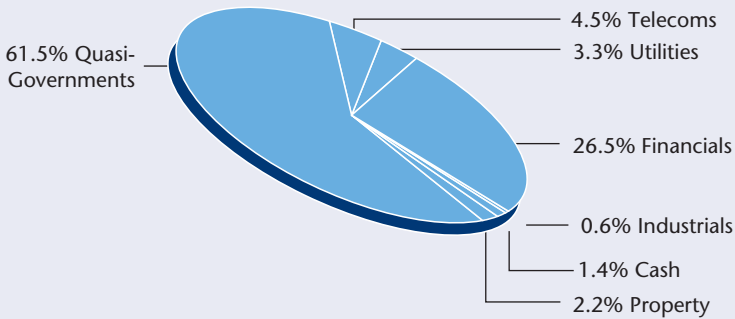


Standard Life AAA Income - March 2008

Fund Description

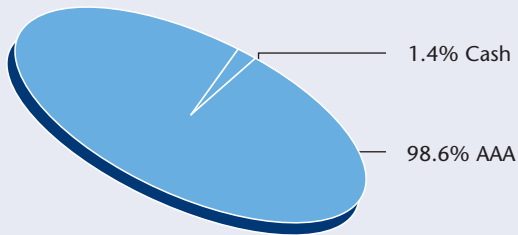
We will seek to ensure that the income distribution policy of the Fund is a stable one, avoiding major fluctuations on a year-on-year comparison. The aim is for the investment performance to be consistently above average within the IMA UK Corporate Bond Sector for periods up to one year, and top quartile over longer periods subject to the restrictive investment policy of the Fund.

Asset Allocation as at 31 March 2008



Fund Manager Andrew Sutherland
Launch Date March 2006
Current Fund Size £202m

Credit Ratings



Top Ten Holdings	(%)
5.5% 2009	8.6
EIB 5.5% 2025	6.4
UK (Govt of) 4.25% 2055	5.2
UK (Govt of) 1.25% Index-Linked 2017	5.2
UK (Govt of) 4.125% Index-Linked 2030	5.0
EIB 4.75% 2018	4.9
EIB 4.3750% 2015	4.5
EIB 4.8750% 2016	4.3
GE Capital 4.875% 2037	3.1
SNCF 5.375% 2027	3.1

All data on this page relates to underlying OEIC fund.

Investment Review & Outlook

Environment

Sterling investment grade corporate bonds produced one of the worst quarters on record in performance terms, driven by a combination of factors. Key among these was the attractive pricing of a number of new issues, increasing evidence that the US economy was entering a recession and continued concerns over the global banking system due to poor liquidity and uncertainty over asset valuations. The credit ratings of monoline bond insurers were firmly in the spotlight due to capitalisation issues, which led to expectations of further asset losses and lower profits being priced into banking stocks.

Activity

Over the quarter, we used cash inflows into the Fund to increase the duration positioning. This entailed switching medium-dated bonds from KfW into long-dated bonds from the European Investment Bank. We also added to exposure in long-dated bonds from KfW. In addition, we switched out of the 2020 gilt into the 2055 gilt, and added to holdings of inflation-linked bonds.

Outlook

The economic backdrop has continued to weaken, particularly in the US, with soft housing data feeding through into other consumer related sectors. The emergence of possible downgrades to bond insurance companies has raised the spectre of forced selling within bond markets. As long as the banks continue to announce asset write-downs, the credit market will remain tight. In this environment, investment grade credit is now pricing historically high levels of defaults, and although we expect continued volatility, investment grade credit now offers considerable value.

Fund Commentary

During the first quarter of 2008, the AAA Income Fund returned 0.1%, against the Merrill Lynch Sterling Non Gilt AAA Index return of 0.5%. Over the year to 31 March 2008, the Fund returned 3.2%, against the Index return of 5.0%.

Ongoing economic uncertainty prompted investors to seek the perceived safe haven of higher rated bonds over the quarter, helping returns. A structurally overweight position in gilts and investment grade supranational bonds such as the European Investment Bank

shielded the Fund from volatile market conditions. However, our slightly long duration position held back performance over the quarter.

Fund Performance

Q1	1 Year	Since Inception
(%)	(%)	(% p.a.)
0.1	3.2	0.8

	Year to 31/03/2008	Year to 31/03/2007
	(%)	(%)
Standard Life		
AAA Income	3.2	-0.1
Merrill Lynch		
£ Non Gilt AAA	5.0	0.6

Investment Market Line

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

0845 60 60 062

Performance figures are calculated on a gross basis over the periods to 31/03/08. They do not allow for any charges which may be deducted.

Source: Standard Life Investments

Note: Past performance is not necessarily a guide to future performance and the value of units can go down as well as up.

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