Executive Committee. These changes came into effect on 12th August. There will be a short period of transition ahead of the FCA approving Hanneke Smits in the new role. Mitchell Harris, the CEO of BNY Mellon Investment Management, was appointed as the interim CEO during this transitionary period.

2.4. Standard Life – Fixed Income

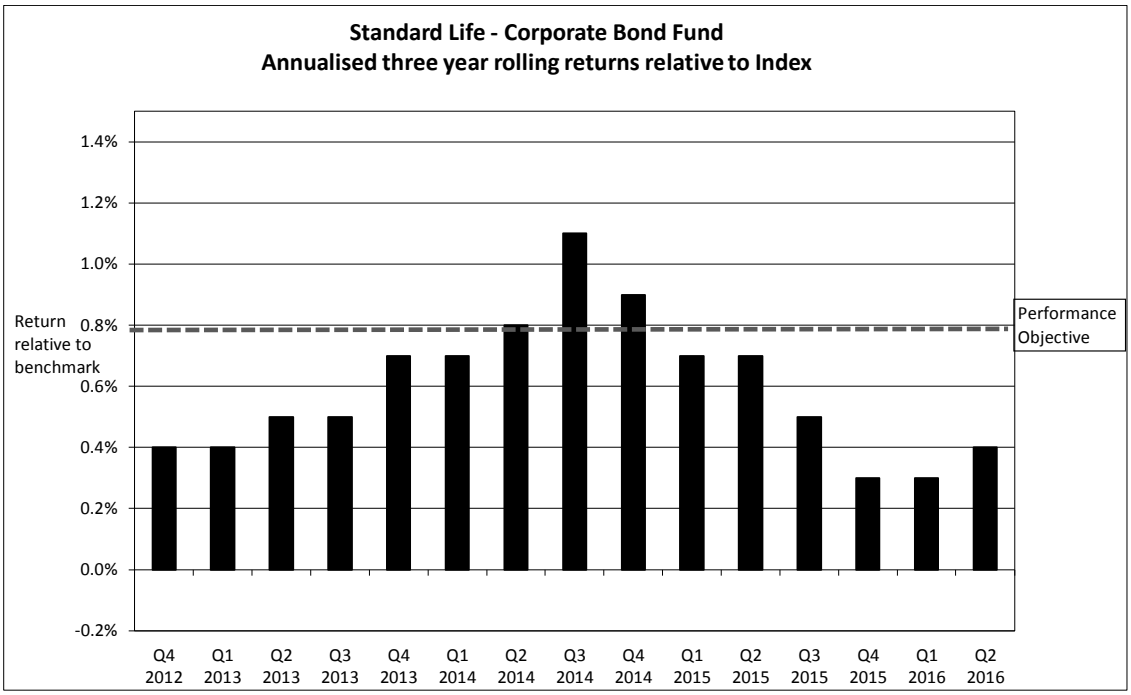
Headline comments: The portfolio was +0.3% ahead of the benchmark during the quarter with a return of +4.5%. Over three years, Standard Life's outperformance was +0.4% per annum relative to the benchmark, but this is behind their performance target of +0.8% per annum.

Mandate summary: An actively managed bond portfolio, invested in Standard Life's Corporate Bond Fund. The objective of the fund is to outperform the Merrill Lynch UK Non Gilt All Stocks Index by 0.8% per annum over rolling 3 year periods.

Performance attribution:

Chart 4 shows the performance the Corporate Bond Fund versus its benchmark and performance target.

Chart 4



Source: Allenbridge based on BNY Mellon performance data

Over three years, the portfolio has returned +7.8% p.a. compared to the benchmark return of +7.4% p.a., an outperformance of +0.4% p.a. and a strong absolute return. However, the fund is behind its performance objective of outperforming the benchmark by +0.8% per annum.

Over the past three years, most of the outperformance has come from successful stock selection, followed by asset allocation. The outperformance has been partly offset by a negative contribution to performance from curve plays.

It is also worth noting that the absolute level of the one-year return on the portfolio was +9.1%, after a strong rally.

Portfolio Risk: The largest holding in the portfolio at quarter end was UK Treasury 1.75% 2022 (1.4% of the portfolio). The largest overweight sector position remained Financials (+7.1%) and the largest underweight position remained the long-standing allocation in sovereigns and sub-sovereigns (-18.5%).

The fund holds 4.2% of the portfolio in non-investment grade bonds.

Portfolio characteristics: The value of Standard Life's total pooled fund at end June 2016 was £3,832.0 million, £191.6 million higher than at the end of Q1 2016. London Borough of Islington's holding of £225.0 million is 5.9% of the total fund value.

Staff turnover: there were 11 joiners and 13 leavers during the quarter. Within fixed income, Findlay Hyde joined as an Investment Analyst in the Macro – Rates team and David Ennett, Head of European High Yield, left the firm.

2.5. Aviva Investors – Property – Lime Property Fund

Headline comments: With gilts continuing to perform strongly in Q2, the Lime Fund lagged its gilt benchmark by -7.3% in Q2. Over three years, the Fund returned +7.2% p.a. This was very similar to the last quarter's three-year return. The difference is that last quarter it outperformed gilts by +1.5% p.a. This quarter it has underperformed the gilt benchmark by -3.8% p.a. The underperformance is much more a reflection of a volatile gilt market than concern about the property portfolio itself.

Mandate summary: An actively managed UK pooled property portfolio, the Lime Fund invests in a range of property assets including healthcare, education, libraries, offices and retail. The objective of the fund is to outperform a UK gilt benchmark, constructed of an equally weighted combination of the FTSE 5-15 Years Gilt Index and the FTSE 15 Years+ Gilt Index, by +1.5% per annum, over three year rolling periods.

Performance attribution: The fund trailed the gilt benchmark this quarter by -7.3%, as bond markets rose sharply. The fund rose by +1.5% whilst the benchmark increased by +8.8%.

Over three years, the fund has returned +7.2% p.a. compared to the gilt benchmark of +11.0% p.a., an underperformance of -3.8% per annum. The **portfolio is trailing its performance objective of +1.5% per annum outperformance over three years**. However, the property fund itself has been delivering a steady three-year return of around 7-8% for each of the past four quarters. In contrast, the three-year return for the gilt benchmark has ranged from 4.2% to 11.0% during that time.

Of the +7.2% fund return over three years, 5.0% came from income, with the balance from capital gain.

Portfolio risk: There was one new purchase during the quarter. The fund acquired Newcastle Business School in Newcastle Upon Tyne. The rent on this asset will increase in line with RPI, subject to a floor of 1% p.a. and a cap of 4% p.a.

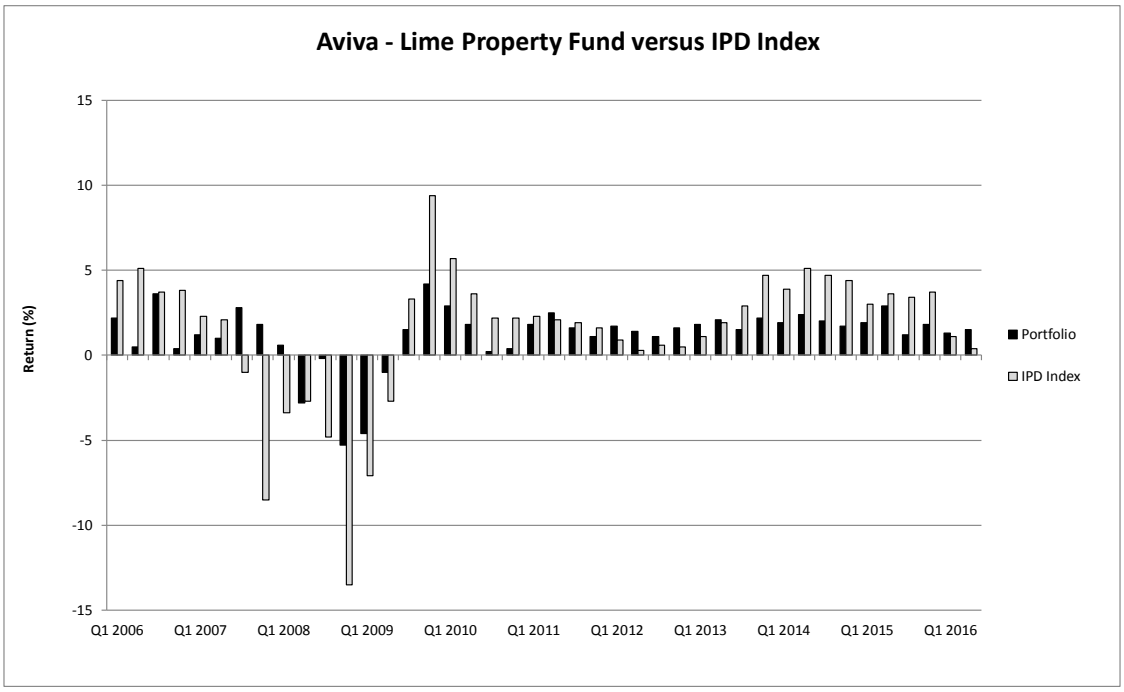
The average unexpired lease term was 19.9 years. Last quarter, the manager anticipated that this was a temporary dip and that the average unexpired lease term would be over 20 years again by the end of Q2 – this is something to monitor again, next quarter. 10.9% of the portfolio's lease exposure in properties is in 30-35 year leases.

The largest sector exposure remains offices at 30.0%. The cash allocation stood at 5.2% as at quarter end. The fund also has around £455 million of investable cash sitting outside the fund, pending investment.

The number of assets in the portfolio has increased from 69 as at end Q1 2016 to 70 as at end Q2.

The Lime Fund is a low risk property portfolio and this is shown clearly in Chart 5 which shows the absolute performance of the Fund each quarter compared to the IPD Index. This shows the return stream of the portfolio (in black) following a more muted profile (in both up and down markets) than the IPD Index as a whole.

Chart 5



Source: Allenbridge based on BNY Mellon performance data

The redemption trend seen in the real estate market in the days following Brexit are unlikely to impact the Lime Fund. Because it is a low risk property fund, the manager has already received interest and verbal commitments from new investors, in the post-referendum period.

Portfolio characteristics: As at end June 2016 the Lime Fund was valued at £1.721 billion, an increase of £74 million from the previous quarter end.

The Fund has 89% allocated to inflation linked/fixed uplifts, and approximately three-quarters of this allocation is inflation-linked.

Staff turnover/organisation: Last quarter, a change in roles and responsibilities for Renos Booth (fund manager) and Andrew Davey (co-fund manager) were outlined. Unfortunately, Andrew Davey has now decided to leave Aviva. Andrew had been the co-fund manager of the Lime Fund for the past six months and had been at Aviva for three years. He is joining a privately owned European investment group in a very different role. Aviva have said that a replacement will be announced soon by Renos Booth.

2.6. Columbia Threadneedle - Pooled Property Fund

Headline comments: The Fund's performance was ahead of its benchmark in Q2 2016 by +0.3%. Over three years, the Fund has outperformed by +0.8% per annum, slightly behind the performance target of 1% p.a. above benchmark over three years.

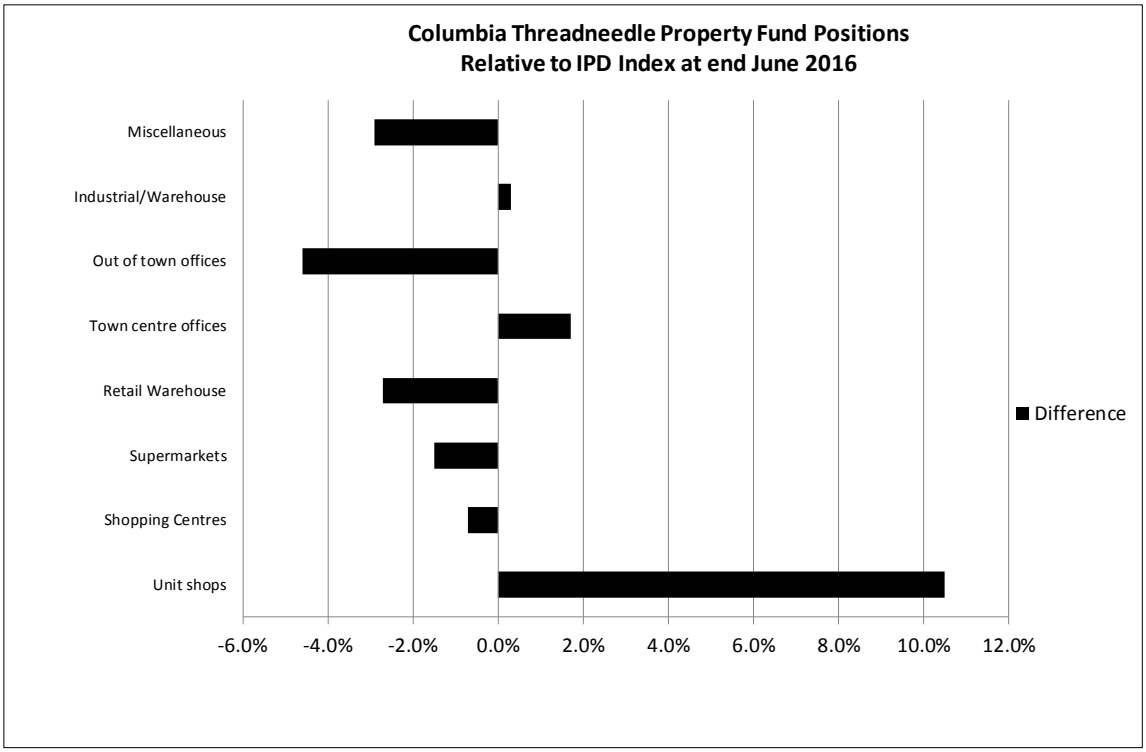
Mandate summary: An actively managed UK commercial property portfolio, the Columbia Threadneedle Pooled Property Fund invests in a diversified, multi-sector portfolio of UK property assets. Its performance objective is to outperform the AREF/IPD All Balanced – Weighted Average (PPFI) Index by at least 1% p.a., net of fees, on a rolling three-year basis.

Performance attribution: The portfolio was ahead of the benchmark in Q2 2016, by +0.3% (source: Columbia Threadneedle), delivering a return of +3.3%. Income accounted for around 1.3% of this, and the balance came from capital growth. In terms of the three-year performance, the Fund is ahead of its benchmark by +0.8% per annum and slightly trailing the performance target of +1% per annum. The absolute return over three years remains strong. The portfolio returned +12.5% p.a. over three years compared to the benchmark return of +11.7% p.a.

Portfolio Risk: The Fund made one acquisition and one disposal during the quarter. The acquisition was a £1.75 million purchase of an industrial estate in Bellshill. The disposal was the sale of a manufacturing warehouse in Northampton, which crystallised a significant profit.

Chart 6 shows the relative positioning of the Fund compared with the benchmark. The Fund has a significant overweight allocation to unit shops.

Chart 6



Source: Allenbridge based on Columbia Threadneedle data.

Portfolio characteristics: As at 30th June 2016, the Threadneedle Property Fund was valued at £1.584 billion, a decrease of £115.6 million compared with March 2016. London Borough of Islington's investment represented 4.5% of the Fund as at end June 2016.

Staff turnover: during Q2 there were 6 new joiners and 4 leavers. Of the new staff, Samantha Hadland joined as an analyst/asset manager in the property team. She will be working across different funds, so from time to time will have input into the property fund in which London Borough of Islington invests.

2.7. Legal and General Investment Management (LGIM) – Overseas Equity Index Funds

Headline comments: All the index funds were within the expected tracking range when compared with their respective benchmarks and there are no issues. The fundamental FTSE-RAFI Emerging Markets index fund outperformed its market capitalisation-weighted counterpart in Q2 by +2.3%. For the 12 months to Q2 2016 the outperformance was +9.0%.

Mandate summary: Four regional overseas equity index funds, in Europe, Japan, Asia Pacific ex Japan, and emerging markets, designed to match the total return on the FTSE All World Regional Indices. One additional index fund is designed to match the total return on the FTSE-RAFI Emerging Markets Equity Index. The FTSE All World Indices are based on capitalisation weights whereas the FTSE-RAFI Index is based on fundamental factors.

Performance attribution: **The regional portfolios are all tracking their benchmarks**, as shown in Table 2.

Table 2

Q2 2016	Fund	Index	Tracking
Europe	4.3%	4.3%	0.0%
Asia Pacific ex Japan	7.8%	7.8%	0.0%
FTSE emerging markets	9.5%	9.4%	0.1%
RAFI emerging markets	11.8%	11.8%	0.0%

Source: LGIM

The RAFI emerging markets index fund outperformed the market capitalisation index by 2.3% in Q2. For the 12-month period, this took the relative outperformance to +9.0%. Since inception, the RAFI index fund is now only -1.7% behind the market capitalisation index fund in emerging markets. 18 months ago, it was trailing by -9.3%.

Portfolio Risk: The percentage allocation to each regional fund is based on pre-agreed band widths, which also take into account the global equity managers' allocations. The largest deviation from the benchmark allocation is North America which is 4.8% overweight.

Organisation: LGIM's assets under management grew by 18% in the first half of 2016, bringing the total figure to £841.5 billion as at end June 2016. The retail business saw net inflows of £700 million, whilst index funds saw net inflows of £1.6 billion.

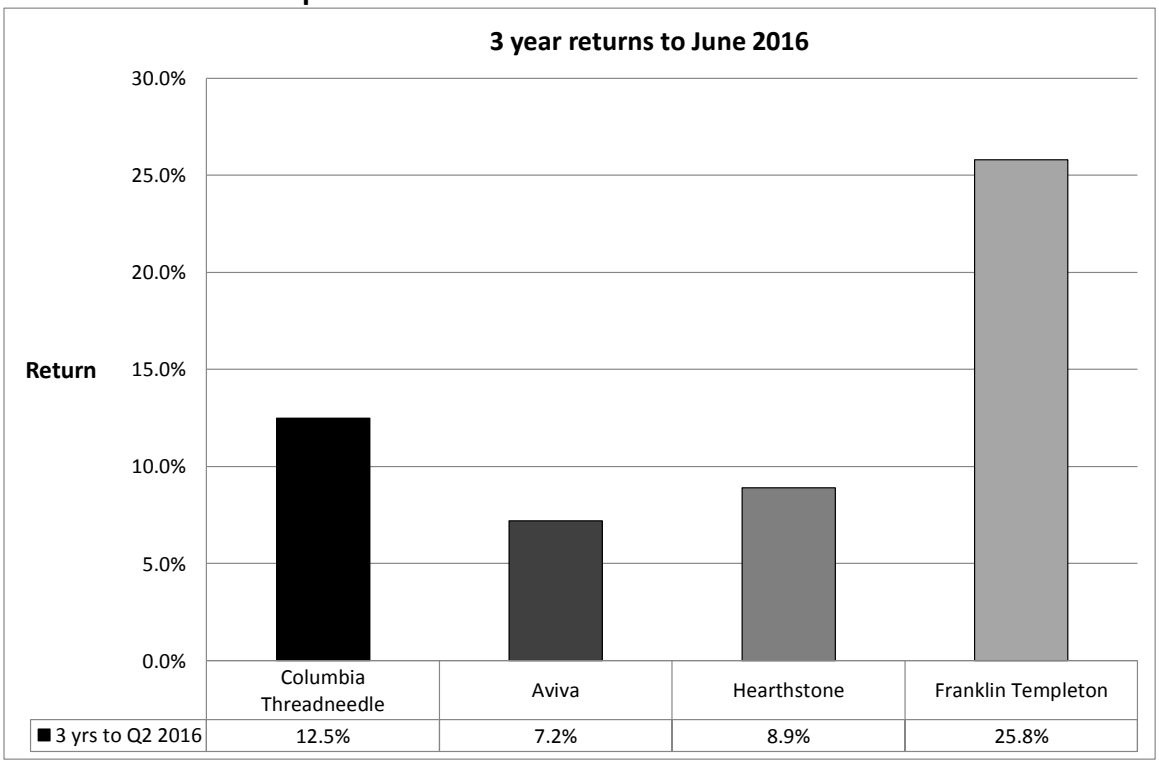
2.8. Franklin Templeton – Global Property Fund

Headline comments: This is a long term investment and as such a longer term assessment of performance is recommended. There are two funds in which London Borough of Islington invests. Both funds are on track and Fund 1 has a significant proportion (70%) of investments that are above target performance or better. The portfolio in aggregate delivered a return of +25.8% per annum over the three years to end June 2016, outperforming the absolute return benchmark by +15.8% per annum.

Mandate summary: Two global private real estate fund of funds investing in sub funds. The performance objective is an absolute return benchmark over the long term of 10% per annum.

Performance attribution: Over the three years to March 2016, **Franklin Templeton was the best performing fund across all four property managers**, by some way, as shown in Chart 7. The Fund is now comfortably ahead of its target absolute return of 10% per annum, and for the three years to June delivered a return of +25.8% per annum.

Chart 7 – Franklin Templeton return to be added



Source: BNY Mellon

Portfolio risk: Leverage on Fund 1 was 55% as at end June, with all funds showing leverage below 70%. Leverage on Fund 2 was 46% as at end June 2016.

Franklin Templeton describe their current level of leverage as "modest", and at levels well below what is seen in their peers' Funds. They also argue that the risk/reward trade-off is attractive: Fund 1 is projecting an IRR in excess of 20% for 55% leverage.

Of the 14 investments in Fund 1, three are on target (10%-15% projected net internal rate of return or IRR), seven are above target (15-25% projected net IRR) and three are substantially above target (more than 25% projected net IRR). One Fund has been downgraded to "below target": Sveafastigheter III. The majority of remaining investments were sold in February 2016 and the fund has been downgraded to reflect the residual portfolio and also to take into account currency depreciation since the acquisition was originally made.

Of the four investments in Fund 2, two are on target and two are too early to assess. Fund 2 is targeting investment in the three regions (US/Europe/Asia) equally distributed. There is a cap of 20% to Emerging Markets. During the quarter the Fund completed on an office park in Madrid, Spain, purchasing at a substantial discount.

Staff turnover/organisation: during the quarter, two senior members of the real estate team left the firm. Karim Hassouna was a senior vice president and member of the Asia real estate team based in New York. A replacement is being sought. Danita Johnson was

a vice president and member of the US real estate team, based in New York. She was responsible for sourcing, underwriting and monitoring private US real estate investments. Franklin Templeton do not plan to replace her.

The other organisational change is to centralise their European investment functions into the London office. The Geneva office will move to London later this year.

2.9. Hearthstone – UK Residential Property Fund

Headline comments: The portfolio returned +0.5% compared to the benchmark return of -0.6% for the quarter ending June 2016. Over three years, the Fund delivered a return of +9.2% p.a. compared to the benchmark return of +7.2% p.a., an outperformance of +2.0% p.a.

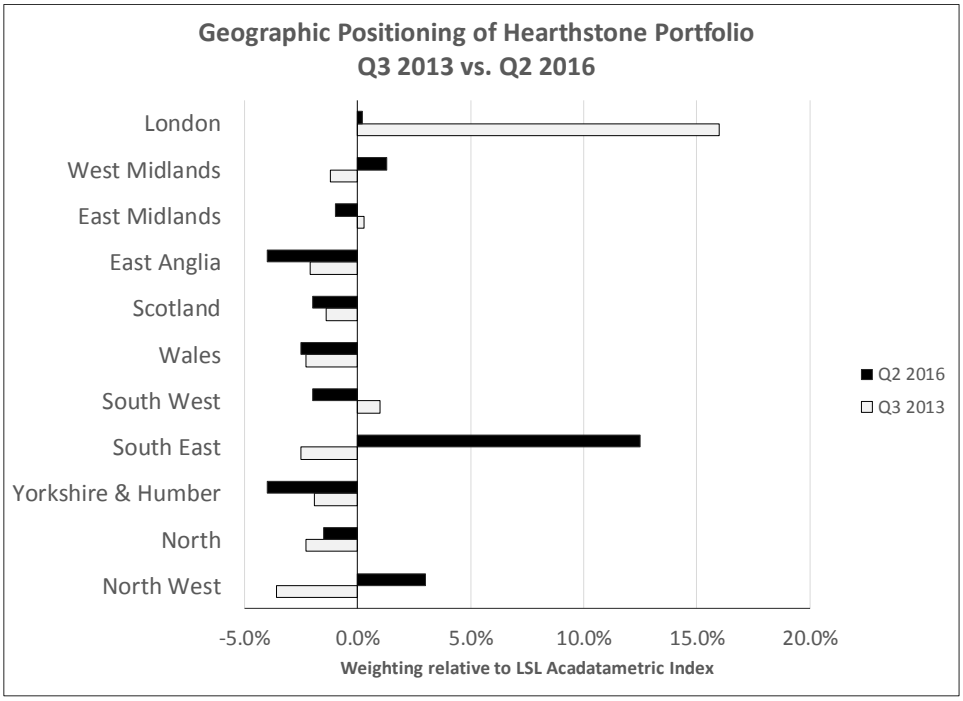
Mandate summary: The Fund invests in private rented sector housing across the UK and aims to outperform the LSL Acadametrics House Price Index (note that this excludes income), as well as providing an additional income return.

Performance attribution: The Fund returned +9.2% p.a. compared to the return on the index of +7.2% p.a. over the three years to June 2016, an outperformance of +2.0% p.a. The gross yield on the portfolio, adjusted for voids, was 4.4% at the end of June.

Portfolio risk: The manager has used new money to correct the overweight position in London, by investing in other regions. Hearthstone's long term strategy is to maintain broadly neutral regional bets in the portfolio. At the end of Q3 2013, the Fund was 16.0% overweight to London. By the end of Q2 2016, however, that had dropped to a neutral position. The largest position is now to the South East where the Fund is 12.5% overweight. This followed the purchase of four houses in Eastbourne and four houses in Horsham for a total value of £2.2 million.

Chart 7 compares the regional bets in the portfolio in Q3 2013 with the bets in Q2 2016. The reduced London overweight is shown by the top black bar (2015), compared with the top grey bar (2013).

Chart 7



Source: Hearthstone

Portfolio characteristics: The Fund has an 14% allocation to detached houses (down from 18% last quarter), 51% allocated to flats, 29% in terraced accommodation and 5% in semi-detached. The allocation to flats remains a significant overweight position relative to the Index (51% for the Fund compared to 17% for the Index). This is offset by an underweight position in semi-detached houses (5% for the Fund compared to 24% for the Index).

As at end June 2016, the Fund stood at £48.4 million.

Organisation and staff turnover: The team from Mill Group (Andrew Smith, Richard Otten and Cristoforo Rocco) joined Hearthstone, as announced in last quarter's report. In addition, David Chapman joined as a telephone account manager. There were no leavers.

2.10. Schroder – Diversified Growth Fund (DGF)

Headline comments: The Diversified Growth Fund delivered a return of +2.7% in Q2 2016.This compared with their RPI plus 5% p.a. target return of +2.0% for Q2. However, over one year, the fund is trailing this target return by -7.4%.

Mandate summary: The Fund invests in a broad mix of growth assets and uses dynamic asset allocation over the full market cycle, with underlying investments in active, passive and external investment, as appropriate. Schroders aim to outperform RPI plus 5% per annum over a full market cycle, with two-thirds the volatility of equities.

Performance attribution: In Q2 2016, Schroders' exposure to global equities made the largest contribution to the portfolio return (+0.6%), with smaller contributions from commodities (+0.4%), high yield debt (+0.4%), infrastructure (+0.3%) and currency (+0.3%). This was offset by negative contributions from Japanese equities (-0.2%).

Over 12 months, the largest contributor was absolute return (+0.9%) followed by infrastructure (+0.6%) and government bonds (+0.6%). The biggest detractors were

Japanese equities (-1.9%), Europe ex UK equities (-0.9%) and North American equities (-0.8%).

Portfolio risk: The portfolio is expected to deliver equity-like returns with two-thirds the volatility of equities. However, this is over a full 3-5 year market cycle. Over the past 12 months, the volatility of the Fund was 8.5% compared to a 12-month volatility of 17.2% in equities (i.e. less than half the volatility of the Index).

Portfolio characteristics: The Fund had 12% in internally managed funds, 46% in bespoke solutions, 15% in externally managed funds, 24% in passive funds and 2% in cash, as at end June 2016. In terms of asset class exposure, 40% was in equities, 35% was in alternatives and 22% in credit and government debt, with the balance in cash.

Alternative assets include absolute return funds, infrastructure, property, insurance-linked securities, private equity and commodities.

Organisation: there were 44 joiners and 59 leavers within the UK business in Q2 2016. This included changes within the multi asset investment team. Richard Coghlan was a member of the Global Asset Allocation committee but has now left the firm. He has been replaced by Remi Olu-Pitan who has been a team member for ten years.

Nico Marais who headed up the Multi-Asset and Portfolio Solutions teams has left Schroders. His role will now be split up between existing team members. In particular, Johanna Kyrkland, the portfolio manager for London Borough of Islington, will lead the Multi-Asset team, although Schroders have stressed that her priority is as portfolio manager. Henriette Bergh, the head of UK and European products, has left the firm.

There were additionally some changes at a senior management level in Q2. Michael Dobson stepped down as Chief Executive to become Chairman. He was replaced by Peter Harrison, the former Head of Investment. Andrew Beeson, the incumbent Chairman, is retiring.

Karen Shackleton
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2nd September 2016