

Cautious Manager of Managers Pension Fund

Quarterly Report 1 January to 31 March 2009

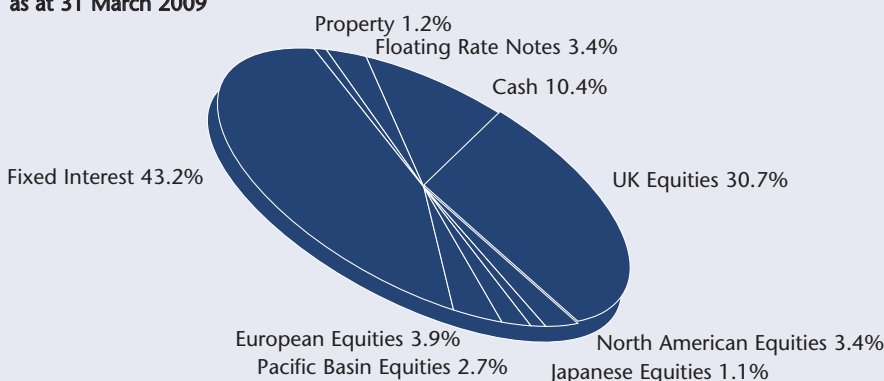
Fund Profile

The fund aims to provide long term growth by investing in a diversified portfolio of assets and a range of investment managers. These investment managers are selected for their investment expertise in particular markets across the world and are monitored on an ongoing basis. The fund's assets can include equities and fixed interest from both the UK and overseas. It aims to be less volatile than the Standard Life Balanced Manager of Managers Fund, investing a higher proportion in assets that are traditionally less volatile (such as fixed interest assets). The selection and ongoing monitoring of investment managers is currently undertaken by Wilshire Associates* and is based on extensive research with the aim of blending managers with different investment styles.

The value of investments within the fund can fall as well as rise and is not guaranteed – you may get back less than you pay in. The fund may use derivatives for the purposes of; efficient portfolio management, reduction of risk or to meet its investment objective if this is permitted and appropriate. The Sterling value of overseas assets held in these funds may rise and fall as a result of exchange rate fluctuations. *Please note that Wilshire Associates does not select fund managers for any property exposure. The property exposure is currently managed by Standard Life Investments.

Composition of the Portfolio

as at 31 March 2009



UK Equity

Largest Five Holdings	%
Vodafone	7.5
GlaxoSmithKline	6.6
Royal Dutch Shell	6.4
BP	6.1
British American Tobacco	4.5

European Equity

Largest Five Holdings	%
Total	3.9
Roche Holdings	3.6
Sanofi-Aventis	2.9
Novartis	2.8
Nestle	2.7

North American Equity

Largest Five Holdings	%
Exxon Mobile	4.7
Qualcomm	3.5
Apple	3.5
Google	2.5
Chevron	2.5

Japanese Equity

Largest Five Holdings	%
Toyota Motor Corporation	5.7
Mitsubishi Financial	4.5
Shin-Etsu Chemical	3.3
NTT Docomo	3.1
Takeda Pharmaceutical	3.1

Pacific Basin Equity

Largest Five Holdings	%
Samsung Electronics	3.9
BHP Billiton	3.7
Westpac	3.4
Commonwealth Bank of Australia	3.4
China Mobile	2.6

UK Bond

Largest Five Holdings	%
UK (Govt of) 4.75% 2020	5.7
UK (Govt of) 5% 2014	4.9
UK (Govt of) 4.75% 2015	4.8
UK (Govt of) 4.25% 2046	3.6
UK (Govt of) 4.75% 2038	3.6

The above figures represent the largest 5 holdings and percentages within the underlying funds.

Launch Date 15 March 2004

Mstar Sector Cautious Managed

Lead Portfolio Manager Wilshire Associates

Sub-portfolio Managers

UK Equity Alliance Bernstein
Newton
Baillie Gifford
McKinley

European Equity Acadian
Clay Finlay
UBS

North American Equity Acadian
Delaware
Systematic
Victory

Japanese Equity New Star
Daiwa

Pacific Basin Equity Clay Finlay
Principal Global Investors

UK Bond Baillie Gifford
Royal London

Fund Size £23.72m

Investment Review & Outlook

Environment

The first quarter brought little respite for equity investors after the turmoil of the previous quarter. With US and Japanese interest rates near zero and the UK cutting rates to 0.5% in March, central banks in the UK, the US, Japan and Switzerland started the unusual practice of quantitative easing (QE): buying bonds from banks so they will have more capital to resume normal lending practices.

Government bond markets experienced acute volatility in the first quarter, as the positive momentum from rate cuts began to fade in the face of higher levels of government supply. Meanwhile, economic signals continued to nosedive; unemployment rose sharply. Shorter-dated bonds were supported as the Bank of England lowered interest rates from 2% to 0.5%. The QE programme was positive for gilts and prompted a significant market rally.

Activity

The Fund's UK managers increased their position in Royal Dutch Shell, impressed by the company's strong balance sheet and stable dividend. The investment was later trimmed, in order to purchase shares in BP. Later in the period, the Fund's position in accounting

software firm Sage was reduced, on the expectation of waning end-user demand.

The Fund's European managers increased their position in Norwegian energy firm Statoil Hydro, impressed by the resilience of its balance sheet and security of its dividends. Meanwhile, the Fund's position in France Telecom was reduced, and switched into Telenor on valuation grounds.

The Fund's US managers initiated a position in oil and gas refinery Valero Energy, based on attractive valuations within the energy sector. Sales included National Oilwell Varco, due to weaker demand for drilling equipment, and Research in Motion, where margins looked vulnerable.

The Fund's fixed income managers took advantage of several new utility issues including EON, National Grid and Iberdrola. They also bought mining company Xstrata on the basis of the company's liquidity and the fact that no major refinancing will be required before 2011. These purchases were funded by selling index-linked gilts and government-guaranteed paper from RBS and Clydesdale Bank.

Outlook

The economic environment is still weak, with few signs of recovery: unemployment continues to rise worldwide. However, we expect the aggressive approach taken by policymakers to eventually take effect. Despite the macro outlook, there are still opportunities and high quality companies in which we look to invest. QE will be the dominant theme over the coming months, and while the current view is positive, we remain vigilant for any fluctuation in the Bank of England's commitment; any wavering will result in a rapid turnaround in our view on gilts. We anticipate another challenging year ahead for UK property, as the occupier market weakens further and rents generally contract. The prospects for UK property for 2010 and beyond are more promising.

Performance Commentary

The Fund's UK managers underperformed over the quarter as a whole. Stock selection in materials and industrials dented returns, while limited exposure to miner Rio Tinto was particularly detrimental, as metal prices reacted positively to news of the Chinese economic stimulus package.

In Europe, strong stock selection in the consumer staples and consumer discretionary sectors boosted Fund returns early in the

quarter. However, returns were held back by holdings in the financial sector, such as Hellenic Exchanges, the operator of Greece's stock and futures markets.

In the US, the managers outperformed the benchmark over the quarter, aided by stocks in the financial, energy and technology sectors. An underweight position in Wells Fargo provided a significant boost to returns, as the company's share price fell sharply. Several of

the Fund's holdings in the healthcare sector, however, detracted from performance.

In fixed income, the managers underperformed the benchmark, largely due to a preference for gilts over corporate bonds, which delivered positive returns. In particular, the Fund's holdings in subordinated financial debt detracted from performance.

Fund Performance

1 Apr 08 - 1 Apr 09	1 Apr 07 - 1 Apr 08	1 Apr 06 - 1 Apr 07	1 Apr 05 - 1 Apr 06	1 Apr 04 - 1 Apr 05
-17.9%	-6.0%	5.2%	15.3%	8.1%

Cumulative	Cautious Fund	Sector Average	Ranking
3 months	-8.2%	-5.6%	452/508
6 months	-9.9%	-9.2%	258/475
1 Year	-17.9%	-14.4%	248/395
3 Years	-18.8%	-13.2%	142/181
5 Years	1.3%	10.5%	94/112
Since Launch	1.0%	10.3%	94/112

Source: Morningstar

The performance has been calculated over the stated periods to 1 April 2009.

Section average is the ABI Cautious Managed Sector.

Investment Market Line

If you would like more details on our current market views please call:

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