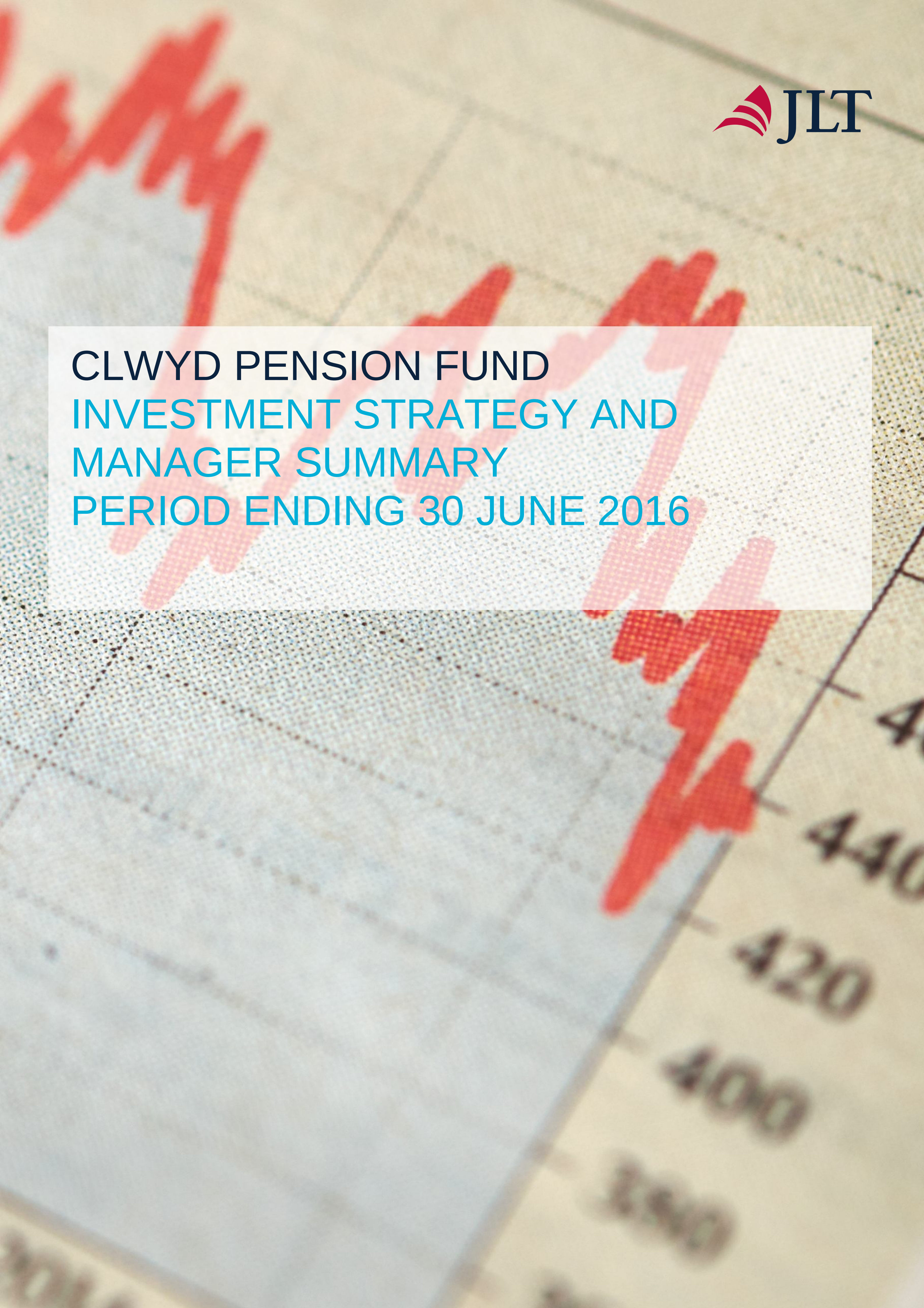

CLWYD PENSION FUND
INVESTMENT STRATEGY AND MANAGER SUMMARY
PERIOD ENDING 30 JUNE 2016

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1 IMPACT ON CLWYD PENSION FUND INVESTMENT STRATEGY

This report is produced by JLT Employee Benefits ("JLT") to assess the performance and risks of the investment managers of the Clwyd Pension Fund (the “Fund”), and of the Fund as a whole. The report does not comment on the Fund’s Liability Driven Investment (“LDI”) portfolio, as information in respect of this allocation is produced separately by Mercer.

OVERALL

Over the 3 months to 30 June 2016, the Fund's total market value increased by £97.8 million to £1,480,291,434.

As at 31 March 2016, the Fund’s liabilities were valued at £2,254 million, resulting in a funding level of 61%.

As at 30 June 2016, the value of the Fund’s liabilities had increased by £201 million to £2,455 million, resulting in a funding level of 60%.

Over the quarter, total Fund assets returned 5.3% compared with a composite target of 4.7%. Total Fund (ex LDI) returned 3.0% against a target of 2.8%. With the exception of the Managed Account Platform which returned -1.2% over the quarter, all strategic asset classes delivered positive absolute returns. Equities (+6.8%), the Best Ideas Portfolio (+6.1%) and the LDI Portfolio (+12.7%) delivered the majority of the Fund’s total return, whilst Multi-Asset Credit made a modest gain of 0.9% over the period.

In relative terms, total Fund assets produced a return 0.6% above the target, mainly due to the LDI Portfolio which returned 12.7% and is overweight the strategic benchmark by 5.0%. In-House assets returned 3.3%, above their target by 2.0% and adding 0.5% to relative performance. The Best Ideas Portfolio outperformed its target by 4.9% and added 0.4% to the total Fund’s outperformance of the composite target return.

Despite the positive return over the quarter, Total Equities underperformed the composite target by 2.2% and detracted 0.5% from relative returns. Within the In-House portfolio, Opportunistic assets declined by -15.6% over the quarter and ended the last 12 months down by 36.9%, this detracted 0.1% from relative return over the quarter.

Insight’s LDI portfolio rose by 12.7% as yields plunged on the back of the Brexit decision of the EU Referendum and added 0.5% to the Fund’s relative return.

EQUITIES

Global equity markets rose over the quarter, with positive returns seen in all major regions.

Investors maintained a constructive albeit cautious view on equity markets over much of the quarter, as generally upbeat corporate earnings, supportive central bank rhetoric and further stabilisation in commodity prices supported sentiment. However, this relative calm proved to be short-lived as risk aversion reared its head in the wake of the UK electorate’s vote to leave the EU, leading to increased volatility in the markets.

Stock markets throughout the world fell for two days and then steadied as traders completed unwinding their positions and others went on a bargain hunt. Investors shifted into defensive stocks to weather the heightened volatility in markets, which has been the typical pattern during such times over the past few years, with the Chinese currency devaluation scare in the third quarter of 2015 and concerns about global growth during the first quarter of 2016 providing recent examples.

In Developed markets, US equities provided the strongest returns increasing by 10.3%. Japanese equities rose by 8.8% followed by Asia Pacific (ex Japan) equities which were up by 8.5%. UK equities and European equities posted positive returns of 4.7% and 4.4%, respectively.

Over the last 12 months, US equities provided the strongest returns, increasing by 21.4%. UK equities experienced the lowest return of the developed markets, increasing by 2.2%.

Emerging Markets and Frontier Markets were both up by 8.4% and 8.2% respectively over the quarter, with both markets seeing a positive annual return of 3.9%.

The weakness of Sterling following the Brexit vote to leave the EU has boosted overseas equity returns for unhedged Sterling investors.

Total Equity assets returned 6.8%, which was 2.2% below their composite target. All the funds in the strategy generated positive returns, however, Wellington Emerging Markets (Core) and Wellington Emerging Markets (Local) were the only funds in the strategy that outperformed their targets over the quarter.

Global equity exposure to telecommunication services, information technology and utilities were the main contributors to performance, while energy, industrials and consumer discretionary were the largest detractors from returns.

In Emerging Markets, exposures to Brazil and Russia contributed to the majority of gains, although this was offset to some extent by exposures in Taiwan and off-benchmark positions in United States.

In Frontier Markets, the underweight allocations to both Pakistan and Argentina were the primary detractors. The underweight to the former was costly as Pakistan was the best performing market during the quarter, ahead of its promotion to the MSCI's emerging markets index. Meanwhile, Argentina's markets continued to reflect the growing optimism that Macri's reforms will dampen inflation and boost the stagnant economy.

MULTI-ASSET CREDIT

US Treasury yields markets experienced a predominantly upward rate trajectory in the first two months of the quarter, however, yields collapsed in June as a result of both economic and political factors.

From an economic perspective, a weakening of US economic data refuelled investor concerns of a slowdown in growth and rising recession risks, which resulted in increasing the demand for US government bonds. This was further supported by the combination of negative interest rate policy and quantitative easing from the Bank of Japan and European Central Bank. Politically, the Brexit vote became a reality in late June and as a result, the market took a sharp turn to lower yields. Flight to quality intensified and risk assets sold off sharply, while global safe heaven assets held on to hefty gains.

Over the quarter, long-dated fixed interest gilts, long-dated index-linked gilts and long-dated corporates generated positive returns of 11.8%, 11.1%, and 9.8% respectively. Global bond markets also rose, as High Yield, Investment Grade and Emerging Market Debt returned 12.3%, 11.8% and 5.0% respectively. However, much of the gains in global bond markets can be attributed to the British pound depreciating against the Euro, Yen and Dollar over the period as in local terms, returns were much lower.

Total Multi-Asset Credit generated a return of 0.9% over the quarter, ahead of its target by 0.5%. Overall, this made a marginal contribution of 0.1% to total Fund relative performance. Investment Grade (+0.5%), High Yield (+0.4%) and Emerging Market Debt (+0.2%) all added to the performance of the strategy, although Global Rates detracted 0.4%.

In Emerging Market Debt, Latin America, where the portfolio's largest overweights at a country level remain, was the largest contributor, mainly driven by Brazil, particularly strong performance from its oil company Petrobras. Meanwhile, Africa was the best performing region led by strong returns from gold mining stocks in South Africa.

The strategy benefitted from the recovery in commodity prices as US High Yield sectors, Energy, Steel and Metals/Mining exposures rose dramatically since the start of the year. Althought the portfolio remains underweight in the Energy and Metals/Mining sectors despite increasing exposure in both during the quarter.

HEDGE FUNDS

The Hedge Fund industry posted asset gains over the quarter, navigating volatility and dislocations across currency, equity, fixed income and commodity markets following Britain's decision to leave the European Union.

Hedge Fund capital rose over the second quarter to $2.898 trillion, recovering the decline from the previous quarter and rising above the level at the end of 2015, and making it the 3rd highest quarterly capital on record. Meanwhile, investor redemptions declined to $8.2 billion over the quarter, nearly half of the outflow in the first quarter.

Hedge Funds (in sterling terms) returned 9.7% over the quarter; this primarily due to the US dollar strengthening against Sterling, as hedge funds returned 2.0% in US dollar terms. In Sterling terms, Emerging Markets (+10.8%) were the strongest strategies, whilst Equity Hedge (+9.0%) were the worst performing.

ManFRM's Managed Futures & Hedge Funds strategy had a negative return of -1.2%, underperforming its target by 2.2% and detracting 0.2% from relative performance.

ManFRM Hedge Funds (Legacy) portfolio which consists of Duet, Liongate and Pioneer assets returned -11.5% over the quarter, behind their target of 1.2%. The poor return was mainly a result of a write-down in the value of Totalis, an underlying position in Liongate's portfolio which was written down to zero in May 2016.

TACTICAL ALLOCATION PORTFOLIO

DIVERSIFIED GROWTH

Total Diversified Growth assets returned 2.3%, ahead of their absolute target by 1.7%. Overall this was broadly neutral for total Fund relative performance.

Pyrford returned 3.4% compared to a target of 1.9%. The Fund's modest allocation to equities, together with a preference for quality and value helped to protect value in the early part of the quarter during a significant sell off. As markets rebounded, a focus on Asia Pacific (ex Japan) contributed strongly and the allocation to Canadian equities was also positive. Towards the end of the quarter, as yields declined, the bond portfolio benefited from capital gains. Unhedged US and Canadian bonds benefitted from relative Sterling weakness, whilst UK bonds were marginally positive.

Investec's portfolio generated a return of 1.1% compared to a target of 1.6%. Japanese equities, a relative value position in US diversified financials vs US equity and a short position in the Swiss Franc were the main detractors. Global equities, technology stocks and a long Australian dollar position were positive for the Fund. A long duration exposure in US Treasuries benefited from falling yields. Short currency positions in the Singapore dollar, Korean won, Taiwanese dollar and Swedish krona all impacted performance in a period of Sterling weakness. Investec took advantage of the flight-to-safety during the early part of the quarter by doubling its position in gold in January.

BEST IDEAS PORTFOLIO

The Best Ideas portfolio returned 6.1%, above its target by 4.9%. Overall, this made a contribution of 0.4% to total Fund relative performance.

F&C's UK Equity-Linked Gilts (+12.9%) and LGIM Japanese Equities (+8.8%) performed the strongest over the quarter, contributing 0.2% and 0.1%, respectively, to relative performance of the strategy.

LGIM's Japanese Equities (Hedged) returned -9.4% was the worst performing position in this portfolio, detracting 0.1% from relative performance.

Over the quarter, two positions were disposed of; BlackRock US Equities was redeemed on 20 May 2016 and LGIM's Japan Equity (Unhedged) Fund was redeemed on 30 June 2016. Proceeds from the US Equity sale were reallocated to new positions established the Investec Global Natural Resources Fund and Wellington Commodities Fund, whilst the proceeds of the redemption of Japanese Equities were initially transferred to LGIM's Cash Fund.

IN-HOUSE ASSETS

Total In-House assets returned 3.3%, ahead of their composite target by 2.0%. Overall this contributed to 0.5% to the total Fund relative performance. Property, Infrastructure, Timber/Agriculture and Private Equity assets made positive absolute and relative contributions to the performance of the strategy whilst Opportunistic assets were negative.

Private Equity, which is overweight the strategic allocation by 1.4%, produced a return of 4.4% and outperformed its target by 3.0%. Overall this contributed 1.3% to the In-House strategy and 0.3% to the total Fund performance.

Property delivered a return of 2.9%, outperforming its target by 1.6% and adding 0.1% to relative performance.

Infrastructure and Timber/Agriculture, which are both 0.1% underweight their strategic allocation, delivered returns of 5.7% and 5.9% respectively and each added 0.4% to the In-House strategy and 0.1% to the total Fund return.

Opportunistic assets were the poorest performing of the In-House assets, returning -15.6% and underperforming its target by 16.9%.

2 STRATEGIC ASSET ALLOCATION
30 JUNE 2016

Allocation by underlying asset class

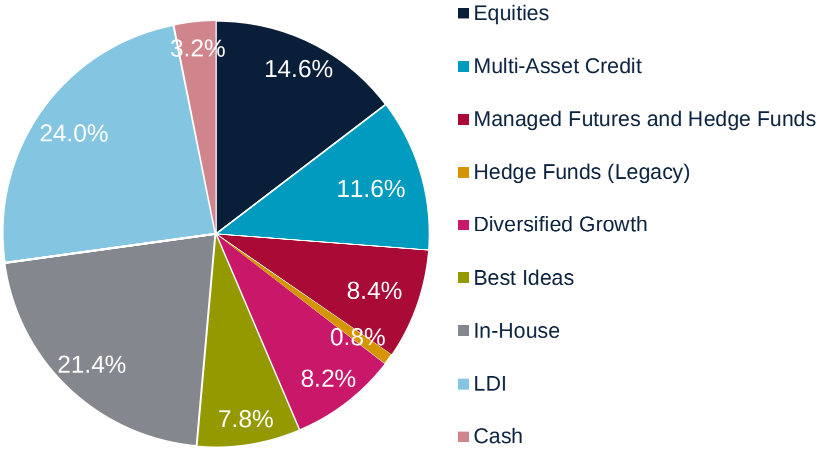
Asset Class	Market Value £	Weight %	Strategic Allocation %	Relative %	Strategic Range %
Global Equities	101,983,656	6.9	8.0	-1.1	5.0 – 10.0
Emerging Market Equities	86,155,631	5.8	6.5	-0.7	5.0 – 7.5
Frontier Market Equities	28,471,376	1.9	2.5	-0.6	1.0 – 4.0
Multi-Asset Credit	171,879,540	11.6	15.0	-3.4	12.5 – 17.5
Managed Futures and Hedge Funds	123,828,991	8.4	9.0	-0.6	7.0 – 11.0
Hedge Funds (Legacy)*	12,283,739	0.8	0.0	+0.8	–
Diversified Growth	120,645,459	8.2	10.0	-1.8	15.0 – 25.0
Best Ideas	115,760,238	7.8	9.0	-1.2	
Property	110,775,529	7.5	7.0	+0.5	5.0 – 10.0
Private Equity & Opportunistic	150,364,596	10.2	10.0	+0.2	8.0 – 12.0
Infrastructure / Timber / Agriculture	55,742,612	3.8	4.0	-0.2	2.0 – 7.0
LDI & Synthetic Equities	355,748,346	24.0	19.0	+5.0	10.0 – 30.0
Cash	46,651,720	3.2	0.0	+3.2	0.0 – 5.0
TOTAL CLWYD PENSION FUND	**1,480,291,434**	**100.0**	**100.0**	**0.0**	

Notes: * Hedge Funds (Legacy) includes the Duet, Liongate and Pioneer portfolios.

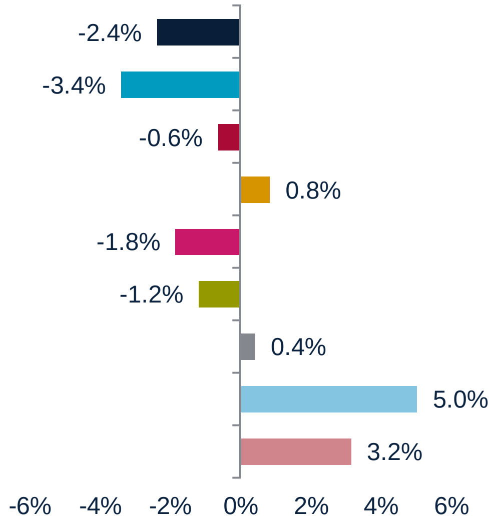
Points to note

- Total allocation to LDI rose by 1.2% over the quarter and is 5.0% overweight relative to its strategic allocation.
- Multi-Asset Credit is 3.4% underweight its strategic allocation and is now 0.9% below its lower strategic range, however, allowing for bond exposures elsewhere in the Fund, the total effective allocation to Multi-Asset Credit was around 16.1% at the end of the quarter.

Strategic Asset Allocation as at 30 June 2016



Deviation from Strategic Allocation



Notes: Totals may not sum due to rounding

3 VALUATION AND ASSET ALLOCATION AS AT 30 JUNE 2016

Manager	Fund	Market Value £	Weight %	Strategic Allocation %	Strategic Range %
Investec	Global Strategic Equity	101,983,656	6.9	8.0	5.0 – 10.0
Wellington	Emerging Market Equities (Core)#	41,488,898	2.8	3.25	5.0 – 7.5
Wellington	Emerging Market Equities (Local)#	44,666,733	3.0	3.25	
Aberdeen	Frontier Markets#	28,471,376	1.9	2.5	1.0 – 4.0
Total Equities		**216,610,664**	**14.6**	**17.0**	
Stone Harbor	Libor Multi-Strategy Portfolio	171,879,540	11.6	15.0	12.5 – 17.5
Total Multi-Asset Credit		**171,879,540**	**11.6**	**15.0**	**12.5 – 17.5**
ManFRM	Managed Futures and Hedge Funds	123,828,991	8.4	9.0	7.0 – 11.0
ManFRM	Hedge Funds (Legacy)*	12,283,739	0.8	0.0	–
Managed Account Platform		**136,112,730**	**9.2**	**9.0**	**7.0 – 11.0**
Pyrford	Global Total Return	63,074,025	4.3	5.0	–
Investec	Diversified Growth	57,571,433	3.9	5.0	
Total Diversified Growth		**120,645,459**	**8.2**	**10.0**	**–**
BMO	UK Equity-Linked Gilts	33,642,831	2.3	9.0	–
LGIM	Japanese Equities (Hedged)	9,693,562	0.7		
LGIM	Cash	14,190,072	1.0		
BlackRock	European Equities	27,863,964	1.9		
Investec	Global Natural Resources	15,808,502	1.1		
Wellington	Commodities	14,561,308	1.0		
Best Ideas Portfolio		**115,760,238**	**7.8**	**9.0**	**–**
Tactical Allocation Portfolio		**236,405,697**	**16.0**	**19.0**	**15.0 – 25.0**
In-House	Property	110,775,529	7.5	7.0	5.0 – 10.0
In-House	Infrastructure	28,289,815	1.9	2.0	2.0 – 7.0
In-House	Timber / Agriculture	27,452,797	1.9	2.0	
In-House	Private Equity	138,769,848	9.4	10.0	8.0 – 12.0
In-House	Opportunistic	11,594,748	0.8		
Total In-House Assets		**316,882,737**	**21.4**	**21.0**	
Insight	LDI Portfolio	355,748,346	24.0	19.0	10.0 – 30.0
Total LDI		**355,748,346**	**24.0**	**19.0**	**10.0 – 30.0**
Trustees	Cash+	46,651,720	3.2	-	0.0 – 5.0
TOTAL CLWYD PENSION FUND		**1,480,291,434**	**100.0**	**100.0**	

Notes: * ManFRM Hedge Funds (Legacy) includes the Duet, Liongate and Pioneer portfolios which were transferred at the end of December 2015. Valuations are provided by ManFRM.
+ The Trustee cash valuations include SSARIS redemption balances that are due to be received in June 2016.
# Wellington Emerging Markets Core and Local, Aberdeen Frontier Markets and Pioneer valuations have been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates.

4 PERFORMANCE SUMMARY
PERIODS ENDING 30 JUNE 2016

	Manager	Fund	3 months %		12 months %		3 years % p.a.		3 Yr Performance
			Fund	Target	Fund	Target	Fund	Target	vs Objective
●	Investec	Global Strategic Equity	5.2	9.2	3.5	16.1	11.3	12.9	Target not met
●	Wellington	Emerging Markets (Core)#	11.0	8.6	5.8	4.9	3.3	4.1	Target not met
●	Wellington	Emerging Markets (Local)#	10.2	8.9	8.0	5.9	4.7	5.1	Target not met
●	Aberdeen	Frontier Markets#	8.5	8.6	1.9	5.4	-1.2	4.6	Target not met
Total Equities			**6.8**	**9.0**	**3.8**	**10.6**	**7.5**	**10.9**	
●	Stone Harbor	Libor Multi-Strategy	0.9	0.4	-1.0	1.5	0.5	1.6	Target not met
Total Multi-Asset Credit			**0.9**	**0.4**	**-1.0**	**1.5**	**0.5**	**1.6**	
n/a	ManFRM	Managed Futures & Hedge Funds	-1.2	1.0	n/a	n/a	n/a	n/a	n/a
n/a	ManFRM	Hedge Funds (Legacy)*	-11.5	1.2	-9.0	5.4	-1.0	4.9	n/a
Managed Account Platform			**-2.3**	**1.0**	**n/a**	**n/a**	**n/a**	**n/a**	
●	Pyrford	Global Total Return	3.4	1.9	7.9	6.2	4.2	6.3	Target not met
n/a	Investec	Diversified Growth	1.1	1.6	-2.4	5.1	n/a	n/a	n/a
Total Diversified Growth			**2.3**	**1.7**	**2.8**	**5.6**	**1.5**	**5.8**	
Best Ideas Portfolio			**6.1**	**1.2**	**3.3**	**3.4**	**n/a**	**n/a**	
Tactical Allocation Portfolio			**4.1**	**1.2**	**3.1**	**3.5**	**n/a**	**n/a**	
●	In-House	Property	2.9	1.3	11.7	9.1	11.0	14.7	Target not met
●	In-House	Infrastructure	5.7	1.4	25.1	5.7	14.7	5.6	Target met
●	In-House	Timber / Agriculture	5.9	1.4	13.7	5.7	3.6	5.6	Target not met
●	In-House	Private Equity	4.4	1.4	17.5	5.7	10.1	5.6	Target met
●	In-House	Opportunistic	-15.6	1.3	-36.9	5.5	-14.1	5.6	Target not met
Total In-House Assets			**3.3**	**1.3**	**13.4**	**6.8**	**9.5**	**8.6**	
n/a	Insight	LDI Portfolio	12.7	12.7	14.7	14.7	n/a	n/a	n/a
Total (ex LDI)			**3.0**	**2.8**	**4.8**	**6.0**	**4.7**	**6.3**	
TOTAL CLWYD PENSION FUND			**5.3**	**4.7**	**7.1**	**7.7**	**7.3**	**8.4**	

Notes: 'n/a' against the objective is for funds that have been in place for less than three years.
* ManFRM Hedge Funds (Legacy) includes Duet, Liongate and Pioneer portfolios.
# Wellington Emerging Markets Core and Wellington Emerging Markets Local and Aberdeen Frontier Markets data has been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates.

● Fund has met or exceeded its performance target ● Fund has underperformed its performance target

5 STRATEGIC ASSET CLASSES
PERFORMANCE TO 30 JUNE 2016

Strategy	3 months %	12 months %	3 years % p.a.
Total Equities	**6.8**	**3.8**	**7.5**
Composite Objective	9.0	10.6	10.9
Composite Benchmark	8.5	8.4	9.0
Total Multi-Asset Credit	**0.9**	**-1.0**	**0.5**
Objective	0.4	1.5	1.6
Benchmark	0.1	0.5	0.8
Managed Account Platform	**-2.3**	**n/a**	**n/a**
Objective	1.0	n/a	n/a
Benchmark	1.0	n/a	n/a
Total Hedge Funds (Legacy)	**-11.5**	**-9.0**	**-1.0**
Composite Objective	1.2	5.4	4.9
Composite Benchmark	1.2	5.4	4.9
Total Diversified Growth	**2.3**	**2.8**	**1.5**
Composite Objective	1.7	5.6	5.8
Composite Benchmark	1.7	5.6	5.8
Best Ideas Portfolio	**6.1**	**3.3**	**n/a**
Objective	1.2	3.4	n/a
Benchmark	1.2	3.4	n/a
Total In-House Assets	**3.3**	**13.4**	**9.5**
Composite Objective	1.3	6.8	8.6
Composite Benchmark	1.3	6.8	8.6
Total LDI Portfolio	**12.7**	**14.7**	**n/a**
Composite Objective	12.7	14.7	n/a
Composite Benchmark	12.7	14.7	n/a
Total (ex LDI)	**3.0**	**4.8**	**4.7**
Composite Objective	2.8	6.0	6.3
Composite Benchmark	2.6	5.4	5.6
Total Clwyd Pension Fund	**5.3**	**7.1**	**7.3**
Composite Objective	4.7	7.7	8.4
Composite Benchmark	4.6	7.2	7.9

Source: Performance is calculated by JLT Employee Benefits based on data provided by the managers and is only shown for complete periods of investment.

Note: Objective performance includes the funds' outperformance targets above the relevant underlying benchmarks, as shown in the Appendix.
Benchmark performance is based on the underlying benchmarks without the explicit **outperformance targets for the relevant funds within the Equity and Multi-Asset Credit portfolios.**

APPENDIX: SUMMARY OF MANDATES

Manager	Fund	Strategic Asset Class	Performance Objective (Net of Fees)	Strategic Allocation
Investec	Global Strategic Equity	Global Equities	MSCI AC World NDR Index +2.5% p.a.	8.0%
Wellington	Emerging Market (Global)	Emerging Markets Equities	MSCI Emerging Markets Index +1.0% p.a.	3.25%
Wellington	Emerging Market (Local)	Emerging Markets Equities	MSCI Emerging Markets Index +2.0% p.a.	3.25%
Aberdeen	Frontier Markets	Frontier Markets Equities	MSCI Frontier Equities Index +1.5% p.a.	2.5%
Stone Harbor	Libor Multi-Strategy Portfolio	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a. (1)	15.0%
ManFRM	Managed Futures & Hedge Funds	Managed Account Platform	3 Month LIBOR Index +3.5% p.a.	9.0% (3)
Pyrford	Global Total Return	Diversified Growth	UK Retail Price Index +4.5% p.a. (2)	5.0%
Investec	Diversified Growth	Diversified Growth	UK Consumer Price Index +4.6% p.a.	5.0%
Best Ideas	Best Ideas	Best Ideas Portfolio	UK Consumer Price Index +3.0% p.a.	9.0%
In-House	Private Equity	Private Equity / Opportunistic	3 Month LIBOR Index +5.0% p.a.	8.0%
In-House	Opportunistic	Private Equity / Opportunistic	3 Month LIBOR Index +5.0% p.a.	2.0%
In-House	Property	Property	IPD Balanced Funds Weighted Average	7.0%
In-House	Infrastructure	Infrastructure / Timber / Agriculture	3 Month LIBOR Index +5.0% p.a.	2.0%
In-House	Timber / Agriculture	Infrastructure / Timber / Agriculture	3 Month LIBOR Index +5.0% p.a.	2.0%
Insight	LDI Portfolio	LDI & Synthetic Equities	Composite Liabilities & Synthetic Equity	19.0%

Notes: 1 FTSE A Gilts All Stocks Index until 31 March 2014.
2 UK Retail Price Index +4.4% p.a. until 31 March 2015.
3 Strategic Allocation represents the composite benchmark for the Managed Account Platform.

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