NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

21 MAY 2009

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER AND YEAR ENDING 31 MARCH 2009

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the Quarter to 31 March 2009 and the twelve months ending on that same date.

2.0 PERFORMANCE REPORT

2.1 The report (**enclosed as a separate document**) produced by Mellon Analytical Solutions (MAS) provides a complete performance analysis of the North Yorkshire Pension Fund for the quarter and year ending 31 March 2009.

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

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

3.0 PERFORMANCE OF THE FUND

3.1 The performance of the various managers against their benchmarks for the Quarter ended 31 March 2009 is detailed on **pages 5 / 7** of the MAS report. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

3.2 **The absolute overall return for the quarter (-7.7%) was below the customised benchmark (-6.8%) by 0.9%.**

3.3 **Over the rolling year the Fund performance was 16.3% below the customised benchmark. The 12 month absolute return of -35.1% is down on the figure for the 12 months ended December 2009 (-34.7%).**

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

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

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

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

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

Table in paragraph 4.1	A table that summarises the performance of individual managers over the last four consecutive quarters relative to their specific benchmark. The figures are expressed on a quarterly and rolling 12 months (ending in that quarter) basis. Also included is an indicative figure for the +/- impact (ie £m) that the performance of the manager has had on the Fund, relative to the benchmark, for the year to 31 March 2009.
Appendix 1	Performance of NYPF relative to other LGPS Funds
Appendix 2	Solvency position (in % and £ terms) since the 2001 Triennial Valuation. The Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund
Appendix 3	Solvency graph – this shows the key figures from **Appendix 2** in a simple graphical format
Appendix 4	Comparison of Fund performance as against the Least Risk Portfolio
Appendix 5	Relative movements of investment performance relative to the Least Risk Portfolio and the Solvency level
Appendix 6	Details of Rebalancing @ 31/03/09

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

3.9 Clearly an understanding and assessment of the market factors and their relative impact on the various asset classes will be an essential ingredient to discussions at the forthcoming Workshop(s), dates for which will be proposed at the Pension Fund Committee meeting on 26 June 2009. This Workshop(s) will -

- review the recent performance of the Investment Strategy (in terms of the asset allocation)
- review the performance of individual fund managers (relative to their benchmarks)
- consider prospects for going forward in the light of the current (and projected) economic circumstances, and thereby
- assess whether the asset allocation is therefore still appropriate, and finally
- consider if the fund managers and / or their benchmarks need to be reviewed

4.0 ANALYSIS OF PERFORMANCE

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

4.0 ANALYSIS OF THE PERFORMANCE OF INDIVIDUAL MANAGERS

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

	% relative returns for the quarter ended				% rolling relative returns for the year ended				Annual performance related funding change for the year to 31.03.09 relative to the benchmark	Explanatory text
	30.06.08	30.09.08	31.12.08	31.03.09	30.06.08	30.09.08	31.12.08	31.03.09	£m	
Global Equity Managers										
Baillie Gifford Global Equities	2.8	(3.6)	(4.6)	3.4	3.6	0.3	(4.4)	(1.8)	(2.6)	see report of Investment Adviser and reports submitted by individual fund managers
Baillie Gifford LTGG	3.1	(7.8)	(6.8)	8.5	9.5	(3.4)	(9.8)	(3.0)	(2.8)	
Global (ex-UK) Equity Managers										
Barclays Global Investors	0.0	(3.5)			(1.2)	(2.7)			-	
Fidelity				0.0					0.0	
UK Equity Managers										
Standard Life Investments	(2.8)	(3.4)	(1.4)	(4.6)	(2.7)	(5.8)	(4.9)	(8.3)	(15.7)	
Yorkshire & Humber Equity Fund	3.9	12.2	10.2	9.1	15.5	24.8	32.4	31.8	0.0	
Niche										
Hermes European Focus Fund	0.9	(11.3)	(13.7)	(6.6)	(7.9)	(13.3)	(20.6)	(21.0)	(4.3)	
Hermes UK Focus Fund	(3.4)	3.0	(3.9)	9.3	(17.3)	(9.2)	(5.5)	3.8	(0.4)	
Equity Sub-Total (a)	0.0	(4.0)	(3.0)	(0.6)	0.4	(3.5)	(6.4)	(7.1)	(25.8)	
Global Fixed Income Managers										
European Credit Management	4.0	(12.3)	(40.3)	(13.0)	(19.3)	(25.6)	(54.6)	(51.3)	(62.3)	
Credit Agricole	(2.9)	0.0	3.4	1.0	(10.1)	(7.8)	(1.1)	1.4	(1.7)	
Fixed Income Sub-Total (b)	0.0	(5.7)	(16.5)	(7.8)	(14.4)	(16.0)	(25.2)	(27.6)	(60.6)	
Global Tactical Asset Allocation										
UBS **(c)**	(17.3)	(9.1)	(59.2)	(21.6)	(19.1)	(21.6)	(56.4)	(62.6)	(18.4)	
Private Equity										
R C Brown **(d)**	1.3	(4.6)	(6.2)	3.6	(5.5)	(7.4)	(8.0)	(5.1)	(0.1)	

4.2 In monetary terms the negative absolute return of –7.7% in the Quarter reduced the invested value of the Fund by £67.6m, however taking into account new money, the value of the Fund reduced by £57.5m. In absolute terms this movement is primarily attributable to capital losses made by Fidelity (£24.1m), Baillie Gifford (£13.3m), ECM (£13.7m) and on currency hedging (£30.8m).

4.3 Some of these losses were suffered as a result of the exceptional market conditions. This was particularly true for overseas investments in an environment of continuing currency volatility. This and other issues are discussed in the report of the Investment Adviser.

Overseas Equities

4.4 Over the first 5 months **Fidelity** performed in relative terms, well in difficult market conditions. Volatility in currency markets contributed to significant swings in foreign investment values from one month to the next. Although the portfolio was down 10.7% in absolute terms in the quarter performance since inception was broadly neutral.

4.5 The two **Baillie Gifford** Funds returned to strong positive relative returns although absolute returns were again negative. This is an encouraging result but there is still some way to go to recover the negative performance sustained over the previous 6 months. The one year return for the LTGG fund was below the benchmark by -3% and for the Global Equity fund -1.8%.

4.6 The quarterly result for the Baillie Gifford LTGG fund should be considered in the light of its long term (5-10 years) investment horizon. Although the FTSE All World index is used as a guide to measure performance the manager does not use this as a basis for its fund profile. The improving performance for this quarter was substantially due to the recovery of the heavy investment in oil and commodities following in the wake of the market slump in late 2008. The manager's opinion is that the structure of the portfolio remains appropriate to deliver the long term goals.

4.7 The manager continues to have the view that the reported performance for the Baillie Gifford Global Alpha fund in the second half of 2008 was clouded by market volatility and a flight from risk. The expectation is that future outperformance will be driven by superior growth in a low growth environment and an eventual return to the targeted performance over the long term.

4.8 The **Hermes European Focus Fund** had another disappointing quarter (-6.6%). The Fund is further discussed in **paragraph 2** of the separate **Fund Manager Matters** report.

UK Equities

4.9 **Standard Life** produced a negative relative return (-4.6%) in the quarter against the FTSE 350 equally weighted benchmark positive return of 1.1%. The FTSE All share produced a negative return of -9.1%. SLI has struggled over the last 12 months to match its previous levels of sustained positive returns which has been substantially due to the overweight position held in financials. The manager expects the next quarter to continue to present difficult trading conditions but anticipates a return to form of their bottom up stock selection strategy in the second half of 2009.

4.10 Almost all of the remaining investment in the **Hermes UK Focus Fund** was liquidated during the quarter.

4.11 The ethical equity portfolio operated by **R C Brown** performed well (3.6%) however is still negative over the rolling 12 month period (-5.1%).

Fixed Income

4.12 **ECM** again suffered badly in the quarter in difficult market conditions (-13.3%) as credit spreads remained at record levels. **Credit Agricole** again performed well (+1.0%) albeit against a negative benchmark.

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

4.14 The March 2009 quarter has been something of a roller coaster ride for ECM. Fears over bank nationalisation, debt restructuring aimed at "detoxifying" the banks and G20 commitments to bolster multilateral agencies have perpetuated market volatility. Absolute performance rallied in March 2009 (+2.4%) which at least offers a glimmer of optimism.

4.15 These results give a combined underperformance in global fixed income of -7.8% in the quarter and a continued significant underperformance over the rolling 12 month period of -27.6%.

Tactical Asset allocation

4.16 The **UBS GTAA portfolio** suffered another very difficult quarter as the particularly volatile equity markets across the globe continued to move against its positions. In the quarter the market fund (MARS) suffered very badly (-36.4%) contrasting with the currency fund (CARS) which modestly underperformed (-3.1%) but over the 12 month period the MARS fund has really struggled (-92.9%) only partially offset by the currency fund (+51.1%). These two funds are in the ratio 2:1 MARS to CARS.

Performance relative to other LGPS Funds

4.17 **Appendix 1** shows the **performance of NYPF relative to other Funds in the LGPS universe.** Whilst the last 12 months have been disappointing, NYPF has shown a strong correlation to the performance of other LGPS funds over the last 20 years. The one exception was the December 2008 quarter when the combination of strong negative performance (see **paragraph 4.1**) conspired against the Fund.

5.0 RISK INDICATORS

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

5.2 The Fund's annualised **Standard Deviation** for the rolling three year period to March 2009 (13.4%) remains significantly higher than the average over the three year period to March 2008 (8.8%). This shows a much greater level of volatility of the Fund's return which is not surprising in the current market conditions.

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

5.4 The **Information Ratio** is a measure of manager skill and has been volatile over recent years. The figure has fallen to a negative number which reflects the significant levels of under-performance in the quarter by most managers.

6.0 SOLVENCY

6.1 The **solvency position** is presented in **Appendices 2 and 3**. The figures from 31 March 2007 have been restated in line with the figures presented by the Actuary. As at 31 March 2009 the solvency had reduced to 35% from 37% as at 31 December 2009.

6.2 The assets of the Fund decreased by 6.6% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), decreased by 0.1% hence the 2% reduction in solvency in the Quarter. This follows a period of strong liability growth reflected by falling yields on long-dated gilts which are used as the proxy discount rate to value liabilities. Hence lower yields result in higher liability values and vice versa.

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

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

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

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

6.4 During the first quarter of 2009 changes in assumptions on inflation and bond yields resulted in a fall in the valuation of liabilities. Nevertheless, the value of liabilities grew in the year to March 2009 by 8%.

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

6.6 The table at **Appendix 4** is an ongoing **comparison of Fund performance as against the Least Risk Portfolio**. This shows that the latest total 3 year annualised return has now under-performed the Least Risk portfolio by -17.2 % pa which is a drop from -14.9% pa as at 31 December 2008. Just as importantly, the quarterly rolling return (which covers the period since the Triennial Valuation date) is 1.8% behind the Least Risk Portfolio.

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

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

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

7.0 REBALANCING

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

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

7.3 During the quarter £18.6m was moved from internal cash to the currency hedging account meet foreign currency hedging obligations payments. This was funded by a transfer from Credit Agricole in January and from Fidelity in March. A modest recovery in the strength of Sterling during April has generated a significant inflow (£5m) allowing the transfer from Fidelity to be reversed. Further inflows are expected over the next few months.

8.0 PROXY VOTING

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

9.0 **RECOMMENDATION**

9.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 31 March 2009.

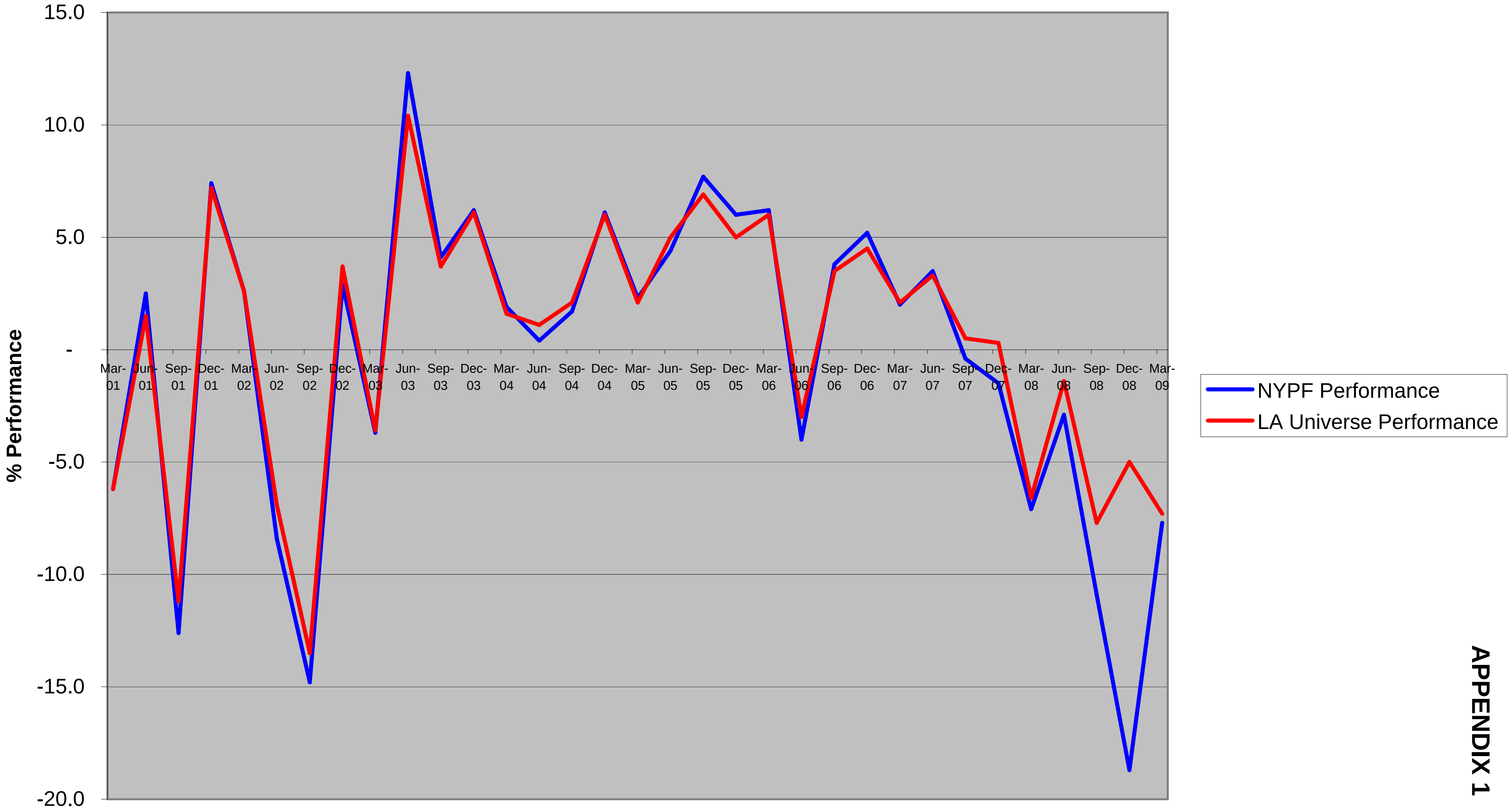
JOHN MOORE
Treasurer

Finance and Central Services
County Hall
Northallerton

7 May 2009

Background documents: None

Pension Fund Performance - NYPF vs Other Local Authorities



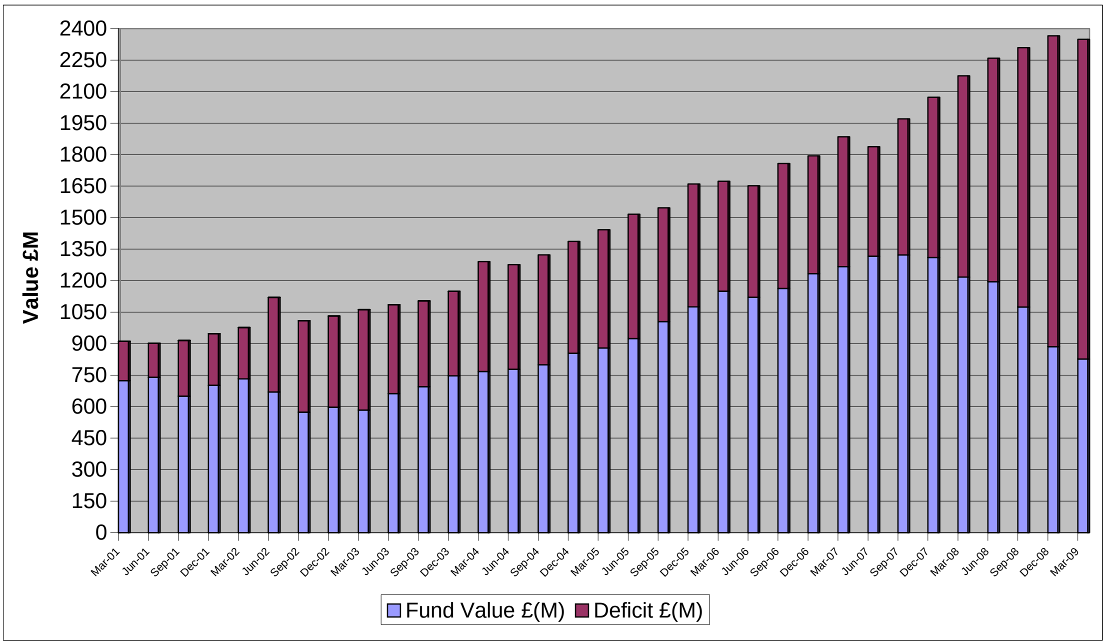
APPENDIX 1

Actuarial Model of Quarterly Solvency Position

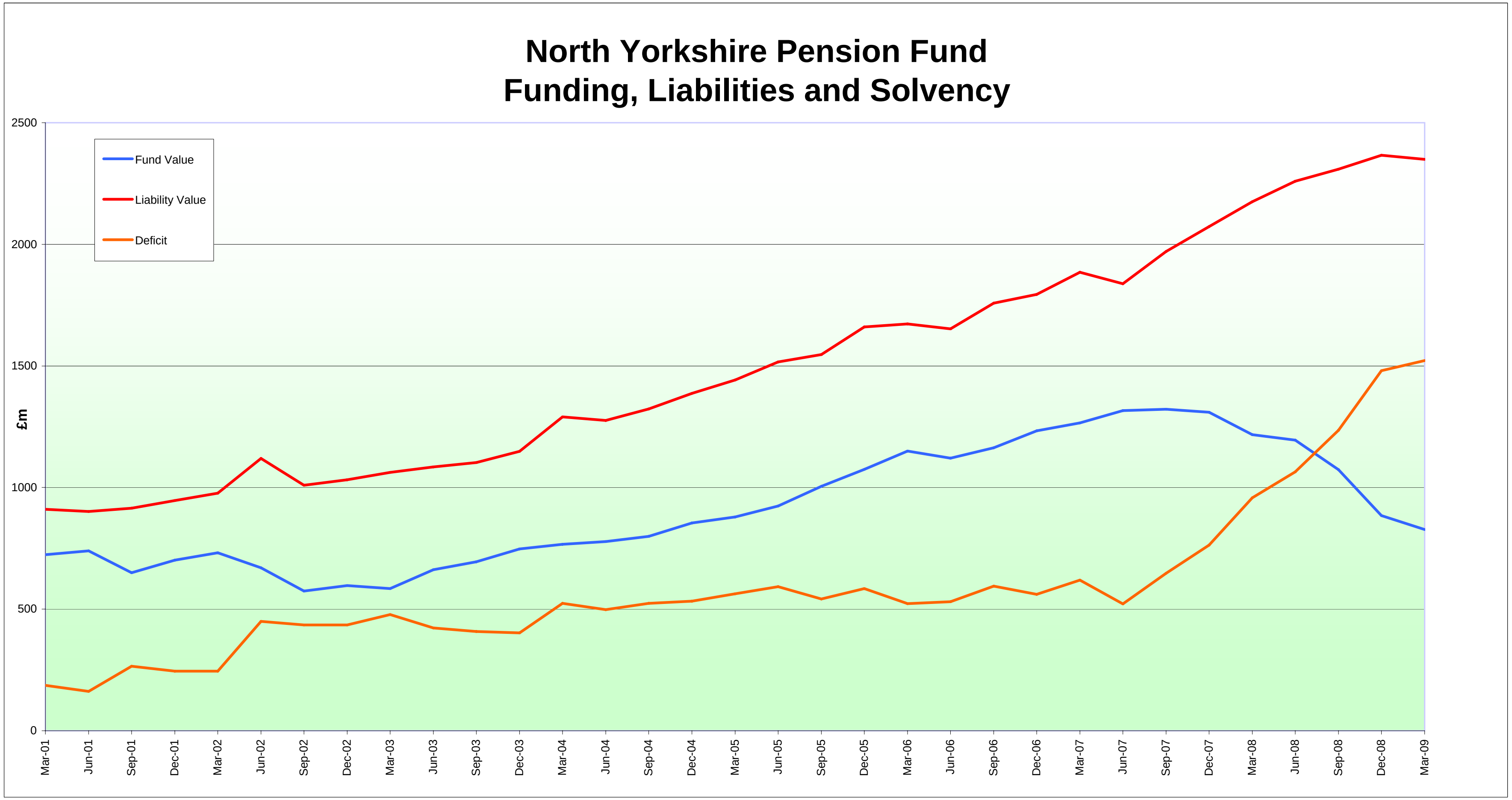
Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	66%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1266	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,292

Triennial valuation results highlighted in yellow

Movement in Assets and Liabilities



Appendix 3


North Yorkshire Pension Fund
Funding, Liabilities and Solvency
£m
2500
2000
1500
1000
500
0
Fund Value
Liability Value
Deficit
Mar-01
Jun-01
Sep-01
Dec-01
Mar-02
Jun-02
Sep-02
Dec-02
Mar-03
Jun-03
Sep-03
Dec-03
Mar-04
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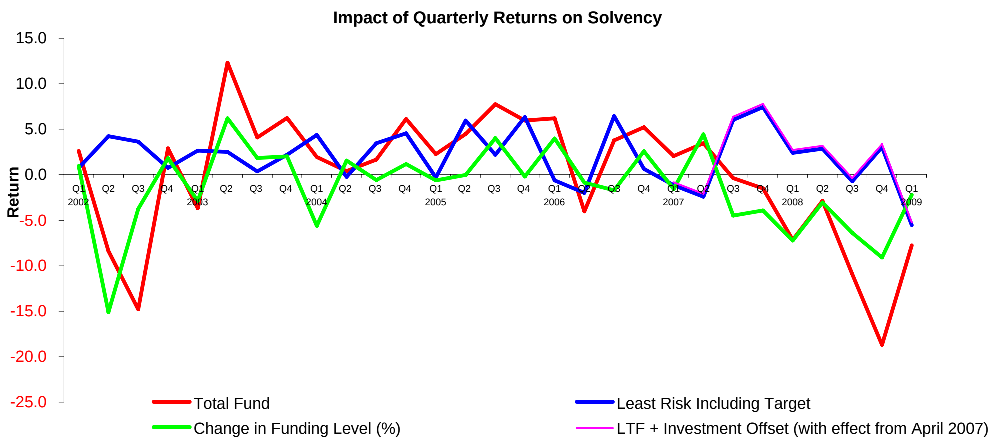
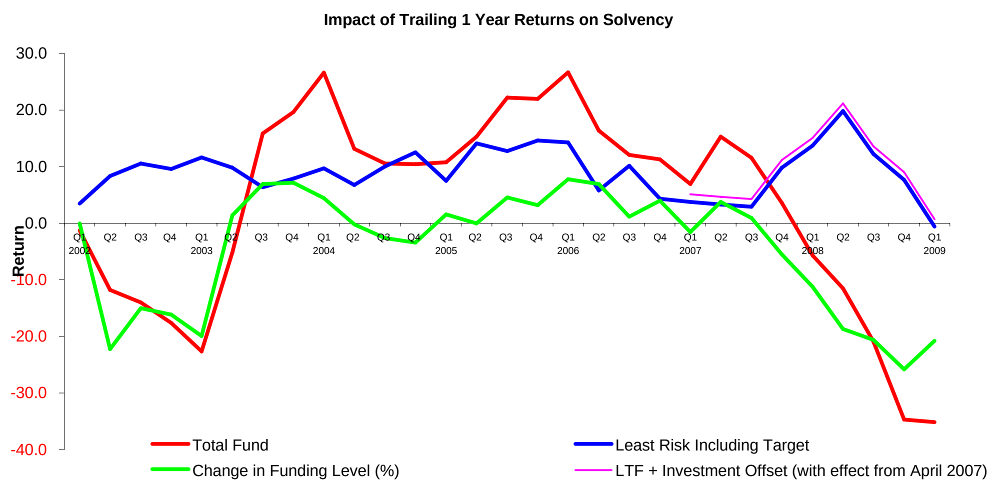
Mar-09

Comparison of Actual Performance vs the Least Risk Portfolio *

Quarter/ Rolling Year	Total Fund Return	Total Fund Custom Benchmark	Relative +/-		Total Fund Return	85% Index, 15% Fixed	Relative +/-
Q1 2002	2.60	2.10	0.50		2.60	0.40	2.20
Rolling 12 Months 2001/2002	**-1.28**	**-1.71**	**0.43**		**-1.28**	**2.10**	**-3.38**
Q2 2002	-8.40	-7.70	-0.70		-8.40	3.90	-12.30
Q3 2002	-14.80	-14.40	-0.40		-14.80	3.30	-18.10
Q4 2002	2.90	4.50	-1.60		2.90	0.40	2.50
Q1 2003	-3.68	-3.83	0.15		-3.68	2.30	-5.98
Rolling 12 Months 2002/2003	**-22.65**	**-20.60**	**-2.05**		**-22.65**	**10.24**	**-32.88**
Q2 2003	12.31	11.23	1.08		12.31	2.17	10.14
Q3 2003	4.09	3.87	0.22		4.09	0.02	4.07
Q4 2003	6.23	6.18	0.05		6.23	1.85	4.38
Q1 2004	1.94	1.42	0.52		1.94	4.04	-2.10
Rolling 12 Months 2003/2004	**26.60**	**24.41**	**2.19**		**26.60**	**8.28**	**18.33**
Q2 2004	0.39	1.25	-0.87		0.39	-0.59	0.97
Q3 2004	1.67	1.75	-0.08		1.67	3.12	-1.45
Q4 2004	6.14	5.70	0.44		6.14	4.19	1.95
Q1 2005	2.27	1.80	0.47		2.27	-0.64	2.91
Rolling 12 Months 2004/2005	**10.79**	**10.85**	**-0.07**		**10.79**	**6.12**	**4.67**
Q2 2005	4.48	5.03	-0.55		4.48	5.60	-1.12
Q3 2005	7.74	7.24	0.50		7.74	1.85	5.89
Q4 2005	5.96	5.75	0.21		5.96	5.98	-0.02
Q1 2006	6.19	5.37	0.82		6.19	-0.97	7.16
Rolling 12 Months 2005/2006	**26.67**	**25.52**	**1.15**		**26.67**	**12.88**	**13.79**
Q2 2006	-4.03	-3.57	-0.46		-4.03	-2.35	-1.68
Q3 2006	3.78	4.16	-0.38		3.78	6.09	-2.31
Q4 2006	5.23	4.72	0.51		5.23	0.31	4.92
Q1 2007	2.04	2.13	-0.09		2.04	-1.50	3.54
Rolling 12 Months 2006/2007	**3.62**	**5.53**	**-1.91**		**3.62**	**8.41**	**-4.79**
Q2 2007	3.46	1.78	1.68		3.46	-2.77	6.24
Q3 2007	-0.36	0.84	-1.20		-0.36	5.69	-6.05
Q4 2007	-1.49	0.68	-2.17		-1.49	7.10	-8.59
Q1 2008	-7.15	-5.49	-1.66		-7.15	2.06	-9.20
Rolling 12 Months 2007/2008	-5.71	-2.34	-3.37		-5.71	12.32	-18.03
Q2 2008	-2.88	-2.75	-0.13		-2.88	2.51	-5.39
Q3 2008	-10.93	-5.42	-5.51		-10.93	-1.07	-9.86
Q4 2008	-18.71	-5.22	-13.49		-18.71	2.69	-21.40
Q1 2009	-7.74	-6.81	-0.93		-7.74	-5.91	-1.83
3 Year Annualised Return	**-13.19**	**-5.18**	**-8.01**		**-13.19**	**4.05**	**-17.24**

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





Quarter Returns

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

Trailing 1 Year Returns

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

REBALANCING OF NYPF ASSETS AS AT 31 MARCH 2009

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

After Rebalancing	
78.4%	643.00
21.7%	177.60
-0.1%	-0.50
100.0%	820.10

		31-Mar-09 Value £m	%	Target	+/- Allocation £m	Rebalanced £m	%	97% Min %	3% Tolerance Min £m	103% Max %	Max £m	Under	Over			
Global Equity Managers																
Baillie Gifford Global Alpha		142.40	17.4%	14.9%	-17.5	124.91	15.2%	14.5%	118.53	15.3%	125.86	0.00	-16.54	0.00	142.40	17.4%
Baillie Gifford Global Growth		90.50	11.0%	9.0%	-15.1	75.45	9.2%	8.7%	71.59	9.3%	76.02	0.00	-14.48	0.00	90.50	11.0%
	(a)	232.90	28.4%	23.9%	-32.5	200.4	24.4%		190.12		201.88			0.00	232.90	28.4%
Global (ex UK) Equity Managers																
Fidelity		201.80	24.6%		-17.5	184.3	22.5%							6.00	207.80	
Hermes Europe		16.10	2.0%		0	16.1	2.0%							0.00	16.10	
	(b)	217.90	26.6%	23.9%	-17.5	200.4	24.4%	23.2%	190.12	24.6%	201.88	0.00	-16.02	6.00	223.90	27.3%
UK Equity Managers																
Standard Life		173.30	21.1%		33.5	206.8	25.2%							0.00	173.30	
Hermes UK		0.70	0.1%		0	0.7	0.1%							0.00	0.70	
Yorkshire Forward		1.20	0.1%		0	1.2	0.1%							0.00	1.20	
	(c)	175.20	21.4%	*24.9%*	33.5	208.7	25.5%	24.2%	198.08	25.6%	210.33	22.88	0.00	0.00	175.20	21.4%
Global Tactical Asset Allocation																
UBS	(d)	11.00	1.3%	*4.0%*	22.5	33.5	4.1%	3.9%	31.82	4.1%	33.79	20.82	0.00	0.00	11.00	1.3%
Equity sub-total	(a+b+c+d)=(e)	637.00	77.7%	**76.7%**	6.0	643.00	**78.4%**	74.4%	610.15	79.0%	647.89	0.00	0.00	6.00	643.00	78.4%
Global Fixed Income Managers																
ECM		59.10	7.2%			59.1	7.2%							0.00	59.10	
CAAM		118.50	14.4%		0.0	118.5	14.4%							0.00	118.50	
Fixed Income sub-total	(f)	177.60	21.7%	**22.9%**	0.0	177.60	**21.7%**	22.2%	182.17	23.6%	193.44	4.57	0.00	0.00	177.60	21.7%
Cash																
Internal Cash		2.90			-6.0	-3.10								-6.00	-3.10	
Currency Hedge Cash		2.60			0.0	2.60									2.60	
Cash sub-total	(g)	5.50	0.7%	**0.4%**	-6.0	-0.50	-0.1%	0.4%	3.18	0.4%	3.38	0.00	-2.12	-6.00	-0.50	-0.1%
	(e+f+g)=(h)	**820.10**	**100.0%**	**100.0%**	**0.0**	**820.10**	**100.0%**									
RC Brown	(j)	1.20														
	(h+j)=(k)	821.30														

NORTH YORKSHIRE PENSION FUND

Meeting: 21st May 2009

1. _INVESTMENT RETURNS_

The table below shows total returns, expressed in sterling, on the major asset classes for the month to 30th April, the three months to 31st March 2009 and for the year to 31st March 2009.

	Market Returns		
	1st April to 30th April 2009 %	3 months to 31st March 2009 %	12 months to 31st March 2009 %
FTSE All-Share	8.4	-9.1	-29.3
FTSE World Ex UK	7.5	-10.7	-19.1
FTSE N. America	6.9	-9.8	-14.0
FTSE Europe Ex UK	10.5	-16.0	-31.1
FTSE Japan	4.2	-16.1	-10.6
FTSE Asia-Pacific Ex Japan	6.3	0.0	-23.1
FTSE Emerging Markets	11.3	1.6	-26.3
UK Gilts	-0.9	-0.8	10.3
Overseas Bonds	-3.5	-4.7	36.7
UK Index Linked	0.3	-1.3	-1.3
Cash	0.1	0.3	4.75

UK base rate was reduced three times in the March quarter to 0.5% and was maintained at this at the April meeting. This is, by some margin, the lowest rate since the establishment of The Bank of England in 1694. In addition to this unprecedented action The Bank announced in March a £75bn. programme of asset purchases, designed to add liquidity to those banks tendering assets. After the April meeting the Bank revealed that £26bn. of assets had been purchased and said that it would take a further two months to complete the programme.

The Monetary Policy Committee (MPC) remains focused on the anticipation of a sharp decline in consumer price inflation and fears of deflation by the second half of 2009. In this context it should be noted that Retail Prices, which include mortgage and rental costs and Council Tax, have already begun to fall.

The global banking and credit crisis continues. It may be said that the situation did not worsen since the start of 2009, but no serious progress has been made in constructing an improved governance and regulatory regime for the global banking system The key objective – reviving bank lending to the domestic corporate sector – has not yet been achieved.

During the March quarter, gilt edged securities fell in value and exhibited extreme volatility. The yield on 10-year conventional gilts rose slightly to 3.2%, but in February the yield spiked briefly to nearly 4.0%. The yield on 30-year gilts rose by 0.5% to 4.2%, having reached 4.7% in January. Since 31st March, conditions have remained volatile and yields have risen further across the maturity spectrum.

The experience in Index linked securities has been more mixed, but they have also been extraordinarily volatile. The real yield on 10-year index-linked gilts ended slightly lower on the quarter at 0.9%, but had briefly reached 1.9%. The real yield on 30-year index linked gilts ended 0.3% higher at 0.6%, having reached 1.4% early in March. Here too, yields have risen slightly further in April. This extreme volatility is worrying, given that the valuation of The Fund's liabilities is very sensitive to these movements.

UK equities gave a total return of -9.1% in the quarter as measured by the FTSE All Share Index, but have since bounced sharply in April. Again, volatility was very high and at one point the fall since end-December was 18.7%. As would be expected in these volatile conditions, there has been a wide dispersion of returns from different sectors. The worst performers were Industrials and Financials, both down over 20%, while Basic Materials and Technology gained over 10% during the quarter.

In the US, the Federal Reserve Open Market Committee (FOMC) maintained its target range for Fed. Funds of 0% to ¼% Meanwhile a bewildering array of programmes has been introduced with the aim of restoring liquidity to the financial system as a whole and to particularly troubled sectors. Rather than dwell on the detail of this we can observe that the total assets of the Federal Reserve have grown from $900bn. at the time Lehman Bros. failed in September 2008 to in excess of $2000bn. today, and of course the overall quality of those assets has fallen.

US economic data releases have continued to show a sharply declining rate of activity; according to the preliminary estimate, GDP fell in the first quarter by an annualised rate of 6.1%. However, consumer spending and confidence have shown signs of a revival, which has excited hopes in the equity markets of the world.

Other global equity markets all fell as the global economic contraction took hold. However, the Pacific Basin and emerging markets fell less, and recovered more robustly, than the markets of the more developed economies. It is not clear whether the superior performance of these markets reflects better economic fundamentals, or rather a shift in the amount of risk capital available to them.

2. INVESTMENT PERFORMANCE

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

The most recent quarter has produced results which, while not satisfactory, are less disturbing than those of the preceding two quarters. The results are examined in more detail below.

NYPF Total Fund Performance to March 2009

	3 months total return %	Rolling12 months total return %
NYPF	-7.7	-35.1
Composite Benchmark	-6.8	-18.8

The question arises whether the arresting of the slide in performance is purely coincidental with slightly more stable market conditions, or whether there is some common underlying factor. We will consider this in the following paragraphs.

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 March 2009

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Standard Life	-3.5	1.1	-41.3	-33.0
Hermes UK Focus Fund	0.2	-9.1	-25.5	-29.3
RC Brown	-5.5	-9.1	-34.4	-29.3

SLI had another poor quarter's performance relative to their non-standard benchmark, but it is notable that the NYPF benchmark outperformed the standard FTSE All Share Index by a full 11.2% (using the geometric method for this calculation – see my last report).

The superior performance of the unweighted SLI benchmark is due to a sharp recovery in the FTSE 250 mid-cap stocks, which has continued through April. This is partly due to less gloom about the economic outlook and better performance by economically sensitive stocks. However, there has also been some abatement of the fear that the current credit crisis would threaten the access to bank finance for smaller companies.

SLI's performance has rebounded very strongly in April, due to strong performance from financials and from their selected mining and retail stocks. Basically, David Cummings has stuck to his guns and been rewarded.

The performance of the Hermes UK Focus Fund is of little relevance now as most of the investments have been realised and proceeds returned to NYPF.

Turning to overseas equities, the next table overleaf shows the performance of the portfolios. Barclays Global Investors were replaced by Fidelity at the end of October and therefore the Fidelity performance is for the latest quarter only. Fidelity and Baillie

Gifford operate to slightly differing mandates, which are detailed in the footnotes to the table. Hermes European Focus Fund continues to be measured against the FTSE World Europe ex-UK index.

Overseas Equity Performance to March 2009

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Fidelity	-10.7	-10.7*	N/A	N/A
Baillie Gifford Global Alpha	-7.3	-10.2**	-21.9	-20.4
Baillie Gifford LTGG	-2.2	-10.2**	-23.1	-20.4
Hermes European Focus Fund	-21.1	-14.5	-51.1	-30.1

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

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

Baillie Gifford's portfolios are concentrated, Long Term Global Growth especially so. Hence it is particularly unwise to attach too much significance to short term performance. The final quarter of 2008 was a disappointing one for Baillie Gifford and so was not a good moment to make this point. Now that short term performance has turned positive, for the moment, they are very sensibly warning against attaching too much significance to it. That said, they have been able to identify companies whose competitive position is improving in the current difficult climate and they are focused on looking for the survivors of, and therefore long term gainers from, the current downturn.

Fidelity, who are a very recent appointee, performed in line with the benchmark in the March Quarter, after a modest positive performance in the 2 months to December 2008. It is far too early to offer any meaningful comment on their performance.

The performance of the Hermes European Focus Fund is of much reduced importance the investments are being run down and proceeds returned to NYPF.

The next table below shows the performance of the global fixed income managers for the quarter and for 12 months to 31st March 2009.

Global Bond Performance - to March 2009

	3 months % Total Return	12 months % Total Return
European Credit Management	-18.9	-53.3
Credit Agricole Asset Management	-4.9	-0.6
NYPF Least Risk Benchmark	-5.9	-2.0

ECM's portfolios continue to underperform their benchmarks. Perhaps the best that can be said is that the latest quarter is not as disastrous as the previous one. To clutch at a straw, April is reported as delivering the first positive month in some time.

Conditions have improved in the corporate bond markets, but asset backed securities remain very illiquid with prices depressed. The worst experience has been in bank capital. At the lowest point in early March Royal Bank of Scotland Tier 1 paper was trading at less than 10p per £1 nominal value. The status and outlook for bank capital instruments goes to the heart of the financial crisis. Tier 1 instruments have typically been issued as perpetual bonds with a redemption option at a fixed date. At the option date the issuer has the choice of redeeming the bonds or leaving them outstanding **but with a very substantial increase in the coupon payable.** The option not to redeem the instruments permits them to be treated as permanent, and therefore Tier 1 capital of the bank. The assumption was that these bonds would always be redeemed, because of the penal cost of servicing a perpetual obligation at the stepped-up coupon rate. In December 2008 Deutsche Bank chose not to redeem such an issue, although other banks have redeemed similar instruments.

The deeply depressed prices of these instruments (which are not being traded in any significant amounts) reflects uncertainty as to how they stand in the event of the bank becoming distressed. Up to now all coupons have been paid and there have been no defaults on these instruments. However, there remain fears that in the event of some large scale capital reconstruction of banks, Tier 1 instruments would be "equitised". This would have enormous implications for many investors, notably insurance companies, who were encouraged by the authorities to invest in what were seen as highly suitable investments for their purposes. Unfortunately HMG, who now control large parts of the UK banking industry, are giving no guidance on this. It is possible that there is intra-Europe tension over this; the German authorities are thought to favour viewing Tier 1 capital as equity, rather than a debt obligation. In the US, equivalent instruments have rallied strongly in recent weeks as there has been more clarity as to their ranking as debt instruments.

CAAM achieved positive performance in the March quarter. Negative performance from credit positions was more than outweighed by contributions from market allocation and currency.

A meeting was held in London on 2nd April between CAAM and PJW and Tom Morrison for The Fund. The detail of the meeting is covered in an appendix attached to this report. There is an outstanding proposal to move the existing segregated portfolio to a Specialised Investment Fund, at no significant cost to The Fund. This is proceeding satisfactorily. In addition CAAM have requested some variations to the constraints under which they operate and this is also covered in the appendix.

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

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 portfolio.

The table below shows the performance of the component parts of the GTAA portfolio compared with the indices against which each is benchmarked. During the quarter, the market based strategy maintained its long positions in equities and corporate bonds, balanced by the short position in long-dated index-linked. With equities continuing to fall this resulted in further significant loss of value

	3 months % Total Return		12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
UBS MARS Fund	-36.4	0.3[1]	-92.9	4.1[1]
UBS CARS Fund	-3.1	0.3[1]	51.1	4.1[1]
Combined MARS/CARS portfolio	-25.3	0.3[1]	-71.0	4.1[1]
Equity Derivatives	-13.5	-11.6[2]	-21.4	-20.1[2]

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

After a strong period of performance in which the CARS fund exploited the unwinding of "carry" trades, positions were scaled back in the recent quarter, reducing the risk and scope for relative performance. UBS judge that most of the misalignments of currency value have now been corrected.

During the last 12 months of very poor performance the GTAA portfolio, which started as 4% of The Fund has shrunk considerably. This is because The Fund has not "reinforced failure" by rebalancing to the original allocation. The question now arises whether to continue with this mandate and/or revise the balance between MARS and CARS.

3. *ECONOMIC AND MARKET OUTLOOK*

Economic background

- Politicians, especially in the US and UK, are strenuously trying to re-create growth conditions. The long boom since 1981, with only minor interruptions, has made us forget that recessions not only do happen – they have to happen, for good reasons.

- Efforts would be better directed at restoring the financial system to order.

- The total assets of the banking systems of a number of major economies are significantly greater than one year's output of the economies themselves. This suggests that repairing the financial systems is a more realistic task than shoring them up with taxpayers' money. More realistic, but not achievable in a short timescale.

- However, at present the capital adequacy and regulation of financial systems is being addressed on a national, rather than supra-national basis. One consequence of this is that banks are being pressured by their national governments to direct lending to domestic borrowers – regardless of whether those borrowers represent sound risk versus potential non-domestic borrowers.

- This has thrown one of the principal drivers of globalisation – the free movement of capital across borders – into reverse. We are seeing the consequences of this in a sharp downturn in world trade.

- In addition to all these financial issues, fundamental imbalances in real economies have to be addressed. We note that, for example, the Japanese trade surplus is in sharp decline – a necessary but painful adjustment for Japan.

- **Considering these points suggests that the downturn in real economic activity is likely to be longer than most forecasters expect.**

- Meanwhile, in the (vain?) attempt to resuscitate growth, fiscal responsibility has been abandoned, particularly in the US and UK. (See p. 2 above. Re the growth in the balance sheet of the Federal Reserve).

- The credit of a number of sovereign states up to and including the US, and certainly including the UK, may be impaired. US sovereign credit default swaps now cost around 100 basis points p.a. and the equivalent for UK risk is 160 b.p. (compare this with December 2008, when these CDS spreads were 35 and 60 b.p., respectively).

- As in 1973-75, the UK has entered a globally synchronised economic crisis in worse condition than other major economies. By this I do not mean that we will suffer a bigger downturn, but that our public finances are in such bad shape that it will require years of sub-par growth and/or a period of high inflation to work off the public debt.

- **These points suggest that the UK economy, and Sterling, may be especially vulnerable.** Note that this does not necessarily imply a worse outlook for UK equities, because of the high non-domestic exposure of UK companies.

- **This raises the question – Should NYPF consider revising its policy on currency hedging of non-sterling investments?**

Government Bonds

- The US are, for the time being, able to issue large amounts of Treasury paper (meanwhile buying some of it back) in the expectation that non-US creditors will continue to support the market.

- The UK, however, is in a worse position, because overseas holders will reduce exposure to Sterling more readily than they will to US Dollars, in which they have so much more capital at risk.

- Gilts are being sold to investors one day and bought from them on the next. There is much obfuscation about which arms of government are transacting the business and what accounting entries are generated, but the futility of this activity is surely clear.

- The question should not be – "How large should the UK budget deficit be?" but rather – "How large a deficit will the markets be willing to finance?" The recent undersubscription to a fixed coupon gilt auction may be a first tremor.

- If HMG seeks simply to neutralise this problem by buying back the gilts issued to finance the budget deficit, then it is likely that the currency will take the strain in what could become a further steep decline (see above).

Non-goverment Bonds

- Reports from ECM and others have drawn attention to the extreme default rates implied by the pricing of global non-government bonds. These default rates far exceed any historic experience and, were they to prove an accurate forecast, the economic outturn would be far worse than the worst projections.

- **NYPF already has high exposure to non-government bonds through its investments with ECM. While the performance of these has been disastrous, it would be unwise to exit now, locking in the mark-to-market losses.**

Equities

- In recent periods there has been negative correlation between government bond and equity markets. **This is important, as it tends to be a feature of deflationary conditions**.

- The reason for this is that, in stable growth conditions, lower interest rate/bond yields are associated with a lower discount rate on future corporate earnings, equivalent to a higher P/E ratio. But in deflationary conditions the bond yield/interest rate falls rapidly, while the "E" in the P/E collapses even more quickly.

- **This raises the question – Might negative correlation between government bond and equity markets become persistent as was the case in Japan in recent memory? And what response might this call for, bearing in mind that (index linked) government bonds are a proxy for liabilities?**

- As has been remarked elsewhere, equities tend to discount the extremes of business conditions in advance. The question this time is How far in advance of the earnings trough are we?

- Looking at longer term cycles in equity returns, there are periods of 15 years +/- 5 years during which returns deviate substantially from the very long term average (~ 70+ years). For example, US equities delivered very large returns from 1947 to 1963 and from 1981 to 2007, but in the intervening period did not outperform cash deposits.

- Does this mean that NYPF should make a strategic shift away from equities?.

- Arguably not. There is evidence that the liquidity driven bull market in equities led to a reduction in discrimination between stocks in terms of quality of business, balance sheet strength, governance and free cash generation. This did not make it easy for fundamental investment analysts to generate stock selection returns.

- In past periods of indecisive equity market trend behaviour, there have nevertheless (or therefore?) been plenty of opportunities to exercise analytical and portfolio selection skills.

P.J. Williams

7th May 2009

FILE NOTE

FROM: PHILIP WILLIAMS

SUBJECT: MEETING WITH CREDIT AGRICOLE ASSET MANAGEMENT

DATE: 2ND APRIL 2009

On 2nd April 2009 Tom Morrison and PJW met Credit Agricole Asset Management (CAAM) at AllenbridgeEpic's London office. CAAM were represented by Ian Milton and Paul Myles, NYPF's client directors and by Carlos Andres Galvis, NYPF's fund manager.

CAAM confirmed that all arrangements were in hand to transfer The Fund's segregated assets into the Luxembourg registered Special Investment Fund. Since the date of the meeting the necessary authorisations and signatures have been executed. The advantage of the new structure is that it removes any doubt about derivative positions adopted for risk management purposes and reduces custody charges, because the new SIF holding is a single line entry on The Fund's global custody account.

CAAM went on to introduce the matter of the constraints under which they operate. The overall risk control imposed on them is a 4% tracking error limit versus the benchmark (which replicates the least risk portfolio as defined by the actuary). Within that constraint there are a number of other limits on total exposure to various types of asset e.g. emerging market debt.

Among these constraints are two applying to currency positions. First, total currency positions may not exceed 20% of the value of the portfolio. Secondly, the totl contribution of currency positions to tracking error may not exceed 1.5%. CAAM presented evidence to show that, under the current constraints, they are not able to deploy their overall risk budget of 4%. In practice their tracking error has only once exceeded 3% since the second quarter of 2006.

CAAM requested that, in particular, the currency limits should be made less restrictive, because they are unable to exploit particular cross-currency opportunities within the major currency blocs. They presented evidence to support their claim to be capable of adding value through currency management. Alternatively, it was suggested that the performance target could be reduced so as to be consistent with the levels of risk which the limits imply.

PJW requested that CAAM draft a request setting out their supporting evidence and the risk characteristics of their preferred solutions, including potential variations of the performance target.

Subsequently CAAM offered three potential solutions, which are tabulated overleaf.

Options 1 and 2 propose changes to the currency exposure limits with, in the case of Option 2, a reduction in the outperformance target from 3.0% p.a. to 2.5% p.a. The third option suggested is to leave all limits unchanged, but to reduce the outperformance target to 2.0%.

CAAM's Proposals

	Option 1	**Option 2**	**Alter Objective**
Risk Budget	Max ex-ante **TE of 4%** p.a. of which **max 2.5%** from currency risk **1**. No more than **60%** of the risk budget can be spent on the USD$ view with no limits on the Inter and Intra blocks **2**. Total non £ exposure limited to 40%	Max ex-ante **TE of 4%** p.a. of which **max 2%** from currency risk **1**. No limits on how the risk budget can be spent between the USD$ view and the Inter and Intra blocks **2**. Total non £ exposure limited to 30%	Max ex-ante **TE of 4%** p.a. of which **max 1.5%** from currency risk **1**. No limits on how the risk budget can be spent between the USD$ view and the Inter and Intra blocks **2**. Total non £ exposure limited to 20%
Target Return	**3.0% p.a. gross**	**2.5% p.a. gross**	**2.0% p.a. gross**
Target Information Ratio	**3/4 = 0.75%**	**2.5/4 = 0.63%**	**2/4 = 0.50%**

* CAAM do not propose to change the 3% non OECD currency exposure limit in any options

CAAM have made a rational case for a less restrictive set of constraints and my recommendation is that Option 2 above should be adopted and drafted into the Investment Management agreement between The Fund and CAAM.

P.J. Williams

7th May 2009

North Yorkshire Pension Fund

Summary Performance Report to 31 March 2009

Ref. 13956/417907

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Contents

Page

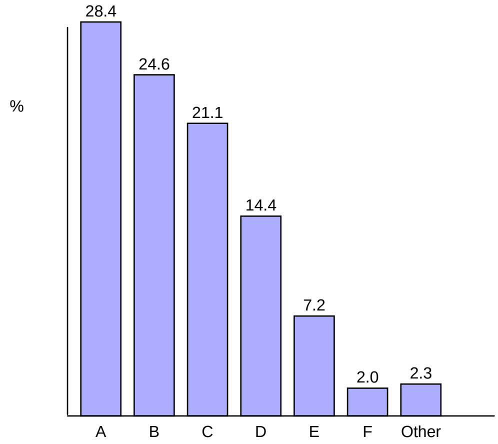
Manager Structure to 31 March 2009

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

Two different points in time are highlighted: as at report end date, and as at 30 June 2008.

All monetary values are quoted in millions.

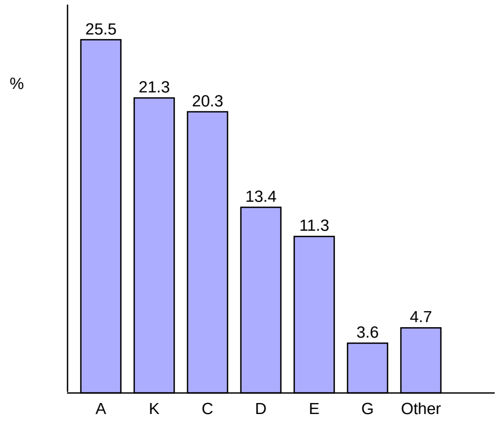
Managers as at 31 March 2009



Manager	Brief	End Market Value
(B) FIL Inv Ser UK	Global Equities	201.776
(C) Standard Life	UK Equities	173.293
(A) Baillie Gifford	Global Equities	142.410
(D) Credit Agricole AM	Global Bonds	118.563
(A) Baillie Gifford	LTGG	90.502
(E) European Credit Mgmt	Global Bonds	59.052
(F) Hermes Investment	European Equities	16.069
UBS	Global Tactical Asset Allocation	10.968
(H) Internal	Cash	2.961
(H) Internal	Hedged	2.638
(I) Yorkshire & Humber	UK Equities	1.208
(J) RC Brown Investment	UK Equities	1.167
(F) Hermes Investment	UK Equities	0.709
Fund	**Multi-Asset**	**821.318**

Manager Structure to 31 March 2009

Managers as at 30 June 2008



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

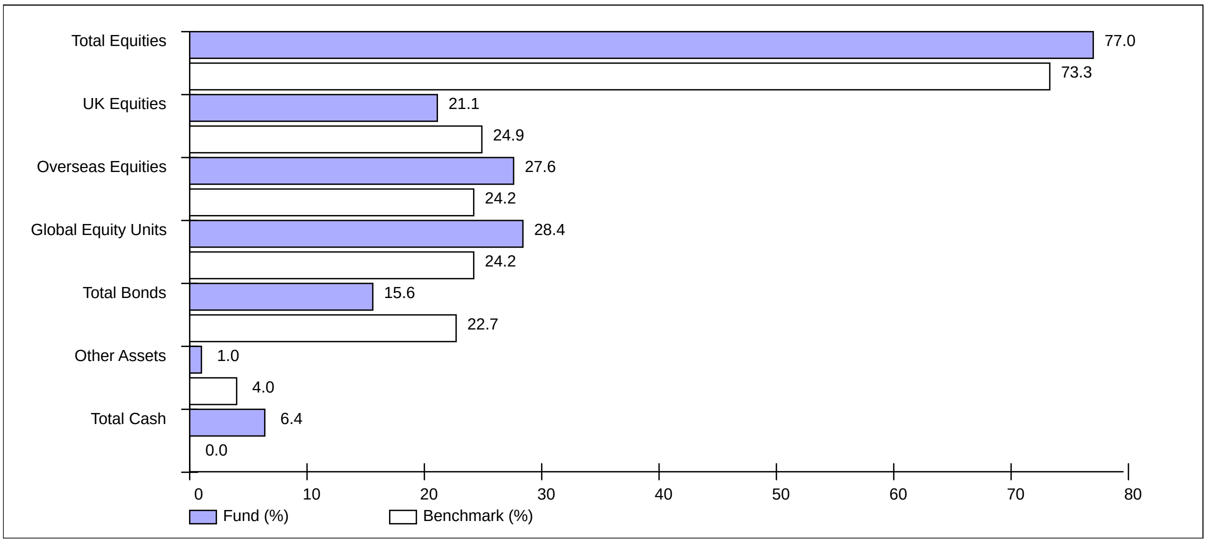
Benchmark Summary to 31 March 2009

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

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

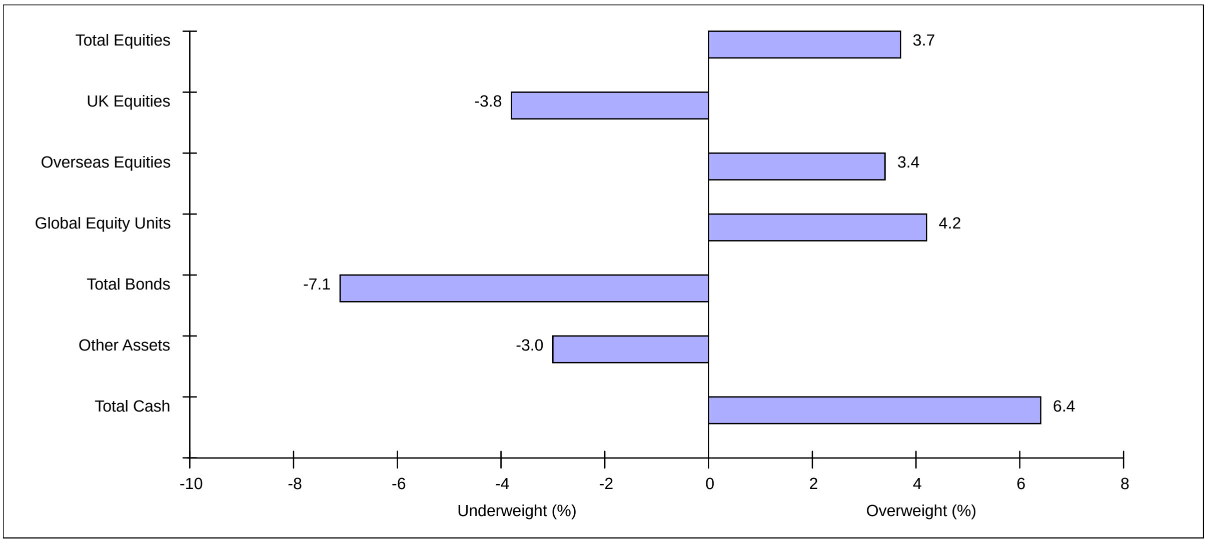
Note 'Total Equities' refers to the Global Tactical Asset Allocation portion of the fund benchmark.

The chart below compares the asset distribution of the fund to the benchmark as at 31 March 2009.



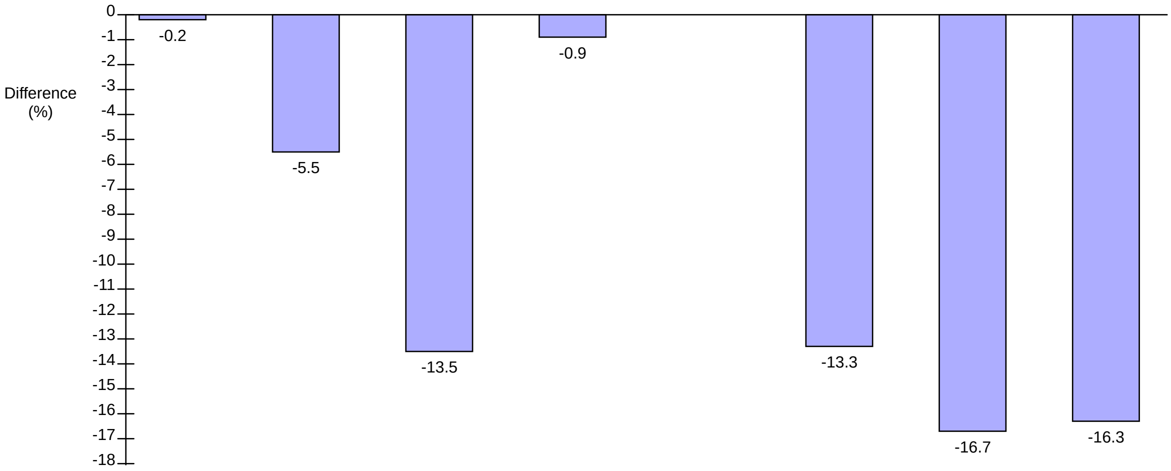
Benchmark Summary to 31 March 2009

The following chart shows the fund's under/overweight position relative to the benchmark as at 31 March 2009.



Short-term Overview to 31 March 2009

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



	Individual quarters ending				Periods to 31 March 2009		
	30 Jun 08	30 Sep 08	31 Dec 08	31 Mar 09	6 Months	9 Months	12 Months
Fund	-2.9	-10.9	-18.7	-7.7	-25.0	-33.2	-35.1
Benchmark	-2.7	-5.4	-5.2	-6.8	-11.7	-16.5	-18.8

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

	Individual quarters ending				Periods to 31 March 2009		
	30 Jun 08	30 Sep 08	31 Dec 08	31 Mar 09	6 Months	9 Months	12 Months
BGI : Global ex UK Equities							
Portfolio	-2.1	-7.6	-	-	-	-	-
Benchmark	-2.1	-4.1	-	-	-	-	-
Difference	0.0	-3.5	-	-	-	-	-
Baillie Gifford : Global Equities							
Portfolio	1.1	-9.5	-7.9	-7.3	-14.6	-22.7	-21.9
Benchmark	-1.7	-5.9	-3.3	-10.7	-13.6	-18.7	-20.1
Difference	2.8	-3.6	-4.6	3.4	-1.0	-4.0	-1.8
Baillie Gifford : LTGG							
Portfolio	1.4	-13.7	-10.1	-2.2	-12.1	-24.1	-23.1
Benchmark	-1.7	-5.9	-3.3	-10.7	-13.6	-18.7	-20.1
Difference	3.1	-7.8	-6.8	8.5	1.5	-5.4	-3.0
Credit Agricole AM : Global Bonds							
Portfolio	-0.4	-1.1	6.1	-4.9	0.9	-0.2	-0.6
Benchmark	2.5	-1.1	2.7	-5.9	-3.4	-4.4	-2.0
Difference	-2.9	0.0	3.4	1.0	4.3	4.2	1.4

Short-term Overview to 31 March 2009

	Individual quarters ending				Periods to 31 March 2009		
	30 Jun 08	30 Sep 08	31 Dec 08	31 Mar 09	6 Months	9 Months	12 Months
European Credit Mgmt : Global Bonds							
Portfolio	6.5	-13.4	-37.6	-18.9	-49.4	-56.2	-53.3
Benchmark	2.5	-1.1	2.7	-5.9	-3.4	-4.4	-2.0
Difference	4.0	-12.3	-40.3	-13.0	-46.0	-51.8	-51.3
FIL Inv Ser UK : Global Equities							
Portfolio	-	-	-	-10.7	-	-	-
Benchmark	-	-	-	-10.7	-	-	-
Difference	-	-	-	0.0	-	-	-
Hermes Investment : European Equities							
Portfolio	-4.6	-22.5	-16.2	-21.1	-33.9	-48.8	-51.1
Benchmark	-5.5	-11.2	-2.5	-14.5	-16.6	-26.0	-30.1
Difference	0.9	-11.3	-13.7	-6.6	-17.3	-22.8	-21.0
Hermes Investment : UK Equities							
Portfolio	-4.8	-9.2	-14.1	0.2	-13.9	-21.7	-25.5
Benchmark	-1.4	-12.2	-10.2	-9.1	-18.3	-28.3	-29.3
Difference	-3.4	3.0	-3.9	9.3	4.4	6.6	3.8
Internal : Cash							
Portfolio	1.4	1.5	0.0	-0.3	-0.3	1.2	2.6
Benchmark	1.2	1.2	0.8	0.2	1.1	2.4	3.6
Difference	0.2	0.3	-0.8	-0.5	-1.4	-1.2	-1.0
Internal : Hedged							
Portfolio	319.9	-361.6	-80.8	-60.4	-92.4	-119.9	-183.6
Benchmark	1.2	1.2	0.8	0.2	1.1	2.4	3.6
Difference	318.7	-362.8	-81.6	-60.6	-93.5	-122.3	-187.2
Internal : MTMS Account							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-
RC Brown Investment : UK Equities							
Portfolio	-0.1	-16.8	-16.4	-5.5	-21.0	-34.3	-34.4
Benchmark	-1.4	-12.2	-10.2	-9.1	-18.3	-28.3	-29.3
Difference	1.3	-4.6	-6.2	3.6	-2.7	-6.0	-5.1
Standard Life : UK Equities							
Portfolio	-12.2	-13.5	-19.9	-3.5	-22.6	-33.1	-41.3
Benchmark	-9.4	-10.1	-18.5	1.1	-17.7	-26.0	-33.0
Difference	-2.8	-3.4	-1.4	-4.6	-4.9	-7.1	-8.3

Short-term Overview to 31 March 2009

	Individual quarters ending				Periods to 31 March 2009		
	30 Jun 08	30 Sep 08	31 Dec 08	31 Mar 09	6 Months	9 Months	12 Months
UBS : Global Tactical Asset Allocation							
Portfolio	-19.2	-14.0	-62.0	-33.1	-74.6	-78.1	-82.3
Benchmark	-1.9	-4.9	-2.8	-11.5	-13.9	-18.1	-19.7
Difference	-17.3	-9.1	-59.2	-21.6	-60.7	-60.0	-62.6
Yorkshire & Humber : UK Equities							
Portfolio	2.5	0.0	0.0	0.0	0.0	0.0	2.5
Benchmark	-1.4	-12.2	-10.2	-9.1	-18.3	-28.3	-29.3
Difference	3.9	12.2	10.2	9.1	18.3	28.3	31.8

Market values and cash flows for the fund are shown below for the quarter ending 31 March 2009.
All monetary figures are quoted in millions.

	Start Value	%	Net Invest.	Income	Capital gain/loss	End Value	%
Baillie Gifford : Global Equities	153.644	17.5	0.000	0.000	-11.234	142.410	17.3
Baillie Gifford : LTGG	92.582	10.5	0.000	0.000	-2.080	90.502	11.0
Credit Agricole AM : Global Bonds	150.116	17.1	-38.450	0.514	6.897	118.563	14.4
European Credit Mgmt : Global Bonds	72.780	8.3	0.000	0.000	-13.728	59.052	7.2
FIL Inv Ser UK : Global Equities	232.695	26.5	-6.813	0.958	-24.106	201.776	24.6
Hermes Investment : European Equities	20.369	2.3	0.000	0.000	-4.300	16.069	2.0
Hermes Investment : UK Equities	9.000	1.0	-6.853	1.272	-1.438	0.709	0.1
Internal : Cash	-27.938	-3.2	61.680	-0.079	-30.781	2.961	0.4
Internal : Hedged	-22.481	-2.6	18.783	0.000	6.336	2.638	0.3
RC Brown Investment : UK Equities	1.235	0.1	-0.060	0.011	-0.008	1.167	0.1
Standard Life : UK Equities	179.508	20.4	1.180	1.117	-7.395	173.293	21.1
UBS : Global Tactical Asset Allocation	16.389	1.9	0.218	-0.004	-5.639	10.968	1.3
Yorkshire & Humber : UK Equities	0.908	0.1	0.000	-0.300	0.300	1.208	0.1
Fund	**878.805**	**100.0**	**29.687**	**3.495**	**-87.174**	**821.318**	**100.0**

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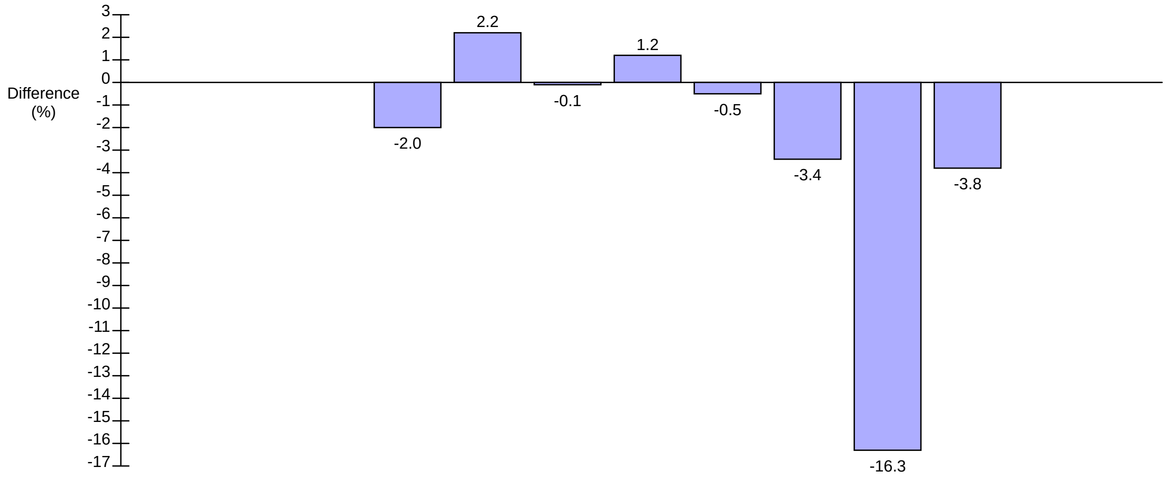
Long-term Overview to 31 March 2009

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



	Individual years ending 31 March										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	7 years
Fund	-	-	-	-22.6	26.6	10.8	26.7	6.9	-5.7	-35.1	-1.5
Benchmark	-	-	-	-20.6	24.4	10.9	25.5	7.4	-2.3	-18.8	2.3

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

	Individual years ending 31 March										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	7 years
BGI : Global ex UK Equities											
Portfolio	-	-	-	-	-	-	-	-	-5.3	-	-
Benchmark	-	-	-	-	-	-	-	-	-3.4	-	-
Difference	-	-	-	-	-	-	-	-	-1.9	-	-
Baillie Gifford : Global Equities											
Portfolio	-	-	-	-	-	-	-	-	-0.5	-21.9	-
Benchmark	-	-	-	-	-	-	-	-	-2.4	-20.1	-
Difference	-	-	-	-	-	-	-	-	1.9	-1.8	-
Baillie Gifford : LTGG											
Portfolio	-	-	-	-	-	-	-	-	6.5	-23.1	-
Benchmark	-	-	-	-	-	-	-	-	-2.4	-20.1	-
Difference	-	-	-	-	-	-	-	-	8.9	-3.0	-
Credit Agricole AM : Global Bonds											
Portfolio	-	-	-	-	-	-	-	1.9	5.7	-0.6	-
Benchmark	-	-	-	-	-	-	-	2.4	12.3	-2.0	-
Difference	-	-	-	-	-	-	-	-0.5	-6.6	1.4	-

Long-term Overview to 31 March 2009

	Individual years ending 31 March										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	7 years
European Credit Mgmt : Global Bonds											
Portfolio	-	-	-	-	-	-	-	4.3	-8.8	-53.3	-
Benchmark	-	-	-	-	-	-	-	2.4	12.3	-2.0	-
Difference	-	-	-	-	-	-	-	1.9	-21.1	-51.3	-
Hermes Investment : European Equities											
Portfolio	-	-	-	-	-	28.4	46.9	11.9	-5.3	-51.1	-
Benchmark	-	-	-	-	-	18.7	36.0	12.0	2.4	-30.1	-
Difference	-	-	-	-	-	9.7	10.9	-0.1	-7.7	-21.0	-
Hermes Investment : UK Equities											
Portfolio	-	-	-	-	-	16.2	13.8	24.4	-24.4	-25.5	-
Benchmark	-	-	-	-	-	15.6	28.0	11.1	-7.7	-29.3	-
Difference	-	-	-	-	-	0.6	-14.2	13.3	-16.7	3.8	-
Internal : Cash											
Portfolio	-	-	-	-	-	4.6	4.7	1.3	9.1	2.6	-
Benchmark	-	-	-	-	-	4.5	4.5	4.8	5.6	3.6	-
Difference	-	-	-	-	-	0.1	0.2	-3.5	3.5	-1.0	-
Internal : Hedged											
Portfolio	-	-	-	-	-	-	-	-	-	-183.6	-
Benchmark	-	-	-	-	-	-	-	-	-	3.6	-
Difference	-	-	-	-	-	-	-	-	-	-187.2	-
Internal : MTMS Account											
Portfolio	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-	-
RC Brown Investment : UK Equities											
Portfolio	-	-	-	-	-	-	-	6.9	-13.9	-34.4	-
Benchmark	-	-	-	-	-	-	-	11.1	-7.7	-29.3	-
Difference	-	-	-	-	-	-	-	-4.2	-6.2	-5.1	-
Standard Life : UK Equities											
Portfolio	-	-	-	-	-	-	-	-	-12.2	-41.3	-
Benchmark	-	-	-	-	-	-	-	-	-14.2	-33.0	-
Difference	-	-	-	-	-	-	-	-	2.0	-8.3	-
UBS : Global Tactical Asset Allocation											
Portfolio	-	-	-	-	-	-	-	-	-10.3	-82.3	-
Benchmark	-	-	-	-	-	-	-	-	-3.7	-19.7	-
Difference	-	-	-	-	-	-	-	-	-6.6	-62.6	-

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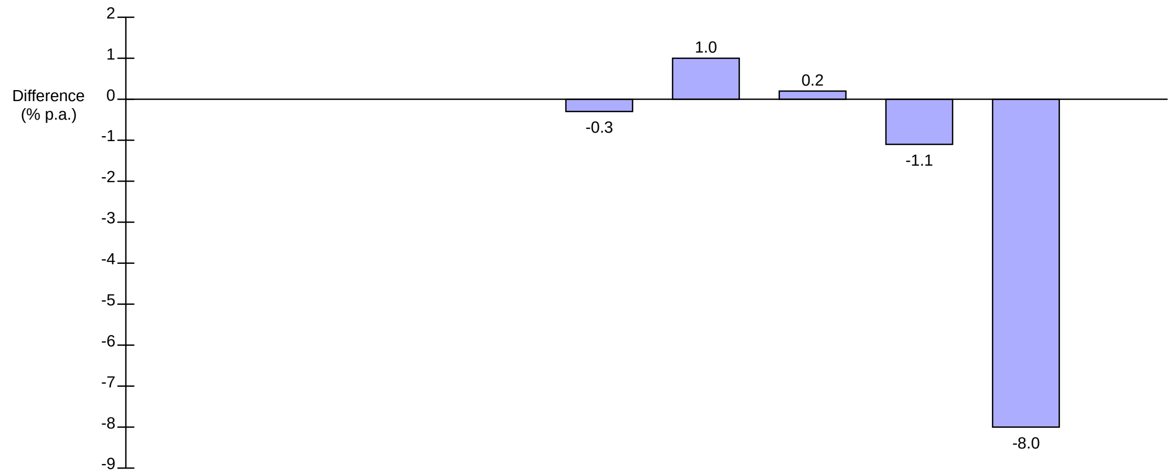
Long-term Overview to 31 March 2009

	Individual years ending 31 March										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	7 years
Yorkshire & Humber : UK Equities											
Portfolio	-	-	-	-	-	0.0	0.0	0.0	0.0	2.5	-
Benchmark	-	-	-	-	-	15.6	28.0	11.1	-7.7	-29.3	-
Difference	-	-	-	-	-	-15.6	-28.0	-11.1	7.7	31.8	-

Long-term Overview to 31 March 2009

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



Rolling three year periods to 31 March

	2002	2003	2004	2005	2006	2007	2008	2009
Fund	-	-	-	2.8	21.1	14.5	8.5	-13.2
Benchmark	-	-	-	3.1	20.1	14.3	9.6	-5.2

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

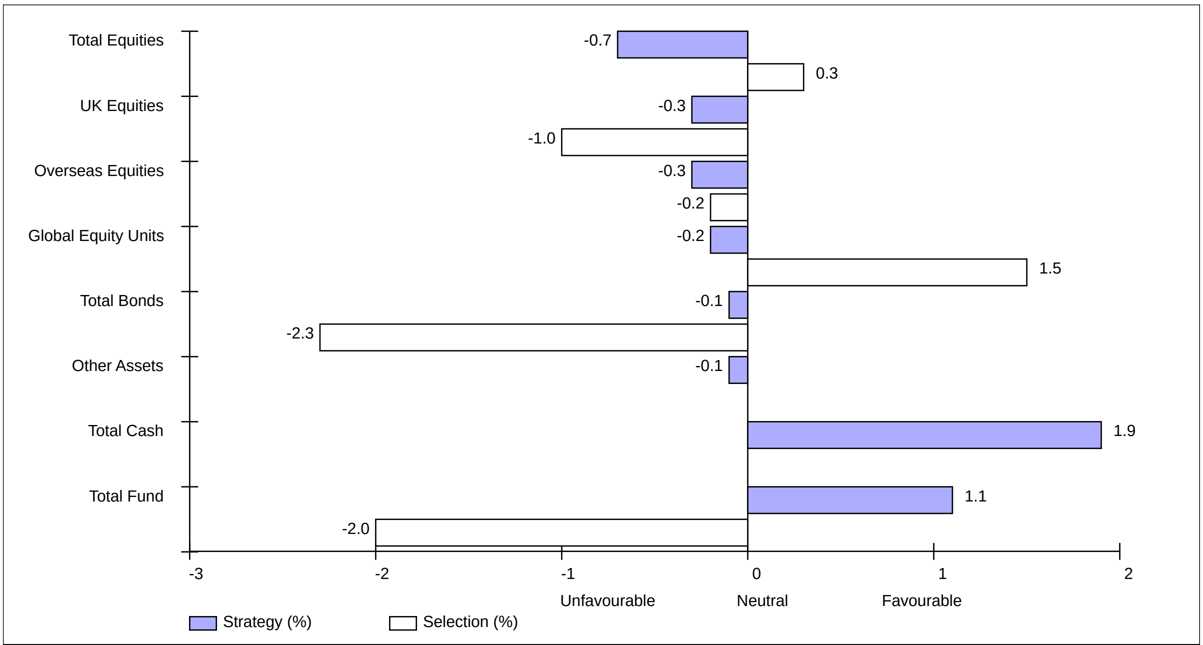
Rolling three year periods to 31 March	2002	2003	2004	2005	2006	2007	2008	2009
Credit Agricole AM : Global Bonds								
Portfolio	-	-	-	-	-	-	-	2.3
Benchmark	-	-	-	-	-	-	-	4.1
Difference	-	-	-	-	-	-	-	-1.8
European Credit Mgmt : Global Bonds								
Portfolio	-	-	-	-	-	-	-	-23.7
Benchmark	-	-	-	-	-	-	-	4.1
Difference	-	-	-	-	-	-	-	-27.8
Hermes Investment : European Equities								
Portfolio	-	-	-	-	-	28.3	15.9	-19.7
Benchmark	-	-	-	-	-	21.8	16.0	-7.1
Difference	-	-	-	-	-	6.5	-0.1	-12.6
Hermes Investment : UK Equities								
Portfolio	-	-	-	-	-	18.1	2.3	-11.2
Benchmark	-	-	-	-	-	18.0	9.5	-10.2
Difference	-	-	-	-	-	0.1	-7.2	-1.0

Long-term Overview to 31 March 2009

	Rolling three year periods to 31 March							
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Internal : Cash								
Portfolio	-	-	-	-	-	3.5	5.0	4.3
Benchmark	-	-	-	-	-	4.6	5.0	4.7
Difference	-	-	-	-	-	-1.1	0.0	-0.4
RC Brown Investment : UK Equities								
Portfolio	-	-	-	-	-	-	-	-15.5
Benchmark	-	-	-	-	-	-	-	-10.2
Difference	-	-	-	-	-	-	-	-5.3
Yorkshire & Humber : UK Equities								
Portfolio	-	-	-	-	-	0.0	0.0	0.8
Benchmark	-	-	-	-	-	18.0	9.5	-10.2
Difference	-	-	-	-	-	-18.0	-9.5	11.0

Attribution Analysis to 31 March 2009

Analysis of the factors leading to the fund's under-performance of 0.9% relative to its benchmark, over the period since 31 December 2008, is set out below.



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

Sector	Fund Start Weight (%)	BM Start Weight (%)	Fund End Weight (%)	BM End Weight (%)	Fund Return (%)	BM Return (%)	Strategy (%)	Selection (%)
Total Equities	79.8	73.0	77.0	73.3	-7.4	-6.8	**-0.7**	**0.3**
-UK Equities	21.2	25.2	21.1	24.9	-4.0	0.8	**-0.3**	**-1.0**
-Overseas Equities	30.6	23.8	27.6	24.2	-11.5	-10.9	**-0.3**	**-0.2**
-Global Equity Units	28.0	24.0	28.4	24.2	-5.4	-10.7	**-0.2**	**1.5**
Total Bonds	21.4	23.0	15.6	22.7	-13.7	-5.9	**-0.1**	**-2.3**
Other Assets	1.4	4.0	1.0	4.0	-26.2	-11.5	**-0.1**	**-**
Total Cash	-2.6	-	6.4	-	398.9	-	**1.9**	**-**
Total Fund Ex Property	100.0	100.0	100.0	100.0	-7.7	-6.8	**-**	**-**
Timing							**0.1**	
Total Fund	**100.0**	**100.0**	**100.0**	**100.0**	**-7.7**	**-6.8**	**1.1**	**-2.0**

Risk to 31 March 2009

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

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

Total Fund	**3 Year Periods Ending:**				
	31 Mar 2008 % p.a.	**30 Jun 2008 % p.a.**	**30 Sep 2008 % p.a.**	**31 Dec 2008 % p.a.**	**31 Mar 2009 % p.a.**
Combined Management : Multi-Asset					
Standard Deviation	8.67	8.97	10.47	14.05	13.41
Median Standard Deviation	6.78	6.88	7.42	7.42	7.54
Tracking Error	2.13	2.11	3.81	8.67	8.67
Median Tracking Error	1.09	1.20	1.39	1.58	1.41
Information Ratio	-0.52	-0.45	-0.81	-0.90	-0.92
Upper Quartile Information Ratio	0.52	0.65	0.36	0.42	0.45
Fund Return	8.50	5.89	-0.62	-9.02	-13.19
Benchmark Return	9.61	6.84	2.45	-1.22	-5.18
CAPS Fund Median	8.45	6.30	2.04	-0.65	-4.76

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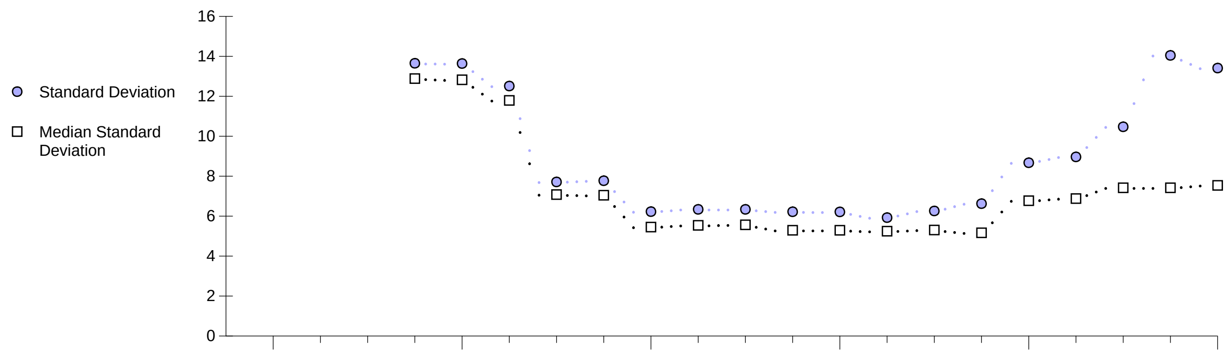
Long-Term Rolling Risk to 31 March 2009

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

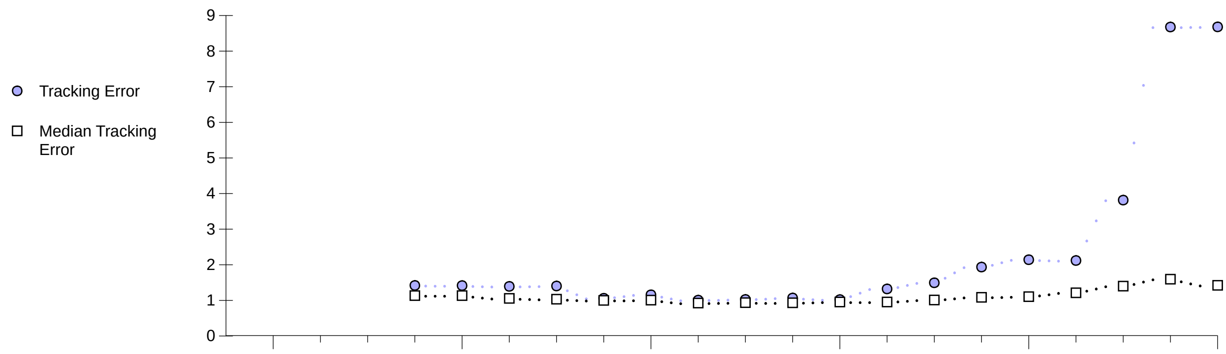
Standard Deviation



Three Year Periods ending

	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009
Standard Deviation	-	13.64	6.23	6.21	8.67	13.41
Median SD	-	12.82	5.46	5.29	6.78	7.54

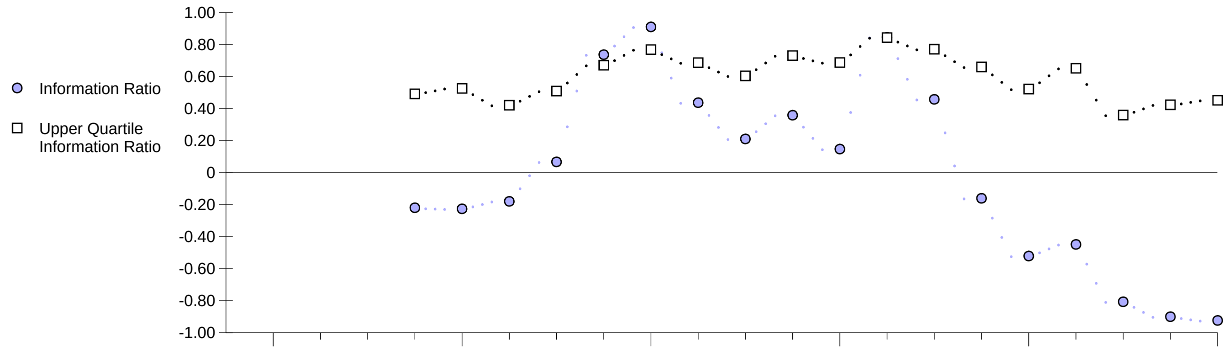
Tracking Error



Three Year Periods ending

	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009
Tracking Error	-	1.40	1.15	1.01	2.13	8.67
Median Tracking Error	-	1.12	1.00	0.94	1.09	1.41

Information Ratio



Three Year Periods ending

	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009
Information Ratio	-	-0.23	0.91	0.15	-0.52	-0.92
Upper Quartile IR	-	0.53	0.77	0.69	0.52	0.45