

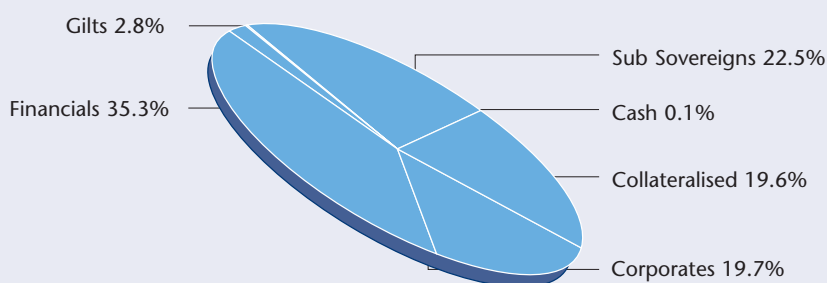
Long Corporate Bond Fund - June 2008



Fund Description

The Long Corporate Bond Fund invests principally in the UK, non-gilt, fixed interest market. The Fund will provide appreciation in the unit value from capital growth and income using a portfolio of mainly UK corporate bond securities. When appropriate, the Fund may invest in other UK fixed interest securities e.g. gilts and debentures.

Fund Distribution by Sector as at 30 June 2008

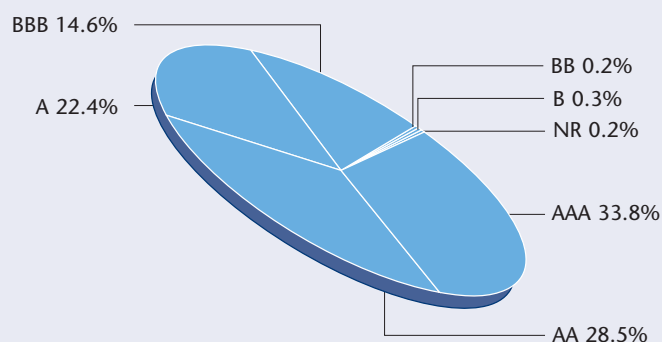


Fund Manager	Craig MacDonald
Launch Date	September 2000
Current Fund Size	£403m
Volatility	4.9%
Yield	6.5%
Duration	10 years

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	4.9
KFW 6% 2028	3.5
KFW 5.75% 2032	1.9
EIB 5% 2039	1.9
Network Rail 4.75% 2035	1.9
Integrated Accomodation 6.48% 2029	1.9
EIB 5.5% 2025	1.7
Bank of America Corp 5.25% 2016	1.7
GE Capital 4.875% 2037	1.6
Northumbrian Services 6.875% 2023	1.4
Assets in top ten holdings	22.3

Investment Review & Outlook

Environment

Corporate bonds recorded strong gains at the start of the quarter, as investors were enticed 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 sparked a rally in credit markets that continued through April and May. High-yield bonds registered their best monthly returns for five years in April. Credit markets faltered towards the end of the quarter, as a raft of soft economic data undermined investor confidence. In particular, the return of risk aversion in the latter part of June weighed heavily on credit markets, impacting especially on high-yield debt. Longer-dated debt marginally outperformed shorter-dated debt, driven by ongoing demand from pension funds for longer-dated assets, and expectations of policy tightening at the short end.

Activity

The ongoing lack of liquidity within credit markets meant higher trading costs, which prompted us to keep trading activity to a minimum. However, we took advantage of the market rally early in the quarter to sell Tier 1 bonds from Royal Bank of Scotland, and also debt from Aspire, a private finance initiative. We also used new cashflows to increase the average credit quality of the Fund. We participated in a number of new issues, including AIG and Citibank, both of which recently secured extra capital, and also from HSBC. Finally, we initiated a position in utility company National Grid.

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 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 the coming months. Prolonged inflation of commodity prices could start to affect low-rated debt.

Performance Commentary

During the second quarter of 2008, the Long Corporate Bond Fund returned -2.0% against the Merrill Lynch UK Non-Gilt Over 10 Years Index return of -1.0%. Over the year to 30 June 2008, the Fund returned -1.8%, against the index return of -2.0%.

Corporate bonds recorded strong gains at the start of the quarter, especially in the liquid and more subordinated financials such as HBOS and Barclays. Our underweight position in these names hurt returns, as did our underweight positions in US brokers such as Goldman Sachs, which performed strongly

following the bailout of Bear Stearns. Among the positive contributions to performance were strong returns from our position in stable utilities, and underweight holdings in names that continue to suffer in the tough credit environment such as AIG.

Fund Performance

	Q2 (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception
	-2.0%	-1.8%	-0.3%	2.9%	5.4%
	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 (%)
Long Corporate Bond Fund	-1.8%	-1.3%	2.4%	16.2%	0.0%
Merrill Lynch Non Gilt > 10 Years	-2.0%	-1.5%	1.4%	15.2%	0.4%

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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