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Standard Life UK Equity Income Unconstrained - March 2008

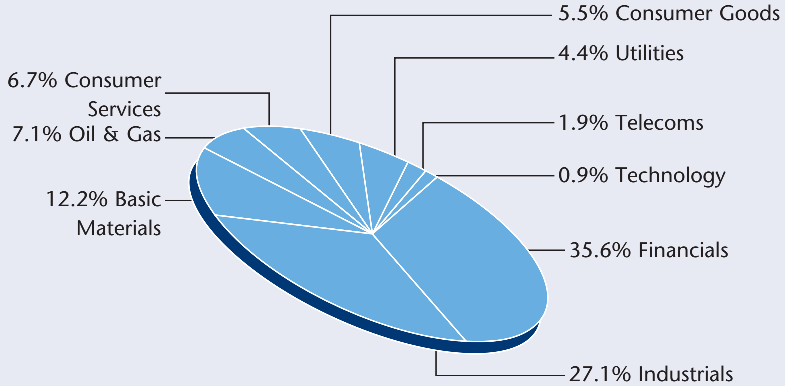
Fund Description

The UK Equity Income Unconstrained Fund is designed for investors who are willing to accept a relatively high degree of stock specific risk and are seeking a high level of income with some capital growth from a fund that invests in an unconstrained, actively managed portfolio of UK equities.

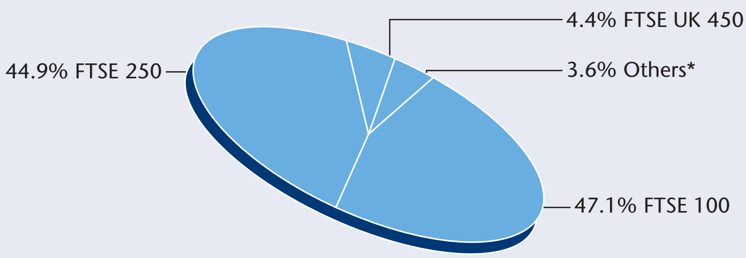
Composition of Portfolio as at 31 March 2008

Fund Manager	Dominic Byrne
Launch Date	27/02/2007
Current Fund Size	£30m

Economic



Portfolio Weighting



Top Ten Holdings	(%)
Royal Bank of Scotland	5.0
Cattles	4.1
Barclays	3.8
BP	3.8
BHP Billiton	3.6
HBOS	3.5
Regus	3.1
Anglo American	3.1
Vedanta Resources	2.9
Paragon	2.9

*Others is the sum of New Issues, AIM etc.

All data on this page relates to underlying OEIC fund.

UK Pooled Pension Funds

Investment Review & Outlook

Environment

In line with global equities, the UK market suffered a significant sell off, reacting to weaker economic data and concerns over the credit crisis. Further problems within the financial sector, especially within banks and bond reinsurers, added to the negative sentiment towards financial stocks. Large trading losses and asset write downs by many of the global investment banks culminated in the effective collapse of Bear Stearns in the US. Concerns over the effects of a slowdown in the UK housing market weakened some of the UK banks, notably HBOS, which was also adversely affected by rumour mongering. This weighed on the share prices of Lloyds TSB and Barclays. Mining stocks, although volatile, held up relatively well on the back of strong commodity prices and bid activity. Likewise, many oil & gas related stocks advanced, in line with record high oil prices and takeover rumours.

The Bank of England cut interest rates by 0.25% to 5.25%, prompted by pressures in the credit market and weakening economic data. Equities showed signs of recovering late in March as investors sought buying opportunities after the indiscriminate selling activity in the first two months of the year.

Activity

We continued to add to various financial positions, including RBS, HBOS, Barclays, Cattles and Collins Stewart, where fears over liquidity and funding have led to extremely low valuations. We initiated a position in industrial coatings company Bodycote, where the valuation looks very low, especially when compared to the proposed bid price from Sulzer in 2007. We also added engineering support services group Premier Farnell, which has a good yield and cashflow and following a positive meeting. We believe the management can continue to outperform market expectations.

We switched our position in Rio Tinto into BHP Billiton given the difference in recent performance and valuation. We sold out of our position in Marks & Spencer as a result of a deteriorating outlook for the UK consumer, coupled with a loss of market share. We also sold out of National Gris due to risks of increasing regulation in their US business coupled with its debt position, both of which reduce their ability to return cash to shareholders.

Outlook

In the short to medium term, the credit crisis may lead to further volatility, while signs of an economic slowdown in the US and the UK will also concern investors. However, UK companies in general have reported positive earnings and robust dividend growth, which should bolster markets in the long term. The resolution of the credit crisis will be a key trigger, while interest rate cuts and further merger and acquisition activity will provide support. The current environment provides some compelling investment opportunities, but effective stock selection remains critical.

Fund Performance

During the first quarter of 2008, the UK Equity Income Unconstrained returned -8.2%, against the FTSE All Share return of -9.8%. Over the year to 31 March 2008, the Fund returned -20.6%, against the index return of -7.7%.

Despite continued worries over the state of the financial sector and the knock on effects to the global economy, the Fund held its value better than the peer group on the back of stock selection as the market began to look for bargains in undervalued stocks. Therefore stocks which are perceived as being sensitive to the economic cycle, or have high levels of operating debt, recovered strongly after last quarter's lows. This led to positive performances from our overweight positions in Savills, Regus, Carillion, Invensys and Provident Financial.

As a result, stocks which had previously gained on the back of their perceived safe-haven status, weakened this quarter, including Vodafone and Tesco. This also benefited performance as we do not own these stocks. Our financial exposure continued to be negative for performance, but we added to positions due to the low valuations and high level of dividend income.

	Q1 (%)	1 Year (%)	Since Inception (% p.a.)
	-8.2	-20.6	0.0

	Year to 31/03/2008 (%)
UK Equity Income Unconstrained Fund	-20.6
FTSE All Share	-7.7

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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