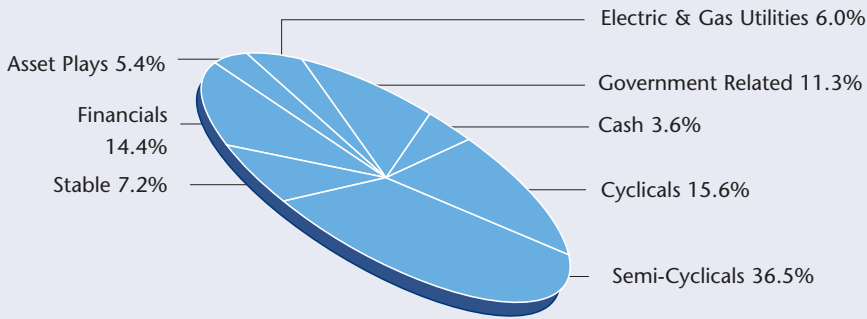


Japanese Fund - June 2008

Fund Profile

The Japanese Fund invests in the Japanese equity market. It maintains a balanced portfolio covering both export-orientated and domestic related industries.

Composition of Portfolio as at 30 June 2008



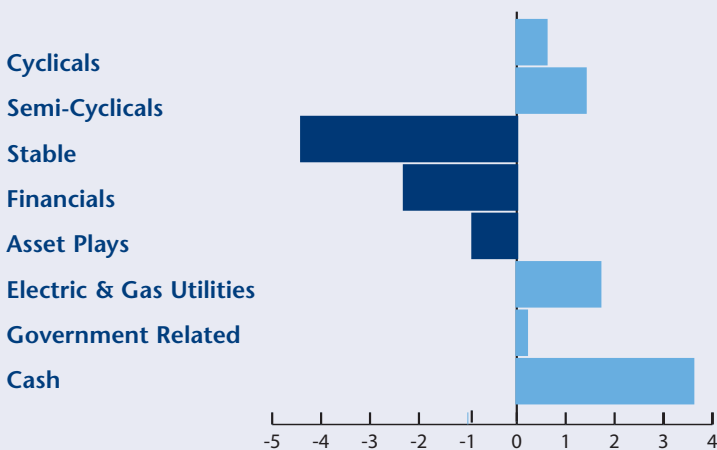
Fund Manager	Robert McKillop
Launch Date	May 1990
Current Fund Size	£186m
Alpha	-0.23
Beta	1.02
Volatility	15.8
Tracking Error Range*	4.0 - 6.0%

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

*Indication of current normal parameters, and may change without notice.

Source: Standard Life Investments

Sector Portions Relative to the MSCI Japan IndexSM (%)



Top Ten Holdings	(%)
Toyota Motor Corp	6.0
Mitsubishi UFJ Financial Group Inc	3.5
Takeda Pharmaceutical Co Ltd	2.1
Sumitomo Mitsui Financial Group Inc	2.1
Canon Inc	2.1
Toshiba Corp	2.0
Mizuho Financial Group Inc	1.8
Mitsubishi Corp	1.8
Mitsui OSK Lines Ltd	1.7
Nippon Telegraph & Telephone Corp	1.7
Assets in top ten holdings	24.8

Investment Review & Outlook

Environment

Japan was the only major stock market to post positive returns during the quarter, benefiting from its limited exposure to western credit markets. The period, nevertheless, was volatile for Japanese equities. Domestic economic data had a weaker tone and there was evidence that corporate profitability had deteriorated sharply, as higher input costs and the negative impact of the stronger yen had squeezed company earnings. Encouraged by low valuations and the corporate sector's defensive qualities, foreign investors showed renewed interest in Japan.

Activity

We increased exposure to the shipping sector through Mitsui OSK Lines, where high freight rates provide scope for stronger earnings. We also purchased Asahi Glass, as we believe profit margins can rise in its core LCD glass substrate business. Share price weakness allowed us to add to utility companies Tohoku Electric Power, Kansai Electric and Chubu Electric Power. Sales included private railway company Tokyu, which is failing to maximise returns on its well-situated portfolio of land, and venture capital firm JAFCO, following a sharp reduction in the number of IPOs in Japan.

Outlook

The US remains the most important demand driver for Japan but renewed growth there is unlikely in the near term. In the absence of a domestic catalyst, the Japanese market could lack direction. Demand from emerging economies, however, is supportive. The Japanese market is attractively valued against other markets and historically. The valuations of many Japanese stocks already reflect a regional slowdown and provide compelling investment opportunities. We remain focused on stocks with a leading domestic market share and strong growth prospects overseas.

Performance Commentary

During the second quarter of 2008, the Japanese Fund returned 5.7% against the MSCI Japan Index return of 2.3%. Over the year to 30 June 2008, the Fund returned -12.0%, against the index return of -11.2%.

We benefited from the recent addition to the Fund of attractively valued gas and electric utility holdings, as these stocks subsequently rallied. Holding Chubu Electric Power and Kansai Electric Power was particularly beneficial. Our exposure to Nippon

Commercial Investment was the biggest drag on performance given the troubled global financial backdrop. However, this was more than offset by positive influences. These included our exposure to IT Holdings, which advanced on news that it is to supply a large system integration contract.

Fund Performance

	Q2 (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)
	5.7	-12.0	2.2	5.8	1.8
	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
	(%)	(%)	(%)	(%)	(%)
Japanese Fund	-12.0	-4.4	26.8	-2.7	27.9
MSCI Japan Index SM	-11.2	-1.1	30.6	-0.2	33.2

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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