NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

27 NOVEMBER 2008

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

3.0 PERFORMANCE OF THE FUND

3.1 The performance of the various managers against their benchmarks for the Quarter ended 30 September 2008 is detailed on **pages 5 / 7** of the MAS report. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

3.2 **The absolute overall return for the quarter (-10.9%) was below the customised benchmark (-5.4%) by 5.5%.**

3.3 **Over the rolling year the Fund performance was 8.4% below the customised benchmark. The 12 month absolute return of -20.9% is down on the figure for the 12 months ended June 2008 (-11.5%).**

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

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

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

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

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

Table in paragraph 4.1	A table that summarises the performance of individual managers over the last four consecutive quarters relative to their specific benchmark. The figures are expressed on a quarterly and rolling 12 months (ending in that quarter) basis. Also included is an indicative figure for the +/- impact (ie £m) that the performance of the manager has had on the Fund, relative to the benchmark, for the year to 30 September 2008.
Appendix 1	Performance of NYPF relative to other LGPS Funds
Appendix 2	Solvency position (in % and £ terms) since the 2001 Triennial Valuation. The Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund
Appendix 3	Solvency graph – this shows the key figures from **Appendix 2** in a simple graphical format
Appendix 4	Comparison of Fund performance as against the Least Risk Portfolio
Appendix 5	Relative movements of investment performance relative to the Least Risk Portfolio and the Solvency level
Appendix 6	Details of Rebalancing @ 30/9/08
Appendix 7	Proxy Voting Review – report by PIRC

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.

	% relative returns for the quarter ended				% rolling relative returns for the year ended				Annual performance related funding change for the year to 30.9.08 relative to the benchmark	Explanatory text
	31.12.07	31.3.08	30.6.08	30.9.08	31.12.07	31.3.08	30.6.08	30.9.08	£m	
Global Equity Managers										
Baillie Gifford Global Equities	0.9	0.5	3.0	(3.6)	0.4	1.9	3.6	0.3	0.6	see report of Investment Adviser and reports submitted by individual fund managers
Baillie Gifford LTGG	1.3	0.1	3.3	(7.8)	6.9	8.9	9.5	(3.4)	(4.3)	
Global (ex-UK) Equity Managers										
Barclays Global Investors	(0.9)	1.2	0.0	(3.5)	(3.9)	(1.9)	(1.2)	(2.7)	(7.6)	
UK Equity Managers										
Standard Life Investments	(1.7)	0.5	(2.8)	(3.2)	2.8	2.0	(2.7)	(5.8)	(17.1)	
Yorkshire & Humber Equity Fund	0.3	9.9	3.9	12.2	(5.3)	7.7	15.5	24.8	0.1	
Niche										
Hermes European Focus Fund	(1.6)	(3.7)	0.9	(11.3)	(2.6)	(7.7)	(7.9)	(13.3)	(3.9)	
Hermes UK Focus Fund	(8.7)	(3.1)	(3.4)	3.0	(14.8)	(16.7)	(17.3)	(9.2)	(2.0)	
Equity Sub-Total (a)	(1.9)	0.4	0.0	(4.0)	0.3	0.3	0.4	(3.5)	(29.4)	
Global Fixed Income Managers										
European Credit Management	(4.4)	(12.2)	4.0	(12.3)	(7.8)	(21.1)	(19.3)	(25.6)	(35.1)	
Credit Agricole	(3.2)	(1.6)	(2.9)	0.0	(4.7)	(6.6)	(10.1)	(7.8)	(12.9)	
Fixed Income Sub-Total (b)	(3.7)	(6.4)	0.0	(5.7)	(6.1)	(13.0)	(14.4)	(16.0)	(46.9)	
Global Tactical Asset Allocation										
UBS **(c)**	(8.3)	8.2	(17.3)	(9.1)		(6.6)	(19.1)	(21.6)	(10.9)	
Private Equity										
R C Brown **(d)**	(5.0)	(0.7)	1.3	(4.6)	(7.5)	(6.2)	(5.5)	(7.4)	(0.1)	
Total Fund (a+b+c+d)	(2.2)	(1.6)	(0.2)	(5.5)	(1.9)	(3.4)	(4.8)	(8.4)	(110.4)	

4.2 In monetary terms the negative absolute return of –10.9% in the Quarter reduced the invested value of the Fund by £129.6m, however taking into account new money, the value of the Fund reduced by £121.9m. In absolute terms this movement is primarily attributable to capital losses made by Standard Life (£37.4m), Baillie Gifford (£33.9m) and ECM (£18m).

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

Overseas Equities

4.4 All the principal managers performed poorly in the quarter although all were working against negative benchmarks. Although being passively managed BGI fell below the benchmark in the period up to the transfer of assets to BNY Mellon Transition.

4.5 The two Baillie Gifford Funds both produced negative relative and actual returns. This disappointing result was in contrast to the encouraging 3 preceding quarters. The one year return for the LTGG has now fallen below the benchmark by -3.4%.

4.6 The quarterly result for the Baillie Gifford LTGG fund should be considered in the light of its long term (5-10 years) investment horizon. Although the FTSE All World index is used as a guide to measure performance the manager does not use this as a basis for its fund profile. Nevertheless, the fall in performance for this quarter was substantially due to heavy investment in oil and commodities which suffered in the recent market downturn. According to the manager this will be addressed through the continual portfolio review aimed at repositioning the fund to meet its long term goals.

4.7 The Hermes European Focus Fund had an extremely poor (-11.3%) quarter, continuing the underperformance over the last year (-13.3%).

UK Equities

4.8 Standard Life produced a negative relative return (-3.2%) in the quarter and their FTSE 350 equally weighted benchmark was significantly negative at -9.4%. The FTSE All share produced a larger negative return of -12.2%. SLI has struggled over the last 12 months to match its previous levels of sustained positive returns.

4.9 The Hermes UK Focus Fund performed relatively well (+3.0%) but the longer term results remain poor (-9.2%) for the year. At the Pension Fund Committee meeting on 25 September 2008 the Committee agreed to transfer assets held in this fund into the European Focus Fund from October 2008.

4.10 The ethical equity portfolio operated by R C Brown did not perform well (-4.6%) and is still significantly negative over the rolling 12 month period (-7.4%).

Fixed Income

4.11 ECM suffered badly in the quarter in difficult market conditions (-12.3%) as spreads widened to record levels. Credit Agricole performed well (0.0%) in the circumstances.

4.12 These results give a combined underperformance in global fixed income of -5.7% in the quarter and a continued significant underperformance over the rolling 12 month period of -16.0%.

4.13 The highly unusual market conditions over the past year has led to a strong benchmark return (+10.8%) 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.

Tactical Asset allocation

4.14 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 badly (-26.2%) contrasting with the currency fund (CARS) which did well (+43.6%) but over the 12 month period the MARS fund has really struggled (-46.3%) only partially offset by the currency fund (+72.1%).

Performance relative to other LGPS Funds

4.15 **Appendix 1** is a new graph which 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.

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 (10.5%) from its average over the previous two years (6.3%). 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. This measure continues to increase significantly as the effects of volatility across markets around the world 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 significant levels of under-performance in the quarter by most managers.

6.0 SOLVENCY

6.1 The **solvency position** is presented in **Appendices 2 and 3**. The figures from 31 March 2007 have been restated in line with the figures recently presented by the Actuary. As at 30 September 2008 the solvency had reduced to 46.5% from 53% as at 30 June 2008.

6.2 The assets of the Fund decreased by 10.1% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), increased by 2.2% hence the 6.4% reduction in solvency in the Quarter. The strong liability growth reflects falling yields on long-dated gilts which are used as the proxy discount rate to value liabilities. Hence lower yields result in higher liability values.

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

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

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

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

6.4 The broken lines plotted on **Appendix 3** shows the hypothetical impact of a fall in the index used to evaluate liabilities to the March 2007 level and the effect on the level of the deficit; asset performance is assumed to be neutral for this exemplification.

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

6.6 The table at **Appendix 4** is an ongoing **comparison of Fund performance as against the Least Risk Portfolio**. This shows that the latest total 3 year annualised return has now under-performed the Least Risk portfolio by -7.6% pa which is a very significant drop from -2.1% pa as at 30 June. Just as importantly, the quarterly running return (which covers the period since the Triennial Valuation date) is 9.9% 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.

6.10 It is worth noting that changes in assumptions used to value the schemes liabilities can have a very significant effect on the solvency position. To illustrate this point, information supplied by Mercer indicates that the index used to value liabilities has fallen during October 2008 by 15% to its March 2007 level. This would very approximately reduce liabilities from £2.3bn to £2bn which, assuming no change in the value of the Fund, would improve solvency from 46.5% to 53.5% see **Appendix 3**.

7.0 REBALANCING

7.1 The latest round of rebalancing the Fund's assets took place in November 2008 based upon the position at the end of October 2008. Details are provided in the spreadsheet at **Appendix 6**.

7.2 Although the volatility in the markets has contributed to both poor equity returns and poor fixed income returns the portfolio has not drifted very significantly from its strategic benchmark allocations at the end of the quarter. After partially rebalancing last quarter the Fund returned to close to the benchmark without intervention. Notwithstanding the significant daily fluctuations in equity and bond markets there has been no further rebalancing other than through UBS and the currency hedge account described in **paragraph 7.3**.

7.3 During the quarter £4m was moved from internal cash to the currency hedging account to cover currency payments and a further £4m was transferred to UBS to meet margin payments on future contracts.

8.0 CORPORATE GOVERNANCE UPDATE

8.1 Attached at **Appendix 7** is a report from PIRC summarising the proxy voting activity in the period July to September 2008. This report covers the votes cast on behalf of NYPF at all relevant company AGM's in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

9.0 RECOMMENDATION

9.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 30 September 2008.

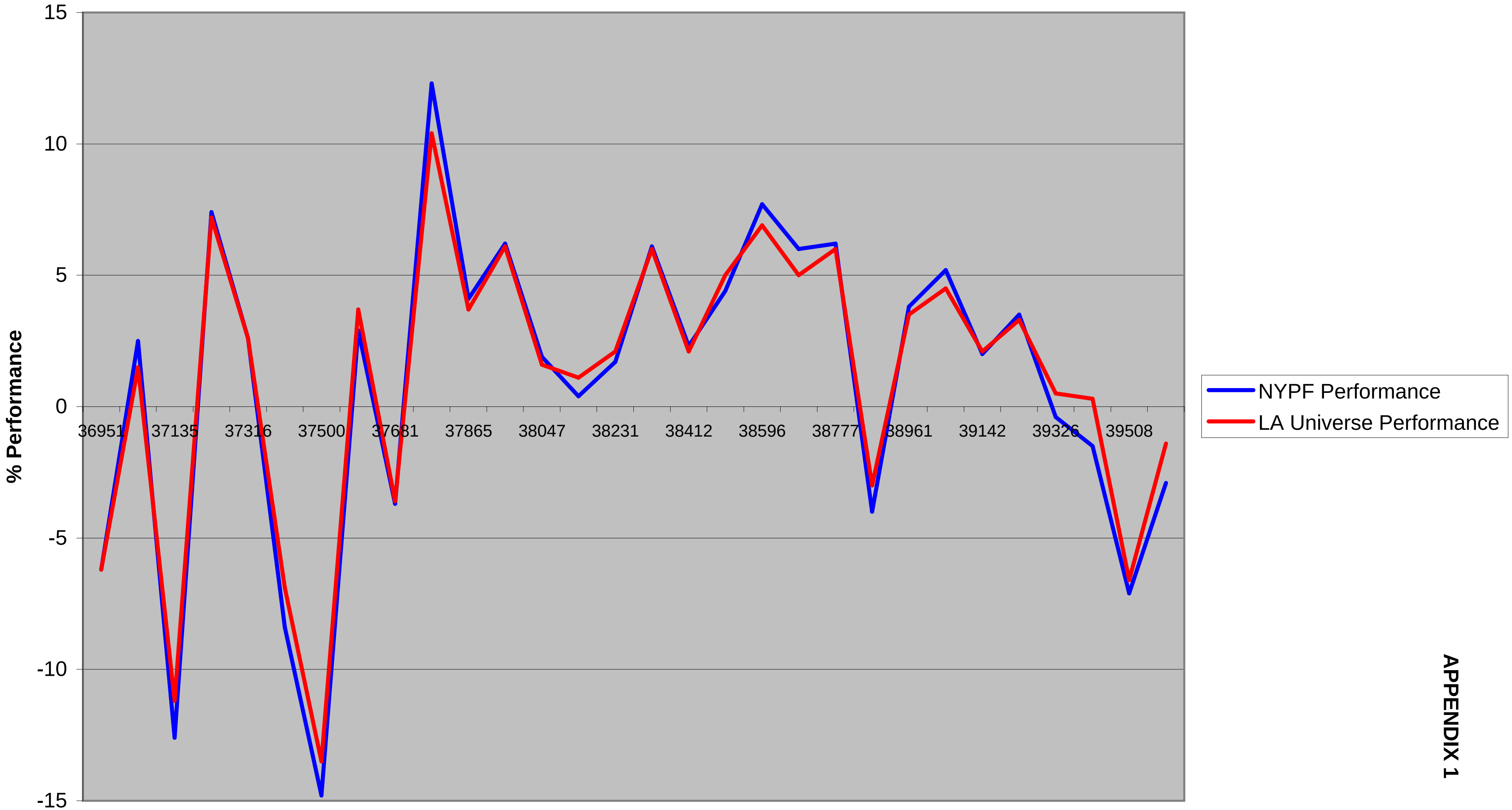
JOHN MOORE
Treasurer

Finance and Central Services
County Hall
Northallerton

19 November 2008

Background documents: None

Pension Fund Performance - NYPF vs Other Local Authorities



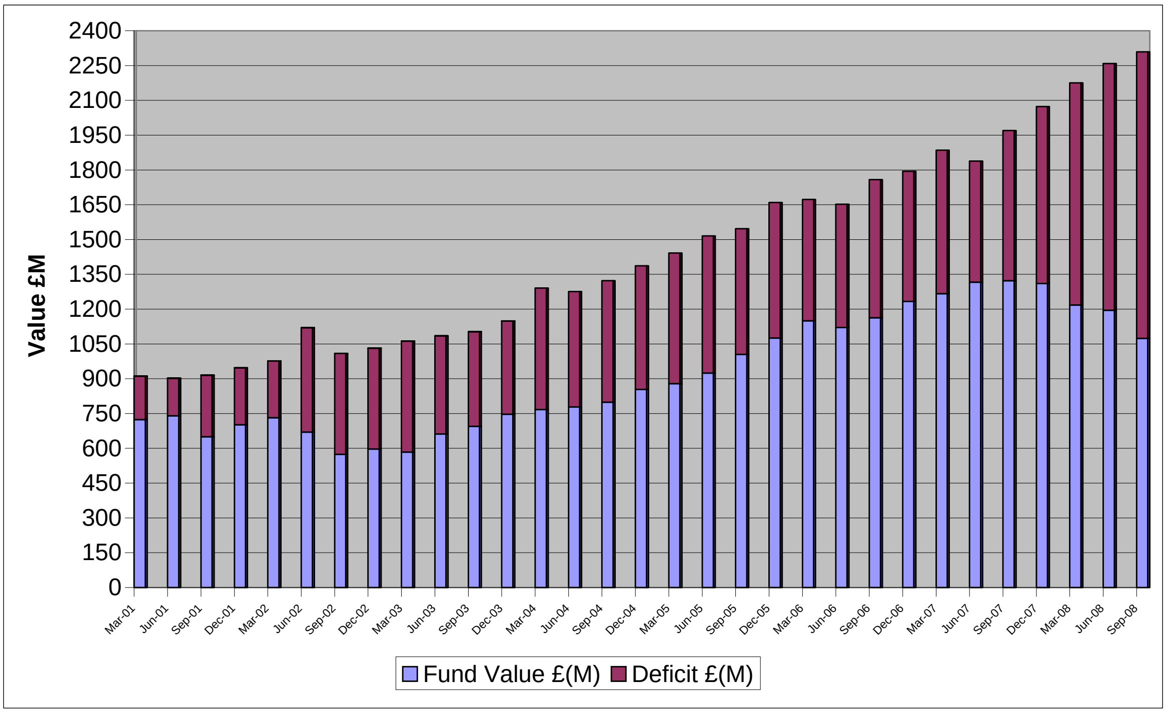
APPENDIX 1

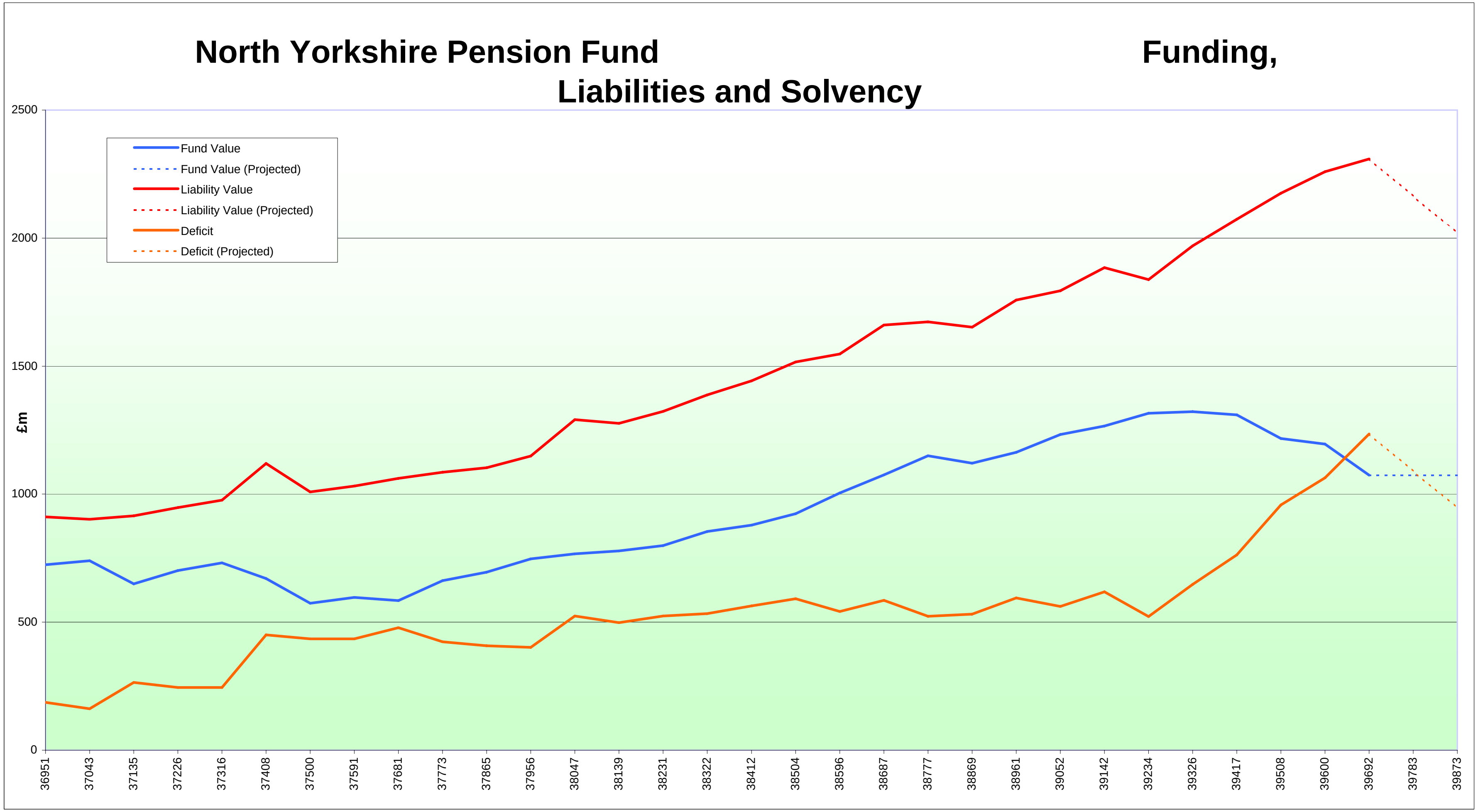
Actuarial Model of Quarterly Solvency Position

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

Triennial valuation results highlighted in yellow

Movement in Assets and Liabilities



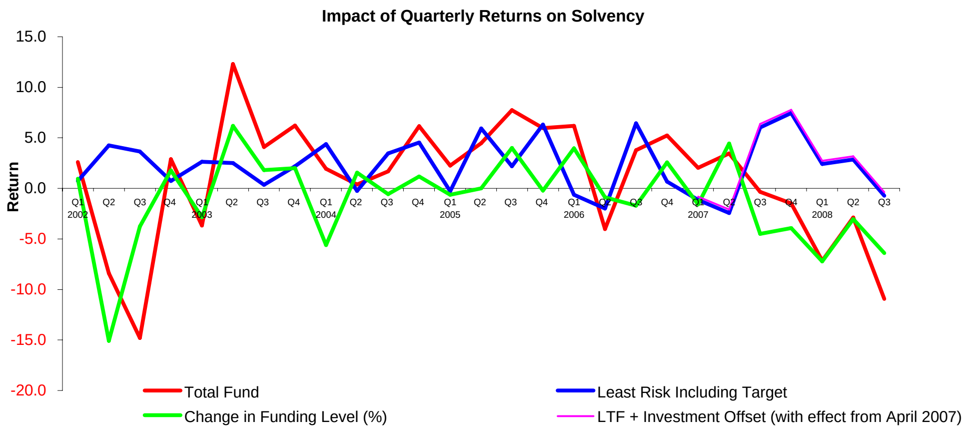

North Yorkshire Pension Fund Funding, Liabilities and Solvency
Fund Value
Fund Value (Projected)
Liability Value
Liability Value (Projected)
Deficit
Deficit (Projected)
£m
2500
2000
1500
1000
500
0
36951
37043
37135
37226
37316
37408
37500
37591
37681
37773
37865
37956
38047
38139
38231
38322
38412
38504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

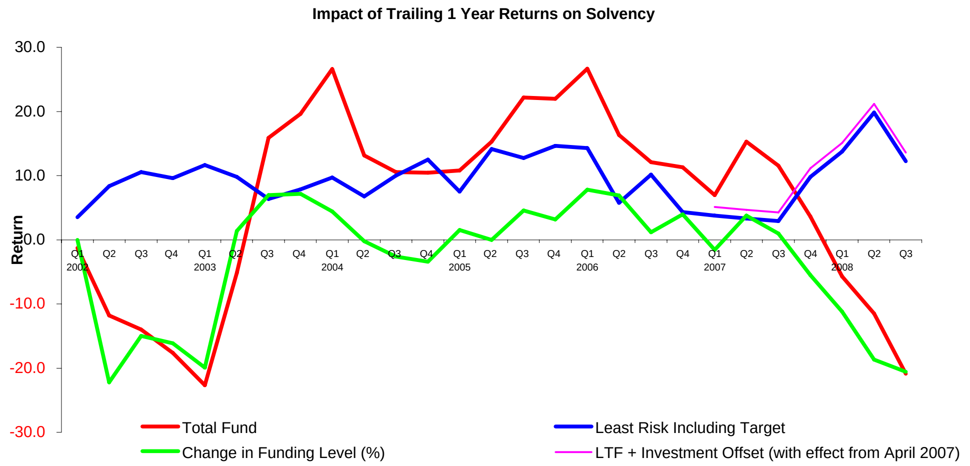
APPENDIX 3

Comparison of Actual Performance vs the Least Risk Portfolio *

Quarter/ Rolling Year	Total Fund Return	Total Fund Custom Benchmark	Relative +/-		Total Fund Return	85% Index, 15% Fixed	Relative +/-
Q1 2002	2.60	2.10	0.50		2.60	0.40	2.20
Rolling 12 Months 2001/2002	**-1.28**	**-1.71**	**0.43**		**-1.28**	**2.10**	**-3.38**
Q2 2002	-8.40	-7.70	-0.70		-8.40	3.90	-12.30
Q3 2002	-14.80	-14.40	-0.40		-14.80	3.30	-18.10
Q4 2002	2.90	4.50	-1.60		2.90	0.40	2.50
Q1 2003	-3.68	-3.83	0.15		-3.68	2.30	-5.98
Rolling 12 Months 2002/2003	**-22.65**	**-20.60**	**-2.05**		**-22.65**	**10.24**	**-32.88**
Q2 2003	12.31	11.23	1.08		12.31	2.17	10.14
Q3 2003	4.09	3.87	0.22		4.09	0.02	4.07
Q4 2003	6.23	6.18	0.05		6.23	1.85	4.38
Q1 2004	1.94	1.42	0.52		1.94	4.04	-2.10
Rolling 12 Months 2003/2004	**26.60**	**24.41**	**2.19**		**26.60**	**8.28**	**18.33**
Q2 2004	0.39	1.25	-0.87		0.39	-0.59	0.97
Q3 2004	1.67	1.75	-0.08		1.67	3.12	-1.45
Q4 2004	6.14	5.70	0.44		6.14	4.19	1.95
Q1 2005	2.27	1.80	0.47		2.27	-0.64	2.91
Rolling 12 Months 2004/2005	**10.79**	**10.85**	**-0.07**		**10.79**	**6.12**	**4.67**
Q2 2005	4.48	5.03	-0.55		4.48	5.60	-1.12
Q3 2005	7.74	7.24	0.50		7.74	1.85	5.89
Q4 2005	5.96	5.75	0.21		5.96	5.98	-0.02
Q1 2006	6.19	5.37	0.82		6.19	-0.97	7.16
Rolling 12 Months 2005/2006	**26.67**	**25.52**	**1.15**		**26.67**	**12.88**	**13.79**
Q2 2006	-4.03	-3.57	-0.46		-4.03	-2.35	-1.68
Q3 2006	3.78	4.16	-0.38		3.78	6.09	-2.31
Q4 2006	5.23	4.72	0.51		5.23	0.31	4.92
Q1 2007	2.04	2.13	-0.09		2.04	-1.50	3.54
Rolling 12 Months 2006/2007	**3.62**	**5.53**	**-1.91**		**3.62**	**8.41**	**-4.79**
Q2 2007	3.46	1.78	1.68		3.46	-2.77	6.24
Q3 2007	-0.36	0.84	-1.20		-0.36	5.69	-6.05
Q4 2007	-1.49	0.68	-2.17		-1.49	7.10	-8.59
Q1 2008	-7.15	-5.49	-1.66		-7.15	2.06	-9.20
Rolling 12 Months 2007/2008	-5.71	-2.34	-3.37		-5.71	12.32	-18.03
Q2 2008	-2.88	-2.75	-0.13		-2.88	2.51	-5.39
Q3 2008	-10.93	-5.42	-5.51		-10.93	-1.07	-9.86
3 Year Annualised Return	**-0.62**	**2.45**	**-3.07**		**-0.62**	**6.96**	**-7.58**

* 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
Q3 2004	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
Q3	-1.07	-0.72	-0.39	-10.21	-10.93

Trailing 1 Year Returns

	Least Risk BM	Least Risk Including Target	LTF + Investment Offset	Relative	Total Fund
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
Q3	10.84	12.24	13.59	-33.12	-20.88

REBALANCING OF NYPF ASSETS AS AT 30 SEPTEMBER 2008

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

After Rebalancing	
76.7%	819.90
22.9%	244.80
0.4%	4.28
100.0%	1068.97

		31-Aug-08 Value £m	%	Target	+/- Allocation £m	Rebalanced £m	%	3% Tolerance Min % (97%)	Min £m	Max % (103%)	Max £m	Under	Over	Rebalancing (Oct&Nov)		
Global Equity Managers																
Baillie Gifford Global Alpha		169.83	15.9%	14.9%	-10.6	159.28	14.9%	14.5%	154.50	15.3%	164.06	0.00	-5.78	0.00	169.83	15.9%
Baillie Gifford Global Growth		102.64	9.6%	9.0%	-6.4	96.21	9.0%	8.7%	93.32	9.3%	99.09	0.00	-3.55	0.00	102.64	9.6%
	(a)	272.47	25.5%	23.9%	-17.0	255.5	23.9%		247.82		263.15			0.00	272.47	25.5%
Global (ex UK) Equity Managers																
BGI		240.41	22.5%		-4.6	235.8	22.1%							0.00	240.41	
Hermes Europe		19.68	1.8%		0	19.7	1.8%							0.00	19.68	
	(b)	260.08	24.3%	23.9%	-4.6	255.5	23.9%	23.2%	247.82	24.6%	263.15	0.00	0.00	0.00	260.08	24.3%
UK Equity Managers																
Standard Life		228.44	21.4%		22.0	250.5	23.4%							0.00	228.44	
Hermes UK		15.09	1.4%		0	15.1	1.4%							0.00	15.09	
Yorkshire Forward		0.61	0.1%		0	0.6	0.1%							0.00	0.61	
	(c)	244.13	22.8%	*24.9%*	22.0	266.2	24.9%	24.2%	258.19	25.6%	274.16	14.06	0.00	0.00	244.13	22.8%
Global Tactical Asset Allocation																
UBS	(d)	40.41	3.8%	*4.0%*	2.4	42.8	4.0%	3.9%	41.48	4.1%	44.04	1.07	0.00	3.10	43.51	4.1%
Equity sub-total	(a+b+c+d)=(e)	817.10	76.4%	**76.7%**	2.8	819.90	**76.7%**	74.4%	795.31	79.0%	844.50	0.00	0.00	3.10	820.20	76.7%
Global Fixed Income Managers																
ECM		133.99	12.5%			134.0	12.5%							0.00	133.99	
CAAM		130.33	12.2%		-19.5	110.8	10.4%							-6.00	124.33	
Fixed Income sub-total	(f)	264.32	24.7%	**22.9%**	-19.5	244.80	**22.9%**	22.2%	237.45	23.6%	252.14	0.00	-12.18	-6.00	258.32	24.2%
Cash																
Internal Cash		0.27			16.7	16.99								-1.10	-0.83	
Currency Hedge Cash		-12.72			0.0	-12.72								4.00	-8.72	
Cash sub-total	(g)	-12.44	-1.2%	**0.4%**	16.7	4.28	0.4%	0.4%	4.15	0.4%	4.40	16.59	0.00	2.90	-9.54	-0.9%
	(e+f+g)=(h)	**1068.97**	**100.0%**	**100.0%**	**0.0**	**1068.97**	**100.0%**					**31.72**	**-21.51**	**0.00**	**1068.97**	**100.0%**
RC Brown	(j)	1.48														
	(h+j)=(k)	1070.45														
		1070.45	0.001													

APPENDIX 7

North Yorkshire Pension Authority

Proxy Voting Review
July to September 2008

October 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.

Marks & Spencer - AGM 9th July

Contrary to best practice, effective 1 June 2008, Sir Stuart Rose combined the roles of Chief Executive and Chairman and was appointed Executive-Chairman. The company's decision was initially announced on 10th March. The failure to provide explanation in a timely manner, or to consult with shareholders in advance of the decision, was seen as very poor practice by many shareholders. The Company issued a letter to shareholders on 3rd April providing the Board's rationale for the decision.

PIRC considers that the roles of chairman and chief executive are completely different and should be separated. Combining the roles represents a dangerous concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal. PIRC believes the combination of roles at a listed company can only be justified on a temporary basis under highly exceptional circumstances. In this instance we did not consider the circumstances surrounding the decision, nor the company's rationale, to be sufficient to warrant the move; moreover seeking to combine the roles for up to three years in our view goes beyond a reasonable length of time required to implement the separation of roles.

As there was no alternative candidate open to investors, with reluctance, we recommended shareholders oppose the election of Sir Stuart Rose.

Local authority pension funds will file a shareholder resolution at Marks & Spencer's annual general meeting in 2009 if the company continues to breach corporate governance best practice. At its recent business meeting the Local Authority Pension Fund Forum, which represents 48 local government funds with £95bn in assets, authorised a plan to file a resolution calling for the appointment of an independent chair, if the company has not split the chair and chief executive roles by the time of the 2009 AGM.

M&S under pressure- Again

M&S' AGM was always destined to be quite an affair, and the surprise profit warning only further fueled investors' worries over the company's strategic direction and governance. The plans for the succession of Sir Stuart looked a bit more complicated with Steve Esom, one of the candidates in the race to step into Sir Stuart's shoes, having been bid farewell only a few months after joining the board. John Dixon, the director of M&S Home and its internet business, M&S Direct, will replace Mr. Esom. Mr. Dixon was Sir Stuart's executive assistant in 2005.

The departure of Mr. Esom also brought attention to the £500,000 golden hello he received a year ago, of which half was deferred into shares and held for three years. In its voting recommendation report, PIRC expressed its concerns over the use of such a recruitment/retention award, in particular as it was not linked to any performance conditions, which presumably would not have been met if any had been applied. It is not yet clear what proportion of the £500,000 payment Mr. Esom will be entitled to retain, but the current situation at M&S serves to cast doubt over the effectiveness and appropriateness of such awards.

Part gig, part rally, Your M&S

The hot ticket on 9th of July was, of course, the annual M&S gig at Royal Festival Hall. A reported 1,500 shareholders turned up, many hoping for the chance to put a question to executive chair Stuart Rose. The Festival Hall was certainly buzzing, and inside M&S staff from around the country welcomed, fed and watered the faithful.

Inside the meeting itself, the atmosphere was a mixture of “An audience with…” and a political party rally. Rose led the way, talking up the company’s progress and expansion in between bursts of the M&S equivalent of tractor production figures. There were some nice rhetorical touches too. Rose compared the company to a smoke detector, setting off the alarm early about failing consumer confidence and falling spending. And the sound bite of the day was a defense of the company’s recent record, which he said had turned M&S “from a weak business in a strong market, into a stronger business in a weak market.”

Next came the audience participation part of the show, as individual shareholders put their questions of the board. Why weren’t there more cotton dresses with long sleeves? Why doesn’t M&S spend its charitable donations on local causes? Why are you charging for plastic bags? Each was batted back with a promise to look at the issue in question. Even on the question of plastic bags, where opinion broadly seems supportive of the need to provide an incentive to reuse and recycle, there was a commitment to review the policy.

Rose clearly knows how to work the crowd in the Q&A, telling one young woman who had complained about the lack of trendy clothes in stores that either clothing director Kate Bostock or he himself would take her on a personal shopping trip. He also offered to personally deal with another shareholder’s query about shoes if she felt it wasn’t answered speedily enough.

Back in party rally mode deputy chair, and investors’ hope of the main source of independent oversight in the M&S board, David Michels had a touch of Fidel Castro about him, giving a ‘history will absolve us’ style defense of the board’s decision to back combined roles. Meanwhile, playing the role of obsequious party loyalist was former deputy chair Clinton Silver who pleaded with the M&S faithful to “cling” to the Glorious Leader. “For if you go, when comes such another?” he wailed.

Onwards to the voting: the report and accounts passed easily, despite some investors using this vote as an outlet for unease at the new governance arrangements. The remuneration report saw a fairly sizeable 13% vote against, which would have been of note in itself had not all eyes been on the Rose vote. Resolution 5, to re-appoint the recently expelled head of food and M&S non-person Steve Esom, was dropped from the agenda. At least he wasn’t airbrushed from the AGM brochure, instead a hastily attached sticker reported his departure.

Then the moment we were all voting for - the vote on the leader himself. “Are you nervous?” Michels jokingly asked Rose, no doubt fully aware of the pre-AGM voting. And up it flashed – 94.1% in favour, 5.9% against. The crowd cheered, presumably failing to spot over 140 million abstentions also recorded. You can’t blame them, as this unfortunate statistic only appeared on the screen for a matter of seconds. When you add abstentions into the total vote that makes sizeable 22% failing to back Stuart Rose, a clear signal of concern from some of the large M&S shareholders. Surely even David Davis would baulk at calling this a ‘victory’.

What happens next? For one thing, Rose's now-established position as the unifying figurehead of the business means that his own fortune will be tied even closer to that of the business. The recent profits warning already damaged his previously Teflon-coated reputation amongst M&S shareholders. In addition the situation, unfortunately, gives us another opportunity to test the hypothesis that concentration of power at the head of a company is not a good thing for shareholders. Evidence in either direction will surely be pounced upon.

The company has of course put Rose up for annual re-election, meaning that the vote at next year's AGM will form a focal point for those unimpressed by the company's performance and/or concerned at the breach of governance best practice. This one looks set to rumble on.

Experian Group – AGM 16th July

Remuneration and audit were issues of concern at Experian Group.

Looking at remuneration, although no long term incentives were used in the year under review, the overall potential combined remuneration package was excessive in our view. Average salaries were in the upper quartile for the UK sector. However, the company informed PIRC that compared to the FTSE100, salaries were at median. Directors were required to build up significant shareholding, however no time period was attached. PIRC considers it best practice that there be a three year time period in place. Executive directors were employed on one year rolling contracts. Termination provisions were in place for the chief executive Don Robert's which includes one year's future bonuses, which PIRC does not consider appropriate. We recommended shareholder oppose the remuneration report.

We also recommended opposing the auditor appointment where PricewaterhouseCoopers LLP were proposed. Having taken the USD 19 million paid for the demerger last year into consideration, the consultancy-related non-audit fee still exceeded the audit fee in the year under review, which confirmed a two-year trend. PIRC believes non-audit fees should not exceed 25% of the audit fees.

Bradford and Bingley – EGM 17th July

Bradford & Bingley (B&B) postponed a July 7th meeting to approve the Texas Pacific Group (TPG) stake and rights offer until mid July following the abandonment of TPG Inc. rescue plan to buy a stake in the bank. TPG abandoned the rescue plan due to the record low performane of B&B stock, which fell as much as 15 percent and was down 5.5 pence at 55.5 pence on July 4th, the lowest since the December 2000 initial public offering. TPG exercised a clause to withdraw its offer to buy a 23 percent stake in Bradford & Bingley for 179 million pounds after the credit-rating firm Moody cut Bradford & Bingley's debt rating. The downgrade would have increased TPG's costs of financing the deal, forcing the firm to abandon it.

The bank finally held its meeting on the 17th of July to raise capital and from its largest shareholders. The bank said its largest shareholders supported the plan to increase the size of the rights offering from 258 million pounds to 400 million pound after TPG's withdrawal. Legal & General Group Plc, Standard Life Plc., M&G Investment Managers and Insight Investment Management were some of the large investors that supported B&B's revised funding plan.

All the resolutions were passed at this meeting. However, resolution 5 received highest oppose votes (12.16%). This resolution sought to issue ordinary shares in the company in lieu of the 2008 interim dividend. In order to do so, the company's share capital would be increased by the creation of a further 200,000,000 new ordinary shares, which then would be capitalised and allotted to shareholders instead of the usual cash interim dividend. Given the company's current position PIRC considered this an acceptable proposal.

However, the rights issue was not enough to rescue B&B since its shares had hit new lows during July, as investor confidence evaporated in the wake of a botched rescue backed by TPG. The market gossip was that all parties were attempting to avoid Northern Rock Mark II, with the FSA clearly playing a very hands-on role in the unfolding drama. As a result, the last still standing of the building societies was nationalised on 28 September. Banco Santander paid £612 million for the company's £20 billion retail deposits and 197 branches, giving the Spanish company about 10% of all UK retail deposits together with Alliance & Leicester, acquired by Santander in July. The risks in B&B's £42 billion mortgage assets will be borne by the remaining £1.5 billion in shareholders' equity, and the Financial Services Compensation Scheme.

In the event, the shareholders are likely to get nothing—but all deposits, not just the £35,000 automatically covered, have been guaranteed.

Yell Group - AGM 25th July

Remuneration and contracts were issues of concern for us at Yell Group.

Combined awards had the potential to be excessive in our view and this was the case in the year under review. For the TSR element of the LTIP, while the upper target was acceptable, the lower target was not sufficiently challenging given the level of award. The EPS targets under both the LTIP and the share option plan were sufficiently challenging given award available and brokers' forecasts. We consider that each long term incentive scheme should apply at least two performance conditions concurrently. Executive directors had one year rolling contracts but termination payments included on target bonus and early vesting of share awards.

Concerns about termination payments led us to recommend opposition to both chief executive John Condron and finance director John Davis. In addition, we recommended that shareholders oppose the election of non-executive director Tin Bunting. He was not considered independent by PIRC as external consultants not used in his appointment.

Northern Foods - AGM 28th July

At Northern Foods plc, PIRC recommended votes to approve the re-appointment of Deloitte and Touche LLP as the independent auditor, and to allow the board to determine the auditors' remuneration. Both resolutions attracted high 'Oppose' votes due to a high level of non-audit fees: Tax advisory fees (GBP 119,000) incurred during the year exceeded 25% of the audit fees for the year. PIRC normally objects to this level of non-audit fees, as we consider that it creates a potential for conflict of interest on the part of the independent auditor. However, in this instance our analysis found that this amount was not material in absolute terms.

Vedanta Resources – AGM 31th July

Not for the first time in its relatively brief history, Vedanta Resources's ethical practices were under the spotlight. The issue, in short, is that Vedanta is seeking permission from the Indian government to mine bauxite on a mountain sacred to a remote tribe of Orissa province in India. This has sparked concern from prominent NGOs such as Survival International and has also resulted in big investors such as the Norwegian government global pension fund disinvesting. As expected, a number of protesters had gathered outside the AGM venue in anticipation.

The proceedings began with a summary of the year's performance which was displayed on screens in a totally unreadable font size (much to the rather vocal criticism of shareholders). That done, the directors, perhaps thinking they might avoid some of the ethical questions to come, gave a summary of the group's sterling corporate social responsibility (CSR) performance throughout the year. On this occasion, their thinking was mistaken as the next two hours of questions were to prove.

Before the barrage began, there were a number of governance concerns raised. The most notable of these was the fact that no non-executive directors hold any shares in the company. While the chairman informed shareholders that this was consistent with Indian law, some shareholders stated that since the company is listed in Britain, a lack of share ownership could be seen as a lack of interest in the company's performance.

The discussion of social issues began with a straightforward question regarding the current status of the application to mine on the holy mountain in Orissa. The response was one which the audience was to tire of hearing by the end of the day, and its repetition was one of the reasons that questions became less and less focused as the meeting progressed.

The response from chairman, Anil Agarwal was that the application has been lodged by the Orissa Mining Corporation, not Vedanta, and the decision now rests with the highest court in India - the Supreme Court. No mining has, as yet taken place in the area and if permission is granted it will be in accordance with the law of the Supreme Court. In addition, Vedanta is the producer of bauxite, rather than the mining company so Vedanta, per say, will never be mining in the area. It's a technically accurate response perhaps, but not much help to concerned investors.

From this point, question time became a fiasco on both sides. The audience's 'questions' turned into a social commentary with no actual queries attached to them, and the company's response began to sound like a recording, with the chairman sounding (and looking) progressively more agitated each time the play button was pressed.

One of the few structured questions of the meeting came from a representative for the aptly-named Environmental Investigation Agency who stated that he recognised what the board was saying on the status of the application but wanted to know how the desire to have the contentious area mined was consistent with the group's CSR policy. Despite the well-structured question, Mr. Agarwal dug his heels in and opted not to answer the question but to press play.

What shareholders really wanted to know was how the company's development plans fitted in with its CSR report and policy but for the most part, they failed to express this in the form of a question. This lead the meeting to deteriorate swiftly from an AGM into a free comment session as questions became increasingly vague. One well-meaning anthropologist spoke for five minutes on the values of Indian cultural heritage without asking a question at the end of it. He was accompanied by an

Orissa local who gave a message in Hindi. All this was done with the best intentions but was perhaps not the best way to get the point across given the context. But since more pointed questions received the same reply perhaps the method of communication wasn't the problem.

PIRC's solution was to request an opportunity to engage further with the chairman on its strategy going forward - to which Mr. Agarwal responded positively. What the result of this engagement will be still hangs in the balance but whatever happens, this issue is not likely to be resolved any time soon.

UK CORPORATE GOVERNANCE REVIEW

FSA calls for end to CFD hide 'n' seek

The FSA has unveiled a new set of rules on the disclosure of contracts for difference (CFDs), derivative instruments that give investors ownership over underlying shares at less of the cost of owning the actual share. Under the proposed regime, investors in CFDs would be obliged to disclose their holdings when accumulating 3 per cent or more of a company. This is the same threshold at which investors are required to disclose beneficial holdings in ordinary shares. Reactions to the FSA's plans have been mixed. Hedge funds have come down hard on the FSA, arguing that they will be disproportionately affected by the rules. No doubt hedge funds are still feeling a bit sore after the announcement by the FSA that hedge funds should disclose short positions in companies conducting rights issues. PIRC for one welcomes the push for greater transparency and is hopeful that the new disclosure requirements will create more of a level playing field. Boards and shareholders alike need to be aware of the different groups acquiring voting powers in companies, something which has hitherto been difficult. Final rules are due to be published February 2009.

Hard core of fund managers keep their votes secret

A hard core of investment fund managers still refuse to reveal how they voted at company AGMs and unless this changes soon, the Government must use its reserve power to force fund managers to disclose their voting records in a standard form, says a new TUC report.

Fewer than half the funds surveyed (23 out of 49) responded to the TUC's sixth annual survey of fund manager voting, published to coincide with Taking the Long View - the TUC Member Trustee conference 2008. The 45 per cent response rate is similar to last year, but considerably less than in previous years - 68 per cent responded in 2005. Before the TUC started its survey only the Co-operative Insurance Society published its voting record.

The survey reports some progress, with Baillie Gifford, Aberdeen Asset Management and Legal & General making comprehensive disclosures for the first time in the last year. But during the period under review, there was at least one resolution on political party donations and some fund managers refuse to say even how they voted on such an issue of public interest.

Further findings from the fund manager voting survey include:
• Only 18 fund managers provided responses on both sections of the survey - on voting records and policies and processes.
• A further three organisations provided voting records only, taking the total this year to 21. This compares to 25 last year, 26 in 2006, and 28 in 2005.

• A further two organisations provided responses on policies and processes only, bringing the total number this year to 20.
• Around three quarters of survey respondents now make some voting data publicly available.
• Half of the fund managers responding to the survey supported at least 80 per cent of the remuneration resolutions on which voting decisions were sought.
• The majority of investment managers who responded are signatories to the United Nations Principles of Responsible Investment.

TUC General Secretary Brendan Barber said: 'There is now a hard core of fund managers who continue to keep their votes secret, despite pressure from the Government, consumer groups and even their own trade bodies. They should remember that this is not their own money, but that of ordinary pension scheme members and other savers.

'Even those companies that do disclose do so in different ways, making it hard to compare voting records. It is much easier to do this in the USA where there is mandatory disclosure. 'The voluntary approach has achieved some progress, but not enough. Unless the laggards get on board fast, the Government will need to use its reserve power and make disclosure compulsory.'

Auditor Liability Limitation Agreements

Currently, auditors bear unlimited liability, meaning they can be sued for the entire amount of a company's loss - or collapse - regardless of the scale of their role. However, at the end of June the FRC issued its, Guidance on Auditor Liability Limitation Agreements[1]. The report outlines what must be considered in the agreements, and also including some specimen legal clauses.

The agreements are permitted, but not mandatory, and were made possible by changes in the 2006 Companies Act that came into force in April. Auditors had been waiting for the FRC's guidance in the hope that a standardised approach would help the process.

The guidance has been produced by a working group chaired by Sir Anthony Colman, previously a Judge of the Commercial Court, and including representatives of companies, investors and the accountancy profession.

The proposal is part of a wider debate about the risks posed by the concentration of the audit market among the Big Four firms: PwC, KPMG, Deloitte and Ernst & Young. Regulators fear that if one collapsed, potentially from a catastrophic lawsuit, it could create market turmoil as companies scrambled to find another auditor. In June, the European Commission said unlimited liability was "no longer tenable" and Charlie McCreevy, the internal market and services commissioner, recommended that all European Union members introduce legislation to limit liability.

The UK agreements have to be put to shareholder vote each year. However, as the main UK proxy season is about to come to an end, it means agreements with the biggest companies are unlikely before next year's annual meetings, unless a company is brave enough to call an EGM on the issue. PIRC is not in favour of such agreements and voting recommendations will be decided on case by case basis.

1 http://www.frc.org.uk/images/uploaded/documents/FRC%20ALLA%20Guidance%20June%202008%20final.pdf

CFA Institute issues ESG guide

The CFA Institute, the professional standards organization for analysts and other investment professionals, has issued a manual covering environmental, social and governance (ESG) factors.[2]

According to the Institute: “The manual… aims to help investment professionals identify and properly evaluate the risks and opportunities ESG issues present for investors in public companies, and in the process clarify the relatively sparse and inconsistent information provided in current financial statements.”

Rather surprisingly in the list of ESG factors to be considered “Shareowner advisory vote on executive compensation” is listed as a ‘social’ issue rather than a governance one. Nonetheless the CFA guide is a helpful addition to range of information available to assist investors in taking these issues seriously. It follows the publication of a guide on corporate governance in 2005.[3]

Personal Accounts to have SRI?

The incoming Personal Accounts pension scheme will ‘probably’ have a socially responsible investment (SRI) fund option, according to Paul Myners, Thomson Investment Management News reports.[4]

Myners, who chairs the Personal Accounts Delivery Authority (PADA), told the newswire service: 'The personal accounts scheme will be an exemplar in governance and accountability. We will consult [on an SRI fund] and if there is a strong demand as I anticipate there will be for SRI management, then there will probably be an SRI fund.'

Personal Accounts will be a nationally defined contribution pension scheme open to those who do not have an occupational pension. Individuals will be auto-enrolled into the scheme (although they will be able to opt out). This auto-enrolment approach is likely to result in the scheme growing to a membership of up to nine million, with contributions in the billions each year. It is predicted that Personal Accounts will rapidly become the largest pension scheme in the UK.

Not surprisingly then, some attention has been given to how the scheme will address ownership and social responsibility questions. Although there has been some focus on whether an SRI fund will be amongst the options open to scheme members arguably the bigger question is what happens with the default fund. There is plenty of evidence from existing DC schemes that the overwhelming majority of members end up in the default fund. This means that how the default fund addresses ownership issues will be a major issue in its own right.

PADA will be carrying out a consultation on the investment arrangements for Personal Accounts later in 2008, so expect to see some discussion of these issues then.

[2] http://www.cfapubs.org/toc/ccb/2008/2008/2?cookieSet=1
[3] http://www.cfapubs.org/toc/ccb/2005/2005/6
[4] http://www.thomsonimnews.com/story.asp?sectioncode=7&storycode=43450

Shariah funds enjoy bank ban

Shariah-compliant investment funds will have enjoyed better performance in recent months because of a bar on bank stocks, Thomson Investment Management News reports.[5] Shariah-compliant funds typically seek to avoid many non-Islamic banking stocks, as Islamic law prohibits usury, the collection and payment of interest. According to Standard & Poors research reported by Thomsons, this means that such investors are likely to have avoided some of the impact of the credit crisis. The S&P global shariah index returned 3.61% in the second quarter, while the equivalent world index fell by 1.49%.

Seeking Tomorrow's Investor

Recently we saw the launch of an interesting new initiative looking at the corporate world from the perspective of an ordinary investor. The Tomorrow's Investor project is being led by the RSA as part of its Tomorrow's Business workstream and seeks to explore the largely passive nature of share-ownership as experienced by ordinary investors.

The RSA states: "Much of the money invested in company equities is held on behalf of ordinary citizens, often saving for retirement and other major life events. Yet it appears that many of those citizens have little consciousness of their role as owners."

The project was launched last Thursday with a lively lecture and debate featuring some of the big names in the shareholder engagement world. A keynote presentation was provided by David Pitt Watson of Hermes, with responses from personal finance journalist Jasmine Birtles, UK Social Investment Forum chief executive Penny Shepherd, and Paul Myners.

In the debate David Pitt Watson argued, in the line with the argument developed in The New Capitalists, the book he co-authored, that the extension of pensions and other funded savings had brought about a significant shift in the nature of ownership. The public now had a stake in the success hundreds of businesses. He said that in recent years there has been a shift in investor thinking, with more starting to play the ownership role and look seriously at environmental, social and governance issues.

Paul Myners was rather more sceptical. He argued that there had been little real change, with many large investors only paying lip service to their ownership responsibilities. He said that standards of trusteeship were still low, leaving trustees too reliant on their advisers. He was also critical of the record of socially responsible investment, arguing that it had very little impact on company boards, and he said that shareholders had failed to effectively control executive pay. On the last point he suggested that companies should consider linking directors' pay increases to those of other staff within their own businesses, as a way to check unwarranted large increases.

The RSA has also produced a survey of its fellows to provide some headline views from ordinary shareholders. Amongst the findings were that the vast majority of respondents felt that public companies would benefit from greater investor involvement overall 59% of respondents felt that ethical management needed investor input and 47% felt that this was the case with financial affairs.[6] For more information visit:

http://www.thersa.org/projects/tomorrows-business/tomorrows-investors

[5] http://www.thomsonimnews.com/story.asp?storycode=44218

[6] http://www.thersa.org/__data/assets/pdf_file/0017/2951/tomorrows-investor-survey-summary.pdf

But which owners to answer to?

While the RSA is looking at the role of individuals as shareholders and there role in the corporate system, one veteran governance campaigner has warned that changes in the nature of the ownership of companies are having a significant impact on corporate governance. In his recent Charkham Memorial Lecture, Ira Millstein explored the challenges that new developments in the capital markets posed for both companies and investors.[7]

"[T]his situation puts the model which was envisioned in the 1980s and 1990s under severe strain. At the time, institutional shareholders were presumed to share a common goal when exerting pressures on boards to monitor management and effectively guide firm strategy. That assumed homogeneity now seems dead, and the heterogeneity is ever increasing. Terms like "hedge funds," "sovereign wealth funds," and "private equity," among others, have a variety of permutations, and each permutation has its own species. This diversity of shareowners has brought a whole host of agendas and values to the table," he said.

Millstein pointed out that such change in ownership caused problems for company directors seeking to acting in shareholders' interest, since shareholders no longer formed a homogenous group with shared objectives and timescales. He warned that, faced with divergent views from different types of investors, boards may simply abandon trying to play the agency role effectively.

Unite to probe private equity

Private equity firms could see their access to pension funds challenged by unions as a result of concern that their members' savings are being used to support buyouts which hit jobs and communities. The UK's biggest trade union, Unite is establishing a capital stewardship programme to scrutinise how pension fund managers are investing retirement savings. According to Unite, pension schemes have a duty to ensure that they are not over-exposed to investments built on debt. The union will be pressing pension trustees to consider the impact of private equity investments on society at large, including the treatment of workers and whether private equity is paying its full dues to the UK taxpayer.[8]

L&G: banks are unaccountable

Directors in the UK's banking and finance sector have not shown the same sort of accountability as their US counterparts, according to one fund manager. Mark Burgess, head of equities at Legal & General Investment Management, told the Financial Times that the directors of banks needed to demonstrate accountability is the wake of recent write downs and desperate rights issues.[1]

Burgess drew a comparison between the US, where a number of senior executives at banks have stood down, and the UK where so far that had been only one resignation, and that was one the ground of ill-health. He added that he expected to see shareholders become more outspoken as a result of the economic downturn. The FT itself suggested that shareholders could be offered a general advisory vote on the activities of companies, to act as an outlet for any frustrations.

[7] http://www.frc.org.uk/images/uploaded/documents/Ira%20Millstein's%20speech.pdf
[8] http://www.unitetheunion.org.uk/news-article.php?iNewsId=566

Whilst PIRC has sympathy with complaints about the lack of accountability in the UK compared to the US, we would also draw attention to the level of activism on both sides of the Atlantic. In the US a number of public sector and union-controlled pension funds have sought to proactively seek accountability from the banking sector.

For example both Wachovia and Washington Mutual (WaMu) both agreed to appoint independent chairs following pressure from shareholders. WaMu also saw one of the directors on its finance committee voted off as a result of investor concerns over the company's failures in respect of the sub-prime market.

There has not been an equivalent move amongst UK-based shareholders, so it is perhaps not surprising that we have not seen directors take responsibility. As such, PIRC believes that the most welcome development would be to see more shareholders try exerting their existing rights more effectively.

FSA finds no smoking gun

The Financial Services Authority has found no evidence that false rumours were spread about HBOS earlier in the year in order to manipulate the bank's share price.[1] The regulator launched a probe after HBOS saw its share price suffer a major fall on 19th March amid false rumours that a British bank was facing funding difficulties and might require emergency funding.

The FSA investigation analysed trading in HBOS and its staff contacted market participants and news organisations to determine whether there was evidence of the spreading misleading, false or deceptive information about HBOS. In addition FSA staff interviewed a number of market participants such as hedge funds, broker dealers and investment banks.

Having undertaken the review the FSA says that there is no doubt that false rumours were circulating, and that these negatively affected the bank's share price. However the regulator says that it is impossible to determine what impact they actually had since the share price was also subject to other factors, for example the amplifying effect of some quant trading strategies.

The FSA concludes: "Despite the likelihood that the rumours contributed to the fall in the share price, the FSA has not uncovered evidence that they were spread as part of a concerted attempt by individuals to profit by manipulating the share price."

Getting behind the labels

In recent years health issues such as the nutritional content of food, sedentary lifestyles and obesity have started to appear on the radars of responsible investors. It's also become an increasingly high-profile political issue in part due to popular campaigns like TV chef Jamie Oliver's programme Jamie's School Dinners.

One current issue attracting attention in this area is the question of food labeling. The UK is currently running something of a controlled experiment, with two systems being operated by different groups of retailers.

In one corner is the Food Standards Agency's 'traffic light' system, which provides colour-coded guidance on whether a given product has low, medium or high levels of sugar, salt, fat and so on. This system is backed by the likes of Sainsbury's and Asda. In the other corner, is the Guideline Daily Amounts (GDA) system which provides information on the contents of products but based on percentages. This system is preferred by industry heavyweights like Tesco, Unilever and Coca Cola.

Food labelling might be considered a classic 'nudge'9, a policy based on trying to help consumers make certain beneficial choices without forcing them to do so. Media reports suggest that the traffic light system does indeed nudge consumers towards healthier choices and away from less healthy ones. Sainsbury's reportedly saw a 142% rise in sales of Be Good to Yourself spinach and ricotta cannelloni whereas high-fat meals such as chicken Madras, which would sport a lot of red on their traffic light label, fell by as much as 40%.10 In contrast critics argue that the GDA system does not provide consumers with simple guidance.

As such it was something of a surprise to see the Conservative opposition say that they would not endorse 'traffic lights' labelling if they formed a future government, and that they would instead make the Guideline Daily Amounts system mandatory.11

As shadow health Secretary Andrew Lansley made clear: "Government promotion and FSA promotion of 'traffic light' labelling will stop."12

Given the noise some members of David Cameron's Conservative opposition team have made recently about using behavioural approaches to policy, this is particularly odd.

But could investors play more of a role in this debate? Certainly some have looked at the issue of obesity and other public health concerns but to date none seem to have taken a position in the debate over food labelling. All the main parties have shown an interest in the role investors can play as responsible owners, so isn't time for investors to get in on the act and make their presence felt?

Pension funds act like owners

Pension schemes are having a greater influence on the boards of companies in which they invest as a result of shareholder engagement, according to the National Association of Pension Funds (NAPF).13 In its latest survey of engagement activity the NAPF has found more funds claiming they have helped bring about change in investee companies.

The NAPF's survey found:

- 74% of pension funds had seen changes to board membership as a result of their engagement activities, up from 67% in 2007
- 69% saw changes to company strategy, up from 57% in 2007

[9] http://www.nudges.org/
[10] http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/09/08/cnsains08.xml
[11] http://www.ft.com/cms/s/0/91b1452c-739e-11dd-8a66-0000779fd18c.html?nclick_check=1
[12] http://www.conservatives.com/tile.do?def=news.story.page&obj_id=146283&speeches=1
[13] http://www.napf.co.uk/DocumentArchive/Press%20Releases/02_2008/20080912_12-09-2008%20-%20%20Large%20Funds%20Increase%20Engagement%20and%20Impact.pdf

- 79% of respondents saw changes to remuneration policy, up on 74% in 2007
- 68% of funds reported making an impact on social/environmental policy, up from 51% in 2007

The NAPF also reports improvements in engagement policies and procedures. A majority of pension funds' Statements of Investment Principles refer to the ISC Principles3 (45%) or expect to do so in the next two years (34%). One third (33%) of respondents said that the Principles had been incorporated into their contracts with all investment managers, either directly or by side letter.

Turning to reporting, over three-quarters (77%) of respondents received one report per manager per quarter and 60% received reports on other engagement activities. The NAPF found that a majority (54%) of pension funds disclosed their general policy on voting, although this is a requirement under the July 2000 amendment to the Pensions Act. Overall 24% reported some disclosure of voting data.

Finally, Two-thirds of pension funds said that corporate social responsibility considerations influence the selection of investment managers and consultants now (32%) or expect it to in the future (34%). The survey found that 72% of funds have their own policies governing responsible investment, although again it is a requirement to disclose what policy (if any) the fund has in the SIP. The resources spent by funds on CSR has increased with 83% saying they spend more time and money than they did when the ISC Principles were introduced.

UK VOTING ANALYSIS – Q3 2008

Table 1: Top Oppose Votes in the UK

Company	Date	Type	Resolution	Proposal	Funds Vote	Abstain %	Oppose %
MARKS & SPENCER GROUP PLC	2008-07-09	AGM	2	Approve the Remuneration Report	OPPOSE	4.37%	12.28%
BRADFORD & BINGLEY PLC	2008-07-17*	EGM	5	Authorise the scrip dividend	FOR	2.73%	12.16%
BRADFORD & BINGLEY PLC	2008-07-07*	EGM	5	Authorise the scrip dividend	FOR	2.73%	12.16%
NORTHERN FOODS PLC	2008-07-28	AGM	7	Re-appoint the auditors	FOR	0.03%	9.65%
NORTHERN FOODS PLC	2008-07-28	AGM	8	Allow the board to determine the auditors remuneration	FOR	0.02%	9.59%
WARNER ESTATE HOLDINGS PLC	2008-09-10	AGM	8	To re-elect Mr R H Warner	OPPOSE	2.24%	9.55%
YELL GROUP PLC	2008-07-25	AGM	3	Approve the Remuneration Report	OPPOSE	5.42%	9.11%
WARNER ESTATE HOLDINGS PLC	2008-09-10	AGM	6	To re-elect Mr W R Broderick	OPPOSE	2.23%	8.58%
SIGNET GROUP PLC	2008-08-19	EGM	2	Approve in principal the operation of each of the Signet Jewelers Limited Share Plans	OPPOSE	6.47%	8.04%
ASHTEAD GROUP PLC	2008-09-23	AGM	9	Amend existing long term incentive plan	OPPOSE	0.51%	7.36%

*The original meeting was transferred from the 7th July to the 17th of July.

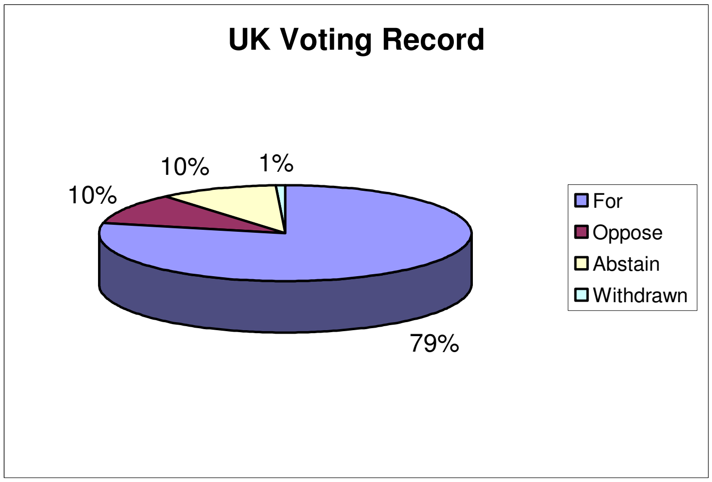
Note: Levels of opposition percentage represent opposition votes cast as a percentage of all votes cast either in favour or against a resolution. Abstain votes are given as the percentage of abstain votes out of all proxy votes lodged ahead of the meeting. Some of the top oppose stories are discussed in the UK voting review section.

Table 2: Top Abstain Votes in the UK

Company	Date	Type	Resolution	Special resolution	Proposal	Funds Vote	% Abstain	% Oppose
MARKS & SPENCER GROUP PLC	2008-07-09	AGM	6		Re-Elect Sir Stuart Rose	OPPOSE	17.21%	4.90%
HMV GROUP PLC	2008-09-05	AGM	7		Appoint the auditors	ABSTAIN	10.91%	0.07%
HMV GROUP PLC	2008-09-05	AGM	8		Allow the board to determine the auditors remuneration	FOR	10.17%	0.07%
UNITED UTILITIES GROUP PLC	2008-07-25	AGM	3		Approve the Remuneration Report	ABSTAIN	7.35%	2.16%
WARNER ESTATE HOLDINGS PLC	2008-09-10	AGM	4		To re-elect Mr P C T Warner	OPPOSE	7.06%	2.82%
SIGNET GROUP PLC	2008-08-19	EGM	2		Approve in principal the operation of each of the Signet Jewelers Limited Share Plans	OPPOSE	6.47%	8.04%
REGUS GROUP PLC	2008-09-24	EGM	6		Approve the adoption by Regus plc of the Regus plc Value Creation Plan	FOR	5.90%	1.36%
SIGNET GROUP PLC	2008-08-19	EGM	1	Y	(i) Authorise Directors to implement the Scheme; (ii) Cancel the share capital of the company; (iii) Increase the share capital by the creation of New Signet Shares and authorise Directors to allot New Signet Shares; and (iv) Amend the articles of association	FOR	5.62%	5.14%
YELL GROUP PLC	2008-07-25	AGM	3		Approve the Remuneration Report	OPPOSE	5.42%	9.11%
BT GROUP PLC	2008-07-16	AGM	2		Approve the Remuneration Report	OPPOSE	4.86%	3.54%

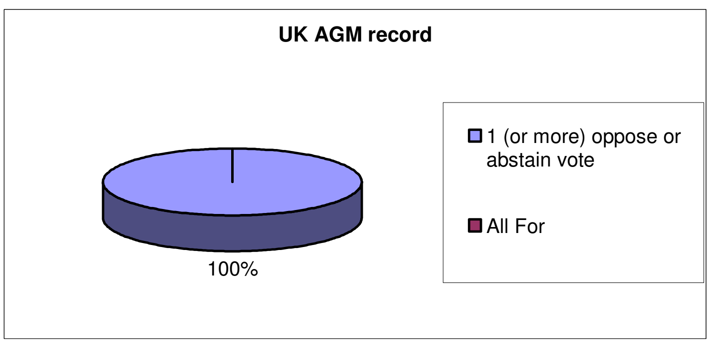
UK VOTING CHARTS – Q3 2008

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.

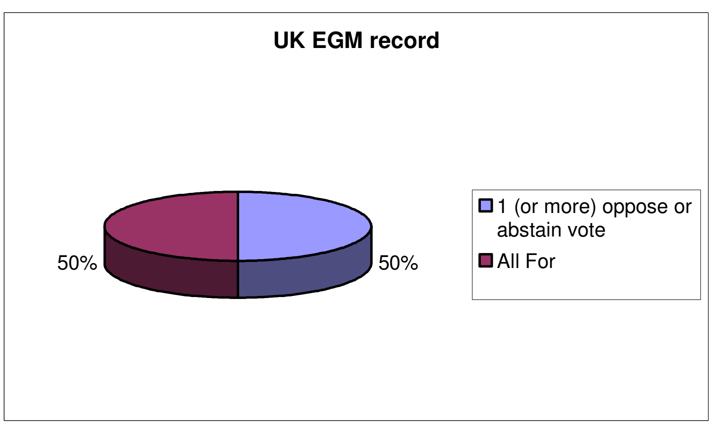


Total resolutions	
For	251
Oppose	33
Abstain	33
Withdrawn	3
TOTAL	**320**

Meeting Record



Meetings	AGM	EGM	Total
Total meetings	21	10	**31**
1 (or more) oppose or abstain vote	21	5	**26**



UK VOTING TIMETABLE – Q3 2008

Table 3: Meetings voted in quarter

	Company	*Meeting Date*	*Type*	*Dated Voted*
1	INTERMEDIATE CAPITAL GROUP PLC	2008-07-01	AGM	2008-06-16
2	UNITED UTILITIES GROUP PLC	2008-07-01	EGM	2008-06-23
3	HOME RETAIL GROUP PLC	2008-07-02	AGM	2008-06-16
4	BRADFORD & BINGLEY PLC	2008-07-07	EGM	2008-06-27
5	MARKS & SPENCER GROUP PLC	2008-07-09	AGM	2008-06-27
6	BRITISH AIRWAYS PLC	2008-07-15	AGM	2008-07-01
7	SPEEDY HIRE PLC	2008-07-15	AGM	2008-07-03
8	BT GROUP PLC	2008-07-16	AGM	2008-07-01
9	EXPERIAN LTD	2008-07-16	AGM	2008-06-30
10	BRITISH ENERGY GROUP PLC	2008-07-17	AGM	2008-07-07
11	BRADFORD & BINGLEY PLC	2008-07-17	EGM	2008-07-14
12	INVENSYS PLC	2008-07-18	AGM	2008-07-08
13	JJB SPORTS PLC	2008-07-24	AGM	2008-07-14
14	UNITED UTILITIES GROUP PLC	2008-07-25	AGM	2008-07-15
15	YELL GROUP PLC	2008-07-25	AGM	2008-07-15
16	NORTHERN FOODS PLC	2008-07-28	AGM	2008-07-16
17	SMITHS GROUP PLC	2008-07-28	EGM	2008-07-21
18	VODAFONE GROUP PLC	2008-07-29	AGM	2008-07-18
19	ASHTEAD GROUP PLC	2008-08-07	EGM	2008-07-25
20	HMV GROUP PLC	2008-09-05	AGM	2008-08-19
21	WARNER ESTATE HOLDINGS PLC	2008-09-10	AGM	2008-08-29
22	KESA ELECTRICALS PLC	2008-09-10	AGM	2008-08-27
23	NORTHGATE PLC	2008-09-16	AGM	2008-08-29
24	ALLIANCE & LEICESTER PLC	2008-09-16	EGM	2008-09-05
25	ASHTEAD GROUP PLC	2008-09-23	AGM	2008-09-08
26	REGUS GROUP PLC	2008-09-24	EGM	2008-09-12

Table 4: Meetings not voted in quarter

	Company	Meeting Date	Meeting Type	Reason Not Voted
1	KAZAKHMYS PLC	2008-07-09	EGM	No ballot
2	HALFORDS GROUP PLC	2008-07-23	AGM	No ballot
3	VEDANTA RESOURCES PLC	2008-07-31	AGM	No ballot
4	ENODIS PLC	2008-08-04	EGM	Not held at the time of the meeting
5	SIGNET GROUP PLC	2008-08-19	EGM	Not held at the time of the meeting

Table 5: Reported meetings in quarter

	Company	Meeting Date	Meeting Type
1	N BROWN GROUP PLC	2008-07-01	AGM
2	SPORTECH PLC	2008-07-01	AGM
3	LIONTRUST ASSET MANAGEMENT PLC	2008-07-02	AGM
4	GREAT PORTLAND ESTATES PLC	2008-07-03	AGM
5	FINDEL PLC	2008-07-03	AGM
6	WISEMAN (ROBERT) DAIRIES PLC	2008-07-03	AGM
7	THE GAME GROUP PLC	2008-07-03	AGM
8	SHIRES INCOME PLC	2008-07-04	AGM
9	INVESCO INCOME GROWTH TRUST PLC	2008-07-08	AGM
10	JPMORGAN EURO. FLEDGELING I.T. PLC	2008-07-08	AGM
11	TELECOM PLUS PLC	2008-07-09	AGM
12	PAYPOINT PLC	2008-07-09	AGM
13	3i GROUP PLC	2008-07-09	AGM
14	PERPETUAL INCOME & GROWTH I.T. PLC	2008-07-09	AGM
15	SVM UK ACTIVE FUND PLC	2008-07-09	AGM
16	BUSINESS POST GROUP PLC	2008-07-09	AGM
17	BIG YELLOW GROUP PLC	2008-07-09	AGM
18	LONDON STOCK EXCHANGE GROUP PLC	2008-07-09	AGM
19	AVEVA GROUP PLC	2008-07-10	AGM
20	FIRSTGROUP PLC	2008-07-10	AGM
21	BABCOCK INTERNATIONAL GROUP PLC	2008-07-10	AGM
22	MAN GROUP PLC	2008-07-10	AGM
23	FIDELITY SPECIAL VALUES PLC	2008-07-10	EGM
24	AEA TECHNOLOGY PLC	2008-07-10	EGM
25	VALUE & INCOME TRUST PLC	2008-07-11	AGM
26	THE BRITISH LAND CO PLC	2008-07-11	AGM
27	ING GLOBAL REAL ESTATE SECS LTD	2008-07-14	AGM
28	DE LA RUE PLC	2008-07-14	EGM
29	J SAINSBURY PLC	2008-07-15	AGM
30	SECURITIES TRUST OF SCOTLAND PLC	2008-07-15	AGM

31	INVESCO ENGLISH & INT'L TRUST PLC	2008-07-16	AGM
32	BTG PLC	2008-07-16	AGM
33	ICAP PLC	2008-07-16	AGM
34	LUMINAR GROUP HOLDINGS PLC	2008-07-16	AGM
35	AQUARIUS PLATINUM LTD	2008-07-16	EGM
36	MOTHERCARE PLC	2008-07-17	AGM
37	JPMORGAN EUROPEAN I.T. PLC	2008-07-17	AGM
38	LAND SECURITIES GROUP PLC	2008-07-17	AGM
39	MORANT WRIGHT JAPAN INCOME TRUST LTD	2008-07-17	AGM
40	DAIRY CREST GROUP PLC	2008-07-17	AGM
41	RIT CAPITAL PARTNERS PLC	2008-07-17	AGM
42	BURBERRY GROUP PLC	2008-07-17	AGM
43	NORCROS PLC	2008-07-17	AGM
44	BLACKS LEISURE GROUP PLC	2008-07-17	AGM
45	PERSONAL ASSETS TRUST PLC	2008-07-17	AGM
46	ELECTROCOMPONENTS PLC	2008-07-18	AGM
47	MONTANARO UK SMALLER COMPANIES I.T. PLC	2008-07-18	AGM
48	CABLE & WIRELESS PLC	2008-07-18	AGM
49	TAYLOR NELSON SOFRES PLC	2008-07-18	EGM
50	BREWIN DOLPHIN HOLDINGS PLC	2008-07-21	EGM
51	HOGG ROBINSON GROUP PLC	2008-07-21	AGM
52	EDINBURGH INVESTMENT TRUST PLC	2008-07-21	AGM
53	3I QUOTED PRIVATE EQUITY LTD	2008-07-21	AGM
54	JOHNSON MATTHEY PLC	2008-07-22	AGM
55	PROTHERICS PLC	2008-07-22	AGM
56	MCKAY SECURITIES PLC	2008-07-22	AGM
57	SEVERN TRENT PLC	2008-07-22	AGM
58	NAMAKWA DIAMONDS LTD	2008-07-22	EGM
59	FINSBURY WORLDWIDE PHARMACEUTICAL TRUST PLC	2008-07-23	AGM
60	SEPURA PLC	2008-07-23	AGM
61	FULLER, SMITH & TURNER PLC	2008-07-23	AGM
62	VT GROUP PLC	2008-07-23	AGM
63	TATE & LYLE PLC	2008-07-23	AGM
64	HYDER CONSULTING PLC	2008-07-23	AGM
65	HELICAL BAR PLC	2008-07-23	AGM
66	RPC GROUP PLC	2008-07-23	AGM
67	UMECO PLC	2008-07-24	AGM
68	SSL INTERNATIONAL PLC	2008-07-24	AGM
69	DANA PETROLEUM PLC	2008-07-24	AGM
70	SCOTTISH & SOUTHERN ENERGY PLC	2008-07-24	AGM
71	SHANKS GROUP PLC	2008-07-24	AGM
72	BSS GROUP PLC	2008-07-24	AGM
73	WINCANTON PLC	2008-07-24	AGM
74	DE LA RUE PLC	2008-07-24	AGM
75	JPMORGAN FLEMING JAPANESE SMALLER CO'S I.T. PLC	2008-07-24	AGM
76	E2V TECHNOLOGIES PLC	2008-07-25	AGM
77	KCOM GROUP PLC	2008-07-25	AGM
78	3I INFRASTRUCTURE LTD	2008-07-28	AGM

79	CRANSWICK PLC	2008-07-28	AGM
80	HORNBY PLC	2008-07-28	AGM
81	HSBC INFRASTRUCTURE COMPANY PLC	2008-07-28	AGM
82	NATIONAL GRID PLC	2008-07-28	AGM
83	HOMESERVE PLC	2008-07-28	AGM
84	RANDGOLD RESOURCES LTD	2008-07-28	EGM
85	CHLORIDE GROUP PLC	2008-07-29	AGM
86	TR PROPERTY INVESTMENT TRUST PLC	2008-07-29	AGM
87	WORKSPACE GROUP PLC	2008-07-29	AGM
88	RENSBURG SHEPPARDS PLC	2008-07-29	AGM
89	CALEDONIA INVESTMENTS PLC	2008-07-29	AGM
90	CHARLES STANLEY GROUP PLC	2008-07-30	AGM
91	QINETIQ GROUP PLC	2008-07-30	AGM
92	F&C GLOBAL SMALLER COMPANIES PLC	2008-07-31	AGM
93	DETICA GROUP PLC	2008-07-31	AGM
94	SAB MILLER PLC	2008-07-31	AGM
95	HANSA TRUST PLC	2008-07-31	AGM
96	CARPHONE WAREHOUSE GROUP PLC	2008-07-31	AGM
97	NORTHUMBRIAN WATER GROUP PLC	2008-07-31	AGM
98	PENNON GROUP PLC	2008-07-31	AGM
99	ANGLO-EASTERN PLANTATIONS PLC	2008-07-31	AGM
100	MITIE GROUP PLC	2008-07-31	AGM
101	HALMA PLC	2008-07-31	AGM
102	THUS GROUP PLC	2008-07-31	AGM
103	POLAR CAPITAL TECHNOLOGY TRUST PLC	2008-07-31	AGM
104	CARE UK PLC	2008-07-31	EGM
105	HILL & SMITH HOLDINGS PLC	2008-07-31	EGM
106	MONKS INVESTMENT TRUST PLC	2008-08-05	AGM
107	SCHRODER UK GROWTH FUND PLC	2008-08-05	AGM
108	INVESCO ASIA TRUST PLC	2008-08-06	AGM
109	ASSURA GROUP LIMITED	2008-08-06	AGM
110	GOLDSHIELD GROUP PLC	2008-08-06	AGM
111	INVESTEC PLC	2008-08-07	AGM
112	MILLENNIUM & COPTHORNE HOTELS PLC	2008-08-07	EGM
113	ADVANCE DEVELOPING MARKETS TRUST PLC	2008-08-07	EGM
114	SALAMANDER ENERGY PLC	2008-08-08	EGM
115	QUEENS WALK INVESTMENT LTD	2008-08-12	EGM
116	PHOENIX IT GROUP PLC	2008-08-14	AGM
117	IMAGINATION TECHNOLOGIES GROUP PLC	2008-08-15	AGM
118	LOW & BONAR PLC	2008-08-18	EGM
119	INVISTA FOUNDATION PROPERTY TRUST	2008-08-19	AGM
120	CASTINGS PLC	2008-08-19	AGM
121	A G BARR PLC	2008-08-25	EGM
122	EMERALD ENERGY PLC	2008-08-26	EGM
123	HUNTING PLC	2008-08-26	EGM
124	ABERDEEN NEW DAWN I.T. PLC	2008-08-28	AGM
125	BERKELEY GROUP HOLDINGS PLC	2008-08-28	AGM
126	SCOTTISH INVESTMENT TRUST PLC	2008-08-28	EGM

127	STAGECOACH GROUP PLC	2008-08-29	AGM
128	ANITE PLC	2008-08-29	EGM
129	F&C ASSET MANAGEMENT PLC	2008-08-29	EGM
130	EMBLAZE LTD	2008-09-01	AGM
131	SCOTT WILSON GROUP PLC	2008-09-02	AGM
132	GREENE KING PLC	2008-09-02	AGM
133	ACAMBIS PLC	2008-09-02	EGM
134	WS ATKINS PLC	2008-09-03	AGM
135	TDG PLC	2008-09-03	EGM
136	DS SMITH PLC	2008-09-03	AGM
137	DSG INTERNATIONAL PLC	2008-09-03	AGM
138	QUINTAIN ESTATES & DEVELOPMENT PLC	2008-09-03	AGM
139	DTZ HOLDINGS PLC	2008-09-04	AGM
140	QUEENS WALK INVESTMENT LTD	2008-09-04	AGM
141	GARTMORE IRISH GROWTH FUND PLC	2008-09-04	AGM
142	HAMPSON INDUSTRIES PLC	2008-09-04	AGM
143	FIDELITY ASIAN VALUES PLC	2008-09-05	EGM
144	HELPHIRE GROUP PLC	2008-09-08	EGM
145	VP PLC	2008-09-09	AGM
146	SPORTS DIRECT INTERNATIONAL PLC	2008-09-10	AGM
147	CARPETRIGHT PLC	2008-09-10	AGM
148	ANITE PLC	2008-09-11	AGM
149	THROGMORTON TRUST PLC	2008-09-11	EGM
150	LATCHWAYS PLC	2008-09-12	AGM
151	ABSOLUTE RETURN TRUST	2008-09-12	AGM
152	DAEJAN HOLDINGS PLC	2008-09-16	AGM
153	BG GROUP PLC	2008-09-16	EGM
154	NCC GROUP PLC	2008-09-18	AGM
155	E2V TECHNOLOGIES PLC	2008-09-18	EGM
156	FILTRONIC PLC	2008-09-19	AGM
157	SKYEPHARMA PLC	2008-09-19	EGM
158	CAPITAL & REGIONAL PLC	2008-09-19	EGM
159	CMA GLOBAL HEDGE PCC LTD	2008-09-22	AGM
160	STANDARD LIFE EURO PRIVATE EQUITY TRUST PLC	2008-09-22	EGM
161	FIDELITY EUROPEAN VALUES PLC	2008-09-22	EGM
162	MORANT WRIGHT JAPAN INCOME TRUST LTD	2008-09-22	EGM
163	MISYS PLC	2008-09-22	EGM
164	HENDERSON HIGH INCOME TRUST PLC	2008-09-23	EGM
165	OXFORD INSTRUMENTS PLC	2008-09-23	AGM
166	JUPITER EUROPEAN OPPORT. TRUST PLC	2008-09-23	AGM
167	SMG PLC	2008-09-23	EGM
168	GARTMORE FLEDGLING TRUST PLC	2008-09-24	AGM
169	CONSORT MEDICAL PLC	2008-09-24	AGM
170	ELECTRIC & GENERAL I.T. PLC	2008-09-24	AGM
171	BIG YELLOW GROUP PLC	2008-09-24	EGM
172	SHIRE LIMITED	2008-09-24	AGM
173	PUNCH TAVERNS PLC	2008-09-24	EGM
174	R.E.A. HOLDINGS PLC	2008-09-24	EGM

175	ABSOLUTE RETURN TRUST	2008-09-24	EGM
176	TEMPLETON EMERGING MARKETS I.T. PLC	2008-09-25	AGM
177	MICRO FOCUS INTERNATIONAL PLC	2008-09-25	AGM
178	AEA TECHNOLOGY PLC	2008-09-25	AGM
179	HENDERSON SMALLER COMPANIES I.T. PLC	2008-09-26	AGM
180	BRITISH SKY BROADCASTING GROUP PLC	2008-09-26	AGM
181	PZ CUSSONS PLC	2008-09-29	AGM
182	MISYS PLC	2008-09-30	AGM
183	IMPAX ENVIRONMENTAL MARKETS PLC	2008-09-30	EGM
184	HENDERSON GROUP PLC	2008-09-30	EGM

UK UPCOMING MEETINGS – Q4 2008

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

	Company Name	*Meeting Date*	*Meeting Type*
1	BODYCOTE PLC	2008-10-09	EGM
2	RENISHAW PLC	2008-10-10	AGM
3	SPIRENT COMMUNICATIONS PLC	2008-10-14	EGM
4	BENFIELD GROUP LTD	2008-10-14	EGM
5	DIAGEO PLC	2008-10-15	AGM
6	CITY OF LONDON INVESTMENT TRUST PLC	2008-10-16	AGM
7	EAGA PLC	2008-10-16	AGM
8	AXON GROUP PLC	2008-10-20	EGM
9	BHP BILLITON PLC	2008-10-23	AGM
10	THE GO-AHEAD GROUP PLC	2008-10-23	AGM
11	THORNTONS PLC	2008-10-23	AGM
12	EDINBURGH UK TRACKER TRUST PLC	2008-10-23	EGM
13	MCBRIDE PLC	2008-10-27	AGM
14	MORSE PLC	2008-10-28	AGM
15	UNILEVER PLC	2008-10-28	EGM
16	PHOTO-ME INTERNATIONAL PLC	2008-10-29	AGM
17	PACIFIC HORIZON INVESTMENT TRUST PLC	2008-10-29	AGM
18	FRAMLINGTON INNOVATIVE GROWTH TRUST PLC	2008-10-30	AGM
19	ASHMORE GROUP PLC	2008-10-30	AGM
20	WPP GROUP PLC	2008-10-30	EGM
21	JPMORGAN INDIAN I.T. PLC	2008-10-30	EGM
22	CLOSE BROTHERS GROUP PLC	2008-10-31	AGM
23	VECTURA GROUP PLC	2008-10-31	AGM
24	AQUARIUS PLATINUM LTD	2008-10-31	AGM
25	AQUARIUS PLATINUM LTD	2008-10-31	EGM
26	EAGLET INVESTMENT TRUST PLC	2008-11-01	AGM
27	INTERNATIONAL FERRO METALS	2008-11-01	AGM
28	GENUS PLC	2008-11-01	AGM
29	HANSARD GLOBAL PLC	2008-11-01	AGM
30	NAMAKWA DIAMONDS LTD	2008-11-01	AGM
31	TR EUROPEAN GROWTH TRUST PLC	2008-11-03	AGM
32	JPMORGAN OVERSEAS I.T. PLC	2008-11-04	AGM
33	WETHERSPOON (JD) PLC	2008-11-04	AGM
34	REDROW PLC	2008-11-05	AGM
35	HENDERSON EUROTRUST PLC	2008-11-05	AGM
36	MURRAY INCOME TRUST PLC	2008-11-05	AGM
37	ADVANCE DEVELOPING MARKETS TRUST PLC	2008-11-05	AGM
38	JPMORGAN EMERGING MARKETS I.T. PLC	2008-11-06	AGM
39	SCHRODER JAPAN GROWTH FUND PLC	2008-11-06	AGM

	Company Name	Meeting Date	Meeting Type
40	DUNELM GROUP PLC	2008-11-06	AGM
41	AXA PROPERTY TRUST LTD	2008-11-07	AGM
42	GALLIFORD TRY PLC	2008-11-07	AGM
43	WILMINGTON GROUP PLC	2008-11-07	AGM
44	ANGLO & OVERSEAS PLC	2008-11-07	AGM
45	DECHRA PHARMACEUTICALS PLC	2008-11-07	AGM
46	A & J MUCKLOW GROUP PLC	2008-11-11	AGM
47	JPMORGAN MID CAP I.T. PLC	2008-11-11	AGM
48	KOFAX PLC	2008-11-12	AGM
49	BLUEBAY ASSET MANAGEMENT PLC	2008-11-13	AGM
50	MINERVA PLC	2008-11-14	AGM
51	HELPHIRE GROUP PLC	2008-11-14	AGM
52	HAYS PLC	2008-11-14	AGM
53	SMITHS GROUP PLC	2008-11-18	AGM
54	RICARDO PLC	2008-11-18	AGM
55	ANTISOMA PLC	2008-11-19	AGM
56	CLINTON CARDS PLC	2008-11-19	AGM
57	PROTHERICS PLC	2008-11-19	AGM
58	TOWN CENTRE SECURITIES PLC	2008-11-20	AGM
59	KIER GROUP PLC	2008-11-21	AGM
60	EAGA PLC	2008-11-21	AGM
61	BARRATT DEVELOPMENTS PLC	2008-11-26	AGM
62	WOLSELEY PLC	2008-11-27	AGM
63	PANTHEON INT'L PARTICIPATIONS PLC	2008-11-27	AGM
64	BLACKROCK GREATER EUROPE I.T. PLC	2008-11-27	AGM
65	AIR PARTNER PLC	2008-11-27	AGM
66	HARGREAVES LANSDOWN PLC	2008-11-28	AGM
67	CENTAUR MEDIA PLC	2008-11-28	AGM
68	ABERDEEN ASIAN SMALLER COMPANIES INV TRUST PLC	2008-11-28	AGM
69	KEYSTONE I.T. PLC	2008-12-01	AGM
70	CITY NATURAL RESOURCES HIGH YIELD TRUST PLC	2008-12-01	AGM
71	ST IVES PLC	2008-12-02	AGM
72	JPMORGAN SMALLER CO'S I.T. PLC	2008-12-02	AGM
73	DEBENHAMS PLC	2008-12-03	AGM
74	WHITE YOUNG GREEN PLC	2008-12-04	AGM
75	BAILLIE GIFFORD JAPAN TRUST PLC	2008-12-04	AGM
76	CONNAUGHT PLC	2008-12-04	AGM
77	FIDELITY ASIAN VALUES PLC	2008-12-05	AGM
78	ASSOCIATED BRITISH FOODS PLC	2008-12-05	AGM
79	MOUCHEL GROUP PLC	2008-12-05	AGM
80	HENDERSON FAR EAST INCOME TRUST LIMITED	2008-12-10	AGM
81	EDINBURGH DRAGON TRUST PLC	2008-12-11	AGM
82	MJ GLEESON GROUP PLC	2008-12-12	AGM
83	FIDELITY SPECIAL VALUES PLC	2008-12-12	AGM
84	STANDARD LIFE EQUITY INCOME TST PLC	2008-12-12	AGM
85	FOREIGN & COLONIAL EUROTRUST PLC	2008-12-12	AGM

	Company Name	Meeting Date	Meeting Type
86	SCHRODER ORIENTAL INCOME FUND LTD	2008-12-16	AGM
87	JPMORGAN CHINESE I.T. PLC	2008-12-16	AGM
88	BRITISH ASSETS TRUST PLC	2008-12-17	AGM
89	BRITISH EMPIRE SEC. & GEN. TRUST PLC	2008-12-17	AGM
90	SVM GLOBAL FUND PLC	2008-12-17	AGM
91	JPMORGAN JAPANESE I.T. PLC	2008-12-18	AGM
92	SCHRODER INCOME GROWTH FUND PLC	2008-12-18	AGM
93	LOWLAND INVESTMENT COMPANY PLC	2008-12-18	AGM
94	GLASGOW INCOME TRUST PLC	2008-12-19	AGM
95	ALLIANCE & LEICESTER PLC	2008-12-31	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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PIRC
PENSIONS
INVESTMENT
RESEARCH
CONSULTANTS
LIMITED

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
Regulated by FSA

NORTH YORKSHIRE PENSION FUND

Meeting: 27th November 2008

1. *INVESTMENT RETURNS*

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

	Market Returns		
	1st October to 31st October 2008 %	3 months to 30th September 2008 %	12 months to 30th September 2008 %
FTSE All-Share	-11.9	-12.2	-22.3
FTSE World Ex UK	-11.2	-5.3	-14.5
FTSE N. America	-9.2	1.3	-9.9
FTSE Europe Ex UK	-14.9	-11.2	-19.7
FTSE Japan	-5.7	-7.8	-15.4
FTSE Asia-Pacific Ex Japan	-15.8	-16.3	-27.1
MSCI Emerging Markets	-27.4	-27.0	-33.2
UK Gilts	0.3	4.7	6.8
Overseas Bonds		-4.5	18.5
UK Index Linked	-6.6	-0.3	10.1
Cash	0.5	1.3	5.6

UK base rate was maintained at 5.0% during the whole of the September quarter. That seems a long time ago now and a 0.5% reduction in October has been followed by a dramatic 1.5% reduction to 3.0% in November. The Monetary Policy Committee (MPC) has clearly undergone a conversion in its assessment of the risks of recession and inflation (see below).

The rapid acceleration of the global banking crisis since September has brought responses from governments around the world. In the UK this has taken the form of directed recapitalisation of core banks, which in a number of cases has required HMG to purchase preference shares and permanent interest bearing securities in the banks. The objective is to raise the Tier 1 capital ratios of the banks towards or over 10%. It is worth reminding ourselves how Tier 1 capital is defined:-

"Tier 1 capital is the highest form of capital of the bank and is regarded by the Financial Services Authority (FSA) as broadly equivalent to equity. This means it must be capable of absorbing losses so that the bank can continue trading even if it makes losses up to the value of that capital. The majority of this capital is made up of:

- fully paid-up ordinary shares,
- perpetual non-cumulative preference shares,
- retained earnings (profits taken to reserves after payment of dividends and tax).

The capital must be permanent which means it is undated. The capital must be fully paid so that the bank has the funds. There are further requirements designed to ensure that the holder of the instrument cannot take priority over the depositors of the bank. For example, dividends must be discretionary so that they cannot be paid in the absence of distributable profits."

Source *HM Revenue & Customs*

The Tier 1 ratios now being targeted in the UK and elsewhere are substantially above those which were typical up to 2007 and compare with the Bank for International Settlements (BIS) regulatory minimum of 4%.

During the September quarter, gilt edged securities rose in value. The yield on 10-year conventional gilts fell by 0.7% to 4.4%. However, the yield on 30-year gilts fell by only 0.2% to 4.5%. Since 30th September conditions have been very volatile yields rose sharply in early October and have since retreated to levels slightly below those of 30th September. Index linked securities have been even more volatile. The real yield on 10-year index-linked gilts gyrated during the September quarter ending little changed at 1.3%. However the yield has since risen by 1.2% to 2.5%. This is a very big move and reflects a dramatic reduction in the market's expectations for inflation. It should be noted that this has come about through the rise in index linked yields rather than a fall in conventional yields and reflects the greatly increased burden of gilt edged financing in the near future. 30-year index linked gilts have been less volatile, nevertheless the real yield has risen to over 1% at the time of writing, from a low of 0.4% in August.

UK equities gave a total return of -12.2% in the quarter as measured by the FTSE All Share Index, and have since declined a further. Indeed at one point the fall in October alone was 20%, but the recent improvement has reduced this decline to a "mere" 8.3%. As would be expected in these volatile conditions, there has been a wide dispersion of returns from different sectors. The worst hit has been Basic Materials, which declined steeply in the September quarter and have fallen further since. Utilities and Healthcare have been relatively resilient.

In the US, throughout the September quarter, the Federal Reserve Open Market Committee (FOMC) maintained the target rate for Fed. Funds at 2.0%. Since then as the crisis has deepened and the real economy has weakened the rate has twice been reduced by 0.5 % and now stands at 1.0%. These actions have been accompanied by further initiatives to provide liquidity to the banking system and to assist with specific bank mergers and acquisitions.

Global equity markets have all been affected by the financial crisis. Although the US market held its ground in the September quarter, it has since retreated by 10%. Elsewhere the extent of the damage varies, but one myth has been laid to rest; Pacific

Basin markets ex Japan have fallen heavily and emerging markets have done even worse. The notion that these economies and markets were developing a momentum of their own independent of the US economy has proved illusory.

2. INVESTMENT PERFORMANCE

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

NYPF Total Fund Performance to September 2008

	3 months total return %	Rolling12 months total return %
NYPF	-10.9	-20.9
Composite Benchmark	-5.4	-12.5

The most recent quarter has produced a deeply disappointing result with almost all components of the fund underperforming in weak markets; in some cases the scale of the underperformance is disturbing. The results are examined in more detail below.

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 September 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Standard Life	-13.3	-10.1	-32.4	-26.6
Hermes UK Focus Fund	-9.2	-12.2	-31.5	-22.3
RC Brown	-16.8	-12.2	-29.7	-22.3

The unweighted SLI benchmark outperformed the All Share Index, by 2.1% in the September quarter, recovering a small proportion of the large underperformance in the previous quarter. This benchmark is still behind the traditional All Share measure over the last 12 months. SLI had another poor quarter's performance and are now 5.8% 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 banks, notably RBS and HBOS. They were also adversely affected by their holding of BP as the oil price fell sharply. Until this bear market set in, SLI had achieved excellent performance in UK equities over a number of years. A bear market as severe as the one we are enduring tests the best of managers and new disciplines have to be learnt and applied in nerve-wracking conditions. SLI have further underperformed in the savage October market decline, but both the market and their performance have stabilised in November.

The performance of the Hermes UK Focus Fund was better in the recent quarter and provided a crumb of comfort. Nevertheless the 12 month result is still very poor and it will be recalled that The Fund is rolling over its interest into the new Pan-European Focus Fund. The quarterly performance benefited from strong contributions from Cable & Wireless and Signet. Galiform, the trade joinery supplier, continued to drag performance down. Unfortunately the reduced UK Focus Fund has further underperformed since the end of the quarter.

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 another disappointment and the longer term record remains poor. BGI have been replaced by Fidelity, though the transition was delayed because of the extreme volatility at the beginning of October. The transition was eventually executed over the 21st to 23rd October and despite another unexpected surge in volatility the costs of the transition came in exactly in line with expectations.

Overseas Equity Performance to September 2008

	3 months % Total Return		Rolling 12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
BGI	-7.6	-4.1	-16.9	-14.2
Baillie Gifford Global Alpha	-9.5	-5.9	-14.9	-15.2
Baillie Gifford LTGG	-13.7	-5.9	-18.6	-15.2
Hermes European Focus Fund	-22.5	-11.2	-33.4	-20.1

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

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

Both the Baillie Gifford portfolios performed poorly in the September quarter. In the case of Global Alpha the 12 month performance is still just ahead of the benchmark, but Long Term Global Growth is in worse shape. It is not entirely surprising that Baillie Gifford should underperform in these difficult markets with the pronounced investor bias towards defensive stocks. In particular, the problem with Long Term Global Growth is that there isn't any – Global Growth that is. Both Baillie Gifford funds were adversely affected by exposure to energy companies, notably Petrobras and Gazprom, as the oil price fell sharply.

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

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

Global Bond Performance - to September 2008

	3 months % Total Return	12 months % Total Return
European Credit Management	-13.4	-14.8
Credit Agricole Asset Management	-1.1	3.0
NYPF Least Risk Benchmark	-1.1	10.8

The mark to market performance of ECM's portfolios continues to be dreadful. Not only has performance in the September quarter been as shown above, but October has continued in the same vein. Note I say "mark to market" performance, because the prices provided by third party services appear to have diverged dramatically from any "fair value" measure. There are two principal reasons for this. First, the secondary markets in non-government bonds have almost ceased to trade; securities traders are unwilling to carry positions on their books and quote very wide bid to offer spreads when asked for prices. As a result of this, most trading takes place "by appointment" when buyers and sellers can be matched. Secondly, there continue to be cases where banks seize collateral assets against debts and realise those assets for what they can get. In such circumstances the selling institution has no incentive to realise more than the debt outstanding and may trade at a depressed price.

In addition to the dysfunctional behaviour of the underlying markets it is becoming much more difficult to obtain financing through sale and repurchase agreements (repos). In a repo transaction the holder of the asset (the collateral) simultaneously sells it to a bank while agreeing to repurchase it at a defined price and future date. The bank provides funds, for the period of the agreement, to a value slightly less than the value of the collateral. In these critical times banks are not accepting as collateral anything other than government bonds and top quality corporates. Further, they are lending only deeply discounted amounts versus the value of the collateral and, critically, reducing the term of the facility, sometimes to as little as seven days. This means that, for those who use repos as a source of borrowed funds in financing operations, the activity has become much more hazardous and time-consuming.

ECM have sought to address these various problems by reducing leverage and now by offering investors the opportunity to transfer into equivalent ungeared vehicles via an *in specie* transfer arrangement. This is not attractive to the North Yorkshire Fund, because having suffered geared negative returns we do not want to remove the leverage at the bottom of the market. However, a number of participants in ECM programmes, such as insurance companies, can take advantage of relief from mark to market pricing if they take up the *in specie* option.

CAAM achieved performance in line with the benchmark in the September quarter. Poor performance in some corporate bond selections was offset by gains from duration exposure and underweighting versus the index-linked benchmark. Since the end of the quarter performance has benefited from the substantial rise in index-linked yields.

Global Tactical Asset Allocation Performance to September 2008

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

The table below shows the performance of the component parts of the GTAA portfolio compared with the indices against which each is benchmarked. The market based strategy increased its long equities positions in three stages during the September quarter. This damaged performance. Similarly the addition of some credit exposure did not help

	3 months % Total Return		12 months % Total Return	
	Portfolio	Benchmark	Portfolio	Benchmark
UBS MARS Fund	-26.2	1.3	-46.3	5.8
UBS CARS Fund	43.6	1.3	72.1	5.8
Combined MARS/CARS portfolio	-14.7	-10.9	-37.4	-24.9
Equity Derivatives	-3.4	-5.0	-14.8	-15.2

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

The CARS fund had an excellent result as the long position in the US Dollar and shorts in commodity related currencies paid off. During the September quarter risk was reduced as currency valuations moved closer to fair value. CARS is a long way ahead of benchmark over the last 12 months.

3. ECONOMIC AND MARKET OUTLOOK

I summarise my views as follows:-

- The Bank of England Monetary Policy Committee (MPC) has radically changed its view of the risks faced by the UK economy. While as recently as August MPC members were arguing for increases in interest rates, there has now been a 2.0% reduction in official rates. This dramatic conversion has been brought about by the evidence of rapidly contracting economic activity, coupled with falling input prices. The deterioration in the financial climate since Lehman Brothers failed has heightened the sense of urgency. Inflation remains above the government's target, but is now expected to fall rapidly next year.

- Fiscal policy is also going through a transformation. The various rules which were introduced to acclaim in 1997 have been torn up. These rules had in any case become discredited and would have been quietly laid aside. However, the current crisis provides an opportunity to make a virtue of necessity and open wide the spending taps. This has implications for the burden of Central Government capital raising through the gilt-edged market and will surely create significant problems for the medium term. A future government will have to bring fiscal policy back into control, quite possibly with the introduction of a new set of "prudent" rules.

- In the US, the Federal Reserve has used most of its ammunition in terms of interest rate reductions and the provision of liquidity. The spotlight now falls on the efforts by the administration to shore up the banking system. In this regard the decision to allow Lehman brothers to fail has made matters much worse, rather than better. As in the UK the US economy has "hit a wall" and one consequence is that the US auto industry is in deep trouble. Officers of auto companies look with envy at the support being offered to banks and their message to the government is "us too".

- The ECB, which has lagged other central banks, has come in for some criticism. However although the key minimum bid rate remains at 4.25%, there are hints from M. Trichet that a reduction may come soon. The core economies of Europe seem to need the move to come soon; Germany is one of the first major economies officially to record recessionary conditions.

- The recapitalisation of banks in response to the collapse in confidence should mark the low point for the financial sector. Already there has been a small fall in the $ LIBOR spread over official rates as the first half of Mr. Paulson's $700bn. troubled Assets Relief Programme (TARP) has been dispensed. In the UK, however, the banks have not yet actually received the government's money and conditions remain very tight.

- It now appears that the second half of the TARP will not be released in the short term. In this developing crisis officials are having to adjust their thinking with unaccustomed speed and we may have to wait or the new US administration to take office before we know the final form of support mechanisms for the banks.

- In the UK the detailed terms of government support are still a matter for argument. One of the most contentious points is the proposed moratorium on equity dividend payments until the government's preference capital has been repaid. The UK banks argue that this is too onerous and penalises shareholders who relied on the high yield on bank shares. Eventually the likelihood is that banks will end up overcapitalised. The tier 1 ratios now being targeted are extremely high (see p.2 above). Writedowns are almost certainly overly conservative and will be partially reversed as assets prove less impaired than feared.

- Equity markets have suffered terrible damage. Part of the problem is that nobody knows how great the impact of the recession will be on company earnings. Current analysts' estimates are ludicrously optimistic, because they have not yet really grappled with the problem of forecasting in this climate.

SUMMARY

- Credit will continue to be difficult to obtain.

- Cutting interest rates will not help. This is about availability of credit, not its price.

- Negative impact on economic activity throughout the world is unavoidable.

- The downturn may or may not be severe, but it is very likely to be prolonged.

- This is probably not a repeat of the 1930s. Monetary will not be mishandled as it was then. Protectionism is to be feared but hopefully can be avoided. It helps to have Professor Bernanke around.

- Interbank liquidity should improve. The vicious deleveraging in asset markets will end at some point (soon please?).

- Equity markets will bottom in the early part of the recession, i.e not at the end of it.

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

P.J. Williams

18th November 2008

BNY MELLON
ASSET SERVICING

North Yorkshire Pension Fund

Summary Performance Report
to 30 September 2008

Ref. 13956/381917

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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Glossary of terms

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

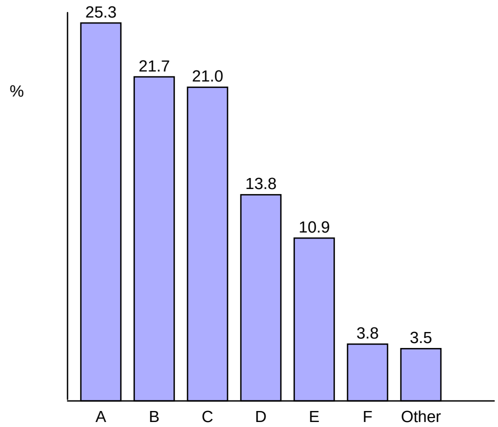
Manager Structure to 30 September 2008

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

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

All monetary values are quoted in millions.

Managers as at 30 September 2008

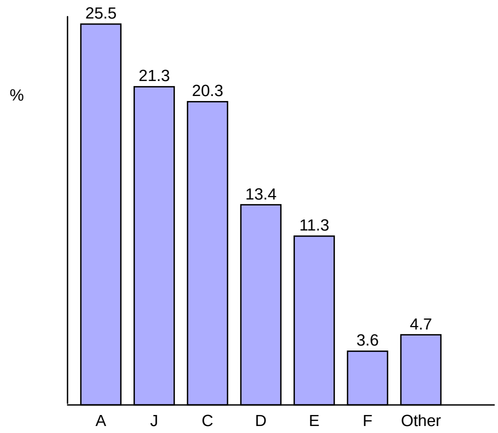


Manager	Brief	End Market Value
(B) Internal	MTMS Account	240.340
(C) Standard Life	UK Equities	223.961
(A) Baillie Gifford	Global Equities	166.828
(D) Credit Agricole AM	Global Bonds	147.794
(E) European Credit Mgmt	Global Bonds	116.690
(A) Baillie Gifford	LTGG	102.950
UBS	Global Tactical Asset Allocation	40.483
(G) Hermes Investment	European Equities	19.677
(G) Hermes Investment	UK Equities	15.088
(H) RC Brown Investment	UK Equities	1.478
(I) Yorkshire & Humber	UK Equities	0.607
(B) Internal	Cash	0.286
(J) BGI	Global ex UK Equities	0.030
(B) Internal	Hedged	-8.716
Fund	**Multi-Asset**	**1067.494**

BNY MELLON
ASSET SERVICING

Manager Structure to 30 September 2008

Managers as at 30 June 2008



Manager	Brief	End Market Value
(J) 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
(B) Internal	Cash	7.629
(B) Internal	Hedged	3.768
(H) RC Brown Investment	UK Equities	1.777
(I) Yorkshire & Humber	UK Equities	0.307
(B) Internal	MTMS Account	0.000
Fund	**Multi-Asset**	**1189.412**

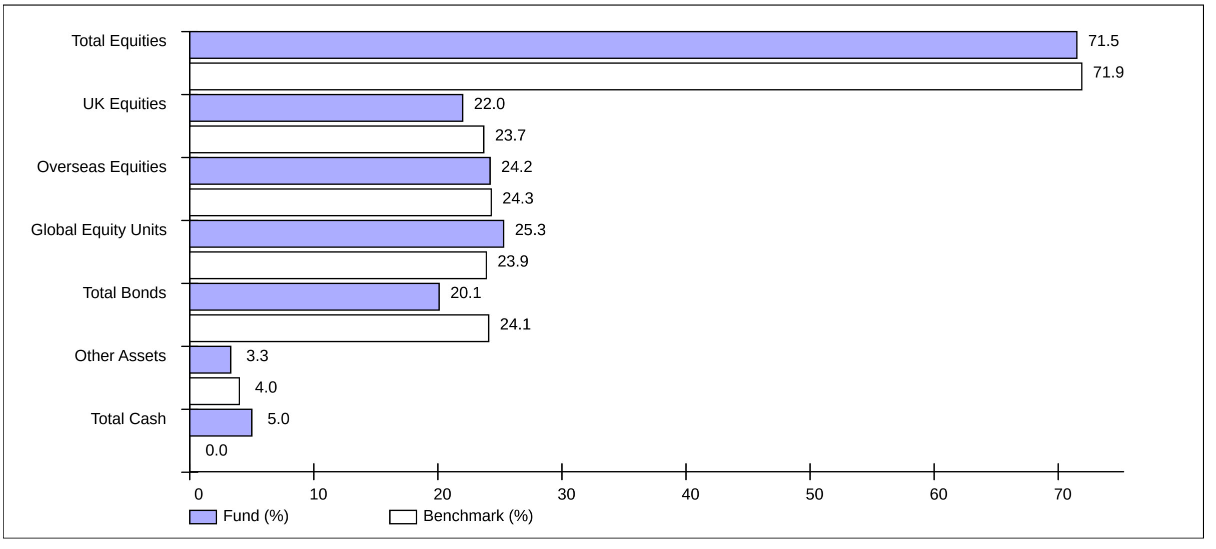
Benchmark Summary to 30 September 2008

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

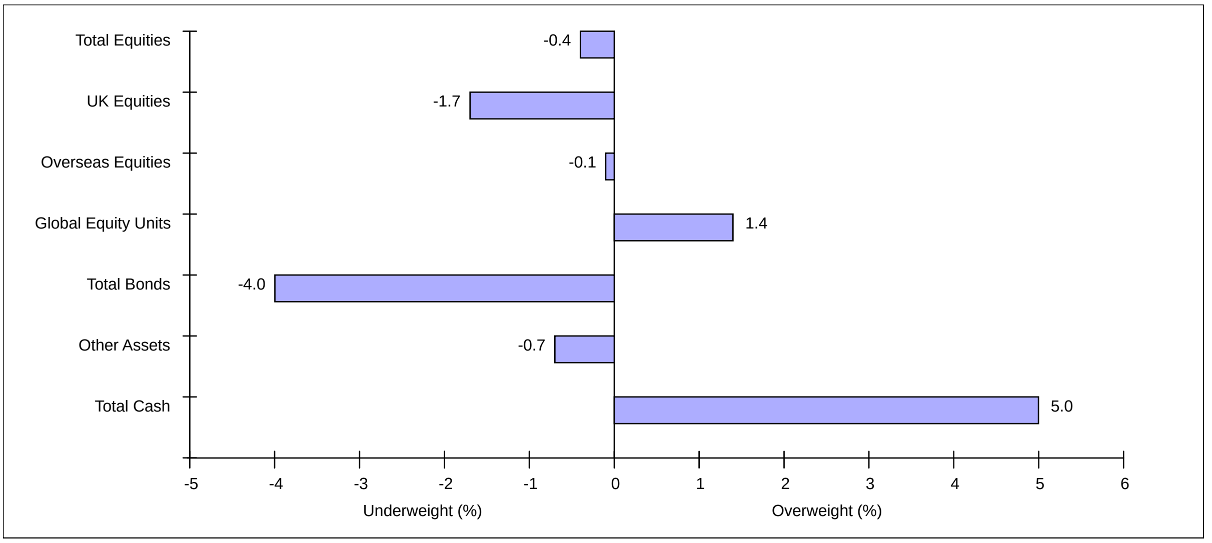
Note 'Total Equities' refers to the Global Tactical Asset Allocation portion of the fund benchmark.

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



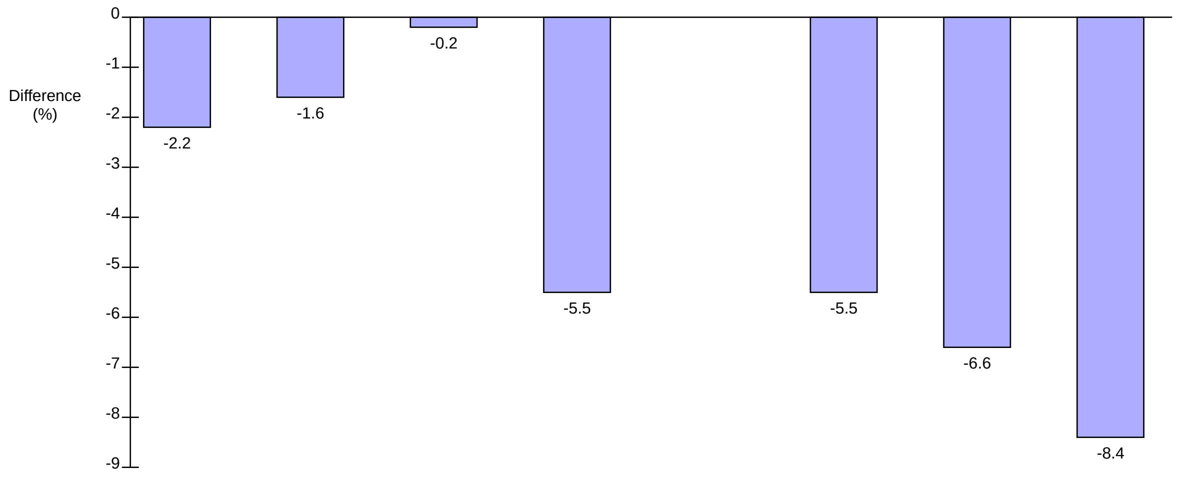
Benchmark Summary to 30 September 2008

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



Short-term Overview to 30 September 2008

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



	Individual quarters ending				Periods to 30 September 2008		
	31 Dec 07	31 Mar 08	30 Jun 08	30 Sep 08	6 Months	9 Months	12 Months
Fund	-1.5	-7.1	-2.9	-10.9	-13.5	-19.7	-20.9
Benchmark	0.7	-5.5	-2.7	-5.4	-8.0	-13.1	-12.5

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

	Individual quarters ending				Periods to 30 September 2008		
	31 Dec 07	31 Mar 08	30 Jun 08	30 Sep 08	6 Months	9 Months	12 Months
BGI : Global ex UK Equities							
Portfolio	-0.7	-7.6	-2.1	-7.6	-9.6	-16.4	-16.9
Benchmark	0.2	-8.8	-2.1	-4.1	-6.1	-14.3	-14.2
Difference	-0.9	1.2	0.0	-3.5	-3.5	-2.1	-2.7
Baillie Gifford : Global Equities							
Portfolio	1.3	-8.2	1.1	-9.5	-8.5	-16.0	-14.9
Benchmark	0.4	-8.7	-1.7	-5.9	-7.5	-15.6	-15.2
Difference	0.9	0.5	2.8	-3.6	-1.0	-0.4	0.3
Baillie Gifford : LTGG							
Portfolio	1.7	-8.6	1.4	-13.7	-12.5	-20.0	-18.6
Benchmark	0.4	-8.7	-1.7	-5.9	-7.5	-15.6	-15.2
Difference	1.3	0.1	3.1	-7.8	-5.0	-4.4	-3.4
Credit Agricole AM : Global Bonds							
Portfolio	3.9	0.5	-0.4	-1.1	-1.4	-0.9	3.0
Benchmark	7.1	2.1	2.5	-1.1	1.4	3.5	10.8
Difference	-3.2	-1.6	-2.9	0.0	-2.8	-4.4	-7.8

Short-term Overview to 30 September 2008

	Individual quarters ending				Periods to 30 September 2008		
	31 Dec 07	31 Mar 08	30 Jun 08	30 Sep 08	6 Months	9 Months	12 Months
European Credit Mgmt : Global Bonds							
Portfolio	2.7	-10.1	6.5	-13.4	-7.7	-17.1	-14.8
Benchmark	7.1	2.1	2.5	-1.1	1.4	3.5	10.8
Difference	-4.4	-12.2	4.0	-12.3	-9.1	-20.6	-25.6
Hermes Investment : European Equities							
Portfolio	1.4	-11.2	-4.6	-22.5	-26.1	-34.4	-33.4
Benchmark	3.0	-7.5	-5.5	-11.2	-16.2	-22.4	-20.1
Difference	-1.6	-3.7	0.9	-11.3	-9.9	-12.0	-13.3
Hermes Investment : UK Equities							
Portfolio	-9.0	-13.0	-4.8	-9.2	-13.5	-24.8	-31.5
Benchmark	-0.3	-9.9	-1.4	-12.2	-13.5	-22.0	-22.3
Difference	-8.7	-3.1	-3.4	3.0	0.0	-2.8	-9.2
Internal : Cash							
Portfolio	1.5	1.9	1.4	1.5	2.9	4.9	6.4
Benchmark	1.4	1.3	1.2	1.2	2.5	3.8	5.3
Difference	0.1	0.6	0.2	0.3	0.4	1.1	1.1
Internal : Hedged							
Portfolio	-393.1	-96.4	319.9	-361.6	-1198.4	-139.9	16.9
Benchmark	1.4	1.3	1.2	1.2	2.5	3.8	5.3
Difference	-394.5	-97.7	318.7	-362.8	-1200.9	-143.7	11.6
Internal : MTMS Account							
Portfolio	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-
RC Brown Investment : UK Equities							
Portfolio	-5.3	-10.6	-0.1	-16.8	-16.9	-25.7	-29.7
Benchmark	-0.3	-9.9	-1.4	-12.2	-13.5	-22.0	-22.3
Difference	-5.0	-0.7	1.3	-4.6	-3.4	-3.7	-7.4
Standard Life : UK Equities							
Portfolio	-6.3	-5.1	-12.2	-13.3	-23.9	-27.8	-32.4
Benchmark	-4.6	-5.6	-9.4	-10.1	-18.6	-23.1	-26.6
Difference	-1.7	0.5	-2.8	-3.2	-5.3	-4.7	-5.8
UBS : Global Tactical Asset Allocation							
Portfolio	-8.1	-0.7	-19.2	-14.0	-30.5	-31.0	-36.5
Benchmark	0.2	-8.9	-1.9	-4.9	-6.7	-15.1	-14.9
Difference	-8.3	8.2	-17.3	-9.1	-23.8	-15.9	-21.6

Short-term Overview to 30 September 2008

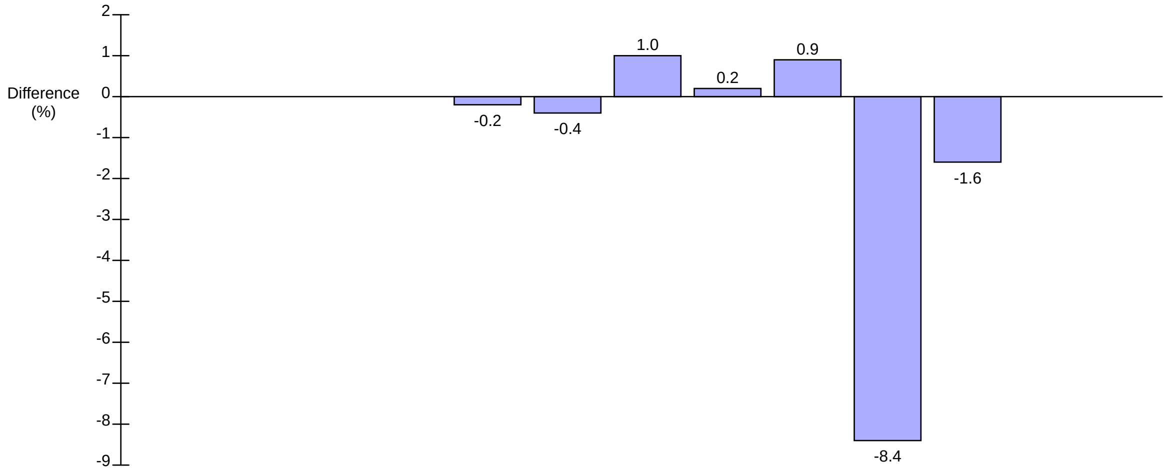
	Individual quarters ending				Periods to 30 September 2008		
	31 Dec 07	31 Mar 08	30 Jun 08	30 Sep 08	6 Months	9 Months	12 Months
Yorkshire & Humber : UK Equities							
Portfolio	0.0	0.0	2.5	0.0	2.5	2.5	2.5
Benchmark	-0.3	-9.9	-1.4	-12.2	-13.5	-22.0	-22.3
Difference	0.3	9.9	3.9	12.2	16.0	24.5	24.8

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

	Start Value	%	Net Invest.	Income	Capital gain/loss	End Value	%
BGI : Global ex UK Equities	252.843	21.3	-240.399	0.000	-12.414	0.030	0.0
Baillie Gifford : Global Equities	184.299	15.5	0.026	0.013	-17.497	166.828	15.6
Baillie Gifford : LTGG	119.308	10.0	0.000	0.000	-16.358	102.950	9.6
Credit Agricole AM : Global Bonds	158.921	13.4	30.773	25.214	-41.900	147.794	13.8
European Credit Mgmt : Global Bonds	134.686	11.3	0.000	0.000	-17.996	116.690	10.9
Hermes Investment : European Equities	25.403	2.1	0.000	0.000	-5.726	19.677	1.8
Hermes Investment : UK Equities	16.608	1.4	0.000	0.000	-1.520	15.088	1.4
Internal : Cash	7.629	0.6	-14.647	0.113	7.304	0.286	0.0
Internal : Hedged	3.768	0.3	2.828	0.016	-15.312	-8.716	-0.8
Internal : MTMS Account	0.000	0.0	240.440	0.041	-0.100	240.340	22.5
RC Brown Investment : UK Equities	1.777	0.1	0.200	0.016	-0.499	1.478	0.1
Standard Life : UK Equities	240.948	20.3	20.417	5.994	-37.404	223.961	21.0
UBS : Global Tactical Asset Allocation	42.915	3.6	2.618	0.035	-5.050	40.483	3.8
Yorkshire & Humber : UK Equities	0.307	0.0	0.000	-0.300	0.300	0.607	0.1
Fund	**1189.412**	**100.0**	**42.586**	**31.145**	**-164.504**	**1067.494**	**100.0**

Long-term Overview to 30 September 2008

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



Individual years ending 30 September	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6 years
Fund	-	-	-	-	15.9	10.5	22.2	12.1	10.7	-20.9	7.4
Benchmark	-	-	-	-	16.1	10.9	21.2	11.9	9.8	-12.5	9.0

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

Individual years ending 30 September	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6 years
BGI : Global ex UK Equities											
Portfolio	-	-	-	-	-	-	-	-	8.7	-16.9	-
Benchmark	-	-	-	-	-	-	-	-	11.5	-14.2	-
Difference	-	-	-	-	-	-	-	-	-2.8	-2.7	-
Baillie Gifford : Global Equities											
Portfolio	-	-	-	-	-	-	-	-	12.3	-14.9	-
Benchmark	-	-	-	-	-	-	-	-	13.1	-15.2	-
Difference	-	-	-	-	-	-	-	-	-0.8	0.3	-
Baillie Gifford : LTGG											
Portfolio	-	-	-	-	-	-	-	-	19.0	-18.6	-
Benchmark	-	-	-	-	-	-	-	-	13.1	-15.2	-
Difference	-	-	-	-	-	-	-	-	5.9	-3.4	-
Credit Agricole AM : Global Bonds											
Portfolio	-	-	-	-	-	-	-	8.0	1.0	3.0	-
Benchmark	-	-	-	-	-	-	-	8.7	1.5	10.8	-
Difference	-	-	-	-	-	-	-	-0.7	-0.5	-7.8	-

Long-term Overview to 30 September 2008

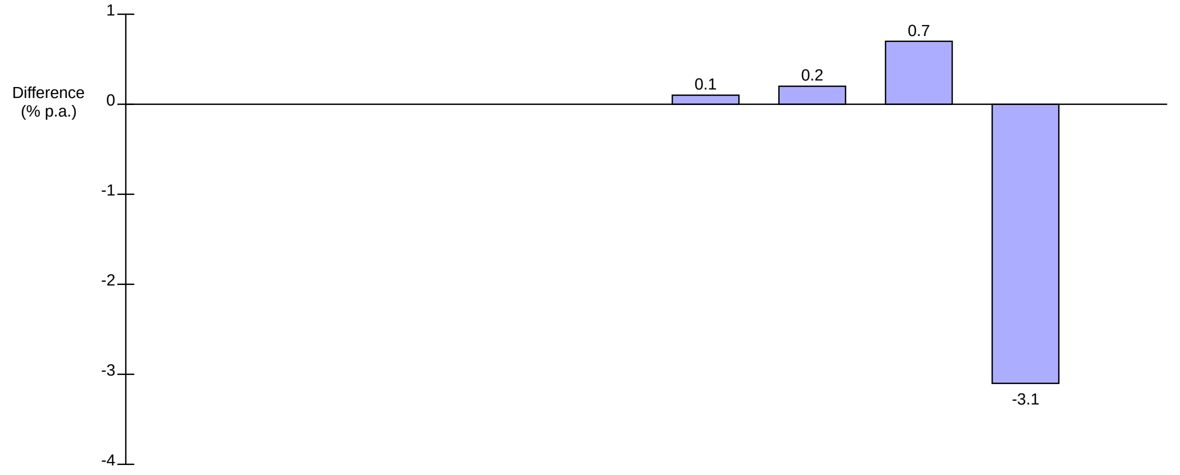
	Individual years ending 30 September 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6 years
European Credit Mgmt : Global Bonds											
Portfolio	-	-	-	-	-	-	-	9.8	-0.8	-14.8	-
Benchmark	-	-	-	-	-	-	-	8.7	1.5	10.8	-
Difference	-	-	-	-	-	-	-	1.1	-2.3	-25.6	-
Hermes Investment : European Equities											
Portfolio	-	-	-	-	-	12.3	38.3	25.4	20.6	-33.4	-
Benchmark	-	-	-	-	-	15.7	29.9	18.9	19.7	-20.1	-
Difference	-	-	-	-	-	-3.4	8.4	6.5	0.9	-13.3	-
Hermes Investment : UK Equities											
Portfolio	-	-	-	-	-	10.2	23.5	14.0	10.4	-31.5	-
Benchmark	-	-	-	-	-	15.7	24.9	14.7	12.2	-22.3	-
Difference	-	-	-	-	-	-5.5	-1.4	-0.7	-1.8	-9.2	-
Internal : Cash											
Portfolio	-	-	-	-	-	3.9	4.8	3.4	5.7	6.4	-
Benchmark	-	-	-	-	-	4.0	4.6	4.5	5.3	5.3	-
Difference	-	-	-	-	-	-0.1	0.2	-1.1	0.4	1.1	-
Internal : Hedged											
Portfolio	-	-	-	-	-	-	-	-	446.7	16.9	-
Benchmark	-	-	-	-	-	-	-	-	5.3	5.3	-
Difference	-	-	-	-	-	-	-	-	441.4	11.6	-
Internal : MTMS Account											
Portfolio	-	-	-	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-	-
RC Brown Investment : UK Equities											
Portfolio	-	-	-	-	-	-	-	10.0	13.1	-29.7	-
Benchmark	-	-	-	-	-	-	-	14.7	12.2	-22.3	-
Difference	-	-	-	-	-	-	-	-4.7	0.9	-7.4	-
Standard Life : UK Equities											
Portfolio	-	-	-	-	-	-	-	-	15.3	-32.4	-
Benchmark	-	-	-	-	-	-	-	-	11.4	-26.6	-
Difference	-	-	-	-	-	-	-	-	3.9	-5.8	-
UBS : Global Tactical Asset Allocation											
Portfolio	-	-	-	-	-	-	-	-	-	-36.5	-
Benchmark	-	-	-	-	-	-	-	-	-	-14.9	-
Difference	-	-	-	-	-	-	-	-	-	-21.6	-

Long-term Overview to 30 September 2008

	Individual years ending 30 September										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6 years
Yorkshire & Humber : UK Equities											
Portfolio	-	-	-	-	-	0.0	0.0	0.0	0.0	2.5	-
Benchmark	-	-	-	-	-	15.7	24.9	14.7	12.2	-22.3	-
Difference	-	-	-	-	-	-15.7	-24.9	-14.7	-12.2	24.8	-

Long-term Overview to 30 September 2008

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



Rolling three year periods to 30 September	2001	2002	2003	2004	2005	2006	2007	2008
Fund	-	-	-	-	16.1	14.8	14.9	-0.6
Benchmark	-	-	-	-	16.0	14.6	14.2	2.5

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

Rolling three year periods to 30 September	2001	2002	2003	2004	2005	2006	2007	2008
Credit Agricole AM : Global Bonds								
Portfolio	-	-	-	-	-	-	-	4.0
Benchmark	-	-	-	-	-	-	-	7.0
Difference	-	-	-	-	-	-	-	-3.0
European Credit Mgmt : Global Bonds								
Portfolio	-	-	-	-	-	-	-	-2.5
Benchmark	-	-	-	-	-	-	-	7.0
Difference	-	-	-	-	-	-	-	-9.5
Hermes Investment : European Equities								
Portfolio	-	-	-	-	-	24.9	27.9	0.2
Benchmark	-	-	-	-	-	21.4	22.7	4.4
Difference	-	-	-	-	-	3.5	5.2	-4.2
Hermes Investment : UK Equities								
Portfolio	-	-	-	-	-	15.8	15.8	-4.8
Benchmark	-	-	-	-	-	18.3	17.1	0.0
Difference	-	-	-	-	-	-2.5	-1.3	-4.8

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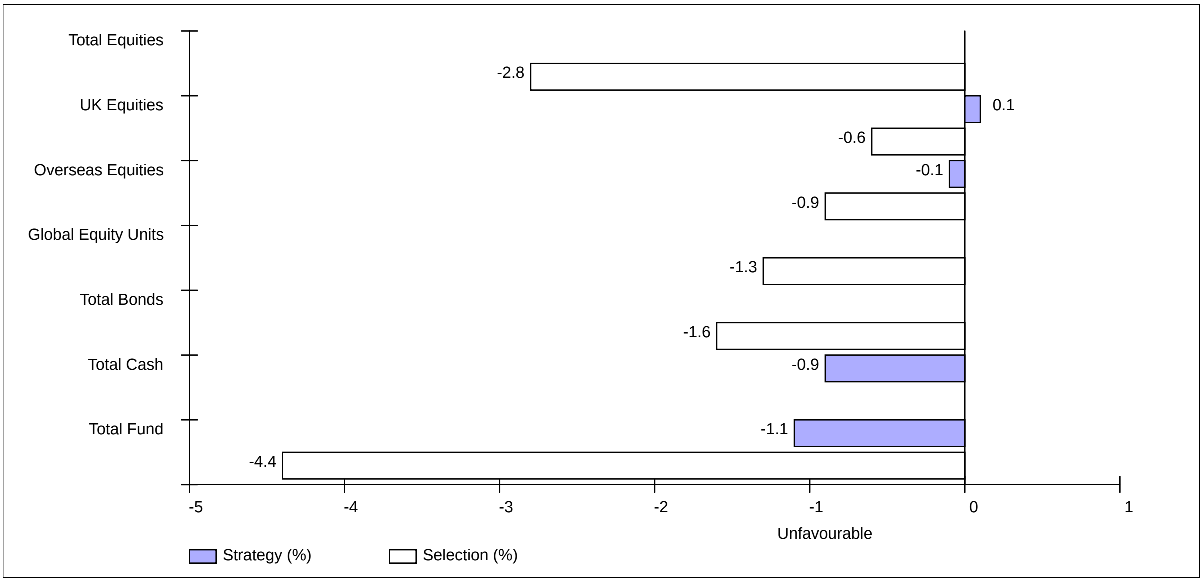
Long-term Overview to 30 September 2008

Rolling three year periods to 30 September	2001	2002	2003	2004	2005	2006	2007	2008
Internal : Cash								
Portfolio	-	-	-	-	-	4.1	4.7	5.2
Benchmark	-	-	-	-	-	4.4	4.8	5.1
Difference	-	-	-	-	-	-0.3	-0.1	0.1
RC Brown Investment : UK Equities								
Portfolio	-	-	-	-	-	-	-	-4.3
Benchmark	-	-	-	-	-	-	-	0.0
Difference	-	-	-	-	-	-	-	-4.3
Yorkshire & Humber : UK Equities								
Portfolio	-	-	-	-	-	0.0	0.0	0.8
Benchmark	-	-	-	-	-	18.3	17.1	0.0
Difference	-	-	-	-	-	-18.3	-17.1	0.8

Attribution Analysis to 30 September 2008

Analysis of the factors leading to the fund's under-performance of 5.5% relative to its benchmark, over the period since 30 June 2008, is set out below.



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

Sector	Fund Start Weight (%)	BM Start Weight (%)	Fund End Weight (%)	BM End Weight (%)	Fund Return (%)	BM Return (%)	Strategy (%)	Selection (%)
Total Equities	70.4	73.0	71.5	71.9	-10.9	-6.8	**-**	**-2.8**
-UK Equities	21.3	25.0	22.0	23.7	-12.8	-10.2	**0.1**	**-0.6**
-Overseas Equities	23.6	24.0	24.2	24.3	-8.7	-4.3	**-0.1**	**-0.9**
-Global Equity Units	25.5	24.0	25.3	23.9	-11.1	-5.9	**-**	**-1.3**
Total Bonds	22.3	23.0	20.1	24.1	-8.2	-1.1	**-**	**-1.6**
Other Assets	3.2	4.0	3.3	4.0	-3.5	-4.9	**-**	**-**
Total Cash	4.1	-	5.0	-	-28.1	-	**-0.9**	**-**
Total Fund Ex Property	100.0	100.0	100.0	100.0	-10.9	-5.4	**-**	**-**
Timing							**-0.2**	
Total Fund	**100.0**	**100.0**	**100.0**	**100.0**	**-10.9**	**-5.4**	**-1.1**	**-4.4**

Risk to 30 September 2008

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

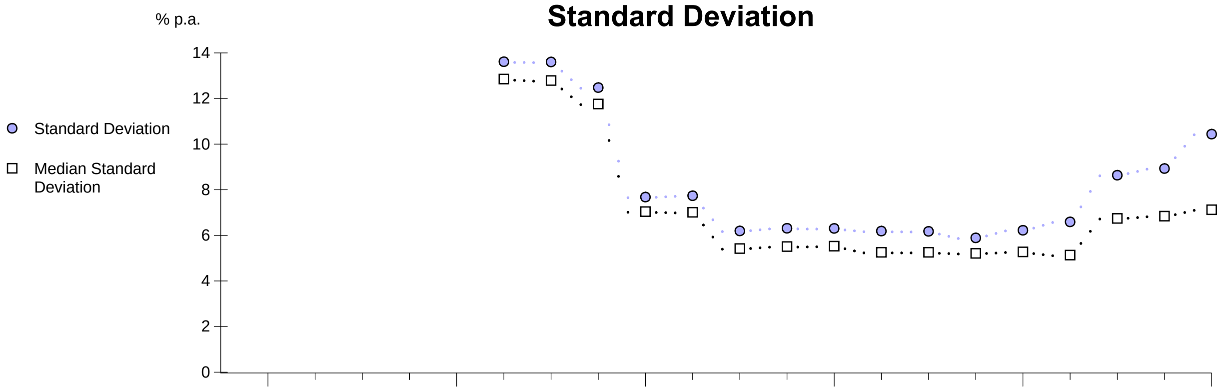
Statistical information has been included to provide a basis for comparison. Information ratio statistics are for the upper quartile as the median information ratio will tend towards zero.

Total Fund	**3 Year Periods Ending:**				
	30 Sep 2007 % p.a.	**31 Dec 2007 % p.a.**	**31 Mar 2008 % p.a.**	**30 Jun 2008 % p.a.**	**30 Sep 2008 % p.a.**
Combined Management : Multi-Asset					
Standard Deviation	6.26	6.63	8.67	8.97	10.47
Median Standard Deviation	5.31	5.17	6.78	6.88	7.16
Tracking Error	1.48	1.92	2.13	2.11	3.81
Median Tracking Error	1.00	1.07	1.09	1.20	1.22
Information Ratio	0.46	-0.16	-0.52	-0.45	-0.81
Upper Quartile Information Ratio	0.77	0.66	0.52	0.65	0.24
Fund Return	14.87	12.05	8.50	5.89	-0.62
Benchmark Return	14.19	12.36	9.61	6.84	2.45
CAPS Fund Median	13.02	11.23	8.45	6.30	1.91

Long-Term Rolling Risk to 30 September 2008

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

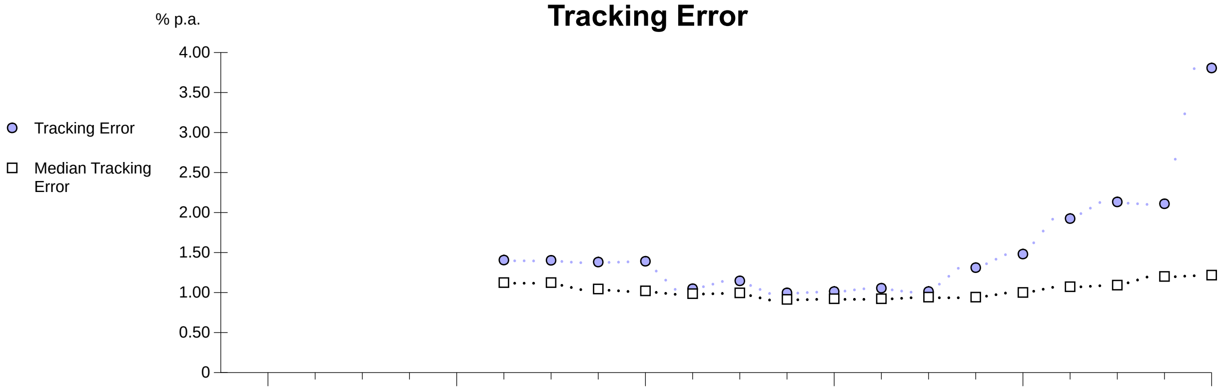
Standard Deviation



Three Year Periods ending

	30 Sep 2003	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008
Standard Deviation	-	-	7.72	6.34	6.26	10.47
Median SD	-	-	7.08	5.56	5.31	7.16

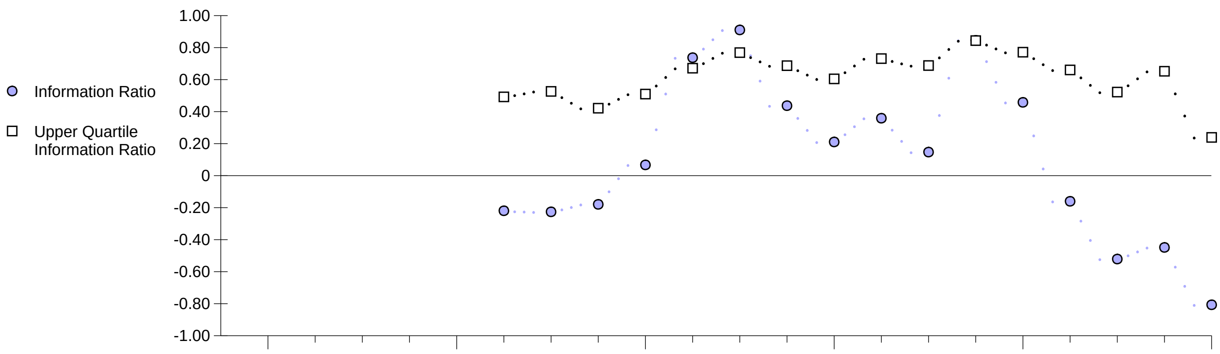
Tracking Error



Three Year Periods ending

	30 Sep 2003	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008
Tracking Error	-	-	1.39	1.01	1.48	3.81
Median Tracking Error	-	-	1.02	0.92	1.00	1.22

Information Ratio



Three Year Periods ending

	30 Sep 2003	30 Sep 2004	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008
Information Ratio	-	-	0.07	0.21	0.46	-0.81
Upper Quartile IR	-	-	0.51	0.61	0.77	0.24