

London Borough of Hillingdon

1st Quarter, 2009

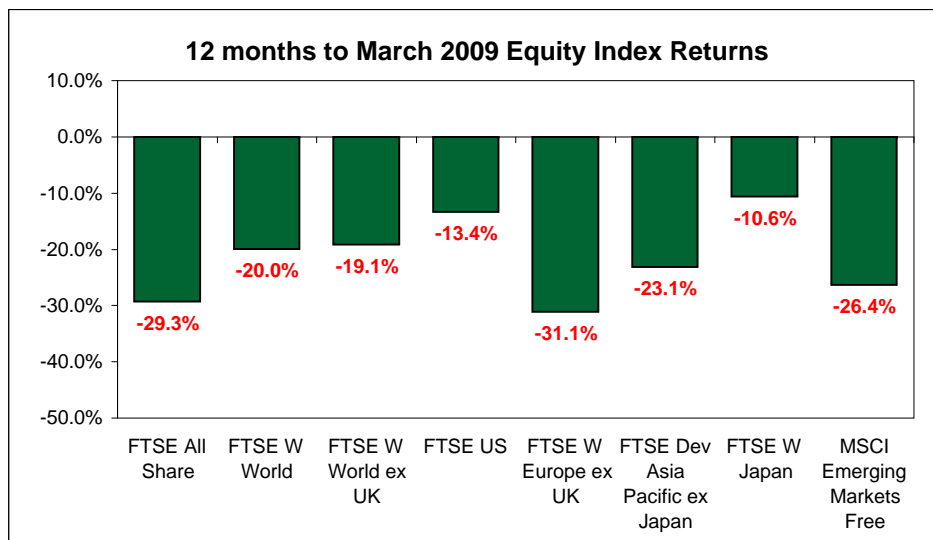
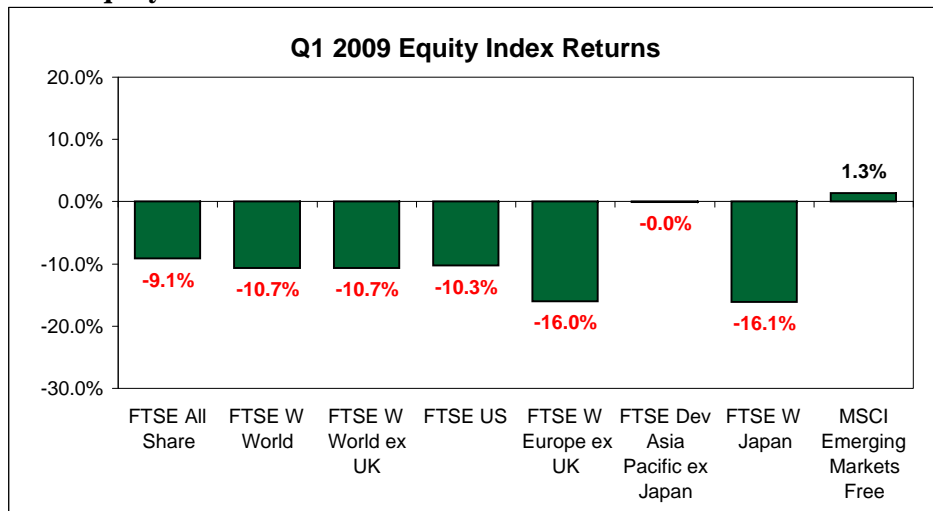
Executive Report

- 3** International Overview
- 6** Plan Commentary
- 7** Scheme & Manager Performance
- 8** Balance Sheet
- 9** Combined Fund Performance
- 13** Manager Fund Performance

Appendix

- 29** Glossary of Risk Formulae
- 30** Glossary of Risk Formulae contd
- 31** Glossary of Equity Characteristics
- 32** Glossary of Fixed Income Characteristics
- 33** Disclaimer
- 34** Benchmarks

Equity Overview



All index returns are in GBP terms unless stated otherwise.

Conditions in the global economy continued to deteriorate over the first quarter of 2009 maintaining downward pressure across equity markets. Positive measures announced by governments and central banks helped to slow the pace of decline as some of the world's largest financial institutions received further government support and fresh capital injections. Global equity markets continued to experience high levels of volatility, finishing March with positive 1 month figures but returning negative figures generally in excess of 10% for the quarter as a whole. Despite a market rally in March, the FTSE World fell 10.7% (GBP) in quarter 1 2009. The International Monetary Fund (IMF) is taking a positive outlook, predicting the resumption of growth in 2010 stating that it will exceed 2% by the end of next year.

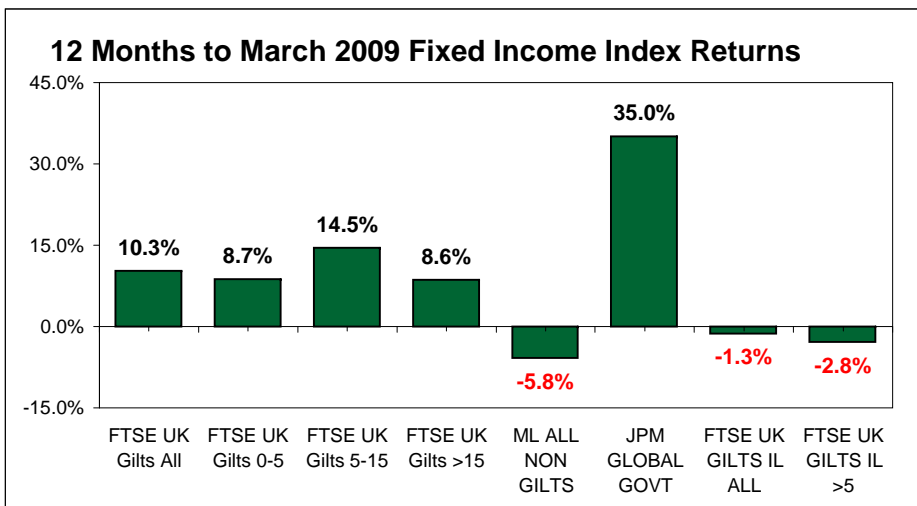
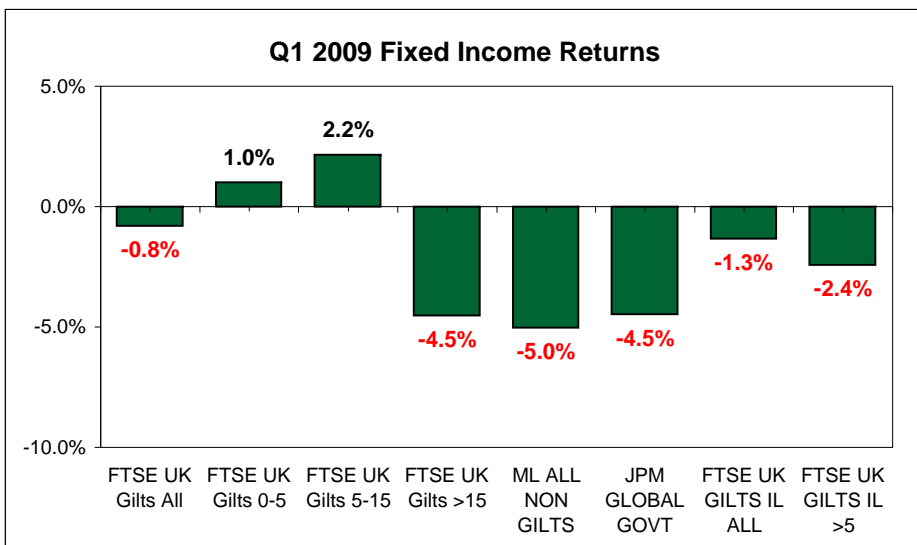
In the UK there are few signs that the country is emerging out of recession. Output in Q4 2008 dipped 1.6% and economic data so far suggests that the downward momentum has gathered pace. The IMF now predicts the UK economy will shrink 4.1% in 2009 - marking the worst slump for 60 years. The latest CBI survey results of GDP output expectations were the weakest since it began in 1975. The manufacturing, services and construction sectors all continue to contract and predictions are that economic growth has further to fall before stabilising. The Bank of England and British Government continued the aggressive line taken in 2008 cutting base rates a further 150 basis points to 0.5%. UK unemployment continues to rise sharply and measures indicate that it will rise above 2 million for the first time since 1997.

In Europe, the FTSE Europe ex UK fell 16% (GBP). France and Germany suffered their worst quarterly falls in GDP for 20 years while Spain, Italy, the Netherlands and Austria all contracted sharply. The European Central Bank continued cutting rates in line with other central banks lowering the lending rate by a further 125 bps to 1.25%, its lowest rate since the Euro was introduced in 1999. Projections show the Eurozone economy contracting further this year and Trichet, the ECB President signalled that borrowing costs could drop again. Analysts are claiming room to lower the rate to 1% in Q2. Unemployment has continued to rise with manufacturing jobs hardest hit though the French government did move to support the ailing car industry providing aid to both Peugeot and Renault. The German Ifo business climate index fell to an all-time low in March as consumer prices continue to decline.

The Obama administration's \$789.2 billion stimulus plan was agreed by the senate, split between spending, aid and tax cuts. The fourth quarter 2008 US GDP figure was revised down from -3.8% to -6.2%, with exports down 24% year on year adding further urgency to the bill. Fears that a creeping nationalisation of banks and insurance groups could follow meant that markets have not responded well, the FTSE US index was down 10.3% (GBP) for the first quarter of 2009. General Electric, Wells Fargo and US Bancorp all cut their dividend substantially, the former for the first time since 1938. Prospects look bleak for both General Motors and Chrysler, being exacerbated by would-be purchasers being unable to find finance. The federal funds target rate was maintained at its all time low of between 0% and 0.25% through quarter 1. Oil prices, following a highly volatile 2008, experienced a much more stable quarter ending March at \$48 per barrel. Signs of stabilisation in the US housing market have started to emerge though the labour market still presents cause for concern, the unemployment rate moved up to 8.3% from 7.2% at the end of 2008. Despite this, Ben Bernanke, chairman of the Federal Reserve has spoken of tentative signs that the decline may be slowing, looking to data on home sales, home building and consumer spending. Confidence in regulators fell again following the \$8 billion alleged fraudulent Stanford investment scheme coming hot on the heels of Madoff, though many investors will be questioning their own due diligence processes. The Congressional oversight committee has submitted an 8 point plan to identify and regulate systemic risk, limit excessive leverage in financial institutions and increase supervision of consumer financial products to choke off the creation of "toxic assets" at the source.

All indicators are pointing to a sharp economic contraction in Japan in 2009; the collapse in consumer spending abroad has pummeled the country's exports. The resilience of Yen versus other currencies is not expected to persist. The outlook is made bleaker still by the lack of monetary tools available following years of fighting disinflation with near-zero interest rates. The strong Yen helped Japan outperform all developed markets in 2008, over the first quarter of 2009 we have seen that reversed; FTSE Japan returned -16.1% (GBP) for Q1. After taking a drubbing last year emerging markets started 2009 in strong fashion, China's domestic stocks led the pack but these are largely off limits to foreign investors. MSCI Emerging Markets Free index returned 1.3% (GBP) for the first quarter.

Fixed Income Overview



All index returns are in GBP terms unless stated otherwise.

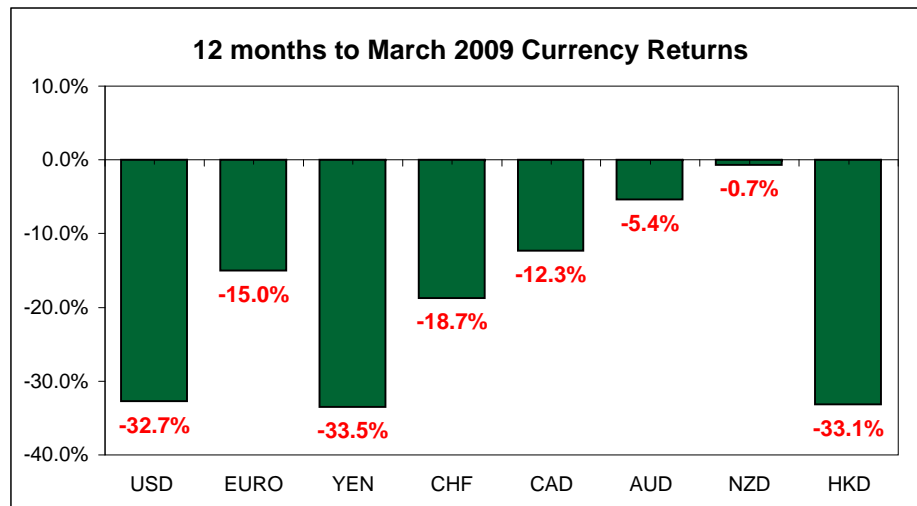
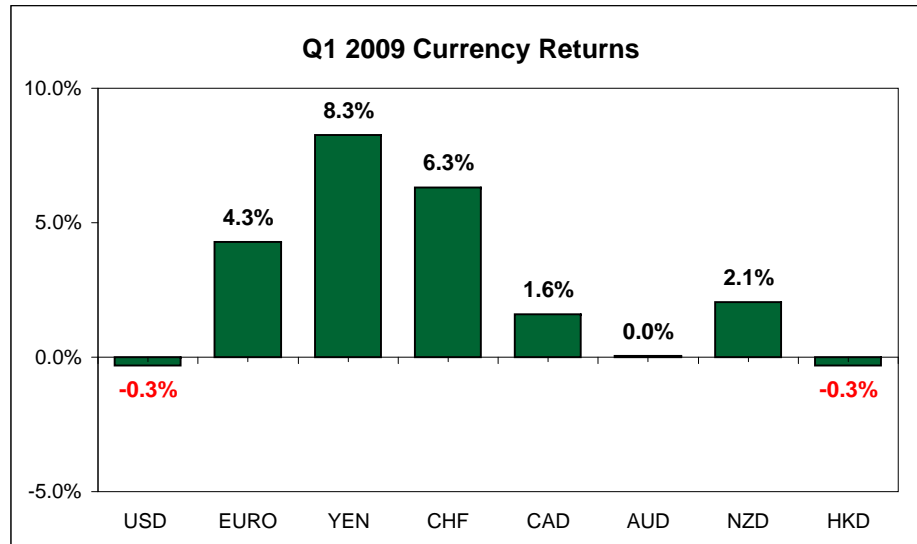
The economic challenges facing the global economy increased in depth and intensity over the first quarter of 2009. Major developed countries are now in recession while emerging markets have been more badly affected by the fall in global trade rather than any direct effects from the credit crisis. Most central banks reduced interest rates to record lows where possible and either started or considered using more unorthodox measures to directly boost money supply.

Prompted by the deteriorating economic outlook and deflationary fears, the Bank of England lowered interest rates to 0.50% over the quarter and introduced quantitative easing, the purchase of £75bn of assets, mainly gilts over the next 3 months to boost the supply of credit and in effect creating new money. The move led to a sharp fall in bond yields however the “failed” auction of the 2049 issue raised general concerns over the ability of the private sector to absorb the glut of paper to finance the fiscal deficit. Gilt yields also rose on the surprise rise of CPI inflation to 3.2% in February from January’s 3.0% as a result of the weaker pound. The FTSE UK Gilts All Stocks ended the quarter down -0.8% (GBP).

In Europe the ECB cut interest rates by 100bps over the quarter to 1.50% however the very weak economic data supports expectations for further rate cuts and new non-standard policy measures to improve liquidity in the euro zone economy. The German IFO business climate index fell to a new all time low of 82.1 in March following the collapse of world trade volumes, while the EU-16 unemployment rate rose 0.3% to 8.5% in February.

In spite of the raft of measures taken by the US Federal Reserve in Q4, the credit markets remain impaired. The continuing deterioration in the US outlook combined with scepticism with the US financial rescue plan has led to the Fed announcing further measures in March. Following the lead of the Bank of England, they said that they would buy up to US\$300bn of longer-term Treasury securities over the next 6 months. The Fed also said that they would purchase up to an additional US\$750bn of mortgage backed securities and increase purchases of agency debt this year. The Fed funds target rate remained at 0-0.25% and the Fed stated that rates are likely to stay in the range for an extended period. With the above measures, the Fed hopes to reduce mortgage rates and restore confidence in the housing market and wider economy. The 2 year Treasury yields rose slightly on the quarter from 0.76% to 0.81%, while the 10 year Treasury yields climbed from 2.25% to 2.71%.

Currency Market Overview



All index returns are in GBP terms unless stated otherwise.

Global focus on the crisis in financial markets increased as most central banks reduced interest rates to record lows and either started or considered using more unorthodox measures quantitative easing, to directly boost money supply. High volatility in the currency markets is a continuing theme as indicated by the volatility index VIX closing at 44.14 for the quarter, albeit nowhere near the levels seen in Q4, with an all time high of 80.86 on the 20th Nov.

Sterling was among the weaker major currencies towards the end of the quarter amid concerns over worse than expected UK economic data, the rising fiscal deficit and the Bank of England's decision to resort to quantitative easing, having effectively exhausted monetary policy as a conventional tool when interest rates were cut to 0.50% on the 5th March. UK consumer confidence data (GfK National Opinion Poll) at the end of March revealed a surprise rise in household optimism, rising to -30 from -35, however consumer spending is expected to remain weak as unemployment rose above 2 million for the first time since 1997. The de-leveraging process is continuing, as households repay mortgage debt and increase savings. The sharp fall in the pound seen over 2008 appears to have slowed for Q1 returning -0.3% (GBP) against the US dollar while gaining 4.3% (GBP) and 8.3% (GBP) against the euro and yen respectively. Despite fears over the stability of the US financial sector, the deterioration of the labour markets (US employment fell 651,000 in February and the unemployment rate rose to 8.1% in February, a 25 year high) and the economic contraction, the US dollar posted solid gains in the first quarter particularly against the euro and yen. Demand for the dollar as a safe haven alongside gold, persisted throughout the period following global equity market falls, repatriation flows from emerging markets and worries about the exposure of the euro zone economy to banks in Eastern Europe. In March the dollar fell sharply against its G10 counterparts after the Fed announced that it will purchase \$300bn worth of treasuries, raising concerns about inflation prospects and pushing participants into commodity currencies such as the Australian dollar, buoyed by an 8% jump in the price of gold.

The euro depreciated against most major currencies except for the yen and Swiss franc in the first quarter returning -4.6% and -4.3% (Euros) against the dollar and pound respectively. The ECB cut interest rates in January and March from 2.50% to 1.50%, revising down its forecast for euro zone GDP growth and inflation in 2009 with an expectation that the economy will contract by about 2.7% this year. Leading indicators remain weak, with the German IFO business climate survey falling to a new cyclical low in March to 82.1 from 82.6 in February. Market participants continue to be wary over the exposure of the euro zone economy to the concentration of risk in its banking sector to the eastern European economies following rating downgrades.

The Japanese yen fell against all major currencies over the quarter as the country suffers from the collapse in global trade volumes, returning -8.6%, -8.3% and -4.0% against the dollar, pound and euro respectively.

Scheme Performance

The London Borough of Hillingdon portfolio slightly underperformed the benchmark during the first quarter of 2009 (-8.55% vs. -8.44%). With the exception of Capital International and UBS, all managers performed below their respective benchmarks. The pattern is consistent at total fund level over all long term periods. Since inception, the Fund maintains a positive return, however still underperforms the benchmark (4.55% vs. 4.84%).

Manager Performance

Alliance Bernstein

Alliance Bernstein continued to underperform the benchmark (-10.14% vs. -9.89%). Losses came primarily from the Fund's stock selection (-0.56%), which was weighed down heavily by UK Equity (-1.02). Asset allocation (0.18%) helped ease the performance gap slightly. The Fund underperforms the benchmark for all long term periods.

Capital International

Successful asset allocation (1.98%) and stock selection (1.38%) helped Capital International outperform the benchmark. With the exception of Asia Pacific and Japan holding, all other regions saw positive returns. However, weak historical return cause the Fund to fall below benchmark levels for all long term periods.

Goldman Sachs

Goldman Sachs continued to underperform the benchmark (-3.37% vs. -2.48%). The Fund underperforms for all periods.

UBS

This was the second consecutive quarter of underperformance for UBS (-10.90% vs. -9.08%). Strong historical return allow the fund to maintain a since inception lead over the benchmark (8.50% vs. 7.36%).

UBS Property

UBS Property continued to outperform the benchmark (-7.57% vs. -7.80%). All long term periods are now above benchmark levels.

Scheme Performance

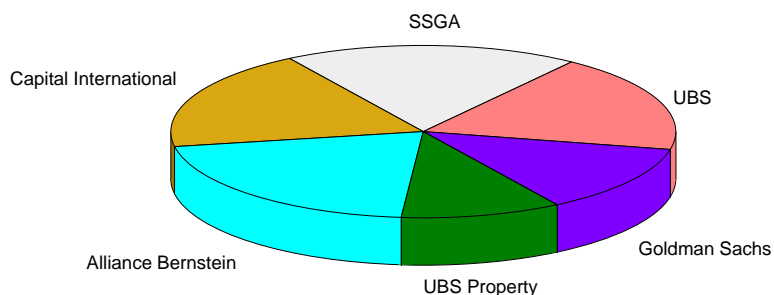
	<u>Three Months</u>				<u>Year To Date</u>				<u>One Year</u>			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	-8.55	-8.44	-0.11	-0.12	-8.55	-8.44	-0.11	-0.12	-24.30	-21.20	-3.09	-3.92

By Manager

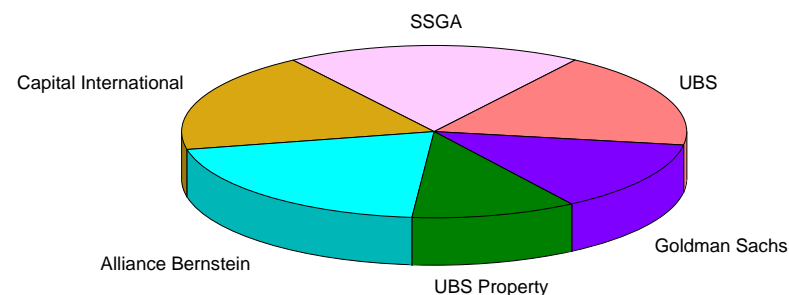
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
Capital International	-8.40	-10.21	1.81	2.02	-8.40	-10.21	1.81	2.02	-22.56	-21.25	-1.31	-1.66
Goldman Sachs	-3.37	-2.48	-0.89	-0.91	-3.37	-2.48	-0.89	-0.91	-5.48	1.07	-6.55	-6.48
UBS	-10.90	-9.08	-1.81	-1.99	-10.90	-9.08	-1.81	-1.99	-26.98	-25.23	-1.75	-2.34
Alliance Bernstein	-10.14	-9.89	-0.25	-0.28	-10.14	-9.89	-0.25	-0.28	-31.03	-24.96	-6.07	-8.09
UBS Property	-7.57	-7.80	0.23	0.25	-7.57	-7.80	0.23	0.25	-26.57	-27.12	0.55	0.75
SSGA	-8.68	-8.60	-0.08	-0.09	-8.68	-8.60	-0.08	-0.09	-	-	-	-

Total Fund Market Value at Qtr End: £392.3 M

Weighting at Beginning of Period

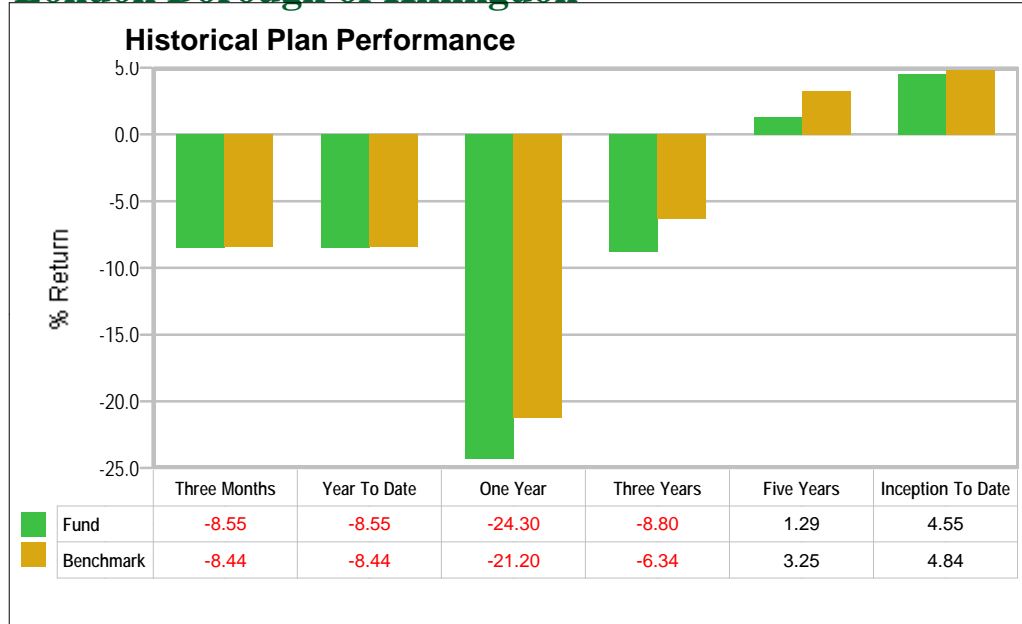


Weighting at End of Period



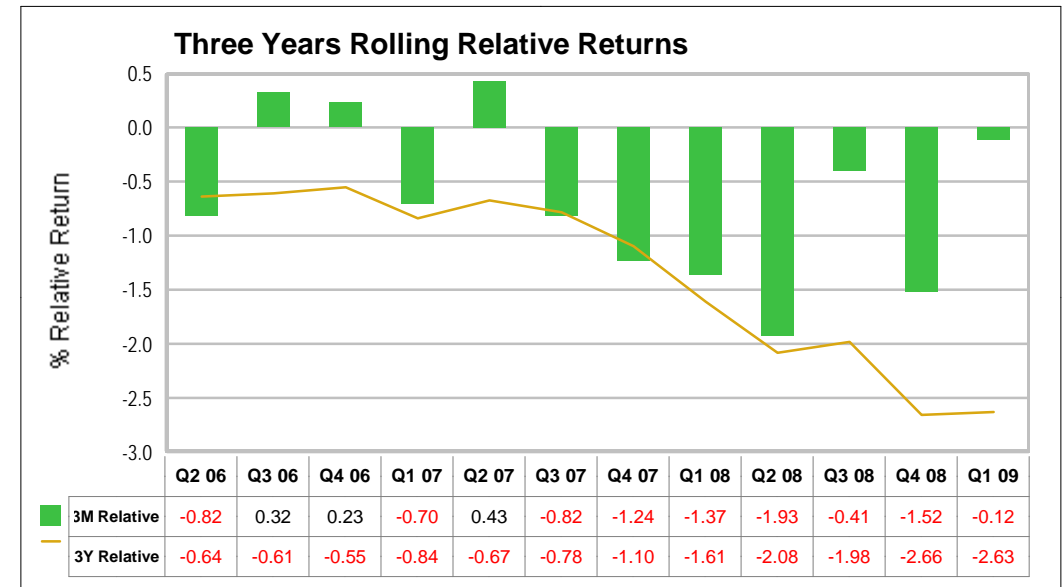
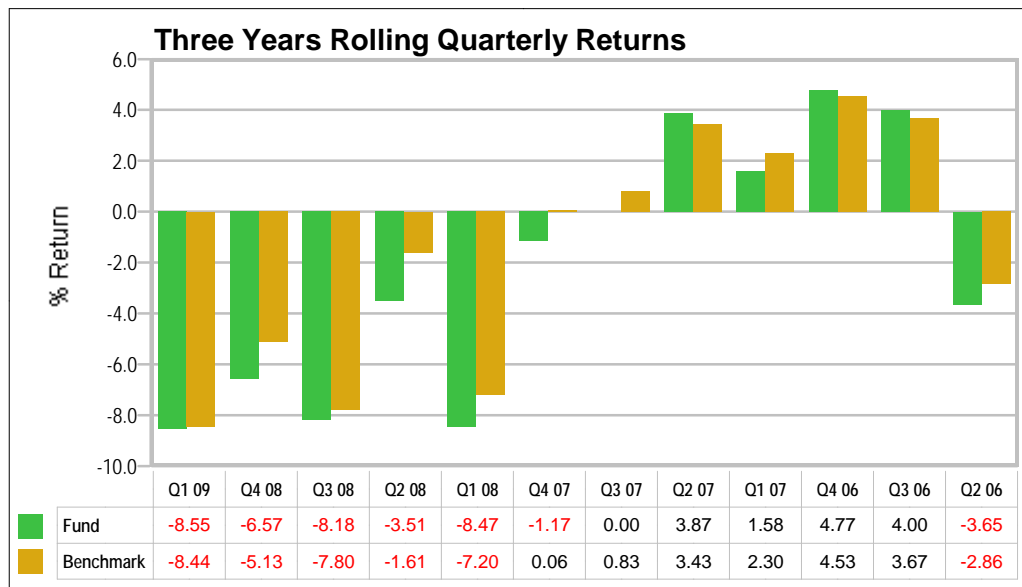
	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	429,792	100.00	-735	-39,739	3,027	392,345	100.00
Capital International	81,719	19.01	-0	-7,419	553	74,853	19.08
Goldman Sachs	54,628	12.71	-0	-2,424	585	52,789	13.45
UBS	79,255	18.44	-1	-9,381	746	70,618	18.00
Alliance Bernstein	89,617	20.85	-734	-9,731	688	79,839	20.35
UBS Property	43,829	10.20		-3,773	456	40,513	10.33
SSGA	80,743	18.79		-7,011		73,732	18.79

London Borough of Hillingdon

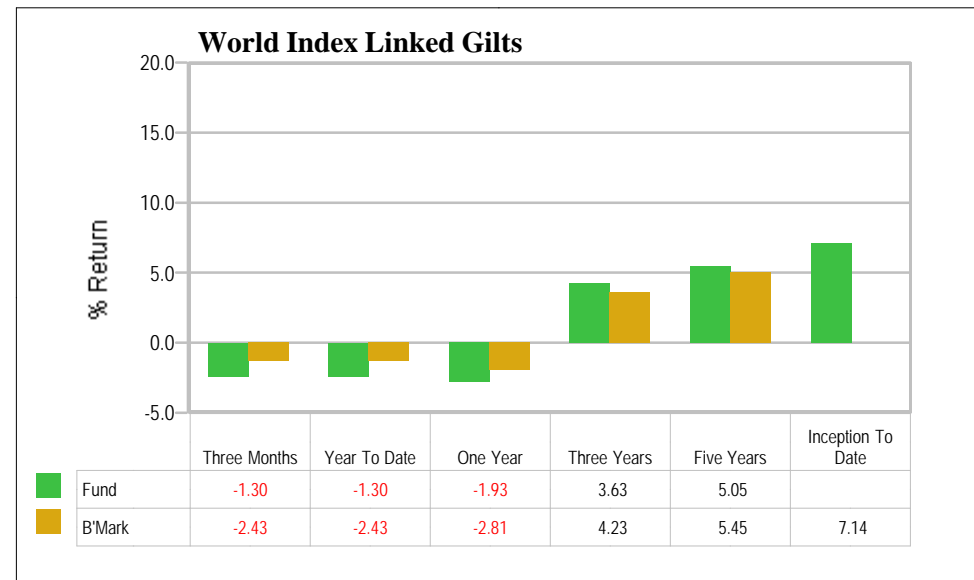
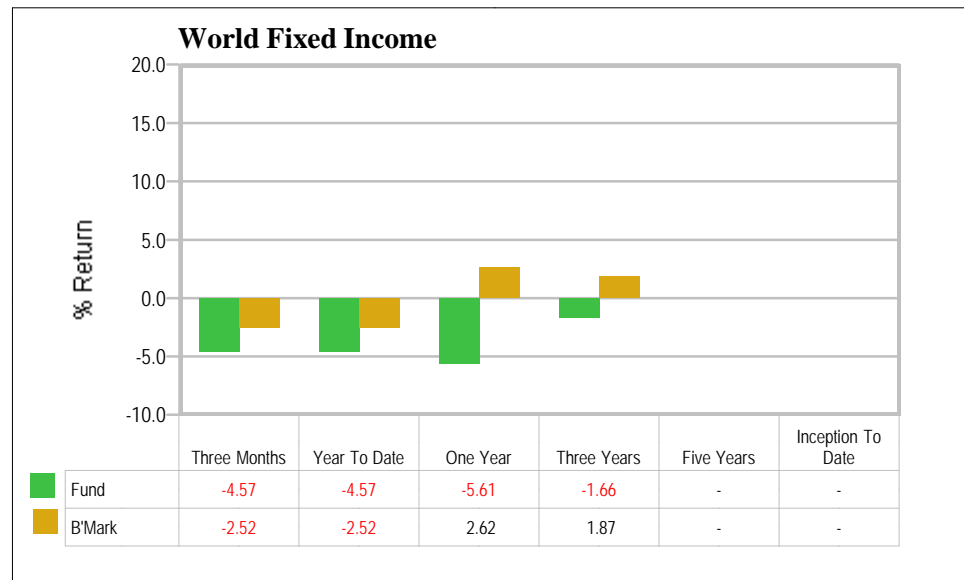
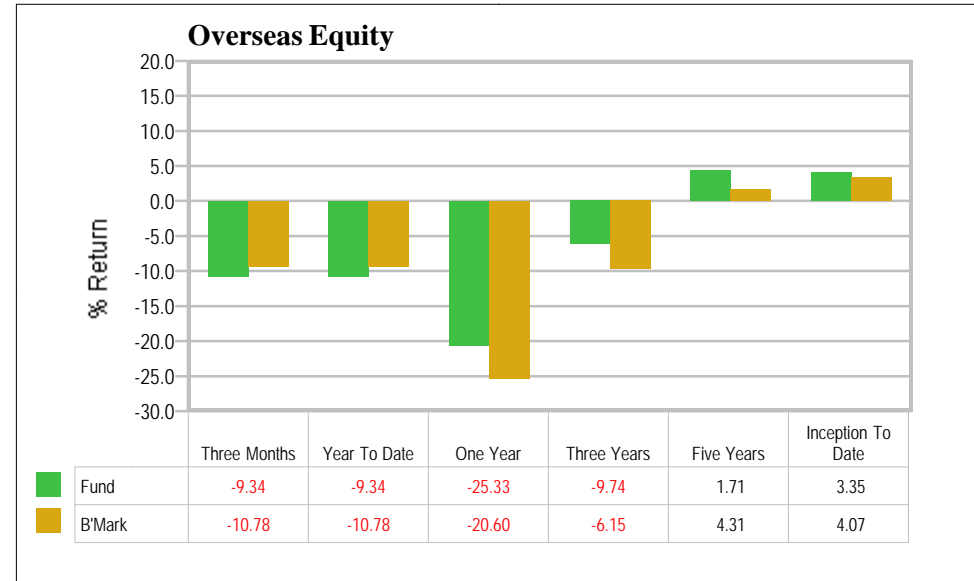
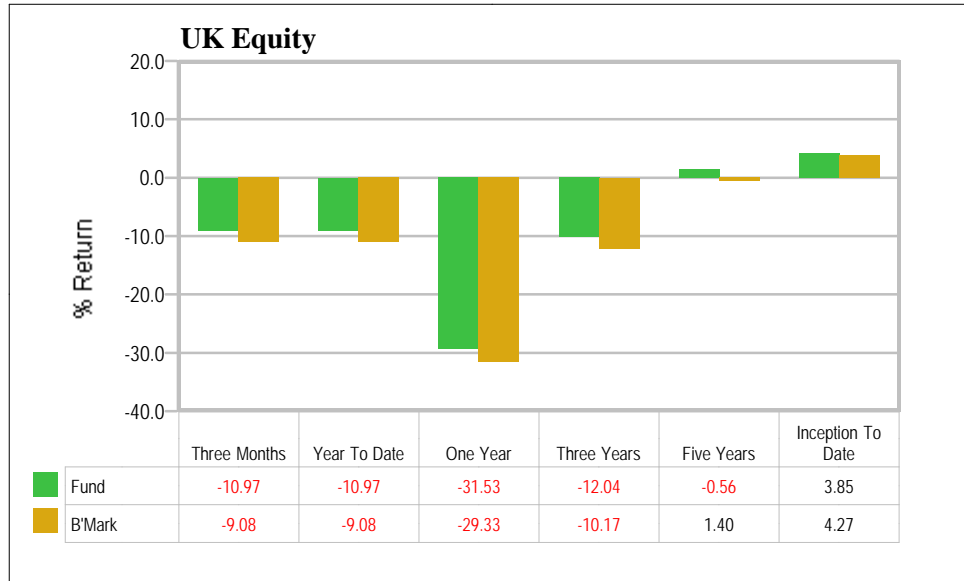


Risk Statistics - 3 years

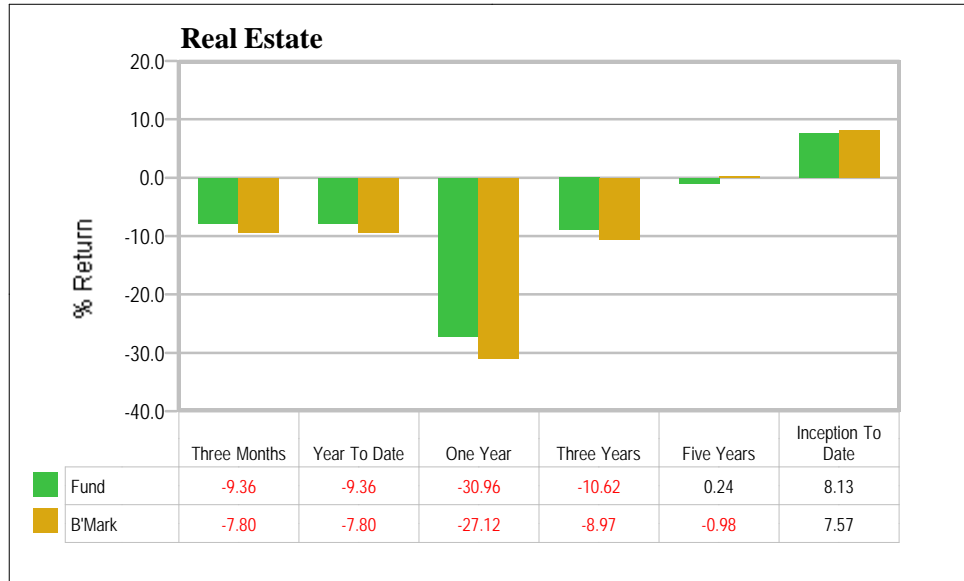
	Fund	B'mark
Performance Return	-8.80	-6.34
Standard Deviation	13.57	13.09
Relative Return	-2.63	
Tracking Error	1.31	
Information Ratio	-1.88	
Beta	1.03	
Alpha	-2.18	
R Squared	0.99	
Sharpe Ratio	-1.08	-0.93
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	429,792	
Net Investment (£000)	-735	
Income Received (£000)	3,027	
Appreciation (£000)	-39,739	
Closing Market Value (£000)	392,345	



London Borough of Hillingdon

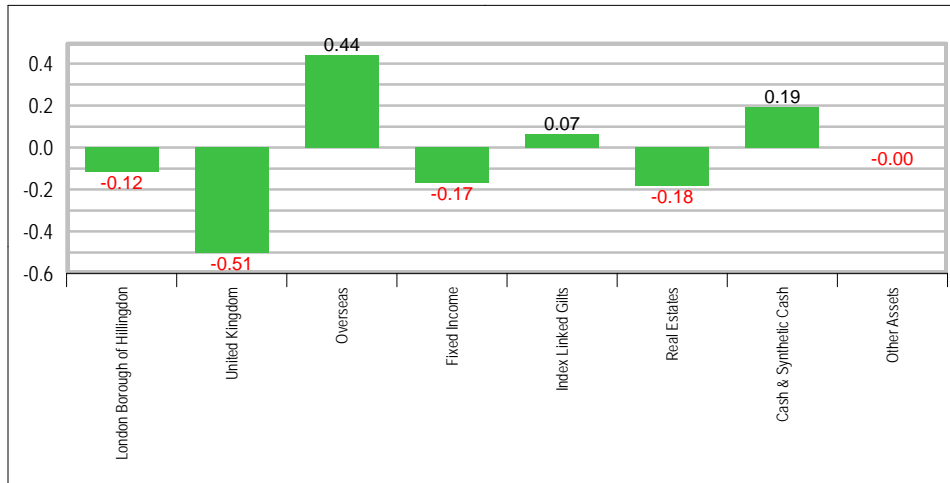


London Borough of Hillingdon

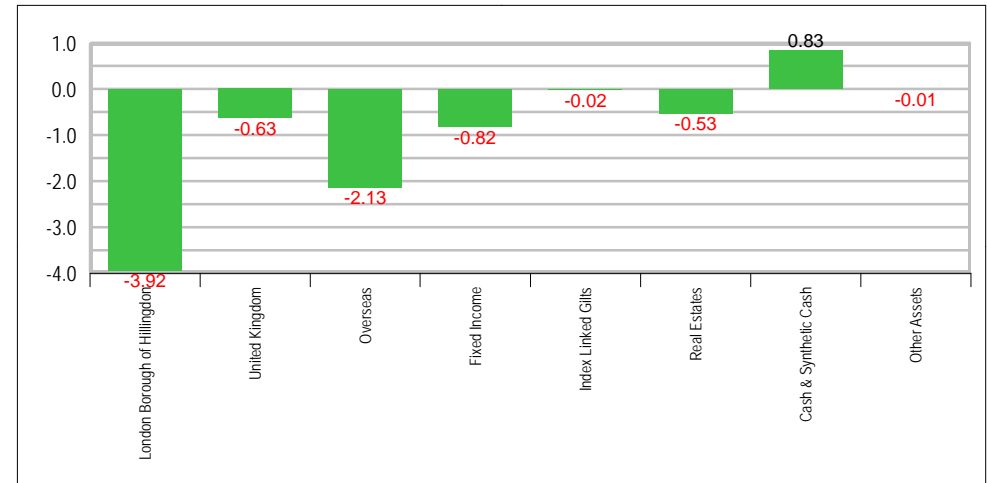


London Borough of Hillingdon

Relative Contribution - Three Months



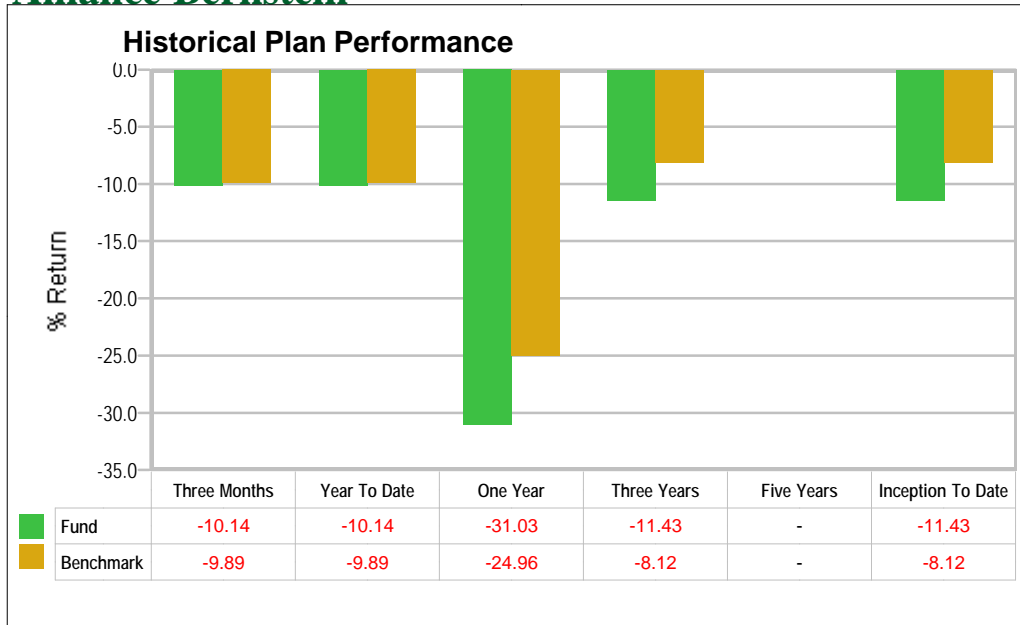
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	-8.55	-8.44	-0.12	0.05	-0.83	0.14	0.53	-0.12
United Kingdom	-10.97	-9.08	-2.07	0.00	-0.00	0.07	-0.58	-0.51
Overseas	-9.34	-10.78	1.61	0.00	-0.75	-0.23	1.43	0.44
Fixed Income	-4.57	-2.52	-2.10	0.00	-0.03	0.11	-0.25	-0.17
Index Linked Gilts	-1.30	-2.43	1.16	0.00	0.00	0.00	0.06	0.07
Real Estates	-9.36	-7.80	-1.69	0.00	0.00	-0.05	-0.13	-0.18
Cash & Synthetic Cash	-1.41	-	-1.41	0.00	-0.05	0.24	0.00	0.19
Other Assets	-	-	0.00	0.00	0.00	-0.00	0.00	-0.00

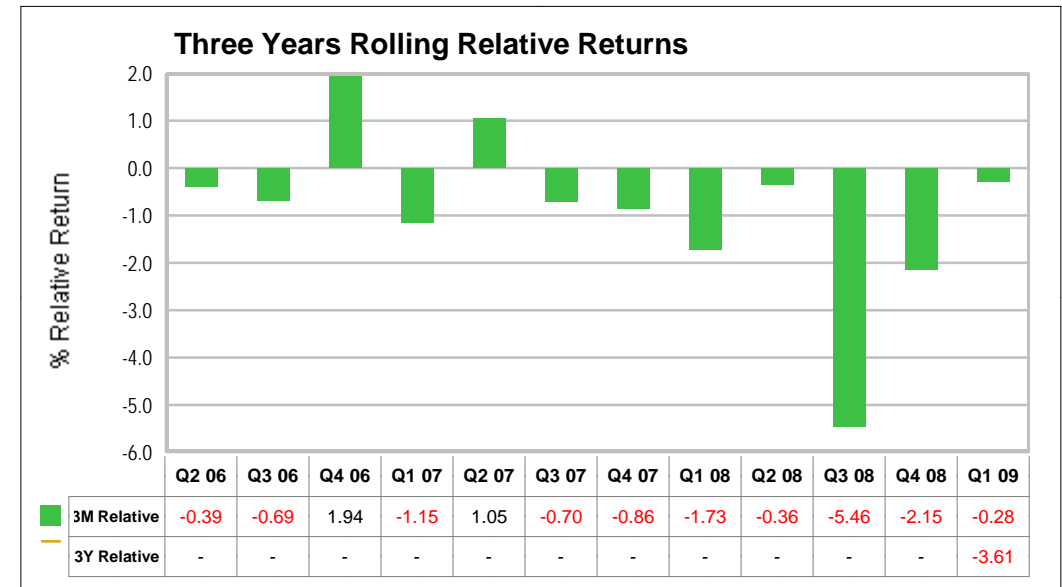
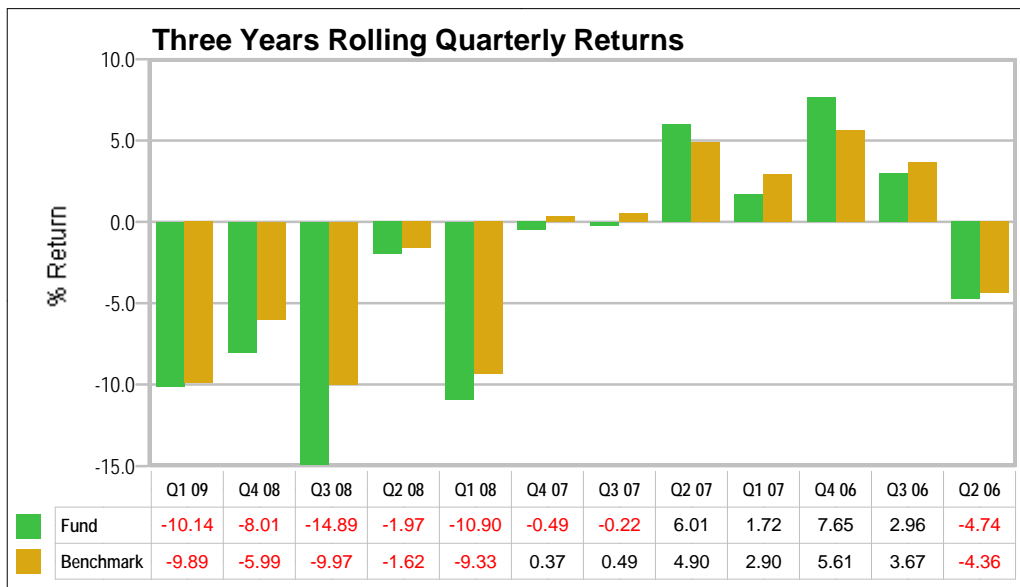
	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	-24.30	-21.20	-3.92	-0.61	7.04	1.25	-10.79	-3.92
United Kingdom	-31.53	-29.33	-3.11	0.00	-0.00	0.36	-0.99	-0.63
Overseas	-25.33	-20.60	-5.96	0.00	6.59	0.09	-8.27	-2.13
Fixed Income	-5.61	2.62	-8.02	0.00	0.33	0.18	-1.33	-0.82
Index Linked Gilts	-1.93	-2.81	0.90	0.00	0.00	-0.06	0.04	-0.02
Real Estates	-30.96	-27.12	-5.28	0.00	0.00	-0.05	-0.48	-0.53
Cash & Synthetic Cash	11.34	-	11.34	0.00	0.10	0.73	0.00	0.83
Other Assets	-	-	0.00	0.00	0.00	-0.01	0.00	-0.01

Alliance Bernstein

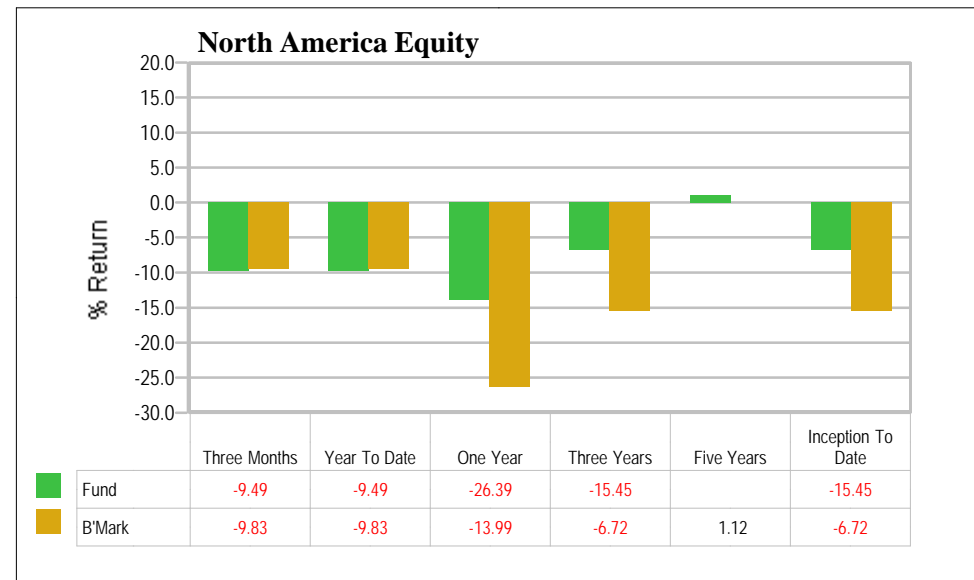
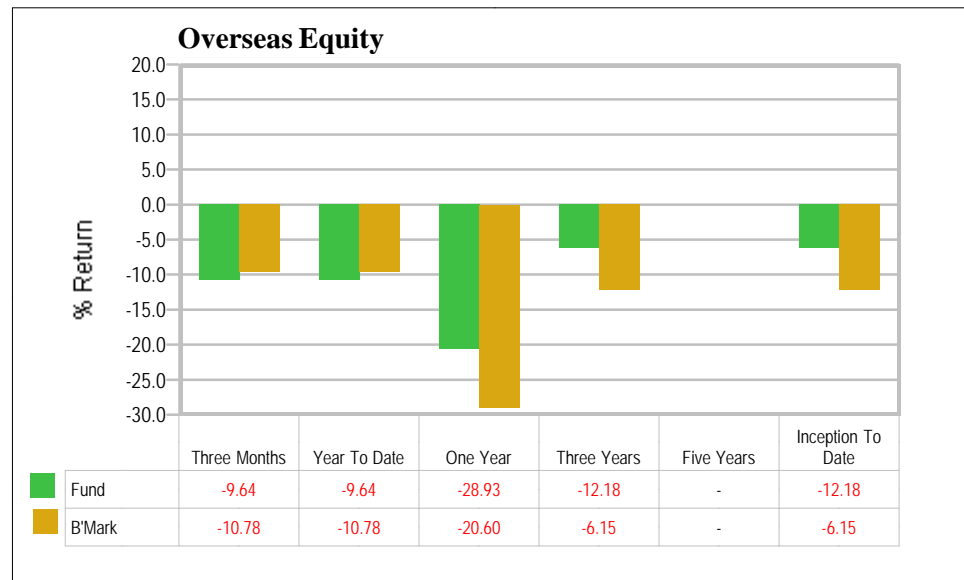
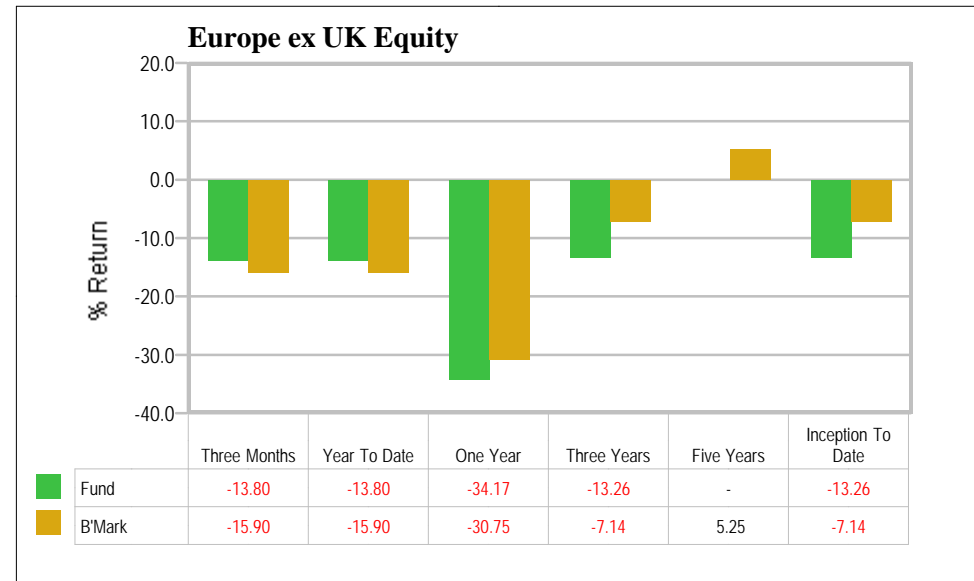
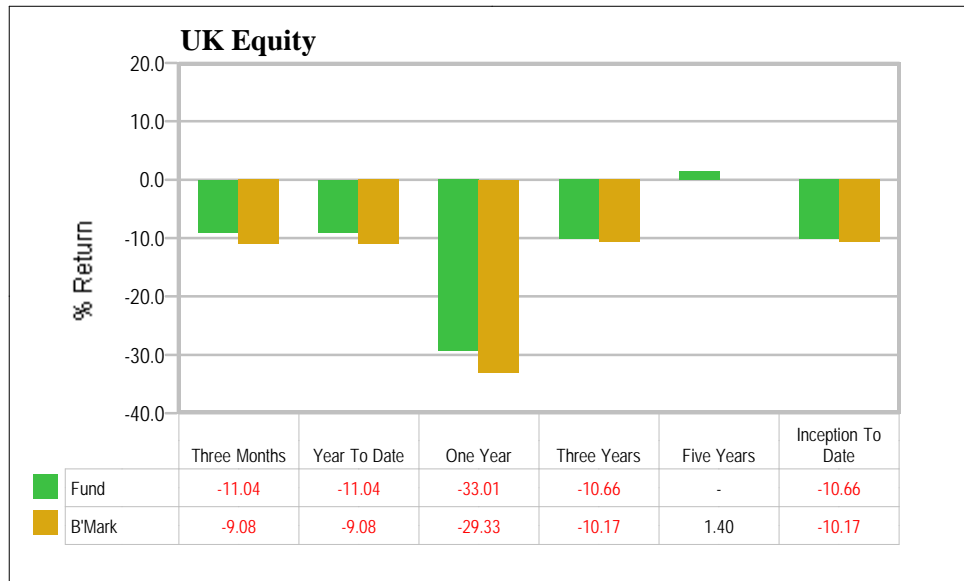


Risk Statistics - 3 years

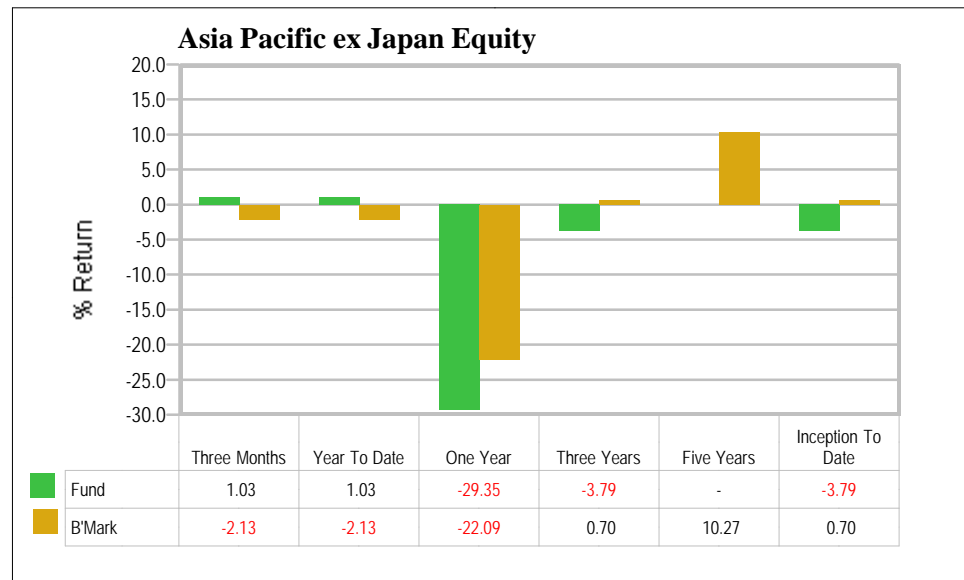
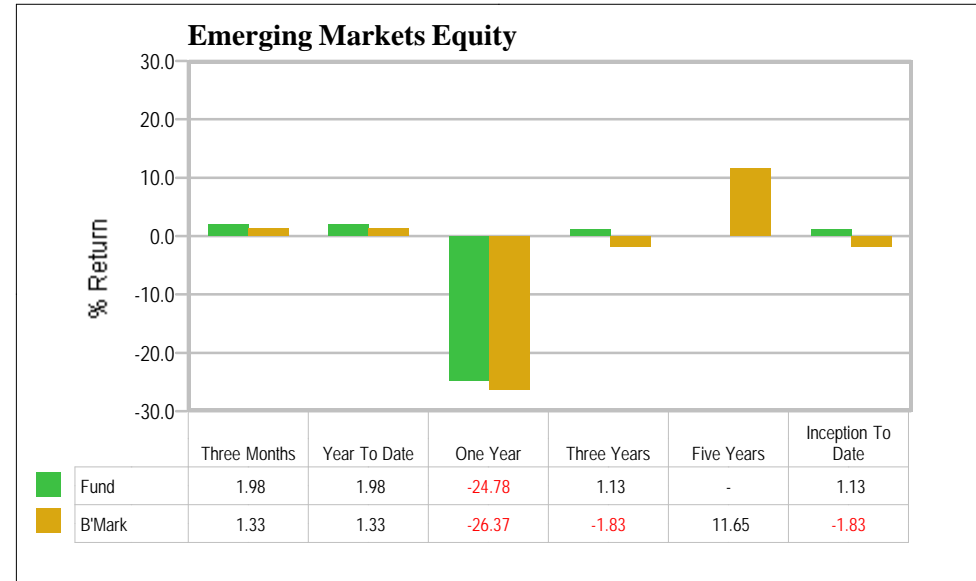
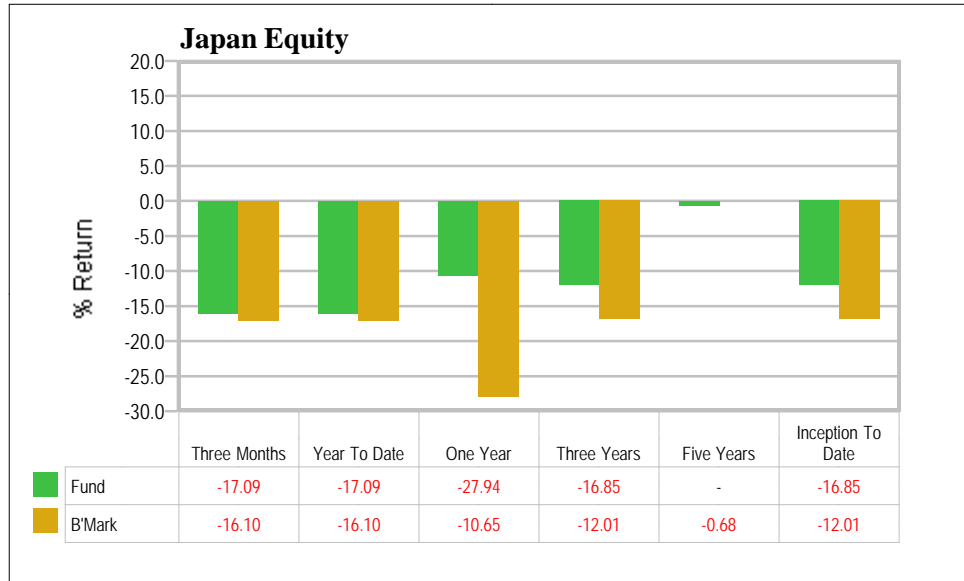
	Fund	B'mark
Performance Return	-11.43	-8.12
Standard Deviation	17.72	16.80
Relative Return	-3.61	
Tracking Error	2.44	
Information Ratio	-1.36	
Beta	1.05	
Alpha	-2.83	
R Squared	0.98	
Sharpe Ratio	-0.98	-0.83
Percentage of Total Fund	20.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	89,617	
Net Investment £(000)	-734	
Income Received £(000)	688	
Appreciation £(000)	-9,731	
Closing Market Value (£000)	79,839	



Alliance Bernstein

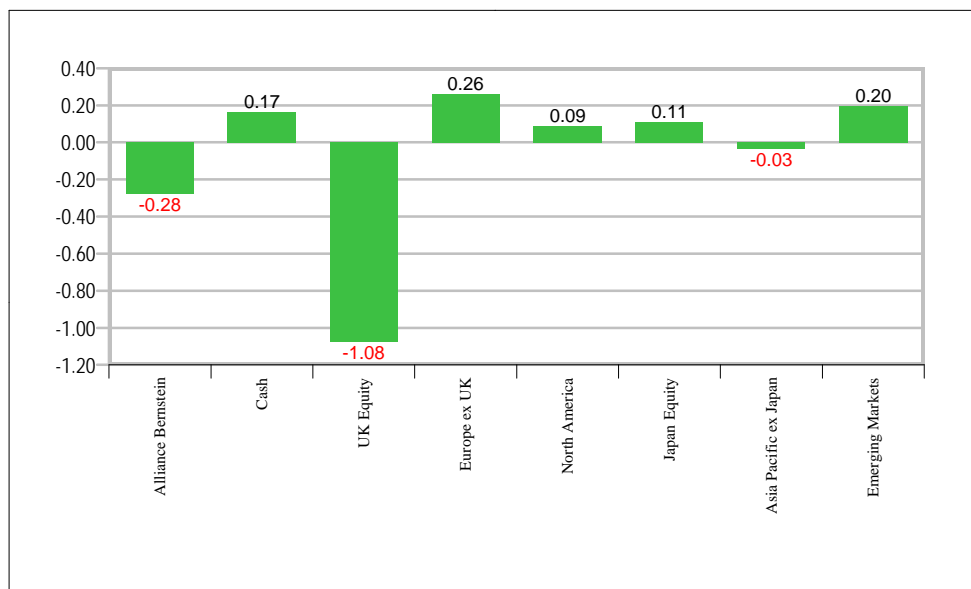


Alliance Bernstein

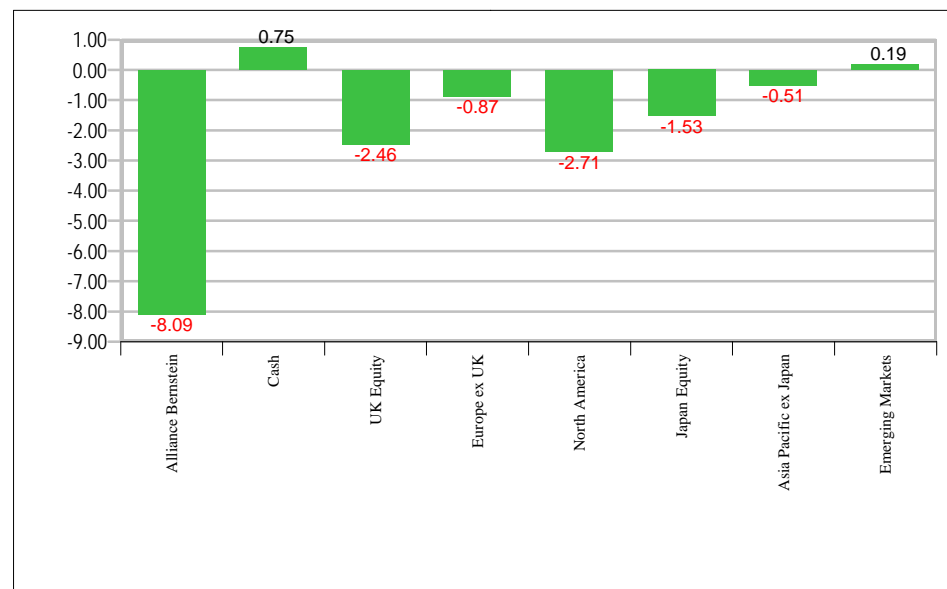


Alliance Bernstein

Relative Contribution - Three Months



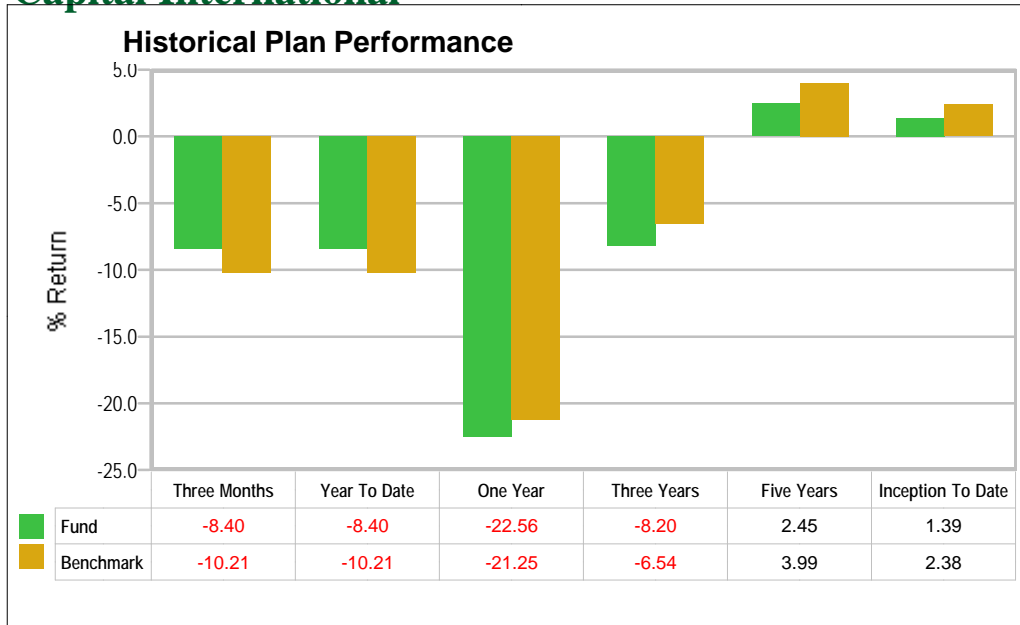
Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	-10.14	-9.89	-0.28	0.01	0.09	0.18	-0.56	-0.28
UK Equity	-11.04	-9.08	-2.15	0.00	-0.05	-0.01	-1.02	-1.08
Europe ex UK	-13.80	-15.90	2.50	0.00	-0.02	-0.01	0.29	0.26
North America	-9.49	-9.83	0.38	0.00	0.02	-0.03	0.09	0.09
Japan Equity	-17.09	-16.10	-1.18	0.00	0.17	0.00	-0.06	0.11
Asia Pacific ex Japan	1.03	-2.13	3.23	0.00	0.02	-0.16	0.11	-0.03
Emerging Markets	1.98	1.33	0.64	0.00	0.01	0.14	0.04	0.20
Cash	-4.83	-	-4.83	0.00	-0.07	0.24	0.00	0.17

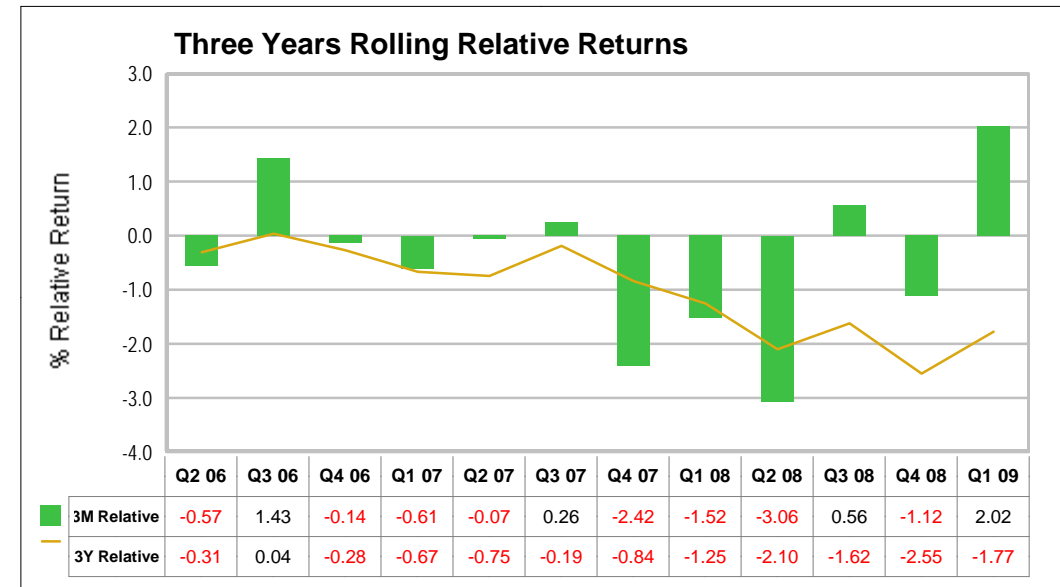
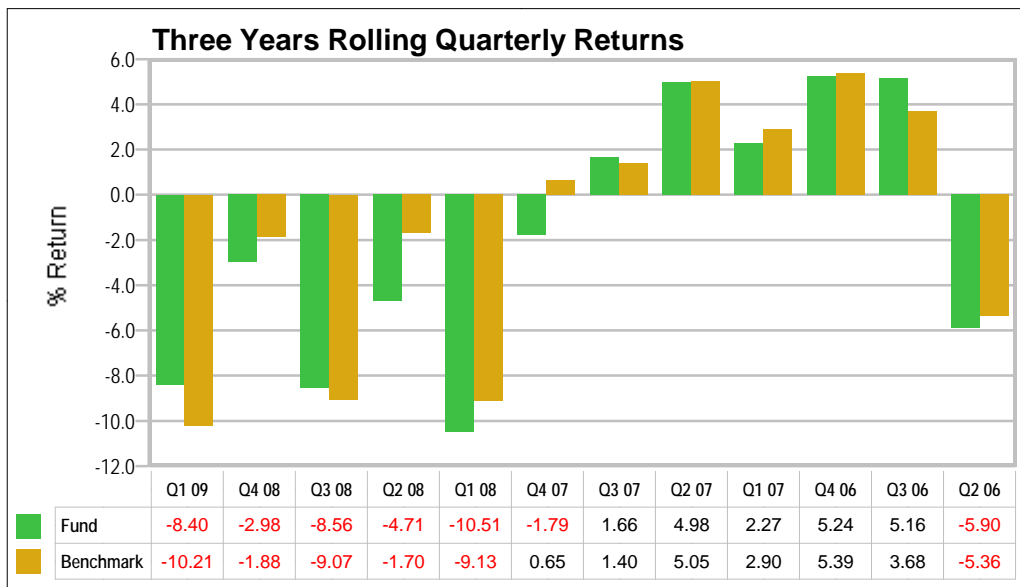
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	-31.03	-24.96	-8.09	-1.21	-0.55	0.58	-7.03	-8.09
UK Equity	-33.01	-29.33	-5.21	0.00	0.19	-0.15	-2.50	-2.46
Europe ex UK	-34.17	-30.75	-4.94	0.00	-0.01	-0.10	-0.76	-0.87
North America	-26.39	-13.99	-14.42	0.00	0.13	-0.17	-2.67	-2.71
Japan Equity	-27.94	-10.65	-19.35	0.00	-0.27	0.06	-1.32	-1.53
Asia Pacific ex Japan	-29.35	-22.09	-9.32	0.00	-0.35	-0.05	-0.11	-0.51
Emerging Markets	-24.78	-26.37	2.16	0.00	-0.01	0.02	0.18	0.19
Cash	3.99	-	3.99	0.00	-0.23	0.98	0.00	0.75

Capital International

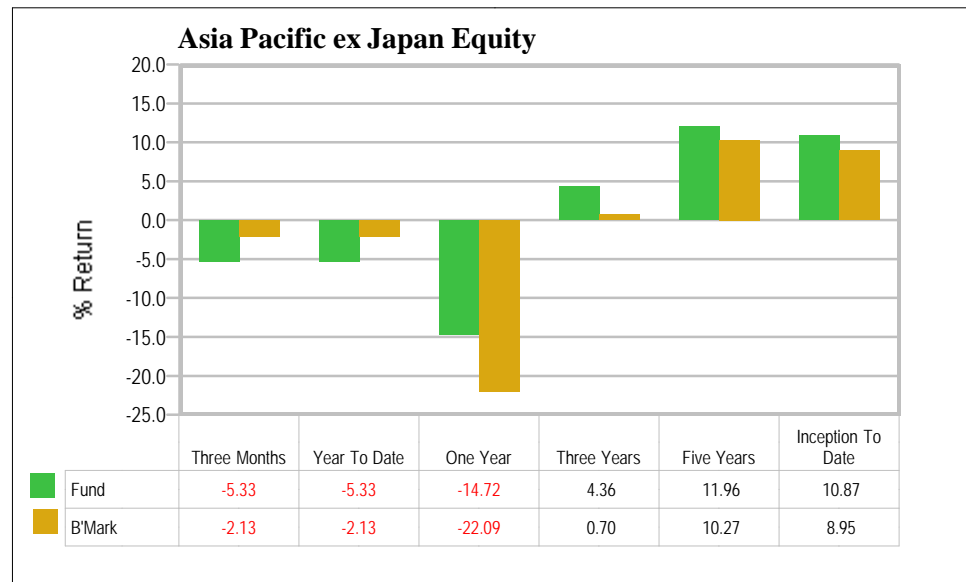
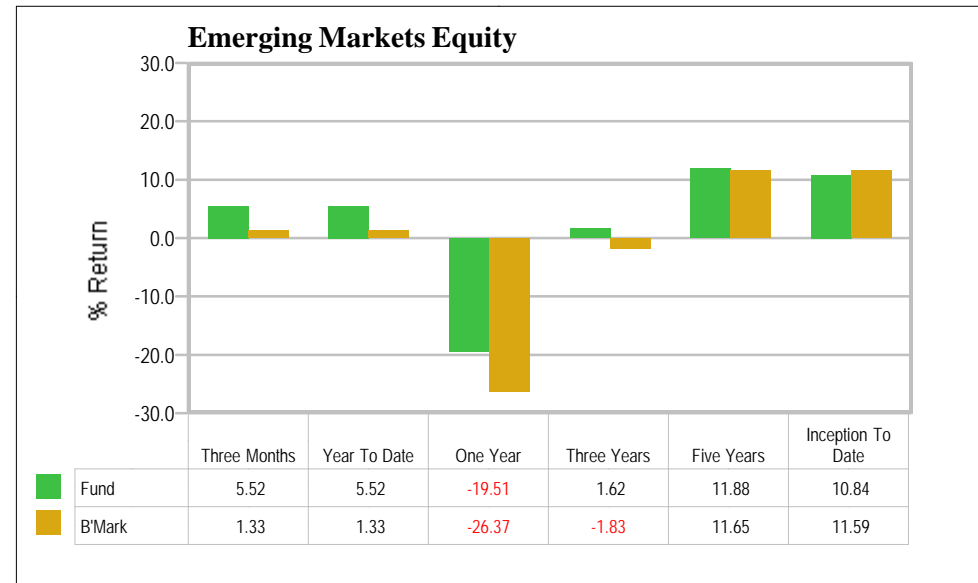
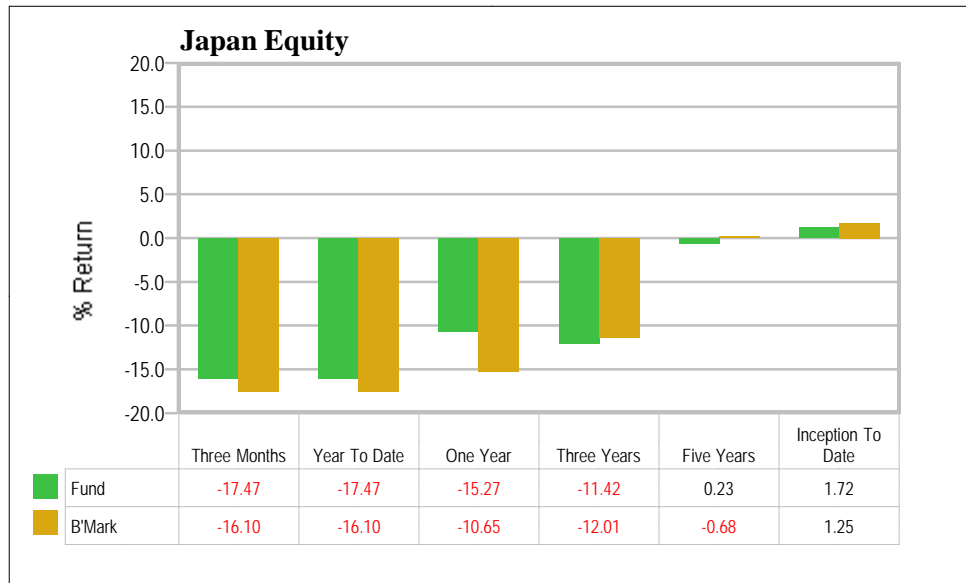


Risk Statistics - 3 years

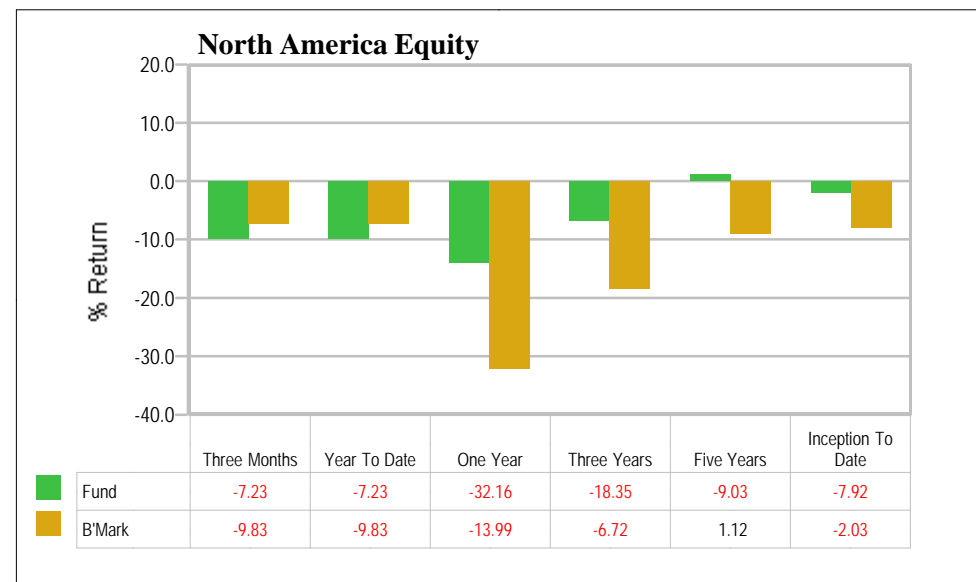
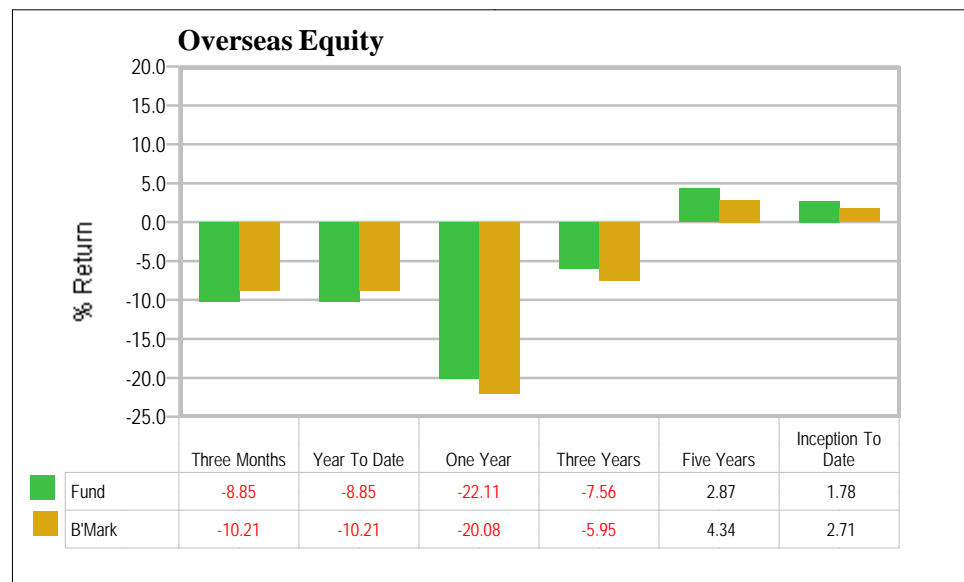
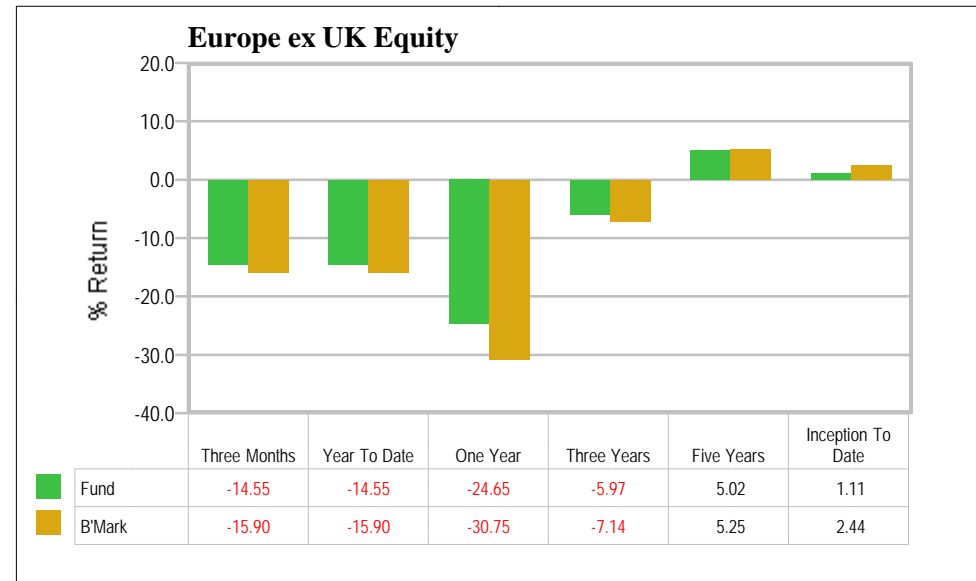
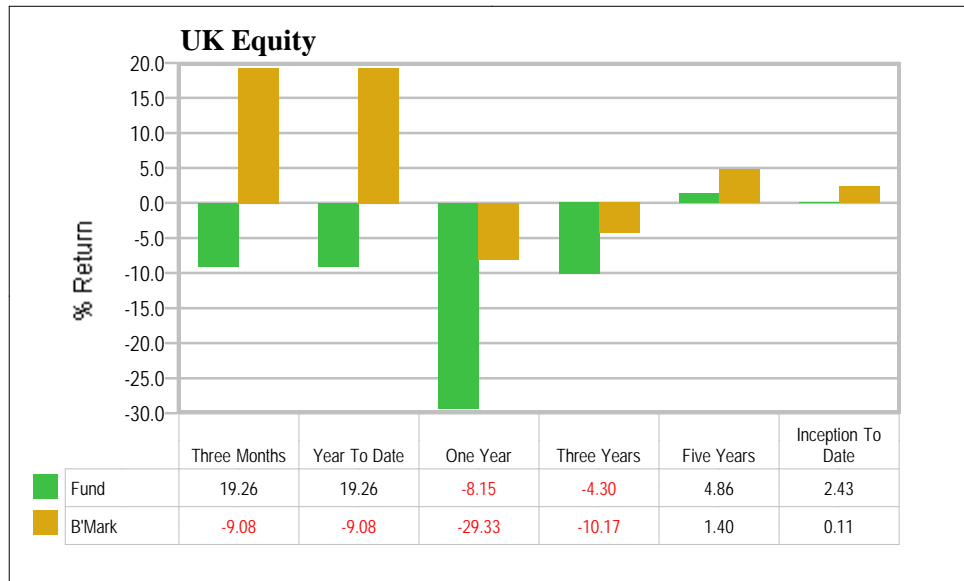
	Fund	B'mark
Performance Return	-8.20	-6.54
Standard Deviation	18.40	18.60
Relative Return	-1.77	
Tracking Error	2.53	
Information Ratio	-0.66	
Beta	0.98	
Alpha	-2.00	
R Squared	0.98	
Sharpe Ratio	-0.76	-0.67
Percentage of Total Fund	19.1	
Inception Date	Dec-2001	
Opening Market Value (£000)	81,719	
Net Investment (£000)	-0	
Income Received (£000)	553	
Appreciation (£000)	-7,419	
Closing Market Value (£000)	74,853	



Capital International

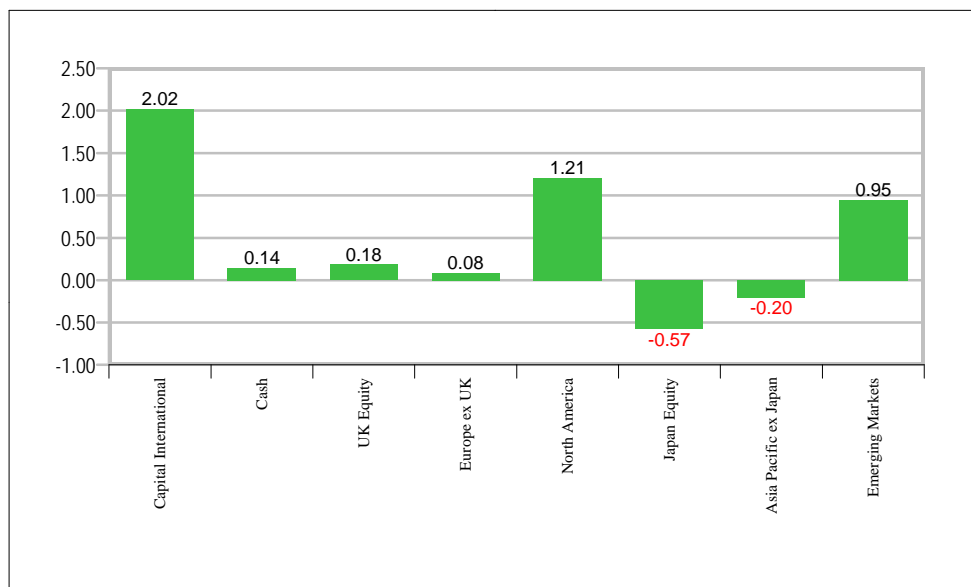


Capital International

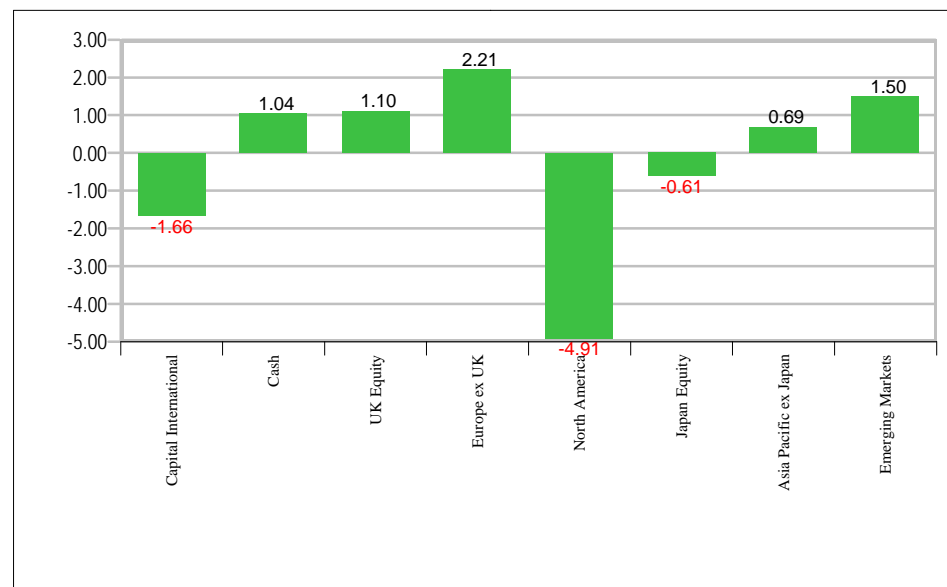


Capital International

Relative Contribution - Three Months



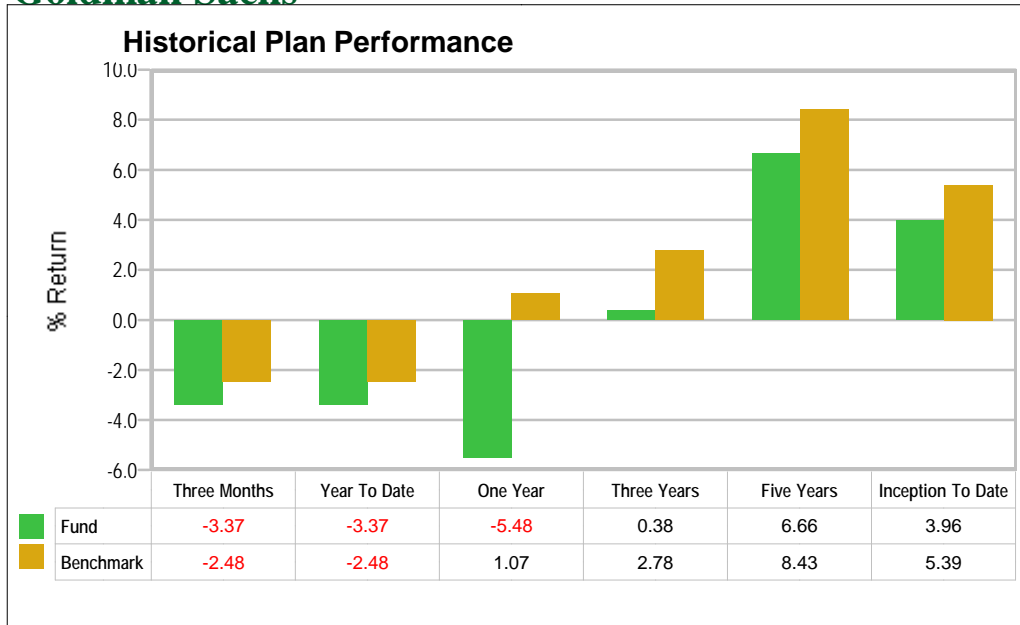
Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Capital International	-8.40	-10.21	2.02	0.09	-1.52	1.98	1.38	2.02
UK Equity	19.26	-9.08	31.18	0.00	-1.41	1.32	0.29	0.18
Europe ex UK	-14.55	-15.90	1.61	0.00	-0.44	-0.06	0.59	0.08
North America	-7.23	-9.83	2.89	0.00	0.27	0.21	0.72	1.21
Japan Equity	-17.47	-16.10	-1.63	0.00	-0.38	0.01	-0.20	-0.57
Asia Pacific ex Japan	-5.33	-2.13	-3.27	0.00	0.04	-0.01	-0.23	-0.20
Emerging Markets	5.52	1.33	4.13	0.00	0.43	0.31	0.21	0.95
Cash	-4.19	-	-4.19	0.00	-0.04	0.18	0.00	0.14

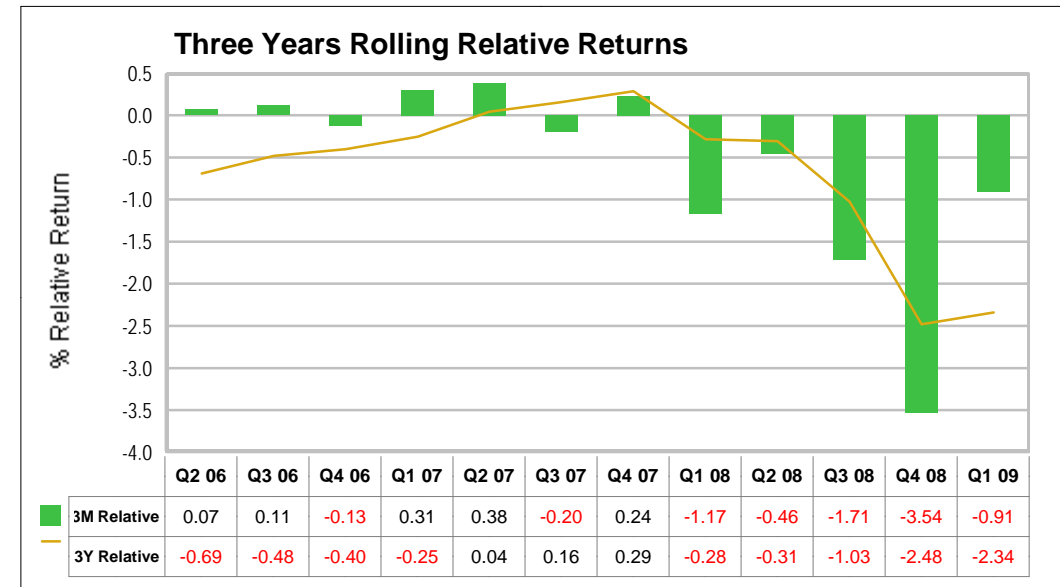
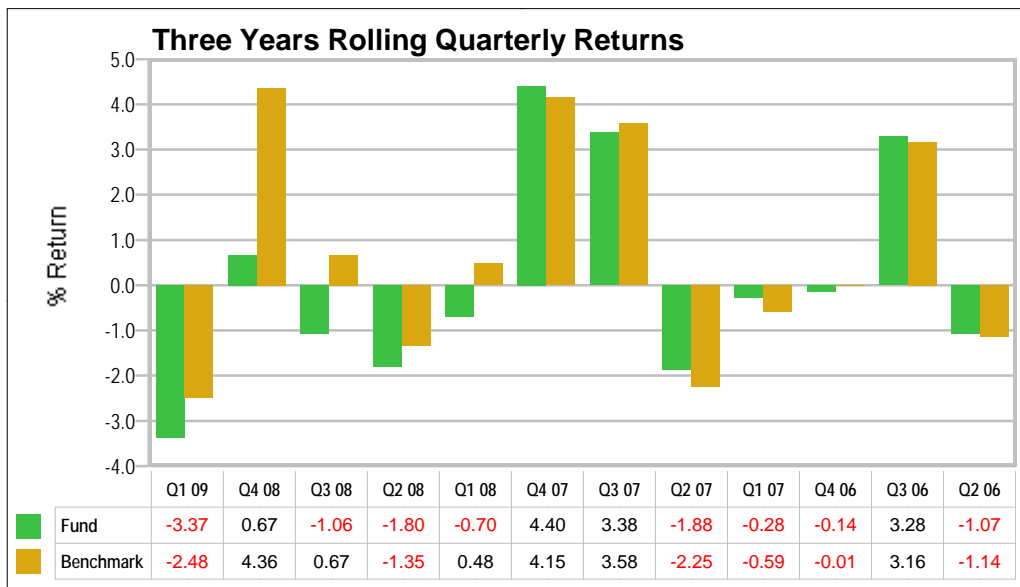
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Capital International	-22.56	-21.25	-1.66	0.06	2.92	1.13	-3.10	-1.66
Cash	1.86	-	1.86	0.00	-0.73	1.77	0.00	1.04
UK Equity	-8.15	-29.33	29.96	0.00	4.09	-1.27	-1.62	1.10
Europe ex UK	-24.65	-30.75	8.81	0.00	-0.07	-0.32	2.61	2.21
North America	-32.16	-13.99	-21.12	0.00	-1.04	0.30	-4.21	-4.91
Japan Equity	-15.27	-10.65	-5.18	0.00	-0.04	0.06	-0.63	-0.61
Asia Pacific ex Japan	-14.72	-22.09	9.46	0.00	0.12	0.04	0.53	0.69
Emerging Markets	-19.51	-26.37	9.31	0.00	0.63	0.56	0.30	1.50

Goldman Sachs

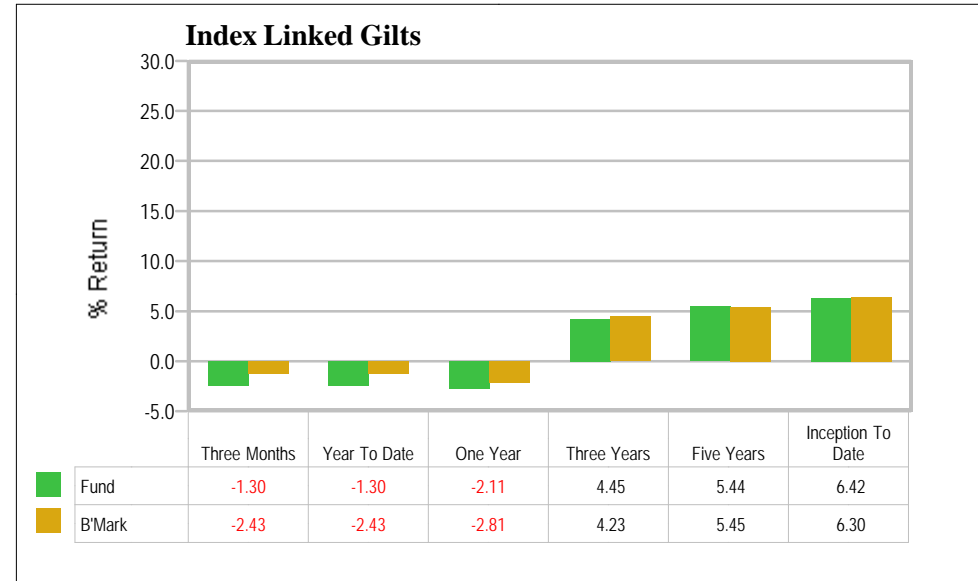
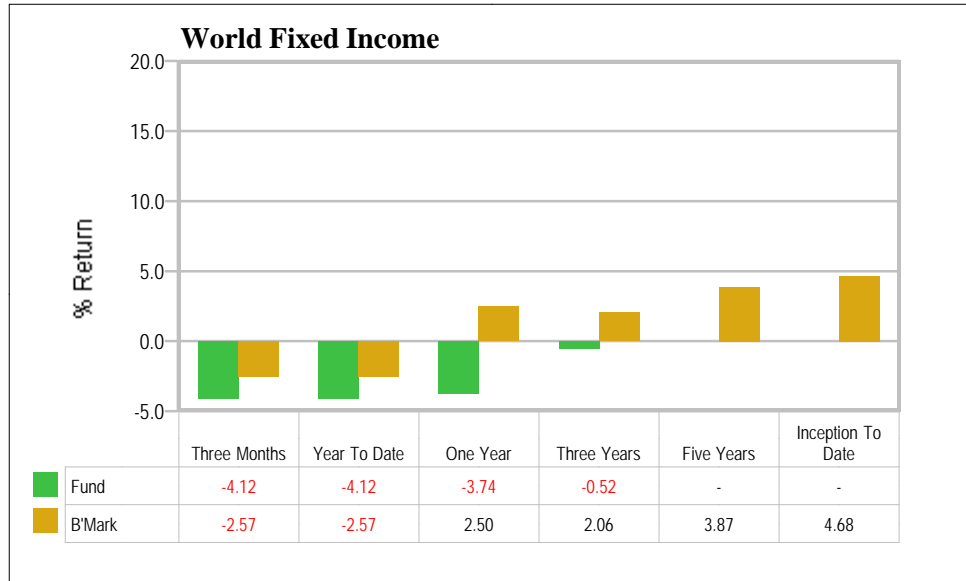


Risk Statistics - 3 years

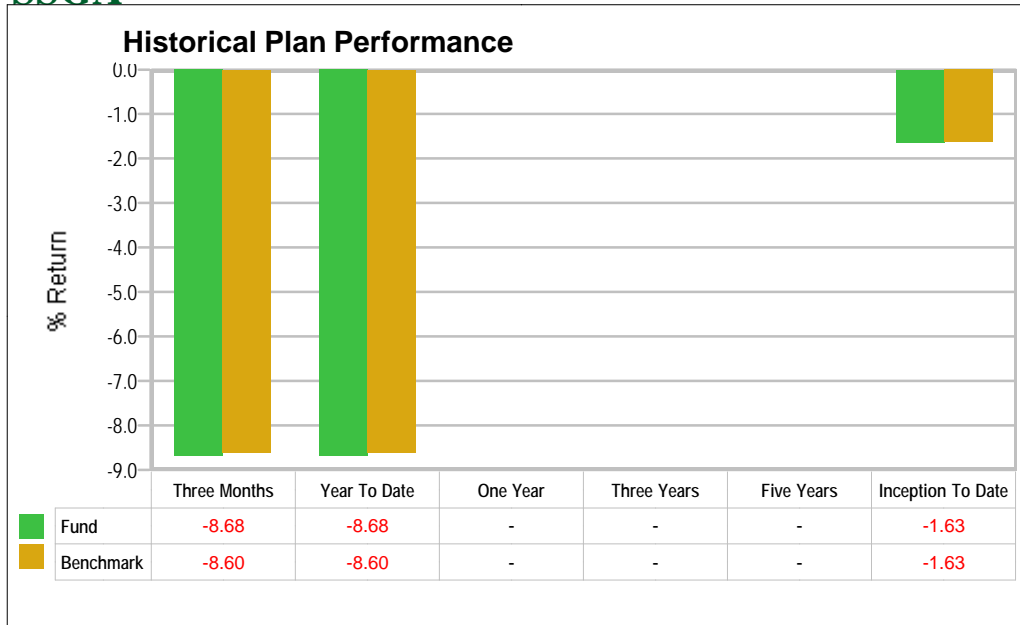
	Fund	B'mark
Performance Return	0.38	2.78
Standard Deviation	6.60	6.34
Relative Return	-2.34	
Tracking Error	1.59	
Information Ratio	-1.51	
Beta	1.02	
Alpha	-2.29	
R Squared	0.94	
Sharpe Ratio	-0.83	-0.49
Percentage of Total Fund	13.5	
Inception Date	Dec-2001	
Opening Market Value (£000)	54,628	
Net Investment (£000)	-0	
Income Received (£000)	585	
Appreciation (£000)	-2,424	
Closing Market Value (£000)	52,789	



Goldman Sachs

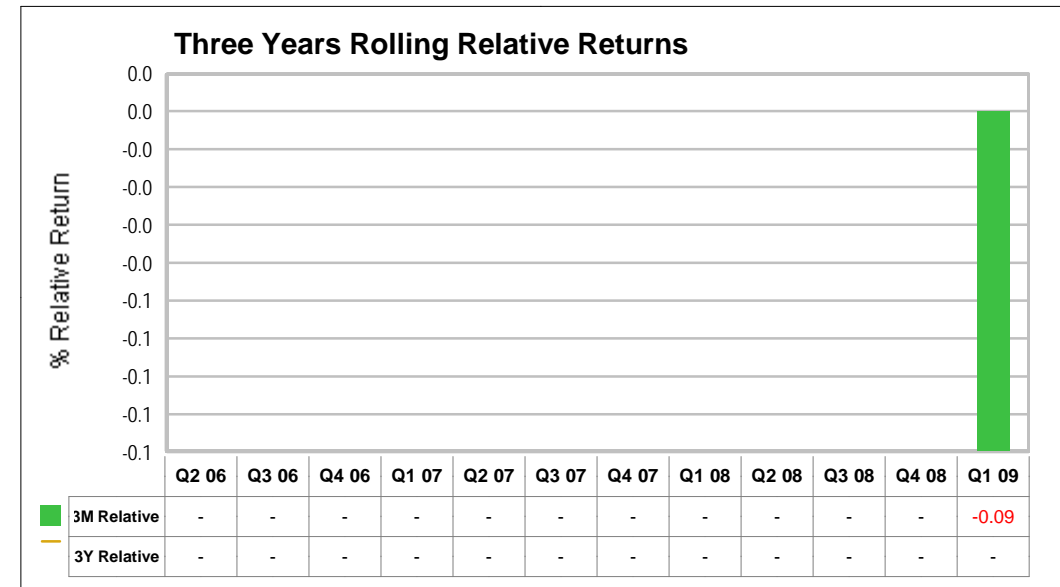
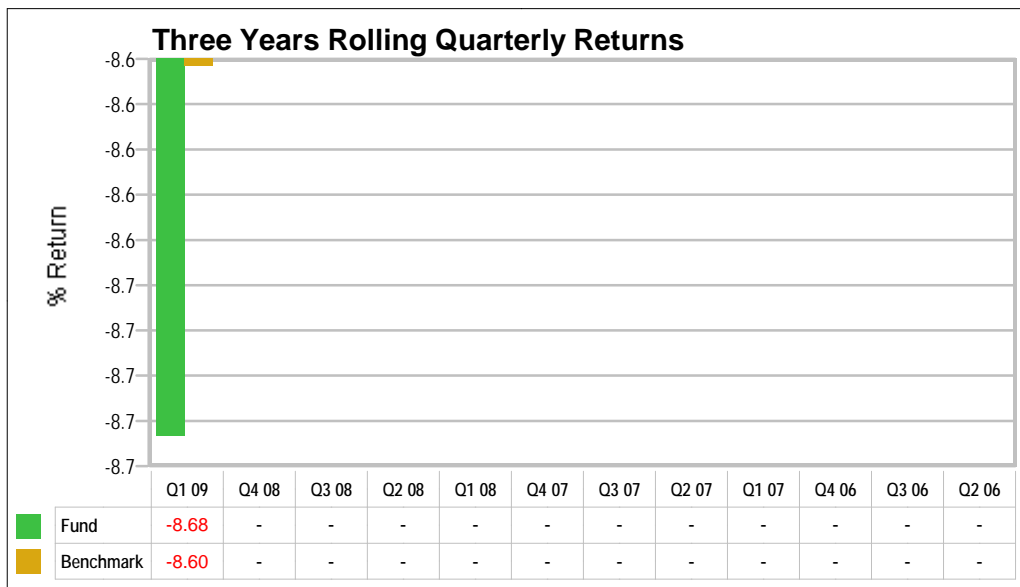


SSGA

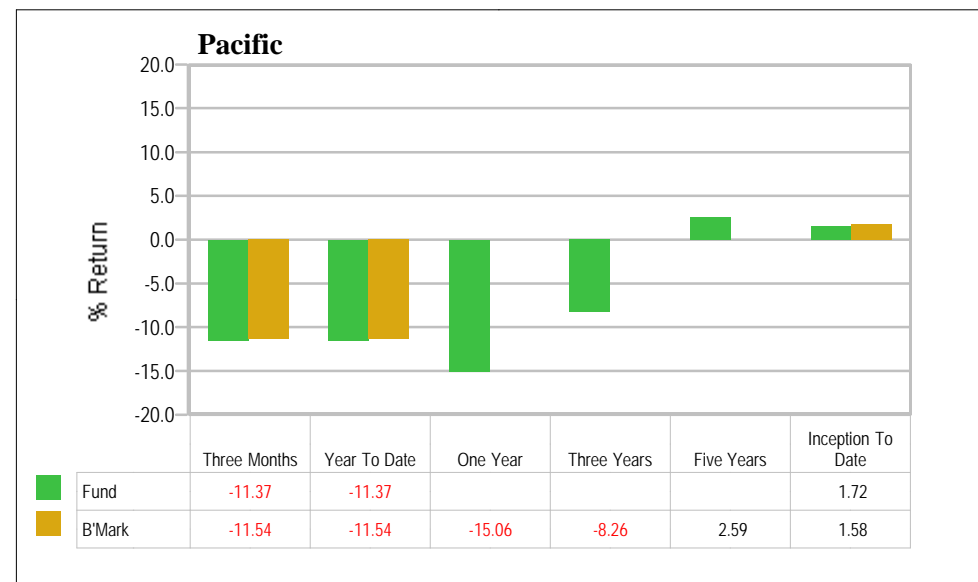
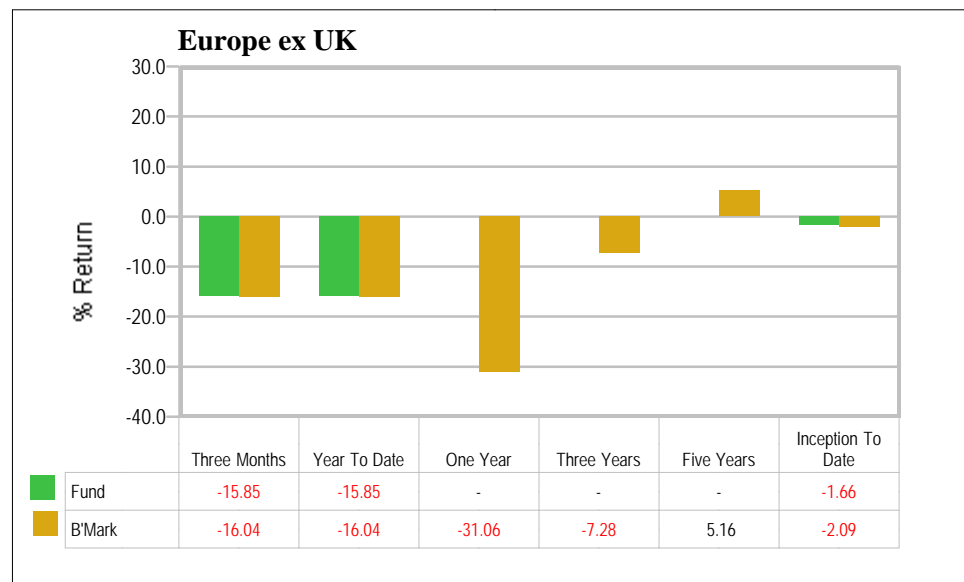
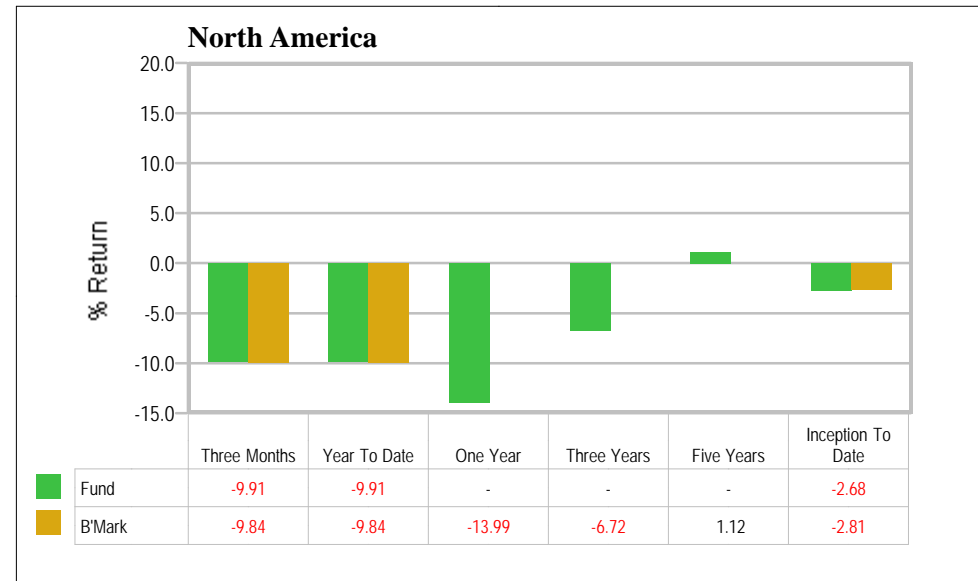
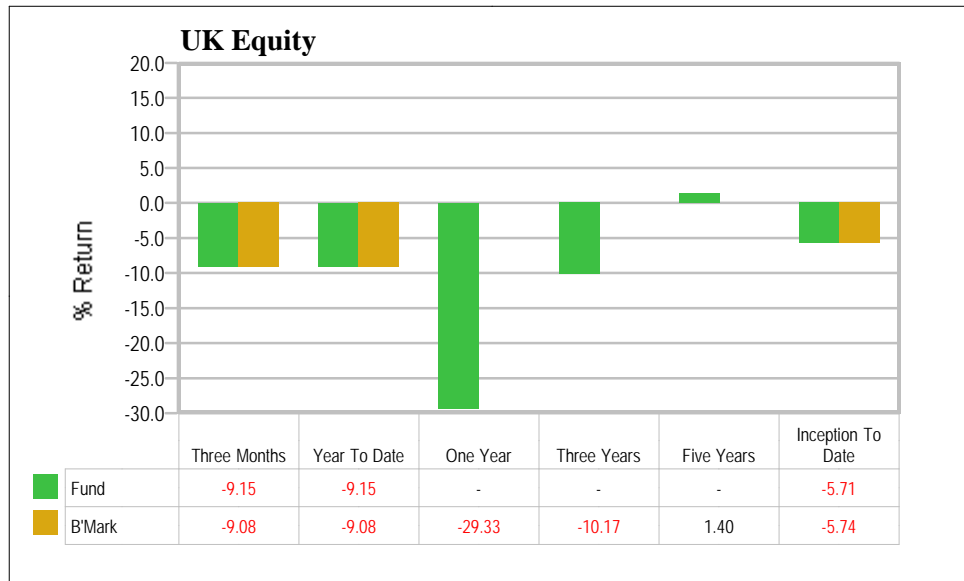


Risk Statistics - 3 years

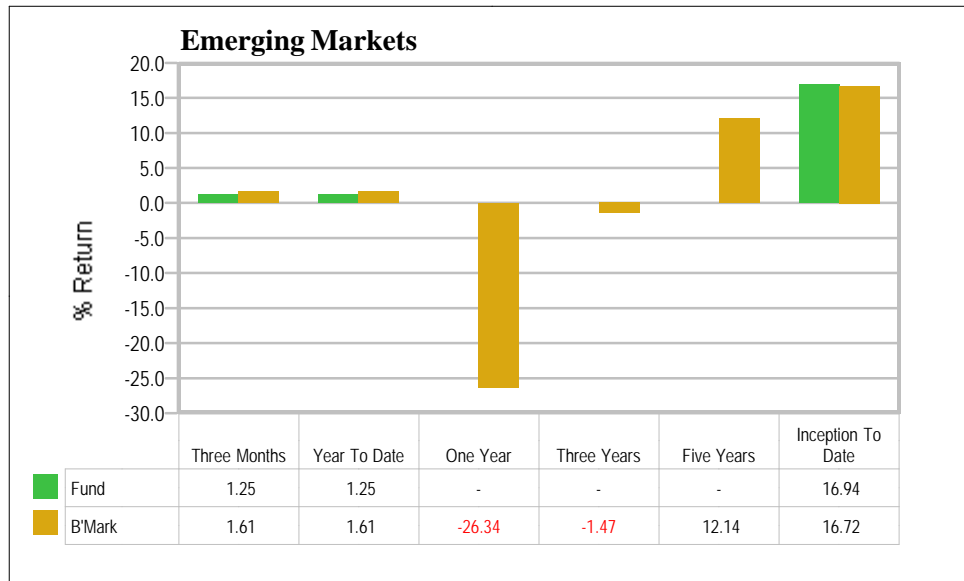
	Fund	B'mark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	18.8	
Inception Date	Nov-2008	
Opening Market Value (£000)	80,743	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	-7,011	
Closing Market Value (£000)	73,732	



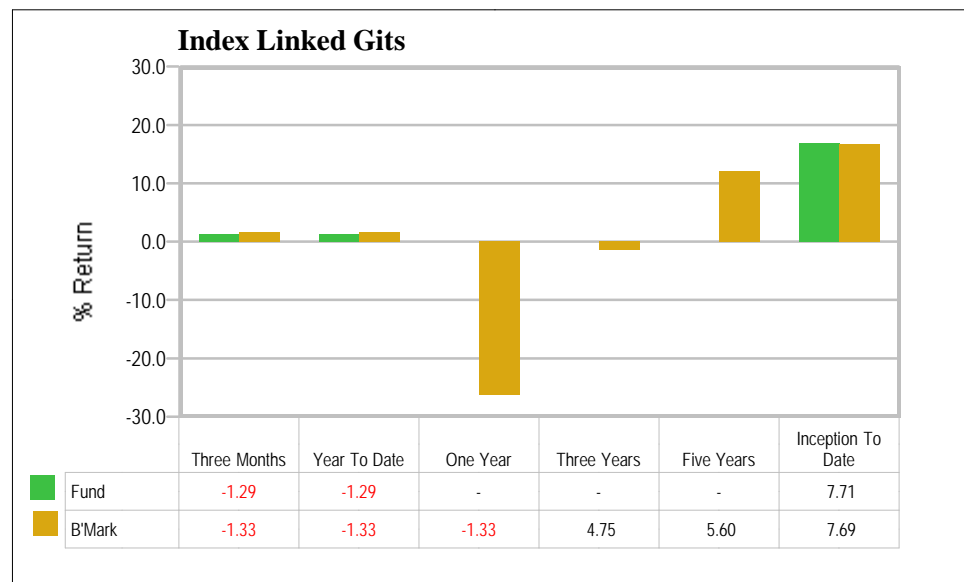
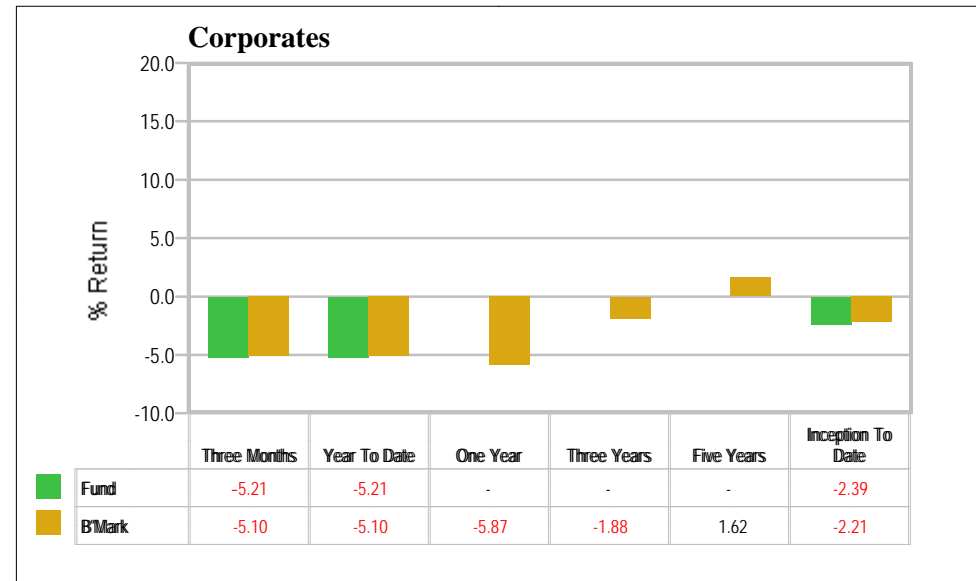
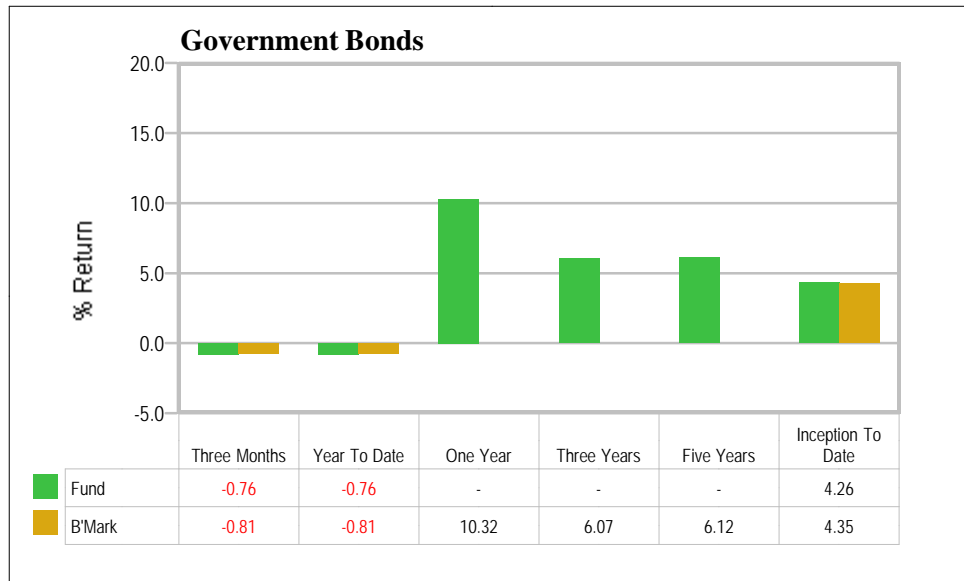
SSGA



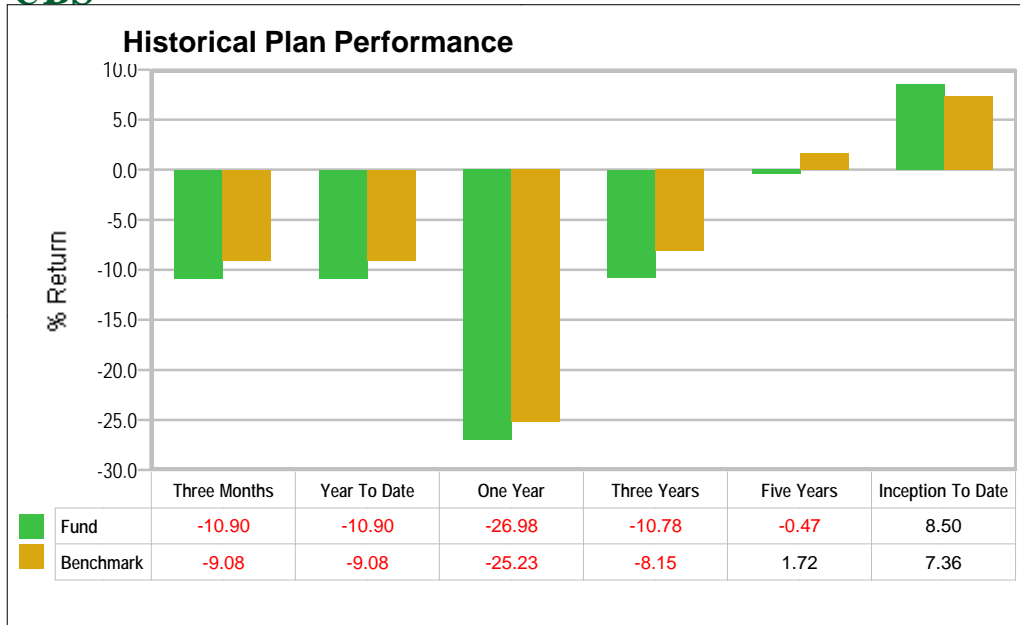
SSGA



SSGA

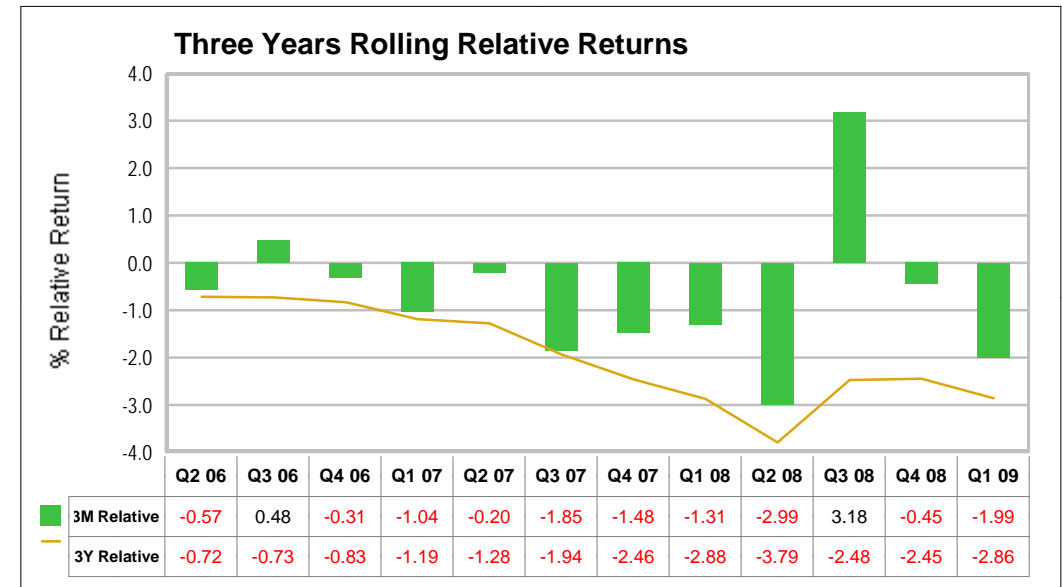
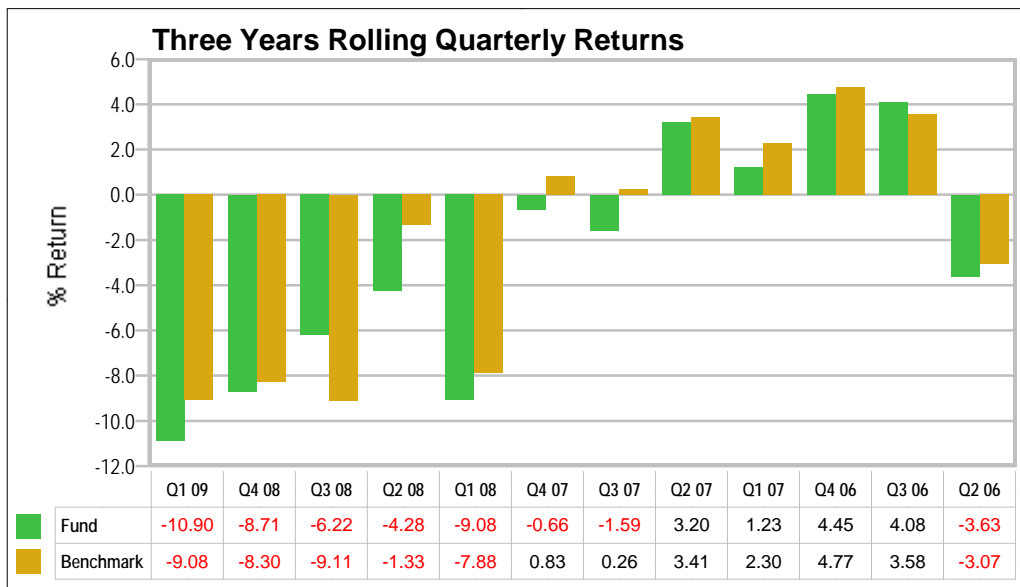


UBS

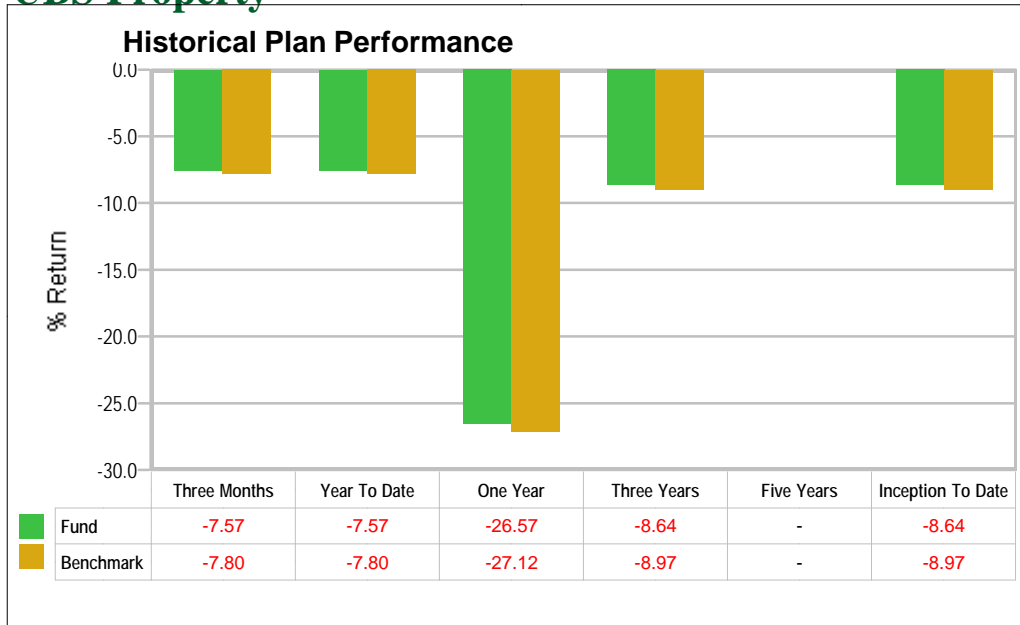


Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-10.78	-8.15
Standard Deviation	14.60	13.61
Relative Return	-2.86	
Tracking Error	2.83	
Information Ratio	-0.93	
Beta	1.05	
Alpha	-2.00	
R Squared	0.96	
Sharpe Ratio	-1.14	-1.03
Percentage of Total Fund	18.0	
Inception Date	Dec-1988	
Opening Market Value (£000)	79,255	
Net Investment (£000)	-1	
Income Received (£000)	746	
Appreciation (£000)	-9,381	
Closing Market Value (£000)	70,618	

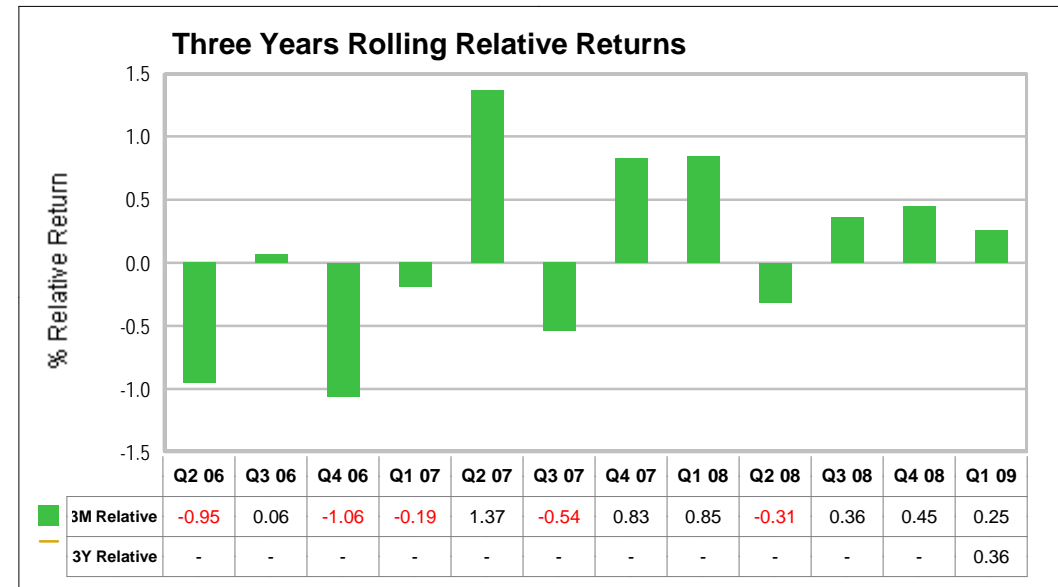
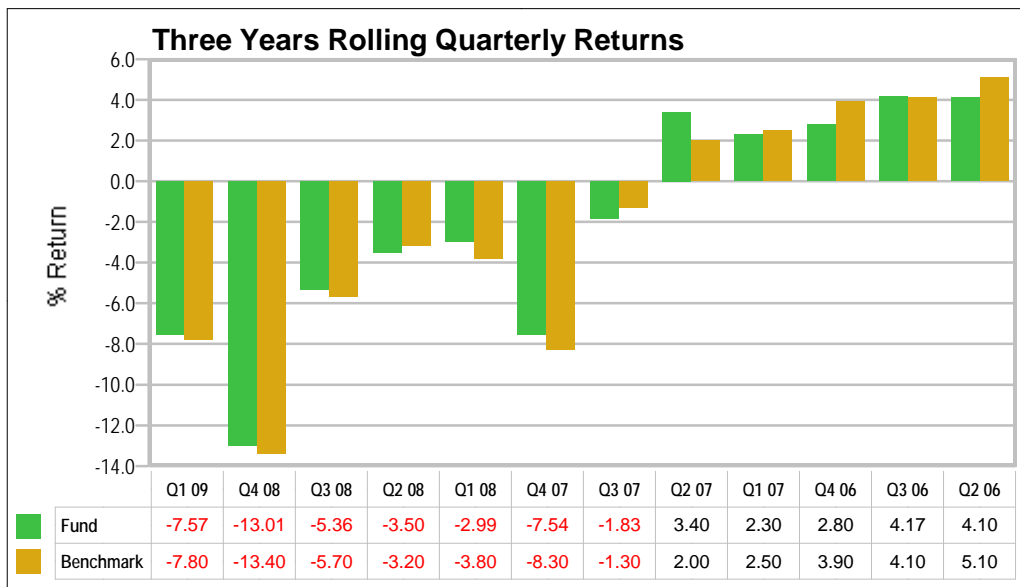


UBS Property



Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-8.64	-8.97
Standard Deviation	6.73	6.66
Relative Return	0.36	
Tracking Error	2.45	
Information Ratio	0.13	
Beta	0.95	
Alpha	-0.42	
R Squared	0.88	
Sharpe Ratio	-2.16	-2.23
Percentage of Total Fund	10.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	43,829	
Net Investment (£000)	0	
Income Received (£000)	456	
Appreciation (£000)	-3,773	
Closing Market Value (£000)	40,513	



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.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by The Northern Trust Corporation and its wholly owned subsidiaries. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The Dow Jones Wilshire IndexesSM are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire IndexesSM © 2005 Dow Jones & Company, Inc. & Wilshire Associates Incorporated. Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts. All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company.

FTSE ® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Merrill Lynch Indices are used with permission. Copyright 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.

IRS CIRCULAR 230 NOTICE: To the extent that this message or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law. For more information about this notice, see

<http://www.northerntrust.com/circular230>

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

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