

# UK Equity Fund

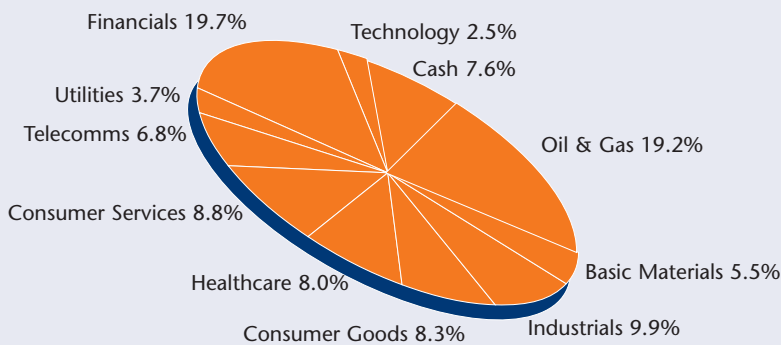
## Quarterly Report 30 September 2008

### Fund Profile

The Fund is designed for investors who are looking to obtain a broadly based exposure to the UK Equity market. Central to the decision making process is our 'Focus On Change' investment philosophy, which combines top down and bottom up insights to identify changes to the key drivers for specific sectors and stocks. Overall, Fund performance will be driven by stock selection. A broad range of criteria is used in this process including earnings momentum, company visits, and traditional valuation measures. There is no style bias in the 'Focus On Change' philosophy, it is not inherently growth or value biased and is therefore able to perform through all phases of the market.

**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

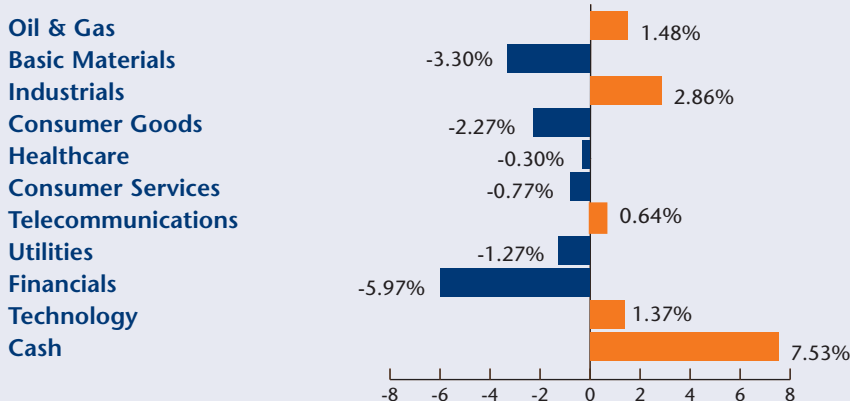


<b>Fund Manager</b>	Karen Robertson
<b>Launch Date</b>	October 1979
<b>Current Fund Size</b>	£285.75m
<b>Sector</b>	UK All Companies
<b>No. of Holdings</b>	100 - 200
<b>Tracking Error Range</b>	1% - 2%

<b>Alpha</b>	-0.10
<b>Beta</b>	1.01
<b>Volatility</b>	2.92%

Fund ratios are calculated against the FT Allshare index. Volatility source: Morningstar. Volatility is the annualised standard deviation of monthly total returns over the last 36 months.

### Sector Position Relative to the FTSE All Share (%)



### Top Ten Holdings

Assets in top ten holdings	%
Royal Dutch Shell	6.9
BP	6.9
HSBC	5.5
Vodafone	5.1
GlaxoSmithKline	4.4
Royal Bank of Scotland	3.5
AstraZenca	2.6
British American Tobacco	2.5
Barclays	2.4
Tullow Oil P	1.9



# Investment Review & Outlook

## Environment

The UK stock market performed poorly, as the financial crisis came to a head. This brought about the rescue sale of HBOS to Lloyds TSB and nationalisation of Bradford & Bingley. The economic environment in the UK worsened. House price falls reached double digit levels, consumer sentiment weakened and inflation reached a 16-year high of 4.7% in August. Commodity prices dropped sharply and had a negative effect on resources stocks.

## Activity

We continued to take profits in mining companies after a multi-year run of strong performance, selling Anglo American, BHP Billiton and Rio Tinto. We also sold Lonmin, as the stock appeared to have peaked following Xstrata's interest in the firm. Meanwhile, we sold our holding in estate agent Savills, on a pessimistic outlook for the UK housing market. Regarding purchases, we bought AstraZeneca on the back of a good dividend yield, an ongoing share buyback programme and an improving pipeline of new drugs in development. We also invested in HSBC on hopes that it would remain a beneficiary of investor switches out of domestic UK banks as well as the relative security of its dividend.

## Outlook

Companies remain susceptible to bouts of volatility and risk aversion but an easing of the credit crisis, a fall in inflation and signs of economic recovery will lead the recovery. Overall, the earnings outlook for the UK is set to slow, led down by financial and consumer areas of the market. However, the widespread sell-off has meant that fundamentally sound companies have fallen in value along with the wider market, offering some compelling opportunities.

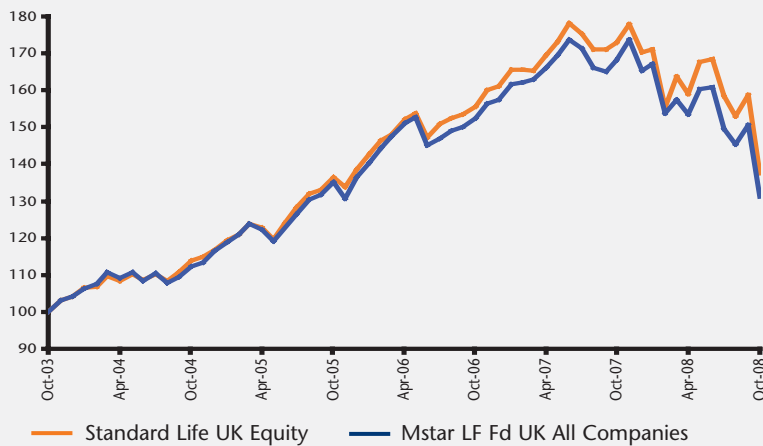
## Performance Commentary

During the period, the unit price of the UK Equity Fund returned -13.23%, compared to its peer group average return of -12.25% (source: Morningstar).

Resource shares made a significant impact on performance. On a positive note, underweight positions in Rio Tinto and ENRC were helpful as these shares struggled with falling commodity prices. However, we held Xstrata and this detracted from our returns.

Meanwhile, a decline in the oil price adversely impacted our holdings in Tullow Oil and Lamprell. In the banking sector, not holding HSBC was a negative factor as it was seen as defensive by the market. On the upside, holding British Energy was helpful as the nuclear power generator agreed to a takeover approach from France EDF, while insurer Admiral Group benefited from the prospect of a better pricing environment following the demise of AIG.

## Fund Performance – Price Indexed



Figures quoted are calculated on a bid to bid basis over periods to 30 September 2008, with net income reinvested and are based on units which contain 1.0% AMC. For the relevant charges on your policy please refer to your policy documentation.

Source: Morningstar and Standard Life Investments.

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
<b>Return</b>	-20.5%	11.1%	13.9%	20.1%	13.8%
<b>Mstar UK All Companies</b>	-22.7%	-3.0%	32.0%		
<b>FTSE All Share</b>	-22.3%	0.0%	44.5%		

## 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

INVRT16

1008

FT