NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

19 FEBRUARY 2009

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER AND YEAR ENDING 31 DECEMBER 2008

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 31 December 2008 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 31 December 2008.

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 31 December 2008 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 (-18.7%) was below the customised benchmark (-5.2%) by 13.5%.**

3.3 **Over the rolling year the Fund performance was 17.1% below the customised benchmark. The 12 month absolute return of -34.7% is down on the figure for the 12 months ended June 2008 (-20.9%).**

3.4 Clearly performance is very disappointing and it is essential to analyse the extent to which this is due to all, or a combination of

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

It is also essential to understand the timescale over which any or all of these factors have impacted on the performance of the Fund.

3.5 With this in mind the usual tables/Appendices used in this report have been reformatted / revised so as 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 31 December 2008.
Appendix 1	Performance of NYPF relative to other LGPS Funds
Appendix 2	Solvency position (in % and £ terms) since the 2001 Triennial Valuation. The 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 Fund performance as against the 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 @ 31/12/08

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

3.9 Clearly an understanding and assessment of the market factors and their relative impact on the various asset classes will be an essential ingredient to discussions at the forthcoming Workshop (scheduled for 27 February). This Workshop will -

- review the recent performance of the Investment Strategy (in terms of the asset allocation)

- review the performance of individual fund managers (relative to their benchmarks)

- consider prospects for going forward in the light of the current (and projected) economic circumstances, and thereby

- assess whether the asset allocation is therefore still appropriate, and finally

- consider if the fund managers and / or their benchmarks need to be reviewed

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 31.12.08 relative to the benchmark	Explanatory text
	31.3.08	30.6.08	30.9.08	31.12.08	31.3.08	30.6.08	30.9.08	31.12.08	£m	
Global Equity Managers										
Baillie Gifford Global Equities	0.5	2.8	(3.6)	(4.6)	1.9	3.6	0.3	(4.4)	(8.7)	see report of Investment Adviser and reports submitted by individual fund managers
Baillie Gifford LTGG	0.1	3.1	(7.8)	(6.8)	8.9	9.5	(3.4)	(9.8)	(12.6)	
Global (ex-UK) Equity Managers										
Barclays Global Investors	1.2	0.0	(3.5)		(1.9)	(1.2)	(2.7)		(5.7)	
Fidelity				0.3					2.0	
UK Equity Managers										
Standard Life Investments	0.5	(2.8)	(3.4)	(1.4)	2.0	(2.7)	(5.8)	(4.9)	(13.7)	
Yorkshire & Humber Equity Fund	9.9	3.9	12.2	10.2	7.7	15.5	24.8	32.4	0.1	
Niche										
Hermes European Focus Fund	(3.7)	0.9	(11.3)	(13.7)	(7.7)	(7.9)	(13.3)	(20.6)	(6.2)	
Hermes UK Focus Fund	(3.1)	(3.4)	3.0	(3.9)	(16.7)	(17.3)	(9.2)	(5.5)	(1.1)	
Equity Sub-Total (a)	0.4	0.0	(4.0)	(3.0)	0.3	0.4	(3.5)	(6.4)	(45.9)	
Global Fixed Income Managers										
European Credit Management	(12.2)	4.0	(12.3)	(40.3)	(21.1)	(19.3)	(25.6)	(54.6)	(77.0)	
Credit Agricole	(1.6)	(2.9)	0.0	3.4	(6.6)	(10.1)	(7.8)	(1.1)	(1.9)	
Fixed Income Sub-Total (b)	(6.4)	0.0	(5.7)	(16.5)	(13.0)	(14.4)	(16.0)	(25.2)	(78.9)	
Global Tactical Asset Allocation										
UBS **(c)**	8.2	(17.3)	(9.1)	(59.2)	(6.6)	(19.1)	(21.6)	(56.4)	(27.3)	
Private Equity										
R C Brown **(d)**	(0.7)	1.3	(4.6)	(6.2)	(6.2)	(5.5)	(7.4)	(8.0)	(0.2)	

4.2 In monetary terms the negative absolute return of –18.7% in the Quarter reduced the invested value of the Fund by £199.6m, however taking into account new money, the value of the Fund reduced by £188.7m. In absolute terms this movement is primarily attributable to capital losses made by Standard Life (£45.1m), Baillie Gifford (£23.6m), ECM (£43.9m) and UBS (£26.7m) as well as losses suffered on holdings in the transition account (£45.8m) and on currency hedging (£43.2m).

4.3 Undoubtedly some of these losses were suffered as a result of the exceptional market conditions. This and other issues are discussed in the report of the Investment Adviser.

Overseas Equities

4.4 **Fidelity** made a good start buoyed by the strengthening value of foreign currency investments compared to UK Stirling. The portfolio increased in value by 11.4% or £35.3m (+0.3% against the benchmark) for the last two months of 2008. Unfortunately this gain was more than offset by the losses suffered in October 2008 when the funds were held in the transition account which was a time when markets across the world fell by over 20%.

4.5 The two **Baillie Gifford** Funds again both produced negative relative and actual returns. This disappointing result for the last 6 months was in contrast to the encouraging preceding period. The one year return for the LTGG has now fallen below the benchmark by -9.8% and for Global Equities by -4.4%.

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. Although the FTSE All World index is used as a guide to measure performance the manager does not use this as a basis for its fund profile. The fall in performance for this quarter was substantially due to maintaining heavy investment in oil and commodities which continued to suffer in the market downturn. The manager's opinion is that the structure of the portfolio remains appropriate to deliver the long term goals.

4.7 The manager is also of the view that the reported performance for the Baillie Gifford Global Alpha fund at the last quarter end has been clouded by market volatility and a flight from risk. The expectation is that future outperformance will be driven by superior growth in a low growth environment and an eventual return to the targeted performance over the long term.

4.8 The **Hermes European Focus Fund** had another very disappointing quarter (-13.7%). This is further discussed in **paragraph 2** of the separate **Fund Manager Matters** report.

UK Equities

4.9 **Standard Life** produced a negative relative return (-1.4%) in the quarter and their FTSE 350 equally weighted benchmark was significantly negative at -18.5%. The FTSE All share produced a negative return of -10.2%. SLI has struggled over the last 12 months to match its previous levels of sustained positive returns which has been substantially due to the overweight position held in financials. The manager expects the next 6 months to continue to present difficult trading conditions but anticipates a return to form of their bottom up stock selection strategy in the second half of 2009.

4.10 The **Hermes UK Focus Fund** underperformed (-3.9%), eroding the value of the portfolio during this period of disinvestment. The remaining funds will be transferred out by the end of the March quarter.

4.11 The ethical equity portfolio operated by **R C Brown** did not perform well (-6.2%) and is still significantly negative over the rolling 12 month period (-8.0%).

Fixed Income

4.12 **ECM** again suffered badly in the quarter in difficult market conditions (-40.3%) as credit spreads remained at record levels. **Credit Agricole** again performed well (+3.4%) against a positive benchmark.

4.13 Two significant factors have contributed to **ECM's** relative performance. Firstly, the benchmark refers to index linked and fixed interest gilts (= Least Risk Portfolio) whereas the actual portfolio consists of investment and sub-investment grade corporates as well as Tier 1 financials and Asset Backed Securities. Values for both of these latter two asset classes have faired particularly badly in the last two quarters. Secondly the near absence of liquidity has driven down prices to very low levels. The mark to market values reflect the price at which a buyer could be found, however very few sellers would be prepared to sell at this level, hence valuations are based on an extremely small volume of transaction actually taking place. As an example of the unpredictability of values 4 days after the Lloyds Banking Group issued £4bn of capital the notes were valued at 50.

4.14 These results give a combined underperformance in global fixed income of -16.5% in the quarter and a continued significant underperformance over the rolling 12 month period of -25.2%.

4.15 The highly unusual market conditions over the past year has led to a strong benchmark return (+5.8%) driven by falling yields on long-dated gilts. ECM has suffered fundamental difficulties within their portfolio as described in **paragraph 4.13** and how this will develop continues to remain uncertain.

Tactical Asset allocation

4.16 The **UBS GTAA portfolio** suffered another very difficult quarter as the particularly volatile equity markets across the globe continued to move against its positions. In the quarter the market fund (MARS) suffered very badly (-81.1%) contrasting with the currency fund (CARS) which again did well (+31.6%) but over the 12 month period the MARS fund has really struggled (-88.7%) only partially offset by the currency fund (+116.7%). These two funds are in the ratio 2:1 MARS to CARS.

Performance relative to other LGPS Funds

4.17 **Appendix 1** shows the **performance of NYPF relative to other Funds in the LGPS universe.** The figures for the latest Quarter are not available at the time of writing this report; if they become available before the meeting they will be tabled. Whilst the last 12 months have been disappointing, NYPF has shown a strong correlation to the performance of other LGPS funds over the last 20 years.

5.0 RISK INDICATORS

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

5.2 The Fund's annualised **Standard Deviation** has increased significantly (14%) from its average over the previous three years (6.6%). This shows a much greater level of volatility of the Fund's return which is not surprising in the current 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 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 significant levels of under-performance in the quarter 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 recently presented by the Actuary. As at 31 December 2008 the solvency had reduced to 37% from 47% as at 30 September 2008.

6.2 The assets of the Fund decreased by 17.6% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), increased by 2.4% hence the 10% reduction in solvency in the Quarter. **The strong liability growth reflects falling yields on long-dated gilts which are used as the proxy discount rate to value liabilities.** Hence lower yields result in higher liability values.

6.3 The relative position, over time, as 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 the 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

6.4 The broken lines plotted on **Appendix 3** shows the hypothetical impact of a return to the level of the index used to evaluate liabilities at March 2007 and the consequential effect on the level of the deficit; asset performance is assumed to be neutral for this exemplification. The slope of the Liability graph changes significantly after March 2007.

6.5 Clearly the Fund has no control over "liability growth" generated by market conditions. It must concentrate on the performance of its assets.

6.6 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 -7.8 % pa which is a slight drop from -7.6% pa as at 30 September. Just as importantly, the quarterly running return (which covers the period since the Triennial Valuation date) is 21.4% behind the Least Risk Portfolio.

6.7 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.

6.8 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.

6.9 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 January 2009 based upon the position at the end of December 2008. Details are provided in the spreadsheet at **Appendix 6**.

7.2 Although the volatility in the markets has contributed to both poor equity returns and poor fixed income returns the portfolio has not drifted very significantly from its strategic benchmark allocations at the end of the quarter. Notwithstanding the significant daily fluctuations in equity and bond markets there has been no further rebalancing necessary other than through UBS and the currency hedge account described in **paragraph 7.3**.

7.3 During the quarter £42.3m was moved from internal cash to the currency hedging account meet foreign currency hedging obligations payments. This was in part funded by a transfer of £25m from Credit Agricole into the cash account in January. A further £3.1m was transferred to UBS to meet margin payments on future contracts.

8.0 PROXY VOTING

8.1 Enclosed as a separate document is the report from PIRC summarising the proxy voting activity in the period October to December 2008. 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

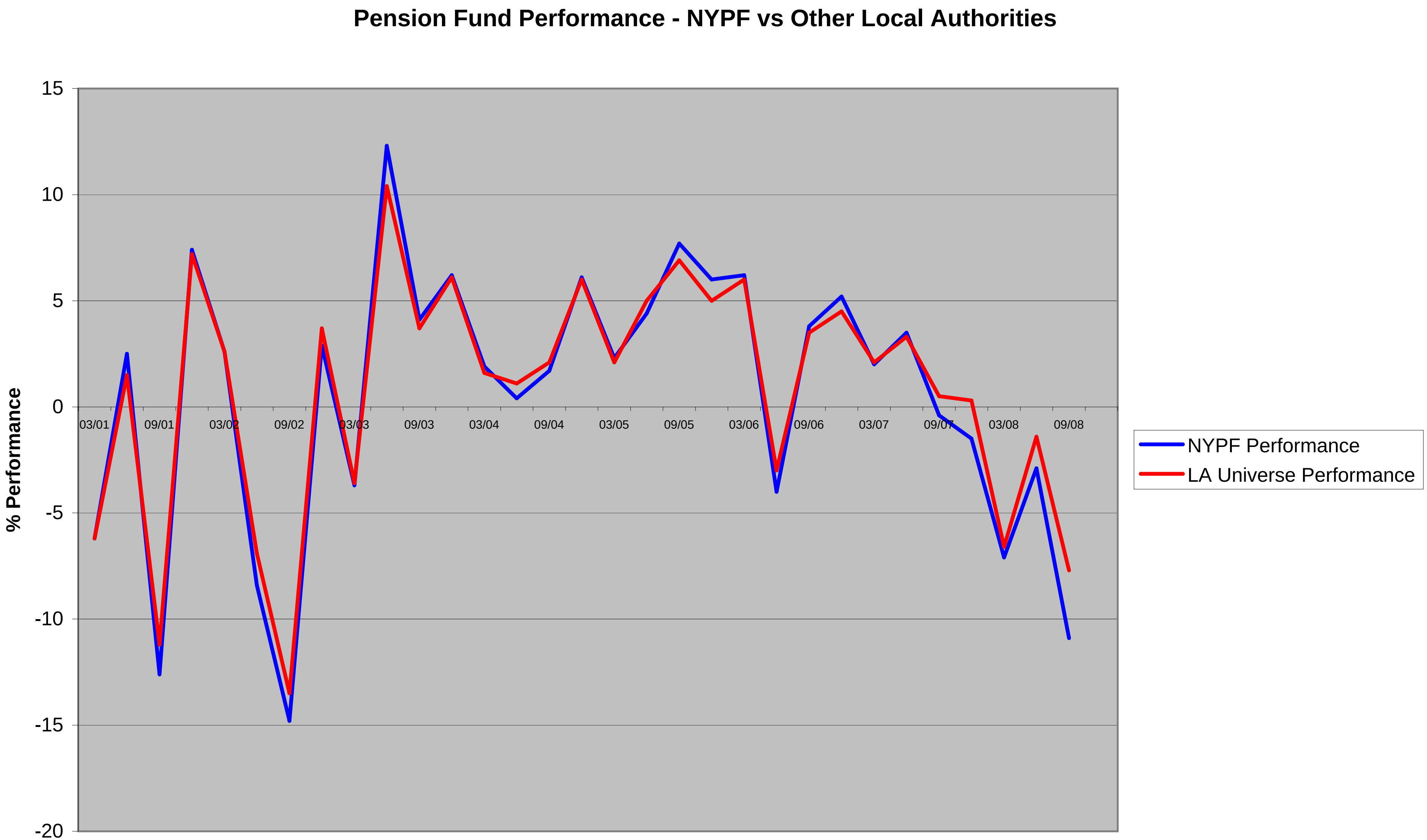
9.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 31 December 2008.

JOHN MOORE
Treasurer

Finance and Central Services
County Hall
Northallerton

5 February 2009

Background documents: None



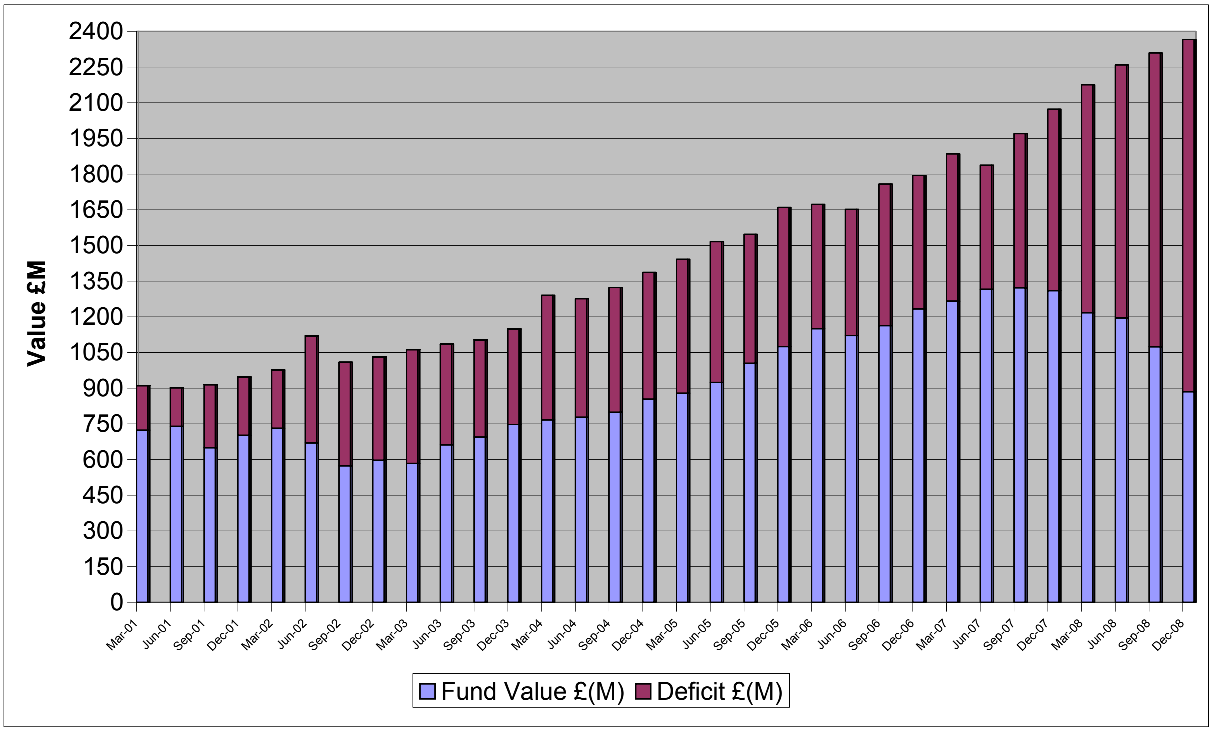
Pension Fund Performance - NYPF vs Other Local Authorities
15
10
5
0
-5
-10
-15
-20
% Performance
03/01
09/01
03/02
09/02
03/03
09/03
03/04
09/04
03/05
09/05
03/06
09/06
03/07
09/07
03/08
09/08
NYPF Performance
LA Universe Performance

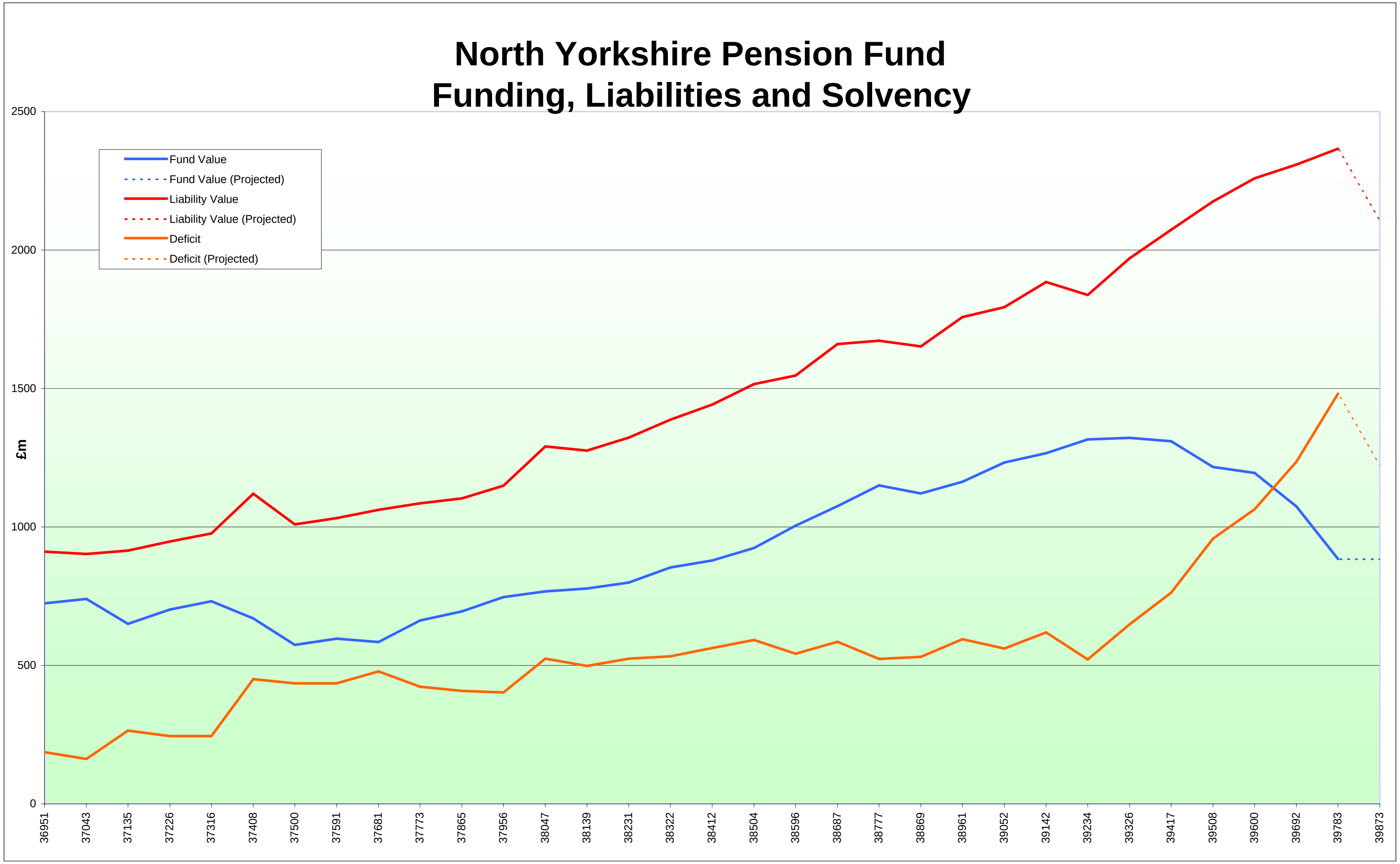
Actuarial Model of Quarterly Solvency Position

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

Triennial valuation results highlighted in yellow

Movement in Assets and Liabilities



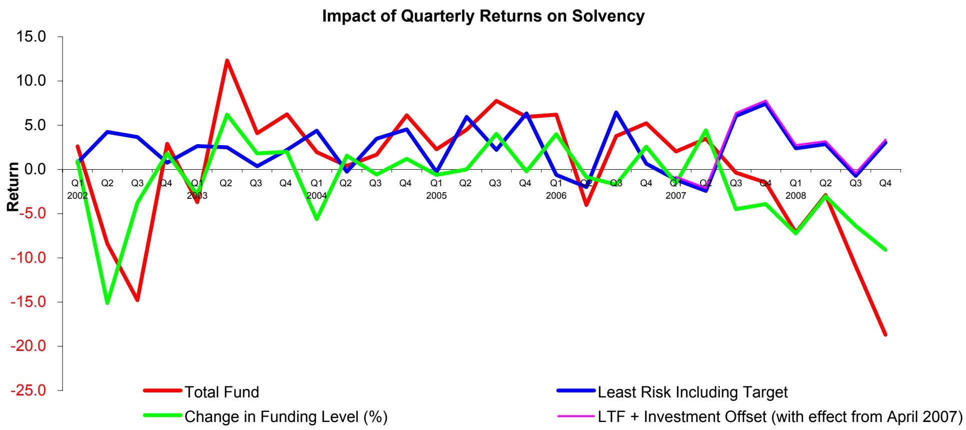

North Yorkshire Pension Fund
Funding, Liabilities and Solvency
£m
2500
2000
1500
1000
500
0
Fund Value
Fund Value (Projected)
Liability Value
Liability Value (Projected)
Deficit
Deficit (Projected)
36951
37043
37135
37226
37316
37408
37500
37591
37681
37773
37865
37956
38047
38139
38231
38322
38412
38504
38596
38687
38777
38869
38961
39052
39142
39234
39326
39417
39508
39600
39692
39783
39873

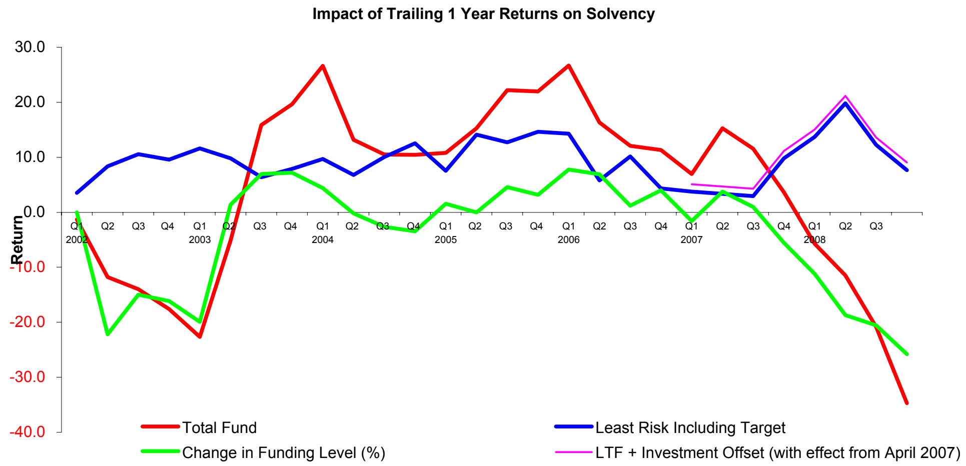
APPENDIX 3

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
3 Year Annualised Return	**-9.02**	**-1.22**	**-7.80**		**-9.02**	**5.84**	**-14.86**

* 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
Q4 2004	4.19	4.54		1.60	6.14
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

Trailing 1 Year Returns

	Least Risk BM	Least Risk Including Target	LTF + Investment Offset	Relative	Total Fund
Q4 2004	11.12	12.52		-2.09	10.43
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

REBALANCING OF NYPF ASSETS AS AT 31 DECEMBER 2008

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

After Rebalancing	
80.3%	705.10
22.6%	197.90
-2.9%	-25.43
100.0%	877.57

		31-Dec-08 Value		Target	+/- Allocation	Rebalanced		3% Tolerance Min		Max		Under	Over	Rebalancing (Jan)		
								97%		103%						
Global Equity Managers		£m	%		£m	£m	%	%	£m	%	£m					
Baillie Gifford Global Alpha		153.64	17.5%	14.9%	-16.7	136.98	15.6%	14.5%	126.84	15.3%	134.68	0.00	-18.96	0.00	153.64	17.5%
Baillie Gifford Global Growth		92.58	10.5%	9.0%	-9.8	82.74	9.4%	8.7%	76.61	9.3%	81.35	0.00	-11.23	0.00	92.58	10.5%
	(a)	246.22	28.1%	23.9%	-26.5	219.7	25.0%		203.45		216.03			0.00	246.22	28.1%
Global (ex UK) Equity Managers																
Fidelity		232.70	26.5%		-33.4	199.3	22.7%							0.00	232.70	
Hermes Europe		20.37	2.3%		0	20.4	2.3%							0.00	20.37	
	(b)	253.07	28.8%	23.9%	-33.4	219.7	25.0%	23.2%	203.45	24.6%	216.03	0.00	-37.04	0.00	253.07	28.8%
UK Equity Managers																
Standard Life		179.51	20.5%		39.5	219.0	25.0%							0.00	179.51	
Hermes UK		9.00	1.0%		0	9.0	1.0%							0.00	9.00	
Yorkshire Forward		0.91	0.1%		0	0.9	0.1%							0.00	0.91	
	(c)	189.42	21.6%	*24.9%*	39.5	228.9	26.1%	24.2%	211.96	25.6%	225.07	22.54	0.00	0.00	189.42	21.6%
Global Tactical Asset Allocation																
UBS	(d)	16.39	1.9%	*4.0%*	20.4	36.8	4.2%	3.9%	34.05	4.1%	36.16	17.66	0.00	0.00	16.39	1.9%
Equity sub-total	(a+b+c+d)=(e)	705.10	80.3%	**76.7%**	0.0	705.10	**80.3%**	74.4%	652.90	79.0%	693.29	0.00	-11.81	0.00	705.10	80.3%
Global Fixed Income Managers																
ECM		72.78	8.3%			72.8	8.3%							0.00	72.78	
CAAM		150.12	17.1%		-25.0	125.1	14.3%							-25.00	125.12	
Fixed Income sub-total	(f)	222.90	25.4%	**22.9%**	-25.0	197.90	**22.6%**	22.2%	194.93	23.6%	206.99	0.00	-15.91	-25.00	197.90	22.6%
Cash																
Internal Cash		-27.94			25.0	-2.94								25.00	-2.94	
Currency Hedge Cash		-22.49			0.0	-22.49									-22.49	
Cash sub-total	(g)	-50.43	-5.7%	**0.4%**	25.0	-25.43	-2.9%	0.4%	3.40	0.4%	3.62	53.83	0.00	25.00	-25.43	-2.9%
	(e+f+g)=(h)	**877.57**	**100.0%**	**100.0%**	**0.0**	**877.57**	**100.0%**									
RC Brown	(j)	1.24														
	(h+j)=(k)	878.81														
		878.81														

NORTH YORKSHIRE PENSION FUND

Meeting: 19th February 2009

1. *INVESTMENT RETURNS*

The table below shows total returns, expressed in sterling, on the major asset classes for the month to 31st January, the three months to 31st December 2008 and for the year to 31st December 2008.

	Market Returns		
	1st January to 31st January 2009 %	3 months to 31st December 2008 %	12 months to 31st December 2008 %
FTSE All-Share	-5.8	-10.2	-20.9
FTSE World Ex UK	-9.3	-2.6	-17.1
FTSE N. America	-8.2	-4.4	-13.3
FTSE Europe Ex UK	-13.8	-2.5	-24.0
FTSE Japan	-7.2	12.9	-1.1
FTSE Asia-Pacific Ex Japan	-8.4	-5.3	-31.0
MSCI Emerging Markets	-6.5	-27.6	-53.3
UK Gilts	-4.5	10.2	12.8
Overseas Bonds	-4.7	10.6	13.6
UK Index Linked	-0.8	-0.7	3.7
Cash	0.1	1.0	5.0

UK base rate was reduced four times in the December quarter to 1.5% and has since been reduced by a further 0.5% to 1.0%, the lowest rate since the establishment of The Bank of England in 1694. The Monetary Policy Committee (MPC) is now focused on the anticipation of a sharp decline in inflation from current high levels and fears of deflation by the second half of 2009.

The global banking and credit crisis has deepened, necessitating fresh responses from governments. The key objective – reviving bank lending to the domestic corporate sector – has not yet been achieved.

During the September quarter, gilt edged securities rose strongly in value. The yield on 10-year conventional gilts fell by 1.4% to 3.0%. The yield on 30-year gilts fell by a lesser 0.8% to 3.7%. Since 31st December, conditions have remained volatile and yields risen by 0.7% across the maturity spectrum. Index linked securities have been extraordinarily volatile. The real yield on 10-year index-linked gilts rose from 1.3% to 3.0% in the two months to end-November, before falling back to 1.6% at the quarter end. 30-year index linked gilts have been less volatile and the yield fell slightly to 0.65 at the quarter end.

UK equities gave a total return of -10.2% in the quarter as measured by the FTSE All Share Index, and have since declined a further. Again, volatility was very high and at one point the fall since end-September was 23.3%, before some recovery in December. As would be expected in these volatile conditions, there has been a wide dispersion of returns from different sectors. The worst performers have again been Basic Materials and Financials, while Oil and Gas, Healthcare and Telecoms have recorded gains over the quarter.

In the US, the Federal Reserve Open Market Committee (FOMC) moved in December to targeting zero interest rates (formally a target range for Fed. Funds of 0% to ¼%) The only weapon left at their disposal now is to print money (see below). US economic data releases have continued to show a sharply declining rate of activity and confidence

Global equity markets have all suffered further as the financial crisis has developed into a sharp economic contraction. All markets fell sharply in October, before clawing back some of the losses. The decline of sterling against other major currencies reduced the negative impact of these declines in sterling terms. The most prominent instance of this was in the case of Japan, where a 30% decline in Yen terms was more than offset by a 43% rise in the yen versus sterling.

2. ***INVESTMENT PERFORMANCE***

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

NYPF Total Fund Performance to December 2008

	3 months total return %	Rolling12 months total return %
NYPF	-18.7	34.7
Composite Benchmark	-5.2	-17.6

The most recent quarter has produced almost uniformly bad results, with several managers reporting the worst experience in their history. The results are examined in more detail below.

It is important to note that, in extreme conditions such as have been experienced lately, the details of performance calculations become more important. The BNY Mellon performance report calculates relative performance as portfolio%-benchmark% (P%-B%) – the arithmetic method. The correct method is to calculate (1+P%)/(1+B%)-1 – the geometric method. This report and those of the fund managers use the correct method, which has the effect of making their performance appear even worse. The distinction between the two methods makes negligible difference when the returns and relative returns are of the normal smaller magnitude, but in these turbulent times the difference is significant.

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

UK Equity Performance to December 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Standard Life	-19.9	-18.5	-42.3	-37.4
Hermes UK Focus Fund	-14.1	-10.2	-35.4	-29.9
RC Brown	-16.4	-10.2	-37.9	-29.9

SLI had another poor quarter's performance and are 7.8% below the benchmark for the 12 month period, compared with the ambitious target of +3%. As an example of the discrepancy explained above, BNY Mellon report this 12 month figure as -42.3% - 37.4% = 4.9%.

The unweighted SLI benchmark underperformed the All Share Index, by 7.5% in the December quarter, and remains well behind the traditional All Share measure over the last 12 months. The unweighted benchmark tends to do worse when small companies are underperforming large ones. The current credit crisis is making life disproportionately difficult for smaller companies, which are expected to experience more difficulty in obtaining finance from bankers and may not be able directly to access the capital markets.

SLI's performance continues to be adversely affected by holdings in banks, notably RBS and Barclays. Banks alone contributed -4.3% to performance in the quarter. On the other hand their holding of BP, which was a drag on performance in the previous quarter, contributed positively this time. A file note of a recent visit to SLI is attached as an appendix to this report.

The performance of the Hermes UK Focus Fund returned to negative territory in the recent quarter. The 12 month result is still very poor and it will be recalled that The Fund is rolling over its interest into the new Pan-European Focus Fund. In the midst of this the three most senior executives of Hermes Focus asset Management have left the company, following disagreement with the management of Hermes. We are investigating the alternatives for NYPF to exit the Focus funds altogether. A statement from Hermes concerning the management changes is attached as an appendix to this report.

Turning to overseas equities, the next table overleaf shows the performance of the portfolios. Barclays Global Investors were replaced by Fidelity at the end of October and therefore the Fidelity performance is for two months only. Fidelity and Baillie Gifford operate to slightly differing mandates, which are detailed in the footnotes to the table. Hermes European Focus Fund continues to be measured against the FTSE World Europe ex-UK index.

Overseas Equity Performance to December 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Fidelity	11.4	11.1*	N/A	N/A
Baillie Gifford Global Alpha	-7.9	-3.6**	-22.7	-19.0
Baillie Gifford LTGG	-10.1	-3.6**	-28.1	-19.0
Hermes European Focus Fund	-16.2	-2.5	-45.0	-24.4

** 2 months only Benchmark Index: Bespoke, global ex-UK. Performance Target +2%*
*** Benchmark Index: FTSE All World. Performance Target +3%*

Fidelity have made a modestly positive start, but it is far too early to offer any meaningful comment.

Both the Baillie Gifford portfolios performed very poorly in the December quarter and in both cases the 12 month performance is significantly below the benchmark. While it is not entirely surprising that Baillie Gifford should underperform in these difficult markets with the pronounced investor bias towards defensive stocks, there must be some question about their ability to adapt to a fundamentally changed environment. Both Baillie Gifford funds were adversely affected by exposure to energy companies in emerging markets, notably Petrobras and Gazprom.

Baillie Gifford have for a long time been a growth and quality orientated investment manager. Clearly they cannot ignore the current climate and are having to adapt their skills to cope with conditions of low or negative economic growth around the world. This is not proving easy and of course they will not want to lose sight of the words "Long Term". A file note of a recent visit to Baillie Gifford is attached as an appendix to this report.

The Hermes European Focus Fund has had an extremely bad quarter in conditions which were very unfavourable to their investment philosophy. (See the comments on Hermes above and the statement in the appendix).

The next table below shows the performance of the global fixed income managers for the quarter and for 12 months to 31st December 2008.

Global Bond Performance - to December 2008

	3 months % Total Return	12 months % Total Return
European Credit Management	-37.6	-48.3
Credit Agricole Asset Management	6.1	5.2
NYPF Least Risk Benchmark	2.7	6.3

The mark to market performance of ECM's portfolios gets worse and worse. I wrote in my last report that "mark to market" pricing is giving a completely misleading impression of the value of portfolios. Quite simply, there is no market to which prices can be marked. In the absence of a functioning market, some arbitrary price has to be applied and the independent providers of prices are erring constantly on the side of caution, for fear of being thought to favour asset managers.

The key question is – how much permanent impairment is there to NYPF's assets. There will be some defaults. However, the pricing of bonds discounts default rates of around 20% – 25% for investment grade bonds, with zero recovery. Historically, default rates have been less than 5% and recovery has typically been over 50%. The other potential source of permanent impairment is gearing. The portfolio has suffered geared negative performance in the downturn, but may not recover commensurately if gearing remains low or financing is not available. ECM have been asked to address the question of permanent damage when they attend on 20th February.

In the only bright spot in this report, CAAM achieved strong performance in the December quarter and have recovered most of the underperformance from the rest of 2008. Most of CAAM's long held positions contributed positively to performance. One notable decision was to reduce sharply the mismatch between the portfolio and its index-linked benchmark. This was executed in early October after index-linked gilts had fallen heavily and protected the portfolio from the subsequent rally in the index-linked market.

Global Tactical Asset Allocation Performance to December 2008

The GTAA mandate invests in the UBS Market Absolute Return Strategy (MARS) and the UBS Currency Absolute Return Strategy (CARS) in the ratio 2:1 respectively. Together with these positions equity derivative futures are held to replicate global equity exposure on the underlying £50m invested.

The table below shows the performance of the component parts of the GTAA portfolio compared with the indices against which each is benchmarked. During the quarter, the market based strategy maintained its long equities positions and added exposure to US Dollar high yield debt. More than half the loss of value in the quarter was accounted for by long equity exposure, with further negative contributions from real estate and credit

	3 months % Total Return		12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
UBS MARS Fund	-81.1	1.0[1]	-88.7	5.2[1]
UBS CARS Fund	31.6	1.0[1]	116.7	5.2[1]
Combined MARS/CARS portfolio	-50.5	1.0[1]	-55.4	5.2[1]
Equity Derivatives	-3.1	-2.9[2]	-15.5	-17.8[2]

[1] 1 month sterling deposits [2] FTSE All World Developed Equities

The CARS fund had another very good result as "carry" trades unwound further, benefiting long positions in Yen and Swiss Francs. UBS judge that most of the misalignments of currency value have now been corrected and they have considerably reduced the active risk of the CARS fund. CARS is a long way ahead of benchmark over the last 12 months.

Now that risk has been reduced, the CARS fund cannot be expected to contribute strongly to performance as it has done over the last 12 months. This makes it all the more vital that a recovery in the performance of the MARS fund is delivered from this point.

[Drafting Marker]

3. ECONOMIC AND MARKET OUTLOOK

I summarise my views as follows:-

- The Bank of England Monetary Policy Committee (MPC) has virtually run out of road in terms of interest rate policy. As in the US (see below) the only measure which might be used, and about which there is much debate, is so-called "quantitative easing". This is a polite term for printing money. The technical details concerning the implementation of such a policy vary, but they all amount to the same thing – a very large increase in the monetary base, in the hope that some of the money created finds its way into the hands of those whose plight the authorities wish to alleviate. Inflation remains above the government's target, but is now expected to fall rapidly next year and some forecasters expect prices to fall by 4% or more this year.

- Fiscal policy is being strenuously deployed to head off recessionary forces; or is completely out of control, depending on which side of the political debate one is on. Part of the problem, in both the US and the UK, is that a whole series of measures has been taken, adding to the complexity of the situation and making calm analysis near impossible. This is not really a criticism of the authorities; the nature and severity of the crisis is unprecedented and the speed with which it has developed is so terrifying that it is natural to pull a lot of levers and hope that one works.

- In the 1930s a financial collapse, not unlike the one we have now, engendered an economic crisis, which was both long and painful. It is generally accepted that the authorities' response, especially in monetary policy was gravely in error. However, a further massive blow to the world economy came from the lurch towards protectionism, characterised in folk memory by the infamous Smoot-Hawley Tariff Act of 1930. Similar calls for trade protection are to be heard today, so that even the Obama presidency is thought to be under such influences.

- Perhaps though, an even greater danger may come from financial protectionism. The global connections between financial institutions in this electronic age are more complex, more far-reaching and much faster-acting than anything we had in the 1930s. Thus we have found, for instance, that UK banks were funded substantially through wholesale deposits from foreign counterparties. The withdrawal of much of this support is one of the reasons why the UK financial and economic experience is worse than that of many other developed countries. In the UK there have been many calls for the banks, now under public control as never before, to prioritise lending to "British" companies. This, of course, is not an attitude confined to the UK and threatens to exacerbate the painful deleveraging of the global financial system.

- In the US, the Federal Reserve has used all of its ammunition in terms of interest rate reductions. There too the printing presses may roll soon. Indeed, in 2002 the thoughtful Prof. Bernanke, now Chairman of The Federal Reserve, provided us with a road map indicating the way out of a deflationary trap. Prof. Bernanke is the leading academic authority on the history of the Great Depression of the 1930s.

- The ECB, which has shown itself much less willing to loosen policy in response to this crisis. The strength of the Euro is one of the consequences of this policy. Even though some continental European banks became caught up in the frenzy of leveraged debt, the overall position of the European financial system seems a little sounder than that of the Anglo-Saxon economies.

- A significant risk will arise if the current policy of massive fiscal and monetary stimulus actually starts to succeed. At that point the financial system would start to translate the expansion of the monetary base into an expansion of credit and spending power. This would risk the return of inflation. The risk of a policy misjudgement is very high; the authorities have a poor record in reining in liquidity in these circumstances.

- Equity markets have suffered terrible damage. How great the damage to company earnings is and how long it will be before they can start to recover are unknowns, but the current level of markets discounts a very harsh climate for this year and perhaps next.

- One of the categories which looks even more oversold is private sector debt. Long term studies and financial models attribute a return to equity in the region of 6% real (i.e. after inflation). Corporate bonds, bank capital and asset-backed securities are offering returns in excess of 10%, with inflation currently on a steep downward trend.

SUMMARY

- Despite best efforts, the world financial system is still in crisis.

- Cutting interest rates has not helped and will not do so. The price of credit is not the problem.

- The use of "unconventional" monetary measures may help, but carries serious long term risks.

- Protectionism is a threat – to trade, but also to the global financial system.

- Equity markets may be cheap now, but if that is the case then private sector debt must be also.

- The system that emerges from this crisis will be different – and it will take time.

P.J. Williams

9th January 2009

Appendix 1

FILE NOTE

FROM: PHILIP WILLIAMS

SUBJECT: MEETINGS WITH MANAGERS AND CUSTODIAN

DATE: 29TH JANUARY 2009

Tom Morrison and PJW held two meetings in Edinburgh on 29th January 2009.

1. **Standard Life Investments**

The meeting was in two parts, the first covering Standard Life's (SLI's) position, their recent investment performance and the outlook for the portfolio. The second part was a discursive discussion, over a sandwich lunch, of the strategic investment outlook.

We saw David Cumming and Dale MacLennan of the investment team, together with Fiona Ross, the client service director on the NYPF account.

Ownership and Related Matters

SLI continue as the asset management subsidiary of the stable, quoted Standard Life Assurance Co. SLI would remain profitable should equity markets fall by approximately a further 40%; the capital position is sound. Headcount has not altered significantly. There have been some departures, but there were 8 new hires in 2008.

SLI are unlikely to make corporate acquisitions, but do see merit, in current circumstances, in acquiring people instead of companies. They are beefing up their global credit capability in Boston and improving their control environment.

Philosophy and Investment Beliefs

SLI continue to analyse companies from the bottom up, concentrating on long term cash flow prospects. They do not believe they can gain an edge from macro analysis. They continue to believe that access to top executives at UK companies is part of their competitive advantage.

This last point is slightly contentious, in these days of heavily policed corporate communication. Also there is the risk of being captivated by charismatic businessmen (were SLI too close To Sir Fred Goodwin of RBS? – many of their detractors think so).

Performance

David Cumming had apologised at the very beginning of the meeting for poor performance. SLI were -1.5% vs. their benchmark for 2008 Q4 and -7.8% for the calendar year.

They admitted that their worst mistake had been to underestimate the amount of leverage in the banking sector. In addition they were over-exposed to economically sensitive stocks when the economy hit the buffers in September.

The unweighted benchmark used for the SLI mandate had significantly underperformed the All-Share index This was to be expected in a period when markets were falling and lack of liquidity was (and continues to be) a big problem. However, fortuitously, the benchmark had the effect of reducing the amount SLI had invested in the banks, which, even in the last quarter, were still large components of the capitalisation weighted All-Share index.

Outlook

SLI believe that the velocity of money, having declined during this crisis, will not recover to previous levels. Also the packaging of investment products is yesterday's game. They pointed out that the FTSE 100 index is no higher now than 12 years ago in capital terms.

SLI see opportunities in a number of financial sectors, notably property.

Tom asked how far forward we must look before rationality regains traction in the UK market. SLI expected the prevailing market conditions to continue to challenge their bottom-up stock selection strategy for some months, although anticipated a return to a more stable market environment some time into the second half of 2009, along with a return to form. Tom's concern was that this implied little prospect of any "good news" for the next two or three quarters.

2. **Baillie Gifford**

We saw our usual contacts, Nigel Morecroft and Anthony Dickson, plus Charles Plowden. Joint Senior Partner and manager of Global Alpha and Mark Urquhart, manager of Long Term Global Growth (LTGG).

Ownership and Related Matters

Baillie Gifford (BG) confirmed that they remain wholly self-owned and managed as an unlimited partnership. They have no plans to make acquisitions. The firm is stable, with assets under management of about £1.5bn. AUM in UK markets fell in 2008, but were balanced by increases in overseas assets. Headcount is also stable at around 610. They are adding new entrants as normal, hiring 8 to 12 graduates per annum. BG would remain profitable if markets were to fall by about one third from current levels.

Philosophy and Investment Beliefs

BG continue to believe in selecting stocks for growth and quality, using bottom-up analysis. They believe that equities are the prime medium for participating in growth. PJW asked how this would work in an environment where there **is** no growth . In response BG said that was where the bottom-up analysis is so important, because even in the hardest times, there is some growth to be found.

Paradoxically, they felt that growth managers struggle when there is a lot of growth around, because growth stocks lose their premium to the rest of the market. In the current climate, growth is much scarcer, but it is cheaply rated, because of the general loss of confidence.

In answer to some questions, BG said that markets are not really efficient. They agreed that dividends are very important and said that there is some evidence that, contrary to myth, dividend payers grow more quickly than average.

Performance

Recent performance of the two portfolios is as follows:-

Global Alpha

	Portfolio %	Benchmark %	Relative Performance %
3 mths. to Dec. 2008	-7.9	-3.6	-4.3
12 mths. to Dec. 2008	-22.7	-19.3	-3.4

LTGG

	Portfolio %	Benchmark %	Relative Performance %
3 mths. to Dec. 2008	-10.1	-3.6	-6.5
Inception. to Dec. 2008	-6.0	-3.6	-2.4

These are not good numbers and, while BG's long term record is good and their stability as a firm are positive factors, we need to monitor them closely in the current difficult economic conditions.

Appendix 2

Hermes Focus Funds business update   7 January 2009

Overview

Further to the Focus Funds transition update on 19 December 2008, we can now clarify some business developments.

Against the backdrop of extreme market stress, Hermes Fund Managers ("Hermes") felt it was appropriate to analyse the operations of the Focus Funds, to ensure that they were best placed to deliver outperformance for clients going forward. Having done so, the conclusion is that both the Hermes Specialist UK Focus Fund ("SUKFF") and the Nissay Hermes Stewardship Fund ("NHSF") are well placed to capitalise on market opportunities. However, given the significant recent underperformance of the Hermes European Focus Fund ("HEFF"), some further analysis was undertaken. The current market environment also led Hermes, in conjunction with Focus Fund management, to review the launch of the Focus Funds business as a Limited Liability Partnership ("LLP"). Hermes firmly believes that activist investing remains an essential value enhancing equity strategy especially in view of market conditions which present substantial opportunities to generate investment outperformance through activism.

BTPS also remains a strong supporter of the activist strategy and has made an increased commitment to the Specialist UK Focus Fund (managed by Paul Harrison and his team). Three other clients have also increased their commitment to this Fund. BTPS remains a cornerstone investor in the NHSF, which has added two senior advisors to its Tokyo-based team and plans to add assets and thus further engagement power to the fund during 2009.

Focus Funds' business structure

We already informed you that the planned transition of the Focus Fund operations to a LLP structure was delayed. Given the impact of the changed environment on the business since we first announced our plans, and that our priority is delivering investment performance for clients, Hermes has agreed with Focus Fund management, that these plans be put on hold for now. The Focus Funds businesses will remain as 100% owned subsidiaries of Hermes, and we will look at ways of simplifying the operating structures (currently two separate holding companies for Focus Funds business) in due course. We believe the delay in launching the LLP is in the best interest of clients at this point in time and we remain committed to developing the business as an investment boutique at an appropriate time in the future.

Hermes European Focus Fund

The result of the Hermes analysis was that the deterioration in performance is attributable to a number of related issues:

+ **Certain stocks particularly affected by the environment**: the activist style of investment has been disproportionately hit during recent market conditions and a number of stocks have been marked down substantially, especially in light of the deteriorating macroeconomic expectations.

+ **Size factor**: small and mid cap stocks have been affected more severely than larger cap stocks during the credit crunch.

+ **Hedge fund selling**: share price declines have been further exaggerated as distressed hedge funds have de-leveraged and received calls for redemptions, becoming forced sellers.

The overall result is that the portfolio has substantially underperformed versus the benchmark.

Focus Funds management changes

As a consequence of the LLP being postponed and the deterioration in the performance of HEFF, the following management changes will result. We are pleased to announce that John Havranek (biography attached), who has substantial activist, investment and business experience will take over responsibility for the management of Hermes Focus Asset Management Europe Ltd ("HFAME") and become its CEO, with full executive responsibility for the Fund, during January 2009*. John Havranek joins from Henderson where he ran a Pan-European activist fund. He has considerable experience as an investment analyst and spent 6 years at PricewaterhouseCoopers as a business recovery specialist. John will be keen to introduce himself to all clients in the near future. He is currently reviewing all aspects of HEFF and his intention will be to clarify any changes that may be desirable to HEFF processes as soon as possible. He will discuss these with clients during Q1 2009.

John will replace Stephan Howaldt (CEO) and Wouter Rosingh (Managing Director) who are leaving Hermes. Bertrand Biragnet (Investment Director) will also be leaving Hermes. Please note that Stephan, Wouter and Bertrand will continue to be involved with the business, as necessary, until 31 March 2009, to assist John and his team with a smooth transition. Maarten Wildschut will be promoted to Investment Director of HFAME. Maarten joined HFAME in 2005 and has 7 years prior European investment management experience.

In addition to Paul Harrison's main role as Managing Director of SUKFF, I am pleased to announce that he will become CEO of Hermes Focus Asset Management Ltd, replacing John Leach who retired from Hermes on 31 December 2008. Between them, Paul and John Havranek will be responsible for the day to day management of the Focus Funds business, reporting to me. To ensure we maximise the cross fertilization of investment ideas and leverage best practise between the Funds, Paul will join the HFAME Board and John Havranek will join the HFAM Board; and Nigel Davies (who is part of the investment Review Group of the Nissay Hermes Stewardship Fund) will sit on the Investment Committee of HFAME and Maarten Wildschut will sit on the SUKFF Investment Committee. *(Please note that personnel changes are subject to Financial Services Authority approval where necessary).

Investment universes and benchmarks

As approved by clients, the following changes have taken effect from 1 January 2009.
The Specialist UK Focus Fund now invests in both mid cap as well as small cap UK stocks and has adopted its new benchmark (FTSE Small Cap ex-Investment Trusts Total Return Index and FTSE 250 ex-Investment Trusts Total Return Index (weighted 50/50)). HEFF will be managed on a Pan-European basis and the benchmark has changed (to FTSE World Series Europe Total Return Index) in recognition of this.

UK Focus Fund transition

Following a distribution on 2 January 2009, please note that the UK Focus Fund transition team plan to make a further cash distribution on 2 February 2009. We will provide you with a further update on this transition and the cash amount by Friday 23 January 2009.

Liquidity options for European Focus Fund

As a reminder, your next possibility to withdraw your investment from the Hermes European Focus Fund is at 31 December 2009, subject to 90 days written notice (effectively end September 2009).

Conclusion

Hermes looks forward to working with clients through these changes and will look to ensure that we capitalise on opportunities to deliver the best possible performance from the activist asset class. We value your support for the strategy and your investment with Hermes.

If you have any questions regarding this, then please speak with your usual client relationship contacts (Mark O'Connor (+44 20 7680 2372)/Cathy Scott (+44 20 7680 2369)/Marlon Sahetapy (+44 20 7860 3759)) or I would be very happy to speak with you directly.

Yours sincerely

Rupert Clarke
Chief Executive Officer
Hermes Fund Managers

BNY MELLON
ASSET SERVICING

North Yorkshire Pension Fund

Summary Performance Report
to 31 December 2008

Ref. 13956/400556

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ASSET SERVICING

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Glossary of terms

A glossary of terms used in this report can be found in the Online Reports area of our website.

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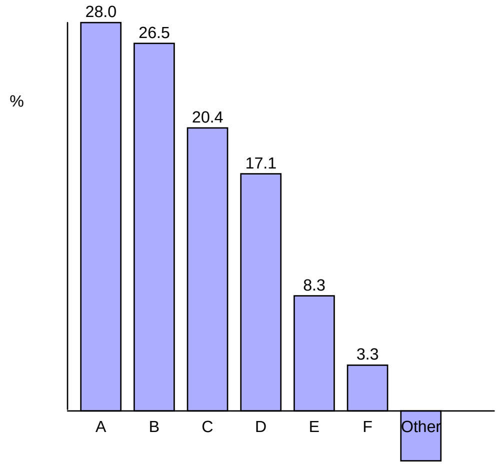
Manager Structure to 31 December 2008

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 2008.

All monetary values are quoted in millions.

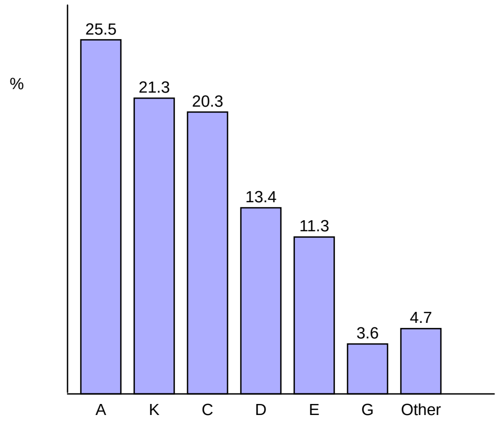
Managers as at 31 December 2008



Manager	Brief	End Market Value
(B) FIL Inv Ser UK	Global Equities	232.695
(C) Standard Life	UK Equities	179.508
(A) Baillie Gifford	Global Equities	153.644
(D) Credit Agricole AM	Global Bonds	150.116
(A) Baillie Gifford	LTGG	92.582
(E) European Credit Mgmt	Global Bonds	72.780
(F) Hermes Investment	European Equities	20.369
UBS	Global Tactical Asset Allocation	16.389
(F) Hermes Investment	UK Equities	9.000
(H) RC Brown Investment	UK Equities	1.235
(I) Yorkshire & Humber	UK Equities	0.908
(J) Internal	MTMS Account	-0.003
(J) Internal	Hedged	-22.481
(J) Internal	Cash	-27.938
Fund	**Multi-Asset**	**878.805**

Manager Structure to 31 December 2008

Managers as at 30 June 2008



Manager	Brief	End Market Value
(K) BGI	Global ex UK Equities	252.843
(C) Standard Life	UK Equities	240.948
(A) Baillie Gifford	Global Equities	184.299
(D) Credit Agricole AM	Global Bonds	158.921
(E) European Credit Mgmt	Global Bonds	134.686
(A) Baillie Gifford	LTGG	119.308
UBS	Global Tactical Asset Allocation	42.915
(F) Hermes Investment	European Equities	25.403
(F) Hermes Investment	UK Equities	16.608
(J) Internal	Cash	7.629
(J) Internal	Hedged	3.768
(H) RC Brown Investment	UK Equities	1.777
(I) Yorkshire & Humber	UK Equities	0.307
(J) Internal	MTMS Account	0.000
Fund	**Multi-Asset**	**1189.412**

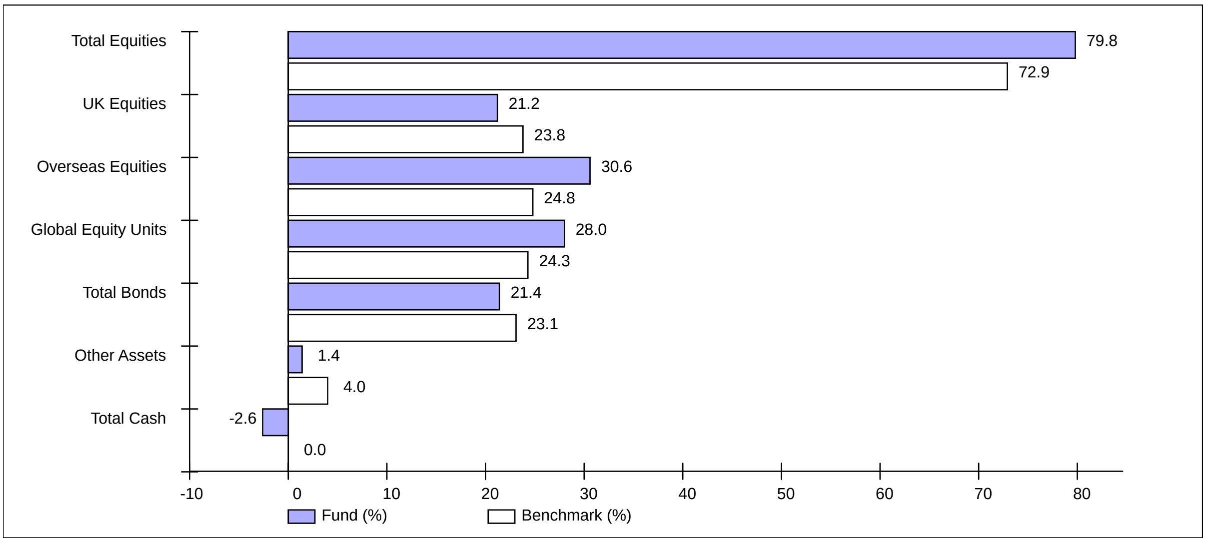
Benchmark Summary to 31 December 2008

The current benchmark for the fund is described below. It has been in place since 1 November 2008 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
European Equities	0.540	FTSE-W Europe ex UK
UK Equities	0.460	FTSE All-Share

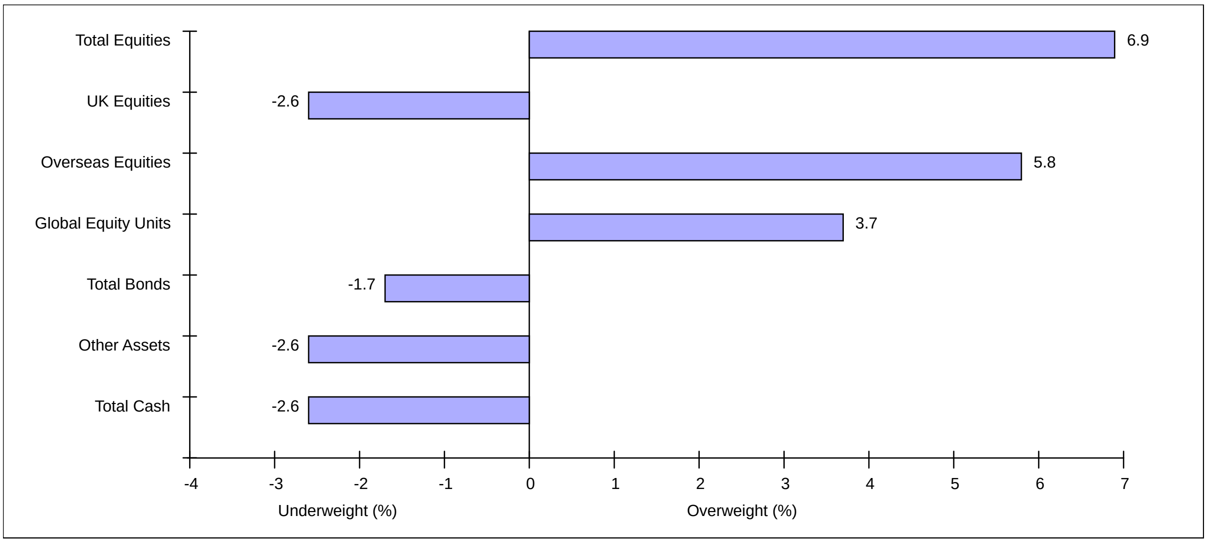
Note 'Total Equities' refers to the Global Tactical Asset Allocation portion of the fund benchmark.

The chart below compares the asset distribution of the fund to the benchmark as at 31 December 2008.



Benchmark Summary to 31 December 2008

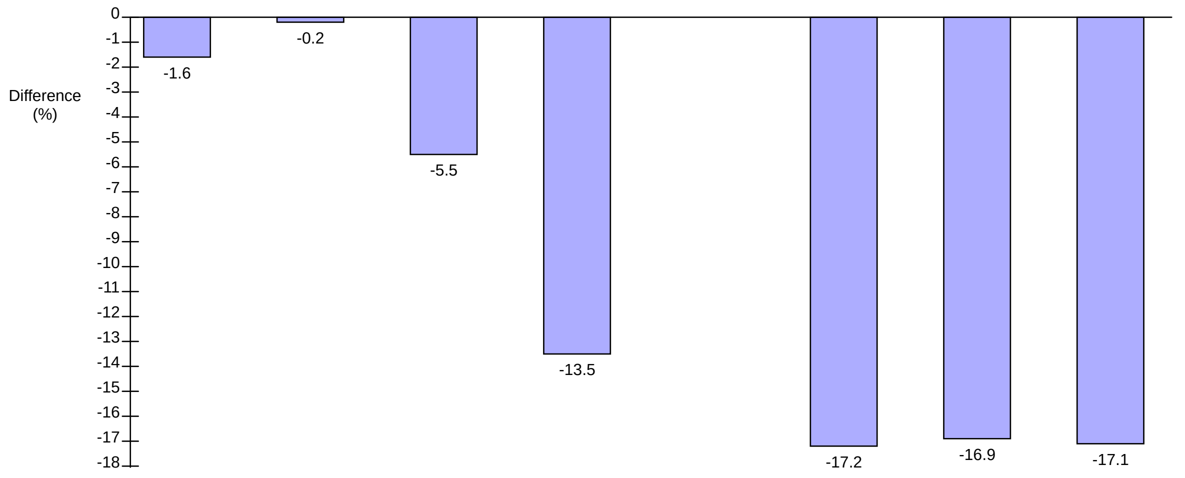
The following chart shows the fund's under/overweight position relative to the benchmark as at 31 December 2008.



BNY MELLON ASSET SERVICING

Short-term Overview to 31 December 2008

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



	Individual quarters ending				Periods to 31 December 2008		
	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08	6 Months	9 Months	12 Months
Fund	-7.1	-2.9	-10.9	-18.7	-27.6	-29.7	-34.7
Benchmark	-5.5	-2.7	-5.4	-5.2	-10.4	-12.8	-17.6

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

	Individual quarters ending				Periods to 31 December 2008		
	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08	6 Months	9 Months	12 Months
BGI : Global ex UK Equities							
Portfolio	-7.6	-2.1	-7.6	-	-	-	-
Benchmark	-8.8	-2.1	-4.1	-	-	-	-
Difference	1.2	0.0	-3.5	-	-	-	-
Baillie Gifford : Global Equities							
Portfolio	-8.2	1.1	-9.5	-7.9	-16.6	-15.7	-22.7
Benchmark	-8.7	-1.7	-5.9	-3.3	-9.0	-10.5	-18.3
Difference	0.5	2.8	-3.6	-4.6	-7.6	-5.2	-4.4
Baillie Gifford : LTGG							
Portfolio	-8.6	1.4	-13.7	-10.1	-22.4	-21.3	-28.1
Benchmark	-8.7	-1.7	-5.9	-3.3	-9.0	-10.5	-18.3
Difference	0.1	3.1	-7.8	-6.8	-13.4	-10.8	-9.8
Credit Agricole AM : Global Bonds							
Portfolio	0.5	-0.4	-1.1	6.1	5.0	4.6	5.2
Benchmark	2.1	2.5	-1.1	2.7	1.6	4.1	6.3
Difference	-1.6	-2.9	0.0	3.4	3.4	0.5	-1.1

BNY MELLON
ASSET SERVICING

Short-term Overview to 31 December 2008

	Individual quarters ending				Periods to 31 December 2008		
	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08	6 Months	9 Months	12 Months
European Credit Mgmt : Global Bonds							
Portfolio	-10.1	6.5	-13.4	-37.6	-46.0	-42.4	-48.3
Benchmark	2.1	2.5	-1.1	2.7	1.6	4.1	6.3
Difference	-12.2	4.0	-12.3	-40.3	-47.6	-46.5	-54.6
FIL Inv Ser UK : Global Equities							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-3.0	-	-	-
Difference	-	-	-	-	-	-	-
Hermes Investment : European Equities							
Portfolio	-11.2	-4.6	-22.5	-16.2	-35.1	-38.0	-45.0
Benchmark	-7.5	-5.5	-11.2	-2.5	-13.5	-18.3	-24.4
Difference	-3.7	0.9	-11.3	-13.7	-21.6	-19.7	-20.6
Hermes Investment : UK Equities							
Portfolio	-13.0	-4.8	-9.2	-14.1	-21.9	-25.7	-35.4
Benchmark	-9.9	-1.4	-12.2	-10.2	-21.1	-22.3	-29.9
Difference	-3.1	-3.4	3.0	-3.9	-0.8	-3.4	-5.5
Internal : Cash							
Portfolio	1.9	1.4	1.5	0.0	1.5	2.9	4.9
Benchmark	1.3	1.2	1.2	0.8	2.1	3.4	4.7
Difference	0.6	0.2	0.3	-0.8	-0.6	-0.5	0.2
Internal : Hedged							
Portfolio	-96.4	319.9	-361.6	-80.8	-150.3	-311.0	-107.7
Benchmark	1.3	1.2	1.2	0.8	2.1	3.4	4.7
Difference	-97.7	318.7	-362.8	-81.6	-152.4	-314.4	-112.4
Internal : MTMS Account							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-
RC Brown Investment : UK Equities							
Portfolio	-10.6	-0.1	-16.8	-16.4	-30.5	-30.5	-37.9
Benchmark	-9.9	-1.4	-12.2	-10.2	-21.1	-22.3	-29.9
Difference	-0.7	1.3	-4.6	-6.2	-9.4	-8.2	-8.0
Standard Life : UK Equities							
Portfolio	-5.1	-12.2	-13.5	-19.9	-30.7	-39.2	-42.3
Benchmark	-5.6	-9.4	-10.1	-18.5	-26.8	-33.7	-37.4
Difference	0.5	-2.8	-3.4	-1.4	-3.9	-5.5	-4.9

BNY MELLON
ASSET SERVICING

Short-term Overview to 31 December 2008

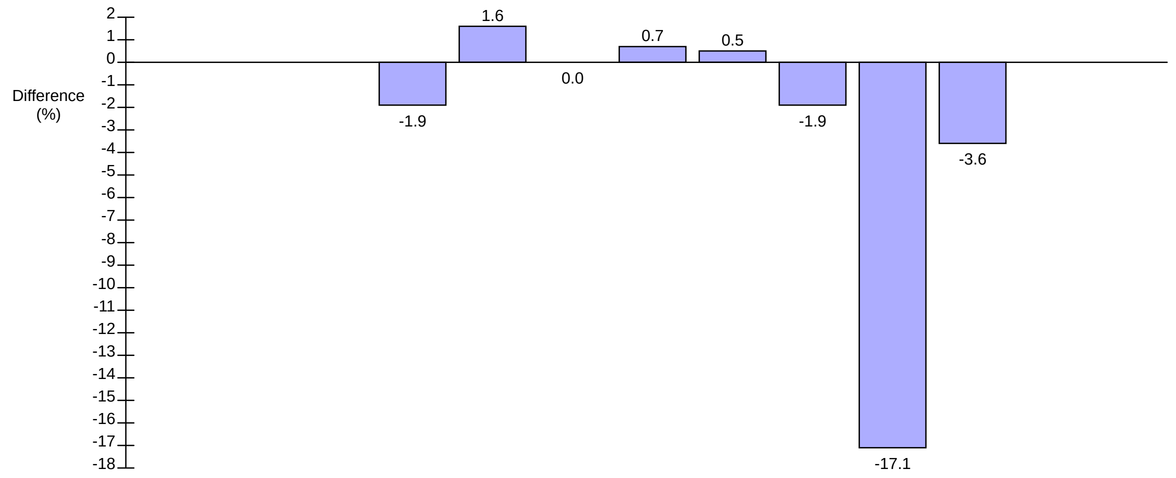
	Individual quarters ending				Periods to 31 December 2008		
	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08	6 Months	9 Months	12 Months
UBS : Global Tactical Asset Allocation							
Portfolio	-0.7	-19.2	-14.0	-62.0	-67.3	-73.6	-73.8
Benchmark	-8.9	-1.9	-4.9	-2.8	-7.5	-9.3	-17.4
Difference	8.2	-17.3	-9.1	-59.2	-59.8	-64.3	-56.4
Yorkshire & Humber : UK Equities							
Portfolio	0.0	2.5	0.0	0.0	0.0	2.5	2.5
Benchmark	-9.9	-1.4	-12.2	-10.2	-21.1	-22.3	-29.9
Difference	9.9	3.9	12.2	10.2	21.1	24.8	32.4

Market values and cash flows for the fund are shown below for the quarter ending 31 December 2008. All monetary figures are quoted in millions.

	Start Value	%	Net Invest.	Income	Capital gain/loss	End Value	%
Baillie Gifford : Global Equities	166.828	15.6	-0.016	0.003	-13.168	153.644	17.5
Baillie Gifford : LTGG	102.950	9.6	0.000	0.000	-10.368	92.582	10.5
Credit Agricole AM : Global Bonds	147.794	13.8	-12.116	-9.038	14.438	150.116	17.1
European Credit Mgmt : Global Bonds	116.690	10.9	0.000	0.000	-43.910	72.780	8.3
FIL Inv Ser UK : Global Equities	0.000	0.0	197.376	0.490	35.319	232.695	26.5
Hermes Investment : European Equities	19.677	1.8	4.615	0.000	-3.923	20.369	2.3
Hermes Investment : UK Equities	15.088	1.4	-4.615	0.000	-1.473	9.000	1.0
Internal : Cash	0.286	0.0	-56.301	0.000	28.077	-27.938	-3.2
Internal : Hedged	-8.716	-0.8	43.304	0.000	-57.069	-22.481	-2.6
Internal : MTMS Account	240.340	22.5	-194.517	0.595	-45.826	-0.003	0.0
RC Brown Investment : UK Equities	1.478	0.1	-0.132	0.013	-0.111	1.235	0.1
Standard Life : UK Equities	223.961	21.0	0.623	2.505	-45.076	179.508	20.4
UBS : Global Tactical Asset Allocation	40.483	3.8	2.616	0.057	-26.710	16.389	1.9
Yorkshire & Humber : UK Equities	0.607	0.1	0.000	-0.300	0.301	0.908	0.1
Other	0.028	0.2	-0.030	-	-	-	-
Fund	**1067.494**	**100.0**	**-19.193**	**-5.672**	**-169.496**	**878.805**	**100.0**

Long-term Overview to 31 December 2008

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



	Individual years ending 31 December										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	7 years
Fund	-	-	-	-17.6	19.6	10.4	22.0	11.3	3.6	-34.7	0.0
Benchmark	-	-	-	-15.7	18.0	10.4	21.3	10.8	5.5	-17.6	3.6

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

	Individual years ending 31 December										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	7 years
BGI : Global ex UK Equities											
Portfolio	-	-	-	-	-	-	-	-	4.3	-	-
Benchmark	-	-	-	-	-	-	-	-	8.2	-	-
Difference	-	-	-	-	-	-	-	-	-3.9	-	-
Baillie Gifford : Global Equities											
Portfolio	-	-	-	-	-	-	-	-	9.7	-22.7	-
Benchmark	-	-	-	-	-	-	-	-	9.3	-18.3	-
Difference	-	-	-	-	-	-	-	-	0.4	-4.4	-
Baillie Gifford : LTGG											
Portfolio	-	-	-	-	-	-	-	-	16.2	-28.1	-
Benchmark	-	-	-	-	-	-	-	-	9.3	-18.3	-
Difference	-	-	-	-	-	-	-	-	6.9	-9.8	-
Credit Agricole AM : Global Bonds											
Portfolio	-	-	-	-	-	-	-	3.7	3.7	5.2	-
Benchmark	-	-	-	-	-	-	-	2.9	8.4	6.3	-
Difference	-	-	-	-	-	-	-	0.8	-4.7	-1.1	-

Long-term Overview to 31 December 2008

	Individual years ending 31 December										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	7 years
European Credit Mgmt : Global Bonds											
Portfolio	-	-	-	-	-	-	-	4.5	0.6	-48.3	-
Benchmark	-	-	-	-	-	-	-	2.9	8.4	6.3	-
Difference	-	-	-	-	-	-	-	1.6	-7.8	-54.6	-
Hermes Investment : European Equities											
Portfolio	-	-	-	-	-	22.3	30.5	27.8	12.7	-45.0	-
Benchmark	-	-	-	-	-	13.9	24.1	19.8	15.3	-24.4	-
Difference	-	-	-	-	-	8.4	6.4	8.0	-2.6	-20.6	-
Hermes Investment : UK Equities											
Portfolio	-	-	-	-	-	10.0	13.3	26.8	-9.5	-35.4	-
Benchmark	-	-	-	-	-	12.8	22.0	16.8	5.3	-29.9	-
Difference	-	-	-	-	-	-2.8	-8.7	10.0	-14.8	-5.5	-
Internal : Cash											
Portfolio	-	-	-	-	-	4.2	4.8	2.3	7.2	4.9	-
Benchmark	-	-	-	-	-	4.3	4.6	4.6	5.6	4.7	-
Difference	-	-	-	-	-	-0.1	0.2	-2.3	1.6	0.2	-
Internal : Hedged											
Portfolio	-	-	-	-	-	-	-	-	-561.5	-107.7	-
Benchmark	-	-	-	-	-	-	-	-	5.6	4.7	-
Difference	-	-	-	-	-	-	-	-	-567.1	-112.4	-
Internal : MTMS Account											
Portfolio	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-	-
RC Brown Investment : UK Equities											
Portfolio	-	-	-	-	-	-	-	16.8	-2.2	-37.9	-
Benchmark	-	-	-	-	-	-	-	16.8	5.3	-29.9	-
Difference	-	-	-	-	-	-	-	0.0	-7.5	-8.0	-
Standard Life : UK Equities											
Portfolio	-	-	-	-	-	-	-	-	-1.5	-42.3	-
Benchmark	-	-	-	-	-	-	-	-	-4.3	-37.4	-
Difference	-	-	-	-	-	-	-	-	2.8	-4.9	-
UBS : Global Tactical Asset Allocation											
Portfolio	-	-	-	-	-	-	-	-	-	-73.8	-
Benchmark	-	-	-	-	-	-	-	-	8.1	-17.4	-
Difference	-	-	-	-	-	-	-	-	-	-56.4	-

Long-term Overview to 31 December 2008

	Individual years ending 31 December										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	7 years
Yorkshire & Humber : UK Equities											
Portfolio	-	-	-	-	-	0.0	0.0	0.0	0.0	2.5	-
Benchmark	-	-	-	-	-	12.8	22.0	16.8	5.3	-29.9	-
Difference	-	-	-	-	-	-12.8	-22.0	-16.8	-5.3	32.4	-

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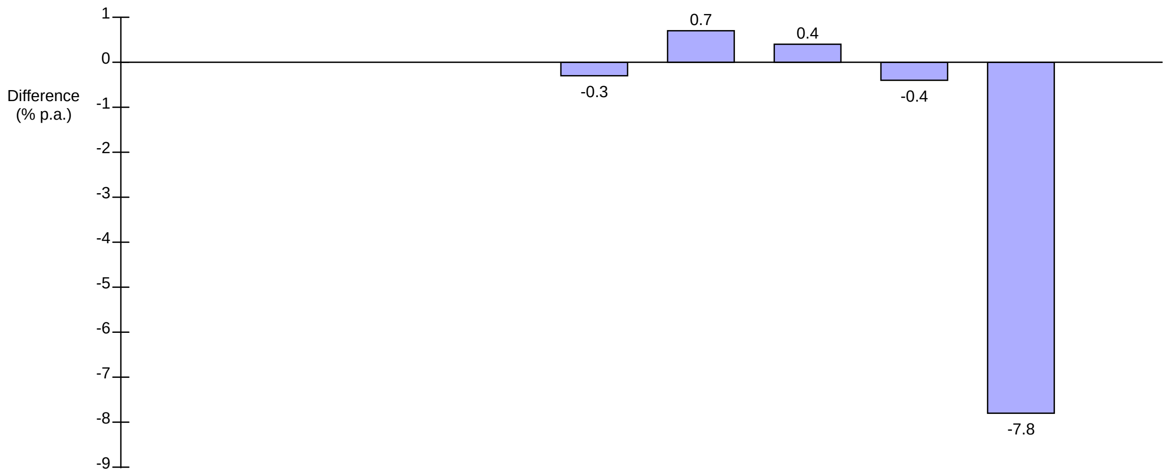
ASSET SERVICING

Long-term Overview to 31 December 2008

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



Rolling three year periods to 31 December

	2001	2002	2003	2004	2005	2006	2007	2008
Fund	-	-	-	2.9	17.2	14.5	12.0	-9.0
Benchmark	-	-	-	3.2	16.5	14.1	12.4	-1.2

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

Rolling three year periods to 31 December	2001	2002	2003	2004	2005	2006	2007	2008
Credit Agricole AM : Global Bonds								
Portfolio	-	-	-	-	-	-	-	4.2
Benchmark	-	-	-	-	-	-	-	5.8
Difference	-	-	-	-	-	-	-	-1.6
European Credit Mgmt : Global Bonds								
Portfolio	-	-	-	-	-	-	-	-18.4
Benchmark	-	-	-	-	-	-	-	5.8
Difference	-	-	-	-	-	-	-	-24.2
Hermes Investment : European Equities								
Portfolio	-	-	-	-	-	26.8	23.4	-7.5
Benchmark	-	-	-	-	-	19.2	19.7	1.4
Difference	-	-	-	-	-	7.6	3.7	-8.9
Hermes Investment : UK Equities								
Portfolio	-	-	-	-	-	16.4	9.1	-9.5
Benchmark	-	-	-	-	-	17.2	14.5	-4.8
Difference	-	-	-	-	-	-0.8	-5.4	-4.7

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Long-term Overview to 31 December 2008

	Rolling three year periods to 31 December							
	2001	2002	2003	2004	2005	2006	2007	2008
Internal : Cash								
Portfolio	-	-	-	-	-	3.8	4.7	4.8
Benchmark	-	-	-	-	-	4.5	4.9	5.0
Difference	-	-	-	-	-	-0.7	-0.2	-0.2
RC Brown Investment : UK Equities								
Portfolio	-	-	-	-	-	-	-	-10.8
Benchmark	-	-	-	-	-	-	-	-4.8
Difference	-	-	-	-	-	-	-	-6.0
Yorkshire & Humber : UK Equities								
Portfolio	-	-	-	-	-	0.0	0.0	0.8
Benchmark	-	-	-	-	-	17.2	14.5	-4.8
Difference	-	-	-	-	-	-17.2	-14.5	5.6

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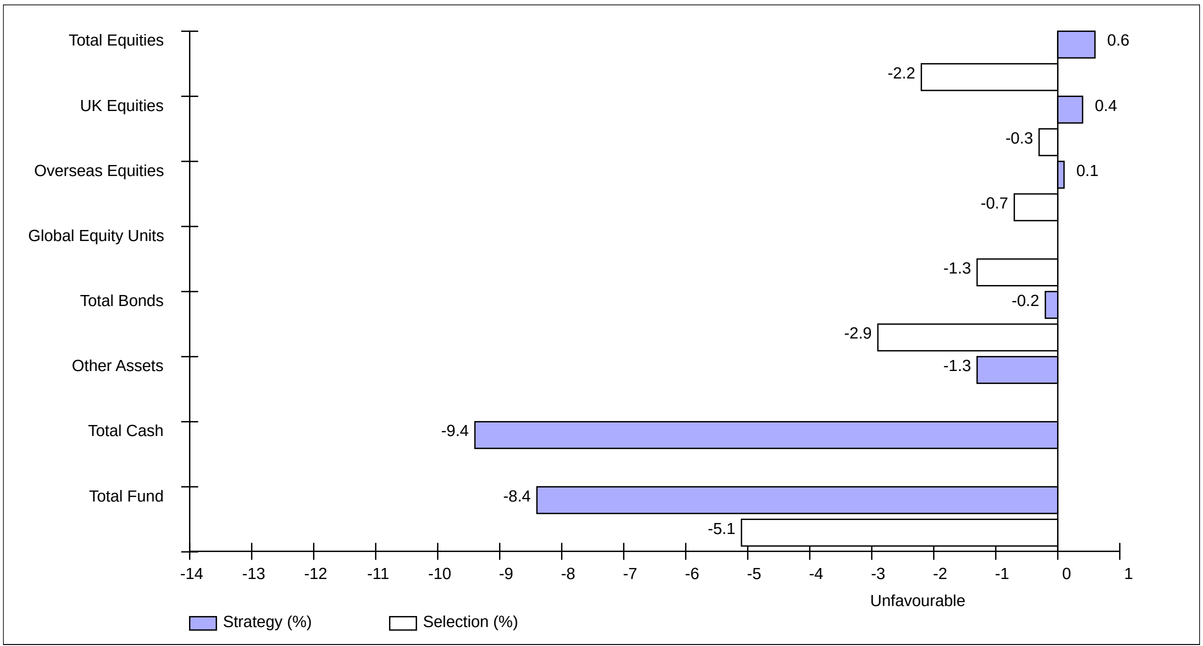
Attribution Analysis to 31 December 2008

Analysis of the factors leading to the fund's under-performance of 13.5% relative to its benchmark, over the period since 30 September 2008, is set out below.



The following table compares the fund with its benchmark, over the period since 30 September 2008.

Sector	Fund Start Weight (%)	BM Start Weight (%)	Fund End Weight (%)	BM End Weight (%)	Fund Return (%)	BM Return (%)	Strategy (%)	Selection (%)
Total Equities	71.5	73.0	79.8	72.9	-10.4	-7.8	**0.6**	**-2.2**
-UK Equities	22.0	25.0	21.2	23.8	-19.8	-18.4	**0.4**	**-0.3**
-Overseas Equities	24.2	24.0	30.6	24.8	-4.3	-0.7	**0.1**	**-0.7**
-Global Equity Units	25.3	24.0	28.0	24.3	-8.7	-3.3	**-**	**-1.3**
Total Bonds	20.1	23.0	21.4	23.1	-12.7	2.7	**-0.2**	**-2.9**
Other Assets	3.3	4.0	1.4	4.0	-51.2	-2.8	**-1.3**	**-**
Total Cash	5.0	-	-2.6	-	0.0	-	**-9.4**	**-**
Total Fund Ex Property	100.0	100.0	100.0	100.0	-18.7	-5.2	**-**	**-**
Timing							**2.0**	
Total Fund	**100.0**	**100.0**	**100.0**	**100.0**	**-18.7**	**-5.2**	**-8.4**	**-5.1**

Risk to 31 December 2008

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.

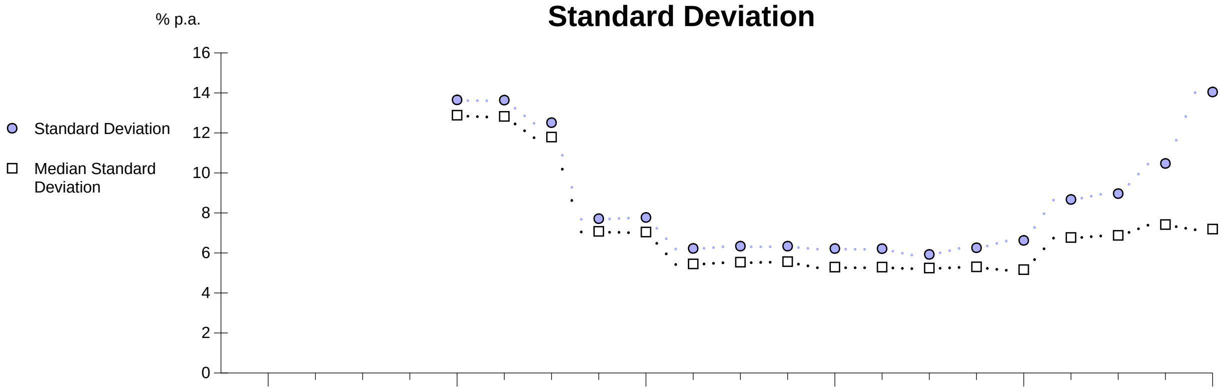
Statistical information has been included to provide a basis for comparison. Information ratio statistics are for the upper quartile as the median information ratio will tend towards zero.

Total Fund	3 Year Periods Ending:				
	31 Dec 2007 % p.a.	31 Mar 2008 % p.a.	30 Jun 2008 % p.a.	30 Sep 2008 % p.a.	31 Dec 2008 % p.a.
Combined Management : Multi-Asset					
Standard Deviation	6.63	8.67	8.97	10.47	14.05
Median Standard Deviation	5.17	6.78	6.88	7.42	7.19
Tracking Error	1.92	2.13	2.11	3.81	8.67
Median Tracking Error	1.07	1.09	1.20	1.39	1.51
Information Ratio	-0.16	-0.52	-0.45	-0.81	-0.90
Upper Quartile Information Ratio	0.66	0.52	0.65	0.36	0.43
Fund Return	12.05	8.50	5.89	-0.62	-9.02
Benchmark Return	12.36	9.61	6.84	2.45	-1.22
CAPS Fund Median	11.23	8.45	6.30	2.04	-0.72

Long-Term Rolling Risk to 31 December 2008

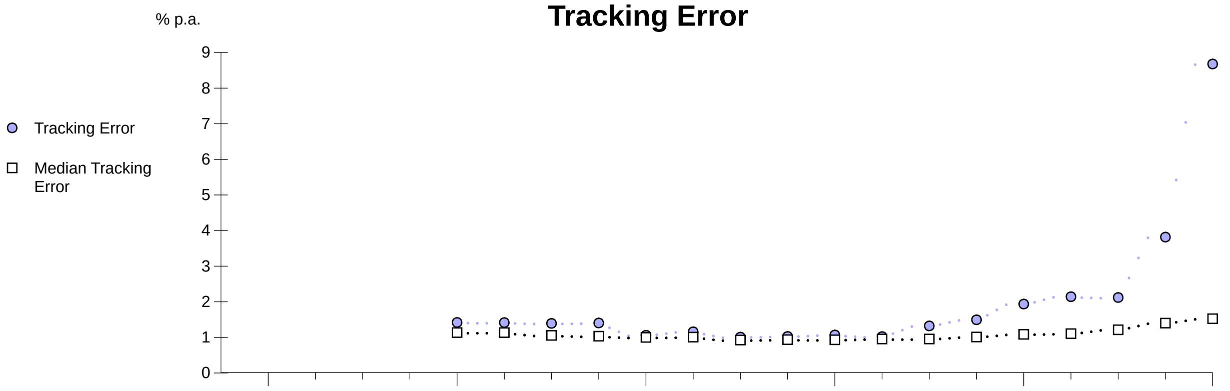
The following graphs show the rolling annualised standard deviation, tracking error and information ratio for the fund.

Standard Deviation



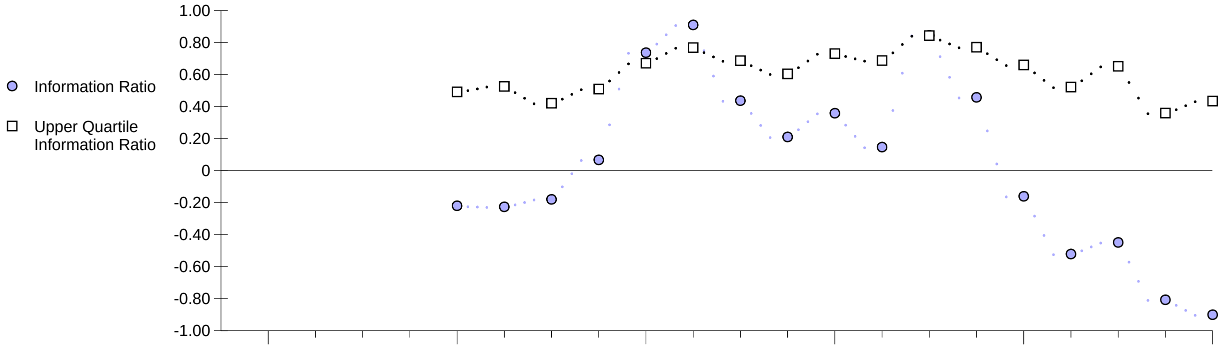
Three Year Periods ending	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
Standard Deviation	-	13.65	7.77	6.22	6.63	14.05
Median SD	-	12.89	7.05	5.29	5.17	7.19

Tracking Error



Three Year Periods ending	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
Tracking Error	-	1.41	1.05	1.05	1.92	8.67
Median Tracking Error	-	1.12	0.99	0.92	1.07	1.51

Information Ratio



Three Year Periods ending	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
Information Ratio	-	-0.22	0.74	0.36	-0.16	-0.90
Upper Quartile IR	-	0.49	0.67	0.73	0.66	0.43