

London Borough of Hammersmith & Fulham Pension Fund

Investment Governance Report – Quarter 3 2013

This report is addressed to the Audit & Pensions Committee of the London Borough of Hammersmith & Fulham Pension Fund only.

– Not for onward distribution

Summary

The assets of the Fund are considered in terms of four broadly equally weighted sections: UK Equity Mandate, Overseas Equity Mandate, Dynamic Asset Allocation Mandates and the Matching Fund.

The UK Equity Mandate is managed by Majedie and the Overseas Equity Mandate by MFS. There are two Dynamic Asset Allocation managers, Barings and Ruffer. The Matching Fund is split equally between a global bond mandate managed by Goldman Sachs and a Liability Driven Investment (LDI) fund managed by Legal & General. With the exception of the LDI fund, all others are actively managed by fund managers who aim to meet or exceed their stated benchmark.

Liability Benchmark (LB)

To match the predicted growth in the liabilities, the Total Fund return needs to meet a return equivalent to the Liability Benchmark plus 2.2% p.a. (net of fees). The Total Fund strategy aims to exceed this and targets a return 2.5% p.a. (net of fees) in excess of the Liability Benchmark. Within this, the Matching Fund is targeting a return of 1% p.a. in excess of the Liability Benchmark.

The liabilities move in accordance with changes in relevant gilt yields. For this reason, the benchmark used to measure the estimated movement in liabilities, the "Liability Benchmark" is calculated based on the movement of a selection of Index-Linked gilts, in the following proportions:

45% Index-linked Treasury Gilt 1¼% 2017, 20% Index-linked Treasury Gilt 1¼% 2027, 10% Index-linked Treasury Gilt 1¼% 2037, 5% Index-linked Treasury Gilt 0¼% 2047, 20% Index-linked Treasury Gilt 1¼% 2055.

This Liability Benchmark was last reviewed in December 2011.

Manager Benchmarks

Each Investment Manager has a benchmark which they are monitored against on an ongoing basis. These are:

| | |
|-----------------|--|
| Majedie | <i>FTSE All Share + 2% p.a. over three year rolling periods</i> |
| MFS | <i>MFS Custom Benchmark</i> |
| Barings | <i>3 month Sterling LIBOR + 4% p.a.</i> |
| Ruffer | <i>3 month Sterling LIBOR + 4% p.a.</i> |
| Goldman Sachs | <i>3 month Sterling LIBOR + 2% p.a.</i> |
| Legal & General | <i>Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)</i> |

Private Equity

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two by Unicapital which is invested almost entirely in Europe.

Performance Overview

3

Breakdown of Fund Performance by Manager as at 30th September 2013

| Fund | Manager | Market Value (£000) | % of Total Fund | Target % of Total Fund | 3 month return (%) | 1 year return (%) | 2 year return (%) p.a. | 3 year return (%) p.a. | 5 year return (%) p.a. |
|--|--|---------------------|-----------------|------------------------|--------------------|-------------------|------------------------|------------------------|------------------------|
| Total Fund | | 737,020 | 100.0 | 100.0 | 3.2 | 17.6 | 14.6 | 10.5 | 11.4 |
| | <i>New Liability Benchmark + 2.2% p.a.</i> | | | | 1.1 | 8.1 | 7.7 | 9.8 | 8.4 |
| | <i>Difference</i> | | | | 2.1 | 9.5 | 6.9 | 0.7 | 3.0 |
| UK Equity Mandate | | 194,712 | 26.4 | 22.5 | | | | | |
| | Majedie | | | | 9.1 | 32.2 | 23.9 | 16.3 | 16.2 |
| | <i>FTSE All Share + 2% p.a.</i> | | | | 6.1 | 21.3 | 20.4 | 12.3 | 12.9 |
| | <i>Difference</i> | | | | 3.0 | 10.9 | 3.5 | 4.0 | 3.3 |
| Overseas Equity Mandate | | 174,068 | 23.6 | 22.5 | | | | | |
| | MFS | | | | 2.0 | 19.1 | 19.4 | 12.1 | 12.6 |
| | <i>MFS Custom Benchmark</i> | | | | 1.6 | 17.3 | 18.2 | 10.1 | 11.2 |
| | <i>Difference</i> | | | | 0.4 | 1.8 | 1.2 | 2.0 | 1.4 |
| Dynamic Asset Allocation Mandates | | 204,076 | 27.7 | 30.0 | 1.0 | 10.0 | 7.7 | 6.2 | - |
| | Barings | 123,375 | 16.7 | 18.8 | 1.4 | 7.2 | 6.8 | 5.7 | 8.7 |
| | <i>3 month Sterling LIBOR + 4% p.a.</i> | | | | 1.1 | 4.5 | 4.8 | 4.8 | 5.0 |
| | <i>Difference</i> | | | | 0.3 | 2.7 | 2.0 | 0.9 | 3.7 |
| | Ruffer | 80,701 | 10.9 | 11.2 | 0.4 | 14.4 | 8.9 | 6.8 | 12.8 |
| | <i>3 month Sterling LIBOR + 4% p.a.</i> | | | | 1.1 | 4.5 | 4.8 | 4.8 | 5.0 |
| | <i>Difference</i> | | | | (0.7) | 9.9 | 4.1 | 2.0 | 7.8 |
| Matching Fund | | 151,809 | 20.6 | 25.0 | 1.1 | 11.4 | 8.3 | 7.5 | - |
| | <i>Liability Benchmark + 1% p.a.</i> | | | | 0.8 | 6.8 | 6.5 | 8.6 | - |
| | <i>Difference</i> | | | | 0.3 | 4.6 | 1.8 | (1.1) | - |
| | Goldman Sachs | 63,867 | 8.7 | 12.5 | 1.1 | 4.3 | 4.7 | 3.0 | 3.0 |
| | <i>3 month Sterling LIBOR + 2% p.a.</i> | | | | 0.6 | 2.5 | 2.7 | 2.8 | 1.5 |
| | <i>Difference</i> | | | | 0.5 | 1.8 | 2.0 | 0.2 | 1.5 |
| | Legal & General | 87,941 | 11.9 | 12.5 | 1.1 | 17.1 | 11.1 | 11.3 | 9.6 |
| | <i>Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)</i> | | | | 0.9 | 10.6 | 13.4 | 17.7 | 12.5 |
| | <i>Difference</i> | | | | 0.2 | 6.5 | (2.3) | (6.4) | (2.9) |
| Private Equity | | 12,355 | 1.7 | 0.0 | (3.9) | 10.7 | 9.7 | 12.7 | - |
| | Invesco | 6,376 | 0.9 | 0.0 | (5.3) | 9.8 | 12.2 | 15.2 | - |
| | Unicapital | 5,979 | 0.8 | 0.0 | (2.2) | 11.8 | 6.5 | 9.5 | - |

Notes:

- Over the 3 months to 30 September 2013, 3 month LIBOR returned 0.1%, over a 12 month period the return was 0.5%.
- All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.
- Returns are shown gross of fees throughout.
- Figures may be affected by rounding.

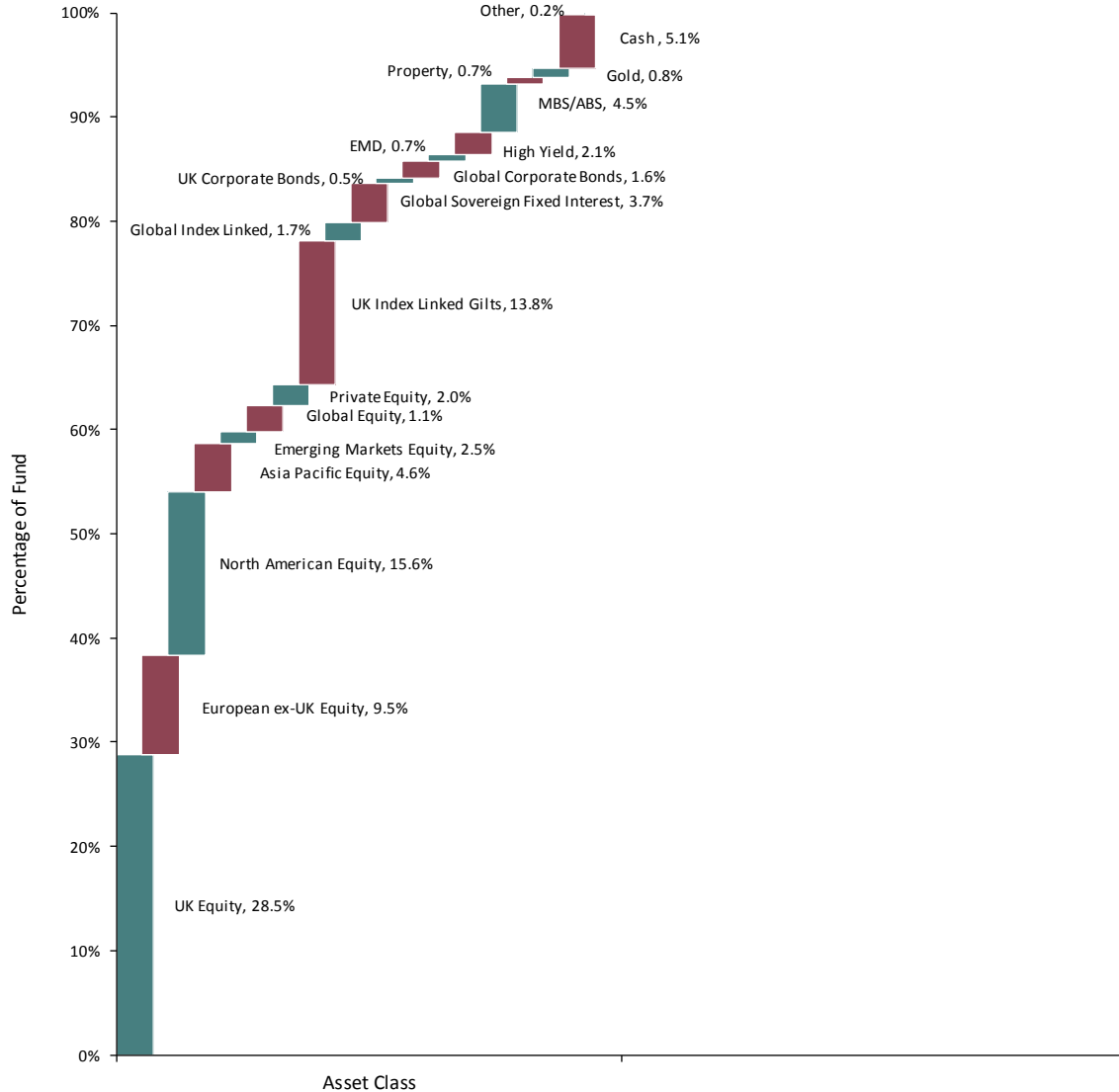
Asset Reconciliation and Valuation

4

| Asset Reconciliation and Valuation | | | | | | | | | | |
|--|-----------------|--|-----------------|------------------------|-------------------|----------------------|-----------|---|-----------------|---------------------------|
| Fund | Manager | Closing Market Value as at 30th June 2013 £000 | % of Total Fund | Net Investment £000 | Appreciation £000 | Income Received £000 | Fees £000 | Closing Market Value as at 30th September 2013 £000 | % of Total Fund | Target % of Total Fund |
| Total Fund | | 715,212 | 100.0 | (900) | 22,704 | 2,510 | 3 | 737,020 | 100.0 | 100.0 |
| UK Equity Mandate | Majedie | 178,517 | 25.0 | - | 16,195 | 1,677 | - | 194,712 | 26.4 | 22.5 |
| Overseas Equity Mandate | MFS | 170,689 | 23.9 | (3) | 3,379 | 501 | 3 | 174,068 | 23.6 | 22.5 |
| Dynamic Asset Allocation Mandates | | 202,068 | 28.3 | - | 2,008 | 335 | - | 204,076 | 27.7 | 30.0 |
| | Barings | 121,661 | 17.0 | - | 1,714 | 31 | - | 123,375 | 16.7 | 18.8 |
| | Ruffer | 80,407 | 11.2 | - | 294 | 304 | - | 80,701 | 10.9 | 11.2 |
| Matching Fund | | 150,167 | 21.0 | - | 1,641 | 0 | - | 151,809 | 20.6 | 25.0 |
| | Goldman Sachs | 63,202 | 8.8 | - | 666 | - | - | 63,867 | 8.7 | 12.5 |
| | Legal & General | 86,966 | 12.2 | - | 975 | 0 | - | 87,941 | 11.9 | 12.5 |
| Private Equity | | 13,770 | 1.9 | (896) | (519) | (3) | - | 12,355 | 1.7 | 0.0 |
| | Invesco | 7,656 | 1.1 | (896) | (384) | 0 | - | 6,376 | 0.9 | 0.0 |
| | Unicapital | 6,114 | 0.9 | - | (135) | (3) | - | 5,979 | 0.8 | 0.0 |

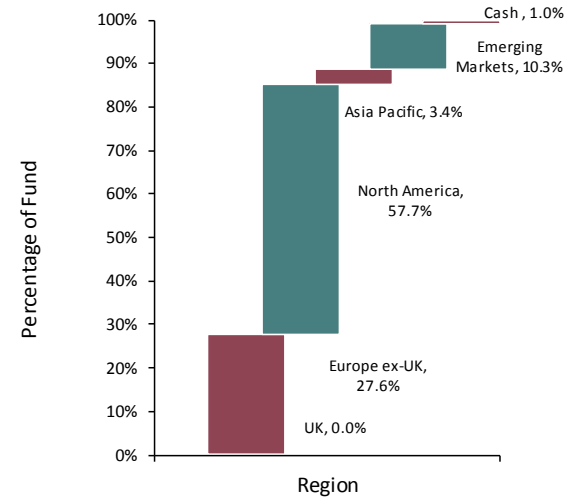
Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.

Asset Class Breakdown as at 30 September 2013

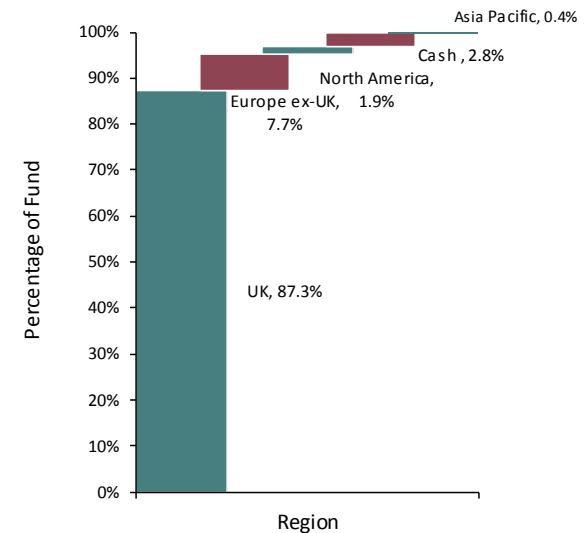


Notes: Breakdown has been estimated by P-Solve based on the available manager data.

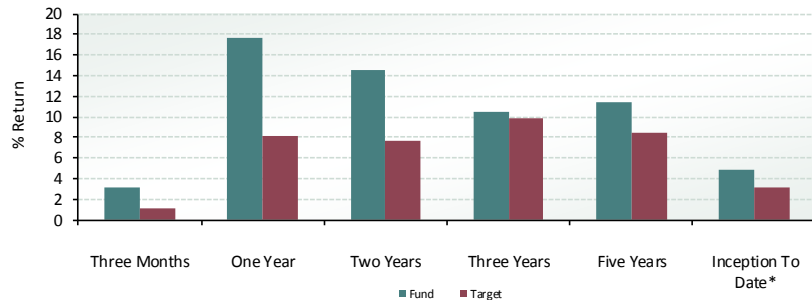
Breakdown of the MFS mandate



Breakdown of the Majedie mandate



Historical Fund Performance

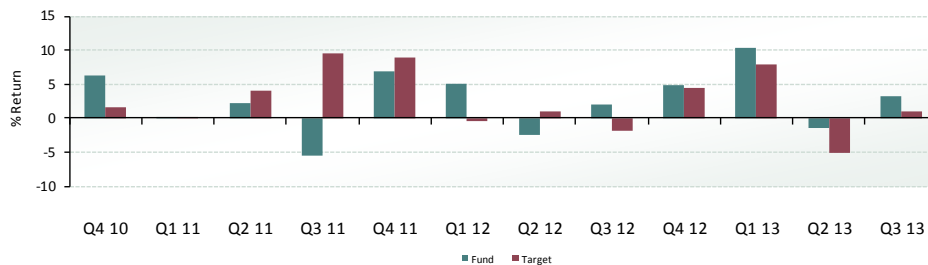


| | Three Months | One Year | Two Years | Three Years | Five Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|------------|--------------------|
| Fund | 3.18 | 17.64 | 14.56 | 10.49 | 11.36 | 4.77 |
| Target | 1.06 | 8.06 | 7.73 | 9.81 | 8.44 | 3.18 |

The Fund outperformed its liability benchmark by 2.12% over the quarter, returning 3.18% compared to the target of 1.06%. The Fund's performance of 17.64% over the year was ahead of its target by 9.58%. The Fund has outperformed over 3, 5 years and since inception by 0.68%, 2.92% and 1.59% per annum respectively.

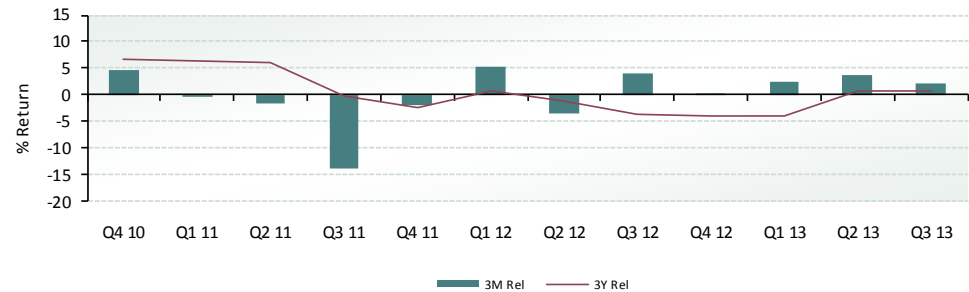
*Incepted 31 December 1999

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 6.20 | 0.14 | 2.27 | -5.62 | 6.79 | 4.99 | -2.42 | 1.96 | 4.85 | 10.37 | -1.47 | 3.18 |
| Target | 1.57 | 0.17 | 4.07 | 9.54 | 8.98 | -0.42 | 0.94 | -1.96 | 4.46 | 7.96 | -5.18 | 1.06 |

Three Years Rolling Relative Returns



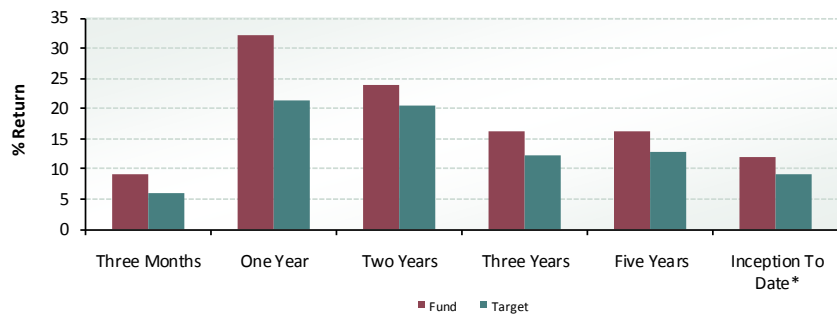
| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | 4.56 | -0.03 | -1.73 | -13.84 | -2.01 | 5.43 | -3.33 | 4.00 | 0.39 | 2.41 | 3.71 | 2.12 |
| 3Y Rel | 6.83 | 6.55 | 5.98 | -0.22 | -2.22 | 0.64 | -1.12 | -3.46 | -4.07 | -3.90 | 0.68 | 0.68 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees. Three Year Rolling Relative Returns have been calculated arithmetically from Q4 2012 onwards.

Majedie are a small boutique specialist active UK Equity manager with a flexible investment approach. Their approach to investment is mainly as stock pickers. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

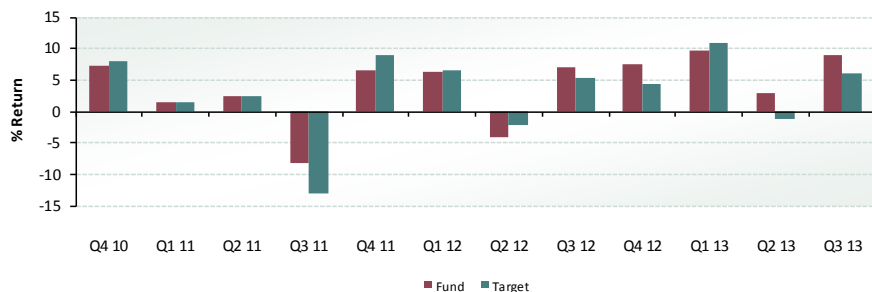
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Five Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|------------|--------------------|
| Fund | 9.07 | 32.19 | 23.94 | 16.30 | 16.24 | 11.83 |
| Target | 6.10 | 21.28 | 20.42 | 12.26 | 12.89 | 9.06 |

*Incepted 31 August 2005

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 7.29 | 1.56 | 2.34 | -8.15 | 6.63 | 6.24 | -4.10 | 6.96 | 7.42 | 9.57 | 2.97 | 9.07 |
| Target | 7.90 | 1.53 | 2.41 | -13.05 | 8.92 | 6.62 | -2.14 | 5.21 | 4.33 | 10.85 | -1.17 | 6.10 |

Quarterly Manager update

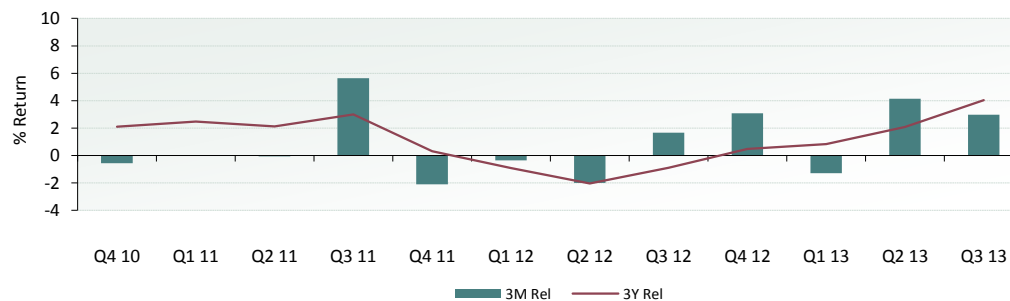
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 9.07% over the quarter, 2.97% ahead of its target. Over 12 months, the portfolio was 10.91% ahead of its target. The main drivers for performance this quarter were the long holdings in KPN and Nokia, whilst holdings in International Consolidated Airlines, ITV and Mondi each contributed strongly. The main detractor from performance was the holding in Hewlett Packard, which dropped in value after a mixed third quarter results announcement.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



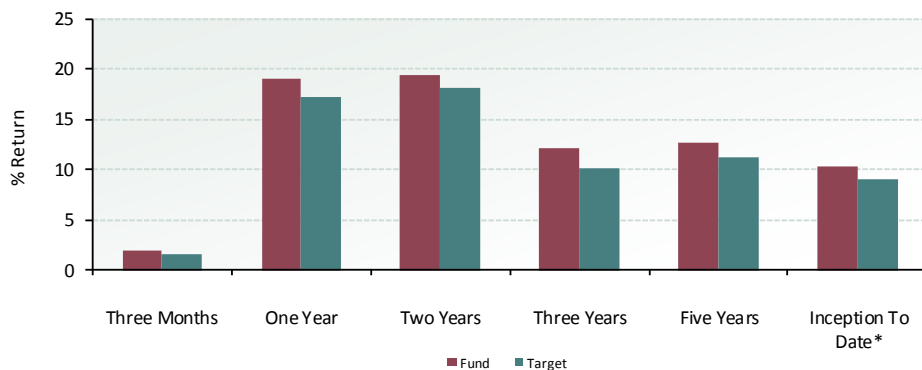
| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | -0.57 | 0.03 | -0.07 | 5.64 | -2.10 | -0.36 | -2.00 | 1.66 | 3.09 | -1.28 | 4.14 | 2.97 |
| 3Y Rel | 2.11 | 2.48 | 2.13 | 3.00 | 0.32 | -0.92 | -2.04 | -0.90 | 0.48 | 0.84 | 2.08 | 4.04 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

MFS are owned by Sun Life Financial based in Boston. Their investment philosophy is to select the best investment opportunities across regions and sectors. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

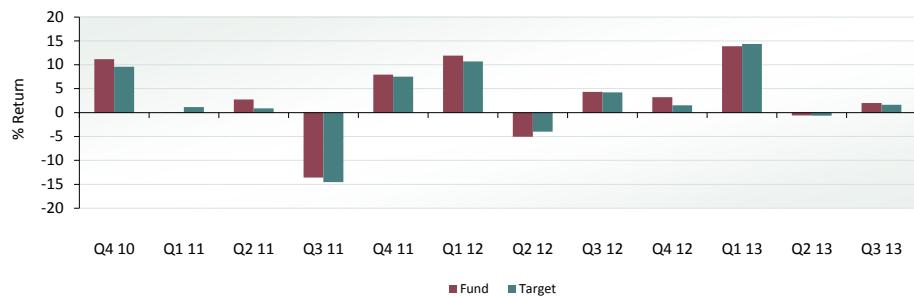
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Five Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|------------|--------------------|
| Fund | 1.98 | 19.14 | 19.38 | 12.06 | 12.64 | 10.25 |
| Target | 1.63 | 17.26 | 18.17 | 10.08 | 11.22 | 8.95 |

*Incepted 31 August 2005

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 11.19 | 0.04 | 2.73 | -13.61 | 7.96 | 11.90 | -5.08 | 4.31 | 3.23 | 13.88 | -0.62 | 1.98 |
| Target | 9.57 | 1.16 | 0.86 | -14.56 | 7.49 | 10.71 | -3.97 | 4.20 | 1.53 | 14.35 | -0.63 | 1.63 |

Quarterly Manager update

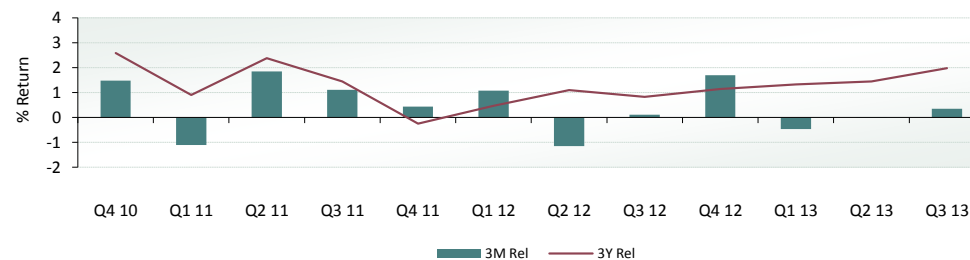
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The performance over the quarter was 1.98%, 0.35% ahead of its target. Over 12 months, the fund was 1.88% ahead of its target. An overweight position in the world's largest luxury goods company (LVMH (France)) contributed to relative returns with the company posting higher organic revenue growth. Fashion distributor, Inditex, also helped performance. The main detractor from relative performance was the decision not to hold Facebook, who reported strong advertising growth over the quarter, surpassing analysts estimates.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns

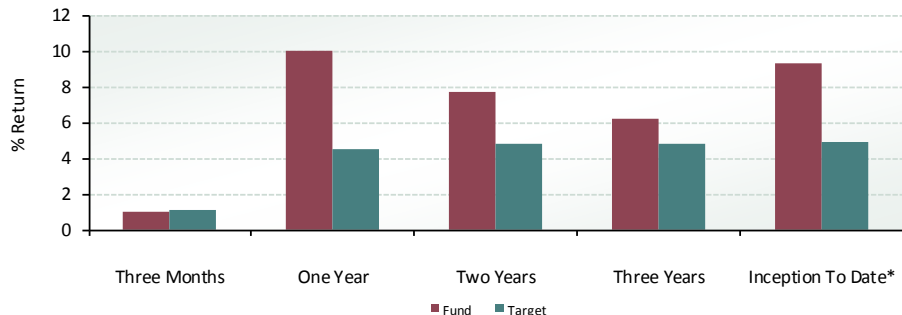


| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | 1.48 | -1.11 | 1.85 | 1.11 | 0.44 | 1.07 | -1.16 | 0.11 | 1.70 | -0.47 | 0.01 | 0.35 |
| 3Y Rel | 2.59 | 0.90 | 2.38 | 1.44 | -0.25 | 0.47 | 1.10 | 0.83 | 1.14 | 1.33 | 1.45 | 1.98 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Historical Fund Performance

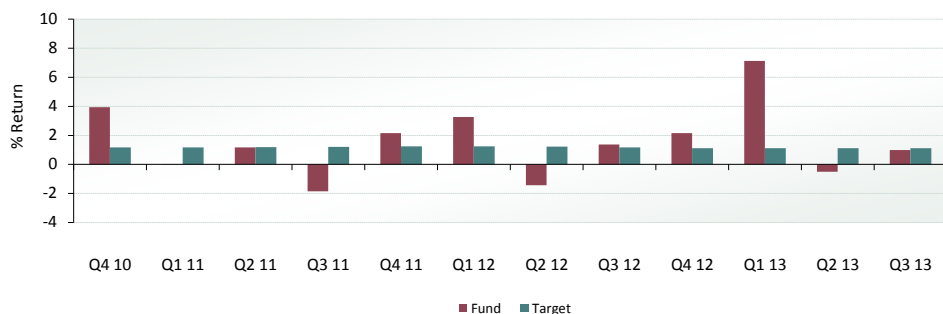


| | Three Months | One Year | Two Years | Three Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|--------------------|
| Fund | 0.99 | 9.96 | 7.66 | 6.16 | 9.26 |
| Target | 1.12 | 4.53 | 4.76 | 4.79 | 4.87 |

* Grouped performance incepted 31 December 2008

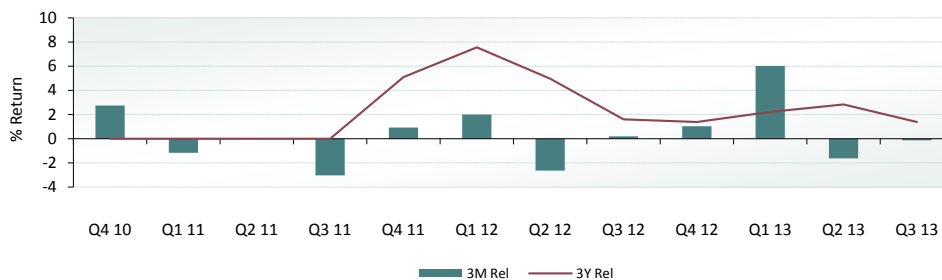
Ruffer underperformed its LIBOR based target over the quarter. Although both funds generated a positive absolute return, Ruffer returned 0.37%, which is 0.75% behind target. This led to the group returning 0.99% over the quarter, against the LIBOR based target of 1.12%. Over the year however, the group outperformed the target by 5.43%.

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 3.94 | 0.01 | 1.18 | -1.86 | 2.16 | 3.27 | -1.44 | 1.37 | 2.15 | 7.13 | -0.51 | 0.99 |
| Target | 1.17 | 1.18 | 1.19 | 1.21 | 1.24 | 1.25 | 1.23 | 1.17 | 1.12 | 1.11 | 1.11 | 1.12 |

Three Years Rolling Relative Returns



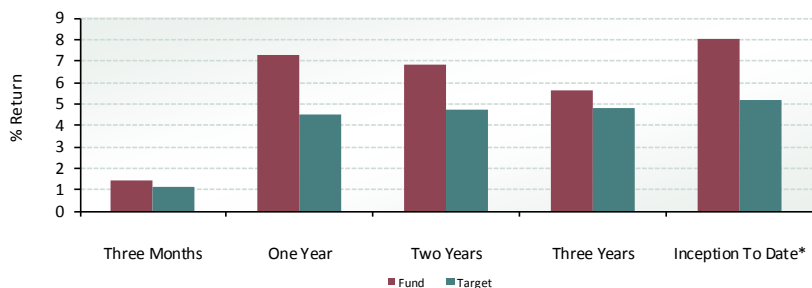
| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | 2.74 | -1.16 | -0.01 | -3.03 | 0.91 | 2.00 | -2.64 | 0.20 | 1.03 | 6.02 | -1.62 | -0.13 |
| 3Y Rel | - | - | - | - | 5.10 | 7.54 | 4.97 | 1.59 | 1.39 | 2.21 | 2.84 | 1.37 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Barings are a large UK based investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

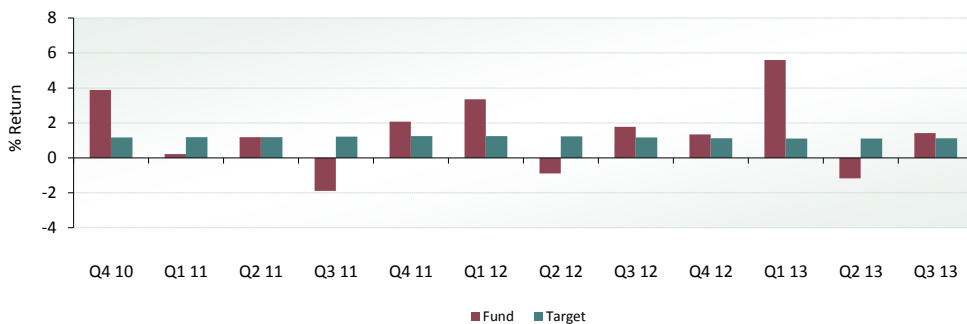
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|--------------------|
| Fund | 1.41 | 7.24 | 6.82 | 5.66 | 8.00 |
| Target | 1.12 | 4.53 | 4.76 | 4.79 | 5.20 |

*Incepted 31 July 2008

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 3.88 | 0.22 | 1.19 | -1.89 | 2.07 | 3.35 | -0.90 | 1.78 | 1.34 | 5.60 | -1.18 | 1.41 |
| Target | 1.17 | 1.18 | 1.19 | 1.21 | 1.24 | 1.25 | 1.23 | 1.17 | 1.12 | 1.11 | 1.11 | 1.12 |

Quarterly Manager update

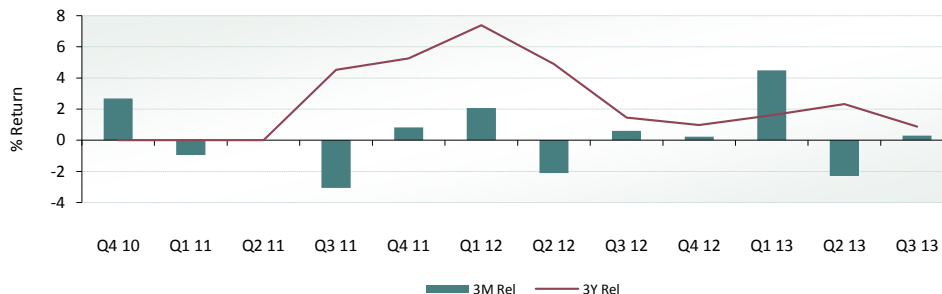
Organisation No significant changes over the quarter.

Product Barings have announced the DAA fund will be soft closed once AUM of the Sterling Multi Asset Strategy has reached £10bn. Once this level has been reached, only existing investors will be able to invest new money. The total AUM of the funds within the Sterling Multi Asset strategy currently stands at c.£9.5bn.

Performance The fund performance was 1.41% over the quarter, 0.29% ahead of its target. Over 12 months, the fund is 2.71% ahead of target. Given the size of the allocation and performance of UK equities, along with good stock selection, this was the biggest contributor to performance over the quarter. Currency hedging was also a positive contributor. The main detractor from performance was the exposure to overseas government bonds, despite a much reduced interest rate exposure.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



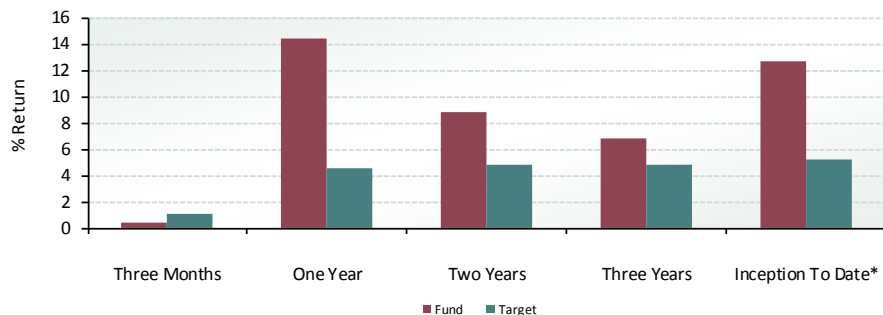
| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | 2.68 | -0.95 | 0.00 | -3.06 | 0.82 | 2.07 | -2.10 | 0.60 | 0.22 | 4.49 | -2.29 | 0.29 |
| 3Y Rel | - | - | - | 4.51 | 5.26 | 7.38 | 4.90 | 1.46 | 0.98 | 1.61 | 2.33 | 0.87 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Ruffer are a small boutique investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

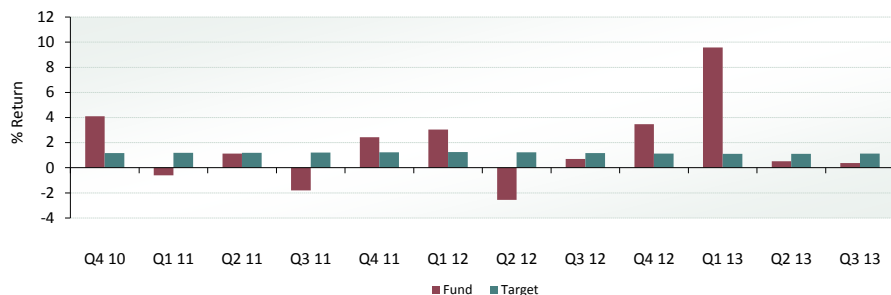
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|--------------------|
| Fund | 0.37 | 14.38 | 8.85 | 6.78 | 12.70 |
| Target | 1.12 | 4.53 | 4.76 | 4.79 | 5.20 |

*Incepted 31 July 2008

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 4.11 | -0.61 | 1.13 | -1.80 | 2.44 | 3.04 | -2.55 | 0.71 | 3.47 | 9.57 | 0.52 | 0.37 |
| Target | 1.17 | 1.18 | 1.19 | 1.21 | 1.24 | 1.25 | 1.23 | 1.17 | 1.12 | 1.11 | 1.11 | 1.12 |

Quarterly Manager update

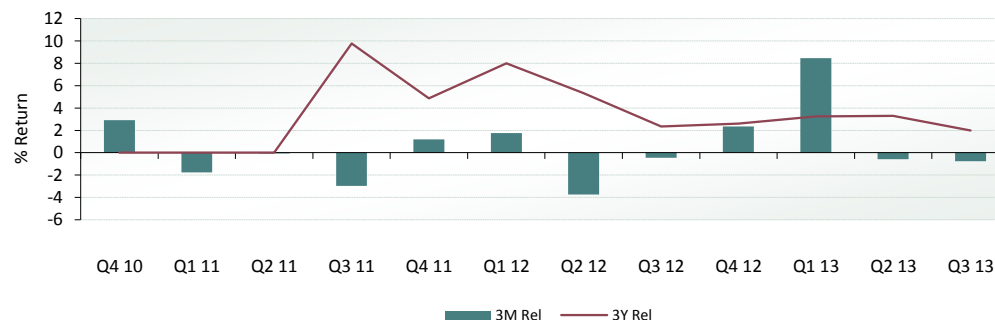
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 0.37% over the quarter, 0.75% below its target. Over 12 months, the fund was 9.85% above the target. Having sold most of the bond-like global “mega stocks” over the first half of the year (which performed so strongly), an investment to high yielding, but out of favour, US Defence stocks, Lockheed Martin and General Dynamics was made. These performed particularly well over the quarter. In general the equity allocation performed well. However, Sterling rose sharply and with a 20% exposure to the US Dollar, this offset much of the gains made and along with the option protection was the main detractor from performance.

Process No significant changes over the quarter.

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 Rel | 2.91 | -1.77 | -0.06 | -2.97 | 1.19 | 1.77 | -3.73 | -0.45 | 2.35 | 8.46 | -0.59 | -0.75 |
| 3Y Rel | - | - | - | 9.79 | 4.86 | 8.01 | 5.34 | 2.35 | 2.60 | 3.24 | 3.29 | 1.99 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Historical Fund Performance

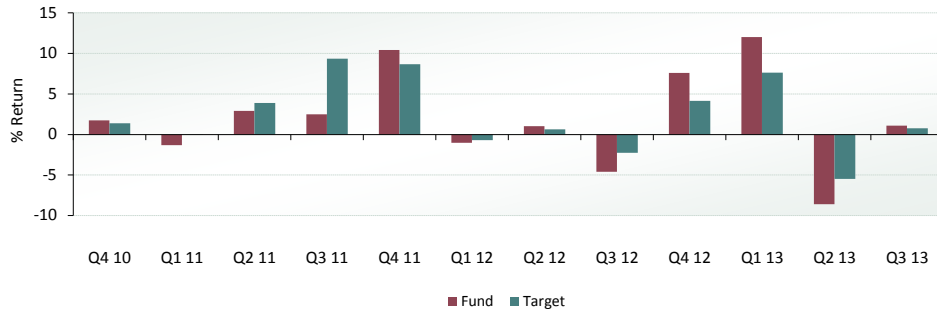


| | Three Months | One Year | Two Years | Three Years | Inception To Date* |
|--------|--------------|----------|-----------|-------------|--------------------|
| Fund | 1.09 | 11.36 | 8.30 | 7.49 | 6.00 |
| Target | 0.77 | 6.79 | 6.47 | 8.61 | 8.69 |

* Grouped performance inception 31 December 2008

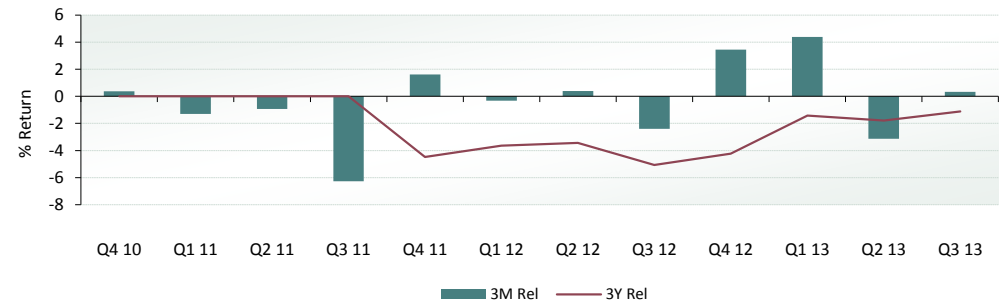
The performance of the Matching Fund over the quarter was 1.09%, 0.32% ahead of its gilts-based liability benchmark. The Matching Fund return of 11.36% over the year was 4.57% above its target.

Three Years Rolling Quarterly 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 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 1.75 | -1.32 | 2.90 | 2.50 | 10.42 | -1.04 | 1.03 | -4.60 | 7.59 | 12.03 | -8.61 | 1.09 |
| Target | 1.38 | -0.01 | 3.88 | 9.35 | 8.67 | -0.71 | 0.64 | -2.25 | 4.15 | 7.64 | -5.47 | 0.77 |

Three Years Rolling Relative Returns



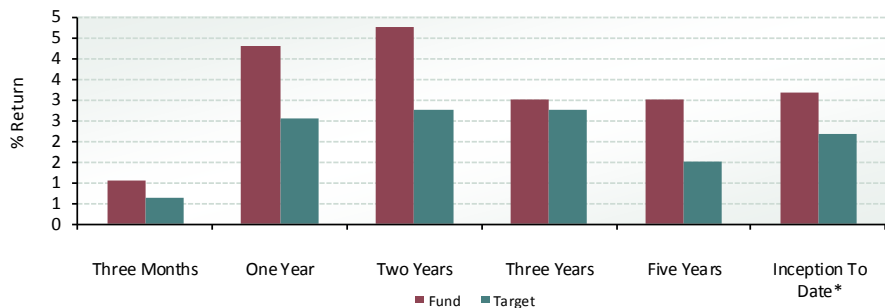
| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3M Rel | 0.36 | -1.31 | -0.94 | -6.26 | 1.61 | -0.33 | 0.39 | -2.40 | 3.44 | 4.39 | -3.14 | 0.32 |
| 3Y Rel | - | - | - | - | -4.47 | -3.64 | -3.45 | -5.07 | -4.23 | -1.42 | -1.78 | -1.12 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Goldman Sachs are a very large American investment bank who were first appointed in 1999 following a tender process. They have managed both equities and bonds on an active basis and since February 2009 managed an active bond fund.

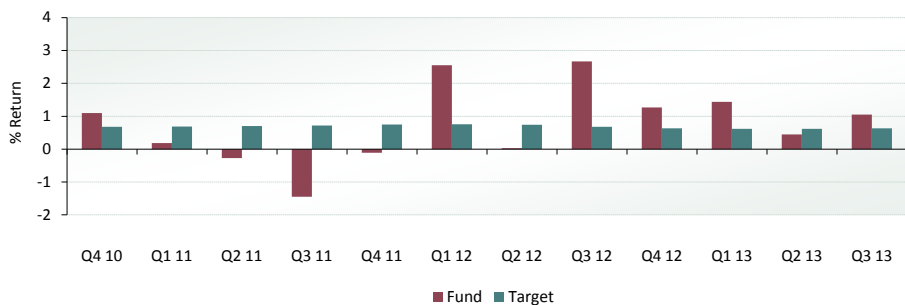
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Five Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|------------|--------------------|
| Fund | 1.05 | 4.28 | 4.74 | 2.98 | 3.00 | 3.17 |
| Target | 0.63 | 2.53 | 2.73 | 2.77 | 1.48 | 2.15 |

*Incepted 31 March 2003

Three Years Rolling Quarterly 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 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fund | 1.10 | 0.18 | -0.27 | -1.45 | -0.11 | 2.55 | 0.03 | 2.67 | 1.27 | 1.44 | 0.45 | 1.05 |
| Target | 0.68 | 0.69 | 0.70 | 0.72 | 0.75 | 0.76 | 0.74 | 0.68 | 0.63 | 0.62 | 0.62 | 0.63 |

Quarterly Manager update

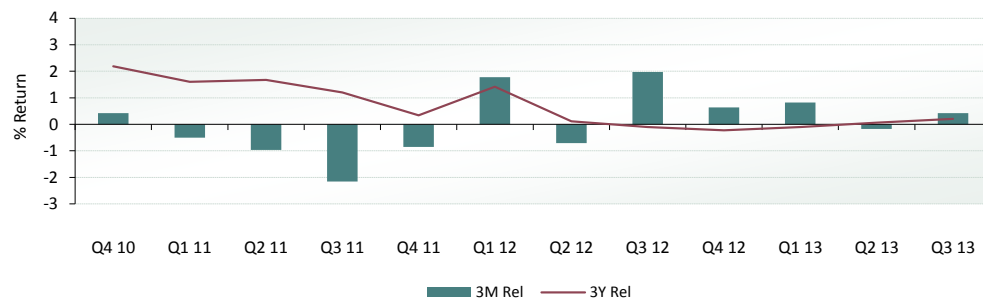
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 1.05% over the quarter, 0.42% ahead of its target. Over 12 months, performance was 1.75% ahead of the target. The positive returns generated over the quarter were mainly driven by duration and country strategies. US rates moved higher over the quarter (particularly in August), and the underweight bias to US duration was the most significant contributor to performance. The currency strategy was the largest detractor from performance, driven by the underweight bias to the Swiss Franc, which appreciated against the US Dollar. The underweight bias to the Japanese Yen also detracted from performance.

Process No significant changes over the quarter.

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 Rel | 0.42 | -0.51 | -0.96 | -2.15 | -0.85 | 1.78 | -0.70 | 1.98 | 0.64 | 0.82 | -0.17 | 0.42 |
| 3Y Rel | 2.19 | 1.60 | 1.68 | 1.20 | 0.34 | 1.42 | 0.12 | -0.10 | -0.23 | -0.10 | 0.06 | 0.21 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Legal & General are a very large manager of indexed funds. They were first appointed to manage investments for the fund in 1993. They have managed both equities and bonds on an indexed basis. Their current investment mandate started in the first quarter of 2012, although performance has been blended with the previous holding in the LGIM 2055 Index-Linked Gilt Fund.

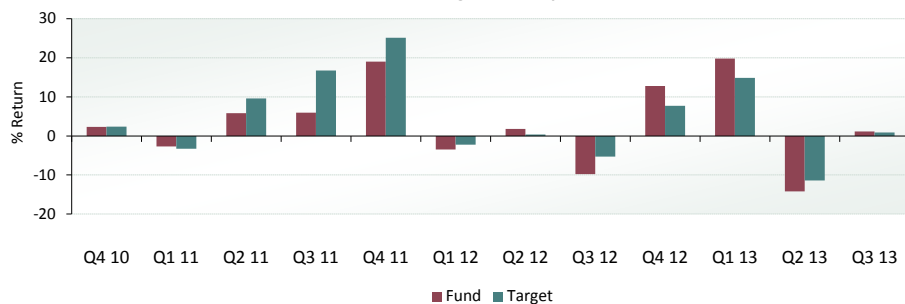
Historical Fund Performance



| | Three Months | One Year | Two Years | Three Years | Five Years | Inception To Date* |
|---------------|--------------|----------|-----------|-------------|------------|--------------------|
| Fund | 1.12 | 17.14 | 11.13 | 11.32 | 9.61 | 4.34 |
| Target | 0.90 | 10.58 | 13.44 | 17.68 | 12.50 | 4.73 |

*Incepted 30 June 1999

Three Years Rolling Quarterly Returns

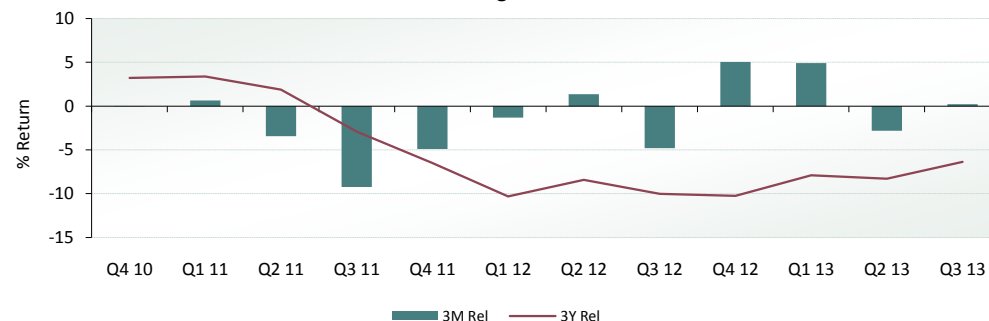


| | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|
| Fund | 2.34 | -2.69 | 5.85 | 5.96 | 19.04 | -3.50 | 1.76 | -9.81 | 12.75 | 19.79 | -14.23 | 1.12 |
| Target | 2.38 | -3.30 | 9.60 | 16.73 | 25.16 | -2.22 | 0.38 | -5.27 | 7.69 | 14.89 | -11.42 | 0.90 |

Quarterly Manager update

- Organisation** No significant changes over the quarter.
- Product** No significant changes over the quarter.
- Performance** The fund performance was 1.12% over the quarter, 0.22% ahead of its bespoke target. Over 12 months, performance was 6.56% ahead of the target.
- Process** No significant changes over the quarter.

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 Rel | -0.04 | 0.63 | -3.42 | -9.23 | -4.89 | -1.31 | 1.37 | -4.79 | 5.06 | 4.90 | -2.81 | 0.22 |
| 3Y Rel | 3.22 | 3.37 | 1.89 | -2.92 | -6.51 | -10.32 | -8.41 | -10.01 | -10.26 | -7.91 | -8.29 | -6.36 |

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Following the sell-off at the end of quarter 2, risky assets experienced a strong rebound in the third quarter. Poor performance in August did little to affect the gains made throughout the rest of the period, as improving economic fundamentals and additional central bank rhetoric once again boosted investor sentiment and, consequently, risky asset prices.

Most major equity and riskier credit markets performed well over the quarter, albeit with bouts of volatility which were primarily as a result of the uncertainty surrounding future US monetary policy and the implications on future interest rates. Similar uncertainty surrounding future interest rates in the UK caused mixed returns from gilts, with fixed interest yields rising, with the exception of very long-dated issues, and index linked yields falling on average.

Third quarter headlines were focussed on when the US Federal Reserve (Fed) will begin tapering its monthly asset-purchasing programme (QE). Most market participants expected some form of tapering to be announced during September following steadily improving economic data. Against expectations however, the Fed announced its decision to leave the level of QE unchanged, citing an “elevated” level of unemployment and consistently below-target inflation. Markets subsequently rallied, with the S&P500 reaching an historic high shortly after.

The late surge in equity markets was capped at the end of the quarter however, as uncertainty surrounding the possibility of a US federal budget stalemate increased. Whilst this threatened the shutdown of some “non-essential” government operations, investors will be more wary of the potential impact on October’s debt ceiling negotiations.

Mark Carney began his tenure as Governor of the Bank of England during July. His first major move was to introduce a strategy known as forward guidance, whereby he assured investors that there are no plans to raise interest rates in the short to medium term. This followed a similar announcement by the European Central Bank, however it has so far been doubted by investors as the UK economic recovery continues to gain momentum.

European equities were one of the strongest performers in the third quarter, further evidence that the outlook is improving following the single currency region’s exit from recession in the second quarter. Business activity, economic sentiment and consumer confidence all posted levels not seen since September 2011, while unemployment fell for the first time in more than two years in July. Markets also welcomed the outcome of the German elections in September, as Angela Merkel reinforced her position at the centre of European politics with 41.5% of the votes, just short of an absolute majority. Whilst the overall region’s return to growth is encouraging however, much of the area is still in recession with worryingly high unemployment, meaning any talk of a stable recovery with reduced volatility would be premature for now.

Emerging markets continued to be disappointing through July and August, before posting their strongest monthly return in twenty months in September. In contrast to most other emerging markets, Chinese equities performed particularly well throughout the quarter due to the release of a number of positive economic indicators. Many other emerging economies continue to struggle with rising capital costs and currency depreciations. However, with a significant amount of outflows in 2013, certain markets are now beginning to look attractively valued.

P-Solve Contact

John Conroy

John.Conroy@psolve.com

020 3327 5048

11 Strand, London WC2N 5HR

Client Contact

Jonathan Hunt

jonathanhunt@westminster.gov.uk

020 7641 1804

Fund Actuary

Graeme Muir, Barnett Waddingham

Datasource: Data has been sourced from the Custodian, Northern Trust, and the Managers.

IMPORTANT INFORMATION

This Investment Governance Report has been prepared for the Audit & Pensions Committee of the London Borough of Hammersmith and Fulham Pension Fund (the “Fund”) only. It is not for onward distribution. The purpose of this report is to provide factual information relating to the current portfolios, valuation, components and a factual description of the performance in the period covered by the report. The subject matter of this report has been agreed with you and is provided by us in order to meet our reporting obligations to you under the FCA Rules. As such, it has not been prepared for distribution to individual scheme members or retail investors.

P-Solve is authorised and regulated by the Financial Conduct Authority and which is part of the Punter Southall Group of Companies.

This document is intended for the recipient only. The information expressed is provided in good faith and has been prepared using sources considered to be reasonable and appropriate. Past performance is not necessarily a guide to future returns.

Registered Office: 11 Strand, London WC2N 5HR. Registered in England & Wales: No. 3359127. FCA Registration No. 195028

**THIS REPORT IS ADDRESSED TO THE AUDIT & PENSIONS COMMITTEE OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM PENSION FUND ONLY
– NOT FOR ONWARD DISTRIBUTION**