

Annual Review of Additional Voluntary Contributions (AVCs) with Prudential

1 April 2016 to 31 March 2017



Introduction

In consultation with its investment advisers, Aon Hewitt Limited (Aon Hewitt), NILGOSC has completed its annual review of the Scheme's AVC arrangement with Prudential.

The outcome of the review is summarised in this report and details the following information:

- Prudential's financial strength
- Views on the investment options with Prudential
- Recent developments and other information
- A performance report for all funds offered by Prudential (Annex A and B)

Overall, there are no material concerns with the existing AVC arrangements and Prudential continues to be regarded as an appropriate provider. The performance of each fund is measured by comparing returns to a relevant stock market index or average for the relevant sector where no index is available. This index is referred to as the benchmark throughout this report. If you are unsure of the funds in which you are invested then please refer to your last Prudential Statement.



PRUDENTIAL

Prudential's Financial Strength

Financial strength ratings describe the financial security characteristics of a company and its ability to meet its financial commitments. Prudential holds an 'AA' financial strength rating from the credit rating agency, Standard and Poors, which is described as 'exhibiting very strong financial security characteristics'. This 'AA' rating has been held since September 2009.

AKG Consultants and Actuaries Ltd (AKG), a specialist in the provision of ratings information and market assistance to the financial services industry applies an 'A' rating for Prudential's overall financial strength. This is the highest rating available and is defined as 'Superior' in terms of assessment of capital base, parental strength and typical fund performance achievements.



Views on the Investment Options

There are 15 funds and one lifestyle option available to all new members and 1 additional fund is also available to existing members. There are also a number of legacy funds and lifestyle options that existing members can continue to invest in but which are closed to new investors. The fund range consists of equity, multi-asset, property, bond, cash, with-profits, religious and ethical funds and includes both actively and passively managed funds. Our investment adviser believes that the existing fund range should satisfy the needs of the majority of members.

Performance and Fees

Aon Hewitt has summarised the performance data and fees on all the available funds within NILGOSC's AVC Scheme at Annex A. For each fund there is an Annual Management Charge (AMC) applied by Prudential. This charge is calculated as a percentage of the values of units and varies according to the fund(s) selected. Actively managed funds carry a higher charge. These funds are generally higher risk, seeking returns above the benchmark, and carry an additional cost.

By way of example, if you saved £1,000 into a fund with an AMC of 0.75%, this would cost £7.50 on an annual basis.

Set out below are the views of Aon Hewitt on each investment option within NILGOSC's AVC Scheme. Further information on performance and fee data is summarised in Annex A and the longer term performance of funds within the current range of funds is provided in Annex B.

Prudential With-Profit Funds

The Prudential With-Profits Fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property, which can be expected to produce attractive long-term returns, but the return on these assets can be volatile over the short-term and so the fund is actively managed to optimise the returns while controlling risk.

AKG rated the financial strength and future performance prospects of the Prudential With-Profits Fund as 'Excellent', as at December 2016. Prudential declared a bonus rate of 1.25% for 2017 (4.75%

on contributions paid in scheme years ending before 15 March 1997 and 2.5% on contributions paid in scheme years ending between 15 March 1997 and 31 December 2003) with bonuses added from 1 April 2017. This compares to a declaration of 1.5% for 2016. The gross return on the underlying fund during 2016 was 14.5%, which is an increase on the previous year (3.6%).

A final bonus is also payable, which makes up the difference between guaranteed benefits and the overall smoothed value of the AVC plan. The final bonus may vary and is not guaranteed.



Prudential Deposit Fund

The Prudential Deposit Fund is not a straightforward cash deposit fund. It invests in the underlying assets held within the Prudential With-Profits Fund, with a variable rate of interest being declared each month based on the Bank of England base rate. Once added, interest cannot be taken away. Prudential can alter the basis of its interest rate declarations at any time, although it has not done so in the past. Capital held in the Deposit Fund will not decrease.

Effective from 31 May 2017 Prudential closed the Prudential Deposit Fund as a direct investment choice for new investors. Regulations covering how a with-profits fund should run state that the new business should have no adverse impact on existing policyholders. The deposit fund is backed by assets held with Prudential's With-Profits Fund. The charging structure on the Deposit Fund is creating an adverse effect on with-profits policyholders, so to look after the best interests of all its customers, they have decided to close the Deposit Fund to new investors.

The Prudential Deposit Fund has no explicit charge applied to it and aims to return bank base rates, which it has done consistently. Over recent years this level of net return has made this fund a good option for cash investors, given the effect of charges on returns.

Any existing members that currently invest in the Prudential Deposit Fund can remain in the Fund and can continue to make ongoing contributions as well as increasing future contributions. If they switch all their existing investment out of the deposit fund, they will not be able to switch back into it. Lifestyle options that include the Prudential Deposit Fund will continue to be available to new and existing members.

As the Prudential Deposit Fund has closed to new entrants, to make sure that members still have access to a minimal investment risk fund, Prudential made the Prudential Cash Fund available to all plans from 31 May 2017, with a reduced annual management charge of 0.55% from that date.

Although this will be a reduced charge for members, which is good news, it is still an explicit charge that will be levied. Based on levels of return that the Prudential Cash Fund has generated over recent years, even this lower charge would result in negative net performance. In addition, the cash fund itself could produce negative performance.

Prudential UK Property Fund

In December 2016, the name of this fund was changed from "Property Fund" to "Prudential UK Property" to clarify that the fund invests in UK property only. The investment strategy of the Prudential Property Fund is to buy units in the M&G PP Property Fund, which invests in UK commercial property, and seek returns through a combination of rental income and capital growth.

Prudential implemented a temporary deferral of withdrawals from the Prudential UK Property Fund on 5 July 2016 due to significant redemptions following the EU Referendum, in order to protect members'

interests. This restriction was lifted on 4 November 2016, but there remains a possibility that this could happen again in the future, as this is one of the strategies that the manager is able to use to protect the investments in the fund.

Our investment adviser, Aon Hewitt, confirmed that they are happy with this strategy as this approach is standard practice for a property fund, and this is explained clearly on literature relating to the fund. Members should ensure that they are familiar with this literature before investing in the fund.



Unit Linked Funds

Prudential offer a range of unit linked funds which are managed by different investment managers:

- M&G is part of Prudential and manages its in-house Prudential funds. Our adviser's view is that M&G is a strong UK bond manager, although they have not assessed the equity, multi-asset, property and money market capabilities recently. Despite M&G having a small passive management operation, our adviser believes M&G will continue to meet its performance objectives.
- Our adviser considers that BlackRock has a very strong culture of risk management combined with high quality systems and performance. The passive investment process is considered to be pragmatic and well-structured aiming to limit tracking error but add value when index changes occur. The investment team is experienced and dedicated to passive management. Overall, Aon Hewitt continues to have a high regard for BlackRock's index-tracking capabilities.
- Newton has made a number of improvements to its staff structure and investment process over the last few years and performance has improved. Aon Hewitt has been working with Newton to gain a better understanding of the value added by the analyst recommendations and the interactions between the analysts and

portfolio management teams. Aon Hewitt continues to believe that other global equity strategies have clearer investment processes and will deliver better results over the longer term. However, in recent times, Aon Hewitt has been encouraged by the changes made by a new CEO. Aon Hewitt continues to recommend that clients retain their investments in the global equity strategy.

- Aberdeen is rated highly as an equity manager by Aon Hewitt but it does not consider that Aberdeen has strong passive management capabilities and currently has a negative rating against the manager's passive management capabilities. The Aberdeen funds offered by Prudential are not available for investment to new members of the NILGOSC AVC Scheme.
- HSBC – the Amanah Fund continues to be the most prominent Sharia Fund in the market. Our adviser remains confident in HSBC's ability to achieve the fund's objective.

Specific information on each of the funds available can be accessed on the Prudential website at www.pru.co.uk/rz/localgov/northern-ireland/get_started.

Lifestyle Options

Current Lifestyle Options

Lifestyling aims to provide long-term growth with automatic switching of your money into specific funds as you get closer to retirement, which may help protect against changes in the cost of turning your pension fund into an income and lump sum benefits.

The current lifestyle option that has been available to new and existing members since July 2014, is invested as follows:

1. Growth Phase – BlackRock Aquila (50:50) Global Equity Index Fund with a 10% allocation to the BlackRock Aquila Emerging Markets Equity Fund.
2. Transition Phase (15 Years before Retirement) – BlackRock Aquila Market Advantage Fund.
3. Pre-Retirement Phase (5 Years before Retirement) – Prudential Deposit Fund.

The introduction of a transition phase between the growth and pre-retirement phases is to provide added diversification and therefore reduce investment risk as members approach retirement. During this phase the fund can invest in a wide range of different assets depending on market conditions. Aon Hewitt believes that these funds remain appropriate for the objectives of the different phases of the lifestyle option and is comfortable retaining the Prudential Deposit Fund in the pre-retirement phase, as the majority of members are expected to use their AVCs for tax-free cash.

Legacy Lifestyle Options

A small number of NILGOSCAVC members remain invested in historical lifestyle options that are closed to new members. They are known as the “Old Lifestyle option” and “Legacy Lifestyle options”.

Old Lifestyle Option

Unlike the current lifestyle option, this option does not include the transition phase or an allocation to the Emerging Market Equity Fund. With this option members invest in the BlackRock Aquila (50:50) Global Equity Index Fund and commence switching 5 years prior to retirement into the Prudential Deposit Fund so that 100% is invested in the latter at the member’s selected retirement date. The higher exposure to equities in the approach to the selected retirement date and the associated volatility make this lifestyle option higher risk than the current lifestyle option. Existing members who are invested within this option should be aware of the associated risk and are encouraged to review their investment. Members should consider whether they are comfortable with the level of risk and if this option remains appropriate for their retirement intentions regarding use of their AVC fund.

Legacy Lifestyle Options

Some existing members remain invested in Prudential's standard lifestyle options. Within this there are three options which initially invest in the UK Equity Passive Fund and commence switching to the Long Term Gilt passive fund six, eight and ten years prior to the member's selected retirement date, so that 100% is invested in the latter at the member's selected retirement date.

Aon Hewitt has advised that the higher exposure to equities in the approach to the selected retirement date, plus the concentrated nature of the equities only

investing in the UK and the associated volatility, makes this lifestyle option higher risk than the current lifestyle option. In addition, during the pre-retirement phase, a fund is used which is designed to help protect the annuity purchasing power. Members invested in this lifestyle option should be aware of the types of fund being used and the level of risk. Members are encouraged to review their investment decision and consider if they are comfortable with the types of fund being used and the level of risk, and whether it remains appropriate for their retirement intentions regarding the use of their AVC fund.



Review of Fund Availability

Aberdeen Life North America Equity Fund

As part of the on-going monitoring and governance that Prudential conducts on all investment funds, Prudential decided to close the Aberdeen Life North American Equity Fund on 25th July 2016 due to long term underperformance. Members were given the choice to switch to another fund(s), or to do nothing and Prudential would move their investment and any future contributions into a selected replacement fund(s).

Prudential identified the North America Equity Passive Fund as the default replacement fund. However, this is a not an approved open fund within the NILGOSC AVC Scheme, so following advice from Aon Hewitt, NILGOSC has selected the BlackRock Aquila World ex-UK Index Fund as its replacement fund.

The BlackRock Aquila World ex-UK Index Fund is a passively managed fund that aims to track the FTSE All World Developed ex UK Index, a target which it has achieved over the year to 30 June 2017. Aon Hewitt considers BlackRock to be a high quality index tracking manager. The fund is a passive global equity (excluding UK) fund and therefore invests in the shares of overseas companies, according to market capitalisation weightings. Within each of those markets, the fund aims to generate returns consistent with those of each country's primary share market. The fund

aims to achieve a return in line with the FTSE All-World Developed ex-UK Index. The AMC is 0.75%, which is lower than the Aberdeen fund.

Newton Global Equity Fund

Prudential also closed the Newton Global Equity Fund. The fund was deemed by Prudential not to offer value for money for the higher Annual Management Charge (AMC) charge of 1.1% p.a. being paid. The fund closed on 13 December 2017 and NILGOSC members' investments and future contributions were switched to MFS Meridian Global Equity fund, which is a new fund that has been made available to NILGOSC members.

The MFS Meridian Global Equity fund has been selected by NILGOSC's Investment Advisor Aon Hewitt, as the replacement fund due to it being the only suitable fund in the Prudential fund range that they have rated "Buy". They have however highlighted that it has a higher AMC of 1.45% p.a. We therefore would like to highlight to members the availability of the BlackRock Aquila World ex-UK Index Fund as a lower cost alternative at 0.75% p.a. We recommend that members currently in the Newton Global Equity Fund review their fund choice and ensure that the MFS Meridian Global Equity fund is suitable for their needs and, if it is not, that they consider switching their investments to an alternative fund.

Other Changes to Fund Administration

As communicated to members by Prudential in August 2017, the following changes have been made to the monitoring of various funds:

Benchmark

The Prudential Discretionary Fund benchmark changed from BNY Mellon CAPS Balanced Pooled Fund Net Median to an internal asset allocation benchmark set by the Prudential Portfolio Management Group (PPMG) as a result of the discontinuance of CAPS.

The Global Equity Fund benchmark changed from 30% of the benchmark being the regional indices of the average of funds in the BNY Mellon CAPS Overseas Sector, to this portion of the benchmark having an internal asset allocation benchmark set by the Prudential Portfolio Management Group (PPMG) as a result of the discontinuance of CAPS.

The International Equity Fund benchmark changed from the regional indices being the average of funds in the BNY Mellon CAPS Overseas Sector, to this portion of the benchmark having an internal asset allocation benchmark set by the Prudential Portfolio Management Group (PPMG) as a result of the discontinuance of CAPS.

Fund name

Prudential UK Specialist Equity Fund changed its name to M&G Recovery Fund. The fund name now reflects the name of the underlying Prudential Fund, the M&G PP Recovery Fund, in which it invests.

Prudential Retirement Protection Fund changed its name to Prudential Long Term Gilt Passive Fund. Prudential decided to change the name of the fund in order to avoid the perception that it will guarantee to protect the investment from changes in annuity prices, due to the recent volatility in gilts. Although long dated gilts are generally used as a way to protect an investment from annuity price movement, the relationship is not perfect.

Performance Objective

M&G Recovery Fund changed from an outperformance target of 2.5% p.a. gross over rolling three year periods to a simple objective of capital growth. This was due to the fact that the strategy invests in companies that are out of favour, in difficulty, or whose prospects are not fully recognised by that market and where management is working to turn the business around. As such, the returns can be very volatile and therefore it does not want to be tied to a fixed outperformance target.

A copy of the August 2017 communication with further detail is available on NILGOSC's website at: www.nilgosc.org.uk/avc-news. Our Investment adviser, Aon Hewitt has confirmed that they have no concerns regarding these changes, but members should review the changes and ensure that the funds remain appropriate for them.

Exit Charge

Exit Charges until 18 March 2017

Prudential applies a fee called an “exit charge” to any new members of NILGOSC’s AVC Scheme if they withdraw their contributions within three years of their initial contribution. A new member is anyone who was a new AVC member on or after 19 August 2012.

The exit charge does not apply on death, ill-health retirements or switches and will not apply to AVC members who joined and made their first AVC contribution before this date.

The charge applies as set out in the table below:

Year of Withdrawal	Exit Charge (% of fund withdrawn)
During year 1	3%
During year 2	2%
During year 3	1%
After 3 years	0%

Exit Charges from 19 March 2017

In December 2016 the Department for Work and Pensions released new regulations regarding the level of exit charge allowable to members over the age of 55. The regulations stipulate that exit charges should change as follows:

- New AVC members who join post 1 October 2017, and are over age of 55 cannot have an exit charge applied to their fund. For existing members over the age of 55 the exit charge is capped at 1%.

Prudential applies an exit charge to

members who take their benefits, or transfer out, within the first 3 years of making their first contribution to their AVC. From the 19th March 2017 this changed as follows:-

- Members whose first contribution is received on, or after, the 19th March 2017 will no longer be subject to an exit charge regardless of age.
- Members whose first contribution was received prior to the 19th March 2017 will have their exit charge capped at 1% for the first 3 years and 0% thereafter regardless of age.

Freedom and Choice

From 6 April 2015 the Government changed the law giving you more freedom on how and when you can access your AVC fund. This is known as Freedom and Choice.

NILGOSC members can use their AVC fund at retirement in one of three ways:

- Buy a Top up pension through the LGPS (NI).
- Take up to 100% of their AVC fund as tax-free cash, subject to HMRC limits, providing it is drawn at the same time as their main Scheme benefits. If a member retires and draws their AVC fund at a later date than their main Scheme benefits they are restricted to 25% of their AVC fund as tax-free cash.
- Buy an annuity from an insurance company, bank or building society of the member's choice at the same time as drawing their main Scheme benefits.

The additional flexibility offered through Freedom and Choice may be useful for a member who wishes to draw their AVC fund entirely as cash at a time that is either earlier or later than their main Scheme retirement date.

However, different taxation rules will apply and generally the first 25% of a pension

fund drawn as a lump sum is tax-free and the remainder taken as a lump sum is taxed at the individual's highest rate of income tax.

If a member wishes to access their AVC fund early, under the new Freedom and Choice flexibilities, they will have to transfer out their AVC fund to another pension scheme that offers flexible benefits. Members wishing to transfer their AVC fund must have stopped making AVC contributions and they cannot already have drawn some AVC benefits from that Fund, for example through flexible retirement.

If you would like further information on what you can do with your AVC fund, you can contact Pension Wise, which is a free and impartial government service that provides guidance on defined contribution pensions. The service is available to individuals aged 50 or over with a defined contribution pension, which includes AVC funds. Pension Wise can advise on your AVC options, how to avoid pension scams and what to look out for with taxes and fees.

Further information is available on the website at www.pensionwise.gov.uk and you can book a free appointment by calling 0300 330 1001. If you are outside the UK call +44 20 3733 3495.

Investment Decisions

As with any choice of investment, no one can predict with certainty which fund will offer the best return. When you compare Prudential's funds, you need to decide which investment is most suitable for your needs. Often this will depend upon the level of risk you wish to take and how far you are from retirement.

Prudential has produced a 'Guide to Fund Options' document, specific to the NILGOSC AVC Scheme. This Guide will provide you with full details of the funds available, their objectives, Prudential's risk rating of these funds and charges to help you select the funds suitable for your needs. This is available on the Prudential website at www.pru.co.uk/pdf/AVCK0512.pdf.

Any investment decision is a personal one, reflecting your financial circumstances, approach to investment and attitude to risk. Please note that NILGOSC and its professional advisers are not authorised to give you financial advice. If you are in any doubt about your investment decisions and

require advice, you are recommended to contact an independent financial adviser (IFA) that is authorised by the Financial Conduct Authority (FCA).

You can find an IFA in your area by typing your postcode into the 'Find an IFA' search tool on the website www.unbiased.co.uk. The FCA maintains a register of authorised IFAs. Details can be found on the FCA website at www.the-fca.org.uk or by telephoning the FCA on 0800 111 6768.

Alternatively, the Money Advice Service is an independent organisation set up by the government, which provides free, unbiased money advice and information. Contact details are set out below:

Website:

www.moneyadviceservice.org.uk

Telephone:

0800 138 7777 (calls are free)



Further Information

NILGOSC website

Further information on the AVC Scheme, including the investment performance of funds in the approved AVC range, can be found on the Members' section of the NILGOSC website at: www.nilgosc.org.uk/additional-voluntary-contribution

Prudential website

Prudential has a dedicated website that provides a wealth of information on AVC arrangements, which is accessible at: www.pru.co.uk/localgov. The website has been updated recently as a single site for all Local Government Pension Schemes, and has been updated to be more user friendly and mobile optimised. Prudential can also be contacted by phone on 0800 151 3948.

All members invested in AVCs are encouraged to read the 'Key Features' document on this website, which provides important information, including the key risks and benefits of investing in the AVC Scheme. This should be read in conjunction with the 'Guide to Fund Options' document referred to above. Factsheets on all the funds available within the NILGOSC AVC Scheme can be found in the 'View your Funds' section of the website at: www.pru.co.uk/rz/localgov/northern-ireland/get_started.

PruRetire

Prudential also provides its AVC members with a user friendly website that gives online access to details of their AVC funds. The website enables you to:

- View the current value of your pension fund
- Illustrate the pension you could get when you retire
- Access information on fund prices and fund factsheets
- See transactions on your account
- Review or change your investment choices at any time
- Model different pension contributions and how different investment returns could impact your benefits
- Change personal details
- Where available, update and amend your contribution

The website can be accessed at www.pruetire.co.uk. First time users need to register on the website and will be provided with log-in details for future access.

If you require any further information in relation to your AVC fund, the Pensions Administration Team at NILGOSC is happy to help with your questions, but please remember that NILGOSC staff cannot give you financial advice about your investments. The Pensions Administration Team can be contacted on 0345 3197 325 or by email at info@nilgosc.org.uk.

Annex A

Summary of Fund Performance and Charges to 31 March 2017

The tables below lists all the Prudential funds currently used in the NILGOSC Scheme (including those no longer open to new members) and details the annual management charge (AMC), 1 year net investment return to 31 March 2017 and the performance relative to each fund's benchmark for the same period. Aon Hewitt's view of each fund is also provided.

Prudential Funds				
Fund	AMC (%) ¹	1 year return to 31 Mar 2017 (%)	Performance relative to benchmark ²	Aon Hewitt view
Prudential Cash	0.75	-0.5	-0.7	Given the low interest rates, a return is difficult to generate. Although it has consistently outperformed its benchmark gross of fees, charges continue to have a significant impact, resulting in the Fund underperforming on a net basis. The strategy provides liquidity and stability but it is important to note that despite its low risk profile, the fund does not provide a guarantee against fall in value.
Prudential Deposit	Interest rate declared net of charges	0.3	0.0	Invests in the With-Profits Fund and therefore more risky than a standard deposit fund. Members should understand the type of fund they are investing in and the risks associated. Please note that the AVC deposit fund rate dropped to 0.25% in September 2016, in line with the Bank of England base rate.
Prudential Discretionary	0.75	25.5	7.6	No issues.
Prudential Ethical	0.75	20.0	-1.1	No issues.
Prudential Index-Linked Passive	0.65	21.8	-0.6	M&G is an acceptable index tracking manager.

Fund	AMC (%) ¹	1 year return to 31 Mar 2017 (%)	Performance relative to benchmark ²	Aon Hewitt view
Prudential UK Property	0.75	-4.4	-8.1	Property assets were negatively impacted by Brexit and the Fund was significantly hit with a mark down in Q3 2016, as a number of funds were, which reduced the value by 7.5%. Since then the fund has struggled to recover which is something we are monitoring to ensure that it does not become a longer term issue which may necessitate a change.
BlackRock Aquila (50:50) Global Equity Index	0.75	28.1	0.7	We rate BlackRock highly as a passive manager.
BlackRock Aquila All Stocks Corporate Bond Index	0.75	7.9	-1.3	We rate BlackRock highly as a passive manager.
BlackRock Aquila Emerging Markets Equity	0.90	35.1	-2.5	We rate BlackRock highly as a passive manager.
BlackRock Aquila Market Advantage	0.95	6.5	6.1	We rate BlackRock highly as a passive manager and performance remains on track.
BlackRock Aquila Over 15 Years UK Gilt Index	0.75	12.2	-0.1	We rate BlackRock highly as a passive manager.
BlackRock Aquila UK Equity Index	0.75	22.2	0.2	We rate BlackRock highly as a passive manager.
BlackRock Aquila World ex-UK Index	0.75	33.3	0.1	We rate BlackRock highly as a passive manager.
HSBC Amanah Fund	0.90	28.1	-1.7	We remain confident in HSBC's ability to achieve the fund's objective.

Fund	AMC (%) ¹	1 year return to 31 Mar 2016 (%)	Performance relative to benchmark ²	Aon Hewitt view
Newton Global Equity	1.10	21.5	-10.5	This fund closed on 13 December 2017 and members will have their investment and future contributions switched to the MFS Meridian Global Equity fund.
Prudential With-Profits	Bonus declare net of charges	1.3 ³	N/A ⁴	Members should understand the type of fund they are investing in and the risks associated.
All Stocks Corporate Bond ⁵	0.75	10.3	1.0	We rate M&G highly as a UK bond manager.
Fixed Interest ⁵	0.75	6.1	-0.5	We rate M&G highly as a UK bond manager.
Global Equity ⁵	0.75	25.4	0.3	No issues. The fund had to change its benchmark effective from 1 July 2016 as the CAPS Balanced Fund Survey ceased.
Index-Linked ⁵	0.75	21.8	-0.2	We rate M&G highly as a UK bond manager.
International Equity ⁵	0.75	34.5	2.2	No issues. The fund had to change its benchmark effective from 1 July 2016 as the CAPS Balanced Pooled Fund Survey ceased.
Long Term Bond ⁵	0.65	14.5	1.4	We rate M&G highly as a UK bond manager and an acceptable index tracking manager. Performance of the benchmark is not available, so sector performance used.
Long Term Gilt Passive ⁵	0.65	11.8	-0.5	M&G is an acceptable index tracking manager.
Long Term Growth Passive ⁵	0.65	26.2	2.1	M&G is an acceptable index tracking manager. Performance of the benchmark is not available, so sector performance is used.

Fund	AMC (%) ¹	1 year return to 31 Mar 2017 (%)	Performance relative to benchmark ²	Aon Hewitt view
M&G Recovery ⁵	0.75	30.5	8.5	No issues noted. The fund's investment strategy of investing in out of favour companies can lead to significant divergence from the benchmark which has been positive recently. Members should ensure they are comfortable with the investment strategy of the fund and associated volatility.
Overseas Equity Passive ⁵	0.65	31.9	4.2	M&G is an acceptable index tracking manager. Performance of the benchmark is not available, so sector performance used.
UK Equity ⁵	0.75	21.4	-0.6	The fund has underperformed as a result of the charge and fallen short of its 0.75% - 1% p.a. gross outperformance objective on a rolling three year basis.
UK Equity Passive ⁵	0.65	21.5	-0.5	M&G is an acceptable index tracking manager.
Aberdeen Life Multi-Asset (ex Property) ⁵	0.85	22.6	4.7	We consider Aberdeen qualified to manage global equities but have not reviewed its fixed income capabilities recently. During 2016, we downgraded the strategy's rating from 'Buy' to 'Qualified'. This was after analysis of Aberdeen's implementation of its investment process, its poor performance and a number of corroborating meetings. Significant changes to both staff and process within the fixed income have led us have significant concerns and we have little reason to believe that the changes made by Aberdeen will have the intended impact.

Fund	AMC (%) ¹	1 year return to 31 Mar 2017 (%)	Performance relative to benchmark ²	Aon Hewitt view
Aberdeen Life North American Equity ⁵	0.85	N/A	N/A	This fund was removed by Prudential in July 2016 and so performance is not available. The assets were moved to the BlackRock Aquila World ex-UK Index. ⁶
BlackRock Aquila (60:40) Global Equity Index ⁵	0.75	25.5	-0.8	We rate BlackRock highly as a passive manager.

¹ AMC – Annual Management Charge

² The benchmark is the relevant index against which the performance of each fund is measured

³ Current bonus rate

⁴ Not applicable

⁵ Fund closed to new members 1st December 2009

⁶ Closed on 25th July 2016

⁷ Funds highlighted in blue remains open to new members. Funds that are not highlighted are closed to new members.

Annex B

Summary of Fund Performance and Charges to 31 March 2016

The table below shows the annualised performance (net of fees), including benchmark and relative performance, of the Deposit Fund and unit linked funds currently open to 31 March 2017.

FUND	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (%P.A.)
Prudential Cash	-0.50	-0.40	-0.40
Benchmark	0.20	0.30	0.30
Relative Performance	-0.70	-0.70	-0.70
Prudential Deposit	0.30	0.40	0.50
Benchmark	0.30	0.40	0.50
Relative Performance	0.00	0.00	0.00
Prudential Discretionary	25.50	10.30	10.10
Benchmark	17.90	8.40	8.40
Relative Performance	7.60	1.90	1.70
Prudential Ethical	20.00	6.80	10.70
Benchmark	21.10	7.20	10.10
Relative Performance	-1.10	-0.40	0.60
Prudential Index-Linked Passive	21.80	14.00	9.40
Benchmark	22.40	14.50	9.90
Relative Performance	-0.60	-0.50	-0.50
Prudential UK Property	-4.40	8.90	5.40
Benchmark	3.70	10.20	8.50
Relative Performance	-8.10	-1.30	-3.10

FUND	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (%P.A.)
BlackRock Aquila (50:50) Global Equity Index	28.10	10.30	11.20
Benchmark	27.40	11.50	12.10
Relative Performance	0.70	-1.20	-0.90
BlackRock Aquila All Stocks Corporate Bond Index	7.90	6.90	6.50
Benchmark	9.20	7.50	7.10
Relative Performance	-1.30	-0.60	-0.60
BlackRock Aquila Emerging Markets Equity	35.10	10.20	5.00
Benchmark	37.60	12.10	6.20
Relative Performance	-2.50	-1.90	-1.20
BlackRock Aquila Market Advantage	6.50	3.80	3.70
Benchmark	0.40	0.50	0.60
Relative Performance	6.10	3.30	3.10
BlackRock Aquila Over 15 Years UK Gilt Index	12.20	13.70	8.60
Benchmark	12.30	14.00	9.20
Relative Performance	-0.10	-0.30	-0.60
BlackRock Aquila UK Equity Index	22.20	6.20	8.50
Benchmark	22.00	7.70	9.70
Relative Performance	0.20	-1.50	-1.20

FUND	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (%P.A.)
BlackRock Aquila World ex UK Index	33.30	16.20	15.00
Benchmark	33.20	17.20	15.60
Relative Performance	0.10	-1.00	-0.60
HSBC Amanah Fund	28.10	16.70	14.10
Benchmark	29.80	17.70	15.10
Relative Performance	-1.70	-1.00	-1.00
Newton Global Equity	21.50	13.60	13.80
Benchmark	32.00	15.60	14.20
Relative Performance	-10.50	-2.00	-0.40

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