B&CE Global Investments (up to 60% shares) Fund as at 30 September 2015

the people's pension

The People's Pension Series

This fund forms the core of the 'Cautious' investment profile

Important Notes This document is provided for the purpose of information only and should not be construed in any way as giving investment advice. Past performance is not necessarily a guide to future performance, as the value of the units may go up or down and any return is not guaranteed. The price of the units can be monitored on our website at www.bandce.co.uk/resources/daily-unit-prices

Fund Aim/Objective

The B&CE Global Investments (up to 60% shares) Fund is a medium to lower risk fund that invests in a combination of equities and bonds.

The fund aims to produce moderate growth over the long term. It caters for members who are prepared to accept some degree of risk, but who look for investments which won't go up or down a lot.

Fund Manager

Contributions are currently invested on behalf of the Trustee by **Legal & General Investment Management** (LGIM) in a series of its index tracker funds.

Annual Management Charge (AMC)

The People's Pension is provided for a standard, flat 0.5% AMC. This covers all services and investment costs and contains no hidden elements.

Fund Performance (% growth rate)

	3 months to 30 Sep 2015	1 Year to 30 Sep 2015	1 Year to 30 Sep 2014	From inception to 30 Sep 2015*
Fund	-3.05	2.74	8.48	30.7

The above fund performance figures are provided after deduction of charges (based on AMC of 0.5%).

* Monies from The People's Pension were first invested in this Fund from 13 November 2012.

Fund Facts

Fund Launch Date	October 2012
Fund Size (£m)	1.3
Fund Type	Unit linked life insurance
Pricing Basis	Single price
Valuation and Dealing Frequency	Each working day (excludes weekends and UK bank holidays)
Base Currency	GBP
Domicile	United Kingdom

Market Review – LGIM

Equity

With fears over China's economic slowdown intensifying and an agreement reached in Greece, the focus of investor concerns shifted as the summer wore on. What began as a relatively contained fall in local Chinese equity markets morphed into something altogether more global as China took the decision to devalue its currency. Global equity markets were highly volatile in the third quarter as a result, with sharp falls across all major regions. Returns for the S&P 500 Index were the weakest since the third quarter of 2011.

US equity markets moved sideways initially, before falling sharply in August as investor fears over China spread. From a domestic economic perspective, the picture in the US remained broadly positive over the summer, with lower prices at the pump feeding through into higher disposable incomes. European markets outperformed, meanwhile, as investors responded to dovish comments from the European Central Bank. Volkswagen shares provided a notable exception to the European outperformance, however, as the company was found to have cheated emissions regulations.

The international nature of the FTSE meant that UK-listed stocks did not escape the rise in global risk aversion. The high weighting in resource and energy stocks was a drag to UK index returns as investors assessed the implications of lower commodity prices and weaker prospects for global growth. Mining giant Glencore provided a focus for investor attention as its share price fell particularly sharply. Domestically focused mid-cap stocks outperformed, with the environment for the UK consumer remaining relatively robust.

China's economic woes and the government's decision to devalue the yuan caused a sell-off in Chinese markets (which had their weakest quarter since 2008) and created a ripple effect across Asia. The equity indices of major exporters to China such as Taiwan, South Korea and Vietnam also suffered, as did Australian equities, given the country's particular sensitivity to falling iron ore prices.

Government Bonds (Gilts)

As global risk aversion rose sharply amid fears of slowing growth, particularly in emerging markets, demand for safe haven assets increased. Core government bond markets were the primary beneficiaries of this, particularly towards the end of August. A second factor behind the rally in government bonds was a change in expectations surrounding the timing of the first interest rate rises in the US and UK.

Given the sharp rise in risk asset volatility levels across the globe, investors effectively wrote off the possibility of a rate hike in either country during 2015, and government bond yields fell accordingly. In September, Federal Reserve Chair Janet Yellen duly sounded a distinctly dovish tone and cited the rise in market volatility as the rationale for holding off on hiking rates. This put further downward pressure on government bond markets.

In Europe, continued quantitative easing by the European Central Bank (ECB) contained euro zone government bond yields over the period. With fears of a potential Greek exit from the euro zone falling, the additional yields on other peripheral European bonds over German equivalents fell markedly over the quarter. Spain, Greece, Portugal and Italy all saw their bond yields fall despite the overall rise in risk asset volatility, as investors bet on continued monetary easing from the ECB.

With oil prices remaining only just above recent lows and other commodity prices remaining equally low, breakeven inflation rates dropped, leading inflation-linked government assets to underperform, particularly in August and September as commodity price falls accelerated.

Corporate Bonds

Global credit markets were volatile in the third quarter of the year as fears over global growth – centred on China – rose sharply. Credit spreads had already begun to rise during the second quarter of the year, and this trend continued throughout the summer as risk aversion rose. However, wider credit spreads were offset by falling underlying government bond yields, leading to a broadly flat performance from credit markets overall.

The first part of the quarter saw unseasonably high issuance of corporate bonds in the US. Firms continued to offer deals in large volumes, taking advantage of historically low interest rates to issue debt and use the cash for shareholder-focused activities such as buying back shares or engaging in mergers and acquisitions. This led US credit markets to underperform initially, although all corporate bond spreads widened in August as global risk aversion rose.

Towards the end of the period, stability returned to credit markets. This was driven by three main factors. First, global growth fears reduced from earlier in the summer and commodity prices held above August's lows. Second, the Federal Reserve supported investor confidence by keeping short-term interest rates on hold. Third, there were lower issuance levels in the corporate sector, with companies having already issued a significant amount of debt over the summer months in anticipation of higher interest rates.

European credit markets were weak over the period in total return terms despite the agreement between Greece and its creditors but still proved

continued overleaf

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more resilient than other major corporate bond markets. Volatile areas of the fixed income universe such as high yield bonds and emerging market debt underperformed as investors shunned higher-risk assets.

Global Equity Fixed Weights (50:50) Index Fund

- LGIM manages the Fund to maintain the asset distribution close to the benchmark and within prescribed control ranges. This is achieved by the application of cash flows and where necessary switches between the investment sector funds.
- Cash flow was applied in such a way as to move the distribution of the fund towards the benchmark and was sufficient to maintain the fund's asset allocation within its tolerance ranges throughout the quarter.
- No changes to the benchmark were made during the quarter.

The AAA-AA-A Bonds Over 15 Y Index Fund

- During the quarter, Centrica Plc left the Benchmark Index after being downgraded to a BBB rating. The only other issuers to leave the Benchmark Index were those with an average life of less than 15 years. The Fund participated in two new issues and two corporate action events.
- At the end of the quarter, the Fund held 193 bonds issued by 118 different issuers. The Index consisted of 181 bonds issued by 114 different issuers. The redemption yield of the Fund was 3.67% and its modified duration was 14.32 years, compared with 3.68% and 14.35 years respectively for the Index.
- The Fund's credit rating exposure was 15.3% AAA, 31.2% AA (including 1.8% in gilts), 51.9% A, 1.5% BBB and 0.1% in new issues expected to join the Index but currently unrated by iBoxx.

The Over 15y Gilts Index

- The UK economy continues to meander along nicely, with RPI inflation only edging up slightly in August to 1.1% year-on-year and preliminary estimates of Q3 GDP falling only modestly to 2.6%. UK base rate remains at 0.5%, but the time for lift off is approaching, particularly if the US Federal Reserve decides to raise US rates this year.
- During the quarter there were three auctions, with the 2045 maturity tapped twice and a single auction of the 2036 maturity. In addition, a syndication was held to tap the ultra-long 2068 maturity bond. These activities raised £9.6bn for government funding.
- The Fund held all 16 stocks contained within the Benchmark Index. The Fund and Index both had a modified duration of 17.74 years at the end of the quarter and the redemption yield was 2.38% (yield curve basis).

Asset Allocation (%) in various LGIM tracker funds

- 29.9 UK Equity Index Fund
- 10.4 North America Equity Index Fund
- 10.4 Europe (ex UK) Equity Index Fund
- 27.1 Bonds
- 3.9 Asia Pacific (ex Japan) Equity Index Fund
- 5.2 Japan Equity Index Fund
- 13.1 Over 15 year Gilts Index Fund

Sector Breakdown (%)

	Fund		Fund
Corporate Bonds Over 15 Years	27.1	Health Care	5.9
Financials	14.6	Oil & Gas	4.4
UK Government Bonds	13.1	Basic Materials	3.1
Consumer Goods	9.8	Technology	3.2
Industrials	7.1	Telecommunications	2.6
Consumer Services	6.8	Utilities	2.2
		Total	**100.0**

Return (%) by fund

	Performance %		Difference between Fund and Index Performance	Index Name
Fund name	**Fund**	**Index**		
UK Equity Index	-6.6	-6.6	0.0	FTSE All-Share Index
North America Equity Index	-5.5	-5.5	0.0	FTSE World N America NetTax (UKPN)
Europe (ex UK) Equity Index	-5.6	-5.6	0.0	FTSE Dev Europe ex UK NetTax (UKPN)
Japan Equity Index	-8.7	-8.7	0.0	FTSE Japan NetTax (UKPN)
Asia Pacific ex Japan Equity Index	-12.2	-12.3	0.1	FTSE World Asia Pac ex Jap NetTax (UKPN)
AAA-AA-A Bonds-Over 15 Year Index	1.5	1.4	0.1	Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index
Over 15 Year Gilts Index	4.9	4.9	0.0	FTSE UK Gilts Over 15Yr Index

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