

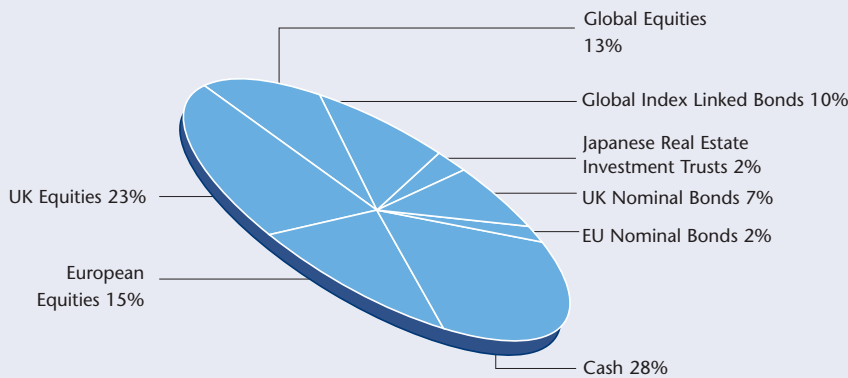
# Global Absolute Return Strategies Fund - June 2008

## Fund Description

The Fund's objective is to out-perform UK Libor by 5% annually, gross of fees, by exploiting market inefficiencies through active asset allocation over a 3 to 5 year horizon. In order to maximise risk-adjustment investment returns for investors it adopts highly diversified market positions frequently using derivative overlays and separately exploits a diverse range of our stock picking abilities.

**Fund Manager** Euan Munro  
**Launch Date** June 2006  
**Current Fund Size** £494m (end Jun)

### Physical Allocation as at 30 June 2008

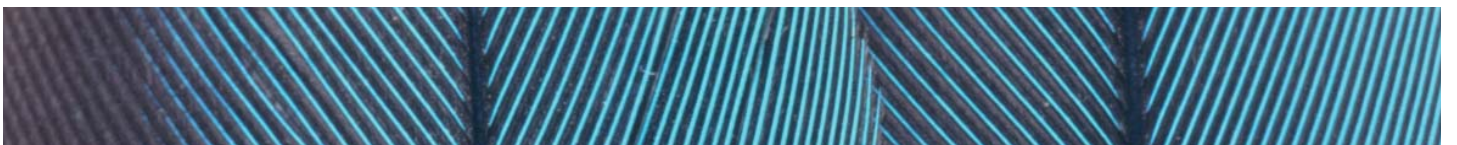
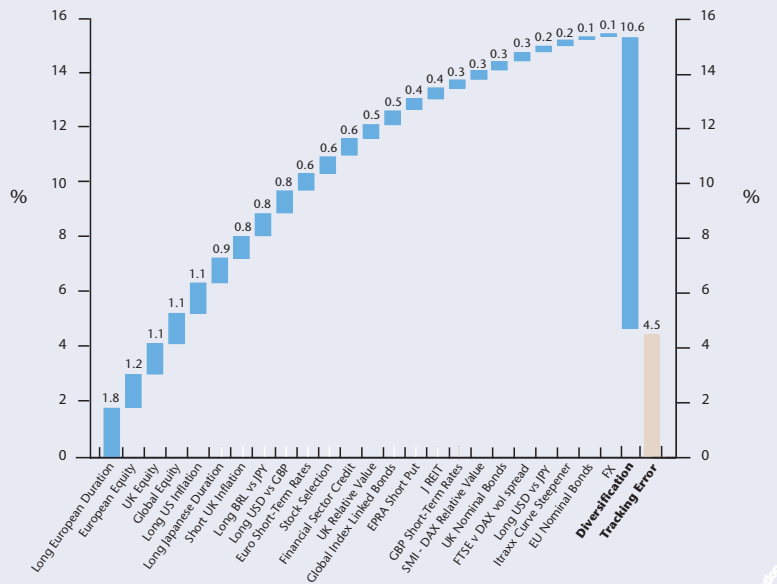


### Market Risk Allocation By Individual Strategy

#### Strategy Share of Aggregate Risk

Long European Duration	1.82%
European Equity	1.19%
UK Equity	1.09%
Global Equity	1.08%
Long US Inflation	1.07%
Long Japanese Duration	0.94%
Short UK Inflation	0.82%
Long BRL vs JPY	0.80%
Long USD vs GBP	0.77%
Euro Short-Term Rates	0.65%
Stock Selection	0.63%
Financial Sector Credit	0.55%
UK Relative Value	0.50%
Global Index Linked Bonds	0.46%
EPRA Short Put	0.43%
J REIT	0.41%
GBP Short-Term Rates	0.32%
SMI - DAX Relative Value	0.31%
UK Nominal Bonds	0.30%
FTSE v DAX vol spread	0.29%
Long USD vs JPY	0.21%
Itraxx Curve Steepener	0.20%
EU Nominal Bonds	0.14%
FX	0.08%
S&P call calendar spread	0.05%
Cash	0.00%

#### Portfolio Risk Distribution



## Performance Review

### Fund Return

	Benchmark Return (LIBOR) Q2 2008 %	Absolute Return Q2 2008	Relative Return Q2 2008 %
Stock Selection contribution	0.0	0.8	0.8
Market Risk contribution	1.5	0.0	-1.5
Total Fund	1.5	0.9	-0.6

### Contribution From Stock Selection

	Fund Weighting at 30/06/2008	Relative Return Q2 2008 %	Contribution to Return from Stock Selection %
UK Equity - Growth	12.2%	2.8	0.3
UK Equity - High Income	0.7%	1.0	0.0
UK Equity General Trust	11.1%	1.1	0.1
Global Equity	13.9%	0.4	0.1
European Equity	16.3%	2.8	0.5
UK Nominal Bonds	9.0%	-1.4	-0.1
Global Index Linked Bonds	10.1%	-0.2	0.0
Total	73.2%		0.8

### Contribution From Market Risk Allocation

Strategy grouping	Risk Budget Allocation at 30/06/2008	Contribution to Return from Market Risk Allocation %
UK Equity		-0.3
European equity		-0.4
Global equity		0.0
UK Large v Small Cap		
Relative Value	3.2%	0.5
SMI v DAX relative value		-0.1
Equity options		0.1
DAX v FTSE Vol spread	0.3%	0.0
Corporate Bonds		-0.1
Financial Sector Credit	0.6%	0.4
ITRAXX Curve Steepener		0.0
Global index-linked bonds	1.5%	0.1
Long US v Short UK Inflation		-0.5
Japanese duration		0.6
European duration	2.8%	-0.7
Short-term interest rates		-1.0
J-REITS	0.7%	0.0
European EPRA option		-0.2
GBP/USD position		0.0
USDJPY position	1.3%	0.2
BRLJPY position		1.0
Other FX		0.0
Cash		0.4
Total Market Risk	4.5%	0.0

## Investment Review & Outlook

### Environment

Global equity markets retreated during the second quarter, moving back towards their March lows. The period started relatively well, as central bank attempts to deal with the credit crisis boosted investor confidence. However, evidence of global economic weakness and rising inflation, on the back of surging food and energy prices, led markets to resume their downward trend. Global government bond markets also endured a difficult quarter. Despite low growth expectations (supportive of bonds), concerns about the potential inflationary implications of sharply rising energy and food prices continued to weigh on valuations. Corporate bonds initially gained as appealing yields led investors back into the market. However, markets began to waver later in the quarter, as investor sentiment was dented by a plethora of weak economic data.

### Activity

During the quarter, we opened two positions giving us access to relative volatility in equity markets. Firstly, we sought to take advantage of the difference between short and long-term option prices in the US by purchasing three-month call options. Secondly, we entered into a relative value trade on the volatility of Germany's DAX Index versus the UK's FTSE Index. We also invested in the European investment grade credit market, looking to benefit from an expected increase in the difference between ten-year yields and five-year credit spreads.

### Outlook

The Fund continues to reflect our moderately defensive position, with core equity exposure maintained at 25%. However, we continue to seek to hold a diverse range of strategies, all expected to deliver value over a three-year time horizon, while also diversifying overall risk.

### Performance Commentary

During the second quarter of 2008, the Global Absolute Return Strategies Fund returned 0.8% against the 6 Month LIBOR return of 1.5%. Over the year to 30 June 2008, the Fund returned 1.4%, against the index return of 6.2%.

Our stock selection decisions contributed positively towards performance over the quarter, while our market risk positions were flat overall. In particular, our foreign exchange strategies and Japanese duration position boosted returns, offsetting equity market

difficulties. The Fund's credit market position was also positive for performance, particularly our financial credit exposure. On the downside, our short-term interest rates positions detracted from performance.

	Q2 (%)	1 Year (%)	Since Inception (% p.a.)
<b>Fund</b>	0.87	1.46	7.13
<b>UK 6m Libor</b>	1.49	6.25	5.86
<b>UK 6m Libor +5%p.a.</b>	2.73	11.34	10.82

### 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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