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Pensions Committee

Date: **WEDNESDAY, 11 DECEMBER 2013**

Time: **5.30 PM**

Venue: **COMMITTEE ROOM 3A - CIVIC CENTRE, HIGH STREET, UXBRIDGE UB8 1UW**

Meeting Details: Members of the Public and Press are welcome to attend this meeting

Councillors on the Committee

Philip Corthorne (Chairman)
Michael Markham (Vice-Chairman)
Janet Duncan
Raymond Graham
Paul Harmsworth
David Simmonds

Advisory Members

John Holroyd
Andrew Scott

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http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=125&MId=1601&Ver=4

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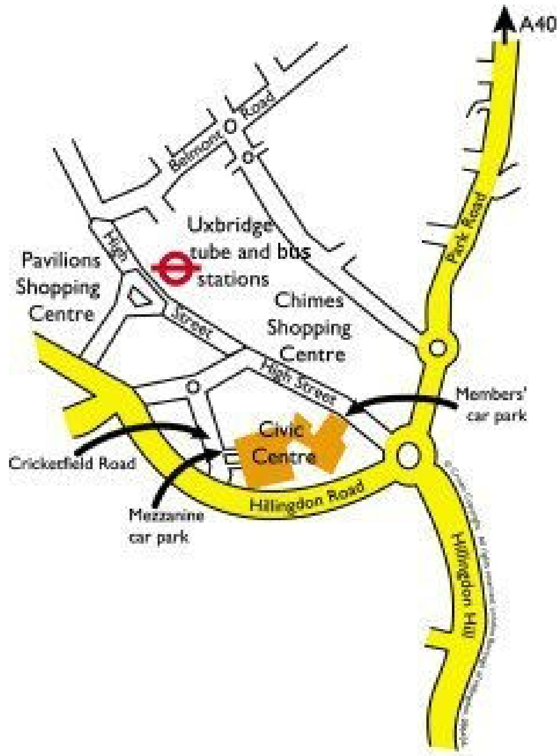
Useful information



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This Committee

To discharge the functions of the Pensions Committee aimed at improving market governance across the Pension Fund and the operational effectiveness of Investment Strategy.

Terms of Reference

The Constitution defines the terms of reference of the Pensions Committee as:

1. To maintain a business plan for its activity and evaluates progress against this plan.

2. To monitor financial risks, including all investment risks relative to liabilities, within the Pension Committee's risk framework, and reports any issues or breaches to the Pension Committee.

3. To keep asset allocation under review within range guidelines set by the Pension Committee. Within these range guidelines, the Sub-Committee has delegated authority to:

- Increase or decrease the allocation to equities, bonds or property
- Increase or decrease the amounts / proportions of assets in manager mandates
- Increase or decrease the level of currency hedging in place
- Select investments for, or dispose of existing investments in, the "opportunity fund" (5% of assets), using the feeder fund.

4. To consider the framework for the allocation of new money among managers. Similarly, in the event that assets need to be realised, the Sub-Committee also considers this matter.

5. To formally review annually the mandates of the managers, and their adherence to their expected investment process and style. This ensures that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale.

6. To consider the need for any changes to the investment managers' mandates (e.g. in relation to continuing appropriateness of benchmarks and operating guidelines).

7. To consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) and makes recommendations to the Pension Committee.

8. In the event of a proposed change of managers, to evaluate the credentials of potential managers. To make recommendations to the Pension Committee in respect of any change of managers.

9. To monitor the investment advice from their investment consultant and investment adviser at least annually. To also review their own decision making process at the same time.

10. To be responsible for maintenance of the Fund’s Statement of investment Principles (SIP).

11. To carry out any additional tasks delegated to it by the Pension Committee.

Agenda

CHAIRMAN'S ANNOUNCEMENTS

PART I - Members, Public and Press

PART II - Members Only

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Minutes

PENSIONS COMMITTEE

24 September 2013

Meeting held at Committee Room 2 - Civic Centre, High Street, Uxbridge UB8 1UW

	Committee Members Present: Councillors Philip Corthorne (Chairman), George Cooper, Beulah East, Raymond Graham and Michael Markham. **LBH Officers Present:** Tunde Adekoya, Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed. **Also Present:** Mark Browning and Jonathan Gooding (Deloitte). **Apologies:** Councillors Janet Duncan, Paul Harmsworth (Councillor Beulah East substituting) and Councillor David Simmons (Councillor George Cooper substituting). John Holroyd and Andrew Scott (Advisory Members).	
14.	**DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING** Councillors Cooper and Corthorne both declared Pecuniary Interests in all Agenda Items, in that they were both members of the Local Government Pension Scheme. They both remained in the room. Councillor Cooper declared a Non-Pecuniary interest Agenda Item 6 – External Auditor Report on the Pension Fund Annual Report and Accounts as he was a Member of the Audit Committee and he was a Trustee of CAB. He remained in the room and took part in discussions on the item. Councillor Cooper declared a Non-Pecuniary interest Agenda Item 7 – Academies – Valuation Approach, as his wife was a Governor of one of the Academies. He remained in the room and took part in discussions on the item.	**Action by**
15.	**MINUTES OF THE MEETINGS OF 19 JUNE 2013** Agreed as an accurate record.	
16.	**TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE** That Agenda Items Items 10 and 11 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.	

		Action by
17.	**REVIEW OF PERFORMANCE MEASUREMENT OF THE PENSION FUND** Consideration was given to the report on the review of the fund manager performance for the London Borough of Hillingdon Pension Fund for the period ending 30 June 2013. The Committee was informed that the total value of the Fund's investments was now at £705m. The Chairman commented that the performance reflected the good work of the Investment Sub-Committee and he thanked Members for their diligent work. Reference was made to the stand out performance of UBS which had been ahead of the benchmark with the largest contributions to out-performance coming from overweight positions in Lloyds Banking Group, Dixons and GlaxoSmithKline. In relation to UBS Property, the Deputy Director of Strategic Finance would provide Members with information as to why there had been an underperformance. **RESOLVED:** **1. That the report and the performance of the Fund Managers be noted.**	**Nancy Le Roux**
18.	**EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS** Consideration was given to the report which summarised the findings of the External Auditor on the audit of the 2012/2013 Pension Fund Annual Report and Accounts. The representative from Deloitte reported that some outstanding final points had been cleared so they would be issuing an unmodified opinion on the final statements. Reference was made to the key findings of the identified audit risks: • **Contributions**- the risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies had been addressed through testing. No issues had been noted with the exception of an incorrect classification of the contributions between employer deficit and employer normal contributions. • **Benefits** – Complexities in the calculation of both benefits in retirement and ill health and death benefits had been reviewed with no identified issues. • **Financial Instruments** – Discussion had been held with managers of the private equity funds to ensure that the valuation techniques represented the most accurate fair value of the equities. No issues had been identified. • **Management Override of Controls** – All testing had been completed with satisfactory results. **RESOLVED:**	

	1. That the auditor's findings be noted and approval be given to the Annual Report of the Pension Fund.	
19.	**ACADEMIES –VALUATION APPROACH** The Committee was provided with a report which provided details of the implications of Hillingdon Schools becoming Academies and the implications this had for Pension Fund valuation purposes. Members were provided with three options on how Academies should be treated for valuation purposes: 1. To treat each as separate individual employers, fully responsible for their own liabilities, the current status quo; 2. To pool all Academies with London Borough of Hillingdon, effectively transferring part of the financial burden on to the Council; or 3. To create a separate pool for Academies. Discussion took place on the three options and the Committee agreed that Option 3 be the preferred option which would be setting up a separate Academy "Pool" within the Pension Fund. This would involve all Academies within Hillingdon joining the pool to pay the same employers contribution rate, which would be based on the combined membership of all Academies within the pool, as at the valuation date. The employer's contribution rate would be re-assessed on the aggregate experience of the pool over the inter-Valuation period, as was the case with the London Borough of Hillingdon Fund. **RESOLVED:** **1. That the information provided in the report be noted and approval be given to the approach detailed in Option 3, as the preferred option for the treatment of Academies within Hillingdon for valuation purposes.**	
18.	**RETIREMENT PERFORMANCE STATISTICS AND COST OF EARLY RETIREMENTS MONITOR** Consideration was given to the report which summarised the number of early retirements in the first quarter of 2013/14. The report also provided Members with an update on the current situation on the cost to the fund of early retirements. Members were informed that figures continued to be low and within the parameters. **RESOLVED:** **1. That the contents of the report be noted.**	
19.	**PENSIONS ADMINISTRATION PERFORMANCE** Consideration was given to the report which summarised the pension administration performance across key areas of work for the period 1	

	April 2013 to 30 June 2013 It was noted that performance targets were agreed as part of the service level agreement with Capita and conformed to national targets set for England and Wales. The Committee was informed that the previous full year performance data was included in the Annual Report for the Fund which showed a significant improvement. Reference was made to significant issues in terms of data quality which had come to light in the last few months. The Committee was informed that officers had worked closely with the actuary and Capita Employee Benefits (CEB) to help clean up their data records to enable the submission of the valuation data. Assurances had been given that additional costs incurred would be picked up by CEB. Reference was made to the performance statistics for sending condolence letters and Members agreed that this should be better. **RESOLVED:** 1. **That the contents of the report be noted.**	
20.	**REPORT FROM INVESTMENT SUB-COMMITTEE** This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act). **RESOLVED:** 1. **That the contents of the report be noted.**	
21	**CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT** This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act). **RESOLVED:** 1. **That the contents of the report be noted.**	
	The meeting, which commenced at 5.30 pm, closed at 6.10 pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND	

Contact Officers	Tunde Adekoya, 01895 556350
Papers with this report	Northern Trust Executive Report WM Local Authority Quarter Reports Private Equity Listing Private Equity reports from Adams Street and LGT

SUMMARY

This report reviews the fund manager performance for the London Borough of Hillingdon Pension Fund for the period ending 30 September 2013. The total value of the fund's investments as at the 30 September was £698m. This represents an increase of £17m from the end of Q2, June 2013. However, in the months since September 2013, the Fund's value has increased again to around £713m at the end of November.

RECOMMENDATION

1. **That the content of this report be noted and the performance of the Fund Managers be discussed.**

1. INFORMATION

The performance of the Fund for the quarter to 30 September 2013 showed an underperformance of 0.08%, with a return of 2.44% compared to the benchmark of - 2.52%. However, the significant underperformance by Macquarie in Q3 slightly skews the whole fund position. One year figures show returns of 14.15%, 2.27% relatively better than the benchmark.

Performance Attribution Relative to Benchmark

	Q3 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Barings	0.27	-	-	-	(1.71)
JP Morgan	0.06	(2.05)	-	-	0.18
Kempen	0.54	-	-	-	(4.91)
Macquarie	(8.17)	(2.40)	(11.82)	-	(11.82)
M&G Investments	1.03	1.98	0.50	-	0.38
Newton	(2.02)	-	-	-	(1.51)
Ruffer	0.01	12.85	6.34	-	5.80
SsgA	(0.02)	(0.11)	0.00	-	0.02
UBS TAA	(2.33)	-	-	-	(2.33)
UBS	2.87	10.48	3.44	1.43	1.26
UBS Property	(0.22)	(1.42)	(0.51)	(1.08)	(0.67)
Total Fund	**(0.08)**	**2.27**	**0.90**	**(0.05)**	**0.05**

2. MANAGER PERFORMANCE

2.1 Manager: Barings Asset Management

Performance Objective: The fund aims to achieve an absolute return of 4% in excess of cash based on the 3 month Libor.

Approach: Focus on identifying and exploiting unrecognized growth opportunities.

Performance:

In the first full quarter for the new Barings mandate the fund produced a return of 1.38% which compares favourably against the target of the 3 Month LIBOR +4% per annum, which posted 1.12%. However in the short period since inception in April 2013 they returned 0.21% which is below the target of 1.95%.

2.2 Manager: JP Morgan

Performance Objective: The investment objective of the company is to achieve a return of +3% over Libor 3 Month rate.

Approach: The aim of the portfolio is to be diversified across various corporate bonds with an average quality of BBB+ and derivatives may be used to achieve fund objectives.

Performance: To incorporate an element of risk adjusted return, the benchmark has been set to include outperformance of an absolute benchmark, in this case 3 Month Libor, by a further 3%. In relation to this benchmark JP Morgan have relatively outperformed since inception (Nov 2011) by 0.18%. In the quarter under review, JP Morgan outperformed by 0.06 % with a return of 0.94 % against benchmark return of 0.87%.

2.3 Manager: Kempen International

Performance Objective: Seek to outperform their benchmark index by 2-4% per annum over rolling three year periods.

Approach: To earn a higher total return than its benchmark, MSCI World Total Return Index, including reinvestment of net dividends.

Performance:

In contrast to the previous quarter the Kempen mandate produced both positive absolute and relative returns with 2.48% versus 1.93% for the MSCI All World Index +2%, leading to an outperformance of 0.54%. However, since inception in January 2013, despite the absolute return improving to 5.70% the relative return falls to -4.91% when compared to the benchmark of 11.16%.

2.4 Manager: Macquarie

Performance Objective: Seek to outperform their benchmark index by 3% per annum over rolling three year periods.

Performance:

Macquarie wiped out most of the gains of 2013 by posting the second lowest absolute return at -7.37%, against the 3 Month LIBOR +3% p.a. is a relative return of -8.17%. Year to date they have delivered growth of 1.14% but this is below the benchmark of 2.63%. Over the last twelve months the underperformance is 1.04% against a benchmark of 3.53%. In the 3 years since inception they have delivered eight negative quarterly relative returns, leading to an annualised loss of -8.49% against a target of 3.78%.

2.5 Manager: M&G

Performance Objective: The investment objective of the Prudential/M&G UK Companies Financing Fund LP is to seek to maximise returns consistent with prudent investment management. The Fund aims to provide an absolute return of Libor +4-6% (net of fees). Additional returns may be achieved through equity participation or success fees.

Approach: The objective of the Fund is to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value. The fund was set up to provide medium to long term debt financing to mid-cap UK companies with strong business fundamentals that are facing difficulties refinancing existing loans in the bank market.

Relative Performance

	Q3 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Performance	2.15	6.61	5.31	-	5.18
Benchmark	1.12	4.53	4.79	-	4.78
Relative Return	1.03	1.98	0.50	-	0.38

During the third quarter of 2013, M&G produced a 2.15% return, about 1.03% ahead of the 3 Month LIBOR of +4% p.a. Over the last year the account registers 6.61% against 4.53%; whilst since inception at the end of May 2010, the portfolio returned 5.18% pa against the benchmark of 4.78% pa.

2.6 Manager: Newton

Performance Objective: To outperform the FTSE World Index by over 2% p.a. over rolling five year periods.

Approach: Increasing income and capital growth over the long term by investing in shares (i.e. equities) and similar investments of companies listed or located throughout the world.

Performance:

During the third quarter of 2013 Newton posted a -0.38% return compared to 1.68% for the FTSE World Index +2%, leading to an underperformance of -2.02%. Since inception (January 2013) they have delivered a return of 7.39% against the benchmark of 9.03%, producing a relative return of -1.51%.

2.7 Manager: RUFFER

Performance Objective: The overall objective is firstly to preserve the Client's capital over rolling twelve month periods, and secondly to grow the Portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable United Kingdom bank.

Approach: Ruffer applies active asset allocation that is unconstrained, enabling them to manage market risk and volatility. The asset allocation balances "investments in fear", which should appreciate in the event of a market correction and protect the portfolio value, with "investments in greed", assets that capture growth when conditions are favourable. There are two tenets that Ruffer believe are central to absolute return investing which are to be agnostic about market direction and also to remove market timing from the portfolio.

Performance: The Ruffer portfolio produced 0.14% over the last three months, which is almost exactly the same as the 0.13% for LIBOR 3 Month GBP. Driven by Q1's return all longer periods show high absolute and relative returns. As a result, over the last twelve months they have posted a return of 13.46% against 0.54% for the target, resulting in the highest outperformance of all mandates at 12.85%. While since the inception in May 2010, 10 out of 13 quarters show positive returns and lead to figures of 6.62% versus 0.77% per annum, which translates as a relative return of 5.80%.

2.8 Manager: SSgA
Performance Objective: To replicate their benchmark indices
Approach: The calculation of the index for passive funds assumes no cost of trading. In order to simply match the index, it is necessary to trade intelligently in order to minimise costs, and where possible, make small contributions to return in order to mitigate the natural costs associated with holding the securities in the index. Activities which SSgA employ to enhance income include; tactical trading around index changing events and stock lending. They also aim to alleviate costs by efficient trading through internal and external crossing networks.

Relative Performance:

Account		**Q3 2013 %**	**1 Year %**	**Since Inception %**
SSgA Main Account	Performance	3.57	16.43	13.40
	Benchmark	3.59	16.56	13.37
	Relative Return	(0.02)	(0.11)	0.02

The SSGA passively managed portfolio produced a return of 3.57% in the quarter which was a mere 2 basis points below the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce a 16.43% return, which is 11 basis points behind target, while over 3 years the per annum return falls to 9.17% which exactly matches the benchmark. Since inception (November 2008) a return of 13.40% pa is just 2 basis points above the benchmark.

2.9 Manager: UBS Tactical Asset Allocation
Performance Objective: Outperform the Barclays Capital US Inflation Linked Index.

Performance: The UBS Tactical mandate was funded during this quarter and over that period produces a return of -7.94% against the Barclays US Inflation Linked Index of -5.74%.

2.10 Manager: UBS
Performance Objective: To seek to outperform their benchmark index by 2% per annum, over rolling three year periods.
Approach: UBS follow a value-based process to identify businesses with good prospects where, for a variety of reasons, the share price is under-estimating the company’s true long term value. Ideas come from a number of sources, foremost of which is looking at the difference between current share prices and UBS’s price target for individual stocks. The value-based process will work well in market environments where investors are focussing on long term fundamentals.

Relative Performance:

	Q3 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Performance	8.61	31.40	13.86	12.74	10.44
Benchmark	5.58	18.93	10.07	11.16	9.07
Relative Return	2.87	10.48	3.44	1.59	1.26

Performance for the quarter was positive and ahead of the benchmark with the largest contributions to out-performance coming from overweight positions in Lloyds Banking Group, IAG and BAE Systems. In fact, UBS outperformed the benchmark all through one, three and five year periods. This resulted in the since inception performance relative return increasing to 1.26% from 1.15% in the previous quarter.

2.11 Manager: UBS Property
Performance Objective: To seek to outperform their benchmark index by 0.75% per annum over rolling three year periods.
Approach: UBS take a top down and bottom up approach to investing in property funds. Initially the top down approach allocates sector and fund type based on the benchmark. The bottom up approach then seeks to identify a range of funds which are expected to outperform the benchmark.

Relative Performance:

	Q3 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Performance	2.18	3.05	4.40	0.50	(0.38)
Benchmark	2.40	4.53	4.93	1.59	0.29
Excess Return	(0.22)	(1.48)	(0.51)	(1.08)	(0.67)

The UBS Property portfolio produced a return of 2.18%, in contrast to last quarter this was 22 basis points below the IPD UK PPFI All Balanced Funds index figure of 2.40% by. Underperformance continues to be seen in all long periods, with 1 and 3 year showing positive absolute returns of 3.05% and 4.40 % respectively by these were -1.42% and -0.51% below the benchmark. Since inception, in March 2006, the funds loses value with a figure of -0.38% while the benchmark shows a positive 0.29% return, meaning the underperformance is now -67 basis points.

3. ABSOLUTE RETURNS FOR THE QUARTER

	Opening Balance £000's	Net Investment	Appreciation £000's	Income Received £000's	Closing Balance £000's	Active Management Contribution £000's
Barings	61,256	8	848	-	62,112	159
JP Morgan	73,807	-	690	-	74,497	44
Kempen	45,649	0	1,084	49	46,782	226
Macquarie	8,645	(1,488)	(544)	-	6,613	(595)
M&G	19,704	2,078	471	-	22,253	233

Newton	22,722	-	(85)	-	22,637	(495)
Ruffer	84,124	-	(187)	305	84,242	8
SSgA	133,588	-	4,767	-	138,355	(29)
SSgA Drawdown	6,039	(6,038)	-	-	1	-
UBS	125,616	-	9,879	941	136,436	3,849
UBS Property	50,051	-	560	530	51,141	(112)
UBS TAA	84	14,002	(1,148)	27	12,965	(324)

The above table provides details on the impact of manager performance on absolute asset values over the quarter based on their mandate benchmarks.

4. M&G Update

M&G Companies Fund - The NAV of the fund was £846 million on 30 September 2013 compared with £836 million at the end of the previous quarter. The increase resulted from the accumulation of income in the fund as well as a very modest reduction in the interest rate swap mark to market position. Since inception, the fund has returned 5.01%, compared with 5.05% at the end of the last period. For the third quarter 2013 the fund returned 1.13% compared with 1.34% in the same period last year. The performance was driven by the income in the fund, rather than the upfront fees earned on new loans coming into the fund in the earlier periods. The loan remains marked at par, with a weighted average credit rating of BB+.

M&G Debt Opportunities Fund IV - During the quarter under review, 3 draw-downs totalling £4.03m for the M&G Debt opportunities fund was made, representing 26.85% of our commitments (£15m) to the fund and total drawdown to date of £10.53m. The fund's NAV as at 30 Sep 2013 was £131.9m with a total return since inception of 19.91%.

Investments made by the Fund this quarter - During the 3rd quarter of 2013 the fund continued to add to three existing positions. The fund was able to continue to build a position in a mining company which issues into the high yield bond market. The company's bonds are relatively liquid and the mark-to-market price moves with market sentiment towards both the issuer and wider macroeconomic drivers. DOF's longer-term investment horizon and limited need of liquidity allows the fund to withstand this volatility and the team continues to be comfortable with the issuers' financial position.

The fund also increased its position in an international gaming company, which is a co-investment alongside other M&G funds. While the company's immediate liquidity needs appear to have been met through the arrangement of a senior facility, the company still faces challenges with its capital structure. M&G continues to work towards a longer term solution that will be commercially acceptable for all stakeholders.

Finally, the fund continued to build on its position in a logistics business, purchasing both term-loan debt and super senior. The term debt benefits from participation in any equity up-side, while the Super Senior sits at the top of the capital structure and pays a high cash coupon.

5. Macquarie Update

Overall cost of investment in Infrastructure by the fund was £7.2m as at 30 September 2013. This is spread across three Macquarie funds. This is up by £2.03m from last quarter.

MSIF – Macquarie SBI Infrastructure Fund - The Manager continues to review investment opportunities that complement the current portfolio of MSIF. The Manager is currently focussed on identifying investment opportunities in sectors such as ports, fuel storage facilities and waste management facilities that MSIF currently has no exposure to. Given the sizes of some of these investment opportunities, the Manager may approach investors for co-investments.

The Manager had been actively working with TTPL and the banks on a debt refinancing initiative that will reduce the interest cost by ~110 bps as well as extend the loan to a longer tenure. A credit approved term sheet has been received from a bank and the Manager is currently discussing this proposal with the minority shareholders of TTPL. The refinancing, which is expected to be completed prior to end December 2013, is likely to improve the cash flow profile from the asset.

MEGCIF - The operations of our three completed investments performed broadly in line with our expectations during the second quarter:

- Shenyang Shengyuan Water continued its solid performance, although plant utilisation continued to be affected by delays to one key pipeline connecting to the East plant, now expected to complete by the end of December, and the management team is working with the Government to increase water treatment volumes across both plants. Operating cost management once again outperformed the budget, despite a temporary spike in chemical costs associated with higher water treatment requirements following unusually severe flooding at the end of August. The flooding did not directly impact the plant itself and effluent water continued to meet or exceed the required standards throughout the period.

- Longtan Tianyu Terminal's throughput volume for the third quarter exceeded the budget; however, revenue and EBITDA were impacted by a shift to lower value cargo mix as high value fertilizer exports were impacted by the depreciation of the Indian Rupee over the past six months (India is the primary export market for fertilizer products passing through the terminal). The management team is focused on attracting additional high value cargo and the business continues to display strong ramp-up growth.

- Zhejiang Wanna Environmental's operating plants continued to track broadly in-line with the budget. Utilisation and tipping fees met or exceeded expectations and a negative variance in power output was largely offset by continued outperformance of operating efficiency across the business. The Huzhou plant was the latest plant to successfully negotiate a tipping fee increase (+25%) with the local government.

The company reached financial close of its acquisition of the Huaibei plant and secured an 800 tonne/day BoT plant in Zhejiang.

MEIF4 - Macquarie European Infrastructure Fund 4 The Manager has been focusing on a number of potential investment opportunities and progressing key asset management initiatives at Open Grid Europe (OGE) and Czech Gas Networks (CGN).

In July 2013, MEIF4 submitted a public tender offer to acquire up to 100.0 per cent of the share capital of Theolia, a Euronext Paris listed renewable energy company. The offer was open until 6 September 2013 and was subject to MEIF4 obtaining at least 66.7 per cent of the shareholding voting rights, which the Manager deemed necessary to achieve the Fund's corporate governance objectives. Unfortunately, despite gaining support of management, the board of Theolia and the majority of shareholders, the offer expired with MEIF4 achieving slightly below the required minimum level of acceptance. Whilst this is disappointing, the Manager remains actively engaged in a number of other acquisition processes.

The Manager initiated the refinancing process of OGE's ancillary facilities following the completion of its bond refinancing in July 2013. A positive outcome is expected regarding the company's application for the status of an "Independent Transport Operator" (ITO), with certification expected from the regulator by the end of November. In addition, the search for a COO is in its concluding stages with an announcement expected in due course.

CGN's overall performance continued to exceed expectations during the quarter and, following extensive work by the Manager and other stakeholders, the regulator has now engaged in a negotiated process in relation to the issue of changing the way in which distribution companies are remunerated. Furthermore, a merger of the four gas distribution networks into a single network with centralised resources took effect on 1 November 2013.

6. Other Items

At the end of September 2013, £26m (book cost) had been invested in **private equity**, which equates to 3.65% of the fund against the target investment of 5.00%. This level still remains within the limits of the over-commitment strategy of 8.75%. In terms of cash movements over the quarter, Adams Street called £270k and distributed £944k, whilst LGT called £253k and distributed £754k. This trend is set to continue in the next few years as the fund's investments in private equity climbs up the "J-Curve" and more distributions will be received as the various funds mature.

The **securities lending** programme for the quarter resulted in income of £17.4k. Offset against this was £6.1k of expenses leaving a net figure earned of £11.3k. The fund is permitted to lend up to 25% of the eligible assets total and as at 30 September 2013 the average value of assets on loan during the quarter totalled £26.1m representing approximately 12.7% of this total.

The passive currency overlay agreed by Committee was put in place at the end of January 2011 with 100% Euro and 50% Australian dollars (June 2012) hedges. The Investment

Sub-Committee decided, based on professional advice to abrogate all AU$ hedges with immediate effect and discontinue further AU$ hedging within all portfolios, resulting in a loss of £24k. The latest quarterly roll occurred on the 13 November 2013 and yielded a realised gain of £746k.

For the quarter ending 30 September 2013, Hillingdon returned 2.43%, underperforming against the WM average of 2.60% by 0.17%. The one year figure also, shows an under-performance of (0.15) %, returning 14.15% against the WM average return of 14.30%.

FINANCIAL IMPLICATIONS

These are set out in the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

None

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London Borough of Hillingdon

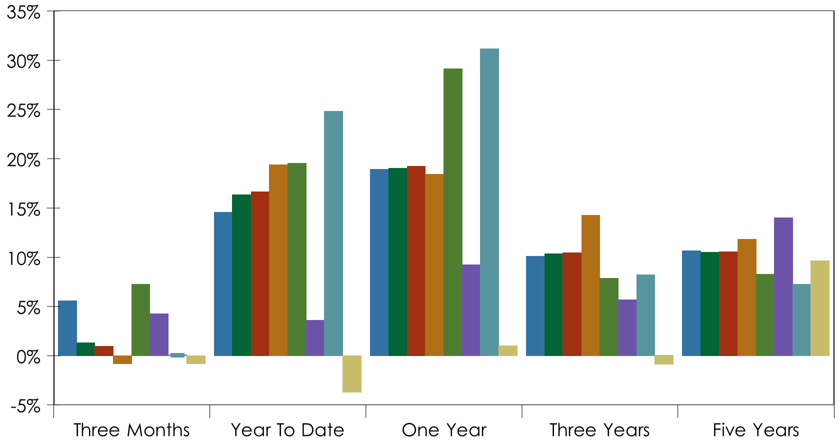
3rd Quarter, 2013

Executive Report

Appendix

Equity Index Performance (in GBP)

Performance History



Performance Returns%

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	5.6	14.6	18.9	10.1	10.7
FT: World	1.3	16.3	19.0	10.4	10.5
FT: World ex UK	1.0	16.7	19.2	10.5	10.6
FT: AWI North America	-0.8	19.4	18.4	14.3	11.8
FT: Developed Europe ex UK	7.3	19.5	29.1	7.9	8.3
FT: Developed Asia Pac x Jp	4.3	3.6	9.2	5.7	14.0
FT AW: Japan	0.1	24.8	31.2	8.2	7.3
MSCI Emerging Markets GD	-0.8	-3.7	1.0	-0.9	9.6

Ending quarter three, positive forecasts for the global economic outlook from the OECD were overshadowed by the political stalemate in the US. It is unthinkable that the US government will allow a default to occur but should that come to pass a depression of unprecedented magnitude would surely follow. Despite the prediction that advanced economies would continue at the stronger rates of quarter two, massive unemployment and economic hardship still affects swathes of Europe. It emerged that the market capitalisation of US banks is now twice that of the BRIC energy and material companies, having fallen behind that level five years ago, just before Lehmans collapsed. The Fed cut its growth forecast and maintained asset purchasing at $85bn per month which led global stocks to 5 year highs in mid-September and gave a welcome boost to both the emerging markets and gold. Globally, Basic Materials gained most value over the three months following two poor quarters, Industrials were the second best performer and Utilities lost most value. The price of crude oil futures ended the quarter up slightly at $108 per barrel. The FTSE World was up by 1.3% (GBP) over quarter three 2013 and is now ahead by 19% over one year (GBP).

UK GDP increased by 0.7% in the second quarter of 2013 and its predicted growth could reach 1% for Q3. The flotation of Royal Mail caused huge investor interest prior to offer and public outrage from some quarters afterwards when it appeared to have been undervalued by around 40%. Foxtons and Zoopla are the latest names linked with further IPOs. Vodafone investors are set to benefit from the sale of its US mobile business for $130bn. The government raised £3.2bn from the sale of its 6% stake in Lloyds Bank. BP won a legal victory to limit compensation payments to companies that had not experienced "traceable loss". Demand for London property has lifted the average English house price by 3.7% over the year to July. Unemployment fell slightly again to 7.7%. Basic Materials switched from weakest sector to 2nd strongest, Technology gained most value and Oil & Gas lost most. The FTSE All Share was up 5.6% (GBP) over the third quarter and remains ahead over one year, now by 18.9% (GBP).

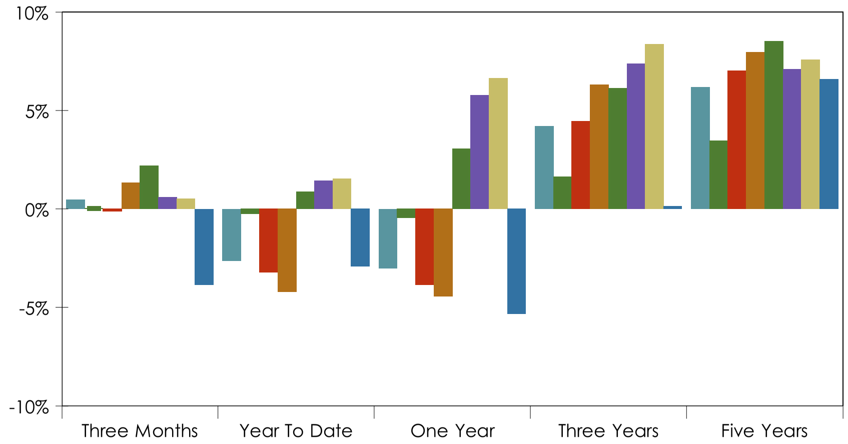
Having suffered its longest recession since the introduction of the single currency the Eurozone has now emerged from its 18 month slump with Q2 GDP of 0.3%. The underlying problems remain; Unemployment is at 12% and Greece is expected to receive a third bailout of $10bn in November. Despite Germany leading the charge, its unemployment rate ended Q3 up at 3mn as China's slowdown continues to dent exports. US investors pumped $65bn into European equities in the first half of 2013 showing increased confidence in the burgeoning recovery. Hedge funds have continued to pursue investment in Greek banking stock prompting those banks to request an expedited reprivatisation schedule. The FTSE Developed Europe ex UK index returned 7.3% (GBP) over quarter three and 29.1% (GBP) over the year.

The Fed surprised many by maintaining its rate of asset purchasing and justified that by downgrading its 2013 forecast to range between 2 and 2.3%. The government shut down had far reaching consequences which might not be fully felt until later, such as the impact on many fledgling small businesses. 800k staff were told to stay at home on unpaid leave following the closures. No September payroll information was available as a result of the shutdown. After a surge in exports, US GDP grew at an annualised rate of 2.5% over Q2 up from the initial estimate reported last quarter. Twitter laid out plans for an IPO expected to raise $1bn despite never turning a profit in its 7 years. Chrysler also filed documents for an IPO. JPMorgan is preparing to settle with US authorities over its outstanding mortgage backed securities issues in a deal worth $11bn. Blackberry has agreed a deal to take it back into private ownership after a Canadian consortium bid $4.7bn. The firm saw its value drop form a peak of $83bn in 2008 to just $4.2bn this year. Basic Materials and Industrials made the biggest gains over Q3 and Telecoms was the worst performing sector. The FTSE North America index returned -0.8% (GBP) over the third quarter and 18.4% (GBP) for the year.

Japan's exports rose the most since 2010 in August and business confidence is pushing higher. GDP was confirmed at 3.8% for quarter two, the third straight quarter of growth. Nintendo is taking on Microsoft and Sony over market share of games consoles by cutting prices and introducing cheaper units. Japanese car manufacturers are benefitting from the weaker Yen but continue to struggle in China as ill feeling rumbles on over the disputed Islands in the South China Sea. Samsung has estimated a record profit of $9.4bn in Q3. The company broke new ground as the first global mobile company to introduce a Dick Tracy style smartwatch. The FTSE Japan returned 0.1% (GBP) for quarter three and the FTSE Developed Asia Pacific ex Japan returned 4.3% (GBP). Leaders of the BRIC nations announced they will set up a $100bn fund to guard against financial shock. Their currencies are vulnerable to investors wary of the situation in the US and the end of financial stimulus there. Foxconn, the Chinese maker of the iPhone is struggling to attract assembly line staff as the nation's young shun factory work for careers in the service industry. US firms have been "reshoring" manufacturing operations from China as wage inflation has eroded competitive advantage. Brazil raised interest rates again in its battle with inflation. India also raised its main rate citing the same reason. Gold was up from last quarter ending September above $1,300 per ounce. The MSCI Emerging Markets index returned -0.8% (GBP) for the third quarter and 1% (GBP) for the year.

Fixed Income Index Performance (in GBP)

Performance History



Performance Returns %

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Stock Index	0.5	-2.6	-3.0	4.2	6.2
FTSE All Stock 0-5 Yr. Gilts	0.0	-0.2	-0.5	1.6	3.5
FTSE All Stock 5-15 Yr. Gilts	-0.1	-3.2	-3.9	4.5	7.0
FTSE All Stock > 15 Yr. Gilts	1.3	-4.2	-4.4	6.3	8.0
ML STG N-Gilts All Stocks	2.2	0.9	3.0	6.1	8.5
FTSE Index Linked	0.6	1.4	5.8	7.4	7.1
FTSE Index Linked 5+ yrs	0.5	1.5	6.6	8.3	7.6
JPM GBI Global	-3.8	-2.9	-5.3	0.1	6.6

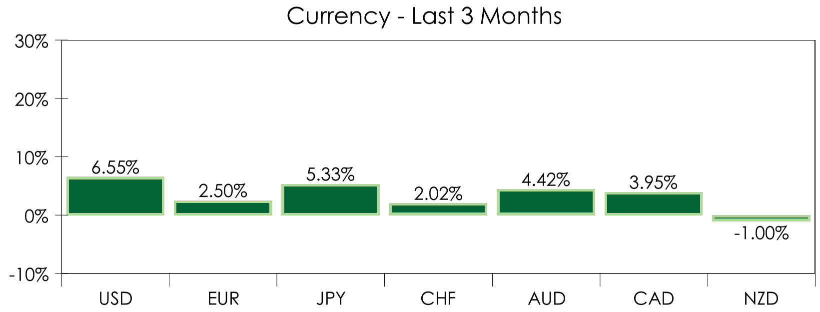
The prospect of the end of quantitative easing weighed on investor sentiment through Q3. In September, with analysts expecting the Federal Reserve to lay out a timetable for trimming the nation's $85bn-a-month bond purchase program, the Fed surprised investors in announcing that it will keep QE going at the same rate for a while longer amid concerns that the US economy remains fragile and that potential headwinds from the nation's impending debt ceiling debate could have a significant impact on the already faltering recovery. The decision triggered a resurgence in US Treasury, German bund and UK gilt prices. The global economy continues to strengthen and in Q3 recorded the biggest leap in growth for 18 months with the JPMorgan Global Manufacturing & Services PMI reading 53.5 at the end of September, the 50th consecutive month of expansion. Strong growth in Germany and France helped haul the Eurozone out of recession in Q2 following six straight quarters of contraction. In the Far East, both Japan and China enjoyed promising quarters. Japan's Q2 growth figure was revised to 3.8%, improving labour market numbers helped boost market sentiment further and the award of the 2020 Olympics to the city of Tokyo is hoped to be a long-term economic boost to the entire nation. China continues to report positive economic data as it stabilises following a period of anaemic growth. The nation's PMI reading was in expansionary territory in September at 51.2, with growth recorded for two successive months. Elsewhere, central banks in India, Brazil and Indonesia were forced to hike interest rates in order to combat rising inflation. The JPM Global Government Bond and Barclays Capital Global Aggregate Corporate Bond indices were down over the quarter at -3.8% (GBP) and -3.7% (GBP) respectively.

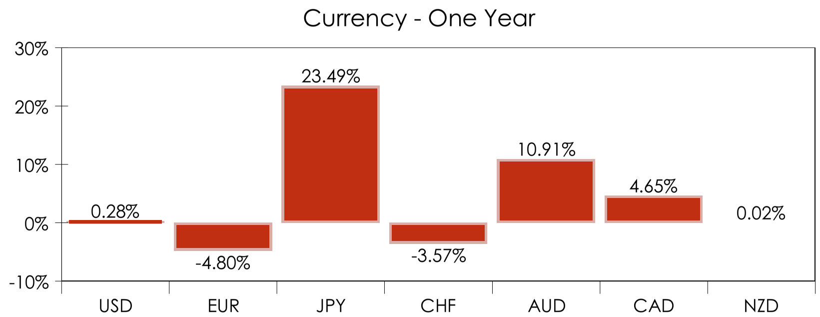
Bank of England governor Mark Carney unveiled 'Forward Guidance', setting a direct link between interest rates and the UK's unemployment rate. The Monetary Policy Committee (MPC) will hold interest rates at the current emergency level of 0.5% and not examine a potential increase, or reversal of quantitative easing, until the jobless rate falls to a threshold of 7%. The latest UK unemployment numbers show a drop to 7.7% between May and July from 7.8% in the previous three months. Further good news came in the shape of the second quarter's GDP figure of 0.7%, nearly twice the pace of growth from the previous quarter, with all three key sectors - services, production and construction - expanding. The manufacturing PMI hit a two-and-a-half year high of 57.1 in August, before easing slightly to 56.7 at the end of the quarter as weaker export orders weighed on output. The GFK Consumer Confidence Index rose to its highest level since November 2007 and in harmony, a CBI survey indicated that retailers were also growing in confidence, leading the business lobby organisation to increase its economic growth forecast for 2013 from 1% to 1.2% and its 2014 forecast from 2% to 2.3%. UK inflation, as measured by the consumer prices index, remains stubbornly high at 2.7% at the end of August, the 45th consecutive month the headline rate has been above the Bank's CPI inflation target of 2.0%. The benchmark 10-year gilt yield, beginning the quarter at 2.44%, rose as high as 3.02%, before falling back to settle at 2.72%. The FTSE All Stock Gilt index returned +0.5% (GBP) for the quarter while the ML Sterling Non Gilts gained +2.2% (GBP).

After 18-months of economic contraction, the worst slump to hit continental Europe in 40 years, the eurozone exited recession as final Q2 GDP figures revealed the economy had expanded 0.3%. Germany and France benefitted from the first sustained period of stable market conditions since the start of the debt crisis and saw their domestic economies grow by 0.7% and 0.5% respectively. The pace of contraction in Spain, Italy and the Netherlands slowed, and the unemployment rate across the region eased markedly, adding to hopes that the region is now on the path to recovery. Business and consumer sentiment reached their highest levels in more than two years, and the July reading of the Markit composite purchasing managers' (PMI) index posted 50.5, above the neutral 50.0 mark for the first time since January 2012, with the quarter-end reading of 52.2 a 27-month high. Early in the quarter, the European Central Bank, in line with the Bank of England, introduced its own forward guidance by committing long-term to a continued "accommodative" monetary policy by keeping interest rates unchanged or lower for an extended period. German bund yields remained stable over the quarter, rising 5 basis points to 1.78%. The spectre of default still loomed however, and in August fears surfaced that Greece may require a third bailout, with the International Monetary Fund (IMF) estimating the nation's embattled economy was facing a fiscal shortfall of around 11bn euros to the end of 2015. The JPM European Govt Bond index returned 1.4% (EUR) and the Barclay Capital Euro Aggregate Credit index 1.3% (EUR) for the quarter. The iTraxx Europe 5yr CDS index, representative of 125 investment grade entities across 6 sectors, tightened considerably from 119.6 at the end of June and closed the quarter at 94.6.

July and August saw investor appetite wane as US markets laboured under the uncertainty surrounding an anticipated announcement at the September FOMC meeting on tapering of the Federal Reserve's bond purchase program. Such concerns proved to be unfounded as the Fed opted to err on the side of caution, both surprising and pleasing markets in making no change to the current QE programme, citing ongoing concerns on the health of the US economy as the reason for maintaining the status quo. Macro economic news during the second quarter was mixed. The manufacturing PMI read 52.8 in September, the lowest level for the quarter, as business conditions saw only a moderate improvement and new order growth slowed to a five-month low. Spending at retail businesses rose only 0.2% in August, marking the smallest gain in four months, the labour market recovery slowed with fewer jobs created month-on-month throughout the quarter, and the housing market revival appears to be cooling, with data revealing that new home sales plunged 13.4% in July and builder confidence falling for the first time in four months. Brighter news came from Moody's, the ratings agency, which cheered US markets in raising the sovereign debt outlook to stable from negative and upholding the nation's triple-A rating, and the second quarter GDP growth figure was revised up from 1.6% to 2.5%. The benchmark 10-year US Treasury yield, having opened the quarter at 2.49%, climbed as high as 2.98% before falling back to end the quarter at 2.62%. For the quarter the JPM US Government Bond Index was flat at 0.0% (USD) while the Barclay Capital US Aggregate Corporate Bond Index returned -0.8% (USD).

Currency Performance (in GBP)





	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	6.55	-0.38	0.28	0.91	-1.92
European Union euro	2.50	-3.01	-4.80	1.19	-1.18
Japanese yen	5.33	12.27	23.49	6.27	-3.49
Swiss franc	2.02	-1.60	-3.57	-1.67	-6.22
Australian dollar	4.42	10.09	10.91	2.07	-5.32
Canadian dollar	3.95	2.81	4.65	0.98	-2.59
New Zealand dollar	-1.00	-1.33	0.02	-3.23	-6.33

The third quarter of 2013 saw a weakening of the Dollar against all reported currencies. Sterling on the other hand, strengthened against all major currencies. In Japan, the unemployment rate jumped to 4.1% in August from 3.8% in July, as the number of unemployed people grew by 210,000. This is the largest monthly rise in unemployment since July 2009, but 70,000 of these people were new entrants into the workforce, suggesting that some people have returned to the labour market as the economy has picked up. The Tankan survey, conducted by the Bank of Japan, which surveys companies of all sizes across the country, showed that the headline measure of confidence among large and medium-sizes enterprises was at its highest level since the last quarter of 2007. The Chinese government deployed a "mini-stimulus" in July, using tax cuts for small businesses, assistance for exporters and increased investment in railway construction to prop up the economy. The PMI survey suggests that while these various measures have helped stabilise the economy, there has been no major pick-up. In early August, the Reserve Bank of Australia cut its official cash rate from 2.75% to 2.50%, the lowest official rate for over 50 years and the first time that interest rates have been cut during an election campaign. Kevin Rudd lost the federal election to the coalition led by Tony Abbot. Abbot, Australia's 28th Prime Minister, declared "Australia is under new management and Australia is once again open for business."

In the UK, Q3 2013 saw Sterling strengthen against the Dollar, Yen and Euro. The Bank of England's Monetary Policy Committee at its meeting on 4 September voted to maintain the official interest rate at 0.5%. Policy holders have pledged to keep interest rates at their record low of 0.5% until the unemployment rate falls to 7%. The annual rate of inflation in the UK, as measured by the consumer price index, is reported at 2.7% in August, the same level as in May. It means prices are still rising faster than wages, which rose by 1.0% on average over the same period. David Cameron says Britain is "turning a corner" but admits the government still has "still got a long way to go" on unemployment. Unemployment in the UK fell by 24,000 to 2.49 million in the 3 months to July 2013. The rate of unemployment dropped to 7.7% in July, down from 7.8% in April. However, the number of people working part-time because they cannot find a full-time job rose to 1.45 million, the highest since records began in 1992 and double the number of five years ago. In a further sign of economic revival, house prices are now rising at their fastest rate for five years, according to the Nationwide building society. The average house is now worth £172,127 - its highest level since 2008. Sterling closed the quarter up against the Dollar, Yen and Euro by 6.6%, 5.3% and 2.5% respectively.

In the US, the end of September 2013 saw the US government speeding headlong into a partial government shutdown. With the US government set to shut down numerous agencies and send tens of thousands of workers home on unpaid leave, the dollar came under pressure as the deadline approached. The dollar ended the quarter weakened against all major currencies. Federal Reserve chief, Ben Bernanke, surprised international markets in late September by not reducing the $85bn-a-month stimulus program. He announced that due to downside risk to the outlook for the economy, it would maintain the bond purchases at the current rate. US consumer confidence declined in September as Americans turned more pessimistic about the economy, their own finances and government budget policies. The University of Michigan says its final reading of consumer sentiment dropped to 77.5 in September from 82.1 in August. It was the second straight decline after confidence reached a six-year high of 85.1 in July. In August the US un-employment rate fell to 7.3% compared to 7.6% in June. The number of long-term unemployed (those jobless for 27 weeks or more) was unchanged at 4.3 million. These individuals accounted for 37.9% of the total unemployed. Unemployment for teenagers remained extremely high at 22.7%. The US trade deficit stood at $39.1bn in July 2013. July saw exports fall 0.6% from June's record level as sales of capital goods, such as aircraft and engines slowed. The US continues to run a huge trade deficit with China, and in July it hit a record of $30.1bn. Many in the US say that Chinese firms have an unfair advantage as the government keeps its currency weak, which makes Chinese goods more competitive on the global market. The weakness of European economies is also evident in that US exports to the European Union fell by 7.4% in July to $21.1bn. The Dollar ended the quarter down against Sterling, Euro and Yen by 6.6%, 4.1% and 1.2% respectively.

In the Euro area, the Euro strengthened against the Dollar and Yen but weakened compared to Sterling. The governing council of the European Central Bank kept its benchmark interest rate on hold at 0.50%. ECB president Mario Draghi said rates were likely to be left at this level for an "extended period". Mr Draghi said the ECB was "ready to consider all available instruments" to maintain financial stability and ensure that economic recovery in the Eurozone takes hold. Eurozone economic confidence hit a two year high in September matching other recent signs of improvement. The strong increase "resulted from markedly improved confidence across all business sectors" the European Commission said. Economic sentiment improved in three of the five biggest Eurozone economies, namely Spain, Italy and France. Unemployment in the Eurozone remained high in August at 12.0%, highlighting the fragile nature of the economic recovery that the 17-country block has enjoyed over the past few months. The number of unemployed now sits at 19.18 million. The improvement in the Eurozone labour market has come in the wake of the region's emergence from its longest-ever recession. The overall figures mask huge divergences: while Germany has an unemployment rate of 5.2%, Greece and Spain have over a quarter of their potential workforce out of work. Improving manufacturing activity since June has helped to leave the overall number of people out of work unchanged at 19.2 million in August. The Euro ended the quarter up against the Dollar and Yen by 4.1% and 2.8%, but weakened against sterling by 2.5%.

Scheme Performance

Global Equity markets saw further increases during the third quarter of 2013 with the exception of US and Emerging Markets, the main reason for this being the weakening of the US Dollar. UK Bond indices regained some of the previous quarter's losses, while across the globe bond markets continued to fall, again the large drop in USD being a major factor. Against this backdrop the London Borough of Hillingdon returned 2.43% but this fell just 8 basis points short of the Total Plan benchmark of 2.52%. In monetary terms this is a growth in assets of £16.4 million and the value of the combined scheme now stands at £698.7 million as at 30th September 2013. During this period SSGA Drawdown was terminated and this along with additional funds from cash were used to invest in the new UBS Tactical mandate, while M&G also received some additional funds. Looking further into the analysis the most notable effects were the outperformance of UBS although this was offset by the negative impact of Private Equity and Infrastructure. While in allocation terms most mandates are in line with the neutral position, so effects are minimal.

Over the longer periods, the Scheme continues to outperform, producing a return of 14.15% over the year versus 11.62%. Over the year selection effects in UBS continue to add value coupled with the good results in Ruffer, similar to the quarter, allocation is fairly balanced with only small impacts in some areas. The 3 year numbers show a 0.90% relative return, however the 5 year period is slightly down on the target by 5 basis points with a return of exactly 8% per annum. Conversely, since inception in September 1995, the Fund remains ahead of target by 5 basis points with an annualised return of 6.74% against 6.68%.

Manager Performance

Barings

In the first full quarter for the new Barings mandate the fund produced a return of 1.38% which compares favourably against the target of the 3 Month LIBOR +4% per annum, which posted 1.12%. However in the short period since inception in April 2013 they return 0.21% which is below the target of 1.95%.

JP Morgan

Over the third quarter JP Morgan returned 0.94%, which was just 6 basis points ahead of the 0.87% target for the 3 Month LIBOR + 3%. This was not enough to make up for the losses seen last quarter and means the year to date and 1 year periods still fall behind target with relative returns of -2.83% and -2.05% respectively, while since inception (November 2011) remains just ahead with figures of 3.93% versus 3.74%, which is 0.18% on a relative annualised basis.

Kempen

In contrast to the previous quarter the Kempen mandate produced both positive absolute and relative returns with 2.48% versus 1.93% for the MSCI All World Index +2%, leading to an outperformance of 0.54%. However, since inception in January 2013, despite the absolute return improving to 5.70% the relative return falls to -4.91% when compared to the benchmark of 11.16%.

Macquarie

Macquarie wiped out most of the gains of 2013 by posting the second lowest absolute return at -7.37%, against the 3 Month LIBOR +3% p.a. is a relative return of -8.17%. Which means for the year so far they still deliver growth of 1.14% but this is below the benchmark of 2.63%; while over the last twelve months this underperformance grows further with 1.04% versus 3.53%. In the 3 years since inception they've delivered eight negative quarterly relative returns, leading to an annualised loss of -8.49% against the target of 3.78%.

Manager Performance

M&G Investments

In the third quarter M&G produced a 2.15%, which against the 3 Month LIBOR +4% p.a return of 1.12% translates as an outperformance of 1.03%. Over the last year the account registers 6.61% against 4.53% whilst since inception at the end of May 2010, the portfolio return falls to 5.18% pa return whilst the benchmark is 4.78% pa. While the since inception Internal Rate of Return for this portfolio moves further ahead of the target with a figure of 6.18% opposed to the comparator of 4.70%.

Newton

During the third quarter of 2013 Newton posted a -0.38% return compared to 1.68% for the FTSE World Index +2%, leading to an underperformance of -2.02%. Which feeds into the since inception (January 2013) numbers with a return of 7.39% against the benchmark of 9.03%, producing a relative return of -1.51%.

Ruffer

The Ruffer portfolio produced 0.14% over the last three months, which is almost exactly the same as the 0.13% for LIBOR 3 Month GBP. Driven by Q1's return all longer periods show high absolute and relative returns, so over the last twelve month post a return of 13.46% against 0.54% for the target, resulting in the highest outperformance of all mandates at 12.85%. While since the inception of the fund in May 2010 ten out of thirteen quarters show positive returns and lead to figures of 6.62% versus 0.77% per annum, which translates as a relative return of 5.80%.

Private Equity

The private equity assets, consisting of funds with Adam Street and LGT, ended their run of positive returns with quarterly figures of -4.19% and -1.83% respectively. Despite this the one year figures remain positive with Adam Street on 9.04% and LGT with 12.11%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. Over three years Adam Street increases to 12.34% while LGT falls to 9.33% for the same period. Then since their respective inceptions in May 2004 and January 2005, while LGT falls further to 8.45% pa, Adam Street drops to 1.55% pa.
At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 3.57% in the quarter which was a mere 2 basis points below the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce an 16.43% return, which is 11 basis points behind target, while over 3 years the per annum return falls to 9.17% which exactly matches the benchmark. Since inception (November 2008) a return of 13.40% pa is just 2 basis points above the benchmark, but the passive nature is best demonstrated by the 3 year R squared and beta figures of 1, while the tracking error is just 0.16.

UBS

UBS UK Equity produced a return of 8.61%, which compared to the FTSE All Share figure of 5.58%, once again demonstrates the highest outperformance seen this period at 2.87%. Looking into the attribution analysis, stock selection was the main driver with most sectors, except Health Care and Oil & Gas, adding value the most significant being in Consumer Services, Industrials and Financials. Whilst within allocation the most significant decisions were the large underweight of Consumer Goods (0.55%) and overweighting Consumer Services (0.34%). These results filter through the longer periods and over the year demonstrate the highest absolute return with 31.40% and the second highest relative figure of 10.48%. This outperformance is also attributable to selection effects and Financials lead the way (3.82%) coupled with Consumer Services (2.42%), while the overweight of Consumer Services is the stand-out effect within asset allocation. UBS maintain this outperformance although relative returns are reducing over time, translating as a since inception return of 10.44% versus 9.07% on an annualised basis.

UBS Property

The UBS Property portfolio produced a return of 2.18%, in contrast to last quarter this was 22 basis points below the IPD UK PPFI All Balanced Funds index figure of 2.40% by. Underperformance continues to be seen in all long periods, with 1 and 3 year showing positive absolute returns of 3.05% and 4.40 % respectively by these were -1.42% and -0.51% below the benchmark. Since inception, in March 2006, the funds loses value with a figure of -0.38% while the benchmark shows a positive 0.29% return, meaning the underperformance is now -67 basis points.

UBS Tactical

The UBS Tactical mandate was funded during this quarter and over that period produces a return of -7.94% against the Barclays US Inflation Linked Index of -5.74%.

Active Contribution

By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 07/13	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 08/13	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 09/13	Active Contribution 3Q 2013
Adam Street	0.31	-	0.31	-	68,734.91	-2.00	-	-2.00	-	-444,282.08	-3.01	-	-3.01	-	-645,172.63	-1,020,719.80
Barings	2.59	0.37	2.22	2.21	1,364,956.31	-1.53	0.37	-1.91	-1.90	-1,201,887.90	0.36	0.37	-0.01	-0.01	-3,973.60	159,094.81
JP Morgan	1.40	0.29	1.11	1.11	824,032.89	-0.46	0.29	-0.75	-0.75	-563,976.04	0.00	0.29	-0.29	-0.29	-215,996.02	44,060.83
Kempen	4.73	5.50	-0.78	-0.74	-374,924.01	-3.93	-3.87	-0.06	-0.06	-28,273.65	1.87	0.50	1.36	1.36	628,839.64	225,641.98
LGT	1.87	-	1.87	-	321,849.60	-2.61	-	-2.61	-	-450,338.72	-1.35	-	-1.35	-	-222,689.93	-351,179.05
Macquarie	-1.72	0.29	-2.01	-2.00	-160,336.05	-1.68	0.29	-1.97	-1.97	-128,097.47	-4.14	0.29	-4.43	-4.42	-306,620.72	-595,054.24
M&G Investments	-0.12	0.37	-0.49	-0.49	-101,371.05	0.04	0.37	-0.33	-0.33	-71,927.93	2.23	0.37	1.86	1.85	406,686.08	233,387.10
Newton	3.64	5.00	-1.36	-1.29	-323,493.86	-3.64	-3.83	0.19	0.20	43,834.02	-0.25	0.69	-0.94	-0.94	-215,350.01	-495,009.85
Ruffer	1.76	0.04	1.71	1.71	1,442,546.84	-1.41	0.04	-1.46	-1.46	-1,248,439.23	-0.18	0.04	-0.22	-0.22	-185,922.46	8,185.15
SSGA	4.89	4.93	-0.04	-0.04	-52,003.41	-2.45	-2.47	0.02	0.02	26,477.97	1.22	1.22	-0.00	-0.00	-3,215.76	-28,741.20
UBS	7.89	6.78	1.10	1.03	1,477,909.09	-0.71	-2.21	1.50	1.54	1,993,324.27	1.39	1.12	0.28	0.27	377,858.73	3,849,092.10
UBS Property	0.86	0.78	0.07	0.07	37,465.30	0.70	0.92	-0.21	-0.21	-108,877.08	0.60	0.68	-0.08	-0.08	-40,485.19	-111,896.97
UBS Tactical	-0.66	0.72	-1.39	-1.38	-196,686.94	-4.72	-3.45	-1.26	-1.31	-170,336.82	-2.74	-3.07	0.33	0.34	42,620.04	-324,403.72

Total Fund Market Value at Qtr End: £698.7 M

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Scheme Performance

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
London Borough of Hillingdon	698.7	100.00	2.43	2.52	-0.08	-0.08	10.69	9.24	1.45	1.33	14.15	11.62	2.53	2.27

By Manager

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
Adam Street	20.8	2.98	-4.65	-	-	-	6.94	-	-	-	8.56	-	-	-
Barings	62.1	8.89	1.38	1.12	0.27	0.27	-	-	-	-	-	-	-	-
JP Morgan	74.5	10.66	0.94	0.87	0.06	0.06	-0.28	2.63	-2.91	-2.83	1.41	3.53	-2.12	-2.05
Kempen	46.8	6.70	2.48	1.93	0.55	0.54	-	-	-	-	-	-	-	-
LGT	16.3	2.33	-2.13	-	-	-	6.95	-	-	-	11.46	-	-	-
Macquarie	6.6	0.95	-7.37	0.87	-8.25	-8.17	1.14	2.63	-1.49	-1.45	1.04	3.53	-2.49	-2.40
M&G Investments	22.3	3.18	2.15	1.12	1.04	1.03	5.50	3.38	2.12	2.05	6.61	4.53	2.08	1.98
Newton	22.6	3.24	-0.38	1.68	-2.05	-2.02	-	-	-	-	-	-	-	-
Ruffer	84.2	12.06	0.14	0.13	0.01	0.01	10.71	0.39	10.32	10.29	13.46	0.54	12.92	12.85
SSGA	138.4	19.80	3.57	3.59	-0.02	-0.02	12.17	12.30	-0.14	-0.12	16.43	16.56	-0.13	-0.11
UBS	136.4	19.53	8.61	5.58	3.03	2.87	23.11	14.56	8.56	7.47	31.40	18.93	12.46	10.48
UBS Property	51.1	7.32	2.18	2.40	-0.22	-0.22	4.48	4.95	-0.47	-0.45	3.05	4.53	-1.48	-1.42
UBS Tactical	13.0	1.86	-7.94	-5.74	-2.20	-2.33	-	-	-	-	-	-	-	-

Total Fund Market Value at Qtr End: £698.7 M

Scheme Performance

	Three Years				Five Years					Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	8.30	7.33	0.97	0.90	8.00	8.05	-0.05	-0.05	30/09/95	6.74	6.68	0.05	0.05

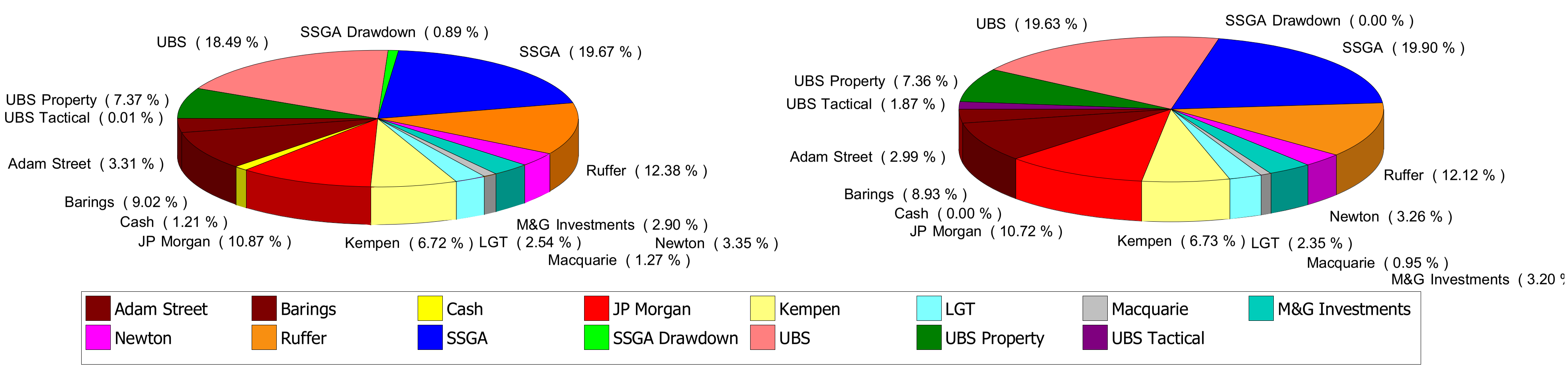
By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Adam Street	11.70	-	-	-	5.95	-	-	-	31/01/05	1.47	-	-	-
Barings	-	-	-	-	-	-	-	-	24/04/13	0.21	1.95	-1.74	-1.71
JP Morgan	-	-	-	-	-	-	-	-	08/11/11	3.93	3.74	0.19	0.18
Kempen	-	-	-	-	-	-	-	-	31/01/13	5.70	11.16	-5.46	-4.91
LGT	8.58	-	-	-	5.24	-	-	-	31/05/04	8.28	-	-	-
Macquarie	-8.49	3.78	-12.27	-11.82	-	-	-	-	30/09/10	-8.49	3.78	-12.27	-11.82
M&G Investments	5.31	4.79	0.52	0.50	-	-	-	-	31/05/10	5.18	4.78	0.40	0.38
Newton	-	-	-	-	-	-	-	-	24/01/13	7.39	9.03	-1.64	-1.51
Ruffer	7.16	0.78	6.39	6.34	-	-	-	-	28/05/10	6.62	0.77	5.85	5.80
SSGA	9.17	9.17	-0.00	-0.00	-	-	-	-	30/11/08	13.40	13.37	0.02	0.02
UBS	13.86	10.07	3.79	3.44	12.74	11.16	1.59	1.43	31/12/88	10.44	9.07	1.37	1.26
UBS Property	4.40	4.93	-0.53	-0.51	0.50	1.59	-1.09	-1.08	31/03/06	-0.38	0.29	-0.67	-0.67
UBS Tactical	-	-	-	-	-	-	-	-	30/06/13	-7.94	-5.74	-2.20	-2.33

Total Fund Market Value at Qtr End: £698.7 M

Weighting at Beginning of Period

Weighting at End of Period



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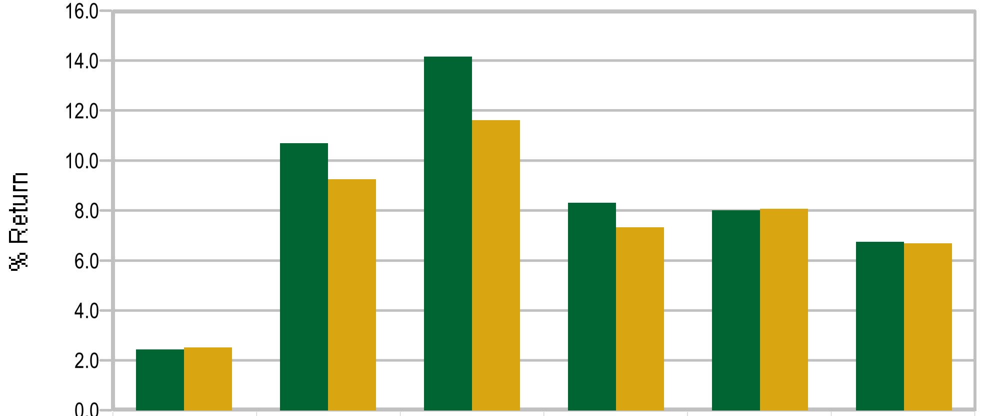
	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	682,370	100.00	-250	14,759	1,851	698,730	100.00
Adam Street	22,508	3.30	-677	-1,026	0	20,805	2.98
Barings	61,256	8.98	8	848	0	62,112	8.89
Cash	8,238	1.21	-8,227	4	0	15	0.00
JP Morgan	73,807	10.82	0	690	0	74,497	10.66
Kempen	45,649	6.69	0	1,084	49	46,782	6.70
LGT	17,248	2.53	-583	-352	0	16,313	2.33
Macquarie	8,645	1.27	-1,488	-544	0	6,613	0.95
M&G Investments	19,704	2.89	2,078	471	0	22,253	3.18
Newton	22,722	3.33	0	-85	0	22,637	3.24
Ruffer	84,124	12.33	0	-187	305	84,242	12.06
SSGA	133,588	19.58	0	4,767	0	138,355	19.80
SSGA Drawdown	6,039	0.89	-6,038	-0	0	1	0.00
UBS	125,616	18.41	0	9,879	941	136,435	19.53
UBS Property	50,051	7.33	0	560	530	51,141	7.32
UBS Tactical	84	0.01	14,002	-1,148	27	12,966	1.86

London Borough of Hillingdon

Historical Plan Performance

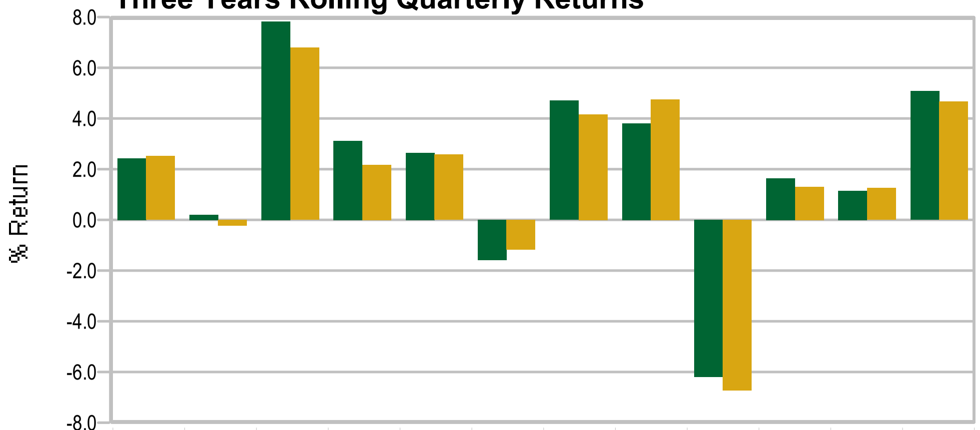


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.43	10.69	14.15	8.30	8.00	6.74
Benchmark	2.52	9.24	11.62	7.33	8.05	6.68

Risk Statistics - 3 years

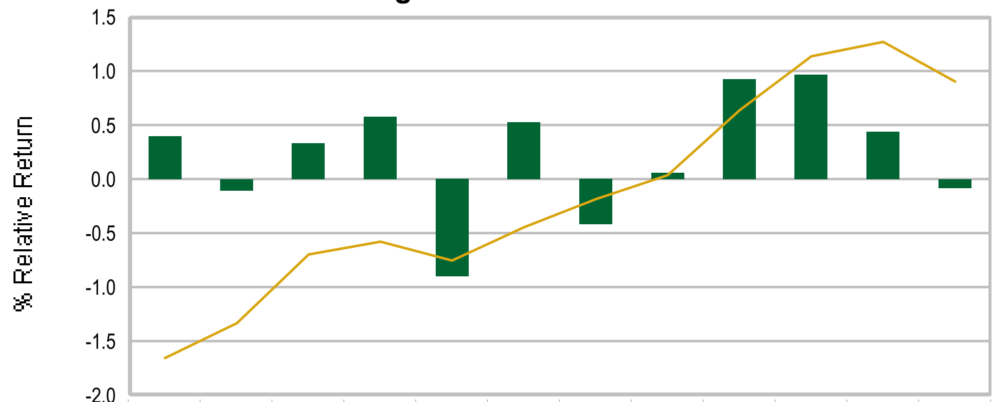
	Fund	B'mark
Performance Return	8.30	7.33
Standard Deviation	6.42	5.89
Relative Return	0.90	
Tracking Error	1.34	
Information Ratio	0.72	
Beta	1.07	
Alpha	0.51	
R Squared	0.96	
Sharpe Ratio	1.12	1.06
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	682,370	
Net Investment £(000)	-250	
Income Received £(000)	1,851	
Appreciation £(000)	14,759	
Closing Market Value (£000)	698,730	

Three Years Rolling Quarterly Returns



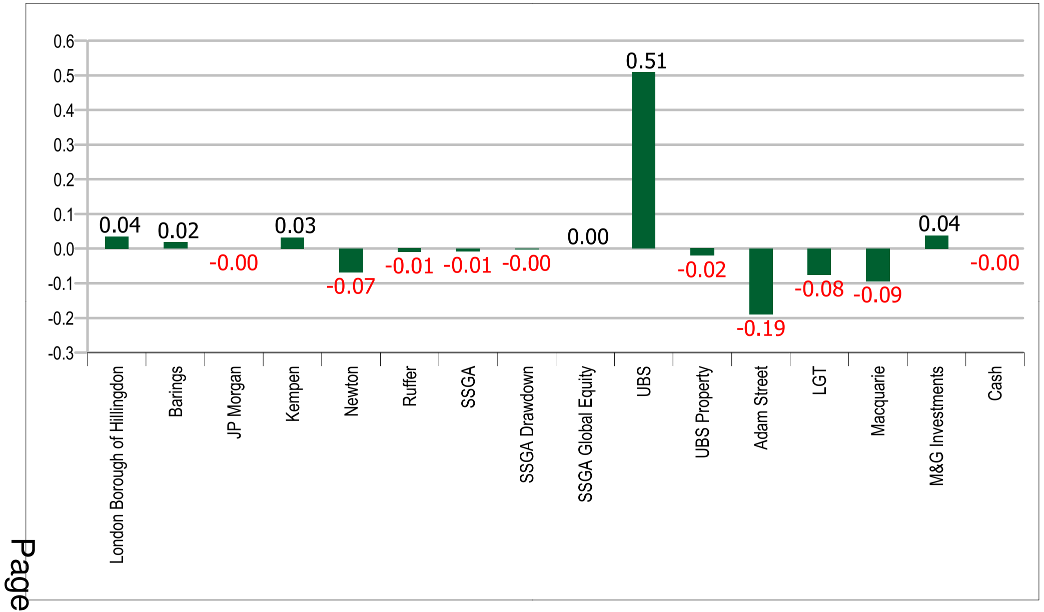
	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	2.43	0.21	7.84	3.12	2.64	-1.59	4.71	3.82	-6.20	1.64	1.15	5.08
Benchmark	2.52	-0.23	6.80	2.18	2.58	-1.18	4.16	4.76	-6.74	1.31	1.26	4.67

Three Years Rolling Relative Returns

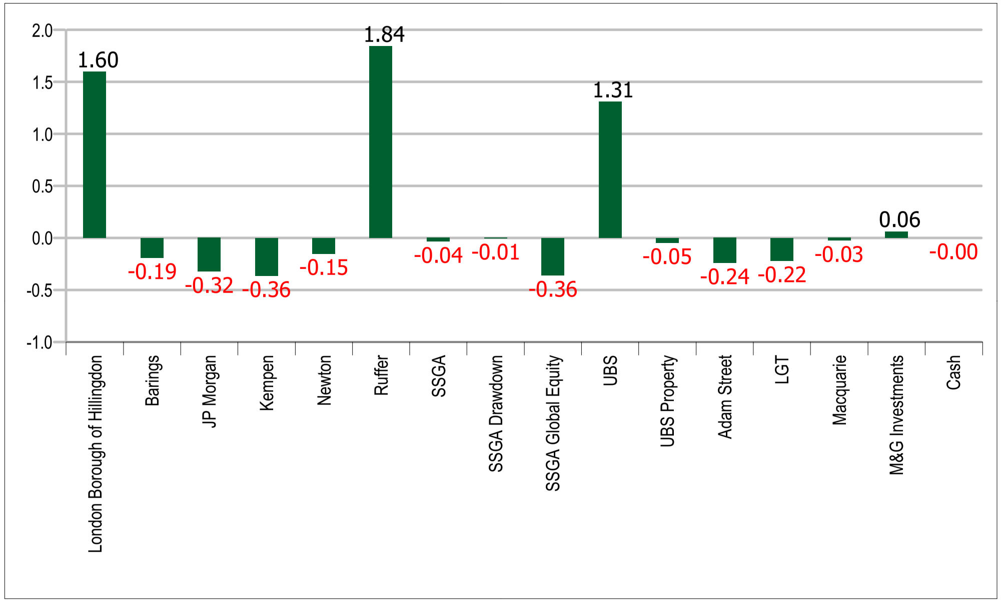


	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	0.40	-0.11	0.33	0.58	-0.90	0.52	-0.42	0.06	0.93	0.97	0.44	-0.08
3Y Relative	-1.66	-1.34	-0.70	-0.58	-0.75	-0.45	-0.19	0.04	0.64	1.14	1.27	0.90

Three Months



Year to Date



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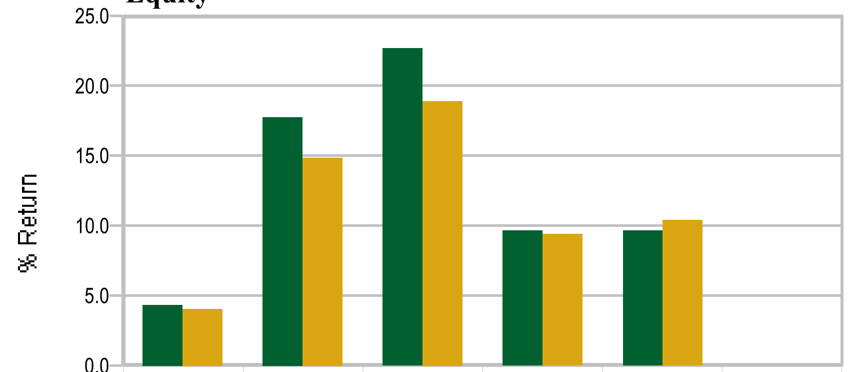
	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	2.43	2.40	0.04	-0.11	0.15	0.04
Barings	1.38	1.12	0.27	-0.00	0.02	0.02
JP Morgan	0.94	0.87	0.06	-0.01	0.00	-0.00
Kempen	2.48	1.93	0.54	-0.00	0.03	0.03
Newton	-0.38	1.68	-2.02	-0.00	-0.07	-0.07
Ruffer	0.14	0.13	0.01	-0.01	-0.00	-0.01
SSGA	3.57	3.59	-0.02	-0.00	-0.00	-0.01
SSGA Drawdown	-3.78	1.13	-4.85	-0.00	-0.00	-0.00
SSGA Global Equity	-	-	0.00	0.00	0.00	0.00
UBS	8.61	5.58	2.87	-0.04	0.54	0.51
UBS Property	2.18	2.40	-0.22	-0.00	-0.02	-0.02
Adam Street	-4.65	1.17	-5.76	-0.00	-0.19	-0.19
LGT	-2.13	1.17	-3.26	0.01	-0.08	-0.08
Macquarie	-7.37	0.87	-8.17	-0.01	-0.09	-0.09
M&G Investments	2.15	1.12	1.03	0.00	0.03	0.04
Cash	30.30	0.09	30.18	-0.00	0.00	-0.00

	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	10.69	8.95	1.60	-0.44	1.52	1.60
Barings	-	-	0.00	0.01	-0.20	-0.19
JP Morgan	-0.28	2.63	-2.83	-0.01	-0.32	-0.32
Kempen	5.62	-	5.62	-0.02	-0.35	-0.36
Newton	7.39	9.03	-1.51	-0.02	-0.14	-0.15
Ruffer	10.71	0.39	10.29	-0.03	1.88	1.84
SSGA	12.17	12.30	-0.12	-0.01	-0.02	-0.04
SSGA Drawdown	-4.77	0.55	-5.29	-0.00	-0.00	-0.01
SSGA Global Equity	-	-	0.00	-0.17	-0.19	-0.36
UBS	23.11	14.56	7.47	-0.05	1.36	1.31
UBS Property	4.48	4.95	-0.45	-0.02	-0.03	-0.05
Adam Street	6.94	15.35	-7.29	0.01	-0.25	-0.24
LGT	6.95	15.35	-7.29	-0.02	-0.20	-0.22
Macquarie	1.14	2.63	-1.45	-0.01	-0.01	-0.03
M&G Investments	5.50	3.38	2.05	0.00	0.06	0.06
Cash	30.54	0.27	30.18	-0.00	0.00	-0.00

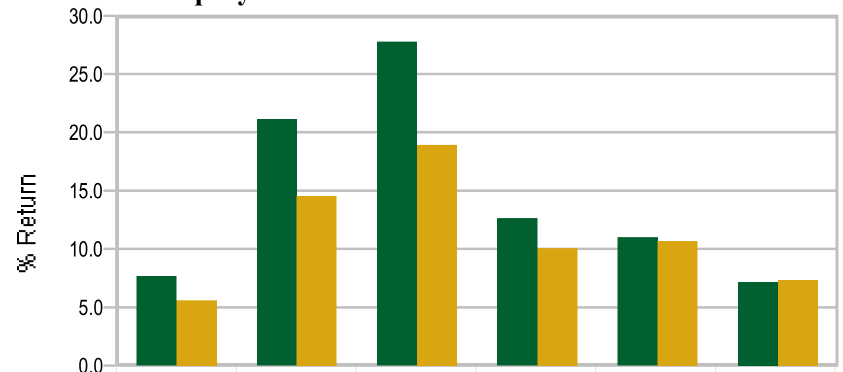
London Borough of Hillingdon

Equity



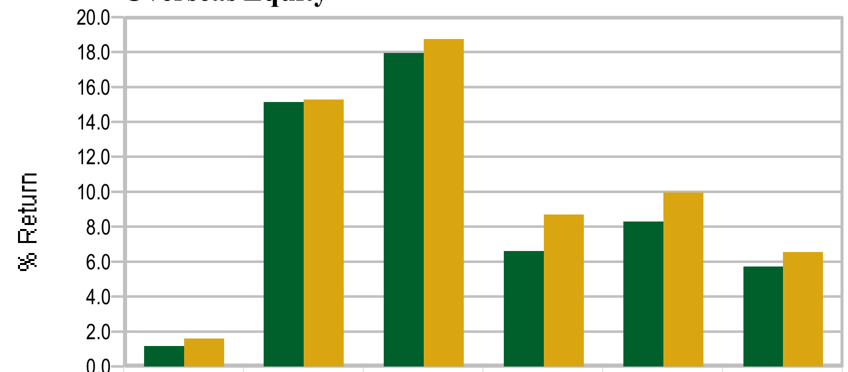
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.34	17.74	22.65	9.63	9.64	-
B'Mark	4.05	14.85	18.88	9.40	10.39	-

UK Equity



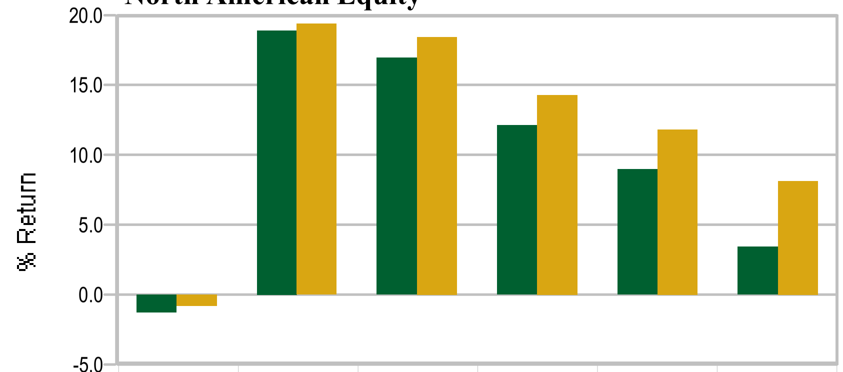
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.69	21.12	27.77	12.61	10.96	7.19
B'Mark	5.58	14.56	18.93	10.07	10.70	7.35

Overseas Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.16	15.10	17.93	6.60	8.30	5.71
B'Mark	1.60	15.26	18.73	8.69	9.97	6.55

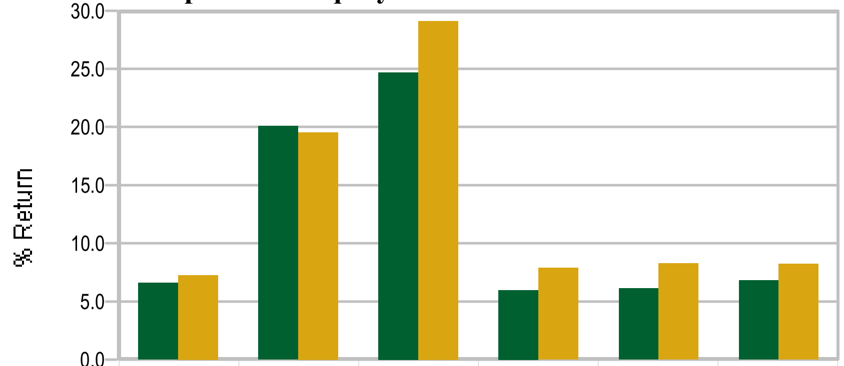
North American Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-1.25	18.91	16.96	12.12	8.99	3.43
B'Mark	-0.79	19.37	18.44	14.29	11.81	8.14

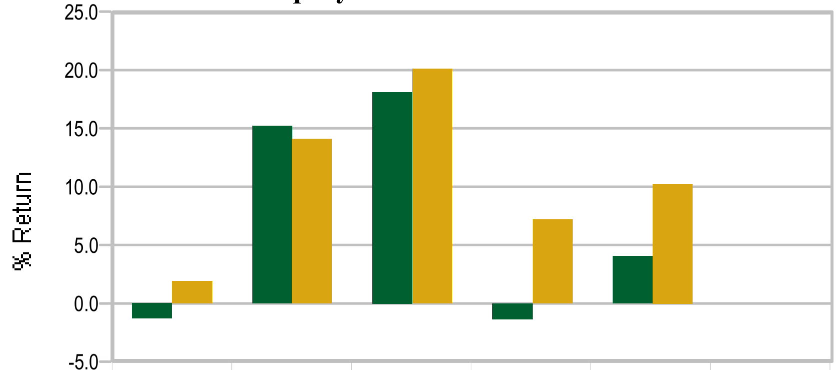
London Borough of Hillingdon

Europe ex UK Equity



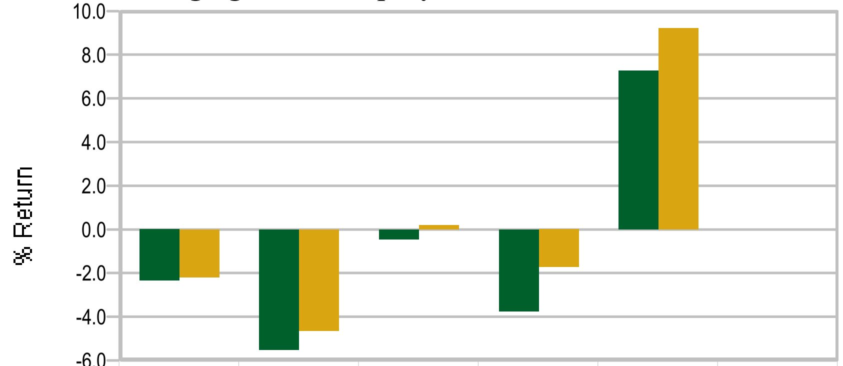
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	6.61	20.08	24.69	5.99	6.13	6.81
B'Mark	7.27	19.55	29.11	7.90	8.27	8.24

Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-1.28	15.21	18.12	-1.35	4.07	-
B'Mark	1.92	14.10	20.12	7.19	10.23	-

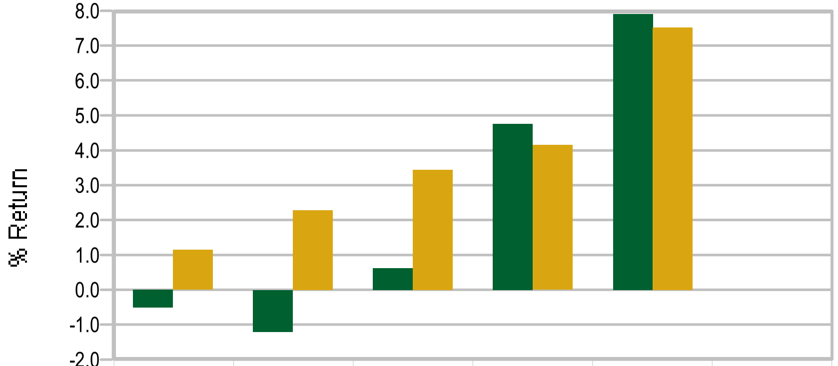
Emerging Market Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-2.34	-5.51	-0.46	-3.75	7.29	-
B'Mark	-2.19	-4.64	0.19	-1.74	9.20	-

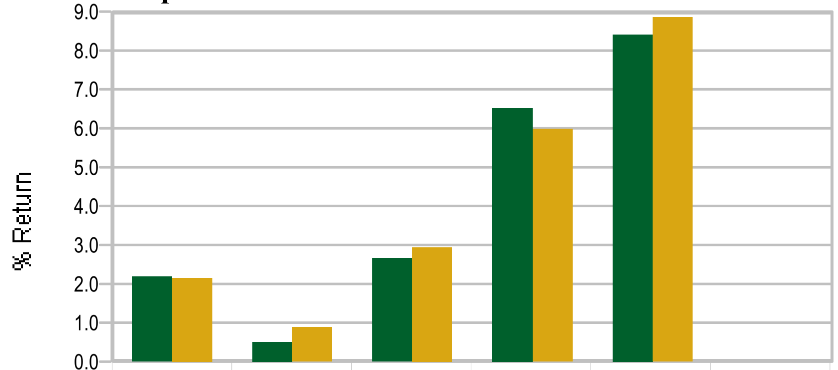
London Borough of Hillingdon

Fixed Income



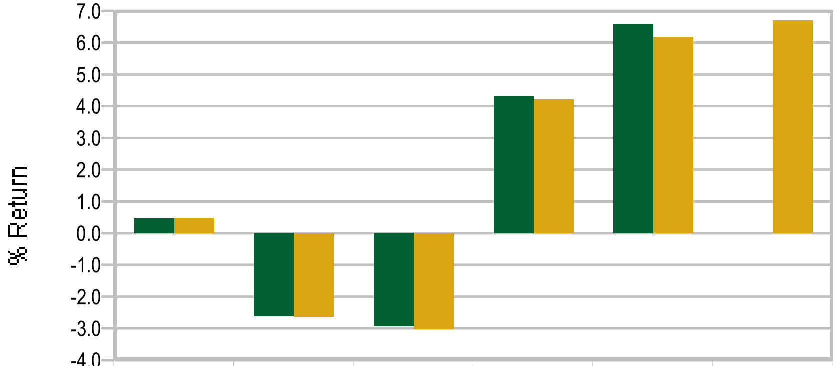
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.50	-1.20	0.62	4.76	7.90	-
B'Mark	1.15	2.29	3.44	4.15	7.52	-

Corporate Bonds



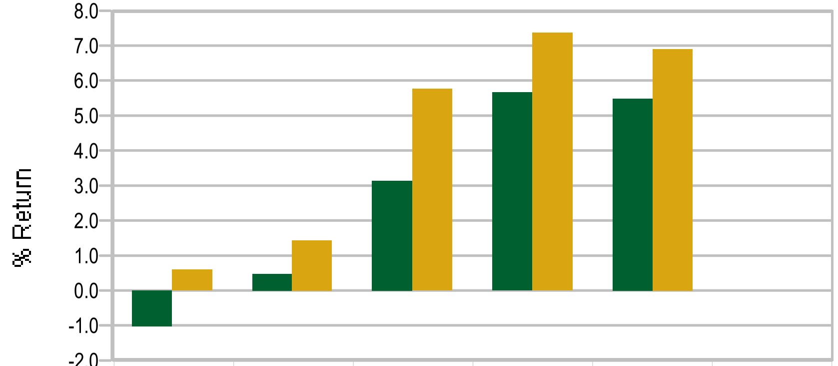
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.19	0.51	2.66	6.52	8.42	-
B'Mark	2.16	0.89	2.95	5.99	8.86	-

Government Bonds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.47	-2.61	-2.94	4.32	6.59	-
B'Mark	0.47	-2.62	-3.02	4.21	6.19	6.70

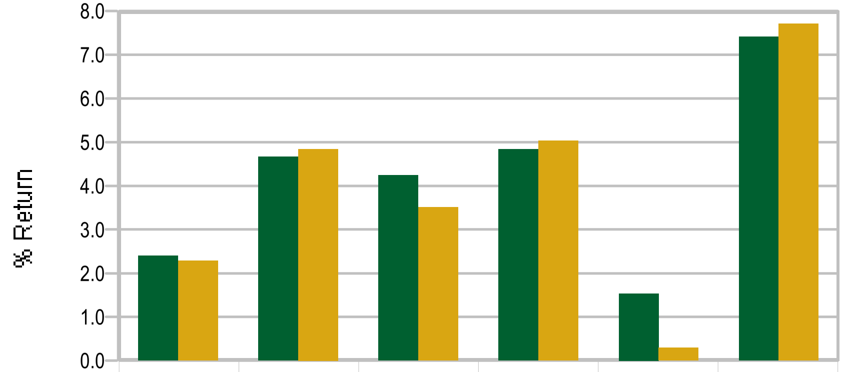
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-1.03	0.48	3.14	5.67	5.48	-
B'Mark	0.59	1.44	5.77	7.36	6.90	-

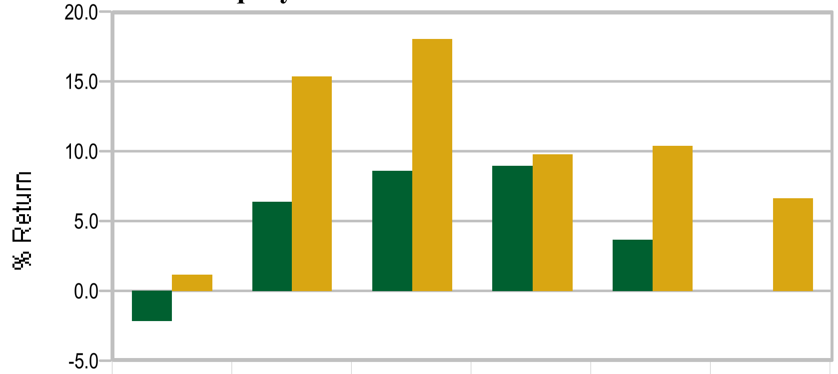
London Borough of Hillingdon

Real Estate



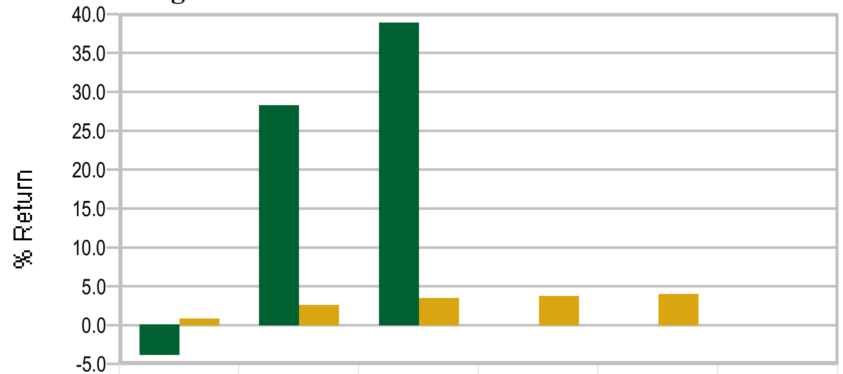
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.29	4.85	3.51	5.04	0.29	7.71
B'Mark	2.40	4.66	4.25	4.84	1.54	7.41

Private Equity



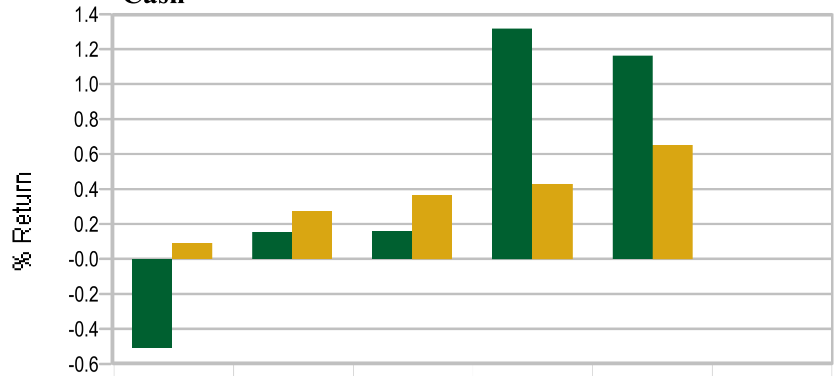
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-2.16	6.39	8.63	8.95	3.66	-
B'Mark	1.17	15.35	18.04	9.80	10.40	6.64

Hedge Funds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-3.86	28.30	38.92	-	-	-
B'Mark	0.87	2.63	3.53	3.78	4.05	-

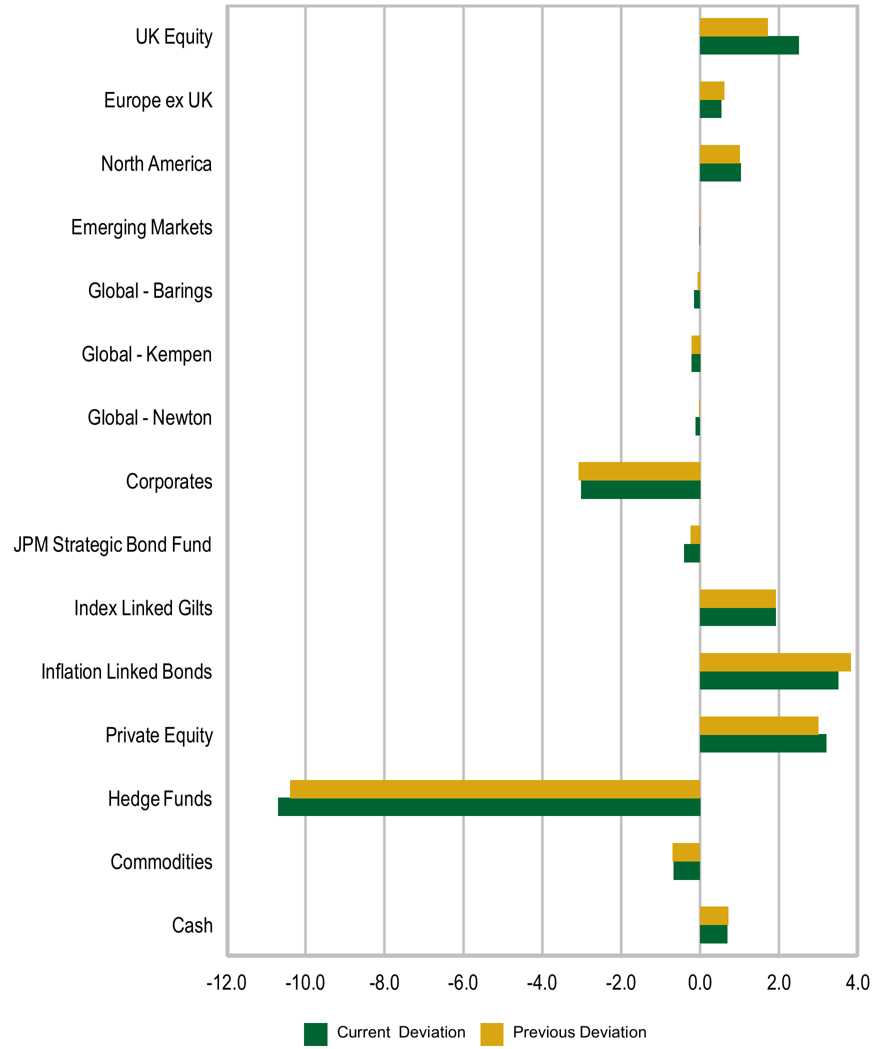
Cash



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.51	0.15	0.16	1.32	1.16	-
B'Mark	0.09	0.27	0.37	0.43	0.65	-

London Borough of Hillingdon

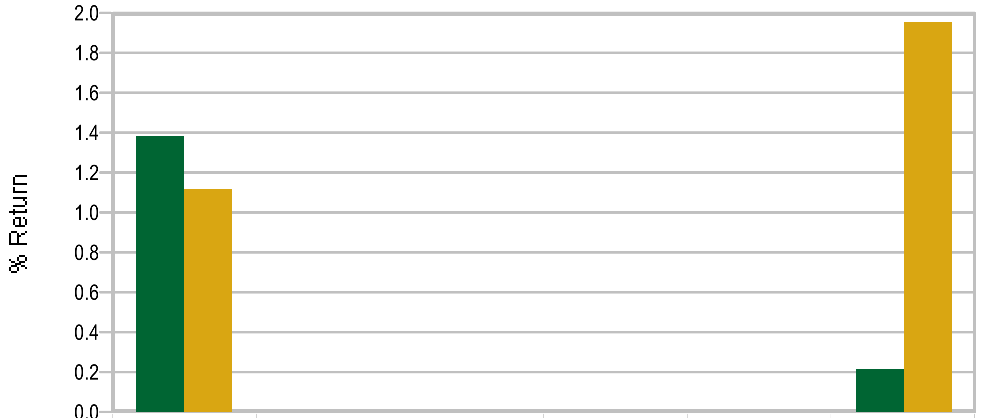
By Asset Category



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
UK Equity	29.32	28.52	26.81	2.51	26.81	1.71
Europe ex UK	2.74	2.81	2.20	0.54	2.20	0.61
North America	3.20	3.19	2.18	1.02	2.18	1.01
Emerging Markets	0.58	0.61	0.60	-0.02	0.60	0.01
Global - Barings	8.89	8.98	9.04	-0.15	9.04	-0.06
Global - Kempen	6.69	6.69	6.91	-0.22	6.91	-0.22
Global - Newton	3.24	3.33	3.36	-0.12	3.36	-0.03
Corporates	1.71	1.65	4.73	-3.02	4.73	-3.08
JPM Strategic Bond Fund	10.66	10.82	11.06	-0.40	11.06	-0.24
Index Linked Gilts	4.22	4.23	2.31	1.91	2.31	1.92
Inflation Linked Bonds	3.50	3.82		3.50		3.82
Private Equity	9.20	9.00	6.01	3.19	6.01	2.99
Hedge Funds	1.59	1.89	12.28	-10.69	12.28	-10.39
Commodities	0.60	0.57	1.27	-0.67	1.27	-0.70
Cash	2.54	2.57	1.85	0.69	1.85	0.72

Barings

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.38	-	-	-	-	0.21
Benchmark	1.12	-	-	-	-	1.95

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	8.9	
Inception Date	Apr-2013	
Opening Market Value (£000)	61,256	
Net Investment £(000)	8	
Income Received £(000)	0	
Appreciation £(000)	848	
Closing Market Value (£000)	62,112	

Three Years Rolling Quarterly Returns

	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	1.38	-	-	-	-	-	-	-	-	-	-	-
Benchmark	1.12	-	-	-	-	-	-	-	-	-	-	-

Three Years Rolling Relative Returns

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-	-	-	-	-	-	-	-	-	-	-2.24	0.27
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

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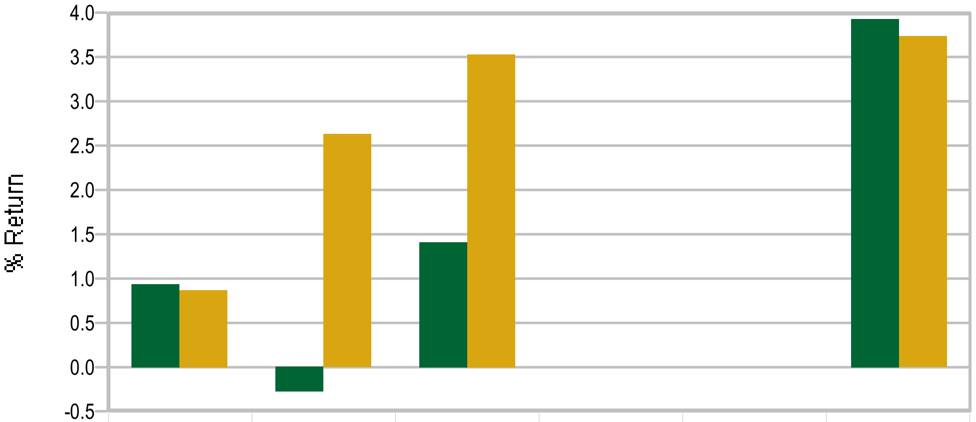
JP Morgan

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.94	-0.28	1.41	-	-	3.93
Benchmark	0.87	2.63	3.53	-	-	3.74

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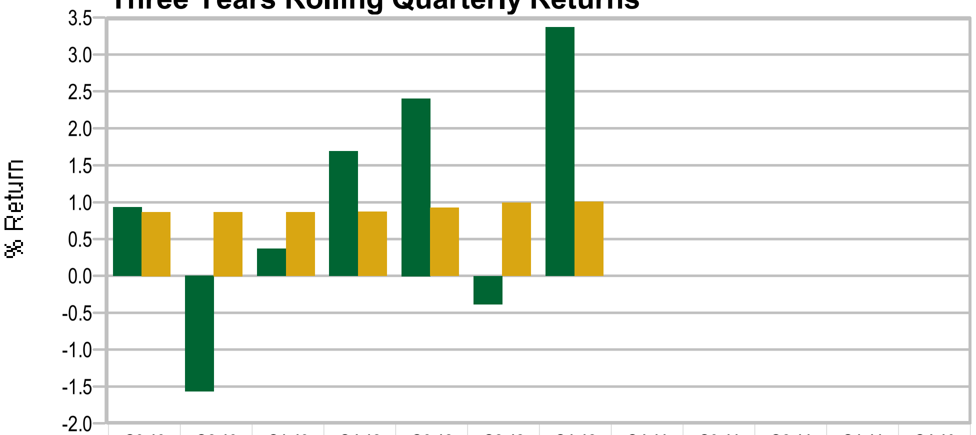
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	10.7	
Inception Date	Nov-2011	
Opening Market Value (£000)	73,807	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	690	
Closing Market Value (£000)	74,497	

Three Years Rolling Quarterly Returns



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	0.94	-1.57	0.37	1.69	2.41	-0.38	3.37	-	-	-	-	-
Benchmark	0.87	0.87	0.87	0.88	0.93	0.99	1.01	-	-	-	-	-

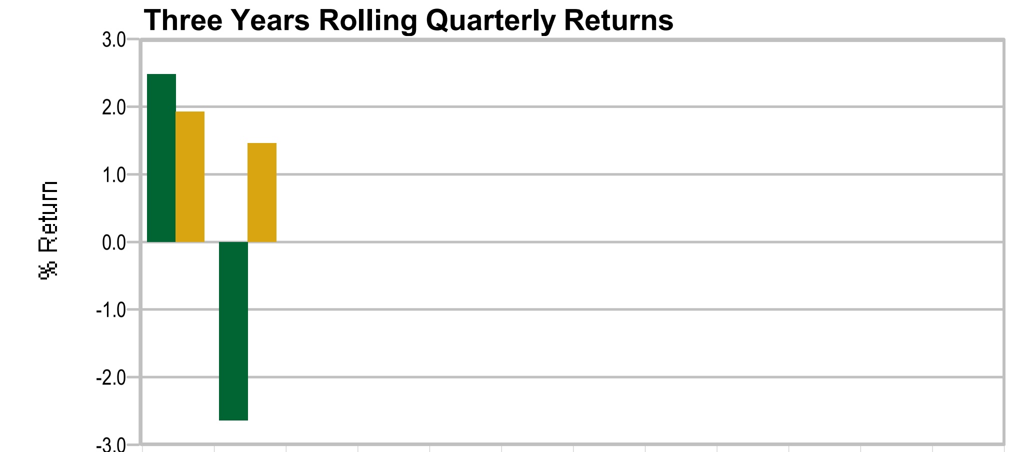
Three Years Rolling Relative Returns

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-	-	-	-	-	2.34	-1.36	1.47	0.81	-0.49	-2.41	0.06
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Kempen

	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.48	-	-	-	-	5.70
Benchmark	1.93	-	-	-	-	11.16

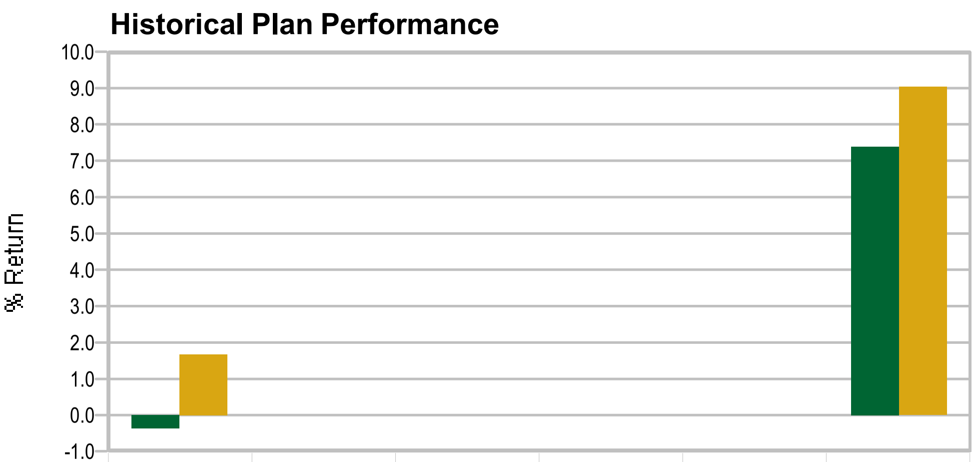
Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	6.7	
Inception Date	Jan-2013	
Opening Market Value (£000)	45,649	
Net Investment £(000)	0	
Income Received £(000)	49	
Appreciation £(000)	1,084	
Closing Market Value (£000)	46,782	



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	2.48	-2.63	-	-	-	-	-	-	-	-	-	-
Benchmark	1.93	1.46	-	-	-	-	-	-	-	-	-	-

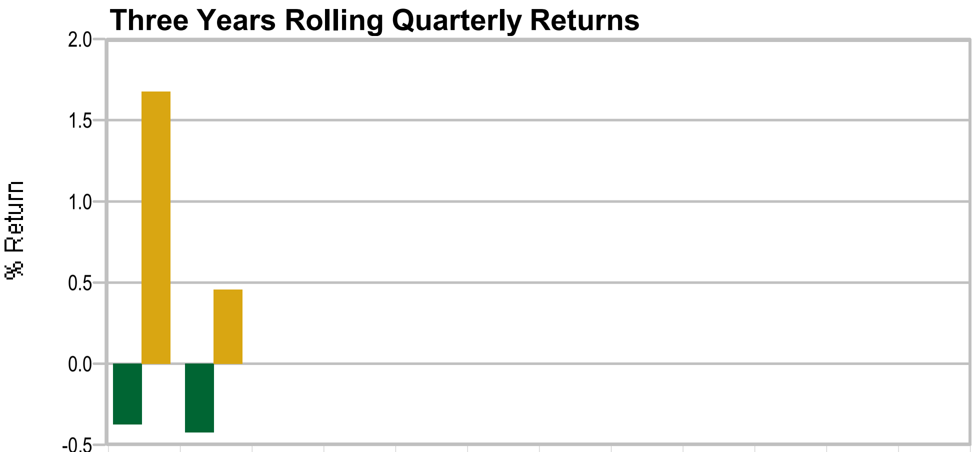
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-	-	-	-	-	-	-	-	-	-	-4.04	0.54
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Newton



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.38	-	-	-	-	7.39
Benchmark	1.68	-	-	-	-	9.03

Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	3.2	
Inception Date	Jan-2013	
Opening Market Value (£000)	22,722	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	-85	
Closing Market Value (£000)	22,637	

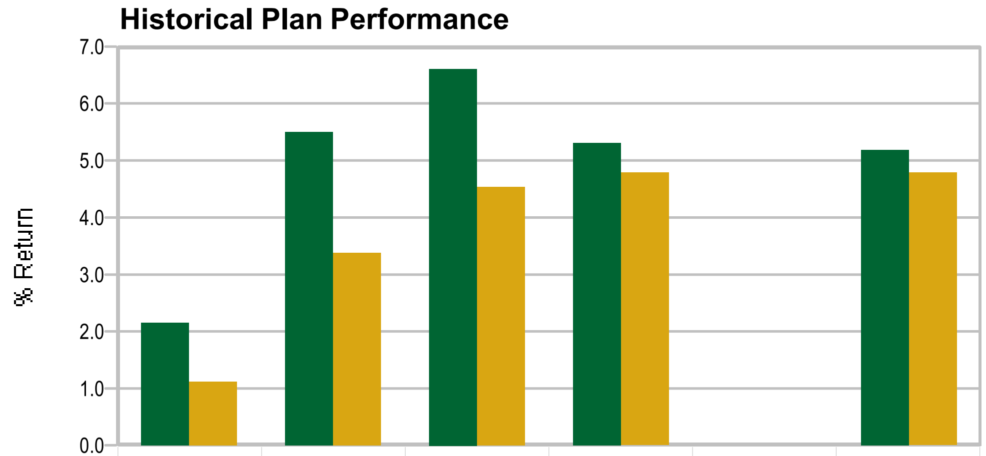


	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	-0.38	-0.42	-	-	-	-	-	-	-	-	-	-
Benchmark	1.68	0.46	-	-	-	-	-	-	-	-	-	-

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-	-	-	-	-	-	-	-	-	1.41	-0.88	-2.02
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

M&G Investments

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.15	5.50	6.61	5.31	-	5.18
Benchmark	1.12	3.38	4.53	4.79	-	4.78

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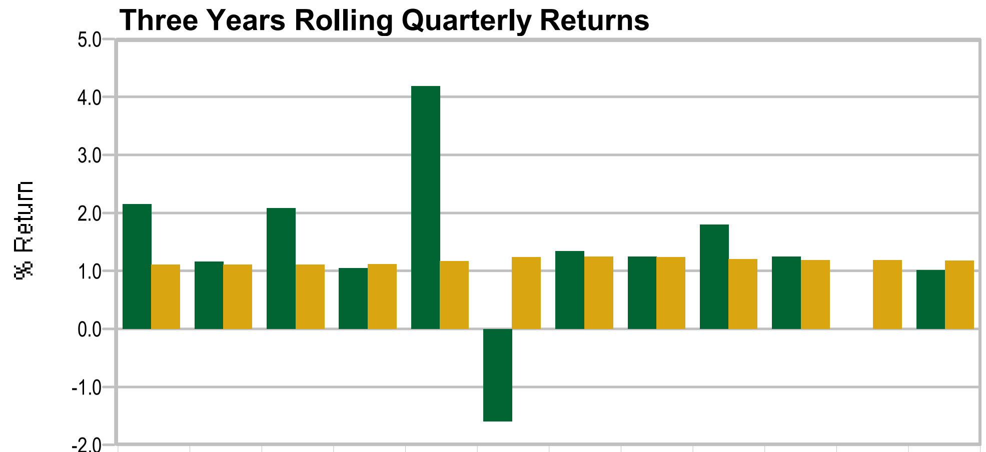
Risk Statistics - 3 years

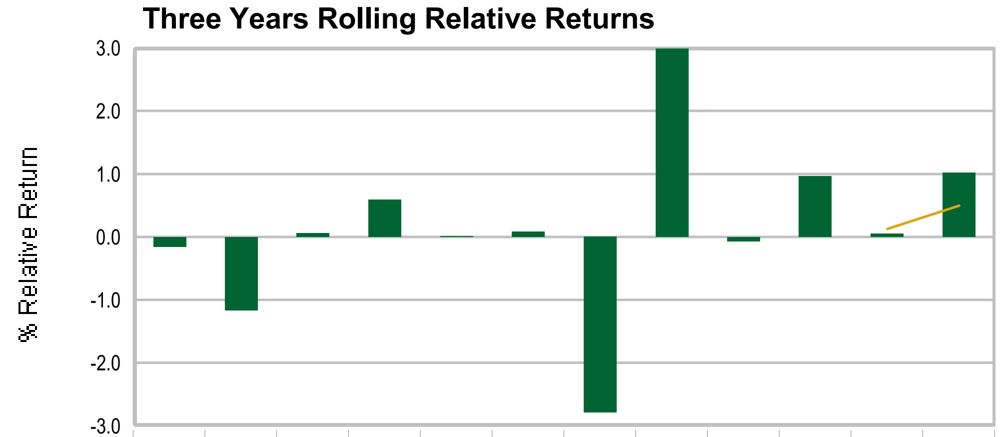
Risk Statistics - 3 years	Fund	B'mark
Performance Return	5.31	4.79
Standard Deviation	2.72	0.06
Relative Return	0.50	
Tracking Error	2.73	
Information Ratio	0.19	
Beta	3.07	
Alpha	-6.70	
R Squared	0.01	
Sharpe Ratio	1.55	63.76
Percentage of Total Fund	3.2	
Inception Date	May-2010	
Opening Market Value (£000)	19,704	
Net Investment £(000)	2,078	
Income Received £(000)	0	
Appreciation £(000)	471	
Closing Market Value (£000)	22,253	

Three Years Rolling Quarterly Returns



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	2.15	1.16	2.09	1.05	4.19	-1.59	1.34	1.25	1.80	1.25	0.00	1.01
Benchmark	1.12	1.11	1.11	1.12	1.17	1.23	1.25	1.24	1.21	1.19	1.18	1.17

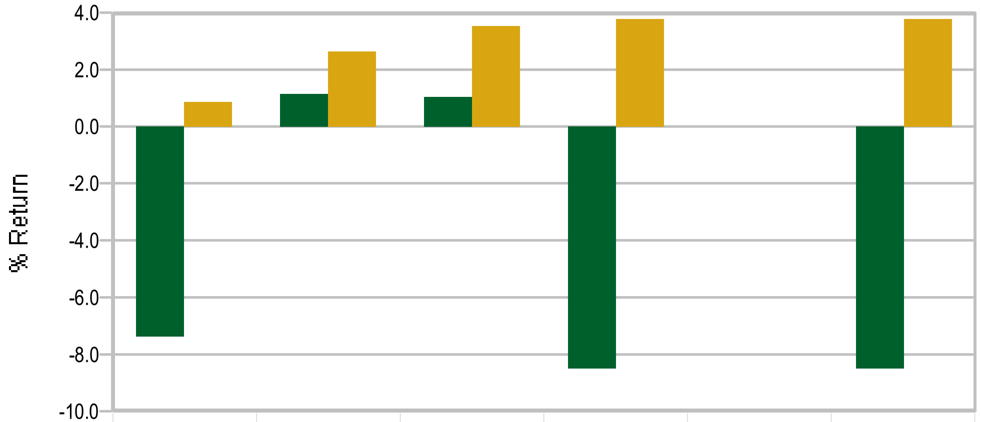
Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-0.16	-1.17	0.06	0.59	0.01	0.08	-2.79	2.99	-0.07	0.97	0.05	1.03
3Y Relative	-	-	-	-	-	-	-	-	-	-	0.13	0.50

Macquarie

Historical Plan Performance

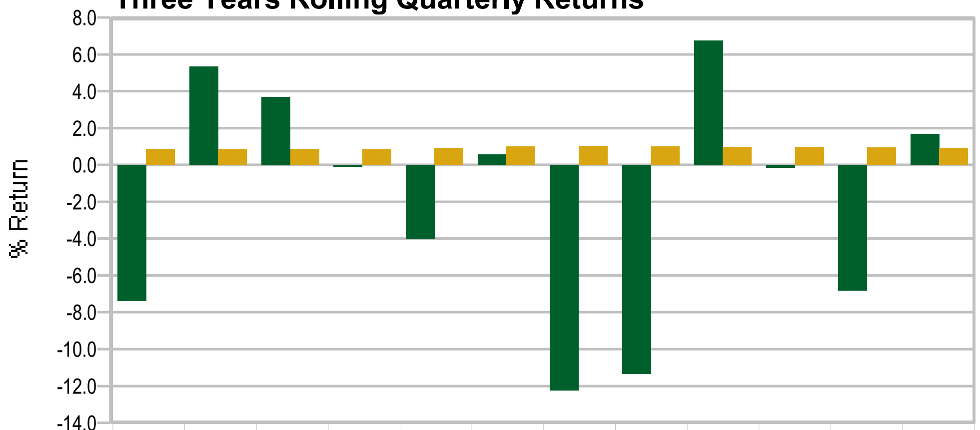


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-7.37	1.14	1.04	-8.49	-	-8.49
Benchmark	0.87	2.63	3.53	3.78	-	3.78

Risk Statistics - 3 years

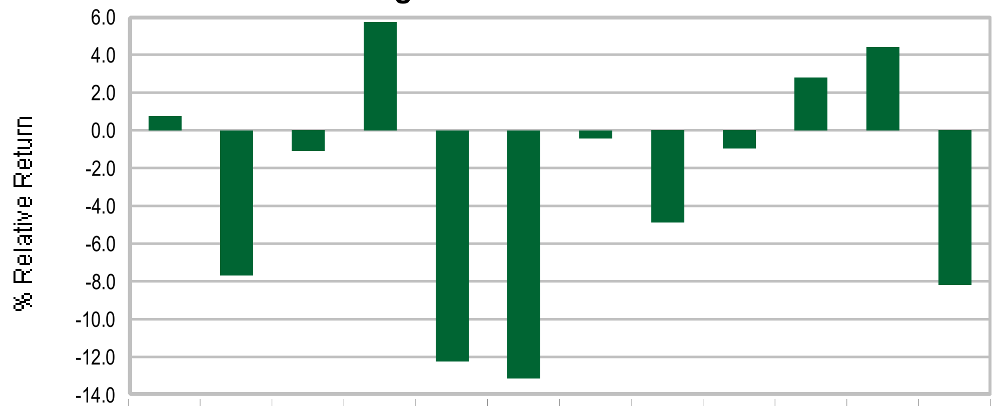
	Fund	B'mark
Performance Return	-8.49	3.78
Standard Deviation	11.75	0.06
Relative Return	-11.82	
Tracking Error	11.76	
Information Ratio	-1.04	
Beta	35.53	
Alpha	-65.82	
R Squared	0.05	
Sharpe Ratio	-0.82	46.38
Percentage of Total Fund	0.9	
Inception Date	Sep-2010	
Opening Market Value (£000)	8,645	
Net Investment £(000)	-1,488	
Income Received £(000)	0	
Appreciation £(000)	-544	
Closing Market Value (£000)	6,613	

Three Years Rolling Quarterly Returns



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	-7.37	5.31	3.69	-0.10	-4.01	0.56	-12.25	-11.35	6.74	-0.16	-6.81	1.68
Benchmark	0.87	0.87	0.87	0.88	0.93	0.99	1.01	1.00	0.96	0.95	0.94	0.93

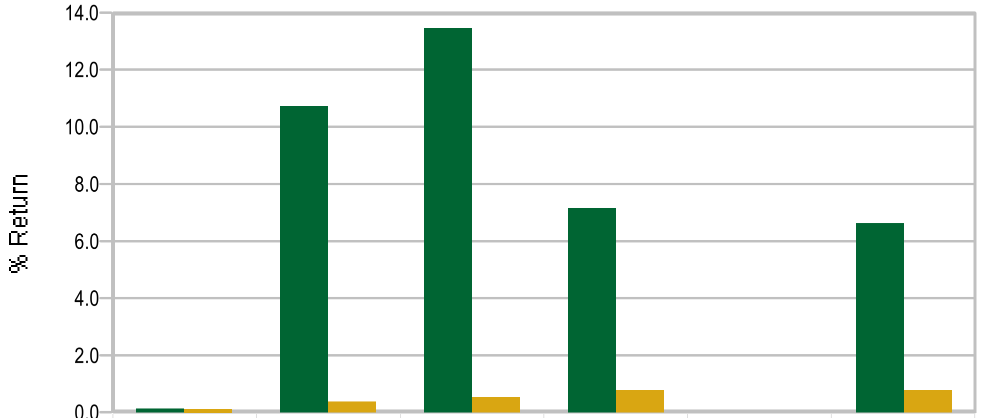
Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	0.75	-7.68	-1.09	5.73	-12.22	-13.12	-0.43	-4.89	-0.96	2.79	4.40	-8.17
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-11.82

Ruffer

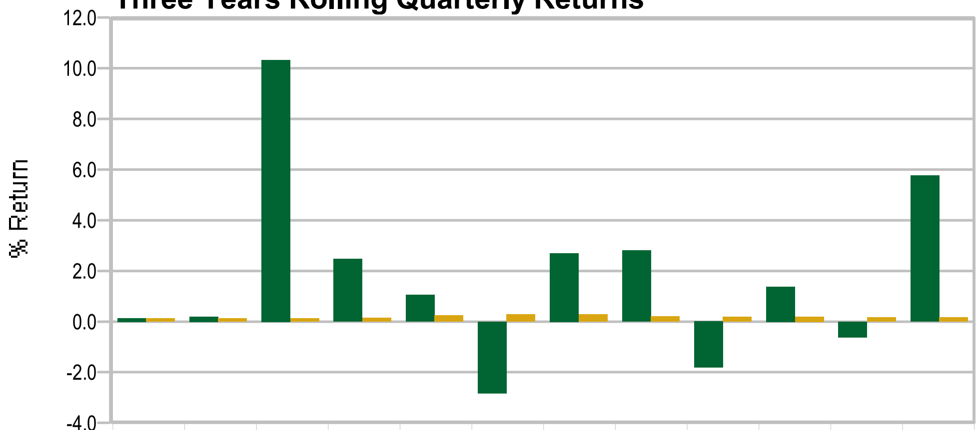
Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.14	10.71	13.46	7.16	-	6.62
Benchmark	0.13	0.39	0.54	0.78	-	0.77

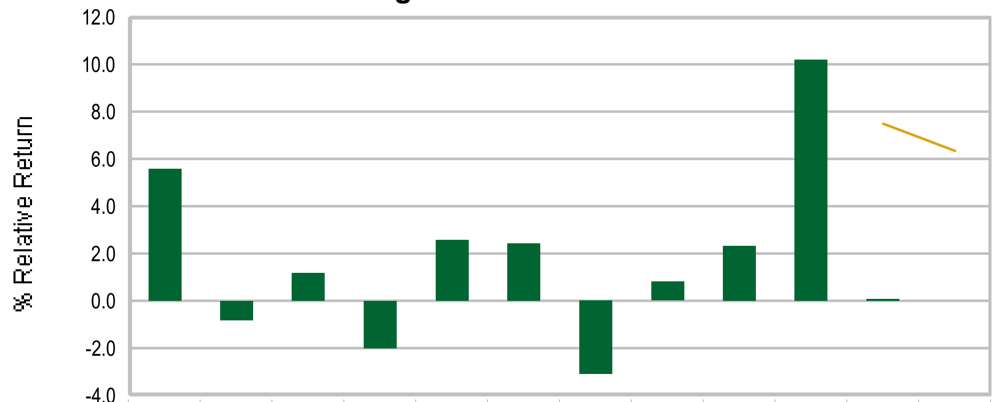
Risk Statistics - 3 years	Fund	B'mark
Performance Return	7.16	0.78
Standard Deviation	5.72	0.06
Relative Return	6.34	
Tracking Error	5.73	
Information Ratio	1.11	
Beta	25.92	
Alpha	14.99	
R Squared	0.08	
Sharpe Ratio	1.06	-4.83
Percentage of Total Fund	12.1	
Inception Date	May-2010	
Opening Market Value (£000)	84,124	
Net Investment £(000)	0	
Income Received £(000)	305	
Appreciation £(000)	-187	
Closing Market Value (£000)	84,242	

Three Years Rolling Quarterly Returns



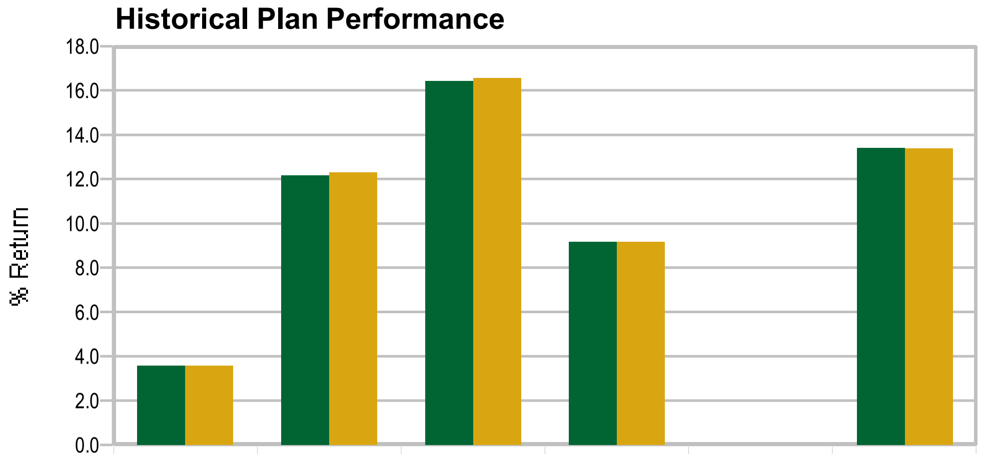
	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	0.14	0.20	10.33	2.49	1.06	-2.83	2.70	2.81	-1.82	1.39	-0.64	5.77
Benchmark	0.13	0.13	0.13	0.15	0.26	0.28	0.28	0.22	0.19	0.20	0.18	0.18

Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	5.58	-0.82	1.18	-2.01	2.58	2.42	-3.10	0.80	2.33	10.19	0.08	0.01
3Y Relative	-	-	-	-	-	-	-	-	-	-	7.48	6.34

Historical Plan Performance

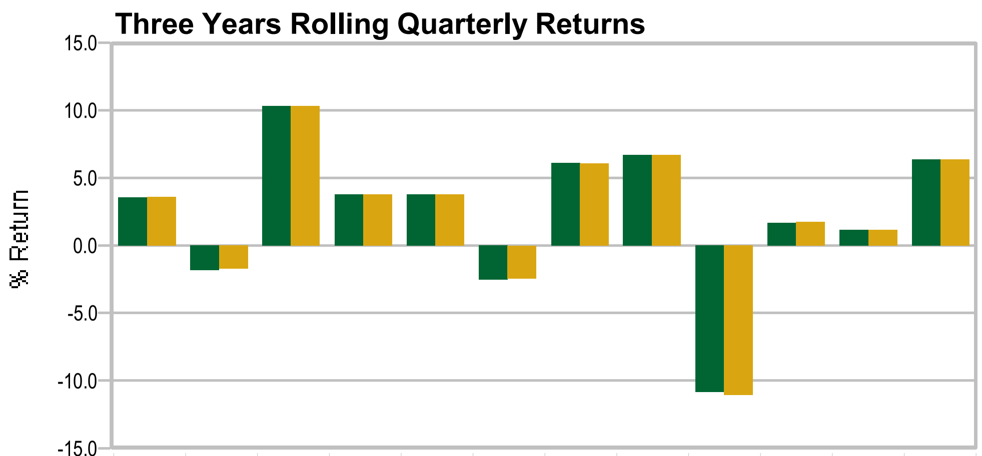


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.57	12.17	16.43	9.17	-	13.40
Benchmark	3.59	12.30	16.56	9.17	-	13.37

Risk Statistics - 3 years

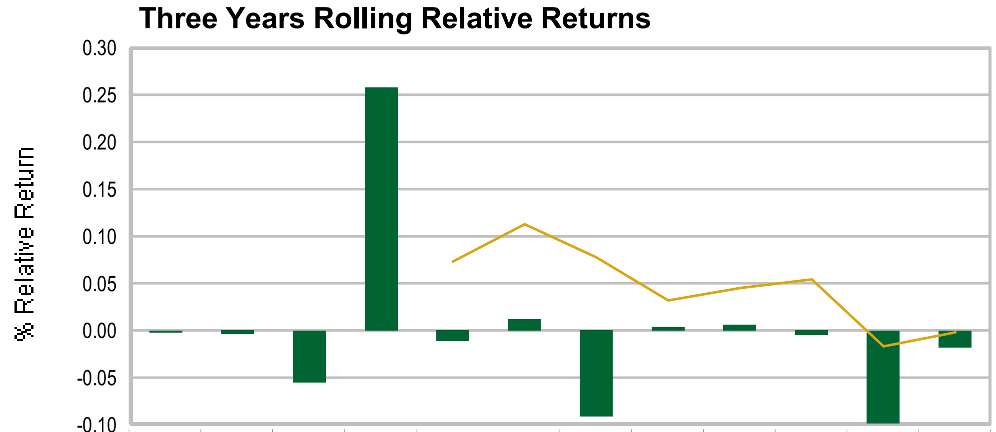
	Fund	B'mark
Performance Return	9.17	9.17
Standard Deviation	9.43	9.50
Relative Return	-0.00	
Tracking Error	0.16	
Information Ratio	-0.01	
Beta	0.99	
Alpha	0.05	
R Squared	1.00	
Sharpe Ratio	0.86	0.85
Percentage of Total Fund	19.8	
Inception Date	Nov-2008	
Opening Market Value (£000)	133,588	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	4,767	
Closing Market Value (£000)	138,355	

Three Years Rolling Quarterly Returns



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	3.57	-1.83	10.32	3.80	3.77	-2.53	6.11	6.71	-10.84	1.69	1.19	6.36
Benchmark	3.59	-1.73	10.32	3.79	3.77	-2.44	6.09	6.73	-11.07	1.75	1.20	6.36

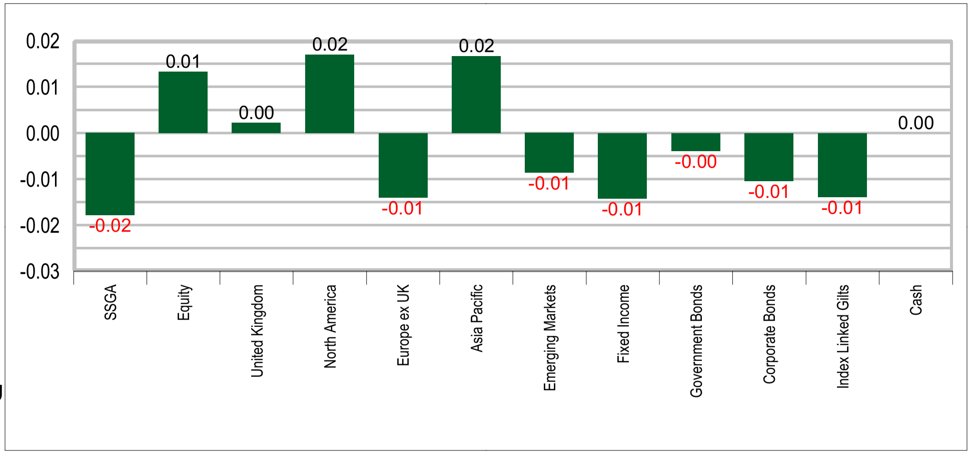
Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-0.00	-0.00	-0.06	0.26	-0.01	0.01	-0.09	0.00	0.01	-0.01	-0.10	-0.02
3Y Relative	-	-	-	-	0.07	0.11	0.08	0.03	0.05	0.05	-0.02	-0.00

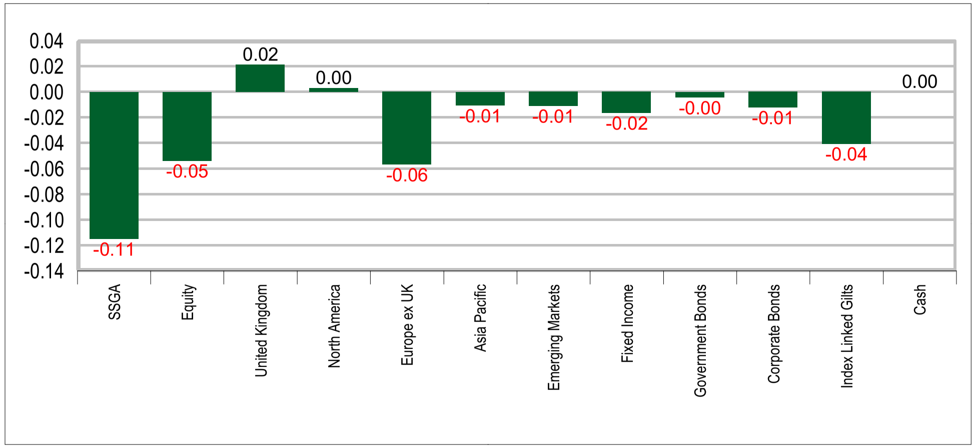
SSGA

Relative Contribution - Three Months



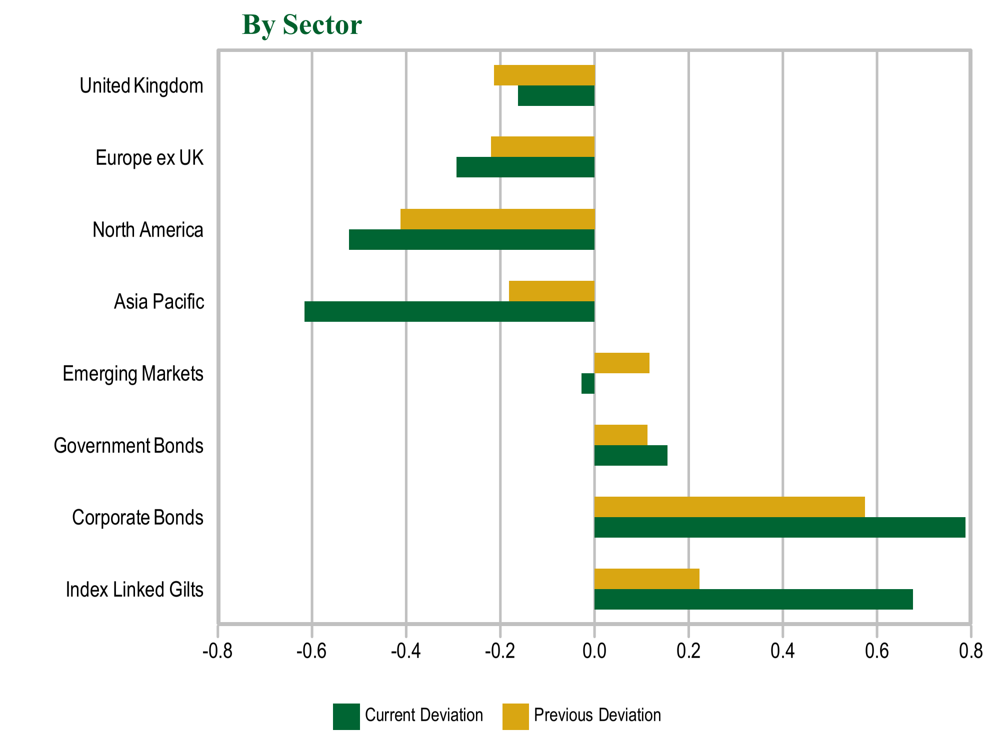
	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection	Relative contribution
SSGA	3.57	3.59	-0.02	0.00	0.70	-0.06	-0.65	-0.02
Equity	4.14	-	4.14	0.00	0.17	-0.05	-0.11	0.01
United Kingdom	5.59	5.58	0.00	0.00	0.02	-0.02	0.00	0.00
North America	-0.82	-0.79	-0.03	0.00	-0.00	-0.00	0.02	0.02
Europe ex UK	7.22	7.27	-0.05	0.00	-0.02	-0.00	0.01	-0.01
Asia Pacific	2.10	1.92	0.17	0.00	-0.06	-0.02	0.09	0.02
Emerging Markets	-2.34	-2.19	-0.15	0.00	0.22	-0.01	-0.23	-0.01
Fixed Income	1.93	-	1.93	0.00	0.52	0.00	-0.53	-0.01
Government Bonds	0.47	0.47	-0.00	0.00	-0.01	-0.01	0.01	-0.00
Corporate Bonds	2.19	2.16	0.03	0.00	0.53	0.01	-0.55	-0.01
Index Linked Gilts	0.62	0.59	0.02	0.00	0.01	-0.02	-0.00	-0.01
Cash	-	-	0.00	0.00	0.00	0.00	0.00	0.00

Relative Contribution - One Year



	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection	Relative contribution
SSGA	16.43	16.56	-0.11	0.00	-0.79	-0.16	0.85	-0.11
Equity	19.70	-	19.70	0.00	-0.84	-0.11	0.90	-0.05
United Kingdom	19.00	18.93	0.06	0.00	0.02	-0.03	0.03	0.02
North America	18.37	18.43	-0.06	0.00	0.05	-0.00	-0.04	0.00
Europe ex UK	28.79	29.11	-0.25	0.00	0.06	-0.01	-0.10	-0.06
Asia Pacific	20.20	20.12	0.07	0.00	-1.17	-0.06	1.23	-0.01
Emerging Markets	-0.07	0.19	-0.26	0.00	0.20	-0.01	-0.20	-0.01
Fixed Income	2.04	-	2.04	0.00	0.03	0.00	-0.05	-0.02
Government Bonds	-2.94	-3.02	0.08	0.00	-0.01	-0.01	0.01	-0.00
Corporate Bonds	2.94	2.83	0.11	0.00	0.04	0.01	-0.06	-0.01
Index Linked Gilts	5.79	5.77	0.02	0.00	0.01	-0.05	-0.00	-0.04
Cash	-	-	0.00	0.00	0.00	0.00	0.00	0.00

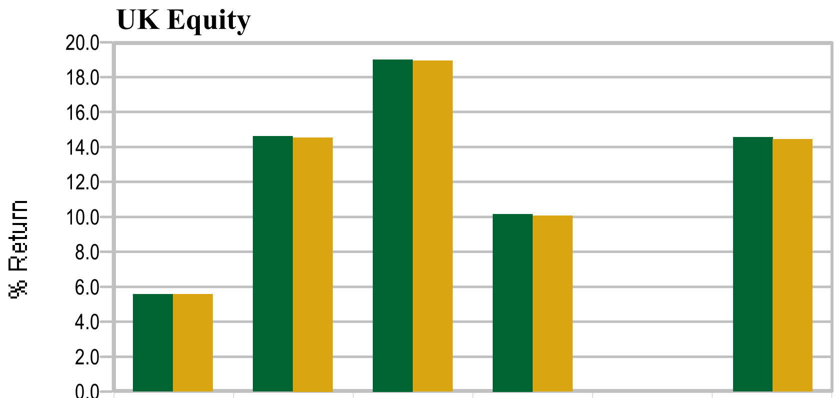
SSGA



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
United Kingdom	43.92	43.87	44.08	-0.16	44.08	-0.21
Europe ex UK	10.96	11.03	11.25	-0.29	11.25	-0.22
North America	10.92	11.03	11.44	-0.52	11.44	-0.41
Asia Pacific	10.87	11.31	11.49	-0.62	11.49	-0.18
Emerging Markets	2.95	3.10	2.98	-0.03	2.98	0.12
Government Bonds	1.52	1.48	1.37	0.15	1.37	0.11
Corporate Bonds	8.63	8.41	7.84	0.79	7.84	0.57
Index Linked Gilts	10.23	9.77	9.55	0.68	9.55	0.22

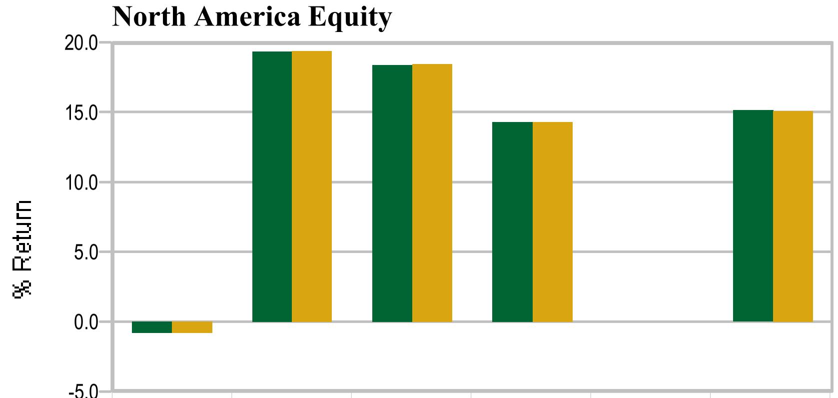
SSGA

UK Equity



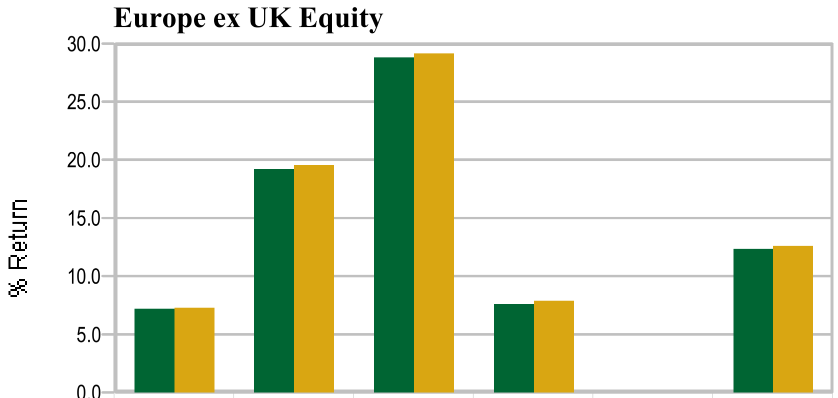
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.59	14.61	19.00	10.16	-	14.56
B'Mark	5.58	14.56	18.93	10.07	-	14.43

North America Equity



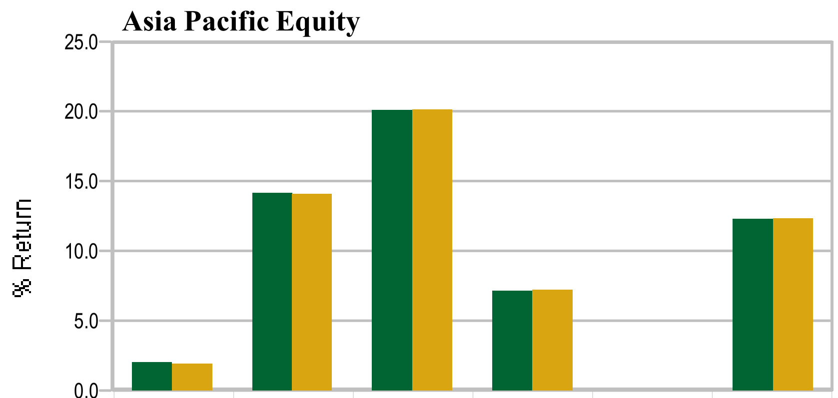
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.82	19.33	18.37	14.29	-	15.12
B'Mark	-0.79	19.37	18.43	14.29	-	15.08

Europe ex UK Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.22	19.22	28.79	7.60	-	12.36
B'Mark	7.27	19.55	29.11	7.90	-	12.60

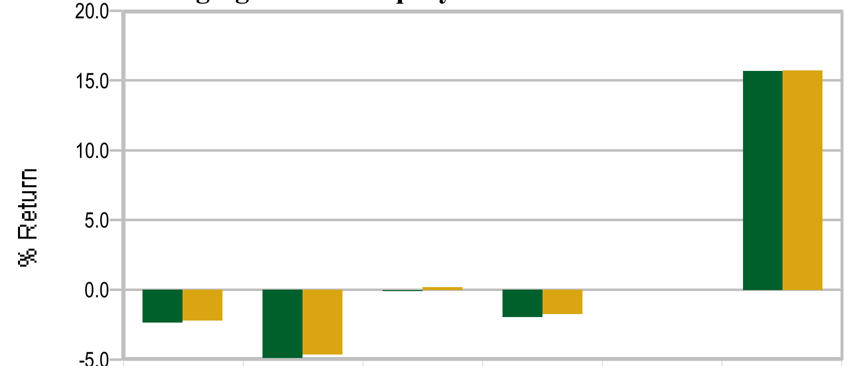
Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.02	14.15	20.11	7.16	-	12.30
B'Mark	1.92	14.10	20.12	7.19	-	12.34

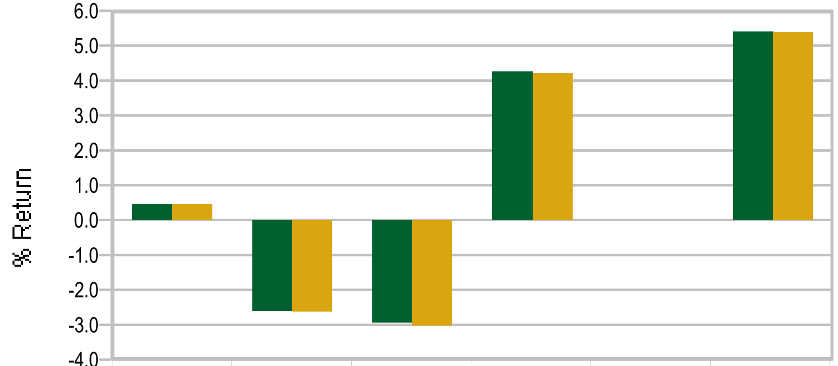
SSGA

Emerging Markets Equity



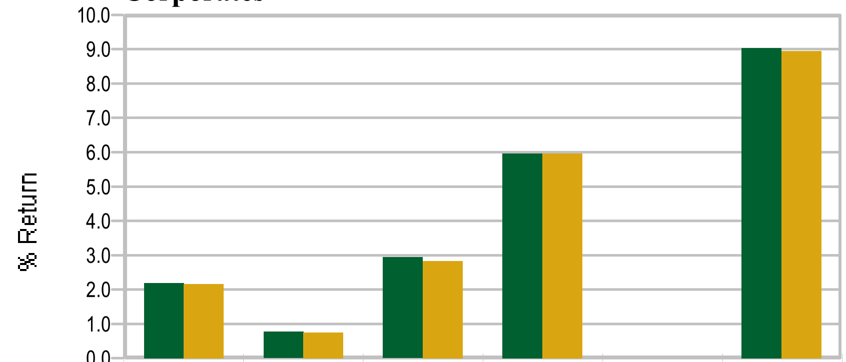
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-2.33	-4.86	-0.06	-1.95	-	15.67
B'Mark	-2.19	-4.64	0.19	-1.74	-	15.73

Government Bonds



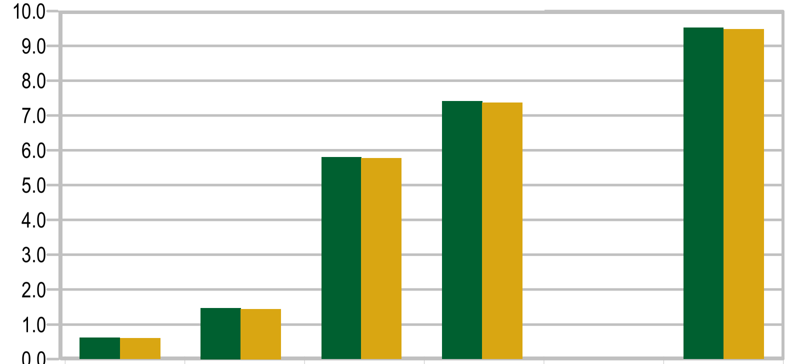
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.47	-2.61	-2.94	4.26	-	5.40
B'Mark	0.47	-2.62	-3.02	4.21	-	5.38

Corporates



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.19	0.77	2.94	5.96	-	9.03
B'Mark	2.16	0.75	2.83	5.96	-	8.95

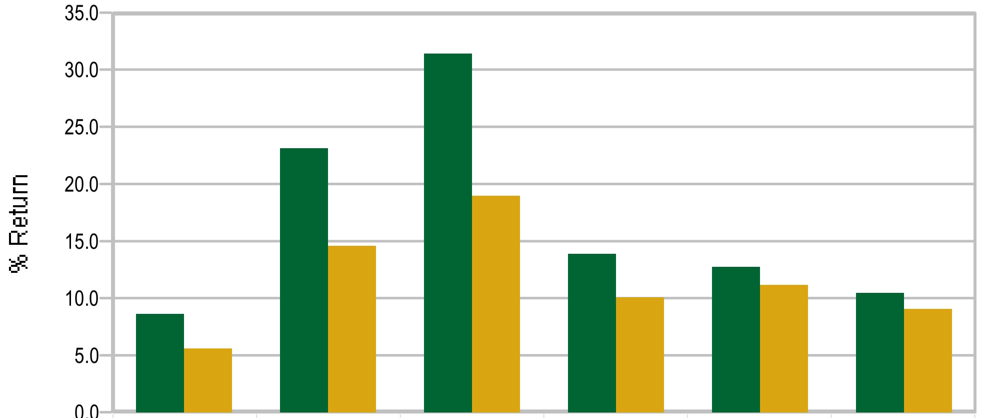
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.62	1.47	5.79	7.41	-	9.52
B'Mark	0.59	1.44	5.77	7.36	-	9.47

UBS

Historical Plan Performance

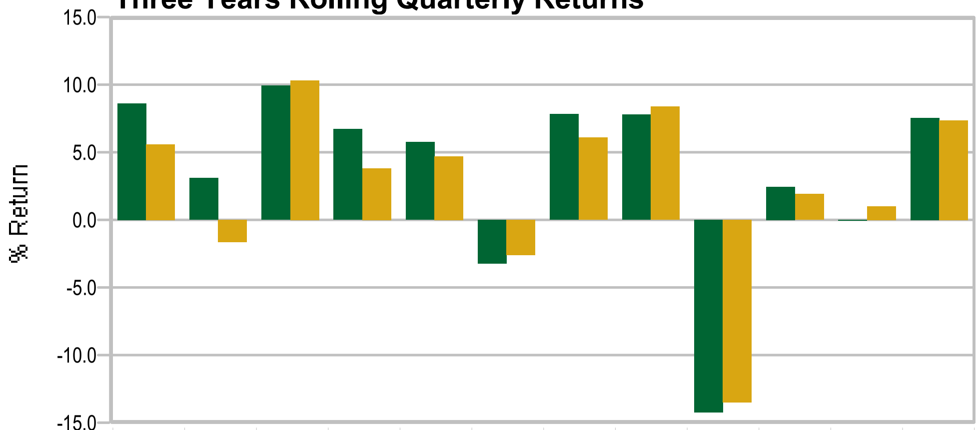


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.61	23.11	31.40	13.86	12.74	10.44
Benchmark	5.58	14.56	18.93	10.07	11.16	9.07

Risk Statistics - 3 years

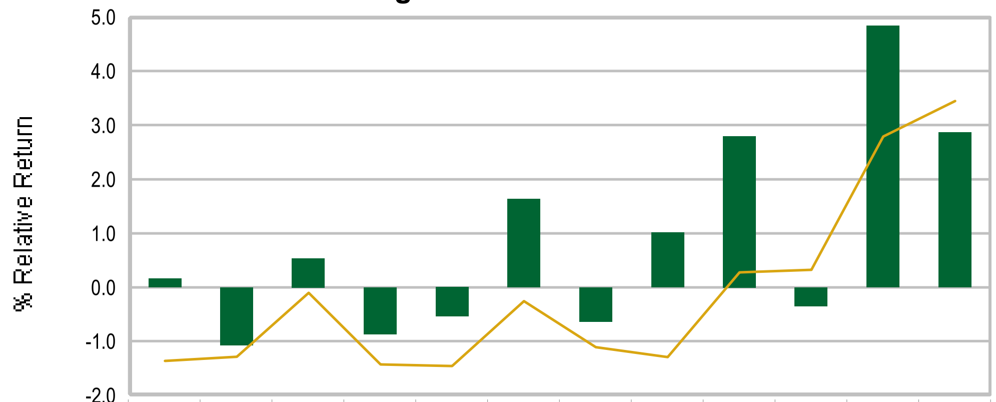
	Fund	B'mark
Performance Return	13.86	10.07
Standard Deviation	13.30	12.06
Relative Return	3.44	
Tracking Error	3.50	
Information Ratio	1.08	
Beta	1.07	
Alpha	2.99	
R Squared	0.93	
Sharpe Ratio	0.96	0.74
Percentage of Total Fund	19.5	
Inception Date	Dec-1988	
Opening Market Value (£000)	125,616	
Net Investment £(000)	0	
Income Received £(000)	941	
Appreciation £(000)	9,879	
Closing Market Value (£000)	136,435	

Three Years Rolling Quarterly Returns



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	8.61	3.10	9.94	6.73	5.75	-3.25	7.84	7.80	-14.25	2.46	-0.05	7.55
Benchmark	5.58	-1.66	10.32	3.82	4.70	-2.63	6.10	8.39	-13.50	1.91	1.03	7.38

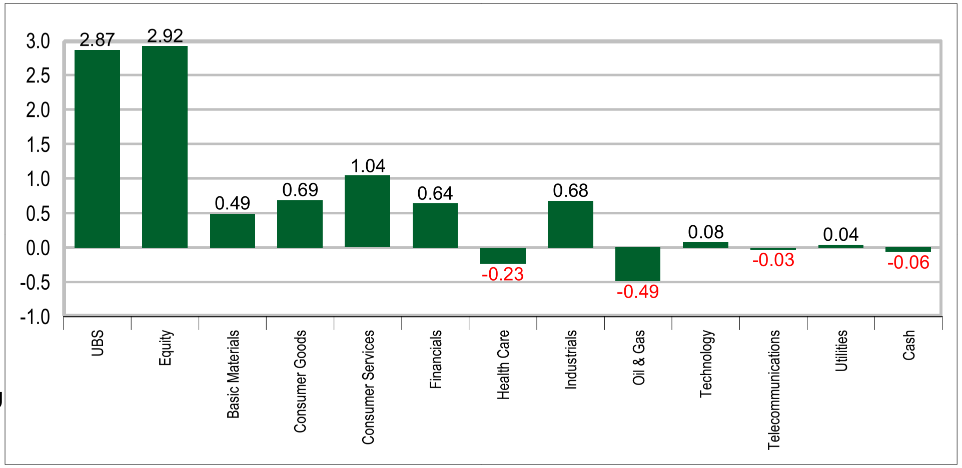
Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	0.16	-1.07	0.54	-0.87	-0.54	1.63	-0.64	1.01	2.80	-0.35	4.84	2.87
3Y Relative	-1.37	-1.29	-0.11	-1.43	-1.46	-0.26	-1.11	-1.29	0.28	0.32	2.79	3.44

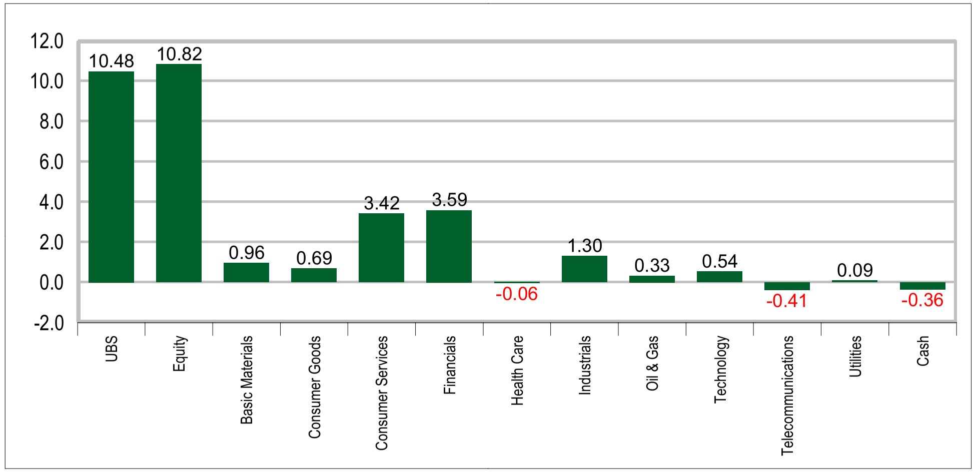
UBS

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	8.61	5.58	2.87	0.78	2.06	2.87
Equity	8.76	5.58	3.01	0.85	2.06	2.92
Basic Materials	19.11	15.52	3.10	0.17	0.32	0.49
Consumer Goods	12.39	1.14	11.12	0.55	0.14	0.69
Consumer Services	13.31	9.45	3.52	0.34	0.69	1.04
Financials	8.32	5.19	2.98	0.03	0.61	0.64
Health Care	-3.00	0.89	-3.85	0.03	-0.26	-0.23
Industrials	15.68	9.16	5.97	0.03	0.65	0.68
Oil & Gas	-2.13	-0.29	-1.84	-0.16	-0.33	-0.49
Technology	20.52	11.85	7.75	-0.01	0.09	0.08
Telecommunications	16.41	14.10	2.02	-0.13	0.10	-0.03
Utilities	2.64	1.68	0.95	0.01	0.02	0.04
Cash	0.31	-	0.31	-0.06	0.00	-0.06

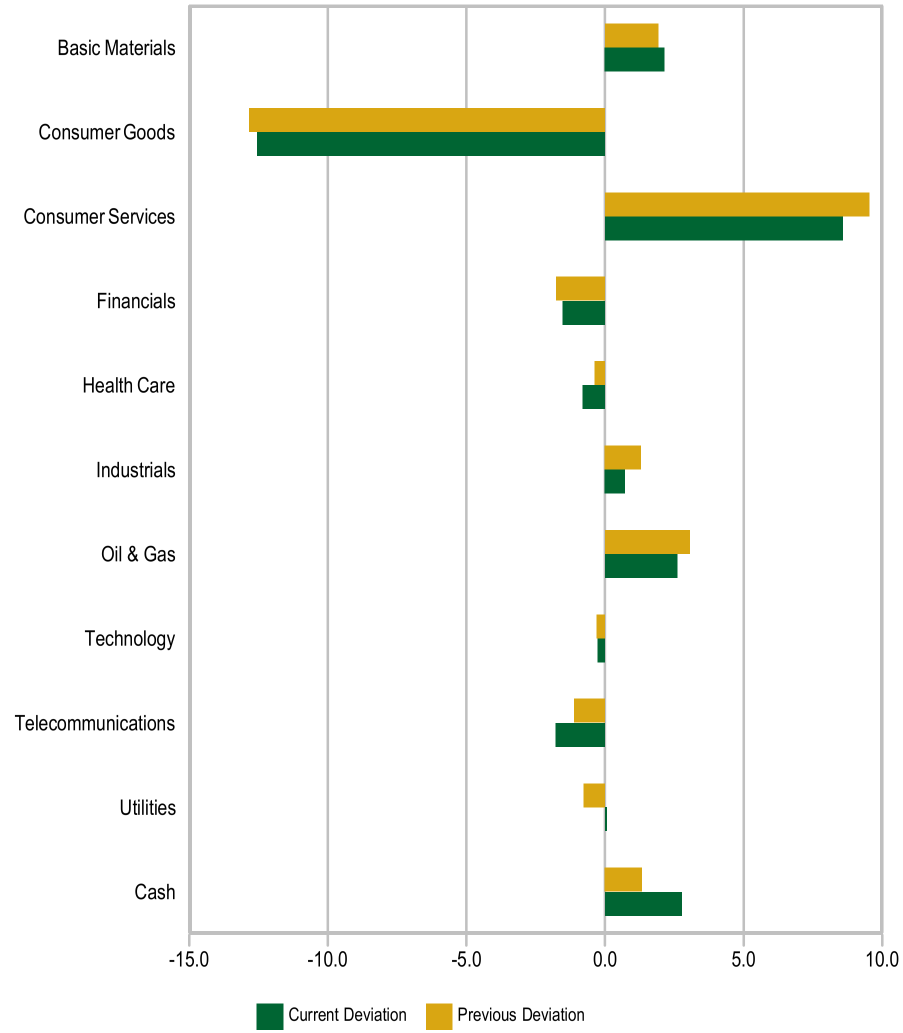
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	31.40	18.93	10.48	0.34	10.04	10.48
Equity	32.08	18.93	11.05	0.71	10.04	10.82
Basic Materials	3.23	-3.51	6.99	0.29	0.67	0.96
Consumer Goods	75.09	18.72	47.48	0.08	0.61	0.69
Consumer Services	51.35	35.22	11.93	1.19	2.21	3.42
Financials	55.66	29.64	20.07	-0.28	3.88	3.59
Health Care	14.80	17.02	-1.89	0.03	-0.10	-0.06
Industrials	44.60	30.63	10.70	0.15	1.15	1.30
Oil & Gas	3.54	-0.51	4.07	-0.42	0.76	0.33
Technology	126.71	37.60	64.76	-0.07	0.60	0.54
Telecommunications	31.72	33.71	-1.49	-0.28	-0.13	-0.41
Utilities	15.85	13.27	2.28	0.02	0.06	0.09
Cash	0.57	-	0.57	-0.36	0.00	-0.36

UBS

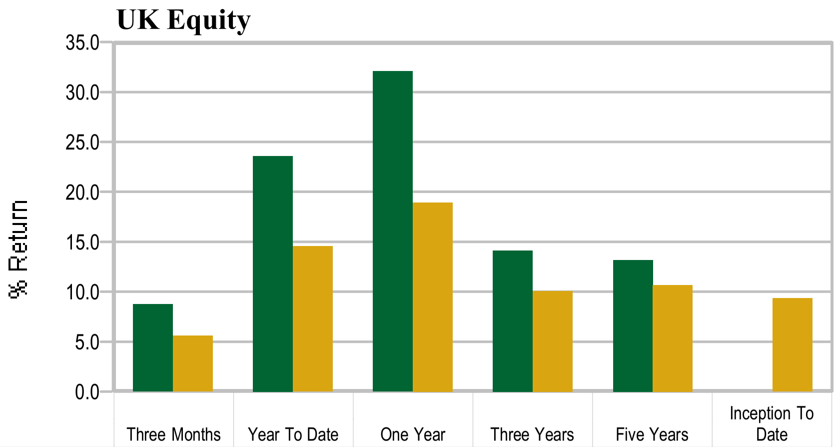
By Sector



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Basic Materials	10.34	9.38	8.19	2.15	7.46	1.91
Consumer Goods	1.06	1.39	13.61	-12.54	14.22	-12.83
Consumer Services	19.22	19.77	10.64	8.57	10.23	9.53
Financials	22.49	21.92	24.02	-1.54	23.67	-1.75
Health Care	6.34	7.20	7.15	-0.81	7.58	-0.38
Industrials	10.74	11.02	10.02	0.72	9.72	1.30
Oil & Gas	16.76	18.33	14.15	2.61	15.28	3.06
Technology	1.32	1.20	1.59	-0.26	1.51	-0.31
Telecommunications	5.14	5.32	6.92	-1.78	6.45	-1.13
Utilities	3.78	3.11	3.71	0.07	3.88	-0.77
Cash	2.78	1.33		2.78		1.33

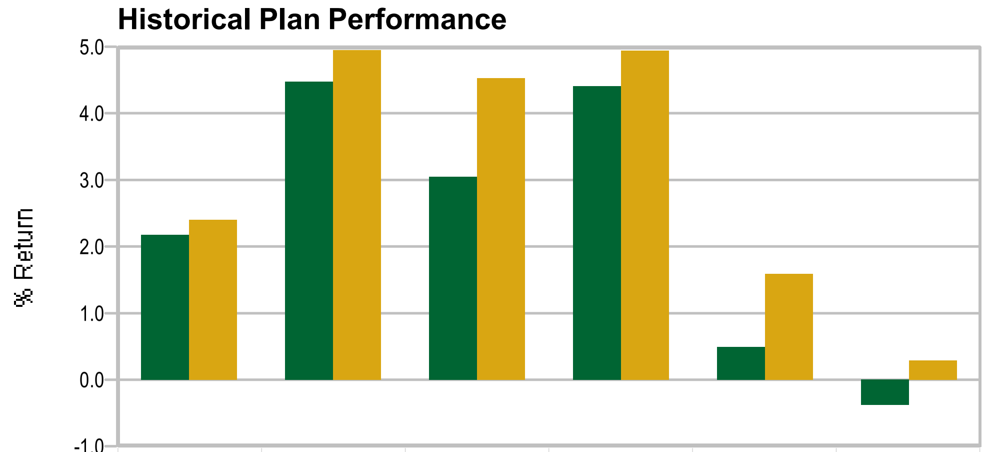
UBS

UK Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.76	23.62	32.08	14.13	13.19	-
B'Mark	5.58	14.56	18.93	10.07	10.70	9.35

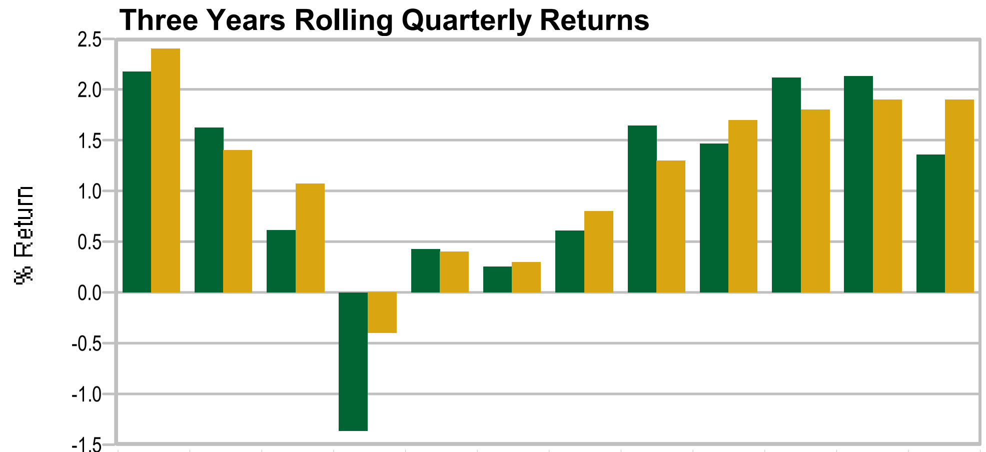
UBS Property



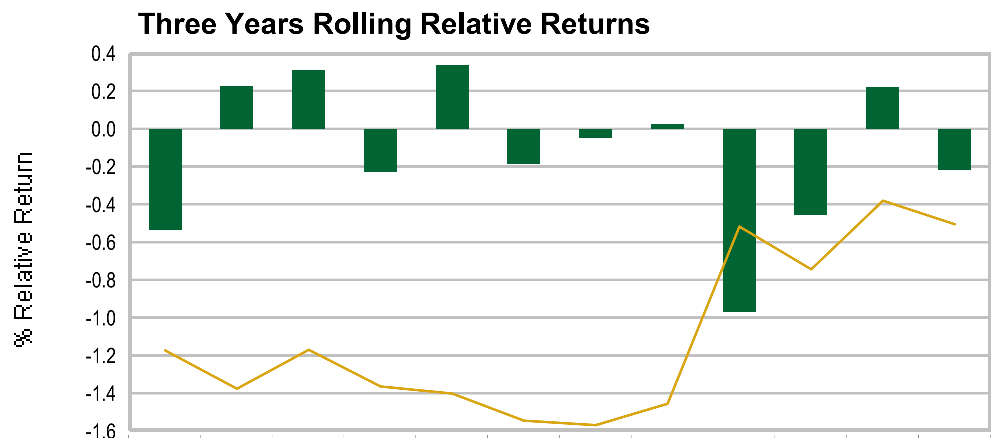
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.18	4.48	3.05	4.40	0.50	-0.38
Benchmark	2.40	4.95	4.53	4.93	1.59	0.29

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	4.40	4.93
Standard Deviation	2.02	1.03
Relative Return	-0.51	
Tracking Error	1.52	
Information Ratio	-0.35	
Beta	1.29	
Alpha	-1.56	
R Squared	0.46	
Sharpe Ratio	1.64	3.74
Percentage of Total Fund	7.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	50,051	
Net Investment £(000)	0	
Income Received £(000)	530	
Appreciation £(000)	560	
Closing Market Value (£000)	51,141	



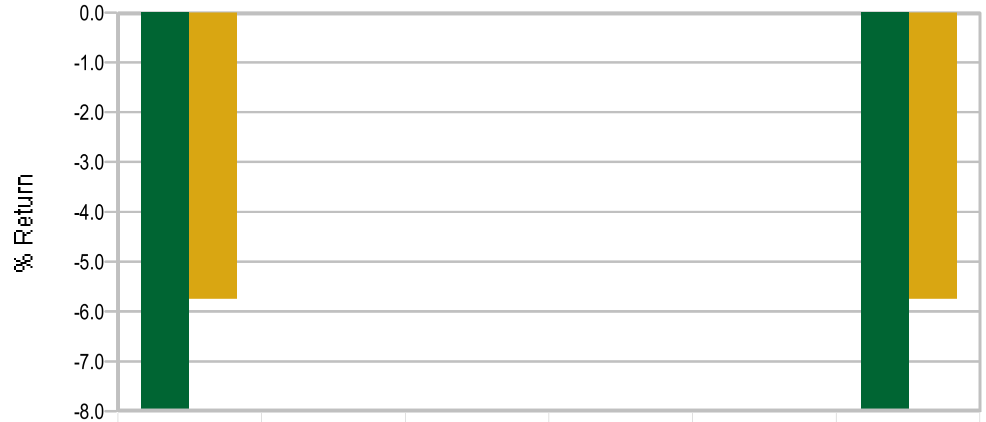
	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	2.18	1.63	0.61	-1.36	0.43	0.25	0.61	1.64	1.47	2.12	2.13	1.36
Benchmark	2.40	1.40	1.07	-0.40	0.40	0.30	0.80	1.30	1.70	1.80	1.90	1.90



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-0.53	0.23	0.31	-0.23	0.34	-0.19	-0.05	0.03	-0.97	-0.46	0.22	-0.22
3Y Relative	-1.17	-1.38	-1.17	-1.36	-1.40	-1.55	-1.57	-1.46	-0.52	-0.74	-0.38	-0.51

UBS Tactical

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-7.94	-	-	-	-	-7.94
Benchmark	-5.74	-	-	-	-	-5.74

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	1.9	
Inception Date	Jun-2013	
Opening Market Value (£000)	84	
Net Investment £(000)	14,002	
Income Received £(000)	27	
Appreciation £(000)	-1,148	
Closing Market Value (£000)	12,966	

Three Years Rolling Quarterly Returns

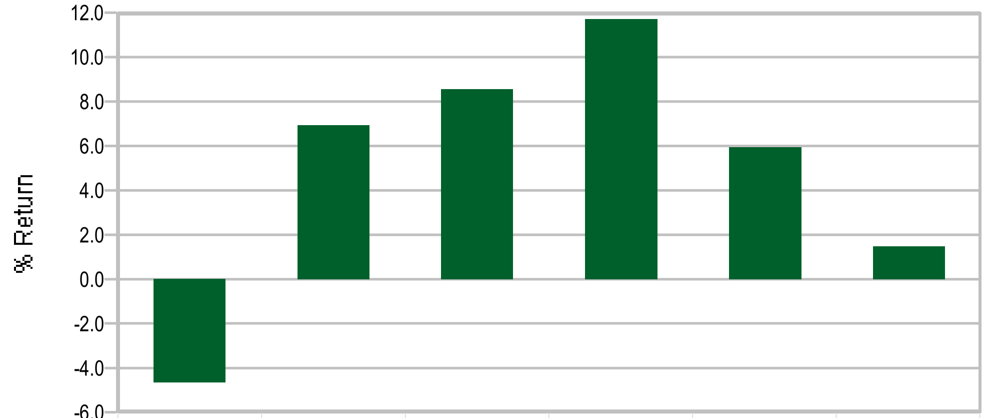
	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	-7.94	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-5.74	-	-	-	-	-	-	-	-	-	-	-

Three Years Rolling Relative Returns

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Relative	-	-	-	-	-	-	-	-	-	-	-	-2.33
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Adam Street

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-4.65	6.94	8.56	11.70	5.95	1.47

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	11.70	
Standard Deviation	11.47	
Relative Return	1.55	
Tracking Error	11.47	
Information Ratio	0.15	
Beta	-1.94	
Alpha	30.74	
R Squared	0.00	
Sharpe Ratio	0.93	
Percentage of Total Fund	3.0	
Inception Date	Jan-2005	
Opening Market Value (£000)	22,508	
Net Investment £(000)	-677	
Income Received £(000)	0	
Appreciation £(000)	-1,026	
Closing Market Value (£000)	20,805	

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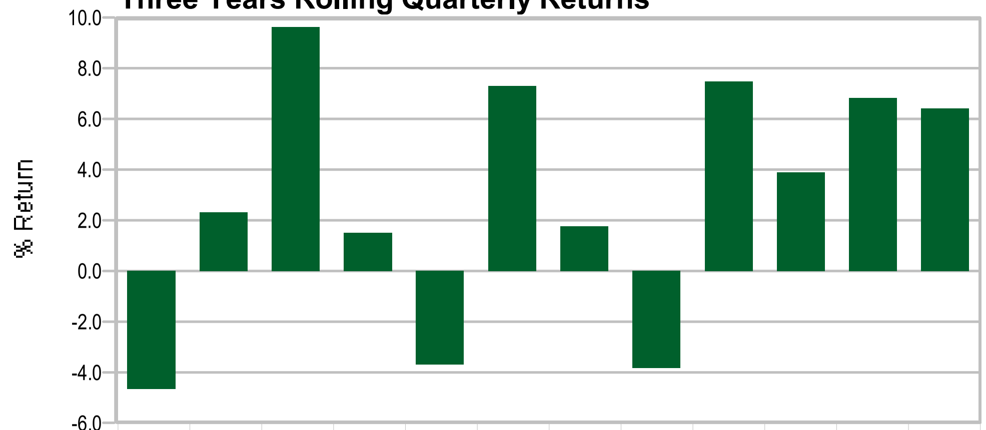
Three Years Rolling Quarterly Returns



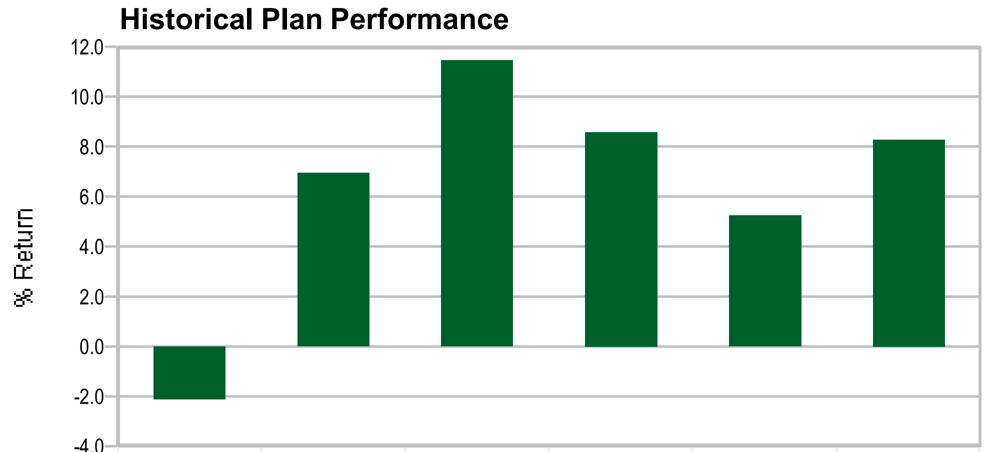
	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	-4.65	2.32	9.62	1.51	-3.70	7.29	1.76	-3.83	7.48	3.89	6.83	6.42

Three Years Rolling Relative Returns

3M Relative

3Y Relative

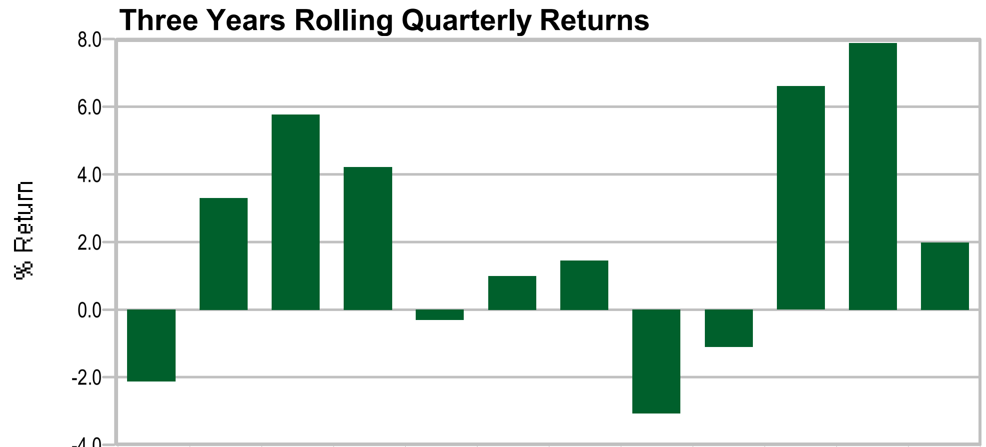
LGT



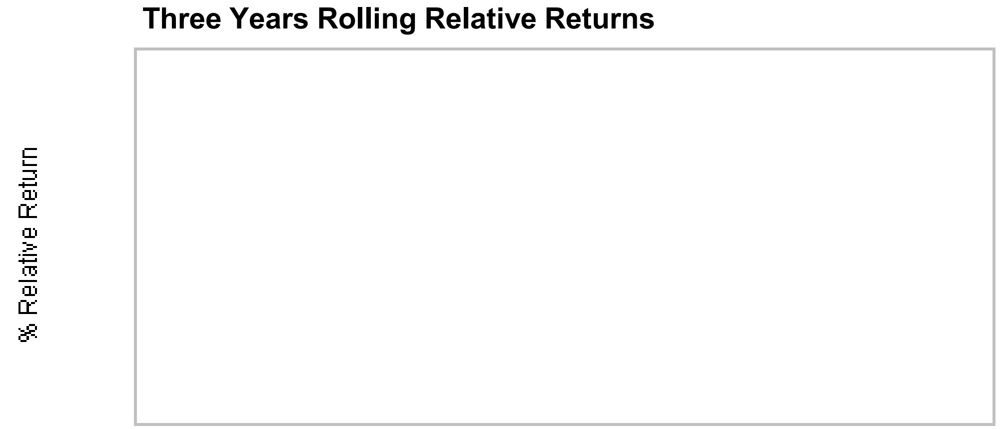
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-2.13	6.95	11.46	8.58	5.24	8.28

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	8.58	
Standard Deviation	7.88	
Relative Return	-1.11	
Tracking Error	10.71	
Information Ratio	-0.11	
Beta	0.29	
Alpha	5.03	
R Squared	0.16	
Sharpe Ratio	0.95	
Percentage of Total Fund	2.3	
Inception Date	May-2004	
Opening Market Value (£000)	17,248	
Net Investment £(000)	-583	
Income Received £(000)	0	
Appreciation £(000)	-352	
Closing Market Value (£000)	16,313	



	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10
Fund	-2.13	3.30	5.78	4.22	-0.30	0.99	1.45	-3.07	-1.10	6.61	7.88	1.99



Total Plan Benchmark

26.8 FTSE All Share
2.2 FTSE AW North America
2.2 FTSE AW Developed Europe ex UK
2.2 FTSE AW Developed Asia Pacific
0.6 FTSE All World All Emerging
2.3 FTSE Index Linked Gilts
4.7 BC Sterling Aggregate 100mm Non Gilts
7.2 IPD UK PPFI All Balanced Funds Index
3.4 FTSE World Index +2%
6.0 MSCI All Countries World Index
24.6 LIBOR 3 Month + 3%
1.9 FT 7 Day LIBID
9.0 LIBOR 3 Month + 4%
6.9 MSCI World Index +2%

Barings

100.0 LIBOR 3 Month + 4%

JP Morgan

100.0 LIBOR 3 Month + 3%

Kempen

100.0 MSCI All World Index +2%

Macquarie

100.0 LIBOR 3 Month + 3%

M&G Investments

100.0 LIBOR 3 Month + 4%

Newton

100.0 FTSE World Index +2%

Ruffer

100.0 3 Month Sterling LIBOR

SSGA

44.0 FTSE All Share
11.0 FTSE World North America
11.0 FTSE World Europe ex UK
11.0 FTSE Pacific Basin ex Japan
3.0 FTSE All World All Emerging
1.5 FTSE Gilts All Stocks
10.0 FTSE Index Linked Gilts
8.5 ML Sterling Non-Gilts

SSGA Drawdown

50.0 ML Sterling Non-Gilts
50.0 FT 7 Day LIBID

UBS

100.0 FTSE All Share

UBS Property

100.0 IPD UK PPFI All Balanced Funds Index

Tracking Error

$$\sigma_{ER} = \sqrt{\frac{\sum (ER_t - \overline{ER})^2}{T}} \quad \text{for t=1 to T}$$

Annualised tracking error $= \sigma_{ER} \times \sqrt{p}$

Where	Equals
ER	Excess return (Portfolio Return minus Benchmark Return)
$\overline{ER}$	Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)
T	Number of observations
p	Periodicity (number of observations per year)

The tracking error measures the extent to which a portfolio tracks its benchmark. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. The tracking error will always be greater than zero, unless the portfolio is exactly tracking the benchmark.

Information Ratio

$$\text{Information Ratio} = \frac{\overline{ER}}{\sigma_{ER}}$$

Annualised Information Ratio = Information Ratio $\times \sqrt{p}$

Where	Equals
$\overline{ER}$	Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)
T	Number of observations
p	Periodicity (number of observations per year)

The information ratio is a measure of risk adjusted return. The higher the information ratio, the higher the risk adjusted return.

Alpha

$$\alpha = \frac{\sum R_{yi}}{n} - \beta \frac{\sum R_{xi}}{n}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
β	Beta – measure of the sensitivity of a portfolio's rate of return against those of the market
n	Number of observations

The alpha is the value added to the portfolio by the manager – the higher the alpha, the better the manager has done in achieving excess returns.

Beta

$$\beta = \frac{n\sum R_{xi}R_{yi} - \sum R_{xi}\sum R_{yi}}{n\sum (R_{xi})^2 - (\sum R_{xi})^2}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
β	Beta – measure of the sensitivity of a portfolio's rate of return against those of the market
n	Number of observations

The portfolio's beta is calculated by comparing the portfolio's volatility to the benchmark's volatility over time. The more sensitive a portfolio's returns are to movements in the benchmark, the higher the portfolio's beta will be. A beta greater than one implies the portfolio is more volatile than the benchmark, whilst a beta less than one implies the portfolio is less volatile than the benchmark.

R-Squared

$$r^2 = \frac{(n\sum R_{xi}R_{yi} - \sum R_{xi}\sum R_{yi})}{[n\sum (R_{xi})^2 - (\sum R_{xi})^2][n\sum (R_{yi})^2 - (\sum R_{yi})^2]}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
n	Number of observations

The R^2 is the square of the correlation co-efficient between the portfolio return and the benchmark return in the above equation and is a measure of the fund's sensitivity to the benchmark, i.e. the percentage of the portfolio's movement that can be explained by movement in the benchmark. The R^2 statistic ranges from 0 to 1 (or 0 to 100%) with a score of 1 indicating that all the portfolio's movement can be explained by the benchmark.

Sharpe Ratio

$$\frac{(R_{ap} - R_{af})}{\sigma_{ap}}$$

Where	Equals
R_{ap}	Annualised (portfolio) rate of return
R_{af}	Annualised risk-free rate of return
σ_{ap}	Annualised portfolio standard deviation

The Sharpe ratio measures the excess return over the risk-free rate per unit of volatility. For a given return, the lower the volatility of the portfolio, the higher the Sharpe ratio.

Price/Earnings Ratio (P/E)
Security Level Calculation:
Current price/Trailing 12 months earning per share
Description:
The price/earnings ratio is a traditional indicator of how much an investor is paying for a company's earning power. Stocks have a p/e greater than the market are usually considered to be growth stocks.

5 Year Earnings Per Share Growth Rate
Security Level Calculation:
None
Description:
This is the percentage change in the annual earning per share growth rate over the last five years of all stock in the portfolio. This measure is usually viewed as agrowth factor. A stock must have been public for at least five years to have this characteristic.

Price to Book Ratio
Security Level Calculation:
Current price/Most recent book value per share
Description:
This is usually considered to be a measure of "value", with stocks having high price to book ratios considered to be undervalued.

Dividend Yield
Security Level Calculation:
Dividend for current fiscal year/Period end closing price
Description:
This measures the annual rate that dividends are being paid by a company, including any extra dividends. High dividend yields can also be an attribute of value stocks.

Debt to Capital
Security Level Calculation:
Long term liabilties, deferred taxes, tax credits, minority interest/Sum of debt, total common equity and total preferred stock
Description:
This measure indicates the amount of leverage (debt) being used. A large debt to capital ratio is usually indicative of a highly leveraged company. Stocks having a zero value are still included in the total portfolio calculation.

Price to Sales Ratio
Security Level Calculation:
Current price/Annual sales per share
Description:
This is used primarily by value managers to identify companies having low profit margins. Value managers use this as another indicator in finding undervalued stocks with the potential for improved profitability.This measure varies in informational value by industry, as different industries have different price to sales ratio expectations.

Return on Equity
Security Level Calculation:
Net profits after taxes/Book value
Description:
This relates a company's profitabaility to it's shareholders equity. A high ROE indicates that the portfolio is invested in companies that have been profitable. This measure is also impacted by financial leverage.

Coupon Rate
Description:
The stated interest rate of a bond. It is a money weighted average for the portfolio.

Years to Maturity
Description:
The average number of years to the maturity date of all bonds held in a portfolio. Often, managers will use the weighted average life for mortgages and mortgage backed securities since most mortgages are prepaid and never reach maturity.

Macaulay Duration
Description:
The mathematical estimate of a fixed income portfolio's sensitivity to a change in interest rates, computed as the weighted average time to receipt of the portfolio's cash flows. The Macaulay duration does not take the impact of embedded options into consideration and this usually results in a higher value than the effective duration.

Yield to Maturity
Description:
This is the rate of return that is expected if a fixed income security is held to maturity. It is essentially an internal rate of return that uses the current market value and all expected interest and principal cash flows.

Moody Quality Rating
Description:
This is a measure of the quality, safety and potentail performance of a bond issue. Also indicates the creditworthiness of a security's issuer. Moody's evalutes the bond issues and assigns a code with Aaa as the highest and C as the lowest.

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LONDON BOROUGH OF HILLINGDON ALTERNATIVE INVESTMENTS SCHEDULE AS AT 30 Sep 2013

LBH PRIVATE EQUITY FUNDS LGT CAPITAL PARTNERS	COMMITMENTS BASE CURRENCY	% of Fund	CALLED TO DATE	% of Fund	DISTRIBUTIONS RECEIVED	% of Fund	NET CURRENT INVESTMENT	% of Fund	IRR
	£	%	£	%	£	%	£	%	%
	000		000		000		000		Sep 13
Crown Private Equity European Buyout Opport.	11,441	1.64	9,616	1.38	8,236	1.18	1,380	0.20	7.87
Crown Global Secondaries Plc (US$)	1,858	0.27	1,622	0.23	1,360	0.19	262	0.04	4.96
Crown Private Equity European Fund	4,188	0.60	3,666	0.52	1,786	0.26	1,880	0.27	7.22
Crown Private Equity European Buyout Opport. II	8,376	1.20	5,419	0.78	1,633	0.23	3,786	0.54	3.30
Crown Asia-Pacific Private Equity Plc (US$)	1,858	0.27	1,600	0.23	571	0.08	1,029	0.15	6.61
Crown European Middle Market II plc	3,350	0.48	1,596	0.23	494	0.07	1,102	0.16	9.74
Crown Global Secondaries II Plc (US$)	1,363	0.20	1,004	0.14	538	0.08	466	0.07	22.48
TOTAL(S) LGT CAPITAL PARTNERS	**32,434**	**4.64**	**24,523**	**3.51**	**14,618**	**2.09**	**9,905**	**1.42**	
ADAMS STREET PARTNERS	£	%	£	%	£	%	£	%	Jun 13
Adam Street Partnership Fund - 2005 US Fund	8,673	1.24	7,818	1.12	3,702	0.53	4,116	0.59	7.11
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,717	0.53	3,384	0.48	1,419	0.20	1,965	0.28	6.66
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,788	0.40	2,399	0.34	683	0.10	1,716	0.25	6.00
Adam Street Partnership 2006 Direct Fund	929	0.13	890	0.13	166	0.02	724	0.10	3.34
Adam Street Partnership Fund - 2006 US Fund, L.P	5,575	0.80	4,797	0.69	1,946	0.28	2,851	0.41	7.31
Adams Street Direct Co-Investment Fund, L.P.	1,858	0.27	1,775	0.25	493	0.07	1,282	0.18	3.65
Adams Street Partnership 2007 Direct Fund LP	310	0.04	286	0.04	101	0.01	185	0.03	8.06
Adams Street Partnership - 2007 Non -US Fund	1,084	0.16	775	0.11	125	0.02	650	0.09	6.42
Adams Street Partnership - 2007 US Fund	1,704	0.24	1,387	0.20	602	0.09	785	0.11	11.93
Adams Street Partnership - 2009 US Fund	929	0.13	429	0.06	77	0.01	352	0.05	18.18
Adams Street Partnership - 2009 Direct Fund	186	0.03	146	0.02	30	0.00	116	0.02	21.36
Adams Street Direct Co-Investment Fund II.	1,549	0.22	910	0.13	336	0.05	574	0.08	30.91
Adams Street 2009 Non-US Emerging Mkt Fund	186	0.03	78	0.01	0	0.00	78	0.01	-2.01
Adams Street Partnership 2009 Non-US Developed Market	558	0.08	219	0.03	19	0.00	200	0.03	12.67
TOTAL(S) ADAMS STREET PARTNERS FUNDS	**30,046**	**4.30**	**25,293**	**3.62**	**9,699**	**1.39**	**15,594**	**2.23**	

FUND VALUE	**698,495**	
COMMITMENT STRATEGY	61,118	8.75%
TO ACHIVE INVESTMENT	34,925	5.00%
CURRENT INVESTMENT BOOK COST	25,499	3.65%
CURRENT INVESTMENT MARKET VALUE	37,118	5.31%

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Portfolio overview – Q3 2013

- Since the last report, net invested capital has decreased as the underlying managers have distributed more capital than they have invested
- Distributions as a proportion of paid-in capital have increased slightly from 0.56x to 0.60x
- Total portfolio gains now amount to Euro 7.9 million, being Euro 19.7 million of NAV less Euro 11.8 million of net invested capital
- The USD weakened by 4.11% against the Euro in the period which had a negative effect on portfolio performance

Q3 2013		Net Performance (in millions of Euros)						Cash Multiple		Drawn	
		LBH Commitment	Drawn	Returned	Net	NAV	Gain	D/PI	TV/PI	Gross	Net
Total Euro Exposure		32.7	24.2	-14.5	9.7	16.1	6.4	0.60	1.26	74%	30%
Euro equivalent Dollar Exposure @	1.3535 USD / Euro	6.1	5.0	-2.9	2.1	3.6	1.5	0.58	1.30	83%	35%
Total Exposure (in Euro millions)		**38.7**	**29.3**	**-17.4**	**11.8**	**19.7**	**7.9**	**0.60**	**1.27**	**76%**	**31%**
Q2 2013	1.3001	39.0	28.8	-16.2	12.6	20.1	7.5	0.56	1.26	74%	32%
Q1 2013	1.2814	39.1	28.5	-15.2	13.3	20.7	7.4	0.53	1.26	73%	34%
Q4 2012	1.3193	38.9	28.2	-14.1	14.1	21.1	7.0	0.50	1.25	73%	36%
Q3 2012	1.2863	39.0	27.6	-13.1	14.5	21.0	6.5	0.47	1.24	71%	37%
Q2 2012	1.2686	39.1	27.4	-12.2	15.2	21.2	6.0	0.45	1.22	70%	39%
Q1 2012	1.3329	38.8	26.4	-11.9	14.5	19.9	5.3	0.45	1.20	68%	37%
Q4 2011	1.2949	39.0	25.7	-11.2	14.5	19.6	5.1	0.44	1.20	66%	37%
Q3 2011	1.3387	38.8	24.7	-10.0	14.7	19.9	5.2	0.40	1.21	0%	38%
Q2 2011	1.4510	38.3	23.5	-9.1	14.4	18.8	4.4	0.39	1.19	61%	38%
Q1 2011	1.4158	38.5	22.4	-8.3	14.2	18.4	4.2	0.37	1.19	58%	37%
Q4 2010	1.3384	38.8	22.0	-7.3	14.6	17.5	2.9	0.33	1.13	57%	38%
Q3 2010	1.3633	38.7	20.9	-7.0	13.9	16.2	2.3	0.33	1.11	54%	36%
Q2 2010	1.2257	39.4	19.7	-5.9	13.8	15.5	1.7	0.30	1.08	50%	35%
Q1 2010	1.3509	38.7	18.7	-5.7	13.0	14.2	1.2	0.31	1.06	48%	34%
Q4 2009	1.4341	38.4	18.4	-5.4	13.0	13.6	0.7	0.29	1.04	48%	34%
Q3 2009	1.4643	38.3	17.3	-5.1	12.2	12.1	0.0	0.30	1.00	45%	32%
Q2 2009	1.4033	38.5	16.9	-4.9	12.0	12.3	0.2	0.30	1.02	44%	31%

Q3 figures as of 30 September 2013

D/PI - distributions per unit of paid-in capital; TV/PI - total value per unit of paid-in capital

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London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Second Quarter 2013

Market Update

As we have discussed in the past few quarterly letters, private equity markets, while generating positive absolute returns, have generally lagged the very strong performance coming from public equity markets over the past couple of years. This follows a period when well-constructed private equity portfolios tended to weather the storm of the Great Financial Crisis (GFC) more effectively than public market equities. When evaluating results over the full cycle of falling and recovering global equity market prices over the past five plus years, our team has been very pleased with how our private equity portfolios have fared relative to other options. As many of you with more mature private equity portfolios will recall, activity on the purchase and sale side of private equity transactions grounded to a near standstill during the depths of the GFC and its immediate aftermath. Activity levels have rebounded dramatically, as best evidenced by the meaningful increase in distributions being generated within all Adams Street portfolios greater than even a couple years old.

Adams Street Partners is optimistic about this year's pace of distributions as we look at trends of the first half of 2013. Of particular note, we are on track to deliver another year of net cash back to our clients overall, which would extend our streak of net client distributions to 4 years. Obviously, clients with less mature portfolios that are still in the earlier stages of their respective investment life cycles are still receiving more capital calls than distributions as would be expected.

Portfolio Statistics as of June 30, 2013

	Inception Date	Committed / Subscription	Drawn / Subscription	Drawn / Committed	Total Value / Drawn	IRR Since Inception*	Public Market	2Q13 Gross IRR
Total Hillingdon Portfolio	**02/2005**	**99%**	**83%**	**84%**	**1.21x**	**7.10%**	**4.20%**	**2.12%**
2005 Subscription	02/2005	100%	90%	90%	1.23x	6.98%	3.95%	1.32%
2006 Subscription	01/2006	100%	86%	86%	1.17x	6.35%	4.25%	1.88%
2007 Subscription	01/2007	100%	78%	78%	1.22x	9.64%	6.11%	1.65%
2009 Subscription	01/2009	87%	45%	52%	1.16x	16.58%	11.67%	1.67%
Direct Co-Investment Fund	09/2006	100%	96%	96%	1.13x	3.65%	1.92%	5.62%
Co-Investment Fund II	01/2009	100%	55%	55%	1.47x	30.91%	11.19%	7.62%

*Gross of client's management fees paid to Adams Street Partners, LLC.
Note: The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Buyouts

The sources of liquidity can be interesting to observe. Within buyouts, we are seeing that funds aged 6-10 years old make up the majority of distributions for YTD 2013, followed by funds that are 3-5 years old. While the credit bubble from 2004-2007 created a brief period of increased distributions from relatively younger buyout funds, the trend of 6-10 year old funds driving buyout distributions has been fairly steady over time. We find that the increased liquidity is being generated by buyout funds across the size spectrum. This is due both to the diversified approach we take to building the buyout component of our strategy and to the fact that mega funds have had relatively less success exiting portfolio companies than their large and mid-sized brethren.

Importantly for many maturing portfolios, there has been a strong rebound in the performance of 2005-2007 vintage buyout funds. In 2009, these funds as a group were valued at well below cost and had distributed next to nothing back to investors. By year end 2012 the group is valued in excess of 1.2x paid-in-capital (TVPI) and distributions as a percentage of paid-in-capital (DPI) has grown significantly. For example, 2006 vintage year buyout funds in the Adams Street portfolio have seen their TVPI grow from 0.9x at the end of 2009 to 1.3x at the end of 2012. The DPI % has grown from 7% in 2009 to 44% in 2012. This is a direct function of gradually improving debt markets and the underlying general partners' ability to make the operational/economic improvements required within their respective portfolio companies to see them through the challenges of the financial crisis.

Venture Capital

The source of liquidity from venture capital funds tells a similar story. The most meaningful source of distributions over time has typically been 6-10 year old funds. This falls in line with our expectations of the time needed to grow a new business from in some cases infancy to the point of public offering or strategic acquisition. The obvious exception to this pattern was when the IT bubble in the late 1990s created a brief period of increased distributions from very young funds in our venture portfolio. The combination of sales price level and the speed with which they were achieved led to outstanding IRRs for funds of those late 1990s vintages. In recent years we have seen liquidity from venture funds specializing in a variety of industries. Our venture portfolio is heavily weighted toward IT funds, so not surprisingly those types of funds are the leading drivers of distributions, but our diversified and healthcare focused funds have also generated increased liquidity of late.

We want to highlight the strong share of the VC-backed IPO market achieved by the Adams Street venture general partners. Despite investing in only ~5% of the venture funds raised in the US over the past 20 years, we continue gain exposure to more than 50% of the VC-backed IPOs in both the IT and Healthcare sectors. This ability to access a high percentage of IPOs through a very low percentage of available venture funds reinforces the importance of being with the right general partners in venture space. Importantly, the post-IPO performance of these VC-backed companies has been quite positive. These strong post-IPO results help to build public market investor confidence, which can have the impact of generating more demand for private companies to go public. We are confident that this recent trend of increased exit activity can continue for the rest of the year.

Secondaries

Adams Street's secondary investments across our annual programs and dedicated funds have very successfully served their intended purposes of generating attractive performance and providing liquidity to clients early on in the life of their private equity investments. During this year, our 2010 and 2011 annual programs have already begun distributing capital back to investors due almost entirely to liquidity generated by funds purchased through secondary transactions. After a slowdown in secondary market volumes during the first half of 2013, we anticipate a meaningful increase in activity between now and the end of the year.

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2013 ACTUARIAL VALUATION RESULTS

Contact Officers	Nancy le Roux, 01895 250353
Papers with this report	None.

INFORMATION

The triennial revaluation of the Pension Fund has now been completed and Catherine McFadyen, the Fund Actuary, will attend Committee to present the results of the 2013 valuation, incorporating a discussion on the results.

Summary of the Valuation Results

- The results of the 2013 valuation indicate the funding level is now 72%, a decrease from 77.6% at the 2010 valuation. This has resulted in the deficit increasing from £163m as at 31 March 2010 to £266m as at 31 March 2013. The deterioration of the funding position is largely due to the fall in gilt yields. Investment returns have been slightly higher than assumed.

- The common employer contribution rate is made up of two components, the future service cost and an adjustment for the past service position. The results indicate a future service rate of 18.9% and a past service cost of 8.7% giving a common contribution rate at the whole fund level of 27.6%. However, this rate is theoretical, and in practice each participating employer has its own underlying funding position and circumstance.

- As an employer, London Borough of Hillingdon agreed a long term approach to Employer contribution rates at the 2010 valuation to try to stabilise contribution rates. At the last valuation an annual increase to the London Borough of Hillingdon Employer's contribution of 1% was agreed and this will continue over the next three year period. However, Hillingdon has also paid an additional 1% contribution to fund the cost of early retirements, particularly on the grounds of redundancy, over the last 3 valuation periods. It is recommended that this now ceases as the expectation of further redundancy retirements is now significantly lower. As a result, there will be no increase in Hillingdon's Employer rate for 2014/15, and this has been built into the draft general Fund budget for 2014/15.

Note: It should be noted that the valuation is just a picture at a single date in time. Had the valuation been undertaken six months later when the gilt yields had risen by around 0.4%, then the funding level would have been around 77%. Initial indications of results of other London Boroughs are showing a wide range of funding levels, however, the levels are comparable with funds using the same actuary. For example, Hillingdon's results are similar to other London Boroughs who have Hymans Robertson as an actuary. Other actuarial firms use very much less prudent assumptions, taking funding levels to around 95%. It is hoped that once the new 2014 scheme comes in to effect and contribution stabilisation methods are enforced that standardised assumptions will be used across the whole Scheme.

Retirement Performance Statistics and Cost of Early Retirements Monitor

Contact Officers	Ken Chisholm, 01895 250847
Papers with this report	None

SUMMARY

This report summarises the number of Early Retirements in the second quarter of 2013/14. Additionally it gives an update on the current situation on the cost to the fund of early retirements.

RECOMMENDATIONS

That the contents of the report be noted.

EARLY RETIREMENT PERFORMANCE STATISTICS

At Committee Meeting on 25th June 2008 it was agreed that as there was no statutory requirement to report figures against the previous BVPI 14 & BVI 15 targets, local performance indicators would be recorded and presented to Committee.

New performance indicators relevant to the revised Performance Indicators will be reported in all future reports to the Committee.

Number of Cases in the 2nd 1Quarter 2013/14

The table below shows the number of employees, by category, whose LGPS benefits have been put into payment. In the case of redundancy and efficiency this relates to employees over 55 years of age.

	Redundancy	Efficiency	Ill Health	Voluntary over 60
2008/2009	19	3	24	29
2009/2010	26	0	12	37
2010/2011	20	0	11	34
2011/2012	65	0	12	24
2012/2013	23	0	6	14
2013/2014	11	0	0	16

From 1st April 2008, employees retired on the grounds of permanent ill health, have been subject to the “New Scheme” assessment by the Occupational Health Practitioner. There are 3 tiers of enhancement, and theses are:-

- There is no reasonable prospect of the employee obtaining gainful employment* before reaching normal retirement age (age 65). In these cases service is awarded up to age 65
- The employee cannot obtain gainful employment* within a reasonable period** of leaving local government employment***, it is likely that they will be able to obtain gainful employment* before their normal retirement age (age 65). In these cases 25% of their potential service to age 65 is awarded.
- The employee may be capable of obtaining gainful employment* within a reasonable period** of leaving local government employment***. In these cases no additional award of service is applied. The benefits payable are subject to the individual undergoing a medical review after 18 months to ascertain whether the medical condition is such that the employee is still unable to perform the duties of their previous employment. The maximum period that a third tier pension may be paid is 3 years. When the 3 year period has expired the pension will cease. Upon the employee attaining the age of 65, the pension is brought back into payment.

Note: * gainful employment is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.
** reasonable period is defined as 3 years.
*** the term local government employment is used to indicate that the employee a member of the Local Government Pension Scheme, not that they work for a local authority.

The Local Government Pension Scheme Regulations 2008 introduced a protection for employees aged 45 and over who were members of the LGPS as at 31st March 2008. The protection ensures that any benefits paid as the result of ill health retirement are at least the same level as any potential benefits under the new regulations.

EARLY RETIREMENT COSTS MONITOR

As a result of a key recommendation by the Audit and Accounts Commission, local authorities were advised to calculate and monitor early retirement costs as they occurred within the LGPS between formal triennial valuations.

The Audit Commission recommended that each administering authority should ask their actuary to provide them with methods for determining early retirement costs. Our actuary, Hymans Robertson, consulted with other actuarial firms to agree a national approach. Our software provider subsequently programmed this into our 'Axis' pension system. As a result, the costs to the fund are automatically calculated each time an early retirement is processed.

This authority took the decision, in agreement with the fund actuary, to increase the employer's contribution rates as prescribed in the last valuation by 1%, effective from 1 April 2011, to meet anticipated early retirement costs. This 1% employer's contribution is locked in to the rate until March 2014.

This report is brought to committee quarterly to report on how the actual costs of early retirements compare to the 1% employer payment, over the 3 year valuation period.

MONITOR

Detail for Valuation Period 01.04.2011 to 31.03.2014

	Capital Cost of early retirement to the fund £000s	Payroll Total £000s	Cost as a % of payroll
2011/12	£1,108	£102,450	1.08
2012/13	£983	£95,114	1.03
To 30 September 2013	£236	£95,114	0.25
Average over previous valuation period			0.59

The payroll total figure above is based on the Employers Contributions reported in the Pension Fund Annual Report and Accounts as at 31 March 2013. The figures for 2011/12 have been restated based on this amount following receipt of year end figures.

FINANCIAL IMPLICATIONS

The cost to the pension fund of early retirements on the grounds of ill health is recorded by the pension's administration system and reported to the scheme Actuary. The cost includes the benefits being paid before the employees normal retirement date and any period of service awarded. Depending on which tier the retirement falls in to, determines the length of service to be awarded. Details of the service to be awarded against each Tier are shown above. All Employers within the fund have a notional budget built in to their Employers Contribution Rate to fund ill health retirements. If the notional figure is exceeded, this will result in an increase to that Employers Contribution Rate, at the next valuation of the fund.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

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Pensions Administration Performance	

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	None

SUMMARY

This report summarises pension administration performance across key areas of work for the period 1 July 2013 to 30 September 2013. There has been a marked and ongoing fall in Capita's overall performance and this report details the specific management actions underway to address this poor performance.

RECOMMENDATION

That the contents of the report be noted

BACKGROUND

On 1 April 2012, Pensions Administration was outsourced to Capita Employee Benefits (CEB), as part of a pan London Framework Agreement, delivering potential annual savings in administration costs of 27% to the pension Fund. Their performance is reported monthly to the Corporate Pensions Manager who monitors performance against the service level agreement contained within the Framework Agreement, based on national targets set for England and Wales. Comparisons, by performance indicator for the year 2012/13 against 2011/12, were included in the Annual Report for the Fund and showed a significant improvement.

This is the sixth report since CEB became responsible for pensions administration. Within the framework agreement there is a table of performance targets which CEB report against on a monthly basis. The targets are measured in working days for each function performed as part of the administration function. The contract sets the performance standard at 100% and performance levels are analysed to ensure performance achieves the required level.

PERFORMANCE FOR THE QUARTER TO 30 SEPTEMBER 2013

Reports on performance for the quarter to 30 September 2013 indicate an overall average performance of 76.47**%** per month over the quarter. Actual performance for each month was:

July - 93.87%; August - 72.03%; and September - 59.97%

The details of performance by task area are shown in the table attached. Average performance over the quarter has deteriorated significantly compared to the previous quarter which reported performance of 94.16%, a reduction of 17.7%. However, the continuing downward trend is of particular concern. Further analysis has been undertaken on September's performance and this is detailed in the final section of this report.

MANAGEMENT ACTION

As reported previously, Officers have been working closely with Capita to understand what is causing them problems with the management of the Hillingdon contract and to assist them in improving the quality of the data they maintain.

Capita have recently gone through a re-organisation of both their staff and processes which has contributed to the drop in the level of performance. Underperforming managers and staff have now left the organisation and they are introducing improved levels of management control. Whilst assurances have been given that the changes made, and those to be implemented, will ensure that the overall performance levels will return to the levels required within the framework agreement, further management action is needed by Hillingdon to ensure that this does happen. A recent appointment of a very experienced LGPS Pensions Manager should help to drive forward the improvements.

For the foreseeable future, Officers will continue to make regular visits to Capita offices to monitor progress of work and the development and maintenance of the Hillingdon database. Remote access to run reports on the CEB system has now been achieved and as a result much closer contract management and monitoring is now in place. Officers have the ability to check where specific cases are at in the Capita processes and to monitor all aspects of the administration.

Officers have been working closely with Capita to help improve the quality of their data, assisting with data cleansing and identifying problems with the data which can then be quickly amended. In addition, a meeting with HR and the Capital pension team has helped develop a better understanding of each others' priorities and a closer working relationship.

September Performance - Analysis of Activity by Type

Some further analysis has been undertaken on the September performance to add context and to identify if there are any recurring underlying issues.

Condolence Letter (80%): One of the key performance indicators where 1005 performance is expected. During September there was 1 case where a Condolence Letter was not sent out within 3 days. This related to a death notified to Capita by The Teachers Pension Scheme administrators, but no information was supplied regarding the Next of Kin. On investigation, it was found that there was no spouse's pension due.

Actual Retirement Benefits (72.41%): 8 retirement cases were calculated outside of the 3 day period, the latest case being processed 7 days after the retirement date. Two of these cases involved other employers within the LB Hillingdon fund, who did not inform Capita of the employee's retirement until the employees last day of service. As a result Officers have contacted the employer concerned and have instructed them to inform Capita of all impending retirements as soon as the retirement date is known. The other 6 cases were completed within 5 working days, 2 days over target.

Process Refund (65.52%): 10 cases were processed after the due date, the longest taking 13 days to process. Capita have amended their task management system to ensure cases are concluded within the set target.

Answer General Letter (68.04%): 31 cases took longer that the target 5 days. On investigation, it was discovered that the response was often drafted by a case worker but the manager tasked with checking the correspondence did not complete the task within the time limits. Changes to Capita processes have been suggested to amend their system to flag tasks nearing the deadline to the Pensions Manager as well as to the team supervisor to ensure that checking actions are completed on target.

Calculate/Notify Deferred Benefits (65.52%): 19 late cases. This activity is lowest in priority terms however, an action plan has been drawn up by Capita to ensure better performance in this area going forward.

Estimate of Retirement Benefits (57.14%): 4 cases took longer than 5 days to complete and this is another area of high priority and crucial to good relations with HR. All future estimates will be closely monitored to ensure time limits are complied with. The longest case took 8 days to complete.

Transfer Out Quotes (90%): There was only 1 late case.

New Entrants (56.45%): 70 cases took longer than 20 days to be set up. This is a major cause of concern, particularly as there were also 125 late cases in August. The severe drop in performance was directly due to the practises of one senior member of the team dealing with the Hillingdon contract. This member of staff is no longer employed by Capita and additional resources have been assigned to this particular task to ensure that the performance target is improved going forward. Although records were not created on time, the contributions due for these employees were deducted and received in the pension fund on time.

Added Years (71.43%): 5 cases took over 10 days to complete. These cases were given a low priority within the Capita workflow system. Whilst this is acceptable in the short term, a process needs to be developed to ensure that they are not delayed for too long a period.

Much of the management action has only been agreed over the last few weeks and so an improvement was not seen in the October performance figures, which reported an overall figure of 51.05%. However, it is hoped that November will have improved and a verbal update will be provided at the meeting.

Management Fee Rebate

Within the framework contract there is an underperformance “claw back” arrangement, such that should performance across a contractual year fall below 100%, a monthly reduction would be applied to the monthly contract fee.

During a meeting in June when the annual rebate for 2012/13 was agreed, it was also agreed that going forward, performance would be monitored and assessed on a monthly basis and any rebate calculated and repaid the following month. The maximum rebate which can be applied is 10% of the monthly management fee. In both August and September the full 10% was applied to the monthly management fee of £4,673.80, equating to £934.76.

PENSIONS ADMINISTRATION PEFORMANCE
July to September 2013

WORK TASK	ACTION REQUIREMENTS	JULY 2013		AUGUST 2013		SEPTEMBER 2013	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	10	100	10	100	5	80.00
Actual Retirement Benefits	3 Days	36	88.88	32	90.61	29	72.41
Letter notifying Dependants Benefits	5 Days	3	100	10	100	0	0
Process Refund	10 Days	56	96.43	32	93.75	29	65.52
Transfers in Actual	10 Days	0	0	1	100	0	0
Transfers in quote	10 Days	0	0	5	100	0	0
Answer General Letter	5 Days	86	88.37	85	88.24	97	68.04
Calc/Notify Deferred	15 Days	26	100	30	93.33	29	65.52
Estimate of Retirement Benefits	5 Days	22	95.45	23	91.30	7	57.14
Transfers Out Quote	5 Days	4	100	5	80.0	10	90.00
Transfers Out Actual	9 Days	0	0	0	0	0	0
New Entrants	20 Days	10	100	214	58.41	124	56.45
Added Years	10 Days	21	90.48	0	0	7	71.43

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Agenda Item 10

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