AllenbridgeEpic
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REPORT PREPARED FOR

London Borough of Bromley Pension Fund for the period ending 29 March 2013

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AllenbridgeEpic Investment Advisers Limited is a subsidiary of Allenbridge Investment Solutions LLP

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Risk Warning

This quarterly report by your adviser, Alick Stevenson, of AllenbridgeEpic Investment Advisers (AllenbridgeEpic), provides a summary of performance and an analysis of the investments of the London Borough of Bromley Pension Fund for the three months ending 29 March 2013.

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Market Update 1 Q 2013

Economic review of the year ended 31 March 2013

"The four most dangerous words in investing are 'This time it's different'"

Sir John Templeton

In soccer parlance, this was a year of two halves, as the first two quarters saw markets move up and down as "risk on" and "risk off" strategies were actioned, depending on whether central banks introduced a new monetary stimulus to the market place or did not. However, strong recovery in equity markets primarily in the last quarter of 2012, continued into the first quarter of 2013, with equity markets touching levels not seen since before the great fiscal debacle of 2008.

Perhaps the most surprising recovery has been in Japan where the new Prime Minister Shinzo Abe announced a series of radical fiscal and monetary stimuli which have taken the Nikkei to 5 year highs.

Although President Obama was returned to the White House in November, the continued bitter infighting between the Democrats and Republicans continued to dominate the headlines. Yet another "compromise agreement" at New Year averted a vertiginous fall into the "fiscal abyss" albeit only by deferring significant decisions for a further period, although the "sequestering" or cuts in existing federal programmes did come into force. Some commentators feel this will cut at least 1% from US GDP over the next twelve months. Such is the nature of American politics.

Problems in Greece took centre stage in the eurozone for most of the year although the pledge by the Chairman of the ECB to do whatever was necessary to promote and maintain stability seemed to calm the markets, at least until the tiny island of Cyprus requested assistance from the ECB Stability Pact and the IMF and was told that depositors would have to suffer severe financial haircuts if the bail out funds were to be made available. Repercussions from this black swan's feathers will surely continue for some time.

In the UK growth forecasts continue to be cut as not one, but two, rating agencies dropped their AAA rating for the UK. The other has them on negative outlook, in parallel, the IMF is "suggesting" that the Chancellor takes off the austerity cuffs. He is unlikely to make any changes until the new Governor of the Bank of England is on post.

As far as the markets are concerned recent events have caused most stock markets to fall from their 2013 highs; the gold price has dropped significantly, possibly anticipating that inflation might not be round the corner, but stagflation might be.

Far more potentially worrying, since quarter end, is that the VIX (the "Fear index") rose from 12.3 to 15.3 (19 April 13) in just one week.

First quarter earnings from US large cap stocks have also disappointed, as growth continued to be selective. Notwithstanding these lower earnings however, many large US corporations are sitting with billions of cash on balance sheet and seemingly, no where to invest it.

Executive Summary

At the end of March the fund value had risen to £584.0m (£526.1m 31 December 2012) and is now £84m higher than the same period last year (£500.0m).

A separate interim report covering the second phase of the three phase asset reorganisation, the transition of assets from regional equity funds to global mandates, and is included elsewhere.

Investment performance, for the first full quarter to include the diversified growth investments, was strong with the fund returning 11.0% against its new composite benchmark of 8.8%.

Fidelity outperformed the benchmark for the quarter returning 11.5% against a benchmark return of 9.6%.

Baillie Gifford returned 11.9% against their benchmark of 9.7% for the same period.

Returns on the new investments in diversified growth funds for quarter ended 29 March 2013 were also good with Standard Life at 3.7% and Baillie Gifford at 5.0%.

Fund Value

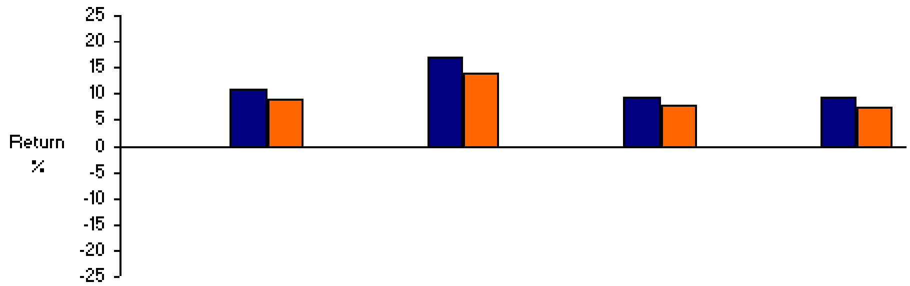
Period Manager		**31-Mar 2013 £m's**	% of total fund	31-Dec 2012 £m's	% of total fund	**31-Mar 2012 £m's**	% of total fund
Baillie Gifford		**315.6**	54.1	282.3	53.7	**269.9**	54.0
Fidelity		**215.7**	36.9	193.3	36.7	**230.1**	46.0
DG Funds							
Baillie Gifford		**26.5**	4.5	25.3	4.8		
Standard Life		**26.1**	4.5	25.1	4.8		
Total Fund		**583.9**	100.0	526.0	100.0	**500.0**	100.0

Source: Fidelity, Baillie Gifford and Standard Life

The relatively stronger performance in equities over the period has caused the long term strategic asset weightings to slip a little. Whilst members need to note this minor slippage, no rebalancing action is currently recommended given the strategic restructuring currently in progress.

Fund Investment Performance Highlights

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	11.0	16.8	9.2	9.5
Benchmark	8.8	14.0	7.9	7.5
Relative Return	2.0	2.5	1.2	1.9

Source: The WM Company

The fund was strongly ahead of the benchmark for the quarter returning 11.0% versus a benchmark of 8.8%. Over the twelve month period the fund has delivered a strong positive performance of 16.8% and is ahead of the benchmark by 2.5%.

For the "benchmark" three year rolling period the fund has maintained its positive performance with returns of 9.2% pa against a benchmark of 7.9% pa, with the majority of that out performance coming from Baillie Gifford.

Over the five year period, both managers have contributed in almost equal proportion to the 2% over benchmark performance (9.5% pa versus the benchmark of 7.5% pa).

The positive contributions from the new diversified growth fund managers have yet to make an impact over the longer period returns.

Manager Changes

No significant personnel changes with either manager have been advised which would have an impact on the management of the fund's assets.

Fund Governance and Voting

Comprehensive reviews covering governance and responsible investing, together with detailed schedules on governance engagement and voting actions during the period are included in the quarterly reports for the period.

Investment Manager Reviews

Members should note that the historic portfolios managed by Baillie Gifford and Fidelity are referred to as "multi asset" and the new Baillie Gifford and Standard Life portfolios as "DGF".

Baillie Gifford (DGF)

The fund performed well over the first quarter, with the largest contributions coming from listed equities and emerging market local currency bonds. For the quarter the fund returned 5.0% against a benchmark of 1.0% and since inception (Dec 12) has returned 5.9% against a benchmark of 1.3%. The manager added to listed equities during the quarter and now holds 23% of the fund in listed and private equity, up from 16% at the end of 2012. The manager also increased exposure to local currency emerging market debt through investments in two in house funds. Positive contributions to performance were generated by 10 of the 15 strategies, with active currency, listed equities and emerging market bonds contributing, in aggregate, some 2.7% of the overall performance. The value of the fund rose from £25.3m at the end of December 2012 to £26.3m at the end of March 2013.

A chart showing the various asset allocations is shown on Page 15 of this report.

Baillie Gifford
(Multi Asset)

The manager has a composite benchmark calculated by weighting six indices by set percentage allocations and an out performance target of 1.0% to 1.5% before fees over rolling three year periods.

At the end of the period, assets under management rose to £315.6m from £282.3m (31 Dec 2012). Performance for the quarter was strongly positive at +2.2% relative to the benchmark (11.9% v 9.7%).

In terms of equity asset allocation, the manager has remained slightly overweight the equity benchmark (84.8% versus 80.0%) but remains significantly underweight UK equities (20.4% versus 25%) and remained underweight in fixed income assets (12.9% v 18.0%). These underweight positions have been used to fund overweights in emerging markets (+3.0% to the benchmark) and a small (+3%) overweight position in Europe ex UK, coupled with a 2.0% overweight in North America. Cash balances have been reduced and are now just 0.3% over weight the benchmark of 2.0%.

In terms of sectoral diversification, the manager has maintained long positions to the index in Consumer Services (+6.1%), Consumer Goods (+1.4%) and Industrials (+3.2%) and is "balancing" these with short index positions in Utilities (-3.5%), Basic Materials (-3.0%), Telecoms (-2.6%) and Oil and Gas (-2.7%). There are no outstandingly large equity holdings with some 20 stocks continuing to represent 24% of the portfolio by value.

Baillie Gifford Pooled Funds

There are no perceived concentration or liquidity risks with the pooled fund investments shown below.

I have written short notes on each of the pooled funds in this report. What is interesting, is that several of these pooled vehicles, whilst delivering positive investment returns are ranked quite poorly when compared to universe of managers operating in that sector.

Fund	Total OEIC value	Number of Investors	Largest Investor	Bromley Holding	% of Fund	Rank in holders
BG Emerging Market Growth Fund	£628.1 m	697	37.5%	£21.9 m	3.5%	# 6
BG EM Leading Companies	£463.0 m	110	40.8%	£17.6 m	3.8%	# 9
BG Japanese Smaller Companies	£72.7 m	158	16.7%	£3.3 m	4.6%	# 8
BG Active Gilt Plus	£83.3 m	305	49.2%	£12.9 m	15.5%	# 2
BG Investment Grade Bond	£229.8 m	119	52.0%	£27.7 m	12.0%	# 2

Source:Baillie Gifford

BG Emerging Market Growth Fund

This Fund selects stocks across the full emerging market spectrum and as such, looks for stock specific opportunities, where liquidity is a key consideration in the investment decision. Currently the Fund holds almost 50% of its assets in Financials (25.1%) and Technology (22.3%), Oil & Gas and Industrials account for a further 25.0% Consumer Goods and services 18% with the balance in telecommunications and cash.

Overweight positions are held in Dragon Oil +4.6%, China Mobile +2.6% and China Life Insurance (Taiwan) at +2.3%. The fund is also running underweight positions to the index, in China Construction -1.5%, Gazprom -1.2 and Petrobras preferred -1.0%.

The top ten holdings include Samsung 6.6%, Dragon Oil 4.8% and China Mobile 4.3%. Interesting the fund also maintains a 2.2% holding in Tullow Oil, a UK listed stock.

From a performance perspective the Fund has done very little returning just 0.1% over the twelve months against a sector average of 8.2% and is ranked 61/64.

BG Emerging Markets Leading Companies Fund

This Fund uses BG proprietary fundamental research techniques which prioritises selection of attractively priced companies with long term growth prospects and liquidity. Complementing the Growth Fund, holdings in Financials and Technology account for 56% of the assets, with Oil & Gas 13% and Consumer Services and Goods making up a further 16%. Underweight index positions are held in China Construction Bank -1.5%, Gazprom -1.2% and Industrial & Commercial Bank of China also -1.2%. Overweight positions include Samsung Electronics +4.0%, Hyundai Motors +3.9% and Sberbank Adr with +3.7%.

Samsung is the largest holding in this Fund with 8.1%, with TSMC at 5.3% and China Mobile at 4.7%. This Fund also has a 3.2% holding in Tullow Oil.

This fund has performed slightly better than its sister Fund although performance has been significantly behind the index over the 12 months returning only 1.6% against the sector average of 8.2%. (Ranked 58/64)

BG Japanese Smaller Companies Fund

The Fund seeks to hold companies with above average growth prospects that can also be purchased at reasonable relative valuations, using bottom up fundamental analysis and currently holds some 32% of

the portfolio in the Industrial sector, Consumer Goods and Services account for 25%, with Financials and technology accounting for a similar amount.
Overweight index positions include Nakanishi at +3.0%, Japan Exchange group at 32.9% and Sysmex Corp at 2.8%.
Underweights include United Urban Investments Limited at -1.0, Yokohama Rubber at -0.6% and Tokyo Tatemono at -0.7%. Ninon M&A Center is the largest holding at 3.2%, with Hajime Construction and Mondaro each with 3%.

This Fund, which has only £73m in assets under management, has been ranked first among seven funds over the 12 month period with a return of 35.6% against the sector average of 26.3%.

BG Active Gilts Plus Fund

With only £83m of assets under management, Bromley is the second largest investor with £13m invested. Not withstanding this position, there are some 305 small investors in the Fund which suggests that this fund is more retail oriented fund than institutional.

This portfolio is constructed and managed under three basic investment tenets: conviction, combined exposure and portfolio balance, each of which when combined enables the manager to take high conviction positions and exploit duration, the interest rate curve, swap spreads and currency. It currently holds 98% of its assets in Sovereign Debt with 2.4% in Index Linked giving the fund a 95% AAA credit exposure. Duration is longer than the index at 10.04 years (index 9.35) and has a running yield of just 3.9% versus the benchmark of 3.49%.
55% of the fund is held in stocks maturing between 2032 and 2055, with the balance in stocks maturing by 2021.
Investment performance has been solid over the previous 12 months with the Fund returning 6.5% against an index of 5.3%. This according to Baillie Gifford ranked their fund 547 from 647.

Baillie Gifford Investment Grade Corporate Bond Fund

Bromley is again ranked second (£28m) in a fund of £230m in assets and 119 investors.
This fund runs a fairly concentrated portfolio of between 80 and 90 bonds issued by between 30 and 50 corporate holdings. As such the managers can focus on in depth analysis which majors on identifying downside protection characteristics such as strong covenant protection and contingent asset security set aside to cover the bond holders.
Top ten holdings include IBRD with 4.8%, HSBC at 4.2%, EDF 3.6% and LloydsTSB Bank with 2.7%. Although all bonds are within the Investment grade band, the mix is skewed towards BBB and A rated bonds with an aggregate allocation of 60%. Duration is just slightly longer than the index at 8.03 years compared to 7.89 years.
Corporate bonds have performed well over the last twelve months and this fund has returned 12.6% against the sector average of 11.2% ranking it, according to Baillie Gifford statistics, at 17/80.

Baillie Gifford Investment Performance Attribution

Currency Attribution

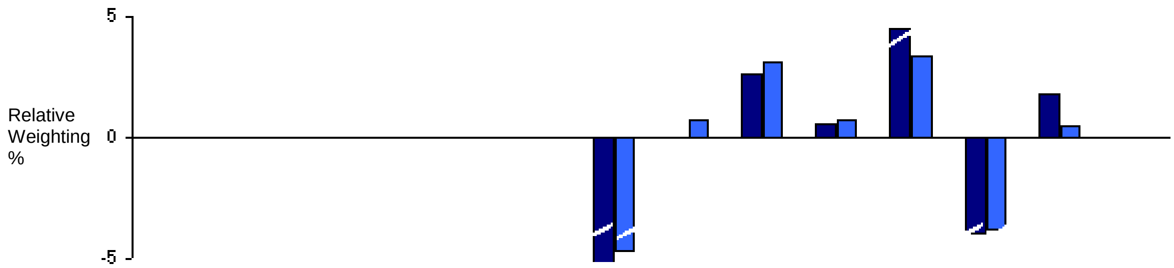
The manager uses their asset class bandwidth to make tactical under and overweight investment decisions and as a result deviates from their sterling based benchmark. BG has provided an analysis of the impact of currency exposure/exchange rate movements for the period 31 December 2012 to 31 March 2013 on their equity investments. This analysis excludes fixed income and cash.

The chart confirms that the manager has derived the majority of investment return from stock selection, lost a small amount (0.3%) through asset allocation and 0.4% from currency. However, overall the manager has had a good quarter with a net total return of 2.1% relative to the benchmark.

	Total Return		Attribution Analysis						
	Fund	Benchmark	Asset Allocation			Stock Selection	Total Local	Currency Effect	Total
Region (Dev Asia)									
European Equity	15.4	10.2	-0.1	0.9	0.1	1.0	1.0	0.2	1.2
American Equity	20.8	17.7	0.0	0.6	0.0	0.6	0.6	0.0	0.7
Developed Asia	18.0	16.0	0.1	0.2	0.0	0.2	0.3	0.0	0.3
Uk Equity	10.4	10.4	-0.1	0.0	0.0	0.0	-0.1	0.3	0.1
Emerging Markets	5.1	5.1	-0.2	0.8	0.1	0.9	0.7	-0.9	-0.2
Total	**14.0**	**11.9**	**-0.3**	**2.5**	**0.3**	**2.8**	**2.5**	**-0.4**	**2.1**

Source: Baillie Gifford

Asset Allocation and Stock Selection



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	UK Bonds	Cash/ Alts	Total Fund
Fund Start	19.4	18.0	20.6	10.1	14.0	14.1	3.8	100.0
Fund End	20.4	20.0	21.1	10.7	12.5	12.9	2.3	100.0
BM Start	25.0	18.0	18.0	9.5	9.5	18.0	2.0	100.0
BM End	25.1	19.3	18.1	9.9	9.1	16.6	1.8	100.0
Impact	-	-	-	-	-0.1	0.3	-0.1	0.1
Diff	-5.6	0.0	2.6	0.6	4.5	-3.9	1.8	0.0
	-4.7	0.7	3.1	0.7	3.4	-3.7	0.5	0.0
Fund	10.4	20.6	15.3	17.1	6.2	2.0	0.3	11.9
Benchmark	10.3	17.7	10.0	14.8	5.4	1.2	0.1	9.7
Impact	-	0.5	1.0	0.2	0.1	0.1	-	1.9
	0.0	2.4	4.9	2.1	0.8	0.9	0.1	2.0

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

Source:The WM Company

Fidelity Investment Management
(Multi Asset)

Historically, the manager has used a composite benchmark calculated by weighting seven indices by set percentage allocations and an out performance target of 1.9%pa before fees over rolling three year periods. With the reduction in equity holdings in December 2012, the new out performance target is now 1.7%pa before fees over the rolling three year period.

At the end of the period, assets under management rose by £22.4m to £215.7m

Investment performance for the quarter was positive to benchmark (11.5% versus 9.6%).

For the rolling twelve month period the fund is ahead of the benchmark by 3.4% (18.3%) v 14.9%.
The rolling three year figures show a return of 8.7% pa against the benchmark of 8.4% pa, and over the five years 9.7% pa versus 7.6% pa.

N.B With the out performance target added to the benchmark, Fidelity is running 1.4% pa behind benchmark plus target over the rolling three year period before fees. In reality this means that over the three year period, Fidelity has delivered benchmark.

Returns from asset allocation were nominal for the quarter with small contributions from North America and Japan as most regional sectors remained at or near their benchmark weights. The 1.5% contribution from stock selection was driven mainly by the strong 1.2% relative contribution from the UK.

UK Equities

The UK equity portfolio is invested on a concentrated, segregated basis and was ahead of benchmark by 4.1% over the quarter (14.4% versus 10.3 %), and ahead of the benchmark by 6.0% over the rolling 12 months. Over the longer three year measure the fund is now marginally ahead of the benchmark (9.3% pa v 8.8% pa).

In his report the manager mentions the impact on the UK markets from the encouraging data flows from the major economies and the positive news from the UK corporate sector.
In terms of stock specific contributions, the positions in Royal Dutch Shell and Rolls Royce made positive contributions to returns, as did Taylor Wimpey and BHP Billiton. Pearson continued to disappoint as did Lloyds Banking Group and Carnival PLC.

During the quarter the manager bought positions in ITV and Amazon.
The manager remains overweight the index in Lloyds Banking group +4.1%, Rolls Royce +3.9 and GlaxoSmithKline +3.7% and underweight Royal Dutch Shell -.8%, British American Tobacco -3.5% and AstraZeneca -2.1%. Sectorally he remains overweight banks and travel & leisure funded by underweight sector positions in Oil & Gas Producers and Tobacco.

Fidelity Pooled Funds

The following table shows the values of the various OEIC's in which the Fund is invested.

Whilst the Bromley rankings in those funds remained fairly constant, they continue to be monitored closely for any significant changes in the number of investors.

Fidelity Fund	Total Fund value 29-Mar-13 £M	Total Fund value 31-Dec-12 £M	Number of Investors 29-Mar-13	Number of Investors 31-Dec-12	largest single Investor £M	Bromley Investment by value £M	Bromley Investment by %	Bromley Ranking
America	404.9	358.5	19	19	158.1	27.1	6.7	5
Europe	448.3	424.4	108	109	126.8	20.7	4.6	3
Japan	458.9	334.8	111	102	96.3	13.3	2.9	7
South East Asia	282.1	282.1	93	95	47.8	12.3	4.4	9
Global Focus	115.6	95.8	16	16	32.0	20.5	17.7	2
Aggregate Bond	515.5	439.9	34	27	172.5	50.8	9.9	4

Source: Fidelity Investment Management

America Fund

This fund is essentially a fund of funds, whereby Rita Grewal (Exempt America Fund Manager) invests in other Fidelity America funds to produce a blended product which includes exposure to growth, value, fundamental large cap, small cap etc.

The fund had a disappointing quarter with a relative under performance of 0.6%% (17.8% versus 18.3%), and remains behind the 12 month benchmark by 1.8%. Over the three year rolling period the fund remains seriously behind the benchmark by 2.1% pa (10.2% pa versus 12.3% pa).

Main contributors to performance were again sector holdings in Pharma, Biotech and Life Science, Capital Goods and for this quarter Energy. However, these contributions were negated by negative contributions from the Software Services, Diversified Financials, Insurance and Household and personal products sectors.

Largest stock positions relative to the index at the end of the quarter were in CVS Caremark at +1.8%, Google +1.4%, and Gilead Sciences (+1.6%). These overweights were generally offset by underweight positions in ATT (-1.1%), General Electric (-1.2%), Coca Cola (-1.1%) and ATT Inc (-1.1%). Sectorally the fund has remained overweight in Pharmas, Diversified Financials and media whilst remaining underweight in Utilities, Real Estate and Insurance.

Europe (ex UK) Fund

The fund has marginally outperformed its benchmark this quarter by 0.2% (10.4% versus 10.1%). Over the rolling twelve months the fund is strongly ahead the benchmark by 8.2%, and over the three year rolling period the fund is now 2.3% pa ahead of the benchmark (5.6%pa v 3.4%pa)..

Positive contributions from Ryanair, Banco Santander and PPR SA, were reduced by negative contributions from holdings in Novartis, Saipen SpA and Arkema.

The manager has again cut her overweight position in the UK from 9.2% to 8.7%, (down from over 16.0% in the second quarter 2012), whilst the German (+3.1%), Ireland (+1.8%) and UK (+8.7%) overweight positions are now funded by underweight positions in France (-4.3%), Spain (-2.5%), Sweden (-4.9%) and Switzerland (-2.1%). In terms of sector allocations the manager remains overweight Transportation and Software & Services and underweight Utilities, Banks and Food and Beverages.

Japan Fund

The fund out performed its benchmark by 2.7% for the quarter and is up 5.4% relative to the benchmark (18.9% v 13.5%) over the rolling twelve months. Over the three year rolling period, the fund remains ahead of its benchmark by 2.6% pa.

Investment performance could have been outstanding but for significant negative stock specific contributions from such global heavyweights as Fujitsu, Canon and Sony. Whilst these negative contributors were offset by gains from the Japanese Exchange Group, Otsuka Corp and Bridgestone.
Sectorally,the allocation to Information Technology was up significantly as were Rubber Products and Services

South East Asia Fund

This portfolio again marginally outperformed the benchmark this quarter (9.1% versus 9.0%) as central bank actions in the global economies, including Japan, turned sentiment from "risk off" to "risk on" assets. Over the twelve months period, the fund is behind the index (15.9% versus 16.2%), but remains in positive territory at 1.2%pa over the three year rolling measure.

The Fund has cut its overweight benchmark position in Hong Kong to neutral whilst taking its exposure to China to an overweight position of +6.3% the index. It remains overweight Korea (+4.0%) and Thailand (+3.4%), which remain effectively "funded" by under-weights of 4.8%, 6.7% and 3.4% in Taiwan, Australia and Malaysia respectively.
The Fund has remained overweight in Real Estate and Media ("risk on"), offset by continuing underweight positions in the Insurance, Telecommunications and Food & Staples retailing.
Contributors to performance included Techtronic Industries, China Res Gas Group and ANZ Banking Group, with China Overseas Land & Development, National Australasia Bank and Samsung Electronics detracting.

Global Focus Fund

The fund out performed its benchmark by a modest 0.8% in the first quarter (14.8% versus 14.0%). The rolling twelve months returns remain strongly positive with a +2.8% over index (19.1% versus 16.3%). The three year return also remains positive at +3.1% pa (10.9% pa versus 7.9% pa).

The manager operates on a go-anywhere, bottom up approach with country and sector allocations secondary to "best investment opportunities". As a result the manager moves assets around to take advantage of relative value opportunities and has established overweight index positions in countries including India (+2.8%), Hong Kong (+1.3%) and the UK (+1.6%), (also +8.5% overweight in the Europe ex UK Fund). These overweights are being "funded" by underweight positions of 4.9% in the US, 2.9% in Switzerland and 2.1% in Australia.

Positive contributions came from holdings in Apple, Aeon Financial Services and Valero Energy Corp with negative contributions coming from Volkswagen, ArcelorMittal and McGrawHill.
From a sectoral perspective the fund is overweight Diversified Financials, Food, Beverages and Tobacco and healthcare Equipment & Services, and underweight Utilities, Capital Goods and Insurance.

Aggregate Bond Fund

The fund returned 0.4% above the index (1.6% versus 1.2%) as market friendly actions by central banks again boosted investor sentiment.

Over the rolling twelve months the fund remains ahead by 1.9% against benchmark and 1.5% pa ahead over the three year period.

Overweight positions in credit particularly BBB issuers, with names such as Ibedrola, Thames Water and Glencore boosted returns. In the banks, Credit Agricole and Sumitomo Mitsui both contributed to the out performance. The main negatives were adverse selections in the banking sector where Goldman Sachs and Citigroup failed to inspire.
Fund duration has remained at or near benchmark for the last eighteen months and is currently just slightly longer at 8.9 years to the benchmark level of 8.5 years.

In terms of a sector breakdown, the manager remains overweight ABS/MBS (+2.8%), Basic Industry (+1.3%) and covered bonds (+2.6%) and has reduced its previously overweight position in Cash from 2.4% last quarter to just 0.5%.. These overweight positions are offset by significant underweight positions in Quasi/Sov/Supra/Agency bonds (-8.2%) and Treasury (-8.2%).

In terms of credit ratings, the fund is underweight the benchmark in Government and AAA rated bonds (60.7% versus 66.3%) and has maintained overweight positions in A and BBB rated bonds (39.8% versus 31.5%).

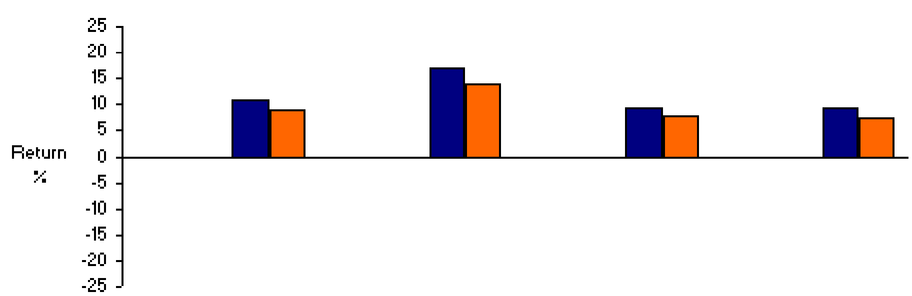
Standard Life Global Absolute Return Strategy

The fund rose in value from £25.1m at the end of December 2012 to £26.1m at the end of March 2013. Investment performance for the quarter was +3.75% and from inception 4.33%.

Exposure to developed equity markets was the largest positive contributor (+1.5%) to overall return in the quarter closely followed by good performance in the majority of the currency positions (+1.0%). Corporate bonds, both investment grade and high yield, also contributed (+0.4%). A chart showing the various asset allocations within the strategy is shown on Page 15.

Total Fund Review

Fund Returns



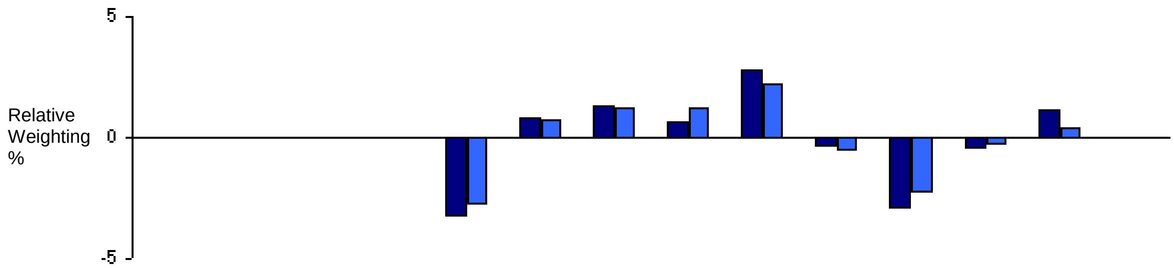
	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	11.0	16.8	9.2	9.5
Benchmark	8.8	14.0	7.9	7.5
Relative Return	2.0	2.5	1.2	1.9

Source: wmcompany

Asset Allocation and Stock Selection

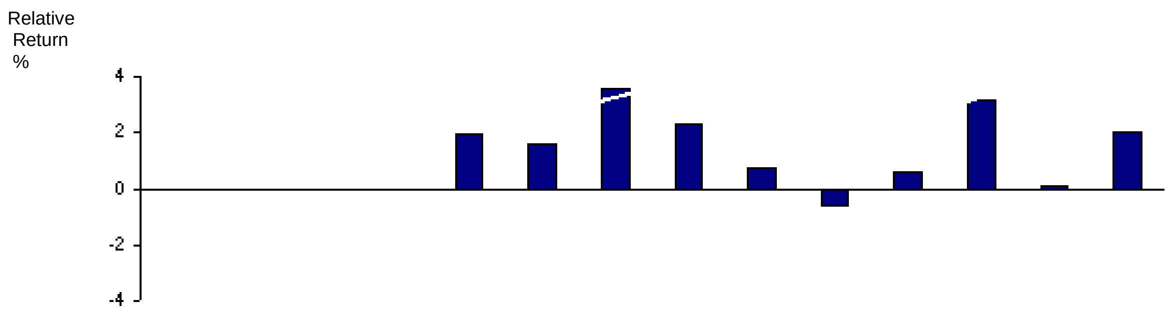
	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund

Asset Allocation



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
Fund Start	22.3	14.5	14.9	9.2	7.5	3.5	16.4	9.6	2.1	100.0
Fund End	23.1	15.5	15.0	10.1	6.8	3.5	15.7	9.0	1.4	100.0
BM Start	25.5	13.6	13.6	8.6	4.8	3.8	19.2	10.0	1.0	100.0
BM End	25.9	14.7	13.8	8.9	4.6	4.0	17.9	9.3	0.9	100.0
Impact	-	0.1	-	0.1	-0.1	-	0.2	-	-0.1	0.2
Diff	-3.2	0.9	1.3	0.7	2.8	-0.3	-2.8	-0.4	1.1	0.0
	-2.7	0.7	1.2	1.2	2.2	-0.5	-2.2	-0.3	0.4	0.0

Stock Selection



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
F										11.0
Benchmark	10.3	17.9	10.1	13.9	5.4	15.5	1.2	1.2	0.1	8.8
Impact	0.4	0.2	0.6	0.2	-	-	0.1	0.3	-	1.9
	2.0	1.6	3.6	2.3	0.8	-0.6	0.6	3.1	0.1	2.0

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

Source: the WMCompany

Diversified Growth Funds

The following chart highlights the asset allocation differences between **Baillie Gifford** and Standard Life in sourcing investment returns.

With the two managers only funded on 6 December 2012 it is far too early to draw any conclusions or make comments on asset allocation or investment performance.

		Baillie Gifford %	Baillie Gifford £m	Standard Life %	Standard Life £m	Total DGF £m	Total DGF %
Value at 31 March 2013			26.5		26.1	52.6	
Asset Class							
Global equities		18.3	4.9	24.3	6.3	11.2	21.3
Private equity		4.3	1.1			1.1	2.2
Property		0.6	0.2			0.2	0.3
Global REITS				4.9	1.3	1.3	2.4
Commodities		4.9	1.3			1.3	2.5
Bonds							
High yield		9.8	2.6	6.0	1.6	4.2	7.9
Investment grade		5.4	1.4			1.4	2.7
Emerging markets		14.6	3.9			3.9	7.4
UK corp bonds				5.6	1.5	1.5	2.8
EU corp bonds				7.4	1.9	1.9	3.7
Government		1.5	0.4			0.4	0.8
Global index linked				8.3	2.2	2.2	4.1
Structured finance		9.4	2.5			2.5	4.7
Infrastructure		3.8	1.0			1.0	1.9
Absolute return		8.2	2.2			2.2	4.1
Insurance Linked		8.4	2.2			2.2	4.2
Special opportunities		0.6	0.2	4.2	1.1	1.3	2.4
Active currency		0.0	0.0			0.0	0.0
Cash		10.2	2.7			2.7	5.1
Cash and derivatives				39.3	10.2	10.2	19.5
Total		100.0	**26.5**	100.0	**26.1**	**52.6**	100.0

numbers may not add due to roundings

Source: Baillie Gifford and Standard Life

The final chart below takes the asset allocations of Baillie Gifford and Fidelity multi asset portfolios and incorporates the new diversified growth fund allocations of Baillie Gifford and Standard Life in order to create a composite picture of the overall asset allocations of the Fund.

In aggregate the Fund has 75.9% (73.5%) invested in equities, 18.3% (19.2%) in fixed interest securities and the balance of 5.8% (7.3%) in “alternatives and cash” the majority of which is held within the two diversified growth portfolios.

Overall Fund Asset Allocations

Manager Asset Class 31-Mar-13	BG multi £m 315.6	FIM multi £m 215.7	BG dgf £m 26.5	SL dgf £m 26.1	total value £m 583.9	Asset Class Total £m	Total Fund Asset Allocations %
Equities							
UK	64.5	70.5				135	23.1
N America	63.2	27.1				90.3	15.5
Europe	66.7	20.7				87.4	15.0
Japan		13.3				13.3	2.3
Pac Rim	33.7	12.3				46	7.9
Emerging	39.5					39.5	6.8
Global		20.5	4.9	6.3		31.7	5.4
Fixed interest							
Investment grade			1.4			1.4	0.2
UK Corp				1.5		1.5	0.3
European Corp				1.9		1.9	0.3
Emerging market debt			3.9			3.9	0.7
High Yield			2.6	1.6		4.2	0.7
UK Gilts/Gov debt	40.6	50.8	0.4			91.8	15.7
UK IL							
European IL							
Global IL				2.2		2.2	0.4
Other							
Commodities			1.3			1.3	0.2
Private equity			1.1			1.1	0.2
Structured finance			2.5			2.5	0.4
Infrastructure			1			1	0.2
Property			0.2			0.2	0.0
Global REITS				1.3		1.3	0.2
Absolute return			2.2			2.2	0.4
Insurance linked			2.2			2.2	0.4
Special opps			0.2	1.1		1.3	0.2
Active currency			0			0	0.0
Cash	7.4	0.5	2.7			10.6	1.8
Cash and derivatives				10.2		10.2	1.7
Total	315.6	215.7	26.6	26.1		584.0	100

Source: Baillie Gifford, Standard Life and Fidelity Investment Management

Numbers may not add due to roundings

Alick Stevenson

Senior Adviser

AllenbridgeEpic Investment Advisers