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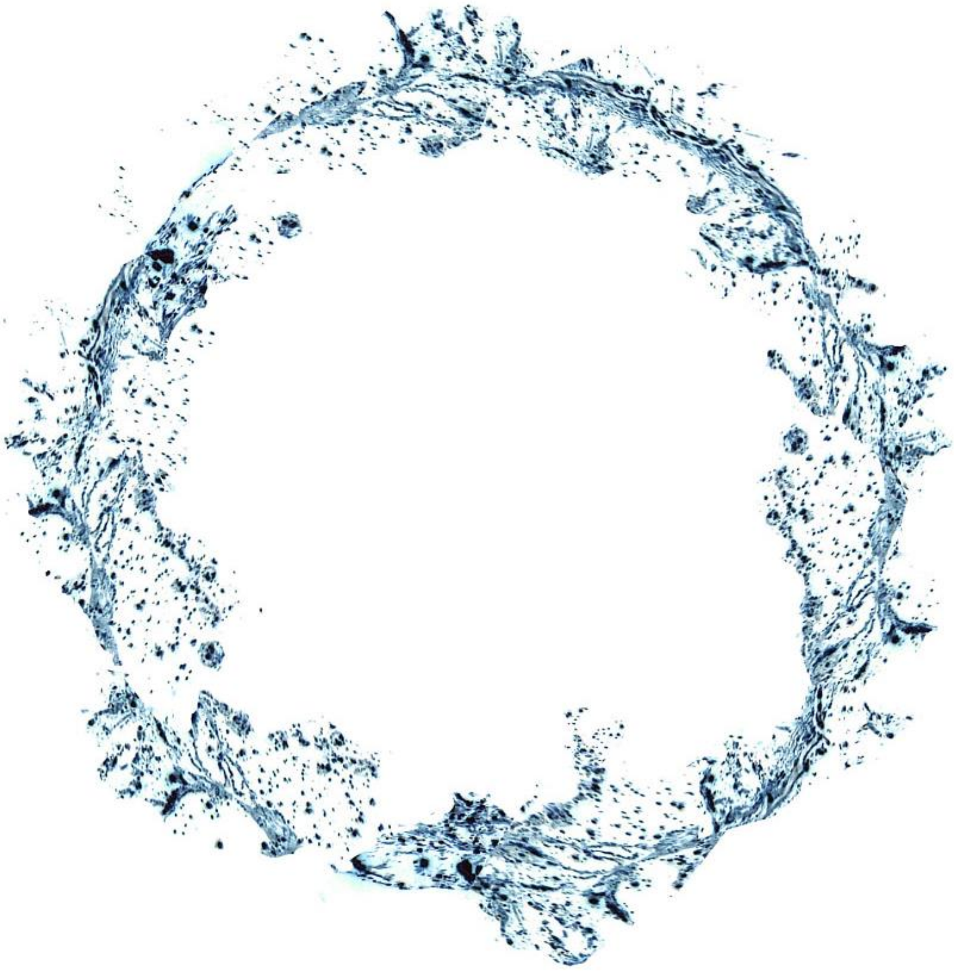


City of Westminster Pension Fund

Investment Performance Report to 30 June 2018

Deloitte Total Reward and Benefits Limited
September 2018

Contents

1 Market Background

Three and twelve months to 30 June 2018

The UK equity market made strong gains over the second quarter of 2018, rebounding after the fall in the previous quarter. The FTSE All Share Index delivered a return of 9.2%. A general improvement in economic conditions in the UK and globally certainly contributed to gains, but the depreciation of sterling over the second quarter was the main driver of returns as overseas earnings were revalued at a more favourable exchange rate. Performance may well have been stronger but escalating trade tensions will have weighed on markets.

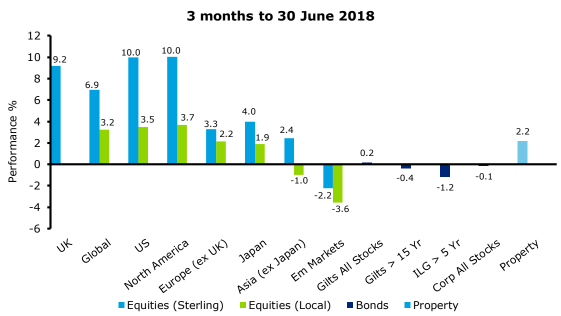
The FTSE 100 Index rose by 9.6% while the FTSE Small Cap Index increased by 6.1% over the quarter. All sectors delivered positive absolute returns over the quarter with the exception of Telecommunications, which delivered a negative return of -3.8%. Oil & Gas was the best performing sector (19.2%) fuelled by rising oil prices over the quarter.

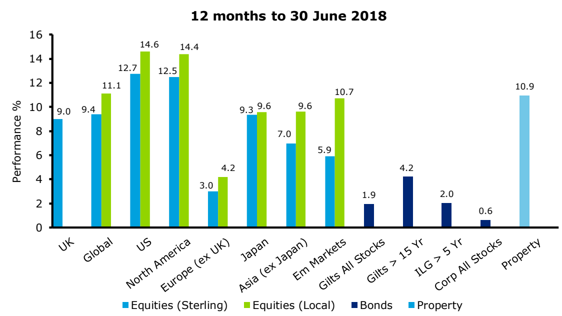
Global equity markets performed positively given the improving economic picture over the second quarter but underperformed UK equities in both local currency terms (3.2%) and sterling terms (6.9%). The weakening of sterling contributed to the UK's outperformance of overseas markets and also meant that currency hedging detracted from returns over the quarter. Trade tensions affected returns in overseas markets with countries and regions with greater reliance on exports particularly badly affected. For example, Asia Pacific ex Japan equities fell by 1% and returns across European markets, whilst positive, were weighed down by German stocks. North America was the best performing region (3.7% in local currency terms) with Emerging Markets the poorest performing region (-3.6%) as capital flowed out of the region as investors preferred the relative security of the US.
Nominal gilt yields fell at the short end of the curve as inflation fears eased, but increased at longer maturities. Overall, the All Stocks Gilts Index delivered a return of 0.2% over the quarter. Real yields mirrored the shift in the nominal yield curve, falling for shorter durations and rising for longer durations. The general increase in real yields was more pronounced however, as inflation expectations fell, with the Over 5 Year Index-Linked Gilts Index returning -1.2% over the period. Credit spreads widened further over the second quarter, and the iBoxx All Stocks Non Gilt Index subsequently delivered a return of -0.1%.

Over the 12 months to 30 June 2018, the FTSE All Share Index delivered a positive return of 9.0% which was primarily attributable to the gains from the improving global economic environment in the second half of 2017 and continued sterling weakness. Oil & Gas (30.4%) was the best performing sector while Telecommunications (-19.1%) was the poorest performing sector. Global equity markets outperformed UK markets in both local and sterling terms, representative of the stronger economic environment overseas in the absence of Brexit related uncertainty.

UK nominal gilts delivered positive returns over the 12 months to 30 June 2018 as yields fell, with the All Stocks Gilts Index returning 1.9% and the Over 15 Year Gilts Index returning 4.2%. UK index-linked gilts also delivered positive returns, with the Over 5 Year Index-Linked Gilts Index returning 2.0%. Credit spreads widened over the year to 30 June 2018. Consequently, corporate bonds underperformed gilts over the period returning 0.6%.

The IPD UK Monthly Property Index returned 2.2% over the quarter and 10.9% over the year to 30 June 2018, following continued strong demand for UK property – and in spite of the continued uncertainty over Brexit





2 Total Fund

2.1 Investment Performance to 30 June 2018

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	10.8	10.6	9.2	8.8	8.2	9.0	8.6	8.0	9.6	13.1	12.5	11.0
LGIM	Global Equity	2.8	2.8	2.8	9.7	9.7	9.7	8.6	8.5	8.5	12.1	12.1	12.1
Baillie Gifford	Global Equity	7.2	7.1	6.8	15.9	15.5	8.9	19.7	19.4	14.7	16.7	16.3	13.2
Longview	Global Equity	8.8	8.7	8.1	8.8	8.2	9.3	15.2	14.6	15.0	14.9	14.2	13.1
Insight	Buy and Maintain	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hermes	Property	2.3	2.2	2.3	10.9	10.5	10.3	9.6	9.2	8.6	10.3	9.9	8.9
Aberdeen Standard	Property	2.0	1.9	0.7	9.6	9.1	3.9	8.1	7.6	6.7	9.1	8.6	6.6
Total		**5.6**	**5.5**	**4.7**	**9.2**	**8.9**	**7.4**	**10.5**	**10.2**	**9.4**	**n/a**	**n/a**	**n/a**

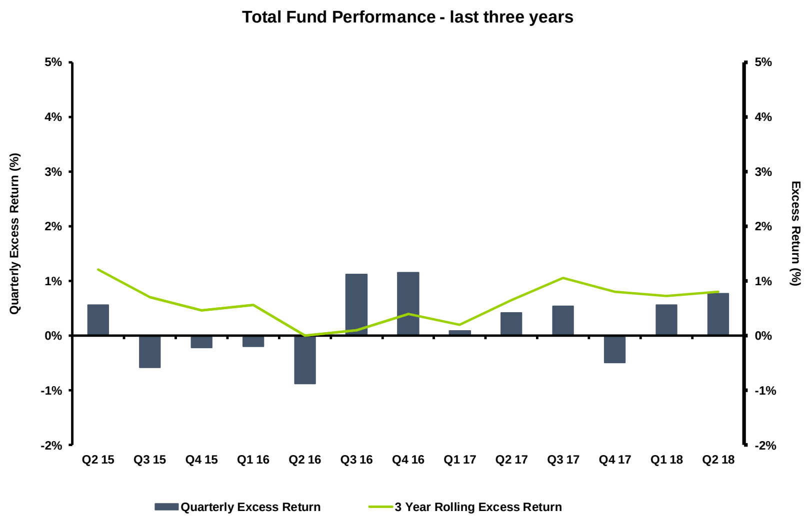
Source: Northern Trust

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

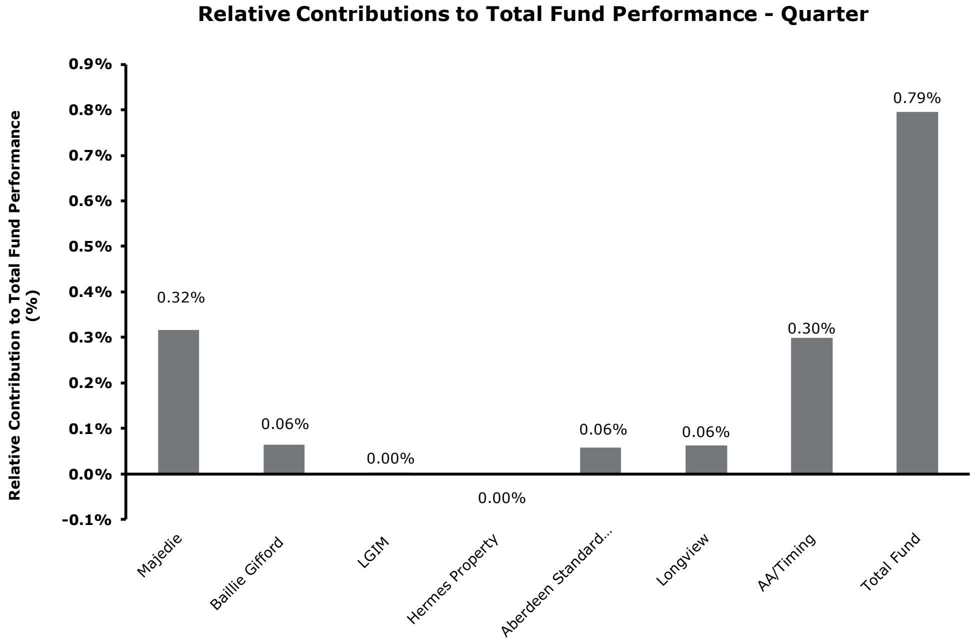
See appendix 1 for more detail on manager fees and since inception dates

The Fund outperformed its benchmark by 0.8% net of fees over the quarter to 30 June 2018. Over the one year and three year periods to 30 June 2018, the Fund outperformed its benchmark by 1.5% and 0.8% p.a. net of fees respectively. The outperformance over the quarter was driven by the positive relative returns from Majedie, Baillie Gifford, Longview and Aberdeen Standard.

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.

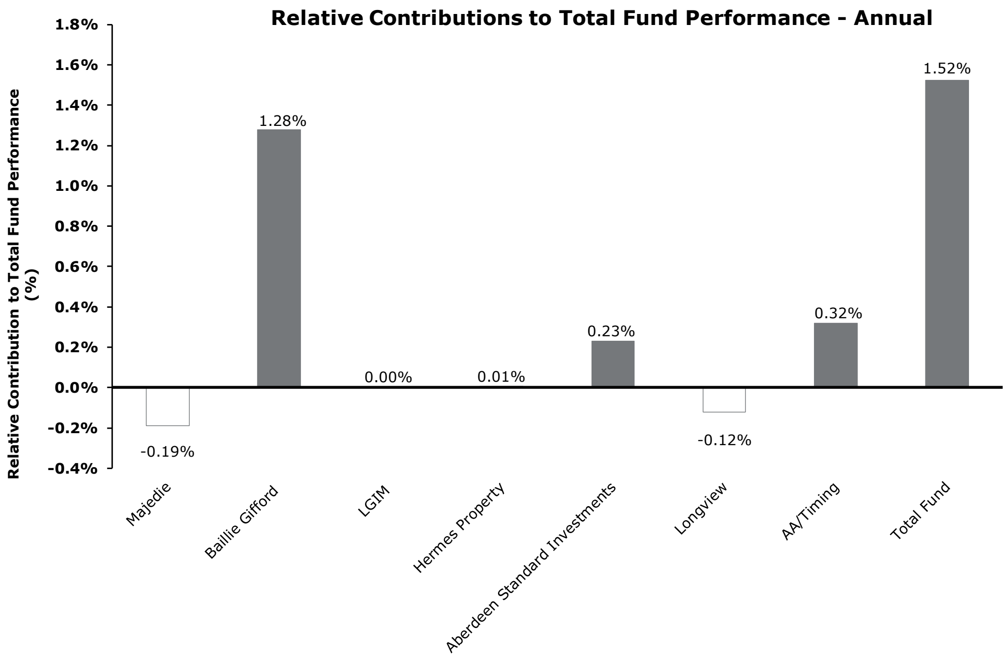


2.2 Attribution of Performance to 30 June 2018



On a net of fees performance basis, the Fund outperformed its benchmark by 0.8% over the second quarter of 2018, largely as a result of outperformance from Majedie. The "AA/Timing" bar provided a large contribution to the total fund outperformance, this was primarily driven by the Fund having an overweight allocation to equities, with the equity market making strong gains over the quarter.

Over the year the Fund outperformed the benchmark by 1.5% with Baillie Gifford being the largest contributor, offsetting underperformance from Majedie and Longview.



2.3 Asset Allocation as at 30 June 2018

The table below shows the assets held by manager and asset class as at 30 June 2018.

Manager	Asset Class	End Mar 2018 (£m)	End June 2018 (£m)	End Mar 2018 (%)	End June 2018 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	297.5	329.5	22.3	23.4	22.5
LGIM	Global Equity (Passive)	310.4	319.1	23.3	22.7	22.5
Baillie Gifford	Global Equity	264.3	283.4	19.9	20.2	25
Longview	Global Equity	142.8	155.4	10.7	11.1	
	Total Equity	**1,015.0**	**1,087.4**	**76.2**	**77.4**	**70**
Insight	Fixed Interest Gilts (Passive)	18.7	0.0	1.4	0.0	0
Insight	Sterling Non-Gilts	173.5	0.0	13.0	0.0	
Insight	Buy and Maintain	0.0	191.4	0.0	13.6	20
	Total Bonds	**192.2**	**191.4**	**14.4**	**13.6**	**20**
Hermes	Property	63.7	65.2	4.8	4.6	5
Aberdeen Standard	Property	60.5	61.7	4.5	4.4	5
To be determined	Property / Infrastructure	0.0	0.0	0.0	0.0	
	Total Property	**124.2**	**126.9**	**9.3**	**9.0**	**10**
	Total	**1,331.4**	**1,405.7**	**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. £74.3m, largely as a result of positive returns from the Fund's equity investments.

As at 30 June 2018, the Fund was 7.4% overweight to equities when compared with the amended benchmark allocation and underweight bonds and property by c. 6.4% and 1.0% respectively.

On 22 March 2018, the Insight gilts and non-gilts portfolios were restructured into a format that could be transitioned in-specie into Insight's Buy and Maintain fund ("IBAM"). Government bonds, supranational bonds and corporate bonds that were unsuitable for buy and maintain were sold. The restructuring process was completed on 6 April and transitioned to IBAM on 12 April.

Following quarter end, in August 2018, the decision was taken to make a 6.5% allocation to CQS' Multi Asset Credit fund which is to be funded from the Longview mandate.

2.4 Yield analysis as at 30 June 2018

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 2018
Majedie	UK Equity	2.90%**
Baillie Gifford	Global Equity	0.80%**
LGIM	Global Equity (Passive)	0.22%*
Longview	Global Equity	2.14%
Insight	Buy and Maintain	2.68%
Hermes Property	Property	4.20%
Aberdeen Standard Investments	Long Lease Property	4.08%
	Total	**1.47%**

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

** Majedie and Baillie Gifford yields are provided by the London CIV and are historic yields, reflecting the distributions declared over the past 12 months as a percentage of average market value.

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	2
LGIM	Global Equity (Passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	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 30 June 2018, the London CIV had 12 sub-funds and assets under management of £6.9bn. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased over the quarter from just under £15bn to c. £16.2bn and represents c. 43% of the 32 London Borough's total AuM.

Over the quarter, two new funds were added to the LCIV:

- Sustainable Equity Fund, managed by RBC
- Multi Asset Credit Fund, managed by CQS.

These two fund launches have had £0.5bn investments from six borough pension funds to date.

Deloitte view – There has been high turnover of personnel at the London CIV, with the recent departures of Hugh Grover, CEO, and Julian Pendock, CIO, being of significant loss. 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. We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 Majedie

Business

The total assets under management for Majedie was c. £15.0bn as at 30 June 2018, an increase of c. £1.2bn over the second quarter of 2018.

Personnel

Chris Reid, a Portfolio Manager on the UK Equity Income and Focus Fund and one of Majedie's founding partners, left the firm at the end of June to pursue a postgraduate degree in finance.

Mark Wharrier and Imran Sattar joined the firm over the quarter. Mark joined from Troy Asset Management and manages the UK Income Fund. Mark was previously at BlackRock for four years where he managed the BlackRock UK Income Fund. Imran joins from BlackRock and will co-manage the Majedie UK Focus Fund alongside existing managers James de Uphaugh, Chris Field and Matthew Smith. Imran was a fund manager on BlackRock's UK Equity Fund.

Harry Jebb and Karyne Blackman also joined as a Client Manager and Accounts Assistant respectively.

***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 2018 was c. £193bn, down from c. £178bn as at 31 March 2018.

Personnel

Tom Coutts, head of Baillie Gifford's EAFE Alpha strategy will become Chief of Investment Staff in September, responsible for managing the investment team resources. This is a role that Baillie Gifford rotates every few years.

In May 2018, five new partners were appointed with Sarah Whitley, Head of Japanese equities; Stephen Rodger, Head of Credit; Ken Barker, Client Service Director and Pet Cooke, Client Service Director all retiring.

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

3.4 LGIM

Business

As at 31 December 2017, Legal & General Investment Management ("Legal & General") had total assets under management ("AuM) of £983bn, an increase of £32bn since 30 June 2017. (Note, LGIM reports AuM half-yearly and the 30 June 2018 figures are expected to be published in late August 2018.)

In July, post quarter-end, it was announced that Legal & General was reported to the FCA by at least three employees under whistleblower rules regarding its risk culture and compliance failures. This included trading errors, which were not reported to LGIM's internal risk management team. The complaints are in relation to LGIM's active asset management business.

We have held a number of subsequent conversations with Legal & General around this and concluded that the incident has no direct effect on the Fund's investments, with the errors being in relation to the active fixed income team. Legal & General explained that this is a longstanding allegation and has conducted an investigation using independent external advisors keeping the FCA regularly updated. The client for which the error was made was fully compensated some time ago. LGIM also carried out a broader investigation into its corporate culture, supported again by independent experts, which concluded that the culture is professional and positive. While we will continue to monitor the incident, we are satisfied that Legal & General has taken the action to rectify the error and we retain a positive view with regard to their attitude towards risk culture and client service in general.

Personnel

At a firm level, LGIM announced in July, post quarter-end, the planned retirement of Mark Zinkula, CEO of LGIM (UK), which has been agreed to take effect from 31 August 2019. Whilst significant, the announcement – if not the exact timing – had been expected as Mark had always made clear his period based in the UK would be finite and that he planned to return to the US. The 13-month notice is expected to give LGIM sufficient time to appoint a replacement and ensure a smooth transition, and we will continue to monitor updates of LGIM's succession plan and any likely impact it may have on the LGIM's firm-wide strategy and the Scheme's mandates invested with LGIM.

At the Index team level, there was one new joiner in the second quarter of 2018 as Ciera Radia joined to take up the position of Fund Management Analyst.

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

Allegations around risk failures are extremely serious but we believe that LGIM is taking these reports seriously and has already conducted an investigation into its corporate culture with the support of external independent experts. We are supportive of LGIM keeping the Regulator fully informed and see the fact that the FCA is not investigating this matter further as providing some reassurance. While we will continue to monitor the incident, we are satisfied that LGIM has taken action to rectify the error and our view of LGIM overall as a passive and LDI manager in particular remains positive.

3.5 Longview

Business

As at 30 June 2018, Longview managed c. $26.4bn on behalf of its clients, an increase of c. $0.3bn over the quarter.

During the second quarter of 2018, net flows out of the firm amounted to c. $311m. However there were no flows out of the Global Equity fund over the quarter.

Personnel

There were no changes to the Investment Team over the second quarter of 2018.

Deloitte view – The departure of Ramzi Rishani in March means that both of Longview's founding partners are no longer involved in the business. This is a significant departure given Ramzi's current role and involvement in the success of the business to date. Taking these factors into account, we would not put this strategy forward for new business. The decision has been taken to disinvest from the strategy however given the current overweight to equities, the proceeds are to be invested in a new fixed income strategy (CQS) and infrastructure strategy.

3.6 Insight

Business

Insight's total AuM increased by c. £20bn over the quarter, with over £600bn in assets under management, as at 30 June 2018. The Insight Buy and Maintain fund held assets under management of c. £2.2bn as at 30 June 2018.

Personnel

Insight made no changes to their Buy and Maintain fund team over the quarter.

There were three new joiners to the Fixed Income team over the quarter.

- Dimitrios Theodorikas, an Analyst in the Secured Finance Team, is responsible for analysing asset-backed investments. Prior to joining Insight, he spent two years at Moody's Analytics as a Financial Engineer having oversight of modelling and data process.
- Lillian Fieldman-Bernal, Loans Closer, has a primary focus on loan and bond settlement. Prior to Insight, she spent almost ten years at BlueBay Asset Management LLP.
- Pedro Fernandes, Senior Loans Closer, has a primary focus on loan and bond settlement. Prior to Insight, he spent ten years at Investec Bank Plc working as a Transaction Manager.

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. £0.3bn to £33.3bn over the second quarter of 2018. Assets under management within the HPUT remained relatively constant at c. £1.6bn over the quarter to 30 June 2018.

Over the previous quarter, to 31 March 2018, it was announced that Federated Investors, a large investment manager in the US, will acquire a majority stake (60%) in Hermes Fund Managers Limited for c. $350m from BT Pension Scheme (BTPS). BTPS will retain a c. 30% share in Hermes with the final 10% being retained by members of Hermes' management team.

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

Deloitte view – We continue to closely monitor the business development over the previous quarter and will provide an update of our views following further review. We continue to rate the team managing HPUT and at this stage, see no reason to change this.

3.8 Aberdeen Standard Investments – Long Lease Property

Business
Assets under management remained broadly unchanged at c. £2.2bn as at 30 June 2018.

ASI announced that from 1 April 2018 the fee rate being charged on the Long Lease Property Fund has changed 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. £61.7m invested in the Fund as at 30 June 2018. Fee reductions will be achieved through a management charge rebate in the form of either increasing the number of units held by the Fund or through a cash payment made monthly to the Fund bank account.

Personnel
Aberdeen Standard Investments had previously announced that the leadership team for Aberdeen Standard Investments Real Estate Division who will be led by Global Co-Heads of Real Estate, David Paine and Pertti Vanhanen, with Mike Hannigan appointed as Head of Real Estate UK. In March 2018 Mike announced his integrated UK management team: Richard Marshall (Head of UK Secure, Residential and Alternative Funds), Cameron Murray (Head of UK Institutional Funds), Mark Watt (Head of UK Wholesale Funds and Investment Trusts), Nick Ireland (Head of UK Segregated Funds), Simon Moscow (Head of Portfolio Management), Rob Cass (Head of Transaction Management) and James Stevens (Head of UK Development).

It was also confirmed that Richard Marshall would remain as Fund Manager of both the SLI Long Lease Property Fund and SLI Ground Rent Fund.

Process

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.

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 and developments over the quarter appear to reinforce this view. 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 2018

As at 30 June 2018, the London CIV had 12 sub-funds and assets under management of £6,937m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased over the quarter from just under £15bn to c. £16.2bn.

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 31 March 2018 (£m)	Total AuM as at 30 June 2018 (£m)	Number of London CIV clients	Inception Date
LCIV MJ UK Equity	UK Equity	Majedie	494	546	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	720	114	1	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,808	2,183	11	11/04/16
LCIV NW Global Equity	Global Equity	Newton	531	575	3	22/05/17
LCIV LV Global Equity	Global Equity	Longview Partners	425	516	3	17/07/17
LCIV EP Income Equity	Global Equity	Epoch Investment Partners	212	225	2	08/11/17
LCIV HN Emerging Market Equity	Global Equity	Henderson Global Investors	76	105	2	11/01/18
LCIV RBC Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	-	269	2	18/04/18
LCIV PY Total Return	Diversified growth fund	Pyrford	274	312	5	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	480	507	7	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	826	902	10	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	331	338	3	16/12/16
LCIV MAC Fund	Multi Asset Credit	CQS	-	343	4	31/5/18
Total			**6,175**	**6,937**		

Over the quarter, the Global Equity Alpha sub fund (managed by Allianz Global Investors) lost two London Boroughs from their client list. Whereas the Global Alpha Growth sub fund (managed by Baillie Gifford) added two new London Boroughs to their client list and each of the HN Emerging Market Equity (managed by Henderson Global Investors), PY Total Return (managed by Pyrford) and Diversified Growth (managed by Baillie Gifford) sub funds each added another London Borough to their client list.

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 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	7.2	15.9	19.7	16.7
Net of fees	7.1	15.5	19.4	16.3
MSCI AC World Index	6.8	8.9	14.7	13.2
Relative (net of fees)	0.3	6.6	4.7	3.1

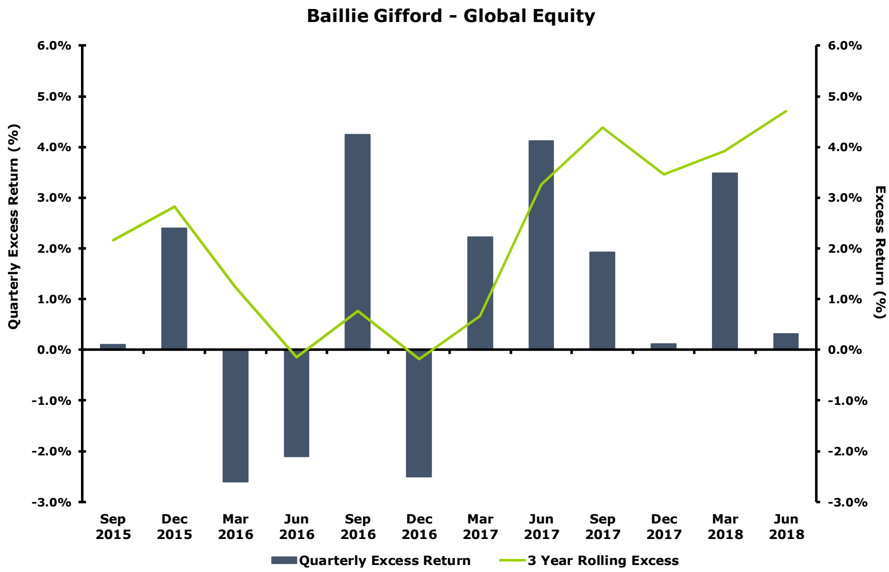
Source: Northern Trust and estimated by Deloitte.

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 0.3% and 6.6% net of fees over the quarter and one year to 30 June 2018 respectively.

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 4.0% p.a.



5.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 27.9% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2018	Proportion of Baillie Gifford Fund
Amazon	4.9%
Naspers	3.6%
Prudential	2.9%
Anthem	2.5%
Taiwan Semiconductor Manufacturing	2.5%
Apache	2.5%
Alibaba	2.4%
Moody's	2.4%
AIA	2.1%
SAP	2.1%
Total	**27.9%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below shows the top 5 and bottom 5 contributors to performance over the quarter to 30 June 2018.

Top 5 contributors as at 30 June 2018	Contribution (%)
Amazon	+1.06
Apache	+0.56
Abiomed	+0.42
SAP	+0.40
Naspers	+0.38

The Fund's holdings in Amazon again contributed over the quarter, supported by strong fundamental progress. Apache, one of the portfolio's two energy holdings was among the top contributors to relative return during the quarter, with its recent share price weakness following a large acquisition in 2016 rebounding as a reflection of a strong execution year to date.

Naspers provided a large contribution to performance over the quarter to 30 June 2018, after being the largest detractor to performance over the previous quarter.

Top 5 detractors as at 30 June 2018	Contribution
Banco Bradesco	-0.33
Taiwan Semiconductor Manufacturing	-0.27
Philips Lighting	-0.24
Brasil Bolsa Balcao	-0.20
LendingTree	-0.18

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 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	2.8	9.7	8.6	12.1
Net of fees[1]	2.8	9.7	8.5	12.1
FTSE World (GBP Hedged) Index	2.8	9.7	8.5	12.1
Relative (net of fees)	0.0	0.0	0.0	0.0

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 successfully tracked its benchmark over the quarter to 30 June 2018. The Fund also performed in line with its benchmark over the one year and three year periods respectively.

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 2018

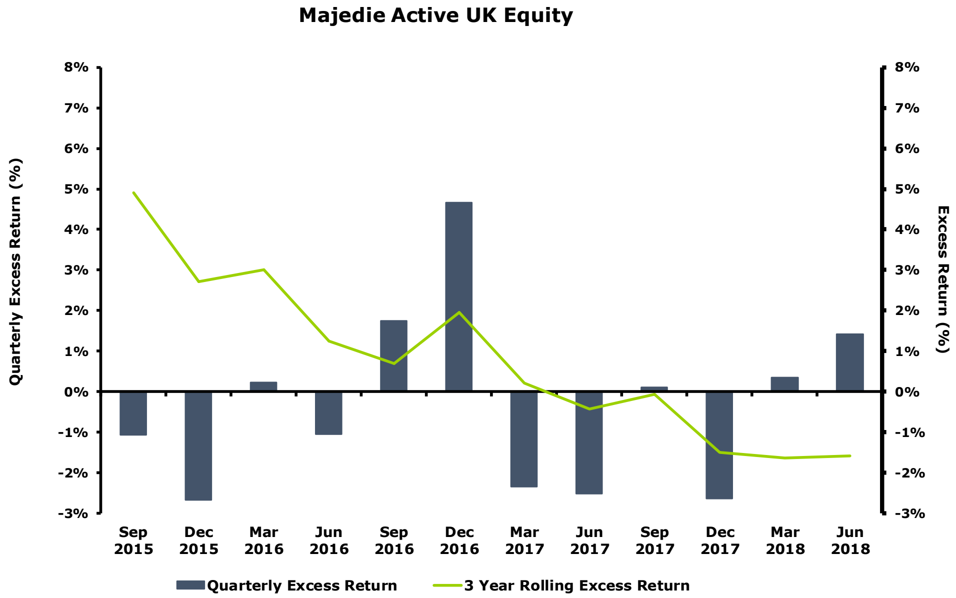
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	10.8	8.8	8.6	13.1
Net of fees[1]	10.6	8.2	8.0	12.5
MSCI AC World Index	9.2	9.0	9.6	11.0
Relative (on a net basis)	1.4	-0.8	-1.6	1.5

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 to 30 June 2018, Majedie outperformed its benchmark by 1.4% but underperformed its benchmark over one year and three years by 0.8% and 1.6% p.a. respectively on a net of fees basis.

7.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 50.6% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2018	Proportion of Majedie Fund
Majedie Asset Management Special	9.1%
Royal Dutch Shell	8.1%
BP	7.9%
Tesco	5.6%
GlaxoSmithKline	4.2%
HSBC	4.1%
WM Morrison	3.4%
Centrica	2.9%
Vodafone	2.7%
Orange	2.7%
Total	**50.6%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below shows the top 5 and bottom 5 contributors to performance over the quarter to 30 June 2018.

Top 5 contributors as at 30 June 2018	Contribution
BP	+1.53
Royal Dutch Shell	+1.50
Tesco	+1.22
WM Morrison	+0.66
Sainsbury	+0.52

Top 5 detractors as at 30 June 2018	Contribution
Telecom Italia	-0.16
Barclays	-0.14
BT	-0.09
Lonmin	-0.04
William Hill	-0.03

The Fund's holdings in Telecom Italia, Barclays plc and BT Group provided the biggest detractions to performance over the quarter to 30 June 2018.

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 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	8.8	8.8	15.2	14.9
Net of fees[1]	8.7	8.2	14.6	14.2
MSCI World Index	8.1	9.3	15.0	13.1
Relative (on a net basis)	0.6	-1.1	-0.4	1.1

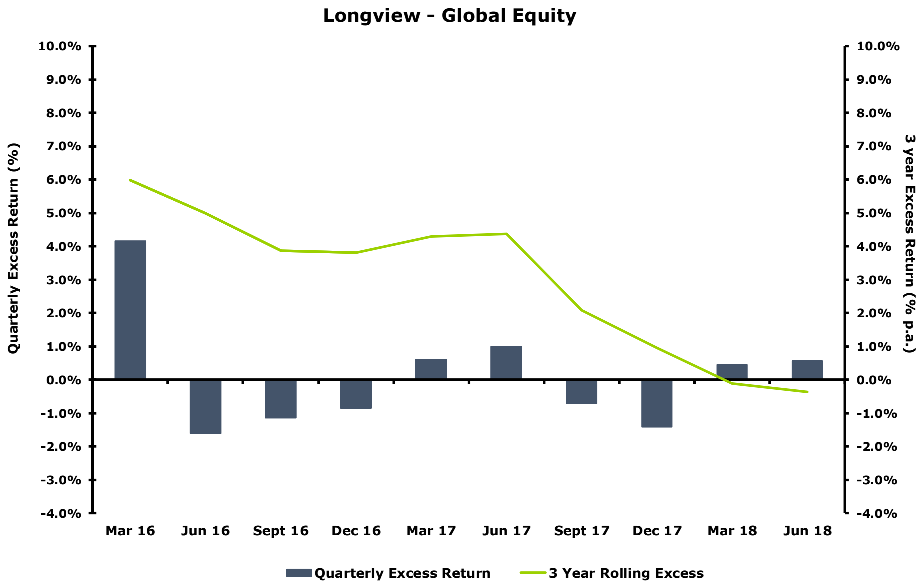
Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed its benchmark by 0.6% over the quarter to 30 June 2018 while underperforming it by 1.1% and 0.4% p.a. on a net of fees basis over the year and three year periods respectively. 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

The tables below represent the top 5 and bottom 5 contributors to performance over the quarter to 31 March 2018.

Top 5 contributors as at 30 June 2018	Contribution
UnitedHealth	+0.39
Compass	+0.30
Fidelity Natl Info Services	+0.26
ServiceMaster	+0.25
WW Grainger	+0.25

The Fund’s holdings in UnitedHealth, Compass and WW Grainger were amongst the largest contributors to performance over the second quarter of 2018. UnitedHealth, a healthcare insurance company, benefited from continued strong execution in its core businesses and reported robust first quarter results in April which exceeded expectations and also increased its earnings guidance for the full year.

Top 5 detractors as at 30 June 2018	Contribution
Continental	-0.52
Parker Hannifin	-0.34
State Street	-0.32
Oracle	-0.25
AON	-0.20

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The manager’s fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 30 June 2018

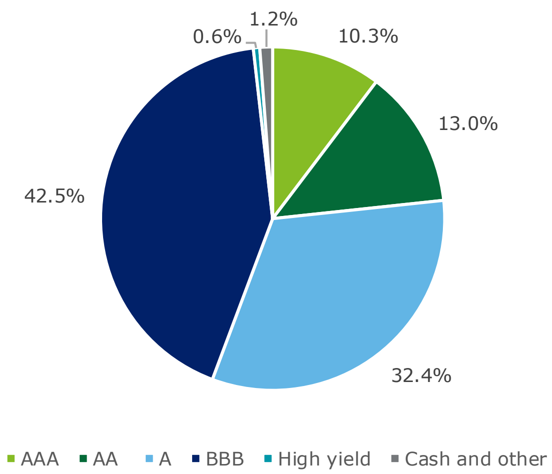
At the beginning of the quarter the restructuring process of the Insight mandate was completed on and transitioned to the Buy and Maintain fund on 12 April. Due to the lack of a full performance period, Insight have been unable to provide the usual performance data.

9.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio’s key characteristics as at 30 June 2018.

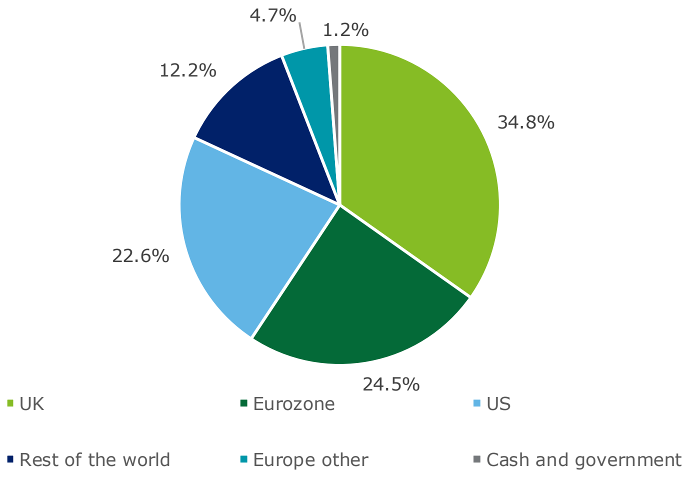
	30 Jun 2018
No. of issuers	165
Modified duration (years)	8.3
Spread duration (years)	8.4
Government spread (bps)	140
Spread over swaps (bps)	128
Largest issuer (%)	1.3
10 largest issuers (%)	11.0

The graph below shows the split of the Buy and Maintain portfolio by credit rating.



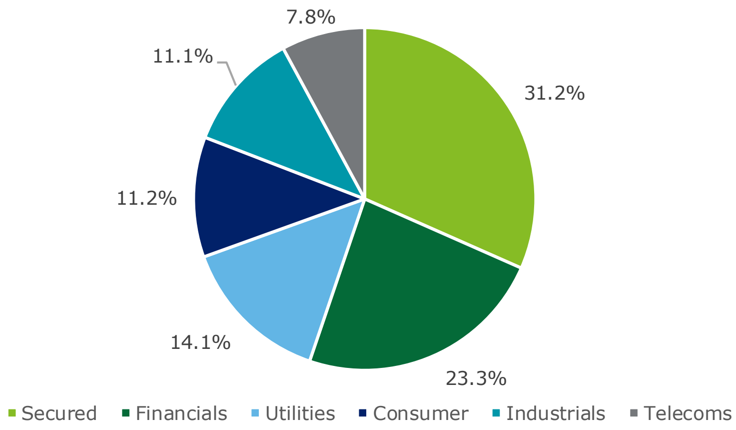
The Fund’s investment grade holdings made up c. 98.2% of the portfolio as at 30 June 2018.

The graph below shows the split of the Buy and Maintain portfolio by country.



As at 30 June 2018, the Fund's UK and Eurozone holdings made up c. 59.3% of the portfolio.

The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 June 2018.



The table below shows the top 10 issuers by market value as at 30 June 2018.

Issuer name	Rating*	Holding (%)
Volkswagen	BBB+	1.26
Bromford Housing	A+	1.05
Morgan Stanley	BBB+	1
Equity Release Fund No 3	A	1
Abp Finance	-	0.99
Stadshypotek	-	0.93
Bpce Sa	BBB	0.92
Notting Hill House Trust	A	0.92
Bank Of Nova Scotia	-	0.87
London and Quadrant Housing	A	0.86

*Ratings provided by S&P.

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 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	2.3	10.9	9.6	10.3
Net of fees[1]	2.2	10.5	9.2	9.9
Benchmark	2.3	10.3	8.6	8.9
Relative (on a net basis)	-0.1	0.2	0.6	1.0

Source: Hermes

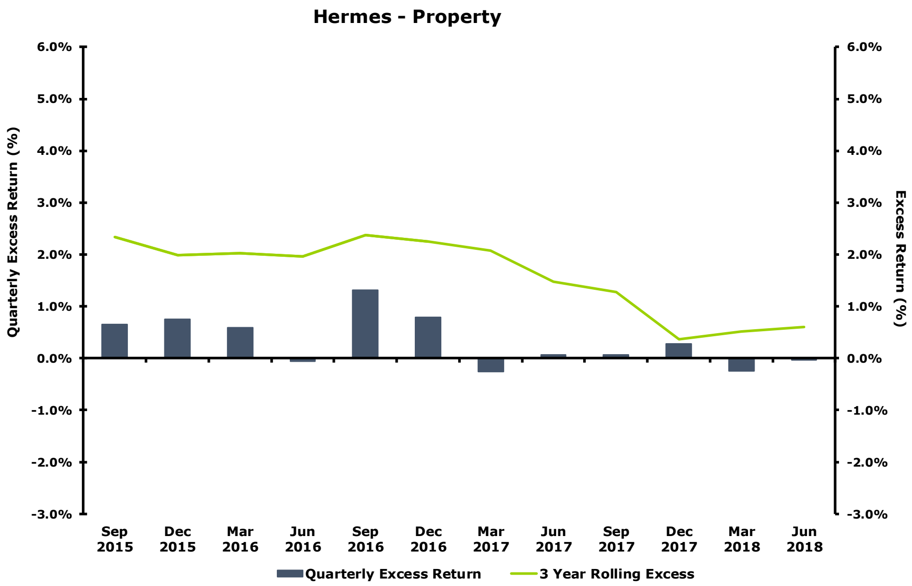
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes underperformed the benchmark by 0.1% over the quarter on a net of fees basis, returning 2.2% in absolute terms. The strategy outperformed its benchmark by 0.2% and 0.6% p.a. (net of fees) respectively over the year and three years to 30 June 2018. The Fund has outperformed its benchmark by 1.0% p.a. since inception, and hence is ahead of the target (to outperform the benchmark by 0.5% p.a.) over the period since inception to 30 June 2018.

Key contributors to the performance over the quarter came from properties in the Industrial sector, with the "Other" sector also contributing positively to performance. The main detractors were the Trust's holdings in Retail Warehouses and West End Offices.



10.2 Sales and Purchases

In May 2018, the Trust completed the acquisition of a multi-let office building in Hurley, Maidenhead for c. £28.0m (£339 per sq. ft). The property, providing a total of 82,656 sq. ft, is fully let to 5 tenants across 6 leases producing a total rental income of £1,786.018 p.a., reflecting an average passing rent of £21.60 per sq. ft.

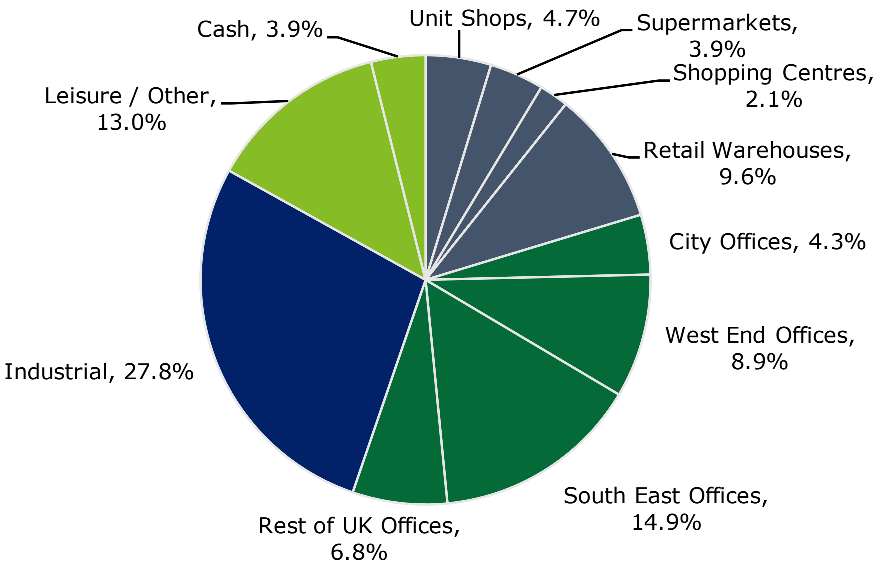
In April 2018, for the purposes of site assembly, the Trust purchased a Croydon freehold retail premises with basement and upper floor accommodation for c. £7.65m. This purchase completes a terrace of seven properties that have a significant redevelopment potential, subject to planning.

In May 2018, the Trust secured a number of important lettings in three vacant units of the Erdington Industrial Estate in Birmingham, covering a total area of 72,000 sq. ft. A lease agreement was exchanged with FGF Ltd for 2 units on a 10 year term until July 2028, passing rent on the 57,000 sq. ft units at £326,000 p.a. after tenant incentives. Another unit letting was completed with Zeus Juice Ltd for a 5 year term to May 2023, generating rental income to the Trust of £84,000 p.a. after tenant incentives.

Also, in May 2018, planning permission was granted for a change of use of the Broken Wharf House office building to serviced apartments. The Trust had previously agreed a lease with SACO which was subject to achieving planning permission for the change of use. Under the terms of the lease, the tenant would be responsible for undertaking the physical works of conversion, funded by the Trust at an estimated cost of c. £17m to create a fully fitted serviced apartment scheme of 113 units. Once completed, the lease to SACO will provide a base rent of c. £2m p.a. to the Trust, subject to RPI increases, together with a turnover rent of c. 42.5% EBITDA.

10.3 Portfolio Summary as at 30 June 2018

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 June 2018 shown below.



The table below shows the top 10 directly held assets in the Fund as at 30 June 2018, representing c.31.9% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	101.5
8/10 Great George Street, London SW1	Offices	65.3
Polar Park, Bath Road, Heathrow	Industrial	54.1
Horndon Industrial Park, West Horndon, CM13	Industrials	45.3
27 Soho Square, London W1	Offices	45.0
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Hythe House, Hammersmith	Offices	40.8
Charlton Gate, London	Industrials	40.0
Camden Works, Oval Road, London NW1	Offices	39.7
Round Foundry & Marshalls Mill, Water Lane, Holbeck Urban Village, Leeds, LS11	Offices	38.1
Total		**511.0**

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 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Gross of fees	2.0	9.6	8.1	9.1
Net of fees[1]	1.9	9.1	7.6	8.6
Benchmark	0.7	3.9	6.7	6.6
Relative (on a net basis)	1.3	5.2	0.9	2.0

Source: Aberdeen Standard Investments

(1) Estimated by Deloitte

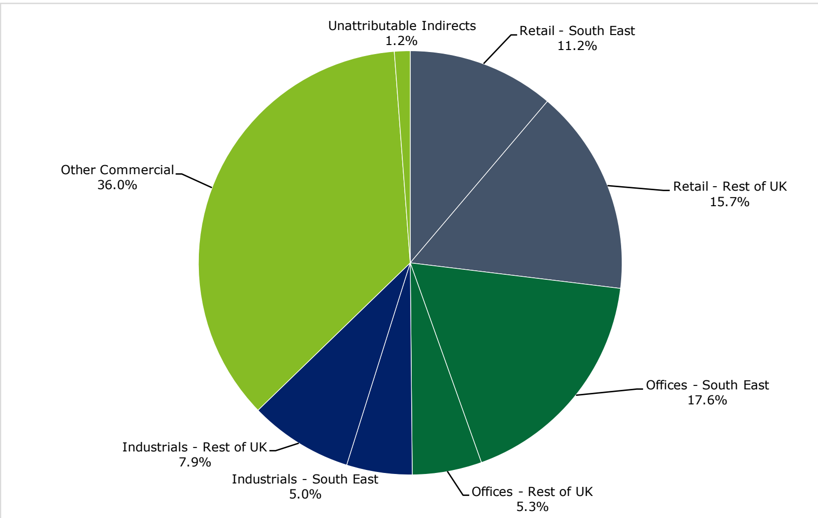
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The ASI Long Lease Property Fund returned 1.9% net of fees over the quarter to 30 June 2018, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 1.2% net of fees.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 June 2018 is shown in the graph below.



The Fund's holdings in the office sector has decreased slightly from 24.1% as at 31 March 2018 to 22.9% as at 30 June 2018.

Throughout the quarter, the Fund's industrial weight decreased from 13.4% to 12.9%, while the "other" weighting has increased from 34.3% to 37.2%.

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	8.2	8.8
Whitbread	6.4	6.9
Marston's	5.0	5.3
Sainsbury's	4.9	5.3
Asda	4.4	4.7
QVC	4.0	4.3
Salford University	3.9	4.2
Save The Children	3.8	4.0
Poundland	3.6	3.8
Glasgow City Council	3.5	3.7
Total	**47.8**	**51.0 ***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 51.0% of the total net income into the Fund. Supermarkets continue to make up a significant part of the fund with Tesco, Sainsbury's and Asda contributing 18.8% to the Fund's total net rental income as at 30 June 2018.

The Fund's average unexpired lease term decreased over the quarter from 26.7 years to 26.5 years.

The proportion of the Fund's income with fixed, CPI or RPI rental increases increased from 93.5% to 93.7% over the quarter.

11.3 Sales and Purchases

Over the second quarter of 2018:

- The Fund purchased the Legoland Hotel in Windsor for £36m, representing a yield of 3.4%. The hotel is let on a 29 year lease to Merlin which own Legoland. ASI was attracted by the strong occupancy levels.

- The Fund also entered into a forward purchase agreement for an industrial asset in Dartford for £21.5m representing a yield of 3.9%. The development is due for completion by the end of 2018 and a let has already been agreed on a 25 year lease with 5 yearly rent reviews linked to RPI.

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	Buy and Maintain	20.0	Insight Custom Benchmark	Passive	12/04/18	9.5bps base fees	
Hermes		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 – 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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