

London Borough of Lewisham Pension Fund

Review of Investment Managers' Performance for First Quarter of 2015



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For and on behalf of Hymans Robertson LLP

May 2015

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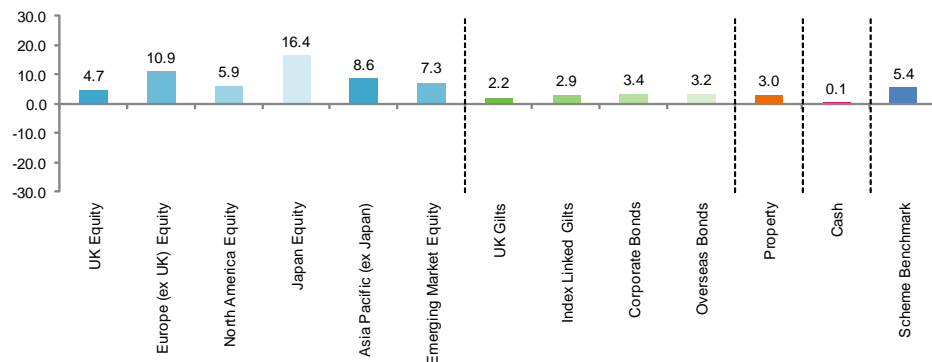
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Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in 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.

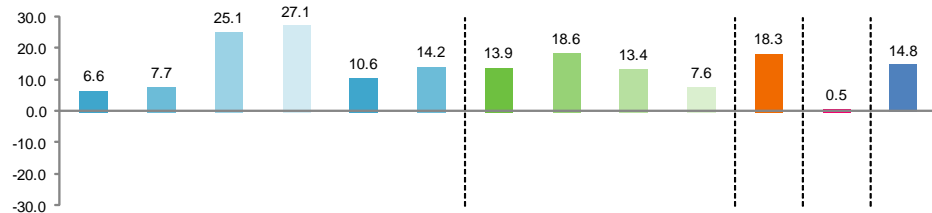
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Historic Returns for World Markets to 31 March 2015

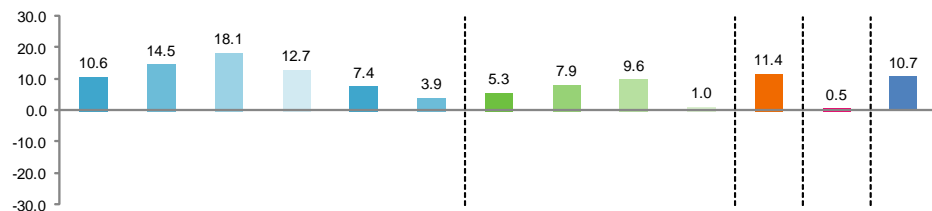
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

Global equity and bond markets rose during the first quarter of 2015. A major support was lower inflation, which lessened investors' concerns about short-term interest rates being raised, at least in the immediate future.

Economic news was varied. Although the US has enjoyed higher economic growth than other major markets, news during the quarter was a little disappointing. Poor weather and the impact of the strong dollar were contributory factors. In contrast, data relating to the Eurozone indicated some improvement, albeit from a very low base. The European Central Bank launched a programme of quantitative easing in March. This will result in the purchase of up to €1.1tn of government and private debt over the next eighteen months.

In the UK, official estimates for economic growth in 2014 were revised from 2.6% to 2.8%, the highest rate since 2007, and estimates for 2015 remain strong. In February, the Governor of the Bank of England expressed the view that inflation could temporarily fall below zero because of falling oil prices.

A recurring theme throughout the quarter was when and by how much the US might start to 'normalise' short-term interest rates from the current record low. This difficult task has to be handled with extreme care in the US, and ultimately in other major financial centres.

Key events during the quarter included;

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- UK inflation (CPI) fell to 0% in February (lowest since records started in 2008);
- Modest deflationary pressures persisted in the Eurozone throughout the quarter;
- The US Central Bank gave mixed signals over potential rises in short-term interest rates;
- Japan's economic growth remained subdued, after emerging from recession in late 2014;
- China set 2015 growth target at 7.0%, lower than that achieved (7.4%) in 2014.

Equities

- The strongest sectors relative to the FTSE All World Index were Health Care (+5.4%) and Consumer Services (+2.6%); the weakest were Utilities (-7.0%) and Oil & Gas (-5.4%);
- Corporate activity included \$50bn merger of Heinz and Kraft Foods (US) and £10.3bn acquisition of O2 (UK) by Hutchison Whampoa of Hong Kong.

Bonds and currencies

- The Euro fell to 11 year low against US\$, unsettled by Eurozone quantitative easing;
- German five year bonds sold at a negative yield, joining Denmark, Finland and Netherlands.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – 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; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

Portfolio Summary

Valuation Summary

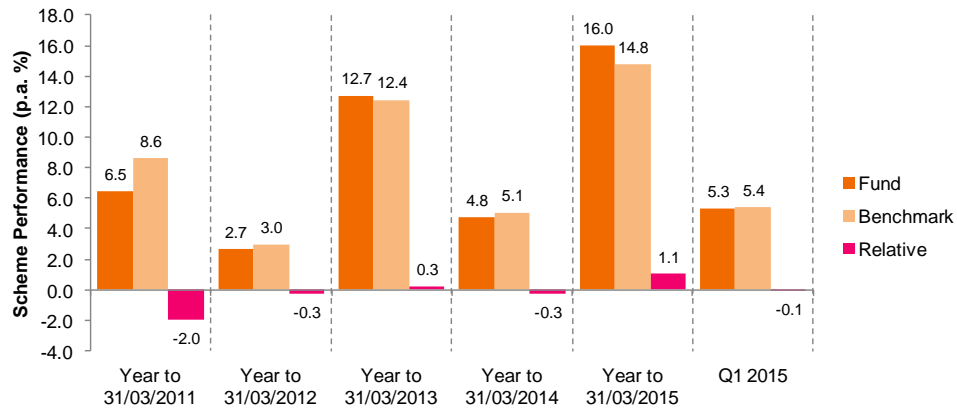
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2014	Q1 2015			
Global Equity	629.1	673.4	64.3	62.4	1.9
Bonds	188.2	193.7	18.5	18.6	-0.2
Property	88.0	90.3	8.6	10.0	-1.4
Private Equity	43.4	44.2	4.2	3.0	1.2
Trustee Bank Account	0.1	0.3	0.0	0.0	0.0
UK Financing Fund	14.3	14.4	1.4	1.0	0.4
Commodities	32.1	31.8	3.0	5.0	-2.0
Total inc. Trustee Bank Account	995.2	1048.0	100.0	100.0	

Comments

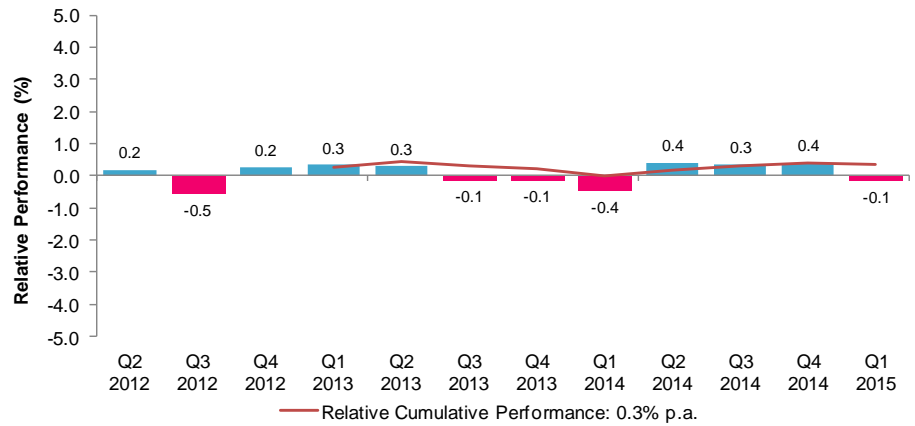
The value of the fund's assets increased by £52.8m over the quarter to £1,048m as at 31 March 2014.

The Fund returned 5.3% (net of fees) over the quarter, underperforming its benchmark by 0.1%. Both passive mandates matched their composite benchmarks. Schroders - Property and HarbourVest - Venture Capital both underperformed their benchmarks, by 0.6% and 4.5% respectively. The M&G - UK Companies Financing Fund and Investec - Commodities mandate outperformed their respective benchmarks by 1.0% and 0.1% respectively.

Performance Summary ^[1]



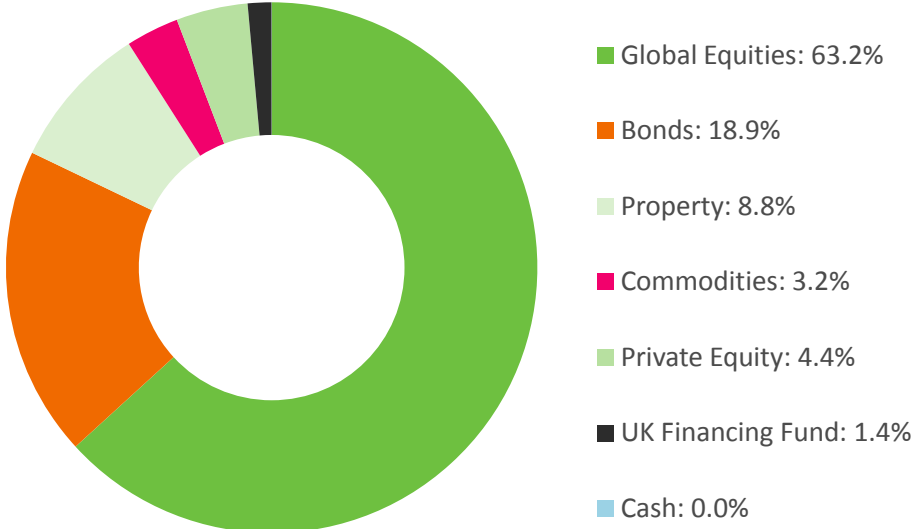
Relative Quarterly and Relative Cumulative Performance



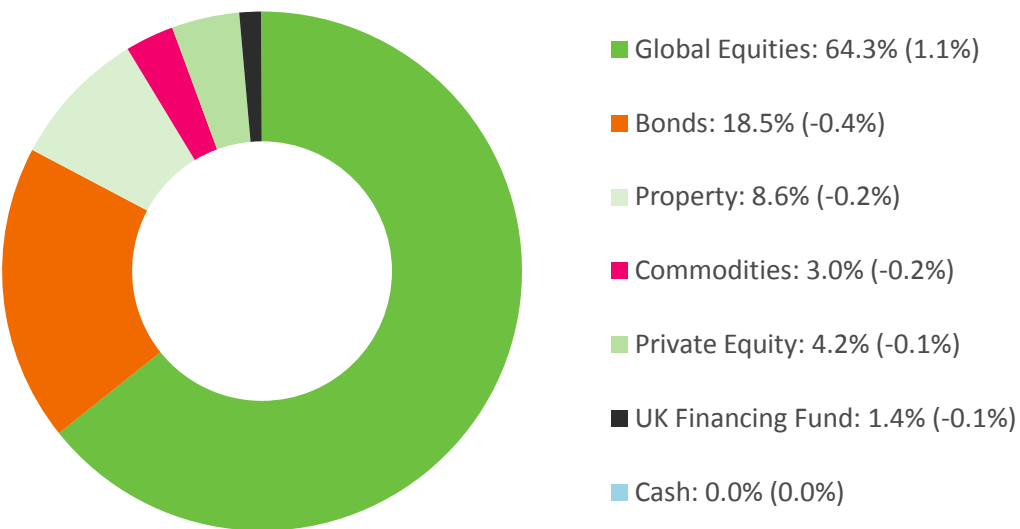
Source: [1] DataStream, Fund Manager, Hymans Robertson

Fund Asset Allocation

Asset allocation as at 31 December 2014



Asset allocation as at 31 March 2015



Comments

The charts above show the Fund's asset allocation as at 31 December 2014 and 31 March 2015. The figures in brackets as at 31 March 2015 represent the net changes over the quarter.

There were no major changes to the Fund's asset allocation during the quarter, with any minor changes due to the relative performance of the Fund's mandates and market movements. The allocation to Global Equities increased, reflecting the strong performance in equity markets over the quarter.

Source: [i] Fund Manager, Hymans Robertson



Manager Summary

Manager Valuations

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2014	Q1 2015			
BlackRock - Passive Multi-asset	409.1	434.4	41.4	40.5	0.9
UBS - Passive Multi-asset	408.2	432.6	41.3	40.5	0.8
Schroders - Property	88.0	90.3	8.6	10.0	-1.4
Investec - Commodities	32.1	31.8	3.0	5.0	-2.0
Harbourvest - Venture Capital	43.4	44.2	4.2	3.0	1.2
M&G - UK Companies Financing Fund	14.3	14.4	1.4	1.0	0.4
Cash	0.1	0.3	0.0	0.0	0.0
Total	995.2	1048.0	100.0	100.0	0.0

Manager Summary

Manager	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
BlackRock - Passive Multi-asset	20 Nov 2012	Composite	-	
UBS - Passive Multi-asset	15 Nov 2012	Composite	-	
Schroders - Property	12 Oct 2004	IPD Pooled Property Fund Index	0.75% p.a. above benchmark	
Investec - Commodities	25 Feb 2010	Bloomberg Total Return Commodity 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]

		BlackRock - Passive Multi-asset	UBS - Passive Multi-asset	Schroders - Property	Investec - Commodities	Harbourvest - Venture Capital	M&G - UK Companies Financing Fund	Cash	Total Fund
3 Months (%)	Absolute Benchmark	6.2	6.1	2.2	-1.1	2.8	1.2	N/A	5.3
		6.2	6.1	2.8	-1.2	7.6	0.1	N/A	5.4
	Relative				0.1		1.0	N/A	
12 Months (%)	Absolute Benchmark	17.4	16.7	15.9	-6.5	19.1	4.7	N/A	16.0
		16.8	16.7	16.6	-18.1	19.7	0.5	N/A	14.8
	Relative	0.5			14.2		4.2	N/A	1.1
3 Years (% p.a.)	Absolute Benchmark	N/A	N/A	8.5	-6.4	13.4	5.2	N/A	11.1
		N/A	N/A	9.4	-9.3	15.6	0.6	N/A	10.7
	Relative	N/A	N/A		3.3		4.6	N/A	0.3
Since Inception (% p.a.)	Absolute Benchmark	16.0	15.5	2.7	-3.4	7.6	3.9	N/A	N/A
		15.5	15.6	4.6	-5.4	8.3	0.5	N/A	N/A
	Relative	0.4			2.2		3.3	N/A	N/A
			-0.1	-1.8		-0.6			

[1] Since inception: BlackRock (20 Nov 12), UBS (15 Nov 12), Schroders (12 Oct 04), Investec (25 Feb 10), HarbourVest (29 Jun 06), M&G (01 May 10)

Source:  DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited

BlackRock - Passive Multi-Asset

HR View Comment & Rating



There is no significant news to report over the quarter and we continue to rate BlackRock - Passive Multi-Asset as '5-Preferred Strategy'.

Performance Summary to 31 March 2015

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	6.2	17.4	16.0
Benchmark	6.2	16.8	15.5
Relative	-0.0	0.5	0.4

* Inception date 20 Nov 2012.

Performance Summary - Comment

The BlackRock composite benchmark comprises the FTSE All Share (20.5%), MSCI AC World (56.5%), FTSE > 15 Year Fixed Gilts (7.6%), FTSE > 5 Year Index Linked Gilts (7.7%) and iBoxx £ Non-Gilts All Stocks (7.7%).

The BlackRock multi-asset mandate matched its composite benchmark over the quarter, delivering a return of 6.2%. The outperformance over the longer time periods is as a result of the positive tracking error witnessed last quarter.

The strongest performers over the quarter, in absolute terms, were the Israel Equity Index and Japanese Equity Index Funds. The only underlying fund to deliver a negative return over the quarter was the Canadian Equity Fund.

UBS - Passive Multi-Asset

HR View Comment & Rating



There is no significant news to report over the quarter and we continue to rate UBS - Passive Multi-Asset as '5-Preferred Strategy'.

Performance Summary to 31 March 2015

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	6.1	16.7	15.5
Benchmark	6.1	16.7	15.6
Relative	-0.0	-0.1	-0.1

* Inception date 15 Nov 2012.

Performance Summary - Comment

The UBS benchmark comprises the FTSE All Share (20.5%), FTSE All World (inc UK) (56.5%), FTSE > 15 Year Fixed Gilts (7.6%), FTSE > 5 Year Index Linked Gilts (7.7%) and iBoxx Sterling Non-Gilts All Stocks (7.7%) indices.

The UBS multi-asset mandate matched its composite benchmark over the quarter, delivering a return of 6.1%. The mandate has broadly matched its benchmark over all time periods.

All underlying allocations broadly matched their benchmark, with Global Equities delivering the strongest return (7.6%) and UK Corporate Bonds delivering the weakest return (3.2%).

Schroders - Property

HR View Comment & Rating



There was no significant news to report over the quarter. We continue to rate Schroders - Property as '4-Retain'.

Performance Summary to 31 March 2015 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	10 Years (% p.a.)
Fund	2.2	15.9	8.5	2.7
Benchmark	2.8	16.6	9.4	4.6
Relative	-0.6	-0.7	-0.8	-1.8

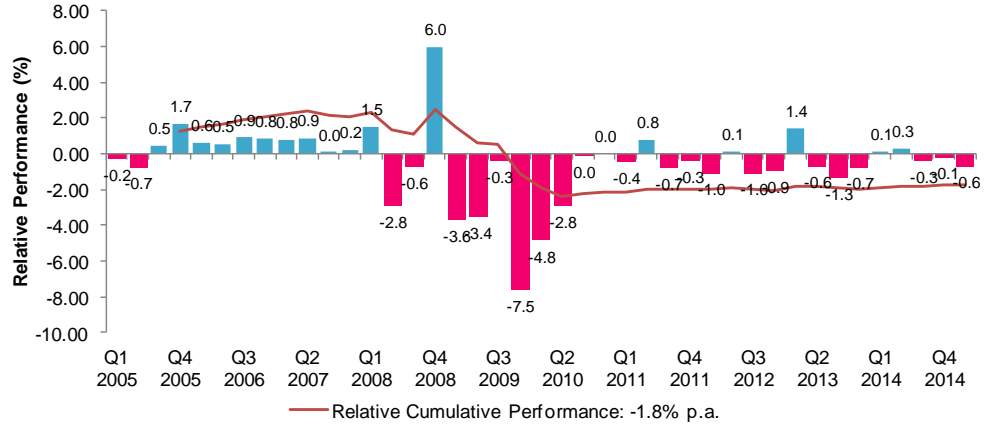
Performance Summary - Comment

The Schroders mandate returned 2.2% over the quarter, underperforming its AREF/IPD UK Pooled Property Fund All Balanced Index benchmark by 0.6%. The mandate has lagged behind its benchmark over all time periods.

Schroders have actively moved the portfolio's position from central London offices towards existing balanced fund holdings, industrials and alternative sectors. This transition has resulted in Schroders holding a higher than average level of cash whilst they allocate the funds accordingly. This has led to a drag on returns and may persist through Q2 2015 until the funds are fully drawn.

The Industrial Property Investment Fund and Threadneedle Strategic Property Fund IV have been key positive drivers of performance over the quarter. The former has benefitted from an increase in investment in multi-let industrial estates, especially in the south east of England. The latter has been selling assets that it previously bought with the intention of improving and selling on for a profit. This has had a positive impact on the Fund.

Relative Quarterly and Relative Cumulative Performance



Source: [1] Fund Manager, Hymans Robertson, Investment Property Databank Limited

Investec - Commodities

HR View Comment & Rating



There is no significant news to report over the quarter. We continue to rate Investec - Commodities as '5-Preferred Strategy'.

Performance Summary to 31 March 2015 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-1.1	-6.5	-6.4	-3.4
Benchmark	-1.2	-18.1	-9.3	-5.4
Relative	0.1	14.2	3.3	2.2

* Inception date 25 Feb 2010.

Performance Summary - Comment

The Investec Global Commodities & Resources Fund fell by 1.1%, reflecting the continued difficult time for commodities. Despite the negative absolute returns over all time periods, the Fund has consistently outperformed its benchmark over all time periods.

The main detractor to performance of the quarter was the Fund's exposure to base & bulk metals. The positioning in aluminium producer Century Aluminium hurt performance. Agriculture & softs also hurt performance. This was largely due to the Fund's positioning in lumber producers in North America.

The Fund's exposure to US refiners and selected large oil & gas exploration and production had a positive impact on performance. Despite this, overall exposure to energy continued to drag on returns.

Relative Quarterly and Relative Cumulative Performance



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

Harbourvest - Venture Capital

HR View Comment & Rating



HarbourVest remains one of our highest-rated private equity managers, rated '5-Preferred Manager'. It completed fundraising in April 2015 for its HIPEP VII programme, focused on Europe, Asia Pacific and Emerging Markets, and was scheduling a first close on its US-focused Fund X at around \$1.1 billion at the end of April 2015. 2015 also sees the launch of a Global Fund, which will target all four regions globally and have up to 50% in coinvestments and secondaries, which should allow rapid deployment of capital. HarbourVest has in place a formal plan covering the succession and retirement of senior managing directors; an important point because, although ownership is fairly evenly held it is clear that Brooks Zug, senior managing director and one of the firm's founders 32 years ago, will shortly be following his fellow founder Ed Kane into retirement. He is due to step down from the Investment Committee later in 2015 but retains his place on the Executive Committee for now. Zug's retirement has been signalled for some time, however, and we are comfortable that the firm retains a strong senior management team.

Performance Summary - Comment

The mandate returned 2.8% over the quarter, underperforming its benchmark by 4.5%. The mandate has underperformed its benchmark over all time periods.

Lewisham is invested in the Buyout and Venture sleeves of the US-focused HarbourVest Partners Fund VIII; the Europe, Asia and Emerging Markets fund, HIPEP V and the Direct sleeve of HIPEP V. Fund VIII has delivered good returns since inception in 2006, with the Buyout sleeve delivering a net IRR of 9.5%, and the Venture sleeve delivering a net IRR of 11.3%. HIPEP V has been less impressive since inception in 2005, delivering a net IRR of 7.1%, while the Direct fund has returned a net IRR of just 4.0%.

The returns shown in the charts are sourced from Northern Trust.

Performance Summary to 31 March 2015 ^[1]

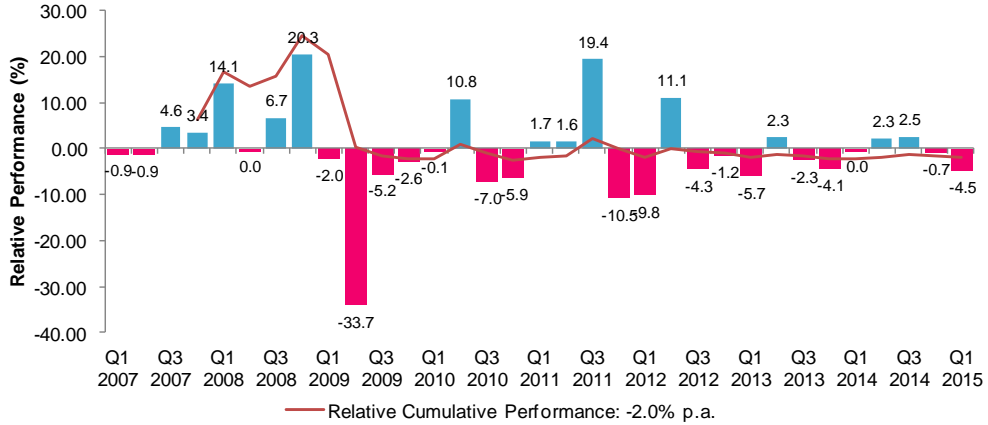
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.8	19.1	13.4	7.6
Benchmark	7.6	19.7	15.6	8.3
Relative	-4.5	-0.5	-1.9	-0.6

* Inception date 29 Jun 2006.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.9	5.0

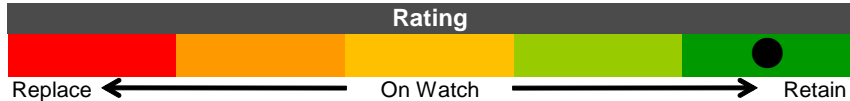
Relative Quarterly and Relative Cumulative Performance



Source: [1] DataStream, Hymans Robertson

M&G - UK Companies Financing Fund

HR View Comment & Rating



There is no significant news to report over the quarter. We continue to rate M&G UK Companies Financing Fund '5-Preferred Strategy'.

Performance Summary to 31 March 2015 [1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.2	4.7	5.2	3.9
Benchmark	0.1	0.5	0.6	0.5
Relative	1.0	4.2	4.6	3.3

* Inception date 01 May 2010.

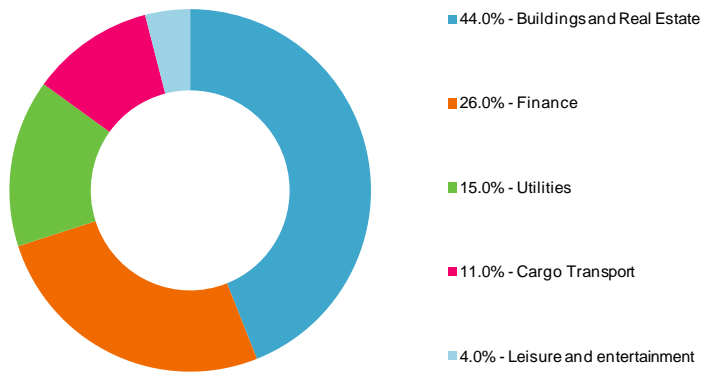
Performance Summary - Comment

The UK companies Financing Fund returned 1.2% over the quarter, outperforming its LIBOR benchmark by 1.0%. The mandate has outperformed its benchmark over all time periods.

The Fund comprises of a portfolio of eight loans with a notional value of £680m. As at 31 March 2015, all loans were in compliance with their respective covenants.

The weighted average credit rating was BB+, with an average maturity of 4.5 years. The weighted average credit spread was 433 bps at the end of the period.

Industry split



Source: [1] DataStream, Hymans Robertson

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.

