Investment Report

London Borough of Tower Hamlets Pension Fund
Investment Report for the
Quarter ended 1 October 2014

Legal & General Investment Management
One Coleman Street
London EC2R 5AA

Telephone: 020 3124 3277
Email: clientreportingteam@lgim.com

Contents

Fund Report

Management and Distribution of your Assets

- Your Fund's assets are managed by investing in the pooled funds shown in the table below
- The distribution of the Fund is maintained within its control ranges by the application of cash flows and, where necessary, switches between the investment sector funds

INVESTMENT SECTOR FUND	MARKET INDEX	BENCHMARK %	RANGES %
UK Equity Index	FTSE All-Share	83.0	78.0 - 88.0
Over 5y Index-Linked Gilts	FTSE A Index-Linked > 5 Years	17.0	12.0 - 22.0
Total		**100.0**	

Your Fund's Activity and Valuation

- A breakdown of any investments, disinvestments and switches is detailed in the Transaction Statements which have been issued to your nominated recipients. Copies are also available through your website access or upon your request

Investment Sector Fund	Value and Distribution at 30 June 2014		Net Transactions	Value and Distribution at 30 September 2014		Benchmark Distribution
	GBP (Mid)	**%**	**GBP**	**GBP (Mid)**	**%**	**%**
UK Equity Index	216,871,818	81.3	-	214,801,995	80.3	83.0
Over 5y Index-Linked Gilts	49,732,682	18.7	-	52,683,001	19.7	17.0
Total Assets	**266,604,500**	**100.0**	**-**	**267,484,996**	**100.0**	**100.0**

Your Fund's Performance

- The table below shows the returns for each fund compared with the total return of the relevant market index, composite index or comparator
- Total asset figures show the time-weighted returns i.e. taking out the effects of cash flow, for the total fund and where applicable its benchmark
- All fund returns are shown before the deduction of charges except those marked '(chgs)' or '(charges included)'. Some index returns are net of fees
- Additional information can be found later in the report

TIME-WEIGHTED RETURNS TO 30 SEPTEMBER 2014

	Last Three Months			Last Twelve Months			Last Three Years			Since 31 Jul 2010		
Investment Sector Funds	**Fund %**	**Index %**	**Deviat'n %**	**Fund %**	**Index %**	**Deviat'n %**	**Fund % pa**	**Index % pa**	**Deviat'n % pa**	**Fund % pa**	**Index % pa**	**Deviat'n % pa**
UK Equity Index	-1.0	-1.0	+0.0	+6.2	+6.1	+0.1	+14.1	+13.9	+0.2	+10.4	+10.3	+0.1
Over 5y Index-Linked Gilts	+5.9	+5.9	+0.0	+10.0	+9.9	+0.1	+7.2	+7.2	+0.0	+9.9	+9.9	+0.0
Total Assets	**+0.3**	**n/a**	**n/a**	**+6.9**	**n/a**	**n/a**	**+12.6**	**n/a**	**n/a**	**+10.2**	**n/a**	**n/a**

Dealing Costs

Investment Management Association's Pension Fund Disclosure Code

The voluntary Code (Third Version) which has been adopted by the Investment Management Association and strongly endorsed by the National Association of Pension Funds is intended to assist those responsible for pension fund assets in the understanding of the charges and costs levied on the assets. The Code sets out the direct costs and related topics which fund managers should be able to report to their pension fund clients.

There are two levels of disclosure required by the Code.

Level One - house policies, processes and procedures in relation to the management of costs incurred on behalf of clients. LGIM has issued to clients a paper covering Level One Disclosure and this is updated yearly.

Level Two - client specific information. The Code requires details to be available of counterparties used and the split of commissions between execution and research. It further requires a comparison with appropriate firm-wide figures. For investors in pooled funds this comparison is at the pooled fund level; it is available on request from your Client Account Manager.

Notes to Level Two Disclosure – Client Specific Information for Pooled Fund Clients

- *Proportion of portfolio covered by the Code at period end:*
  All asset classes are covered with the exception of Property which is outside of the Code.
- *Fund management fees:*
  The fees applicable to your arrangements are shown in your quarterly invoice (except in the circumstances stated opposite).
- *Custody costs borne directly by the fund:*
  Custody costs are included in the fund management fees and are, therefore, not borne directly by the pooled fund (except in the circumstances stated opposite).
- *Transaction values/explicit dealing costs:*
  In the column opposite there are two tables. The first gives details of the total cost to the scheme of dealing in units during the reporting period calculated by comparing the actual value of the units dealt with their mid value. The second table provides an estimate of the total explicit dealing costs incurred by each of the pooled funds during the quarter, after allowing for the dealing costs received by the pooled fund through the bid/offer spread from the dealing in units. In the second table, only the explicit dealing costs are shown. Bonds are dealt on a net basis (i.e. no broker commission is paid) and, therefore, no explicit costs are shown.
- *Underwriting/sub-underwriting commissions received:*
  Any commissions received are credited to the funds that underwrote the share issue.
- *Stock lending:*
  Stock lending occurs in a limited number of overseas equities index funds. All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending.
- *Taxation:*
  Any UK stamp duty and overseas taxes are included in the costs shown. VAT is not payable on the fund management fees under current legislation.

COSTS OF DEALING IN UNITS DURING REPORTING PERIOD

	Total Unit Transactions	Total Dealing Costs	Average Dealing Cost
	GBP	GBP	%
Excluding Assets	0	0	0.00
Including Assets	0	0	0.00

FUND DEALING COSTS DURING REPORTING PERIOD

Fund	Explicit Dealing Cost (%) within Fund
UK Equity Index	less than 0.01%
Over 5y Index-Linked Gilts	nil

Policy and latest developments in Corporate Governance & Responsible Investment

Policy and Practice

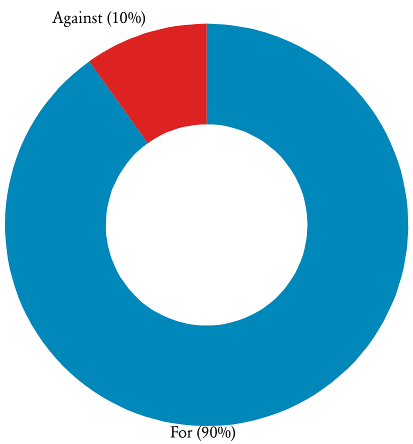
We aim to maximise and protect shareholder value on behalf of our clients by exercising their voting rights. We also engage with companies both directly and collaboratively with other investors to reduce risks of corporate failure and promote best practice. We comply with the principles set out in the UK Stewardship Code and are a signatory to the UN Principles of Responsible Investment (PRI)
http://www.lgim.com/uk/en/capabilities/corporate-governance/

In order to demonstrate key governance issues, voting statistics are divided up into main voting categories. We engage on a range of Environmental, Social, Governance (ESG) and Financial issues and integrate all components where appropriate. All UK votes are disclosed on our website.

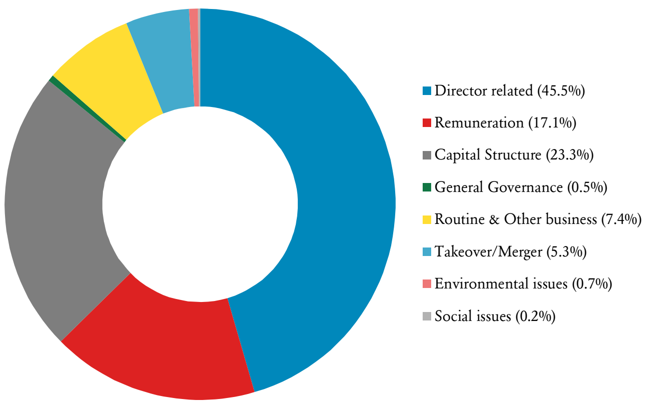
We have extended our public voting disclosure to cover the North American and Japanese markets. These can also be found on our webpage.

LGIM votes in all major developed markets including: Europe, North America, Japan, Asia Pacific and have minimised abstentions. We also vote in the major emerging markets and have started reporting on our activities in this region.

Voting Decisions



Against/Abstain Votes by Topic



Latest News and Development

Fundamentals

We published a *Fundamentals* article looking at two relatively new aspects of corporate governance – board effectiveness reviews and cyber security. We believe a code of practice for board effectiveness reviews would provide a framework to help ensure minimum standards for reviews are upheld. Additionally, cyber security should be treated with the same importance as any other key risk a company faces. Click link http://www.lgim.com/library/knowledge/thought-leadership-content/fundamentals/Fundamentals_OCT_2014_ENG.pdf
Press articles on the topics discussed have featured in the FT, Guardian, Reuters and Forbes.

Tax

We hosted an investor event to discuss the latest development on tax issues, as a follow up to a similar event we held last year. We continue to take a lead on this fast progressing topic and introduced the discussion paper put together with a number of other investors based on the findings from our engagements with a range of tax professionals and companies in the extractive and consumer brands sectors. LGIM are now talking to global investors as the regulatory background continues to change the tax practice and disclosure landscape for corporations.

US engagement and CII conference

LGIM travelled to the US to attend the CII conference and to undertake several company engagements, including Boeing, Abbot Laboratories, Exxon, Freeport and Chevron. We also visited Apple and Google at their offices in Silicon Valley. With Apple we discussed the work they are undertaking on their supply chain management, as well as on conflict minerals. Google was our first engagement with the company where we discussed general governance structures and improvements and compensation issues. Our final meeting was with McKesson, where we discussed board structure and compensation issues where the company has made improvements.

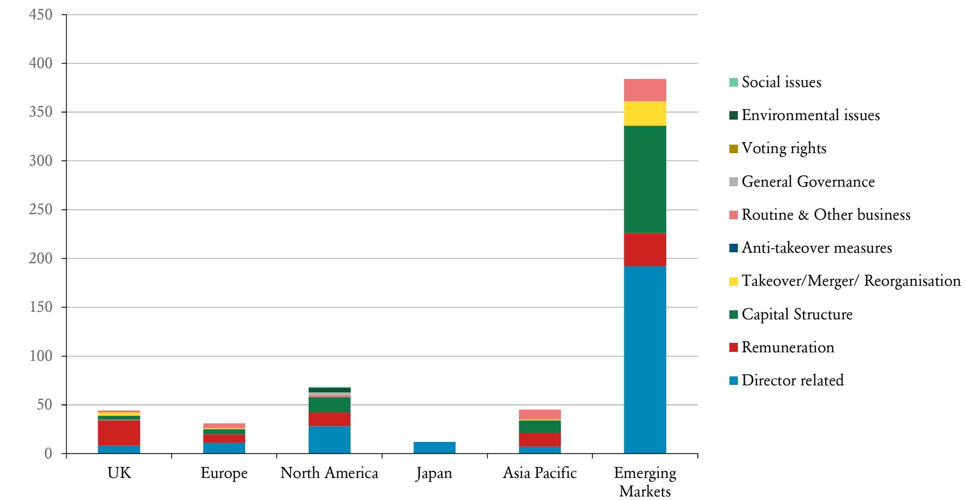
PRI conference

LGIM attended the PRI conference in Montreal, where 600 global practitioners congregated to discuss the latest developments in responsible investment. We spoke at a panel on executive pay to discuss the progress on the topic in the UK, compared to the US and Canada.

Going concern

In a joint letter published in the Financial Times we drew attention to the need to keep the vital investor protection afforded by the 'going concern statement'. This assures shareholders that directors believe the business will be a viable entity into the foreseeable future.

Regional Breakdown of AGAINST Votes by Topic



Key Voting Decisions

United Kingdom

Burberry	M.Cap: £6.49bn	Luxury Goods	UK

LGIM voted against the remuneration policy due to the discretion to make awards to a newly appointed director of up to 12 times their salary and the annual limit on salary increases being set at 15%. LGIM voted against the remuneration report due to the one-off award granted to the new CEO, which followed a number of previous one-off awards.

Betfair	M.Cap: £1.24bn	Leisure	UK

We held a call with the company's Chief Financial officer, Chairman of the Audit Committee and Chief Legal Officer to discuss the accounting error in relation to the payment of dividends and remuneration matters. Following this, we decided to vote against the resolution to accept the Annual Report and Accounts because the accounting error should have been presented with more clarity due to its unusual nature. We also voted against the Remuneration Report because the targets for the 2011 LTIP awards were amended downwards retrospectively without sufficient justification.

Sports Direct International	M.Cap: £3.65bn	Retail	UK

Sports Direct had three attempts in 2014 to obtain shareholder approval for an executive bonus scheme that included its Executive Deputy Chairman. We also had concerns about board governance, poor shareholder communication, stake building of other retailers, not signing the Accord on Fire & Safety in Bangladesh and use of zero hour contracts. In our engagement with the Chairman, we expressed the need for change. Although we had a number of assurances that there would be improvements in the forthcoming year we opposed the re-election of the Board Chairman and that of the Chairman of the Remuneration Committee.

US

Darden Restaurants	M.Cap: $6.77bn	Leisure	US

Starboard Value, an activist investor, proposed to replace the entire Darden board due to poor strategy at the company. We engaged with both Darden and Starboard to discuss these proposed board changes and decided to support the new board proposed by Starboard, as we felt that this new leadership would establish a better strategy at the company and improve company value over the long-term. The meeting is scheduled for the beginning of October.

Cliffs Natural Resources	M.Cap: $1.26bn	Mining	US

Casablanca Capital, an activist investor, proposed to replace the entire board at Cliffs due to the company losing focus on its core business, with the result in a drop in share price recently. We spoke to both Cliffs and Casablanca and decided to support Casablanca, as we felt the company was undervalued and needed a more clear strategy to focus on its core strengths, which the new board proposed. The whole Casablanca slate was approved by shareholders at the meeting.

Japan

Ito EN	M.Cap: JPY 204.12bn	Beverages	Japan

We voted against the Board Chairman since independent outsiders represent only 11.8% of the entire board, therefore not meeting our minimum requirement of board independence in Japan, which is set at 20%. We also have concerns with the size of the board, which exceeds 15 directors, thereby posing an obstacle to its effectiveness.

Asia –Pacific

Dalian Port	M.Cap: CNY 14.35bn	Industrial Transport	China

We opposed the management's proposal to issue bonds not exceeding 1 billion Chinese yuan renminbi. Even though we recognise that management should have the ability to determine the capital structure of the company according to its capital needs, the company failed to disclose sufficient information related to the issuance of bonds, such as their interest rate and use of proceeds, thereby not allowing us to make an informed decision on this matter.

China Gas Holdings	M.Cap: HKD 67.18bn	Oil & Gas	Hong Kong

We opposed the election of four non-independent directors, as the company's board is composed of only 27% of independent directors, therefore not compliant with the Hong Kong Stock Exchange's listing rules, which requires at least one-third of the directors to be independent. Moreover, we voted against the re-election of a non-independent director and member of the nomination committee, as the committee's independence did not meet the minimum requirements set by the listing rules.

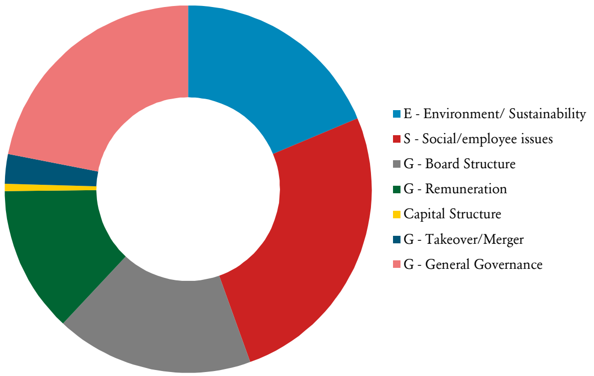
LGIM Voting Summary by Topic and Region

Between 01/07/2014 and 30/09/2014		UK		Europe		North America		Japan		Asia Pacific		Emerging Markets		Total
		FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	
Management Proposals	Director related	1037	8	79	11	239	25	50	12	127	7	732	191	2,518
	Remuneration	347	26	12	9	46	11	5		32	14	80	34	616
	Capital structure	464	4	19	5	6				24	13	218	110	863
	Auditors													0
	Voting rights													0
	General governance													0
	Routine and company business	643	2	59	5	40	2	4		57	10	495	23	1,340
	Anti-takeover related	112				7		1						120
	Takeover/merger/reorganisation	28	3	18	1	4				6	1	110	25	196
	Social issues													0
Shareholder Proposals	SP – Anti-takeover measures													0
	SP – Director related					8	3					2	1	14
	SP - Remuneration					2	3					32		37
	SP - Capital structure													0
	SP - Voting rights													0
	SP – Corporate Governance						2					16		18
	SP - Routine and company business											2		2
	SP – Health/Environment						4							4
	SP - Social issues						1							1
	SP - Other					3	1							4
Total Votes		2,631	43**	187	31	355	52**	60	12	246	45	1,687	384**	
Total number of resolutions		2,674		218		407		72		291		2,071		5,733
Annual General Meetings (AGM)		150		10		32		6		26		110		334
Extraordinary General Meetings (EGM)		35		8		7		0		17		91		158
Number of companies voted at		171		16		39		6		39		166		437

*The above table details the voting that has been carried out for the PMC UK, Europe, North America, Japan, Asia Pacific and Emerging Markets – Equity Index Funds

**Please note that abstentions were included within the 'Against' categories in the table above. This was one in UK, 14 in North America and two in Emerging Markets

Engagement Topics & Frequencies



Meetings covering one or more of ESG and F topics*				Number of meetings
E	S	G	F	107
29	40	86	36	

Environment/ Sustainability	29
Social/employee issues	40
Board Structure	27
Remuneration	20
Capital Structure	1
Takeover/Merger	4
General Governance**	34

*Please note meetings may be double counted as we often discuss more than one issue in a meeting

**General Governance category covers topics including company performance and strategy, audit and risk, and voting rights.

Key Company Engagements on E(Environmental), S(Social), G(Governance) and F(Financial) Topics

Tesco	M.Cap: £14.82bn	Food Retail	UK	GF

Subject: Accounting issues

Since the start of 2013 the Corporate Governance team has met with the company 15 times on various issues including strategy, changes to the board, supply chain and auditors. In the last quarter we met with the Chairman and then, following the announcement of an accounting error, we met the senior independent director. We discussed recent changes to the board as well as future governance improvements.

Richemont SA	M.Cap: CHF40.98bn	Luxury Consumer Goods	Switzerland	G

Subject: Board structure

LGIM engaged with the company to discuss our concerns with the lack of independent directors on the board. We wanted to understand the rationale of the board for its lack of refreshment. We also covered their strategy and capital allocation policies. We were satisfied that although the company's governance is not fully compliant that it was being run conservatively and in a manner that will safeguard long-term shareholder returns.

FEMSA	M.Cap: MXN$431bn	Beverages	Mexico	ES

Subject: Sustainability

LGIM met with members of the sustainability team. We discussed the future direction of the business and their environmental and social practices, including the impact of the Mexican sugar tax on their business. The company has introduced many initiatives that have resulted in a reduction in staff turnover rates. These include educating its staff in their own university, ownership of a hospital and provision of other medical services. They are introducing energy saving initiatives to its store portfolio and hope to have more than 80% of their convenience stores powered by wind power.

Coca - Cola	M.Cap: $37.7bn	Beverages	US	SG

Subject: Remuneration and Social Issues

During our engagement we suggested that its long-term compensation plan be extended from three years to five years to be more in line with the company's 2020 Strategy. We also discussed labour and human rights and the company's work on water mapping and sustainable agriculture, as well as the issue of consumer changes in terms of sugar consumption and obesity.

Time Warner	M.Cap: $63.1bn	Media	US	GF

Subject: M&A, General Governance

We discussed the proposed bid for the company from Fox. The company felt that there were risks to their business from the combination and we asked how it will move on from this withdrawn bid and the company will issue a new strategy in the coming months. We discussed board structure and the role of the lead independent director, the remuneration policy as well as cyber security and the risk of piracy and the company's energy use.

Oil sands				ES

Subject: Sustainability

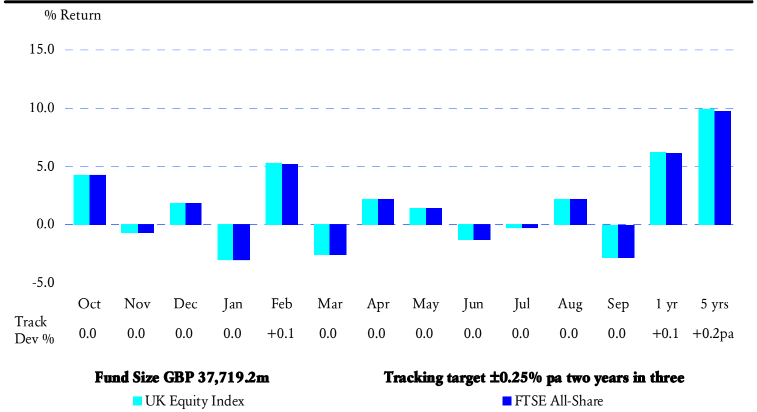
LGIM visited Fort McMurray, Alberta, Canada to observe the oil sands operations in the area. We met with Pembina (a think tank working to improve standards in oil sands operations), Suncor (oil sands operator) and representatives from the native first nations. We learned about a range of environmental impacts, such as tailings management, carbon reduction, air pollution, water contamination and land management, as well as social impacts on local communities. We also discussed the role of oil sands in the mix of overall global oil supply and costs of transport to various markets in the future.

Fund Activity & Performance

UK Equity Index

- The Fund returned -1.0% matching the index return over the quarter
- At the quarterly index review 16 companies were added, including TSB Banking Group, Saga, Zoopla Property Group and Spire Healthcare Group. New World Resources was the only deletion, while Glencore, Booker and Lamprell had their free float increased
- Dixons Carphone was created following the merger of Dixons Retail with Carphone Warehouse. Takeovers included engineer Kentz by Canadian SNC-Lavalin Group, Caracal Energy by Glencore (constituent) for cash and Wolfson Microelectronics. Other deletions included Talvivaara Mining, which was delisted, and Camellia, which transferred its listing to the AIM (Alternative Investment Market)
- Capital raisings included British Sky Broadcasting (£1.4 billion), the London Stock Exchange (£962 million), Hammerson (£400 million), Provident Financial (£120 million) and Mothercare (£100 million). Capital repayments were made by Foxtons, Hargreaves Lansdown, Next, Alent, HG Capital, Esure and Direct Line

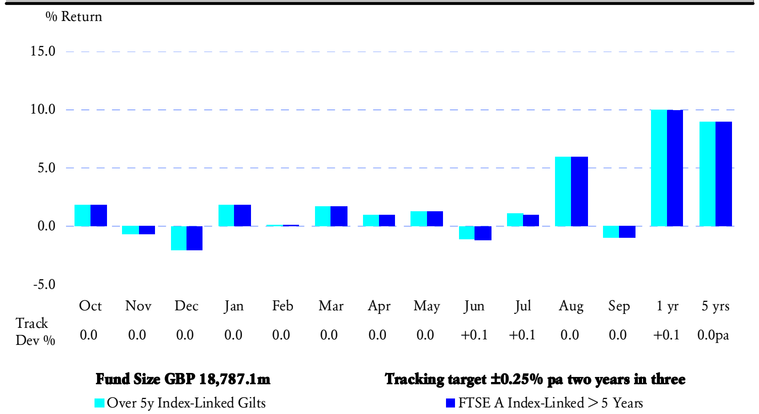
UK EQUITY INDEX - FUND AND INDEX MOVEMENTS - 2013/14



Over 5y Index-Linked Gilts

- The Fund returned 5.9% matching the index return over the quarter
- The UK economy continued on an upward growth trajectory, with second quarter GDP registering 3.2% year on year growth. Retail Price Index inflation held steady at 2.4% in August and with wage inflation remaining in check, the timing of the first base rate increase in the UK is finely balanced
- During the quarter there were four bond auctions, with maturities of 2019, 2024, 2040 and 2052. One bond syndication was held, to launch the new 2058 maturity issue. These activities together raised approximately £11.3 billion for government funding
- The Fund held all 22 stocks contained within the benchmark index. The Fund and index both had a modified duration of 21.66 years at the end of the quarter and the real yield was -0.35% (yield curve basis)

OVER 5Y INDEX-LINKED GILTS - FUND AND INDEX MOVEMENTS - 2013/14

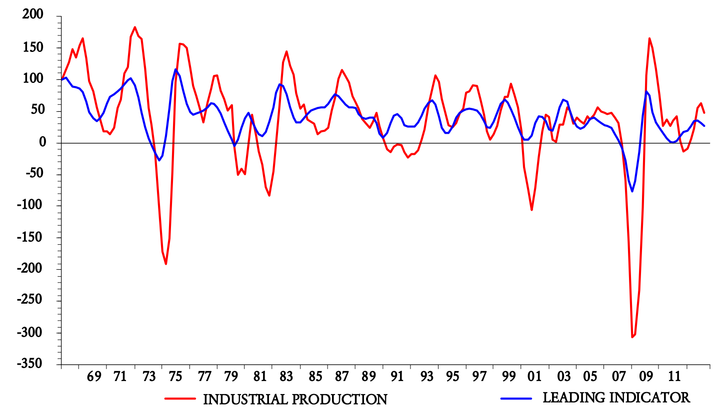


Market Background

Economies

- Data released during the third quarter highlighted the divergent path ahead facing rate setters. Some disappointing economic news in the euro zone and Japan highlighted the prospect of further stimulus, whereas the improving trading backdrop in the US and the UK raised expectations of interest rate hikes by mid-2015, if not before
- Firmer retail activity in the US raised hopes that the recovery has gained enough traction to offset the looming end of quantitative easing
- The UK economy has maintained its robust annual GDP growth. Although inflation eased further, the prospect rose of an increase in the Bank of England's (BoE) interest rate by early 2015
- With economic growth grinding to a virtual halt across the region, the European Central Bank (ECB) cut interest rates further but stopped short of introducing full quantitative easing
- The Japanese economy contracted by 1.8% in the second quarter, as retail spending and business investment fell

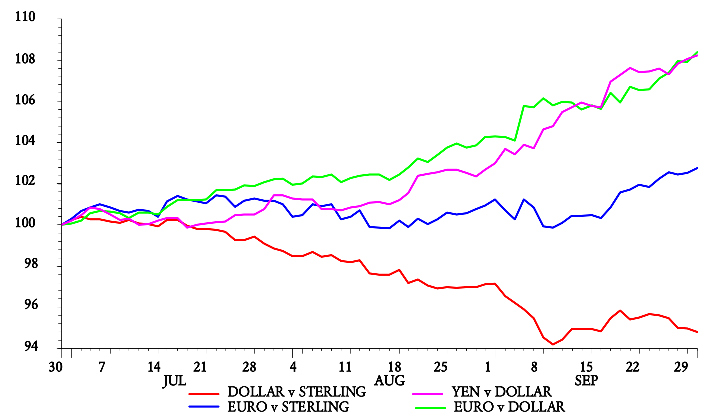
OECD G7 LEADING INDICATOR & INDUSTRIAL PRODUCTION - YoY



Currencies

- The US dollar made strong gains against the euro, yen and to a lesser extent sterling, as investors grew increasingly confident over the sustainability of the US recovery. Investors increasingly took the view that the US economy may be better positioned to withstand the end of quantitative easing in October
- The US dollar gained against the yen over the third quarter. Japan's economy contracted sharply in the second quarter, reflecting weaker consumer activity following April's sales tax increase, reaffirming the ongoing stimulus need from the Bank of Japan
- The euro fell versus the dollar. With inflation falling further and growth subdued across Europe, the ECB trimmed interest rates, unveiled a private asset buying programme but stopped short of quantitative easing
- Sterling shed value against the US dollar but rose versus the euro. BoE policymakers raised the prospect that interest rates could rise around the turn of the calendar year

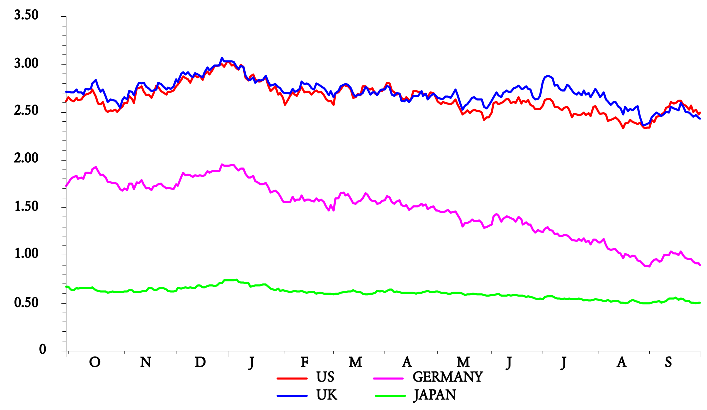
EXCHANGE RATES



Bonds

- Global government bond yields ended the quarter largely unchanged or slightly lower, as the geopolitical tensions witnessed early on were offset by the brighter tone of some global economic data later in the third quarter
- 10-year UK government bond yields eased to 2.4% over the third quarter. Despite weaker inflation data, further evidence of the robust economic recovery led to heightened speculation that the central bank's interest rate could rise from 0.5% early in 2015
- US 10-year bond yields ended the quarter unchanged at 2.5%. With quantitative easing set to end imminently, investors increasingly priced a rate rise from the US Federal Reserve by mid-2015
- In contrast, despite another fall in official borrowing costs (which pushed government bond yields lover across Europe), investors speculated that the waning euro zone economy could yet force the ECB to embark on full quantitative easing
- Japanese yields eased to 0.5%. With April's sales tax increase distorting first quarter growth data, the subsequent second quarter correction underlined the need for ongoing stimulus

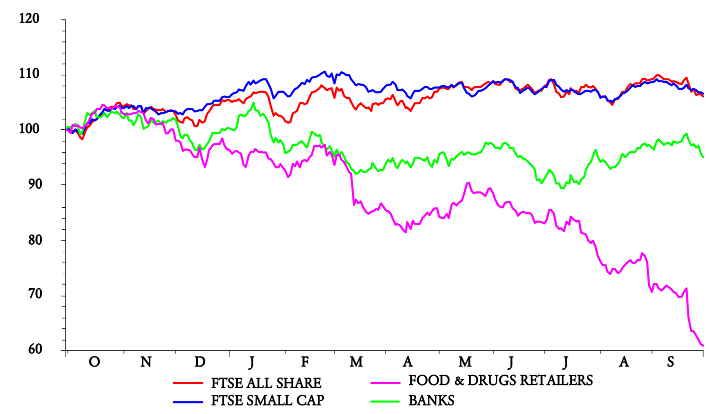
10 YEAR GOVERNMENT BOND REDEMPTION YIELD



UK Equities

- The FTSE All-Share Index fell by 1.0% in sterling terms, underperforming its overseas counterparts. The UK market outperformed its euro zone peers but underperformed US and Japanese equities in sterling terms
- On a total return basis, the FTSE 100 Index fell by 0.9%. Despite the positive outlook for the domestic economy, mid and small caps underperformed as rising geopolitical concerns weighed on investors' appetite for risk
- The UK economy continued to grow strongly, boosted by high levels of consumption. Although inflation fell to 1.5%, the strength of the economic recovery persuaded two members of the BoE's Monetary Policy Committee to vote for higher interest rates, raising the prospect of higher official borrowing costs by early 2015
- In sector terms, weaker oil prices weighed on energy companies, while Tesco's accounting woes and profit warning impacted on food & drug retailers. Banks performed relatively well, helped by a better than expected trading update from RBS

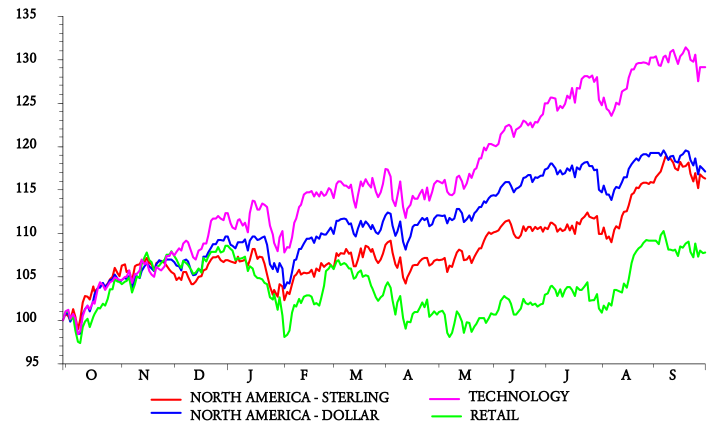
UK EQUITY PRICE INDICES



North American Equities

- US equities rose by 0.6% and 6.1% in local and sterling terms respectively during the quarter, outperforming their Japanese, UK and Europe excluding UK counterparts. Having risen for seven consecutive quarters, the S&P 500 Index set a new all-time high in September
- Survey data suggested that the economy remained buoyant in the third quarter, with consumer sentiment and retail activity firmly on the rise. The jobs market, however, showed only modest further improvement
- With the economy continuing to recover in line with official forecasts, the US Federal Reserve continued to reduce quantitative easing by $10 billion a month, with the bond-buying stimulus programme scheduled to end in October. Speculation rose that official borrowing costs could rise as early as mid-2015
- In sector terms, technology, real estate, financials and communication services outperformed, while consumer defensives, industrials, utilities and consumer cyclicals lagged the wider market

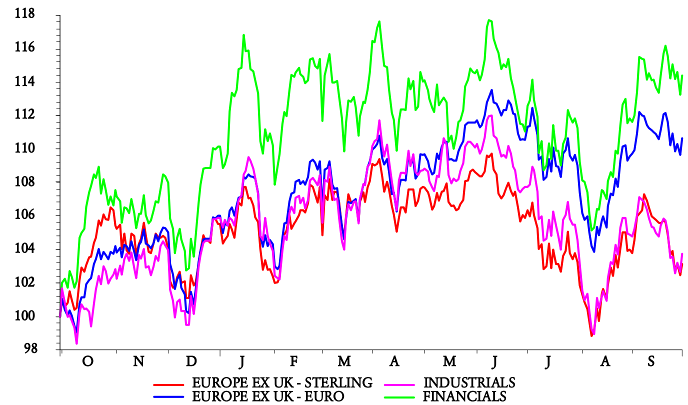
FTSE NORTH AMERICA PRICE INDICES



Continental European Equities

- Continental European stocks posted modest gains in euro terms in the third quarter, underperforming their global peers on concerns over the region's economic malaise. The FTSE World Europe (excluding UK) Developed Total Return Index rose 0.1% in euroœ terms but declined 2.6% in sterling terms
- The euro zone economy stagnated during the second quarter, with Italy returning to recession and the German economy contracting, as tougher sanctions against Russia weighed on exports
- Having trimmed interest rates again in September, the ECB sought to inject liquidity into the financial system with a private asset repurchase programme but stopped short of quantitative easing
- Inflation continued to ease, falling to just 0.3% in September, highlighting concerns that deflation could yet set in following an extended period of sluggish economic performance
- In country terms, Ireland, Finland and Switzerland outperformed. Austria and Portugal underperformed significantly amid concerns over the health of their financial sectors

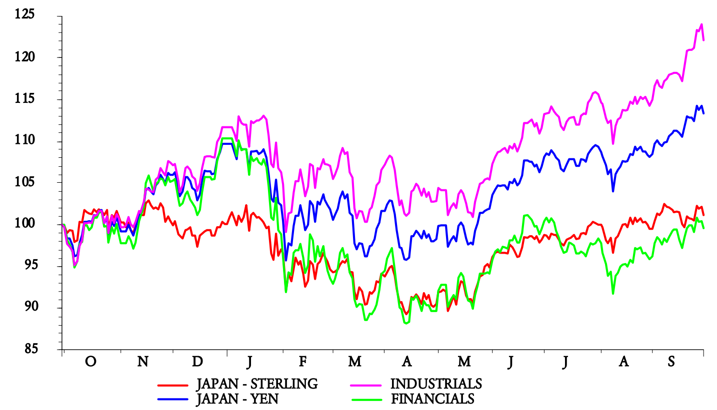
FTSE EUROPE (EX UK) PRICE INDICES



Japanese Equities

- Following an early setback, Japanese equities subsequently rallied to end the quarter with solid gains of 5.9% and 3.1% in local and sterling terms, reflecting investors' confidence that renewed support from the Bank of Japan can help the economy to recover from its second quarter setback. Nevertheless, yen weakness resulted in muted gains for sterling-based investors and losses for US dollar investors
- Consumer confidence remained below the key 50 level, while the quarterly Tankan Index of business sentiment eased following a firm start to 2014. Weaker export data in August suggested global demand for Japanese goods remains subdued, despite the weaker yen
- With global equity markets extending their gains, Japanese equities touched their highs of December 2013, underpinned by confidence that policymakers will continue to stimulate the economy in an effort to maintain to cyclical recovery

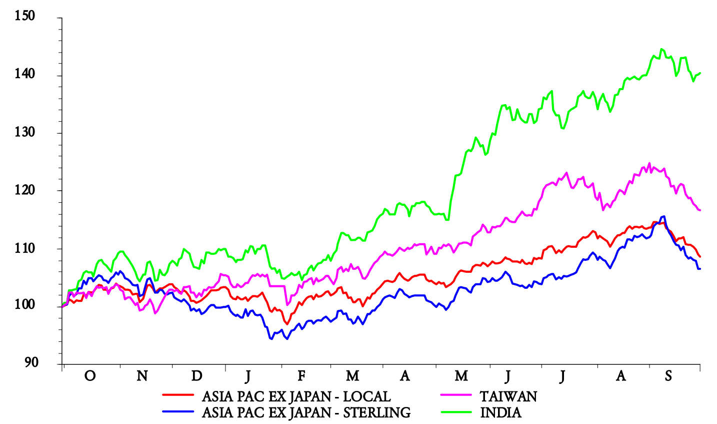
FTSE JAPAN PRICE INDICES



Asia Pacific (ex Japan) Equities

- The region's markets produced negative returns in local terms during the third quarter, marginally underperforming global market indices. The FTSE World Asia-Pacific (excluding Japan) Total Return Index ended the quarter 0.3% and 2.4% in local and sterling terms, as the UK currency lost ground against its Asian peers
- Following firm performance for much of the quarter, Asian equities fell back in September as heightening geopolitical concerns weighed on investors' appetite for risk
- Data released early in the third quarter suggested that China's economy was performing marginally ahead of forecasts. Nevertheless, more recent data hit a softer note as industrial production fell and house prices continued to cool
- China, Thailand and Indonesia were among the better performing markets, underpinned by relatively positive economic data. Nevertheless, Korea was weighed down by electronics giant Samsung as its results highlighted slower growth in the smartphone market

FTSE ASIA-PACIFIC PRICE INDICES (LOCAL RETURNS)



Additional Information

Investment Sector Fund Returns
Sector fund returns are calculated on the basis of closing middle-market prices and are compared with the relevant market total return index i.e. including both income and capital. For overseas markets the figures are sterling adjusted and net of withholding tax where applicable

Composite Index
Composite Fund index returns, which assume monthly rebalancing, are based on the Pooled Funds central distribution, and the index returns (CAPS where applicable) for each investment sector

Benchmark Rebalancing
Where applicable the benchmark returns, which assume periodic rebalancing, are based on the Fund's central distribution and the index returns for each investment sector

Investment Income
Income is reinvested in the Fund from which it derived for the exclusive benefit of unit holders. Income can be withdrawn on a monthly basis from those funds invested solely/partially in UK securities without incurring dealing costs

Index-Tracking Funds
The objective of each Fund is to track the total return of the relevant market index, within specified tolerances and after allowance for withholding tax where applicable

LDI Funds
For the Liability Driven Investment (LDI) Funds, the index returns shown in the performance tables are for comparison purposes. For the Matching Plus Fund range, the comparator returns are calculated using the return on a zero-coupon swap with the same term to maturity as the relevant maturity bucket, the index return on the underlying Sterling Liquidity Fund, and assuming a similar level of leverage as the relevant maturity bucket over the period. For the Interest Rate Hedged Corporate Bond Funds, the comparator is made up from a cash return plus 85% of the credit spread return on the index. For the Better Bonds range the comparator returns shown in the performance tables combine the Matching Fund comparator and the Interest Rate Hedged Corporate Bond Fund comparator in the appropriate weights

Managed Property Fund
The objective of the Managed Property Fund is to exceed the index return of the AREF/IPD UK Quarterly All Balanced Property Funds Index over three and five year periods. The index returns, which are 'Net of Fees' are shown in the 'Fund Activity and Performance' section of the report together with the activity and distribution of the Managed Property Fund. For historic reporting purposes, the benchmark index displayed in the 'Performance of Invested Funds – Time Weighted Returns' table is a composite of the BoNYM CAPS Pooled Property Fund Index for periods to 31 March 2014, chain-linked to the AREF/IPD UK Quarterly All Balanced Property Funds Index thereafter. Prior to 31 March 2014 the Fund's benchmark was the BoNYM CAPS Pooled Property Fund NAV Median. The BoNYM CAPS Pooled Property Fund Index is used as a proxy to allow the chain-linking of returns. As the new AREF/IPD UK Quarterly Property All Balanced Funds benchmark index return is published on a quarterly basis, returns for periods outside the quarter end period will be based on the most recent available quarterly return

SICAV Funds
For PMC (Pensions Management Company) Funds invested in a SICAV (Société d'investissement à Capital Variable) sub-fund for which unit prices are quoted using single swinging price methodology, the PMC bid, mid and offer prices (and the resultant valuations of client holdings) will be identical. Performance is based on the theoretical SICAV mid price. Valuations are based on the actual dealing price

Index Name Changes
A full review has been conducted of the indices associated with the funds LGIM manage. As a result of this review, we have made some amendments to the naming conventions to more closely reflect the published names of the indices used by FTSE. The name changes take effect from 30th June 2014, if you require further information please contact your Client Relationship Manager or Executive

Legal & General Investment Management does not provide advice on the suitability of its products or services for pension fund clients

The FTSE UK, FTSE All-World and FTSE4Good™ indices series are calculated by FTSE International Limited ("FTSE™"). FTSE™ does not sponsor, endorse or promote these funds. The FTSE Global Bond index series is operated by FTSE International Limited in conjunction with Reuters, the Institute of Actuaries and the Faculty of Actuaries. FTSE™, Reuters, the Institute of Actuaries and the Faculty of Actuaries accept no liability in connection with the trading of any products on these indices.

All copyright in the indices' values and constituent lists belong to FTSE™. Legal & General Investment Management Limited has obtained full licence from FTSE™ to use such copyright in the creation of this product.

"FTSE™", "FT-SE®" and "Footsie®" are trade marks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited ("FTSE") under licence. "All-Share", "All-World" and "FTSE4Good™" are trade marks of FTSE™.

The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate fluctuations).

Past performance is no guarantee of future results.

Unless otherwise stated, the source of all information within this document is Legal & General Investment Management Ltd.

Any forecasts or opinions are Legal & General Investment Management Ltd's own and it may or may not have acted on them, they are as at the date of this document and are subject to change.

The information is provided "as is" and "as available" and is used at the recipient's own risk. Under no circumstances should the Information be construed as: (i) legal or investment advice; (ii) an endorsement or recommendation to invest in a financial product or service; or (iii) an offer to sell, or a solicitation of an offer to purchase, any securities or other financial instruments.

Legal & General Investment Management Limited provides investment services to Legal & General Assurance (Pensions Management) Limited, the operating company for the Managed Funds.

For unit linked life policies.

Issued by Legal & General Assurance (Pensions Management) Ltd.
Registered Office:
One Coleman Street
London
EC2R 5AA

Registered in England and Wales.
Registered No. 01006112.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
Firm Regulatory Reference Number 202202.

For segregated mandates.

Issued by Legal & General Investment Management Ltd.
Registered Office:
One Coleman Street
London
EC2R 5AA

Registered in England and Wales.
Registered No. 02091894.

Authorised and Regulated by the Financial Conduct Authority.
Firm Regulatory Reference Number 119272.

Ultimate holding company - Legal & General Group plc.