BIRTHSTAR®

4q14 Investment Review

BirthStar® Target Date Funds

(Standard Series)

BIRTHSTAR®

powered by AB

WINNER

ULTIMATE DEFAULT FUND

corporate adviser AWARDS'15

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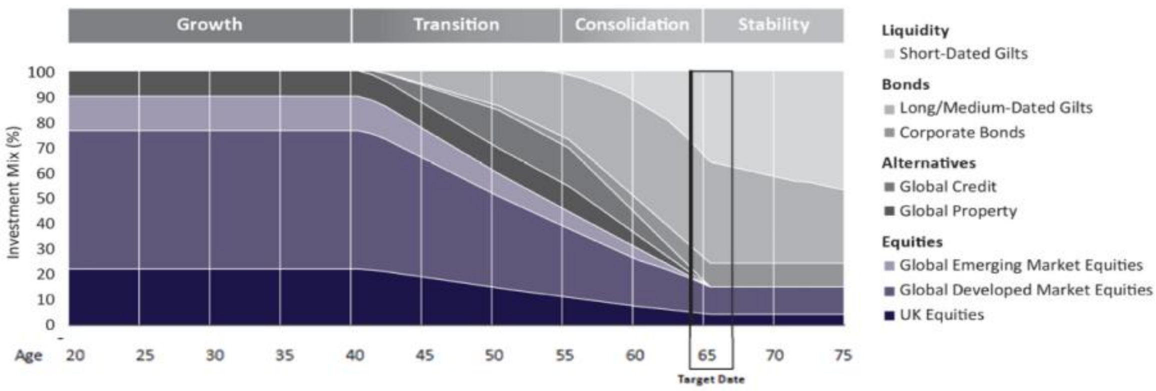
BirthStar® Target Date Funds: an overview

Age and income are the main determinants of Risk Capacity

By including time horizon, Target Date Funds are the next generation of risk-controlled multi-asset funds

Grouping investors together by objective delivers consistent outcomes and economies of scale

The BirthStar® Target Date Fund range for corporate pension schemes are labelled by year of birth with a Normal Retirement Date of 65.

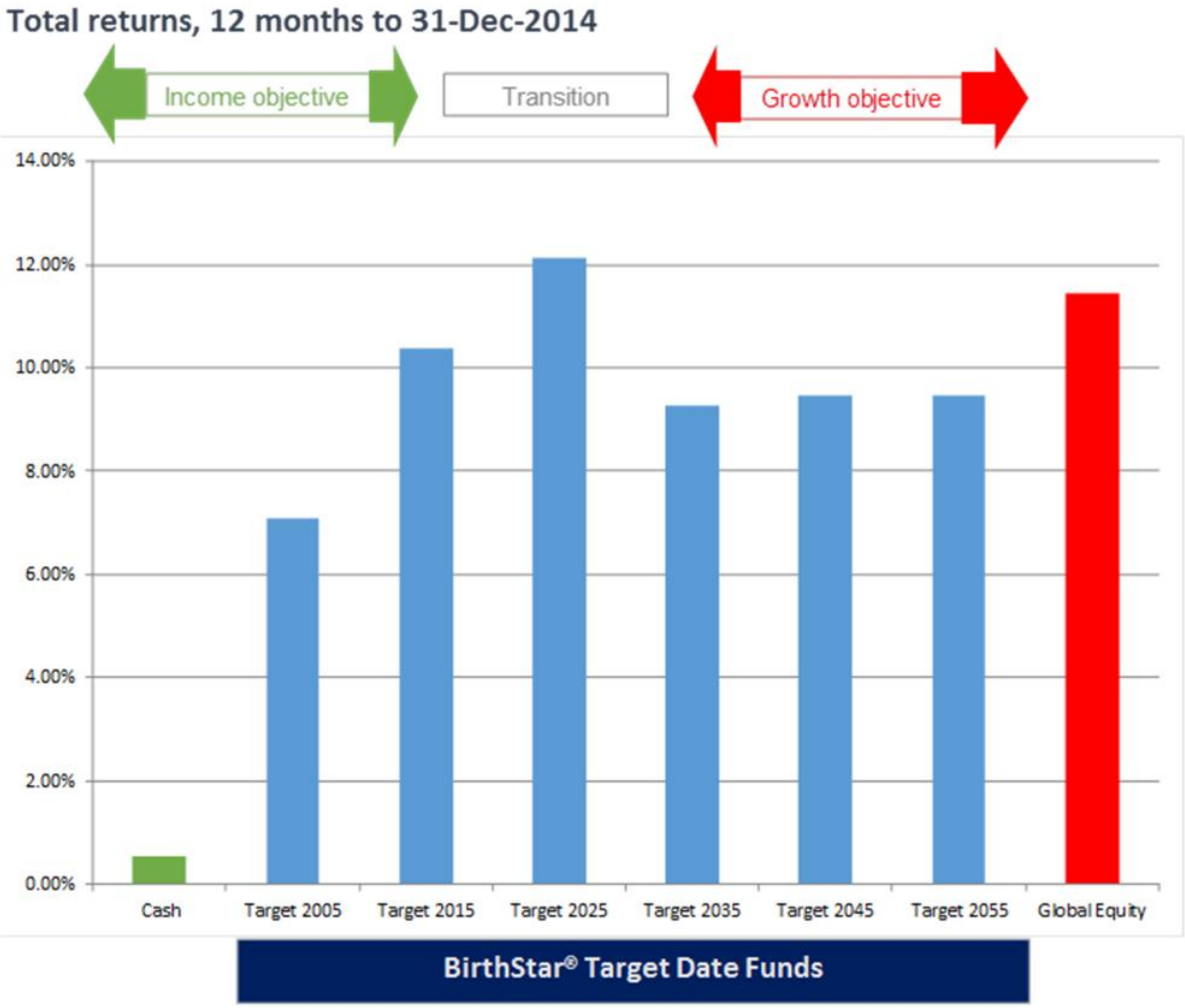


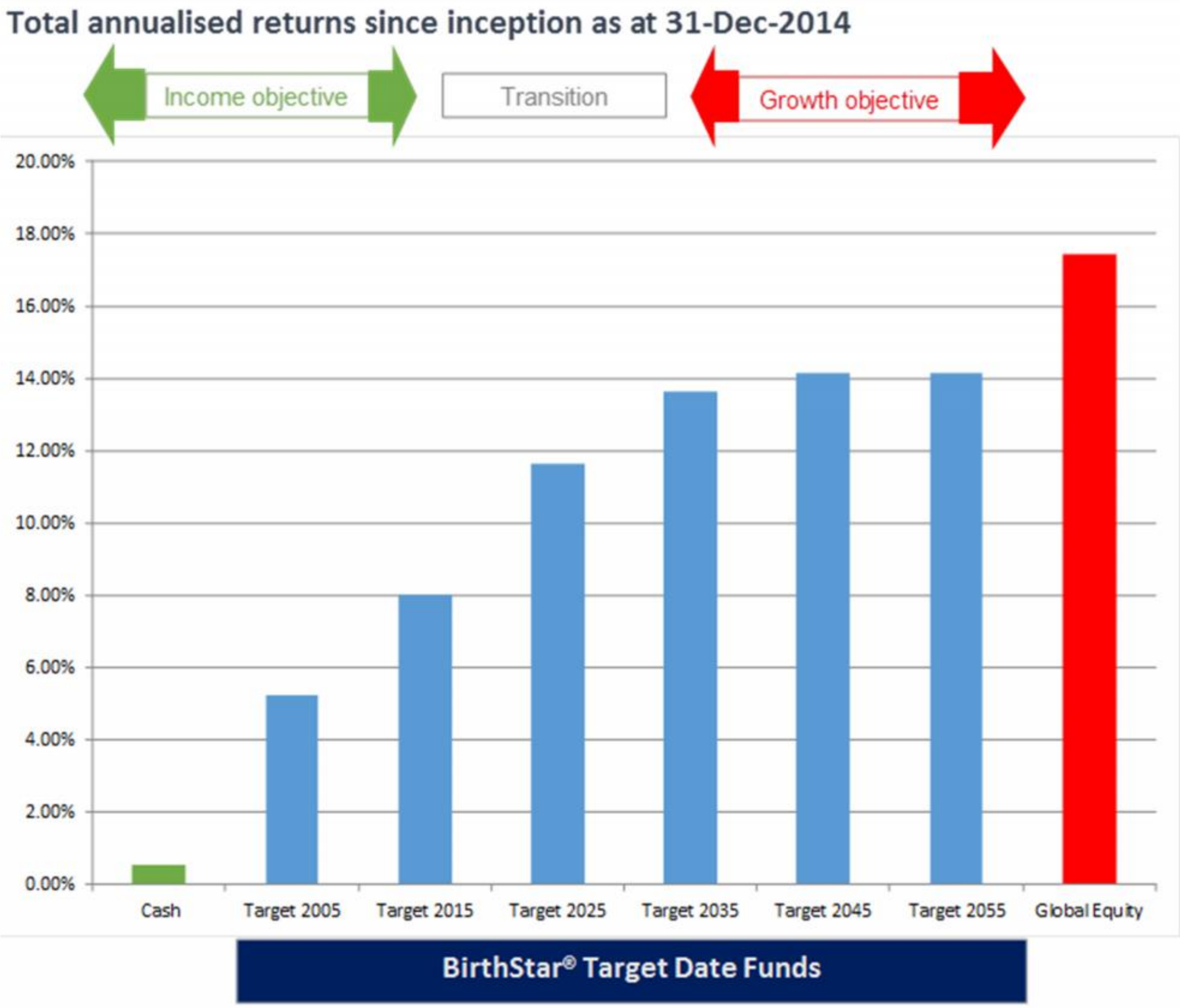
Cumulative returns

BirthStar® Target Date Funds' asset allocations evolve over time, so no single benchmark is appropriate.

Funds for younger investors with a Growth objective should have returns closer to Global Equities. Funds for older investors with an Income objective should have returns closer to Cash, whilst remaining mindful of Annuity Conversion Risk, Longevity Risk and Inflation Risk.

The snapshot below looks at the total returns of the BirthStar® strategies (in blue) between the two extremes of Global Equities (higher risk, in red) and Cash (lowest risk, in green), for each age group of investors.





BirthStar® funds' inception date is November 1, 2012. Periods greater than one year are annualised. BirthStar® funds' performance is presented net of management fees (AMC 0.49%).Global Equity: MSCI World Index in pounds, net of dividends reinvested. Cash: Bank of America Merrill Lynch British Pound LIBOR (3 month Constant Maturity).
Source: Manager data; Chart: Compiled, Elston Consulting

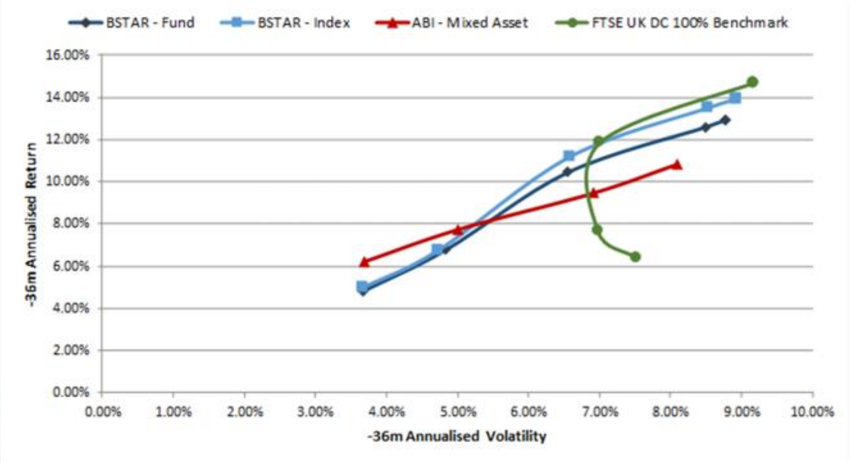
Risk-adjusted performance for different cohorts

Performance ‘frontiers’ show the performance of the whole suite of BirthStar® funds, relative to their strategic benchmark and the ABI Mixed Asset universe.

For the first time, we also show performance against the FTSE UK DC 100% Benchmark series which also presents data in terms of Target Date. This benchmark moves progressively from Global Equities to a 100% allocation in Index Linked Gilts at the target date. Inclusion of this benchmark is for reference only. The BirthStar® Target Date Funds (*BSTAR Fund* in the chart) can be compared against the strategic asset allocation model (*BSTAR Index* in the chart) and against the FTSE UK DC benchmark as a broad market reference.

As at 31-Dec-2014

	-36m Ann Vol	-36m Ann Rtn
BSTAR Fund - Target 2005	3.67%	4.82%
BSTAR Fund - Target 2015	4.84%	6.79%
BSTAR Fund - Target 2025	6.55%	10.44%
BSTAR Fund - Target 2035	8.49%	12.59%
BSTAR Fund - Target 2045	8.77%	12.94%
BSTAR Fund - Target 2055	8.77%	12.93%
BSTAR Index - Target 2005	3.67%	4.96%
BSTAR Index - Target 2015	4.73%	6.74%
BSTAR Index - Target 2025	6.58%	11.18%
BSTAR Index - Target 2035	8.52%	13.51%
BSTAR Index - Target 2045	8.93%	13.94%
BSTAR Index - Target 2055	8.93%	13.94%
ABI 0-35% Equity	3.68%	6.22%
ABI 20-60% Equity	5.01%	7.74%
ABI 40-85% Equity	6.91%	9.45%
ABI Flexible	8.09%	10.82%
FTSE UK DC 100% - Target 2005	7.52%	6.37%
FTSE UK DC 100% - Target 2015	6.98%	7.64%
FTSE UK DC 100% - Target 2025	7.01%	11.84%
FTSE UK DC 100% - Target 2035	9.17%	14.69%
FTSE UK DC 100% - Target 2045	9.17%	14.69%
FTSE UK DC 100% - Target 2055	9.17%	14.69%

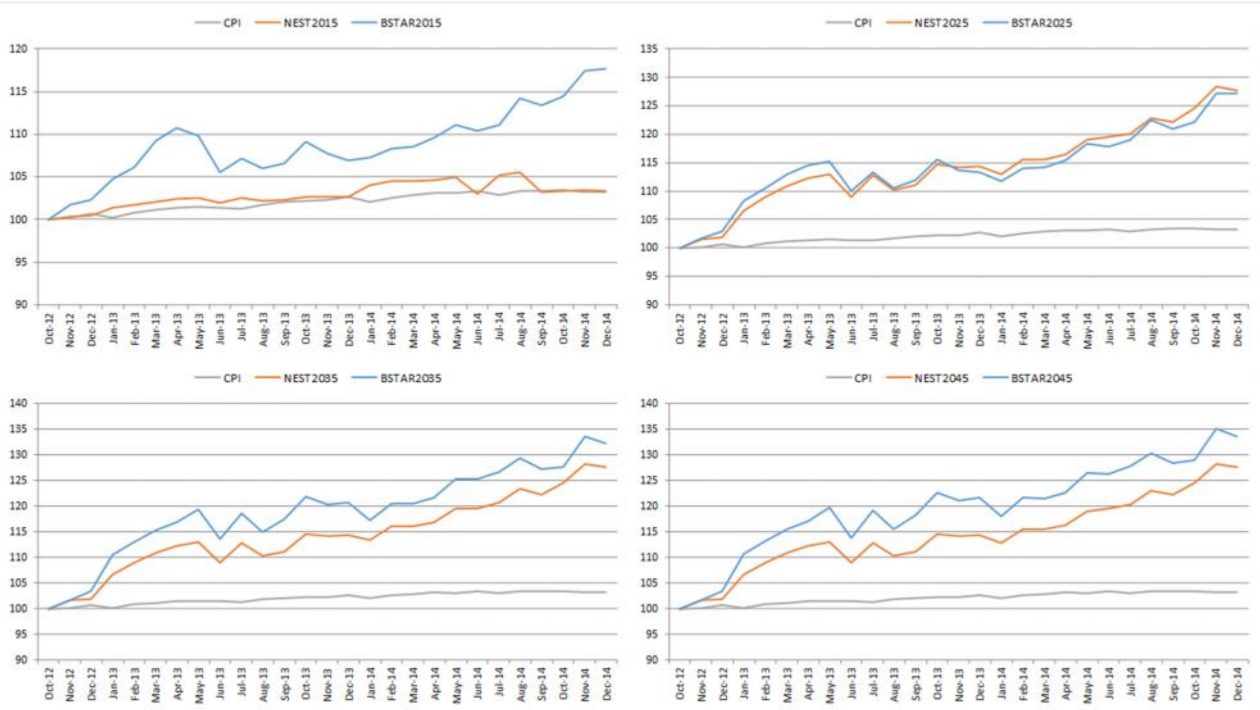


Notes: 36 month historic annualised return and annualised volatility. BirthStar fund performance is net of 0.49% standard fee. BirthStar index performance is gross of fees and represents the product of the component indices of the BirthStar strategic asset allocation (glidepath) and their respective weights in the glidepath. BirthStar fund launch inception date 1-Nov-12. BirthStar fund performance data prior to Nov-12 is based on simulated data. Please see separate notes on use of simulated data at the end of this presentation.

Sources: Manager data, FinancialExpress, FTSE, Elston Consulting

Performance vs NEST and CPI

Cumulative performance (since 1-Oct-12) for BirthStar®and NEST
BirthStar® targets CPI+4% for long-dated funds. NEST targets CPI+3% for long-dated funds.



Sources: Manager data, NEST Corporation, Bloomberg, Elston Consulting

Manager's 4q14 Review

Market environment

Global equities were unsettled in the fourth quarter as markets grappled with the far-reaching effects of plunging oil prices. Yet equity market volatility remained relatively low. Global real estate markets rose during the period, capping a year of very strong gains, boosted by lower interest rates, healthy property fundamentals and investor appetite for higher-yielding investments.

Global economic growth continued at a slow and uneven pace. In the US, manufacturing indicators rose, and unemployment fell, bolstering consumer confidence and increasing the chances of a Fed rate hike in 2015. In contrast, the euro-area economy continues to struggle. The European Central Bank is expected to launch a quantitative easing program in early 2015 in an effort to prevent deflation and reignite growth. In Japan, GDP has risen by only 0.3% over the six quarters since the Bank of Japan's aggressive stimulus program began in April 2013, raising concerns that Prime Minister Shinzo Abe's plan isn't working.

In emerging markets, cheaper oil will put more disinflationary pressure on China's economy, which is already coping with a structural slowdown. But tame inflation should support more rate cuts in 2015 to help stem the deceleration of growth.

While growth remains uneven around the world, we still expect global growth to accelerate modestly in 2015. Leading indicators such as the Purchasing Managers' Index (PMI) show momentum remains stronger for developed economies, and even with the US and UK central banks edging closer to interest-rate hikes, monetary policy worldwide should remain accommodative and the sharp drop in oil prices should boost economic activity.

With the US economy showing more persistent signs of an economic recovery than many other regions around the world, the US dollar continued to appreciate against most major currencies, including the pound.

Despite the best efforts of policy makers, inflation continued to fall throughout the developed world, reaching especially worrisome levels in Europe and Japan. The fourth quarter saw a significant decline in global long-term interest rates, in part driven by the market's weakening view of global growth together with dampened inflation expectations in light of falling oil prices.

While the economic recovery in the UK has continued, the latest "Inflation report" from the Bank of England shows that the impact of lower food, energy and import prices has caused inflation to fall even further below the target level of 2% and may even fall below 1% over the next few months. Without inflationary pressures, the Bank of England's guidance on the expected path of interest rates continues to apply: "When the Bank rate does begin to rise, the pace of rate increases is expected to be gradual, with rates probably remaining below average historical levels for some time."

Actions we expected to take (from previous report)

All else being equal, we expected to maintain our overweight to equities throughout the quarter, supported by our view that the low-growth, low-risk environment would continue.

However, we expected to continue to monitor this closely, in particular keeping a careful eye on any further bouts of increased volatility. While equity market risk has generally been low since late 2012 and performance has been strong we have seen various short-lived episodes of heightened concern (each sparked by different catalysts) which led to spikes in risk measures and declines in stocks that, in each case, were rapidly made-up. During these moments of elevated risk, we have needed to determine if they indicate longer-lasting problems or are merely temporary.

What We Actually Did in Practice

We modestly reduced our overweight to growth assets at the beginning of the quarter after experiencing another bout of heightened volatility in October.

The triggers for the spike in risk were hard to identify but two issues seemed at the forefront.

First, monetary accommodation has been a key contributor to the market's calm as low interest rates and easy liquidity favour risky assets. Despite being well-anticipated, the end of the third phase of quantitative asset purchases by the US Federal Reserve signalled a possible new phase in policy. Second, the sudden fall in oil prices was interpreted as a potential harbinger of deflation.

We slightly trimmed our position in risky assets in light of the rapidly changing risk environment in October but retained our modest overweight versus strategic allocations. Our view was that the low-growth, low-risk environment should continue, that historically low interest rates continue to make equities attractive relative to bonds and that the recent energy-price declines should provide stimulus to stocks.

Source: AllianceBernstein

Manager’s 1q15 Preview

Changes We Expect to Make to the Portfolio

All else being equal, we expect to maintain our overweight to equities throughout the quarter, supported by our view that the low-growth, low-risk environment should continue. The combination of low yields, plentiful liquidity and benign inflation is favourable to stocks. At the same time, global equity valuations are reasonable, and companies continue to be disciplined, maintaining strong balance sheets. We will continue to review the risk environment. In particular reviewing how the sharp decline in oil prices will impact the macroeconomic environment via households, businesses and policy makers. For example, price declines associated with an excess supply situation-as seems to be the cause today-have different economic consequences than do price declines associated with recessions and demand weakness. Lower energy prices should lift global growth; but the impact clearly varies from country to country and we will continue to monitor the situation closely.

Source: AllianceBernstein

Performance factors

	Key positives	Key negatives
At Retirement Funds (eg target date 2005)	• Strategic allocation to long-dated bonds: nominal and inflation linked gilts.	• Strategic allocation to short-dated inflation linked gilts.
Pre Retirement Fund (eg target date 2015)	• Strategic allocation to long-dated bonds: nominal and inflation linked gilts.	• Strategic allocation to short-dated inflation linked gilts.
Mid-Life Funds (eg target dates 2025-35)	• Strategic allocation to global property. • With the dollar strengthening relative to the pound the strategic allocation to global developed equities.	• Dynamic allocation giving a modest underweight to bonds, which outperformed growth assets.
Young Funds (eg target dates >2035)	• Strategic allocation to global property. • With the dollar strengthening relative to the pound the strategic allocation to global developed equities with foreign currency unhedged.	• None

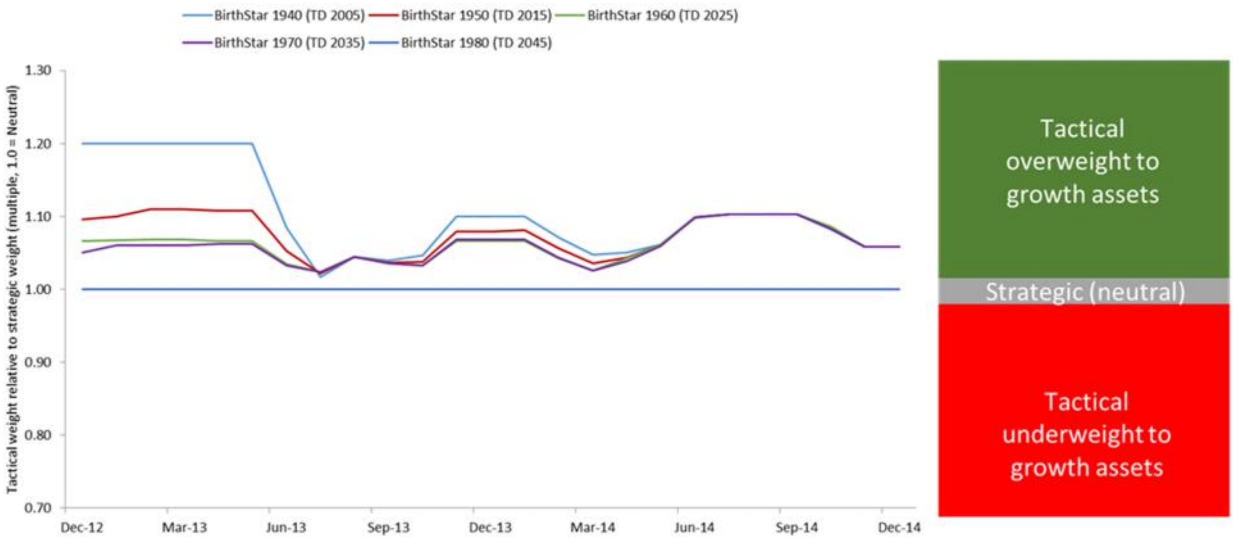
Source: AllianceBernstein

Dynamic asset allocation

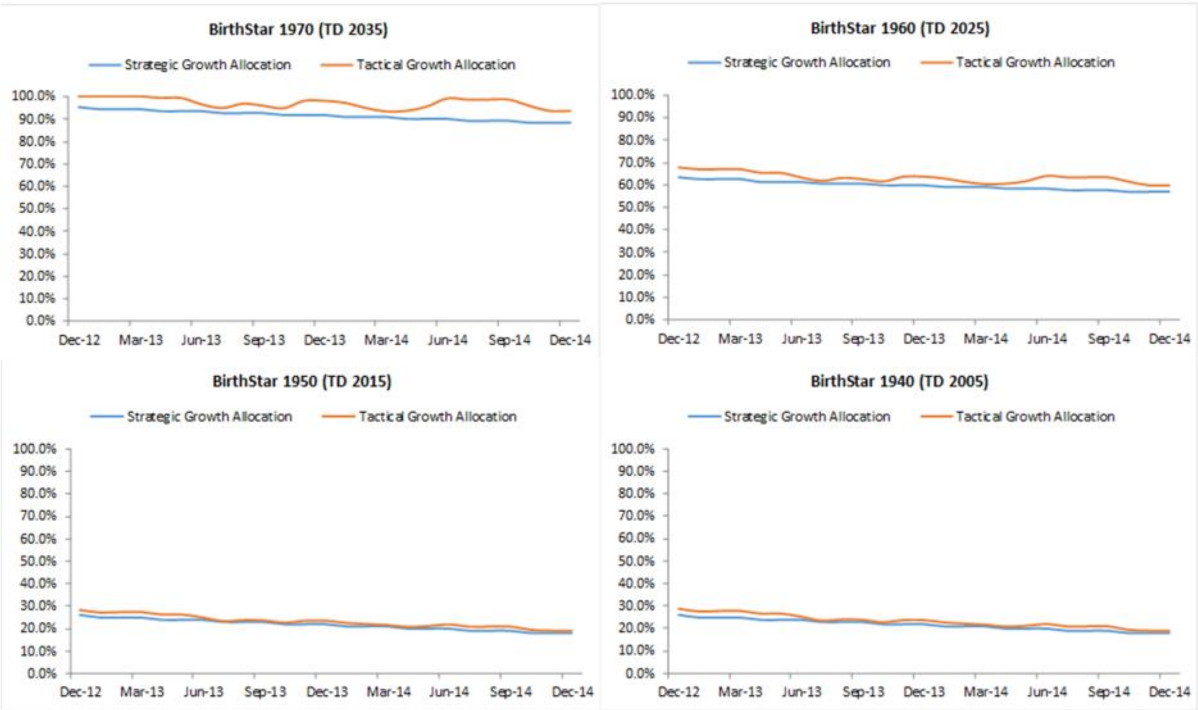
Unlike fixed/automated lifestyle strategies, there is a continuous risk-management strategy in place for BirthStar to respond to changing market and economic conditions.

The objective of dynamic asset allocation is to narrow the dispersion and improve the consistency of returns.

Chart below shows evolution of tactical positioning (geometrically) relative to strategic asset allocation to growth assets (=1.0) for BirthStar® strategies.



Source: AllianceBernstein, Elston Consulting



Source: AllianceBernstein, Elston Consulting

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Additional reporting

For additional information on BirthStar® funds, please visit

www.birthstarfunds.co.uk

Contact

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Notices

About the funds

BirthStar® Target Date Funds are available through the AXA Wealth Corporate Trustee Investment Plan. AllianceBernstein has partnered with AXA Wealth Limited* ("AXA Wealth") to provide a range of blended funds which have an underlying asset allocation strategy designed by AllianceBernstein. AXA Wealth provides access to blended funds that invest in underlying funds and assets. AllianceBernstein has designed the underlying asset allocation strategy of the blended funds to meet the objectives specified by Elston Consulting Limited. The underlying funds held within each blended fund solution will be determined by AXA Wealth and AllianceBernstein. AXA Wealth will provide access to the range of blended funds to AllianceBernstein and its respective distribution channels.
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Notes on risk-adjusted performance chart

The risk-adjusted performance chart using -36 months of data. Any data prior to 1-Nov-12 for this analysis relies on simulated data. Please read important notes re simulated data below. Notes on Simulation Results for BirthStar® strategies prior to inception date (1-Nov-12). The asset-allocation framework discussed in this presentation is a new strategy for which actual data were not available. The portfolios and their performance are hypothetical and do not represent the investment performance or the actual accounts of any clients. The securities in these hypothetical portfolios were selected with the full benefit of hindsight, after their performance over the period shown was known. The results achieved in our simulations do not guarantee future investment results. The model performance information in this presentation is based on the back-tested performance of hypothetical investments over the time periods indicated. "Back-testing" is a process of objectively simulating historical investment returns by applying a set of rules for buying and selling securities, and other assets, backward in time, testing those rules, and hypothetically investing in the securities and other assets that are chosen. Back-testing is designed to allow investors to understand and evaluate certain strategies by seeing how they would have performed hypothetically during certain time periods. It is possible that the markets will perform better or worse than shown in the projections; that the actual results of an investor who invests in the manner these projections suggest will be better or worse than the projections; and that an investor may lose money by investing in the manner the projections suggest. The projections assume the reinvestment of dividends and exclude (unless otherwise stated) transaction costs for all purchases and sales. We assume no deduction for advisory fees (unless otherwise stated).Although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. While back-testing results reflect the rigorous application of the investment strategy selected, back-tested results have certain limitations and should not be considered indicative of future results. In particular, they do not reflect actual trading in an account, so there is no guarantee that an actual account would have achieved the results shown. Back-tested results also assume that asset allocations would not have changed over time and in response to market conditions, which might have occurred if an actual account had been managed during the time period shown. The manager may have a different investment perspective and maintain different asset allocation or other recommendations to its professional clients from those shown here.

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