

London Borough of Tower Hamlets Pension Fund

Review of Investment Managers' Performance for Fourth Quarter of 2013

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For and on behalf of Hymans Robertson LLP
February 2014

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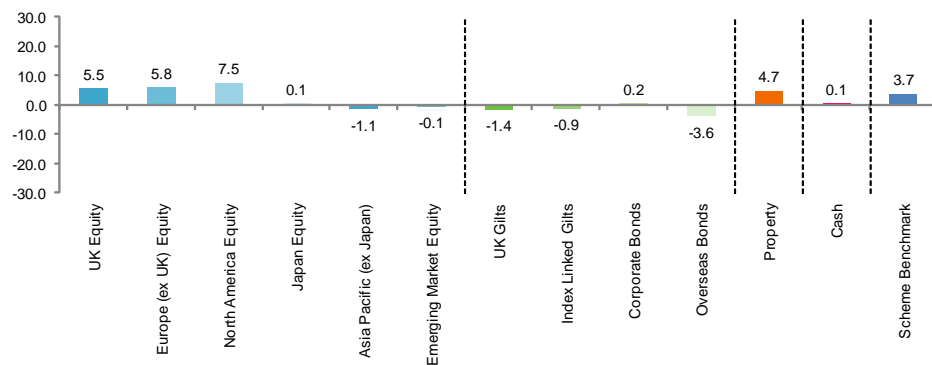
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Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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Historic Returns for World Markets to 31/12/2013

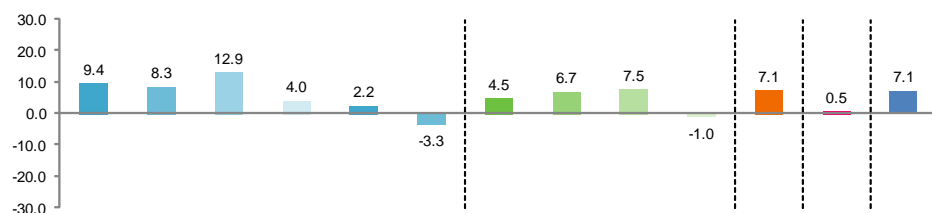
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

The quarter to end December 2013 started with the 'shutdown' of the US government over the failure to agree a federal budget. Concerns over whether the federal debt ceiling would be renewed, and the possibility of the US defaulting on its sovereign debt, created a sense of crisis. World financial markets responded with caution to these events.

On the economic front, news was very mixed. Forecasts for global economic growth for 2013 and 2014 were revised down by a number of credible agencies. Weakness in emerging markets was cited as one of the main contributory factors. The UK was an exception, with forecasts for economic growth revised upwards for 2013 and 2014. In the December autumn statement, the Chancellor of the Exchequer claimed that the country is heading in the 'right direction', although the Office for Budget Responsibility emphasised that it viewed the recent improvement as a cyclical boost rather than a structural improvement.

In December, and after much speculation, the US central bank announced a scaling back of its monthly asset buying program, from \$85bn to \$75bn a month. This is likely to be phased out entirely during 2014 but official guidance indicates no rise in interest rates until there is clear evidence of sustainable economic growth. In contrast to US policy, the European central bank provided further monetary easing through a reduction in short-term interest rates, as inflation in the Eurozone dipped below 1% p.a.

Key events during the quarter were:

Global Economy

- Forecasts for UK economic growth were revised upwards by the Office for Budget Responsibility;
- Global economic growth forecasts were revised down by the IMF;
- Strong economic growth in UK and US contrasted sharply with slow growth in the Eurozone;
- Short-term interest rates were unchanged in UK and US and cut, from 0.50% to 0.25%, in the Eurozone;
- UK inflation (CPI) fell to a four year low (2.1%) in November.

Equities

- The best performing sectors relative to the 'All World' Index were Technology (+4.2%) and Industrials (+1.5%); the worst were Utilities (-4.8%) and Basic Materials (-2.5%);
- Shares in Royal Mail rise strongly against issue price of 330p.

Bonds and Currencies

- UK government bonds yields drifted higher on rising optimism about economic outlook;
- Sterling's trade weighted index closed 2013 at its highest level for over 4 years.

[1] Overseas equity returns shown in Sterling

Portfolio Summary

Valuation Summary ^[1]

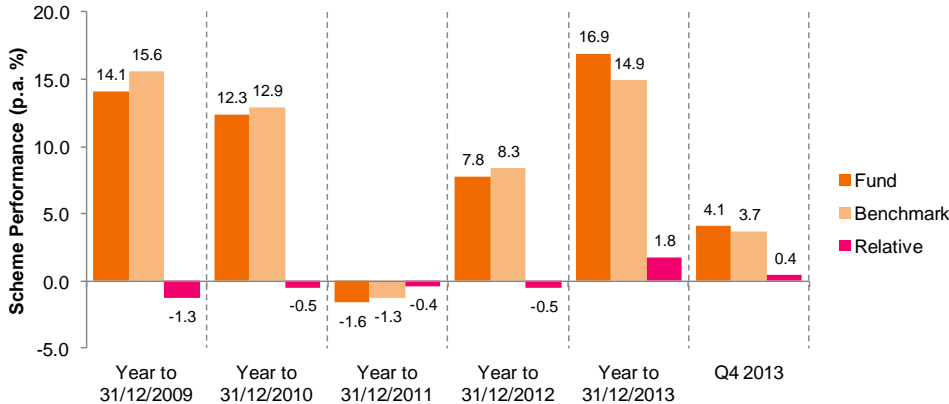
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %	
	Q3 2013	Q4 2013				
Global Equity	609.3	641.2	64.2	61.0	3.2	
Bonds	144.8	144.9	14.5	17.0	-2.5	
Property	97.7	101.5	10.2	12.0	-1.8	
Alternatives	90.4	92.0	9.2	10.0	-0.8	
Cash	6.5	7.7	0.8	0.0	0.8	
Trustee Bank Account	8.2	11.7	1.2	0.0	1.2	
Total inc. Trustee Bank Account	957.0	998.9	100.0	100.0		

Comments

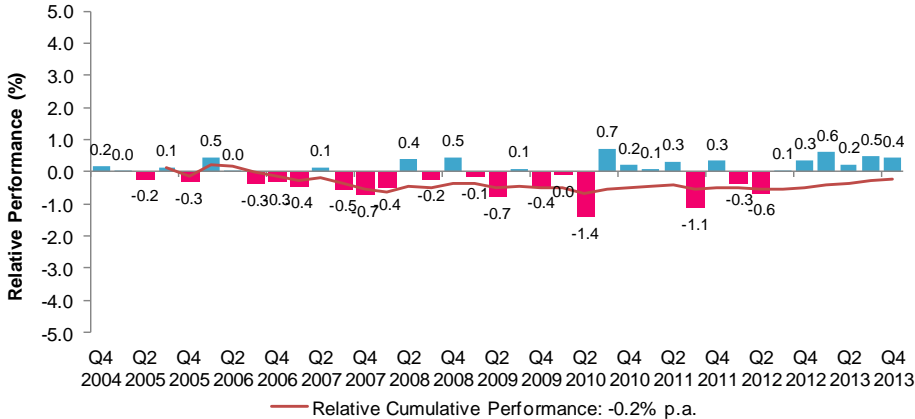
Performance was ahead of the benchmark over the quarter with the strongest relative returns from GMO and the Baillie Gifford DGF. The equity managers produced the strongest absolute returns with the Total Fund returning 4.1%. We have restated the Absolute Return Managers' benchmarks to include their performance target. This also feeds into the Total Fund benchmark. For Baillie Gifford DGF and Ruffer, we have shown the same benchmarks (Baillie Gifford's to aid comparison of these two managers (UK Base Rate +3.5%). Investec (absolute return bonds) benchmark is Cash +2% p.a.

The managers' allocations remain broadly similar to last quarter and the Fund remains close to its strategic asset allocation (within the +/-5% tolerance ranges around the 83% "growth and equity like", 17% Bonds target). There were no manager or benchmark changes over the quarter or since the addition of the absolute return managers in quarter 1 of 2011.

Performance Summary ^{[2] [i]}



Relative Quarterly and Relative Cumulative Performance ^{[3] [ii]}



[1] Cash is that cash held within Schroders Property and Baillie Gifford & GMO Global Equity Mandates, [2] Gross of fees, [3] Gross of fees

Source: [i] DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited, [ii] DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited

Manager Summary

Manager Valuations

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2013	Q4 2013			
Baillie Gifford Global Equity	170.6	179.4	18.0	16.0	2.0
GMO Global Equity	242.0	255.4	25.6	25.0	0.6
Legal & General UK Equity	202.3	213.4	21.4	20.0	1.4
Baillie Gifford Diversified Growth Fund	45.5	46.5	4.7	5.0	-0.3
Ruffer Total Return Fund	44.9	45.4	4.5	5.0	-0.5
Investec Bonds	96.9	97.4	9.7	14.0	-4.3
Legal & General Index-Linked Gilts	47.9	47.5	4.8	3.0	1.8
Schroder Property	98.7	102.3	10.2	12.0	-1.8
Trustee Bank Account	8.2	11.7	1.2	0.0	1.2
Total	957.0	998.9	100.0	100.0	0.0

Manager Summary ^[1]

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
Baillie Gifford Global Equity	Active	05 Jul 2007	MSCI AC World Index	+2% to 3% p.a. (Gross) over rolling 3-5 year periods	●
GMO Global Equity	Quantitative	29 Apr 2005	Bespoke	1.5% (net)	●
Legal & General UK Equity	Passive	02 Aug 2010	FTSE All Share Index	Track Benchmark	●
Baillie Gifford Diversified Growth Fund	Diversified Growth	22 Feb 2011	UK Base Rate	Outperform by 3.5%p.a. (net) over rolling 5 years with annual volatility of less than 10%	●
Ruffer Total Return Fund	Absolute Return	28 Feb 2011	Cash	Preserve capital and deliver consistent, positive returns over longer term	●
Investec Bonds	Target Return	26 Apr 2010	3 Month LIBOR	Outperform by 2%p.a.	●
Legal & General Index-Linked Gilts	Passive	02 Aug 2010	FTSE Index-Linked Over 5 Years	Track Benchmark	●
Schroder Property	Fund of Funds	30 Sep 2004	IPD All Balanced Funds Weighted Average	+0.75% (Net)	●

* For information on our manager ratings, see individual manager pages

Key: ■ - Replace ■ - On-Watch ■ - Retain

[1] In this report, we show the absolute return manager's benchmarks including performance target. For Ruffer, we show a benchmark the same as Baillie Gifford's to enable comparison between the two managers.



Performance Summary Net of fees

Performance Summary ^[1] ^[i]

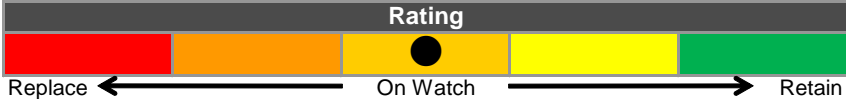
		Baillie Gifford Global Equity	GMO Global Equity	Legal & General UK Equity	Baillie Gifford Diversified Growth Fund	Ruffer Total Return Fund	Investec Bonds	Legal & General Index-Linked Gilts	Schroder Property	Total Fund
3 Months (%)	Absolute	5.1	5.5	5.5	2.4	1.1	0.4	-0.9	3.6	4.0
	Benchmark	5.0	4.3	5.5	1.0	1.0	0.6	-0.9	4.3	3.7
	Relative	0.1	1.1	0.0	1.4	0.1	-0.2	0.0	-0.7	0.4
12 Months (%)	Absolute	27.3	24.8	20.9	5.5	9.9	0.1	0.7	7.9	16.6
	Benchmark	21.1	22.4	20.8	4.0	4.0	2.5	0.6	9.2	14.9
	Relative	5.1	2.0	0.1	1.4	5.6	-2.3	0.1	-1.2	1.5
2 Years (% p.a.)	Absolute	20.0	15.9	16.6	8.1	6.3	1.7	0.5	3.6	11.9
	Benchmark	16.3	17.4	16.5	4.0	4.0	2.7	0.5	4.6	11.6
	Relative	3.2	-1.3	0.1	4.0	2.2	-1.0	0.0	-0.9	0.3
3 Years (% p.a.)	Absolute	10.6	8.0	9.5	5.4	4.6	-0.3	7.6	4.2	7.1
	Benchmark	8.3	8.2	9.4	4.0	4.0	2.8	7.6	5.3	7.1
	Relative	2.1	-0.2	0.1	1.3	0.6	-2.9	0.0	-1.1	0.0

[1] 3 Year performance figure is since inception for Baillie Gifford DGF (22/2/11) and Ruffer (28/2/11). Performance, for periods up to 5 years (gross of fees) is shown in the appendix. Baillie Gifford DGF, Ruffer and Investec benchmarks include outperformance target.



GMO Global Equity

HR View Comment & Rating



GMO has been making incremental changes to its global equity investment process over the past 12 – 24 months. The manager has now decided to accelerate the changes as follows:

- Momentum, previously the driving signal for 30% of the portfolio allocation will be dropped;
- Quality Adjusted Value, previously the driving signal for 30% of the portfolio allocation, will be dropped;
- Relative Value, which replaced Intrinsic Value as the signal for 40% of the portfolio allocation in Q2 2012, will effectively become the sole signal/driver for the strategy

The Officers and Advisers have reviewed GMO's proposed changes and recommend the Committee retain the mandate currently. However, given the changes, we have put GMO "on watch". Further information will be provided at the next Committee meeting.

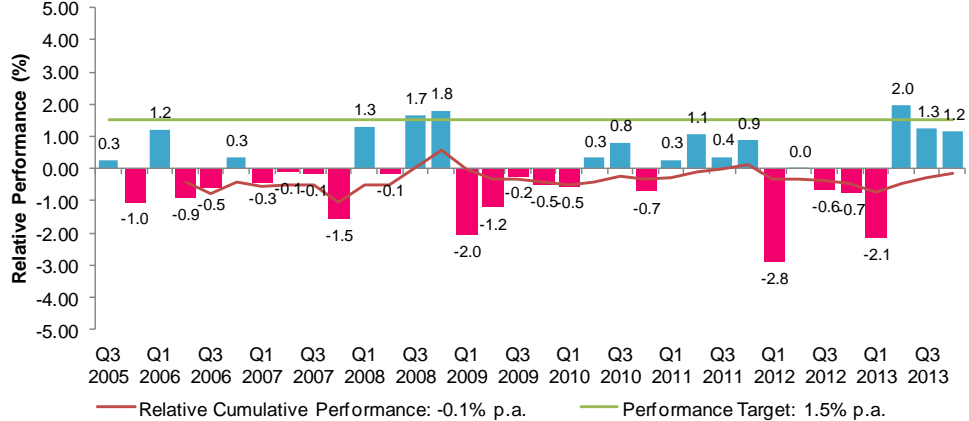
Comments

The portfolio has performed strongly in quarter 4 and over the last 12 months, providing strong positive absolute and relative returns and the recovery is evident in positive 3 year returns as well.

Stock selection was positive in the final quarter, particularly in Europe and North America. The quality adjusted valuation discipline was helpful, with holdings in Europe and US financials identified from this driving performance. However, the allocation to US high quality held back returns.

GMO believe that stock markets appear overvalued but that there are pockets that are priced to deliver better returns. They still feel US high quality remain the most attractive on valuation terms. They also believe value stocks in developed markets outside the US can produce good returns as they have been held back by the European crisis. They also remain positive on Emerging Markets which they feel have been depressed in recent years.

Relative Quarterly and Relative Cumulative Performance [1] [ii]



Performance Summary [iii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	5.5	25.1	8.4	9.5
Benchmark	4.3	22.4	8.2	9.6
Relative	1.2	2.2	0.2	-0.1

* Inception date 29 Apr 2005.

3 Year Relative Return

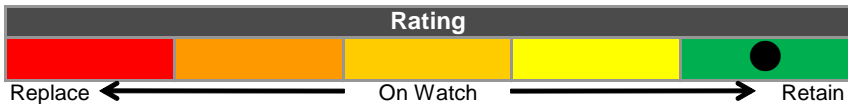
Actual % p.a.	Target % p.a.
0.2	1.5

[1] Gross of fees

Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Baillie Gifford Global Equity

HR View Comment & Rating



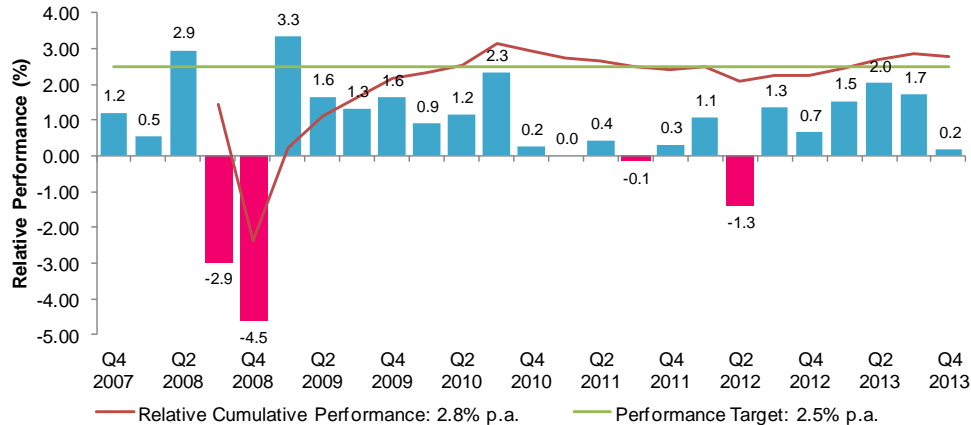
No significant news impacting the Global Alpha team or process.

More generally, three new Partners will be appointed from 1st May 2014. They are: Tom Coutts, Stuart Dunbar and David Henderson. As announced last year, there will be two retiring partners this May: Mick Brewis (Head of North American equities team) after 28 years at the firm, and Michael MacPhee (investment manager in Global Opportunities team) after 25 years. The changes will see partner numbers increase from 39 to 40 on 1st May 2014 and we view this as positive in terms of succession planning.

Comments

The portfolio modestly outperformed over the quarter and its performance remains significantly ahead of benchmark over the longer term. Amazon was the most positive contributor over the quarter and continued its robust top line growth and investment for the future. Despite share price rise, Baillie Gifford believe the scope for upside remains very substantial. Prudential was another strong positive holding, driven by performance in Asia. On the negative side, Tesla (electric cars) was the biggest detractor, with its share price falling on the back of some safety concerns following vehicle fires. However, Baillie Gifford have reviewed the holding and remain convinced by the stock and take comfort from a German Federal Motor Transport Authority report which cleared the vehicles in question of any defects. The portfolio has for some time had a bias towards companies with exposure to emerging markets economies. Baillie Gifford remain convinced that the longer-term investment case in many of these markets remains intact – factors such as demographics, productivity differentials and fiscal sustainability. They believe short-term share price weakness may offer the long-term investor some good opportunities. Turnover in the portfolio remains very low (16% over the year and 4% over the quarter). Changes have seen Baillie Gifford move away modestly from stocks they classify as “growth stalwarts” or “rapid growth” into those with “cyclical growth” or “latent growth”.

Relative Quarterly and Relative Cumulative Performance [1] [i]



Performance Summary [2] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	5.2	27.8	11.1	8.5
Benchmark	5.0	21.1	8.3	5.8
Relative	0.2	5.5	2.6	2.6

* Inception date 05 Jul 2007.

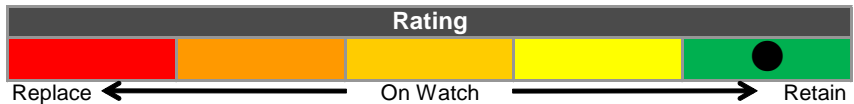
3 Year Relative Return

Actual % p.a.	Target % p.a.
2.6	2.5

[1] Gross of fees, [2] Since inception performance in table differs from chart above as chart excludes initial part quarter.

Legal & General UK Equity

HR View Comment & Rating



Legal and General are one of the largest managers of index-tracking funds. UK equity and Index-linked assets were invested on 2 August 2010. The UK equity portfolio has a target weight of 22.5% of Scheme assets and the index-linked portfolio has a target of 7%.

Performance Summary ^[1] ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	5.5	21.0	9.5	12.6
Benchmark	5.5	20.8	9.4	12.5
Relative	0.0	0.2	0.1	0.2

* Inception date 02 Aug 2010.

Comments

Performance has been in line with the index benchmark (FTSE-All Share) over the quarter and since inception. Index changes, corporate actions, sampling and stocklending had little impact on returns over the period.

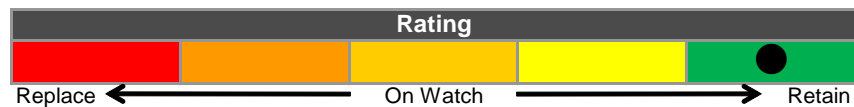
[1] Gross of fees

Source: [i] DataStream, Fund Manager, Hymans Robertson



Legal & General Index-Linked Gilts

HR View Comment & Rating



Legal and General are one of the largest managers of index-tracking funds. UK equity and Index-linked assets were invested on 2 August 2010. The UK equity portfolio has a target weight of 22.5% of Scheme assets and the index-linked portfolio has a target of 7%.

Comments

Performance has been in line with the index benchmark (FTSE-A Index-Linked Over 15 Years) over the quarter and since inception.

Performance Summary ^[1] [i]

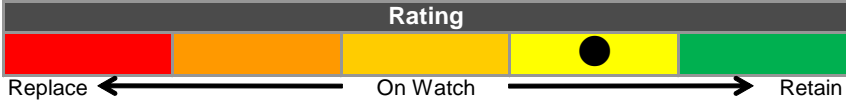
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.9	0.7	7.7	8.9
Benchmark	-0.9	0.6	7.6	8.8
Relative	0.0	0.1	0.1	0.0

* Inception date 02 Aug 2010.

[1] Gross of fees

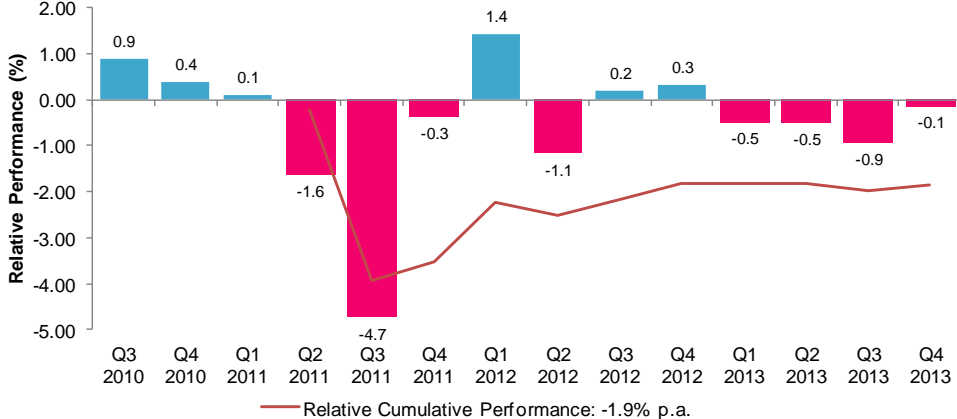
Investec Bonds

HR View Comment & Rating



No significant news to report.

Relative Quarterly and Relative Cumulative Performance [1] [ii]



Comments

The Fund's corporate bonds performed well over the quarter, with healthier growth prospects encouraging buyers. The Fund added exposure to non-cyclical or emerging market credit, positions that Investec believe are cheap. The Fund's duration or interest rate sensitivity position produced a flat return over the quarter. It's currency position detracted, with the largest position (US dollar) and also emerging market currency having a negative impact. The Fund added to US dollar and emerging market currency exposure on weakness.

We have re-stated the benchmark to show the cash index plus target. The performance of the Fund is behind that of the re-stated benchmark over all periods shown since inception. The poor quarters in 2011 (Q2 and, in particular, Q3) continue to be a significant drag but the Fund returns have also failed to keep up with the cash index plus target over the last 12 months (a return of 0.5% versus benchmark 2.8%).

It should be noted that the strategic decision to invest in a cash plus mandate has been correct over the quarter as Investec outperformed longer dated bond indices. Their relative performance remains disappointing though.

Performance Summary [2] [iii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.5	0.5	0.1	-0.4
Benchmark	0.6	2.5	2.8	2.8
Relative	-0.1	-1.9	-2.6	-3.1

* Inception date 26 Apr 2010.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-2.6	2.0

3 Year Tracking Error

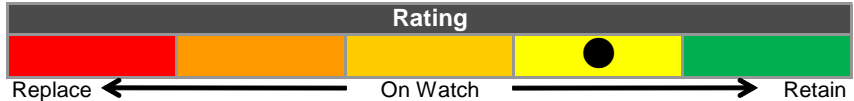
Actual % p.a.	Target % p.a.
N/A	0.0 - 0.0

[1] Gross of fees. Benchmark is Cash +2% p.a., [2] Since inception performance in table differs from chart above as chart excludes initial part quarter. Gross of fees

Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Schroder Property

HR View Comment & Rating

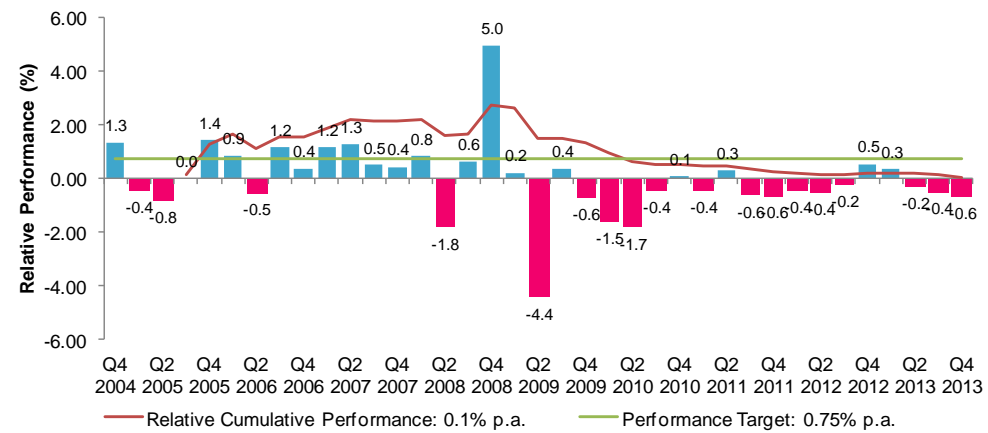


Schroders has announced that William Hill is stepping down as Head of Property. Hill has been at Schroders for almost 25 years and in his current position for 22 of those years. He has clearly been influential in driving forward the property business at Schroders, therefore his departure is significant news. He does not have another role lined up and will become an adviser to Schroders on property matters in order to ensure a smooth handover in the coming months. Duncan Owens will replace Hill as Head of Property with immediate effect. Owens joined Schroders in the role of Head of Property Investment at the beginning of 2012 when Schroders bought over the Invista business. Owens was CEO at Invista and has over 23 years of UK and European real estate experience. Clearly Owens has already taken over some of Hill's responsibilities; indeed he is already Chairman of the Investment Committee for the Schroders Property Fund. Although this is significant news, it should not impact the day to day management of property portfolios, at least in the short term. We will arrange to meet with Duncan Owens in order to understand his future vision for the property business. We have downgraded their rating to reflect the performance difficulties. We do not recommend review of their mandate though.

Comments

We do not have confirmed performance data from Schroder at this time. We have estimated performance over the quarter based on change in value of the portfolio.

Relative Quarterly and Relative Cumulative Performance [1] [ii]



Performance Summary [2] [iii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	3.7	8.1	4.4	3.0
Benchmark	4.3	9.2	5.3	5.2
Relative	-0.6	-1.0	-0.9	-2.1

3 Year Relative Return

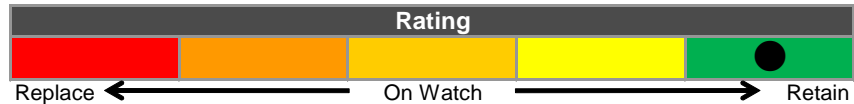
Actual % p.a.	Target % p.a.
-0.9	0.8

[1] Gross of fees, [2] Since inception performance differs from cumulative performance in chart as cumulation period in chart is 5 years. Gross of fees

Source: [i] Fund Manager, Hymans Robertson, Investment Property Databank Limited, [ii] Fund Manager, Hymans Robertson, Investment Property Databank Limited

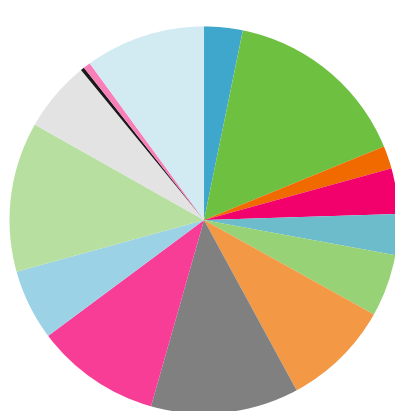
Baillie Gifford Diversified Growth Fund

HR View Comment & Rating



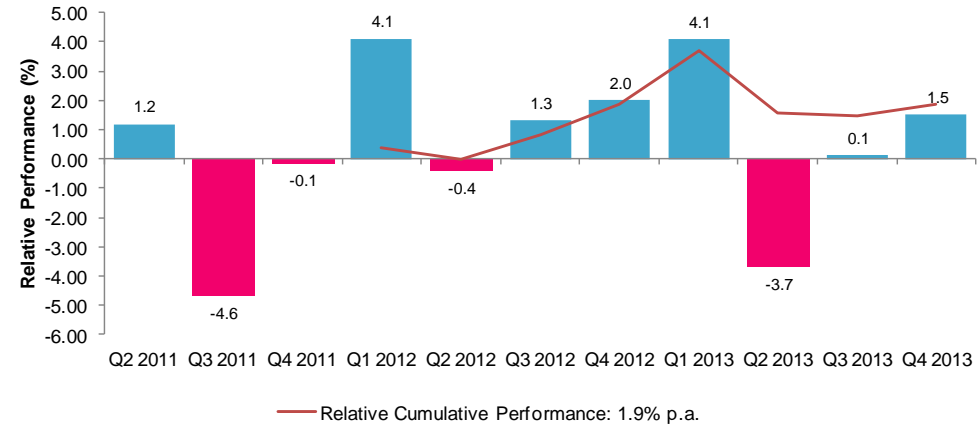
There has been no change to the portfolio management team but there has been a change to the Diversified Growth Review Group (DGRG) membership, with Michael MacPhee leaving the group at the end of 2013. Michael is a partner in the firm and is retiring in April after 25 years with Baillie Gifford; his place on the DGRG is being taken by Hamish Dingwall, a global sector specialist and partner in the firm. The drivers of this performance have been similar over both the quarter and year. Economic risk assets such as equities and high yield debt generally did well, whilst in contrast, emerging market assets and gold struggled. Listed equities, in particular, enjoyed a strong finish to the year and so delivered the largest positive contribution to the Fund's return over the quarter. Most other asset classes contributed helpfully to performance with niche areas such as insurance linked and infrastructure again delivering steady returns. They have reduced exposure to listed and private equity and increased their overall exposure to investment grade and high yield bonds. They have continued to reduce exposure to insurance linked securities and made smaller reductions to other asset classes where prices have risen. Consequently, the size of the fund's cash position has increased over the quarter.

Asset Allocation at Quarter End



- Private Equity - 3.2%
- Listed Equities - 15.6%
- Property - 1.9%
- Forestry - 0.0%
- Commodities - 3.8%
- Infrastructure - 3.4%
- Government Bonds - 5.2%
- Investment Grade Bonds - 9.0%
- High Yield Bonds - 12.3%
- Structured Finance - 10.4%
- Insurance Linked - 5.9%
- Emerging Markets Bonds - 12.5%
- Infrastructure Bonds - 0.0%
- Absolute Return - 5.9%
- Active Currency - 0.3%
- Special Opportunities - 0.6%
- Cash - 10.0%

Relative Quarterly and Relative Cumulative Performance [1] [i]



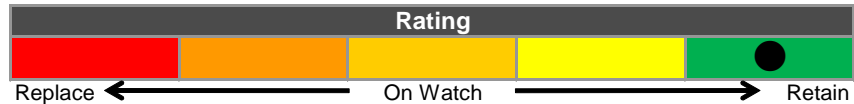
Volatility

Annual Volatility	
Actual	6.50%
Maximum	10.00%

[1] Excludes initial part quarter (22/2/11 to 31/3/11, relative performance +0.3%). Gross of fees. Benchmark is Base Rate +3.5% p.a.

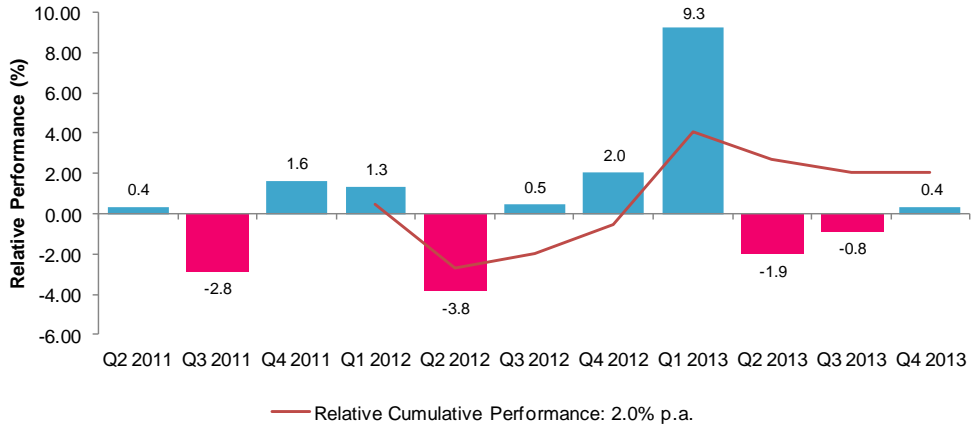
Ruffer Total Return Fund

HR View Comment & Rating

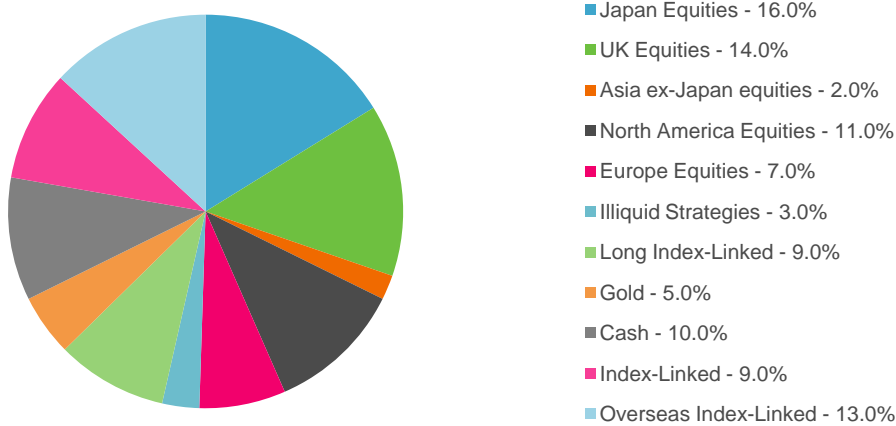


Equity performance was the main driver of portfolio returns in quarter 4. Japanese equity holdings helped performance (although sterling strength diminished the local currency returns) but overall made a contribution of 2.2% to return. Equities in Western markets were also a significantly positive contributor with a number of holdings posting double digit returns – this included Volkswagen, BP, Lockheed Martin and Microsoft. With a split in market performance between equity and non equity, more protective assets had a negative impact. Equity option protection was unused, bonds were out of favour and the gold price fell, all had a negative impact and diluted overall return. Ruffer remain cautious about the valuation of equity markets which have performed strongly over the last year despite questions over the underlying fundamentals. They have around 50% of the portfolio in equity but have attempted to remove the more expensive or potentially vulnerable areas. Around one third of their equity is in Japan where they feel there is good fundamental value and scope for upside. Despite recent losses, they retain the view that their protective assets remain important and continue to hold index-linked bonds, gold and options as appropriate offsets.

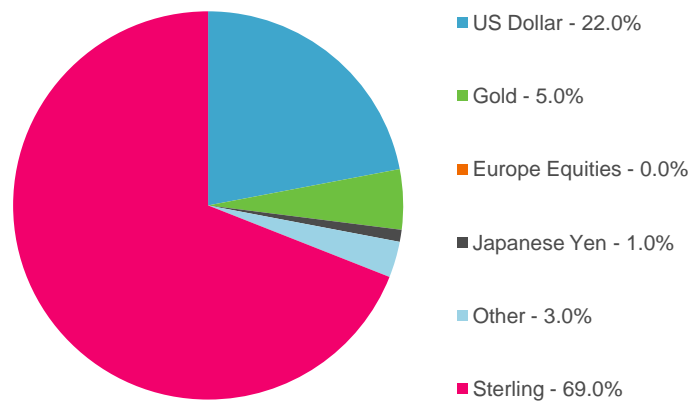
Relative Quarterly and Relative Cumulative Performance [1] [i]



Asset Allocation at Quarter End



Currency Allocation at Quarter End



[1] Excludes initial part quarter (28/2/11 to 31/3/11, relative performance -1.0%). Gross of fees. Benchmark shown is Base Rate +3.5% p.a. (to aid comparison with Baillie Gifford DGF)

Performance Summary (Gross of Fees)

Performance ^[1]

		Baillie Gifford Global Equity	GMO Global Equity	Legal & General UK Equity	Baillie Gifford Diversified Growth Fund	Ruffer Total Return Fund	Investec Bonds	Legal & General Index-Linked Gilts	Schroder Property	Total Fund
3 Months (%)	Absolute	5.2	5.5	5.5	2.5	1.4	0.5	-0.9	3.7	4.1
	Benchmark	5.0	4.3	5.5	1.0	1.0	0.6	-0.9	4.3	3.7
	Relative	0.2	1.2	0.0	1.5	0.4	-0.1	0.0	-0.6	0.4
12 Months (%)	Absolute	27.8	25.1	21.0	6.0	10.9	0.5	0.7	8.1	16.9
	Benchmark	21.1	22.4	20.8	4.0	4.0	2.5	0.6	9.2	14.9
	Relative	5.5	2.2	0.2	1.9	6.7	-1.9	0.1	-1.0	1.8
3 Years (% p.a.)	Absolute	11.1	8.4	9.5	5.9	5.6	0.1	7.7	4.4	7.4
	Benchmark	8.3	8.2	9.4	4.0	4.0	2.8	7.6	5.3	7.1
	Relative	2.6	0.2	0.1	1.8	1.5	-2.6	0.1	-0.9	0.3
5 Years (% p.a.)	Absolute	16.9	11.0	12.6	N/A	N/A	-0.4	8.9	3.0	9.7
	Benchmark	12.3	11.7	12.5	N/A	N/A	2.8	8.8	5.2	9.9
	Relative	4.1	-0.6	0.2	N/A	N/A	-3.1	0.0	-2.1	-0.2

[1] 5 Year performance figure is since inception for Investec Bond mandate (26/04/10) and for L&G UK Equity and Index-Linked Gilts mandates (02/08/10). 3 Year performance figure is since inception for Baillie Gifford DGF (22/2/11) and Ruffer (28/2/11).

Asset Allocation

Summary of Benchmarks

	Total Fund		Baillie Gifford Diversified Growth Fund		Baillie Gifford Global Equity		GMO Global Equity		Investec Bonds	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
UK Equity	24.0	1.5	-	-	8.1	1.1	10.0	-0.2	-	-
North American Equity	15.0	2.0	-	-	52.3	-6.0	30.0	4.1	-	-
European Equity	10.0	1.7	-	-	16.7	2.7	30.0	2.2	-	-
Pacific Basin Equity	9.0	-3.0	-	-	12.2	-3.5	25.5	-8.2	-	-
Emerging Market Equity	3.0	1.0	-	-	10.8	3.1	4.5	1.2	-	-
Bonds	14.0	-4.3	-	-	-	-	-	-	100.0	0.0
UK Index-Linked Gilts	3.0	1.8	-	-	-	-	-	-	-	-
Property	12.0	-1.8	-	-	-	-	-	-	-	-
Alternatives	10.0	-0.8	100.0	0.0	-	-	-	-	-	-
Cash	0.0	0.8	-	-	0.0	2.6	0.0	0.9	-	-
Trustee Bank Account	0.0	1.2	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	5.0	-0.3	16.0	2.0	25.0	0.6	14.0	-4.3

Asset Allocation (Cont.)

Summary of Benchmarks

	Legal & General Index-Linked Gilts		Legal & General UK Equity		Ruffer Total Return Fund		Schroder Property		Trustee Bank Account	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
UK Equity	-	-	100.0	0.0	-	-	-	-	-	-
North American Equity	-	-	-	-	-	-	-	-	-	-
European Equity	-	-	-	-	-	-	-	-	-	-
Pacific Basin Equity	-	-	-	-	-	-	-	-	-	-
Emerging Market Equity	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-
UK Index-Linked Gilts	100.0	0.0	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	100.0	-0.7	-	-
Alternatives	-	-	-	-	100.0	0.0	-	-	-	-
Cash	-	-	-	-	-	-	0.0	0.7	-	-
Trustee Bank Account	-	-	-	-	-	-	-	-	100.0	0.0
Proportion of Total Assets	3.0	1.8	20.0	1.4	5.0	-0.5	12.0	-1.8	0.0	1.2



Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left(\left(1 + \text{Fund Performance} \right) / \left(1 + \text{Benchmark Performance} \right) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.

If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.

If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.