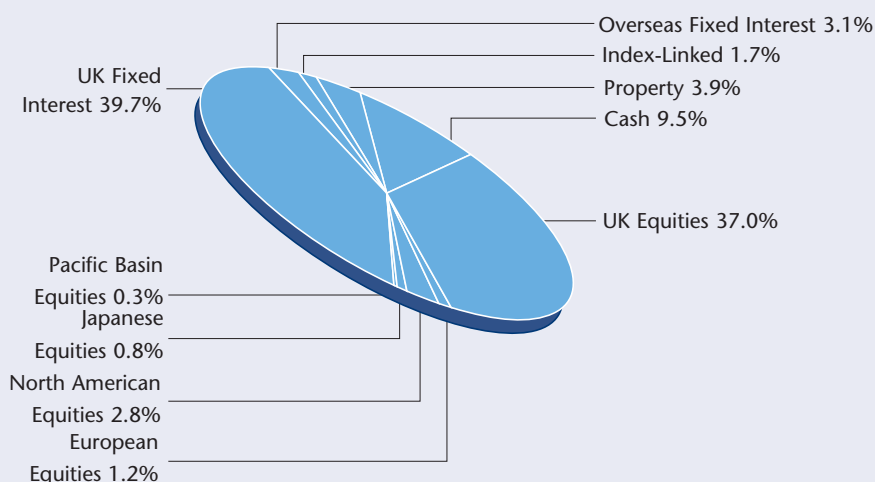


Cautious Managed Fund – June 2008

Fund Description

The Cautious Managed Fund has a broad spread of assets, predominantly invested in equities and fixed interest securities. It is intended to be less volatile than the Managed Fund, with a higher percentage of the Fund in lower volatility assets. The Fund will use property and bonds to protect investors from the impact of significant falls in equity markets. Our investment team will continuously assess the prospects for specific markets and will vary the proportions held according to the opportunities identified. We may, in certain circumstances, use derivatives for asset allocation purposes.

Composition of Portfolio as at 30 June 2008

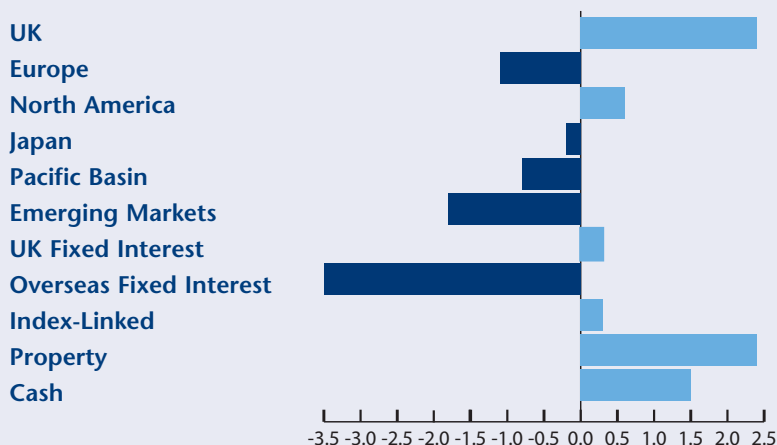


| | |
|--------------------------|---------------|
| Fund Manager | Matt Savage |
| Launch Date | November 1995 |
| Current Fund Size | £1,203m |
| Volatility | 5.5 |

Volatility is the annualised standard deviation of monthly total returns over the last 36 months.

Source: Standard Life Investments

Sector Portions Relative to the Lipper Index (%)



| Top Ten Holdings | (%) |
|-----------------------------------|--------------|
| BP | 3.1 |
| UK (Govt of) 4.25% 2011 | 2.2 |
| Vodafone | 2.0 |
| UK (Govt of) 8% 2021 | 1.7 |
| HSBC Holdings | 1.6 |
| UK (Govt of) 4.25% 2032 | 1.3 |
| UK (Govt of) 4.75% 2038 | 1.3 |
| Xstrata | 1.3 |
| GlaxoSmithKline | 1.3 |
| UK (Govt of) 4% 2009 | 1.3 |
| Assets in top ten holdings | 16.9% |

Investment Review & Outlook

Environment

Global equity markets ended the second quarter near their March lows, as early optimism gave way to renewed credit fears and economic concerns. Global government bond markets endured a difficult quarter as the potential inflationary implications of sharply rising food and energy prices weighed on valuations. Meanwhile, corporate bonds recorded modest gains at the start of the period before faltering as soft economic data undermined investor confidence. Despite showing signs of stabilisation early in the second quarter, UK commercial property values once again came under pressure.

Activity

During the quarter, we added to our position in UK asset manager Man Group, which enjoys continued earnings upgrades as a result of better-than-expected funds under management and an increased dividend. In Europe, we bought Spanish bank BBVA, which appears well positioned to take advantage of its strong position in Mexico, and took profits in Belgian financial services group Dexia. In UK bonds, we increased our exposure to short-dated UK gilts following market weakness as expectations grew for tighter monetary policy. During another challenging quarter for property, we sold several buildings and made good progress on our development portfolio.

Outlook

During periods of interest rate uncertainty and an unclear economic outlook, global equity markets are subject to bouts of volatility and risk aversion. Volatility has provided some valuation opportunities but markets need a resolution to credit concerns and certainty over the path of the global economy in order for a sustained rally. We remain positive on the outlook for global bonds as we expect slowing growth will eventually filter through to a moderating pace of headline inflation. However, at present the deteriorating liquidity environment is the most dominant factor driving valuations. Meanwhile, given further downgrade in capital values, we now expect low, single-digit annual average returns for UK commercial property for the next three years.

Performance Commentary

During the second quarter of 2008, the Cautious Managed Fund returned -1.0% against the Micropal Cautious Managed Sector average return of -1.5%. Over the year to 30 June 2008, the Fund returned -3.6%, against the index return of -7.3%.

In the UK portfolio, oil stocks Tullow Oil, Dana Petroleum and Expro International

boosted performance. This offset a negative contribution from Royal Bank of Scotland, which fell back on capital strength concerns. Within the overseas portfolio, Norwegian firm StatoilHydro benefited from surging oil prices, as did our investment in US oil services company Weatherford International. Regarding UK bonds, an overweight position

at the front end of the UK yield curve had a negative impact on returns, although this was partially offset by our overseas relative spread trades, index-linked and short duration trading positions.

Fund Performance

| | Q2 (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) | 10 Years (%) |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | -1.0 | -3.6 | 6.5 | 8.7 | 4.0 |
| | Year to 30/06/2008 (%) | Year to 30/06/2007 (%) | Year to 30/06/2006 (%) | Year to 30/06/2005 (%) | Year to 30/06/2004 (%) |
| Cautious Managed Fund | -3.6 | 10.3 | 13.5 | 15.2 | 9.2 |
| Micropal Cautious Managed Sector | -7.3 | 8.5 | 9.0 | 12.6 | 7.2 |

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 30/06/08. 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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