AllenbridgeEpic
investment advisers

REPORT PREPARED FOR

London Borough of Bromley Pension Fund for the period ending 30 June 2013

30 August 2013

Alick Stevenson
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

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

alick.stevenson@allenbridgeepic.com www.allenbridgeepic.com

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 30 June 2013.

This document is directed only at the person identified above on the basis of our investment advisory agreement with you. No liability is admitted to any other user of this report and if you are not the named recipient you should not seek to rely upon it. It is issued by AllenbridgeEpic Investment Advisers Limited, an appointed representative of Exception Capital LLP which is Authorised and Regulated by the Financial Conduct Authority

Market Update 2 Q 2013

"I've been very disappointed at the failure of the world to put in place policies to create economic conditions when it would be desirable to return to normal levels of interest rates"

Mark Carney Governor of the Bank of England

The end of the second quarter saw the bull-run in equities falter from its three year high and bring to an end a run of thirteen consecutive monthly gains in the UK.

Interestingly though, there has been very little change in the main economic indicators, with the broad trend still one of gentle improvement in the US, Japan and the UK, whilst in some emerging markets, growth is actually slowing. In Europe overall, the outlook is still poor, but less "terminal" in the South and recovering slowly in the North.

Chairman Bernanke's recent comments regarding some reduction in the rate at which it purchases US government bonds was perhaps an ill timed and definitely misinterpreted, message that the Federal Reserve will seek to end its QE bond buying programme sometime in 2014, although he did in turn state quite firmly, that interest rates will stay low through 2015.

Mixed messages can only confuse and thus it was that equity markets fell sharply and more importantly bond prices rose. The 10 year benchmark US bond rose sharply to stand at 2.5%, holders of corporate debt saw investment grade bonds fall 3.5% over the quarter whilst junk bonds saw a 200 point increase in their pricing since May 2013. The ViX index rose sharply and then fell back to less hysteric levels. Interestingly, of course, the comments made by Bernanke signify a growing belief that economic activity in the US may be picking up which is a "good sign", but in time honoured fashion, have been taken by the market as a portent of higher interest rates, a "bad sign" and an end to the "central bank free ride".

Elsewhere in the world the Chinese Central Bank imposed a very tight funding squeeze on the short term interbank market, in order to reduce the amount of money the banks were lending into the "shadow" or unregulated domestic banking system, sending a very strong message that it was the Central Bank that would supply credit and not the unregulated market. Whilst this seems to have worked short term, external observers are wondering if this will starve some of the Chinese SME's of working capital and further impact growth.

From the beginning of July 2013 we now have a new Governor at the Bank of England, like Mario Draghi, President of the European Central Bank. Mark Carney is also a graduate of Goldman Sachs and brings several years of good work as head of the Canadian Central Bank with him. His critics will say that Canada never really had a banking crisis, whilst this may be so he very carefully steered the Canadian economy through the "Lehman" crisis and its aftermath.

Gold also felt the cold wind of investor disinvestment, falling nearly 30% since the beginning of the year to a three year low trading at $1,180 at the end of the quarter.

Executive Summary

At the end of June the fund value fell slightly to £582.3m (£583.7m at 31 March 2013), but is £95.7m up on the same period last year.

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, is included in the papers for the meeting.

Overall investment performance was disappointing, but reflected the turbulent market conditions in the latter part of the quarter. Overall the fund returned -0.2% against a benchmark of -1.0%. But, has a strong 12 month performance with a return of 19.7% against the benchmark of 15.7%.

Fidelity outperformed its benchmark for the quarter returning +0.5%% against a benchmark return of -1.2%.

Baillie Gifford also returned +0.5% against their benchmark of -1.4% for the same period.

NB Both managers' investment returns reflect relative performance as they were both measured against negative performance and negative benchmarks

On the new diversified growth portfolios, neither manager had a good quarter. Baillie Gifford posted a return of -2.9% against a benchmark of +1.0% whilst Standard Life returned -0.5% against their benchmark of +1.4%.

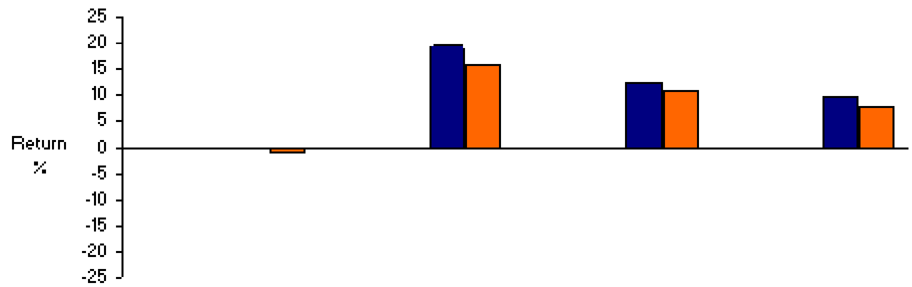
Fund Value

Period Manager		**30-Jun 2013 £m's**	% of total fund	31-Mar 2013 £m's	% of total fund	30-Jun 2012 £m's	% of total fund
Baillie Gifford		**314.1**	53.9	315.6	54.1	262.8	54.0
Fidelity		**216.4**	37.2	215.7	36.9	223.8	46.0
DG Funds							
Baillie Gifford		**25.8**	4.4	26.5	4.5		
Standard Life		**26.0**	4.5	26.1	4.5		
Total Fund		**582.3**	100.0	583.9	100.00	**486.6**	100

Source: Fidelity, Baillie Gifford and Standard Life

Fund Investment Performance Highlights

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	-0.2	19.7	12.3	9.6
Benchmark	-1.0	15.7	10.7	7.7
Relative Return	0.7	3.4	1.5	1.7

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

Source: TheWMCompany

Whilst the fund was ahead of the benchmark for the quarter by 0.7%, both the overall return and the benchmark were negative (-0.2% versus -1.0%).
Over the twelve month period though, the fund has delivered a strong positive performance of 19.7% and is ahead of the benchmark by 3.4%.

For the "benchmark" three year rolling period the fund has maintained its positive performance with returns of 12.3% pa against a benchmark of 10.7% pa, with approximately two thirds of that out performance coming from Baillie Gifford.

Over the five year period, both managers have contributed in almost equal proportion to the 1.7% pa over benchmark performance (9.6% pa versus the benchmark of 7.7% pa).

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

Manager Changes

Standard Life announced that Euan Munro had resigned to take up a position as CEO of Aviva Fund Management. Mr Munro was co head of the GARS product. Conversations with Standard Life have confirmed that Guy Stern will take over some of Mr Munro's other responsibilities but will remain as head of the GARS product. Whilst this is not good news, given the previous defections in 2012, the GARS team remains at around 31 investment professionals. We will continue to monitor Standard Life and the GARS product closely.

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 less well this quarter as concerns over a tapering of the QE programme in the US sent shivers through world markets, especially in the emerging markets. Negative performance from most fixed income holdings and commodity investments were the main contributors to the negative performance for the quarter. The value of the fund fell slightly to £25.8m at the end of June 2013 from £26.5m at the end of March 2013.

For the quarter the fund had an investment return of - 2.9% but since inception remains ahead by +2.8%.

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 fell slightly to £314.1m from £315.6m (31 March 2013). Performance for the quarter was positive at +0.9% relative to the benchmark albeit both fund performance and the benchmark were negative (-1.4% v -0.5%).

In terms of equity asset allocation, the manager has remained slightly overweight the equity benchmark (84.2% versus 80.0%), but remains significantly underweight UK equities (20.5% versus 25%) and remained underweight in fixed income assets (13.9% v 18.0%). These underweight positions have been used to fund overweights in emerging markets (+2.8% to the benchmark) and (+3.5%) overweight position in Europe ex UK, coupled with a 2.2% overweight in North America. Cash balances have increased from last quarter’s 0.3% to stand at 1.9% just shy of the benchmark of 2.0%.

In terms of sectoral diversification, the manager has maintained long positions to the index in Consumer Services (+7.9%), Consumer Goods (+1.2%) and Industrials (+2.6%) and is “balancing” these with short index positions in Utilities (-3.6%), Basic Materials (-2.6%), Telecoms (-2.7%) and Oil and Gas (-3.0%). There are no outstandingly large equity holdings with some 20 stocks continuing to represent 23.5% of the portfolio by value.

Baillie Gifford Pooled Funds

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

***The market update (page 1), headlined the exodus from emerging markets as one of the side effects of the Federal Reserve announcements that it was considering slowing down the amount of QE being pumped into the market place. The highlighted significant exodus from the BG Emerging Market Growth Fund in the table below, is a real example of a transfer of assets away from a region perhaps more dependent on the USA than others. **The Fund lost a net 60 investors and a net £123.0m or slightly below 20% of its assets under management.**

Baillie Gifford Funds		Total Fund value 30-Jun-13 £M	Total Fund value 29-Mar-13 £M	Number of Investors 30-Jun-13	Number of Investors 29-Mar-13	largest single Investor by %	Bromley Investment by value £M	Bromley Investment by %	Bromley Ranking by number
EM Growth***		505.1	628.1	637	697	30.70	20.7	4.1	6
EM Leading Co's		426.5	463.0	114	110	42.00	16.6	3.9	8
Japan Small co's		87.6	72.7	182	158	14.70	3.4	3.9	12
Active Gilts		77.2	83.3	315	305	45.70	13.7	17.7	2
Inv Grade Bonds		235.4	229.8	130	119	48.90	29.8	12.7	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.

Overweight positions are held in Dragon Oil +4.3%, China Mobile +2.7% and China Life Insurance (Taiwan) at +2.4%. The top ten holdings, by value, include Samsung 6.1%, Dragon Oil 4.3% and China Mobile 4.5%. Interesting the fund also maintains a 1.7% holding in Tullow Oil, a UK listed stock.

From a performance perspective the Fund has underperformed the 12 month benchmark by 1.1% and the three year rolling benchmark by 0.9%p.a

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. Sectorally, the fund is overweight the index in Information Technology (+15.3%) and Consumer Discretionary (+1.9%) with underweights in Materials (-6.6%), Industrials (-3.8%) and Utilities (-3.4%). Overweight stock positions include Samsung Electronics +3.2%, Hyundai Motors +3.7% and Sberbank Adr with +2.6%.
Samsung is the largest holding, by value, in this Fund with 7.4%, with TSMC at 6.2% and China Mobile at 4.9%. This Fund also has a 2.8% holding in Tullow Oil.

This fund has performed better than its sister Fund with a positive performance against the index over the 12 months returning 8.7% against the benchmark of 6.8%.

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.

Ninon M&A Center is the largest holding by value at 3.3%, with Hajime Construction and MonotaRo each with 2.4%.

This Fund, which had only £73m in assets under management and just 158 investors at the end of March 2013 grew to £87.6m and 182 investors at the end of the current quarter.

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.

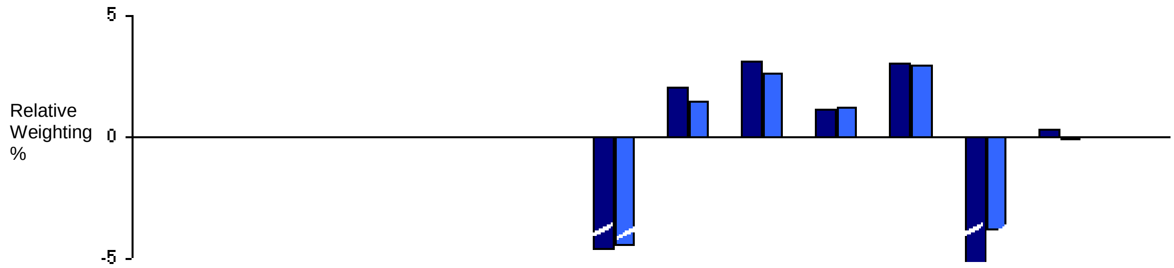
This portfolio is constructed and managed under three basic investment tenets: conviction, combined exposure and portfolio balance, each of which when combined enables the manager to take high conviction positions and exploit duration, the interest rate curve, swap spreads and currency. It currently holds 97% of its assets in Sovereign Debt with 3.0% in Index Linked and cash. This gives the fund a 95% AAA credit exposure. Duration is slightly longer than the index at 9.2 years (index 8.95) and has a running yield of 4.2% versus the benchmark of 3.6%.

Investment performance has been unremarkable over the previous 12 months, with the Fund returning -1.8% against an index of 2.4%.

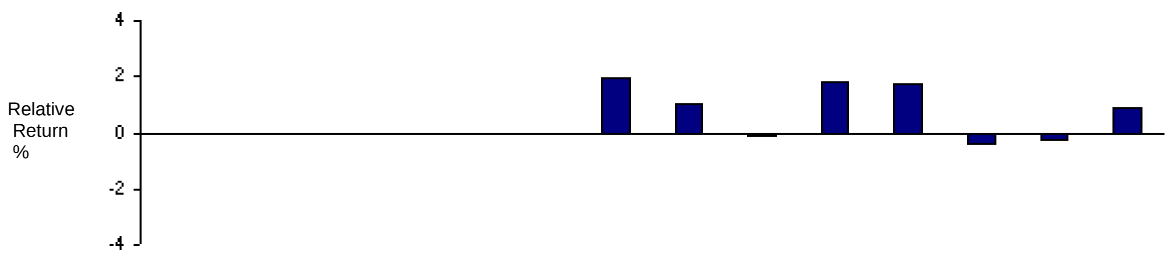
Baillie Gifford Investment Grade Corporate Bond Fund

Bromley is again ranked second (£30m) in a fund of £235m in assets and 130 investors, with both value and investor numbers showing a small increase over the previous quarter.
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.
Portfolio duration at 7.68 years mirrored the index.
Corporate bonds have performed well over the last twelve months with returns of 7.8% versus a benchmark of 6.5%, although the quarterly performance was negative at -3.2% versus 2.9% for the index. This poor performance reflected market concerns that the Federal Reserve may look to taper its QE programme later in the year.

Asset Allocation



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	UK Bonds	Cash/ Alts	Total Fund
Fund Start	20.4	20.0	21.1	10.7	12.5	12.9	2.3	100.0
Fund End	20.5	20.2	21.0	10.6	11.9	13.9	1.9	100.0
BM Start	25.0	18.0	18.0	9.5	9.5	18.0	2.0	100.0
BM End	24.9	18.7	18.4	9.4	8.9	17.6	2.0	100.0
Impact	-	0.1	0.1	-	-0.2	0.1	-	-
Diff	-4.6	2.0	3.1	1.2	3.0	-5.1	0.3	0.0
	-4.4	1.5	2.6	1.2	3.0	-3.8	-0.1	0.0



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	UK Bonds	Cash/ Alts	Total Fund
Fund	0.3	3.3	0.8	-0.7	-5.8	-3.7	-0.1	-0.5
Benchmark	-1.7	2.2	0.8	-2.5	-7.5	-3.3	0.1	-1.4
Impact	0.4	0.2	-	0.2	0.2	-0.1	-	0.9
	2.0	1.0	-0.1	1.8	1.8	-0.4	-0.2	0.9

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

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 current period on their equity investments. This analysis excludes fixed income and cash.

This chart, provided by Baillie Gifford, confirms that the manager derived the majority of investment return from stock selection, lost a small amount (0.6%) through asset allocation and gained 1.1% from positive currency movements.

Asset Class	Total Return Fund	Bmark	Asset Allocation	Attribution Analysis Stock Selection	Total Local	Currency Effect	Total
Equities							
Europe	-9.1	-20.1	-0.2	2.8	2.6	0	2.6
America	12.8	6.1	0	1.5	1.5	0.1	1.6
Developed Asia	-2.8	-6.0	0	0.4	0.5	-0.1	0.4
UK	-0.1	-2.9	-0.2	0.7	0.5	-0.3	0.2
Emerging	-12.0	-14.7	-0.3	-1.4	-1.7	1.4	-0.3
Total	100.0	100.0	-0.6	4.0	3.5	**1.1**	4.6

Source: Baillie Gifford

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 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 £0.8m to £216.5m

Investment performance for the quarter was positive to benchmark (+0.5% versus -1.2%).

For the rolling twelve month period the fund is ahead of the benchmark by 5.8% (21.9% v 16.1%).
The rolling three year figures show a return of 12.4% pa against the benchmark of 11.2% pa, and over the five years 10.0% pa versus 7.6%% pa.

N.B With the out performance target added to the benchmark, Fidelity is running just behind benchmark plus target over the rolling three year period before fees

UK Equities

The UK equity portfolio is invested on a concentrated, segregated basis and was ahead of benchmark by 3.7% over the quarter (2.0% versus -1.7 %), and ahead by 11.7% over the rolling 12 months. Over the longer three year measure the fund is now 1.9% p.a ahead of the benchmark (14.8% pa v 12.8% pa).

In his report the manager comments on the pressure on the UK market during the second half of the quarter, largely Federal Reserve based worries. In terms of stock specific contributions, the positions in Lloyds Banking Group at last made a significant positive contribution, GSK and WPP also contributed whereas Diagio, Wolseley and BT Group were negative contributors.

During the quarter the manager added to the position in ITV, established last quarter, and took a hoiding in Serco, the UK outsourcing firm.
The manager remains overweight the index in Lloyds Banking Group +5.2%, Rolls Royce +3.7 and GlaxoSmithKline +4.0% and underweight Royal Dutch Shell -7.2%, British American Tobacco -3.4% and AstraZeneca -2.1%.

From an active risk perspective the fund remains overweight banks (+8.5%) and travel & leisure (+7.2%), effectively funded by underweight sector positions in Oil & Gas Producers (-11.0%) and Personal and Household Goods (-4.4%)

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. Over the last twelve months, Japan and Globus Focus Funds have maintained the same number of investors, whereas America, (down 33%) Europe (11.55) and South East Asia (down 20%) have seen significant falls in the number of investors. Only the Aggregate Bond (up 40%) has seen a rise in the number of investors.

Fidelity Fund		Total Fund value 30-Jun-13 £M	Total Fund value 29-Mar-13 £M	Number of Investors 30-Jun-13	Number of Investors 30-Jun-12	largest single Investor £M	Bromley Investment by value £M	Bromley Investment by %	Bromley Ranking
America		**386.8**	**404.9**	**16**	**24**	158.1	27.1	7.0	5
Europe		**441.4**	**448.3**	**97**	**119**	126.8	20.7	4.7	4
Japan		457.5	458.9	103	105	96.3	13.3	2.9	7
South East Asia		**248.2**	**282.1**	**89**	**111**	47.8	12.3	5.0	6
Global Focus		114.9	115.6	16	16	32.0	20.5	17.8	3
Aggregate Bond		504.4	515.5	38	27	172.5	50.8	10.1	3

Source: Fidelity Investment Management

America Fund

This fund is essentially a fund of funds, and is now managed by Nick Peters as Rita Grewal, the previous fund manager has moved to take up a position with Fidelity in the Far East. This fund 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 reasonable quarter with a relative out performance of 0.4% (3.3% versus 3.0%), and has now moved slightly ahead of the 12 month benchmark by 0.9%. Over the three year rolling period the fund remains seriously behind the benchmark by 2.3% pa and by 1.9%pa over the rolling 5 years.

Main contributors to performance were again sector holdings in Pharma, Biotech and Life Science, Diversified Financials and Materials. However, these positive contributions were almost offset by negative contributions from Technology Hardware and Equipment, Semiconductors and Health Care Equipment and Services.
Largest stock positions relative to the index at the end of the quarter were the same as the previous quarter with CVS Caremark at +1.8%, and Gilead Sciences (+1.2%), Capital One Financial Corp was also +1.2% the index.. These overweights were generally offset by underweight positions in General Electric (-1.1%), Coca Cola (-1.1%) and IBM (-1.1%). Sectorally the fund has remained overweight in Pharmas, Retailing and Media whilst remaining underweight in Utilities, Real Estate and Energy.

Europe (ex UK) Fund

The fund had a strong quarter outperforming the benchmark by 1.7% (2.3% versus 0.6%). For the rolling twelve months the fund is strongly ahead the benchmark by 6.0%, and over the three year rolling period the fund is up 2.6% pa on the benchmark (11.7%pa v 9.1%pa)..

Positive contributions from BT Group, UBS AG and Anheuser Busch Inbev, were reduced by negative contributions from holdings in Aker Solutions ASA, Roche Holdings and AP Moller Maersk.

The manager has reversed the decline in the overweight (non index) position in the UK taking it from 8.7% back to 9.5% although still significantly lower than the 16.0% exposure in the second quarter 2012). The Belgium (+2.9%), Denmark (+1.1%) and USA (+1.3%) overweight positions are now funded by underweight positions in France (-2.9%), Spain (-1.6%), Sweden (-4.7%) and Switzerland (-3.7%). In terms of sector allocations the manager has moved overweight Automobiles and Components remained overweight Software & Services and remains underweight Utilities and Banks.

Japan Fund

The fund out performed its benchmark by 2.1% for the quarter and is up 4.2% relative to the benchmark (28.7% v 24.5%) over the rolling twelve months. Over the three year rolling period, the fund remains ahead of its benchmark by 3.0% pa.

Investment performance could have been outstanding but for negative stock specific contributions from such global heavyweights as Fujitsu and Canon. . However, big gains from domestic companies such as Sotbank, Rakuten and Takeda Pharmaceutical helped the manager to a strong quarterly return. Sectorally, the overweight allocations to Materials, Automobiles and Components and Insurance were “funded” by underweights in Capital Goods, Utilities and Consumer Durables.

South East Asia Fund

This portfolio outperformed the benchmark this quarter by 1.3% (-7.6% versus -6.3%) albeit both return and benchmark were negative!
Over the twelve months period, the fund is now ahead of the index (14.9% versus 12.2%), and remains in positive territory at 1.0% pa over the three year rolling measure.

The Fund has cut its overweight benchmark position in China to 3.4%, last quarter +6.3%. It remains overweight Korea (+5.5%) and Thailand (+1.1%). These overweight countries are effectively "funded" by under-weights of 3.6%, 4.9% and 3.6% in Taiwan, Australia and Malaysia respectively.
The Fund has remained overweight in Real Estate and Semiconductors offset by continuing underweight positions in the materials, Telecommunications and Food & Staples retailing.

Global Focus Fund

The fund out performed its benchmark by a modest 0.2% this quarter (-0.1% versus -0.3%), with both return and benchmark in negative territory, The rolling twelve months returns remain reasonably positive with a +0.8% over index return and the three year return also remains positive at +1.6% pa (13.8% pa versus 12,2% 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 (+1,8%), Japan (+1.4%) and the UK (+2.6%), (also +9.5% overweight in the Europe ex UK Fund). These overweights are being "funded" by underweight positions of 3.3% in the US, 2.0% in Switzerland and 2.9% in Australia.

Positive contributions came from holdings in KDDI Corp, CME group and Cisco Systems with negative contributions coming from Newcrest Mining, Detour Gold and Goldcorp.
From a sectoral perspective the fund is overweight Diversified Financials, Food, Beverages and Healthcare Equipment & Services, and underweight Utilities, Capital Goods and Retailing.

Aggregate Bond Fund

The fund returned -0.1% below the index (-3.5% versus -3.4%) as market actions turned negative on concerns that the Federal Reserve would scale back QE.
Over the rolling twelve months the fund remains ahead by 1.1% against benchmark and a similar 1.1% pa ahead over the three year period.

Overweight positions in credit, particularly A rated issuers, with names such as ATT and EON weighed on returns, although some small positive contributions from Financials helped the fund to a near breakeven return for the quarter.
Fund duration has remained at or near benchmark for the last twenty one months and is currently just slightly short at 8.3 years to the benchmark level of 8.4 years.

In terms of a sector breakdown, the manager remains overweight ABS/MBS (+3.1%), Basic Industry (+1.2%) and covered bonds (+2.4%) and has maintained its slightly overweight position in Cash at just 0.8%.. These overweight positions are offset by a continuing significant underweight position in Quasi/Sov/Supra/Agency bonds (-7.8%) and a small underweight position in Treasuries (-1.7%).

In terms of credit ratings, the fund is underweight the benchmark in Government and AAA rated bonds (58.1% versus 66.3%) and has maintained overweight positions in A and BBB rated bonds (37.0% versus 32.8%).

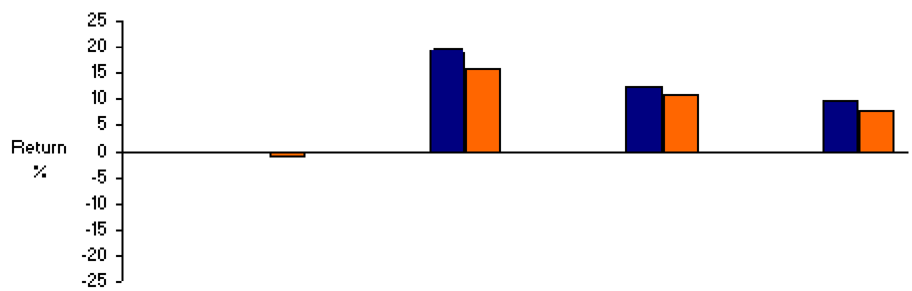
Standard Life Global Absolute Return Strategy

The fund value fell slightly at the end of June 2013 to £25.95m from £26.08m at the end of March 2013. Investment performance for the quarter was -0.48% and from inception +3.83%.

Exposure to developed equity markets contributed positively (+0.2%) but not sufficiently to offset the dramatic fall in emerging market equities (-0.6%). Good performance in the majority of the currency positions (+0.9%) also failed to offset declines in fixed income assets on the back of the Federal Reserve talk of tapering the QE programme A chart showing the various asset allocations within the strategy is shown on Page 15.

Total Fund Review

Fund Returns

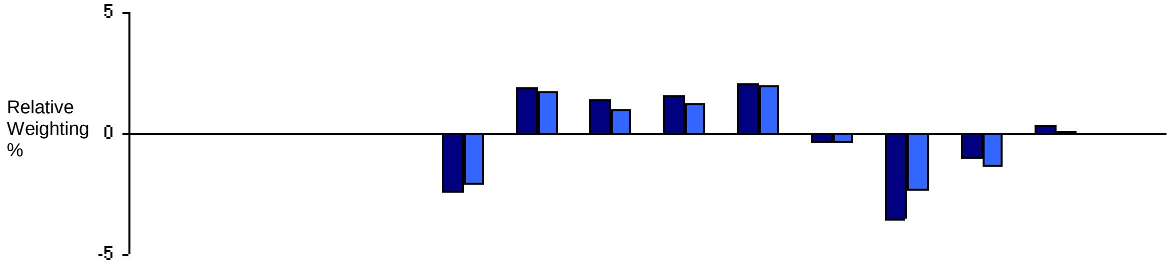


	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	-0.2	19.7	12.3	9.6
Benchmark	-1.0	15.7	10.7	7.7
Relative Return	0.7	3.4	1.5	1.7

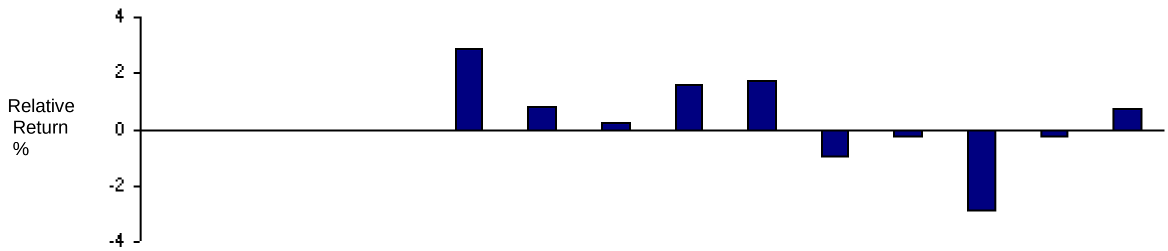
Source: wmcompany

Asset Allocation and Stock Selection

Asset Allocation



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
Fund Start	23.1	15.5	15.0	10.1	6.8	3.5	15.7	9.0	1.4	100.0
Fund End	23.2	15.8	14.9	9.7	6.4	3.5	16.4	8.9	1.1	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	25.3	14.1	13.9	8.5	4.4	3.9	18.7	10.2	1.0	100.0
Impact	-	0.1	-	-	-0.1	-	-	-	-	-
Diff	-2.4	1.9	1.4	1.6	2.0	-0.3	-3.5	-1.0	0.4	0.0
	-2.1	1.8	1.0	1.2	2.0	-0.3	-2.3	-1.3	0.1	0.0



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
Fund	1.2	3.3	1.2	-0.2	-5.8	-0.0	-3.6	-1.7	-0.1	-0.2
Benchmark	-1.7	2.4	0.9	-1.7	-7.5	1.0	-3.4	1.2	0.1	-1.0
Impact	0.7	0.1	-	0.2	0.1	-	-	-0.3	-	0.8
	2.9	0.8	0.2	1.6	1.8	-1.0	-0.2	-2.8	-0.2	0.7

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 in 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 30 June 2013			25.8		26.0	51.7	
Asset Class							
Global equities		16.4	4.2	33.3	8.6	12.9	24.8
Private equity		3.9	1.0			1.0	1.9
Property		0.7	0.2			0.2	0.3
Global REITS				4.4	1.1	1.1	2.2
Commodities		5.2	1.3			1.3	2.6
Bonds							
High yield		9.4	2.4	6.7	1.7	4.2	8.0
Investment grade		4.7	1.2			1.2	2.3
Emerging markets		14.7	3.8			3.8	7.3
UK corp bonds				6.0	1.6	1.6	3.0
EU corp bonds				5.0	1.3	1.3	2.5
Government		3.1	0.8			0.8	1.5
Global index linked				0.3	0.1	0.1	0.2
Structured finance		9.8	2.5			2.5	4.9
Infrastructure		2.9	0.7			0.7	1.4
Absolute return		7.5	1.9			1.9	3.7
Insurance Linked		8.6	2.2			2.2	4.3
Special opportunities		0.6	0.2	4.2	1.1	1.2	2.4
Active currency		-0.4	-0.1			-0.1	-0.2
Cash		13.0	3.4			3.4	6.5
Cash and derivatives				40.4	10.5	10.5	20.2
Total		100.1	**25.8**	100.3	**26.0**	**51.8**	100.0

Numbers may not add due to roundings

This final chart on Page 16 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 76.3% (75.9%) invested in equities, 17.9% (18.3%) in fixed interest securities and the balance of 5.8% (5.8%) in “alternatives and cash” the majority of which is held within the two diversified growth portfolios.

Overall Fund Asset Allocations

Manager Asset Class 30-Jun-13	BG multi £m 314.1	FIM multi £m 216.4	BG dgf £m 25.8	SL dgf £m 26.0	total value £m 582.3	Asset Class Total £m	Total Fund Asset Allocations %
Equities							
UK	64.5	70.5				135	23.2
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	4.3	8.6		33.4	5.7
Fixed interest							
Investment grade			1.2			1.2	0.2
UK Corp				1.6		1.6	0.3
European Corp				1.3		1.3	0.2
Emerging market debt			3.8			3.8	0.7
High Yield			2.4	1.7		4.1	0.7
UK Gilts/Gov debt	40.6	50.8	0.8			92.2	15.8
UK IL							
European IL							
Global IL				0.1		0.1	0.0
Other							
Commodities			1.3			1.3	0.2
Private equity			1			1	0.2
Structured finance			2.5			2.5	0.4
Infrastructure			0.7			0.7	0.1
Property			0.2			0.2	0.0
Global REITS				1.1		1.1	0.2
Absolute return			1.9			1.9	0.3
Insurance linked			2.2			2.2	0.4
Special opps			0.2	1.1		1.3	0.2
Active currency			-0.1			-0.1	0.0
Cash	7.4	0.5	3.4			11.3	1.9
Cash and derivatives				10.5		10.5	1.8
Total	314.1	216.4	25.8	26		582.3	100

Source: Baillie Gifford, Standard Life and Fidelity Investment Management

Numbers may not add due to roundings

Alick Stevenson

Senior Adviser

AllenbridgeEpic Investment Advisers