

1st Quarter, 2011





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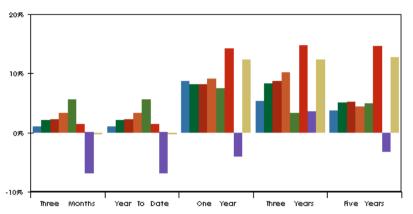






### Equity Index Performance (in GBP)

### Performance History



#### Performance Returns%

	Three Months	Year To Date	One Year	Three Years	five Years
■ FTSE All Share	1.0	1.0	8.7	5.4	3.7
■ FI: World	2.2	2.2	8.2	8.4	5.1
■ FI: World ex UK	2.3	2.3	8.2	8.7	5.2
■ FT AW: United States	3.3	3.3	9.2	10.3	4.5
■ FI: Developed Europe ex UK	5.7	5.7	7.5	3.3	5.0
■ FT AW: Japan	-6.9	-6.9	-4.0	3.6	-3.3
■ FT: Developed Asia Pac × Jp	1.5	1.5	14.2	14.7	14.6
MSCI Emerging Markets GD	-0.3	-0.3	12.4	12.4	12.8

All index returns are in GBP terms unless stated otherwise.



Nobody could have predicted the series of world altering events occurring at the beginning of 2011. Japan's biggest ever earthquake, 10m tsunami and nuclear meltdown. Revolution throughout the Middle East and Africa. The continuing disintegration of European economic surety with Portugal the latest sovereign entity likely forced into a bailout from the EU. The financial crisis was considered to be our once in a generation event and now several more come hot on it's heels disrupting the momentum the global economy took into the start of the year. While most equity indices still proved positive over the first quarter Japan understandably was in the red and the other events conspired to harm Emerging Markets as the Middle East turmoil pushed up oil prices and demand dropped off for imported goods in Europe. In February prior to the earthquakes China officially passed Japan to become the second biggest economy with a GDP of \$5.9 trillion. Oil & Gas stocks produced the strongest gains while consumer good and services tended to underperform. Gold continued its ascent, seen as an effective hedge against geopolitical instability finishing the quarter up at \$1,430 per ounce. The price of crude oil futures finished Q1 up again at \$118 per barrel. The FTSE World was up by 2.2% (GBP) over quarter one 2011 and remains ahead over 1 year, now by 8.2% (GBP).

Despite a weakening pound the UK trade deficit in goods and services increased from £29.7bn in 2009 to £46.2bn in 2010. UK consumers are feeling the pain of higher import prices and above target inflation without the benefit of export led growth. George Osborne stuck to the plan; cut public sector debt and fuel private sector growth. The Office for Budgetary Responsibility downgraded growth forecasts for 2011-12 but then expects an upswing. Inflation did slow in March but remains at 4%. Unemployment fell to 7.8% at the end of February. UK GDP contracted by 0.5% in the fourth quarter of 2010 in an upward revision but that remains 1.5% higher than the fourth quarter of 2009. The FTSE 100 dropped to its lowest level this year in March plunging by 3% following the Japanese earthquake with insurance companies leading the losses. Oil & Gas and Technology were the leading sectors over Q1 with Telecoms just behind again. Consumer services and Basic Materials suffered weaker quarters. The FTSE All Share was up 1.0% (GBP) over the first quarter and by 8.7% (GBP) over the year.

The ECB raised the policy rate 25bps to 1.25% tightening monetary policy in a stand against inflation. The ECB is dealing with a two speed economy, a significantly different situation from that faced by the Fed and the BoE. The ECB hopes to foster Eurozone growth by returning rates to normal levels boosting economic confidence and also seeking to stabilise the Euro by forcing governments to ensure sound fiscal policy. That will be challenging for the countries on the periphery; Greek and Irish GDP has contracted by 6% and 11% respectively following the IMF enforced measures. The threat of default in Portugal necessitates a bail out for fear of contagion to Spain despite the existing political vacuum which will make guarantees difficult to seal. In response to this continuing debacle Angela Merkel convinced her counterparts that they should restructure a new €500bn bail out fund to rescue any further countries from the risk of default. Eurozone unemployment decreased slightly to 9.5%. The FTSE Europe ex UK index returned 5.7% (GBP) over quarter one and 7.5% (GBP) over the year.

The Fed plans to push ahead with its \$600bn government bond purchase programme QEII. The IMF criticised the US for being the only advanced economy to allow its budget deficit to increase when its economy was growing fast enough to reduce it. It is unlikely they will meet the G20 pledge to halve the deficit by 2013. The unemployment rate fell again to 8.8% fuelled by private sector hiring. US home sales fell to their lowest levels since records began in 1963 and prices have now dropped more since the 2006 peak than they did during the Great Depression. AIG has offered \$15.7bn to buy back mortgage backed securities that would mean a substantial profit for the US government. The Fed made a record contribution to the Treasury last year of \$79.3bn from its investments made to support the economy. Concerns from health insurers that resisted President Obama's healthcare reforms proved unfounded with rising stock prices, profits and dividends. All equity sectors apart from consumer goods gained; the biggest increases found in Oil & Gas and Industrials. The FTSE North America index was up 3.5% (GBP) over the first quarter and by 9.6% (GBP) for the year.

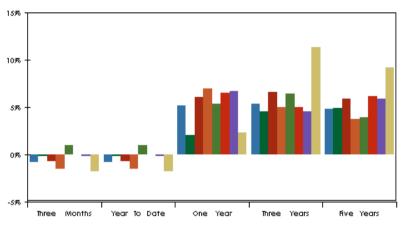
While it does an economy no good to destroy its productive stock and rebuild it, it does lead to a surge in economic activity. Japanese status as the world's largest debtor often overshadows its place as a large creditor (with \$886bn reserves). Additional debt will be issued as well as an estimated \$200bn in reconstruction costs. The Bank of Japan has already made \$265bn available to stabilise markets as the Nikkei 225 fell by 14% at one stage. The FTSE Japan returned -6.9% (GBP) for Q1; the FTSE Developed Asia Pacific ex Japan returned 1.5% (GBP). Brazil took emergency measures to rein in inflation by doubling the tax on consumer credit. The Brazilian economy overtook both Britain and France to become the world's 5<sup>th</sup> largest. The slow and faltering recovery of Western developed economies is halting the growth of EM exports enjoyed since 2007. The spike in crude oil prices has heightened already elevated inflationary pressure across the Emerging Markets. MSCI Emerging Markets index returned -0.3% (GBP) for the first quarter.





# Fixed Income Index Performance (in GBP)

### Performance History



### Performance Returns %

	Three Months	Year To Date	One Year	Three Years	five Years
FISE All Stock Index	-0.8	-0.8	5.2	5.3	4.8
FISE All Stock 0-5 Yr. Gilts	-0.2	-0.2	2.1	4.6	5.0
FISE All Stock 5-15 Yr. Gilts	-0.7	-0.7	6.1	6.6	5.9
FISE All Stock > 15 Yr. Gilts	-1.5	-1.5	6.9	5.1	3.8
ML STG N-Gilts All Stocks	1.0	1.0	5.3	6.5	3.9
FISE Index Linked	0.0	0.0	6.5	5.0	6.2
FISE Index Linked 5+ yrs	-0.2	-0.2	6.7	4.6	5.9
JPM GBI Global	-1.8	-1.8	2.3	11.4	9.3

All index returns are in GBP terms unless stated otherwise.



The first quarter of 2011 saw a number of shocks to the global economy. Regime change and spreading political upheaval in the Middle East and North Africa (MENA) region saw crude oil prices soaring to US\$117 per barrel as concern rose over oil production. The earthquake in Japan, the subsequent tsunami then the Fukushima nuclear plant crisis has left the country's outlook uncertain. Even prior to the natural disasters Japan faced a sharp slowdown as the economy shrank by 0.3% in the last quarter of 2010 as consumer spending slumped and investment growth tailed off. The core government bond markets in the US, UK, Germany and Japan benefited from an initial flight to safety following these shocks, however yields have resumed their upwards trend over the quarter reflecting ongoing concerns over high commodity prices and the subsequent inflationary pressures. Meanwhile peripheral euro zone government bond yield spreads have eased back modestly, albeit at still high levels as Portugal followed Greece and Ireland to apply to the EU for financial assistance as its government collapsed in the last weeks of March. However recent positive economic data indicates that the global economic recovery has moved to a firmer footing. US employment increased for the second month consecutive month in March and unemployment fell to a two-year low of 8.8%. Surveys indicate increasing business and consumer confidence while an increase in risk appetite has pushed up equities, emerging market assets and higher yielding currencies at the expense of core government bonds and the yen. Inflation dominates concerns in the emerging markets driven by rising commodity prices and this has seen Brazil, Russia. India and China all raising their interest rates.

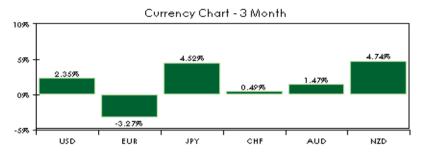
Since the start of 2011, UK inflation and the Monetary Policy Committee (MPC) division on how to react to it has been very much the focus. The Bank of England (BoE) continued to hold the base rate at 0.5%, with the MPC March minutes noting that "given further upward revisions to the near term outlook for inflation...the case for an increase in Bank Rate had strengthened". UK CPI increased to 4.4% in the year to February – almost 2.5% above the official target and its highest since Oct 2008. However growth data has deteriorated, with the weather related 0.5% contraction in GDP in the 4th quarter of 2010. The March manufacturing purchasing manager survey (PMI) dropped sharply from a reading of 61 in February to 57.1 suggesting the absence of any significant bounce back of growth for Q1. Given the VAT increase in January and the upcoming fiscal austerity measures, Chancellor Osbourne's Budget on the 23rd March was described as a 'Budget for Growth'. However in spite of a modest giveaway to the corporate sector, the Budget was fiscally neutral overall with no change in spending over the forecast horizon. The benchmark 10 year gilt yield has increased from 3.46% at the end of December to close the quarter at 3.69%. The FTSE All Stock Gilts closed down at -0.8% (GBP) for the quarter, while the ML Sterling Non Gilts gained 1.0% (GBP).

As widely expected the European Central Bank (ECB) became the first G4 central bank to sanction a 25bp increase in its key financing rate to 1.25% at its 7 April Governing Council meeting. In spite of the continuing volatility in peripheral Euro zone government bond markets, the ECB is committed to preserving price stability over the medium term to avoid 'second round' effects into wages. The final Markit Euro zone Composite PMI posted 57.6 in March, up from 55.5 in December signalling expansion for 20 consecutive months. National growth differences widened as domestic demand in the periphery is impacted by austerity measures and political uncertainty, while strong growth continues in Germany and France. As with other government bond yields, Germany's 10-year bund increased over the quarter with a closing yield of 3.37%, up from 2.95% after the ECB signalled its intention to raise interest rates. Ten year government bond yield spreads in the region versus the German bund were mixed. Yields on Ireland's 10-year bond climbed above 10%, lifting the spread over the bund to 710bps however Portugal suffered the biggest rise in borrowing costs, as the 10-year yield spread on Portuguese bonds increased by 136bps to 509bps over the quarter. The iTraxx Europe 5 yr index, representative of 125 investment grade entities across 6 sectors saw spreads contract from 104.95 at the end of December to 97.42. The JPM European Govt Bond index returned -1.4% (EUR) while the Barclay Capital Global Aggregate Credit index returned -3.4% (EUR) for the 1st quarter.

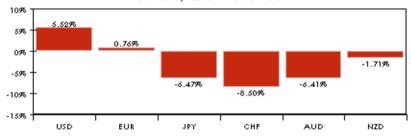
In the US, the economy responded well to the additional stimulus packages announced by the government and Federal Reserve at the end of 2010. The ISM manufacturing report for March indicates that economic activity expanded for the 20<sup>th</sup> consecutive month with the index at 61.2, up from 57 in December. Job growth has increased noticeably in recent months with unemployment falling to a 2 year low of 8.8%. The only sector yet to show signs of improvement is housing market activity, as unsold properties act as a drag on prices. The improving economic data and consequent reduced likelihood of further quantitative easing saw the yield on the 10-year benchmark Treasury hit a 10 month high of 3.7% in early February, before developments in Egypt and elsewhere in the MENA region sent investors back to safe haven assets. For the quarter the JPM US Govt Bond index returned -0.2% (USD) while the Barclay Capital Global Aggregate Corporate Bond index returned 2.4% (USD).

Prepared by Investment Risk & Analytical Services

## Currency Performance (in GBP)







#### Currency Returns%

	Three Months	Year To Date	One Year	Three Years	five Years
■ United States dollar	2.35	2.35	5.52	-7.17	-1.58
European Union euro	-3.27	-3.27	0.76	-3.49	-4.76
■ Japanese yen	4.52	4.52	-6.47	-13.27	-8.64
Swiss franc	0.49	0.49	-8.50	-9.77	-8.71
Australian dollar	1.47	1.47	-6.41	-11.33	-9.01
New Zealand dollar	4.74	4.74	-1.71	-6.16	-6.00

All index returns are in GBP terms unless stated otherwise.



The world's most powerful central banks joined forces to sell billions of dollars worth of Yen to battle against the speculators who had driven the currency to record highs in the wake of the Japanese earthquake in mid March. The yen soared to its highest level against the dollar since the second world war, investors grew more confident with dealers betting that Japanese insurers and other big countries would have to repatriate funds to meet claims and pay for reconstruction. The intervention by banks including the Federal Reserve, European Central Bank, Banks of England and the Bank of Japan, saw the first such co-ordinated G7 action in more than a decade. During the quarter the Australian dollar hit a 29 year high against the dollar surging to \$1.034 as recovering risk appetites fuelled demand for commodity linked currencies. This shows that it has more than recovered from all of its sharp losses after the Japan earthquake in March, which raised fears over global growth. China announced an unexpected surge in March exports, signalling strong global demand despite the Japanese earthquake and high global oil prices. In Q1 2011, China recorded its first quarterly trade deficit this quarter since 2004. This trade deficit of \$1.02bn reflected domestic economic strength and rising commodity prices.

In the UK, The effect of the tight fiscal squeeze on the UK economy and British tax payers has begun to unsettle currency investors. The pound dropped sharply since the budget was released in mid March. Early in the quarter, on the back of the UK CPI rate of 4.4%, the pound rose to a 14 month high at \$1.6401. Since then, the focus has turned against the Sterling as investors focused on the worsening UK economic outlook. The UK unemployment rate improved slightly, sitting at 7.8% compared to 7.9% the end of 2010. Much of this improvement pocketed by the finance and business services sectors. Official figures show that the fall of 17,000 to 2.48 million is the first drop since autumn 2010. UK house prices unexpectedly rose this quarter leaving overall prices only slightly below where they stood 12 months ago. The Nationwide House Price Index rose 0.3% in February leading to a picture of a housing market treading water rather than falling. Sterling closed the quarter gaining against the US Dollar by 2.4% and the Yen by 4.5%, however it was down against the Euro by 3.3%.

In the US, consumer sentiment declined in March at the fastest pace since the financial crisis began in 2008, after Lehman Brothers filed for bankruptcy. Higher gasoline prices at the pumps shot up over quarter generating a large jump in household inflation expectations. Unemployment has dropped down to 8.8 per cent, well down from the 9.6 per cent of last August. This is indicative that QE2 (the second round of quantitative easing) has worked. Sales of homes in the US fell more than expected in February, following 3 straight months of growth, and prices dropped sharply as the combination of tight credit and growing inventory weighed on the market. Even so, the housing market is seeing a gradual but uneven recovery, with home sales 26.4 per cent higher than the low last July. The US trade deficit grew wider than expected in January as record exports could not offset the effects of soaring oil prices and growing domestic demand. Imports surged by 5.2 per cent because of higher oil prices and domestic appetite for industrial supplies, cars and consumer goods. The Dollar closed the quarter down against the Pound by 2.4% and Euro by 5.6%, however it gained against the Yen by 2.2%.

In the Euro area, The Euro performed well this quarter, shrugging off worries over the fiscal health of the Eurozone's peripheral countries. The single currency remained resilient in spite of two Portuguese government debt downgrades and the resignation of the Portuguese prime minister, Jose Socrates, after he failed to get parliamentary approval of his plans to rein in the country's fiscal deficit. The expected interest rate rise from 1% to 1.25% to address inflation concerns arrived when the ECB policy makers met on April 7<sup>th</sup>. This was the first rise in rates since 2008. This rise was controversial considering the pain currently being felt by Portugual, Spain and Ireland. Japan's earthquake has had scant economic impact so far on the Eurozone which has seen robust growth this quarter. The jobless rate in the Eurozone dropped to 9.9 per cent, under 10 per cent for the first time since late 2009. Germany's domestic unemployment dropped to 6.3 per cent. By contrast, Spain's jobless rate rose to 20.5 per cent and 43.5 per cent for youth unemployment. The Euro ended the quarter gaining against the US Dollar, Sterling and Yen by 5.6%, 3.3% and 7.8% respectively.



#### Scheme Performance

In the 1st quarter of 2011, the global economy suffered a number of shocks from the political upheaval in the Middle East and North Africa to the earthquake in Japan. The resulting volatility continues to cause unease in the financial markets. In this backdrop, the London Borough of Hillingdon returned 0.81% for the quarter which relative to the Total Plan composite benchmark return of 1.35% resulted in an under-performance of -0.54%. The primary driver of this underperformance is the negative stock selection from equities, most notably in the Europe ex UK region which accounted for 85 out of the negative 119 basis points attributed to stock selection. This was ameliorated somewhat by the positive allocation (+20bps) and currency effect (+45bps) contributions from overweighting this region. Conversely North American equities, underweight by 5.75% relative to the target allocation was a negative contributor both through allocation (-23bps) and through stock selection (-20bps). UK equities underperformance over the quarter has resulted in this sector having the largest negative net contribution at -29 basis points. Meanwhile Japan equities being underweight in the worse performing region was the largest positive net contributor (+23bps). The contributions from Bonds, Real Estate, Private Equity and Cash were fairly neutral overall.

Over the one year period, the Plan has also underperformed with a return of 5.04% compared to 8.25% for its benchmark. A similar picture to that of Q1, 2011 has determined the underperformance over this period, where the relative return of -2.96% can be largely attributed to negative stock selection within equities (-3.48%) with the UK (-1.81%), continental Europe (-1.12%) and North America (-0.32%) the larger detractors. These effects are slightly offset by the positive selection effects coming from Corporate Bonds (+72bps), however this asset class has resulted in a net negative contribution of -17bps due to an overweight allocation (-14bps) and currency effects (-75bps).

With the Plan bettering its composite benchmark in just one quarter in the last three years, the London Borough of Hillingdon shows underperformance over all the longer time frames. Since inception in October 1995, the Plan has returned 6.47% relative to 7.01% for Total Plan benchmark.

### **Manager Performance**

#### Alliance Bernstein

For the 1st quarter of 2011, the Alliance Bernstein global equity portfolio returned 0.77% versus the benchmark return of 1.95%, an underperformance of -1.16% on a relative basis. This was primarily attributable to negative stock selection in Europe, North America (-56 and -33 bps respectively) and to a lesser extent Japan and the Emerging Markets. Allocation effects were overall neutral, as positive contributions from North America (+9bps, overweight) and Japan (+13bps, underweight) were countered by an overweight Emerging Markets (-14bps) and the off benchmark Cash position (-8bps). Currency effects additionally detracted 9bps. The portfolio has underperformed its benchmark in each of the last 12 quarters, and consequently reflects underperformance over all longer time periods. Since inception (March 2006), Alliance Bernstein has returned 0.42% however underperforming the benchmark by -3.77% on a relative and annualized basis.

#### **Goldman Sachs**

The Goldman Sachs bond portfolio trails its composite benchmark for Q1, 2011 returning 0.42% versus 0.57%, a relative underperformance of 15bps. With the index linked gilts component of the portfolio tracking the FTSE Index Linked Gilts 5+yr Index, the underperformance is attributable to fixed income selection. The portfolio has bettered its benchmark in 6 out of the last 8 quarters; however the underperformance seen prior to Q2, 2009 continues to drag down the longer time periods. Goldman Sachs returned 5.49% compared to the benchmark return of 5.68% for the 12 months to March 2011 and since inception (December 2001) has delivered 5.76% versus 6.34% for the benchmark on an annualized basis.

#### **SSGA**

As expected from a passively managed mandate, the SSGA portfolio has tracked its composite benchmark, returning 1.19% versus 1.20% for the quarter ending March 2011. For the one year period and since inception (November 2008), SSGA is marginally ahead of the benchmark returning 8.13% versus 8.08% and 19.62% versus 19.56%, respectively.

#### SSGA Drawdown

For the 1st quarter of 2011, the SSGA Drawdown fund marginally underperformed its benchmark returning 0.53% compared to the composite return of 0.55%. The fund has bettered its benchmark in 5 of the 7 quarters since inception. For the 12 months to date and since inception (June 2009) SSGA Drawdown has returned 3.16% and 5.94% respectively, outperforming by 0.28% and 0.31% on a relative and annualized basis.





### **Manager Performance**

#### **UBS**

The UBS UK Equity portfolio returned -0.05% in the 1st quarter, underperforming the FTSE All Share return of 1.03% by -1.07% on a relative basis. This is largely attributable to negative stock selection (-142bps), particularly within the Consumer Services sector which contributed -140bps on its own. Of that contribution, -20bps was derived from an overweight allocation to the underperforming sector. Both the Oil & Gas (-27bps) and Health Care (-60bps) sectors were also notable contributors to the underperformance of the portfolio. Allocation decisions were positive overall (+34bps), the main contributors being the underweight Basic Materials (+23bps) and the overweight Oil & Gas (+15bps) and Telecommunications (+16bps). Over the one year period, UBS have delivered 5.97%, an underperformance of -2.53% on a relative basis. The most significant contributor is again Consumer Services with negative stock selection effects of -2.62%. Over the three and five year periods underperformance is still evident with relative returns of -1.29% and -2.02% respectively, however since inception (December 1988) the portfolio has outperformed returning 10.10% against the benchmark return of 9.12%.

### **UBS Property**

The UBS Property portfolio has bettered the IPD UK PPFI All Balanced Funds index for the 1st quarter of 2011, returning 2.13% versus 1.90% for the benchmark. This is the 7th consecutive quarter of positive absolute returns, following the downturn in 2008 through to Q2, 2009. Over the one year period, the fund has delivered 7.98% compared to 9.08% for the benchmark, an underperformance of -1.02% on a relative basis. For the longer time periods and since inception (March 2006) underperformance is largely attributable to the Q4 2009 results, with the 3 and 5 year relative returns at -1.38% and -0.76% respectively.

### **Manager Performance**

#### **M&G Investments**

The value of the M&G investments increased to £5.3 million, however this was due to the transfer into the fund of £2.2 million and the return for the last three months is 0%. Since inception at the end of May 2010, the portfolio achieves a 1.8% absolute return. At present no benchmark has been applied to this mandate.

#### Ruffer

In contrast to the previous quarter, the Ruffer portfolio returned -0.64% compared to the proxy benchmark return for LIBOR 3 Month GBP of 0.18%. Since inception May 2010, the portfolio has outperformed its benchmark by 5.18% on a relative basis, posting 5.82% versus 0.61% over the same period.

#### Marathon

For the 1st quarter of 2011, the Marathon portfolio trailed its benchmark the MSCI World index by -25bps returning 2.10% versus 2.36%. However, since inception in June 2010, Marathon has outperformed with a return of 20.34% compared to 17.33% for the index.

#### **Fauchier**

Fauchier returned 2.02% in the current quarter relative to their target benchmark, LIBOR 3 month + 5% which returned 1.42%. However due to significant underperformance in the initial quarter, Fauchier reflect a relative underperformance since inception in July 2010, with a return of 2.90% compared to 4.31% for the benchmark.





### **Active Contribution**

### By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 01/11	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 02/11	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 03/11	Active Contribution 1Q 2011
Alliance Bernstein	-1.04	-0.35	-0.69	-0.69	-424,530.85	1.25	1.20	0.05	0.05	32,601.73	0.57	1.10	-0.53	-0.52	-330,983.02	-722,912.14
Goldman Sachs	-1.26	-1.24	-0.02	-0.02	-13,451.99	1.43	1.20	0.23	0.23	153,887.43	0.27	0.63	-0.36	-0.36	-239,318.31	-98,882.87
SSGA	-0.67	-0.65	-0.02	-0.02	-21,243.50	1.68	1.67	0.01	0.01	12,926.31	0.19	0.19	0.00	0.00	4,521.32	-3,795.88
SSGA Drawdown	-0.43	-0.25	-0.17	-0.17	-29,952.36	0.62	0.52	0.10	0.10	18,242.24	0.34	0.29	0.06	0.05	9,155.48	-2,554.65
UBS	0.40	-0.53	0.93	0.93	1,023,881.84	2.47	2.40	0.07	0.07	78,837.88	-2.85	-0.81	-2.04	-2.05	-2,300,715.05	-1,197,995.33
UBS Property	0.78	0.66	0.12	0.12	57,245.71	1.44	0.71	0.73	0.72	336,069.67	-0.10	0.52	-0.62	-0.62	-289,519.79	103,795.59
M&G Investments	-0.00	-	-	-	0.00	0.00	-	-	-	0.00	0.00	-	0.00	-	13.10	13.10
Ruffer	-1.53	0.06	-1.59	-1.59	-851,964.39	1.92	0.05	1.86	1.86	983,761.88	-0.99	0.06	-1.06	-1.06	-569,632.32	-437,834.82
Marathon	-1.42	-0.05	-1.37	-1.37	-790,563.50	1.59	1.93	-0.34	-0.33	-196,406.17	1.96	0.47	1.49	1.48	861,431.57	-125,538.10
Fauchier	1.32	0.47	0.84	0.84	212,264.87	0.10	0.47	-0.37	-0.36	-93,275.77	0.60	0.48	0.12	0.12	30,331.12	149,320.22

Total Fund Market Value at Qtr End: £559.4 M







Scheme Performanc	e			<u>Thr</u> <u>Mon</u>				<u>Ye.</u> <u>To D</u>				<u>On</u> <u>Yea</u>		
	Market Value £m	% of Fund	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	559.4	100.00	0.81	1.35	-0.54	-0.54	0.81	1.35	-0.54	-0.54	5.04	8.25	-3.21	-2.96
By Manager														
	Market Value £m	% of Fund	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
Alliance Bernstein	62.2	11.12	0.77	1.95	-1.18	-1.16	0.77	1.95	-1.18	-1.16	1.37	6.05	-4.68	-4.41
Goldman Sachs	66.0	11.79	0.42	0.57	-0.15	-0.15	0.42	0.57	-0.15	-0.15	5.49	5.68	-0.19	-0.18
SSGA	114.4	20.46	1.19	1.20	-0.00	-0.00	1.19	1.20	-0.00	-0.00	8.13	8.08	0.05	0.05
SSGA Drawdown	16.6	2.97	0.53	0.55	-0.01	-0.01	0.53	0.55	-0.01	-0.01	3.16	2.87	0.29	0.28
UBS	110.7	19.80	-0.05	1.03	-1.08	-1.07	-0.05	1.03	-1.08	-1.07	5.97	8.72	-2.75	-2.53
UBS Property	46.5	8.32	2.13	1.90	0.23	0.23	2.13	1.90	0.23	0.23	7.98	9.09	-1.11	-1.02
M&G Investments	5.3	0.95	0.00	-	-	-	0.00	-	-	-	-	-	-	-
Ruffer	53.2	9.52	-0.64	0.18	-0.82	-0.82	-0.64	0.18	-0.82	-0.82	-	-	-	-
Marathon	58.8	10.51	2.10	2.36	-0.25	-0.25	2.10	2.36	-0.25	-0.25	-	-	-	-
Fauchier	25.5	4.56	2.02	1.42	0.60	0.59	2.02	1.42	0.60	0.59	-	-	-	-

Total Fund Market Value at Qtr End: £559.4 M







Scheme Performance		<u>Three</u> <u>Years</u>				<u>Five</u> <u>Years</u>					Inception To Date				
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	_	Portfolio I	Benchmark	Excess Return	Relative Return		
London Borough of Hillingdon	3.12	6.00	-2.88	-2.72	1.90	4.43	-2.53	-2.42		6.47	7.01	-0.54	-0.50		
By Manager															
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return		
Alliance Bernstein	0.46	6.17	-5.71	-5.38	0.42	4.35	-3.94	-3.77	31/03/06	0.42	4.35	-3.94	-3.77		
Goldman Sachs	6.17	6.84	-0.67	-0.63	5.07	5.55	-0.48	-0.46	31/12/01	5.76	6.34	-0.58	-0.55		
SSGA	-	-	-	-	-	-	-	-	30/11/08	19.62	19.56	0.05	0.05		
SSGA Drawdown	-	-	-	-	-	-	-	-	30/06/09	5.94	5.61	0.33	0.31		
UBS	5.99	7.37	-1.38	-1.29	2.98	5.11	-2.13	-2.02	31/12/88	10.10	9.12	0.98	0.90		
UBS Property	-5.22	-3.90	-1.32	-1.38	-2.43	-1.69	-0.75	-0.76	31/03/06	-2.43	-1.69	-0.75	-0.76		
M&G Investments	-	-	-	-	-	-	-	-	27/05/10	1.80	-	-	-		
Ruffer	-	-	-	-	-	-	-	-	28/05/10	5.82	0.61	5.21	5.18		
Marathon	-	-	-	-	-	-	-	-	09/06/10	20.34	17.33	3.00	2.56		
Fauchier	-	-	-	-	-	-	-	-	30/06/10	2.90	4.31	-1.41	-1.36		

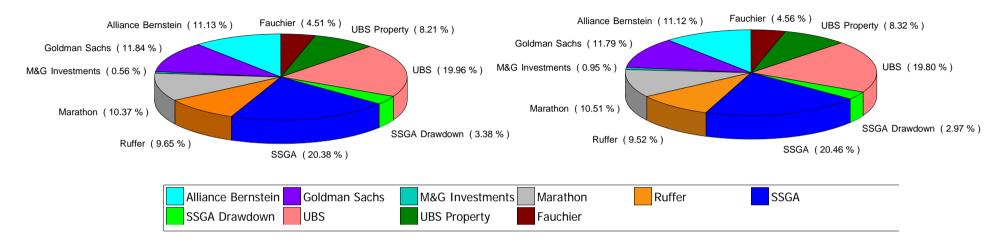
Total Fund Market Value at Qtr End: £559.4 M





### Weighting at Beginning of Period

### Weighting at End of Period

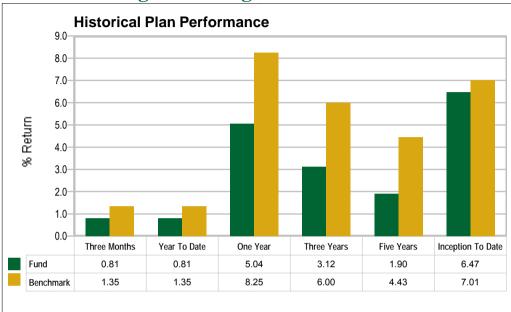


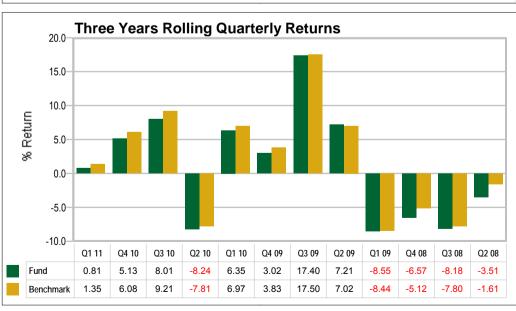
	Opening Market Value	% of Fund	Net Investment	Appreciation	Income Received	Closing Market Value	% of Fund
	£(000)		£(000)	£(000)	£(000)	£(000)	
London Borough of Hillingdon	554,992	100.00	-92	2,476	2,002	559,377	100.00
Alliance Bernstein	61,744	11.13	-0	233	242	62,220	11.12
Fauchier	25,013	4.51	0	506	0	25,519	4.56
Goldman Sachs	65,695	11.84	0	202	77	65,974	11.79
M&G Investments	3,107	0.56	2,207	-0	0	5,314	0.95
Marathon	57,556	10.37	0	1,211	0	58,767	10.51
Ruffer	53,574	9.65	0	-601	260	53,233	9.52
SSGA	113,099	20.38	0	1,348	0	114,447	20.46
SSGA Drawdown	18,756	3.38	-2,207	85	0	16,634	2.97
UBS	110,785	19.96	0	-827	771	110,729	19.80
UBS Property	45,573	8.21	-3	243	728	46,541	8.32



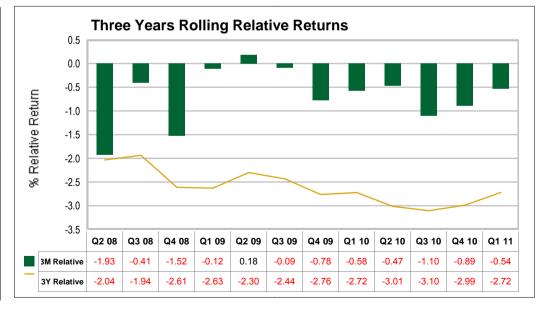






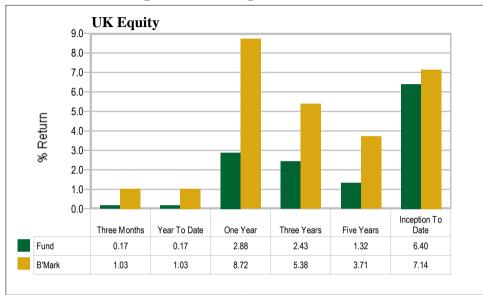


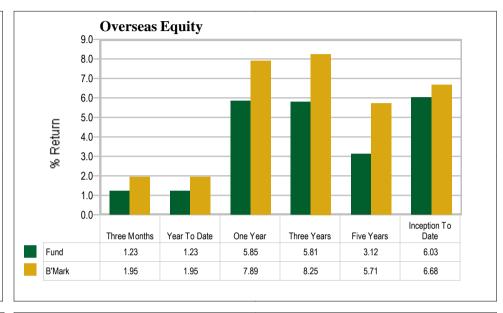
Risk Statistics - 3 years	Fund	B'mark
Performance Return	3.12	6.00
Standard Deviation	15.75	15.49
Relative Return	-2.72	
Tracking Error	1.43	
Information Ratio	-2.02	
Beta	1.01	
Alpha	-2.74	
R Squared	0.99	
Sharpe Ratio	0.01	0.20
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	554,992	
Net Investment £(000)	-92	
Income Received £(000)	2,002	
Appreciation £(000)	2,476	
Closing Market Value (£000)	559,377	

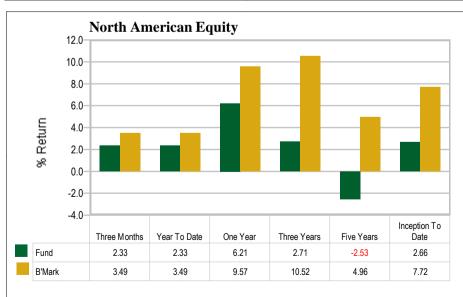


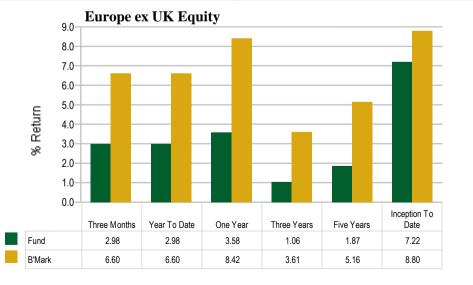






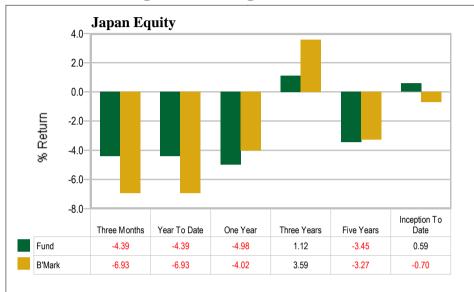


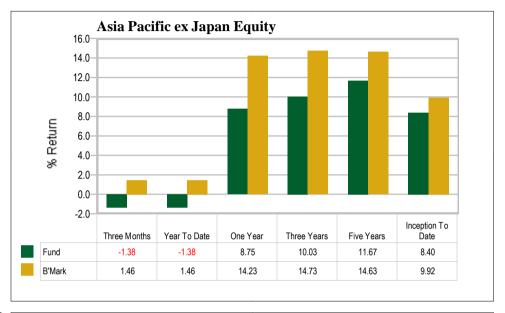


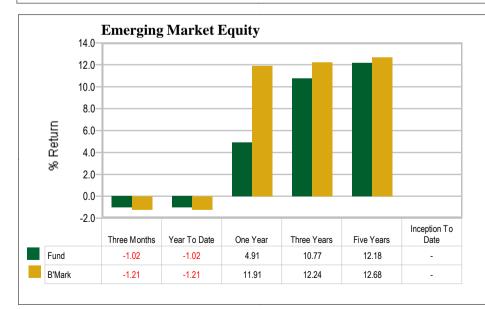


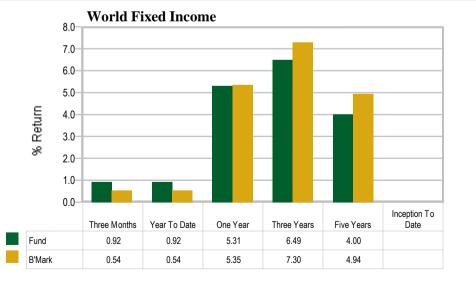






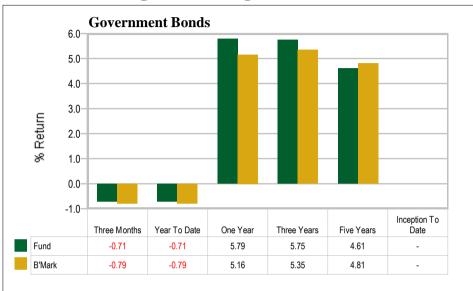


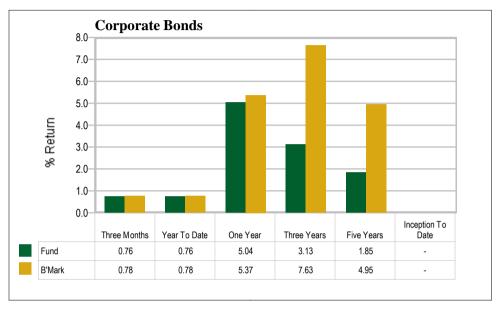


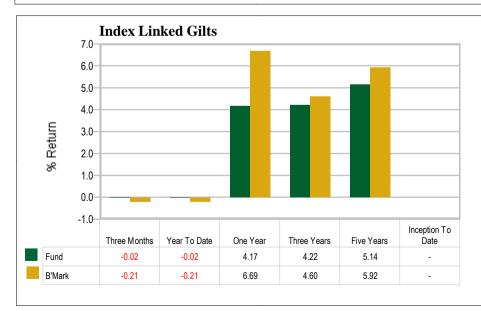










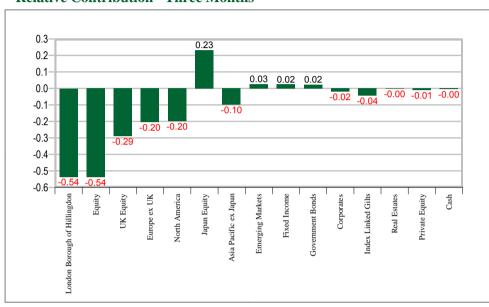




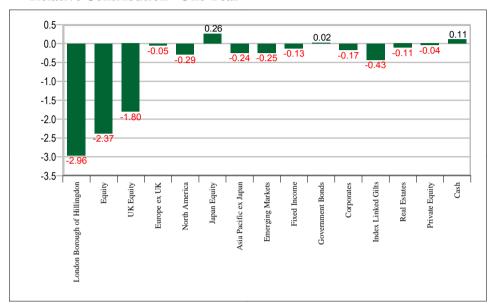




### **Relative Contribution - Three Months**



### **Relative Contribution - One Year**



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	0.81	1.35	-0.54	0.05	0.67	-0.05	-1.19	-0.54
Equity	0.69	-	0.69	0.00	0.69	0.03	-1.26	-0.54
UK Equity	0.17	1.03	-0.85	0.00	0.00	0.01	-0.30	-0.29
Europe ex UK	2.99	5.67	-2.54	0.00	0.45	0.20	-0.85	-0.20
North America	2.33	3.49	-1.11	0.00	0.15	-0.23	-0.13	-0.20
Japan Equity	-4.39	-6.93	2.72	0.00	0.11	0.04	0.08	0.23
Asia Pacific ex Japan	-1.38	1.46	-2.80	0.00	-0.01	-0.01	-0.09	-0.10
Emerging Markets	-1.02	-1.21	0.20	0.00	-0.02	0.02	0.02	0.03

	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	5.04	8.25	-2.96	0.05	-0.15	-0.00	-2.82	-2.96
Equity	4.33	-	4.33	0.00	0.81	0.33	-3.48	-2.37
UK Equity	2.88	8.72	-5.37	0.00	-0.03	0.03	-1.81	-1.80
Europe ex UK	3.58	7.47	-3.62	0.00	0.61	0.47	-1.12	-0.05
North America	6.21	9.57	-3.07	0.00	0.53	-0.50	-0.32	-0.29
Japan Equity	-4.98	-4.02	-1.00	0.00	-0.23	0.46	0.04	0.26
Asia Pacific ex Japan	8.75	14.23	-4.80	0.00	-0.04	-0.10	-0.11	-0.24
Emerging Markets	4.91	11.91	-6.25	0.00	-0.01	-0.04	-0.19	-0.25





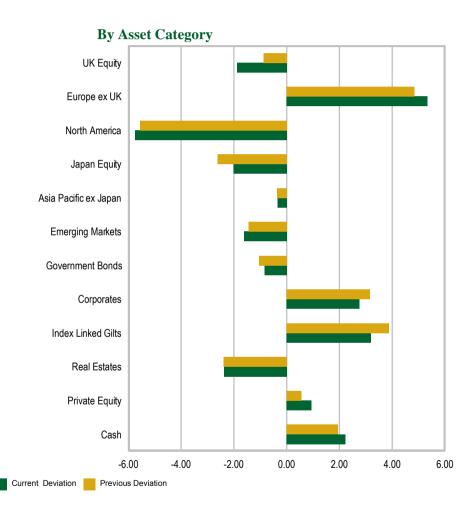
1st Quarter, 2011

	_/									
		Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution	
	Fixed Income	0.92	0.54	0.38	0.00	0.01	0.02	0.00	0.02	
Gove	rnment Bonds	-0.71	-0.79	0.08	0.00	-0.00	0.02	0.00	0.02	
	Corporates	0.76	0.78	-0.02	0.00	0.01	-0.03	-0.00	-0.02	
Inde	x Linked Gilts	-0.02	-0.21	0.19	0.00	-0.03	-0.07	0.06	-0.04	
	Real Estates	2.06	1.90	0.15	0.00	-0.01	-0.01	0.01	-0.00	
	Private Equity	-0.00	-	-0.00	0.00	-0.00	-0.01	0.00	-0.01	
	Cash	1.27	-	1.27	0.00	0.00	-0.01	0.00	-0.00	

,						J		0	
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution	
Fixed Income	5.31	5.35	-0.04	0.00	-0.75	-0.10	0.72	-0.13	
Government Bonds	5.79	5.16	0.60	0.00	-0.00	0.02	0.01	0.02	
Corporates	5.04	5.37	-0.32	0.00	-0.75	-0.14	0.72	-0.17	
Index Linked Gilts	4.17	6.69	-2.37	0.00	-0.19	-0.22	-0.02	-0.43	
Real Estates	8.68	9.09	-0.38	0.00	-0.00	-0.08	-0.03	-0.11	
Private Equity	2.29	-	2.29	0.00	-0.00	-0.04	0.00	-0.04	
Cash	1.24	-	1.24	0.00	-0.01	0.11	0.00	0.11	





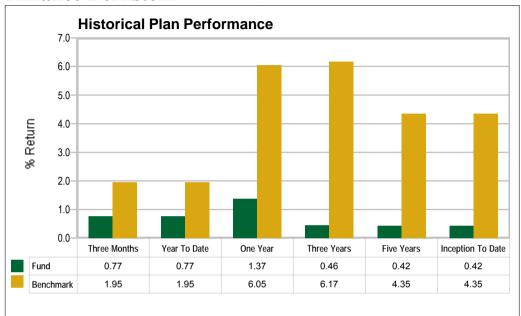


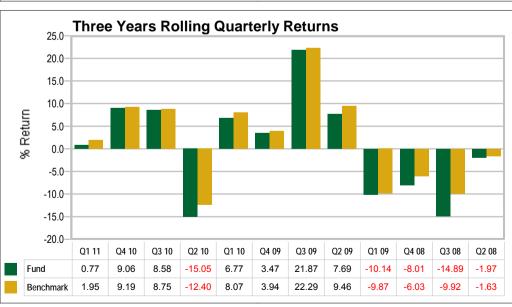
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
UK Equity	34.95	35.97	36.84	-1.89	36.84	-0.87
Europe ex UK	16.39	15.90	11.06	5.33	11.06	4.84
North America	7.15	7.33	12.90	-5.75	12.90	-5.57
Japan Equity	3.51	2.90	5.53	-2.02	5.53	-2.63
Asia Pacific ex Japan	3.34	3.32	3.68	-0.34	3.68	-0.36
Emerging Markets	2.06	2.22	3.68	-1.62	3.68	-1.46
Government Bonds	0.74	0.53	1.58	-0.84	1.58	-1.05
Corporates	11.70	12.10	8.94	2.76	8.94	3.16
Index Linked Gilts	8.45	9.13	5.26	3.19	5.26	3.87
Real Estates	8.15	8.14	10.53	-2.38	10.53	-2.39
Private Equity	0.95	0.56		0.95		0.56
Cash	2.24	1.94		2.24		1.94



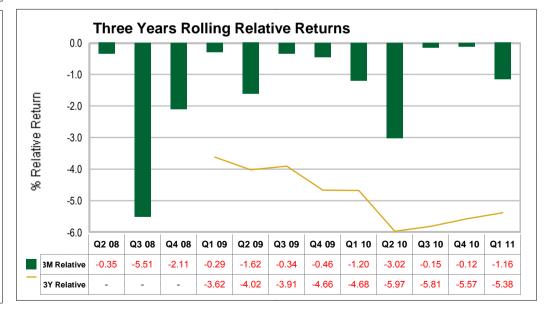






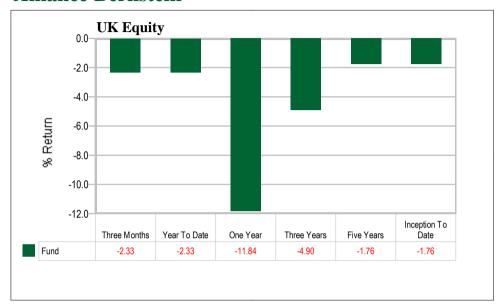


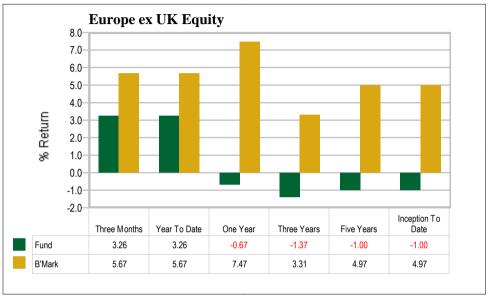
Risk Statistics - 3 years	Fund	B'mark
Performance Return	0.46	6.17
Standard Deviation	21.12	20.04
Relative Return	-5.38	
Tracking Error	2.25	
Information Ratio	-2.54	
Beta	1.05	
Alpha	-5.42	
R Squared	0.99	
Sharpe Ratio	-0.12	0.16
Percentage of Total Fund	11.1	
Inception Date	Mar-2006	
Opening Market Value (£000)	61,744	
Net Investment £(000)	-0	
Income Received £(000)	242	
Appreciation £(000)	233	
Closing Market Value (£000)	62,220	

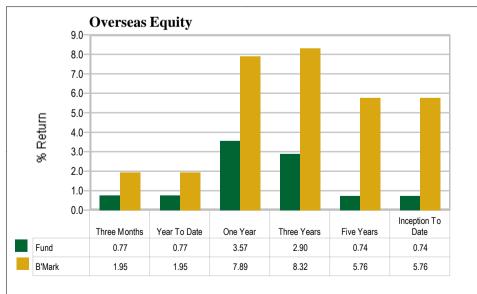


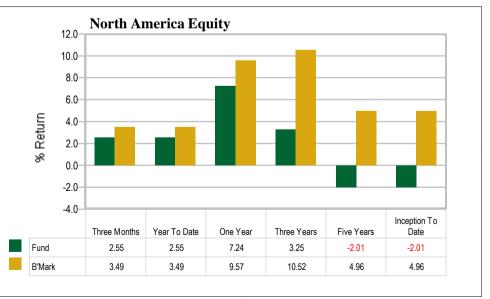






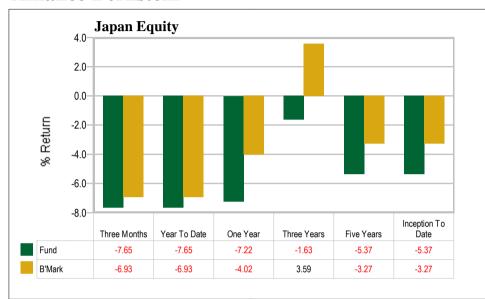


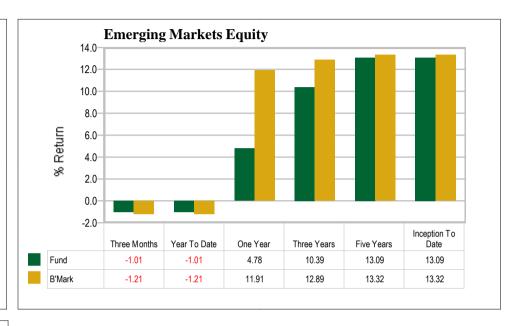


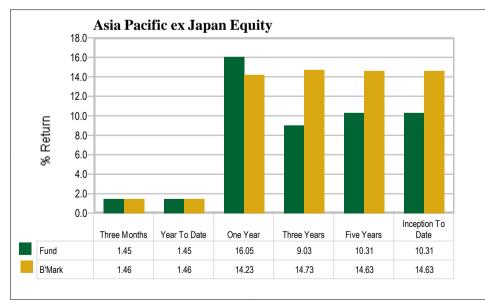








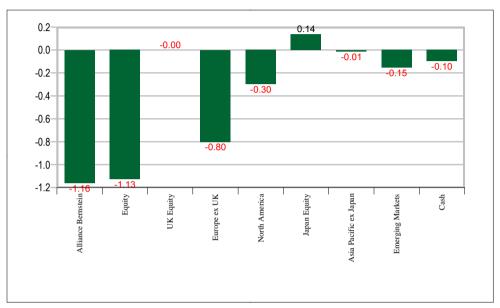








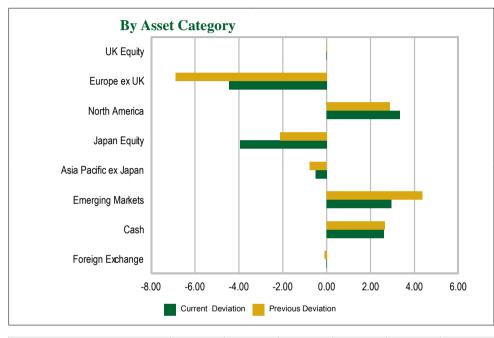
# **Relative Contribution - Three Months**



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bemstein	0.77	1.95	-1.16	0.06	-0.15	-0.03	-1.05	-1.16
Equity	0.77	-	0.77	0.00	-0.13	0.05	-1.05	-1.13
UK Equity	-2.33	-	-2.33	0.00	0.00	-0.00	0.00	-0.00
Europe ex UK	3.26	5.67	-2.28	0.00	-0.21	-0.03	-0.56	-0.80
North America	2.55	3.49	-0.90	0.00	-0.06	0.09	-0.33	-0.30
Japan Equity	-7.65	-6.93	-0.78	0.00	0.10	0.13	-0.09	0.14
Asia Pacific ex Japan	1.45	1.46	-0.01	0.00	-0.02	-0.01	0.02	-0.01
Emerging Markets	-1.01	-1.21	0.21	0.00	0.06	-0.14	-0.08	-0.15
Cash	-1.41	_	-1.41	0.00	-0.02	-0.08	0.00	-0.10







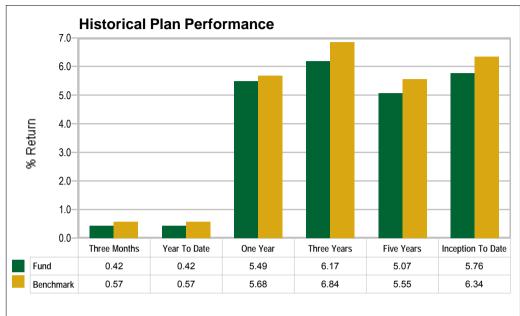
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
UK Equity	0.00	0.00		0.00		0.00
Europe ex UK	25.55	23.11	30.00	-4.45	30.00	-6.89
North America	38.35	37.89	35.00	3.35	35.00	2.89
Japan Equity	11.05	12.87	15.00	-3.95	15.00	-2.13
Asia Pacific ex Japan	9.49	9.22	10.00	-0.51	10.00	-0.78
Emerging Markets	12.94	14.36	10.00	2.94	10.00	4.36
Cash	2.61	2.66		2.61		2.66
Foreign Exchange	0.02	-0.11		0.02		-0.11

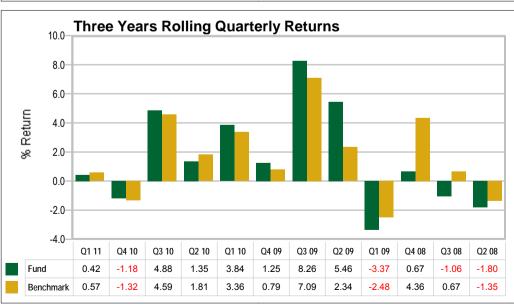




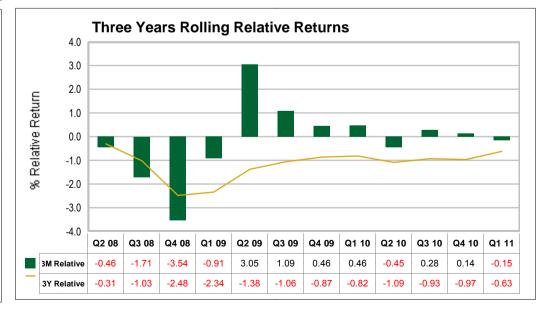


# **Goldman Sachs**





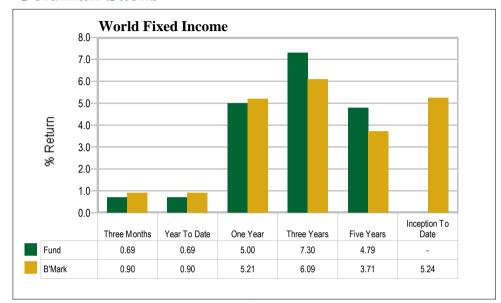
Risk Statistics - 3 years	Fund	B'mark
Performance Return	6.17	6.84
Standard Deviation	7.52	7.00
Relative Return	-0.63	
Tracking Error	2.06	
Information Ratio	-0.32	
Beta	1.05	
Alpha	-0.78	
R Squared	0.93	
Sharpe Ratio	0.43	0.56
Percentage of Total Fund	11.8	
Inception Date	Dec-2001	
Opening Market Value (£000)	65,695	
Net Investment £(000)	0	
Income Received £(000)	77	
Appreciation £(000)	202	
Closing Market Value (£000)	65,974	

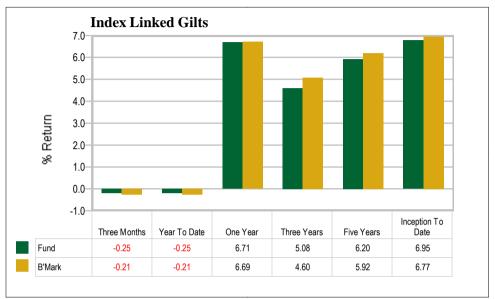






# **Goldman Sachs**

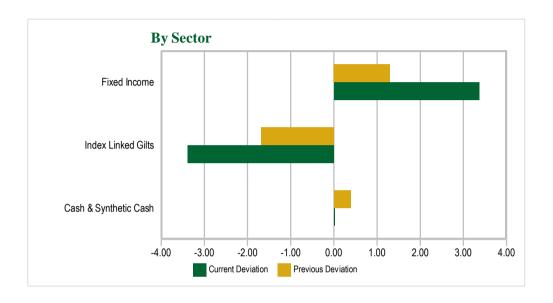








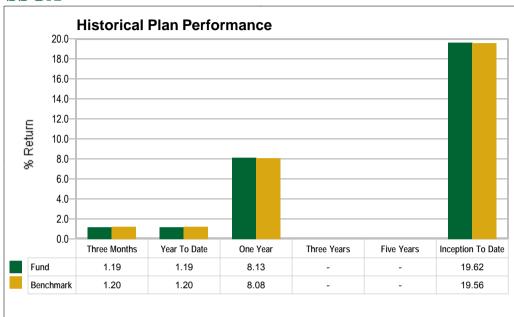
# **Goldman Sachs**

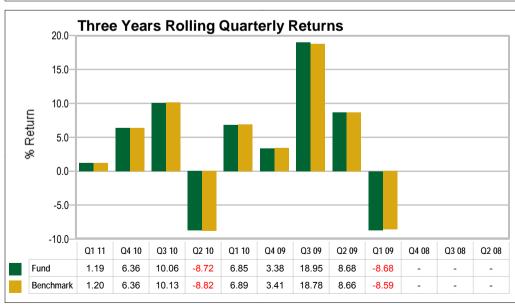


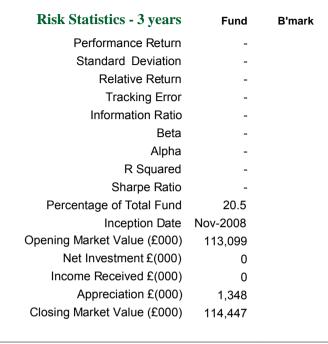
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Fixed Income	73.36	71.30	70.00	3.36	70.00	1.30
Index Linked Gilts	26.62	28.31	30.00	-3.38	30.00	-1.69
Cash & Synthetic Cash	0.02	0.39		0.02		0.39

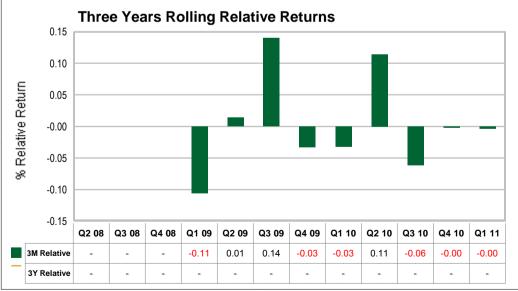






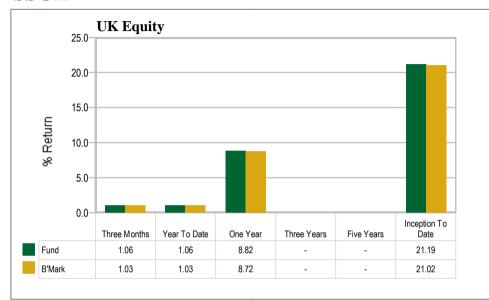


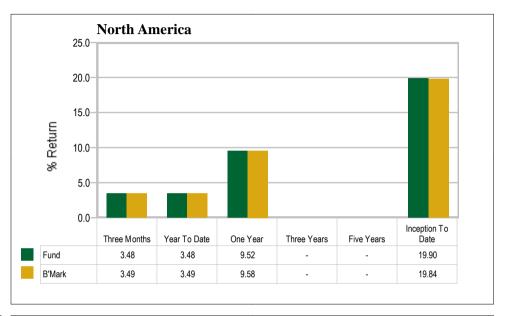


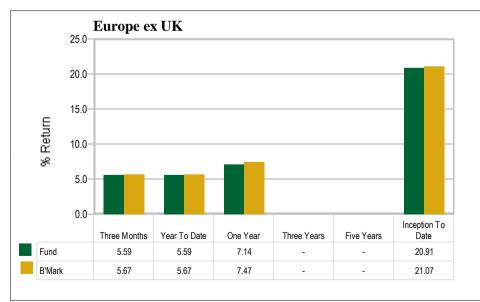














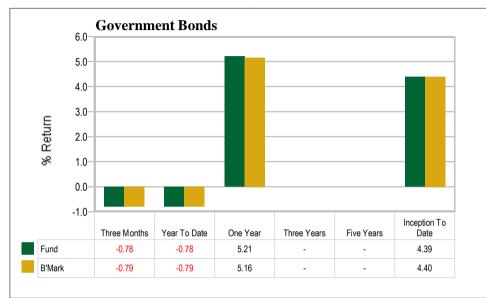


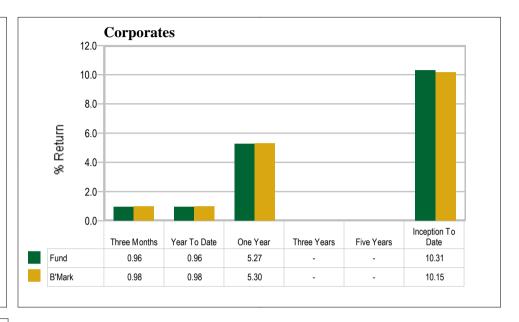


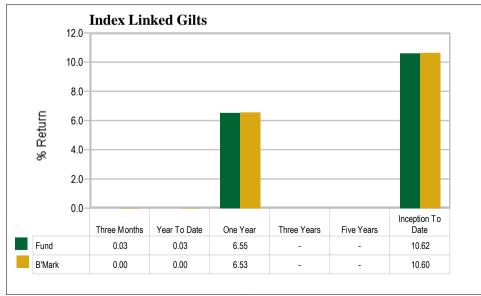






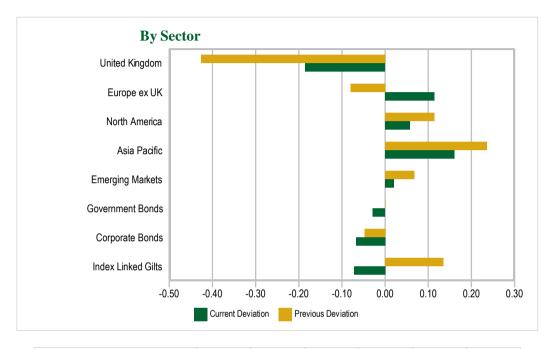












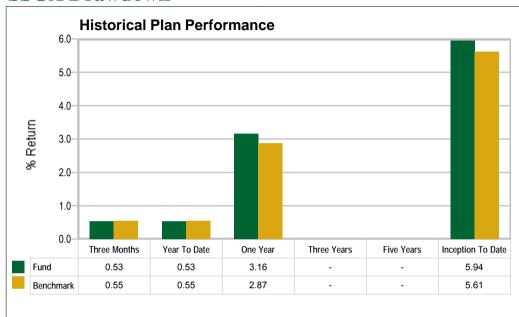
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Equity	80.17	79.91		80.17		79.91
United Kingdom	43.82	43.57	44.00	-0.18	44.00	-0.43
Europe ex UK	11.11	10.92	11.00	0.11	11.00	-0.08
North America	11.06	11.11	11.00	0.06	11.00	0.11
Asia Pacific	11.16	11.24	11.00	0.16	11.00	0.24
Emerging Markets	3.02	3.07	3.00	0.02	3.00	0.07
Fixed Income	9.90	9.95		9.90		9.95
Government Bonds	1.47	1.50	1.50	-0.03	1.50	0.00
Corporate Bonds	8.43	8.45	8.50	-0.07	8.50	-0.05
Index Linked Gilts	9.93	10.14	10.00	-0.07	10.00	0.14

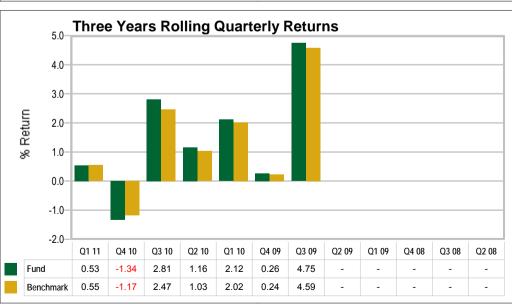




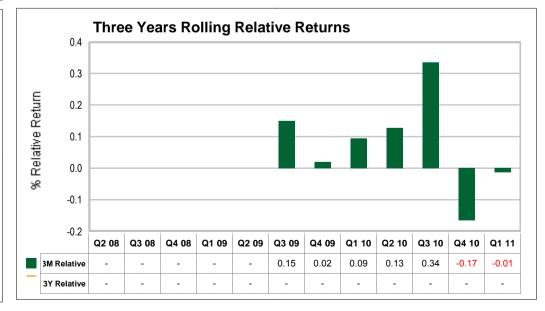


# SSGA Drawdown





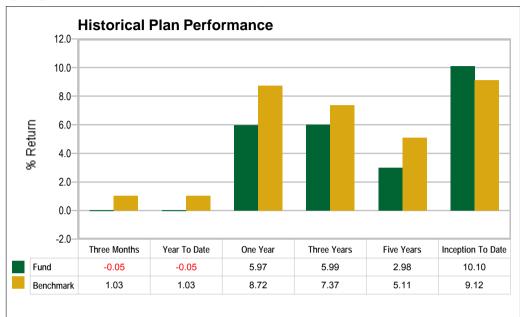
Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	3.0	
Inception Date	Jun-2009	
Opening Market Value (£000)	18,756	
Net Investment £(000)	-2,207	
Income Received £(000)	0	
Appreciation £(000)	85	
Closing Market Value (£000)	16,634	

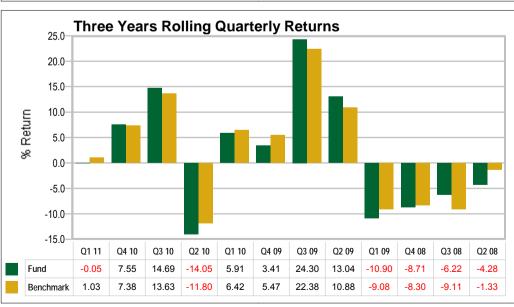










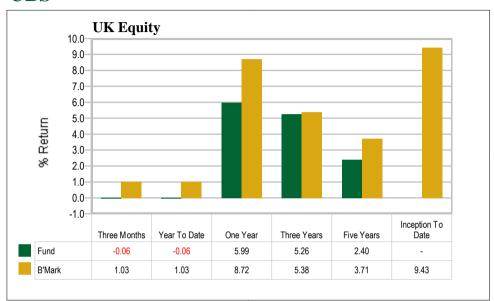


Risk Statistics - 3 years	Fund	B'mark
Performance Return	5.99	7.37
Standard Deviation	20.71	18.41
Relative Return	-1.29	
Tracking Error	4.54	
Information Ratio	-0.30	
Beta	1.10	
Alpha	-1.45	
R Squared	0.96	
Sharpe Ratio	0.15	0.24
Percentage of Total Fund	19.8	
Inception Date	Dec-1988	
Opening Market Value (£000)	110,785	
Net Investment £(000)	0	
Income Received £(000)	771	
Appreciation £(000)	-827	
Closing Market Value (£000)	110,729	



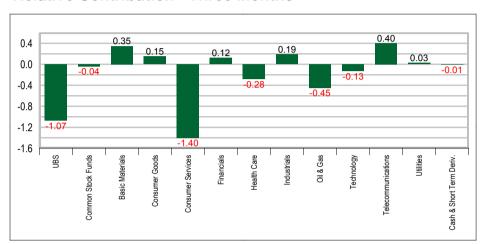






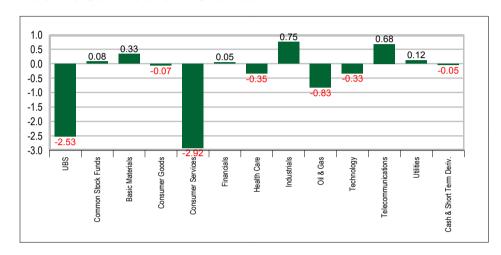


### **Relative Contribution - Three Months**



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
UBS	-0.05	1.03	-1.07	0.34	-1.42	-1.07
Common Stock Funds	-0.99	-	-0.99	-0.04	0.00	-0.04
Basic Materials	-1.94	-3.33	1.44	0.23	0.12	0.35
Consumer Goods	1.63	0.03	1.60	0.05	0.10	0.15
Consumer Services	-13.42	-4.66	-9.19	-0.20	-1.20	-1.40
Financials	1.67	1.03	0.64	0.00	0.12	0.12
Health Care	-2.57	0.66	-3.21	-0.01	-0.27	-0.28
Industrials	3.68	2.01	1.64	0.03	0.16	0.19
Oil & Gas	3.19	6.30	-2.93	0.15	-0.60	-0.45
Technology	-0.42	8.02	-7.81	-0.01	-0.12	-0.13
Telecommunications	7.30	4.79	2.40	0.16	0.25	0.40
Utilities	2.61	1.75	0.85	-0.00	0.03	0.03
Cash & Short Term Deriv.	0.62	-	0.62	-0.01	0.00	-0.01

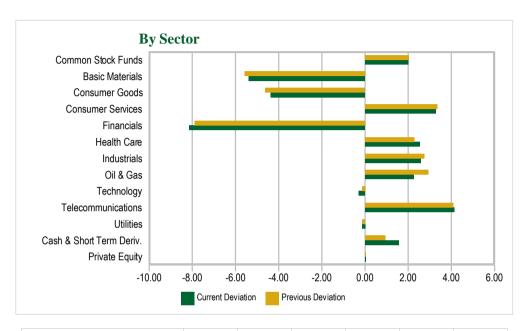
### **Relative Contribution - One Year**



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
UBS	5.97	8.72	-2.53	0.48	-3.06	-2.53
Common Stock Funds	11.60	-	11.60	0.08	0.00	0.08
Basic Materials	19.44	12.61	6.07	-0.15	0.48	0.33
Consumer Goods	8.08	9.25	-1.07	0.01	-0.08	-0.07
Consumer Services	-17.77	1.24	-18.78	-0.30	-2.62	-2.92
Financials	0.83	3.67	-2.74	0.38	-0.33	0.05
Health Care	0.20	3.11	-2.83	-0.05	-0.30	-0.35
Industrials	25.69	18.22	6.32	0.10	0.65	0.75
Oil & Gas	2.70	7.36	-4.35	-0.04	-0.79	-0.83
Technology	0.66	26.26	-20.28	-0.04	-0.29	-0.33
Telecommunications	24.62	22.80	1.49	0.53	0.15	0.68
Utilities	21.61	17.41	3.58	0.01	0.11	0.12
Cash & Short Term Deriv.	0.54	-	0.54	-0.05	0.00	-0.05







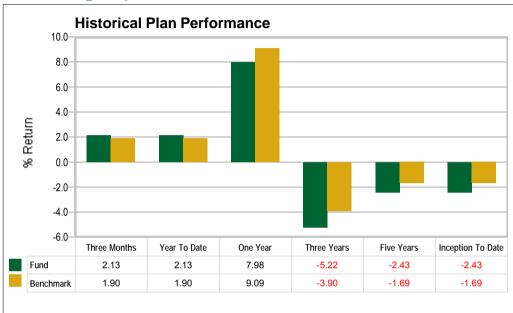
	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Common Stock Funds	2.01	2.03		2.01		2.03
Basic Materials	8.10	8.50	13.48	-5.39	14.08	-5.58
Consumer Goods	6.77	6.69	11.13	-4.37	11.32	-4.62
Consumer Services	12.59	13.02	9.30	3.29	9.67	3.35
Financials	14.41	14.69	22.55	-8.14	22.59	-7.90
Health Care	9.27	9.20	6.74	2.53	6.91	2.28
Industrials	10.00	10.03	7.41	2.59	7.29	2.74
Oil & Gas	20.00	19.78	17.73	2.27	16.86	2.92
Technology	1.42	1.42	1.72	-0.30	1.57	-0.15
Telecommunications	10.40	10.11	6.26	4.14	6.02	4.09
Utilities	3.53	3.55	3.67	-0.14	3.69	-0.13
Cash & Short Term Deriv.	1.56	0.94		1.56		0.94
Private Equity	0.04	0.04		0.04		0.04

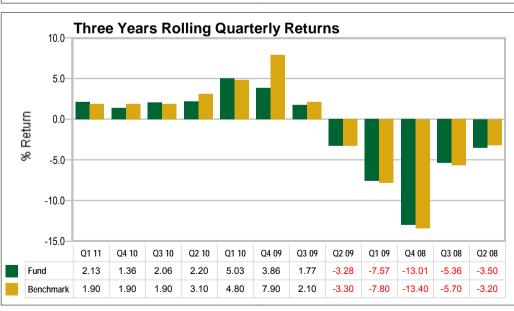




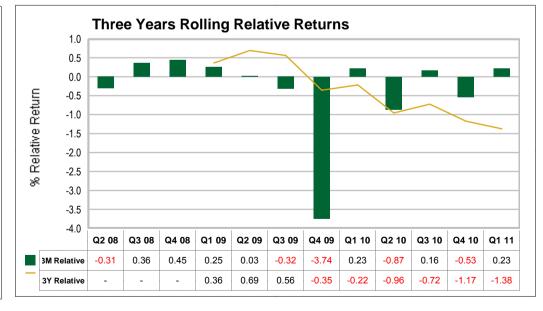


# **UBS Property**





Risk Statistics - 3 years	Fund	B'mark
Performance Return	-5.22	-3.90
Standard Deviation	6.54	6.81
Relative Return	-1.38	
Tracking Error	2.62	
Information Ratio	-0.50	
Beta	0.90	
Alpha	-2.03	
R Squared	0.88	
Sharpe Ratio	-1.24	-1.00
Percentage of Total Fund	8.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	45,573	
Net Investment £(000)	-3	
Income Received £(000)	728	
Appreciation £(000)	243	
Closing Market Value (£000)	46,541	

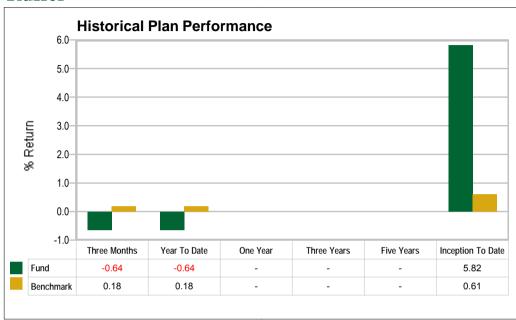


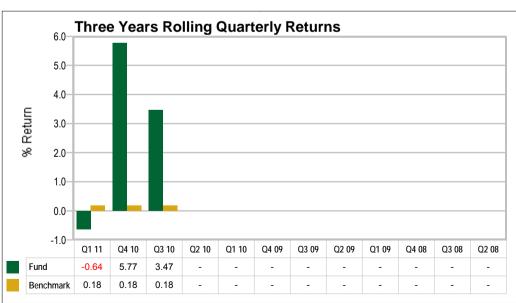


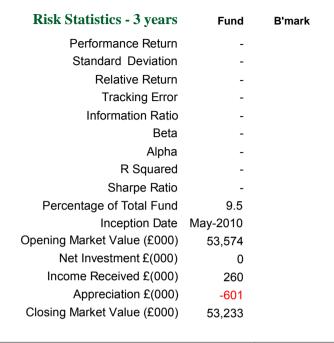


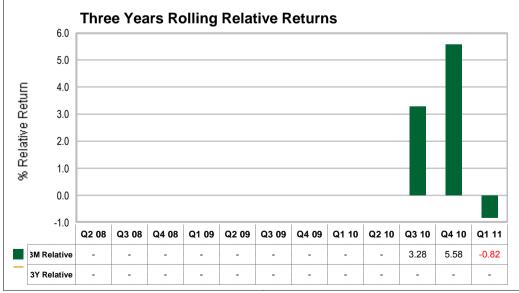


# Ruffer







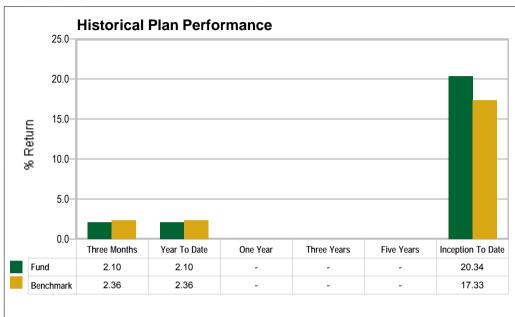


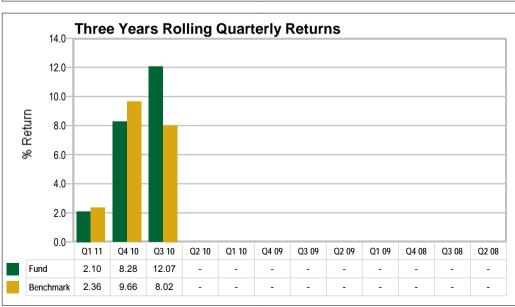


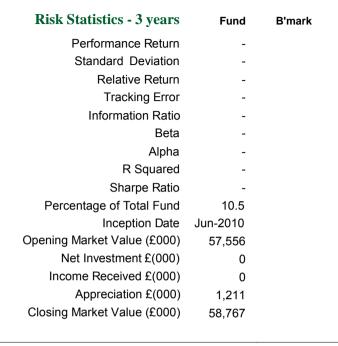


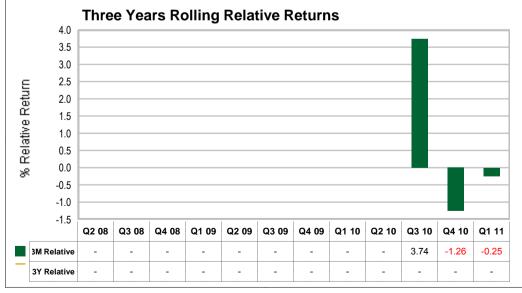


# Marathon







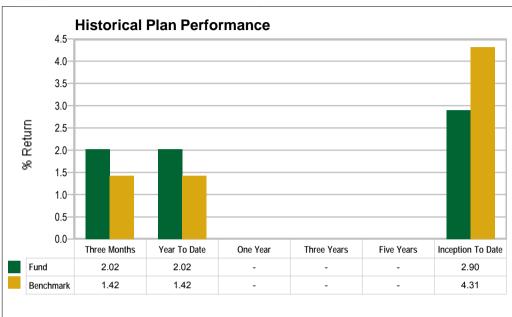


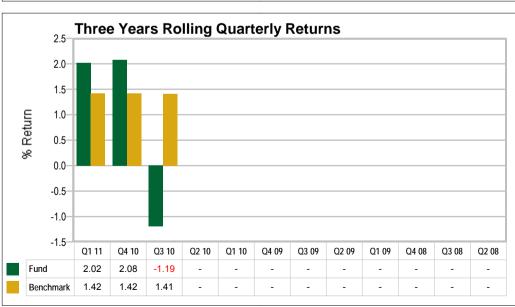


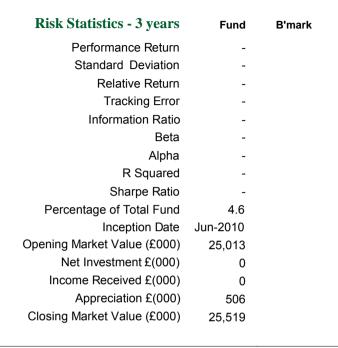


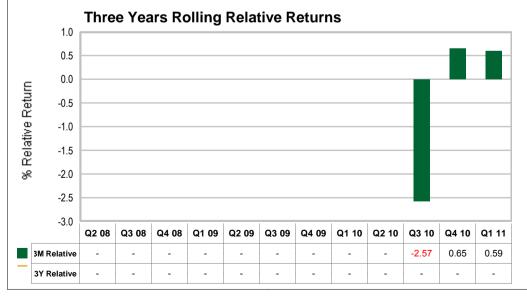


# **Fauchier**













### **Total Plan Benchmark**

36.8 FTSE All Share

12.9 FTSE AW North America

11.1 FTSE AW Developed Europe ex UK

5.5 FTSE AW Japan

3.7 FTSE AW Developed Asia Pacific ex Japan

3.7 FTSE AW Emerging Markets

1.6 FTSE All Stock

8.9 iBox £ Non-Gilts (82.35%) / iBox £ Non-Gilt 15+ (17.65%)

5.3 FTSE Index Linked Gilts 5+ Yrs

10.5 UBS Property Index

# **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 ML Sterling Non-Gilts

# **SSGA Drawdown**

50.0 ML Sterling Non-Gilts

50.0 FT 7 Day LIBID

### Alliance Bernstein

30.0 FTSE AW Developed Europe ex UK

35.0 FTSE AW North America

15.0 FTSE AW Japan

10.0 FTSE AW Developed Asia Pac ex Japan

10.0 FTSE AW Emerging Markets

### **Goldman Sachs**

70.0 ML Sterling Broad Market

30.0 FTSE Index Linked Gilts 5+ Yrs

### **UBS**

100.0 FTSE All Share

# **UBS Property**

100.0 IPD UK PPFI All Balanced Funds Index

# Ruffer

100.0 LIBOR 3 Month GBP

### Marathon

100.0 MSCI World

### **Fauchier**

100.0 LIBOR 3 Month +5%





### **Previous Benchmark**

# **Alliance Bernstein**

50.0 FTSE All Share

15.0 FTSE AW Developed Europe ex UK

17.5 FTSE AW North America

7.5 FTSE AW Japan

5.0 FTSE AW Developed Asia Pac ex Japan

5.0 MSCI Emerging Markets



# Tracking Error

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

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

Where	Equals
ER	Excess return (Portfolio Return minus Benchmark Return)
ER Return)	Arithmetic average of excess returns (Portfolio Return minus Benchmark
T	Number of observations

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.

Periodicity (number of observations per year)

### Information Ratio

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

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

Where	Equals
ER Return)	Arithmetic average of excess returns (Portfolio Return minus Benchmar
T	Number of observations
р	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)

 $oldsymbol{eta}$  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

$$\beta = \frac{n \sum_{x_i} R_{y_i} - \sum_{x_i} R_{x_i}}{n \sum_{x_i} (R_{x_i})^2 - (\sum_{x_i} R_{x_i})^2}$$

### 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)

eta 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)

 $R_{vi}$  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

 $\sigma_{ap}$  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 evalutes the bond issues and assigns a code with Aaa as the highest and C as the lowest.







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