P-Solve
ASSET SOLUTIONS

Comet Pension Scheme

Statement of Investment Principles

Version 1.3

May 2007

126 Jermyn Street, London SW1Y 4UJ

Version		Effective From
1.0	Initial draft	November 2004
1.1	Revisions from Trustee Meeting	November 2004
1.2	Revisions from Trustees Meeting	February 2005
1.3	Revisions to comply with The Occupational Pension Scheme (Investment) Regulations 2005	May 2006

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1. Introduction

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the Comet Pension Scheme ("the Scheme"). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the additional requirements of the Myners' Principles for Institutional Investment, and rule 26.2 of the Scheme's Trust Deed and Rules dated 3rd April 2006.

The Trustee confirms that, before preparing this SIP, it has consulted with Comet Group Plc ("the Principal Employer") and obtained and considered written advice from the Scheme Actuary and the Investment Adviser. The Scheme Actuary is Steve Leake of Punter Southall & Co and the Investment Adviser is PSolve ("the Advisers"). The Trustee believes the Advisers to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the investments of arrangements such as the Scheme. The Trustee also confirms that it will consult with the Principal Employer and take advice from the Advisers as part of any review of this SIP.

Where the Trustee is required to make an investment decision, it always receives written advice from the Advisers first and believes that this, together with the Trustee Directors' own collective expertise, ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to professional investment managers. The investment managers are authorised under the Financial Services & Markets Act 2000 and provide the expertise necessary to manage the investments of the Scheme competently.

2. Scheme Governance

The Trustee considers that the following governance structure is appropriate for the Scheme, as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or to the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed below.

2.1 Trustee

The Trustee of the Scheme is responsible for, amongst other things:

i. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

ii. Assessing the quality of the performance and process of the investment managers by means of regular reviews of the investment results and other information, through meetings and written reports, in consultation with the Advisers.

iii. Appointing and dismissing investment manager(s), in consultation with the Advisers.

iv. Assessing the quality of the performance of the Advisers.

v. Consulting with the Employer when reviewing investment policy issues.

vi. Reviewing from time to time the content of the SIP and for modifying it if deemed appropriate, in consultation with the Advisers.

vii. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.

2.2 Investment Managers

The investment managers will be responsible for, amongst other things:

i. At their discretion, but within the guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class.

ii. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter;
- The rationale behind past and future strategy;
- A full valuation of the assets;
- A transaction report;
- Cash reconciliation.

iii. Informing the Trustee immediately of:

- Any breach of this Statement;
- Any serious breach of internal operating procedures;
- Any material change in the knowledge and experience of those involved in the Scheme's investments.

2.3 Investment Adviser

The investment adviser may be responsible for, amongst other things:

i. Participating with the Trustee in reviews of the SIP.

ii. Advising the Trustee how any changes in the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustee of any changes in the Scheme's investment managers that could affect the interests of the Scheme.

iv. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.

v. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation strategy and current investment managers and selection of new investment managers as appropriate.

2.4 Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the investment adviser on the suitability of the Scheme's investment strategy.

ii. Performing the triennial and interim "annual funding reviews" valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

3. Investment Objectives

In general terms, the Trustee's ***qualitative*** objectives for the Scheme are:

i. To ensure that sufficient assets are available to pay out current and future members' benefits as and when they arise.

ii. Maximising the funding level on an ongoing basis. In particular, ensure that the scheme reaches a 100% funding level by March 2015.

And secondarily,

iii. Minimising the risk of additional cash contribution requirements from the sponsoring employer in meeting the balance of the costs in underwriting the scheme benefits.

In terms of ***monitoring*** the investment arrangements, the above objectives are translated into the following ***quantitative*** measures, which are used as the main management tool:

- To achieve returns equal to gilts + 0.75% p.a. on the Matching Fund;
- To achieve returns equal to gilts + 3.0% p.a. on the Investment Fund.

For this purpose, "gilts" is used as a proxy benchmark for the liabilities and as defined as follows:

65% FTSE Over 5 Year Index-linked Gilt Index

35% FTSE Over 15 Year Fixed Interest Gilt Index

4. Asset Allocation Strategy

4.1 Liabilities

The Scheme provides a pension that is based on length of service and Final Salary at the time of retirement. The Rules of the Scheme further guarantee that pensions in payment are increased as follows:

Service prior to April 1997	Statutory increases to Guaranteed Minimum Pensions (GMPs). There are no increases to GMPs earned pre April 1988. Pensions in excess of the GMP are increased by the annual average of the increase in the Retail Prices Index over the previous three years or 5% per annum if lower.
Service post April 1997	Pensions are increased by 5% p.a. or the increase in the Retail Price Index, if lower.
Service post April 2005	Pensions are increased by 2.5% p.a. or the increase in the Retail Price Index, if lower.

The liabilities of the Scheme are linked to:

i. Wage and Salary inflation up to retirement for current employees;

ii. Price inflation and fixed rate escalation up to retirement for deferred pensioners;

iii. Price inflation (subject to guaranteed limits) once the pension comes into payment.

The investment of the assets will have regard to the above characteristics of the Scheme.

4.2 Asset Allocation

The Trustee believes that one of its most important investment decisions is the proportion of assets to be invested in each of the major asset classes. Having considered advice from the Advisers, and also having due consideration for the objectives, the liabilities of the Scheme and their attitude to risk, the Trustee has decided upon the following strategic asset allocation:

Asset Class	%	Expected Rate of Return above gilt returns (pa)
Investment Fund	**70%**	**3.0%**
UK equities	15	
Overseas equities		
US	5	
Europe (ex UK)	5	
Asia Pacific (inc Japan)	5	
Global equities	10	
Property	15	
Active Global Bonds	10	
Absolute Return Funds	5	
Matching Fund	**30%**	**0.75%**
Fixed Interest Corporate Bonds	10	
Index-linked gilts	20	

The Trustee, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme. If the actual allocation moves further **than 5 percentage points from** the strategy shown above, then the Trustee will make a decision as to whether to switch funds between classes to move back to the strategic allocation after consideration of advice.

New money will be invested on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

4.3 Rates of Return

Based on the expected real rates of return shown above for each asset class, the Trustee expects to achieve a rate of return for the total Scheme of approximately 2.2% in excess of the return on gilts over the long term.

4.4 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified and liquid. The Trustee monitors the strategy on an ongoing basis and will carry out a complete review from time to time to ensure that they are comfortable with the level of diversification being achieved.

4.5 Suitability

The asset allocation strategy was set following a detailed review in June 2004 of the liabilities and how different investment strategies impacted the finances of the Scheme and the Employer's contribution requirement. In so doing, the Trustee has considered the full range of suitable investment opportunities that could potentially meet the investment objective, paying due regard to the potential risks of investment. The Trustee believes that this ensures the asset allocation strategy is suitable.

5. Investment Managers and Implementation

The Trustee has delegated the day-to-day investment of the Scheme's assets to professional investment managers ("the Managers"). The details of the Managers are shown in Appendix 1.

The Trustee has decided to appoint active managers for Property, Absolute Return Funds, Global Bonds, UK Index Linked Gilts, Sterling Corporate Bonds and for part of the overseas equities because they believe that for these asset classes, active management can add additional value. For the remainder of the equity assets (25-35% of the fund depending on market movements), the Trustee has selected a passive manager since this offers virtually no risk of significantly under-performing the index and offers additional diversification by product and by manager. The Trustee recognises that use of a passive manager in these assets will mean that the Scheme will not significantly out-perform the benchmark in these areas.

The Trustee has selected pooled funds for the investment of the Scheme's assets to achieve good diversification given the size of the assets invested for each mandate. A pooled fund is one where the Trustee, along with the trustees of other schemes, buys units in a larger pool of investments run by the Manager.

5.1 Mandates and Performance Objectives

The Trustee has received advice on the appropriateness of each Manager's targets, benchmarks and risk tolerances from the Advisers and believes them to be suitable for the Scheme. Details are given in Appendix 1.

5.2 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk given the circumstances of the Scheme. The range of and any limitation to the proportion of the Scheme's assets held in any asset class will be agreed between the Managers and the Trustee. This range and set of limitations will be specified in the formal Manager Agreements and may be revised from time to time according to appropriate investment strategy advice provided to the Trustee and having regard to the investment powers of the Trustee as defined in the Trust Deed.

5.3 Suitability

The Trustee has taken advice from the Advisers to ensure that the Managers are suitable for the Scheme, given its objectives.

5.4 Fees

The Trustee has agreed fee scales with its Managers and Advisers and will monitor these to ensure that the fees paid are in line with industry standards.

6. Monitoring

6.1 Investment Managers

The Trustee will monitor the performance of the Managers against the agreed performance objectives. This process would normally consider rolling periods of 3 years commencing March 2005.

The Trustee holds regular meetings with the Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme. In any event the Trustee will formally review the progress and performance of the Managers every year. As part of this review, the Trustee will consider whether or not each Manager:

- Is carrying out his work competently. The Trustee will evaluate the manager based on, amongst other things;
    - The Manager's performance versus their respective benchmarks.
    - The level of risk within the portfolios given the specified risk tolerances.
- Has regard to the need for diversification of investments;
- Has regard to the suitability of each investment and each category of investment; and
- Has been exercising his powers of investment with a view to giving effect to the principles contained in this Statement, so far as is reasonably practical.

6.2 This Statement

The Trustee from time-to-time reviews the appropriateness of this SIP with the help of the Advisers, and amends as appropriate.

6.3 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

6.4 Trustee

The Trustee monitors all the decisions it takes by maintaining a record of all decisions taken in the meeting minutes, together with the rationale in each case.

7. Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme, including:

i. The risk of failing to meet the objectives as set out in section 3 – the Trustee will regularly take advice and monitor the investments to mitigate this risk.

   The Trustee measures the risk by reference to the Liability Benchmark Portfolio ("LBP") as described in Section 3, as a proxy for the liabilities. When setting and reviewing strategy, the Trustee examines how the investment strategy and asset allocation impacts on downside risk – i.e. the risk that the funding level falls over a designated period. This is reviewed by the Trustee on a quarterly basis as part of their monitoring process.

ii. Funding and Asset/liability mismatch risk – addressed through the asset allocation strategy and through regular actuarial and investment reviews.

iii. Underperformance risk – addressed through regular monitoring of the active managers, and by use of more than one active manager to avoid overexposure to one organisation. This is measured by either the 'active risk' of the manager's portfolio, or the absolute risk (for those portfolios that are not run against a benchmark). The Trustee reviews this figure on a quarterly basis.

iv. Country risk – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across several countries. This is measured by ensuring that the Scheme is not overexposed to a particular country, and the asset allocations of the overseas equity Managers are examined on a quarterly basis.

v. Risk of inadequate diversification or inappropriate investment – investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector. The Trustee's agreements with the Managers contain a series of restrictions to measure and limit the risks from each individual investment and prevent unsuitable investment activity.

vi. Default risk – addressed through the restrictions for the Managers, in particular exposure to corporate, high yield or emerging market bonds are managed using diversified portfolios of such bonds.

vii. Organisational risk – addressed through regular monitoring of the Managers and Advisers.

viii. Sponsor risk – the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.

ix. Liquidity risk – investing in assets, which are realisable at sufficient notice to meet the Scheme's cash flow requirements.

The Trustee will keep these risks under regular review.

8. Other Issues

8.1 Corporate Governance

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Manager on their behalf having regard to the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the Trustee would expect the Manager to take account, where appropriate, of social, environmental and ethical factors in the exercise of such rights.

The Trustee has received copies of the Managers' published corporate governance policies, which explain the manager's approach to SRI and voting rights and the Trustee is satisfied with the policies as described. Information on corporate governance actions is reported in the Managers' performance reports, which enables the Trustee to monitor this.

8.2 Social, environmental and ethical issues

The Pensions Act requires Trustees to include a statement on the extent to which (if any) social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments.

The Trustee believes its duty is to act in the best financial interest of the Scheme's beneficiaries. In order to achieve appropriate diversification, the Scheme's assets and contributions are invested collectively with those of other similar pension schemes in relevant pooled funds of the Managers. This pooling of investments prevents the Trustee from setting any specific social, environmental or ethical investment policy. Information on any uses of the policies on these aspects may be reported in the Managers' performance reports, which enable the Trustee to monitor this.

8.3 Additional Voluntary Contributions

Members of the Scheme have the opportunity to pay AVCs, which are invested and used to increase pension benefits at retirement, or in the event of death. The Trustee establishes the arrangements under which members may choose to invest their contributions. The Trustee's objectives are to provide members with the opportunity to maximise, as far as is reasonable and sensible, the value of the member's contributions plus investment returns, within the constraints imposed by the member's choice of investments, and to provide members with a reasonable choice of investment.

The current AVC providers are as follows:

- Prudential Assurance
- The Standard Life Assurance Company

8.4 Realisation of Assets

The majority of the Scheme's assets are held in pooled funds and in asset classes that are sufficiently liquid to be realised easily if the Trustee so requires.

8.5 Manager Agreements

The Trustee and the Managers have agreed, and will maintain, formal Investment Manager Agreements or Contracts setting out the scope of the Manager's activities, their charging basis and other relevant matters. The Managers have been provided with a copy of this SIP and are required to exercise their powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995 and 2004.

8.6 Custody

Since the assets are held in pooled funds as arranged, the Trustee has effectively delegated the custody of the investments of the Scheme to the Managers.

Signed J M Edwards **Date** 16 May 2007

For and on behalf of the Trustee of the Comet Pension Scheme

Appendix A – Investment Managers

The Managers are as follows:

- Western Asset Management
- Legal & General Investment Management
- Morgan Stanley Investment Management
- Tremont
- UBS Global Asset Management

The mandate and objectives of the Managers are as follows (and additional detailed information on the mandates and restrictions is provided in the appendix):

Western Asset Management– Global Bonds mandate

Western's target is to outperform the FTSE UK Gilts 15+ years Index by 2% p.a. gross of fees over rolling three-year periods. This objective will be met with an expected tracking error of 3.5% and using the following broad strategy:

Asset Class	Allocation Target Range (%)
UK Gilts and Global Government Bonds & Currencies	10 – 100
Global Investment Grade Credit	0 – 90
US Mortgage - Backed Securities	0 – 50
US High Yield	0 – 30
Emerging Markets Debt	0 – 30

Legal & General Investment Management – Passive Equities mandate

Legal & General's mandate is to track the composite index outlined below.

Asset Class	%	Benchmark
UK Equities	50.0	FTSE All Share
North American Equities	16.7	FTSE World North America Index
European Equities	16.7	FTSE World Europe (ex UK) Index
Japanese Equities	8.3	FTSE World Japanese Index
Pacific Basin Equities	8.3	FTSE Developed Asia Pacific (ex Japan)

Morgan Stanley Investment Management – Active Equities mandate

The aim of the Morgan Stanley Global Brands Fund is to earn long-term returns while minimising business and valuation risk. The fund is non-benchmark relative, instead targeting a positive return in rolling 12-month periods. However the Manager may also be expected to outperform the MSCI World Index over a full market cycle with less than average absolute volatility.

The allocation between the various geographical regions will vary over time as opportunities arise.

Tremont – Absolute Return Fund mandate

The Tremont Opportunity Fund Limited (class C) and the Market Neutral Fund Limited target an absolute return of between 10-12% over a full market cycle basis with 4-6% annualised standard deviation.

UBS Global Asset Management – Matching Fund mandate

The performance target of the matching fund is to outperform the composite benchmark, detailed below, by +0.75% p.a. (net of fees) over rolling 3-year periods.

Asset Class	%	Benchmark
Index-linked gilts	65	FTSE A Government Index-Linked Securities over 5 years index
Sterling corporate bonds	35	Iboxx over 15 year Corporate Bond Index

UBS Global Asset Management – Property mandate

The UBS Triton Property Fund aims to consistently outperform the HSBC/APUT "Pooled Property Fund Indices" All Balanced Funds Median.

Appendix B – Investment Manager Mandate Details

Western Asset Management - Sterling Core Plus Fund

Investment Objective

To seek returns in excess of the benchmark as determined from time to time, primarily through investment in collective investment undertakings, which invest in global investment grade credit, mortgage backed securities, high yield and emerging markets fixed income and debt, traded in any geographical area or industry sector, and cash, as well as investment directly in those types of assets.

Investment Policy

The Investment Manager (in conformity with the terminology of the Fund Prospectus) will primarily invest in collective investment schemes (including affiliated funds) which invest in the majority in eligible instruments indicated below. Investments in mortgage- backed securities, corporate bonds and fixed interest securities (investment grade, high yield and emerging market debt and fixed interest) will be done primarily through these collective investment undertakings. Exposure to these will likely constitute the majority of the Fund's assets.

The Investment Manager may also invest directly in the following instruments if denominated in an eligible currency (which is the domestic currency of an Eligible Country, which is any country with a domestic sovereign debt rating of C minus or above):

a) Sovereign obligations of Eligible Countries

b) Provincial, state and agency issues of Eligible Countries, whether or not guaranteed or otherwise supported by sovereign or governmental credit

c) Supranational issues of Eligible Countries

d) Issues of corporations and financial institutions

e) Mortgage-backed and asset-backed securities, either government or privately issued, including but not limited to pass-through certificates, Pfandbriefe, collateralised mortgage obligations, and stripped mortgage-backed securities; and including asset-backed commercial paper, whether fully or partly supported

f) Money market instruments, including but not limited to certificates of deposit, commercial paper, time deposits and bankers' acceptances

Investment Techniques

Some or all of these Investment Techniques, and in particular the instruments listed below, may be used for hedging, efficient portfolio management, position management and investment purposes:

a) Futures on interest rates, fixed income securities, indices and currencies.

b) Repurchase agreements, reverse repurchase agreements and buy/sell back agreements on Eligible Investments in Eligible Countries

c) Bond options and other options on Eligible Investments

d) Swaps on interest rates, fixed income securities, indices and currencies which may include total return swaps the total net commitment of which shall at no time exceed 100% of the Net Asset Value of the Fund.

e) Currency forward and futures contracts such that the sum of net long currency exposures shall at no time exceed 130% of the Net Asset Value of the Fund.

The financial instruments listed under d) and e) above must be dealt on an organized market or contracted by private agreement with first class professionals specialized in this type of transactions. Please refer to the Prospectus, Section "Special Considerations and Risk Factors – Derivatives" for a description of the risks arising from these transactions.

Where Investment Techniques are used for hedging, these are used as a substitute for the buying or selling of physical securities to achieve liquidity, lower transaction costs, or when less expensive than physical securities

Investment Techniques are considered to be used for investment purposes when they do not hedge an existing quantifiable exposure or when they are not a substitute for an otherwise preferred physical security position

Investment Restrictions

The Fund shall observe the restrictions except those laid down in Section 1 a), b) and c) in the Prospectus and the following restrictions are complementary to and prevail over (where applicable) those laid down in the Prospectus in Section "Investment Restrictions":

a) All securities directly invested in by the Fund must carry a minimum long-term credit rating of C minus at the time of purchase. Credit ratings used in these guidelines are those given by Moody's, but in each case the equivalent rating from any other internationally recognised rating agency is also acceptable, and where such an agency has not given a rating, the security or issuer will also be acceptable if the Investment Manager determines that it has a credit quality comparable to the Moody's rating cited.

b) There is no exposure limit with respect to sovereign, semi-government, and supra-national issuers. Exposure to any other single issuer shall be limited to 10% of the net asset value of the Fund.

Legal & General Investment Management

Asset Class	Central Benchmark Control %	Control Ranges ±%
UK Equity Index	50.0	2.5
North American Equity	16.7	1.5
European Equity Index	16.7	1.5
Japanese Equity Index	8.3	0.75
Pacific Basin Equity Index	8.3	0.75

Description of Funds used

UK Equity Index Fund - is invested wholly or predominantly in ordinary shares or in debenture or loan stocks carrying options to convert into ordinary shares. Such stocks and shares would be in companies either registered in or operating mainly in the UK. The intention of the Fund is to hold a portfolio of securities designed to match the return of the FTSE All-Share Index within a specified tolerance. Futures may be used for cashflow management.

Japan Equity Index Fund - is invested wholly or predominantly in ordinary shares or in bonds carrying options to convert into ordinary shares. Such bonds and shares would be in companies registered in Japan. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to Japan within a specified tolerance. Futures may be used for cashflow management.

North America Equity Index Fund - is invested wholly or predominantly in ordinary shares or in debenture and loan stocks carrying options to convert into ordinary shares. Such stocks and shares would be in companies registered in the United States of America or Canada. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to the United States of America and Canada within a specified tolerance. Futures may be used for cashflow management.

Europe (ex-UK) Equity Index Fund - is invested wholly or predominantly in ordinary shares or in debenture and loan stocks carrying options to convert into ordinary shares. Such stocks and shares would be in companies registered in the continental European (excluding the UK) countries. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to continental Europe excluding the UK within a specified tolerance. Futures may be used for cashflow management.

Asia Pacific (ex-Japan) Developed Equity Index Fund - is invested wholly or predominantly in ordinary shares or in bonds carrying options to convert into ordinary shares. Such bonds and shares would be in companies registered in the Asia Pacific (excluding Japan) countries. The intention of the Fund is to hold a portfolio of securities designed to match the return of the FTSE Asia Pacific (ex Japan) Developed Equity Index within a specified tolerance. Futures may be used for cashflow management.

Morgan Stanley Investment Management

Morgan Stanley is contracted to invest only in the Global Brands Fund of Morgan Stanley Funds (UK) Limited.

The Objective of this Fund is to provide long-term capital appreciation through investment primarily in equity securities issued worldwide.

Tremont

Investment Objectives

The Manager will manage the Portfolio in accordance with the investment objectives which are to seek to:

- achieve long term capital appreciation and
- consistently generate positive returns irrespective of stock market volatility or direction, while focusing on preservation of capital.

The Manager will attempt to accomplish this investment objective by investing solely in the Tremont Opportunity Fund Limited and/or any other pooled investment fund managed by the Manager and approved by the Trustee in writing. The remainder of the restrictions set forth here apply to investments through the Tremont Market Neutral Fund Limited or Opportunity Fund.

Market neutral investing encompasses a wide variety of investment styles including but not limited to; statistical arbitrage; index arbitrage; convertible arbitrage; fixed income arbitrage; basis and spread trading; multiple strategy; long/short equity strategies and merger arbitrage. These sophisticated investment strategies often require the use of derivative trading vehicles such as stock options, index options, future contracts (subject to all applicable regulatory requirements) and options on futures. Should the Manager invest with funds that invest in futures, all appropriate individuals will register with the appropriate individuals prior to investing in the funds.

The Investment Strategy

The Manager has overall responsibility for allocating the assets and implementing the investment strategy discussed herein and has the authority to select the funds in which it invests, subject to the restrictions set forth in this section. These funds may be listed or unlisted. While the Manager shall seek to allocate its investments to managers of funds that use market neutral strategies, nonetheless, the Manager may select managers that do not employ market neutral strategies but whose performance is closely correlated to such strategies.

Most traditional investment strategies have a directional bias with respect to particular securities and/or particular markets. For example, some "long only" strategies benefit from a rise in the price of a particular security or market and some "bearish" strategies benefit from a decline in price of a particular security or market. A market neutral strategy, on the other hand, is non-directional and, consequently, the overall market movements and the market performance of particular securities (or groups of securities) are relatively unimportant to investment decision-making and performance. Also known as a "relative value" strategy, a market neutral strategy is designed to benefit not from absolute increases or decreases in the price of a particular security or market, but from expected changes in the relative value of two or more securities or other interests whose performance has been historically correlated.

Multi-Manager Investment Approach

The use of a multi-manager or "fund of funds" format, whereby investments are made through a variety of funds, the managers for which utilize different and, if possible, non-correlated investment strategies and trading techniques, is intended to afford the Manager the ability to do the following:

- Provide the Customer with a diversified investment portfolio and enable them to obtain above-average returns over an extended period of time;
- Invest with managers of funds that have different investment styles and philosophies;
- Lower risk by investing in funds, the performance of which have low volatility and low correlations to each other; and
- Invest with managers of funds that have a consistent past performance record.

The overall success of the Manager shall depend on:

- His ability to select appropriate funds and to allocate to these appropriately
- Each fund to perform successfully.

To the extent to which the assets of the Portfolio may be invested with a particular fund, such assets are subject to applicable legal and regulatory constraints. For example, the U.S. Investment Company Act of 1940 (the "Company Act"), as amended (and the regulations thereunder), imposes limits on the ability of the Manager to invest in "investment companies" (as defined in the Company Act).

The level of risk associated with the Manager's investments varies depending on the particular investment strategy utilized by the managers of the funds. The Manager and its affiliates cannot assure the Portfolio's success or profitability. The success of the Manager will depend upon a variety of factors, many of which are beyond its control.

Selection of Funds

The Manager shall select funds that satisfy one or more criteria including, but not limited to: the investment management experience of the manager; the historical performance pattern of the manager demonstrating consistent returns irrespective of the market's volatility; the degree to which a specific fund complements and balances the Portfolio with respect to the strategies employed by other funds; the quality and stability of the fund's organization; and the ability of the Manager to make withdrawals from or liquidate its investment in a fund. Certain of the criteria may be emphasized above others in the selection of a particular fund.

Most managers of funds charge management fees as well as performance fees. Such fees are borne by the Manager.

Except as described below, managers of funds chosen by the Manager are granted full discretion over all matters relating to the manner, method and timing of investment and trading transactions with respect to the allocated to such fund. The Manager itself, however, is subject to the investment objectives, policies and restrictions as set forth herein.

Investment Restrictions

The Manager will comply with the following investment restrictions:

- No more than twenty percent (20%) of the Portfolio may be loaned to, or invested in the securities of, any one issuer or may be exposed to the creditworthiness or solvency of any one counterparty;
- The Manager may not take or seek to take legal or management control of the issuer of any of its underlying investments;
- The Manager will adhere to the general principle of risk spreading in respect of its investments in derivatives and money market instruments;
- No more than twenty percent (20%) in the aggregate, of the value of the Portfolio may be invested in other funds the principal objectives of which include investing in other funds.
- Up to forty percent (40%) in the aggregate, of the value of the Portfolio may be invested in any other fund, provided that other fund operates on the principle of risk spreading.

The Manager monitors the underlying investments of the other funds to ensure that in aggregate, the restrictions above are not breached. In the event that the restrictions are breached the Manager must take immediate corrective action.

The restrictions outlined above shall not apply to securities which are issued or guaranteed by a government, governmental agency or instrumentality of a member state of the Organization for Economic Co-operation and Development ("OECD") or by any supranational authority of which a member state of the European Union or OECD is a member.

These investment limits apply to any investment at the time that investment is made.

There can be no assurance that the investment objectives of the Manager will be achieved. In addition to the foregoing, the Manager has also established investment guidelines some of which are as follows:

I

Investment Guidelines

The Manager will comply with the following investment guidelines:

- No more than fifteen percent (15%) of the net asset value of the Portfolio shall be invested in any collection of funds that are managed by a single fund manager;
- No more than seventy five percent (75%) of the Portfolio shall be invested in any collection of funds which could be classified in the merger arbitrage/event driven, convertible arbitrage and distressed securities categories;
- No investment shall be made in any fund that principally invests in securities issued pursuant to Regulation D or Regulation S under the U.S. Securities Act of 1933, as amended;
- No more than thirty percent (30%) of the net asset value of the Portfolio shall be invested in any funds that, at the time of investment, would withhold monies due upon redemption beyond any of such fund's financial year end accounting period; and
- No more than thirty percent (30%) of the net asset value of the Fund shall be invested in any fund that, at the time of investment, offers liquidity on less than a quarterly basis.

Lastly, the Manager may also elect to impose additional investment restrictions at any time relating to such matters as the allocation of investments among underlying funds, the allocation to investment strategies, liquidity and leverage.

UBS Global Asset Management - Bonds

The main sources of added value for the bond mandate will include some or all of the following:

- Market allocation on a hedged basis
- Duration positioning
- Yield curve positioning
- Sector rotation (1) – moving between the sectors that comprise the benchmark
- Sector rotation (2) – moving, tactically, into non-benchmark assets/markets (including non-benchmark corporate bonds)
- Sector positioning within credit markets – holding positions within credit ratings categories (relative to the benchmark weight) AAA, AA, A and BBB.
- Stock selection – intentionally overweighting stocks (relative to the index weighting) within government and credit markets

There are no overall restrictions on the portfolio and the Manager may invest in fixed income asset classes other than those in the benchmark. The Manager will be subject to restrictions of each underlying pooled fund that is used.

UBS Global Asset Management - Property

Investment Objective

To invest in a diversified portfolio of properties that aims to deliver consistent outperformance of the HSBC/APUT "Pooled Property Fund Indices" All Balanced Funds Median.

Investment Regulations

- Gearing restricted to 50% of equity (current maximum 25% by agreement with National Australia Bank);
- Maximum 10% of capital assets in cash;
- Unlet buildings restricted to 20% of the Fund;
- 10% of the Fund may be invested in Europe;
- Residential investment permitted;

Appendix C – Fee Detail

Investment Managers

The current fees paid to the Managers are as follows:

Manager	Fees per annum
Western Asset Management	0.30%
Legal & General	0.1042%
Morgan Stanley Investment Management	0.75% per annum
Tremont	0.75% per annum
UBS Global Asset Management	Matching Fund First £20 million 0.25% Over £20 million 0.20% Minimum fee £50k Property 0.75% per annum

Advisers

The Advisers are paid on a fixed fee basis, which has been agreed to cover the vast majority of ongoing investment consulting tasks. The Advisers are paid on a time charge basis for one-off projects, unless the Trustee and the Advisers agree alternative arrangements in advance.

Trustee

The Trustee Directors are not remunerated for their Trustee services.