Public

Agenda Item 5(a)

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

14 December 2016

Report of the Director of Finance

INVESTMENT REPORT

1 Purpose of the Report

To review the Fund's asset allocation, investment activity since the last meeting, long term performance analysis and to approve the investment strategy in the light of recommendations from the Director of Finance and the Fund's independent adviser.

2 Information and Analysis

(i) Report of the External Adviser

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for both global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation, is attached in Appendix 1.

(ii) Asset Allocation and Recommendation

The Fund's latest asset allocation as at 31 October 2016 and the recommendations of the Director of Finance and Mr Fletcher, in relation to the Fund's benchmark, are shown in the table below.

The table also shows the recommendations of the Director of Finance adjusted to reflect the impact of future investment commitments. These commitments largely relate to Alternatives and Property and totalled £136m at 31 October 2016. Whilst the timing of drawdowns is difficult to predict, the In-house Investment Fund Manager Team (IFMT) believe that these are likely to occur over the next 18 months.

Asset Category	Benchmark		Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation		Recommendation Adjusted for Commitments (**)	Benchmark Return
	Old	New (*)	31/7/16	31/10/16		AF 14/12/16	DPF 14/12/16	AF 14/12/16	DPF 14/12/16	DPF 14/12/16	3 Months to 31/10/16
Equities	**64.0%**	**60.0%**	**66.7%**	**67.5%**	**+/- 8%**	**+1.0%**	**+6.4%**	**61.0%**	**66.4%**	**66.4%**	**n/a**
UK Equities	34.0%	28.0%	29.7%	28.9%	+/- 6%	-	+0.9%	28.0%	28.9%	28.9%	4.2%
Overseas Equities	30.0%	32.0%	37.0%	38.6%	+/- 6%	+1.0%	+5.5%	33.0%	37.5%	37.7%	n/a
N. America	9.0%	11.0%	11.8%	11.4%	+/- 4%	-	-	11.0%	11.0%	11.0%	7.1%
Europe	9.0%	9.0%	9.0%	10.0%	+/- 4%	-	+1.0%	9.0%	10.0%	10.0%	7.2%
Japan	5.0%	5.0%	6.7%	7.2%	+/- 2%	+1.0%	+2.0%	6.0%	7.0%	7.0%	12.1%
Pacific ex-Japan	4.0%	4.0%	5.5%	5.8%	+/- 2%	-	+1.5%	4.0%	5.5%	5.5%	12.4%
Emerging Markets	3.0%	3.0%	4.0%	4.2%	+/- 2%	-	+1.0%	3.0%	4.0%	4.0%	11.3%
Bonds	**24.0%**	**22.0%**	**18.5%**	**17.6%**	**+/- 5%**	**-3.0%**	**-2.3%**	**19.0%**	**19.7%**	**20.3%**	**n/a**
Conventional	9.0%	6.5%	6.3%	5.8%	+/- 3%	-3.0%	-0.2%	3.5%	6.3%	6.3%	-3.6%
Index-Linked	8.0%	6.5%	6.7%	6.5%	+/- 3%	-3.0%	-	3.5%	6.5%	6.5%	80%
Corporate	7.0%	6.0%	5.2%	4.9%	+/- 3%	+2.0%	-0.5%	8.0%	5.5%	5.5%	-1.8%
Multi-Asset Credit	-	3.0%	0.3%	0.4%	+/- 2%	+1.0%	-1.6%	4.0%	1.4%	2.0%	0.8%(***)
Property	**7.0%**	**9.0%**	**6.3%**	**6.1%**	**+/- 3%**	**-**	**-2.6%**	**9.0%**	**6.4%**	**7.4%**	**-0.3%** (***)
Direct	5.0%	5.0%	3.5%	3.4%	+/- 2%	+1.0%	-1.3%	6.0%	3.7%	3.7%	-1.2% (***)
Indirect	2.0%	4.0%	2.8%	2.7%	+/- 2%	-1.0%	-1.3%	3.0%	2.7%	3.7%	0.8% (***)
Alternatives	**3.0%**	**7.0%**	**3.6%**	**3.4%**	**+/- 3%**	**+1.0%**	**-3.4%**	**8.0%**	**3.6%**	**4.9%**	**n/a**
Infrastructure	1.5%	3.0%	1.9%	1.8%	+/- 2%	+1.0%	-1.0%	4.0%	2.0%	2.6%	0.6% (***)
Private Equity	1.5%	4.0%	1.7%	1.6%	+/- 2%	-	-2.4%	4.0%	1.6%	2.3%	5.2%
Cash	**2.0%**	**2.0%**	**4.9%**	**5.4%**	**0 – 8%**	**+1.0%**	**+1.9%**	**3.0%**	**3.9%**	**1.0%**	**0.1% (***)**

(*) The New Benchmark came into effect on 1 October 2015
(**) Recommendation adjusted for investment commitments at 31 October 2016
(***) Benchmark Return for the three months to 30 September 2016

Relative to the benchmark, the Fund as at 31 October 2016 was overweight in Equities and Cash but underweight in Bonds, Property and Alternative investments.

(iii) Investment activity since the last meeting

Equities outperformed Bonds between 1 August 2016 and 31 October 2016. The FTSE All share reported a gain of 4.2% in the three month period. Whilst regional equities outperformed the FTSE All Share, this largely reflected further weakness in the value of Sterling. The devaluation of Sterling since the EU referendum has had a significant impact on equity returns. Over the 10 month to 31 October 2016, the FTSE All World return totalled 27.2%, with North American Equities delivering a return of 27.8% (4.8% on a local currency basis), Europe ex-UK 18.4% (-2.5% on a local currency basis), Japan 26.0% (-8.8% on a local currency basis) and Asia Pacific ex Japan 32.6% (6.8% on a local currency basis). UK Equities were the best performing region on a local currency basis but in Sterling terms were lower at 15.1%. The performance of Bonds in the three months to 31 October 2016 was more mixed. Conventional and Investment Grade Corporate Bond returns fell (-3.6% and -1.8%, respectively) on the expectation that UK inflation will rise following the EU referendum. The expected rise in UK inflation pushed Index-Linked Bond yields lower, driving a total quarterly return of 8.0%.

Net divestment between 1 August 2016 and 31 October 2016 totalled £5.5m, reflecting continued divestment in respect of UK Equities (£12.2m) and the opportunistic sale of some Index-Linked Bonds (£11.3m). This was partly offset by investment into Multi-Asset Credit (£5.0m) and Property (£2.0m). There was also a £32m switch out of US Equities into European Equities.

UK Equities

At the last meeting it was agreed that the Fund's weighting be reduced by 0.5% to 29.2%, 1.2% overweight. Divestment of £12.2m, combined with relative market weakness, reduced the weighting to 28.9% at 31 October 2016.

North American Equities

It was recommended that the Fund reduce the weighting from 11.8% to a neutral weighting of 11.0%. Whilst there was a £32m divestment, relative market strength driven by the appreciation of the US dollar increased the weighting to 11.4% at 31 October 2016.

European Equities

It was recommended that the Fund increase the weighting by 0.8% to 9.8%, 0.8% overweight. Investment of £32m together with relative market strength increased the weighting to 10.0% at 31 October 2016.

Japanese Equities

At the last meeting it was recommended that the Fund maintain its overweight position of 6.7%. Whilst there were no transactions in the period, the strength of the Japanese Yen increased the weighting to 7.2% at 31 October 2016, 0.2% higher than the top of the permitted range.

Asia/Pacific ex-Japan Equities

It was recommended that the Fund maintain a 1.5% overweight position of 5.5%. There were no transactions in the period but relative market strength increased the weighting to 5.8% at 31 October 2016.

Emerging Markets Equities

It was agreed that the Fund would maintain a 1.0% overweight position of 4.0%. There were no transactions in the period but relative market strength increased the weighting to 4.2% at 31 October 2016.

Bonds

Conventional bonds

At the last meeting the IFMT recommended that the Fund maintain a 0.2% overweight position of 6.3%. Whilst there were minimal transactions in the period, relative market weakness reduced the weighting to 5.8% at 31 October 2016.

Index-Linked bonds

It was recommended that the Fund maintain a 0.2% overweight position of 6.7%. Relative market strength provided a selling opportunity and net divestment totalled £11.1m, reducing the weighting to 6.5% at 31 October 2016.

Corporate bonds

At the last meeting it was agreed that the Fund maintain its current weighting of 5.2%. Whilst there were no transactions in the period, relative market weakness reduced the weighting to 4.9% at 31 October 2016.

Multi Asset Credit

It was agreed to increase the weighting by 1.0% to 1.4% to reflect a specific opportunity. Delays in the completion of due diligence on a specific opportunity resulted in slippage, and the investment is now expected to take place in December 2016. As a result, the weighting remained unchanged at 0.4% at 31 October 2016.

Property

It was agreed that the Fund should increase its Direct Property weighting by 0.4% to 3.9% to reflect a specific opportunity identified by the discretionary manager. Whilst the transaction successfully completed it was delayed until November 2016. This delay, combined with relative market weakness, reduced the weighting to 3.4% at 31 October 2016.

It was recommended that the Indirect Property weighting remain unchanged at 2.8%. Relative market weakness reduced the weighting to 2.7% at 31 October 2016.

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Alternatives

It was recommended that the Infrastructure weighting be increased by 0.2% to 2.1%. Delays in drawdowns together with relative market weakness reduced the weighting to 1.8% at 31 October 2016.

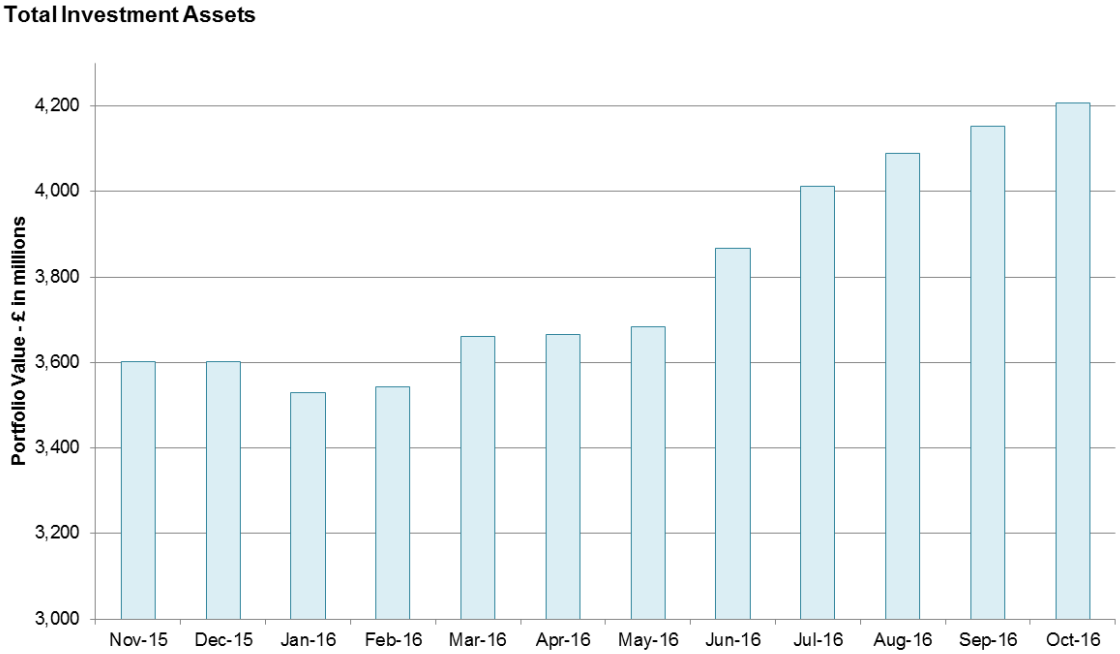
It was agreed that the Private Equity weighting of 1.7% would be maintained. There were minimal transactions in the period, and the weighting fell slightly to 1.6% at 31 October 2016.

Cash

It was agreed at the last meeting that the cash weighting be reduced by 1.2% to 3.7%. The timing delays in respect of Multi-Asset Credit and Direct Property, together with the opportunistic sale of some Index-Linked Bonds, increased the cash weighting to 5.4% at 31 October 2016.

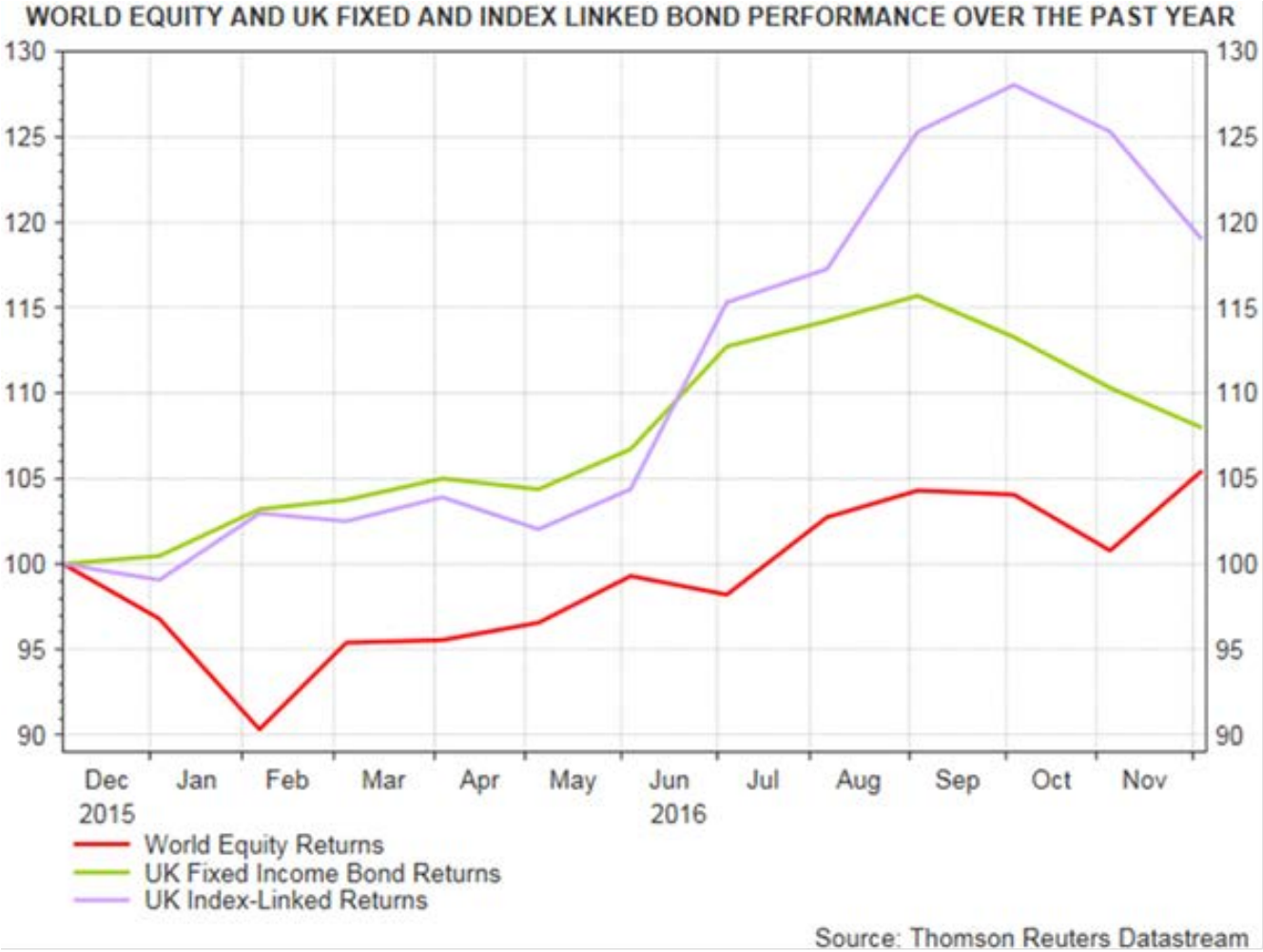
Total Investment Assets

The Fund's investment assets increased by £194.9m (+4.9%) between 31 July 2016 and 31 October 2016 reflecting the positive returns noted earlier. Over the twelve months to 31 October 2016, the Fund's investment assets have risen by £631m (+17.6%).



The Fund's valuation can fluctuate significantly in the short term reflecting market conditions and supports the Fund's strategy of focusing on the long term.

Market returns over the last 12 months



The chart opposite shows market returns for world equities together with UK Fixed Income and UK Index-Linked bonds between 6 December 2015 and 5 December 2016.

The chart demonstrates that despite some volatility over the last twelve months, market returns have been positive.

Equity returns have performed strongly since the EU referendum in June 2016, principally reflecting the significant depreciation in sterling since that date.

Bond returns have weakened (i.e. yields have risen) over the last few months, reflecting the run-up to, and outcome, of the US presidential election which has increased expectations of an expansion in US fiscal policy pushing-up US interest rates and inflation forecasts.

(vi) Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 31 October 2016.

Per annum	DPF	Benchmark Index
1 year	20.0%	19.1%
3 year	9.6%	9.4%
5 year	11.2%	10.9%
10 year	7.2%	6.7%

The Fund outperformed the benchmark over each of the periods.

(v) Investment Recommendations

UK Equities

Mr Fletcher recommends a neutral weighting of 28.0% in UK Equities believing that until there is more certainty about the impact of the UK's exit from the EU, a neutral stance is appropriate. Mr Fletcher believes that the short term outlook is very unclear, and whilst the future for the UK outside the EU could be very positive, the path to the new reality may prove difficult and take time. The negotiations have yet to commence and many of the EU member states appear to have hardened their stance against the UK. However, Mr Fletcher notes that the relatively high dividend yield provides some support. The IFMT agree that the above average dividend yield provides support to the UK market, particularly in the current yield constrained environment, although current valuations appear elevated. The IFMT recommend that in the absence of suitable alternative investment opportunities, the current weighting of 28.9% is maintained.

North American Equities

Mr Fletcher has changed his recommendation in respect of North American Equities from a 2% underweight allocation of 9% to a neutral weighting of 11%. Mr Fletcher notes that US analysts have concluded that Mr Trump's plans should be positive for the US economy, the US stock market and the US dollar, at the expense of US bonds and emerging markets. As a result, Mr Fletcher believes that the investment landscape has changed markedly since his last report and a neutral position should now be adopted until more clarity is known about Mr Trump's new economic plans. The IFMT continue to believe that the US market is richly valued (particularly for Sterling investors following Sterling's devaluation) with US stock trading above long term averages and with little room for disappointment. The US stock market has reached all-time highs since the US election result, with sterling returns of almost 25% since the end of March 2016 The IFMT agree with Mr Fletcher's

comments and recommend that the current weighting of 11.4% is reduced to a neutral weighting of 11.0%.

European Equities

Mr Fletcher recommends a neutral weighting of 9.0% in European Equities, although a 1.0% overweight position of 10.0% would be recommended if the portfolio was actively managed. Mr Fletcher believes that the ECB is gaining traction with its policy of making it easier for companies to access credit, the impact of which has yet to be seen in market returns. The IFMT believe the economic outlook for Europe remains muted, and uncertainty is increased by a significant number of upcoming elections. However, they also believe that many of the companies forming part of the European market generate a significant proportion of their earnings outside Europe, where the relative economic outlook is brighter. Monetary policy is likely to remain accommodative in Europe for quite some time and equity valuations are relatively attractive compared to other developed markets. As a result, the IFMT recommend maintaining a 1.0% overweight position of 10.0%.

Japan

Mr Fletcher recommends a 1.0% overweight allocation of 6.0% to Japanese equities. Mr Fletcher highlights that Japanese companies are carrying large cash balances, which has led to a significant rise in share buybacks and dividends, providing support for Japanese equities. Also the pick-up in Asian regional domestic growth should help Japanese companies. As noted earlier, following a sharp rise in the value of the Japanese Yen, the weighting increased to 7.2% at 31 October 2016, 0.2% higher than the top of the permitted range. The IFMT recommend a weighting of 7.0% (bringing the weighting inside the permitted range), continuing to believe that trading conditions are supportive and the long awaited reallocation of the Government Pension Investments Fund's target weighting to domestic equities from 12.5% to 25.0% should provide support. To achieve the target would require up to £60bn of domestic equity purchases, although this is being implemented at a measured pace.

Asia Pacific Ex Japan and Emerging Markets

Mr Fletcher has reduced his allocations to both Asia Pacific and Emerging Markets by 1.0%, bringing them into line with neutral weightings of 4.0% and 3.0%, respectively. Mr Fletcher notes that both the Pacific Basin and Emerging Markets have produced very strong equity returns over the last twelve months, and strategically, ''one has to go where the growth is'', and on average emerging markets are growing on average twice as fast as developed markets. However, Mr Fletcher believes that valuations are looking ''average'' and with the policy change expected in the US likely to

lead to higher US bond yields, interest rate, inflation and a stronger dollar, none of which, in the past, have been positive outcomes for emerging market or debt. Mr Fletcher concludes that it may be better to take profits in these regions and return to a neutral allocation. The IFMT believes that, despite some upheavals, the long term investment case remains undiminished despite the US election result. The IFMT continue to recommend an overweight allocation to these regions but agree with Mr Fletcher that now is a good time to take some profits given the recent strong currency driven returns. They recommend that the allocations are reduced by 0.3% and 0.2%, respectively, to 5.5% (1.5% overweight) and 4.0% (1.0% overweight).

Bonds

Mr Fletcher continues to recommend a 3% underweight position for the bond portfolio which equates to an overall allocation of 19.0%. The Fund's allocation is currently 17.6%, and the IFMT recommend increasing this to 19.7%, 2.3% underweight. Whilst yields have risen since Mr Fletcher's last report – largely reflecting the impact of the US presidential election which has increased expectations of an expansion in US fiscal policy pushing-up US interest rates and inflation forecasts – Mr Fletcher notes that the demand for bonds remains strong and expects this to continue for some time. Central Banks remain active purchasers of bonds in the primary and secondary market and Japanese investors also remain big buyers of UK and US government bonds because of the yield pick-up over the domestic market. Mr Fletcher believes global bond yields will continue to remain low, although there may be further rises in the short term driven by the expected expansion in US fiscal policy.

Mr Fletcher recommends a 3% underweight position in both Conventional and Index Linked Bonds. Mr Fletcher states that he is ''not a fan of UK government bonds'' because the yield remains so low even after the recent pick-up. Mr Fletcher also notes that despite the recent sell-off, UK Index-Linked bonds remain some of the most expensive bonds in the world. Mr Fletcher approves of the IFMT's allocation to US Index Linked stocks due to their higher yields and shorter maturities compared to UK Index Linked. The IFMT believe that interest rates will remain lower for longer. There has been no change in the structural trends depressing bond yields (including ageing G20 populations building up savings in anticipation of longer retirement periods, and high saving rates in emerging markets, reduced labour bargaining power and increased price competition due to the increased transparency of the internet). The sharp back-up in Treasury yields, which has also been reflected in the UK bond market, presupposes a successful implementation through Congress of a substantial fiscal stimulus, a stronger fiscal multiplier to real growth and inflation than monetary policy has delivered since the Global Financial Crisis and an offsetting tightening in monetary policy. These may prove to be challenging assumptions. The IFMT

recommend taking advantage of the weakness in Conventional Bonds (up just 3% since March 2016 against average overseas equity returns of around 25%), and maintaining the Index-Linked Bonds weighting at 6.5% (neutral).

Mr Fletcher recommends a 2.0% overweight position in Corporate Bonds which represents an allocation of 8.0%, in part reflecting investment in more aggressive higher yield bond and emerging market debt (a 1% allocation to each), believing that the diversification, higher yield and shorter maturity of these asset types will offer protection to total return should government bond yields start to rise on a sustainable basis. The IFMT continue to recommend an underweight position in Corporate bonds because there remains a risk that the yield pick-up compared with sovereign bonds is currently insufficient to compensate for the increased default risk. However, following a period of underperformance against Index-Linked Bonds and Equities, Corporate Bonds now offer better relative value, and the IFMT recommend increasing the allocation from 4.9% to 5.5%, 0.5% underweight, with the intention of maintaining a relatively defensive position within the asset class.

Mr Fletcher recommends increasing the Multi-Asset Credit allocation to a 1.0% overweight position of 4.0%, noting that this is a higher yielding asset class that has very good diversification characteristics in a rising rate environment. The IFMT agree that the asset class has positive attributes and continue to assess new opportunities with the target of achieving a 3.0% committed weighting as soon as possible. A £40m commitment to a global senior secured private debt loan fund was approved by the Pensions and Investments Committee in October 2016, and the IFMT are planning to invest a further £40m into a liquid defensively focused credit fund in December 2016 (although due to Treasury Management considerations £10m may be deferred until the next quarter). These investments should increase the committed weighting to 3.0% (current committed weighting of 2.0%), and the invested weighting to 1.4% in the next three months.

Property

Mr Fletcher recommends a neutral weighing of 9% in property as a whole with a preference for a 1% overweight position in Direct Property and a 1% underweight position in Indirect Property. The IFMT believe that property continues to look attractive for those investors seeking income. With property yields near to historic lows, the IFMT believe that the boost to the overall UK sector from falling yields has likely come to an end. Property returns from this point are likely to be driven by development surpluses and rental growth. The IFMT continue to recommend moving towards a neutral position in property. The external Discretionary Manager for Direct Property is actively assessing potential new investments and the recommended near term weighting is 3.7%, an increase of 0.3% on the current position, to reflect the impact of a transaction which successfully completed in November 2016.

Due diligence has now been completed on a number of Indirect Property investments and commitments totalled £41m at 31 October 2016. However, no drawdowns are expected over the next quarter and the IFMT recommend that the current weighting of 2.7% is maintained. Factoring in the existing commitments, the weighting increases to 3.7%, 0.3% lower than a neutral position of 4.0%. The IFMT continue to assess investment opportunities focusing on funds with strong covenants, where rental growth (either from demand or inflation protection) look sustainable over the next few years. The IFMT also plans to build the European property exposure to provide diversification (European yields continue to compress and the market provides protection against the liquidity issues faced by the UK market at the moment following the EU referendum). After commitments, the European Indirect Property portfolio will represent 18% of the total Indirect Property portfolio.

Alternatives

Mr Fletcher recommends a 1% overweight position in Alternatives with a preference for a 1% overweight position in Infrastructure and a neutral position in Private Equity.

Whilst the Fund is currently 1.2% underweight in Infrastructure, commitments at 31 October 2016 totalled £23m, increasing the committed weight by 0.8% to 2.6%. The IFMT continue to assess an active pipeline of new opportunities and although the timing of future drawdowns is difficult to predict, the IFMT recommend increasing the weighting by 0.2% to 2.0%.

The IFMT recommend maintaining the Private Equity weighting of 1.6%. Total commitments at 31 October 2016 totalled £30m, increasing the committed weighting to 2.3%. Several new opportunities are being assessed and it is anticipated that the level of commitments will increase over the next quarter but it is difficult to predict the level and timing of any drawdowns.

Cash

Mr Fletcher recommends a 1.0% overweight position of 3.0%. The current weighting is 5.4%, 3.4% overweight. Whilst it remains the long term objective to achieve a neutral weighting of 2.0%, this will take time and in the current environment of very high levels of political uncertainty, rich equity valuations and nervous bond markets, a short term overweight position in cash has defensive attractions. The IFMT forecast that the cash flow impact of the investment opportunities reflected in this report (partly offset by positive cash inflows from dealing with Members), should reduce the cash weighting to 3.9% over the upcoming quarter.

3 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, social value, property and prevention of crime and disorder.

4 Background Papers

Files held by the Investment Section.

5 Officer's Recommendations

5.1 That the report of the external advisor, Mr Fletcher, be noted.

5.2 That the asset allocations, investment activity and long term performance analysis in this report be noted.

5.3 That the strategy outlined in the report be approved.

PETER HANDFORD

Director of Finance

APPENDIX 1

Allenbridge

Third Quarter Investment Report Prepared for

Derbyshire County Council Pension Fund

14th November 2016

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Investment Report for Derbyshire County Council Pension Fund

This report has been prepared by Anthony Fletcher "External Investment Advisor" of Derbyshire County Council Pension Fund (the Fund). At the request of the Pension and Investment Committee the purpose of the report is to fulfil the following aims: -

- Provide an overview of market returns by asset class over the last quarter and 12 months.
- An analysis of the Fund's performance by asset class versus the Fund specific benchmark for the last quarter and the last 12 months.
- An overview of the economic and market outlook by major region, including consideration of the potential impact on the Fund's asset classes
- An overview of the outlook for each of the Funds asset classes for the next two years; and recommend asset class weightings for the next quarter together with supporting rationale.

The report is expected to lead to discussions with the in-house team on findings and recommendations as required. The advisor is expected to attend quarterly meetings of the Pensions and Investment Committee to present his views and actively advise committee members.

Meeting date 14th December 2016
Date of paper 14th November 2016

1. Market Background

The global economy had a reasonable quarter with no surprises in terms of growth, inflation or politics. In local currency terms, equity markets returned between 4 and 9% over the third quarter. In Sterling terms non UK equity returns where again boosted by between 3 and 4% because of the weakness of the currency. The FTSE 100 index returned 7.1% and the FTSE All share 7.8% in the third quarter. Bond markets with the exception of UK Index Linked Gilts significantly underperformed equities.

The UK appears to have entered a period of "Phoney War" with the EU after the vote to leave. The Prime Minister has announced that Article 50 will not be triggered before the end March 2017. Although it does appear that the Government may (subject to appeal to the Supreme Court) have to follow British Constitutional Law and have a parliamentary debate and an Act of Parliament prior to triggering Article 50. It probably will not change the outcome of the Referendum, but due process must be followed if the UK is to maintain its status as a country where the "rule of law" can be relied upon to be upheld. In the meantime British Cyclists, Tennis players, Olympians and Paralympians made us all proud with their sporting prowess. We had better than average summer weather, which was good for those many more of us that enjoyed a "staycation" this year. The economy has proved to be stronger than expected, inflation is higher but Sterling has only weakened slightly.

Table 1, below shows the total investment return in Pound sterling for the major asset classes; for the month of October 2016, 3 and 12 months to the end of September 2016.

% Total return dividends reinvested			
	Market returns		
		Period end 31st September 2016	
	October 2016	3 months	12 months
FTSE All-Share	0.6	7.8	16.8
FTSE World ex UK	4.9	8.4	32.2
North America	4.4	7.1	34.2
Europe ex UK	3.9	9.0	21.1
Japan	8.0	12.1	31.3
Pacific Basin	4.9	12.4	38.2
Emerging Equity Markets	7.9	11.3	36.6
UK Gilts - Conventional All Stocks	-3.9	2.3	12.6
UK Gilts - Index Linked All Stocks	-0.6	10.1	24.1
Overseas Bonds*	-1.3	-0.4	6.4
Property IPD monthly		-2.5	3.3
Cash 7 day LIBID	0.02	0.1	0.5

* Citigroup WGBI ex UK hedged

Recent developments

After the excitement of the August Inflation report the November report and press conference was a much more subdued affair.

The November Inflation Report states that the Monetary Policy Committee (MPC) unanimously decided to keep the base rate at 0.25% and to continue to purchase Corporate and Government bonds. The report reiterates the MPC's central forecast of the economic impact of BREXIT, while recognising the degree of uncertainty. Furthermore the MPC, believes that the monetary policy action taken in August was consistent with achieving the 2% inflation target and sustainable growth over the medium term.

The MPC noted that 3rd quarter growth had recovered more strongly than expected post the uncertainty created by the referendum, because household spending was higher and the housing market was stable. Although they did not seek to quantify how much was a rebound or how much was due to the policy actions taken in July and August. They noted that this better news was partially offset by a further deterioration in the outlook for investment and the commercial property market.

As expected CPI Inflation in September was 1%, double the rate reported in June, the increase is not just attributable to the weakness of the pound and the impact on imported goods prices, but also due to higher US$ oil prices.

The report further refines the MPC's expectations for growth and inflation over the next 3 years. For the balance of 2016 growth is now expected to be around 0.4% compared to 0.1% in August (2.0% for 2016). In 2017 growth has been revised up from 0.8% to 1.4% and 2018 revised down from 1.8% to 1.5%. The MPC's inflation forecasts have been revised higher from 1.2 to 1.3% for 2016; 2.0 to 2.7% for 2017 and 2.4% to 2.7% for 2018, falling back to 2.5% in 2019. The unemployment forecast was unchanged at 5.5% for 2017 - 2019.

The biggest recent surprise certainly for the mainstream media and pollsters was the victory of Donald Trump in the US Presidential Election. Mrs Clinton won the most votes across the country as a whole, but it is victory in the Electoral College that determines the result. While Mr Trump's victory in the Electoral College was overwhelming the result was decided by the finest of margins between the numbers of votes cast in a few key states!

At this stage (the count is not complete) the analysis seems to show that in those key states Mrs Clinton failed to mobilise democrats who voted in large numbers for Mr Obama in the last 2 presidential elections. It also shows that Mr Trump failed in some states to win as many republican votes as Mr Rhomney in 2012. One of the outcomes of the campaign and result is that it has enabled more authoritarian regimes around the world to pour scorn on the state of US politics and the democratic election process.

It is too early to know what Mr Trump's actual policies will turn out to be, we may know more by the time of the Pensions and Investment Committee meeting in December but we may not have a clear picture until after the inauguration in January 2017. In the meantime the media and the markets have decided to focus on the possibility of a significant and unfunded Fiscal Policy expansion in the form of infrastructure spending and tax cuts. The bond market in particular is becoming increasingly concerned about the implications of such an expansionary policy on the fiscal deficit and inflation.

Infrastructure spending / planning was also a theme in the UK, with Hinkley point, Heathrow and the northern end of HS2 hitting the headlines. The markets are keenly waiting to see what Mr Hammond will have to say on the matter in his "Autumn Statement" next week.

Bond Markets

The third quarter turned out to be a bit of a roller coaster ride for yields in all conventional government bond markets. Despite the yield volatility, UK non-government bond markets saw stronger returns as spreads narrowed, high yield and investment grade corporate bonds outperformed gilts.

Over the quarter, the yield available from conventional UK government bonds (gilts), fell in all maturities. 10 year gilt yields fell from 0.87% on 30th June 2016, to an all-time low of 0.51% on the 12th August 2016, before rising to finish the third quarter at 0.75%. At the time of writing a week after the US presidential election result, the benchmark 10 year gilt is yielding 1.38%. The 30 year gilt yield fell by more, from 1.70% to 1.49% over the quarter and are currently yielding 2.02%.

Index linked gilts outperformed as inflation expectations were revised higher. The real yield on 10 year index linked gilts fell from -1.48% at the end of June to -2.11% at the end of September, 30 index linked yields fell slightly less from -1.29% to -1.72%. Once again because of the longer duration (interest rate sensitivity) of this asset class the total return over the quarter was higher than many equity markets. Since the end of the quarter Index linked gilt yields have also gone up and are currently yielding -1.74% for 10 years and -1.47% for 30 years.

The yield available from other government bond markets increased slightly and as a result local currency total returns were lower and in many countries negative. Taking 10 year benchmark yields for the following countries as a reference point, in the US they started the quarter at 1.47% rising to 1.59%, in Germany -0.13% rising to -0.11% and in Japan -0.25% rising to -0.09%.

The total returns available from representative indices for Investment Grade Credit, Global High Yield (sub investment grade) and Global Emerging Market Debt in the third quarter, all outperformed UK conventional government bond index returns, but could not match the return from Equity or Index Linked Gilts.

Since the end of September and in particular since the US presidential election result, all bond yields have risen substantially. The main driver of the increase has been the election of Donald Trump, Mr Trump is considered by the markets as unpredictable because he has no experience of political office and because of the divisive and provocative way he fought his electoral campaign. Since the victory his tone has appeared more conciliatory but he continues to act in an “un-presidential” way and send mixed messages through social media. The main conclusion that the US government bond market has come to, is that he is planning to announce a debt funded expansion of Fiscal Policy. The main components of which appear to be up to US$ 1 trillion of spending on infrastructure and huge tax cuts for companies and higher earners. At the moment this is all talk, but it has spooked the US bond market pushing the yield on the 10 year US government bond 0.65% higher to 2.24%.

Equity markets

With the BREXIT vote out of the way equity markets gently cruised through the third quarter on a fairly benign set of economic data reports. In the third quarter, in local currency, Asia ex Japan and emerging market indices produced the strongest returns, closely followed the UK all share index. Year to Date in local currency terms the UK market indices produced the highest total return compared to the rest of the world.

Once again when currency is taken into consideration, the weakness of Sterling over the quarter and 12 months results in higher foreign equity market total returns. The only equity market in sterling terms that underperformed the UK in the third quarter was, not surprisingly the USA, as it braced itself for the outcome of the presidential election. Over 12 months indices for Pacific ex Japan, followed by emerging, US, Japan and then Europe produced the stronger total returns, than the UK.

2. Investment Performance

Table 2, shows the performance of the Derbyshire Pension Fund versus the fund specific benchmark for the 3 and 12 month periods to the end of September 2016. The performance data has been provided by Portfolio Evaluation Limited (PEL) using their own data for the 6 month period since the end of March 2016 and a combination of PEL and WM data over 12 months and longer periods. The analysis shows that the fund outperformed the fund specific benchmark in both periods. The PEL attribution data shows that asset allocation was positive for both Equity and bonds, stock selection was also positive in equity but it was negative for bonds in the 3 months to end of September 2016.

Table 2, Derbyshire Pension Fund and Benchmark returns

% Total return 30th September 2016	3 months		12 months	
	Derbyshire Pension Fund	Benchmark	Derbyshire Pension Fund	Benchmark
UK Equity	8.7	7.8	17.5	16.8
Overseas Equity	9.9	9.5		
North America	8.0	7.1	33.4	34.1
Europe	9.1	9.1	21.1	21.0
Japan	12.7	12.1	32.2	31.3
Pacific Basin	11.7	12.4	37.2	38.2
Emerging markets	10.9	11.2	36.8	36.6
UK Gilts	2.4	2.3	12.4	12.6
UK and Overseas Inflation Linked	7.5	10.1	21.2	24.0
UK Corporate bonds	6.2	7.3	13.4	16.2
Multi-asset Credit	7.2 (*)	0.8		
Alternatives (all sectors)	8.6	4.8	21.3	11.1
Property (all sectors)	2.1	-0.3	14.4	4.6
Cash	0.1	0.0	0.9	0.3
Total Fund	**7.6**	**6.8**	**20.1**	**19.1**

(*) Includes a catch-up and comprises two quarters of performance

Equity performance

The largest allocation in the Fund is to the UK equity market representing 29.3% of total assets under management at the end of the quarter. Relative to the FTSE All Share index, this element of fund outperformed the benchmark over the quarter and 12 month periods. The 3, 5 and 10 year results are also well ahead of benchmark.

The Fund's policy of holding overseas equity unhedged has made a very strong positive contribution to the total return of this portion of the portfolio, since Sterling started to weaken in November 2015.

The next largest allocation is to North American equity, this portion is actively managed in a segregated portfolio, by Wellington Asset Management. In the third quarter this component of the Fund outperformed the benchmark, however the poor first quarter 2016 returns have dragged down the 12 month returns. Rolling 3, 5 and 10 year results are excellent and remain well ahead of benchmark.

The continental European equity portfolio is passively managed by UBS. The 3 and 12 month returns are in-line with the benchmark.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets, via pooled funds selected by the in-house team. Over the 12 months to the end of September 2016 these 3 regions produced an average absolute return of 35% with only the investments the Pacific Basin underperforming its benchmark. Over the 3 year period the annualised relative returns for Japanese and Emerging equities are below benchmark and the same is true for Emerging equity over 5 years. Over 10 years all of these regional equity investments have produced returns that are more than 1% above their respective benchmarks.

Fixed Income Performance

After the exceptional performance of the UK government bond market in the second quarter it would have been difficult to see similar returns in the third quarter. The Fund remains 3% underweight its benchmark allocation and underweight interest rate sensitivity (duration). Over the quarter the aggregate total return from all bond sectors was 0.7% behind benchmark, as in the second quarter this does hide some marked deviations between sectors.

UK and US government bonds are managed by the in-house team, investment in Gilts produced a positive return over 3 months, slightly ahead of benchmark. Over 12 months total return is slightly below benchmark and is just ahead on 3 and 5 years. UK Index Linked Gilts, because of their very high duration, outperformed again with a total return of over 10% in the third quarter. The in-house team has invested in a combination of UK Index Linked Gilts and their equivalent, US Treasury Inflation Protected Securities (TIPS). The TIPS market provides a higher yield at lower duration, as a result the absolute and relative returns of this combination was lower on both the 3 and 12 months to the end of September, and continues to drag down longer term relative returns. However it should be remembered that the TIPS market is a “truer” play on inflation expectations than the demand driven UK linker market.

The UK corporate bond market strongly outperformed the gilt market as the yield spread between these sectors narrowed. Corporate bonds have now outperformed gilts over the last 5 years. The in-house team remains underweight corporate bonds for reasons of narrow credit spread and fundamental valuation. Looking at the returns over 12 months, the underperformance can be attributed to this underweight allocation. Over longer time periods asset allocation does not fully explain the underperformance, it appears that fund selection may have been more defensive than the benchmark.

Investment in “Multi Asset Credit” has proved to be a good decision. The in-house team has made a commitment of £40 million to the Babson Global Private Loan Fund, over the quarter Babson have invested more of their allocation. At the end of September total investment stands at £15.4million, despite this low allocation the investment has made a positive contribution to return through stock selection in the second quarter. More funds are being drawn down, once fully invested this will represent 1.1% of total DPF assets under management.

Alternatives

The in-house team's portfolio of investments in Private Equity and Infrastructure continues to enjoy excellent absolute returns in all periods. At the end of the quarter the allocation stood at 3.5% with further cash committed but as yet uninvested by the selected Private Equity managers. Investment in this area is a resource intensive exercise and once a manager has been identified the DPF is reliant on funds being invested. In addition to these investments the team remains extremely active in researching new opportunities in this asset class and are committed to increasing the allocation.

Property

Over the longer term Property has produced strong positive returns, the performance of the asset class did dip slightly in the second quarter and was negative in the third quarter as a result of the referendum. The in-house team's assets however produced a positive return, the team uses a mixture of indirect property investment vehicles and an external manager, Colliers Capital, for direct investments in "bricks and mortar". The aggregate allocation to property has performed well ahead of the benchmark on a 3 and 12 month time horizon and it is ahead of the strong 3 and 5 year absolute returns of the Benchmark. Asset Allocation is increasing but remains below benchmark. The team continues to seek good investments in this area.

Investment in Property, as with Alternatives and Multi Asset Credit, is resource intensive and requires high quality due diligence to ensure good quality assets are purchased.

3. Economic and Market outlook

Economic background

Since my last report very little has changed with regard to the UK leaving the EU, so I do not plan to the rake over the ground already covered on this subject. As I mentioned above the High Court has given the government a reminder of the Law with respect to the British Constitution and the Sovereignty of Parliament, but whether the government chooses to appeal to the Supreme Court or just get on and pass an Act of Parliament, the outcome of the referendum is highly unlikely to be changed.

Needless to say everything that is being discussed in government is coloured by BREXIT as is every piece of economic data published. The inflation report of the Bank of England published on the 3rd of November noted that recent data had been on balance better than expected since June but the Bank continues to highlight the uncertainty over the medium term outlook. The next event where we may get some further insight into the governments thinking is Mr Hammond's Autumn Statement. This has been previewed as an infrastructure spending bonanza with the media being especially upbeat since the announcements on Hinkley, Heathrow and HS2 and of course the excitement about Mr Trump's plans for the US economy.

In my last report I said the following;

"G*rowth in developed and emerging markets alike is now expected to remain low in 2016 and beyond. With the exception of the UK, growth forecasts have not become materially worse but global productivity and consumption levels continue to fall. On average over the next 5 years, Emerging economies are expected to grow by 4.5%pa and Developed economies by no more than 2%pa. The USA is expected to be the strongest followed by Europe the UK and Japan. Central Banks are likely to remain accommodative as a result."*

This was based on my belief that global economic activity and inflation would remain sub-trend because of a combination of relative fiscal austerity, the debt burden and the long term trend in demographics.

So what has changed? The Short answer is nothing has actually changed. The demographic factors are long term and the projections remain the same, the debt burden is still huge and if anything is getting bigger and as yet fiscal policy has not changed and even if it did the other 2 factors have a greater long term influence on potential growth and how high yields can go.

The Long answer lies with the rise of "populism", as demonstrated by a rejection of establishment views in the UK on membership of the EU and probably more importantly with the election of Mr Trump in the USA. The pressure for change among electorates appears to be increasing. There is a growing perception that it is current central bank and government policies that have failed to protect the jobs and the real incomes of all but the already super-rich. And not factors such as globalisation and the secular economic shift from low tech manufacturing to high tech, the service sector and the "electronic" economy.

Equally for a while now a growing number of financial market commentators have suggested that monetary policy as expressed through QE and ultra-low interest rates may have stopped working (indeed some argue that QE has never worked), and that new supply side policies and a fiscal policy expansion are required to take over from interest rate cuts and QE to stimulate higher economic activity.

So what is the US bond and equity market getting so excited about? And why does it matter? The media and the markets have decided to largely ignore what Mr Trump said on Trade, Immigration and Geopolitics and focus instead on what he said about big tax cuts for companies and the rich and a huge infrastructure investment programme, both of which will be mainly funded with government debt. He has also proposed financial deregulation, health care reform and a modified stance on energy and the environment.

It matters for the following reasons; all of the above are perceived as pro-growth but an unfunded fiscal expansion implies higher US bond yields and steeper curves and with the economy close to full employment, higher inflation. Easier fiscal policy and higher inflation implies a more activist US Federal Reserve Bank and higher US interest rates. All this is bad for US bonds, on the other hand lower taxes and deregulation are very positive for US equities. Companies could also start using their cash for investment in productivity and capacity rather than share-buybacks and higher dividends. Real assets such as infrastructure and property should also be beneficiaries

For the rest of the world higher US yields means a stronger US dollar, it makes US assets more attractive which tightens global financial conditions putting pressure on interest rates and bond yields in other developed economies and has in the past been especially bad for emerging economies.

Finally another consequence of BREXIT and Mr Trump's victory could be an increase in "populism" in Europe, where there are a series of important political events over the next 12 months. Starting in December with a referendum on the constitution in Italy, the vote is about improving the structure of National and Regional government, with the aim of improving the stability of parliament. But is it likely to be treated as an opportunity to vote on the success of the EU project since 1999. Further off but just as important we have elections in France that could lead to Marine Le Pen being president and after the summer there are elections in Germany. So for the next 12 months at least "Politics is the new Macro" influence on markets.

Government bonds

Since the end of September all bond markets have produced negative returns as yields have risen. From the end of September to the 14th November UK 10 gilt yields are 0.7% higher at 1.46% mainly a reflection of the news from the US but also due to higher growth and inflation in the UK over the period. It is difficult to see how much higher UK gilt yields can rise for domestic reasons given the forecast for growth in 2017 and 2018 and the uncertainty over BREXIT. While the chance of further cut in rates now looks less likely an increase is equally unlikely during the BREXIT negotiations, despite the higher inflation forecast and the weakness of sterling. As the Bank of England reminded us they have decided to look through the weakness of sterling, preferring instead to keep rates low to help smooth the path to EU exit.

It is possible for gilt yields to rise further as they get dragged higher by yields in the US. Mr Trump's fiscal policies even if only partially passed into law could lead to an increase in 10 year US Treasury bond yields from 2.25% currently to between 2.5 and 3%, they will almost certainly lead to a steeper yield curve, meaning that long dated bond yields will move even higher over the coming year. A FED hike is already priced in for December and a further 2 rate hikes are likely as US inflation is forecast to go over 2% next year. As a result it is entirely likely that the total return from gilts will be negative for 4q16 and that we could get further negative quarterly returns from government bonds in 2017 especially the long dated and duration sensitive sectors of the market. As mentioned at our last meeting I believe it is sensible to remain underweight and short of duration in government bond markets.

Given what I have said about government bond markets it may seem counter intuitive to continue to recommend diversifying into other higher yielding, income generating assets but I believe the extra yield and lower duration of these assets means they are still worth considering; although this approach does increase risk and accordingly would need to be assessed against the investment objectives of the Scheme.

Non-government bonds

Non-government bond yield spreads narrowed by 0.4% over the quarter from 1.8% to 1.4% making the all in yield for the average Investment grade UK corporate bond 2.2% at the end of the quarter, up from the low of 1.9% in August. Since the end of the quarter yields have risen a further 0.7% all because of the change in gilt yields, the yield spread on investment grade corporates is unchanged so the yield is now 2.9% double that of the yield available from gilts. The average high yield bond is yielding around 6%, more than 4 times higher than gilts admittedly the credit risk is also much higher but the duration is much lower.

As predicted in my last report when government bond yields start to rise, all asset classes will see rising yields, however because this is not a credit event and because both the Bank of England and the European Central Bank have expanded their QE bond purchase programmes to include corporate bonds, non-government bond yield spreads, may not widen significantly even if government yields continue to rise. The main driver is not defaults or a worsening credit situation but a rise in US Government bond yields in response to an expected change in fiscal policy.

As noted above bond returns are likely to be negative in the 4th quarter. Looking forward from here, in table 3 below I have given some estimates of the total return from government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over certain time horizons. The estimates do not take into consideration any widening of spread over the holding period. If the yield spread on investment grade corporates and global high yield widened by 0.3% and 2% respectively then all 3 indices would have a similar negative return to gilts over 12 months.

Table 3, Total returns from representative bond indices

Index	Yield to Maturity %	Duration	Yield increase %	% Total return, holding period	
				3 month	12 Month
All Stock Gilts	1.4	10.9	0.5	-5.1	-4.1
UK Corporate Bonds	2.8	8.4	0.5	-3.5	-1.4
Global High Yield	6.2	4.0	0.5	-0.45	4.2

Source: - BofA Merrill Lynch Indices 14th November 2016

Equities

As noted above, on a local currency basis UK equity markets had a good quarter with the All Share outperforming the FTSE 100 index. Local currency returns for the rest of the world equity markets were higher than in the second quarter but with the exception of Asia-Pac and Emerging equity lower than the UK. Equity market valuations in developed markets are above average and expensive relative to the rest of the world, because of the US and Switzerland. Japan is cheap globally and the cheapest market relative to the last 12 years, on average European equity markets remain cheap relative to the rest of the world. The strong performance of all emerging market equities over the third quarter now leaves valuations around their average for the last 12 years. The average does hide a wide dispersion with Mexico (surprisingly) and India very expensive but Asia-Pacific, Brazil and Russia cheap.

Monetary accommodation remains an important support for countries outside of the US. As I mentioned in my last report, "*In order to see stronger returns, either profits and or productivity need to pick up or we need to see a re-emphasis of fiscal expansion and structural reform".*

It would appear that there is a strong possibility that we will get fiscal expansion and structural reform from Mr Trump even if we don't get much from Mr Hammond. Ironically in sterling terms equity markets have been volatile since the beginning of the month and at the time of writing most have delivered negative month to date returns. However the bond markets and asset allocators have identified the combination of tax cuts, deregulation and the potential for the repatriation of overseas earnings as powerful positive drivers of US equity market performance. A strong US equity market and in particular higher US yields and a strong US dollar has not been good news for emerging bond and equity markets.

GDP Forecasts

Table 4, shows the consensus forecasts for GDP growth in calendar 2016 and 2017 and my expectations in August and November 2016.

Table 4, GDP forecasts - Consensus versus Advisor expectations

% Change yoy	2016				2017			
	August		November		August		November	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	1.6	**2.0**	1.5	**2.0**	2.3	**2.3**	2.2	**2.5**
UK	1.5	**1.5**	2.0	**2.0**	0.6	**0.8**	1.1	**1.5**
Japan	0.5	**0.7**	0.6	**0.7**	0.8	**0.9**	0.9	**1.0**
EU 28	1.5	**1.7**	1.8	**2.0**	1.2	**1.5**	1.4	**1.7**

At this stage in the year and with the growth we have already seen I am rather surprised that the consensus for 2016 is not higher. I am pretty confident that we will see at least the level of growth for 2016 set out in table 4 above. Consensus estimates for 2017 have been revised up for most developed markets, even for the UK! This reversal is not surprising because growth outcomes while mixed continue on balance to be slightly better than previously forecast. The estimates were probably published too early to contain the impact of the expected spending plans of Mr Trump. In the rest of the world, the Bank of England, the ECB and the Bank of Japan are likely to remain in easy money policy mode. While the FED is now fully expected to raise rates in December this is unlikely to have any impact on GDP. I believe the renewed optimism in the US and the potential for a lean towards more fiscal stimulus means GDP forecasts could be revised generally higher with the possible exception of the UK.

The US economy grew by 0.8% annualised in the 1st quarter of 2016, and was revised higher from 1.2% to 1.4% in the second quarter. The third quarter advance estimate is 2.9% an increase in inventories and higher exports were cited as the main reasons for the higher third quarter growth.

We now know that despite the EU Referendum, UK GDP was estimated at 2.0% annualised in the third quarter, as in the 1st half of the year services were responsible for most of the growth with manufacturing, construction and agriculture all weaker. The 4th quarter is estimated to be lower at 1.6% annualised despite this GDP should be close to 2% for the whole of 2016. Growth in 2017 is widely expected to be lower, with the BREXIT negotiations cited as the main reason for uncertainty. This is a reasonable assumption because spending and investment plans for 2016 would have been made long before we knew the result of the referendum and were unlikely to be curtailed. Whereas plans for 2017 are being made post the referendum and because to be honest nobody really knows how the negotiations will go it is possible that these decisions could be scaled back

In Japan second quarter GDP was unchanged at 0.8% annualised, but growth in third quarter jumped to 2.2% on stronger exports despite the stronger Yen, government spending and private residential investment were also stronger although household consumption was lower. Eurozone GDP grew by a confirmed 1.6% annualised in the second quarter, and an estimated 1.6% in the third quarter. Growth was weaker in Germany, Belgium and Spain but stronger in France, Italy and unchanged in the Netherlands. BREXIT is still expected to impact growth in the Netherlands, Belgium and the Republic of Eire next year as these are the UK's largest EU trading partners but it is unlikely to have much of an effect on the rest of Europe.

Consumer Price Inflation

Table 5, shows the consensus forecasts for Consumer Price Inflation and my expectations in calendar 2016 and 2017 as stated in August and November 2016.

Table 5, Consumer Price Inflation forecasts - Consensus versus Advisor expectations

% Change yoy	2016				2017			
	August		November		August		November	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	1.2	**1.2**	1.2	**1.2**	2.3	**2.0**	2.3	**2.5**
UK	0.7	**0.7**	0.7	**1.3**	2.4	**2.5**	2.5	**2.7**
Japan	-0.1	**-0.2**	-0.2	**-0.2**	0.6	**0.6**	0.4	**0.6**
EU 28	0.2	**0.1**	0.3	**0.3**	1.3	**1.0**	1.5	**1.5**

The only significant change to consensus inflation forecasts is in the UK, where the weakness of Sterling and the Bank of England's decision not to respond it, means UK inflation is likely to exceed 2%. Given the expectations on tax cuts etc. and the tight labour market, US inflation is very likely to be higher however this is not contained in the consensus data as it was published before the US Presidential Election result. With the election out of the way the US FED can get on with raising rates in December and given the focus on fiscal expansion the FED has little incentive to keep rates down. In Japan and Europe the inflation forecasts are pretty much unchanged. I believe with the rise of populist policies in the US and UK we may have reached a turning point on inflation and that we could now see sustainable increases in inflation however because of the debt burden in developed economies and the resultant lower potential growth, aggregate inflation is unlikely to rise to the levels we have seen in the past.

The Bank of England now expects UK inflation to be 2.7% in 2017, 2018 and 2.5% 2019. In September UK inflation ticked up to 1.0% annualised with the most significant contributions coming from recreational services and transportation. In October US CPI rose by 1.6% yoy and 2.1% excluding food and energy. In the Eurozone headline CPI is expected to hit 0.5% in October and excluding Food and energy 0.7% yoy. In Japan, October headline CPI rose for the 1st time in 8 months to 0.1% annualised but core inflation excluding food and energy was -0.4% annualised.

4. Outlook for the securities markets

Bond Markets

In table 6, below I have set out my expectations for 3 month LIBOR interest rates and benchmark 10 year government bond yields, in March and December 2017. They are not meant to be accurate point forecasts, more an indication of the likely direction of yields from where they are in mid-November 2016 and to reflect the impact of the potential change in US economic policies post the presidential and congressional elections.

The current level of bond yields and the forecasts for next year are a reflection of 3 different forces; optimism about the potential for a change in fiscal policy in America, pessimism around the prospects for a post BREXIT UK economy and weak growth and low inflation in Europe and Japan. Outside of the US, central banks are determined to keep interest rates and bond yields low; in the UK to smooth the path of BREXIT, in Europe and Japan to try and achieve a sustainable improvement in economic growth and a return to target inflation. The bank of Japan's latest policy initiative is to target Japanese 10 year bond yields at 0.1%, in an effort to create a positively sloped yield curve aimed at improving commercial bank profitability.

In August the Bank of England (BoE) stated that it stood ready to cut rates further and to use "unconventional" measures if required. Recent economic data does not justify further monetary policy action but the BoE believes the level of uncertainty around the future path of growth does justify it's current policy.

Table 6, Interest rate and Bond yield forecasts

%	Current	March 2017	December 2017
United States			
3month LIBOR	0.91	1.0	1.5
10 year bond yield	2.21	2.5	3.0
United Kingdom			
3month LIBOR	0.40	0.4	0.4
10 year bond yield	1.36	1.5	1.7
Japan			
3month LIBOR	-0.07	-0.1	-0.1
10 year bond yield	-0.02	0.1	0.1
Germany			
3month EURIBOR	-0.33	-0.25	-0.25
10 year bond yield	0.31	0.35	0.50

Until very recently Japanese and German government bond yields (the benchmark for Europe) were negative out to 15 years. The rise in US bond yields and the announcement by the bank of Japan to target 10 year JGB yields at +0.1% has led to an increase in 10 year yields but 2 year and 5 year benchmark yields are still negative.

The US Federal Reserve Bank (FED) is expected to increase its Fed Funds and Official Discount rates by 0.25% in December and 2 further 0.25% increases are priced in by the market for 2017. There is little prospect that official interest rates in the UK, Japan and Europe will rise in 2017 but that will not stop global government yields rising if

US yields continue to go up. A lot has been priced into the US yield curve since the election result but such is the potential for change that 10 year US yields could rise to 3% at some point over the next year.

Recommendations

My last set of recommendations were written at a time when yields were at or around what has turned out to be their all-time lows. In the US and UK 10 year government yields have risen to 2.3 and 1.4% respectively. All other bond yields have increased but government bond yields in Germany and Japan remain close to their lows, a significant stock of global government bonds are trading at yields below 1% and close to 30% still have negative yields. Demand remains positive as Central banks are active purchasers of bonds in the primary and secondary markets. As are Pension Funds and regulated buyers such as insurance companies, indeed these investors may see the increase in yields as an opportunity to satisfy pent up demand. Japanese investors remain big buyers of UK and US government bonds because of the yield pick-up over their home market with the recent moves making new purchases even more attractive. This demand dynamic looks likely to continue for some time, as a result global government bond yields in general are likely to remain low. While it is possible for US government yields to go higher from here the debt burden and the demographics don't really support a sustainable move much above 3% for 10 year yields before the impact of higher yields puts pressure on economic activity.

Even the small increases in yield seen in some government bond markets has resulted in negative returns because the yield to maturity was so low. As noted from my last 2 reports I am not a fan of UK government bonds mainly because the yield was and remains so low. I was not anticipating the recent large increase in yields and the resulting negative returns, I did however believe that diversifying into other bond sectors would provide higher yields and better protect total return should government yields start to rise. I continue to believe that diversification away from gilts into other bond sectors has merit and should be considered. In table 3 above you can see the different total return out comes for gilts, UK corporate and global high yield bonds in an environment where yields rise by 0.5% over 3 and 12 month periods.

Because investment in government bonds does provide a hedge for the DPF's liabilities, it is difficult to recommend further reducing the total bond allocation. I also know that if the DPF is underweight duration, these 2 measures should have reduced the impact of the increase in yields on the Fund since the summer of 2016 relative to the scheme benchmark allocation. However I continue to believe an increased allocation to Investment grade and an allocation to sub-investment grade credit and emerging market debt has merit from a total return and diversification point of view and is worthy of further consideration. I have trimmed to +1% each, my recommendation to buy high yield and emerging debt through the sale of gilts, I also recommend increasing the investment grade corporate bond allocation to neutral.

Despite the recent sell off, Index Linked gilts remain some of the most expensive bond assets in the world, in absolute terms and when compared to inflation linked government bonds elsewhere. As I mentioned in my last report US Treasury Inflation Protected Securities (TIPS) are undervalued from a relative value and inflation point of view, therefore holding duration equivalent TIPS instead of Linkers remains an attractive tactical opportunity.

As noted in the last report the scheme benchmark has an allocation to Multi-Asset Credit and I note that the allocation has increased by drawdown of funds by the manager. This is a higher yielding fixed income asset class that has very good diversification characteristics especially in a rising yield environment. Given the potential for change coming from the US I believe that the in house team should increase this allocation to 1% overweight as soon as is reasonably possible.

Equity Markets

Table 7, below I have shown the dividend yield, earnings growth and price / earnings ratio forecasts, for 2016 and 2017 provided by Citi Research, via the DPF in house investment team.

Table 7, Dividend yield, Earnings growth and Price/Earnings Ratios

Country	Dividend Yield	Earnings Growth		Price/Earnings Ratio	
Forecast period	2016	2016	2017	2016	2017
United Kingdom	4.3	1.4	20.6	17.5	14.5
United States	2.2	2.0	12.5	18.5	16.4
Europe ex UK	3.7	2.0	11.7	15.8	14.2
Japan	2.3	8.7	8.6	15.0	13.8

Source: Citi Research, Global Equity Quarterly, 3rd November 2016

Citi Research have increased their estimates for dividends, except in Japan and revised up earnings growth in all regions for 2016. Earnings growth forecasts for 2017 have been revised up in the US and lowered in all other regions.

Over the year local currency equity markets have produced mixed returns, against a backdrop of low growth and inflation. The support of easy money from the central banks has been essential in underpinning the performance of the markets. After intervention from the Peoples bank of China the negative returns of the 1st quarter were reversed, as a result emerging and commodity driven indices have recovered strongly to produce the highest positive returns. In the US where earnings per share has been falling and valuation has become ever more stretched, inaction by the FED resulted in modest returns. In Europe the ECB has tried it's hardest to support the recovery in the banking sector and the southern states, but returns are still negative. Finally in Japan where monetary policy has been most innovative equity performance is sharply negative due to the unintended consequence of a high current account surplus and a strong Yen.

Given the above in an environment where growth remains sub trend and there is little or no inflation a medium term relative value investor may be minded to underweight the US, think more carefully about which emerging countries to remain invested in and only stay if the higher growth case is convincing. That same investor would be looking for opportunities to add selectively to Europe and Japan because of the relative underperformance.

Then along comes Mr Trump and "disrupts the status quo" in more ways than one! The US analysts then crunch the numbers on what Mr Trump said he would do for the economy during the election campaign and come to the conclusion that in broad terms Mr Trump's policies are positive for the US economy and stock market, good for the US dollar and bad for US bonds and inflation and as a result bad for emerging markets.

Voilà, overnight the investment landscape is changed, yes a republican president working with a republican congress can quickly cut taxes and deregulate the banking, healthcare and environmental sectors. But the follow on company and infrastructure investment will take longer to achieve. In the meantime higher borrowing costs from the bond market and the already high debt burden and inflation from the tight labour market could tighten monetary conditions causing the project to stall.

Recommendations

Before all the excitement of Mr Trump, I would have been happy to stick with my recommendations from August 2016 noted in table 8. However because of I have the Luxury of a blank piece of paper I believe it may be worth outlining some tactical changes that could be considered in the light of the changes that the new US administration and congress are pledged to put in place. The markets have already moved a long way so these suggestions may not be worthy of consideration by the time we meet in December.

On a local currency basis UK equity markets had another good quarter, with a recovery in domestic stocks helping the FT All share outperform the FTSE 100. However the UK has not even started it's negotiations with the EU and while the upswing in populism may make it easier for the UK to get a deal, the officials at the EU and many of the elected representatives of the member state governments appear to have hardened there stance against the UK. The Autumn Statement did not really have anything significant to say on fiscal policy or structural reform and the government has decided that to talk about what it's strategy is going to be on our future relationship with Europe would undermine it's negotiation position. Therefore the uncertainty remains and makes any investment decision at the current time a difficult one. In the meantime investment intentions and business confidence continue to deteriorate. Dividend yield is attractive and remains high compared to bonds despite the sell off and the weakness of Sterling could also help the adjustment. The short term outlook remains uncertain, the future for the UK outside of EU can be very positive, however the path to the new reality may prove difficult and take time. Until we know more I believe it is appropriate to have a neutral stance to UK Equities.

Even before the election result the US economy was showing reasonable underlying growth. Consumption and labour markets remain strong, but rising wages are putting pressure on profit margins and valuations are elevated. In light of the election result I believe it is probably worth sticking with the current position rather than continuing with my previous recommendation to be 2% underweight at least until January 2017 when we will know what the new economic policies will be.

In Europe the ECB seems to getting traction with its policy of making it easier for companies to access credit. Year to date growth has been stronger than expected but this is yet to be seen in the markets performance. If the DPF had an active European equity manager/fund I would continue to recommend building to an overweight of 1%. As the assets are managed passively I believe it is appropriate to remain neutral.

On a valuation basis the Japanese market remains cheap relative to the rest of the world and as cheap as it has ever been, relative to its own history since 2004. Also companies are carrying the largest cash balances of any companies in the developed world, hence share buybacks and dividends have increased significantly. Also the pick-up in Asian regional domestic growth should help Japanese companies, therefore I continue to recommend an overweight position of 1%.

Pacific Basin and Emerging Market Equity markets have produced very strong returns over the last 12 months and I still believe strategically, one has to go to where the growth is, and emerging markets are growing on average twice as fast as developed markets. Macroeconomic indicators provide supporting evidence; Price to Book and external debt are the lowest for 10 years and currency reserves the highest for 10 years. At the company level EM Asia yields are high and poor earnings are largely factored into expectations. However valuations are looking "average" and with the policy changes expected in the US likely to lead to, higher US bond yields, interest rates, inflation and a stronger dollar, none of which have in the past have been positive outcomes for Emerging equity or debt, I therefore conclude that it may be better to take profits in these regions and return to a neutral allocation.

Property, Alternatives and Cash

The Strategic benchmark is well diversified and contains an allocation to Property and Alternatives. These areas of investment tend to be less liquid (more difficult to buy and sell) and require high levels of due diligence to ensure only the best opportunities are acquired. The process is resource intensive, can be slow and potentially disappointing if another buyer is willing to outbid a reasonable valuation to gain the investment.

The Property market has had a difficult time so far this year with negative returns in the third quarter. This emphasises for me the need to be more long term in the approach to investment in property, to avoid these short term bouts of volatility. I continue to recommend that a neutral overall weight to property be maintained and express a preference for being 1% overweight direct, against being 1% underweight indirect property. I realise this is more difficult to achieve but attractive opportunities can still be sourced.

Alternatives; I continue to recommend a +1% overweight position in the asset class. My preference would be for a 1% overweight to Infrastructure and a neutral allocation to Private Equity. The problem remains "shovel ready projects" remains low, the supply of good quality assets is low, difficult to find and demand is high. However the "market" for infrastructure assets is becoming broader and deeper with many new opportunities coming to market from both existing and new managers. The change of government in the US could lead to an increase in supply of projects but maybe not in the near term.

Finally cash, with valuations in bond and equity markets very high carrying a higher cash balance has dampened the impact of asset price falls. I also understand that some of the cash held is already allocated to investments that have yet to be "drawn down" by the fund managers and I don't want to force these managers to invest if they are not comfortable doing so. In my opinion the level of cash in the fund is too high and should be allocated to investment in equity and alternatives. With the sell-off in bonds maybe some cash could be allocated to boost non-government bond exposure rather than by selling government bonds to achieve at least a neutral exposure to corporate bonds.

Table 8, below shows the Derbyshire Strategic benchmark allocations and my relative weights as of 16th August and the 14th November 2016

Table 8, Recommended Asset allocation

% Asset Category	Derbyshire Strategic weight	Anthony Fletcher 16th August 2016	Anthony Fletcher 14th November 2016
Total Equity	**60**	**+2**	**+2**
UK Equity	**28**	**0**	**0**
Overseas Equity	**32**	**+2**	**+2**
North America	11	**-2**	**0**
Europe ex UK	9	**+1 (0)**	**+1 (0)**
Japan	5	**+1**	**+1**
Pacific ex Japan	4	**+1**	**0**
Emerging markets	3	**+1**	**0**
Total Bonds	**22**	**-3**	**-3**
Conventional Gilts	6.5	**-3**	**-3**
UK index Linked	6.5	**-5**	**-5**
US TIPS	0	**+2**	**+2**
Non-government Bonds*	6	**+3**	**+2**
Multi-asset Credit	3	**0**	**+1**
Total Alternatives	**16**	**+1**	**+1**
Infrastructure	3	**+1**	**+1**
Private Equity	4	**0**	**0**
Direct Property	5	**+1**	**+1**
Indirect Property	4	**-1**	**-1**
Cash	**2**	**0**	**0**

*Non-government bonds, for AF a mixture of 6% corporate, 1% global high yield and 1% emerging market debt.

Anthony Fletcher

14th November 2016

Appendix

References

Source material was provided by, including but not limited to, the following suppliers:-

Derbyshire Pension Fund, PEL and WM performance services

GFC Economics, Citi Research, Barclay's Global Indices

Kames, Blackrock, JP Morgan Asset Management

Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS

US Bureau of Labour Statistics, US Commerce Dept.

Bank of Japan, Japan MITI

ECB, Eurostat

Bloomberg, Markit, Trading Economics

Financial Times, Daily Telegraph, Wall Street Journal, New York Times, Washington Post

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APPENDIX 2

DERBYSHIRE PENSION FUND

Portfolio Valuation

31/10/16

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currency (Clean) use for Hedge Calc & IL Valuation	Mkt Price in local currency (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 1.25% 22/7/2018	10,800,000	101.70	102.04	102.04	11,020,478
TSY 3.75% 7/9/2020	10,322,000	112.65	113.22	113.22	11,686,543
TSY 4.75% 7/3/2020	10,000,000	114.55	115.28	115.28	11,527,569
TSY 1.75% 7/9/2022	13,490,000	105.73	105.99	105.99	14,298,710
TSY 4% 7/3/2022	10,995,000	117.64	118.24	118.24	13,001,009
TSY 2.25% 7/9/2023	15,400,000	109.09	109.43	109.43	16,852,351
TSY 5% 7/3/2025	11,500,000	131.41	132.17	132.17	15,199,742
TSY 2% 7/9/2025	14,800,000	107.21	107.51	107.51	15,912,052
TSY 4.25% 7/12/2027	18,000,000	129.74	131.44	131.44	23,659,734
TSY 4.75% 7/12/2030	13,162,000	140.93	142.84	142.84	18,800,573
TSY 4.25% 7/6/2032	12,370,000	136.22	137.93	137.93	17,061,442
TSY 4.5% 7/9/2034	16,373,000	142.65	143.33	143.33	23,468,191
TSY 4.25% 7/3/2036	11,400,000	140.53	141.18	141.18	16,094,260
TSY 4.75% 7/12/2038	7,934,000	153.27	155.18	155.18	12,311,885
TSY 3.25% 1/22/2044	8,000,000	129.03	129.93	129.93	10,394,225
TSY 4.25% 7/12/2046	3,900,000	154.85	156.55	156.55	6,105,566
001 UKGB Total					237,394,329
US GOVERNMENT BONDS					
T 3.5% 15/2/2039	6,000,000	119.14	119.88	97.93	5,875,920
004 USGB Total					5,875,920
NON GOVERNMENT BONDS					
Kames UK Corp Bond Fund	37,090,949	272.61	272.61	272.61	101,113,637
Royal London UK Corporate Bond Fun	44,671,864	236.99	236.99	236.99	105,869,190
Non Govt Bonds Total					206,982,827
MULTI ASSET CREDIT					
Babson Global Private Loan Fund	40,000,000	0.38	0.38	0.38	15,351,839
Multi Asset Credit Total					15,351,839
UK INDEX LINKED					
TREAS 2.5% IL STK 17/7/2024	7,524,000	368.94	370.89	370.89	27,905,813
TREAS 4.125% IL STK 22/7/2030	6,510,000	372.82	375.03	375.03	24,414,656
TREAS 2% IL STK 26/1/2035	12,435,000	271.72	272.52	272.52	33,887,754
002 UKGIL Total					86,208,222

INDEX LINKED (3 monthers)

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
UK INDEX LINKED (3monthers)						
TREAS 0.125% IL STK 22/3/2024	9,230,000	118.4150	1.090670	11,920,700.81	1,274.86	11,921,976
TREAS 1.25% IL STK 22/11/2027	7,400,000	138.8300	1.362420	13,996,712.88	40,971.47	14,037,684
TREAS 0.125% IL STK 22/3/2029	5,325,000	127.5250	1.113640	7,562,402.11	735.50	7,563,138
TREAS 1.25% IL STK 22/11/2032	2,777,000	157.5050	1.217690	5,326,071.16	15,375.37	5,341,447
TREAS 0.75% IL STK 22/3/2034	11,465,000	150.9500	1.138530	19,703,875.52	9,501.38	19,713,377
TREAS 1.125% IL STK 22/11/2037	5,580,000	173.2150	1.307340	12,635,960.11	27,805.23	12,663,765
TREAS 0.625% IL STK 22/3/2040	5,600,000	168.1650	1.221120	11,499,580.11	3,867.40	11,503,448
TREAS 0.125% IL STK 22/3/2044	11,470,000	162.0600	1.090660	20,273,495.65	1,584.25	20,275,080
TREAS 0.75% IL STK 22/11/2047	6,500,000	199.1250	1.272580	16,471,162.01	21,593.07	16,492,755
UK INDEX LINKED (3monthers) TOTAL						119,512,669

US INDEX LINKED	Number held	Clean Price $	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	101.437500	1.043460	7,409,218.16	2,591.71	7,411,810	6,054,707.49
TII3.625% 15/4/2028	4,045,000	136.656250	1.489140	8,231,586.65	6,848.16	8,238,435	6,729,977.40
TII1.750% 15/1/2028	5,550,000	116.031250	1.149680	7,403,633.82	28,768.00	7,432,402	6,071,529.05
TII2.5% 15/1/2029	7,000,000	125.632813	1.121810	9,865,530.18	51,834.24	9,917,364	8,101,494.99
TII2.125% 15/2/2040	4,095,000	130.679688	1.114340	5,963,204.64	18,444.19	5,981,649	4,886,408.93
TII0.75% 15/2/2042	20,300,000	100.828125	1.065910	21,817,162.46	32,270.38	21,849,433	17,848,801.69
TII0.625% 15/2/2043	21,500,000	97.992188	1.047590	22,070,961.68	28,481.66	22,099,443	18,053,035.26
0045 USGB IL Total							67,745,955

TOTAL BONDS 739,071,761

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

US EQUITIES

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
OIL & GAS PRODUCERS					
US Oil & Gas	ANADARKO PETROLEUM CORP	20614	59.42	48.54	1,000,608
US Oil & Gas	ANTERO RESOURCES CORP	28447	26.46	21.62	614,887
US Oil & Gas	CHEVRON CORP	28248	104.76	85.58	2,417,420
US Oil & Gas	COBALT INTERNATIONAL ENERGY	387845	0.94	0.77	299,088
US Oil & Gas	DIAMONDBACK ENERGY INC	11135	91.28	74.57	830,299
US Oil & Gas	HESS CORP	5975	47.94	39.16	233,994
US Oil & Gas	NEWFIELD EXPLORATION CO	101292	40.59	33.16	3,358,637
US Oil & Gas	PARSLEY ENERGY INC-CLASS A	18273	32.90	26.88	491,105
US Oil & Gas	PBF ENERGY INC-CLASS A	65749	21.79	17.80	1,170,349
US Oil & Gas	PDC ENERGT INC	21813	61.32	50.09	1,092,664
US Oil & Gas	QEP RESOURCES INC	83613	16.07	13.13	1,097,637
US Oil & Gas	RICE ENERGY INC	29996	22.09	18.05	541,287
US Oil & Gas	TESORO CORP	9715	84.95	69.40	674,179
US Oil & Gas	TRANSCANADA CORP	28581	45.28	36.99	1,057,189
US Oil & Gas	VALERO ENERGY CORP	5238	59.24	48.39	253,483
US Oil & Gas Producers Total					**15,132,826**
OIL & GAS SERVICES					
US Oil & Gas Services	BAKER HUGHES INC	50049	55.40	45.26	2,265,031
US Oil & Gas Services	ENSCO PLC-CLA	18809	7.82	6.39	120,155
US Oil & Gas Services	MONSANTO CO	13200	100.75	82.30	1,086,395
US Oil & Gas Services	OCEANEERING INTL INC	6510	23.79	19.43	126,516
US Oil & Gas Services	ONEOK INC	16391	48.43	39.56	648,468
US Oil & Gas Services	PATTERSON - UTI ENERGY INC	43576	22.47	18.36	799,870
US Oil & Gas Services	PIONEER NATURAL RESOURCES CO	32387	179.02	146.24	4,736,321
US Oil & Gas Services	TESCO CORP	59430	6.85	5.60	332,556
US Oil & Gas Services Total					**10,115,312**
CHEMICALS					
US Chemicals	ADVANSIX INC	4300	15.94	13.02	55,992
US Chemicals	CABOT CORP	21934	52.15	42.60	934,418
US Chemicals	CELANESE CORP	31229	72.91	59.56	1,860,005
US Chemicals	DOW CHEMICAL CO	51577	53.80	43.95	2,266,769
US Chemicals	THE MOSIAC	18418	23.52	19.21	353,874
US Chemicals	PPG INDUSTRIES INC	16653	93.13	76.08	1,266,925
US Chemicals Total					**6,737,983**
FORESTRY & PAPER					
US Industrial Metals	INTERNATIONAL PAPER CO	46778	45.03	36.79	1,720,729
US Forestry & Paper Total					**1,720,729**
INDUSTRIAL METALS					
US Industrial Metals	MARTIN MARIETTA MATERIALS	6440	185.40	151.45	975,359
US Industrial Metals	RELIANCE STEEL & ALUMINUM	5450	68.78	56.19	306,216
US Industrial Metals	STEEL DYNAMICS INC	25999	27.46	22.43	583,211
US Industrial Metals	TENARIS SA-ADR	20590	28.20	23.04	474,323
US Industrial Metals Total					**2,339,109**
CONSTRUCTION					
US Industrial Metals	BOISE CASCADE	64360	19.20	15.68	1,009,453
US Industrial Metals	CRH PLC-SPONSORED ADR	35829	32.28	26.37	944,794
US Industrial Metals	SUMMIT MATERIALS INC -CL A	38671	18.74	15.31	592,003
US Industrial Metals	VULCAN MATERIALS CO	12740	113.20	92.47	1,178,107
US Construction Total					**3,724,357**

AEROSPACE

US Aero defence	BOEING CO/THE	24262	142.46	116.38	2,823,504
US Aero defence	GENERAL DYNAMICS	22996	150.74	123.14	2,831,716
US Aero defence	LOCKHEED MARTIN CORP COM	14734	246.65	201.49	2,968,730
US Aero defence	NORTHROP GRUMMAN CORP COM	12105	229.07	187.13	2,265,176
US Aerospace Total					**10,889,126**
GENERAL INDUSTRIAL					
US Div Ind	BALL CORP	34443	77.07	62.96	2,168,479
US Div Ind	DANAHER CORP	83800	78.55	64.17	5,377,236
US Div Ind	FIRST SOLAR INC	5680	40.49	33.08	187,873
US Div Ind	HONEYWELL INTL INC	53652	109.69	89.61	4,807,528
US Div Ind	ILLINOIS TOOL WORKS INC	43130	113.57	92.78	4,001,400
US Div Ind	OWENS-ILLINOIS INC	30461	19.30	15.77	480,253
US Div Ind	PENTAIR LTD	38594	55.13	45.04	1,738,108
US Div Ind	SHERWIN - WILLIAMS CO.	2170	244.96	200.11	434,234
US General Industrial Total					**19,195,112**
ELECTRONIC EQUIPMENT					
US Electricity	AMETEK INC	35915	44.11	36.03	1,294,142
US Electricity	EATON CORP	35561	63.77	52.09	1,852,505
US Electricity	FORTIVE CORP	41900	51.03	41.69	1,746,660
US Electricity	GENERAL ELECTRIC CO	61759	29.10	23.77	1,468,122
US Electricity	SUNPOWER CORP	6105	7.23	5.91	36,057
US Electronic Equipment Total					**6,397,486**
INDUSTRIAL TRANSPORT					
US Transportation	CSX CORP	21745	30.51	24.92	541,964
US Transportation	FEDEX CORP	11800	174.33	142.41	1,680,440
US Transportation	GENESEE & WYOMING INC - CL A	11025	68.00	55.55	612,430
US Transportation	HUNT (JB) TRANSPORT SERVICES INC	5360	81.60	66.66	357,292
US Transportation	KANSAS CITY SOUTHERN	3465	87.75	71.68	248,382
US Transportation	KIRBY CORP	2170	58.95	48.16	104,499
US Transportation	KNIGHT TRANSPORTATION INC	29045	29.20	23.85	692,824
US Transportation	XPO LOGISTICS INC	39350	32.95	26.92	1,059,178
US Industrial Transport Total					**5,297,010**
SUPPORT SERVICES					
US Support Services	ACCENTURE LTD	20867	116.25	94.96	1,981,627
US Support Services	GENPACT LTD	86205	22.99	18.78	1,618,976
US Support Services	S&P GLOBAL INC	13422	121.86	99.55	1,336,126
US Support Services	TRANSUNION	85201	31.24	25.52	2,174,326
US Support Services Total					**7,111,054**
AUTOMOBILES & PARTS					
US Autos & parts	ADVANCE AUTO PARTS INC	35052	140.07	114.42	4,010,761
US Autos & parts	O'REILLY AUTOMOTIVE INC	10791	264.43	216.01	2,330,995
US Automobiles & Parts Total					**6,341,756**
BEVERAGES					
US Beverages	ANHEUSER-BUSCH INBEV SPN ADR	13149	115.49	94.34	1,240,526
US Beverages	CONSTELLATION BRANDS INC-A	19557	167.07	136.48	2,669,129
US Beverages	DR PEPPER SNAPPLE GROUP INC	27602	87.78	71.71	1,979,270
US Beverages	MOLSON COORS BREWING CO-B	28739	103.81	84.80	2,437,136
US Beverages	MONSTER BEVERAGE CORP	39091	144.33	117.90	4,608,953
US Beverages	PEPSICO INC	86837	107.20	87.57	7,604,462
US Beverages Total					**20,539,476**
FOOD PRODUCTION/PROCESS					
US Food Prod & Process	MONDELEZ INTERNATIONAL INC	174500	44.94	36.71	6,406,154
US Food Prod & Process	POST HOLDINGS INC	45756	76.23	62.27	2,849,331
US Food Production & Processing Total					**9,255,485**
HOUSEHOLD GOODS					
US Hous Gds Txtiles	FORTUNE BRANDS HOME & SECURI	17043	54.63	44.63	760,582
US Hous Gds Txtiles	MOHAWK INDUSTRIES	18694	184.38	150.62	2,815,691
US Hous Gds Txtiles	NIKE INC -CL B	112087	50.17	40.98	4,593,759
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS C	29867	25.86	21.13	630,941

US Hous Gds	VF CORP	14922	54.19	44.27	660,564
US Household Goods Total					**9,461,538**
PERSONAL GOODS					
US Personal Care / House	COLGATE-PALMOLIVE	51147	71.35	58.29	2,981,145
US Personal Care / House	COTY INC-CL A	194840	22.99	18.78	3,659,199
US Personal Care / House	ESTEE LAUDER COMPANIES-CL A	54820	87.15	71.19	3,902,791
US Personal Goods Total					**10,543,134**
TOBACCO					
US Tobacco	ALTRIA GROUP INC	124267	66.11	54.01	6,711,072
US Tobacco Total					**6,711,072**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipment	BECTON DICKINSON AND CO	16252	167.91	137.17	2,229,217
US Healthcare Equipment	BOSTON SCIENTIFIC CORP	189492	22.00	17.97	3,405,512
US Healthcare Equipment	CIGNA CORP	23770	119.00	97.21	2,310,708
US Healthcare Equipment	CONFORMIS INC	36000	7.63	6.23	224,386
US Healthcare Equipment	HCA HOLDINGS INC	42405	76.53	62.52	2,651,049
US Healthcare Equipment	ST JUDE MEDICAL INC	32695	77.83	63.58	2,078,726
US Healthcare Equipment	STRYKER CORP	33130	115.35	94.23	3,121,821
US Healthcare Equipment	THERMO FISHER SCIENTIFIC	17800	147.04	120.12	2,138,082
US Healthcare Equipment & ServicesTotal					**18,159,500**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ABBOTT LABORATORIES	23122	39.25	32.06	741,368
US Healthcare	ADURO BIOTECH INC	21580	10.75	8.78	189,509
US Healthcare	AERIE PHARMACEUTICALS INC	13450	33.30	27.20	365,877
US Healthcare	ALKERMES INC	22297	50.40	41.17	918,007
US Healthcare	ALLERGAN PLC	23057	208.99	170.72	3,936,382
US Healthcare	ALNYLAM PHARMACEUTICALS INC	4360	35.60	29.08	126,796
US Pharm, Biotech	ARIAD PHARMACEUTICALS INC	45365	8.72	7.12	323,152
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	78625	28.30	23.12	1,817,674
US Healthcare	BAXTER INTERNATIONAL INC	53254	47.58	38.87	2,069,882
US Healthcare	BLUEBIRD BIO INC	5880	47.75	39.01	229,361
US Healthcare	BRISTOL-MYERS SQUIBB CO	111643	50.91	41.59	4,643,051
US Healthcare	CARDINAL HEALTH INC	22640	68.68	56.10	1,270,210
US Healthcare	CELGENE CORP	16799	102.17	83.46	1,402,089
US Healthcare	CHIASMA INC	16400	2.20	1.80	29,474
US Pharm, Biotech	GLYCOMIMETICS INC	39080	6.02	4.92	192,185
US Pharm, Biotech	INCYTE CORP	12988	86.94	71.02	922,424
US Pharm, Biotech	IRONWOOD PHARMACEUTICALS INC	50649	12.77	10.43	528,361
US Pharm, Biotech	JOHNSON & JOHNSON	43881	115.99	94.75	4,157,823
US Pharm, Biotech	KARYOPHARM THERAPEUTICS INC	30670	7.24	5.91	181,393
US Pharm, Biotech	LILLY ELI & CO COM	63042	73.84	60.32	3,802,687
US Healthcare	MCKESSON CORP COM	34502	127.16	103.88	3,583,964
US Healthcare	MEDTRONIC INC	140865	82.02	67.00	9,438,256
US Healthcare	MERCK & CO	48430	58.73	47.98	2,323,504
US Healthcare	MYLAN NV	47672	36.49	29.81	1,421,039
US Healthcare	MYOKARDIA INC	18957	13.45	10.99	208,286
US Healthcare	NIVALIS THERAPEUTICS INC	22520	5.92	4.84	108,908
US Healthcare	NOVAVAX INC	60628	1.52	1.24	75,281
US Pharm, Biotech	OTONOMY INC	18926	15.10	12.34	233,456
US Pharm, Biotech	PTC THERAPEUTICS INC	24110	6.21	5.07	122,309
US Pharm, Biotech	RA PHARMACEUTICALS INC	13665	12.90	10.54	144,002
US Pharm, Biotech	REGENERON PHARMACEUTICALS	3721	345.02	281.85	1,048,752
US Pharm, Biotech	REGULUS THERAPEUTICS INC	20435	2.75	2.25	45,907
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	28800	11.81	9.65	277,851
US Pharm, Biotech	TESARO INC	6537	120.91	98.77	645,669
US Pharm, Biotech	TREVENA INC	49635	4.87	3.98	197,463
US Healthcare	UNITEDHEALTH GROUP INC	58313	141.30	115.43	6,730,951
US Pharmaceutical, Biotech Total					**54,453,303**
FOOD RETAIL					
US Retail Food & Drug	STARBUCKS CORP	50611	53.07	43.35	2,194,133
US Retail Food & Drug	WINGSTOP INC	1500	26.74	21.84	32,766

US Food Retail Total					**2,226,899**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	16294	789.80	645.19	10,512,687
US Retailers Gen	COSTCOWHOLESALE CORP	34937	147.88	120.80	4,220,500
US Retailers Gen	EXPEDIA INC	43247	129.20	105.54	4,564,439
US Retailers Gen	KROGER CO	60891	30.97	25.30	1,540,505
US Retailers Gen	L BRANDS	17783	72.18	58.96	1,048,554
US Retailers Gen	WALGREENS BOOTS ALLIANCE INC	37054	82.72	67.57	2,503,886
US Retailers Gen	WAYFAIR INC-CLASS A	49179	33.33	27.23	1,339,010
US Retailers - General Total					**25,729,582**
MEDIA					
US Media & Photo	ALLIANCE DATA SYSTEMS CORP	8988	204.45	167.02	1,501,133
US Media & Photo	CHARTER COMMUNICATIONS INC-A	34734	249.86	204.11	7,089,579
US Media & Photo	COMCAST CORP CL A	154295	61.81	50.49	7,790,754
US Media & Photo	FACEBOOK INC	68991	131.01	107.02	7,383,560
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	32567	27.40	22.38	728,949
US Media & Photo	NETFLIX INC	30884	124.85	101.99	3,149,858
US Media & Photo	NIELSEN HOLDINGS PLC	44394	45.01	36.77	1,632,308
US Media & Photo	OUTFRONT MEDIA INC	83168	21.51	17.57	1,461,388
US Media & Photo	TWENTY-FIRST CENTURY FOX	120423	26.27	21.46	2,584,273
US Media Total					**33,321,802**
TRAVEL & LEISURE					
US Transport	AMERICAN AIRLINES GROUP INC	30294	40.60	33.17	1,004,735
US Travel & Leisure Total					**1,004,735**
ELECTRICITY					
US Electricity	PINNACLE WEST CAPITAL	13179	76.15	62.21	819,825
US Electricity	EVERSOURCE ENERGY	19875	55.07	44.99	894,110
US Electricity	AMEREN CORPORATION	26390	49.95	40.80	1,076,822
US Electricity	DUKE ENERGY CORP	11871	80.02	65.37	775,988
US Electricity	EDISON INTERNATIONAL	29616	73.48	60.03	1,777,724
US Electricity	UGI CORP	33980	46.29	37.81	1,284,930
US Electricity	PG&E CORP	47451	62.12	50.75	2,407,940
US Electricity	NEXTERA ENERGY INC	46440	128.11	104.65	4,860,088
US Electricity	DOMINION RESOURCES INC/VA	45063	75.21	61.44	2,768,628
US Electricity	AVANGRID INC	66670	39.40	32.19	2,145,831
US Electricity	EXELON CORP	55830	34.06	27.82	1,553,392
US Electricity Total					**20,365,279**
GAS & WATER					
Gas	KINDER MORGAN INC	99546	20.42	16.68	1,660,537
Gas	SEMPRA ENERGY	27392	107.10	87.49	2,396,526
Gas	SPECTRA ENERGY CORP	29604	41.80	34.15	1,010,871
US Gas & Water Total					**5,067,933**
BANKS, RETAIL					
US Banks Retail	BANK OF AMERICA CORP	766564	16.50	13.48	10,332,401
US Banks Retail	PNC FINANCIAL SERVICES GROUP	80262	95.67	78.15	6,272,702
US Banks Retail	WELLS FARGO & CO	86586	46.01	37.59	3,254,384
US Banks - Retail Total					**19,859,487**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	121262	61.69	50.39	6,110,945
US Insurance	ALLSTATE CORP	27380	67.89	55.46	1,518,477
US Insurance	ASSURED GUARANTY LTD	95644	29.90	24.43	2,336,134
US Insurance	CHUBB LTD	13442	126.97	103.72	1,394,228
US Insurance	HARTFORD FINANCIAL SVCS GRP	81693	44.11	36.03	2,943,681
US Insurance	MARSH & MCLENNAN COS INC COM	85502	63.39	51.78	4,427,575
US Insurance	METLIFE INC	28875	46.96	38.36	1,107,692
US Insurance	PRUDENTIAL FINANCIAL INC	29960	84.79	69.26	2,075,178
US Non-Life Insurance Total					**21,913,911**
LIFE INSURANCE					

US Banks Retail	XL GROUP	113480	34.69	28.34	3,215,826
US Life Insurance Total					**3,215,826**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	56338	117.22	95.76	5,394,759
US Real Estate	APARTMENT INVT & MGMT CO-A	30537	44.05	35.98	1,098,857
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	18994	107.82	88.08	1,672,957
US Real Estate	EQUINIX INC	4966	357.13	291.74	1,448,778
US Real Estate	HOST HOTELS & RESORTS INC	47309	15.48	12.65	598,251
US Real Estate	PROLOGIS INC	47519	52.16	42.61	2,024,761
US Real Estate	REGENCY CENTRES CORP.	20210	72.05	58.86	1,189,513
US Real Estate	SIMON PROPERTY GROUP INC	13574	186.01	151.95	2,062,591
US Real Estate Total					**15,490,467**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	84966	66.42	54.26	4,610,128
US Special Finance	BLACKROCK INC	3568	341.14	278.68	994,320
US Special Finance	CAPITAL ONE FINANCIAL CORP	97899	74.04	60.48	5,921,252
US Special Finance	CONYERS PARK ACQUISITION COR	124880	10.70	8.74	1,091,555
US Special Finance	EQUIFAX INC	15826	123.95	101.25	1,602,458
US Special Finance	EVERCORE PARTNERS INC-CL A	14850	53.70	43.87	651,433
US Special Finance	FLEETCOR TECHNOLOGIES INC	8230	175.29	143.19	1,178,490
US Special Finance	GLOBAL PAYMENTS INC	51841	72.53	59.25	3,071,567
US Special Finance	INTERCONTINENTAL EXCHANGE INC	6568	270.64	221.09	1,452,092
US Special Finance	INVESCO LTD	3158	28.09	22.95	72,466
US Special Finance	INVESTMENT TECHNOLOGY GROUP	18400	15.30	12.50	229,974
US Special Finance	LEGG MASON INC	22834	28.71	23.45	535,530
US Special Finance	IHS MARKIT LTD	22296	36.79	30.05	670,078
US Special Finance	NORTHERN TRUST CORP	21410	72.42	59.16	1,266,613
US Special Finance	PRINCIPAL FINANCIAL GROUP	28534	54.61	44.61	1,272,928
US Special Finance	SANTANDER CONSUMER	315721	12.20	9.97	3,146,532
US Special Finance	VISA INC CL A SHS	104759	82.52	67.41	7,061,866
US Special Finance	WEX INC	15133	109.09	89.12	1,348,587
US Special Finance	WISDOMTREE INVESTMENTS INC	41000	8.58	7.01	287,369
US General Financial Total					**36,465,237**
SOFTWARE					
US Software & Comp Sen	ALPHABET INC - CL A SHARES	19601	809.46	661.25	12,961,120
US Special Finance	AUTOMATIC DATA PROCESSING	28816	87.04	71.10	2,048,903
US Software & Comp Sen	BLUECORA INC	22300	13.30	10.86	242,284
US Software & Comp Sen	COGNIZANT TECH SOLUTIONS-A	26889	51.35	41.95	1,127,935
US Software & Comp Sen	ELECTRONIC ARTS INC	44261	78.52	64.14	2,839,033
US Software & Comp Sen	ENVESTNET INC	15780	35.30	28.84	455,041
US Software & Comp Sen	MICROSOFT CORP	103126	59.92	48.95	5,047,878
US Software & Comp Sen	SALESFORCE.COM INC	8567	75.16	61.40	525,998
US Software & Comp Sen	SERVICENOW INC	28138	87.92	71.82	2,020,923
US Software & Comp Sen	SS&C TECHNOLOGIES HOLDINGS	29455	31.92	26.08	768,052
US Software & Comp Sen	WORKDAY INC-CLASS A	23851	86.67	70.80	1,688,668
US Software Total					**29,725,836**
TECHNOLOGY HARDWARE					
US IT Hardware	APPLE INC	203166	113.55	92.76	18,845,474
US IT Hardware	ARISTA NETWORKS INC	15811	84.72	69.21	1,094,244
US IT Hardware	BROADCOM LTD	13562	170.26	139.09	1,886,276
US IT Hardware	INTEL CORP	176470	34.87	28.49	5,026,801
US IT Hardware	MICROCHIP TECHNOLOGY INC	23770	60.55	49.46	1,175,743
US IT Hardware	MICRON TECHNOLOGY INC	40077	17.16	14.02	561,800
US IT Hardware	NXP SEMICONDUCTORS NV	9762	99.98	81.67	797,298
US IT Hardware	PURE STORAGE INC - CLASS A	232921	12.34	10.08	2,347,971
US IT Hardware	QUALCOMM INC	50374	68.72	56.14	2,827,864
US IT Hardware	SEAGATE TECHNOLOGY	231120	34.32	28.04	6,479,682
US Technology Hardware Total					**41,043,153**
TOTAL UNITED STATES					**479,555,514**

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
OIL & GAS PRODUCERS				
UK Oil & Gas	BP PLC USD$0.25	11,500,000	483.70	55,625,500
UK Oil & Gas	CAIRN ENERGY	500,000	203.30	1,016,500
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	1,000,000	2038.00	20,380,000
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,573,560	2114.50	54,417,926
UK Oil & Gas	TULLOW OIL PLC	945,000	264.70	2,501,415
UK Oil & Gas Producers Total				**133,941,341**
OIL & GAS SERVICES				
UK Const Build Ma	AMEC FOSTER WHEELER	275,000	447.00	1,229,250
UK Const Build Ma	PETROFAC LTD	185,362	806.00	1,494,018
UK Const Build Ma	WOOD GROUP (JOHN) PLC	270,000	769.00	2,076,300
UK Oil & Gas Services Total				**4,799,568**
CHEMICALS				
UK Chemicals	JOHNSON MAT ORD£1	135,000	3409.00	4,602,150
UK Chemicals	VICTREX PLC	50,000	1751.00	875,500
UK Chemicals Total				**5,477,650**
FORESTRY & PAPER				
UK Forestry & Pap	MONDI PLC	400,000	1596.00	6,384,000
UK Forestry & Paper Total				**6,384,000**
MINING				
UK Mining	ANGLO AMER US$0.50	600,000	1130.50	6,783,000
UK Mining	BHP BILLITON PLC	800,000	1234.50	9,876,000
UK Mining	GLENCORE PLC	7,000,000	249.80	17,486,000
UK Mining	RIO TINTO 10P	1,000,000	2839.00	28,390,000
UK Mining	SOUTH32 LTD	-	157.50	-
UK Mining Total				**62,535,000**
CONSTRUCTION				
UK Engin Mach	BALFOUR BEATTY PLC	2,000,000	117.00	2,340,000
UK Engin Mach	KIER GROUP PLC	230,614	1359.00	3,134,044
UK Construction Total				**5,474,044**
AEROSPACE				
UK Aero defence	BAE ORD 2.5P	1,900,000	542.00	10,298,000
UK Aero defence	COBHAM PLC	1,700,000	142.90	2,429,300
UK Aero defence	ROLLS ROYCE 20P	1,100,000	726.50	7,991,500
UK Aerospace Total				**20,718,800**
GENERAL INDUSTRIAL				
UK General Industi	DS SMITH PLC	1,000,000	398.70	3,987,000
UK General Industi	RPC GROUP PLC	192,000	948.00	1,820,160
UK General Industi	SMITHS GRP ORD 25P	-	1418.00	-
UK General Industi	SMURFIT KAPPA GROUP PLC	150,000	1795.00	2,692,500
UK General Industi	VESUVIUS PLC	-	364.20	-
UK General Industrial Total				**8,499,660**
ELECTRONIC EQUIPMENT				
UK Electronic equi	HALMA PLC	350,000	1047.00	3,664,500
UK Electronic equi	OXFORD INSTRUMENTS	190,000	676.00	1,284,400
UK Electronic equi	SPECTRIS PLC	80,000	2048.00	1,638,400
UK Eelectronic Equipment Total				**6,587,300**

INDUSTRIAL ENGINEERING				
UK Engin Mach	HILL & SMITH HOLDINGS PLC	250,000	1004.00	2,510,000
UK Engin Mach	IMI PLC ORDINARY 25P	300,000	994.00	2,982,000
UK General Industi	ROTORK PLC	1,350,000	204.00	2,754,000
UK Engin Mach	SPIRAX-SARCO 25P	120,000	4412.00	5,294,400
UK Engin Mach	WEIR GROUP 12.5P	-	1700.00	-
UK Industrial Engineering Total				**13,540,400**
INDUSTRIAL TRANSPORT				
UK Transport Total				-
SUPPORT SERVICES				
UK Support Servic	BABCOCK INT'L	1,200,000	989.00	11,868,000
UK Support Servic	BUNZL PLC	300,000	2199.00	6,597,000
UK Support Servic	CAPITA PLC	425,000	585.50	2,488,375
UK Support Servic	ESSENTRA PLC	360,000	510.00	1,836,000
UK Support Servic	G4S PLC	1,000,000	219.90	2,199,000
UK Const Build Ma	TRAVIS PERKINS 10P	325,000	1332.00	4,329,000
UK Const Build Ma	WOLSELEY PLC	160,000	4247.00	6,795,200
UK Support Services Total				**36,112,575**
AUTOMOBILES				
UK Autos	GKN PLC ORD 50P	2,150,000	319.10	6,860,650
UK Automobiles Total				**6,860,650**
BEVERAGES				
UKBeverages	BRITVIC	1,200,000	554.50	6,654,000
UKBeverages	DIAGEO 28 101/108P	1,230,000	2179.00	26,801,700
UK Beverages Total				**33,455,700**
FOOD PRODUCERS				
UKFoods	ASSOCIATED BRITISH FOODS PLC	350,000	2461.00	8,613,500
UK Food Producers Total				**8,613,500**
HOUSEHOLD GOODS				
UK Housebuilders	BOVIS HOMES GROUP PLC	900,000	757.50	6,817,500
UK Housebuilders	BELLWAY PLC	400,000	2366.00	9,464,000
UK Housebuilders	COUNTRYSIDE PROPERTIES PLC	1,000,000	233.00	2,330,000
UK Hous Gds Txtil	PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care	RECKITT BENCKISER	240,000	7312.00	17,548,800
UK Housebuilders	REDROW PLC	900,000	378.60	3,407,400
UK Housebuilders	TAYLOR WIMPEY PLC	3,000,000	141.60	4,248,000
UK Household Goods Total				**43,815,700**
LEISURE GOODS				
UK Leisure Goods Total				-
PERSONAL GOODS				
UK Food Prod & P	BURBERRY	400,000	1474.00	5,896,000
UK Housebuilders	PZ CUSSONS PLC	600,000	334.80	2,008,800
UK Retailers Gen	TED BAKER PLC	150,000	2473.00	3,709,500
UK Food Prod & P	UNILEVER ORD 1.4P	500,000	3417.00	17,085,000
UK Personal Goods Total				**28,699,300**
TOBACCO				
UK Tobacco	BRIT AMER TOBC 25P	1,000,000	4691.00	46,910,000
UK Tobacco	IMPERIAL BRANDS PLC	600,000	3954.50	23,727,000
UK Tobacco Total				**70,637,000**
HEALTHCARE				
UK Healthcare Total				-

PHARMACEUTICAL & BIOTECH				
UK Pharm, Biotech	ASTRAZENECA ORD	775,000	4588.00	35,557,000
UK Pharm, Biotech	GLAXOSMITHKLINE25P	3,155,000	1618.00	51,047,900
UK Pharm, Biotech	SHIRE PHARMA ORD5P	250,000	4649.50	11,623,750
UK Pharmaceutical & Biotech Total				**98,228,650**
FOOD RETAIL				
UK Retail Food & [	BOOKER GROUP PLC	2,300,000	179.40	4,126,200
UK Retail Food & [	TESCO ORD 5P	3,800,000	210.75	8,008,500
UK Food Retail Total				**12,134,700**
GENERAL RETAIL				
UK Retailers Gen	DIXONS CARPHONE PLC	125,000	314.70	393,375
UK Retailers Gen	SAINSBURY (J) PLC	-	250.90	-
UK Retailers Gen	INCHCAPE PLC	100,000	650.50	650,500
UK Retailers Gen	KINGFISHER	1,660,000	361.30	5,997,580
UK Retailers Gen	M&S ORD 25P	850,000	340.40	2,893,400
UK Retailers Gen	NEXT PLC	14,000	4816.00	674,240
UK General Retail Total				**10,609,095**
MEDIA				
UK Media & Photo	SKY PLC	1,000,000	818.00	8,180,000
UK Media & Photo	INFORMA PLC	700,000	672.00	4,704,000
UK Media & Photo	ITV ORD	6,000,000	170.50	10,230,000
UK Media & Photo	PEARSON ORD 25P	-	757.00	-
UK Media & Photo	RELX PLC	450,000	1461.00	6,574,500
UK Media & Photo	UNITED BUSINESS MEDIA	900,000	718.50	6,466,500
UK Media & Photo	WPP GRP ORD 10P	885,000	1778.00	15,735,300
UK Media Total				**51,890,300**
TRAVEL & LEISURE				
UK Travel & Leisur	COMPASS GRP ORD10P	941,176	1479.00	13,919,993
UK Travel & Leisur	GREENE KING PLC	725,000	731.00	5,299,750
UK Travel & Leisur	INTERCONTINENTAL HOTELS GRP	116,666	3174.00	3,702,979
UK Travel & Leisur	JD WETHERSPN ORD2P	300,000	870.00	2,610,000
UK Travel & Leisur	LADBROKES CORAL GROUP PLC	2,100,000	133.60	2,805,600
UK Travel & Leisur	MARSTON'S	2,250,000	133.70	3,008,250
UK Travel & Leisur	MILLENNIUM & COPTHORNE	-	449.00	-
UK Travel & Leisur	NATIONAL EXPRESS GROUP	800,000	367.70	2,941,600
UK Travel & Leisur	STAGECOACH ORD0.5P	1,300,000	197.30	2,564,900
UK Travel & Leisure Total				**36,853,072**
TELECOMS				
UK Fixed-Line Tele	BT ORD GBP 5P	5,500,000	375.75	20,666,250
UK Mobile Telecon	VODAFONE GRP COM	16,000,000	224.75	35,960,000
UK Telecoms Total				**56,626,250**
ELECTRICITY				
UK Electricity	DRAX GROUP	42,316	316.80	134,057
UK Electricity	SCOT & SOUTH 50P	450,000	1591.00	7,159,500
UK Electricity Total				**7,293,557**
GAS & WATER				
UK Gas Distributio	CENTRICA	3,850,000	214.20	8,246,700
UK Electricity	NAT GRID PLC ORD 10P	3,000,000	1064.50	31,935,000
UK Water	PENNON GP ORD £1	400,000	834.50	3,338,000
UK Water	SEVERN TR 65 5/19P	236,000	2328.00	5,494,080
UK Water	UNITED UTILITIES GROUP PLC	600,000	940.00	5,640,000
UK Gas & Water Total				**54,653,780**

BANKS, RETAIL				
UK Banks Retail	BARCLAYS ORD 25P	12,000,000	190.25	22,830,000
UK Banks Retail	HSBC HLDG $0.50	10,000,000	616.20	61,620,000
UK Banks Retail	LLOYDS BANKING GROUP PLC	55,000,000	57.26	31,493,000
UK Banks Retail	STANDARD CHARTERED ORD	700,000	711.80	4,982,600
UK Banks - Retail Total				**120,925,600**
NON-LIFE INSURANCE				
UK Insurance	BEAZLEY PLC	1,500,000	364.00	5,460,000
UK Insurance	HISCOX	348,524	1021.00	3,558,430
UK Insurance	JARDINE LLOYD THOMPSON GROUP	350,000	1028.00	3,598,000
UK Insurance	RSA INSURANCE GROUP	875,000	552.00	4,830,000
UK Non-Life Insurance Total				**17,446,430**
LIFE INSURANCE				
UK Insurance Life	AVIVA ORD 25P	1,950,000	442.80	8,634,600
UK Insurance Life	LEGAL&GEN GRP 2.5P	5,900,000	209.30	12,348,700
UK Insurance Life	OLD MUTUAL ORD	3,400,000	201.40	6,847,600
UK Insurance Life	PRUDENTIAL ORD 5P	1,900,000	1334.50	25,355,500
UK Life Insurance Total				**53,186,400**
REAL ESTATE INVESTMENT TRUSTS				
UK Real Estate	BRITISH LAND 25P	750,000	585.00	4,387,500
UK Real Estate	HAMMERSON ORD 25P	500,000	551.00	2,755,000
UK Real Estate	LAND SECS ORD £1	700,000	997.50	6,982,500
UK Real Estate	LONDONMETRIC PROPERTY PLC	1,400,000	149.00	2,086,000
UK Real Estate	SEGRO PLC	950,000	436.90	4,150,550
UK Real Estate	SHAFTESBURY PLC	350,000	917.00	3,209,500
UK Real Estate Total				**23,571,050**
REAL ESTATE INVESTMENT & SERVICES				
UK Real Estate	CAPITAL & COUNTIES PROPERTIES	800,000	288.30	2,306,400
UK Real estate investment & services				**2,306,400**
FINANCIAL SERVICES				
UK Special Financ	ABERDEEN ASSET MANAGEMENT	1,000,000	320.00	3,200,000
UK Special Financ	ICAP PLC	650,000	484.50	3,149,250
UK Special Financ	MAN GROUP	1,900,000	124.70	2,369,300
UK Special Financ	SCHRODERS ORD GBP1	325,000	2818.00	9,158,500
UK General Financial Total				**17,877,050**
EQUITY INVESTMENT COMPANIES				
UK Investment Co'	ABERFORTH SML 1P	1,050,000	993.00	10,426,500
UK Investment Co'	BLACKROCK SMALLER COMPANIES	2,385,000	887.50	21,166,875
UK Investment Co'	DUNEDIN SMR CO 25P	3,319,000	198.00	6,571,620
UK Investment Co'	IMPAX ENV ORD 10P	3,710,989	214.75	7,969,349
UK Investment Co'	LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co'	MERCANTILE INV TRUST PLC (THE)	1,790,000	1629.00	29,159,100
UK Investment Co'	MONTANARO UK SMALLER CO'S 10P	3,000,000	446.00	13,380,000
UK Investment Co'	RIVER & MERCANTILE UK MICRO	4,800,000	115.00	5,520,000
UK Investment Co'	STRATHDON INVESTMENTS PLC	20	100000.00	20,000
UK Equity Investment Companies Total				**94,213,444**
SOFTWARE & COMPUTER SERVICES				
UK Elect electron	MICRO FOCUS INTERNATIONAL	200,000	2141.00	4,282,000
UK Software & Cor	SAGE GROUP ORD 1P	-	721.00	-
UK Software & Computer Services Total				**4,282,000**
IT HARDWARE				
UK IT Hardware	SOFTBANK GROUP CORP	-	6601.00	-
UK IT Hardware	LAIRD PLC	1,500,000	145.00	2,175,000
UK IT Hardware	SPIRENT ORD 3 1/3P	1,000,000	82.00	820,000
UK IT Hardware Total				**2,995,000**

UNIT TRUSTS & OEICs				
UK OEIC	TM PROGRESSIVE UK SM COS 'A'	-	0.00	-
UK Unit Trusts	ROYAL LONDON SUSTAINABLE LEAD	1,820,762	502.10	9,142,048
UK Unit Trusts	F & C RESPONSIBLE UK EQY GROW	-	155.40	-
UK Unit Trusts	LIONTRUST SPECIAL SITUATIONS FU	-	333.30	-
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	-	1017.59	-
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	1,348,544	1019.18	13,744,096
UK OEIC	TB SARACEN UK BETA-ACC	2,250,000	584.41	13,149,225
UK Unit Trusts	SCHRODER UK MID-250 FUND ACC U	4,250,000	219.00	9,307,500
UK Unit Trusts & OEICs Total				**45,342,868**
INVESTMENT ENTITIES				
UK Unit Trusts	MONTANARO UK SMALLER COS-£D	5,195,398	1.40	7,263,166
UK Investment Entities Total				**7,263,166**
TOTAL UNITED KINGDOM				**1,213,851,001**

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN				
PASSIVE TRACKER FUND				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	155,961,021	270.82	2.71	422,373,636
PASSIVE TRACKER FUND TOTAL				422,373,636
EUROPEAN EQUITIES TOTAL				422,373,636

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	CC Japan Income & Growth Trust	5,000,000	121.00	121.00	6,050,000
Japan	JPMorgan JAP IT 25P	7,730,000	352.50	352.50	27,248,250
Japan	JPMF japs smoc	2,250,000	313.75	313.75	7,059,375
Japan	Schroder Japan Growth Fund 10p ords	11,300,000	180.00	180.00	20,340,000
J Investment Companies Total					**60,697,625**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,507,860.94	1,363.00	1,363.00	61,442,145
Japan	Baring Japan Growth Trust	5,500,000.00	184.90	184.90	10,169,500
Japan	Invesco Perpetual Japan-NTA	4,485,252.86	192.08	192.08	8,615,274
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	401.60	401.60	12,048,000
Japan	Legg Mason IF Martin Currie Japan Alpha Fund X	31,075,861.03	155.30	155.30	48,260,812
Japan	Schroder UT Tokyo Ac	13,250,000.00	336.30	336.30	44,559,750
J Unit Trusts Total					**185,095,480**
Investment Entities					
Japan	Aberdeen Global - JAP Smaller Cos Fund D£	1,662,639.78	10.03	10.03	16,671,954
Japan	DSBI-JPN EQT FUNDMNTL ACT-IG	60,000.00	106.13	10,613.00	6,367,800
Japan	JO Hambro - Japan Fd GBP-A	15,000,000.00	2.34	2.34	35,115,000
J Investment Entities Total					**58,154,754**
JAPAN TOTAL					**303,947,860**
OTHER ASIA					
Investment Companies					
Asian	ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	203.25	203.25	6,097,500
Asian	ABERDEEN NDIT 25P	7,350,000	196.00	196.00	14,406,000
Asian	EDINBURGH DT 20P	12,300,000	318.00	318.00	39,114,000
Asian	INVESCO ASIA TRUST 10P	7,480,000	244.00	244.00	18,251,200
OA Investment Companies Total					**77,868,700**
Unit Trusts & OEICs					
Asian	Stewart Investors Asia Pacific Fund (First State As	5,250,000	1,428.27	1,428.27	74,984,175
Asian	JPMorgan Asia Fund A Ac	20,000,000	163.90	163.90	32,780,000
Asian	Schroder Instl PAC Fd Ac	2,400,000	1,290.00	1,290.00	30,960,000
OA Unit Trusts Total					**138,724,175**
Investment Entities					
Asian	Atlantis Asian Fund (Dub) (US $)	1,074,383.025	7.96	6.50	6,986,201
Asian	Baring Int'l Australia $	130,000.000	103.19	84.30	10,958,468
Asian	Legg Mason-Martin Currie Greater China Fund-A/	413,255.833	23.60	19.28	7,967,093
OA Investment Entities Total					**25,911,763**
OTHER ASIA TOTAL					**242,504,638**
EMERGING MARKETS					
Investment Companies					
Internatio	ABERDEEN EMERGING MARKETS	3,098,250	542.50	542.50	16,808,006
Internatio	ABERDEEN FRONTIER MARKETS	5,000,000	66.25	66.25	3,312,500
Internatio	BLACKROCK FRONTIERS INV TRUST	3,525,000	135.75	135.75	4,785,188
Internatio	BLACKROCK EMERGING EUROPE PL	2,780,175	280.00	280.00	7,784,490
Latin Ame	Blackrock Latin American Investment Trust plc	862,529	449.00	449.00	3,872,755
Internatio	GENESIS EMERGING MKTS FUND LTD	4,600,000	628.00	628.00	28,888,000
Internatio	JP Morgan EMER IT25P	4,500,000	748.00	748.00	33,660,000
Int'l Investment Companies Total					**99,110,939**
Unit Trusts & OEICs					
Internatio	Stewart Investors Global Emerging Markets Fund	3,000,000	867.64	867.64	26,029,200
Latin Ame	Thd ndle Lnamer Gwth	3,500,000	276.26	276.26	9,669,100
Int'l Unit Trusts Total					**35,698,300**
Investment Entities					
Internatio	FPP GLOBAL EMERGING MKTS	82,057.980	90.04	73.55	6,035,514
Latin Ame	JPMorgan LNAMER A U$	86,085.904	42.88	35.03	3,015,475
Internatio	POLUNIN FUNDS-DEVEL CNTY-B	47,502.659	857.43	700.43	33,272,505
LatAm Investment Entities Total					**42,323,493**
EMERGING MARKETS TOTAL					**177,132,732**
OTHER EQUITIES TOTAL					**723,585,230**

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

OTHER EQUITIES Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY			
Quoted Private Equity			
UK Invest APAX GLOBAL ALPHA LTD	4,000,000	142.50	5,700,000
UK Invest ELECTRA PRIVATE EQUITY PLC	300,000	4305.00	12,915,000
UK Invest HARBOURVEST GLOBAL PRIVATE	300,000	1075.00	3,225,000
UK Invest HGCAPITAL TRUST PLC	570,000	1432.00	8,162,400
UK Invest NB PRIVATE EQUITY PARTNERS Ltd (A)	1,601,003	11.55	15,105,776
UK Invest WOODFORD PATIENT CAPITAL TRUST	11,850,000	88.65	10,505,025
UK Quoted Private Equity Total			**55,613,201**
Unquoted Private Equity			
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.21	3,499,265
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FI	11,019,558	0.14	1,418,805
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.29	859,251
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.29	869,886
UK Uncla GRANVILLE PRIVATE EQUITY MANAGERS (U	2,000,000	0.00	6,549
UK Uncla BAIRD CAPITAL PARTNERS EUROPE FUND L	4,300,000	0.06	219,920
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	2,500,000	0.25	621,970
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.08	828,974
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.69	4,626,825
UK Uncla PHILDREW VENTURES 4TH	820,000	0.40	3,280
UK Unquoted Private Equity Total			**12,954,726**
PRIVATE EQUITY TOTAL			**68,567,926**
INFRASTRUCTURE			
UK Infrastructure Quoted			
Closed-er FORESIGHT SOLAR FUND LTD	5,000,000	104.00	5,200,000
Closed-er HICL INFRASTRUCUTRE CO LTD	3,274,700	170.40	5,580,089
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTI	15,000,000.00	159.30	23,895,000.00
Closed-e RENEWABLES INFRASTRUCTURE GR	10,000,000.00	107.30	10,730,000.00
UK Infrastructure Quoted Total			**45,405,089**
UK Infrastructure Unquoted			
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.86	13,923,074
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.13	1,125,984
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.03	15,416,204
UK Infrastructure Total			**30,465,262**
INFRASTRUCTURE TOTAL			**75,870,350**
ALTERNATIVES TOTAL			**144,438,276**

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

			30/09/2016 Value £
Real Property			
Property	Southampton Property		5,350,000
Property	Retail Unit Tamworth		9,600,000
Property	15-17 Jockeys Field London		10,350,000
Property	D'Arblay House, London		13,700,000
Property	Bristol Odeon Development		5,850,000
Property	Quintins Centre, Hailsham		5,600,000
Property	Caledonia House, London		20,500,000
Property	Chelsea Fields Ind Est, London		8,700,000
Property	Planet Centre, Feltham	pch 16/5/08	10,500,000
Property	Hill St, Mayfair	pch 29/9/08	16,750,000
Property	Birmingham - Travelodge developm't		14,575,000
Property	Saxmundham, Tesco developm't		9,000,000
Property	Roundhay Road, Leeds		7,750,000
Property	Premier Inn, Rubery, Birminghan June 2016		5,850,000
Total Real Property			**144,075,000**

Property Managed Funds			Number held	Mkt price	
Property	**Pence**	Assura PLC	2,500,000	58.8000	1,470,000
Property	**GBP**	Aviva Pooled Property Fund - class A	736,634	13.6212	10,033,841
Property	**GBP**	Aviva Pooled Property Fund - class B	403,327	13.6986	5,525,025
Property	**GBP**	Blackrock UK Property Fund	78,848	40.8896	3,224,063
Property	**GBP**	Bridges Property Alternatives Fund III LP	797	10264.8929	8,179,653
Property	**GBP**	Bridges Property Alternatives Fund IV LP	14	9999.9956	136,700
Property	**EUR**	Fidelity Eurozone Select Real Estat Fund - pri	2,468	5322.0300	11,778,391
Property	**GBP**	Igloo Regeneration P'ship Property Unit Trust	4,644,493	0.5169	2,400,752
Property	**EUR**	Invesco Real Estate-European Fund FCP - SI	44,569	114.1620	4,563,234
Property	**Pence**	Target Healthcare REIT Ltd	2,915,000	110.5000	3,221,075
Property	**GBP**	Prudential M&G Property Fund	27,124	679.4500	18,429,402
Property	**GBP**	Threadneedle Pensions Property Fund	1,647,730	5.0856	8,379,698
Property	**Pence**	Tritax Big Box Indirect Pooled Fund	10,000,000	135.6000	13,560,000
Property	**Pence**	TR Property Investment Trust	900,000	296.6000	2,669,400
Property	**GBP**	Unite UK Student Accommodation Fund	15,584,567	1.2710	19,807,601
Total Property Funds					**113,378,835**

Local Authority Depo	Chesterfield Borough Council	16,074		**3,718**

Cash	***Updated to 31 October 2016***		**Mellon USD**	**Exch rate**	
Cash	BNP Paribas	*UK*			22,926,797
Cash		*Euro*			0
Cash		*Wellington*			8,668,382
Cash					
Cash	Cash - Lloyds bank Superfund	*20553355*			553,000
Cash	Cash Temporary Loans	*Bank/B Soc*	123,500,000		
	Bonds -Bank of Scotland		8,427,359		
	Standard Life	*Callable*	10,000,000		
	Santander	*Callable*	12		
	Santander 95 Day Notice	*Callable*	10,000,000		
	Fidelity MMF	*Callable*	10,000,000		
	Federated Prime Rate	*Callable*	10,000,000		
	Blackrock MMF	*Callable*	10,000,000		
	Deutsche Global MMF	*Callable*	10,000,000		
	Yorks Bank call a/c		2,313		
	Certs of Deposit		3,005,637		
	Treasury Bills		0		194,935,321
Total Cash					**227,083,500**

DERBYSHIRE PENSION FUND
OCTOBER 2016 PORTFOLIO VALUATION - BID

Fixed Interest	
UK Government Bonds	237,394,329
UK Government Index Linked	205,720,891
Corporate Bonds	206,982,827
Corporate Index Linked	0
Multi Asset Credit	15,351,839
US Govt	5,875,920
US Govt Index Linked	67,745,955
France	0
French Govt Index Linked	0
Germany	0
German Govt Index Linked	0
Total Fixed Interest	**739,071,761**

EQUITIES		UK	US	Europe	Japan	Other Asia	Emerging Mrkts
Oil & Gas Producers	149,074,167	133,941,341	15,132,826				
Oil & Gas Services	14,914,880	4,799,568	10,115,312				
Chemicals	12,215,633	5,477,650	6,737,983				
Forestry & Paper	8,104,729	6,384,000	1,720,729				
Industrial Metals	2,339,109		2,339,109				
Mining	62,535,000	62,535,000	0				
Construction	9,198,401	5,474,044	3,724,357				
Aerospace	31,607,926	20,718,800	10,889,126				
General Industrial	27,694,772	8,499,660	19,195,112				
Electronic Equipment	12,984,786	6,587,300	6,397,486				
Industrial Engineering	13,540,400	13,540,400	0				
Industrial Transport	5,297,010	0	5,297,010				
Support Services	43,223,629	36,112,575	7,111,054				
Automobiles	13,202,406	6,860,650	6,341,756				
Beverages	53,995,176	33,455,700	20,539,476				
Food Producers	17,868,985	8,613,500	9,255,485				
Household Goods	53,277,238	43,815,700	9,461,538				
Leisure Goods	0						
Personal Goods	39,242,434	28,699,300	10,543,134				
Tobacco	77,348,072	70,637,000	6,711,072				
Healthcare Equipment & Servic	18,159,500		18,159,500				
Pharmaceutical / Biotech	152,681,953	98,228,650	54,453,303				
Food Retail	14,361,599	12,134,700	2,226,899				
General Retail	36,338,677	10,609,095	25,729,582				
Media	85,212,102	51,890,300	33,321,802				
Travel & Leisure	37,857,807	36,853,072	1,004,735				
Telecoms	56,626,250	56,626,250	0				
Electricity	27,658,836	7,293,557	20,365,279				
Gas & Water	59,721,713	54,653,780	5,067,933				
Banks	140,785,087	120,925,600	19,859,487				
Non-Life Insurance	39,360,341	17,446,430	21,913,911				
Life Insurance	56,402,226	53,186,400	3,215,826				
Real Estate Investment Trusts	39,061,517	23,571,050	15,490,467				
Real Estate Investment Service	2,306,400	2,306,400	0				
General Financial	54,342,287	17,877,050	36,465,237				
Investment Companies	331,890,708	94,213,444			60,697,625	77,868,700	99,110,939
Software	34,007,836	4,282,000	29,725,836				
Technology Hardware	44,038,153	2,995,000	41,043,153				
Unit Trusts & OEICs	404,860,824	45,342,868			185,095,480	138,724,175	35,698,300
Investment Entities	133,653,177	7,263,166			58,154,754	25,911,763	42,323,493
Passive tracker fund	422,373,636			422,373,636			
Total Equities	**2,839,365,381**	**1,213,851,001**	**479,555,514**	**422,373,636**	**303,947,860**	**242,504,638**	**177,132,732**
		UK	US	European	Japan	Other Asia	Emerging Mrkts

Alternatives		
Private Equity - quoted	55,613,201	55,613,201
Private Equity - unquoted	12,954,726	12,954,726
Infrastructure - quoted	45,405,089	45,405,089
Infrastructure - unquoted	30,465,262	30,465,262
Total Alternatives	**144,438,276**	**144,438,276**

Miscellaneous	
Real Property	144,075,000
Property Funds	113,378,835
Local Authority Deposits	3,718
Cash (incl USA)	227,083,500
Total Miscellaneous	**484,541,053**

TOTAL PORTFOLIO	4,207,416,471