

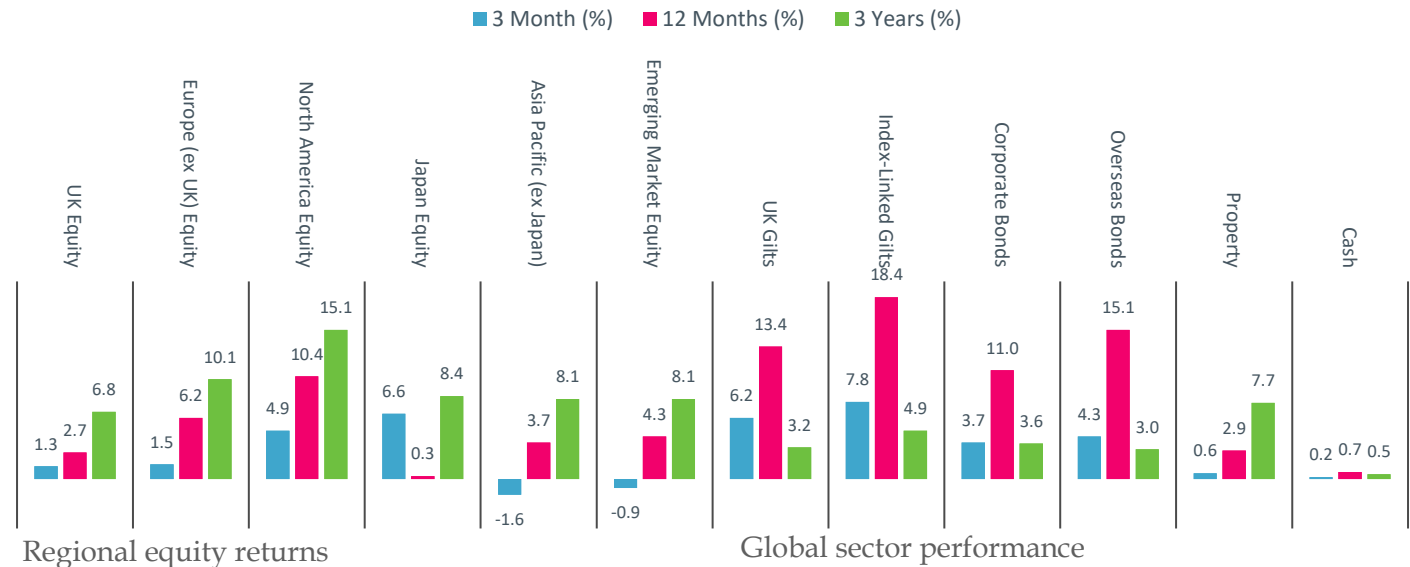
Appendix A: Market Background and Outlook

Market background for the quarter

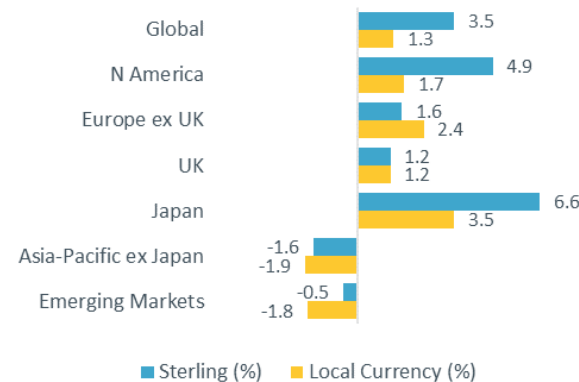
The ongoing trade war between the US and China, and its disruption to external demand and global supply chains, particularly in the manufacturing sector, continued to impact global growth. Consensus forecasts still suggest most major economies will avoid technical recession next year but GDP growth for many countries has slowed. UK GDP growth is expected to achieve a modest recovery in Q3, however forecasts have slumped, with increasing downside risk posed by acute Brexit uncertainty and its negative impact on business investment. The US economy has continued to outperform its developed market peers but its manufacturing PMI fell to its lowest level since June 2009 in September.

Inflation pressures remain elusive despite real wage growth on the back of low unemployment. In-line with the weaker economic backdrop and subdued inflationary environment, sovereign bond yields continued to drift lower over the quarter. UK Implied inflation fell at longer maturities but rose at shorter terms reflecting fears of a near-term spike in inflation on the back of a potential post-Brexit sterling depreciation. Despite prices spiking significantly, following an attack on Saudi production facilities, oil prices ended the quarter around 9% lower.

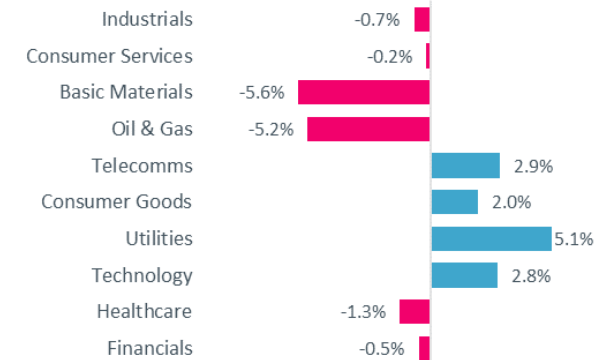
Historic returns for world markets



Regional equity returns



Global sector performance



^[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. ^[2] FTSE All World Indices ^[3] Relative to FTSE All World Indices.

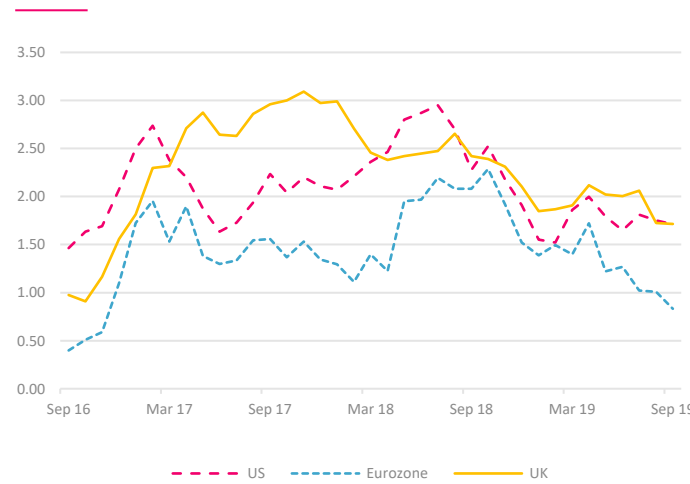
Investment-grade credit spreads continued to move in lock-step over the period across the US, Europe and Sterling markets and finished the period broadly unchanged. Global high yield spreads were also little changed over the quarter, though leveraged loan spreads have moved wider as interest rate cuts have made floating-rate assets less attractive to prospective investors.

Global equities ended the period in marginally positive territory as the impact of global trade relations and softening economic data was ultimately outweighed by central bank policy and supportive corporate earnings. Sterling-denominated returns were enhanced by the currency's continued depreciation amid the ongoing Brexit saga. Trade-weighted dollar was up c.3.1% over the quarter and Yen strength appears to remain a feature in-line with a bid for safe assets.

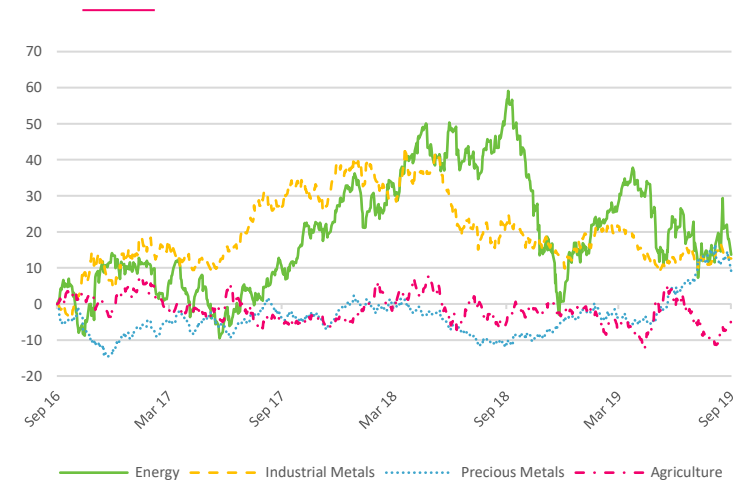
Japan was the top performing region in both local currency and Sterling terms. This was in part a reversal of some of the poor performance from the first half of the year, as well as the improved performance of the value style. Asia Pacific (ex-Japan) and Emerging Market equities continued to lag global equities as the ongoing trade tensions weighed on investor sentiment.

In the two months and one year to the end of August, UK property produced total returns of 0.5% and 1.6%, respectively. Marginal positive rental growth and return from income compensated for capital declines.

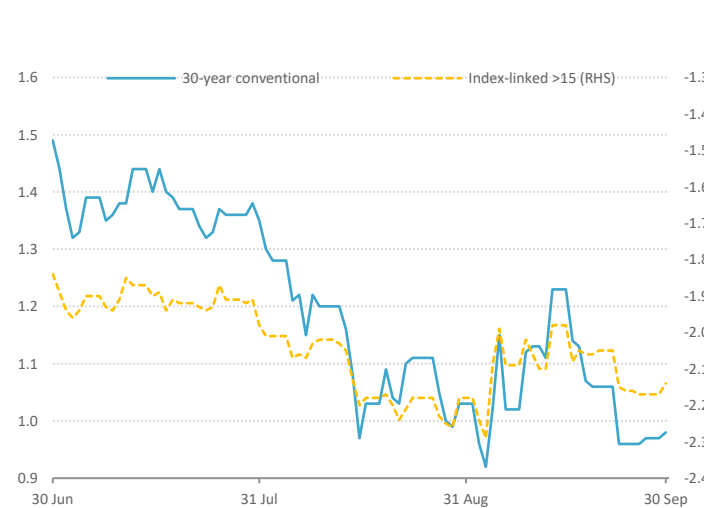
Annual CPI Inflation (% p.a.)



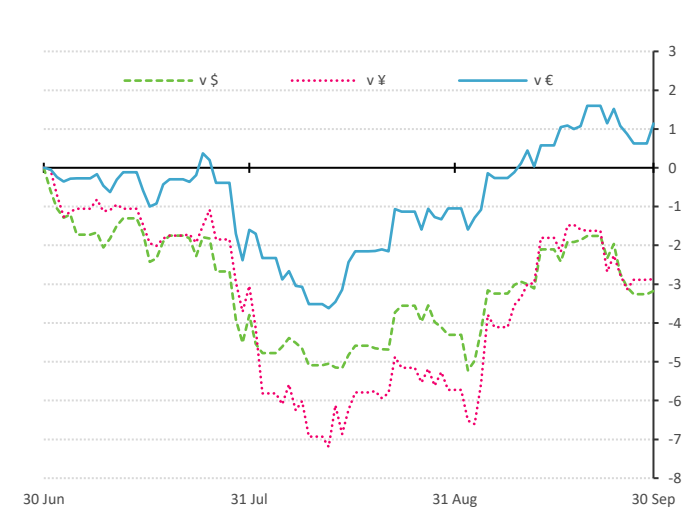
Commodity Prices



Gilt yields chart



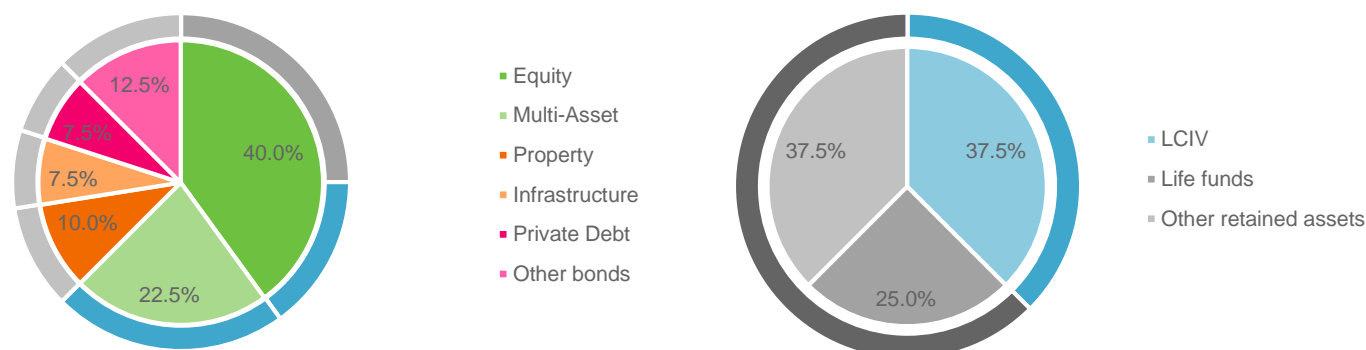
Sterling trend chart (% change)



Appendix B: Strategic Overview

Strategic overview

The Fund's investment approach is implemented through the London Common Investment Vehicle ("LCIV"), and retained assets including life funds (with fee structures aligned with LCIV). The following charts summarise the approach agreed for the implementation of the Fund's longer term strategy. We have indicated ongoing governance responsibilities in blue for LCIV and grey for the Committee:



The following table summarises the Fund's longer term strategic target and expected implementation approach:

Asset class	Long term target	LCIV		Life funds		Other retained assets	
		Manager(s)	%	Manager(s)	%	Manager(s)	%
Equity	40.0	Baillie Gifford	15.0	LGIM	25.0		
Multi-Asset	22.5	Baillie Gifford, Ruffer	22.5				
Property	10.0					UBS, CBRE	10.0
Infrastructure	7.5					JP Morgan, Stafford	7.5
Private Debt	7.5					Permira, Churchill	7.5
Other bonds*	12.5					RLAM	12.5
Total	100.0	-	37.5	-	25.0	-	37.5

*The structure of the other bonds allocation is being finalised

The longer term strategy is in the process of being implemented. It is envisaged that the long term strategy will be largely implemented during 2019 although drawdown into the private debt and Stafford mandates may extend into 2020/21. The target allocation to LCIV and life funds totals 75% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically

Current investment implementation

Manager	Implementation	Previous Quarter	Current Quarter	Actual Proportion	Target Proportion	Difference
Equity		294.5	298.9	38.1%	35.0%	3.1%
LGIM Global Equity	LCIV aligned	58.1	60.1	7.7%	7.5%	0.2%
LGIM Fundamental Equity	LCIV aligned	55.6	57.2	7.3%	7.5%	-0.2%
LGIM Emerging Markets	LCIV aligned	32.2	31.9	4.1%	5.0%	-0.9%
Baillie Gifford Global Equity	LCIV	148.7	149.7	19.1%	15.0%	4.1%
Multi-Asset		198.5	203.4	25.8%	27.5%	-1.7%
Ruffer Absolute Return	LCIV	96.2	99.0	12.6%	15.0%	-2.4%
Baillie Gifford DGF	LCIV	88.7	90.6	11.5%	12.5%	-1.0%
GMO Global Real Return	Retained	13.7	12.9	1.6%	0.0%	1.6%
Real-Assets		109.3	110.9	14.8%	17.5%	-2.7%
UBS Property	Retained	42.1	42.1	5.4%	6.0%	-0.6%
JP Morgan Infrastructure	Retained	26.6	28.6	3.6%	4.0%	-0.4%
CBRE Global Property	Retained	27.8	28.2	4.4%	4.0%	0.4%
Stafford Global Infrastructure	Retained	11.3	12.0	1.4%	3.5%	-2.1%
Bonds and Cash		157.8	173	21.3%	20.0%	1.3%
RLAM Bonds	Retained	138.7	149.2	18.6%	12.5%	6.1%
Churchill Private Debt	Retained	3.1	5.7	0.4%	3.0%	-2.6%
Permira Private Debt	Retained	0.3	0.3	0.0%	4.5%	-4.5%
Cash	Retained	15.9	17.8	2.3%	0.0%	2.3%
Total		758.9	786.2	100.0%	100%	-

Source: Investment Managers; LGIM Global Equity and Fundamental Equity mandates were managed by SSGA prior to November 2017. Figures may not tally due to rounding.

The total value of the Fund's assets increased by c. £27m over the quarter to c. £786m as at 30 September 2019 as global equities and other major asset classes all delivered positive returns although falling yields pushing up bond prices was a significant driver of growth. The target proportions listed represent the current implementation of the Fund's longer term strategic allocation, following the addition of Real Assets and Private Debt. Allocations to these new asset classes are due to be funded from existing cash balances, and from Multi-Asset funds (Real Assets) and the Royal London bond mandate (Private Debt). The Committee has agreed to implement an allocation to multi-asset credit, which is expected to be implemented via an amendment to the existing Royal London bond mandate.

Over the quarter the Fund paid a capital call of £0.8m to Stafford. Post quarter end, further capital calls were paid to Permira (£1.4m) and Churchill (£1.4m). These were all funded from existing cash and redemptions of the GMO mandate.

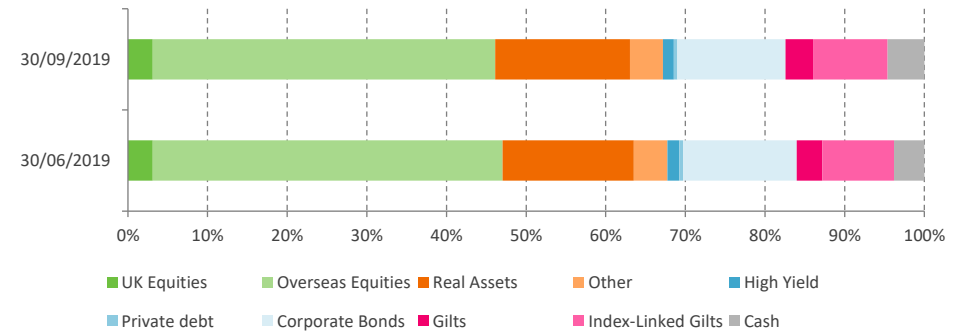
Asset Allocation

The chart illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the three multi-asset funds on a ‘look through’ basis.

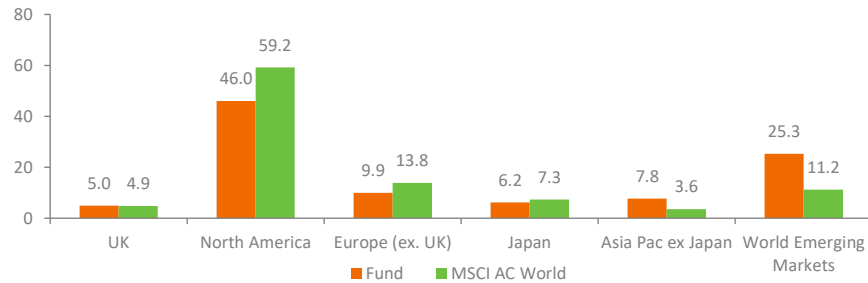
The Fund’s allocation to equities decreased marginally over the quarter, decreasing to c.43% at 30 September 2019 (c. 44% at 30 June 2019). The allocation to real assets increased marginally over the quarter to c. 17% of Fund assets.

The Fund’s strategic asset allocation is due to be reviewed in early 2020, reflecting the results of the 2019 actuarial valuation.

Look through asset allocation as at 30 September 2019



Regional Equity Allocation

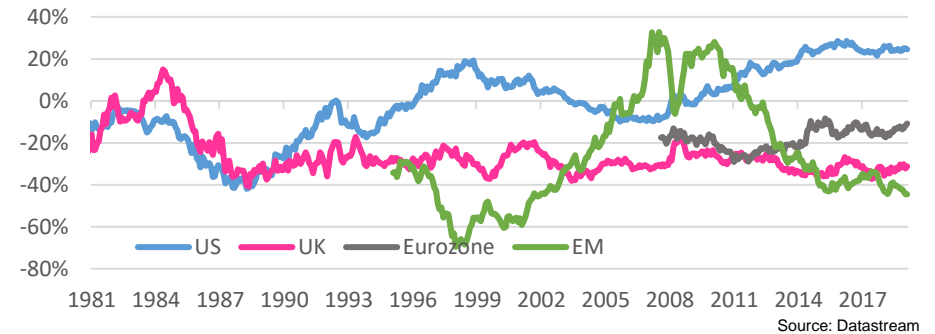


The Committee is due to review the Fund’s equity structure in early 2020.

Consistent with the recent deterioration in global economic momentum, corporate earnings have come under pressure this year. While year-on-year earnings growth remains positive, the quarterly earnings growth rate has turned negative this year. Despite this, equity markets have performed well, partly in recognition of the tough year-on-year comparators of 2018 and the fact that earnings have come in above consensus forecasts. However, these forecasts have been steadily revised lower throughout the year. Consensus earnings expectations for 2020 currently point to sharp rebound of around +10% for global equities. We believe these forecasts look optimistic against a backdrop of weakening economic data and the impact of ongoing global trade disputes.

The significant shift in monetary policy has so far offset the impact of the concerns over the global economic slowdown. However, equity markets could prove vulnerable in the event that central banks do not maintain the current policy easing stance.

Price-earnings ratios vs. MSCI World to 30 September 2019



Appendix C: Manager Performance

Manager Performance Summary

The table below sets out the performance of each mandate against their respective benchmarks. The LGIM mandates tracked their respective benchmarks over the quarter, whilst the majority of the Fund's other mandates contributed positively to relative returns.

	Quarter			1 Year			3 Years			5 Years		
	Fund	B'Mark	Relative	Fund	B'Mark	Relative	Fund	B'Mark	Relative	Fund	B'Mark	Relative
EQUITY												
LGIM Global Equity	3.5	3.5	0.0	7.8	7.7	0.1	12.2	12.1	0.0	13.2	13.2	0.0
LGIM Fundamental Equity	2.9	2.8	0.0	4.4	4.6	-0.2	10.3	10.4	-0.1	-	-	-
LGIM Emerging Markets	-0.6	-0.6	0.0									
Baillie Gifford Global Equity (CIV)	0.7	3.4	-2.6	6.7	7.9	-1.1	14.2	12.3	1.7	15.5	13.3	2.0
MULTI-ASSET												
Ruffer Absolute Return (CIV)	2.9	1.2	1.7	2.0	4.9	-2.7	1.6	4.6	-3.0	3.8	4.8	-1.0
Baillie Gifford DGF (CIV)	2.2	1.0	1.2	4.5	4.2	0.4	4.4	4.0	0.4	4.0	5.0	-1.0
GMO Global Real Return	-1.7	0.2	-1.9	-0.9	1.4	-2.3	1.5	1.8	-0.3	-	-	-
REAL-ASSETS												
UBS Property	0.9	0.4	0.5	3.7	2.2	1.5	7.9	6.7	1.1	8.9	8.3	0.6
JP Morgan Global Infrastructure	n/a	n/a	n/a	-	-	-	-	-	-	-	-	-
CBRE Global Property	1.1	1.2	-0.1	-	-	-	-	-	-	-	-	-
Stafford Capital Global Infrastructure	n/a	n/a	n/a	-	-	-	-	-	-	-	-	-
BONDS AND CASH												
RLAM Bonds	7.4	8.0	-0.6	18.1	19.2	-0.9	7.2	5.2	1.9	9.2	8.8	0.4
Permira	n/a	n/a	n/a	-	-	-	-	-	-	-	-	-
Churchill Private Debt	n/a	n/a	n/a	-	-	-	-	-	-	-	-	-
Total	3.0	2.7	0.3	6.9	8.3	-1.3	6.8	6.0	0.8	7.7	7.0	0.7

Source: Investment Managers. Please note that benchmark performance for Baillie Gifford DGF, Ruffer Absolute Return and GMO Real Return funds is inclusive of outperformance targets. In addition, longer term performance for Baillie Gifford Global Equity, Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of performance prior to their transfer in to the London CIV. LGIM Global and Fundamental Equity mandates were managed by SSGA prior to November 2017 and we have retained the performance history for these allocations. Performance figures for the private market investments was not available at the time of preparation.

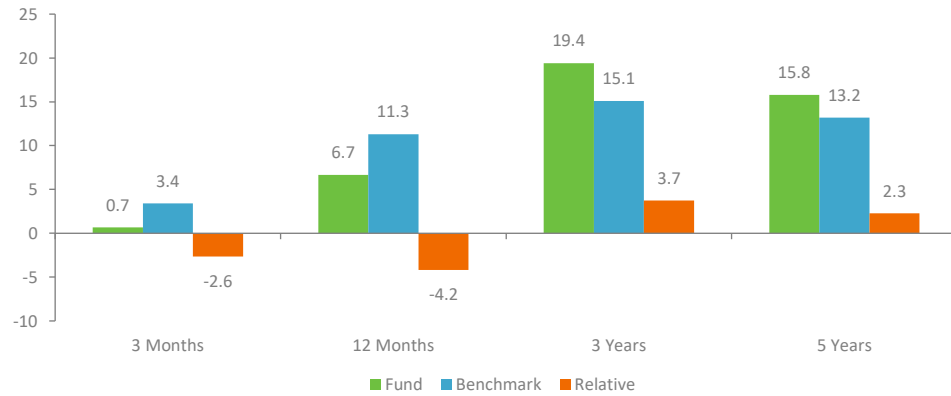
LCIV funds

The Fund accesses global equity and multi-asset sub-funds through LCIV. In this section we provide an overview of performance and positioning of the sub-funds in which the Fund invests. LCIV are responsible for the ongoing monitoring and governance of the underlying investment managers. For more information, please refer to ongoing reporting from LCIV.

LCIV Global Alpha Growth Fund

The sub-fund is managed by Baillie Gifford. The objective of the sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross of fees basis over rolling five year periods.

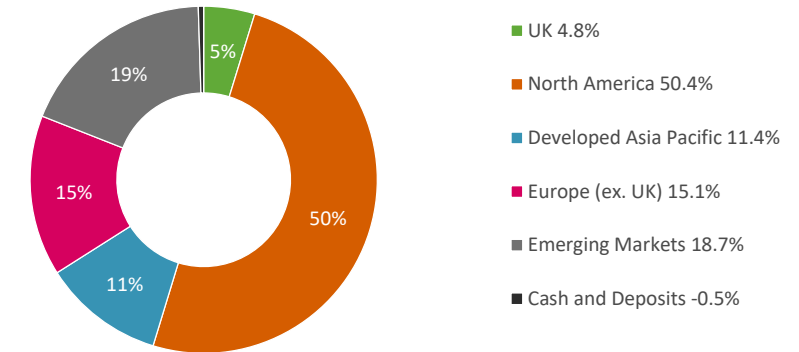
Performance to 30 September 2019



*Date of inception 25 April 2012

Source: LCIV

Regional allocation as at 30 September 2019



Source: Baillie Gifford

LCIV Diversified Growth Fund

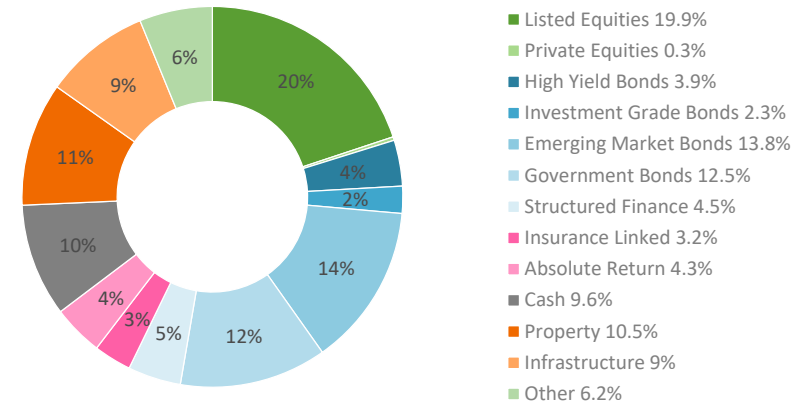
The sub-fund is managed by Baillie Gifford through their Diversified Growth strategy. The sub-fund’s objective is to achieve long term capital growth at lower risk than equity markets.

Performance to 30 September 2019

	3 Months (%)	12 Months (%)	3 Years (p.a.) (%)
Fund	2.2	4.5	4.4
Base Rate + 3.5% (net)	1.0	4.2	4.0
Relative (to Target)	1.2	0.4	0.4
Multi Asset Composite	2.6	5.6	6.8
Relative (to composite)	-0.4	-1.0	-2.3

Source: StateStreet (WM). Inception date: 26/11/2013.

Asset Allocation as at 30 September 2019



LCIV Absolute Return Fund

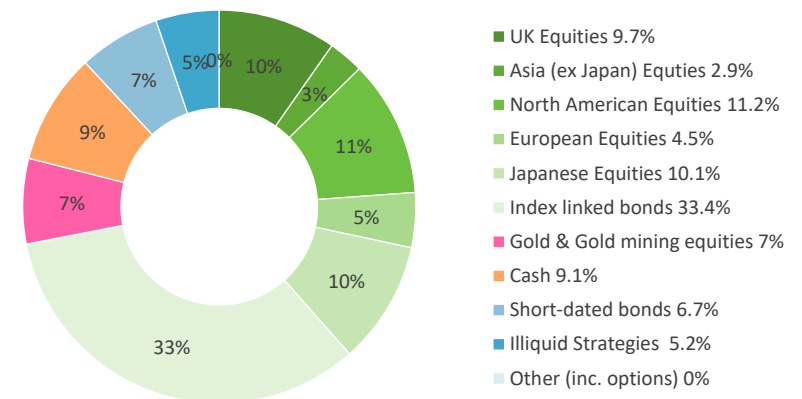
The sub-fund is managed by Ruffer. The sub-fund’s objective is to achieve low volatility and positive returns in all market conditions.

Performance to 30 September 2019

	3 Months (%)	12 Months (%)	3 Years (p.a.) (%)
Fund	2.9	2.0	1.6
GBP 3 Month LIBOR +4%	1.2	4.9	4.6
Relative (to LIBOR +4%)	1.7	-2.7	-3.0
Multi Asset Composite	2.6	5.6	6.8
Relative (to composite)	0.3	-3.4	-4.9

Source: StateStreet (WM). Inception date: 13/09/201

Asset Allocation as at 30 September 2019



LGIM Global Equity

LGIM were appointed from November 2017 to manage the Fund's index tracking global equity portfolio, with the mandate being split equally between investment in a fund tracking a market cap weighted index and a fund tracking a fundamentally weighted index. The mandate was previously managed by SSGA. The objective of this mandate is to match the performance of the respective benchmark indices. As shown below, performance from the mandate has been broadly in line with underlying benchmarks over all periods considered.

All World Equity Index Fund: Performance to 30 September 2019

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception (% p.a.)
Fund	3.5	7.8	12.2	12.7
Benchmark	3.5	7.7	12.1	12.7
Relative	0.0	0.1	0.0	0.0

Source: LGIM. Inception date: 23/02/2011.

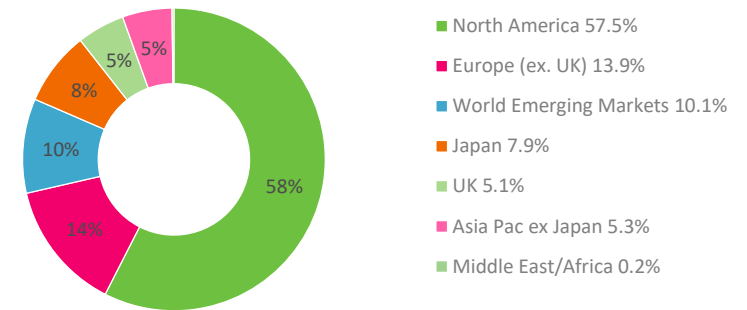
FTSE RAFI All World 3000 Equity Index Fund: Performance to 30 September 2019

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception (% p.a.)
Fund	2.9	4.4	10.3	12.7
Benchmark	2.8	4.6	10.4	12.8
Relative	0.0	-0.2	-0.1	-0.1

Source: LGIM. Inception date: 19/08/2015.

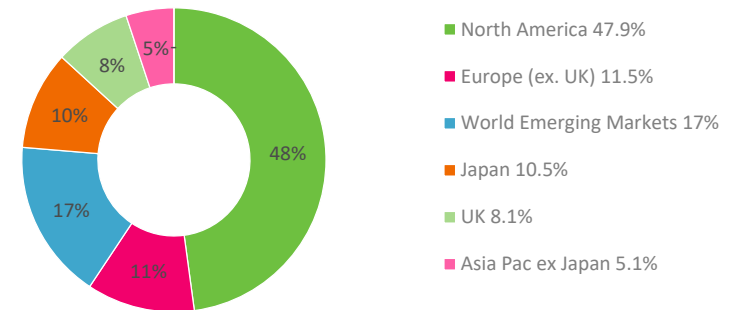
Performance information reflects performance from LGIM from November 2017, and SSGA prior to this date.

Regional Allocation as at 30 September 2019



Source: LGIM

Regional Allocation as at 30 September 2019



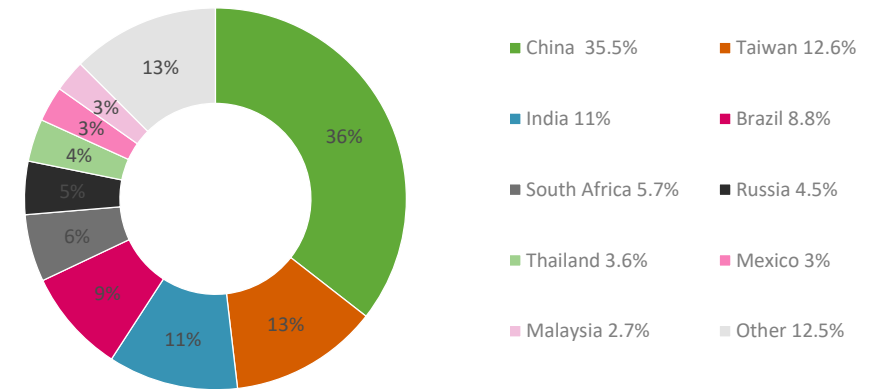
Source: LGIM

**World Emerging Markets Equity Index Fund:
Performance to 30 September 2019**

	3 Months (%)	Since Inception (%)
Fund	-0.6	7.7
Benchmark	-0.6	7.7
Relative	0.0	-0.1

Source: LGIM. Inception date: 09/01/2019.

Regional Allocation as at 30 September 2019

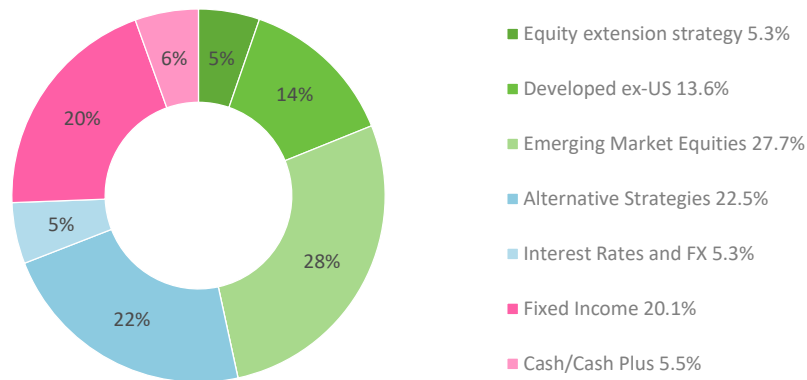


Source: LGIM

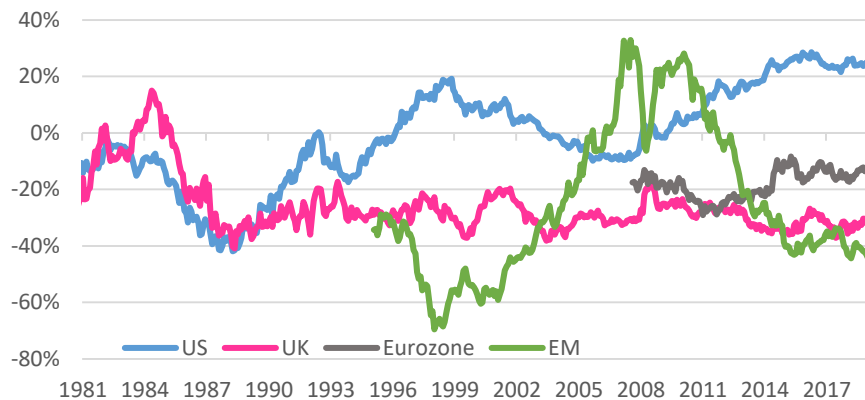
GMO Real Return Fund

GMO was appointed in January 2015 to manage a multi-asset mandate within their Real Return Fund. The Fund targets returns over the long-term of 5% p.a. in excess of CPI, after fees. GMO believe that by the application of their process, they will achieve this target whilst realising volatility in the range 5-10%. The fund seeks to achieve this through a value-based approach to investing across a range of asset classes. This mandate is in the process of being terminated, with redemptions funding capital calls to the Fund's real assets mandates.

Portfolio positioning at 30 September 2019



Price-earnings ratios vs. MSCI World to 30 September 2019



Source: Datastream

Performance to 30 September 2019

	3 Months (%)	12 Months (%)	Since inception
Fund	-1.7	-0.9	0.9
OECDG7 CPI	0.2	1.4	1.6
Relative (to benchmark)	-1.9	-2.3	-0.7
Multi Asset Composite	2.6	5.6	8.2
Relative (to composite)	-4.2	-4.8	-6.8

Source: StateStreet (WM).

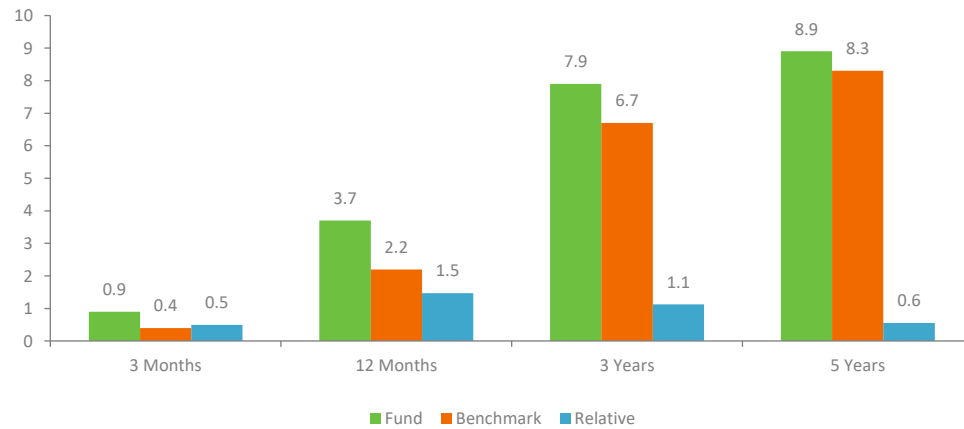
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The significant shift in monetary policy has so far offset the impact of the concerns over the global economic slowdown. However, equity markets could prove vulnerable in the event that central banks do not maintain the current policy easing stance.

UBS Triton Property Fund

UBS were appointed in February 2005 to manage a UK property mandate within the Triton Property Fund. The objective of the fund is to deliver returns broadly in line with a peer group of other UK property funds. The fund invests directly in UK properties with returns generated through the collection of rental income and growth in both rental levels and capital values.

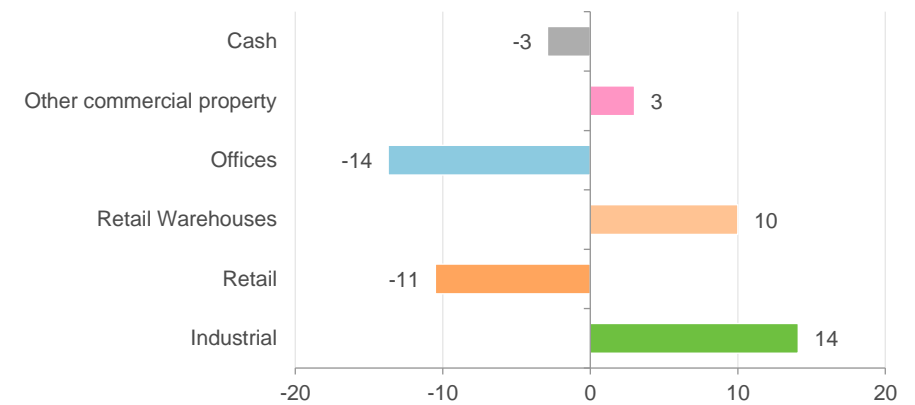
Performance to 30 September 2019



Source: StateStreet (WM)

The UBS property mandate has successfully outperformed the broader peer group of UK property funds over all time periods considered.

Relative sector allocation as at 30 September 2019

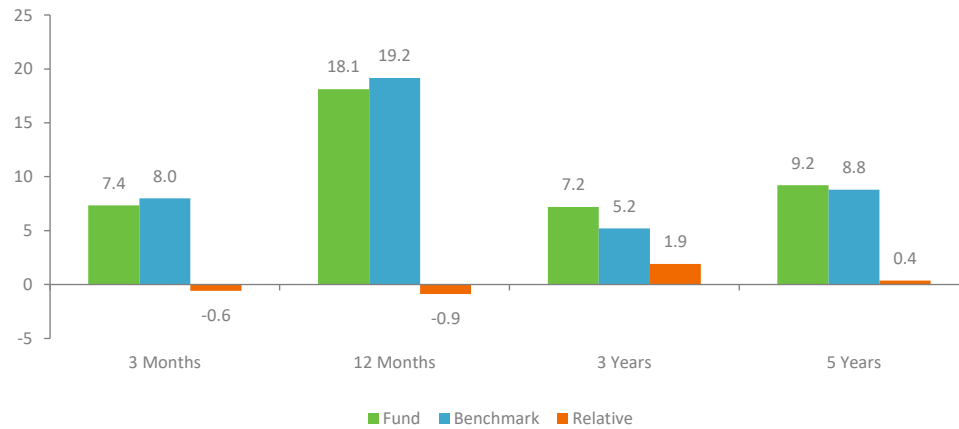


Source: UBS

Royal London Asset Management – Bonds

Royal London Asset Management (RLAM) was appointed in February 2005 to manage the Fund’s bond mandate. RLAM manage the portfolio against a composite benchmark consisting of investment grade corporate bonds, fixed interest and index linked gilts. With effect from 1 November 2015, the return objective was increased to 1.25% p.a. (previously 0.75% p.a.), and the investment universe broadened to allow exposure to high yield bonds.

Performance to 30 September 2019



Source: StateStreet (WM)

The RLAM bond mandate has added value relative to the composite bond benchmark all time periods considered, outperforming the performance objective over 3 years.

Relative performance by sector as at 30 September 2019



Source: RLAM

Note:

Relative performance for the portfolio’s allocation to High Yield assets has been determined by comparing performance from the Extra Yield fund against the composite benchmark for the overall portfolio.

Private Markets investments

Since March 2018, the Fund has made commitments to five private markets funds as outlined below. The bulk of monies committed to these funds have not yet been drawn. The table below provides a summary of the commitments and drawdowns to 30 September 2019.

Mandate Vehicle	Infrastructure		Global Property	Private Debt	
	Stafford Infrastructure Secondaries Fund II	JP Morgan Infrastructure Investments Fund	CBRE Global Investment Partners Global Alpha Fund	Churchill Middle Market Senior Loan Fund II	Permira Credit Solutions IV Senior Fund
Commitment Date	25 April 2018	31 July 2018	30 September 2018	December 2018	December 2018
Fund currency	EUR	USD	USD	USD	EUR
Gross commitment	c. £26m (EUR 28.5m)	c. £26.1m (USD 34.0m)	c. £26.1 m (USD 34m)	c. £23.8 m (USD 31m)	c. £35 m
Net capital called during quarter (Payments less returned capital)	c. £2.9m (EUR 3.1m)	-	c. £13.1m (USD 17.0m)	c. £2.2m (USD 2.9m)	N/A
Net capital drawn to date (Payments less returned capital)	EUR 11.0m (c. £10.1m)	c. £26.1m (USD 34.0m)	c. £26.1m (USD 34.0m)	c. £5.3m (USD 6.9m)	N/A
Other distributions to date (Includes income and other gains)	EUR 0.9m** (c. £0.8m)	-	-	-	N/A
NAV at quarter end	EUR 10.5m (c. £9.5m)**	USD 25.7m (c. £20.8m)**	USD 34.3m (c. £26.2m)**	USD 6.9m (c. £5.3m)**	£0.3m**
Net IRR since inception (in fund currency)	7.3% p.a.* (vs. 8-9% target)	3.6%	4.0%**	N/A	N/A
Net yield since inception (in fund currency)	4.8% p.a.* (vs. 5% target)	6.1%	10.6%**	N/A	N/A
Number of holdings	6 funds, 128 underlying assets*	19 companies, 464 assets*	52 investments, 2,369 properties	N/A	N/A

Source: Investment managers. *Based on information available as at the end of the previous quarter end. **Figures are as at 30 June 2019.