Appendix B – JLT Image Report Quarterly Update 30 March 2013

	Portfolio Return 12 month %	Liability Benchmark Return 12 month %
Total Scheme	11.3	6.4
Newton Real Return	10.0	4.6
Newton Corporate Bond	14.2	14.2
Schroder DGF	9.8	8.4
Schroder Bonds	12.2	11.9
L&G Equities	17.6	17.2
L&G Bonds	12.8	12.0
Growth Portfolio		
Growth v Global Equity	9.9	17.0
Growth v RPI+5% p.a.	9.9	8.4
Growth v LIBOR + 4% p.a.	9.9	4.6
Bond Portfolio		
Bond v Over 15 Year Gilts	13.2	8.1
Bond v Index-Linked Gilts (> 5 yrs)	13.2	11.7

The Growth portfolio excludes L&G equities. Global Equity: 60% FTSE All Share Index, 40% FTSE AW All-World (ex UK) Index

The Bond portfolio excludes L&G corporate bond fund.

Performance Report - Quarterly Update
31 March 2013

London Borough of Barnet Superannuation Fund

JLT INVESTMENT CONSULTING

Contents

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May 2013

Section One – Market Update

Introduction

The tables below summarise the various market returns to 31 March 2013, to relate the analysis of your Scheme's performance to the global economic and market background.

Yields as at 31 March 2013	% p.a.
UK Equities	3.35
UK Gilts (>15 yrs)	3.02
Real Yield (>5 yrs ILG)	-0.43
Corporate Bonds (>15 yrs AA)	4.06
Non-Gilts (>15 yrs)	4.23

Absolute Change in Yields	3 Mths	1 Year	3 Years
	%	%	%
UK Equities	-0.22	-0.10	0.19
UK Gilts (>15 yrs)	0.02	-0.24	-1.44
Index-Linked Gilts (>5 yrs)	-0.36	-0.32	-1.07
Corp Bonds (>15 yrs AA)	-0.02	-0.57	-1.44
Non-Gilts (>15 yrs)	0.01	-0.65	-1.33

Market Returns	3 Mths	1 Year	3 Years
Growth Assets	%	%	% p.a.
UK Equities	10.3	16.8	8.8
Overseas Equities	14.4	17.2	8.2
USA	18.5	20.1	12.6
Europe	9.7	17.1	3.8
Japan	19.3	14.3	3.5
Asia Pacific (ex Japan)	8.8	16.7	7.3
Emerging Markets	5.4	7.4	3.2
Property	1.1	2.5	6.6
Hedge Fund	3.6	7.5	5.8
Commodities	7.6	0.0	3.0
High Yield	9.1	19.1	10.7
Emerging Market Debt	-2.3	10.1	9.9
Senior Secured Loans	2.8	8.7	5.7
Cash	0.1	0.5	0.5

Market Returns	3 Mths	1 Year	3 Years
Bond Assets	%	%	% p.a.
UK Gilts (>15 yrs)	0.5	8.1	12.3
Index-Linked Gilts (>5 yrs)	9.0	11.7	13.0
Corp Bonds (>15 yrs AA)	1.3	11.7	10.4
Non-Gilts (>15 yrs)	1.0	13.7	10.6

Change in Sterling	3 Mths	1 Year	3 Years
	%	%	% p.a.
Against US Dollar	-6.6	-5.0	0.0
Against Euro	-4.1	-1.4	1.8
Against Yen	1.6	8.6	0.2

Inflation Indices	3 Mths	1 Year	3 Years
	%	%	% p.a.
Price Inflation - RPI	0.8	3.2	4.1
Price Inflation - CPI	0.7	2.8	3.5
Earnings Inflation *	-0.3	1.0	1.5

* *Subject to 1 month lag*
Source: Thomson Reuters and Bloomberg

Yields and the absolute change in yields are shown to 2 decimal places to clearly show the changes.

Asset Class	Factors Affecting the Market	
	Positive	**Negative**
UK Equities	• UK Equities had a good quarter. The FTSE All-Share Index delivered a 10.3% return over the quarter to 31 March 2013, smaller companies returned 13% whilst medium sized companies lagged slightly, returning 9.8%. Companies' confidence in the future is shown by the number of dividend increases being seen in many sectors, underpinning the yield support that equity prices have long experienced.	• Official forecasts now suggest a 'triple-dip' recession is unlikely. However, there is little room for manoeuvre – growth is expected to be less than 1% this year – and events beyond the government's control could easily reduce this further. Expected future rises in the inflation rate are also adding to potential problems.
	• CPI inflation remained within the Bank of England's target range over the quarter; the latest figure for CPI inflation is 2.8% (as at 31 March 2013, which is likely to be revised over the quarter by the Office for National Statistics).	• The number unemployed, 2.51m, remains high, although the unemployment rate has held steady at 7.8% over recent months. Increases in wages continue to be subdued whilst the rate of inflation is putting further pressure on consumers.
	• The UK Bank Rate remained at 0.5% over the quarter although there was no change to the level of quantitative easing (QE) of £375bn.	
Overseas Equities		
North American Equities	• The US equity market had a stellar first quarter of 2013 returning 18.5%. The housing market has been improving, and consumer confidence has picked-up somewhat. Corporate America helped, earnings for 2012 were largely as expected, forecasts for 2013 remain positive and there are signs of a pick-up in mergers and acquisitions (and even a return of the leveraged buyout).	• After the strong rise in equity prices in the first quarter it would not be surprising if there was a pause for breath in the short term, particularly if some of the mixed signals coming from more recent economic statistics continue.

Asset Class	Factors Affecting the Market	
	Positive	Negative
European Equities	• The European equity market delivered 9.7% growth over the quarter, continuing the strong rally it experienced over 2012.	• Unemployment remains high - particularly in the peripheral Eurozone countries as austerity measures impact on confidence.
	• Despite the grim big picture, many companies are increasing profits and, perhaps more importantly, dividends. Income is becoming a significant part of share prices' total return (as has been the case in the UK for some time). Europe should be treated as a market of many stocks, not a single stock market. There are opportunities to be grasped, even in the most unpromising areas.	• The 'resolution' of the Cyprus crisis, has set a precedent that could be followed elsewhere – Spain, a possibility. There are already other, peripheral, countries heading into difficulty – Slovenia seemingly next in line – and it will be interesting to see if the same remedies are imposed in future negotiations. The Cyprus 'bail-in' will also have the effect of weakening already weak banks across the Eurozone as depositors move their uninsured cash to perceived 'strong' banks in the region – just in case.
Japanese Equities	• Japan was the best performing major market in the first quarter, with a return in sterling of 19.3% and even stronger return in local currency of 21.2%. It is a very long time since we have been able to make such a statement	• There are still clouds on the horizon, not least international politics in the region. China, in particular, is not happy with the perceived 'beggar-thy-neighbour' policies being proposed and the US Congress might start to grumble if the yen weakens much more. But for the time being the rest of the developed world seem content for Japan to continue its experiment in reflation.
	• The new Prime Minister, Mr Abe, was elected on a platform of monetary and fiscal expansion to overcome deflation and boost the economy. He has already appointed a new Bank of Japan Governor, Mr Kuroda, who markets expect to be fully supportive of these efforts, unlike previous, ultra-conservative incumbents.	
Asia Pacific (excluding Japan) Equities	• The region had a relatively subdued first quarter, returning 8.8%. As usual, China has been the main area of returns and concern. The new President, Xi Jinping, took over in March, with stability the watchword, but with some major problems to address. Exports have recovered somewhat from the lows of last summer but the lack of growth in the western developed world limits any rapid recovery. Overall GDP should grow in 2013 at about the same rate as last year – around 7.5% - which might sound high, but for China is nearly equivalent to stagnation.	• In the short term the new Chinese administration's room for manoeuvre is constrained by a property bubble – the legacy of the massive expansion in credit in 2008/9. Easing monetary conditions to promote growth is not possible until property lending throughout the economy can be controlled more rigorously. In addition, geopolitically there is, of course, the question of North Korea. So far markets have blithely ignored all the table-thumping and sabre-rattling but there is always the chance that the situation gets out hand.

Asset Class	Factors Affecting the Market	
	Positive	**Negative**
Emerging Markets Equities	• Emerging Market indices rose approximately 5% over the quarter – a somewhat lacklustre performance. The reasons are very similar to those described above in the Asian section – a reliance on exports to a developed world growing little, if at all. However, the fastest growing areas in Emerging Markets generally are in the domestic economy – consumption and services – aimed at the burgeoning middle class in many countries with an increasing propensity to spend.	• Political instability is the main investor concern at present with the political leadership of China facing its first serious test in North Korea and the increasing uncertainties in Latin America proving a drag on growth. There is also a strong correlation between Emerging Market indices and the US dollar. When the latter is strong, as it has been, they tend to underperform – and vice versa.
Gilts	• Gilts returned 0.5% over the first quarter of 2013. The recent downgrade by Moody's to AA Stable in this asset class has not impacted on it continuing to be regarded as having 'safe haven' status at the moment.	• The 'safe haven' position of Gilts is inextricably linked to the measures taken to resolve the Eurozone crisis. We continue to be concerned that this asset class may experience falling capital values in the near term as markets work through the sovereign crisis. There is a short term risk of yields decreasing on more QE.
Index-Linked Gilts	• With limited supply and investors continuing to seek inflation protection, demand for index-linked gilts remains high, thus supporting prices. There are pockets of value to be found in this asset class.	• A negative real yield on long-dated index-linked gilts is unsustainable over the longer term in an environment in which central banks are able to successfully control inflation within a target range.
Corporate Bonds	• Sterling corporate bonds produced a positive return of 1.8%, benefiting from the strength of corporate balance sheets and the higher yields relative to gilts. The interest rate outlook is stable, and the returns available make the sector appealing to some investors.	• The corporate bond market is currently suffering from a lack of liquidity and the tightening of credit spreads means that trading is becoming more difficult.
Property	• Tier 1 prime assets continue to outperform secondary and tertiary properties, as they did throughout 2012.	• The well established trend of overall void levels increasing in tandem with the lowering of capital values as well as falling rental yields continued through Q1 2013. The lack of growth in the UK economy compounded these issues.

Section Two – Total Scheme Performance

		Start of Quarter		Net New Money	End of Quarter	
Manager	**Fund**	**Value** £	**Proportion of Total** %	£	**Value** £	**Proportion of Total** %
Newton Investment Management Limited (Newton)	Real Return	238,091,682	31.4	980,000	252,863,848	31.5
Schroder Investment Management Limited (Schroder)	Diversified Growth	229,188,025	30.3	-	243,716,290	30.4
Legal and General Investment Management (L&G)	World (ex UK) Equity Index	35,001,968	4.6	-	40,213,709	5.0
Newton	Corporate Bond	120,684,334	15.9	420,000	122,249,581	15.3
Schroder	All Maturities Corporate Bond	112,043,508	14.8	-	113,904,310	14.2
L&G	Active Corporate Bond – All Stocks	16,855,754	2.2	-	17,158,083	2.1
Newton	Cash	730,250	0.1	-	908,285	0.1
Schroders	Cash	438,548	0.1	-	583,460	0.1
Internal	Cash	4,498,608	0.6	n/a	10,094,732	1.3
ASSET SPLIT						
Growth assets		507,218,832	67.0	-	547,472,039	68.3
Bond assets		250,313,846	33.0	-	254,220,259	31.7
TOTAL		**757,532,679**	**100.0**	**1,400,000**	**801,692,299**	**100.0**

Source: Investment managers, bid values. Please note that the Internal Cash is assumed to have earned no interest over the quarter. The Newton Cash is assumed to be held in the Bond portfolio and the Schroders Cash in the Growth portfolio

Note: Totals may not sum due to rounding.

Total Scheme Performance

	Portfolio Return Q1 2013 %	Benchmark Return Q1 2013 %
Total Scheme	5.1	3.4
Growth Portfolio		
Growth v Global Equity	6.2	11.9
Growth v RPI+5% p.a.	6.2	2.0
Growth v LIBOR + 4% p.a.	6.2	1.1
Bond Portfolio		
Bond v Over 15 Year Gilts	1.7	0.5
Bond v Index-Linked Gilts (> 5 yrs)	1.7	9.0

The Growth portfolio excludes L&G equities. The global equity benchmark is 60% FTSE All Share Index, 40% FTSE AW All-World (ex UK) Index. *Liability benchmark (see page 17).

The Bond portfolio excludes L&G corporate bond fund.

The total scheme return is shown against the liability benchmark return (see page 17). The Growth portfolio return is the combined Newton and Schroder DGF portfolios and is shown against a notional 60/40 global equity benchmark and the underlying benchmarks of each fund for comparison purposes. The Bond portfolio is the combined Newton and Schroder corporate bond portfolios and is shown against the Over 15 Year Gilts Index and Index Linked (Over 5 years) Index.

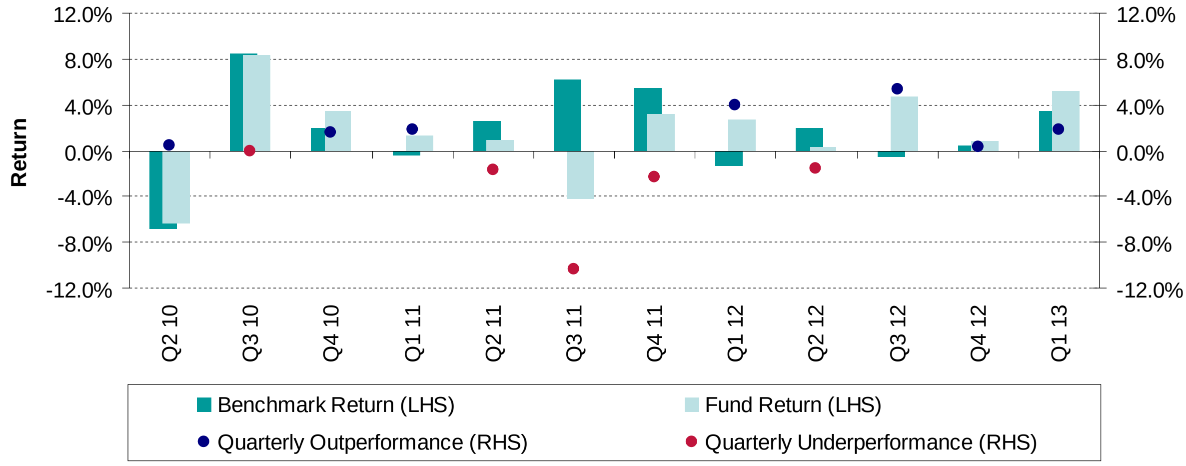
Individual Manager Performance

Manager/Fund	Portfolio Return Q1 2013 %	Portfolio Benchmark Q1 2013 %
Newton Real Return	6.0	1.1
Schroder Diversified Growth	6.4	2.0
L&G – Overseas Equity	14.9	14.4
Newton Corporate Bond	1.7	1.3
Schroder Corporate Bond	1.7	1.6
L&G – Corporate Bond	1.8	1.7

Source: Investment managers, Thomson Reuters. Performance is money-weighted.

The previous table shows the breakdown of the individual manager/portfolio returns against their underlying benchmarks.

Total Scheme - performance relative to liability benchmark



Source: Investment managers, Thomson Reuters. Liability benchmark effective from Q1 2011.

The Scheme achieved a return of 5.1% over the quarter and outperformed the liability benchmark return by 1.7%. This was due to a combination of rebounding equity markets and good corporate bond returns.

The chart above shows the historical returns against the WM Universe for information. The new strategy against the liability benchmark is effective from 1 January 2011.

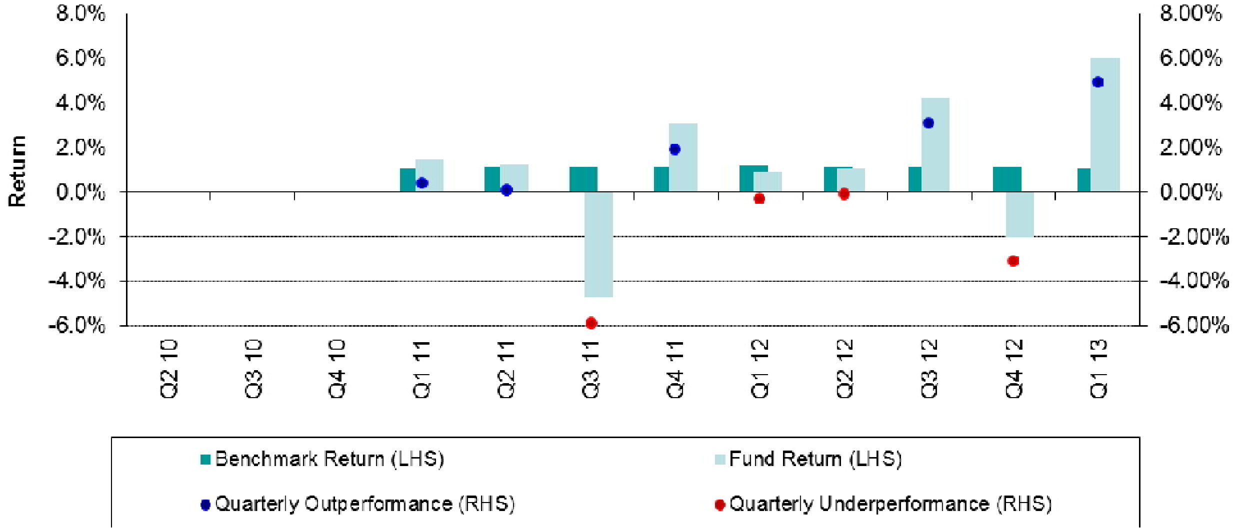
The Scheme generated a positive absolute return as all the underlying funds generated positive absolute returns, the strongest absolute performance came from L&G – Overseas Equities. On a relative basis, all the underlying funds outperformed their respective benchmarks over the quarter.

The Growth Portfolio, comprising the two DGF funds, underperformed the notional 60/40 global equity benchmark, by 5.7%, as the equity markets performed very well compared to the DGF funds. It is usual to expect DGF funds to underperform equities in rising markets. The Growth portfolio returned more than both of the LIBOR +4% and the RPI +5% target returns of the respective DGF funds. The Growth portfolio's positive absolute (and relative) return over the quarter was driven by both the DGF Funds.

The Bond Portfolio, comprising the two corporate bond portfolios managed by Newton and Schroder, outperformed the Over 15 Year Gilts Index (by 1.2%) and underperformed the Over 5 Years Index Linked Gilts Index (by 7.3%).

Section Three – Manager Performance

Newton - Real Return Fund - performance relative to portfolio benchmark



Source: Investment manager.

The Newton Real Return Fund return was 6.0% compared to its LIBOR + 4% p.a. benchmark return of 1.1%, thereby outperforming by 4.9%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 5.9%.

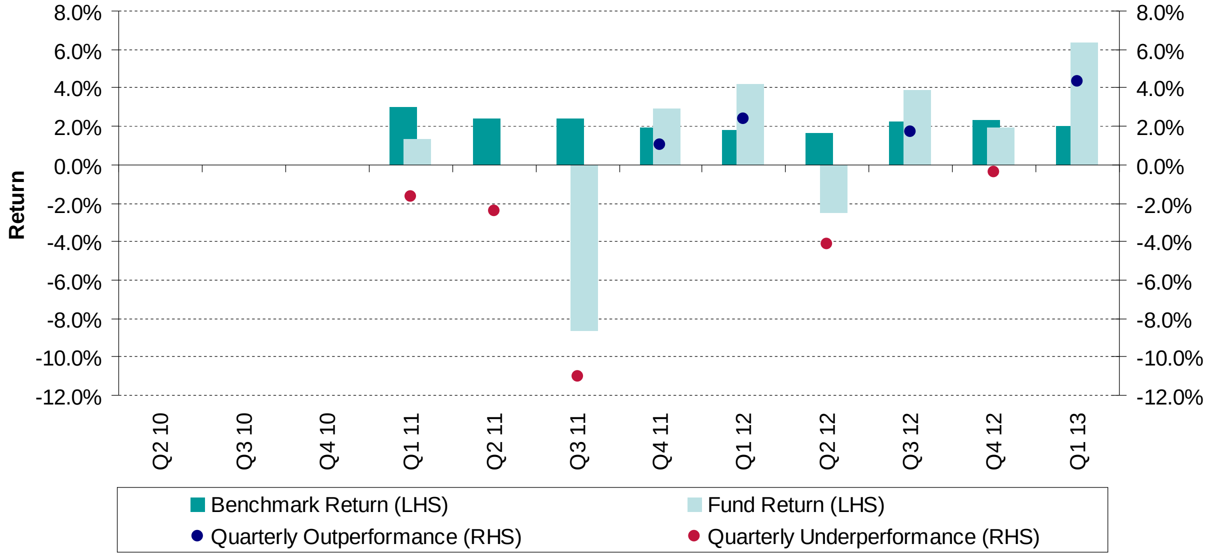
The Newton Real Return Fund produced a positive absolute return during the quarter; the performance (6.0%) was driven by its allocation to equities over the quarter. The allocations to Health Care and Telecoms were the largest contributors to performance within the equity segment. Banks and Mining were the only sectors to produce a negative contribution.

The return from the bond element of the Fund was positive, but not to the same extent as equities. Holdings in Australian and New Zealand government bonds were particularly beneficial to the Fund.

The Fund's high weighting to cash was a drag on performance in a quarter where the Fund's equity and bond allocations performed well.

Over the 12 month period, the Fund returned 9.5% versus the benchmark return of 4.6%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 7.5%.

Schroder - Diversified Growth Fund - performance relative to portfolio benchmark



Source: Investment manager.

The Schroder DGF return was 6.4% compared to its RPI + 5% p.a. portfolio benchmark return of 2.0%, outperforming by 4.4%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 5.5%.

The significant position in equities was the largest contributor to performance over the quarter. Equities (particularly Global, US and the fund's 'Quality Yield' basket of equities) and high yield bonds delivered the largest contributions to returns over the period. Cash and FX were a drag on the Fund's total return over the quarter.

A position in leveraged loans was introduced in February, allocating 1% of the Fund to the M&G European Loan Fund and Invesco US Senior Loan Fund at the expense of US investment grade bonds.

The manager has a view that central bank policy is too powerful to ignore, and by compressing yields, they are encouraging investors to take additional risk. As a result Schroders are focussing on areas which are well positioned to cope with the low growth environment. They remain positive on equities, favouring the UK and US markets.

Over the 12 month period, the Fund returned a strong absolute return of 9.8% versus the benchmark return of 8.4%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 7.1%.

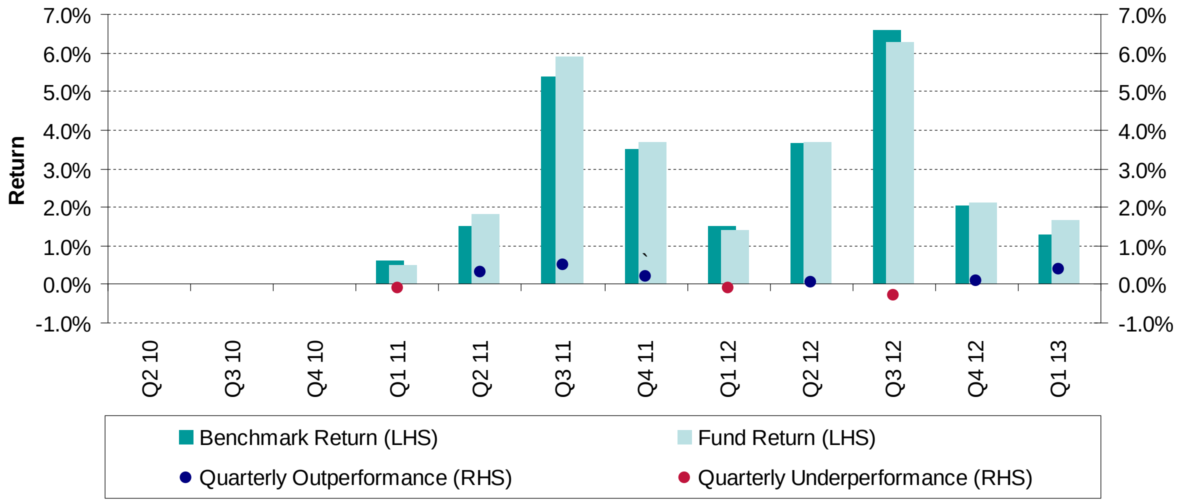
Asset allocation for growth managers: movement over the quarter

	Q1 '13 Newton %	Q1 '13 Schroder %	Q4 '12 Newton %	Q4 '12 Schroder %
UK Equities	15.2	5.5	15.3	0.1
Overseas Equities	40.9	42.8	40.8	48.4
Fixed Interest	10.6	-	10.6	-
Corporate Bonds	10.8	7.5	10.8	10.4
High Yield	-	20.8	-	18.8
Private Equity	-	1.2	-	1.3
Commodities	3.8	4.0	3.8	6.3
Absolute Return	-	4.2	-	4.9
Index-Linked	4.7	-	4.7	-
Property	-	0.3	-	0.9
Cash/Other	14.0	13.7	14.0	8.9
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Source: Investment managers.

Note: Totals may not sum due to rounding.

Newton - Corporate Bond portfolio - performance relative to portfolio benchmark

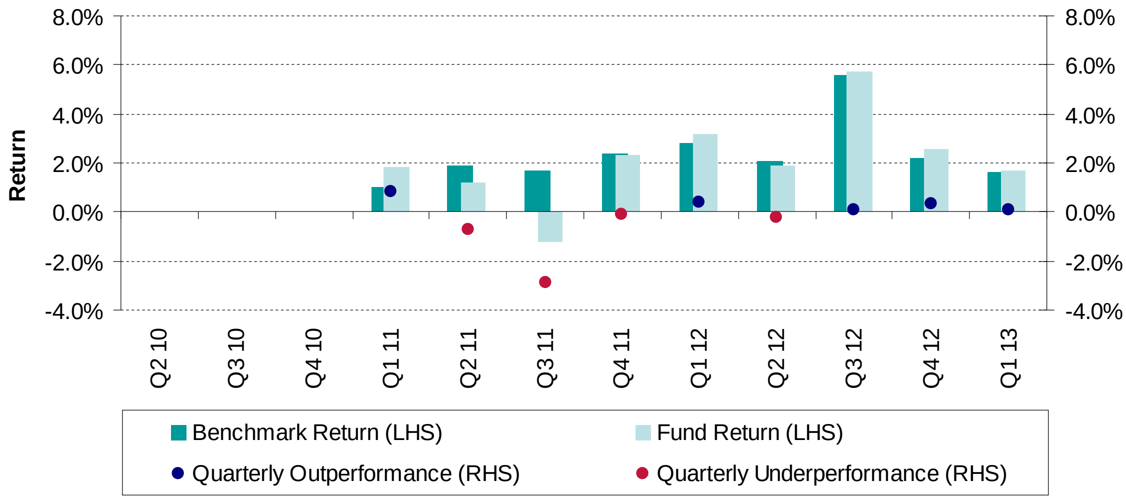


Source: Investment manager.

The Newton Corporate Bond portfolio outperformed its benchmark by 0.4% and returned 1.7% versus the benchmark return of 1.3%. An underweight position to A-rated bonds was beneficial as was the underweight position in banks, where Newton have a higher quality bias.

Over the 12 month period, the Fund returned 14.2% and tracked its benchmark.

Schroder - All Maturities Corporate Bond portfolio - performance relative to portfolio benchmark

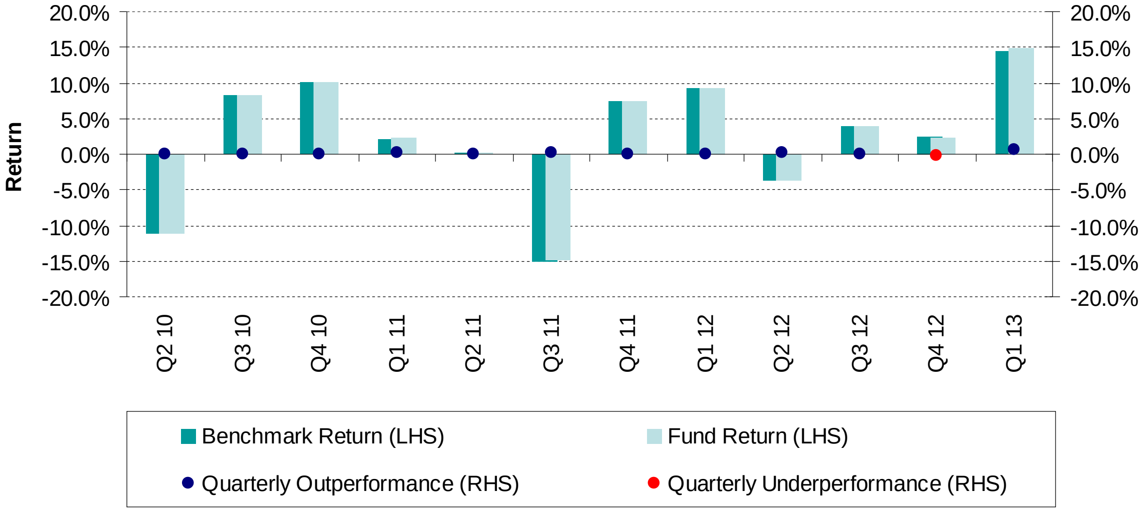


Source: Investment manager.

The Schroders Corporate Bond portfolio marginally outperformed its benchmark, returning 1.7% versus the benchmark return of 1.6%. The Fund benefitted from its overweight position in the insurance sector, underweight position in the long end of the gilt curve, and also from security selection.

Over the 12 month period, the Fund returned 12.2% versus the benchmark return of 11.9%.

L&G – Overseas Equities



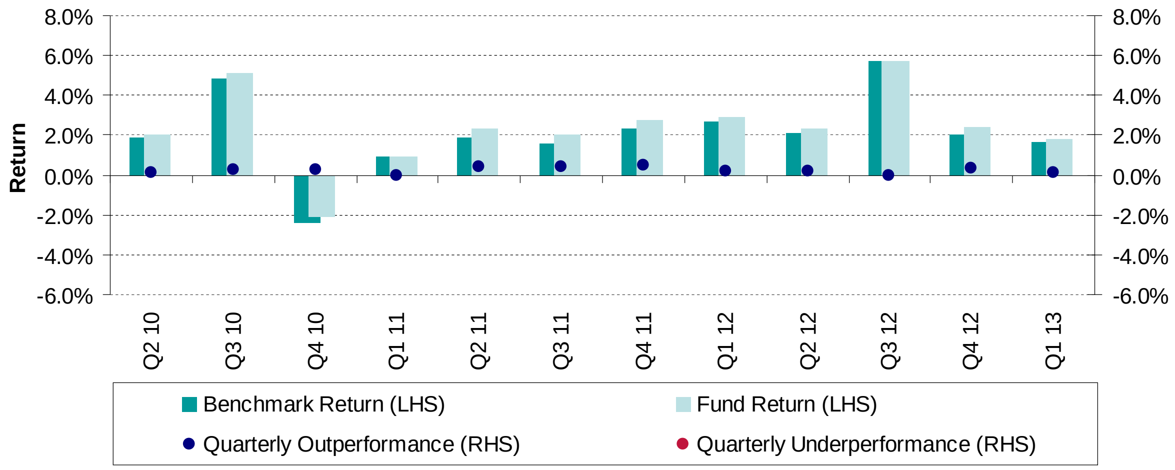
Source: Investment manager.

Over the first quarter of 2013, the Fund outperformed its benchmark by 0.5% and generated strong positive absolute return of 14.9%.

Over the 12 month period, the Fund return was 17.6%, against the benchmark return of 17.2% thus outperformed its benchmark by 0.4%.

The Fund has outperformed its benchmark over the 3 year period.

L&G – Active Corporate Bond - All Stocks - Fund



Source: Investment manager.

Over the quarter the Fund outperformed its benchmark by 0.1% and generated positive absolute return of 1.8%.

An overweight exposure to collateralised bonds added to performance. This sector was attractive to investors as these bonds were higher yielding and were a means to avoid M&A risk increasingly being seen in non-financial sectors. An overweight to risk in the quarter had a positive impact on performance in an environment of positive credit returns.

LGIM have also been switching investments from financials into higher yielding non-financial bonds given what they believe to be the relatively high valuation of financial bonds. Within financial bonds LGIM prefer insurers.

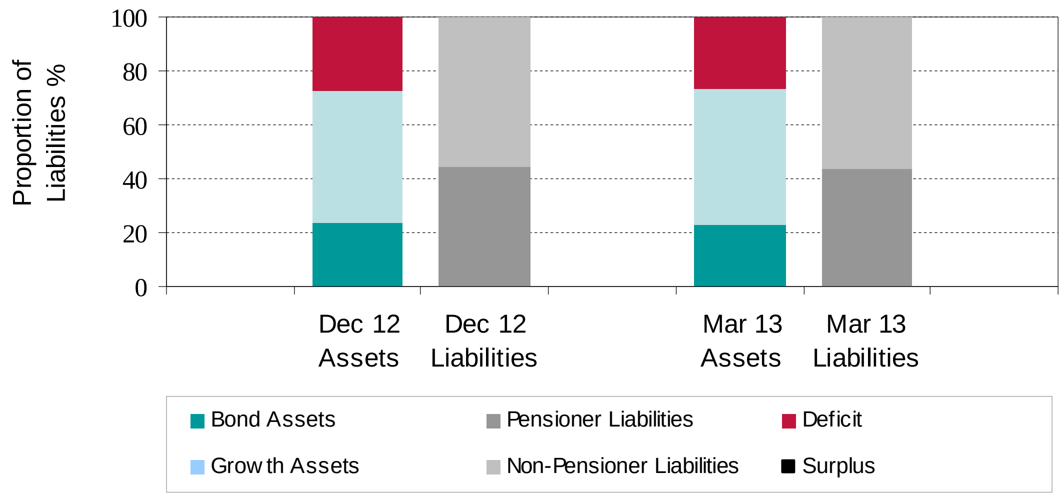
Over the 12 month period, the Fund has performed well with a return of 12.8% compared with the benchmark return of 12.0%.

The Fund has outperformed its benchmark over the 3 year period.

Section Four – Consideration of Funding Level

This section of the report considers the funding level of the Scheme. Firstly, it looks at the Scheme asset allocation relative to its liabilities. Then it looks at market movements, as they have an impact on both the assets and the estimated value placed on the liabilities.

Allocation to Bond and Growth assets against estimated liability split

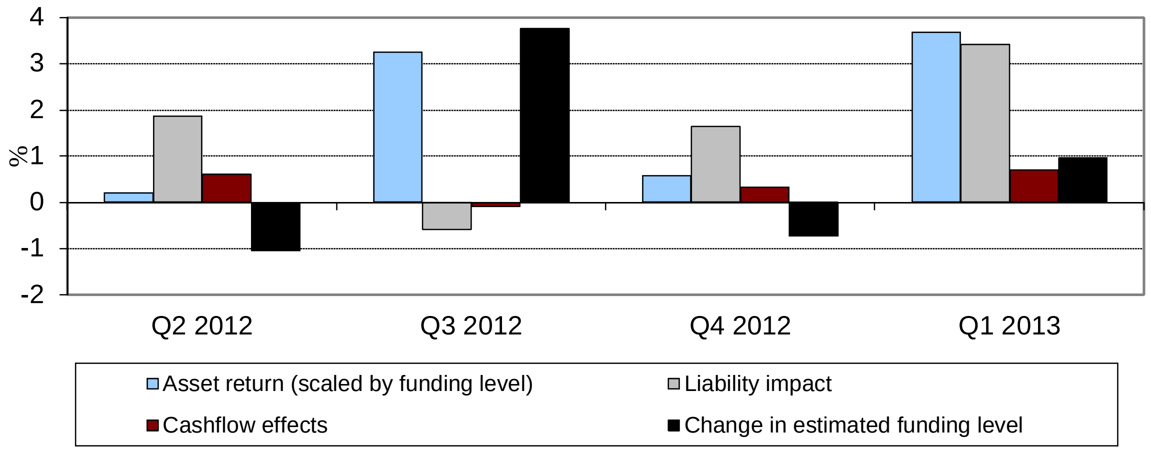


The chart above shows the allocation of the Scheme to Bond and Growth assets (see Glossary of Terms for definition) against the estimated liability split, which is based on changes in gilt yields underlying the Scheme Actuary's calculation of liabilities. The reference yield for the liabilities is the over 15-year gilt yield, as shown in the Market Statistics table in Section 2. These calculations do not take account of unexpected changes to Scheme membership and should not be construed as an actuarial valuation. However, by showing approximations to these liabilities, this chart should assist the Panel in making informed decisions on asset allocation.

Over the quarter, the funding position improved by 0.9%, led by an increase in the value of assets coupled with positive cashflow which was partially offset by an increase in the estimated. The Scheme was approximately 73.2% funded as at 31 March 2013.

The split between non-pensioner and pensioner liabilities is estimated to have remained fairly stable over the quarter. The Scheme remains very underweight to Bond assets relative to its estimated pensioner liabilities; a mismatch that leaves the Scheme exposed to interest rate risk.

Scheme performance relative to estimated liabilities



The above chart shows, for each quarter, how changes in the value of the assets and the liabilities, combined with the cashflow of the Scheme, have affected the funding level. As detailed earlier, the value of the liabilities has been estimated with reference to changes in the gilt yields underlying the Scheme Actuary's calculation of liabilities, as shown in the Market Statistics table.

Over the quarter, the estimated funding level increased by 0.9%, from 72.3% to stand at 73.2%, due to an increase in the assets due to the positive absolute returns coupled with positive cashflow and which was partially offset by an increase in the estimated value of the liabilities.

Therefore, based on movements in the investment markets alone, this quarter has seen an increase in the Scheme's estimated funding position with a decrease in the funding deficit.

Overall, Q1 2013 has been a positive quarter for the Scheme in terms of the funding level.

Section Five – Summary

Overall this has been a good quarter for the Scheme in improving equity markets.

In absolute terms, the Scheme's assets produced a return of 5.1% over the quarter. All the growth and bond portfolios produced positive absolute returns.

In relative terms, the Scheme outperformed the liability benchmark return (see page 17) by 1.7%. All the funds outperformed their respective benchmarks; with the largest contribution coming from the DGF's, both of which outperformed their respective benchmarks.

The combined Growth portfolio underperformed a notional 60/40 global equity return, producing a positive absolute return of 6.2%, and outperforming the benchmarks which are cash-based.

The combined Bond Portfolio outperformed the Over 15 Year Gilts Index by 1.2% and underperformed the Index Linked Gilts (>5 Years) Index by 7.3%.

Over the quarter it is anticipated, all other things being equal, that investment conditions had a positive impact (0.9%) on the Scheme's estimated funding level which was 73.2% as at 31 March 2013.

Appendix

Liability benchmarking

An assessment of Scheme liabilities and how they change would require details of membership changes and actuarial valuation calculations to be carried out. However, by considering the changes in value of a suitable notional portfolio, based on your own liabilities, we can obtain an approximation to the changes in liabilities which will have occurred as a result of investment factors. In this report, when we refer to “liabilities” we mean the notional portfolio representing the actuarial liabilities disclosed in the actuarial valuation report dated 31 March 2010, adjusted approximately to reflect changes in investment factors. This will, therefore, not reflect any unanticipated member movements since the actuarial valuation. However, as a broad approximation it will allow more informed decisions on investment strategy. When we refer to the "liability benchmark" we mean the estimated impact on the liabilities (as referred to above) based on market movements alone.

Summary of current funds

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
Newton Investment Management Limited (Newton)	Real Return	December 2010	Active, pooled	1 month LIBOR plus 4% p.a.	To achieve significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities and to outperform the benchmark over rolling 5 years
Newton	Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non Gilt Over 10 Years Investment Grade Index	To outperform the benchmark by 1% p.a. over rolling 5 years
Schroder Investment Management Limited (Schroder)	Diversified Growth	December 2010	Active, pooled	Retail Price Index plus 5% p.a.	To outperform the benchmark over a market cycle (typically 5 years)
Schroder	All Maturities Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling 3 years
Legal and General Investment Management (L&G)	World (ex UK) Equity Index Fund	September 2008	Passive, pooled	FTSE AW World (ex UK) Index	Track within +/- 0.5% p.a. the index for 2 years in every 3

Summary of current funds (continued)

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
L&G	Active Corporate Bond – All Stocks	December 2008	Active, pooled	iBoxx Sterling Non-Gilts All Stocks Index	Outperform by 0.75% p.a. (before fees) over rolling 3 years
Internal	Property	N/a	Active, property unit trust portfolio	UK IPD Property Index	Outperform the index
Newton Investment Management Limited (Newton)	Balanced	April 2006	Active, segregated	WM Local Authority Weighted Average	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period
Schroder Investment Management Limited (Schroder)	Balanced	1994	Active, segregated	WM Local Authority Weighted Average ex property, Japan and other international equities	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period

Glossary of Terms

Term	Definition
Absolute return	The overall return on a fund.
Bond asset	Assets held in the expectation that they will exhibit a degree of sensitivity to yield changes. The value of a benefit payable to a pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds.
Growth asset	Assets held in the expectation that they will achieve more than the return on UK bonds. The value of a benefit payable to a non-pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds plus a premium (for example, if holding equities an equity risk premium may be applied). The liabilities will still remain sensitive to yields although the Growth assets may not.
Duration	The average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.
Funded liabilities	The value of benefits payable to members that can be paid from the existing assets of the scheme (i.e. those liabilities that have assets available to meet them).
Market stats indices	The following indices are used for asset returns: UK Equities: FTSE All-Share Index Overseas Equities: FTSE World Index Series (and regional sub-indices) UK Gilts: FTSE-A Gilt >15 Yrs Index Index Linked Gilts: FTSE-A ILG >5 Yrs Index Corporate Bonds: iBoxx Corporate Bonds (AA) Over 15 Yrs Index Non-Gilts: iBoxx Non-Gilts Over 15 Yrs Index Property: IPD Property Index High Yield: ML Global High Yield Index Commodities: S&P GSCI GBP Index Hedge Funds: CSFB/Tremont Hedge Fund Index Cash: 7 day London Interbank Middle Rate Price Inflation: Retail Price Index (excluding mortgages), RPIX Earnings Inflation: Average Earnings Index

Market volatility	The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change impact.
Money-Weighted rate of return	The rate of return on an investment including the amount and timing of cashflows.
Non-Pensioner liability	The value of benefits payable to those who are yet to retire, including active and deferred members.
Pensioner liability	The value of benefits payable to those who have already retired, irrespective of their age.
Portfolio benchmark	The benchmark return of the each manager/fund.
Relative return	The return on a fund compared to the return on another fund, index or benchmark. For IMAGE purposes this is defined as: Return on Fund *less* Return on Index or Benchmark.
Scheme investments	Refers only to the invested assets, including cash, held by your investment managers.
Standard deviation	A statistical measure of volatility. We expect returns to be within one standard deviation of the benchmark 2 years in every 3. Hence as the standard deviation increases so does the risk.
Surplus/Deficit	The estimated funding position of the Scheme. This is not an actuarial valuation and is based on estimated changes in liabilities as a result of bond yield changes, asset movements and, if carried out, output from an asset liability investigation (ALI). If no ALI has been undertaken the estimate is less robust.
Time-Weighted rate of return	The rate of return on an investment removing the effect of the amount and timing of cashflows.
Unfunded liabilities	The value of benefits payable to members that cannot be paid from the existing assets of the Scheme (i.e. those liabilities that have no physical assets available to meet them). These liabilities are effectively the deficit of the Scheme.
Yield (gross redemption yield)	The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the discounted value of future cashflows.
3 Year return	The total return on the fund over a 3 year period expressed in percent per annum.

JLT Manager Research Tier Rating System

Tier	Definition
BUY	Significant probability that the manager will meet the client's objectives.
HOLD	Reasonable probability that the manager will meet the client's objectives. This fund will not be put forward for new investments but there is no intention to sell existing holdings.
REVIEW	The manager may reach the client's objectives but a number of concerns exist. The JLT Manager Research Team are currently reviewing this fund.
SELL	There is a reasonable probability that the manager will fail to meet the client's objective due to a number of key concerns and therefore we recommend clients to redeem their assets.

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