Agenda Item 8

Suffolk County Council Pension Fund

REVIEW OF PERFORMANCE
SECOND QUARTER OF CALENDAR YEAR 2012

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For and on behalf of Hymans Robertson LLP
September 2012

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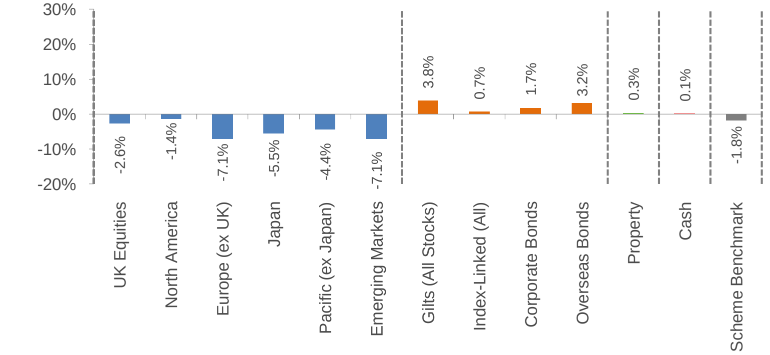
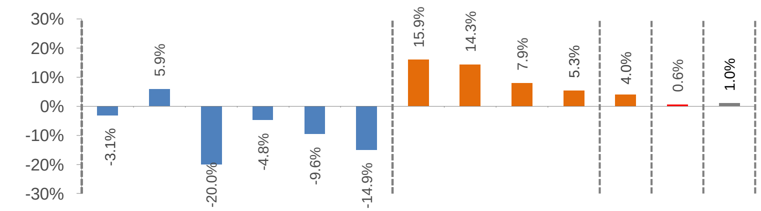
Markets - Historic Returns for World Markets to 30 June 2012

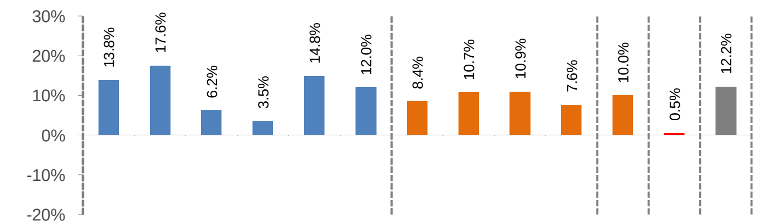
3 Months



12 Months



3 Years



An intriguing mix of political, economic and financial factors contributed to a sense of crisis throughout the quarter. Political uncertainty in Greece, and the burden of debt in certain European nations (particularly Spain and Greece), threatened the viability of the Euro which, not for the first time, seemed close to 'collapse'. The newly elected President of France challenged the established consensus on how to deal with difficulties in the Eurozone, by promoting a switch in emphasis from austerity to growth.

The deteriorating global economic backdrop offered little solace to investors, with the UK, and much of Europe, falling into recession, mixed data in the US and reduced activity in China. Nevertheless, the difficulties of the Eurozone were widely cited as the greatest threat to global economic activity.

In the UK, the Bank of England cut its economic growth forecast for 2012, from 1.2% to 0.8%. This compares with an average of 0.3% made by 'independent' forecasters and just 0.1% by the British Chambers of Commerce. In June, the Chancellor of the Exchequer announced a £100bn support programme for the economy, with a 'funding for lending' scheme at its core. The Governor of the Bank of England hinted that short-term interest rates may be cut to zero, in order to stimulate the economy.

Key events during the quarter:

Global Economy
EU agreed €100bn 'bailout' facility for Spanish banks.
Ratings agencies cut credit ratings of UK, European and US banks.
Short-term interest rates were unchanged in the UK, US and Eurozone.
China cut key interest rate on concerns over prospects for economic growth.
France, Germany, Italy and Spain agreed €130bn economic growth package.

Equities
Equities were highly volatile, reflecting the ebb and flow of economic and financial news.
The strongest sectors relative to the 'All World' Index were defensives - Telecoms (+8.4%) and Health Care (+7.3%); the weakest were cyclical - Basic Materials (-6.3%) and Oil & Gas (-3.7%).

Bonds
Yields on UK, German and US government bonds reached record lows in early June on flight to safety while borrowing costs for Spain and Italy rose to unsustainable levels.

The bailout of Spanish banks and other 'rescue' packages have dealt with the immediate crisis in the Eurozone. The longer term outlook remains uncertain. Much depends on the recently agreed EU fiscal treaty and proposed Europe-wide banking supervision.

Market Conditions to 30 June 2012

General

The market operated in "risk-off" basis over the second quarter of 2012. All equity markets suffered negative returns, even allowing for the sharp rallies which occurred on 29 June, following the late night deal agreed by EU leaders to help Spain and Italy survive the Eurozone crisis. Equity markets remain in positive territory year to date but most markets are in negative territory over 12 months. As might be expected, bond markets performed well over Q2, with long-dated safe haven government bonds the best performers.

Global Equities

In sterling terms, global equities returned -3.6% over Q2 (as measured by the FTSE All-Countries World index). The weakest market in local currency terms was Japan (-10%), with Emerging Markets returning -7%. Europe (ex UK) equities returned -4.3% and North American equities returned -3% in local currency terms; the FTSE All-Share returned -2.6%. Over the quarter, the Yen strengthened against sterling by 4.5%, the US$ strengthened by 1.6%, while the euro weakened by 2.5%. Over the 12 months ending 30 June 2012, North American equities returned almost 6% in sterling terms. UK equities delivered -3.1%. Other regional equity markets delivered sharply negative returns; Europe ex UK returned -20% in sterling terms and Emerging Markets returned -14%.

Over Q2, the strongest relative return came from Telecoms (+8.3%) particularly fixed line suppliers, followed by Healthcare (+7.3%) particularly pharmaceutical companies. The weakest relative returns came from Basic Materials (-6.3%) and Oil & Gas (-3.7%), both falls resulting from weakening commodity prices. The Technology sector was also weak (-3.6% relative). Growth stocks underperformed value stocks by approximately 0.5% over the quarter; over 12 months to end June, growth stocks outperformed value stocks by approximately 2%.

UK Equities

Large cap stocks (FTSE 100) returned -2.3%, outperforming the FTSE 250 (mid cap stocks) and Small Cap which both returned -4.2%. Over the 12 months ending 30 June 2012, the FTSE 100 returned -2.7% with FTSE 250 returning -5.6% and Small Cap returning -6.5%. Value stocks outperformed growth stocks by almost 6% over the 12 months to end June. Materials (-9.9%) and Oil & Gas (-2.1%) reflected international equity sector returns, resulting from weakening commodity prices. Technology (-3.5%) and Financials (-2.5%) were also weak. The strongest sectors were Utilities (+10.9%) and Telecommunications (+9%), essentially Mobile.

Three of the ten best performing stocks in the FTSE 100 over Q2 were Utilities (United Utilities +19%, Severn Trent +17% and National Grid +14.3%). The ten weakest FTSE 100 stocks included Barclays (-28.6%) and Royal Bank of Scotland (-20%) and four Mining stocks (ENRC -28%, Vedanta – 23.7%, Xstrata -22.1% and Kazakhmys -17.2%).

Market Conditions to 30 June 2012 (continued)

Bonds

In a quarter that was kind to secure assets, the performance of fixed interest bonds reflected their risk grading. The strongest performance came from long-dated gilts (+6.7%); the All-Stocks Gilts index returned 3.8%. Investment grade corporate bonds returned 1.7% in aggregate, with AA-rated credit returning 3.5%, A-rated returning 2.4% and BBB-rated credit returning 0.2%. Index-linked gilt stocks were quite subdued returning 0.7%, as inflation eased off considerably.

Property

The IPD Monthly index return for directly held property for Q2 of 2012 was +0.3 %. The sector returns were +1% for Industrial, +0.8% for Offices and -0.3% for Retail. The income component of returns is positive but capital growth is negative in all three market segments. The weighted average return of All Balanced Pooled Property Funds is +0.3%, with a distribution yield (after fees) of 2.7%. Market performance remains polarised between primary property, particularly in London and the South East, which is performing adequately, and everything else.

Generic Commentary on Active Managers

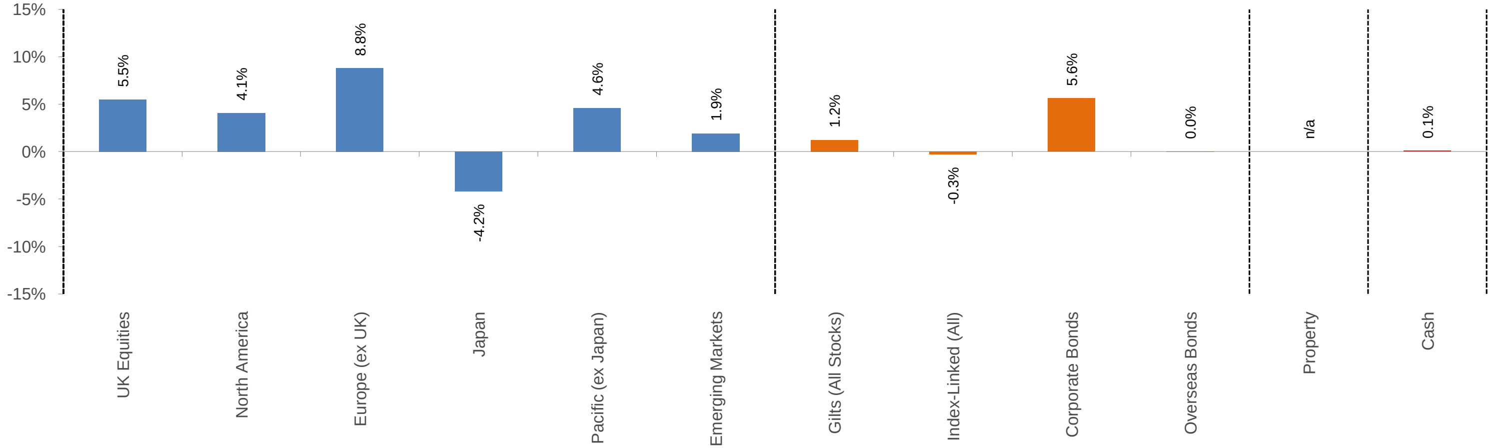
Among 59 global equity managers we follow, the median return over the second quarter was -0.8% relative to benchmark. Over the 12 months ending 30 June, the median return was -1.2% relative to benchmark; the interquartile range of outcomes, i.e. excluding the top and bottom quartile, was from flat to -3.2% relative to benchmark over 2011. The strongest managers, which outperformed over the 12 months by 5% or more, were focused on either income and income growth, growth oriented or very concentrated. The weakest managers, which underperformed by more than 10%, adopted a value style bias. Over 3 years, the median return was -0.1% p.a. relative to benchmark. The strongest managers outperformed by 5% p.a. while the weakest underperformed by 5% p.a. Managers with a value style bias dominate the bottom quartile of performance.

Among 27 UK equity managers, the median return over the second quarter was essentially in line with benchmark. Over the 12 months ending 30 June, the median return was +0.2% relative to benchmark; the interquartile range of outcomes was from +2.5% to -1.6% relative to benchmark over this 12 month period; the strongest performers were income funds and the weakest were value style funds. Over 3 years, the median return was +0.25% p.a. relative to benchmark. As with global equities, managers with a value style bias are at the foot of the performance table over this 3-year period.
Among 28 bond managers, the median return over the second quarter was +0.14% relative to benchmark. Over the 12 months ending 30 June, the median return was +0.13% relative to benchmark; the interquartile range of outcomes was from +0.6% to -0.8% relative to benchmark over this period. Over 3 years, the median return was +1.2% p.a. relative to benchmark. The 3-year return captures a strong yield spread reduction in corporate bonds and recovery from weak results during the credit turmoil in 2008. However, this effect has been diminishing over the most recent 12 months; meanwhile, managers have tended to be persistently overweight credit and this has resulted in underperformance when gilt markets are particularly strong, as in Q3 of 2011.

We believe the institutional manager constituencies we track provide representative data and information applicable to the wider active management universes.

Markets - Historic Returns for World Markets Update

Period from 30/06/12 to 7/09/12



Equity markets (other than Japan) have continued to post gains in the third quarter of 2012. Corporate bonds have risen strongly and UK fixed interest gilts have also posted a modest rise. Index-linked gilts have posted a marginally negative return.

Managers

The Suffolk Fund returned -1.5% over Q2 of 2012 underperforming its benchmark by 0.3%. It is 1.8% behind benchmark over the last 12 months returning -0.8% versus a benchmark return of 1.0%. Longer term numbers lag the total fund benchmark. Relative returns are 1.6% p.a. behind benchmark over 3 years and 1.2% p.a. behind over 5 years.

Aberdeen: Aberdeen underperformed by 0.8% over Q2 of 2012. They are 2.3% behind benchmark over 12 months but 0.3% p.a. ahead of benchmark over 3 years. Longer term relative performance has reduced due to their significant underperformance over the last year; they are in-line with benchmark since inception.

Alliance Bernstein: Alliance Bernstein underperformed their benchmark over Q2 of 2012 by 0.7%. They are 3.9% behind the benchmark over 12 months and 3.9% p.a. behind benchmark since inception on 10 June 2005.

BlackRock: BlackRock outperformed their benchmark by 0.3% over Q2. Their portfolio is 0.6% behind benchmark over 12 months. Although they underperformed over the last year, they are 2.9% p.a. ahead of benchmark over the period since inception (on 19 July 2007).

JP Morgan: JP Morgan underperformed by 1.1% over Q2 of 2012. They are behind benchmark over the last 12 months by 3.6% and are behind benchmark by 0.6% p.a. since inception (on 20 July 2007).

Newton: Newton outperformed their benchmark over Q2 of 2012 by 3.1%. They are 1.3% behind benchmark over the 12 months and 0.1% p.a. behind benchmark since inception (on 27 July 2007). Relative performance has been negatively impacted by three poor quarters prior to Q2 but has been boosted by significant outperformance in the last quarter.

Millennium: Millennium underperformed their LIBOR cash benchmark by 0.5% (net of fees) over Q2. They are 3.1% p.a. behind benchmark (net of fees) over 12 months and 4.7% p.a. behind since the mandate commenced on 1 April 2008.

Schroder (Property): Schroder's No 1 portfolio returned 0.2% (net of fees) over Q2. This was 0.1% behind Schroder's benchmark (IPD Pooled Property index) which returned 0.3%. Over 12 months, Schroder's net return was 3.7%, 0.3% behind their benchmark. Over 3 years, Schroder returned 9.8% p.a. (net) which was 0.2% p.a. behind their benchmark return of 10.0% p.a. (benchmark is the IPD Pooled Property index since 31 March 2011 chainlinked with the IPD Balanced Fund index for longer term periods).

MANAGER SUMMARY

Mandate	Manager	Value £M 31-Mar-12	Value £M 30-Jun-12	Actual Allocation 30-Jun-12
Multi Asset Passive	Legal & General	445.1	436.4	28.8%
UK Equities	AllianceBernstein	167.8	162.3	10.7%
UK Equities	BlackRock	142.1	138.8	9.1%
Global Equities	JP Morgan	209.5	199.2	13.1%
Global Equities	Newton	204.6	203.3	13.4%
Bonds	Aberdeen	111.4	114.2	7.5%
Property	Schroder	155.8	156.3	10.3%
Currency Active	Millennium	33.4	33.4	2.2%
Private Equity	Private Equity	68.0	73.5	4.8%
Total Invested Assets		**1,537.7**	**1,517.3**	**100.0%**

ASSET ALLOCATION

Asset Class	Fund (£m)		Strategic Benchmark (%)	Fund (%)		Relative to Strategic Benchmark (%)	
	31/03/2012	30/06/2012		31/03/2012	30/06/2012	31/03/2012	30/06/2012
UK Equities	**341.5**	**331.8**	**22.8**	**22.2**	**21.9**	-0.6	-0.9
Overseas Equities	**625.1**	**600.7**	**38.2**	**40.7**	**39.6**	2.5	1.4
North America	270.5	274.1	15.1	17.6	18.1	2.5	3.0
Europe ex UK	157.2	147.9	10.5	10.2	9.7	-0.3	-0.8
Japan	52.0	47.5	6.2	3.4	3.1	-2.8	-3.1
Pacific ex Japan	57.7	51.5	3.6	3.8	3.4	0.2	-0.2
Other	87.7	79.8	2.8	5.7	5.3	2.9	2.5
British Govt Bonds	**51.4**	**54.2**	**4.0**	**3.3**	**3.6**	-0.7	-0.4
Corporate Bonds	**179.5**	**183.1**	**10.4**	**11.7**	**12.1**	1.3	1.7
Index-Linked	**65.5**	**66.0**	**4.3**	**4.3**	**4.3**	0.0	0.0
Alternatives	**101.4**	**106.8**	**8.2**	**6.6**	**7.0**	-1.6	-1.2
Private Equity	68.0	73.5	5.0	4.4	4.8	-0.6	-0.2
Active Currency	33.4	33.4	3.2	2.2	2.2	-1.0	-1.0
Property	**150.0**	**154.2**	**12.0**	**9.8**	**10.2**	-2.2	-1.8
Cash	**23.2**	**20.5**	**0.0**	**1.5**	**1.4**	1.5	1.4
Total Invested Assets	**1,537.7**	**1,517.3**	**100.0**	**100.0**	**100.0**		

Manager Allocation - Global Equity Benchmarks

Asset Class	Target %	JP Morgan Relative %	Target %	Newton Relative %
UK Equities	8.3	3.8	8.3	-1.1
Overseas Equities	91.7	-4.8	91.7	-0.6
North America	*51.8*	-2.6	*51.8*	-7.2
Europe	*14.5*	1.2	*14.5*	6.4
Japan	*7.8*	-2.5	*7.8*	0.7
Asia Pacific	*4.9*	-1.2	*4.9*	2.4
Emerging Markets	*12.7*	0.3	*12.7*	-2.9
Total Equities	100.0	-1.0	100.0	-1.7
Property	-	-	-	-
Total Fixed Interest	-		-	
Cash & Alternatives	-	1.0	-	1.7
Total	**100.0**		**100.0**	

Comments

Overall, JP Morgan's regional allocations have remained broadly unchanged. They remain overweight in the United Kingdom and underweight in Japan and North America. JP Morgan underperformed in the majority of regions, with the exception of the positive contribution from stock selection in Europe ex UK.
Newton's regional positioning remains broadly similar to last quarter (driven by their thematic views). In the past, they have typically taken more aggressive asset allocation positions than shown above. Their most significant current position remains the underweighting of North America, the largest geographical component of the index.

Sector Allocation - Global Equity Benchmarks

Sector	Target %	JP Morgan Relative %	Newton Relative %
Energy	10.8	-0.7	-4.2
Materials	7.5	-1.9	-0.6
Industrials	10.4	-0.3	-3.8
Consumer Discretionary	10.5	3.8	-2.5
Consumer Staples	10.7	-0.1	6.9
Healthcare	9.5	2.6	7.4
Financials	19.4	-1.6	-5.3
Information Technology	12.8	1.5	-0.9
Telecommunication	4.7	-0.7	2.0
Utilities	3.8	-2.6	-1.4
Cash & Others	-	-	2.4
Total	**100.0**		

Comments

Overall, JP Morgan's sector allocations have remained broadly unchanged. The portfolio has moved further underweight in industrials due to deteriorating earnings visibility. Exposure to healthcare has increased and the portfolio is now less overweight the consumer discretionary and information technology sectors.
Newton's themes of 'deleverage', 'financial concentration' and 'state intervention' are particularly important. They continue to favour companies in structural growth areas, often with exposure to the emerging markets, and those that have the ability to generate stable, resilient cash flows, regardless of the sector they represent. Healthcare and Consumer Staples stocks are attractive to Newton and these represent the largest overweight sector positions.

Alliance Bernstein - UK Equity Mandate

Overview

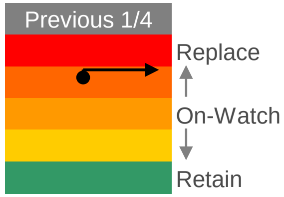
Comments

The second quarter of 2012 saw a sharp reversal of the main stock-market trends seen at the start of the year. Many of the more cyclical names and sectors that rebounded in the first quarter did particularly poorly, with more defensive areas of the market holding up better.

As a result, the portfolio's sector positions were the main drag on performance (overweight in industrial commodities and underweight in consumer staples). Large-cap mining companies, including Rio Tinto and Anglo American, were hurt by signs of slowing demand in China, while Xstrata suffered from uncertainties about the fate of Glencore International's takeover bid. The manager was short of defensive stocks such as Diageo and Unilever, this was also a substantial negative amid macroeconomic uncertainty. The biggest individual detractor though was Barclays. Increased Eurozone concerns hit banks generally, but Barclays underperformed its peers, as its shares fell sharply at the end of June on news penalties imposed for its part in the manipulation of the LIBOR interest rate. Bernstein believe that at its current valuation, the stock offers substantial upside.

Bernstein believe that investor flight from risk has left UK equities attractively valued. They trimmed some outperforming holdings (defensive stocks) and added to underperformers. New holdings Morrisons (supermarket) and LyondellBasell (chemicals) aim to exploit company specific strengths.

Hymans Robertson View



Recent News

The Board of Alliance Bernstein have agreed to extend the contract of Peter Kraus (Chief Executive Officer) for a further five years until 2019. The terms of Kraus's contract are largely unchanged. He will be remunerated based on his ability to improve the firm's financial performance.

The main ways in which he will be seeking to achieve this are by improving investment performance, diversifying the business across channels, investment services and geographies, developing innovative new products and services to meet evolving client needs and achieving greater operating leverage and better financial results.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-3.3	-6.9	9.3	1.5
Benchmark	-2.6	-3.1	13.8	5.6
Relative	-0.7	-3.9	-3.9	-3.9

3 Year Relative Return

Actual % p.a.	Target % p.a.
-3.9	1.5

3 Year Tracking Error

Actual	Target
3.5	3-5%

BlackRock - UK Equity Mandate

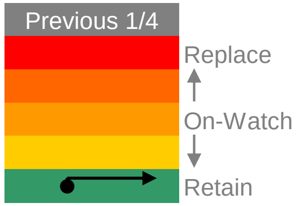
Overview

Comments

The portfolio performed modestly above the benchmark over the quarter. The main positive contributors to performance included Whitbread, Next, Compass and Capital & Counties (owner of Covent Garden, Olympia, Earls Court) which continued to deliver good earnings results, and companies with resilient earnings including Severn Trent and British American Tobacco. Detractors from relative returns included not holding the defensive shares, Diageo and National Grid. Barclays was impacted by the LIBOR fixing revelations whilst broader investor risk aversion led bank shares to underperform.

BlackRock's focus on stock selection and avoiding taking a significant macro bet helped the portfolio through this latest period of market volatility. BlackRock have purchased a new holding in Tate & Lyle which, combined with additions to Unilever and SABMiller, reduces the portfolio's underweight to companies with more resilient earnings in the current uncertain macro environment. They have added Prudential to the portfolio, reducing the financials underweighting, attracted by potential Asian growth and strong cashflow generation.

Hymans Robertson View



Recent News

No significant news on the equity side of the business.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-2.3	-3.7	14.3	3.1
Benchmark	-2.6	-3.1	13.8	0.2
Relative	0.3	-0.6	0.4	2.9

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.4	1.5

3 Year Tracking Error

Actual	Target
2.6	

JP Morgan - Global Equity Mandate

Overview

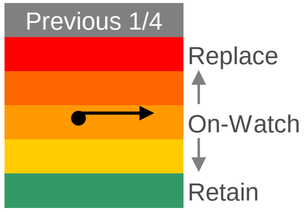
Comments

The portfolio underperformed the benchmark in the second quarter. Most of the trends that benefited performance in the previous two quarters detracted from returns this quarter as there was a rotation into high quality, defensive stocks. Stock selection in energy and financials detracted most from performance. The rally in deep value stocks with poor earnings visibility towards the end of the quarter had a negative impact on performance.

The portfolio's tilt towards economically sensitive areas and higher volatility stocks was also a detractor over the quarter. In contrast, the momentum tilt was positive and offset much of the effect of the of economically sensitive/high volatility stocks.

The portfolio remains broadly unchanged although exposure to growth / momentum has been increased; this is through greater exposure to stable growth companies. JP Morgan are also finding investment opportunities in large and mega-cap companies, both in stable growth and economically sensitive sectors.

Hymans Robertson View



Recent News

No significant news to report.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-4.9	-7.8	13.1	1.3
Benchmark	-3.8	-4.3	12.6	1.9
Relative	-1.1	-3.6	0.4	-0.6

3 Year Relative Return

Actual % p.a.	Target % p.a.
0.4	1.5

3 Year Tracking Error

Actual	Target
3.6	

Newton - Global Equity Mandate

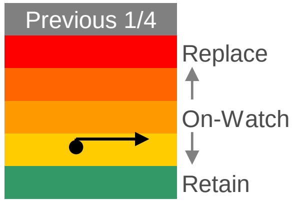
Overview

Comments

Newton outperformed significantly, although the portfolio value fell over the quarter, . Positioning in the consumer staples sector was the highlight in terms of relative performance. Stocks identified by their 'deleverage 'theme gained as the effects of austerity programmes were felt. Overweight holdings in this area, included AB Inbev (beverages) and Altria (tobacco). Newton believes they should be able to perform well in the weak environment because of their ability to produce stable, resilient cash flows. Similarly, investments in utilities, telecommunications and healthcare performed well as the market rotated towards defensive sectors in the face of slowing global growth.

Newton continue to believe that the subdued outlook for markets as a whole disguises some attractive prospects, particularly in the more stable, better quality parts of equity markets. They suggest that these areas are overlooked as being too dull in ‘risk-on’ market phases, but their robust business models should mean that they prove resilient against a potentially volatile economic and market.

Hymans Robertson View



Recent News

No significant changes to report.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-0.8	-5.6	10.3	2.0
Benchmark	-3.8	-4.3	12.6	2.1
Relative	3.1	-1.3	-2.1	-0.1

3 Year Relative Return

Actual % p.a.	Target % p.a.
-2.1	1.5

3 Year Tracking Error

Actual	Target
4.7	5-7%

Aberdeen - Bond Mandate

Overview

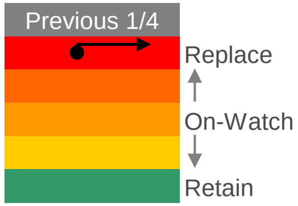
Comments

The portfolio returned 2.5% over the quarter, underperforming the benchmark by 0.8% over the quarter. The underweight position in gilts was the primary factor in the underperformance. With continuing Euro area concerns, fears of a Greek exit and a Spanish bailout, bond yields fell. Gilts outperformed credit.

Credit positioning also detracted modestly. The initial rally in credit stalled over the quarter, as concerns over Greek elections and Spanish banks weighted on market confidence. Aberdeen's overweight in financials hurt performance, despite being underweight banks, and in particular underweight subordinated bank debt. The overweight to Utilities also detracted from performance despite the relatively defensive nature of the sector, as investors' profit-taking sent prices lower.

As credit spreads rallied, Aberdeen trimmed their position in subordinated financials. The gilt portfolio retains its underweight exposure to UK government bonds (lower interest rate sensitivity) with a small overweight to longer dated bonds. Aberdeen has a long position at the front end of the European yield curve.

Hymans Robertson View



Recent News

In July, Aberdeen announced significant changes to their global fixed interest team: Kieron Nutbrown (Head of Global Macro), Richard Dryer (Head of Global Credit) and Jon Cunliffe (Head of Global Macro Strategy) all left the Firm with immediate effect. Aberdeen have communicated these changes as a realignment in order to achieve a common investment process for the business worldwide. They plan to re-deploy existing staff from regional teams to other teams worldwide.

The changes will not impact UK clients directly. The focus is on global products. However, the indirect issues of further team change and disruption for the overall business are not supportive.

Performance Summary

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	2.5	11.7	11.2	6.1
Benchmark	3.4	14.3	10.9	6.1
Relative	-0.8	-2.3	0.2	

3 Year Relative Return

Actual* % p.a.	Target** % p.a.
0.2	0.75

3 Year Tracking Error

Actual	Target
1.9	1.5

* gross of fees ** net of fees

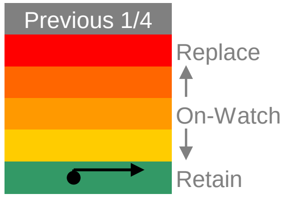
Schroder - Property Fund of Funds

Overview

Comments

The portfolio performed broadly in line with benchmark over the quarter. Performance over three and twelve months was driven once again by specialist central London office funds and the income focussed Real Income Fund (RIF). The performance of RIF was particularly strong over the quarter following the partial recovery of the Landsbanki (Icelandic bank) deposit written off in 2008. Schroders anticipate further repayments of the deposit to boost returns in future periods.
All funds which have been purchased or have increased allocations since the property market recovery in June 2009 were top contributors to twelve month relative performance. However, poor returns from the three bottom performing funds continued to weigh on overall portfolio returns. Ashtenne Industrial Fund and Gresham II have not seen any value recovery since the downturn due to relatively high void levels and expensive debt facilities. Hercules Unit Trust has also performed poorly relative to benchmark although the completion of its debt refinancing programme at low cost has improved its performance prospects. It is likely to increase the distribution yield in coming quarters.
Schroders retain an overweight position to Industrials and central London offices – although capital values have declined for Offices and Industrial, performance has been better than Retail. A higher income yield for Industrials and strong investor demand for central London offices has enabled these sectors to buck the trend of falling capital values. Cash in the fund is low (1.1%). Schroders will look to reinvest income on the secondary market (specialist fund prices are currently at or moderately below net asset value).

Hymans Robertson View



Recent News

The vote to convert SEPUT into a new fund structure (a Property Authorised Investment Fund ("PAIF") was passed at the Extraordinary General Meeting on 16 July, and approved by the FSA. SEPUT is one of the portfolio's holdings with approximately 10% weight and is a fund also managed by Schroders. SEPUT has now been renamed the Schroder UK Property Fund.

The change means the fund is available to non-exempt investors, which should increase liquidity, and enhance its ongoing stability.

Performance Summary (No 1 Fund)

	Current 1/4 %	1 Year %	3 Years % p.a.	5 Years % p.a.
Fund	0.2	3.5	9.5	-5.2
Benchmark	0.3	4.0	10.0	-4.8
Relative	-0.1	-0.5	-0.5	-0.4

3 Year Relative Return

Actual % p.a.	Target % p.a.
-0.5	1.5

3 Year Tracking Error

Actual	Target
0.7	n/a

Millennium - Active Currency

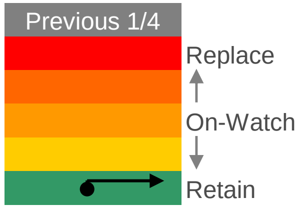
Overview

Comments

Millennium remains of the view that the Eurozone debt crisis and ensuing European recession pose downside risks to the Euro. The portfolio has been positioned accordingly; they are short the Euro. This view has been expressed in a number of currency pairs, including Euro versus US$, Norwegian Krone and Sterling. However, the Euro has proved surprisingly resilient in spite of the environment. Consequently, this allocation has, in aggregate, detracted from performance over the quarter.

In this environment there are few strong and sustained trends which Millennium's strategy needs to generate performance. The market continues to be characterised by short, sharp moves that tend to reverse as market "risk-on / risk-off" sentiment changes, reflecting continuing uncertainty about the economic outlook and monetary policy. The ongoing monitoring of Millennium has also led us to the conclusion that the firm has been managing the portfolio below its risk target of 20% per annum. This is clearly a reflection of the firm's lack of conviction about the market which has therefore led them to manage the portfolio highly defensively.

Hymans Robertson View



Recent News

No significant news to report.

Performance Summary (absolute return)

	Current 1/4 %	1 Year %	3 Years % p.a.	Inception % p.a.
Fund	-0.3	-2.1	-3.6	-3.0

* Inception - 1 April 2008, performance shown is absolute return net of fees

Inception Return

Actual % p.a.	Target % p.a.
n/a	n/a

Inception Tracking Error

Actual	Target
n/a	n/a