

WM PERFORMANCE SERVICES

A State Street Business

Performance Analysis Service

**ISLE OF WIGHT COUNTY COUNCIL -
TOTAL COMBINED
ANNUAL PERFORMANCE REVIEW**

PERIODS TO END MARCH 2015

Produced 08 June 2015

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ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

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UK Local Authority Fund Industry Results 2014/2015

PERFORMANCE SERVICES | MARKET ENVIRONMENT

Local Authority Performance Overview

The average local authority pension fund returned a very healthy 13% in 2014/15.

Equity markets performed strongly but with marked regional differences. Domestic equities returned only 6% for the year with investors concerned about the possibility of political uncertainty resulting from a hung parliament post the upcoming general election. Japan was the strongest performing of the major overseas markets returning over 30% to local investors, but a slightly lower 27% to UK investors as the Yen continued to weaken against Sterling. Conversely UK investors benefited from the strength of the US Dollar over the year which represented almost half of the US equity return of 25%. Pacific and emerging markets returned 16% and 14% respectively whilst Europe returned a respectable 9% for the year.

After the near flat outcome in 2013/14, UK bonds bounced back strongly, producing double digit returns. Duration was the big story of the latest year with marked differences in return depending upon where funds were invested across the yield curve. Long dated gilts produced returns approaching 30% as yields reached historic lows. Investors needing to hold them for liability matching purposes continued to buy them at any price. On the other, hand, short dated bonds returned only 3% for the year. The index-linked story for the year was much the same; funds returning 20% on average with the return driven by longer dated issues.

Alternative investments in aggregate also enjoyed a good year. Private equity returned 16% whilst hedge funds averaged 9%. Pooled multi asset (diversified growth) investments, which have recently been gaining traction amongst funds, returned a strong 10%, well ahead of most funds' targets for this asset class. Property returned 16% for the year.

2014/2015 Returns (%)



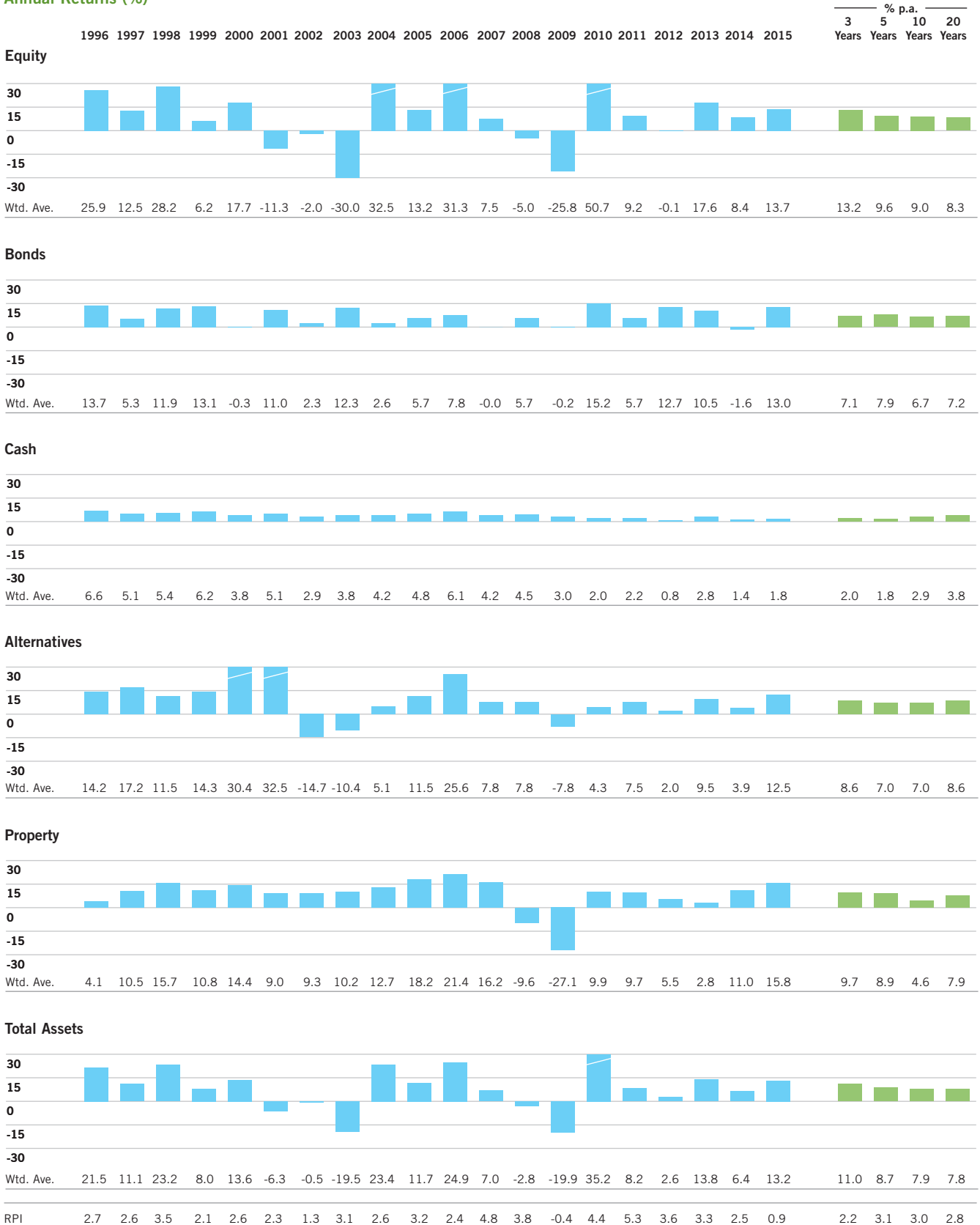
Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

LONGER TERM PERFORMANCE

The 13% for the latest year sharply increased medium term returns; 11% p.a. over three years and 9% p.a. over five years. Whilst healthy asset returns ahead of actuaries' return have been welcome, the continued compression of bond yields (and corresponding price increases) has had an unwelcome impact on the value of funds' liabilities.

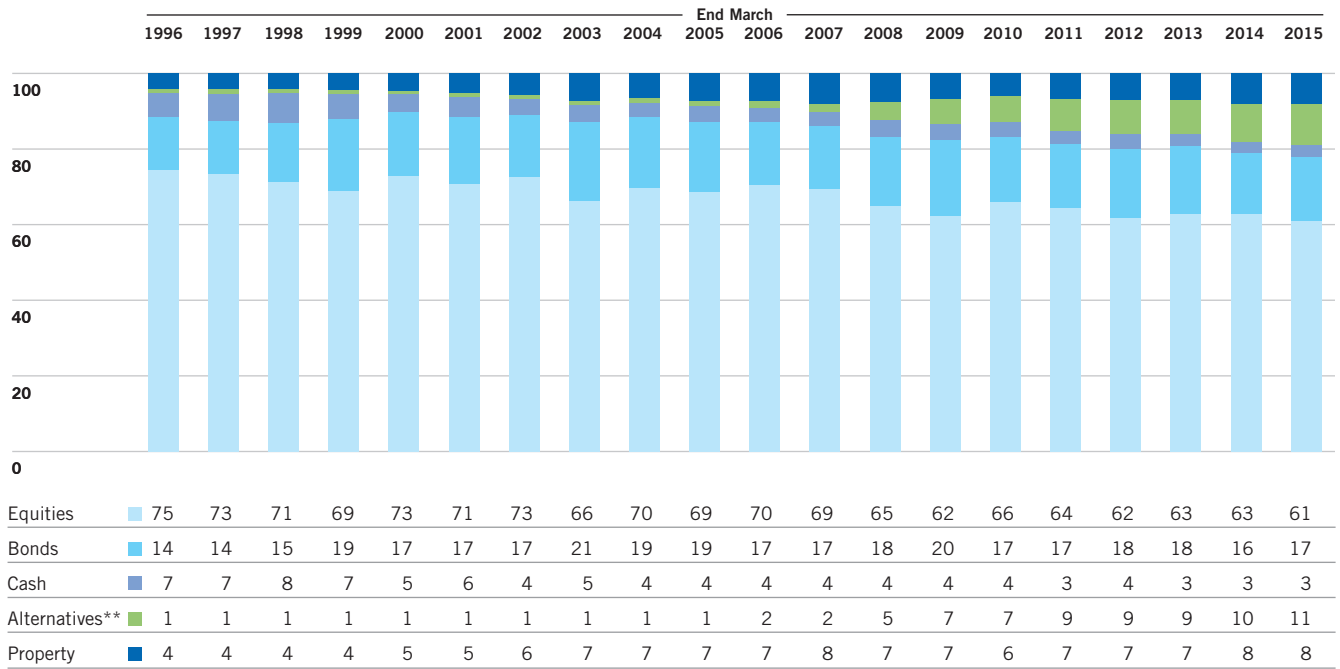
Annual Returns (%)*



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

Past performance is not a reliable indicator of future results.

Longer Term Asset Allocation (%)*



** Includes Pooled Multi-Asset from March 2010.

LONG-TERM ASSET ALLOCATION

The average asset allocation looks broadly unchanged over the last five years. Within the asset categories however, there has been some more significant shifts — the UK equity weighting is now less than 40% of the total equity weighting and many funds are now investing through global pooled vehicles. Within bonds, the average fund now has most of the UK exposure within corporate rather than government issues whilst within alternatives we have seen investments in active currency and GTAA almost disappear.

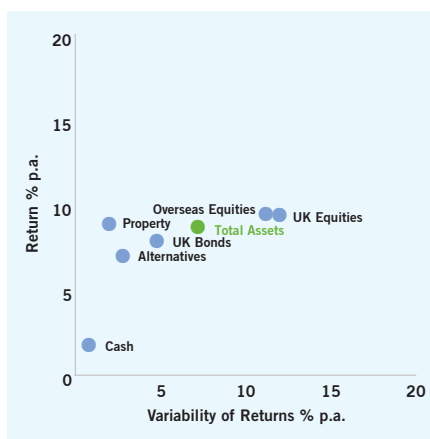
RISK AND RETURN

The charts below show the relationship between the absolute level of return achieved and the risk taken in obtaining that return for the main asset classes. In theory the more risk that is taken the more return could be expected to be delivered.

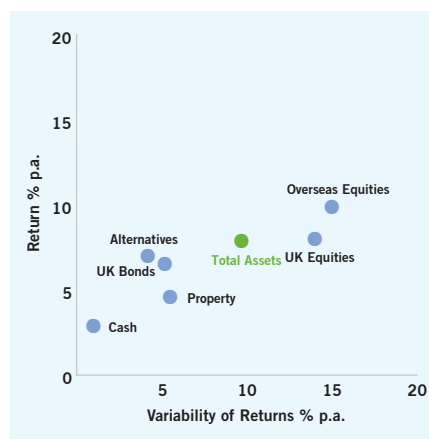
Over the latest five and 10 year periods, this theory has been borne out, but over the last 20 years the pattern remains quite distorted with broadly similar returns from all major asset classes.

Long Term Risk and Return*

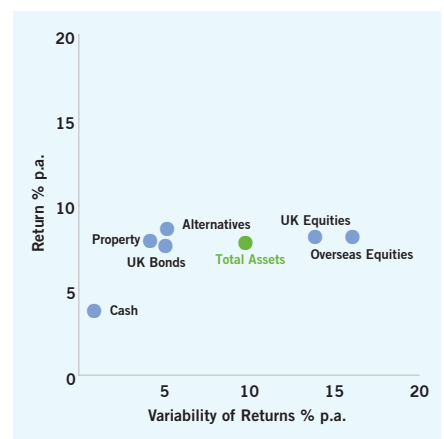
Last 5 Years



Last 10 Years



Last 20 Years



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

Past performance is not a reliable indicator of future results.

Asset Class Performance*

	% of Asset Class		% p.a. Return			
	At end 2013/14	At end 2014/15	3 Yrs	5 Yrs	10 Yrs	20 Yrs
Equities	100	100				
UK Equities	38.2	34.5	11.7	9.4	8.0	8.1
Overseas Equities	52.9	54.1	13.8	9.5	9.9	8.0
North America	18.5	13.3	18.4	14.0	10.0	9.2
Continental Europe	13.6	10.3	14.6	8.2	8.9	9.3
Japan	4.9	4.7	13.9	8.4	6.6	2.8
Pacific ex Japan	5.1	4.5	8.7	7.1	12.6	8.0
Emerging Markets	9.2	6.1	6.0	4.1	11.5	-
Global ex UK	1.6	15.2	16.0	11.3	-	-
Global inc UK	8.9	11.4	14.3	10.0	-	-
Bonds	100	100				
UK	57.4	54.1	7.5	7.9	6.5	7.6
Index-Linked	22.3	24.4	8.5	10.3	8.3	8.2
Overseas Bonds	15.2	13.6	3.9	4.3	5.5	5.7
Pooled	5.0	7.8	5.5	5.8	-	-
Alternatives	100	100				
Private Equity	55.5	54.5	10.9	9.6	-	-
Hedge Funds	29.2	27.4	6.5	4.9	-	-
Other Alternatives	15.4	18.1	4.8	3.3	-	-

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

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Fund Structure and Benchmarks

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

Structure

The table below details the managers, mandates, benchmarks and outperformance targets currently in place for the Isle of Wight County Council Superannuation Fund.

From April 2014 the Funds Performance is reported on a fully NET of fees basis.

Manager	Mandate	Benchmark	Target
Majedie	UK Equities	FTSE All Share TR Index	2% p.a.
Newton	Global Equities	FTSE All World NDR	2% p.a. rolling 5 years
Baillie Gifford	Diversified Growth	UK Base Rate + 3.5%	
Schroder	UK Bonds	BofA ML Sterling Broad all Stocks	1% p.a. rolling 3 years
Schroder	UK Property	IPD Monthly	0.5% p.a. rolling 3 years

Fund Benchmark

Historically, the Funds performance was analysed relative to the WM Local Authority Universe Median. This was replaced by a customised benchmark effective from 1st July 2002.

The Funds performance is currently analysed relative to the customised benchmark detailed below.

	Weighting (%)	Benchmark
UK Equities	22.5	FTSE All Share TR Index
Global Equities	32.5	FTSE All World NDR
Diversified Growth	15.0	UK Base Rate + 3.5%
Total Bonds	26.0	BofA ML Sterling Broad all Stocks
Property	4.0	IPD Monthly

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Performance Summary

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

Category - TOTAL ASSETS

This page summarises the overall value and performance of the Fund.

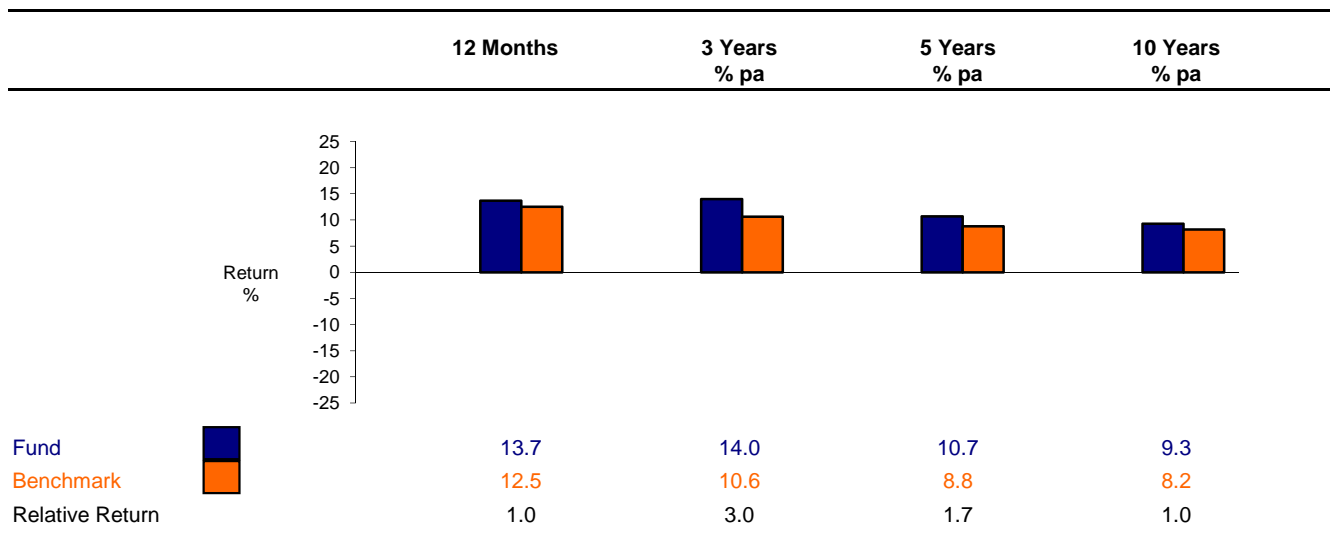
Fund Value

Values (GBP)'000	Mandate	Value at 31/03/2014	Transactions	Capital Gain / loss	Income	Value at 31/03/2015	% Fund
NEWTON	Eq Gbl	141,792	0	30,150	-350	171,943	36
MAJEDIE	Eq UK	111,803	0	4,462	3,248	116,264	24
SCHRODERS	Bd GBP	84,984	0	11,663	-183	96,647	20
BAILLIE GIFF	Multi Asset	66,655	57	5,292	57	72,004	15
SCHRODERS	Prop UK	22,727	929	2,905	1,113	26,561	5
Total Fund		427,960	985	54,474	3,885	483,419	100

The table shows the value of each Portfolio at the start and end of the period.

The change in value over the period is a combination of the net money flows into or out of each Portfolio and any gain or loss on the capital value of the investments.

Fund Returns



The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods

= Data not available for the full period

Performance Summary

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

31/03/2014 to 31/03/2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

Category - TOTAL ASSETS

This page analyses in detail the Fund performance over the latest period.

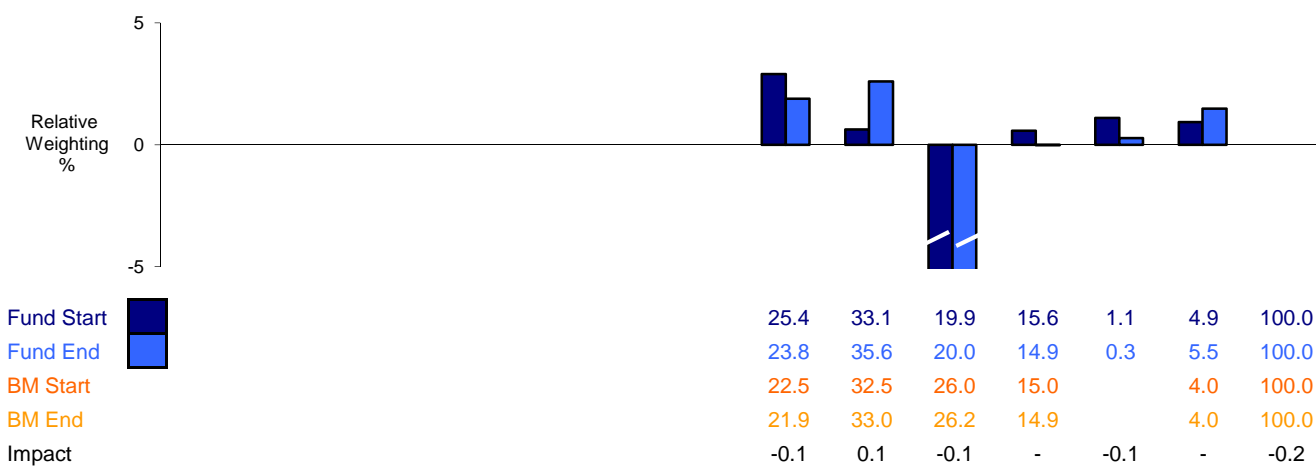
Summary

Fund Return	13.7
Benchmark Return	12.5
Relative Performance	1.0
attributable to:	
Asset Allocation	-0.2
Stock Selection	1.5

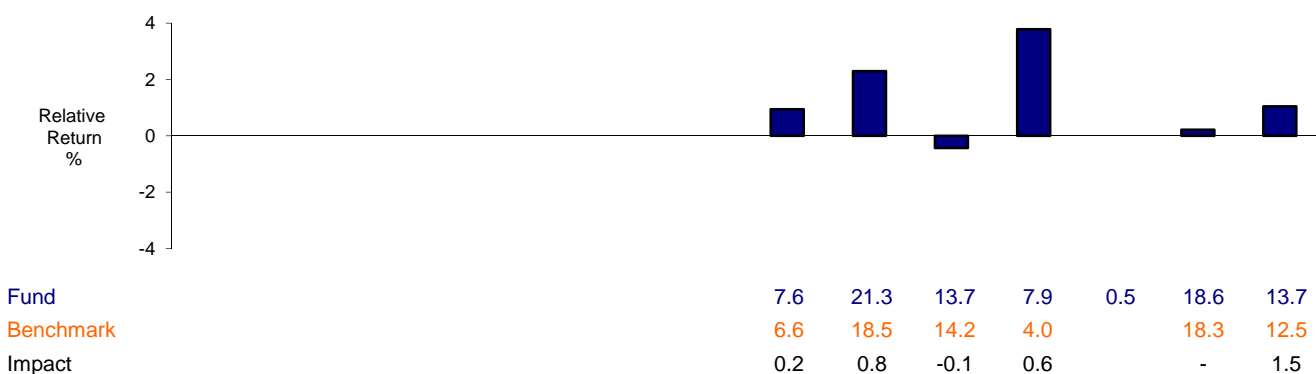
The relative performance can be attributed to the effects of stock selection and asset allocation as detailed below:

	UK Equities	Global Eq	UK Bonds	Multi Asset	Cash/ Alts	UK Property	Total Fund
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Asset Allocation



Stock Selection



An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Performance Summary - Manager Attribution

ISLE OF WIGHT COUNTY COUNCIL

12 Months to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

This page analyses in detail the contributions to the Fund performance over the latest period.

Summary

Fund Return		13.7
Benchmark Return		12.5
Relative Performance		1.0
	attributable to:	
	Strategic Allocation	-0.2
	Manager Contribution	1.3
	Residual	-0.1

The relative performance can be attributed to the effects of manager contribution and strategic allocation.

Detail

Strategic Allocation			Manager Contribution			
Distribution		Policy	Investment Manager	Weighted Contribution	% Return	
Portfolio	Benchmark	Contribution			Portfolio	Benchmark
26.1	24.0	-0.1	U.K. EQUITIES	0.1		
26.1		-	MAJEDIE ASSET MANAGEMENT	0.1	7.1	6.6
33.1	34.0	-	GLOBAL POOLED INC UK	0.8		
33.1		-	NEWTON INVESTMENT MANAGEMENT LTD	0.8	21.3	18.5
19.9	21.0	-	U.K BONDS	-0.1		
19.9		-	SCHRODER INVEST. MGMT.	-0.1	13.7	14.2
5.3	6.0	-	U.K. PROPERTY	-		
5.3		-	SCHRODER INVEST. MGMT.	-	17.7	18.3
15.6	15.0	-	TOTAL POOLED MULTI ASSET	0.6		
15.6		-	BAILLIE GIFFORD & CO - GLOBAL EQUITY	0.6	8.0	4.0
		-0.2		1.3		

The Strategic Allocation quantifies the impact of the fund being invested differently from the Strategic Benchmark set.

The Manager Contribution comes about from the out / underperformance of each manager relative to their benchmarks weighted by the value of assets held.

= not invested in this area for the entire period

Long Term Performance Analysis

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

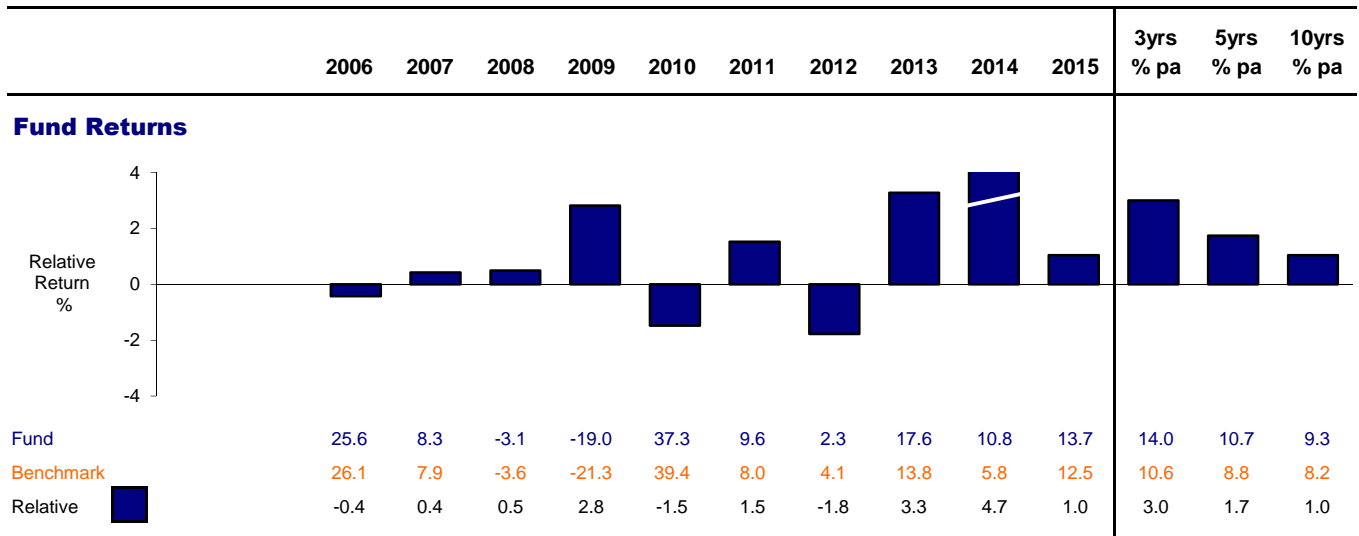
Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

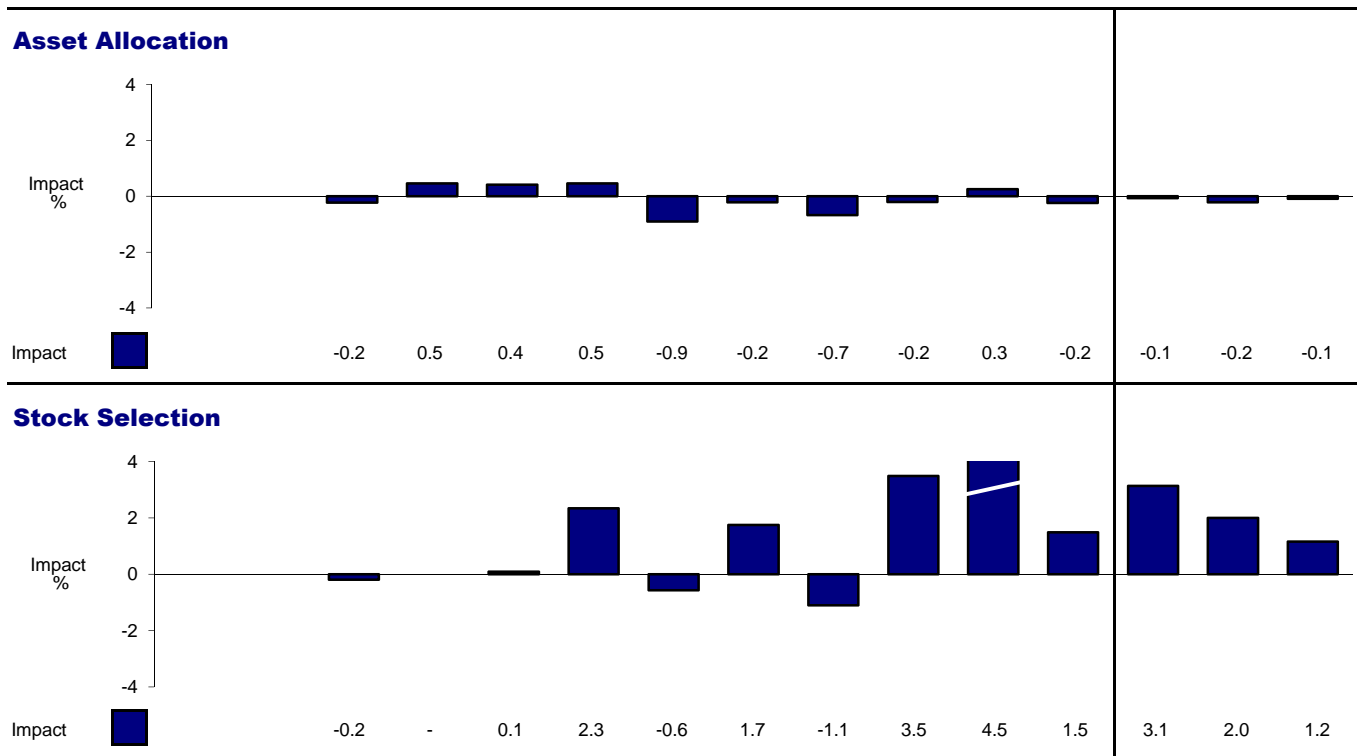
Pound Sterling

Category - TOTAL ASSETS

This page looks in more detail at the long term performance, plotting it relative to the Benchmark.



The relative performance can be attributed to the effects of asset allocation and stock selection as detailed below:



An asset allocation decision will be positive if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely a positive benefit would be derived from investing less heavily in an area that has performed poorly.

Stock selection will be positive if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Summary of Long Term Returns

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

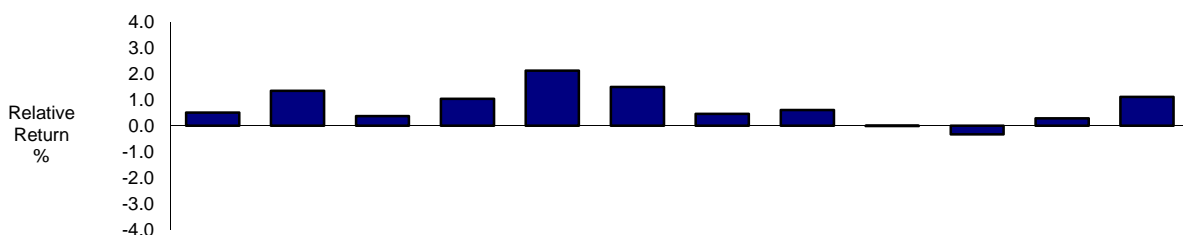
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

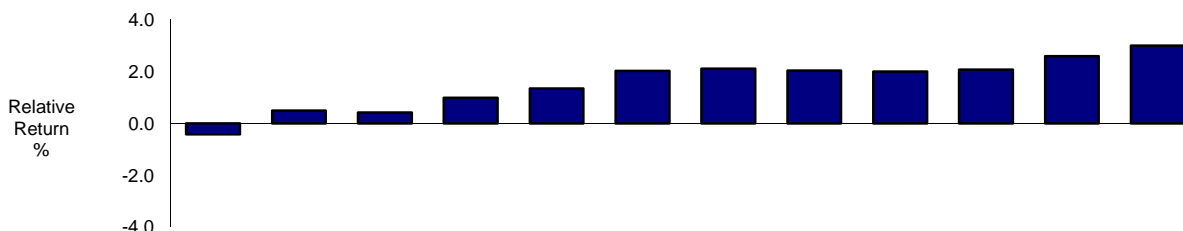
	2012			2013				2014				2015
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	335.5	332.8	349.0	357.7	391.4	391.9	407.3	422.2	428.0	435.6	442.1	458.0
Net Investment	1.6	1.0	0.4	0.1	0.2	0.3	-0.2	0.2	0.2	0.2	0.2	0.3
Capital Gain/Loss	-4.2	15.2	8.4	33.6	0.3	15.0	15.1	5.6	7.3	6.3	15.7	25.2
Final	332.8	349.0	357.7	391.4	391.9	407.3	422.2	428.0	435.6	442.1	458.0	483.4
Income	1.6	1.8	1.2	1.2	1.9	2.1	1.0	1.0	1.4	1.1	0.7	0.7
Proportion Of Total Fund (%)	100	100	100	100	100	100	100	100	100	100	100	100

Quarterly Returns



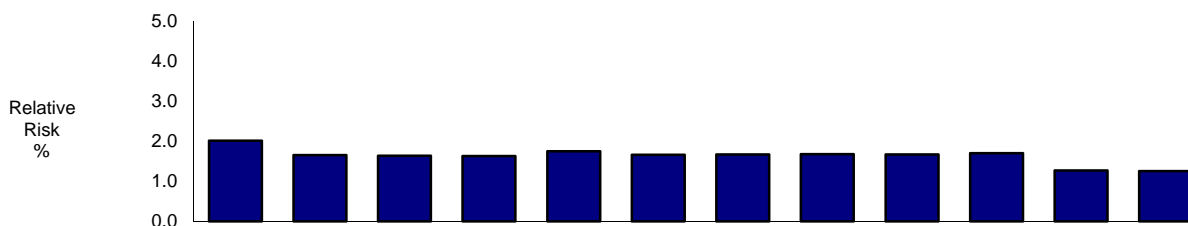
Fund	-0.8	5.1	2.7	9.7	0.6	4.4	3.9	1.6	2.0	1.7	3.7	5.6
Benchmark	-1.3	3.7	2.4	8.6	-1.5	2.8	3.5	1.0	2.0	2.0	3.4	4.5
Relative Return	0.5	1.3	0.4	1.0	2.1	1.5	0.5	0.6	-0.0	-0.3	0.3	1.1

Annualised Rolling 3 Year Returns



Fund	12.4	8.7	8.3	9.6	12.1	10.7	10.1	10.0	10.2	14.4	13.7	14.0
Benchmark	12.9	8.2	7.8	8.6	10.7	8.5	7.9	7.8	8.0	12.0	10.8	10.6
Relative Return	-0.4	0.5	0.4	1.0	1.3	2.0	2.1	2.0	2.0	2.1	2.6	3.0

Rolling 3 Year Risk



Relative Risk	2.0	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.3	1.3
Information Ratio	-0.2	0.3	0.3	0.6	0.8	1.2	1.3	1.2	1.2	1.2	2.0	2.4

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Summary of Long Term Returns

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page summarises the long term returns at asset class level
A ranking against the peer group is shown in brackets.

Return %	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
<i>UK Equities</i>	27.2 (47)	12.4 (15)	-5.7 (9)	-25.2 (11)	50.0 (71)	10.5 (28)	2.7 (32)	20.2 (10)	20.8 (2)	7.6 (29)	16.0 (1)	12.1 (7)	10.4 (3)
<i>Global Eq</i>					23.8 #	10.9 (13)	-4.6 (96)	24.0 (7)	6.9 (73)	21.3 (16)	17.1 (13)	11.2 (11)	
<i>UK Bonds</i>	9.5 (20)	0.1 (73)	3.3 (33)	2.7 (23)	14.8 (60)	6.5 (32)	11.3 (60)	8.9 (73)	1.3 (25)	13.7 (43)	7.8 (55)	8.2 (52)	7.1 (25)
<i>Multi Asset</i>									0.9 #	7.9 (77)			
<i>Cash/ Alts</i>	5.0 (55)	7.7 (18)	9.4 (19)	-49.9 (96)	2.9 (36)	0.1 (81)	0.4 (62)	-0.1 (91)	-0.0 (74)	0.5 (77)	0.1 (88)	0.2 (89)	-4.3 (98)
<i>UK Property</i>	22.8 (40)	19.4 (18)	-13.0 (87)	-30.4 (50)	7.1 (70)	10.3 (21)	7.4 (8)	2.7 (26)	13.8 (16)	18.6 (10)	11.5 (15)	10.4 (8)	4.6 (44)
<i>Total Assets</i>	25.6 (33)	8.3 (13)	-3.1 (48)	-19.0 (40)	37.3 (35)	9.6 (8)	2.3 (72)	17.6 (2)	10.8 (3)	13.7 (38)	14.0 (3)	10.7 (7)	9.3 (5)

not invested in this area for the entire period

MANAGER PERFORMANCE

Summary of Manager Performance

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - ISLE OF WIGHT BENCHMARK

Pound Sterling

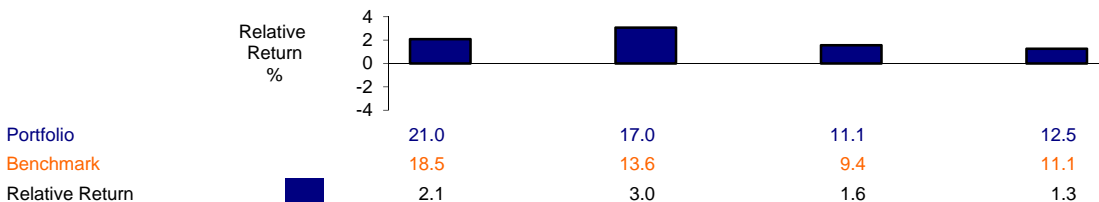
Category - TOTAL ASSETS

This page summarises the performance of each investment manager plotting the return achieved relative to the Benchmark.

	12 Months	3 Years % pa	5 Years % pa	Since Inception % pa
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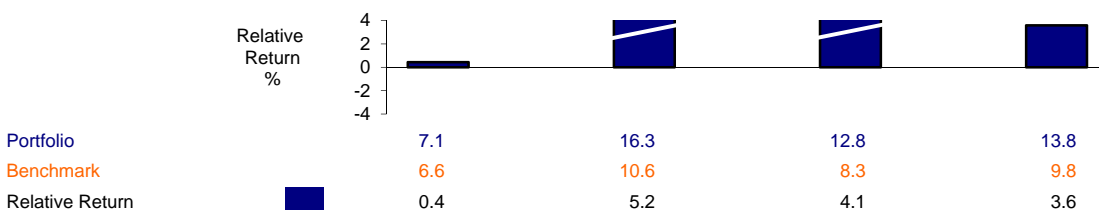
NEWTON INVESTMENT MANAGEMENT LTD - TOTAL ASSETS

FTSE ALL WORLD TR NET



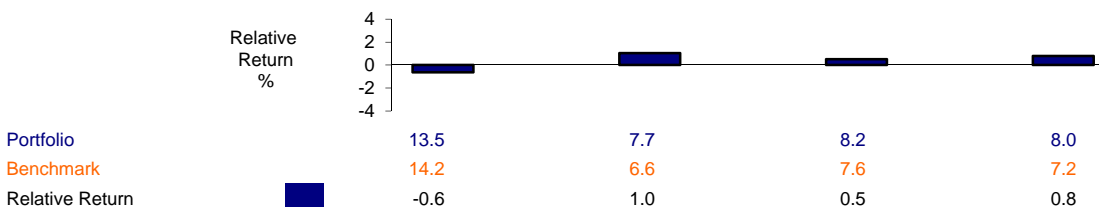
MAJEDIE ASSET MANAGEMENT - TOTAL ASSETS

FTSE All Share TR



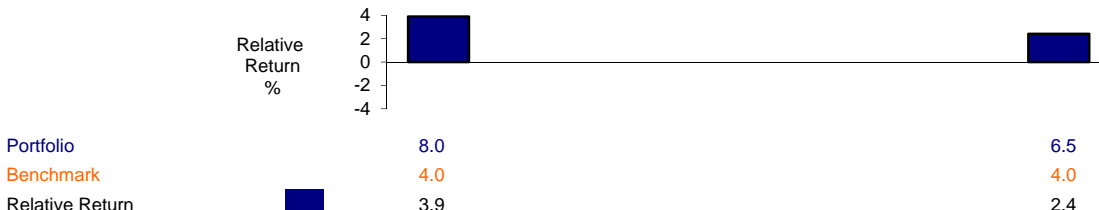
SCHRODER INVEST. MGMT. - TOTAL ASSETS

BAML GBP BROAD MKT ALL STOCKS



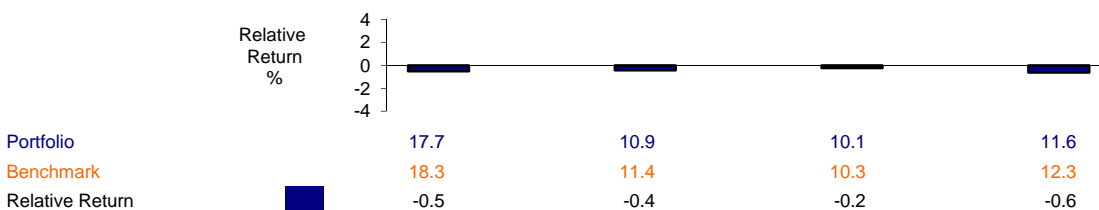
BAILLIE GIFFORD & CO - GLOBAL EQUITY - TOTAL ASSETS

BANK OF ENGLAND BASE RATE + 3.5%



SCHRODER INVEST. MGMT. - TOTAL ASSETS

IPD ALL PROPERTIES INDEX



The graphs show the performance of each manager relative to their Benchmark.

The relative return is the degree of out or underperformance of the Benchmark over these periods.

not invested in this area for the entire period

ISLE OF WIGHT COUNTY COUNCIL
FUND V'S LA UNIVERSE
TOTAL COMBINED

Summary of Performance

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2015

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

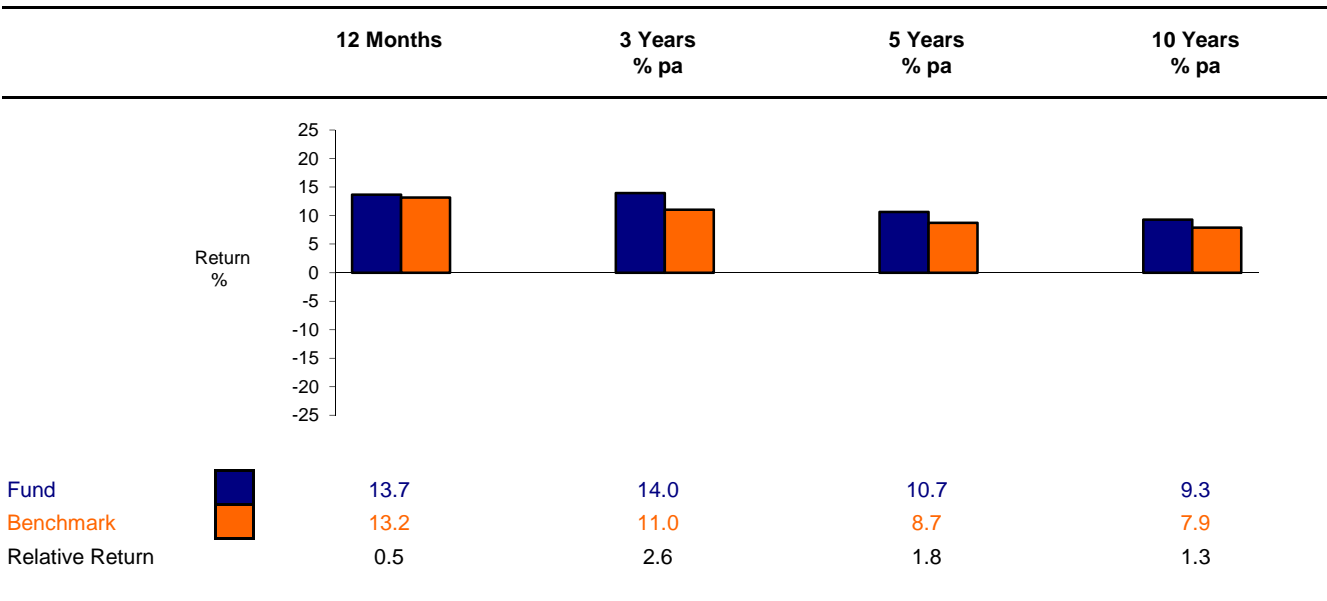
This page summarises the overall value and performance of the Fund.

Fund Value

	Values GBP'000
Value at 31/03/2014	427,960
Transactions	985
Capital Gain/Loss	54,474
Income	3,885
Value at 31/03/2015	483,419

The table shows the value of the Fund at the start and end of the period. The change in value over the period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of the investments.

Fund Returns



The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods.

not invested in this area for the entire period

Detailed Analysis of the Latest Period Performance

ISLE OF WIGHT COUNTY COUNCIL - TOTAL COMBINED

31/03/2014 to 31/03/2015

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

This page analyses in detail the Fund performance over the latest period.

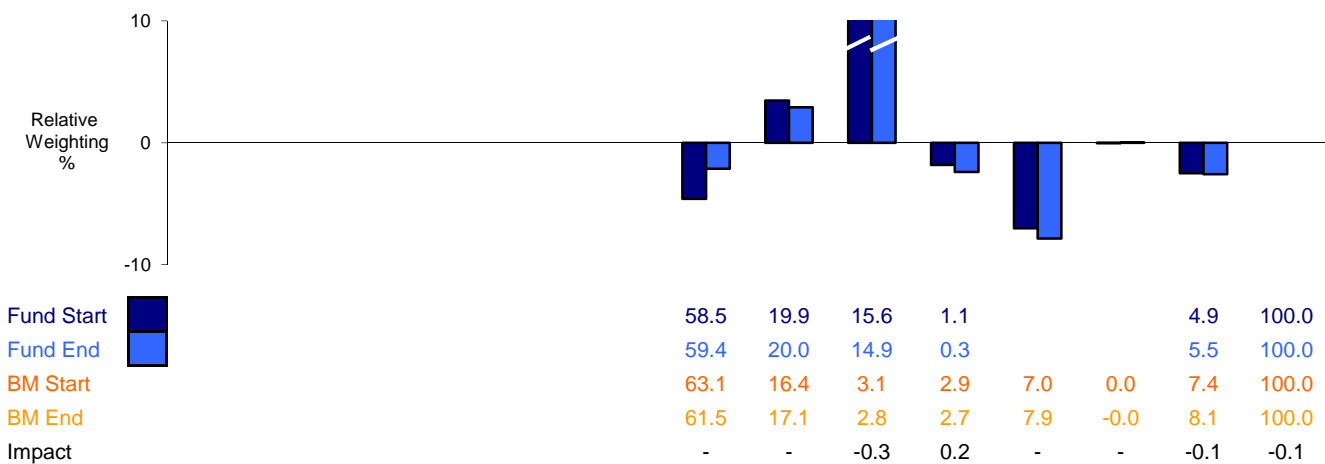
Summary

Fund Return	13.7
Benchmark Return	13.2
Relative Performance	0.5
attributable to:	
Asset Allocation	-0.1
Stock Selection	0.8

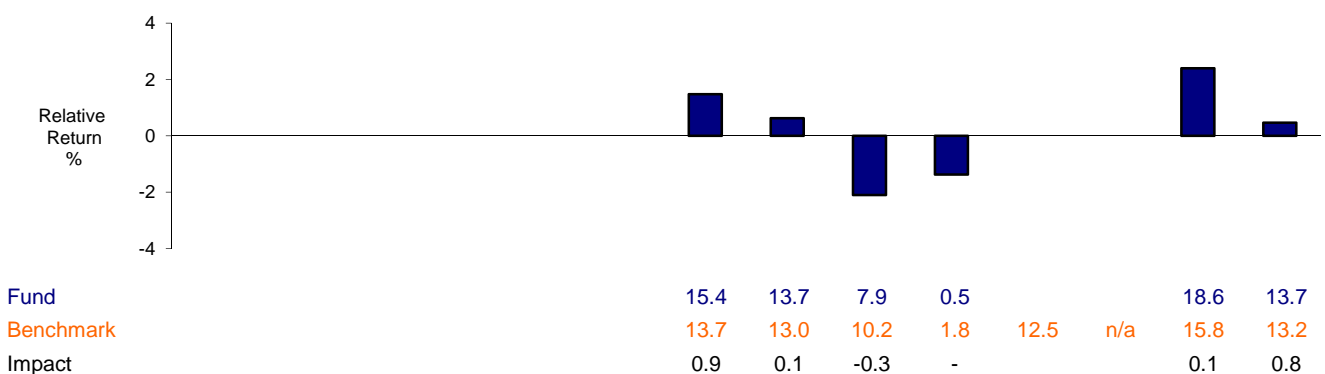
The relative performance can be attributed to the effects of stock selection and asset allocation as detailed below:

	Total Equity	Bonds + IL	Multi Asset	Cash	Alternatives	Curr Instr	Property	Total Fund
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Asset Allocation



Stock Selection



An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05