Deloitte.

City of Westminster Pension Fund
Investment Performance Report to 30 June 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
August 2015

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1 Market Background

Three and twelve months to 30 June 2015

Markets were volatile over the second quarter of the year with pre-election concerns over the outcome of the UK General Election and increased uncertainty over Greece's position within the Eurozone as the country struggled to negotiate a new bailout programme and meet its obligations to existing creditors. Throughout this UK equities delivered a negative return over the 3 months to 30 June 2015 (FTSE All Share Index: -1.6%).

Mid and small cap companies outperformed the largest UK firms over the second quarter with the FTSE 250 and FTSE Small Cap indices returning positive returns of 3.6% and 2.6% respectively. At the sector level, Telecommunications was the strongest performer, returning 3.9%. At the other end of the scale, the Health Care sector fell by 11.2%.

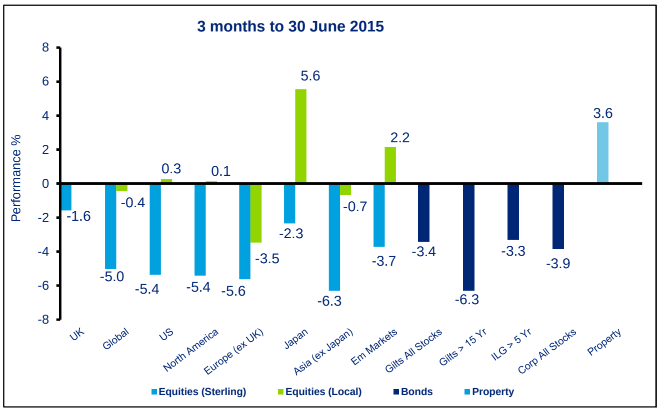
Global equity markets outperformed the UK in local currency terms (-0.4%) but underperformed in sterling terms (-5.0%), as the pound appreciated against most currencies including the dollar, euro and yen with currency hedging beneficial to sterling investors over the quarter. At the regional level, Japan offered investors the highest return of 5.6% in local currency terms and -2.3% in sterling terms. Unsurprisingly, Europe was the poorest performing region in local currency terms (-3.5%) however Asia Pacific (ex Japan) was the weakest performing region in sterling terms (-6.3%).

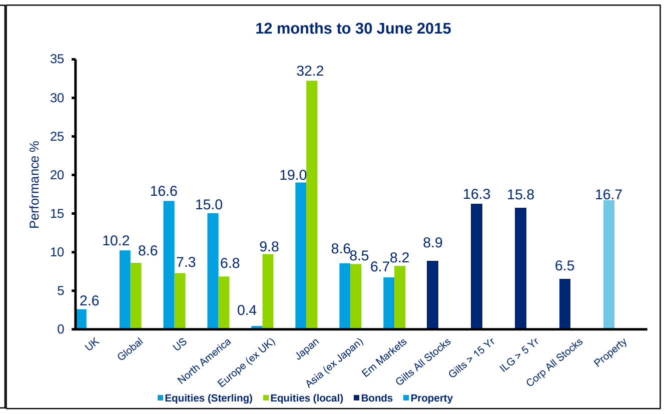
UK nominal gilts delivered negative returns over the quarter as yields increased across all maturities resulting in the All Stocks Gilt Index returning -3.4%. Real yields on UK index-linked gilts also increased over the period, with the Over 5 Year index-linked Gilt Index returning -3.3%. Corporate bonds also delivered negative returns over the quarter, with the iBoxx All Stocks Non Gilt Index returning -3.9%, as credit spreads widened.

Over the 12 months to 30 June 2015, the FTSE All Share Index returned 2.6%. At the sector level, Technology delivered the highest return (21.0%) whilst the Oil & Gas sector was the poorest performing sector (-24.4%). Global markets outperformed the UK in both sterling and local currency terms over the year, with the FTSE All World Index returning 10.2% and 8.6% in sterling and local currency terms respectively. Currency hedging was therefore slightly detrimental for sterling investors over the year.

UK nominal gilts performed strongly over the last 12 months as gilt yields fell across all maturities, particularly at the longer end of the curve. The All Stocks Gilt Index returned 8.9% and the Over 15 Year Gilt Index returned 16.3%. Real yields also fell over the year, with the Over 5 Year Index-linked Gilt Index returning 15.8%. Corporate bond returns were also positive albeit more muted, with the iBoxx All Stocks Non Gilt Index returning 6.5% over the 12 months to 30 June 2015.

The UK property market continues to perform strongly, having returned 3.6% over the quarter and 16.7% over the 12 months to 30 June 2015.





2 Total Fund

2.1 Investment Performance to 30 June 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]	
Majedie	UK Equity	-0.4	-0.5	-1.6	5.7	5.3	2.6	17.5	17.1	11.0	10.8	10.4	5.9
LGIM	Global Equity	-0.6	-0.6	-0.7	8.3	8.2	8.2	n/a	n/a	n/a	16.0	15.8	15.9
Baillie Gifford	Global Equity	-4.8	-4.9	-5.1	13.2	12.8	10.1	n/a	n/a	n/a	10.8	10.4	10.3
Longview	Global Equity	-3.8	-4.0	-5.3	n/a	n/a	n/a	n/a	n/a	n/a	5.2	4.9	1.8
Insight	Gilts	-1.4	-1.4	-1.4	4.8	4.7	4.8	1.5	1.4	1.5	5.2	5.1	5.3
	Non Gilts	-2.6	-2.7	-2.4	5.3	5.1	5.5	6.8	6.6	6.2	5.8	5.5	5.3
Hermes	Property	3.4	3.3	3.4	18.8	18.4	15.9	13.4	13.0	10.6	9.6	9.2	9.0
Standard Life	Property	2.2	2.1	-2.9	9.5	9.0	11.0	n/a	n/a	n/a	11.1	10.6	7.7
Total		-1.6	-1.7	-2.2	8.3	8.0	7.0	13.6	13.3	12.0	6.7	6.3	6.3

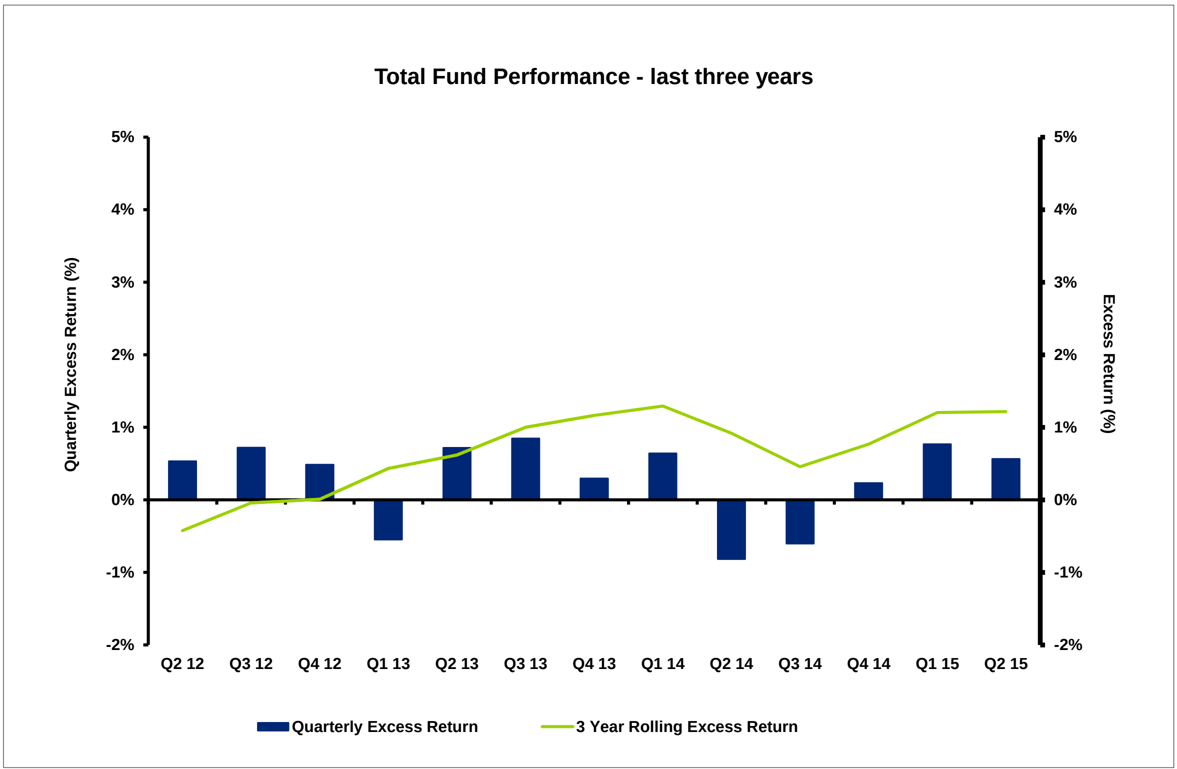
Source: Investment Managers

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

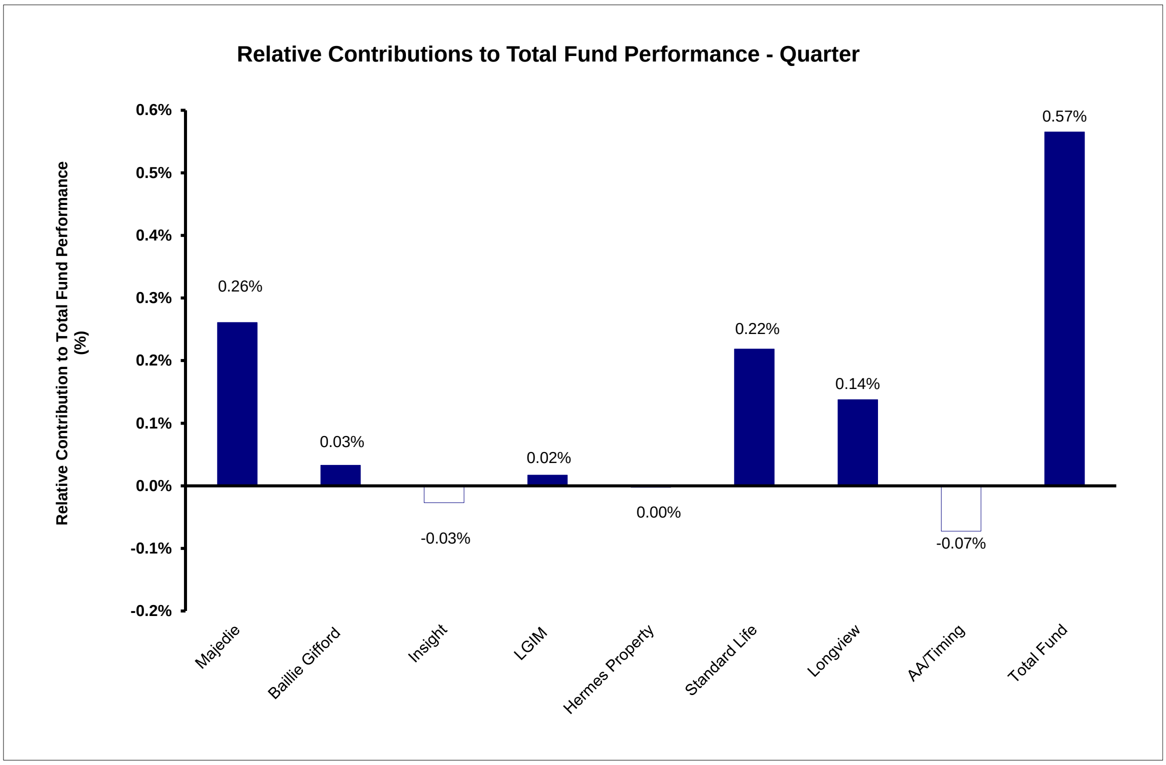
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund outperformed its benchmark, mostly due to strong performance from the Standard Life Long Lease Property Fund and the active equity managers Baillie Gifford, Majedie and Longview.

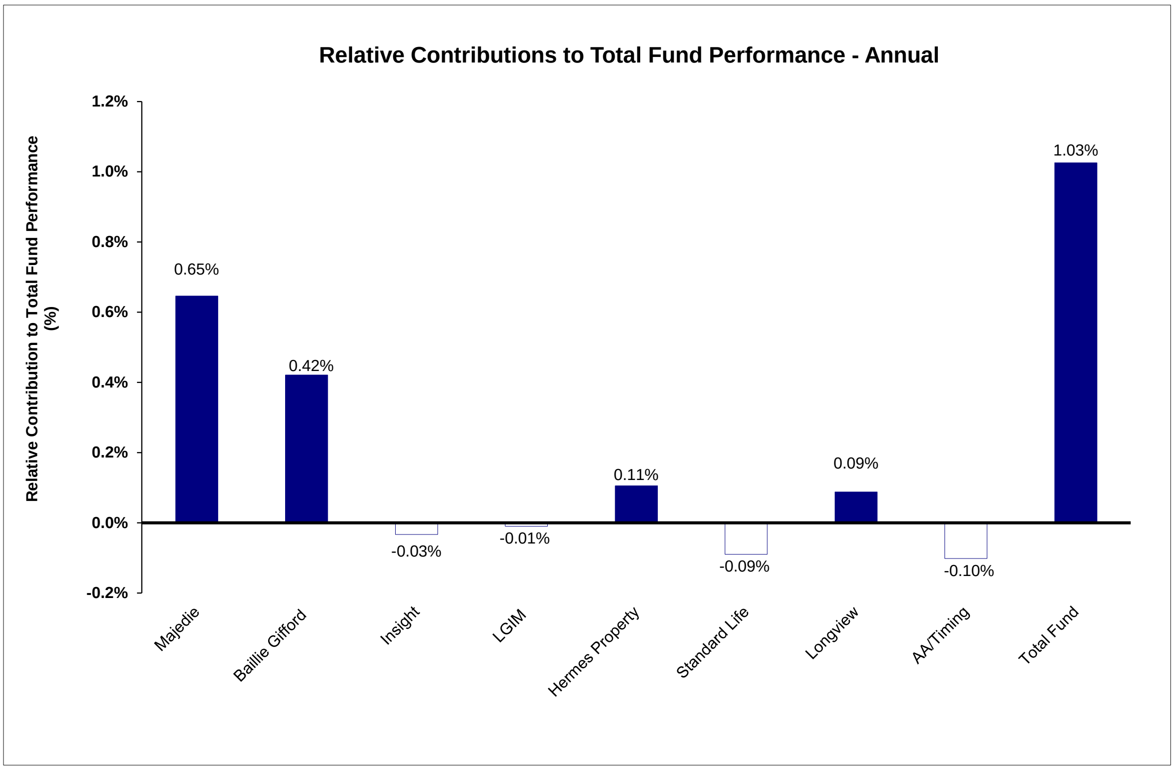
The chart below shows the performance of the Fund over the three year period, highlighting that the rolling three-year performance has been positive since 2013, with Majedie, Baillie Gifford and Hermes contributing positively. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 30 June 2015



The Fund outperformed its composite benchmark by 57bps over the second quarter of 2015, largely as a result of strong performance from the active equity managers, Majedie and Longview, and from the Standard Life Long Lease Property Fund.



The Fund outperformed over the year, largely due to strong performance from Majedie and Baillie Gifford. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark.

Asset Allocation as at 30 June 2015

The table below shows the assets held by manager and asset class as at 30 June 2015.

Manager	Asset Class	End Mar 2015 (£m)	End Jun 2015 (£m)	End Mar 2015 (%)	End Jun 2015 (%)	Benchmark Allocation (%)
Majedie	UK Equity	256.5	255.6	23.5	23.8	20
LGIM	Global Equity (Passive)	277.3	275.5	25.4	25.7	20
Baillie Gifford	Global Equity	179.2	170.6	16.4	15.9	25
Longview	Global Equity	109.6	105.2	10.0	9.8	
	Total Equity	**822.6**	**806.9**	**75.4**	**75.2**	**65**
Insight	Fixed Interest Gilts (Passive)	17.9	17.6	1.6	1.6	20
Insight	Sterling Non-Gilts	156.6	152.5	14.4	14.2	
	Total Bonds	**174.5**	**170.1**	**16.0**	**15.9**	**20**
Hermes	Property	45.7	47.1	4.2	4.4	5
Standard Life	Property	47.9	48.9	4.4	4.6	5
To be Determined	Property / Infrastructure	-	-	-	-	5
	Total Property	**93.6**	**96.0**	**8.6**	**8.9**	**15**
	Total	**1,090.7**	**1,073.0**	**100**	**100**	**100**

Source: Investment Managers

Figures may not sum to total due to rounding

Over the quarter the market value of the assets fell by c. £17.7m as a result of the fall in both equity and bond markets over the quarter.

Since the introduction of Longview in January 2015, the benchmark allocation has been amended.

As at 30 June 2015, the Fund is overweight by c. 10.2% when compared with the benchmark allocation, with overweight allocations to UK equities and both passive and active global equities. As a result of this overweight position, both the allocations to bonds and property are underweight to the order of c. 4.1% and c. 6.1% respectively. This is similar to the position at the end of last quarter.

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 assumed that this unallocated 5% is spread across the Fund's other mandates.

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 outflows due to clients de-risking being recycled to new investors.

Personnel

Majedie has added to its compliance team with a couple of new hires over the quarter.

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

Baillie Gifford

Business

Total assets under management decreased over the second quarter of 2015 from £125.1bn as at 31 March 2015 to £121.0bn as at 30 June 2015. The decrease was largely due to negative investment returns as net client flows were positive over the quarter.

Baillie Gifford closed the Global Alpha Fund to new investors at the start of the 2015 and will only accept inflows from existing clients subject to capacity remaining available.

Personnel

There were a number of changes within the US Equity team over the quarter. Ian Tabberer, joint head of US equities, left Baillie Gifford after 7 years of employment, leaving Gary Robinson as the sole head of the US team. Mark Hughes, an investment manager, also left and joined a business outside of the fund management industry. Andrei Kiselev, an investment manager with 6 years of experience at Baillie Gifford, moved across to the US Equity team from the now closed Global Opportunities team.

The remaining members of the Global Opportunities team moved into other areas of the business. Tom Walsh, an investment manager, moved to the European Equity team and the two analysts, Paulina Sliwinska and Tolibjon Tursunov, joined the Long Term Global Growth and Global Discovery teams respectively.

Deloitte view – We continue to rate Baillie Gifford positively for its global equity capabilities.

LGIM

Business

As at 31 March 2015, Legal & General Investment Management ("Legal & General") had total assets under management of c. £736.8bn including derivative overlays and advising assets.

Personnel

Michael Porte joined the London Index Equity team over the quarter. Michael joins from Deutsche Bank. The search is still underway for a replacement for Ali Toutounchi, Head of Index Equities, who is retiring at the end of the year.

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

Longview

Personnel

Natasha Fletcher has joined the Institutional clients team at a junior level, having joined from Chamomile Investment Consultants where she carried out a similar role.

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

Insight

Business

Assets under management reached £383bn as at the end of March 2015.

There were no significant changes to personnel over the quarter. Insight reported on the increasing settlement of the US team and feel the Insight / Cutwater staff have merged together well following the successful acquisition in late 2014.

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. £1.15bn at the end of June 2015 with interest from prospective unit holders continuing to be strong and the Trust Managers continuing to operate a waiting list for new investment.

Personnel

There were no changes to the team over the quarter.

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

Standard Life

In June it was announced that Keith Skeoch, the Chief Executive of Standard Life Investments (SLI), would be taking over from David Nish as the Chief Executive of Standard Life plc as well as continuing in his role as Chief Executive at SLI. While we see Skeoch as having been a key factor in SLI's growth over the last 10 years or so, there is a team of experienced individuals who have responsibility for the management and development of the main business streams. Stability within this team will be crucial for the continued success of the investment business going forward.

There were no changes to the team responsible for the Fund's investment, albeit Richard Marshall is getting more support from Ted Roy in managing the Long Lease Fund.

Deloitte View: We continue to rate SLI positively for its long lease property capabilities.

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 30 June 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	-4.8	13.2	n/a	10.8
Net of fees[1]	-4.9	12.8	n/a	10.4
MSCI AC World Index	-5.1	10.1	n/a	10.3
Relative (net of fees)	0.2	2.7	n/a	0.1

Source: Baillie Gifford

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

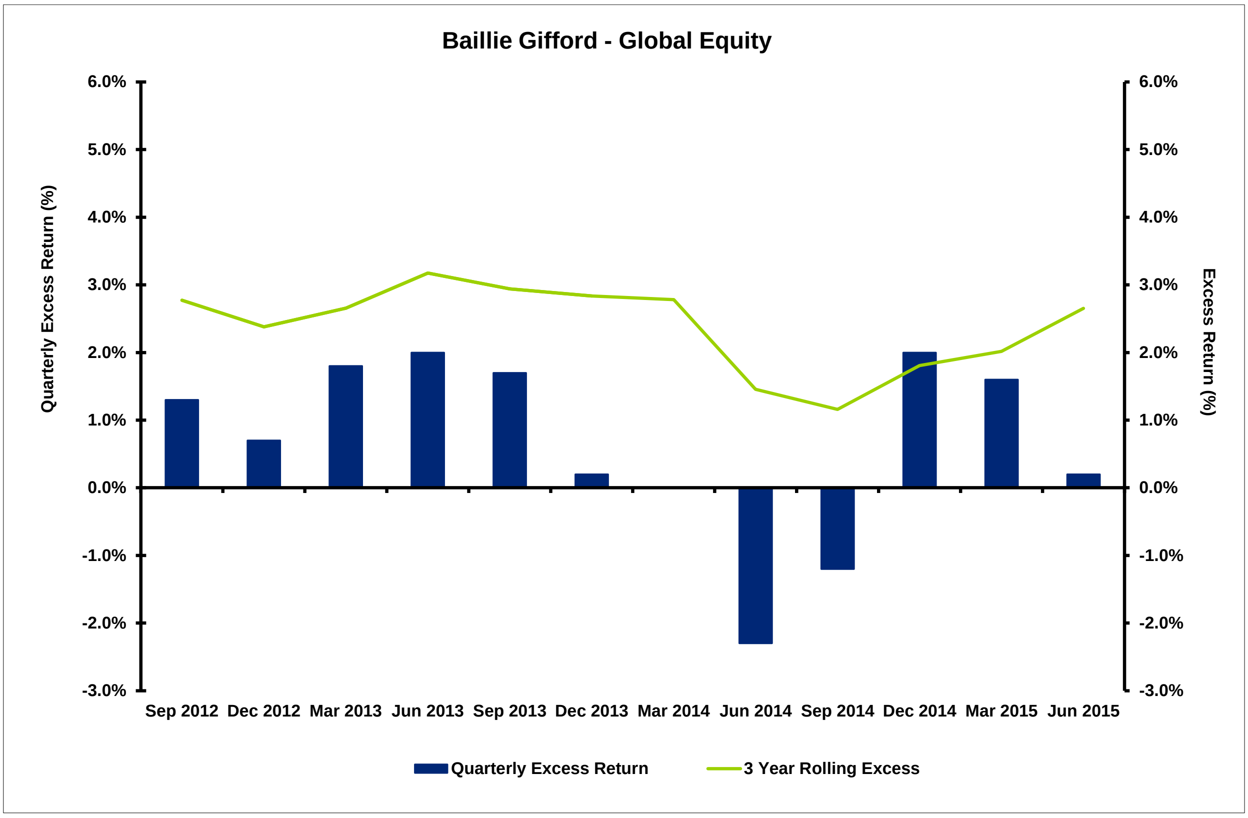
Inception date taken as 18 March 2014

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

The main contributors over the quarter were the Fund's holdings in China Resources Enterprise, Amazon.com and Tesla Motors.

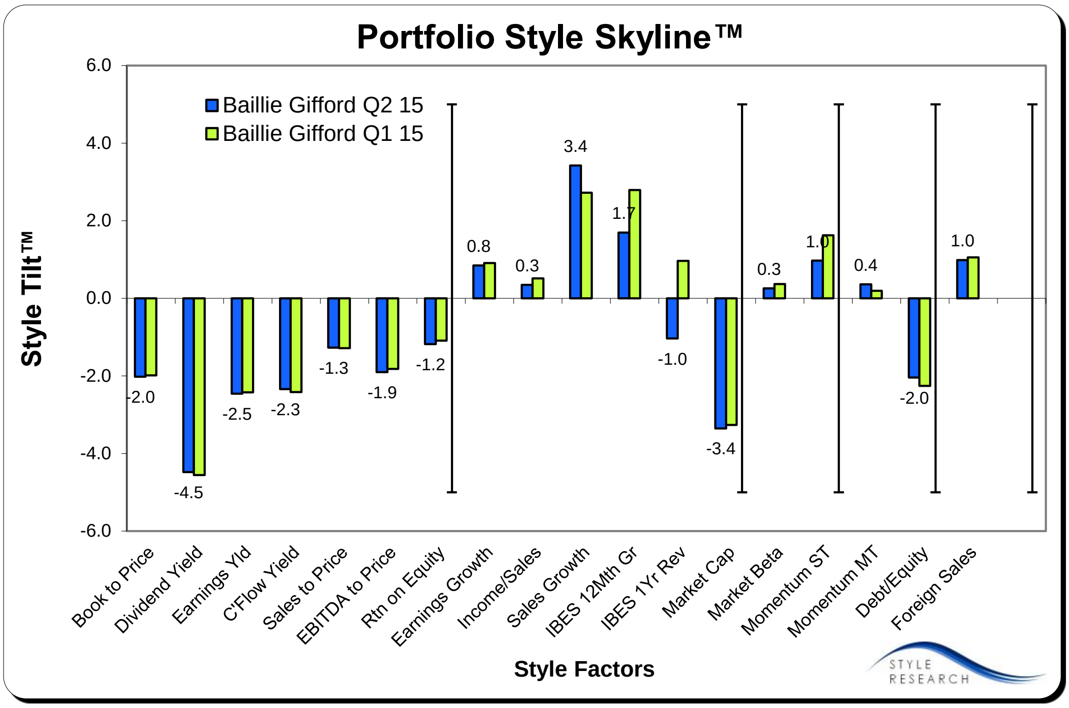
The main detractors over the quarter were the overweight positions in Royal Caribbean Cruises, Atlas Copco and Ultra Petroleum, who all delivered negative returns over the period.

The graph below shows the net 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 30 June 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, Baillie Gifford has a marked negative bias to value related factors and a positive bias to growth factors which is consistent with the stated investment approach. This is a similar position to last quarter.

The top 10 holdings in the Baillie Gifford fund account for c. 25% of the fund and are detailed below.

Top 10 holdings as at 30 June 2015	Proportion of Baillie Gifford fund
Royal Caribbean	3.53%
Prudential	3.30%
Naspers	3.28%
Amazon.com	2.44%
Anthem	2.43%
Ryanair Holdings	2.28%
Taiwan Semi	2.21%
TD Ameritrade	2.02%
Markel	1.83%
First Republic Bank	1.80%
Total	**25.12%**

Baillie Gifford	31 March 2015	30 June 2015
Total Number of holdings	98	98
Active risk	3.9%	3.8%
Coverage	6.8%	6.9%
Top 10 holdings	25.56%	25.12%

As at 30 June 2015, Baillie Gifford held 98 stocks, with an overlap with the FTSE All World index of 6.9%. As an active manager, Baillie Gifford tactically invests in such a way as not to replicate the index. The active risk, as at 30 June 2015, was 3.8%.

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 30 June 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	-0.6	8.3	n/a	16.0
Net of fees[1]	-0.6	8.2	n/a	15.8
FTSE World GBP Hedged	-0.7	8.2	n/a	15.9
Relative (net of fees)	0.1	0.0	n/a	-0.1

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 broadly in line with the benchmark over the quarter, one year and since the inception of the mandate.

6 Majedie – UK Equity

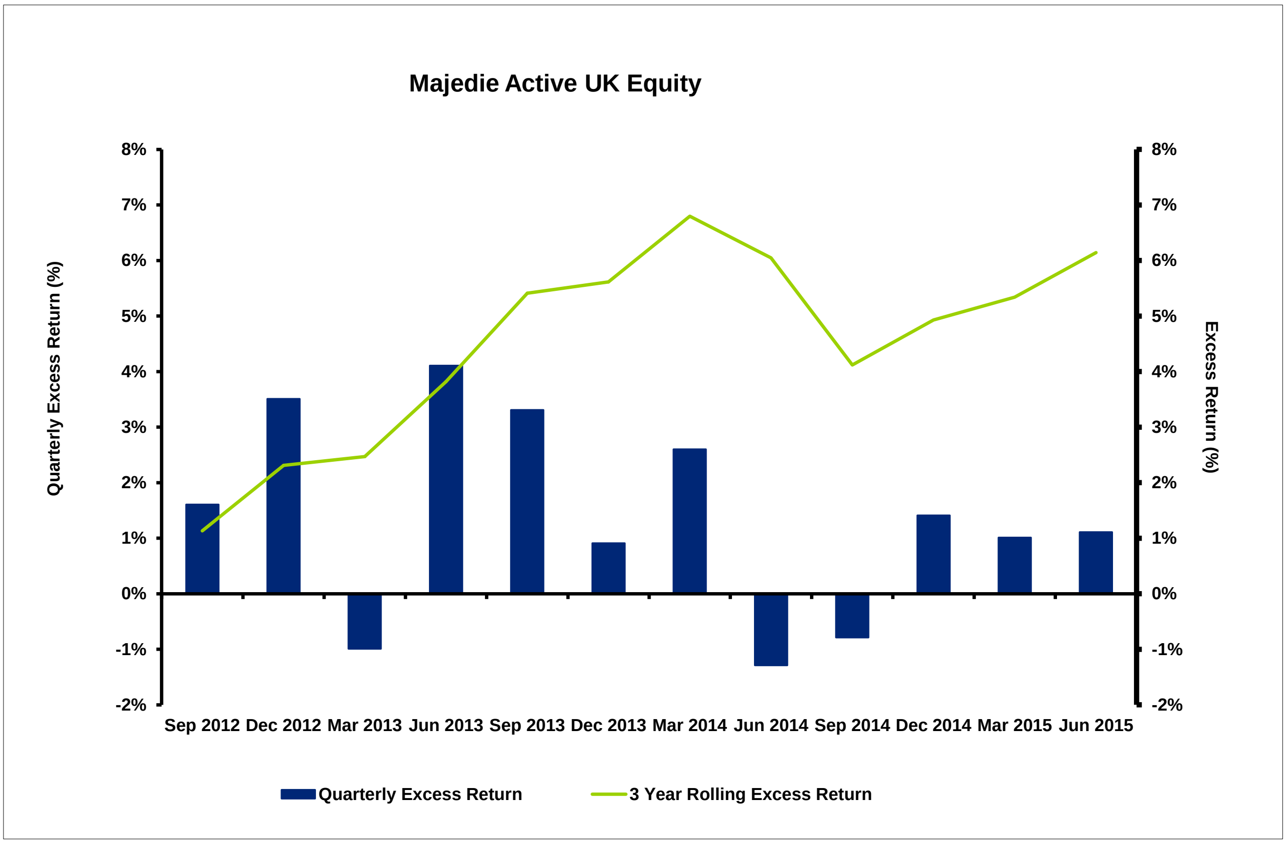
Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to 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	-0.4	5.7	17.5	10.8
Net of base fees[1]	-0.5	5.3	17.1	10.4
FTSE All-Share Index	-1.6	2.6	11.0	5.9
Relative (net of fees)	1.1	2.7	6.1	4.5

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% on a net of fees basis. Over the longer timeframes of one year, three years and since inception the manager has outperformed its benchmark on a net basis by 2.7%, 6.1% p.a. and 4.5% p.a. respectively.

As a group, the Fund's strongest performers were those in the smaller companies sub-portfolio which, with a higher UK bias, benefitted from the increase in investment appetite following the result of the general election.

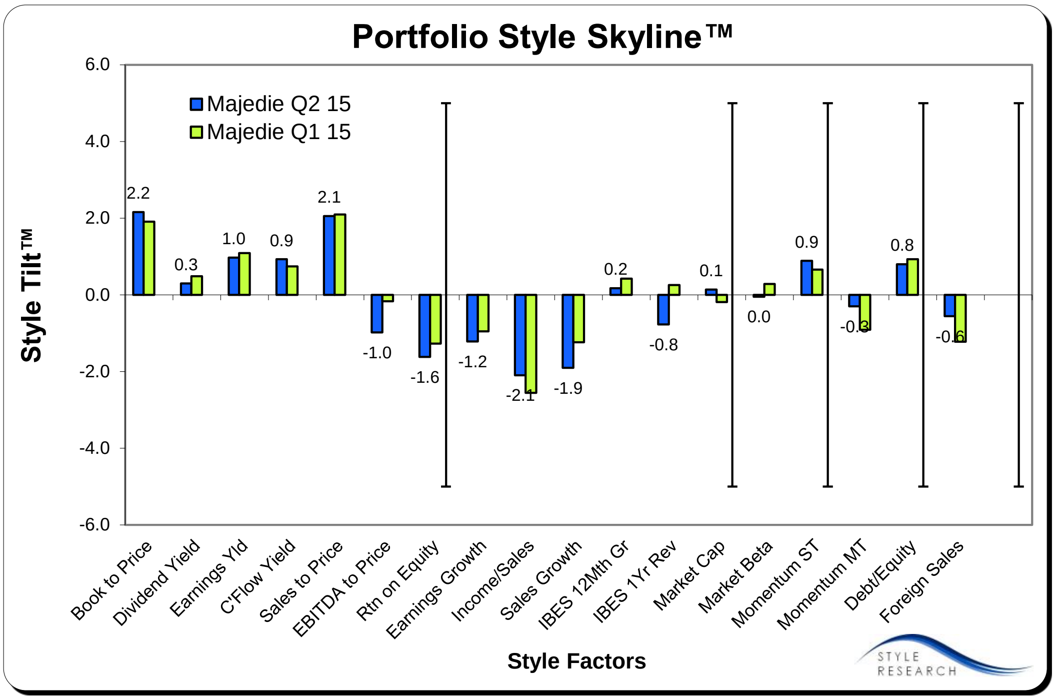
At an individual stock level, Vodafone performed well, with news of early stage talks over a potential asset swap with Liberty Global (US cable provide) being received well by the market.

In a swing from last quarter, the Fund's overweight position in Tesco hurt performance, returning -12.1% over the quarter which contributed -0.2% to total fund performance.

Being underweight to the oil and gas explorer BG, who received a $70bn takeover bid from Royal Dutch Shell also hurt their relative performance, with BG returning almost 29% over the quarter.

6.1 Style analysis

We have analysed the Style of Majedie as at 30 June 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 factors, it 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 30 June 2015	Proportion of Majedie fund
HSBC	6.29%
Vodafone	5.84%
BP	4.81%
Royal Dutch Shell	4.33%
Barclays	3.77%
GlaxoSmithKline	3.09%
BT	2.97%
RBS	2.93%
Tesco	2.84%
Orange	2.84%
Total	**39.71%**

Majedie	31 March 2015	30 June 2015
Total Number of holdings	208*	208*
Active risk	3.1%	2.4%
Coverage	39.8%	41.5%
Top 10 holdings	40.20%	39.71%

*includes 130 stocks in the Majedie UK Smaller Companies Fund, which the fund invests in.

As at 30 June 2015, Majedie held 208 stocks in total, with an overlap with the FTSE All Share index of 41.5%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting to an extent the multi manager approach. Majedie's active risk, as at 30 June 2015, was 2.4%.

7 Longview – Global Equity

Longview was appointed on 15 January 2015 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	-3.8	n/a	n/a	5.2
Net of base fees[1]	-4.0	n/a	n/a	4.9
MSCI World Index	-5.3	n/a	n/a	1.8
Relative (net of fees)	1.3	n/a	n/a	3.1

Source: Longview

1 – estimated by Deloitte

See appendix 1 for more detail on manager fees

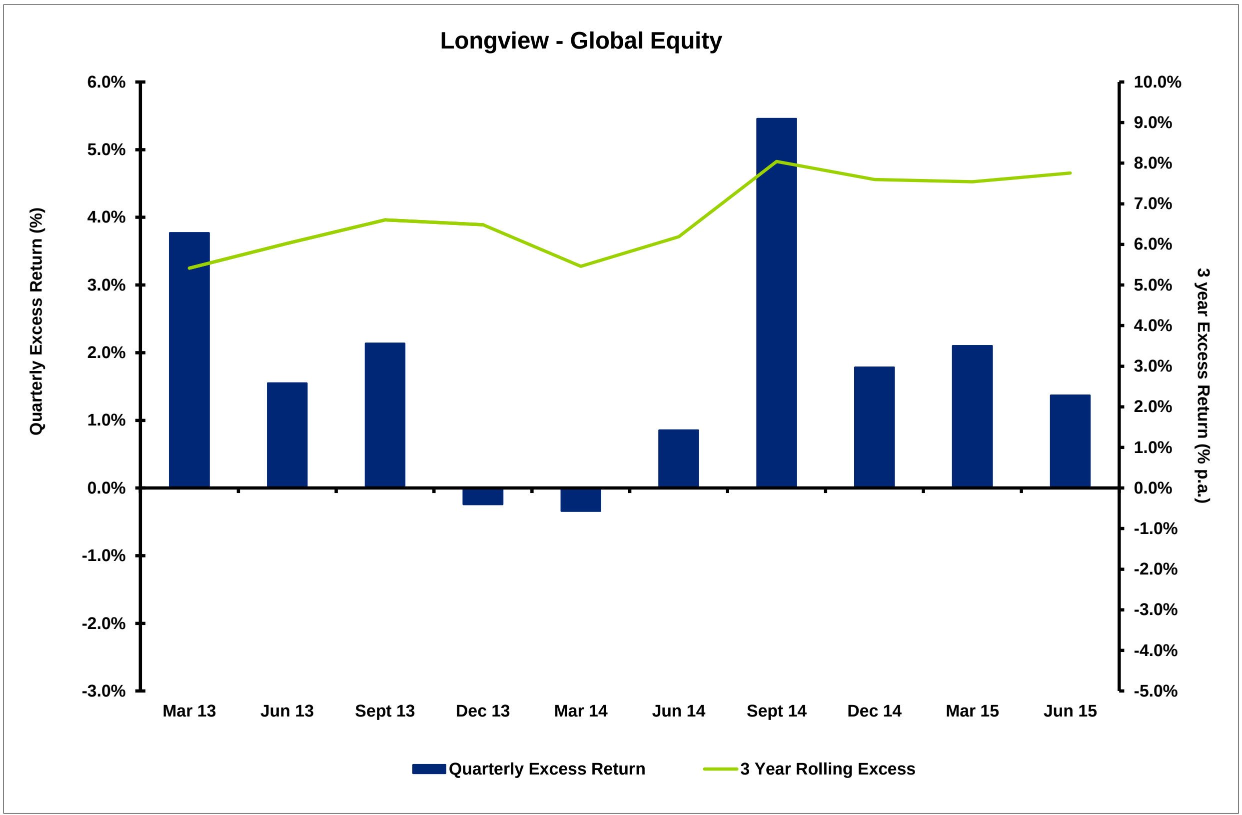
Inception date taken as 15 January 2015.

Longview outperformed the benchmark by 1.3% on a net basis, over the second quarter of 2015. This was largely driven by the Fund's stock selection in the Financials and Healthcare sectors.

HCA Holdings, the largest owner of private hospitals in the US, was the greatest positive contributor over the quarter. Concerns about the impact of the introduction of "Obama-care" had adversely impacted the share price – in the event, fears proved to be unfounded and the share price has bounced back.

A further contributor was Yum! Brands, who own various fast food chains like KFC that has seen sales stabilise after a sharp fall following on from various food scares.

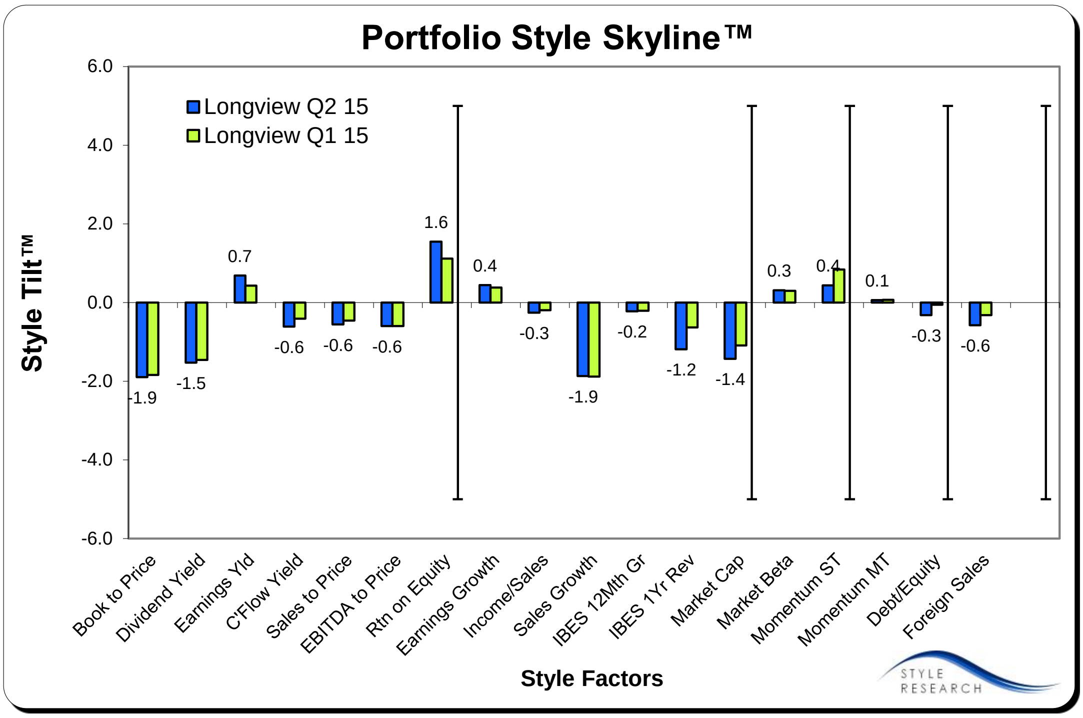
Detractors over the quarter included Pearson, the publishing and education company, which was the largest detractor over the quarter with US higher education enrolments down over the quarter. More recently the situation has improved for Pearson since, with the sale of the FT to Nikkei at c. 35x earnings.



For information purposes we have included the longer run performance history for the strategy.

7.1 Style analysis

We have analysed the Style of Longview as at 30 June 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, Longview does not currently have a strong bias to either value or growth factors. Last quarter, the style analysis was similar.

The top 10 holdings in the Longview fund account for c. 39% of the fund and are detailed below.

Top 10 holdings as at 30 June 2015	Proportion of Longview fund
Delphi Automotive	4.69%
AON	4.26%
HCA Holdings	4.04%
Fidelity National Info Services	3.99%
Time Warner	3.68%
Yum! Brands	3.63%
Lloyds	3.61%
Wells Fargo	3.57%
Bank of New York Mellon	3.55%
Oracle	3.55%
Total	**38.57%**

Longview	31 March 2015	30 June 2015
Total Number of holdings	34	34
Active risk	4.2%	4.4%
Coverage	4.4%	4.4%
Top 10 holdings	42.28%	38.57%

As at 30 June 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 4.4% as at 30 June 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 30 June 2015

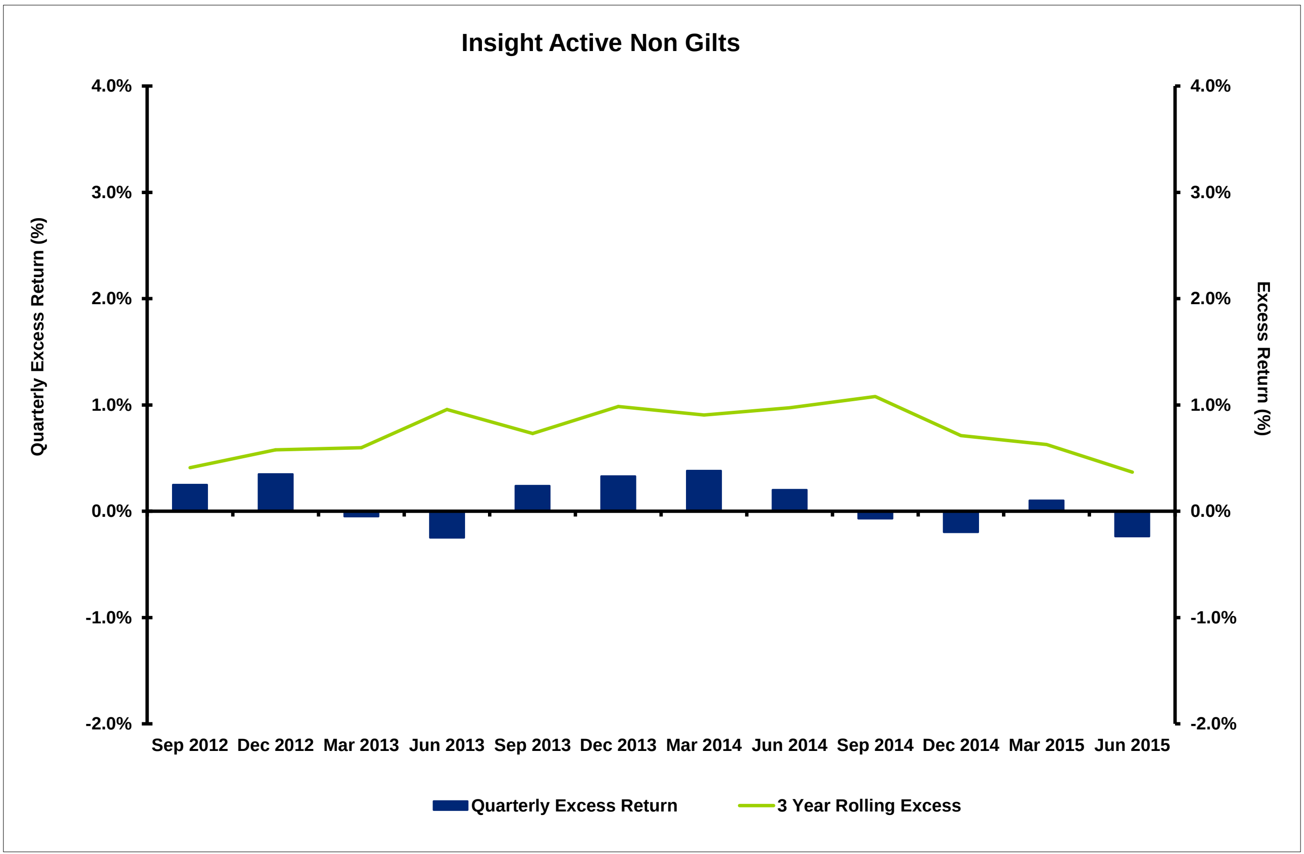
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	-2.6	5.3	6.8	5.8
Net of fees[1]	-2.7	5.1	6.6	5.5
iBoxx £ Non-Gilt 1-15 Yrs Index	-2.4	5.5	6.2	5.3
Relative (net of fees)	-0.3	-0.4	0.4	0.2

Source: Insight

(1) Estimated by Deloitte

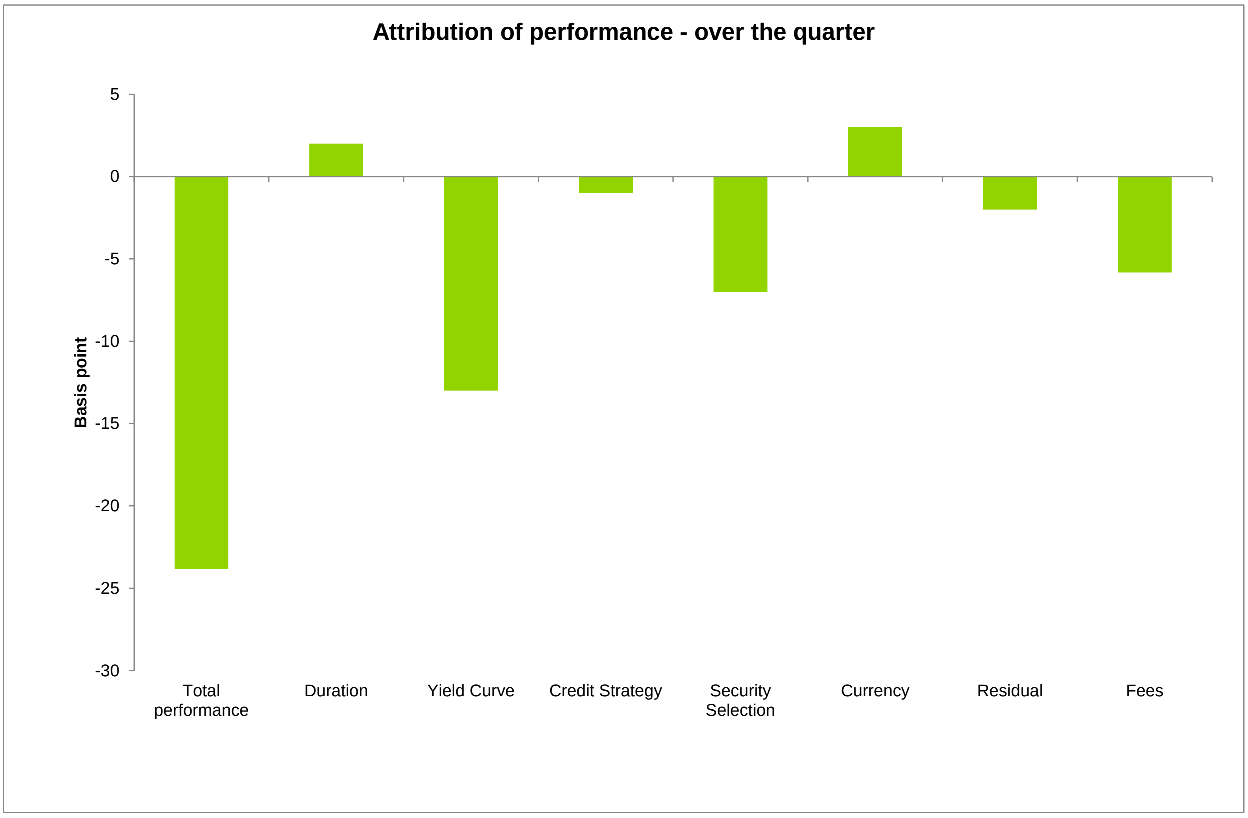
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio underperformed the benchmark by 0.3%, returning -2.7% on a net of fees basis. Over the year to 30 June 2015, the fund has also underperformed the benchmark by 0.4% net of fees. Over the longer time periods of 3 years and since inception, Insight has outperformed the benchmark, net of fees, by 0.4% p.a. and 0.2% p.a. respectively.

8.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's underperformance this quarter has been driven by their security selection and the positioning on the yield curve.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 30 June 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	-1.4	4.8	1.5	5.2
Net of fees[1]	-1.4	4.7	1.4	5.1
FTSE A Gilts up to 15 Yrs Index	-1.4	4.8	1.5	5.3
Relative (net of fees)	0.0	-0.1	-0.1	-0.2

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 30 June 2015.

8.3 Duration of portfolios

	End Mar 2015		End Jun 2015	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.9	5.7	5.5	5.5
Government Bonds (Passive)	4.5	4.8	4.5	4.5

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	3.4	18.8	13.4	9.6
Net of fees[1]	3.3	18.4	13.0	9.2
Benchmark	3.4	15.9	10.6	9.0
Relative (net of fees)	-0.1	2.5	2.4	0.2

Source: Hermes

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

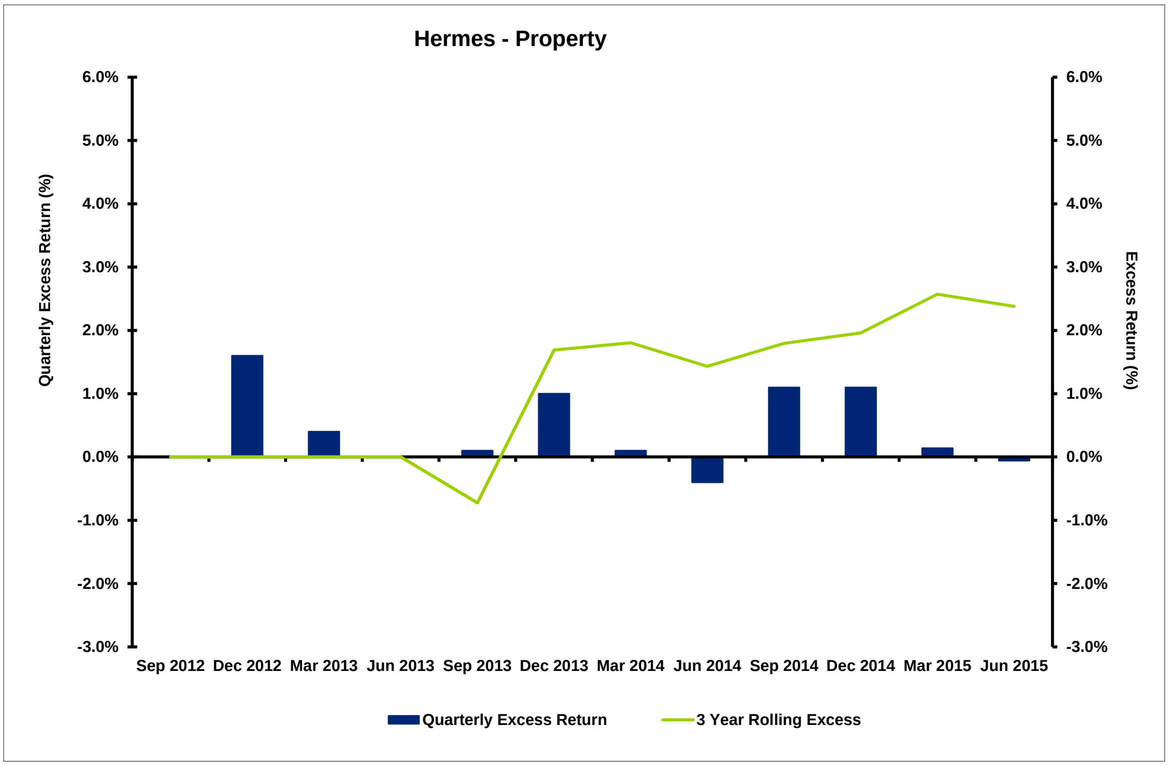
Hermes performed broadly in line with its benchmark over the quarter. Longer term performance continues to be ahead of benchmark.

This quarter, the return was primarily driven by the fund's Office investments in both the West End of London and the Rest of the UK.

9.2 Sales and Purchases

Over the quarter, there were no disposals and two acquisitions, namely:

- Jury's Inn Hotel in Liverpool was purchased in June 2015 for £28.96m. The property is let for a further 28 years with rent reviews linked to uncapped RPI. The income yield increases to 6.4% in April 2016 and Hermes anticipate this will increase to more than 7% in 2018.
- Yarnfield Park, Training and Conference Centre in Yarnfield was purchased for £9.54m in June 2015. The property is let on a 10 year lease which is guaranteed by Compass Group Holdings Plc with annual uplifts of 2.5% from 2018.



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	2.2	9.5	n/a	11.1
Net of fees[1]	2.1	9.0	n/a	10.6
Benchmark	-2.9	11.0	n/a	7.7
Relative (net of fees)	5.0	-2.0	n/a	2.9

Source: Standard Life

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

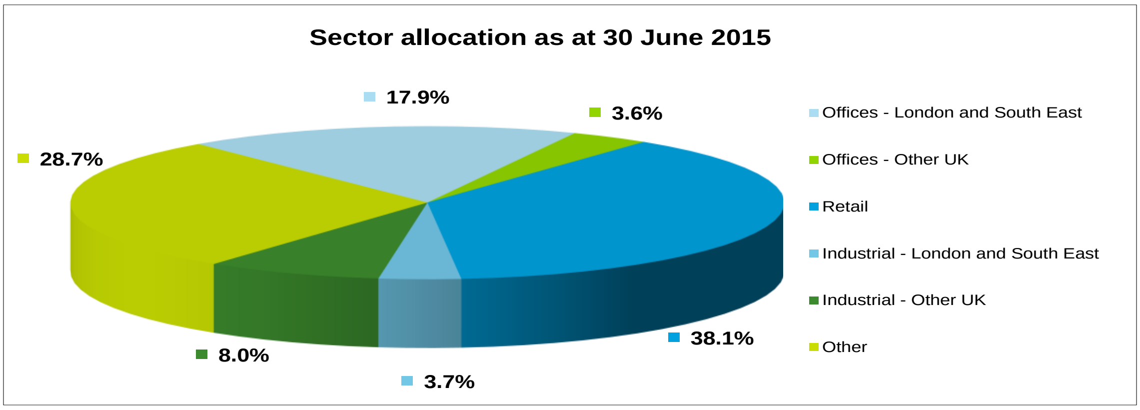
Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 2.2% over the second quarter of 2015, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 5.0% net of fees. Over the 12 months the Fund has underperformed the benchmark and has also lagged the broader property market by 2.0% and 7.2% respectively.

The level of underperformance is not surprising during periods of strong capital appreciation in the wider property market. The recent rally has been driven by strong investor flows and price appreciation in high quality secondary assets

The Fund remains underweight in the office sector (21.5% compared to 34.8%) and remains underweight the industrial sector (11.7%), compared to 19.2% at the end of the first quarter. The Fund is also slightly underweight the retail sector (38.1% compared to 39.7%).

The Fund continues to be significantly overweight in the “Other” sector (28.7% compared to 6.3%) as a result of its holdings in a range of car parks, student accommodation, hotels, medical centres and law courts, as well as its indirect holding in the Standard Life Investments Commercial Ground Rent Fund.



The table below shows details of the top ten tenants in the Fund measured by percentage of net rental income:

Tenant	Property/Location	Total Rent £m p.a.	% Net Income
Tesco Stores Limited	Various	7.8	11.6
Premier Inn Limited	Various	5.1	7.5
Sainsbury’s Supermarkets	Various	4.7	7.1
Asda Stores Limited	Various	4.4	6.6
Save the Children Fund	1 St Johns Lane, London	3.5	5.2
WM Morrisons Supermarkets	Various	3.5	5.2
Marstons PLC	Various	3.4	5.0
Glasgow City Council	Various	3.1	4.6
Travis Perkins (Properties)	Travis Perkins, Warrington	3.0	4.5
The Court of Napier University	Napier University, Fountainbridge	2.8	4.2
Total		**41.2**	**61.4**

The top 10 tenants contribute 61.4% of the total net income into the Fund. Supermarkets continue to dominate the Fund, with Tesco, Sainsbury’s, Asda and Morrison’s contributing 30.5% to the Fund’s total net rental income. Premier Inn is now the second largest tenant following the completion of the development in Aldgate.

The Fund’s average unexpired lease term has remained broadly unchanged over the quarter at 25.1 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases rose from 89.6% to 89.9% over the second quarter of 2015.

10.2 Sales and Purchases

There was one disposal over the second quarter of 2015:

- An industrial unit in Swansea was sold for £11.75m. Whilst SLI were not looking to dispose of this particular asset, the tenant was looking to downsize and paid a price (29% above the last valuation) which SLI did not believe would be achievable on the open market.
- There were no acquisitions over the quarter.

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	75bps base fees minus a rebate dependent on fund size	
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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