

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 SEPTEMBER 2008

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER AND YEAR ENDING 30 JUNE 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 30 June 2008 and the twelve months ending on that same date.

2.0 PERFORMANCE REPORT

- 2.1 The report (**attached 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 June 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 There is also an ongoing comparison of Fund performance as against the Least Risk Portfolio and a statement to reflect the movement in the current solvency position as calculated by the Fund Actuary.

3.0 COMBINED FUND PERFORMANCE

- 3.1 The performance of the various managers against their benchmarks for the Quarter ended 30 June 2008 is detailed on **page 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 (-2.9%) was below the customised benchmark (-2.7%) by 0.2%.**
- 3.3 **Over the rolling year the Fund performance (-6.7%) was 4.8% below the customised benchmark. The 12 month absolute return of -11.5% is down on the figure for the 12 months ended March 2008 (-5.7%).**

4.0 ANALYSIS OF THE PERFORMANCE OF INDIVIDUAL MANAGERS

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

Fund Managers	Quarterly Return	Quarterly Benchmark	Relative Return	Comment
Barclays Global Investors	-2.1	-2.1	0.0	Level quarter after good result last quarter. One year returns still negative but slight improvement to -1.2%
Baillie Gifford Global Equities	+1.1	-1.9	+3.0	Very strong quarter which is the third positive quarter in succession. One year relative return is very good at +3.6%
Baillie Gifford LTGG	+1.4	-1.9	+3.3	Very strong quarter maintaining run of positive results. One year relative return is excellent at +9.5%
Hermes European Focus Fund	-4.6	-5.5	+0.9	First positive quarter in the year and 12 month rolling return still disappointing at -7.9%
Hermes UK Focus Fund	-4.8	-1.4	-3.4	Fifth successive negative quarter has resulted in a very disappointing 12 month rolling return of -17.3%
Standard Life Investments	-12.2	-9.4	-2.8	Another negative quarter in what has been a volatile year in the markets. One year relative return is negative (-2.7%) for the first time
R C Brown	-0.1	-1.4	+1.3	First positive quarter in the year but 12 month rolling return still negative at -5.5%
UBS	-19.2	-1.9	-17.3	Hugely negative quarter after a strong result last quarter. One year relative return a very poor -19.1%
Credit Agricole	-0.4	+2.5	-2.9	Another disappointing quarter with all the previous four quarters being negative, hence one year relative return very poor at -10.1%
European Credit Management	+6.5	+2.5	+4.0	First positive for some time recovering some loss from previous quarters. One year relative return still disappointing at -19.3%
Yorkshire & Humber Equity Fund	+2.5	-1.4	+3.9	First returns now showing for this Fund. One year returns positive largely as a result of negative market returns
Internal Cash	+1.4	+1.2	+0.2	Consistent returns close to the benchmark
Currency Hedge Cash	+319.9	+1.2	+318.7	Large positive return due to volatile currency markets
TOTAL FUND	-2.9	-2.7	-0.2	A slightly negative quarter compared to previous quarters but rolling 12 month return now a disappointing -4.8%

- 4.2 In monetary terms the negative absolute return of -2.9% in the Quarter reduced the invested value of the Fund by £35.3m, however taking into account new money, the value of the Fund reduced by £27.8m. This movement is primarily attributable to capital losses made by Standard Life (£43m), UBS (£8.7m) and BGI (£5.4m). The issue of whether the losses were due to market conditions or manager positioning relative to the market are discussed below.

UK EQUITIES

- 4.3 Standard Life produced a negative relative return (-2.8%) in the quarter and their FTSE 350 equally weighted benchmark was significantly negative at -9.4% hence the absolute return of -12.2% and capital loss of £43m. The FTSE All share produced a much smaller negative return of -1.4%.
- 4.4 The Hermes UK Focus Fund continued to under perform (-3.4%) and the longer term results remain very poor (-17.3%) for the year which reinforces the Hermes management decision to terminate this Fund (**see separate report on Fund Manager Matters for further details of the proposals by Hermes**). The ethical equity portfolio operated by R C Brown made a welcome return to form (+1.3%) but is still significantly negative over the rolling 12 month period (-5.5%).

OVERSEAS EQUITIES

- 4.5 The principal managers performed well in the quarter although all were working against negative benchmarks. BGI managed to match the benchmark and have now started to show some consistency. Once again their European Equity Fund provided the best returns and overall the one year result is slightly improved although still negative (-1.2%).
- 4.6 The two Baillie Gifford Funds both produced positive relative and actual returns. As with previous quarters the LTGG Fund has exceeded the Global Alpha Fund, as expected, and the one year return for the LTGG is now an excellent +9.5%.
- 4.7 The UBS GTAA portfolio suffered a very difficult quarter as the particularly volatile equity markets across the globe moved against them. In the quarter both the market fund (MARS) and currency fund (CARS) suffered equally badly but over the 12 month period the MARS fund has really struggled (-29.2%) partially offset by the currency fund (+17.2%) giving a relative under performance of -19.1% for the whole portfolio. These issues are considered further in the report of the Investment Adviser.

FIXED INCOME

- 4.8 The two Fixed Income managers enjoyed mixed fortunes. ECM managed a strong quarter (+4.0%) as credit markets began to make a recovery but Credit Agricole continued to struggle (-2.9%) as their position against the UK yield curve worsened leaving them underexposed to a positive benchmark.
- 4.9 These results give a combined outperformance in global fixed income of +0.2% in the quarter but a continued significant underperformance over the rolling 12 month period of -14.4%.

- 4.10 The highly unusual market conditions over the past year has led to an extremely strong benchmark return (+18.4%) driven by falling yields on long-dated gilts. Both managers have suffered fundamental difficulties within their portfolios and how these will develop continues to remain uncertain.
- 4.11 The reasons for the recent under performance of these two managers has been examined in more detail by the Investment Consultant – see the separate report on the Agenda.

5.0 RISK INDICATORS

- 5.1 As reported to the previous 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 (9.0%) from its average over the last two years (6.6%). This shows a 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. This measure continues to increase significantly as the effects of volatility in the UBS and currency hedging accounts are felt.
- 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 levels of under-performance in the quarter by a number of principal managers.

6.0 SOLVENCY

- 6.1 The **solvency position** is presented in **Appendix 1**; it has now been updated to reflect the new assumptions used by the Actuary in the 2007 Triennial Valuation. The figures from 31 March 2007 have now been restated in line with the figures recently presented by the Actuary. As at 30 June 2008 the solvency had reduced to 52.9% from 56.1% as at 31 March 2008.
- 6.2 The assets of the Fund decreased by 2.4% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), increased by 3.5% hence the 3.2% reduction in solvency in the Quarter. The strong liability growth reflects falling yields on long-dated gilts which are used as the discount rate to value liabilities. Hence lower yields result in higher liability values.
- 6.3 The table at **Appendix 2** is an ongoing **comparison of Fund performance as against the Least Risk Portfolio**. This shows that the total 3 year annualised return has now under-performed the Least Risk portfolio by -2.1% pa which is a further drop from -0.6% pa as at 31 March. More importantly, the quarterly running return (which covers the period since the Triennial Valuation date) is 5.49% behind the Least Risk Portfolio. This will require close monitoring going forward to ensure the assumptions made in the Triennial Valuation are being achieved.

- 6.4 The graphs at **Appendix 3** 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.

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.

- 6.5 An additional line has now been included (pink) to **Appendix 3** 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.
- 6.6 A new quarterly update report is now being provided by the Fund Actuary (Mercer) and is attached at **Appendix 4**. This report shows current solvency levels, Investment returns since the last Valuation and the movement in the assumptions used in the Valuation. A more detailed explanation of the Fund's solvency will be included in the Interim Review (see separate report).

7.0 REBALANCING

- 7.1 The latest round of rebalancing the Fund's assets took place in August 2008 based upon the position at the end of July 2008. Details are provided in the spreadsheet at **Appendix 5**.
- 7.2 The volatility in the markets, particularly the differences between poor equity returns and strong fixed income returns lead to the portfolio being significantly adrift of its benchmark allocations at the end of the quarter. In particular the UK Equity allocation was around 3.5% underweight (approximately £40m). Due to the size of the potential rebalancing it was agreed to transfer £18m to Standard Life Investments and to make a further allocation at the end of the next quarter once the position had been established. These funds comprised of £8m from internal cash balances and £10m from Credit Agricole. As any further funds would have been required from the Credit Agricole portfolio it was concluded that a phased approach (if required) would be more cost effective than say taking £30m and potentially having to move some back the following quarter.
- 7.3 In addition, during the quarter a further £2m was moved from internal cash to the currency hedging account to cover currency payments and a further £2m was transferred to UBS to meet margin payments on the future contracts.

8.0 CORPORATE GOVERNANCE UPDATE

- 8.1 Attached at **Appendix 6** is a report from PIRC summarising the proxy voting activity in the period April to June 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 LEHMAN BROTHERS, MERRILL LYNCH AND AIG

- 9.1 The recent events concerning these companies may have potential implications for the Fund. The only fund managers with such positions are ECM and UBS.
- 9.2 ECM have provided a set of questions and answers – see **Appendix 7**.
- 9.3 UBS use Merrill Lynch as clearing bank but have confirmed that this represents no risk to the Fund.
- 9.4 Credit Agricole hold bonds in AIG on behalf of the Fund. The recent measures taken by the US authorities have substantially reduced the risk of default on AIG bond holdings.

10.0 RECOMMENDATION

- 10.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 30 June 2008.

JOHN MOORE
Treasurer

Finance and Central Services
County Hall
Northallerton

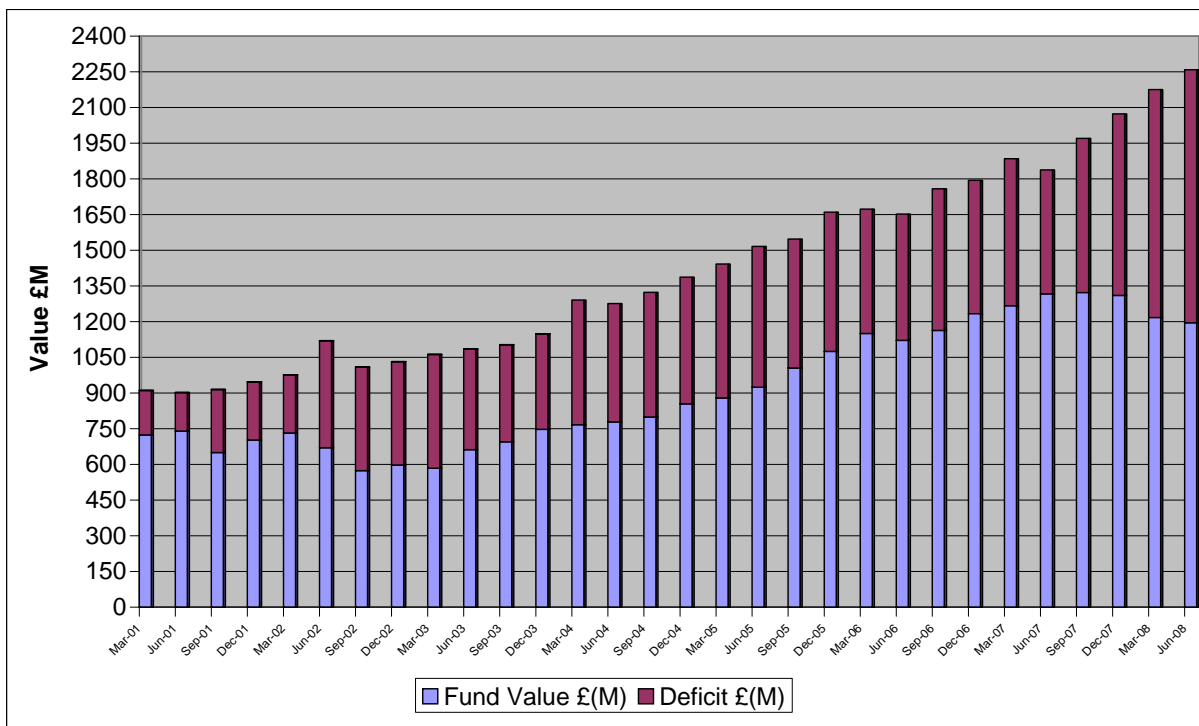
17 September 2008

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

Triennial valuation results highlighted in yellow

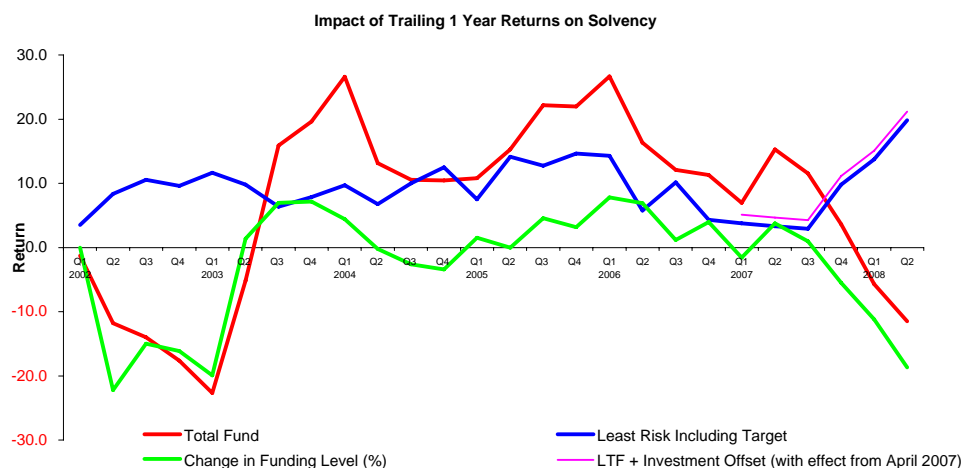
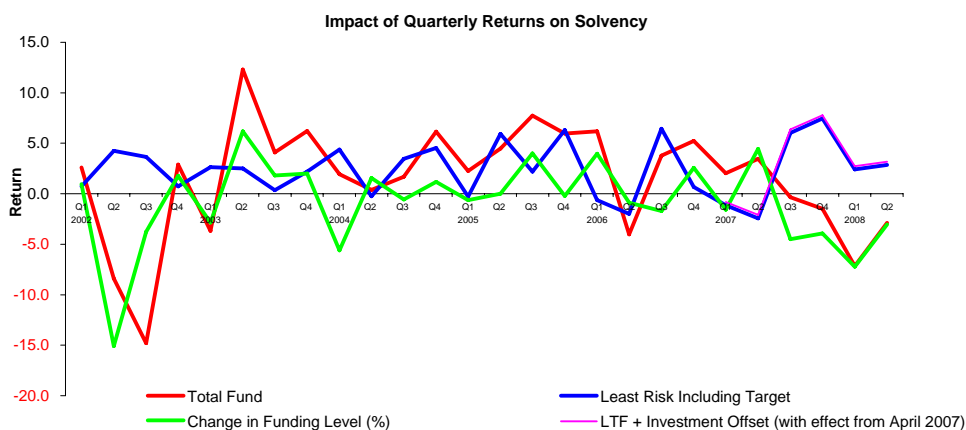
Movement in Assets and Liabilities



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
3 Year Annualised Return	5.89	6.83	-0.95		5.89	8.00	-2.11

* 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

	<u>Least Risk BM</u>	<u>Least Risk Including Target</u>	<u>LTF + Investment Offset</u>	<u>Relative</u>	<u>Total Fund</u>
Q2 2004	-0.59	-0.24		0.62	0.39
Q3	3.12	3.47		-1.80	1.67
Q4	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

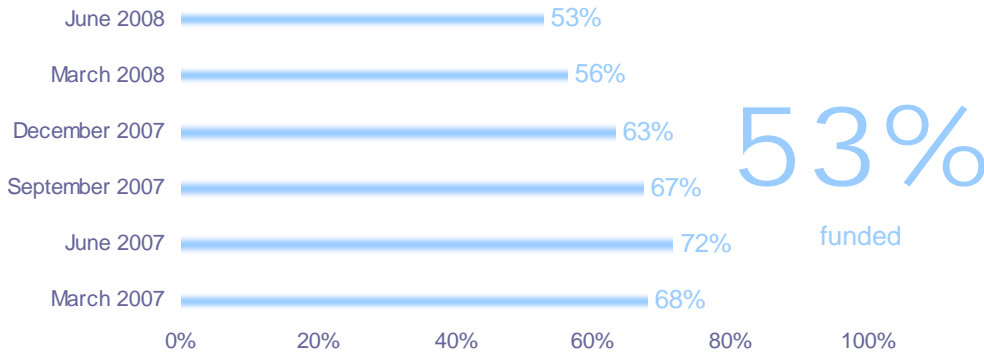
Trailing 1 Year Returns

	<u>Least Risk BM</u>	<u>Least Risk Including Target</u>	<u>LTF + Investment Offset</u>	<u>Relative</u>	<u>Total Fund</u>
Q2	5.36	6.76		6.40	13.16
Q3	8.62	10.02		0.50	10.53
Q4	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

North Yorkshire Pension Fund Quarterly Update: 30 June 2008

MERCER

MMC MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

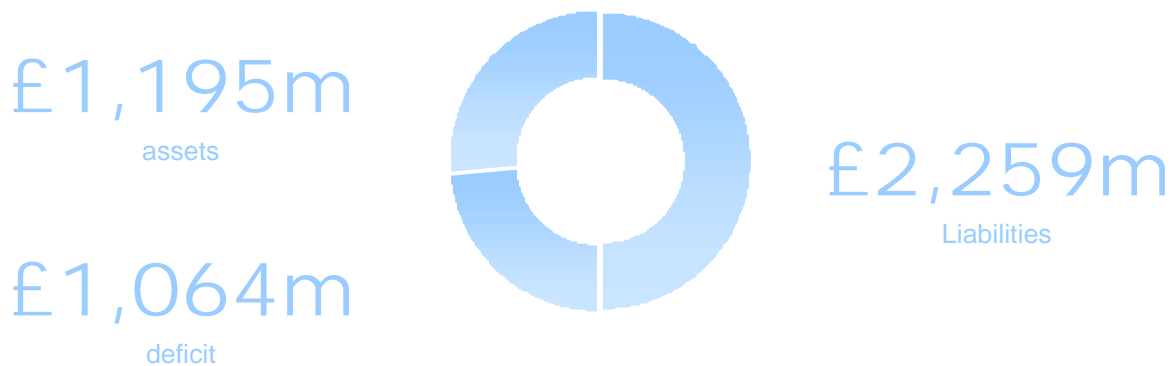


Since the last quarter the funding level has decreased from 56% to 53%

Since the formal valuation on 31 March 2007 the funding level has fallen from 68% to 53%

These results are calculated by updating the results from the formal valuation (as at 31 March 2007). This update allows primarily for investment returns and changes to market conditions. Whilst these are usually the two most significant items affecting the funding position there are other factors (e.g. actual salary increases, membership movements etc) not taken into account for the purpose of this update.

Set out below is the estimated balance sheet position at 30 June 2008. In the asset figure we have allowed for estimated net current assets of £6 million as advised by Derek Nicholas.



This information is not intended to be used in isolation to make decisions regarding the funding of the scheme. Consequently, we would recommend that this information should be used as a tool to monitor and decide whether further consideration and/or action is required. For example, identifying trigger points for potential funding or investment strategy action would be a complimentary and valuable extension of this monitoring process.



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Value at risk

The 'Value at Risk' (VaR) is a convenient way to place a measure on 'risk'. The level of VaR shows the financial loss over the next 12 months that might be expected only 5% of the time – in essence a 1 in 20 worst case outcome. This is equivalent to saying that there is a 5% chance that the Fund will experience a loss greater than the amount shown in the coming year. The particular risks modelled here are changing levels of assets based on the current investment strategy and changing levels of liabilities due to interest rates and longevity.

The model adopts various simplifying assumptions and is useful as an indicative guide to the level of risk. Any subsequent, more detailed analysis may result in different risk levels.



The investment returns used in this update are as provided by the fund and are shown in the graph above.

The table shows the assumptions adopted for this update. The assumptions are like for like with the assumptions used at the last formal valuation, but updated to allow for market conditions. Lower discount rates will serve to increase liabilities as will higher salary and/or pension increase assumptions.

	Valuation	This Quarter
Discount Rate (p.a.)	6.4% / 4.9%	6.7% / 5.2%
Salary Growth (p.a.)	4.85%	5.75%
Pension Increases (p.a.)	3.1%	4.0%

This advice has been prepared for the purpose of advising the Administering Authority of the approximate funding position of the Scheme. We do not accept liability to any third party in respect of this advice; nor do we accept liability to the Administering Authority if the advice is used for any purpose other than that stated.

REBALANCING OF NYPF ASSETS AS AT 31 JULY 2008

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

After Rebalancing	
76.7%	897.58
22.9%	267.99
0.4%	4.68
100.0%	1170.24

	31-Jul-08		Target	+/-			3% Tolerance				Exceed	Plan				
	Value	%		Allocation	Rebalanced	%	Min	Max								
	£m	%		£m	£m	%	%	£m	%	£m						
Global Equity Managers																
Baillie Gifford Global Alpha	179.86	15.4%	14.9%	-5.5	174.37	14.9%	14.5%	169.14	15.3%	179.60	0.00	-0.26	0.00	179.86	15.4%	
Baillie Gifford Global Growth	113.77	9.7%	9.0%	-8.5	105.32	9.0%	8.7%	102.16	9.3%	108.48	0.00	-5.29	0.00	113.77	9.7%	
(a)	293.64	25.1%	23.9%	-13.9	279.7	23.9%		271.30		288.08			0.00	293.64	25.1%	
Global (ex UK) Equity Managers																
BGI	249.18	21.3%		6.2	255.4	21.8%							0.00	249.18		
Hermes Europe	24.33	2.1%		0	24.3	2.1%							0.00	24.33		
(b)	273.51	23.4%	23.9%	6.2	279.7	23.9%	23.2%	271.30	24.6%	288.08	0.00	0.00	0.00	273.51	23.4%	
UK Equity Managers																
Standard Life	234.69	20.1%		40.4	275.1	23.5%							18.00	252.69		
Hermes UK	15.68	1.3%		0	15.7	1.3%							0.00	15.68		
Yorkshire Forward	0.61	0.1%		0	0.6	0.1%							0.00	0.61		
(c)	250.98	21.4%	24.9%	40.4	291.4	24.9%	24.2%	282.65	25.6%	300.13	31.66	0.00	18.00	268.98	23.0%	
Global Tactical Asset Allocation																
UBS	44.25	3.8%	4.0%	2.6	46.8	4.0%	3.9%	45.41	4.1%	48.21	1.16	0.00	0.00	44.25	3.8%	
Equity sub-total (a+b+c+d)=(e)	862.38	73.7%	76.7%	35.2	897.58	76.7%	74.4%	870.65	79.0%	924.50	8.27	0.00	18.00	880.38	75.2%	
Global Fixed Income Managers																
ECM	132.87	11.4%			132.9	11.4%							0.00	132.87		
CAAM	161.95	13.8%		-26.8	135.1	11.5%							-10.00	151.95		
Fixed Income sub-total (f)	294.81	25.2%	22.9%	-26.8	267.99	22.9%	22.2%	259.95	23.6%	276.03	0.00	-18.79	-10.00	284.81	24.3%	
Cash																
Internal Cash	8.50			-8.4	0.13								-8.00	0.50		
Currency Hedge Cash	4.55			0.0	4.55								0.00	4.55		
Cash sub-total (g)	13.05	1.1%	0.4%	-8.4	4.68	0.4%	0.4%	4.54	0.4%	4.82	0.00	-8.23	-8.00	5.05	0.4%	
(e+f+g)=(h)	1170.24	100.0%	100.0%	0.0	1170.24	100.0%					41.09	-32.58	0.00	1170.24	100.0%	
RC Brown	1.67															
(h+j)=(k)	1171.91															
	1171.91	0.00%														



North Yorkshire Pension Authority

Proxy Voting Review April to June 2008

July 2008
Pensions & Investment Research Consultants Ltd
Cityside, 40 Adler Street
London E1 1EE
Tel: 0207 247 2323 Fax: 0207 247 2457
www.pirc.co.uk HannaN@pirc.co.uk

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UK VOTING REVIEW

Selected meetings in the client's portfolio which had proxy voting issues during the period.

Thomas Cook - AGM 9th April 2008

Remuneration was an issue at travel company Thomas Cook which recently merged with MyTravel.

Combined potential award levels under the annual bonus plan and PSP were deemed excessive by PIRC. Bonus payout for the year under review exceeded the maximum level indicated by the company by over twice the amount. Salaries are in the upper quintile of the sector. Additionally, an interesting issue in respect of bonuses arose. Former MyTravel chief executive Peter McHugh will, in addition to his earned annual and synergy bonus receive a 'retention' bonus of £1 million and other benefits (based on a salary of £600,000) which PIRC finds excessive and contrary to best practice. It is also worth noting that Mr. McHugh left the merged company in December 2007.

We also recommended that shareholders oppose the proposed Co-Investment Plan. The plan did not establish a maximum limit of directors' investment and employs the same performance condition (EPS) under two schemes.

Separately, we recommended that shareholders abstain on the auditor appointment where PricewaterhouseCoopers LLP was proposed. Non-audit consultancy fees exceeded audit fees. We would normally oppose where the majority of non-audit fees were related to the merger between MyTravel and Thomas Cook AG, which took place in June 2007, abstention was recommended. PIRC will keep the audit fee ratio under review.

Anglo American - AGM 15th April 2008

PIRC spotted an interesting governance issue in the 2007 Anglo American remuneration report. In a footnote to the directors' pay table the company explains that subsequent to former CEO, Mr. Trahar's retirement from the board, the remuneration committee agreed to allow him to purchase a property from the Group for £6,930,000.

PIRC raised concerns over the timing of the remuneration committee's decision with the company as the decision was taken after Mr. Trahar's retirement from the board. The company was not obliged to seek shareholder approval for the transaction, as required by company law. The company explained to PIRC that the decision was taken after he ceased to be a director because discussions only commenced after his retirement.

Given the timing of the decision, PIRC considered that the company should still have sought shareholder approval for the transaction to render it more transparent and accountable. However, we note that the remuneration committee observed correct procedures in that the property sold to Mr. Trahar was subject to three independent valuations and that the average of the two highest valuations was taken as the selling price. In view of the procedure followed, PIRC did not register concern on the behalf of the fund via a voting recommendation, although our views were made clear in the report on the AGM.

Taylor Wimpey - AGM 17th April 2008

Various governance concerns at house-builders Taylor Wimpey.

[Fund name] considers assessment part of termination payments with reference to bonus entitlements as being contrary to best practice. We therefore recommended an abstain vote on the election of chief executive Peter Redfern, finance director Peter Johnson, and executive director Ian Sutcliffe.

Turning to audit; material non-audit fees exceeded the audit fee for the year under review and on an aggregate three year basis, meaning they were far in excess of best practice guidelines. PIRC concurs and would like to see more information on the application of the board's policy on awarding non-audit work. We recommended that shareholders oppose the re-appointment of Deloitte and Touche as proposed.

We also had concerns regarding the two proposed incentive schemes. Whilst EPS targets for the LTIP were sufficiently challenging, we did not consider TSR targets stretching enough given the potential level of awards. Looking at the executive share option scheme, insufficient data was provided to enable us to evaluate how stretching the vesting targets were. A further concern was the potential for excessive performance-related remuneration when awards under these plans were aggregated with other awards.

We therefore recommended that shareholders oppose both schemes.

Liberty International - AGM 18th April 2008

Board independence was a concern at property company Liberty International, with a particularly noteworthy family connection.

PIRC did not believe there was sufficient independent representation on the board. Non-executive Graeme Gordon was not considered independent by PIRC as he was the son of the former Chairman and President for Life, and significant shareholder Donald Gordon. In addition, he had been on the board for over nine years. The Gordon family controls a total of 20.35% of the share capital. Mr. Gordon has appointed Richard Gordon as his alternate which we do not consider best practice. Separately we also did not consider non-executives Mr. Rapp and Mr. Buchanan to be independent as they have been on the board for more than nine years. We recommended that shareholders vote against all three directors.

We also had issues with Liberty's proposed amendments to its Executive Share Option and Incentive Share Option Schemes. The use of a single vesting point under the existing schemes which the board was not proposing to change was cause for fundamental concern, as it does not serve to incentivise performance beyond that threshold. The company has informed PIRC that they do not currently intend to grant options. Nevertheless, given that the effect of the resolution will be to extend schemes over which we have major concern for an additional 10 years, we recommended opposition.

Carnival Corporation - AGM 22nd April 2008

Combined roles are an issue at cruise ship operator Carnival. We recommended that shareholders oppose the re-election of the chairman and CEO Micky Arison. The company has previously stated that more than two-thirds of US-based corporations have such combined roles. Mr. Arison and his family are major shareholders. Under the company's Articles, holders of 30% or more of Carnival transfer their voting rights in excess of 30% to a trust and voting control is therefore limited to 30%.

Whilst we understand the difference in corporate culture in US companies, we do not consider it good practice for the roles of chairman and chief executive to be combined. It should be noted that at many US companies the combined chairman/chief executive is the only executive on the board. This is not the case at Carnival, where a block of five executives sit on the board and where a number of non-executives have served for significant stretches of time.

Separately, we recommended that shareholders oppose the report and accounts as a result of numerous governance concerns. No employment policy was disclosed. Independent representation on the board was inadequate and the company had made political donations of USD 100,000 in the year under review.

Management Consulting Group - AGM 23rd April 2008

PIRC considers that the idea behind narrative reporting is that the reader, without making reference to any outside documents, be provided with a clear picture of what has been happening at a company and the challenges it faces in the future. This was not the case at Management Consulting Group where, despite setting out a number of board changes in a rather matter of fact way, the board omitted joining the dots by failing to remind shareholders of an EGM requisitioned in February to remove the CEO.

At the time, Gartmore was not satisfied with the execution of the company's strategy under the leadership of Kevin Parry and proposed his removal stating the company's share price had declined 27% versus a market increase of 64% during the same period over the previous five years. At the time of the EGM, the board believed the chief executive had been instrumental to the transformation of MCG. Suffice to say the chief executive was removed. Since then the chairman has resigned and the finance director has tendered his resignation. A number of divisional directors have been appointed to the board and one of the non-executives has taken over as chairman and chief executive. The search is now on for more directors.

Just in case you were wondering, the chief executive's compensation of over £1.49 million is disclosed in the notes to the accounts, but no explanation is provided for the calculation. The figure is more than three times his base salary and greater than his total remuneration for 2007. PIRC considered this to be a material omission in the report and accounts. We look forward to a fuller explanation in next year's report.

Smith & Nephew - AGM 1st May 2008

A number of issues led PIRC to recommend opposition to the remuneration report at Smith & Nephew, the FTSE 100 medical products and research firm. Firstly, the two executive directors were employed on contracts that would entitle them to termination provisions of one year's basic salary, contributions to reflect pension and other benefits and a bonus at a target of 50%. PIRC considers it inappropriate for contracts to provide for termination provisions that include payment of notional unearned bonuses; in PIRC's view, termination provisions should be limited to one year's salary and benefits.

In addition, Smith & Nephew changed the performance measures and targets under the Performance Share Plan but were not seeking shareholder approval for these changes – only the increase in the maximum award level was put to the vote. Finally, we did not consider the performance targets attached to long-term incentive awards granted in 2007 to be sufficiently challenging and combined remuneration was potentially excessive in our view. Rating: BED.

Mondi plc - AGM 7th May 2008

One of the highest levels of opposition recorded for a resolution at a UK company during the period was at Mondi plc's annual meeting, with 31.10% of shares cast in opposition to resolution 17 which sought to issue shares for cash. Resolution 17 proposed that the directors be given authority to issue shares in Mondi Limited for cash, up to a limit of 5% of unissued share capital. Through the voting on resolution 17 and certain other resolutions, Mondi has become aware that South African shareholders have concerns about resolutions placing shares under the control of directors and, in particular, authorising the directors to issue shares for cash. The company has filed an investigation into this matter further to understand fully the concerns of South African shareholders, which they believe are not specific to Mondi.

Resolution 25 was to issue shares with pre-emption rights involving the authority sought being limited to 5% of the issued share capital. Although UK companies would generally seek authority over one third of issued share capital, Mondi plc is aware that the investment community in South Africa prefers to see this authority limited to no more than 5% of issued share capital. The authority is therefore within the UK institutional shareholder recommended limits and we recommended a vote for the resolution.

PIRC considered that as the company has a dual listed company structure, (Mondi Limited and Mondi plc together 'Mondi Group') the thresholds and resolutions were deemed to be in accordance with the local market jurisdictions. The resolutions were therefore met the Johannesburg Stock Exchange Limited (JSE) and the London Stock Exchange (LSE) requirements and we recommended a vote for the resolutions.

Millennium & Copthorne Hotels - AGM 7th May 2008

There were various governance concerns at Millennium & Copthorne that led to recommend opposing several resolutions.

The new chief executive did not seek election at the AGM. In addition, the company's business review was not forward-looking and failed to include any non-financial key performance indicators. Taken together these issues led to the recommendation of opposing the report and accounts.

Shareholders were advised to oppose the election of the chairman, Kwek Leng Beng as he is a representative of the controlling shareholder and therefore able to exercise significant influence over voting rights. There were also concerns over the length of his tenure on the board.

Additionally, opposing the election of non-executive Kwek Leng Joo was recommended. He is a director of majority shareholder City Developments Ltd and other Hong Leong Group companies and has a family relationship to other directors on the board. There was also insufficient independent representation on the board. In addition, we recommended opposing non-executive John Arnett's election over termination provisions.

Opposition was also advised regarding the proposal to enable City Developments to maintain its percentage shareholding. An agreement from 1996 ensures that the company use all reasonable endeavours to ensure that any issue of voting securities without pre-emption rights is carried out in a manner that provides City Developments with the opportunity to maintain its voting rights as held immediately prior to the issue. PIRC did not consider such an agreement to be in the interest of minority shareholders.

Mapeley - AGM 7th May 2008

PIRC had serious governance concerns relating to the remuneration structure at Mapeley and the level of disclosure of the company's remuneration report. No explanation was provided for the determination of non-executive remuneration. This was of concern given the high level of pay received from the form of shares. There were no maximum limits under any schemes for the year under review, and no performance criteria were attached to the long-term incentive scheme. For 2008, a cap of 500% of salary will be set for the share scheme and 200% of salary for the bonus, which PIRC considers highly excessive. The remuneration committee is proposing to implement performance conditions to the share plan, which coupled with the new award cap constitutes a new share scheme. In PIRC's view this would require shareholder approval and no intention was disclosed by the company. As a result, shareholders were advised to oppose the remuneration report.

On the report and accounts, the Operating and Financial Review did not clearly identify financial key performance indicators. Adequate environmental and employment policies were disclosed by the company, along with the environmental reporting. However, opposition was recommended as the company issued dividends during the year without seeking shareholder approval which PIRC considers contrary to best practice.

Aga Rangemaster Group plc - AGM 9th May 2008

Shareholders rejected a special resolution to issue shares for cash and disapply pre-emption rights at the AGM of Aga Rangemaster Group plc. 46.55% of shareholders voted against the resolution, which would have needed a vote of 75% of shares in order to pass. PIRC had recommended a vote in favour of the resolution, since the authority requested was limited to 5% of the issued share capital, which is acceptable by our guidelines.

PartyGaming - AGM 15th May 2008

Remuneration was a concern at PartyGaming, the online gambling business.

The committee paid the chief executive a joining fee and a loyalty retention bonus (US\$12m over two years). He has since announced that he will not be renewing his contract, the committee has agreed that he shall be entitled to his basic salary and benefits (or payment in lieu) for the period to 1 May 2009. His living allowance will only be paid whilst he remains physically resident in Gibraltar and he will not be entitled to any further payments under the senior management bonus scheme. He will be entitled to all options vesting and retention bonus payments due in the period to 1 May 2009. The Remuneration Committee believes that this arrangement is necessary in order to keep Mitch Garber incentivised during his notice period and to ensure an orderly and seamless transition to the new Chief Executive Officer. In addition, termination provisions include potential bonus payments.

PIRC's overall rating of the company's remuneration policy was BED and therefore, shareholders were advised to oppose the remuneration report.

Shore Capital - AGM and EGM - 16th May 2008

There were a number of governance concerns at Shore Capital, which held both an AGM and EGM on May 16.

An executive director sat on the company's audit committee. This is considered to be contrary to best practice and shareholders were advised to oppose the report and accounts.

Shareholders were also advised to oppose the remuneration report. Disclosure failed to provide the reader with sufficient information as to how corporate goals and remuneration were linked. There was no disclosed limit to the annual bonus and share options vested without the attainment of performance targets.

The board was also seeking shareholder approval for political donations authority. This is usually a precautionary type of authority, but in Shore's case the group has a history of making donations to political parties. These donations were not justified in the annual report and therefore we recommended that shareholders oppose the proposal.

Turning to the EGM, the company was seeking approval for a rule 9 waiver. This concerned directors Howard and Graham Shore in relation to a share buy back and exercise of options, the buy back authority being sought at the AGM. If both authorities were exercised in full, the Shores' holding could increase to beyond 50% of the issued share capital.

While PIRC supports Rule 9 Waivers between 30% and 50% of the issued share capital, it does not support waivers that would convert the controlling shareholder into a majority shareholder, as we believe that in these circumstances an offer should be made to all remaining shareholders. For these reasons we recommended that shareholders oppose the proposal.

Regus Group Plc - AGM 20th May

The second and third highest level of opposition recorded against resolutions of a UK company during the period was at Regus Group's annual meeting regarding Rule 9. In the case of resolution 15 which requested the authority of share repurchase (limited to 10% of the current issued share capital), being approved, the Original Waiver granted by the panel and approved by shareholders at the EGM in December 2007 would expire. As a result, resolutions 11 and 13 requested shareholder approval for the waiver granted by the Takeover Panel to allow Mr. Dixon, the founder and CEO which held 359,058,783 (approx. 37.8%) of the Ordinary Shares to waive his obligation to participate pro rata to his interests in any further repurchase by the company of its own shares without incurring any obligation under Rule 9. PIRC recommended that shareholders support the proposal as the maximum potential shareholding of Mr. Dixon in the case of further repurchase of own shares by the company would be 42%, therefore would not exceed the 50% threshold set by PIRC. Therefore, shareholders were recommended to support the proposal.

French Connection - AGM 21st May 2008

This is not the first time PIRC has had significant concerns over governance at clothing retailer French Connection.

PIRC advised opposing the company's report and accounts as we had serious concerns over board structure. The roles of chairman and chief executive are combined in Mr. Marks, who also holds 41.8% of the company's shares. PIRC considers this to be an unacceptable concentration of power in a listed company. Audit, remuneration and nomination committees have not been established. In addition, no environmental or employment policies of note were disclosed.

As there is no remuneration committee, remuneration packages are determined by the chairman/chief executive and then approved by the full board. This is considered to be contrary to best practice, particularly as the board was only 40% independent in our view. Salaries were at median level and we did not consider awards to be excessive. Targets associated with outstanding

share option awards were significantly above market expectations. Mr. Marks had no service contract, and there was no detail as to potential payments on termination for other executives.

Shareholders were advised to oppose the remuneration report.

888 Holdings - AGM 21st May 2008

There were a number of governance concerns at 888 Holdings.

The dividend was not put to the vote during the year. PIRC considers that shareholders should have the opportunity to vote on the dividend. Shareholders were therefore advised to abstain on approving the report and accounts.

On remuneration, PIRC considered that the upper and lower EPS targets attached to the 888 All-Employee Share Plan were sufficiently challenging, given the broker's forecasts and level of award, although we did not consider that the EPS vesting scale was sufficiently broad to be geared towards out-performance. The scheme only uses one performance measure. PIRC believes that it is best practice for schemes to use two performance measures concurrently. Awards for the year under review were at the upper limits of the maximum possible. We considered overall awards to be excessive, although salaries were in line with sector. While contract length was acceptable, termination packages were not, as they included bonus provisions. Therefore, investors were advised to oppose the remuneration report.

Shareholders were also advised to oppose the election of both Shay Ben-Yitzhak and Aviad Kobrine. Shay Ben-Yitzhak was not considered independent by PIRC as the Ben-Yitzhak Family Shares Trust holds 10.9% of the issued share capital of the company and he was one of the company's founders and a former executive. There was insufficient independent representation on the Board.

Regarding Aviad Kobrine, termination provisions within his contract which provides for potential bonus payments, where total payments may exceed 12 months salary and benefits.

Aegis - AGM 23rd May 2008

For the fifth time in two years, Groupe Bolloré was seeking to have two non-executives nominated by them appointed to the Aegis board.

The board of Aegis recommended opposing the resolutions. The board stated that any nominee put forward by Groupe Bolloré had an overriding conflict of interest that made them inappropriate to act as a director of Aegis, given that Vincent Bolloré, chairman and controlling shareholder of Groupe, is also chairman and a substantial shareholder in Havas, a company which competes directly with Aegis in media services. In addition, the board was focused on delivering full value for all shareholders, not simply for influential blocks.

PIRC agreed with the board's analysis, and considered that Groupe Bolloré's continued attempts to place directors on the board in the face of settled opposition from the vast majority of other shareholders was not in the interests of the company as a whole. Opposing Groupe Bolloré proposals was recommended.

The result of the AGM saw Groupe Bolloré fail for the fifth time in two years to have two of its representatives appointed to the board of Aegis. The two resolutions seeking to appoint directors both achieved the support of just under 43% of the shareholder vote, with a 57% opposition rate. However, this close headline result obscures the fact that Groupe Bolloré itself is a significant

shareholder and accounted for the overwhelming majority of the 43%. According to Aegis, 91% of non-Groupe Bolloré shareholders voted against the proposals.

Notably Aegis and Groupe Bolloré view the AGM results rather differently. Aegis chair Colin Sharman argued reasonably that the votes show that the majority of shareholders recognize the potential conflict of interests and added that Groupe Bolloré should acknowledge the views of other shareholders. Groupe Bolloré in turn claims that it received more support for its proposals this time than at the previous AGM. Groupe also stated that it will continue to propose directors to the Aegis board.

HSBC Holdings - AGM 30th May 2008

Remuneration was a concern at HSBC as the HSBC Share Plan 2005 uses both EPS and TSR measured over a three year performance period. We consider both targets under the scheme to be poor. Although the schemes use two performance measures, they are not utilized concurrently, which we consider to be best practice. With a maximum award of 250% of salary for the annual bonus scheme and 700% of salary for The HSBC Share Plan, we consider the combined level of potential awards to be excessive. Average salaries are currently at the top end of the UK sector. A significant shareholding is required of directors. This, however, fails to meet PIRC guidelines as no three year limit is imposed. We advise investors to oppose the remuneration report.

The company as a result sought shareholder approval to amend the performance conditions of the HSBC Share Plan. The proposed amendments were to apply three criteria of comparative TSR, economic profit and EPS growth.

On TSR, PIRC considers that neither the upper or lower target is sufficiently challenging, given the level of award, and that the vesting scale between them is not suitably broad to be geared towards out performance. On economic profit, we consider that shareholders are not given sufficient information to judge whether targets are challenging or not. We welcome that the company has simplified its EPS measure and consider it an improvement compared to last year, however we are concerned that the vesting scale is not sufficiently broad to be geared towards out performance.

Although the scheme uses three performance measures, we consider it best practice that they be used concurrently. PIRC also considers that, alone and with other performance-related pay, the scheme is excessive, with a maximum payout equivalent to seven times salary. In light of this excessiveness, and that the majority of performance conditions are insufficiently stretching, we recommend opposition to the proposed amendments.

Laura Ashley - AGM 2nd June 2008

A range of concerns arose regarding poor governance at Laura Ashley.

The board comprised the chairman, two executive directors and six non-executive directors, one of whom is independent in our view. Three directors were representatives of the majority shareholder MUI Asia Limited including the chairman who also had a substantial shareholding in the company. The chief executive previously acted as an alternate to a MUI nominee and has been employed by the MUI Group. Because of concerns about poor governance we recommended shareholders oppose the report and accounts.

We also recommended opposing the election of a number of directors. Non exec Sally Kealey is not considered independent by PIRC as she has served as an executive of Laura Ashley Limited

for 13 years until 1996. Since leaving her full-time employment, she has been working as a consultant on various projects for the Company.

Non-exec Ng Kwan Cheong is not considered independent by PIRC as he is a MUI nominated director and former CEO of Laura Ashley Holdings. Non-exec Roger Bambrough is not considered independent by PIRC as he has connections to MUI through its subsidiary Corus Hotels. Finally David Walton Masters, senior independent non-executive director and deputy chairman, is not considered independent as he has served on the board for more than nine years.

We recommended opposition to these directors as there was insufficient independent representation on the board in our view.

Entertainment Rights - AGM 4th June 2008

Serious governance concerns arose at small-cap Entertainment Rights as none of the non-executive directors were independent owing to a number of factors including share option ownership, length of tenure on the board, and the company secretary being a non-executive director. We therefore advised opposition.

We recommended that shareholders abstain on the election of chairman Rod Bransgrove. He was not considered independent by PIRC as he had served on the board for more than nine years and held share options. We considered there to be insufficient independent representation on the board.

Non-executive director Craig Hemmings was not considered independent by PIRC as he was previously an executive director of the company and had served on the board for more than nine years. In addition he held share options. Because of concerns about the lack of independent representation, we recommended shareholders oppose his election.

Finally we also recommended opposing the adoption of the Performance Share Plan. Normal award available was 100% of salary, though 200% may have been made available in exceptional circumstances. Combined remuneration therefore had the potential to be excessive.

Antofagasta - AGM 11th June 2008

We recommended shareholders oppose the election of a number of directors at Chilean mining company Antofagasta. In PIRC's view, in the absence of a board level individual with responsibility for the overall overview of strategic direction, the chairman, Mr Luksic, also ultimately fulfils the role of chief executive. Mr J-P Luksic was Chief Executive of Antofagasta Minerals S.A. His family controls 60.65% of the ordinary share capital and 94.12% of the preference share capital through various investment vehicles. PIRC does not support the re-election of a chairman who is also considered to fulfill the role of chief executive.

Non-exec Mr G Luksic is not considered independent by PIRC due to his links with the Luksic family, as he is the brother of the chairman. Non-exec Mr Ambrus and senior independent director Mr Bailey are not considered independent by PIRC as they have each been on the board for over 9 years.

Non-exec Mr Menendez is not considered independent by PIRC as he was previously an executive and remains a director of Quinenco, a company controlled by the Luksic family. He also holds directorships at various related companies.

We recommended that shareholders oppose the election of all these directors.

London & Associated Properties - AGM 11th June 2008

PIRC had a number of governance concerns at small-cap London & Associated Properties.

We had serious concerns regarding board composition, given the low level of independent representation. This was of particular concern given that there was no clearly laid out separation of roles between the executive chairman and chief executive, both members of the Heller family concert party which controls 56.6% of the issued share capital. As a result of these concerns, we recommend that shareholders oppose the report and accounts.

We also recommended shareholders oppose the election of non-executive director Mr Goldring. He is not considered independent by PIRC as he has been on the board for almost sixteen years and is a major shareholder and director of Delmore Investments which provides services to the company. There are insufficient independent directors on the board in our view.

Turning to remuneration, we had serious disclosure concerns as no specific targets or maximum awards were disclosed for the annual bonus and unapproved ESOS. Awards during the year were not excessive, though there may be the potential for excessiveness going forward.

Executive chairman Mr M Heller received part of his payment via the supply of office premises, property management, general management accounting and administration services for a number of companies in which Mr M Heller has an interest. We recommended that shareholders oppose the remuneration report.

The company was also seeking to amend its articles. Given the importance of avoiding conflicts of interest, we would have liked to see the Company committing to reporting on an annual basis on the operation of its procedures for authorising conflicts and potential conflicts. As the Company had not made such a commitment we recommended abstention.

Tesco - AGM 27th June 2008

Animal welfare was the subject of an unusual shareholder resolution at Tesco as TV chef Hugh Fearnley-Whittingstall filed a resolution requesting that “the Company set a commitment within a fair time frame to take appropriate measures to ensure that chickens purchased for sale by the Company are produced in systems capable of providing the ‘Five Freedoms’”. The “Five Freedoms” are a principles-based standard laid down by the Farm Animal Welfare Council and endorsed by Tesco in its animal welfare policy.

PIRC considered this resolution in light of engagement with both Fearnley-Whittingstall and Tesco. We considered the resolution to be in line with Tesco’s stated animal welfare policy commitment and believe the specific request does not represent an attempt to micro-manage the business. PIRC considers it constructive that the resolution was not unduly prescriptive, allowing for a relative timeframe and the opportunity for continued engagement between both parties. Additionally, we did not consider it unreasonable to request that the Company set a more explicit timeframe in meeting its own stated welfare policy commitments. For these reasons we deemed the request to be acceptable and practical, and therefore recommend support.

Separately we recommend that shareholders oppose the remuneration report. Combined awards under the annual bonus and long term incentives were considered excessive in the year under review and considered highly excessive on a potential basis, particularly in light of high executive salaries. Incentive schemes rely on a single performance condition, and neither uses a comparator group. The baseline performance target for the Performance Share Plan is not clearly disclosed

and insufficient information is provided to assess them. For the share option scheme, the lower and upper EPS targets are not considered challenging in light of the brokers forecast. One-year rolling service contracts are used, however directors could receive termination payments in excess of two years salary.

UK VOTING ANALYSIS – Q2 2008

Table 1: Top Oppose Votes in the UK

<i>Company</i>	<i>Date</i>	<i>Type</i>	<i>Resolution</i>	<i>Special Resolution</i>	<i>Proposal</i>	<i>Funds Vote</i>	<i>Abstain %</i>	<i>Oppose %</i>
TESCO PLC	2008-06-27	AGM	17	Y	Shareholder resolution concerning chicken welfare.	FOR	9.76%	81.32%
REGUS GROUP PLC	2008-05-20	AGM	11		Approve Rule 9 Waiver	FOR	0.00%	49.40%
REGUS GROUP PLC	2008-05-20	AGM	13		Approve Rule 9 Waiver	FOR	0.00%	49.15%
AGA RANGEMASTER GROUP PLC	2008-05-09	AGM	11	Y	Issue shares for cash	FOR	0.06%	46.55%
MONDI PLC	2008-05-07	AGM	17	Y	Issue shares for cash	FOR	1.79%	31.10%
LAIRD PLC	2008-05-09	AGM	9		Approve new long term incentive plan	OPPOSE	0.37%	26.74%
CATLIN GROUP LTD	2008-05-14	AGM	8		Re-Elect Mr Michael Eisenson	ABSTAIN	2.02%	25.94%
MONDI PLC	2008-05-07	AGM	26	Y	Issue shares for cash	FOR	0.17%	24.88%
MONDI PLC	2008-05-07	AGM	16		Place 5% of the unissued shares (excluding ordinary shares) of Mondi Limited under the control of the directors of Mondi Limited	FOR	1.79%	25.57%
MONDI PLC	2008-05-07	AGM	15		Place 5% of the unissued ordinary shares of Mondi Limited under the control of the directors of Mondi Limited	FOR	1.74%	25.48%
MONDI PLC	2008-05-07	AGM	26	Y	Issue shares for cash	FOR	0.17%	24.76%

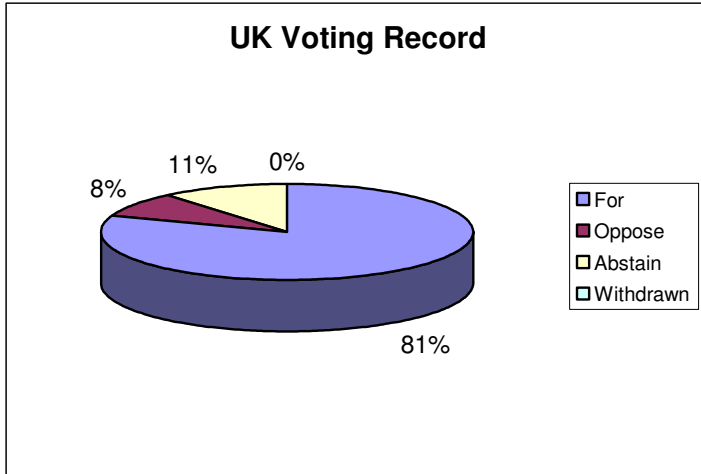
Note: Levels of opposition percentage represent opposition votes cast as a percentage of all votes cast either in favour or against a resolution. Abstain votes are given as the percentage of abstain votes out of all proxy votes lodged ahead of the meeting.

Table 2: Top Abstain Votes in the UK

<i>Company</i>	<i>Date</i>	<i>Type</i>	<i>Resolution</i>	<i>Special resolution</i>	<i>Proposal</i>	<i>Funds Vote</i>	<i>% Abstain</i>	<i>% Oppose</i>
KAZAKHMYS PLC	2008-04-30	AGM	4		Re-elect Vladimir Kim	OPPOSE	57.21%	0.60%
ARICOM PLC	2008-04-15	AGM	2		Approve the Remuneration Report	OPPOSE	28.75%	6.39%
GLAXOSMITHKLINE PLC	2008-05-21	AGM	2	N	Approve the Remuneration Report	OPPOSE	28.54%	10.09%
BP PLC	2008-04-17	AGM	2	N	Approve the Remuneration Report	OPPOSE	27.06%	8.98%
XSTRATA PLC	2008-05-06	AGM	4		Re-elect Willy Strothotte	OPPOSE	17.26%	11.40%
BOVIS HOMES GROUP PLC	2008-05-09	AGM	4		Re-Elect Malcolm Robert Harris	OPPOSE	15.62%	2.51%
LAIRD PLC	2008-05-09	AGM	8		Approve the Remuneration Report	OPPOSE	15.48%	2.00%
BRADFORD & BINGLEY PLC	2008-04-22	AGM	15	N	To approve the increase to the EIP maximum amount to be applied in the acquisition of deferred shares	FOR	14.29%	0.00%
RSA INSURANCE GROUP PLC	2008-05-19	AGM	7	Y	Adopt new Articles of Association	FOR	11.66%	0.26%
REXAM PLC	2008-05-01	AGM	2		Approve the Remuneration Report	ABSTAIN	11.30%	8.05%

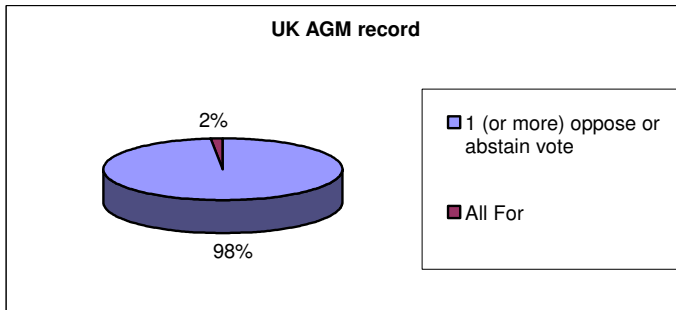
UK VOTING CHARTS – Q2 2008

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

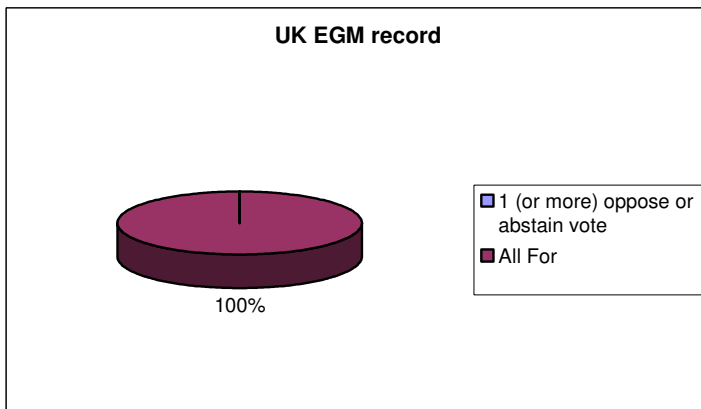


Total resolutions	
For	761
Oppose	78
Abstain	106
Withdrawn	0
TOTAL	945

Meeting Record



Meetings	AGM	EGM	Total
Total meetings	62	10	72
1 (or more) oppose or abstain vote	61	0	61



UK VOTING TIMETABLE – Q2 2008

Table 3: Meetings voted in quarter

	<i>Company</i>	<i>Meeting Date</i>	<i>Type</i>	<i>Dated Voted</i>
1	THOMAS COOK GROUP PLC	2008-04-10	AGM	2008-03-25
2	ANGLO AMERICAN PLC	2008-04-15	AGM	2008-04-01
3	ARICOM PLC	2008-04-15	AGM	2008-04-04
4	BP PLC	2008-04-17	AGM	2008-04-07
5	DRAX GROUP PLC	2008-04-17	AGM	2008-04-07
6	RIO TINTO PLC	2008-04-17	AGM	2008-04-04
7	TAYLOR WIMPEY PLC	2008-04-17	AGM	2008-04-04
8	MORGAN CRUCIBLE COMPANY PLC	2008-04-18	AGM	2008-04-07
9	CARNIVAL CORPORATION PLC	2008-04-22	AGM	2008-04-01
10	BRADFORD & BINGLEY PLC	2008-04-22	AGM	2008-04-11
11	MORGAN SINDALL PLC	2008-04-22	AGM	2008-04-11
12	THE ROYAL BANK OF SCOTLAND GROUP PLC	2008-04-23	AGM	2008-04-11
13	ASTRAZENECA PLC	2008-04-24	AGM	2008-04-14
14	BARCLAYS PLC	2008-04-24	AGM	2008-04-14
15	PERSIMMON PLC	2008-04-24	AGM	2008-04-14
16	STHREE PLC	2008-04-24	AGM	2008-04-14
17	JOHNSTON PRESS PLC	2008-04-25	AGM	2008-04-15
18	HBOS PLC	2008-04-29	AGM	2008-04-17
19	KAZAKHMYS PLC	2008-04-30	AGM	2008-04-21
20	BODYCOTE PLC	2008-04-30	AGM	2008-04-17
21	BBA AVIATION PLC	2008-04-30	AGM	2008-04-17
22	AVIVA PLC	2008-05-01	AGM	2008-04-21
23	GKN PLC	2008-05-01	AGM	2008-04-21
24	REXAM PLC	2008-05-01	AGM	2008-04-21
25	XSTRATA PLC	2008-05-06	AGM	2008-04-22
26	SAVILLS PLC	2008-05-07	AGM	2008-04-24
27	CARILLION PLC	2008-05-07	AGM	2008-04-24
28	BAE SYSTEMS PLC	2008-05-07	AGM	2008-04-24
29	MONDI PLC	2008-05-07	AGM	2008-04-24
30	WSP GROUP PLC	2008-05-07	AGM	2008-04-24
31	CATTLES PLC	2008-05-09	AGM	2008-04-29
32	LAIRD PLC	2008-05-09	AGM	2008-04-29
33	IMI PLC	2008-05-09	AGM	2008-04-29
34	CATTLES PLC	2008-05-09	EGM	2008-04-29
35	BOVIS HOMES GROUP PLC	2008-05-09	AGM	2008-04-25
36	TRAVIS PERKINS PLC	2008-05-13	AGM	2008-05-01
37	ALLIANCE & LEICESTER PLC	2008-05-13	AGM	2008-05-01
38	CATLIN GROUP LTD	2008-05-14	AGM	2008-05-02
39	LEGAL & GENERAL GROUP PLC	2008-05-14	AGM	2008-05-02
40	THE ROYAL BANK OF SCOTLAND GROUP PLC	2008-05-14	EGM	2008-05-02

41	BALFOUR BEATTY PLC	2008-05-15	AGM	2008-05-02
42	INFORMA PLC	2008-05-15	AGM	2008-05-02
43	COOKSON GROUP PLC	2008-05-15	AGM	2008-05-06
44	CSR PLC	2008-05-15	AGM	2008-05-06
45	SPECTRIS PLC	2008-05-16	AGM	2008-05-06
46	WELLSTREAM HOLDINGS PLC	2008-05-19	AGM	2008-05-09
47	STANDARD LIFE PLC	2008-05-19	AGM	2008-05-07
48	RSA INSURANCE GROUP PLC	2008-05-19	AGM	2008-05-08
49	REGUS GROUP PLC	2008-05-20	AGM	2008-05-08
50	GLAXOSMITHKLINE PLC	2008-05-21	AGM	2008-05-08
51	COLLINS STEWART PLC	2008-05-22	AGM	2008-05-12
52	MICHAEL PAGE INTERNATIONAL PLC	2008-05-23	AGM	2008-05-13
53	FKI PLC	2008-05-28	EGM	2008-05-13
54	HSBC HOLDINGS PLC	2008-05-30	AGM	2008-05-19
55	DEBENHAMS PLC	2008-06-03	EGM	2008-05-20
56	SIGNET GROUP PLC	2008-06-06	AGM	2008-05-20
57	BRADFORD & BINGLEY PLC	2008-06-16	EGM	2008-06-03
58	PREMIER FARNELL PLC	2008-06-17	AGM	2008-06-03
59	WHITBREAD PLC	2008-06-17	AGM	2008-06-03
60	WOOLWORTHS GROUP PLC	2008-06-18	AGM	2008-06-04
61	HBOS PLC	2008-06-26	EGM	2008-06-16
62	TESCO PLC	2008-06-27	AGM	2008-06-12

Table 4: Meetings not voted in quarter

	<i>Company</i>	<i>Meeting Date</i>	<i>Meeting Type</i>	<i>Reason Not Voted</i>
1	PACE PLC	2008-04-16	EGM	Stock not held until 2008-05-06
2	MONEYSUPERMARKET.COM GRP PLC	2008-04-22	AGM	No ballot
3	LSL PROPERTY SERVICES	2008-04-23	AGM	Not held by the client at the time of voting
4	PACE PLC	2008-04-23	AGM	Stock not held until 2008-05-06
5	TAYLOR NELSON SOFRES PLC	2008-05-07	AGM	Not held by the client at the time of voting
6	HOCHSCHILD MINING PLC	2008-05-09	AGM	Not held by the client at the time of voting
7	AGA RANGEMASTER GROUP PLC	2008-05-09	AGM	Not held by the client at the time of voting
8	AGA RANGEMASTER GROUP PLC	2008-05-09	EGM	Not held by the client at the time of voting
9	GCAP MEDIA PLC	2008-05-15	EGM	Not held by the client at the time of voting
10	JOHNSTON PRESS PLC	2008-05-30	EGM	No ballot

Table 5: Reported meetings in quarter

	<i>Company</i>	<i>Meeting Date</i>	<i>Meeting Type</i>
1	STOBART GROUP LTD	2008-04-03	EGM
2	ASSURA GROUP PLC	2008-04-03	EGM
3	UTV MEDIA PLC	2008-04-07	EGM
4	LOW & BONAR PLC	2008-04-09	AGM
5	JPMORGAN CLAVERHOUSE I.T. PLC	2008-04-10	AGM
6	BLACKROCK WORLD MINING TRUST PLC	2008-04-10	AGM
7	SCOTTISH AMERICAN INVESTMENT COMPANY PLC	2008-04-10	AGM
8	CADBURY PLC	2008-04-11	AGM
9	CADBURY PLC	2008-04-11	EGM
10	SOCO INTERNATIONAL PLC	2008-04-14	EGM
11	JPMORGAN CHINESE I.T. PLC	2008-04-14	EGM
12	ABERDEEN ASIAN INCOME FUND LTD	2008-04-15	AGM
13	BLACKROCK GREATER EUROPE I.T. PLC	2008-04-15	EGM
14	LAW DEBENTURE CORPORATION PLC	2008-04-17	AGM
15	TARSUS GROUP PLC	2008-04-17	AGM
16	BLACKROCK NEW ENERGY I.T. PLC	2008-04-17	EGM
17	EDINBURGH UK TRACKER TRUST PLC	2008-04-18	AGM
18	LIBERTY INTERNATIONAL PLC	2008-04-18	AGM
19	BLACKROCK COMMODITIES INCOME I.T. PLC	2008-04-21	EGM
20	BEAZLEY GROUP PLC	2008-04-21	AGM
21	MURRAY INTERNATIONAL TRUST PLC	2008-04-22	AGM
22	FIDESSA PLC	2008-04-22	AGM
23	BLACKROCK LATIN AMERICAN I.T. PLC	2008-04-22	EGM
24	HERALD INVESTMENT TRUST PLC	2008-04-22	AGM
25	LONDON SCOTTISH BANK PLC	2008-04-23	AGM
26	HUNTING PLC	2008-04-23	AGM
27	LAVENDON GROUP PLC	2008-04-23	AGM
28	STYLES & WOOD GROUP PLC	2008-04-23	AGM
29	ARRIVA PLC	2008-04-23	AGM
30	ANGLO PACIFIC GROUP PLC	2008-04-23	AGM
31	BLACKROCK WORLD MINING TRUST PLC	2008-04-23	EGM
32	BLACKROCK SMALLER COMPANIES TRUST PLC	2008-04-23	EGM
33	HENDERSON TR PACIFIC I.T. PLC	2008-04-23	AGM
34	AGGREKO PLC	2008-04-23	AGM
35	REED ELSEVIER PLC	2008-04-23	AGM
36	MANAGEMENT CONSULTING GROUP PLC	2008-04-23	AGM
37	WORKSPACE GROUP PLC	2008-04-23	EGM
38	SDL PLC	2008-04-24	AGM
39	SCHRODERS PLC	2008-04-24	AGM
40	MEGGITT PLC	2008-04-24	AGM
41	COLT TELECOM GROUP SA	2008-04-24	AGM
42	AMLIN PLC	2008-04-24	AGM
43	BRIXTON PLC	2008-04-24	AGM

44	FILTRONA PLC	2008-04-24	AGM
45	ELEMENTIS PLC	2008-04-24	AGM
46	COMMUNISIS PLC	2008-04-24	AGM
47	ARK THERAPEUTICS GROUP PLC	2008-04-24	AGM
48	AXON GROUP PLC	2008-04-25	AGM
49	ULTRA ELECTRONICS HOLDINGS PLC	2008-04-25	AGM
50	PEARSON PLC	2008-04-25	AGM
51	GLOBEOP FINANCIAL SERVICES	2008-04-25	AGM
52	GLOBEOP FINANCIAL SERVICES	2008-04-25	EGM
53	SENIOR PLC	2008-04-25	AGM
54	PENDRAGON PLC	2008-04-25	AGM
55	RANDGOLD RESOURCES LTD	2008-04-28	AGM
56	ARENA LEISURE PLC	2008-04-28	AGM
57	WITAN INVESTMENT TRUST PLC	2008-04-28	AGM
58	THE DAVIS SERVICE GROUP PLC	2008-04-28	AGM
59	FORTH PORTS PLC	2008-04-29	AGM
60	HIGHWAY INSURANCE GROUP PLC	2008-04-29	AGM
61	IP GROUP PLC	2008-04-29	AGM
62	ADMIRAL GROUP PLC	2008-04-29	AGM
63	BPP HOLDINGS PLC	2008-04-29	AGM
64	BRITISH AMERICAN TOBACCO PLC	2008-04-30	AGM
65	ALPHA PYRENEES TRUST LTD	2008-04-30	AGM
66	ST JAMES'S PLACE PLC	2008-04-30	AGM
67	JARDINE LLOYD THOMPSON GROUP PLC	2008-04-30	AGM
68	GOLDENPORT HOLDINGS PLC	2008-04-30	AGM
69	CRODA INTERNATIONAL PLC	2008-04-30	AGM
70	THE MERCANTILE INVESTMENT TRUST PLC	2008-04-30	AGM
71	ROK PLC	2008-05-01	AGM
72	TOMKINS PLC	2008-05-01	AGM
73	DEVRO PLC	2008-05-01	AGM
74	JAMES FISHER & SONS PLC	2008-05-01	AGM
75	HAMMERSON PLC	2008-05-01	AGM
76	RECKITT BENCKISER GROUP PLC	2008-05-01	AGM
77	HENDERSON GROUP PLC	2008-05-01	AGM
78	SMITH & NEPHEW PLC	2008-05-01	AGM
79	FOREIGN & COLONIAL I.T. PLC	2008-05-01	AGM
80	NATIONAL EXPRESS GROUP PLC	2008-05-01	AGM
81	LOOKERS PLC	2008-05-01	EGM
82	BENFIELD GROUP LTD	2008-05-02	AGM
83	ROTORK PLC	2008-05-02	AGM
84	T.CLARKE PLC	2008-05-02	AGM
85	DELTA PLC	2008-05-06	AGM
86	CAPITA GROUP PLC	2008-05-06	AGM
87	RIGHTMOVE PLC	2008-05-06	AGM
88	INMARSAT PLC	2008-05-06	AGM
89	HGCAPITAL TRUST PLC	2008-05-06	AGM
90	MILLENNIUM & COPTHORNE HOTELS PLC	2008-05-07	AGM
91	SVG CAPITAL PLC	2008-05-07	AGM

92	MAPELEY PLC	2008-05-07	AGM
93	THE RANK GROUP PLC	2008-05-07	AGM
94	ROLLS ROYCE GROUP PLC	2008-05-07	AGM
95	COBHAM PLC	2008-05-07	AGM
96	CLARKSON PLC	2008-05-07	AGM
97	MELROSE PLC	2008-05-07	AGM
98	IMPAX ENVIRONMENTAL MARKETS PLC	2008-05-07	AGM
99	THE RESTAURANT GROUP PLC	2008-05-07	AGM
100	RATHBONE BROTHERS PLC	2008-05-07	AGM
101	THE WEIR GROUP PLC	2008-05-07	AGM
102	STANDARD CHARTERED PLC	2008-05-07	AGM
103	THOMSON REUTERS PLC	2008-05-07	AGM
104	ROBERT WALTERS PLC	2008-05-08	AGM
105	COSTAIN GROUP PLC	2008-05-08	AGM
106	SPIRENT COMMUNICATIONS PLC	2008-05-08	AGM
107	LLOYDS TSB GROUP PLC	2008-05-08	AGM
108	BRITISH POLYTHENE INDUSTRIES PLC	2008-05-08	AGM
109	OLD MUTUAL PLC	2008-05-08	AGM
110	SPRING GROUP PLC	2008-05-08	AGM
111	PROVIDENT FINANCIAL PLC	2008-05-08	AGM
112	TRINITY MIRROR PLC	2008-05-08	AGM
113	JPMORGAN AMERICAN I.T. PLC	2008-05-08	AGM
114	TDG PLC	2008-05-09	AGM
115	CHARLES TAYLOR CONSULTING PLC	2008-05-09	AGM
116	PSION PLC	2008-05-09	AGM
117	HILL & SMITH HOLDINGS PLC	2008-05-09	AGM
118	OXFORD BIOMEDICA PLC	2008-05-09	AGM
119	INTERTEK GROUP PLC	2008-05-09	AGM
120	SHIRE LTD	2008-05-09	EGM
121	CENTRICA PLC	2008-05-12	AGM
122	MARTIN CURRIE PORT. I.T. ORD. PLC	2008-05-12	AGM
123	LOOKERS PLC	2008-05-13	AGM
124	HENDERSON HIGH INCOME TRUST PLC	2008-05-13	AGM
125	GREGGS PLC	2008-05-13	AGM
126	SERCO GROUP PLC	2008-05-13	AGM
127	UNITED BUSINESS MEDIA PLC	2008-05-13	AGM
128	KELLER GROUP PLC	2008-05-13	AGM
129	SPIRAX-SARCO ENGINEERING PLC	2008-05-13	AGM
130	F&C ASSET MANAGEMENT PLC	2008-05-13	AGM
131	INTERNATIONAL POWER PLC	2008-05-13	AGM
132	NEXT PLC	2008-05-13	AGM
133	ARM HOLDINGS PLC	2008-05-13	AGM
134	MERCHANTS TRUST PLC	2008-05-13	AGM
135	BLACKROCK LATIN AMERICAN I.T. PLC	2008-05-13	AGM
136	PRINCIPLE CAPITAL INV TRUST PLC	2008-05-13	AGM
137	STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LTD	2008-05-13	AGM
138	DUNEDIN ENTERPRISE I.T. PLC	2008-05-13	AGM

139	ENNSTONE PLC	2008-05-13	AGM
140	XAAR PLC	2008-05-13	AGM
141	TULLOW OIL PLC	2008-05-14	AGM
142	BG GROUP PLC	2008-05-14	AGM
143	VENTURE PRODUCTION PLC	2008-05-14	AGM
144	INTERSERVE PLC	2008-05-14	AGM
145	LOGICA PLC	2008-05-14	AGM
146	SIG PLC	2008-05-14	AGM
147	BUNZL PLC	2008-05-14	AGM
148	UNILEVER PLC	2008-05-14	AGM
149	CHIME COMMUNICATIONS PLC	2008-05-14	AGM
150	TT ELECTRONICS PLC	2008-05-14	AGM
151	RENTOKIL INITIAL PLC	2008-05-14	AGM
152	INTERNATIONAL PERSONAL FINANCE PLC	2008-05-14	AGM
153	AMEC PLC	2008-05-14	AGM
154	CANDOVER INVESTMENTS PLC	2008-05-14	AGM
155	GRAPHITE ENTERPRISE TRUST PLC	2008-05-14	AGM
156	INVESCO PERPETUAL UK SMALLER CO'S I.T. PLC	2008-05-14	AGM
157	PRUDENTIAL PLC	2008-05-15	AGM
158	INCHCAPE PLC	2008-05-15	AGM
159	HUNTSWORTH PLC	2008-05-15	AGM
160	ITV PLC	2008-05-15	AGM
161	WILLIAM HILL PLC	2008-05-15	AGM
162	BRIT INSURANCE HOLDINGS PLC	2008-05-15	AGM
163	UNIQ PLC	2008-05-15	AGM
164	TELECITY GROUP PLC	2008-05-15	AGM
165	TULLETT PREBON PLC	2008-05-15	AGM
166	THE UNITE GROUP PLC	2008-05-15	AGM
167	EMERALD ENERGY PLC	2008-05-15	AGM
168	MARSHALLS PLC	2008-05-15	AGM
169	YULE CATTO & CO PLC	2008-05-15	AGM
170	HIKMA PHARMACEUTICALS PLC	2008-05-15	AGM
171	PARTYGAMING PLC	2008-05-15	AGM
172	FERREXPO PLC	2008-05-15	AGM
173	PARTYGAMING PLC	2008-05-15	EGM
174	AXIS-SHIELD PLC	2008-05-15	AGM
175	NEW STAR ASSET MGMT GROUP	2008-05-15	AGM
176	SMG PLC	2008-05-16	AGM
177	LADBROKES PLC	2008-05-16	AGM
178	PETROFAC LTD	2008-05-16	AGM
179	UTV MEDIA PLC	2008-05-16	AGM
180	COMPUTACENTER PLC	2008-05-16	AGM
181	VANCO PLC	2008-05-16	EGM
182	NOVAE GROUP PLC	2008-05-16	AGM
183	FIDELITY EUROPEAN VALUES PLC	2008-05-16	AGM
184	CHARTER PLC	2008-05-16	AGM
185	SHORE CAPITAL GROUP PLC	2008-05-16	AGM
186	PREMIER FOODS PLC	2008-05-16	AGM

187	UK COMMERCIAL PROPERTY TRUST LTD	2008-05-16	AGM
188	SHORE CAPITAL GROUP PLC	2008-05-16	EGM
189	ANGLO & OVERSEAS PLC	2008-05-16	EGM
190	KOFAX PLC	2008-05-16	EGM
191	A G BARR PLC	2008-05-19	AGM
192	DUNEDIN INCOME GROWTH I.T. PLC	2008-05-19	AGM
193	CHESNARA PLC	2008-05-19	AGM
194	HARDY UNDERWRITING BERMUDA LTD	2008-05-19	AGM
195	ING UK REAL ESTATE INCOME TRUST LTD	2008-05-19	AGM
196	SCI ENTERTAINMENT GROUP PLC	2008-05-19	EGM
197	BRAMMER PLC	2008-05-20	AGM
198	UK COAL PLC	2008-05-20	AGM
199	PROSTRAKAN GROUP PLC	2008-05-20	AGM
200	ROYAL DUTCH SHELL PLC	2008-05-20	AGM
201	CLS HOLDINGS PLC	2008-05-20	AGM
202	SEGRO PLC	2008-05-20	AGM
203	ACAMBIS PLC	2008-05-20	EGM
204	FRENCH CONNECTION GROUP PLC	2008-05-21	AGM
205	VISLINK PLC	2008-05-21	AGM
206	GARTMORE GLOBAL TRUST PLC	2008-05-21	AGM
207	EDINBURGH US TRACKER TRUST PLC	2008-05-21	AGM
208	F&C COMMERCIAL PROPERTY TRUST LIMITED	2008-05-21	AGM
209	DEVELOPMENT SECURITIES PLC	2008-05-21	AGM
210	888 HOLDINGS PLC	2008-05-21	AGM
211	SKYEPHARMA PLC	2008-05-21	AGM
212	RPS GROUP PLC	2008-05-22	AGM
213	CHAUCER HOLDINGS PLC	2008-05-22	AGM
214	FRIENDS PROVIDENT PLC	2008-05-22	AGM
215	JOHN WOOD GROUP PLC	2008-05-22	AGM
216	KENMORE EUROPEAN INDUSTRIAL FUND LTD	2008-05-22	AGM
217	ISIS PROPERTY TRUST LTD	2008-05-22	AGM
218	XCHANGING PLC	2008-05-22	AGM
219	JOHN MENZIES PLC	2008-05-22	AGM
220	GOLDMAN SACHS DYNAMIC OPPORTUNITIES PLC	2008-05-22	AGM
221	THE ALLIANCE TRUST PLC	2008-05-23	AGM
222	AEGIS GROUP PLC	2008-05-23	AGM
223	CAIRN ENERGY PLC	2008-05-23	AGM
224	RAYMARINE PLC	2008-05-23	AGM
225	PV CRYSTALOX SOLAR PLC	2008-05-23	AGM
226	ADVANTAGE PROP INCOME TRUST LTD	2008-05-27	AGM
227	THE VITEC GROUP PLC	2008-05-27	AGM
228	MELROSE PLC	2008-05-27	EGM
229	EAGLET INVESTMENT TRUST PLC	2008-05-27	EGM
230	AVIS EUROPE PLC	2008-05-28	AGM
231	JKX OIL & GAS PLC	2008-05-29	AGM
232	EVOLUTION GROUP PLC	2008-05-29	AGM
233	MWB GROUP HOLDINGS PLC	2008-05-29	EGM
234	G4S PLC	2008-05-29	AGM

235	HARDY OIL & GAS PLC	2008-05-29	AGM
236	TRIBAL GROUP PLC	2008-05-30	AGM
237	SEVERFIELD-ROWEN PLC	2008-05-30	AGM
238	INTERCONTINENTAL HOTELS GROUP PLC	2008-05-30	AGM
239	EXPRO INTERNATIONAL GROUP PLC	2008-06-02	EGM
240	LAURA ASHLEY HOLDINGS PLC	2008-06-02	AGM
241	CAPITAL & REGIONAL PLC	2008-06-02	AGM
242	UNITED BUSINESS MEDIA PLC	2008-06-02	EGM
243	CITY MERCHANTS HIGH YIELD TRUST PLC	2008-06-03	AGM
244	WETHERSPOON (JD) PLC	2008-06-03	EGM
245	MANGANESE BRONZE HOLDINGS PLC	2008-06-03	AGM
246	HAMPSON INDUSTRIES PLC	2008-06-03	EGM
247	HISCOX LTD	2008-06-04	AGM
248	BLACKROCK SMALLER COMPANIES TRUST PLC	2008-06-04	AGM
249	GEM DIAMONDS LTD	2008-06-04	AGM
250	WOLFSON MICROELECTRONICS PLC	2008-06-04	AGM
251	ENTERTAINMENT RIGHTS PLC	2008-06-04	AGM
252	KINGFISHER PLC	2008-06-05	AGM
253	CAMELLIA PLC	2008-06-05	AGM
254	WM MORRISON SUPERMARKETS PLC	2008-06-05	AGM
255	DERWENT LONDON PLC	2008-06-05	AGM
256	ACAMBIS PLC	2008-06-05	AGM
257	DIGNITY PLC	2008-06-06	AGM
258	R.E.A. HOLDINGS PLC	2008-06-06	AGM
259	PREMIER OIL PLC	2008-06-06	AGM
260	PACIFIC ASSETS TRUST PLC	2008-06-09	AGM
261	HILTON FOOD GROUP PLC	2008-06-09	AGM
262	ANTISOMA PLC	2008-06-09	EGM
263	EXPRO INTERNATIONAL GROUP PLC	2008-06-09	EGM
264	TED BAKER PLC	2008-06-10	AGM
265	TED BAKER PLC	2008-06-10	EGM
266	EURASIAN NATURAL RESOURCES CORP PLC	2008-06-11	AGM
267	REAL ESTATE OPPORTUNITIES LTD	2008-06-11	AGM
268	ANTOFAGASTA PLC	2008-06-11	AGM
269	ANTOFAGASTA PLC	2008-06-11	EGM
270	CINEWORLD GROUP PLC	2008-06-11	AGM
271	LONDON & ASSOC PROPERTIES PLC	2008-06-11	AGM
272	WITAN PACIFIC I.T. PLC	2008-06-12	AGM
273	MELROSE RESOURCES PLC	2008-06-12	AGM
274	BABCOCK & BROWN PUBLIC PARTNERSHIPS LTD	2008-06-12	AGM
275	PRODESSE INVESTMENT LTD	2008-06-13	AGM
276	MAPELEY PLC	2008-06-13	EGM
277	TEMPLETON EMERGING MARKETS I.T. PLC	2008-06-13	EGM
278	BATM ADVANCED COMM LTD	2008-06-16	AGM
279	DEXION ABSOLUTE LTD	2008-06-16	AGM
280	DEXION ALPHA STRATEGIES LTD	2008-06-16	AGM
281	DEXION EQUITY ALTERNATIVE LTD	2008-06-16	AGM
282	JZ EQUITY PARTNERS PLC	2008-06-16	EGM

283	JZ EQUITY PARTNERS PLC	2008-06-16	EGM
284	CORIN GROUP PLC	2008-06-17	AGM
285	PRIMARY HEALTH PROPERTIES PLC	2008-06-17	AGM
286	BRAEMAR SHIPPING SERVICES PLC	2008-06-18	AGM
287	CENTRAL RAND GOLD LTD	2008-06-19	AGM
288	THE EASTERN EUROPEAN TRUST PLC	2008-06-19	AGM
289	HEADLAM GROUP PLC	2008-06-20	AGM
290	STOBART GROUP LTD	2008-06-20	AGM
291	UTV MEDIA PLC	2008-06-20	EGM
292	SMG PLC	2008-06-20	EGM
293	PINEWOOD SHEPPERTON PLC	2008-06-23	AGM
294	ALIZYME PLC	2008-06-24	AGM
295	SOCO INTERNATIONAL PLC	2008-06-24	AGM
296	WPP GROUP PLC	2008-06-24	AGM
297	IMPERIAL ENERGY CORP PLC	2008-06-25	AGM
298	FORTUNE OIL PLC	2008-06-25	AGM
299	ENTERTAINMENT RIGHTS PLC	2008-06-26	AGM
300	SCOTTISH MORTGAGE I.T. PLC	2008-06-26	AGM
301	NORTH ATLANTIC SMALLER COMPANIES I.T. PLC	2008-06-26	AGM
302	JZ EQUITY PARTNERS PLC	2008-06-26	EGM
303	THE JOHN DAVID GROUP PLC	2008-06-26	AGM
304	BLOOMSBURY PUBLISHING PLC	2008-06-27	AGM
305	MARTIN CURRIE PACIFIC TRUST PLC	2008-06-27	AGM
306	SALAMANDER ENERGY PLC	2008-06-30	AGM
307	CARPHONE WAREHOUSE GROUP PLC	2008-06-30	EGM
308	COMMUNISIS PLC	2008-06-30	EGM
309	VT GROUP PLC	2008-06-30	EGM

UK UPCOMING MEETINGS – Q3 2008

There were no upcoming meetings in the client's portfolio during the last quarter. This list is based on the best information available to PIRC at the time of writing and is subject to change without notice.

Table 6: Meetings forthcoming in the next quarter

	<i>Company Name</i>	<i>Meeting Date</i>	<i>Meeting Type</i>
1	INTERMEDIATE CAPITAL GROUP PLC	2008-07-01	AGM
2	UNITED UTILITIES PLC	2008-07-01	EGM
3	HOME RETAIL GROUP PLC	2008-07-02	AGM
4	BRADFORD & BINGLEY PLC	2008-07-07	EGM
5	MARKS & SPENCER GROUP PLC	2008-07-09	AGM
6	KAZAKHMYS PLC	2008-07-09	EGM
7	BRITISH AIRWAYS PLC	2008-07-15	AGM
8	SPEEDY HIRE PLC	2008-07-15	AGM
9	EXPERIAN GROUP LTD	2008-07-16	AGM
10	BT GROUP PLC	2008-07-16	AGM
11	BRITISH ENERGY GROUP PLC	2008-07-17	AGM
12	BRADFORD & BINGLEY PLC	2008-07-17	EGM
13	INVENSYS PLC	2008-07-18	AGM
14	HALFORDS GROUP PLC	2008-07-23	AGM
15	JJB SPORTS PLC	2008-07-24	AGM
16	UNITED UTILITIES PLC	2008-07-25	AGM
17	YELL GROUP PLC	2008-07-25	AGM
18	NORTHERN FOODS PLC	2008-07-28	AGM
19	VODAFONE GROUP PLC	2008-07-29	AGM

APPENDIX

PROXY VOTING REPORTS

Detailed analysis and final proxy results on “Oppose, Abstain and Withhold” votes

APPENDIX 1 - UK PROXY VOTING REPORT

Analysis and final proxy results on “Oppose and Abstain” votes for resolutions at UK meetings for companies held by the fund during the period.

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Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice.

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Pensions & Investment Research Consultants Limited
4th Floor, Cityside
40 Adler Street
London E1 1EE

Tel: 020 7247 2323 Fax: 020 7247 2457

E-mail: info@pirc.co.uk
[Http://www.pirc.co.uk](http://www.pirc.co.uk)
Regulated by FSA

QUESTIONS ON LEHMAN BROTHERS BANKRUPTCY

Q1 What are ECM's direct holdings of Lehman Brothers bonds?

Relevant to NYPF, low exposure

ECM fund exposures to Lehman Brothers bonds, classified under global financial institutions, are modest. As at the Monday 8th September weekly valuation date, ECL has 13 bps of marked-to-market exposure and DEC 10 bps. Exposures of other ECM funds to Lehman Brothers bonds are broadly similar, other than DFE whose exposure totals 1.85 % of NAV (DFE's exposure is senior and can be expected to have a higher recovery value). A spreadsheet with the exposures by NAV is attached.

Q2 What about exposures to Merrill Lynch and AIG?

Relevant to NYPF but no additional risk

Direct credit exposures to Merrill Lynch are attached. These also are relatively modest at 20 bps for ECL. Merrill Lynch spreads have rallied on the announcement of the Bank of America transaction. ECM has no exposure to AIG bonds, CDS or any indirect derivative exposure.

Q3 What about fund repo borrowings from Lehman Brothers?

Relevant to NYPF

ECM funds have borrowed an aggregate total of €792 million from Lehman Brothers (representing 8.5% of total repo borrowings). Maturities of these transactions are well spread through the balance of the year and the collateral is predominantly investment grade corporate bonds. It is likely ECM will issue a notice of termination under the GMRA documentation. ECM funds do have overall exposure to the "haircut" applied by Lehman on these repo financings which amounts to approximately 10% of current mark-to-market. This varies by fund but as a reference point amounts on average to 40 bps of NAV. (17.9.08 revised to a prudent 25bps).

Q4 What about CDS counterparty risk exposure to Lehman Brothers?

Relevant to NYPF, very low risk of small exposure

One fund (REV) has a modest relative value trade in Fiat which with Lehman's default, will increase REV's net exposure to Fiat. However, we are not unhappy with the fundamental credit risk of Fiat. This is the only CDS outstanding with Lehman's.

Q5 What about TRS index related or other swaps written with Lehman Brothers?

Not relevant to NYPF

ECM funds have a number of derivative positions outstanding with Lehman Brothers. These derivative transactions are executed pursuant to ISDA master agreements as between each fund and the Lehman Brothers' counterparty entity. These derivatives have been managed by ECM on a global basis so that all transactions as between each fund and the Lehman Brothers counterparty are netted on a regular basis to ensure minimal overall exposure as between the counterparties. The MTM of these exposures (contained in three programmes: ECL, DEC and REV) is low. We expect to issue termination notices on these exposures in the near term and to substitute the exposure with other counterparties.

Q6 What about Lehman Indices?

Not relevant to NYPF

We have been contacted this evening by the Lehman Analytics Group who have advised us that they will continue to calculate the Lehman Indices and endeavour to operate as normal until further notice. In any event, we expect that this unit would be highly sellable and we will be in touch directly with affected clients in due course as we learn more.

Q7 What about exposures to Lehman in the ECM loan programmes?

Not relevant to NYPF

LLE and TLE have purchased from Lehman loan exposures to three obligors by way of "sub-participation". The total market value of the positions is approximately €11.1 million (LLE €7.6 million or 0.7% of DENAV, and TLE €3.5 million or 1.3% of DENAV). Under the arrangements Lehman Brothers remains the lender to the borrowers, but is obliged to pay all receipts to LLE and TLE. In the case of two of the positions, the sub-participation route was used in order to avoid withholding tax and comply with Irish law with respect to Italian borrowers. In accordance with their rights under the documentation, LLE and TLE have today requested the Lehman counterparty to convert the investments into full assignments. If LLE and TLE are able to convert, the value of all the loans will be unaffected by Lehman's situation. If it proves impossible to convert, LLE and TLE will rely on Lehman's ability to pay receipts to them as they are received.

	DeNav	6,900,361,333	746,432,996	2,866,377,539	151,626,489	488,946,176	196,521,525	179,241,108	296,159,443	1,537,206,052	216,838,007	48,646,534	
	Security	ECL	ELB	DEC	DAN	IGE	INT	CCE	FEV	REV	DFE	ORI	Total
XS0243852562	LEHMAN BROS CAP FUND III 3.875% PERP	15,000,000	1,500,000	5,000,000		1,000,000	500,000	500,000	500,000		0		24,000,000
	Price 57.94	8,691,000	869,100	2,897,000		579,400	289,700	289,700	289,700		0		13,905,600
	% NAV	0.13%	0.12%	0.10%		0.12%	0.15%	0.16%	0.10%				
XS0224346592	LEHMAN BROTHERS HOLDINGS 3MEBR+25BP 20-JUL-2012	0	0	0		0	0	0	0		4,700,000		4,700,000
	ECM 508 Price 85										4,017,560		4,017,560
	% NAV										1.85%		
	Totals :- Notional	15,000,000	1,500,000	5,000,000		1,000,000	500,000	500,000	500,000		4,700,000		28,700,000
	Totals :- MTM	8,691,000	869,100	2,897,000		579,400	289,700	289,700	289,700		4,017,560		17,923,160
	% NAV	0.13%	0.12%	0.10%	0.00%	0.12%	0.15%	0.16%	0.10%	0.00%	1.85%		
	Security	ECL	ELB	DEC	DAN	IGE	INT	CCE	FEV	REV	DFE	ORI	Total
XS0302633598	MERRILL LYNCH & CO 3MEBR+30BP 30-MAY-2014	4,000,000	500,000	2,500,000	0	500,000	500,000	0	500,000	1,000,000	0		9,500,000
	ECM + 486 Price 81.46	3,258,400	407,300	2,036,500	0	407,300	407,300	0	407,300	814,600	0		7,738,700
	% NAV	0.05%	0.05%	0.07%	0.00%	0.08%	0.21%	0.00%	0.14%	0.05%	0.00%		
XS0197079972	MERRILL LYNCH & CO 3MEBR+45BP 22-JUL-2014	0	0	0	0	0	0	0	0	0	5,000,000		5,000,000
	ECM + 448 Price 83.05	0	0	0	0	0	0	0	0	0	4,152,500		4,152,500
	% NAV	-	-	-	-	-	-	-	-	-	1.92%		
XS0284283081	MERRILL LYNCH & CO 4.45% 31-JAN-2014	2,500,000	0	500,000	0	0	500,000	1,000,000	0	0	0		4,500,000
	ECM 414 Price 82.95	2,073,750	0	414,750	0	0	414,750	829,500	0	0	0		3,732,750
	% NAV	0.03%	0.00%	0.01%	0.00%	0.00%	0.21%	0.46%	0.00%	0.00%	0.00%		
XS0267828308	MERRILL LYNCH & CO 4.625% 14-SEP-2018	7,000,000	0	4,000,000	0	1,000,000	500,000	500,000	1,000,000	1,500,000	3,000,000		18,500,000
	ECM + 512 Price 70.625	4,943,400	0	2,824,800	0	706,200	353,100	353,100	706,200	1,059,300	2,118,600		13,064,700
	% NAV	0.07%	0.00%	0.10%	0.00%	0.14%	0.18%	0.20%	0.24%	0.07%	0.98%		
											1		
XS0302633168	MERRILL LYNCH & CO 4.875% 30-MAY-2014	5,500,000	500,000	2,500,000	0	1,000,000	0	0	500,000	1,000,000	0	500,000	11,500,000
	ECM + 429 price 83.44	4,589,200	417,200	2,086,000	0	834,400	0	0	417,200	834,400	0	417,200	9,178,400
	% NAV	0.07%	0.06%	0.07%	0.00%	0.17%	0.00%	0.00%	0.14%	0.05%	0.00%	0.86%	
US59018YJ367	MERRILL LYNCH & CO 6.05% 15-AUG-2012	8,000,000	1,000,000	2,000,000	0	1,000,000	0	0	0	2,500,000	4,000,000		18,500,000
	ECM + 345 Price 96.05	5,421,003	677,625	1,355,251	0	677,625	0	0	0	1,694,063	2,710,501		12,536,068
	% NAV	0.08%	0.09%	0.05%	0.00%	0.14%	0.00%	0.00%	0.00%	0.11%	1.25%		
											1		
	MERRILL LYNCH AND CO 20/09/2012 - USD - MR - SNR - CDS	21,750,000	1,750,000	4,750,000	500,000	0	0	250,000	0	3,000,000	500,000	750,000	33,250,000
	ECM + 385	13,682,692	1,104,243	2,998,984	313,746	0	0	158,917	0	1,890,652	317,835	476,753	20,943,822
	% NAV	0.20%	0.15%	0.10%	0.21%	0.00%	0.00%	0.09%	0.00%	0.12%	0.15%	0.98%	
	Totals :- Notional	48,750,000	3,750,000	16,250,000	500,000	3,500,000	1,500,000	1,750,000	2,000,000	9,000,000	12,500,000	1,250,000	100,750,000
	Totals :- MTM	33,968,445	2,606,368	11,716,285	313,746	2,625,525	1,175,150	1,341,517	1,530,700	6,293,015	9,299,436	893,953	71,764,140
	% NAV	0.49%	0.35%	0.41%	0.21%	0.54%	0.60%	0.75%	0.52%	0.41%	4.29%	1.84%	

NORTH YORKSHIRE PENSION FUND

Meeting: 25th September 2008

1. INVESTMENT RETURNS

The table below shows total returns, expressed in sterling, on the major asset classes for the two months to 31st August, the three months to 30th June 2008 and for the year to 30th June 2008.

	Market Returns		
	1 st July to 31 st August 2008 %	3 months to 30 th June 2008 %	12 months to 30 th June 2008 %
FTSE All-Share	1.2	-1.4	-13.0
FTSE World Ex UK	4.9	-1.8	-8.1
FTSE N. America	9.1	-1.6	-10.1
FTSE Europe Ex UK	2.1	-5.2	-8.9
FTSE Japan	1.3	2.3	-11.1
FTSE Asia-Pacific Ex Japan	-2.3	-2.9	-2.4
MSCI Emerging Markets	-3.0	-1.1	5.5
UK Gilts	4.6	-3.6	6.2
Overseas Bonds	7.5	-3.8	6.4
UK Index Linked	3.9	1.1	16.1
Cash	0.9	1.3	5.6

UK base rate was reduced by 0.25% to 5.0% in April and was thereafter maintained at this level up to the August meeting. The Monetary Policy Committee (MPC) were somewhat at odds in July; Professor David Blanchflower, who is very experienced in US monetary matters as well the UK, voted for a 0.25% reduction, as has been his habit lately. Professor Tim Besley, on the other hand, voted for an increase of 0.25%.

The MPC's dilemma is highlighted by the analysis in the August inflation report. In addition to analysing the drivers of the current inflation surge, the report demonstrates by way of the Bank's excellent "fan" charts how far ahead of its earlier forecasts the rate of CPI inflation has run. This healthy display of self-deprecation by the Bank's economics team serves two purposes. First it tells us that the MPC will be cautious in attaching weight to the current forecasts available to it. Secondly, we should note that the Bank does not subscribe uncritically to the view that a deceleration in activity in the economy will automatically reduce inflationary pressure (see below). Perhaps of more significance than the interest rate decisions was an initiative by the Bank, with Treasury approval, to make available £50bn. of facilities to allow UK banks to swap mortgage assets for government bonds with the objective of reliquifying the system.

During the June quarter, gilt edged securities fell in value. The yield on 10-year conventional gilts rose by 0.8% to 5.1%. However, the yield on 30-year gilts rose by only

0.3% to 4.7%. Since 30th June yields have fallen sharply, reflecting a renewed weakness in credit markets and therefore an increased appetite for safe haven assets. The yield on 10-year conventional gilts now stands at 4.6%. The real yield on 10-year index-linked gilts rose by 0.3% during the June quarter to 1.3%, but has since fallen by 0.1%. However, the real yield on 30-year index linked gilts fell both in the June quarter and in the weeks since and now stands at 0.5%. Thus index-linked gilts have outperformed their fixed coupon equivalents, with negative implications for the North Yorkshire Fund's solvency ratio.

UK equities gave a total return of -1.4% in the quarter as measured by the FTSE All Share Index, but have since recovered about the same amount. Within the UK market Oil & Gas and Basic Materials have been the most volatile sectors, rising more than any of the others in the June quarter and falling heavily in the current quarter as the oil price has retreated. Financials have mirrored this behaviour, with a big fall in the June quarter and a modest recovery in the current period. There have been capital raising exercises for a number of UK banks and in more than one case rights issues announced at a deep discount to the then prevailing price have been in danger of being left with the underwriters. The behaviour of the broad FTSE All Share Index disguises the fact that, without oils and mining stocks, we have endured a significant bear market.

In the US, the Federal Reserve Open Market Committee (FOMC) conducted a vigorous programme of interest rate reductions up to April 2008, when the target rate for Fed. Funds was reduced to 2.0%. Since then the rate has remained unchanged as the Fed contemplates the surge in inflation. The tone of Governors' speeches suggests that there is some debate among them as to the degree of further inflationary risk implied by their continuing accommodative stance.

The performance of overseas equity markets has been similar to that of the UK, although tending to be slightly better in recent weeks. As elsewhere financials have been under pressure and a number of banks have sought to raise new capital, either in the markets or from substantial sovereign investment funds.

It is worth noting that Pacific Basin and Emerging Markets equities have performed slightly worse than developed markets. This has probably been associated with the sharp fall seen this year in the Chinese stock market. Over the 5 years to March 31st 2008 the Pacific Basin markets ex-Japan returned 22% p.a. and emerging markets 30% p.a. This could not go on indefinitely and a post Olympic slowdown in China represents a short term risk to these markets.

2. INVESTMENT PERFORMANCE

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

NYPF Total Fund Performance to June 2008

	3 months total return %	Rolling 12 months total return %
NYPF	-2.9	-11.5
Composite Benchmark	-2.7	-6.7

The most recent quarter has produced another disappointing result mainly arising from underperformance in UK equities and the asset allocation overlay, which are examined in more detail below. Overseas equity results were satisfactory, but Hermes had another very bad quarter. Bonds were mixed.

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 June 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Standard Life	-12.2	-9.4	-24.9	-22.2
Hermes UK Focus Fund	-4.8	-1.4	-30.3	-13.0
RC Brown	-0.1	-1.4	-18.5	-13.0

The unweighted SLI benchmark underperformed the All Share Index, by a massive 8.0% in the June quarter, reflecting much weaker performance of medium sized companies. The unweighted benchmark index is substantially behind the All-Share Index for the twelve month period. SLI had a poor quarter's performance and are now 2.7% below the benchmark for the 12 month period, compared with the ambitious target of +3%. SLI's performance was once again adversely affected by holdings in financials, notably RBS HBOS and Barclays, with RBS being the worst of all. They were also caught with 1.1% of the portfolio in Taylor Wimpey, which announced dreadful results and a very poor trading outlook.

The performance of the Hermes UK Focus Fund was again very disappointing. The poor performance in the June quarter was almost entirely accounted for by a -45% relative movement in the share price of Galiform, the trade joinery supplier. Although the company announced, at its AGM, that sales and profits were ahead of expectations, the entire UK building sector and related services have been savagely treated by the stock market. Galiform has featured more than once in these reports as a problem holding.

Turning to overseas equities, the next table overleaf shows the performance of the portfolios. Barclays Global Investors 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.

BGI have been managing passively in the US since January. The performance figures therefore reflect their efforts elsewhere. The latest quarter's figures represent a small improvement, but the longer term record is poor and BGI are to be replaced soon.

Both the Baillie Gifford portfolios performed very satisfactorily in the June quarter and both have good twelve month records, LTGG especially so. It should be noted that the benchmark indices for these portfolios changed from 1st April 2008 to reflect the relatively high exposure to emerging markets.

Overseas Equity Performance to June 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
BGI	-2.1	-2.1	-10.6	-9.4
Baillie Gifford Global Alpha	1.1	-1.9	-5.1	-8.7
Baillie Gifford LTGG	1.4	-1.9	0.8	-8.7
Hermes European Focus Fund	-4.6	-5.5	-17.2	-9.3

* Benchmark Index: FTSE Developed World ex-UK. Performance Target +1%

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

The next table below shows the performance of the global fixed income managers for the quarter and for 12 months to June 30th 2008.

Global Bond Performance - to June 2008

	3 months % Total Return	12 months % Total Return
European Credit Management	6.5	-0.9
Credit Agricole Asset Management	-0.4	8.3
NYPF Least Risk Benchmark	2.5	18.4

ECM had a much better quarter up to June 30th as credit spreads improved in April. Most of the good performance came in that month, with a more modest gain in May and a small reversal in June. Early indications are that the current quarter has seen a further bout of nerves in the credit markets, which will reverse some of the gains seen in the June quarter.

CAAM continue to run a large short duration position and this has continued to contribute to their poor performance in the latest quarter and over the year. In addition CAAM have chosen to under hedge versus the long dated index-linked benchmark, which has also contributed to underperformance. Members will be aware that I am in sympathy with CAAM's position. One positive is currency returns, where CAAM's long US Dollar position has started to pay off. This position will have made a further strong positive contribution in the current quarter.

Global Tactical Asset Allocation Performance to June 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 overleaf shows the performance of the component parts of the GTAA portfolio compared with the indices against which each is benchmarked. The market based strategy was net long equities vs. short bonds and this did not help performance. There have been some changes to positions within the equity market exposure, with the objective of exploiting recent differential movements.

	3 months % Total Return		12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
UBS MARS Fund	-20.0	1.3	-29.2	6.5
UBS CARS Fund	-17.5	1.3	17.2	6.5
Combined MARS/CARS portfolio	-19.2	-1.4	-29.0	-15.6
Equity Derivatives	-2.9	-2.1	-12.2	-10.0

¹ 1 month sterling deposits

² FTSE All World Developed Equities

The CARS fund had a very poor result as the short position in the Euro continued to hit performance and the improved tone in the US Dollar came too late to help performance. However, since the end of June the dollar has strengthened further and CARS is a long way ahead of benchmark in the current quarter.

For the year to June 30th 2008 the CARS fund is still ahead of benchmark, but the larger allocation to the MARS fund is below benchmark, as is the combined portfolio.

3. **ECONOMIC AND MARKET OUTLOOK**

I summarise my views as follows:-

- The Bank of England Monetary Policy Committee (MPC) now faces a serious dilemma. Inflation has far outstripped all forecasts, including its own. But at the same time the economy faces a sharp downturn, together with dangerous instability in the financial system. This is causing some dissension in the ranks of the MPC.
- Another worrying feature of the UK scene is the sharp deterioration in the UK public finances. Even without the burden of Northern Rock, the “golden rule” and other guidelines introduced by the current government and the EU are breached and the situation is getting worse. This has implications for future spending and also for the burden of Central Government capital raising through the gilt-edged market.
- In the US, the remit of the Federal Reserve is more explicitly balanced between growth and inflation. Hence the vigorous action to cushion the economy against any contractionary influences, through repeated interest rate reductions. However, it is clear to market participants and to Fed. Governors that the cost of this action is already being seen in higher inflation. Recent figures, especially for input prices are quite dreadful. The outlook for US inflation in 2009 is a key question, about which I think the consensus view of economists is misguided. For over two years now the consensus of US inflation forecasts has seen a steady rise in the forecast for the current year, but with an anticipated reduction in inflation for the following year. This has been consistently

rebutted by a continuing rise, so that we now see US broad CPI inflating at 5.6% year on year. Furthermore inflation is accelerating; over the last three months the annualised rate of inflation has been 10.6%

- In July the ECB increased its key minimum bid rate for tenders by 0.25% to 4.25% - the first change in over a year. This decision was taken in the face of a Eurozone inflation rate which has risen steadily to 4.0% year on year. ECB policy has been conducted with admirable transparency and continues to embody much of the culture of the old Bundesbank. This does not always please the political masters of the member states in the Eurozone, but does instil confidence in the markets. It is one of the reasons for the recent strength in the Euro as a currency.
- The US economy has actually proved more resilient of late than was expected by many commentators, including myself. According to the preliminary estimate, GDP grew at an annual rate of 1.9% in the second quarter, versus the first quarter. This represents an acceleration from the 0.9% growth recorded in the first quarter. Despite the decline in the housing sector, personal consumption accelerated. Meanwhile exports accelerated and imports fell, as a result of the significant fall in the US dollar. Perhaps a healthy adjustment is underway in the balance of activity in the US, between domestic consumption, saving and external trade. This would be encouraging, but it still leaves the inflationary genie to be squeezed back into the bottle.
- In recent weeks equity markets, and especially shares in financial institutions have suffered more turmoil amid rumours of further instability in the banking system and the possible collapse of a major US bank. These are feverish times and the fact that such fears are prevalent even a year after the credit crisis first erupted shows that there is still a lot of “clearing up” to be done before banking and financial markets can return to normal. Indeed “normal”, when it is finally established, will almost certainly not be like what was taken to be normal in the times of booming credit creation and securitisation.
- Part of the problem with the credit boom was that financial institutions felt compelled to participate for fear of being left out of the game. In the words of Chuck Prince, now departed CEO of Citibank – *“When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you’ve got to get up and dance. We’re still dancing...”* Note that, though he was duly obliged to fall on his sword, Mr. Prince correctly anticipated that things would turn nasty when the party ended. This tells us that it was the regulatory framework that was found wanting. Furthermore, in these days of globalisation, it would not have been sufficient for the regulatory authorities of a single nation, not even those of the US, to control the boom in credit creation and leverage. International cooperation will be required to achieve a sounder structure for the next phase of financial market development. This will be a huge task and will be stalked by the risk of over-burdensome interference, which will be urged on us by politicians.
- Thus the outlook for markets is going to be difficult for the next two or three years. Credit looks attractive and equities, after a substantial fall are looking reasonably valued. Real estate probably has at least one more difficult year to come. Some of the asset classes that have depended on plentiful credit and have employed highly geared structures will find the climate frosty. These include private equity and some hedge fund strategies.

4. DEVELOPMENTS AT FUND MANAGERS

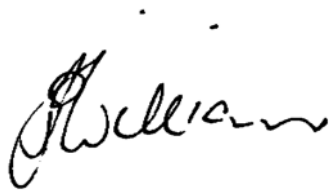
On 29th July Neil Sellstrom and PJW visited fund managers and the custodian in London. My file note of the fund manager visits is attached. The two developments relevant to the fund are:-

CAAM

It is proposed to set up a pooled vehicle within which to “wrap” the bespoke NYPF portfolio. This vehicle will be exclusive to NYPF and will protect the derivative positions from increasing counterparty risk. There will be a small extra administration charge which should be at least partly offset by a reduction in custody charges from BoNY Mellon.

Hermes

The ownership and structure of the Hermes Focus funds is to change as described in the note. As a result NYPF will have an opportunity to exit these funds in two stages at end September and end December 2008.

A handwritten signature in black ink, appearing to read 'P.J. Williams', with a stylized flourish at the end.

P.J. Williams

5th September 2008

FILE NOTE

FROM: PHILIP WILLIAMS

SUBJECT: MEETINGS WITH MANAGERS AND CUSTODIAN

DATE: 29TH JULY 2008

Neil Sellstrom and PJW held a series of meetings in London on 29th July 2008.

CAAM

The meeting was in two parts, the first covering investment performance and CAAM's portfolio positioning, the second concerning the structure to be adopted for this mandate in the future. We saw Ian Milton and Paul Myles from the client servicing team and were joined for the first part by Vincent Chailly and Carlos Galvis of the portfolio management team.

1. Performance and Portfolio Stance

CAAM have continued suffer from their short duration stance in UK fixed income, their under-hedged position in UK index-linked and their long US Dollar position. The first two of these are positions with which PJW agrees, so it is difficult to be too critical of the outcome. In fact there has been some improvement in performance in July as the market implied forward inflation rate has backed off a little and the fixed interest curve has steepened. The performance summary to date is attached as Appendix 1 to this note.

PJW asked how confident CAAM were that inflation would subside next year. Vincent Chailly explained quite cogently how large has been the volume of investment and speculative flows into commodity markets, equalling the increased demand from China. He thinks this has greatly increased the risk and future volatility of these markets.

CAAM feel rather constrained by the commitment limit placed on currency positions and would prefer to continue to be constrained by the tracking error limit of 1.5% versus the benchmark on currency positions, but to have an increase in the current 20% limit on capital commitments to such trades. This additional freedom would allow them to exploit opportunities for cross-currency trades which, by their nature require a double commitment of capital position. PJW said that if CAAM were to write up their proposed structure he would consider it, without commitment to change the current constraint.

2. Mandate Structure

CAAM have operated their mandate as a segregated portfolio since their appointment in July 2005. Recent developments in the derivative markets make it more desirable for the portfolio to be "wrapped" in a specialised investment fund, specifically designed and created for NYPF, so that The Fund's exposure would only be to CAAM and not to any

Appendix 1

counterparties to derivative contracts entered into for the purpose of reducing risk versus the benchmark.

CAAM's preferred structure is an open ended mutual fund – a Luxembourg-domiciled *Fond Commun de Placement* (FCP). The detailed documentation for this is too long for the purposes of this note, but has been provided by e-mail to both NS and PJW. A note comparing the proposed structure to the current arrangements is attached as Appendix 2 to this note. This document also includes a third option viz. to invest in CAAM's existing pooled funds, but this was considered inappropriate on grounds of fee costs and the time it would take to implement.

CAAM undertook to firm up the FCP proposal, including alternative proposals for foreign exchange exposure limits as outlined above.

Hermes Focus Asset Management

There have been significant changes at HFAM, which is now to operate as a partnership with majority control in the hands of its senior personnel. BTPS and Hermes will continue to have an interest and to provide IT and back office support.

We saw Stefan Howaldt, CEO; Bertrand Biragnet, Investment Partner; Mike Bishop, who is concerned with the Transition of the UK Large Cap fund and Kathy Scott, associate director, Client relations.

The structural changes appear to have been implemented to overcome the constraints felt by the HFAM team working within the large and structured Hermes entity. This may be intended to resolve some of the tensions which go back to the disagreements Peter Butler and Steve Brown had with Hermes and which ultimately led to their departure.

Consequent upon this there will be significant changes to the structure of the funds. The European Fund, hitherto invested in Europe ex-UK will become a pan European fund. The UK large cap. Fund will be wound down. Some of its holdings may be taken by the European fund and some by the UK mid/small cap fund which will continue as the only UK product. NYPF will be offered the opportunity to transfer into either or both of the continuation funds or to withdraw funds by way of distributions at end September and end December 2008.

This represents a grasping of the nettle as far as the UK Large Cap. Fund is concerned. It has not performed well and probably did not succeed in influencing many of its investee companies – e.g. Vodafone, Unilever.

Stefan Howaldt continues to impress and the Pan Europe Fund may be worth investing in. The future for the UK mid/small cap. product is less encouraging and NYPF has, in any case, plentiful exposure to this part of the UK market because of the way the Standard Life UK equity mandate is structured.

A large presentation pack was used at the meeting and provided in e-copy form to both NS and PJW.

North Yorkshire Pension Fund
Summary Performance Report to 30 June
2008

Ref. 13956/373088

**BNY Mellon Asset Servicing
Performance & Risk Analytics
1 Whitehall Riverside
Leeds LS1 4BN**

**T: +44(0) 113 233 8400
F: +44(0) 113 233 8401
E: masuk.info@mellon.com**

www.mellon.com/mas

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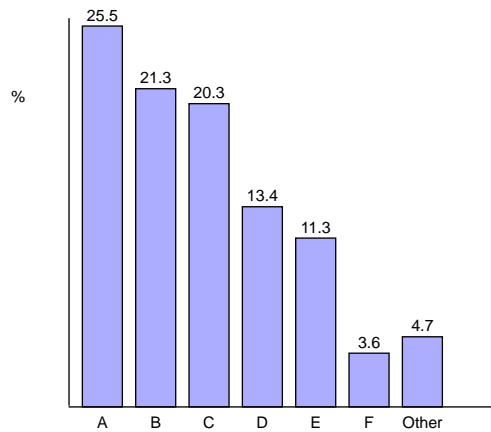
Manager Structure to 30 June 2008

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 prior to the most recent manager change.

All monetary values are quoted in millions.

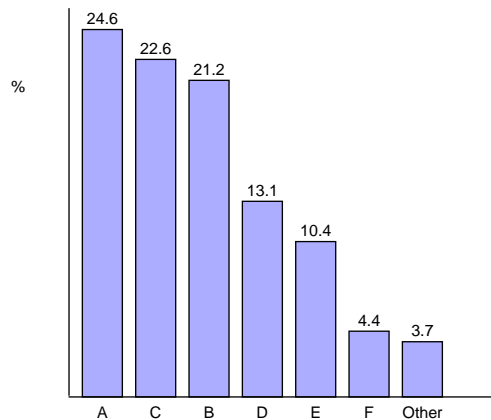
Managers as at 30 June 2008



Manager	Brief	End Market Value
(B) 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
(G) Hermes Investment	European Equities	25.403
(G) Hermes Investment	UK Equities	16.608
(H) Internal	Cash	7.629
(H) Internal	Hedged	3.768
(I) RC Brown Investment	UK Equities	1.777
(J) Yorkshire & Humber	UK Equities	0.307
Fund	Multi-Asset	1189.412

Manager Structure to 30 June 2008

Managers as at 31 March 2008



Manager	Brief	End Market Value
(C) Standard Life	UK Equities	274.555
(B) BGI	Global ex UK Equities	258.206
(A) Baillie Gifford	Global Equities	182.269
(D) Credit Agricole AM	Global Bonds	159.495
(E) European Credit Mgmt	Global Bonds	126.446
(A) Baillie Gifford	LTGG	117.682
UBS	Global Tactical Asset Allocation	53.114
(G) Hermes Investment	European Equities	26.631
(G) Hermes Investment	UK Equities	17.452
(H) Internal	Cash	2.101
(I) RC Brown Investment	UK Equities	1.717
(J) Yorkshire & Humber	UK Equities	0.300
(H) Internal	MTMS Account	0.000
(H) Internal	Hedged	-2.763
Fund	Multi-Asset	1217.210

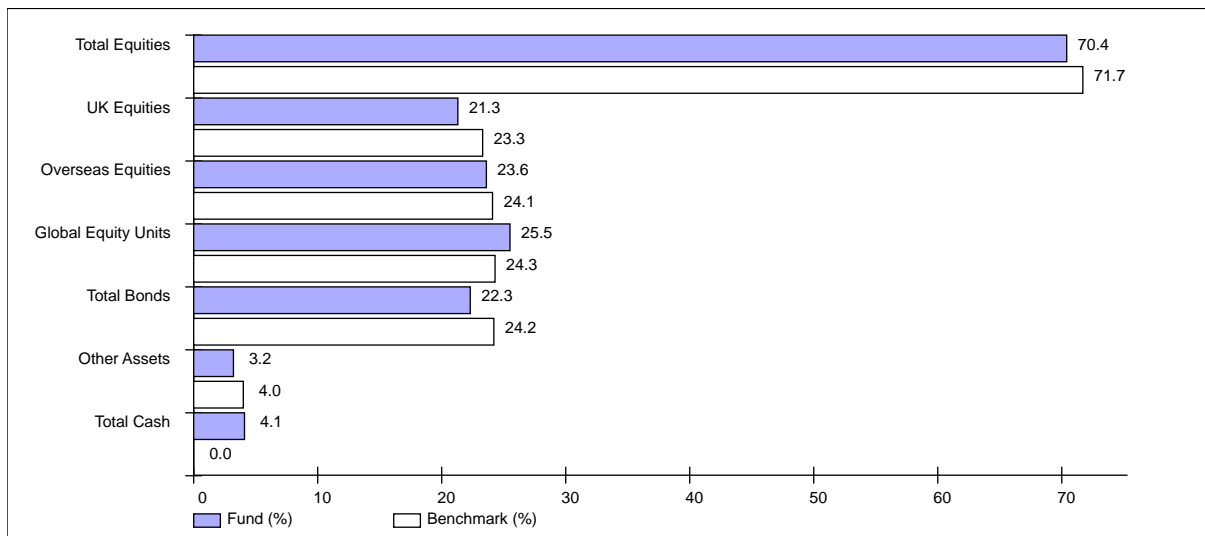
Benchmark Summary to 30 June 2008

The current benchmark for the fund is described below. It has been in place since 1 July 2007 and is rebalanced quarterly.

Sector	Weight (%)	Comparison Basis
UK Equities	24.540	FTSE 350 Equally Weighted
Global Equity Units	24.000	FTSE-W World
Overseas Equities	23.460	FTSE-AWDev World ex UK
Total Bonds	23.000	NYPF Least Risk Portfolio
Other Assets	4.000	FTSE-AWDev World
European Equities	0.540	FTSE-W Europe ex UK
UK Equities	0.460	FTSE All-Share

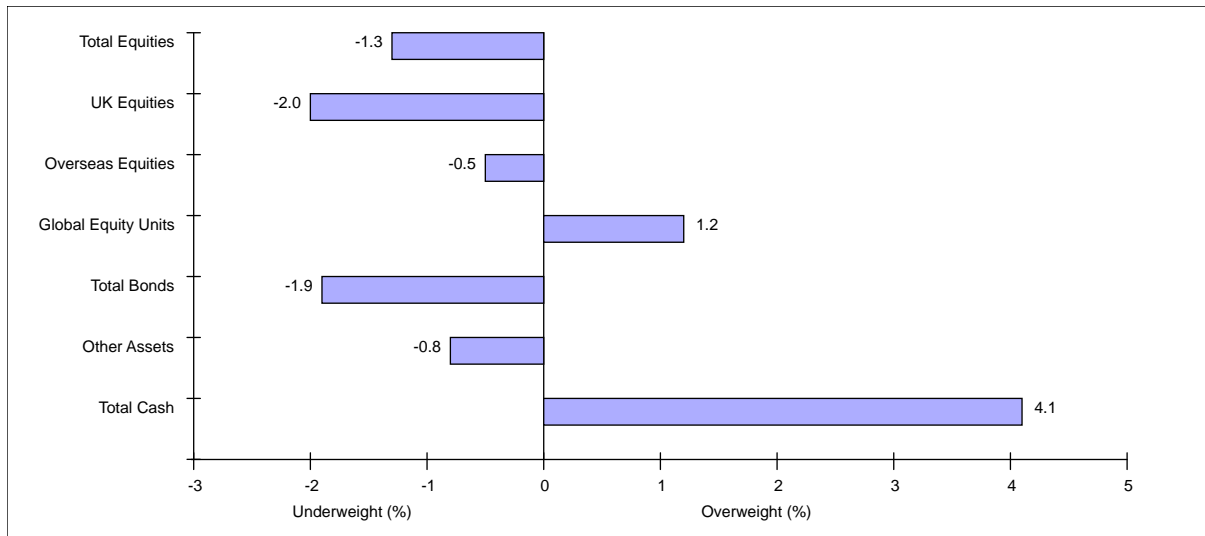
Note 'Total Equities' refers to the Global Tactical Asset Allocation portion of the fund benchmark.

The chart below compares the asset distribution of the fund to the benchmark as at 30 June 2008.



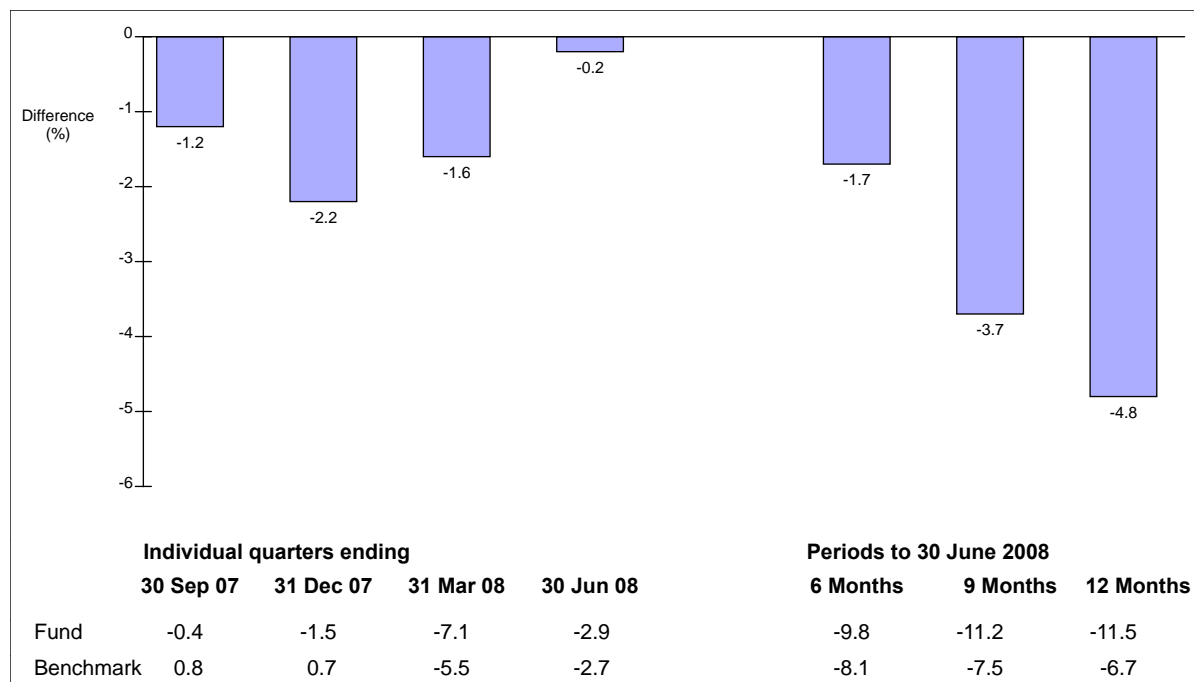
Benchmark Summary to 30 June 2008

The following chart shows the fund's under/overweight position relative to the benchmark as at 30 June 2008.



Short-term Overview to 30 June 2008

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



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

	Individual quarters ending				Periods to 30 June 2008		
	30 Sep 07	31 Dec 07	31 Mar 08	30 Jun 08	6 Months	9 Months	12 Months
BGI : Global ex UK Equities							
Portfolio	-0.6	-0.7	-7.6	-2.1	-9.5	-10.1	-10.6
Benchmark	1.3	0.2	-8.8	-2.1	-10.7	-10.5	-9.4
Difference	-1.9	-0.9	1.2	0.0	1.2	0.4	-1.2
Baillie Gifford : Global Equities							
Portfolio	0.9	1.3	-8.2	1.1	-7.2	-6.0	-5.1
Benchmark	1.4	0.4	-8.7	-1.7	-10.3	-9.9	-8.6
Difference	-0.5	0.9	0.5	2.8	3.1	3.9	3.5
Baillie Gifford : LTGG							
Portfolio	6.9	1.7	-8.6	1.4	-7.3	-5.7	0.8
Benchmark	1.4	0.4	-8.7	-1.7	-10.3	-9.9	-8.6
Difference	5.5	1.3	0.1	3.1	3.0	4.2	9.4
Credit Agricole AM : Global Bonds							
Portfolio	4.0	3.9	0.5	-0.4	0.2	4.1	8.3
Benchmark	5.7	7.1	2.1	2.5	4.6	12.0	18.4
Difference	-1.7	-3.2	-1.6	-2.9	-4.4	-7.9	-10.1

Short-term Overview to 30 June 2008

	Individual quarters ending				Periods to 30 June 2008		
	30 Sep 07	31 Dec 07	31 Mar 08	30 Jun 08	6 Months	9 Months	12 Months
European Credit Mgmt : Global Bonds							
Portfolio	0.8	2.7	-10.1	6.5	-4.3	-1.7	-0.9
Benchmark	5.7	7.1	2.1	2.5	4.6	12.0	18.4
Difference	-4.9	-4.4	-12.2	4.0	-8.9	-13.7	-19.3
Hermes Investment : European Equities							
Portfolio	-3.7	1.4	-11.2	-4.6	-15.3	-14.1	-17.2
Benchmark	0.8	3.0	-7.5	-5.5	-12.6	-10.0	-9.3
Difference	-4.5	-1.6	-3.7	0.9	-2.7	-4.1	-7.9
Hermes Investment : UK Equities							
Portfolio	-7.5	-9.0	-13.0	-4.8	-17.2	-24.6	-30.3
Benchmark	-1.8	-0.3	-9.9	-1.4	-11.2	-11.5	-13.0
Difference	-5.7	-8.7	-3.1	-3.4	-6.0	-13.1	-17.3
Internal : Cash							
Portfolio	-24.7	1.5	1.9	1.4	3.4	4.9	-21.0
Benchmark	1.4	1.4	1.3	1.2	2.6	4.1	5.5
Difference	-26.1	0.1	0.6	0.2	0.8	0.8	-26.5
Internal : Hedged							
Portfolio	-45.1	-393.1	-96.4	319.9	-84.8	-144.7	-124.5
Benchmark	1.4	1.4	1.3	1.2	2.6	4.1	5.5
Difference	-46.5	-394.5	-97.7	318.7	-87.4	-148.8	-130.0
Internal : MTMS Account							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-
RC Brown Investment : UK Equities							
Portfolio	-3.6	-5.3	-10.6	-0.1	-10.7	-15.5	-18.5
Benchmark	-1.8	-0.3	-9.9	-1.4	-11.2	-11.5	-13.0
Difference	-1.8	-5.0	-0.7	1.3	0.5	-4.0	-5.5
Standard Life : UK Equities							
Portfolio	-3.7	-6.3	-5.1	-12.2	-16.7	-22.0	-24.9
Benchmark	-4.7	-4.6	-5.6	-9.4	-14.5	-18.4	-22.2
Difference	1.0	-1.7	0.5	-2.8	-2.2	-3.6	-2.7
UBS : Global Tactical Asset Allocation							
Portfolio	-3.4	-8.1	-0.7	-19.2	-19.8	-26.2	-28.7
Benchmark	1.0	0.2	-8.9	-1.9	-10.7	-10.5	-9.6
Difference	-4.4	-8.3	8.2	-17.3	-9.1	-15.7	-19.1

Short-term Overview to 30 June 2008

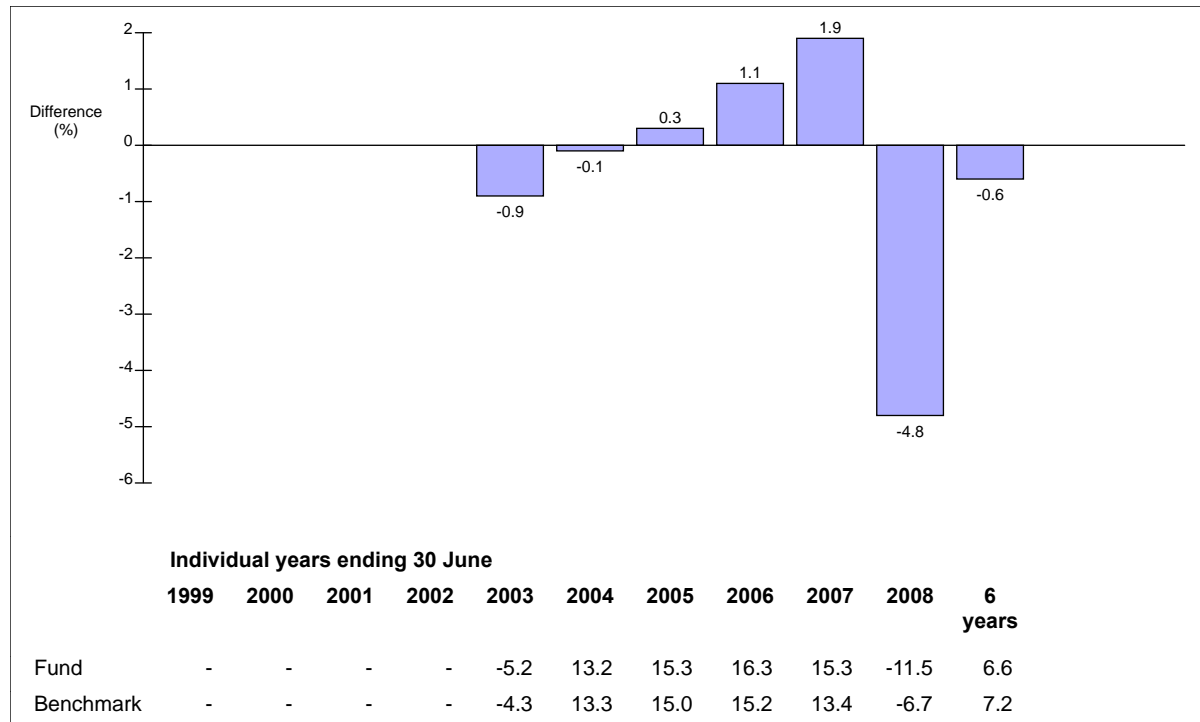
	Individual quarters ending				Periods to 30 June 2008		
	30 Sep 07	31 Dec 07	31 Mar 08	30 Jun 08	6 Months	9 Months	12 Months
Yorkshire & Humber : UK Equities							
Portfolio	0.0	0.0	0.0	2.5	2.5	2.5	2.5
Benchmark	-1.8	-0.3	-9.9	-1.4	-11.2	-11.5	-13.0
Difference	1.8	0.3	9.9	3.9	13.7	14.0	15.5

Market values and cash flows for the fund are shown below for the quarter ending 30 June 2008. All monetary figures are quoted in millions.

	Start Value	%	Net Invest.	Income	Capital gain/loss	End Value	%
BGI : Global ex UK Equities	258.206	21.2	-0.002	0.000	-5.361	252.843	21.3
Baillie Gifford : Global Equities	182.269	15.0	-0.003	0.000	2.033	184.299	15.5
Baillie Gifford : LTGG	117.682	9.7	0.000	0.000	1.626	119.308	10.0
Credit Agricole AM : Global Bonds	159.495	13.1	-0.325	0.889	-0.249	158.921	13.4
European Credit Mgmt : Global Bonds	126.446	10.4	0.000	0.000	8.240	134.686	11.3
Hermes Investment : European Equities	26.631	2.2	0.000	0.000	-1.228	25.403	2.1
Hermes Investment : UK Equities	17.452	1.4	0.000	0.000	-0.844	16.608	1.4
Internal : Cash	2.101	0.2	11.020	0.052	-5.492	7.629	0.6
Internal : Hedged	-2.763	-0.2	3.306	0.001	3.225	3.768	0.3
RC Brown Investment : UK Equities	1.717	0.1	0.069	0.018	-0.009	1.777	0.1
Standard Life : UK Equities	274.555	22.6	9.347	5.225	-42.954	240.948	20.3
UBS : Global Tactical Asset Allocation	53.114	4.4	-1.487	0.026	-8.712	42.915	3.6
Yorkshire & Humber : UK Equities	0.300	0.0	0.000	0.000	0.007	0.307	0.0
Fund	1217.210	100.0	21.924	6.214	-49.722	1189.412	100.0

Long-term Overview to 30 June 2008

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



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

Individual years ending 30 June											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6 years
BGI : Global ex UK Equities											
Portfolio	-	-	-	-	-	-	-	-	-	-10.6	-
Benchmark	-	-	-	-	-	-	-	-	-	-9.4	-
Difference	-	-	-	-	-	-	-	-	-	-1.2	-
Baillie Gifford : Global Equities											
Portfolio	-	-	-	-	-	-	-	-	-	-5.1	-
Benchmark	-	-	-	-	-	-	-	-	-	-8.6	-
Difference	-	-	-	-	-	-	-	-	-	3.5	-
Baillie Gifford : LTGG											
Portfolio	-	-	-	-	-	-	-	-	-	0.8	-
Benchmark	-	-	-	-	-	-	-	-	-	-8.6	-
Difference	-	-	-	-	-	-	-	-	-	9.4	-
Credit Agricole AM : Global Bonds											
Portfolio	-	-	-	-	-	-	-	6.6	1.7	8.3	-
Benchmark	-	-	-	-	-	-	-	4.4	1.9	18.4	-
Difference	-	-	-	-	-	-	-	2.2	-0.2	-10.1	-

Long-term Overview to 30 June 2008

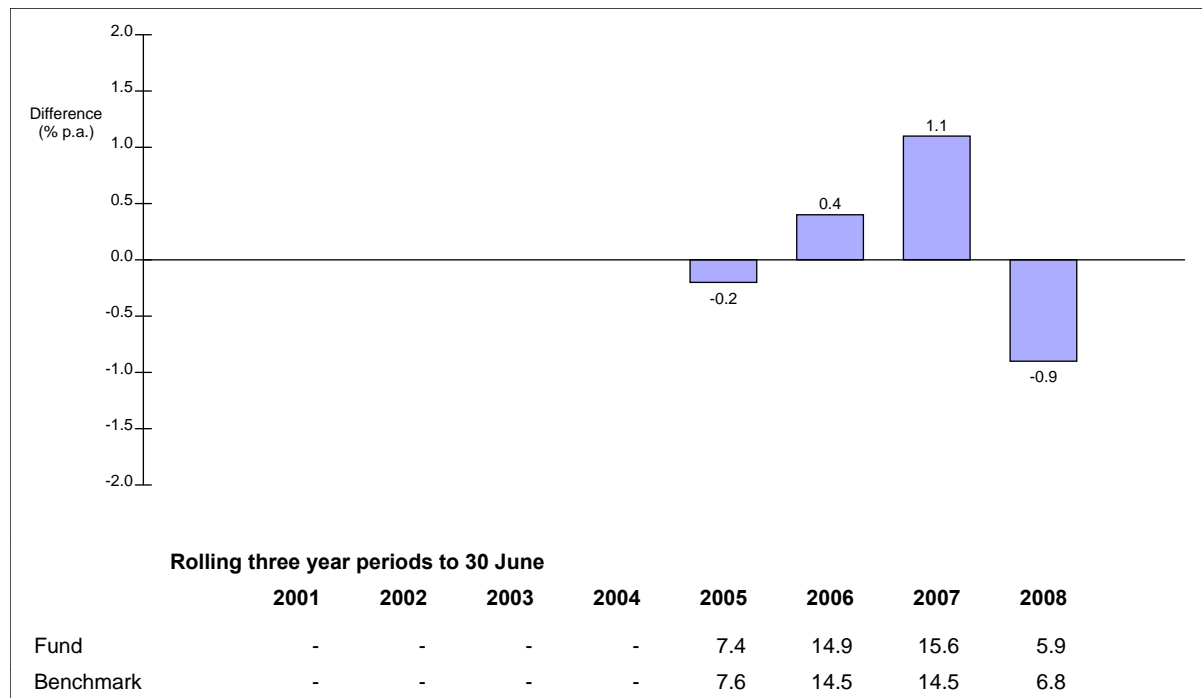
	Individual years ending 30 June										6 years
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
European Credit Mgmt : Global Bonds											
Portfolio	-	-	-	-	-	-	-	5.6	4.8	-0.9	-
Benchmark	-	-	-	-	-	-	-	4.4	1.9	18.4	-
Difference	-	-	-	-	-	-	-	1.2	2.9	-19.3	-
Hermes Investment : European Equities											
Portfolio	-	-	-	-	-	15.0	29.8	28.3	33.6	-17.2	-
Benchmark	-	-	-	-	-	18.8	19.1	24.0	25.1	-9.3	-
Difference	-	-	-	-	-	-3.8	10.7	4.3	8.5	-7.9	-
Hermes Investment : UK Equities											
Portfolio	-	-	-	-	-	19.2	15.9	12.8	27.1	-30.3	-
Benchmark	-	-	-	-	-	16.9	18.7	19.7	18.4	-13.0	-
Difference	-	-	-	-	-	2.3	-2.8	-6.9	8.7	-17.3	-
Internal : Cash											
Portfolio	-	-	-	-	-	3.6	4.8	4.7	40.4	-21.0	-
Benchmark	-	-	-	-	-	3.7	4.7	4.5	5.1	5.5	-
Difference	-	-	-	-	-	-0.1	0.1	0.2	35.3	-26.5	-
Internal : Hedged											
Portfolio	-	-	-	-	-	-	-	-	-	*****	-
Benchmark	-	-	-	-	-	-	-	-	-	5.5	-
Difference	-	-	-	-	-	-	-	-	-	*****	-
Internal : MTMS Account											
Portfolio	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-	-
RC Brown Investment : UK Equities											
Portfolio	-	-	-	-	-	-	-	13.3	19.4	-18.5	-
Benchmark	-	-	-	-	-	-	-	19.7	18.4	-13.0	-
Difference	-	-	-	-	-	-	-	-6.4	1.0	-5.5	-
Standard Life : UK Equities											
Portfolio	-	-	-	-	-	-	-	-	-	-24.9	-
Benchmark	-	-	-	-	-	-	-	-	-	-22.2	-
Difference	-	-	-	-	-	-	-	-	-	-2.7	-
UBS : Global Tactical Asset Allocation											
Portfolio	-	-	-	-	-	-	-	-	-	-28.7	-
Benchmark	-	-	-	-	-	-	-	-	-	-9.6	-
Difference	-	-	-	-	-	-	-	-	-	-19.1	-

Long-term Overview to 30 June 2008

	Individual years ending 30 June										6 years
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Yorkshire & Humber : UK Equities											
Portfolio	-	-	-	-	-	0.0	0.0	0.0	0.0	2.5	-
Benchmark	-	-	-	-	-	16.9	18.7	19.7	18.4	-13.0	-
Difference	-	-	-	-	-	-16.9	-18.7	-19.7	-18.4	15.5	-

Long-term Overview to 30 June 2008

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



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

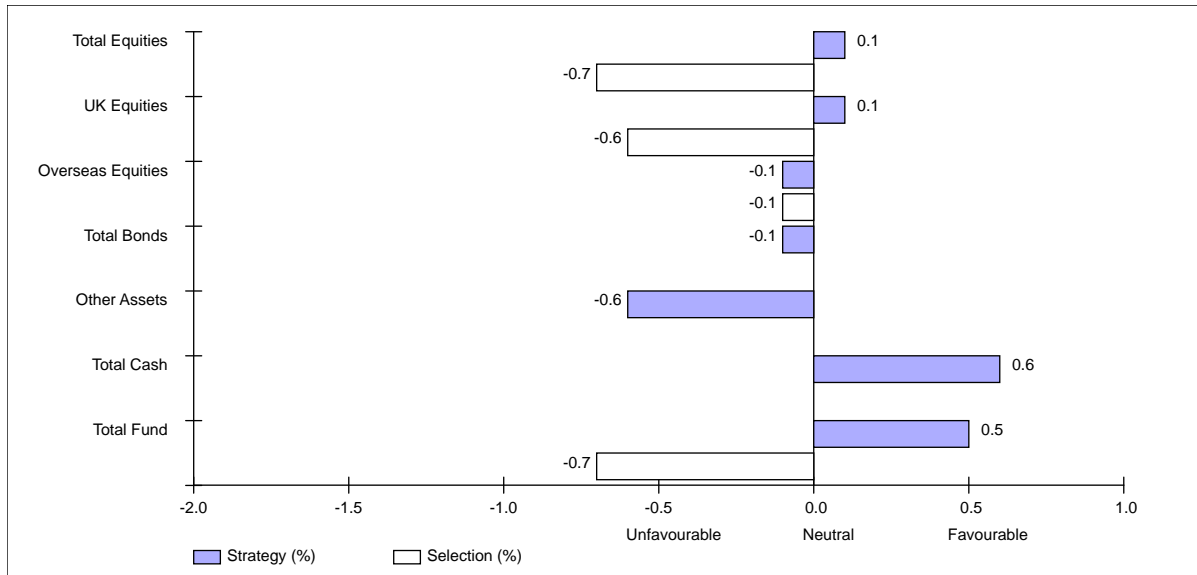
Rolling three year periods to 30 June		2001	2002	2003	2004	2005	2006	2007	2008
Credit Agricole AM : Global Bonds									
Portfolio		-	-	-	-	-	-	-	5.5
Benchmark		-	-	-	-	-	-	-	8.0
Difference		-	-	-	-	-	-	-	-2.5
European Credit Mgmt : Global Bonds									
Portfolio		-	-	-	-	-	-	-	3.1
Benchmark		-	-	-	-	-	-	-	8.0
Difference		-	-	-	-	-	-	-	-4.9
Hermes Investment : European Equities									
Portfolio		-	-	-	-	-	24.2	30.5	12.4
Benchmark		-	-	-	-	-	20.6	22.7	12.1
Difference		-	-	-	-	-	3.6	7.8	0.3
Hermes Investment : UK Equities									
Portfolio		-	-	-	-	-	15.9	18.4	0.0
Benchmark		-	-	-	-	-	18.4	18.9	7.2
Difference		-	-	-	-	-	-2.5	-0.5	-7.2

Long-term Overview to 30 June 2008

	Rolling three year periods to 30 June							
	2001	2002	2003	2004	2005	2006	2007	2008
Internal : Cash								
Portfolio	-	-	-	-	-	4.4	15.5	5.1
Benchmark	-	-	-	-	-	4.3	4.7	5.0
Difference	-	-	-	-	-	0.1	10.8	0.1
RC Brown Investment : UK Equities								
Portfolio	-	-	-	-	-	-	-	3.3
Benchmark	-	-	-	-	-	-	-	7.2
Difference	-	-	-	-	-	-	-	-3.9
Yorkshire & Humber : UK Equities								
Portfolio	-	-	-	-	-	0.0	0.0	0.8
Benchmark	-	-	-	-	-	18.4	18.9	7.2
Difference	-	-	-	-	-	-18.4	-18.9	-6.4

Attribution Analysis to 30 June 2008

Analysis of the factors leading to the fund's under-performance of 0.2% relative to its benchmark, over the period since 31 March 2008, is set out below.

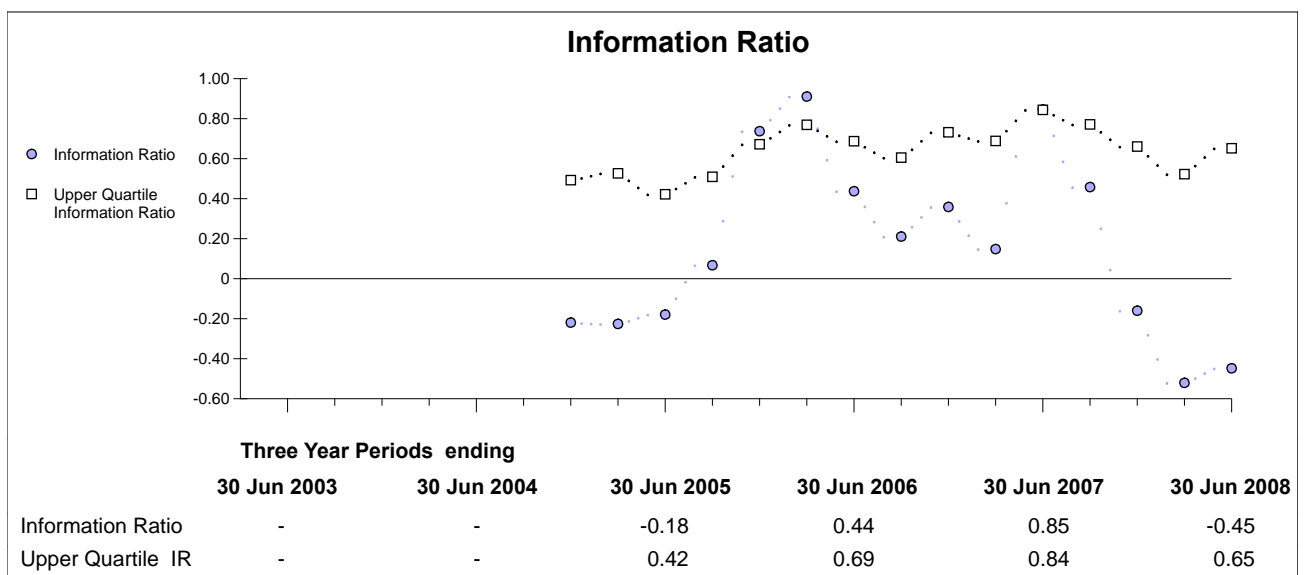
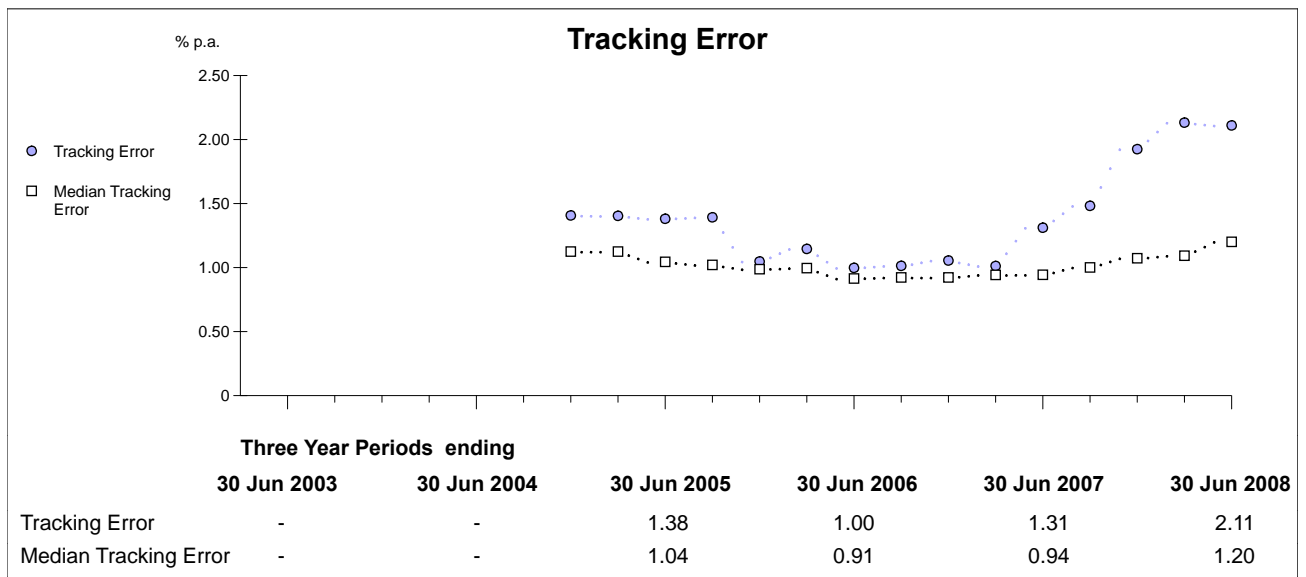
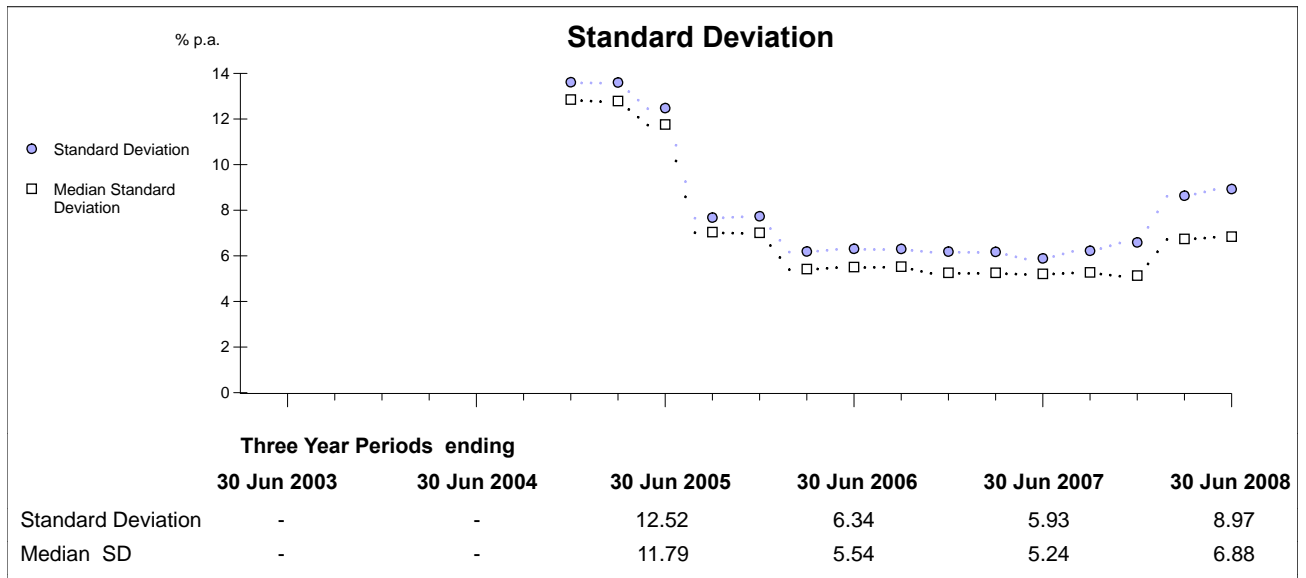


The following table compares the fund with its benchmark, over the period since 31 March 2008.

Sector	Fund Start Weight (%)	BM Start Weight (%)	Fund End Weight (%)	BM End Weight (%)	Fund Return (%)	BM Return (%)	Strategy (%)	Selection (%)
Total Equities	71.9	73.0	70.4	71.7	-4.4	-4.5	0.1	-0.7
-UK Equities	23.9	25.0	21.3	23.3	-12.0	-9.3	0.1	-0.6
-Overseas Equities	23.4	24.0	23.6	24.1	-2.7	-2.2	-0.1	-0.1
-Global Equity Units	24.6	24.0	25.5	24.3	-	-1.7	-	-
Total Bonds	21.2	23.0	22.3	24.2	2.4	2.5	-0.1	-
Other Assets	3.9	4.0	3.2	4.0	-18.6	-1.9	-0.6	-
Total Cash	3.0	-	4.1	-	13.2	-	0.6	-
Total Fund Ex Property	100.0	100.0	100.0	100.0	-2.9	-2.7	-	-
Timing							0.6	
Total Fund	100.0	100.0	100.0	100.0	-2.9	-2.7	0.5	-0.7

Long-Term Rolling Risk to 30 June 2008

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



Due to your SORP reporting requirements, the primary pricing source of the account has moved from a Mid price basis to a Bid price basis. This may have an impact on the performance returns during this reporting period.