Deloitte.

City of Westminster Superannuation Fund

Investment Performance Report to 31 March 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
May 2015

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1 Market Background

Three and twelve months to 31 March 2015

UK equities offered a positive return over the 3 months to 31 March 2015, with the FTSE All Share Index returning 4.7%. UK markets benefitted from positive macroeconomic news with the likelihood of a rate rise being pushed back in both the US and UK and the ECB's announcement that it would begin a programme of quantitative easing. Oil prices continued to fall, reaching a low of c. $45 per barrel during the first quarter.

Mid cap companies led the way in the first quarter with the FTSE 250 returning 6.7%. There was a marked difference in performance at the sector level, with the Consumer Services sector offering the highest return of 10.0%. The Utilities sector was the worst performing over the quarter, with falling oil prices contributing to a return of -6.3%.

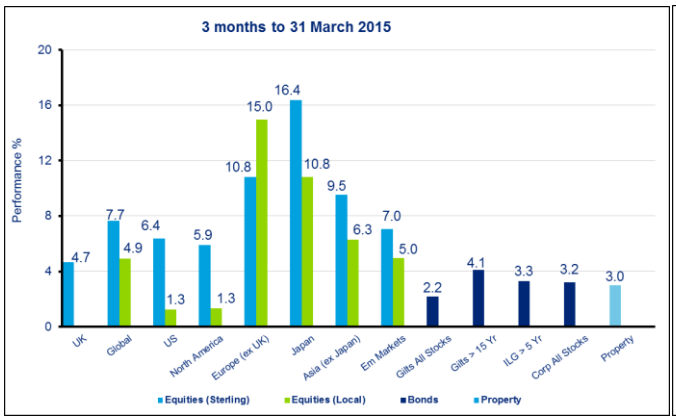
Global equity markets outperformed the UK in both sterling and local currency terms over the first quarter of 2015, returning 7.7% and 4.9% respectively. Currency hedging was therefore detrimental to investors as sterling depreciated strongly versus the US dollar and Japanese yen. At a regional level, Europe delivered the highest local currency return of 15.0% on the back of the ECB's announcement and returned 10.8% in sterling terms as the euro depreciated. North America was the poorest performing region with concerns that a strong dollar would impact corporate earnings, returning 5.9% in sterling terms and 1.3% in local currency terms.

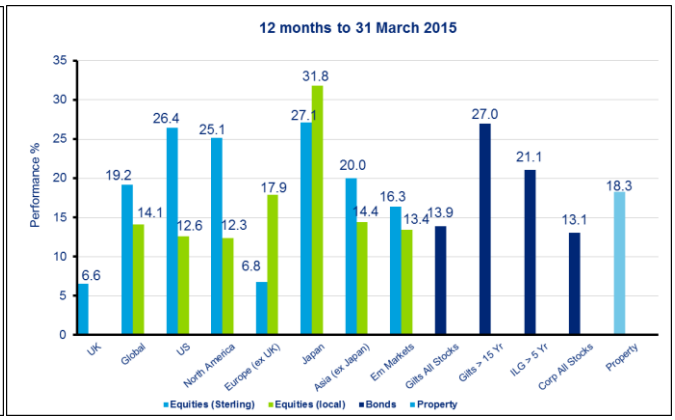
UK nominal gilts also performed positively over the first quarter as yields dropped to a new record low at the end of January, but bounced back in February, only to go lower again over March to end the quarter around 20 basis points lower overall. The All Stocks Gilt Index returned 2.2% over the 3 months to 31 March 2015 and the Over 15 Year Gilt Index returned 4.1%. Real yields on UK index-linked gilts fell by a similar amount over the period with the Over 5 Year Index-linked Gilt Index returning 3.3% over the quarter. Corporate bonds performed positively over the first quarter, with the iBoxx All Stocks Non Gilt Index returning 3.2% on the back of the fall in gilt yields and narrowing credit spreads.

Over the year to 31 March 2015, the FTSE All Share Index returned 6.6%. At the sector level, Health Care delivered the highest return (16.7%) performing well ahead of the poorest performing sector over the year, Basic Materials (-14.9%). Global markets outperformed the UK in both sterling and local currency terms over the year. The FTSE All World Index returned 19.2% in sterling terms and 14.1% in local currency terms. Currency hedging was therefore detrimental as sterling depreciated significantly against the US dollar.

UK nominal gilts delivered an exceptionally high return over the last 12 months as gilt yields fell across all maturities, most profoundly at the longer end of the curve. The All Stocks Gilt Index returned 13.9% and the Over 15 Year Gilt Index returned 27.0% over the 12 month period. Real yields also fell significantly with the Over 5 Year Index-linked Gilt Index returning 21.1% over the year. Corporate bond markets performed positively over the 12 months to 31 March 2015, benefitting from the fall in gilt yields, with the iBoxx All Stocks Non Gilt Index returning 13.1%.

The UK property market continued to perform strongly, returning 3.0% over the quarter and 18.3% over the year to 31 March 2015.





2 Total Fund

2.1 Investment Performance to 31 March 2015

The following table summarises the performance of the Fund's managers.

Manager	Asset Class	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]	
Baillie Gifford	Global Equity	9.3	9.2	7.6	19.4	18.9	19.0	n/a	n/a	n/a	19.1	18.7	18.8
Majedie	UK Equity	5.8	5.7	4.7	7.2	6.9	6.6	16.3	16.0	10.6	11.2	10.8	6.3
LGIM	Global Equity	4.7	4.7	4.7	13.9	13.7	13.9	n/a	n/a	n/a	18.0	17.8	18.0
Longview	Global Equity	9.7*	9.6	7.5	n/a	n/a	n/a	n/a	n/a	n/a	9.7	9.6	7.5
Insight	Non Gilts	2.6	2.5	2.4	10.1	9.8	9.8	8.4	8.1	7.5	6.3	6.0	5.8
	Gilts	1.0	1.0	1.0	6.7	6.6	6.8	2.7	2.6	2.7	5.6	5.5	5.7
Hermes	Property	3.3	3.2	3.0	19.5	19.1	16.9	12.5	12.1	9.5	9.3	8.9	8.7
Standard Life	Property	2.3	2.2	2.7	9.9	9.4	16.2	n/a	n/a	n/a	11.3	10.8	10.7
Total		5.4	5.3	4.5	12.8	12.5	12.9	13.5	13.3	12.0	6.9	6.6	6.8

Source: Investment Managers

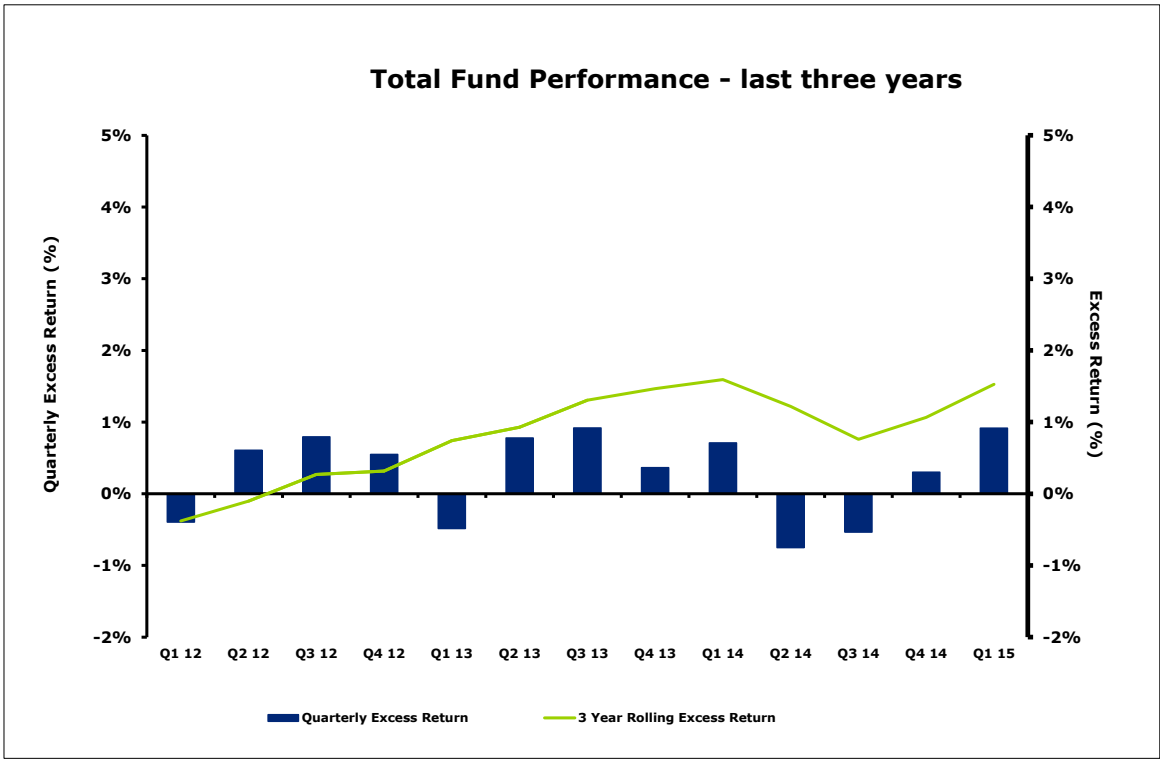
(1) Estimated by Deloitte when manager data is not available.

See appendix 1 for more detail on manager fees and since inception dates

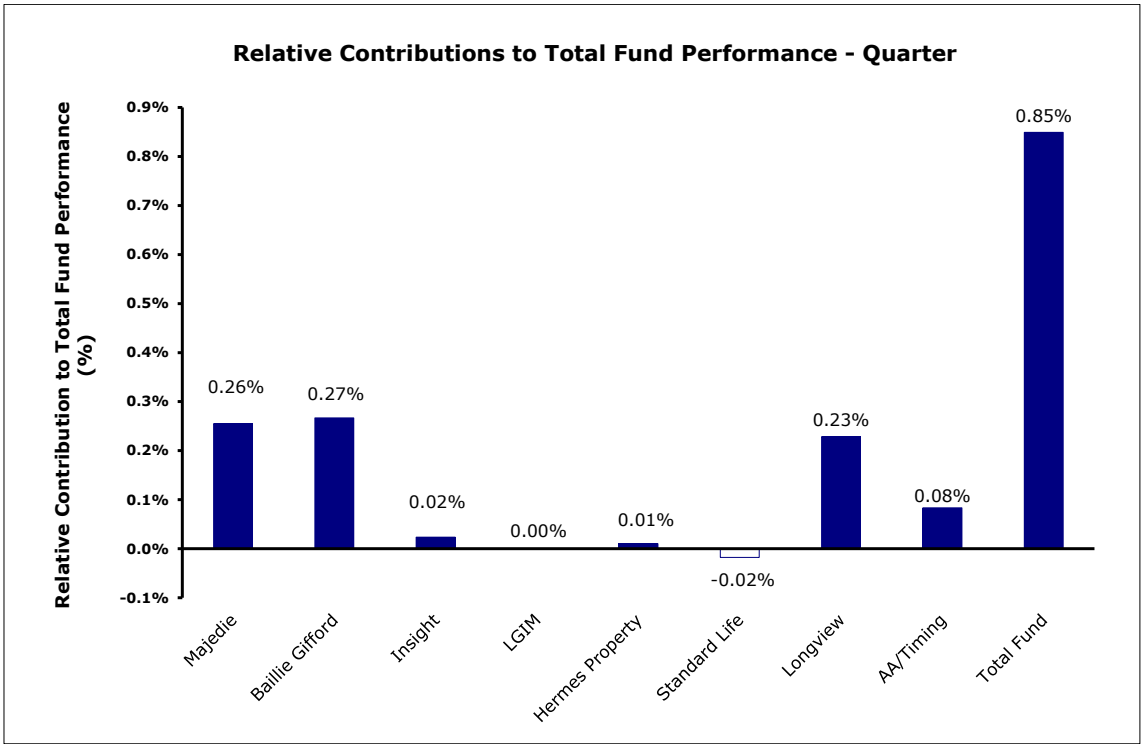
*Performance has been since the Fund was invested on 15th January 2015.

Over the quarter the Fund outperformed, mostly due to the active equity managers Baillie Gifford, Majedie and the newly appointed Longview.

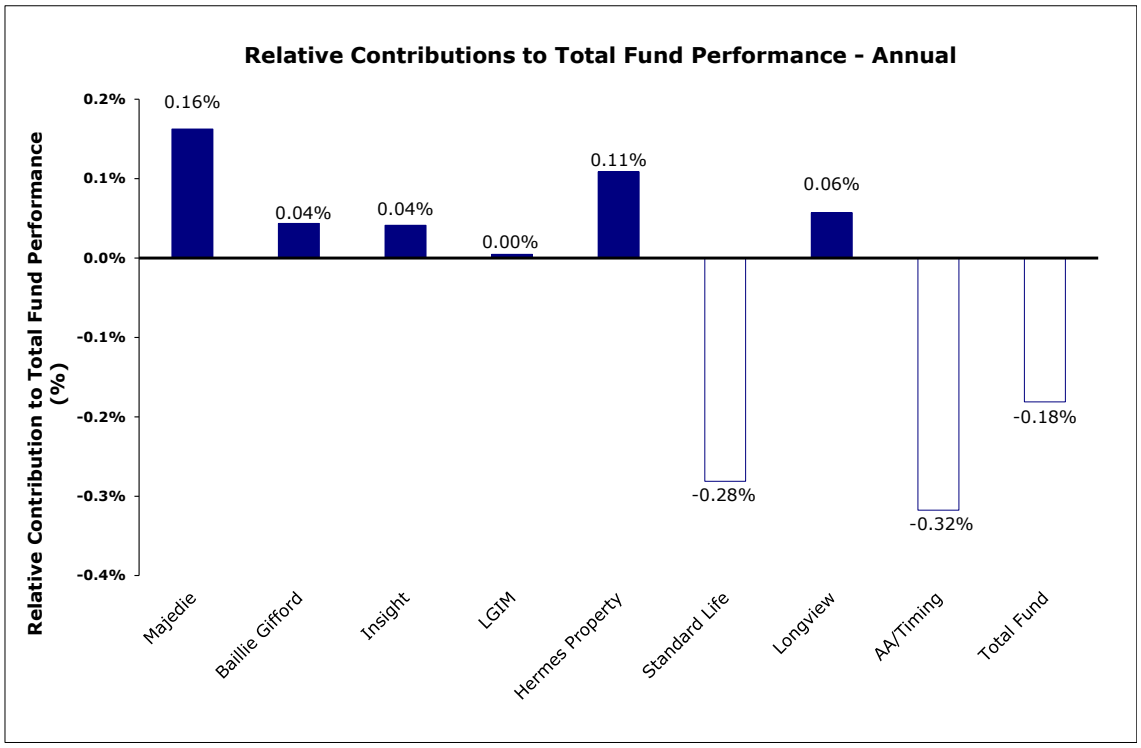
The chart below shows the performance of the Fund over the three year period, highlighting that the rolling three-year performance has been positive since mid-2012, with Majedie and Hermes contributing positively.



2.2 Attribution of Performance to 31 March 2015



The Fund outperformed its composite benchmark by 60bps over the first quarter of 2015, largely as a result of strong performance from the active equity managers, Majedie, Baillie Gifford and Longview. The performance of Longview in the above chart includes the performance of LGIM prior to the 15 January 2015 when the money was disinvested to fund the Longview investment. For information, the LGIM fund returned -2.2% over this period, which was in line with the fund's benchmark.



The Fund underperformed over the year, largely due to underperformance from Standard Life. The performance of the Longview fund is taken from inception as the Fund has been invested for less than a year. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark.

Asset Allocation as at 31 March 2015

As mentioned in last quarter's report, the investment with Longview was funded from LGIM on the 15 January 2015.

The table below shows the assets held by manager and asset class as at 31 March 2015.

Manager	Asset Class	End Dec 2014 (£m)	End Mar 2015 (£m)	End Dec 2014 (%)	End Mar 2015 (%)	Benchmark Allocation (%)
Majedie	UK Equity	242.5	256.5	23.2	23.5	20
LGIM	Global Equity (Passive)	377.3	277.3	36.1	25.4	20
Baillie Gifford	Global Equity	164.0	179.2	15.7	16.4	25
Longview	Global Equity	0.0	109.6	0.0	10.0	
	Total Equity	**783.8**	**822.6**	**75.0**	**75.4**	**65**
Insight	Fixed Interest Gilts (Passive)	17.7	17.9	1.7	1.6	20
Insight	Sterling Non-Gilts	152.6	156.6	14.6	14.4	
	Total Bonds	**170.3**	**174.5**	**16.3**	**16.0**	**20**
Hermes	Property	44.3	45.7	4.2	4.2	5
Standard Life	Property	46.9	47.9	4.5	4.4	5
To be Determined	Property / Infrastructure	-	-	-	-	5
	Total Property	**91.2**	**93.6**	**8.7**	**8.6**	**15**
	Total	**1,045.3**	**1,090.7**	**100**	**100**	**100**

Source: Investment Managers

Figures may not sum to total due to rounding

Over the quarter the market value of the assets increased by c. £45.4m.

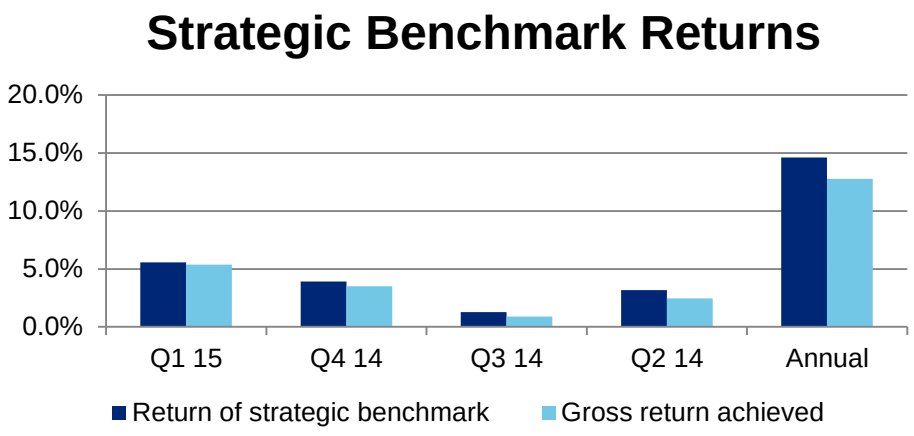
Rebalancing Framework

Since the introduction of Longview, the benchmark allocation has been amended.

As at 31 March 2015, the Fund remained overweight to Majedie UK equities (albeit now reduced to +3.5% after the change in benchmark). At a total equity level the fund is overweight by c. 10.4% when compared with the benchmark allocation. As a result of this overweight position, both the allocations to bonds and property are underweight to the order of c. 4.0% and c. 6.4% respectively.

The current benchmark has an allocation to property / infrastructure which is yet to be invested. For the purposes of calculating the benchmark return, we have effectively assumed that this unallocated 5% is spread evenly across the Fund's other mandates.

Had the Fund been invested in accordance with the strategic benchmark as shown above, we estimate the total gross return on the fund over the first quarter of 2015 would be c. 5.6% (0.2% ahead of actual fund return). Over the year to 31 March 2015, the strategic benchmark would have returned c. 14.6%, ahead of actual fund returns by 1.9%. The strategic benchmark in this analysis corresponds to the benchmarks in force in each period.



3 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
Baillie Gifford	Global Equity	Loss of key personnel Change in investment approach Lack of control of asset growth	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Global Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	1
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
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	2
Standard Life	Property	Further significant growth in the value of the Long Lease Property Fund resulting in an erosion in the quality and yield of the underlying assets Departure of the fund manager	1

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

Majedie UK Equity

Business

The UK Equity fund remains near capacity with outflow due to clients de-risking being recycled to new investors.

Personnel

Gavin Murray, an equities dealer for the past 30 years has retired from Majedie, with Simon Cuthbert taking up the reins. Simon joins the Majedie team from Investec.

Adam Parkes, one of the co-founders of Majedie and co-manager of the UK Smaller Companies Fund is retiring on 31 June 2015. Richard Staveley, the other co-manager of the UK Smaller Companies Fund will take full control of the Fund. This handover has been well managed by Majedie over the past few quarters.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities but will continue to monitor the team in light of the recent changes. Majedie recognises the need to carefully manage succession planning within the team and believes the multi-manager approach helps smooth transitions.

Baillie Gifford

Business

Total assets under management increased over the first quarter of 2015 from £114.5bn as at 31 December 2014 to £125.1bn as at 31 March 2015. The increase was mainly as a result of strong market returns but net new business was positive over the quarter.

Baillie Gifford closed the Global Opportunities Fund during the first quarter of 2015. The majority of the assets invested in the Fund were for one client and this client made the decision to transfer the assets in to the Global Alpha Fund. The team managing the strategy will be redeployed to strengthen other teams across Baillie Gifford in due course.

The Global Alpha Fund remains soft closed to new clients but currently continues to accept further assets from existing clients.

Personnel

Charles Plowden, one of the three Global Alpha investment managers and Baillie Gifford's joint senior partner, will be taking a 3 month sabbatical starting at the end of April. Baillie Gifford encourages senior colleagues to take sabbaticals although no more than one senior member of the investment team can take a sabbatical at any one time. While Charles is away the management of the Global Alpha Fund will remain with the other two managers, Malcom MacColl and Spencer Adair, with Jenny Davis, an analyst in the team, taking on a wider role supporting them.

Deloitte view – We continue to rate Baillie Gifford positively for its global equity capabilities and will monitor developments within the team on Charles Plowden's return at the end of his sabbatical.

LGIM

Business

As at 31 December 2014, Legal & General Investment Management ("Legal & General") had total assets under management of c. £499bn.

Personnel

As mentioned last quarter, Legal & General announced a number of major changes to its management team. Legal & General is still in the process of appointing a successor for Ali Toutounchi, Managing Director of Index Funds, when he retires at the end of 2015. Aaron Meder, the new Head of Investment, will work closely with Ali to appoint his successor and transition his responsibilities.

Joseph Molloy, Head of Index Equities, left the index team during the first quarter of 2015. Julian Harding, who Joseph reported to, will assume his management responsibilities and Legal & General intends to add a new fund manager to the equity team during 2015. There were no new additions to the index team over the quarter.

Deloitte View: We continue to rate Legal & General positively for their passive capabilities.

Longview

Business

During the quarter Longview was funded for a mandate for a sovereign wealth fund. The product is now effectively closed to new business.

Personnel

An additional resource was added to the institutional client team over the quarter.

Deloitte view – We rate Longview for their global equity capabilities.

Insight

Assets under management reached £363bn as at the end of December 2014.

There were no significant changes to the investment team responsible for managing the Fund's mandate over the quarter.

Four new Fixed Interest funds were launched in the first quarter of 2015:

- Global Credit Pooled Fund
- Global Aggregate
- Insight Secured Finance Fund, and
- Insight Liquid ABS Fund.

Deloitte view – We continue to rate Insight positively for its bond and LDI capabilities.

Hermes

Business

The total value of the Trust increased over the quarter to c. £1.12bn at the end of March 2015 with a waiting list continuing to operate, reflecting strong demand.

Personnel

There were no changes to the team over the quarter.

Deloitte view – We continue to rate the team managing HPUT.

Standard Life

Business

The Fund's assets under management increased to £1.52bn over the first quarter. Shortly after the quarter end, SLI drew down a £40m commitment from a new pension fund investor.

Personnel

There were no changes to the team responsible for the Fund's investment.

Deloitte View: While we continue to rate SLI positively for its long lease capabilities, we will continue to monitor the supermarket exposure within the Long Lease Property Fund.

4 Baillie Gifford – Global Equity

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014. The manager is remunerated on an asset based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark of 2% p.a.

4.1 Global equity – Investment performance to 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	9.3	19.4	n/a	19.1
Net of fees[1]	9.2	18.9	n/a	18.7
MSCI AC World Index	7.6	19.0	n/a	18.8
Relative	1.7	0.4	n/a	0.3

Source: Baillie Gifford

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

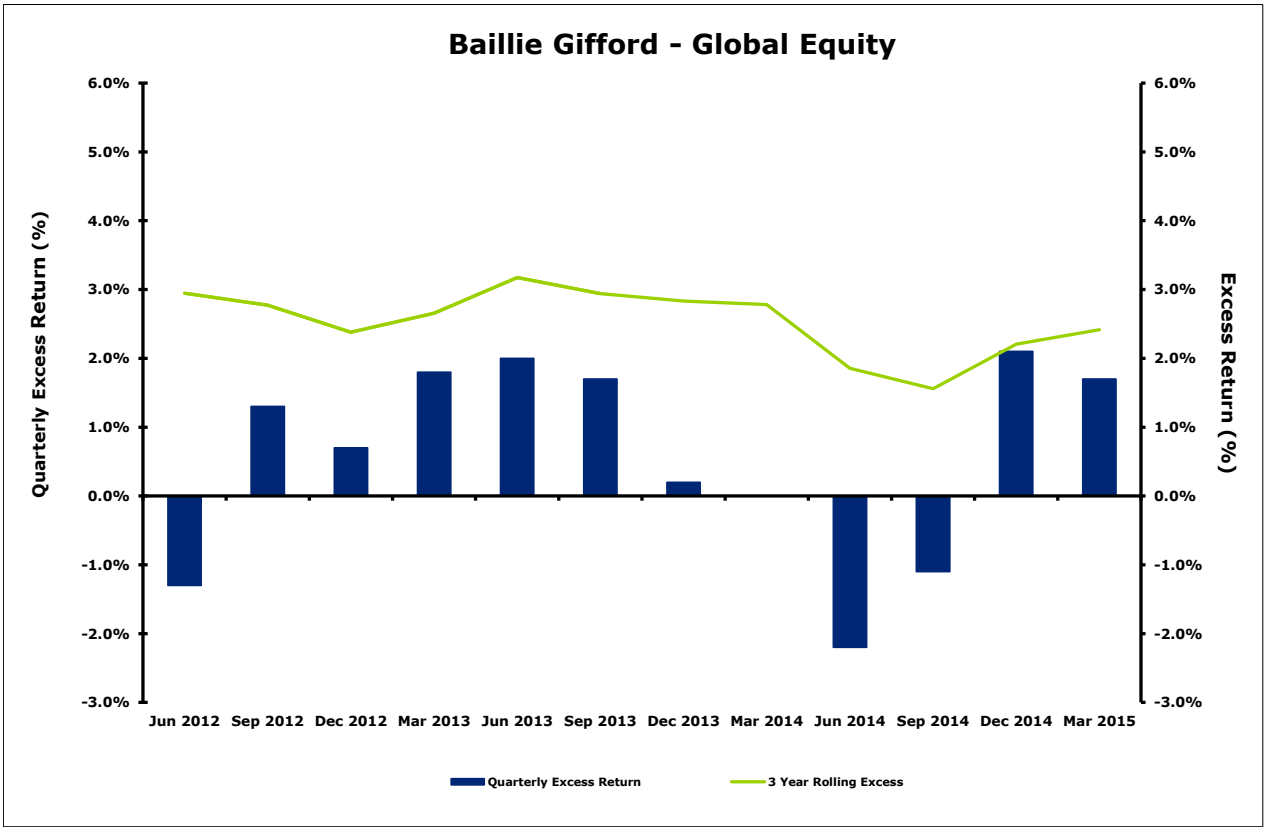
Inception date taken as 18 March 2014

The Baillie Gifford Global Equity fund has outperformed its benchmark over the quarter and marginally so over the year, and period since inception.

One of the greatest contributions to performance came from the fund's holding in Naspers (a global platform operator for internet services, pay television and print media) which has been a top performer over the quarter as well as over the longer term. Over the quarter the company benefitted from its exposure to a variety of internet companies, particularly its large exposure to Tencent.

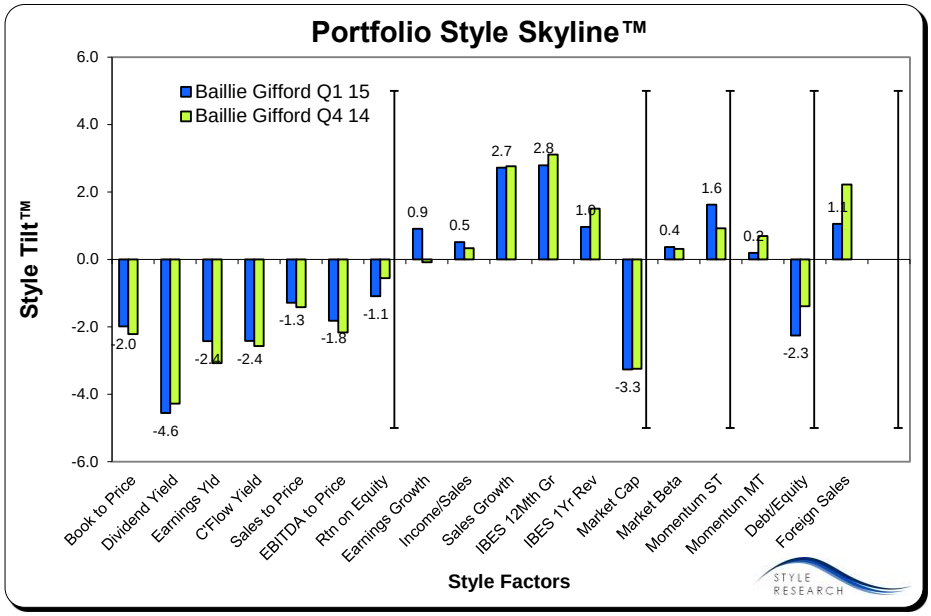
Baidu (the Chinese web services company) was the worst performing stock as the company's results were poorer than expected, largely as a result of increased spending. Not holding Apple in the portfolio also detracted from relative performance over the first quarter of 2015 as Apple performed strongly.

The graph belowshows the quarterly returns and the rolling 3 year excess returns relative to the benchmark. Note that the Fund only invested in this fund from 18th March 2014 and previous periods are shown for information only.



4.2 Style analysis

We have analysed the Style of Baillie Gifford as at 31 March 2015 as can be seen in the below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



As can be seen from the above, the Baillie Gifford fund has a marked negative bias to value related factors and a positive bias to growth factors which is consistent with the stated investment approach.

The top 10 holdings in the Baillie Gifford fund account for c. 26% of the fund and are detailed below.

Top 10 holdings as at 31 March 2015	Proportion of Baillie Gifford fund
Royal Caribbean	3.91%
Naspers	3.79%
Prudential	3.45%
Taiwan Semi	2.32%
Anthem	2.27%
Ryanair Holdings	2.10%
Amazon.com	2.08%
TD Ameritrade	2.08%
Google	1.78%
Markel	1.78%
Total	**25.56%**

Baillie Gifford	31 March 2015
Total Number of holdings	98
Active risk	3.9%
Coverage	6.8%

As at 31 March 2015, Baillie Gifford held 98 stocks, with an overlap with the FTSE All World index of 6.8%. As an active manager, Baillie Gifford tactically invests in such a way as not to replicate the index. The active risk, as at 31 March 2015, was 3.9%.

5 LGIM – Global Equity (Passive)

LGIM was appointed to manage a passive global equity mandate from the 31 October 2012.The manager is remunerated on a fixed fee based on the value of assets. The target is to deliver performance in line with the stated benchmarks.

5.1 Passive Global Equity – Investment Performance to 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	4.7	13.9	n/a	18.0
Net of fees[1]	4.7	13.7	n/a	17.8
FTSE World GBP Hedged	4.7	13.9	n/a	18.0
Relative	0.0	0.0	n/a	0.0

Source: LGIM

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

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 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.

The LGIM fund has performed in line with the benchmark over the quarter, one year and since the inception of the mandate.

6 Majedie – UK Equity

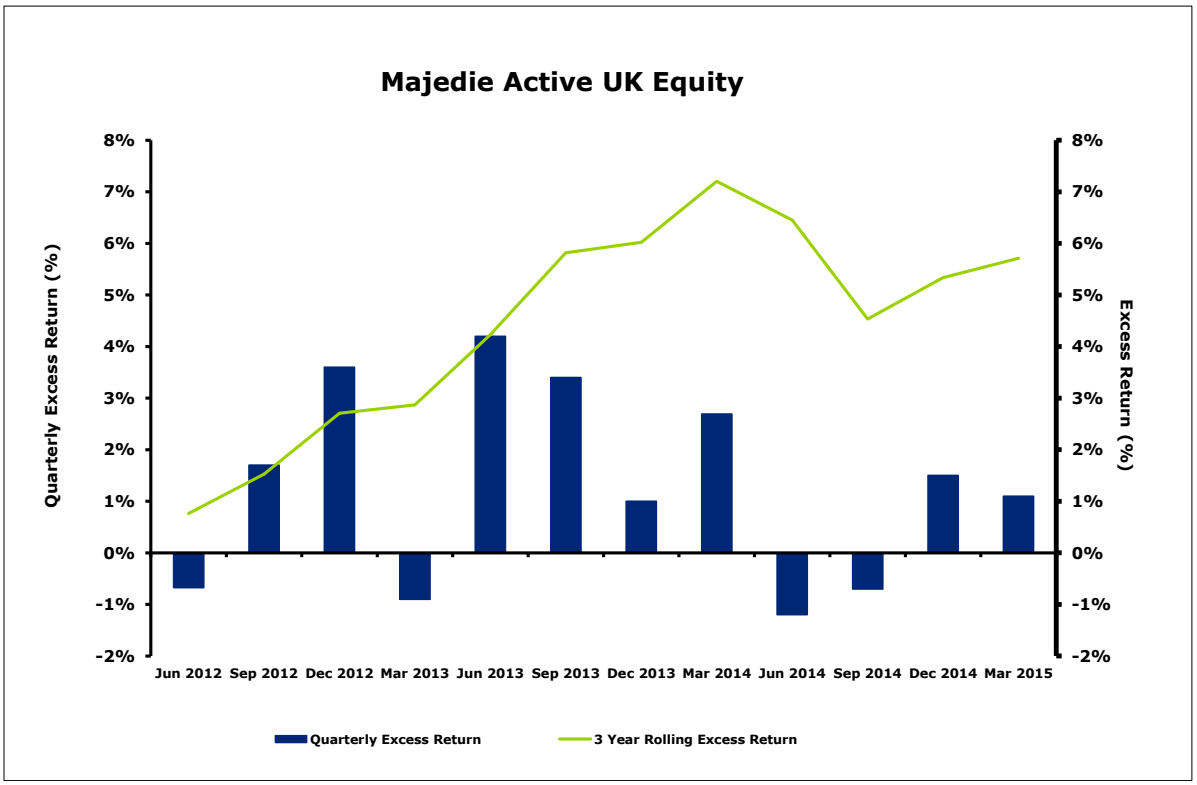
Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to outperform the benchmark by 2% p.a.

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of base fees	5.8	7.2	16.3	11.2
Net of base fees[1]	5.7	6.9	16.0	10.8
FTSE All-Share Index	4.7	6.6	10.6	6.3
Relative	1.1	0.6	5.7	4.9

Source: Majedie

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



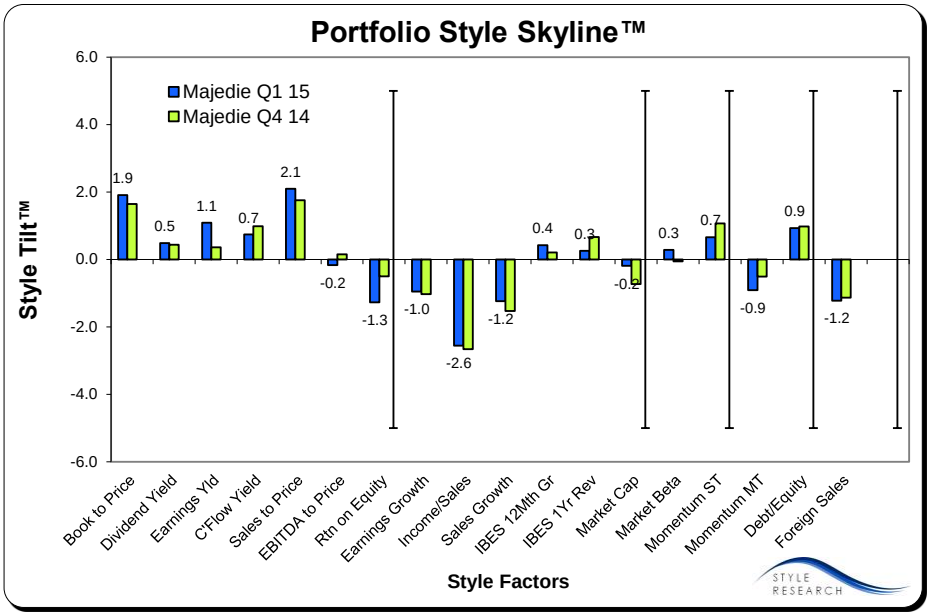
Majedie outperformed its benchmark over the quarter by 1.1%. Over the longer timeframes of one year, three years and since inception the manager has outperformed its benchmark by 0.6%, 5.7% p.a. and 4.9% p.a. respectively.

The fund's overweight position in Tesco worked in its favour and was the fund's top performer over the quarter, contributing 0.4% to the total performance. However, at a sector level, Oil and Gas Producers was the top performer with Food & Drug Retailers also contributing positively.

The fund's holding in the Royal Bank of Scotland hurt performance this quarter, dragging performance down by 0.5% over the period. At a sector level, the worst performers over the first quarter of 2015 were the Gas, Water & Multi-utilities holdings.

6.1 Style analysis

We have analysed the Style of Majedie as at 31 March 2015 as can be seen in the below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



While the portfolio is currently showing a modest positive bias to value related factors, the bias is not particularly strong and can be expected to change over time depending on where Majedie finds appropriate opportunities.

The top 10 holdings in the Majedie fund account for c. 40% of the fund and are detailed below.

Top 10 holdings as at 31 March 2015	Proportion of Majedie fund
Vodafone	5.53%
BP	5.10%
HSBC	4.93%
GlaxoSmithKline	4.59%
Marks and Spencer	4.05%
Barclays	3.54%
BT	3.18%
Orange	3.18%
Tesco	3.08%
Royal Dutch Shell	3.02%
Total	**40.20%**

Majedie	31 March 2015
Total Number of holdings	208*
Active risk	3.1%
Coverage	39.8%

*includes 134 stocks in the Majedie UK Smaller Companies Fund, which the fund invests in.

As at 31 March 2015, Majedie held 208 stocks in total, with an overlap with the FTSE All Share index of 39.8%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting the much larger number of holdings in the fund. Majedie's active risk, as at 31 March 2015, was 3.1%.

7 Longview – Global Equity

Longview was appointed to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

	Last Quarter (%)*	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of base fees	9.7	n/a	n/a	9.7
Net of base fees[1]	9.6	n/a	n/a	9.6
MSCI World Index	7.5	n/a	n/a	7.5
Relative	2.2	n/a	n/a	2.2

Source: Longview

1 – estimated by Deloitte

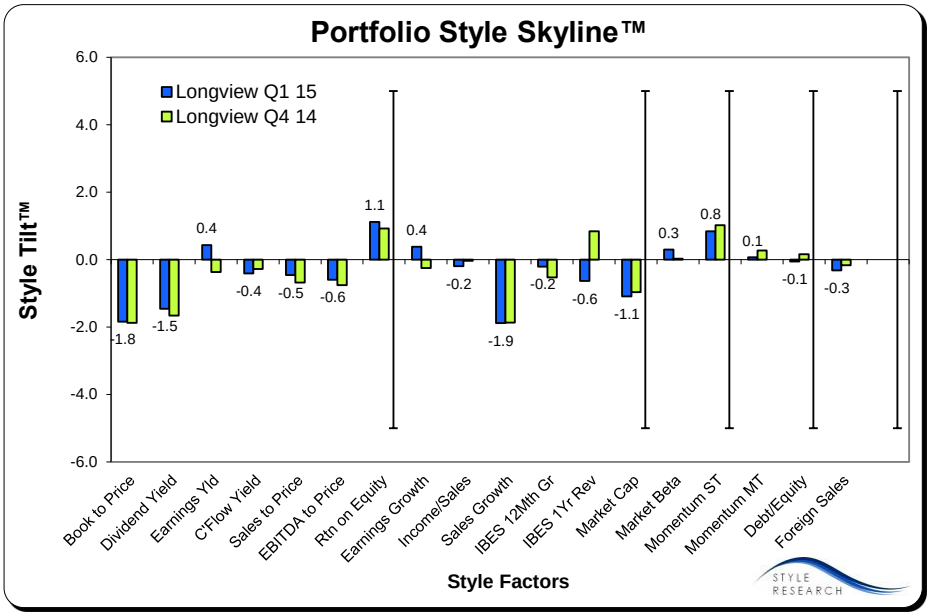
See appendix 1 for more detail on manager fees

*Since the inception date, taken as 15 January 2015.

Longview outperformed the benchmark by 2.1% over the first quarter of 2015. This was largely driven by the fund's holdings in Continental, UnitedHealth and Pearson (the publishing and educational company).

7.1 Style analysis

We have analysed the Style of Longview as at 31 March 2015 as can be seen in the below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



As can be seen from the above and in a similar way to Majedie, Longview does not currently have a strong bias to either value or growth factors.

The top 10 holdings in the Longview fund account for c. 42% of the fund and are detailed below.

Top 10 holdings as at 31 March 2015	Proportion of Longview fund
UnitedHealth	4.76%
HCA Holdings	4.62%
Delphi Automotive	4.56%
Fidelity Natl Info Services	4.55%
AON	4.25%
Time Warner	4.04%
Bank of New York Mellon	4.02%
Oracle	3.96%
Accenture	3.83%
WPP	3.68%
Total	**42.28%**

Longview	31 March 2015
Total Number of holdings	34
Active risk	4.2%
Coverage	4.4%

As at 31 March 2015, Longview held 34 stocks in total, with an overlap with the FTSE All World index of only 4.4%. This coverage is low due to the high conviction investing that Longview undertakes; which also leads to a higher active risk of 4.2% as at 31 March 2015.

8 Insight – Bonds

Insight was appointed to manage two bond portfolios – an actively managed corporate bond (non – Gilt) portfolio and a passively managed gilt portfolio. The manager's fee is based on the value of assets. The target of the Non-Gilt portfolio is to outperform the benchmark by 0.9% p.a.

8.1 Insight – Active Non Gilts

8.1.1 Investment Performance to 31 March 2015

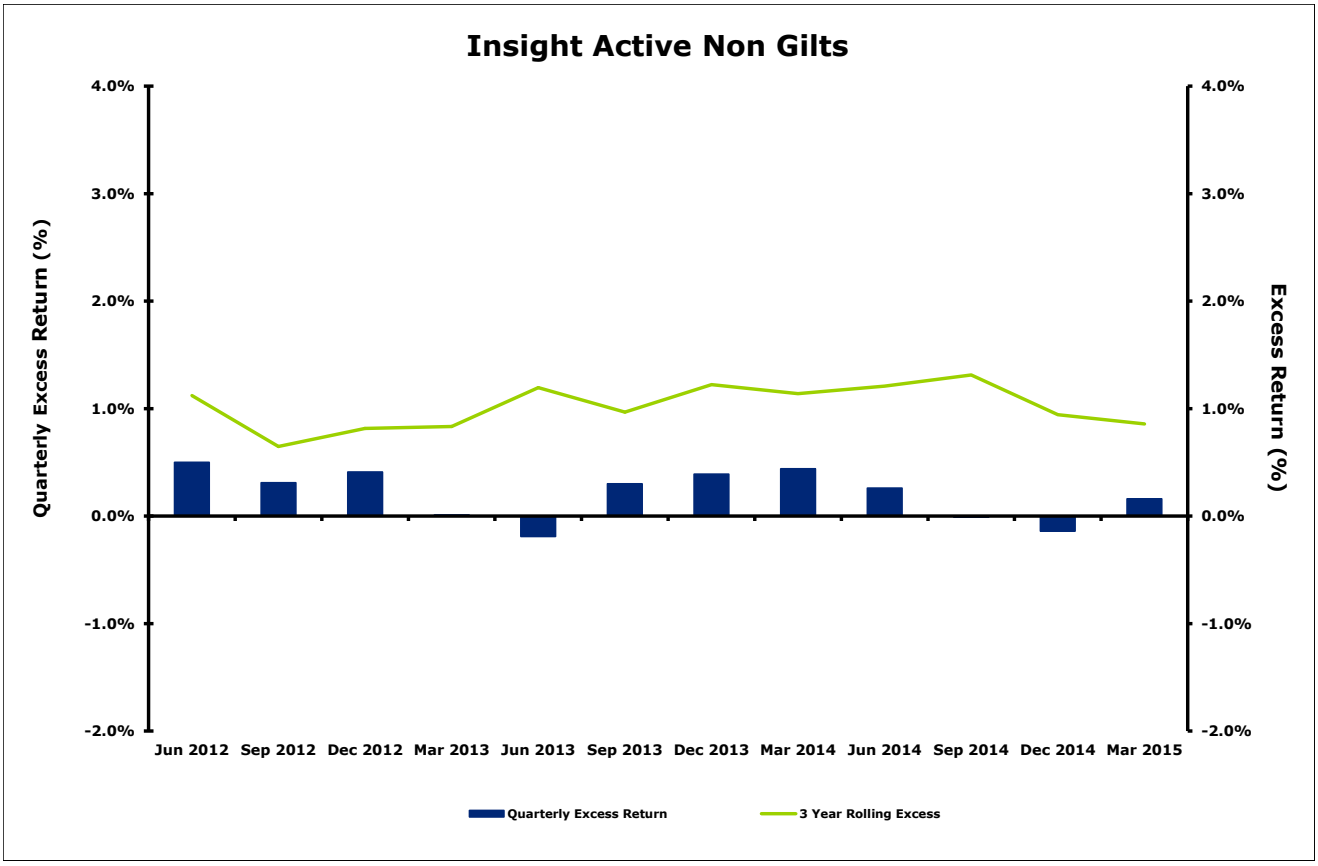
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	2.6	10.1	8.4	6.3
Net of fees[1]	2.5	9.8	8.1	6.0
iBoxx £ Non-Gilt 1-15 Yrs Index	2.4	9.8	7.5	5.8
Relative	0.2	0.3	0.9	0.5

Source: Insight

(1) Estimated by Deloitte

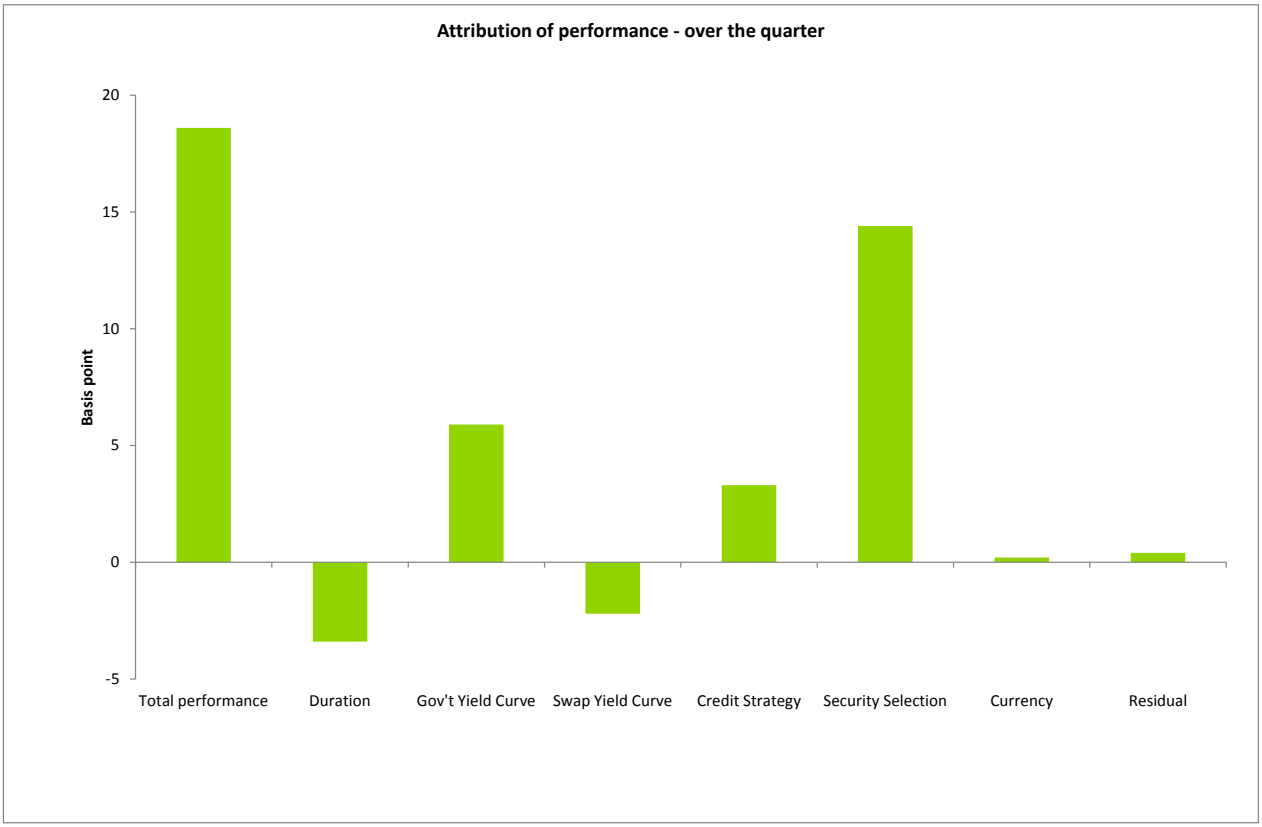
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio outperformed the benchmark by 0.2%, returning 2.6%. Over the one year and three years Insight has outperformed the benchmark by 0.3% and 0.9% p.a. respectively.

8.1.2 Attribution of Performance



Source: Insight

Insight's outperformance this quarter has been driven by their security selection, their positioning on the government yield curve and the credit strategies employed over the quarter.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	1.0	6.7	2.7	5.6
Net of fees[1]	1.0	6.6	2.6	5.5
FTSE A Gilts up to 15 Yrs Index	1.0	6.8	2.7	5.7
Relative	0.0	-0.1	0.0	-0.1

Source: Insight

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 30 June 2008.

The gilt portfolio has performed broadly in line with its benchmark over the quarter, one and three year period to 31 March 2015.

8.3 Duration of portfolios

	End Dec 2014		End Mar 2015	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.9	5.6	5.9	5.7
Government Bonds (Passive)	4.7	4.8	4.5	4.8

Source: Insight

9 Hermes – Property

Hermes was appointed to manage a core UK property portfolio. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

9.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)[1]
Hermes - Gross of fees	3.3	19.5	12.5	9.3
Net of fees[1]	3.2	19.1	12.1	8.9
Benchmark	3.0	16.9	9.5	8.7
Reative	0.2	2.7	3.0	0.6

Source: Hermes

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes outperformed its benchmark by 0.2% over the quarter, primarily driven by the fund's Office investments in central London and the investments within the Leisure sector.

Longer term the performance has also been ahead of benchmark.

9.2 Sales and Purchases

There were no new acquisitions during the first quarter of 2015, with a number of potential investments rejected during the due diligence phase.

A pub in London was sold for c. £3.4m during January, reflecting a net yield of just under 3.5%. In addition, Hermes sold a long leasehold interest in an office building in Slough, whilst maintaining the freehold.

10 Standard Life – Long Lease Property

Standard Life Investments ("SLI") was appointed to manage a UK property portfolio investing in core assets where the focus is on properties with long leases let to high quality tenants. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

10.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Standard Life - Gross of fees	2.3	9.9	n/a	11.3
Net of fees[1]	2.2	9.4	n/a	10.8
Benchmark	2.7	16.2	n/a	10.7
Relative	-0.4	-6.3	n/a	0.6

Source: Standard Life

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 2.3% over the first quarter of 2015, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 0.4%. The Fund has also lagged the broader property market by 0.7% and 8.4% over the 3 and 12 month periods – this underperformance is not unexpected given the strong capital appreciation in the wider property market.

The Fund's supermarket exposure was detrimental to relative performance over the quarter with the holdings delivering a return of 0.5% over the quarter with larger supermarket assets outside the South East experiencing a 2%-3% decline in capital values.

Overall, absolute performance remained strong following positive capital value growth across the Fund's office, industrial and alternative sectors. The leading performer was the Save the Children headquarters in London which delivered a return of 9.2%.

10.2 Sales and Purchases

There were several disposals over the quarter as SLI sought to take advantage of strong investor demand for commercial real estate:

- The sale of 50 High Street in Sheffield, which reduced the fund vacancy from 0.4% to 0.1%.
- Terms were agreed for the sale of an industrial unit in Swansea for £11.75m, with the sale being completed post the quarter end. SLI felt that the sale represented a unique opportunity to agree a premium price, 29% above the last valuation, given the tenant was looking to downsize its occupation of the property.

There was one acquisition over the quarter:

- The forward purchase of a Premier Inn in Aldgate, London was completed. The newly built hotel is leased to Premier Inn and guaranteed by Whitbread for a minimum term of 20 years over the development period there has been capital value growth of 22%.

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 25 March 2015.

Manager	Asset Class	Allocation	Benchmark	Outperformance Target	Inception Date	Fees (p.a.)	Tracking Error p.a.
Majedie	UK Equity	20.0	FTSE All-Share Index	+2.0 p.a. (net of fess)	31/05/06	c.35bps base fees +20 performance fee on 1 outperformance over 3 year rolling	2.0-6.0
LGIM	Global Equity	20.0	FTSE World GBP Hedged	Passive	01/11/12	13bps base fees	+/- 0.5
Baillie Gifford	Global Equity	25.0	MSCI AC World Index	+2.0 p.a. (net of fess)	18/03/14	40bps base fee	
Longview	Global Equity		MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15	70bps base fees	
Insight	Fixed Interest Gilts	-	FTSE GILTS up to 15 Yrs Index	Passive	31/05/06	10bps base fees	
	Non-Gilts	20.0	iBoxx £ Non-Gilt 1-15 Yrs Index	+ 0.90 p.a. (gross fees)	31/05/06	c.24bps base fee	0 - 3.0
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Standard Life	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fess)	14/06/13	50bps base fee	
To be determined	Property / Infrastructure	5.0					
	Total	**100.0**					

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 – Style analysis

The Style Skylines are designed to answer the question “How significantly different is the portfolio from the benchmark?” in respect of Style factors which are important and relevant in equity markets.

In each Style Skyline, the first six bars from the left are Value factors (shown as blue bars in the output). The next six bars are the Growth factors (green bars) and include four current/historic measures as well as two forward-looking Growth factors (incorporating IBES consensus earnings estimates and earnings revisions). The remaining bars on the right cover Size, Beta, Momentum, Gearing/Leverage and Foreign Sales.

As a general rule of thumb, for any individual Style tilt (Standard or Adjusted):

- Style tilts less than -0.5 or more than +0.5 indicate a tilt is observable.
- Style tilts less than -1 or more than +1 are statistically significant.
- Style tilts less than -2 or more than +2 are statistically very significant.

There is a further interpretation when we compare across similar factors such as the Value factors (blue bars in the Style Skyline) or the Growth factors (green bars). If most of the Value factors are positive and, say, between 0.4 to 0.6 this suggests that there is a significant Value tilt even though no individual tilt is very significant i.e. multiple tilts in a similar direction within Value or within Growth can reinforce our interpretation of a Style orientation.

It is possible that more extreme tilts can be produced when portfolios and benchmarks are themselves narrowly defined against the market e.g. it is not unusual for Small Cap portfolios to show tilts of 3, 4 or even much larger in magnitude against a Small Cap benchmark. In these cases the significance of the tilts should not be overemphasized.

There is little purity of definition, but in general the various Value and Growth tilt possibilities can be initially interpreted as follows:

Value Factors	Growth Factors	Interpretation
Positive	Negative	Traditional Value
Positive	Positive	Growth at the Right Price
Negative	Positive	Traditional Growth
Negative	Negative	Popular Recovery Situations

Appendix 4 – Risk warnings & Disclosures

- 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.

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