Independent Investment Adviser's report **Appendix 1**

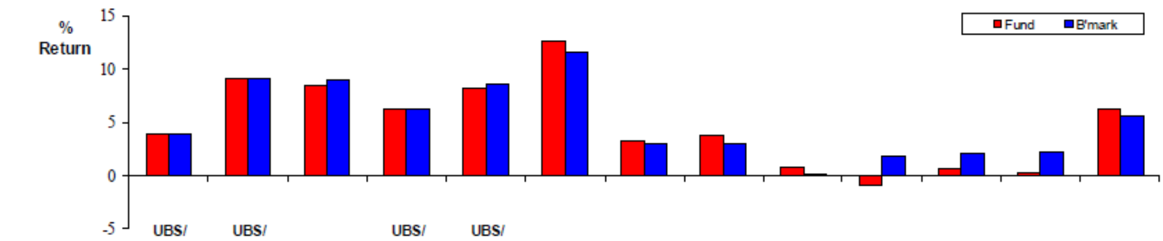
Fund Performance Summary and Market Background

The value of the Fund in the quarter rose to £1.887bn, an increase of £103m compared to the end September value of £1,784m. The Fund produced a return of 6.3% over the quarter, which gave an outperformance against the benchmark of 0.8%. This was attributable to asset allocation, with a neutral return from stock selection. Over a 12 month period the Fund recorded a positive relative return against the benchmark of 0.9% (3.5% v. 2.7%).

We saw generally good performance from the active elements of the Fund in Q4 2015, the exception being Capital International. Nomura (Pacific) had the best performance, ahead of their benchmark by 1.2%, followed by Schroders (Emerging Markets) outperforming by 0.9%. JP Morgan (Emerging Markets) also outperformed, by 0.2% against their benchmark, but falling short of their performance target. Capital International (North America) underperformed by -0.5%, which is clearly disappointing. JP Morgan (Bonds) staged a recovery in their fortunes, with an outperformance of 0.8% in Q4.

The alternative passive strategies managed by UBS have continued to produce a return ahead of their respective benchmarks since inception. This includes an encouraging Q4 2015, which saw the strategies being tested again by quite volatile markets. Hopefully we will see the strategy continue to work well under the new managers, Legal & General. Although global markets as a whole saw an increase in value over the fourth quarter, there were the usual winners and losers at country level. This was certainly the case within Emerging Markets, which although as a group they rose 3.1%, all of the countries in Latin America underperformed as commodity prices fell. On the other hand good gains were seen from China, Hungary, Indonesia and Malaysia. The range between winners and losers was enormous, from Indonesia up 24.4% to Poland down 10.5%. Developed Markets (8.5%) outperformed Emerging Markets again, with Japan 12.5%, the US 10.0%, Europe 6.0% and the UK 4.0%. The heavy weighting to energy and mining companies acted as a negative influence on the FTSE 100 and All Share indices.

Bond markets in Q4 were to an extent driven by expectations of a US federal rate cut, which finally came in December, with falls in value around that as yields rose. The higher risk appetite that was shown in equity markets was also reflected in corporate bonds, with a rally from the summer falls seen during October and November, then falling back in December. There was however quite a wide range in performance across sectors, with good performance from banks, and in general terms poor performance from mining and energy, also high yield and emerging market debt.



	UBS/ L&G UK Ind	UBS/ L&G NA Ind	Cap Int Am Act	UBS/ L&G Eur Ind	UBS/ L&G Global	Nomura Asia	JPM Emerging	Schroder Emerging	JPMF Bonds	GIB Infrastr.	Hermes Infrastr.	Venn Property	Total Assets
% Final Assets													
Actual	**30.9**	**1.8**	**9.1**	**6.7**	**12.9**	**16.1**	**5.0**	**5.7**	**6.8**	**1.3**	**2.0**	**1.4**	**100.0**
Benchmark	30.9	5.0	6.0	9.5	10.0	12.0	6.0	6.0	10.0	1.2	2.0	1.4	100.0
% Return													
Portfolio	**3.9**	**9.0**	**8.5**	**6.3**	**8.3**	**12.7**	**3.2**	**3.8**	**0.8**	**-1.0**	**0.6**	**0.2**	**6.3**
Benchmark	4.0	9.0	9.0	6.3	8.6	11.6	3.1	3.1	0.1	1.8	2.0	2.2	5.5
Relative	**0.0**	**0.0**	**-0.5**	**0.0**	**-0.3**	**0.9**	**0.1**	**0.7**	**0.8**	**-2.8**	**-1.4**	**-1.9**	**0.7**

Performance update for managers 'On Watch' October 2015 to December 2015

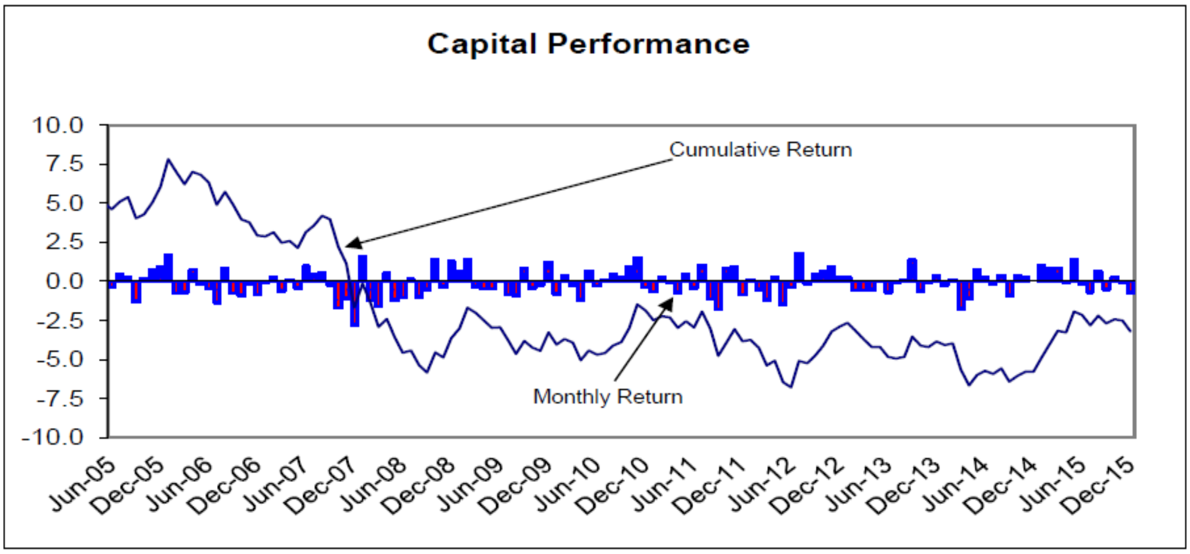
Capital International- Active North America

The surge in performance seen in the first half of 2015 continues to gently unwind. In Q4 Capital underperformed their benchmark by -0.5% (8.5% v. 9.0%). The good performance in H1 has ensured that their 12 month performance remains healthy, at 3.0% ahead of their benchmark (8.4% v. 5.4%).

On an annualised basis, over three years Capital are -1.2% behind their performance benchmark, and over ten years, -2.4%. They have some way to go to justify their fees, particularly when compared to passive management.

Both the US and Canada components posted negative returns against their benchmarks over the quarter, with poor stock selection being cited as the main reason. Performance objective is to outperform the benchmark by 1.5% annually over rolling 3 years

I am in danger of letting my cynicism get the better of me, but I suppose the recent strong upswing in relative performance was too good to last.

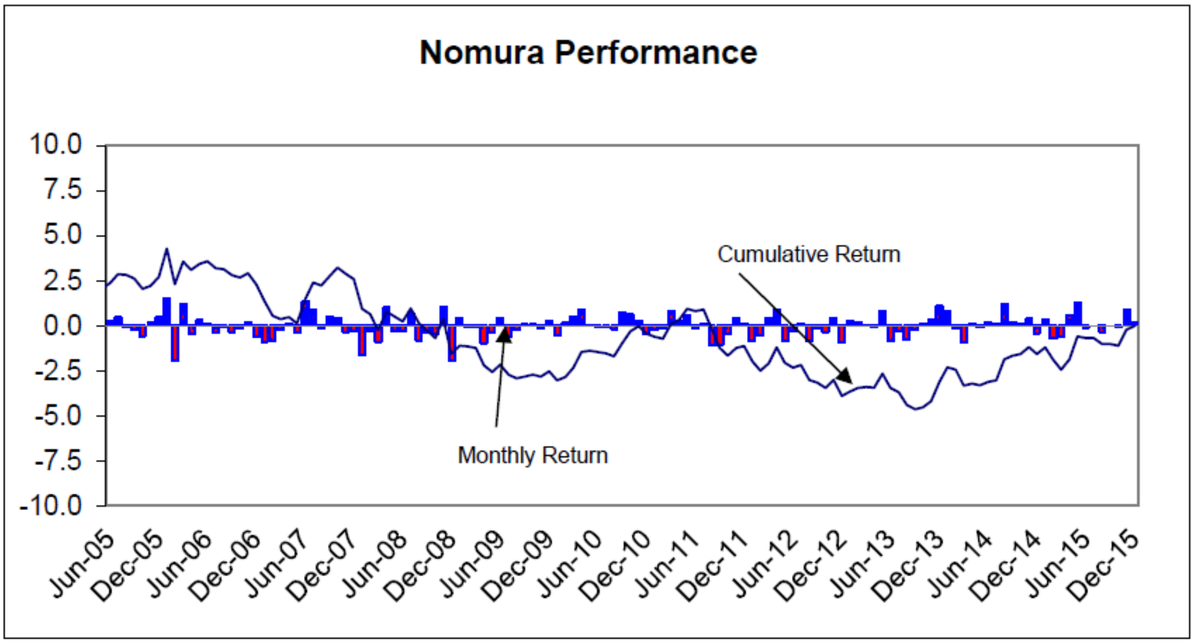


Nomura- Developed Far East

Nomura achieved a satisfactory performance on aggregate of 1.2% against their benchmark over the quarter (12.8% v 11.6%). Their outperformance over 12 months is now at 2.0% (10.8% v 8.8%).

Their three year performance against their performance target has improved, at -0.1% annualised against benchmark, but is still -1.55% over 10 years.

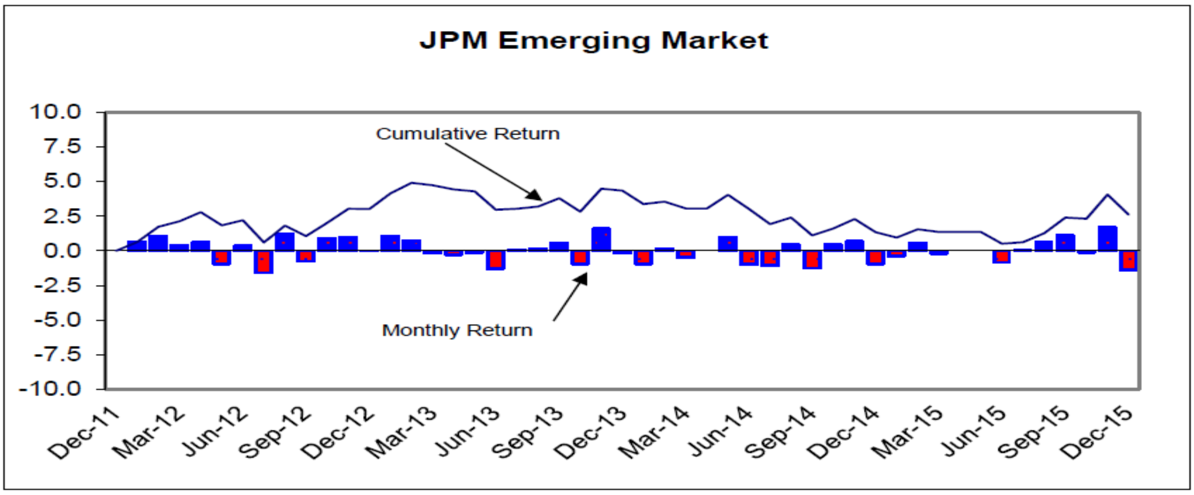
In a reversal of fortunes from Q3, in regional terms the ex Japan elements detracted from performance this quarter, which was more than offset by a good performance from the Japanese portfolio. Tezuka-san will be pleased!



JP Morgan – Emerging Markets

Hardly a stunning quarter this time, with an outperformance against their benchmark of just 0.2% (3.3% v. 3.1%). Their one year performance against their benchmark remains at 1.9% (-8.4% v. -10.3%), which including their performance target leaves them -0.1% behind.

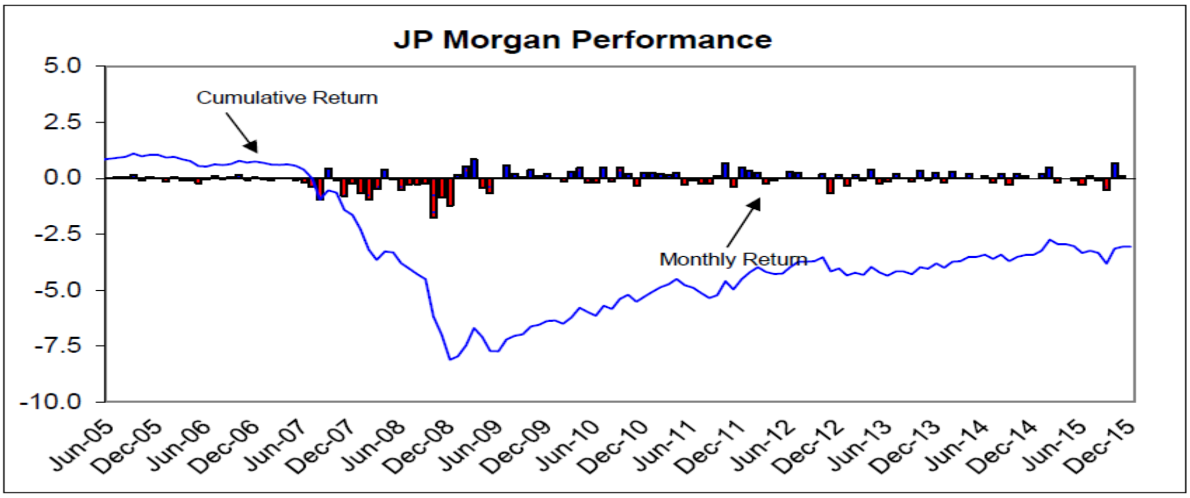
Over three years they remain behind their performance target, currently by -1.87% annualised, since inception the picture is slightly less bleak at -1.21% against performance target.



JP Morgan – Bonds

After a frustrating period, some decent performance at last! In Q4 they outperformed by 0.82% (0.87% v 0.059%). This has helped improve their performance against benchmark over the last 12 months to 0.64% (0.76% v 0.12%), but which is still behind their performance target.

Relative to their performance target, they are behind by -0.54% over three years, and -1.2% over ten years. There is still a lot of ground to be made up, but hopefully the way in which they manage this mandate has now been better focused.



Property and Infrastructure Investment update

Walton Street

The Walton Street fund (U.S. Property Debt) was considered as a potential investment opportunity during the selection process that was undertaken at the end of 2014. At that time Renshaw Bay was considered to be the preferable choice, but since that time bFinance continued to monitor developments during the Walton Street fund raising process.

In March 2016 contracts were signed with Walton Street committing the remaining £27.5m out of the original £200m allocation to Property and Infrastructure. An initial drawdown of c. $5m was paid in early April 2016.