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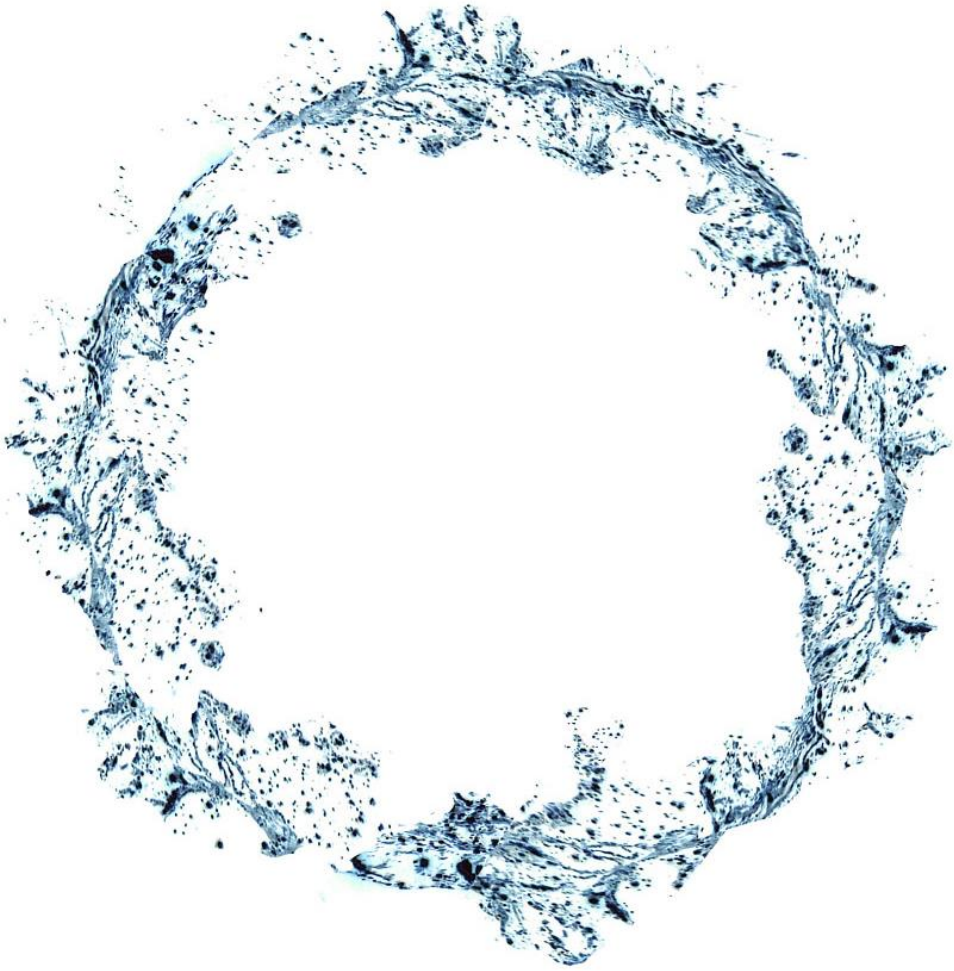


City of Westminster Pension Fund

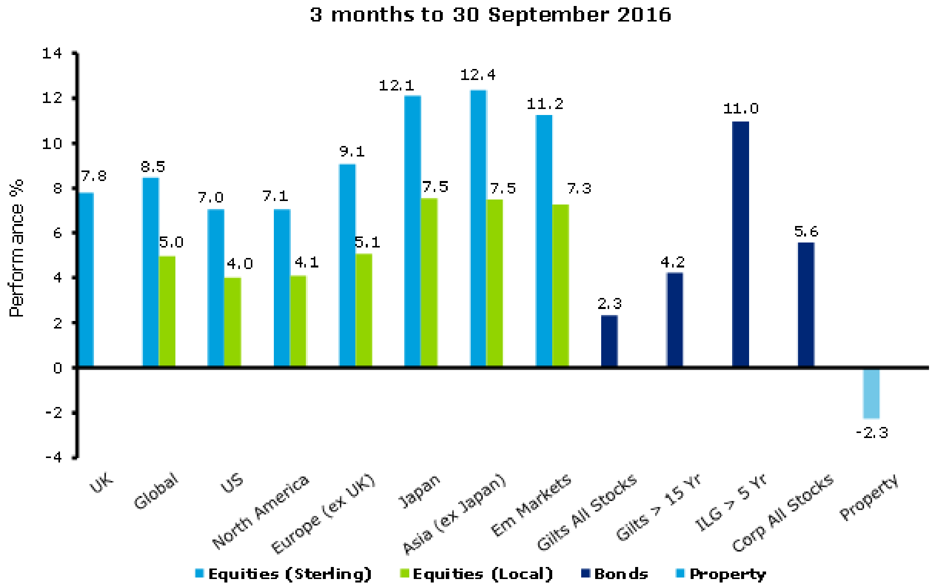
Investment Performance Report to 30 September 2016

Deloitte Total Reward and Benefits Limited
1 November 2016

Contents

1 Market Background

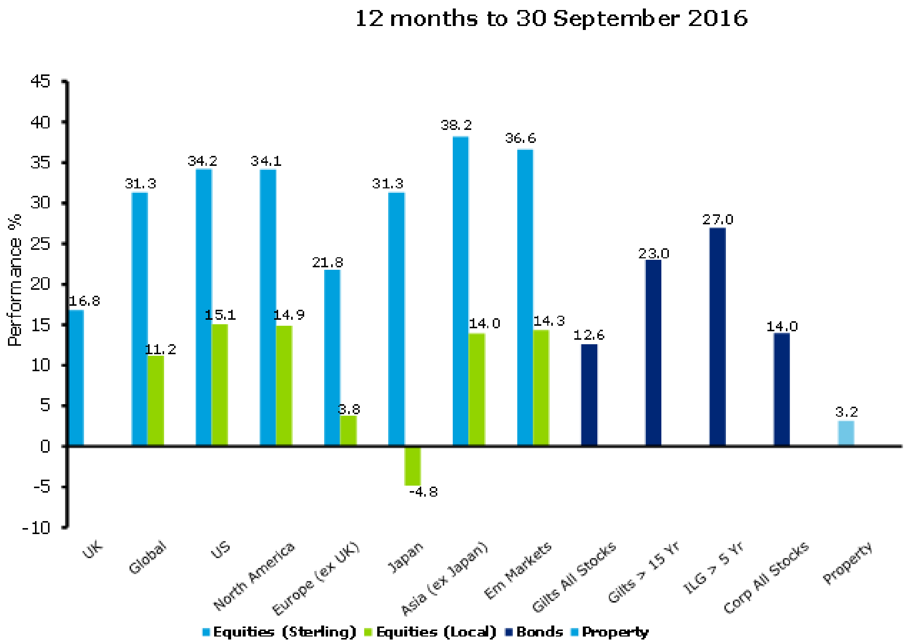
Three months to 30 September 2016



Equity markets
The UK equity market rose over the third quarter of 2016, with the FTSE All Share Index delivering a return of 7.8%. Markets continued the post-Brexit rally which started at the end of the second quarter due to a revaluation of overseas revenues at more favourable exchange rates, as well as positive sentiment from better than expected economic data.
Global equity markets outperformed the UK in sterling terms (8.5%) but underperformed in local currency terms (5.0%) over the third quarter as sterling continued to depreciate against a basket of global currencies.

Bond markets
Following the EU referendum, the Bank of England cut the base rate to 0.25% and extended the UK's quantitative easing program. The prospect of even lower interest rates for even longer led nominal yields lower. As a result, UK nominal gilts delivered positive returns over the quarter, with the All Stocks Gilts Index returning 2.3%. This, combined with increased inflation expectations due to the continued weakening of sterling, caused real yields to drop significantly further into negative territory and the Over 5 Year Index-linked Gilts Index returned 11.0%. Credit spreads narrowed over the quarter and, coupled with the fall in gilt yields, resulted in corporate bonds outperforming gilts over the period, with the iBoxx All Stocks Non Gilt Index returning 5.6%.

Twelve months to 30 September 2016



Equity markets
Over the 12 months to 30 September 2016, the FTSE All Share Index has delivered a positive return of 16.8%. Performance was volatile and continued to vary significantly across sectors. Financials was the poorest performing sector over the year (-1.0%) whilst Technology was the highest performer (57.6%). Global equity markets outperformed the UK in sterling terms (31.3%) but underperformed the UK in local currency terms (11.2%), with currency hedging detracting.

Bond markets
UK nominal gilts delivered strong returns over the year, with the All Stocks Gilts Index returning 12.6% and the Over 15 Year Gilts Index returning 23.0% 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 27.0%. The narrowing of credit spreads over the year, coupled with the fall in gilt yields, resulted in strong corporate bond returns with the iBoxx All Stocks Non Gilt Index returning 14.0% over the period.

Property market
The UK property market delivered a return of -2.3% over the quarter, with falls in the capital value of property largely being a reflection of concerns about the implications of Brexit and the levels of liquidity within funds. Over the year to 30 September 2016 property delivered a return of 3.2%.

2 Total Fund

2.1 Investment Performance to 30 September 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	9.6	9.5	7.8	15.2	14.8	16.8	7.7	7.3	6.6	10.2	9.9	6.2
LGIM	Global Equity	5.2	5.2	5.2	11.5	11.3	11.4	8.1	8.0	8.1	11.1	11.0	11.1
Baillie Gifford	Global Equity	12.2	12.1	7.9	33.1	32.7	30.5	n/a	n/a	n/a	14.5	14.1	14.0
Longview	Global Equity	6.9	6.8	7.9	28.6	28.0	29.9	n/a	n/a	n/a	17.3	16.7	14.3
Insight	Gilts	1.0	1.0	1.0	5.9	5.8	6.0	4.4	4.3	4.5	5.3	5.2	5.4
Insight	Non-Gilts	4.0	4.0	3.8	10.3	10.1	9.7	7.2	7.0	6.6	6.2	5.9	5.7
Hermes	Property	0.3	0.2	-1.2	7.4	7.0	4.3	14.8	14.4	12.0	9.5	9.1	8.4
Standard Life	Property	0.9	0.8	2.9	5.3	4.8	14.9	8.7	8.2	11.0	9.0	8.5	10.4
Total		**6.9**	**6.8**	**5.7**	**16.8**	**16.5**	**16.7**	**9.8**	**9.5**	**9.4**	**7.0**	**6.6**	**6.7**

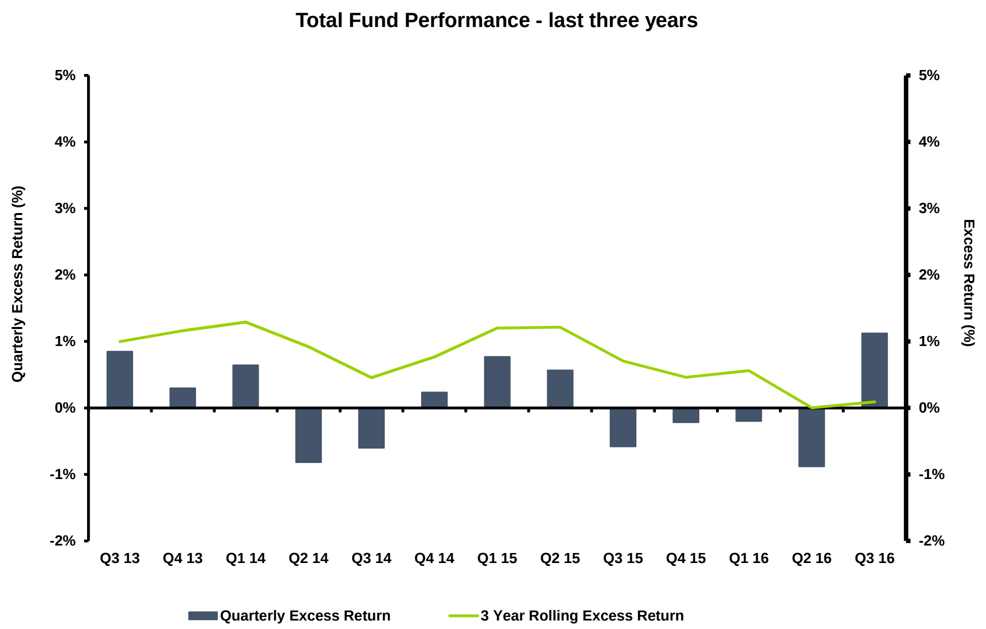
Source: Investment Managers

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

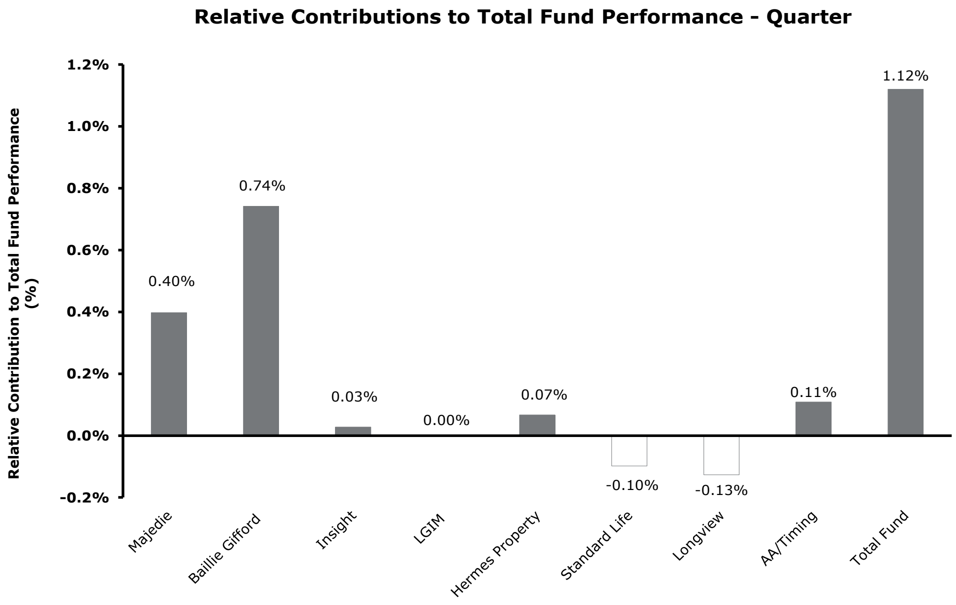
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund outperformed its benchmark by 1.1% net of fees, mostly due to the strong performance of the active equity managers Majedie and Baillie Gifford.

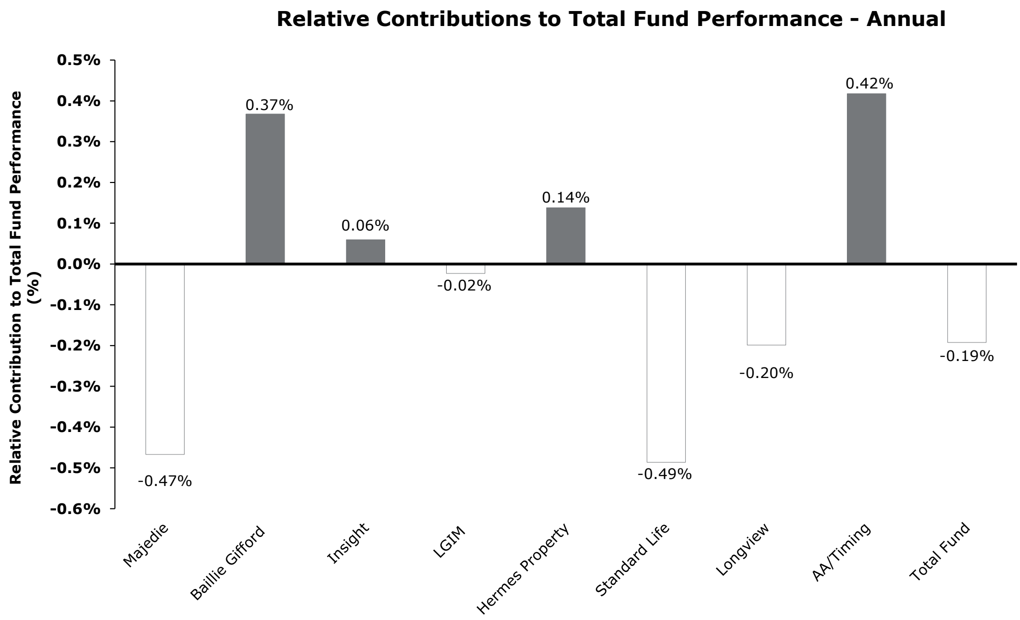
The chart below shows the performance of the Fund over the last three years, highlighting that the rolling three-year performance is slightly ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 30 September 2016



The Fund outperformed its composite benchmark by 1.1% on a net of fees basis over the third quarter of 2016, led by strong performances from Majedie and Baillie Gifford. The Fund's overweight positions with Majedie and Baillie Gifford contributed positively to performance over the quarter.



The Fund has marginally underperformed over the year, due to underperformance from Majedie, Standard Life and Longview. When considering this analysis, it should be borne in mind that the Standard Life Long Lease Fund is benchmarked againsts gilts where 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, with overweight positions with Baillie Gifford and Insight and an underweight position with Standard Life contributing positively.

2.3 Asset Allocation as at 30 September 2016

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

Manager	Asset Class	End Jun 2016 (£m)	End Sep 2016 (£m)	End Jun 2016 (%)	End Sep 2016 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	250.6	274.6	22.9	23.7	22.5
LGIM	Global Equity (Passive)	243.2	255.8	22.2	22.0	22.5
Baillie Gifford	Global Equity	191.3	209.2	17.4	18.0	25.0
Longview	Global Equity	121.9	125.5	11.1	10.8	
	Total Equity	**807.0**	**865.1**	**73.6**	**74.5**	**70.0**
Insight	Fixed Interest Gilts (Passive)	18.8	19.0	1.7	1.6	20.0
Insight	Sterling Non-Gilts	163.2	169.7	14.9	14.6	
	Total Bonds	**182.0**	**188.7**	**16.6**	**16.3**	**20.0**
Hermes	Property	55.5	55.0	5.1	4.7	5.0
Standard Life	Property	51.8	52.2	4.7	4.5	5.0
To be determined	Property / Infrastructure	-	-	-	-	-
	Total Property	**107.3**	**107.2**	**9.8**	**9.2**	**10.0**
	Total	**1,096.3**	**1,161.0**	**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. £64.7m, with positive absolute returns from all of the Fund's mandates.

As at 30 September 2016, the Fund was overweight equities by c. 4.5% when compared with the amended benchmark allocation and underweight bonds and property by c. 3.7% and c. 0.8% respectively.

2.4 Yield analysis as at 30 September 2016

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 30 September 2016
Majedie	UK Equity	3.05%
Baillie Gifford	Global Equity	1.20%
Insight Fixed Interest Gilts	Fixed Interest Gilts (Passive)	2.80%
Insight Sterling Non-Gilts	Sterling Non-Gilts	2.00%
LGIM	Global Equity (Passive)	0.24%[1]
Hermes Property	Property	3.99%
Standard Life Long Lease	Property	4.52%
Longview	Global Equity	2.24%
	Total	**1.97%**

[1] The yield on the FTSE World Index as at the end of the quarter was 2.6%.

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

No significant flows into or out of the UK Equity Fund this quarter. Some capacity was recycled to investors in the wealth management sector.

Total AUM for Majedie as at 30 September 2016 was £12.3bn.

Personnel

Simon Hazlitt will leave Majedie at the end of the year and is being regarded as a "good leaver". He will be replaced on the client relationship team by James Mowat who joins from Ballie Gifford. There have been no changes to the investment team or process.

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

3.2 Baillie Gifford

Business

Total assets under management increased by 13% over the third quarter of 2016 to c. £148bn as at 30 September 2016. However, there continues to be a trend of UK pension funds moving from mainstream global equity funds to lower volatility funds.

Personnel
John MacDougall, a partner in the firm with 16 years investment experience, became one of the Long Term Global Growth (LTGG) portfolio managers at the end of the quarter – the LTGG portfolio team is a separate team to the group that manages the Global Alpha strategy that the Fund invests in.

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

3.3 LGIM

Business
As at 30 June 2016, Legal & General Investment Management ("Legal & General") had total assets under management of c. £842bn, of which, £334bn was in passive solutions.

Personnel
Colm O,Brien, currently Head of Index Equity will be taking on the newly created role of Head of Index, EMEA, overseeing both index equity and index fixed income teams, reporting to Chad Rakvin. As a result, Sebastian Faucher, Head of Index Fixed Income has left the firm, with his role being absorbed by Colm's new position.

Deloitte View – We do not see these team structural changes having a negative impact on the business or funds, given the portfolio management teams for index equity and index fixed income remain intact, however we will continue to closely monitor any further developments. We continue to rate Legal & General positively for its passive capabilities.

3.4 Longview

Business
Assets under management at the end of September 2016 were £16.2bn, representing an increase of c. £1.3bn over the quarter.

As per previous quarters, no large cash flows have been seen in the fund, although Longview won a sizable mandate for a Canadian client during the quarter.

There have been no further updates from Longview on its progress with discussions regarding the London CIV. As a recap, both parties had agreed in principal on a fee and capacity structure and are working through the finer detail. We expect the CIV to make a formal announcement over the coming months.

Personnel
Nigel Masding, a Research Analyst who joined Longview in 2009 and was a partner in the firm, was asked to leave the team during the third quarter. This was primarily due to a divergence in investment principles between Nigel and Longview, with Nigel tending towards a more macro-focussed outlook. Nigel was responsible for 5 of the stocks in the portfolio, which have now been divided up amongst the remaining six analysts. Longview is looking to hire a replacement in the next 6-12 months but is happy with the current team structure. No client has left Longview due to Nigel's departure.

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

3.5 Insight

Personnel
There were a number of new joiners announced over the quarter:

- Kevin McLaughlin joined the New York office in August as Head of Liability and Risk Management for North America, reporting to Andrew Giles.
- Teo Lasarte, Tim Doherty and Rachel Plevinksy joined as Credit Analysts in the Fixed Income Group.
- Jonathan Lake joined as a fixed income dealer.
- Alan Connery joined the Specialist Equities Team as a Senior Portfolio Manager.
- Sunny Romo joined as a Client Service Specialist working directly alongside client directors.

There were two leavers over the quarter:

- A Dealer from the fixed income group.
- A Senior Portfolio Manager from the Specialist Equities Team.

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 investors in the Trust over the quarter and there were no redemptions. 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 – We continue to rate the team managing HPUT.

3.7 Standard Life

Business

The Fund's assets under management increased slightly to £1.7bn over the third quarter, largely as a consequence of positive performance, with no significant inflows or outflows over the quarter.

Personnel

Ted Roy, a portfolio manager providing support to Richard Marshall on the Long Lease Property Fund, has relocated to SLI's Singapore office. Les Ross, who has worked in the Real Estate team for a number of years, will act as Ted's replacement.

Deloitte View – Following the UK's decision to leave the EU, several property funds implemented liquidity restrictions – the Long Lease Property Fund was not affected by any such liquidity restrictions. Whilst the wider property market delivered a negative return over the quarter, 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 30 September 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	12.2	33.1	n/a	14.5
Net of fees	12.1	32.7	n/a	14.1
MSCI AC World Index	7.9	30.5	n/a	14.0
Relative (net of fees)	4.2	2.2	n/a	0.1

Source: Baillie Gifford, via London CIV and estimated by Deloitte

See appendix 1 for more detail on manager fees

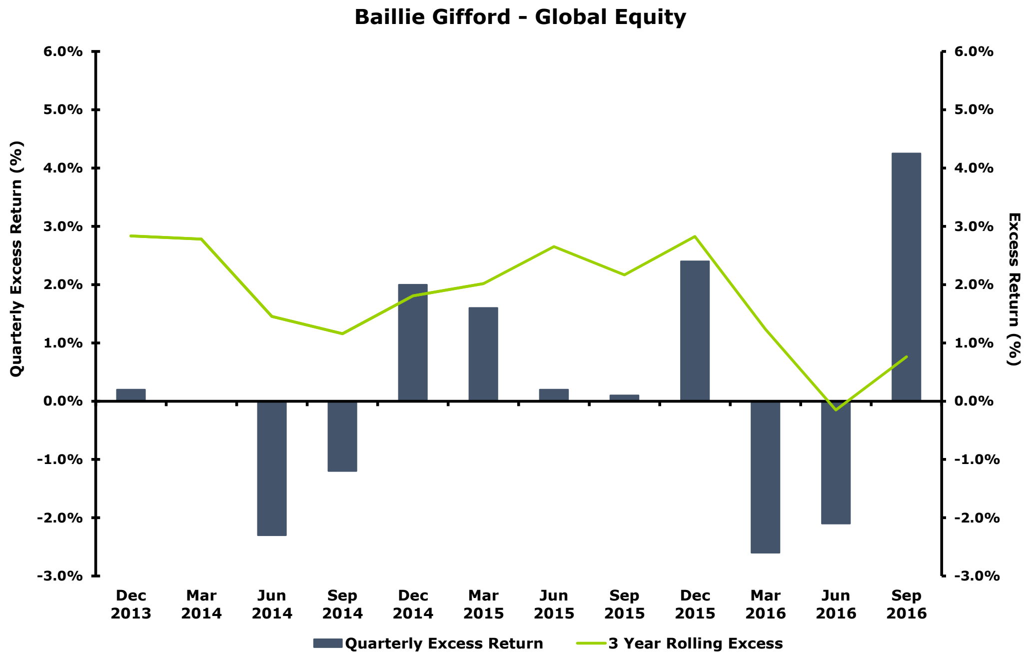
Inception date taken as 18 March 2014

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 outperformed its benchmark by 4.2% net of fees over the quarter and by 2.2% over the year to 30 September 2016. Since inception, it is 0.1% net of fees ahead of the benchmark.

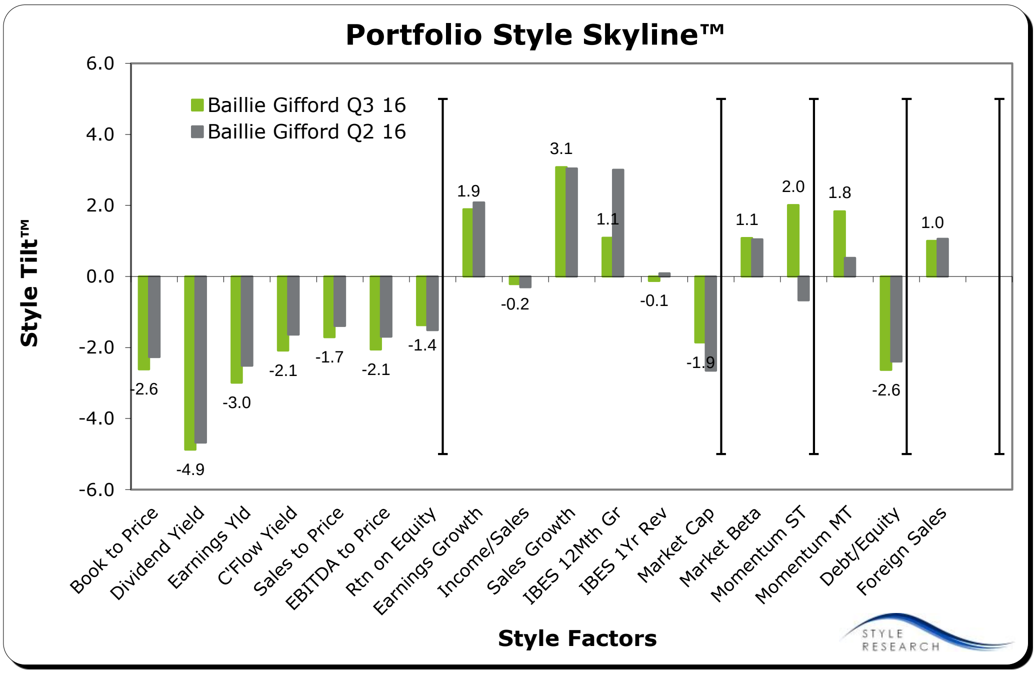
In contrast to the UK political upheaval and heightened volatility across the global markets, the third quarter was a stable period for Ballie Gifford. The strong performance was primarily driven by stock market returns and the relative weakness of sterling.

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 outperformed by 0.9% p.a..



4.2 Style Analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 30 September 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. 28% of the Fund and are detailed below.

Top 10 holdings as at 30 September 2016	Proportion of Baillie Gifford Fund
Amazon	4.6%
Naspers	3.3%
Prudential	3.1%
Taiwan Semiconductors	2.8%
Royal Caribbean Cruises	2.8%
SAP	2.7%
Alphabet	2.4%
Moody's	2.2%
CRH plc	2.1%
First Republic Bank	2.1%
Total	**28.1%**

Baillie Gifford	30 June 2016	30 September 2016
Total Number of holdings	98	98
Active risk	4.2%	4.1%
Coverage	6.8%	7.0%

As at 30 September 2016, the number of holdings within the portfolio remained the same, although the overlap with the FTSE All World index increased slightly and the active risk figure dropped slightly.

5 LGIM – Global Equity (Passive)

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

5.1 Passive Global Equity – Investment Performance to 30 September 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	5.2	11.5	8.1	11.1
Net of fees[1]	5.2	11.3	8.0	11.0
MSCI AC World Index	5.2	11.4	8.1	11.1
Relative (net of fees)	0.0	-0.1	-0.1	-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, three years and since the inception of the mandate.

6 Majedie – UK Equity

Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to outperform the benchmark by 2% p.a.

6.1 Active UK Equity – Investment Performance to 30 September 2016

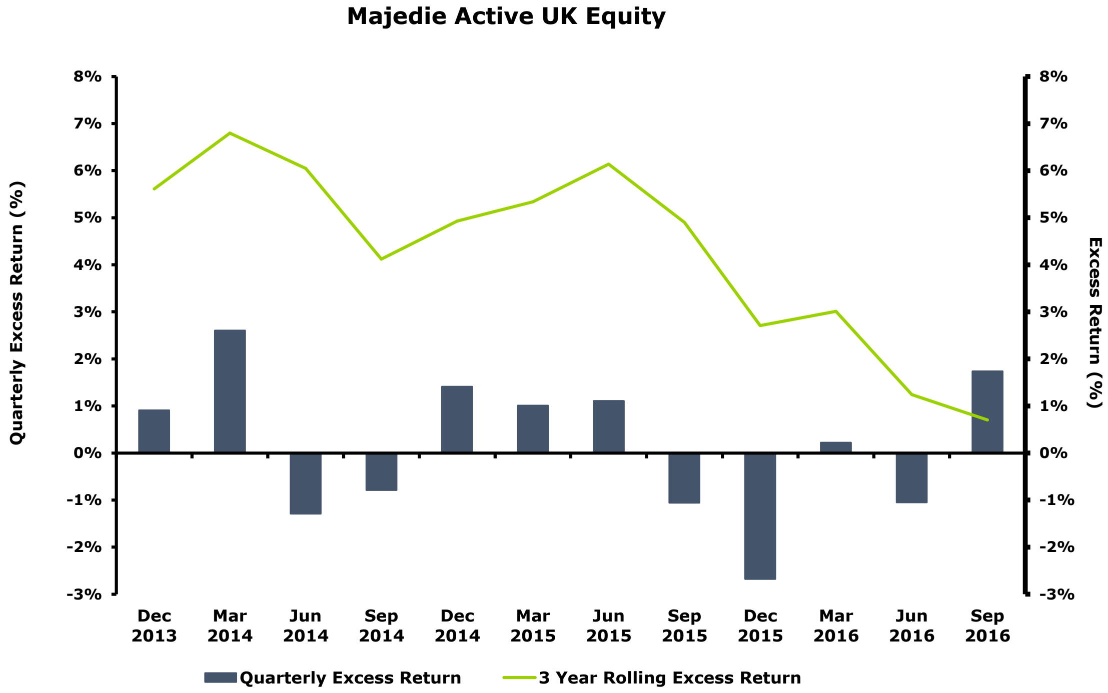
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	9.6	15.2	7.7	10.2
Net of fees[1]	9.5	14.8	7.3	9.9
MSCI AC World Index	7.8	16.8	6.6	6.2
Relative (on a net basis)	1.7	-2.0	0.7	3.7

Source: Majedie

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



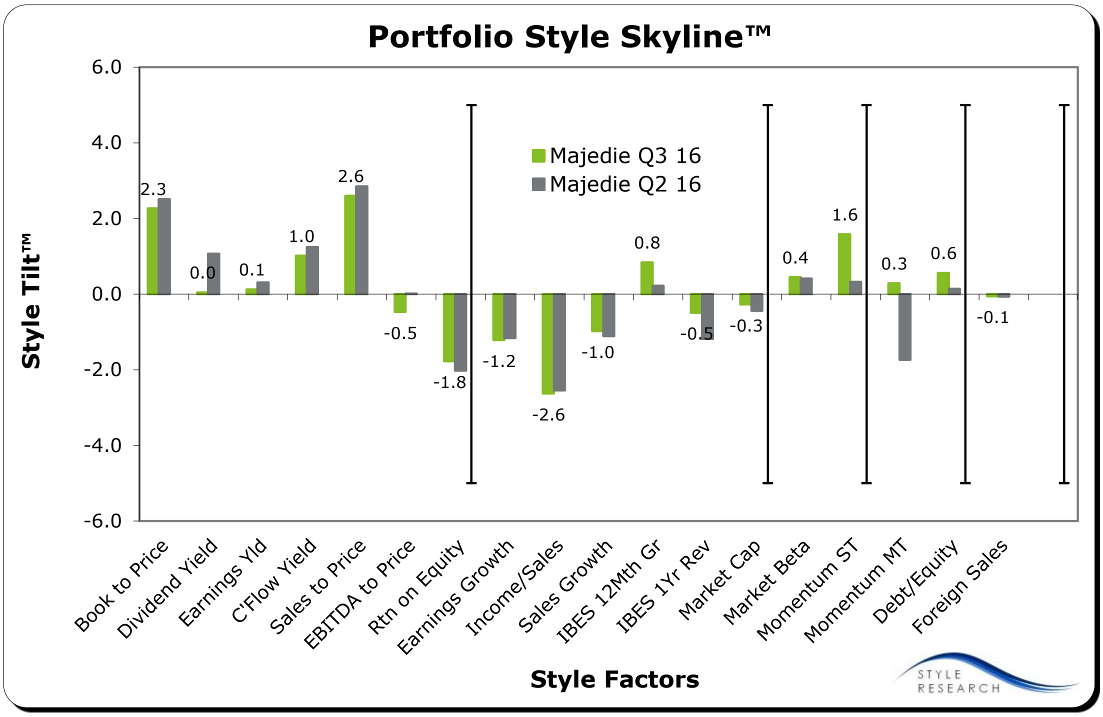
Majedie outperformed its benchmark over the quarter by 1.7% net of fees but performance remains under benchmark for the year to 30 September 2016 by 2.0% net of fees. Over the longer timeframes of three years and since inception, the manager has outperformed its benchmark on a net basis by 0.7% p.a. and 3.7% p.a. respectively, dropping below the target outperformance of 1% p.a. over a 3 year period.

Over the quarter, the top performer was Anglo American, with Majedie remaining positive on the outlook for the mining sector. The fund's holdings in HSBC and Barclays delivered positive returns. Although the banking fines are still to be finalised, Majedie does not believe these will have a significant impact on the holdings. Majedie's underweight position in consumer staples also worked in its favour, for the first quarter in a long while.

The greatest underperformance in the fund came from Orange, which had performed well over the year but suffered from continued uncertainty in the EU. Majedie is positioning itself to be more defensive due to caution regarding politics within the EU, with the upcoming Italian referendum and French election.

6.2 Style analysis

We have analysed the Style of Majedie as at 30 September 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 September 2016	Proportion of Majedie Fund
BP	7.0%
Royal Dutch Shell	7.0%
HSBC	6.7%
Vodafone	4.1%
GlaxoSmithKline	3.9%
Tesco	3.6%
Anglo American	3.4%
Barclays	3.0%
Rentokil Initial	2.8%
BHP Billiton	2.7%
Total	**44.1%**

Majedie	30 June 2016	30 September 2016
Total Number of holdings	156	154
Active risk	3.6%	3.6%
Coverage	37.8%	37.4%

As at 30 September 2016, Majedie held 154 stocks in total, with an overlap with the FTSE All Share index of 37.4%. 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 September 2016, remained at 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 September 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	6.9	28.6	n/a	17.3
Net of fees[1]	6.8	28.0	n/a	16.7
MSCI World Index	7.9	29.9	n/a	14.3
Relative (on a net basis)	-1.1	-1.9	n/a	2.4

Source: Longview

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

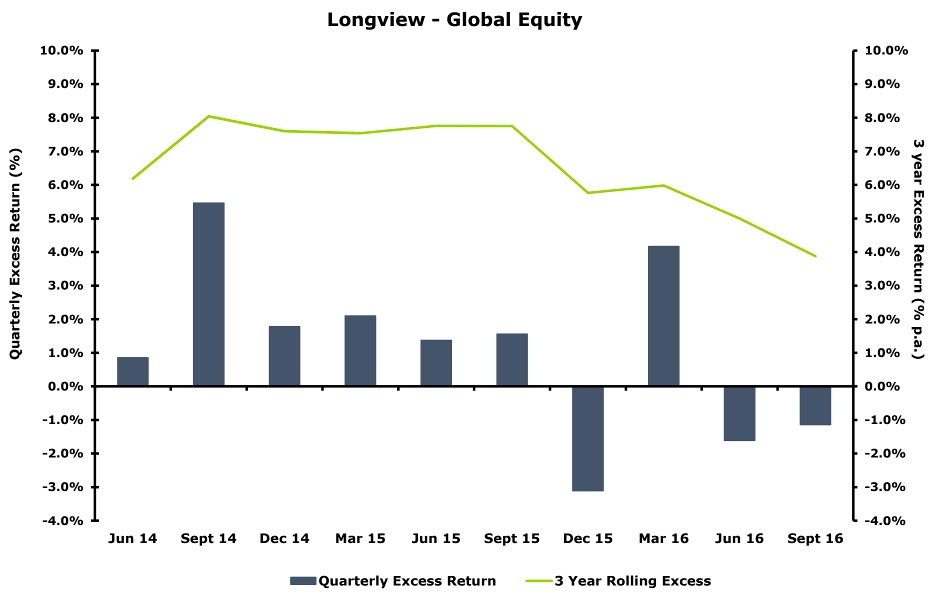
Inception date 15 January 2015

Longview underperformed the benchmark by 1.1% on a net of fees basis over the third quarter of 2016, and is behind the benchmark over the year to 30 September 2016 by 1.9%. Since inception, the Fund has outperformed by 2.4% p.a., dropping below the target outperformance of 3% p.a..

Whitbread, owner of Premier Inn and Costa Coffee, was purchased by Longview after the Brexit vote with Longview believing it had an attractive valuation. Whitbread was a top performer on the back of a steady revenue stream from Premier Inn which continues to take market share. Room utilisation wasn't affected by the Brexit vote and, with the weakening pound, more overseas travellers are expected.

The biggest detractor from performance was Sanofi. The healthcare company lost market share more quickly than expected following the patent expiration for its diabetes drug, Lantus. Longview believes this is a short-term affect, having already priced the loss of Lantus into its valuation model. An additional factor was the uncertainty surrounding healthcare in the US due to the Presidential election which has weighed on several stocks.

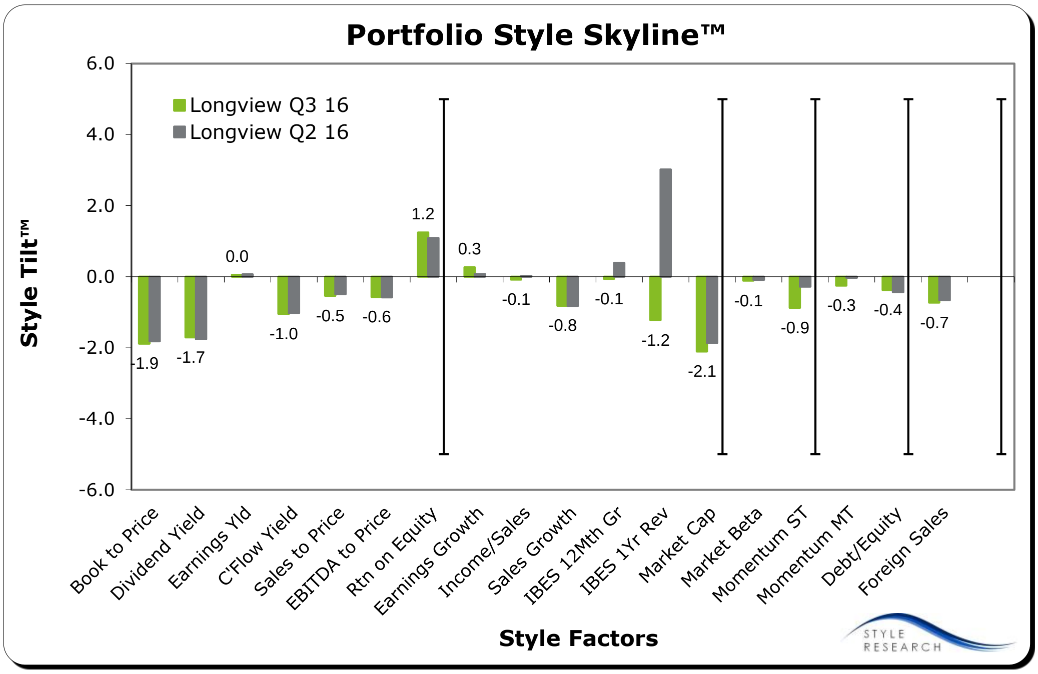
Wells Fargo was affected by the news of its employees opening fee paying bank accounts without customer permission. The fines are small but Longview believes the bank may suffer from mid-term reputation damage and being under the spotlight simply bears more risk.



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 September 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. 37% of the fund and are detailed below.

Top 10 holdings as at 30 September 2016	Proportion of Longview Fund
AON	4.5%
Zimmer Biomet	3.9%
Thermo Fisher Scientific	3.7%
Accenture	3.6%
Fidelity National Info Services	3.6%
SAP	3.6%
Parker Hannifin	3.6%
UnitedHealth	3.5%
Willis Towers Watson	3.4%
Time Warner	3.4%
Total	**36.8%**

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

As at 30 September 2016, Longview held 35 stocks in total, with an overlap with the FTSE All World index of only 4.3%. 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 September 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 30 September 2016

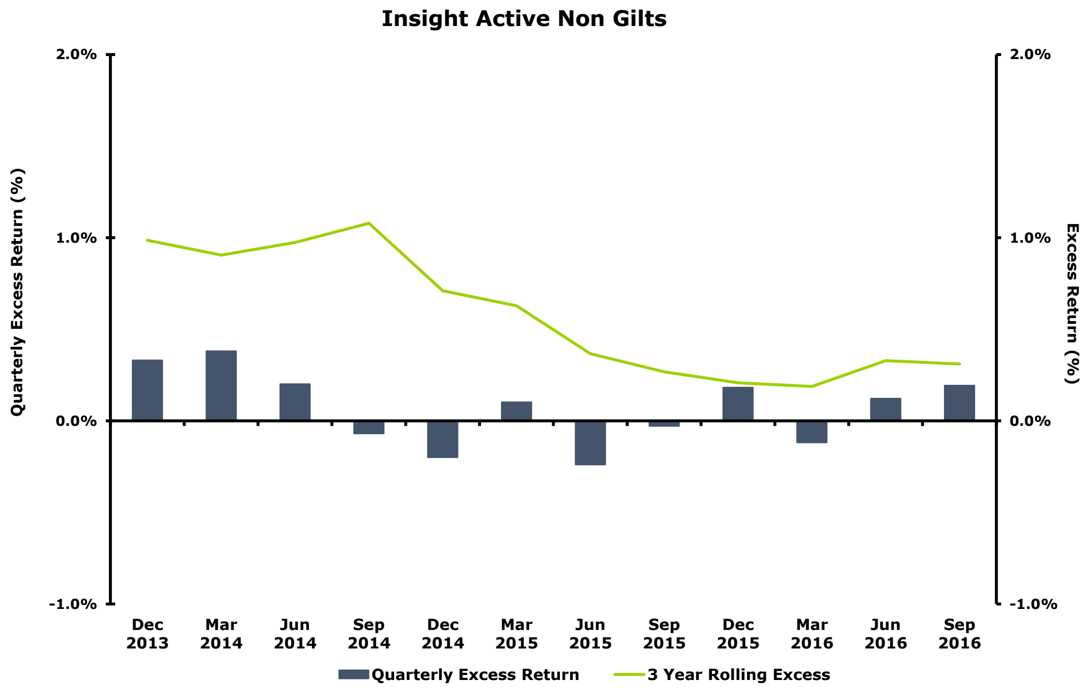
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Gross of fees	4.0	10.3	7.2	6.2
Net of fees[1]	4.0	10.1	7.0	5.9
iBoxx £ Non-Gilt 1-15 Yrs Index	3.8	9.7	6.6	5.7
Relative (on a net basis)	0.2	0.4	0.4	0.2

Source: Insight

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio marginally outperformed the benchmark by 0.2% net of fees. Over the year to 30 September 2016, the Fund has outperformed the benchmark by 0.4%. The Fund has outperformed the benchmark by 0.4% p.a. over the 3 years to 30 September 2016 and by 0.2% p.a. since inception. Performance therefore remains below the target of 0.9% p.a. outperformance.

8.1.2 Attribution of Performance
This information was not available at the time of drafting this report.

8.2 Insight – Government Bonds
8.2.1 Investment Performance to 30 September 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Gilts - Gross of fees	1.0	5.9	4.4	5.3
Net of fees[1]	1.0	5.8	4.3	5.2
FTSE A Gilts up to 15 Yrs Index	1.0	6.0	4.5	5.4
Relative (on a net basis)	0.0	-0.2	-0.2	-0.2

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

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

8.3 Duration of portfolios

	30 June 2016		30 September 2016	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.6	5.4	5.8	5.5
Government Bonds (Passive)	4.8	4.9	4.7	5.0

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	0.3	7.4	14.8	9.5
Net of fees[1]	0.2	7.0	14.4	9.1
Benchmark	-1.2	4.3	12.0	8.4
Relative (on a net basis)	1.4	2.7	2.4	0.7

Source: Hermes

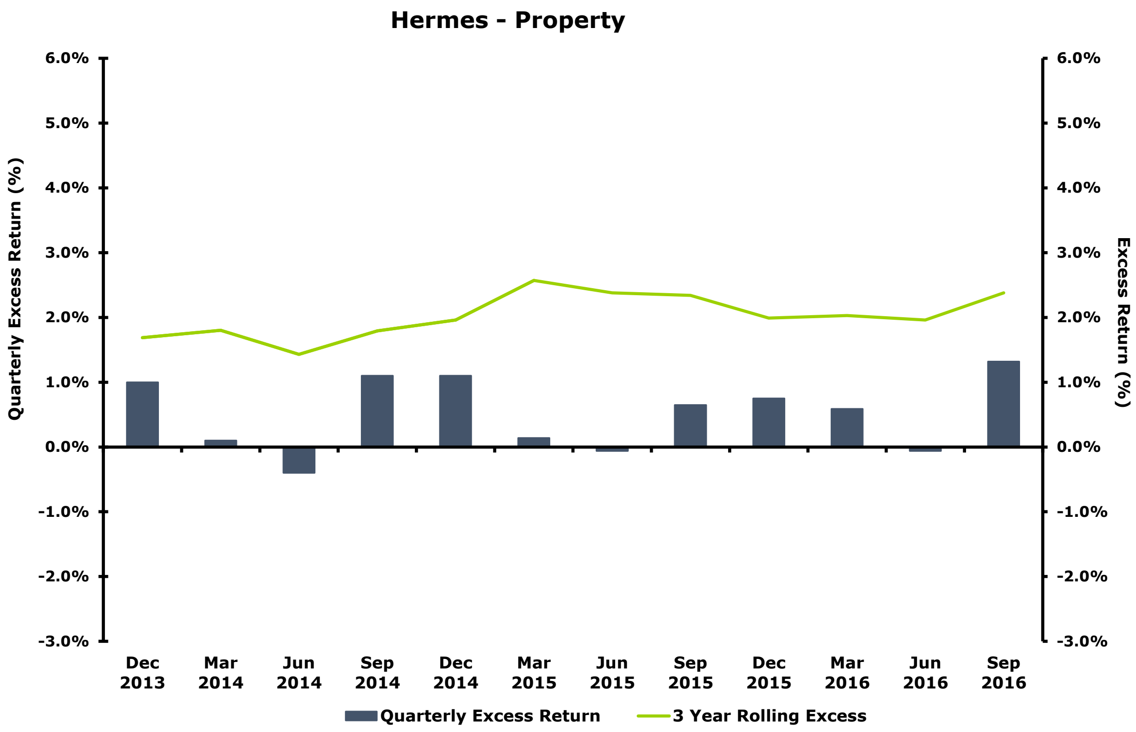
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes outperformed its benchmark by 1.4% 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, Unit Shops, Shopping Centres and "Other" sectors, but performance was dragged back by the holdings in the Office sectors, Retail Warehouses and Supermarkets.



9.2 Sales and Purchases

The team completed two sales over the quarter:

- Walmer Castle Public House in Notting Hill was sold for £5.5m which reflected an initial yield of 3.39%. It also reflects a significant premium of 22% over the end-June valuation of £4.5m.
- Pizza East in Notting Hill was sold for £2.82m in September reflecting an initial yield of 3.3% and a significant premium of 25% over the end-July valuation of £2.25m.

There were two acquisitions completed over the quarter:

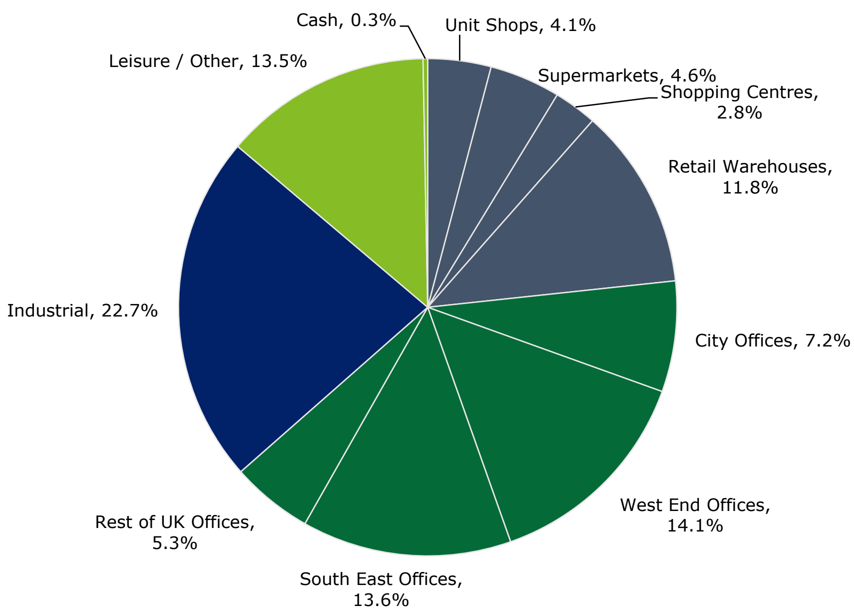
- Unit 5, St Andrews Way in London was bought for £4.54m. It enables the Trust to conclude the site assembly of Thomas Road and a planning application for a major redevelopment of the site will be submitted in Q4.
- 85 North End in Croydon was purchased for £1.9m. The property is located between two existing HPUT assets which will give the Trust greater control over tenant mix and longer term redevelopment options.

Asset management is ongoing at the following properties:

- Planning consent has been received for a new office-led development of 81,000 sq.ft at Carlson Court in Putney.
- A new 10 year lease has been completed with Royal & Sun Alliance at Park View House in Chelmsford.
- Refurbishment works to units 3 & 4 have been completed at the Summit Centre in Heathrow. The planning application is being worked up to undertake the same works to units 1 & 6.
- Consent was given in July 2016 for a 150 bed hotel scheme on the site of the existing pub at The Broadway in Wimbledon. A decision is also expected in late October 2016 on the application for a c. 55,000 sq.ft office building on the site.

9.3 Portfolio Summary as at 30 September 2016

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



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

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	110.0
8/10 Great George Street, London	West End Offices	58.0
27 Soho Square, London	West End Offices	44.3
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Polar Park, Heathrow	Standard Industrial	38.3
Hythe House, Hammersmith	Standard Offices SE	38.3
2 Cavendish Square, London	West End Offices	37.8
Christopher Place, St Albans	Shopping Centres	37.2
Rotunda Complex, London	Standard Offices SE	34.1
Boundary House, London	City Offices	34.1
Total		**473.3**

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	0.9	5.3	8.7	9.0
Net of fees[1]	0.8	4.8	8.2	8.5
Benchmark	2.9	14.9	11.0	10.4
Relative (on a net basis)	-2.1	-10.1	-2.8	-1.9

Source: Standard Life

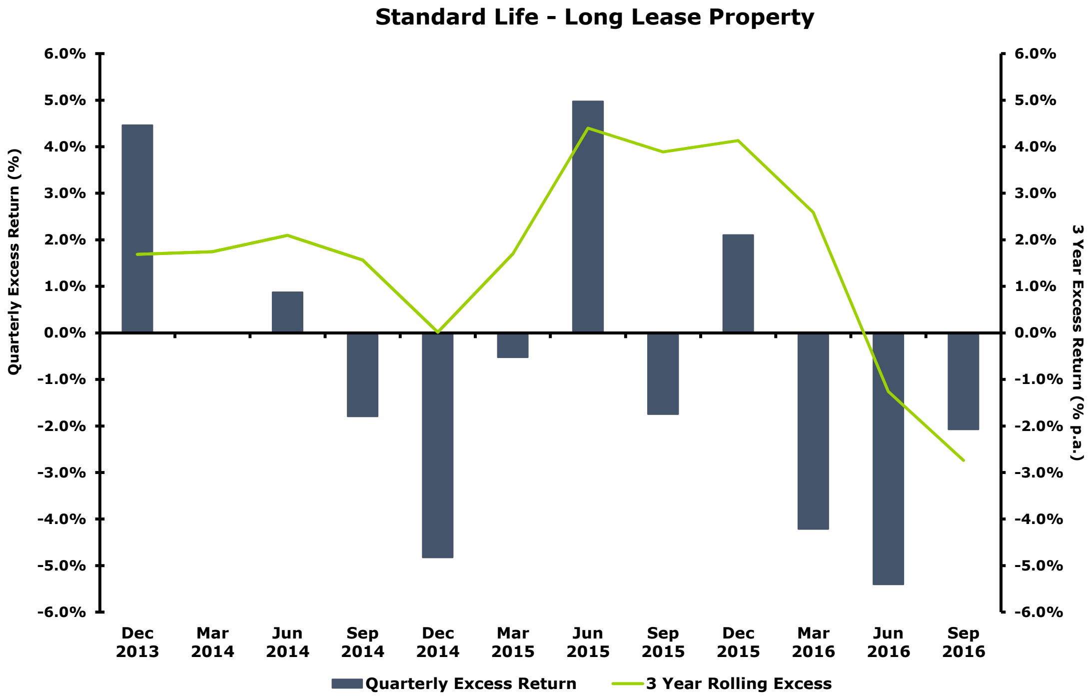
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

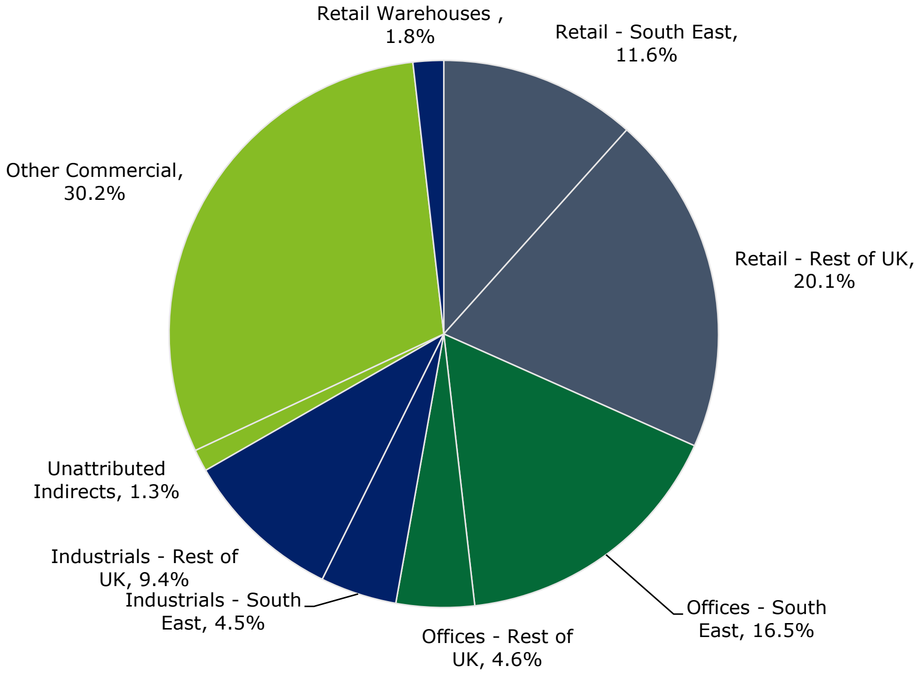
Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 0.8% net of fees over the third quarter of 2016, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 2.1% net of fees, however the fund outperformed the wider property market which fell over the quarter, returning -2.3%.

Net performance of the Long Lease Fund is shown below.



The sector allocation in the Long Lease Property Fund as at 30 September 2016 is shown in the graph below.



The Fund remains underweight the office sector (21.0% compared to 30.3%) and remains underweight the industrial sector (13.9% compared to 18.9%) at the end of the third quarter of 2016. The Fund is also underweight the retail sector (33.5% compared to 40.9%).

The Fund continues to be significantly overweight the "Other" sector (30.2% compared to 9.9%) 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	7.89	10.4
Whitbread	5.06	6.7
Sainsbury's	4.90	6.4
ASDA	4.42	5.8
Salford University	3.69	4.9
Marston's	3.64	4.8
Poundland	3.60	4.7
Save The Children	3.58	4.7
Glasgow City Council	3.10	4.1
Travis Perkins Group	2.99	3.9
Total	**42.87**	**56.3***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 56.3% 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 slightly over the quarter from 25.9 years to 25.6 years.

10.2 Sales and Purchases

There were no acquisitions or disposals over this quarter.

Appendix 1 – Fund and Manager Benchmarks

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

Total Fund
Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	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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