City of Westminster Superannuation Fund

Investment Performance Report to 31 December 2012

Executive Summary

Deloitte Total Reward and Benefits Limited
February 2013

Contents

Appendices

1 Market Background

Three and twelve months to 31 December 2012

Over the fourth quarter of 2012, equity markets enjoyed a modest rally, resulting in the FTSE All Share Index returning 3.8% while the FTSE Small Cap Index offered a greater return of 7.1%.

Equity returns at the sector level were highly varied over the quarter; strong returns were seen in the Technology (12.0%) and Financial (11.3%) sectors, with negative returns being posted by the Telecommunications (-9.4%) and Oil & Gas (-4.6%) sectors.

Global equities failed to match the returns seen in UK markets over the quarter, returning 2.5% for unhedged investors. Investors implementing a full currency hedge achieved a greater return of 3.3% as Sterling appreciated against the basket of global currencies over the period. Sterling's appreciation was driven primarily by the fall in the Japanese Yen (of almost 12%), although experienced a slight depreciation against the Euro and Swiss Franc. Positive returns were delivered across all major global regional indices, with the exception of North America (-0.8%), where fears over the looming Fiscal Cliff hampered investor confidence. The top performing region was Europe ex-UK, which returned 7.9% over the period.

Yields on nominal UK Gilts increased slightly across the curve. However, real yields on index-linked gilts fell over the quarter, as inflation expectations shifted upwards. The All Stocks Gilt Index posted a negative return of -0.4% over the quarter. Investors in index-linked gilts fared better over the quarter with the All Stocks Index-Linked Gilts Index offering a return of 4.3%, and the Over 15 Year Index-Linked Gilt Index returning 6.2%.

Corporate bonds also performed positively as credit spreads continued to narrow over the quarter in the "risk on" environment that prevailed. The iBoxx Non-Gilt All Stocks Index returned 2.1% and the iBoxx Over 10 Year Non-Gilt Index returned 1.9%.

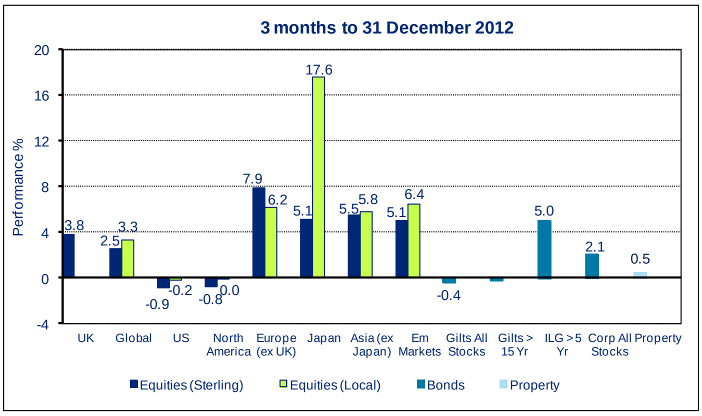
Over the 12 months to 31 December 2012, the FTSE All Share Index returned 12.3% and the FTSE Small Cap Index returned 27.8%. At the sector level, Technology (29.9%) and Financials (28.6%) were the top performers whilst the poorest performing sector was Oil & Gas, returning -11.8%.

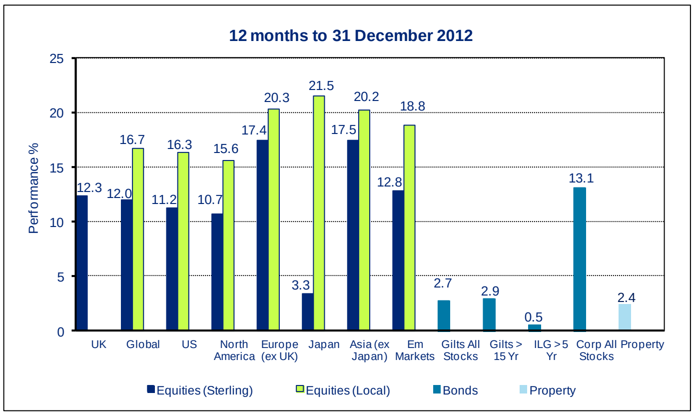
Global equity markets returned 12.0% for unhedged investors over the 12 month period. Investors implementing currency hedging achieved a greater return of 16.7% as Sterling appreciated against the basket of global currencies. As over the 3 month period, Sterling's appreciation can be largely attributed to a fall in the Japanese Yen. All major regions posted positive returns over the 12 months, the greatest of these being in Europe (ex-UK) where equity markets returned 17.4%. Japanese equities offered the UK's local currency investors the weakest return over the 12 month period of 3.3%, while investors implementing currency hedging received a considerably greater return of 21.5%.

UK Gilts performed positively over the 12 months, with the All Stocks Gilt Index returning 2.7%. In contrast, indexed linked securities struggled, with the All Stocks Index-linked Gilt Index returning 0.6% and the Over 15 Year Indexed-linked Gilt Index returning -1.3%, as real yields increased over the period.

Narrowing of credit spreads over the 12 months resulted in strong returns in the corporate debt market: the iBoxx All Stocks Non Gilt Index returned 13.1% over the 12 months to 31 December 2012.

The UK property market returned 0.5% over the fourth quarter and 2.4% over the 12 months to 31 December 2012, with rental income offsetting small declines in capital. The Office sector remained the top performing sector over both 3 and 12 months, returning 1.2% and 4.2% respectively.





2 Total Fund

2.1 Investment Performance to 31 December 2012

Over the quarter, all of the Fund's active managers delivered positive performance while the passive mandates managed by SSgA (equities), LGIM (equities) and Insight (gilts) performed broadly in line with the respective benchmarks.

Over the one year and three years to December 2012 both Majedie UK Equities and Insight Active Non gilts outperformed their benchmarks whilst the remaining equity and bond managers have performed broadly in line with their respective benchmarks. The Hermes property mandate outperformed over the year.

Overall, over the last three years to 31 December 2012 the Fund has slightly outperformed its benchmark by 0.3%. This has been driven primarily by good performance from Majedie. Insight's Non Gilt fund also contributed positively to total performance over the period. The table below summarises the investment performance to 31 December 2012 by manager.

	Last Quarter (%)			Last Year (%)			Last 3 Years (% p.a.)[1]			Since inception (% p.a.)[1]		
	Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
	Gross	Net[1]		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]	
Majedie[3]	7.4	7.3	3.8	17.2	16.8	12.3	10.5	10.1	7.5	9.2	8.8	4.5
SSgA UK	3.8	3.8	3.8	12.4	12.3	12.3	7.6	7.5	7.5	3.9	3.8	3.8
SSgA International	2.6	2.6	2.7	14.0	14.0	14.1	n/a	n/a	n/a	2.3	2.2	2.5
LGIM – Passive[4]	3.7	3.7	3.7	n/a	n/a	n/a	n/a	n/a	n/a	3.7	3.7	3.7
Insight – Non Gilt	2.7	2.6	2.2	14.8	14.6	13.1	9.4	9.1	8.5	6.2	5.9	5.7
Insight - Passive	-0.5	-0.5	-0.5	2.6	2.5	2.6	6.2	6.1	6.3	7.3	7.1	7.4
Hermes[2]	1.0	0.9	-0.7	3.7	3.3	0.3	n/a	n/a	n/a	4.3	4.0	2.1
Total Fund	**3.4**	**3.3**	**2.8**	**13.5**	**13.3**	**11.8**	**8.3**	**8.0**	**8.0**	**4.5**	**4.2**	**4.5**

Figures are quoted net and gross of fees. Source: Majedie, SSgA, LGIM, Insight, Schroders, Hermes and BNY Mellon.

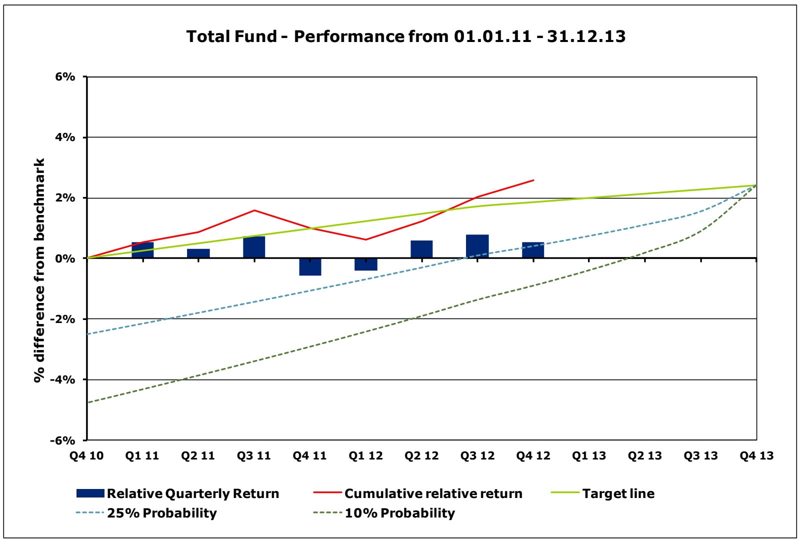
(1) Estimated by Deloitte.

(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.

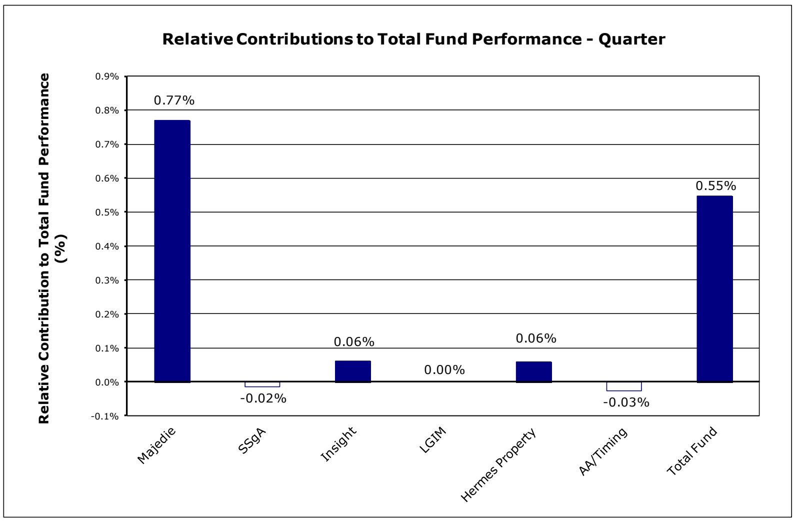
(3) In addition to a flat fee, Majedie's fee includes a performance fee of 20% where the excess return is above 1% pa.

(4) Since inpetion performance is measured from 1 November 2012.

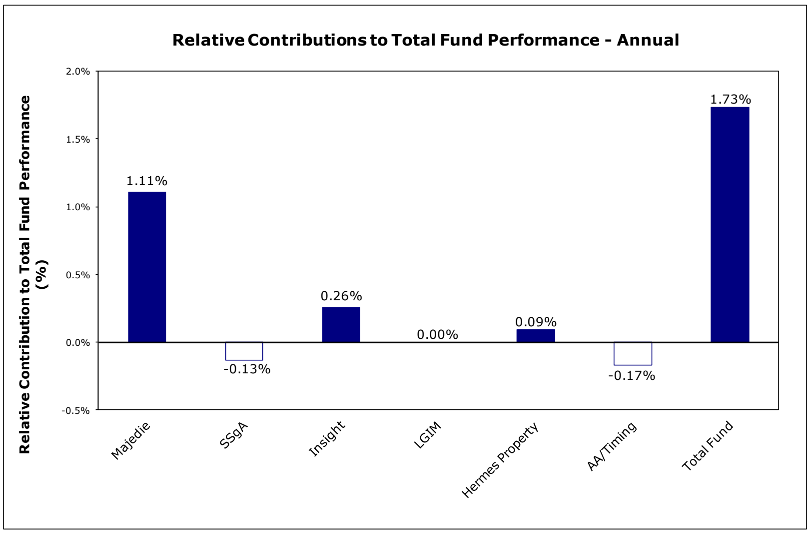
The chart below compares the performance of the Fund relative to the expected variation around the target outperformance over the three years to the end of 2013. This highlights that over the past 8 quarters the cumulative performance has been positive and has recently risen above the target line.



2.2 Attribution of Performance to 31 December 2012



The Fund outperformed its composite benchmark by 0.6% over the fourth quarter, with all managers except SSgA contributing. The main positive contributor was Majedie over the quarter with the balance coming from a combination of Insight's security selection in the Active Non Gilts portfolio and good performance from the Hermes property mandate.



Over the past 12 months all managers except SSgA have contributed to the Fund's outperformance. The 0.13% 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 vs global equities). The breakdown clearly illustrates that the primary drivers contributing to the positive performance over the 12 month period were Majedie and Insight.

2.3 Asset Allocation as at 31 December 2012

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

Manager	Asset Class	Actual Asset Allocation 30 Sep 2012 (£m)	31 Dec 2012 (£m)	30 Sep 2012 (%)	31 Dec 2012 (%)	Benchmark Allocation (%)	Control Range (%)
Majedie	UK Equity (Active)	167.2	180.0	21.4	22.3	16.9	+/-2
SSgA	UK Equity (Passive)	106.1	105.1	13.5	13.0	16.9	+/-2
	Total UK Equity	**273.7**	**285.0**	**35.0**	**35.4**	**33.8**	
LGIM	Global Equity (Passive)	0.0	145.0	0.0	18.0	20.6	
Newton	Global Equity (Active)	154.0	10.5	19.7	1.3	0.0	+/-2
SSgA	Global Equity (Passive)	141.6	145.3	18.1	18.0	20.6	+/-2
	Total Global Equity	**295.6**	**300.8**	**37.8**	**37.4**	**41.2**	
Insight	Fixed Interest Gilts	47.4	47.2	6.1	5.9	5.0	
Insight	Sterling Non-Gilts	132.2	135.7	16.9	16.9	15.0	
	Total Bonds	**179.6**	**182.9**	**22.9**	**22.7**	**20.0**	**+/-4**
Former Schroders	Property	7.3	0.3	0.9	0.0	2.5	
Hermes	Property	26.6	36.3	3.4	4.5	5.0	
	Total Property	**33.9**	**36.6**	**4.3**	**4.5**	**5.0**	
	Total	**782.8**	**805.3**	**100.0**	**100.0**	**100.0**	
	Westminster In-House Account	3.5	5.3	-	-	-	-
	Total	**786.3**	**810.6**	**-**	**-**	**-**	**-**

Source: Majedie, SSgA, Newton, LGIM, Insight, Schroders, Hermes and BNY Mellon

Figures may not sum to total due to rounding

Over the quarter the market value of the assets increased by c. £24.3m mainly due to positive performance by the equity markets.

The Fund disinvested from Newton at the end of October and the bulk of the holdings were transferred to LGIM, investing in a range of regional equity funds that are managed on a passive basis. The holdings were subsequently switched into the World Equity Index Fund. The £10.5m shown as being with Newton at the end of the quarter represents cash held in the custodian's bank account that was previously part of Newton's mandate – this should be transferred to LGIM for investment in the World Equity Index Fund.

The underlying investments in the Schroder West End of London Property Unit Trust and the LGIM Managed Funds Property Unit Trust were sold down over the quarter whilst the holding in the Hermes Property Unit Trust was increased by c. £10m.

2.4 Rebalancing Framework

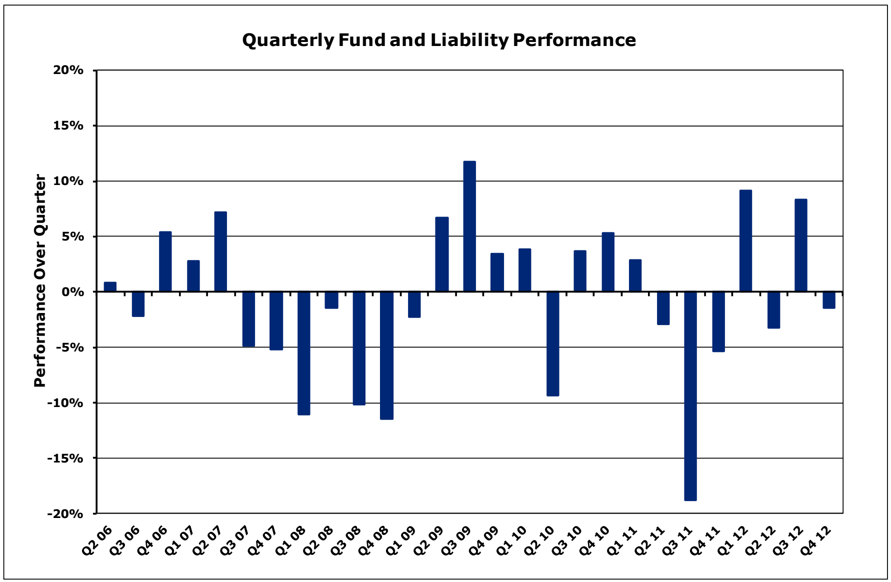
As at 31 December 2012 the Fund was underweight equities (-2.2%), overweight bonds (+2.7%) and underweight property (-0.5%) relative to the stated benchmark.

The Fund was above the control range for the allocation to Majedie and below the control range for the allocation to LGIM and both SSgA passive mandates.

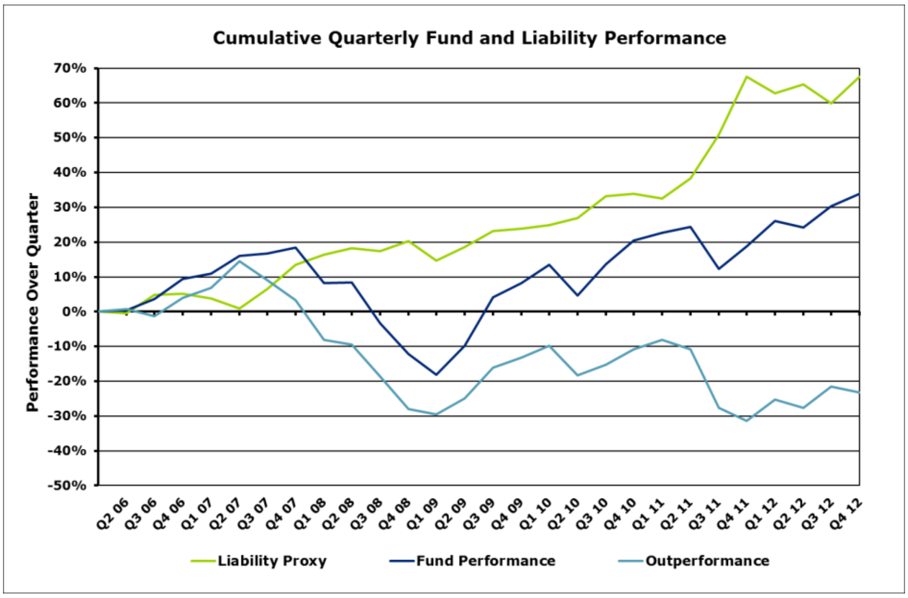
2.5 Funding Monitoring

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.14.9% 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.15.0% p.a. implies there is a 68% probability that the actual return on the Fund's assets will fall within +/- 15.0% 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 +/- 30.0%.



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.22.7% since that date. Whilst equities have delivered a positive return over this period (+4.5%p.a.), most of the underperformance can be attributed to the decline in bond yields.



2.6 Summary of Manager Ratings

The table below 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 Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
LGIM	Global Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	1
SSgA	UK and International Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	n/a
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

At the start of the year Majedie announced changes to the team managing the UK Equity Focus Fund, with Adam Parker being replaced by Chris Reid. The reason given for the move was that following the closure of the UK Opportunities Fund, Parker was not involved in managing any other portfolios encompassing both large and small cap stocks. The aim is that the Focus fund holdings should be a subset of the broader, all capitalisation portfolios. Going forward, Adam will concentrate on managing small cap portfolios, including a "sleeve" of the UK Equity Fund, and remains a significant holder of equity of the Majedie business.

Over the last twelve months Majedie has seen a slight increase in the overall level of assets under management, despite the departure of the Global team which resulted in the loss of £480m. Majedie has a "pipeline" of clients looking to invest as and when capacity becomes available.

Majedie is in the process of rolling out to external investors an Income Fund – this has been set up using a combination of internal money and money from two external investors.

Deloitte view – We continue to rate Majedie positively for their UK equity capabilities and do not see the changes within the UK Equity Focus Fund as being of significant concern.

LGIM

Legal & General Investment Management total assets under management amounted to £391bn as at 30 September 2012, with £236bn attributable to passive index funds. Over the third quarter of 2012, Legal & General received £4.0bn of inflows from pension scheme investors into passive index funds.

Legal & General launched region specific variations of their popular alternatively weighted (i.e. non-market capitalisation) equity index funds over the quarter, namely the FTSE RAFI All World 3000 Developed Europe ex UK and North America Equity Index Funds.

There was one new addition to the passive index team during the fourth quarter, Alec Farley, who has transferred internally from the dealing desks to the Index Fixed Income Team.

Deloitte View: We continue to rate Legal & General's passive capabilities positively.

SSgA Passive UK and International Equity

There have been no new wins over the quarter. AUM of the UK Equity Fund and the International Equity Fund was £8.7bn and £1.6bn respectively as at 31 December 2012 following the new appointment from Merseyside Pension Fund during the third quarter in 2012.

There have been two changes to personnel over the fourth quarter. Bill Street is now the new head of investments for EMEA effective January 2013. He was previously global head of fixed income alpha strategies and takes up the role vacated by Mike Karpik, who is now SSgA's Head for the EMEA region. Mike has replaced Greig Ehret, who is going back to Boston in the near future.

Deloitte view - While we continue to rate SSgA for their passive UK and international equity capabilities, there are other providers in the market that we rate more highly.

Insight

The total AUM as at 31 December 2012 was £212bn which represented an increase from 30 September 2012 of around £25bn through a combination of clients extending existing mandates (increasing the level of hedging) and new business.

In September Insight announced it would be acquiring Pareto Investment Management, another independent investment management group within the BNYM group. Pareto's business is primarily currency overlay although the business has been struggling in recent years and senior members of the organisation have been looking for a means of exiting the business. Insight states that the attraction of the business is that it gives them access into markets where they do not currently have exposure, in particular giving them SEC registration. The Pareto team currently sits independently from the Insight team. The deal received FSA approval on 2nd January 2013.

Deloitte view – We continue to rate Insight positively for their bond and LDI capabilities. While not likely to be of direct concern to the Fund, we will need to monitor closely any plans to incorporate the Pareto personnel into the broader Insight investment team.

3 SSgA – Passive Equity

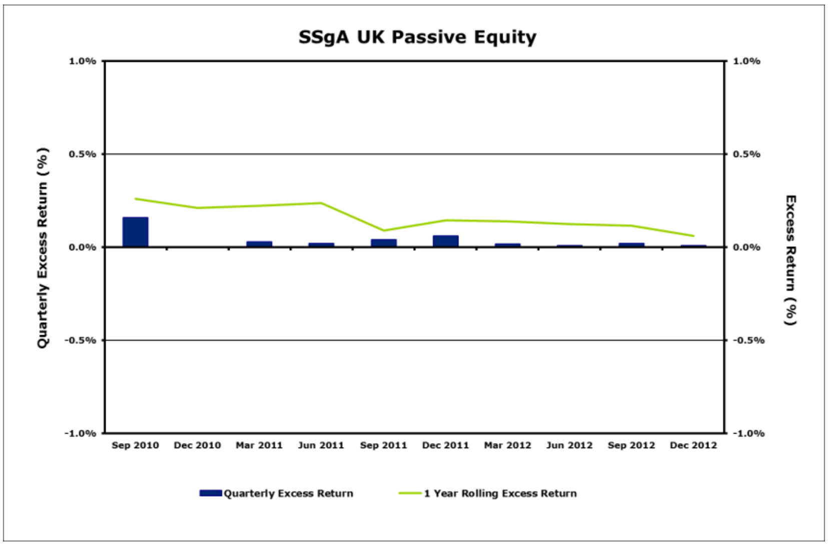
SSgA has been appointed to manage two passive equity portfolios, with the objective of delivering performance in line with the stated benchmarks. The manager is remunerated on a fixed fee based on the value of assets.

3.1 Passive UK equity – Investment Performance to 31 December 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA – Gross of fees	3.8	12.4	7.6	3.9	-
Net of fees	*3.8*	*12.3*	*7.5*	*3.9*	-
FTSE All-Share Index	3.8	12.3	7.5	3.8	-
Relative	0.0	0.1	0.1	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 December 2012

	Last Quarter[1](%)	Last Year (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA – Gross of fees	2.6	14.0	2.3	-
Net of fees	*2.6*	*14.0*	*2.2*	-
FTSE World ex UK[1]	2.7	14.1	2.5	-
Relative	-0.1	-0.1	-0.2	+/- 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 various time periods.

4 LGIM – Passive Global Equity

LGIM was appointed to manage an passively managed global equity portfolio from the 31 October 2012, with the objective of delivering performance in line with the stated benchmarks. The manager is remunerated on a fixed fee based on the value of assets.

4.1 Passive Global Equity – Investment Performance to 31 December 2012

	Last Quarter (%)
LGIM – Gross of fees	3.7
Net of fees	3.7
World Equity Index-GBP Hedged	3.7
Relative	0.0

Source: LGIM, Deloitte estimates.

Inception date taken as 1 November 2012 (prior to that the mandate was an active equity mandate). The portfolio aims to track the benchmark .

The Fund disinvested from Newton's global equity mandate at the end of October and transferred the holdings to passively managed funds operated by LGIM. The holdings were transferred into a range of equity funds in the first two weeks from 1 November 2012 to 14 November 2012, returning -2.5% over the period, and were subsequently switched into the World Equity Index Fund from 15 November, which returned 6.4% from then to 31 December 2012. The investment objective of the fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

Since the transition, the LGIM funds have performed in line with their corresponding benchmarks.

5 Majedie – Active UK Equity

Majedie has been appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a fixed fee based on the value of assets of approximately 0.37% pa and a performance related fee of 20% of the outperformance which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% pa.

5.1 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).	Yes. Outperformed the target by 0.2% over the 3 year period (net of fees)

(1) Provided by manager.

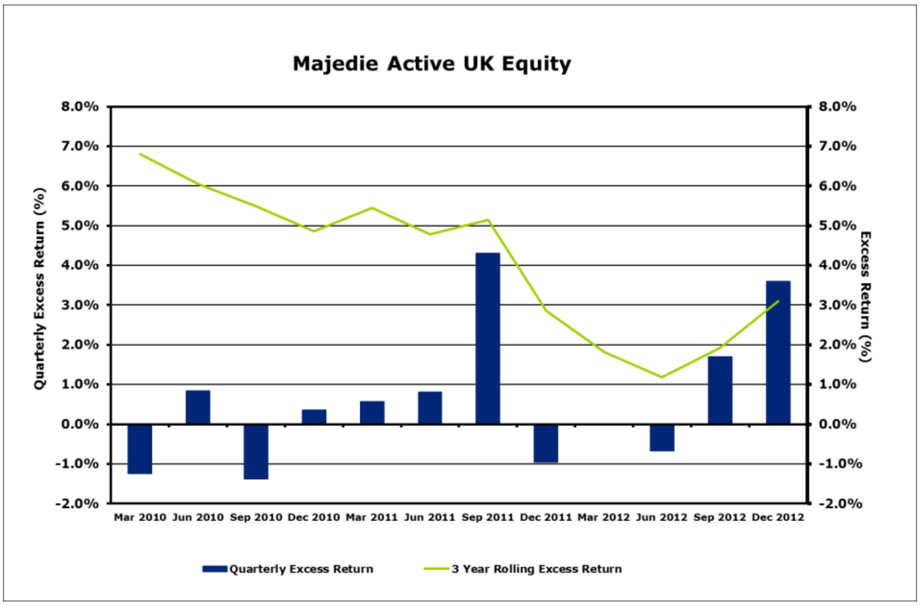
5.2 Investment Performance to 31 December 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie – Gross of base fees	7.4	17.2	10.5	9.2
Net of base fees	*7.3*	*16.8*	*10.1*	*8.8*
FTSE All-Share Index	3.8	12.3	7.5	4.5
Target	4.4	14.7	9.9	6.9

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 outperformed its benchmark over the quarter, returning 7.4% against a benchmark of 3.8%. Over the year to 31 December 2012, Majedie achieved 17.2%, outperforming the target by 2.5%. Over the three years to 31 December 2012, Majedie has outperformed the benchmark and target by 3.0% p.a. and 0.6% p.a. respectively.

The portfolio currently has a cyclical tilt and Majedie has increased its exposure to early cyclical stocks that are lowly valued, expecting to outperform as economic lead indicators improve.

Low valuations, low expectations and improving sentiment combined to drive early cyclical shares higher. Banking stocks led the way with holdings in RBS and Barclays contributing positively to performance over the quarter. The performance of ITV and International Consolidated Airlines also validated the significant portfolio rotation away from 2011's strongly defensive stance.

The overweight position in FirstGroup was a drag to performance during the fourth quarter as the company revealed a sluggish recovery in First Student and a slowdown at Greyhound.

An underweighting of 1.7% in HSBC holdings was a drag to performance over the quarter as the stock achieved returns of 13.9%.

6 Insight – Bonds

Insight has been appointed to manage two bond portfolios – an actively managed corporate bond portfolio and a passively managed gilt portfolio. The manager's fee is based on the value of assets, with the fees for the actively managed portfolio equivalent to 0.24% pa and 0.1% pa for the passive portfolio.

6.1 Insight – Active Non Gilts

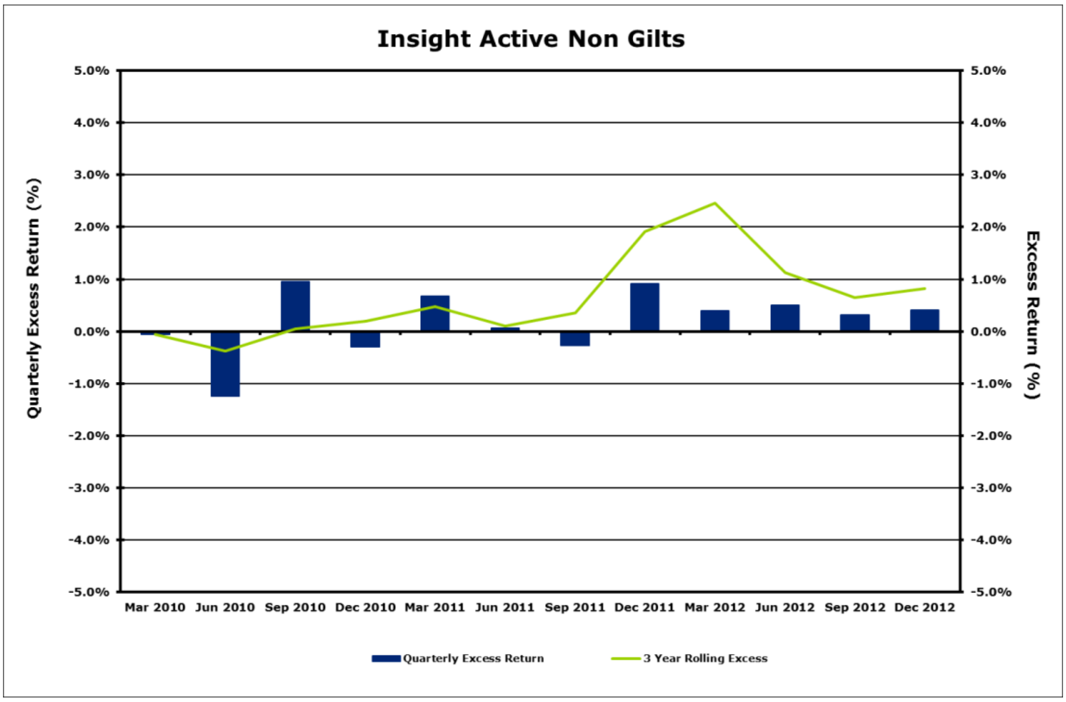
6.1.1 Portfolio Monitoring Summary

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 0.9% over the 3 year period to 31 December 2012 (gross of fees).

6.1.2 Investment Performance to 31 December 2012

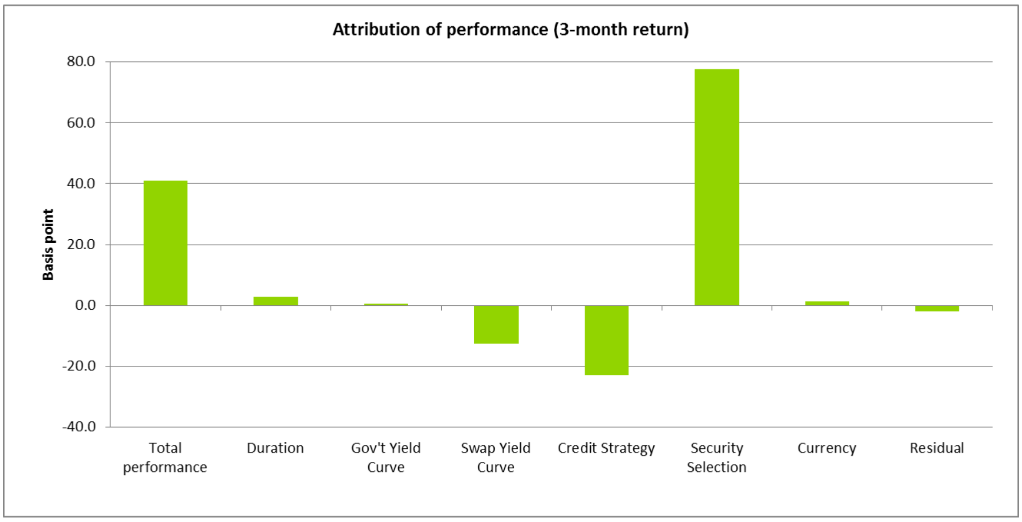
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) – Gross of fees	2.7	14.8	9.4	6.2
Net of fees	*2.6*	*14.6*	*9.1*	*5.9*
iBoxx £ Non-Gilt 1-15 Yrs Index	2.2	13.1	8.5	5.7
Target	2.5	14.0	9.4	6.6

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



Over the quarter Insight outperformed its benchmark by 0.4% and its target by 0.2%. Insight has also outperformed the benchmark over the year and the last three years to 31 December 2012 by 1.8% and 0.9% p.a. respectively.

6.1.3 Attribution of Performance



Source: Insight

Insight's outperformance over the quarter continued to be driven by security selection and was spread across a number of sectors, in particular the banking and transport sectors. During the quarter, Insight reduced the level of risk, taking a more defensive stance reflecting the fact that credit spreads had contracted sharply following Draghi's announcement that the ECB would take whatever steps were required to save the Euro – the more defensive stance detracted slightly from performance.

6.2 Insight – Passive Bonds

6.2.1 Investment Performance to 31 December 2012

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) – Gross	-0.5	2.6	6.2	7.3
Net of fees	*-0.5*	*2.5*	*6.1*	*7.1*
FTSE A Gilts up to 15 Yrs Index	-0.5	2.6	6.3	7.4
Relative	0.0	0.0	-0.1	-0.2

Source: Insight

Inception date taken as 31 December 2008.

6.3 Duration of portfolios

	30 September 2012		31 December 2012	
	Fund (Years)	Fund (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.3	5.3	5.6	5.3
Government Bonds (Passive)	4.7	4.9	4.6	5.0

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 Hermes – Property

Hermes has been appointed to manage the property portfolio, where the fees are based on the value of assets invested in the fund, equivalent to 0.4% of the portfolio.

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. During the fourth quarter of 2012 the underlying investments in these property funds were sold.

7.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Hermes – Gross of fees	1.0	3.7	3.8
Net of fees	*0.9*	*3.3*	*3.4*
Benchmark	-0.7	0.3	4.6
Target	-0.6	0.8	5.1

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

The Trust outperformed its benchmark by 1.7%. This continued to be driven by the Trust's income distribution which offset the modest fall in the unit price during the quarter. The Trust's unit price fell by 0.3% on a net asset value basis during Q4, a small improvement on the 0.5% decline during Q3, reflecting the challenging conditions in the UK real estate market. Investors and occupiers continue to be cautious about the economic outlook, although the gains in the equity market since the start of January may point to improving confidence as 2013 progresses.

7.2 Sales and Purchases

There were a number of transactions over the quarter, including:

- Reading Metropolitan – In November, the Trust completed the purchase of the former Royal Mail sorting office in Reading city centre. This is a strategic purchase for the Trust and the property was acquired for £12.4 million with an income yield of 7%.

- Regency House, Warwick Street, London W1 - The acquisition of this freehold office investment was completed during October for £16 million, reflecting an income yield of 4.5%.

- Seymour Mews House, Seymour Mews, London W1 - Contracts were exchanged to sell the Trust's long-leasehold office investment during December. The Trust's interest had 88 years to expiry and it was sold for £18 million, reflecting an income yield of 5%. Part of the purchase price has been deferred and will be paid later in 2013.

- Midsummer House, Milton Keynes - Office building sold to an adjoining owner in December 2012 for a price of £1.35 million.

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	33.8%	FTSE All-Share Index
Overseas Equity	20.6%	FTSE World ex-UK (50% currency hedged)
Global Equity	20.6%	FTSE AW-World Index (1)
Sterling Non- Gilts	15.0%	iBoxx Sterling Non-Gilt 1-15 Years Index
Fixed Interest Gilts	5.0%	FTSE A Gilts up to 15 Years Index
Hermes Property	5.0%	IPD UK PPFI Balanced PUT Index
Total	**100.0%**	

(1) GBP hedged with the exception of advanced emerging markets.

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
Overseas Equity	FTSE World ex-UK (50% currency hedged)[2]	To match the benchmark	Up to +/- 0.25% p.a.

[2] 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

LGIM: 20.6% of the Total Fund Assets (Inception: 01 November 2012)

Asset Class	Benchmark	Outperformance Target	Tracking Error
Overseas Equity	World Equity Index-GBP Hedged	To match the benchmark	Up to +/- 0.5% p.a.

Insight: 20.0% 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

Hermes: 5.0% 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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