

London Borough of Lewisham Pension Fund

Review of Investment Managers' Performance for Third Quarter of 2011



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For and on behalf of Hymans Robertson LLP
November 2011

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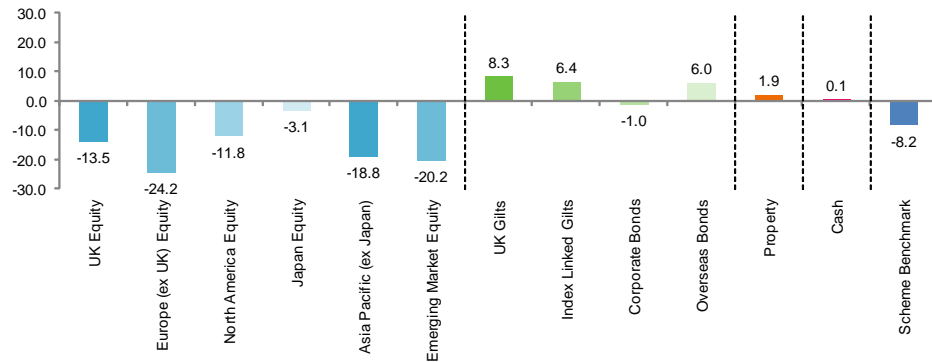
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Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in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

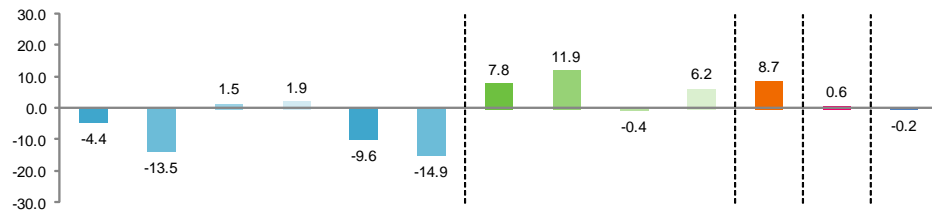
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Historic Returns for World Markets to 30 September 2011

3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

During the quarter a number of major threats to the global economic and financial system eroded investor confidence. Although the Greek debt crisis dominated the headlines, concerns over the level of sovereign debt extended to other countries, including Spain, Italy, and even the US. In July, the world witnessed the unifying spectacle of US coming close to 'default', as politicians clashed over whether and how to extend the country's debt ceiling. In early August, a major credit rating agency downgraded US sovereign debt; a move, at this stage, with more symbolic than real significance.

The sovereign debt crisis was accompanied by evidence of a slowdown in global economic growth and talk of a 'double dip' recession. Downgrades to economic forecasts became the order of the day, culminating, in September, with a warning from the International Monetary Fund that the global economy had entered a 'dangerous new phase'. The Fund's prognosis for developed economies is one of weak and bumpy expansion, with recession a possibility if issues relating to the US and euro-zone economies are not dealt with.

Investor caution was expressed by a preference for 'safety'. Equity markets fell sharply during the quarter; in contrast, government bonds of countries spared the worst of the debt crisis (e.g. UK, US, Germany) fared well. The price of gold and other precious metals rose steeply.

Key events during the quarter were:

Global Economy

- Published data pointed to decelerating economic growth in UK, US, Euro-zone and Japan.
- The US central bank launched 'operation twist' in an effort to stimulate economic growth.
- Short-term interest rates were raised in Euro-zone to counter inflationary pressures. No change in UK and US.
- Disharmony amongst Euro-zone members over Greek debt crisis led to criticism by US.
- Emergency liquidity was provided by leading central banks to support banking sector.

Equities

- Bank shares fell sharply on concerns over exposure to 'at risk' sovereign debt.
- The strongest sectors relative to the 'All World' Index were Technology and Health Care (both +9.4%) and Telecommunications (+8.8%); the weakest were Basic Materials (-10.4%) and Industrials (-7.1%).

Bonds

- The yield on 10 year US Treasuries fell below 2%, its lowest since the early 1940s.
- Greece moved closer to defaulting on sovereign debt despite rescue packages.

The outlook for the global economy remains unclear, with more risk apparent on the 'downside' than the 'upside'. Further monetary stimulus is on the agenda but the immediate priority is the sovereign debt crisis, that brings the very future of the Euro into question.

Portfolio Summary

Valuation Summary

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2011	Q3 2011			
Global Equity	474.6	401.0	56.9	60.0	-3.1
Bonds	127.6	134.7	19.1	16.0	3.1
Property	71.0	71.6	10.2	10.0	0.2
Hedge Fund of Funds	21.8	20.8	3.0	3.0	0.0
Private Equity	31.2	32.7	4.6	3.0	1.6
UK Financing Fund	8.0	8.1	1.1	3.0	-1.9
Commodities	39.8	36.4	5.2	5.0	0.2
Total Client	774.1	705.2	100.0	100.0	

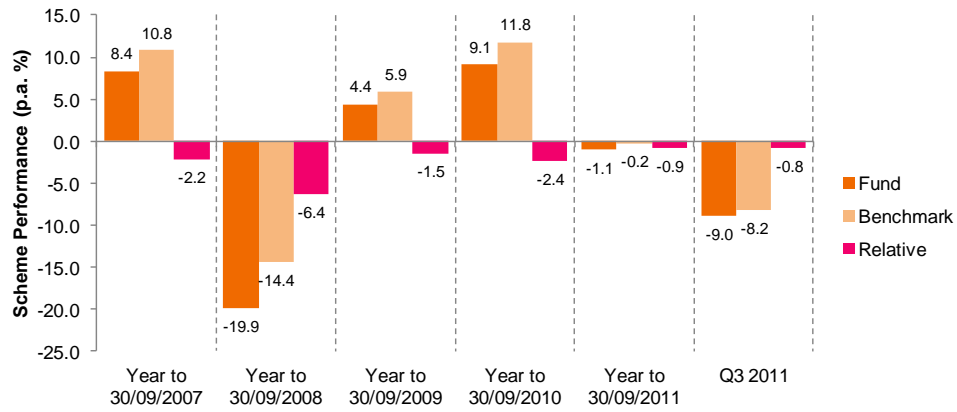
Comments

The Fund's portfolio value declined by £68.9m over the quarter, with the Fund's equity managers posting large negative absolute returns.

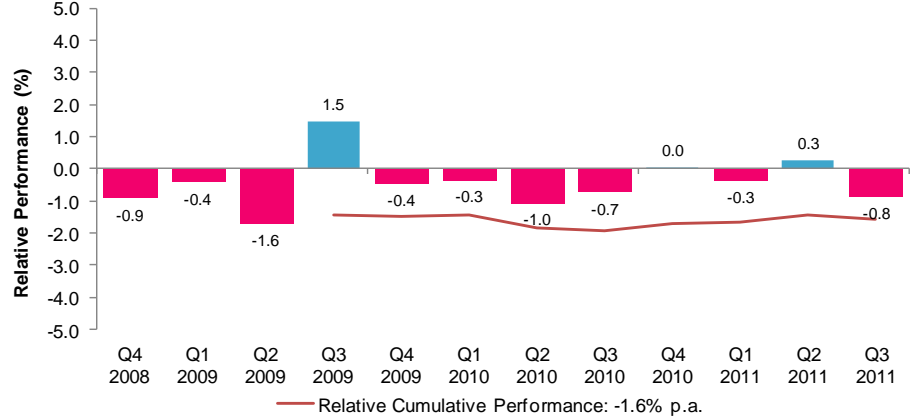
The Fund underperformed its benchmark, declining by 9.0% relative to the benchmark return of -8.2%. The Alliance Bernstein mandate was the biggest contributing factor to underperformance as it underperformed its benchmark return by 3.1% over the quarter. Partially offsetting some of the negative performance were the HarbourVest and M&G mandates, which outperformed over the period.

During the quarter, an additional £0.3m was invested into the HarbourVest mandate to fund existing commitments.

Performance Summary [1]



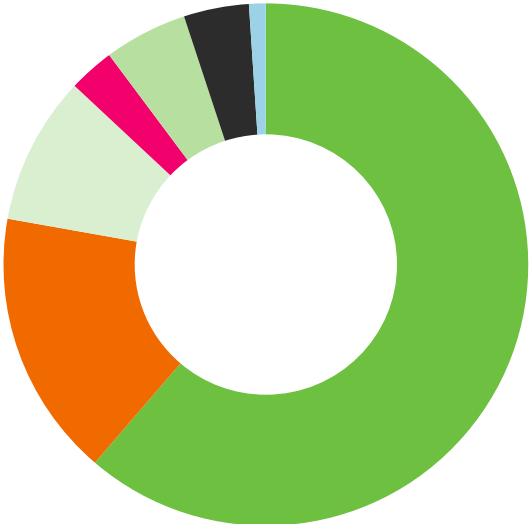
Relative Quarterly and Relative Cumulative Performance



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

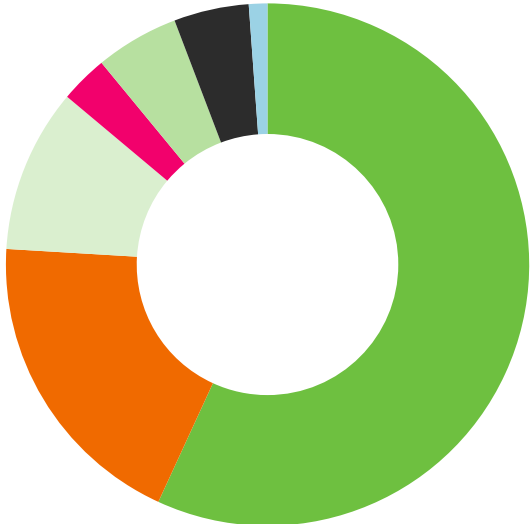
Fund Asset Allocation

Asset allocation as at 30 June 2011



- Global Equities: 61.3%
- Bonds: 16.5%
- Property: 9.2%
- Hedge Funds: 2.8%
- Commodities: 5.1%
- Private Equity: 4.0%
- UK Financing Fund: 1.0%

Asset allocation as at 30 September 2011



- Global Equities: 56.9% (-4.5%)
- Bonds: 19.1% (2.6%)
- Property: 10.2% (1.0%)
- Hedge Funds: 2.9% (0.1%)
- Commodities: 5.2% (0.0%)
- Private Equity: 4.6% (0.6%)
- UK Financing Fund: 1.1% (0.1%)

Comments ^[1]

The sharp falls in equity markets over the period have resulted in the Fund having an underweight position in global equities at the end of quarter, along with an overweight position in bonds.

During the quarter, an additional £0.3m was invested into the HarbourVest mandate to fund existing commitments.

Source: [1] Fund Manager, Hymans Robertson

Manager Summary

Manager Valuations

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2011	Q3 2011			
Alliance Bernstein - Global Equity	175.8	144.9	20.6	22.0	-1.4
RCM - Global Equity	170.5	145.0	20.6	22.0	-1.4
UBS - UK Equity (Index)	128.3	111.1	15.7	16.0	-0.3
UBS - Fixed Interest	127.6	134.7	19.1	16.0	3.1
Schroders - Property	71.0	71.6	10.2	10.0	0.2
Fauchier - Hedge Fund of Funds	21.8	20.8	3.0	3.0	-0.0
Investec - Commodities	39.8	36.4	5.2	5.0	0.2
Harbourvest - Venture Capital	31.2	32.7	4.6	3.0	1.6
M&G - UK Companies Financing Fund	8.0	8.1	1.1	3.0	-1.9
Total	774.1	705.2	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

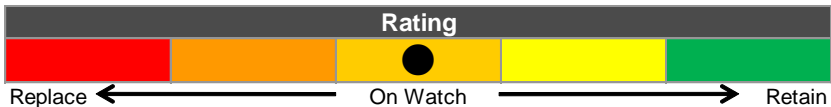
Performance Summary ^[1]

	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	-17.6 -14.9	-15.1 -14.9	-13.4 -13.5	5.7 7.1	0.9 1.7	-4.5 1.4	-8.6 -8.6	2.7 -14.0 19.4	1.0 0.2	-9.0 -8.2
	Relative	-3.1	-0.2	0.1	-1.4	-0.8	-5.8	0.0	19.4	0.8	-0.8
12 Months (%)	Absolute Benchmark	-8.8 -4.9	-5.0 -4.9	-4.3 -4.4	7.6 8.1	6.9 7.2	-2.6 5.6	1.2 1.1	21.7 -2.7 25.1	2.8 0.7	-1.1 -0.2
	Relative	-4.1	-0.1	0.1	-0.5	-0.3	-7.8	0.1	25.1	2.1	-0.9
3 Years (% p.a.)	Absolute Benchmark	-0.3 3.0	N/A N/A	6.2 6.0	13.2 11.9	-2.5 0.8	-1.0 5.6	N/A N/A	3.9 5.1	N/A N/A	4.1 5.7
	Relative	-3.2	N/A	0.1	1.2	-3.3	-6.2	N/A	-1.2	N/A	-1.6
Since Inception (% p.a.)	Absolute Benchmark	3.5 6.0	4.7 8.3	0.3 0.2	10.8 9.3	2.3 3.1	-0.4 6.2	1.6 2.9	4.3 1.7	2.6 0.6	5.9 6.4
	Relative	-2.4	-3.3	0.2	1.4	-0.7	-6.2	-1.3	2.6	1.9	-0.5



Alliance Bernstein - Global Equity

HR View Comment & Rating



Alliance Bernstein is in advanced talks with State Street regarding the transfer of certain post-trade functions to State Street. The functions involved will include settlements, portfolio accounting, client reporting and performance measurement. If the deal proceeds then some of Alliance Bernstein's existing staff will transfer across to State Street.

Any transfer of responsibilities will be carefully staged over a two year period to avoid any disruption to clients. We are comfortable with this approach by the manager and view it is a sensible move to increase efficiency. The two year implementation plan will also provide clients with the opportunity to feed back any perceived change in the level of service that they receive. Alliance Bernstein successfully transferred a number of Japan-based operations to State Street in 2009 and therefore already has an established working relationship with State Street.

Performance Summary - Comment

Alliance Bernstein underperformed their benchmark during Q3 2011, with the mandate returning -17.6% against the benchmark return of -14.9%.

Exposure to selected European financials (ING, Societe Generale) and Commodities stocks (Rio Tinto, Xstrata) were the greatest detractors to performance over the quarter as equity markets fell sharply worldwide. Positive performance from holdings in defensive sectors including Tobacco (Japan Tobacco, Altria) and Medical (Roche, AstraZeneca) were insufficient to offset the underperformance.

The manager continues to retain conviction in the deep-value approach, arguing that the market at present has paid little attention to relative strength or weakness of company-specific fundamentals. Analysis by the manager highlights that price/book valuations between the cheapest and most expensive quintiles of stocks suggests that the value opportunity is as high as it was in late 2008 / early 2009 at the peak of the financial crisis.

Performance Summary to 30 September 2011 ^[i]

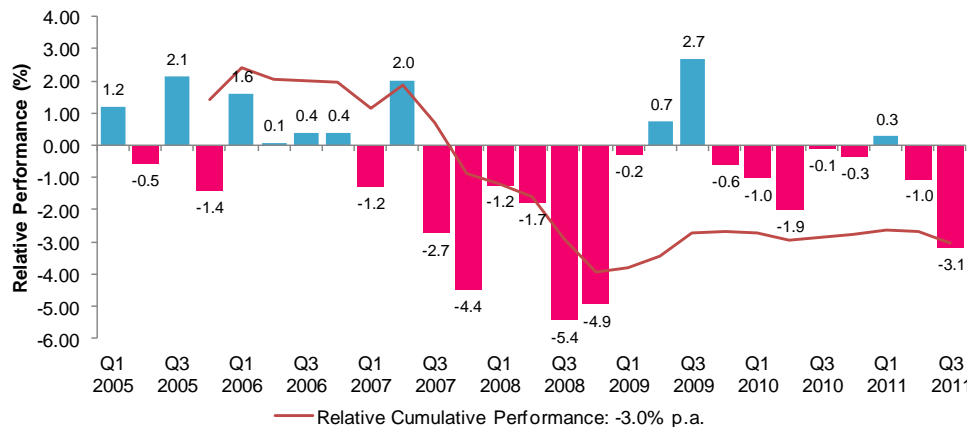
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-17.6	-8.8	-0.3	3.5
Benchmark	-14.9	-4.9	3.0	6.0
Relative	-3.1	-4.1	-3.2	-2.4

* Inception date 01 Nov 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-3.2	1.5

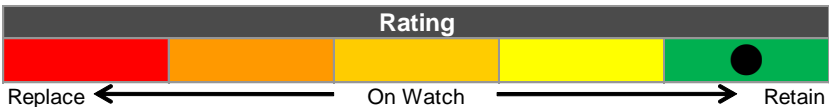
Relative Quarterly and Relative Cumulative Performance ^[ii]



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

RCM - Global Equity

HR View Comment & Rating



Marissa Blankenship has joined the Sustainability Research Team in RCM London. Marissa will be responsible for conducting sustainability research on stocks with a particular focus on materials, financials, transportation, commercial and professional services and media sectors.

Performance Summary to 30 September 2011 ^[i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-15.1	-5.0	N/A
Benchmark	-14.9	-4.9	N/A
Relative	-0.2	-0.1	N/A

* Inception date 18 Sep 2008.

3 Year Relative Return

Actual % p.a.	Target % p.a.
N/A	1.5

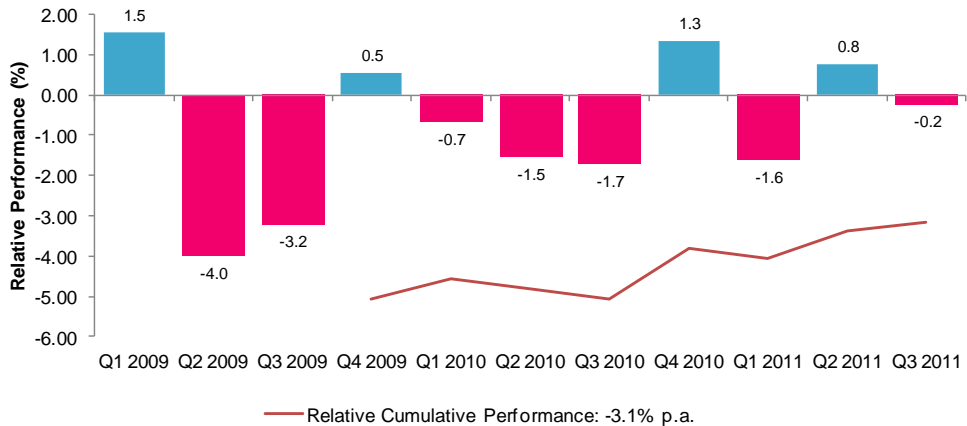
Performance Summary - Comment

Over the quarter, the RCM portfolio declined by 15.1%, slightly behind the benchmark return of -14.9%.

Stock selection in aggregate was negative for the portfolio with individual names in the Energy (National Oilwell Varco, Talisman Energy) and Materials (Freeport-Mcmoran, BHP) sectors detracting from performance as investors avoided cyclical stocks amidst a backdrop of deepening concern about global growth prospects. Positive contributors to performance included the portfolio holdings in Apple, which continues to enjoy good momentum from iPhone and iPad sales, and Amazon, which continues to gain market share from both online and traditional retailers.

Within the portfolio new acquisitions included purchases of oil company Royal Dutch Shell, on expectations of future production growth and improving returns, and payments technology firm Visa, which is experiencing above average growth through market share gains in international markets. Amongst disposals for the quarter, the manager exited its holdings in Disney, on softening results, and BNP Paribas, amidst heightened concerns about the firm's exposure to Greek and Italian bonds.

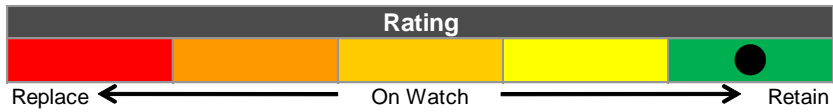
Relative Quarterly and Relative Cumulative Performance



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

UBS - UK Equity

HR View Comment & Rating



There were no significant staff changes to report in the UBS passive index team.

Elsewhere in the business, UBS announced the hire of Richard Kiel as global Head of Investment Risk Solutions. The position, within the firm's Global Investment Solutions (GIS) division, is new. He will report to Curt Custard, Head of GIS. Mr. Kiel was global head of post-trade services at Thomson Reuters Group.

Performance Summary - Comment

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

Amidst falling worldwide equity markets, in the UK the defensive sectors, including Healthcare, Telecommunications and Utilities, held up best. Concerns over global growth and the Eurozone crisis were key factors in the Basic Materials and Financials sectors being the weakest performers for the quarter.

Performance Summary to 30 September 2011 ^[i]

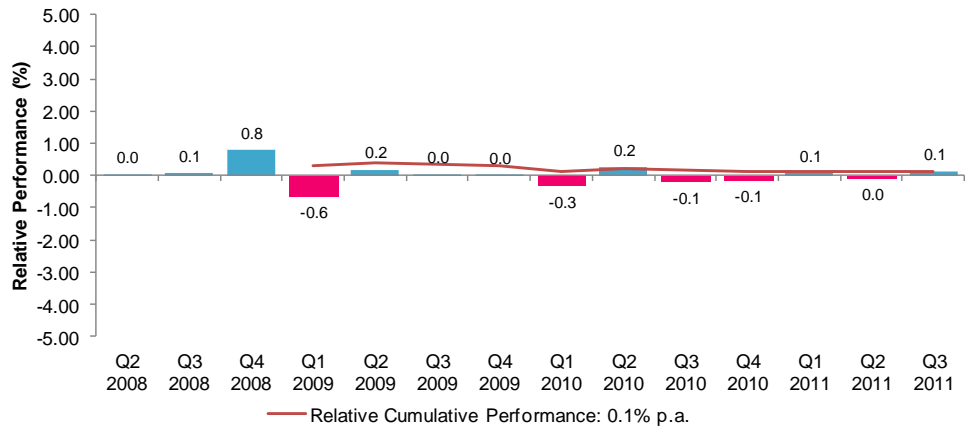
	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-13.4	-4.3	0.3
Benchmark	-13.5	-4.4	0.2
Relative	0.1	0.1	0.2

* Inception date 27 Feb 2008.

3 Year Relative Return

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

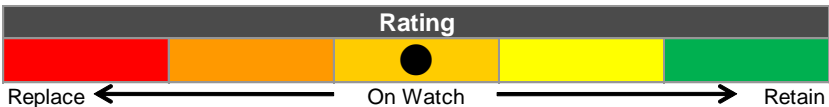
Relative Quarterly and Relative Cumulative Performance



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

UBS- Fixed Interest

HR View Comment & Rating



Following a number of high-profile departures over the past year, UBS has significantly added to its London-based Global and UK fixed income teams with four new hires over the quarter.

Kevin Zhao joins as a Senior Portfolio Manager for Global Sovereign Strategies, Paul Lambert has been hired as Head of Currency, and Vivek Acharya and Rachid Semaoune have been hired as Portfolio Managers to support Jonathan Gregory and Alix Stewart, respectively.

Performance Summary - Comment

The UBS fixed interest mandate underperformed its benchmark over the quarter, returning 5.7% versus the benchmark return of 7.1%, although it continues to remain ahead of benchmark over the longer term performance periods of 12 months and 3 years.

As risk aversion set in over the quarter, credit markets and financial sector bonds in particular, suffered falls in liquidity. Within the corporate bond index, financial bond spreads widened significantly over spreads for non-financials. The manager purchased protection on an index of subordinated bank bonds however this was not enough to offset the underperformance of the portfolio's underlying subordinated bond holdings. Combined with the manager's overweight position in financials, this was the largest detractor to performance for the mandate over the period.

Performance Summary to 30 September 2011 ^[i]

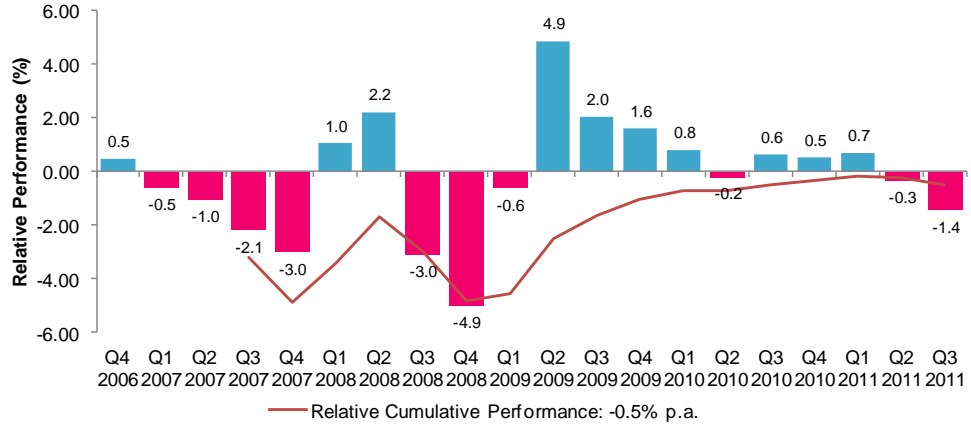
	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	5.7	7.6	10.8
Benchmark	7.1	8.1	9.3
Relative	-1.4	-0.5	1.4

* Inception date 31 Oct 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
1.2	1.1

Relative Quarterly and Relative Cumulative Performance



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

Schroders - Property

HR View Comment & Rating



There were no changes to Schroders' multi-manager property team over the past quarter.

Performance Summary to 30 September 2011 ^[1]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.9	6.9	-2.5	2.3
Benchmark	1.7	7.2	0.8	3.1
Relative	-0.8	-0.3	-3.3	-0.7

* Inception date 12 Oct 2004.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-3.3	0.0

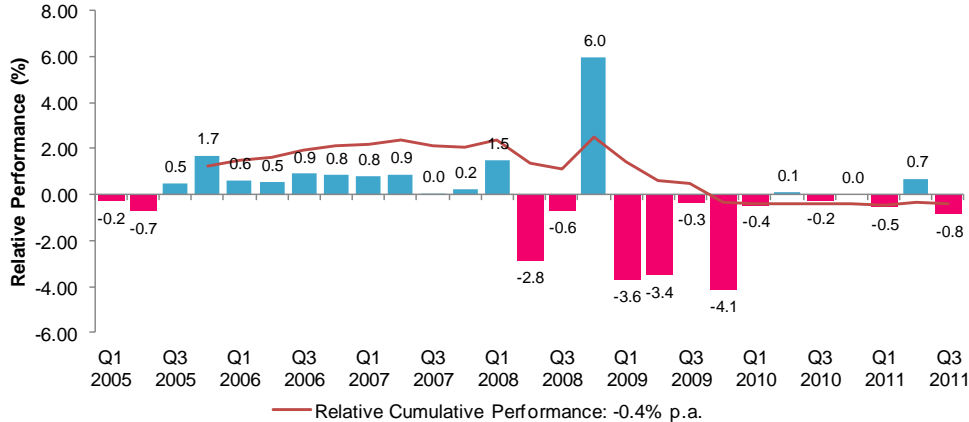
Performance Summary - Comment

The Schroders property mandate returned 0.9% for the quarter, lagging the benchmark return of 1.7%.

The UK portfolio performed in line with the benchmark over the period, while currency depreciation affected the portfolio's overseas holdings in Europe and Asia, reducing overall portfolio returns by 0.7%. The portfolio's cash holdings were also a short term drag on performance, although this impact is expected to diminish as the cash position is reduced.

Whilst the last few months have seen a significant downgrading of UK economic forecasts, capital values in UK commercial property remained largely stable during the summer. Schroder expect weakening economic forecasts to filter through to the property investment market with investors likely to become more risk averse. The manager is closely monitoring the currently out-performing Central London Office sector and may look to move this position closer to benchmark over the next months.

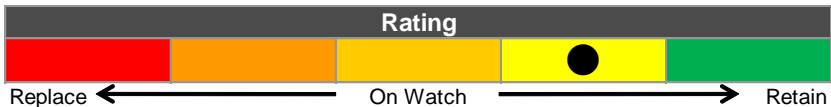
Relative Quarterly and Relative Cumulative Performance



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

Fauchier - Hedge Fund of Funds

HR View Comment & Rating



Fauchier's funds have seen net redemptions over the 3rd quarter with the Jubilee Absolute Return Fund's assets under management (AuM) down to £2.78bn from £2.9bn (at the start of the quarter). The Jubilee Absolute Equity Fund's AuM was also down for the quarter, to £360m from £409m.

At this stage these redemptions do not give cause for concern over the financial stability of the firm, although we will continue to monitor this closely as we expect to see further redemptions this year due to the disappointing performance of the funds.

In September, Fauchier announced a lowered fee structure to take effect from 1 January 2012, having negotiated fee discounts with its underlying managers and passing these onto clients. The lowered fee structure will result in a net fee for the Fund's investment with Fauchier of 90bps (after accounting for a 60bps rebate).

Performance Summary - Comment

The Jubilee Absolute Return fund underperformed its benchmark over the quarter, returning -4.5% as the downturn in global equity markets impacted the majority of the underlying managers due to their inherent equity market exposure.

Event-driven managers continued to suffer as the global economic uncertainty has led to a slowdown in corporate activity. In the third quarter the fund continued to be hurt by performance of some of its highest conviction managers. In particular Lansdowne Partners' funds continued to underperform due to overweight positions in financials, which were hit particularly badly during the equity market sell off over the quarter.

The higher than average levels of intra-stock correlation and the macroeconomic impact on markets continues to make for a difficult environment for fundamental equity managers (favoured by Fauchier) as shares fell indiscriminately over the quarter. The fund's short-bias managers provided positive returns as equity markets fell, but this was not sufficient to offset losses in other strategies.

Performance Summary to 30 September 2011 ^[i]

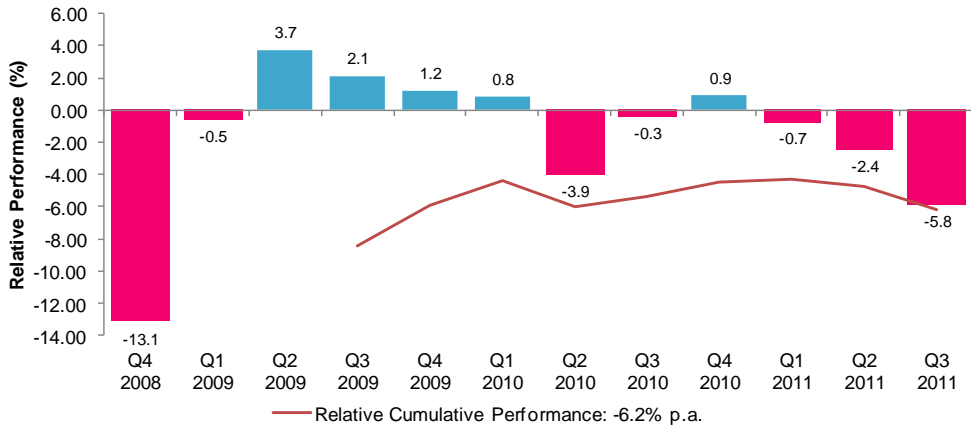
	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-4.5	-2.6	-0.4
Benchmark	1.4	5.6	6.2
Relative	-5.8	-7.8	-6.2

* Inception date 28 Jun 2008.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-6.2	5.0

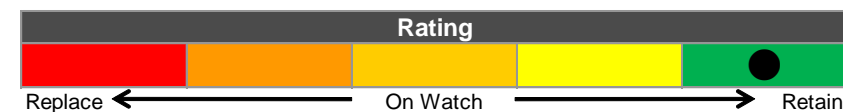
Relative Quarterly and Relative Cumulative Performance



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

Investec - Commodities

HR View Comment & Rating



There have been no significant changes to the Investec commodities team to report during the quarter.

Elsewhere in the business, Investec have hired Allan Vlah as a Client Investment Strategist. Allan joins as a product specialist and will assist the investment team with global reporting responsibilities.

Performance Summary to 30 September 2011 ^[i]

	3 Months (%)	Since Inception* (% p.a.)
Fund	-8.6	1.6
Benchmark	-8.6	2.9
Relative	0.0	-1.3

* Inception date 25 Feb 2010.

3 Year Relative Return

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

Performance Summary - Comment

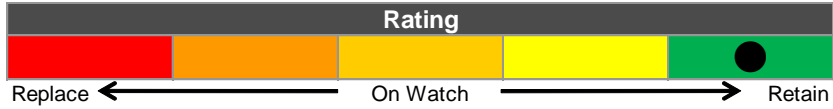
During another difficult quarter for commodity markets, the Investec commodities mandate matched the benchmark return, returning -8.6%.

Long equity positions in Base and Bulks and Energy were the biggest contributors to negative absolute performance over the period. In particular, copper oriented names fell sharply as the copper price declined 22% (in USD terms). Energy stocks within the portfolio also declined sharply as investors began discounting energy commodity prices substantially below current levels.

The manager's short equity and commodity positions provided some positive performance during the quarter, with short positions in steelmakers Outokumpu and Arcelormittal performing well as concerns over future steel demand and both companies' debt levels came to the fore.

Harbourvest - Venture Capital

HR View Comment & Rating



HarbourVest remains one of our favoured fund of fund firms due to its global reach, broad and deep network of relationships, and array of impressive, experienced individuals.

Performance Summary to 30 September 2011 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.7	21.7	3.9	4.3
Benchmark	-14.0	-2.7	5.1	1.7
Relative	19.4	25.1	-1.2	2.6

* Inception date 29 Jun 2006.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-1.2	5.0

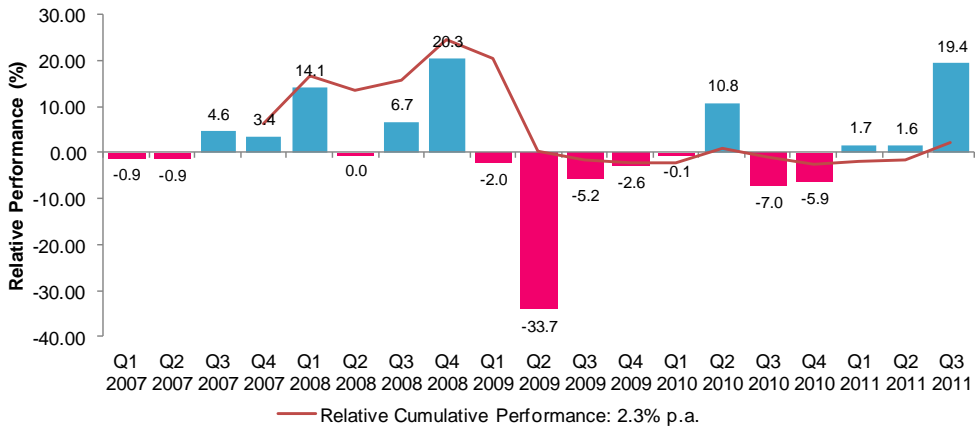
Performance Summary - Comment

The HarbourVest mandate returned 2.7% during the quarter, outperforming its benchmark return of -14.0%.

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.

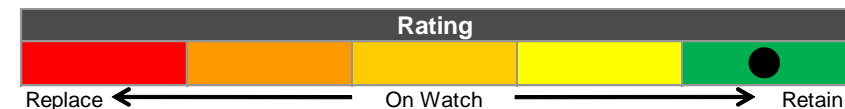
Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Hymans Robertson

M&G - UK Companies Financing Fund

HR View Comment & Rating



As we have noted previously, the investment period for the fund has been extended to July 2012.

The manager continues to see a favourable lending environment for the fund.

Performance Summary to 30 September 2011 ^[1]

	3 Months (%)	Since Inception* (% p.a.)
Fund	1.0	2.6
Benchmark	0.2	0.6
Relative	0.8	1.9

* Inception date 01 May 2010.

3 Year Relative Return

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

Performance Summary - Comment

The UK Companies Financing Fund returned 1.0%, ahead of its LIBOR benchmark return of 0.2% for the quarter.

The value of the fund increased moderately over the quarter as income accumulated. No additional loans were made during the period.

At 30 September 2011, the fund has made seven loans amounting to c.40% of committed capital. M&G are in continuing discussions with a number of companies regarding potential loans. Discussions with one party concluded during the quarter with no result, while discussions with three other parties are ongoing with one of these at the documentation stage.

The returns shown are sourced from Northern Trust.

Performance Calculation

Geometric vs Arithmetic Performance

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

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

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.

