

Global Services

Nottinghamshire Pension Fund

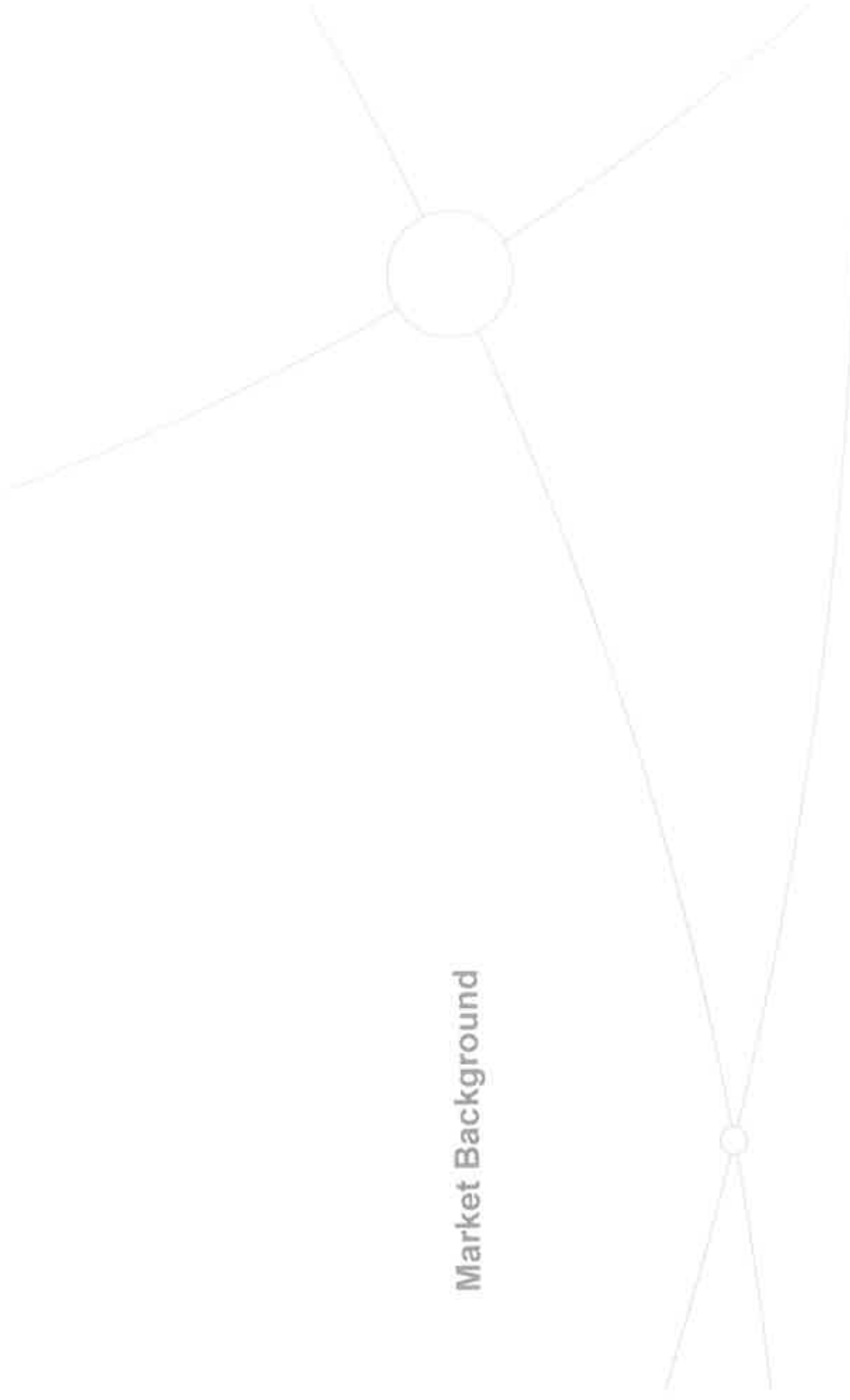
Performance Review
Periods to End March 2015

Karen Thrumble
November 5th 2015



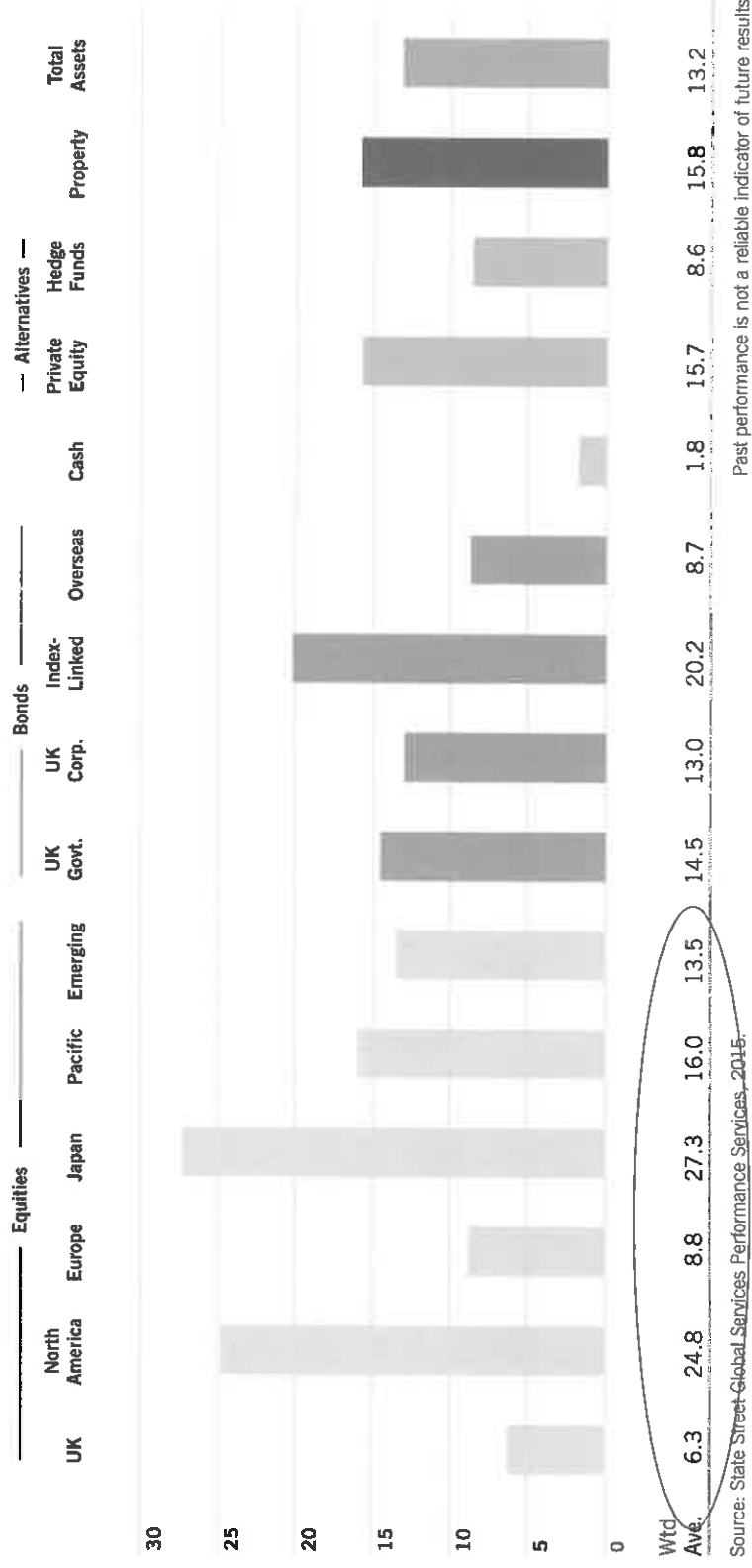
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Market Background



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2014/2015 Market Returns (%)



Allocation Between
UK and Overseas
Important

Long Term Market Performance

Annual Returns (%)

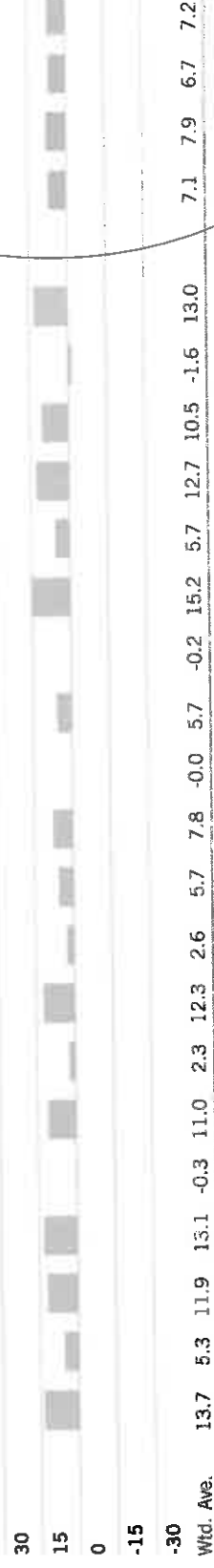
----- % p.a. -----
3 5 10 20
Years Years Years Years

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

Equity



Bonds



Past performance is not a reliable indicator of future results.

* Source: State Street Global Services Performance Services, 2015.

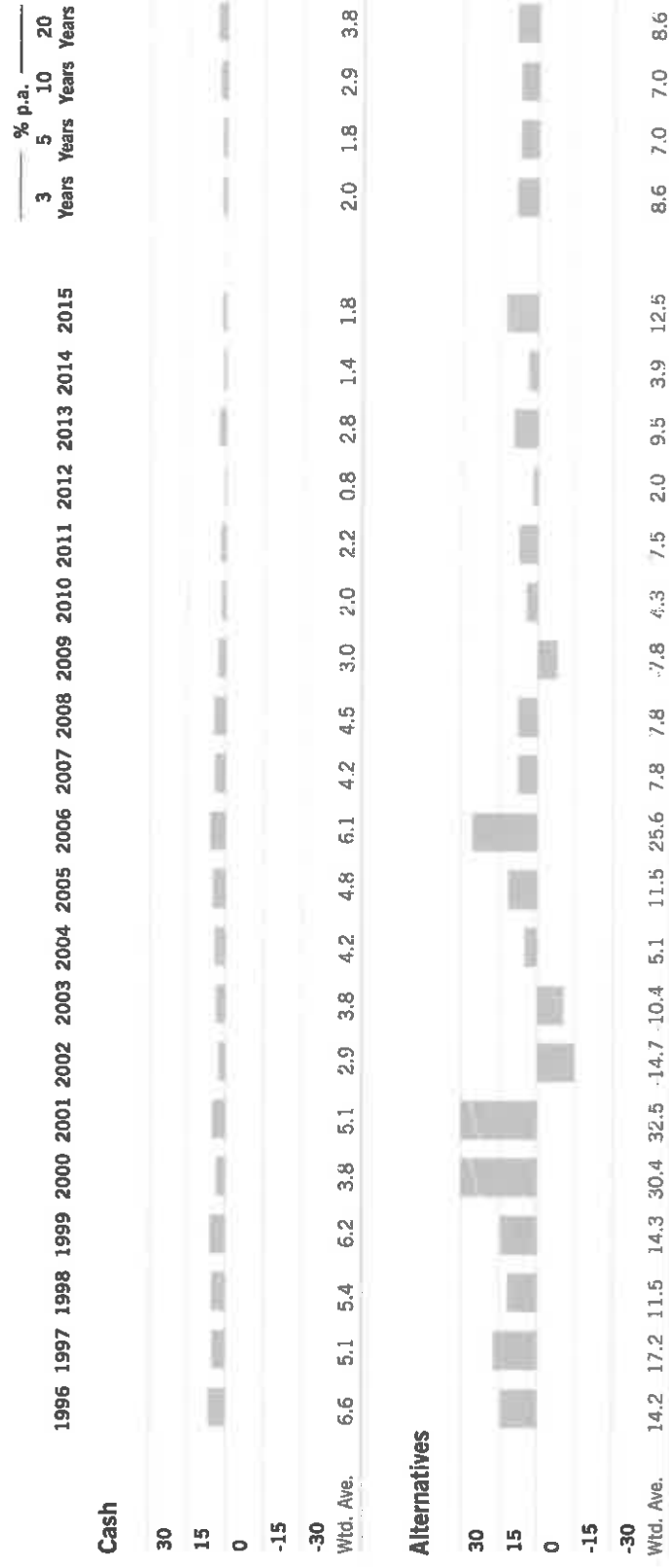
"Equity risk
premium" in
evidence

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Long Term Performance

Annual Returns (%)



^x Source: State Street Global Services Performance Services, 2015.

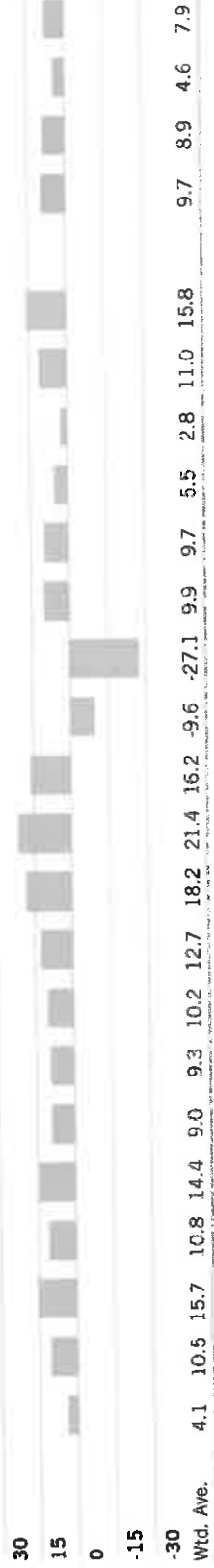
Past performance is not a reliable indicator of future results.

Long Term Performance Annual Returns (%)

— % p.a. —
3 5 10 20
Years Years Years Years

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

Property



Total Assets



RPI 2.7 2.5 3.5 2.1 2.6 2.3 1.3 3.1 2.6 3.2 2.4 4.8 3.8 -0.4 4.4 5.3 3.5 3.3 2.5 0.9 2.2 3.1 3.0 2.8

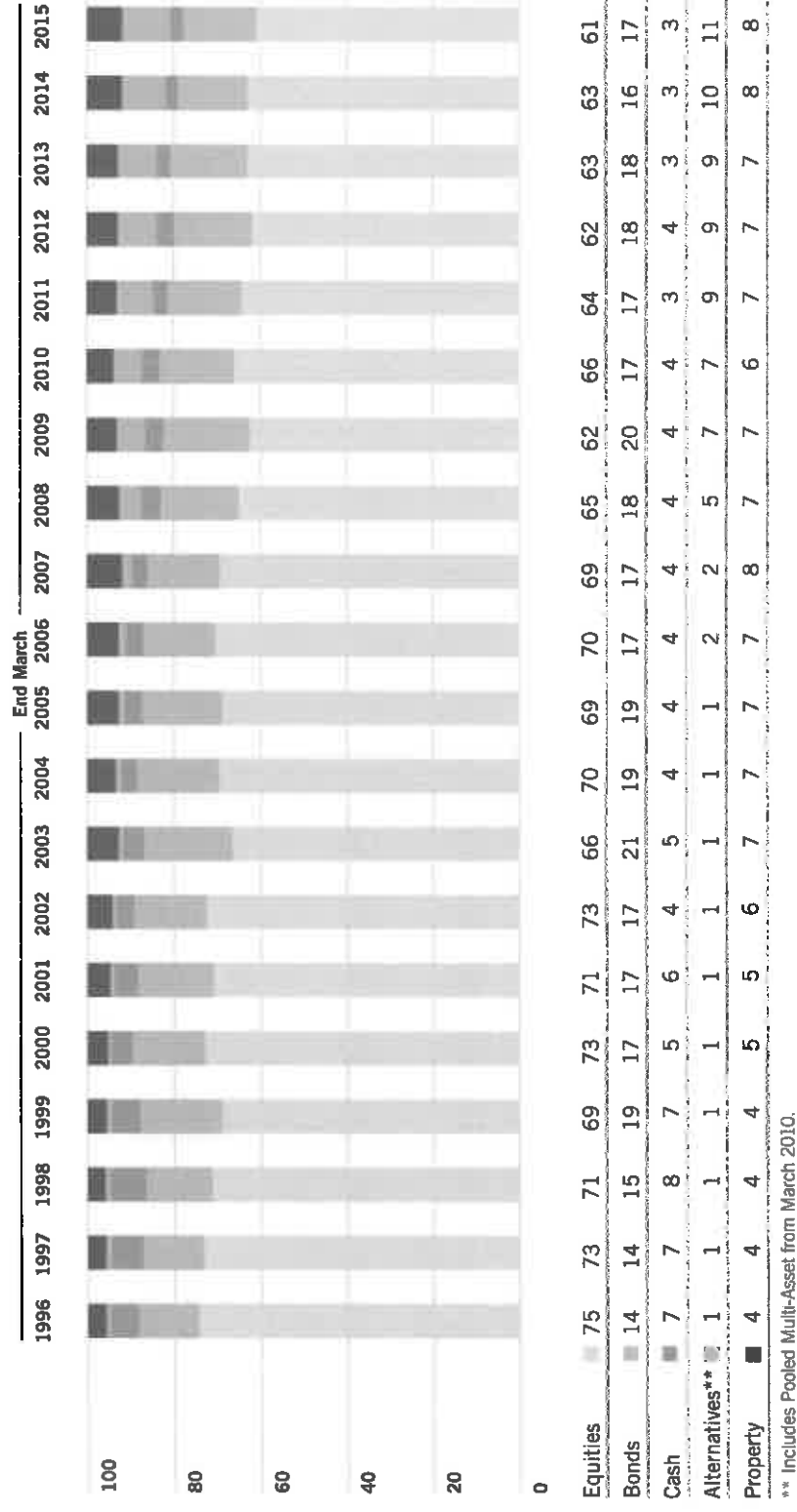
* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

5%p.a. over inflation

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Longer Term Asset Allocation (%)



* Source: State Street Global Services Performance Services, 2015.

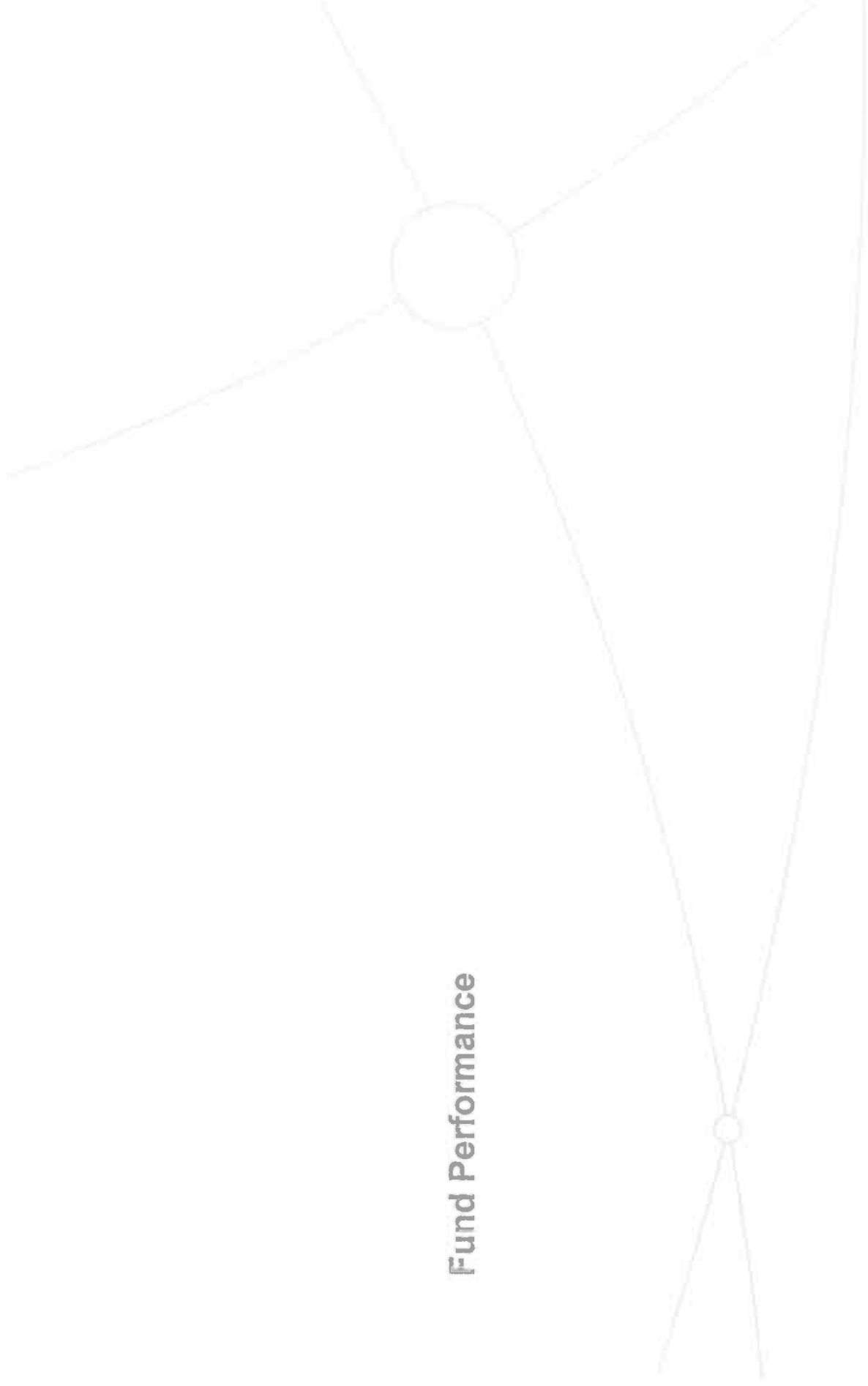
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Some Key Facts

- Average fund size is £2.4bn
Ranging from £260 m to £15.7bn
(Nottinghamshire value £4.0bn)
- Average fund is externally managed and has 11 investment portfolios
(Nottinghamshire manages around half the assets internally with the remainder split between three external managers)
- Average fund has 10% invested in alternatives
(Nottinghamshire has 2%)
- The average fund has underperformed its benchmark by 0.1% pa over the last decade.
(Nottinghamshire has underperformed by 0.5% pa)

Bigger, less complex, trailing slightly over the decade.

Fund Performance



Fund Benchmark

The Fund has a long term objective of achieving and then maintaining sufficient assets to cover 100% of its projected accrued liabilities.

The Pension Fund Committee has defined a range of asset allocation which should allow this objective to be met. The strategic benchmark allocation sits within these ranges and is currently:

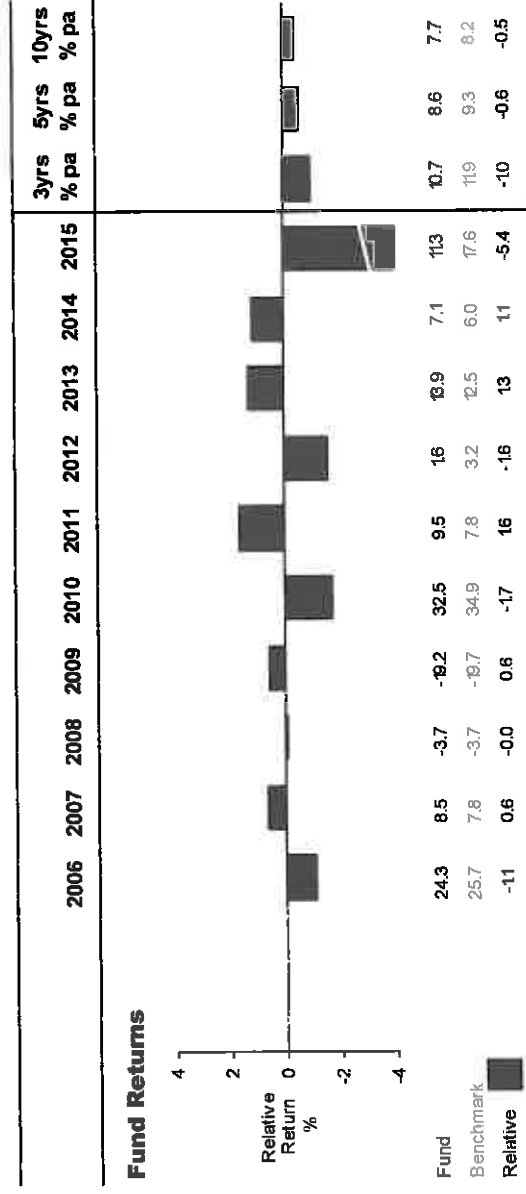
	%	Index
Equity	65	FTSE All World
Bonds	17.5	FTSE UK Gilt All Stocks
Cash	2.5	LBID 7 Day
Property	15.0	PD Annual Universe

Fund Structure

The Fund is split into five portfolios. Two are run internally and make up over half the fund by value. The remainder of the assets are split between three external asset managers.

Mandate		% Fund
Internal	Global Equity	40
Schroders	Global Equity	29
Internal	Multi Asset	13
Kames	Bonds	10
Aberdeen	Property	8

Performance Overview



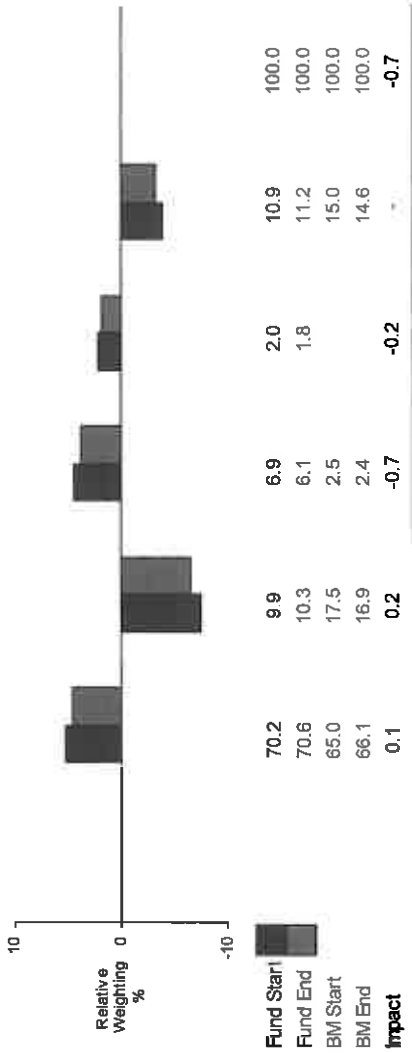
Performance was well behind benchmark in the latest year which has adversely impacted the longer term...

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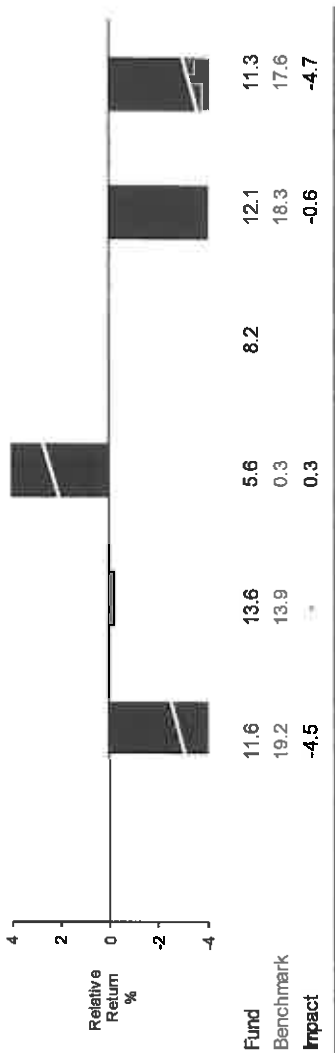
Latest Year

	Total Equity	Bonds + IL	Cash	Private Eq	Property	Total Fund
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Asset Allocation



Stock Selection



Equity performance had a large drag on the year's result.

Portfolio Performance

	Mkt Val (GBP '000)	% of Fund	1 Year	3 Years	5 Years	10 Years	Since Inception	Incept. Date
SCHRODERS								
Nottinghamshire Schroders Benchmark	1,161,491	28.6	12.2	13.3	9.8	9.6	8.1	31/3/1987
Relative			11.6	12.1	8.7	8.7	8.1	
			0.6	1.1	1.0	0.8	0.0	
INTERNAL GLOBAL EQUITY								
Nottinghamshire Internal Global Benc	1,616,513	39.9	12.0	11.8	8.9	8.8	8.3	31/3/1987
Relative			12.9	12.1	8.7	8.7	8.1	
			-0.8	-0.2	0.2	0.1	0.2	
KAMES CAPITAL								
Nottinghamshire Kames Benchmark	422,779	10.4	13.3	6.8	7.1	6.9	6.5	31/3/2000
Relative			13.3	6.5	7.1	6.6	6.2	
			0.0	0.3	0.0	0.3	0.3	
INTERNAL MULTI ASSET								
Nottinghamshire Internal Benchmark	525,626	13.0	3.1	5.8			5.8	30/3/2012
Relative			17.0	12.1			12.1	
			-11.9	-5.7			-5.7	
ABERDEEN ASSET MGMT PLC								
IPD All Properties	329,340	8.1	17.8	12.2			12.2	30/3/2012
Relative			18.3	11.4			11.4	
			-0.5	0.8			0.8	

Within equities the Fund suffered in the latest year from the misalignment of benchmarks.

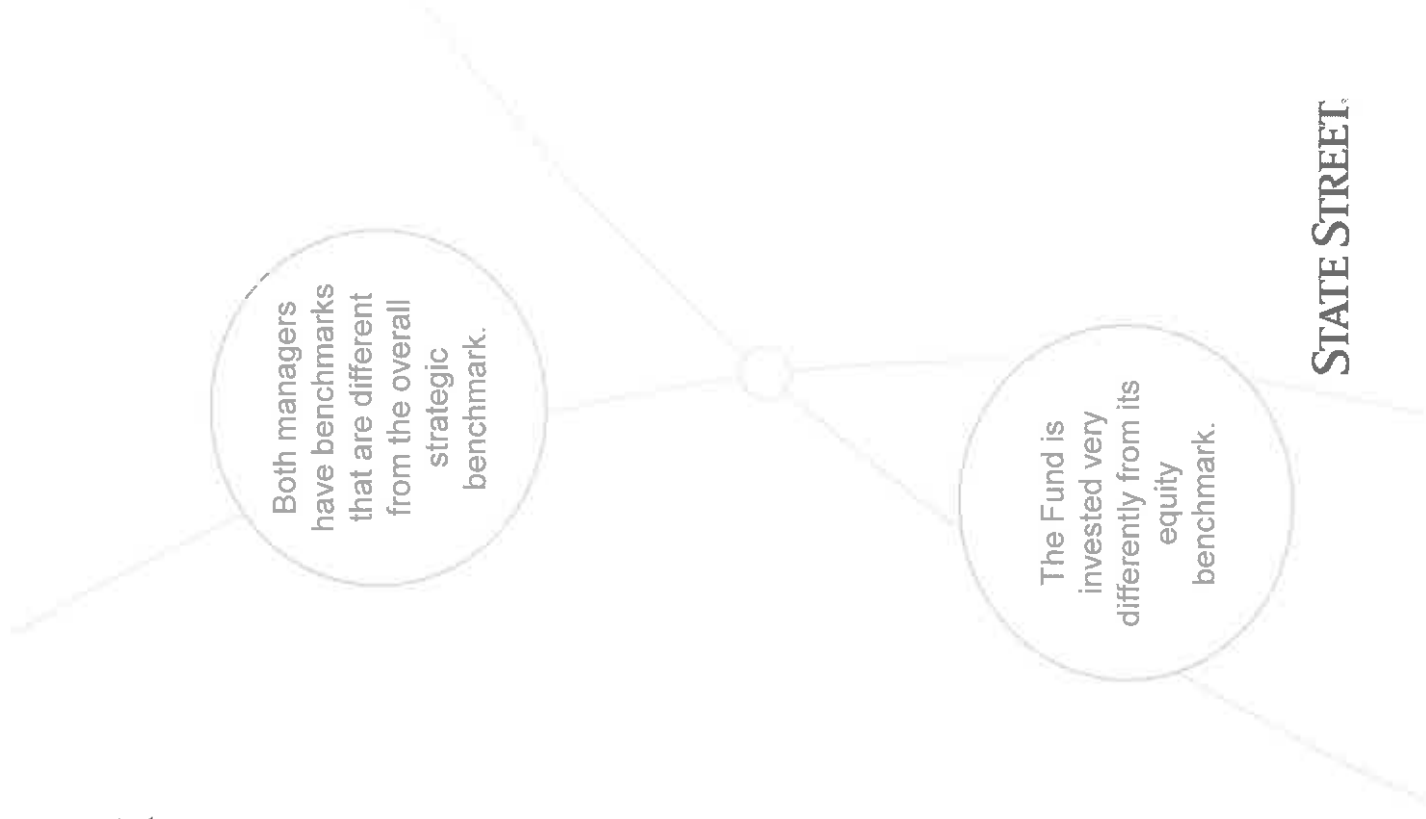
The Internal Multi-asset portfolio had a poor year. Over three years all external portfolios are ahead of benchmark

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The Issue of the Equity Benchmark

	1yr	3yrs (% pa)
Schroders Benchmark	11.6	12.1
Internal Benchmark	12.9	12.1
Total Fund Equity Benchmark	19.2	14.2

	Fund	Benchmark	Difference
UK Equity	47	7	40
North America	21	53	-33
Europe	15	16	-1
Japan	6	8	-2
Pacific ex Japan	5	8	-3
Emerging Markets	7	8	-1

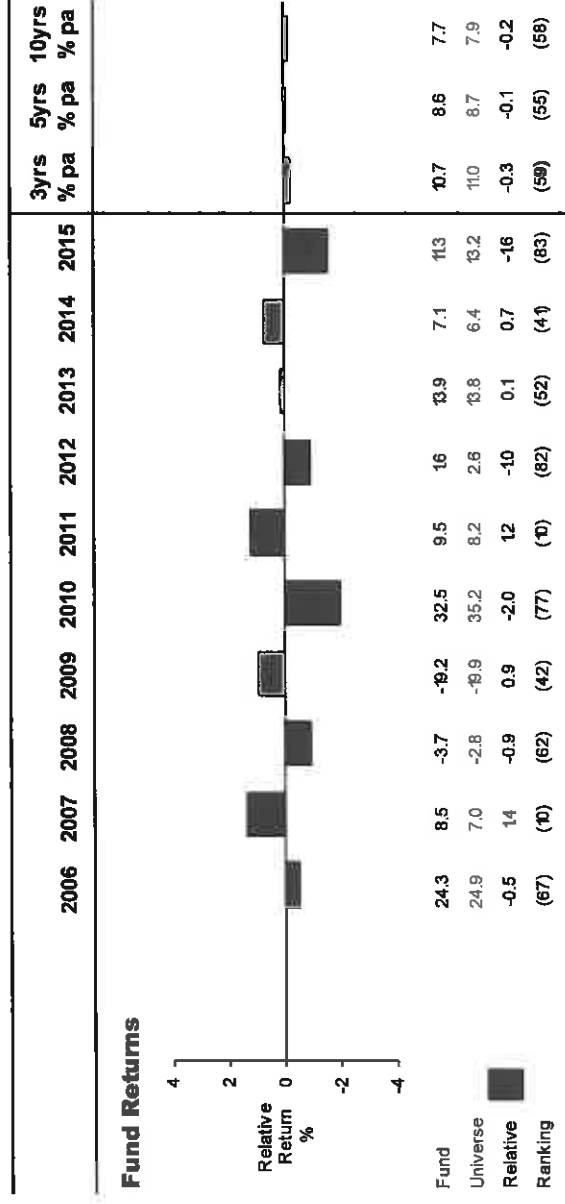


Performance Relative to Other Funds



Performance Relative to Other Funds

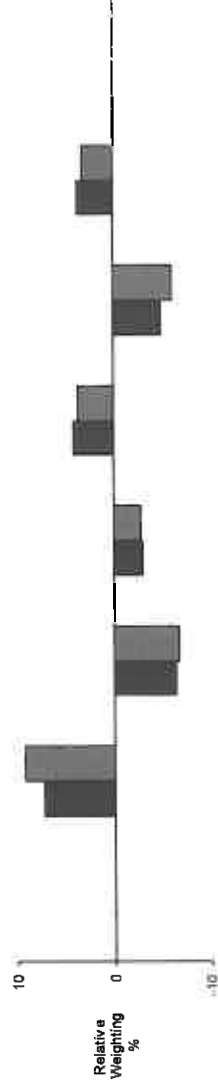
Latest year relative to other funds was disappointing but longer term performance is broadly in line.



Latest Year

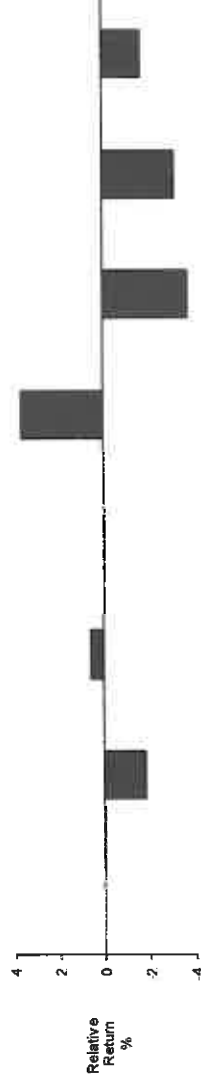
Equity performance was well below Universe average.

Asset Allocation



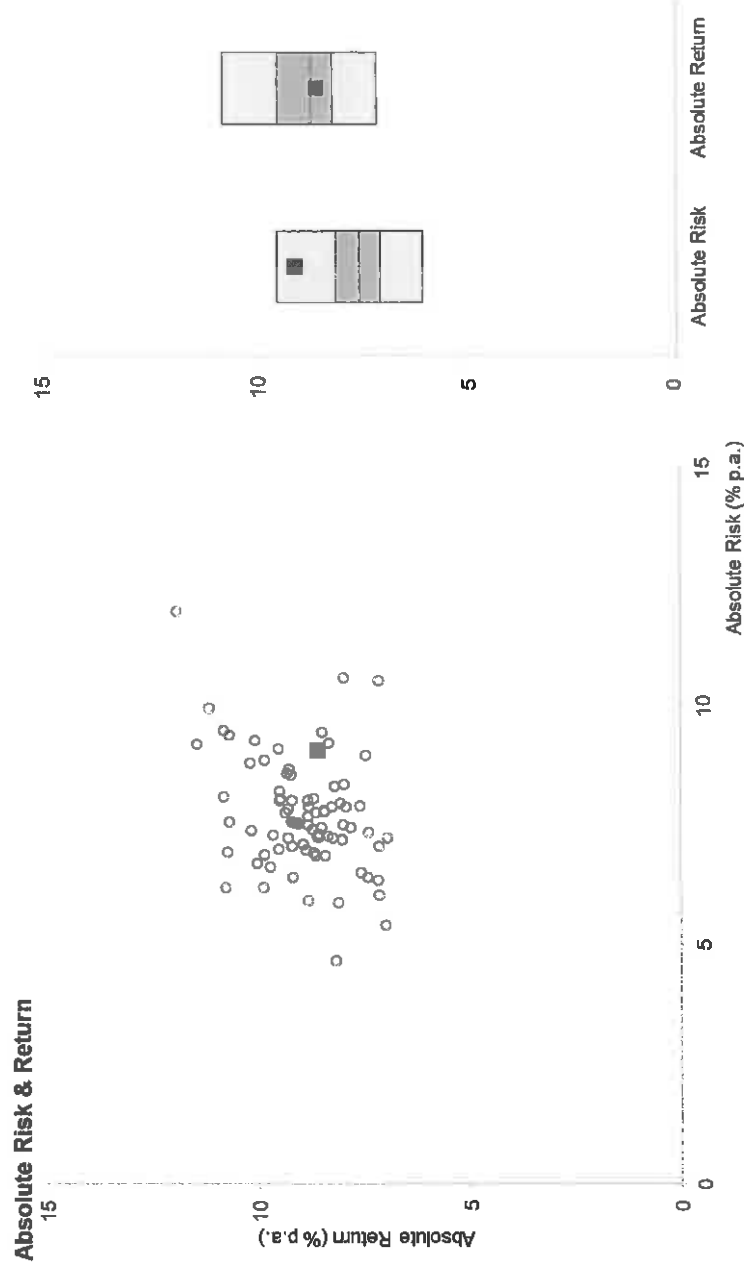
Fund Start	70.2	9.9	6.9	2.0	10.9	100.0
Fund End	70.6	10.3	6.1	1.8	11.2	100.0
Univ Start	63.1	16.4	2.9	7.0	7.4	100.0
Univ End	61.5	17.1	2.7	7.9	8.1	100.0
Impact	-	0.1	-0.4	-	-0.2	-0.5

Stock Selection



Fund	11.6	13.6	5.6	8.2	12.1	11.3
Universe	13.7	13.0	1.8	12.5	15.8	13.2
Impact	-1.3	0.1	0.2	-0.1	-0.1	-1.2

Investment Risk and Return – Last Five Years



Fund has achieved broadly average performance but at greater volatility than its peers.

Summary

- Fund has underperformed its benchmark in the latest year – this was largely the result of the issue with the equity benchmark allocation.
- The internal multi asset portfolio also performed poorly – this was largely due to the high level of cash that it held throughout the year,
- Longer term the Fund remains in line with its benchmark and the external managers have added value.
- Relative to other funds Nottinghamshire underperformed in the latest year – this was largely a result of the different allocation of the equity benchmark. The Fund remains broadly in line with its peers over the medium and longer term.