Appendix 5

Allenbridge

REPORT PREPARED FOR

London Borough of Bromley Pension Fund

16 August 2016

Alick Stevenson
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic).

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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 2016.

Executive Summary for the Quarter ended 30 June 2016

- **Despite a small negative investment performance against the benchmark, the fund value rose to £798.2m as at 30 June 2016, from £745.7m at 31 March 2016. The corresponding figure for 30 June 2015 was £710.9m.**

- **The fund had a return of 7.0% (7.3%) for the quarter; 12.1% (12.7%) for the rolling twelve months and 11.0%pa (10.4%pa) over the rolling three years. Over the five year period the fund has returned 10.1%pa v 8.9%pa. These medium term returns compare very favourably to the current actuarial rate of +5.6%pa (figures in brackets are the respective benchmarks).**

- **Once again the majority of the value growth came from the three global equity managers, although fixed income also contributed. One of the DGF portfolios fell slightly, whilst the other rose .**

- **As far as the strategic or long term asset allocations are concerned, the fund continues to remain overweight equities (74.2% v 70%), has moved in line with the strategic asset allocation for DGF assets (9.8% v 10.0%) and remains underweight fixed income (16.0% v 20.0%).**

- **SSgA has provided its last quarterly report to the Fund, but will be in attendance at the September meeting to present their Annual Review.**

- **Representatives of Standard Life will be in attendance at the next Pensions and Investment sub Committee meeting on 21 September 2016**

Market Commentary for the Quarter ended 30 June 2016

"Where we are going, there are no roads"

Dr Emmett Brown ("Back to the Future")

Brexit became a reality on 23 June 2016 with a 52%/48% vote in favour of leaving the EU. Markets plummeted, gold rose significantly and economic pundits crowded television and radio warning of the dire consequences to come. It seems fair to say that more newspaper column inches have been devoted to BREXIT than almost all other breaking economic stories put together.

The only certainty is that the road pre and post BREXIT will be paved with issues, both positive and negative. Perhaps we should all carry a copy of Donald Rumsfeld's "Known unknowns" speech with us to remind us that there will be market volatility, currency fluctuations, Central Bank interventions and other economic turbulence to contend with, not just in the run up to exit but for some time thereafter. Not the least of which might be other EU member states calling referenda on their own continued membership thus potentially creating additional economic turbulence.

Several weeks into the third quarter, markets appear to have calmed down as economists reflect on the positives rather than focussing on the doom and gloom previously forecast by the "Remain Camp".

In the UK, David Cameron has fallen on his political sword and in a short run leadership contest, Teresa May has been anointed Prime Minister. Her new cabinet reflects an almost total clear out of "Cameron appointees", including George Osborne.

In parallel, Mr Corbyn's leadership of the Labour Party is also going to a vote. Whilst in the USA, Donald Trump and Hillary Clinton are now the officially nominated presidential candidates for the Republican and Democrat parties, with that election scheduled for November.

At the same time as BREXIT holds the headlines however, we should not forget the slowdown in the Chinese economy and the lack lustre growth in the USA.

Latest economic news suggests a gradual slowdown in the world economy, with both the UK and European economies expected to have little or no growth over the next 12 months.

Whilst stock markets have in general calmed down and indeed moved upwards,, the UK property fund sector saw a number of major funds close to investor redemptions as private investors attempted "significant " disposals over concerns that UK property values would suffer in the wake of BREXIT.

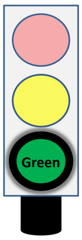
Several major property funds remained closed to redemptions at the time of writing. With one fund suggesting it may remain closed until 2017.

Fund Value as at 30 June 2016

Manager Name	Asset Class	**Value 30-Jun-16 £m**	**Actual % of Fund**	Value 31-Mar-16 £m	Actual % of Fund	Strategic Asset Allocation %
Baillie Gifford	DGF	**45.2**	**5.7**	44.8	6.0	
Standard Life	DGF	**28.0**	**3.5**	28.3	3.8	
Sub total DGF		**73.2**	**9.2**	73.1	9.8	10.0
Baillie Gifford	Global E	**265.3**	**33.2**	248.0	33.3	
BlackRock	Global E	**157.0**	**19.7**	145.9	19.6	
MFS	Global E	**177.3**	**22.2**	159.6	21.4	

Sub total GE		**599.6**	**75.1**	553.5	74.2	70.0
Baillie Gifford	Fixed Int	**54.7**	**6.9**	51.7	6.9	
Fidelity	Fixed Int	**70.7**	**8.9**	67.4	9.0	
Sub total FI		**125.4**	**15.7**	119.1	16.0	20.0
Fund Totals		**798.2**	**100.0**	745.7	100.0	100.0

The Fund for the quarter ended 30 June 2016



Overall the Fund managers have not changed their investment processes during the quarter, neither have any significant personnel changes been notified which might influence the way in which the managers' investment processes are managed.

Market statistics for the quarter and rolling 12 months ended 30 June 2016

EQUITIES Total return	3 months %	12 months %
MSCI World	8.6	13.3
MSCI World ex USA	6.7	3.4
S & P 500	10.2	22.3
MSCI UK	6.7	3.4
MSCI Europe ex UK	4.3	5.8
MSCI AsiaPac ex Japan	8.1	5.9
MSCI Japan	8.6	7.5
MSCI All Emerging	8.4	3.9

FIXED INCOME Total return	3 months %	12 months %
FTSE Index Linked	9.8	14.8
FTSE all Gilts	6.2	13.5
J P Morgan Global Sov	11.4	31.2
Bofa ML Corp >10yr IG	4.2	8.9
ML HY constrained	12.3	20.2

Best Performing Sectors	3 months %	12 months %
Utilities	12.7	36.5
Consumer Staples	11.7	34.7
Telecoms Services	11.1	27.3
Information Technology	5.0	20.1

Inflation Indicators YOY%	As at 30-Jun-16	As at 30-Jun-15
UK RPI	1.4	1.0
UK CPI	0.3	0.0
US Core CPI	1.1	0.2

Industrials	8.3	19.4

Euroland CPI	-0.1	0.2

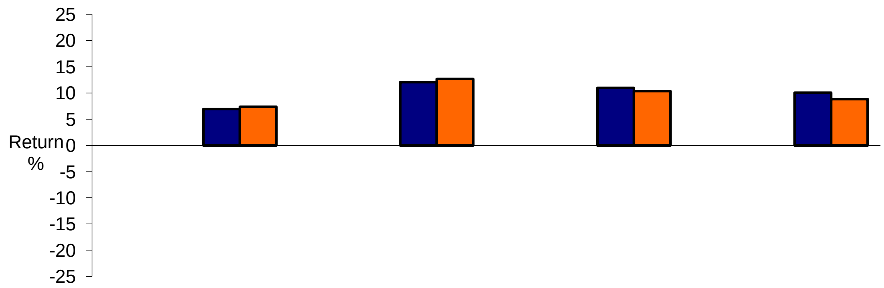
Worst Performing Sectors		
Health Care	13.7	12.8
Energy	19.1	12.2
Consumer Discretionary	3.4	11.0
Financials	5.6	2.6
Materials	12	7.6

Other Assets	3 months %	12 months %
LIBOR 1 month	0.1	0.5
LBMA Gold Bullion	15.8	33.2
Brent Crude	36.9	-5.1
IPD property Index	1.1	9.0
HFRI Index	8.7	11.9

The above table, highlights why investors should not rely on short term statistics; at the end of March 2016 most major stock markets were showing declines, this quarter as a poor quarter falls out and a strong quarter joins the calculation, they are all up. Typically, the longer the period under review the less volatile the changes.

Fund investment performance for the quarter ended 30 June 2016

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	7.0	12.1	11.0	10.1
Benchmark	7.3	12.7	10.4	8.9
Relative Return	-0.4	-0.5	0.5	1.1

Summary

Fund Return	7.0
Benchmark Return	7.3
Relative Performance	-0.4
attributable to:	
Asset Allocation	0.1
Stock Selection	-0.4

Source State Street
Numbers may not add due to roundings

Fund Governance and Voting

Voting and governance matters are covered in some detail within the various Investment Manager reports provided to the members under separate cover.

INVESTMENT MANAGER REVIEWS

Global Equity Portfolios

Baillie Gifford Global Alpha (segregated)

This portfolio was funded as at 20 December 2013 with a performance objective to outperform the MSCI ("ACWI") All Country World Index by 2-3% pa (before fees) over rolling five year periods. This measurement commenced from 31 December 2013).
(The Fund was closed to prospective investors at the beginning of 2015 but remains open for additional funding from existing clients). Baillie Gifford are one of several investment managers that have been appointed to the London CIV and are currently appointed, with other managers, for both Global Equity and DGF mandates.

Portfolio turnover increased slightly, as the four rolling quarters changed, to just 14.0% (12%) over the last 12 months, which implies an average holding period of around seven years, a recognition that Baillie Gifford focus on the long term and prefer to look through the short term gyrations except when they see stock purchasing opportunities.

Baillie Gifford operate a long term growth investment strategy which aims overcome short term political gyrations by buying and holding stocks across the world which exhibit long term fundamental strengths. However, this is not a mantra to exclude the potential effects of ground breaking decisions such as taken in the UK on 23 June to leave the EU on stocks held within the portfolio. In some cases the Implications for some stocks may be negative.
The manager has therefore trimmed a couple of their biggest European holdings in Ryanair and CRH. The proceeds from these two partial sales have been used to purchase additional holdings in Prudential and Novo Norsk. In addition, the manager has made a new purchase in a Chinese stock, Ctrip which they feel will benefit as more travel spend becomes available.

At the end of June 2016 the global equity fund was invested across 24 (23) countries and held 97 (98) different investments. These investments were spread over 9 (9) sectors and encompassed 39 (40) differing industries, thus providing a broadly diversified set of assets. It is worth noting that the active money within this portfolio is continuing to run at a very high level of around93% (93%). This implies that the fund is not holding benchmark or index weightings relating to stocks making up the index and reflects the active stock picking philosophy of the manager and its long term nature.

For the quarter, the fund had an investment return of 6.8%, some 2.0% behind the benchmark of 8.8%. Since the portfolio reorganisation in December 2013, the fund has returned 10.9%pa against a benchmark of 10.8*%pa. (All returns shown are net of fees.).*

The "active money" style (stock picking) is clearly demonstrated with the top ten holdings continuing to accounting for just under 28% of the total portfolio, in line with the previous quarter. Amazon 4.4% (3.6%) , Royal Caribbean Cruises at2.8% (3.4%) and Naspers at 3.4% (3.1 %), continue to hold the top three positions whilst S & P, Markel and First Republic Bank take the eighth, ninth and tenth positions with 2.4%, 2.3% and 2.1% respectively.

BlackRock Ascent Life Enhanced Global Equity Fund (pooled)

This portfolio was funded as at 20 December 2013 and has a performance objective: to outperform the MSCI ACWI by 1-2% per annum whilst managing risk relative to the benchmark.

The manager can invest across the whole of the ACW Index and, as a result, held 933 stocks (916) at the end of the quarter and posted a net investment return for the quarter of 7.3% against the index of 8.6% *some 1.3% behind the benchmark in absolute terms*. For the rolling twelve months the manager remains behind the benchmark at *9.2% (benchmark 11.6%).* Since inception, however, the fund has a positive return of 11.0%pa.

In terms of country allocations, the manager has moved to a neutral position in Europe where they were previously underweight to a small underweight position in the US, where they were previously slightly overweight. It remains underweight in the UK and slightly overweight "Other Countries".

Sectorally, the fund has remained underweight in Healthcare and Financials, moved to small overweight positions in Telecoms and Utilities has moved underweight and has remained overweight InfoTech and Consumer Staples.

The top ten stocks are little changed from last quarter with Apple (1.5%), Altria Group Inc (1.2%) and Cisco Systems 1.2%) taking the top three positions. In total the top ten stocks account for some 10.8% (11.0%) of the overall portfolio.

MFS Global Equity Fund (segregated)

This portfolio was funded as at 18 December 2013 and has a performance objective to outperform the MSCI world index (net dividends reinvested) over full market cycles.

MFS is currently invested in 15 (16) countries and has 117 (115) holdings. This contrasts with the benchmark of 1,645 (1,647) holdings spread across 23 countries.
For the quarter the fund returned 11.0% net against its benchmark of 8.6%. Over the rolling twelve months the fund had a return of 24.0% against a benchmark of 14.4%, a very good return in difficult markets. Since inception the fund has returned 16.1%pa (net) against the benchmark of 11.8% pa.

A look through the country and sector weights shows that the fund remained underweight North America (56.4% v 63.4%) and Asia Pacific ex Japan (1.6% v 4.4%), and has maintained its overweight positions in Europe ex UK (+3.7%), and Japan (+2.8%). The UK overweight has been reduced to neutral. The fund continues to run a small +1.3% overweight in emerging markets.

Sectorally, the fund has again maintained its significant overweight position in Consumer Staples (20.0% v 11.3%), with smaller overweights in Industrials (+4.9%) and Telecommunication Services (+0.9%). These over weights are being "funded" by underweight positions in Consumer Discretionary (-6.1%), Energy (-3.1%) and Utilities (-3.7%).

In terms of top ten holdings, KDDI Corporation with 2.5% of the portfolio, Nestle (2.3%) and Johnson & Johnson at 2.5% are the three largest, with J P Morgan (1.8%), Verizon Comm (1.8%), (1.8%) and Texas Instruments (1.7%)in eighth, ninth and tenth positions.

Global Equity Crossholdings

There are two crossholdings within the aggregated top ten holdings of the three global equity managers this quarter. Last quarter, the only crossholding ranked in the top ten stocks was Wells

Fargo Company at just 0.7% of the total global equity portfolio and approximately 0.5% of total fund assets.

This quarter, MFS and BlackRock both hold Johnson & Johnson for a total value of £4.8m and 3M for a value of £1.8m. These values translate to just 1.1% of the global equity portfolio and just 0.7% of total fund assets.

Diversified Growth Funds

Overall, the make-up of the Baillie Gifford fund has not changed significantly over the quarter. The manager has added slightly to its holdings in sovereign debt, funded by reducing holdings in high yield bonds.

In contrast, Standard Life holds approximately 57% (60%) of its assets in derivative based investments backed by cash, with just over 2/3rds of the portfolio invested in relative value and directional investment strategies.

Baillie Gifford

This mandate was funded on 8 December 2012 and has a performance objective to outperform UK base rate by at least 3.5% pa (net of fees) over rolling five year periods and with an annualised volatility of less than 10%.

For the 12 month period the portfolio has returned 0.1% against the benchmark of 4.0%. For this quarter the fund had a small positive return of 0.9% versus the benchmark of 1.0%. Since inception, the fund has delivered a return of +4.0% (net of fees) against its benchmark of 4.0%.

Despite some major asset class movements over the quarter culminating in the vote to exit the EU on 23 June 2016, The manager made few significant changes to the asset allocations within the fund; the exceptions being a small increase in equities to 20.3% (18.9%) and in structured finance assets up to 8.8% to 7.7% and a nominal reduction in cash holdings to 5.4% (6.2%). The majority of the other changes in asset class values are primarily due to relative value impacts and reflect the differing investment performance of the various asset classes over the quarter.

One of the primary directives for the fund, and one closely followed, is to keep volatility within target.
At the end of the quarter the current figure of 4.5% was similar to that at the end of the previous quarter of 4.5% and well within the upper ceiling of +10%.

Standard Life Global Absolute Return Fund

This mandate was funded on 7 December 2012 and has a performance objective to achieve +5% per year (gross) over 6 month LIBOR over rolling three year periods with expected volatility in the range of 4% to 8%pa.

The manager has again reported significant negative performance for the quarter and for the rolling twelve months. For the quarter the fund had a negative return of -1.1% against its 6 month LIBOR benchmark of 0.2% and for the twelve months a negative return of -4.0% against the benchmark of 0.7%. Since inception, the fund has generated a positive return (net of fees) of 3.2% pa, although this return is also behind the fund benchmark of 5.6%pa.

The volatility in equity markets and subsequent declines during the quarter impacted negatively on the fund holdings in European equities. The relative value trades between US equities large cap and small cap and the US equity technology versus small cap stocks also lost money during the quarter.
In terms of investment performance, the four main components in the portfolio, Market Return Strategies were broadly flat, whereas, Directional Strategies contributed a negative 0.3%, Relative Value strategies, -0.6% and currency hedging and cash -1.1%. These when calculated against their respective overall fund allocations produce a negative return of 1.1% for the quarter.

The table below highlights the asset allocation differences between Baillie Gifford and Standard Life in sourcing investment returns. Please note separate reports on each Fund on page 8

	Baillie Gifford	Baillie Gifford	Standard Life	Standard Life	Total DGF	Total DGF
	%	£m	%	£m	£m	%
Value at 30 June 2016		45.2		28.0	73.2	
Asset Class						
Global equities	20.3	9.2	24.7	6.9	16.1	22.0
Private equity	1.1	0.5			0.5	0.7
Property	6.7	3.0			3.0	4.1
Global REITS						
Commodities	3.7	1.7			1.7	2.3
Bonds						
High yield	16.0	7.2	3.1	0.9	8.1	11.1
Investment grade	5.3	2.4	9.2	2.6	5.0	6.8
Emerging markets	8.5	3.8			3.8	5.2
UK corp bonds			3.1	0.9	0.9	1.2
EU corp bonds			3.2	0.9	0.9	1.2
Government	4.3	1.9		0.0	1.9	2.7
Global index linked						
Structured finance	8.8	4.0			4.0	5.4
Infrastructure	8.0	3.6			3.6	4.9
Absolute return	7.9	3.6			3.6	4.9
Insurance Linked	4.1	1.9			1.9	2.5
Special opportunities	0.4	0.2			0.2	0.2
Active currency	-0.5	-0.2			-0.2	-0.3
Cash	5.4	2.4			2.4	3.3
Cash and derivatives			56.7	15.9	15.9	21.7
Total	100.0	**45.2**	100.0	**28.0**	**73.2**	100.0

numbers may not add due to roundings

Source: Baillie Gifford and Standard Life

FIXED INCOME PORTFOLIOS

Baillie Gifford Aggregate Plus Portfolio

This mandate was reorganised on 1 June 2015 and now has a reference benchmark comprising 44% Gilts, 44% Sterling non gilts, 6% global corporate bonds and 6% emerging market bonds. The manager's objective is to outperform this benchmark over rolling three year periods.

For the quarter, the fund returned 0.9%, just 0.1%.behind the benchmark of 1.0%. Since the original inception date of 9 December 2013, the fund has generated a return of 8.7% pa relative to a benchmark of 8.8% pa.

From a credit rating perspective the fund has remained underweight benchmark levels with AAA rated bonds (7.3% v 9.3%), AA rated bonds by 11.8% (previously -10.0% to the benchmark) and overweight BBB +9.1% (6.8%) to the benchmark) with a total of 92.0% (98.3%) invested in investment grade bonds.

High yield, or below investment grade, has an overweight of 3.9% (6.8%) to the index and is comprised largely of bonds rated BB which have lost their "BBB" rating, but in the opinion of the manager have the ability to regain that rating. The manager does not invest in "C" rated bonds.

Regionally, the fund has remained underweight the UK at -5.0% to the benchmark and overwieght the US at +5.8% to the benchmark. Looked at by sector the fund is underweight sovereign debt (-10.5%) and Utilities (-5.3%) with corresponding overweights in Industrials +7.7% and Securitized loans +7.2%.

In terms of active money, ie. those positions larger than the benchmark allocation, the manager holds 2.2% in Annington Finance, 1.9% in Close Bros and 1.9% in KFW 5% 2036 and 1.9% in Tesco Property Finance.
Overall, the fund is long benchmark duration at 9.7 years compared to 9.2 years for the benchmark. The running yield on the total portfolio is 4.04% compared to the benchmark of 3.63%

Fidelity Global Aggregate Fixed Income Portfolio

This portfolio was funded in April 1998 and has a performance objective to outperform by 0.75% pa (gross of fees) a benchmark comprising 100% of (IBoxx Composite (50% Gilts and 50% £ Non Gilts) over rolling three year periods.

The fund basically achieved the benchmark during the quarter with a return of 5.5% (gross of fees) against the benchmark of 5.4%. Over the rolling three years, the fund is ahead of the benchmark by 0.4% pa (9.5% pa v 9.1%pa) and since inception (30 April 1998) has outperformed the benchmark by 0.8% pa with a return of 7.0% pa.

In terms of credit quality, the fund has slightly under 92% 93%) invested in investment grade bonds, albeit underweight the index, especially in AA bonds (fund 53.8% v 57.5%), and has 18.4% (16%) invested in BBB rated bonds. The manager's holdings in high yield bonds has drifted upwards to 5.7% (4.4%) with the remaining2.3% (8.7%) in a mix of cash (6.7%) and unrated investments.

There have been some changes during the quarter, with the sectoral allocation to US treasury assets rising slightly to 48.0%% (46.1%) of the portfolio. Overweight positions in the Financial Services (+4.2%), Insurance (+3.7%) and Basic Industry (1.8%) sectors are offset by underweights in Supranationals and Sovereign Assets (-6.2%) and Utilities (-4.3%).

The portfolio is tracking benchmark duration of 9.7 years and has a running yield of just 2.8% (2.9%)

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