

Sterling Fund

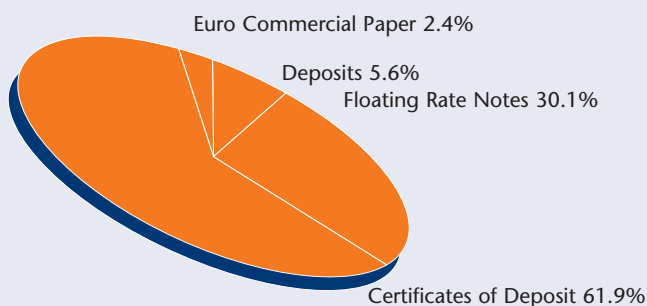
Quarterly Report 30 September 2008

Fund Profile

The Fund is designed for investors who are looking for a temporary home for their money when the short-term outlook for equities, fixed interest securities and property is uncertain. The Fund invests not only in bank/building society deposits but also holds other short-term sterling assets. Some of the cash investments that the Fund may hold are not 'guaranteed' in the same way as High Street Bank or Building Society Accounts are. Therefore, in extreme circumstances, it is possible that the value of the Fund may fall.

This communication is intended for investment professionals only and must not be relied on by anyone else.

Composition of Portfolio as at 30 September 2008



Fund Manager	Louise McKenzie
Launch Date	August 1996
Current Fund Size	£993.45m
Sector	Money Market

Volatility*	0.06%
Yield**	5.92%

*Volatility source: Morningstar. Volatility is the annualised standard deviation of monthly total returns over the last 36 months.

**Yield is quoted before tax and annual management charge.



Investment Review & Outlook

Environment

The UK economy continued to deteriorate during the quarter. House price falls reached double digit levels, mortgage approvals collapsed and retail sales slowed as consumer sentiment weakened on the back of the worsening credit crisis. However, commodity prices fell back rapidly from their peaks, which helped relieve inflationary concerns.

The Monetary Policy Committee (MPC) kept interest rates on hold during the period given that inflation remained well above the 2% target. However, as the economy slipped towards recession, pressure increased to reduce rates. Dovish MPC member David Blanchflower had been talking rates down for months and Sir John Gieve and Kate Barker warned about the risks of an inflation target undershoot, on unchanged policies. With a growing number of 'doves' and continued distress in the financial markets, it was little surprise when the MPC cut

rates by 0.5% to 4.5% in early October, shortly after the quarter end. This was part of a concerted move along with other central banks to steady the faltering global economy.

Activity

The investment policy of reinvesting all new subscriptions, income and bond receipts in short-term liquid assets remains firmly in place. All longer-term assets are being allowed to mature naturally, with careful consideration over the most appropriate place to reinvest proceeds. We are reducing counterparty exposure to a maximum of 5% from 10%, further reducing credit risk in the portfolio. The focus on preservation of capital remains of paramount importance.

Outlook

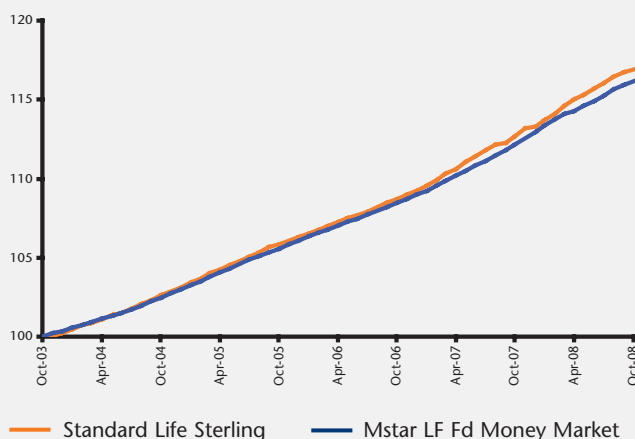
The Bank of England said that inflation pressures have started to moderate and the financial crises has augmented the downside risks to growth. They noted that consumer price inflation may rise above 5% in the short term before falling back, adding that pay growth has stayed subdued and that "some easing" of monetary conditions is now warranted. The market is now looking at a further 0.5% cut in November. The UK government also unveiled a package totalling up to £500 billion aimed at rescuing the banking system and easing current funding concerns. It remains to be seen if this additional liquidity will help year-end funding and avoid the elevated spread levels seen at the end of last year.

Performance Commentary

During the period under review, the unit price of the Sterling Fund grew in value by 0.76%, compared to its peer group mean return of 0.68% (source: Morningstar).

This performance was an outstanding achievement in light of the current financial market crisis.

Fund Performance – Price Indexed



Figures quoted are calculated on a bid to bid basis over periods to 30 September 2008, with net income reinvested.

Source: Morningstar and Standard Life Investments.

Figures are based on units which contain 1.0% AMC. For the relevant charges on your policy please refer to your policy documentation.

Note: Past performance is not a guide to future performance and the value of units can go down as well as up.

Performance

	1 Oct 07 - 30 Sept 08	1 Oct 06 - 30 Sept 07	1 Oct 05 - 30 Sept 06	1 Oct 04 - 30 Sept 05	1 Oct 03 - 30 Sept 04
	3.8%	3.7%	2.7%	3.2%	2.6%
	1 Year	3 Years	5 Years		
Return	3.8%	10.5%	16.9%		
Mstar Money Market	3.0%	9.8%	15.9%		

Investment Market Line

If you would like more details on our current market views please call:

0845 60 60 062

Standard Life Investments Limited, tel. +44 131 225 2345, a company registered in Scotland (SC 123321) Registered Office 1 George Street Edinburgh EH2 2LL.

The Standard Life Investments group includes Standard Life Investments (Mutual Funds) Limited, SLTM Limited, Standard Life Investments (Corporate Funds) Limited and SL Capital Partners LLP. Standard Life Investments Limited acts as Investment Manager for Standard Life Assurance Limited and Standard Life Pension Funds Limited.

Standard Life Investments may record and monitor telephone calls to help improve customer service. All companies are authorised and regulated by the Financial Services Authority.

©2008 Standard Life Investments.

www.standardlifeinvestments.com

INVRT13

1008

GR