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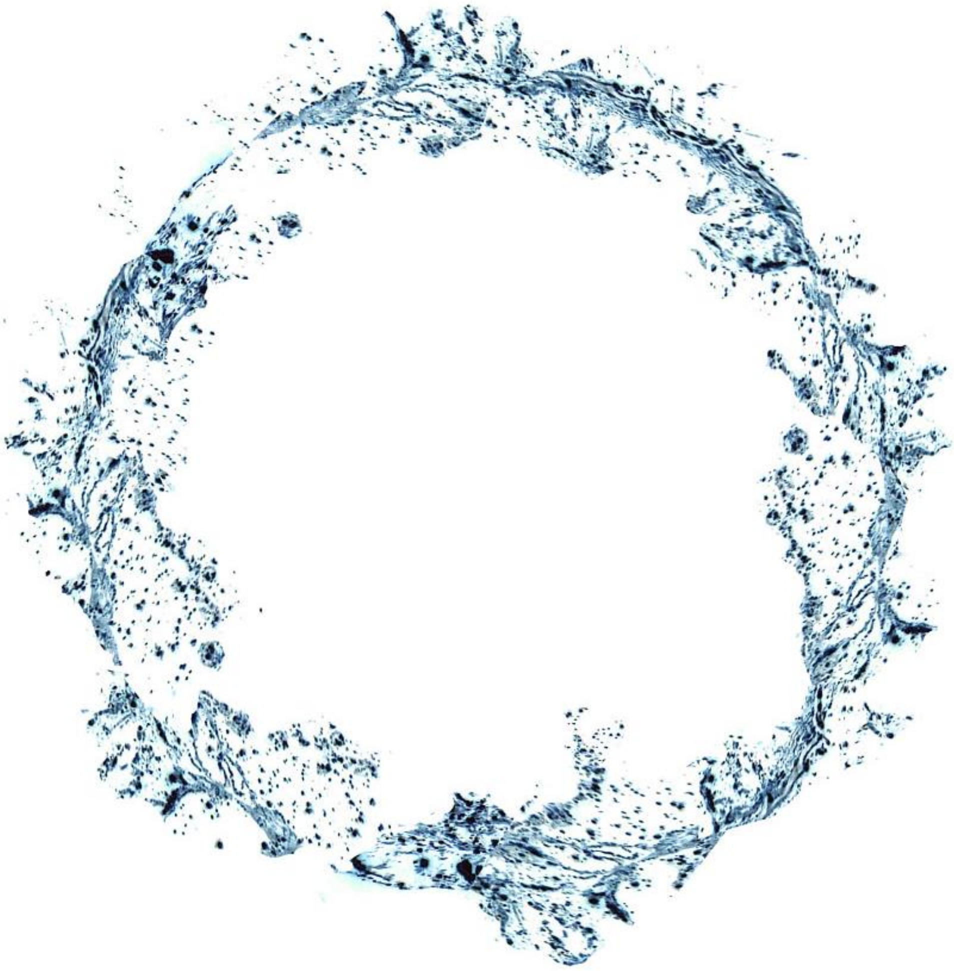


City of Westminster Pension Fund

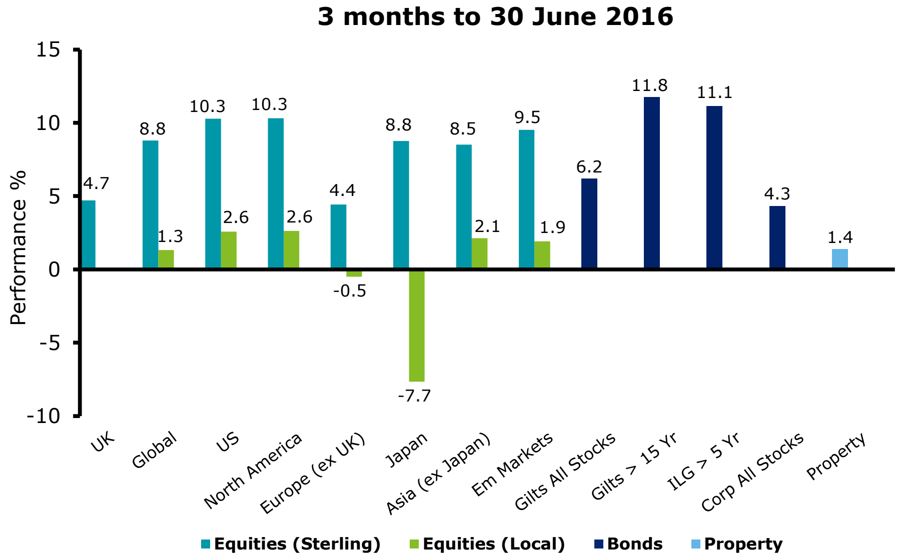
Investment Performance Report to 30 June 2016

Deloitte Total Reward and Benefits Limited
August 2016

Contents

1 Market Background

Three months to 30 June 2016



Equity markets

The UK equity market delivered a positive return over the second quarter of 2016, with the FTSE All Share Index delivering a return of 4.7%. There was considerable volatility experienced over the period, mainly due to the EU referendum, as markets reacted to the changing outcomes of the polls in the run up to the vote and the UK's ultimate decision to leave the EU. The fall in equity markets in the immediate aftermath of the result corrected a rally experienced in the run up to the vote as the market had anticipated, and priced in, a 'Remain' result. However, over the final few days of the quarter the equity market rallied again to pre-referendum levels, with defensive stocks performing well alongside companies which export globally which appeared more attractive due to the depreciation of sterling.

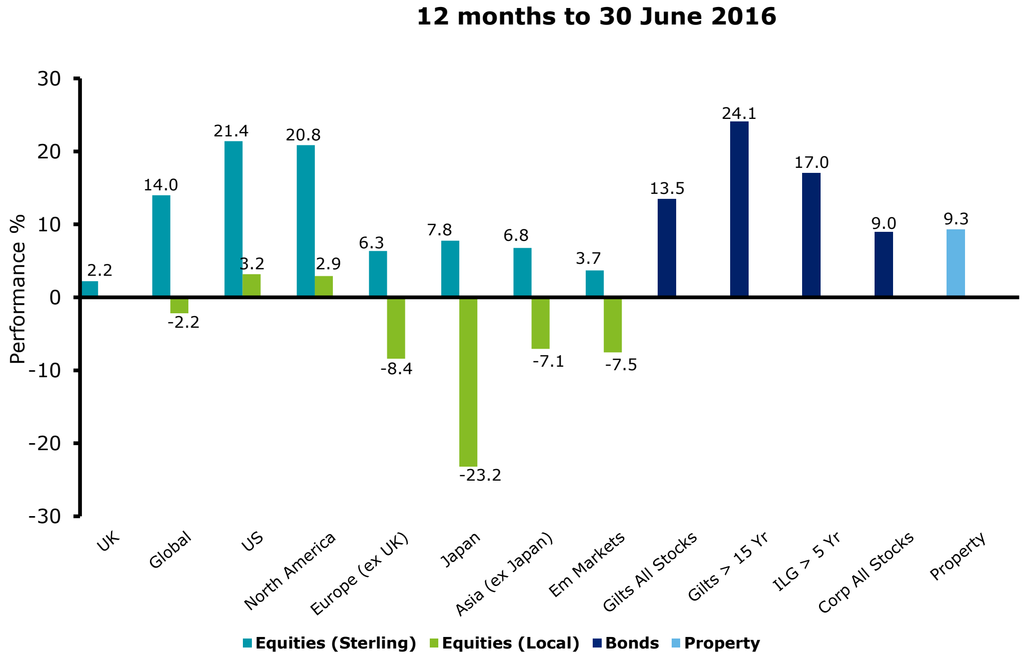
Large UK companies outperformed smaller companies over the second quarter, with the FTSE 100 Index returning 6.5% while the FTSE Small Cap Index delivered a negative return of -0.6%. Small cap stocks fell in value to a greater extent following the result of the referendum and did not rally to the same extent as larger more stable companies in the remainder of the quarter. There was a wide spread of returns experienced at the sector level. Similar to last quarter, the top performing sectors were Oil & Gas (22.6%) and Basic Materials (14.9%) which continued to benefit from a rebound in the price of oil which rose above $50 a barrel as well as benefiting from the depreciation of sterling. The poorest performing sectors were Consumer Services (-8.5%) and Financials (-4.2%), with their more UK-centric focus.

Global equity markets outperformed the UK in sterling terms (8.8%) but underperformed the UK in local currency terms (1.3%) over the second quarter. Currency hedging was therefore detrimental as sterling depreciated against a basket of global currencies, most significantly against the Japanese yen and the dollar. At a regional level, the US achieved the highest return, delivering 10.3% in sterling terms and 2.6% in local currency terms. Japan was the poorest performing region, delivering a return of -7.7% in local currency terms, however, the significant depreciation of sterling against the Japanese yen meant that sterling investors in Japanese equities without currency hedging achieved a return of 8.8%.

Bond markets

The uncertainty and volatility caused by the EU referendum led investors to look for safe haven assets and, despite the credit rating of the UK suffering following the outcome of the referendum, there was an increase in demand for UK government bonds. As a result, UK nominal gilts delivered positive returns over the second quarter, with the All Stocks Gilts Index returning 6.2%, as yields fell significantly across all maturities. Real yields on UK index-linked gilts fell further into negative territory over the period, with the Over 5 Year Index-linked Gilts Index returning 11.1%. Credit spreads widened slightly over the quarter but this was more than offset by the fall in gilt yields resulting in corporate bonds delivering a positive return over the period, with the iBoxx All Stocks Non Gilt Index returning 4.3%.

Twelve months to 30 June 2016



Equity markets
Over the 12 months to 30 June 2016, the FTSE All Share Index has delivered a positive return of 2.2%. Performance was volatile and continued to vary significantly across sectors. Financials was the poorest performing sector over the year (-18.8%) whilst the Consumer Goods sector was the highest performer (20.7%). Global equity markets outperformed the UK in sterling terms (14.0%) but underperformed the UK in local currency terms (-2.2%), with currency hedging detracting.

Bond markets
UK nominal gilts delivered positive returns over the year, with the All Stocks Gilts Index returning 13.5% and the Over 15 Year Gilts Index returning 24.1%, as gilt yields fell significantly across all maturities. Real yields also fell significantly over the year, with the Over 5 Year Index Linked Gilts Index returning 17.0%. Despite credit spreads widening over the year, corporate bonds delivered positive returns due to the impact of the fall in gilt yields with the iBoxx All Stocks Non Gilt Index returning 9.0% over the period.

2 Total Fund

2.1 Investment Performance to 30 June 2016

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	3.7	3.7	4.7	-2.0	-2.3	2.2	7.5	7.1	5.9	9.5	9.1	5.5
LGIM	Global Equity	1.4	1.4	1.4	-2.6	-2.7	-2.6	8.4	8.2	8.4	10.3	10.2	10.3
Baillie Gifford	Global Equity	6.8	6.7	8.8	11.9	11.5	13.9	n/a	n/a	n/a	10.5	10.1	11.9
Longview	Global Equity	7.2	7.0	8.6	16.4	15.8	14.4	n/a	n/a	n/a	15.2	14.5	11.0
Insight	Gilts	2.4	2.4	2.5	6.7	6.6	6.8	4.1	4.0	4.1	5.4	5.3	5.5
Insight	Non-Gilts	3.0	2.9	2.8	7.0	6.8	6.6	6.5	6.2	5.9	5.9	5.7	5.5
Hermes	Property	1.4	1.3	1.4	11.3	10.9	8.9	15.6	15.2	13.3	9.9	9.5	8.9
Standard Life	Property	1.4	1.3	6.7	6.5	6.0	15.8	9.5	9.0	10.3	9.5	9.0	10.3
Total		**3.7**	**3.6**	**4.5**	**4.4**	**4.0**	**6.0**	**9.2**	**8.9**	**8.9**	**6.0**	**5.6**	**5.6**

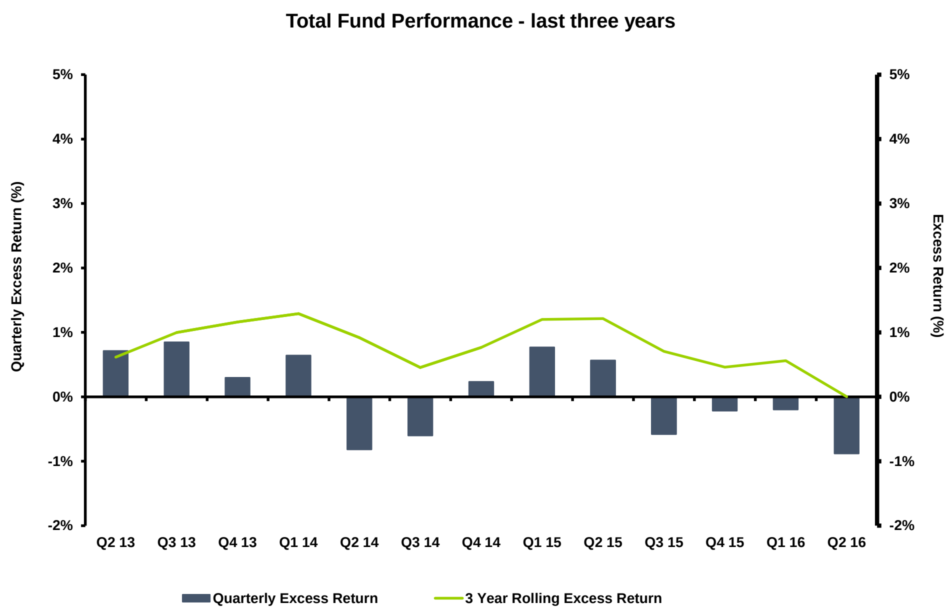
Source: Investment Managers

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

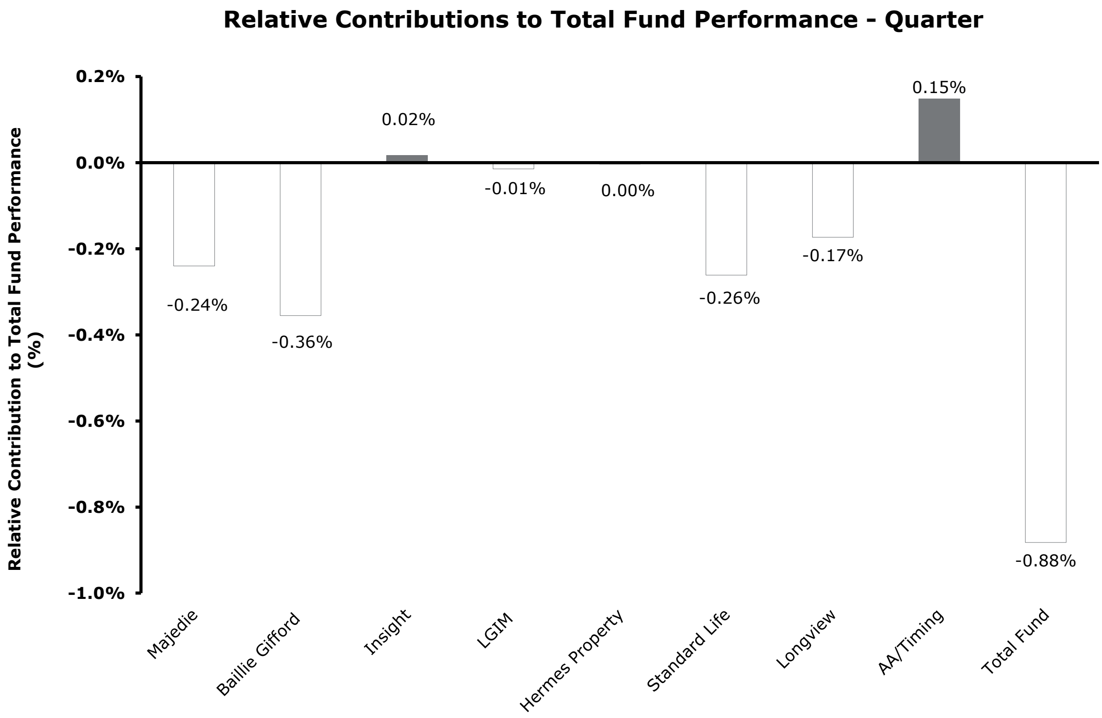
See appendix 1 for more derail on manager fees and since inception dates

Over the quarter the Fund underperformed its benchmark, mostly due to the underperformance of the active equity managers Majedie, Baillie Gifford and Longview along with the property manager, Standard Life.

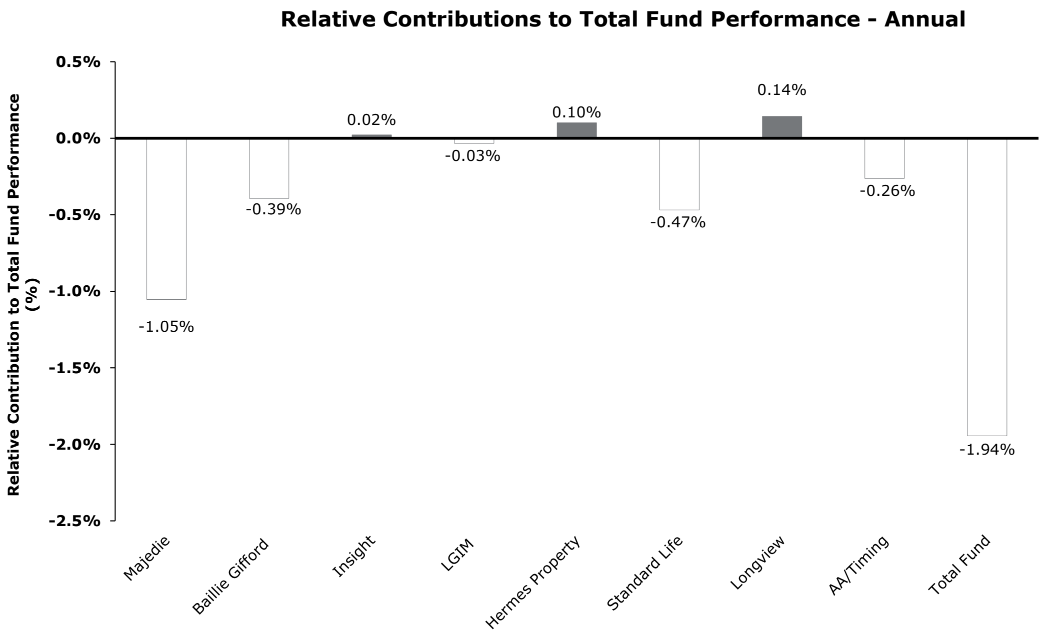
The chart below shows the performance of the Fund over the last three years, highlighting that the rolling three-year performance is in line with the benchmark – despite the recent run of disappointing quarterly returns. Key drivers to performance have been Majedie and Hermes. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 30 June 2016



The Fund underperformed its composite benchmark by 0.9% over the second quarter of 2016, with weak relative performance across the board. The Fund's underweight position to Standard Life contributed positively to performance.



The Fund underperformed over the year, largely due to underperformance from Majedie, Baillie Gifford and Standard Life. When considering this analysis, it should be borne in mind that the Standard Life Long Lease Fund is benchmarked againsts gilts where the performance of the benchmark has been impacted by further reductions in bond yields. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark. The average overweight allocation to Majedie and Baillie Gifford over the year has contributed to the negative contribution from AA/Timing.

2.3 Asset Allocation as at 30 June 2016

The table below shows the assets held by manager and asset class as at 30 June 2016.

Manager	Asset Class	End Mar 2016 (£m)	End Jun 2016 (£m)	End Mar 2016 (%)	End Jun 2016 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	241.5	250.6	22.8	22.9	22.5
LGIM	Global Equity (Passive)	239.9	243.2	22.7	22.2	22.5
Baillie Gifford	Global Equity	178.9	191.3	16.9	17.4	25.0
Longview	Global Equity	113.9	121.9	10.8	11.1	
	Total Equity	**774.2**	**807.0**	**73.2**	**73.6**	**70.0**
Insight	Fixed Interest Gilts (Passive)	18.4	18.8	1.7	1.7	20.0
Insight	Sterling Non-Gilts	158.5	163.2	15.0	14.9	
	Total Bonds	**176.9**	**182.0**	**16.7**	**16.6**	**20.0**
Hermes	Property	55.4	55.5	5.2	5.1	5.0
Standard Life	Property	51.1	51.8	4.8	4.7	5.0
To be Determined	Property / Infrastructure	-	-	-	-	-
	Total Property	**106.5**	**107.3**	**10.1**	**9.8**	**10.0**
	Total	**1,057.6**	**1,096.3**	**100**	**100**	**100**

Source: Investment Managers Figures may not sum 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 allocation 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. £38.7m, with positive absolute returns from all of the Fund's mandates.

As at 30 June 2016, the Fund was overweight equities by c. 3.6% when compared with the amended benchmark allocation, with overweight allocations to UK equities and active global equities. As a result of these overweight positions, the Fund was underweight bonds by c. 3.4% and c. 0.2% underweight property.

2.4 Yield analysis as at 30 June 2016

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

Manager	Asset Class	Yield as at 30 June 2016
Majedie	UK Equity	3.35%
LGIM	Global Equity (Passive)	0.28%#
Baillie Gifford	Global Equity	1.30%*
Longview	Global Equity	2.35%
Insight	Fixed Interest Gilts (Passive)	0.53%
Insight	Sterling Non-Gilts	2.85%
Hermes	Property	4.10%
Standard Life	Property	4.50%
	Total	**2.17%**

at the end of June the yield on the benchmark index was 2.7%. * refers to the dividend yield for the London CIV Global Alpha Strategy.

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 in growth of assets under management	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 Fixed Interest Gilts (Passive)	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
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

3.1 Majedie UK Equity

Business

Majedie has come to a provisional agreement with the London CIV in relation to making its UK Equity strategy available through the London platform. With this provisional agreement, Majedie will make additional capacity available to the London Boroughs on a matching basis. Although final details are yet to be confirmed, we understand this will likely result in a reduction of fees charged by Majedie to the London Boroughs.

The UK Equity Fund had inflows of c. £240m and outflows of c. £390m over the quarter, with most outflows being from UK defined benefit schemes while inflows coming from a combination of defined contribution and high net worth clients.

Total AUM for Majedie as at 30 June 2016 was £11.6bn.

Personnel

There were two new joiners over the quarter with Richard Clarke-Wilson joining the client relationship team, and Matt Hambly as a compliance assistant.

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

3.2 Baillie Gifford

Business

Total assets under management increased over the second quarter of 2016 and were c. £130bn as at 30 June 2016. However, there continues to be a trend of UK pension funds moving from global equity funds to lower volatility funds.

The Fund's investment with Baillie Gifford is now held through the London CIV and, through the economies of scale provided by the pool, the Fund is now paying a reduced annual management charge of 36bps (compared with 40bps previously).

Personnel

During the quarter, 3 experienced fund managers joined the credit team; Gregory Schwartz (investment credit manager from Kames), and high yield credit managers Lesley Dunn (from AAM) and Eleanor Price (from Insight Investment Management).

As mentioned last quarter, two new partners (investment manager, John MacDougall and Client Director, Tim Garratt) were appointed from 1 May 2016 and one partner (Client Director, Peter Hadden) retired, bringing the total number of partners to 41.

Deloitte view – We continue to rate Baillie Gifford positively for its global equity capabilities. While it is unusual for Baillie Gifford to recruit experienced investment professionals into its equity teams, this is not the first time experienced hires have been added to the fixed income part of the business.

3.3 LGIM

Business

As at 31 December 2015, Legal & General Investment Management ("Legal & General") had total assets under management of c. £520bn.

Personnel

Michael Marks joined as COO, as a permanent replacement for Robert Moore, who was promoted to CEO of LGIM's American business. Michael has 28 years' experience and joined from BlackRock, where he was regional head of the client solutions group. Michael Kovacz joined as Head of Investments Technology from Northern Trust to provide business direction for the index team on strategic technology projects and develop tactical solutions.

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

3.4 Longview

Business

Assets under management at the end of March 2016 were £14.9bn.

As per previous quarters, as a result of de-risking, a number of UK defined benefit pension schemes transferred assets from Longview over the quarter, with this capacity being recycled to Australian and American investors.

We are not aware of any further update from Longview on its progress with discussions regarding the London CIV. As an update on last quarter: both parties had agreed in principal on a fee and capacity structure and were working through the finer detail. We expect the CIV to make a formal announcement over the coming months.

Personnel

This quarter Michael Hunt who is the group's Head of Risk relocated to Guernsey. However, we note that his job has not changed; just his location.

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

3.5 Insight

Business

Insight continued to see a strong inflow of assets over the quarter. Assets under management were c. £440bn as at 31 March 2016 with continued demand from investors looking to hedge their inflation and interest rate risk.

Personnel

There were two new joiners announced over the quarter (although both started post quarter end):

- Tim Doherty joins the New York office and will cover investment grade and non-investment grade issuers primarily in the US energy sector, reporting to David Hamilton. Tim joins from Credit Agricole USA where he has worked as a desk analyst since 2010.
- Teo Lasarte joins the London team and will cover investment grade and non-investment grade in the consumer and industrials sectors, both in developed and emerging markets. Teo joins from BoAML where he has worked since 2006.

There were three leavers over the quarter:

- Tamara Burnell left the credit research team, having joined less than 12 months ago. Tamara is moving to a more senior role with LGIM.
- Eleanor Price also departed to relocate back to Scotland for family reasons (joining Baillie Gifford), and Anna Stevens decided not to return after maternity leave.

Insight has stated that these departures have been filled by Tim and Teo, as detailed above.

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

3.6 Hermes

Business

Over the quarter, assets under management within the HPUT remained relatively stable, ending the period at c. £1.3bn. The interest from prospective unit holders continues to be strong and the Trust Managers continue to hold subscriptions for new investment.

The EU Referendum did not affect the number of investors in the Trust over the quarter, there was only one small redemption (£1.2m or 0.1% of the Trust) in May 2016 and the Trust Manager continues to see demand from the secondary market. Cash flows over the quarter were from secondary market transactions. The current bid/offer spread for the fund remains at c. 7%.

Personnel

There were no changes to the team over the quarter.

Deloitte view – Following the UK's decision to leave the EU, several property funds implemented liquidity restrictions albeit this was primarily driven by retail rather than institutional investors. Hermes has not experienced any redemptions post the referendum and there is no queue to exit the fund. We continue to rate the team managing HPUT.

3.7 Standard Life

Business

The Fund's assets under management increased slightly to £1.66bn over the second quarter, largely as a consequence of positive performance, with no significant inflows or outflows over the quarter. SLI continues to see interest in the Long Lease Property Fund, with two clients making additional total commitments of £34m over the second quarter.

Personnel

There were no changes to the team over the quarter.

Deloitte View - The Long Lease Property Fund is only open to institutional investors and was not affected by any post-referendum liquidity restrictions. We remain positive on long lease property given the long-term, inflation-linked nature of the contractual cashflows which arise from this type of investment.

4 Baillie Gifford – Global Equity

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

4.1 Global equity – Investment performance to 31 March 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	6.8	11.9	n/a	10.5
***Net of fees*[1]**	6.7	11.5	n/a	10.1
MSCI AC World Index	8.8	13.9	n/a	11.9
Relative (net of fees)	-2.1	-2.4	n/a	-1.8

Source: Baillie Gifford, via London CIV

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

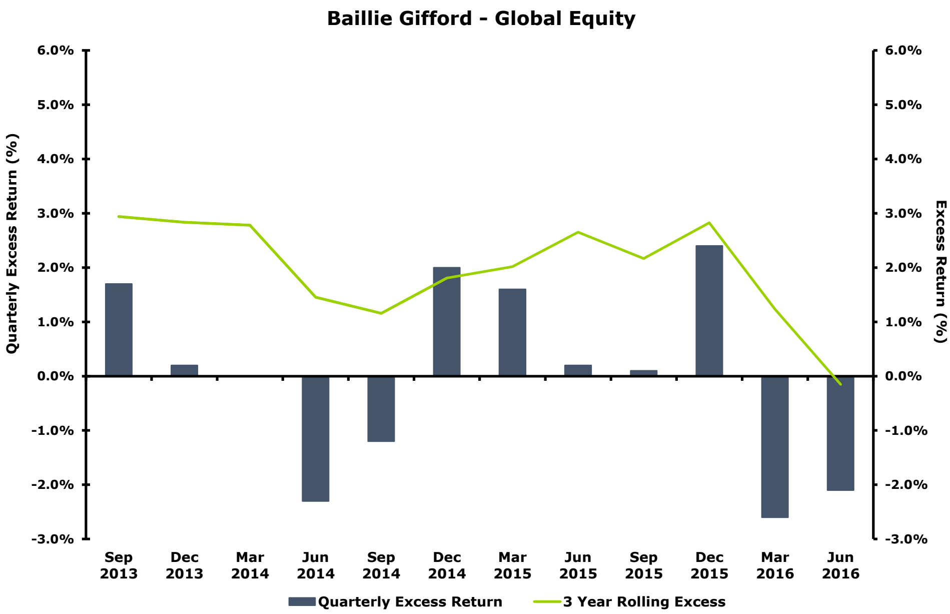
The Fund now invests in the Baillie Gifford Global Alpha Fund through the London CIV which has been made available with c. £1bn of additional capacity.

The Baillie Gifford Global Equity Alpha Fund has underperformed its benchmark over the quarter and year to 30 June 2016, as well as over the period since inception.

Regionally the underweight positions to both the UK and US, and the overweight position to Europe detracted most from performance, whilst the overweight position to emerging markets contributed positively.

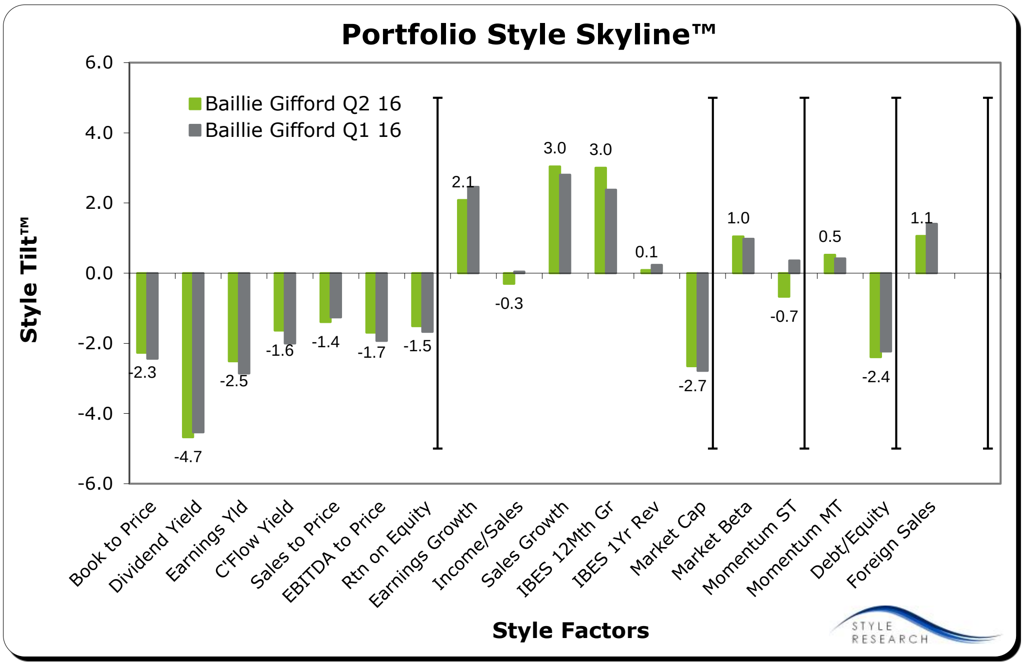
From a stock selection perspective, the largest detractors were Royal Caribbean Cruises and Ryanair who both suffered from the perception of lower consumer spending post Brexit. Prudential and Bank of Ireland also suffered from the financial selloff at the end of June, detracting from performance.

The graph below shows the net quarterly returns and the rolling three year excess returns relative to the benchmark. Note that Westminster only invested in this strategy from 18th March 2014 and previous periods are shown for information only. The Fund's current three year excess return is behind the target (+2% p.a.) having underperformed the benchmark by c. 0.2% p.a.



4.2 Style Analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 30 June 2016, the results of which 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 portfolio account for c. 27.8% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2016	Proportion of Baillie Gifford Fund
Amazon	4.3%
Naspers	3.3%
Royal Caribbean Cruises	2.8%
CHR plc	2.8%
Taiwan Semiconductors	2.7%
Prudential	2.7%
SAP	2.4%
Alphabet	2.4%
Markel	2.3%
First Republic Bank	2.1%
Total	**27.8%**

Baillie Gifford	31 March 2016	30 June 2016
Total Number of holdings	100	98
Active risk	4.2%	4.2%
Coverage	6.8%	6.8%

As at 30 June 2016, the number of holdings within the portfolio fell slightly, although the overlap with the FTSE All World index and the active risk figures remained unchanged.

5 LGIM – Global Equity (Passive)

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

5.1 Passive Global Equity – Investment Performance to 31 March 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM – Gross of fees	1.4	-2.6	8.4	10.3
Net of fees[1]	1.4	-2.7	8.2	10.2
FTSE World GBP Hedged	1.4	-2.6	8.4	10.3
Relative (net of fees)	0.0	-0.1	-0.2	-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.

We understand that there has been a change to the London CIV’s plans on how passive funds will be offered under the new pooling arrangements and are awaiting further detail.

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.

6.1 Active UK Equity – Investment Performance to 31 March 2016

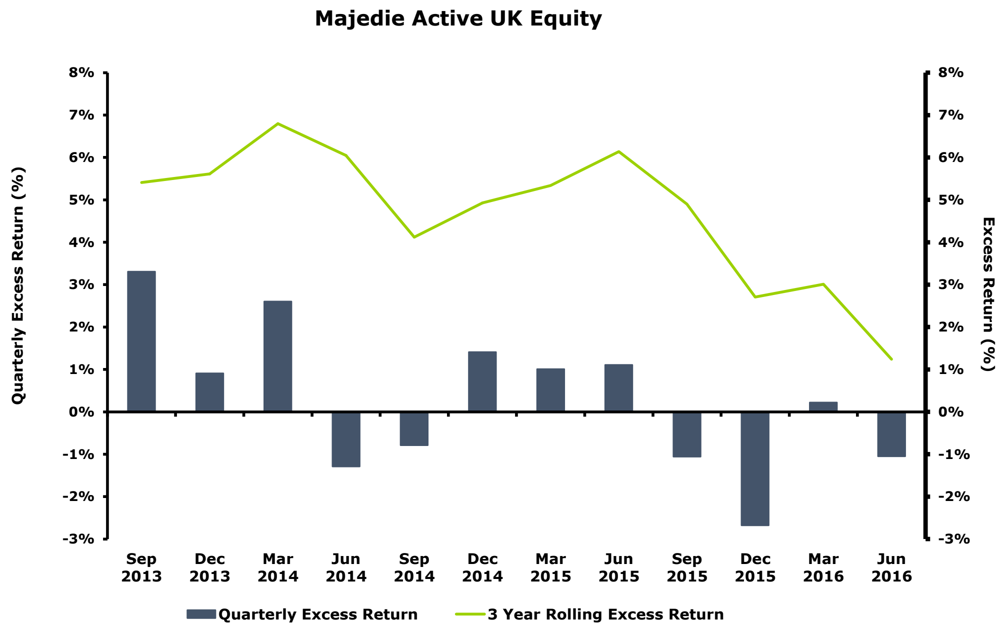
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie – Gross of fees	3.7	-2.0	7.5	9.5
Net of fees[1]	3.7	-2.3	7.1	9.1
FTSE All-Share Index	4.7	2.2	5.9	5.5
Relative (net of fees)	-1.0	-4.5	1.2	3.6

Source: Majedie

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



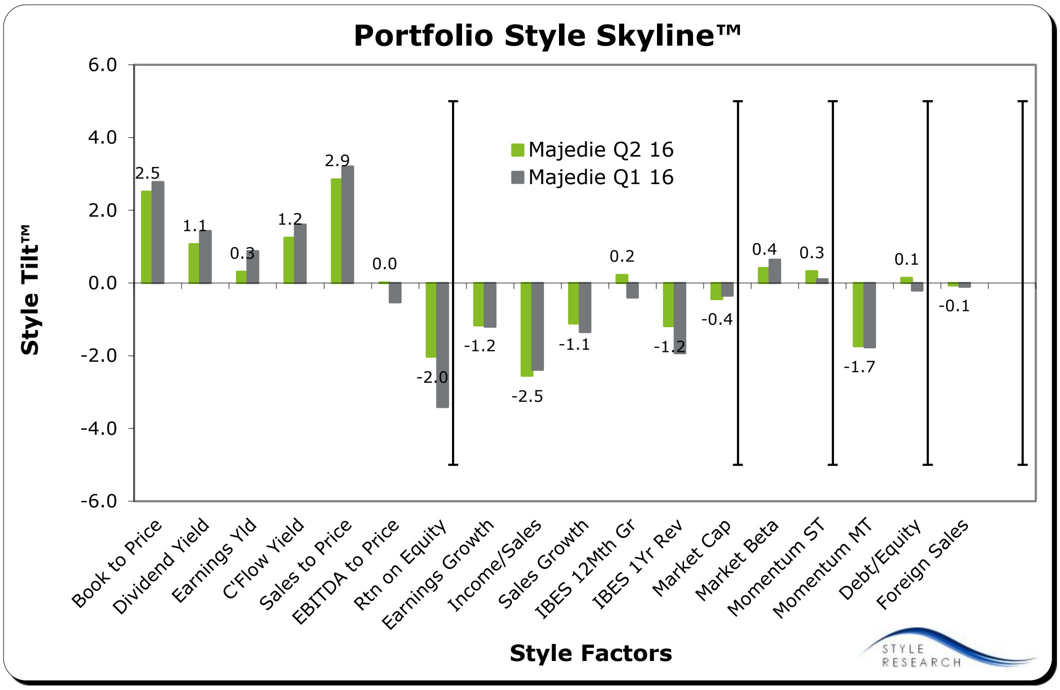
Majedie underperformed its benchmark over the quarter by 1.0% net of fees and performance remains under benchmark for the year to 30 June 2016 by 4.5% net of fees. Over the longer timeframes of three years and since inception, the manager has outperformed its benchmark on a net basis by 1.2% p.a. and 3.6% p.a. respectively and therefore remains ahead of target longer term.

Over the quarter, the top two performer stocks in the portfolio were BP and Anglo American, with Majedie's conviction of mining and oil companies continuing to work in their favour. Majedie believes these sectors are still undervalued by the market and, as they are not overly exposed to the UK economy, Majedie continues to see potential in these sectors.

The greatest underperformance in the fund came from the holdings in Royal Bank of Scotland (which suffered following the Brexit vote) and Telecom Italia – which struggled with the arrival of a new competitor, Etihad.

6.2 Style analysis

We have analysed the Style of Majedie as at 30 June 2016. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



The portfolio continues to show a modest positive bias to value factors and a modest negative bias to growth factors. Given the approach where the portfolio is managed by 4 different individuals, we would not be surprised to see this change over time with the style skyline depending on where Majedie finds appropriate opportunities.

The top 10 holdings in the Majedie fund account for c. 44% of the fund and are detailed below.

Top 10 holdings as at 30 June 2016	Proportion of Majedie Fund
Royal Dutch Shell	7.3%
BP	7.1%
HSBC	6.0%
Vodafone	5.1%
Tesco	3.6%
Orange	3.6%
GlaxoSmithKline	3.2%
Anglo American	2.7%
Rentokil Initial	2.7%
Barclays	2.6%
Total	**43.9%**

Majedie	31 March 2016	30 June 2016
Total Number of holdings	152	156
Active risk	3.5%	3.6%
Coverage	38.5%	37.8%

As at 30 June 2016, Majedie held 156 stocks in total, with an overlap with the FTSE All Share index of 37.8%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting to an extent the multi manager approach. Majedie's active risk, as at 30 June 2016, increased slightly to 3.6%.

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.

7.1 Active Global Equity – Investment Performance to 30 June 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview – Gross of fees	7.2	16.4	n/a	15.2
Net of fees[1]	7.0	15.8	n/a	14.5
MSCI World Index	8.6	14.4	n/a	11.0
Relative (net of fees)	-1.6	1.4	n/a	3.5

Source: Longview

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

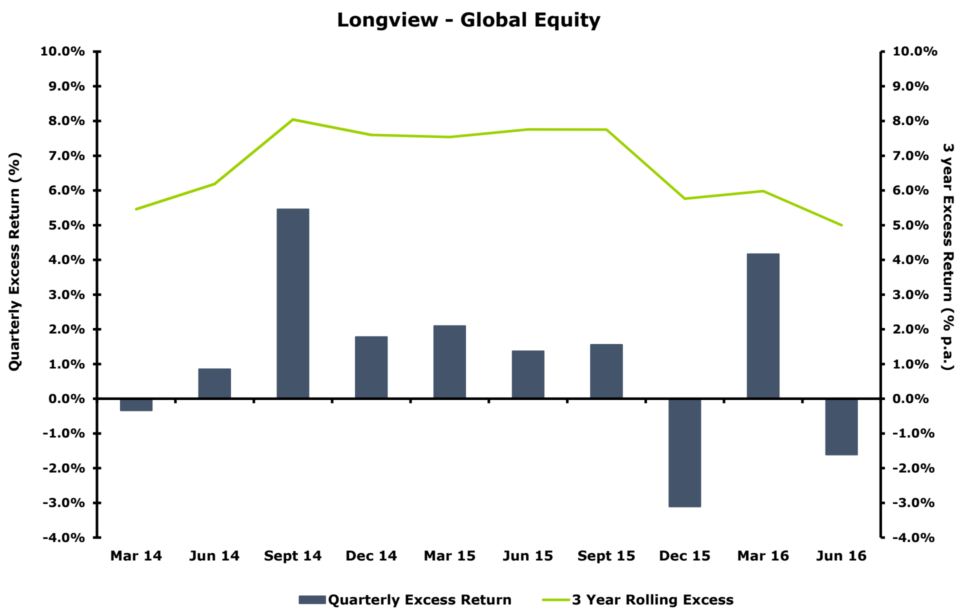
Inception date 15 January 2015

Longview underperformed the benchmark by 1.6% on a net of fees basis over the second quarter of 2016, but remains ahead of benchmark over the year to 30 June 2016 by 1.4%. Since inception, the Fund has outperformed by 3.5% and is ahead of target.

Pfizer (the pharmaceutical company) performed well over the quarter, with the market seemingly pleased with the withdrawal from the Allergan takeover bid. Compass (a support services company) also performed well, benefitting from both strong results and the fall in sterling as most of its revenue comes from overseas.

Similar to last quarter, auto-part companies Delphi Automotive and Continental suffered over concerns for the global auto market and suspicions that the US market had peaked. Longview remains comfortable with these stocks as it believes that demand will continue at current levels.

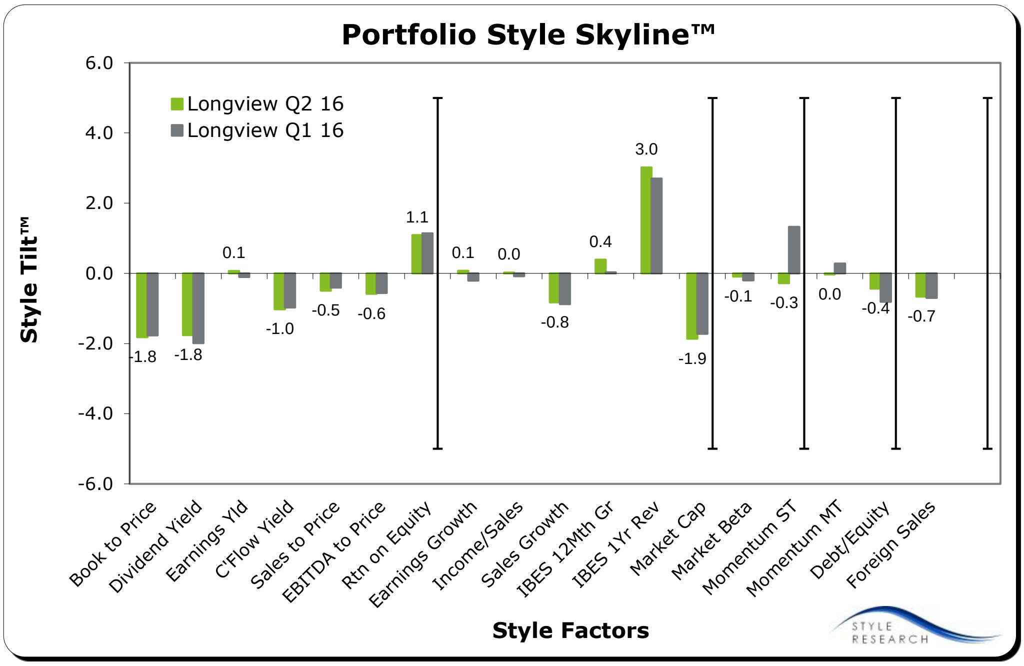
Also detracting from performance was the fund's holding in Lloyds which is very exposed to the UK economy and as a result, performed poorly on the back of the Brexit vote.



For information purposes we have included the longer run performance history for the strategy. The Fund remains ahead of benchmark and target over the longer term.

7.2 Style analysis

The Style "skyline" for Longview's global equity portfolio as at 30 June 2016 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.



Longview does not currently have a strong bias to either value or growth factors, with the analysis showing little change from the previous quarter's "skyline".

The top 10 holdings in the Longview fund account for c. 38% of the fund and are detailed below.

Top 10 holdings as at 30 June 2016	Proportion of Longview Fund
AON	4.7%
Zimmer Biomet	3.9%
UnitedHealth	3.8%
Fidelity National Info Services	3.7%
Compass	3.7%
Thermo Fisher Scientific	3.7%
Fiserv	3.6%
Oracle	3.6%
Accenture	3.6%
Pfizer	3.4%
Total	**37.7%**

Longview	31 March 2016	30 June 2016
Total Number of holdings	32	35
Active risk	4.6%	4.6%
Coverage	4.3%	4.4%

As at 30 June 2016, 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 4.6% as at 30 June 2016.

8 Insight – Bonds

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

8.1 Insight – Active Non Gilts

8.1.1 Investment Performance to 31 March 2016

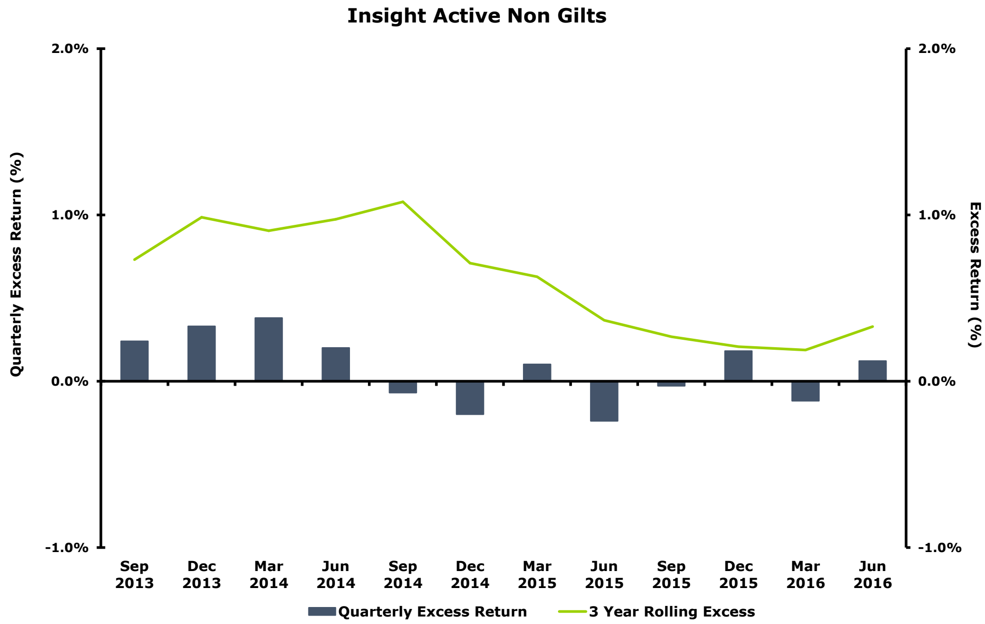
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) – Gross of fees	3.0	7.0	6.5	5.9
***Net of fees*[1]**	2.9	6.8	6.2	5.7
iBoxx £ Non-Gilt 1-15 Yrs Index	2.8	6.6	5.9	5.5
Relative (net of fees)	0.1	0.2	0.3	0.2

Source: Insight

Estimated by Deloitte

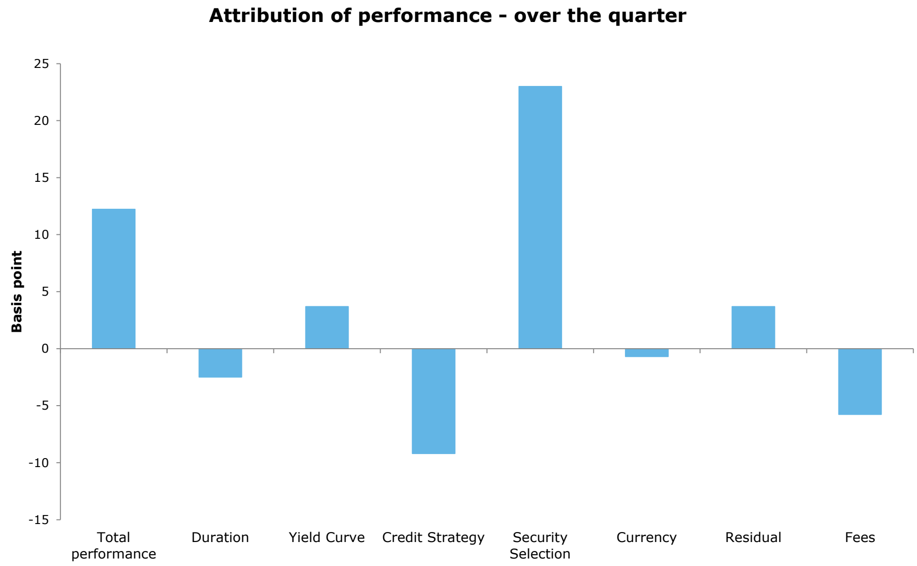
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio marginally outperformed the benchmark by 0.1% net of fees. Over the year to 30 June 2016, the Fund has outperformed the benchmark by 0.2%. The Fund has outperformed the benchmark by 0.3% p.a. over the 3 years to 30 June 2016 and by 0.2% p.a. since inception.

8.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's outperformance this quarter has been driven by security selection and its yield curve positioning, with the duration positioning and credit strategy offsetting some of this outperformance.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 31 March 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) – Gross of fees	2.4	6.7	4.1	5.4
Net of fees[1]	2.4	6.6	4.0	5.3
FTSE A Gilts up to 15 Yrs Index	2.5	6.8	4.1	5.5
Relative (net of fees)	-0.1	-0.2	-0.1	-0.2

Source: Insight
Estimated by Deloitte
See appendix 1 for more detail on manager fees
Inception date taken as 30 June 2008.

The gilt portfolio has slightly underperformed its benchmark over the quarter, the year and the longer periods to 30 June 2016.

8.3 Duration of portfolios

	31 Mar 2016		30 Jun 2016	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.5	5.4	5.6	5.4
Government Bonds (Passive)	4.7	5.0	4.8	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

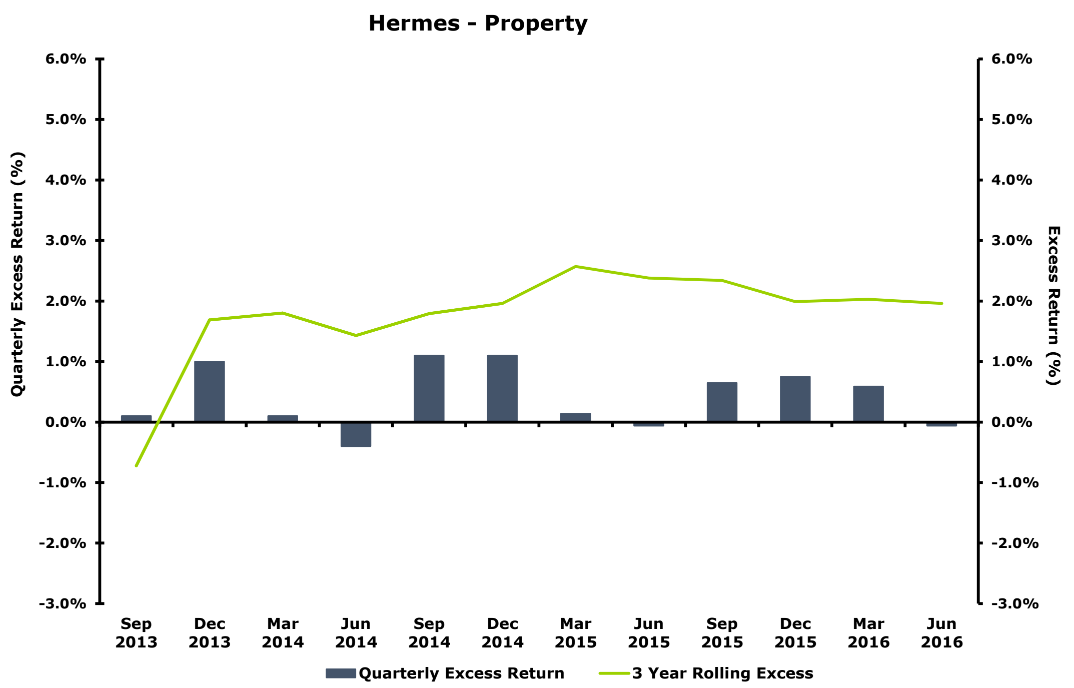
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes – Gross of fees	1.4	11.3	15.6	9.9
Net of fees[1]	1.3	10.9	15.2	9.5
Benchmark	1.4	8.9	13.3	8.9
Relative (net of fees)	-0.1	2.0	1.9	0.6

Source: Hermes
Estimated by Deloitte
See appendix 1 for more detail on manager fees
Inception date is taken as 26 October 2010

Hermes marginally underperformed its benchmark by 0.1% over the quarter with longer term performance remaining ahead of benchmark and target.

This quarter there were positive contributions from the Trust's holdings in the Industrials and Retail Warehouses sectors, but performance was dragged back by the holdings in the office sectors.

Over the year to 30 June 2016, the Trust's investments in the office sector (West End, City and Rest of UK) and the industrial sector have performed well.



9.2 Sales and Purchases

The team completed two sales over the quarter:

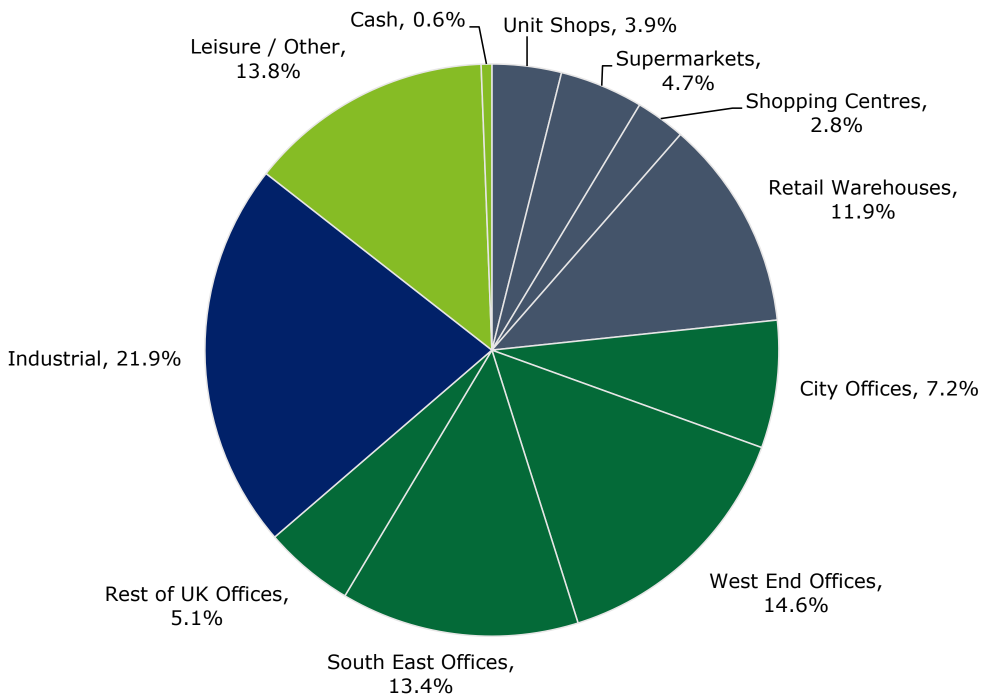
- 135 & 137 High Street in Bromley were sold for £3.17m in May 2016. The sale reflects a net initial yield of 6.4% and achieves the disposal of a small asset that was expected to be adversely impacted by a new development in nearby Croydon.

- The Union Jack pub in London was sold for £2.26m at the end of the second quarter of 2016 (completing on 6th July). The sale reflects an initial yield of 3.0% and achieves a significant premium of c. 40% over the end-May 2016 valuation of £1.6m.

There were no purchases in the second quarter of 2016, but asset management continues to the property at 8/10 Great George Street, to Polar Park in Heathrow and to the Maybird shopping park in Stratford-upon-Avon.

9.3 Portfolio Summary as at 30 June 2016

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 June 2016 shown below.



The table below shows the top 10 directly held assets in the Fund as at 30 June 2016.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	112.0
8/10 Great George Street, London	West End Offices	59.7
27 Soho Square, London	West End Offices	46.3
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	42.5
2 Cavendish Square, London	West End Offices	41.1
Hythe House, Hammersmith	Standard Offices SE	38.9
Christopher Place, St Albans	Shopping Centres	37.2
Polar Park, Heathrow	Standard Industrial	36.2
Rotunda Complex, Oval Road, London	Standard Offices SE	34.1
Boundary House, London	City Offices	34.1
Total		**481.9**

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	1.4	6.5	9.5	9.5
***Net of fees*[1]**	1.3	6.0	9.0	9.0
Benchmark	6.7	15.8	10.3	10.3
Relative (net of fees)	-5.4	-9.8	-1.3	-1.3

Source: Standard Life

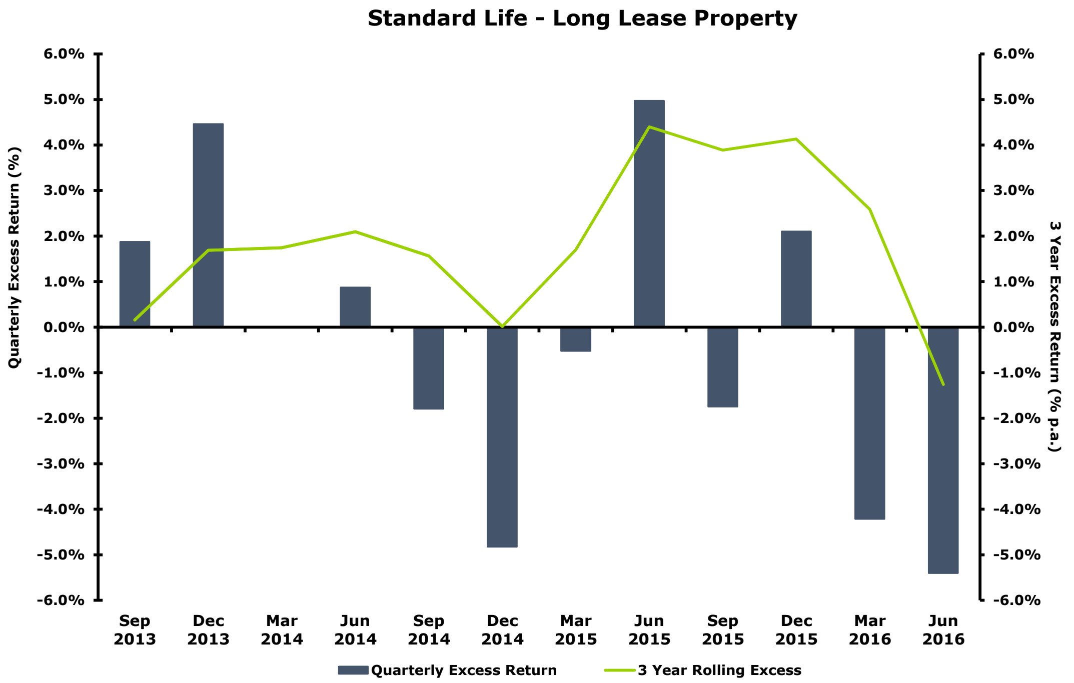
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

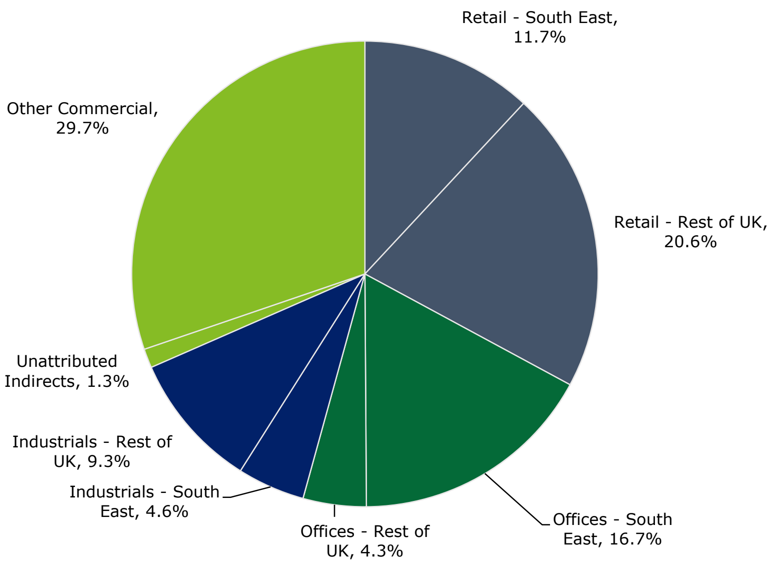
Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 1.4% over the second quarter of 2016, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 5.4% net of fees. The Fund continues to lag the wider property market, which returned 9.3% over the year to 30 June 2016, but returns remain attractive from an absolute perspective and are in line with those achieved by other property funds with a long lease focus.

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 30 June 2016 is shown in the graph below.



The Fund remains underweight the office sector (21.0% compared to 35.2%) and remains underweight the industrial sector (13.8% compared to 20.6%) at the end of the second quarter of 2016. The Fund is also slightly underweight the retail sector (34.2% compared to 37.3%) which is dominated by supermarkets and contains no shopping centres and only a small allocation to retail warehouses.

The Fund continues to be significantly overweight the "Other" sector (31.0% compared to 6.9%) as a result of its holdings in a range of car parks, student accommodation, hotels, medical centres and law courts, as well as its indirect holding in the Standard Life Investments Commercial Ground Rent Fund.

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

Tenant	Total Rent £m p.a.	% Net Income
Tesco	7.81	10.3
Whitbread	5.06	6.7
Sainsbury's	4.89	6.5
ASDA	4.42	5.9
Salford University	3.69	4.9
Marston's	3.64	4.8
Poundland	3.60	4.8
Save The Children	3.58	4.7
Glasgow City Council	3.10	4.1
Travis Perkins Group	3.00	4.0
Total	**42.78**	**56.6**

The top 10 tenants contribute 56.6% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's and Asda contributing 22.6% to the Fund's total net rental income.

The Fund's average unexpired lease term reduced over the quarter from 26.3 years to 25.9 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases increased slightly over the quarter from 90.6% to 90.9%.

10.2 Sales and Purchases

During the quarter, the Fund made a forward purchase commitment for a distribution warehouse in Dartford let to TNT for £34.1m, representing an initial yield of 4.6%p.a. Once up and built, TNT will be on a 20 year lease with 5 yearly RPI-linked rent reviews, subject to a cap of 4% and a floor of 1%.

The Fund also made a forward commitment to purchase an office development in Birmingham for £54.4m, representing an initial yield of 4.6% p.a. The property, once completed, will be let to Interserve (FTSE 250 Company) for 30 years with annual RPI-linked rent reviews caped at 4% with a floor of 2%.

The Fund disposed of its Morrison's Supermarket asset in Harrow during the second quarter of 2016 citing concerns over its recent trading record. The asset was sold for £28.4m, which was slightly above valuation. This reduces the Fund's exposure to supermarkets, with SLI noting a slight weakening in supermarket valuations in recent months.

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	36bps 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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