

Analysis of Investment Performance for the Quarter to 31st March 2017

1. Somerset County Council (Global Equity)

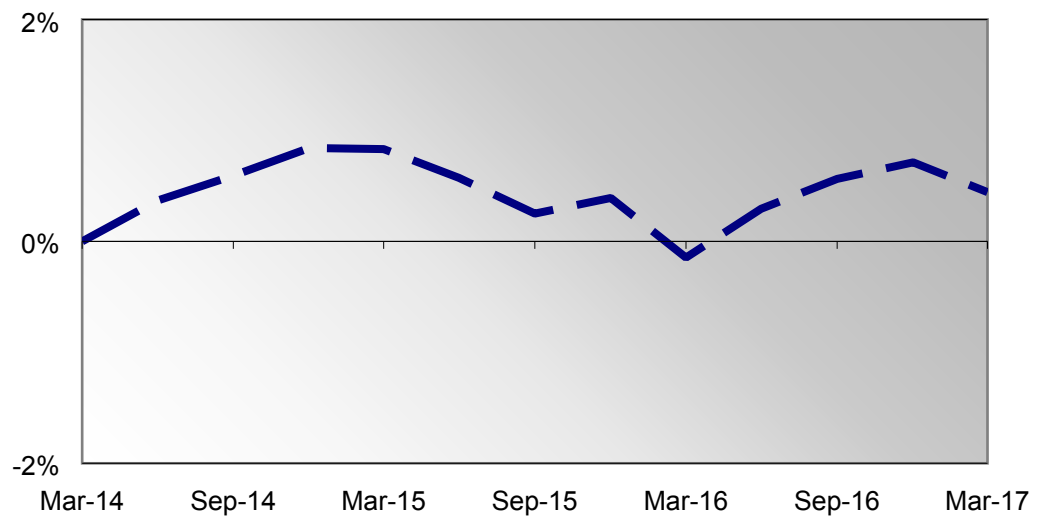
1.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
493.7	Global equities	5.3	5.5	-0.2
0.1	Cash			
493.8	Total	5.3	5.5	-0.2

1.2 The in-house fund underperformed the benchmark for the quarter.

1.3 Absolute returns for the quarter were strongly positive.

In-House Fund performance Vs Benchmark



2. Standard Life (UK Equities)

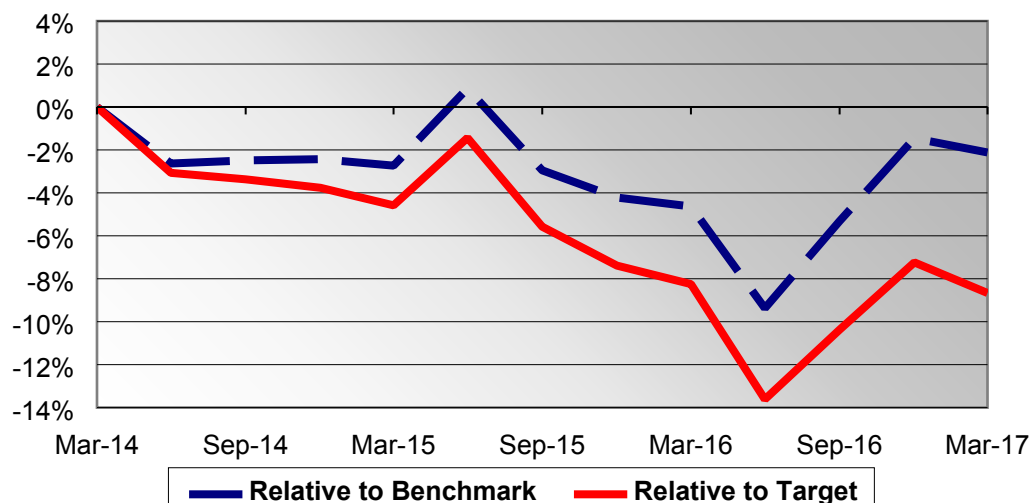
2.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
459.1	UK	3.6	4.0	-0.4
1.0	Cash			
460.1	Total	3.5	4.0	-0.5

2.2 Standard Life had a poor quarter relative to their benchmark. Absolute returns were very strong. Underweight positions in defensive sectors such as personal goods and tobacco were responsible for the under-performance.

2.3 Standard Life's target is to outperform the benchmark by an annualised return of 1.75% over continuous three-year periods after their fees have been deducted.

Standard Life Performance Vs Benchmark & Target



3. Somerset County Council (North American Equities)

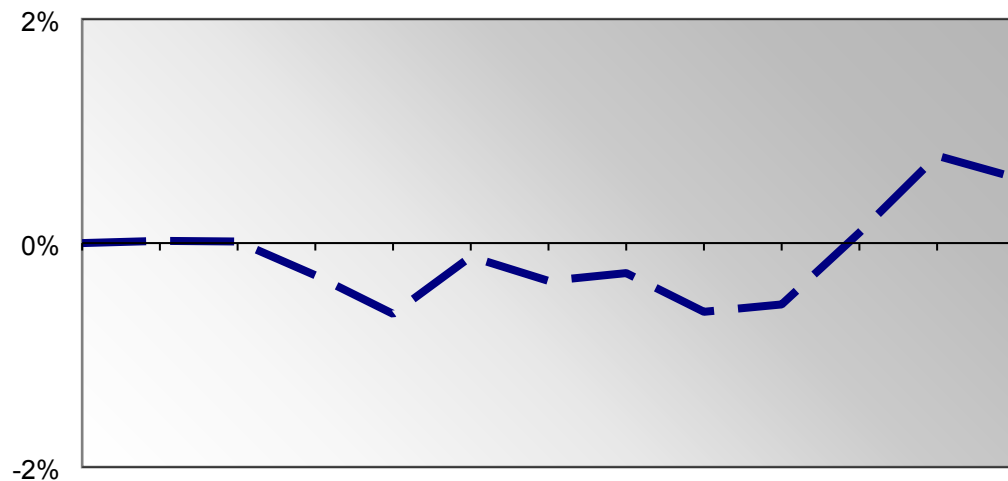
3.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
100.9	North America	4.7	4.8	-0.1
0.0	Cash			
100.9	Total	4.7	4.8	-0.1

3.2 The in-house fund's performance was below the benchmark for the quarter.

3.3 Absolute levels of performance during the quarter were strongly positive.

In-House Performance Vs Benchmark



4. Jupiter (Continental European Equities)

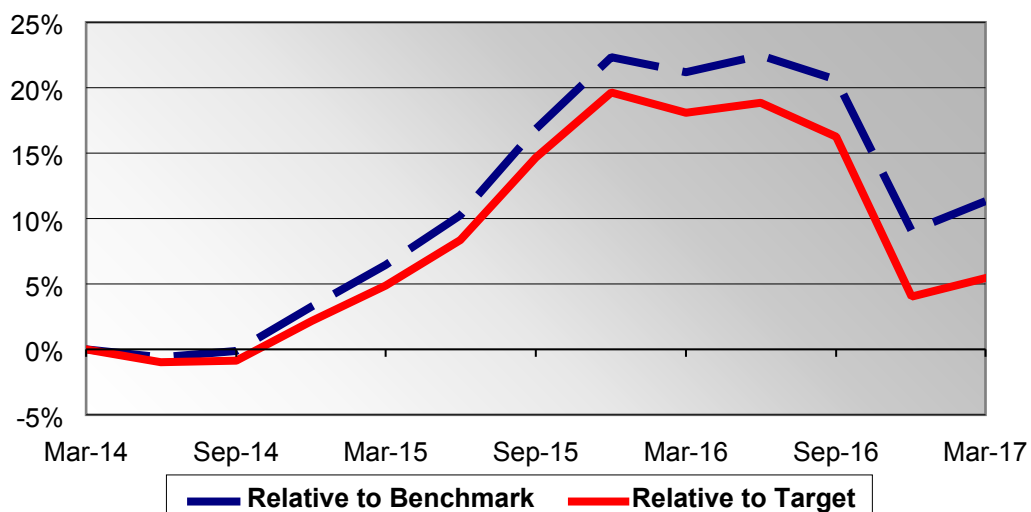
4.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
116.7	Europe	8.8	7.5	+1.3
1.5	Cash			
118.2	Total	8.7	7.5	+1.2

4.2 Jupiter had a good quarter relative to the benchmark, with outperformance of 1.2%. Absolute performance was strongly positive. Performance relative to benchmark continues to be very volatile from one month to the next.

4.3 Jupiter's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.

Jupiter Performance Vs Benchmark & Target



5. Maple-Brown Abbott (Far-East Equities ex-Japan)

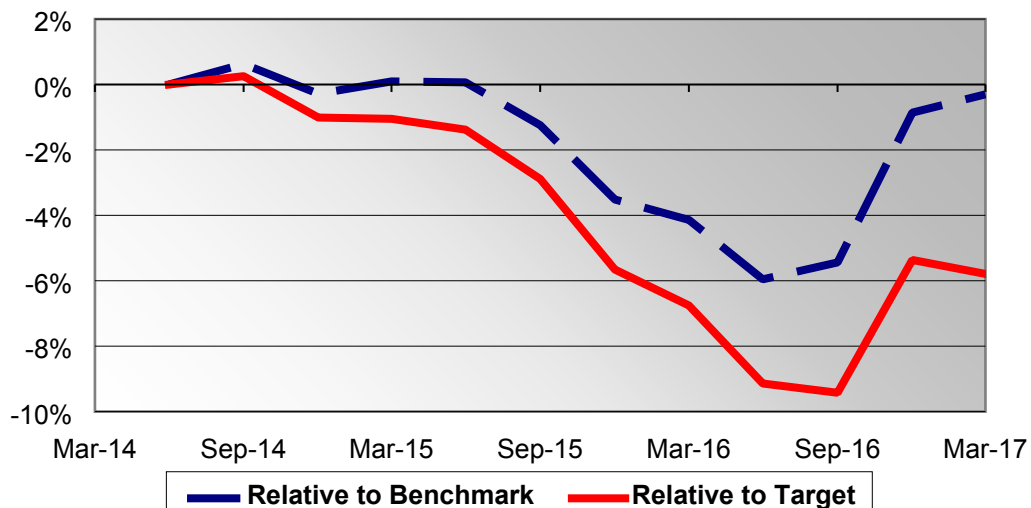
5.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
60.1	Pacific (ex Japan)	12.7	11.7	+1.0
0.9	Cash			
61.0	Total	12.2	11.7	+0.5

5.2 Maple-Brown Abbott had a good quarter relative to their benchmark. Absolute returns were strongly positive. Out performance was largely due to stock specific reasons rather than significant industry or country allocations.

5.3 Maple-Brown Abbott's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.

Maple-Brown Abbott Performance Vs Benchmark & Target



6. Nomura (Japanese Equity)

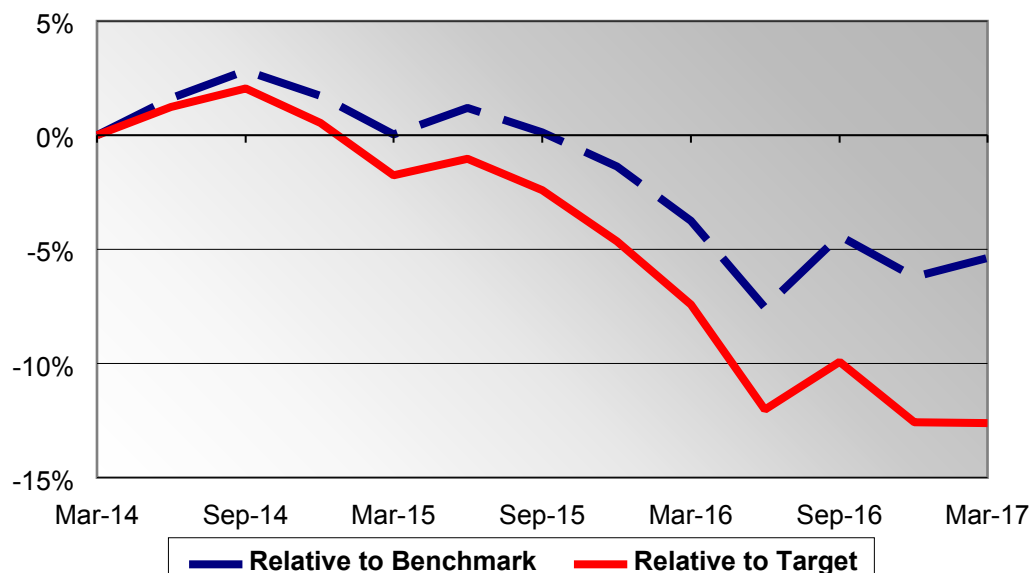
6.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017			
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
60.6 Japan	4.7	4.0	+0.7

6.2 Absolute performance was strongly positive. Relative performance was good. Outperformance was largely due to poor stock selection, particularly in the Transportation equipment and Banks sectors.

6.3 Nomura's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.

Nomura Performance Vs Benchmark & Target



7. Pioneer (Emerging Market Equity)

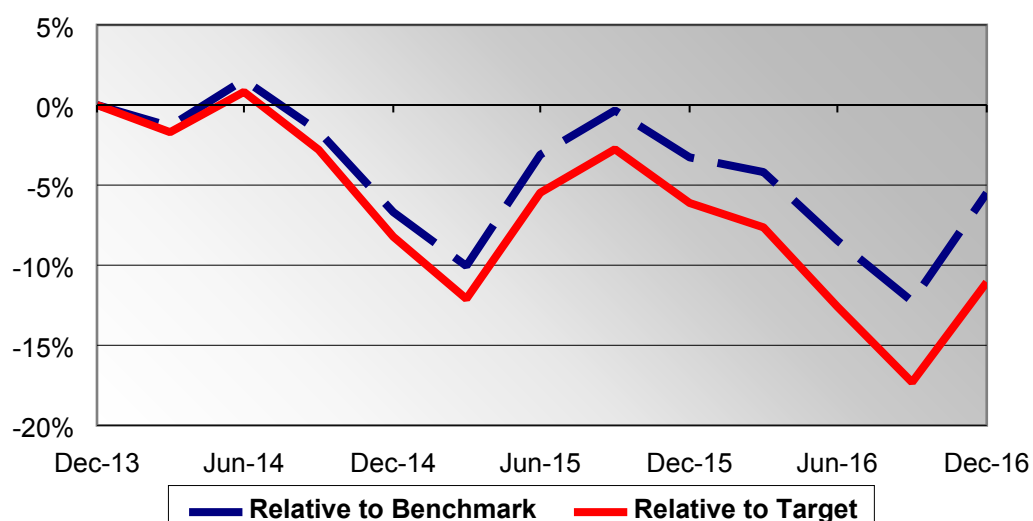
7.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %	
81.9	Emerging Market	9.8	10.1	-0.3

7.2 Relative performance for the quarter was poor, absolute returns were strongly positive. Stock selection in the IT sector significantly contributed to the underperformance.

7.3 Pioneer's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.

Pioneer Performance Vs Benchmark & Target



8. Standard Life (Fixed Interest)

8.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

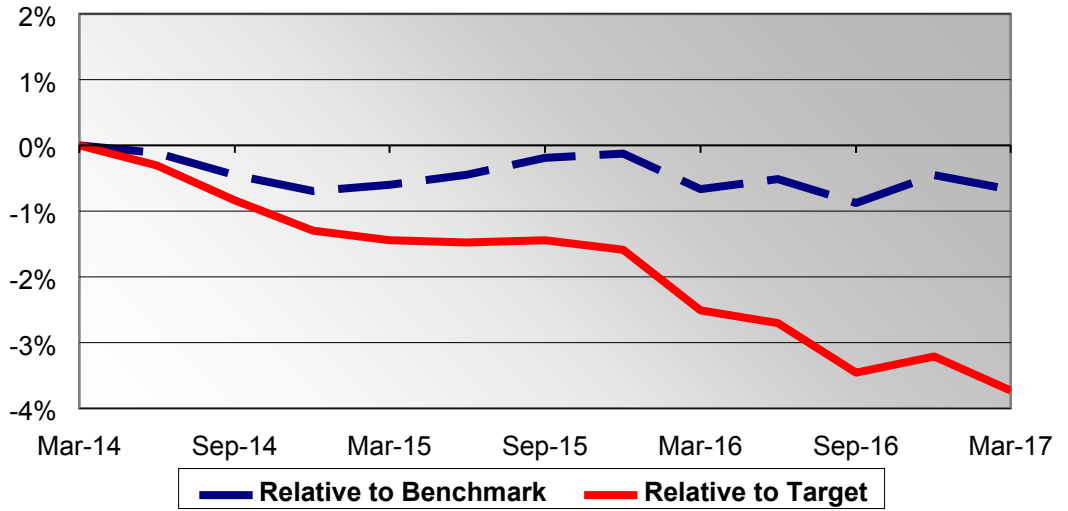
Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
42.9	UK Gilts	1.6	1.6	+0.0
70.3	Index Linked	1.5	1.9	-1.4
155.1	Corporate Bonds	2.5	2.5	+0.0
38.2	High Yield Debt	2.2	2.0	+0.2
0.4	Foreign Gov't Bonds			
1.7	F Gov't Index Linked			
	Currency Instruments			
0.0				
15.4	Cash			
324.0	Total	1.9	2.1	-0.2

8.2 Standard Life under performed their benchmark for the quarter. Absolute returns were positive. The asset allocation between the different bond types was a negative for performance during the quarter, particularly the overweight in cash.

8.3

Standard Life's target is to outperform the benchmark by an annualised return of 0.75% over continuous three-year periods after their fees have been deducted.

Standard Life Performance Vs Benchmark & Target



9. Aviva (Property Fund of Funds)

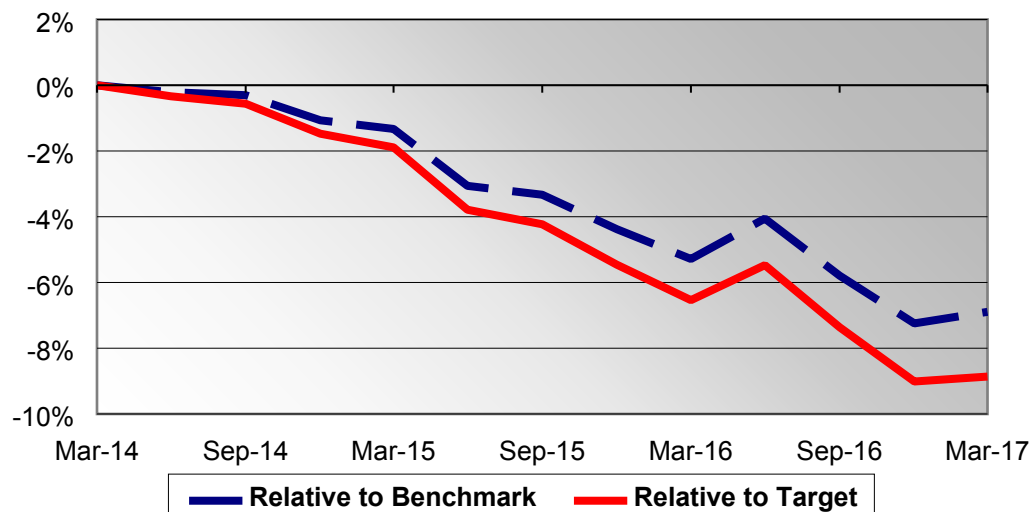
9.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
176.0	UK Property	2.8	2.0	+0.8
2.0	European Property	-9.9		
	Currency Instruments	0.1		
8.0	Cash			
186.1	Total	2.4	2.0	+0.4

9.2 Property returns from the UK market were positive for the quarter. The fund outperformed relative to the benchmark due to good returns across a number of funds.

9.3 Aviva's target is to outperform the benchmark by an annualised return of 0.5% over continuous three-year periods after their fees have been deducted.

Aviva Performance Vs Benchmark & Target



10. Neuberger Berman (Global Private Equity)

10.1 The performance for the quarter to 31st March 2017 is summarised in the following table:

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
28.7	Private Equity	0.1	0.1	+0.0

10.2 The return indicated above is significantly affected by currency movements, specifically the change in the value of the US dollar against GBP.

10.3 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 7.2%.

10.4 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 4.7%.

10.5 The Crossroads XXI fund is still very young and therefore it is not surprising that it is still in the negative part of the “J-curve” and is therefore running at a loss. However the return for the quarter was positive at 1.4%.

11. South West Ventures Fund

11.1 The fund continues to make reasonable progress.

12. Combined Fund

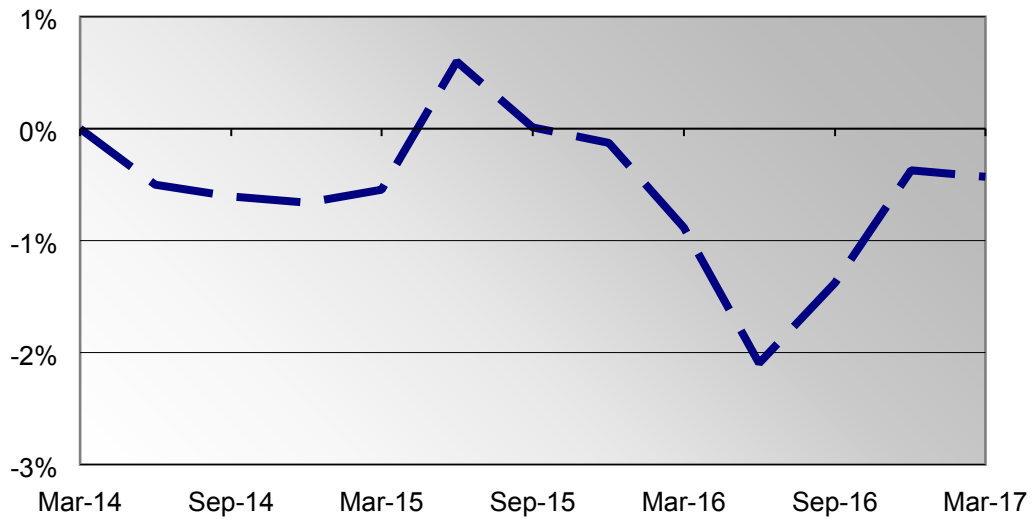
12.1 The performance for the quarter to 31st March 2017 is summarised in the following table:-

Quarter to 31 March 2017				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
493.8	In-House (Global Eq)	5.3	5.5	-0.2
460.1	Standard Life (UK Eq)	3.5	4.0	-0.5
100.9	In-House (US Eq)	4.7	4.8	-0.1
118.2	Jupiter	8.7	7.5	+1.2
61.0	Maple-Brown Abbott	12.2	11.7	+0.5
60.6	Nomura	4.7	4.0	+0.7
81.9	Pioneer	9.8	10.1	-0.3
324.0	Standard Life (FI)	1.9	2.1	-0.2
186.1	Aviva	2.4	2.0	+0.4
1.8	SWRVF	0.0	0.1	-0.1
28.7	Neuberger Berman	0.1	0.1	+0.0
48.2	Cash	0.1	0.1	+0.0
1,965.3	Whole Fund	4.3	4.4	-0.1

12.2 The fund as a whole underperformed its benchmark during the quarter. The level of absolute return was strongly positive. Jupiter, Maple-Brown Abbott Nomura and Aviva produced performance ahead of their target for the quarter.

12.3 All of the underperformance was due to the stock selection of the managers within the fund, asset allocation between the various fund managers was flat.

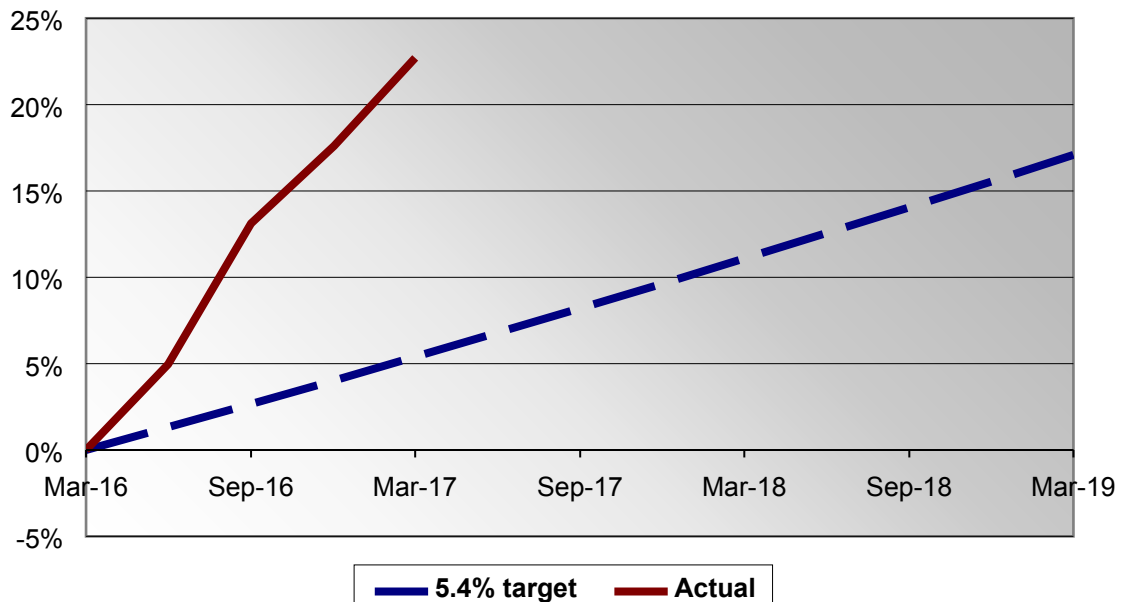
Whole Fund Performance Vs Benchmark



12.4

At the March 2017 committee meeting the committee adopted an absolute return target of 5.4% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2016 valuation. Progress against this target for the 2016 to 2019 actuarial cycle is shown in the graph below.

Performance of Fund Vs. 5.4% absolute return target



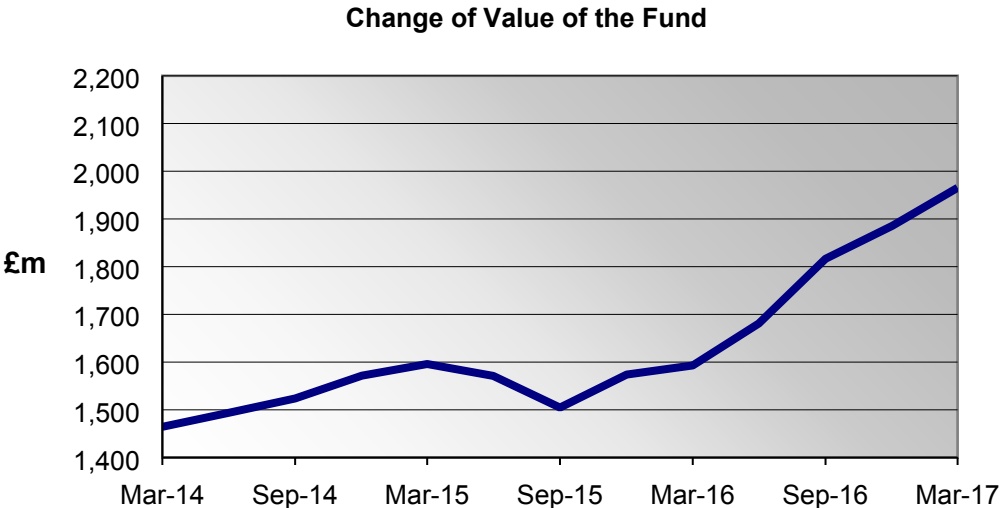
12.5 The movement in the value of the fund over the quarter is summarised in the table below.

	Value as at 31 Dec		Value as at 31 Mar		Strategic
	£m	£m	£m	%	Weighting
					%
In-House (Global Eq)	472.6	25	493.8	25	23
Standard Life (UK Eq)	445.2	23	460.1	23	23
In-House (US Eq)	97.3	5	100.9	5	5
Jupiter	108.6	6	118.2	6	5
M-BA (Pac Eq)	54.4	3	61.0	3	3
Nomura	57.8	3	60.6	3	3
Pioneer	74.5	4	81.9	4	5
Standard Life (FI)	317.9	17	324.0	17	19
Aviva	181.8	10	186.1	10	10
SWRVF	1.8	0	1.8	0	0
Neuberger Berman	30.7	2	28.7	2	3
Cash	43.0	2	48.2	2	1
Whole Fund	1,885.6	100	1,965.3	100	100

12.6 During the quarter the following movements of cash between funds took place:

- £2.9m was withdrawn from the in-house global equity fund during the quarter. Broadly this represents dividend income on this fund during the quarter.
- £0.9m was withdrawn from the in-house US equity fund during the quarter. Broadly this represents dividend income on this fund during the quarter.
- £2.1m was distributed from the Neuberger Berman's Private equity mandate during the quarter.

12.7 The change in the value of the investment fund over the last three years can be seen in the graph below.



12.8 The Fund’s Actuary, Barnett Waddingham, have provided the following update.

“The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 March 2017 is 83.0% and the average required employer contribution would be 24.1% of payroll assuming the deficit is to be paid by 2038.
- This compares with the reported (smoothed) funding level of 77.4% and average required employer contribution of 22.6% of payroll at the 2016 funding valuation.

The discount rate underlying the smoothed funding level as at 31 March 2017 is 5.4% per annum. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 6.3% per annum.

It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.”