

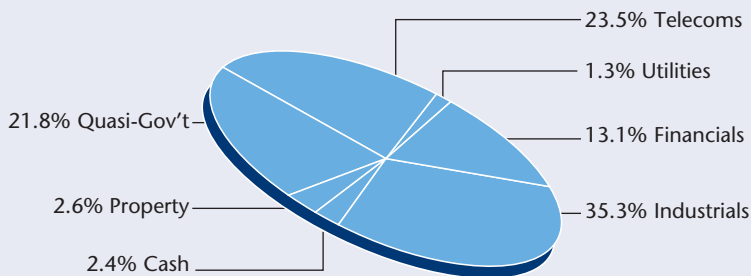
Standard Life Higher Income - March 2008

Fund Description

Holdings will be actively managed to ensure that whilst returns are driven by stock selection, the fund remains well diversified. In this regard, the Fund may hold a wide range of high yielding fixed interest securities including investment grade corporate bonds and other high quality debt instruments such as structured vehicles and debentures. There is no set limit on the amount of investment grade bonds and high quality debt that the Fund holds, and it is expected that high yield corporate bonds will constitute the largest proportion of the Fund.

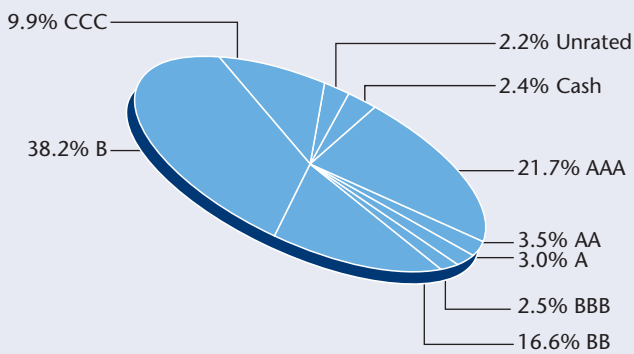
Portfolio Information as at 31 March 2008

Asset Allocation



Fund Manager Erlend Lochen/Alasdair MacLean
Launch Date March 2006
Current Fund Size £557m

Credit Splits



*Unrated may include cash

All data on this page relates to underlying OEIC fund.

Top Ten Holdings	(%)
UK (Govt of) 5% 2012	4.7
UK (Govt of) 4.25% 2011	4.5
UK (Govt of) 4% 2009	4.5
UK (Govt of) 4.75% 2020	3.7
UK (Govt of) 4% 2016	3.5
ISS 8.875% 2016	2.7
Nordic Telephone 8.25% 2016	2.6
IESY Hessen 2013	2.4
Lighthouse International 8% 2014	2.0
BCM Ireland Finance 2016	1.9



Investment Review & Outlook

Environment

Credit spreads widened significantly at the beginning of the year, due to a combination of factors. Key among these were increasing evidence that the US economy was entering a recession, continued concerns over the global banking system due to poor liquidity, uncertainty over asset valuations, and the high amount of new issues offered at significant premiums. 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

Dealing activity was relatively limited during the quarter. In terms of overall sector positioning, we retained a significant position in telecoms and cable companies while avoiding bonds issued by automobile, chemical and paper packaging companies. Holdings in CellC and Ineos were reduced, while Hombach, Kronos and SGL Carbon were eliminated altogether. The Fund's holdings in cash and gilts increased and now account for around 30% of the Fund.

Outlook

The economic backdrop has continued to weaken, and investor uncertainty over the future path of the global economy has pushed credit spreads wider. However, there are signs of optimism within Europe, where corporate fundamentals within high yield companies have remained robust. We expect the full effect of rising default rates to be delayed until next year, although the US market is likely to be more severely affected in 2008. This could have some headline risk impact on the global high yield market. We are likely to increase the Fund's weighting of higher yielding within the volatile credit market environment.

Fund Commentary

The Higher Income Fund returned -7.8% during the first quarter of 2008, against the 50% Merrill Lynch Sterling Non Gilt BBB/50% Merrill Lynch Euro High Yield Index return of -1.9%. Over the year to 31 March 2008, the Fund returned -8.5% against the index return of 0.8%.

The Fund's holdings of high-yield bonds were negatively impacted over the quarter by the extremely volatile trading conditions. This was somewhat offset by our exposure to both gilts and cash, while our position in investment grade bonds also proved beneficial. Although Fund performance over the quarter was

disappointing, we continue to be satisfied with the quality of the names we do hold. The Fund's relatively large weighting in gilts and cash should help to insulate it from the ongoing volatility within the high yield sector.

Fund Performance

	Q1 (%)	1 Year (%)	Since Launch (%) p.a.
	-7.8%	-8.5%	n/a
	Year to 31/03/2008 (%)	Year to 31/03/2007 (%)	
Higher Income	-8.5%	8.2%	
50% Merrill Lynch £ Non Gilt BBB/ 50%	0.8%	4.6%	

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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