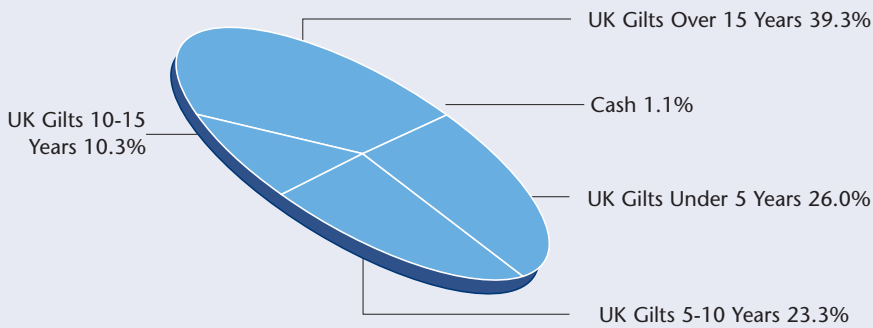


UK Gilt Tracker Fund – March 2008

Fund Description

The UK Gilt Tracker Fund aims to closely track the performance of the FTA British Government All Stocks Index, allowing for reinvestment of income (but before deduction of charges). The Fund invests in the constituents of the FTA British Government All Stocks Index.

Composition of Portfolio as at 31 March 2008



Fund Manager David Kirkpatrick
Launch Date June 2002
Current Fund Size £12m

Source: Standard Life Investments

Top Ten Holdings		(%)
1	UK (Govt of) 8% 2021	6.4
2	UK (Govt of) 5% 2025	5.2
3	UK (Govt of) 4.25% 2032	5.1
4	UK (Govt of) 4% 2009	5.0
5	UK (Govt of) 4.75% 2038	4.9
6	UK (Govt of) 4.25% 2036	4.7
7	UK (Govt of) 5% 2014	4.4
8	UK (Govt of) 5% 2012	4.4
9	UK (Govt of) 4.75% 2015	4.3
10	UK (Govt of) 4.25% 2011	4.1
Assets in top ten holdings		48.5

Investment Review & Outlook

Environment

A difficult market environment developed during the quarter for UK gilts, as the consequences of the weak housing market in the US and the developing credit crisis prompted a raft of rumours and speculation. Banks were the key focus of attention, with ongoing credit losses leading to a general atmosphere of distrust across the sector. As a result, financial markets were subject to extreme volatility and general trading conditions were very poor. The credit market witnessed spreads widening markedly although actual activity was highly restricted. Gilt markets generally performed strongly with their 'safe-haven' status attracting demand.

Activity

The UK Gilt Fund aims to track the total return achieved by the FTSE Actuaries All Stocks Gilt Index gross of fees (allowing for interest to be invested), by investing in a wide spread of assets which are constituents of the index. The Fund operates on a stratified sampling basis with the constraint of keeping yield, coupon, and duration in line with the index, so any difference between the underlying value of the Fund and the value of the benchmark, known as tracking error, will be kept to a minimum.

Outlook

The scale and speed of events in the first quarter leaves the outlook for bond markets even more uncertain than usual. As yet there is little sign of a better growth picture in the US economy and the gilt market is anticipating a similar situation developing in the UK with the Bank of England having to respond with rate cuts. So far the bulk of economic damage has been restricted to the financial sector and while this will ripple out into the wider economy via higher credit costs, the impact could be far slower and more subdued than expected. As a result, the UK government bond market looks very fully valued

Performance Commentary

During the first quarter of 2008, the UK Gilt Tracker Fund returned 1.4% against the FTA British Government All Stocks Index return of 1.4%. Over the year to 31 March 2008, the Fund returned 7.5%, against the index return of 7.6%.

Please note this performance is gross of the management fee of 0.10% per annum.

Fund Performance

	Q1 (%)	1 Year (%)	3 Years (%p.a.)	5 Years (%p.a.)	
	1.4	7.5	5.1	4.5	
	Year to 31/03/2008 (%)	Year to 31/03/2007 (%)	Year to 31/03/2006 (%)	Year to 31/03/2005 (%)	Year to 31/03/2004 (%)
UK Gilts Tracker Fund	7.5	0.6	7.4	5.0	2.4
FTSE British Govt All Stocks	7.6	0.6	7.4	5.0	2.3

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 the deduction of any charges or withholding tax.
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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