

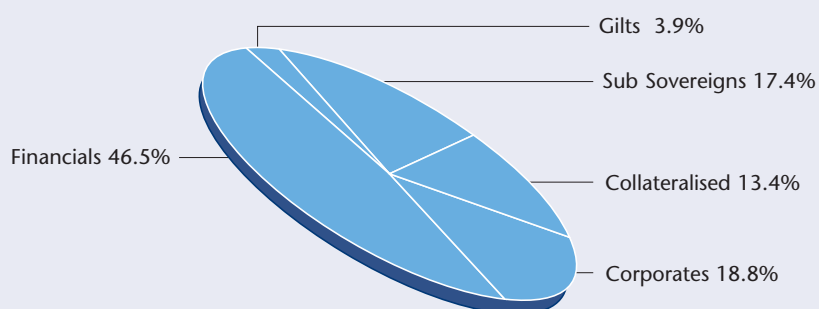
Corporate Bond Fund – June 2008

Fund Description

The Corporate Bond fund invests principally in the UK non Gilt fixed interest market. The fund will provide appreciation in unit value by from capital growth and income by investing in a portfolio of mainly UK corporate bonds. When appropriate the fund may invest in other UK fixed interest securities for example Gilts and debentures

Note: Corporate Bonds are issued by companies as a way of of raising money. They offer the relative security of a fixed rate of interest over a pre-set term until the capital is paid.

Fund Distribution by Sector as at 30 June 2008

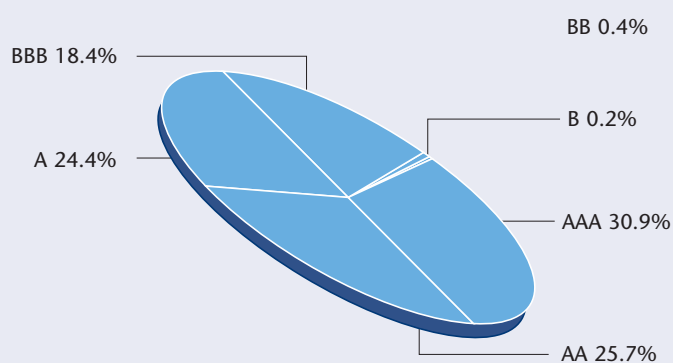


Fund Manager	Craig MacDonald
Launch Date	February 2002
Current Fund Size	£2,067m
Volatility	3.4
Yield	6.7%
Duration	7 years

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

Source: Standard Life Investments

Fund Distribution by Credit Rating as at 30 June 2008



Top Ten Holdings	(%)
EIB 6% 2028	2.6
EIB 4.875% 2016	2.4
EIB 5.375% 2021	1.3
Svenska Handelsbanken 5% Perp	1.3
KFW 4.75% 2010	1.2
KFW 6% 2028	1.2
UK (Govt of) 6% 2028	1.2
BNP 6.125% 2011	1.1
Bank of Scotland 4.875% 2024	1.1
Enterprise Inns 6.5% 2018	1.1
Assets in top ten holdings	14.3%

Investment Review & Outlook

Environment

Corporate bonds recorded strong gains at the start of the quarter, as investors were enticed back into the market by the attractive yields available. Returns were mixed over the quarter, with high-yield bonds outperforming their investment grade counterparts. The bailout of investment bank Bear Stearns in mid-March was viewed as a turning point, sparking a rally in credit markets that continued through April and May. High-yield bonds registered their best monthly returns for five years in April, reversing the flight to quality witnessed at the start of the year. Credit markets faltered towards the end of the quarter, as a raft of soft economic data undermined investor confidence, erasing gains made in April and May. In particular, the return of risk aversion in the latter part of June weighed heavily on credit markets, impacting especially on high yield debt.

Activity

We continued to use new cashflows to increase the average credit quality of the Fund and also to take advantage of the generous new issue premium paid by companies issuing new debt. We participated in new debt issues from highly rated banks, such as HSBC, as well as debt from US entities which had recently began recapitalising, such as AIG and Citibank. Additionally, we participated in an issue from CRH in the industrial sector. Market illiquidity resulted in significantly increased trading costs, prompting us to keep trading activity to a minimum, although we used the rally in the high yield sector in April to sell GMAC.

Outlook

Weakness in the financial sector has weighed heavily on corporate bond markets. However, although there is the requirement for re-capitalisation within the banking sector, companies are still reporting profit figures in line with, or better than, expectations. In addition, default rates are still well below the long-term average of around 4.5-5%. In the long term, credit spreads still look attractive, but we expect volatility to continue in coming months. Prolonged inflation of commodity prices could start to affect low-rated debt.

Performance Commentary

During the second quarter of 2008, the Corporate Bond Fund returned -2.0% against the Merrill Lynch UK Non-Gilt All Stocks Index return of -1.2%. Over the year to 30 June 2008, the Fund returned 0.5% against the index return of 0.2%.

Our underweight positions in highly rated financials such as HBOS and Barclays

detracted from performance at the start of the quarter. Performance was also held back by our exposure to fixed and floating rate bonds, as ongoing negative sentiment continued to plague the asset-backed securities market. However, this was offset by our overweight positions in utilities, which delivered solid returns over the course of the

quarter. In addition, the Fund's exposure to BAA bonds further boosted returns, as the market's fears over re-financing were allayed.

Fund Performance

	Q2 (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	
	-2.0	0.5	1.2	3.6	
	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 (%)
Corporate Bond Fund	0.5	0.4	2.7	14.0	0.8
Merrill Lynch Sterling Non-Gilts All Stocks	0.2	0.2	1.9	12.7	0.8

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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