Investment Report

London Borough of Tower Hamlets Pension Fund
Investment Report for the
Quarter ended 1 April 2015

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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 31 December 2014		Net Transactions	Value and Distribution at 31 March 2015		Benchmark Distribution
	GBP (Mid)	**%**	**GBP**	**GBP (Mid)**	**%**	**%**
UK Equity Index	216,077,750	78.9	-	226,256,257	79.2	83.0
Over 5y Index-Linked Gilts	57,653,555	21.1	-	59,547,095	20.8	17.0
Total Assets	**273,731,305**	**100.0**	**-**	**285,803,352**	**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 index or comparator, referred to below as the 'Index'
- 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 31 MARCH 2015

	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	+4.7	+4.7	+0.0	+6.7	+6.6	+0.1	+10.8	+10.6	+0.2	+10.5	+10.3	+0.2
Over 5y Index-Linked Gilts	+3.3	+3.3	+0.0	+21.1	+21.1	+0.0	+9.0	+8.9	+0.1	+11.7	+11.7	+0.0
Total Assets	**+4.4**	**n/a**	**n/a**	**+9.4**	**n/a**	**n/a**	**+10.4**	**n/a**	**n/a**	**+10.6**	**n/a**	**n/a**

Dealing Costs

Investment Association's Pension Fund Disclosure Code

The voluntary Code (Third Version) which has been adopted by the Investment 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

Corporate Governance & Responsible Investment

Policy and Practice

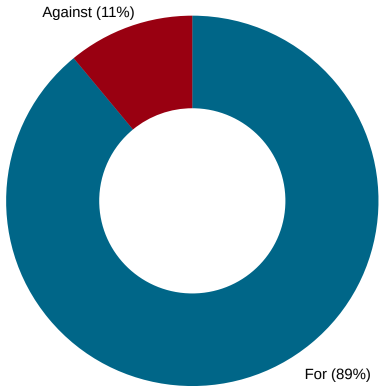
We aim to maximise and protect shareholder value on behalf of our clients by exercising their voting rights. We also engage with companies both directly and collaboratively with other investors to reduce risks of corporate failure and promote best practice. We comply with the principles set out in the 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.

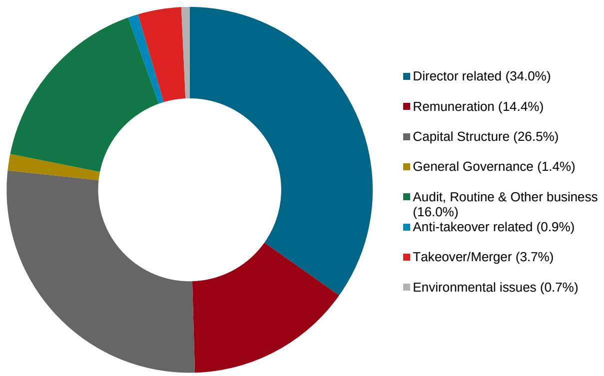
We have extended our public voting disclosure to cover the North American and Japanese markets. These can also be found on our webpage.

LGIM votes in all major developed markets including: Europe, North America, Japan and 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

CG Annual Report

We will shortly be releasing our 2014 Corporate Governance Annual Report. We provide lots of examples of our activities across a variety of topics. The report will be available on our website.

Diversity

LGIM continues to work hard with companies on improving diversity on boards, especially in relation to gender, as we consider this an important board effectiveness issue. In the latest Women on Boards publication from the government's Davies Committee, LGIM has been recognised as an investor which "continues to lead the way" in pushing for positive change at companies.

France – Double voting rights

In France, the Florange Act provides for the automatic granting of double-voting rights to any shares held in a registered form by the same shareholder for at least two years provided that the company does not prohibit double-voting rights in its bylaws. The Act allows companies to amend their bylaws with shareholders' approval to opt-out of this automatic granting of double voting rights. LGIM wrote to all companies in the CAC40 plus a further 50+ companies asking them to uphold the principle of one share one vote by opting out in their bylaws. We featured in the Financial Times on this issue.

International Corporate Governance Network (ICGN) conference in Madrid

We were a speaker at the ICGN conference in Madrid on the importance of the role of company secretaries in promoting good governance. Over 120 European investors and corporates were in attendance.

Global Law Summit

LGIM were specifically asked to talk at the summit on shareholder activism. Lawyers globally attended on different approaches to active ownership. It is pleasing to see LGIM as a major active investor.

US climate change – disclosure

LGIM has signed up to a collaborative letter to the SEC asking for improved disclosure of carbon asset risks by oil and gas companies. The letter discusses the carbon asset risks to these companies and investor efforts to improve disclosure through letters, dialogues, resolutions and "disclosure expectations" documents.

World Bank letter

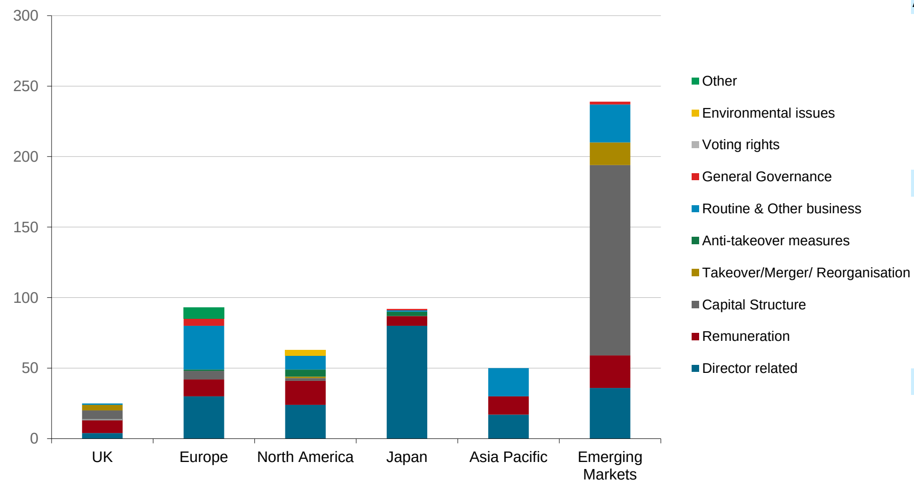
LGIM co-signed a letter sent to the World Bank regarding its draft Environmental and Social Safeguards Framework. We encouraged the World Bank not to loosen its environmental and social lending criteria, and make them more consistent with international human rights law, such as the Guiding Principles on Business and Human Rights and the UN Declaration on the Rights of Indigenous Peoples.

Japan

A draft Corporate Governance Code was published last December by the Financial Services Authority, to which we submitted our response in their consultation in January. The Code has since been finalised and is now being incorporated into the listing rules at Tokyo Stock Exchange. We again submitted our view in their consultation, this time to the Stock Exchange, to push for progressive changes needed to transform the corporate cultures in Japan.

Corporate Governance & Responsible Investment

Regional Breakdown of AGAINST Votes by Topic



Key Voting Decisions

United Kingdom

Countrywide | M.Cap: £1.2bn | Real Estate | UK

We voted against the resolution at the EGM to approve a waiver on a tender-bid requirement since it could enable the major shareholder to gain creeping control without paying a bid premium to minority shareholders. 26% of investors voted against this resolution.

Diploma | M.Cap: £925m | Industrials | UK

During the year to September 2014, the Remuneration Committee exercised its discretion to increase the CEO's bonus despite EPS targets not being met in full. The bonus enhancement came in the context of increases to bonus limits in 2014 and significant increases to base for 2015. We voted against the Remuneration Report due to the discretion applied to the annual bonus outcome. At the AGM, 37.4% of shareholders voted against and 13% abstained.

Euromoney Institutional Investor | M.Cap: £1.5bn | Media | UK

At the company's AGM, we voted against the re-elections of four directors due to significant concerns over independence on the board and the composition of the key committees. These resolutions received between 8.6% and 10.4% votes against from investors. We also voted against the Remuneration Policy since it is not in line with best practice and the Remuneration Report due to a pay and performance disconnect and uncapped awards. These items received 12.1% and 3.1% respectively.

US

Apple | M.Cap:$734bn | Technology | US

We continue our long term engagement with Apple and at their AGM in February; we had concerns around the remuneration awarded to Ms Angela Ahrendts in connection with her recruitment to the company. We discussed our concerns with the company expressing that such awards should be linked to the long term success of the company and that pay structures could potentially cause reputational damage. The vote received only 75% support from shareholders, down from the 97% received last year.

Qualcomm | M.Cap:$111bn | Technology | US

The company awarded a $45m retention grant to the previous CEO which was purely time based rather than performance based. LGIM considers that retention issues should be handled within existing long term awards as discretionary extra awards are hard for us to link to performance and so difficult to approve. We voted against the say on pay vote as did 41% of shareholders, a significant vote.

Japan

Kyowa Hakko Kirin Co | M.Cap: JPY981bn | Pharmaceuticals | Japan

We voted against the election of four inside directors, as the candidates are affiliated with the controlling shareholder of the company and the board consists of less than one-third outside directors.

Asia –Pacific

CITIC Limited | M.Cap: HK$359bn | Industrials | Hong Kong

We opposed the election of five non-executive non-independent directors because of lack of independence at board level. Even though one-third of independent directors featured on the board, in compliance with requirements outlined by the Listing Rules, one of the five independent directors had served for 21 consecutive years on the board of CITIC Limited. His extremely long tenure compromises his ability to make independent and objective judgements, and hence cannot be considered independent. We voted against 5 non-executive non-independent directors, as the independent director was not on the ballot.

Daelim Industrial | M.Cap: KRW2.6tn | Construction | South Korea

We opposed management's proposal to amend the company's Articles of Incorporation, as it envisaged extending directors' term of office to three years instead of one, thus reducing their accountability to shareholders. Moreover, we voted against the election of three directors designated by management as independent, but who were employees of companies engaged in substantial transactions with Daelim Industrial. The potential conflicts of interest of directors could compromise their independence and objectivity.

Guangzhou Baiyunshan Pharmaceutical | M.Cap: CNY42.4bn | Pharmaceuticals | China

We opposed management's proposals to issue A shares which represented 24.5% of total issued shares at a significant discount. The issuance of A shares was non-public and targeting exclusively the controlling shareholder and its connected companies which would have increased their stake in the company from 45.2% to 57.4%. Moreover, the share issuance would have had a considerable dilutive impact on our holdings.

Corporate Governance & Responsible Investment

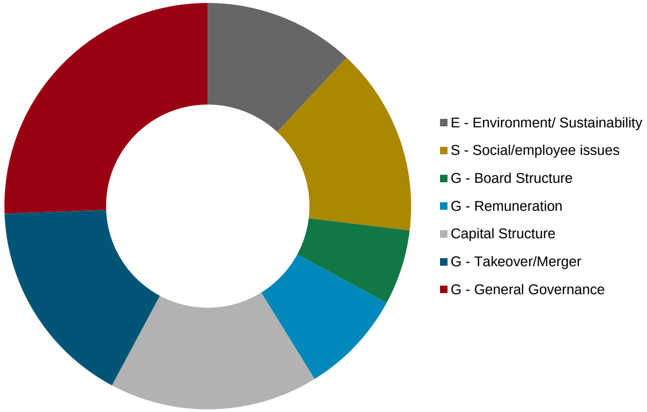
LGIM Voting Summary by Topic and Region

Between 01/01/2015 and 31/03/2015		UK			Europe			North America			Japan			Asia Pacific			Emerging Markets			Total
		FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	
Management Proposals	Director related	496	4		304	28	2	362	9	11	395	79	1	269	17		233	36		2246
	Remuneration	132	9		61	11		73	12		20	7		121	13		25	23		507
	Capital structure	260	6		91	6		15	2		4			6			213	135		738
	Voting rights																			
	General governance																			
	Audit, Routine and company business	333	1		293	16	3	67	9		37			268	20		194	26		1267
	Anti-takeover related	54			2	1		22	1			3								83
	Takeover/merger/reorganisation	19	4		4			16	1		12			8			133	16		213
	Social issues																			
Shareholder Proposals	SP – Anti-takeover measures																			
	SP – Director related							2	4								4			10
	SP - Remuneration					1		1	5											7
	SP - Capital structure																			
	SP - Voting rights																			
	SP – Corporate Governance					5		1				1					1	2		10
	SP - Routine and company business				2	12		2	1			1					1	1		20
	SP – Health/Environment								4											4
	SP - Social issues								1											1
	SP - Other					8		3	4											15
Total Votes		1294	24		757	88	5	564	53	11	468	91	1	672	50		804	239		
Total number of resolutions		1318			850			628			560			722			1043			5121
Annual General Meetings (AGM)		82			46			46			45			117			33			369
Extraordinary General Meetings (EGM)		40			8			19			0			8			113			187
Number of companies voted at		113			52			63			45			121			124			517

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

Corporate Governance & Responsible Investment

Engagement Topics & Frequencies



Meetings covering one or more of ESG and F topics*				Number of meetings
E	S	G	F	157
36	45	120	48	
Environment/sustainability				36
Social/employee issues				45
Board Structure				18
Remuneration				25
Capital Structure				
Takeover/merger				
General Governance**				77

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

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

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

Standard Chartered	M.Cap: £27.2bn	Banks	UK	G

Subject: Board structure

In 2014 we engaged with the Senior Independent Director (SID) to understand the time line for change on the board of the company. At the end of 2014 we also met the executives to discuss business strategy as well as capital requirements and regulation in the US following significant lapses in its anti-money-laundering procedures which resulted in receiving a significant fine. We held a further meeting with the SID in January to discuss progress amid much press speculation. In February the company announced changes to the CEO later this year and the chairman in 2016, as well as reducing the size of the board to 14 members.

Microsoft	M.Cap: $341bn	Technology	US	ES

Subject: Environmental and Social Issues

We have been engaging with Microsoft for several years not only on governance issues but also around their work on sustainability. We met the head of CSR to discuss issues such as cyber security and data surveillance, climate change, and the enhancement of the auditing process of their supply chain to improve transparency and accountability around this important area.

Chevron	M.Cap: $201bn	Oil & Gas	US	E

Subject: Climate change

We are focused on the climate change issue with Chevron as we believe the company needs to be involved in the debate around how regulation in this area will affect their business strategy. The company states that they have done an assessment in this area but are reticent to disclose this analysis to shareholders. We have warned the company that this could be translated as a lack of concern and focus. We also discussed general governance updates and the accountability on the board for environmental issues.

Mitsubishi Corp	M.Cap: JPY4tn	Industrial	Japan	EG

Subject: General Corporate Governance and Environment

At the beginning of the year, we engaged with Mitsubishi Corp., one of Japan's largest general trading companies, focusing especially on corporate governance-related issues, including board structure and independence. While we acknowledged the company's progressive approach towards corporate governance, compared to its Japanese peers, we have encouraged Mitsubishi to further introduce truly independent directors with business experience at other listed companies that have had no related transactions with Mitsubishi. Besides, given that the company owns stakes in fossil fuel projects, such as coal mines, and derives parts of its revenues from fossil fuel trade, we have questioned the long term viability of such activities and whether it recognises the risk of those assets becoming stranded.

Samsung Electronics	M.Cap: KRW245tn	Technology	South Korea	G

Subject: Shareholder Rights

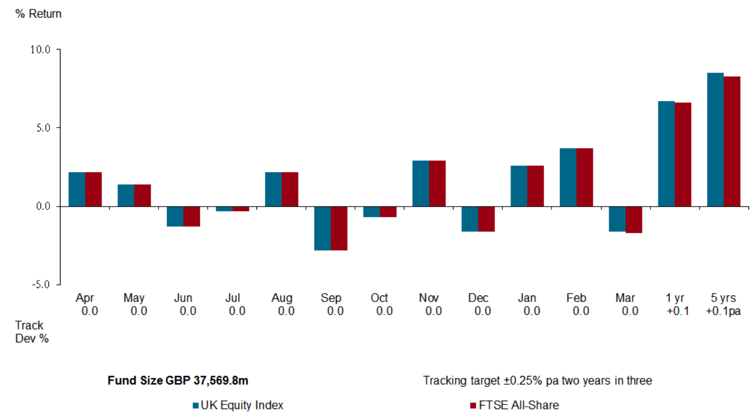
We met Samsung Electronics to assess whether the company made any progress in simplifying its complex ownership structure which is characterised by a web of cross-holdings involving companies within the Samsung universe. This allows the funding family to exercise control over 70 companies, including Samsung Electronics, in spite of owning only a small fraction of the outstanding shares. Although the company plans to sell its minority stakes in non-business related sectors, such as chemicals and defence, this move will do little to simplify the capital structure of the company and will not remove cross-holdings. The company failed to provide in-depth information on how it plans to approach the issue which seems to affect other large conglomerates in Korea. We will, thus, continue our conversation with the company.

Fund Activity & Performance

UK Equity Index

- The Fund returned 4.7% matching the index return over the quarter
- At the quarterly index review AA, Virgin Money Holdings, Petropavlovsk and Oxford Biomedica were added, whilst Hardy Oil & Gas was deleted
- Mecom Group was acquired by Belgium media group De Persgroep Publishing NV for £0.2bn in cash, whilst Ophir Energy (constituent) acquired Salamander Energy. Other corporate activity included Qatar Airways purchasing a 9.99% stake in International Consolidated Airlines Group, resulting in a freefloat decrease. Spire Healthcare Group, Merlin Entertainments, Inmarsat, Polypipe and SPP all saw their freefloats increase after strategic holders reduced their stakes
- BT Group, Poundland, Charles Taylor, IP Group and Anglo Pacific Group all raised cash to fund expansion, while Serco and AA raised cash to strengthen the balance sheet and reduce debt costs respectively

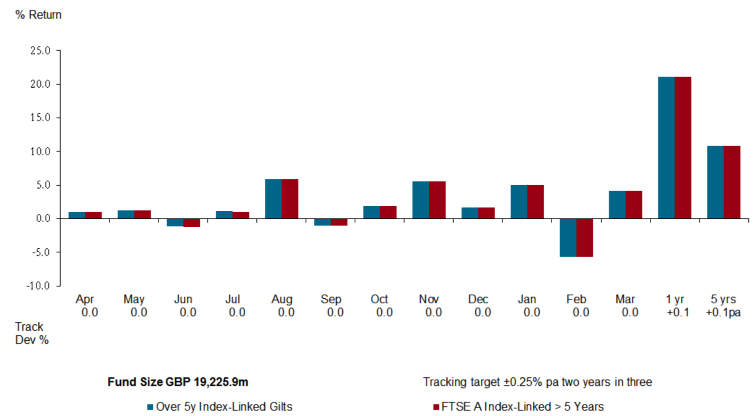
UK EQUITY INDEX - FUND AND INDEX MOVEMENTS - 2014/15



Over 5y Index-Linked Gilts

- The Fund returned 3.3% matching the index return over the quarter
- UK 2014 Q4 GDP was confirmed at 3.0% year on year. RPI inflation continued its fall, down to 1.0% in February and with consumer confidence at a 15-year high, we now enter the most unpredictable General Election in a generation
- During the first quarter, there were auctions of 2024, 2037, 2044 and a single syndication of 2058 maturity bonds. These raised approximately £9.2bn for government funding
- The Fund held all 21 stocks contained within the benchmark index. The Fund and index had a modified duration of 22.98 and 22.96 years respectively at the end of the quarter and the real yield was -0.94% (yield curve basis)

OVER 5Y INDEX-LINKED GILTS - FUND AND INDEX MOVEMENTS - 2014/15



Market Background

Global equities: market background

Global equities

Three key themes dominated global economic news over the first quarter of 2015: oil prices, inflation (or lack thereof), and central bank activity in the major economies.

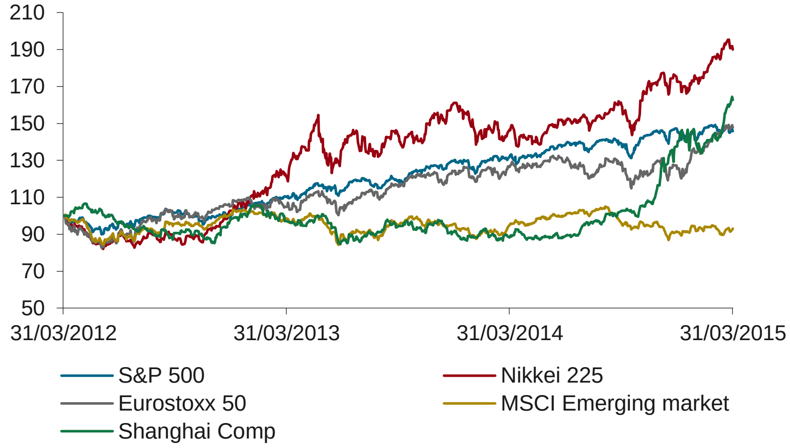
The net result of the economic news was generally positive. As a result, global equities generally finished in positive territory, but with news-flow causing bouts of volatility and some divergence between the major markets.

Oil supply has surged over the last few years and prices fell steadily throughout 2014. Although prices stabilised slightly in the first quarter, the effects of the fall continued to permeate various global economies, boosting personal income and lowering global inflation figures. Indeed, inflation in Europe turned negative for the first time in decades while UK CPI fell to zero. This put central banks in the spotlight, with the EU and China using various mechanisms to stimulate growth, while the US continued to discuss raising rates.

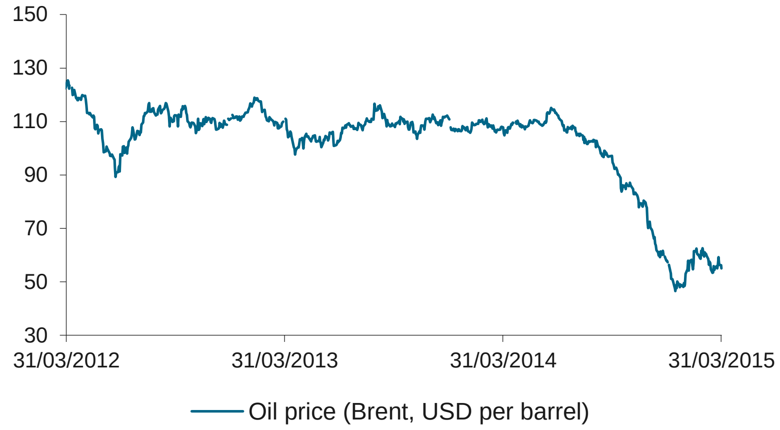
The divergence in central bank policy mirrored a divergence in market performance. Although most major markets produced positive returns in local currency terms, Europe and Japan outperformed most other regions, with the US, UK and emerging markets lagging.

Despite the relatively modest gain, US equities hit fresh all-time highs in early March and have now risen for nine consecutive quarters. In the UK, the FTSE 100 index breached the previous high set in late 1999 towards the end of the quarter.

Global equity markets (LC)



Oil price



Global government bonds: market background

Global government bonds

Government bonds performed broadly well over the first quarter, as recent falls in the oil price continued to push inflation lower. There was volatility across the asset class due to election uncertainty, speculation over central bank actions and the on-going Greek crisis.

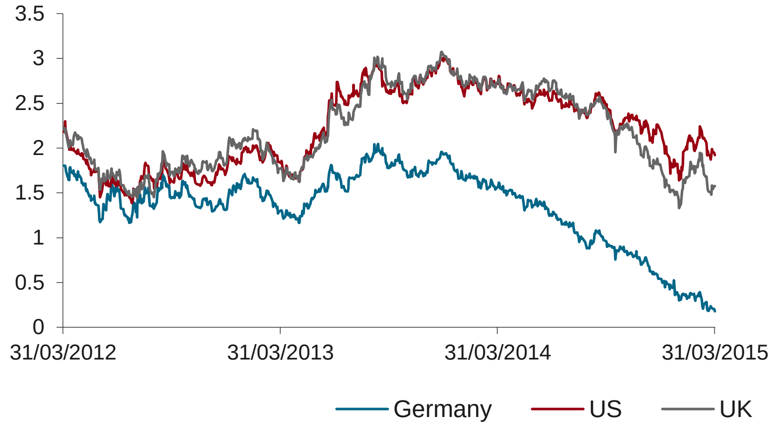
10-year UK gilts delivered positive returns over the first quarter. While revisions to data showed that the UK economy has continued to perform strongly, a fall in consumer price inflation to zero eased any near-term prospect of higher interest rates.

US 10-year government bonds also delivered a positive return. Despite a robust jobs market, the more moderate pace of recent US economic growth, along with comments from Federal Reserve Chair, Yellen eased concerns of an early start to interest rate rises.

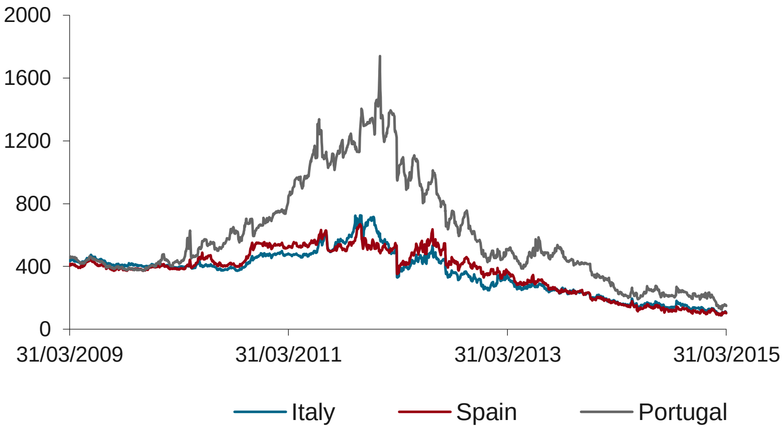
With inflation in the euro zone turning negative and the growth outlook remaining weak, European Central Bank policymakers finally announced the start of a broad-based monetary stimulus package in January, surprising analysts with its larger-than-expected scale. Euro government bonds rallied strongly over the quarter as a result.

Japanese government bonds marginally improved during the quarter. The Japanese economy emerged from recession late in 2014, albeit with a fairly feeble degree of growth as a result of sluggish business investment. Meanwhile, lower oil prices and muted demand saw inflation dip to 2.2%, the lowest level in 10 months.

Government 10-year yields (%)



Peripheral spreads over bunds (bps)



Global corporate bonds: market background

Global corporate bonds

Global corporate bonds produced positive total returns over the quarter, with spreads generally slightly tighter but falling underlying government bond yields accounting for the majority of returns.

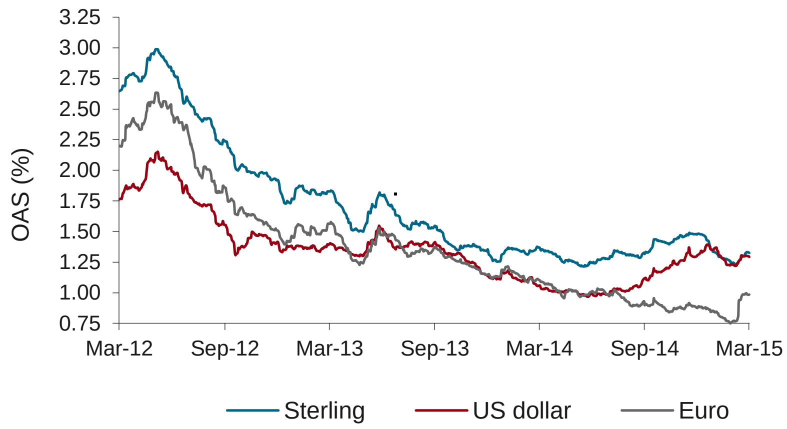
Despite some volatility in the underlying gilt market, sterling corporate bonds delivered robust total returns over the quarter, outperforming US and euro equivalents. Positive economic news-flow in the UK boosted sentiment, along with reasonable earnings data over the quarter. More importantly, technical factors played a part, as strong demand was met with very little supply and light dealer inventories.

US corporate bonds also delivered solid positive returns across the credit spectrum, despite muted equity markets and the end of quantitative easing by the US Federal Reserve last year. Spreads narrowed only slightly however, again as US governments also rallied over the quarter after the US Federal Reserve signalled that a rate rise would probably not happen in June.

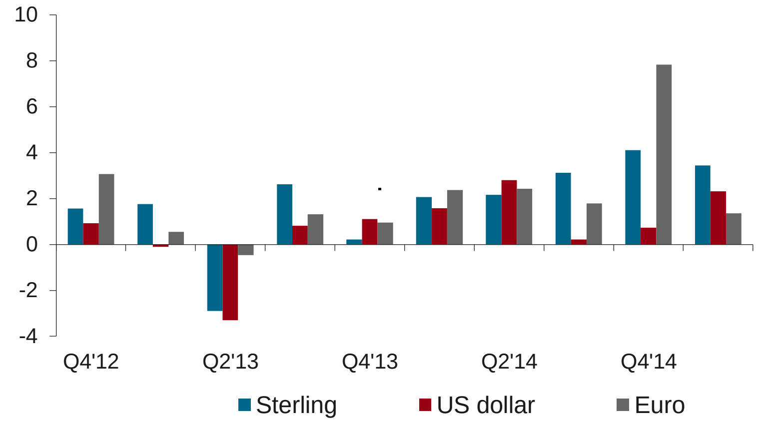
Euro-denominated bonds lagged US dollar and sterling equivalents over the quarter. Although the start of euro zone quantitative easing underpinned sentiment, issuance of euro corporate bonds was at record levels. Issuance from non-euro companies was particularly high, with borrowers looking to take advantage of the low funding levels.

In sector terms, subordinated financials have outperformed senior paper, while in non-financials, the oil & gas sector was very weak in January, before recovering over the rest of the quarter. This effect was most noticeable in US investment grade and high yield markets, where oil & gas is a larger sector.

Credit spreads over government bonds (%)



Corporate bond total returns (%)



Currency: market background

Currency markets

The dollar extended its 2014 gains as stronger economic data raised the possibility of a rise in interest rates. Although US growth slowed towards the end of 2014, strength in the jobs market saw Federal Reserve officials suggest that rates will rise gradually later this year.

The euro experienced significant falls against the US dollar. Although economic growth in the euro zone marginally beat forecasts, this effect was completely overwhelmed by the announcement of a larger-than-expected quantitative easing programme by the European Central Bank.

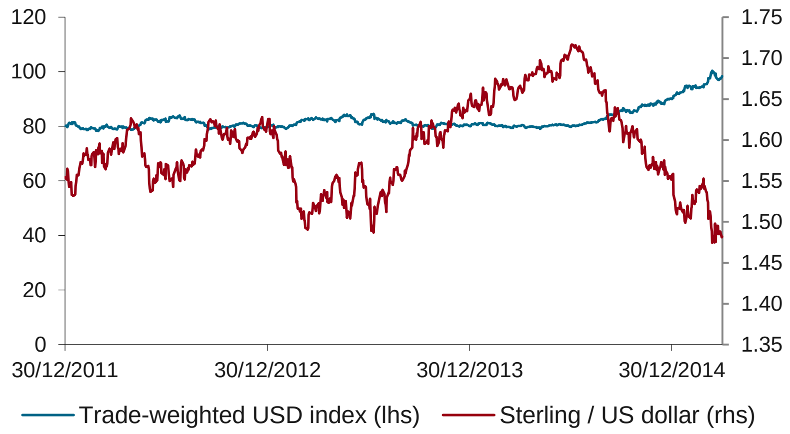
The yen was one of the few currencies to strengthen versus the dollar, continuing the trend seen in the second half of 2014. Helped by the Bank of Japan's on-going quantitative easing programme, the Japanese economy emerged from recession in the latter part of 2014. With earlier yen weakness boosting corporate profits, hopes remained that cash-rich companies could increase business spending and wages.

Sterling experienced mixed fortunes over the first quarter, falling against the dollar but gaining sharply versus the euro. The UK economy continued to show signs of a strengthening recovery, but falling inflation meant that expectations of near-term rate increases have decreased.

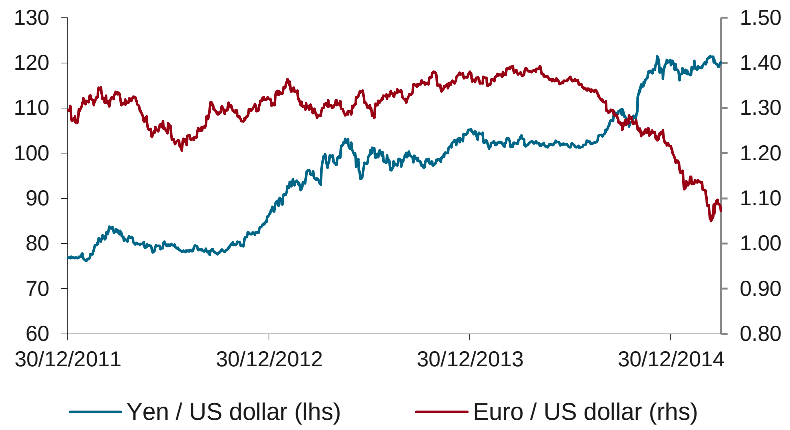
On-going US dollar strength overshadowed the move by the Swiss central bank to remove the ceiling versus the euro early in the quarter. This led to a near 20% increase for the franc against the euro, with some of this correcting as the quarter progressed.

Emerging market currencies stabilised over the quarter, with a significant recovery in the Russian rouble on the back of hopes for a settlement of the Ukrainian crisis.

Dollar strength



Yen and euro divergence



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

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