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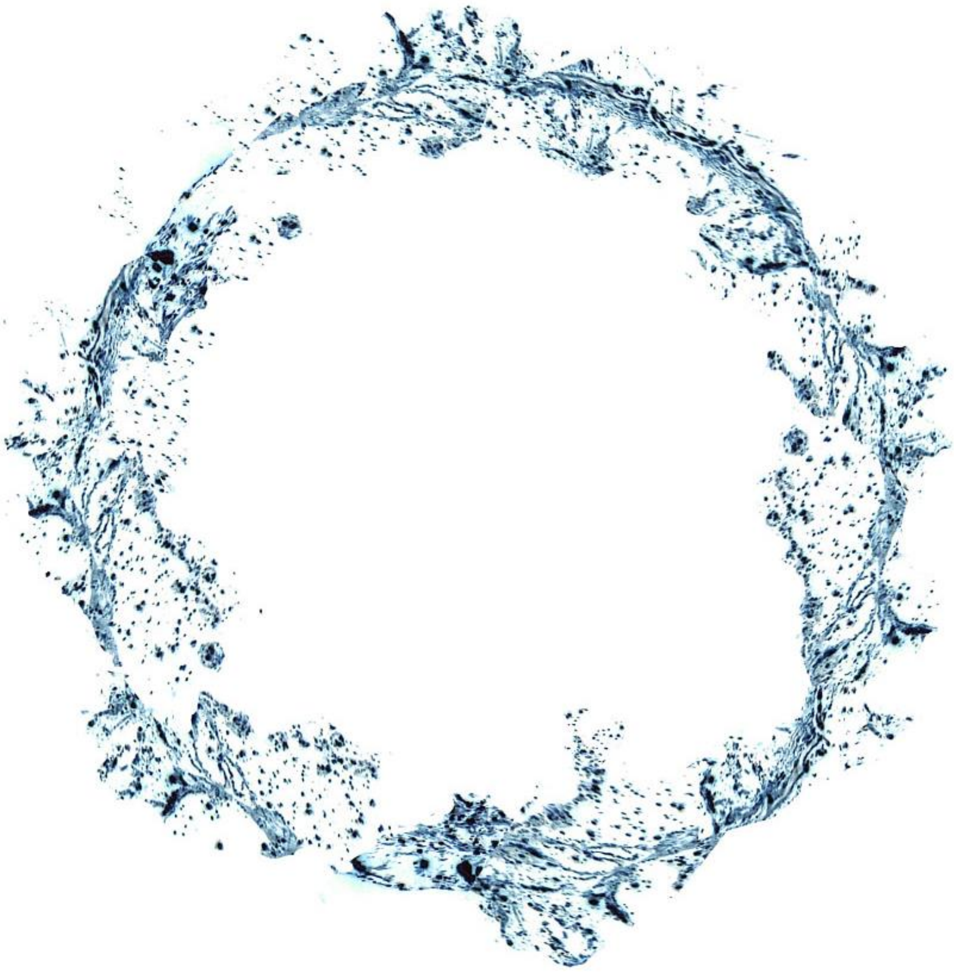


City of Westminster Pension Fund

Investment Performance Report to 31 December 2017

Deloitte Total Reward and Benefits Limited

February 2018

Contents

1 Market Background

Three and twelve months to 31 December 2017

The UK equity market had a strong fourth quarter of 2017, with the FTSE All Share Index returning 5.0%, helped by rising oil prices and the continued strength of the global economy. The majority of these gains occurred in December, with the Index posting positive returns of 4.8%.

Large UK companies slightly outperformed smaller companies over the quarter but both generated significant returns with the FTSE 100 Index returning 5.0% while the FTSE Small Cap Index returned 4.2%. At a sector level, there was more of a dispersion in returns: Basic Materials (11.1%), Oil & Gas (9.7%) and Technology (8.8%) made substantial gains, while Utilities (-7.9%) and Health Care (-2.4%) suffered losses.

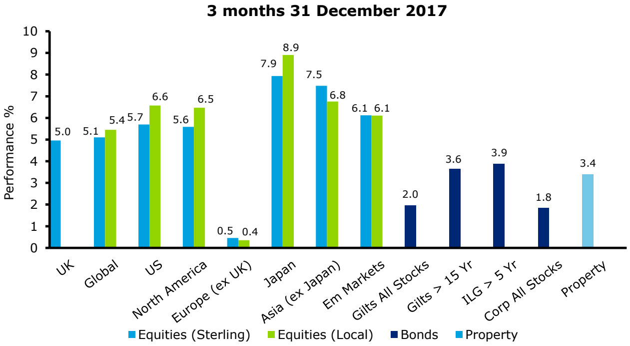
Global equity markets outperformed UK equities in local currency terms (5.4%) as well as sterling terms (5.1%) with the UK's economic prospects continuing to lag the strong macroeconomic environment globally given the continued uncertainty over Brexit. Sterling strengthened slightly over the quarter, with currency hedging therefore benefitting investors. All geographic regions delivered positive returns in local currency terms: Japan (8.9%) was the best performing region in local terms, with Europe ex-UK (0.4%) being the poorest performing region outside the UK, in local currency terms, dampened by concerns around political issues in Germany and Spain and in spite of strong economic growth in the region.

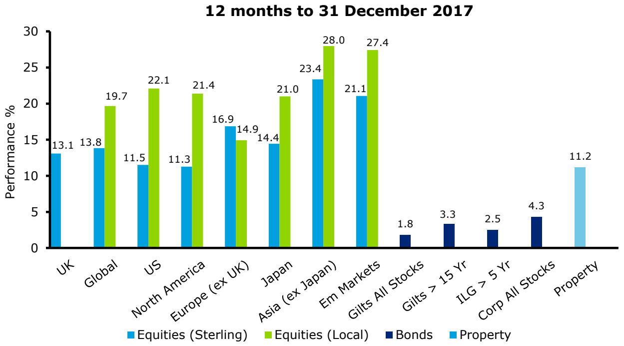
Nominal gilt yields fell over the fourth quarter as a whole, with the market anticipating that future rate rises might proceed at a slower pace than previously expected. The All Stocks Gilts Index delivered a positive return of 2.0% over the quarter. Real yields also decreased over the quarter, reflecting the falls in nominal yields with inflation expectations broadly unchanged. Index-linked gilts also performed positively with the Over 5 Year Index-Linked Gilts Index returning 3.9% over the period. Credit spreads were broadly unchanged over the fourth quarter; the iBoxx All Stocks Non Gilt Index delivered a positive return of 1.8% in line with the broader move in gilt yields.

Over the 12 months to 31 December 2017, the FTSE All Share Index delivered a positive return of 13.1%, helped by an increasingly positive global economic picture and increases in the price of oil. Basic Materials (25.0%) was the best performing sector while Utilities (-14.8%) was the poorest. The increasing uncertainty caused by Brexit continued to weigh on UK equities however, with all global markets generating superior returns in local currency terms over the period. The strengthening of sterling over the period suggests that currency hedging has been beneficial.

UK nominal gilts delivered positive returns over the 12 months to 31 December 2017, with the All Stocks Gilts Index returning 1.8% and the Over 15 year Gilts Index returning 3.3%. UK index-linked gilts also delivered positive returns over the same period, with the Over 5 Year Index-Linked Gilts Index returning 2.5%. Credit spreads narrowed over the year to 31 December 2017 by around 18bps. Consequently, corporate bonds outperformed equivalent gilts with the iBoxx All Stocks Non Gilt Index delivering a return of 4.3%.

The IPD UK Monthly Property Index returned 3.4% over the quarter and 11.2% over the year to 31 December 2017. The search for yield has contributed to the increased demand for UK property, which is still viewed as a "safe haven" by some overseas investors - foreign demand remains strong despite the uncertainty surrounding Brexit with the London market benefiting.





2 Total Fund

2.1 Investment Performance to 31 December 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	2.5	2.3	5.0	5.8	5.2	13.1	9.2	8.6	10.1	13.5	12.9	11.6
LGIM	Global Equity	5.3	5.3	5.3	18.8	18.7	18.7	9.8	9.8	9.9	13.3	13.2	13.3
Baillie Gifford	Global Equity	5.1	5.0	4.9	23.0	22.6	13.2	18.4	18.1	14.6	17.2	16.8	14.4
Longview	Global Equity	3.4	3.2	4.6	11.8	11.1	11.8	n/a	n/a	n/a	15.9	15.3	14.4
Insight Gilts	Gilts	0.8	0.8	0.8	0.8	0.7	0.6	2.2	2.1	2.2	2.5	2.4	2.5
Insight Non Gilts	Non Gilts	1.7	1.6	1.4	4.7	4.5	3.8	4.7	4.5	4.2	7.1	6.9	6.1
Hermes	Property	3.7	3.6	3.3	11.2	10.8	10.8	10.3	9.9	9.5	10.4	10.0	8.9
Aberdeen Standard	Property	2.9	2.8	2.4	11.5	11.0	3.8	8.3	7.8	6.1	9.3	8.8	7.0
Total		**3.7**	**3.6**	**4.1**	**12.7**	**12.3**	**11.7**	**10.9**	**10.5**	**9.7**	**n/a**	**n/a**	**n/a**

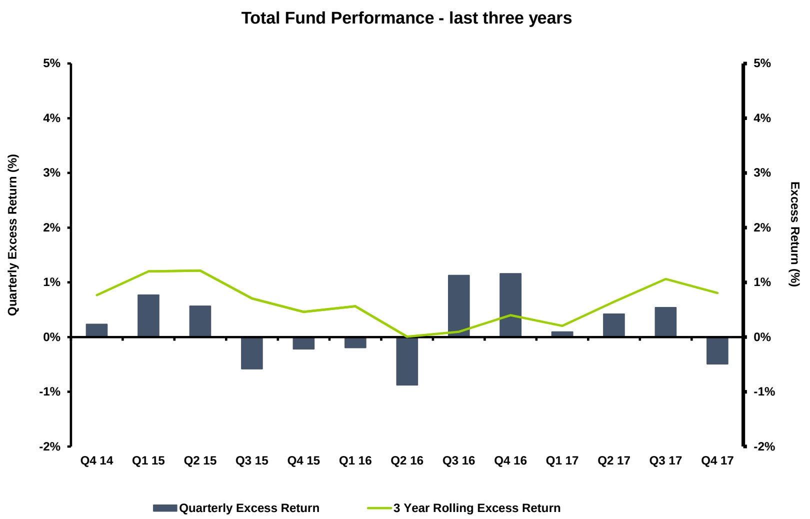
Source: Northern Trust

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

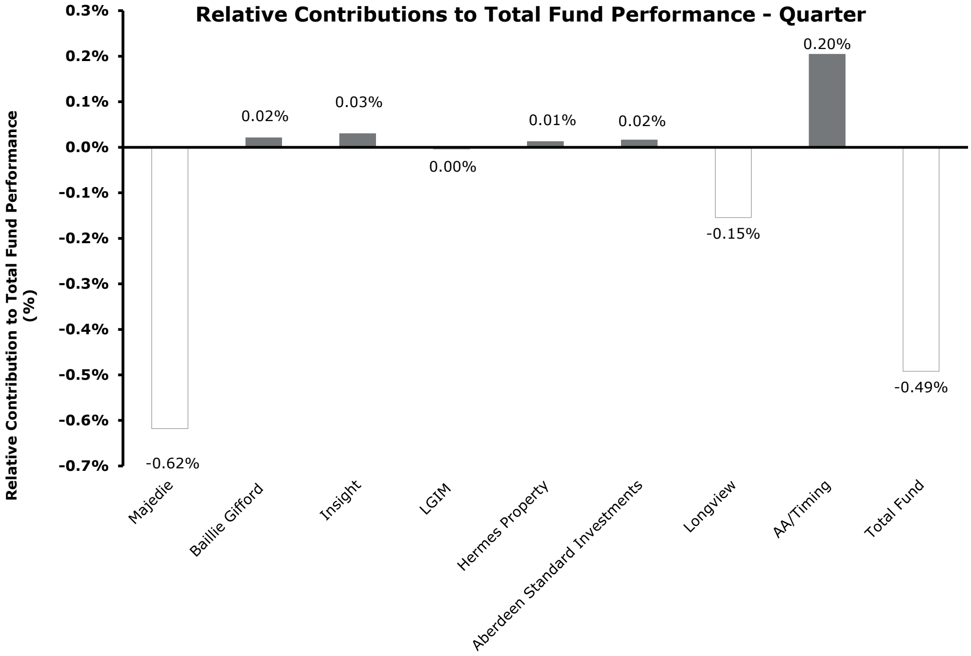
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund underperformed its benchmark by 0.5% on a net of fees basis, with the outperformance of Hermes and Aberdeen Standard being offset by the underperformance from Majedie and Longview. The Fund has outperformed its benchmark over the last year and three years by 0.6% and 0.8% 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.

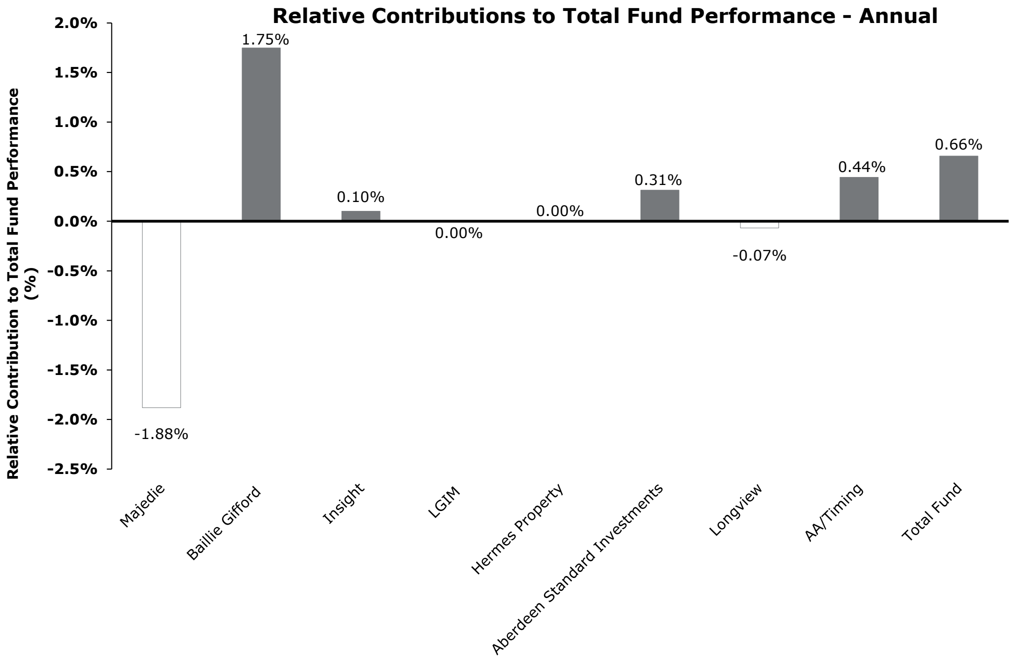


2.2 Attribution of Performance to 31 December 2017



On a net of fees performance basis, the Fund underperformed its benchmark by 0.5% over the fourth quarter, largely as a result of underperformance from Majedie and Longview.

Over the year the Fund outperformed the benchmark by 0.7% with Baillie Gifford and Aberdeen Standard Investments being the largest contributors once again, offsetting underperformance from Majedie. The positive contribution shown by the "AA/Timing" bar was primarily driven by the Fund having an overweight allocation to equities.



2.3 Asset Allocation as at 31 December 2017

The table below shows the assets held by manager and asset class as at 31 December 2017.

Manager	Asset Class	End Sept 2017 (£m)	End Dec 2017 (£m)	End Sept 2017 (%)	End Dec 2017 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	310.1	317.8	23.5	23.2	22.5
LGIM	Global Equity (Passive)	302.0	317.9	22.9	23.2	22.5
Baillie Gifford	Global Equity	254.0	266.8	19.2	19.5	25
Longview	Global Equity	144.1	149.0	10.9	10.9	
	Total Equity	**1,010.2**	**1,051.5**	**76.6**	**76.9**	**70**
Insight	Fixed Interest Gilts (Passive)	18.7	18.9	1.4	1.4	20
Insight	Sterling Non-Gilts	172.5	175.4	13.1	12.8	
	Total Bonds	**191.2**	**194.3**	**14.5**	**14.2**	**20**
Hermes	Property	60.3	62.6	4.6	4.6	5
Aberdeen Standard	Property	57.8	59.5	4.4	4.3	5
To be determined	Property / Infrastructure	0.0	0.0	0.0	0.0	
	Total Property	**118.1**	**122.1**	**9.0**	**8.9**	**10**
	Total	**1,319.5**	**1,367.8**	**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. £48.3m, with positive absolute returns from all of the Fund's managers.

As at 31 December 2017, the Fund was 6.9% overweight equities when compared with the amended benchmark allocation and underweight bonds and property by c. 5.8% and 1.1% respectively.

2.4 Yield analysis as at 31 December 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 31 December 2017
Majedie	UK Equity	3.28%
Baillie Gifford	Global Equity	0.69%
LGIM	Global Equity (Passive)	0.23%*
Longview	Global Equity	2.27%
Insight Fixed Interest Gilts	Fixed Interest Gilts (Passive)	0.80%
Insight Sterling Non-Gilts	Sterling Non-Gilts	2.00%
Hermes Property	Property	5.10%
Aberdeen Standard Investments	Long Lease Property	4.14%
	Total	**1.89%**

*Benchmark yield is 2.4% (represents the income that would be generated).

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
Aberdeen Standard Investments	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 31 December 2017, the London CIV had 10 sub-funds and assets under management of £6,336m, an increase of c. £800m over the quarter, with one new sub-fund added (Epoch Investment Partners Global Equity), one new investor being added to the Pyrford sub-fund and the Baillie Gifford sub-fund and three investors being added to the Ruffer sub-fund.

Personnel
Over the quarter it was announced that Hugh Grover, CEO of the London CIV, had resigned from his role and that Mark Hyde-Harrison, former chief of the Barclays UK Retirement Fund and current head of defined contribution strategy at Willis Towers Watson, would step in as interim CEO while a permanent replacement is sought.

Post quarter end it was announced that Julian Pendock, CIO of the London CIV, had resigned from his role.

Deloitte view – We view the recent departures as significant losses to the London CIV both in terms of their position of seniority as well as the fact that both have been involved since the CIV's establishment in 2015. It is crucial that steps are taken to rebuild the senior management team and an appropriate strategy agreed for taking the pool forward, getting "buy-in" from the shareholders.

3.2 Majedie

Business

The total assets under management for Majedie was c. £14.5bn as at 31 December 2017, unchanged from the previous quarter.

Personnel

There were no changes to the team over the fourth quarter of 2017.

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

3.3 Baillie Gifford

Business

Total assets under management as at 31 December 2017 was c. £180bn, up from c. £167bn as at 30 September 2017. The AUM for the Global Alpha Fund was £34bn as at 31 December 2017, representing an increase of £1bn over the quarter. The increase in assets under management has been due to a combination of improving market conditions and outperformance. The Fund's liquidity and capacity remains comfortable with no plans to reopen to new clients.

Personnel

There were no changes to the 3 main fund decision-makers (Charles Plowden, Spencer Adair and Malcom MacColl). The periodic rotations of the graduate bench that supports them took place over the quarter.

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

3.4 LGIM

Business

As at 30 June 2017, Legal & General Investment Management ("LGIM") had total assets under management of £951bn, an increase of £57bn since 31 December 2016, with the largest increases seen in Solutions and Multi-Asset. (Note, Legal & General now report asset growth figures on a semi-annual reporting timetable and the next updated figures (December 2017) will be released by March 2018.)

Personnel

At the Index team level, there was one new joiner over the quarter, Harvey Sidhu, who joined as Head of Index Plus from BlackRock where he held the position of Lead Global Portfolio Manager. Lee Collins and David Barron also joined the Index Team as Head of Index Fixed Income and Head of Index Equity & FBI (Factor Based Investing) as internal transfers from other Legal & General departments. There was one leaver during the quarter as Pedro Santay left his role as European fund manager to take up a role based in continental Europe, with Chris Tydeman taking over his responsibilities.

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

3.5 Longview

Business

Assets under management increased over the quarter to c. £19.6bn as at 31 December 2017, primarily as a result of market movements. The Fund has reached its capacity limit of $25bn and is now closed to new investors, with a waiting list in operation.

There is limited capacity available for existing clients but this is being monitored closely by Longview.

Personnel

There were no personnel changes took place over the fourth quarter of 2017, but Longview is looking to recruit an additional technical analyst to bolster its team.

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

3.6 Insight

Business

Total assets under management increased over the fourth quarter from c. £550bn to c. £585bn.

Personnel

Insight made no changes to their Bonds Plus team over the quarter, however, within the Secured Finance team:

- Alok Bedekar joined as a Senior Analyst, where he will primarily be responsible for the origination, execution and ongoing portfolio management of illiquid asset-backed credit investments. Alok was previously a Director at Shawbrook Bank plc.
- Joseph Lawson joined as an analyst. Joseph is primarily responsible for the analysis, modelling and surveillance of asset-backed investments. Previously, Joseph was an analyst at Performance Trust Capital Partners.
- Lenny Kushnirsky also joined as an analyst, primarily responsible for the analysis, modelling and surveillance of asset-backed investments. Lenny previously began his career as an actuarial analyst with Sibson Consulting in 2014.

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

3.7 Hermes

Business

Total assets under management increased by c. £0.7bn over the fourth quarter to £30.8bn. Assets under management within the HPUT remained at c. £1.5bn as at 31 December 2017.

Personnel

There were no changes to the HPUT team over the quarter.

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

3.8 Aberdeen Standard Investments – Long Lease Property

Business

The Long Lease Property fund's assets under management increased to £2.1bn as at 31 December 2017.

Since the two businesses merged, ASI has put in place a formalised process where all potential transactions are reviewed and an "allocation policy" applied where interest is expressed in the investment by more than one fund/client portfolio.

Following the quarter end ASI announced that from 1 April 2018 the fee rate being charged on the Long Lease Property Fund will be changing from the flat fee of 0.5% on assets invested to the following sliding fee scale:

- 0.5% on first £25m of assets invested;
- 0.4% on assets in the range of £25m-£50m; and
- 0.3% on assets over £50m.

This will benefit the Fund which had c. £59.5m invested as at 31 December 2017. Fee reductions will be achieved through a management charge rebate in the form of either increasing the number of units held or through a monthly cash payment.

Personnel

Aberdeen Standard Investments has announced that the leadership team for Aberdeen Standard Investments Real Estate Division will be led by Global Co-Heads of Real Estate, David Paine and Pertti Vanhanen.

Deloitte View – We continue to monitor ASI post-merger with the organisation currently in the midst of the integration. ASI has been keen to stress that the management of the Long Lease Property Fund is unaffected by the merger but there have already been changes to processes employed by the wider property team as a whole.

We have arranged a meeting with ASI to discuss more fully the implications of the recent transactions which will see c. £141bn of money managed on behalf of Scottish Widows transferred elsewhere and the sale of Standard Life's insurance business to Phoenix.

4 London CIV

4.1 Investment Performance to 31 December 2017

As at 31 December 2017, the London CIV had 10 sub-funds and assets under management of £6,336m, an increase from £5,556m as at 30 September 2017. This growth was attributable to a new sub-fund added over the quarter, which added c. £140m to the platform, as well as positive investment performance and an increase in the number of investors within various sub-funds.

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 September 2017 (£m)	Total AuM as at 31 December 2017 (£m)	Number of London CIV clients	Inception Date
LCIV MJ UK Equity	UK Equity	Majedie	523	531	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	715	742	3	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,742	1,826	9	11/04/16
LCIV NW Global Equity	Global Equity	Newton	661	641	3	22/05/17
LCIV LV Global Equity	Global Equity	Longview Partners	376	442	3	17/07/17
LCIV EP Income Equity	Global Equity	Epoch Investment Partners	-	140	1	08/11/17
LCIV PY Total Return	Diversified growth fund	Pyrford	223	359	4	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	434	477	6	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	539	834	9	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	343	344	3	16/12/16
Total			**5,556**	**6,336**	**21**	

During the quarter, the Epoch sub-fund was added. Epoch and the London CIV are working together to plan the transition for the relevant funds. The London CIV is expecting to add the following sub-funds over the coming months:

- RBC – Sustainable equity sub-fund.
- Janus Henderson – Emerging market equity sub-fund.

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 31 December 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	5.1	23.0	18.4	17.2
Net of fees	5.0	22.6	18.1	16.8
MSCI AC World Index	4.9	13.2	14.6	14.4
Relative (net of fees)	0.1	9.4	3.5	2.4

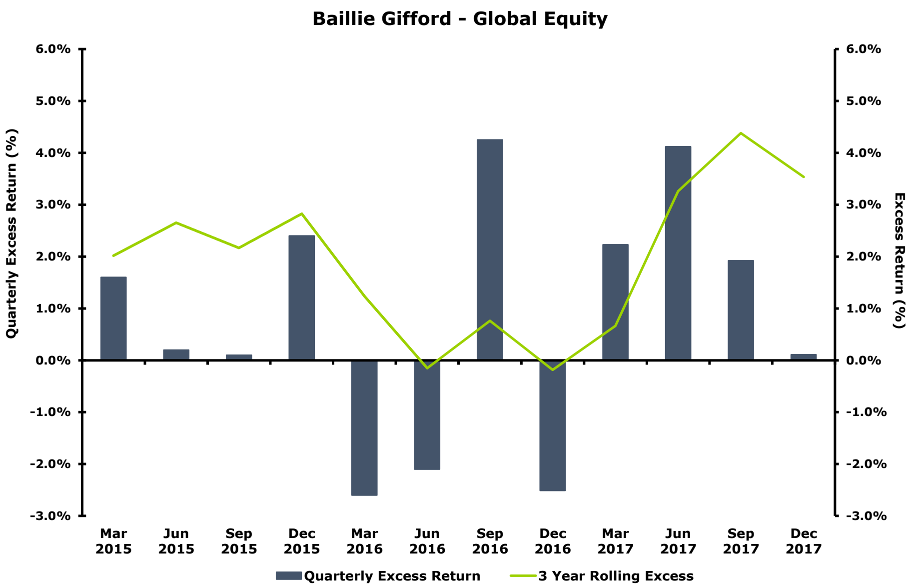
Source: Northern Trust and estimated by Deloitte.

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 0.1% net of fees over the quarter and by 9.4% over the year to 31 December 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 3.5% p.a.

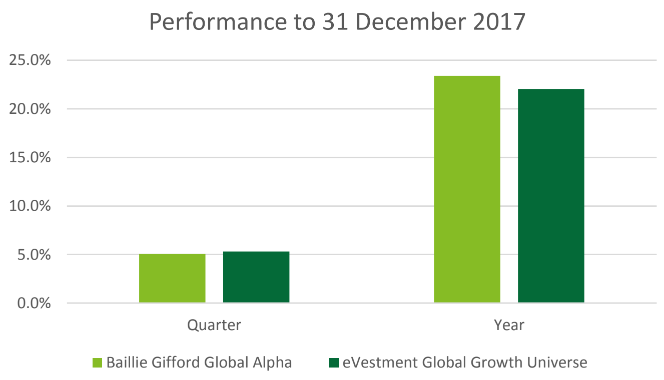


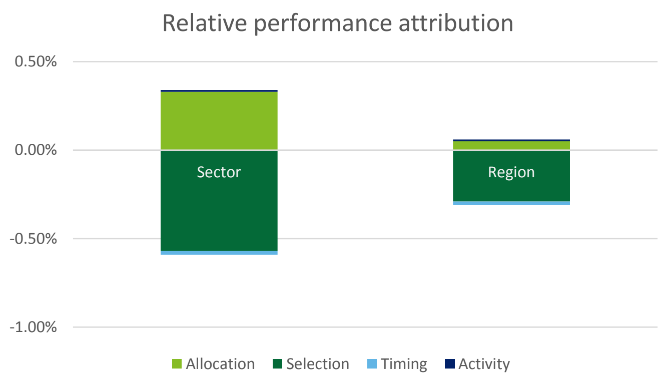
5.2 Performance Analysis

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 earnings growth resulting in capital gains as opposed to dividend income. The analysis overleaf 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 underperformed its peer group by 0.2% over the quarter, but has outperformed its peer group by 1.3% 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 year can be largely attributable to the high outperformance of the most volatile "rapid growth" portfolio sector, Baillie Gifford does not expect this level of outperformance in the future.

The top 10 holdings in the portfolio account for c. 26.6% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2017	Proportion of Baillie Gifford Fund
Naspers	4.6%
Amazon	3.8%
Prudential	3.3%
Taiwan Semiconductor Manufacturing	2.8%
Royal Caribbean Cruises	2.5%
Alphabet	2.5%
Anthem	2.4%
SAP	2.4%
Alibaba	2.3%
Moody's	2.1%
Total	**26.6%**

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

6 LGIM – Global Equity (Passive)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

6.1 Passive Global Equity – Investment Performance to 31 December 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	5.3	18.8	9.8	13.3
Net of fees[1]	5.3	18.7	9.8	13.2
FTSE World (GBP Hedged) Index	5.3	18.7	9.9	13.3
Relative (net of fees)	0.0	0.0	-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 and year to 31 December 2017. However, the Fund has underperformed the benchmark by 0.1% p.a. over the last three years and since the inception of the mandate. This slight underperformance over the last three years 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 31 December 2017

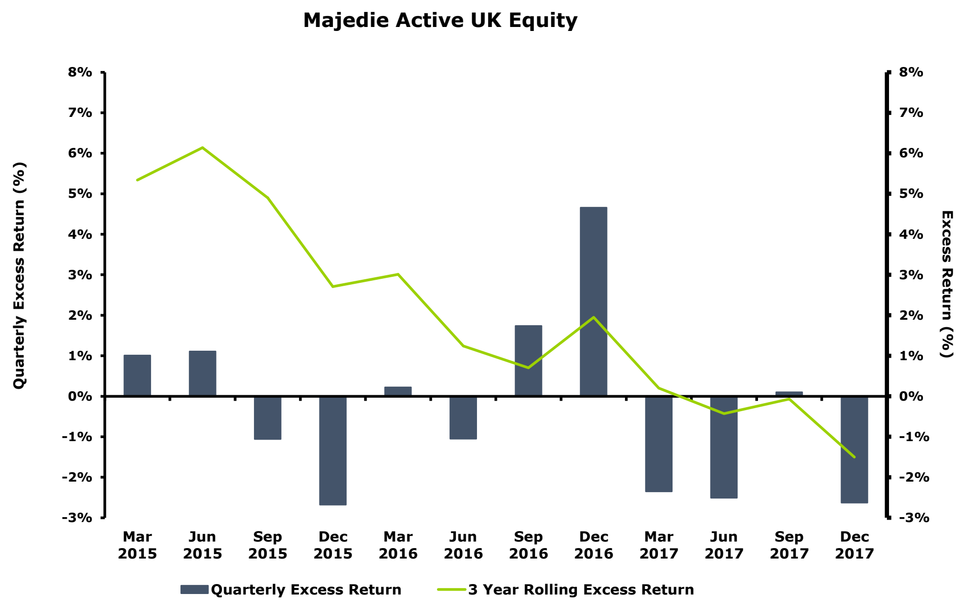
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	2.5	5.8	9.2	13.5
Net of fees[1]	2.3	5.2	8.6	12.9
MSCI AC World Index	5.0	13.1	10.1	11.6
Relative (on a net basis)	-2.7	-7.9	-1.5	1.3

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



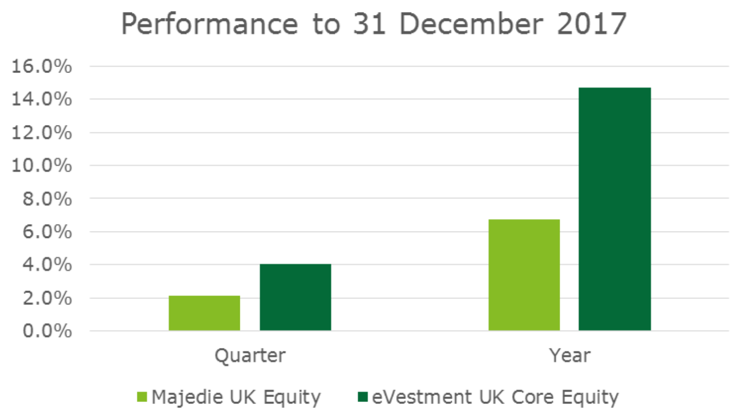
Majedie underperformed its benchmark over the quarter by 2.9% and has underperformed its benchmark over the year by 7.9% on a net of fees basis. Over the three years the manager has underperformed its benchmark on a net of fees basis by 1.5% p.a.

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 with a 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 particular style depending on the current market environment and the strength of views being expressed by the managers. 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.

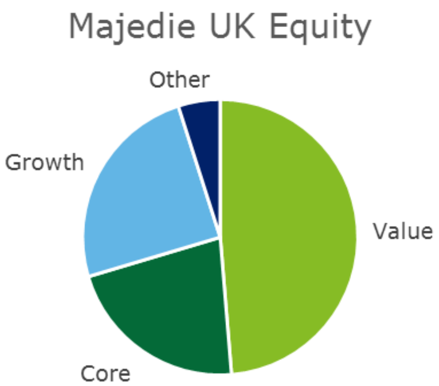
The chart below compares the performance of Majedie with its peer group (gross of fees).

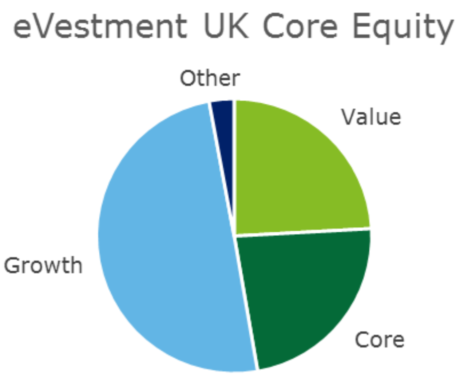


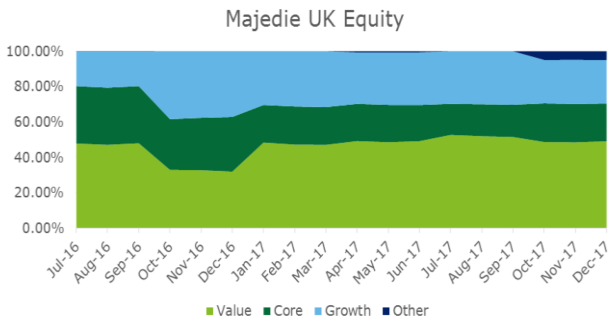
Majedie has underperformed the core equity universe by 2.0% over the quarter and by 7.9% over the year to 31 December 2017. Over the past year Majedie has had a value tilt in the portfolio (49% allocation versus average 24% across the peer group), reflecting concerns that the broader market is overvalued and, if there were to be a correction, the more cyclical value stocks would perform better in such an environment.

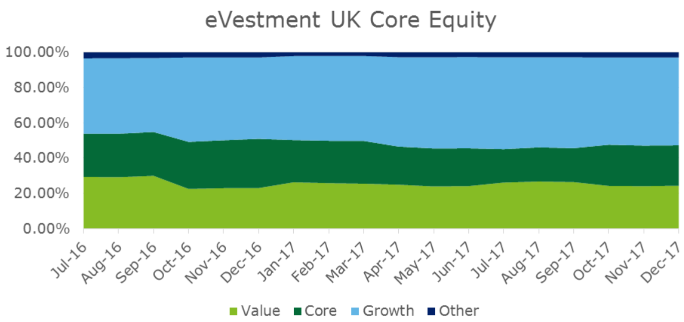
Source: eVestment.

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 allocation to value and underweight to growth stocks over the past 9 months, relative to its peers. This illustrates 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 31 December 2017

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Longview - Gross of fees	3.4	11.8	15.9
Net of fees[1]	3.2	11.1	15.3
MSCI World Index	4.6	11.8	14.4
Relative (on a net basis)	-1.4	-0.7	0.9

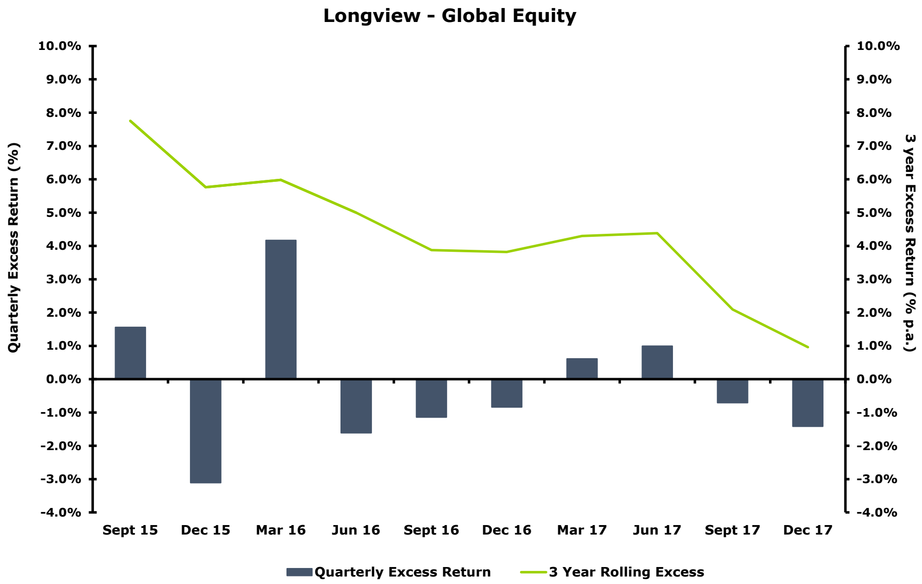
Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview underperformed the benchmark by 1.4% on a net of fees basis over the fourth quarter of 2017. Over the year the Fund is behind the benchmark (net of fees) by 0.7% but above benchmark since inception by 0.9% p.a. The Fund targets an outperformance of 3% p.a. over a three year period. The chart below shows the quarter and rolling three year returns.



8.2 Performance analysis

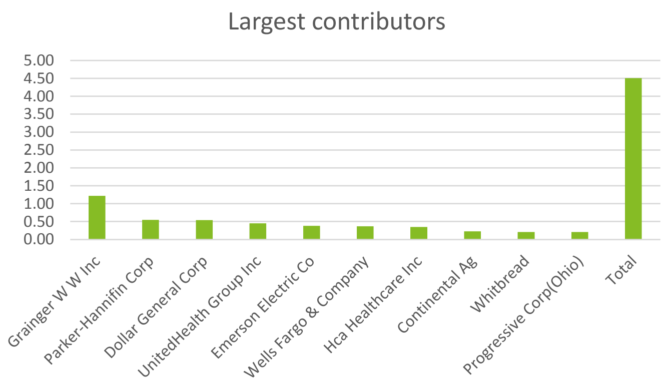
Longview runs a very concentrated core equity portfolio. The manager places high conviction in a small number of stocks (30-35), looking to add value through bottom up security selection. Therefore the most appropriate measure to monitor performance is to look at the stocks in the portfolio and understand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

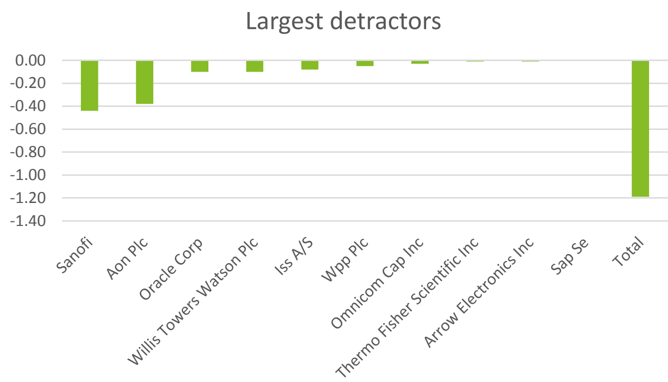
Stock	Average quarter weight	Performance
Aon Plc	4.46%	-8.51%
Aptiv Plc	4.09%	2.50%
Parker-Hannifin Corp	3.96%	13.77%
UnitedHealth Group Inc	3.96%	11.35%
Grainger W W Inc	3.95%	30.99%
Dollar General Corp	3.70%	14.70%
Bank of New York Mellon Corp	3.64%	1.44%
Hca Healthcare Inc	3.64%	9.64%
Wells Fargo & Company	3.64%	10.15%
Fidelity Natl Information Services	3.60%	0.52%

*Largest contributors, largest detractors.
Source: eVestment

Nine of Longview's top 10 weighted stocks performed positively over the quarter, with six being in the highest contributors to performance, a number of which benefited from the large-scale tax reforms passed in the US. Sanofi and Aon were the two largest detractors from relative performance with Sanofi, a pharmaceutical company losing market share to Eli Lilly and other competitors who have been reducing product prices.

These relative detractors were in part offset by WW Grainger, an industrial supplier, which contributed positively to relative performance over the quarter following strong earnings results on the back of higher volumes driven by its strategic pricing initiatives.





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 31 December 2017

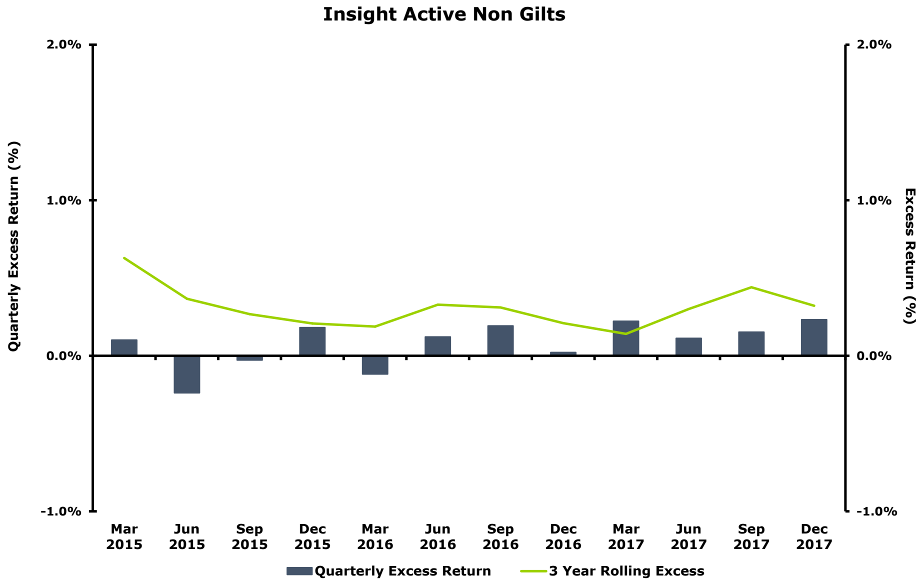
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Gross of fees	1.7	4.7	4.7	7.1
Net of fees[1]	1.6	4.5	4.5	6.9
iBoxx £ Non-Gilt 1-15 Yrs Index	1.4	3.8	4.2	6.1
Relative (on a net basis)	0.2	0.7	0.3	0.8

Source: Northern Trust

(1) Estimated by Deloitte

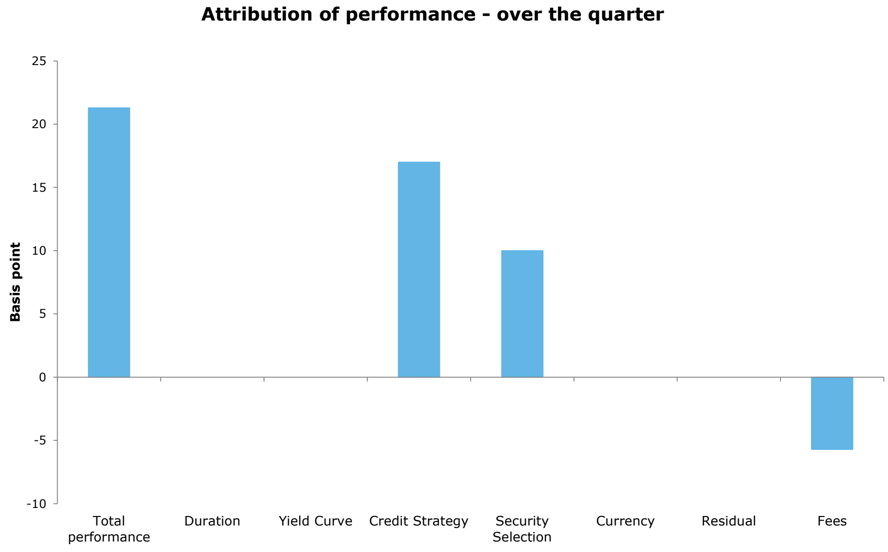
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the fourth quarter the Non-Gilt portfolio outperformed the benchmark by 0.2%. Over the year to 31 December 2017, the portfolio has outperformed the benchmark by 0.7%, by 0.3% p.a. over the 3 years to 30 September 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 31 December 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Gilts - Gross of fees	0.8	0.8	2.2	2.5
Net of fees[1]	0.8	0.7	2.1	2.4
FTSE A Gilts up to 15 Yrs Index	0.8	0.6	2.2	2.5
Relative (on a net basis)	0.0	0.1	-0.1	-0.1

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 31 December 2017.

9.3 Duration of portfolios

	30 September 2017		31 December 2017	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.5	5.5	5.7	5.5
Government Bonds (Passive)	4.7	5.0	4.8	4.9

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 31 December 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	3.7	11.2	10.3	10.4
Net of fees[1]	3.6	10.8	9.9	10.0
Benchmark	3.3	10.8	9.5	8.9
Relative (on a net basis)	0.3	0.0	0.4	1.1

Source: Hermes

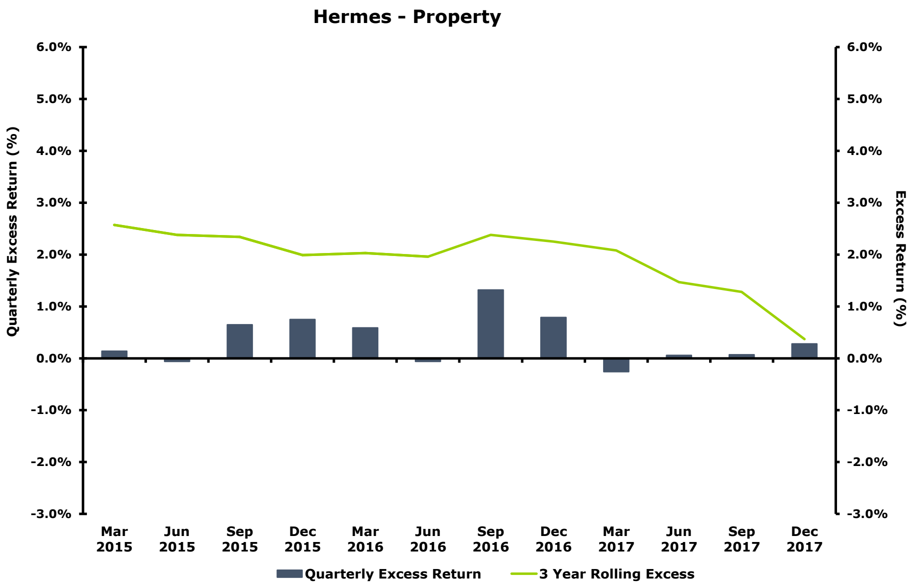
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes outperformed the benchmark by 0.3% over the quarter on a net of fees basis, returning 3.6% in absolute terms. The strategy performed in line with its benchmark over the year, whilst outperforming the benchmark over the three year period and since inception to 31 December 2017 by 0.4% p.a. and 1.1% p.a. respectively. The strategy is only ahead of target (to outperform the benchmark by 0.5% p.a.) over the period since inception to 31 December 2017.

Key contributors to the performance over the quarter came from properties in the Industrial sector and the "Other" sector. The main detractors were the Trust's holdings in City Offices and West End Offices, however all sectors delivered positive absolute returns over the quarter.



10.2 Sales and Purchases

There were 4 acquisitions and 2 disposals over the fourth quarter of 2017.

The Trust acquired Coln Industrial Estate, Old Bath Road, Poyle in October 2017 for a price of £16.5m. The property comprises 7 industrial units arranged over three separate terraces and is located in close proximity to Heathrow Airport, the M4 and M25. The property is fully let to 6 tenants producing a total rental income of c. £920k per annum, providing strong rental growth prospects in the short to medium term.

Another acquisition made by the Trust was of One City Place, an office building in Chester City Centre which is the administrative centre of Cheshire. The purchase price was £18.35m and was completed in November 2017, reflecting an initial yield of 6.9% and an equivalent yield of 6.5%. The property adjoins the main Chester railway station.

In October 2017, the Trust paid £9.25m to acquire the freehold interest in a multi-let industrial estate at 2 Childerditch Lane, West Horndon, Essex which includes seven industrial units and associated yard areas. The property is adjacent to the existing HPUT owned Horndon Industrial Park and consolidates the Trust's ownership. Master planning is under way for a major residential led redevelopment of the entire estate.

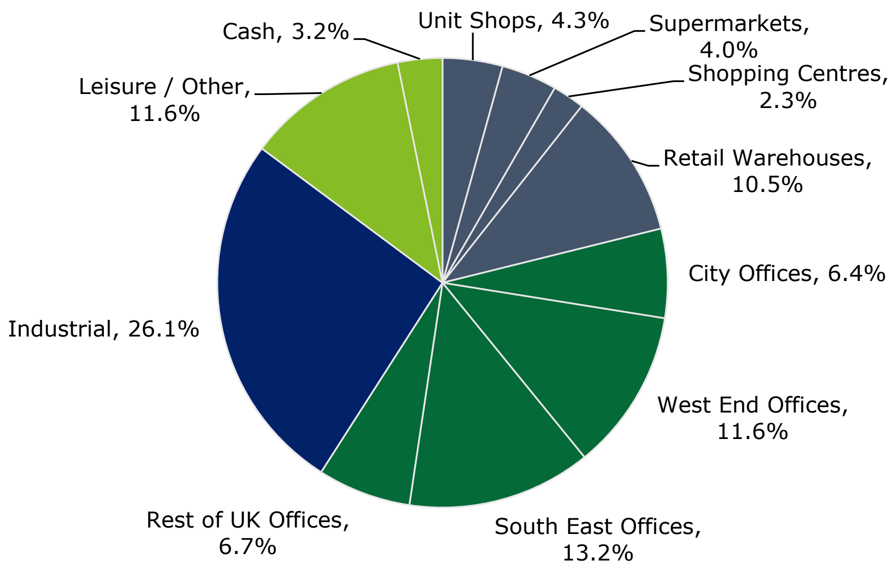
The Trust purchased a property at 71 North End, Croydon for the purposes of site assembly for a price of £3.85m in November 2017. The freehold retail premises consists of a basement and upper floor accommodation. The property is close to an existing HPUT asset (75-87 North End) and the purchase of this investment adds to the Trust's existing holding. The property is in prime position between the principal entrances to the Whitgift and Centrale shopping centres. The Whitgift Shopping Centre is due to be redeveloped into Westfield Croydon for completion in 2021.

The Trust disposed of 2 Cavendish Square, London in December 2017 with the transaction completing in May 2018. The property will be sold for £38.1m (net initial yield 4.33%) and the deferred completion will provide the Trust with additional rental income, estimated to be over £750,000. The rationale for the disposal is that with the investment being a leasehold, having just over 100 years to expiry, the appetite for this type of investment will fall with depreciating lease term.

The second disposal over the quarter was of Magdelayne Court, Broomfield, Chelmsford in December 2017 with the transaction completing in February 2018. The sale price will be £15.3m (net initial yield 5.0%) reflecting a 12% premium on the end-October 2017 valuation. The reasoning behind the disposal was that despite the investment currently being let to a strong covenant for a term in excess of 20 years, the property is becoming increasingly over rented as the minimum increases in rent are adding to the rental burden on the tenant. The Trust expects this to reduce the potential for the property to out-perform in the medium/long term.

10.3 Portfolio Summary as at 31 December 2017

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 December 2017 shown below.



The table below shows the top 10 directly held assets in the Fund as at 31 December 2017, representing c.33.7% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	110.0
8/10 Great George Street, London SW1	Offices	65.0
Polar Park, Bath Road, Heathrow	Industrial	48.8
27 Soho Square, London W1	Offices	44.4
Horndon Industrial Park, West Horndon, CM13	Industrials	43.0
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Hythe House, Hammersmith	Offices	40.8
Camden Works, Oval Road, London NW1	Offices	38.6
2 Cavendish Square, London W1	Offices	38.1
Christopher Place, St Albans	Shopping Centre	36.0
Total		**505.8**

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 31 December 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Gross of fees	2.9	11.5	8.3	9.3
Net of fees[1]	2.8	11.0	7.8	8.8
Benchmark	2.4	3.8	6.1	7.0
Relative (on a net basis)	0.4	7.2	1.7	1.8

Source: Aberdeen Standard Investments

(1) Estimated by Deloitte

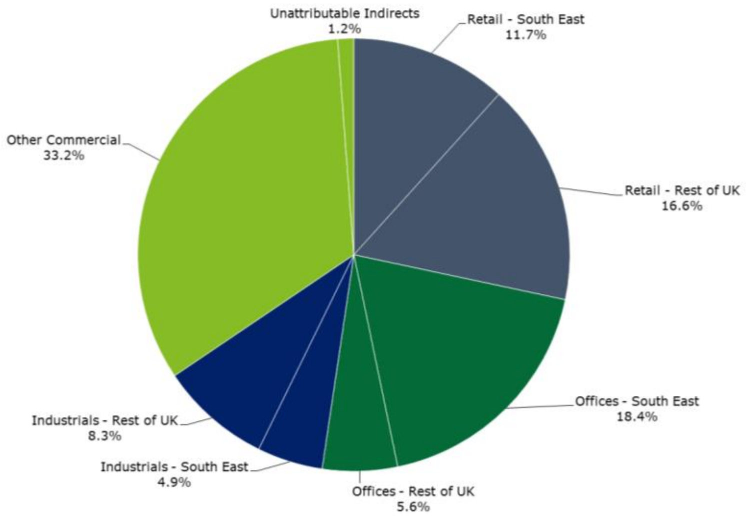
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The ASI Long Lease Property Fund returned 2.8% net of fees over the fourth quarter of 2017, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 0.4% net of fees.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2017 is shown in the graph below.



The Fund's holdings in the office sector have decreased slightly from 24.3% as at 30 September 2017 to 24.0% as at 30 December 2017. Furthermore, the Fund's retail sector holdings have reduced from 30.4% as at 30 September 2017 to 28.3%.

Throughout the quarter, the Fund's industrial weight has reduced from 13.7% to 13.2%, while the "other" weighting has increased from 31.6% to 34.4%.

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	8.1	9.0
Whitbread	6.4	7.1
Sainsbury's	4.9	5.5
Marston's	4.6	5.1
Asda	4.4	4.9
QVC	4.0	4.5
Salford University	3.9	4.3
Save The Children	3.8	4.2
Poundland	3.6	4.0
Glasgow City Council	3.5	3.9
Total	**47.2**	**52.4 ***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 52.4% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's and Asda contributing 19.4% to the Fund's total net rental income as at 31 December 2017.

The Fund's average unexpired lease term increased over the quarter from 24.7 years to 27.0 years following the sale of some assets with shorter lease lengths.

The Fund continues to have a high level of inflation-linkage, with the vast majority of income linked to RPI, CPI or fixed increases in rent.

11.3 Sales and Purchases

The Fund made three sales over the quarter:

- The Fund sold a property occupied by Debenhams in Nottingham for c. 5% above valuation to an overseas investor. The motivation behind the sale was due to concerns regarding Debenhams' performance and uncertainty surrounding the future of the High Street retail sector.
- The Fund sold two car showrooms over the quarter. One was an Audi showroom in Ayr (Scotland) for £4.125m with a net initial yield of 5.8%. The other, a BMW showroom in Harrogate for £5.75m with a net initial yield 5.5%.

The Fund made one acquisition over the quarter:

- The Fund completed the purchase of the portfolio of holiday parks for a fee of £145m over the quarter. The holding will be allocated two thirds to Long Lease Property Fund and one third to the ASI Ground Rents Fund. The portfolio consists of 9 holiday parks, located on the south east and south west coast within a 2-3 hour drive of London. The initial yield was 3% with annual linked rent reviews with a cap and collar of 4% and 1% p.a.
- Two of the Fund's development assets completed over the quarter, 33 Foley Street which is medical facility in central London and an office asset which will be the Headquarters of Interserve, located near Birmingham Airport.

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	
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fess)	14/06/13	50bps on first £25m, 40bps on next £25m, 30bps thereafter	
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.

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