Deloitte.

City of Westminster Superannuation Fund

Investment Performance Report to 31 March 2013

Executive Summary

Deloitte Total Reward and Benefits Limited

May 2013

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1 Market Background

Three and twelve months to 31 March 2013

UK equity markets continued their recent rally over the first quarter of 2013 returning 10.3%, with the FTSE All Share Index reaching a five year high during the period.

Equity returns were positive across all sectors, with the exception of Basic Materials (-8.4%). Telecommunications performed particularly strong, posting the highest return of 20.6% over the quarter.

Global equities performed positively over the first quarter, outperforming the UK in sterling terms, returning 14.0%. Currency hedging was detrimental over the quarter as sterling depreciated against the basket of global currencies. As a result, hedged investors achieved a lower return of 8.9%. Returns across the major global regions were positive, with Japan leading the way, returning 19.4%. Emerging markets lagged more developed markets, returning 5.2%.

Nominal UK gilt yields were broadly unchanged over the quarter across all maturities, resulting in the All Stocks Gilt Index returning 0.7% and the Over 15 year Gilt Index returning 0.5%. Real yields fell over the period following a rise in inflation expectations, and are now in negative territory across all maturities. Investors in index-linked gilts enjoyed stronger returns as a result, with the All Stocks Index-Linked Gilt Index returning 7.9% and the Over 15 Year Index-linked Gilts Index returning 10.1%.

Corporate bonds performed positively over the quarter, outperforming gilts, as credit spreads narrowed slightly in the “risk on” environment. The iBoxx Non-Gilt All Stocks Index returned 1.7% and the iBoxx Over 10 Year Non-Gilt Index returned 1.3%.

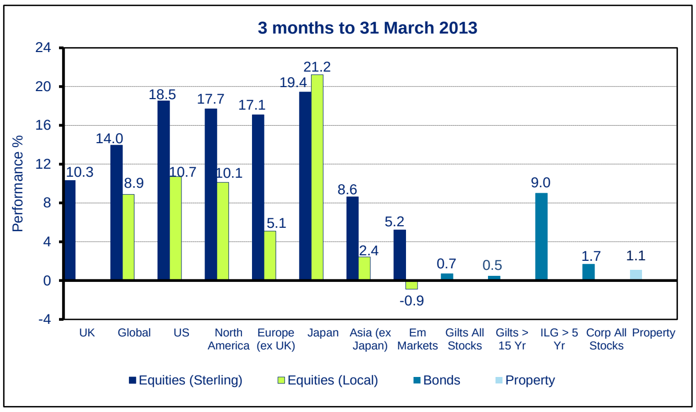
Over the 12 months to 31 March 2013 the FTSE All Share Index returned 16.8%. Small Cap stocks were the top performers over the year with the FTSE Small Cap Index returning 24.5%. At the sector level, Technology was the strongest performer returning 33.1% over the year, whilst Basic Materials and Oil & Gas were the only sectors to post negative returns (-10.3% and -5.5% respectively).

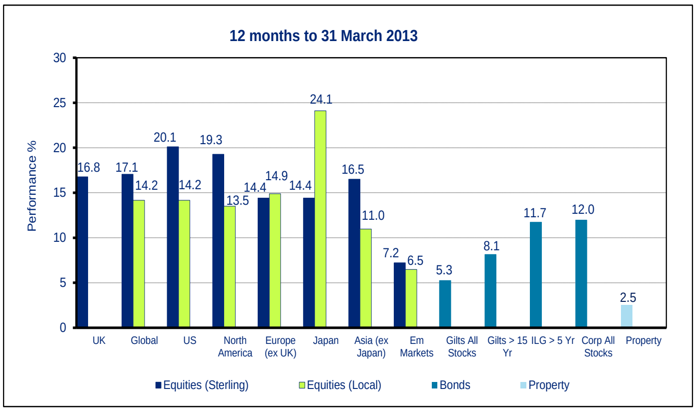
Global equity markets returned 17.1% for unhedged sterling investors over the 12 month period. Investors implementing currency hedging received a lower return of 14.2% as sterling depreciated against most major global currencies. All the major regions achieved positive returns over the year, with US markets leading the way returning 20.1%. As with the first quarter of 2013, emerging markets have lagged developed markets over the year, with the FTSE Emerging Markets Index returning 7.2%.

UK Gilts performed positively over the last 12 months following a fall in nominal yields, with the All Stocks Gilts Index returning 5.3% and the Over 15 Year Gilts Index returning 8.1%. Index linked securities performed better with the All Stocks Index-linked Gilt Index returning 10.2% and the Over 15 Year Index-linked Gilt Index returning 12.1%.

There was a significant narrowing of credit spreads over the 12 month period, resulting in strong returns in the corporate debt market. The iBoxx All Stocks Non Gilt Index returned 12.0% over the year to 31 March 2013.

The UK property market returned 1.1% over the first quarter and 2.5% over the 12 months to 31 March 2013. The Industrial sector was the top performing sector over the quarter, returning 1.5%. Over the longer 12 month period the Office sector continued to lead the way, returning 4.3%p.a.





2 Total Fund

2.1 Investment Performance to 31 March 2013

Over the quarter, all of the Fund's passive mandates managed by SSgA (equities), LGIM (equities) and Insight (gilts) performed broadly in line with the respective benchmarks. Of the active managers, Majedie (equities) underperformed its benchmark by 0.9% and Insight (non-gilts) performed broadly in line with its benchmark. The Hermes property mandate outperformed over the quarter by 0.5%.

Over the one year and three years to March 2013 both Majedie and Insight outperformed whilst the passive equity and bond managers have performed broadly in line with their respective benchmarks.

Over the three years period to 31 March 2013 the Fund has performed broadly in line with its benchmark.

The table below summarises the investment performance to 31 March 2013 by manager.

	Last Quarter (%)			Last Year (%)			Last 3 Years (% p.a.)[1]			Since inception (% p.a.)[1]		
	Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
	Gross	Net[1]		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]	
Majedie[3]	9.4	9.3	10.3	20.9	20.5	16.8	12.0	11.6	8.8	10.3	9.9	5.9
SSgA UK	10.3	10.3	10.3	16.8	16.8	16.8	8.9	8.8	8.8	5.9	5.8	5.7
SSgA International	12.1	12.1	11.9	15.5	15.5	15.5	n/a	n/a	n/a	7.8	7.8	7.9
LGIM – Passive[4]	9.5	9.4	9.5	n/a	n/a	n/a	n/a	n/a	n/a	13.6	13.4	13.6
Insight – Non Gilt	2.0	2.0	2.0	12.6	12.4	11.3	8.7	8.4	7.8	6.3	6.0	5.8
Insight - Passive	0.8	0.8	0.8	3.6	3.5	3.6	6.0	5.9	6.0	7.0	6.9	7.2
Hermes[2]	1.2	1.1	0.7	3.8	3.4	0.3	n/a	n/a	n/a	3.9	3.5	4.4
Total Fund	**7.8**	**7.7**	**8.3**	**15.2**	**14.9**	**13.5**	**10.5**	**10.2**	**10.5**	**5.5**	**5.2**	**5.6**

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

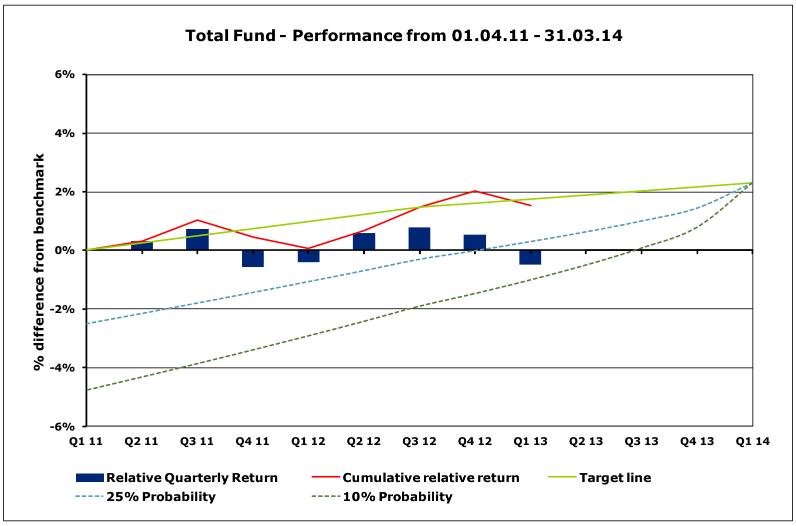
(1) Estimated by Deloitte.

(2) Since inception performance of Hermes property fund is measured from the inception date of 26 October 2010.

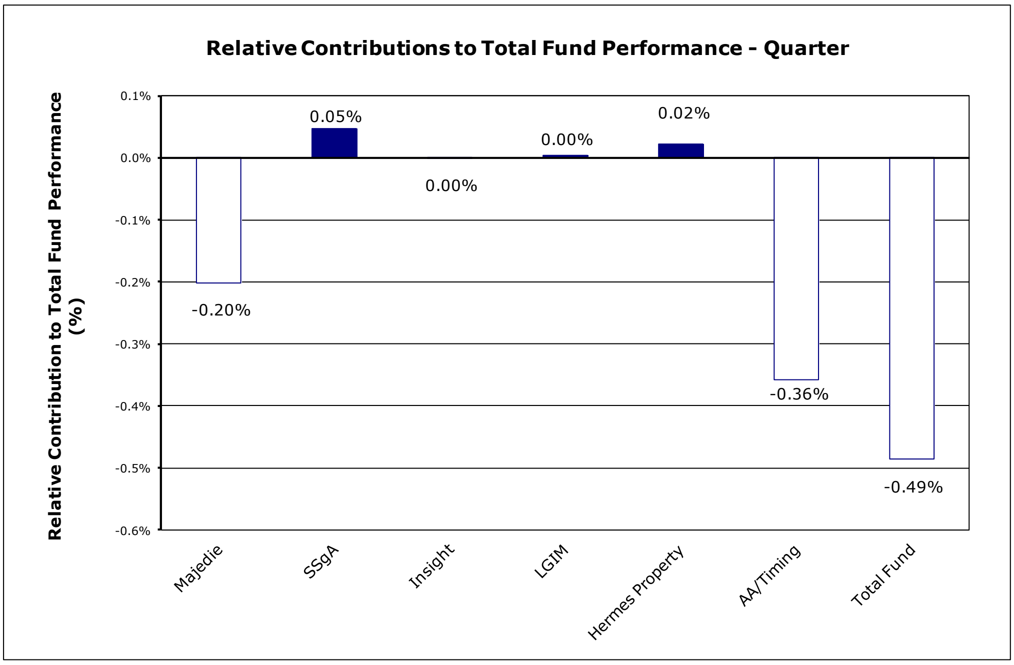
(3) In addition to a flat fee, Majedie's fee includes a performance fee of 20% where the excess return is above 1% pa.

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

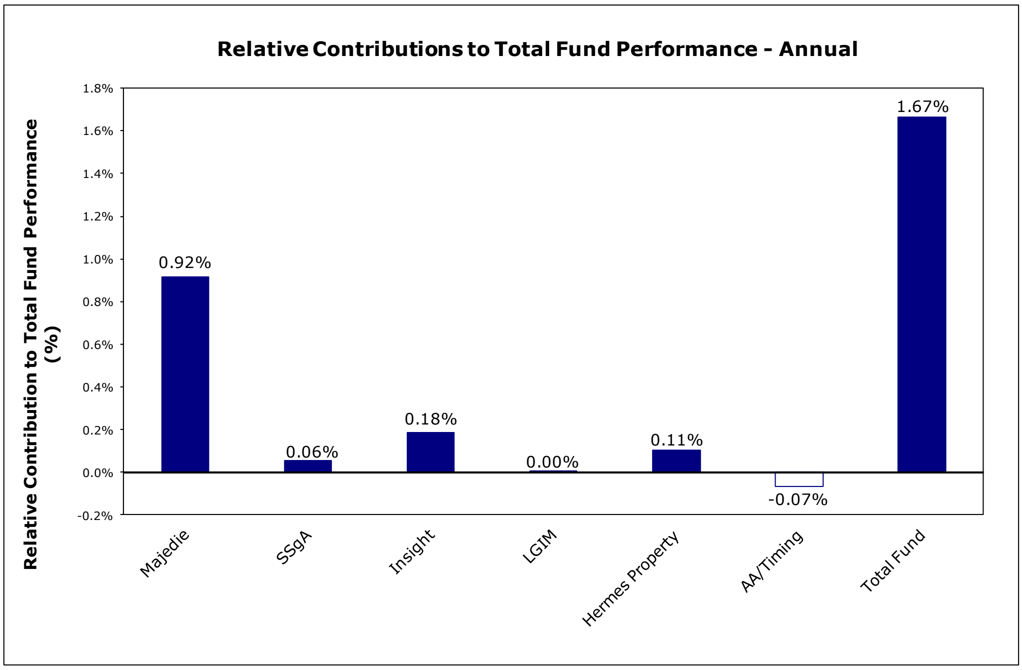
The chart below compares the performance of the Fund relative to the expected variation around the target outperformance over the three years to Q1 of 2014. This highlights that over the past 8 quarters the cumulative performance has been positive. However, after rising above the target line last quarter, it has fallen just below the target due to poor relative performance in the first quarter of 2013.



2.2 Attribution of Performance to 31 March 2013



The Fund underperformed its composite benchmark by 0.5% over the first quarter of 2013, with Majedie being a drag to performance. The 0.36% negative contribution to performance in the AA/Timing bar is a balancing item and reflects the impact of holding cash and the fact that the Fund was marginally overweight bonds and underweight equities at the start of the quarter relative to the stated benchmark allocations.



However, over the past 12 months the Fund has outperformed its composite benchmark by 1.7%, with all managers except LGIM contributing to the outperformance. The breakdown clearly illustrates that Majedie was the primary driver contributing to the positive performance over the 12 month period.

Please note that the relative individual contributions in the chart above might not add up to the total fund outperformance. This is due to the fact that the Fund's performance during the last 12 months has been impacted by the performance of funds held with Newton and Schroder, which were liquidated and moved to LGIM and the increase in the allocation to Hermes during the last quarter of 2012.

2.3 Asset Allocation as at 31 March 2013

The table below shows the assets held by manager and asset class as at 31 March 2013.

		Actual Asset Allocation					
Manager	**Asset Class**	**31 Dec 2012 (£m)**	**31 Mar 2013 (£m)**	**31 Dec 2012 (%)**	**31 Mar 2013 (%)**	**Benchmark Allocation (%)**	**Control Range (%)**
Majedie	UK Equity (Active)	180.0	196.9	22.3	23.0	16.9	+/-2
SSgA	UK Equity (Passive)	105.1	115.9	13.0	13.5	16.9	+/-2
	Total UK Equity	**285.0**	**312.8**	**35.4**	**36.5**	**33.8**	
LGIM	Global Equity (Passive)	145.0	158.8	18.0	18.5	20.6	+/-2
Newton	Global Equity (Active)	10.5	0.2	1.3	0.0	0.0	
SSgA	Overseas Equity (Passive)	145.3	162.8	18.0	19.0	20.6	+/-2
	Total Global Equity	**300.8**	**321.8**	**37.4**	**37.5**	**41.2**	
Insight	Fixed Interest Gilts	47.2	47.6	5.9	5.6	5.0	
Insight	Sterling Non-Gilts	135.7	138.5	16.9	16.2	15.0	
	Total Bonds	**182.9**	**186.1**	**22.7**	**21.8**	**20.0**	**+/-4**
Former Schroders	Property	0.3	-	0.0	0.0	0.0	
Hermes	Property	36.3	36.2	4.5	4.2	5.0	
	Total Property	**36.6**	**36.2**	**4.5**	**4.2**	**5.0**	
	Total	**805.3**	**856.9**	**100.0**	**100.0**	**100.0**	
	Westminster In-House Account	5.3	14.3	-	-	-	-
	Total	**810.6**	**871.2**	**-**	**-**	**-**	**-**

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

Figures may not sum to total due to rounding

Over the quarter the market value of the assets increased by c. £60.6m, mainly due to the positive performance of equity markets.

2.4 Rebalancing Framework

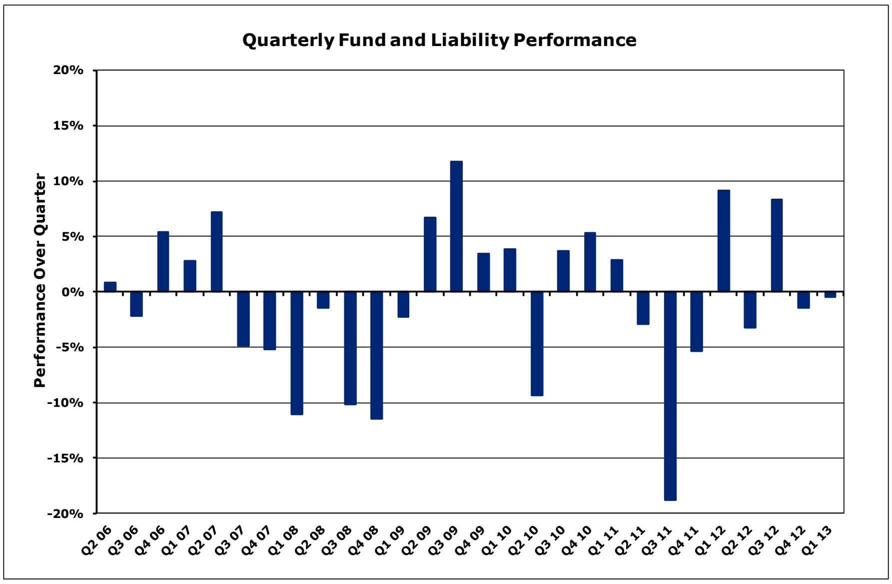
As at 31 March 2013, the Fund was underweight equities (-1%) and property (-0.8%), but overweight bonds (+1.8%) relative to the stated benchmark.

The Fund was above the control range for the allocation to Majedie and below the control range for the allocation to LGIM and SSgA UK Equity passive mandate.

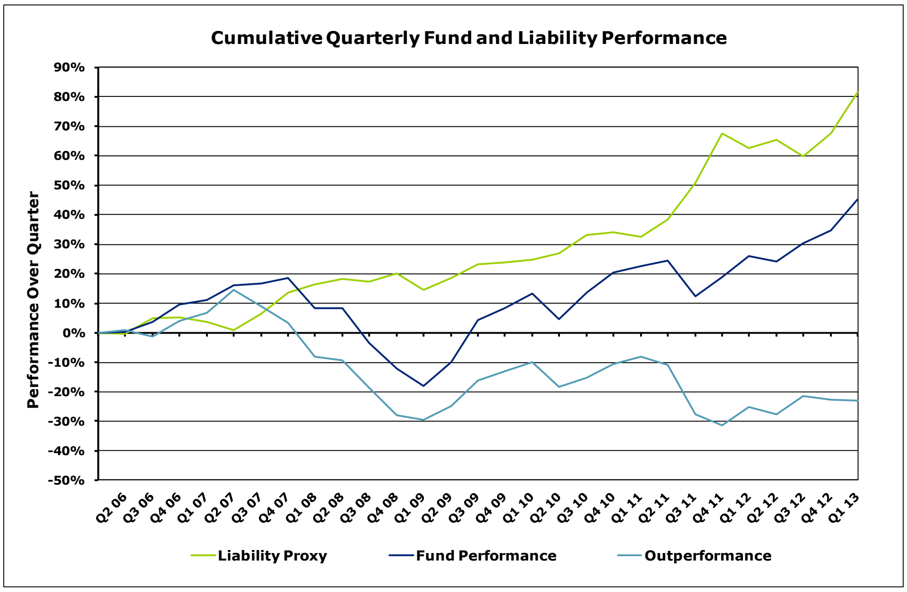
2.5 Funding Monitoring

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 previous Scheme Actuary, this proxy provides a useful starting point in developing the strategy monitoring analysis, however we acknowledge that following the completion of the 2013 valuation we should revisit this measure.

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.14.4% 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.14.0% p.a. implies there is a 68% probability that the actual return on the Fund's assets will fall within +/- 14.0% of the return on the liability matching portfolio over a 12 month period - applying a 95% confidence, the returns of the Fund would fall within +/- 28.0%.



The chart below compares the cumulative performance of the Fund and the liability proxy since 31 May 2006 and shows that the Fund has underperformed the proxy liability by c.23.1% since that date. Whilst equities have delivered a positive return over this period (+5.9% p.a.), most of the underperformance can be attributed to the decline in bond yields that has taken place.



2.6 Summary of Manager Ratings

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

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
LGIM	Global Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	1
SSgA	UK and International Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	n/a
Insight	Sterling Non-Gilts	Departure of any of the senior members of the investment team Steps to broaden their product offering beyond the current UK and European focus without first bringing in the additional expertise	1
Insight	Fixed Interest Gilts (Passive)		n/a
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	2

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

Majedie UK Equity

Total AUM increased to £7.4bn from £6.9bn last quarter. The UK Equity Fund lost a £600m segregated mandate from a pension fund client of a clearing house due to the desire to remove risk on the bank's balance sheet (and therefore to transfer out from equities). This loss has not been reflected in the total AUM number as the mandate is still currently maintained in the portfolio. As a result the UK Equity Fund now has capacity to take further investments. There are some clients lined up to take up the capacity including a large sovereign fund that is expected to fund early in the second quarter and a US university endowment fund, although there will still be capacity available.

The UK Income Fund (managed by Chris Reid) has grown to £12.7m over the quarter (against a target of £15m in 2013). The fund has attracted reasonable interest and inflows from retail clients.

A global team is being built within Majedie and details will be announced soon.

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

LGIM

Legal & General Investment Management total assets under management amounted to £405bn as at 31 March 2013. The passive index funds accounted for £246bn, which included net inflows of £2.8bn over the quarter. Due to low demand, Legal & General closed several of their index funds, namely, the International Fund, Discretionary Fund, North American Wealth Weighted Equity Fund, Europe (ex UK) Wealth Weighted Equity Fund, and the Japan Wealth Weighted Equity Fund.

There were no significant changes to the investment team over the quarter.

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

SSgA Passive UK and International Equity

Assets invested in the UK Equity Fund and the International Equity Fund were £9.6bn and £1.9bn respectively as at 31 March 2013. During the quarter SSgA was appointed for a RAFI 3000 mandate with a local authority and also a small currency overlay mandate with a Scottish local authority over the quarter. SSgA is at the final stage of pitching for another local authority fund. SSgA now has 20 LGPS Funds and circa £8bn of LGPS assets under management.

Brian Deacon joined SSgA as a product specialist. Brian is a Vice President at SSgA and a member of the firm's Global Product and Marketing Group. His responsibilities include strategic positioning and communication of Passive Equity strategies through marketing, education, product development, and research efforts. Brian is also Head of EMEA Portfolio Specialists.

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

Insight

The total AUM as at 31 March 2013 was £229bn which represented an increase from 31 December 2012 of around £17bn – approx. £194bn of the total AUM relates to pension scheme assets.

During the quarter Insight launched a BNY Mellon European Corporate Bond Fund, which has a performance target of benchmark +1 – 1.5%, and an Insight Bonds plus 400 Fund which as a return of cash + 4%.

There was a new addition within the client relationship team, Simon Mooney, who joined in early March. Previously he worked at Psolve and F&C where he had similar responsibilities to his current role at Insight.

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

3 SSgA – Passive Equity

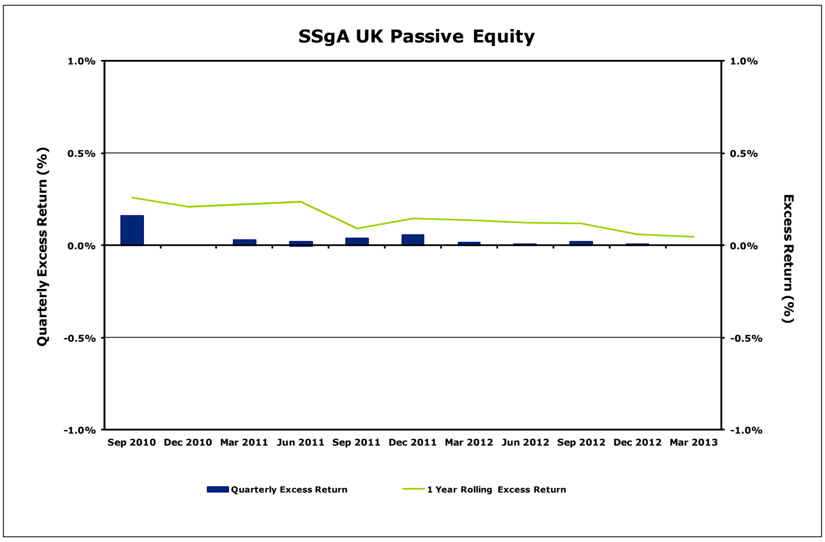
SSgA has been appointed to manage two passive equity portfolios, with the objective of delivering performance in line with the stated benchmarks. The manager is remunerated on a fixed fee based on the value of assets.

3.1 Passive UK equity – Investment Performance to 31 March 2013

	Last Quarter (%)	Last Year (%)	Last 3 Years (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA – Gross of fees	10.3	16.8	8.9	5.9	-
Net of fees	*10.3*	*16.8*	*8.8*	*5.8*	-
FTSE All-Share Index	10.3	16.8	8.8	5.7	-
Relative	0.0	0.0	0.1	0.2	+/- 0.25% p.a.

Source: SSgA.

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



3.2 Passive International equity – Investment Performance to 31 March 2013

	Last Quarter[1](%)	Last Year (%)	Since Inception (% p.a.)	Tracking Error Tolerance
SSgA – Gross of fees	12.1	15.5	7.8	-
Net of fees	*12.1*	*15.5*	*7.8*	-
FTSE World ex UK[1]	11.9	15.5	7.9	-
Relative	0.2	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 various time periods. Over the quarter the SSgA International equity fund outperformed the benchmark by 0.2% due to the positive effect of the unhedged emerging market component.

4 LGIM – Passive Global Equity

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

4.1 Passive Global Equity – Investment Performance to 31 March 2013

	Last Quarter (%)	Since inception (%)
LGIM – Gross of fees	9.5	13.6
Net of fees	*9.4*	*13.4*
FTSE AW-World Index - GBP Hedged	9.5	13.6
Relative	0.0	0.0

Source: LGIM, Deloitte estimates.

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

The investment objective of the fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

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

5 Majedie – Active UK Equity

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

5.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Portfolio Guidelines	Tracking error range: 2% - 6% p.a.	3 year predicted tracking error of 3.86% p.a.[1]
Performance Objective	Aims to outperform the FTSE All-Share Index by 2% p.a. over rolling 3 year periods (net of fees).	Yes. Outperformed the target by 0.8% p.a.over the 3 year period.

[1]Provided by manager.

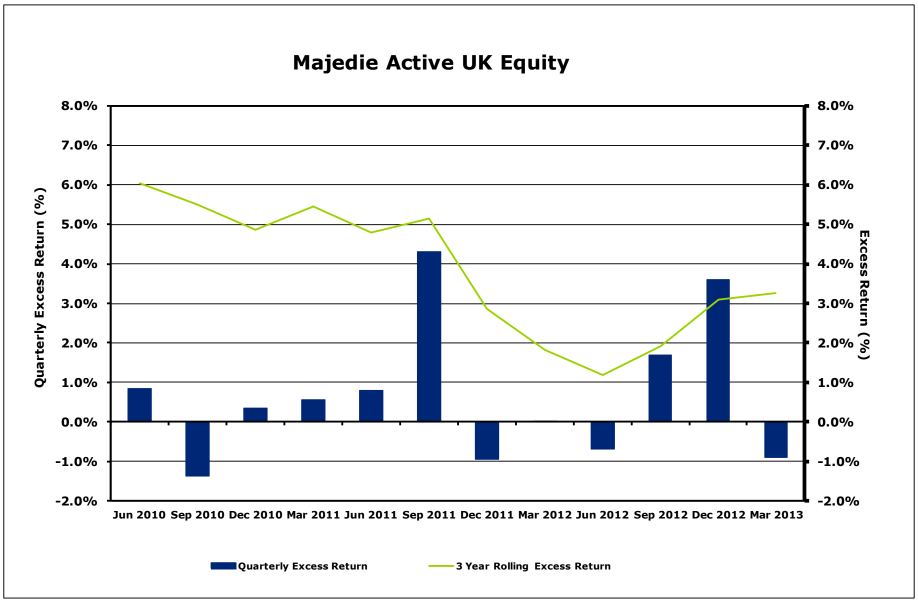
5.2 Investment Performance to 31 March 2013

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie – Gross of base fees	9.4	20.9	12.0	10.3
Net of base fees	*9.3*	*20.5*	*11.6*	*9.9*
FTSE All-Share Index	10.3	16.8	8.8	5.9
Target	10.9	19.2	11.1	8.3

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 the benchmark over the quarter, returning 9.4% against a benchmark of 10.3%. However, over the longer time frames of one year, three years and since inception the manager has outperformed its target by 1.7%, 0.8% and 2.0% p.a. respectively.

The overweight position in RBS, Aviva and general retailers such as M&S and Debenhams was a drag to performance over the quarter, with the latter stocks suffering as a consequence of concerns over retail margin pressure.

On the other hand the early cyclical stocks (ITV and International Consolidated Airlines) delivered strong returns over the quarter. The overweight position in overseas stock Hewlett-Packard was the main contributor to performance as shares recovered strongly, benefitting from the CEO's turnaround plan and the higher than expected dividend payment.

6 Insight – Bonds

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

6.1 Insight – Active Non Gilts

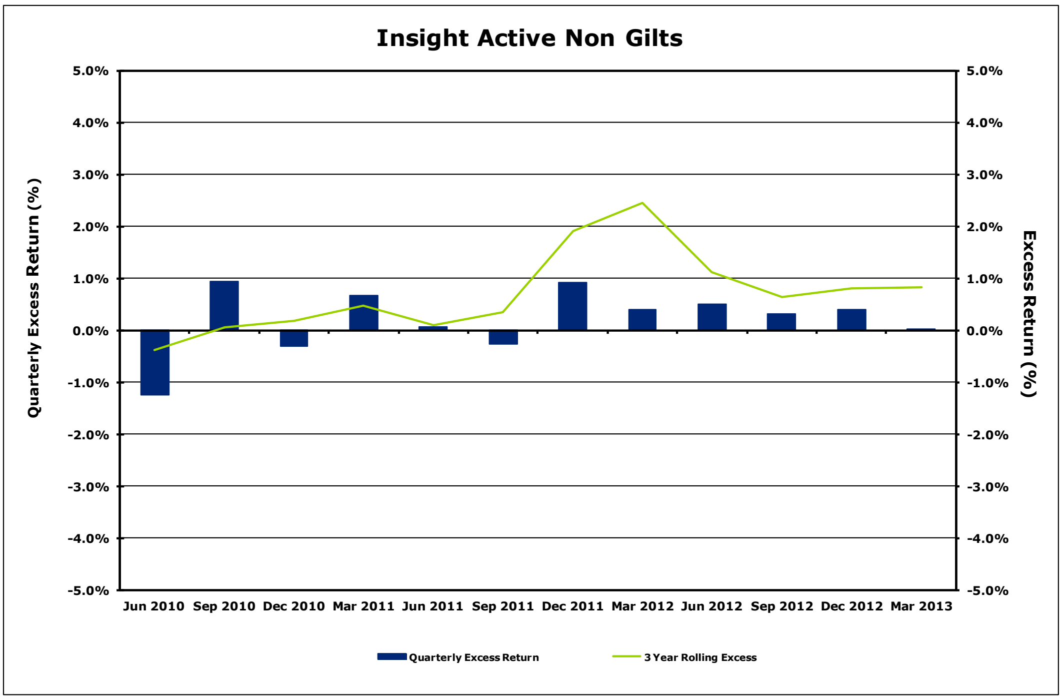
6.1.1 Portfolio Monitoring Summary

Item Monitored	Monitoring	Outcome
Performance Objective	Aims to outperform the iBoxx Sterling Non-Gilt 1-15 Years Index by 0.9% p.a. over rolling 3 year periods (gross of fees)	Yes, outperformed the benchmark by 0.9% p.a. over the 3 year period to 31 March 2013 (gross of fees).

6.1.2 Investment Performance to 31 March 2013

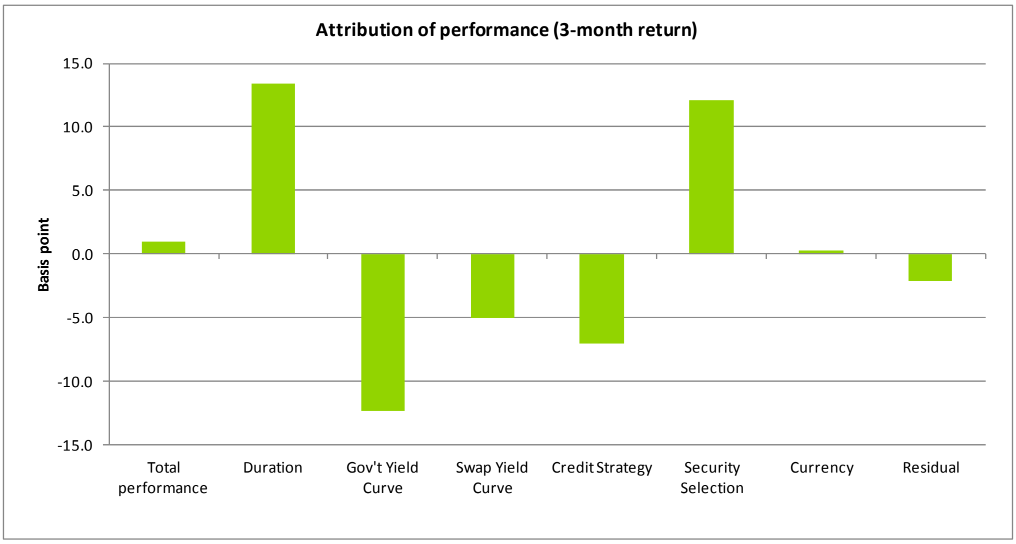
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) – Gross of fees	2.0	12.6	8.7	6.3
Net of fees	*2.0*	*12.4*	*8.4*	*6.0*
iBoxx £ Non-Gilt 1-15 Yrs Index	2.0	11.3	7.8	5.8
Target	2.3	12.2	8.7	6.7

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



Over the quarter the portfolio performed broadly in line with the benchmark. Over the one year and three years to 31 March 2013 Insight has outperformed the benchmark by 1.3% and 0.9% p.a. respectively.

6.1.3 Attribution of Performance



Source: Insight

Security selection and duration positioning were the main contributors to performance this quarter. Insight bought some attractively priced new issues in utilities and pubs, which performed positively.

The portfolio was positioned for a flattening of the curve in the UK, however the UK yield cuve steepened over the quarter, giving a negative impact to overall performance.

6.2 Insight – Passive Government Bonds

6.2.1 Investment Performance to 31 March 2013

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) – Gross	0.8	3.6	6.0	7.0
Net of fees	*0.8*	*3.5*	*5.8*	*6.9*
FTSE A Gilts up to 15 Yrs Index	0.8	3.6	6.0	7.2
Relative	0.0	0.0	0.0	-0.2

Source: Insight, Deloitte estimates

Inception date taken as 31 December 2008.

The gilt portfolio has performed in line with the benchmark over the quarter and the one year and three year periods to 31 March 2013.

6.3 Duration of portfolios

	31 December 2012		31 March 2013	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.6	5.3	5.6	5.4
Government Bonds (Passive)	4.6	5.0	4.8	5.1

Source: Insight and Northern Trust

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

7 Hermes – Property

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

7.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Hermes – Gross of fees	1.2	3.8	3.9
Net of fees	*1.1*	*3.4*	*3.5*
Benchmark	0.7	0.3	4.4
Target	0.8	0.8	4.9

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

The Trust outperformed its benchmark by 0.5%. This continued to be driven by the Trust's distribution yield. The Trust's unit price fell by 0.15%, which was a more modest fall relative to the 0.3% fall experienced during Q4 of 2012, with the falls reflecting the challenging conditions in the UK real estate market.

During the last quarter it was seen that investors have started favouring assets providing higher income returns with potential for capital growth. The Trust expects to benefit from growth during Q2 through new investor subscriptions.

7.2 Sales and Purchases

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

- Thomas Road Industrial Estate, London E14 – The Trust has conditionally exchanged contracts to acquire this property for £7.2 million, reflecting an initial yield of 7%. Due to limited competing stock in the area the Trust is expecting good rental growth.

- Seymour Mews House, Seymour Mews, London W1 – The sale of this long leasehold property was completed in February 2013. The Trust's interest had 88 years to expiry and it was sold for £18 million, reflecting an income yield of 5%. Part of the purchase price has been deferred and will be paid later in 2013.

- Portobello Gold, Notting Hill, London W11 – The Trust sold this public house investment for just over £2 million, which reflected a premium to valuation.

Appendix 1: Fund and Manager Benchmarks

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

Total Fund

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

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

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

Rebalancing Policy

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

If the cash outflows are to be funded:

- Cash outflow requirements are met by disinvesting from the asset class most overweight relative to its Central Benchmark Allocation ("CBA") position.

- Once the asset class overweight has been eliminated, assets would be disinvested proportionately from the asset classes according to the CBA.

If cash inflows are to be invested:

- Cash inflows are invested in the asset class most underweight relative to its CBA position.

- Once the asset class underweight has been eliminated, assets would be disinvested proportionately from the asset classes according to the CBA.

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

- Rebalance exposure back to the mid-point of the CBA and upper (or lower) tolerance limit.

- Use the proceeds to rebalance the corresponding underweight asset class/investment manager.

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

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

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

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

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

[2] Aim to track benchmark to within tracking error tolerance range two years out of three.
Currency hedge applied from 9 March 2011.

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

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

[1] Over rolling 3 year period

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

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

Insight: 20.0% of the Total Fund Assets (Inception: 31 May 2006)

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

Over rolling 3 year period

Hermes: 5.0% of the Total Fund Assets (Inception: 26 October 2010)

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

Over rolling 3 year period

Appendix 2: Manager Ratings

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

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

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

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

Appendix 3: Risk Warnings

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

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

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

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