

**Agenda Item No 4(a)**

**DERBYSHIRE COUNTY COUNCIL  
PENSIONS AND INVESTMENTS COMMITTEE**

**20 March 2017**

**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 Recommendations Table**

The Fund's latest asset allocation as at 31 January 2017 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, Multi-Asset Credit and Property and totalled £192m at 31 January 2017. 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 to 24 months.

## PUBLIC

Asset Category	Benchmark		Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative (*) Recommendation		Recommendation		Recommendation Adjusted for Commitments (**)	Benchmark Return
	1/10/15	1/4/17	31/10/17	31/1/17		AF 20/3/17	DPF 20/3/17	AF 20/3/17	DPF 20/3/17	DPF 20/3/17	3 Months to 31/1/17
<b>Equities</b>	<b>60.0%</b>	<b>58.0%</b>	<b>67.5%</b>	<b>66.9%</b>	<b>+/- 8%</b>	<b>+2.0%</b>	<b>+4.6%</b>	<b>62.0%</b>	<b>64.6%</b>	<b>64.6%</b>	<b>n/a</b>
UK Equities	28.0%	25.0%	28.9%	29.6%	+/- 6%	-1.0%	-0.6%	27.0%	27.4%	27.4%	3.0%
Overseas Equities	32.0%	33.0%	38.6%	37.3%	+/- 6%	+3.0%	+5.2%	35.0%	37.2%	37.2%	n/a
N. America	11.0%	12.0%	11.4%	11.1%	+/- 4%	-	-	11.0%	11.0%	11.0%	4.7%
Europe	9.0%	9.0%	10.0%	10.0%	+/- 4%	-	+1.0%	9.0%	10.0%	10.0%	2.0%
Japan	5.0%	5.0%	7.2%	6.9%	+/- 2%	+1.0%	+1.9%	6.0%	6.9%	6.9%	-0.9%
Pacific ex-Japan	4.0%	4.0%	5.8%	5.3%	+/- 2%	+1.0%	+1.3%	5.0%	5.3%	5.3%	-0.4%
Emerging Markets	3.0%	3.0%	4.2%	4.0%	+/- 2%	+1.0%	+1.0%	4.0%	4.0%	4.0%	-2.6%
<b>Bonds</b>	<b>22.0%</b>	<b>22.0%</b>	<b>17.6%</b>	<b>18.8%</b>	<b>+/- 5%</b>	<b>-3.0%</b>	<b>-2.3%</b>	<b>19.0%</b>	<b>19.7%</b>	<b>20.9%</b>	<b>n/a</b>
Conventional	6.5%	5.5%	5.8%	6.0%	+/- 3%	-2.0%	-0.5%	4.5%	6.0%	6.0%	-1.3%
Index-Linked	6.5%	6.5%	6.5%	6.2%	+/- 3%	-3.0%	-0.3%	3.5%	6.2%	6.2%	-2.0%
Corporate	6.0%	6.0%	4.9%	5.4%	+/- 3%	-	-0.6%	6.0%	5.4%	5.4%	-
Multi-Asset Credit	3.0%	4.0%	0.4%	1.2%	+/- 2%	+2.0%	-0.9%	5.0%	2.1%	3.3%	0.8%
<b>Property</b>	<b>9.0%</b>	<b>9.0%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>+/- 3%</b>	<b>-</b>	<b>-2.6%</b>	<b>9.0%</b>	<b>6.4%</b>	<b>7.4%</b>	<b>2.1% (***)</b>
Direct	5.0%	5.0%	3.4%	3.7%	+/- 2%	+1.0%	-1.3%	6.0%	3.7%	3.7%	2.2% (***)
Indirect	4.0%	4.0%	2.7%	2.7%	+/- 2%	-1.0%	-1.3%	3.0%	2.7%	3.7%	1.9% (***)
<b>Alternatives</b>	<b>7.0%</b>	<b>9.0%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>+/- 3%</b>	<b>+1.0%</b>	<b>-3.0%</b>	<b>8.0%</b>	<b>4.0%</b>	<b>5.8%</b>	<b>n/a</b>
Infrastructure	3.0%	5.0%	1.8%	1.8%	+/- 2%	+1.0%	-1.0%	4.0%	2.0%	2.5%	0.6%
Private Equity	4.0%	4.0%	1.6%	1.8%	+/- 2%	-	-2.0%	4.0%	2.0%	3.3%	4.0%
<b>Cash</b>	<b>2.0%</b>	<b>2.0%</b>	<b>5.4%</b>	<b>4.3%</b>	<b>0 – 8%</b>	<b>-</b>	<b>+3.3%</b>	<b>2.0%</b>	<b>5.3%</b>	<b>1.3%</b>	<b>0.1% (***)</b>

(\*) Recommendation relative to 1 October 2015 Benchmark

(\*\*) Recommendation adjusted for investment commitments at 31 January 2017

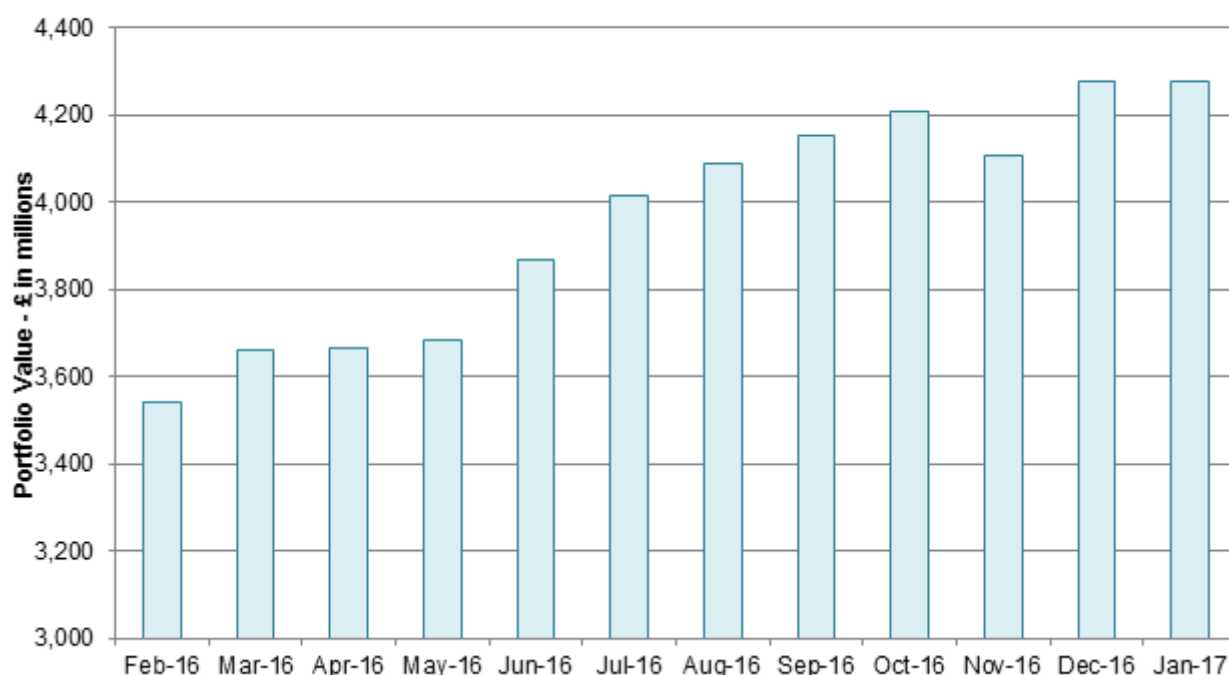
(\*\*\*) Benchmark Return for the three months to 31 December 2016

Relative to the benchmark, the Fund as at 31 January 2017 was overweight in Equities and Cash but underweight in Bonds, Property and Alternative investments.

### Total Investment Assets

The Fund's investment assets increased by £70.3m (+1.7%) between 31 October 2016 and 31 January 2017. Over the twelve months to 31 January 2017, the Fund's investment assets have risen by £749m (+21.2%). A copy of the Fund's valuation is attached at Appendix 2.

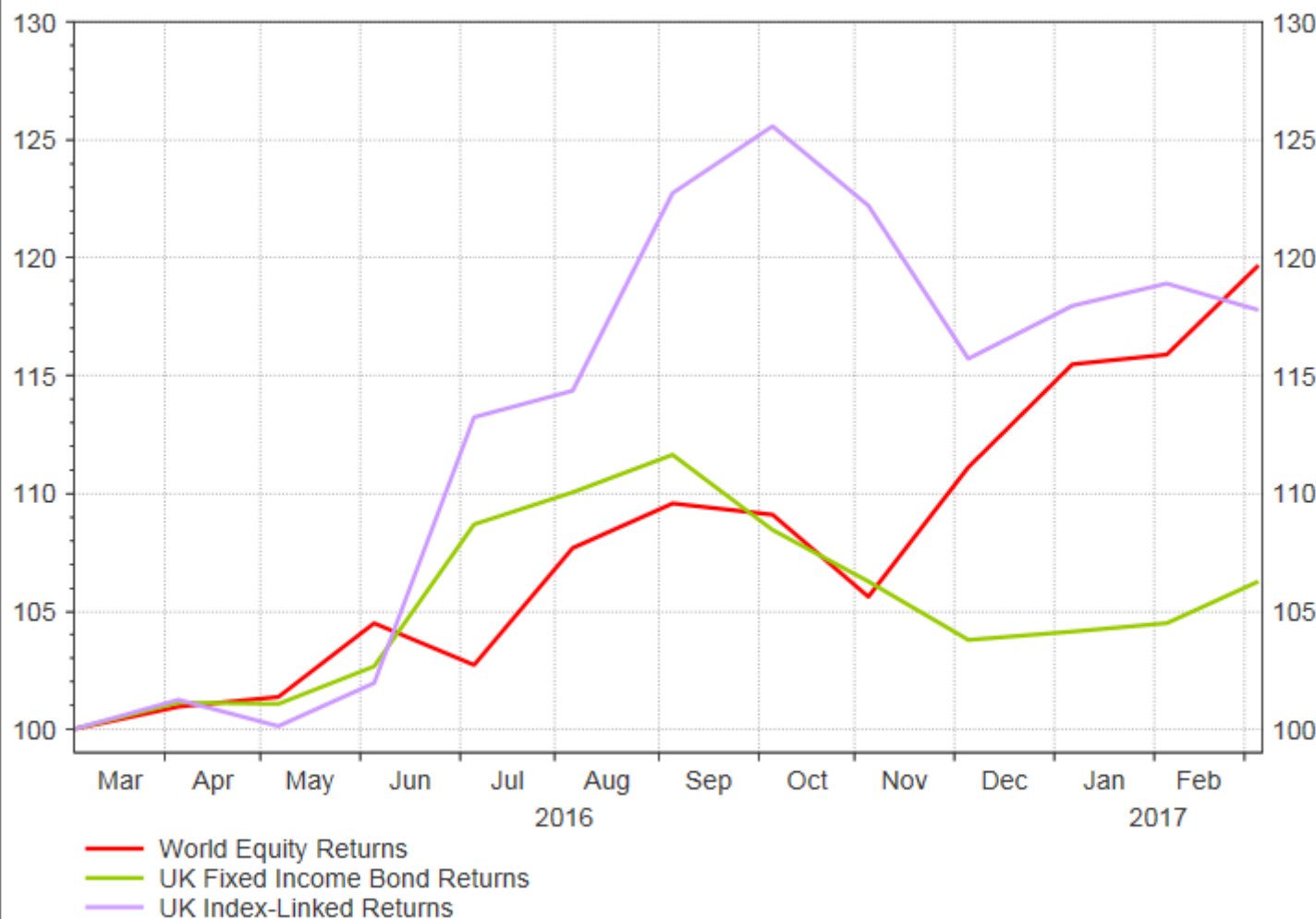
**Total Investment Assets**



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

WORLD EQUITY AND UK FIXED AND INDEX LINKED BOND PERFORMANCE OVER THE PAST YEAR



Source: Thomson Reuters Datastream

The chart opposite shows market returns for World Equities together with UK Fixed Income and UK Index Linked bonds between 8<sup>th</sup> March 2016 and 7<sup>th</sup> March 2017.

Despite some weakness over September and October caused by worries about Brexit, Chinese growth, the path of US monetary policy and the US Presidential election, market returns have generally been very strong over the past year.

The election of Donald Trump boosted equity markets on the expectation of higher economic growth and lighter regulation, and overseas equity returns have been particularly strong for UK investors since the EU referendum in June 2016 with the dollar up almost 18% and the euro up almost 12% against sterling since the exit result.

Bond markets retreated in Q4 2016 in response to expectations of higher inflation and resilient economic data and have generally been flat year to date in Q1 2017, following a period of weakness in January on concerns that the US Federal Reserve might tighten monetary policy faster than expected.

It should be noted that the asset class weightings and recommendations are based on values at the end of January 2017. Markets have generally been strong in February.

## (vi) Longer Term Performance

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

Per annum	DPF	Benchmark Index
1 year	17.8%	17.6%
3 year	9.3%	9.2%
5 year	10.6%	10.2%
10 year	7.0%	6.6%

The Fund outperformed the benchmark over each of the periods.

## (v) Asset Class Recommendations

### Equities

At the last meeting it was agreed to reduce the overall weighting in Equities to 66.4%, a 6.4% overweight position. At 31 January 2017 the overall equity weighting was 66.9%. The IFMT recommendations below would take the equity weighting to 64.6%.

### UK Equities

It was agreed that the Fund maintain its weighting at 28.9%. Relative market strength increased the weighting to 29.6% at 31 January 2017 with UK Equities returning 3.0% in the period.

While acknowledging the quality of the UK equity market and the exposure to emerging market growth provided by many of the FTSE 100 companies, Mr Fletcher recommends an underweight position of 27% due to the uncertainty caused by the Brexit negotiations and the possible effect on longer term business investment decisions. Leading up to the adoption of the new Strategic Asset Allocation Benchmark in April 2017, which contains an allocation to UK Equities of 25%, the IFMT recommend that the current weighting should be reduced to 27.4%. The immediate economic impact of the UK referendum vote has been significantly less than expected in the post referendum period and growth in the UK economy has continued to maintain momentum. However, considerable uncertainty remains and the market is likely to experience bouts of insecurity as the situation develops.

### North American Equities

At the last meeting it was agreed that the weighting be reduced to a neutral allocation of 11%. Relative market strength resulted in a

weighting of 11.1% at 31 January 2017, marginally above the agreed allocation, with US Equities returning 4.7% in the period. The underlying market actually rose almost 8% in the quarter, with dollar weakness against sterling over this particular three months curtailing the rise for UK investors.

Mr Fletcher recommends maintaining a weighting of 11%, noting that although consumption and labour markets remain strong, rising wages are putting pressure on profit margins and valuations are elevated. The IFMT agree with the recommendation for an 11% weighting which will represent a 1% underweight position against the new neutral weighing from April 2017. The US markets have recently made repeated new highs on the back of continuing optimism following the election of President Trump. Considerable uncertainty surrounds President Trump's economic plans and his ability to deliver the policies announced to date and continued dollar strength is restricting the earnings of US exporters. Rich market valuations allow little room for disappointment in earnings and the environment for buybacks, which have underpinned market strength, is expected to deteriorate.

### **European Equities**

It was agreed that the Fund maintain a 1% overweight position of 10.0%. At the end of January, the weighting was 10% in line with the recommendation. European equities returned 2% in the period with an underlying market rise of 6.7% curtailed for UK investors by weakness in the euro against sterling.

If Derbyshire Pension Fund managed the European portfolio actively, Mr Fletcher would recommend a 1% overweight position of 10% as he thinks that growth could continue to surprise on the upside and that the risks in the region are well known and can be avoided by good country and stock selection. As the portfolio is currently managed passively, Mr Fletcher recommends a neutral position of 9%. The IFMT continue to recommend a 1% overweight position of 10%. Political uncertainties in the year ahead may limit equity market progress but valuations remain relatively attractive and monetary policy is likely to remain accommodative.

### **Japan**

At the last meeting it was agreed that the weighting be reduced to 7%, the top of the permitted range. The agreed sales and relative market weakness resulted in a weighting of 6.9% at 31 January 2017, with the Japanese market returning a negative 0.9% to UK investors in the period as yen weakness cut the underlying market return from just over 9%.

Following extremely strong performance in the final quarter in local currency terms, Mr Fletcher views the Japanese market as only fair value relative to the rest of the world, although cheap relative to its own history. However, with large cash balances, share buy-backs and dividend payouts remaining high in Japan, Mr Fletcher recommends a 1% overweight position of 6%. The IFMT view the cash balances within Japanese companies and the current low payout ratios as offering potential for a re-rating in share prices. The recent softening of the yen will take the pressure of exporters and earnings growth forecasts underpin the valuation of the market. The IFMT recommend that the current overweight position of 6.9% should be maintained.

### **Asia Pacific Ex Japan and Emerging Markets**

It was agreed to reduce the weighting in Asia Pacific Ex Japan to 5.5% and in Emerging Markets to 4.0% representing overweight positions of 1.5% and 1.0% respectively. At the end of January, the respective allocations were 5.3% and 4.0%. Asia Pacific equities returned a negative 0.4% over the period and Emerging Market equities a negative 2.6%. The returns from both markets were reduced for UK investors, from 2.7% and 0.3% respectively, by weakness in the dollar.

Following recent underperformance, driven by concerns about how markets in these regions will perform during a possible sustained phase of US financial tightening, Mr Fletcher recommends 1% overweight positions in both asset classes given the positive macro-economic fundamental enjoyed by many of the constituent economies. The IFMT continue to believe in the long term growth potential of these regions and recommend maintaining the 1.3% overweight position in Asia Pacific ex Japan and the 1% overweight position in Emerging Markets.

### **Bonds**

At the last meeting it was agreed to increase the overall allocation to Bonds to 19.7%, a 2.3% underweight position. At 31 January 2017 the overall weighting in Bonds was 18.8%. The IFMT recommendations below would increase this weighting to 19.7%.

#### **Conventional Bonds**

It was agreed to increase the allocation to 6.3%, a weighting slightly below the neutral position of 6.5%. Due to relative market weakness, the allocation at the end of January 2017 was 6.0%, with Conventional Bonds returning a negative 1.3% over the quarter.

Mr Fletcher recommends a 2% underweight position in Conventional Bonds, anticipating that yields are likely to rise on the back of rises in US interest rates, whilst acknowledging that the demand dynamics, the

debt burden and the demographics will probably limit any rise in yields. The IFMT expect the structural headwinds facing the developed economies to dampen fiscal multipliers (the impact of fiscal spending on output) and continue to challenge the assumption of aggressive US Federal Reserve tightening. Ahead of Brexit, UK interest rates are likely to remain low in the absence of a sustained rise in inflation and the IFMT recommend a weighting of 6% against the current neutral weight of 6.5% and the neutral weight of 5.5% from April 2017.

### **Index Linked Bonds**

At the last meeting it was agreed to maintain the neutral weighting of 6.5%. Relative market weakness reduced the weighting to 6.2% at the end of January 2017, with Index Linked Bonds returning a negative 2% over the period.

Mr Fletcher continues to express concern about the over valuation of UK Index Linked bonds, preferring the risk adjusted returns offered by US Treasury Inflation Protected Securities ("TIPS"). He recommends a 2% weighting in TIPS and a 1.5% weighting in UK Index Linked bonds giving an overall allocation to Index Linked bonds of 3.5%. Pension fund demand for longer dated UK Index Linked bonds remains strong but the IFMT agree that US inflation linked bonds offer better value than their UK counterparts. The IFMT recommend a maintained Index Linked weighting of 6.2% with a heavy allocation within the weighting to US TIPS.

### **Corporate Bonds**

It was agreed to increase the weighting to 5.5%, a 0.5% underweight position; at the end of January 2017 the weighting was 5.4%, with Corporate Bonds generating a zero return over the period.

Mr Fletcher has reduced his recommended allocation to Corporate Bonds, acknowledging that the current level of spread may not be attractive enough to warrant an overweight position. However, due to the higher yield and lower duration of corporate bonds compared to sovereign bonds, Mr Fletcher recommends a neutral weighting of 6% compared to his underweight recommendations for in the sovereign bonds. The IFMT continues to believe that the yield pick-up offered by Corporate Bonds provides insufficient compensation for the increased default risk of the asset class and that credit spreads do not reflect heightened political risks. The IFMT, therefore, recommend a maintained underweight position of 5.4%.

### **Multi-Asset Credit**

At the last meeting it was agreed to increase the invested weighting to 1.4% and the committed weighting to 2.0%. The weighting at the end of January had increased to 1.2% with a timing delay on a new investment



preventing the allocation increasing to the agreed level; the committed allocation was 2.8%. The benchmark return for this asset class over the period was 0.8%.

In order to increase the diversified sources of bond market risk and return in the portfolio, Mr Fletcher recommends an increased allocation to Multi-Asset Credit of 5% which would represent a 1% overweight position against the Strategic Asset Allocation Benchmark from April 2017. The IFMT remain positive about the attractions of this asset class and due diligence is being undertaken on a number of possible investments. Taking into consideration the likely researched opportunities available within the next three months, the IFMT recommend an invested weighting of 2.1%, which would translate into a committed weighting of 3.3%.

### **Property**

It was agreed to increase the overall allocation to Property to 6.4%, a 2.6% underweight position. The weighting at the end of January 2017 was in line with the agreement at 6.4%. Direct Property accounted for 3.7% and Indirect Property for 2.7% of the Fund respectively against neutral positions of 5% and 4%. On a committed basis, the Indirect Property weighting was 3.7% at the end of January. Direct Property generated a return of 2.2% in the three months to December 2016 and Indirect Property a return of 1.9%.

Mr Fletcher continues to recommend a neutral overall allocation to Property believing attractive opportunities can still be sourced, with a preference for a 1% overweight position in Direct Property and a 1% underweight position in Indirect Property. Potential new Direct Property investments continue to be actively assessed by the external discretionary manager. Mr Fletcher supports the approach of buying well researched quality properties at the right price and minimizing voids which can lead to delays in sourcing new property investments. The IFMT recommend a maintained weighting of 3.7% in Direct Property while the external manager continues to seek out attractive investment propositions in this asset class and a maintained weighting of 2.7% in Indirect Property while funds with strong covenants and sustainable rental growth continue to be assessed by the IFMT. The committed allocation to Indirect Property is 3.7%, just shy of the neutral position.

### **Alternatives**

At the last meeting it was agreed to increase the overall allocation to Alternatives to 3.6% on an invested basis and 4.9% on a committed basis against a neutral position of 7%. The recommendations from the IFMT would increase the overall Alternatives weighting to 4% on an invested basis and 5.8% on a committed basis.

### **Infrastructure**

It was agreed to increase the weighting to 2% on an invested basis and 2.6% on a committed basis against a neutral position of 3%. The invested weighting at the end of January 2017 was 1.8% due to an unexpected distribution from one of the Infrastructure investments. The benchmark return for the period was 0.6%.

Mr Fletcher recommends an overweight allocation to Infrastructure of 4%. Whilst acknowledging the current lack of attractive opportunities in this asset class, Mr Fletcher notes that the change of government in the US might lead to an increase in the supply of projects in the longer term. The IFMT recommends an increased weighting of 2%, giving a committed weighting of 2.5%, taking in account the projects currently under evaluation. It should be noted that the new Strategic Asset Allocation Benchmark includes an increased Infrastructure weighting of 5%.

### **Private Equity**

At the last meeting it was agreed to maintain the invested weighting at 1.6% and the committed weighting at 2.6% against a neutral weighting 4%. The invested weighting at the end of January 2017 increased to 1.8%. The Private Equity benchmark returned 4.0% in the period.

Mr Fletcher recommends a neutral weighting of 4% in Private Equity. The IFMT recommend an increased weighting of 1.8% on an invested basis giving a 3.3% weighting on a committed basis. Progress has been made on making to commitments to the asset class, however, the Fund remains subject to the drawdown timetables of the individual Private Equity funds.

### **Cash**

It was agreed to reduce the cash weighting to 3.9%, a 1.9% overweight position on an invested basis and a 1% underweight position on a committed basis. At the end of January 2017 the weighting in cash was 4.3%.

Mr Fletcher notes that, with high valuations in bond and equities markets, carrying a high cash balance dampens the impact of asset price falls although it will restrict the upside when prices rise. He also notes that the apparent high cash balance will be significantly reduced once all the committed cash is drawn down. Cash is not a good long term investment for pension funds but there are periods when it is very difficult to find value in the substitutes for cash. The IFMT think markets are being too sanguine about the level of political risk globally and are factoring in overly optimism assumptions. In this environment, the IFMT

recommend a defensive cash allocation of 5.3%, which would reduce to just 1.3% if all the current commitments were drawn down.

### **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, property, social values 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, total assets 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



Fourth Quarter 2016 Investment Report  
Prepared for

**Derbyshire County Council Pension Fund  
Pensions and Investment Committee  
Meeting**

March 2017

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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 20<sup>th</sup> March 2017

Date of paper 24<sup>th</sup> February 2017

## 1. Market Background

The Fourth quarter of 2016 went out with a bang, at least politically, with the election of Donald Trump to the Office of President of the United States of America. Ironically the result has exposed the extent of dis-unity in the United States as whole, no matter which way the results are analysed the country is divided on pretty much every social, racial, economic and education measure you care to use. President Trump's campaign, acceptance speech, Cabinet appointments and executive orders since inauguration have done nothing to try and unite the country. In his campaign Mr Trump said the new administration would do things differently to how they have been done in the past and so far he is living up to that promise.

Risk assets have had a generally good quarter, developed market equities produced strong returns, emerging markets on the other hand had a more difficult time and bond yields have risen. The global economy had another reasonable quarter with few negative surprises in terms of growth, or inflation. In local currency terms, equity markets returned between -3.5 and +15% over the fourth quarter. In Sterling terms non UK equity returns were much more mixed than in the rest of the year, US\$ strength was the dominant feature, as a result US equities outperformed and emerging equities underperformed the UK, while Europe and Japan were broadly inline. The FTSE 100 index returned 4.3% and the FTSE All share 3.9% over the quarter. All bond markets produced negative returns, significantly underperforming equities.

The UK Government remains in its period of "Phoney War" with the EU after the vote to leave. The House of Commons has ratified the Referendum result and the House of Lords is "expected" by the Conservatives to follow suit. The Prime Minister appears to remain on track to trigger Article 50 before the end March 2017. The economy has proved to be stronger than expected; helped by the stimulus package announced by the Bank of England (BoE) in the aftermath of the referendum result, by increased consumer spending in the run up to Christmas and by short term investment decisions that had to be taken regardless of the UK's decision to leave the EU. On the negative side inflation is higher, with some components outpacing the rate of earnings growth, sterling has weakened (slightly) and longer term investment intentions continue to be curtailed.

Looking at 2016 as a whole, I believe that had a portfolio manager correctly forecast the political and economic outcomes we saw it is unlikely that their portfolio would have been positioned correctly for the market performance we actually saw. I think it is fair to say that while higher volatility could have been expected market total returns have been much higher than could have been expected in all asset classes. The reaction of the authorities in the 1<sup>st</sup> quarter as the Chinese crisis unfolded was at least consistent with the central bank "play book" we have seen since the global financial crisis. But the reaction of markets after Brexit and the US presidential election have for the most part been much more surprising. As a result I am much more cautious about making predictions for 2017, other than the following; I believe asset market total returns will be considerably lower than in 2016 and while average measured volatility may not be much higher, the dispersion of outcomes for individual investment decisions could be much more dramatic. Therefore, active management, idea selection and diversification will be much more important than just being in the market. From a macro policy point of view I believe Monetary Policy has played out. In 2017 I expect all central banks to become less accommodative, because it is likely that GDP and inflation will be higher and Fiscal Policy will play a larger part in stimulating economic activity.

**Table 1**, below shows the total investment return in Pound sterling for the major asset classes; for the month of January 2017, 3 and 12 months to the end of December 2016.

% Total return dividends reinvested			
	Market returns		
		Period end 31 <sup>st</sup> December 2016	
	January 2017	3 months	12 Months
FTSE All-Share	-0.3	3.9	16.8
FTSE World ex UK	0.9	7.1	30.4
North America	0.3	9.0	34.1
Europe ex UK	0.7	4.8	19.7
Japan	1.8	5.1	22.7
Pacific Basin	3.9	1.7	28.7
Emerging Equity Markets	2.8	2.2	35.4
UK Gilts - Conventional All Stocks	-1.7	-3.4	10.1
UK Gilts - Index Linked All Stocks	0.1	-2.7	24.3
UK Corporate bonds*	-0.9	-2.8	12.1
Overseas Bonds**	-0.8	-3.0	3.0
Property IPD quarterly		2.2	3.5
Cash 7 day LIBID	0.02	0.1	0.4

\* Merrill Lynch £ Corporate Bond; \*\*Citigroup WGBI ex UK hedged

## Recent Developments

The Bank of England Governor's summary of the February inflation report reads more like a list of excuses for why the Bank got it's post referendum forecasts so wrong. I believe they have been too hard on themselves because the process of leaving has not yet started, they now run the risk of having to revise down growth forecasts in future.

In the report the BoE revised higher it's 2017 GDP forecast to 2.0% from 1.4% leaving 2018/19 broadly unchanged at 1.75% pa; citing and quantifying the following factors:- 50% The Chancellor's Autumn Statement and the easier Fiscal Policy it contained, 25% stronger global growth expectations especially in the USA, 25% supportive financial conditions in the UK, namely the 18% depreciation of sterling and easier credit conditions and Increased consumer spending funded by a lower savings rate despite falling real incomes.

The BoE expects the level of business investment to be 25% lower by 2020 and the level of GDP to be 1.5% lower in 2018, than it did in May 2016, despite the easier monetary and fiscal policies announced since June 2016. On Inflation it expects CPI to hit 2.0% in February 2017 (much of this due to calendar effects, 2015 price cuts falling out of the statistics), peaking at 2.8% in 2018 before falling back to 2.4% in 2019/20. The BoE directly links the above target inflation to the weakness of sterling since the referendum but the Monetary Policy Committee

(MPC) is willing to tolerate higher inflation because raising interest rates increases the risk of higher unemployment and lower growth.

The February Inflation Report states that the MPC unanimously decided to keep the base rate at 0.25% and to continue to purchase Corporate and Government bonds. Furthermore the MPC unanimously confirmed that the current monetary stance remains appropriate.

On the other side of the Atlantic President Trump has hit the ground running with executive orders flying out of the Oval Office at a very high rate. He has from the point of view of his stated policy objectives had some notable successes with US companies announcing that activities will be increased inside rather than outside the US and cancelling some trade negotiations. He has however run into difficulties with his Cabinet appointments and run foul of the law over his anti-Muslim entry policy. The equity market continues to respond positively and along with the bond markets has gone a long way to pricing in the good news on growth. The Federal Reserve for its part has increased the Fed Funds rate to 0.75% from 0.5% and is expected to put in place 2 or 3 more hikes in 2017.

In contrast things have been relatively quiet in Europe and Japan, both central banks have announced a tapering of the rate at which they increase monetary accommodation and the strength of the US dollar has helped export activity. However in Europe this could be about to change, 2017 is Election year in many core EU countries. In December the Italian PM, Mr Renzi, resigned because he failed to get a positive referendum result on much needed constitutional reform and parliament is trying to form a new government. The referendum was seen by the anti EU parties as an opportunity to make a protest against the EU. Their success has been seized upon by anti EU parties in France, The Netherlands and Germany protesting against and seeking to change the direction of EU policy.

### **Bond Markets**

As mentioned in my last report bond markets had a very difficult fourth quarter, with most of the increase in yield coming in October and November, taking the quarter as a whole, yields were higher in all sectors leading to significant negative returns. Longer duration UK and US government bonds produced the largest negative returns. Despite having much longer durations, inflation linked government bonds slightly outperformed, as higher inflation expectations were priced in. Investment grade and high yield non-government bonds outperformed because of their lower duration and higher yield.

Over the quarter, the yield available from conventional UK government bonds (gilts), increased in all maturities. 10 year gilt yields increased from 0.75% on 30<sup>th</sup> September 2016, to end the quarter at 1.24%, the 30 year gilt yield increased by less, from 1.49% to 1.87%. Since the end of November 2016, 10 year yields have traded up and down in a range between 1.2 and 1.5%.

Index linked gilts slightly outperformed as inflation expectations were revised higher. The real yield on 10 year index linked gilts increased from -1.92% at the end of September to -1.65% at the end of December, 30 year yields increased slightly less from -1.72% to -1.56%.

The yield available from other government bond markets also increased, as a result local currency total returns in many countries were negative. Taking 10 year benchmark yields for the following countries as a reference point, in the US they started the quarter at 1.59% rising 0.84% to 2.44%, in Germany -0.1% rising 0.31% to +0.21% and in Japan -0.09% rising 0.19% to +0.1%.



The total returns available from representative indices for Investment Grade Credit, Global High Yield (sub investment grade) and Global Emerging Market Debt all outperformed the gilt index returns in the fourth quarter.

Since the end of November, and in particular since the Fed rate hike in early December 2016, all bond yields have been range bound as the markets responded to news flow and economic data from the US. This has produced positive returns in December and negative returns in January. Yields may move higher once the new US administration has clearly articulated its fiscal policy or if the Fed is perceived to be letting inflation take hold.

Bond markets are extremely unlikely to produce such strong positive returns as they did in 2016, indeed over the next 12 months, government bond investors will be lucky to get the full value of their coupon, I believe higher yielding lower duration non-government bonds are likely to give the best total returns.

### Equity markets

Equity markets had a mixed fourth quarter, in local currency terms developed markets were strongest with Japan leading the way at up 15%, Europe ex UK +6%, followed by the UK and the US, up just under 4%. Mr Trump's rhetoric on trade and his comments about Mexico and China had a significant impact on emerging markets returns, which were significantly lower than in the second and third quarters, the MSCI emerging equity index was 1.4% lower and Asia Pacific 3.5% lower in local currency terms.

The results for the year as a whole are markedly different in local currency terms the UK had the strongest returns with the All Share index up 17% followed by the US at +12%, emerging equity +10% Asia Pacific + 6%, Europe ex UK +3% and Japan only 0.3% higher.

As shown in Table 1, above once currency is taken into consideration, the weakness of sterling in the fourth quarter and over the year as a whole, results in higher foreign equity market, total returns. The only equity markets in sterling terms that underperformed the UK in the fourth quarter were, not surprisingly emerging and Asia Pacific, as they responded to the outcome of the US presidential election.

The table also shows that ranked in terms of total return in 2016, un-hedged overseas equities outperformed UK equity, bond and alternatives markets with the exception of Index Linked Gilts. In 2017 I believe equity markets are likely to outperform bonds and may outperform alternatives but it is unlikely that changes in the value of sterling will make such a strong contribution to total returns.

## 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 December 2016. The performance data has been provided by Portfolio Evaluation Limited (PEL) using their own data for the 9 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 slightly underperformed in the fourth quarter but outperformed the fund specific benchmark over 12 months, 3,5,10 years and since inception on a net of fees basis. The PEL attribution data shows that asset allocation was positive for both equity and bonds, but stock selection contributions were negative for both equity and bonds in the 3 months and 9 months to end of December 2016.

**Table 2,** Derbyshire Pension Fund and Benchmark returns

% Total return 31 <sup>st</sup> December 2016	3 months		12 months	
	Derbyshire Pension Fund	Benchmark	Derbyshire Pension Fund	Benchmark
UK Equity	3.9	3.9	17.0	16.8
Overseas Equity	4.5	5.6		
North America	7.1	9.0	29.7	34.1
Europe	4.9	4.8	19.5	19.4
Japan	4.8	5.1	22.9	22.7
Pacific Basin	-0.3	0.9	26.5	28.7
Emerging markets	2.1	2.2	35.0	35.4
UK Gilts	-3.5	-3.4	9.9	10.1
UK and Overseas Inflation Linked	-2.4	-2.7	21.2	24.3
UK Corporate bonds	-2.4	-2.8	10.3	12.1
Multi-asset Credit	2.0	0.8	11.2	3.5
Alternatives (all sectors)	1.4	2.6	19.6	11.0
Property (all sectors)	1.0	2.1	13.7	3.0
Cash	0.1	0.0	0.6	0.3
<b>Total Fund</b>	<b>2.4</b>	<b>2.7</b>	<b>17.8</b>	<b>17.6</b>

**Total fund value at 31<sup>st</sup> December 2016 £4,276 million**

### Equity performance

The largest allocation in the Fund is to the UK equity market representing 29.7% 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 un-hedged has made a very strong positive contribution to the total return of this portion of the portfolio, since the Pound 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 fourth quarter this component of the Fund underperformed the benchmark and a poor first quarter in 2016 has resulted in underperformance over 12 months, but 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 as are the 3 year returns. The 5 year returns continue to reflect a period of poor results from active management and remain 0.8% behind benchmark.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets, via pooled funds selected by the in-house team. In the fourth quarter these markets gave back some of the very strong absolute returns achieved over the previous 12 month period to the end of September 2016. The Pacific Basin investments continue to struggle underperforming their benchmark for the last 12 month but over the 3, 5 and 10 year period the annualised relative returns are well ahead of benchmark. Japanese and Emerging equities performed in line with their benchmarks over 12 months but still have some performance to recoup over 3 years but again over 10 years these regional equity investments have produced returns that are 1% above their respective benchmarks.

### **Fixed Income Performance**

The fourth quarter of 2016 saw a marked increase in bond yields driven mainly by the US presidential election result but also by stronger than expected economic data and a subtle change in central bank policy outside of the UK. In the Derbyshire Pension Fund (DPF), gilts produced the largest negative returns followed by UK index linked gilts, investment grade corporates and US TIPS and because of its higher yield and more defensive characteristics the investment in Multi-asset Credit produced a positive return.

Over the quarter in absolute terms, bond returns were negative, however relative to the strategic benchmark, the Fund benefitted from its underweight allocation to bonds and its lower interest rate sensitivity (duration). The allocation to US TIPS made a positive contribution to overall inflation linked returns. The allocation to US TIPS worked in 2 ways, TIPS have lower duration than UK index linked gilts, so they lost less capital as yields increased and because inflation was priced too cheaply in the US, TIPS outperformed as US inflation expectations were revised higher. The next positive contribution came from corporate bonds again the lower duration relative to gilts and to the corporate bond benchmark meant these bonds lost less capital and good sector and stock selection by the manager combined with the higher income yield added to total returns. The final positive contribution came from Multi-asset Credit, the DPF owns a Babson Global Private Loan Fund a pooled fund which owns assets with a much higher income yield and typically much lower duration than government and non-government bonds hence when yields rise because of a change in government yields these assets tend to be less negatively affected.

Over the year, the in-house team was clearly too early in their decision to underweight the bond allocation and duration exposure, as a result these under-weights held back performance relative to benchmark. Over the medium term, returns from bonds have been mixed and the overall contribution negative relative to benchmark, however over 10 years the contribution from bonds is ahead of benchmark.

## Alternatives

The performance of the in-house team's portfolio of Alternative investments dipped slightly in the fourth quarter with Private Equity underperforming while infrastructure outperformed. Over all longer term periods Alternatives continue to enjoy excellent absolute and relative returns despite the underweight allocation. At the end of the quarter the allocation stood at 3.5% with further cash committed but as yet un-invested by the selected managers.

## Property

Over the fourth quarter the allocation to indirect property funds underperformed whereas the allocation to direct property continued to outperform, over the medium and longer term both areas of Property investment have produced strong positive absolute and relative returns.

## Asset Allocation

At the asset allocation level the DPF's in-house team has made some excellent decisions. In general over the medium to long term, being overweight "growth" assets like equity at the expense of "income" assets like bonds has been a good decision. Within equity being overweight higher growth regions like Asia Pacific and Emerging markets has in absolute terms increased Fund performance. Within bonds the Fund could have benefitted from a higher allocation to non-government sectors but this may have increased the risk of being underweight government bonds. On balance in terms of total return it is has probably been better, to use the money generated by being underweight bonds in general to invest it in being overweight equity. The Fund has also been successful with its allocations to Property and Alternatives and it also identified good managers that have outperformed their benchmarks, indeed the contribution to overall Fund return would have been even more significant if the managers had invested all the DPF's committed cash.

### 3. Economic and Market outlook

#### Economic background

The main economic themes for 2017 are reflation, inflation and political uncertainty. The consensus of opinion is that the intended policy actions of the Trump administration will increase US economic activity, maybe not doubling the rate of US growth that is his stated objective but the tax cuts, deregulation and infrastructure spending plans even if only partially implemented will increase growth significantly. Notwithstanding the administration intentions to roll back on international trade and to try and get the biggest increase of activity to be in the USA, a stronger US economy will have a positive impact on the rest of the world. At the same time Japan and Northern Europe at least seem to finally reaping the benefit of easy money and increased access to credit, even the UK has seen its growth forecasts revised higher. If the rate of interest rate increases can be kept low, then this should be good for equities and real assets.

The main problem with the reflation story, especially for the US is their economy is much further into the recovery cycle than the rest of the world. A large fiscal stimulus at a time of almost full employment, high levels of manufacturing and housing activity, when there is still a lot of cheap money sloshing around in the system, combined with a reduction in the supply side, caused by constraining the flow of foreign goods and labour, means the economy is almost certain to see higher inflation. This will put the US Federal Reserve Bank (Fed) in tightening mode which will have a negative impact on bonds and this could cause the US dollar to appreciate and bond yields to rise, not just in the US but also in the rest of the world. Outside of the US, with the exception of the UK where inflation will be driven higher by the weakness of sterling, average inflation is likely to remain below central bank targets.

Political uncertainty is probably the biggest wild card for 2017. We know that the new US administration wants to shake things up in government and we know that there is a pro-growth domestic agenda, but the Republican Congress and Senate cannot be relied upon to deliver on all aspects of Fiscal Policy. The Congress in particular is fiscally conservative and wants smaller government so they may agree to the tax cuts but not the infrastructure spending. While there appears to be some clarity on the direction of trade policy, there is a great deal of uncertainty around what is the new policy stance of the US on a number of issues like relations with Russia, The Middle East and Europe, let alone Mexico and China. We may get some insights from Mr Tillerson at the upcoming G20 Foreign Ministers conference in Germany.

In the UK, the government is clear that we will be leaving the EU but the nature of the settlement is completely unclear. As a result medium term business investment decisions are likely to be delayed and the currency, bond and equity markets will be at the mercy of news flow as sentiment swings on the nature of Brexit. In Europe, 2017 will see important elections in France, The Netherlands and Germany and there may see a general election in Italy. At the moment macro-economic and political policy looks the least likely to change significantly and to some extent the anti-EU rhetoric is already reflected in sentiment but it should be remembered that the accepted orthodoxy 12 months ago was "Remain" and "President Clinton". Should the agenda for change gains further momentum in Europe then the implications for the EU and in particular Italy could be serious.

The UK government did choose to appeal to the Supreme Court and as predicted they lost, so the Brexit Minister announced a short Bill for an Act of Parliament. The Bill was passed by the Commons with the government being supported by most of the Labour Party, but opposed by the SNP and Liberals It will, after the recess, be debated by the Lords. Whatever the outcome the government remains on track to trigger Article 50 by the end of March. As mentioned in my last report "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 3<sup>rd</sup> of February again noted that recent data had been on balance better than expected since June. The BoE has revised higher

its forecasts for growth but continues to highlight the uncertainty over the medium term outlook. The last ever Autumn Statement was mildly stimulatory and confirmed the leaks on infrastructure spending and the easing of the government's fiscal targets. What will become the only Budget statement annually in future will be on the 8<sup>th</sup> of March and with less than a month to go the rumour mill has been remarkably quiet.

To summarise, monetary policy has played out, it is unlikely that will see any further easing of central bank policy once the current programmes of the BoE, ECB and the Bank of Japan have come to an end. Fiscal policy is going to be expansionary in the US and on balance expansionary in the UK and may become so as time passes in Europe, but the dampening effects of the high debt burden and demographics will prevent developed market growth from going much higher than about 3%. Inflation is likely to be higher which in turn means bond yields will be higher and yield curves steeper, which could mean a stronger US dollar. In the past this has not been good for emerging economies because it tightens global financial conditions, but these economies are becoming less internationally dependent and increasingly able to finance activity from their domestic savings and growth. Their demographics are also more favourable and their debt burdens lower which means they will probably continue to sustain higher growth rates.

### **Government bonds**

As mentioned above all bond markets have produced negative returns as yields have risen in the fourth quarter. So far this year the yield for 10 year gilts has been in a range between 1.2 to 1.5%. It is difficult to see how much higher 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 unlikely an increase is equally unlikely during the Brexit negotiations, despite the higher inflation forecast and the weakness of sterling. The Bank of England reminded us again in February 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. The Fed raised rates in December and the market has fully priced 2 further rate hikes and partly priced a third, each of 0.25% for 2017. US CPI for January was 2.5% already above the 2% target and that is before Mr Trump's fiscal policies are even passed into law. The market expects 10 year US Treasury bond yields to rise from 2.5% currently to between 2.75 and 3%, this will almost certainly lead to a steeper yield curve, meaning that long dated bond yields will move even higher over the coming year. As a result it is entirely likely that gilts could deliver another negative quarterly return in 2017, especially the long dated and duration sensitive sectors of the market. I continue to 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 Fund.

### **Non-government bonds**

Non-government bond yields are also likely to rise but because they have lower duration and higher yield the total return is likely to be less negative than government bonds. Investment grade non-government bond yield spreads were unchanged over the quarter at 1.4%, making the all in yield for the average Investment grade UK corporate bond 2.6% at the end of the year, compared to 2.2% at the end of September, which means the yield is more than double the yield available from gilts. The average high yield bond is yielding around 5.4%, more than 4 times higher than gilts admittedly the credit risk is also much higher but the average duration is much lower.

Looking forward into 2017, it is likely that non-government bond yields could continue to rise but because the rise is being driven by an increase in government bond yields and not a credit event and because both the Bank of England and the European Central Bank continue to buy corporate bonds as part of their QE programmes, non-government bond yield spreads, may not widen significantly even if government yields continue to rise. This is because the main driver is not defaults or a worsening credit situation but a rise in US Government bond yields in response to stronger economic data, higher inflation and an expected change in fiscal policy.

In table 3 below I have updated the data and recalculated my 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	1.2	11.4	0.5	-5.4	-4.5
UK Corporate Bonds	2.6	8.5	0.5	-3.6	-1.7
Global High Yield	5.4	3.9	0.5	-0.6	3.5

Source: - BofA Merrill Lynch Indices 14<sup>th</sup> February 2017

## Equities

Many developed market equity indices had made new all-time highs by the end of the fourth quarter. Just like bonds, equity markets have been in more of a sideways range so far in 2017.

As noted in previous reports equity market valuations in developed markets are above average and expensive relative to the rest of the world, but this is mainly because of valuations in the US and Switzerland. Japan, after its strong local currency performance in the fourth quarter, has become more fair value but is still cheap compared to the US. European equity markets remain cheap relative to the rest of the world especially in southern Europe and in Italy in particular, but with good reason. The strong performance of all emerging market equities in 2016 now leaves valuations around their average for the last 12 years. The average continues to hide a wide dispersion with Mexico (surprisingly) and India very expensive but Asia-Pacific, Brazil and Russia cheap relative to historic levels.

Monetary accommodation remains an important support for many countries outside of the US. It is also clear that sentiment is strong, supported by better than expected growth and the real possibility of fiscal expansion and structural reform in the US. UK equity markets are for now at least buoyed by the perceived positive prospect of leaving the EU and the potential for engagement in faster growing economies outside of the European block. It is worth remembering that 80% of the earnings of the FTSE 100 companies are derived from outside of the UK, while the devaluation of sterling over the last 12 months has been a strong support for some of the index constituents, higher global growth and the global access these companies enjoy will continue to support their performance.

What all equity markets will need to see from here is delivery on some of the promised changes in the US and actual stronger economic and company performance, leading to delivery on the expectations that have already been priced in.

Europe continues to recover from the crises of a few years ago and remains cheap because of the risks presented by the banking sector, Italy and the upcoming election campaigns. While some volatility cannot be ruled out it is possible that the negative impact of news flow could provide an opportunity for longer term investors.

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 in the past been good news emerging currencies and equity markets. However the fundamentals for many of these economies have improved in recent years and their valuations remain attractive. As they develop, the positive demographics and the rise of the “middle classes” means they are becoming more domestically orientated, hence policy decisions taken in the US may not have such a negative impact on emerging countries as they did in the past and has been recently priced in.



## GDP Forecasts

Table 4, shows the consensus forecasts for GDP growth in calendar 2017 and 2018 and my expectations in November 2016 and February 2017.

**Table 4, GDP forecasts - Consensus versus Advisor expectations**

% Change yoy	2017				2018			
	November		February		November		February	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	2.2	<b>2.5</b>	2.3	<b>2.5</b>	n/a	<b>2.5</b>	2.4	<b>2.5</b>
UK	1.1	<b>1.5</b>	1.5	<b>1.5</b>	n/a	<b>1.5</b>	1.3	<b>1.5</b>
Japan	0.9	<b>1.0</b>	1.2	<b>1.5</b>	n/a	<b>1.5</b>	1.0	<b>1.5</b>
EU 28	1.4	<b>1.7</b>	1.6	<b>2.0</b>	n/a	<b>2.0</b>	1.6	<b>2.0</b>

Source: - Consensus Economics February 2017

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 for the US remain surprisingly low given the impact of the expected spending plans of the new administration. In the rest of the world, the Bank of England, the ECB and the Bank of Japan are now likely to begin to taper their easy money policy as it has probably reached the end of its efficacy, while the Fed is now expected to raise rates 3 times in 2017. 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 where the Brexit negotiations and higher inflation may keep GDP growth low.

The US economy grew by 0.8% annualised in the 1st quarter of 2016, 1.4% in the second quarter, and third quarter growth was revised higher from 2.9 to 3.5%. The fourth quarter advance estimate is 1.9% an increase in imports and lower government spending were cited as the main drag on growth compared to the third quarter.

UK GDP was estimated at 2.0% annualised in the fourth quarter, services continue to make the strongest contribution to growth, a strong contribution from retail sales, travel agency services and a rebound in manufacturing and utilities were offset by flat construction and weaker mining and oil production. This should result in GDP being close to 2% for the whole of 2016. Growth in 2017 has been revised higher by the BoE but as the consensus shows many economists expect it to be lower, both the BoE and the economists believe the Brexit negotiations are the reasons for uncertainty.

In Japan the fourth quarter annualised GDP rate was estimated at +1% and for 2016 it is expected to be 1.7%. It was the fourth consecutive quarter of growth, boosted by exports, government spending and private non-residential investment while household consumption was flat. Provided the Japanese yen does not appreciate to far from here exports should continue to support the economy. Eurozone GDP grew by a confirmed 1.8% annualised in the third quarter, and an estimated 1.7% in the fourth quarter. Among countries for which fourth quarter data is already available, GDP growth picked up in Germany and France, was unchanged in Spain and slowed in Italy.

I expect GDP to be stronger than the consensus for 2017 set out in the table above in all economies other than the UK where I believe GDP will struggle to beat consensus because of higher inflation and a continued pause in medium and long term business investment.

## Consumer Price Inflation

Table 5, shows the consensus forecasts for Consumer Price Inflation in calendar 2017 and 2018 and my expectations in November 2016 and February 2017.

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

% Change yoy	2017				2018			
	November		February		November		February	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	2.3	<b>2.5</b>	2.5	<b>2.7</b>	n/a	<b>2.0</b>	2.3	<b>2.5</b>
UK	2.5	<b>2.7</b>	2.6	<b>3.0</b>	n/a	<b>2.5</b>	2.7	<b>3.0</b>
Japan	0.4	<b>0.6</b>	0.7	<b>1.0</b>	n/a	<b>1.0</b>	1.0	<b>1.3</b>
EU 28	1.5	<b>1.5</b>	1.7	<b>1.8</b>	n/a	<b>2.0</b>	1.7	<b>2.0</b>

Source: - Consensus Economics February 2017

There were no significant changes to consensus inflation forecasts between November and February, this surprises me; in the UK, because of the weakness of Sterling and the Bank of England's decision not to respond to it (the BoE own forecast is 2.8%) and in the US, given the expectations on tax cuts etc., the tight labour market and the recent performance of US inflation. The US Fed already started raising rates but it is unlikely that they will try to get ahead of the curve preferring to allow higher inflation to lead their rate decisions, rather than being "pre-emptive" as they have been usually in the past.

A spell of exceptionally cold weather is likely to increase European Inflation in the coming months as food prices remain high, food and energy costs have already been responsible for pushing inflation higher in January 2017, but again the consensus inflation forecasts are pretty much unchanged.

December year over year inflation in Japan only increased at an annual rate of 0.3% and this was mainly due to food and energy, housing and housing costs saw their 8<sup>th</sup> consecutive monthly fall. I believe this could be due to statistical effects of the strong yen and falling oil prices in 2015. The recent fall in the value of the yen and the significant increase in the oil prices in 2016 should start to feed into Japanese inflation going forward.

I am reasonably comfortable to forecast higher than consensus inflation going forward from here into 2017 and 2018. I believe that most of the policies being put forward by the US are in one way or another inflationary. I also see the possibility for an easing of fiscal austerity in Europe and a central bank community that will be reluctant to be pre-emptive on rates.

I may be a little early on this "tipping point" but if I am right about the change in emphasis towards domestic economic development in the emerging economies, they could cease to be such a deflationary influence on global goods prices (maybe this is what the continued decline in growth rate of global trade is telling us).

While I can see a trend developing towards higher aggregate inflation away from the risk of dis-inflation and deflation we have become used to in recent years, because of the demographics and the debt burden in developed economies and the resultant lower potential growth rate, aggregate inflation is unlikely to rise to the levels we have seen in the past.

#### 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 June 2017 and March 2018. They are not meant to be accurate point forecasts, more an indication of the likely direction of yields from where they are in mid-February 2017.

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 moderate growth and inflation in Europe and Japan. Outside of the US, central banks are likely to keep interest rates and bond yields low for another 12 months at least; in the UK to smooth the path of Brexit, in Europe and Japan to try and build 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 2016 the Bank of England 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 its current policy.

**Table 6, Interest rate and Bond yield forecasts**

%	Current	June 2017	March 2018
<b>United States</b>			
3month LIBOR	1.06	1.25	1.75
10 year bond yield	2.48	2.75	3.0
<b>United Kingdom</b>			
3month LIBOR	0.36	0.35	0.35
10 year bond yield	1.31	1.50	1.75
<b>Japan</b>			
3month LIBOR	-0.01	-0.05	-0.05
10 year bond yield	0.10	0.10	0.10
<b>Germany</b>			
3month EURIBOR	-0.33	-0.25	-0.25
10 year bond yield	0.37	0.65	1.00

Source: - Trading Economics and AF estimates; 14<sup>th</sup> February 2017

Japanese and German government bond yields (the benchmark for Europe) were negative out to 15 years for much of the summer last year. 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 since October 2016 but 2 year and 5 year benchmark yields are still negative especially so in Germany.

The US Federal Reserve Bank (Fed) increased its Fed Funds and Official Discount rates by 0.25% in December and 2 or 3 further 0.25% increases are priced in by the market for the next 12 months. 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 at least 3% at some point over the next year.

### Bond Market Recommendations

I believe that because the US is likely to see the strongest growth and inflation boost and because the Fed is increasing interest rates it is appropriate to focus on US government yields as the main driver for higher global government bond yields. Since the end of November 2016, US, UK and German 10 year government yields have been in a sideways 0.2% range defined as 2.3 to 2.5% for the US, 1.2 to 1.4% for the UK and 0.2 to 0.4% for Germany (current yields are in the table 6 above). This is surprising as economic news has been generally more positive than expected. I believe this pause could be temporary and US yields will again start to track higher, dragging other government bond yields higher with them, once the new administration announces its tax and spending plans. These are expected to be published in the next few weeks possibly coinciding with the UK's budget statement.

The demand and supply dynamics as discussed in previous reports remain in place even if central banks outside the US start to taper their purchases of bonds, they remain a source of uneconomic demand. 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 US and UK government bonds because of the yield pick-up over their home market. The increase in yield in recent months making new purchases even more attractive.

While I anticipate that government yields are likely go higher because of the changes in US policy, the demand dynamics, the debt burden and the demographics, don't really support a move to the kind of levels we have seen in the past, before the impact of higher yields puts pressure on economic activity.

In light of what I have said above, I continue to believe that diversification away from gilts into other bond sectors has merit and should be considered. In table 3 above I have shown how investing in non-government bond sectors could protect the DPF from the scale of negative returns that investment in gilts could result in. It should be remembered that gilts do provide a hedge for the DPF's potential liabilities and any further reduction in gilts should be consistent with the Funds Investment Strategy Statement. I also know that the DPF is underweight duration, this combined with an underweight to bonds in general has and will continue to reduce the negative impact of higher gilt yields relative to the strategic benchmark allocation.

I continue to believe that the DPF's bond allocation should have diversified sources of bond market risk and return and that this can be achieved through allocations to Investment grade and sub-investment grade credit and to emerging market debt funds. It should also be noted that this can also be achieved by allocation to Multi-asset Credit Funds. This latter approach may provide a more diversified route to achieving the objective of higher yield and lower duration than direct investment in high yield and emerging debt. In order to encourage this I suggest increasing the allocation to Multi-asset Credit to 2% overweight. Strategically I maintain my view that the fund should have a higher weight to corporate bonds, however I accept that tactically the current level of spread may not be attractive enough to have an overweight position. I therefore recommend that the weight should be maintained at neutral and that should the spread increase an overweight allocation should be considered.

UK 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. The allocation to US Treasury Inflation Protected Securities (TIPS) worked well in the fourth quarter and is likely to continue to provide better risk adjusted returns for the Fund, because they have lower duration and remain undervalued from a relative value and inflation point of view, therefore holding TIPS instead of Linkers remains an attractive tactical opportunity.

## Equity Markets

Table 7, below I have shown the dividend yield, earnings growth and price / earnings ratio forecasts, for 2017 and 2018 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	2017	2017	2018	2017	2018
United Kingdom	4.2	21.5	9.0	14.6	13.4
United States	2.1	12.1	12.1	17.6	15.7
Europe ex UK	3.4	12.6	10.3	15.1	13.7
Japan	2.1	10.2	8.6	15.2	14.0

Source: - Citi Research, Global Equity Quarterly, 13<sup>th</sup> January 2017

Citi Research have maintained their expectations for dividends in 2017 compared to 2016. Not surprisingly given the markets more positive sentiment they have revised up earnings growth in all regions except the UK for 2017. I would not be surprised to see earnings growth for 2018 revised higher in the world outside the UK, as we go through the year.

The markets had a strong fourth quarter and like bonds have been in more of a sideways consolidation phase since the end of 2016. A lot of the “expectation” has been priced in and equity markets will probably need to see some policy action before they can move higher. Prior to the presidential election result, the US economy was doing okay, with reasonable growth and inflation but the sentiment was neutral at best, what the new president has done is to provide a catalyst that has resulted in sentiment turning much more positive. To go higher from here the markets will be looking for evidence, having said that even if the new US administration only delivers on part of its promises the resulting positive impact on the economy can lead to higher earnings and justify higher valuations.

In the rest of the developed world, growth has been lacklustre and on the verge of deflation. The support of easy money provided by central banks has been essential in underpinning the performance of the markets, however it is likely that this source of support could come to an end later this year. Despite the contribution made by monetary policy, recently, investors seemed to fail to give much credit for, or gain any confidence from it, again it was the US election result that has boosted sentiment, even in Europe with uncertainties over Brexit and the election cycle. In Japan the election result was accompanied by Yen weakness thereby boosting the performance of equities. On balance Emerging markets have suffered from negative sentiment and outflows as investors have worried about the impact of more difficult trading and tighter financial conditions and transmitted from the US.

## Equity Market Recommendations

In the immediate aftermath of the US presidential election result (the time of writing my last report) I thought it appropriate to suggest a few short term tactical changes. Now that we are some months past the initial impact and markets have moved more or less as I had expected. I now believe there is an opportunity to rebalance my equity asset allocation for longer term strategic reasons. To summarise I would suggest a 2% overweight to

equity funded from bonds, a 1 or 2% underweight of the UK, a neutral position in the US and Europe ex UK and a 1% overweight to Japan, Asia-Pacific and Emerging markets.

It is always difficult to underweight the UK equity market because of the quality of; the rule of Law, accounting practices and governance procedures required by the UK regulators, it is the home market, there is no currency volatility to worry about and many of the bigger companies especially represented in the FTSE 100 are big international companies with overseas earnings who through their subsidiaries have exposure to fast growing emerging economies.

Having said that, the UK is about to enter the Brexit negotiations which are timetabled to last 2 years, during this time the UK and the 27 members of the European Union and their subsidiary regional legislative bodies have to agree the terms of departure. If there was nothing else to consider it is possible that a 2 year timetable would still be too short a period to arrive at an amicable settlement. There is however the distraction of important elections in France, the Netherlands and Germany as well as the possibility of elections in Italy and an independence referendum for Catalonia in Spain. Officially, while this may not turn out to be the case, there can be no negotiations on future trade deals with Europe or any other Country until the UK has concluded the settlement. In the meantime businesses will have to try and decide what their longer term investment decisions should be. Those who can delay may do so until they know the outcome but many others will not want risk waiting and may take decisions that will guarantee they are inside the EU. For example the banks and insurance companies, and will PSA decide to build the new "Astra" in the UK rather than inside the EU? These are all reasons why the UK equity market may not do so well going forward, it certainly increases the potential for news flow volatility and dispersion of returns. I have no doubt that in the long term the UK economy could do well once it is outside of the EU but in the medium term I believe a lower allocation is prudent.

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. As I mentioned above we now need to see the policies, even if the administration achieves only part of its objectives the boost to activity combined with the positive sentiment is enough to see further upside in equity markets. I suggest staying with a neutral position.

If the DPF had an active manager for European equity I would like to be overweight because I think the risks are well known and can be avoided by good country and stock selection, overall I believe the economy could continue to surprise on the upside. I also think the markets are being held back by the fear of further political surprises like Brexit and Trump. However as the assets are managed passively I believe it is appropriate to remain neutral.

After such a strong performance in the fourth quarter combined with the weakness of the Yen the Japanese market is now only fair value relative to the rest of the world but remains cheap, relative to its own history since 2004. Companies are carrying the largest cash balances of any in the developed world, hence share buybacks and dividends remain high. The domestic growth dynamics of Japan's regional neighbours is likely to help Japanese companies diversify away from a more "protectionist" US, therefore I continue to recommend an overweight position of 1%.

Pacific Basin and Emerging Market Equity markets rebounded strongly from the 1<sup>st</sup> quarter of 2016. Their performance in 1q16 shows that they can be volatile when influenced by intra-regional influences namely fear of a crisis in China. Compare that with the performance in the last few months where concerns have been focussed on how emerging markets have performed in the past when US financial conditions have tightened. Add to that the positive macro-economic fundamentals that many of these economies enjoy and the fact that the recent

underperformance means they have become relatively cheap and I believe that a 1% overweight to both sectors can be justified.

### **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 manager selection process is resource intensive, can be slow and once the manager is selected, deployment of committed cash can take a long time as investments are discovered. Despite this, the assets purchased have many desirable attributes for pension funds whose long term liabilities have call for a balanced portfolio of long term assets whose performance is dependent on diverse sources of risk and return to more traditional tradable asset classes such as bonds and equities. Asset Allocation is increasing but remains below benchmark.

The Property market had a difficult time in 2016 as short term sentiment and investors reacted to the news flow around the UK referendum on Europe. This emphasises 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. The in-house team's approach of buying well researched quality properties at the right price and minimising "voids" is likely to continue to be successful in future.

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 the supply of "shovel ready projects" remains 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 but it also holds back the upside when asset prices rise. Also the nature of the DPF means it has no requirement to carry a large cash balance. The cash balance appears to be quite high but most of the cash held is committed to fund managers that have yet to "drawn down" cash for investments, once all committed cash is drawn the cash balance will fall significantly.

Table 8, below shows the Derbyshire Strategic benchmark allocations and my relative weights as of 14<sup>th</sup> November 2016 and 14<sup>th</sup> February 2017.

**Table 8, Recommended Asset allocation**

% Asset Category	Derbyshire Strategic weight	Anthony Fletcher 14 <sup>th</sup> November 2016	Anthony Fletcher 14 <sup>th</sup> February 2017
<b>Total Equity</b>	<b>60</b>	<b>+2</b>	<b>+2</b>
<b>UK Equity</b>	<b>28</b>	<b>0</b>	<b>-1</b>
<b>Overseas Equity</b>	<b>32</b>	<b>+2</b>	<b>+3</b>
North America	11	0	0
Europe ex UK	9	+1 (0)	0
Japan	5	+1	+1
Pacific ex Japan	4	0	+1
Emerging markets	3	0	+1
<b>Total Bonds</b>	<b>22</b>	<b>-3</b>	<b>-3</b>
Conventional Gilts	6.5	-3	-2
UK index Linked	6.5	-5	-5
US TIPS	0	+2	+2
Non-government	6	+2*	0
Multi-asset Credit	3	+1	+2
<b>Total Alternatives</b>	<b>16</b>	<b>+1</b>	<b>+1</b>
Infrastructure	3	+1	+1
Private Equity	4	0	0
Direct Property	5	+1	+1
Indirect Property	4	-1	-1
<b>Cash</b>	<b>2</b>	<b>0</b>	<b>0</b>

\* 1% EMD and 1% GHY

**Anthony Fletcher**

**14<sup>th</sup> February 2017**



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## 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,

FTSE, Citigroup, IPD, Barclay's Global and Interbank Indices

Kames, Blackrock, Barings and JP Morgan, Asset Management

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

US Bureau of Labour Statistics, US Commerce Dept. Executive office of the President of the United States.

Bank of Japan, Japan MITI

ECB, Eurostat

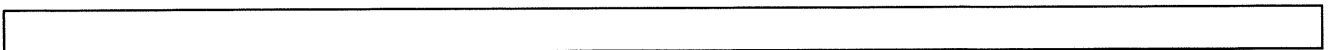
Bloomberg, Markit, Trading Economics

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



# DERBYSHIRE PENSION FUND

Portfolio Valuation  
31/1/17





## DERBYSHIRE PENSION FUND

## JANUARY 2017 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
<b>UK GILTS</b>					
TSY 1.25% 22/7/2018	10,800,000	101.64	101.67	101.67	10,980,849
TSY 3.75% 7/9/2020	10,322,000	111.89	113.41	113.41	11,706,468
TSY 4.75% 7/3/2020	10,000,000	113.57	115.50	115.50	11,550,287
TSY 1.75% 7/9/2022	13,490,000	105.05	105.76	105.76	14,267,514
TSY 4% 7/3/2022	10,995,000	116.57	118.20	118.20	12,995,904
TSY 2.25% 7/9/2023	15,400,000	108.22	109.14	109.14	16,806,894
TSY 5% 7/3/2025	5,500,000	129.48	131.51	131.51	7,233,126
TSY 2% 7/9/2025	14,800,000	105.91	106.72	106.72	15,794,879
TSY 4.25% 7/12/2027	18,000,000	127.24	127.90	127.90	23,021,252
TSY 4.75% 7/12/2030	13,162,000	137.45	138.18	138.18	18,187,090
TSY 4.25% 7/6/2032	12,370,000	132.87	133.52	133.52	16,516,281
TSY 4.5% 7/9/2034	16,373,000	139.01	140.84	140.84	23,059,954
TSY 4.25% 7/3/2036	11,400,000	136.72	138.45	138.45	15,782,824
TSY 1.75% 7/9/2037	11,800,000	95.47	95.88	95.88	11,313,731
TSY 4.75% 7/12/2038	7,934,000	148.99	149.72	149.72	11,878,846
TSY 4.25% 7/9/2039	4,050,000	140.47	142.20	142.20	5,758,972
TSY 3.25% 1/22/2044	8,000,000	124.86	124.94	124.94	9,995,582
TSY 4.25% 7/12/2046	3,900,000	149.80	150.46	150.46	5,867,817
<b>001 UKGB Total</b>					<b>242,718,271</b>

**US GOVERNMENT BONDS**

T 2.25% 15/11/2024	9,950,000	99.34	99.83	79.35	7,895,695
T 2.75% 15/11/2042	7,500,000	94.53	95.12	75.61	5,671,043
<b>004 USGB Total</b>					<b>13,566,738</b>

**NON GOVERNMENT BONDS**

Kames UK Corp Bond Fund	41,463,018	272.00	272.00	272.00	112,779,408
Royal London UK Corporate Bond F	49,675,964	240.00	240.00	240.00	119,222,314
<b>Non Govt Bonds Total</b>					<b>232,001,722</b>

**MULTI ASSET CREDIT**

Barings Global Private Loan Fund	40,000,000	0.51	0.51	0.51	20,509,239
Henderson Multi Asset Credit Fund	29,886,000	1.00	1.00	1.00	29,886,000
<b>Multi Asset Credit Total</b>					<b>50,395,239</b>

**UK INDEX LINKED**

TREAS 2.5% IL STK 17/7/2024	7,524,000	367.61	367.89	367.89	27,679,787
TREAS 4.125% IL STK 22/7/2030	6,510,000	369.02	369.24	369.24	24,037,455
TREAS 2% IL STK 26/1/2035	12,435,000	267.47	267.52	267.52	33,266,199
<b>002 UKGIL Total</b>					<b>84,983,441</b>

**INDEX LINKED (3 months)**

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
<b>UK INDEX LINKED (3months)</b>						
TREAS 0.125% IL STK 22/3/2024	9,230,000	117.5400	1.095210	11,881,869.77	4,207.04	11,886,077
TREAS 1.25% IL STK 22/11/2027	7,400,000	137.0500	1.368090	13,874,758.35	18,142.27	13,892,901
TREAS 0.125% IL STK 22/3/2029	5,325,000	125.7700	1.118270	7,489,336.55	2,427.14	7,491,764
TREAS 1.25% IL STK 22/11/2032	2,777,000	154.5900	1.222760	5,249,265.03	6,808.25	5,256,073
TREAS 0.75% IL STK 22/3/2034	11,465,000	148.4950	1.143270	19,464,116.59	31,354.56	19,495,471
TREAS 1.125% IL STK 22/11/2037	5,580,000	169.7700	1.312780	12,436,182.86	12,312.22	12,448,495
TREAS 0.625% IL STK 22/3/2040	5,600,000	164.3050	1.226200	11,282,364.30	12,762.43	11,295,127
TREAS 0.125% IL STK 22/3/2044	11,470,000	158.0100	1.095200	19,849,127.71	5,228.04	19,854,356
TREAS 0.75% IL STK 22/11/2047	6,500,000	192.8400	1.277880	16,017,714.65	9,561.46	16,027,276
<b>UK INDEX LINKED (3months) TOTAL</b>						<b>117,647,539</b>

	Number held	Clean Price \$	Index Ratio	Gross \$	Accrued Interest \$	Total \$	Total £
<b>US INDEX LINKED</b>							
TI10.125% 15/1/2023	7,000,000	100.296875	1.045620	7,341,069.29	410.91	7,341,480	5,835,742.61
TI13.625% 15/4/2028	4,045,000	132.898438	1.492230	8,021,843.18	43,908.81	8,065,752	6,411,466.26
TI11.750% 15/1/2028	5,550,000	113.101563	1.152060	7,231,638.13	4,561.12	7,236,199	5,752,054.78
TI12.5% 15/1/2029	7,000,000	122.132813	1.124140	9,610,606.59	8,218.23	9,618,825	7,646,003.85
TI12.125% 15/2/2040	4,095,000	125.273438	1.116650	5,728,355.61	40,198.88	5,768,554	4,585,423.97
TI10.75% 15/2/2042	20,300,000	95.742188	1.068120	20,759,621.50	70,332.88	20,829,954	16,557,730.74
TI10.625% 15/2/2043	21,500,000	92.648438	1.049770	20,910,803.30	62,075.41	20,972,879	16,671,341.28
<b>0045 USGB IL Total</b>							<b>63,459,763</b>

**TOTAL BONDS**

Index linked-total	266,090,743
Conventional-total	256,285,009
Non gov-total	282,396,961

804,772,713

**DERBYSHIRE PENSION FUND**  
**JANUARY 2017 PORTFOLIO VALUATION - BID**

**US EQUITIES**

Sector	Company Name	Number held	Mkt price USD/CAN\$	Mkt Price GBP	Value in Sterling £
<b>OIL &amp; GAS PRODUCERS</b>					
US Oil & Gas	ANTERO RESOURCES CORP	50315	24.41	19.40	976,288
US Oil & Gas	CHEVRON CORP	12424	111.31	88.48	1,099,279
US Oil & Gas	COBALT INTERNATIONAL ENERGY	501496	0.98	0.78	390,985
US Oil & Gas	DIAMONDBACK ENERGY INC	22302	105.18	83.61	1,864,616
US Oil & Gas	EXTRACTION OIL & GAS INC	28417	17.91	14.24	404,563
US Oil & Gas	HESS CORP	4044	54.17	43.06	174,134
US Oil & Gas	NEWFIELD EXPLORATION CO	97325	40.08	31.86	3,100,735
US Oil & Gas	PARSLEY ENERGY INC-CLASS A	27762	35.22	28.00	777,235
US Oil & Gas	PDC ENERGY INC	21813	73.93	58.77	1,281,884
US Oil & Gas	QEP RESOURCES INC	34958	17.44	13.86	484,625
US Oil & Gas	RICE ENERGY INC	47856	19.83	15.76	754,348
US Oil & Gas	TRANSCANADA CORP	28581	47.21	37.53	1,072,566
<b>US Oil &amp; Gas Producers Total</b>					<b>12,381,257</b>
<b>OIL &amp; GAS SERVICES</b>					
US Oil & Gas Services	BAKER HUGHES INC	61284	63.05	50.12	3,071,459
US Oil & Gas Services	HELIX ENERGY SOLUTIONS GROUP	49890	8.47	6.73	335,900
US Oil & Gas Services	MONSANTO CO	13200	108.31	86.10	1,136,462
US Oil & Gas Services	NOW INC	29012	21.26	16.90	490,290
US Oil & Gas Services	ONEOK INC	16391	55.11	43.81	718,040
US Oil & Gas Services	PIONEER NATURAL RESOURCES CO	53332	180.24	143.27	7,641,024
US Oil & Gas Services	TESCO CORP	59430	8.55	6.80	403,910
<b>US Oil &amp; Gas Services Total</b>					<b>13,797,084</b>
<b>CHEMICALS</b>					
US Chemicals	CABOT CORP	15698	55.37	44.01	690,926
US Chemicals	CELANESE CORP	25441	84.40	67.09	1,706,825
US Chemicals	DOW CHEMICAL CO	49191	59.63	47.40	2,331,648
US Chemicals	PPG INDUSTRIES INC	29632	100.01	79.50	2,355,683
US Chemicals	WESTLAKE CHEMICAL CORP	10952	61.92	49.22	539,060
<b>US Chemicals Total</b>					<b>7,624,142</b>
<b>FORESTRY &amp; PAPER</b>					
US Industrial Metals	INTERNATIONAL PAPER CO	46778	56.59	44.98	2,104,233
<b>US Forestry &amp; Paper Total</b>					<b>2,104,233</b>
<b>INDUSTRIAL METALS</b>					
US Industrial Metals	FREEPORT-MCMORAN INC	71724	16.64	13.23	948,703
US Industrial Metals	MARTIN MARIETTA MATERIALS	6440	229.60	182.51	1,175,358
US Industrial Metals	RELIANCE STEEL & ALUMINUM	5450	79.65	63.31	345,060
US Industrial Metals	STEEL DYNAMICS INC	25999	33.79	26.86	698,325
<b>US Industrial Metals Total</b>					<b>3,167,446</b>
<b>CONSTRUCTION</b>					
US Industrial Metals	BOISE CASCADE	64360	24.75	19.67	1,266,204
US Industrial Metals	CRH PLC-SPONSORED ADR	19052	34.52	27.44	522,786
US Industrial Metals	VULCAN MATERIALS CO	12740	128.35	102.03	1,299,804
<b>US Construction Total</b>					<b>3,088,794</b>
<b>AEROSPACE</b>					
US Aero defence	BOEING CO/THE	16272	163.50	129.97	2,114,809
US Aero defence	GENERAL DYNAMICS	18166	181.00	143.88	2,613,668
US Aero defence	LOCKHEED MARTIN CORP COM	21387	251.32	199.77	4,272,572
US Aero defence	UNITED TECHNOLOGIES CORP	53798	109.67	87.18	4,689,931
<b>US Aerospace Total</b>					<b>13,690,980</b>

**GENERAL INDUSTRIAL**

US Div Ind	AGCO CORP	8208	62.80	49.92	409,741
US Div Ind	BALL CORP	34443	76.25	60.61	2,087,629
US Div Ind	DANAHER CORP	79923	83.91	66.70	5,330,869
US Div Ind	FIRST SOLAR INC	5680	31.18	24.78	140,779
US Div Ind	ILLINOIS TOOL WORKS INC	41135	127.21	101.12	4,159,539
US Div Ind	OWENS-ILLINOIS INC	30461	18.90	15.02	457,634
US Div Ind	PENTAIR LTD	38594	58.63	46.60	1,798,673
<b>US General Industrial Total</b>					<b>14,384,864</b>

**ELECTRONIC EQUIPMENT**

US Electricity	AMETEK INC	35915	51.10	40.62	1,458,845
US Electricity	EATON CORP	35561	70.78	56.26	2,000,769
US Electricity	FORTIVE CORP	41900	55.29	43.95	1,841,506
US Electricity	GENERAL ELECTRIC CO	61759	29.69	23.60	1,457,548
US Electricity	SUNPOWER CORP	6105	6.63	5.27	32,174
<b>US Electronic Equipment Total</b>					<b>6,790,843</b>

**INDUSTRIAL TRANSPORT**

US Transportation	CSX CORP	28812	46.39	36.88	1,062,454
US Transportation	FEDEX CORP	12259	189.22	150.41	1,843,888
US Transportation	GENESEE & WYOMING INC - CL A	11919	75.36	59.90	713,992
US Transportation	HUNT (JB) TRANSPORT SERVICES INC	6068	99.05	78.73	477,763
US Transportation	KANSAS CITY SOUTHERN	1982	85.91	68.29	135,351
US Transportation	KIRBY CORP	2170	64.50	51.27	111,258
US Transportation	KNIGHT TRANSPORTATION INC	29045	33.40	26.55	771,135
US Transportation	UNITED CONTINENTAL HOLDINGS	6112	70.47	56.02	342,373
US Transportation	XPO LOGISTICS INC	21234	44.73	35.56	754,993
<b>US Industrial Transport Total</b>					<b>6,213,208</b>

**SUPPORT SERVICES**

US Support Services	ACCENTURE LTD	15963	113.84	90.49	1,444,514
US Support Services	GENPACT LTD	79592	24.68	19.62	1,561,446
US Support Services	TRANSUNION	81260	31.51	25.05	2,035,344
US Support Services	WASTE MANAGEMENT	50160	69.50	55.25	2,771,117
<b>US Support Services Total</b>					<b>7,812,421</b>

**AUTOMOBILES & PARTS**

US Autos & parts	ADVANCE AUTO PARTS INC	35196	164.25	130.56	4,595,272
US Autos & parts	O'REILLY AUTOMOTIVE INC	10292	262.25	208.46	2,145,496
<b>US Automobiles &amp; Parts Total</b>					<b>6,740,768</b>

**BEVERAGES**

US Beverages	ANHEUSER-BUSCH INBEV SPN ADR	13149	104.25	82.87	1,089,636
US Beverages	CONSTELLATION BRANDS INC-A	24353	149.77	119.05	2,899,278
US Beverages	DR PEPPER SNAPPLE GROUP INC	27602	91.18	72.48	2,000,565
US Beverages	MOLSON COORS BREWING CO-B	36601	96.51	76.72	2,807,875
US Beverages	MONSTER BEVERAGE CORP	143291	42.59	33.85	4,851,087
US Beverages	PEPSICO INC	82820	103.78	82.49	6,832,213
<b>US Beverages Total</b>					<b>20,480,653</b>

**FOOD PRODUCTION/PROCESS**

US Food Prod & Proce	HOSTESS BRANDS INC	106676	14.29	11.36	1,211,746
US Food Prod & Proce	MONDELEZ INTERNATIONAL INC	152565	44.28	35.20	5,370,009
US Food Prod & Proce	POST HOLDINGS INC	49824	83.69	66.53	3,314,551
<b>US Food Production &amp; Processing Total</b>					<b>9,896,305</b>

**HOUSEHOLD GOODS**

US Hous Gds Txtils	FORTUNE BRANDS HOME & SECURI	17043	55.12	43.81	746,737
US Hous Gds Txtils	MOHAWK INDUSTRIES	17829	215.83	171.56	3,058,801
US Hous Gds Txtils	NIKE INC -CL B	147044	52.89	42.04	6,182,062
US Hous Gds Txtils	UNDER ARMOUR INC-CLASS A	20578	19.21	15.27	314,227
US Hous Gds	VF CORP	18608	51.47	40.91	761,318
<b>US Household Goods Total</b>					<b>11,063,146</b>

**PERSONAL GOODS**

US Personal Care / Hc	COTY INC-CL A	219882	19.19	15.25	3,354,109
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US Personal Care / Hc	ESTEE LAUDER COMPANIES-CL A	62435	81.20	64.55	4,029,922
<b>US Personal Goods Total</b>					<b>7,384,031</b>

#### TOBACCO

US Tobacco	ALTRIA GROUP INC	118518	71.17	56.57	6,704,923
<b>US Tobacco Total</b>					<b>6,704,923</b>

#### HEALTHCARE EQUIPMENT & SERVICES

US Healthcare Equiprr	BECTON DICKINSON AND CO	15500	177.28	140.92	2,184,258
US Healthcare Equiprr	BOSTON SCIENTIFIC CORP	180726	24.05	19.12	3,455,001
US Healthcare Equiprr	CIGNA CORP	22670	146.26	116.26	2,635,661
US Healthcare Equiprr	CONFORMIS INC	36000	8.30	6.60	237,516
US Healthcare Equiprr	HCA HOLDINGS INC	40443	80.27	63.81	2,580,531
US Healthcare Equiprr	STRYKER CORP	31597	123.52	98.19	3,102,385
US Healthcare Equiprr	THERMO FISHER SCIENTIFIC	17800	152.38	121.13	2,156,058
<b>US Healthcare Equipment &amp; ServicesTotal</b>					<b>16,351,411</b>

#### PHARMACEUTICAL, BIOTECH

US Healthcare	ABBOTT LABORATORIES	51592	41.77	33.20	1,713,008
US Healthcare	ADURO BIOTECH INC	31489	11.80	9.38	295,361
US Healthcare	AERIE PHARMACEUTICALS INC	13450	43.85	34.86	468,818
US Healthcare	ALKERMES INC	22297	54.06	42.97	958,153
US Healthcare	ALLERGAN PLC	21990	218.81	173.93	3,824,766
US Healthcare	ALNYLAM PHARMACEUTICALS INC	4360	39.97	31.77	138,527
US Pharm, Biotech	ARIAD PHARMACEUTICALS INC	20711	23.80	18.92	391,824
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	78625	27.23	21.65	1,701,848
US Healthcare	BAXTER INTERNATIONAL INC	53254	47.91	38.08	2,028,107
US Healthcare	BIOGEN INC	4187	277.24	220.38	922,723
US Healthcare	BLUEBIRD BIO INC	5880	74.45	59.18	347,980
US Healthcare	BRISTOL-MYERS SQUIBB CO	106478	49.15	39.07	4,160,025
US Healthcare	CARDINAL HEALTH INC	22640	74.96	59.59	1,349,020
US Healthcare	CELGENE CORP	21500	116.16	92.34	1,985,215
US Pharm, Biotech	ELI LILLY & CO COM	60126	77.02	61.22	3,681,106
US Pharm, Biotech	GLYCOMIMETICS INC	39080	5.66	4.50	175,826
US Pharm, Biotech	INCYTE CORP	8933	121.20	96.34	860,622
US Pharm, Biotech	IRONWOOD PHARMACEUTICALS INC	50649	14.37	11.42	578,549
US Pharm, Biotech	JOHNSON & JOHNSON	41851	113.24	90.01	3,767,196
US Pharm, Biotech	KARYOPHARM THERAPEUTICS INC	30670	10.35	8.23	252,329
US Pharm, Biotech	LOXO ONCOLOGY INC	8900	39.23	31.18	277,537
US Healthcare	MCKESSON CORP COM	37090	139.17	110.63	4,103,127
US Healthcare	MEDTRONIC INC	134349	76.01	60.42	8,117,413
US Healthcare	MYLAN NV	47672	38.05	30.25	1,441,885
US Healthcare	MYOKARDIA INC	18957	11.15	8.86	168,018
US Pharm, Biotech	OTONOMY INC	18926	14.55	11.57	218,894
US Pharm, Biotech	PTC THERAPEUTICS INC	24110	13.10	10.41	251,062
US Pharm, Biotech	RA PHARMACEUTICALS INC	13665	15.93	12.66	173,037
US Pharm, Biotech	REGENERON PHARMACEUTICALS	1012	359.18	285.51	288,938
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	28800	7.60	6.04	173,988
US Pharm, Biotech	TESARO INC	6537	162.83	129.43	846,107
US Pharm, Biotech	TEVA PHARMACEUTICAL-SP ADR	18732	33.45	26.59	498,073
US Pharm, Biotech	TREVENA INC	49635	6.96	5.53	274,606
US Healthcare	UNITEDHEALTH GROUP INC	55615	162.12	128.87	7,167,060
<b>US Pharmaceutical, Biotech Total</b>					<b>53,600,748</b>

#### FOOD RETAIL

US Retail Food & Drug	HILTON WORLDWIDE HOLDINGS INC	17882	57.58	45.77	818,465
US Retail Food & Drug	STARBUCKS CORP	25491	55.21	43.89	1,118,709
US Retail Food & Drug	WINGSTOP INC	1500	28.46	22.62	33,934
<b>US Food Retail Total</b>					<b>1,971,108</b>

#### RETAILERS - GENERAL

US Retailers Gen	AMAZON.COM INC	15540	823.24	654.39	10,169,275
US Retailers Gen	COSTCOWHOLESALE CORP	33321	163.94	130.32	4,342,256
US Retailers Gen	EXPEDIA INC	25015	121.58	96.64	2,417,548
US Retailers Gen	KROGER CO	12908	33.95	26.99	348,346
US Retailers Gen	L BRANDS	12348	60.21	47.86	590,987

US Retailers Gen	WALGREENS BOOTS ALLIANCE INC	35340	81.92	65.12	2,301,277
US Retailers Gen	WAYFAIR INC-CLASS A	56560	41.56	33.04	1,868,519
<b>US Retailers - General Total</b>					<b>22,038,208</b>

#### **MEDIA**

US Media & Photo	ALLIANCE DATA SYSTEMS CORP	8084	228.31	181.48	1,467,114
US Media & Photo	CHARTER COMMUNICATIONS INC-A	33127	323.94	257.50	8,530,199
US Media & Photo	COMCAST CORP CL A	147157	75.42	59.95	8,822,262
US Media & Photo	FACEBOOK INC	65799	130.33	103.60	6,816,731
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	40267	28.70	22.81	918,636
US Media & Photo	NETFLIX INC	29455	140.70	111.84	3,294,319
US Media & Photo	OUTFRONT MEDIA INC	62294	27.41	21.79	1,357,275
US Media & Photo	TWENTY-FIRST CENTURY FOX	111642	31.39	24.95	2,785,681
US Media & Photo	VIACOM INC-CLASS B	57019	42.14	33.50	1,909,970
<b>US Media Total</b>					<b>35,902,188</b>

#### **TRAVEL & LEISURE**

US Transport	AMERICAN AIRLINES GROUP INC	30294	44.23	35.16	1,065,089
<b>US Travel &amp; Leisure Total</b>					<b>1,065,089</b>

#### **ELECTRICITY**

US Electricity	PINNACLE WEST CAPITAL	13179	77.63	61.71	813,251
US Electricity	EVERSOURCE ENERGY	24529	55.31	43.97	1,078,440
US Electricity	EDISON INTERNATIONAL	29616	72.87	57.92	1,715,488
US Electricity	UGI CORP	33980	46.37	36.86	1,252,486
US Electricity	PG&E CORP	49510	61.88	49.19	2,435,318
US Electricity	NEXTERA ENERGY INC	48573	123.71	98.34	4,776,527
US Electricity	DOMINION RESOURCES INC/VA	42978	76.25	60.61	2,604,945
US Electricity	AVANGRID INC	66670	38.79	30.83	2,055,714
US Electricity	EXELON CORP	61036	35.87	28.51	1,740,323
<b>US Electricity Total</b>					<b>18,472,493</b>

#### **GAS & WATER**

Gas	KINDER MORGAN INC	150026	22.34	17.76	2,664,172
Gas	SEMPRA ENERGY	29386	102.40	81.40	2,391,955
Gas	SPECTRA ENERGY CORP	15009	41.65	33.11	496,912
<b>US Gas &amp; Water Total</b>					<b>5,553,038</b>

#### **BANKS, RETAIL**

US Banks Retail	BANK OF AMERICA CORP	744508	22.64	18.00	13,398,565
US Banks Retail	PNC FINANCIAL SERVICES GROUP	73662	120.47	95.76	7,053,991
<b>US Banks - Retail Total</b>					<b>20,452,556</b>

#### **NON-LIFE INSURANCE**

US Insurance	AMERICAN INTERNATIONAL GROUP	111062	64.24	51.06	5,671,312
US Insurance	ALLSTATE CORP	27380	75.21	59.78	1,636,898
US Insurance	ASSURED GUARANTY LTD	91219	38.91	30.93	2,821,363
US Insurance	CHUBB LTD	13442	131.44	104.48	1,404,442
US Insurance	HARTFORD FINANCIAL SVCS GRP	50440	48.70	38.71	1,952,615
US Insurance	MARSH & MCLENNAN COS INC COM	77305	68.01	54.06	4,179,197
US Insurance	METLIFE INC	40215	54.40	43.24	1,739,000
US Insurance	PRUDENTIAL FINANCIAL INC	28574	105.08	83.53	2,386,732
<b>US Non-Life Insurance Total</b>					<b>21,791,558</b>

#### **LIFE INSURANCE**

US Banks Retail	MANULIFE FINANCIAL CORP	112110	19.15	15.22	1,706,576
US Banks Retail	XL GROUP	100660	37.56	29.86	3,005,350
<b>US Life Insurance Total</b>					<b>4,711,926</b>

#### **REAL ESTATE**

US Real Estate	AMERICAN TOWER CORP	53732	103.48	82.26	4,419,793
US Real Estate	APARTMENT INVT & MGMT CO-A	57665	44.05	35.02	2,019,160
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	18994	110.75	88.04	1,672,140
US Real Estate	EQUINIX INC	4966	384.90	305.96	1,519,383
US Real Estate	PARK HOTELS & RESORTS INC	35152	27.12	21.56	757,796
US Real Estate	PROLOGIS INC	48888	48.84	38.82	1,897,975



US Real Estate	SIMON PROPERTY GROUP INC	10567	183.77	146.08	1,543,614
<b>US Real Estate Total</b>					<b>13,829,860</b>

#### GENERAL FINANCIAL

US Special Finance	AMERICAN EXPRESS CO	90082	76.37	60.71	5,468,564
US Special Finance	CAPITAL ONE FINANCIAL CORP	101133	87.39	69.47	7,025,336
US Special Finance	CONYERS PARK ACQUISITION COR	124880	10.87	8.64	1,079,034
US Special Finance	EQUIFAX INC	16587	117.26	93.21	1,546,074
US Special Finance	EVERCORE PARTNERS INC-CL A	18415	77.35	61.49	1,132,256
US Special Finance	FLEETCOR TECHNOLOGIES INC	8854	147.41	117.18	1,037,478
US Special Finance	GLOBAL PAYMENTS INC	56848	77.27	61.42	3,491,713
US Special Finance	HUNTINGTON BANCSHARES INC	245817	13.52	10.75	2,641,807
US Special Finance	INTERCONTINENTAL EXCHANGE INC	31474	58.37	46.40	1,460,341
US Special Finance	INVESTMENT TECHNOLOGY GROUP	18400	20.09	15.97	293,840
US Special Finance	LEGG MASON INC	18917	31.70	25.20	476,677
US Special Finance	IHS MARKIT LTD	22296	39.44	31.35	698,999
US Special Finance	MORGAN STANLEY	41186	42.49	33.78	1,391,070
US Special Finance	NORTHERN TRUST CORP	24342	82.97	65.95	1,605,424
US Special Finance	PAYPAL HOLDINGS INC	36828	39.77	31.61	1,164,250
US Special Finance	SANTANDER CONSUMER	301116	13.22	10.51	3,164,301
US Special Finance	TD AMERITRADE HOLDING CORP	35109	46.14	36.68	1,287,682
US Special Finance	TOTAL SYSTEM SERVICES INC	5782	50.67	40.28	232,885
US Special Finance	VISA INC CL A SHS	96023	82.72	65.75	6,313,909
US Special Finance	WEX INC	13260	114.33	90.88	1,205,081
US Special Finance	WISDOMTREE INVESTMENTS INC	41000	10.29	8.18	335,360
<b>US General Financial Total</b>					<b>43,052,079</b>

#### SOFTWARE

US Software & Comp	ALPHABET INC - CL A SHARES	14200	820.07	651.87	9,256,606
US Special Finance	AUTOMATIC DATA PROCESSING	25116	101.00	80.28	2,016,436
US Software & Comp	BLUECORP INC	44828	15.05	11.96	536,288
US Software & Comp	COGNIZANT TECH SOLUTIONS-A	16735	52.56	41.78	699,187
US Software & Comp	EBAY INC	39441	31.82	25.29	997,610
US Software & Comp	ELECTRONIC ARTS INC	42213	83.42	66.31	2,799,168
US Software & Comp	ENVESTNET INC	15780	37.75	30.01	473,518
US Software & Comp	MICROSOFT CORP	120832	64.64	51.38	6,208,630
US Software & Comp	SALESFORCE.COM INC	28499	79.09	62.87	1,791,693
US Software & Comp	SERVICENOW INC	28138	90.60	72.02	2,026,441
US Software & Comp	SS&C TECHNOLOGIES HOLDINGS	21655	32.13	25.54	553,072
US Software & Comp	WORKDAY INC-CLASS A	41243	83.09	66.05	2,724,028
<b>US Software Total</b>					<b>30,082,676</b>

#### TECHNOLOGY HARDWARE

US IT Hardware	ANALOG DEVICES INC	23721	74.94	59.57	1,413,055
US IT Hardware	APPLE INC	155254	121.29	96.41	14,968,569
US IT Hardware	ARISTA NETWORKS INC	42563	94.00	74.72	3,180,333
US IT Hardware	BROADCOM LTD	15441	199.53	158.61	2,449,041
US IT Hardware	INTEL CORP	112506	36.82	29.27	3,292,850
US IT Hardware	MICROCHIP TECHNOLOGY INC	31870	67.34	53.53	1,705,955
US IT Hardware	MICRON TECHNOLOGY INC	104977	24.10	19.16	2,011,054
US IT Hardware	PURE STORAGE INC - CLASS A	143946	11.36	9.03	1,299,842
US IT Hardware	SEAGATE TECHNOLOGY	65364	45.14	35.88	2,345,377
<b>US Technology Hardware Total</b>					<b>32,666,077</b>

<b>TOTAL UNITED STATES</b>					<b>474,866,115</b>
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**DERBYSHIRE PENSION FUND**  
**JANUARY 2017 PORTFOLIO VALUATION - BID**  
**NEW SECTORS**  
**UK EQUITIES**

<b>Sector</b>	<b>Company Name</b>	<b>Number held</b>	<b>Mkt Price Pence</b>	<b>Total £</b>
<b>OIL &amp; GAS PRODUCERS</b>				
UK Oil & Gas	BP PLC USD\$0.25	11,825,000	472.85	55,914,513
UK Oil & Gas	CAIRN ENERGY	500,000	226.80	1,134,000
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	1,000,000	2147.50	21,475,000
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,573,560	2236.50	57,557,669
UK Oil & Gas	TULLOW OIL PLC	945,000	294.20	2,780,190
<b>UK Oil &amp; Gas Producers Total</b>				<b>138,861,372</b>
<b>OIL &amp; GAS SERVICES</b>				
UK Const Build Ma	AMEC FOSTER WHEELER	275,000	441.80	1,214,950
UK Const Build Ma	WOOD GROUP (JOHN) PLC	270,000	838.00	2,262,600
<b>UK Oil &amp; Gas Services Total</b>				<b>3,477,550</b>
<b>CHEMICALS</b>				
UK Chemicals	JOHNSON MAT ORD£1	135,000	3250.00	4,387,500
UK Chemicals	VICTREX PLC	50,000	1899.00	949,500
<b>UK Chemicals Total</b>				<b>5,337,000</b>
<b>FORESTRY &amp; PAPER</b>				
UK Forestry & Pap	MONDI PLC	400,000	1751.00	7,004,000
<b>UK Forestry &amp; Paper Total</b>				<b>7,004,000</b>
<b>MINING</b>				
UK Mining	ANGLO AMER US\$0.50	600,000	1357.50	8,145,000
UK Mining	BHP BILLITON PLC	500,000	1437.50	7,187,500
UK Mining	GLENCORE PLC	7,000,000	326.40	22,848,000
UK Mining	RIO TINTO 10P	850,000	3491.00	29,673,500
<b>UK Mining Total</b>				<b>67,854,000</b>
<b>CONSTRUCTION</b>				
UK Engin Mach	BALFOUR BEATTY PLC	2,000,000	118.50	2,370,000
UK Engin Mach	KIER GROUP PLC	230,614	1380.00	3,182,473
<b>UK Construction Total</b>				<b>5,552,473</b>
<b>AEROSPACE</b>				
UK Aero defence	BAE ORD 2.5P	1,900,000	582.00	11,058,000
UK Aero defence	COBHAM PLC	1,700,000	135.60	2,305,200
UK Aero defence	ROLLS ROYCE 20P	1,000,000	667.50	6,675,000
<b>UK Aerospace Total</b>				<b>20,038,200</b>
<b>GENERAL INDUSTRIAL</b>				
UK General Industri	DS SMITH PLC	1,000,000	443.00	4,430,000
UK General Industri	RPC GROUP PLC	192,000	1071.00	2,056,320
UK General Industri	SMURFIT KAPPA GROUP PLC	150,000	2081.00	3,121,500
<b>UK General Industrial Total</b>				<b>9,607,820</b>

**ELECTRONIC EQUIPMENT**

UK Electronic equip  HALMA PLC	500,000	925.00	4,625,000
<b>UK Eelectronic Equipment Total</b>			<b>4,625,000</b>

**INDUSTRIAL ENGINEERING**

UK Engin Mach HILL & SMITH HOLDINGS PLC	250,000	1205.00	3,012,500
UK Engin Mach IMI PLC ORDINARY 25P	100,000	1166.00	1,166,000
UK General Industri ROTORK PLC	1,350,000	255.40	3,447,900
UK Engin Mach SPIRAX-SARCO 25P	120,000	4303.00	5,163,600
<b>UK Industrial Engineering Total</b>			<b>12,790,000</b>

**SUPPORT SERVICES**

UK Support Service BABCOCK INT'L	1,200,000	893.00	10,716,000
UK Support Service BUNZL PLC	330,000	2089.00	6,893,700
UK Support Service CAPITA PLC	338,000	500.00	1,690,000
UK Support Service ESSENTRA PLC	360,000	409.20	1,473,120
UK Support Service G4S PLC	1,000,000	255.10	2,551,000
UK Const Build Ma TRAVIS PERKINS 10P	325,000	1452.00	4,719,000
UK Const Build Ma WOLSELEY PLC	152,000	4907.00	7,458,640
UK Const Build Ma WORLDPAY GROUP PLC	615,000	285.80	1,757,670
<b>UK Support Services Total</b>			<b>37,259,130</b>

**AUTOMOBILES**

UK Autos GKN PLC ORD 50P	2,150,000	343.40	7,383,100
<b>UK Automobiles Total</b>			<b>7,383,100</b>

**BEVERAGES**

UK Beverages BRITVIC	1,300,000	625.00	8,125,000
UK Beverages DIAGEO 28 101/108P	1,430,000	2203.00	31,502,900
<b>UK Beverages Total</b>			<b>39,627,900</b>

**FOOD PRODUCERS**

UK Foods ASSOCIATED BRITISH FOODS PLC	400,000	2386.00	9,544,000
<b>UK Food Producers Total</b>			<b>9,544,000</b>

**HOUSEHOLD GOODS**

UK Housebuilders BOVIS HOMES GROUP PLC	900,000	825.50	7,429,500
UK Housebuilders BELLWAY PLC	350,000	2484.00	8,694,000
UK Housebuilders COUNTRYSIDE PROPERTIES PLC	1,300,000	233.50	3,035,500
UK Hous Gds Txl PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care RECKITT BENCKISER	240,000	6802.00	16,324,800
UK Housebuilders REDROW PLC	900,000	444.50	4,000,500
UK Housebuilders TAYLOR WIMPEY PLC	3,000,000	153.50	4,605,000
<b>UK Household Goods Total</b>			<b>44,089,300</b>

**PERSONAL GOODS**

UK Food Prod & Pi BURBERRY	300,000	1640.00	4,920,000
UK Housebuilders PZ CUSSONS PLC	1,250,000	304.00	3,800,000
UK Retailers Gen TED BAKER PLC	150,000	2842.00	4,263,000
UK Food Prod & Pi UNILEVER ORD 1.4P	850,000	3227.50	27,433,750
<b>UK Personal Goods Total</b>			<b>40,416,750</b>

**TOBACCO**

UK Tobacco	BRIT AMER TOBC 25P	1,000,000	4899.00	48,990,000
UK Tobacco	IMPERIAL BRANDS PLC	600,000	3673.50	22,041,000
<b>UK Tobacco Total</b>				<b>71,031,000</b>

**PHARMACEUTICAL & BIOTECH**

UK Pharm, Biotech	ASTRAZENECA ORD	775,000	4194.00	32,503,500
UK Pharm, Biotech	GLAXOSMITHKLINE25P	3,155,000	1528.00	48,208,400
UK Pharm, Biotech	SHIRE PHARMA ORD5P	250,000	4379.50	10,948,750
<b>UK Pharmaceutical &amp; Biotech Total</b>				<b>91,660,650</b>

**FOOD RETAIL**

UK Retail Food & I	BOOKER GROUP PLC	2,300,000	203.70	4,685,100
UK Retail Food & I	TESCO ORD 5P	3,800,000	194.60	7,394,800
<b>UK Food Retail Total</b>				<b>12,079,900</b>

**GENERAL RETAIL**

UK Retailers Gen	DIXONS CARPHONE PLC	125,000	315.80	394,750
UK Retailers Gen	INCHCAPE PLC	100,000	717.00	717,000
UK Retailers Gen	KINGFISHER	1,660,000	336.10	5,579,260
UK Retailers Gen	M&S ORD 25P	850,000	335.30	2,850,050
UK Retailers Gen	NEXT PLC	14,000	3829.00	536,060
<b>UK General Retail Total</b>				<b>10,077,120</b>

**MEDIA**

UK Media & Photo	SKY PLC	1,000,000	1001.00	10,010,000
UK Media & Photo	INFORMA PLC	1,000,000	651.50	6,515,000
UK Media & Photo	ITV ORD	6,300,000	203.20	12,801,600
UK Media & Photo	RELX PLC	450,000	1422.00	6,399,000
UK Media & Photo	UNITED BUSINESS MEDIA	850,000	704.50	5,988,250
UK Media & Photo	WPP GRP ORD 10P	950,000	1843.00	17,508,500
<b>UK Media Total</b>				<b>59,222,350</b>

**TRAVEL & LEISURE**

UK Travel & Leisur	COMPASS GRP ORD10P	941,176	1412.00	13,289,405
UK Travel & Leisur	GREENE KING PLC	725,000	681.00	4,937,250
UK Travel & Leisur	INTERCONTINENTAL HOTELS GRP	116,666	3679.00	4,292,142
UK Travel & Leisur	JD WETHERSPN ORD2P	300,000	937.00	2,811,000
UK Travel & Leisur	LADBROKES CORAL GROUP PLC	2,100,000	119.30	2,505,300
UK Travel & Leisur	MARSTON'S	2,250,000	131.70	2,963,250
UK Travel & Leisur	NATIONAL EXPRESS GROUP	800,000	338.30	2,706,400
UK Travel & Leisur	STAGECOACH ORD0.5P	1,400,000	209.20	2,928,800
<b>UK Travel &amp; Leisure Total</b>				<b>36,433,547</b>

**TELECOMS**

UK Fixed-Line Tele	BT ORD GBP 5P	5,500,000	303.85	16,711,750
UK Mobile Telecon	VODAFONE GRP COM	16,000,000	194.35	31,096,000
<b>UK Telecoms Total</b>				<b>47,807,750</b>

**ELECTRICITY**

UK Electricity	SCOT & SOUTH 50P	450,000	1488.00	6,696,000
<b>UK Electricity Total</b>				<b>6,696,000</b>

**GAS & WATER**

UK Gas Distribution	CENTRICA	3,000,000	224.30	6,729,000
UK Electricity	NAT GRID PLC ORD 10P	3,050,000	927.60	28,291,800
UK Water	PENNON GP ORD £1	400,000	793.00	3,172,000
UK Water	SEVERN TR 65 5/19P	236,000	2270.00	5,357,200
UK Water	UNITED UTILITIES GROUP PLC	600,000	917.00	5,502,000
<b>UK Gas &amp; Water Total</b>				<b>49,052,000</b>

**BANKS, RETAIL**

UK Banks Retail	BARCLAYS ORD 25P	11,000,000	219.40	24,134,000
UK Banks Retail	HSBC HLDG \$0.50	9,300,000	676.40	62,905,200
UK Banks Retail	LLOYDS BANKING GROUP PLC	52,500,000	64.92	34,083,000
UK Banks Retail	STANDARD CHARTERED ORD	1,650,000	774.10	12,772,650
<b>UK Banks - Retail Total</b>				<b>133,894,850</b>

**NON-LIFE INSURANCE**

UK Insurance	BEAZLEY PLC	1,500,000	405.20	6,078,000
UK Insurance	HISCOX	348,524	1026.00	3,575,856
UK Insurance	JARDINE LLOYD THOMPSON GROUP	350,000	1030.00	3,605,000
UK Insurance	RSA INSURANCE GROUP	875,000	573.50	5,018,125
<b>UK Non-Life Insurance Total</b>				<b>18,276,981</b>

**LIFE INSURANCE**

UK Insurance Life	AVIVA ORD 25P	1,950,000	476.90	9,299,550
UK Insurance Life	LEGAL&GEN GRP 2.5P	5,900,000	234.90	13,859,100
UK Insurance Life	OLD MUTUAL ORD	3,400,000	207.70	7,061,800
UK Insurance Life	PRUDENTIAL ORD 5P	1,900,000	1532.00	29,108,000
<b>UK Life Insurance Total</b>				<b>59,328,450</b>

**REAL ESTATE INVESTMENT TRUSTS**

UK Real Estate	BRITISH LAND 25P	750,000	583.00	4,372,500
UK Real Estate	HAMMERSON ORD 25P	500,000	546.50	2,732,500
UK Real Estate	LAND SECS ORD £1	700,000	993.50	6,954,500
UK Real Estate	LONDONMETRIC PROPERTY PLC	1,800,000	147.60	2,656,800
UK Real Estate	SEGRO PLC	950,000	461.50	4,384,250
UK Real Estate	SHAFTESBURY PLC	350,000	876.00	3,066,000
<b>UK Real Estate Total</b>				<b>24,166,550</b>

**REAL ESTATE INVESTMENT & SERVICES**

UK Real Estate	CAPITAL & COUNTIES PROPERTIES	800,000	271.90	2,175,200
<b>UK Real estate investment &amp; services</b>				<b>2,175,200</b>

**FINANCIAL SERVICES**

UK Special Finance	ABERDEEN ASSET MANAGEMENT	1,000,000	262.10	2,621,000
UK Special Finance	MAN GROUP	2,400,000	132.90	3,189,600
UK Special Finance	NEX GROUP PLC	371,428	574.00	2,131,997
UK Special Finance	RATHBONE BROTHERS PLC	100,000	2076.00	2,076,000
UK Special Finance	SCHRODERS ORD GBP1	325,000	2933.00	9,532,250
UK Special Finance	TP ICAP PLC	303,526	464.50	1,409,878
<b>UK General Financial Total</b>				<b>20,960,725</b>

**EQUITY INVESTMENT COMPANIES**

UK Investment Co: ABERFORTH SML 1P	1,050,000	1141.00	11,980,500
UK Investment Co: BLACKROCK SMALLER COMPANIES	2,385,000	995.00	23,730,750
UK Investment Co: DUNEDIN SMR CO 25P	2,819,000	206.00	5,807,140
UK Investment Co: IMPAX ENV ORD 10P	3,710,989	216.50	8,034,291
UK Investment Co: LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co: MERCANTILE INV TRUST PLC (THE)	1,790,000	1752.00	31,360,800
UK Investment Co: MONTANARO UK SMALLER CO'S 10P	3,000,000	467.50	14,025,000
UK Investment Co: RIVER & MERCANTILE UK MICRO	4,800,000	138.00	6,624,000
UK Investment Co: STRATHDON INVESTMENTS PLC	20	100000.00	20,000
<b>UK Equity Investment Companies Total</b>			<b>101,582,481</b>

**SOFTWARE & COMPUTER SERVICES**

UK Elect electron MICRO FOCUS INTERNATIONAL	230,000	2144.00	4,931,200
UK Elect electron NCC GROUP PLC	1,800,000	185.25	3,334,500
<b>UK Software &amp; Computer Services Total</b>			<b>8,265,700</b>

**IT HARDWARE**

UK IT Hardware LAIRD PLC	1,600,000	165.75	2,652,000
<b>UK IT Hardware Total</b>			<b>2,652,000</b>

**UNIT TRUSTS & OEICs**

UK Unit Trusts ROYAL LONDON SUSTAINABLE LEAF	1,832,597	500.20	9,166,648
UK Unit Trusts LIONTRUST UK SMALLER COMPANIE	1,348,544	1100.39	14,839,249
UK OEIC TB SARACEN UK BETA-ACC	2,250,000	629.76	14,169,600
UK Unit Trusts SCHRODER UK MID-250 FUND ACC L	4,250,000	232.40	9,877,000
<b>UK Unit Trusts &amp; OEICs Total</b>			<b>48,052,496</b>

**INVESTMENT ENTITIES**

UK Unit Trusts MONTANARO UK SMALLER COS-£D	5,195,398	1.44	7,496,959
<b>UK Investment Entities Total</b>			<b>7,496,959</b>

**TOTAL UNITED KINGDOM****1,264,380,305**

DERBYSHIRE PENSION FUND  
JANUARY 2017 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	275.51	2.76	429,688,208
EUROPEAN EQUITIES TOTAL				429,688,208

DERBYSHIRE PENSION FUND  
JANUARY 2017 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
<b>Company name</b>				
<b>JAPAN</b>				
<b>Investment Companies</b>				
Japan CC Japan Income & Growth Trust	5,000,000	122.50	122.50	6,125,000
Japan JPMorgan JAP IT 25P	7,730,000	337.50	337.50	26,088,750
Japan JPMF japs smoc	2,250,000	314.75	314.75	7,081,875
Japan Schroder Japan Growth Fund 10p ords	11,300,000	190.00	190.00	21,470,000
<b>J Investment Companies Total</b>				<b>60,765,625</b>
<b>Unit Trusts &amp; OEICs</b>				
Japan Baillie Gifford OGF - Japanese B Acc Shares	4,509,131.97	1,366.00	1,366.00	61,594,743
Japan Baring Japan Growth Trust	5,500,000.00	179.50	179.50	9,872,500
Japan Invesco Perpetual Japan-NTA	4,491,190.80	195.09	195.09	8,761,864
Japan JPMorgan Jap Fd A Acc	3,000,000.00	375.50	375.50	11,265,000
Japan Legg Mason IF Martin Currie Japan Alpha Fund X	31,075,861.03	152.40	152.40	47,359,612
Japan Schroder UT Tokyo Ac	11,000,000.00	337.70	337.70	37,147,000
<b>J Unit Trusts Total</b>				<b>176,000,719</b>
<b>Investment Entities</b>				
Japan Aberdeen Global - JAP Smaller Cos Fund DE	1,662,639.78	9.51	9.51	15,811,871
Japan DSBi-JPN EQT FUNDMNTL ACT-IG	60,000.00	117.16	11,716.00	7,029,600
Japan JO Hambro - Japan Fd GBP-A	15,000,000.00	2.33	2.33	34,890,000
<b>J Investment Entities Total</b>				<b>57,731,471</b>
<b>JAPAN TOTAL</b>				<b>294,497,815</b>
<b>OTHER ASIA</b>				
<b>Investment Companies</b>				
Asian ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	200.75	200.75	6,022,500
Asian ABERDEEN NDIT 25P	7,350,000	202.00	202.00	14,847,000
Asian EDINBURGH DT 20P	12,300,000	313.75	313.75	38,591,250
Asian INVESCO ASIA TRUST 10P	7,480,000	236.25	236.25	17,671,500
<b>OA Investment Companies Total</b>				<b>77,132,250</b>
<b>Unit Trusts &amp; OEICs</b>				
Asian Stewart Investors Asia Pacific Fund (First State A)	5,250,000	1,377.71	1,377.71	72,329,775
Asian JPMorgan Asia Fund A Ac	20,000,000	162.00	162.00	32,400,000
Asian Schroder Instl PAC Fd Ac	2,000,000	1,332.00	1,332.00	26,640,000
<b>OA Unit Trusts Total</b>				<b>131,369,775</b>
<b>Investment Entities</b>				
Asian Baring Int'l Australia \$	130,000,000	106.44	84.61	10,999,190
Asian Legg Mason-Martin Currie Greater China Fund-A/	414,035,359	23.74	18.87	7,813,231
<b>OA Investment Entities Total</b>				<b>18,812,421</b>
<b>OTHER ASIA TOTAL</b>				<b>227,314,446</b>
<b>EMERGING MARKETS</b>				
<b>Investment Companies</b>				
Internatio ABERDEEN EMERGING MARKETS	3,098,250	526.00	526.00	16,296,795
Internatio ABERDEEN FRONTIER MARKETS	5,000,000	64.75	64.75	3,237,500
Internatio BLACKROCK FRONTIERS INV TRUST	3,525,000	142.75	142.75	5,031,938
Internatio BLACKROCK EMERGING EUROPE PL	2,780,175	300.00	300.00	8,340,525
Latin Am Blackrock Latin American Investment Trust plc	862,529	420.00	420.00	3,622,622
Internatio GENESIS EMERGING MKTS FUND LTD	4,600,000	607.00	607.00	27,922,000
Internatio JP Morgan EMER IT25P	4,000,000	700.50	700.50	28,020,000
<b>Int'l Investment Companies Total</b>				<b>92,471,379</b>
<b>Unit Trusts &amp; OEICs</b>				
Internatio Stewart Investors Global Emerging Markets Funf	3,000,000	833.44	833.44	25,003,200
Latin Am Thd ndle Lnamer Gwth	3,500,000	260.90	260.90	9,131,500
<b>Int'l Unit Trusts Total</b>				<b>34,134,700</b>
<b>Investment Entities</b>				
Internatio FPP GLOBAL EMERGING MKTS	82,057,980	94.70	75.28	6,177,107
Latin Am JPMorgan LNAMEMER A U\$	86,085,904	40.58	32.26	2,776,877
Internatio POLUNIN FUNDS-DEVEL CNTY-B	47,502,659	924.50	734.89	34,908,994
<b>LatAm Investment Entities Total</b>				<b>43,862,978</b>
<b>EMERGING MARKETS TOTAL</b>				<b>170,469,057</b>
<b>OTHER EQUITIES TOTAL</b>				<b>692,281,318</b>



**DERBYSHIRE PENSION FUND**  
**JANUARY 2017 PORTFOLIO VALUATION - BID**

<b>OTHER EQUITIES</b>	<b>Number</b>	<b>Mkt price</b>	<b>Value in Sterling</b>
<b>Company name</b>	<b>held</b>	<b>in local</b>	<b>£</b>
<b>PRIVATE EQUITY</b>		<b>currency</b>	
<b>Quoted Private Equity</b>			
UK Invest APAX GLOBAL ALPHA LTD	4,900,000	144.00	7,056,000
UK Invest ELECTRA PRIVATE EQUITY PLC	300,000	4643.00	13,929,000
UK Invest HARBOURVEST GLOBAL PRIVATE	825,000	1185.00	9,776,250
UK Invest HGCAPITAL TRUST PLC	570,000	1500.00	8,550,000
UK Invest NB PRIVATE EQUITY PARTNERS Ltd (A)	1,201,003	12.25	11,694,797
UK Invest WOODFORD PATIENT CAPITAL TRUST	9,000,000	91.75	8,257,500
<b>UK Quoted Private Equity Total</b>			<b>59,263,547</b>
<b>Unquoted Private Equity</b>			
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.21	3,405,026
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT F	13,193,440	0.33	3,685,617
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.27	799,251
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	210,484
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	2,500,000	0.23	569,388
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.12	1,210,138
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.71	4,586,738
UK Uncla PHILDREW VENTURES 4TH	820,000	0.40	3,280
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.18	1,761,437
<b>UK Unquoted Private Equity Total</b>			<b>17,107,795</b>
<b>PRIVATE EQUITY TOTAL</b>			<b>76,371,342</b>
<b>INFRASTRUCTURE</b>			
<b>UK Infrastructure Quoted</b>			
Closed-er FORESIGHT SOLAR FUND LTD	5,000,000	108.25	5,412,500
Closed-er HICL INFRASTRUCUTRE CO LTD	3,313,467	161.00	5,334,682
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTI	17,744,841.00	153.60	27,256,075.78
Closed-e RENEWABLES INFRASTRUCTURE GR	10,148,470.00	110.40	11,203,910.88
<b>UK Infrastructure Quoted Total</b>			<b>49,207,169</b>
<b>UK Infrastructure Unquoted</b>			
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.82	13,654,884
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.12	1,072,362
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	0.73	10,964,920
<b>UK Infrastructure Total</b>			<b>25,692,166</b>
<b>INFRASTRUCTURE TOTAL</b>			<b>74,899,334.27</b>
<b>ALTERNATIVES TOTAL</b>			<b>151,270,676</b>

**DERBYSHIRE PENSION FUND**  
**JANUARY 2017 PORTFOLIO VALUATION - BID**

**31/12/2016**

**Real Property**

		<b>Value</b>
		<b>£</b>
Property	Southampton Property	5,350,000
Property	Retail Unit Tamworth	9,850,000
Property	15-17 Jockeys Field London	10,350,000
Property	D'Arblay House, London	14,000,000
Property	Bristol Odeon Development	5,850,000
Property	Quintins Centre, Hailsham	5,450,000
Property	Caledonia House, London	21,600,000
Property	Chelsea Fields Ind Est, London	8,750,000
Property	Planet Centre, Feltham	pch 16/5/08 10,750,000
Property	Hill St, Mayfair	pch 29/9/08 16,250,000
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, Birmingham June 2016	6,200,000
Property	South Normanton Warehouse, A Nov 2016	13,800,000
<b>Total Real Property</b>		<b>159,525,000</b>

**Property Managed Funds**

		<b>Number held</b>	<b>Mkt price</b>	
Property	<b>Pence</b>	Assura PLC	4,000,000	52.0000
Property	<b>GBP</b>	Aviva Pooled Property Fund - class A	720,705	13.9679
Property	<b>GBP</b>	Aviva Pooled Property Fund - class B	419,164	14.0491
Property	<b>GBP</b>	Blackrock UK Property Fund	78,848	41.2853
Property	<b>GBP</b>	Bridges Property Alternatives Fund III LP	802	10069.2282
Property	<b>GBP</b>	Bridges Property Alternatives Fund IV LP	59	4293.7088
Property	<b>EUR</b>	Fidelity Eurozone Select Real Estat Fund - pri	2,468	5368.5900
Property	<b>GBP</b>	Igloo Regeneration P'ship Property Unit Trust	4,644,493	0.5165
Property	<b>EUR</b>	Invesco Real Estate-European Fund FCP - SI	44,569	114.5560
Property	<b>Pence</b>	Target Healthcare REIT Ltd	2,915,000	113.0000
Property	<b>GBP</b>	Prudential M&G Property Fund	27,124	697.5700
Property	<b>GBP</b>	Threadneedle Pensions Property Fund	1,647,730	5.5827
Property	<b>Pence</b>	Tritax Big Box Indirect Pooled Fund	10,000,000	138.4000
Property	<b>Pence</b>	TR Property Investment Trust	900,000	286.1000
Property	<b>GBP</b>	Unite UK Student Accommodation Fund	15,584,567	1.2623
<b>Total Property Funds</b>				<b>115,274,379</b>

**Local Authority Dep** Chesterfield Borough Council

16,074

**3,718**

<b>Cash</b>	<b>Updated to 31 January 2017</b>		<b>Mellon</b>	<b>USD</b>	<b>Exch rate</b>	
Cash	BNP Paribas	UK				31,182,337
Cash		Euro				0
Cash		Wellington				16,804,221
Cash						
Cash	Cash - Coop bank	61041040				0
Cash	Cash - Lloyds bank Superfund	20553355				7,617,000
Cash	Cash Temporary Loans	Bank/B Soc	115,000,000			
	Standard Life	Callable	5,000,000			
	Deutsche Global MMF	Callable	10,000,155			
	Yorks Bank call a/c		2,315			130,002,470
	Certs of Deposit		0			0
	Treasury Bills		0			0
<b>Total Cash</b>						<b>185,606,028</b>

EQUITIES	UK	US	Total Europe	Japan	Other Asia	Emerging Mkts
Oil & Gas Producers	151,242,629	138,861,372	12,381,257	0		
Oil & Gas Services	17,274,634	3,477,550	13,797,084	0		
Chemicals	12,961,142	5,337,000	7,624,142	0		
Forestry & Paper	9,108,233	7,004,000	2,104,233	0		
Industrial Metals	3,167,446		3,167,446	0		
Mining	67,854,000	67,854,000	0	0		
Construction	8,641,267	5,552,473	3,088,794	0		
Aerospace	33,729,180	20,038,200	13,690,980	0		
General Industrial	23,992,684	9,607,820	14,384,864	0		
Electronic Equipment	11,415,843	4,625,000	6,790,843	0		
Industrial Engineering	12,790,000	12,790,000	0	0		
Industrial Transport	6,213,208	6,213,208	0	0		
Support Services	45,071,551	37,259,130	7,812,421	0		
Automobiles	14,123,868	7,383,100	6,740,768	0		
Beverages	60,108,553	39,627,900	20,480,653	0		
Food Producers	19,440,305	9,544,000	9,896,305	0		
Household Goods	55,152,446	44,089,300	11,063,146	0		
Leisure Goods	0			0		
Personal Goods	47,800,781	40,416,750	7,384,031	0		
Tobacco	77,735,923	71,031,000	6,704,923	0		
Healthcare Equipment & Services	16,351,411	16,351,411	0	0		
Pharmaceutical / Biotech	145,261,398	91,660,650	53,600,748	0		
Food Retail	14,051,008	12,079,900	1,971,108	0		
General Retail	32,115,328	10,077,120	22,038,208	0		
Media	95,124,538	59,222,350	35,902,188	0		
Travel & Leisure	37,498,637	36,433,547	1,065,089	0		
Telecoms	47,807,750	47,807,750	0	0		
Electricity	25,168,493	6,696,000	18,472,493	0		
Gas & Water	54,605,038	49,052,000	5,553,038	0		
Banks	154,347,406	133,894,850	20,452,556	0		
Non-Life Insurance	40,068,539	18,276,981	21,791,558	0		
Life Insurance	64,040,376	59,328,450	4,711,926	0		
Real Estate Investment Trusts	37,996,410	24,166,550	13,829,860	0		
Real Estate Investment Service	2,175,200	2,175,200	0	0		
General Financial	64,012,804	20,960,725	43,052,079	0	60,765,625	92,471,379
Investment Companies	331,951,735	101,582,481		0		
Software	38,348,376	8,265,700	30,082,676	0		
Technology Hardware	35,318,077	2,652,000	32,666,077	0		
Unit Trusts & OEICs	389,557,690	48,052,496		0	176,000,719	34,134,700
Investment Entities	127,903,829	7,496,959		0	57,731,471	43,862,978
Passive tracker fund	429,688,208		429,688,208			
<b>Total Equities</b>	<b>2,861,215,946</b>	<b>1,264,380,305</b>	<b>474,866,115</b>	<b>294,497,815</b>	<b>227,314,446</b>	<b>170,469,057</b>

**DERBYSHIRE PENSION FUND**  
**JANUARY 2017 PORTFOLIO VALUATION - BID**

**Fixed Interest**

UK Government Bonds	242,718,271
UK Government Index Linked	202,630,980
Corporate Bonds	232,001,722
Corporate Index Linked	0
Multi Asset Credit	50,395,239
US Govt	13,566,738
US Govt Index Linked	63,459,763
France	0
French Govt Index Linked	0
Germany	0
German Govt Index Linked	0
<b>Total Fixed Interest</b>	<b>804,772,713</b>

**Alternatives**

Private Equity - quoted	59,263,547
Private Equity - unquoted	17,107,795
Infrastructure - quoted	49,207,169
Infrastructure - unquoted	25,692,166
<b>Total Alternatives</b>	<b>151,270,676</b>

**Miscellaneous**

Real Property	159,525,000
Property Funds	115,274,379
Local Authority Deposits	3,718
Cash (incl USA)	185,606,028
<b>Total Miscellaneous</b>	<b>460,409,125</b>

**TOTAL PORTFOLIO** **4,277,668,460**

