Version 2.6 August 2010

Ground Rules for the FTSE APCIMS Private Investor Indices

Working for the Investment Community

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SECTION 1

1.0 INTRODUCTION

1.1 This paper describes the rules used to calculate the FTSE APCIMS Private Investor Indices.

1.2 These Indices are produced by FTSE, in conjunction with the Association of Private Client Investment Managers (APCIMS).

SECTION 2

2.0 OBJECTIVE

2.1 The primary purpose of the FTSE APCIMS Private Investors Indices is to provide private investors and trustees with a measure of performance against which to compare their investment portfolios, based upon the assumption they are domestic UK investors with sterling denominated accounts.

SECTION 3

3.0 Index Structure

3.1 There are three indices, representing Growth, Balanced and Income portfolios. Their official names are:

3.1.1 FTSE APCIMS Stock Market Income Index
The Income Portfolio Index is designed to reflect the portfolio of a client requiring an income flow from his investment.

3.1.2 FTSE APCIMS Stock Market Growth Index
The Growth Portfolio Index is designed to reflect the portfolio of a client requiring capital growth from his investment.

3.1.3 FTSE APCIMS Stock Market Balanced Index
The Balanced Portfolio Index is designed to reflect the portfolio of a client requiring a balanced approach between income and capital growth in his portfolio.

3.2 For Total Return Index calculations please refer to Appendix 3.

3.3 Each Portfolio Index consists of a combination of a set percentage of the performance of various indices, to represent the performance of certain elements used to construct investment portfolios, in accordance with the table below.

ASSET TYPE IN PORTFOLIO	REPRESENTATIVE INDEX
UK Equities	FTSE All-Share Index
World Equities	FTSE World ex UK Index, calculated in sterling
Bonds	FTSE Gilts All-Stocks Index
Cash	7-day LIBOR* - 1%
Hedge Funds	FTSE APCIMS Hedge (Investment Trust) Index
Commercial Property	FTSE All UK Property Index (NAV)

* London Interbank Offered Rate

3.4 The current weightings used in each Portfolio Index can be found in Appendix 1. Historic weightings can be found in Appendix 2.

3.5 The FTSE APCIMS Hedge (Investment Trust) Index is designed to reflect the portfolio of a client requiring exposure to multi-manager hedge funds. All index constituents are closed-ended UK quoted investment companies and they are classified under FTSE's Industry Classification Benchmark (ICB) in the Subsector Equity Investment Instruments (ICB code: 8985). For more information on ICB, please visit www.ftse.com.

SECTION 3

3.6 Each day's index value is calculated using the closing value for each of the five component indices. For the FTSE All UK Property Index (NAV), which is calculated three days in arrears as standard, the most recent closing daily indicative index values are used.

3.7 The asset allocations will be re-balanced at the end of each month to maintain the chosen weightings for the asset classes within each FTSE APCIMS Private Investor Index.

SECTION 4

4.0 Index Management & Calculation

4.1 The management and calculation of the Portfolio Indices is undertaken by FTSE, assisted by the FTSE/APCIMS Advisory Committee.

4.2 The role of the Advisory Committee is to determine which underlying indices should be used in the calculation of the Portfolio Indices, and the weighting of each underlying index in the Growth, Income and Balanced Indices.

4.3 The Advisory Committee meets quarterly in early March, June, September and December. Its membership is selected jointly by FTSE and APCIMS and aims to represent stockbrokers and investment managers servicing investment portfolios for private investors and trustees. The Committee Chairman is nominated by APCIMS.

SECTION 5

5.0 Review of Weightings

5.1 The component indices of each Portfolio Index and the weights each represents within each Portfolio Index are reviewed quarterly by the Advisory Committee.

5.2 The decisions of the Committee are published as soon as possible after the Committee meeting is concluded, and are available from FTSE and APCIMS. Decisions are implemented at the committee and FTSE's discretion with a minimum of a month's notice.

SECTION 6

6.0 Calculation Algorithm

6.1 The Portfolio Indices are calculated using the following formula:

$$((\sum_{1}^{c} C_c \bullet W_c) + 1) \bullet P_c$$

Where:

C_c = Percentage rise (fall) in component index since the last rebalancing date

W_c = Percentage weight of component index in Portfolio index

P_c = Value of Portfolio index on the last rebalancing date

6.2 The Portfolio Indices will be displayed to two decimal places.

Appendix 1 - Current Asset Allocations

Effective April 1st 2010:

INDEX	**INCOME FUND %**	**GROWTH FUND %**	**BALANCED FUND %**
UK Equities	42.5	47.5	42.5
International Equities	12.5	32.5	25
Bonds	35	7.5	20
Cash	5	2.5	5
Commercial Property	2.5	2.5	2.5
Hedge Funds	2.5	7.5	5
Total	100	100	100

Appendix 2 - Historic Asset Allocations

Launch (24th February 1997) - May 31st 1997

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	45	60	55
International Equities	5	30	20
Bonds and Cash*	50	10	25
TOTAL	100	100	100

1st June 1997 - June 30th 1998.

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	50	60	55
International Equities	5	30	20
Bonds and Cash*	45	10	25
TOTAL	100	100	100

* Please note: Prior to July 1998, the "bonds and cash" element of the indices was calculated using the current bond methodology (see Rule 3.3, above).

July 1st 1998 - March 31st 1999:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	50	60	55
International Equities	5	30	20
Bonds	40	5	20
Cash	5	5	5
TOTAL	100	100	100

April 1st 1999 – March 31st 2005:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	50	60	55
International Equities	5	25	20
Bonds	40	10	20
Cash	5	5	5
TOTAL	100	100	100

Appendix 2 - Historic Asset Allocations

April 1st 2005 – June 17th 2007:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	47.5	60	55
International Equities	7.5	25	20
Bonds	40	10	20
Cash	5	5	5
TOTAL	100	100	100

June 18th 2007 – September 21st 2008:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	45	50	45
International Equities	10	30	22.5
Bonds	35	5	17.5
Cash	5	5	5
Commercial Property	5	5	5
Hedge Funds	0	5	5
TOTAL	100	100	100

September 22nd 2008 – January 18th 2009:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	45	47.5	42.5
International Equities	10	30	22.5
Bonds	35	5	17.5
Cash	5	5	5
Commercial Property	5	5	5
Hedge Funds	0	7.5	7.5
Total	100	100	100

January 19th 2009 – 31st March 2010:

INDEX	INCOME FUND %	GROWTH FUND %	BALANCED FUND %
UK Equities	45	47.5	42.5
International Equities	10	30	22.5
Bonds	37.5	7.5	20
Cash	5	5	5
Commercial Property	2.5	2.5	2.5
Hedge Funds	0	7.5	7.5
Total	100	100	100

Appendix 3 - Calculation of Total Return Indices

Total return index (TRI) values of the FTSE/APCIMS Private Investor Indices are calculated as follows:

- **UK Equities –** as represented by the FTSE All-Share Index:

- TRI indices use the FTSE All-Share Total Return, as published daily.

- **World Equities –** as represented by the FTSE World Ex UK Index:

- TRI indices use the FTSE World ex UK Total Return Index, as published daily.

The return index calculations add the income a stock's dividend provides to the performance of the index. The calculation can be expressed as:

$$RI_i = RI_{i-1} \bullet X_i / (X_{i-1} - (AD_i / (M_i / X_i)))$$

where

i	=	Time period
RI_i	=	Return Index at time *i.*
Xi	=	Capital Index at time *i.*
X_{i-1}	=	Capital Index at time *i-1.*
AD_i	=	Market Value of Dividends effective at time *i.*
M_i	=	Market capitalisation of constituents at time *i.*

Note the formula $(AD_i / (M_i / X_i))$ calculates the XD adjustment for an index.

- **Bonds –** as represented by the FTSE Gilts All-Stocks Index:

- TRI indices use the FTSE Gilts All-Stocks Index.

The Total Return Index for day t, $R_{s,t}$, is calculated from the Price index and XD adjustment by:

$$R_t = R_{t-1} \times \frac{I_t}{I_{t-1} - XD_t}$$

where

I_t	=	price index for day t
XD_t	=	XD adjustment factor for day t.

As the XD adjustment factor for a total return index is zero whenever there are no dividend payments on the day. Hence the percentage movement in the total return index is identical to that of the gross price index whenever there is no dividend payment.

Appendix 3 - Calculation of Total Return Indices

- **Cash –** as represented by the London Interbank Offered Rate (LIBOR) minus 1%.

- TRI indices use LIBOR – 1%

- **Hedge Funds** – as represented by the FTSE APCIMS Hedge (Investment Trust) Index.

- TRI indices use the FTSE APCIMS Hedge (Investment Trust) Total Return.

- **UK Commercial Property** – as represented by the FTSE All UK Property Index (NAV)

- TRI indices use the FTSE All UK Property Index (NAV) Total Return.

Appendix 4 - Exchange Rates

For the FTSE APCIMS Private Investor Indices, the exchange rates used are detailed in the following table:

FTSE Indices	Exchange Rates
FTSE APCIMS Stock Market Income Index	Spot Rates at the Index closing time (4:30 pm)
FTSE APCIMS Stock Market Growth Index	Spot Rates at the Index closing time (4:30 pm)
FTSE APCIMS Stock Market Balanced Index	Spot Rates at the Index closing time (4:30 pm)
FTSE All-Share Index	Spot Rates at the Index closing time (4:30 pm)
FTSE World ex UK Index	WM/Reuters Closing Spot Rates™ compiled by The WM Company (4:00pm)
FTSE Gilts All-Stocks Index	Spot Rates at the Index closing time (4:30 pm)
FTSE APCIMS Hedge (Investment Trust) Index	Spot Rates at the Index closing time (4:30 pm)
FTSE All UK Property Index (NAV)	WM/Reuters Closing Spot Rates™ compiled by The WM Company (4:00pm)

Appendix 5 - Further Information

Further information on the FTSE APCIMS Private Investor Indices is available from FTSE and APCIMS, who will also welcome comments on these Ground Rules and on the Indices.

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The FTSE APCIMS Private Investor Indices are compiled by FTSE International Limited in association with APCIMS, the Association of Private Client Investment Managers.