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City of Westminster Pension Fund
Investment Performance Report to 31 December 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
February 2016

Contents

1 Market Background

Three and twelve months to 31 December 2015

The UK equity market showed some volatility over the 3 months to 31 December 2015 given the persistent uncertainty around the strength of the global economy and China in particular. Markets rallied in late December following the Fed's announcement to raise rates, ending the fourth quarter in positive territory (FTSE All Share Index: 4.0%).

Mid and small cap companies outperformed the largest UK firms over the fourth quarter, with the FTSE 250 and FTSE Small Cap indices returning 5.0% and 4.1% respectively. At the sector level, Technology was the strongest performer (10.9%), whilst the poorest performing sector was once again Basic Materials (-11.1%). This sector continues to be affected by falling commodity prices and concerns over an economic slowdown in China.

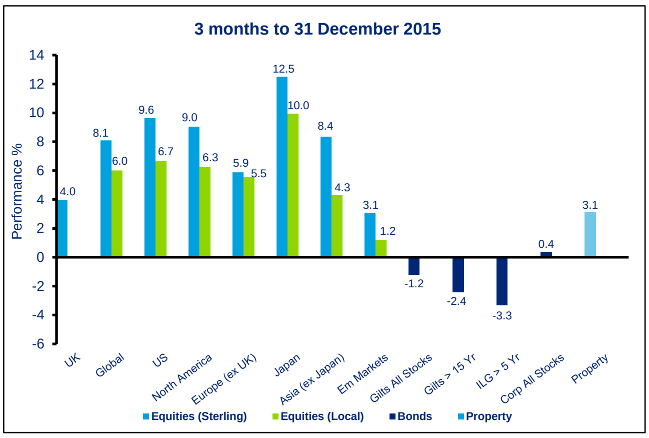
Global equity markets outperformed the UK in both local currency terms (6.0%) and sterling terms (8.1%), with the pattern of returns over the quarter broadly in line with that seen in the UK. Currency hedging was generally detrimental to sterling investors investing globally over the quarter, as sterling depreciated against the dollar and yen, and was broadly flat against the euro. At the regional level, Japanese equities offered the highest return of 12.5% in sterling terms and 10.0% in local currency terms. The emerging markets were the poorest performing region over the quarter, returning 3.1% in sterling terms and 1.2% in local currency terms.

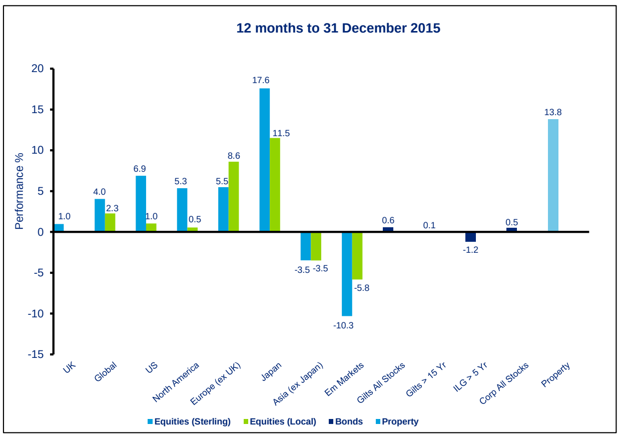
UK nominal gilts delivered negative returns over the fourth quarter as yields increased across all but the shortest maturities, with the All Stocks Gilt Index returning -1.2%. Real yields on UK index-linked gilts also increased over the period, with the Over 5 Year Index-linked Gilt Index returning -3.3%. Corporate bonds posted marginally positive returns over the quarter, with the iBoxx All Stocks Non Gilt Index returning 0.4%. Returns on corporate bonds were ahead of gilts as credit spreads narrowed.

Over the 12 months to 31 December 2015, the FTSE All Share Index returned 1.0%, although returns were volatile over the year, and varied across sectors. Technology delivered the highest return at 16.8%, whilst the Basic Materials and Oil & Gas sectors suffered dramatically over 2015 in an environment of falling commodity prices, returning -42.1% and -20.7% respectively. Global equity markets outperformed the UK, with the FTSE All World Index returning 4.0% and 2.3% in sterling and local currency terms respectively.

UK nominal gilts delivered marginally positive returns over 2015. Positive returns can be attributed to coupon payments, as gilt yields rose across all maturities (and therefore gilt prices fell). The All Stocks Gilt Index returned 0.6% over the 12 month period and the Over 15 Year Gilt Index returned just 0.1%. There were more significant increases in real yields over the year, causing the Over 5 year Index-linked Gilt Index to return -1.2%. Corporate bond returns were marginally positive, with the iBoxx All Stocks Non Gilt Index returning 0.5% over the 12 months to 31 December 2015. This was again due to the effect of coupon payments, as gilt yields increased and credit spreads widened over the year.

The UK property market performed strongly in 2015, returning 3.1% over the quarter and 13.8% over the year to 31 December 2015.





2 Total Fund

2.1 Investment Performance to 31 December 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	1.4	1.3	4.0	-0.3	-0.7	1.0	10.3	10.0	7.3	9.6	9.2	5.4
LGIM	Global Equity	5.9	5.9	5.9	1.3	1.2	1.3	12.2	12.1	12.1	12.1	12.0	12.1
Baillie Gifford	Global Equity	10.6	10.5	8.1	8.6	8.2	3.8	n/a	n/a	n/a	10.3	9.9	8.3
Longview	Global Equity	5.5	5.3	8.4	n/a	n/a	n/a	n/a	n/a	n/a	7.7	7.1	4.9
Insight	Gilts	-0.4	-0.5	-0.5	0.9	0.8	0.9	1.8	1.7	1.7	5.0	4.9	5.1
	Non Gilts	0.6	0.5	0.3	1.4	1.1	1.1	4.5	4.2	4.0	5.6	5.4	5.2
Hermes	Property	3.7	3.6	2.9	15.0	14.6	13.0	15.5	15.1	13.1	10.2	9.8	9.3
Standard Life	Property	1.5	1.4	-0.7	8.3	7.8	2.6	n/a	n/a	n/a	10.3	9.8	7.3
Total		4.3	4.2	4.4	3.4	3.0	2.5	10.4	10.0	9.6	6.2	5.9	5.8

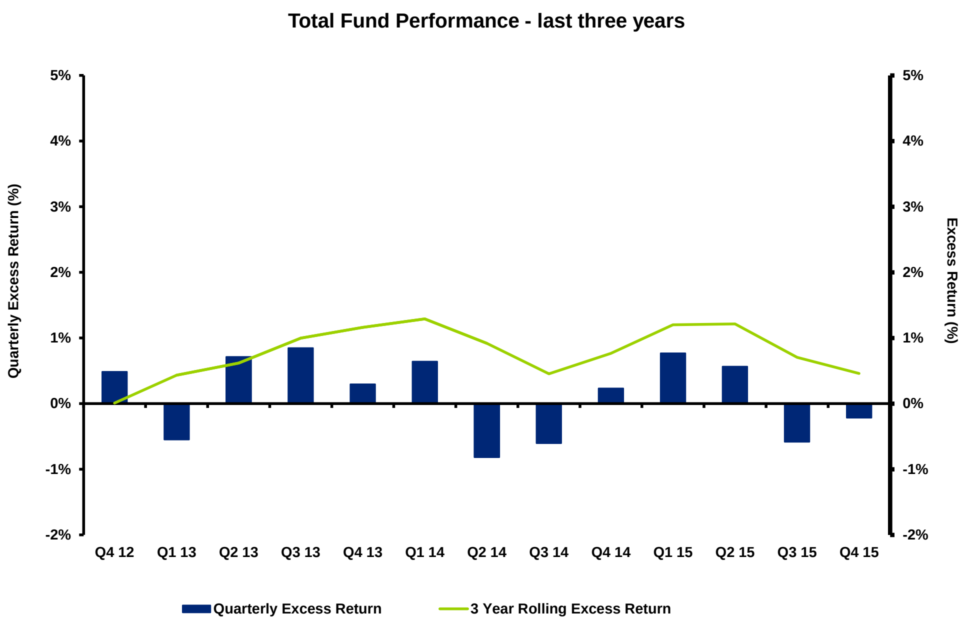
Source: Investment Managers

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

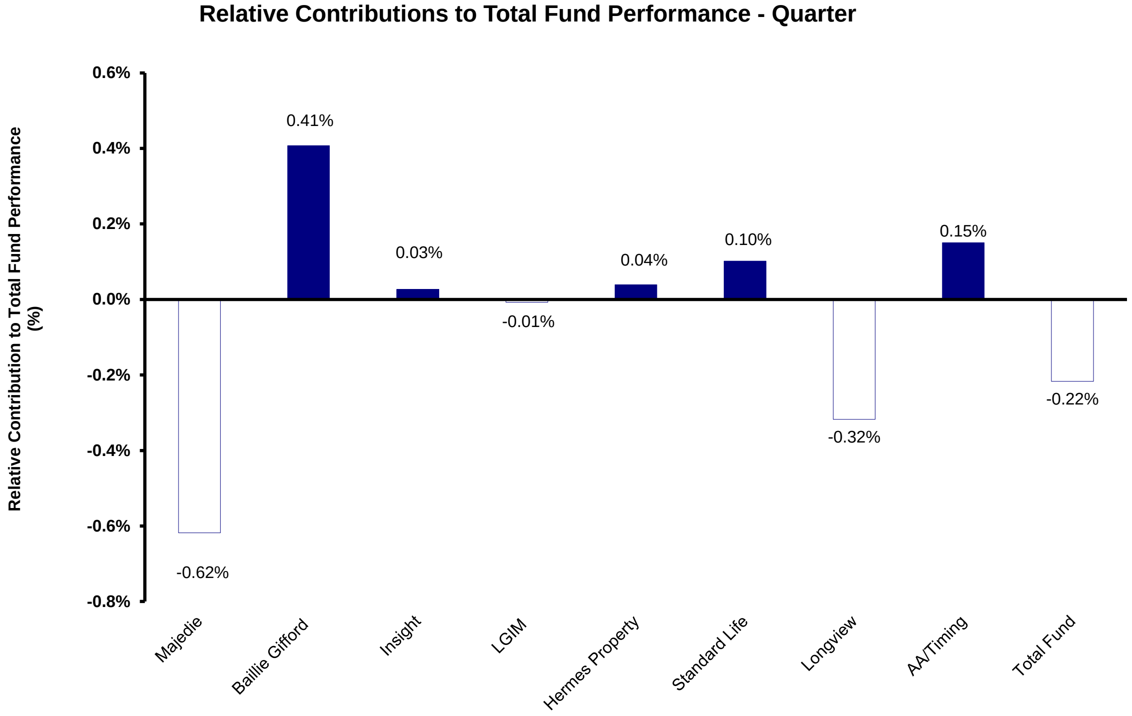
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund underperformed its benchmark, mostly due to the underperformance of the active equity managers Majedie and Longview.

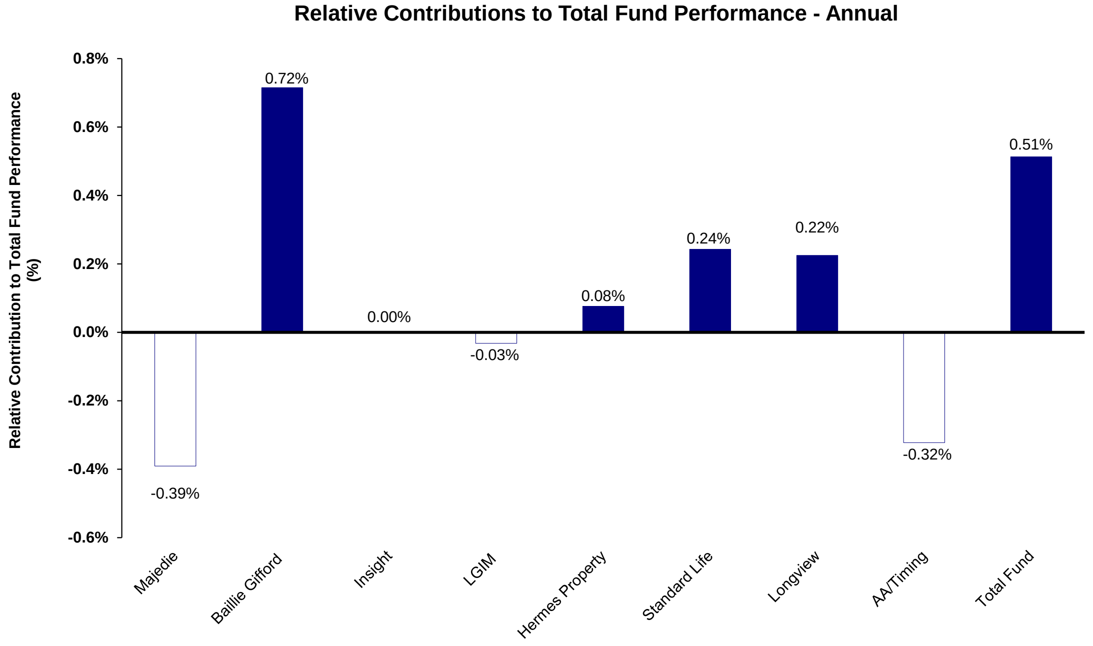
The chart below shows the performance of the Fund over the last three years, highlighting that the rolling three-year performance has been positive since 2013, with Majedie, Baillie Gifford and Hermes contributing positively. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 31 December 2015



The Fund underperformed its composite benchmark by 0.2% over the fourth quarter of 2015, largely as a result of weak performance from the active equity managers Majedie and Longview. However, the Fund's overall overweight to equities was beneficial over the quarter.



The Fund outperformed over the year, largely due to strong performance from Baillie Gifford, Longview and Standard Life. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark. The average underweight allocation to Hermes and Standard Life and overweight allocation to Majedie over the year have contributed to the negative contribution from AA/Timing.

Asset Allocation as at 31 December 2015

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

Manager	Asset Class	End Sept 2015 (£m)	End Dec 2015 (£m)	End Sept 2015 (%)	End Dec 2015 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	238.5	241.8	23.3	23.1	22.5
LGIM	Global Equity (Passive)	253.2	243.2	24.7	23.2	22.5
Baillie Gifford	Global Equity	161.0	178.1	15.7	17.0	25
Longview	Global Equity	101.7	107.1	9.9	10.2	
	Total Equity	**754.4**	**770.2**	**73.6**	**73.5**	**70**
Insight	Fixed Interest Gilts (Passive)	17.9	17.9	1.7	1.7	20
Insight	Sterling Non-Gilts	153.9	154.7	15.0	14.8	
	Total Bonds	**171.8**	**172.6**	**16.8**	**16.5**	**20**
Hermes	Property	48.9	54.9	4.8	5.2	5
Standard Life	Property	49.8	50.5	4.9	4.8	5
To be Determined	Property / Infrastructure	-	-	-	-	-
	Total Property	**98.7**	**105.4**	**9.6**	**10.1**	**10**
	Total	**1,024.9**	**1,048.2**	**100**	**100**	**100**

Source: Investment Managers Figures may not sum to total due to rounding

* The benchmark allocation has been set to 70% equity, 20% bonds and 10% property to better align the benchmark performance calculation with the allocation and performance of the Fund. The Fund's long term strategic benchmark includes a 5% allocation to Property / Infrastructure, which will be funded from the equity portfolio.

Over the quarter the market value of the assets increased by c. £23.3m as a result of the positive returns across the board with the exception of the gilt sub-portfolio with Insight. There was a disinvestment over the quarter of c. £25m from LGIM Global Equity mandate.

As at 31 December 2015, the Fund was overweight equities by c. 3.5% when compared with the amended benchmark allocation, with overweight allocations to UK equities and both passive and active global equities. As a result of these overweight positions, the Fund was underweight bonds by c. 3.5% while the allocation to property was broadly in line with benchmark.

Yield analysis as at 31 December 2015

The following table shows the yield on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 December 2015
Majedie	UK Equity	3.35%
LGIM	Global Equity (Passive)	0.27%
Baillie Gifford	Global Equity	0.00%*
Longview	Global Equity	2.07%
Insight	Fixed Interest Gilts (Passive)	1.23%
Insight	Sterling Non-Gilts	3.14%
Hermes	Property	3.60%
Standard Life	Property	4.49%
	Total	**1.93%**

* Baillie Gifford does not quote a yield for the Global Alpha strategy – the yield on the benchmark index was 2.7%.

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	1
Standard Life	Property	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years	1

Majedie UK Equity

Business

Majedie continues to see steady growth in the Global Equity and Focus Funds which have AUM of $52m and $26m respectively as at 31 December 2015.

Majedie has been investing internally in their client management system and a "Hive" project to encourage closer ties within the investment teams.

Majedie is having discussions with the London CIV regarding its products, specifically the UK Equity Strategy, which 3 of the London Boroughs invest in. Majedie is open to making the Fund available through the CIV, assuming it can agree terms which will benefit the current London LGPS investors although negotiations are still ongoing at this stage.

Personnel

There were 2 new joiners over the quarter (James Dudgeon to the US Equity team, and Emily Barnard to the UK Income team) although the team managing the UK Equity Fund remains unchanged.

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

Baillie Gifford

Business

Total assets under management increased over the fourth quarter of 2015 from £110.6bn as at 30 September 2015 to £123bn as at 31 December 2015. The increase was largely due to positive investment returns as net client flows were marginally negative. Baillie Gifford gained 19 new clients over the quarter and lost 11 from a broad range of strategies.

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.

From 1 January 2016, Baillie Gifford changed its commission arrangements with brokers to an execution only basis. This means that dealing commission charges will only include the cost of trading stocks and no other services provided by the brokers (e.g. research costs). Baillie Gifford now pays any additional costs directly so this will increase the cost to Baillie Gifford but reduce the trading costs for clients. The cost saving for clients is expected to be small, likely in the low single digits of basis points per annum.

Personnel

Baillie Gifford announced that two new partners, John MacDougall and Tim Garratt will be appointed from 1 May 2016 to coincide with the retirement of one partner, Peter Hadden.

- John MacDougall is an investment manager who joined Baillie Gifford in 2000 and spent time in the Japanese team and Global Discovery team before recently transferring to the Long Term Global Growth team. John moved to the Long Term Global Growth team to bring his experience of analysing and selecting rapidly growing small companies which he developed when working in the Global Discovery team.
- Tim Garratt is a Director in the Clients Department and joined Baillie Gifford in 2007.
- Peter Hadden is a Director in the Clients Department and announced his decision to retire after 15 years with Baillie Gifford.

Within Baillie Gifford, Tom Slater, one of the Long Term Global Growth portfolio managers, became head of the North American equity team. Tom will continue to be a portfolio decision maker in the Long Term Global Growth team.

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

LGIM

Business

As at 30 September 2015, Legal & General Investment Management (“Legal & General”) had total assets under management of c. £717bn (including derivative overlays and advisory assets). As at 30 September, the AUM on equity amounted to c. £296bn.

Personnel

There were no personnel changes over the fourth quarter of 2015. The transitioning of Ali Toutounchi’s responsibilities was completed during the quarter.

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

Longview

Business

As at 31 December 2015, Longview had AUM of c. £13.6bn. Longview saw some outflows from the DB corporate sector and as such, have re-opened the fund to try to recycle some of this excess capacity. Longview aren’t currently advertising the re-opening of the fund, but are looking for c. $1bn to $2bn from previous contacts in Australia and America.

Personnel

There have been no changes to the investment team over the quarter.

Phil Corbet (Managing Director who sat on the Company's Board) announced his retirement from 31 December 2015. Phil has been replaced by Barbara Sanderson as Managing Director and Stuart Tostevin takes over his seat on the Board.

At a more junior level, Aimee Foster joined the compliance team in London.

Deloitte view – We continue to rate Longview for its global equity capabilities.

Insight

Business

Insight continued to see a strong inflow of assets over the quarter. Assets under management were £407bn as at 31 December 2015.

There were no material changes to the Fixed Income Group over the fourth quarter. Tamara Burnell joined as a credit analyst and will work particularly on emerging market financials. The integration of the Cutwater team in the US appears to have progressed smoothly, giving Insight further capacity across a number of credit focused strategies.

Deloitte view – We continue to rate Insight positively for its Fixed Income capabilities.

Hermes

Business

The total value of the Trust increased over the quarter to c. £1.28bn at 31 of December 2015.

Hermes continues to see strong interest from prospective unit holders with a waiting list for new investment of c. £100m.

In the fourth quarter of 2015, it was announced that Hermes lost a significant bond mandate from BT Pension Scheme (who owns Hermes). Hermes maintains that this loss accounted for just 3% of revenue and was only marginally profitable.

Personnel

There were no changes to the team over the quarter.

Deloitte view – We continue to rate the team managing HPUT. We will continue to monitor Hermes in light of the loss of the bond mandate but we do not expect there to be any impact on the management of the property Trust.

Standard Life

Business

The Fund's assets under management increased slightly to £1.61bn over the fourth quarter following positive performance, with no significant inflows or outflows over the quarter.

In relation to our previous concerns about the Fund's supermarket exposure, there was an arbitration on rent for a Sainsburys (Southport) asset. Despite expectations that rent would increase by 13%, the arbitrators imposed no increase in rent, bringing the value of the individual asset down by c. 10%. While the supermarket sector as a whole contributed negatively over the fourth quarter there were positive contributions from some of the Fund's Tesco and Aldi holdings

Personnel

There were no changes to the team over the quarter with Richard Marshall, the lead portfolio manager, having now relocated to London.

Deloitte View: We rate SLI positively for its long lease property capabilities but will continue to engage with the manager and 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 December 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	10.6	8.6	n/a	10.3
Net of fees[1]	10.5	8.2	n/a	9.9
MSCI AC World Index	8.1	3.8	n/a	8.3
Relative (net of fees)	2.4	4.4	n/a	1.6

Source: Baillie Gifford

(1) Estimated by Deloitte

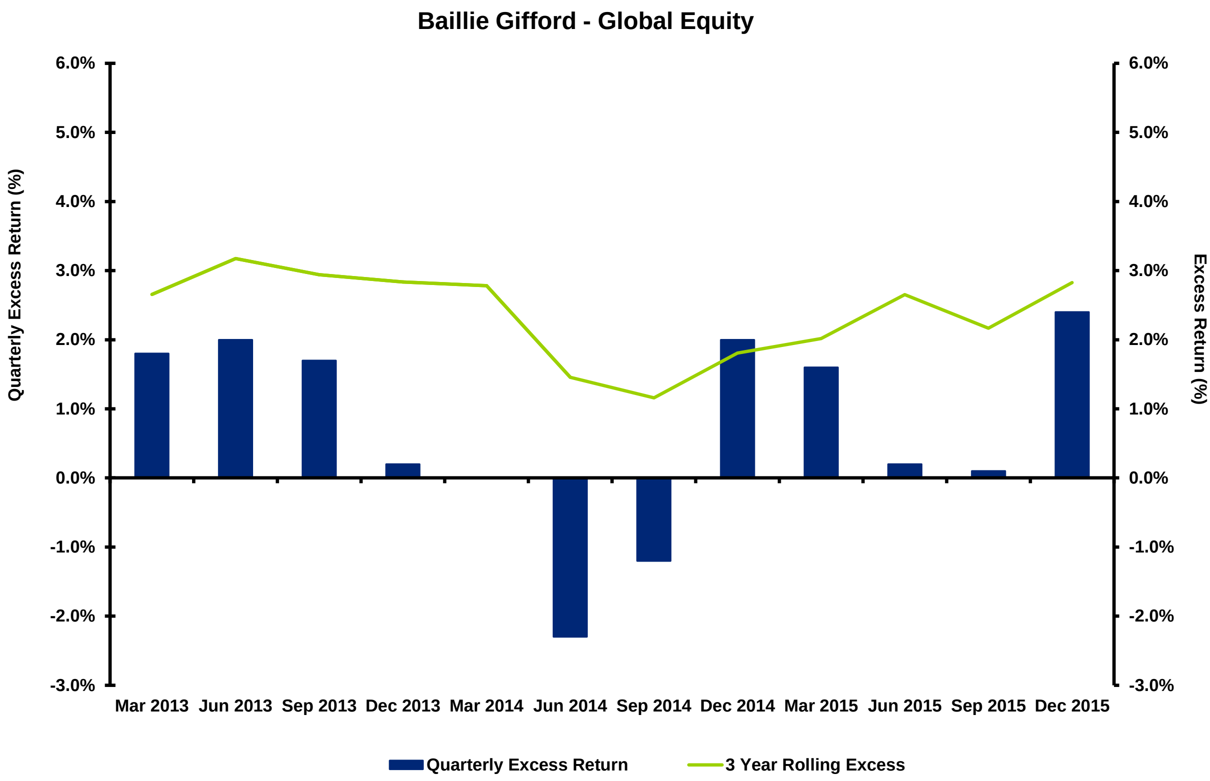
See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

The Baillie Gifford Global Equity fund has outperformed its benchmark over the quarter, year and period since inception. The main contributors to the outperformance over the quarter were the Fund's overweight holdings in Amazon.com, Alibaba and Baidu.com.

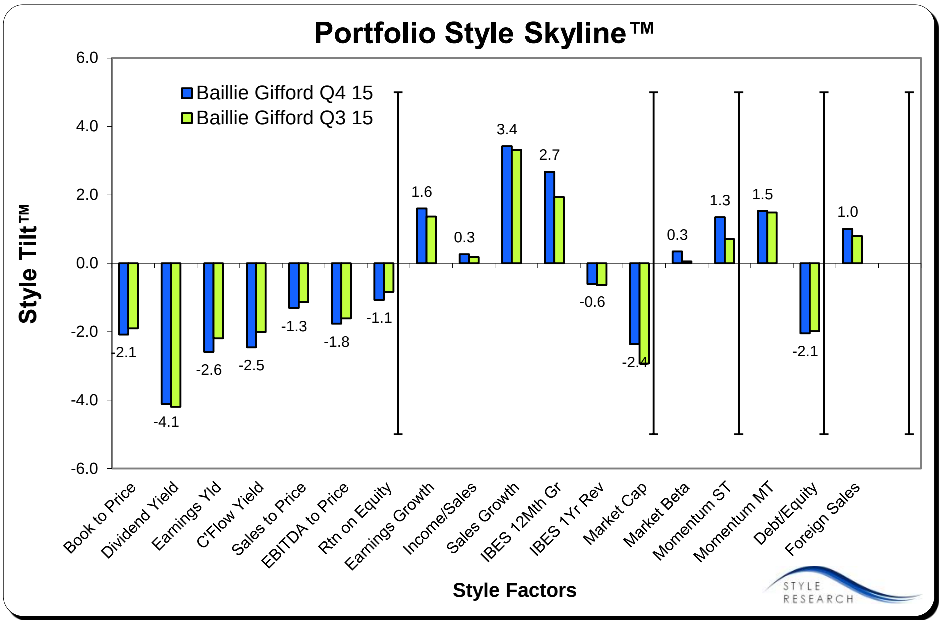
The main detractors over the quarter were the overweight positions in Harley-Davidson and Ultra Petroleum Corp. Not holding Microsoft also detracted versus the benchmark.

The graph below shows the net quarterly returns and the rolling three 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. The Fund's current thee year excess return is ahead of target (+2% p.a.) having outperformed the benchmark by 2.8% p.a.



4.2 Style analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 31 December 2015, the results 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 manager's stated investment approach. This is a similar position to last quarter.

The top 10 holdings in the Baillie Gifford fund account for c. 28.5% of the fund and are detailed below.

Top 10 holdings as at 31 December 2015	Proportion of Baillie Gifford fund
Royal Caribbean	4.1%
Amazon.com	4.0%
Prudential	3.6%
Naspers	2.9%
CHR	2.6%
Alphabet	2.5%
Taiwan Semi	2.3%
Anthem	2.1%
Ryanair Holdings	2.1%
Markel	2.1%
Total	**28.5%**

Baillie Gifford	30 September 2015	31 December 2015
Total Number of holdings	97	99
Active risk	4.0%	4.1%
Coverage	7.2%	7.6%
Top 10 holdings	27.6%	28.5%

As at 31 December 2015, Baillie Gifford held 99 stocks, with an overlap with the FTSE All World index of 7.6%. The active risk, as at 31 December 2015, was 4.1% - a marginal increase from the previous quarter although most of this can be attributed to a general pick-up in market volatility.

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 December 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	5.9	1.3	n/a	12.1
Net of fees[1]	5.9	1.2	n/a	12.0
FTSE World GBP Hedged	5.9	1.3	n/a	12.1
Relative (net of fees)	0.0	-0.1	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.

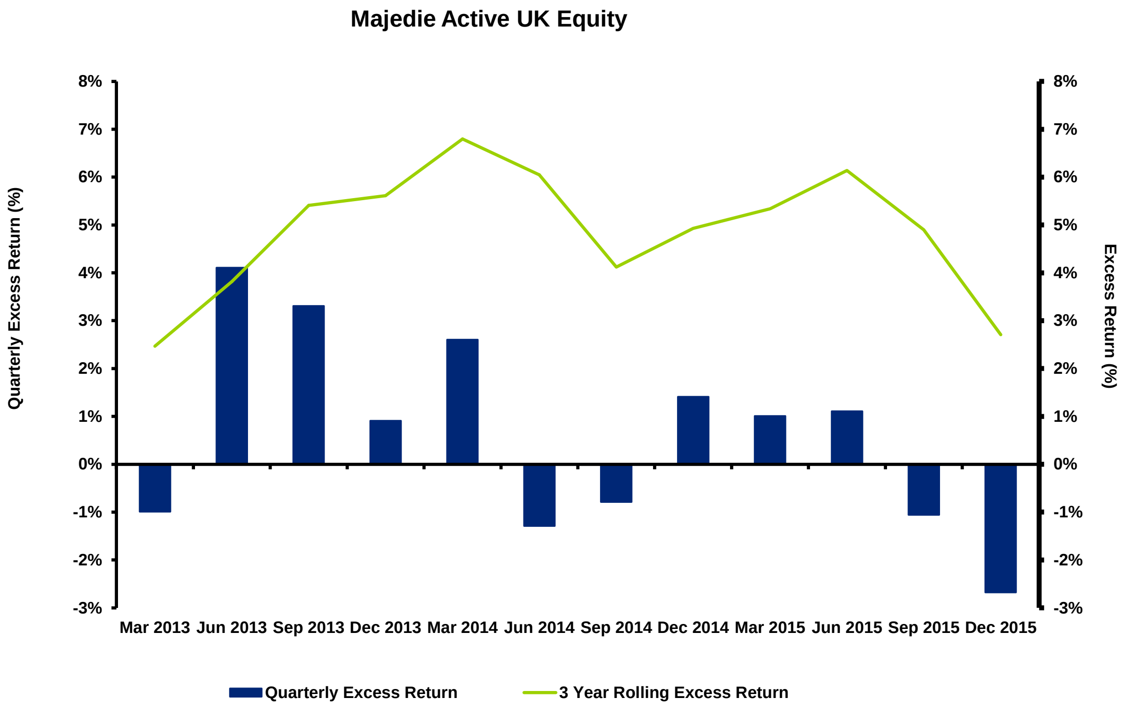
Deloitte is currently working with LGIM with regards to the Fund's mandate, looking at the options for how this should be moved on to the London CIV platform in the most cost effective way, as and when the passive options become available. Analysis is being carried out to consider the restructuring and rebalancing costs, particularly relating to the Fund's emerging markets exposure and a formal proposal will be discussed once this has been finalised.

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	1.4	-0.3	10.3	9.6
Net of base fees[1]	1.3	-0.7	10.0	9.2
FTSE All-Share Index	4.0	1.0	7.3	5.4
Relative (net of fees)	-2.7	-1.7	2.7	3.8

Source: Majedie
See appendix 1 for more detail on manager fees
Inception date taken as 31 May 2006.



Majedie underperformed its benchmark over the quarter by 2.7% and over the year by 1.7% on a net of fees basis. However, over the longer timeframes of three years and since inception, the manager has outperformed its benchmark on a net basis by 2.7% p.a. and 3.8% p.a. respectively.

The main detractors from performance were Majedie's holding in supermarkets Tesco and Morrisons, banks Barclays and RBS, and mining company Anglo American.

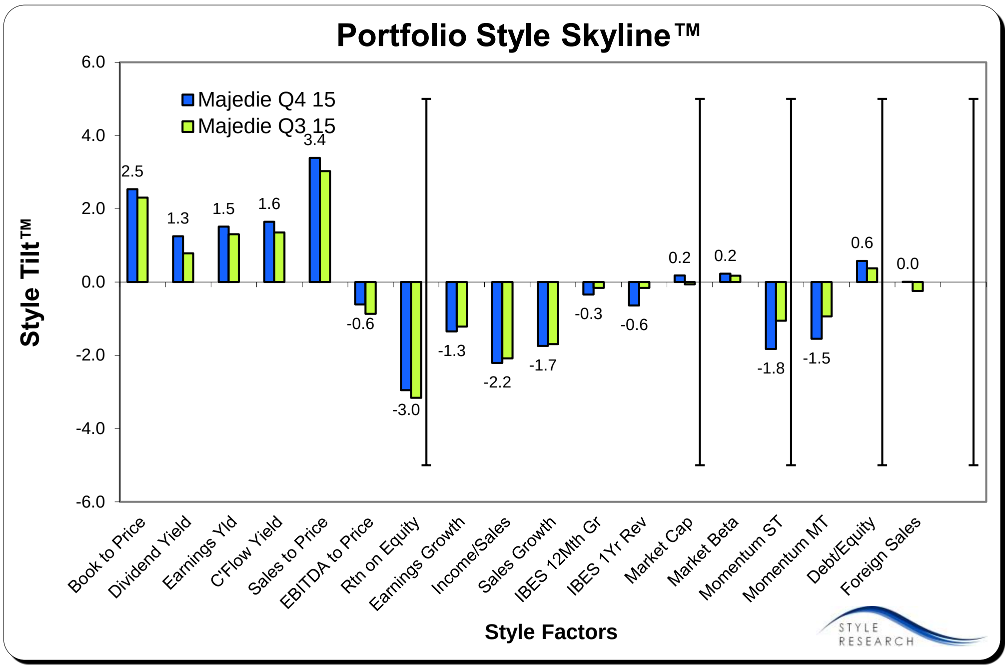
Majedie remains convinced of its allocation to Anglo American, stating that it was simply too early into this market. Tesco did not manage to convince investors that it had turned a corner in Q4 with the market worried of the sector's decline to the discount stores. Majedie does not believe that this is the case, but rather that Tesco made some mistakes in the past by pushing margins up in the UK to fund its US ventures. Tesco is working to rectify these mistakes but the recovery has taken longer than Majedie anticipated. One a like-for-like basis, sales over the Christmas period increased for Morrisons and Tesco, and declined for Aldi which helps to cement Majedie's convictions.

RBS continues to suffer from bad press with the investment bank and conduct issues worrying investors. Majedie remains convinced that RBS has cleaned up its balance sheet and that the big risks lie with the insurers and large investment managers instead rather than in the banking sector.

On the positive side, Majedie's holding in Orange performed well with the increase in mobile data and relaxation to regulations driving returns. Electrocomponents released details of substantial management led changes which were received well by the market. Being underweight in Rolls-Royce also helped Majedie over the quarter, as investors realised that the company had been allowing for maintenance cashflows in its projections unlike its peers.

6.1 Style analysis

We have analysed the Style of Majedie as at 31 December 2015. 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 continues to show a modest positive bias to value factors and a modest negative bias to growth factors, it is not particularly strong and we would not be surprised to see this change over time depending on where Majedie finds appropriate opportunities.

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

Top 10 holdings as at 31 December 2015	Proportion of Majedie fund
HSBC	7.3%
BP	5.7%
Vodafone	5.2%
Royal Dutch Shell	5.0%
GlaxoSmithKline	3.6%
Orange	3.5%
Barclays	3.4%
Cash	3.1%
RBS	2.8%
BT Group	2.8%
Total	**42.4%**

Majedie	30 September 2015	31 December 2015
Total Number of holdings	196*	167
Active risk	2.7%	2.8%
Coverage	40.7%	39.5%
Top 10 holdings	39.7%	42.4%

*includes 120 stocks in the Majedie UK Smaller Companies Fund, which the fund invests in.

As at 31 December 2015, Majedie held 167 stocks in total, with an overlap with the FTSE All Share index of 39.5%. 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 31 December 2015, was 2.8%.

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	5.5	n/a	n/a	7.7
Net of base fees[1]	5.3	n/a	n/a	7.1
MSCI World Index	8.4	n/a	n/a	4.9
Relative (net of fees)	-3.1	n/a	n/a	2.2

Source: Longview

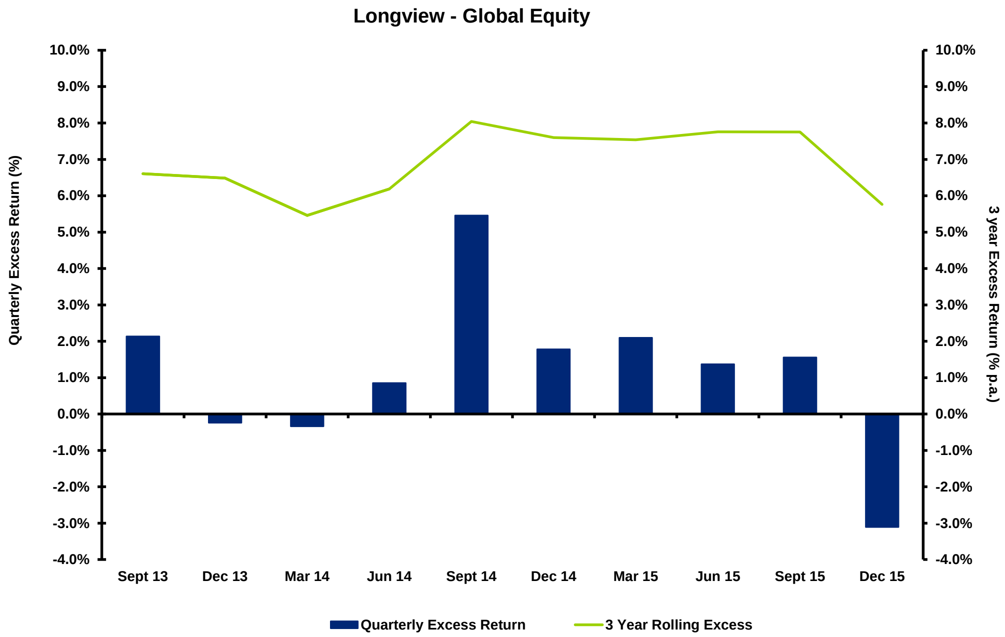
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Longview underperformed the benchmark by 3.1% on a net of fees basis, over the fourth quarter of 2015. Since inception, the fund has outperformed by 2.2%.

Both Pearson and Yum! Brands performed poorly over the quarter and have been downgraded in Longview's analysis and therefore sold. Pearson (the publishing and education company) has posted weak results for several quarters now – citing lower than expected US enrolments in higher education and the loss of various testing contracts. Yum! Brands, who are the largest fast food providers in China (owning brands such as KFC and Pizza Hut), has not recovered as well as Longview had anticipated following various chicken food scares in China (which accounts for approximately 50% of their business). As a result, its business fundamentals score was downgraded and the stock was subsequently sold.

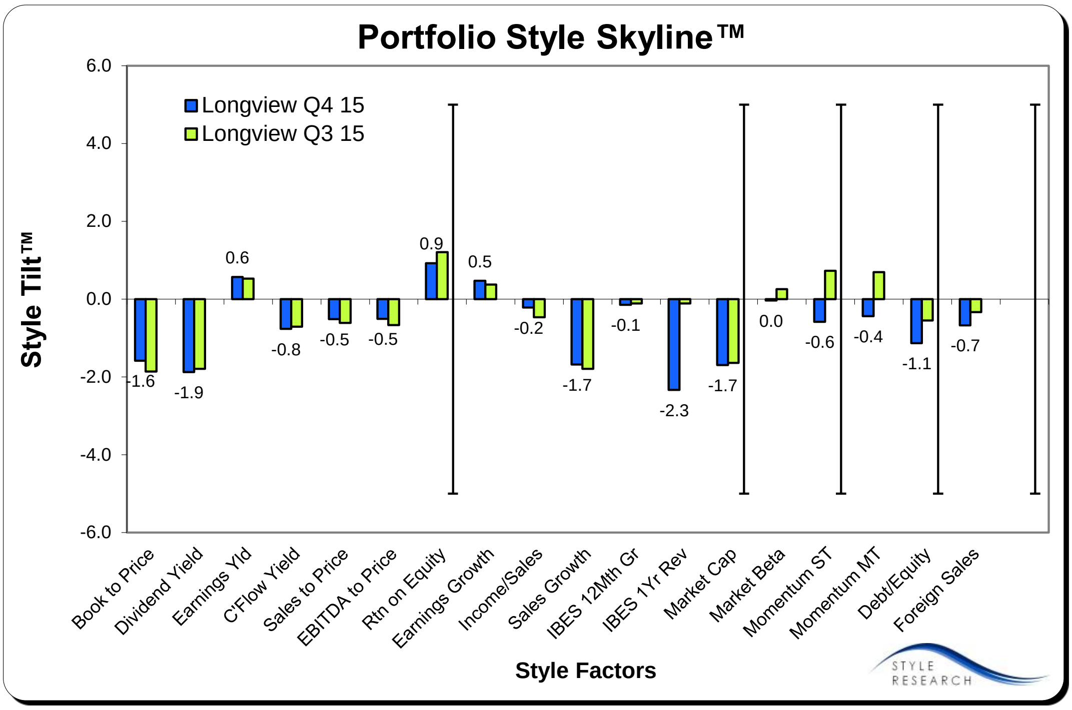
Longview's holding in SAP (the software company) performed well, helped by improving margins and revenue. Continental and Delphi Automotive recovered from the Volkswagen scandal, contributing positively to performance over the quarter. In addition, Thermo Fisher Scientific (a life science research company purchased last quarter) posted good results and WPP (the advertising company) profited from the weakness in sterling and recovered from a low position over the previous quarter.



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

7.1 Style analysis

The Style "skyline" for Longview's global equity portfolio as at 31 December 2015 is shown 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, showing little change from the previous quarter's "skyline".

The top 10 holdings in the Longview fund account for c. 35.8% of the fund and are detailed below.

Top 10 holdings as at 31 December 2015	Proportion of Longview fund
AON	4.1%
Delphi Automotive	4.0%
Bank of New York Mellon	3.6%
Thermo Fisher Scientific	3.6%
Compass	3.5%
SAP	3.4%
Accenture	3.4%
WPP	3.4%
Zimmer Biomet Holdings	3.4%
Wells Fargo	3.4%
Total	**35.8%**

Longview	30 September 2015	31 December 2015
Total Number of holdings	36	35
Active risk	4.2%	4.1%
Coverage	4.7%	4.4%
Top 10 holdings	35.5%	35.8%

As at 31 December 2015, Longview held 35 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 an active risk of 4.1% as at 31 December 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 December 2015

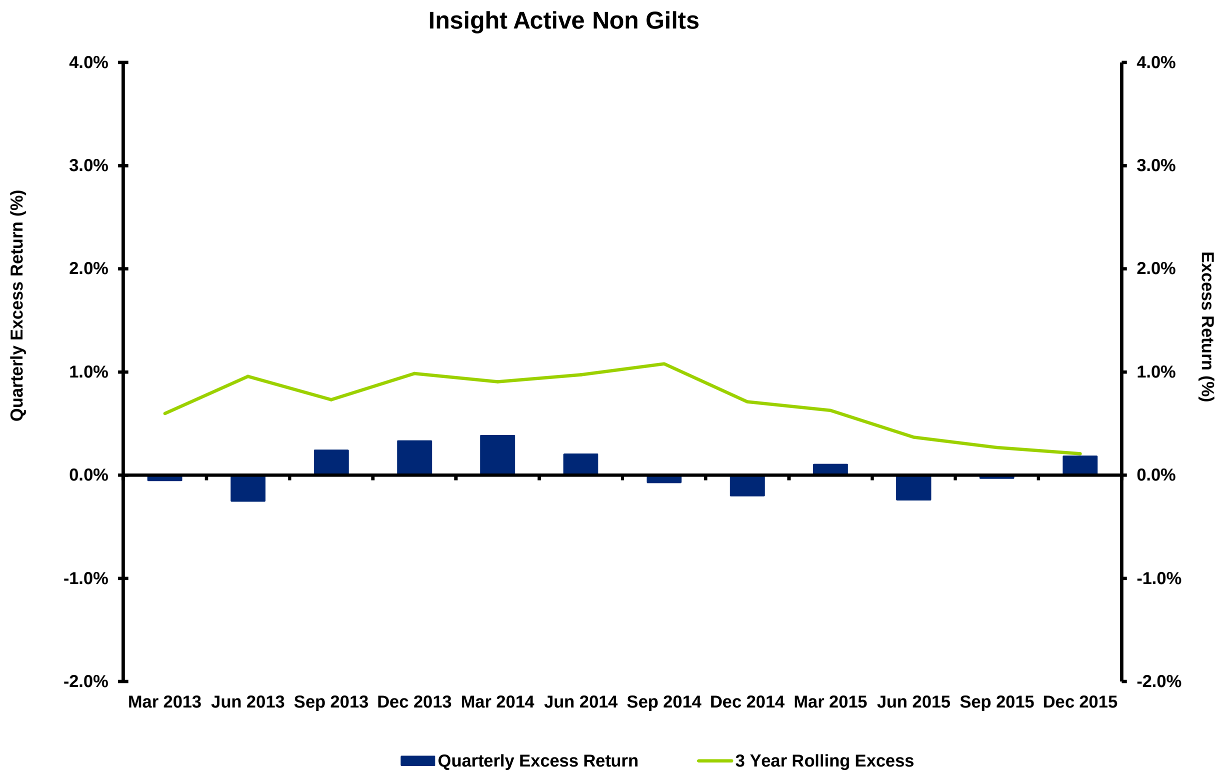
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	0.6	1.4	4.5	5.6
Net of fees[1]	0.5	1.1	4.2	5.4
iBoxx £ Non-Gilt 1-15 Yrs Index	0.3	1.1	4.0	5.2
Relative (net of fees)	0.2	0.0	0.2	0.2

Source: Insight

(1) Estimated by Deloitte

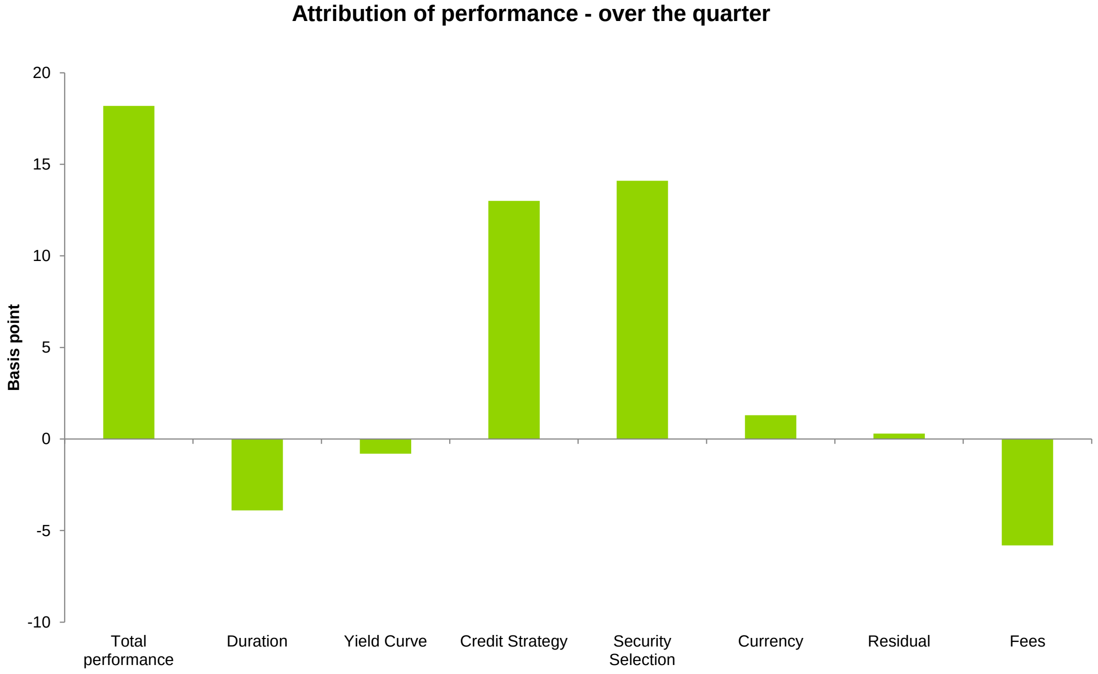
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio marginally outperformed the benchmark by 0.2% net of fees. Over the year to 31 December 2015, the fund has performed in line with the benchmark and marginally outperformed by 0.2% p.a. over the 3 years and since inception.

8.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's outperformance this quarter has been driven by security selection and credit strategy, with the duration positioning (being slightly long relative to the benchmark) offsetting some of this performance.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 31 December 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	-0.4	0.9	1.8	5.0
Net of fees[1]	-0.5	0.8	1.7	4.9
FTSE A Gilts up to 15 Yrs Index	-0.5	0.9	1.7	5.1
Relative (net of fees)	0.0	-0.1	0.0	-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 in line with its benchmark over the quarter and broadly in line over the longer periods to 31 December 2015.

8.3 Duration of portfolios

	End Sept 2015		End Dec 2015	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.5	5.3	5.6	5.3
Government Bonds (Passive)	4.3	4.7	4.4	4.9

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	3.7	15.0	15.5	10.2
Net of fees[1]	3.6	14.6	15.1	9.8
Benchmark	2.9	13.0	13.1	9.3
Relative (net of fees)	0.7	1.6	2.0	0.5

Source: Hermes

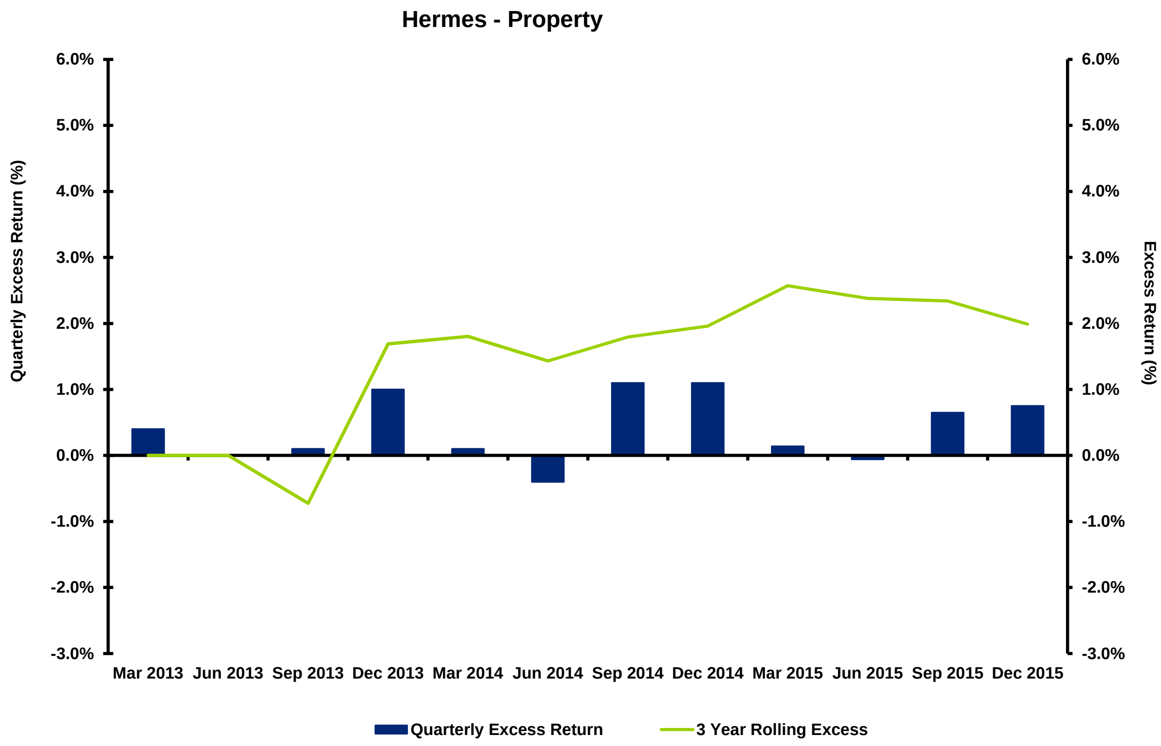
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes outperformed its benchmark by 0.7% over the quarter with longer term performance also ahead of benchmark.

Outperformance over the quarter was driven primarily by the Trust's holdings in the Industrial and "Other" sectors. Over the year to 31 December 2015, the Trust's investments in the office sector (West End, City and Reset of UK) have performed well.



9.2 Sales and Purchases

The team completed two purchases over the quarter:

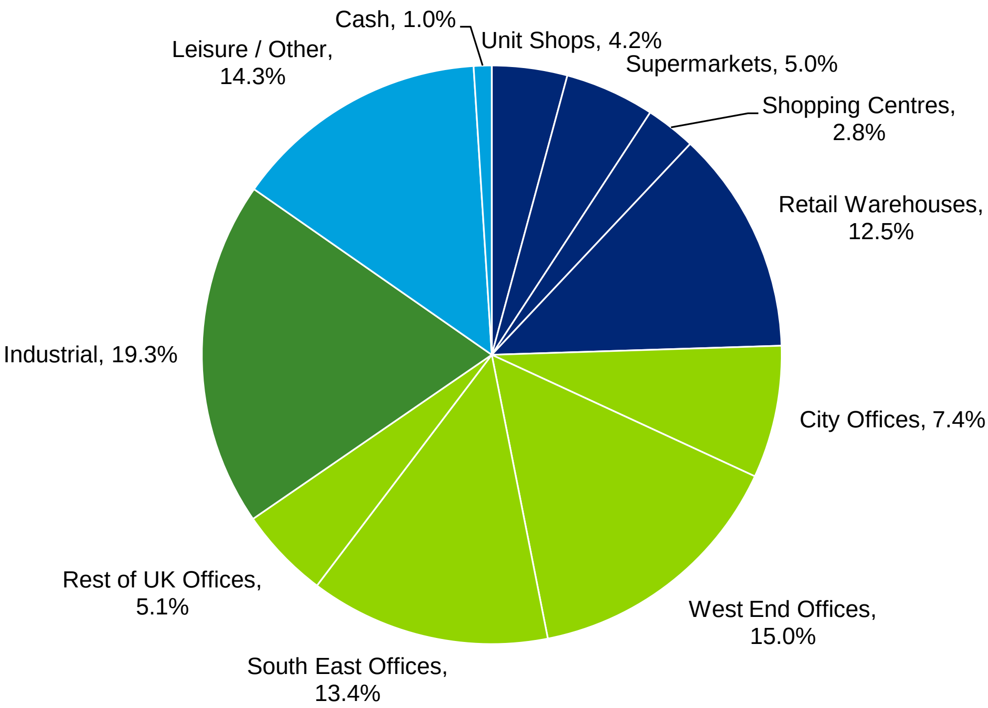
- Polar Park, Heathrow: a £31m industrial use investment with initial income yield of 5.5%, located in Heathrow. This estate is very well located and currently benefits from a low average passing rent against the average.

- Fairway Trading, Hounslow: a £15.95m freehold multi-let industrial estate with a new initial yield of 5.4%. This estate is located to the south east of the airport and has a comparatively low average passing rent against the average.

The team also sold Allport, Southall for £21.89m. The sale reflects a net initial yield of 4.9% and a 2.1% premium above the end-November 2015 valuation of £21.45m. The sale achieves a premium price for an asset with limited reversionary and asset management potential over the next five years given the 10+ year unexpired term.

9.3 Portfolio Summary as at 31 December 2015

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 December 2015 shown below.



The table below shows the top 10 directly held assets in the fund as at 31 December 2015.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	112.3
8/10 Great George Street, London	West End Offices	58.0
27 Soho Square, London	West End Offices	44.6
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	42.9
2 Cavendish Square, London	West End Offices	41.5
Hythe House, Hammersmith	Standard Offices SE	35.9
Christopher Place, St Albans	Shopping Centres	35.8
Boundary House, London	City Offices	33.6
Camden Works, London	Standard Offices SE	33.4
Broken Wharf House, London	City Offices	32.6
Total		**470.6**

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 FT British Government All Stocks Index benchmark +2.0% p.a. 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	1.5	8.3	n/a	10.3
Net of fees[1]	1.4	7.8	n/a	9.8
Benchmark	-0.7	2.6	n/a	7.3
Relative (net of fees)	2.1	5.2	n/a	2.5

Source: Standard Life

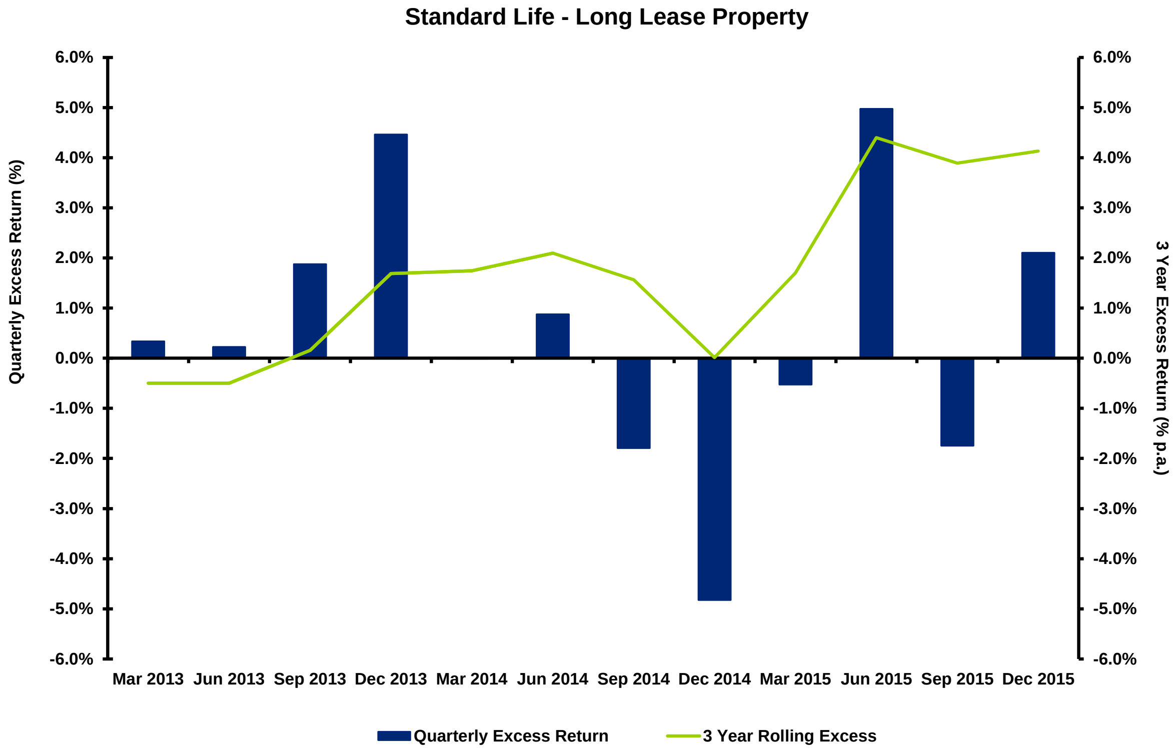
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

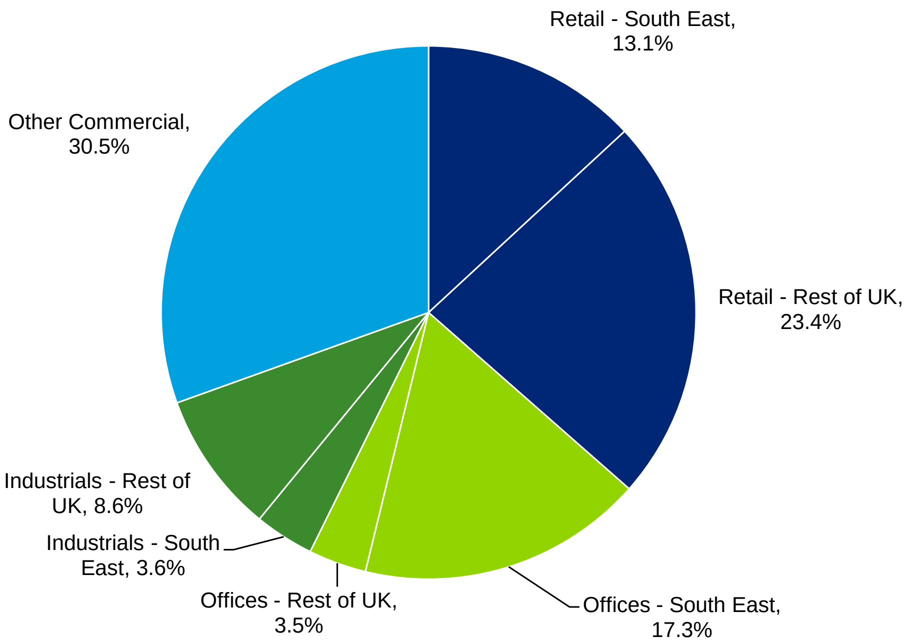
Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 1.4% over the fourth quarter of 2015, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 2.1% net of fees The fund continues to lag the wider property market, which returned 3.1% over the fourth quarter, where high quality secondary assets have been performing well – in particular South East Offices.

Net performance of the Long Lease Fund is shown below. Please note that the Fund only invested in this fund from June 2013 and previous periods are shown for information only.



The sector allocation in the Long Lease Property Fund as at 31 December 2015 is shown in the graph below.



When compared to an IPD benchmark, the Fund remains underweight the office sector (20.8% compared to 35.2%) and remains underweight to the industrial sector (12.2% compared to 19.6%) at the end of the fourth quarter. The Fund is also slightly underweight the retail sector (36.5% compared to 38.6%) which is dominated by supermarkets and contains no shopping centres or retail warehouses which form a significant part of the IPD universe (c. 25%).

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	10.8
Premier Inn Limited	Fountainbridge	5.1	7.0
Sainsbury's Supermarkets	Various	4.9	6.7
Asda Stores Limited	Various	4.5	6.2
University of Salford	Peel Park Campus	3.6	5.0
Marstons PLC	Various	3.6	5.0
Save the Children Fund	1 St Johns Lane, London	3.6	5.0
WM Morrisons Supermarkets	Various	3.5	4.8
Glasgow City Council	Various	3.1	4.3
Travis Perkins (Properties)	Various	3.0	4.1
Total		**42.7**	**59.0**

The top 10 tenants contribute 59.0% of the total net income into the Fund. Supermarkets continue to dominate the Fund, with Tesco, Sainsbury's, Asda and Morrison's contributing 28.5% to the Fund's total net rental income.

The Fund's average unexpired lease term fell over the quarter from 26.2 years to 25.9 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases remained broadly unchanged over the quarter at 90.3%.

10.2 Sales and Purchases

A £20.6m Z Hotel in Shoreditch, London was purchased over the fourth quarter with the 34 year lease having RPI(2,5) linked annual rent reviews, representing an initial yield of 3.75%. Despite this development not having an investment grade covenant, SLI viewed it as an attractive asset for the Fund given the developments within the Shoreditch area, as well as the property's vacant possession value being 60% higher than the agreed purchase price.

The development funding of the VW showroom was completed in January 2016, on a 25 year lease. Although VW suffered high profile negative press over the emissions scandal, SLI believes the strength of VW's balance sheet will be strong enough to withstand any subsequent fines without adversely impacting its ability to make lease payments.

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	Long Term Strategic Benchmark 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**					

For the purposes of our performance calculations we have assumed the 5% awaiting allocation to property / infrastructure is split evenly between Majedie and LGIM.

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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