London Borough of Hillingdon

1st Quarter, 2015

Executive Report

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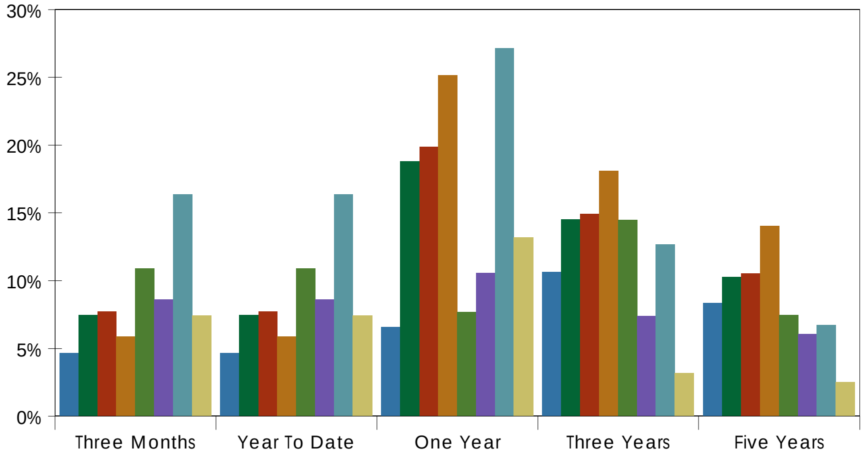
Equity Index Performance (in GBP)

Performance History



Performance Returns%

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	4.7	4.7	6.6	10.6	8.3
FT: World	7.5	7.5	18.8	14.5	10.3
FT: World ex UK	7.7	7.7	19.9	14.9	10.5
FT: AWI North America	5.9	5.9	25.1	18.1	14.0
FT: Developed Europe ex UK	10.9	10.9	7.7	14.5	7.5
FT: Developed Asia Pac x Jp	8.6	8.6	10.6	7.4	6.1
FT AW: Japan	16.4	16.4	27.1	12.7	6.7
MSCI Emerging Markets GD	7.4	7.4	13.2	3.2	2.5

Stability largely returned in the first quarter of 2015; the oil price ranged between $46 and $63 and Greece kept her nose above water, although tensions between Athens and the Eurozone continue to pose the greatest risk to the global economy. The IMF cut its global economic growth forecasts; to 3.5% for 2015 (which is around the 30 year average) and to 3.7% for 2016. The ability of emerging economies to continue buying US and European debt could be reduced as foreign currency reserves across the emerging markets fell for the first time in two decades. Those cash flows would be sorely missed in the west. That trend is linked to US monetary policy and the first upward Fed rate move for a decade could happen as early as June. The OPEC oil cartel held firm its decision to maintain production at 30m barrels a day and would do so "even if prices hit $20 a barrel". Saudi Arabia has the savings to absorb those losses but the effect on Nigeria which relies on oil for 80% of government revenues has been to throw the economy into turmoil and witness regime change. Globally, Health Care was the best performing sector over quarter one, Utilities was the worst. Oil was down slightly after the Q4 crash at $55 per barrel. The FTSE World was up by 7.5% (GBP) over quarter one 2015 and is ahead by 18.8% over the year (GBP).

The FTSE 100 broke through the 7000 barrier and grew 4.2% (GBP) over quarter one. UK GDP grew by 0.6% over Q4 making an annual rate of 2.8% for 2014 after estimates were revised up. The misery index (unemployment plus inflation) is at its lowest since the 60s and real household income is back to pre-crisis levels. BP reported profits for 2014 10% down year on year, the share price having fallen 16% since summer. Rolls Royce was implicated in the Petrobras scandal but recovered value over Q1. George Osborne is looking to put RBS back into the hands of the private sector as soon as possible, if he is still making the decisions after the general election May 7th. The bank will be cutting 14k jobs as it continues to shrink its investment banking business along with Barclays. Utilities lost most value over the quarter and Consumer Services made the biggest gains. Health Care was the best performing sector over the last 12 months. The FTSE All Share was up 4.7% (GBP) over the first quarter and remains ahead over one year, now by 6.6% (GBP).

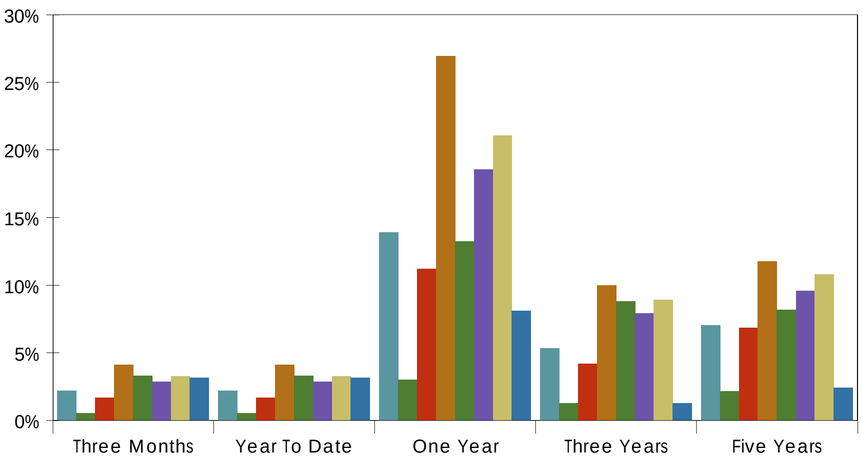
Eurozone GDP grew by 0.3% over quarter 4 resulting in 0.9% growth for 2014 after final estimates were released. The major European indexes enjoyed a buoyant Q1; France's CAC was up 18%, the Italian MIB 15% and the Spanish Ibex 12% (all EUR). Greece raided its public health service reserve fund to service bills for wages, pensions and loan repayments to the IMF as well as delivering lists of reforms to Eurozone authorities in an attempt to unlock a further EUR 7.2bn of frozen bailout. The new Syriza government was said to have impressed with its commitment to combat tax evasion and corruption after initially promising to kill the current bailout and its strict austerity programme. The EU blocked a EUR 12bn deal between Hungary and Russia to build two nuclear power stations. Daimler welcomed Apple's plans to enter the car market citing it as confirmation the industry has major growth potential. Shell lost value over Q1 coming in below analysts' expectations. Health Care gained most value over the quarter and Utilities was the worst performer. The FTSE Developed Europe ex UK index returned 10.9% (GBP) over quarter one and 7.7% (GBP) over the year.

US GDP grew at 2.2% in the fourth quarter, below the 3% expectation. The groundwork has been laid for Fed rate rises as the labour market has improved sufficiently and the inflation target is becoming more important. The dollar remains very strong, supported by high domestic demand but making exports less attractive and causing deflationary pressure. Apple posted a record breaking quarterly net profit of $18bn after sales of iPhones exceeded expectations. Wall Street predicted shares could rise to $180; a valuation of over $1tn. Apple unveiled its new Apple Watch (not "iWatch"). Pundits are divided over its prospects, although fashionable it is expensive and why we might need one remains unclear. It can be used for messaging, health monitoring and telling the time. McDonald's replaced its CEO after its 1st annual drop in same-store sales in over a decade. It is thought that its core lower income customers have struggled to recover from the impact of the financial crisis. Amazon posted a welcome return to profit in Q4 following several quarterly losses driven by investment in its video content service which is now paying dividends. Twitter recovered over the quarter beating expectations and despite continued slow growth in its user base. Over quarter one Health Care gained most value while Utilities lost the most. The FTSE North America index returned 5.9% (GBP) over the first quarter and 25.1% (GBP) for the year.

The Japanese government has called on big companies to spend some of their $800bn cash reserves. Big Brands like Canon and Asahi are looking at acquisitions in Europe and the US. Basic pay rose at its fastest pace in 15 years but inflation stalled for the first time in 2 years. Health Care led the Japanese sectors; Oil & Gas was again the worst performer. The FTSE Japan returned 16.4% (GBP) for quarter one and the FTSE Developed Asia Pacific ex Japan returned 8.6% (GBP). Chinese GDP grew 7.4% in 2014, the slowest pace since 1990 when sanctions followed the Tiananmen Square massacre. Chinese sales of the iPhone outstripped those sold in the US over 2014. Brazilian growth was just 0.1% last year and recession is forecast for 2015 as unpopular austerity measures are enforced and one corruption scandal follows another. Vladimir Putin commented that he was ready to put Russian nuclear weapons on alert during the annexation of Crimea. Foreigners are leaving Russia in swathes as the economic outlook continues to degrade. Gold was flat over the quarter ending March at $1,187 per ounce. The MSCI Emerging Markets index returned 7.4% (GBP) for the first quarter and 13.2% (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	2.2	2.2	13.9	5.3	7.1
FTSE All Stock 0-5 Yr. Gilts	0.6	0.6	3.0	1.3	2.2
FTSE All Stock 5-15 Yr. Gilts	1.7	1.7	11.2	4.2	6.9
FTSE All Stock > 15 Yr. Gilts	4.1	4.1	27.0	10.0	11.8
ML STG N-Gilts All Stocks	3.3	3.3	13.2	8.8	8.2
FTSE Index Linked	2.9	2.9	18.6	7.9	9.6
FTSE Index Linked 5+ yrs	3.3	3.3	21.1	8.9	10.8
JPM GBI Global	3.2	3.2	8.1	1.3	2.4

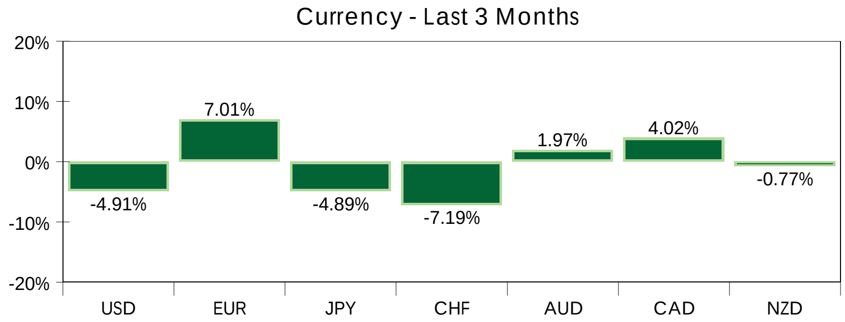
Chinese macro-economic data fell to multi-year lows in the first quarter of 2015, and the world's second-largest economy is struggling at a time when global growth has accelerated to a six-month high. The JP Morgan Global Manufacturing & Services PMI rose at the fastest pace for six months in March, with the 54.8 reading signalling the 30th consecutive month of expansion. China's indicators turned increasingly anaemic through the quarter. 2014's official growth figure of 7.4% was the slowest pace seen since 1990 at a time when China was hit with economic sanctions in the wake of the Tiananmen Square crackdown. The HSBC China Composite PMI - covering both manufacturing and services - saw a modest uptick to 51.8 in March, but the Manufacturing PMI slipped to 49.6 from February's 50.7. Lingering inflation concerns - the gain of 0.8% in January was a five-year low - saw the People's Bank of China surprise markets for the second time in four months, trimming a quarter of a percent from the benchmark interest rate, one of more than 25 central banks that stepped up their monetary easing in the first quarter of the year. Further easing certainly looks probable in Japan. CPI inflation stalled in February, easing for the seventh month in a row, meaning a zero percent annual rate compared with February 2014. While Japan's unemployment rate sits near a 17-year low of 3.6%, the outlook remains gloomy: the Tankan Survey, a quarterly poll of business confidence reported by the Bank of Japan, showed that most business leaders remain wary and plan to reduce capital investment. The JPM Global Government Bond index advanced 3.2% (GBP) over the first quarter of 2015, while the Barclays Capital Global Aggregate Corporate Bond index was up 3.8% (GBP).

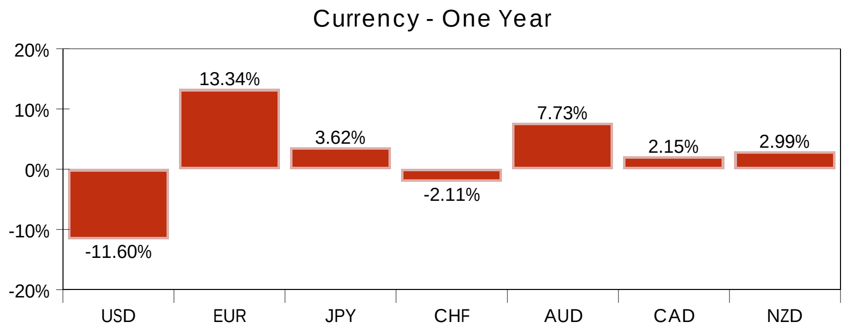
The fourth quarter's GDP numbers were revised up to 0.6% from 0.5%, meaning the economy climbed 2.8% in 2014. The annual inflation rate dropped to 0% in February, meaning that prices in the UK failed to rise in annual terms for the first time in almost 55 years. This bout of seriously low inflation - which the Bank of England considers temporary, brought on by the slump in oil prices - is being guardedly welcomed, with the belief that interest rates can remain justifiably anchored at 0.5% for a little while longer, that real incomes will benefit and will spur stronger economic growth. The emergency bank rate of 0.5% celebrated its six-year anniversary in March. Elsewhere, the Office for National Statistics (ONS) confirmed that unemployment fell to 1.86 million in the three months to January, and while the unemployment rate remained static at 5.7%, the number of people now in work is at the highest level since the ONS began keeping records in 1971. The number of successful mortgage applications hit a six-month high in February, the third month in a row that approvals have risen, and the highest rate since August 2014. The housing market recovery is boosting sales in UK high streets, with retail sales in February up 5.7% compared with February 2014. The Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) surged to an 8-month high in March through a combination of an acceleration in new orders and selling prices and input costs continuing to fall. At a reading of 54.4, the indicator has now remained above the neutral 50.0 level for 24 consecutive months. The benchmark 10-year gilt yield settled at 1.58% at the end of the quarter, down from 1.76% at the end of Q4. The FTSE All Stock Gilt index returned 2.2% (GBP) for the quarter while the ML Sterling Non-Gilts Index gained 3.3% (GBP).

Prices in the Eurozone fell for a fourth consecutive month in March, and while the rate of decline slowed to -0.1%, from -0.6% in January and -0.3% in February, meaning a return to inflation is close, the European Central Bank (ECB) had acted already. With the price of oil below $50 for the first time since 2008 and the macroeconomic outlook poor, the ECB announced an expanded stimulus package, pledging to a ¿60 billion monthly bond-buying program. The scale of the aggressive commitment to flood the Eurozone in newly created money caught markets by surprise and suppressed bond yields, with the ten-year German bund falling from 0.54% at the end of 2014 to 0.30% at the end of Q1. The snap elections in Greece that had caused so much concern early in the quarter, with anti-austerity party Syriza achieving a majority to become the largest party in the Hellenic Parliament, in the end had little impact on markets. A few days after the election, the victorious leftist party formed a coalition government, renegotiating and extending Greece's bailout terms, but also undertaking a commitment to pay back the country's creditors. The Eurozone's Composite Purchasing Managers Index, surveyed by Markit, moved higher in March as growth improved in Germany, Italy and Spain. The reading of 54.0 was an 11-month high and its joint-highest level for almost four years. The first quarter of 2015 saw the iTraxx Europe 5yr CDS index, representative of 125 investment grade entities across 6 sectors, widen from December's close of 40.95 to end March at 50.78. The JPM European Government Bond index returned 5.7% (EUR) for Q1 while the Barclay Capital Euro Aggregate Credit index posted 1.4% (EUR).

"Patience" was the buzzword in the United States in Q1. The Federal Reserve had stated in Q4 that it would adopt a patient approach when the time came for interest rates to be increased from their current emergency lows. The March statement, which summarises the Fed's outlook on the economy after the FOMC (Federal Open Market Committee) meeting, was eagerly awaited to see any clear sign of a change in stance from the central bank. The word "patience" was indeed omitted, with the Fed instead focusing on a required improvement in US job figures, and markets interpreted the overall tone as an indication that interest rate increases are still some months away. Despite a March slowdown in US job creation, consumer confidence remains high. The Conference Board's consumer sentiment index rebounded from 98.8 in February to 101.3 in March, close to the seven-and-a-half-year high seen in January, and in February, sales of newly built homes surged to their highest level in seven years, with the Commerce Department revealing that new-home sales jumped 7.8% from January's level and were 24.8% higher than February 2014. On the business front, growth in the manufacturing sector rose to a five-month high in March, as the Markit US Manufacting PMI settled at 55.7 in March as output and new orders rallied in March. The 10 year Treasury yield fell over the quarter from 2.17% to 1.92%. For the quarter the JPM US Govt Bond index was up 1.8% (USD) while the Barclays Capital US Aggregate Corporate Bond index returned 2.3% (USD).

Currency Performance (in GBP)





	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	-4.91	-4.91	-11.60	-2.45	-0.43
European Union euro	7.01	7.01	13.34	4.72	4.19
Japanese yen	-4.89	-4.89	3.62	10.10	4.56
Swiss franc	-7.19	-7.19	-2.11	-0.05	-2.04
Australian dollar	1.97	1.97	7.73	7.70	3.24
Canadian dollar	4.02	4.02	2.15	5.44	4.00
New Zealand dollar	-0.77	-0.77	2.99	0.51	-1.54

The first quarter of 2015 saw the Dollar strengthen against the Euro and Sterling. The Swiss franc soared in mid-January after the central bank abandoned the cap on the currency's value against the euro. The Swiss National Bank said the cap, introduced in September 2011, was no longer justified. It also cut a key interest rate from -0.25% to -0.75%, raising the amount investors pay to hold Swiss deposits. Compared to the euro, it increased in value by 14.20% this quarter. In Japan, as part of the efforts to keep the economy on its recovery path, Prime Minister Shinzo, Abe has urged small and midsize enterprises to raise wages. It also plans to raise the nationwide sales tax to ten percent from eight percent in April 2017 to help pay for rising welfare and healthcare costs. In China, growth is slowing as property prices fall, propelling more than 1,000 iron ore mines towards financial collapse. Chinese property developers are finding themselves forced to sacrifice profits to boost sale The downturn in in the housing market is leaving them with large inventories and limited access to new funding. The Peoples Bank of China has cut interest rates twice since November, in an effort to stimulate the economy. China's annual consumer inflation was 1.4% in February, compared with a five year low of 0.8% the previous month.

In the UK, Q1 2015 saw Sterling strengthen against the Euro, but weakened against the Dollar and Yen. At its March 5th, 2015 meeting, the Monetary Policy Committee of the Bank of England voted unanimously to maintain the lowest rates in British history at 0.5%. It was also voted that the stock of purchased assets financed by the issuance of the central bank reserves remain at £375bn. The Consumer Price Index (CPI) fell from 0.3% in January to 0.0% in February, the lowest rate since comparable records began in 1989. The main contributors to the slowdown came from food, fuel, furniture and furnishings and a range of recreational goods. The core inflation rate which strips out the effects of energy, food, alcohol and tobacco, fell to 1.2% in February compared with 1.4% in January. Order books for UK factories have stagnated as the strong pound and the protracted weakness of the Eurozone affect demand for British goods overseas. The CBI said that export order books stood at their lowest in more than two years following a sharp fall in March. The UK jobs market continued to improve in the three months to January with the number of people out of work falling by 102,000 to 1.86 million. This brings the unemployment rate down to 5.7%, the lowest since mid-2008. The employment rate was 73.3%, the highest since comparable records began in 1971. According to the Nationwide building society, the annual pace of house price growth slowed to 5.1% in March, down from 5.7% in February. The average house price in the UK now sits at £189,454. Sterling closed the quarter up against the Euro by 7.01%. It weakened against the Dollar and Yen by 4.91% and 4.89% respectively.

In the US, the Dollar gained significant ground on the Euro and Sterling. The cost of living climbed in February for the first time in four months. Increases in areas such as housing, energy and food lifted overall inflation more than expected, however, inflation over the last 12 months was unchanged after falling in January for the first time in over five years. Gasoline prices rose for the first time since June, up 2.4%. The Federal Reserve policymakers kept the interest rate at 0.25% during the meeting held on 18th March but dropped the pledge to be patient on rate rise bringing the possibility of higher borrowing costs as early as June. The un-employment rate for March was 5.5%, unchanged from February and is the lowest recorded in nearly seven years. Employers added 126,000 jobs in March, well below the 12-month rolling average of 269,000 new jobs per month. The number of unemployed was 8.6 million. The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 2.6 million in March 2015. These individuals accounted for 29.8% of the unemployed. The trade deficit dropped to $35.4bn in February from a revised $42.68bn in January. It is the lowest deficit since October 2009. In February, imports dropped by 4.4% to $222bn, the lowest since April 2011 and exports declined 1.6% to $186bn. Shipments to China dropped 8.9%, while those to the European Union were unchanged. The Dollar strengthened against the Euro, Sterling and Yen by 11.93%, 4.91% and 0.03% respectively.

In the Euro area, the Euro weakened against Sterling and the Dollar, but saw gains against the Yen. January 22nd saw the European Central Bank launch a government bond-buying programme which will pump hundreds of billions of new money into the Eurozone economy. The ECB said it will purchase sovereign debt from March until the end of September 2016, despite opposition from Germany's Bundesbank. Alongside its existing schemes to buy private debt and cheap loans to banks, the new quantitative easing programme will release 60 billion euros per month into the economy, the ECB president Mario Draghi said. By September 2016, more than one trillion euros will have been created by this quantitative easing programme, the last remaining policy option for reviving economic growth and warding off deflation. The euro dropped more than two US cents on the announcement. Business activity in the Eurozone hit a 46-month high in March, bolstering hopes that growth in the region is becoming more entrenched. The Eurozone composite Purchasing Manager's Index (PMI) data from Markit came in at 54.1 in March, up from 53.3 in February, marking the fastest growth in almost four years. The jobless rate for the currency bloc fell to 11.3% in February, compared to 11.4% in January 2015. This is the lowest rate since May 2012. Eurostat estimates that 18.2 million were unemployed in February 2015. The German unemployment rate remains low at 4.8%, while Spain dropped to 23.2%. The Euro ended the quarter down compared to the Dollar, Sterling and Yen by 11.93%, 7.01% and 0.41% respectively.

Scheme Performance

Global growth dynamics shifted in the first quarter 2015 with surprising economic momentum in the Eurozone starting to build. The FTSE 100 broke through the 7000 barrier over Q1 2015 posting a return of 4.7%; UK GDP grew by +0.6% over Q4 marking an annual rate of +2.8% for 2014. The UK unemployment plus inflation index is at its lowest level since the 1960s and real household income is back to pre-crisis levels. The price of crude oil ended the quarter slightly down at $55 per barrel compared to $57 at the end of December following the crash of late 2014. Globally Health Care and Consumer Services were the best performing sectors over quarter one 2015. Utilities lost most value followed by Oil & Gas. Globally Corporate Bonds continue to outperform Government Bonds.

Against this backdrop the London Borough of Hillingdon returned 4.78% which leads to an outperformance of 53 basis points against the Total Plan benchmark of 4.23%. In monetary terms this is a growth in assets of £36.5 million and the value of the combined scheme now stands at £801.3 million as at 31st March 2015. This period £15 million was transferred to AEW from UBS, while funds were taken from Private Equity and UBS Tactical and distributed to M&G and Macquarie. Looking further into the analysis the results seen were driven by the outperformance of Ruffer (+58 bps) and M&G (+12 bps) although this was offset by the negative impact of UBS and LGT Private Equity (both -12 bps). While in allocation terms most mandates are in line with the neutral position, so effects are minimal.

This means that the Scheme is just ahead of target over the rolling one year by posting a return of 10.44% against the total benchmark of 10.41%. Similar to the quarter the largest impact comes from Ruffer (+1.28%) this time coupled with the new GMO mandate (+21 bps), over this period though these gains are almost entirely wiped out due to Kempen (-85 bps) combined with UBS (-50 bps) and LGT (-28 bps); similar to the quarter, allocation is fairly balanced and leads to no impact. While over the longer periods, the Scheme continues to outperform, producing a return of 9.85% over three year versus 9.03%, while for 5 years we see figures of 7.73% versus 6.81% per annum. Then since inception in September 1995, the Fund remains ahead of target by 8 basis points with an annualised return of 6.97% against 6.89%.

Manager Performance

AEW UK

In the first quarter of 2015 the AEW UK property mandate posted a return of 2.91% which is 11 basis points ahead of the IPD UK PPFI All Balanced Funds index figure of 2.8%. Then in the nine months since inception in June 2014, the fund return increases to 11.70%, although this is still below the IPD figure of 11.83%, which translates as a relative underperformance of -11 basis points.

GMO Global

In the first full quarter of investment the GMO Global mandate produced a return of 1.34% which is 0.95% above the OECD CPI G7 (GBP) Index figure of 0.38%. In the short period since the start of November 2014 when the fund incepted, the return rises slightly to 1.52%, while the benchmark falls to -0.32%, leading to the outperformance increasing to 1.85%.

JP Morgan

During the latest quarter JP Morgan produced a 1.33% return which was 44 basis points ahead of the 0.88% target for the 3 Month LIBOR + 3% p.a. Although this is not enough to make up the losses seen over the previous periods and they fall -1.52% and -0.48% short of the target over the one and three years respectively. However, outperformance is seen since November 2011, where they post a return of 3.93% versus 3.66%, which is 0.26% on a relative annualised basis.

Kempen

Once again the Kempen mandate posted underperformance over the quarter at -0.49% caused by a return of 7.58% compared to the 8.11% posted by the MSCI All World Index +2%. With 6 quarters in the red in just over 2 years of investing all time periods show underperformance, with 12.83% vs 22.05% for the year and culminating in a return since inception in January 2013 of 8.96% versus the benchmark of 19.04%; which is a relative return of -8.47%.

Macquarie

In the latest quarter Macquarie posted 1.60%, leading to a relative return of 0.71%, when compared to the 0.88% for the 3 Month LIBOR +3% p.a. This leads to a growth over one year of 10.86% which is 7.04% ahead of the benchmark of 3.57%; although over 3 years the return falls to 3.15% which is -43 basis points short of the yardstick of 3.60%. Then since inception they've delivered ten negative quarterly relative returns, leading to an annualised loss of -3.24% against the target of 3.71%. Although the since inception Internal Rate of Return for this portfolio closes the gap with a figure of 2.31%% against 3.58%.

M&G Investments

In contrast to the previous quarter M&G produced a 3.79% return, which against the 3 Month LIBOR +4% pa return of 1.12% translates as an outperformance of 2.64%. This more than makes up for last quarter and outperformance is seen in all longer periods, over the year the account registers 8.54% against 4.57%, the 3 year return falls to 6.57% and then falls slightly more since inception (May 2010) to 5.75% pa whilst the benchmark is 4.72% pa. Although the since inception Internal Rate of Return moves further ahead of target with a figure of 6.73% opposed to the comparator of 4.52%.

Manager Performance

Newton

During the first quarter of 2015 investments with Newton grew 6.49%, however compared to the FTSE World Index +2% return of 8.15% this leads to the largest underperformance of -1.53%. With eight consecutive quarters of underperformance all longer periods are in the red, for 1 year the relative return is -5.30%, while the inception to date (January 2013) figure of -4.09% comes from a fund return of 12.35% against the benchmark of 17.14%.

Premira Credit

In the first full quarter of investment the Premira Credit mandate produced a return of 1.45% which is 32 basis points above the 3 Month LIBOR 43% p.a. target of 1.12%. In the short period since the start of December 2014 when the fund incepted, the return remains at 1.45%, while the benchmark rises to 1.36%, leading to the outperformance decreasing to just 9 basis points.

Ruffer

The Ruffer portfolio grew 5.23% over the last three months against 0.14% for LIBOR 3 Month GBP, demonstrating the highest outperformance of 5.09%. With only 4 quarters in the red in almost five years they've been funded they demonstrate positive absolute and relative returns across all periods, culminating in since inception (May 2010) figures of 7.13% versus 0.70% per annum, which translates as a relative return of 6.38%.

Private Equity

The private equity assets, consisting of funds with Adam Street and LGT, continued to grow over the start of 2015 with Q1 figures of 9.43% and 1.35% respectively, leading to rolling one year figures of 29.29% and 6.84%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. Over three years, Adam Street posts 16.93% and LGT 7.71% on an annualised basis, while over 5 years Adam Street sees a fall to 14.15%, while LGT increases further to 8.89%. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to 4.85% pa, while LGT sees a slight dip to 8.16%
At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 6.10% in the quarter which was just 7 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 12.35% return, which is a mere basis point above the target, while over 3 years the per annum return falls slightly to 11.25% which is just 8 basis points behind the benchmark. Since inception (November 2008) a return of 12.82% pa is just 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 0.12.

UBS

UBS UK Equity investments increased 3.77% over the last quarter, although compared to the FTSE All Share figure of 4.67% this translates as an underperformance of 0.85%. Looking into the attribution analysis, the most significant negative effect was selection in Consumer Services (-51 bps) coupled with Financials (-46 bps), partly offset by the positive impact of Oil & Gas (+60 bps). Whilst within allocation the most notable effect was the overweight of Oil & Gas (-33 bps) combined with the cash drag of -25 bps. These results feed into the 1 year deficit, with a figure of 3.20% over the last twelve months leading to a relative return of -3.17%. This underperformance is attributable to allocation, with the overweight of Oil & Gas (-0.84%) and underweight of Consumer Goods (-0.63%) being the stand-out effects. While in selection the positive impact in Oil & Gas (0.96%) was more than offset by the negative effects the largest coming from Health Care (-0.86%). Due to the previous good results UBS maintain outperformance over the longer time periods, translating as a since inception return of 10.23% versus 8.99% on an annualised basis.

UBS Property

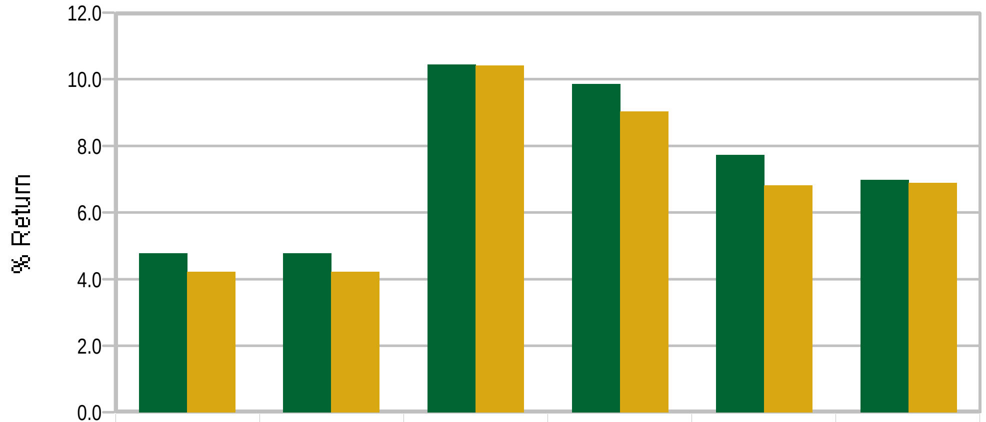
The UBS Property portfolio posted an absolute return at 3.60% over the latest quarter, which was 78 basis points above the IPD UK PPFI All Balanced Funds index figure of 2.80%. Driven by Q2 2014, outperformance is seen over one, three and five years, with relative returns of 1.70%, 0.38% and 0.21% respectively. However, since inception, in March 2006, the fund still falls short with 2.43% per annum while the benchmark shows 2.60%, translating as an underperformance of -17 basis points.

UBS Tactical

During the current quarter the UBS Tactical mandate posts a return of 6.42% which relatively is -15 basis points short of the Barclays US Inflation Linked Index figure of 6.58%. However, driven by the first two quarters of 2014 they produce outperformance over longer periods, with both high absolute and relative returns over the year with figures of 18.12 versus 16.43%. Since the inception of the fund the return falls to 4.57%, although this still compares favourably to the index figure of 3.72%, leading to an outperformance of 0.82%.

London Borough of Hillingdon

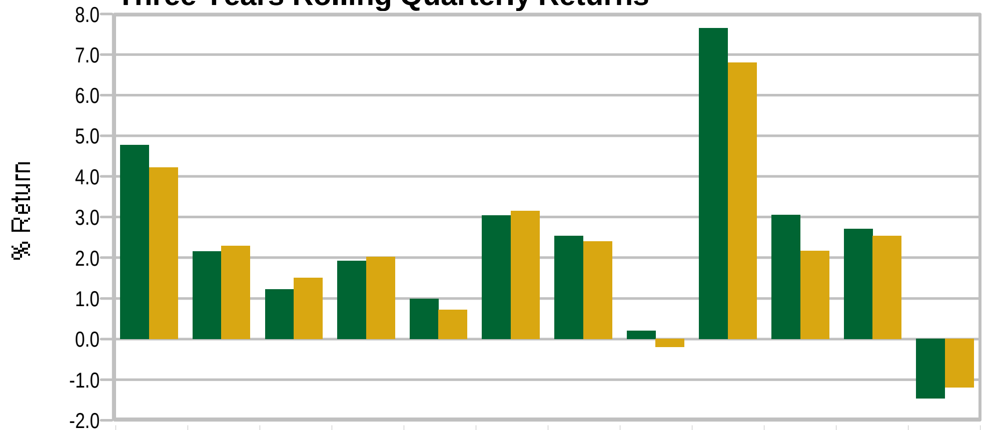
Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.78	4.78	10.44	9.85	7.73	6.97
Benchmark	4.23	4.23	10.41	9.03	6.81	6.89

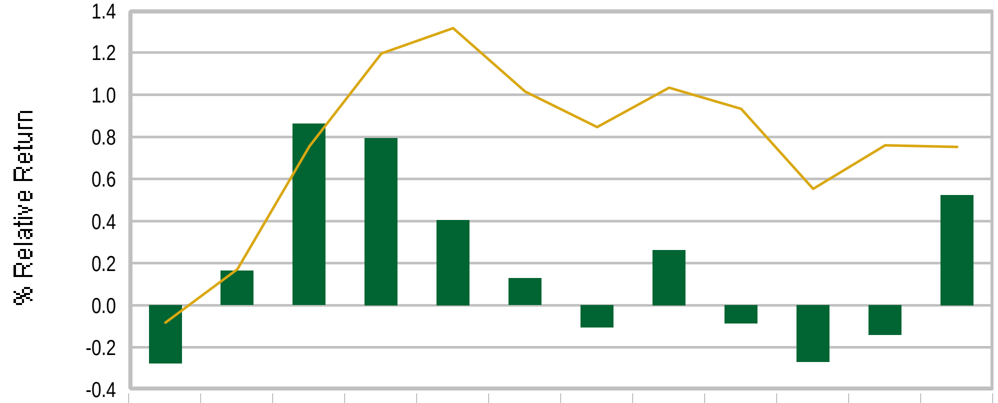
Risk Statistics - 3 years	Fund	B'mark
Performance Return	9.85	9.03
Standard Deviation	5.05	4.73
Relative Return	0.75	
Tracking Error	0.95	
Information Ratio	0.86	
Beta	1.05	
Alpha	0.36	
R Squared	0.97	
Sharpe Ratio	1.80	1.75
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	764,791	
Net Investment £(000)	-1	
Income Received £(000)	2,305	
Appreciation £(000)	34,228	
Closing Market Value (£000)	801,323	

Three Years Rolling Quarterly Returns



	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12
Fund	4.78	2.16	1.23	1.93	0.99	3.04	2.53	0.20	7.65	3.05	2.71	-1.47
Benchmark	4.23	2.30	1.50	2.02	0.73	3.15	2.40	-0.20	6.80	2.17	2.54	-1.19

Three Years Rolling Relative Returns



	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
3M Relative	-0.28	0.16	0.86	0.80	0.41	0.13	-0.11	0.26	-0.09	-0.27	-0.14	0.53
3Y Relative	-0.08	0.17	0.76	1.20	1.32	1.02	0.85	1.03	0.93	0.55	0.76	0.75

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	801.3	100.00	4.78	4.23	0.55	0.53	4.78	4.23	0.55	0.53	10.44	10.41	0.03	0.03

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	22.5	2.81	9.43	-	-	-	9.43	-	-	-	29.29	-	-	-
AEW UK	32.1	4.01	2.91	2.80	0.11	0.11	2.91	2.80	0.11	0.11	-	-	-	-
GMO Global	65.7	8.20	1.34	0.38	0.96	0.95	1.34	0.38	0.96	0.95	-	-	-	-
JP Morgan	38.4	4.80	1.33	0.88	0.45	0.44	1.33	0.88	0.45	0.44	1.99	3.57	-1.58	-1.52
Kempen	87.3	10.89	7.58	8.11	-0.53	-0.49	7.58	8.11	-0.53	-0.49	12.83	22.05	-9.22	-7.56
LGT	12.7	1.59	1.35	-	-	-	1.35	-	-	-	6.84	-	-	-
M&G Investments	35.2	4.39	3.79	1.12	2.67	2.64	3.79	1.12	2.67	2.64	8.54	4.57	3.96	3.79
Macquarie	13.2	1.65	1.60	0.88	0.72	0.71	1.60	0.88	0.72	0.71	10.86	3.57	7.29	7.04
Newton	27.2	3.39	6.49	8.15	-1.66	-1.53	6.49	8.15	-1.66	-1.53	15.05	21.49	-6.44	-5.30
Premira Credit	5.4	0.67	1.45	1.12	0.33	0.32	1.45	1.12	0.33	0.32	-	-	-	-
Ruffer	94.9	11.84	5.23	0.14	5.09	5.09	5.23	0.14	5.09	5.09	12.26	0.55	11.71	11.64
SSGA	161.8	20.19	6.10	6.18	-0.07	-0.07	6.10	6.18	-0.07	-0.07	12.35	12.34	0.01	0.01
UBS	104.9	13.09	3.77	4.67	-0.89	-0.85	3.77	4.67	-0.89	-0.85	3.20	6.57	-3.38	-3.17
UBS Property	65.3	8.15	3.60	2.80	0.80	0.78	3.60	2.80	0.80	0.78	18.62	16.64	1.98	1.70
UBS Tactical	32.0	4.00	6.42	6.58	-0.16	-0.15	6.42	6.58	-0.16	-0.15	18.12	16.43	1.69	1.45

Total Fund Market Value at Qtr End: £801.3 M

Scheme Performance

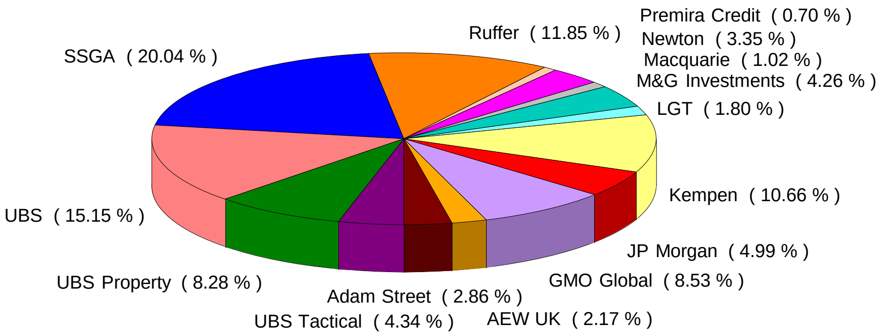
	Three Years				Five Years					Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	9.85	9.03	0.82	0.75	7.73	6.81	0.92	0.86	30/09/95	6.97	6.89	0.08	0.08

By Manager

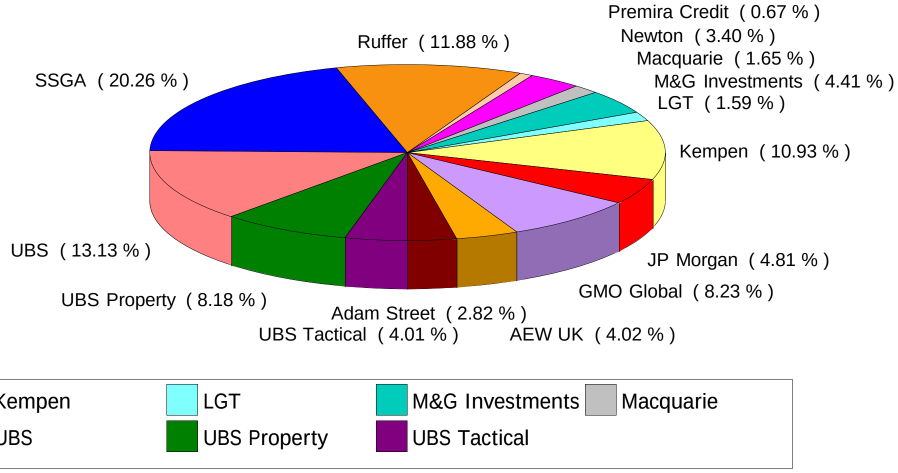
	Three Years				Five Years					Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Adam Street	16.93	-	-	-	14.15	-	-	-	31/01/05	4.85	-	-	-
AEW UK	-	-	-	-	-	-	-	-	30/06/14	11.70	11.83	-0.13	-0.11
GMO Global	-	-	-	-	-	-	-	-	31/10/14	1.52	-0.32	1.84	1.85
JP Morgan	3.11	3.60	-0.49	-0.48	-	-	-	-	08/11/11	3.93	3.66	0.27	0.26
Kempen	-	-	-	-	-	-	-	-	31/01/13	8.96	19.04	-10.08	-8.47
LGT	7.71	-	-	-	8.89	-	-	-	31/05/04	8.16	-	-	-
M&G Investments	6.57	4.61	1.96	1.87	-	-	-	-	31/05/10	5.75	4.72	1.03	0.99
Macquarie	3.15	3.60	-0.45	-0.43	-	-	-	-	30/09/10	-3.24	3.71	-6.94	-6.69
Newton	-	-	-	-	-	-	-	-	24/01/13	12.35	17.14	-4.79	-4.09
Premira Credit	-	-	-	-	-	-	-	-	30/11/14	1.45	1.36	0.09	0.09
Ruffer	7.86	0.63	7.23	7.19	-	-	-	-	28/05/10	7.13	0.70	6.42	6.38
SSGA	11.25	11.35	-0.09	-0.08	8.86	8.86	0.00	0.00	30/11/08	12.82	12.81	0.01	0.01
UBS	14.02	10.63	3.39	3.06	9.92	8.34	1.58	1.46	31/12/88	10.23	8.99	1.24	1.14
UBS Property	9.82	9.40	0.42	0.38	8.67	8.44	0.23	0.21	31/03/06	2.43	2.60	-0.17	-0.17
UBS Tactical	-	-	-	-	-	-	-	-	30/06/13	4.57	3.72	0.85	0.82

Total Fund Market Value at Qtr End: £801.3 M

Weighting at Beginning of Period



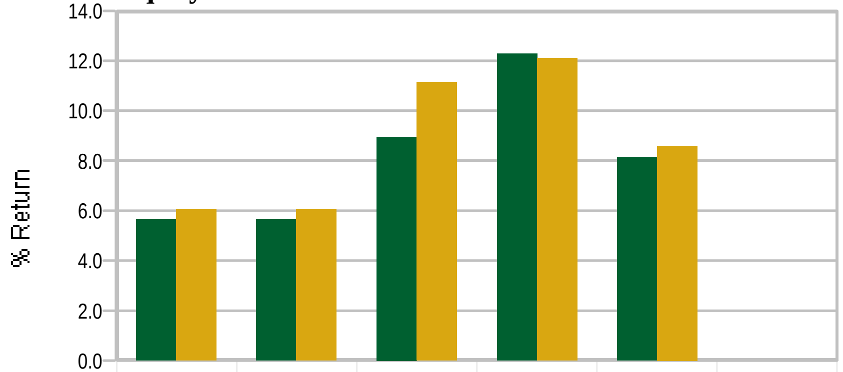
Weighting at End of Period



	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	764,791	100.00	-1	34,228	2,305	801,323	100.00
Adam Street	21,728	2.84	-1,159	1,976	0	22,546	2.81
AEW UK	16,500	2.16	15,000	295	329	32,124	4.01
GMO Global	64,856	8.48	2	868	3	65,729	8.20
JP Morgan	37,941	4.96	2	504	0	38,447	4.80
Kempen	81,129	10.61	0	6,086	60	87,276	10.89
LGT	13,723	1.79	-1,160	169	-0	12,732	1.59
M&G Investments	32,416	4.24	1,500	1,285	0	35,201	4.39
Macquarie	7,741	1.01	5,298	153	-0	13,192	1.65
Newton	25,517	3.34	0	1,656	0	27,173	3.39
Premira Credit	5,300	0.69	0	77	0	5,377	0.67
Ruffer	90,164	11.79	-0	4,370	349	94,883	11.84
SSGA	152,480	19.94	0	9,308	0	161,787	20.19
UBS	115,229	15.07	-15,000	3,692	949	104,870	13.09
UBS Property	63,027	8.24	-3	1,669	603	65,296	8.15
UBS Tactical	32,995	4.31	-3,050	2,062	11	32,018	4.00

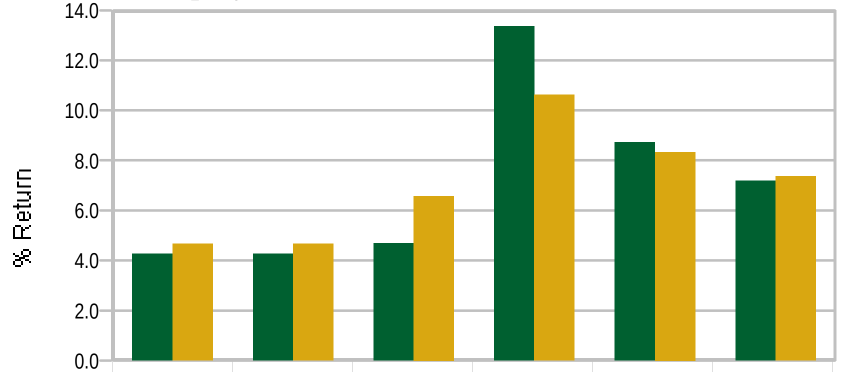
London Borough of Hillingdon

Equity



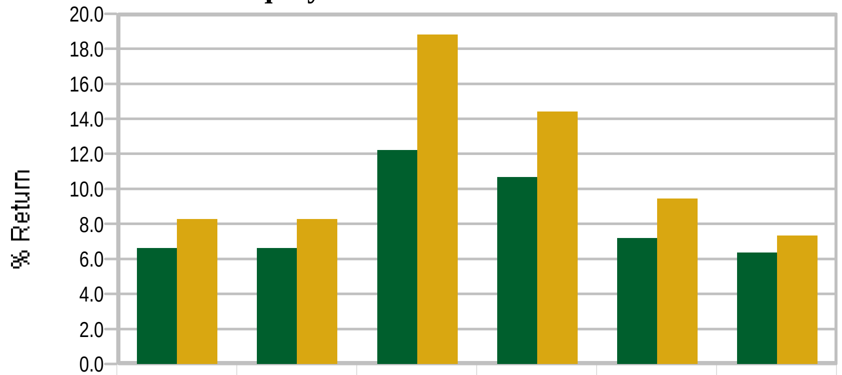
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.66	5.66	8.95	12.28	8.14	-
B'Mark	6.06	6.06	11.15	12.10	8.59	-

UK Equity



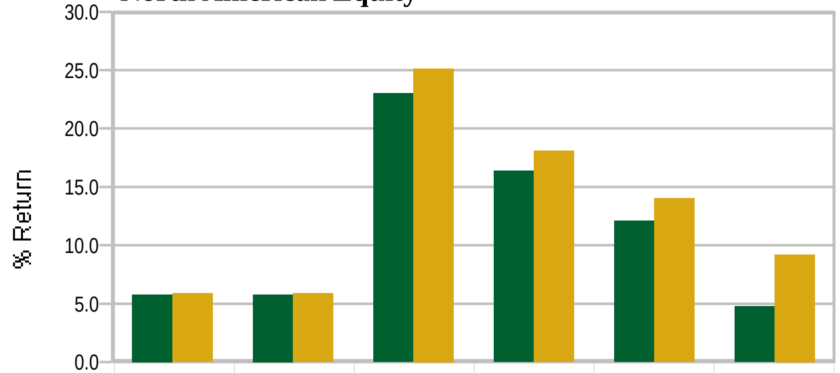
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.28	4.28	4.70	13.37	8.73	7.19
B'Mark	4.67	4.67	6.57	10.63	8.34	7.37

Overseas Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	6.60	6.60	12.21	10.65	7.19	6.34
B'Mark	8.28	8.28	18.80	14.41	9.43	7.32

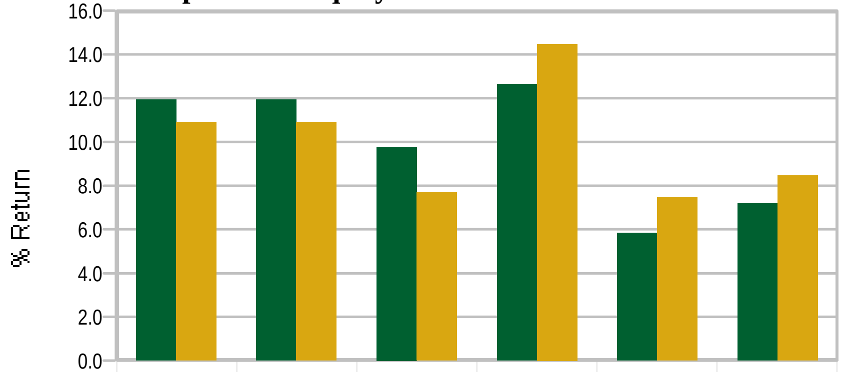
North American Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.79	5.79	23.02	16.41	12.12	4.77
B'Mark	5.90	5.90	25.14	18.08	14.03	9.21

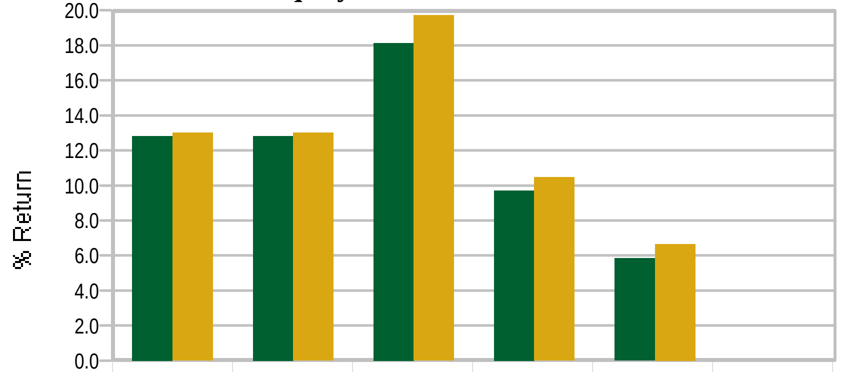
London Borough of Hillingdon

Europe ex UK Equity



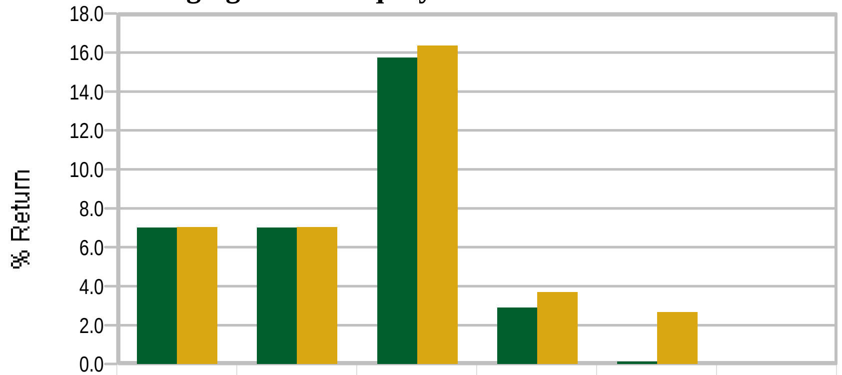
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	11.95	11.95	9.78	12.65	5.83	7.19
B'Mark	10.91	10.91	7.69	14.49	7.45	8.47

Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	12.84	12.84	18.13	9.73	5.86	-
B'Mark	13.01	13.01	19.72	10.48	6.66	-

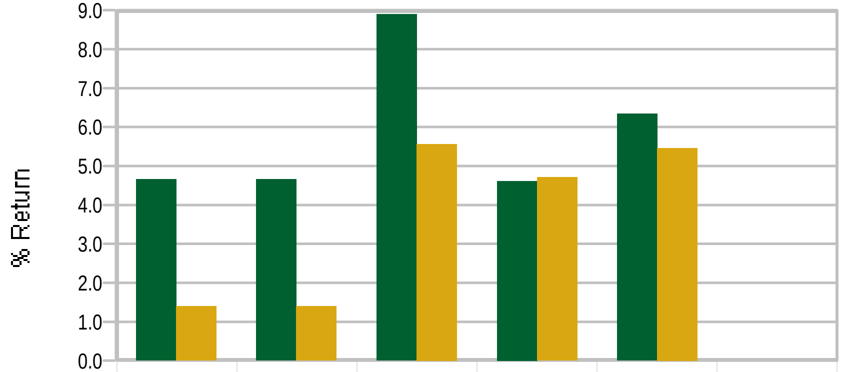
Emerging Market Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	6.99	6.99	15.74	2.87	0.13	-
B'Mark	7.05	7.05	16.34	3.68	2.67	-

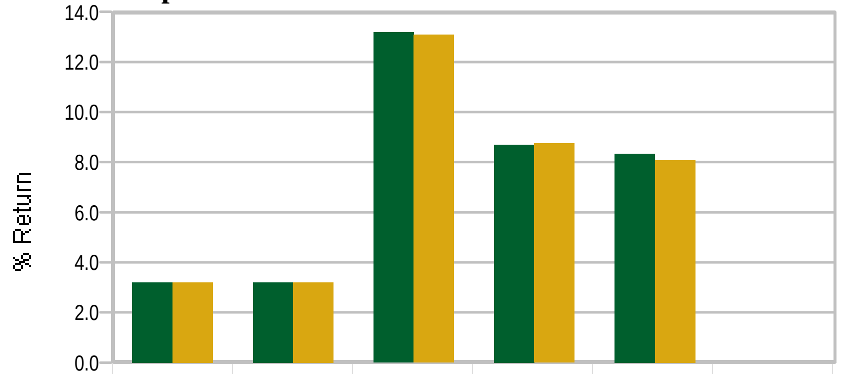
London Borough of Hillingdon

Fixed Income



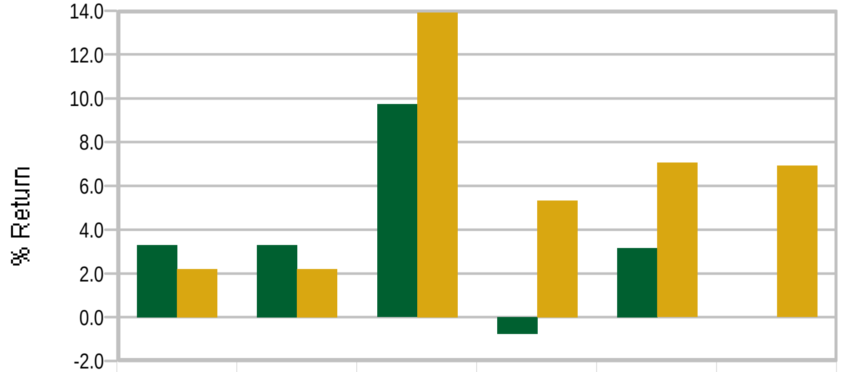
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.67	4.67	8.90	4.62	6.34	-
B'Mark	1.40	1.40	5.57	4.71	5.46	-

Corporate Bonds



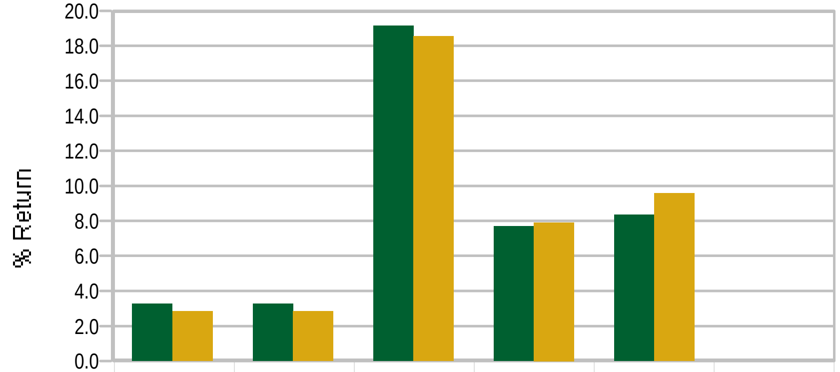
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.22	3.22	13.19	8.70	8.35	-
B'Mark	3.21	3.21	13.09	8.75	8.08	-

Government Bonds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.30	3.30	9.73	-0.77	3.16	-
B'Mark	2.20	2.20	13.91	5.32	7.06	6.92

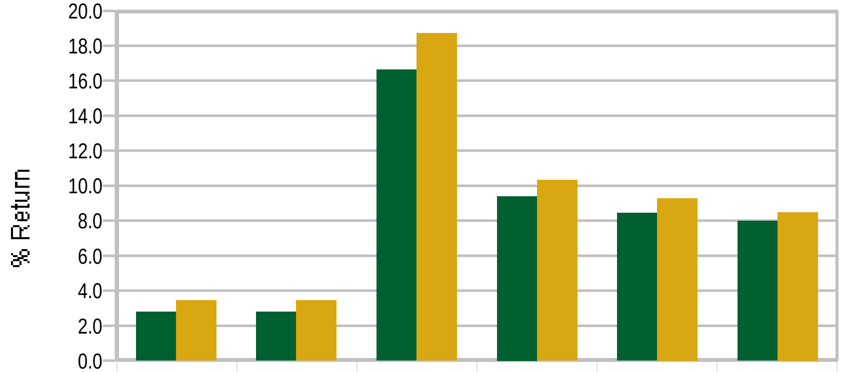
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.27	3.27	19.14	7.70	8.35	-
B'Mark	2.86	2.86	18.55	7.92	9.58	-

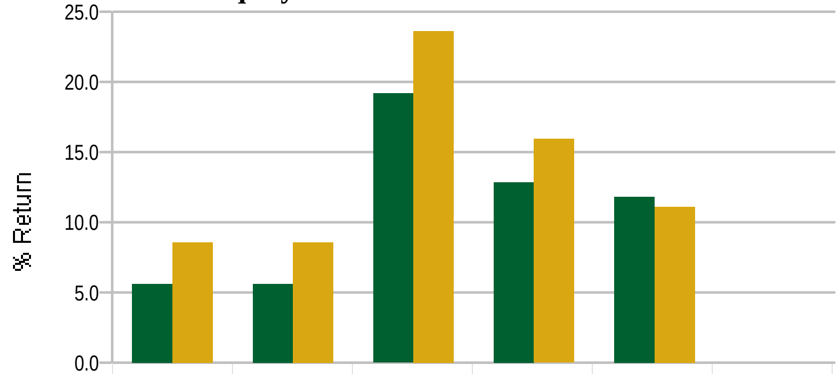
London Borough of Hillingdon

Real Estate



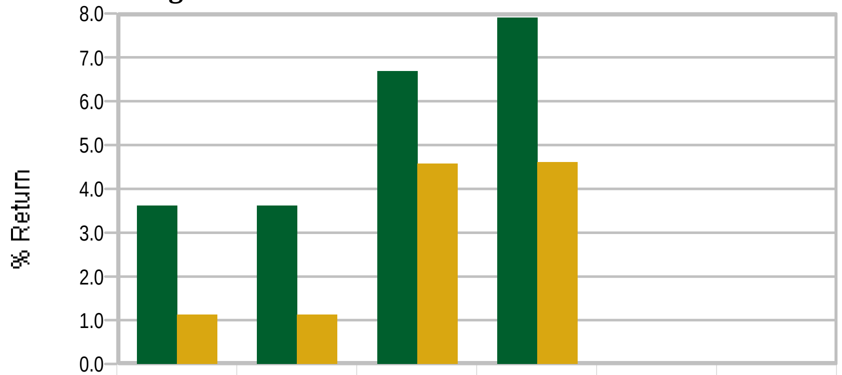
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.46	3.46	18.72	10.32	9.29	8.48
B'Mark	2.80	2.80	16.64	9.40	8.44	7.99

Private Equity



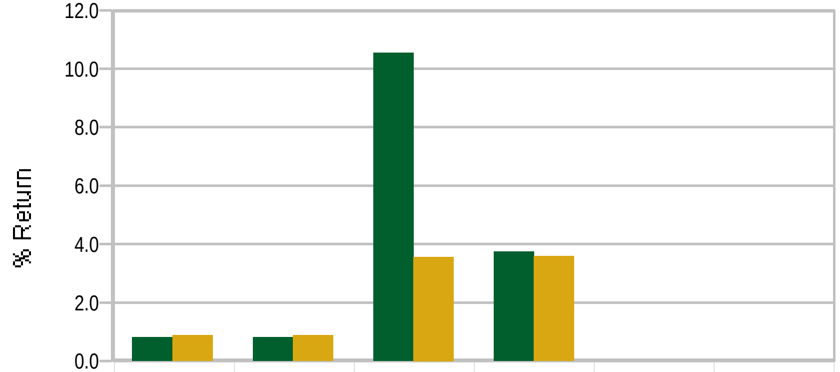
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.63	5.63	19.16	12.86	11.84	-
B'Mark	8.58	8.58	23.65	15.95	11.11	-

Hedge Funds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.62	3.62	6.69	7.91	-	-
B'Mark	1.12	1.12	4.57	4.61	-	-

Infrastructure



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.81	0.81	10.56	3.75	-	-
B'Mark	0.88	0.88	3.57	3.60	-	-

Total Plan Benchmark

24.2 FTSE All Share
2.3 FTSE AW North America
2.2 FTSE AW Developed Europe ex UK
2.3 FTSE AW Developed Asia Pacific
0.6 FTSE All World All Emerging
2.1 FTSE Index Linked Gilts
1.8 BC Sterling Aggregate 100mm Non Gilts
10.0 IPD UK PPFI All Balanced Funds Index
3.4 FTSE World Index +2%
4.9 MSCI All Countries World Index
9.1 LIBOR 3 Month + 3%
0.3 FTSE All Stock Index
11.0 LIBOR 3 Month
11.0 MSCI World Index +2%
2.0 BC US Govt Inflation Linked Bond Index
8.9 OECD CPI G7 (GBP) Index
4.1 LIBOR 3 Month + 4%

AEW UK

100.0 IPD UK PPFI All Balanced Funds Index

GMO Global

100.0 OECD CPI G7 (GBP) Index

JP Morgan

100.0 LIBOR 3 Month + 3%

Kempen

100.0 MSCI All World Index +2%

M&G Investments

100.0 LIBOR 3 Month + 4%

Macquarie

100.0 LIBOR 3 Month + 3%

Newton

100.0 FTSE World Index +2%

Permira Credit

100.0 LIBOR 3 Month + 4%

Ruffer

100.0 3 Month Sterling LIBOR

SSGA

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

UBS

100.0 FTSE All Share

UBS Property

100.0 IPD UK PPFI All Balanced Funds Index

UBS Tactical

100.0 BC US Govt Inflation Linked Bond Index

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