Independent Investment Adviser's report Appendix 1

Fund Performance Summary and Market Background

The value of the Fund in the quarter fell to £1,898m, a decrease of £64m compared to the end March value of £1, 962m. The Fund produced a return of -3.3% over the quarter, which gave an outperformance against the benchmark of 0.3%. This was attributable to stock selection (0.2%) and with a positive impact from asset allocation of 0.1%. Over a 12 month period the Fund recorded a positive relative return against the benchmark of 0.1% (6.9% v. 6.8%).

The Developed Markets active elements of the Fund performed relatively well in Q2 2015. Starting on the equities side, Capital International (North America) produced another good outperformance of 1.0%, within a volatile quarter. Nomura (Pacific) escaped from the "dog" title this quarter with an excellent outperformance against their benchmark of 1.8%. The Emerging Markets managers struggled over this quarter, with big variances seen at all levels; country, sector and stocks. Schroders (Emerging Markets) had an uncharacteristically poor quarter with a performance under benchmark of -0.7%, and JP Morgan (Emerging Markets) underperformed their benchmark by -0.4%. JP Morgan (Bonds) didn't help, with an underperformance in Q2 of -0.4%.

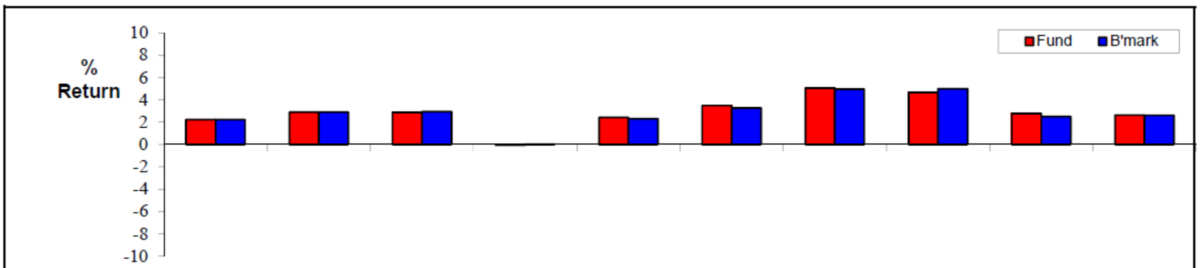
The alternative passive strategies managed by UBS have produced a return ahead of their respective benchmarks in each quarter over the first 15 months since inception. This includes a particularly encouraging Q2 2015, as this is the first time that the strategies have been tested by falling markets.

Another old market adage is "Sell in May and go away". That would have been quite a good move this year, as the long bull run finally came to an end in June. To a large extent this was a sentiment-driven correction as attention focused on the implications of "Grexit" becoming a clear and present danger. That rumbles on, without definitive resolution, just with more short term "fixes". Reality also reasserted itself in the Chinese markets, with significant falls in June. It should be noted that China was still slightly ahead over the quarter as a whole, which really emphasises the extreme volatility seen there.

In developed markets it is really down to an analysis of how far they fell over the quarter in total. The UK did quite well, falling -1.6%, reflecting our arms length position from the Eurozone woes. Then we had Hong Kong down -2.2%, Japan -2.3%, North America -5.4%, Europe ex UK -5.9% and Asia ex Japan -8.3%.

In emerging markets, the picture was much more mixed, but in general terms the index fell by -3.7%. Regionally Latin America fared the best, with Asia and EMEA impacted by the local issues of China and Greece. The divergence at the country level was very marked, with the UAE at the top of the leader board with a return of plus 7.3%, with Indonesia at the bottom of the table at -18.5%.

Bond markets globally also fell over the quarter, with a high level of volatility, particularly in Europe. The see-saw there has seen the impact of quantitative easing on one hand, and very real concerns about the implications of "Grexit" on the other. At the corporate level, the higher yielding "junk" bonds outperformed investment grade issues. However a note of warning should be put in here; there are real concerns about liquidity in some areas of the bond markets, and while the rise in yields is welcome as values have fallen, there is a potential risk of a shortage of liquidity if there is a sustained exit from "junk" bonds as investors switch back to higher grades.



	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
% Final Assets										
Actual	**39.9**	**1.6**	**7.7**	**6.5**	**11.2**	**14.0**	**5.9**	**6.3**	**6.8**	**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	**2.2**	**2.9**	**2.9**	**-0.1**	**2.4**	**3.5**	**5.1**	**4.7**	**2.8**	**2.6**
Benchmark	2.2	2.9	3.0	0.0	2.3	3.3	5.0	5.0	2.5	2.6
Relative	**0.0**	**0.0**	**-0.1**	**-0.1**	**0.1**	**0.2**	**0.1**	**-0.3**	**0.3**	**0.0**

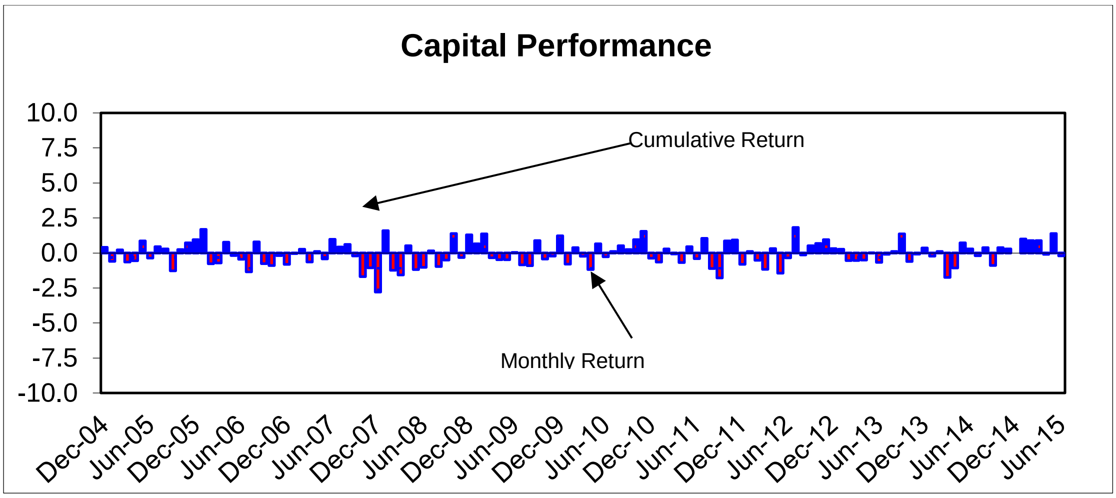
Performance update for managers 'On Watch' April 2015 to June 2015

Capital International- Active North America

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

The remarkable performance seen in Q1 hasn't been repeated, but was still well into positive territory in Q2, outperforming their benchmark by 1% (-4.4% v. -5.4%). This has continued to help improve their 12 month performance, bringing them up to 4.4% ahead their benchmark (19.4% v. 15.0%). This improvement has seen their three year performance move to 2.2% annualised (17.9% v. 15.7%).

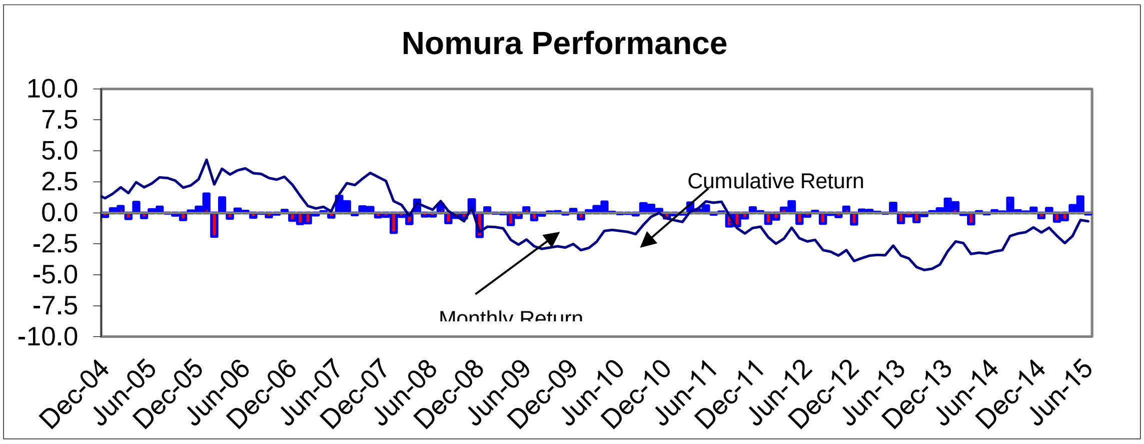
Both the US and Canada components achieved positive returns against their benchmarks over the quarter, in absolute terms their values fell less than the markets did.



Nomura- Developed Far East

The see-saw of performance had an "up" quarter this time, with an outperformance of +1.8% against their benchmark over the quarter (-3.0% v -4.8%). This has helped to move up their performance over 12 months again, which is now at 2.8% (13.1% v 10.3%), but the three year performance remains unsatisfactory against their performance target, at only 0.5% annualised against benchmark.

In regional terms both the Japanese and ex Japan elements contributed to performance this quarter. In general terms good stock selection has been the main driver of performance over the quarter. Sadly the return to active management of the Australian element of the portfolio did not work well in the quarter, but this has subsequently been returned to passive management following the departure of the portfolio manager.

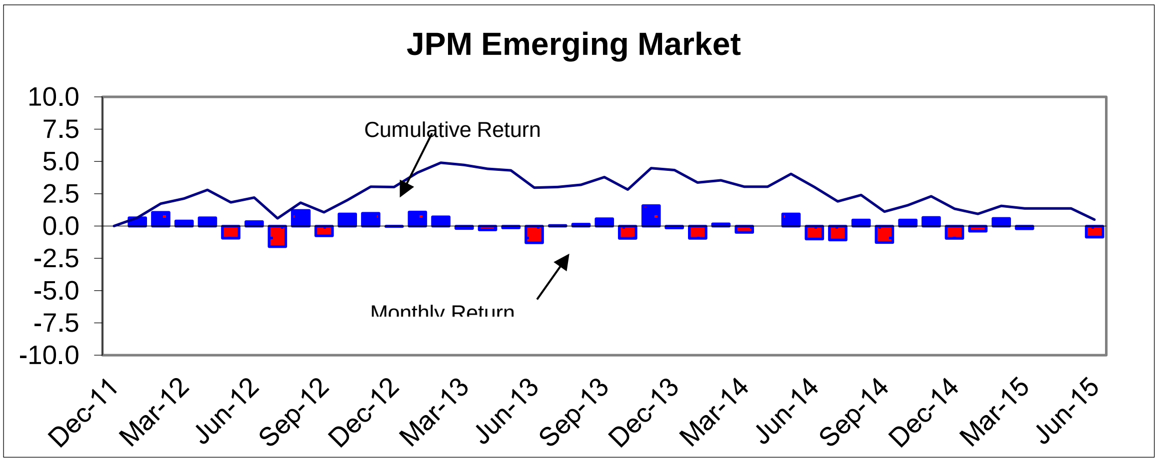


JP Morgan – Emerging Markets

JP Morgan performed behind their benchmark over the quarter, by -0.4% (-4.1% v. -3.7%). Even more disappointing is their one year performance, against their benchmark this is now -1.9% (4.8% v. 6.7%), which including their performance target leaves them -3.9% behind.

Over three years they have underperformed by -0.4% against their benchmark, which is a long way short of their performance target (-2.4%), since inception the picture is slightly less bleak at -1.7% against performance target.

It would appear from their report that country selection has improved, but that stock selection has let them down.



Infrastructure Investments - Hermes Infrastructure Fund and Green Investment Bank

Performance objectives are an absolute return of 8.4% per annum for Hermes and 7.6% for Green Investment Bank

Officer meetings 4 September 2015

Following the decisions taken by the Pensions Investment Advisory Committee in January to make investments in Alternatives (including Property), the initial investments into the two selected Infrastructure Funds were made during the second quarter. Hermes drew down £42m out of the total commitment of £49m, and Green Investment Bank have drawn down £25m out of the total commitment of £40m.

Since the decision was taken to invest in the Hermes Fund, they have acquired a stake Associated British Ports (ABP). In recent times this has been a well managed business, but has the potential for further significant growth. Part of this is driven by the Port of Southampton being able to accept the new generation of larger "Post-Panamax" size of container ships, a position which will be further enhanced by the rail infrastructure heading north from the port being significantly enhanced to take larger trains.