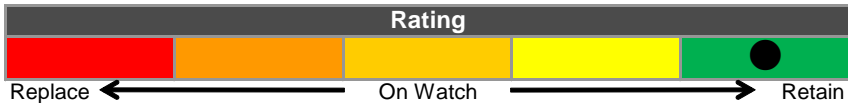


Agenda Item 07

BlackRock - UK Equity

Recent News & Rating



No significant news to report this quarter.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The portfolio underperformed its benchmark over the second quarter of 2014 although the 12 month return is 0.4% ahead of benchmark. The portfolio saw a reversal of factors which had been driving performance ahead of benchmark and a number of positions that had benefitted in the last year reversed. Longer term returns remain ahead of benchmark (over 5 years) although relative performance over 3 years is less strong (marginally negative relative to benchmark).

The reversal of factors driving market returns was most evident in the mid-cap area of the market, not least in parts supplier Essentra, which fell as investors became concerned by the risks to GDP growth if interest rate policy reversed. There was no company specific news and BlackRock believe that the company will continue to deliver growth and to improve its margin profile through self-help measures. The Fund's exposure to UK property through housebuilders Bovis and Barratt detracted from returns. The UK housing shares were caught in the market rotation and also impacted by Bank of England Governor Mark Carney's comments regarding the path of interest rate rises. In contrast to Bernstein, BlackRock benefitted from holding Shire and AstarZeneca. They have also chosen to sell their Vodafone holding.

Changes in the portfolio included selling Whitbread and Babcock on the back of strong share performance and Tullow Oil reflecting increased risk to short term outlook. They invested in Friends Life which they believe can now benefit from recent acquisitions and EasyJet which they believe can benefit from its review of unprofitable operations and stronger competitive position.

Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	1.0	13.6	8.8	14.8
Benchmark	2.2	13.1	8.9	14.5
Relative	-1.2	0.4	-0.1	0.3

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.1	2.0

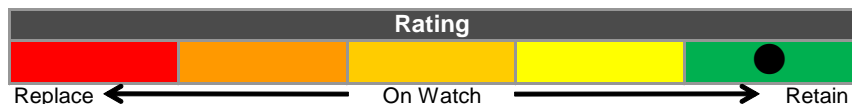
3 Year Tracking Error

Actual % p.a.	Target % p.a.
1.6	-

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

Newton - Global Equity - Summary

Recent News & Rating



There were no significant developments at Newton that affect the management of the Scheme's assets. Despite the disappointing relative performance over the last year, Newton remain one of our preferred global equity managers and we believe that the changes over the last few years have settled in under the leadership of Jeff Munroe.

Comment

The Fund underperformed over the quarter and has had a disappointing twelve months but remains ahead of benchmark over 3 years. Although behind benchmark over 5 years, absolute returns have been strong over this period (close to 13% p.a.)

The main negatives over the quarter came from the healthcare, technology and telecommunications sectors. Within healthcare, Pfizer was among the top detractors after it was impacted by a rejected bid for AstraZeneca. In the telecoms sector, Vodafone disappointed on earnings and the technology sector lagged the market.

A number of holdings were rotated, Newton exited Coca Cola Enterprises (following valuation re-rating over the last 18 months), Adobe (high valuation) and Bangkok Bank (cyclical headwinds) and new positions were taken in Japanese internet business Softbank (solid pricing and domestic fundamentals) and Kraft (management initiatives to reinvigorate the company). They added to their existing position in retailer TJX after a price fall on disappointing results due to what Newton believe to be transient issues.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.0	7.1	8.5	12.7
Benchmark	2.4	9.4	8.1	13.5
Relative	-0.4	-2.1	0.4	-0.7

3 Year Relative Return

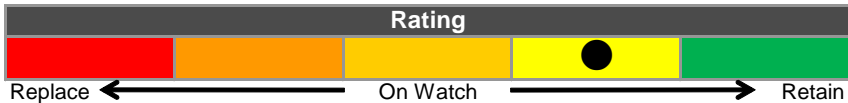
Actual % p.a.	Target % p.a.
0.4	2.5

3 Year Tracking Error

Actual % p.a.	Target % p.a.
3.8	5-7

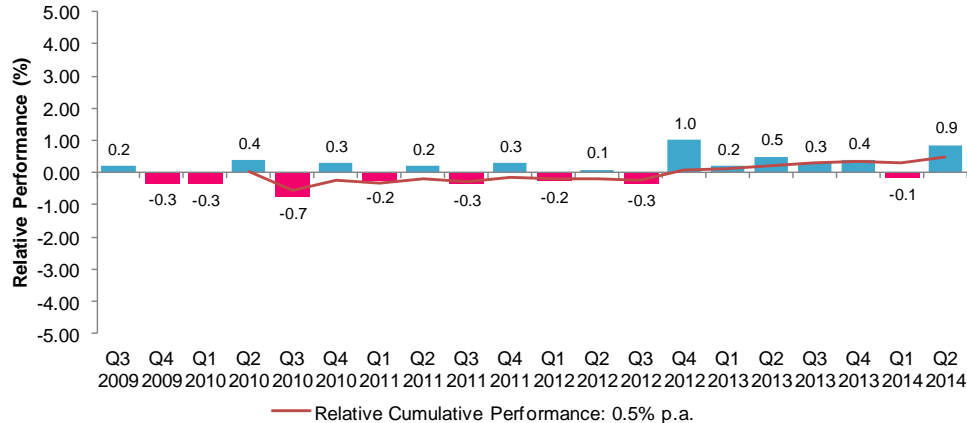
Schroder - Property Fund of Funds

Recent News & Rating



No significant news to report. Our rating remains unchanged.

Relative Quarterly and Relative Cumulative Performance [i]



Comment

The Property portfolio outperformed its benchmark, and has exceeded its target over one and three years. Schroder expect the core balanced funds in the portfolio to deliver returns which are broadly in line with the benchmark, and for the portfolio's value added, sector specialist funds to drive out-performance. This has generally been the case and over one, three and five years the portfolio's value added, specialist funds have been the key contributors to out-performance. Central London offices and the West End of London PUT in particular have been the strongest performers.

Schroders are looking to reduce central London exposure and redeploy capital to funds with a higher degree of exposure to the regions (a redemption is outstanding re the Henderson central London Office Fund of c£1.3m). Schroders believe Industrials continue to offer solid income driven fundamentals and are looking to deploy capital to this sector as opportunities arise. They are looking at increasing the portfolio's allocation to this sector with a newly created fund targeting smaller multi-let industrials. The most significant under-weight is to rest of UK offices. The portfolio's exposure is purely through the core, balanced funds as at present there are no sector specific vehicles. Schroders are actively reviewing opportunities in this sector. They continue to be supportive of alternatives although expect weaker performance compared to mainstream commercial property in the near term. Schroders remain attracted to the steady income return from alternatives.

Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	5.2	16.7	7.6	9.7
Benchmark	4.3	15.1	6.6	9.2
Relative	0.9	1.5	0.9	0.5

3 Year Relative Return

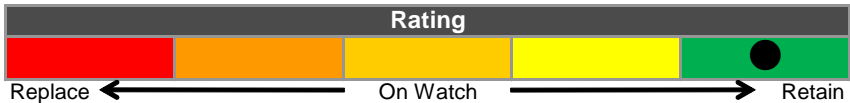
Actual % p.a.	Target % p.a.
0.9	0.75

3 Year Tracking Error

Actual % p.a.	Target % p.a.
0.9	-

Pyrford - Absolute Return

Recent News & Rating



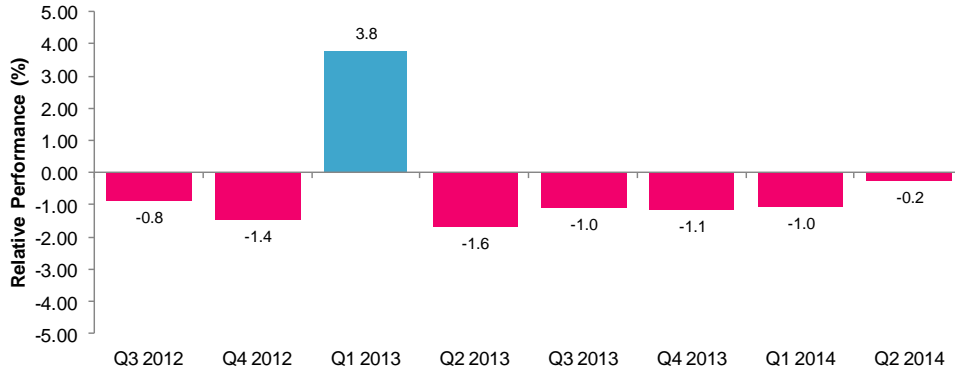
Pyrford announced in January that Tony Cousins, CIO & CEO would expand his role to act as CEO for both Pyrford and Lloyd George Management (“LGM”), both part of BMO Global Asset Management (“BMO GAM”). We had initial concerns that Tony Cousins would be too stretched in his role as CEO and CIO of Pyrford due to the time commitment. It is still early days so as yet we have seen limited impact on the Global Absolute Return Strategy but will continue to closely monitor both the fund and the manager.

Comment

The fund generated a return of 1.2% over the quarter. The return was driven primarily by exposure to equities. Stock selection enhanced returns as the fund’s equity holdings in the UK outperformed the FTSE All Share Index and overseas holdings outperformed the FTSE All World ex-UK Index. Despite its high allocation to fixed income, the fund did not fully participate in the bond market rally during the quarter when yields generally fell. Fixed income security selection detracted from returns as the fund’s holdings lagged the market in the UK and overseas. Currency hedging also detracted from returns over the quarter.

In absolute terms the performance of the fund has been disappointing relative to the strong bull market in equities, and is now well below its return target of RPI +5% target over 1 and 3 and since inception. The fund’s performance may be explained through examining the asset allocation over this period. 40% of Pyrford’s fund has been allocated to UK government bonds, and 20% to overseas government bonds, with the rest of the portfolio invested across UK and global equities. During this period global equity markets have rallied. The performance of the strategy has therefore been relatively lacklustre over this period due to the high allocation to low risk assets; government bonds, and limited exposure to global equities.

Relative Quarterly and Relative Cumulative Performance [1]



Performance Summary - Table [1]

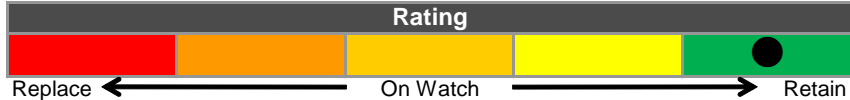
	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	1.2	2.2	3.9
Benchmark	1.4	5.7	5.6
Relative	-0.2	-3.3	-1.6

* Inception date 31 Aug 2012.

[1] Excludes initial part quarter (1 month to 30/9/12)

Winton - Futures Fund

Recent News & Rating



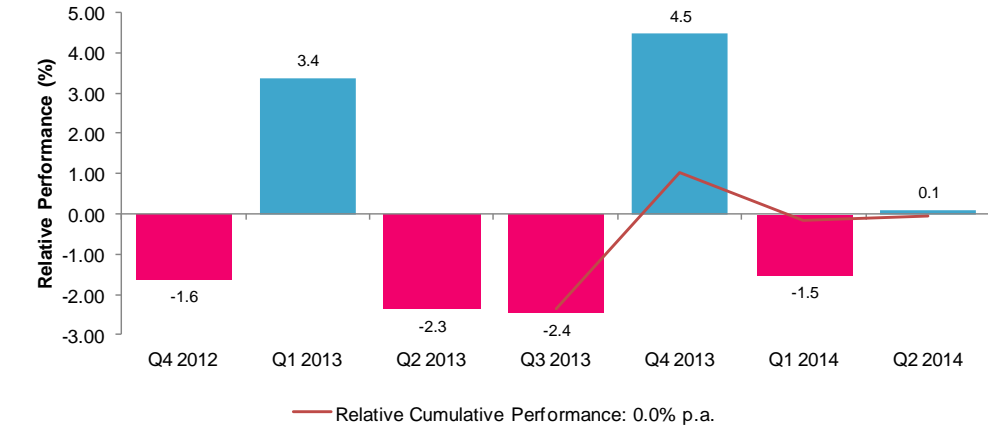
No significant news to report this quarter.

Comment

Winton posted a return of 1.5% over Q2 2014. Although marginally ahead of the cash benchmark, the fund's performance over the quarter trailed that of its peers, partially because of the cash equities programme. The cash equity strategy, which seeks to generate market neutral returns through trading individual stocks, enabled Winton to significantly outperform the majority of its peers in 2013 by offering a diversified return source where trend-following strategies struggled.

At the asset class level, the most significant positive contribution over the quarter came from a net long position in fixed income. Central bank announcements continued to drive returns in the second quarter. The fund's long exposure to U.S. equities enhanced returns as markets rallied after dovish comments by the Federal Reserve Chairwoman Janet Yellen. The Bank of England's Governor Mark Carney commenting about possibly raising rates sooner than expected caused the pound to appreciate, leading to gains from the fund's GBP position. Besides the cash equity fund, commodities also detracted from performance. In particular, long exposure to wheat and corn suffered as a result of falling prices, due to improved weather in the U.S. and Russia in May. Short positions in precious metals also caused losses in June as tensions in Iraq caused gold and silver to rally.

Relative Quarterly and Relative Cumulative Performance [i]



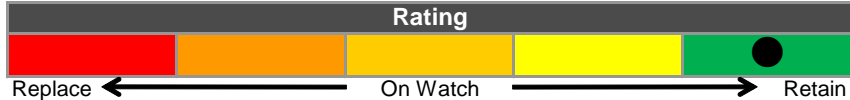
Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	1.5	6.2	5.6
Benchmark	1.4	5.6	5.6
Relative	0.1	0.5	-0.0

* Inception date 30 Sep 2012.

BlueCrest - AllBlue Mandate

Recent News & Rating



In Q2 2014 BlueCrest opened the BlueCrest Equity Strategies Fund (“BESF”) to external investors and added an allocation to it within All Blue of 5%. Although there is no explicit limit on the investment AllBlue can make to this new equity fund, for a strategy to be included in AllBlue, BlueCrest looks to confirm low correlation to existing constituent funds, a complementary source of returns, scalability and potential longevity. In their view this strategy meets those criteria. However since it is not a market neutral strategy, and therefore will display some sensitivity to broader equity markets, the allocation within All Blue is likely to remain low. We are supportive of BlueCrest seeking to add this additional fund which may be well positioned to take advantage of current market conditions.

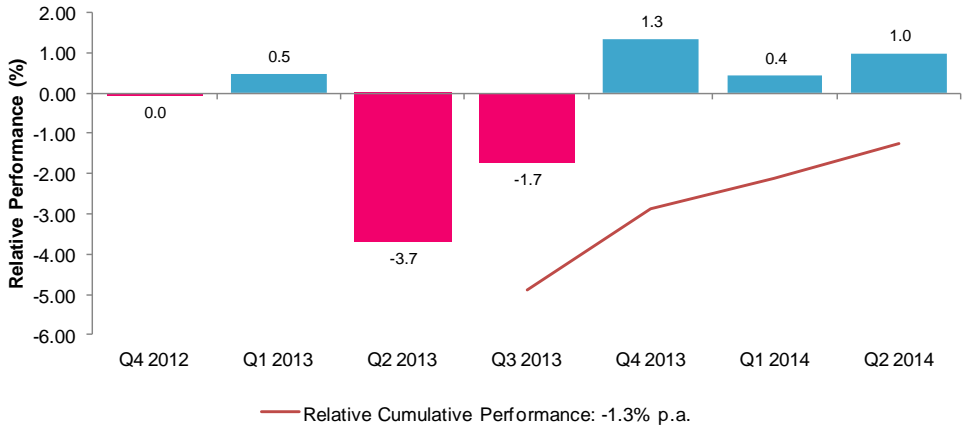
BlueCrest also announced a reduction in its fee level for Blue Trend from 2.0% annual management charge to 1.5%. BlueCrest do not attribute the recent underperformance of the fund to the decision to lower the fee however we suspect it had a significant influence. The impact on All Blue will be limited since BlueTrend is only one of the underlying funds in the portfolio and it represents only 10% of the portfolio currently.

Comment

The fund was up 2.4% over the quarter bringing the YTD performance to up 4.3%. This has been achieved with a low annualised volatility of 2.5% over the past 12 months, reflecting the high level of diversification achieved through investing across a broad range of underlying strategies.

All the underlying funds, with the exception of BlueMatrix (a systematic equity market neutral strategy), contributed positively to performance over the quarter. BlueTrend was the most significant positive contributor to All Blue’s performance with the fund generating a return of 10%, reversing the previous quarter’s losses. The bond sector has been the biggest contributor to Blue Trend’s performance this year, with the rally in fixed income markets in April and May adding nearly 6% gross return. Multi-strategy credit also added positively to performance as the fund was up 3% over the quarter with European long/short investment grade credit positions as well as high yield strategies all profitable. ABS investments also made gains as the European Central Bank’s decision to cut rates further led to price appreciation across the ABS sector. The Emerging Markets fund was up 4.5% over the quarter with the majority of gains made from the fund’s currency strategies and in particular trading options on the Chinese Renminbi. Increased market optimism in Europe also benefited the peripheral countries and the fund made gains in Polish, Hungarian and Greek debt. The fund had limited exposure to Russia and was therefore limited impact from the recent developments there. The most significant change to the fund allocation over the quarter is the addition of the BlueCrest Equity Strategies Fund at 5%, with the allocations to the other funds reduced pro-rata as a result.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary - Table [ii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	2.4	6.8	4.3
Benchmark	1.4	5.6	5.6
Relative	1.0	1.1	-1.3

* Inception date 30 Sep 2012.

Market Conditions

General

In Q2 2014, economic data continued to point to a subdued but accelerating global expansion. In the US, revised estimates showed a surprisingly sharp fall in Q1 economic growth, but this has been more than offset by strength in Q2. Low levels of market volatility encapsulated investors' willingness to shrug off growing geopolitical risks in Eastern Europe, the Middle East and the South China Sea. Inflation in the US and UK hovered around the target level of 2% p.a. With recovery looking more entrenched central banks in both countries are increasingly willing to acknowledge that interest rates are set to rise, but keen to emphasise they expect a measured pace of increase. In Europe, ongoing worries over the potential for deflation led the ECB to announce further monetary easing measures. Equities, as measured by the FTSE All World index, rose (+2.7%), with both the US and UK markets reaching new highs during the quarter. The potential for economic reform lay behind some of the best performances. Japan bounced back from a poor first quarter, as sentiment improved towards Prime Minister Abe's "third arrow" of economic reforms. Meanwhile, emerging markets outperformed their developed counterparts over the quarter, and the Indian market was particularly strong as investors welcomed the election of Narendra Modi, a reform-minded prime minister. In the main, bond markets generally provided positive returns over the quarter, but lagged behind equities. The rally in UK property gained more momentum; the IPD Monthly index had its strongest quarter for over four years.

Equities

Major equity markets delivered solid returns over Q2, with the majority of the major indices producing positive returns. Overall, the FTSE All World saw a solid increase of 2.7% in sterling terms. The stronger UK economy and prospect of higher interest rates helped sterling to strengthen further over the quarter, weakening returns for domestic investors in overseas markets. The strongest sterling-denominated returns came from Japan and Emerging Markets – 4.3% and 5.0%, respectively. Of the major equity markets, Europe ex-UK was the weakest performer in sterling terms, as currency weakness almost exactly offset a respectable 3.0% return in local currency terms. Over 12 months to 30 June 2014, the FTSE All World index rose by 9.6% in sterling terms, with Western markets providing the best returns, UK (13.1%), North America (11.0%) and Europe (16.9%). Emerging Markets and Pacific equities produced more modest returns: 1.2% from Emerging Markets and 6.2% from Pacific ex Japan. The depreciation of the yen meant that Japan fell by 1.7% in sterling terms, despite a strong positive local currency return. Over the quarter, all major global sectors produced positive returns. Relative to the All World index, Oil & Gas was the best performing sector, outperforming by +6.4% as the oil price rose in response to concern over conflicts in the Middle East. Consumer Services was the worst performing sector (-1.8% relative). Over 12 months the best performing sector was Technology (+9.1% relative), significantly ahead of the weakest sector, Consumer Goods (-5.7% relative). Style variation over the quarter, as measured by MSCI global indices, was minimal: Value stocks (+2.7%) marginally outperformed Growth stocks (+2.5%). There was even less separating them over 12 months; both styles produced strong positive returns with Value just outperforming Growth (9.7% vs 9.6%).

UK Equities

Such is the concentration of the index on large-cap stocks that the overall market return was positive, at 2.2%, despite underwhelming returns from small and mid-cap stocks. Large cap stocks (FTSE 100) returned 3.2% over the quarter, with FTSE 250 (mid cap stocks) returning -2.4% and Small Cap 0.1%. Over the 12 month period ending 30 June 2014, the FTSE 100 returned 12.4%, significantly underperforming the FTSE 250 (16.8%) and Small Cap (19.1%). Growth stocks outperformed Value stocks by 1.7% over the quarter, and are ahead by 0.7% over 12 months. At a sector level, the strongest performer was Healthcare (+8.0% relative to the FTSE All-Share), while the weakest sector was Telecommunications (-9.5% relative). Over 12 months, the strongest sector was again Healthcare (+11.6% relative). The weakest sector over 12 months was Financials (-5.1% relative). The best performing stock in the FTSE 100 index was pharmaceutical company Shire, which returned 51.8% relative to the All Share Index. EasyJet was the worst performing stock over the quarter, delivering a relative performance of -22.2%, reflecting investor pessimism towards the airline industry and the rising price of crude oil. Fund manager Aberdeen Asset Management was one of the strongest performing stocks over the quarter (+15.5% relative), on the rebound from having been the worst performer in Q1 (-21.4% relative).

Bonds

Bonds performed solidly over the quarter, with both gilts and corporate bonds posting positive returns. The All Stocks Gilts index returned 1.1% and UK investment grade credit fared even better, returning 2.3%. Index-linked gilts were also positive over the period, delivering a return of +1.0%. The spread of returns within UK corporate bonds was not particularly wide, with all ratings producing returns of between 1.6% (AA-rated) and 2.6% (BBB-rated). Bonds have been fairly resilient over the 12 months to 30 June 2014. UK Gilts rose 2.3% and Index-Linked Gilts gained 3.9%, while UK investment-grade Corporate Bonds did significantly better, returning 7.9%. Overseas bonds returned -0.4% over the quarter in sterling terms, as local currency gains were more than offset by ongoing sterling strength. This was also a factor over 12 months, as a local currency return of 4.6% translated to -6.1% for the un-hedged sterling investor.

Property

The IPD Monthly index return (on directly held property) for the second quarter of 2014 was 5.1%. Capital Growth exceeded the income return over the quarter (capital growth 3.5%, income return 1.5%). Of the main sectors, Offices were again the best performer (6.2% total, 4.7% capital growth), followed closely by Industrial (5.9%, 4.1%), with Retail (4.1%, 2.5%) lagging behind. For pooled funds, the weighted average return (net of manager fees) for All Balanced Pooled Property Funds was 4.3%, with a distribution yield (after fees) of 2.9%.



Market Conditions (Ctd)

Active Manager Performance

Global equities

Among 51 global equity managers we follow, the median return over the second quarter of 2014 was -0.4% relative to benchmark. Over the preceding 12 months, the median return was +0.3% relative to benchmark; while the interquartile range of outcomes, excluding the top and bottom quartile, was from +2.4% to -2.8% relative to benchmark. Over the 3 year period ending 30 June 2014, the median return was +0.1% ahead of benchmark. The interquartile range was from +1.1% p.a. to -0.7% p.a. Over the quarter the strongest manager outperformed by +3.0%, while the weakest underperformed by -2.5%. Over the preceding 12 months, the dispersion of returns between the strongest and weakest performing managers was 18.2% (12.1% vs -6.1%).

UK equities

Among 27 UK equity managers' funds we follow, the median return over the second quarter of 2014 was -1.7% behind benchmark. Value managers generally outperformed Growth managers over the period. Over the 12 months ending 30 June 2014 the median return was +1.0% relative to benchmark, and the interquartile range of outcomes was from +2.5% to -0.3%. The dispersion of returns was wide, with the strongest performing manager delivering 10.9% while the weakest produced a return of -3.9%. Over 3 years, the median return was +1.7% p.a. relative to benchmark, while the interquartile range was from +3.5% p.a. to +0.8% p.a.

Bonds

We record the performance of 75 bond managers' funds. Of these, 18 are benchmarked against gilts, 10 against index-linked gilts, 25 are benchmarked against corporate bonds, 12 are aggregate bond funds and 10 are absolute return bond funds benchmarked against cash. Over the second quarter of 2014, all bond funds and absolute return funds delivered positive returns, the second consecutive quarter in which this has occurred.

For managers benchmarked against gilts, the scope to outperform is relatively constrained unless managers include corporate bond exposure. For managers of corporate bond funds, the median absolute return over the year was 2.3%. Over 12 months the median return was 8.0% p.a. in absolute terms, 1.0% ahead of benchmark; the interquartile range was 1.3% (from 9.1% to 7.9%). The strongest performing manager over the preceding 12 months to 30 June 2014 delivered a relative return of +3.1%, while the weakest manager underperformed by -0.8% over the period.

For the managers benchmarked against the aggregate market, the median absolute return over the 12 months to 30 June 2014 was 1.1% ahead of the benchmark, an absolute return of 5.6%. The 12 managers we follow delivered absolute returns in the range from 9.5% to 3.2% over the preceding 12 months, bracketing the median benchmark return of 4.3%. Over the 3 years ending 30 June 2014, the median return of the managers benchmarked against the broad market was 6.8% p.a., which was 0.6% p.a. ahead of benchmark. Over the same period, the strongest performing manager delivered relative returns of +2.0% p.a. while the weakest manager underperformed the market by -0.5%.



Manager Summary

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
Newton - Global Equity	Global Thematic	23 Jul 2007	MSCI AC World	Outperform by 2.5% p.a. over 3 and 5 years	
Alliance Bernstein - UK Equity	Value	10 Jun 2005	FTSE All Share	Outperform by 2% p.a. over rolling 3 year periods	
BlackRock - UK Equity	Active	19 Jul 2007	FTSE All Share	Outperform by 2%	
BlueCrest Hedge Fund	Credit	30 Sep 2012	3M LIBOR +5%	-	
Legal & General - Multi Asset	Passive	31 Mar 2004	Composite	Track Benchmark	
Pyrford - Absolute Return	Absolute Return	31 Aug 2012	3M LIBOR +5%	-	
Winton - Hedge Fund	Momentum	30 Sep 2012	3M LIBOR +5%	-	
M&G Debt Opportunities Fund	Distressed Debt	30 Jun 2012	Absolute Return of 8% p.a.	Absolute Return of 15% p.a.	
Schroders - Property	-	31 Mar 2001	IPD All Balanced Funds Wtd Ave	Outperform by 0.75% p.a. over rolling 3 year period	

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

Key:- - Replace - On-Watch - Retain



Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left(\left(1 + \text{Fund Performance} \right) / \left(1 + \text{Benchmark Performance} \right) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.

If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.

If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.

