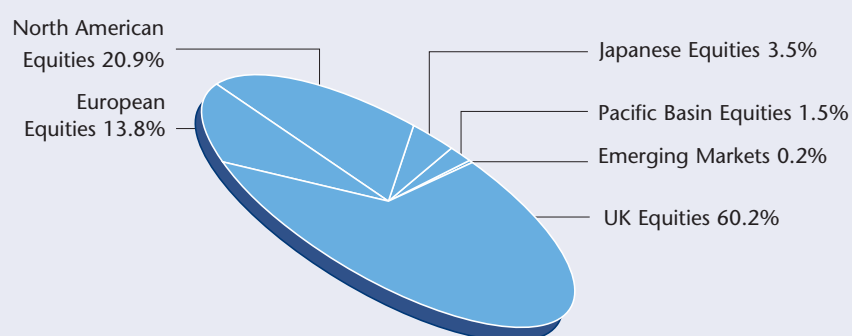


# Institutional Global Equity Select 60:40 Fund – June 2008

## Fund Description

The Institutional Global Equity Select 60:40 Fund is a more specialised, balanced equity fund with higher than average risk/return characteristics. A substantial part of the portfolio is invested in the UK Equity Select Fund, with the remainder held in overseas equities. The proportions held are decided after reviewing the prospects for each market and will vary from time to time. Compared to other balanced products such as the Managed Fund, exposure to the UK Equity Select Fund results in more aggressive stock and sector positions being adopted.

### Composition of Portfolio as at 30 June 2008

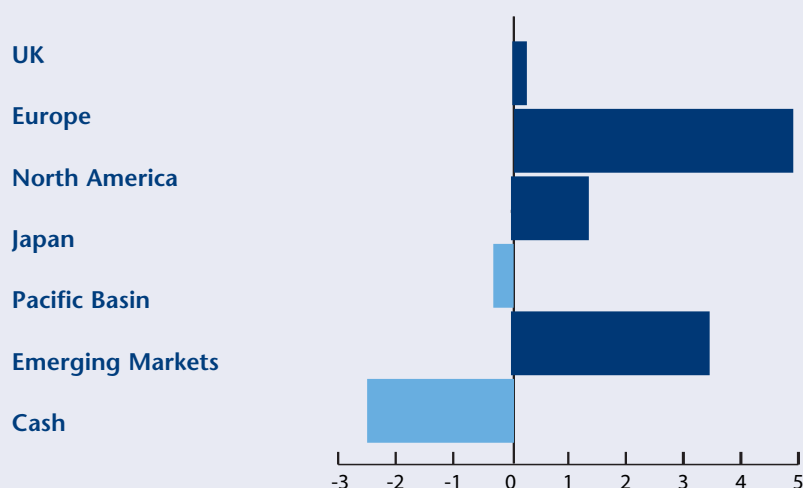


<b>Fund Manager</b>	Matt Savage
<b>Launch Date</b>	January 2001
<b>Current Fund Size</b>	£58m
<b>Volatility</b>	12.1

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

Source: Standard Life Investments

### Sector Portions Relative to the Blended Benchmark: 60% FTSE All Share Index/40% MSCI World ex UK Index (£)



Top Ten Holdings	(%)
BP	7.0
Royal Dutch Shell	4.7
Royal Bank of Scotland Group	4.1
Vodafone Group	3.5
HSBC Holdings	2.4
GlaxoSmithKline	2.3
Xstrata	2.1
Barclays	2.1
BHP Billiton	1.5
Anglo American	1.5
<b>Assets in top ten holdings</b>	<b>31.2</b>

# 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. In April, sentiment improved on tentative signs that central bank actions to solve the credit crisis were starting to take effect. However, from mid-quarter onwards, markets turned lower, as weak economic data and rising inflation combined to unnerve investors. The UK equity market also retreated in the second quarter, as further asset writedowns and cash calls by banks crushed early optimism.

## Activity

During the quarter, we bought UK support services firm Compass Group, given ongoing improvements in operating margins, and engineering company Smiths Group, after a positive company meeting highlighted the potential for operational gains. In Europe, we bought Deutsche Bank, as the market is too pessimistic on the company, and Spanish bank BBVA, which appears well positioned to take advantage of its strong position in Mexico. Meanwhile, in the US, we purchased enterprise software company Citrix Systems, as they should benefit from trends towards remote working and a greater focus on IT security.

## Outlook

During periods of interest rate uncertainty and an unclear economic outlook, 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. Regarding the UK, macroeconomic factors will continue to buffet the stock market over the coming months, as investors fret over the slowing economy and rising inflation. The effects of the credit crisis on the financial system and wider economy will continue to drive volatility and risk aversion. Over the longer term, a resolution of the credit crisis and a fall in inflation will be key triggers for a recovery.

## Performance Commentary

During the second quarter of 2008, the Institutional Global Equity Select 60:40 Fund returned -3.6% against the 60% FTSE All Share Index/40% MSCI World ex UK Index return of -1.5%. Over the year to 30 June 2008, the Fund returned -15.4%, against the index return of -11.5%.

In the UK, oil and commodity prices advanced, benefiting our holdings in BP, BHP Billiton and Xstrata. A stronger-than-expected trading update from industrial engineer Invensys also helped. On the downside, banks continued to come under pressure, with holdings in Royal Bank of Scotland, Barclays and HBOS detracting from

performance. Looking overseas, our underweight position in General Electric provided a significant boost to relative returns, after the company reported negative results that surprised the market. StatoilHydro also benefited performance, as the company profited from surging oil prices, while good data on its Alzheimer's product helped our holding in Elan.

## Fund Performance

	Q2 (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Launch (% p.a.)
	-3.6	-15.4	8.6	12.6	5.5
	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
	(%)	(%)	(%)	(%)	(%)
<b>Global Equity 60:40 Fund</b>	-15.4	22.7	23.4	18.1	19.7
<b>Blended Benchmark*</b>	-11.5	17.1	17.8	16.5	15.4

\* Benchmark: 60% FTSE All Share Index / 40% MSCI Dev World ex UK Index to 31/12/00, 60% FTSE All Share Index / 40% FTSE AW World ex UK Index to 31/03/07, 60% FTSE All Share Index / 40% MSCI World ex UK thereafter

## 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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