City of Westminster Superannuation Fund

Investment Performance Report to 31 March 2012

Executive Summary

Deloitte Total Reward and Benefits Limited

May 2012

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1 Market Background

Three and twelve months to 31 March 2012

The first quarter of the year saw positive returns on UK equities, with the FTSE All Share posting gains of 6.1% over the 3 months to 31 March 2012. Gains were boosted over the quarter by significant returns from smaller companies as the FTSE Small Cap posted returns of 14.8%, ahead of the FTSE 100 return of 4.6%.

Returns were variable across sectors, with Financials delivering the highest returns (14.5%) as stronger economic data at the start of the year boosted investor confidence. Industrial and Technology sectors also performed well, returning 12.9% and 12.1% respectively. Most other sectors posted positive returns, with the exception of Health Care and Oil & Gas, which returned -5.2% and -2.7% respectively.

Global equities outperformed the UK market over the quarter, returning 9.0% for sterling investors. Investors implementing currency hedging received a slightly higher return of 11.3%, as they benefitted from sterling's appreciation against most major currencies over the quarter. All global geographic regions posted positive returns.

In contrast to the past three quarters, UK nominal gilt yields rose over the first quarter of 2012, resulting in negative returns on the All Stocks and longer dated conventional gilts (-1.7% and -4.4% respectively). Returns on index linked gilts were also negative (-2.0% for the Over 5 Year Index-Linked Gilt Index) as real yields also increased slightly. However, real yields remained in negative territory at the end of the first quarter.

UK corporate bonds fared better over the quarter, with the iBoxx Non-Gilt All Stocks index returning 2.7% as credit spreads tightened over the three month period.

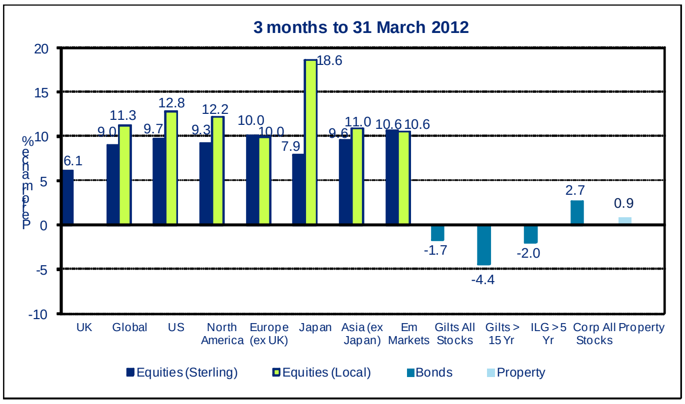
Over the 12 months to 31 March 2012, the FTSE All Share Index returned just 1.4%. Performance across sectors was varied with Consumer Goods leading the pack, returning 19.5% over the year. The sector has weathered the past year's volatility smoothly, posting flat to low positive returns most months and only slightly negative performance during the market turmoil of the third quarter of 2011. The worst performing sectors over the year to 31 March 2012 were Basic Materials (-22.9%) and Financials (-10.6%). These sectors have been the most sensitive to the risk on/risk off nature of equity markets over the past 12 months.

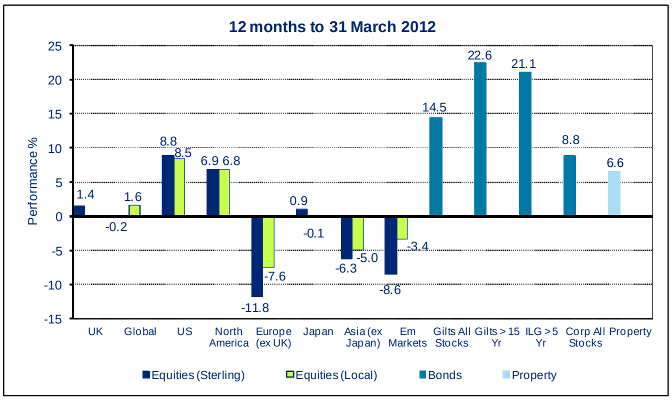
Global equity market returns for a sterling investor were broadly flat over the 12 months to 31 March 2012, with positive returns from North America being offset by market falls in Europe (ex-UK), Asia Pacific (ex-Japan) and Emerging Markets. Sterling investors with currency hedging achieved higher returns of 1.6%, as sterling appreciated significantly against the euro over a period when European markets showed the largest falls. Sterling was broadly flat against the dollar and the yen.

The volatility of equity markets over the year to 31 March 2012 resulted in investors turning to UK gilts as a relatively safe haven for their assets. This, together with the extension of the Bank of England's Quantitative Easing programme and broader concern over European sovereign debt, resulted in All Stocks and longer dated conventional gilt indices returning 14.5% and 22.6% respectively as the yields on both dropped by more than 1% over the 12 month period. Returns on index linked gilts were similar at 21.1% over the year, as demand for these assets was high from investors seeking inflation protection.

Corporate bonds delivered slightly lower returns over the year, with the iBoxx Non-Gilt All Stocks index posting 8.8% despite credit spreads widening over the period.

The UK property market returned 0.9% over the first quarter and 6.6% over the 12 months to 31 March 2012. Quarterly returns on property indices have been steadily decreasing over the past 12 months. Capital values have been relatively flat over the year with returns being driven by rental income.





2 Total Fund

2.1 Investment Performance to 31 March 2012

Over the quarter, the Fund's active managers delivered mixed results. Majedie and the former Schroders' property portfolio performed in line with their benchmarks, with slight outperformance from Insight and Hermes being offset by negative performance from Newton. At the Total Fund level,the Fund performance over the quarter was also adversely impacted by the overweighting to bonds at the expense of equities as equity markets rallied over the quarter resulting in an underperformance of 0.4%. Over the year and three year to March 2012 both Majedie and Insight Active Non gilts have outperformed their benchmarks (and targets) whilst Newton has underperformed. Both property mandates have outperformed over the year.

Overall, over the last three years to 31 March 2012 the Fund has underperformed it benchmark by 0.4%. This has been driven primarily by poor performance from Newton and from the previous mandate with Alliance Bernstein. Majedie has been the main positive contributor to performance over this period. The table below summarises the investment performance to 31 March 2012 by manager.

Manager	Last Quarter		Last Year		Last 3 Years[1]		Since Inception[1]		Annual Mgt Fees (%pa)
	Fund (%)	B'mark (%)	Fund (%)	B'mark (%)	Fund (%pa)	B'mark (%pa)	Fund (%pa)	B'mark (%pa)	
Majedie	6.1	6.1	6.3	1.4	20.6	18.8	8.6	4.1	0.4[3]
SSgA UK	6.1	6.1	1.5	1.4	19.1	18.9	3.2	3.0	0.05
SSgA International	10.6	10.5	0.4	0.6	n/a	n/a	1.1	1.2	0.11
Newton	8.4	8.8	-4.4	-0.7	13.3	16.2	2.7	2.8	0.5
Insight – Non Gilt	4.1	3.7	8.5	7.3	13.3	10.8	5.2	4.9	0.25
Insight - Passive	-0.1	-0.1	10.2	10.3	5.3	5.2	8.0	8.2	0.1
Former Schroders[2]	1.0	1.0	7.7	6.4	n/a	n/a	8.6	6.9	0.5
Hermes[2]	1.1	0.9	7.6	5.6	n/a	n/a	3.9	6.9	0.4
Total Fund	**6.2**	**6.6**	**2.9**	**2.7**	**15.4**	**15.8**	**4.0**	**4.5**	

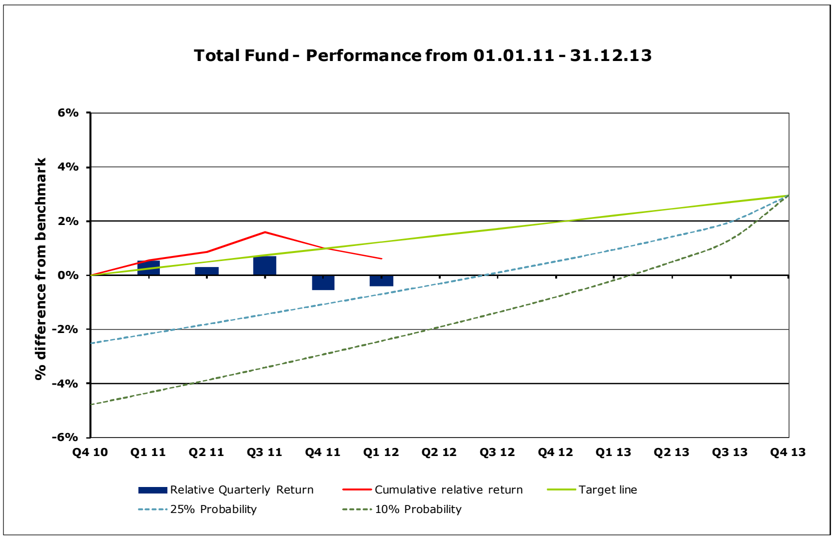
Figures are quoted gross of fees. Source: Majedie, SSgA, Newton, Insight, Alliance Bernstein, Schroders, Hermes and BNY Mellon.

(1) Estimated by Deloitte.

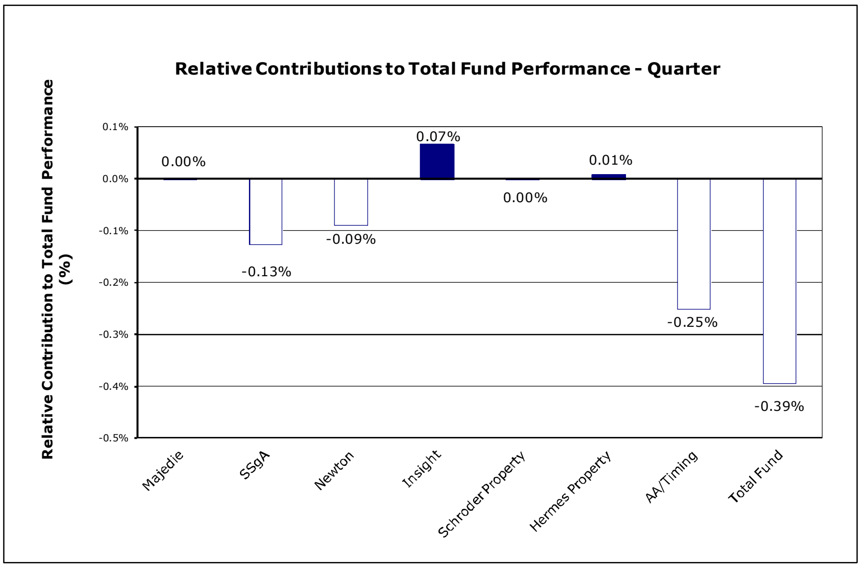
(2) Since inception performance of Schroders and Hermes property funds is measured from the inception dates of 8 October 2010 and 26 October 2010 respectively. Benchmark since inception performance is measured from 31 December 2010.

(3) In addition to a flat fee, Majedie's fee includes a performance fee of 20% where the excess return is above 1% pa.

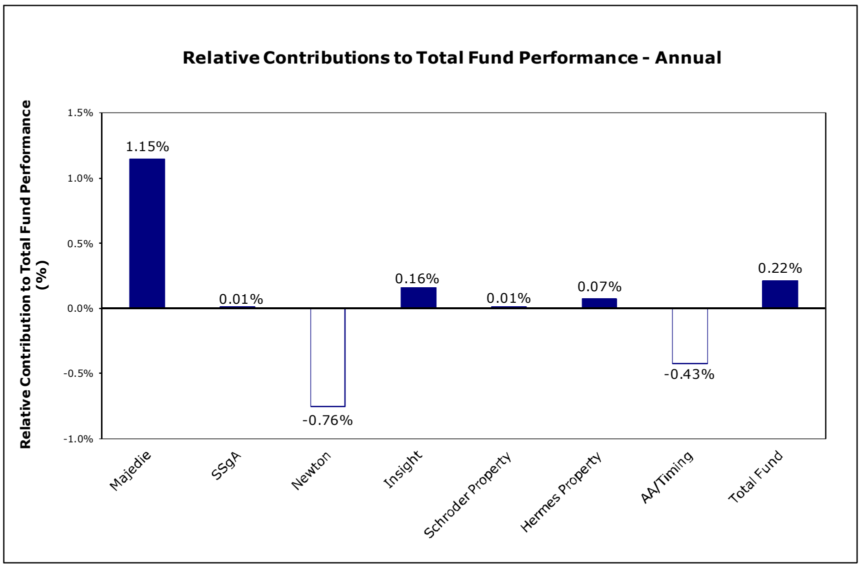
The chart below compares the performance of the Fund relative to the expected variation around the target outperformance over the three years to end 2013. This highlights that over the past 5 quartes the cumulative performance has been positive but not above the target line.



2.2 Attribution of Performance to 31 March 2012



The Fund underperformed its composite benchmark by 0.4% over the first quarter. This was predominantly due to asset allocation with the Fund being overweight bonds as equities. The underperformance of SSgA is also due to asset allocation, due to the relative underweight position in global equities versus UK equities. Underperformance by Newton was also a significant detractor from performance.



Over the past 12 months all managers except Newton have contributed to the Fund's relative outperformance. The 0.43% negative contribution to performance in the AA/Timing bar is a balancing item and reflects the impact of holding cash and asset allocation positions (e.g. UK equities vs Global equities). The breakdown clearly illustrates that the primary driver contributing to relative terms over the 12 month period has been Majedie's positive performance.

2.3 Asset Allocation as at 31 March 2012

The table below shows the assets held by manager and asset class as at 31 March 2012.

		Actual Asset Allocation					
Manager	**Asset Class**	**31 Dec 2011 (£m)**	**31 Mar 2012 (£m)**	**31 Dec 2011 (%)**	**31 Mar 2012 (%)**	**Benchmark Allocation (%)**	**Control Range (%)**
Majedie	UK Equity (Active)	160.6	162.9	23.8	23.2	16.9	+/-2
SSgA	UK Equity (Passive)	112.4	108.9	16.6	15.5	16.9	+/-2
	Total UK Equity	**273.0**	**271.8**	**40.4**	**38.7**	**33.8**	
Newton	Global Equity (Active)	134.1	147.6	19.8	21.0	20.6	+/-2
SSgA	Global Equity (Passive)	90.1	99.7	13.3	14.2	20.6	+/-2
	Total Global Equity	**224.3**	**247.3**	**33.2**	**35.2**	**41.2**	
Insight	Fixed Interest Gilts	36.0	36.0	5.3	5.1	5.0	
Insight	Sterling Non-Gilts	108.6	113.0	16.1	16.1	15.0	
	Total Bonds	**144.6**	**149.0**	**21.4**	**21.2**	**20.0**	**+/-4**
Former Schroders	Property	7.0	7.0	1.0	1.0	2.5	
Hermes	Property	26.9	26.8	4.0	3.8	2.5	
	Total Property	**33.9**	**33.9**	**5.0**	**4.8**	**5.0**	
	Total	**675.8**	**702.1**	**100.0**	**100.0**	**100.0**	
	Westminster In-House Account	1.0	1.0	-	-	-	
	Total	**676.8**	**703.1**	**-**	**-**	**-**	

Source: Majedie, SSgA, Newton, Insight, Schroders, Hermes and BNY Mellon
Figures may not sum to total due to rounding

The market value of the assets increased by c. £29.7m over the quarter, largely as a consequence of the positive returns in the markets.

2.4 Rebalancing Framework

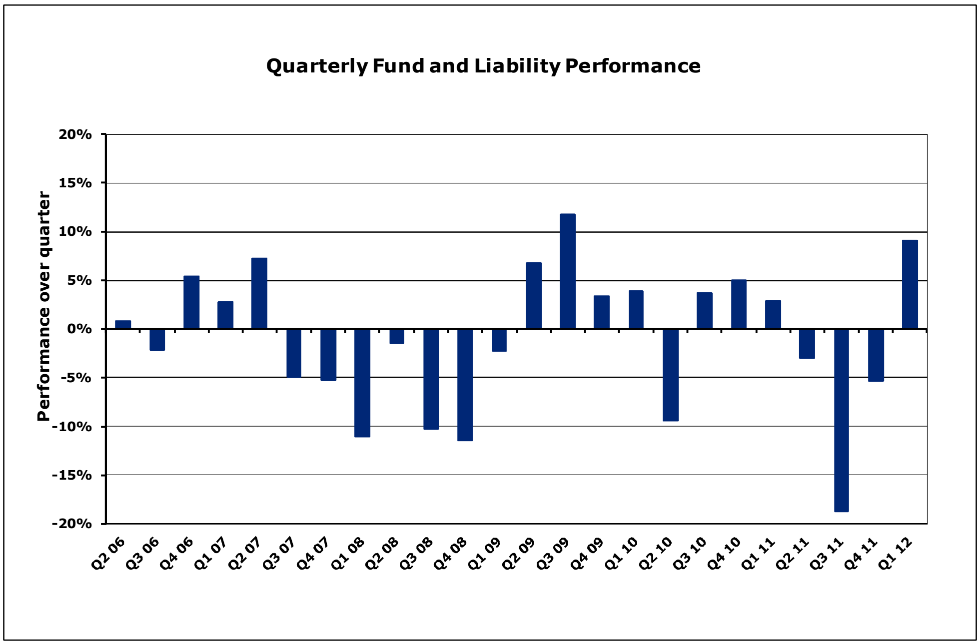
As at 31 March 2012 the Fund's allocation was underweight equities (-1.1%), overweight bonds (+1.2%) and underweight property (-0.2%).

The Fund is above the control range for the allocation to Majedie and below the control range for the allocation to SSgA global passive.

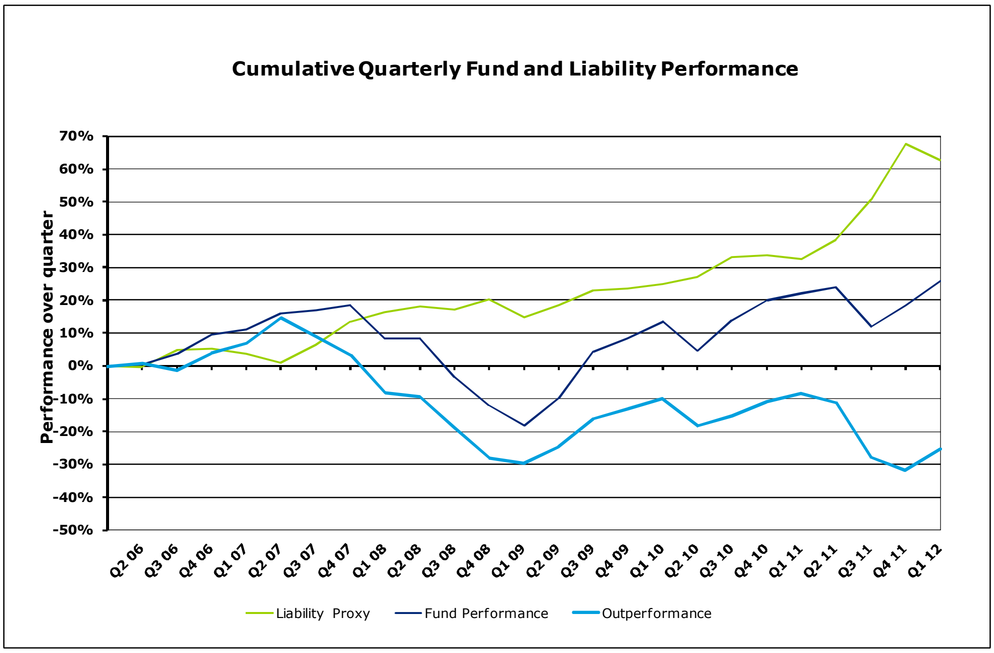
2.5 Funding Monitoring

The chart below compares the performance of the Fund against a liability proxy of 50% > 15 Year ILG, 35% >5 Year ILG and 15% > 15 Year Gilts. Based on discussions with the Scheme Actuary, we believe this proxy provides a useful starting point in developing the strategy monitoring analysis.

Over the period since 31 May 2006 (the earliest point for which we have data), the annualised volatility of the Fund's performance, relative to the liability proxy, was c.15.4% p.a. Accepting that past performance cannot be relied on as a guide to the future, it nevertheless gives a sense of the investment risks being taken. Statistically, a volatility number of c.15.4% p.a. implies there is a 68% probability that the actual return on the Fund's assets will fall within +/- 15.4% of the return on the liability matching portfolio over a 12 month period - applying a 95% confidence, the returns of the Fund would fall within +/- 30.8%.



The chart below compares the cumulative performance of the Fund and the liability proxy since 31 May 2006 and shows that the Fund has underperformed the proxy liability by c.25.4% since that date. While equities have delivered a positive return over this period (+4.1%p.a.), most of the underperformance can be attributed to the decline in bond yields.



2.6 Summary of Manager Ratings

The table on the next page summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team of 4 Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
SSgA	UK and International Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	n/a
Newton	Global Equity	Any further significant departures from the investment management team Indications that greater emphasis is being placed on shorter term market anomalies than the longer term themes	2
Insight	Sterling Non-Gilts	Departure of any of the senior members of the investment team Steps to broaden their product offering beyond the current UK and European focus without first bringing in the additional expertise	1
Insight	Fixed Interest Gilts (Passive)		n/a

* The Provisional rating is applied where we have concerns over changes to an investment manager>

Majedie UK Equity

Majedie has submitted an application to the FSA for the introduction of overseas equities to the UK Equity and Focus portfolios with the intention of introducing a select number of international stocks at the start of the third quarter. Majedie believes this move will help with diversification and allow holdings in sectors not well represented in the UK market e.g. pharmaceuticals and stocks that are underrepresented in the UK market. Any holdings will be tactical and the currency exposure will not be hedged.

The Global Equity fund won 3 local authority clients over the quarter of c. £60m each. Two of the wins were from existing clients in the UK Focus Portfolio and the third win was through a relationship with an individual who previously worked at Majedie.

Philip Stark joined as Compliance and Legal Director. He has worked with Majedie before in drafting various legal documentation.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities.

The proposed allocation to overseas equities in the UK fund (c. 20%) is significantly higher than what we would expect to see for a typical UK fund (5-7%). In general, while supportive of the proposal, we would suggest that Majedie is requested to report on the impact of any non UK holding in its regular quarterly reports.

SSgA Passive UK and International Equity

SSgA are moving from a cap-weighted approach to a fundamental approach. A strategy several managers have been looking into following the drawbacks of cap-weighted strategies.

Kevin Cullen is now the relationship manager for Westminster, replacing Moira Gorman. Kevin already manages some of SSgA's local authority relationships so is familiar with the requirements of the LGPS sector.

Deloitte view - We continue to rate SSgA positively for passive UK and international equity capabilities.

Newton Global Equity

In January Newton announced changes to the investment team, with Jeff Munroe standing down as CIO and taking over responsibility for the global equity team. From discussions with Munroe, it is clear that he wants to get the focus within portfolios back onto bottom up, fundamental stock analysis with portfolios clearly reflecting the conviction of views.

During the quarter a review was carried out of the analyst team, resulting in a departure of one of the analysts.

Deloitte View: While we believe that Munroe is an experienced investor, he has a major task ahead of himself to turn round performance and retain investors' confidence. We are aware that there have been a number of client losses from Newton's global equity business and would expect there to be more over the coming months.

Given the review that is currently being undertaken, we believe it would be appropriate for the Committee to consider transferring the assets currently with Newton to a passive arrangement pending the outcome of the review.

Reflecting our concerns about the changes at Newton we have downgraded their rating to a 2.

Insight

During the quarter there were two junior hires into the fixed income team with a further three into the LDI team.

Insight continued to grow their business adding around £2bn of assets covering ABS, European bonds and buy and maintain credit mandates.

There were no changes to the process during the quarter.

Deloitte view – We continue to rate Insight positively for their bond and cash management capabilities

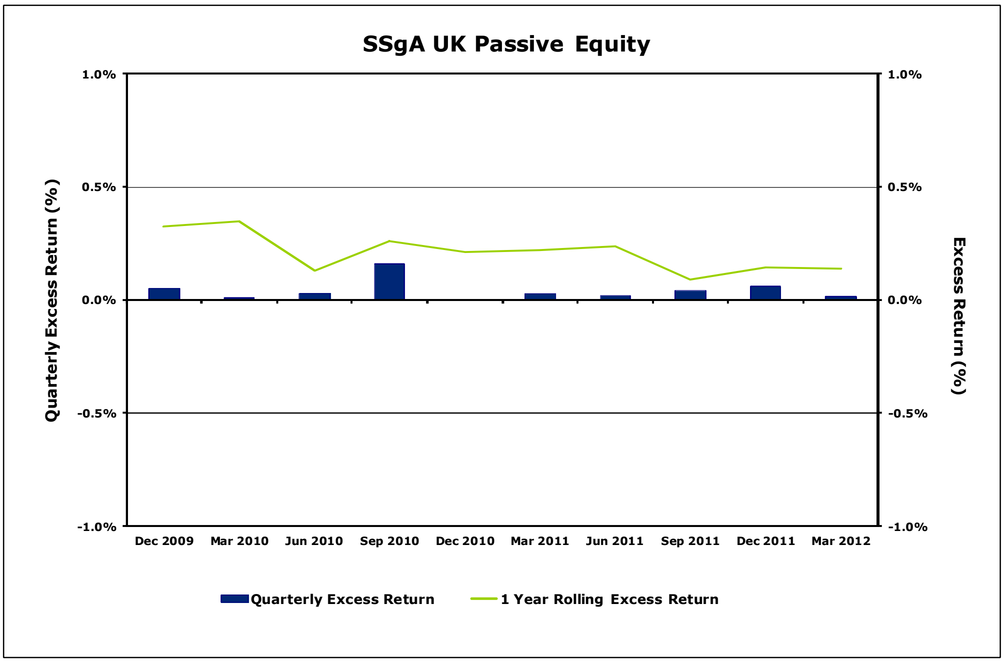
3 SSgA

3.1 Passive UK equity – Investment Performance to 31 March 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA	6.1	1.5	19.0	3.2	-
FTSE All-Share Index	6.1	1.4	18.8	3.0	-
Relative	0.0	0.1	0.2	0.2	+/- 0.25% p.a.

Source: SSgA.

Inception date taken as 30 May 2008 (prior to that the mandate was an active equity mandate),The portfolio aims to track the benchmark within tracking error tolerance range two years out of three.



3.2 Passive International equity – Investment Performance to 31 March 2012

	Last Quarter[1](%)	Last Year (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA	10.6	0.4	1.1	-
FTSE World ex UK[1]	10.5	0.6	1.2	-
Relative	0.1	-0.2	-0.1	+/- 0.50% p.a.

Source: SSgA. Since inception estimated by Deloitte

Inception date taken as 10 March 2011

1) Portfolio and benchmark are 50% currency hedged from 9 March 2011.

Both mandates have performed broadly in line with their benchmarks over the various time periods.

4 Majedie – Active UK Equity

4.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Portfolio Guidelines	Tracking error range: 2% - 6% p.a.	3 year predicted tracking error of 3.95% p.a. [1]
Performance Objective	Aims to outperform the FTSE All-Share Index by 2% p.a. over rolling 3 year periods (net of fees).	No. Outperformed the benchmark but not the target. over 3 year period (net of fees)

(1) Provided by manager.

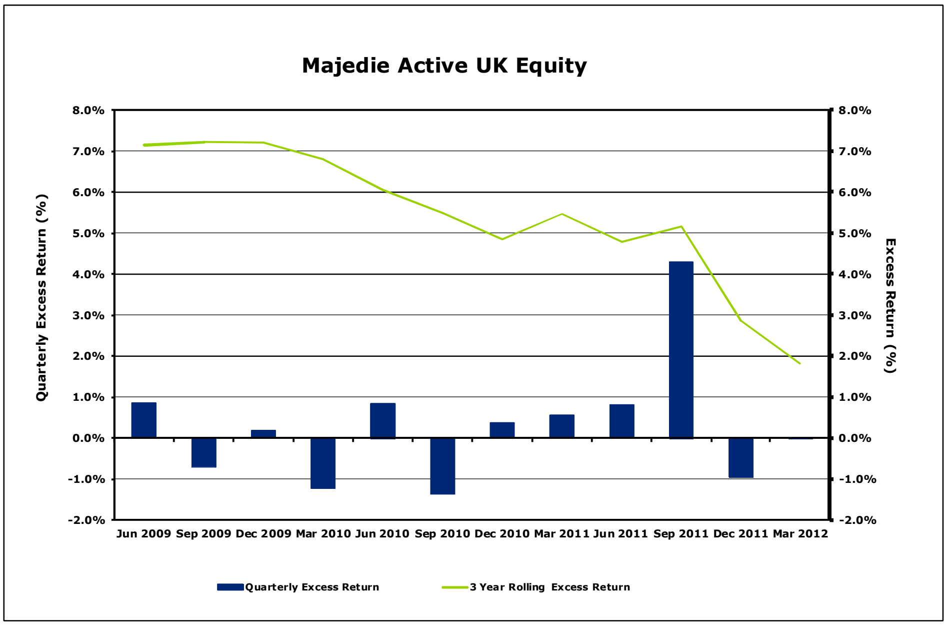
4.2 Investment Performance to 31 March 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie	6.1	6.3	20.6	8.6
FTSE All-Share Index	6.1	1.4	18.8	4.1
Target	6.7	3.8	21.2	6.5

Source: Majedie. Target estimated by Deloitte

Inception date taken as 31 May 2006.

Outperformance is assessed net of fees but portfolio and target return above shown gross i.e. before deduction of fees



Majedie performed in line with its benchmark this quarter, delivering 6.1%. Over the year to 31 March 2012, Majedie has outperformed both the benchmark and the target, delivering 6.3% against a benchmark of 1.4%. Over the three years Majedie outperformed the benchmark but fell slightly short of the target.

Over the past two quarters the portfolio's stance has shifted from being defensively positioned to holding more economically sensitive stocks. Some of the purchases made included Marks and Spencer, Barclays and International Consolidated Airlines. These positions helped performance, albeit in a quarter where risk appetite returned to the market, the portfolio only performed in line with benchmark.

The overweight position in ITV added to portfolio performance, as the stock benefitted from an increase in profits from both advertising revenue and, more importantly, programming content. Profits from programming content are not cyclical, unlike advertising revenue, and therefore better quality. After recent disappointing performance, Marks and Spencer benefitted portfolio performance as the share price rose helped by the implementation of modern IT systems and improvements to the food side of the business. Not holding Tesco shares was also a benefit to the portfolio following a profits warning.

The main detractor from performance over the quarter was FirstGroup, despite the improvement in the US part of the business. The UK company has failed to pass on the increase in costs in the UK bus business to the consumer, leading to profit pressures. Majedie still believes FirstGroup has potential to turn the business around, however the manager is monitoring the stock closely.

Majedie feels that the world is facing a decade of low growth as the West goes through a period of deleveraging. However the belieif is that in the short term, there are opportunities to be exploited. Over the quarter Majedie increased its holdings in RBS, Lloyds and Barclays, as it is felt that the refinancing funds made available by the ECB has removed the risk of a second liquidity crisis for European banks making the pricing attractive. The holding in Marks and Spencer was increased as the stock is showing improvement in their food and clothing offerings as well as the technological improvements being implemented. Majedie reduced the substantial holding in GlaxoSmithKline as it is felt that the valuation gap has closed following positive performance. Holdings in BP and Shell were also reduced over fears on the oil price.

5 Newton – Global Equity

5.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Portfolio Guidelines	Tracking error in range 3.5% - 6.0% p.a. (ex-ante)	3 year predicted tracking error of 4.3% p.a. [1]
Performance Objective	Aims to outperform the benchmark by 2.0% p.a. over rolling 3 year periods (gross of fees)	No, underperformed the benchmark and therefore the target.

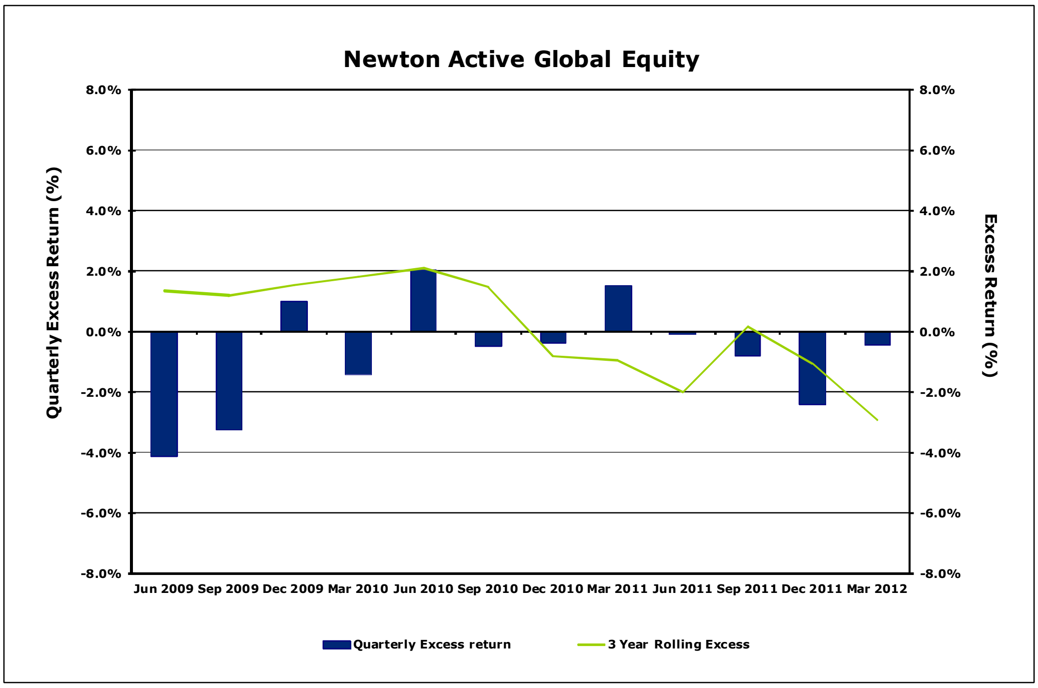
(1) Provided by manager

5.2 Investment Performance to 31 March 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Newton	8.4	-4.4	13.3	2.7
Benchmark	8.8	-0.7	16.2	2.8
Target	9.3	1.3	18.2	4.8

Source: Newton. Target estimated by Deloitte

Inception date taken as 31 May 2006. Benchmark changed to MSCI All Countries 75% hedge from 7/6/11. For indices and split see Appendix A.



The manager has had its fourth consecutive quarter of underperformance, delivering 8.4% against a benchmark return of 8.8% over the first quarter. The defensive position of the portfolio detracted from performance as the better than expected US macroeconomic data led the market to deliver strong returns.The portfolio has also underperformed the benchmark over the year and three years to 31 March 2012.

In particular, the underweight exposure to the financial sector hurt performance as the move by the ECB and other central banks to inject liquidity into the banking sector aided performance. Newton feels that these state interventions are only a short term fix as opposed to being a long term cure and that the deleveraging program as well as state intervention will cap the earning potential of banks – as a consequence Newton is maintaining its exposure to financials. The overweight to healthcare also was a detractor on performance as the defensive sector lagged a rising market.

In stock terms, the holding in Sakari Resources added to portfolio performance – this is despite the energy sector underperforming the market, where Newton's overall underweight to Energy helped. The void position in Apple was a detractor over the quarter, although these losses were counteracted by strong gains made by EMC and Microsoft in the technology sector.

Following team changes, Newton has reviewed the portfolio holdings over the quarter. The decision was made to increase the concentration of the portfolio over the quarter, with the number of stock being reduced. The focus of the portfolio, however, is still the same with increased focus on stocks which have longer term earnings and are attractively priced.

6 Insight - Bonds

6.1 Insight – Active Non Gilts

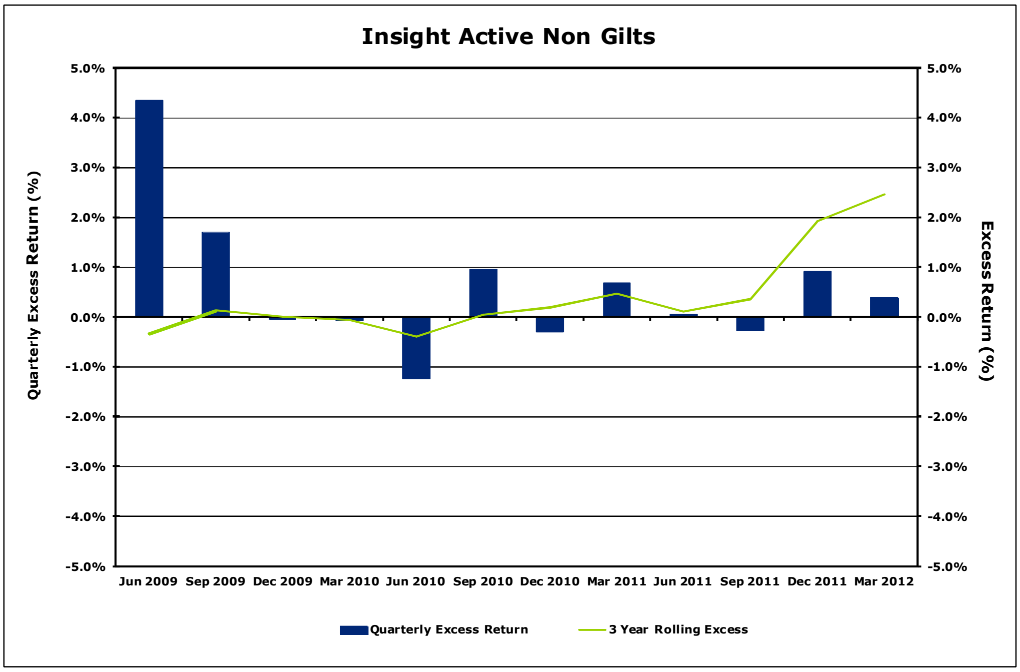
6.1.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Performance Objective	Aims to outperform the iBoxx Sterling Non-Gilt 1-15 Years Index by 0.9% p.a. over rolling 3 year periods (gross of fees)	Yes, outperformed the benchmark by 2.5% over the 3 year period to 31 March 2012 (gross of fees).

6.1.2 Investment Performance to 31 March 2012

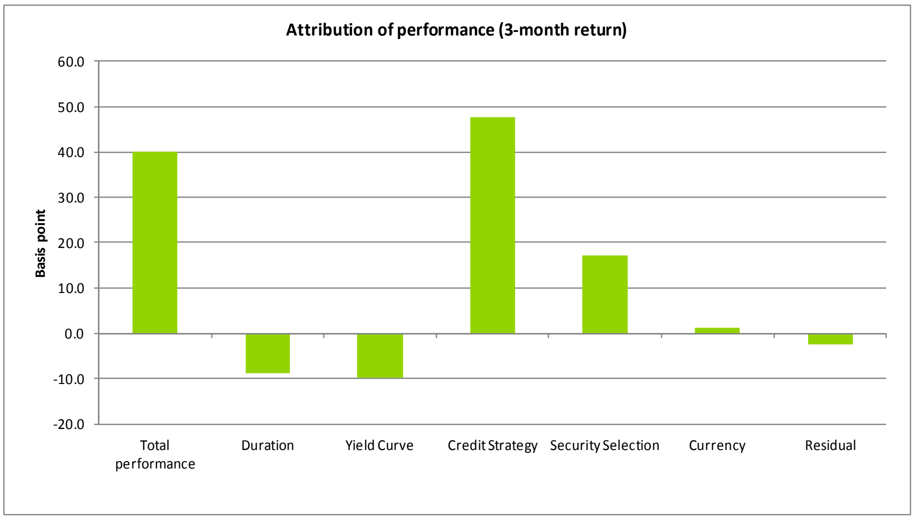
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts)	4.1	8.5	13.3	5.2
iBoxx £ Non-Gilt 1-15 Yrs Index	3.7	7.3	10.8	4.9
Target	3.9	8.2	11.7	5.8

Source: Insight. Target estimated by Deloitte
Inception date taken as 1 June 2006.



Over the quarter Insight outperformed its benchmark (by 0.4%) and therefore its target. Insight has also outperformed the benchmark over the year and the last three years to 31 March 2012 by 1.2% and 2.5% respectively.

6.1.3 Attribution of Performance



Source: Insight

Insight's outperformance was primarily driven by being overweight BBB and financial credit. Security selection also benefitted performance. The overweight duration of the portfolio as well as the flattening yield curve position held detracted from performance.

6.2 Insight – Passive Bonds

6.2.1 Investment Performance to 31 March 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds)	-0.1	10.2	5.3	8.0
FTSE A Gilts up to 15 Yrs Index	-0.1	10.3	5.2	8.2
Relative	0.0	-0.1	0.0	-0.2

Source: Insight

Inception date taken as 31 December 2008.

6.3 Duration of portfolios

	31 December 2011		31 March 2012	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.3	5.1	5.4	5.3
Government Bonds (Passive)	4.6	4.8	4.5	4.9

Source: Insight and Northern Trust

The duration of the bond portfolio is short relative to that of the Fund's liabilities and as such the bond portfolio is only providing limited protection against interest rate risk.

7 Property

7.1 Former Schroders' Mandate

7.1.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Combined Property Portfolio	1.0	7.7	8.6
Benchmark	1.0	6.4	6.9
Target	1.2	7.2	7.6

Previously Schroders acted as a property fund of funds manager and invested in the L&G Managed Funds Property Unit Trust and West End of London Property Unit Trust on behalf of the Fund. On 8 June 2011, the Fund removed Schroders but retained the holdings in the underlying investments.

7.1.2 L&G Managed Funds Property Unit Trust

Legal & General was unable to provide any detailed information regarding the performance or activity within the Trust in time to be included within this report.

7.1.3 West End of London Property Unit Trust

The Trust returned 1.2% over the quarter. The majority of this was attributable to income return as capital growth cooled over the quarter following the recent bull run.

Subsequent to the quarter end, the Stratton House property was sold for £166m – the manager is intending to use the proceeds to acquire new assets, finance ongoing projects and help bring the level of borrowing down within the Trust. The level of voids within the Trust at the end of the quarter was 4.6% by rental value.

7.2 Hermes Property Unit Trust

7.2.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (%)
Hermes	1.1	7.6	3.9
Benchmark	0.9	5.6	6.9
Target	1.0	6.1	7.4

Source: Hermes. Since inception figures are estimated by Deloitte.

The Trust outperformed its benchmark by 0.2%.The performance was driven entirely by income return as asset prices fell, reflecting a change in property market conditions. The largest falls in value came from the Trust's shopping centre and high street shop investments. This was partially due to a change in investor sentiment, but also due to the impact of insolvencies. The Trust has exposure to three Game shops, one Peacocks unit and three small insolvencies. Positive performance was driven by Broken Wharf House in the City of London, which benefitted from being granted planning consent for residential developments.

7.2.2 Sales and Purchases

Over the quarter the Trust completed three disposals. In March it sold its 10% stake in Tower 42, City of London, for £14m which meant the Trust completely reduced its exposure to debt. Also the Trust sold 19 Bolsover Street in London for £21.25m which was at a premium to the valuation. The third sale was of the Holford Industiral Estate for £8.9m, which was at a small premium to the valuation.

There were no purchases during the quarter.

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Appendix 1: Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 7 June 2011.

Asset Class	Allocation	Benchmark
UK Equity	35.9%	FTSE All-Share Index
Overseas Equity	20.6%	FTSE World ex-UK (50% currency hedged)
Global Equity	20.6%	MSCI All Countries NDR Index (1)
Fixed Interest Gilts	5.0%	FTSE A Gilts up to 15 Years Index
Sterling Non- Gilts	15.0%	iBoxx Sterling Non-Gilt 1-15 Years Index
Formerly Schoders Property	2.5%	IPD All Balanced Index
Hermes Property	2.5%	IPD UK PPFI Balanced PUT Index
Total	**100.0%**	

(1) 75% currency exposure hedged back to sterling

Rebalancing Policy

Using the SIC's quarterly meeting schedule to review any rebalancing activity:

If the cash outflows are to be funded:

- Cash outflow requirements are met by disinvesting from the asset class most overweight relative to its Central Benchmark Allocation ("CBA") position.
- Once the asset class overweight has been eliminated, assets would be disinvested proportionately from the asset classes according to the CBA.

If cash inflows are to be invested:

- Cash inflows are invested in the asset class most underweight relative to its CBA position.
- Once the asset class underweight has been eliminated, assets would be disinvested proportionately from the asset classes according to the CBA.

If the allocations exceed the upper (or lower) tolerance limit this triggers a rebalancing review with a view to:

- Rebalance exposure back to the mid-point of the CBA and upper (or lower) tolerance limit.
- Use the proceeds to rebalance the corresponding underweight asset class/investment manager.

SSgA: 16.9% of the Total Fund Assets (Inception: 31 May 2006. Current strategy inception: 30 May 2008)

Asset Class	Benchmark	Outperformance Target	Tracking Error (1)
UK Equity	FTSE All-Share Index	To match the benchmark	Up to +/- 0.25% p.a.

(1) Aim to track benchmark to within tracking error tolerance range two years out of three.

SSgA: 20.6% of the Total Fund Assets (Inception: 11 March 2010)

Asset Class	Benchmark	Outperformance Target	Tracking Error (1)
Overseas Equity	FTSE World ex-UK (50% currency hedged)[2]	To match the benchmark	Up to +/- 0.25% p.a.

Aim to track benchmark to within tracking error tolerance range two years out of three.

Currency hedge applied from 9 March 2011.

Majedie: 16.9% of the Total Fund Assets (Inception: 31 May 2006)

Asset Class	Benchmark	Outperformance Target (1)	Tracking Error (1)
UK Equity	FTSE All-Share Index	+2.0% p.a. (net of fess)	2.0% - 6.0% p.a.

(1) Over rolling 3 year period

Newton: 20.6% of the Total Fund Assets (Inception: 31 May 2006)

Asset Class	Allocation	Benchmark	Outperformance Target (1)	Tracking Error (1)
Global Equity	10%	MSCI All Countries NDR Index(2)(3)	+2.0% p.a. (gross of fess)	3.5% - 6.0% p.a.
Total	100%			

(1) Over rolling 3 year period

(2) 75% hedged back to sterling

(2) Changed from composite benchmark as at 7 June 2011

Insight: 20% of the Total Fund Assets (Inception: 31 May 2006)

Asset Class	Allocation	Benchmark	Outperformance Target (1)	Tracking Error
Fixed Interest Gilts	25%	FTSE A GILTS up to 15 Yrs Index	To match benchmark	-
Non-Gilts	75%	iBoxx £ Non-Gilt 1-15 Yrs Index	+ 0.90% p.a. (gross of fees)	0.0 – 3.0% p.a. (1)
Total	100%		+0.54% p.a. (gross of fees)	-

Over rolling 3 year period

Formerly Schroders: 2.5% of the Total Fund Assets (Inception: 8 October 2010)

Asset Class	Benchmark	Outperformance Target (1)	Tracking Error
Property	IPD All Balanced Index	+0.75% p.a. (net of fess)	-.

Over rolling 3 year period

Hermes: 2.5% of the Total Fund Assets (Inception: 26 October 2010)

Asset Class	Benchmark	Outperformance Target (1)	Tracking Error
Property	IPD UK PPFI Balanced PUT Index	+0.5% p.a. (net of fess)	-

Over rolling 3 year period

Appendix 2: Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3: Risk Warnings

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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