Independent Investment Adviser's report Appendix 1

Fund Performance Summary and Market Background

The value of the Fund in the quarter rose to £1.962m, an increase of over £78m compared to the end December value of £1,884m. The Fund produced a positive return of 7.1% over the quarter, which was an outperformance against the benchmark of 0.1%. This was attributable to stock selection (0.2%), with a negative impact from asset allocation (-0.1%). Over a 12 month period the Fund recorded a negative relative return against the benchmark of -0.2% (13.4% v. 13.6%).

The active elements of the Fund generally performed relatively well in Q1 2015. Starting on the equities side, Capital International (North America) produced an amazing outperformance of 3.1%. Schroders (Emerging Markets) had another good quarter with performance over benchmark of 1.3%, and JP Morgan (Emerging Markets) outperformed their benchmark by 0.3%. Nomura (Pacific) provided an underperformance against their benchmark of -1.1%. JP Morgan (Bonds) did slightly better in Q1 2015, with an outperformance of 0.5%.

The alternative passive strategies managed by UBS produced a return ahead of the respective benchmarks in each quarter over the first 12 months since inception, including a particularly encouraging Q1 2015.

World equity markets appear to continue to defy gravity, no doubt helped by waves of QE still washing around Japan and now Europe. The US and UK seem to have moved on with no particular side effects, so far. The next stage, interest rates "normalising", does seem to keep getting pushed to the right. The impact of lower energy prices is starting to show through in economic numbers, and to some extent the strength of the USD is having some impact on their export figures.

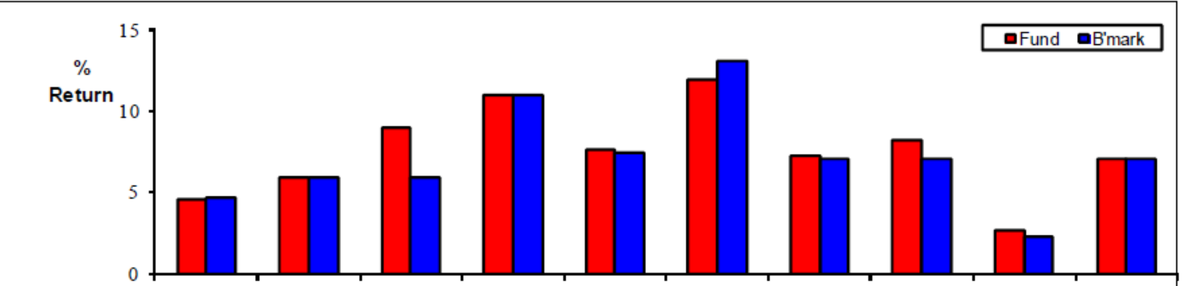
So the QE countries are the winners amongst developed markets over this quarter, with Japan well out in front, with Europe following. Hong Kong also showed a strong quarter, with the US and the UK trailing behind but still well into positive territory. Valuations do look pretty stretched to me, there is certainly risk on the downside.

In emerging markets, the valuation worry doesn't apply, but there are other concerns including the impact of currencies and commodity prices. There have been some strong performances, but not across the board. The Asian region performed best in aggregate, helped by the Philippines, India and China. Russia rebounded as tensions appear to ease in the Ukraine, but time will tell if this is a "dead cat" bounce, or should that be a dead bear? South America struggled, with the exceptions of Mexico and Chile.

There has been a fair amount of volatility in Bond markets over the quarter, but concerns remain about the long term low returns being seen. There is an increasing search by pension funds for lower risk income returns outside of the traditional bond markets as the acceptance grows that high valuation/low yields will persist, particularly in government

Worcester CC - Investment Overview

Quarter to end March 2015



% Final Assets	UBS UK Ind	UBS NA Ind	Cap Int Am Act	UBS Eur Ind	UBS Global	Nomura Asia	JPM Emerging	Schroder Emerging	JPMF Bonds	Total Assets
Actual	**35.8**	**1.8**	**8.9**	**6.5**	**12.4**	**15.2**	**6.1**	**6.7**	**6.7**	**100.0**
Benchmark	29.0	5.0	7.0	11.0	11.0	13.5	6.8	6.8	10.0	100.0
% Return										
Portfolio	**4.6**	**5.9**	**8.9**	**10.9**	**7.6**	**11.9**	**7.2**	**8.2**	**2.7**	**7.1**
Benchmark	4.7	5.9	5.9	10.9	7.4	13.0	7.0	7.0	2.3	7.0
Relative	**-0.1**	**0.0**	**2.9**	**0.0**	**0.2**	**-1.0**	**0.1**	**1.1**	**0.4**	**0.0**

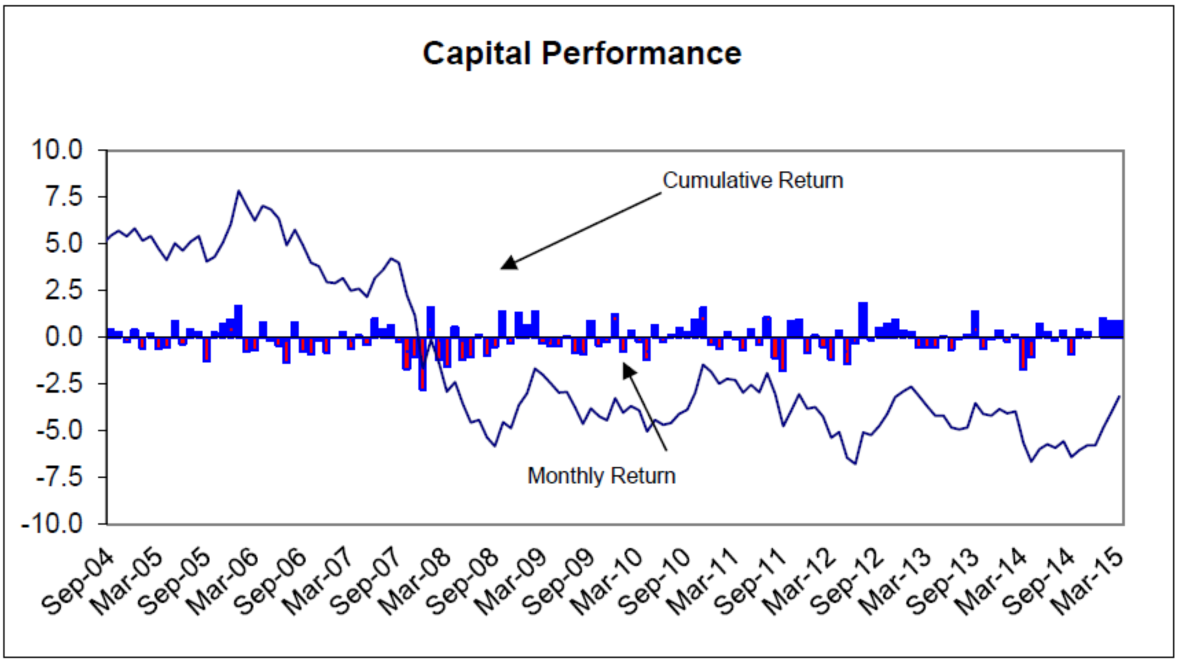
Performance update for managers 'On Watch' July 2014 to September 2014

Capital International- Active North America

Performance objective is to outperform the benchmark by 1.5% annually over rolling 3 years

Just as we thought that it was all over, Capital go and produce probably one of the best quarters performance that Worcestershire has seen in the last 12 years, outperforming by 3.1% (9.0% v. 5.9%). This has helped to drag up their 12 month performance to being just -0.3% behind their benchmark (10.8% v. 11.1%). This improvement has seen their three year performance move to 1.2% annualised (18.3% v. 17.0%).

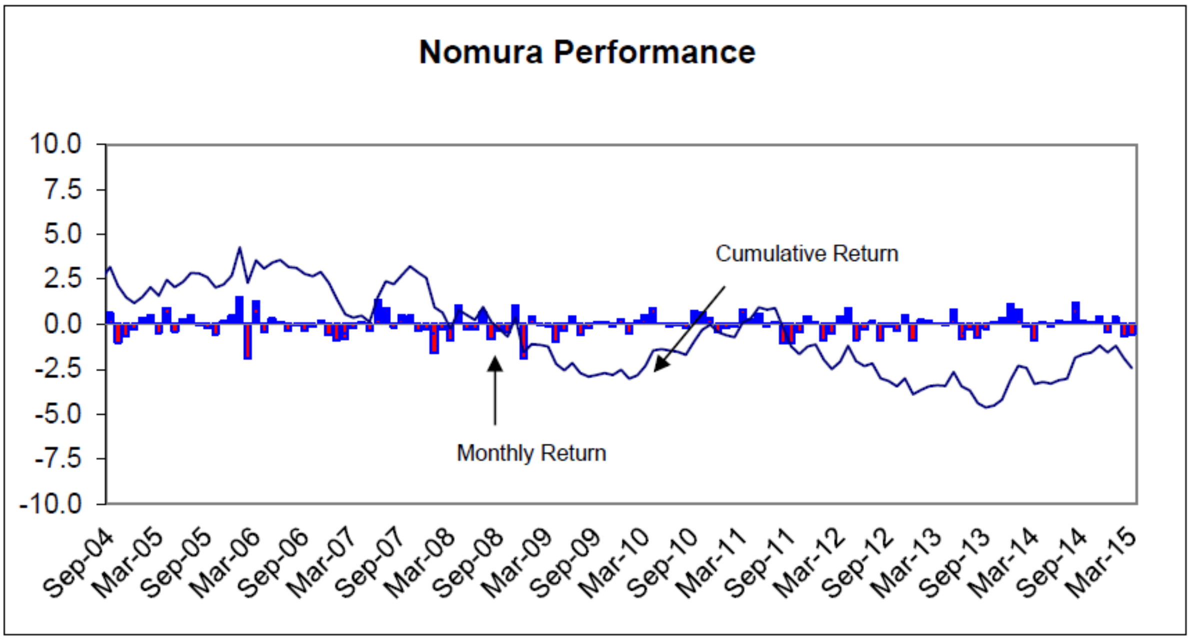
The US component returned 10%, against the benchmark of 6.4%. Overall performance was hindered by another poor quarter from Canada, -4.9% v. -1.4%.



Nomura- Developed Far East

Nomura are struggling again, with an underperformance of -1.1% against their benchmark over the quarter under review (11.9% v 13%). This has dragged down their performance over 12 months, which is now at 1.14% (20.86% v 19.72%), and the three year performance remains unsatisfactory at -0.21% annualised against benchmark.

In regional terms Japan let the side down badly, which underperformed the local benchmark by -1.95%. ex Japan outperformed by 0.52% over the quarter under review. Both sector and stock selection has hindered performance in Japan, whereas in the Pacific Basin (i.e. ex Japan) they again appear to have benefitted from country allocation, rather than necessarily sector or stock selection. This included some positive contributions from non benchmark countries (China and India).



JP Morgan – Emerging Markets

JP Morgan performed slightly ahead of their benchmark over the quarter, by 0.3% (7.3% v. 7.0%). Although still extremely disappointing, their one year performance against their benchmark has improved marginally, now -1.7% (14.6% v. 16.3%), which excludes their performance target.

Since inception they have only outperformed by 0.43% against their benchmark, which is a long way short of their target outperformance.

It should be noted at the time of the last SPIAC meeting on 19th March their performance in the quarter to date was quoted as being ahead by 1.12%, including an uplift to the 18th March of 72bps in that month alone. Clearly something went badly wrong in the last 13 days in March to see performance fall back to what they have reported for the total quarter. This has not been explained in their report.

JP Morgan 's client relationship director for the Worcestershire Pension Fund, John Stainsby, has left the company. Monique Stephens will assume that role.