NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

26 NOVEMBER 2009

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER AND YEAR ENDING 30 SEPTEMBER 2009

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the Quarter to 30 September 2009 and the twelve months ending on that same date.

2.0 PERFORMANCE REPORT

2.1 The report (**enclosed as a separate document**) produced by Mellon Analytical Solutions (MAS) provides a complete performance analysis of the North Yorkshire Pension Fund for the quarter and year ending 30 September 2009.

2.2 Using the format prepared by MAS the report highlights the performance of the total Fund by asset class against the customised Fund benchmark. In addition, there is an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

2.3 Also enclosed as separate documents are the individual reports submitted by the fund managers.

3.0 PERFORMANCE OF THE FUND

3.1 The performance of the various managers against their benchmarks for the Quarter ended 30 September 2009 is detailed on **pages 5 / 7** of the MAS report. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

3.2 **The absolute overall return for the quarter (21.5%) was above the customised benchmark (18.8%) by 2.7%.**

3.3 **Over the rolling year the Fund performance was 9.7% below the customised benchmark. The 12 month absolute return of 5.2% is a significant, and welcome, improvement on the figure for the 12 months ended 30 September 2009 (-22.8%).**

3.4 These figures represent another very significant improvement in performance over the quarter however the performance for the year is still below the benchmark due to the poor return in the December 2008 quarter. It is therefore still essential to analyse the extent to which this is due to all, or a combination of

- the potential for turbulence in the financial markets
- the investment strategy of the Fund (which is clearly designed to operate in "normal" financial market conditions)
- the performance of individual fund managers

It is also critical to understand the timescale over which any or all of these factors may continue to impact on the performance of the Fund.

3.5 With this in mind the tables/Appendices used in this report have been designed to present a fuller picture of the reasons behind the recent investment performance.

3.6 The content of these tables/Appendices is now as follows.

Table in paragraph 4.1	A table that summarises the performance of individual managers over the last four consecutive quarters relative to their specific benchmark. The figures are expressed on a quarterly and rolling 12 months (ending in that quarter) basis. Also included is an indicative figure for the +/- impact (ie £m) that the performance of the manager has had on the Fund, relative to the benchmark, for the year to 30 September 2009.
Appendix 1	Performance of NYPF relative to other LGPS Funds
Appendix 2	Solvency position (in % and £ terms) since the 2001 Triennial Valuation; this Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund
Appendix 3	Solvency graph – this shows the key figures from **Appendix 2** in a simple graphical format
Appendix 4	Comparison of actual Fund performance as against the notional Least Risk Portfolio
Appendix 5	Relative movements of investment performance relative to the Least Risk Portfolio and the Solvency level
Appendix 6	Details of Rebalancing @ 30/09/09

3.8 The separate reports of the Investment Adviser and Investment Consultant explain what has been happening in the financial markets, and what may happen in the future, both short, medium and longer term.

4.0 **ANALYSIS OF PERFORMANCE**

4.1 The table below presents summary details of the performance over the last four quarters by each fund manager.

4.0 ANALYSIS OF THE PERFORMANCE OF INDIVIDUAL MANAGERS

4.1 The quarterly and annual returns for each manager relative to their particular benchmark were:

	% relative returns for the quarter ended				% rolling relative returns for the year ended				Annual performance related funding change for the year to 30.09.09 relative to the benchmark	Explanatory text
	31.12.08	31.03.09	30.06.09	30.09.09	31.12.08	31.03.09	30.06.09	30.09.09	£m	
Global Equity Managers										
Baillie Gifford Global Equities	(4.6)	3.4	2.2	1.5	(4.4)	(1.8)	(2.5)	2.3	3.8	see report of Investment Adviser and reports submitted by individual fund managers
Baillie Gifford LTGG	(6.8)	8.5	2.7	0.4	(9.8)	(3.0)	(3.7)	5.2	5.4	
Global (ex-UK) Equity Managers										
Fidelity (11 months figures only)		0.0	(0.5)	(1.3)			(0.4)	(1.4)	(2.8)	
UK Equity Managers										
Standard Life Investments	(1.4)	(4.6)	3.1	9.9	(4.9)	(8.3)	(6.4)	5.0	11.2	
Yorkshire & Humber Equity Fund	10.2	9.1	(10.9)	(22.4)	32.4	31.8	20.5	(10.8)	(0.1)	
Niche										
Hermes European Focus Fund	(13.7)	(6.6)	(1.4)	6.3	(20.6)	(21.0)	(25.7)	(29.7)	(4.5)	
Equity Sub-Total (a)	(3.0)	(0.6)	1.6	3.0	(6.4)	(7.1)	(4.1)	2.0	13.0	
Global Fixed Income Managers										
European Credit Management	(40.3)	(13.0)	25.1	21.1	(54.6)	(51.3)	(42.9)	(22.9)	(26.8)	
Crédit Agricole	3.4	1.0	1.7	4.2	(1.1)	1.4	6.0	10.8	17.4	
Fixed Income Sub-Total (b)	(16.5)	(7.8)	9.5	9.4	(25.2)	(27.6)	(16.5)	(7.8)	(9.4)	
Global Tactical Asset Allocation										
UBS **(c)**	(59.2)	(21.6)	40.5	0.4	(56.4)	(62.6)	(54.4)	(65.0)	(20.8)	
Private Equity										
R C Brown **(d)**	(6.2)	3.6	8.0	(3.6)	(8.0)	(5.1)	(1.4)	0.8	-	
Total Fund excl cash (a+b+c+d)	(8.6)	(2.8)	4.2	4.5	(14.5)	(14.3)	(7.0)	(2.9)	(17.2)	

4.2 In monetary terms the positive absolute return of 21.5% in the Quarter increased the invested value of the Fund by £196.2m, however taking into account new money, the value of the Fund increased by £214.4m. In absolute terms this movement is primarily attributable to capital gains made by Standard Life (£71.2m), Baillie Gifford (£57.6m) and Fidelity (£49.1m).

4.3 Positive absolute performance was achieved by all managers with some achieving double digit relative returns for the quarter as the effects of exceptional market conditions continue to be felt. This and other issues are further discussed in the report of the Investment Adviser.

Overseas Equities

4.4 Over the first 9 months **Fidelity** performed, in relative terms, well in difficult market conditions. Volatility in currency markets has contributed to significant swings in foreign investment values since commencement, however the diversification of this portfolio has been a contributory factor in mitigating the impact. The portfolio was up 21.6% in absolute terms in the quarter but since inception performance has been a little behind the benchmark (-1.4%).

4.5 The two **Baillie Gifford** Funds again produced strong positive returns for the third quarter in succession reversing the losses suffered over the preceding period. The one year return for the LTGG fund was above the benchmark by 5.2% and for the Global Equity fund by 2.3%. Both Funds are now ahead of their respective benchmarks since inception by 1.7% (LTGG) and 0.4% (Global Equity).

4.6 The quarterly result for the Baillie Gifford LTGG fund should be considered in the light of its long term (5-10 years) investment horizon. The FTSE All World index is used to measure performance however the manager does not use this as a basis for the fund profile. The strong performance over the last 6 months reflected improvements in companies demonstrating continued growth, particularly outside of the developed Western economies. Markets around the world remain volatile however, and it should not be unexpected to see this correspondingly reflected in relative short-term performance until a greater degree of stability prevails. The manager’s opinion is that the structure of the portfolio remains appropriate to deliver the long term goals.

4.7 The recovery in performance of the Baillie Gifford Global Alpha fund has continued to be broadly based, with stocks in areas perceived as “riskier” have rallied the strongest, such as banks, emerging market listed stocks and those with higher than average financial leverage.

4.8 All but £1.1m of the **Hermes European Focus Fund** had been liquidated by the end of the quarter.

UK Equities

4.9 **Standard Life** produced a very strong positive relative return (9.9%) in the quarter against a FTSE 350 equally weighted benchmark positive return of 26%. The FTSE All share produced a positive return of 22.4%. SLI had struggled over the year to March 2009 to match its previous levels of sustained positive returns, substantially due to the overweight position held in financials. The recent positive performance has been fuelled by a strong recovery in stocks sensitive to the economy.

4.10 The ethical equity portfolio operated by **R C Brown** underperformed (-3.6%) however is positive over the rolling 12 month period (0.8%).

Fixed Income

4.11 **ECM** recovered well during for a second quarter in a row albeit against a very low base, returning 21.1% against the benchmark. **Crédit Agricole** performed very well (+4.2%) against a positive benchmark.

4.12 Credit spreads have narrowed significantly although still have somewhere to go to reach their 2006 levels. This has particularly contributed to ECM's increased valuation levels through the gradual reduction of liquidity discounts affecting market to market valuations. Positive performance was exhibited across the portfolio.

4.13 These results give a combined performance in global fixed income of 11.8% in the quarter repairing some of the damage sustained over the previous 12 months.

Tactical Asset Allocation

4.14 At the last meeting of the Pension Fund Committee the decision was made to disinvest from the Tactical Asset Allocation asset class. At the quarter end, the value of the portfolio was held as cash in readiness for redistribution through the rebalancing process.

Performance relative to other LGPS Funds

4.15 **Appendix 1** shows the **performance of NYPF relative to other Funds in the LGPS universe.** Whilst the last 12 months have been disappointing, NYPF has shown a strong and consistent correlation to the performance of other LGPS funds over the last 10 years. The significant exceptions were a disappointing December 2008 quarter, when the combination of strong negative performance from several managers conspired against the Fund, and the dramatic recovery in the June 2009 quarter (see **paragraph 4.1**) when the NYPF performed better than any other local authority fund.

5.0 RISK INDICATORS

5.1 As reported to the September 2009 PFC meeting, the Mellon Performance Report (**page 14**) includes three long-term risk indicators.

5.2 The Fund's annualised **Standard Deviation** for the rolling three year period to September 2009 (21.1%) remains significantly higher than the average over the three year period to September 2008 (10.5%). This shows an unprecedented level of volatility of the Fund's return which is not surprising given the recent market conditions.

5.3 The **Tracking Error** figure is a consolidation of the difference between each Fund Manager's actual return versus their respective benchmark. The unprecedented increase over the last six months in this measure reflects huge market volatility and the most difficult financial market environment ever to face the Fund (and its investment managers).

5.4 The **Information Ratio** is a measure of manager skill and has been volatile over recent years. The figure has fallen to a negative number which reflects the level of under-performance in the three year period to September 2009 by most managers.

6.0 SOLVENCY

6.1 The **solvency position** is presented in **Appendices 2 and 3**. The figures from 31 March 2007 have been restated in line with the figures presented by the Actuary. As at 30 September 2009 the solvency had increased in the last quarter from 40% to 50%.

6.2 The assets of the Fund increased by 22.1% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), decreased by 1.5% hence the 10% improvement in solvency in the Quarter. Yields on long-dated gilts have been volatile in 2009; they are used as the proxy discount rate to value liabilities, hence lower yields result in higher liability values and vice versa. The fall in the current quarter is attributable to revised long term expectations of higher inflationary pressure.

6.3 The relative position, over time, between liabilities and assets is shown very clearly in **Appendix 3** which is a simple graph using data from **Appendix 2**. It is clear from this graph that

(a) "liability growth" was matched by "asset growth" for the period March 2004 to March 2007 (hence the steady improvement in solvency from 59% to 67% over that period)

(b) that since March 2007 "liability value" has accelerated and "asset value" has fallen, and thereby has had

(c) a significant and consequential impact on solvency – there is a point where the asset and deficit lines cross - this is effectively the 50% funding point

(d) during 2009 changes in assumptions on inflation and bond yields have resulted in an overall reduction in the valuation of liabilities.

6.4 What this analysis illustrates very clearly is that the Fund has no control over "liability growth" because it is effectively generated by market conditions. The Fund must therefore concentrate on the performance of its assets.

6.5 The table at **Appendix 4** is an ongoing **comparison of Fund performance as against the Least Risk Portfolio**. This shows that the latest total 3 year annualised return has now under-performed the Least Risk portfolio by -8.3% pa which is an improvement from -13.9% pa as at 30 June 2009.

6.6 The graphs at **Appendix 5** have been produced by MAS and they provide an insight into the impact of the relative movements of the assets and liabilities on the Fund's solvency position.

6.7 The graphs show that only where the Total Fund return (red line) exceeds the Least Risk Portfolio (LRP = proxy measure for the liabilities) plus the target outperformance assumption of 1.4% (blue line) does the solvency position (green line) improve.

6.8 An additional line has now been included (pink) to **Appendix 5** which is the revised investment target arising from the adoption of the Investment Offset in the 2007 Triennial Valuation. Again the aim is for the Total fund return (red) to exceed this target over the 3 year valuation period.

7.0 REBALANCING

7.1 The latest round of rebalancing the Fund's assets took place in October 2009 based upon the position at the end of September 2009. Details are provided in the spreadsheet at **Appendix 6**.

7.2 Although the volatility in the markets has contributed to dramatic swings in equity returns and, in respect of ECM, fixed income returns the portfolio had not drifted very significantly from its strategic benchmark allocations at the end of the quarter.

7.3 Over the 3 months to October 2009 £10m was moved to Standard Life and £9.4m to Fidelity being a reallocation of cash held in the UBS account following the decision to withdraw from the GTAA asset class.

8.0 PROXY VOTING

8.1 Enclosed as a separate document is the report from PIRC summarising the proxy voting activity in the period July to September 2009. This report covers the votes cast on behalf of NYPF at all relevant company AGM's in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

9.0 **RECOMMENDATION**

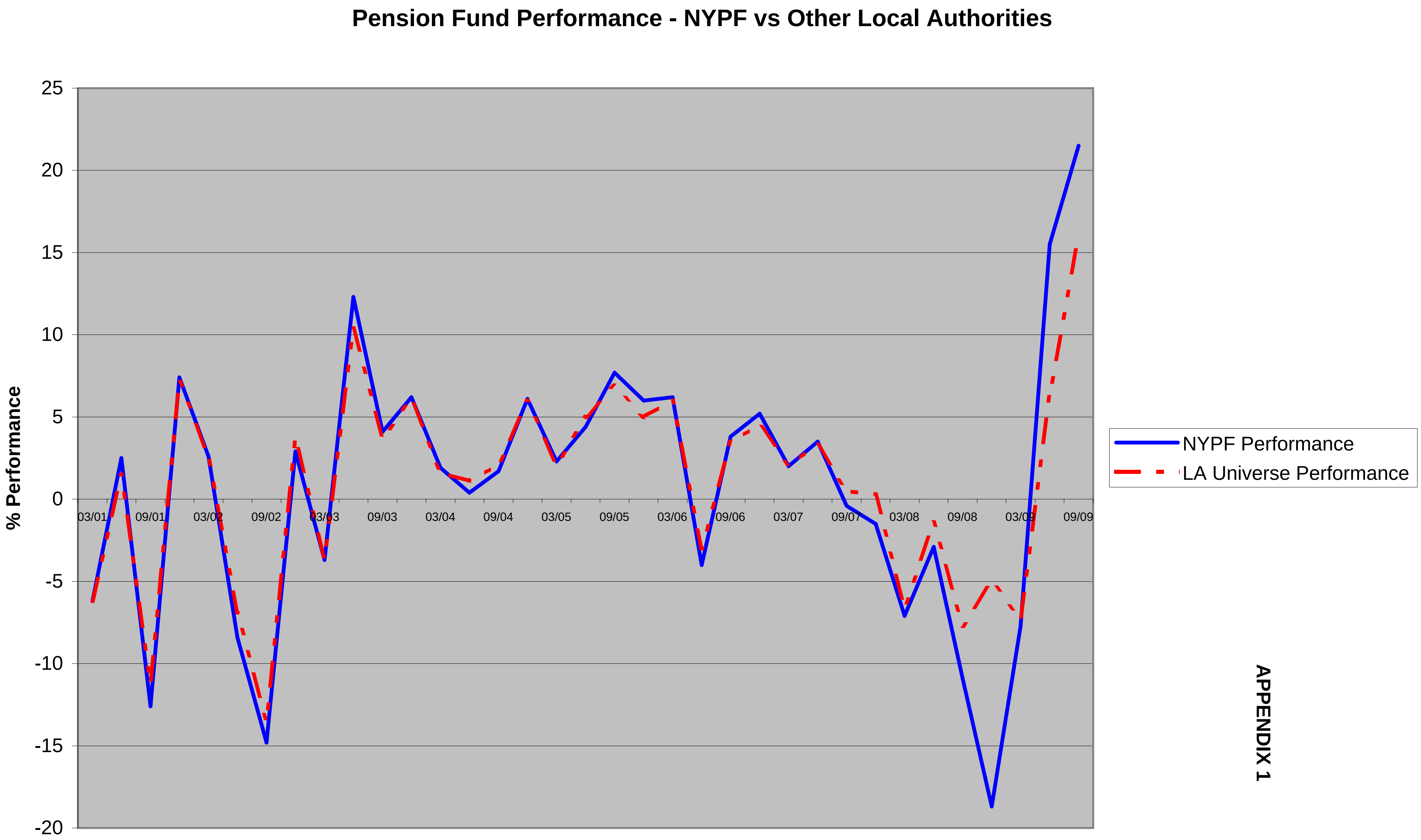
9.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 30 September 2009.

JOHN MOORE
Treasurer

Finance and Central Services
County Hall
Northallerton

16 November 2009

Background documents: None



Pension Fund Performance - NYPF vs Other Local Authorities
% Performance
25
20
15
10
5
0
-5
-10
-15
-20
03/01
09/01
03/02
09/02
03/03
09/03
03/04
09/04
03/05
09/05
03/06
09/06
03/07
09/07
03/08
09/08
03/09
09/09
NYPF Performance
LA Universe Performance

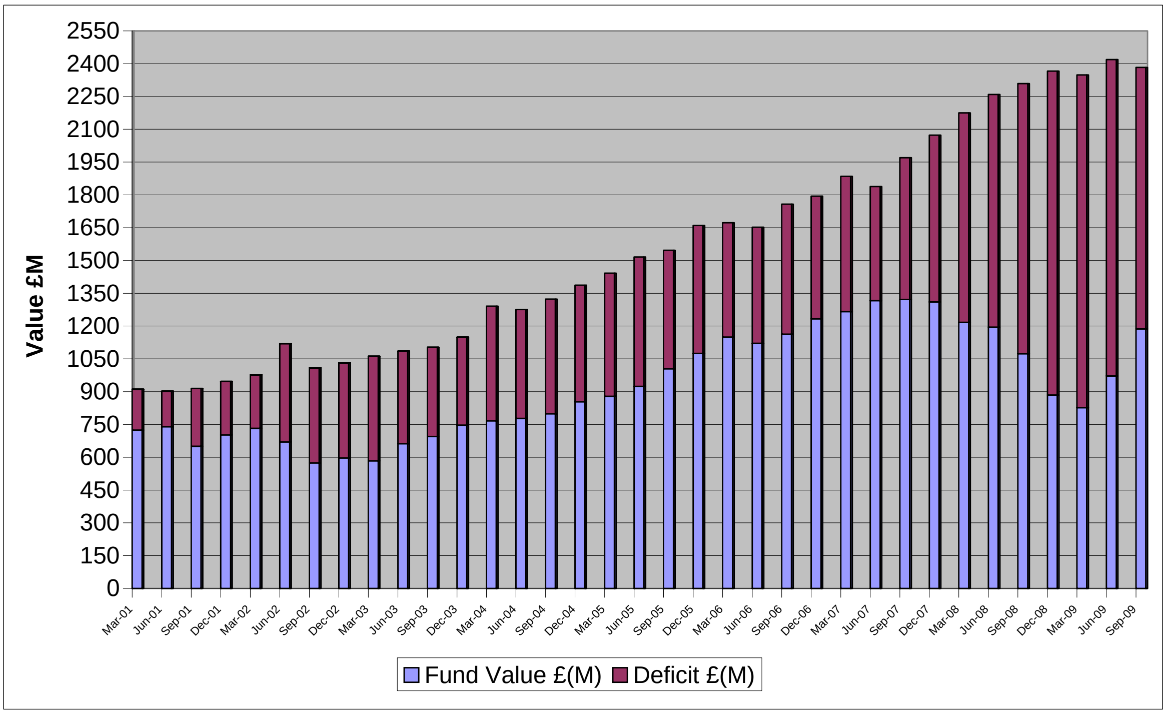
APPENDIX 1

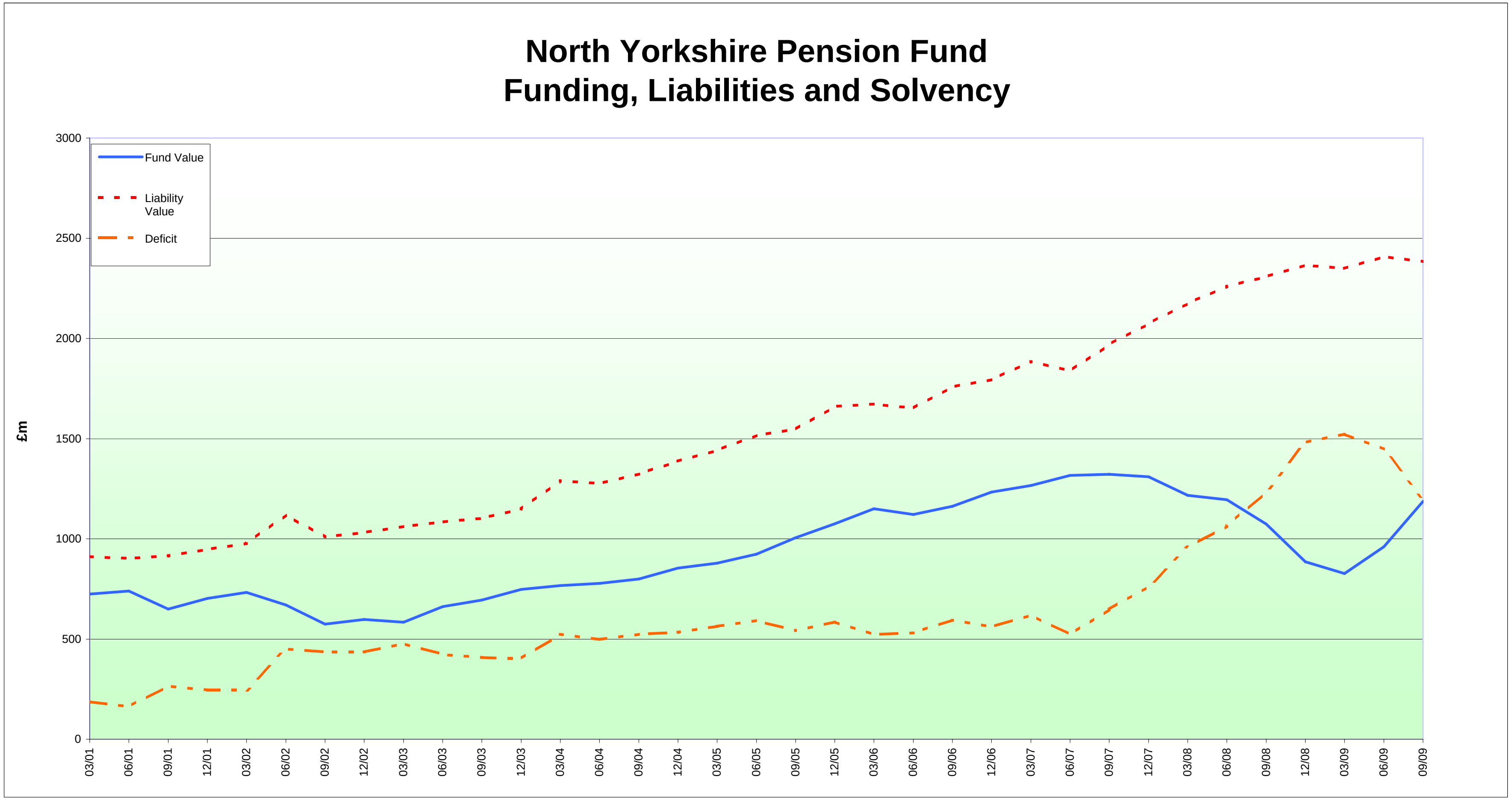
Actuarial Model of Quarterly Solvency Position

Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	66%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1266	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,926
June 30, 2009	40%	1447	972	4,249
September 30, 2009	50%	1196	1187	5,134

Triennial valuation results highlighted in yellow

Movement in Assets and Liabilities




North Yorkshire Pension Fund
Funding, Liabilities and Solvency
£m
3000
2500
2000
1500
1000
500
0
Fund Value
Liability Value
Deficit
03/01
06/01
09/01
12/01
03/02
06/02
09/02
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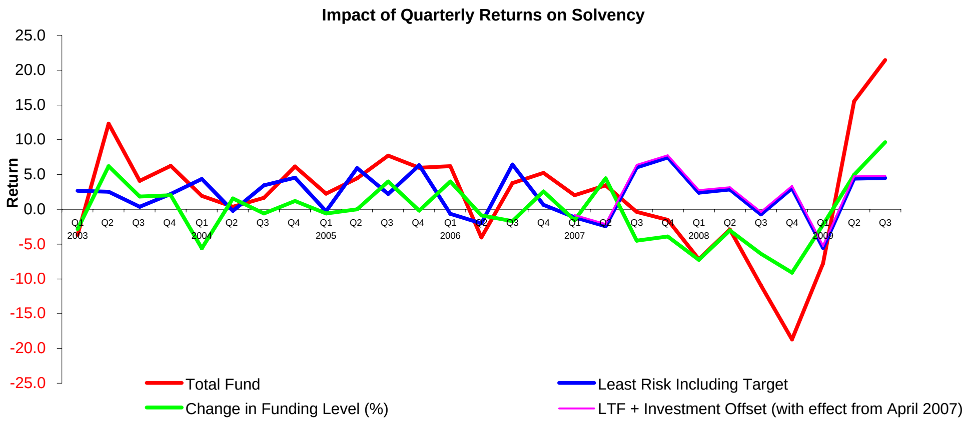
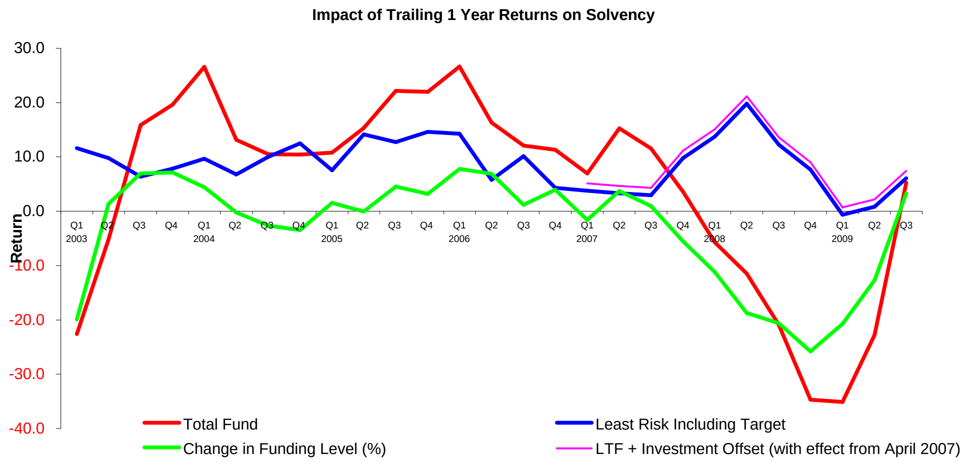
Appendix 3

Comparison of Actual Performance vs the Least Risk Portfolio *

Quarter/ Rolling Year	Total Fund Return	Total Fund Custom Benchmark	Relative +/-		Total Fund Return	85% Index, 15% Fixed	Relative +/-
Q1 2002	2.60	2.10	0.50		2.60	0.40	2.20
Rolling 12 Months 2001/2002	**-1.28**	**-1.71**	**0.43**		**-1.28**	**2.10**	**-3.38**
Q2 2002	-8.40	-7.70	-0.70		-8.40	3.90	-12.30
Q3 2002	-14.80	-14.40	-0.40		-14.80	3.30	-18.10
Q4 2002	2.90	4.50	-1.60		2.90	0.40	2.50
Q1 2003	-3.68	-3.83	0.15		-3.68	2.30	-5.98
Rolling 12 Months 2002/2003	**-22.65**	**-20.60**	**-2.05**		**-22.65**	**10.24**	**-32.88**
Q2 2003	12.31	11.23	1.08		12.31	2.17	10.14
Q3 2003	4.09	3.87	0.22		4.09	0.02	4.07
Q4 2003	6.23	6.18	0.05		6.23	1.85	4.38
Q1 2004	1.94	1.42	0.52		1.94	4.04	-2.10
Rolling 12 Months 2003/2004	**26.60**	**24.41**	**2.19**		**26.60**	**8.28**	**18.33**
Q2 2004	0.39	1.25	-0.87		0.39	-0.59	0.97
Q3 2004	1.67	1.75	-0.08		1.67	3.12	-1.45
Q4 2004	6.14	5.70	0.44		6.14	4.19	1.95
Q1 2005	2.27	1.80	0.47		2.27	-0.64	2.91
Rolling 12 Months 2004/2005	**10.79**	**10.85**	**-0.07**		**10.79**	**6.12**	**4.67**
Q2 2005	4.48	5.03	-0.55		4.48	5.60	-1.12
Q3 2005	7.74	7.24	0.50		7.74	1.85	5.89
Q4 2005	5.96	5.75	0.21		5.96	5.98	-0.02
Q1 2006	6.19	5.37	0.82		6.19	-0.97	7.16
Rolling 12 Months 2005/2006	**26.67**	**25.52**	**1.15**		**26.67**	**12.88**	**13.79**
Q2 2006	-4.03	-3.57	-0.46		-4.03	-2.35	-1.68
Q3 2006	3.78	4.16	-0.38		3.78	6.09	-2.31
Q4 2006	5.23	4.72	0.51		5.23	0.31	4.92
Q1 2007	2.04	2.13	-0.09		2.04	-1.50	3.54
Rolling 12 Months 2006/2007	**3.62**	**5.53**	**-1.91**		**3.62**	**8.41**	**-4.79**
Q2 2007	3.46	1.78	1.68		3.46	-2.77	6.24
Q3 2007	-0.36	0.84	-1.20		-0.36	5.69	-6.05
Q4 2007	-1.49	0.68	-2.17		-1.49	7.10	-8.59
Q1 2008	-7.15	-5.49	-1.66		-7.15	2.06	-9.20
Rolling 12 Months 2007/2008	-5.71	-2.34	-3.37		-5.71	12.32	-18.03
Q2 2008	-2.88	-2.75	-0.13		-2.88	2.51	-5.39
Q3 2008	-10.93	-5.42	-5.51		-10.93	-1.07	-9.86
Q4 2008	-18.71	-5.22	-13.49		-18.71	2.69	-21.40
Q1 2009	-7.74	-6.81	-0.93		-7.74	-5.91	-1.83
Rolling 12 Months 2008/2009	**-35.12**	**-2.02**	**-18.75**		-35.12	-2.02	-33.11
Q2 2009	15.54	9.44	6.10		15.54	4.04	11.49
Q3 2009	21.46	18.84	2.61		21.46	4.14	17.32
3 Year Annualised Return	**-2.68**	**3.34**	**-6.02**		**-2.68**	**5.62**	**-8.30**

* As a proxy for such a portfolio the performance of the Fund is compared above, from 1 April 2001, with an Index comprising 85% Index Linked Gilts (over 15 years Total Return) and 15% Fixed Interest Gilts (over 15 years).





Quarter Returns

	Least Risk BM	Least Risk Including Target	LTF + Investment Offset	Relative	Total Fund
Q1 2005	-0.64	-0.29		2.56	2.27
Q2	5.60	5.95		-1.47	4.48
Q3	1.85	2.20		5.54	7.74
Q4	5.98	6.33		-0.37	5.96
Q1 2006	-0.97	-0.62		6.81	6.19
Q2	-2.35	-2.00		-2.03	-4.03
Q3	6.09	6.44		-2.66	3.78
Q4	0.31	0.66		4.57	5.23
Q1 2007	-1.50	-1.15		3.19	2.04
Q2	-2.77	-2.42	-2.09	5.89	3.46
Q3	5.69	6.04	6.37	-6.40	-0.36
Q4	7.10	7.44	7.78	-8.94	-1.49
Q1 2008	2.06	2.41	2.74	-9.55	-7.15
Q2	2.51	2.86	3.19	-5.74	-2.88
Q3	-1.07	-0.72	-0.39	-10.21	-10.93
Q4	2.69	3.04	3.37	-21.75	-18.71
Q1 2009	-5.91	-5.56	-5.23	-2.18	-7.74
Q2	4.04	4.39	4.72	11.14	15.54
Q3	4.14	4.49	4.82	16.97	21.46

Trailing 1 Year Returns

	Least Risk BM	Least Risk Including Target	LTF + Investment Offset	Relative	Total Fund
Q1 2005	6.12	7.52		3.27	10.79
Q2	12.72	14.12		1.18	15.30
Q3	11.34	12.74		9.45	22.19
Q4	13.25	14.65		7.33	21.98
Q1 2006	12.88	14.28		12.39	26.67
Q2	4.38	5.78		10.57	16.35
Q3	8.73	10.13		1.94	12.07
Q4	2.91	4.31		6.98	11.30
Q1 2007	2.37	3.77		3.18	6.94
Q2	1.92	3.32	4.67	11.97	15.29
Q3	1.54	2.94	4.29	8.62	11.56
Q4	8.41	9.81	11.16	-6.19	3.62
Q1 2008	12.32	13.72	15.07	-19.43	-5.71
Q2	18.42	19.82	21.17	-31.31	-11.49
Q3	10.84	12.24	13.59	-33.12	-20.88
Q4	6.28	7.68	9.03	-42.39	-34.71
Q1 2009	-2.02	-0.62	0.73	-34.51	-35.12
Q2	-0.55	0.85	2.20	-23.67	-22.82
Q3	4.69	6.09	7.44	-0.85	5.24

REBALANCING OF NYPF ASSETS AS AT 30 SEPTEMBER 2009

Asset Class	Benchmark Proportion	Mandate Type
Equity + Cash	77%	Global Equity
Fixed Income	23%	Global Fixed Income

After Rebalancing	
75.9%	891.79
22.9%	268.82
1.2%	13.94
100.0%	1174.55

		30-Sep-09 Value £m	actual %	Target	+/- Allocation £m	Rebalanced £m	%	3% Tolerance Min (97%) %	Min £m	Max (103%) %	Max £m	Under	Over	rebalancing	post-rebalancing	
Global Equity Managers																
Baillie Gifford Global Alpha		190.23	16.2%	15.4%	-17.0	173.24	15.0%	14.9%	175.45	15.9%	186.31	0.00	-3.92	0.00	190.23	16.2%
Baillie Gifford Global Growth		120.35	10.2%	9.7%	-15.7	104.64	9.1%	9.4%	110.81	10.0%	117.67	0.00	-2.68	0.00	120.35	10.2%
	(a)	310.58	26.4%	25.1%	-32.7	277.9	24.1%		286.27		303.97			0.00	310.58	26.4%
Global (ex UK) Equity Managers																
Fidelity		270.23	23.0%	25.1%	6.6	276.9	24.0%							9.40	279.63	
Hermes Europe		1.01	0.1%	0.0%	0	1.0	0.1%							0.00	1.01	
	(b)	271.24	23.1%	25.1%	6.6	277.9	24.1%	24.4%	286.27	25.9%	303.97	15.03	0.00	9.40	280.64	23.9%
UK Equity Managers																
Standard Life		289.37	24.6%	26.7%	-1.1	288.3	25.0%							10.00	299.37	
Hermes UK		0.00	0.0%	0.0%	0	0.0	0.0%							0.00	0.00	
Yorkshire Forward		1.20	0.1%	0.0%	0	1.2	0.1%							0.00	1.20	
	(c)	290.57	24.7%	26.7%	-1.1	289.5	25.1%	25.9%	304.74	27.5%	323.59	14.17	0.00	10.00	300.57	25.6%
Global Tactical Asset Allocation																
UBS	(d)	0.00	0.0%	*0.0%*	46.5	46.5	4.0%	0.0%	0.00	0.0%	0.00	0.00	0.00	0.00	0.00	0.0%
Equity sub-total	(a+b+c+d)=(e)	872.39	74.3%	**77.0%**	19.4	891.79	**77.2%**	74.7%	877.27	79.3%	931.54	4.88	0.00	19.40	891.79	75.9%
Global Fixed Income Managers																
ECM		95.44	8.1%			95.4	8.3%							0.00	95.44	
CAAM		173.38	14.8%		0.0	173.4	15.0%							0.00	173.38	
Fixed Income sub-total	(f)	268.82	22.9%	**23.0%**	0.0	268.82	**23.3%**	22.3%	262.04	23.7%	278.25	0.00	0.00	0.00	268.82	22.9%
Cash																
Internal Cash		12.65			-19.4	-6.75								0.00	12.65	
UBS		19.49												-19.40	0.09	
Currency Hedge Cash		1.20			0.0	1.20								0.00	1.20	
Cash sub-total	(g)	33.34	2.8%	**0.0%**	-19.4	-5.55	-0.5%	0.0%	0.00	0.0%	0.00	0.00	-33.34	-19.40	13.94	1.2%
	(e+f+g)=(h)	**1174.55**	**100.0%**	**100.0%**	**0.0**	**1155.06**	**100.0%**									**100.0%**
RC Brown	(j)	1.73														
	(h+j)=(k)	1176.28														

NORTH YORKSHIRE PENSION FUND

Meeting: 26th November 2009

1. *INVESTMENT RETURNS*

The table below shows total returns, expressed in sterling, on the major asset classes for the period from 1st September to 9th November, the three months to 30th September 2009 and for the year to 30th September 2009.

	Market Returns		
	1st September to 9th November 2009 %	3 months to 30th September 2009 %	12 months to 30th September 2009 %
FTSE All-Share	1.9	22.4	10.8
FTSE World Ex UK	-2.0	21.7	12.1
FTSE N. America	-2.3	19.3	4.8
FTSE Europe Ex UK	-1.6	29.5	16.5
FTSE Japan	-8.8	9.3	10.8
FTSE Asia-Pacific Ex Japan	-3.2	29.5	39.2
FTSE Emerging Markets	1.6	25.2	34.0
UK Gilts	-1.6	3.1	11.2
Overseas Bonds	-4.0	9.5	28.1
UK Index Linked	2.0	3.1	4.0
Cash	0.1	0.1	1.6

UK base rate was maintained at 0.5% throughout the September quarter and to date. This rate has been in force since March 2009 and is the lowest rate since the establishment of The Bank of England in 1694. In addition to this very low rate The Bank has increased its programme of asset purchases to £200bn. This is designed to add liquidity to those banks tendering assets. There was much debate about whether and by how much The Bank would increase the facility at its November meeting. In the event the £25bn. increase was seen as something of a compromise.

In the November inflation report The Bank foresees a sharp rebound in activity next year as stimulatory policy takes effect, but they note that lack of supply of credit and the need to rebuild private sector balance sheets will act as restraints on growth. The report notes that a sharp increase in inflation is to be expected due to the forthcoming increase in VAT and the recent depreciation of sterling. Thereafter they expect a decline in inflation as the margin of spare capacity in the economy weighs on pricing power.

There has been an interesting development in the ongoing global banking crisis. I persist in calling this a crisis because, while we may not be facing imminent collapse, as appeared possible a year ago, banks are far from being on a sound, sustainable footing. The European Commission has weighed in, because of their concern to maintain the competitive environment in banking at a time when national governments are ladling out financial assistance on a colossal scale. One of the key anomalies identified by the Commission is the "bancassurance" business model, which appears to allow integrated entities to support the multiple activities of banking and life/general assurance on a single capital base, which might be inadequate to cover all the risks on a prudent basis.

An early scalp has been secured by the Commission in the shape of ING, which is of course relevant to the North Yorkshire Pension Fund. A meeting is to be held at the London offices of ING Real Estate on 18th November. It will be possible to give a verbal report of this meeting at the Pension Fund Committee meeting, but time does not permit a written briefing. HMG is obliged to reconsider the structure and range of activities of UK institutions which are in receipt of government support, including most notably Royal Bank of Scotland and Lloyds/HBOS. Needless to say, the government's initiatives to break up these behemoths are represented as all their own work, but making a virtue out of necessity is part of their trade.

During the September quarter, gilt edged securities rose slightly in value. The yield on 10-year conventional gilts fell by 0.1% to 3.6%, having reached 4.0% during July. The yield on 30-year gilts fell by 0.3% to 4.1%, having reached 4.6% in July. Since 30th September, conditions have remained volatile and yields have risen a little.

Index linked securities have remained volatile. However, the real yields index-linked gilts ended little changed on the quarter. 10 year index linked yield 0.9% and on 30-year index linked gilts 0.6%. In July yields reached levels 0.3% to0.4% higher than these levels.

UK equities gave a total return of 22.4% in the quarter as measured by the FTSE All Share Index, and have made a further small gain in the current quarter. Volatility was slightly reduced compared with the previous six months. There has a slightly narrower dispersion of returns from different sectors. The best performer was again Financials up 33%, while the worst was Utilities, which gained only 7%.

In the US, the Federal Reserve Open Market Committee (FOMC) maintained its target range for Fed. Funds of 0% to ¼%. Meanwhile, the Fed continues to provide massive support to the financial system. It is worth quoting from the Fed's 4th November statement:-

" the Federal Reserve will continue to employ a wide range of tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase a total of $1.25 trillion of agency mortgage-backed securities and about $175 billion of agency debt.."

Elsewhere in the statement the Fed. make clear that they do not perceive any inflationary threat for the foreseeable future.

US economic data releases are mixed; GDP is estimated to have risen at a 3.5% annualised rate in the third quarter. However US unemployment has risen to 10.2%, close to the post war peak of 10.8% seen in December *1982*. The rate of job losses has moderated since the summer, but still averaged 190,000 over the last 3 months.

Under these circumstances, with consumer spending depressed, it is difficult to see how a sustainable economic recovery can gain traction. Nevertheless the US equity market rose by 19.3% in the third quarter, though it has made no progress since then.

Other global equity markets all rose. In sterling terms European equities were on of the best performers, partly due to the strength of the Euro. Pacific Basin and emerging markets were also very strong with the exception of Japan, where the political situation and stagnating economy are not inspiring confidence.

2. <u>INVESTMENT PERFORMANCE</u>

The first table below shows performance at the aggregate total fund level for NYPF.

The most recent quarter has produced good results significantly assisted by the continuing recovery in the performance of ECM (see below). The results are examined in more detail below.

<u>NYPF Total Fund Performance to September 2009</u>

	3 months total return %	Rolling12 months total return %
NYPF	21.5	5.2
Composite Benchmark	18.8	14.9

The next table below shows the performance of the UK equity portfolios. It should be borne in mind that RC Brown are measured against a different benchmark index from that applying to Standard Life Investments (SLI).

<u>UK Equity Performance to September 2009</u>

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Standard Life	35.9	26.0	29.2	24.2
RC Brown	18.8	22.4	11.6	10.8

SLI delivered another very strong quarter's performance relative to their non-standard benchmark, and it is notable that the NYPF benchmark outperformed the standard FTSE All Share Index by 3.6%. In the 9 months to September the bespoke SLI benchmark has outperformed the All Share Index by a remarkable 23.5%. This makes the latest quarter's performance the more encouraging, though evidently there is the risk that volatility in performance could continue, to the potential detriment of The Fund.

In view of this risk I conducted an enquiry into the levels of investment risk being run by SLI, the key question being – are SLI investing heavily in high beta stocks? The responses were satisfactory, in the sense that, while portfolio beta was 1.29 at the date of the enquiry, the strong performance was attributable to a fairly small number of individual stock selections performing very strongly. In the September quarter the top 5 contributors to performance added 3.9% of relative performance from a total active money position of 6.9%. Thus the average return of these 5 selections **relative** to the strongly performing benchmark was 57%. Since the end of September SLI have slightly reduced portfolio risk.

Turning to overseas equities, the next table below shows the performance of the overseas equity portfolios. Barclays Global Investors were replaced by Fidelity at the end of October 2008 and therefore the Fidelity performance is for 11 months only. Fidelity and Baillie Gifford operate to differing mandates, which are detailed in the footnotes to the table.

Overseas Equity Performance to September 2009

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Fidelity	21.6	22.9	29.7*	31.1*
Baillie Gifford Global Alpha	23.2	21.7**	14.0	12.8**
Baillie Gifford LTGG	22.1	21.7**	16.9	12.8**

* 11 months only Benchmark Index: Bespoke, global ex-UK. Performance Target +2%

** Benchmark Index: FTSE All World. Performance Target +3%

Baillie Gifford's portfolios are concentrated, Long Term Global Growth especially so. Hence it is particularly unwise to attach too much significance to short term performance. Baillie Gifford's portfolios tend to be positively correlated with optimism about growth in economies and earnings. It is therefore no great surprise that performance has turned positive as markets have recovered. This is not to decry Baillie Gifford's efforts – after all, their performance started to improve before the markets turned. The key question will be whether Baillie Gifford's processes can identify long term gainers in the difficult climate which may rule in the aftermath of the financial crisis.

Fidelity, who are a recent appointee, have performed slightly below the benchmark in the 11 months since they were appointed. Good performance in North America and Emerging Markets was marred by a slight underperformance in Europe and by underperformance of 4.9% in the Pacific basin region. It is still a little too early to worry seriously about Fidelity's performance. However, it might be worth investigating in more detail the underperformance in the Pacific Basin.

The next table below shows the performance of the global fixed income managers for the quarter and for 12 months to 30th September 2009.

<u>Global Bond Performance - to June 2009</u>

	3 months % Total Return	12 months % Total Return
European Credit Management	25.2	-18.2
Credit Agricole Asset Management	8.3*	15.5
NYPF Least Risk Benchmark	4.1*	4.7

*Due to an administrative error which cannot be retrospectively corrected, CAAM performance was calculated to Friday 25th September instead of Wednesday 30th September. CAAM's outperformance versus the benchmark is therefore an imprecise comparison.

Notwithstanding the point made in the footnote above, CAAM's performance is very satisfactory. With the exception of currency allocation, all CAAM's positions contributed positively to performance in the September quarter. The largest contribution came, as might be expected, from non-government bonds. Currency positions detracted from performance by -0.52%. However, in 2009 to date all elements of portfolio risk have contributed positively to performance.

European Credit Management continued on a strong recovery path. Clearly there is still a long road to travel to recover the destruction of value suffered since the autumn of 2007, but the rally in ECM's funds since the March 2009 low point is an encouraging start.

At the September meeting of the Pension Fund Committee ECM made the case that there is still embedded value in their portfolios, notably in asset backed securities. Their case has been supported by further performance in the current quarter up to 11th November of approximately 3.5% above benchmark.

<u>Global Tactical Asset Allocation Performance to July 2009</u>

UBS's Global Tactical Asset Allocation mandate was terminated at the end of July. In that final month the portfolio returned 21.6% versus 21.2% for the global equity based benchmark.

Unfortunately I have to report that UBS Market Absolute Return Strategy has continued to deliver very strong performance, while the companion currency strategy has maintained its value. So NYPF's exit from this strategy was unfortunately timed.

3. ECONOMIC AND MARKET OUTLOOK

I summarise my views as follows:-

Economic background

- Most economies are improving. Manufacturing industry is enjoying a rebound in activity and confidence as inventories are rebuilt. However, employment and consumer activity indicators suggest that final demand in Western economies will remain subdued for some time to come.

- Markets are focussed on the future for the various schemes put in place by Central Banks to support their financial systems. In the UK the principal tool of this nature has been so called "quantitative easing", in which the Bank of England buys quoted securities with newly created money.

- There is clear evidence from market behaviour in recent weeks that financial markets as a whole i.e. not just the bond markets have become dependent on this source of support. Each time the funds allocated to the scheme reach depletion, the markets become a little anxious.

- However, so far, each time this point is reached the Bank announces a further increase and it seems likely that they are heavily lobbied by those who fear that a halt to the purchases (not to speak of any reversal of the purchases). This process – and we are now up to £200bn. - is completely uncalibrated and indeed there is no clarity about what outcomes are being targeted by the Bank.

- The debate about how to deal with banks that are "too big to fail", and consequently what regulatory regime to put in place, is only just beginning.

- **It remains the case that the downturn in real economic activity is likely to be longer than most forecasters expect.**

Government Bonds

- The UK continues to expand the national debt at an unprecedented pace. This is regardless of the future for the "quantitative easing" scheme (see p.1 above). The risk is that the markets find themselves "overfed" with UK gilts, driving yields sharply higher.

Non-government Bonds

- There has been a strong recovery in non-government bonds, particularly high quality corporate bonds. Despite the negative outlook for gilts, further good returns can be expected from non-governments.

Equities

- Equity markets have rebounded strongly since early March 2009. This has coincided with the trough in a pronounced inventory cycle and has been reinforced by government action to support financial systems.

- However, at the consumer level the recession is only just beginning to bite. The kind of strong economic recovery projected by some commentators and governments is far from assured.

- This may not mean that equities are, in general, overvalued but the steep rise in the shares of distressed companies, as opposed to sounder ones, may be overdone.

P.J. Williams

16th November 2009

North Yorkshire Pension Fund

Summary Performance Report
to 30 September 2009

Ref. 13956/449413

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ASSET SERVICING

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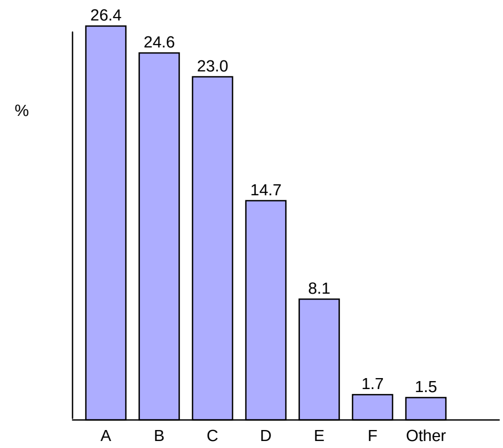
Manager Structure to 30 September 2009

The illustrations below show manager and portfolio weights relative to the fund's total market value. Portfolio details are shown in the tables.

Two different points in time are highlighted: as at report end date, and as at 30 June 2009.

All monetary values are quoted in millions.

Managers as at 30 September 2009



Manager	Brief	End Market Value
(B) Standard Life	UK Equities	289.313
(C) FIL Inv Ser UK	Global Equities	270.228
(A) Baillie Gifford	Global Equities	190.228
(D) Credit Agricole AM	Global Bonds	173.383
(A) Baillie Gifford	LTGG	120.348
(E) European Credit Mgmt	Global Bonds	95.440
UBS	Global Tactical Asset Allocation	19.487
(G) Internal	Cash	12.652
(H) RC Brown Investment	UK Equities	1.732
(I) Yorkshire & Humber	UK Equities	1.208
(G) Internal	Hedged	1.198
(J) Hermes Investment	European Equities	1.058
Fund	**Multi-Asset**	**1176.276**

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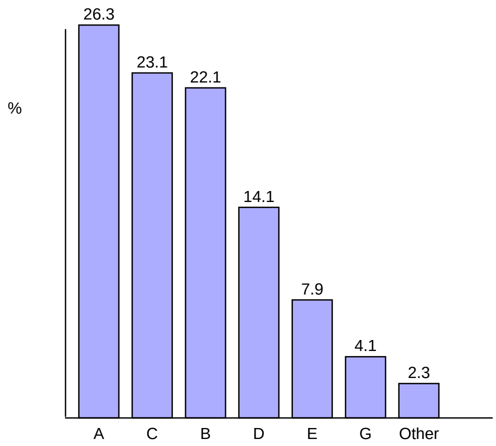
ASSET SERVICING

Manager Structure to 30 September 2009

Managers as at 30 June 2009



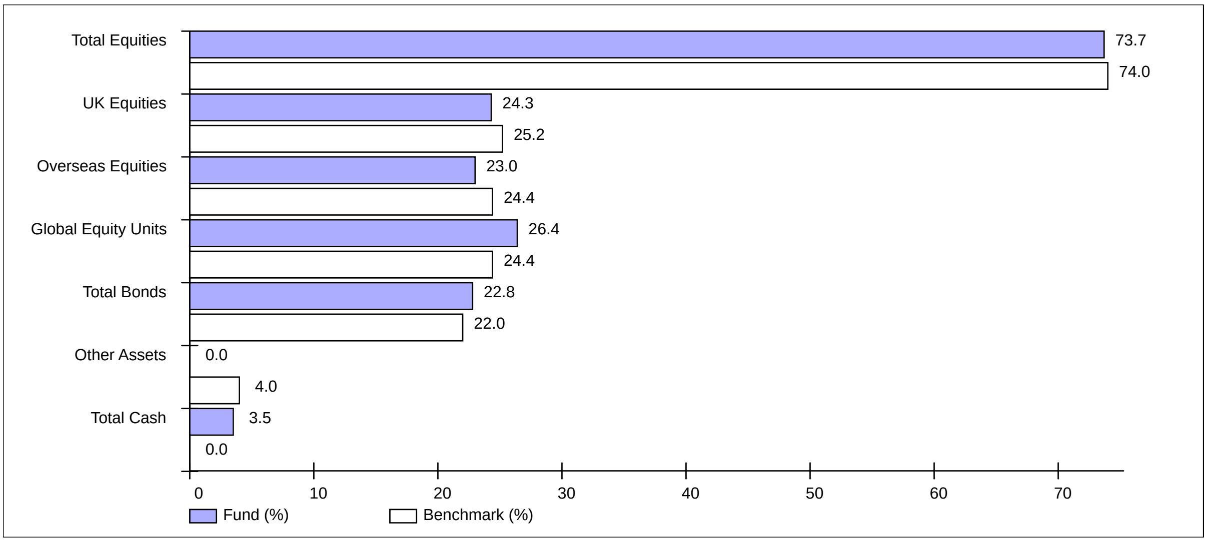
Manager	Brief	End Market Value
(C) FIL Inv Ser UK	Global Equities	222.141
(B) Standard Life	UK Equities	212.875
(A) Baillie Gifford	Global Equities	154.407
(D) Credit Agricole AM	Global Bonds	135.735
(A) Baillie Gifford	LTGG	98.586
(E) European Credit Mgmt	Global Bonds	76.227
(G) Internal	Hedged	21.330
(G) Internal	Cash	18.448
UBS	Global Tactical Asset Allocation	16.026
(J) Hermes Investment	European Equities	3.479
(H) RC Brown Investment	UK Equities	1.458
(I) Yorkshire & Humber	UK Equities	1.208
Fund	**Multi-Asset**	**961.921**

Benchmark Summary to 30 September 2009

The current benchmark for the fund is described below. It has been in place since 1 January 2009 and is rebalanced monthly.

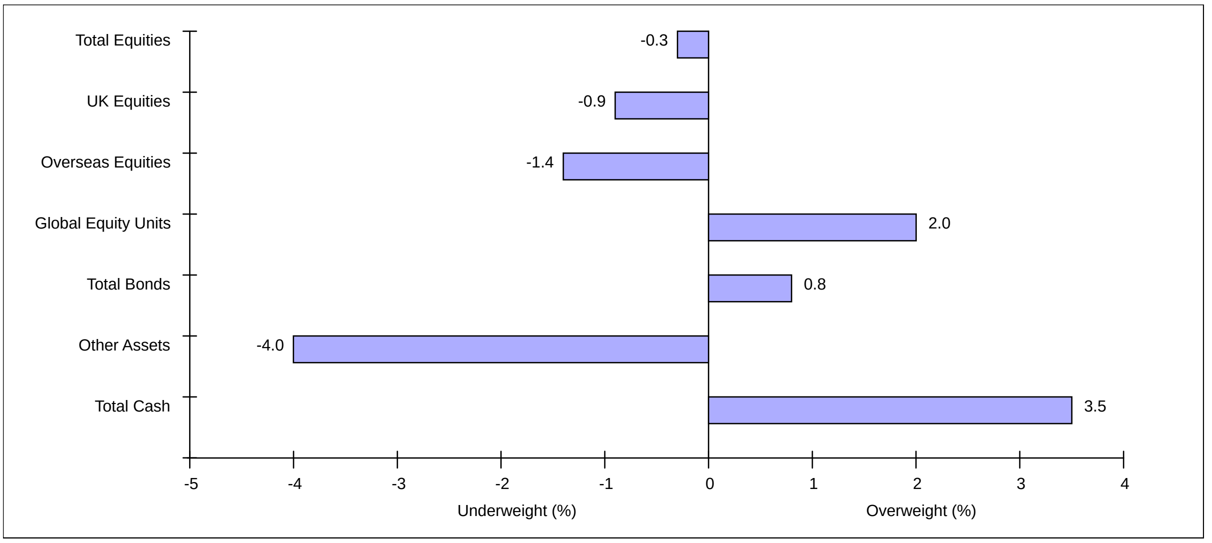
Sector	Weight (%)	Comparison Basis
UK Equities	24.540	FTSE 350 Equally Weighted
Global Equity Units	24.000	FTSE-W World
Total Bonds	23.000	NYPF Least Risk Portfolio
European Equities	8.210	MSCI Europe ex UK NDR
North American Equities	8.210	MSCI North America NDR
Other Assets	4.000	FTSE-AWDev World
Emerging Market Equities	3.520	MSCI EMF (Emerg Mkts Free) NDR
Pacific Basin Equities	3.520	MSCI Pacific NDR
Pan European Equities	0.540	FTSE-W Europe
UK Equities	0.460	FTSE All-Share

The chart below compares the asset distribution of the fund to the benchmark as at 30 September 2009.



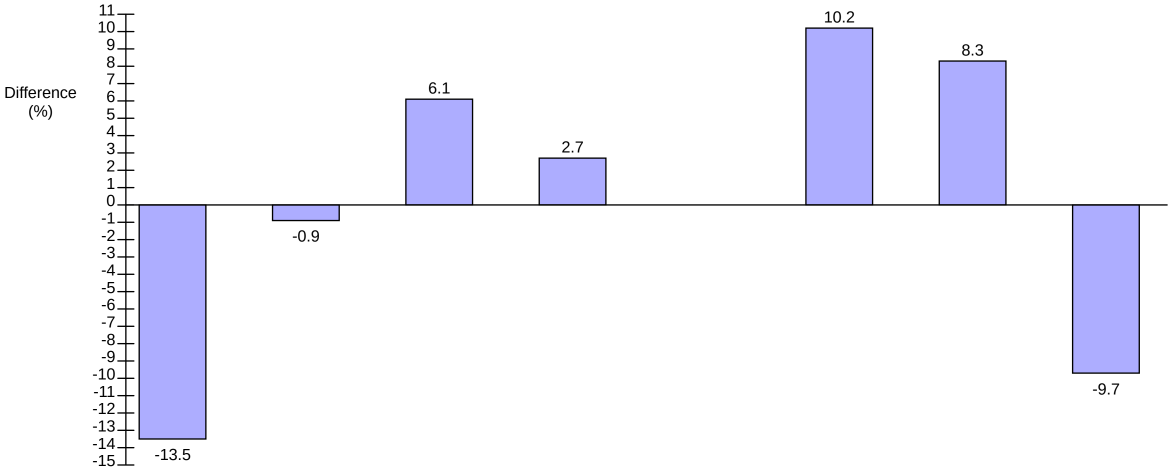
Benchmark Summary to 30 September 2009

The following chart shows the fund's under/overweight position relative to the benchmark as at 30 September 2009.



Short-term Overview to 30 September 2009

The fund's returns, relative to the benchmark, are shown in the diagram below.



	Individual quarters ending				Periods to 30 September 2009		
	31 Dec 08	31 Mar 09	30 Jun 09	30 Sep 09	6 Months	9 Months	12 Months
Fund	-18.7	-7.7	15.5	21.5	40.3	29.5	5.2
Benchmark	-5.2	-6.8	9.4	18.8	30.1	21.2	14.9

Returns for the fund's portfolios and their benchmarks are shown in the following table.

	Individual quarters ending				Periods to 30 September 2009		
	31 Dec 08	31 Mar 09	30 Jun 09	30 Sep 09	6 Months	9 Months	12 Months
Baillie Gifford : Global Equities							
Portfolio	-7.9	-7.3	8.4	23.2	33.6	23.8	14.0
Benchmark	-3.3	-10.7	6.2	21.7	29.3	15.4	11.7
Difference	-4.6	3.4	2.2	1.5	4.3	8.4	2.3
Baillie Gifford : LTGG							
Portfolio	-10.1	-2.2	8.9	22.1	33.0	30.0	16.9
Benchmark	-3.3	-10.7	6.2	21.7	29.3	15.4	11.7
Difference	-6.8	8.5	2.7	0.4	3.7	14.6	5.2
Credit Agricole AM : Global Bonds							
Portfolio	6.1	-4.9	5.7	8.3	14.5	8.9	15.5
Benchmark	2.7	-5.9	4.0	4.1	8.4	1.9	4.7
Difference	3.4	1.0	1.7	4.2	6.1	7.0	10.8
European Credit Mgmt : Global Bonds							
Portfolio	-37.6	-18.9	29.1	25.2	61.6	31.1	-18.2
Benchmark	2.7	-5.9	4.0	4.1	8.4	1.9	4.7
Difference	-40.3	-13.0	25.1	21.1	53.2	29.2	-22.9

Short-term Overview to 30 September 2009

	Individual quarters ending				Periods to 30 September 2009		
	31 Dec 08	31 Mar 09	30 Jun 09	30 Sep 09	6 Months	9 Months	12 Months
FIL Inv Ser UK : Global Equities							
Portfolio	-	-10.7	7.1	21.6	30.2	16.3	-
Benchmark	-	-10.7	7.6	22.9	32.2	18.0	-
Difference	-	0.0	-0.5	-1.3	-2.0	-1.7	-
Hermes Investment : European Equities							
Portfolio	-16.2	-21.1	8.3	20.9	30.9	3.3	-13.4
Benchmark	-2.5	-14.5	9.7	27.2	39.5	19.3	16.3
Difference	-13.7	-6.6	-1.4	-6.3	-8.6	-16.0	-29.7
Hermes Investment : UK Equities							
Portfolio	-14.1	0.2	-	-	-	-	-
Benchmark	-10.2	-9.1	-	-	-	-	-
Difference	-3.9	9.3	-	-	-	-	-
Internal : Cash							
Portfolio	0.0	-0.3	0.4	0.3	0.8	0.5	0.5
Benchmark	0.8	0.2	0.1	0.1	0.2	0.4	1.3
Difference	-0.8	-0.5	0.3	0.2	0.6	0.1	-0.8
Internal : Hedged							
Portfolio	-80.8	-60.4	1199.8	-95.7	-44.3	-77.9	-95.8
Benchmark	0.8	0.2	0.1	0.1	0.2	0.4	1.3
Difference	-81.6	-60.6	1199.7	-95.8	-44.5	-78.3	-97.1
Internal : MTMS Account							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-
RC Brown Investment : UK Equities							
Portfolio	-16.4	-5.5	18.9	18.8	41.3	33.5	11.6
Benchmark	-10.2	-9.1	10.9	22.4	35.7	23.4	10.8
Difference	-6.2	3.6	8.0	-3.6	5.6	10.1	0.8
Standard Life : UK Equities							
Portfolio	-19.9	-3.5	22.8	35.9	67.0	61.2	29.2
Benchmark	-18.5	1.1	19.7	26.0	50.8	52.5	24.2
Difference	-1.4	-4.6	3.1	9.9	16.2	8.7	5.0
UBS : Global Tactical Asset Allocation							
Portfolio	-62.0	-33.1	46.1	21.6	77.7	18.9	-54.8
Benchmark	-2.8	-11.5	5.6	21.2	28.0	13.3	10.2
Difference	-59.2	-21.6	40.5	0.4	49.7	5.6	-65.0

Short-term Overview to 30 September 2009

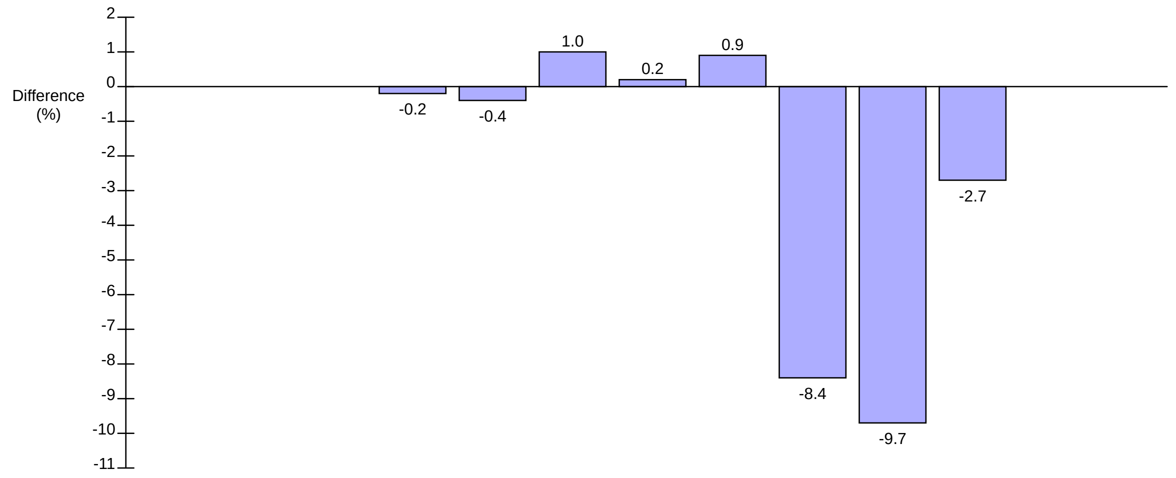
	Individual quarters ending				Periods to 30 September 2009		
	31 Dec 08	31 Mar 09	30 Jun 09	30 Sep 09	6 Months	9 Months	12 Months
Yorkshire & Humber : UK Equities							
Portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Benchmark	-10.2	-9.1	10.9	22.4	35.7	23.4	10.8
Difference	10.2	9.1	-10.9	-22.4	-35.7	-23.4	-10.8

Market values and cash flows for the fund are shown below for the quarter ending 30 September 2009. All monetary figures are quoted in millions.

	Start Value	%	Net Invest.	Income	Capital gain/loss	End Value	%
Baillie Gifford : Global Equities	154.407	16.1	0.001	0.000	35.820	190.228	16.2
Baillie Gifford : LTGG	98.586	10.2	0.000	0.000	21.762	120.348	10.2
Credit Agricole AM : Global Bonds	135.735	14.1	-26.567	0.931	64.215	173.383	14.7
European Credit Mgmt : Global Bonds	76.227	7.9	0.000	0.000	19.213	95.440	8.1
FIL Inv Ser UK : Global Equities	222.141	23.1	-1.025	0.794	49.112	270.228	23.0
Hermes Investment : European Equities	3.479	0.4	-2.940	0.000	0.519	1.058	0.1
Internal : Cash	18.448	1.9	-11.574	0.047	5.778	12.652	1.1
Internal : Hedged	21.330	2.2	-10.133	0.013	-9.999	1.198	0.1
RC Brown Investment : UK Equities	1.458	0.2	0.081	0.018	0.193	1.732	0.1
Standard Life : UK Equities	212.875	22.1	5.240	2.214	71.198	289.313	24.6
UBS : Global Tactical Asset Allocation	16.026	1.7	17.333	0.010	-13.872	19.487	1.7
Yorkshire & Humber : UK Equities	1.208	0.1	0.000	0.000	0.000	1.208	0.1
Fund	**961.921**	**100.0**	**-29.583**	**4.029**	**243.938**	**1176.276**	**100.0**

Long-term Overview to 30 September 2009

The fund's returns, relative to the benchmark, are shown in the diagram below.



	Individual years ending 30 September										
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**7 years**
Fund	-	-	-	15.9	10.5	22.2	12.1	10.7	-20.9	5.2	7.1
Benchmark	-	-	-	16.1	10.9	21.2	11.9	9.8	-12.5	14.9	9.8

Returns for the fund's portfolios and their benchmarks are shown in the following table.

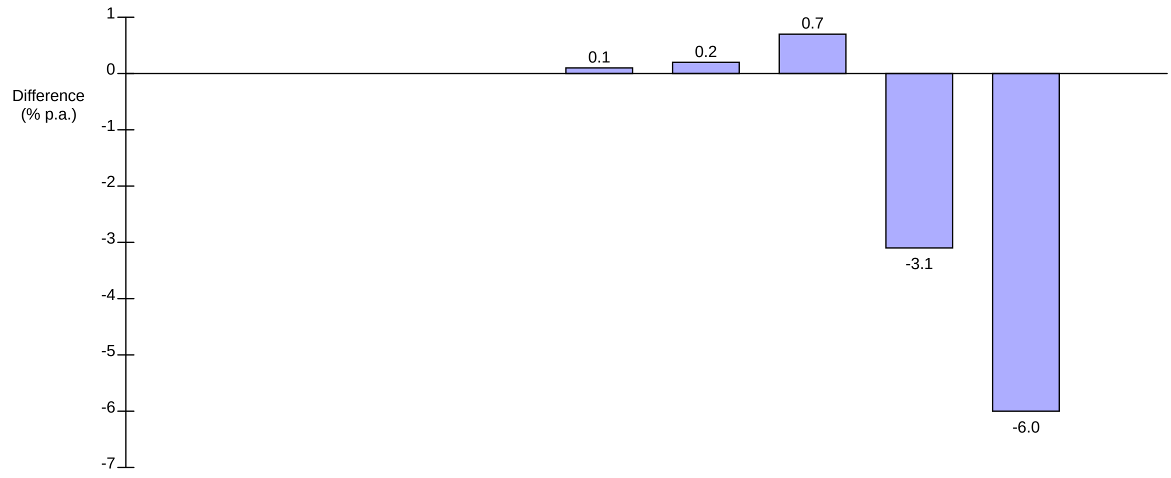
	Individual years ending 30 September										
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**7 years**
Baillie Gifford : Global Equities											
Portfolio	-	-	-	-	-	-	-	12.3	-14.9	14.0	-
Benchmark	-	-	-	-	-	-	-	13.1	-15.2	11.7	-
Difference	-	-	-	-	-	-	-	-0.8	0.3	2.3	-
Baillie Gifford : LTGG											
Portfolio	-	-	-	-	-	-	-	19.0	-18.6	16.9	-
Benchmark	-	-	-	-	-	-	-	13.1	-15.2	11.7	-
Difference	-	-	-	-	-	-	-	5.9	-3.4	5.2	-
Credit Agricole AM : Global Bonds											
Portfolio	-	-	-	-	-	-	8.0	1.0	3.0	15.5	-
Benchmark	-	-	-	-	-	-	8.7	1.5	10.8	4.7	-
Difference	-	-	-	-	-	-	-0.7	-0.5	-7.8	10.8	-
European Credit Mgmt : Global Bonds											
Portfolio	-	-	-	-	-	-	9.8	-0.8	-14.8	-18.2	-
Benchmark	-	-	-	-	-	-	8.7	1.5	10.8	4.7	-
Difference	-	-	-	-	-	-	1.1	-2.3	-25.6	-22.9	-

Long-term Overview to 30 September 2009

	Individual years ending 30 September 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	7 years
Hermes Investment : European Equities											
Portfolio	-	-	-	-	12.3	38.3	25.4	20.6	-33.4	-13.4	-
Benchmark	-	-	-	-	15.7	29.9	18.9	19.7	-20.1	16.3	-
Difference	-	-	-	-	-3.4	8.4	6.5	0.9	-13.3	-29.7	-
Hermes Investment : UK Equities											
Portfolio	-	-	-	-	10.2	23.5	14.0	10.4	-31.5	-	-
Benchmark	-	-	-	-	15.7	24.9	14.7	12.2	-22.3	-	-
Difference	-	-	-	-	-5.5	-1.4	-0.7	-1.8	-9.2	-	-
Internal : Cash											
Portfolio	-	-	-	-	3.9	4.8	3.4	5.7	6.4	0.5	-
Benchmark	-	-	-	-	4.0	4.6	4.5	5.3	5.3	1.3	-
Difference	-	-	-	-	-0.1	0.2	-1.1	0.4	1.1	-0.8	-
Internal : Hedged											
Portfolio	-	-	-	-	-	-	-	-	-	-95.8	-
Benchmark	-	-	-	-	-	-	-	-	-	1.3	-
Difference	-	-	-	-	-	-	-	-	-	-97.1	-
Internal : MTMS Account											
Portfolio	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-	-
RC Brown Investment : UK Equities											
Portfolio	-	-	-	-	-	-	10.0	13.1	-29.7	11.6	-
Benchmark	-	-	-	-	-	-	14.7	12.2	-22.3	10.8	-
Difference	-	-	-	-	-	-	-4.7	0.9	-7.4	0.8	-
Standard Life : UK Equities											
Portfolio	-	-	-	-	-	-	-	15.3	-32.5	29.2	-
Benchmark	-	-	-	-	-	-	-	11.4	-26.6	24.2	-
Difference	-	-	-	-	-	-	-	3.9	-5.9	5.0	-
UBS : Global Tactical Asset Allocation											
Portfolio	-	-	-	-	-	-	-	-	-36.5	-54.8	-
Benchmark	-	-	-	-	-	-	-	-	-14.9	10.2	-
Difference	-	-	-	-	-	-	-	-	-21.6	-65.0	-
Yorkshire & Humber : UK Equities											
Portfolio	-	-	-	-	0.0	0.0	0.0	0.0	2.5	0.0	-
Benchmark	-	-	-	-	15.7	24.9	14.7	12.2	-22.3	10.8	-
Difference	-	-	-	-	-15.7	-24.9	-14.7	-12.2	24.8	-10.8	-

Long-term Overview to 30 September 2009

Annualised returns, relative to the fund's benchmark, are shown in the diagram below.



Rolling three year periods to 30 September

	2002	2003	2004	2005	2006	2007	2008	2009
Fund	-	-	-	16.1	14.8	14.9	-0.6	-2.7
Benchmark	-	-	-	16.0	14.6	14.2	2.5	3.3

Annualised returns for the fund's portfolios and their benchmarks are shown in the following table.

Rolling three year periods to 30 September	2002	2003	2004	2005	2006	2007	2008	2009
Baillie Gifford : Global Equities								
Portfolio	-	-	-	-	-	-	-	2.9
Benchmark	-	-	-	-	-	-	-	2.3
Difference	-	-	-	-	-	-	-	0.6
Baillie Gifford : LTGG								
Portfolio	-	-	-	-	-	-	-	4.2
Benchmark	-	-	-	-	-	-	-	2.3
Difference	-	-	-	-	-	-	-	1.9
Credit Agricole AM : Global Bonds								
Portfolio	-	-	-	-	-	-	4.0	6.3
Benchmark	-	-	-	-	-	-	7.0	5.6
Difference	-	-	-	-	-	-	-3.0	0.7
European Credit Mgmt : Global Bonds								
Portfolio	-	-	-	-	-	-	-2.5	-11.6
Benchmark	-	-	-	-	-	-	7.0	5.6
Difference	-	-	-	-	-	-	-9.5	-17.2

Long-term Overview to 30 September 2009

	Rolling three year periods to 30 September							
	2002	2003	2004	2005	2006	2007	2008	2009
Hermes Investment : European Equities								
Portfolio	-	-	-	-	24.9	27.9	0.2	-11.4
Benchmark	-	-	-	-	21.4	22.7	4.4	3.6
Difference	-	-	-	-	3.5	5.2	-4.2	-15.0
Hermes Investment : UK Equities								
Portfolio	-	-	-	-	15.8	15.8	-4.8	-
Benchmark	-	-	-	-	18.3	17.1	0.0	-
Difference	-	-	-	-	-2.5	-1.3	-4.8	-
Internal : Cash								
Portfolio	-	-	-	-	4.1	4.7	5.2	4.2
Benchmark	-	-	-	-	4.4	4.8	5.1	4.0
Difference	-	-	-	-	-0.3	-0.1	0.1	0.2
RC Brown Investment : UK Equities								
Portfolio	-	-	-	-	-	-	-4.3	-3.9
Benchmark	-	-	-	-	-	-	0.0	-1.1
Difference	-	-	-	-	-	-	-4.3	-2.8
Standard Life : UK Equities								
Portfolio	-	-	-	-	-	-	-	0.2
Benchmark	-	-	-	-	-	-	-	0.5
Difference	-	-	-	-	-	-	-	-0.3
Yorkshire & Humber : UK Equities								
Portfolio	-	-	-	-	0.0	0.0	0.8	0.8
Benchmark	-	-	-	-	18.3	17.1	0.0	-1.1
Difference	-	-	-	-	-18.3	-17.1	0.8	1.9

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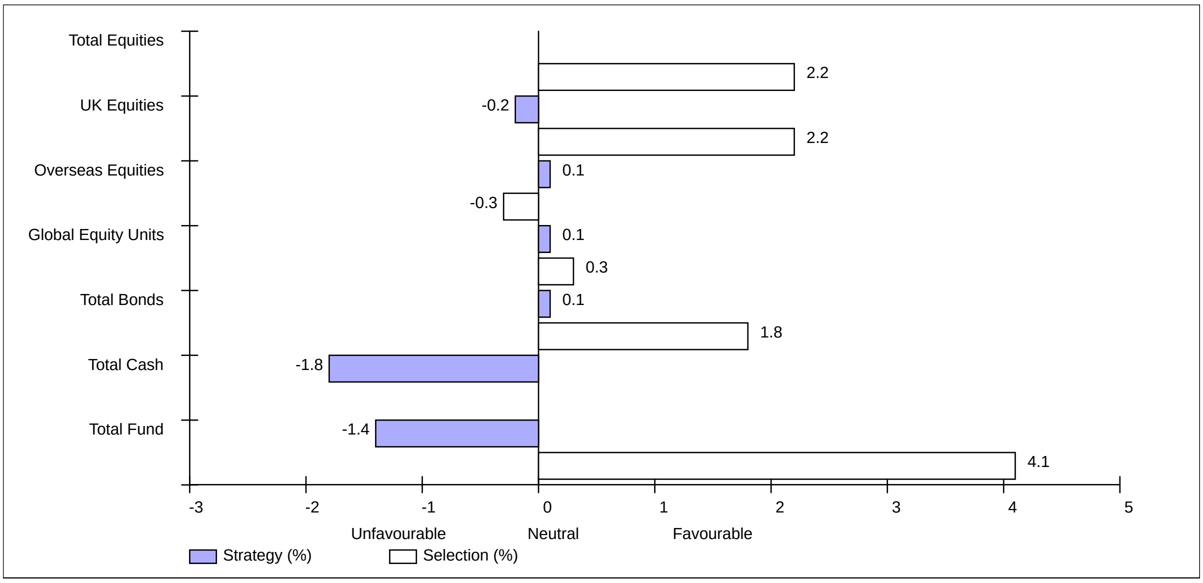
Attribution Analysis to 30 September 2009

Analysis of the factors leading to the fund's out-performance of 2.7% relative to its benchmark, over the period since 30 June 2009, is set out below.



The following table compares the fund with its benchmark, over the period since 30 June 2009.

Sector	Fund Start Weight (%)	BM Start Weight (%)	Fund End Weight (%)	BM End Weight (%)	Fund Return (%)	BM Return (%)	Strategy (%)	Selection (%)
Total Equities	73.4	73.0	73.7	74.0	26.6	23.6	**-**	**2.2**
-UK Equities	22.1	25.2	24.3	25.2	36.2	25.9	**-0.2**	**2.2**
-Overseas Equities	25.0	23.8	23.0	24.4	22.1	23.0	**0.1**	**-0.3**
-Global Equity Units	26.3	24.0	26.4	24.4	22.8	21.7	**0.1**	**0.3**
Total Bonds	16.0	23.0	22.8	22.0	11.8	4.1	**0.1**	**1.8**
Other Assets	1.3	4.0	0.0	4.0	-	21.2	**-**	**-**
Total Cash	9.3	-	3.5	-	-	-	**-1.8**	**-**
Total Fund Ex Property	100.0	100.0	100.0	100.0	21.5	18.8	**-**	**-**
Timing							**0.3**	
Total Fund	**100.0**	**100.0**	**100.0**	**100.0**	**21.5**	**18.8**	**-1.4**	**4.1**

Risk to 30 September 2009

The following table shows the standard deviation, tracking error and information ratio for the fund to the last five quarter end dates. Each period covers three years and is calculated using quarterly observations.

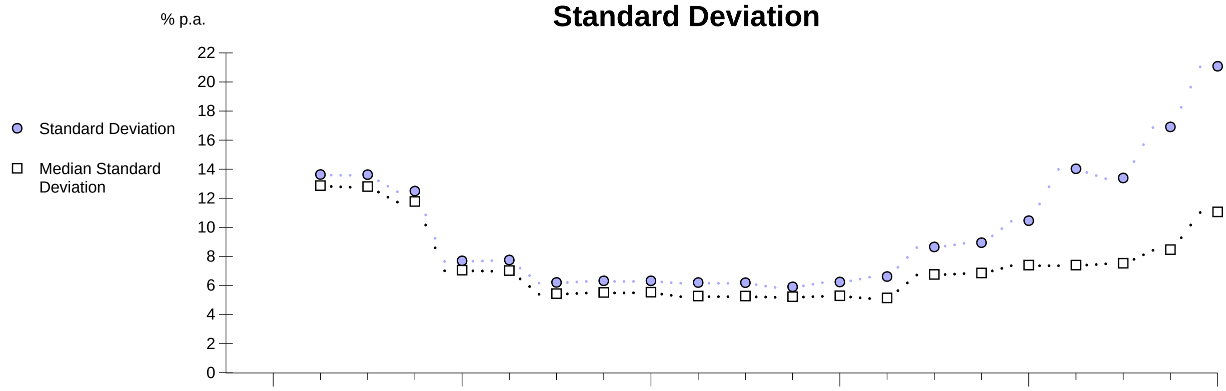
Statistical information has been included to provide a basis for comparison. Information ratio statistics are for the upper quartile as the median information ratio will tend towards zero.

Total Fund	3 Year Periods Ending:				
	30 Sep 2008 % p.a.	31 Dec 2008 % p.a.	31 Mar 2009 % p.a.	30 Jun 2009 % p.a.	30 Sep 2009 % p.a.
Combined Management : Multi-Asset					
Standard Deviation	10.47	14.05	13.41	16.93	21.10
Median Standard Deviation	7.42	7.42	7.55	8.49	11.09
Tracking Error	3.81	8.67	8.67	9.35	9.47
Median Tracking Error	1.39	1.58	1.61	1.72	1.84
Information Ratio	-0.81	-0.90	-0.92	-0.70	-0.64
Upper Quartile Information Ratio	0.36	0.42	0.47	0.44	0.47
Fund Return	-0.62	-9.02	-13.19	-7.65	-2.68
Benchmark Return	2.45	-1.22	-5.18	-1.10	3.34
CAPS Fund Median	2.04	-0.65	-4.32	-1.15	2.02

Long-Term Rolling Risk to 30 September 2009

The following graphs show the rolling annualised standard deviation, tracking error and information ratio for the fund.

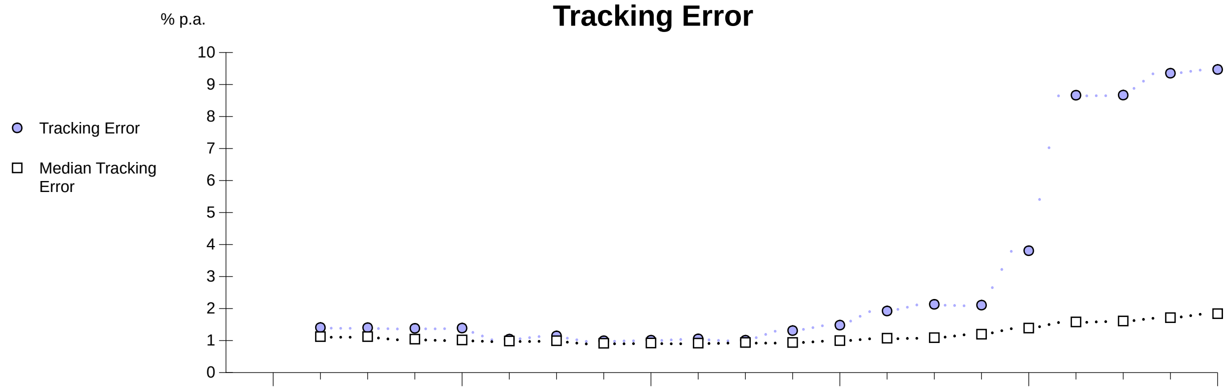
Standard Deviation



Three Year Periods ending

	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008	30 Sep 2009
Standard Deviation	-	7.72	6.34	6.26	10.47	21.10
Median SD	-	7.08	5.56	5.31	7.42	11.09

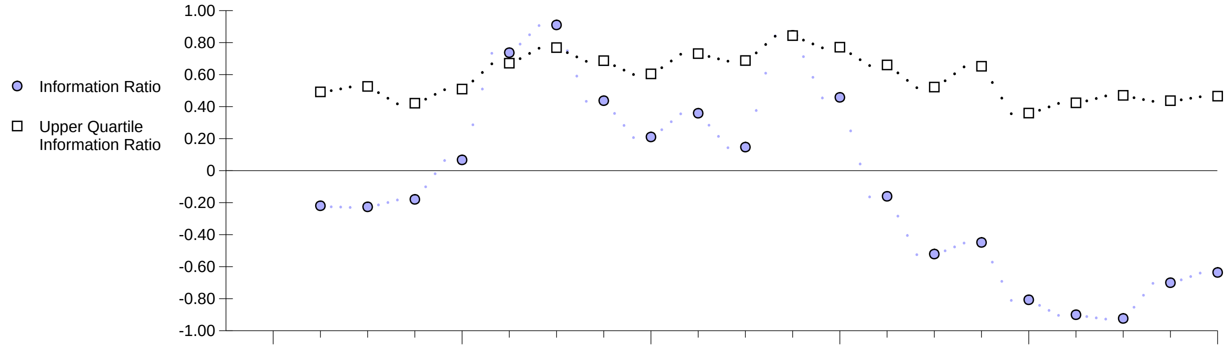
Tracking Error



Three Year Periods ending

	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008	30 Sep 2009
Tracking Error	-	1.39	1.01	1.48	3.81	9.47
Median Tracking Error	-	1.02	0.92	1.00	1.39	1.84

Information Ratio



Three Year Periods ending

	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008	30 Sep 2009
Information Ratio	-	0.07	0.21	0.46	-0.81	-0.64
Upper Quartile IR	-	0.51	0.61	0.77	0.36	0.47