City of Westminster Superannuation Fund

Investment Performance Report to 31 December 2011

Executive Summary

Deloitte Total Reward and Benefits Limited
February 2011

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1 Market Background

Three and twelve months to 31 December 2011

UK equities recovered some of the losses incurred over the previous quarter with the FTSE All Share returning 8.4% over the 3 months to 31 December 2011. Within UK equities, large cap stocks performed best, returning 9.4% over the quarter, in contrast, the FTSE Small Cap Index posted a return of -1.3%.

The top performing sector during the fourth quarter was Oil & Gas (16.5%), followed by Industrials (9.5%). All other sectors posted positive returns over the 3 months to 31 December 2011 with the exception of Utilities, which returned -0.6%.

Global equities lagged the UK over the quarter, returning 7.4% in sterling terms and 7.6% in local currency terms. Global equity performance was variable with the better returns being offered by North American markets at 11.3%. Europe, Emerging Markets and Asia Pacific all posted positive returns this quarter while Japan posted a negative return of -3.6%.

The continuing uncertainty surrounding the Eurozone and further asset purchases by the Bank of England has maintained demand for UK gilts from both domestic and overseas investors (with the latter now holding approximately 30% of the gilts in issue), causing gilt yields to fall further to new low levels. As a result, gilt markets performed positively over the fourth quarter, with conventional and longer dated gilts returning 5.0% and 9.6% respectively. Real yields on index-linked gilts also fell with real yields ending the quarter in negative territory across the curve. Consequently, returns from indexed-linked gilts were also strong with the All Stocks and Over 15 Year Index-Linked Gilt indices returning 8.4% and 12.5% respectively for the 3 months to 31 December 2011.

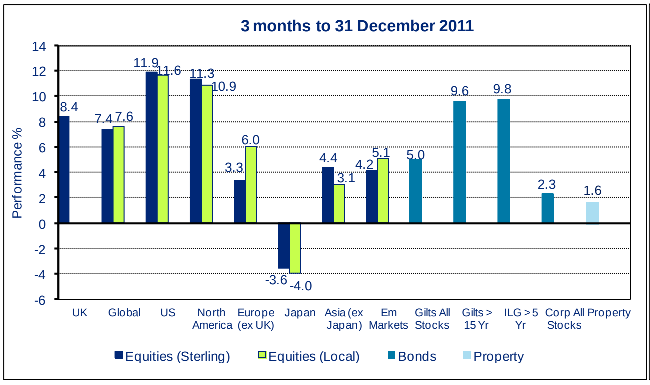
Investment grade corporate bond yields fell over the fourth quarter, albeit to a lesser extent than gilts, resulting in credit spreads widening, with the iBoxx All Stocks Non-Gilt Index returning 2.3%. As with gilts, longer dated issues fared slightly better with the over 15 year index delivering returns of 6.4%.

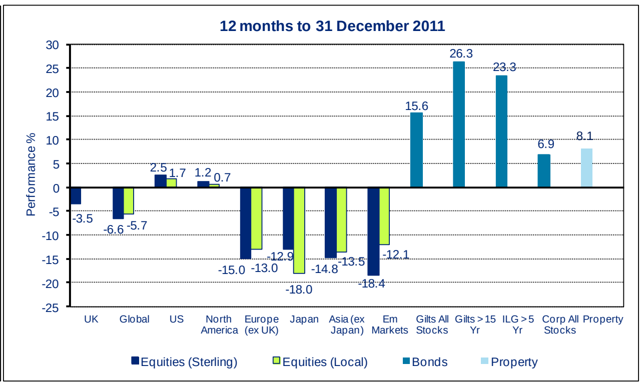
Over the 12 months to 31 December 2011, the FTSE All Share Index returned -3.5%. Performance across the different sectors was highly varied. Healthcare and Consumer Goods experienced the highest returns at 13.2% and 10.8% whilst Basic Materials and Financials incurred the greatest losses over the past 12 months, posting returns of -28.9% and -21.9% respectively.

Global equity markets returned -6.6% for the unhedged investor. Hedged investors received a marginally better return of -5.7%, mainly due to sterling’s appreciation against the euro. North America was the only region to generate a positive return over the 12 months to December 2011, returning 0.7%. All other overseas regions posted negative returns in local currency terms, ranging from -12.1% for the Emerging Markets to -18.0% for Japan.

Over the year gilts performed strongly, with conventional and longer dated gilts returning 15.6% and 26.3%. Indexed-linked gilts also performed well, with the All Stocks and Over 15 Years Indexed-Linked Gilt indices returning 19.9% and 25.9% respectively over the 12 months to end of December 2011. Corporate bond returns lagged gilts, but still delivered positive returns over the twelve months, resulting in credit spreads widening. The iBoxx All Stocks Non-Gilt Index returned 6.9% while the iBoxx Over 10 Year Non-Gilt Index returned 11.0%.

The UK property market continued its recovery, returning 1.6% over the quarter and 8.1% over the past 12 months, driven predominantly by income. The office sector delivered the strongest returns over both time periods.





2 Total Fund

2.1 Investment Performance to 31 December 2011

Over the quarter, the Fund's active managers delivered mixed results, resulting in underperformance at the Total Fund level. Majedie and Newton both underperformed their benchmarks by 1.0% and 2.3% respectively: in contrast Insight Active Non gilts outperformed by 0.9%, with both property mandates also outperforming. Over the year and three year to December 2011 both Majedie and Insight Active Non gilts have outperformed their benchmarks (and targets) whilst Newton has underperformed.

Overall, over the last three years to 31 December 2011 the Fund only managed a small outperformance of 0.1% - albeit allowing for fees, the return was in negative territory. This has been driven primarily by strong performance from Majedie with poor performance from the previous mandate with Alliance Bernstein and Newton's disappointing performance dragging returns down. The table below summarises the investment performance to 31 December 2011 by manager.

Manager	Last Quarter Fund (%)	Last Quarter B'mark (%)	Last Year Fund (%)	Last Year B'mark (%)	Last 3 Years[1] Fund (%pa)	Last 3 Years[1] B'mark (%pa)	Since Inception[1] Fund (%pa)	Since Inception[1] B'mark (%pa)	Annual Mgt Fees (%pa)
Majedie	7.4	8.4	1.8	-3.5	15.7	12.9	7.9	3.2	0.4[3]
SSgA UK	8.5	8.4	-3.3	-3.5	13.1	12.9	1.7	1.5	0.05
SSgA International	7.4	7.4	n/a	n/a	n/a	n/a	-8.5	-8.4	0.11
Newton	5.1	7.4	-8.6	-6.9	8.2	9.2	1.4	1.4	0.5
Insight – Non Gilt	2.6	1.7	6.2	4.8	9.5	7.6	4.7	4.5	0.25
Insight - Passive	2.4	2.4	9.8	9.9	5.7	5.8	8.6	8.9	0.1
Former Schroders[2]	2.2	1.5	9.9	7.4	n/a	n/a	9.5	7.5	0.5
Hermes[2]	1.8	1.1	8.5	6.7	n/a	n/a	3.8	7.6	0.4
Total Fund	**5.8**	**6.3**	**-1.4**	**-2.5**	**10.4**	**10.3**	**0.0**	**0.5**	

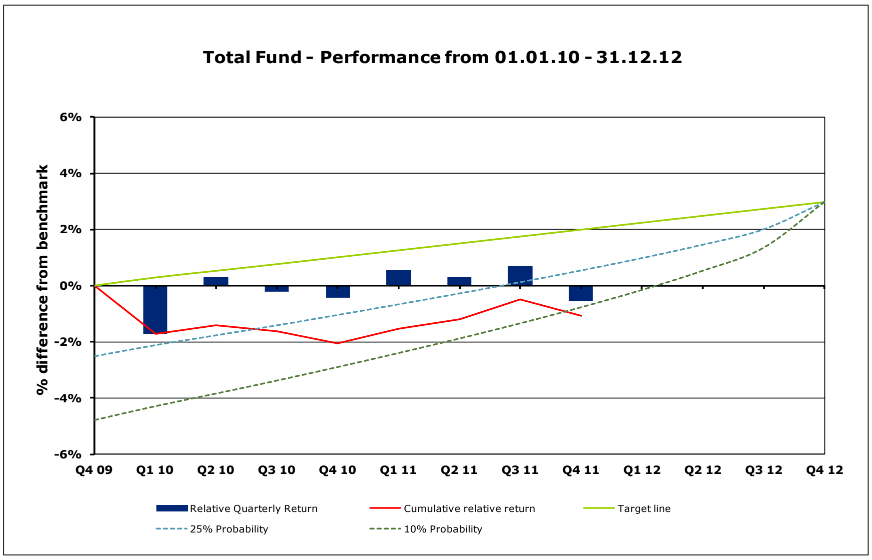
Figures are quoted gross of fees. Source: Majedie, SSgA, Newton, Insight, Alliance Bernstein, Schroders, Hermes and BNY Mellon.

(1) Estimated by Deloitte.

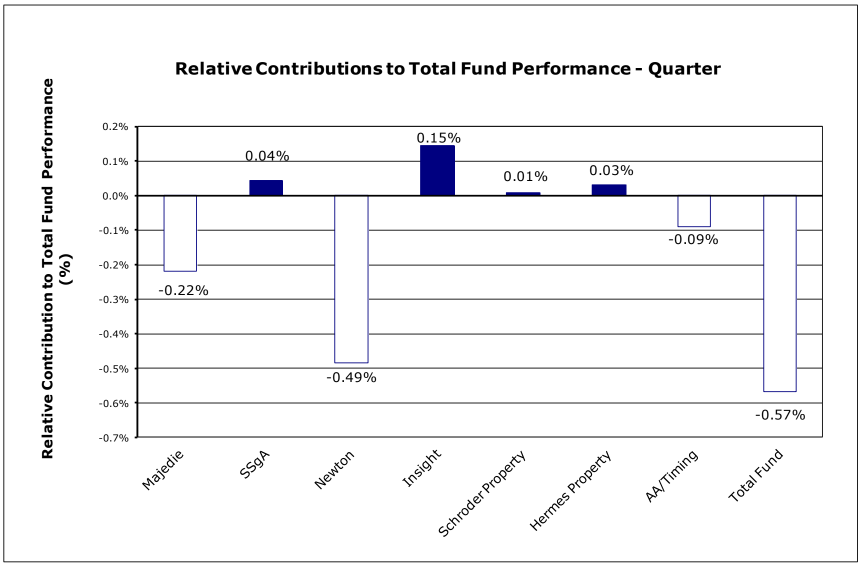
(2) Since inception performance of Schroders and Hermes property funds is measured from the inception dates of 8 October 2010 and 26 October 2010 respectively. Benchmark since inception performance is measured from 31 December 2010.

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

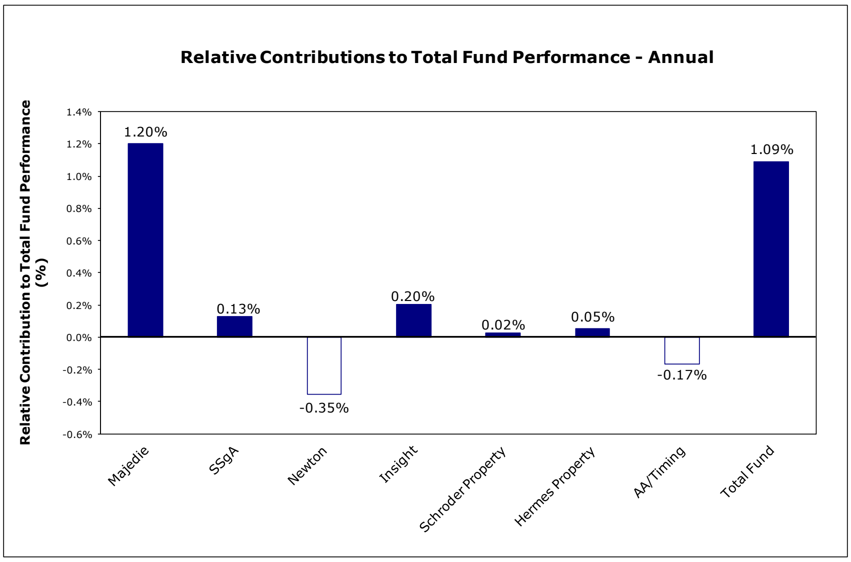
The chart below compares the performance of the Fund relative to the expected variation around the target outperformance over the three years to end 2012. This highlights that over the past two years the cumulative performance has been negative and therefore the performance has been below target.



2.2 Attribution of Performance to 31 December 2011



The Fund underperformed its composite benchmark by 0.6% over the fourth quarter. The analysis shows that underperformance from Majedie and Newton was only partially offset by positive performance from SSgA, Insight, Hermes and Schroders.



Over the past 12 months all managers except Newton have contributed to the Fund's relative outperformance. The 0.17% negative contribution to performance in the AA/Timing bar is a balancing item and reflects the impact of holding cash and asset allocation positions (e.g. UK equities vs Global equities). The breakdown clearly illustrates that the primary driver contributing to relative terms over the 12 month period has been Majedie.

2.3 Asset Allocation as at 31 December 2011

The table below shows the assets held by manager and asset class as at 31 December 2011.

Manager	Asset Class	Actual Asset Allocation					
		30 Sep 2011 (£m)	31 Dec 2011 (£m)	30 Sep 2011 (%)	31 Dec 2011 (%)	Benchmark Allocation (%)	Control Range (%)
Majedie	UK Equity (Active)	149.5	160.6	23.1	23.8	16.9	+/-2
SSgA	UK Equity (Passive)	105.6	112.4	16.3	16.6	16.9	+/-2
	Total UK Equity	**255.1**	**273.0**	**39.4**	**40.4**	**33.8**	
Newton	Global Equity (Active)	131.3	134.1	20.3	19.8	20.6	+/-2
SSgA	Global Equity (Passive)	85.9	90.1	13.3	13.3	20.6	+/-2
	Total Global Equity	**217.3**	**224.3**	**33.6**	**33.2**	**41.2**	
Insight	Fixed Interest Gilts	35.2	36.0	5.4	5.3	5.0	
Insight	Sterling Non-Gilts	105.8	108.6	16.4	16.1	15.0	
	Total Bonds	**141.0**	**144.6**	**21.8**	**21.4**	**20.0**	**+/-4**
Former Schroders	Property	6.8	7.0	1.1	1.0	2.5	
Hermes	Property	26.8	26.9	4.1	4.0	2.5	
	Total Property	**33.6**	**33.9**	**5.2**	**5.0**	**5.0**	
	Total	**647.0**	**675.8**	**100.0**	**100.0**	**100.0**	
	Westminster In-House Account	0.1	1.0	-	-	-	
	Total	**647.1**	**676.8**	**-**	**-**	**-**	

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

Figures may not sum to total due to rounding

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

There were no significant investments/ disinvestments over the quarter.

2.4 Rebalancing Framework

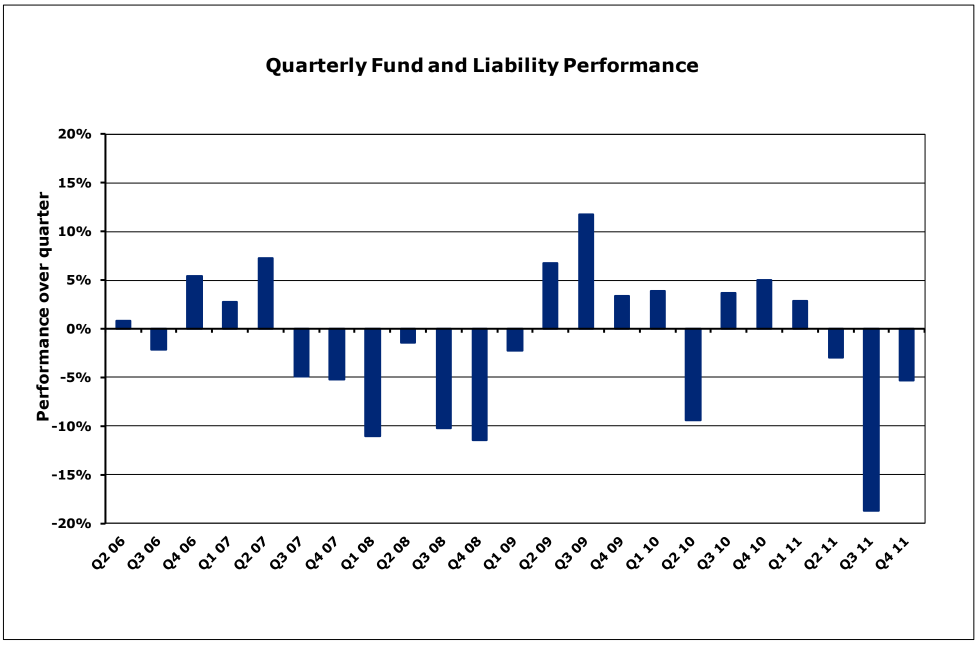
As at 31 December 2011 the Fund's allocation was underweight equities (-1.4%), overweight bonds (+1.4%) and in line with the property allocation.

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

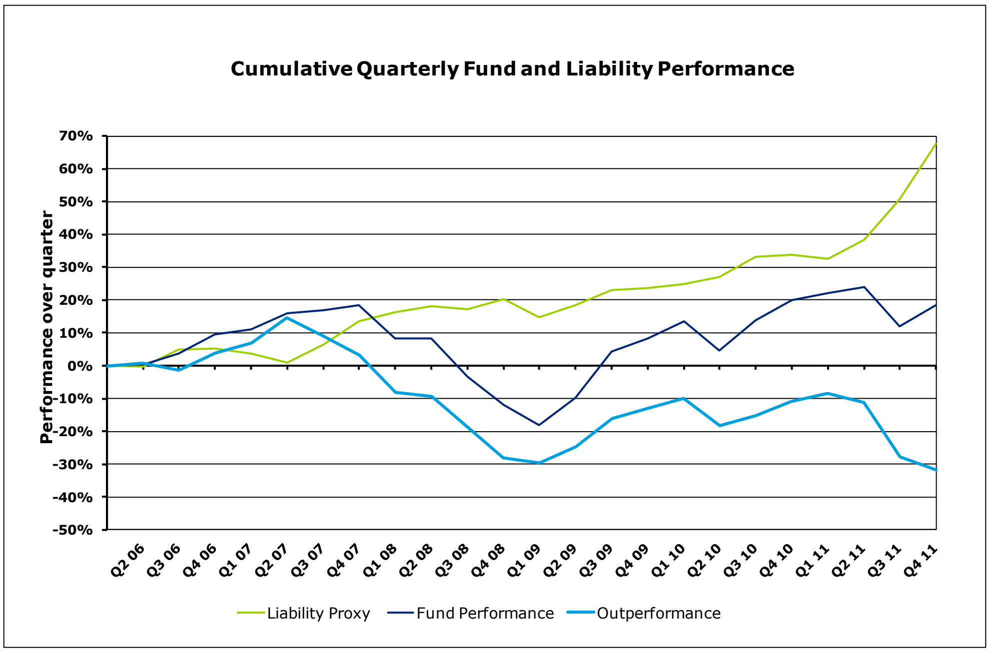
2.5 Funding Monitoring

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

Over the period since 31 May 2006 (the earliest point for which we have data), the annualised volatility of the Fund's performance, relative to the liability proxy, was c.14.8% p.a. Accepting that past performance cannot be relied on as a guide to the future, it nevertheless gives a sense of the investment risks being taken. Statistically, a volatility number of c.14.8% p.a. implies there is a 68% probability that the actual return on the Fund's assets will fall within +/- 14.8% of the return on the liability matching portfolio over a 12 month period - applying a 95% confidence, the returns of the Fund would fall within +/- 29.5%.



The chart below compares the cumulative performance of the Fund and the liability proxy since 31 May 2006. The Fund has underperformed the proxy liability by c.31.7% since that date. While equities delivered a positive return over this period (+3.2%), most of the underperformance can be attributed to the decline in bond yields.



2.6 Summary of Manager Ratings

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

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

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

Majedie UK Equity

The Tortoise Fund was closed to new investors after it reached the £250m capacity limit following significant inflows towards the end of last year. Majedie will accept new money into this fund from existing clients, provided it is consistent with the normal pattern of cashflows to date.

Majedie is contacting clients requesting that discretion is given to allow them to invest up to 20% of the UK equity portfolios in non UK stocks on a tactical basis.

Rob Harris is now the Managing Director of Majedie, taking over the role from James De Uphaugh who remains the Chairman and CIO. Rob's role will expand to now include business related elements. We do not see any concerns with the switch and view it positively if this allows James to be more focused on investment matters.

Deloitte view – We view the decision to close the Tortoise Fund as a positive given our previous discussions with the manager about how this product is capacity constrained. However, we are have expressed our upset over the lack of communication leading up to the closure.

The proposed allocation to overseas equities in the UK fund (c. 20%) is significantly higher than what we would expect to see for a typical UK fund (5-7%). Majedie believes that this change will help with the diversification of the portfolio and also allow the portfolio managers to gain exposure to certain sectors that are not well represented in the domestic market. In general, we are supportive of this proposal, but would request that Majedie clearly details the impact of any non UK holding in its regular quarterly reports.

SSgA Passive UK and International Equity

During the quarter, the Governance (Voting & Engagement) function moved to the remit of Ali Lowe, CIO of Global Equities. This represented a move from an operational/risk control function to an investment function.

There was an index review for the FTSE indices in December 2011, the biggest changes was the move of CRH from the Irish Index to the FTSE All Share. SSgA traded the index change which added 1bp of outperformance to the UK Equity fund.

Newton Global Equity

In January Newton announced changes to the investment team, with Jeff Munroe standing down as CIO and taking over responsibility for the global equity team. Simon Pryke, previously head of research and more recently responsible for the Charities team, will take over as CIO. Jon Bell, who was the head of the global equity team will be transferring to co-ordinate their multi asset products. In addition, James Harries (who runs the Newton Global Income Fund) will be re-joining the global equity model portfolio group, replacing Paul Markham.

Deloitte view – The changes announced by Newton are significant for all investors and clearly demonstrate that there are concerns about performance over the last couple of years.

We have had a series of meetings and discussions with Newton and, while we do not expect to see significant changes to the process, it has been made clear that there will be greater focus going forward on bottom up stock selection, with less on top down macro views. We would also expect to see more influence from the Global Higher Income product coming into the mainstream equity portfolios.

The next couple of months will be crucial for Newton and its ability to reassure (and retain) clients. While we have some confidence in Munroe's abilities, he will have to work hard to turn the situation around and we will be maintaining close contact with the manager to monitor developments.

Reflecting our concerns over the changes, we have moved our rating to "Provisional" while we assess more fully the implications of the developments. Starting with a clean sheet of paper, Newton would not be one of our preferred global equity candidates.

Insight

Over the quarter there were four new hires joining the client servicing team including Sherilee Mace as a client director. In the investment division, Paul Bartlett joined the specialist investments team. There were no notable departures during the quarter.

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

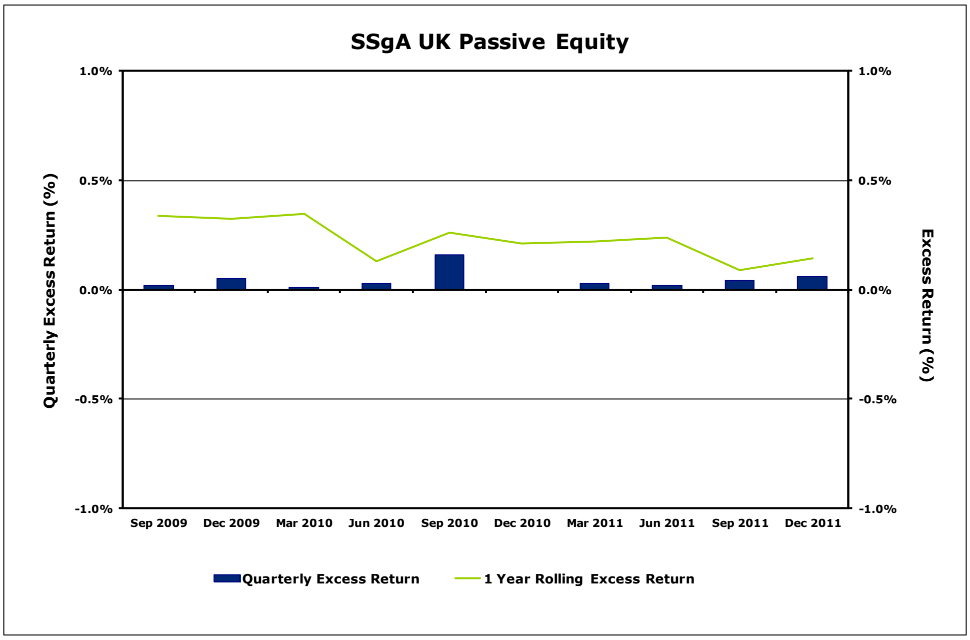
3 SSgA

3.1 Passive UK equity – Investment Performance to 31 December 2011

	Last Quarter (%)	Last Year (%)	Last 3 Years (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA	8.5	-3.3	13.1	1.7	-
FTSE All-Share Index	8.4	-3.5	12.9	1.5	-
Relative	0.1	0.2	0.2	0.2	+/- 0.25% p.a.

Source: SSgA.

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



3.2 Passive International equity – Investment Performance to 31 December 2011

	Last Quarter[1](%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA	7.4	-8.5	-
FTSE World ex UK[1]	7.4	-8.4	-
Relative	0.0	-0.1	+/- 0.50% p.a.

Source: SSgA. Since inception estimated by Deloitte

Inception date taken as 10 March 2011

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

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

4 Majedie – Active UK Equity

4.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Portfolio Guidelines	Tracking error range: 2% - 6% p.a.	3 year predicted tracking error of 4.39% p.a. [1]
Performance Objective	Aims to outperform the FTSE All-Share Index by 2% p.a. over rolling 3 year periods (net of fees).	Yes. Outperformed the benchmark by 2.8% p.a. over 3 year period (net of fees)

(1) Provided by manager.

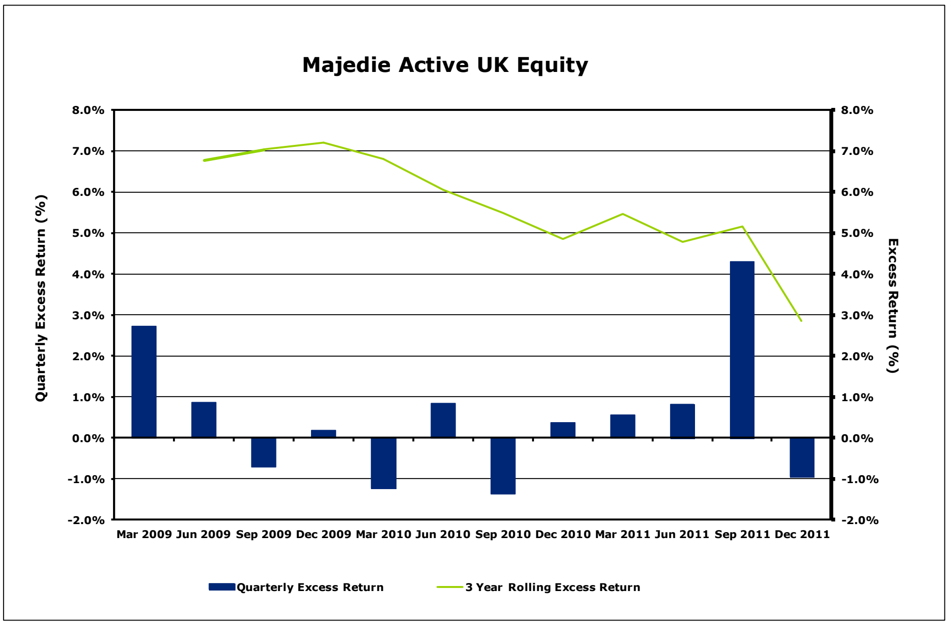
4.2 Investment Performance to 31 December 2011

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie	7.4	1.8	15.7	7.9
FTSE All-Share Index	8.4	-3.5	12.9	3.2
Target	9.0	-1.1	15.3	5.7

Source: Majedie. Target estimated by Deloitte

Inception date taken as 31 May 2006.

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



Majedie underperformed relative to benchmark this quarter, returning 7.4% against a benchmark return of 8.4%. However over the year and three years to 31 December 2011, Majedie has outperformed both the target and benchmark.

Majedie's broadly defensive stance detracted from performance over the quarter as markets rallied, in particular holdings in utilities offset a portion of the outperformance from previous quarters. Sporting Bet was a big detractor from performance as takeover talks with Ladbrokes collapsed. Serco was also a negative over the quarter due to the deferment by the Government of new contract announcements. Majedie has however retained the position as it feels the company has an attractive long term valuation.

The holding in BP was the main contributor to performance over the fourth quarter as the share price recovered helped by strong results in Q4 along with the dropping of some claims against BP. The portfolio's limited exposure to Banks was also a major contributor to performance as worries about the Eurozone sovereign debt crisis continued.

The main portfolio theme is still "Darwinian" – i.e. survival of the fittest, as Majedie feels that the lack of economic growth will affect weaker companies the greatest. Over the quarter Majedie increased its holdings in Barclays, as it was felt that the large discount-to-book value implied by the market made the shares attractively priced, even when taking into account the wider European issues. Holdings in Rio Tinto, BHP Billiton and Royal Dutch Shell were all sold to crystallise gains following strong performance.

5 Newton – Global Equity

5.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Portfolio Guidelines	Tracking error in range 3.5% - 6.0% p.a. (ex-ante)	3 year predicted tracking error of 4.5% p.a. [1]
Performance Objective	Aims to outperform the benchmark by 2.0% p.a. over rolling 3 year periods (gross of fees)	No, underperformed the benchmark and therefore the target.

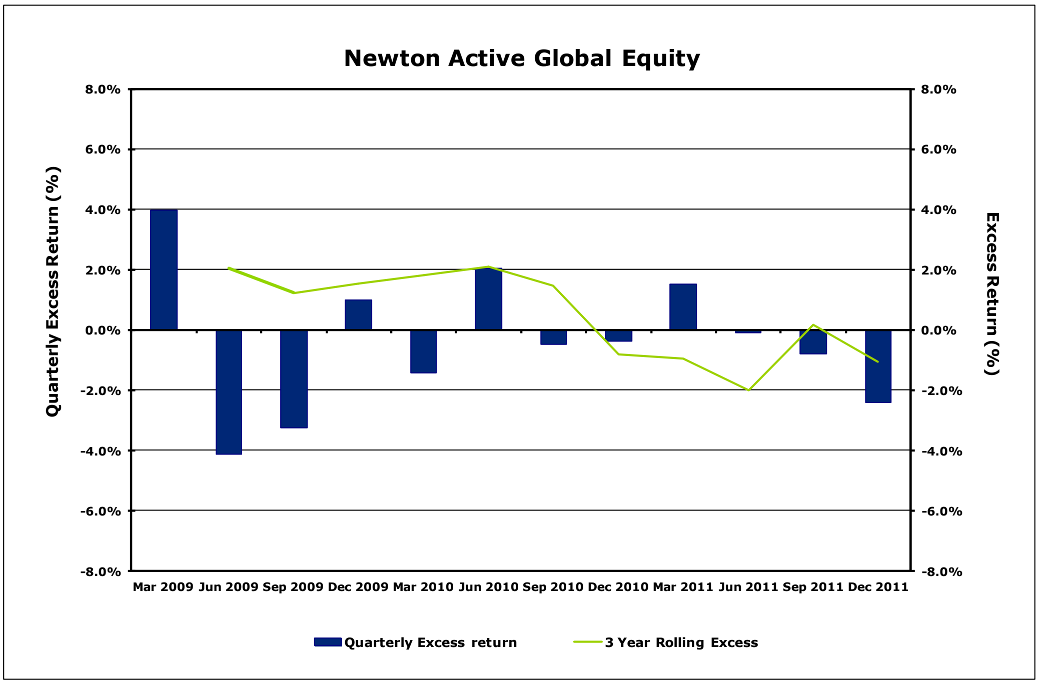
(1) Provided by manager

5.2 Investment Performance to 31 December 2011

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Newton	5.1	-8.6	8.2	1.4
Benchmark	7.4	-6.9	9.2	1.4
Target	7.9	-4.9	11.2	3.4

Source: Newton. Target estimated by Deloitte

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



The manager has had its third consecutive quarter of underperformance (-2.3% in relative terms for the 3 months), with the defensive positioning of the portfolio hurting performance as equity markets rebounded. In sector terms, limited exposure to the energy sector detracted as oil prices were supported by supply concerns relating to political and social uncertainty in a number of oil-exporting countries. Investments in the technology sector also detracted from performance, though Newton is still positive over the longer term.

In stock terms, one of the main detractors from performance was the holding in Sprint Nextel. In contrast, positioning in the utilities sector was advantageous as was the underweight to financials. Healthcare was another area of strength, with Algin, Pfizer and Medco being some of the top contributors to performance.

In regional terms, the portfolio was suffered from being underweight the US as the dollar strengthened and US equities rose over the quarter on the back of more encouraging economic data from the US.

The theme of the portfolio remained unchanged over the quarter, with Newton believing investment conditions are likely to remain challenging. The manger believes that high-quality businesses still offer the best risk adjusted return and, in these difficult and volatile circumstances, that a company's ability to survive and deliver a dividend should be an increasingly valuable attribute.

6 Insight - Bonds

6.1 Insight – Active Non Gilts

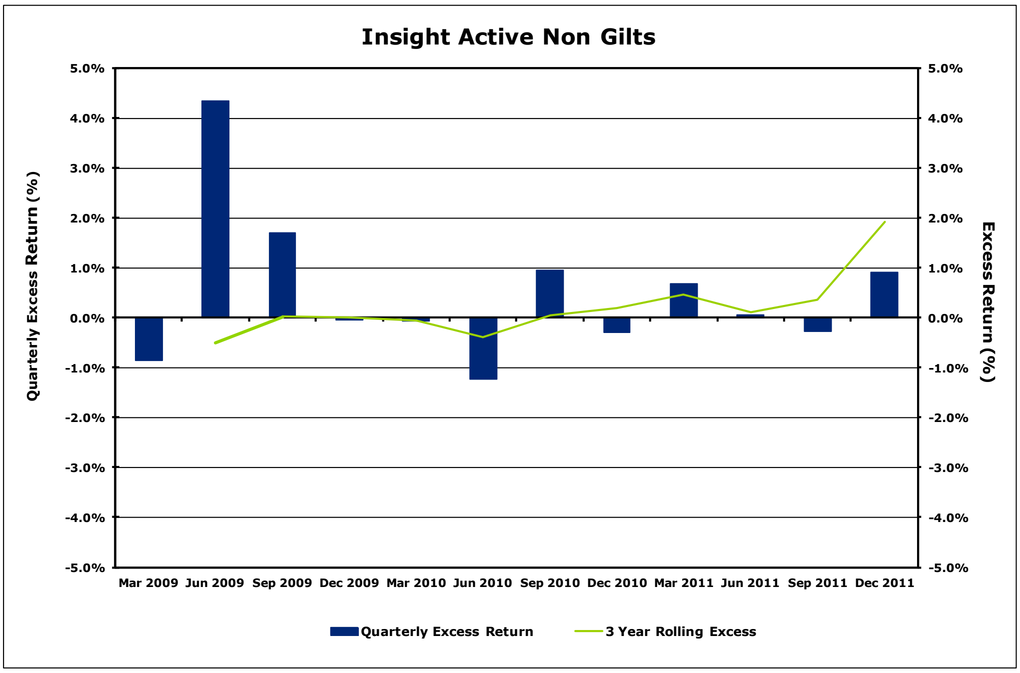
6.1.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Performance Objective	Aims to outperform the iBoxx Sterling Non-Gilt 1-15 Years Index by 0.9% p.a. over rolling 3 year periods (gross of fees)	Yes, outperformed the benchmark by 1.9% over the 3 year period to 31 December 2011(gross of fees).

6.1.2 Investment Performance to 31 December 2011

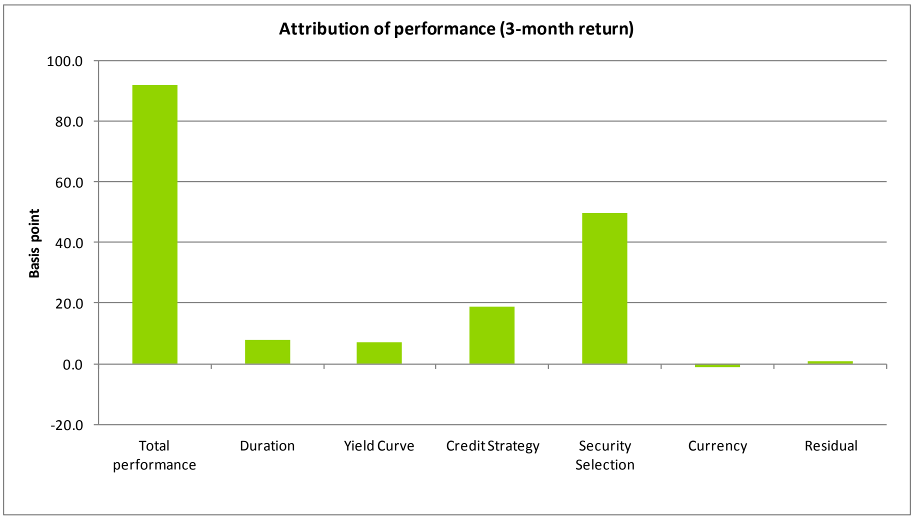
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts)	2.6	6.2	9.5	4.7
iBoxx £ Non-Gilt 1-15 Yrs Index	1.7	4.8	7.6	4.5
Target	1.9	5.7	8.5	5.4

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



Over the quarter Insight outperformed its benchmark (by 0.9%). Insight has also outperformed the benchmark over the year and the last three years to 31 December 2011 by 1.4% and 1.9% respectively.

6.1.3 Attribution of Performance



Source: Insight

Insight's outperformance was primarily driven by good stock selection. All underlying strategies (except currency) also added to performance.

6.2 Insight – Passive Bonds

6.2.1 Investment Performance to 31 December 2011

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds)	2.4	9.8	5.7	8.6
FTSE A Gilts up to 15 Yrs Index	2.4	9.9	5.8	8.9
Relative	-0.1	-0.1	-0.2	-0.2

Source: Insight

Inception date taken as 31 December 2008.

6.3 Duration of portfolios

	30 September 2011		31 December 2011	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.4	5.2	5.3	5.1
Government Bonds (Passive)	4.6	4.8	4.6	4.8

Source: Insight and Northern Trust

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

7 Property

7.1 Former Schroders' Mandate

7.1.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Combined Property Portfolio	2.2	9.9	9.5
Benchmark	1.5	7.4	7.5
Target	1.6	8.1	8.2

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

7.1.2 L&G Managed Funds Property Unit Trust

The fund outperformed its benchmark return of 1.1%, returning 1.9% over the quarter. Central London offices again delivered the strongest sector returns, followed by Industrials. Regional office markets had a mixed quarter, with southern offices experiencing modest levels of rental growth, signalling tentative signs of a recovery in occupational demand in the south.

Net cash inflows over the quarter remained positive with the assets under management at quarter end growing to £1,318m. During the quarter, the Fund completed the purchase of the Malmaison hotel in Birmingham. The hotel is leased for 35 years with rental increases linked to RPI. At the end of the quarter the fund acquired the Stevenage Leisure Park for c.£40m.

7.1.3 West End of London Property Unit Trust

The Trust returned 2.8% over the quarter. This was split between capital growth (1.6%) and income return (1.2%), with the rise in capital values in the West End office sector starting to show signs of slowing down.

7.2 Hermes Property Unit Trust

7.2.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (%)
Hermes	1.8	8.5	3.8
Benchmark	1.1	6.7	7.6
Target	1.2	7.2	8.1

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

The Trust outperformed its benchmark return of 1.1% by 0.7%. Outperformance continued to be driven by the Trust's West End of London office investments, with the return being driven by income return. At a property level, the strongest contributor to performance came from the contracted sale of the Trust's investment at 19 Bolsover Street which was sold at a premium to valuation. Strong rental performance also came from Clerkenwell and Camden office investments. The largest detractor to performance was the Trust's shopping centre in Weymouth.

7.2.2 Sales and Purchases

The Trust sold its 10% stake in Tower 42, City of London, for £14m with the sale due to complete at the end of March 2012.This sale meant the portfolio was entirely ungeared. Also the Trust sold 19 Bolsover Street in London for £21.25m which is at a premium to the valuation.

In November, the Trust purchased Skandia Point, an office building in Southampton, for £13.6m. The property provides high quality office accommodation, with a yield of 9.2% and is let to Skandia Life until November 2016. In December the Trust increased its holding of Public Houses with a purchase from Enterprise Inns Plc for £23.85m. Each of the properties is let on 35 year leases, with rents linked to RPI, and in affluent areas.

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Appendix 1: Fund and Manager Benchmarks

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

Total Fund

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

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

(1) 75% currency exposure hedged back to sterling

Rebalancing Policy

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

If the cash outflows are to be funded:

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

If cash inflows are to be invested:

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

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

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

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

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

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

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

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

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

Currency hedge applied from 9 March 2011.

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

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

(1) Over rolling 3 year period

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

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

(1) Over rolling 3 year period

(2) 75% hedged back to sterling

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

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

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

Over rolling 3 year period

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

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

Over rolling 3 year period

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

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

Over rolling 3 year period

Appendix 2: Manager Ratings

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

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

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

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

Appendix 3: Risk Warnings

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

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

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