

London Borough of Lewisham Pension Fund

Review of Investment Managers' Performance for First Quarter of 2012



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For and on behalf of Hymans Robertson LLP
May 2012

Contents

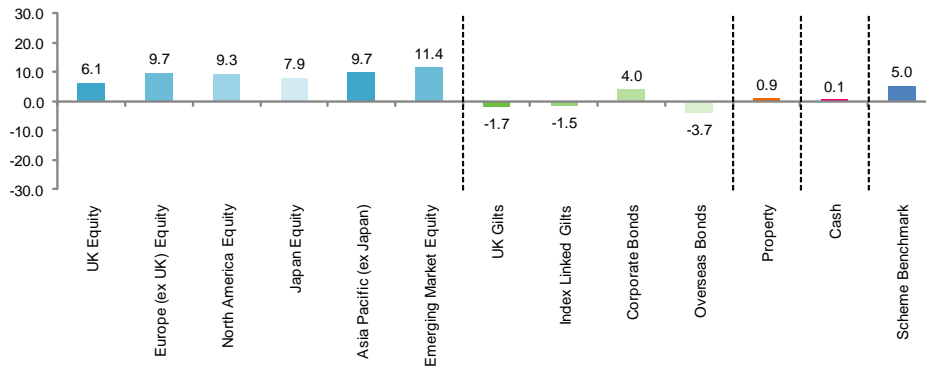
	Page
➤ Markets	
Historic Returns for World Markets to 31 March 2012	3
➤ Fund Overview	
Portfolio Summary	4
Fund Asset Allocation	5
➤ Manager Overview	
Manager Summary	6
Performance Summary - Managers	7
➤ Managers	
Alliance Bernstein - Global Equity	8
RCM - Global Equity	9
UBS - UK Equity	10
UBS- Fixed Interest	11
Schroders - Property	12
Fauchier - Hedge Fund of Funds	13
Investec - Commodities	14
Harbourvest - Venture Capital	15
M&G - UK Companies Financing Fund	16
➤ Appendices	
Performance Calculation	17

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

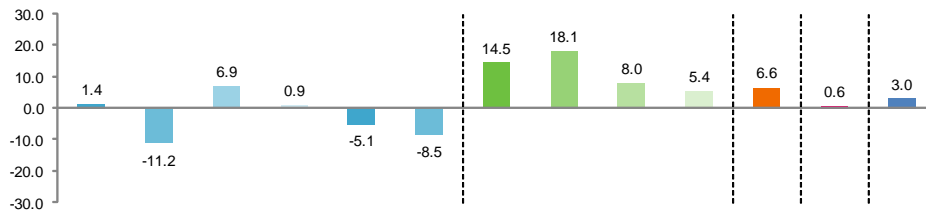
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Historic Returns for World Markets to 31 March 2012

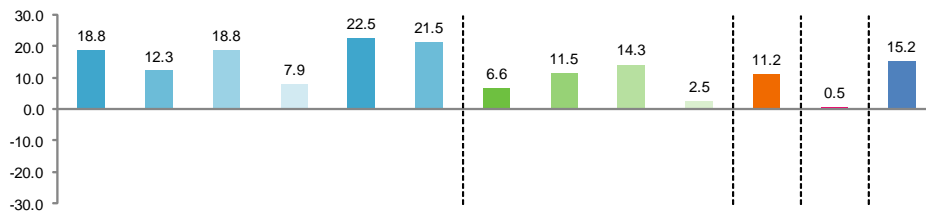
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

Equity markets performed well during the first quarter of 2012, adding to the gains made over the closing months of 2011. Investor sentiment was mildly optimistic and it is interesting to reflect on the reasons for this. The United States is a good first 'port of call'. The economy is expanding, unemployment is falling and policy makers have made some optimistic comments in their public pronouncements. In Europe, the immediate sense of crisis in the Eurozone passed, as Greece secured a second bailout (€130bn) after prolonged and intense negotiations. In addition, there were indications of some stability in the global banking sector.

Notwithstanding the more positive tone in markets, central bankers warned of continuing downside risks to the global economic outlook. If events prove them to be correct, the current regime of loose monetary policy and record low interest rates is likely to persist throughout 2012 and well into 2013. Many commentators made the point that the European debt crisis is not so much resolved as deferred, as further remedial action will be required.

In the UK, the downward revision to economic growth during the final quarter of 2011, announced in late March 2012, highlighted the challenges faced by the government and provided ammunition to critics of the coalition's austerity measures.

Key events during the quarter:

Global Economy

- UK and European central banks provided further liquidity to money markets.
- Moody's and Fitch placed the UK's top credit rating on negative outlook.
- Short-term interest rates were unchanged in the UK, US and Eurozone.
- Chinese economic growth slowed on weaker demand from overseas markets.
- The price of oil rose to record levels on concerns over possible supply interruptions.
- The US was the only 'major' to report growth during Q4 2011; all others (UK, Eurozone and Japan) contracted.

Equities

- US Dow Jones Industrial Average index moved above 13,000 for first time since May 2008.
- The strongest sectors relative to the 'All World' Index were Technology (+7.9%) and Financials (+4.7%); the weakest were Telecoms (-8.3%) and Utilities (-7.8%).

Bonds

- Long bond yields in 'secure' government markets rose from record lows, reflecting investors' tentative move from 'risk free' assets.
- Corporate issues (in aggregate) outperformed government bonds.

The legacy of the financial crisis remains a legitimate concern and still has the capacity to deliver 'shocks' to the system. The economic outlook is, at best, uncertain, and policy makers have a fine line to tread between 'austerity' and expansionary measures.

Portfolio Summary

Valuation Summary

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2011	Q1 2012			
Global Equity	435.0	464.7	60.1	60.0	0.1
Bonds	144.4	137.7	17.8	16.0	1.8
Property	72.2	70.0	9.1	10.0	-0.9
Hedge Fund of Funds	20.8	21.1	2.7	3.0	-0.3
Private Equity	31.9	31.2	4.0	3.0	1.0
UK Financing Fund	9.1	10.8	1.4	3.0	-1.6
Commodities	36.8	37.6	4.9	5.0	-0.1
Total Client	750.1	773.2	100.0	100.0	

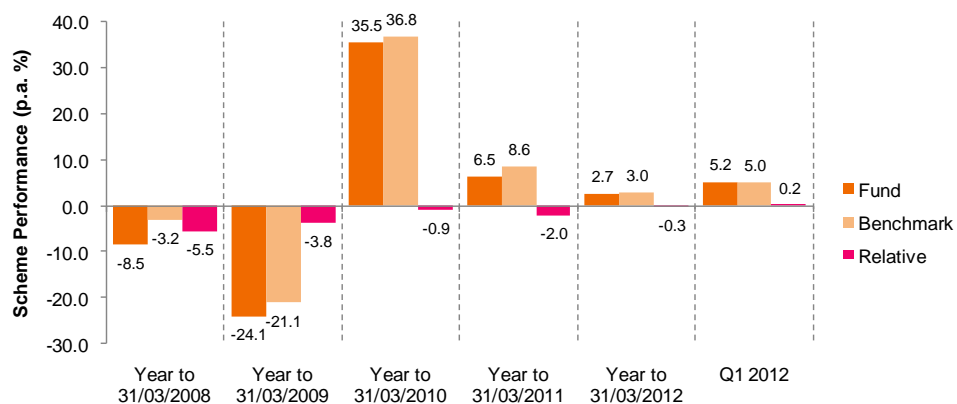
Comments

The Fund's portfolio value increased by £23.1m over the quarter, with the Fund's equity managers posting large positive absolute returns.

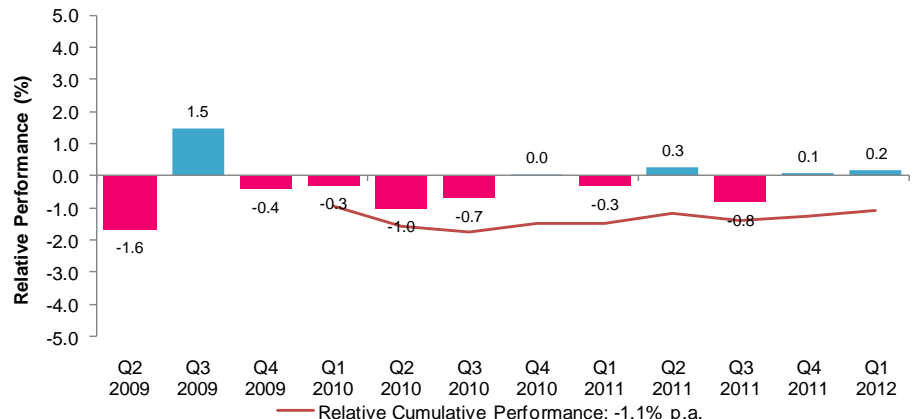
The Fund outperformed its benchmark, returning 5.2%, relative to the benchmark return of 5.0%.

Relative performance from the Fund's active managers was mixed, with the RCM global equity mandate outperforming, and the greatest contributor to relative Fund performance for the period. In contrast, the HarbourVest mandate, which underperformed its benchmark, was the biggest detractor to relative performance.

Performance Summary [1]



Relative Quarterly and Relative Cumulative Performance

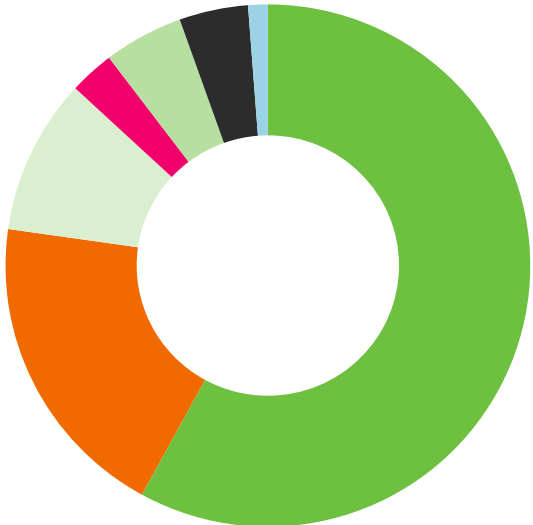


Source: [1] DataStream, Fund Manager, Hymans Robertson



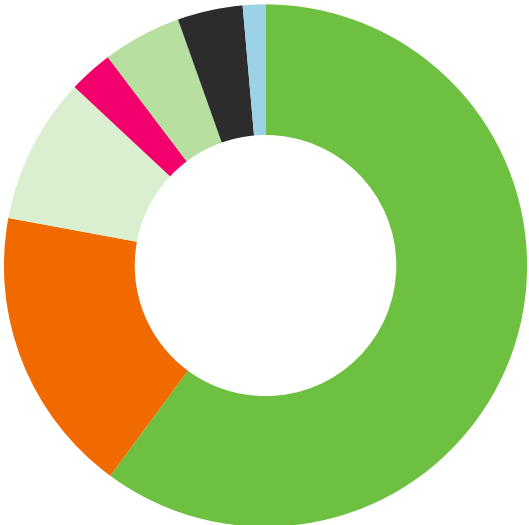
Fund Asset Allocation

Asset allocation as at 31 December 2011



- Global Equities: 58.0%
- Bonds: 19.2%
- Property: 9.6%
- Hedge Funds: 2.8%
- Commodities: 4.9%
- Private Equity: 4.3%
- UK Financing Fund: 1.2%

Asset allocation as at 31 March 2012



- Global Equities: 60.1% (2.1%)
- Bonds: 17.8% (-1.4%)
- Property: 9.1% (-0.6%)
- Hedge Funds: 2.7% (0.0%)
- Commodities: 4.9% (0.0%)
- Private Equity: 4.0% (-0.2%)
- UK Financing Fund: 1.4% (0.2%)

Comments ^[1]

The rebound in equity markets over the period has reduced the Fund's underweight position in Global Equities from -2.0% as at the end of Q4 2012 to a marginally overweight position of +0.1%, largely in line with the target allocation of 60%.

At an overall level, the asset allocation is broadly in line with benchmark, with relatively minor deviations from benchmark weight at individual asset class level.

Source: [1] Fund Manager, Hymans Robertson



Manager Summary

Manager Valuations

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2011	Q1 2012			
Alliance Bernstein - Global Equity	155.3	165.8	21.4	22.0	-0.6
RCM - Global Equity	159.3	171.2	22.1	22.0	0.1
UBS - UK Equity (Index)	120.4	127.7	16.5	16.0	0.5
UBS - Fixed Interest	144.4	137.7	17.8	16.0	1.8
Schroders - Property	72.2	70.0	9.1	10.0	-0.9
Fauchier - Hedge Fund of Funds	20.8	21.1	2.7	3.0	-0.3
Investec - Commodities	36.8	37.6	4.9	5.0	-0.1
Harbourvest - Venture Capital	31.9	31.2	4.0	3.0	1.0
M&G - UK Companies Financing Fund	9.1	10.8	1.4	3.0	-1.6
Total	750.1	773.2	100.0	100.0	0.0

Manager Summary

Manager	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
Alliance Bernstein - Global Equity	01 Nov 2004	MSCI All Country World Index	1.5% p.a. above benchmark	
RCM - Global Equity	19 Dec 2008	MSCI All Country World Index	1.5% p.a. above benchmark	
UBS - UK Equity (Index)	27 Feb 2008	FTSE All Share	-	
UBS - Fixed Interest	31 Oct 2004	Composite Bond Index	1.1% p.a. above benchmark	
Schroders - Property	12 Oct 2004	IPD Pooled Property Fund Index	-	
Fauchier - Hedge Fund of Funds	28 Jun 2008	LIBOR + 5% p.a.	-	
Investec - Commodities	25 Feb 2010	Dow Jones-UBS Commodities Total Return Index	-	
Harbourvest - Venture Capital	29 Jun 2006	MSCI All Country World Developed Index	5% p.a. above benchmark	
M&G - UK Companies Financing Fund	01 May 2010	LIBOR	4-6% p.a. above benchmark	

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain



Performance Summary - Managers

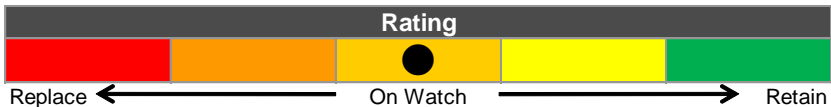
Performance Summary ^[1]

	Alliance Bernstein - Global Equity	RCM - Global Equity	UBS - UK Equity (Index)	UBS - Fixed Interest	Schroders - Property	Fauchier - Hedge Fund of Funds	Investec - Commodities	Harbourvest - Venture Capital	M&G - UK Companies Financing Fund	Total Fund	
3 Months (%)	Absolute Benchmark	9.0 8.8	11.4 8.8	6.1 6.1	-0.4 -0.7	-0.2 0.9	2.2 1.5	2.2 -1.9	-2.0 8.7	-0.5 0.2	5.2 5.0
	Relative	0.2	2.3	0.0	0.3	-1.1	0.7	4.2	-9.8	-0.7	0.2
12 Months (%)	Absolute Benchmark	-4.6 -0.4	4.8 -0.4	1.5 1.4	15.5 16.4	4.0 5.5	-3.4 5.8	-6.1 -16.0	-0.7 1.5	2.1 0.8	2.7 3.0
	Relative	-4.2	5.3	0.1	-0.7	-1.4	-8.7	11.8	-2.1	1.3	-0.3
3 Years (% p.a.)	Absolute Benchmark	15.6 17.3	15.1 17.3	18.9 18.8	15.8 11.9	4.3 9.5	3.3 5.2	N/A N/A	-2.2 16.6	N/A N/A	14.0 15.2
	Relative	-1.5	-1.9	0.1	3.4	-4.7	-1.8	N/A	-16.1	N/A	-1.1
Since Inception (% p.a.)	Absolute Benchmark	5.4 7.9	10.6 12.2	3.8 3.6	11.0 9.5	2.2 3.1	0.2 6.1	2.4 0.8	4.5 4.2	1.8 0.7	7.1 7.5
	Relative	-2.2	-1.4	0.2	1.4	-0.9	-5.6	1.5	0.3	1.1	-0.4



Alliance Bernstein - Global Equity

HR View Comment & Rating



Alliance Bernstein has announced some changes to the global value team over the quarter. Various senior members of the team have changed their roles/positions. The changes are intended to strengthen the Investment Policy Group Cross-Border Team (which is responsible for making stock selection decisions) on the value side of the business and we view this as a 'freshening up' of the team and are supportive of these changes.

Performance Summary - Comment

Alliance Bernstein outperformed their benchmark during Q1 2012, with the mandate returning 9.0% against the benchmark return of 8.8%.

The manager's holdings in financials benefited following the ECB's injections of liquidity into the European Banking system. Positions in the auto sector, including Renault and parts supplier Magna International, also did well as investors saw encouraging US economic releases indicating the potential for US auto sales to recover.

Holdings in more defensive areas lagged the market as investors rotated into more cyclical areas. In the portfolio, telecom holdings Vodafone and NTT, and medical holdings, Astra Zeneca and Pfizer, underperformed.

As at the end of the quarter, the portfolio's largest overweight sectors relative to benchmark were in financials and energy, whilst the largest underweight sectors were construction and consumer staples. The manager's outlooks for these sectors are broadly unchanged from the prior quarter.

Performance Summary to 31 December 2011 ^[i]

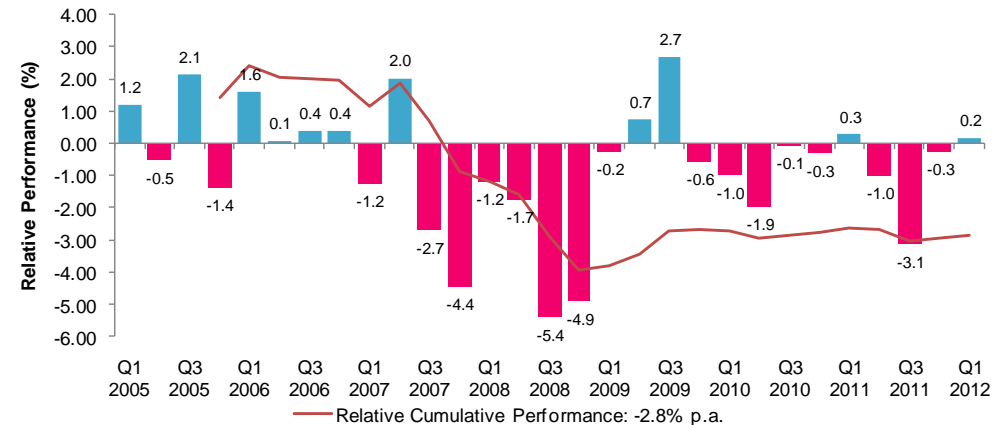
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	9.0	-4.6	15.6	5.4
Benchmark	8.8	-0.4	17.3	7.9
Relative	0.2	-4.2	-1.5	-2.2

* Inception date 01 Nov 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.5	1.5

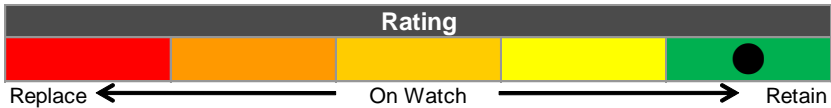
Relative Quarterly and Relative Cumulative Performance ^[ii]



Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Hymans Robertson

RCM - Global Equity

HR View Comment & Rating



There were no significant business updates during the quarter to report.

Performance Summary to 31 December 2011

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	11.4	4.8	15.1	N/A
Benchmark	8.8	-0.4	17.3	N/A
Relative	2.3	5.3	-1.9	N/A

* Inception date 18 Sep 2008.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.9	1.5

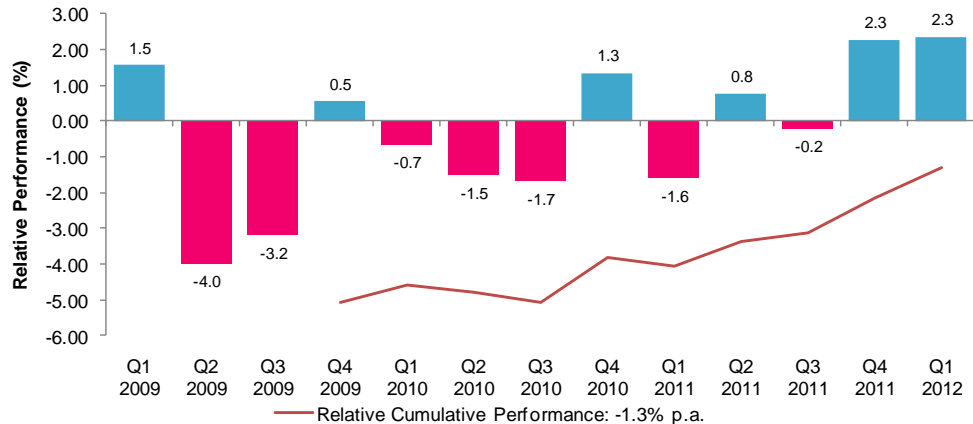
Performance Summary - Comment

Over the quarter, RCM achieved a portfolio return of 11.4%, ahead of the benchmark return of 8.8%.

Stock selection in consumer discretionary and consumer staples sectors contributed to outperformance as did the portfolio's overweight position in IT. Priceline.com was the top contributor to performance as the company announced positive results for Q4 2011 and raised guidance for Q1 2012. The manager continues to believe there is further upside in the stock based on the visibility of earnings and the attractiveness of the online hotel-booking business model.

The manager's underweight positioning in financials detracted from performance as the sector rallied during the quarter. The manager continues to have concerns about European banks' vulnerability to an extended period of sub-par economic growth from the Eurozone.

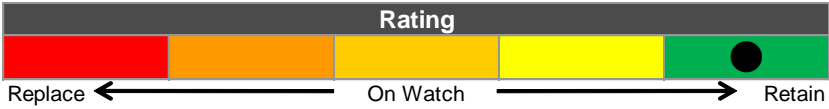
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Fund Manager, Hymans Robertson

UBS - UK Equity

HR View Comment & Rating



There were no significant business updates during the quarter to report.

Performance Summary to 31 December 2011

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	6.1	1.5	18.9	3.8
Benchmark	6.1	1.4	18.8	3.6
Relative	-0.0	0.1	0.1	0.2

* Inception date 27 Feb 2008.

3 Year Relative Return

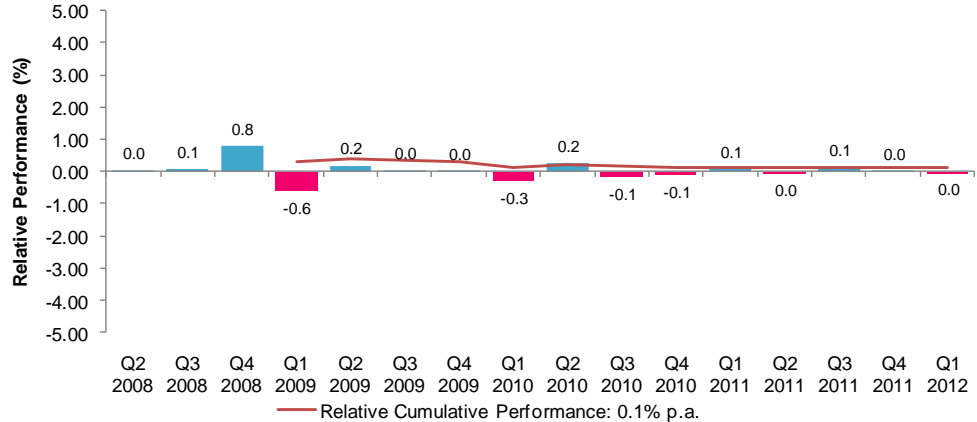
Actual % p.a.	Target % p.a.
0.1	0.0

Performance Summary - Comment

UBS succeeded in closely matching benchmark performance over the quarter, as would be expected of a passive manager.

The strongest sector performers (relative to the FTSE All Share index) during the quarter were Industrials and Financials, while Health Care and Oil & Gas were the weakest.

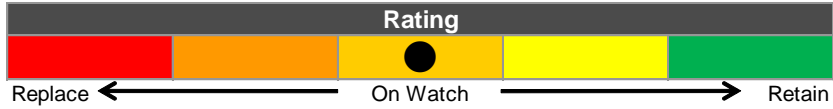
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Fund Manager, Hymans Robertson

UBS- Fixed Interest

HR View Comment & Rating



We have not rated UBS positively for Fixed Income capabilities for some time. This is no reflection of the investment individuals but rather a reflection of the firm's loss of confidence in its bond team during the events of 2008/2009, and further personnel instability since then. Earlier this month it was announced that Alix Stewart, Senior Portfolio Manager of the UK Fixed Income team, had resigned to join another asset management firm. Jonathan Gregory, a senior member of UBS' London team is assuming additional responsibility for UK Fixed Income portfolios with immediate effect. This news has no bearing on the planned move of a proportion of the Fund's bond assets to passive management with UBS.

Performance Summary - Comment

The UBS fixed interest mandate outperformed its benchmark over the quarter, returning -0.4% versus the benchmark return of -0.7%. The mandate is behind benchmark over the past year, but remains ahead over the longer term performance period of 3 years.

Outperformance for the quarter was largely attributable to the positive relative performance of the corporate bonds allocation within the mandate. Within this part of the mandate, active credit management and the manager's overweight to financials, largely in insurers, both contributed to positive performance over the period, outweighing the small negative contribution from active currency positioning. In the Long-Dated Corporate Bond Fund, the manager has reduced the portfolio duration to adopt an underweight UK duration position relative to benchmark, and has reduced UK currency exposure in favour of the US dollar, Japanese Yen, and the Norwegian and Swedish Krone.

Performance Summary to 31 December 2011

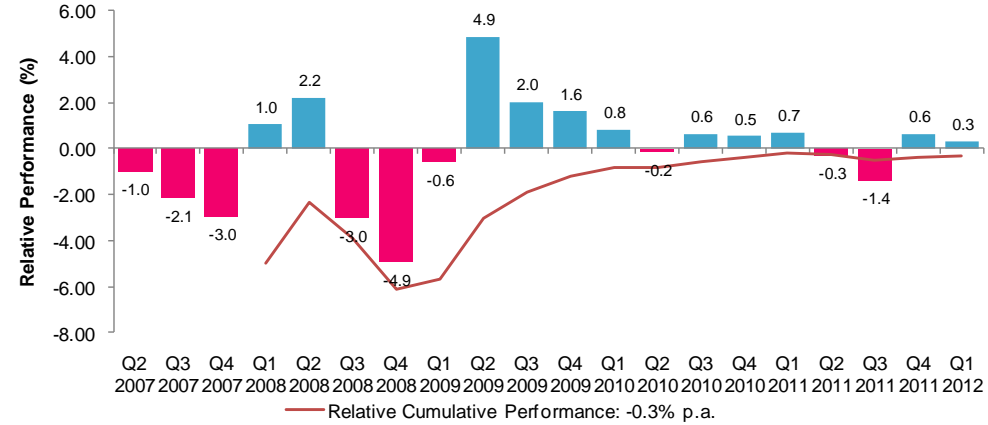
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.4	15.5	15.8	11.0
Benchmark	-0.7	16.4	11.9	9.5
Relative	0.3	-0.7	3.4	1.4

* Inception date 31 Oct 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
3.4	1.1

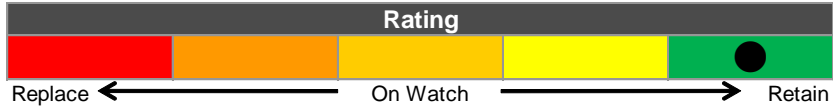
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Fund Manager, Hymans Robertson

Schroders - Property

HR View Comment & Rating



As previously flagged, following Schroders' appointment as manager to the Invista Foundation Property Trust and the Equitable Life Assurance Society (ELAS), Duncan Owen and seven others joined the Schroders property team from Invista in January 2012. Owen, previously the CEO of Invista Real Estate Investment Management (IREIM), has joined as Head of Property Funds reporting to William Hill, Head of Property. The Invista Foundation Property Trust, a listed property investment company, was renamed the Schroder Real Estate Investment Trust (SREI) in March 2012.

Performance Summary - Comment

The portfolio underperformed its benchmark over the quarter, returning -0.2% against the benchmark return of 0.9%.

The uncertainty in the economic outlook has continued to result in subdued property returns over recent quarters. Within the portfolio, underperformance over the quarter was again attributable to the portfolio's continental European holdings, with the decline in the value of the Euro vs the pound over the quarter a significant factor. This was offset to some extent by positive contributions from the manager's overweight to the central London office market and recent additions of income focussed strategies to the portfolio.

Looking ahead, the manager anticipates that the mandate's European holdings will continue to contribute to quarter-on-quarter return volatility. At the present time the ability to exit these investments is limited on anything other than distressed terms. Within the UK, the manager sees small windows of opportunity in niche sub-markets in Retail, notably in the Convenience sector, which is seeing above average sales growth on demographic and social trends.

Performance Summary to 31 December 2011

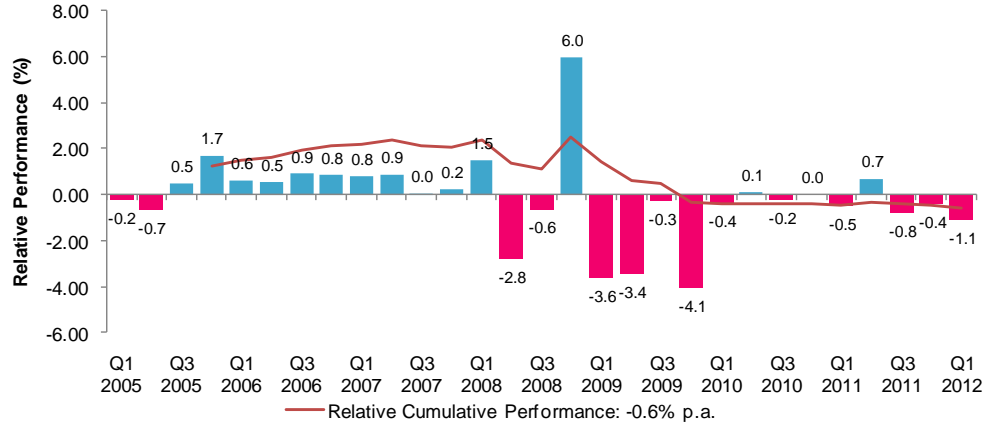
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.2	4.0	4.3	2.2
Benchmark	0.9	5.5	9.5	3.1
Relative	-1.1	-1.4	-4.7	-0.9

* Inception date 12 Oct 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-4.7	0.0

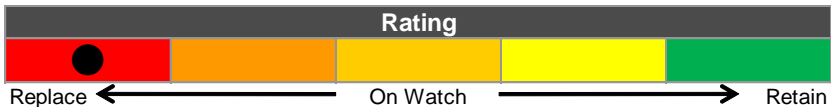
Relative Quarterly and Relative Cumulative Performance



Source: [i] Fund Manager, Hymans Robertson, Investment Property Databank Limited

Fauchier - Hedge Fund of Funds

HR View Comment & Rating



Jamie Kirmish, the Chief Operating Officer departed in January 2012. He was responsible for overseeing operations, compliance, IT and Marketing for Fauchier Partners. Fauchier have explained that his role had narrowed over time which was the main reason for his resignation. David Woodhouse, who is presently responsible for operational due diligence is currently acting as Interim Chief Operating Officer. There are no intentions to replace Kirmish at this stage. As Kirmish was not directly involved in the investment decision-making process, we do not think this departure will have any material impact on the management of the Fauchier funds.

The Committee has served a redemption request on Fauchier Partners for the entirety of the mandate.

Performance Summary - Comment

The Fauchier mandate returned 2.2%, outperforming relative to its benchmark return of 1.5%.

During what was another strong quarter for equity markets, the majority of the fund's strategies contributed to positive performance, with the fund's holdings in the Equity Hedged and Event Driven strategies collectively the strongest strategy performers. This was offset by negative contributions from the fund's holdings in the Macro and Short Bias strategies.

Over the past year, only the Equity Long Bias strategy has delivered absolute positive performance (at +0.2%). The remaining strategies have all contributed negative returns, with the Equity Hedged strategy (the largest allocation within the fund at 26.3%) the weakest performing strategy for the year, which in total has contributed -1.3%.

Performance Summary to 31 December 2011

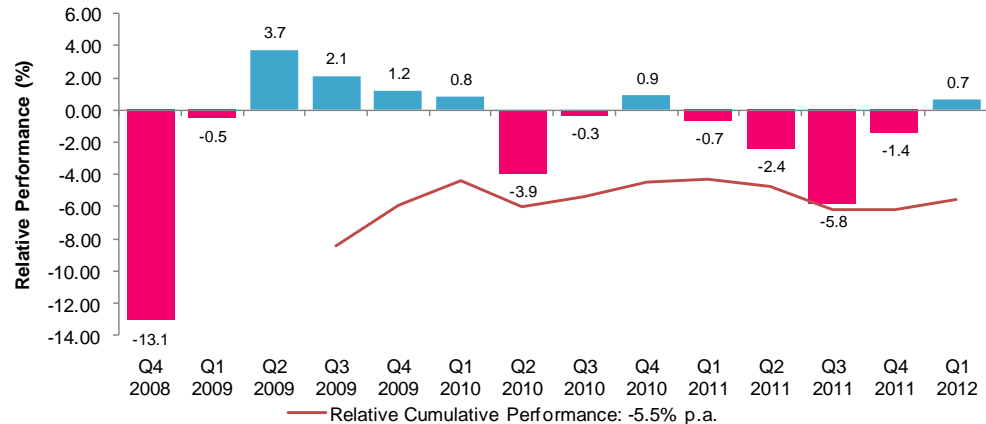
	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	2.2	-3.4	0.2
Benchmark	1.5	5.8	6.1
Relative	0.7	-8.7	-5.6

* Inception date 28 Jun 2008.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.8	5.0

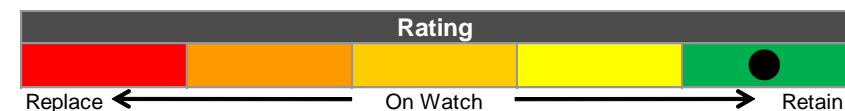
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Fund Manager, Hymans Robertson

Investec - Commodities

HR View Comment & Rating



There were no significant business update during the quarter to report.

Performance Summary to 31 December 2011 ^[i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	2.2	-6.1	2.4
Benchmark	-1.9	-16.0	0.8
Relative	4.2	11.8	1.5

* Inception date 25 Feb 2010.

3 Year Relative Return

Actual % p.a.	Target % p.a.
N/A	0.0

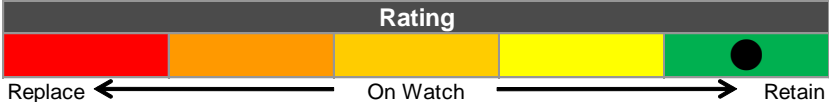
Performance Summary - Comment

The Investec commodities mandate outperformed its benchmark over the quarter, returning 2.2% against the benchmark return of -1.9%.

The manager's long positions in Base & Bulks and Energy equities were again amongst the largest contributors to performance as commodity equities continued to rally during Q1 2012. Conversely, the manager's short Base and Bulks equity and Energy Commodity positions detracted from performance. The manager's short positions in US steel companies detracted, as the stocks rallied on positive US economic data releases encouraging investors to factor in an improving US growth outlook. The manager's short Brent Oil position also detracted from performance as oil prices remained volatile during the quarter. The manager believes the demand/supply fundamentals are marginally weakening and expects an easing of political tensions in the Middle East.

Harbourvest - Venture Capital

HR View Comment & Rating



HarbourVest have made a number of additions to their global investment team over the past quarter. They have hired Sally Shan, previously at JP Morgan, to set up their Beijing office. This is the firm's first office on the Chinese mainland, although it has had a presence in Hong Kong since 1996. Shan was most recently head of Asia technology investment banking for J.P. Morgan Securities Asia Pacific. She will be joined by another investment professional who is currently based in Hong Kong. The Bogota office has also added two new hires and now stands at three individuals altogether.

In addition, the firm has hired a new Global Head of Compliance, to address the regulatory challenges prevailing in the US and Europe.

Performance Summary - Comment

The HarbourVest mandate returned -2.0%, underperforming its benchmark return of 8.7%.

Given the volatility and pricing of this asset class, it can be misleading to place too much emphasis on short-term performance. The returns shown are sourced from Northern Trust.

Performance Summary to 31 December 2011 [i]

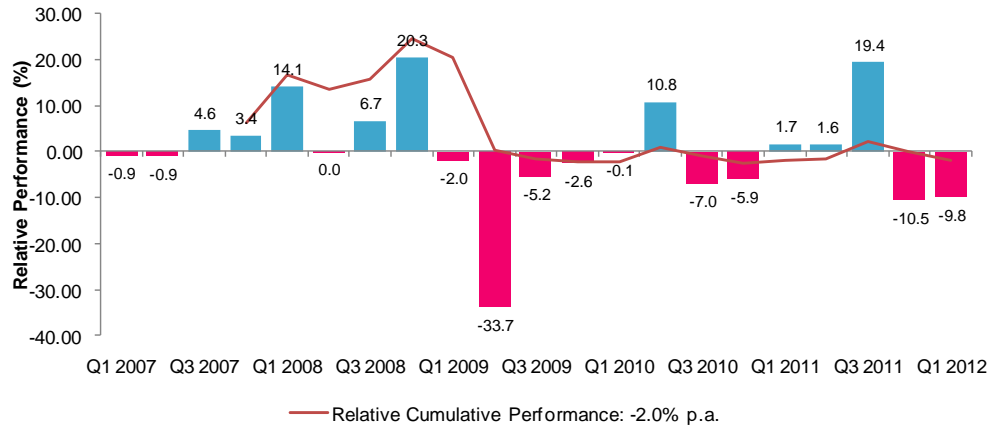
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-2.0	-0.7	-2.2	4.5
Benchmark	8.7	1.5	16.6	4.2
Relative	-9.8	-2.1	-16.1	0.3

* Inception date 29 Jun 2006.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-16.1	5.0

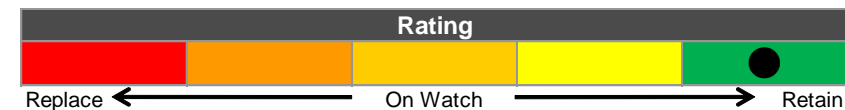
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Hymans Robertson

M&G - UK Companies Financing Fund

HR View Comment & Rating



With the investment period scheduled to finish in July 2012, the UK Companies Financing fund made two more loans during Q1 2012, taking the total loan count to ten, with a total notional value of £800m.

Following the end of quarter, the manager indicated that global corporate bond issuance set a record low in volumes during April, as record cash balances have driven global corporations to reduce their reliance on debt markets.

Performance Summary - Comment

The UK Companies Financing Fund returned -0.5% (as reported by Northern Trust), behind its LIBOR benchmark return of 0.2% for the quarter.

As noted above, the fund closed an additional two loans during the quarter, a £75m loan to Wincanton, a cargo transport group, and £50m to another cargo transport firm, the name of which remained undisclosed as at time of writing.

At 31 March 2012, the fund had made ten loans totalling £800m, amounting to c57% of committed capital. M&G have indicated that they continue to review a number of potential deals which are at the early stages of the investment process.

Performance Summary to 31 December 2011 ^[i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-0.5	2.1	1.8
Benchmark	0.2	0.8	0.7
Relative	-0.7	1.3	1.1

* Inception date 01 May 2010.

3 Year Relative Return

Actual % p.a.	Target % p.a.
N/A	0.0

Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$((1 + \text{Fund Performance}) / (1 + \text{Benchmark Performance})) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.
If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.
If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.