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Notes of Meetings with Fund Managers: 31July 2013

Hosted by Franklin Templeton Investments

Manager	Attending
Franklin Templeton	Darren Cotter John Beck Chris Orr
UBS	Steve Magill Richard West
Majedie	Rhiannon Mercer Rob Harris
Marathon	Graeme Neuff

Representing SPF: Phil Triggs
John Harrison
Alex Moylan

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Franklin Templeton

1. Met with Darren Cotter, John Beck and Chris Orr.

2. Franklin Templeton (FT) explained their investment style, which is based upon a research driven approach focused upon identifying sources of total return, capital appreciation and income, pursued without reference to the benchmark with a long term focus. A large proportion of the global benchmark is made up of USD Treasuries, UK Gilts and German Bunds which were all excluded from the portfolio.

3. FT operated an average duration of between two to three years within the portfolio, with a negative position on longer duration assets. The only exceptions to the target short duration were investments in Irish Government debt which were further along the yield curve. Franklin Templeton were overweight Irish government debt due to previous large imbalances between the relatively minor debt risk and the high yield.

4. FT were wary about Japanese Yen so undertook short positions versus the South Korean Won. FT were of the opinion that there was a significant exchange rate imbalance between developed and developing economies. As a result, they were underweight the Euro currency and overweight a number of east Asian currencies. Many developing economies were not in a position where devaluing currency is beneficial, due to high growth levels and inflation.

5. FT were also overweight on commodity currencies with an increased position in Canada.

6. FT were very cynical of supposed risk free assets, both from a historic perspective and absolute perspective. UK gilts were at the most expensive in the Bank of England's history with no reasonable risk return trade off.

7. Questioned about the complete avoidance of US Treasuries despite the USD acting as the de facto global reserve currency, FT maintained exposure to the USD through various currency positions, which allowed them to avoid holding US Treasuries and suffering from poor yield.

8. FT reported on concerns that estimates of economic growth in some areas of east Asia were overrated. FT were concerned with government influence in Indonesia but were not worried about Singapore or China. FT believed Chinese growth would indeed slow but that fears of a substantial credit bubble were unlikely to materialise. Houses are still frequently bought with cash in China.

UBS

1. Met with Steve Magill and Richard West.

2. UBS explained its value investment strategy, which is to establish the perceived fair value of equities and use market cycle and investor sentiment to exploit any mispricing. 6

3. UBS reported that a significant number of value stocks had performed very well during the period with this performance balanced by weaknesses in demand for mining sector. UBS were overweight the mining sector, including specifically Rio Tinto following the appointment of a new CEO.

4. UBS had previously held no shares in consumer goods but recently developed an overweight position in Tesco to take advantage of declining investor sentiment and share price as well as positive changes in Tesco's strategy. Tesco announced that they were exiting unprofitable overseas markets, most notably the US venture Fresh 'n' Easy, whilst focusing on UK and other more profitable overseas markets.

5. The negative position in consumer goods was a result of their high current share valuations due to investor drives for yield and perceived security of consumer goods.

6. UBS had reduced their position in ITV following very sharp increases in the share price, which has nearly tripled over the last three years, as a result of ITV's increasing focus upon revenues from programmes rather than advertising.

7. The largest overweight position in the portfolio at the end of June 2013 was Lloyds Banking Group, which UBS considered undervalued with a large potential upside. During July, 2013 UBS had since divested a portion of the Lloyds portfolio to secure profits and were wary about future profitability.

8. UBS were overweight in Barclays as they believed them to be well capitalised even prior to the enforced July capital call.

Majedie

1. Met with Rob Harris and Rhiannon Mercer.

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2. Majedie reported full year results to June 2013 of 28% with a strong performance arising from banking, technology and mining sectors. Majedie believed that there was an extreme variance between the valuation of financial stocks and the value of company assets.

3. Majedie was overweight in the mining sector for the previous twelve and three months, but have adjusted significantly to move underweight mining. Expectations were that low Chinese growth would reduce the demand for raw materials, thus reducing profitability for mining companies who are heavily dependent upon raw material prices. Majedie was positive on changes in Rio Tinto's management but were not in a position to move back into the stock.

4. During the months leading up to the Barclays capital call, Majedie had wound down a large overweight position. On recent management changes, they retain an underweight position.

5. Majedie was also very positive on Lloyds Banking Group but believed it had begun trading at a premium so Majedie were selling down its stake.

6. Majedie was keen on the telecoms sector, especially in light of moves by the European regulator to encourage infrastructure investment by telecoms companies through strong profit incentives. There was also a belief that the strongest upside could be found in EU periphery telecoms firms.

7. Questioned about the European holdings and whether any foreign currencies are hedged back to sterling, Majedie reported that it does not hedge currency but takes into account currency movements in its assessment of stock valuations.

8. Majedie reported that they hired another specialist small cap manager to take advantage of an increasingly under researched and undervalued sector.

Marathon

1. Met with Graeme Neuff.

2. Marathon still reported that the search for a specialist North American Manager is ongoing. They are not keen to rush the appointment. As such, the North American sleeve of the portfolio has undergone slightly less stock turnover than other areas. 6

3. Marathon was also planning to launch a specific emerging market fund with the recruitment of an emerging market manager.

4. Marathon continued to be overweight in Japan which has been a key driver of performance, whilst it was underweight in emerging markets due to the perceived high prices of equities in these areas. Marathon was underweight North America relative to the benchmark, with North American equities performing well in recent months.

5. Marathon reported that efforts have been taken to reduce the total number of stocks held and, under watch, to allow for greater focus with fewer small stock holdings.

6. Marathon was overweight in consumer defensive sectors with confidence of further positive movements following on very strong performance in the last six months. Marathon was convinced of strong, reliable cash flow within the sector.

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