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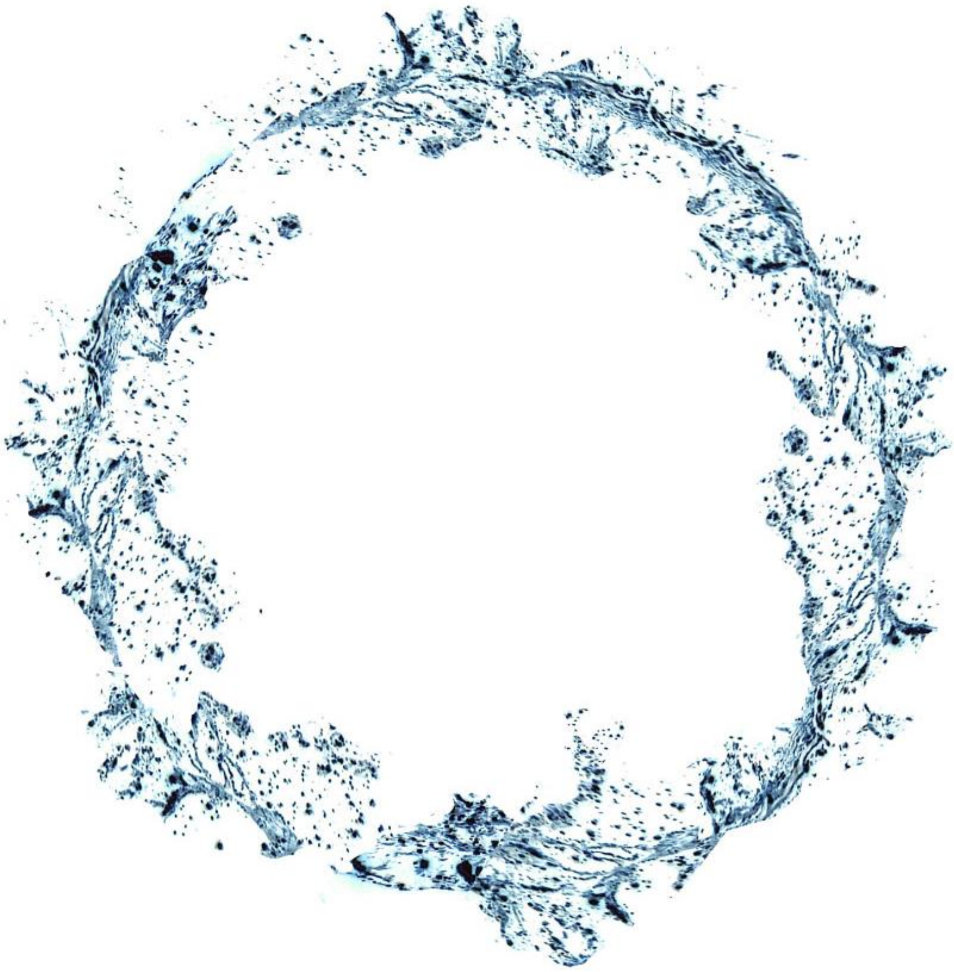


City of Westminster Pension Fund

Investment Performance Report to 30 June 2017

Deloitte Total Reward and Benefits Limited

August 2017

Contents

1 Market Background

Three and twelve months to 30 June 2017

The UK equity market continued to make gains in the second quarter of 2017, with the FTSE All Share delivering a return of 1.4%. The global nature of the UK market enhanced its return as the economic picture overseas was generally positive. This was partially offset by the weakening picture in the UK amid increasing levels of uncertainty associated with Brexit and the domestic political situation.

Smaller UK companies outperformed larger companies over the second quarter, with the FTSE Small Cap Index returning 3.8% while the FTSE 100 Index returned 1.0% as sterling recovered to some extent, diluting the substantial foreign earnings in the FTSE 100 Index. At a sector level, returns were mixed. Technology (4.3%), Financials (3.9%) and Industrials (3.0%) made gains while Utilities (-6.2%), Basic Materials (-4.6%) and Oil & Gas (-4.2%) suffered losses over the quarter as the oil price receded.

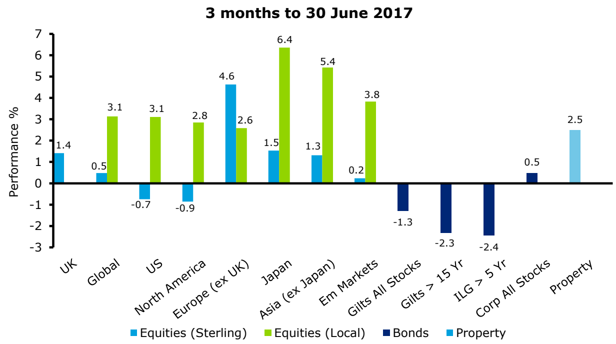
Global equity markets outperformed UK equities in local currency returns (3.1%) but lagged UK equities in sterling terms (0.5%). All geographic regions delivered positive returns in local currency terms, however many unhedged investors would have seen the majority of this positive performance eroded due to the appreciation of sterling over the quarter. Japan was the best performing region in local currency terms (6.4%) closely followed by the rest of the Asia Pacific region.

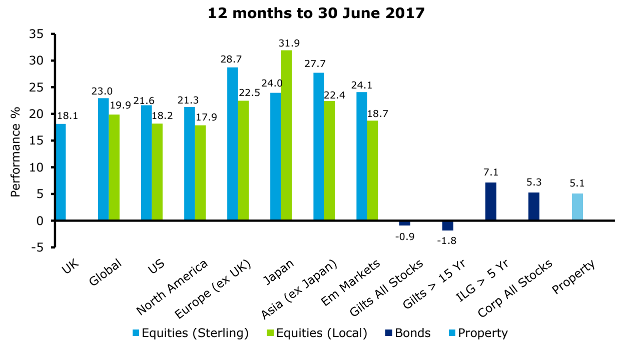
Nominal gilt yields rose over the second quarter of 2017, fuelled by a closer than expected vote by the Monetary Policy Committee to keep rates on hold, which resulted in speculation that tighter monetary policy may soon be on the horizon. As a result, the All Stocks Gilts Index delivered a return of -1.3% over the quarter. Real yields also rose, leading to a return of -2.4% on the Over 5 Year Index-Linked Gilts Index over the same period. Credit spreads narrowed over the quarter, potentially due in part to the rise in nominal gilt yields, and the iBoxx All Stocks Non Gilt Index returned 0.5% over the quarter.

Over the 12 months to 30 June 2017, the FTSE All Share Index delivered a large positive return of 18.1%. Returns have been enhanced by the depreciation of sterling in the aftermath of the EU referendum, and surprisingly robust economic data. There has been a wide dispersion in sector-level returns; Basic Materials (36.1%) was the best performing sector while Telecommunications (-12.6%) was the poorest performing sector. Global equity markets outperformed the UK in both sterling (23.0%) and local (19.9%) currency terms, with currency hedging therefore detracting from performance over the 12 months.

UK nominal gilts delivered slightly negative returns over the 12 months to 30 June 2017, with the All Stocks Gilts Index returning -0.9% and the over 15 Year Gilts Index returning -1.8%. UK index-linked gilts delivered positive returns over the year, with the Over 5 Year Index-Linked Gilts Index returning 7.1% as inflation expectations rose over the year. Credit spreads narrowed over the year, with the iBoxx All Stocks Non Gilt Index delivering a return of 5.3%.

The IPD UK Monthly Property Index returned 2.5% over the quarter and 5.1% over the year to 30 June 2017, as the market bounced back from the sharp falls following the EU Referendum. The search for yield has led to an increase in demand for UK property.





2 Total Fund

2.1 Investment Performance to 30 June 2017

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	-0.9	-1.1	1.4	20.1	19.5	18.1	7.6	7.0	7.4	13.8	13.2	11.3
LGIM	Global Equity	2.8	2.8	2.8	19.7	19.5	19.7	8.1	8.0	8.1	12.6	12.5	12.6
Baillie Gifford	Global Equity	4.6	4.5	0.4	31.0	30.6	22.2	18.5	18.2	14.9	16.9	16.6	14.5
Longview	Global Equity	1.3	1.1	0.1	21.5	20.9	21.6	n/a	n/a	n/a	17.4	16.8	14.7
Insight Gilts	Gilts	-0.6	-0.6	-0.7	-0.2	-0.3	-0.2	3.7	3.6	3.8	2.6	2.5	2.7
Insight Non Gilts	Non Gilts	0.7	0.6	0.5	5.5	5.2	4.5	6.1	5.8	5.5	7.4	7.1	6.3
Hermes	Property	2.7	2.6	2.6	7.9	7.5	6.3	12.3	11.9	10.5	10.1	9.7	8.6
Standard Life	Property	2.8	2.6	-0.8	8.6	8.1	1.0	7.8	7.3	9.0	9.0	8.5	7.2
Total		**1.7**	**1.6**	**1.2**	**18.5**	**18.1**	**15.0**	**10.2**	**9.9**	**9.2**	**7.5**	**7.1**	**7.0**

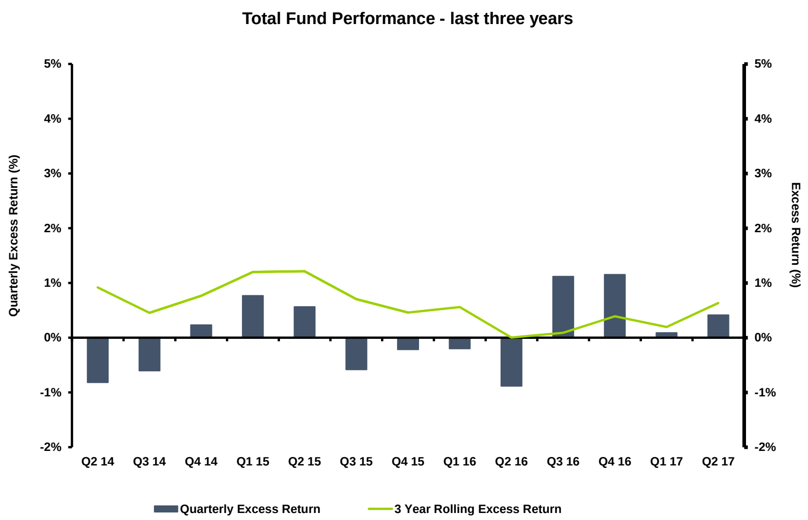
Source: Northern Trust

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

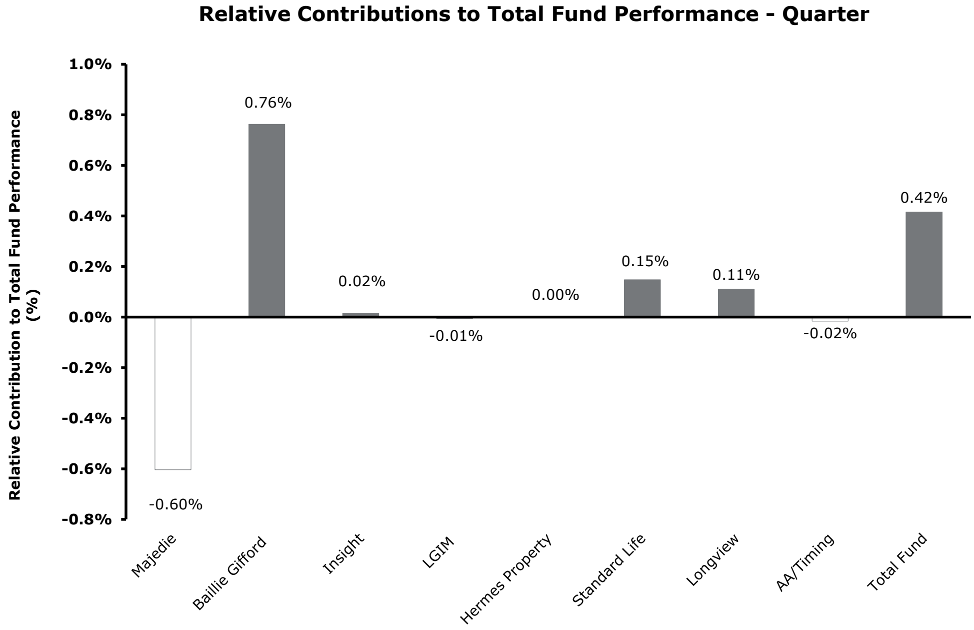
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund outperformed its benchmark by 0.4% net of fees, with the outperformance of Baillie Gifford, Longview and Standard Life offsetting the underperformance from Majedie. The Fund has outperformed its benchmark over the last year, three years and since inception by 3.1%, 0.7% p.a. and 0.1% p.a. respectively.

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

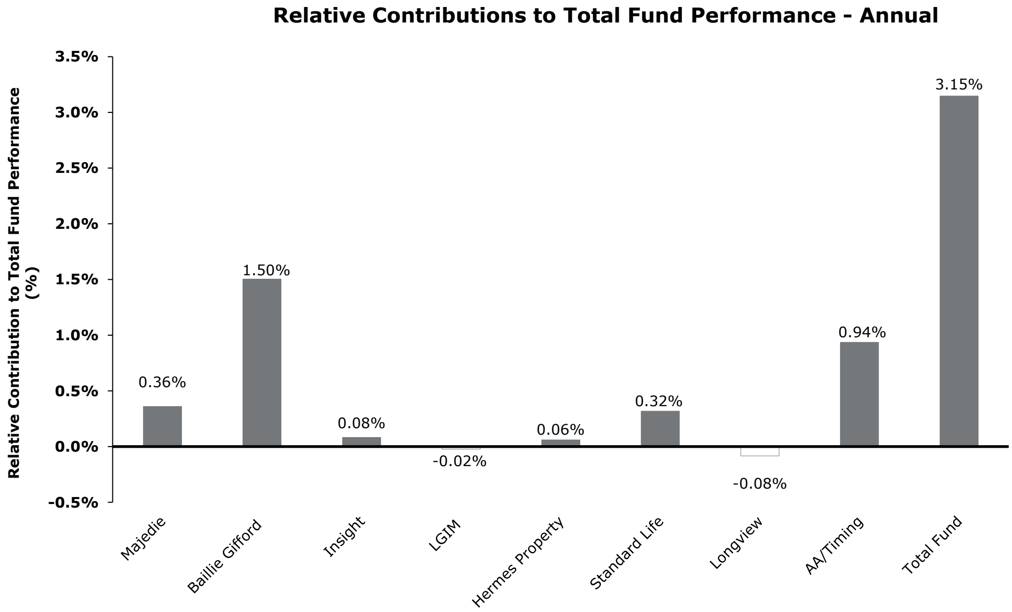


2.2 Attribution of Performance to 30 June 2017



Outperformance by Baillie Gifford, Standard Life and Longview over the quarter helped to counteract the impact of the underperformance from Majedie.

Majedie’s longer term performance contributed to the Fund’s outperformance over the year, however Baillie Gifford provided the largest contribution to outperformance, outperforming its benchmark by 8.4% over the last 12 months.



2.3 Asset Allocation as at 30 June 2017

The table below shows the assets held by manager and asset class as at 30 June 2017.

Manager	Asset Class	End Mar 2017 (£m)	End June 2017 (£m)	End Mar 2017 (%)	End June 2017 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	303.6	302.8	24.0	23.5	22.5
LGIM	Global Equity (Passive)	283.0	290.9	22.4	22.6	22.5
Baillie Gifford	Global Equity	233.8	244.6	18.5	19.0	25
Longview	Global Equity	141.0	142.8	11.2	11.1	
	Total Equity	**961.4**	**981.1**	**76.1**	**76.2**	**70**
Insight	Fixed Interest Gilts (Passive)	18.9	18.8	1.5	1.5	20
Insight	Sterling Non-Gilts	170.6	171.9	13.5	13.4	
	Total Bonds	**189.5**	**190.7**	**15.0**	**14.8**	**20**
Hermes	Property	57.3	58.8	4.5	4.6	5
Standard Life	Property	54.8	56.3	4.3	4.4	5
To be determined	Property / Infrastructure	0.0	0.0	0.0	0.0	
	Total Property	**112.1**	**115.1**	**8.9**	**8.9**	**10**
	Total	**1,263.0**	**1,286.9**	**100**	**100**	**100**

Source: Northern Trust 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. £23.9m, with positive absolute returns from all of the Fund's managers excluding Insight's Fixed Interest Gilts Fund, which reduced in market value by c. £0.1m.

As at 30 June 2017, the Fund was 6.2% overweight equities when compared with the amended benchmark allocation and underweight bonds and property by c. 5.2% and 1.1% respectively.

2.4 Yield analysis as at 30 June 2017

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 June 2017
Majedie	UK Equity	2.90%
Baillie Gifford	Global Equity	1.18%
Insight Fixed Interest Gilts	Fixed Interest Gilts (Passive)	0.70%
Insight Sterling Non-Gilts	Sterling Non-Gilts	2.00%
LGIM	Global Equity (Passive)	0.22%*
Hermes Property	Property	5.30%
Standard Life Long Lease	Property	4.32%
Longview	Global Equity	2.12%
	Total	**1.91%**

*Benchmark yield 2.38%

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 Aberdeen	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 London CIV

Business
As at 30 June 2017, the London CIV had 8 sub-funds and assets under management of £4,940m which had increased from £3,573m as at the 31 March 2017. New subscriptions over the quarter to 30 June 2017 included the Majedie UK Equity Fund and the Newton Global Equity Fund.

Since the quarter end it has been announced that Jill Davys who was responsible for leading on the manager monitoring for the CIV is leaving.

Deloitte view – The London CIV is still at relatively early stages and we continue to monitor the development, particularly with regards to the building of the Fixed Income and Alternative sub funds. To achieve its goals, the CIV will need to recruit further personnel to the investment team and look at how it communicates effectively with the boroughs. We see the news regarding Jill Davys' departure as being a cause for concern.

The slow progress in launching new funds covering other investment options continues to be a disappointment and a source of frustration given the timescales around the requirement for schemes to pool assets.

3.2 Majedie UK Equity

Business

Total AUM for Majedie as at 30 June 2017 was £14.2bn, an increase of £200bn from last quarter.

Majedie's UK Equity Fund was added to the London CIV platform over the quarter, bringing £510m of assets with three London LGPS clients.

Personnel

There have been no personnel changes to the Majedie team.

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

3.3 Baillie Gifford

Business

Total assets under management as at 30 June 2017 were c. £167bn, an increase from c. £159bn as at 31 March 2017. This increase was mainly due to the market movements. Baillie Gifford continued to suffer net capital outflows from existing clients as pensions schemes continue to de-risk from equities and rebalance their portfolios.

Baillie Gifford recently opened its first sales office in Hong Kong. Business from UK clients now accounts for only around a third of the assets under management.

Personnel

There were no significant changes to the portfolio management staff over the quarter. Gerald Smith left the ACWI ex US Alpha Portfolio Construction Group (PCG) at the end of June – Gerald has been Head of Baillie Gifford's Multi Asset and Fixed Income Department since September 2015 and will continue in that role.

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

3.4 LGIM

Business

As at 31 December 2016, Legal & General Investment Management ("LGIM") had total assets under management of £894bn, an increase of £52bn since 30 June 2016, with the largest increases seen in Global Fixed Income and Multi-Asset mandates. Note, Legal & General now reports on a semi-annual reporting timetable and the next update figures (June 2017) will be released by September 2017.

Personnel

Anton Meder's previously announced move to become CEO of LGIM America ('LGIMA'), and Colin Reedie's move from Head of Euro Credit to replace Anton as Co-Head of Global Fixed Income, became effective after the quarter-end on 1 April 2017. With both changes being promotions of individuals already in the business, we do not expect to see any significant change to the running of the business. The Fixed Income team made three additional recruitments in the second quarter including Patrick Dan, a senior portfolio manager, along with two more junior support staff.

LGIM has also continued to build out its LDI & Pooled Fund Solutions team, with 7 new joiners in the second quarter, coming on top of the 8 new joiners the previous quarter. LGIM now considers itself well-resourced to service the recent increase in demand in this area. The joiners included Nelly Terekhova, a Portfolio Construction Manager, and Yonathan Sabbath, a Transitions Manager. There were also 3 leavers during the quarter though their roles have been replaced by the new joiners noted above.

At the Index Team level, Nelson Nery joined to replace the role recently made vacant by the retirement last quarter of the long-standing previous Index Bonds Fund Manager, Helen Stuart. There was also one leaver, Shadi Sarhangpour, who left her role as Index Equity Fund Manager.

Deloitte View – We continue to rate Legal & General positively for its passive and LDI capabilities.

3.5 Longview

Business

Assets under management as at 30 June 2017 increased by c. £0.9bn from the end of Q1 2017 to c. £17.9bn.

The capacity limit of $25.0bn is close to being reached, with assets currently standing at around $23bn. Longview has a concentrated portfolio and wants to remain open to existing clients and is therefore managing the capacity constraints closely. Over the quarter there was £500m invested through existing relationships.

The sub-fund with the London CIV has now been launched. Longview and the London CIV are working together to plan the transition for boroughs with exposure to the strategy.

Personnel

Longview has two new partners, Katie Moran and James Williams. Both have been with Longview for some time; Katie Moran continues to work in the Research team, and James Williams continues in the Risk & Portfolio Analysis team.

Longview continues to look for a research analyst.

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

3.6 Insight

Business

Insight continued to see an inflow of assets over the quarter, with assets under management growing to £552bn. While Insight lost 3 clients over the first quarter, one to another consultant's fiduciary offering and two were lost on competitive tender, it is continuing to see clients increasing their hedge ratios with a number also looking to reduce the levels of leverage in the portfolios. In addition to growth in LDI strategies, Insight saw strong demand across a range of other strategies including cash, asset back securities and secure finance.

Insight is in the process of launching a range of buy and maintain credit strategies with different durations, that will sit alongside its existing constant duration fund, and is considering launching two emerging market debt funds.

Insight is in the process of changing the Bonds Plus and Bonds Plus strategies to daily dealing – currently the funds are weekly dealt.

Personnel

Insight made a couple of changes over the quarter:

- Jonathan Eliot, previously at Man Group, has taken over as Chief Risk Officer, replacing Charles Farquharson who has retired;
- Angus Woolhouse has assumed the role as Head of Distribution, replacing Philip Anker who is returning to the US. Woolhouse joins from Barings.
- James McKerrow is joining the Money Markets team

Deloitte view – We continue to rate Insight positively for its Fixed Income capabilities and continue to monitor how growth is being managed across the business.

3.7 Hermes

Business

Total assets under management increased by £2.3bn over the quarter, to £30.8bn for the business as a whole as at 30 June 2017. Over the quarter, assets under management within the HPUT remained relatively stable, ending the period at c. £1.4bn.

Personnel

There were no changes to the Unit Trust team over the quarter. David Nicol has been appointed as Chairman of the Appointments Committee, following the retirement of Simon Melliss. As a reminder, the Appointments Committee is appointed by investors and is responsible for the current appointment of Hermes as investment manager. The Appointments Committee also has several governance responsibilities and risk oversight roles.

Deloitte view – We continue to rate the team managing HPUT.

3.8 Standard Life Aberdeen

Business

Earlier in the year it was announced that Standard Life and Aberdeen Asset Management would merge in an effort to deliver cost savings in an increasingly cost sensitive industry. During the second quarter, the shareholders of both companies gave their approval to the merger and the investment division management committee was announced. The formal announcement of the creation of the new combined entity was made on 14 August – the new combined business is called Standard Life Aberdeen plc, with the investment business operating under the name Aberdeen Standard Investments.

The Long Lease Fund's assets under management increased slightly to £1.78bn over the second quarter, following positive performance, with no significant inflows or outflows over the quarter.

Personnel

There were no personnel changes over the second quarter of 2017.

Deloitte View – We are still waiting further details on the longer-term implications of the deal, although it is expected that there will be rationalisation across both businesses from both front and back office functions. Not surprisingly, both sides are keen to stress that the respective businesses are complementary and ther is little overlap in strategies within the property business, with this analysis having been taken a step further, looking to see how many time over the last 12 – 18 months the organisations had been bidding on the same properties.

Corporate activity within the asset management industry is difficult and we will monitor developments closely and keep the Committee informed of any changes that we believe could impact the teams managing the fund's assets.

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 London CIV

4.1 Investment Performance to 30 June 2017

As at 30 June 2017, the London CIV had 8 sub-funds and assets under management of £4,940m, increased from £3,573m as at the 31 March 2017. This growth was attributable to the two new sub-funds added over the quarter, which added c. £1,170m to the platform, as well as positive investment performance.

The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 June 2017 (£m)	Total AuM as at 31 Mar 2017 (£m)	Number of London CIV clients	Inception Date
LCIV MJ UK Equity	UK Equity	Majedie	510	N/A	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	691	667	3	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,674	1,602	9	11/04/16
LCIV NW Global Equity	Global Equity	Newton	659	N/A	3	22/05/17
LCIV PY Total Return	Diversified growth fund	Pyrford	225	204	3	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	362	355	5	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	473	413	5	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	346	332	3	16/12/16
Total			**4,940**	**3,573**	**18**	

Following the quarter end, the sub-fund with Longview was launched. Longview and the London CIV are working together to plan the transition for the relevant Fund's. The London CIV is expecting to add the following three sub-funds over the coming months:

- Epoch Investment Partners – Global equity income sub-fund.
- RBC – Sustainable equity sub-fund.
- Janus Henderson – Emerging market equity sub-fund.

A key development after the quarter end was the announcement that Jill Davys will be leaving the CIV. Jill was closely involved in the manager monitoring undertaken and we see her departure as a loss to the CIV.

5 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.

5.1 Global equity – Investment performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	4.6	31.0	18.5	16.9
Net of fees	4.5	30.6	18.2	16.6
MSCI AC World Index	0.4	22.2	14.9	14.5
Relative (net of fees)	4.1	8.4	3.3	2.1

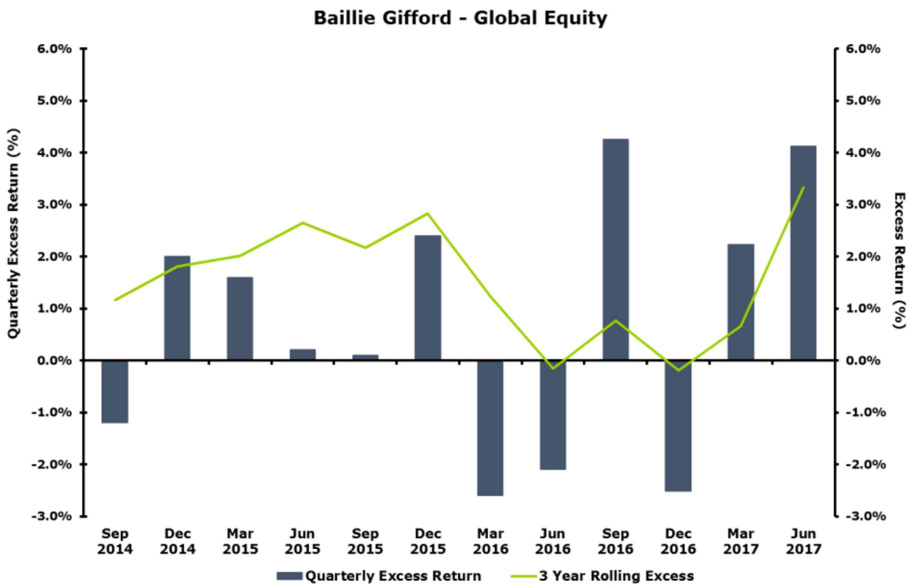
Source: Baillie Gifford, via Northern Trust and estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

The Baillie Gifford Global Equity Alpha Fund has outperformed its benchmark by 4.1% net of fees over the quarter and by 8.4% over the year to 30 June 2017.

The graph below shows the net quarterly returns and the rolling three year excess returns relative to the benchmark. The Fund's current three year excess return is ahead of the target (+2% p.a.) having outperformed the benchmark by 3.3% p.a.

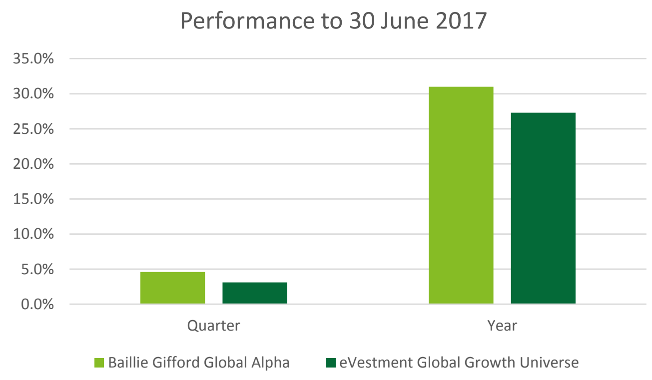


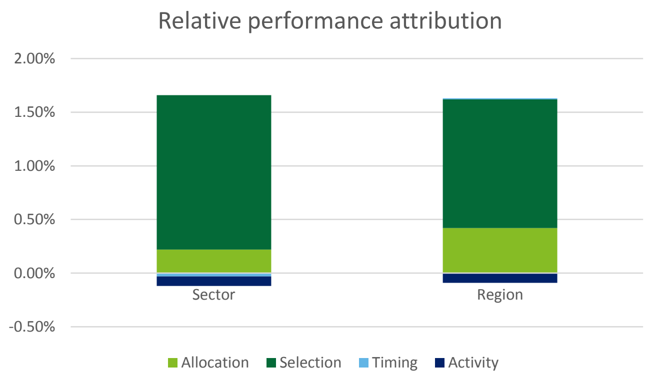
5.2 Performance Analysis

When analysing the performance of an active equity manager, it is important to understand the 'style' of the strategy and assess the performance and attribution with this in mind. One way to do this is to compare the performance with other products of similar style.

The Global Alpha fund has a growth bias, meaning the manager looks for stocks with potential for earning growth resulting in capital gains as opposed to dividend income. The analysis below compares the Global Equity Fund with a universe of global growth equity products. The universe is provided by eVestment and contains 90 products from 62 firms.

The chart below compares the performance of Baillie Gifford with the peer group (gross of fees).





Source: eVestment

Baillie Gifford's Global Alpha Fund has outperformed its peer group by 1.6% over the quarter and 5.2% over the year. The chart above to the right shows the attribution of relative performance to the peer group, broken down into allocation, selection, activity and timing. The full definitions of each category can be found in the appendix.

Baillie Gifford's outperformance relative to the peer group over the quarter can be largely attributable to superior selection, i.e. bottom-up skill, particularly within the technology and consumer discretionary sectors. Royal Caribbean Cruises, a stock which is held by very few other managers in this peer group (average 0.1% allocation) was a large contributor to returns over the quarter, being one of Baillie Gifford's largest stocks (3.6% allocation). Holding more than double the allocation of Amazon (4.7% versus 2.0% in the peer group) also contributed strongly.

Allocation (top-down skill) also contributed positively over the quarter on both a sector and regional basis. The strategy benefited from less exposure to the energy sector than its peers (2.2% allocation versus 3.1%) and regionally, Baillie Gifford continued to benefit from a higher allocation to emerging markets (16.2% versus 10.4% in the peer group) as EM continued to rally over the quarter.

The top 10 holdings in the portfolio account for c. 29.0% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2017	Proportion of Baillie Gifford Fund
Amazon	4.1%
Naspers	3.7%
Royal Caribbean Cruises	3.5%
Prudential	3.4%
Taiwan Semiconductor Manufacturing	2.8%
SAP	2.6%
Alphabet	2.3%
Anthem	2.3%
Alibaba	2.2%
AIA	2.1%
Total	**29.0%**

Note: The numbers in this table may not sum due to rounding

6 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.

6.1 Passive Global Equity – Investment Performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	2.8	19.7	8.1	12.6
Net of fees[1]	2.8	19.5	8.0	12.5
FTSE World (GBP Hedged) Index	2.8	19.7	8.1	12.6
Relative (net of fees)	0.0	-0.2	-0.1	-0.1

Source: Northern Trust

(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 tracked the benchmark over the quarter to 30 June 2017. However, the Fund has underperformed the benchmark by 0.2% over the year and by 0.1% p.a. over both the last three years and since the inception of the mandate. This underperformance is not unexpected given the cost of hedging.

7 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.

7.1 Active UK Equity – Investment Performance to 30 June 2017

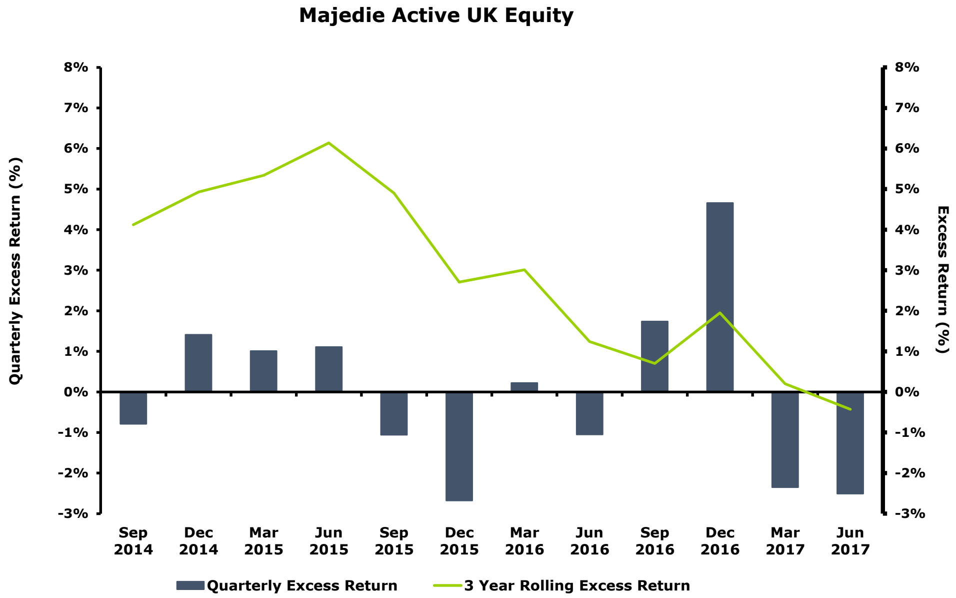
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	-0.9	20.1	7.6	13.8
Net of fees[1]	-1.1	19.5	7.0	13.2
MSCI AC World Index	1.4	18.1	7.4	11.3
Relative (on a net basis)	-2.5	1.4	-0.4	2.1

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



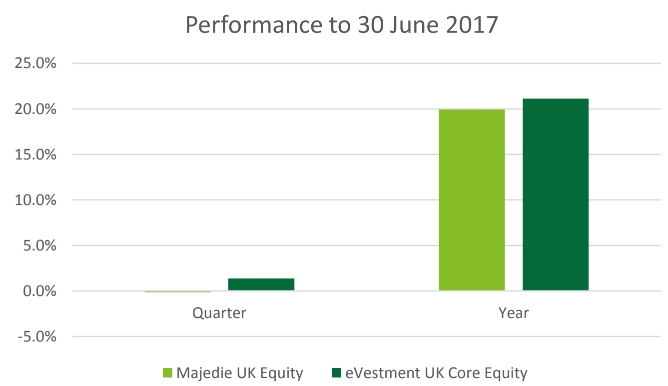
Majedie underperformed its benchmark over the quarter by 2.5% but has outperformed its benchmark over the year by 1.4% on a net of fees basis. Over the three years the manager has underperformed its benchmark on a net of fees basis by 0.4% p.a.

7.2 Performance analysis

When analysing the performance of an active equity manager, it is important to understand the 'style' of the strategy and assess the performance and attribution with this in mind. One way to do this is to compare the performance with other products of similar style.

The UK Equity Fund uses a multi-manager approach with 4 fund managers responsible for their own portfolios within the strategy. Each manager has a slightly different management style and therefore the Fund can, at times, display a bias to a certain style depending on the current market environment. The analysis below compares the UK Equity Fund to a universe of core UK equity managers, allowing us to analyse Majedie's chosen style drift as well as sector positioning and stock selection, versus this universe. The universe is provided by eVestment and contains 78 products across 38 firms.

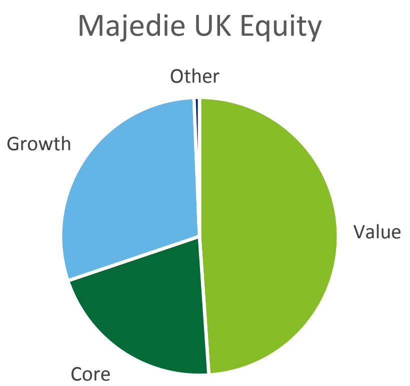
The chart below compares the performance of Majedie with its peer group (gross of fees).

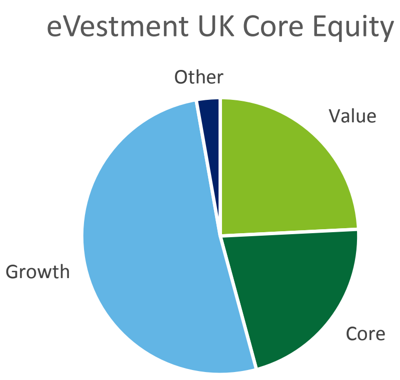


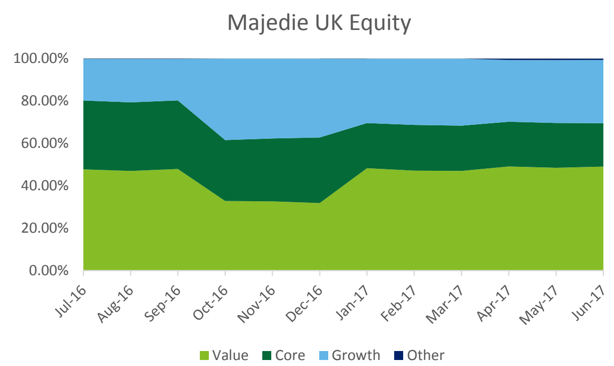
Majedie has underperformed the core equity universe by 2.3% over the quarter and by 1.0% over the year to 30 June 2017. Over the past year Majedie has had a value tilt in the portfolio (49% allocation versus average 24% across the peer group), reflecting concerns that the broader market is overvalued and, if there were to be a correction, the more cyclical value stocks would perform better in such an environment. However this position has detracted from performance over both the quarter and year as growth stocks have continued to fare better.

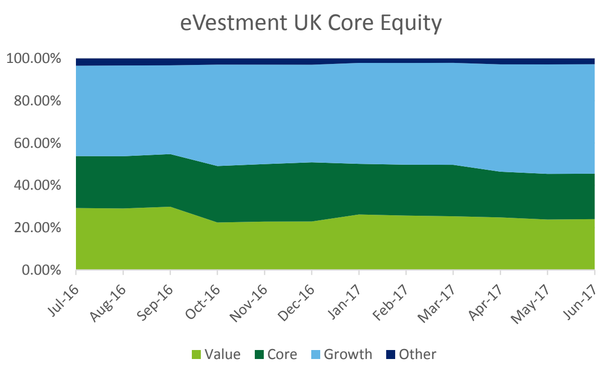
Source: eVestment.

The charts below show Majedie's style allocation over the quarter and year compared to the average allocation across the peer group.









Source: eVestment.

Majedie has had an overweight to value and underweight to growth stocks over the past 6 months, relative to its peers. While this has not paid off in performance terms, it does illustrate Majedie's concerns on markets and represents a relatively defensive position should there be a market correction.

8 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.

8.1 Active Global Equity – Investment Performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	1.3	21.5	n/a	17.4
Net of fees[1]	1.1	20.9	n/a	16.8
MSCI World Index	0.1	21.6	n/a	14.7
Relative (on a net basis)	1.0	-0.7	n/a	2.1

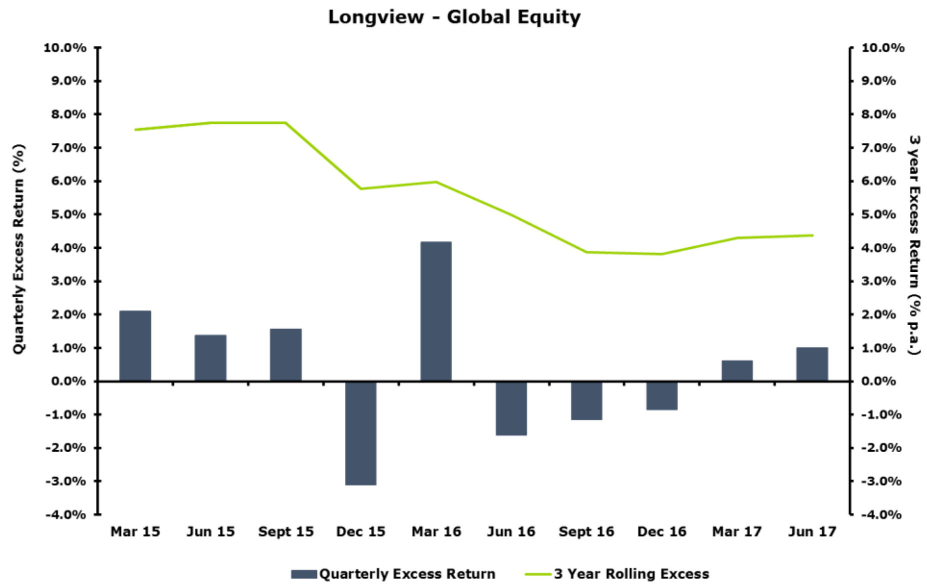
Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed the benchmark by 1.0% on a net of fees basis over the second quarter of 2017. Over the year the Fund is behind the benchmark (net of fees) by 0.7% but above benchmark since inception by 2.1% p.a. The Fund targets an outperformance of 3% p.a. over a three year period.



8.2 Style analysis

Longview runs a very concentrated core equity portfolio. The manager places high conviction in a small number of stocks (30-35), looking to add value through bottom up security selection. Therefore the most appropriate measure to monitor performance is to look at the stocks in the portfolio and understand where the performance is coming from. It is also important to understand the reasons a stock has been retained as well as why the manager has made a purchase or sale.

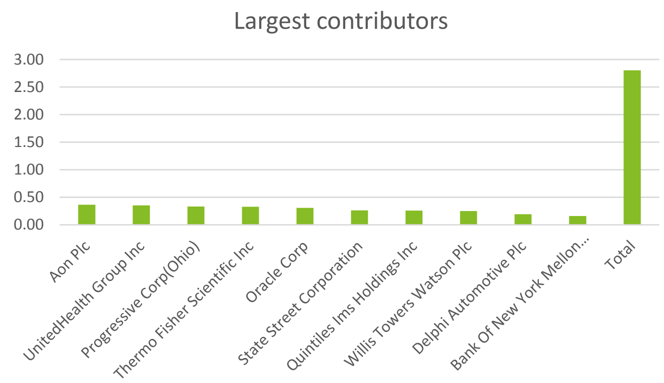
Stock	Average quarter weight	Performance
Cash	4.62%	0.09%
Aon Plc	4.50%	8.11%
Progressive Corp (Ohio)	3.92%	8.44%
Delphi Automotive Plc	3.84%	4.98%
UnitedHealth Group Inc	3.79%	9.29%
Bank of New York Mellon Corp	3.66%	4.31%
Parker-Hannifin Corp	3.64%	-3.67%
Quintiles Ims Holdings Inc	3.62%	7.10%
Zimmer Biomet Holdings Inc	3.62%	1.13%
Fidelity Natl Information services	3.60%	3.62%

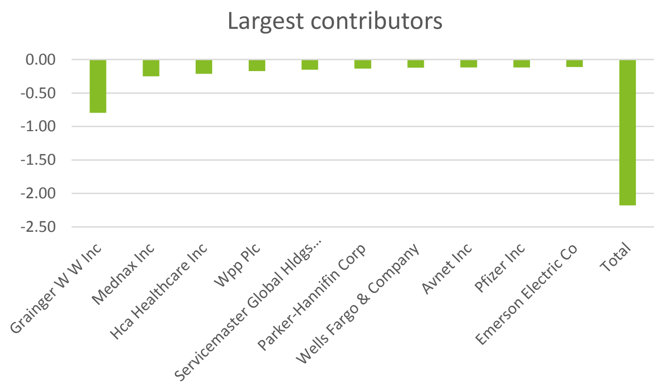
*Largest contributors, largest detractors.
Source: eVestment

It was a relatively steady quarter for Longview, with 22 of the 36 stocks held performing positively, while there was no specific individual case which stood out. Eight of Longview's top 10 weighted stocks performed positively over the quarter, with three being in the highest contributors to performance. Aon Plc continues to be a strong performing stock, with Longview having held the stock for over 5 years.

In terms of detractors, industrial distribution company WW Grainger stood out, accounting for one third of the portfolio's total losses over the quarter. WW Grainger's business model is to sell planned purchases (contracted amounts, often with volume discount), and spot purchases (orders placed daily from the website). The company has been pushing up spot purchase pricing, which contribute to c. 40% of the revenue and, as a result, is looking expensive compared to competitors. WW Grainger has started to re-price its spot purchase pricing and is expecting volumes to improve as a result. The stock fell c. 30% over the quarter and was 2.9% of the portfolio.

Longview still has a relatively high cash allocation of 4.6%.





Source: eVestment.

9 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.

9.1 Insight – Active Non Gilts

9.1.1 Investment Performance to 30 June 2017

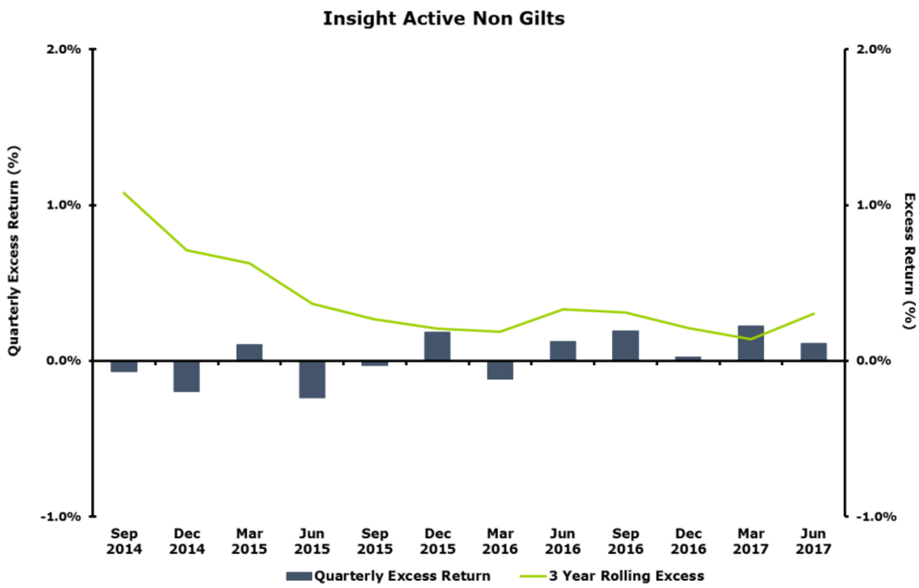
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Gross of fees	0.7	5.5	6.1	7.4
Net of fees[1]	0.6	5.2	5.8	7.1
iBoxx £ Non-Gilt 1-15 Yrs Index	0.5	4.5	5.5	6.3
Relative (on a net basis)	0.1	0.7	0.3	0.8

Source: Northern Trust

(1) Estimated by Deloitte

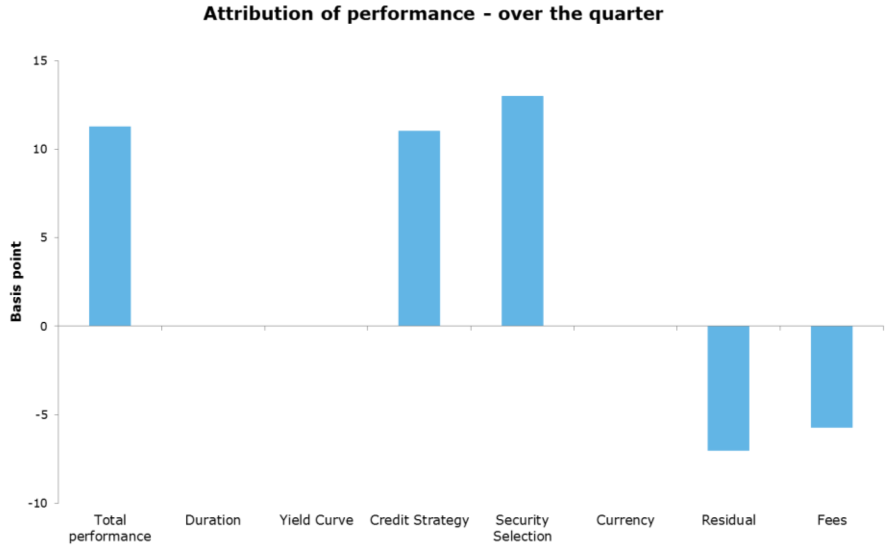
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the Non-Gilt portfolio outperformed the benchmark by 0.1%. Over the year to 30 June 2017, the portfolio has outperformed the benchmark by 0.7%, by 0.3% p.a. over the 3 years to 30 June 2017 and by 0.8% p.a. since inception. Performance remains below the outperformance target of 0.9% p.a. across all periods.

9.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's outperformance this quarter has been driven by its credit strategy and security selection, with there being no excess performance from the portfolio's duration positioning, yield curve or currency.

9.2 Insight – Government Bonds

9.2.1 Investment Performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Gilts - Gross of fees	-0.6	-0.2	3.7	2.6
Net of fees[1]	-0.6	-0.3	3.6	2.5
FTSE A Gilts up to 15 Yrs Index	-0.7	-0.2	3.8	2.7
Relative (on a net basis)	0.1	-0.1	-0.2	-0.2

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 30 June 2008.

The gilt portfolio aims to track the benchmark and has performed broadly in-line, or within acceptable tracking levels, over all periods to 30 June 2017.

9.3 Duration of portfolios

	31 March 2017		30 June 2017	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	4.7	5.6	5.7	5.6
Government Bonds (Passive)	4.5	4.8	4.5	5.0

Source: Insight

10 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.

10.1 Property – Investment Performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	2.7	7.9	12.3	10.1
Net of fees[1]	2.6	7.5	11.9	9.7
Benchmark	2.6	6.3	10.5	9.0
Relative (on a net basis)	0.0	1.2	1.4	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 performed in line with the benchmark over the quarter, returning 2.6% in absolute terms. The strategy remains ahead of its benchmark over the year, three years and since inception to 30 June 2017 by 1.2%, 1.4% p.a. and 0.7% p.a. respectively. The strategy is ahead of target (to outperform the benchmark by 0.5% p.a.) across all periods.

Key contributors to the performance over the quarter came from properties in the Industrial sector. The main detractors over the quarter were the Trust's holdings in Retail Warehouses and West End Offices, both sectors having a fairly muted (albeit positive) quarter.

At a stock specific level, Hermes notes the negative return by the Broken Wharf House, London, and Christopher Place in St. Albans. With planning costs and vacancy affecting the performance of Broken Wharf House and the recent drop in value of shopping centres directly affecting Christopher Place. The main contributors this quarter came from the industrial sector, with Hermes noticing strong, positive, valuation movements in 3 Heathrow properties and Elstree Distribution Park in Borehamwood.

10.2 Sales and Purchases

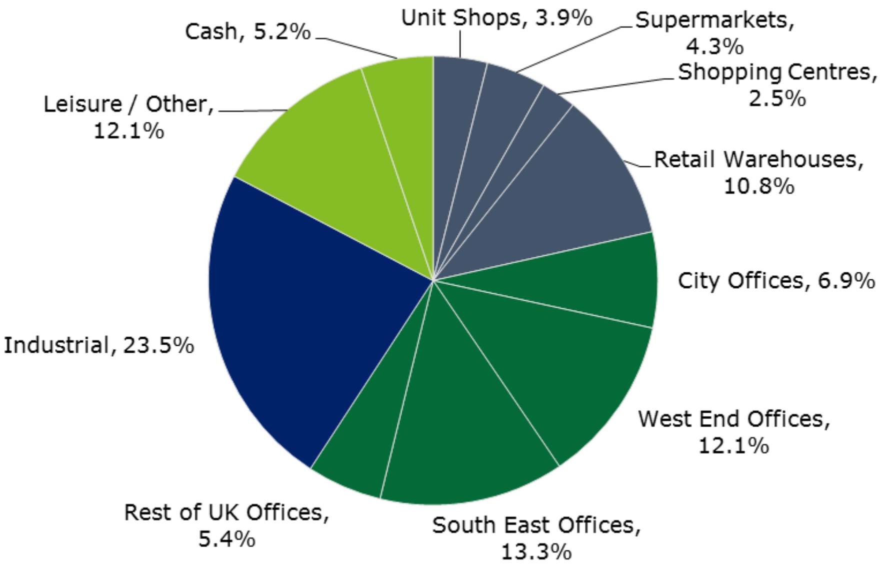
There were no acquisitions or disposals during the second quarter of 2017. Hermes notes that it is looking at some new assets but is unlikely to be finalising any deals until later this year.

Asset management is ongoing at the following properties:

- Elstree Distribution Park, Borehamwood: the lease with Home Delivery Network, which was set to expire in March 2018, has been renewed for another 10 year term starting from June 2017. This has removed the void risk and has also achieved a 17% increase in rent.
- The Warwick, Regency House, 1-4 Warwick Street, London W1: rent review on the ground floor bar settled following a determination by an arbitrator. New passing rent set at £290,000, a significant increase from the previous passing rent of £160,000. This increase in rent has been back-dated to the date of the rent review and will be paid into the Trust's Q3 income distribution.
- 27 Soho Square, London, W1D: after becoming vacant in January 2017, the Trust has invested c.£560,000 to complete the comprehensive refurbishment of the building's first floor office. Hermes believes this has significantly improved the marketability and rental potential of this floor, with the expectation of an improvement in EPC rating to B.

10.3 Portfolio Summary as at 30 June 2017

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 June 2017 shown below.



The table below shows the top 10 directly held assets in the Fund as at 30 June 2017, representing c.36.1% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	108.5
8/10 Great George Street, London SW1	Offices	62.0
27 Soho Square, London W1	Offices	44.2
Polar Park, Bath Road, Heathrow	Industrial	43.4
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Hythe House, Hammersmith	Offices	39.0
2 Cavendish Square, London W1	Offices	37.9
Camden Works, Oval Road, London NW1	Offices	37.7
Christopher Place, St Albans	Shopping Centre	36.5
Boundary House, 91/93 Charterhouse St, London EC1	Offices	35.0
Total		**485.4**

11 Standard Life Aberdeen – Long Lease Property

Standard Life Aberdeen ("SLA") 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.

11.1 Long Lease Property – Investment Performance to 30 June 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Standard Life - Gross of fees	2.8	8.6	7.8	9.0
Net of fees[1]	2.6	8.1	7.3	8.5
Benchmark	-0.8	1.0	9.0	7.2
Relative (on a net basis)	3.4	7.1	-1.7	1.3

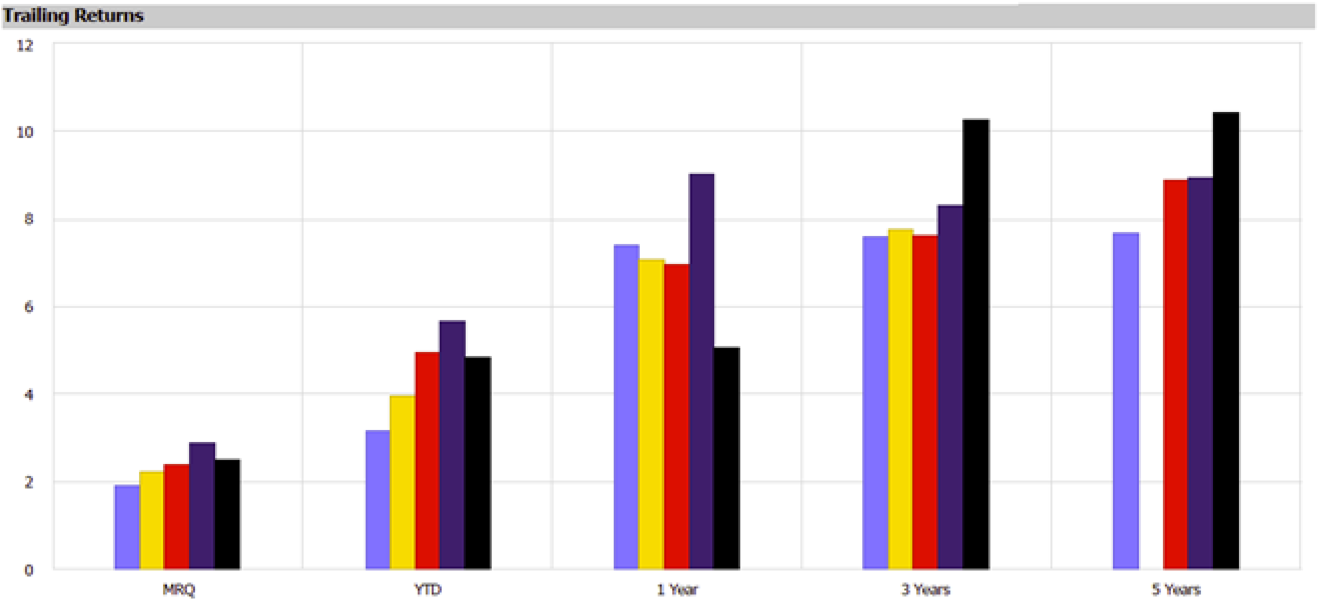
Source: Standard Life

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

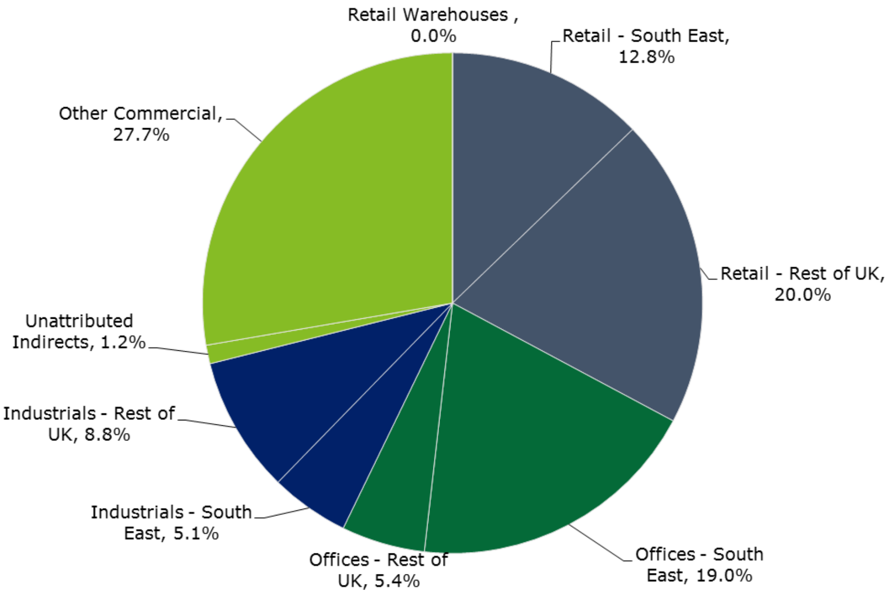
The SLA Long Lease Property Fund returned 2.6% net of fees over the second quarter of 2017, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 3.4% net of fees. The chart below shows the longer term performance of the SLA Long Lease Property Fund relative to a number of other long lease products.



	VT	RM	MRQ	YTD	1 Year	3 Years	5 Years
Aviva Investors: Lime Property Fund - UK Long Secure Income	PF	NF	1.92	3.14	7.38	7.58	7.67
BlackRock: UK Long Lease Property	CF	NF	2.20	3.96	7.07	7.78	---
M&G Investment Management Ltd: M&G Secured Property Income Fund	PF	NF	2.38	4.94	6.96	7.62	8.87
Standard Life Investments (Aberdeen Standard Investments): Long Lease Property Fund	PF	GF	2.88	5.64	9.04	8.31	8.95
IPD Index: IPD	SA	IX	2.50	4.82	5.06	10.25	10.43

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 June 2017 is shown in the graph below.



The Fund's holding in the office sector has increased from 21.9% as at 31 March 2017 to 24.4% as at 30 June 2017, in response to the £89.1m acquisition of an office at 33 Foley Street.

Throughout the quarter, the Fund's industrial and "Other" weights have reduced from 14.7% and 30.5% to 13.9% and 28.9% respectively.

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	7.9	10.0
Whitbread	5.2	6.6
Sainsbury's	4.9	6.2
Marston's	4.6	5.8
Asda	4.4	5.6
QVC	4.0	5.1
Salford University	3.7	4.7
Save The Children	3.7	4.6
Steinhoff	3.6	4.6
Glasgow City Council	3.3	4.2
Total	**45.3**	**57.3***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 57.3% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's and Asda contributing 21.8% to the Fund's total net rental income as at 30 June 2017.

The Fund's average unexpired lease term decreased slightly over the quarter from 25.4 years to 25.1 years.

11.3 Sales and Purchases

There were two purchases over the quarter:

- The Fund acquired an office at 33 Foley Street for £89.1m. The asset is on a sale and lease back basis to Kier Group. The 25 year lease has annual RPI-linked rent reviews with a cap and collar of 4% p.a. and 2% p.a. respectively. The property is currently under development and is expected to be completed in October.

- The Fund also purchased the Ivy Restaurant in Covent Garden for £37.5m. The 35 year lease has annual RPI-linked rent reviews.

The Fund also exchanged contracts to sell one asset:

- SLI exchanged contracts to sell its Debenhams store in Nottingham for £28.85m. The asset is being sold at a premium to its current valuation and Standard Life has concerns around the business strength of Debenhams and its declining share price. The sale of the asset also reduced the Fund's retail exposure.

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 Aberdeen	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 – eVestment Attribution

eVestment Attribution provides holdings-based portfolio analysis tool, allowing deeper insight into how portfolio returns are generated, active returns to be de-composed and value-add from sector, style and regional effects to be quantified.

eVestment collects data directly from the investment managers. The calculations are based on holdings and may differ slightly from those provided by the manager.

Definitions

Allocation: Allocation effect captures the value added by the manager relative to the benchmark or peer group from active allocation to sectors, regions and styles. The Allocation effect isolates the manager's active weighting decisions relative to the benchmark or average allocations across a peer group. This captures the manager's 'top-down' skill.

Selection: Selection effect captures the value added by the manager relative to the benchmark or peer group from overweighting or underweighting specific stocks. The Selection effect isolates the manager's active stock selection decisions rather than holding the same securities as the benchmark or peer group. This captures the manager's 'bottom-up' skill.

Activity: This tracks the difference between the linked actual monthly returns and buy-and-hold monthly returns. This captures intra-period trading.

Timing: This measures the combined effects of compounding and changes in allocations and holdings through time.

Limitations

- Attribution analysis is available for a minimum period of one quarter and maximum period of 5 years.
- Only equity products are eligible for attribution analysis (this includes institutional, SMA, and ETF products).
- Holdings data is collected on a quarterly basis. Adjustments are made to account for intra-quarter trading activity.
- Managers are not permitted to view the holdings page for products other than those managed by their firm.

Universe construction

On an ongoing basis, all eVestment Universes are updated & scrubbed approximately 45 days after quarter-end, where several factors are considered, including:

- Screening of fundamental portfolio characteristics vs universe medians; emphasis on outliers, data trends and accuracy;
- Analysis of sector allocations vs existing eVestment style universes; emphasis on significant over/under-exposures to key "style" sectors (technology, financials, etc.);
- Statistical performance and risk screening versus appropriate benchmarks and universe medians, such as returns, standard deviation, tracking error and correlation coefficients over trailing and rolling time periods;
- Review of product narratives detailing a manager's investment strategy, screening process, portfolio construction methodologies and buy/sell disciplines;
- Manager reported capitalisation and style emphasis, or duration, quality and style emphasis and product benchmark.

Security eligibility and weight threshold requirements for individual portfolios apply to universe construction as well. After this process is complete, the eVestment team will collectively review preliminary classifications on new universe entrants and any suggested reclassifications of existing products. Following final agreement among the eVestment team, products are added or moved and new universes are promoted to the live eVestment system for use by all eVestment clients.

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.

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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