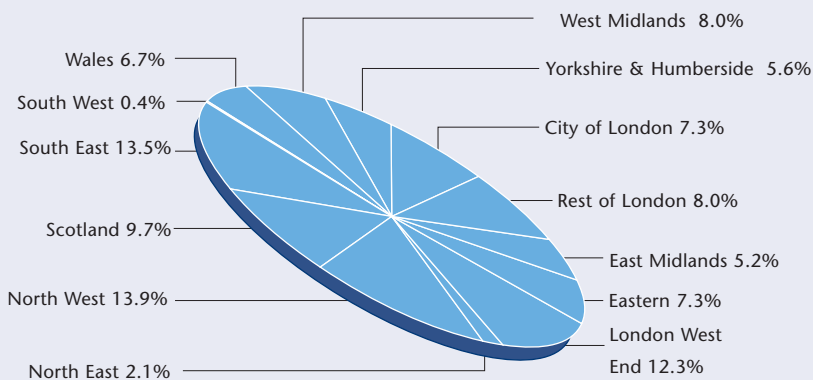


Long Lease Property Fund - June 2008

Fund Description

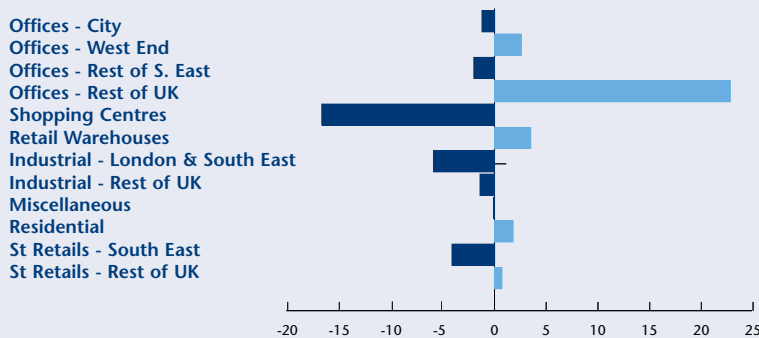
The Long Lease Property Fund invests predominantly in properties with long leases in order to achieve capital appreciation and income growth. The Long Lease Property Fund has been designed to compliment bond assets to help enhance the returns relative to deferred and pension liabilities. The aim of the Fund is to outperform gilts by 2% per annum over five years. The value placed on the holdings in the Fund is based on independent valuations on each property on a monthly basis.

Regional Distribution as at 30 June 2008



Fund Manager	Richard Marshall
Launch Date	September 2003
Current Fund Size	£563m
Yield	5.7%
Average Lease Length	17.8 years
Average Lot Size	13.744m
Cash Holding	1.8%

Fund Sub-Sector Exposure Against IPD Benchmark



Sub-Sector Exposure as at 30/06/2008 for Standard Life Investments Long Lease Property Fund and as at 31/12/2007 for IPD

Top Five Holdings	Value Bands (£m)
20 Manchester Square, London	60-70
1 St John's Lane, London	50-60
150 Broomielaw, Glasgow	30-40
Eastwood House, Chelmsford	30-40
Clearwater Court, Reading	30-40

Investment Review & Outlook

Environment

Despite showing signs of stabilisation early in the quarter, UK commercial property values once again came under pressure. In April, the pace of decline in capital values looked to be moderating. However, valuations took a further downward tack from May onwards, precipitated by worsening economic prospects. In addition, escalating oil prices led investors to renew their focus on inflation. The value of retail property declined more significantly than the office and industrial sectors. Tenant demand softened in all sectors and at the same time occupiers became increasingly selective in their choice of location.

Activity

During another challenging quarter, we made no acquisitions or disposals, but remained focused on adding value through the active asset management of our existing holdings. We continued to engage in discussion with Sainsbury's over the possibility of extending its supermarket site in Cavendish Retail Park, Liverpool. We also successfully secured a increase in rent on one of our B&Q warehouses by 13% per sq ft. Arbitration on this was lengthy but we were the only landlord to secure a rental uplift on a B&Q warehouse in 2006. 51% of the Fund is invested in assets with fixed, part fixed or RPI-linked rent increases.

Outlook

We anticipate another year of negative returns for UK commercial property, given the deteriorating economic environment and persistent credit market problems. It is likely to be some time before capital values sustain a solid floor. Constrained credit, pressures on the consumer and delayed investment and expansion plans are impacting occupier demand. This is reflected in significantly enhanced incentives and elevated vacancy rates in some sectors. We expect UK commercial property to provide single-digit returns over the next few years as a result of property's stable income return and an economic recovery towards the latter part of 2009.

Performance Commentary

During the second quarter of 2008, the Long Lease Property Fund returned -1.9% against the FTA British Government All Stocks Index +2% pa return of -3.1%. Over the year to 30 June 2008, the Fund returned -14.4%, against the benchmark return of 8.3%.

Despite a positive start to the quarter, the performance of the commercial property sector was impacted by concerns of a possible 'double dip' in property values and by escalating recessionary worries. Against this backdrop, the Fund retained its robust investment characteristics, with 99.2%

invested in the government, low or negligible risk categories, as rated by Experian. Tenant strength remained strong, with retailers TJ Hughes and Instore, re-rated positively from 'medium' to 'low' risk. This was pleasing given the pressures on retailers.

Fund Performance

Q2	1 Year	3 Years	Since Inception
(%)	(%)	(% p.a.)	(% p.a.)
-1.9	-14.4	4.9	9.7

	Year to 30/06/2008	Year to 30/06/2007	Year to 30/06/2006	Year to 30/06/2005
	(%)	(%)	(%)	(%)
Long Lease	-14.4	10.6	21.9	13.8
Property Fund				
FTSE BG All				
Stocks +2%	8.3	1.3	3.5	13.1

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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