

# Pensions CIV Sectoral Joint Committee

Item no: 7

## London CIV 2016/17 Finance Report

**Report by:** Brian Lee **Job title:** Chief Operating Officer

**Date:** 12 April 2017

**Contact Officer:** Brian Lee

**Telephone:** 020 7934 9818

**Email:** [brian.lee@londonciv.org.uk](mailto:brian.lee@londonciv.org.uk)

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**Summary:** This report provides the committee with an update on the f/y 2016/17 budget (subject to audit), the timetable for preparing and approving the audited 2016/17 financial statements for the company, and presents the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016.

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**Recommendations:** The Committee is recommended to note:

- i. the updated forecast of LCIV to March 2017
  - ii. the reporting and audit timetable of LCIV for the financial year ending 31<sup>st</sup> March 2017
  - iii. the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016
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# London CIV 2016/17 Financial Report

## Introduction

1. As previously noted in the draft Medium Term Financial Strategy ('MTFS') which was circulated to the Committee in December, the London CIV was forecast to generate an operating loss of £800k in f/y 2016/17.
2. As of the date of this report, the financial forecast for year ending March 2017 for LCIV is a loss ~£700k compared to the MTFS of ~£800k. The final unaudited financials for the year ending March will be covered at the meeting on the 12th April but at the time of preparing this report, the production of the accounts was still in progress.
3. The reduction in the loss relates to the treatment of third party costs in respect of fund launches. Following previous discussions at the PSJC, the IAC, with treasurers and the Board of LCIV, it was agreed that any fund launches taking place in financial years 2017/18 onwards, third party costs such as legal fees or investment consulting fees would be recovered from the relevant fund. In the MTFS, the fees relating to fund launches had been expensed, pending the above agreement.
4. The impact of this decision has been to reduce the professional fee forecast from £791k to £686k.

	Forecast PSJC as of April	Forecast PSJC in January	MTFS
<b>Operating Income</b>		£k	£k
Service Charge	850	850	850
Development Funding Charge (DFC)			
Management Fee by Asset Class			
<i>Active Equity</i>	434	433	430
<i>Passive Equity</i>			0
<i>Multi-Asset</i>	210	213	210
<i>Fixed Income</i>			0
<i>Alternatives</i>			0
Total Management Fee by Asset Class	645	645	640
Total Operating Income	1,495	1,495	1,490
<b>Expenses</b>			
Staff	1,209	1,196	1,186
Facilities	221	227	232
Legal and Professional	686	793	791
Travel and General Expenses	24	34	38
Technology	10	8	7
Data feeds	65	46	44
Total Operating Expenses	2,215	2,305	2,298
<b>EBITDA</b>	<b>-720</b>	<b>-810</b>	<b>-808</b>
Depreciation	2	2	1
Interest Income	15	13	15
<b>PBT</b>	<b>-704</b>	<b>-791</b>	<b>-794</b>

## Income

5. As set out in the fund launch report a number of fund launches are in progress (Majedie - £530m, Newton £550m and Longview £450m) and due to launch in 1Q 2017. The assets under management at the end of March were £3.6bn which will rise to £5.1bn after the launch of these funds.
6. There is no material variance in respect of operating income, but there are two items to note in respect of income for 2017/18:
  - income will be accrued in respect of those LLAs benefitting from fee reductions on passive trackers negotiated by LCIV. The fees will be billed annually in arrears but the fees calculated monthly.
  - The annual service charge of £25k (plus VAT), and two thirds of the 2017/18 development funding charge (£50k plus VAT) will be billed in April

## Expenditure

7. As noted above, costs are lower principally due to the reduction in professional fees where investment consulting and legal fees will be recovered from the new funds launching in 2017/18. A full breakdown of professional fees will be provided at the next PSJC meeting.
8. There are no material cost variances and no issues on expense management that need to be considered by the PSJC.
9. The table below summarises key financial facts in terms of asset growth, fund launches, and service charges for the term of the current MTFS.

	Forecast PSJC as of			March 18	March 19	March 20	March 21	March 22
	April	Updated Forecast	March 17					
Assets under management (AUM) in £Mn	3,400	3,336	3,252	6,344	8,641	11,562	12,922	14,129
New Sub-funds per year	4	4	4	9	5	7	0	0
Total Sub funds	6	6	6	15	20	27	27	27
LCIV Staff (FY Year End)	11	11	11	24	25	25	25	25
LCIV Shareholders	33	33	32	32	32	32	32	32
Annual Service Charge	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Development Funding Charge (DFC)				75,000	65,000	50,000	20,000	10,000

## The timetable for the audited financial statements for London CIV LGPS Limited (the 'AIFM Manager') for the year to 31 March 2016

10. The audited financial statements will be presented to the PSJC for approval on the 14th June at the AGM.
11. The timetable is as follows:-
  - 11<sup>th</sup> April - audit starts by Deloitte
  - 25<sup>th</sup> April – statutory accounts ready in draft
  - 18<sup>th</sup> May – draft papers circulated to LCIV Audit Committee
  - 25<sup>th</sup> May – Audit Committee meeting/presentation by Deloitte
  - 14<sup>th</sup> June – approval of financial statements by PSJC at the AGM

## The audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016

12. The audited financial statements for the Fund are attached and were approved by the Audit Committee of LCIV on the 3rd April 2017. This is the first set of financial statements for any of the LGPS pools and a note of appreciation to our supportive stakeholders and everyone involved should be recorded for getting to this momentous position.
13. There were no material audit issues noted by the external auditor, Deloitte.
14. At 140 pages, the financial statements are a lengthy document which will only increase in size as more funds are added. Consequently, LCIV is considering ways of reducing the volume but our scope is limited by accounting disclosure requirements.
15. Details of the sub funds as at 31st December are:

SUB-FUND	PRICE of as of 31 December 2016 (Pence)	SUB-FUND SIZE 31/12/16 £m	PERFORMANCE SINCE INCEPTION	INCEPTION DATE	LLAs INVESTED as of 31 December 2016
LCIV Global Equity Alpha	120.8	625	22.53%	02/12/15	3
LCIV Global Alpha Growth	124.9	1,489	25.47%	11/04/16	9
LCIV PY Total Return	107.3	201	7.3%	17/06/16	3
LCIV Diversified Growth	111.6	346	11.60%	15/02/16	5
LCIV RF Absolute Return	111.5	347	11.50%	21/06/16	4
LCIV NW Real Return	101.4	326	1.4%	16/12/16	3
Total Assets Under Management		3,336		Individual LLAs invested:	18

16. The Financial Statements will be made available on LCIV's website.

## **Recommendations**

17. The Committee is recommended to note:-

- i. the updated forecast to March 2017, including eleven month actuals to February 2017.
- ii. the reporting and audit timetable of LCIV for the financial year ending 31<sup>st</sup> March 2017
- iii. the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016

## **Financial Implications**

18. The financial implications are contained within the body of the report.

## **Legal implications**

19. There are no legal implications for the Committee that have not been considered in the report.

## **Equalities implications**

20. There are no equalities implications for the Committee.





**LONDON CIV**

# **LONDON LGPS CIV**

**Authorised Contractual Scheme**

**Report and Financial Statements for  
the Period from 2<sup>nd</sup> December 2015  
to 31<sup>st</sup> December 2016**



# Directory

## ACS Manager

London LGPS CIV Limited  
59 ½ Southwark Street  
London SE1 0AL  
Authorised and regulated by the Financial Conduct Authority

## Directors

Hugh Grover	Lord Kerslake
Brian Lee	Julian Pendock
Christopher Bilsland	Eric Mackay
Carolann Dobson	

## Investment Managers for Delegated and Direct Investment Sub-Funds

Allianz Global Investors GMBH, UK Branch  
199 Bishopsgate  
London EC2M 3TY  
Authorised and regulated by the financial regulatory authority for Germany, BaFin

Baillie Gifford & Co Limited  
Calton Square, 1 Greenside Row  
Edinburgh EH1 3AN  
Authorised and regulated by the Financial Conduct Authority

Pyrford International Limited  
95 Queen Victoria Street  
London EC4V 4HG  
Authorised and regulated by the Financial Conduct Authority

Ruffer LLP  
80 Victoria Street  
London SW1E 5JL  
Authorised and regulated by the Financial Conduct Authority

Newton Investment Management Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
Authorised and regulated by the Financial Conduct Authority

## Dealing, Administration and Registration

Northern Trust Global Services Limited  
50 Bank Street  
London E14 5NT  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Depository

Northern Trust Global Services Limited  
50 Bank Street  
London E14 5NT  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

## Auditor

Deloitte LLP  
110 Queen Street  
Glasgow G1 3BX



# Annual Report and Financial Statements of the London LGPS CIV Authorised Contractual Scheme for the period ending 31<sup>st</sup> December 2016

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# Introduction from the Chairman

It gives me great pleasure to welcome you to the first Annual Report of the London LGPS CIV Authorised Contractual Scheme ('ACS'). It is with great pride that I am writing this inaugural report which is a result of the efforts of many people working together across all the London Local Authorities.

The ACS journey began back in 2012 with proposals being presented to London Councils' Leaders' Committee that would have led to the complete merger of all of London's 34 Local Government Pension Scheme (LGPS) funds (boroughs, City of London and the London Pension Fund Authority). These proposals were not adopted and instead Leaders' Committee commissioned London Councils officers to facilitate the development of ideas that would deliver most, if not all, of the benefits of merger without the cost, complexity and loss of sovereignty and democratic oversight that would result from merger.

Proposals were subsequently developed by a Working Group comprised of the then London Councils political group leaders and three representative treasurers, which were reported back to Leaders' Committee.

At the same time the Government was actively considering the future structure of the LGPS nationally and began to make proposals to bring about complete merger across the scheme into a smaller number of funds. However, the work being done across London was in large part successful in demonstrating that voluntary collaboration could be delivered and that, as originally aimed for, substantial benefits could be delivered without the need for merger.

In November 2015 the Government published a document 'LGPS: Investment Reform Criteria and Guidance' setting out policy for all LGPS funds across England and Wales to develop pools along similar lines to London CIV. The LGPS funds were instructed to submit "ambitious proposals" for the establishment of a small number of investment pools based on the requirement that every fund must join with a pool and invest the majority of its assets through that pool over a period of time. This direction from Government effectively changed the environment for London Local Authorities and LCIV from being engaged in an entirely voluntary collaboration to a more mandatory position

It is within this changing regional and national policy framework that the ACS has been established and now operates.

Since authorisation by the Financial Conduct Authority in October 2015, LCIV has launched 6 sub-funds with 18 London Local Authorities having invested £3.3bn of assets by the end of December 2016. LCIV resources have been expanded including recruitment of the Executive and Non-Executive Directors, whose biographical details are given later in the report.

LCIV continues to work with stakeholders in forging and developing an effective partnership which is critical to the success of the organisation and the London Local Authorities both as investors and shareholders. Both the scale of assets under management achieved in the first twelve months and the operational progress are a considerable achievement.

My appreciation and thanks to everyone who has supported the launch of the ACS.



Lord Kerslake  
Chairman  
March 2017

# Report of the Chief Executive Officer

As the Chief Executive of LCIV it gives me great pleasure to report on the first year of operation of our ACS fund. I would like to thank everyone who has supported this journey from concept to reality for their support and determination to deliver tangible, long term and sustainable benefits to our shareholders and investors.

By the end of December 2016, our ACS had six sub funds and £3.3bn of assets and realised annualised savings of over £5m for our investors – a tremendous achievement for the first year of operation.

During this first year, a number of key lessons have been identified and it is clear that what we have to deliver as a regulated fund manager, providing excellent client service with potentially £25Bn of assets under management (AUM) across multiple asset classes, is more challenging than had been envisioned.

The challenges faced by London's LGPS funds, as for most of the world's pension funds, are significant and growing. As such, we have to deliver benefits beyond just cost savings from scale economies and address the fact that many Pension Fund's strategic asset allocations will increasingly tilt towards asset classes which require not just scale but also in-house expertise.

A key imperative for us and our investors/shareholders is to progress from being a delivery platform for voluntary collaboration of London local authorities (LLAs) to a fully established fund management company able to deliver investor benefits in the widest sense, and to ensure the transfer of assets is completed as quickly as possible as a higher AUM base will:

- lead to faster delivery of greater fee savings;
- allow us to efficiently offer a broader range of investment products; and
- allow us to cover our costs and be less reliant on additional LLA funding.

Our objective in communicating to stakeholders is to provide transparent and effective communications and to seek ways to deliver ongoing improvements in our communications and reporting processes. Our range of stakeholders is complex and includes:

- London local authorities as investors and shareholders
- Wider local government universe
- Central Government
- Investment Managers
- Third Party suppliers
- Media

In particular, the focus with investors and shareholders is to have a regular and consistent communication program to support partnership and two-way dialogue.

We will use a diverse range of channels to communicate with stakeholders including electronic, paper based, verbal, seminars, and surveys. We are committed to providing high quality reporting to our investors, with quarterly reports on performance of our funds, annual and half yearly ACS report and accounts and regular newsletter updates.

Our strategic framework outlines the core purpose of the organisation, our vision, and our value proposition to the LLAs.

**Purpose.** Our purpose is to create a collective investment vehicle for LLA Pension Funds which delivers broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk-adjusted performance.

**Vision.** We aim to be the vehicle of choice for LLA Pension Funds through successful collaboration and delivery of compelling performance

# Report of the Chief Executive Officer

**Value Proposition.** Our value proposition to the LLAs focuses on:

- Performance:** providing superior risk adjusted investment outcomes by leveraging scale economies and full-time resources focused purely on investment management
- Opportunity:** providing a broader range of investment opportunities than might be accessible by an LLA acting alone
- Efficiency:** providing cost effective investment products through leveraging the scale of LLA pooled assets and being an efficient organisation
- Transparency:** providing transparent reporting across investment performance, client reporting, risk management and client benefits

In addition, we have identified specific objectives in delivering benefits to the LLAs which are:

## **Investments and Investment Oversight**

- Deliver cost effective investment solutions which enable the LLA Pension Funds to meet their investment objectives
- Demonstrate and deliver effective investment oversight appropriate for a large scale regulated investment vehicle

## **Client Service**

- Provide excellent client service
- Deliver identified client cost savings benefits
- Deliver transparent, regular and effective reporting to clients and stakeholders

## **Finance and Business Operations**

- Achieve target AUM levels and revenues
- Maximise operational and cost efficiencies
- Establish a high-performing learning organisation

## **Governance, Risk and Compliance**

- Deliver our value proposition within an effective governance structure
- Remain an enterprise risk managed and compliant company

Looking further ahead, in conjunction with our various stakeholders, including shareholders, we have developed our Medium Term Strategy to cover the financial years to March 2022. During this period, we are moving from implementation of the initial fund and Operator structure and proof of concept to a key development phase for the organisation. Our key priorities are to:

Continue to work closely with the LLAs to understand their investment needs and ensure the opportunities we identify and propose across the core building blocks in Global Equities and Fixed Income, and expansion into property, infrastructure and alternative asset classes, will meet those needs;

Expand our staff complement in the front, middle and back office to bring on board the necessary capacity, knowledge and skills to deliver the range of different asset classes, volume of planned fund launches, and ensure that we can fulfil our ongoing responsibilities;

# Report of the Chief Executive Officer

Establish scalable system and process capabilities for client reporting, performance management reporting, and risk management; and

Develop clear and transparent communications channels with our clients and stakeholders to ensure effective dialogue and reporting.

We take our stewardship responsibilities seriously and expect appointed investment managers to vote in accordance with Local Authority Pension Fund Forum voting alerts on a 'comply or explain' approach.

A summary of the current sub-funds in the ACS are detailed in the following table.

SUB-FUND	PRICE of as of 31/12/16 (Pence)	SUB-FUND SIZE 31/12/16 £m	PERFORMANCE SINCE INCEPTION	INCEPTION DATE	LLAs INVESTED as of 31/12/16
LCIV Global Equity Alpha	120.8	625	22.53%	02/12/15	3
LCIV Global Alpha Growth	124.9	1,489	25.47%	11/04/16	9
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LCIV RF Absolute Return	111.5	346	11.50%	21/06/16	4
LCIV NW Real Return	101.4	326	1.4%	16/12/16	3
Total Assets Under Management		3,333		Individual LLAs invested:	18

-Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested

Finally, it just leaves me to thank everyone in the London Local Authorities, the various committees and stakeholders groups, staff and the Board of Directors for their continuing support. This is certainly one of the biggest local government collaborations and an achievement of which we should all be proud.



Hugh Grover  
Chief Executive Officer  
London LGPS CIV Limited  
March 2017



# The Board and Governance Structure of the London LGPS CIV Limited

The London LGPS CIV Limited Board ("London CIV") comprises four non-executive directors (including the Chair) and three executive directors (the CEO, COO and CIO). The biographical details of the Board members are detailed below:

## **Lord Bob Kerslake - Chair**

Lord Kerslake was appointed Chair of London CIV in September 2015. In addition to this role, he is Chair of London's King's College Hospital NHS Foundation Trust and Peabody. Lord Kerslake is President of the Local Government Association. A former Head of the Civil Service, Lord Kerslake brings extensive central and local government experience at senior level. He was Permanent Secretary of the Department of Communities and Local Government from 2010 to 2015, set up and ran the Homes and Communities Agency and was Chief Executive of Sheffield City Council and the London Borough of Hounslow. In 2005 he was knighted for services to local government and he became a member of the House of Lords in 2015. Lord Kerslake is a member of the Chartered Institute of Public Finance and Accountancy.

## **Hugh Grover – Chief Executive Officer**

Since October 2014, Hugh Grover has been leading the establishment of the London LGPS Collective Investment Vehicle at London Councils (the representative body for the 32 London boroughs and the City of London), becoming Chief Executive Officer of the ACS Manager established to operate the CIV in May 2015. Before that he was the policy director at London Councils covering local government finance, performance and procurement. He joined London Councils from the Department for Communities and Local Government in February 2009, where he had a number of roles, including taking three Bills through Parliament and being the Deputy Director responsible for national business rates policy in England.

Hugh has an MBA and Diploma from Imperial College Business School and is a Fellow of the Chartered Management Institute. He has featured in the last three lists of 'most influential people in local government' compiled by the Local Government Chronicle, and been named as one of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 'Top 50 Trailblazers' for the last two years.

## **Governance Structure and Board Responsibilities**

The Board is responsible for overseeing the ACS Manager's and the ACS' strategic direction including, setting and monitoring the delivery of the business plan and objectives, managing business risk including investment and operational risk, and approving fund launches and investment manager selection oversight. The Board has the authority to delegate certain matters to Committees; however, the Board retains ultimate responsibility and supervises the discharge of all delegated matters. The Board meets at least four times a year on a quarterly basis. The Board's activities are governed by both the Articles of Association of the ACS Manager and the Unitholders' Agreement.

**Investment Oversight Committee (IOC).** The IOC is a Board Committee with responsibility for overseeing, maintaining and monitoring the investment strategy, performance and investment risk of the sub funds. The IOC does this in accordance with the investment policies approved by the Board and the investment guidelines, as set out in the Prospectus and any other supporting documentation including the investment mandates and in compliance with the requirements of the AIFM Directive. Membership of the IOC consists of two Non-Executive Directors, one of which is the Chairman, and the Chief Executive Officer. The committee meets four times a year.

**Compliance, Audit and Risk Committee (CARCO).** The CARCO is a Board Committee and is responsible for overseeing the compliance and risk obligations of the ACS Manager in its capacity as a FCA regulated entity and as an Operator of the London LGPS CIV Authorised Contractual Scheme, including regulatory requirements, market practice and compliance with the requirements of the AIFM Directive. Membership consists of two Non-Executives one of which has risk oversight experience who is also the Chair, and the Chief Executive Officer. The CARCO meets four times a year.

# The Board and Governance Structure of the London LGPS CIV Limited

**Remuneration Committee (REMCO).** The REMCO is responsible for setting the principles and parameters of the remuneration policy for the ACS Manager and to make recommendations to the Board. Appointments to the Committee are made by the Board in consultation with the Chair of the London Council's Pensions Sectoral Joint Committee (PSJC). Appointments are for a period of up to three years extendable by no more than two additional three-year periods. Membership of the REMCO consists of two non-executive directors and the Chair and Vice-chairs of the PSJC. The Committee meets at least once a year and otherwise as required.

## **Stakeholder Engagement**

A fundamental principle of the LCIV is its commitment to work closely and collaboratively with its unitholders and investors and to ensure that the LCIV is delivering on its objectives and meeting stakeholder expectations. As part of this process, the LCIV works with two dedicated Committees, the London Councils' Pensions CIV Sectoral Joint Committee and the Investment Advisory Committee of the London Local Authorities, both of which operate under Terms of Reference.

**London Councils' Pensions CIV Sectoral Joint Committee (PSJC).** The PSJC acts as a representative body for those LLAs that have chosen to take a unitholding in London CIV. It exercises functions of the participating LLAs involving the exercise of sections 1 and 4 of the Localism Act 2011 where that relates to the actions of the participating LLAs as unitholders of the ACS Manager. It also acts as a forum for the participating authorities to consider and provide guidance on the direction and performance of the CIV and, in particular, to receive and consider reports and information from the ACS Operator, particularly performance information, and to provide comment and guidance in response (in so far as required and permitted by Companies Act 2006 requirements and FCA regulations). The PSJC meets quarterly.

**Investment Advisory Committee (IAC).** The IAC is responsible for supporting elected members of the Pensions Sectoral Joint Committee on the investments of the CIV and to liaise with LCIV in defining the investment needs, reviewing fund managers and shaping the annual investment plan. Members consist of pension fund officers and treasurers on a rotating basis for up to three years. The IAC meets at least on a quarterly basis.

London LGPS CIV Authorised Contractual Scheme (the "ACS") is an umbrella Authorised Contractual Scheme in co-ownership form authorised and regulated by the Financial Conduct Authority with Product Reference Number 720870 and with effect from 13 November 2015. The ACS is managed by the London LGPS CIV Limited (referred to as "London CIV" or "ACS Manager") which is regulated by the Financial Conduct Authority ("FCA").

The ACS is a Qualified Investor Scheme ('QIS') and an alternative investment fund for the purposes of the AIFMD (Alternative Fund Managers) Directive and the AIFM Regulations. The scheme property of each Sub-fund is beneficially owned by its Unitholders as tenants in common, is of unlimited duration and is denominated in pounds Sterling. Sub-funds may be established from time to time by the ACS Manager with the approval of the FCA. Unitholders are not liable for the debts of the ACS. Unitholders are not liable to make any further payment to the ACS after they have paid the price on purchase of the units.

# AIFMD Remuneration Policy

London LGPS CIV Limited (the 'AIFM') became a Full Scope Authorised Investment Fund Manager on 15th October 2015, and the London LGPS CIV Authorised Contractual Scheme (the 'AIF') was authorised by the FCA on the 13th November 2015. The AIFM and the AIF are required to make certain disclosures to investors in accordance with the AIFM Remuneration Code and FUND 3.3.5(5) and (6).

The AIFM's remuneration policy applies to 'Code Staff' of the AIFM. Code Staff comprise those categories of staff whose professional activities have a material impact on the risk profiles of the ACS Manager or of the AIFs the ACS Manager manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. The Code staff for the ACS Manager are the non-executive directors and senior management comprising Hugh Grover; Brian Lee, and Julian Pendock.

After consideration of the FCA's proportionality guidelines as set out in SYSC 19B.1.13A and within the General guidance on the AIFM Remuneration Code it has been decided that the Pay-out Process rules do not apply to the ACS Manager. The reason for this is that the following two conditions are met for Code Staff:

- variable remuneration for each Code staff member is no more than 33% of total remuneration; and
- total remuneration is no more than £500,000.

In accordance with SYSC19B, the AIFM, given its size and complexity, is also required to establish a Remuneration Committee. It is the responsibility of the Remuneration Committee to review the Remuneration Policy on a regular basis to ensure that it meets the requirements of the AIFM Remuneration Code.

As set out in the remuneration policy and in compliance with the Remuneration Code, the total amount of remuneration paid by London LGPS CIV Limited to its 'Code Staff' is set out in aggregate below. There is no variable remuneration paid or payable to Code Staff. The total amount paid to Code Staff, of which there were seven, during the period from 2nd December 2015 to 31 December 2016 was £391,231.

In respect of delegated investment management, the AIFM requires the delegate to be subject to the CRD and MiFID remuneration guidelines (as per the FCA guidance) this will be taken to be as equally effective as the Remuneration Requirements.

# Directors' Statement of Responsibilities

London LGPS CIV Limited is the Authorised Contractual Scheme Manager of London LGPS CIV Authorised Contractual Scheme (the "Scheme") and is responsible for preparing the Annual Report and the Financial Statements in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Scheme's Deed.

COLL requires the ACS Manager to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association (the "IA SORP") in May 2014; and
- give a true and fair view of the financial position of the Scheme and each of its sub-funds as at the end of that period and the net revenue and expense and the net capital gains or losses on the property of the Scheme and each of its sub-funds for that period.

In preparing the financial statements, the ACS Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The ACS Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Scheme and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACS Manager is also responsible for the system of internal controls, for safeguarding the assets of the ACS Manager and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with COLL 4.5.8BR, the Annual Report and the audited Financial Statements were approved by the Board of Directors of London LGPS CIV Limited as Manager of the Scheme and authorised for issue on 3 April 2017.

## AIFM Remuneration Disclosure

In accordance with the AIFM Remuneration Code and FUND 3.3.5(5) and (6), details of the ACS Manager's remuneration policy and the total amount of remuneration paid by the ACS Manager to its staff who are considered to meet the definition of 'Code Staff' according to the Remuneration Code are detailed in AIFMD Remuneration Disclosure section of this report. Code staff is defined as those individuals whose professional activities have a material impact on the ACS Manager's or ACS' risk profile and that the remuneration rules and disclosures (subject to proportionality) apply to those individuals.

## Directors' Certification

We hereby certify that this ACS Manager's Report and Accounts has been prepared in accordance with the requirements of the FCA Collective Investment Schemes Sourcebook.

Lord Kerslake



(Director)

London LGPS CIV Limited

Hugh Grover



(Director)

Date: 3 April 2017

# Report of the Depositary

The Depositary must ensure that the Authorised Contractual Scheme (the “Scheme”) is managed in accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook, and, from 22 July 2014 the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (together “the Regulations”) and the Contractual Scheme Deed and Prospectus (together the “Scheme documents”) as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Depositary must ensure that:

- the Scheme’s cash flows are properly monitored and that cash of the Scheme is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme’s assets is remitted to the Scheme within the usual time limits;
- the Scheme’s income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager (“the AIFM”) are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Scheme is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme’s units and the application of the Scheme’s income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Northern Trust Global Services Limited  
UK Trustee and Depositary Services  
3 April 2017



# Report of the Independent Auditor

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LONDON LGPS CIV AUTHORISED CONTRACTUAL SCHEME**

We have audited the financial statements of London LGPS CIV Authorised Contractual Scheme (the "Authorised Contractual Scheme") for the period from 2 December 2015 to 31 December 2016 which comprise for each sub-fund: the Statements of Total Return, the Statements of Change in Net Assets Attributable to Unitholders, the Balance Sheets, the distribution tables and the related notes 1 - 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Management Association in May 2014, the Collective Investment Schemes Sourcebook and the Contractual Scheme Deed.

This report is made solely to the Authorised Contractual Scheme's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Authorised Contractual Scheme's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authorised Contractual Scheme and the Authorised Contractual Scheme's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Depositary, the Authorised Contractual Scheme Manager (ACSM) and the Auditor**

As explained more fully in the Report of the Depositary and the ACSM's Director's Statement of Responsibilities, the Depositary is responsible for safeguarding the property of the Authorised Contractual Scheme and the ACSM is responsible for the preparation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with the requirements of the Collective Investment Schemes Sourcebook, applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authorised Contractual Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACSM; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authorised Contractual Scheme and sub funds as at 31 December 2016 and of the net revenue or expense and the net capital gains on the property of the Authorised Contractual Scheme and sub funds for the period from 2 December 2015 to 31 December 2016; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Contractual Scheme Deed.

# Report of the Independent Auditor

## Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Authorised Contractual Scheme and the sub funds have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the Annual Report for the period from 2 December 2015 to 31 December 2016 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Glasgow, United Kingdom  
3 April 2017

# Report of the Chief Investment Officer

INVESTMENT REPORT, COVERING 1ST JANUARY 2016 TO 31ST DECEMBER 2016

## MARKET REVIEW

Those who were hoping for respite from political upheaval and market turmoil in the fourth quarter of 2016, were sorely disappointed, as the well-documented result of the US Presidential Election on November 8th 2016 caught many by surprise. The much-predicted Trumpian market swoon failed to materialise; instead the US markets rallied hard through much of the remainder of 4Q16, and the Dow finished 2016 just shy of the 20,000 mark.

The markets' optimism was driven mostly by hopes that the new administration in the US would move beyond a policy framework which was largely reliant on the Central Banks' own monetary policy framework. The putative new policy framework is to include fiscal stimulus, via tax cuts and infrastructure spending, and therefore reduce reliance on QE and unorthodox measures. Lastly, the prospect of revisiting some of the more onerous elements of the GFC-driven tsunami of regulation led to outsized gains in financials (Bank of America shares, for example, rose by more than 40% in 4Q16) and smaller companies. The change in outlook has led to a material switch into commodities and cyclical companies, which tend to have more volatile share prices.

The US Presidential Election coincided with the surfacing of other factors in the global economy, which suggested that inflation was set to return, although it remains unclear whether this will be the start of a trend, or a short-lived phenomenon. This served as a catalyst of extreme market volatility in bond markets globally. These factors combined to result in a market sell-off with some US\$1.7 trillion wiped off the value of bonds, with the value of sovereign bonds the worst hit.

In the UK, the 2016 news was dominated by the Brexit vote. The surprise outcome of the referendum hastened the decline in 10-year gilt yields, declining to a low of 0.52% in August, before rebounding in recent weeks. The Brexit vote triggered a fall in the value of sterling against the USD, which helped to cushion the FTSE 100, as the value of overseas earnings in the constituent companies rose in GBP terms. The questionable forecasts of immediate financial carnage post-Brexit did not materialise, but it would be surprising if the continued political debate over Brexit, and the unpredictable nature of negotiations with the EU, did not exact a price in terms of lower investment and hence lower economic growth in the medium term.

Apart from Brexit, the performance of markets during the period was largely driven by Central Banks (CBs), although in recent months, there has been some more encouraging data out of the US. In terms of equity markets (in local currency terms, with Bloomberg as the data source), in the US, the S&P rose by 11.96%, whilst the NASDAQ rose 7.48% (giving up some gains in 4Q in sympathy with the expectations of higher rates). Closer to home, the FTSE 100 rose by 14.43%, whilst in Germany the DAX too increased by 6.85% and in France the CAC climbed 4.86%. In Japan, the Nikkei 225 jumped 0.42% after an extremely strong recovery in Q4 on the back of a weakening yen and the prospect of looser fiscal policy.



# Report of the Chief Investment Officer

Beijing's aggressive stimulus measures taken in early 2016 were estimated to amount to some US\$ 1 trillion, exceeding measures taken at the depth of the financial crisis. The hope was that these measures will buy time in order to carry out reforms. Whilst the economy has stabilised in recent months, it is likely that the issues will reappear as they are structural in nature, much like the deep-seated problems in the Eurozone. However for the moment, global markets (including commodities) are enjoying the positive side-effects of the monetary morphine.

Beijing was not alone in acting; coordinated CB actions once again saved the day, and global markets bottomed out in early February. In the eurozone, the ECB's Mario Draghi entered the fray in mid-March, with a raft of measures which included more QE and more controversially, buying corporate bonds. The combined effect of these policies was seen most keenly in fixed income markets, leading to approximately US\$ 11 trillion of bonds globally sporting a negative yield.

Emerging Markets (EM) had stabilised in early 2016 as oil rebounded from its 26 per barrel lows. The USD rally from early 2014 led to problems in EM where corporates had issued debt in USD. The currency mismatch led to a scramble to pay down debt, forcing local currencies and assets lower, and the USD higher. As these forces abated, investors turned once again to EM debt as a higher-yielding alternative to developed market debt, taking solace from the fact that apart from China, most EM have retained financially orthodox policies and could therefore ultimately enjoy a more sound financial position than many developed countries. However, the US\$ rally was reignited by the US Presidential Election result, which has again led to dislocation in EM currencies and asset prices.

## **PUTTING IT ALL IN CONTEXT, AND THE YEAR AHEAD: THE OUTLOOK FOR 2017**

Many would argue that the political earthquakes of 2016, and the potential upheavals to come in 2017, are manifestations of the energy released when tectonic plates collide. The global increase in debt and the relentless reduction in Western economies' trend growth have been observable since the 1970's. The policy framework adopted post-GFC merely accelerated these trends. History can be helpful in terms of putting current events into context. One lesson from history is that political upheaval tends to follow protracted periods when the prevailing political and economic framework is perceived to be structurally incapable of delivering economic security and growth, regardless of the nature of the system (democracy, autocracy, theocracy or kleptocracy), unless the threat of upheaval is countered by authoritarian measures. A further lesson is that radical political change often comes after the moment of immediate crisis has passed.

The global "reflation trade" (or "Trumpflation") will soon be tested in earnest, as more attention is paid to the "how" and not just the "what". Firstly, President Obama also repeatedly promised a material infrastructure spending programme, but the projects did not materialise, so Trump's success cannot be guaranteed. Secondly, the size of the infrastructure programme is unlikely alone to propel US growth on a sustained basis. Thirdly, the global reflationary trend started before the Presidential Election, in no small part to the People's Bank of China's US\$ 1trillion reflation package at the end of 1Q16, and the impact of these measures are likely to be muted, at best, from here. (The fading of this stimulus package will create headwinds).

Thanks mainly to the PBOC's stimulus package; China's serious growth scare in recent years was short-lived. However, the "remedy" of more stimulus, leading to a continuation of more debt-fuelled growth, is storing up more problems. China's adverse demographics, growing debt problem and wealth inequality are familiar issues, and also bear close watching throughout 2017.

The EU meanwhile is not spared from the global economic (and therefore political) malaise, with incumbent political parties and/or politicians facing challenging elections in 2017, as politicians' room for manoeuvre is constrained by high debt loads, the lack of a coherent or credible policy framework for the Eurozone, and in many countries, a chronic lack of competitiveness.

The lessons from history are not uniformly glum; recessions which follow financial crises tend to be deeper and longer than "normal" recessions and typically lead to a rise in populism. Those economies which took the pain sooner are feeling the benefit, such as large parts of the US and in Europe; countries such as Ireland and Spain are recovering.

# Report of the Chief Investment Officer

## **INVESTMENT: REASONS TO BE CHEERFUL?**

Potential bright spots include many emerging markets, where political reform and “healing” is the order of the day, and where the investment universe is increasingly dominated by globally-important tech stocks (rather than commodities, telcos and banks). The spectre of trade protectionism is, however, a “known unknown” which could offset the positives.

For all the negative rhetoric, small business confidence in the US has had the largest spike since the election of President Reagan. Optimism appears to rest on the hopes for a repeal of some of the more onerous legislation to have been produced in the wake of the GFC.

Companies which can show pricing power and growth command lofty prices and are therefore vulnerable to a change in sentiment and/or outlook. Nonetheless, industry disruptors and innovators will probably continue to be handsomely rewarded. The prospect of the creation of more winners and losers means that, selectively, opportunities will abound. The investment environment therefore is likely to remain volatile.

The changing investment needs of pension funds (most notably, the requirement for greater cashflow and a less sanguine attitude towards capital losses in risk assets) mean that additional asset classes will need to be accessed. This will likely involve greater cost and complexity than in the past, as many traditional “vanilla” asset classes are rendered unsuitable for pension funds by a combination of high prices and elevated volatility. Nonetheless, opportunities abound, helped in part by the (regulation-driven) continued disintermediation of the banking sector, leading to attractive investment opportunities which were previously unavailable to pension funds.

Julian Pendock  
Chief Investment Officer  
London LGPS CIV Limited  
March 2017



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# **Report and Financial Statement of the LGPS CIV Authorised Contractual Scheme**

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

ASSET CLASS	Global Equities
INVESTMENT MANAGER	Allianz Global Investors GMBH
INCEPTION DATE	2 December 2015
STRUCTURE	Delegated
NAV @ 31/12/16*	120.8p
VALUATION @ 31/12/16*	£625m
INVESTMENT OBJECTIVE	Aims to achieve capital growth by outperforming the MSCI World Index Total Return (Net) GBP by 2% p.a. net of fees^

\*Data Source: Bloomberg

^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager intends to achieve the objective by delegating portfolio management to Allianz who will be investing principally in equity securities of global companies selected from a cross section of both geographical areas and economic sectors.

The Sub-fund may participate in initial public offerings on any basis and private placements of securities in publically traded companies and issuers.

The Sub-fund may also invest in other collective investment schemes (including those operated by a company in the Investment Manager's Group), cash and near cash.

The LCIV Global Equity Alpha Sub-fund was the first Sub-fund launched on the LCIV platform in December 2015 with 3 investors. The Sub-fund is structured as a delegated mandate with an appointed external manager selecting individual securities and overseen by the London CIV.

### NAV PERFORMANCE REPORT\*

	2016 %	SINCE INCEPTION~ %
SUB-FUND*	22.69	22.53
BENCHMARK - MSCI World Index Total Return (Net) GBP	28.24	27.59
RELATIVE PERFORMANCE	(5.55)	(5.06)

\* Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested

~Inception Date: 2 December 2015

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund



Until the third quarter of the year, the Sub-fund had performed in line with the benchmark, but the fourth quarter rotation out of growth stocks, where the Sub-fund is mostly positioned, into cyclical and value stocks led to underperformance of 5.55% against benchmark for the full financial year. Given the objective of the Sub-fund is to deliver 2% outperformance net of fees, this leaves the Sub-fund significantly below its objective.

The performance divergence between growth and value stocks had become extended during 2016, only for this to be dramatically reversed in the fourth quarter. The prospect of tax cuts and fiscal stimulus by the incoming Trump administration led economically sensitive stocks, particularly financially sensitive banks (marginally underweight) and energy stocks (significantly underweight) to rally strongly.

The impact from the financial sector overall during the year was a negative 284bp with lower quality banks rallying on the steepening of the yield curve meaning investors seeking stocks in this area favoured recovery plays, where the Sub-fund does not have exposure. The Sub-fund's focus remains on being in more defensive quality financials including companies such as American Express and the Prudential, although not damaging to performance were not the stocks which rallied at the year end.

Other sectors where the Sub-fund was adversely affected during the year were information technology where the Sub-fund benefited from being overweight, but this was more than offset by poor stock selection with 3 technology companies costing the Sub-fund 187bp of performance due to profit taking after prolonged periods of outperformance.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
11 April 2016
15 August 2016
31 October 2016
30 January 2017
Operational Due Diligence – Half Year Review
2 September 2016

London LGPS CIV Limited  
March 2017



# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>United Kingdom 6.35%</b>		
379,797	Nielsen Holdings	12,909	2.07
734,483	Prudential	11,921	1.91
252,672	Unilever	8,307	1.33
3,256,416	Vodafone Group	6,506	1.04
		<b>39,643</b>	<b>6.35</b>
	<b>Cayman Islands 1.79%</b>		
565,100	Tencent Holdings	<b>11,199</b>	<b>1.79</b>
	<b>France 1.36%</b>		
150,548	Schneider Electric	<b>8,475</b>	<b>1.36</b>
	<b>Germany 7.58%</b>		
95,581	Adidas	12,191	1.95
204,746	Fresenius	12,922	2.07
70,545	Muenchener Rueckversicherungs- Gesellschaft In Muen	10,771	1.73
361,023	United Internet	11,401	1.83
		<b>47,285</b>	<b>7.58</b>
	<b>Hong Kong 2.20%</b>		
3,009,852	AIA Group	<b>13,756</b>	<b>2.20</b>
	<b>Ireland 2.79%</b>		
107,866	Accenture	10,237	1.64
7,150,000	Northern Trust Global Sterling Fund*	7,150	1.15
		<b>17,387</b>	<b>2.79</b>
	<b>Japan 4.40%</b>		
695,500	Astellas Pharma	7,798	1.25
16,700	Keyence	9,263	1.48
54,000	SMC	10,414	1.67
		<b>27,475</b>	<b>4.40</b>
	<b>Jersey, Channel Islands 2.31%</b>		
796,908	WPP	<b>14,448</b>	<b>2.31</b>
	<b>Luxembourg 2.04%</b>		
13,000	Allianz Global Small Cap Equity IT*	<b>12,731</b>	<b>2.04</b>
	<b>Spain 2.55%</b>		
431,394	Amadeus IT Holdings 'A'	<b>15,889</b>	<b>2.55</b>

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Portfolio Statement

as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>Sweden 1.61%</b>		
405,143	Atlas Copco 'A'	10,048	1.61
	<b>Switzerland 9.01%</b>		
119,207	Compagnie Financiere Richemont	6,400	1.03
166,340	Nestle	9,671	1.55
24,507	Partners Group Holding	9,309	1.49
77,206	Roche Holdings	14,293	2.29
1,303,273	UBS Group	16,545	2.65
		<b>56,218</b>	<b>9.01</b>
	<b>United States 56.10%</b>		
268,729	Abbvie	13,635	2.18
386,067	Agilent Technologies	14,252	2.28
265,995	American Express	15,966	2.56
282,333	Ametek	11,118	1.78
231,034	Amphenol 'A'	12,579	2.02
81,022	Celgene	7,601	1.22
350,167	Citigroup Inc	16,861	2.70
136,477	Ecolab	12,962	2.08
177,660	Eog Resources	14,553	2.33
177,417	Estee Lauder Companies	10,995	1.76
178,784	Facebook	16,678	2.67
102,818	International Flavors & Fragrances	9,817	1.57
135,474	Intuit	12,580	2.02
350,506	Microchip Technology	18,218	2.92
552,567	Microsoft	27,821	4.46
69,913	Monsanto	5,963	0.96
14,973	Priceline Group	17,789	2.85
73,156	Ralph Lauren	5,354	0.86
138,104	S&P Global	12,028	1.93
308,049	SS&C Technologies Holdings	7,138	1.14
149,490	Union Pacific	12,564	2.01
78,525	United Technologies	6,985	1.12
190,985	UnitedHealth Group	24,776	3.97
259,395	Visa 'A'	16,427	2.63
176,933	Wabtec	11,902	1.91
201,679	Walgreens Boots Alliance	13,527	2.17
		<b>350,089</b>	<b>56.10</b>

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

Portfolio Statement  
as at 31 December 2016

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	MARKET VALUE £'000	% OF NET ASSETS
Total value of investments**	624,643	100.09
Net other liabilities	(571)	(0.09)
<b>Total net assets</b>	<b>624,072</b>	<b>100.00</b>

All holdings are ordinary shares of stock or bonds and are listed on an official stock exchange unless otherwise stated.

There are no comparative figures shown as the Sub-fund launched 2 December 2015.

\* Collective Investment Schemes

\*\* The figure of 100.09% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Fund Information

The Comparative Table on page 27 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

'Direct transaction costs' include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Fund Information

#### Comparative Table

#### Class A Income

	2016^ (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges	22.55
Operating charges	(0.30)
Return after operating charges*	22.25
Distributions on income units	(1.85)
Closing net asset value per unit	120.40
*After direct transaction costs of**:	0.09
<b>Performance</b>	
Return after charges#	22.25%
<b>Other Information</b>	
Closing net asset value (£'000)	624,072
Closing number of units	518,334,369
Operating charges†	0.259%
Performance fee††	0.00%
Direct transaction costs	0.08%
<b>Prices</b>	
Highest unit price	124.10
Lowest unit price	88.87

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

<sup>^</sup>There are no comparative figures shown as the Sub-fund launched 2 December 2015.

<sup>\*\*</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

<sup>††</sup> Performance fees are charged against the revenue of the Sub-fund. The policy for this fee is shown in note 2(h) on page 32.

<sup>#</sup> Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.



# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Statement of Total Return

for the period from 2 December 2015 to **31 December 2016**

	Notes	02/12/2015 to 31/12/2016^	
		£'000	£'000
Income			
Net capital gains	5		105,524
Revenue	7	11,333	
Expenses	8	(1,516)	
Interest payable and similar charges	10	(1)	
Net revenue before taxation		9,816	
Taxation	9	(258)	
Net revenue after taxation for the period			9,558
Total return before distributions			115,082
Distributions	10		(9,558)
Change in net assets attributable to unitholders from investment activities			105,524

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 2 December 2015 to **31 December 2016**

	02/12/2015 to 31/12/2016^	
	£'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	1,162	
Amounts receivable on in-specie transactions	517,386	
Amounts payable on cancellation of units	-	
		518,548
Stamp duty reserve tax		-
Change in net assets attributable to unitholders from investment activities (see above)		105,524
Closing net assets attributable to unitholders		624,072

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

The notes on pages 31 to 45 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Balance Sheet

as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		624,643
Current assets:		
Debtors	11	1,148
Cash and bank balances	12	40
Total assets		625,831
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Bank overdrafts		-
Distributions payable		(1,535)
Other creditors	13	(224)
Total liabilities		(1,759)
Net assets attributable to unitholders		624,072

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

The notes on pages 31 to 45 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

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#### 1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association in May 2014.

#### 2. Summary of Significant Accounting Policies

##### a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association in May 2014 and FRS102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

The ACS Manager is confident that the Scheme will continue in operation for the foreseeable future. The Scheme has adequate financial resources and its assets consist of securities which are readily realisable. As such, the financial statements have been prepared on the going concern basis.

The principal accounting policies which have been applied consistently are set out below.

##### b) Functional and Presentation Currency

The functional and presentation currency of the ACS is sterling.

##### c) Valuation of Investments

Quoted investments are valued at bid-market value as at close of business on the last working day of the accounting period, net of any accrued interest in the case of debt securities which is included in the balance sheet as revenue. Where values cannot be readily determined, the securities are valued at the ACS Manager’s best assessment of their fair value. Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises.

Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

All realised and unrealised gains and losses on investments are recognised as net capital gains in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period and from reversal of prior period’s unrealised gains and losses for investments which were realised in the accounting period. Realised gains and losses represent the difference between an instrument’s initial carrying amount and disposal amount.

##### d) Foreign Exchange

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange ruling as at close of business on the last working day of the accounting period.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

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#### e) Revenue

Revenue from quoted shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Bank interest and other revenue are recognised on an accruals basis.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Any reported revenue from an offshore fund, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available.

Rebates of annual management charges (Management fee rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue or capital in line with the allocation of the annual management charge between capital and revenue of the underlying investments.

#### f) Taxation

The Scheme is constituted as an Authorised Contractual Scheme taking the form of a co-ownership scheme. As a consequence of being so constituted, the Sub-funds of the Scheme may be treated as tax transparent for the purposes of income and/or gains by relevant taxing jurisdictions where Unitholders are subject to taxation and/or from which any underlying income or gains arising to the Sub-fund are derived. Depending on the jurisdictions concerned, this treatment may apply notwithstanding that the income and gains of the Sub-fund may not be distributed to Unitholders. Such tax transparency cannot, however, be guaranteed.

#### g) Expenses

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments) are charged against revenue for the period on an accruals basis.

Set up cost are fully expensed in the first accounting period.

#### h) Performance Fees

A performance fee is applicable on the London LGPS CIV Global Equity Alpha Fund and will be paid out of the net asset value of the Sub-fund. The performance fee is 10% of the amount, if any, by which the net asset value before performance fee accrual of the Sub-fund exceeds the 'Performance Target' of the Sub-Fund on the last business day of the performance period.

'Performance Target' means in respect of the initial performance period of the Sub-fund, being the initial offer price of the Sub-fund adjusted by any subscriptions or cancellation of units adjusted by the 'Benchmark Return' plus 2% per annum over the course of the performance period. The 'Benchmark Return' is the MSCI World Index Total Return (Net) GBP and the initial performance period began at the end of the initial offer period of the Sub-fund and shall end on 31 December 2017. Subsequent performance fee periods shall be calculated in respect of each period of twenty four months beginning on 1 January and ending on 31 December. Full details regarding the performance fee are disclosed in the Prospectus of the ACS.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

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#### i) Dilution Levy

The ACS Manager may charge a dilution levy on the purchase and redemption of units if, in its opinion, the existing unitholders (for purchases) or remaining unitholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; where a sub-fund is experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACS Manager is of the opinion that the interests of existing or remaining unitholders require the imposition of a dilution levy.

### 3. Distribution Policies

#### a) Basis of Distribution

When appropriate the Sub-funds will allocate any surplus net revenue as a dividend distribution. Distributions of revenue for the Sub-funds are made on or before the annual revenue allocation date and on or before the interim revenue allocation date, where applicable, in each year. The revenue available for distribution is determined in accordance with COLL. It comprises all revenue received or receivable for the account of the Sub-fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such revenue.

#### b) Distribution from Collective Investment Schemes

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

#### c) Equalisation

Part of the purchase price of a Unit reflects the relevant share of the accrued income of the relevant Sub-fund. Any allocation of income in respect of a Unit issued during an accounting period includes a capital sum by way of income equalisation. The amount of income equalisation is calculated accurately for each issue of Units. This is only relevant where there are tax paying investors.

### 4. Risk Management Policies

#### a) Market risk

Some of the Recognised Exchanges in which a Sub-fund may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which the ACS Manager may liquidate positions to meet redemption requests or other funding requirements.

The ACS Manager seeks to manage Market Risk by selecting investment managers for the Sub-funds whose investment strategy has an appropriate risk versus reward profile for the risk appetite of a given Sub-fund. Market risk analysis is an integral part of the initial selection analysis and ongoing oversight.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

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**b) Foreign currency risk**

Currency fluctuations may adversely affect the value of a Sub-fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of their investment in units.

The Sub-funds may use forward foreign exchange transactions, to hedge, as far as is reasonably practicable, the currency exposure of the underlying assets as against the base currency of the Sub-fund. However, this will not eliminate the Sub-funds' currency risk completely.

**c) Interest rate risk**

The Sub-funds may at certain times invest cash on deposit. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, a Sub-fund could be subject to losses especially after charges are deducted.

The ACS Manager requires all investment managers appointed on a delegated basis to adhere to asset allocation guidelines, including a limit on cash holdings. This limits the impact of interest rate risk.

**d) Liquidity risk**

Liquidity risk is the risk that the Sub-funds will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk to the Sub-funds arises from the redemption requests of investors and the liquidity of the underlying investments the Sub-funds have invested in. The Sub-funds' unitholders may redeem their units by giving notice before the close of any daily dealing deadline for cash equal to a proportionate share of the Sub-funds' NAV, excluding any duties and charges where applicable, the Sub-fund has five business days to raise the funds to settle the redemption request in cash.

The Sub-funds are therefore potentially exposed to the liquidity risk of meeting redemptions and may need to sell assets at prevailing market prices to meet liquidity demands. Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

To manage and monitor liquidity risk, the ACS Manager maintains liquidity risk management policies and procedures. The ACS Manager monitors the liquidity risk of the Sub-funds, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions to ensure that each Sub-fund is able to manage dealing requests.

In normal circumstances, redemption requests will be processed in five business days. In exceptional circumstances, it may be necessary to suspend dealings in all or one or more of the Sub-funds.

**e) Credit risk**

There can be no assurance that issuers of the securities in which a Sub-fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments.

During the reporting period none of the investment strategies pursued by the Sub-funds used fixed income asset allocation, therefore credit risk was minimised.



# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### f) Derivative risk

Derivatives may be used by certain Sub-funds of the ACS for investment purposes as well as for Efficient Portfolio Management.

Where transactions are used to protect or enhance revenue, the revenue and expenses are included within net revenue in the Statement of Total Return. Where transactions are used to protect or enhance capital, the gains/losses are treated as capital and included in gains/losses on investments in the Statement of Total Return. Any open positions in these types of transactions at the period end date are included in the Balance Sheet at their mark to market value."

Exchange traded derivatives (e.g. futures) and over the counter (OTC) derivatives (e.g. interest rate swaps and credit default swaps) and other techniques (such as stock lending and repurchase and reverse repurchase transactions) may be used in connection with the Sub-funds for the purposes of Efficient Portfolio Management, which includes the reduction of risk or the generation of additional capital or income for a Sub-fund. As a result there is a risk that in a rising market, potential gains may be restricted.

Investment in these instruments involves some cost, may create some volatility and may also involve a small investment relative to the risk assumed. Their successful use may depend on the ACS Manager's or, where applicable, Investment Manager's ability to predict market movements. Risks include failure or default by the trading counterparty or the inability to close out a position because the trading market becomes illiquid.

OTC derivative instruments may involve a higher degree of risk as there is no exchange market on which to close out an open position and there may be uncertainty as to the fair value of such instruments owing to the limited liquidity. The Sub-fund may be exposed to higher credit risk on counterparties with whom the OTC transactions are made and will bear the risk of settlement default with those counterparties. The Sub-fund may use collateral to reduce overall exposure to a counterparty of an OTC derivative, collateral received can be used to net off against the exposure to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread.

#### g) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events including legal and regulatory risk. The ACS Manager has in place policies and procedures to minimise the impact of material operational risks.

### 5. Net Capital Gains

Net capital gains comprise:

	02/12/2015 to 31/12/2016 £'000
Non-derivative securities*	105,742
Currency losses	(218)
Net capital gains	105,524

\* Includes realised gains of £5,107,503 and unrealised gains of £100,634,489.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 26.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Purchases</b>						
Collective Investment Schemes	110,970	-	-	-	-	-
Equities	167,190	127	125	252	0.08	0.07
In-Specie Transactions	499,510	-	55	55	-	0.01

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Sales</b>						
Collective Investment Schemes	93,763	-	-	-	-	-
Equities	165,447	(120)	(14)	(134)	0.07	0.01
In-Specie Transactions	-	-	-	-	-	-

Costs as a percentage  
of the Sub-fund's average NAV

0.04%	0.03%	0.07%
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#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.06% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	02/12/2015 to 31/12/2016 £'000
Franked UK dividends	817
Overseas dividends	10,317
Offshore dividend CIS revenue	54
Offshore interest CIS revenue	45
Management fee rebates	100
	<hr/> 11,333 <hr/>

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to 31 December 2016

#### 8. Expenses

02/12/2015  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charge

150

150

Payable to the Depositary or associates of the Depositary:

Depositary's fees

54

Safe custody fees

32

86

Other expenses:

Administration fees

64

Audit fees

10

FCA fees

1

Investment management fees

1,203

Registration fees

2

1,280

Total expenses:

1,516

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 9. Taxation

**02/12/2015  
to  
31/12/2016**  
£'000

a) Analysis of charge for the period:

Overseas tax

258

Total taxation

258

- b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK corporation tax.

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

**02/12/2015  
to  
31/12/2016**  
£'000

First interim distribution

1,684

Second interim distribution

4,758

Third interim distribution

1,585

Final distribution

1,535

9,562

Add: Revenue deducted on cancellation of units

-

Deduct: Revenue received on issue of units

(4)

Net distribution for the period

9,558

Interest payable and similar charges

1

Total distribution

9,559

Reconciliation between net revenue and distribution

Net revenue after taxation

9,558

Net distribution for the period

9,558

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to 31 December 2016

#### 11. Debtors

**31/12/2016**

£'000

Accrued revenue	326
Fee rebates receivable	27
Overseas tax recoverable	795

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1,148

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#### 12. Cash and Bank Balances

**31/12/2016**

£'000

Cash and bank balances	40
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40

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#### 13. Creditors

**31/12/2016**

£'000

Accrued expenses	224
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224

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# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £12,965 was due at the period end.

At the period end, the Sub-fund held the following number of Collective Investment Schemes managed by the Investment Adviser:

Fund Name	Holdings 31/12/2016	Bid Market Value £'000 31/12/2016
Allianz Global Small Cap Equity IT	13,000	12,731

Where investments are held in funds managed by an Investment Adviser, a rebate may be paid into the Sub-fund. The rebates from underlying securities amounted to £100,192 for the period.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Ealing	53%
Wandsworth Council	32%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.



# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 46. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
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The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	518,334,369	-	-	518,334,369

#### 18. Financial Instruments

In pursuing its investment objective set out on page 20 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 19. Risk Disclosures

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £31,232,164.

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

At the period end date, a substantial proportion of the net assets of the Sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. The table below shows the direct foreign currency risk profile of the Sub-fund.

Foreign currency exposure as at 31 December 2016:

Currency	Forward contracts £'000	Monetary exposures £'000	Non monetary exposures £'000	Total £'000
Euro	-	293	71,649	71,942
Hong Kong dollar	-	-	24,955	24,955
Japanese yen	-	-	27,475	27,475
Swedish krona	-	34	10,048	10,082
Swiss franc	-	468	56,218	56,686
US dollar	-	234	385,966	386,200
Sterling	-	(1,600)	48,332	46,732
	-	(571)	624,643	624,072

At 31 December 2016, if the value of pound sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £5,773,404.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

<b>Currency</b>	<b>Floating rate financial assets £'000</b>	<b>Fixed rate £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Total £'000</b>
Euro	-	-	71,942	71,942
Hong Kong dollar	-	-	24,955	24,955
Japanese yen	-	-	27,475	27,475
Swedish krona	-	-	10,082	10,082
Swiss franc	-	-	56,686	56,686
US dollar	39	-	386,161	386,200
Sterling	1	-	48,490	48,491
	40	-	625,791	625,831

Interest rate risk profile of financial liabilities as at 31 December 2016:

<b>Currency</b>	<b>Floating rate financial liabilities £'000</b>	<b>Financial liabilities not carrying interest £'000</b>	<b>Total £'000</b>
Sterling	-	(1,759)	(1,759)
	-	(1,759)	(1,759)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £40,334 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate or to inflation (RPI for UK and CPI for US) for Index Linked Bonds.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b>	<b>Liabilities</b>
	£'000	£'000
Valuation technique as at 31 December 2016		
Level 1	604,762	-
Level 2	19,881	-
Level 3	-	-
<b>Total</b>	<b>624,643</b>	<b>-</b>

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Notes to the Financial Statements

for the period from 2 December 2015 to **31 December 2016**

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 120.80p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 128.10p. This represents an increase of 6.04% from the period end value.

# ACS Financial Statements

## London LGPS CIV Global Equity Alpha Fund

### Distribution Table

for the period from 2 December 2015 to **31 December 2016**

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#### 1st Quarter Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 30/06/2016
Class A Income	0.3255

#### 2nd Quarter Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 30/09/2016
Class A Income	0.9194

#### 3rd Quarter Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 31/12/2016
Class A Income	0.3059

#### Final Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Payable 31/03/2017
Class A Income	0.2962

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Baillie Gifford & Co
INCEPTION DATE	15 February 2016
STRUCTURE	Direct
NAV @ 31/12/16*	111.6p
VALUATION @ 31/12/16*	£346m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to achieve long term capital growth at lower risk than equity markets.

\*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Baillie Gifford Diversified Growth Fund, a Sub-fund of Baillie Gifford Investment Funds ICVC, an FCA authorised open-ended investment company and cash and near cash.

The Diversified growth Sub-fund was launched in February 2016 with 5 seed investors participating in the Sub-fund launch. As at 31 December the Sub-fund was valued at £346m. The ACS Manager aims to achieve the objective by investing solely in the Baillie Gifford Diversified Growth Fund, a Sub-fund of Baillie Gifford Investment Fund ICVC, an FCA authorised open-ended investment ACS Manager and cash and near cash.

### NAV PERFORMANCE REPORT\*

	SINCE INCEPTION~ %
SUB-FUND*	11.6

\*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested  
~Inception Date: 15 February 2016



# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund



Whilst the objective of the Sub-fund is to achieve long term capital growth at lower risk than equity markets and therefore does not have a direct benchmark the underlying portfolio has historically been measured against the performance of the Bank of England base rate in the UK, aiming to exceed cash returns by 3.5% over one year. The performance since inception of 11.6% has therefore exceeded the 10.5 month cash plus target which delivered 3.4% over the period since launch.

The Sub-fund benefitted from its exposures in high yield and emerging market bonds, asset classes which posted strong performances over the year as investors sought higher yielding investments for income. The Sub-fund's equity and private equity portfolio's also contributed to the positive return over the period since inception. The Sub-fund's CIS manager also benefitted from the active currency positions with a short sterling position adopted ahead of the Brexit decision in June which proved beneficial given the sharp fall in sterling post the referendum.

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
22 July 2016
14 November 2016
26 January 2017

London LGPS CIV Limited  
March 2017

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>Sub-fund Investment in Collective Investment Scheme 100.53%</b>		
160,111,611	Baillie Gifford Diversified Growth Fund Share Class C Gross Accumulation	<b>346,321</b>	<b>100.53</b>
	Total value of investments*	346,321	100.53
	Net other liabilities	(1,825)	(0.53)
	<b>Total net assets</b>	<b>344,496</b>	<b>100.00</b>

There are no comparative figures shown as the Sub-fund launched 15 February 2016.

\* The figure of 100.53% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Fund Information

The Comparative Table on page 51 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Fund Information

#### Comparative Table

### Class A Income

	2016 <sup>^</sup> (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges*	12.27
Operating charges	(0.77)
Return after operating charges*	11.50
Distributions on income units	(0.54)
Closing net asset value per unit	110.96
*After direct transaction costs of**:	0.00
<b>Performance</b>	
Return after charges#	11.50%
<b>Other Information</b>	
Closing net asset value (£'000)	344,496
Closing number of units	310,462,459
Operating charges†	0.726%
Direct transaction costs	0.00%
<b>Prices</b>	
Highest unit price	111.70
Lowest unit price	99.95

<sup>^</sup> There are no comparative figures shown as the Sub-fund launched 15 February 2016.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which includes the OCF of the underlying funds weighted on the basis of their investment proportion.

# Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Statement of Total Return

for the period from 15 February 2016 to **31 December 2016**

	Notes	15/02/2016 to 31/12/2016^	
		£'000	£'000
Income			
Net capital gains	5		34,034
Revenue	7	3,221	
Expenses	8	(1,520)	
Interest payable and similar charges		-	
Net revenue before taxation		1,701	
Taxation	9	(11)	
Net revenue after taxation for the period			1,690
Total return before distributions			35,724
Distributions	10		(1,690)
Change in net assets attributable to unitholders from investment activities			34,034

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 15 February 2016 to **31 December 2016**

	15/02/2016 to 31/12/2016^	
	£'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	310,462	
Amounts payable on cancellation of units	-	
		310,462
Change in net assets attributable to unitholders from investment activities (see above)		34,034
Closing net assets attributable to unitholders		344,496

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

The notes on pages 54 to 62 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Balance Sheet

as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		346,321
Current assets:		
Debtors	11	-
Cash and bank balances	12	53
Total assets		346,374
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Distributions payable	10	(1,690)
Other creditors	13	(188)
Total liabilities		(1,878)
Net assets attributable to unitholders		344,496

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

The notes on pages 54 to 62 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

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#### 1. Statement of Compliance

The Statement of Compliance is provided on page 31.

#### 2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

#### 3. Distribution Policies

The Distribution Policies are provided on pages 33.

#### 4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

#### 5. Net Capital Gains

Net capital gains comprise:

	<b>15/02/2016 to 31/12/2016 £'000</b>
Non-derivative securities*	34,034
Net capital gains	34,034

\* Includes realised gains of £89,922 and unrealised gains of £33,943,661.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 50.

Analysis of direct transaction costs for the period ended 31 December 2016:

	<b>Principal</b>	<b>Commissions</b>	<b>Taxes</b>	<b>Total Cost</b>	<b>Commissions</b>	<b>Taxes</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>% of</b>	<b>% of</b>
					<b>principal</b>	<b>principal</b>
<b>Purchases</b>						
Collective Investment Schemes	313,672	-	-	-	-	-

	<b>Principal</b>	<b>Commissions</b>	<b>Taxes</b>	<b>Total Cost</b>	<b>Commissions</b>	<b>Taxes</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>% of</b>	<b>% of</b>
					<b>principal</b>	<b>principal</b>
<b>Sales</b>						
Collective Investment Schemes	1,384	-	-	-	-	-

Costs as a percentage of the Sub-fund's average NAV	-	-	-
---	---	---	---

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	<b>15/02/2016</b>
	<b>to</b>
	<b>31/12/2016</b>
	<b>£'000</b>
Franked CIS revenue	1,320
Unfranked CIS revenue	1,901
	<hr/>
	3,221
	<hr/>



# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to 31 December 2016

#### 8. Expenses

15/02/2016  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charge

72

72

Payable to the Depositary or associates of the Depositary:

Depositary fees

26

Safe custody fees

5

31

Other expenses:

Administration fees

7

Audit fees

8

Investment management fees

1,399

Registration fees

3

1,417

Total expenses:

1,520

#### 9. Taxation

15/02/2016  
to  
31/12/2016  
£'000

a) Analysis of charge for the period:

CIS tax

11

Total taxation

11

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from the United Kingdom (UK) tax on capital gains realised on the disposal of Investments held within the Sub-fund and any UK Corporation tax.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	<b>15/02/2016 to 31/12/2016 £'000</b>
Interim distribution	-
Final distribution	1,690
	<hr/> 1,690
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
	<hr/> -
Net distribution for the period	<hr/> 1,690
	<hr/>
Total distribution	<hr/> 1,690
	<hr/>
Reconciliation between net revenue and distribution	
Net revenue after taxation	1,690
	<hr/>
Net distribution for the period	<hr/> 1,690

#### 11. Debtors

	<b>31/12/2016 £'000</b>
Accrued revenue	-
	<hr/>
	<hr/> -

#### 12. Cash and Bank Balances

	<b>31/12/2016 £'000</b>
Cash and bank balances	53
	<hr/>
	<hr/> 53

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 13. Creditors

	31/12/2016 £'000
Accrued expenses	188
	<hr/> 188 <hr/>

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges and any rebates received are disclosed in note 8. £7,028 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholder held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Bent	21%
London Borough of Havering	23%
London Borough of Richmond upon Thames	25%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 63. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
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The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	310,462,459	-	-	310,462,459

#### 18. Financial Instruments

In pursuing its investment objective set out on page 47 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

#### 19. Risk Disclosures

**Concentration risk** – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £17,316,071.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in a collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as the majority of the assets and liabilities are held in pound sterling.

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	53	-	346,321	346,374
	53	-	346,321	346,374

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(1,878)	(1,878)
	-	(1,878)	(1,878)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £52,408 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b>	<b>Liabilities</b>
	£'000	£'000
Valuation technique as at 31 December 2016		
Level 1	-	-
Level 2	346,321	-
Level 3	-	-
<b>Total</b>	<b>346,321</b>	<b>-</b>

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 111.60p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 113.60p. This represents an increase of 1.79% from the period end value.

# ACS Financial Statements

## London LGPS CIV Diversified Growth Fund

### Distribution Tables

for the period from 15 February 2016 to **31 December 2016**

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#### Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 30/09/2016
Class A Income	-

#### Final Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Payable 31/03/2017
Class A Income	0.5442

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

#### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.



# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

ASSET CLASS	Global Equities
INVESTMENT MANAGER	Baillie Gifford & Co
INCEPTION DATE	11 April 2016
STRUCTURE	Delegated
NAV @ 31/12/16*	124.9p
VALUATION @ 31/12/16*	£1,489m
INVESTMENT OBJECTIVE	The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index (the "Index") by 2-3% per annum on a gross fee basis over rolling five year periods.^

\*Data Source: Bloomberg

^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager intends to achieve the objective by delegating portfolio management to Baillie Gifford who will be investing the portfolio primarily in global equities and equity-like instruments including convertible securities, preference shares, warrants, rights, exchange traded funds and depositary receipts. The Sub-fund may also invest in cash and near cash, deposits, money-market instruments and other collective investment schemes. The Sub-fund will ordinarily not hold a cash balance greater than 15% of the Sub-fund. The Sub-fund may participate in initial public offerings on any basis and private placements of securities in publically traded companies and issuers. The Sub-fund may accept offers of sub-underwriting participation in the underwritings of new issues and rights issues. The Sub-fund may also accept offers of paper and/or cash alternatives in takeover bids. The sub-fund may use derivatives for efficient portfolio management (including hedging).

The Global Alpha Growth Sub-fund was launched in April 2016 with 6 investors in a two stage launch programme. By 31 December the Sub-fund had attracted an additional 3 investors and was valued at £1,489m. The Sub-fund is structured as a delegated mandate with an appointed external manager selecting individual securities and overseen by the London CIV.

### NAV PERFORMANCE REPORT\*

	SINCE INCEPTION~ %
SUB-FUND*	25.47
BENCHMARK - MSCI All Country World Index GBP	25.84
RELATIVE PERFORMANCE	(0.37)

\*Data Source: Bloomberg as at 31/12/16 - Net of all fees and charges with income reinvested

~Inception Date: 11 April 2016

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund



The Sub-fund is focused on a bottom-up stock picking approach with a diversified portfolio (typically 90-110 stocks) looking for long term fundamental growth companies. The Sub-fund has only been operational since April 2016 and performance since inception is marginally below the performance benchmark at -0.37%, although this covers some volatile quarters since inception with quarter two and four delivering negative returns of -1.7% and -2.5% being offset by a good third quarter where the Sub-fund outperformed by 4.2%. Like many quality focused portfolios it has been impacted over recent months from the rotation out of quality growth companies into value and cyclical plays, particularly oil companies which performed strongly as oil prices recovered from the depths of the sell off seen towards the end of 2015 and early in 2016.

Over the period since inception, the Sub-fund has maintained an overweight position in financials and information technology, with stock specific holdings also adding value. The underweight position in energy and consumer staples which recovered over the period detracted from overall performance.

In terms of the outlook, the Sub-fund is positioned to take advantage of a continued recovery in the US economy as a result of the US election and the prospects for fiscal stimulus if this follows through into 2017.

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
22 July 2016
14 November 2016
26 January 2017
Operational Due Diligence – Half Year Review
2 October 2016

London LGPS CIV Limited  
March 2017

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>United Kingdom 4.61%</b>		
4,309,365	Hays	6,430	0.43
3,279,855	Prudential	53,232	3.58
1,345,417	Rolls Royce Holdings	8,987	0.60
		<b>68,649</b>	<b>4.61</b>
	<b>Australia 0.91%</b>		
1,878,017	Brambles	<b>13,582</b>	<b>0.91</b>
	<b>Bermuda 0.60%</b>		
200,200	Jardine Matheson Holdings	<b>8,962</b>	<b>0.60</b>
	<b>Brazil 0.61%</b>		
2,197,100	BM&F Bovespa	<b>9,025</b>	<b>0.61</b>
	<b>Canada 1.63%</b>		
35,935	Fairfax Financial Holdings	14,018	0.94
372,767	Ritchie Bros Auctioneers	10,269	0.69
		<b>24,287</b>	<b>1.63</b>
	<b>Cayman Islands 4.38%</b>		
332,785	Alibaba Group Holding	23,671	1.59
168,550	Autohome	3,450	0.23
127,653	Baidu	17,003	1.14
439,232	Ctrip.com International	14,232	0.96
1,930,000	Sands China	6,795	0.46
		<b>65,151</b>	<b>4.38</b>
	<b>China 0.21%</b>		
1,044,000	Tsingtao Brewery 'H'	<b>3,190</b>	<b>0.21</b>
	<b>Denmark 1.73%</b>		
168,978	Carlsberg 'B'	11,829	0.80
478,389	Novo-Nordisk	13,945	0.93
		<b>25,774</b>	<b>1.73</b>
	<b>France 0.55%</b>		
525,153	Bureau Veritas	<b>8,249</b>	<b>0.55</b>
	<b>Germany 3.26%</b>		
147,000	Deutsche Boerse	9,747	0.66
548,272	SAP	38,620	2.60
		<b>48,367</b>	<b>3.26</b>

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>Hong Kong 1.49%</b>		
4,849,800	AIA Group	22,166	1.49
	<b>India 2.05%</b>		
856,839	Housing Development Finance	12,896	0.87
5,765,878	ICICI Bank	17,556	1.18
		<b>30,452</b>	<b>2.05</b>
	<b>Ireland 4.39%</b>		
47,751,490	Bank of Ireland	9,472	0.64
1,185,793	CRH	33,392	2.24
1,813,679	Ryanair Holdings	22,491	1.51
		<b>65,355</b>	<b>4.39</b>
	<b>Japan 5.92%</b>		
479,300	Cyber Agent	9,574	0.64
614,000	Japan Exchange Group	7,087	0.48
430,600	Kansai Paint	6,407	0.43
203,500	LINE	5,643	0.38
1,078,500	MS&AD Insurance Group Holdings	27,031	1.82
401,700	Olympus	11,208	0.75
194,300	Rohm	9,040	0.61
62,600	SMC	12,073	0.81
		<b>88,063</b>	<b>5.92</b>
	<b>Jersey, Channel Islands 1.03%</b>		
308,352	Wolseley	15,279	1.03
	<b>Liberia 3.17%</b>		
710,191	Royal Caribbean Cruises	47,208	3.17
	<b>Netherlands 2.19%</b>		
89,093	Ferrari	4,200	0.28
879,840	Fiat Chrysler Automobiles	6,504	0.44
397,397	Qiagen	9,022	0.61
787,417	Yandex	12,843	0.86
		<b>32,569</b>	<b>2.19</b>
	<b>Norway 0.87%</b>		
457,527	Schibsted ASA 'A'	8,479	0.57
256,177	Schibsted ASA 'B'	4,399	0.30
		<b>12,878</b>	<b>0.87</b>

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
41,680	<b>Republic of Korea 1.70%</b> Samsung Electronics	<b>25,227</b>	<b>1.70</b>
1,076,125	<b>Russia Federation 0.68%</b> Sberbank of Russia	<b>10,092</b>	<b>0.68</b>
461,841	<b>South Africa 3.12%</b> MTN Group	3,435	0.23
362,348	Naspers 'N'	42,953	2.89
		<b>46,388</b>	<b>3.12</b>
1,682,265	<b>Spain 0.45%</b> Distribuidora Internacional de Alimentacion	<b>6,690</b>	<b>0.45</b>
19,528	<b>Sweden 2.25%</b> Atlas Copco 'A'	484	0.03
750,057	Atlas Copco 'B'	16,671	1.12
1,446,317	Svenska Handelsbanken	16,388	1.10
		<b>33,543</b>	<b>2.25</b>
283,389	<b>Switzerland 2.58%</b> Compagnie Financiere Richemont	15,214	1.02
695,921	OC Oerlikon	5,533	0.37
123,942	Schindler Holding	17,707	1.19
		<b>38,454</b>	<b>2.58</b>
2,986,000	<b>Taiwan 3.16%</b> HTC	5,923	0.40
1,761,354	Taiwan Semiconductor Manufacturing	41,030	2.76
		<b>46,953</b>	<b>3.16</b>
94,916	<b>United States 45.52%</b> Anylam Pharmaceuticals	2,878	0.19
56,855	Alphabet	35,569	2.39
102,632	Amazon.com	62,369	4.19
263,968	Anthem	30,751	2.07
417,431	Apache	21,470	1.44
250,176	C H Robinson Worldwide	14,844	1.00
432,140	Carmax	22,549	1.52
68,538	China Biologic Products	5,968	0.40
259,139	Colgate-Palmolive	13,740	0.92
260,595	Eog Resources	21,347	1.44
200,431	Facebook	18,697	1.26
283,424	Financial Engines	8,428	0.57

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Portfolio Statement

as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	<b>United States (continued)</b>		
502,980	First Republic Bank San Francisco	37,550	2.52
263,439	Grubhub	8,026	0.54
82,073	Howard Hughes	7,587	0.51
205,737	Interactive Brokers Group	6,083	0.41
11,647	Intuitive Surgical	5,990	0.40
179,540	Kirby	9,674	0.65
341,512	Leucadia National	6,431	0.43
264,266	Lincoln Electric Holdings	16,416	1.10
19,418	Markel	14,223	0.96
63,556	Marketaxess Holdings	7,566	0.51
135,751	Martin Marietta Materials	24,367	1.64
256,781	Mastercard 'A'	21,488	1.44
144,610	Monsanto	12,334	0.83
361,385	Moodys	27,609	1.86
475,310	Myriad Genetics	6,420	0.43
515,107	Now	8,535	0.57
254,196	Nvidia	21,982	1.48
261,156	ResMed	13,132	0.88
351,143	Seattle Genetics	15,014	1.01
130,105	Stericycle	8,120	0.55
911,062	TD Ameritrade Holdings	32,185	2.16
854,309	Teradyne	17,582	1.18
68,023	Tesla Motors	11,777	0.79
153,407	Tripadvisor	5,762	0.39
338,161	Visa 'A'	21,415	1.44
215,792	Wabtec	14,515	0.98
131,987	Waters	14,376	0.97
60,991	Zillow Group 'A'	1,801	0.12
183,952	Zillow Group 'C'	5,434	0.37
227,674	Verisk Analytics	14,972	1.01
		<b>676,976</b>	<b>45.52</b>
	Total value of investments	1,473,529	99.06
	Net other assets	13,997	0.94
	<b>Total net assets</b>	<b>1,487,526</b>	<b>100.00</b>

All holdings are ordinary shares of stock or bonds and are listed on an official stock exchange unless otherwise stated.

There are no comparative figures shown as the Sub-fund launched 11 April 2016.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Fund Information

The Comparative Table on page 71 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Fund Information

#### Comparative Table

### Class A Income

	2016^ (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges*	25.80
Operating charges	(0.48)
Return after operating charges*	25.32
Distributions on income units	(0.60)
Closing net asset value per unit	124.72
*After direct transaction costs of**:	0.10
<b>Performance</b>	
Return after charges#	25.32%
<b>Other Information</b>	
Closing net asset value (£'000)	1,487,526
Closing number of units	1,192,644,637
Operating charges†	0.418%
Direct transaction costs	0.09%
<b>Prices</b>	
Highest unit price	126.40
Lowest unit price	97.92

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.



# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Statement of Total Return

for the period from 11 April 2016 to 31 December 2016

	Notes	11/04/2016 to 31/12/2016^	£'000	£'000
Income				
Net capital gains	5			217,434
Revenue	7		9,361	
Expenses	8		(3,216)	
Interest payable and similar charges			-	
Net revenue before taxation			6,145	
Taxation	9		(589)	
Net revenue after taxation for the period				5,556
Total return before distributions				222,990
Distributions	10			(5,555)
Change in net assets attributable to unitholders from investment activities				217,435

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 11 April 2016 to 31 December 2016

	11/04/2016 to 31/12/2016^	£'000	£'000
Opening net assets attributable to unitholders			-
Amounts receivable on issue of units		176,636	
Amounts receivable on in-specie transactions		1,126,938	
Amounts payable on cancellation of units		(33,483)	
			1,270,091
Stamp duty reserve tax			-
Change in net assets attributable to unitholders from investment activities (see above)			217,435
Closing net assets attributable to unitholders			1,487,526

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

The notes on pages 74 to 83 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Balance Sheet

as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		1,473,529
Current assets:		
Debtors	11	1,137
Cash and bank balances	12	14,621
Total assets		1,489,287
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Bank overdraft	12	(4)
Distributions payable	10	(1,007)
Other creditors	13	(750)
Total liabilities		(1,761)
Net assets attributable to unitholders		1,487,526

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

The notes on pages 74 to 83 are an integral part of these Financial Statements.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 1. Statement of Compliance

The Statement of Compliance is provided on page 31.

#### 2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

#### 3. Distribution Policies

The Distribution Policies are provided on page 33.

#### 4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

#### 5. Net Capital Gains

Net capital gains comprise:

	11/04/2016 to 31/12/2016 £'000
Non-derivative securities*	217,660
Currency losses	(223)
Transaction charges	(3)
Net capital gains	217,434

\* Includes realised gains of £3,219,549 and unrealised gains of £214,440,218.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 70.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Derivatives	-	-	-	-	-	-
Equities	271,354	101	176	277	0.04	0.06
In-Specie Transactions	1,083,705	-	644	644	-	0.06

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Sales</b>						
Derivatives	-	-	-	-	-	-
Equities	100,164	(44)	(10)	(54)	0.04	0.01
In-Specie Transactions	-	-	-	-	-	-

Costs as a percentage  
of the Sub-fund's average NAV

0.01%	0.08%	0.09%
-------	-------	-------

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.10% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	11/04/2016 to 31/12/2016 £'000
Bank interest	1
Franked UK dividends	534
Overseas dividends	8,826
	<hr/>
	9,361

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 8. Expenses

11/04/2016  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charge

192

192

Payable to the Depositary or associates of the Depositary:

Depositary fee

69

Safe custody fees

70

139

Other expenses:

Administration fees

81

Audit fees

10

Investment management fees

2,788

Registration fees

6

2,885

Total expenses:

3,216

#### 9. Taxation

11/04/2016  
to  
31/12/2016  
£'000

a) Analysis of charge for the period:

Overseas tax

589

Total taxation

589

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from the United Kingdom (UK) tax on capital gains realised on the disposal of Investments held within the Sub-fund and any UK Corporation tax.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	11/04/2016 to 31/12/2016 £'000
Second interim distribution	2,702
Third interim distribution	2,023
Final distribution	1,007
	<hr/> 5,732
Add: Revenue deducted on cancellation of units	5
Deduct: Revenue received on issue of units	(182)
	<hr/> 5,555
Net distribution for the period	<hr/> 5,555
	<hr/>
Total distribution	<hr/> 5,555
	<hr/>
Reconciliation between net revenue and distribution	
Net revenue after taxation	5,556
Deduct: Revenue Carried Forward	(1)
	<hr/> 5,555
Net distribution for the period	<hr/> 5,555

#### 11. Debtors

	31/12/2016 £'000
Accrued revenue	811
Overseas tax recoverable	326
	<hr/> 1,137

#### 12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	14,621
	<hr/> 14,621
	<hr/>
Bank overdraft	(4)
	<hr/> (4)

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 13. Creditors

	31/12/2016 £'000
Accrued expenses	750
	<hr/> 750 <hr/>

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £29,874 was due at the period end.

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 84. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
---------	--------

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	1,225,552,914	(32,908,277)	-	1,192,644,637

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

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#### 18. Financial Instruments

In pursuing its investment objective set out on page 64 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

#### 19. Risk Disclosures

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £73,676,474.

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.



# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

At the period end date, a substantial proportion of the net assets of the Sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. The table below shows the direct foreign currency risk profile of the Sub-fund.

Foreign currency exposure as at 31 December 2016:

Currency	Forward contracts £'000	Monetary exposures £'000	Non monetary exposures £'000	Total £'000
Australian dollar	-	-	13,582	13,582
Brazilian real	-	96	9,025	9,121
Canadian dollar	-	-	14,018	14,018
Danish krone	-	15	25,774	25,789
Euro	-	103	105,973	106,076
Hong Kong dollar	-	-	32,151	32,151
Indian rupee	-	-	30,452	30,452
Japanese yen	-	-	88,063	88,063
Norwegian krone	-	21	12,878	12,899
Swedish krona	-	100	33,543	33,643
Swiss franc	-	53	38,454	38,507
Taiwan dollar	-	-	5,923	5,923
US dollar	-	4,118	899,985	904,103
South African rand	-	-	46,388	46,388
Sterling	-	9,491	117,320	126,811
	-	13,997	1,473,529	1,487,526

At 31 December 2016, if the value of sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £13,607,200.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	-	13,582	13,582
Brazilian real	-	-	9,121	9,121
Canadian dollar	-	-	14,018	14,018
Danish krone	-	-	25,789	25,789
Euro	-	-	106,080	106,080
Hong Kong dollar	-	-	32,151	32,151
Indian rupee	-	-	30,452	30,452
Japanese yen	-	-	88,063	88,063
Norwegian krone	-	-	12,899	12,899
Swedish krona	-	-	33,643	33,643
Swiss franc	-	-	38,507	38,507
Taiwan dollar	-	-	5,923	5,923
US dollar	3,451	-	900,652	904,103
South African rand	-	-	46,388	46,388
Sterling	11,170	-	117,398	128,568
	14,621	-	1,474,666	1,489,287

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	(4)	-	(4)
Sterling	-	(1,757)	(1,757)
	(4)	(1,757)	(1,761)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £14,616,995 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b> £'000	<b>Liabilities</b> £'000
Valuation technique as at 31 December 2016		
Level 1	1,473,529	-
Level 2	-	-
Level 3	-	-
<b>Total</b>	<b>1,473,529</b>	<b>-</b>

##### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

##### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

##### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Notes to the Financial Statements

for the period from 11 April 2016 to 31 December 2016

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 124.90p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 133.10p. This represents an increase of 6.57% from the period end value.

# ACS Financial Statements

## London LGPS CIV Global Alpha Growth Fund

### Distribution Tables

for the period from 11 April 2016 to 31 December 2016

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#### Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 30/09/2016
Class A Income	0.2978

#### Interim Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Paid 31/12/2016
Class A Income	0.2164

#### Final Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Payable 31/03/2017
Class A Income	0.0844

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

ASSET CLASS	Real Return
INVESTMENT MANAGER	Pyrford International Limited
INCEPTION DATE	17 June 2016
STRUCTURE	Direct
NAV @ 31/12/16*	107.3p
VALUATION @ 31/12/16*	£201.2m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

\*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Pyrford Global Total Return (Sterling) Fund, a Sub-fund of BMO Investments (Ireland) plc, an authorised open-ended investment company authorised by the Central Bank of Ireland as a UCITS, and cash and near cash.

The LCIV PY Total Return Sub-fund was launched in June with 3 investors participating from the outset. By the end of the financial year the Sub-fund had assets under management of £201.2m. The ACS Manager aims to achieve the Sub-fund's objective by investing solely in the Pyrford Global Total Return (Sterling) Fund, a sub-fund of BMO Investments (Ireland) plc, an authorised open-ended investment ACS Manager authorised by the Central Bank of Ireland as a UCITS, and cash and near cash.

### NAV PERFORMANCE REPORT\*

	SINCE INCEPTION~ %
SUB-FUND*	7.3%

\*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested  
~ Inception Date: 17 June 2016

# ACS Financial Statements

## LCIV PY Global Total Return Fund



As a total return portfolio, the objective of the Sub-fund is to focus on capital preservation to achieve real total returns. The aim of the Sub-fund's underlying CIS is to invest in asset classes and securities which offer sound fundamental value and avoiding asset classes and securities which offer poor fundamental value, thereby offering downside protection in volatile markets.

The performance of the Sub-fund since inception (17 June 2016) was +7.3%. The underlying investment manager takes a disciplined, unemotional approach to portfolio construction, which tends to lead to the inclusion of anti-momentum style assets. The Sub-fund's underlying CIS has been defensively positioned during the period since inception reflecting the view that there remain significant structural economic problems and that material downside risks exist. The underlying CIS's allocation remained relatively unchanged during the period under review reflecting the underlying manager's view that either equities offer little by way of fundamental value at current levels and that longer duration sovereign bond yields are fully valued. In terms of positioning the underlying manager's weighting in global equities is at the same level as it was going into the financial crisis in 2008 and is primarily invested in defensive sectors, such as utilities, reflecting a negative view of the economic and financial outlook, a view with which we have some sympathy.

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
6 October 2016
11 January 2017

London LGPS CIV Limited  
March 2017

# ACS Financial Statements

## LCIV PY Global Total Return Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
18,701,805	<b>Sub-fund Investment in Collective Investment Scheme 100.03%</b>		
	BMO Investments Pyrford Global Total Return (Sterling) Fund Share Class D Distributing	<b>201,231</b>	<b>100.03</b>
	Total value of investments*	201,231	100.03
	Net other liabilities	(67)	(0.03)
	<b>Total net assets</b>	<b>201,164</b>	<b>100.00</b>

There are no comparative figures shown as the Sub-fund launched 17 June 2016.

\* The figure of 100.03% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.



# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Fund Information

The Comparative Table on page 89 gives the performance of the only active unit class in the Sub-fund.

The 'return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike units whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Fund Information

#### Comparative Table

### Class A Income

	2016^ (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges*	7.78
Operating charges	(0.55)
Return after operating charges*	7.23
Distributions on income units	0.00
Closing net asset value per unit	107.23
*After direct transaction costs of:**	0.00
<b>Performance</b>	
Return after charges#	7.23%
<b>Other Information</b>	
Closing net asset value (£'000)	201,164
Closing number of units	187,603,507
Operating charges†	0.523%
Direct transaction costs	0.00%
<b>Prices</b>	
Highest unit price	107.90
Lowest unit price	99.70

^ There are no comparative figures shown as the Sub-fund launched 17 June 2016.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Statement of Total Return

for the period from 17 June 2016 to **31 December 2016**

	Notes	17/06/2016 to 31/12/2016^	
		£'000	£'000
Income			
Net capital gains	5		14,052
Revenue	7	-	
Expenses	8	(492)	
Interest payable and similar charges		-	
Net expense before taxation		(492)	
Taxation	9	-	
Net expense after taxation for the period			(492)
Total return before distributions			13,560
Distributions	10		-
Change in net assets attributable to unitholders from investment activities			13,560

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 17 June 2016 to **31 December 2016**

	17/06/2016 to 31/12/2016^	
	£'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	187,604	
Amounts payable on cancellation of units	-	
		187,604
Change in net assets attributable to unitholders from investment activities (see above)		13,560
Closing net assets attributable to unitholders		201,164

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

The notes on pages 92 to 102 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Balance Sheet as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		201,231
Current assets:		
Debtors	11	-
Cash and bank balances	12	27
Total assets		201,258
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Distributions payable		-
Other creditors	13	(94)
Total liabilities		(94)
Net assets attributable to unitholders		201,164

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

The notes on pages 92 to 102 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to **31 December 2016**

#### 1. Statement of Compliance

The Statement of Compliance is provided on page 31.

#### 2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

#### 3. Distribution Policies

The Distribution Policies are provided on page 33.

#### 4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

#### 5. Net Capital Gains

Net capital gains comprise:

	<b>17/06/2016 to 31/12/2016 £'000</b>
Non-derivative securities*	14,052
Net capital gains	14,052

\* Includes realised gains of £26,735 and unrealised gains of £14,025,354.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 88.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Purchases</b>						
Collective Investment Schemes	187,604	-	-	-	-	-

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Sales</b>						
Collective Investment Schemes	425	-	-	-	-	-

Costs as a percentage  
of the Sub-fund's average NAV

	-	-	-
--	---	---	---

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	17/06/2016 to 31/12/2016 £'000
Franked CIS revenue	-
	-

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

#### 8. Expenses

17/06/2016  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charges

27

27

Payable to the Depositary or associates of the Depositary:

Depositary fees

9

Safe custody fees

2

11

Other expenses:

Administration fees

4

Audit fees

8

Investment management fees

441

Registration fees

1

454

Total expenses:

492

# ACS Financial Statements

## LCIV PY Global Total Return Fund

Notes to the Financial Statements  
for the period from 17 June 2016 to 31 December 2016

### 9. Taxation

17/06/2016  
to  
31/12/2016  
£'000

a) Analysis of charge for the period:

CIS tax

-

Total current tax

-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK Corporation tax.



# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	17/06/2016 to 31/12/2016 £'000
Final distribution	-
	-
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
Net distribution for the period	-
	-
Total distribution	-
	-
Reconciliation between net expense and distribution	
Net expense after taxation	(492)
Income deficit	492
Net distribution for the period	-

#### 11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to **31 December 2016**

#### 12. Cash and Bank Balances

	<b>31/12/2016</b> £'000
Cash and bank balances	27
	<hr/> 27 <hr/>

#### 13. Creditors

	<b>31/12/2016</b> £'000
Accrued expenses	94
	<hr/> 94 <hr/>

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £4,225 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

<b>Unitholder</b>	<b>31/12/2016</b>
London Borough of Barking and Dagenham	40%
London Borough of Sutton	21%
Royal Borough of Kingston upon Thames	39%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 103. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
---------	--------

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	187,603,507	-	-	187,603,507

#### 18. Financial Instruments

In pursuing its investment objective set out on page 85 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

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#### 19. Risk Disclosures

**Concentration risk** – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £10,061,571.

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in a collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	27	-	201,231	201,258
	27	-	201,231	201,258

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(94)	(94)
	-	(94)	(94)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £27,145 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b> £'000	<b>Liabilities</b> £'000
Valuation technique as at 31 December 2016		
Level 1	-	-
Level 2	201,231	-
Level 3	-	-
<b>Total</b>	<b>201,231</b>	<b>-</b>

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Notes to the Financial Statements

for the period from 17 June 2016 to **31 December 2016**

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 107.30p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 108.90p. This represents an increase of 1.49% from the period end value.

# ACS Financial Statements

## LCIV PY Global Total Return Fund

### Distribution Table

for the period from 17 June 2016 to **31 December 2016**

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#### Final Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Payable 31/03/2017
Class A Income	-

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

#### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.



# ACS Financial Statements

## LCIV RF Absolute Return Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Ruffer LLP
INCEPTION DATE	21 June 2016
STRUCTURE	Direct
NAV @ 31/12/16*	111.5p
VALUATION @ 31/12/16*	£346m
INVESTMENT OBJECTIVE	To achieve low volatility and positive returns in all market conditions.

\*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund, a Sub-fund of Asperior Investment Funds, an FCA authorised open-ended investment company, and cash and near cash.

The LCIV RF Absolute Return Sub-fund was launched in June with 4 investors participating in the Sub-fund launch. By the end of the reporting period the Sub-fund was valued at £346m. The Sub-fund aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund, a Sub-fund of Asperior Investment Fund, an FCA authorised open-ended investment ACS Manager, and cash and near cash.

### NAV PERFORMANCE REPORT\*

	SINCE INCEPTION~ %
SUB-FUND*	11.5

\*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested  
~ Inception Date: 21 June 2016

# ACS Financial Statements

## LCIV RF Absolute Return Fund



The Sub-fund has delivered a strong performance since inception in June rising by 11.5% over the period to the end of the year. The underlying CIS Sub-fund benefited from having defensive positions with significant exposure to index linked bonds which added positively to performance in the third quarter of the year being pushed higher by Brexit, further quantitative easing and ongoing low rates, although some of this was given up in the fourth quarter. The manager also took advantage of weakness in UK domestic stocks following the Brexit vote, such as house builders which subsequently bounced quite strongly. The cyclical exposure built up also followed through in the final quarter of the year and contributed positively to performance. The Sub-fund's exposure to Japanese equities and in particular Japanese financials added to performance during the period under review, although the manager sees this as two distinct positions with around 50% of the Japanese exposure (15% of the portfolio at 31 December), being less about Japan and more a story of long term recovery in financial and adding cyclical exposure to the portfolio.

Their portfolio distribution at the end of the year reflects a relatively defensive approach with 38% in equities, 13% cash, 4% gold and the remainder in index linked bonds. Currency exposure at 89% in sterling underlines their belief that the fall post Brexit has been overdone given the 20% fall in value and the reasonable ongoing growth in the UK economy, a view we can have some sympathy with. The managers have structured the portfolio with two key scenarios in mind. Under the first scenario they see a benign global growth environment acclimatising the gradual normalisation of policy through the ending of QE and steadily rising interest rates. The second scenario the potential failure of policy, in which the global economy would be too weak to withstand higher interest rates resulting in debt deflation – essentially a doomsday style scenario. On balance they are leaning towards the first scenario at this stage and we are comfortable that the manager has the flexibility and depth of experience to adjust the portfolio in accordance with the shifting macro-economic outlook.

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
6 October 2016
17 January 2017

London LGPS CIV Limited  
March 2017

# ACS Financial Statements

## LCIV RF Absolute Return Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
312,516,065	<b>Sub-fund Investment in Collective Investment Scheme 100.27%</b>		
	Asperior Investment CF Ruffer Absolute Return Fund Share Class L Income	<b>347,330</b>	<b>100.27</b>
	Total value of investments*	347,330	100.27
	Net other liabilities	(950)	(0.27)
	<b>Total net assets</b>	<b>346,380</b>	<b>100.00</b>

There are no comparative figures shown as the Sub-fund launched 21 June 2016.

\* The figure of 100.27% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Fund Information

The Comparative Table on page 108 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Fund Information

#### Comparative Table

### Class A Income

	2016^ (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges*	12.29
Operating charges	(0.89)
Return after operating charges*	11.40
Distributions on income units	(0.30)
Closing net asset value per unit	111.10
*After direct transaction costs of**:	0.00
<b>Performance</b>	
Return after charges#	11.40%
<b>Other Information</b>	
Closing net asset value (£'000)	346,380
Closing number of units	311,771,101
Operating charges†	0.821%
Direct transaction costs	0.00%
<b>Prices</b>	
Highest unit price	111.60
Lowest unit price	99.53

^ There are no comparative figures shown as the Sub-fund launched 21 June 2016.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Statement of Total Return

for the period from 21 June 2016 to **31 December 2016**

	Notes	<b>21/06/2016 to 31/12/2016^</b>	
		£'000	£'000
Income			
Net capital gains	5		33,869
Revenue	7	1,010	
Expenses	8	(76)	
Interest payable and similar charges		-	
Net revenue before taxation		934	
Taxation	9	-	
Net revenue after taxation for the period			934
Total return before distributions			34,803
Distributions	10		(934)
Change in net assets attributable to unitholders from investment activities			33,869

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 21 June 2016 to **31 December 2016**

	<b>21/06/2016 to 31/12/2016^</b>	
	£'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	9,792	
Amounts receivable on in-specie transactions	302,719	
Amounts payable on cancellation of units	-	
		312,511
Change in net assets attributable to unitholders from investment activities (see above)		33,869
Closing net assets attributable to unitholders		346,380

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

The notes on pages 111 to 119 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Balance Sheet as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		347,330
Current assets:		
Debtors	11	-
Cash and bank balances	12	34
Total assets		347,364
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Distributions payable	10	(949)
Other creditors	13	(35)
Total liabilities		(984)
Net assets attributable to unitholders		346,380

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

The notes on pages 111 to 119 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to **31 December 2016**

#### 1. Statement of Compliance

The Statement of Compliance is provided on page 31.

#### 2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

#### 3. Distribution Policies

The Distribution Policies are provided on page 33.

#### 4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

#### 5. Net Capital Gains

Net capital gains comprise:

	<b>21/06/2016 to 31/12/2016 £'000</b>
Non-derivative securities*	33,869
Net capital gains	33,869

\* Includes realised gains of £11,870 and unrealised gains of £33,856,749.



# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to 31 December 2016

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 107.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Purchases</b>						
Collective Investment Schemes	313,611	-	-	-	-	-

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Sales</b>						
Collective Investment Schemes	149	-	-	-	-	-

Costs as a percentage of the Sub-fund's average NAV	-	-	-
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#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	21/06/2016 to 31/12/2016 £'000
Franked CIS revenue	1,010
	1,010

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to 31 December 2016

#### 8. Expenses

21/06/2016  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charges

44

44

Payable to the Depositary or associates of the Depositary:

Depositary fees

16

Safe custody fees

3

19

Other expenses:

Administration fees

4

Audit fees

8

Registration fees

1

13

Total expenses:

76

#### 9. Taxation

21/06/2016  
to  
31/12/2016  
£'000

a) Analysis of charge for the period:

CIS tax

-

Total taxation

-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK corporation tax.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to **31 December 2016**

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	<b>21/06/2016 to 31/12/2016 £'000</b>
Interim distribution	-
Final distribution	949
	<hr/> 949
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	(15)
	<hr/> (15)
Net distribution for the period	934
	<hr/> 934
Total distribution	<hr/> 934
Reconciliation between net revenue and distribution	
Net revenue after taxation	934
	<hr/> 934
Net distribution for the period	<hr/> 934

#### 11. Debtors

	<b>31/12/2016 £'000</b>
Accrued revenue	-
	<hr/> -

#### 12. Cash and Bank Balances

	<b>31/12/2016 £'000</b>
Cash and bank balances	34
	<hr/> 34

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to 31 December 2016

#### 13. Creditors

	31/12/2016 £'000
Accrued expenses	35
	<hr/> 35

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £7,094 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Hammersmith and Fulham	29%
London Borough of Havering	23%
London Borough of Hillingdon	30%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to **31 December 2016**

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 120. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
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The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	311,771,101	-	-	311,771,101

#### 18. Financial Instruments

In pursuing its investment objective set out on page 104 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

#### 19. Risk Disclosures

**Concentration risk** – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £17,366,518.

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	34	-	347,330	347,364
	34	-	347,330	347,364

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(984)	(984)
	-	(984)	(984)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £33,571 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b>	<b>Liabilities</b>
	£'000	£'000
Valuation technique as at 31 December 2016		
Level 1	-	-
Level 2	347,330	-
Level 3	-	-
<b>Total</b>	<b>347,330</b>	<b>-</b>

##### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

##### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

##### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Notes to the Financial Statements

for the period from 21 June 2016 to **31 December 2016**

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 111.50p. The Net Asset Value per Class A Income unit for the Sub-fund on 22 March 2017 was 111.60p. This represents an increase of 0.09% from the period end value.



# ACS Financial Statements

## LCIV RF Absolute Return Fund

### Distribution Table

for the period from 21 June 2016 to 31 December 2016

---

#### Interim Distribution (in pence per unit)

	<b>2016^</b> Distribution Paid 30/09/2016
Class A Income	-

#### Final Distribution (in pence per unit)

	<b>2016^</b> Distribution Payable 31/03/2017
Class A Income	0.3043

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

#### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

# ACS Financial Statements

## LCIV NW Real Return Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Newton Investment Management
INCEPTION DATE	16 December 2016
STRUCTURE	Direct
NAV @ 31/12/16*	101.4p
VALUATION @ 31/12/16*	£326m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to achieve real rates of return in Sterling terms. The Sub-fund seeks a minimum return of cash (1 month GBP LIBOR) +3% per annum over 5 years net of fees.^

\*Data Source: Bloomberg

^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Newton Real Return Fund, a sub-fund of BNY Mellon Investment Funds, an FCA authorised open-ended investment company, and cash and near cash

The LCIV NW Real Return Sub-fund was launched just prior to the year, with 3 investors participating in the launch. The value of the Sub-fund at the 31 December 2016 was £326m. The Sub-fund aims to achieve the objective by investing solely in the Newton Real Return Fund, a Sub-fund of BNY Mellon Investment Funds, an FCA authorised open-ended investment ACS Manager, and cash and near cash.

### PERFORMANCE REPORT\*

SINCE INCEPTION~ %	
SUB-FUND*	1.4

\*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested

~ Inception Date: 16 December 2016

This Sub-fund was launched in mid-December and the return over the 2 week period was positive at 1.4%, but it should be remembered that this is a very short timeframe over which to measure performance. The Sub-fund manager has a focus on investing in longer term trends rather than focus on short term 'noise' and volatility, with an emphasis on investing in traditional asset classes. Their approach is to have a return seeking core portfolio with offsetting positions aiming to dampen volatility and preserve capital. Their distribution across these two distinct categories at the end of the year was 53.39% in return seeking assets such as equities, infrastructure sub-funds and emerging market debt with 46.61% in stabilising assets and hedging positions including government bonds, index linked, precious metals and cash.

### INVESTMENT OVERSIGHT WORK

Quarterly Review Meeting Held
25 January 2017

London LGPS CIV Limited  
March 2017

# ACS Financial Statements

## LCIV NW Real Return Fund

Portfolio Statement  
as at 31 December 2016

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
321,803,682	<b>Collective Investment Schemes 100.00%</b> BNY Mellon Newton Real Return Fund Exempt L Shares 1 Net Income	<b>326,245</b>	<b>100.00</b>
	Total value of investments	326,245	100.00
	Net other liabilities	(13)	-
	<b>Total net assets</b>	<b>326,232</b>	<b>100.00</b>

There are no comparative figures shown as the  
Sub-fund launched 16 December 2016.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Fund Information

The Comparative Table on page 124 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike units whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Fund Information

#### Comparative Table

### Class A Income

	2016^ (pence per unit)
<b>Change in Net Asset Value per Unit</b>	
Opening net asset value per unit	100.00
Return before operating charges	1.96
Operating charges	(0.58)
Return after operating charges	1.38
Distributions on income units	0.00
Closing net asset value per unit	101.38
*After direct transaction costs of**:	0.00
<b>Performance</b>	
Return after charges#	1.38%
<b>Other Information</b>	
Closing net asset value (£'000)	326,232
Closing number of units	321,803,682
Operating charges†	0.581%
Direct transaction costs	0.00%
<b>Prices</b>	
Highest unit price	101.40
Lowest unit price	100.00

^ There are no comparative figures shown as the Sub-fund launched 16 December 2016.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Statement of Total Return

for the period from 16 December 2016 to **31 December 2016**

	Notes	16/12/2016 to 31/12/2016^	
		£'000	£'000
Income			
Net capital gains	5		4,440
Revenue	7	-	
Expenses	8	(12)	
Interest payable and similar charges		-	
Net expense before taxation		(12)	
Taxation	9	-	
Net expense after taxation for the period			(12)
Total return before distributions			4,428
Distributions	10		-
Change in net assets attributable to unitholders from investment activities			4,428

### Statement of Change in Net Assets Attributable to Unitholders

for the period from 16 December 2016 to **31 December 2016**

	16/12/2016 to 31/12/2016^	
	£'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	321,804	
Amounts payable on cancellation of units	-	
		321,804
Dilution levy		-
Change in net assets attributable to unitholders from investment activities (see above)		4,428
Closing net assets attributable to unitholders		326,232

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

The notes on pages 127 to 135 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Balance Sheet as at 31 December 2016

	Notes	31/12/2016^ £'000
<b>Assets</b>		
Fixed assets:		
Investments		326,245
Current assets:		
Debtors	11	-
Cash and bank balances	12	-
Total assets		326,245
<b>Liabilities</b>		
Investment liabilities		-
Creditors:		
Distributions payable	10	-
Other creditors	13	(13)
Total liabilities		(13)
Net assets attributable to unitholders		326,232

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

The notes on pages 127 to 135 are an integral part of these Financial Statements.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 1. Statement of Compliance

The Statement of Compliance is provided on page 31.

#### 2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

#### 3. Distribution Policies

The Distribution Policies are provided on page 33.

#### 4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

#### 5. Net Capital Gains

Net capital gains comprise:

	16/12/2016 to 31/12/2016 £'000
Non-derivative securities*	4,440
Net capital gains	4,440

\* Includes unrealised gains of £4,440,891.



# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 123.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Purchases</b>						
Collective Investment Schemes	321,804	-	-	-	-	-

	Principal	Commissions	Taxes	Total Cost	Commissions	Taxes
	£'000	£'000	£'000	£'000	% of principal	% of principal
<b>Sales</b>						
Collective Investment Schemes	-	-	-	-	-	-

Costs as a percentage of the Sub-fund's average NAV	-	-	-
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#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	16/12/2016 to 31/12/2016 £'000
Franked CIS revenue	-
	-

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 8. Expenses

16/12/2016  
to  
31/12/2016  
£'000

Payable to the ACS Manager or associates of the ACS Manager:  
ACS Manager's periodic charge

3

Payable to the Depositary or associates of the Depositary:

Depositary fee

1

Safe custody fee

1

2

Other expenses:

Audit fees

7

7

Total expenses:

12

#### 9. Taxation

16/12/2016  
to  
31/12/2016  
£'000

a) Analysis of charge for the period:

CIS tax

-

Total taxation

-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK Corporation tax.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	16/12/2016 to 31/12/2016 £'000
Final distribution	-
	-
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
Net distribution for the period	-
	-
Total distribution	-
	-
Reconciliation between net revenue and distribution	
Net revenue after taxation	(12)
Income deficit	12
Net distribution for the period	-

#### 11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

#### 12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	-
	-

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to **31 December 2016**

#### 13. Creditors

	<b>31/12/2016</b> £'000
Accrued expenses	13
	<hr/> 13 <hr/>

#### 14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £3,312 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

<b>Unitholder</b>	<b>31/12/2016</b>
London Borough of Barnet	40%
London Borough of Redbridge	43%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

#### 15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 136. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%
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The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	321,803,682	-	-	321,803,682

#### 18. Financial Instruments

In pursuing its investment objective set out on page 121 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- unitholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

#### 19. Risk Disclosures

**Concentration risk** – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

**Market price risk** - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £16,312,229.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to 31 December 2016

#### 19. Risk Disclosures (continued)

**Foreign currency risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

**Interest rate risk** - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	-	-	326,245	326,245
	-	-	326,245	326,245

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(13)	(13)
	-	(13)	(13)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £nil are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to **31 December 2016**

#### 19. Risk Disclosures (continued)

**Fair value** - in the opinion of the ACS Manager, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	<b>Assets</b>	<b>Liabilities</b>
	£'000	£'000
Valuation technique as at 31 December 2016		
Level 1	-	-
Level 2	326,245	-
Level 3	-	-
<b>Total</b>	<b>326,245</b>	<b>-</b>

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

**Derivative risks** - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

# ACS Financial Statements

## LCIV NW Real Return Fund

### Notes to the Financial Statements

for the period from 16 December 2016 to **31 December 2016**

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#### 20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

#### 21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 101.40p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 103.60p. This represents an increase of 2.17% from the period end value.



# ACS Financial Statements

## LCIV NW Real Return Fund

### Distribution Table

for the period from 16 December 2016 to **31 December 2016**

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#### Final Distribution (in pence per unit)

	<b>2016^</b>
	Distribution
	Payable 31/03/2017
Class A Income	-

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

#### Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

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# General Information

for the period from 2 December 2015 to **31 December 2016**

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London LGPS CIV Authorised Contractual Scheme managed by London LGPS CIV Limited is an authorised contractual scheme in co-ownership form authorised by the FCA with effect from 13 November 2015. The Scheme Property of each Sub-fund is beneficially owned by its Unitholders as tenants in common. The ACS has an unlimited duration.

## **Registered Office**

Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES

## **Head Office**

59 1/2 Southwark Street, London SE1 0AL

## **Base Currency**

The base currency of the ACS and of each Sub-fund is pound sterling.

**London LGPS CIV Limited**

59½ Southwark Street  
London SE1 0AL

**Registered Office**

Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES  
Authorised and Regulated by the Financial Conduct Authority 710618

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