

London Borough of Tower Hamlets Pension Fund

Review of Investment Managers' Performance for First Quarter of 2014

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For and on behalf of Hymans Robertson LLP
May 2014

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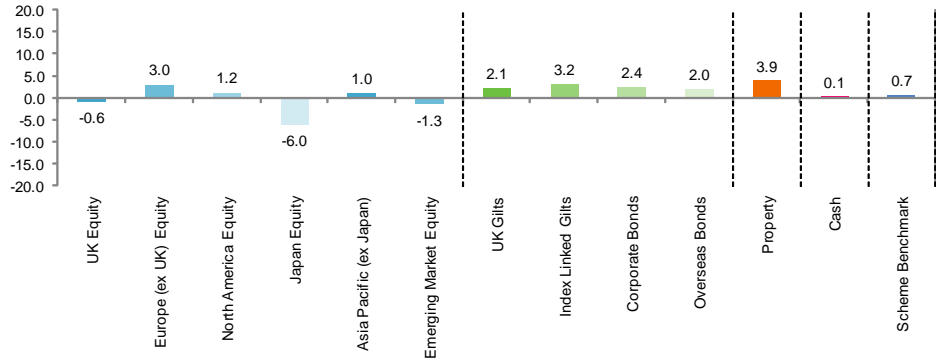
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Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in 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 31/03/2014

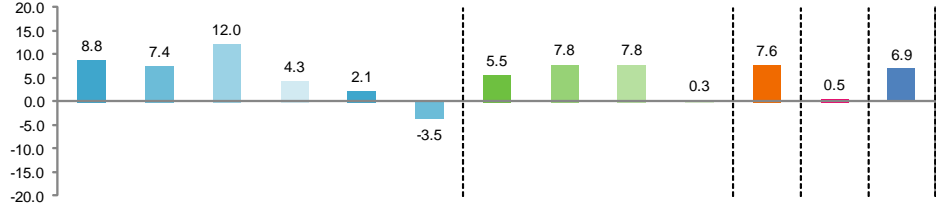
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

In the March budget, branded as a budget for 'savers', the Chancellor of the Exchequer announced an increase in the threshold for tax free savings and greater flexibility in the operation of defined contribution pension plans. At the same time, the Office for Budget Responsibility (OBR) revised its forecast for UK economic growth in 2014, from 2.4% to 2.7%. On this basis, the economy will surpass its pre-crisis peak later this year. Despite the more optimistic tone of published economic data, a number of commentators expressed concerns over the strength and breadth of the recovery and whether it is sufficient to resolve problems of a more structural nature. Consequently, further austerity measures remain on the agenda.

In the US, strong economic growth and improved labour market conditions provided the Central Bank with the opportunity to reduce further its bond buying programme. In addition, policy statements from senior officials indicated that short term interest rates may rise in early 2015. In the UK, the Bank of England was less forthright, with the Governor warning that the economic recovery is not yet secure and that when interest rates rise they will do so only gradually.

Far-East equity markets were unsettled by the prospect of less supportive policy in the US but quickly recovered their losses. Other negative influences affecting equity markets included continuing tensions in the Middle-East and the stand-off between Russia and Ukraine over Crimea.

Key events during the quarter were:

- Global Economy**
- Forecasts of UK economic growth for 2014 and 2015 were revised upwards by the Office for Budget Responsibility;
 - UK inflation (CPI) fell to a four year low of 1.7% (v. target of 2%) in February;
 - Eurozone inflation fell to 0.5% in March (the lowest rate since November 2009);
 - Japan reported a record trade deficit in 2013, as a weak Yen pushed up the cost of imports;
 - China set an economic growth target of 7.5% for 2014 (same as 2013);
 - Short-term interest rates were unchanged in UK, Eurozone, US and Japan.

- Equities**
- The best performing sectors relative to the 'All World' Index were Utilities (+6.4%) and Health Care (+5.2%); the worst were Telecommunications (-3.3%) and Consumer Services (-2.5%);
 - The UK government announced a plan to sell further shares in Lloyds Banking Group, to bring its holding down to 25%.

- Bonds and Currencies**
- Bond markets rose (yields fell) on easing of inflationary pressures in the UK, Europe and US;
 - Argentinian devaluation caused sharp fluctuations in other emerging market currencies.

[1] Overseas equity returns shown in Sterling

Portfolio Summary

Valuation Summary ^[1]

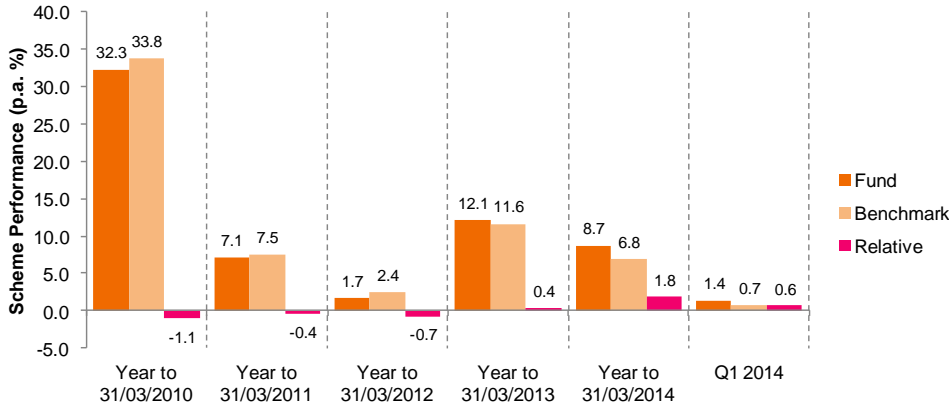
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2013	Q1 2014			
Global Equity	641.2	649.3	63.8	61.0	2.8
Bonds	144.9	146.7	14.4	17.0	-2.6
Property	101.5	103.7	10.2	12.0	-1.8
Alternatives	92.0	91.9	9.0	10.0	-1.0
Cash	7.7	8.6	0.8	0.0	0.8
Trustee Bank Account	11.7	16.8	1.7	0.0	1.7
Total inc. Trustee Bank Account	998.9	1017.0	100.0	100.0	

Comments

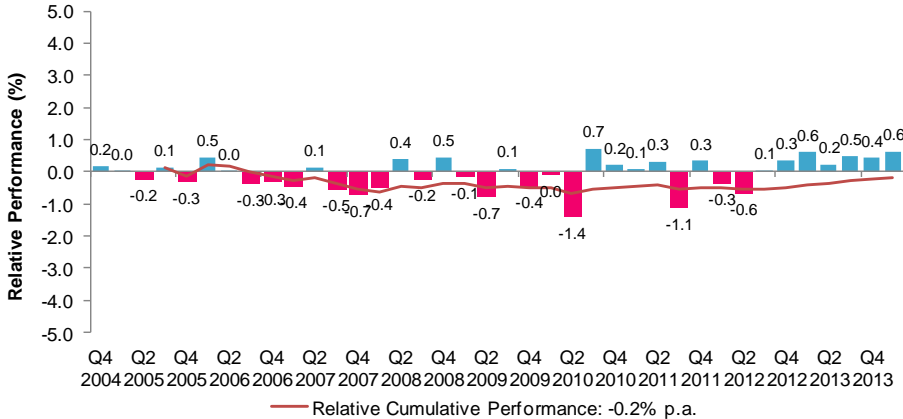
Performance was ahead of the benchmark over the quarter, mainly due to strong relative returns from the two global equity mandates. As before, the Absolute Return Managers' benchmarks include their respective performance targets. This also feeds into the Total Fund benchmark.

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 have been 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 %
	Q4 2013	Q1 2014			
Baillie Gifford Global Equity	179.4	183.1	18.0	16.0	2.0
GMO Global Equity	255.4	261.3	25.7	25.0	0.7
Legal & General UK Equity	213.4	212.1	20.9	20.0	0.9
Baillie Gifford Diversified Growth Fund	46.5	46.9	4.6	5.0	-0.4
Ruffer Total Return Fund	45.4	45.0	4.4	5.0	-0.6
Investec Bonds	97.4	97.5	9.6	14.0	-4.4
Legal & General Index-Linked Gilts	47.5	49.2	4.8	3.0	1.8
Schroder Property	102.3	105.2	10.3	12.0	-1.7
Trustee Bank Account	11.7	16.8	1.7	0.0	1.7
Total	998.9	1017.0	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]

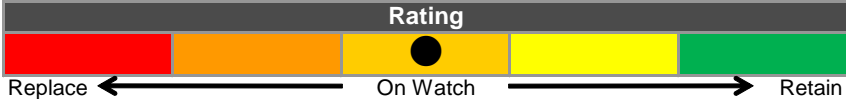
		Baillie Gifford Global Equity	GMO Global Equity	Legal & General UK Equity	Baillie Gifford Diversified Growth Fund	Ruffer Total Return Fund	Investec Bonds	Legal & General Index-Linked Gilts	Schroder Property	Total Fund
3 Months (%)	Absolute	2.1	2.3	-0.6	0.8	-0.9	0.0	3.6	2.7	1.3
	Benchmark	0.6	0.2	-0.6	1.0	1.0	0.6	3.6	3.3	0.7
	Relative	1.5	2.0	0.0	-0.2	-1.9	-0.6	0.0	-0.6	0.6
12 Months (%)	Absolute	12.2	14.6	8.9	1.2	-1.1	0.1	-4.3	9.6	8.4
	Benchmark	6.7	7.8	8.8	4.0	4.0	2.5	-4.5	11.9	6.8
	Relative	5.2	6.4	0.1	-2.7	-4.9	-2.4	0.1	-2.0	1.5
2 Years (% p.a.)	Absolute	15.6	13.9	12.8	5.9	4.8	0.7	3.4	5.0	10.1
	Benchmark	11.7	12.6	12.7	4.0	4.0	2.6	3.3	6.0	9.2
	Relative	3.4	1.2	0.1	1.8	0.7	-1.9	0.0	-1.0	0.8
3 Years (% p.a.)	Absolute	10.6	8.1	8.9	5.2	4.3	-0.5	9.0	4.6	7.1
	Benchmark	7.7	7.6	8.8	4.0	4.0	2.7	9.0	5.8	6.9
	Relative	2.7	0.4	0.1	1.2	0.3	-3.1	0.0	-1.1	0.2

[1] 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.

Source:  DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited

GMO Global Equity

HR View Comment & Rating



GMO is well on the way to fully implementing its new investment process though we do not see the recent, welcome, improvement in performance as a product of the new process. In the first quarter of 2014 the manager introduced emerging market exposure with an immediate 10% allocation sourced from US equities. It is unusual for GMO to make such a substantive move in a single quarter but this is a product of the process change; they see the value in markets such as Russia and China as compelling. We have no issues with this move as an investment decision but we remain watchful of the process changes it is implementing.

Comments

The portfolio has performed strongly in Q1 2014 and over the last 12 months, providing strong positive absolute and relative returns.

Returns over the 3 months to 31 March were largely driven by value stocks in Europe and the US. The relative outperformance against the benchmark came from European and UK value stocks, with both European value stocks, and European stocks in general, performing well.

The Fund benefited from overweight positions to Italy and France, as well as stock selection in Italy, France and the US. Underweights to Switzerland and Denmark slightly detracted from relative returns.

At the sector level, an underweight to Consumer Discretionary and stock selection within Utilities, Industrials and Information Technology added to returns.

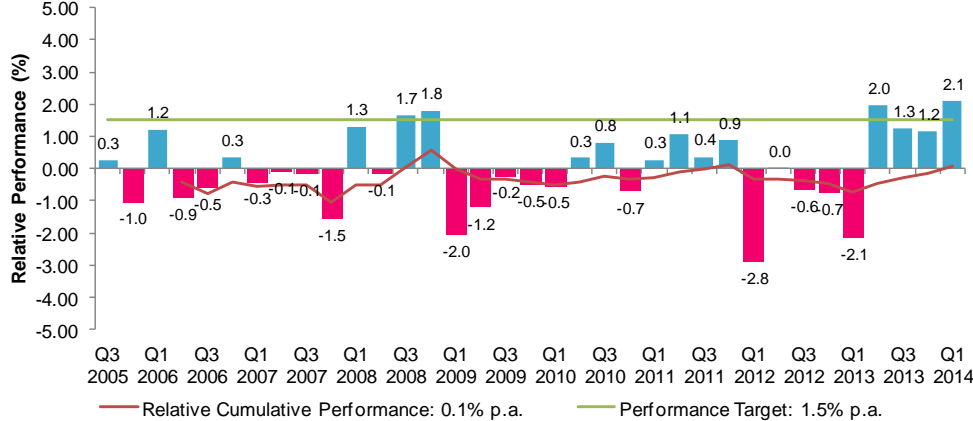
Strong performance over the past 12 months means that the Fund's performance since inception is now marginally above the benchmark, despite the poor relative performance exhibited during 2012 and Q1 2013.

A strong recovery in this portfolio may be an opportunity to rebalance the allocation with Baillie Gifford's equity portfolio.

[1] Gross of fees

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

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



Performance Summary [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.3	14.9	8.5	9.5
Benchmark	0.2	7.8	7.6	9.3
Relative	2.1	6.6	0.8	0.2

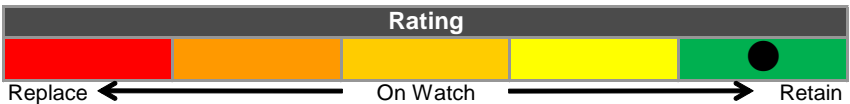
* Inception date 29 Apr 2005.

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.8	1.5

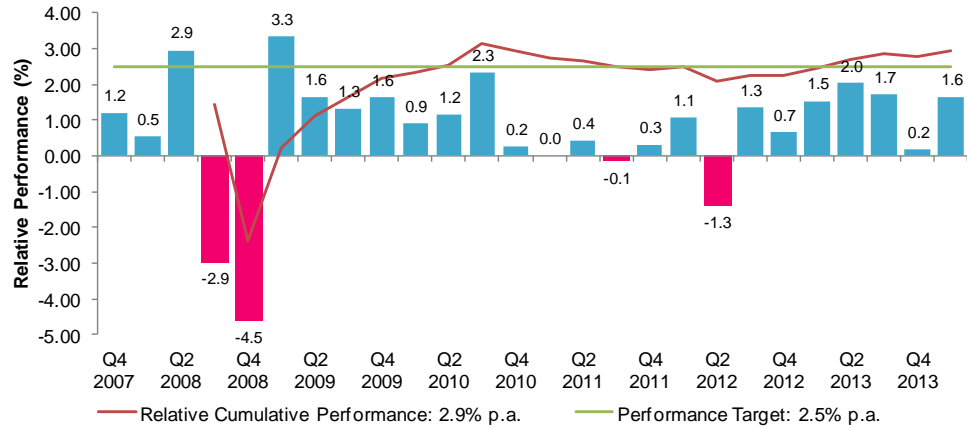
Baillie Gifford Global Equity

HR View Comment & Rating



No significant news to report over the quarter.

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



Comments

Baillie Gifford's Global Alpha Fund posted a return of 2.2% during a quarter in which global equity returns were modest. The fund outperformed the MSCI All Country World Index by 1.6% during the period and remains ahead of the benchmark over all time periods shown.

The Global Alpha Fund seeks to generate long-term returns through the use of fundamental bottom-up analysis. The most significant positive impacts on performance over the quarter came from Tesla Motors and Ryanair. Tesla, the manufacturer of electric cars, continued to build on momentum from the previous quarter when it was the largest positive contributor to the fund's returns while Ryanair's shares rose as the airline expands its service to more affluent passengers and to offer flights to more destinations. After a strong return during the previous quarter, Amazon was one of the main detractors from performance over the first quarter of 2014 as its earnings disappointed due to increased competition and it did not meet analyst expectations. Shares in Rolls Royce also hurt performance as the company lowered growth expectations due to defence spending cuts in the US. Despite uncertainty in the equity markets, the manager continues to focus on identifying companies with effective managements and that enjoy competitive advantages in their industries.

Performance Summary [2] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.2	12.7	11.1	8.5
Benchmark	0.6	6.7	7.7	5.6
Relative	1.6	5.6	3.2	2.7

* Inception date 05 Jul 2007.

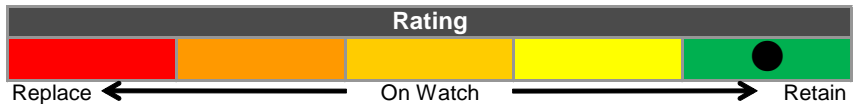
3 Year Relative Return

Actual % p.a.	Target % p.a.
3.2	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	-0.6	8.9	8.9	11.6
Benchmark	-0.6	8.8	8.8	11.4
Relative	0.0	0.1	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.

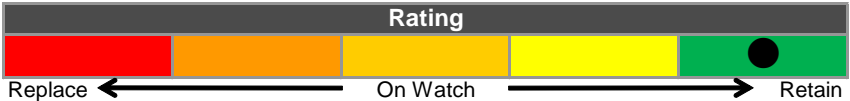
[1] Gross of fees

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%.

Performance Summary ^[1] [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.6	-4.3	9.0	9.3
Benchmark	3.6	-4.5	9.0	9.2
Relative	0.0	0.2	0.1	0.0

* Inception date 02 Aug 2010.

Comments

Performance has been in line with the index benchmark (FTSE-A Index-Linked Over 5 Years) over the quarter and since inception.

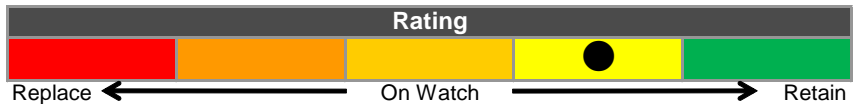
[1] Gross of fees

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



Investec Bonds

HR View Comment & Rating



No significant news to report over the quarter.

Comments

The Fund underperformed its Cash +2% p.a. benchmark over the quarter, producing a flat return net of fees. Longer term performance remains negative, reflecting the negative returns experienced by the Fund during 2011.

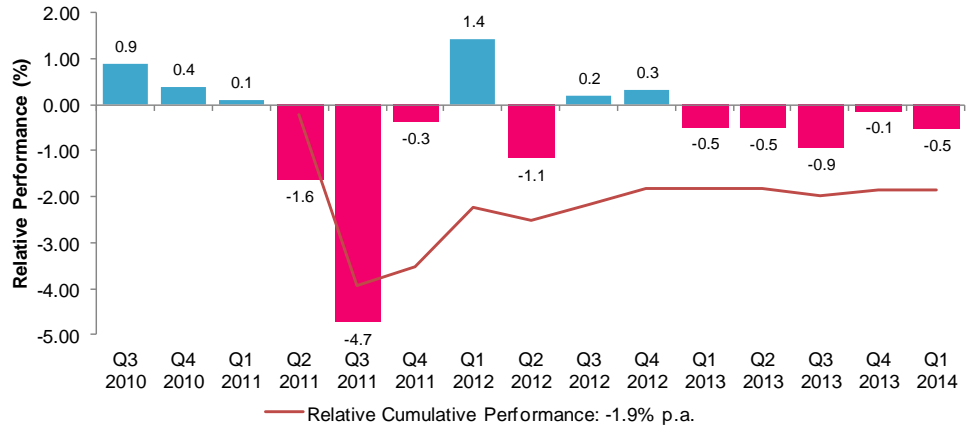
The portfolio's corporate debt exposure performed well over the quarter, with both investment grade and high yield bonds producing strong returns. Spreads narrowed over the period; and as has happened previously under these conditions lower quality credit outperformed higher quality credit. However credit hedges which have been implemented with the aim of minimising downside risk led to an overall negative performance from this asset class.

The portfolio's interest rate exposure produced a marginally negative return over the quarter. Short duration exposure to German Bunds, US Treasuries and Japanese government bonds detracted from returns, outweighing the slight positive contribution from long duration exposure to Canada, Sweden and the UK.

Currency and emerging market debt exposure slightly added to returns, reflecting the overall upward movement of emerging markets over the period.

Investec are considering shorter duration issues to reduce spread duration at the fund level. This is based on their view that there is limited scope for spreads to rally and there is some risk of some sell off.

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	0.1	0.5	-0.1	-0.3
Benchmark	0.6	2.5	2.7	2.8
Relative	-0.5	-2.0	-2.8	-3.0

* Inception date 26 Apr 2010.

3 Year Relative Return

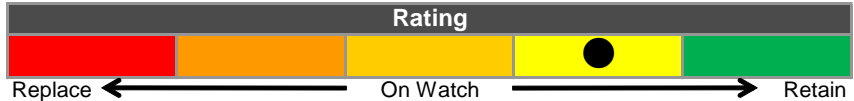
Actual % p.a.	Target % p.a.
-2.8	2.0

[1] Gross of fees. Benchmark is Cash +2% p.a., [2] Gross of fees.

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

Schroder Property

HR View Comment & Rating



Schroders announced in May that Peter Harrison, who re-joined Schroders in March 2013 from RWC Partners as Global Head of Equities, will take on the newly created role of Head of Investment. Harrison's new role means that he takes on some of CEO Mike Dobson's responsibilities and will surely only fuel speculation that he will eventually succeed Dobson. At the current time, this is not expected to impact the management of Tower Hamlets' portfolio.

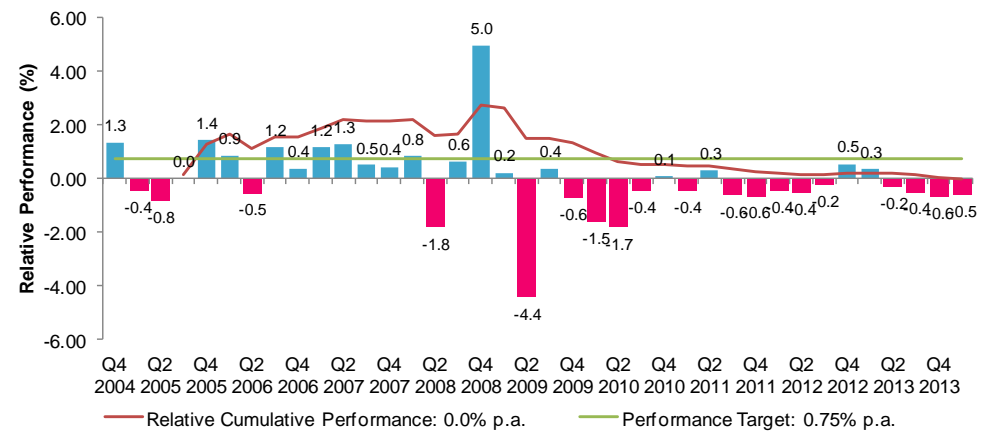
Comments

The segregated property portfolio managed by Schroders underperformed its benchmark by -0.6% net of fees over the quarter. Long term performance has also lagged the benchmark; with an underperformance of -2.6% p.a. over the 5 years to 31 March 2014.

The positive absolute performance was due to the Fund's UK holdings. Over the 12 months to 31 March 2014 UK value add funds made a positive contribution to relative returns, with the Central London office market in particular having consistently delivered good returns over the past three years.

The Fund's European holdings were the most significant contributor to the Fund lagging the benchmark over Q1 2014. Within this region, the Axa European Real Estate Opportunity Fund II lost around 20% of its value following revaluation of its assets by an external valuer, on the basis of a shorter holding period given the fund expires in April 2015.

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	2.8	9.8	4.8	5.2
Benchmark	3.3	11.9	5.8	7.6
Relative	-0.5	-1.8	-0.9	-2.3

3 Year Relative Return

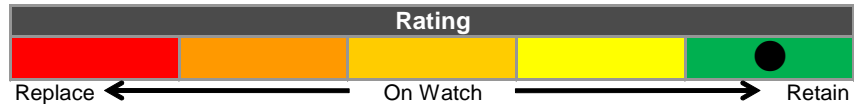
Actual % p.a.	Target % p.a.
-0.9	0.8

[1] Gross of fees, [2] 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

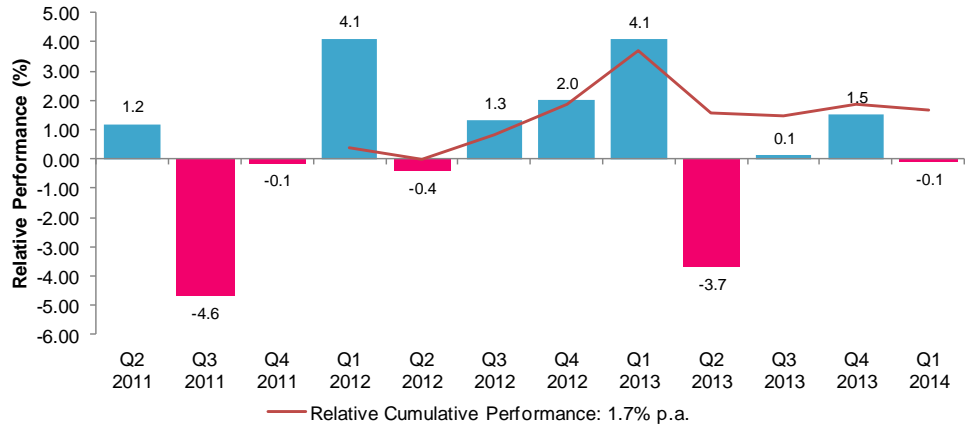


No significant news to report over the quarter.

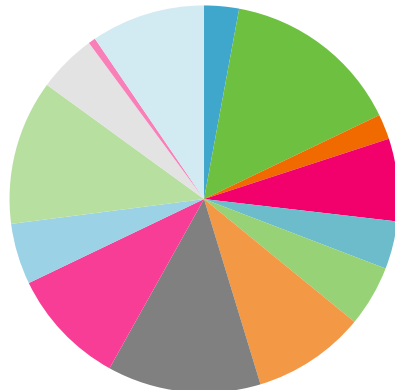
Q1 2014 saw little growth for most developed economies, with most of the Fund's asset class holdings producing broadly flat returns. High yield credit was the biggest contributor to overall performance, due in part to the Fund's significant allocation to this sector, whilst active currency and absolute return holdings detracted from performance.

Baillie Gifford has a cautious view on markets because of uncertainty about the unwinding of monetary easing by central banks and the search for yield in the low rate environment which is reflected by falling yields of non-investment grade bonds. In accordance with this view, the manager has retained high exposure to developed market government bonds, investment grade bonds, gold and cash.

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



Asset Allocation at Quarter End



- Private Equity - 2.9%
- Listed Equities - 15.0%
- Property - 2.1%
- Forestry - 0.0%
- Commodities - 6.9%
- Infrastructure - 4.0%
- Government Bonds - 5.1%
- Investment Grade Bonds - 9.4%
- High Yield Bonds - 12.8%
- Structured Finance - 9.8%
- Insurance Linked - 5.1%
- Emerging Markets Bonds - 12.1%
- Infrastructure Bonds - 0.0%
- Absolute Return - 4.9%
- Active Currency - 0.0%
- Special Opportunities - 0.6%
- Cash - 9.5%

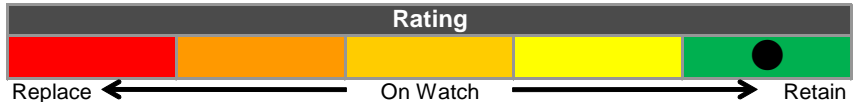
Volatility

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



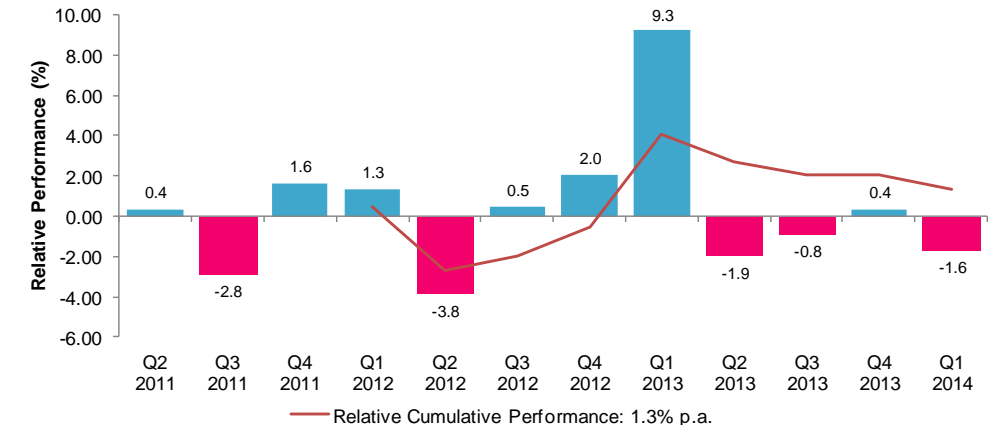
Jane Tufnell, who is one of the founding partners of Ruffer will be leaving at the end of June. Tufnell is primarily responsible for the firm's private client side and not involved in investment, so there is no impact expected on the management of Tower Hamlets' holdings. We will continue to monitor Ruffer and will keep clients updated of any progressive changes as a result of Tufnell's departure.

Ruffer's Absolute Return Fund generated a negative return of -0.9% over the first quarter, and -1.1% over the year to 31 March 2014. The negative return was largely driven by investor uncertainty over unrest in Ukraine and Syria which, with the uncertain macroeconomic outlooks for China, Europe and the U.S., contributed to increased volatility across equity, currency, commodity and fixed income markets.

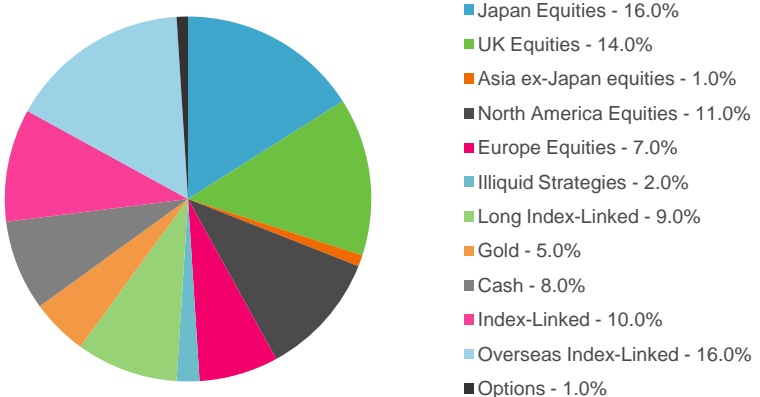
The key detractor from performance was the Fund's exposure to Japanese equities. After significant outperformance in 2013, Japanese equities fell in the first quarter and the Yen strengthened, hurting the Fund's hedged exposure to Japanese banks, financials and a select few other companies.

The Fund benefitted from its exposure to government bonds as investors retreated to fixed income. The Fund's allocation to gold contributed positively; after the sharp decline in 2013 gold reverted to its 'safe haven' appeal during the period of market volatility. Although broader equity markets were unsettled over the quarter, the Fund made gains from some of its individual stock selections including Microsoft and Barratt Developments.

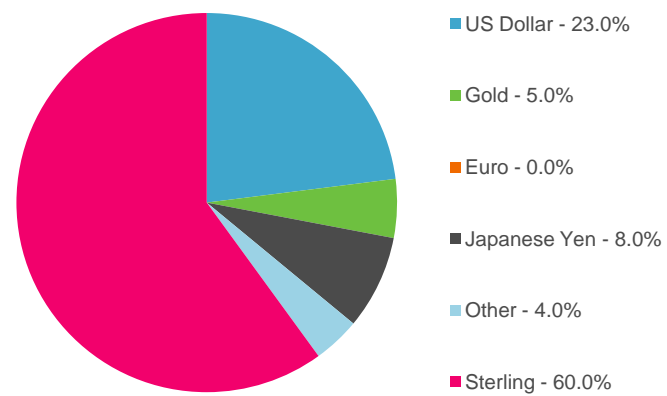
Relative Quarterly and Relative Cumulative Performance [1]



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 Benchmark	2.2 0.6	2.3 0.2	-0.6 -0.6	0.9 1.0	-0.7 1.0	0.1 0.6	3.6 3.6	2.8 3.3	1.4 0.7
	Relative	1.6	2.1	0.0	-0.1	-1.6	-0.5	0.0	-0.5	0.6
12 Months (%)	Absolute Benchmark	12.7 6.7 5.6	14.9 7.8 6.6	8.9 8.8	1.7 4.0	-0.1 4.0	0.5 2.5	-4.3 -4.5	9.8 11.9	8.7 6.8
	Relative			0.1	-2.2	-4.0	-2.0	0.2	-1.8	1.8
3 Years (% p.a.)	Absolute Benchmark	11.1 7.7	8.5 7.6	8.9 8.8	5.8 4.0	5.4 4.0	-0.1 2.7	9.0 9.0	4.8 5.8	7.4 6.9
	Relative	3.2	0.8	0.1	1.7	1.3	-2.8	0.1	-0.9	0.5
5 Years (% p.a.)	Absolute Benchmark	19.2 14.9	14.7 14.5	11.6 11.4	5.7 4.0	4.9 4.0	-0.3 2.8	9.3 9.2	5.2 7.6	11.9 11.9
	Relative	3.8	0.2	0.2	1.6	0.9	-3.0	0.0	-2.3	0.0

[1] 5 Year performance figure is since inception for Investec Bond mandate (26/04/10), L&G UK Equity and Index-Linked Gilts mandates (02/08/10), Baillie Gifford DGF mandate (22/2/11) and Ruffer mandate (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	0.8	-	-	7.7	2.3	10.0	-1.6	-	-
North American Equity	15.0	3.4	-	-	52.7	-5.6	30.0	8.8	-	-
European Equity	10.0	1.4	-	-	17.1	2.2	30.0	0.7	-	-
Pacific Basin Equity	9.0	-4.8	-	-	11.7	-3.6	25.5	-14.8	-	-
Emerging Market Equity	3.0	2.0	-	-	10.7	2.8	4.5	5.3	-	-
Bonds	14.0	-4.4	-	-	-	-	-	-	100.0	0.0
UK Index-Linked Gilts	3.0	1.8	-	-	-	-	-	-	-	-
Property	12.0	-1.8	-	-	-	-	-	-	-	-
Alternatives	10.0	-1.0	100.0	0.0	-	-	-	-	-	-
Cash	0.0	0.8	-	-	0.0	1.8	0.0	1.5	-	-
Trustee Bank Account	0.0	1.7	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	5.0	-0.4	16.0	2.0	25.0	0.7	14.0	-4.4



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	-1.4	-	-
Alternatives	-	-	-	-	100.0	0.0	-	-	-	-
Cash	-	-	-	-	-	-	0.0	-	1.4	-
Trustee Bank Account	-	-	-	-	-	-	-	-	-	100.0
Proportion of Total Assets	3.0	-1.8	20.0	0.9	5.0	-0.6	12.0	-1.7	0.0	1.7



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.