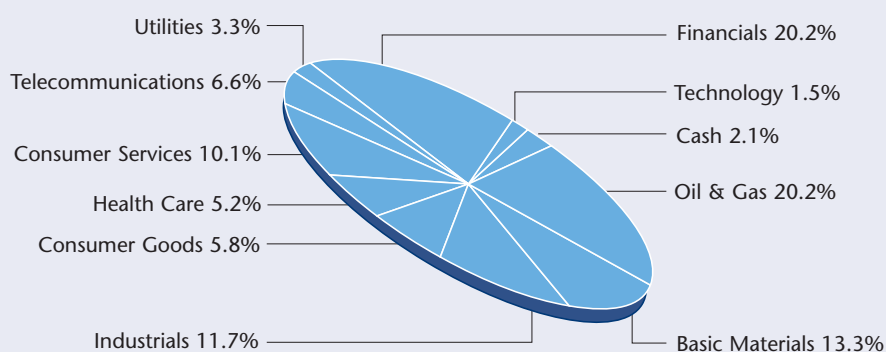


# UK Equity Fund - June 2008

## Fund Description

The UK Equity Fund is invested in a broad range of UK equities, to give a spread over the most attractive stocks and sectors of the market. It may also invest in other companies which have a major part of their business in the UK.

### Composition of Portfolio as at 30 June 2008



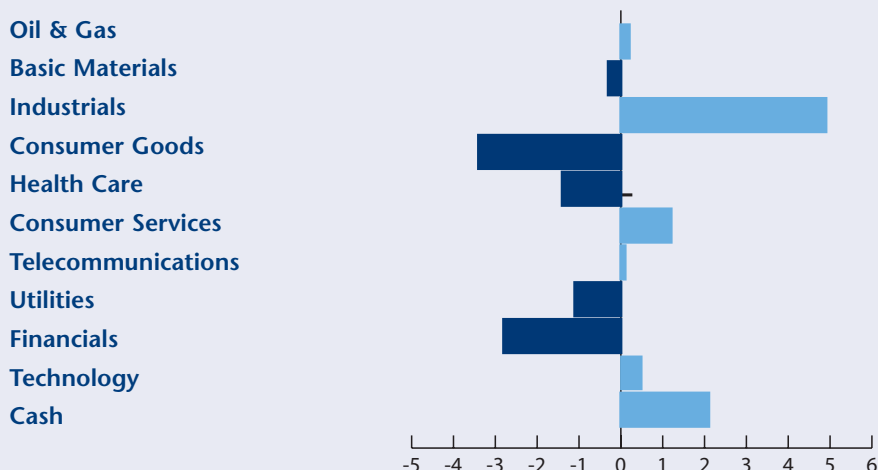
<b>Fund Manager</b>	Helen Driver
<b>Launch Date</b>	November 1984
<b>Current Fund Size</b>	£3,268m
<b>Alpha</b>	-0.09
<b>Beta</b>	1.10
<b>Volatility</b>	11.6
<b>Tracking Error Range*</b>	2.0 - 4.0%

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 FTSE All-Share (%)



Top Ten Holdings	(%)
BP	10.0
Royal Dutch Shell	6.7
HSBC Holdings	5.3
Vodafone Group	5.2
Royal Bank of Scotland Group	4.5
Anglo American	4.2
Xstrata	4.1
GlaxoSmithKline	3.9
BHP Billiton	2.7
Barclays	1.9
<b>Assets in top ten holdings</b>	<b>48.4</b>

# Investment Review & Outlook

## Environment

The UK stock market retreated in the second quarter, led by financial and consumer related stocks. Further asset writedowns and cash calls by banks crushed the nascent optimism early in the period. Meanwhile, surging fuel, food and commodity prices led the Bank of England to issue more inflation-focused rhetoric.

Economically sensitive stocks suffered as a result, with consumer services, consumer goods and industrials among the worst performing sectors after banks.

## Activity

We purchased Smiths Group after a positive company meeting highlighted the potential for operational gains. We reduced our exposure to the mining sector after a period of strong outperformance, taking profits in BHP Billiton, Xstrata, Vedanta Resources, Aricom and Kazakhmys. We purchased Great Portland after meeting with management, as the company trades at a significant discount to net asset value. We took profits in Premier Farnell, HMV and Invensys after robust performance.

## Outlook

Macroeconomic factors will continue to buffet the UK stock market over the coming months, as investors focused on 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. The current environment provides some compelling investment opportunities, but effective stock selection will remain critical.

## Performance Commentary

During the second quarter of 2008, the UK Equity Fund returned -4.0% against the FTSE All Share Index return of -1.4%. Over the year to 30 June 2008, the Fund returned -15.8%, against the index return of -13.0%.

Banks continued to come under pressure with the credit crisis leading to substantial asset writedowns and higher funding costs. As a result, our holdings in Royal Bank of Scotland, Barclays and HBOS detracted from performance. However, oil and commodity

prices advanced, benefiting our holdings in BP, BHP Billiton and Xstrata. Bid activity remained a theme, boosting our position in Taylor Nelson Sofres and Informa. A stronger-than-expected trading update from industrial engineer Invensys also helped.

## Fund Performance

Q2	1 Year	3 Years	5 Years	10 Years
(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
-4.0	-15.8	6.8	11.6	4.4

	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
	(%)	(%)	(%)	(%)	(%)
<b>UK Equity Fund</b>	-15.8	19.2	21.5	19.9	18.2
<b>FTSE All Share</b>	-13.0	18.4	19.7	18.7	16.9

## 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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