



Press Release

BT PENSION SCHEME MARKS A DECADE OF OUTPERFORMANCE

The BT Pension Scheme (BTPS), the UK's largest company pension scheme, today announces that its investment returns for 2006, of 12.7%, outperformed its benchmark return of 11.3% and the average investment return for the 50 largest UK pension funds, of 10.7% as calculated by WM.

Over the last ten years, BTPS has had an average return on investments of 9.3% per annum, beating both the benchmark of 8.9% per annum and the average investment return of the 50 largest UK pension firms, which was 8.4% per annum.

The investment returns generated from the scheme for 2006 have resulted in over £600m of additional value compared with the average returns for the top 50 pension schemes and over £1.2bn, relative to the same benchmark, over the last three years.

Hermes acts as investment adviser to the £38.4 billion scheme as well as managing the majority of the assets. Hermes prime focus is the delivery of excellent investment performance, balanced by the need to diversify risk taking account of the long term liabilities of the scheme. As such it has been at the forefront of modern portfolio construction over two decades and continually evolves the techniques and asset allocation used to meet its objectives. In recent years, the fund has increased its allocation to alternative asset classes, such as hedge funds, commodities, private equity and infrastructure.

Whilst the last year saw particularly strong performances from the more traditional categories of equities and property, the scheme's allocation to alternative assets will continue to increase during the course of this year as the fund both diversifies its risk and seeks to maintain the long term return potential relative to its liabilities.

Ends

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- All figures sourced internally. 50 largest UK pension firms' figures are sourced from WM50.
- Hermes Pensions Management Ltd acts as principal investment manager to, and is wholly owned by BTPS.