

London Borough of Tower Hamlets Pension Fund

Review of Investment Managers' Performance for the First Quarter of 2015

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Mike Burns - Investment Analyst

For and on behalf of Hymans Robertson LLP
June 2015

Contents

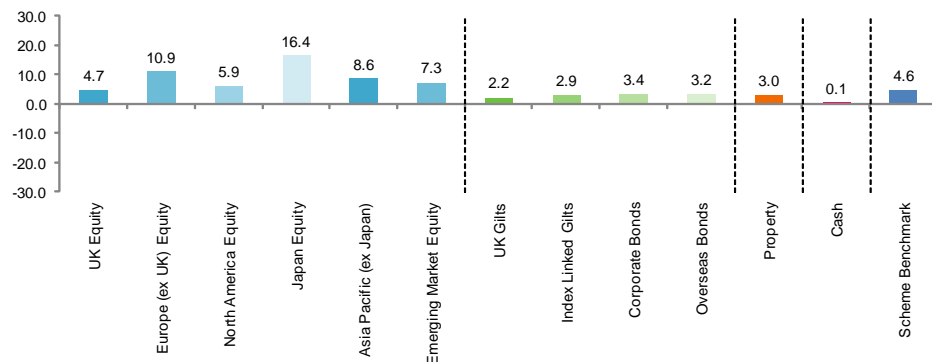
	Page
➤ Markets	
Historic Returns for World Markets to 31/03/2015	3
➤ Fund Overview	
Portfolio Summary	4
➤ Manager Overview	
Manager Summary	5
Performance Summary Net of fees	6
➤ Managers	
GMO Global Equity	7
Baillie Gifford Global Equity	8
Legal & General UK Equity	9
Legal & General Index-Linked Gilts	10
Investec Bonds	11
Schroder Property	12
Baillie Gifford Diversified Growth Fund	13
Ruffer Total Return Fund	14
➤ Appendices	
Performance Summary (Gross of Fees)	15
Asset Allocation	16
Performance Calculation	18

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.

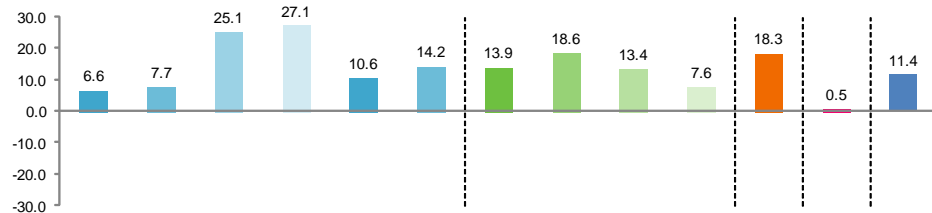
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Historic Returns for World Markets to 31/03/2015

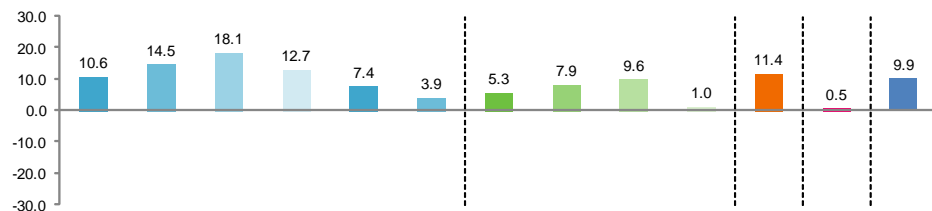
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

Global equity and bond markets rose during the first quarter of 2015. A major support was lower inflation, which lessened investors' concerns about short-term interest rates being raised, at least in the immediate future.

Economic news was varied. Although the US has enjoyed higher economic growth than other major markets, news during the quarter was a little disappointing. Poor weather and the impact of the strong dollar were contributory factors. In contrast, data relating to the Eurozone indicated some improvement, albeit from a very low base. The European Central Bank launched a programme of quantitative easing in March. This will result in the purchase of up to €1.1tn of government and private debt over the next eighteen months.

In the UK, official estimates for economic growth in 2014 were revised from 2.6% to 2.8%, the highest rate since 2007, and estimates for 2015 remain strong. In February, the Governor of the Bank of England expressed the view that inflation could temporarily fall below zero because of falling oil prices.

A recurring theme throughout the quarter was when and by how much the US might start to 'normalise' short-term interest rates from the current record low. This difficult task has to be handled with extreme care in the US, and ultimately in other major financial centres.

Key events during the quarter included;

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- UK inflation (CPI) fell to 0% in February (lowest since records started in 2008);
- Modest deflationary pressures persisted in the Eurozone throughout the quarter;
- The US Central Bank gave mixed signals over potential rises in short-term interest rates;
- Japan's economic growth remained subdued, after emerging from recession in late 2014;
- China set 2015 growth target at 7.0%, lower than that achieved (7.4%) in 2014.

Equities

- The strongest sectors relative to the FTSE All World Index were Health Care (+5.4%) and Consumer Services (+2.6%); the weakest were Utilities (-7.0%) and Oil & Gas (-5.4%);
- Corporate activity included \$50bn merger of Heinz and Kraft Foods (US) and £10.3bn acquisition of O2 (UK) by Hutchison Whampoa of Hong Kong.

Bonds and currencies

- The Euro fell to 11 year low against US\$, unsettled by Eurozone quantitative easing;
- German five year bonds sold at a negative yield, joining Denmark, Finland and Netherlands.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

Portfolio Summary

Valuation Summary ^[1]

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2014	Q1 2015			
Global Equity	659.0	715.0	62.6	61.0	1.6
Bonds	157.1	159.2	13.9	17.0	-3.1
Property	115.7	119.7	10.5	12.0	-1.5
Alternatives	97.4	101.3	8.9	10.0	-1.1
Cash	11.8	5.8	0.5	0.0	0.5
Trustee Bank Account	41.5	41.9	3.7	0.0	3.7
Total inc. Trustee Bank Account	1082.5	1142.9	100.0	100.0	

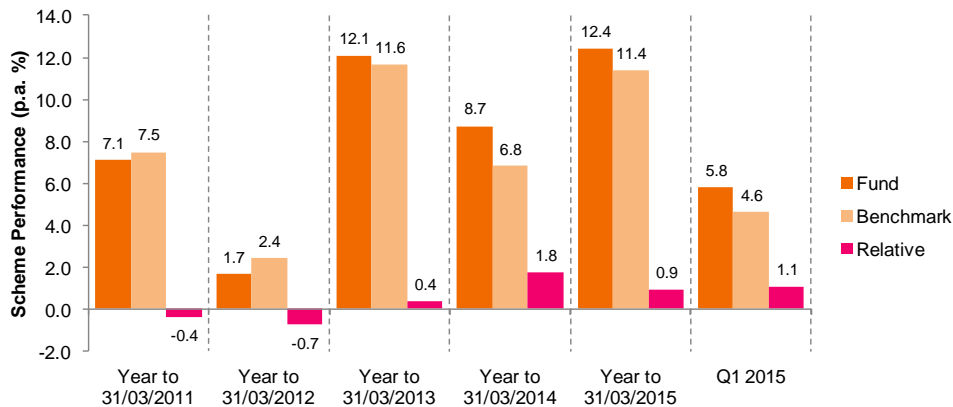
Comments

Performance was ahead of the benchmark over the quarter, mainly due to the strong performance of the two global equity mandates (Baillie Gifford and GMO) and the two absolute return funds (Ruffer and Baillie Gifford). As before, the Absolute Return Managers' benchmarks include their respective performance targets.

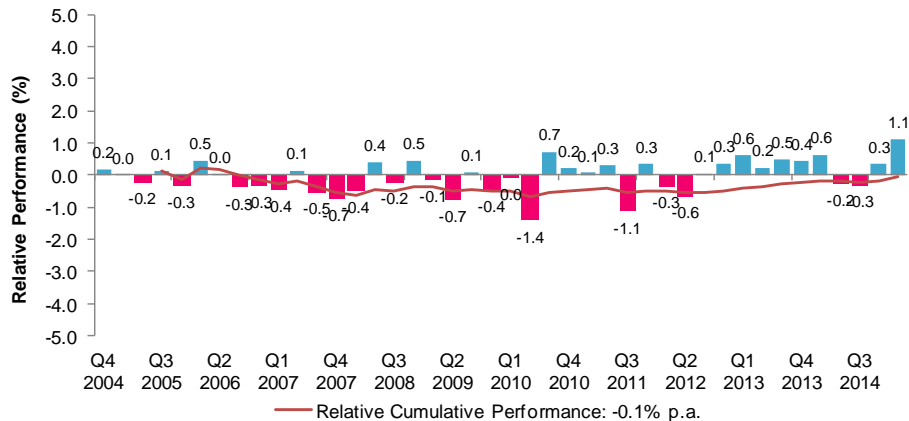
The managers' target benchmark allocations also changed during Q4 2014, resulting in the Officers and Advisers rebalancing 2% of Fund assets from GMO during that quarter. As at the end of Q4 2014, the proceeds from this disinvestment are being temporarily held as cash for later reinvestment to rebalance the overall allocation.

The Fund remains close to its strategic asset allocation (within the +/-5% tolerance ranges around the 83% "growth and equity like", 17% Bonds target), although the underweight to Investec's bond mandate continues to grow resulting in a 5.3% underweight to this mandate (offset to some extent by the overweight position in index-linked gilts).

Performance Summary ^{[2] [i]}



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



[1] Cash is that 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 2014	Q1 2015			
Baillie Gifford Global Equity	199.4	217.7	19.0	18.0	1.0
GMO Global Equity	251.8	274.4	24.0	23.0	1.0
Legal & General UK Equity	216.1	226.3	19.8	20.0	-0.2
Baillie Gifford Diversified Growth Fund	49.1	50.7	4.4	5.0	-0.6
Ruffer Total Return Fund	48.3	50.6	4.4	5.0	-0.6
Investec Bonds	99.5	99.6	8.7	14.0	-5.3
Legal & General Index-Linked Gilts	57.7	59.5	5.2	3.0	2.2
Schroder Property	119.2	122.2	10.7	12.0	-1.3
Trustee Bank Account	41.5	41.9	3.7	0.0	3.7
Total	1082.5	1142.9	100.0	100.0	0.0

Manager Summary ^[1]

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

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

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

[1] In this report, we show the absolute return manager's benchmarks including performance target. For Ruffer, we show a benchmark the same as Baillie Gifford's to enable comparison between the two managers. The Trustee Bank Account balance as at 31 March 2015 includes assets disinvested from GMO in December 2014.



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	9.1	8.9	4.7	3.2	4.8	0.1	3.3	2.5	5.7
	Benchmark	7.6	7.5	4.7	1.0	1.0	0.6	3.3	2.8	4.6
	Relative	1.4	1.4	0.0	2.2	3.7	-0.6	0.0	-0.3	1.0
12 Months (%)	Absolute	18.9	13.6	6.6	8.0	12.4	1.9	20.9	16.0	12.1
	Benchmark	19.0	15.0	6.6	4.1	4.0	2.5	21.0	16.6	11.4
	Relative	-0.1	-1.2	0.0	3.7	8.1	-0.6	0.0	-0.6	0.7
2 Years (% p.a.)	Absolute	15.5	14.1	7.7	4.5	5.4	0.9	7.6	12.7	10.3
	Benchmark	12.7	11.3	7.7	4.0	4.0	2.5	7.5	14.2	9.1
	Relative	2.5	2.5	0.1	0.5	1.3	-1.5	0.0	-1.3	1.1
3 Years (% p.a.)	Absolute	16.6	13.8	10.7	6.6	7.2	1.0	8.9	8.5	10.7
	Benchmark	14.1	13.3	10.6	4.0	4.0	2.6	8.9	9.4	9.9
	Relative	2.2	0.4	0.1	2.5	3.1	-1.5	0.0	-0.8	0.7

[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



We rate GMO's global equity capability at '2 – Sell, review options'. At this point we are maintaining our negative rating on GMO's quantitative, value tilted strategies, having downgraded to '2' as a result of substantive process changes implemented over 2013 / 2014 and our lack of conviction that GMO's 7 year asset class forecasts can be successfully expanded and adapted to drive allocation decisions on its long only equity strategies.

Following the process changes implemented in 2013/2014, the Officers and Advisers undertook a substantial review of the GMO portfolio and decided to maintain the mandate for the current time given the diversification offered against Baillie Gifford and costs of any transition. However, the portfolio remains on close watch for a further potential review of the appointment.

There were no relevant business issues reported over the period.

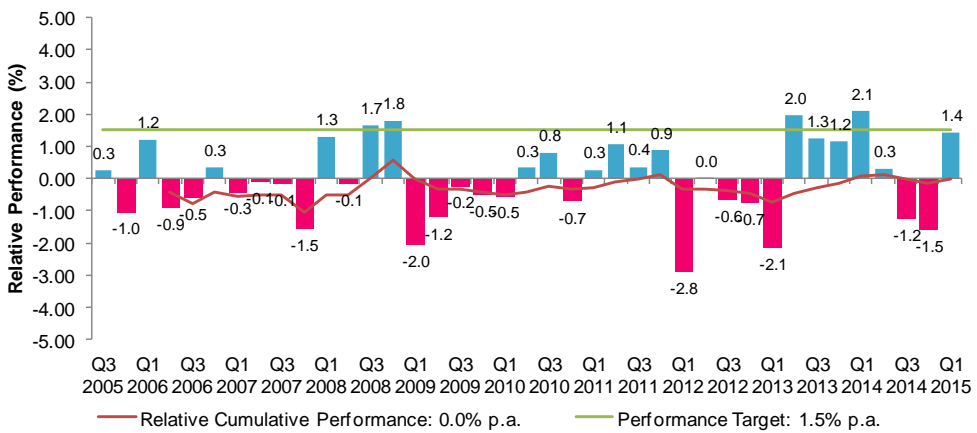
Comments

The global equity mandate outperformed the benchmark again over the quarter, delivering a strong absolute return of 9.0% gross of fees. The two previous quarters of underperformance preceded by a period of strong outperformance, highlight the volatility and long term nature of this portfolio.

The portfolio's allocation to Japanese value stocks proved beneficial over Q1 2015, both due to the overweight allocation and also positive stock selection. Stock selection also proved successful in the European market.

As in previous quarters, the portfolio remains overweight to high quality US stocks, however during Q1 2015 this detracted from returns as this segment underperformed the broader US market. The effect of individual stock selection in this segment also detracted from relative returns. The fund's emerging market exposure also proved to be a marginal drag on returns, with Brazilian stocks performing poorly on the back of continued concerns about political and economic stability in the country.

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



Performance Summary [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	9.0	13.8	14.1	9.9
Benchmark	7.5	15.0	13.3	9.9
Relative	1.4	-1.0	0.7	0.1

* Inception date 29 Apr 2005.

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.7	1.5

[1] Gross of fees

Baillie Gifford Global Equity

HR View Comment & Rating



We rate Baillie Gifford Global Alpha at '5 – Preferred strategy'. This remains a very consistent organisation and team. Portfolios of c.100 stocks have high active share, low turnover and a quality/growth style which has become slightly less pronounced over the past few years.

Baillie Gifford has managed the £1bn Monks investment trust for decades and in March it was announced that the Global Alpha team would take over direct management of the assets. Global Alpha is closed to non-Baillie Gifford clients. On 1 April the firm announced that Charles Plowden, joint senior partner and one of the three co-managers on the firm's Global Alpha Equity strategy, would be taking a 3 month sabbatical from the end of April 2015. Sabbaticals are not uncommon at Baillie Gifford; in the last couple of years James Anderson, head of the Long Term Global Growth equity team took a six month sabbatical. During Plowden's absence the Global Alpha assets will continue to be managed by co-portfolio managers, Malcolm MacColl and Spencer Adair. In addition, Jenny Davis, an analyst with the Global Alpha team, will step up as the third decision maker while Plowden is away. We are comfortable with both these announcements.

Comments

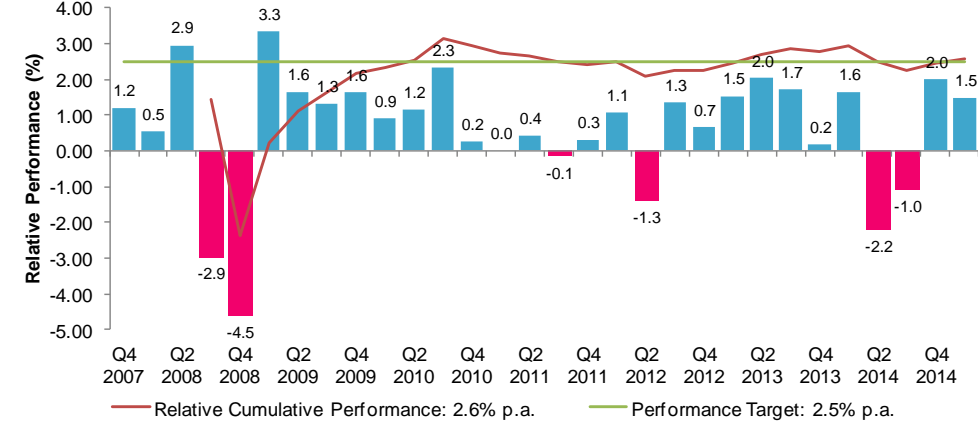
The Baillie Gifford Global Alpha Fund achieved a performance of 9.2% (gross of fees), outperforming the benchmark by 1.5%. Since inception, the Fund has outperformed the benchmark by 2.4% p.a.

Amongst the largest contributors to performance was Naspers, the South African pay TV and social media company. Naspers has a significant stake in the Chinese gaming site, Tencent, to which its share price is highly correlated. Tencent released strong fourth quarter results which showed strong increases in revenues and net income. This was driven by the growing video advertising revenue. The company's market share remains at very high levels with around 40% of Chinese mobile gaming users, and its pipeline of future games appears to be solid.

Anthem, the US health insurance business, had a good quarter following stronger than expected earnings results for the final quarter of 2014. Positive news that its acquisition of Simply Healthcare in Florida will almost certainly go ahead, also boosted the company's share price.

The two largest detractors during the quarter were Apple and Baidu. The Fund does not hold Apple, the US Technology company, and the stock's strength over the reporting period has hindered performance relative to the benchmark. Baidu, the Chinese online search engine, released results slightly below consensus due to higher than expected costs, including investment in online payments. The company has a dominant position in mobile search, and the manager believes that accelerating 4G Smartphone penetration will lead to a significant rise in mobile data usage.

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	9.2	19.3	17.1	9.9
Benchmark	7.6	19.0	14.1	7.3
Relative	1.5	0.3	2.7	2.4

* Inception date 05 Jul 2007.

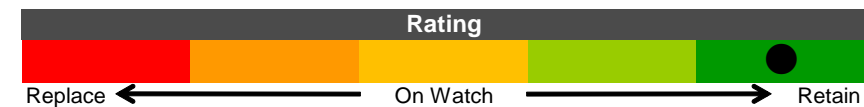
3 Year Relative Return

Actual % p.a.	Target % p.a.
2.7	2.5

[1] Gross of fees. GMO benchmark is TH custom benchmark up until 17 November 2014 and MSCI ACWI thereafter, [2] Since inception performance in table differs from chart above as chart excludes initial part quarter.

Legal & General UK Equity

HR View Comment & Rating



We rate Legal and General Investment Management's market cap index-tracking equity capability at '5 – Preferred strategy'.

In addition to the leadership changes announced previously, including the retirement later this year of Ali Toutouchi, Managing Director Index Funds, LGIM has also announced in March the departure of Joseph Molloy, Head of Index Equities, who has subsequently joined HSBC. LGIM is currently assessing internal and external candidates to replace Molloy. Due to the continuity of a systematic investment process such as indexation, we are not changing our rating at this point. However, there is clearly significant change taking place in the senior management at LGIM and in particular we will be keeping a close eye on the manager's progress in finding replacements for Molloy and, eventually, Toutouchi.

Comments

Performance has been broadly 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.

Performance Summary ^[1] [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.7	6.7	10.7	10.5
Benchmark	4.7	6.6	10.6	10.3
Relative	0.0	0.1	0.1	0.1

* Inception date 02 Aug 2010.

[1] Gross of fees

Legal & General Index-Linked Gilts

HR View Comment & Rating



LGIM announced the addition of a senior fixed income portfolio manager during Q1.

We do not see this addition as having a significant impact on the manager's passive fixed income business and we continue to rate the manager "5 - our preferred provider" for passive fixed income.

Performance Summary ^[1] _[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.3	21.0	9.0	11.7
Benchmark	3.3	21.0	8.9	11.7
Relative	0.0	-0.0	0.0	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

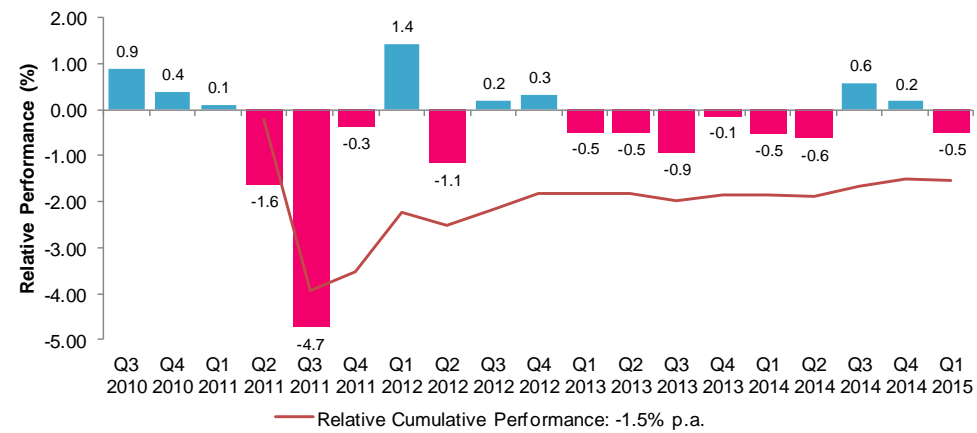
HR View Comment & Rating



No significant changes to report over the quarter to end March 2015.

The Committee may be surprised with the rating given relative performance achieved. However, Investec have retained a consistently defensive position expecting a return of market volatility that has so far not materialised. We are wary of terminating the mandate given the recent strength of markets and the defensive characteristics this allocation provides the Fund.

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



Comments

Investec performed broadly in-line with the cash benchmark over the quarter. Good emerging markets performance was offset by credit positioning leading to the flat return. However, this was c0.5% behind their performance target over the quarter.

12 month performance is reasonable given Investec's performance is measured relative to target rather than benchmark. Longer term performance continues to be underneath target, partly as a result of Investec's defensive stance, but also given the very weak third quarter of 2011 that remains in the longer term numbers.

Performance Summary [2] [iii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.1	2.2	1.4	0.2
Benchmark	0.6	2.5	2.6	2.7
Relative	-0.5	-0.3	-1.1	-2.5

* Inception date 26 Apr 2010.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.1	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

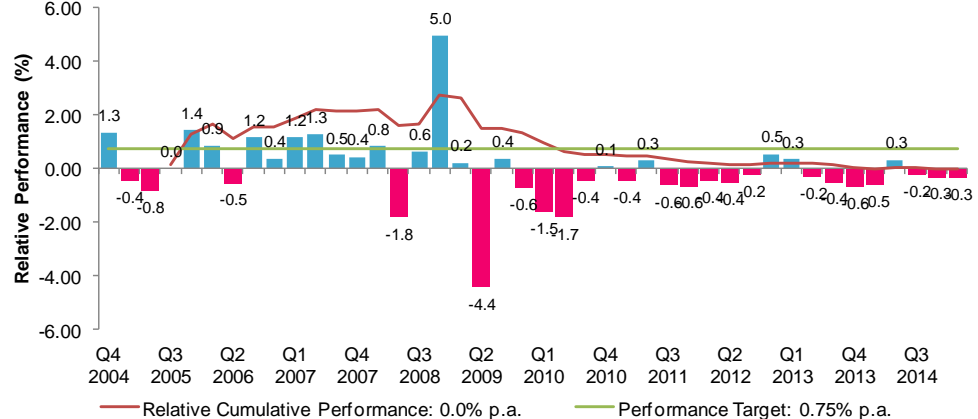
Schroder Property

HR View Comment & Rating



The Schroder UK Property Fund was renamed during Q1, 2015 following the rebranding of the Schroder Property business to Schroder Real Estate Investment Management during 2014. Since 16 March 2015, the UK Balanced Property Fund has been called the Schroder UK Real Estate Fund (SREF). This change was approved by the FCA.

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



Comments

The Schroder property fund slightly underperformed the benchmark over the quarter as a result of transaction costs (unavoidable costs relating to the reallocation of monies to more attractive opportunities) and the continental European holdings, that were positive performers, but lagged the strength of the UK market.

Absolute returns within the property sector have remained consistently strong since the financial crisis and Schroder have delivered a good proportion of that return. They accept that their Continental European was an error. Given the potential transaction costs involved in any manager change, we do not propose a review of the appointment.

Performance Summary [2] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.5	16.2	8.7	7.3
Benchmark	2.8	16.6	9.4	8.6
Relative	-0.3	-0.4	-0.6	-1.1

3 Year Relative Return

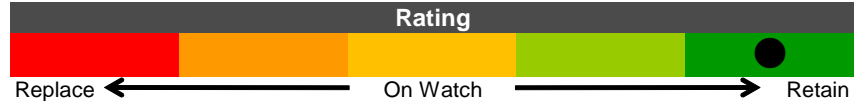
Actual % p.a.	Target % p.a.
-0.6	0.8

[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

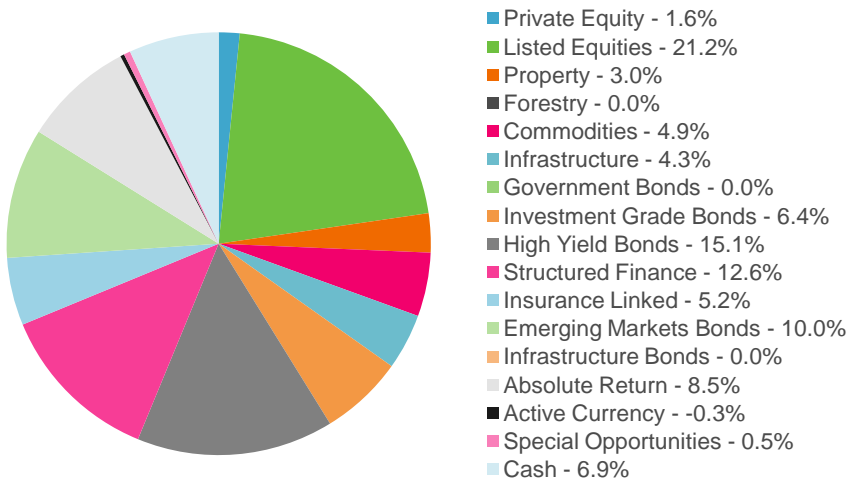
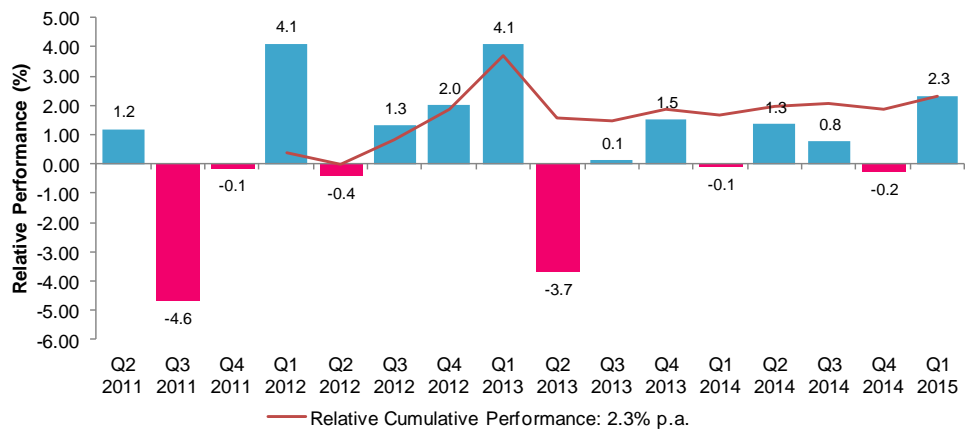


We rate Baillie Gifford at '5-Preferred manager'. During the first quarter Baillie Gifford announced that Mike Brooks, co-manager of the DGF, was resigning. Brooks has been with BG for just over 14 years and helped develop and launch the DGF with Patrick Edwardson, Head of the Diversified Growth team. It goes without saying that Brooks is a key decision maker for the fund and his departure represents a significant loss, however the fund did not rely solely on him.

Following Brooks's departure, the Diversified Growth team will consist of three fund managers (Patrick Edwardson, James Squires and David McIntyre), three analysts and two investment assistants, and will continue to be headed up by Patrick. Squires and McIntyre have been with BG for 8 and 6 years respectively. The DGF team draws its ideas from its own research and from the 74 other Baillie Gifford investment managers and analysts in the firm. The specific areas where BG benefits from specialists in the wider firm are listed equities, fixed income (high yield, investment grade and emerging market bonds), property, and an active currency overlay managed by the rates and currencies team. We do not think Brooks' departure is significant to warrant a rating change.

A general positive market background in the majority of risk assets added to returns over the quarter, with active currency returns being particularly beneficial. Such a positive contribution from the majority of asset classes is obviously a great result, but would be generally considered an unusual outcome (diversification is generally implemented to offset volatility levels) and the Committee should not expect this every quarter.

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



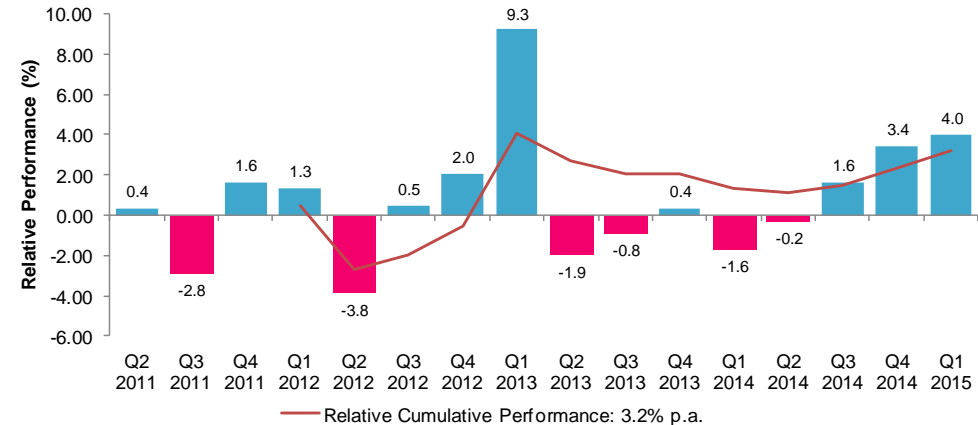
[1] Excludes initial part quarter (22/2/11 to 31/3/11, relative performance +0.3%). Gross of fees. Benchmark is Base Rate +3.5% p.a.

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

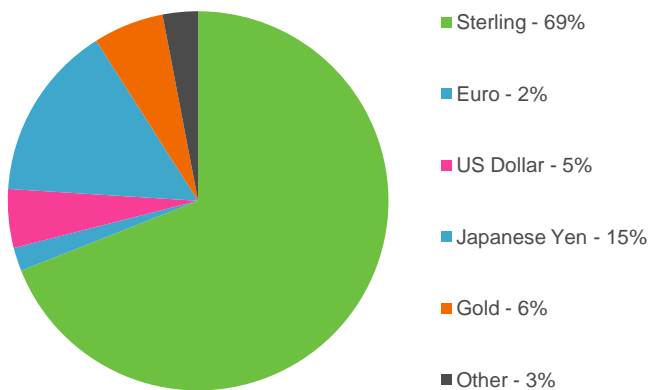
Ruffer Total Return Fund



Relative Quarterly and Relative Cumulative Performance [1]



Currency Allocation at Quarter End



HR View Comment & Rating

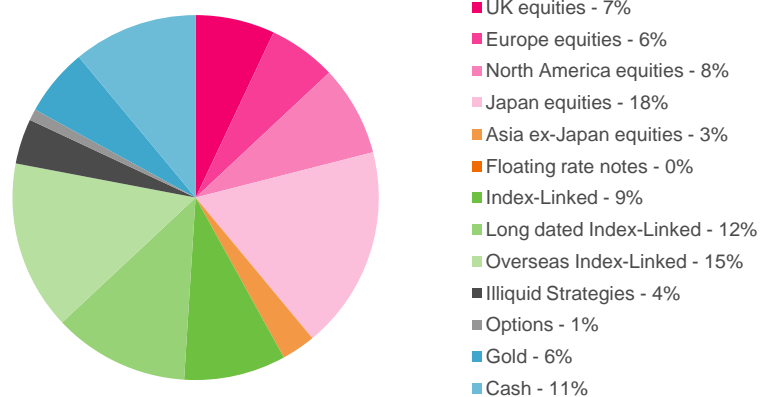
We rate Ruffer '5-Preferred manager'. We are confident in Ruffer's abilities as an absolute return manager. The success of the firm's approach is dependent on its ability to construct portfolios which can outperform cash, regardless of the market direction – which they have been successful in achieving since inception and in particular during the difficult period of 2008/09. Our only concern is the durability of the business as assets under management and the team both grow and adapt to Jonathan Ruffer's lesser input. However to date this does not appear to have had a detrimental impact on the strategy.

In Q1 2015 Ruffer asked investors to approve the inclusion of new illiquid strategies, designed to provide protection against the tail-risk associated with credit markets. These investments have a 5 year illiquidity term and are not therefore appropriate for all investors.

Ruffer's Absolute Return Fund outperformed its cash benchmark by 4.7% over the quarter, delivering a positive absolute return of 4.8%. Over 12 months and since inception, the fund is ahead of benchmark by 10.5% and 12.9% respectively. Exposure to inflation linked bonds made a notable positive contribution to portfolio returns over the quarter, as the announcement of a reduction in issuance and the impact of quantitative easing by the ECB combined to drive down yields in long-dated bonds. The allocation to Japanese equities also added value, boosted by a change in policy towards domestic equities by the Japanese Government Pension Investment Fund. Exposure to the US Dollar had a positive impact on performance, as the currency remained strong in anticipation of a rise in US interest rates.

The use of protective options strategies was the primary detractor. The manager put in place protection strategies to protect against the reversal of low bond yields, however the fall in bond yields over the quarter created a drag on performance. The manager believes these options remain an important strategy in the current yield environment. The allocation to US technology stocks also proved detrimental, as the market factored in the impact of ongoing Dollar strength on the sector's overseas earnings. In terms of portfolio activity, the equity holdings were trimmed slightly over the quarter as the manager sought to lock in profits. There was also a substantial reduction in US Dollar exposure, which had been maintained as protection against an equity market collapse. The manager locked in profits following recent Dollar strength, and at the same time increased exposure to the Japanese Yen to provide the same 'safe haven' protection.

Asset 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	9.2	9.0	4.7	3.4	5.0	0.1	3.3	2.5	5.8
	Benchmark	7.6	7.5	4.7	1.0	1.0	0.6	3.3	2.8	4.6
	Relative	1.5	1.4	0.0	2.3	4.0		0.0		1.1
							-0.5		-0.3	
12 Months (%)	Absolute	19.3	13.8	6.7	8.5	13.4	2.2	21.0	16.2	12.4
	Benchmark	19.0	15.0	6.6	4.1	4.0	2.5	21.0	16.6	11.4
	Relative	0.3		0.1	4.3	9.1				0.9
			-1.0				-0.3	0.0	-0.4	
3 Years (% p.a.)	Absolute	17.1	14.1	10.7	7.1	8.3	1.4	9.0	8.7	11.1
	Benchmark	14.1	13.3	10.6	4.0	4.0	2.6	8.9	9.4	9.9
	Relative	2.7	0.7	0.1	3.0	4.1		0.0		1.0
							-1.1		-0.6	
5 Years (% p.a.)	Absolute	13.0	9.4	10.5	6.4	7.0	0.2	11.7	7.3	8.3
	Benchmark	10.0	9.0	10.3	4.0	4.0	2.7	11.7	8.6	7.9
	Relative	2.7	0.4	0.1	2.3	2.8		0.0		0.4
							-2.5		-1.1	

[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). Baillie Gifford DGF, Ruffer and Investec benchmark performances include outperformance target (c.f. page 6).

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

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	-0.5	-	-	6.9	-0.1	10.0	0.2	-	-
North American Equity	15.0	2.0	-	-	54.9	-6.3	30.0	2.2	-	-
European Equity	10.0	-1.6	-	-	15.8	2.2	30.0	-9.3	-	-
Pacific Basin Equity	9.0	-4.7	-	-	11.9	-0.3	25.5	16.9	-	-
Emerging Market Equity	3.0	6.4	-	-	10.5	4.5	4.5	22.6	-	-
Bonds	14.0	-5.3	-	-	-	-	-	-	100.0	0.0
UK Index-Linked Gilts	3.0	2.2	-	-	-	-	-	-	-	-
Property	12.0	-1.5	-	-	-	-	-	-	-	-
Alternatives	10.0	-1.1	100.0	0.0	-	-	-	-	-	-
Cash	0.0	0.5	-	-	-	-	0.0	1.2	-	-
Trustee Bank Account	0.0	3.7	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	5.0	-0.6	18.0	1.0	23.0	1.0	14.0	-5.3



Asset Allocation (Cont.)

Summary of Benchmarks

	Legal & General Index-Linked Gilts		Legal & General UK Equity		Ruffer Total Return Fund		Schroder Property		Trustee Bank Account	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
UK Equity	-	-	100.0	0.0	-	-	-	-	-	-
North American Equity	-	-	-	-	-	-	-	-	-	-
European Equity	-	-	-	-	-	-	-	-	-	-
Pacific Basin Equity	-	-	-	-	-	-	-	-	-	-
Emerging Market Equity	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-
UK Index-Linked Gilts	100.0	0.0	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	100.0	-2.0	-	-
Alternatives	-	-	-	-	100.0	0.0	-	-	-	-
Cash	-	-	-	-	-	-	0.0	2.0	-	-
Trustee Bank Account	-	-	-	-	-	-	-	-	100.0	0.0
Proportion of Total Assets	3.0	2.2	20.0	-0.2	5.0	-0.6	12.0	-1.3	0.0	0.0



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.