

## Analysis of Investment Performance for the Quarter to 30th June 2017

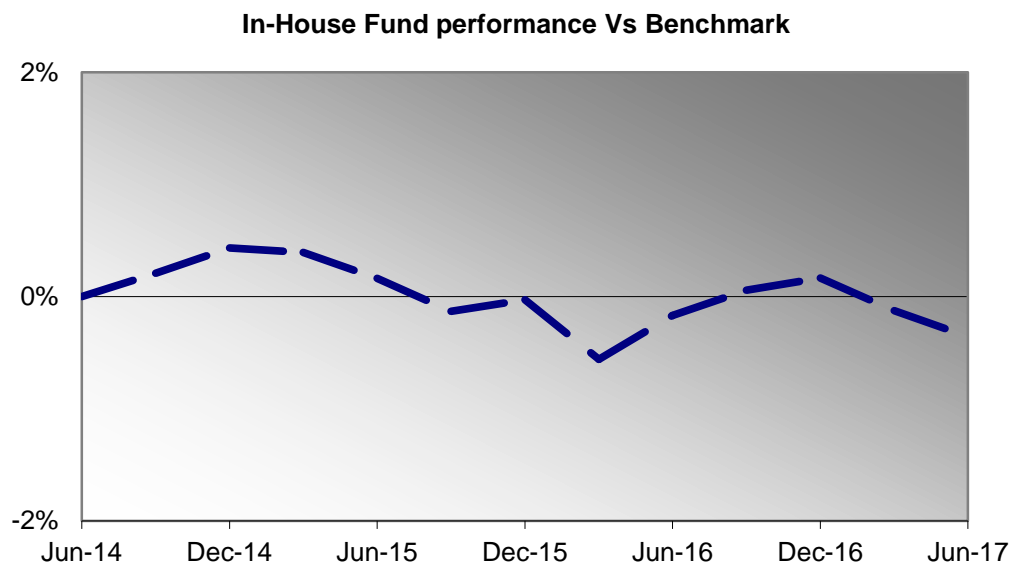
1. Somerset County Council (Global Equity)

1.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

<b>Quarter to 30 June 2017</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>491.7</b>	<b>Global equities</b>	<b>-0.2</b>	<b>-0.2</b>	<b>+0.0</b>
<b>0.0</b>	<b>Cash</b>			
<b>491.7</b>	<b>Total</b>	<b>-0.2</b>	<b>-0.2</b>	<b>+0.0</b>

1.2 The in-house fund performed in line with the benchmark for the quarter.

1.3 Absolute returns for the quarter were slightly negative.



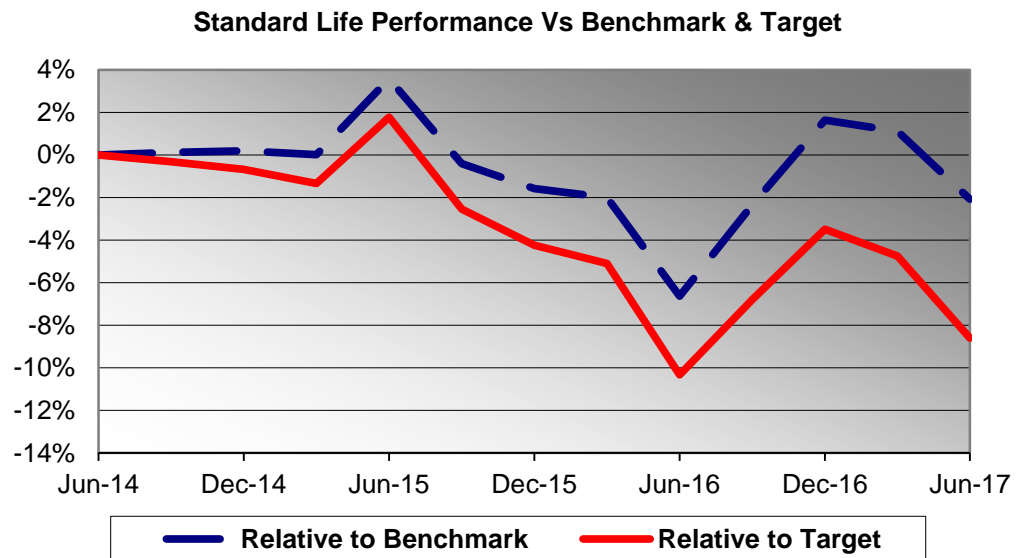
2. Standard Life (UK Equities)

2.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
453.1	UK	-1.1	1.4	-2.5
3.7	Cash			
456.8	Total	-1.2	1.4	-2.6

2.2 Standard Life had a poor quarter relative to their benchmark. Absolute returns were negative. Overweight positions in mining and banks, which underperformed, 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.



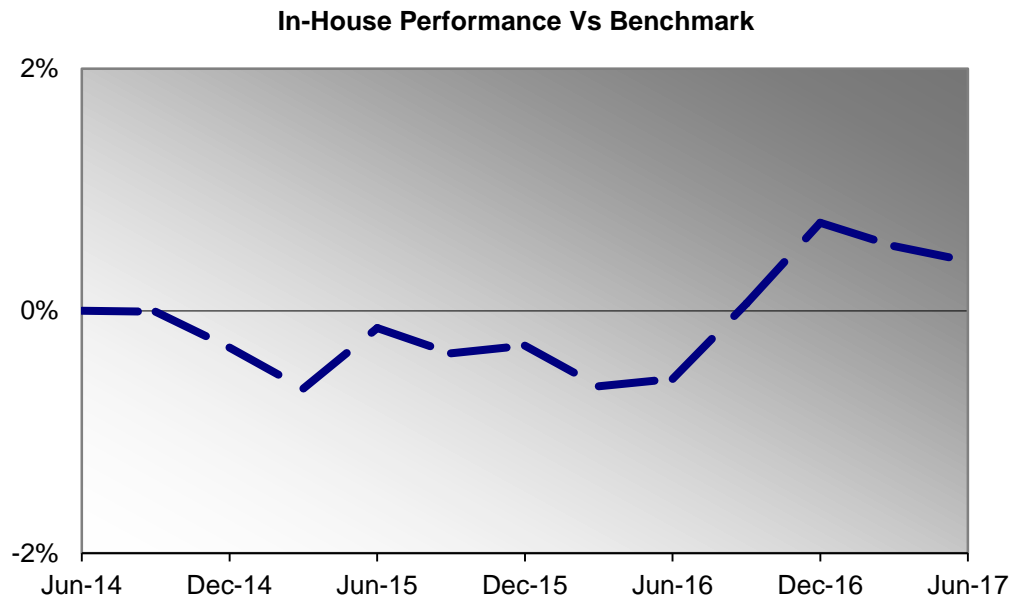
3. Somerset County Council (North American Equities)

3.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

<b>Quarter to 30 June 2017</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>99.3</b>	<b>North America</b>	<b>-0.8</b>	<b>-0.8</b>	<b>+0.0</b>
<b>0.5</b>	<b>Cash</b>			
<b>99.8</b>	<b>Total</b>	<b>-0.8</b>	<b>-0.8</b>	<b>+0.0</b>

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

3.3 Absolute levels of performance during the quarter were negative.



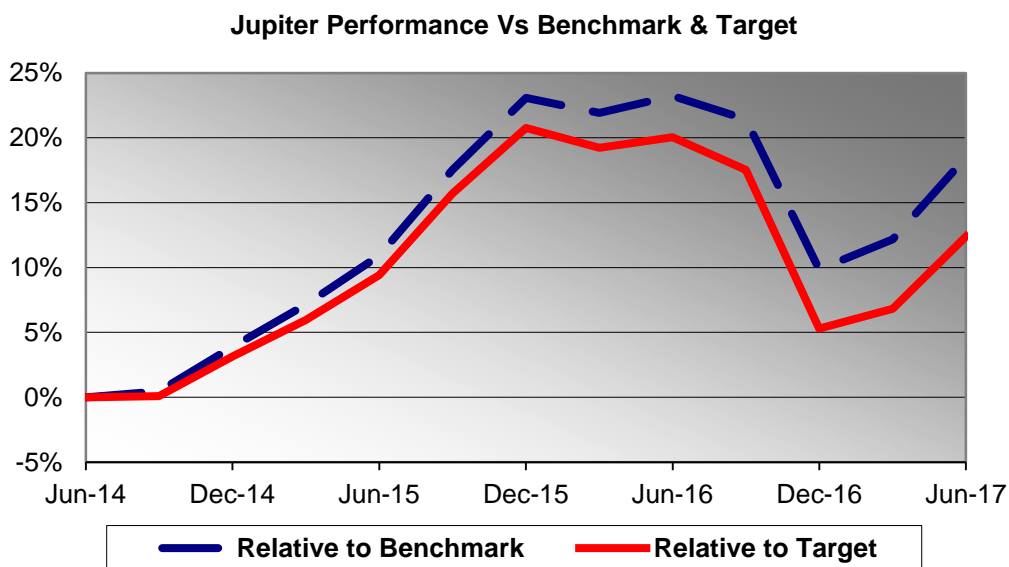
4. Jupiter (Continental European Equities)

4.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
125.6	Europe	9.9	5.2	+4.7
3.5	Cash			
129.1	Total	9.1	5.2	+3.9

4.2 Jupiter had a good quarter relative to the benchmark, with outperformance of 3.9%. 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.



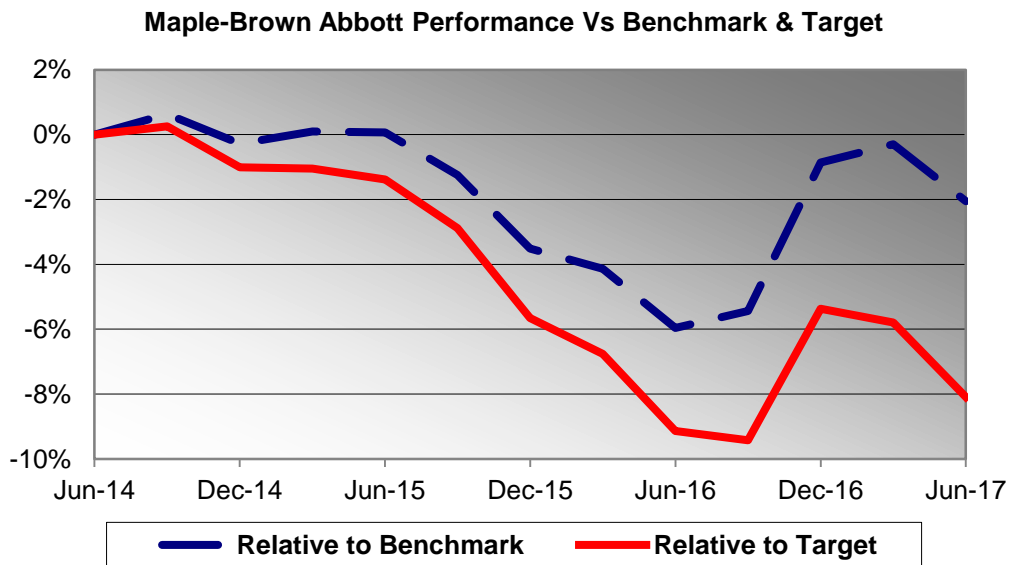
5. Maple-Brown Abbott (Far-East Equities ex-Japan)

5.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
59.2	Pacific (ex Japan)	-1.0	0.3	-1.3
1.2	Cash			
60.4	Total	-1.0	0.3	-1.3

5.2 Maple-Brown Abbott had a poor quarter relative to their benchmark. Absolute returns were negative. Under performance was largely due to poor stock selection in Australia.

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.



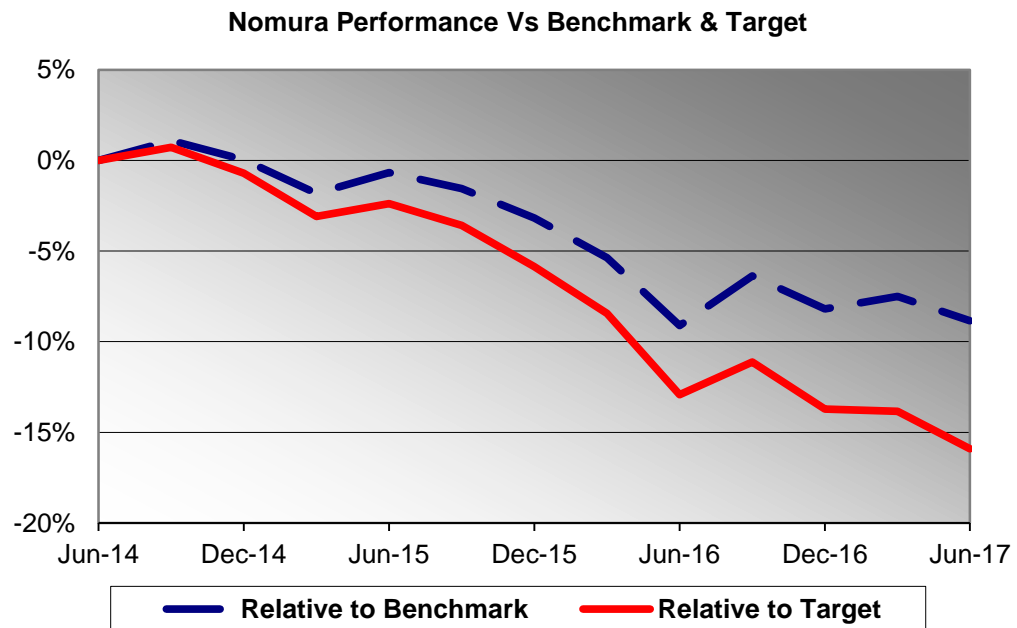
6. Nomura (Japanese Equity)

6.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
61.3	Japan	1.1	1.9	-0.8

6.2 Absolute performance was positive. Relative performance was poor. Underperformance was largely due to poor stock selection, particularly in the Transportation equipment and nonferrous metals 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.



7. Amundi (Emerging Market Equity)

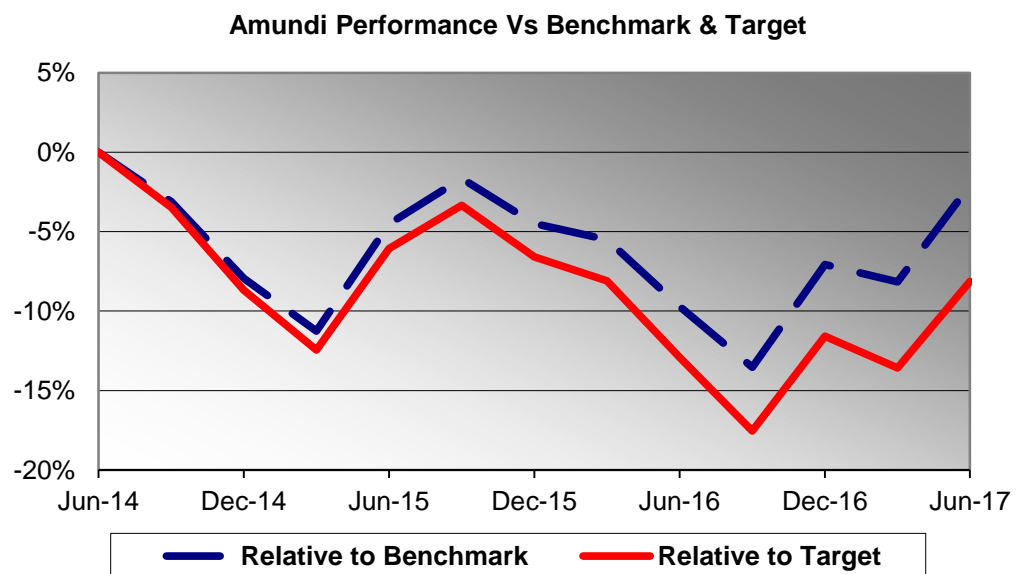
7.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
93.1	<b>Emerging Market</b>	7.3	2.3	<b>+5.0</b>

7.2 Relative performance for the quarter was very strong, absolute returns were strongly positive. Stock selection in the financial sector significantly contributed to the outperformance.

7.3 Pioneer was purchased by Amundi Asset Management after the quarter end with the purchase completing on 3<sup>rd</sup> July 2017. The people and process involved in our emerging market equity mandate have not changed as part of the transaction. This should be seen as a positive development as there has been significant uncertainty over the ownership of Pioneer for some time following a review by Unicredit, its previous owner. Following the purchase Amundi Asset Management is Europe's largest asset manager by assets under management, Amundi is listed on the Paris stock exchange.

7.4 Amundi'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.



8. Standard Life (Fixed Interest)

8.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

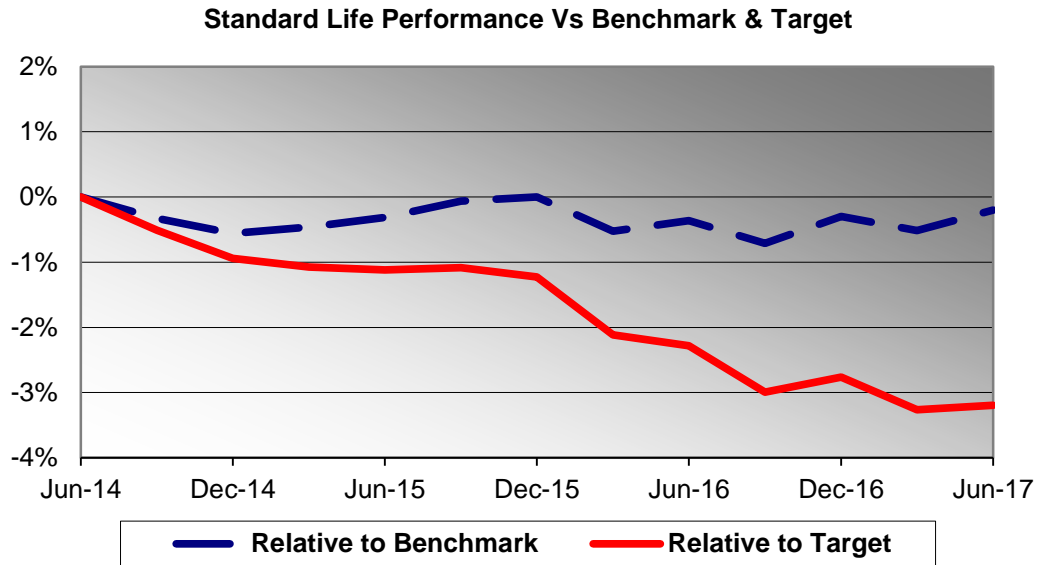
<b>Quarter to 30 June 2017</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
44.6	<b>UK Gilts</b>	-1.0	-1.3	<b>+0.3</b>
68.9	<b>Index Linked</b>	-2.1	-2.3	<b>+0.2</b>
159.6	<b>Corporate Bonds</b>	-1.6	-1.9	<b>+0.3</b>
38.7	<b>High Yield Debt</b>	3.0	4.4	<b>-1.4</b>
-4.7	<b>Foreign Gov't Bonds</b>			
1.4	<b>F Gov't Index Linked</b>			
	<b>Currency Instruments</b>			
-0.9				
16.4	<b>Cash</b>			
<b>324.0</b>	<b>Total</b>	<b>0.0</b>	<b>-0.3</b>	<b>+0.3</b>

8.2 Standard Life outperformed their benchmark for the quarter. Absolute returns were flat. Outperformance in the corporate bond portfolio was the main contributor to outperformance.



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.



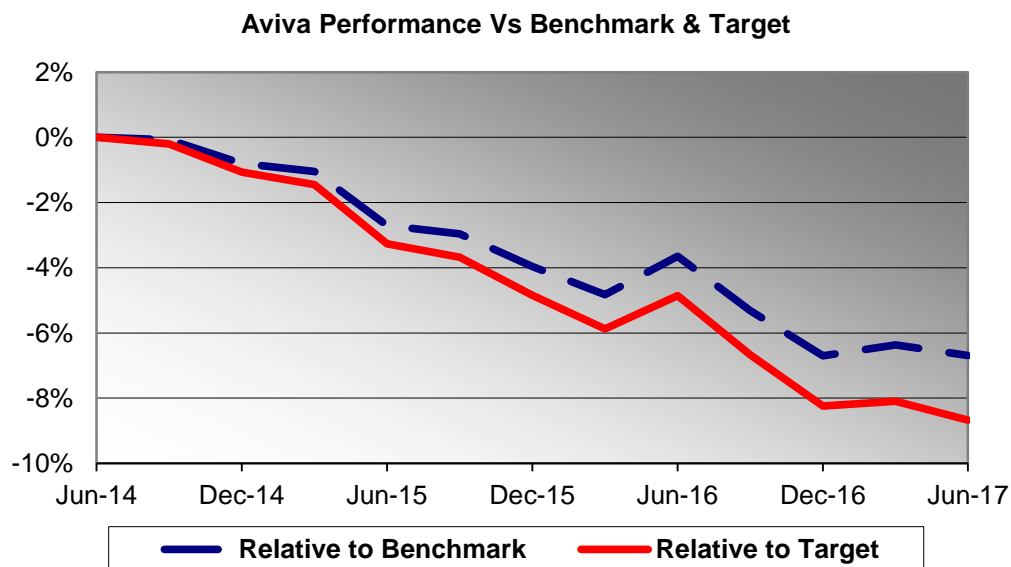
9. Aviva (Property Fund of Funds)

9.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

Quarter to 30 June 2017				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
175.3	UK Property	2.5	2.3	+0.2
1.9	European Property	-7.9		
	Currency Instruments			
-0.1				
13.8	Cash			
<b>190.9</b>	<b>Total</b>	<b>2.2</b>	<b>2.3</b>	<b>-0.1</b>

9.2 Property returns from the UK market were positive for the quarter. The fund underperformed relative to the benchmark due to the European holdings and the high cash holdings.

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.



10. Neuberger Berman (Global Private Equity)

10.1 The performance for the quarter to 30th June 2017 is summarised in the following table:

<b>Quarter to 30 June 2017</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>31.4 Private Equity</b>	<b>1.4</b>	<b>0.1</b>	<b>+1.3</b>

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 12.0%.

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 1.9%.

10.5 The Crossroads XXI fund is still very young however it is no longer in the negative part of the “J-curve” and is running at a small profit. The return for the quarter, excluding currency movements, was 2.1%.

10.6 As agreed by Committee we have now completed the paperwork for a \$40m commitment to Crossroads XXII and are awaiting the first drawdown.

11. South West Ventures Fund

11.1 The fund continues to make reasonable progress.

12. Combined Fund

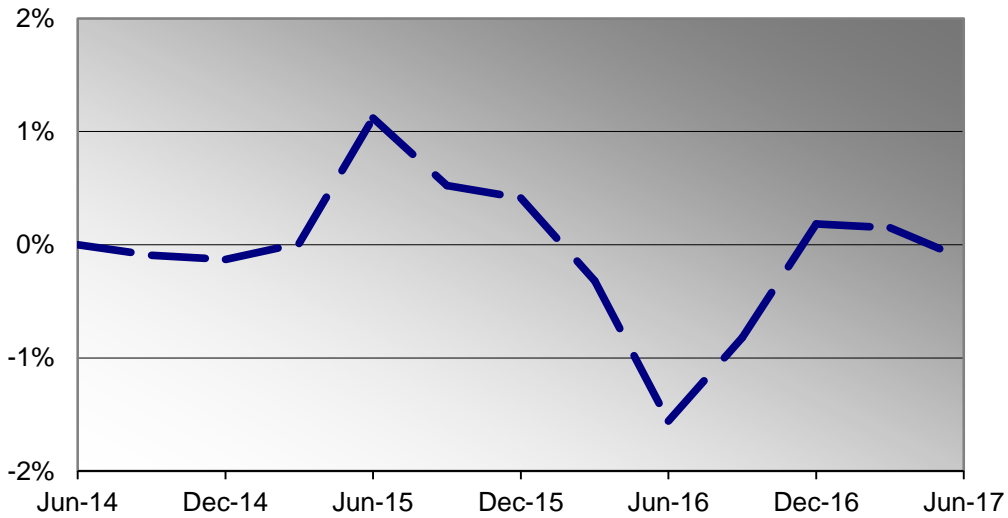
12.1 The performance for the quarter to 30th June 2017 is summarised in the following table:-

<b>Quarter to 30 June 2017</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
491.7	In-House (Global Eq)	-0.2	-0.2	+0.0
456.8	Standard Life (UK Eq)	-1.2	1.4	-2.6
99.8	In-House (US Eq)	-0.8	-0.8	+0.0
129.1	Jupiter	9.1	5.2	+3.9
60.4	Maple-Brown Abbott	-1.0	0.3	-1.3
61.3	Nomura	1.1	1.9	-0.8
93.1	Amundi	7.3	2.3	+5.0
324.0	Standard Life (FI)	0.0	-0.3	+0.3
190.9	Aviva	2.2	2.3	-0.1
1.8	SWRVF	0.0	0.1	-0.1
31.4	Neuberger Berman	1.4	0.1	+1.3
55.1	Cash	0.1	0.1	+0.0
<b>1,995.4</b>	<b>Whole Fund</b>	<b>0.9</b>	<b>1.1</b>	<b>-0.2</b>

12.2 The fund as a whole underperformed its benchmark during the quarter. The level of absolute return was positive. Jupiter, Amundi and Standard Life for the fixed income mandate 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.

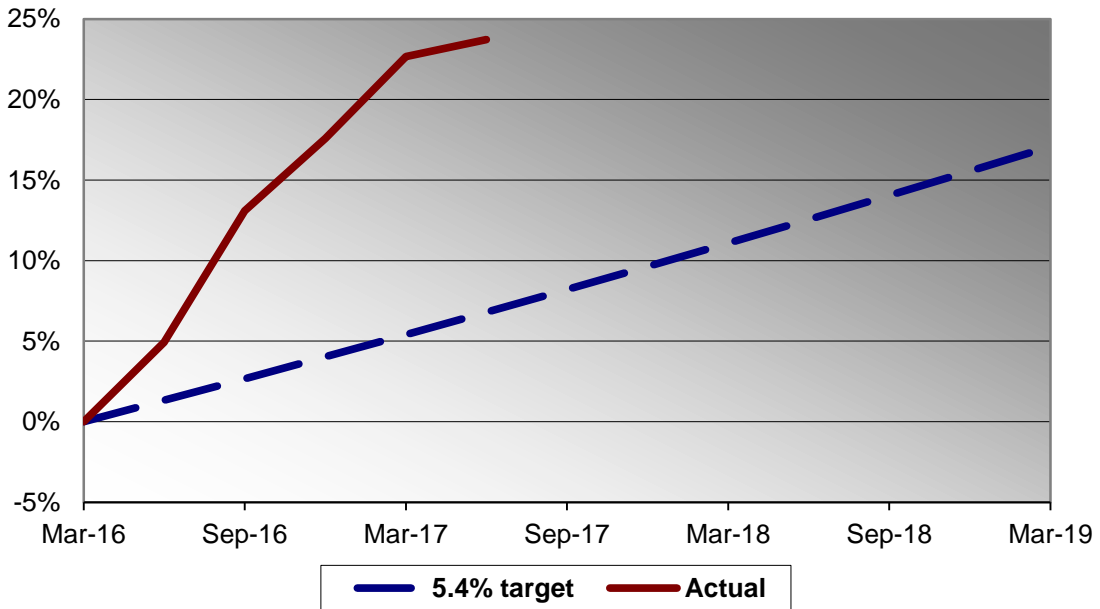
**Whole Fund Performance Vs Benchmark**



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.

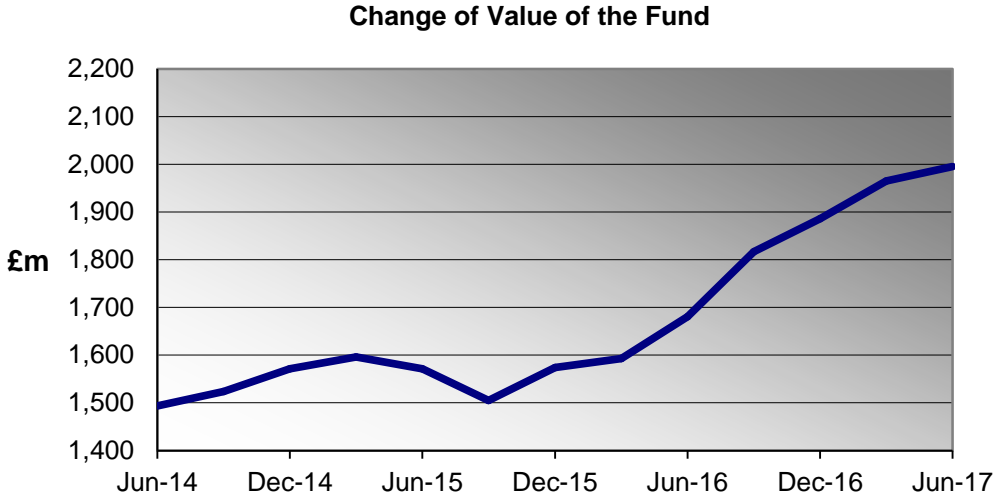
	Value as at 31 Mar		Value as at 30 June		Strategic
	£m	£m	£m	%	Weighting
					%
<b>In-House (Global Eq)</b>	<b>493.8</b>	25	<b>491.7</b>	25	<b>23</b>
<b>Standard Life (UK Eq)</b>	<b>460.1</b>	23	<b>456.8</b>	23	<b>23</b>
<b>In-House (US Eq)</b>	<b>100.9</b>	5	<b>99.8</b>	5	<b>5</b>
<b>Jupiter</b>	<b>118.2</b>	6	<b>129.1</b>	6	<b>5</b>
<b>M-BA (Pac Eq)</b>	<b>61.0</b>	3	<b>60.4</b>	3	<b>3</b>
<b>Nomura</b>	<b>60.6</b>	3	<b>61.3</b>	3	<b>3</b>
<b>Amundi</b>	<b>81.9</b>	4	<b>93.1</b>	5	<b>5</b>
<b>Standard Life (FI)</b>	<b>324.0</b>	17	<b>324.0</b>	16	<b>19</b>
<b>Aviva</b>	<b>186.1</b>	10	<b>190.9</b>	10	<b>10</b>
<b>SWRVF</b>	<b>1.8</b>	0	<b>1.8</b>	0	<b>0</b>
<b>Neuberger Berman</b>	<b>28.7</b>	2	<b>31.4</b>	1	<b>3</b>
<b>Cash</b>	<b>48.2</b>	2	<b>55.1</b>	3	<b>1</b>
<b>Whole Fund</b>	<b>1,965.3</b>	100	<b>1,995.4</b>	100	<b>100</b>

12.6

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

- £4.1m was withdrawn from the in-house global equity fund during the quarter. Broadly this represents dividend income on this fund during the quarter.
- £0.3m was withdrawn from the in-house US equity fund during the quarter. Broadly this represents dividend income on this fund during the quarter.
- £5.0m was added to the Amundi portfolio to bring the emerging market back towards neutral.
- £2.3m was invested in 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 30 June 2017 is 85.7% and the average required employer contribution would be 23.1% 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 30 June 2017 is 5.3% per annum. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 6.1% 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.”