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Date 27 March 2009
Your Ref
Our Ref ER/gw
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Board Meeting
07 04 09
Open Session
Item 8.6

Dear Lesley

Endowment Committee Highlight Report to Board

I write to give the Board an update on three key issues that were discussed at the Endowment Committee meeting on 23 March 2009 and would be grateful if you could put this letter on the next Board meeting agenda in April 2009.

The key issues are as follows:

1. Endowment Investment Portfolio

The Committee was advised that the cash value of our funds had fallen by 20% in recent months due to the ongoing decline in the stock market. For the first time the market value of our investments was less than the book value of our funds and as a consequence the Committee decided to review its Investment Strategy with our investment managers to assess whether this required to be changed. The discussion concluded that the existing objective "To achieve a balance between capital growth and the generation of income" was still appropriate for the foreseeable future and that by making sound risk based stock selections, future downside risks would be minimised. The Committee was advised that the Investment Strategy was at a medium risk level and would give an opportunity for capital growth when the stock market recovered in due course whilst recognising that there may still be further volatility in the short term. Our advisers confirmed that this approach was in line with the 'good prudence' which would be expected of us as Trustees by the Charities Regulator, OSCR.

2. Investment Devaluation

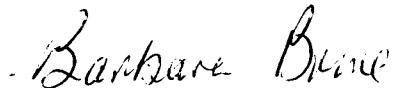
In view of the current gap between the book value of our funds and market value of our investments, the Committee decided to look at the implications for Endowment funds and at the possibility of a "devaluation" of individual funds to avoid committing expenditure without having matching realistic investments. It was agreed that further work would be done to assess the implications of this approach and once firmed up by the Committee a letter would be issued to all fund holders with the revised policy made clear.

3. General Endowment Fund Budget 2009/10

The Committee considered and approved a proposed general endowment fund budget for 2009/10 but recognised that due to the reduction in the value of investments (leading to a reduced level of interest) those future budgets would diminish. It was noted, with concern, that this could impact on the availability of budgets to fund valuable provisions such as the staff physiotherapy service and the Grampian Hospitals Art Trust and that Exchequer funding may have to be sought to meet the shortfall.

All Board Members are, of course, Trustees of the Endowment Funds and are always welcome to attend meetings of the Committee.

Yours sincerely,

A handwritten signature in cursive script that reads "Barbara Bruce".

Barbara Bruce
Chair Endowment Committee