Deloitte.

London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 March 2014

Executive Summary

Deloitte Total Reward and Benefits Limited

June 2014

Contents

Appendices

1. Market Background

Three and twelve months to 31 March 2014

The first quarter of 2014 saw negative returns from UK equities, with the FTSE All Share Index returning -0.6%. Smaller companies outperformed larger companies, with the FTSE 100 Index returning -1.3% and the FTSE Small Cap Index returning 1.4% over the quarter. Despite continued improvements in the UK's economic outlook, it was a volatile quarter for UK equities which were influenced by signs of a slowdown in China and the crisis in the Ukraine.

There was a wide range of performance at the sector level, with Utilities offering the highest return (3.4%) and Telecommunications, the worst performing sector (-7.6%).

Over the three months to 31 March 2014, global equity markets outperformed the UK in both local and sterling terms, achieving marginally positive returns of 1.1% and 0.5% respectively. Currency hedging was therefore beneficial to investors over the quarter. Europe (ex UK) was the strongest performing region over the quarter, returning 2.9% in local currency terms and 2.4% in sterling terms. Japan was the lowest performer over the quarter, returning -6.4% in local currency terms and -6.0% in sterling terms.

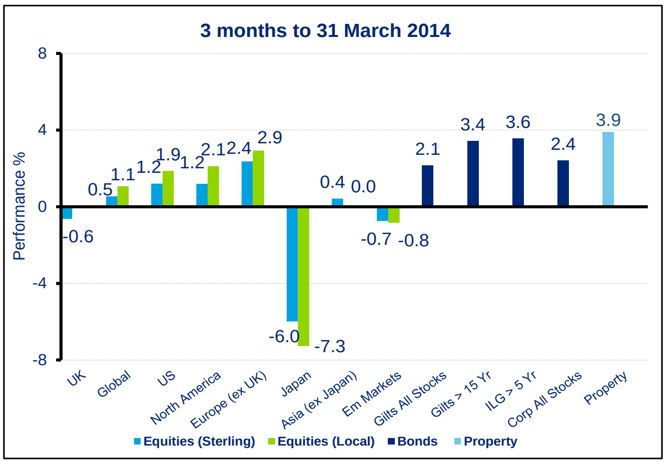
UK nominal gilts performed positively over the 3 months to 31 March 2014 as yields fell, with the All Stocks Gilt Index and Over 15 Year Gilt Index returning 2.1% and 3.4% respectively. Real yields on UK index linked gilts also fell, with the Over 5 Year Index-linked Gilts Index returning 3.6%. Corporate bond returns were positive over the 3 months to 31 March 2014, although credit spreads remained broadly unchanged – the iBoxx All Stocks Non Gilt Index returned 2.4% over the period.

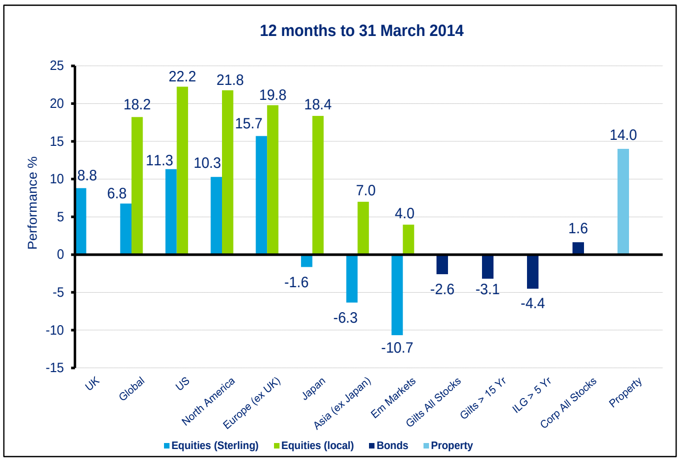
Improvements in the UK's economic outlook meant that equities delivered positive returns over the 12 months to 31 March 2014, with the FTSE All Share Index returning 8.8%. Smaller companies were instrumental to UK equity returns over the year, as illustrated by the FTSE Small Cap Index which returned 20.4%. Over the 12 months to 31 March 2014, the Telecommunications sector was the best performing sector, returning 18.5%. In contrast, Basic Materials returned only -4.0%.

Global equity markets outperformed the UK equity market over the year to 31 March 2014 in local currency terms, but underperformed it in sterling terms. The FTSE All World Index returned 18.2% in local currency terms, yet only 6.8% for unhedged sterling investors. Currency hedging was beneficial as sterling appreciated against all major currencies, most substantially against the Japanese yen.

Returns on nominal UK gilts were negative over the year to 31 March 2014, as yields increased across all maturities. The rise in yields was most significant for shorter maturities where yields increased by c. 1%. The All Stocks Gilt Index and Over 15 Year Gilt Index returned -2.6% and -3.1% respectively. Real yields on UK index-linked gilts also increased over the period, with the Over 5 Year Index-linked Gilts Index returning -4.4%. Corporate bond markets offered a positive return over the year, with the iBoxx All Stocks Non Gilt Index returning 1.6% after credit spreads narrowed.

The UK property market continued to rise, returning 3.9% over the quarter and 14.0% over the 12 month period.





2. Performance Overview

Fund	Manager	3 month return (%)	1 year (%)	2 year (%) p.a.	3 year (%) p.a.	5 year (%) p.a.
		Returns, net of base fees to 31 March 2014				
UK Equity Mandate						
	Majedie	2.1	22.0	21.2	15.9	20.3
FTSE All Share + 2% p.a.		-0.1	11.0	15.0	11.0	18.7
Difference		2.2	11.0	6.2	4.9	1.6
Overseas Equity Mandate						
	MFS	0.2	5.6	10.6	9.3	15.2
MFS Custom Benchmark		0.7	8.6	13.5	10.6	17.7
Difference		-0.5	-3.0	-2.9	-1.3	-2.5
Dynamic Asset Allocation Mandates						
	Barings	-0.6	1.3	4.3	4.3	8.9
3 Month Sterling LIBOR + 4% p.a		1.1	4.5	4.6	4.7	4.8
Difference		-1.7	-3.2	-0.3	-0.4	4.1
	Ruffer	-1.0	0.9	5.5	5.0	9.6
3 Month Sterling LIBOR + 4% p.a		1.1	4.5	4.6	4.7	4.8
Difference		-2.1	-3.6	0.9	0.3	4.8
Matching Fund						
	Goldman Sachs	0.6	3.3	4.2	2.8	3.9
3 Month Sterling LIBOR + 2% p.a		0.6	2.5	2.6	2.7	2.7
Difference		0.0	0.8	1.6	0.1	1.2
	Legal & General	7.3	-8.8	6.3	n/a	n/a
Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)		4.8	-7.9	4.1	n/a	n/a
Difference		2.5	-0.9	2.2	n/a	n/a
Private Equity						
	Invesco	4.7	4.2	7.9	11.2	n/a
	Unicapital	2.5	0.4	5.8	4.5	n/a
Total Fund		1.3	6.0	10.2	9.4	13.0
*Benchmark**		1.0	4.6	8.2	8.9	11.9
Difference		0.3	1.4	2.0	0.5	1.1
Liability Benchmark + 2.2% p.a.		3.0	-1.5	1.8	10.2	10.6

Source: Northern Trust (Custodian). Figures are quoted net of fees and estimated by Deloitte.
(*) The Total Assets benchmark is the weighted average performance of the target asset allocation.

3. Total Fund

Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund – Gross of fees	1.5	6.4	10.7	9.9	13.5
Net of fees[(1)]	1.3	6.0	10.2	9.4	13.0
Benchmark[(2)]	1.0	4.6	8.2	8.9	11.9
Relative	0.5	1.8	2.5	1.0	1.6

Source: Northern Trust

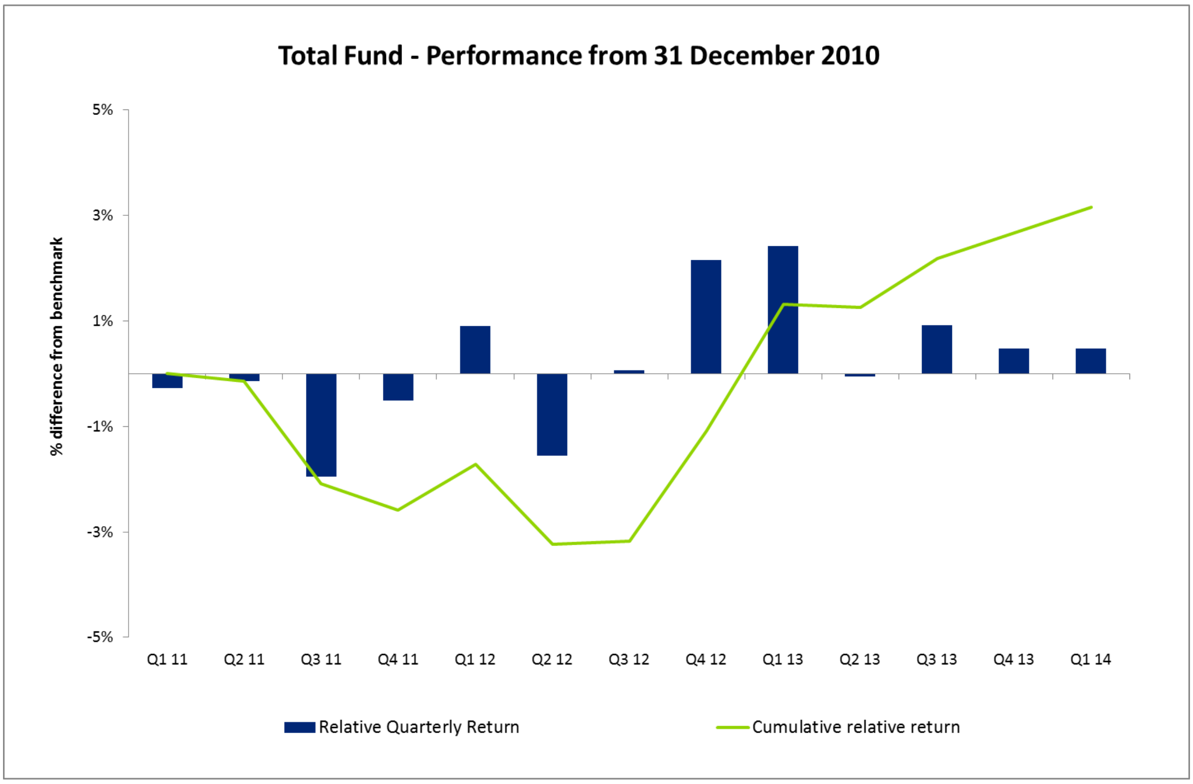
(1) Estimated by Deloitte

(2) Average weighted benchmark

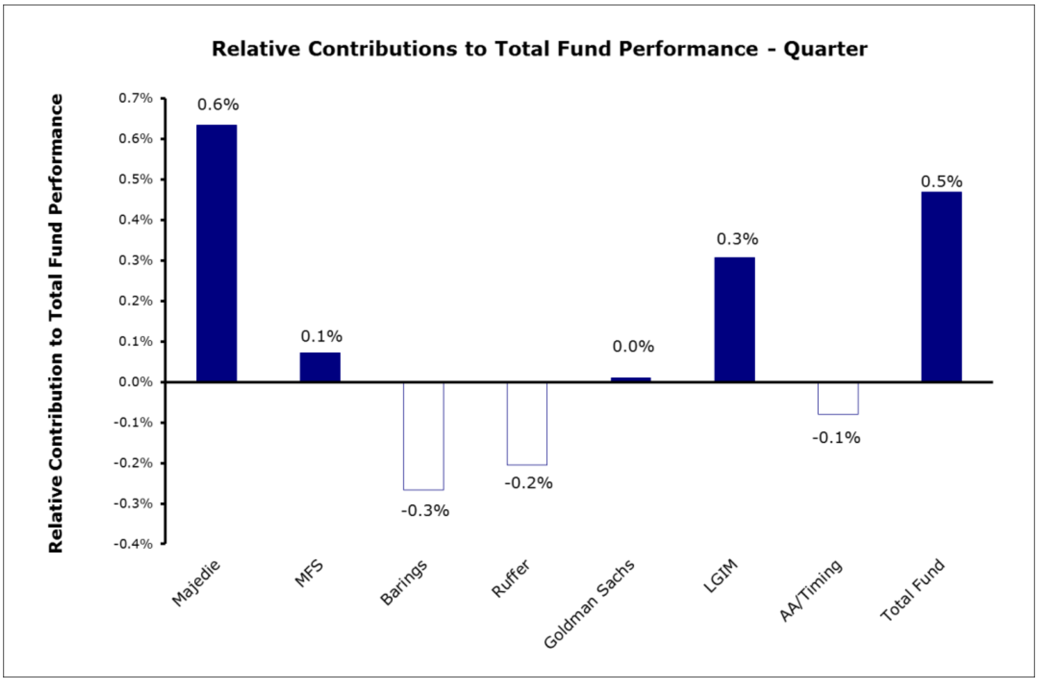
Over the quarter, the Total Fund outperformed its average weighted benchmark by 0.5% but underperformed the Liability + 2.2% benchmark by 1.5%.

Over the one year and three years to 31 March 2014 Majedie and Goldman Sachs have outperformed, helping performance at the Total Fund level. Over the one year year period to 31 March 2014 the Fund has outperformed its benchmark by 1.8%. Over the three years to 31 March 2014 the fund underperformed its benchmark by 1.0%.

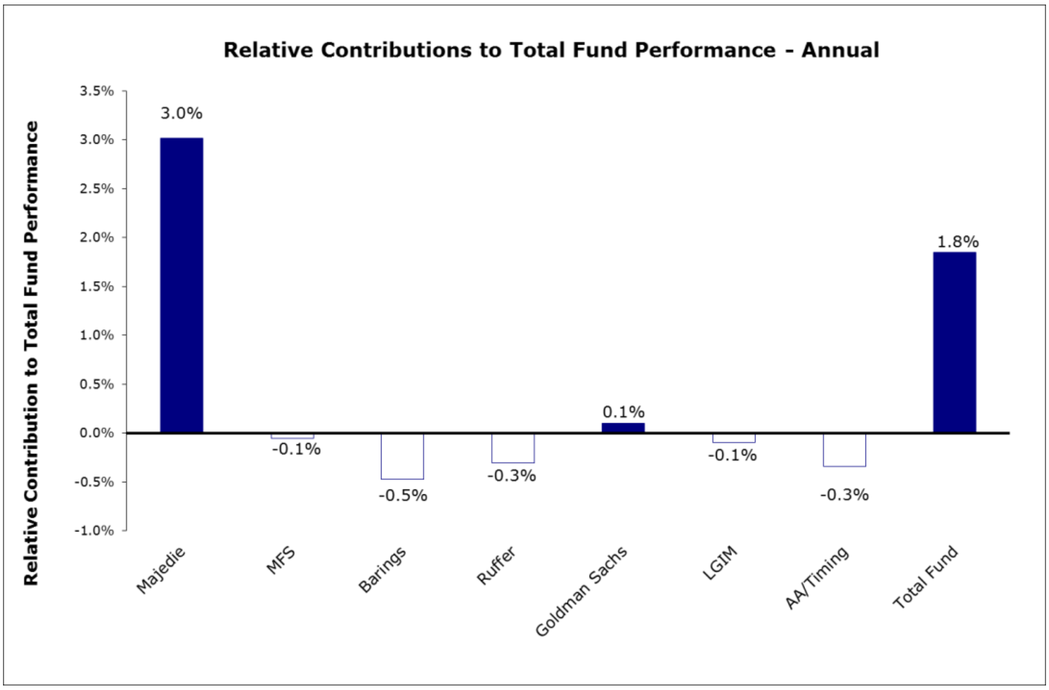
The chart below compares the performance of the Fund relative to the Fund's Benchmark over the three years to the end of March 2014. This highlights that over the past 3 years the cumulative performance has been above the benchmark.



Attribution of Performance to 31 March 2014



The Fund outperformed the composite benchmark by 0.5% over the first quarter of 2014, mostly due to good relative performance from Majedie. Positive performance from a difference in the measurement benchmark for LGIM and its matching portfolio was offset by underperformance by Barings and Ruffer over the quarter.



Over the last year the Fund outperformed the composite benchmark by 1.8%, with Majedie driving the outperformance, which more than offset the below-target performance from Barings and Ruffer.

Asset Allocation as at 31 March 2014

The table below shows the assets held by manager as at 31 March 2014 alongside the Benchmark Allocation.

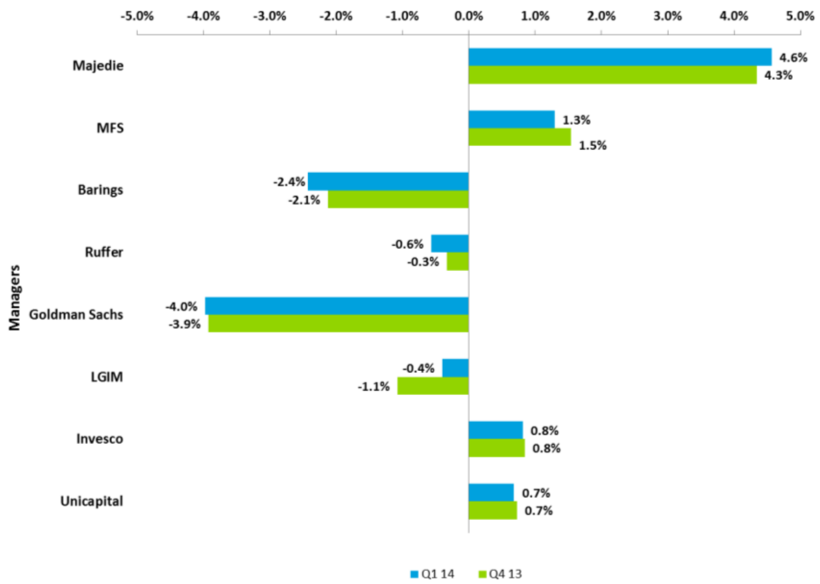
		Actual Asset Allocation				
Manager	**Asset Class**	**31 Dec 2013 (£m)**	**31 Mar 2014 (£m)**	**31 Dec 2013 (%)**	**31 Mar 2014 (%)**	**Benchmark Allocation (%)**
Majedie	UK Equity (Active)	202.6	207.1	26.8	27.1	22.5
MFS	Overseas Equity (Passive)	181.5	182.0	24.0	23.8	22.5
	Total UK Equity	**384.1**	**389.1**	**50.9**	**50.9**	**45.0**
Barings	Dynamic	125.9	125.3	16.7	16.4	18.8
Ruffer	Aboslute Return	82.0	81.4	10.9	10.6	11.2
	Sub –total	**207.9**	**206.6**	**27.5**	**27.0**	**30.0**
Goldman Sachs	Absolute Return Bond	64.8	65.2	8.6	8.5	12.5
LGIM	Matching	82.3	92.6	11.4	12.1	12.5
	Total Matching	**151.0**	**157.8**	**20.0**	**20.6**	**25.0**
Invesco	Private Equity	6.4	6.2	0.8	0.8	0.0
Unicapital	Private Equity	5.5	5.2	0.7	0.7	0.0
	Total Private Equity	**11.9**	**11.4**	**1.6**	**1.5**	**0.0**
	Total	**754.9**	**765.0**	**100.0**	**100.0**	**100.0**

Source: Northern Trust (Custodian) and have not been independently verified

Figures may not sum to total due to rounding

Over the quarter the market value of the assets rose by c. £10.1m as matching assets (in particular LDI bonds) posted strong returns.

As can be seen below, the Fund remains overweight Majedie and underweight Barings and Goldman Sachs relative to the agreed benchmark allocation.



4. Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
MFS	Overseas Equity	Departures of either of the lead portfolio managers Indications of a change to the process or investment philosophy	1
Barings	Dynamic Asset Allocation	Further significant growth in assets Departure of a senior member of the investment team	n/a
Ruffer	Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	n/a
Goldman Sachs	Bonds	Significant changes to the investment team responsible for the Fund Any significant change in process or philosophy	2
LGIM	Matching Bonds	Departures of senior members of the LDI investment team	1

* The Provisional rating is applied where we have concerns over changes to an investment manager

Majedie

As previously mentioned, in January Majedie took on £130m of assets from Majedie Investment PLC which was invested across of range of strategies. At the same time, Majedie increased the level of ownership by the employees, reducing the shareholding of the parent company (Majedie Investment PLC).

Tom Record joined the team from Baillie Gifford and Majedie announced the appointment of Adrian Brass from Fidelity – together these individuals will form the "core" of the new global equity team, supported by two analysts already with Majedie. The aim is to launch two global equity funds – the Global Equity Fund and the Global Focus Fund, which will be managed by the team of four along similar lines to the approach used for the UK equity products. Brass will also lead manage a US equity fund.

Deloitte view – We continue to rate Majedie positively for their UK equity capabilities and will continue to monitor closely the global equity developments.

MFS

There were no changes to the team managing the strategy over the quarter and the process remains unchanged. At the start of the year Anne Healy, the Managing Director of the UK and Irish business left the organisation.

Deloitte View: While we rate MFS positively for global equities, the performance of this particular strategy has been disappointing, particularly relative to the broader global strategy and other global strategies offered by the organisation.

Barings

There were no significant changes to the team or process managing the Dynamic Asset Allocation fund over the quarter.

Deloitte view - The Barings DAA product provides investors looking for a diversified portfolio with a strategy that looks to add value primarily through asset allocation.

Ruffer

Over the quarter assets invested in the fund increased by £13.5m although it remains closed to new institutional clients. There were no changes to the team or process managing the Absolute Return Fund. Jane Husnell, who led the private client service team, is leaving the business.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers in that it is more concentrated than most of its peers.

Goldman Sachs

There have been no changes to the team or processes applied in the management of the Fund's mandate.

Deloitte view – Goldman Sachs would not be an automatic choice on a short list of candidates for a new cash plus mandate.

LGIM

LGIM has continued to grow its LDI business with over £230bn of assets as at the end of December 2013 across around 180 clients investing via segregated, bespoke pooled or pooled accounts.

There were no changes to the Solutions Team over the quarter

Deloitte view – We rate LGIM positively for their LDI capabilities.

5. Majedie – UK Equity

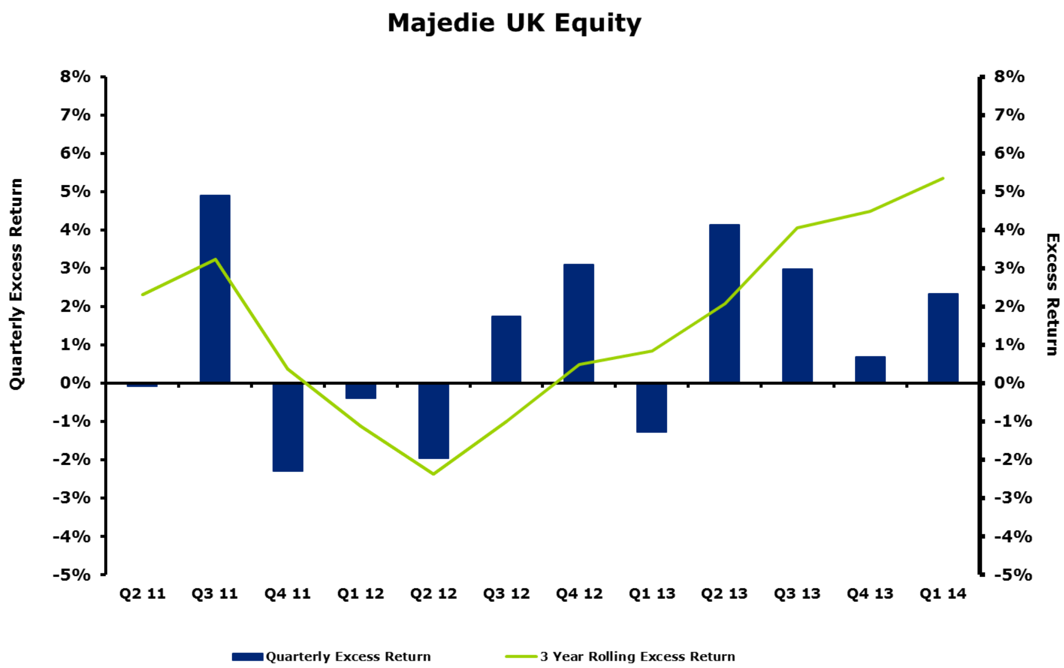
Majedie was appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a tiered fixed fee, based on the value of assets and a performance related fee of 20% of the outperformance which is payable when the excess return over the FTSE All Share +2% p.a. target benchmark over a rolling three year period. The investment with Majedie comprises a combination of the UK Equity Fund, the UK Focus Fund and a holding in Majedie's long/short equity fund, Tortoise.

UK equity – Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Majedie – Gross of fees	2.2	22.4	21.6	16.3	20.7
Net of fees[(1)]	2.1	22.0	21.2	15.9	20.3
Target	-0.1	11.0	15.0	11.0	18.7
Relative	2.3	11.5	6.6	5.4	2.0

Source: Northern Trust

(1) Estimated by Deloitte



Both the UK Equity Fund and the UK Focus Fund delivered strong returns over the quarter, adding to the strong performances of previous quarters, to give a total outperformance over the year of 11.5%.

The key equity positions that contributed to performance over Q114 were BP, Centrica and Orange although the holdings in HSBC and British American Tobacco detracted from performance.

6. MFS – Overseas Equity

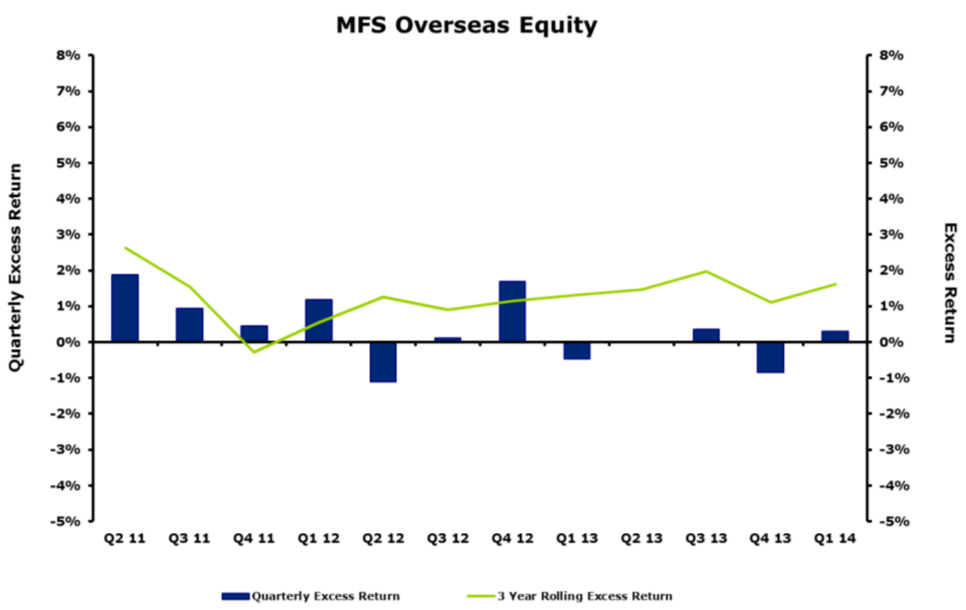
MFS was appointed to manage an overseas equity portfolio with the objective of delivering 2% outperformance on FTSE World (ex UK) Index benchmark over rolling three year period. The manager is remunerated on a tiered fixed fee based on the value of assets.

Overseas Equity – Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
MFS – Gross of fees	0.3	6.0	11.1	9.8	15.6
Net of fees[(1)]	0.2	5.6	10.6	9.3	15.2
Target	0.7	8.6	13.5	10.6	17.7
Relative	-0.4	-2.6	-2.4	-0.8	-2.1

Source: Northern Trust

(1) Estimated by Deloitte



The MFS fund has underperformed its benchmark by 0.3% over the quarter and also underperformed its benchmark by 2.6% over the one year period to 31 March 2014.

Turnover within the portfolio remained low over the quarter. Particular features over the period were the positive impact from the exposure to the Taiwanese semiconductor sector which was partially offset by the disappointing returns from Zoetis, the largest animal health company which is based in the US.

7. Barings – Dynamic Asset Allocation

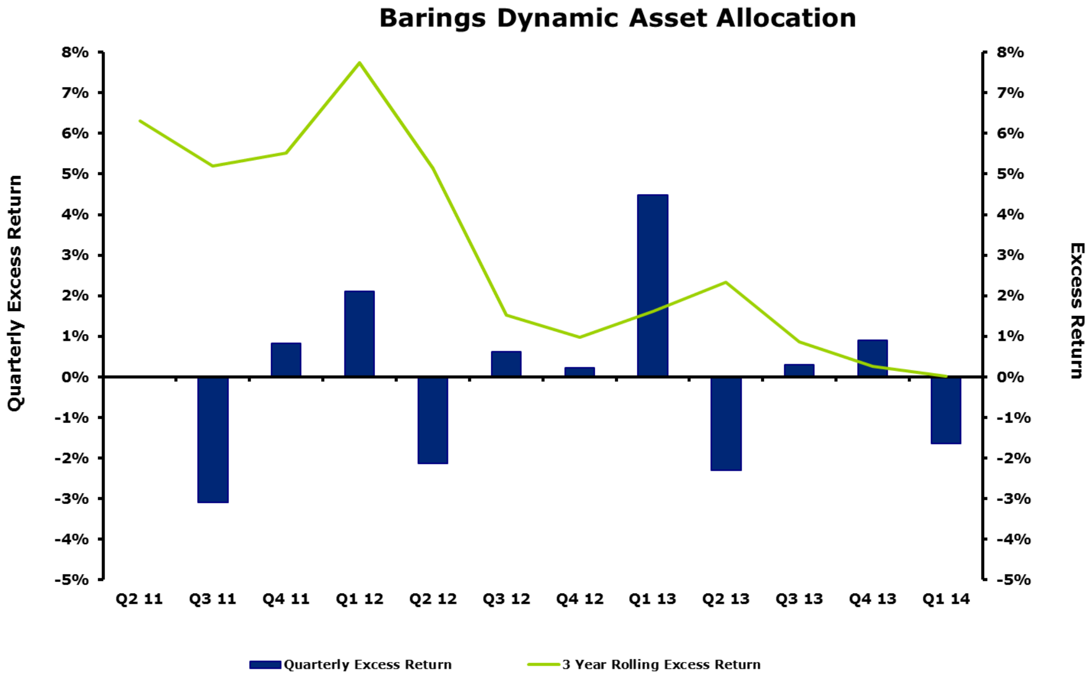
Barings was appointed to manage a dynamic asset allocation portfolio with the aim of outperforming the 3 Month sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Barings – Gross of base fees	-0.5	1.7	4.8	4.8	9.4
Net of fee(1)	-0.6	1.3	4.3	4.3	8.9
Target	1.1	4.5	4.6	4.7	4.8
Relative	-1.6	-2.8	0.2	0.0	4.6

Source: Northern Trust

(1) Estimated by Deloitte



Barings underperformed over the quarter, returning -0.5% against a target return of 1.1%. Over longer periods of two, three and five years the Fund has outperformed its target of LIBOR + 4% by 0.2% p.a., 0.0% p.a. and 4.6% p.a. respectively, helped by the strong performance in the first quarter of 2013..

Over the quarter, the Fund's significant weighting in Japanese equities detracted from performance, as did the heavy weighting to UK equities, with both lagging other equity markets. Stock selection was also a slight negative.

8. Ruffer – Absolute Return

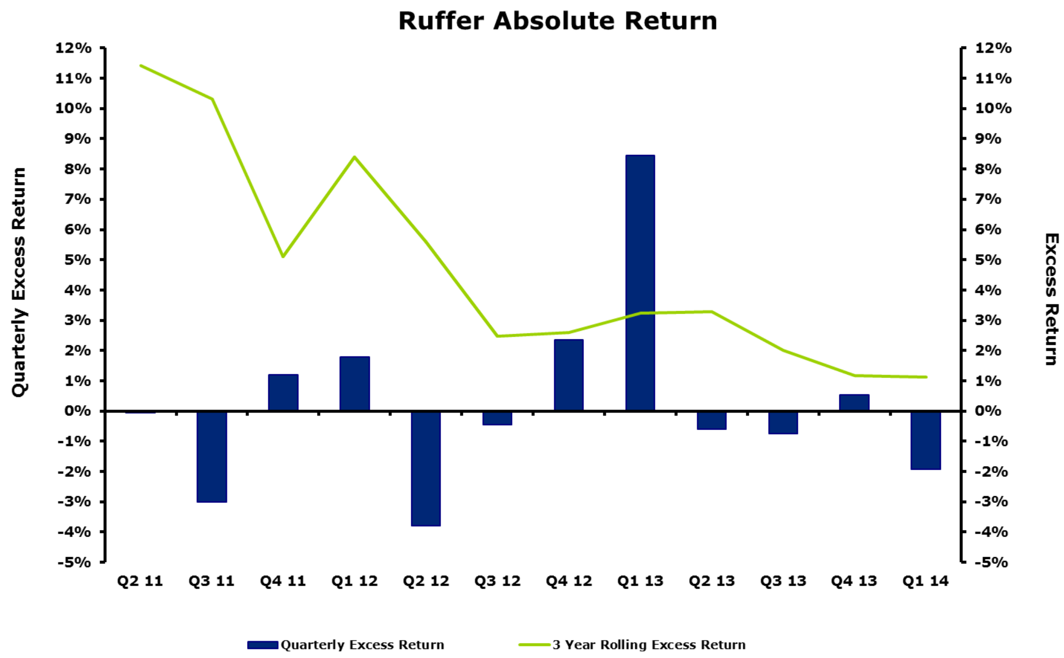
Ruffer was appointed to manage an absolute return mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Ruffer - Gross of fees	-0.8	1.7	6.4	5.9	10.5
Net of fees[(1)]	-1.0	0.9	5.5	5.0	9.6
Target	1.1	4.5	4.6	4.7	4.8
Relative	-1.9	-2.8	1.8	1.1	5.7

Source: Northern Trust

(1) Estimated by Deloitte



The portfolio underperformed its benchmark by 1.9% and by 2.8% respectively over the quarter and one year period to 31 March 2014. Over three years to 31 March 2014 Ruffer has outperformed the benchmark by 1.1%.

The factor that contributed most to performance over Q1 14 was the defensive allocation to UK index-linked gilts, gold and gold equities, however the allocation to Japanese equities detracted from performance. Western equities also contributed positively with strong performances from holdings in Microsoft and Lockheed Martin. Offsetting this, to an extent, the holding in Volkswagen detracted from performance over the quarter.

9. Goldman Sachs – Absolute Return Bonds

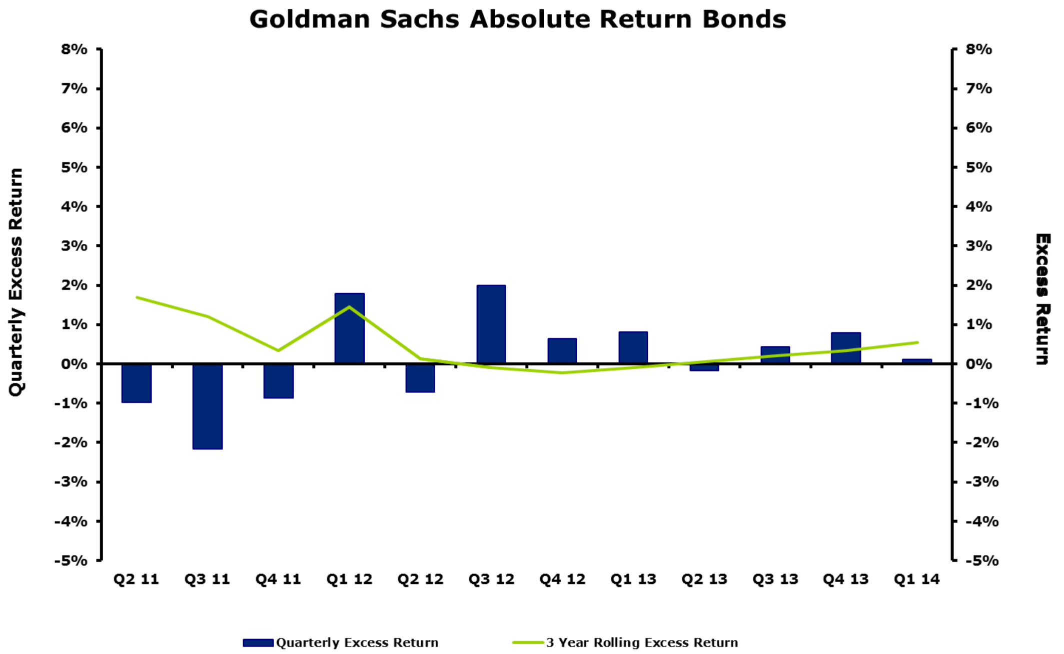
Goldman Sachs was appointed to manage an active bond portfolio with an aim of outperforming the 3 Month Sterling LIBOR by 2% over a rolling three year period. The fees are based on the value of assets invested in the fund.

Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Goldman Sachs – Gross of fees	0.7	3.7	4.6	3.3	4.4
Net of fees(1)	0.6	3.3	4.2	2.8	3.9
Target	0.6	2.5	2.6	2.7	2.7
Relative	0.1	1.2	2.0	0.5	1.7

Source: Northern Trust

(1) Estimated by Deloitte



The fund outperformed its target by 0.1% over the quarter. Over the one and three year period, the Fund has performed ahead of its target by 1.2% and 0.5% respectively.

During the quarter the main contributors to performance were the country, cross-sector and collateralised selection, while duration and stock selection within the corporate bond strategy detracted.

10.LGIM – LDI Bonds

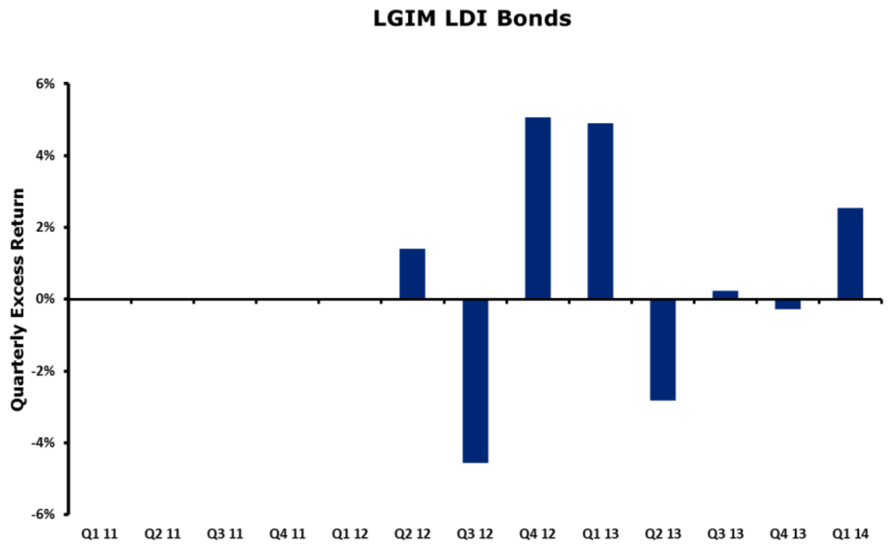
LGIM has a liability matching mandate with the aim of tracking the performance of a leveraged mixture of inflation-linked bonds. Fees are charged based on the value of assets, subject to a minimum fee each year.

Investment Performance to 31 March 2014

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Since Inception 31/03/12 (% p.a.)
LGIM – Gross of fees	7.3	-8.7	6.4	6.4
Net of fees(1)	7.3	-8.8	6.3	6.3
Target	4.8	-7.9	4.1	4.1
Relative	2.5	-0.8	2.3	2.3

Source: Northern Trust.

(1) Estimated by Deloitte



In the table and chart above we have only shown the performance since the mandate was changed to the current bespoke LDI structure.

Over the quarter, the portfolio outperformed its benchmark by 2.5%.

It should be borne in mind that the portfolio has not been rebalanced since it was put in place where the intial structure of the mandate was based on cashflows from the 2010 valuation provided by the previous investment advisor.

Appendix 1: Fund and Manager Benchmarks

The table in this Appendix details the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 31 December 1999.

Manager	Asset Class	Allocation	Benchmark	Inception Date
Majedie	UK Equity	22.5%	FTSE All-Share Index +2% p.a. over three year rolling periods	31/08/05
MFS	Overseas Equity	22.5%	FTSE World (ex UK) Index +2% p.a. over rolling three year period	31/08/05
Barings	Dynamic Asset Allocation	18.8%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Ruffer	Dynamic Asset Allocation	11.2%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Goldman Sachs	Absolute Return Bonds	12.5%	3 Month Sterling LIBOR +2% p.a.	31/03/03
LGIM	LDI Bonds	12.5%	Track the performance of a leveraged mixture of inflation-linked government bonds	11/01/12
Invesco	Private Equity	0.0%	n/a	30/09/09
Unicapital	Private Equity	0.0%	n/a	30/09/09
	Total	**100.0%**	Liability Benchmark + 2.2%	

The benchmark used to measure the estimated movement in liabilities for the Fund, the “Liability Benchmark” is defined using the following range of index linked gilts, designed to closely match the Fund’s liabilities.

45%	Index Linked Treasury Gilt 1.25% 2017
20%	Index Linked Treasury Gilt 1.25% 2027
20%	Index Linked Treasury Gilt 1.25% 2055
10%	Index Linked Treasury Gilt 1.125% 2037
5%	Index Linked Treasury Gilt 0.75% 2047

The investment objective for the Fund is to achieve the Liability Benchmark plus 2.5% per annum.

Appendix 2: Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3: Risk Warnings

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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