London Borough of Barnet Pension Fund

Review of Investment Managers' Performance for the Third Quarter of 2016

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For and on behalf of Hymans Robertson LLP
December 2016

Contents

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Executive Summary

Market Summary

Global equity markets rose over the quarter – the FTSE All World index returned 5.1% in local currency terms. In the UK the FTSE 100 rose by 7.1%, boosted by weak sterling and robust UK economic data.

Equities continued to be supported by accommodative monetary policy, although the direction of policy of the major central banks is diverging.

Despite forecasting above-target inflation in the next couple of years, the Bank of England cut interest rates from 0.5% p.a. to 0.25% p.a. and extended its quantitative easing (QE) programme. Responding to intensifying deflation, the Bank of Japan reaffirmed its 2% p.a. inflation target and beefed up its own QE programme. In the US following some signs of flagging economic momentum, the Fed voted (not unanimously) to leave interest rates unchanged in September, but left open the possibility of a rise before the end of the year.

Government bond yields reflected these divergences. 10-year US Treasury yields rose over the quarter as investors priced in an above-evens chance of a rate rise in December. In contrast, the growing expectation that UK rates will not rise for several years saw 10-year gilt yields plunge as low as 0.6% p.a. in August.

UK property valuations, as measured by the IPD Monthly Index, took a post-referendum hit in July. They drifted lower at a more modest rate in August to stand around 4% below year-end levels.

Valuation and Performance Summary

Fund assets totalled c. £983m at the end of Q3 2016, an increase of c.£45m from the start of the quarter.

The Fund's assets returned 4.8% (gross of fees) over the quarter, outperforming the combined benchmark for the period by 0.5%.

All mandates, other than Newton's absolute return mandate (and excluding passive funds), posted modest to significant outperformance relative to their performance targets. Over the period from the 31 December 2010 to 30 September 2016, the Fund has returned 6.5% p.a. (gross) underperforming the combined benchmark by 1.0% p.a. This is largely due to the Schroder Diversified Growth Fund's underperformance versus its ambitious outperformance target which can be difficult to achieve during volatile market conditions.

Manager Ratings Summary

Manager	Fund Name	Rating				
Legal & General	Equity index funds					●
Newton	Real Return Fund					●
Schroder	Diversified Growth Fund				●	
Schroder	ISF Strategic Bond Fund				●	
Schroder	All Maturities Corporate Bond Fund				●	
Partners Group	Multi-Asset Credit 2015 Fund					●
Barings	Global High Yield Credit Strategies Fund					●
Alcentra	European Direct Lending Fund II					●
Alcentra	Global Multi-Credit Fund					●

Actions and Recommendations

Over the second quarter of 2016, four new mandates were implemented as part of the Fund's move to its new long term investment strategy. The final stage in the move to the Fund's new long term strategic target is for the Committee to agree an additional 5% allocation to another illiquid alternative asset class. In line with this, a training session will be held in early January 2017 to consider the following:

a) Investment in infrastructure
b) Longer term investment in property
c) A relative value assessment of whether some of the Fund's bond assets might be invested more efficiently in other sectors of the market

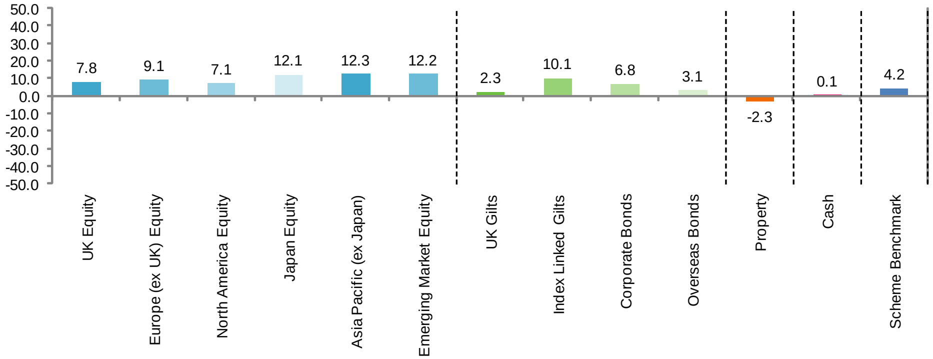
Our actuarial colleagues are currently working on the actuarial valuation of the Fund at 31 March 2016. Once the valuation has been agreed and cashflows are available from this exercise, we recommend that an updated asset liability modelling exercise is carried out to assess whether the Fund's strategy remains on track. This was discussed and agreed in principle at the most recent meeting of the Pension Fund Committee.

All of the Fund's investment managers are currently rated either a '4 –Retain' or '5 –Preferred strategy'. There were no significant changes over the quarter to warrant any changes in rating.

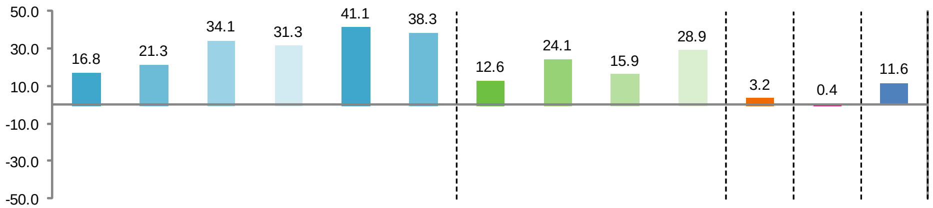
Historic Returns for World Markets to 30/09/2016

Historic Returns [1] [i]

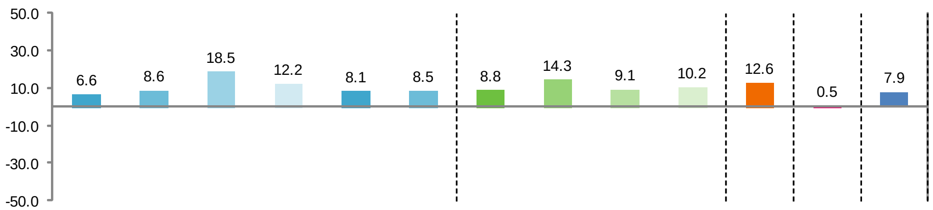
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

Global equity markets rose over the quarter – the FTSE All World index returned 5.1% in local currency terms. In the UK, the FTSE 100 rose by 7.1%, boosted by weak sterling and robust UK economic data.

Equities continued to be supported by accommodative monetary policy, although the direction of policy of the major central banks is diverging. Despite forecasting above-target inflation in the next couple of years, the Bank of England cut interest rates from 0.5% p.a. to 0.25% p.a. and extended its quantitative easing (QE) programme. Responding to intensifying deflation, the Bank of Japan reaffirmed its 2% p.a. inflation target and beefed up its own QE programme. In the US, following some signs of flagging economic momentum, the Fed voted (not unanimously) to leave interest rates unchanged in September, but left open the possibility of a rise before the end of the year.

Government bond yields reflected these divergences. 10-year US Treasury Bond yields rose over the quarter as investors priced in an above-evens chance of a rate rise in December. In contrast, the growing expectation that UK rates will not rise for several years saw 10-year gilt yields plunge as low as 0.6% p.a. in August.

UK property valuations, as measured by the IPD Monthly Index, took a post-referendum hit in July. They drifted lower at a more modest rate in August to stand around 4% below year-end levels.

Key events during the quarter included:
· The UK's manufacturing PMI reached its highest level since June 2014 in September.
· Oil prices rallied at the end of the period as OPEC reached an agreement to cut production. Brent Crude finished the quarter little changed at $49 per barrel.

Equities
· The strongest sectors relative to the FTSE All World Index were Technology (+7.6%) and Basic Materials (+4.2%); the weakest were Telecommunications (-6.5%) and Utilities (-7.6%).
· In local currency terms, the UK and Emerging Market equities were the strongest performers during the quarter whilst US equities lagged.

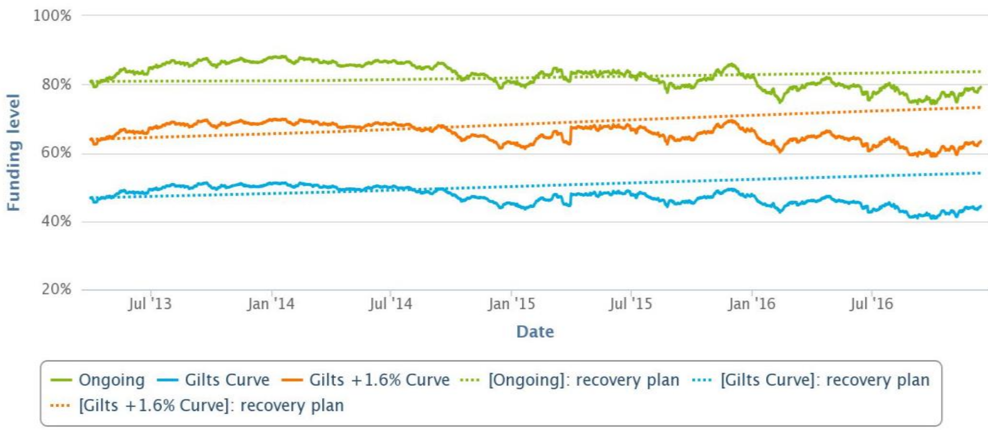
Bonds and currencies
· UK gilt yields fell (prices rose), with real yields falling further than nominal yields.
· UK investment-grade credit spreads continued to tighten, narrowing to their lowest levels for over a year.
· Sterling continued to weaken against the other major currencies, finishing close to its lowest trade-weighted level since Q1 2009.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

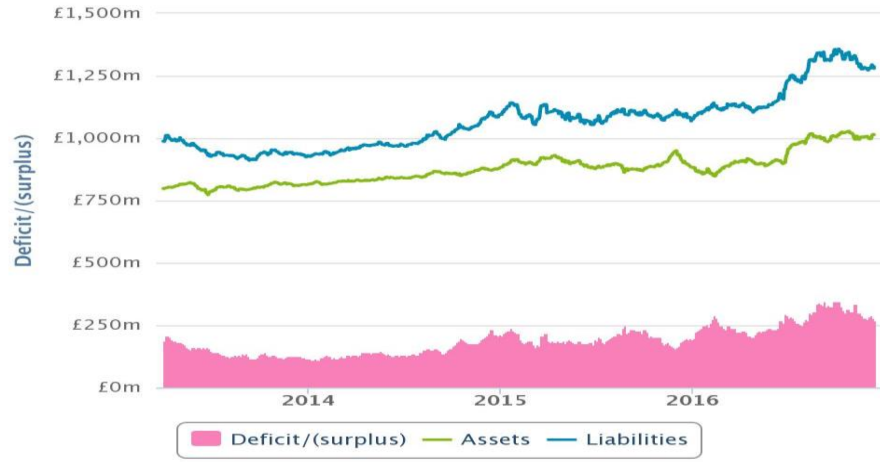
Source: [i] DataStream, Fund Manager, Investment Property Databank Limited

Funding update

Progression of funding level (on different bases)



Funding position (gilts + 1.6% p.a. basis)



Comments

We have estimated the progression of the Fund's funding position (on different bases) since the last actuarial valuation at 31 March 2013. The analysis is based on the 2013 actuarial valuation report and subsequent funding updates provided by the Fund’s previous actuary, Barnett Waddingham. The liabilities have been "rolled forward" allowing for changes in gilt yields over time.

We estimate that since 31 March 2013 the Fund's funding level (on a gilts + 1.6% p.a. basis) has fallen from c. 61% to c. 59% as at 30 September 2016.

As at 30 September 2016, we estimate that the Fund's deficit on a gilts + 1.6% basis is around £677m, an increase of c. £227m since 31 March 2013.

Since the end of September 2016, we estimate the Fund's funding level (on a gilts + 1.6% p.a. basis) has increased to 63% (as at 12 December 2016).

Please note that the Fund's funding position estimated here will differ from that calculated by the previous Fund Actuary, Barnett Waddingham. This is due primarily to the roll forward of the Fund's liabilities and also due to differences in our assumptions used to calculate the funding level. This anomaly will disappear once the 2016 actuarial valuation has been agreed.

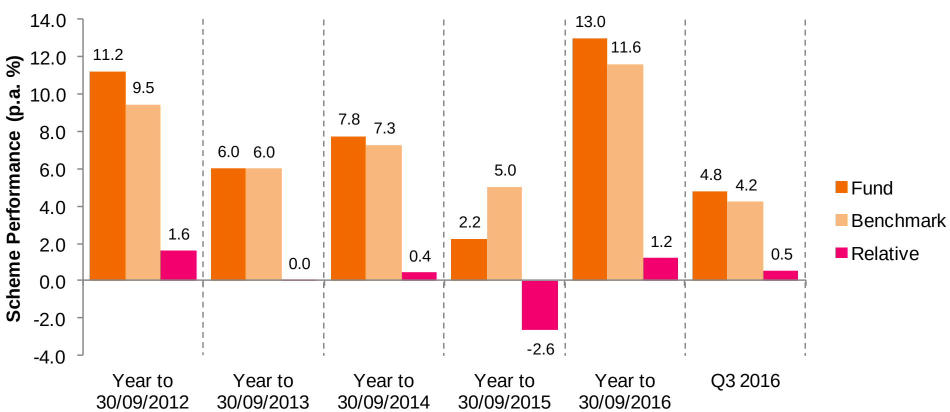
Surplus / deficit (on different bases)

Fund Summary

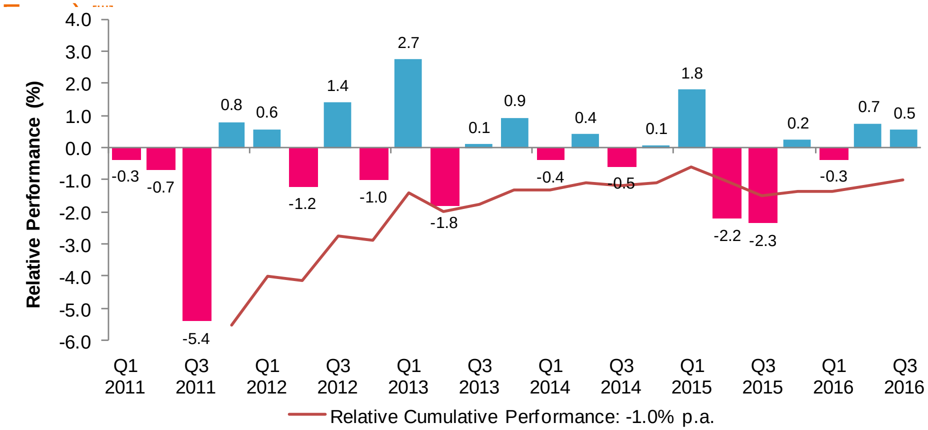
Valuation Summary [1] [i]

	Values (£m)				
Asset Class	Q2 2016	Q3 2016	Actual Proportion %	Target Proportion %	Difference %
Global Equity	359.9	386.1	39.3	36.0	3.3
Absolute Return Funds	271.0	275.3	28.0	27.0	1.0
Multi-Credit	146.4	150.7	15.3	17.0	-1.7
Corporate Bonds	107.6	115.0	11.7	12.0	-0.3
Illiquid Credit	52.6	55.6	5.7	8.0	-2.3
Total Client	**937.5**	**982.7**	**100.0**	**100.0**	

Performance Summary (Gross of fees) [ii]



Relative Quarterly and Relative Cumulative Performance (Gross of



[1] Excludes operating cash held in Fund bank account.

Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson, [iii] DataStream, Fund Manager, Hymans Robertson

Manager Summary

Manager Summary

Manager	Investment Style	Benchmark Description	Annual Fee (bps)	Rating *				
				Replace		On-Watch		Retain
LGIM Global Equity	Passive	FTSE World Net Tax (UKPN)	15					●
Alcentra Multi-Credit	Active	£ 3 month LIBOR + 4% p.a.	50					●
Newton Real Return Fund	Active	1 month £ LIBOR + 4% p.a.	59					●
Schroder Life Diversified Growth Fund	Active	RPI + 5% p.a.	60				●	
Barings Multi-Credit	Active	£ 3-month LIBOR + 5% p.a.	53					●
Schroder All Maturities Corporate Bond Fund	Active	Merrill Lynch Sterling Non-Gilts All Stocks Index	18				●	
Schroder ISF Strategic Bond Fund	Active	3 month £ LIBOR + 2% p.a.	52				●	
Alcentra Direct Lending	Active	-	100					●
Partners Group MAC 2015	Active	-	73					●

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Manager Valuations [1] [i]

Manager	Value (£m) Q2 2016	Q3 2016	Actual Proportion %	Target Proportion %	Difference %
LGIM Global Equity	359.9	386.1	39.3	36.0	3.3
Alcentra Multi-Credit	30.1	31.2	3.2	3.5	-0.3
Newton Real Return Fund	136.7	137.7	14.0	13.5	0.5
Schroder Life Diversified Growth Fund	134.3	137.6	14.0	13.5	0.5
Barings Multi-Credit	25.9	27.2	2.8	3.5	-0.7
Schroder All Maturities Corporate Bond Fund	107.6	115.0	11.7	12.0	-0.3
Schroder ISF Strategic Bond Fund	90.4	92.3	9.4	10.0	-0.6
Alcentra Direct Lending	17.0	18.6	1.9	4.0	-2.1
Partners Group MAC 2015	35.6	37.0	3.8	4.0	-0.2
Total	**937.5**	**982.7**	**100.0**	**100.0**	0.0

[1] Excludes operating cash held in Fund bank account

Source: [i] Fund Manager, Hymans Robertson

Performance Summary (Gross of fees)

Performance Summary [1] [i]

		LGIM Global Equity	Alcentra Multi-Credit	Newton Real Return Fund	Schroder Life Diversified Growth Fund	Barings Multi-Credit	Schroder All Maturities Corporate Bond Fund	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	7.3	4.1	0.8	2.5	5.5	6.9	2.0	4.8
	Benchmark	7.3	1.1	1.1	1.9	1.4	6.0	0.6	4.2
	Relative	0.0	3.0	-0.3	0.6	4.0	0.8	1.4	0.5
12 Months (%)	Absolute	19.4	N/A	11.5	6.5	N/A	16.0	N/A	13.0
	Benchmark	19.4	N/A	4.5	7.0	N/A	14.3	N/A	11.6
	Relative	0.0	N/A	6.6	-0.5	N/A	1.5	N/A	1.2
3 Years (% p.a.)	Absolute	10.8	N/A	5.7	5.2	N/A	9.4	N/A	7.6
	Benchmark	10.8	N/A	4.5	6.7	N/A	8.7	N/A	7.9
	Relative	0.0	N/A	1.1	-1.4	N/A	0.6	N/A	-0.3
Since Inception (% p.a.)	Absolute	9.4	4.7	4.7	4.6	4.9	8.4	1.9	6.5
	Benchmark	9.4	1.9	4.6	7.6	1.7	8.2	2.1	7.6
	Relative	0.0	2.7	0.2	-2.8	3.2	0.2	-0.2	-1.0

[1] Since inception performance includes historic returns generated by managers that are no longer held by the Fund.

Source: [i] DataStream, Fund Manager

Performance Summary (Net of fees)

Performance Summary [1] [i]

		LGIM Global Equity	Alcentra Multi-Credit	Newton Real Return Fund	Schroder Life Diversified Growth Fund	Barings Multi-Credit	Schroder All Maturities Corporate Bond Fund	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	7.2	4.0	0.6	2.4	5.4	6.8	1.9	4.7
	Benchmark	7.3	1.1	1.1	1.9	1.4	6.0	0.6	4.2
	Relative	0.0	2.9	-0.5	0.4	3.9	0.8	1.3	0.5
12 Months (%)	Absolute	19.2	N/A	10.8	5.9	N/A	15.8	N/A	12.6
	Benchmark	19.4	N/A	4.5	7.0	N/A	14.3	N/A	11.6
	Relative	-0.1	N/A	6.0	-1.0	N/A	1.3	N/A	0.8
3 Years (% p.a.)	Absolute	10.6	N/A	5.1	4.6	N/A	9.2	N/A	7.1
	Benchmark	10.8	N/A	4.5	6.7	N/A	8.7	N/A	7.9
	Relative	-0.1	N/A	0.5	-1.9	N/A	0.4	N/A	-0.7
Since Inception (% p.a.)	Absolute	9.2	4.5	4.2	4.0	4.8	8.2	1.5	6.1
	Benchmark	9.4	1.9	4.6	7.6	1.7	8.2	2.1	7.6
	Relative	-0.1	2.6	-0.4	-3.4	3.1	0.0	-0.6	-1.4

[1] Since inception performance includes historic returns generated by managers that are no longer held by the Fund.

Source: [i] DataStream, Fund Manager

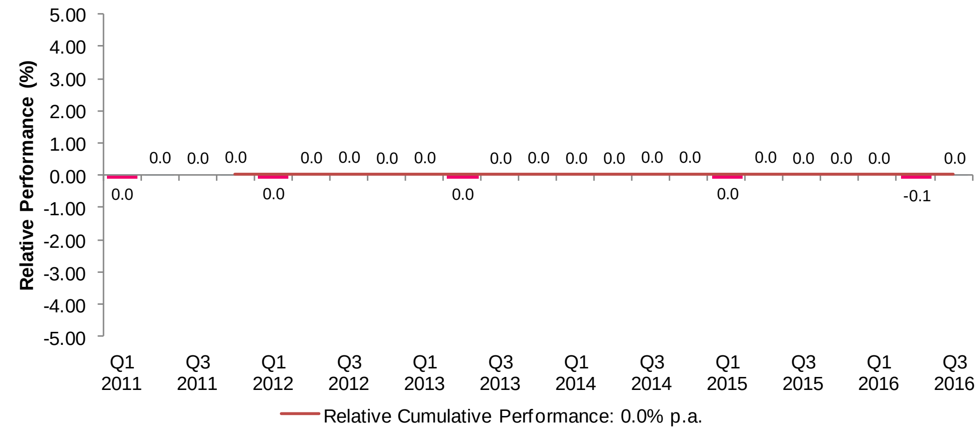
LGIM Global Equity

HR View Comment & Rating

We rate Legal and General Investment Management's market cap and fundamental index-tracking equity capability at '5 – Preferred strategy'.

In October LGIM announced some changes to the standard conditions for its unit-linked pooled life fund insurance policies. We have reviewed these changes and are comfortable that they bring LGIM's conditions into line with industry practice and may provide some marginal benefit to clients in certain pricing scenarios. Clients are not required to take any action in respect of these changes.

Relative Quarterly and Relative Cumulative Performance [i]



Fund Commentary

Long term performance shown has been retained to include the performance of the World (ex UK) Equity Index fund since 31 December 2010.

LGIM's global equity mandate has been set up to broadly hedge 50% of its overseas currency exposure.

The third quarter of 2016 was positive for equity markets, with the Fund's overall equity portfolio returning 7.3%, in line with the index as expected of a passive manager.

Performance Summary (Gross of fees) [1] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	7.3	19.4	10.8	9.4
Benchmark	7.3	19.4	10.8	9.4
Relative	0.0	0.0	0.0	0.0

* Inception date 31 Dec 2010.

[1] Long term performance returns includes performance of World (ex UK) Equity Index Fund to 8 October 2015. 3 month return includes performance of World (ex UK) Dev Equity fund from 23 October 2015, performance of UK equity fund and World EM Equity fund from 15 October 2015 and performance of RAFI AW 3000 Equity fund from 8 October 2015.

Source: [i] DataStream, Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson

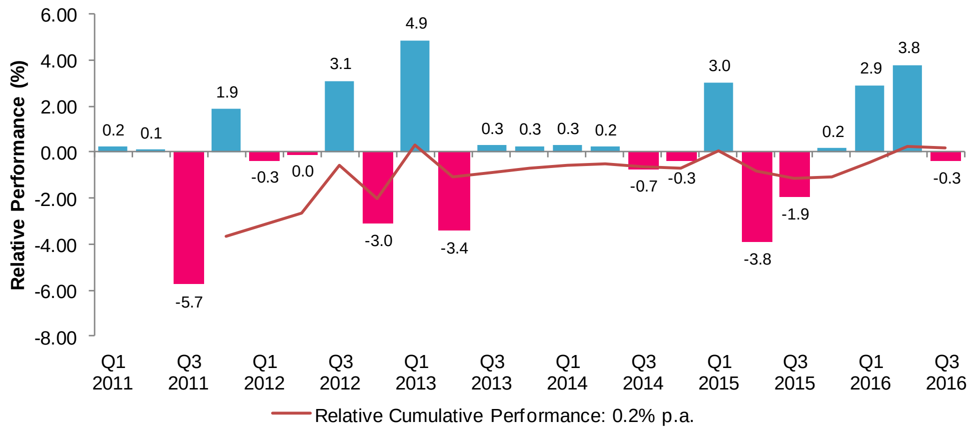
Newton Real Return Fund

HR View Comment & Rating

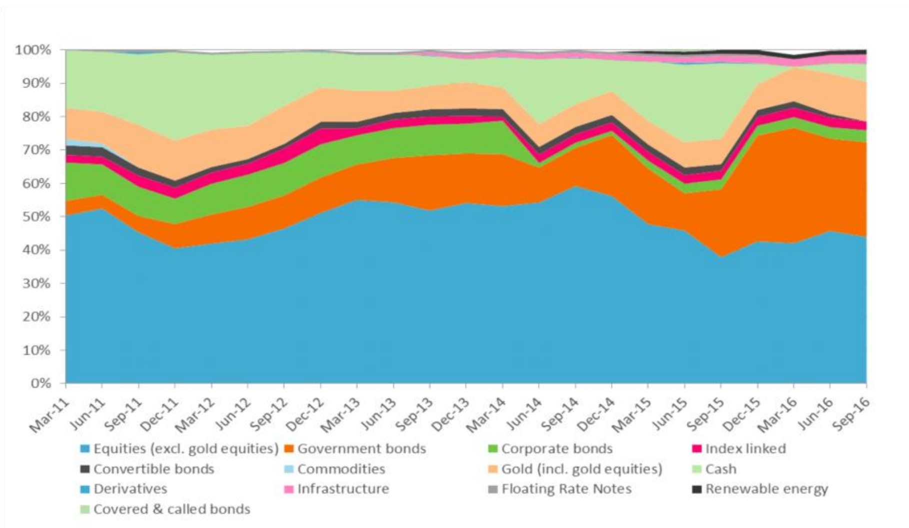
We rate Newton at '5 - Preferred strategy'. The Real Return Fund is an unconstrained multi-asset strategy that seeks to generate a return through both dynamic asset allocation and security specific selection.

In August Newton announced that Helena Morrissey (the current CEO) is moving to the role of non-executive chair on the board of directors. Hanneke Smits has been appointed as the new CEO and the handover is expected to be completed over the next few months (BNY Mellon's Mitchell Harris is acting as interim CEO over the handover period). Smits previously served as CIO of Adam Street Partners and has strong credentials in the private equity area. Although this role is a significant step for Smits given her background, we are comfortable with this change.

Relative Quarterly and Relative Cumulative Performance [ii]



Change in asset allocation over time [i]



Fund Commentary

The Newton fund delivered a positive absolute return of 0.8% over the quarter, slightly behind its performance target of LIBOR + 4% p.a. However, the fund remains well ahead of its performance benchmark over the 1 and 3 year periods.

Over the third quarter the fund's return-seeking core provided the largest contribution to the total return, with equity holdings in the technology, media and industrial holdings performing notably well. The fund's positive return was also founded on strong performance by its government bond exposure, with higher-yielding corporate bond holdings proving beneficial. On the downside currency hedging back to sterling was a cost to the fund as sterling continued to weaken. Derivative protection against the S&P 500 index was also detrimental to returns as were some of the fund's healthcare stocks.

Over the quarter Newton took profits from a number of its equity positions that had produced strong recent returns. With the proceeds, Newton initiated new positions in food and beverage firm Suntory, semi-conductor manufacturer Maxim Integrated and Adecco, an international employment business. Newton also restructured its exposure to commodities/precious metals over the quarter by crystallising some of the profits on the fund's gold mining equities (Newton classify these as commodity holdings rather than equities) with the proceeds used to purchase the physical assets. Newton remains a believer that the current market environment requires a focus on capital preservation rather than the pursuit of short-term gains. Consequently, the fund remains very defensively positioned. Newton expects fundamental analysis will once again come to the fore (as opposed to markets being driven by central-bank interventions) and therefore patience should prove beneficial.

Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson

Schroder Diversified Growth Fund

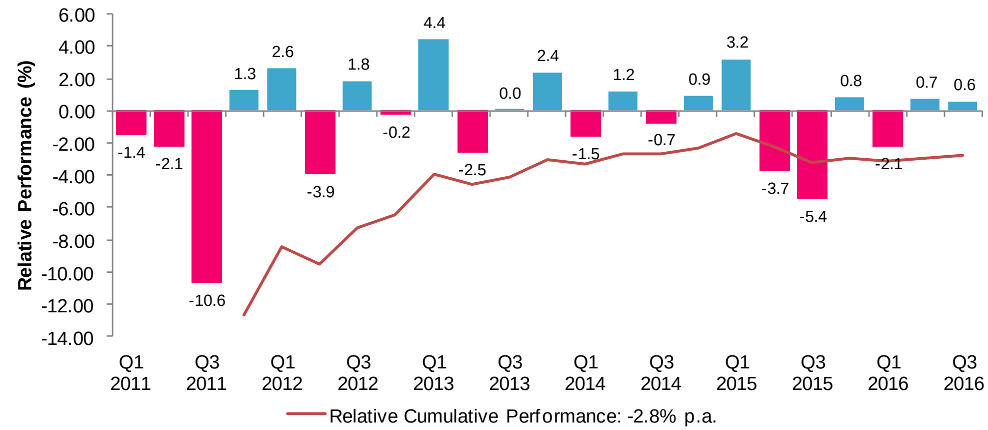
HR View Comment & Rating

Rating				
Replace		On Watch	●	Retain

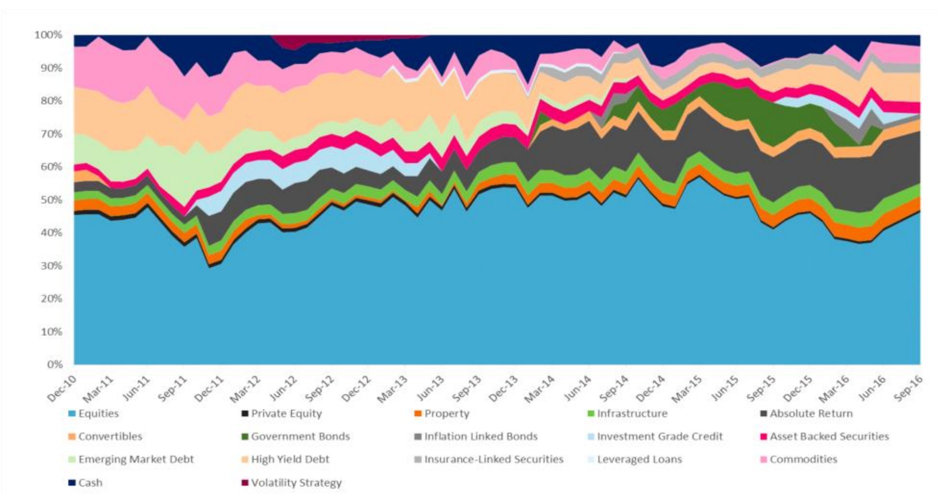
In September 2016 Schroders announced the acquisition of the securitised credit business of Brookfield Investment Management. We believe this is a positive development that can potentially widen the opportunity set at the disposal of the multi-asset team, particularly in asset-backed and mortgage-backed securities.

Following the departure of Nico Marais, Johanna Kyrklund is leading from both an investment and business perspective. Garth Taljard has been brought in from their Hong Kong office to focus on taking some of the business-themed workload off Kyrklund, such as product development. Remi Olu-Pitan, a Portfolio Manager in the DGF, has been promoted to the Global Asset Allocation Committee, replacing Richard Coghlan. We view both of these as positive developments for Schroder and also for the DGF, with clearer accountability for both Kyrklund and Olu-Pitan going forward and allowing Kyrklund to focus on what matters most - delivering on the return objectives for the DGF. We continue to rate the Schroder DGF as '4 - Retain'.

Relative Quarterly and Relative Cumulative Performance [ii]



Change in asset allocation over time [i]



Fund Commentary

Over the third quarter Schroder's DGF posted an absolute return of 2.5%, outperforming its RPI + 5% p.a target by 0.6%. The fund remains behind its performance target over all longer term periods.

Gains were made across the portfolio with positive returns over the quarter with global equities leading the way. Emerging market equities in particular delivered strong returns on the back of global central banks maintaining an accommodative policy - this marked the fund's first significant move into emerging market equities for a number of years as they believe this market has more growth momentum now than its developed peers. The portfolio's fixed income and alternative assets also contributed positively to performance, with the former benefitting from the fall in yields in Europe over the quarter. Currency shifts continue to be a strong driver of equity returns for unhedged UK investors.

Property and commodities slightly detracted from returns over the quarter, as did US treasuries. US bond values fell as investors anticipated a more than likely interest rate hike by the US Fed before the end of the year.

Performance (relative to objectives) has rebounded over the past couple of quarters but continues to lag on a return basis over the long term. The manager has admitted that there needs to be a much heavier reliance on dynamic asset allocation to add value and hit the intended return objective going forward as expected returns from markets will be "lower-for-longer". In the past, their dynamic asset allocation has detracted from returns.

Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson

Schroder ISF Strategic Bond Fund

HR View Comment & Rating

Schroders have announced that Gareth Isaac, portfolio manager in the global multi sector team, is leaving the business. His fund management responsibilities will be assumed by Paul Grainger, senior portfolio manager, working closely with Bob Jolly, Head of Global Macro Strategy. Both Jolly and Grainger report into Phillipe Lespinard, Global Head of Fixed Income. Earlier this year, Schroders made some changes to the structure of the Global Multi-Sector team devoting extra resources to the strategy function under the leadership of Bob Jolly. Jolly subsequently handed over some of his lead manager responsibilities to the fund management function. Schroders also strengthened the team through hiring James Lindsay-Fynn as a portfolio manager based in London and added three senior members to the Credit & Global Fixed Income teams based in New York.

Although we do not explicitly rate the ISF Strategic Bond Fund, we continue to rate Schroders Sterling Corporate Bond Fund a '4 - Retain'.

Performance Summary (Gross of fees) [i]

	3 Months (%)	6 Months (%)	Since Inception* (% p.a.)
Fund	2.0	3.1	1.9
Benchmark	0.6	1.3	2.1
Relative	1.4	1.8	-0.2

* Inception date 01 Oct 2015.

Fund Commentary

The fund has a stated performance target of LIBOR + 4% p.a. over a market cycle which is typically c. 5 years. We view this performance target as ambitious given the type of strategy being employed. For the purposes of our reporting, we have therefore chosen to measure the fund against a benchmark of LIBOR + 2% p.a., at least over the shorter term, as we believe this level of outperformance to be a more realistic target for the fund to achieve.

Over Q3 2016 the fund outperformed its performance target of LIBOR + 2% p.a by 1.4%, delivering an absolute return of 2.0%.

Despite market volatility, the initial negative impact from a surprise Brexit vote passed quickly. There was a mixed picture for bond performance across the globe - yields fell in the UK as the Bank of England cut interest rates, remained relatively unchanged overall in the Eurozone, and rose in the US as investors expected the Fed to raise interest rates in December. The most notable contributors to performance were credit and currency strategies, as well as global corporate bonds.

Source: [i] Fund Manager

Barings Global High Yield Credit Strategies Fund

HR View Comment & Rating

Barings (previously Babson) have been re-instated at '5 - Preferred strategy" having previously being downgraded to '3 - On Watch', following the high profile departures of Zak Summerscale, European CIO and Head of European High Yield and Kam Tugnait, Portfolio Manager for European High Yield.

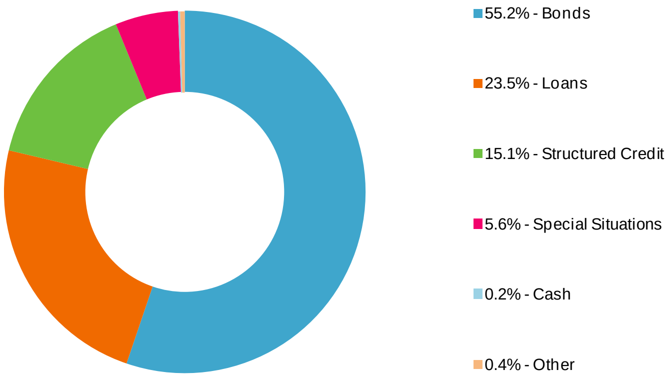
We have been monitoring the situation at the manager closely over the last six months and have had a number of meetings with the US and European senior investment teams, including meeting with the recent hire Craig Abouchar. We are comfortable that the investment teams remain stable and strong, Craig is a seasoned High Yield investor and the key individuals for the Global High Yield Credit Strategies Fund remain in place, including Martin Horne and Mike Freno, both of whom we rate highly. Asset flows have been net positive over the period and the investment philosophy and process remains unchanged. We have therefore made the decision to move the manager's rating back to "5 - Preferred strategy".

Performance Summary (Gross of fees) [ii]

	3 Months (%)	Since Inception* (% p.a.)
Fund	5.5	4.9
Benchmark	1.4	1.7
Relative	4.0	3.2

* Inception date 10 Jun 2016.

Asset Allocation [i]



Fund Commentary

Barings delivered an absolute return of 5.5% over the quarter, outperforming its performance target of LIBOR + 4% p.a. by 4.0%. It is important to note, however, that this sort of performance objective is in line with our long-term expected return for equities and hence the expectation of 'equity-like returns with lower risk'. Whilst we still believe this to be an appropriate target it is less than helpful for measuring short and medium-term performance.

Performance in the high yield market remained resilient with September marking the eighth consecutive month of positive performance for the asset class. The BoAML Non-Financial Developed Markets High Yield Constrained Index returned 5.3% over the quarter whilst the Global Loan Index returned 3.11%. Strong performance in the high yield market was largely driven by the recovery in commodity-related industries and lower rated credits, with the Energy and Metals & Mining sectors returning over 30% year-to-date.

The top contributors to returns were Peabody Energy, a miner, broker and trader of coal; Constellium, a designer and manufacturer of aluminium products; and Wind, an Italian mobile telecom operator. Notable detractors from returns include Vivarte, a French fashion retailer who restructured in 2014, resulting in the lenders taking control of the company; BrightHouse Group, a leading rent-to-own retail chain in the UK; and AVR, a Dutch waste management company focused on domestic and commercial waste incineration.

Source: [i] Fund Manager, [ii] DataStream, Fund Manager

Alcentra Global Multi-Credit Fund

HR View Comment & Rating

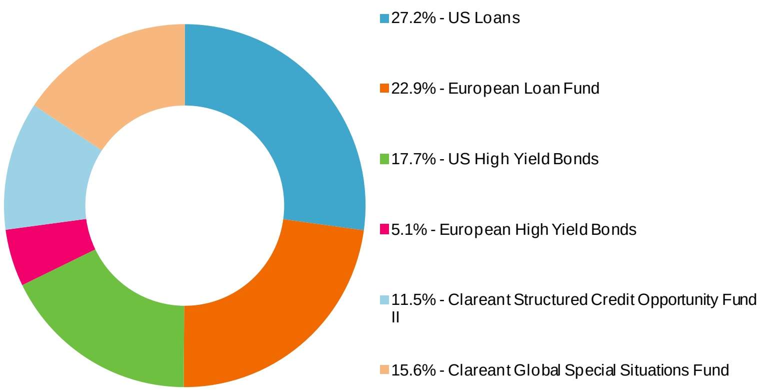
There was no significant business news to report over the quarter to 30 September 2016.

Performance Summary (Gross of fees) [ii]

	3 Months (%)	Since Inception* (% p.a.)
Fund	4.1	4.7
Benchmark	1.1	1.9
Relative	3.0	2.7

* Inception date 03 May 2016.

Asset Allocation by Strategy [i]



Fund Commentary

The Fund's allocation to Alcentra's multi-credit fund has a made strong start since inception back in May this year. The third quarter of 2016 was positive across almost the entire sub-investment grade universe with the fund delivering a return of 4.1% for the quarter.

Over the period lack of issuance and strong CLO (collateralised loan obligations) demand drove performance in the US and European loan markets. Further inflows into the US loan market also aided performance whilst the US high yield market benefitted from an improving trend in energy and commodity prices. Only the fund's European high yield allocation detracted from returns which struggled over the quarter due to significant new supply within the sector. As a result of the slight fall in European high yield markets, the manager decided to take the opportunity to marginally increase its allocation to c. 5%, however, this is still the lowest of the manager's allocations due to better relative valuations elsewhere.

As part of the fund's strategy the manager is also able to invest in both Alcentra's Special Situations fund and Structured Credit Opportunity fund. The former focuses on investing in undervalued, sub-investment grade opportunities, primarily in Europe which potentially have higher return targets without a corresponding increase in risk. The latter focuses on accessing CLOs which are tranches of debt securities backed by senior secured loans to US and European corporates. Both of these funds contributed positively to overall fund performance for the quarter.

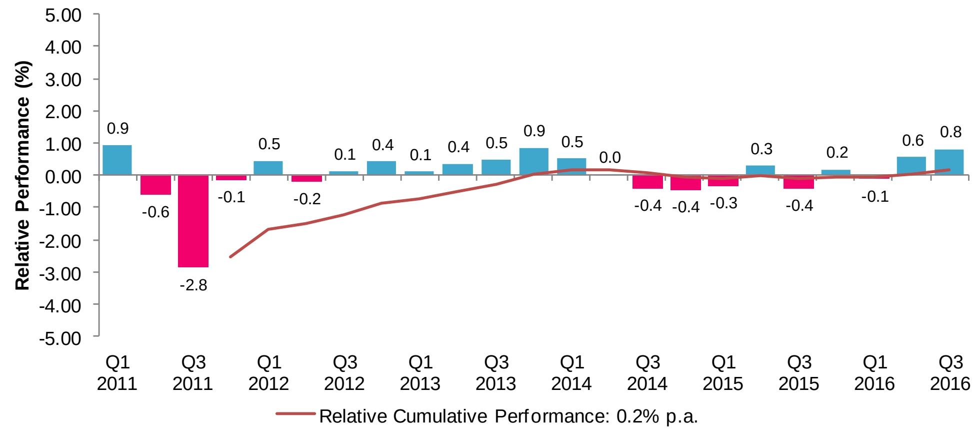
Source: [i] Fund Manager, [ii] DataStream, Fund Manager

Schroder Corporate Bond Fund

HR View Comment & Rating

Please see business comments for Schroders on page 13. We continue to rate Schroders at '4 - Retain'.

Relative Quarterly and Relative Cumulative Performance [i]



Fund Commentary

The Schroder All Maturities Corporate Bond Fund seeks to outperform its benchmark by 0.75% p.a. (gross of fees) over a rolling 3 year period.

The fund delivered an absolute return of 6.9% over the third quarter of 2016, outperforming its benchmark by 0.9%. The inclusion of high quality sterling denominated corporate bonds in the Bank of England's quantitative easing programme led to an increase in their values due to strong demand. On a total return return basis, industry, healthcare, and utilities were the main outperformers for the fund, whilst automotive and mortgage-backed securities detracted from performance.

Positive performance over Q3 has continued to improve the fund's longer-term numbers with the fund now ahead over the past 3 years and since inception.

Performance Summary (Gross of fees) [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	6.9	16.0	9.4	8.4
Benchmark	6.0	14.3	8.7	8.2
Relative	0.8	1.5	0.6	0.2

* Inception date 31 Dec 2010.

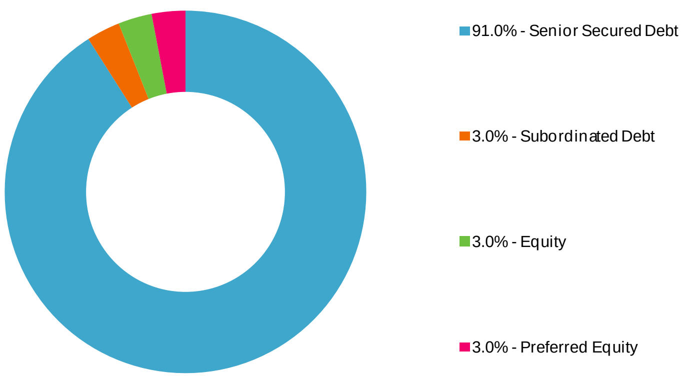
Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Partners Group Private Market Credit Strategies 2015 Fund

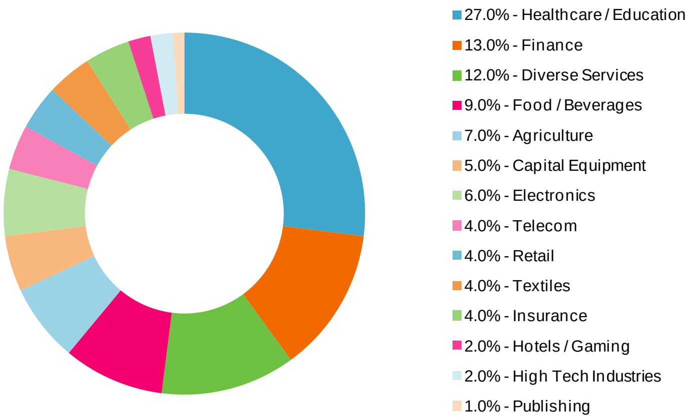
Fund Summary [i]

Fund	Capital Contributed	Total Capital Committed	Percentage of Total Program	Net Asset Value	Value Created	Net Multiple	Net IRR
MAC 2015	£35,000,000	£35,000,000	11.6%	£36,992,905	£1,992,905	1.04x	4.3%

Asset Allocation [ii]



Sector Allocation [iii]



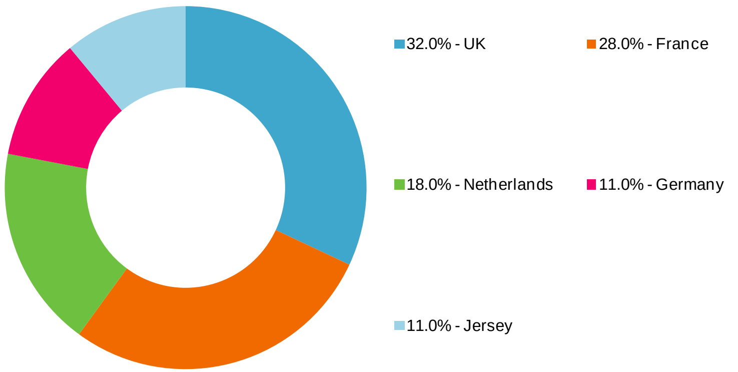
Source: [i] Fund Manager, [ii] Fund Manager, [iii] Fund Manager

Alcentra European Direct Lending Fund

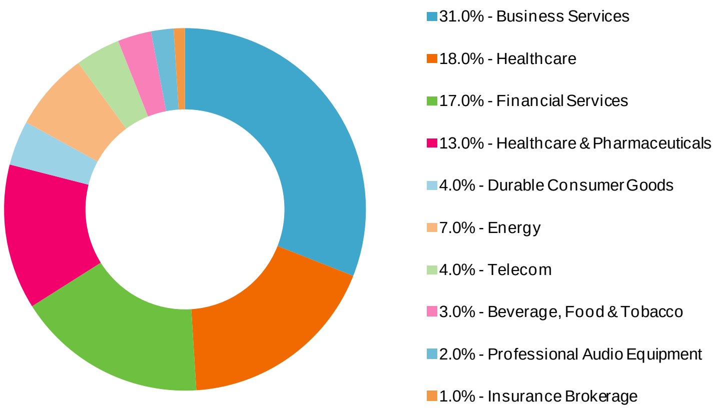
Fund Summary

Fund	Capital Contributed	Total Capital Committed	Percentage of Total Program	Net Asset Value	Value Created	Net Multiple	Net IRR
EDL II	£17,622,857	£35,000,000	3.1%	£18,581,339	£958,482	1.05x	-

Geographic Allocation [i]



Sector Allocation [ii]



Source: [i] Fund Manager, [ii] Fund Manager

Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

Some industry practitioners use the simpler arithmetic method as follows:

Fund Performance - Benchmark Performance

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

	Arithmetic Method			Geometric Method			Difference
Period	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	**0.10%**
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	**-1.24%**
Linked 6 months			-0.25%			0.96%	**-1.21%**
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	**0.34%**

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.
If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.
If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.