

London Borough of Hillingdon

2nd Quarter, 2009

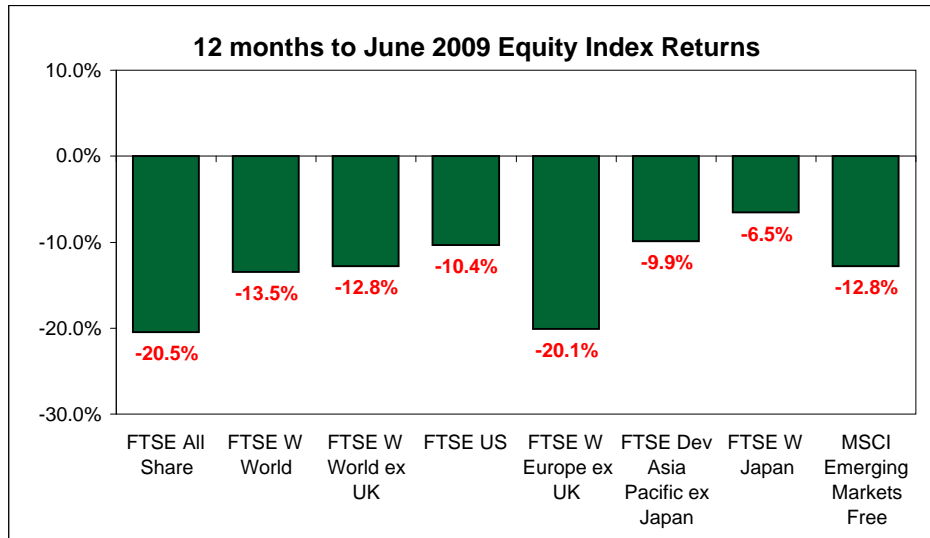
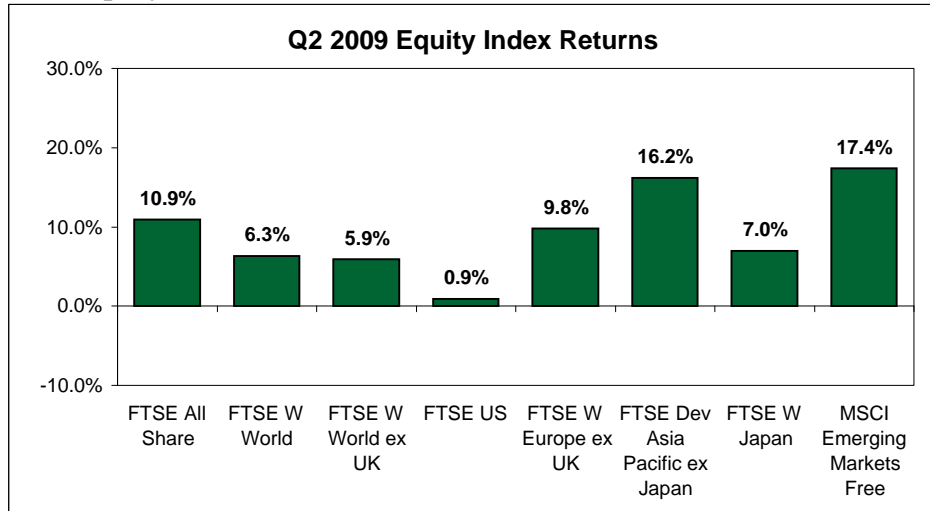
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Equity Overview



All index returns are in GBP terms unless stated otherwise.



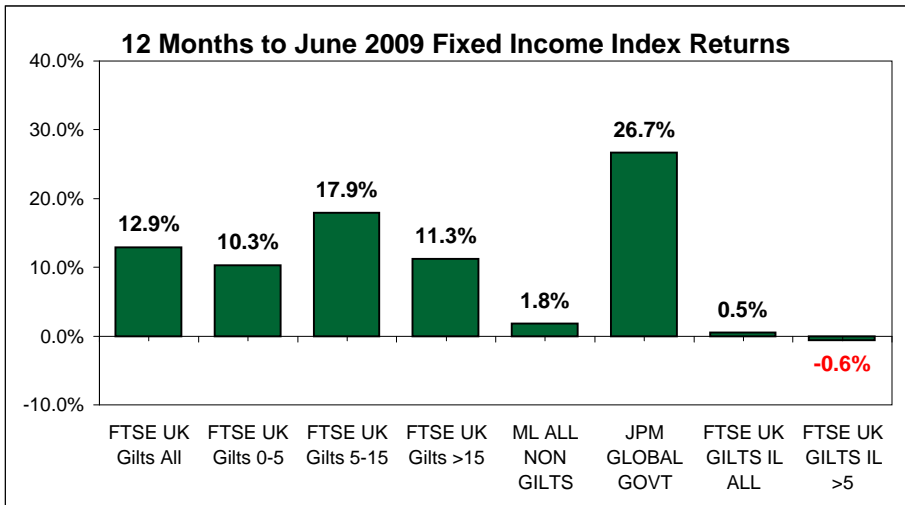
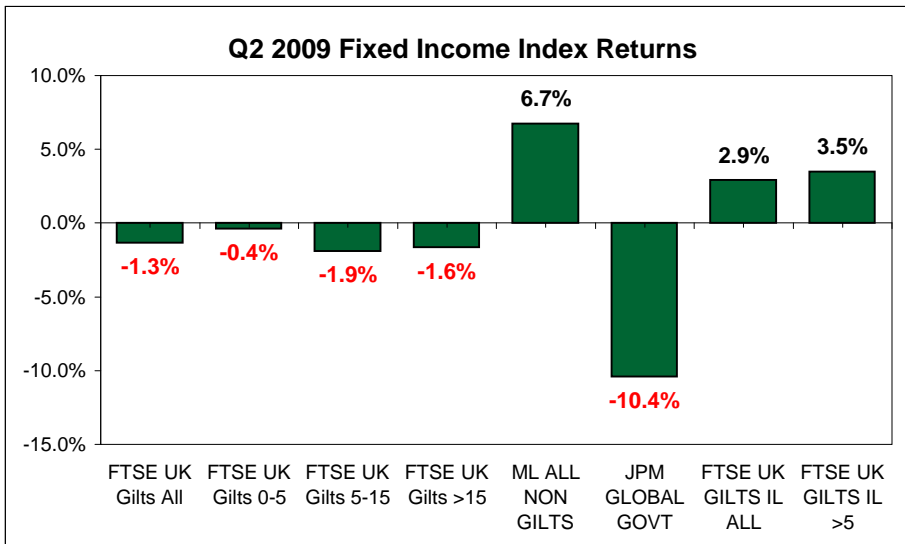
Confidence has undoubtedly grown over the 2nd quarter as the rate of economic deterioration generally slowed following the steepest downturn the world economy has experienced since the 40's. Emerging markets continued to build on the gains made in Q1, leading the way in Q2 and the price of oil more than doubled from the lows of February. Fears of a long term inflation threat and the unknown shape of the recovery curve, be it L, U, V or W are providing a reality check while Western governments continue to apply stabilising measures. Global manufacturing output has grown following the sluggish rates seen in Q1. The International Monetary Fund (IMF) continues to predict a return to sustained growth towards the end of next year, in all regions other than the EU, following its annual health-checks of leading economies. Political instability in Iran, the world's 5th largest supplier of oil, has failed to make a real impact as global production capacity can cover any potential change in supply. The FTSE World was up 6.3% (GBP) in quarter 2 2009 despite a weaker June return (-2.6%) (GBP).

The finalised UK GDP figures for Q1 concluded a contraction of 1.9%, the largest quarter on quarter fall since 1979. From this low point the UK has followed the global rally enjoyed by equities with Large Caps leading the stock market increase of Q2. The sentiments of the CBI are that the rate of decline is slowing and that is mirrored by the IMF claim (albeit subject to uncertainty) that the pace of the slump is easing, hailed by Brown and Darling as a vindication of their strategy in "averting a systemic breakdown". The FTSE All Share was up 10.9% (GBP) over the second quarter. The Bank of England persevered with the all time low base rate of 0.5%. Unemployment climbed to reach more than 7% (more than 2.2 million people unemployed) and some predictions for 2010 go as high as 10%. The Chancellor is expected to set out a new tripartite system of financial regulation with roles for the FSA, Treasury and Bank of England to boost confidence within the investment community.

In Europe, the FTSE Europe ex UK returned 9.8% (GBP). Investor confidence has been running high, the best performing sectors; basic materials, oil & gas and financials making up for losses in consumer services and industrials. The pace of the contraction of the Eurozone economy slowed throughout Q2. Italy and Germany continue to struggle while France and Spain lead the improvement. Germany asked for a temporary relaxation of the Basle 2 capital requirements in order to stimulate lending. The fear that the exponential increase in the size of banks led us to the verge of financial Armageddon is well illustrated by the plight of Iceland, where the banks were considerably larger than the economy. The country is now surviving on loans from the IMF and enforcing savage cuts to public services. The European Central Bank continued in line with other central banks cutting the lending rate to 1% in May, it's lowest since the Euro started in 1999. Some analysts have suggested that these measures do not go far enough but Trichet has proclaimed his satisfaction with the Europe wide refinancing project although he admitted that inflation will undoubtedly turn negative in the coming months. Unemployment has continued to rise, inevitably impacting industrial production. President Obama's plans to sweep aside the "culture of irresponsibility...from Wall Street" continued with the announcement of a plan to give the Fed the authority to police all major financial institutions and not just banks. Critics claim this goes too far and overestimates the Fed's expertise in being able to prevent future catastrophes. The first quarter 2009 US GDP figure was revised up from -6.1% to -5.7% following improved corporate profits inspired by financial institutions exploiting their access to record low lending rates. A significant measure of this progress was observed when 10 financial companies (including Northern Trust) were given permission by the US Treasury to repay \$68 billion received through the Troubled Asset Relief Programme. The FTSE US index was up 0.9% (GBP) over the second quarter of 2009. The chapter 11 bankruptcy filing of General Motors was the big company news story of Q2, \$30 billion of government support means that the restructured company will be majority state owned. 1,100 dealerships will shut and a quarter of staff will lose their jobs. Despite this and the 26-year high, 9.5% unemployment rate, tentative signs of improvement are evident within unemployment statistics. May and June represent the first 2 months when less than 500k US jobs have been lost from the economy following 6 straight months of +500k job losses. The federal funds target rate was maintained at its all time low of between 0% and 0.25% throughout Q2. Oil prices, following a highly volatile 2008, and the February low finished June at \$69 per barrel. Notorious grifter Bernard Madoff was sentenced to a maximum 150 years in prison in a message of intent from the US authorities.

Official figures show that in Q1 the Japanese economy shrank at the fastest rate seen since 1955. Due to the fact that this was widely anticipated and a slight upturn in production was seen over the start of Q2, predictions are that we have already experienced the low of the current cycle. Asia Pacific as a region was only just behind the Emerging Markets in posting impressive Q2 returns. The FTSE Japan returned 7% (GBP) for Q2, the FTSE AW Asia Pacific ex Japan returned 16.2% (GBP). Emerging economies continue to grow at a faster rate than their developed counterparts. The victory in India of the Congress Party inspired confidence with the promise of economic reform boosting equity returns significantly. China added further to the region's performance with talk of sustainable recovery. Brazil continued in fine fashion following a strong Q1, benefiting from rising commodity prices and cuts in domestic interest rates. MSCI Emerging Markets Free index returned 17.4% (GBP) for the second quarter.

Fixed Income Overview



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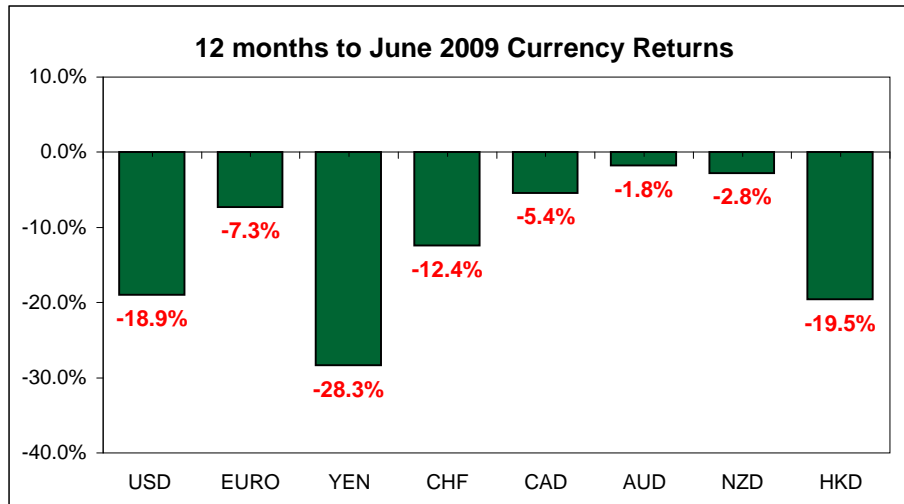
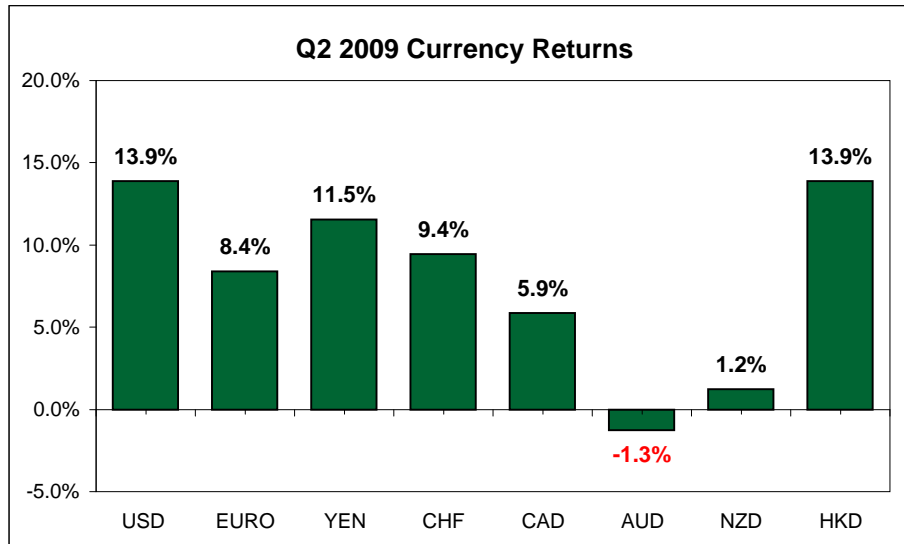
The global contraction continued into Q2 as the World Bank predicted that the economies of the developed countries would grow by only 1.2%, significantly below last year's growth of 5.9%. However, despite the steepest global economic downturn since the 1940's with global trade expected to contract by 12% this year - the markets have turned from worrying about how bad the downturn is going to be, to looking for when the recovery will start. Leading indicators of economic activity continued to improve from their cycle lows raising optimism that the global economy is stabilising. Corporate credit conditions improved as equity markets consolidated earlier gains. Signs that the recovery may have started were indicated as manufacturing figures from major economies showed that the pace of contraction is slowing.

In the UK the Bank of England left the all time low base rate unchanged at 0.5% and the focus of attention has been on quantitative easing. The UK Budget 2009 announcements were as grim as expected however it was the scale of the projected public sector borrowing, soaring to £175bn – 12.4% as a share of the economy for the current fiscal year that caused the most concern. This and the preliminary official estimate showing UK real GDP had contracted by 1.9% in Q1 kept pressure on the central bank to keep monetary policy loose. The main message of the Bank of England's May Inflation Report was that the UK economic outlook remained very uncertain while rising unemployment underlines the prediction of a large negative output gap. This in turn raised concerns of an increased risk of price deflation and provided justification for the Bank of England announcing in May that it would extend its asset purchase programme by £50bn to £125bn. Following the surprise increase in the UK services Purchase Managers Index (PMI) to 51.7 in May (a rise above 50 signals expansion) and the National Institute of Economic and Social Research (NIESR) report that the UK economy expanded in May; optimism that economic recovery was on its way triggered a sell off in government bonds and a sharp rise in gilt yields and UK swaps. 10 year yields increased to peak at just over 4% for the first time since early November and closed the quarter at 3.69%, up considerably from the 3.17% close for Q1. The FTSE UK Gilts All Stocks ended the quarter in negative territory returning -1.3%.

In Europe the European Central Bank reduced its main interest rate in April and May to 1%. On the heels of data confirming the unemployment rate in the euro zone rose in March to 8.9%, the ECB also announced in May their decision to purchase €60bn in covered euro zone bonds. These are high quality bonds typically backed by mortgages and widely used in German capital markets. While not strictly quantitative easing, bunds fell on the announcement as the measure may improve the flow of credit to the wider economy. The German ZEW Survey of investor sentiment came in significantly stronger than expected at 44.8 in June from 31.1 in May. Credit conditions were further eased by the ECB offering €442.2bn of 1 year funds at 1%. The iTraxx Europe Index, representative investment grade entities across 6 sectors including Consumers, Financials and Industrials reflected improved liquidity as spreads tightened from 172.9 at the end of March to 112.2 at quarter end. Concern over recovery prospects were raised as the June unemployment rate for the 16 countries showed a rise to 9.5%, the highest for a decade.

In the US the Federal Reserve left the target interest rates unchanged at 0-0.25%. With unemployment rising and households more inclined to save rather than spend, concerns have arisen that a sharp increase in long term yields and the resulting rise in mortgage rates could delay a recovery in the US housing market. Against this backdrop, interest rates are expected to hold. Longer term bond yields continued to rise over the quarter as stronger economic data, including the better than expected 345,000 non farm job losses in May supported the view that the global economy is stabilising. At the same time fears over government debt levels increased the upwards move in US treasury yields. Towards the end of June concerns about the strength and sustainability of any economic recovery have pushed market rates lower as weak US earnings reduced inflation expectations. The 2 year Treasury yields rose on the quarter from 0.85% to 1.12% while the 10 year Treasury yields increased from 2.70% to 3.52%.

Currency Market Overview



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Financial market sentiment improved over the quarter as global economies showed commitment to keeping interest rates at record lows and implemented various forms of easing; targeting expansion of the money supply. Global equity markets bounced back supporting the emerging market currencies while key commodity prices including oil rose quickly. Crude oil increased to peak at just over \$70 per barrel while gold edged over \$980 per ounce before falling back to \$927 at the end of June. The high yielding commodity currencies (AUS\$, CAN\$ and NZ\$) also performed strongly, weighing on the safe haven US\$ as investors sought riskier trading alternatives. Towards the end of June the financial markets have turned more sceptical about the 'green shoots of recovery story' as the monthly economic data suggests that the growth momentum has slowed. Currency volatility eased back over the quarter as indicated by the VIX volatility index from 44.14 at the end of Q1 to close at 26.35, the lowest level since last September.

Sterling appreciated against all major currencies, bar the AUS\$ over the quarter, aided by stronger than expected economic data particularly in May when the services Purchasing Managers' Index (PMI) picked up for the first time in a year while strong increases came from the manufacturing and construction PMIs. In June, the UK economic data had a mixed impact on the pound. Positive effects came from the smaller than expected fall in the UK CPI, which declined to 2.2% in May from 2.3% in April compared to market expectations of a fall to 2%. However heightened political turmoil, the downward revision of the Q1 GDP to -2.4%, concerns over record UK public sector borrowing and the expectation that the Bank of England will need to increase the size of its asset purchase programme from its current £150bn, all weighed on the pound. Sterling has stabilised from its fall during 2008, to close up 13.9% against the dollar, 8.4% against the euro and 11.5% up against the yen.

The dollar depreciated against all major currencies, losing ground as a safe haven currency as investors switched to riskier assets as market confidence was improved. Global equity markets were buoyant earlier in the quarter supporting the emerging market currencies gains. However profit taking in June occurred following mixed economic data providing a reality check that a recovery to growth is not yet assured. Both commodities and their associated currencies soared with the AUS\$ gaining 15.1%, the CAN\$ gaining 8.0% and NZ\$ 12.7% against the US\$ over Q2. Consumer confidence as published by the Conference Board faltered in June falling to 49.3 from 54.8 in May after rising in the previous three months. Combined with the worse than expected monthly non-farm payrolls report that 467,000 jobs were lost in June and that the unemployment rate increases to 9.5%, the dollar pulled back previous losses against the euro and yen to depreciate 5.5% and 2.3% respectively for the quarter. The dollar depreciated 13.9% against the pound for the quarter.

The European Central Bank reduced euro-zone interest rates to 1.0% in May and in June surprised markets by injecting a massive €442bn of 1 year funds into the banking system. This helped to contribute to a fall in the Euro-zone money rates. The unemployment rate rose to 9.5% across the 16 euro-zone countries in May while consumer prices fell for the first time in the year to June. Economic data appears to be improving with the PMI manufacturing and services survey rising from 44.0 to 44.4 in June, while the German IFO business climate survey rose in June from 84.3 to 85.9 the highest level this year to date. The euro gained against the dollar and the yen by 5.5% and 3.2% respectively while depreciating against sterling by 8.4%.

Poor economic data from Japan continues to weigh on the yen, while higher yielding currencies may boost capital outflows and the return of carry trade based strategies. The unemployment rate rose to 5.2% in May up from 5% in April, however according to the Bank of Japan's quarterly Tankan survey big manufacturing firms were less gloomy in June than they had been in March. Over the quarter, the yen depreciated 11.5% and 0.2% against sterling and the euro respectively however it gained 2.3% on the dollar.

Scheme Performance

The London Borough of Hillingdon Fund outperformed the Total Plan Benchmark by 0.18% during the second quarter of 2009 (7.21% vs. 7.02%). Outperformance was due largely to favourable stock selection, particularly in Overseas Equities (2.74%). Unfortunately, the Fund experienced a heavy negative currency effect (-3.23%) which offset a great portion of gains earned by the stock selection. Fixed Income holdings also contributed (0.46%) to the overall return. Asset allocation bore a negative effect on the Fund's profits. While there were gains from underweighting less profitable Real Estate (0.29%) and Overseas Equities (0.08%), overall stock selection was at a loss(-0.30%).

Year to date, the Fund outperforms the benchmark (-1.95% vs. -2.02%). However, the Fund underperforms the benchmark over all longer term periods.

During the last part of this quarter, the Fund has also begun a restructure. The first step of this process was to close Capital International. More changes are to

Manager Performance

Alliance Bernstein

Continuing a pattern of underperformance, Alliance Bernstein returned 7.69% compared to the benchmark's 9.41%. Stock selection (-1.61%) was the primary source of underperformance. UK Equity (-0.94%) and North American Equity (-0.55%) were the more negative holdings in the portfolio. European ex UK Equity (0.10%) and Japanese Equity (0.05%) added some value back to the Fund. Asset allocation, although fairly closely aligned with the benchmark, also detracted from overall returns (-0.21%). The decision to hold a negative cash position cost Alliance Bernstein -0.25%. Since inception in March 2006, the Fund underperforms the benchmark -8.54% to -4.93%. Over the last twelve quarters, the Fund has outperformed the benchmark in only two.

Goldman Sachs

Goldman Sachs saw a profitable quarter with an outperformance over the index (5.46% vs. 2.34%). Favourable Fixed Income holdings selection (3.04%) and a strong hedging effect (1.21%) helped the Fund achieve the outperformance. Allocating funds away from Index Linked Gilts to Cash (0.07%) and Futures Offsets (0.32%) added value to the overall performance. While this was a strong quarter, weak historical returns cause the Fund to fall short of the benchmark over all long term periods.

SSGA

While stock selection (-3.47%) and asset allocation (-0.07%) proved weak for SSGA, a strong currency effect (3.69%) allowed the portfolio to match the composite benchmark (8.68%). Since inception in November 2008, SSGA returns 6.90% compared to the benchmark's 6.91%.

UBS

UBS proved strong against the benchmark with a return of 13.04% compared to 10.88%. These favourable returns brought the Manager closer to the benchmark. However, since the last ten quarters have been challenging ones, UBS falls short in longer term periods. Historically, the Fund is still strong and maintains a lead since inception in December 1988 (9.05% vs. 7.81%).

UBS Property

For the fourth quarter in a row, UBS Property edged over the benchmark (-3.28% vs. -3.30%). The Fund remains above benchmark levels for all time periods.

Scheme & Manager Performance

2nd Quarter, 2009

London Borough of Hillingdon

Scheme Performance

	Market Value £m		% of Fund		<u>Three Months</u>				<u>Year To Date</u>				<u>One Year</u>			
					Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	419.9	100.00	7.21	7.02	0.19	0.18	-1.95	-2.02	0.06	0.06	-15.88	-14.29	-1.59	-1.86		

By Manager

	Market Value £m		% of Fund		<u>Three Months</u>				<u>Year To Date</u>				<u>One Year</u>			
					Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
Capital International	0.1	0.03	4.26	5.33	-1.07	-1.02	-4.50	-5.43	0.93	0.98	-15.27	-15.62	0.35	0.41		
Goldman Sachs	55.7	13.26	5.46	2.34	3.12	3.05	1.91	-0.19	2.10	2.11	1.51	4.85	-3.35	-3.19		
UBS	78.4	18.67	13.04	10.88	2.17	1.95	0.73	0.81	-0.08	-0.08	-13.76	-15.98	2.21	2.64		
Alliance Bernstein	85.2	20.29	7.69	9.41	-1.72	-1.57	-3.23	-1.41	-1.82	-1.85	-24.23	-16.55	-7.68	-9.21		
UBS Property	39.2	9.33	-3.28	-3.30	0.02	0.03	-10.59	-10.84	0.25	0.28	-26.39	-27.19	0.80	1.09		
SSGA	81.6	19.43	8.68	8.68	0.00	0.00	-0.76	-0.67	-0.09	-0.09	-	-	-	-		

Total Fund Market Value at Qtr End: £419.9 M

Scheme & Manager Performance

2nd Quarter, 2009

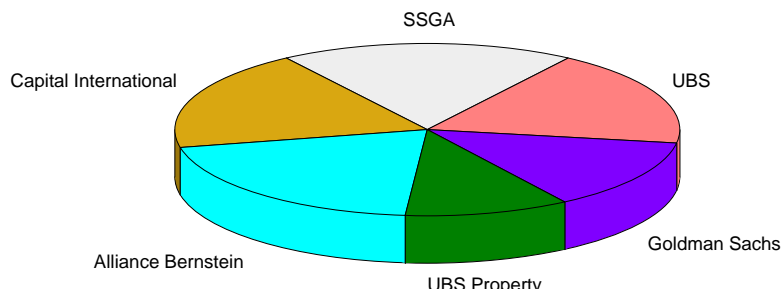
London Borough of Hillingdon

Scheme Performance

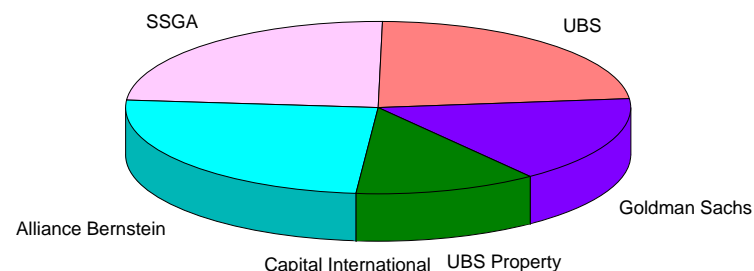
	<u>Three Years</u>				<u>Five Years</u>				<u>Inception To Date</u>				
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	
London Borough of Hillingdon	-5.49	-3.26	-2.23	-2.30	2.39	4.31	-1.92	-1.84	5.00	5.27	-0.27	-0.25	
<u>By Manager</u>													
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Capital International	-5.01	-3.15	-1.86	-1.92	2.92	4.72	-1.80	-1.72	31/12/01	1.91	3.02	-1.11	-1.08
Goldman Sachs	2.54	3.97	-1.44	-1.38	7.63	8.65	-1.02	-0.94	31/12/01	4.57	5.54	-0.97	-0.92
UBS	-5.91	-3.94	-1.96	-2.04	1.63	3.47	-1.84	-1.78	31/12/88	9.05	7.81	1.23	1.15
Alliance Bernstein	-7.74	-3.91	-3.83	-3.99	-	-	-	-	31/03/06	-8.54	-4.93	-3.62	-3.80
UBS Property	-10.85	-11.47	0.61	0.69	-	-	-	-	31/03/06	-8.94	-9.26	0.31	0.34
SSGA	-	-	-	-	-	-	-	-	30/11/08	6.90	6.91	-0.01	-0.01

Total Fund Market Value at Qtr End: £419.9 M

Weighting at Beginning of Period



Weighting at End of Period



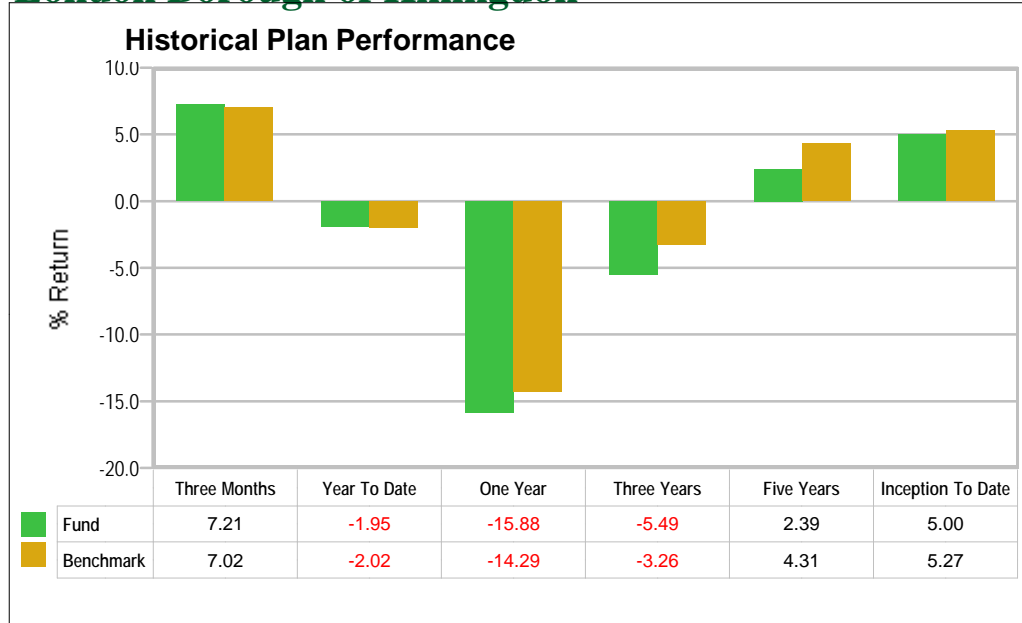
	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	392,345	100.00	-744	24,891	3,386	419,878	100.00
Capital International	74,853	19.08	-79,794	4,776	290	124	0.03
Goldman Sachs	52,789	13.45	22	2,842	40	55,693	13.26
UBS	70,618	18.00	-1,435	7,986	1,239	78,408	18.67
Alliance Bernstein	79,839	20.35	-765	5,001	1,118	85,193	20.29
UBS Property	40,513	10.33		-1,683	356	39,186	9.33
SSGA	73,732	18.79	1,435	6,397		81,564	19.43

Combined Fund Performance

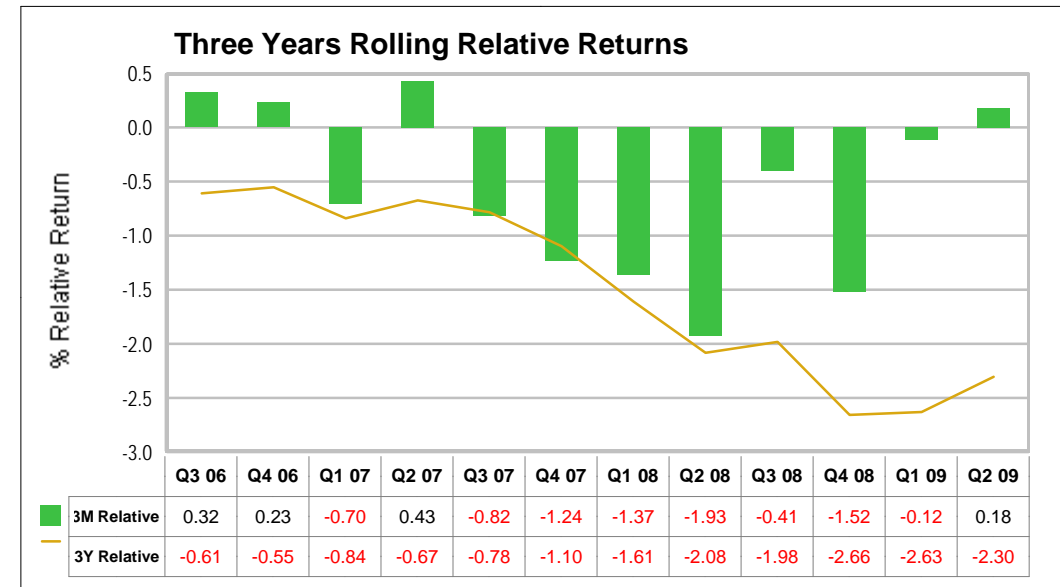
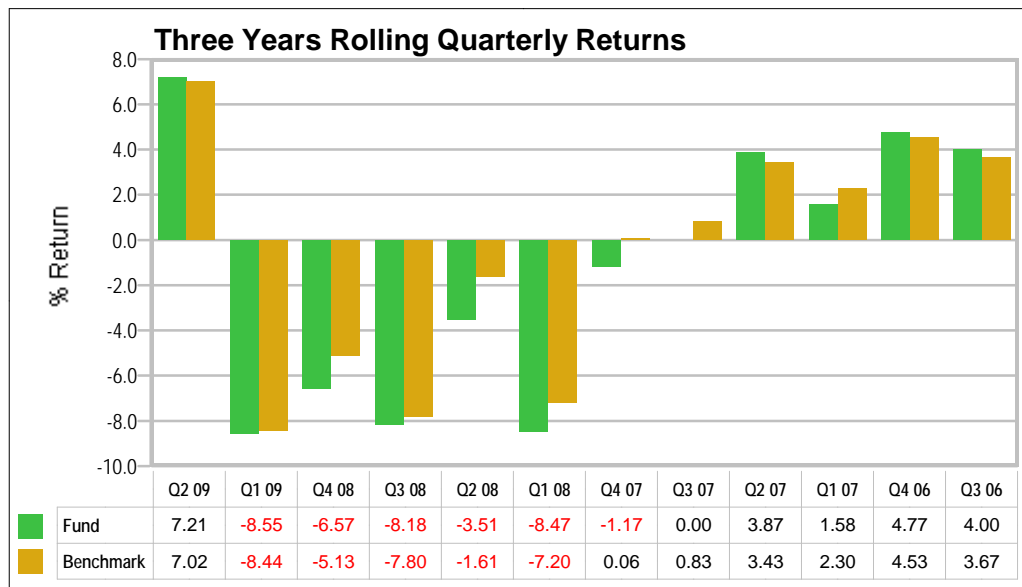
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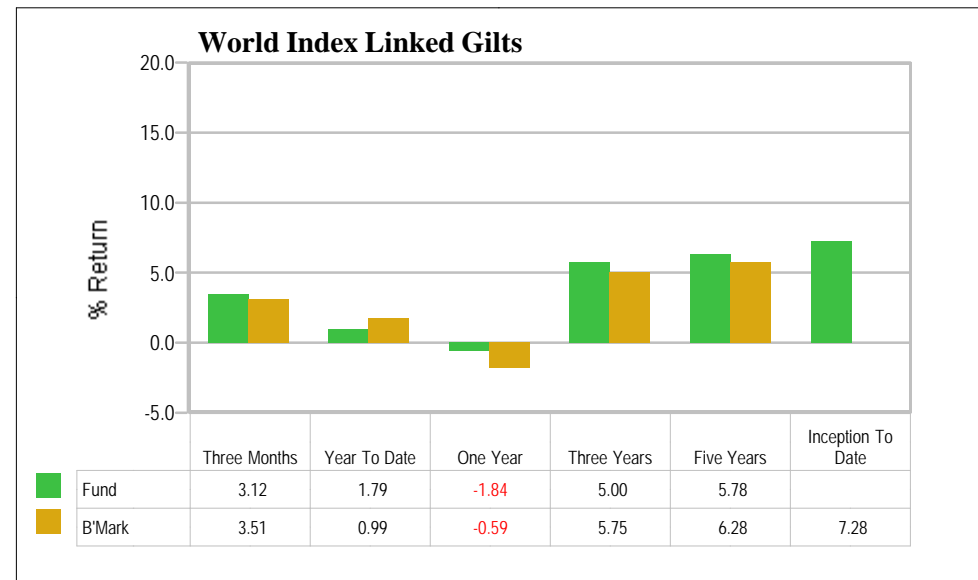
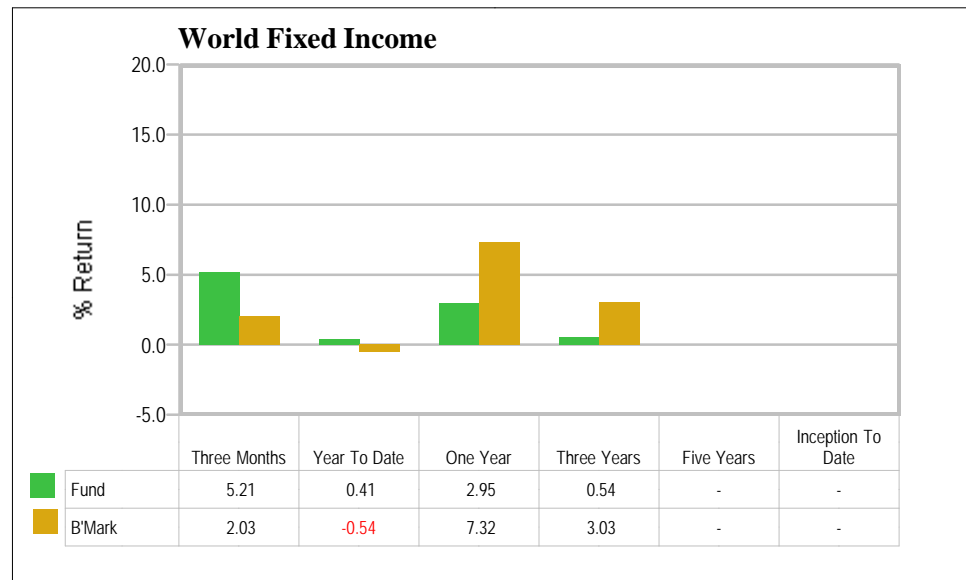
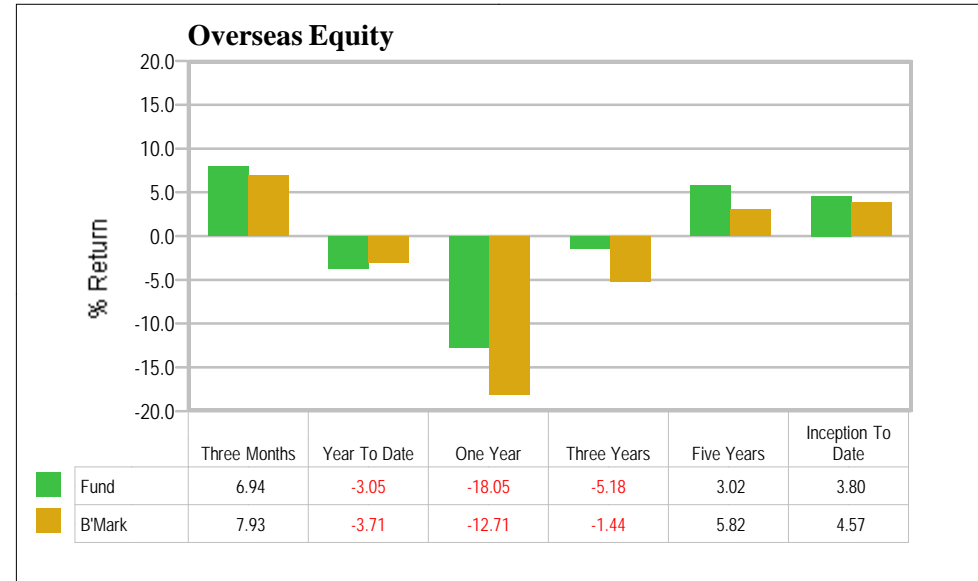
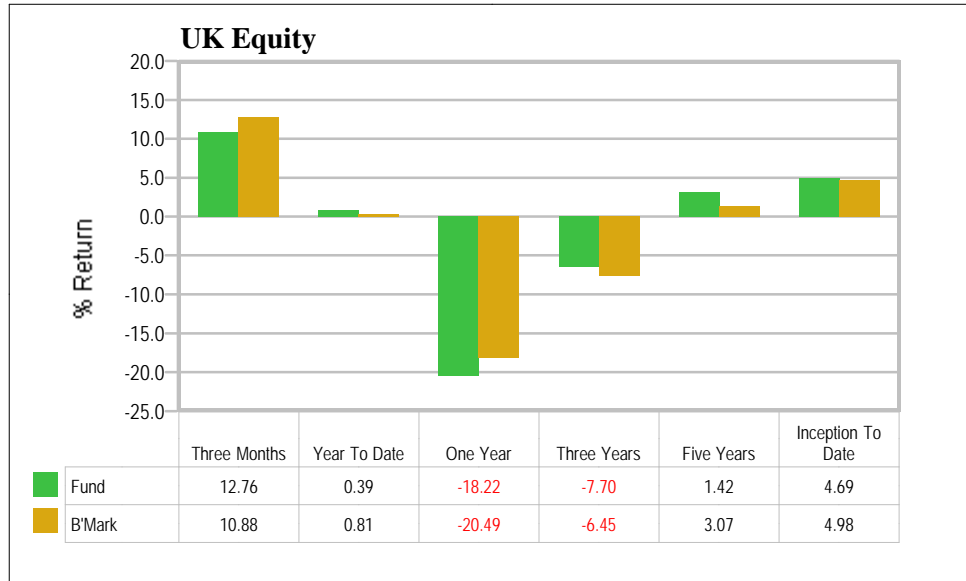
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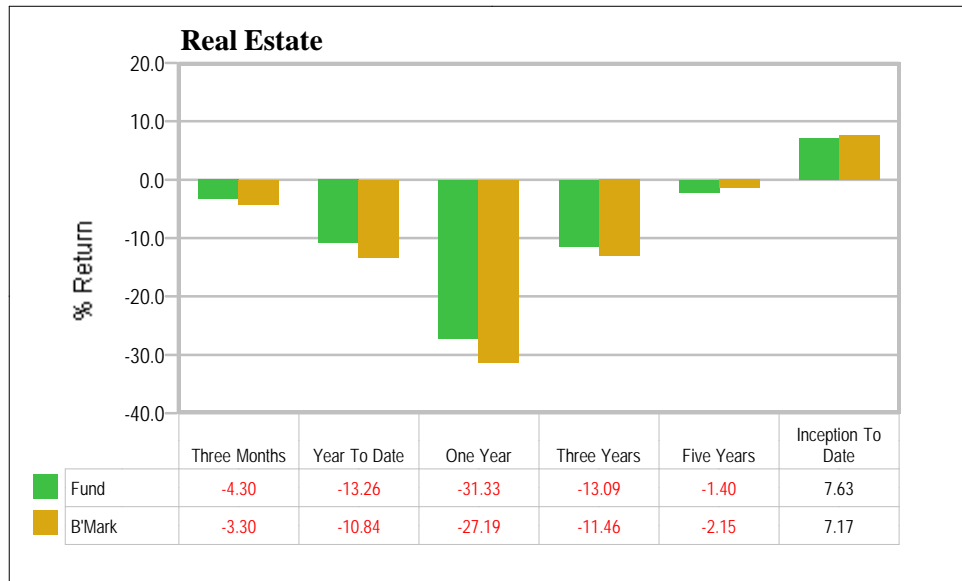
Risk Statistics - 3 years	Fund	B'mark
Performance Return	-5.49	-3.26
Standard Deviation	14.14	13.60
Relative Return	-2.30	
Tracking Error	1.34	
Information Ratio	-1.66	
Beta	1.04	
Alpha	-1.94	
R Squared	0.99	
Sharpe Ratio	-0.79	-0.66
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	392,345	
Net Investment (£000)	-744	
Income Received (£000)	3,386	
Appreciation (£000)	24,891	
Closing Market Value (£000)	419,878	



London Borough of Hillingdon

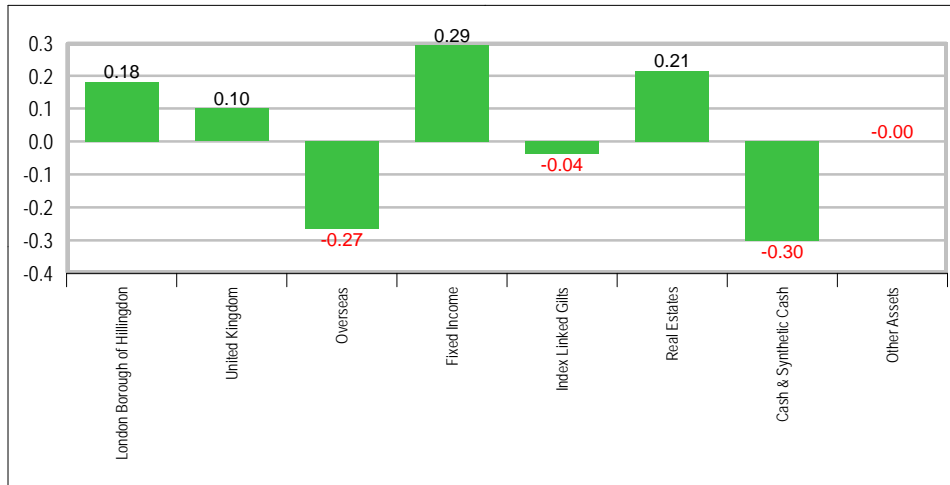


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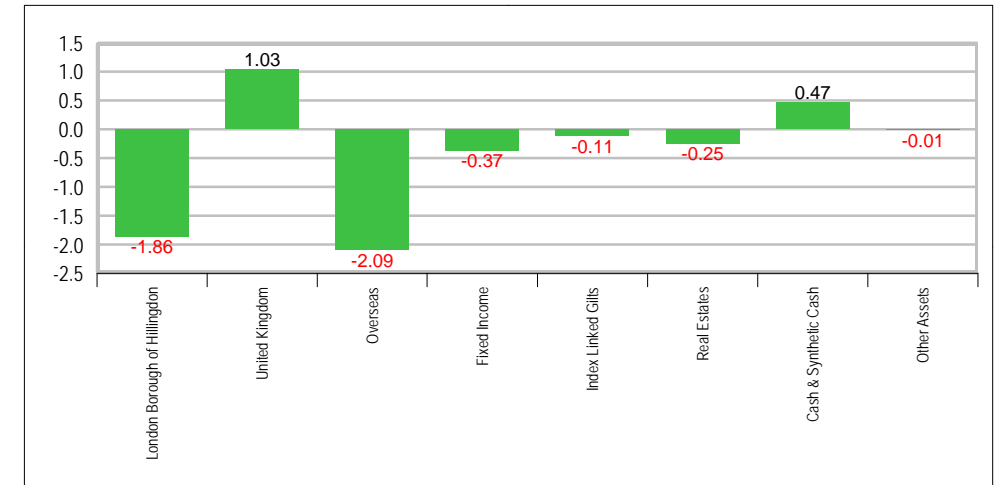


London Borough of Hillingdon

Relative Contribution - Three Months



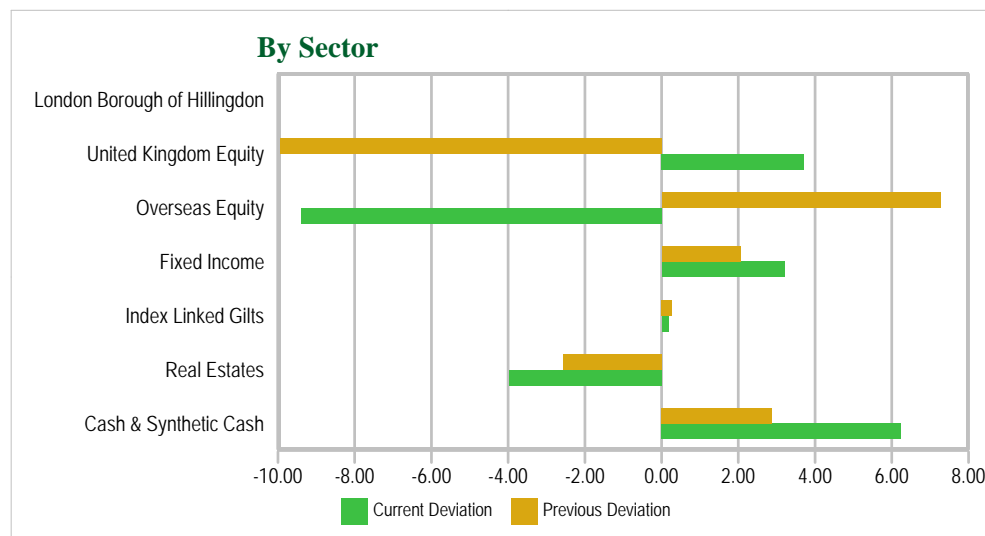
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	7.21	7.02	0.18	0.18	-3.23	-0.30	3.64	0.18
United Kingdom	12.76	10.88	1.69	0.00	-0.00	-0.40	0.50	0.10
Overseas	6.94	7.93	-0.92	0.00	-3.01	0.08	2.74	-0.27
Fixed Income	5.21	2.03	3.12	0.00	-0.09	-0.08	0.46	0.29
Index Linked Gills	3.12	3.51	-0.37	0.00	-0.00	-0.02	-0.02	-0.04
Real Estates	-4.30	-3.30	-1.04	0.00	-0.00	0.29	-0.07	0.21
Cash & Synthetic Cash	-3.08	-	-3.08	0.00	-0.14	-0.16	0.00	-0.30
Other Assets	-	-	0.00	0.00	0.00	-0.00	0.00	-0.00

	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	-15.88	-14.29	-1.86	-0.48	3.97	1.02	-6.08	-1.86
United Kingdom	-18.22	-20.49	2.85	0.00	-0.00	-0.03	1.07	1.03
Overseas	-18.05	-12.71	-6.12	0.00	3.78	0.20	-5.84	-2.09
Fixed Income	2.95	7.32	-4.08	0.00	0.24	0.15	-0.75	-0.37
Index Linked Gills	-1.84	-0.59	-1.26	0.00	-0.00	-0.05	-0.06	-0.11
Real Estates	-31.33	-27.19	-5.68	0.00	-0.00	0.25	-0.49	-0.25
Cash & Synthetic Cash	4.04	-	4.04	0.00	-0.04	0.51	0.00	0.47
Other Assets	-	-	0.00	0.00	0.00	-0.01	0.00	-0.01

London Borough of Hillingdon



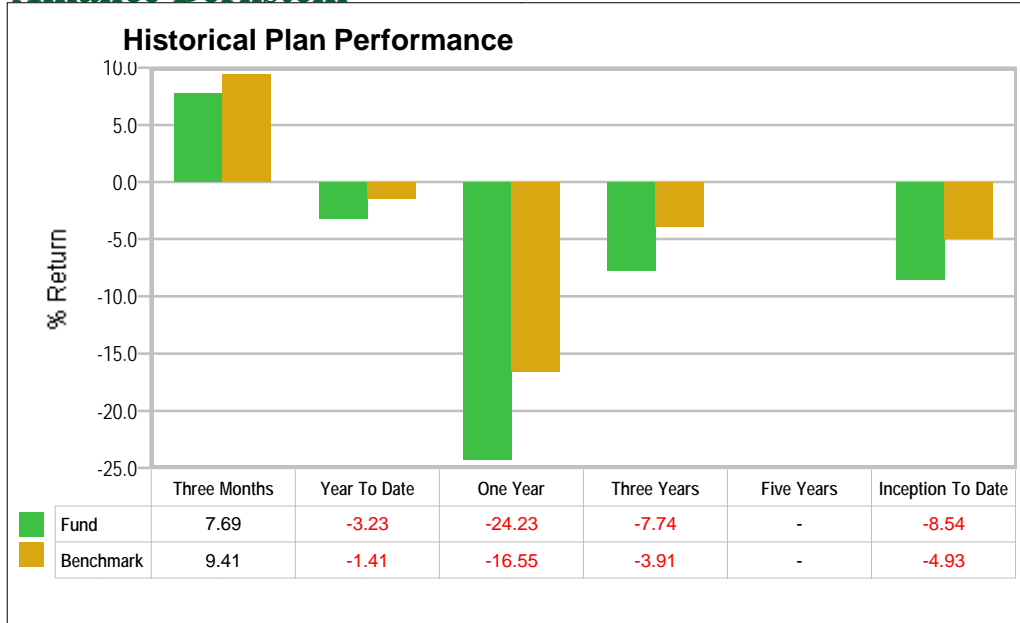
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
London Borough of Hillingdon	100.00	100.00	100.00		100.00	
United Kingdom Equity	40.56	26.91	36.84	3.72	36.84	-9.93
Overseas Equity	27.46	44.12	36.85	-9.39	36.85	7.27
Fixed Income	13.73	12.58	10.52	3.21	10.52	2.06
Index Linked Gilts	5.44	5.53	5.26	0.18	5.26	0.27
Real Estates	6.56	7.97	10.53	-3.97	10.53	-2.56
Cash & Synthetic Cash	6.23	2.89		6.23		2.89

Manager Performance

2nd Quarter, 2009

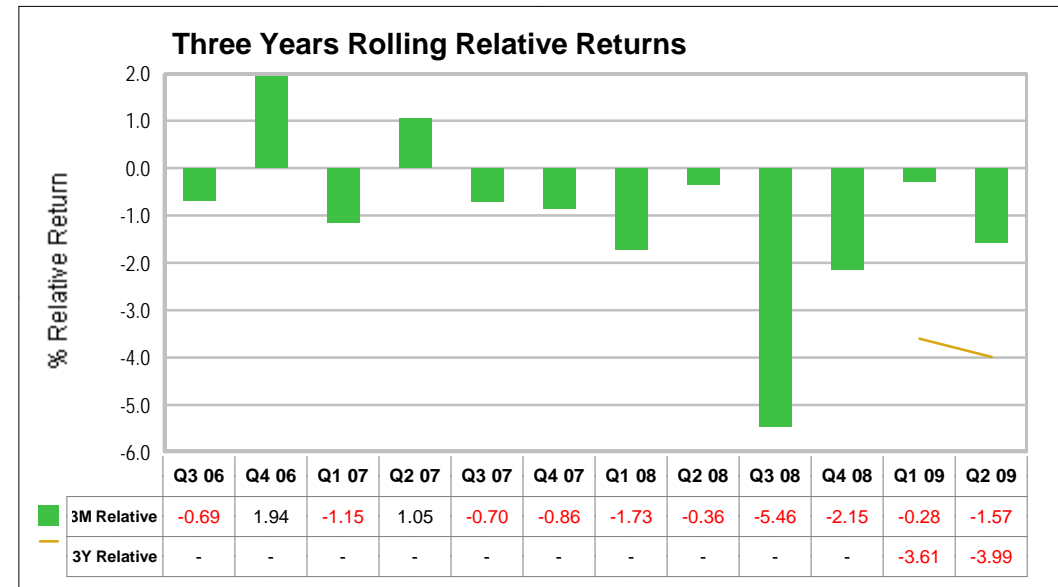
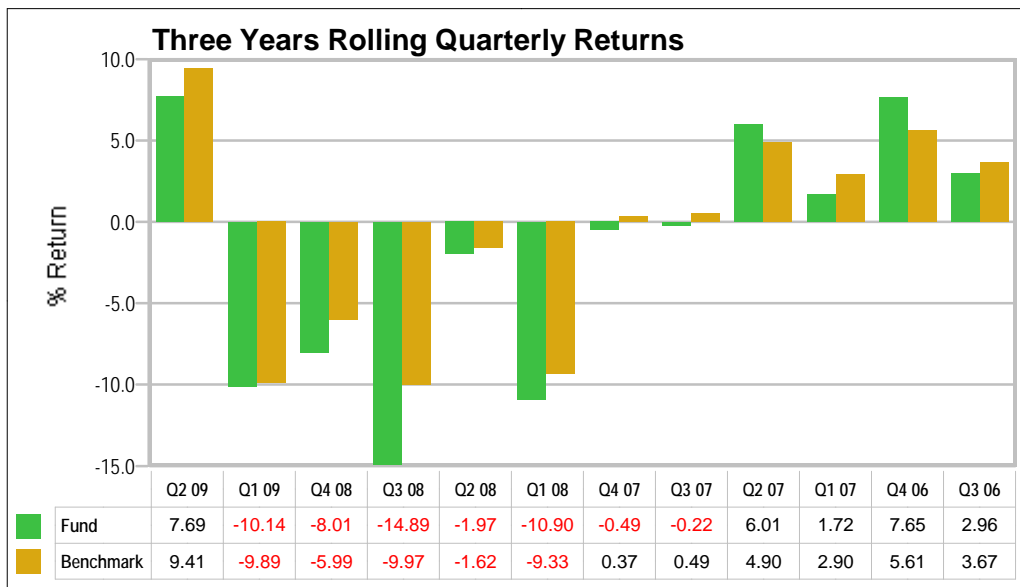
London Borough of Hillingdon

Alliance Bernstein



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-7.74	-3.91
Standard Deviation	18.45	17.54
Relative Return	-3.99	
Tracking Error	2.38	
Information Ratio	-1.61	
Beta	1.04	
Alpha	-3.46	
R Squared	0.99	
Sharpe Ratio	-0.73	-0.55
Percentage of Total Fund	20.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	79,839	
Net Investment £(000)	-765	
Income Received £(000)	1,118	
Appreciation £(000)	5,001	
Closing Market Value (£000)	85,193	

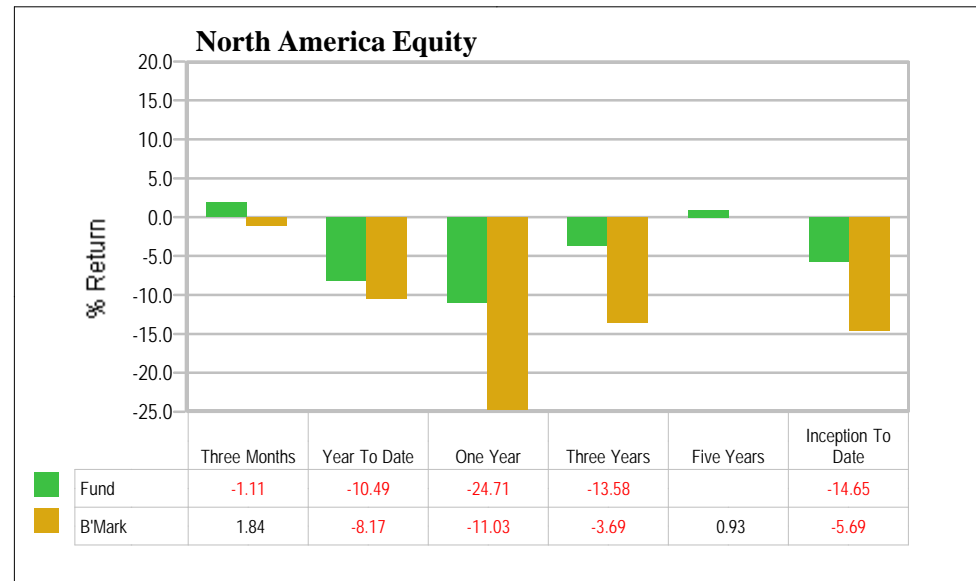
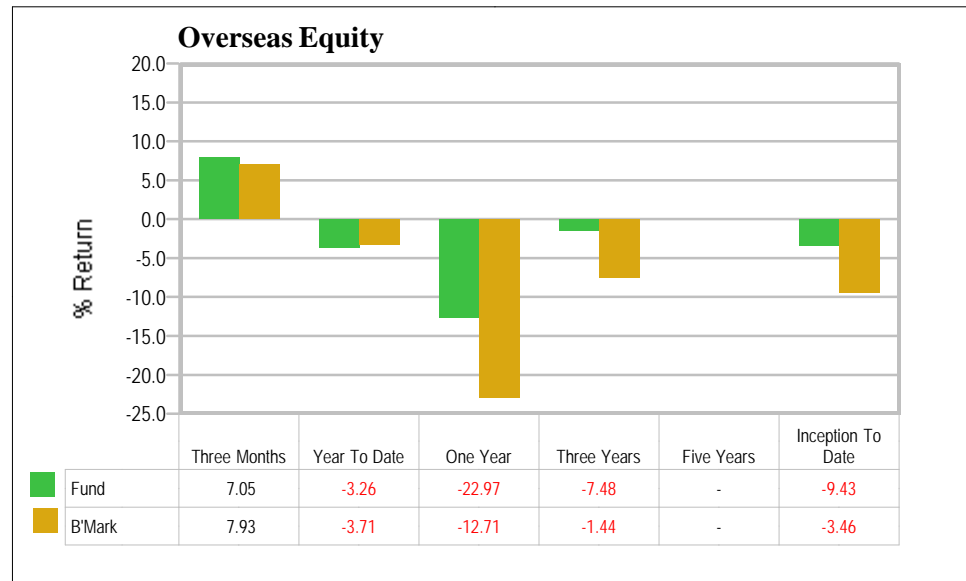
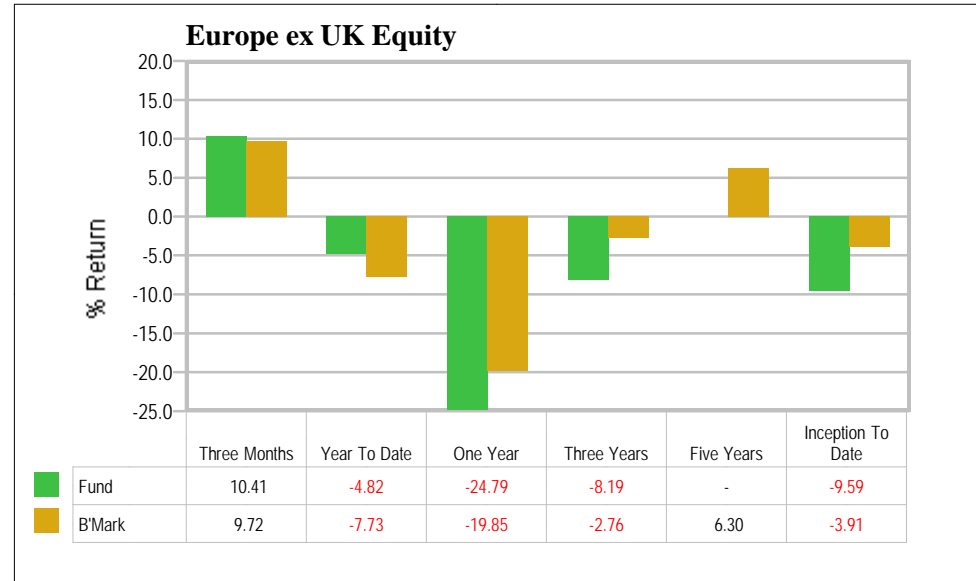
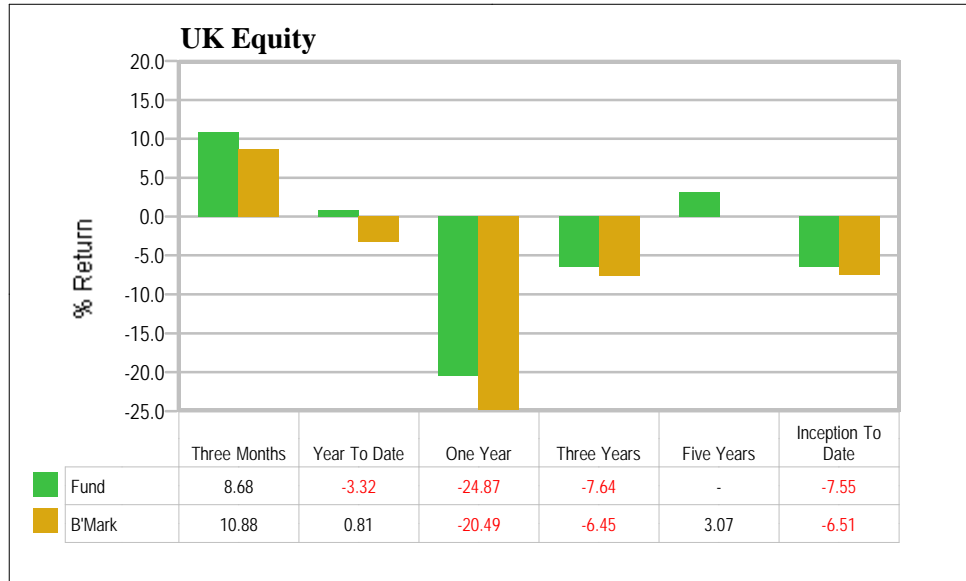


Component Returns - Equity

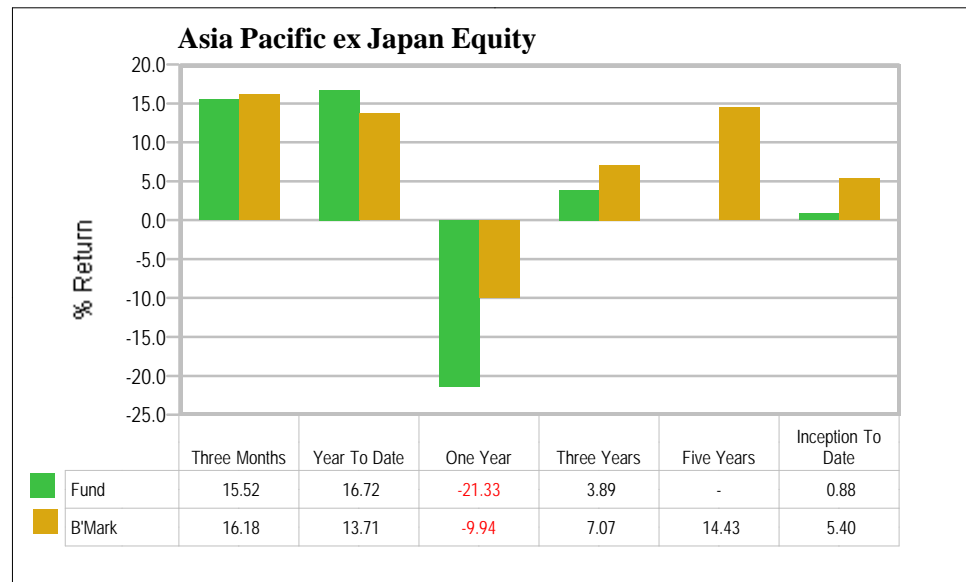
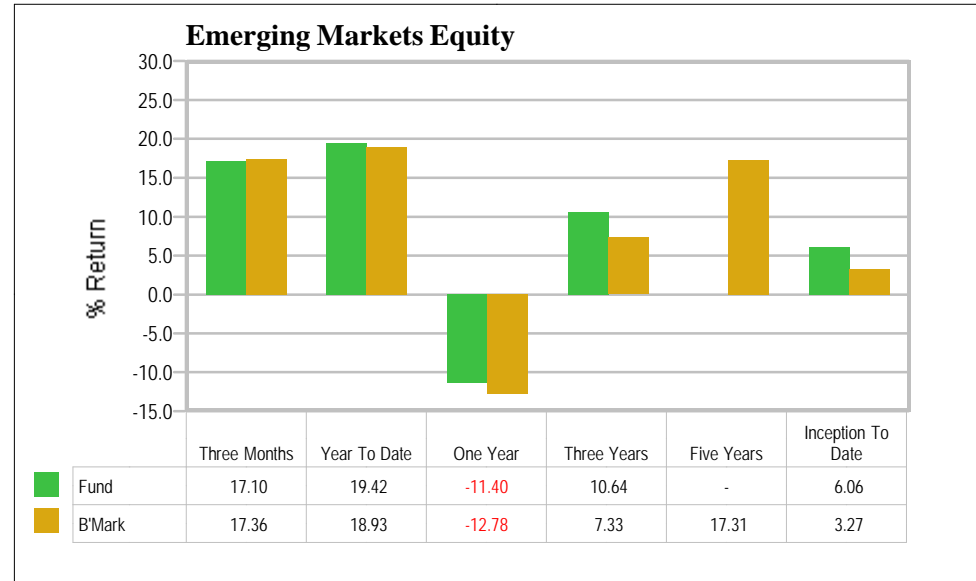
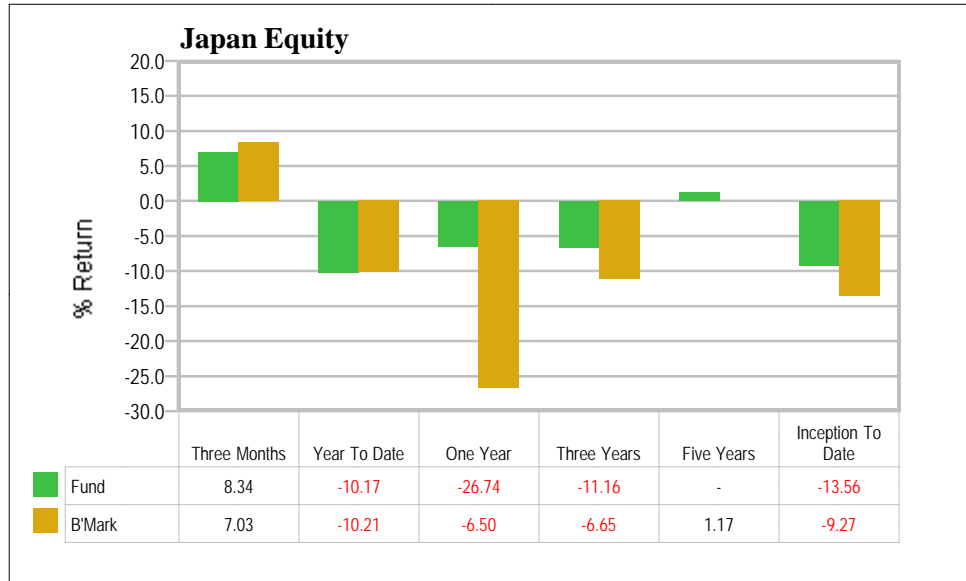
2nd Quarter, 2009

London Borough of Hillingdon

Alliance Bernstein

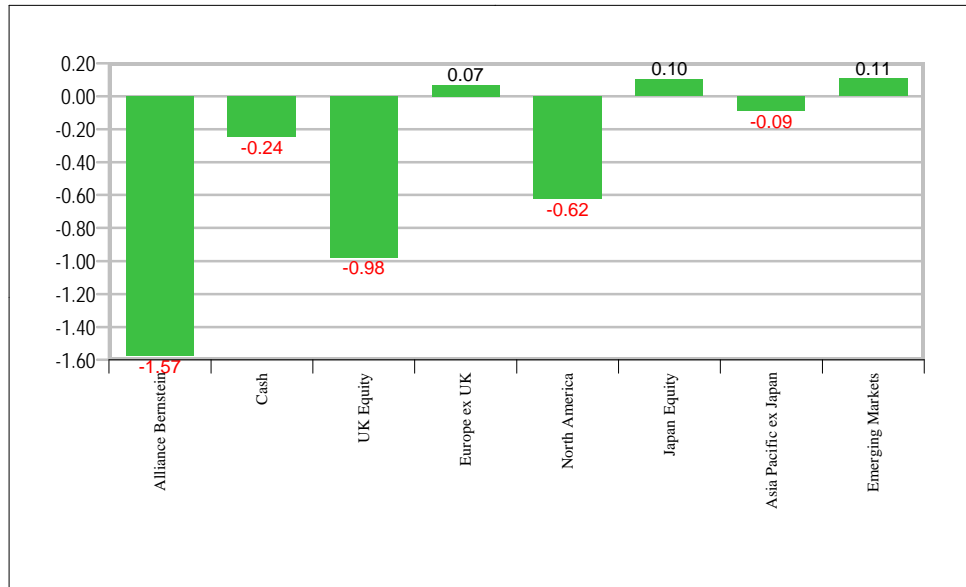


Alliance Bernstein

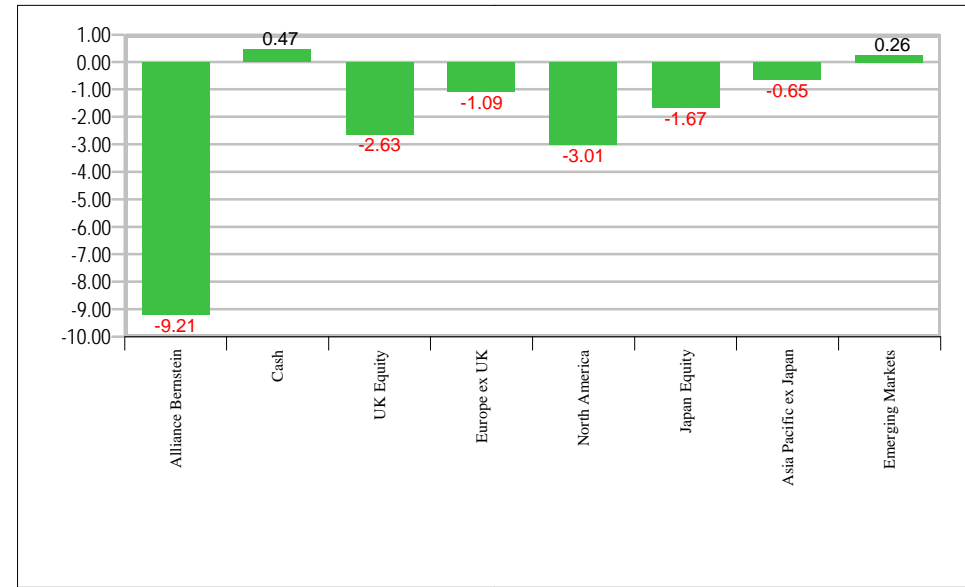


Alliance Bernstein

Relative Contribution - Three Months



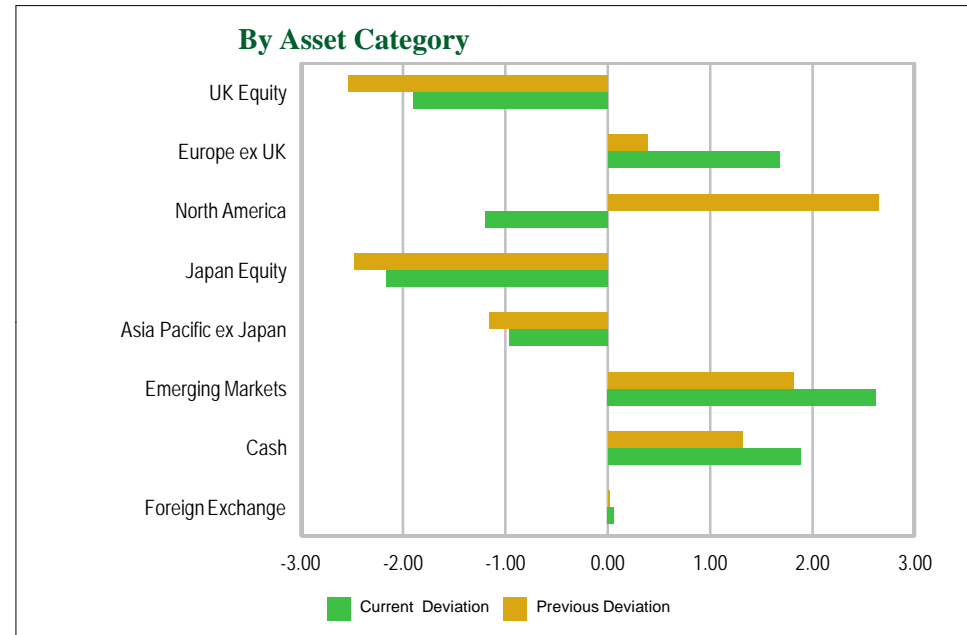
Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	7.69	9.41	-1.57	0.05	0.17	-0.21	-1.61	-1.57
UK Equity	8.68	10.88	-1.99	0.00	-0.12	0.08	-0.94	-0.98
Europe ex UK	10.41	9.72	0.63	0.00	-0.04	0.01	0.10	0.07
North America	-1.11	1.84	-2.90	0.00	-0.03	-0.04	-0.55	-0.62
Japan Equity	8.34	7.03	1.23	0.00	0.16	-0.10	0.05	0.10
Asia Pacific ex Japan	15.52	16.18	-0.57	0.00	0.21	-0.08	-0.22	-0.09
Emerging Markets	17.10	17.36	-0.23	0.00	-0.01	0.17	-0.05	0.11
Cash	-4.71	-	-4.71	0.00	0.00	-0.25	0.00	-0.24

	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	-24.23	-16.55	-9.21	-1.26	-0.52	0.42	-8.00	-9.21
UK Equity	-24.87	-20.49	-5.50	0.00	0.08	-0.08	-2.63	-2.63
Europe ex UK	-24.79	-19.85	-6.16	0.00	0.01	-0.10	-1.00	-1.09
North America	-24.71	-11.03	-15.38	0.00	0.10	-0.22	-2.89	-3.01
Japan Equity	-26.74	-6.50	-21.64	0.00	-0.16	0.05	-1.56	-1.67
Asia Pacific ex Japan	-21.33	-9.94	-12.65	0.00	-0.11	-0.14	-0.39	-0.65
Emerging Markets	-11.40	-12.78	1.58	0.00	-0.20	0.19	0.26	0.26
Cash	-1.78	-	-1.78	0.00	-0.24	0.72	0.00	0.47

Alliance Bernstein



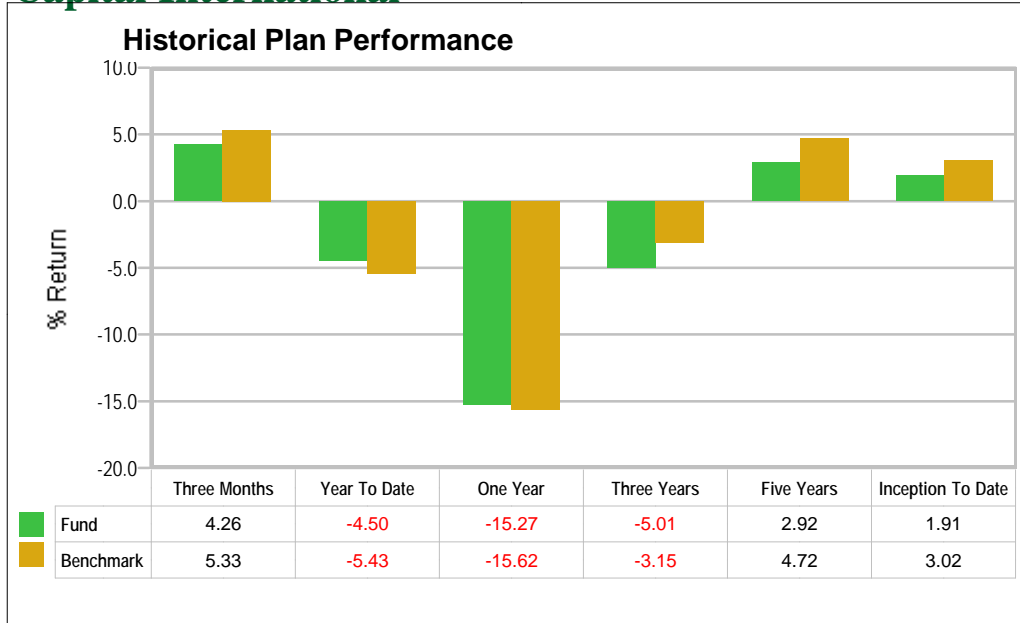
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
UK Equity	48.09	47.47	50.00	-1.91	50.00	-2.53
Europe ex UK	16.68	15.39	15.00	1.68	15.00	0.39
North America	16.31	20.14	17.50	-1.19	17.50	2.64
Japan Equity	5.34	5.02	7.50	-2.16	7.50	-2.48
Asia Pacific ex Japan	4.03	3.84	5.00	-0.97	5.00	-1.16
Emerging Markets	7.62	6.81	5.00	2.62	5.00	1.81
Cash	1.88	1.31		1.88		1.31
Foreign Exchange	0.06	0.02		0.06		0.02

Manager Performance

2nd Quarter, 2009

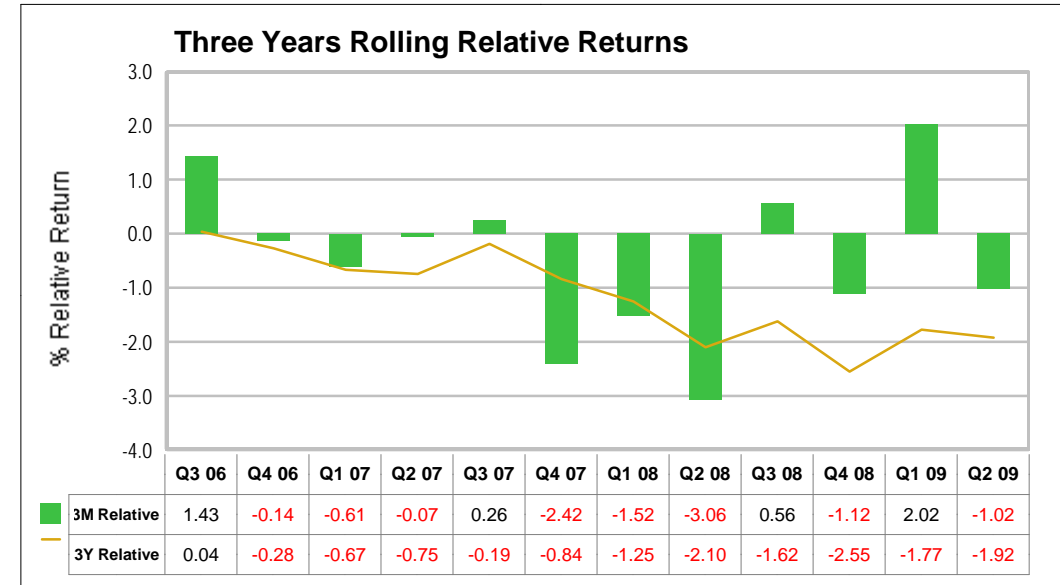
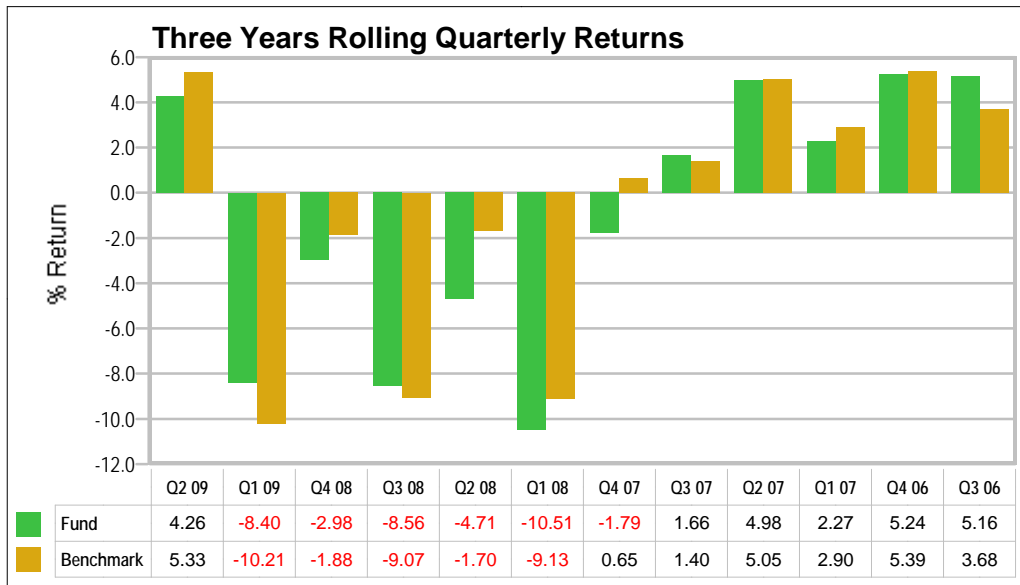
London Borough of Hillingdon

Capital International



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-5.01	-3.15
Standard Deviation	18.88	19.26
Relative Return	-1.92	
Tracking Error	2.68	
Information Ratio	-0.69	
Beta	0.97	
Alpha	-2.18	
R Squared	0.98	
Sharpe Ratio	-0.57	-0.46
Percentage of Total Fund	0.0	
Inception Date	Dec-2001	
Opening Market Value (£000)	74,853	
Net Investment £(000)	-79,794	
Income Received £(000)	290	
Appreciation £(000)	4,776	
Closing Market Value (£000)	124	

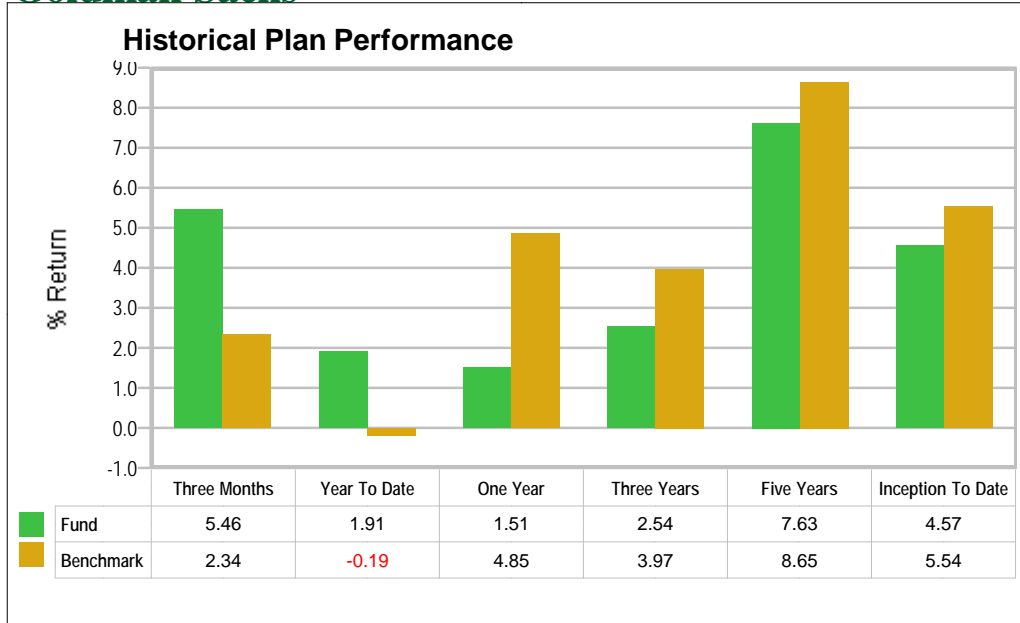


Manager Performance

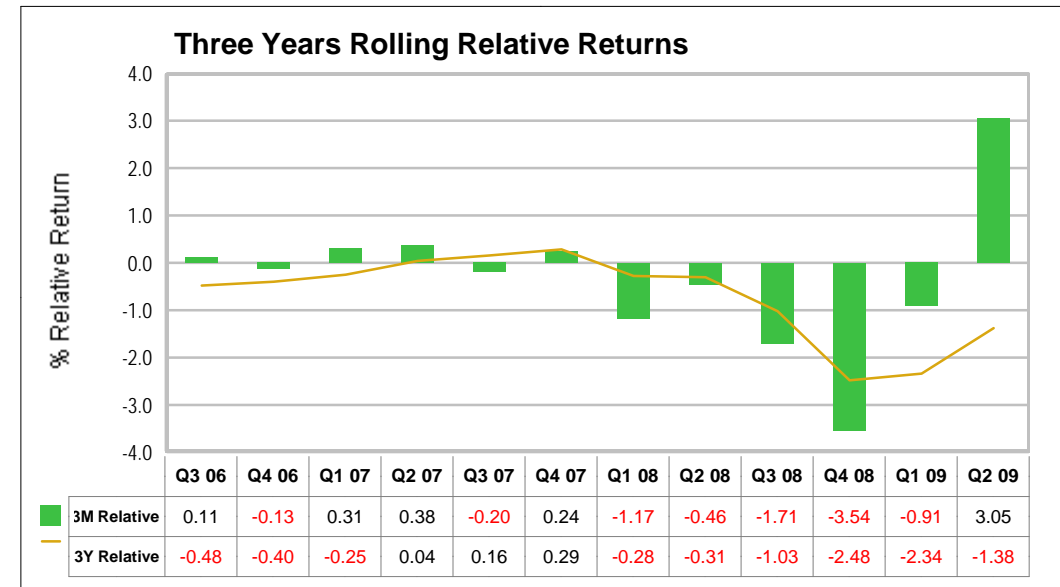
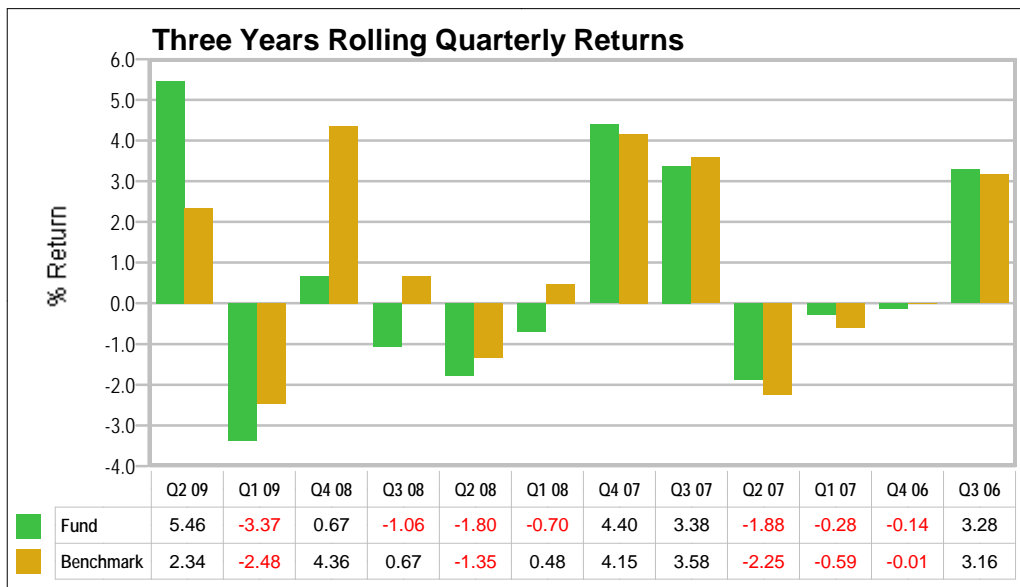
2nd Quarter, 2009

London Borough of Hillingdon

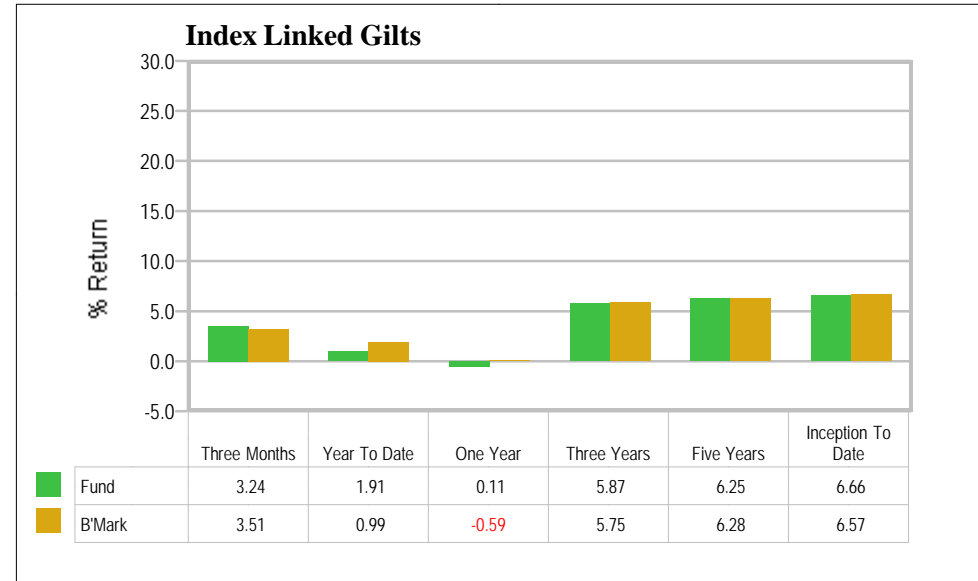
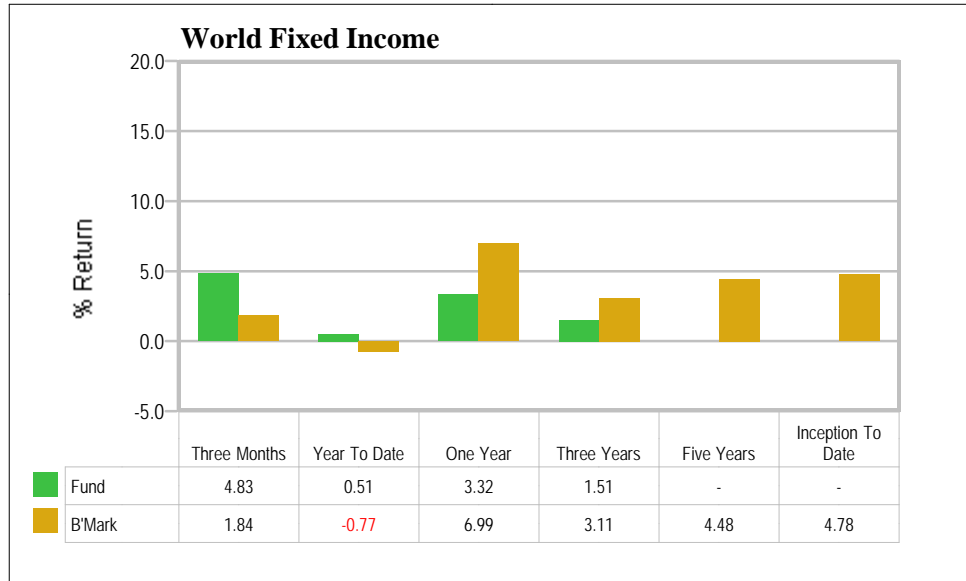
Goldman Sachs



Risk Statistics - 3 years	Fund	B'mark
Performance Return	2.54	3.97
Standard Deviation	6.79	6.33
Relative Return	-1.38	
Tracking Error	2.00	
Information Ratio	-0.72	
Beta	1.04	
Alpha	-1.30	
R Squared	0.92	
Sharpe Ratio	-0.46	-0.27
Percentage of Total Fund	13.3	
Inception Date	Dec-2001	
Opening Market Value (£000)	52,789	
Net Investment (£000)	22	
Income Received (£000)	40	
Appreciation (£000)	2,842	
Closing Market Value (£000)	55,693	

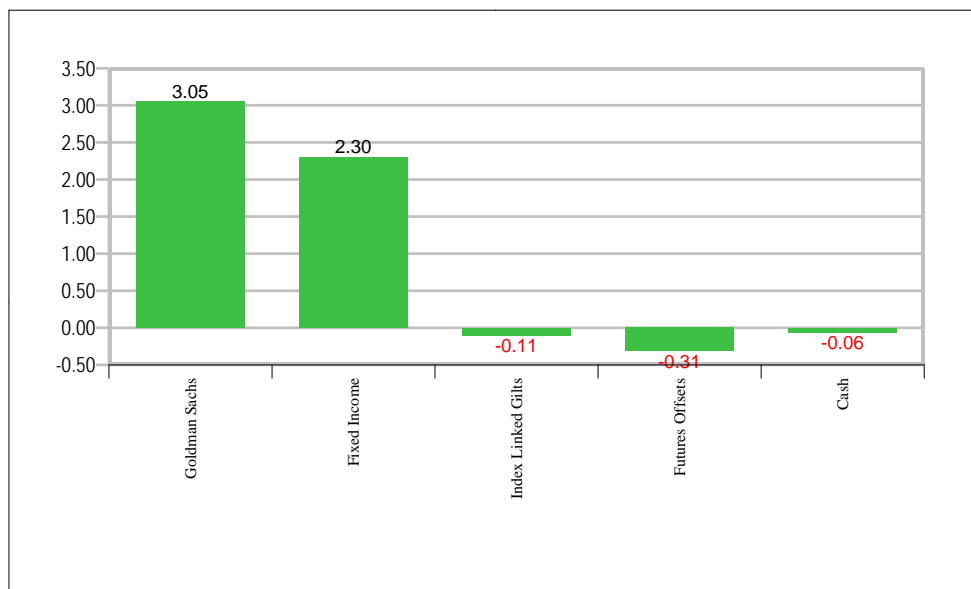


Goldman Sachs

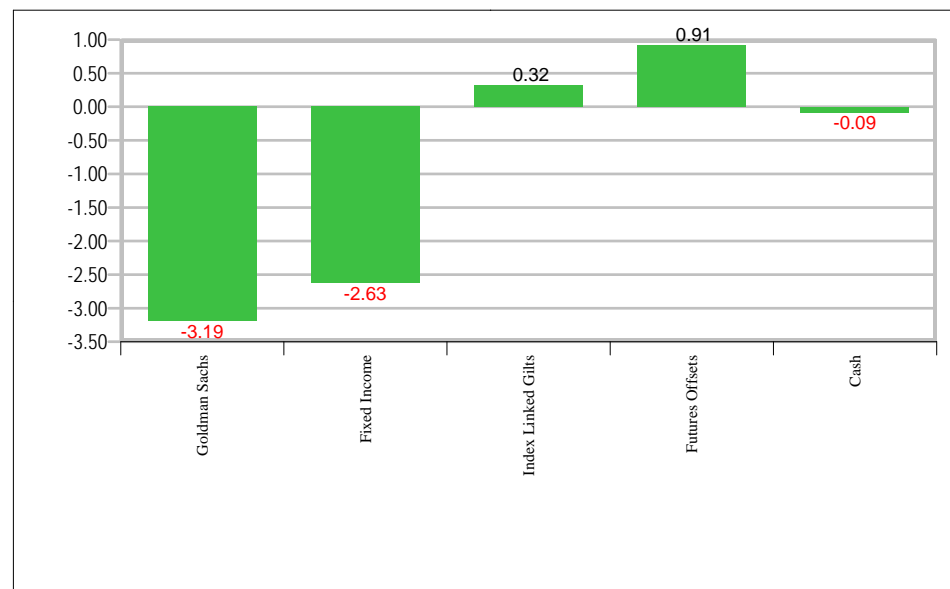


Goldman Sachs

Relative Contribution - Three Months



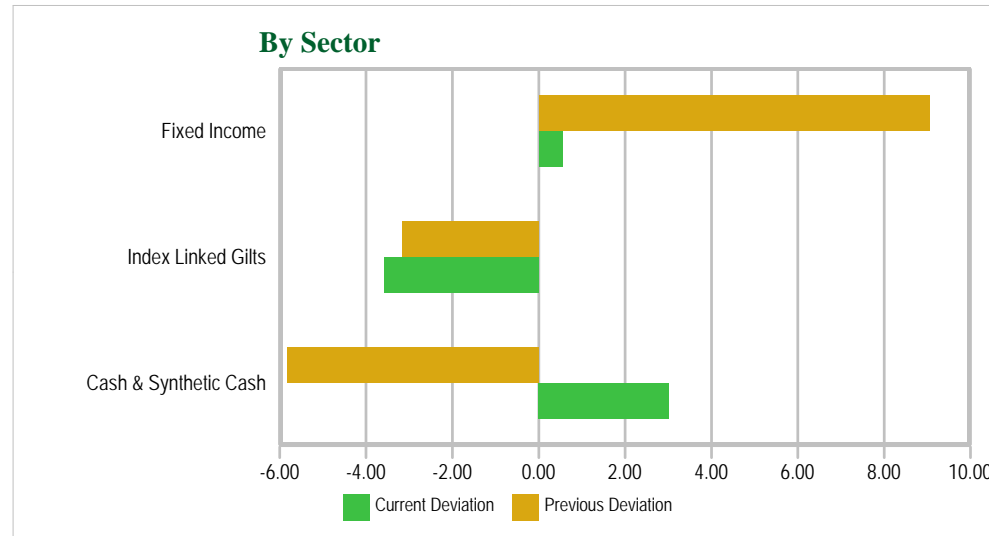
Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Goldman Sachs	5.46	2.34	3.05	1.21	-1.44	0.31	2.97	3.05
Fixed Income	4.83	1.84	2.93	0.00	-0.67	-0.05	3.04	2.30
Index Linked Gilts	3.24	3.51	-0.25	0.00	0.00	-0.04	-0.07	-0.11
Futures Offsets	5.76	-	5.76	0.00	-0.63	0.32	0.00	-0.31
Cash	2.33	-	2.33	0.00	-0.14	0.07	0.00	-0.06

	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Goldman Sachs	1.51	4.85	-3.19	-1.75	1.81	1.18	-4.38	-3.19
Fixed Income	3.32	6.99	-3.43	0.00	1.78	0.24	-4.56	-2.63
Index Linked Gilts	0.11	-0.59	0.70	0.00	0.00	0.13	0.19	0.32
Futures Offsets	0.78	-	0.78	0.00	0.08	0.83	0.00	0.91
Cash	5.43	-	5.43	0.00	-0.05	-0.04	0.00	-0.09

Goldman Sachs



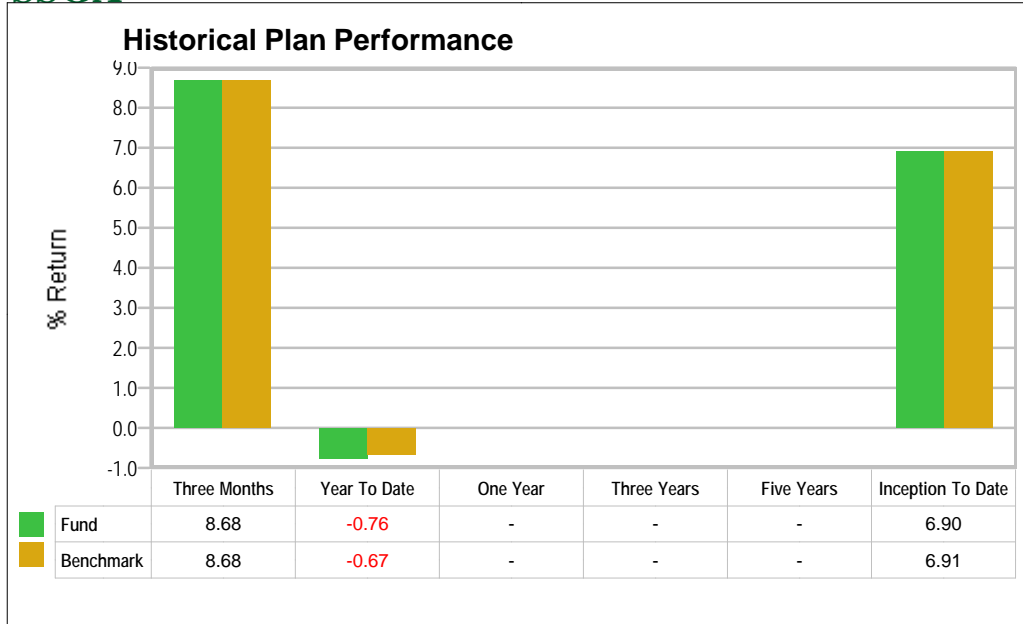
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Fixed Income	70.55	79.05	70.00	0.55	70.00	9.05
Index Linked Gilts	26.43	26.85	30.00	-3.57	30.00	-3.15
Cash & Synthetic Cash	3.02	-5.83		3.02		-5.83

Manager Performance

2nd Quarter, 2009

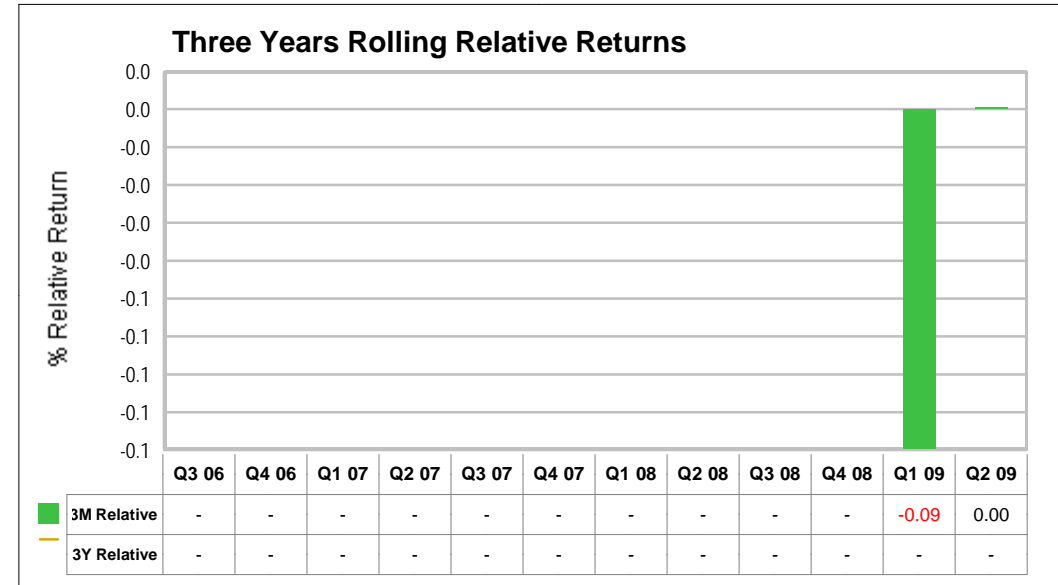
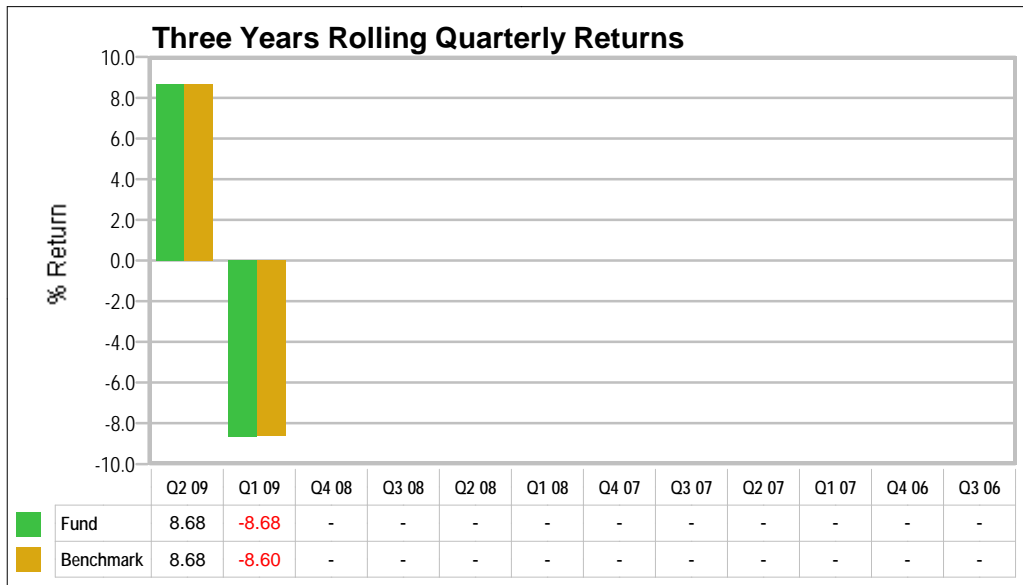
London Borough of Hillingdon

SSGA



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	19.4	
Inception Date	Nov-2008	
Opening Market Value (£000)	73,732	
Net Investment £(000)	1,435	
Income Received £(000)	0	
Appreciation £(000)	6,397	
Closing Market Value (£000)	81,564	

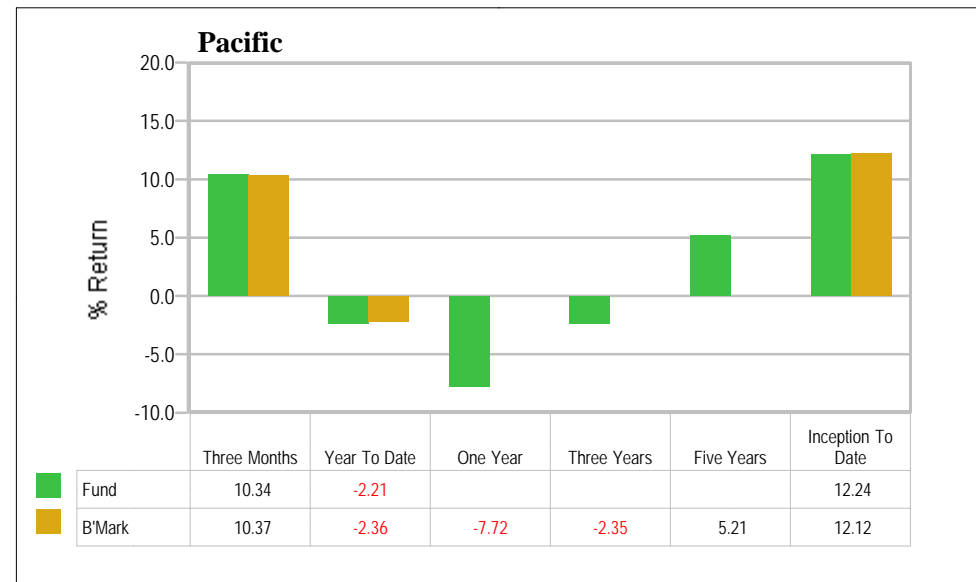
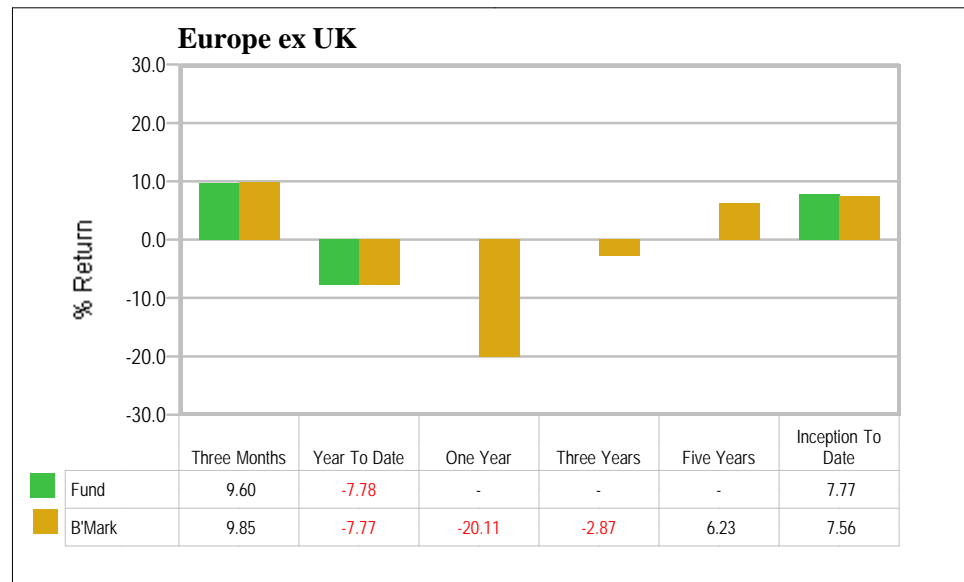
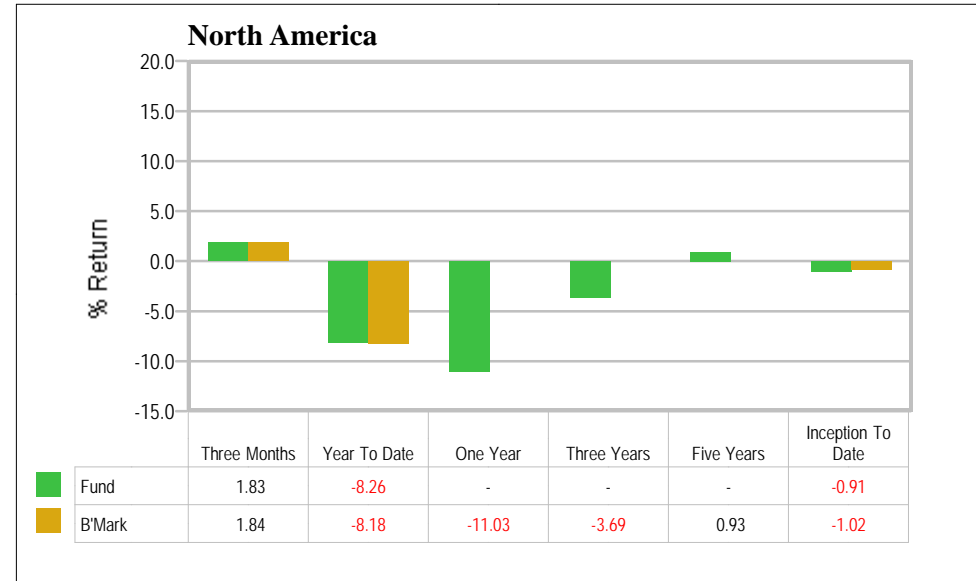
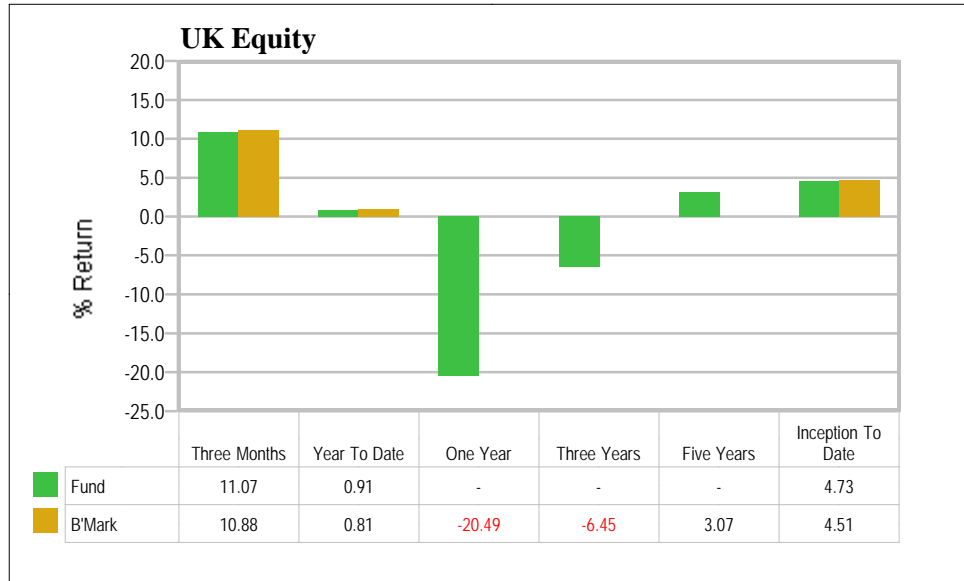


Component Returns - Equity

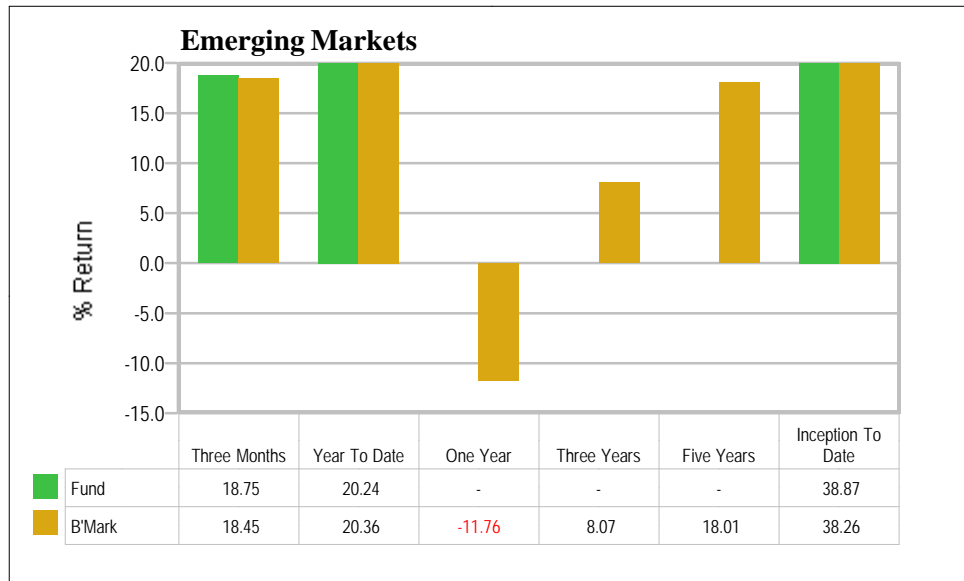
2nd Quarter, 2009

London Borough of Hillingdon

SSGA



SSGA

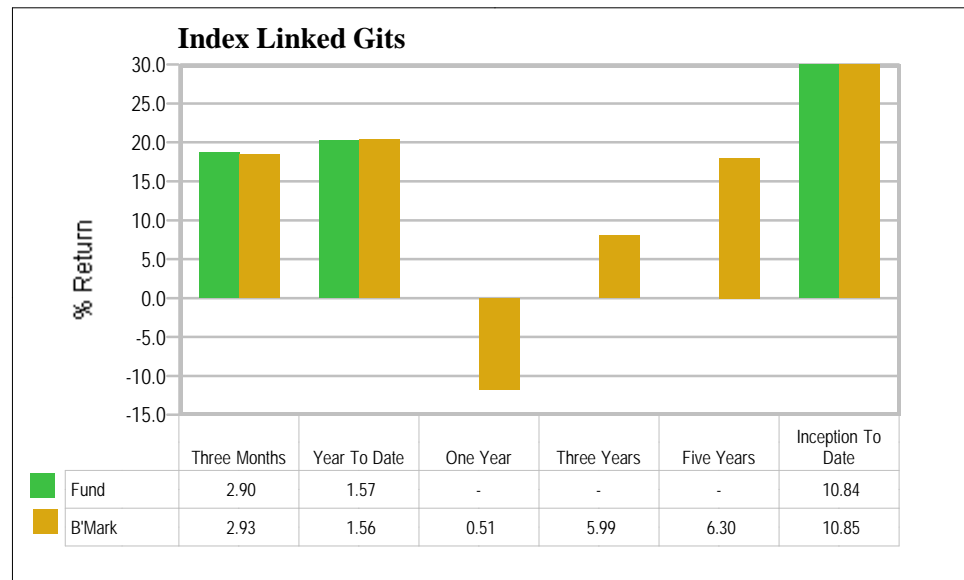
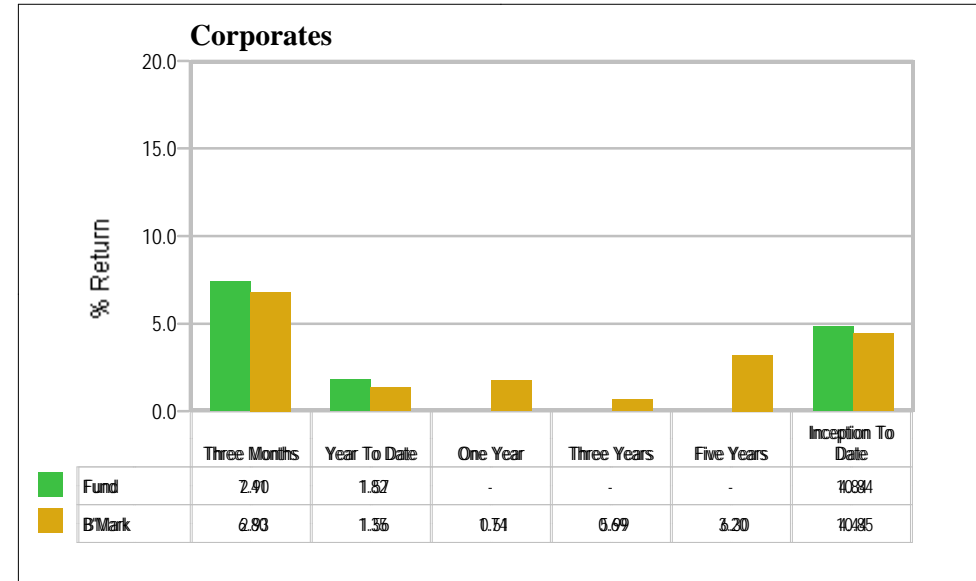
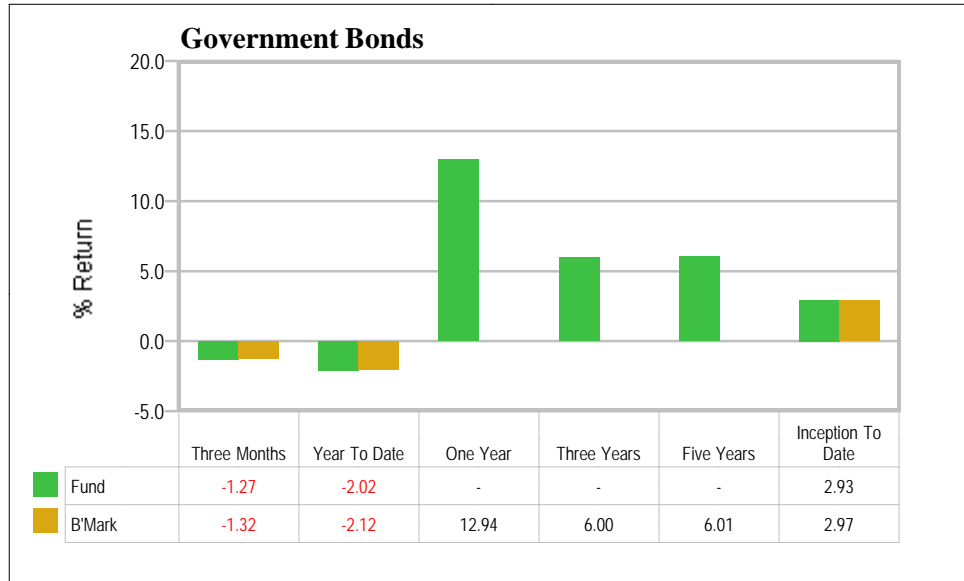


Component Returns - Fixed Income

2nd Quarter, 2009

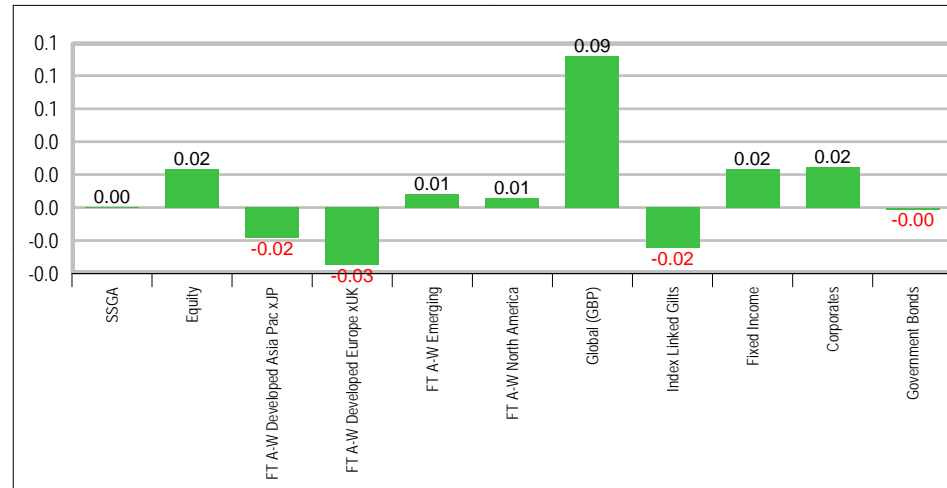
London Borough of Hillingdon

SSGA



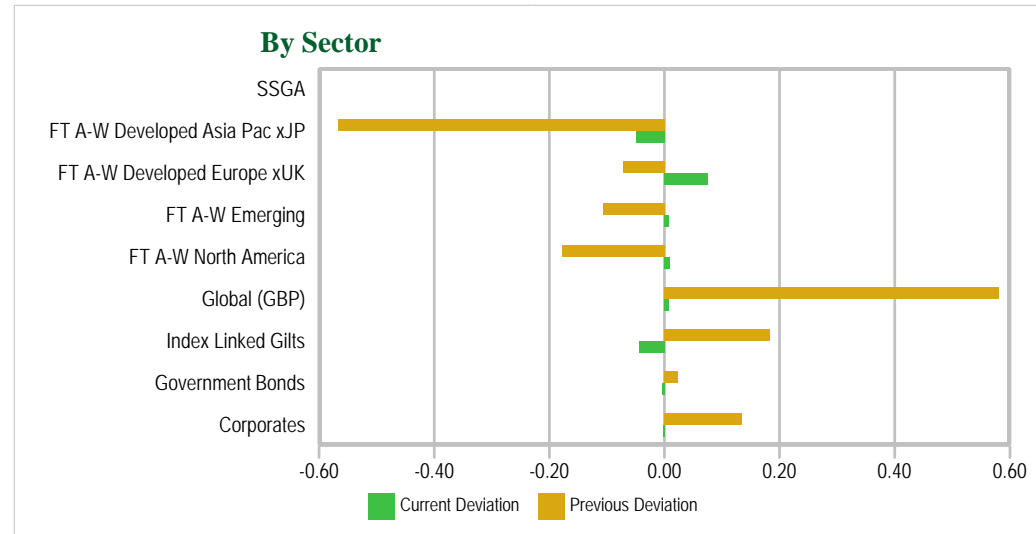
SSGA

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
SSGA	8.68	8.68	0.00	0.00	3.69	-0.07	-3.47	0.00
Equity	9.74	-	9.74	0.00	3.72	-0.05	-3.51	0.02
Global (GBP)	11.07	10.88	0.17	0.00	0.06	-0.04	0.07	0.09
FT A-W Developed Asia Pac xJP	10.19	10.37	-0.17	0.00	1.04	-0.01	-1.04	-0.02
FT A-W Developed Europe xUK	9.60	9.85	-0.23	0.00	0.95	-0.00	-0.98	-0.03
FT A-W Emerging	18.75	18.45	0.26	0.00	0.19	0.01	-0.19	0.01
FT A-W North America	1.83	1.84	-0.01	0.00	1.44	-0.01	-1.40	0.01
Fixed Income	6.10	-	6.10	0.00	-0.01	-0.01	0.05	0.02
Corporates	7.41	6.80	0.57	0.00	-0.01	-0.01	0.05	0.02
Government Bonds	-1.27	-1.32	0.05	0.00	-0.00	0.00	0.00	-0.00
Index Linked Gills	2.90	2.93	-0.03	0.00	-0.02	-0.01	-0.00	-0.02

SSGA



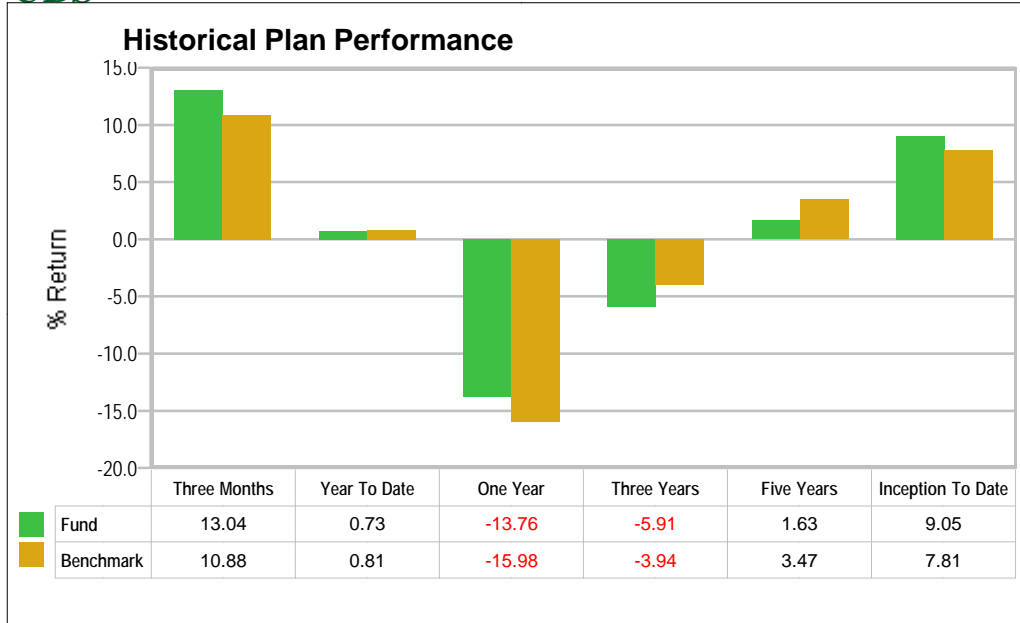
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
SSGA	100.00	100.00	100.00		100.00	
Equity	80.05	79.66		80.05		79.66
FT A-W Developed Asia Pac xJP	10.95	10.43	11.00	-0.05	11.00	-0.57
FT A-W Developed Europe xUK	11.08	10.93	11.00	0.08	11.00	-0.07
FT A-W Emerging	3.01	2.89	3.00	0.01	3.00	-0.11
FT A-W North America	11.01	10.82	11.00	0.01	11.00	-0.18
Global (GBP)	44.01	44.58	44.00	0.01	44.00	0.58
Fixed Income	9.99	10.16		9.99		10.16
Index Linked Gilts	9.96	10.18	10.00	-0.04	10.00	0.18
Government Bonds	1.50	1.52	1.50	-0.00	1.50	0.02
Corporates	8.50	8.63	8.50	-0.00	8.50	0.13

Manager Performance

2nd Quarter, 2009

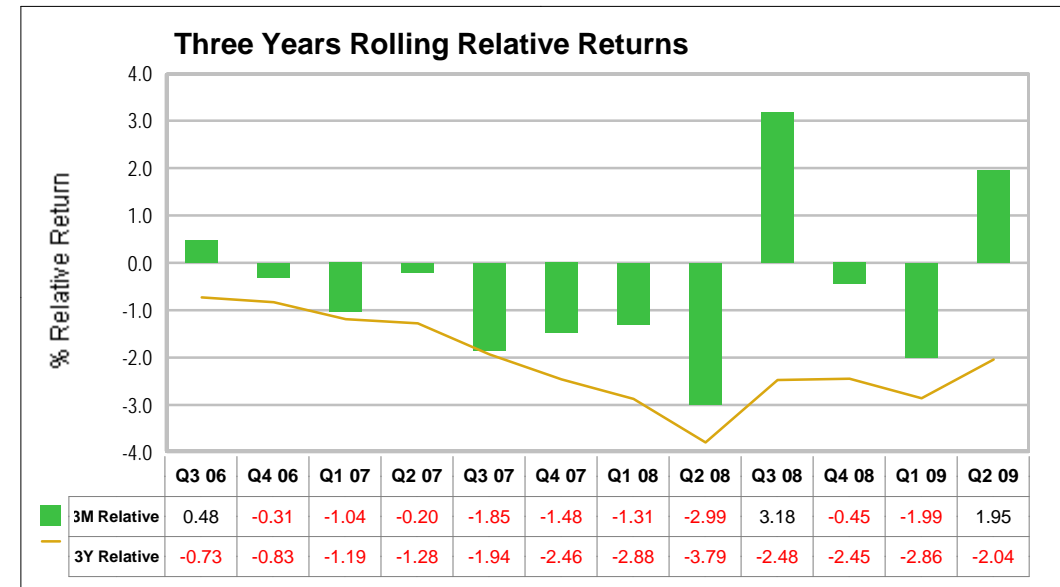
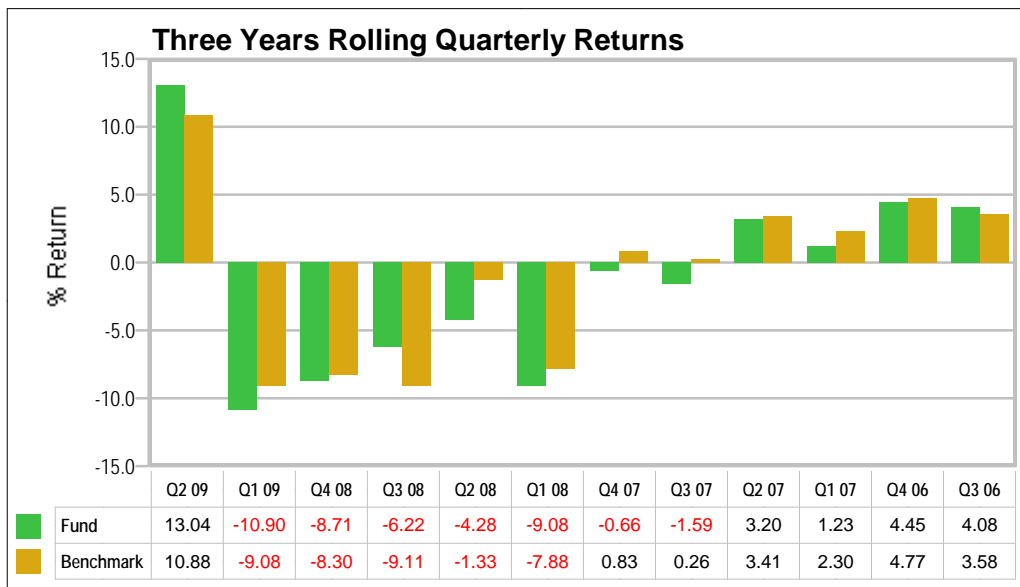
London Borough of Hillingdon

UBS



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-5.91	-3.94
Standard Deviation	16.52	14.97
Relative Return	-2.04	
Tracking Error	3.83	
Information Ratio	-0.51	
Beta	1.08	
Alpha	-1.17	
R Squared	0.95	
Sharpe Ratio	-0.70	-0.64
Percentage of Total Fund	18.7	
Inception Date	Dec-1988	
Opening Market Value (£000)	70,618	
Net Investment £(000)	-1,435	
Income Received £(000)	1,239	
Appreciation £(000)	7,986	
Closing Market Value (£000)	78,408	

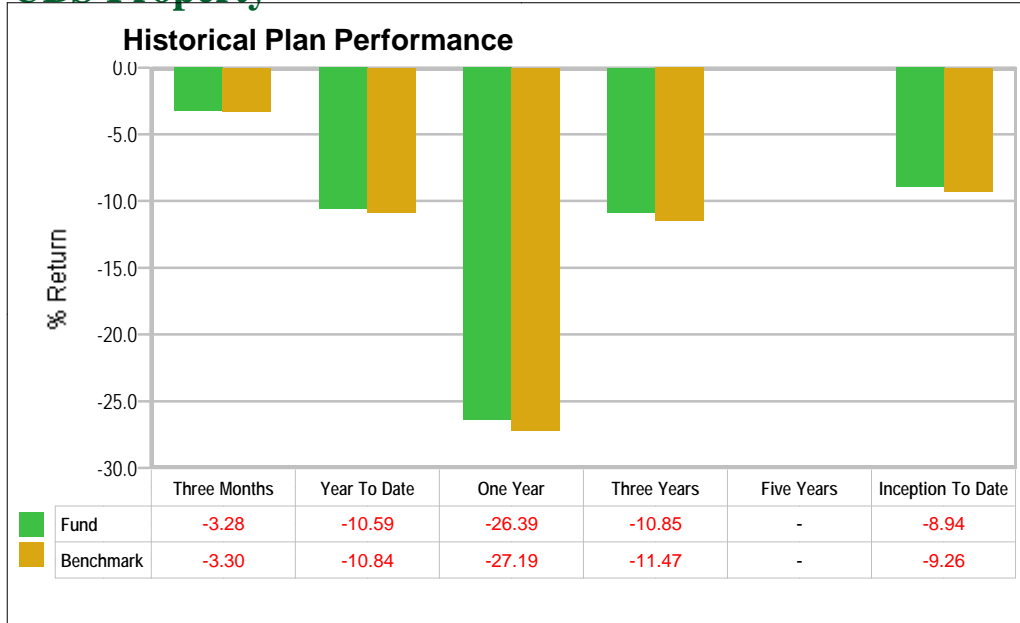


Manager Performance

2nd Quarter, 2009

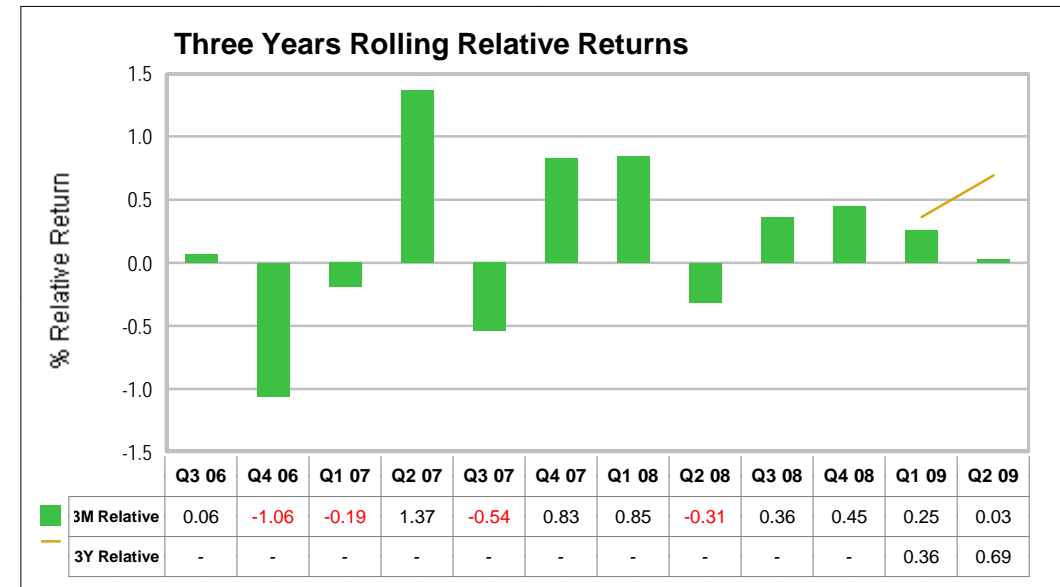
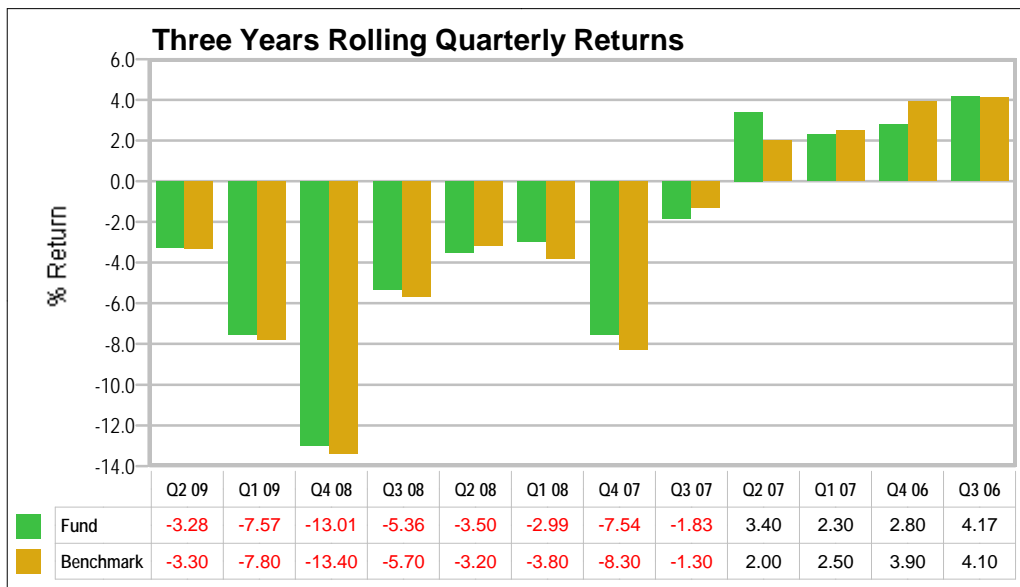
London Borough of Hillingdon

UBS Property



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-10.85	-11.47
Standard Deviation	6.38	6.17
Relative Return	0.69	
Tracking Error	2.41	
Information Ratio	0.25	
Beta	0.96	
Alpha	0.04	
R Squared	0.87	
Sharpe Ratio	-2.59	-2.78
Percentage of Total Fund	9.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	40,513	
Net Investment (£000)	0	
Income Received (£000)	356	
Appreciation (£000)	-1,683	
Closing Market Value (£000)	39,186	



Glossary of Risk Formulae

2nd Quarter, 2009

London Borough of Hillingdon

Tracking Error

$$\sigma_{ER} = \sqrt{\frac{\sum (ER_t - \overline{ER})^2}{T}} \quad \text{for } t=1 \text{ to } T$$

$$\text{Annualised tracking error} = \sigma_{ER} \times \sqrt{p}$$

Where **Equals**

ER Excess return (Portfolio Return minus Benchmark Return)

\overline{ER} Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)

T Number of observations

p Periodicity (number of observations per year)

The tracking error measures the extent to which a portfolio tracks its benchmark. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. The tracking error will always be greater than zero, unless the portfolio is exactly tracking the benchmark.

Information Ratio

$$\text{Information Ratio} = \frac{\overline{ER}}{\sigma_{ER}}$$

$$\text{Annualised Information Ratio} = \text{Information Ratio} \times \sqrt{p}$$

Where **Equals**

\overline{ER} Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)

T Number of observations

p Periodicity (number of observations per year)

The information ratio is a measure of risk adjusted return. The higher the information ratio, the higher the risk adjusted return.

Alpha

$$\alpha = \frac{\sum R_{yi}}{n} - \beta \frac{\sum R_{xi}}{n}$$

Where **Equals**

R_{xi} Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)

R_{yi} Portfolio excess return (Portfolio return minus Risk Free Proxy return)

β Beta – measure of the sensitivity of a portfolio's rate of return against those of the market

n Number of observations

The alpha is the value added to the portfolio by the manager – the higher the alpha, the better the manager has done in achieving excess returns.

Beta

$$\beta = \frac{n \sum R_{xi} R_{yi} - \sum R_{xi} \sum R_{yi}}{n \sum (R_{xi})^2 - (\sum R_{xi})^2}$$

Where **Equals**

R_{xi} Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)

R_{yi} Portfolio excess return (Portfolio return minus Risk Free Proxy return)

β Beta – measure of the sensitivity of a portfolio's rate of return against those of the market

n Number of observations

The portfolio's beta is calculated by comparing the portfolio's volatility to the benchmark's volatility over time. The more sensitive a portfolio's returns are to movements in the benchmark, the higher the portfolio's beta will be. A beta greater than one implies the portfolio is more volatile than the benchmark, whilst a beta less than one implies the portfolio is less volatile than the benchmark.

R-Squared

$$r^2 = \frac{(n \sum R_{xi} R_{yi} - \sum R_{xi} \sum R_{yi})}{[n \sum (R_{xi})^2 - (\sum R_{xi})^2][n \sum (R_{yi})^2 - (\sum R_{yi})^2]}$$

Where **Equals**

R_{xi} Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)

R_{yi} Portfolio excess return (Portfolio return minus Risk Free Proxy return)

n Number of observations

The R^2 is the square of the correlation co-efficient between the portfolio return and the benchmark return in the above equation and is a measure of the fund's sensitivity to the benchmark, i.e. the percentage of the portfolio's movement that can be explained by movement in the benchmark. The R^2 statistic ranges from 0 to 1 (or 0 to 100%) with a score of 1 indicating that all the portfolio's movement can be explained by the benchmark.

Sharpe Ratio

$$\frac{(R_{ap} - R_{af})}{\sigma_{ap}}$$

Where **Equals**

R_{ap} Annualised (portfolio) rate of return

R_{af} Annualised risk-free rate of return

σ_{ap} Annualised portfolio standard deviation

The Sharpe ratio measures the excess return over the risk-free rate per unit of volatility. For a given return, the lower the volatility of the portfolio, the higher the Sharpe ratio.

Price/Earnings Ratio (P/E)**Security Level Calculation:**

Current price/Trailing 12 months earning per share

Description:

The price/earnings ratio is a traditional indicator of how much an investor is paying for a company's earning power. Stocks have a p/e greater than the market are usually considered to be growth stocks.

5 Year Earnings Per Share Growth Rate**Security Level Calculation:**

None

Description:

This is the percentage change in the annual earning per share growth rate over the last five years of all stock in the portfolio. This measure is usually viewed as agrowth factor. A stock must have been public for at least five years to have this characteristic.

Price to Book Ratio**Security Level Calculation:**

Current price/Most recent book value per share

Description:

This is usually considered to be a measure of "value", with stocks having high price to book ratios considered to be undervalued.

Dividend Yield**Security Level Calculation:**

Dividend for current fiscal year/Period end closing price

Description:

This measures the annual rate that dividends are being paid by a company, including any extra dividends. High dividend yields can also be an attribute of value stocks.

Debt to Capital**Security Level Calculation:**

Long term liabilities, deferred taxes, tax credits, minority interest/Sum of debt, total common equity and total preferred stock

Description:

This measure indicates the amount of leverage (debt) being used. A large debt to capital ratio is usually indicative of a highly leveraged company. Stocks having a zero value are still included in the total portfolio calculation.

Price to Sales Ratio**Security Level Calculation:**

Current price/Annual sales per share

Description:

This is used primarily by value managers to identify companies having low profit margins. Value managers use this as another indicator in finding undervalued stocks with the potential for improved profitability. This measure varies in informational value by industry, as different industries have different price to sales ratio expectations.

Return on Equity**Security Level Calculation:**

Net profits after taxes/Book value

Description:

This relates a company's profitabaility to it's shareholders equity. A high ROE indicates that the portfolio is invested in companies that have been profitable. This measure is also impacted by financial leverage.

Coupon Rate**Description:**

The stated interest rate of a bond. It is a money weighted average for the portfolio.

Years to Maturity**Description:**

The average number of years to the maturity date of all bonds held in a portfolio. Often, managers will use the weighted average life for mortgages and mortgage backed securities since most mortgages are prepaid and never reach maturity.

Macaulay Duration**Description:**

The mathematical estimate of a fixed income portfolio's sensitivity to a change in interest rates, computed as the weighted average time to receipt of the portfolio's cash flows. The Macaulay duration does not take the impact of embedded options into consideration and this usually results in a higher value than the effective duration.

Yield to Maturity**Description:**

This is the rate of return that is expected if a fixed income security is held to maturity. It is essentially an internal rate of return that uses the current market value and all expected interest and principal cash flows.

Moody Quality Rating**Description:**

This is a measure of the quality, safety and potential performance of a bond issue. Also indicates the creditworthiness of a security's issuer. Moody's evaluates the bond issues and assigns a code with Aaa as the highest and C as the lowest.

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London Borough of Hillingdon

36.8 FTSE All Share
 36.8 Overseas Equity benchmark
 10.5 Fixed Income benchmark
 5.3 FTSE Index Linked > 5 Years
 10.5 UBS Property Index

Alliance Bernstein

50.0 FTSE All Share
 15.0 FT AW Developed Europe ex UK
 17.5 FT AWI North America
 7.5 FT AW Japan
 5.0 FT AW Developed Asia Pacific ex Japan
 5.0 MSCI Emerging Markets

Capital International

30.0 FTSE AW Developed Europe ex UK
 35.0 FTSE AW North America
 12.0 FTSE AW Japan
 8.0 FTSE AW Developed Asia Pacific ex Japan
 15.0 MSCI Emerging Markets

Goldman Sachs

70.0 ML Sterling Broad Market
 30.0 FTSE Index Linked 5+ yrs

SSGA

44.0 FTSE All Share
 11.0 FTSE World North America
 11.0 FTSE World Europe ex UK
 11.0 FTSE Pacific Basin ex Japan
 3.0 FTSE All World All Emerging
 1.5 FTA British Government Conventional Gilts All Stocks
 10.0 FTA British Government Index Linked Gilts All Stocks
 8.5 Merrill Lynch Sterling Non Gilt

UBS

100.0 FTSE All Share

UBS Property

100.0 HSBC All Balanced Funds