

Ethical Corporate Bond Fund

Quarterly Update from 1 July to 30 September 2008



Exceptional investments, extraordinary world

Fund Facts

Fund Launch Date	02/11/2005	
Fund Manager	Alasdair MacLean (since launch)	
Base Currency	GBP	
IMA Sector	IMA Sterling (£) Corporate Bond	
Benchmark	IMA Sterling (£) Corporate Bond	
Type of Share	Income & Accumulation	
Initial Charge	4.0%	
Annual Management Charge	1.0%	
TER*	1.05%	
Reporting Dates	Interim	Annual
	30 April	31 October
XD Dates	Interim	Annual
	31 January	31 October
	30 April	
	31 July	
Payment Dates	Interim	Annual
Income	31 March	31 December
	30 June	
	30 September	
Valuation Point	7.30am	

Lipper	65012700			
Bloomberg	SLECBRI:LN			
ISIN	GB00BOLD3V9			
SEDOL	Ret Acc	Ret Inc	Inst Acc	Inst Inc
	BOLNNH5	BOLNNJ7	BOLNNK8	BOLNNL9
OBSR Rating	n/a			
S&P Rating	A			
ISA Option	Yes			
PEP Transfers	Yes			
Number of Holdings	66			
Fund Size	£64.01m			
Effective Yield**	Retail 4.76%	Institutional 4.76%		

*TER = ratio of total operating costs to average net assets.

**Yields as at 15 July 2008.

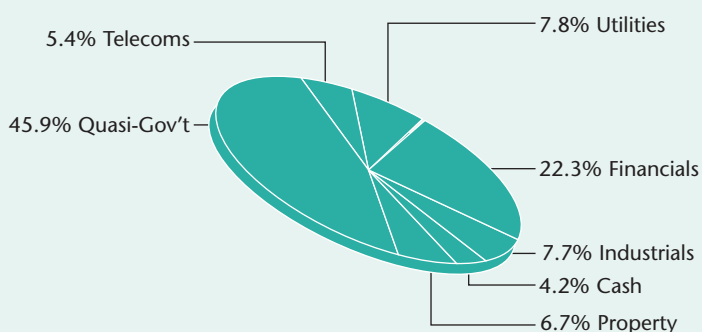
Following changes to the accounting rules funds are required to account for income on bonds on an 'effective yield' basis. Effective yield takes account of all expected cash flows from a bond over its lifetime. This differs from the coupon basis because expected cash flows include, in addition to coupons, any differences which exist between the purchase cost of a bond and its final redemption.

Notes: yields can change on a daily basis. Current yields can be obtained from Standard Life Investments. From 6 April 2005 the CAT standard is only available to existing investors in that share class.

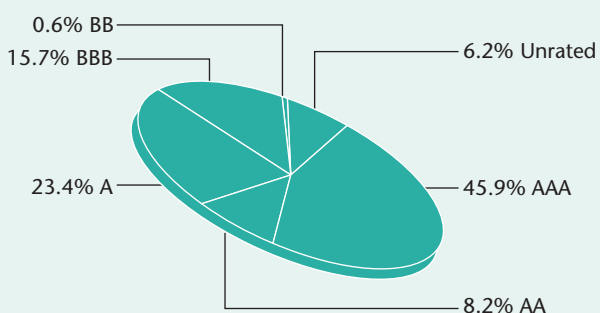
Unless stated otherwise, all information refers to the Retail Accumulation share class.

Fund Holdings as at 30 September 2008

Asset Allocation



Credit Splits



Ten Largest Holdings

Holding	Percentage of Fund
KfW 5.375% 2014	14.3
KfW 5% 2036	5.7
EIB 5% 2039	4.9
EIB 4.5% 2013	4.6
EIB 5.625% 2032	3.5
EIB 5.5% 2025	2.5
KfW 5.625% 2017	2.5
EIB 8.75% 2017	2.0
KfW 5.25% 2012	1.6
Rexam 7.125% 2009	1.6

Quarterly Update (continued)

Investment Strategy & Goal

The objective of the Fund is to provide a high and stable level of income. Capital appreciation is of secondary importance. The investment policy of the Fund is to invest in a portfolio consisting mainly of corporate fixed interest and interest bearing securities that comply with certain ethical criteria. The Fund will also invest in other interest bearing securities anywhere in the world. The Ethical criteria will be agreed with the Standard Life Ethical Committee and may be amended from time-to-time as considered necessary. In addition to excluding such companies which fail to meet the prescribed ethical standards, the ACD will seek to include companies whose business activities are regarded as making a positive contribution in terms of preserving the environment or improving the quality and safety of human life.

Investment Review

- Funding concerns continued to weigh on corporate bond valuations
- Inflationary pressures abated as the focus shifted to slowing economic growth
- Financial spreads over government bonds widened dramatically

Environment

Credit market conditions deteriorated over the quarter, as global recessionary fears gained credence amid a raft of weak economic data. Central banks in the UK and US kept interest rates on hold throughout the period, as inflationary pressures took a back seat to the weakening economic environment. The exception to this was the Euro-zone, where a persistent focus on inflation saw the central bank raising rates by 0.25%.

As the quarter progressed, a stream of negative newsflow from the financial sector undermined corporate bond valuations. The turmoil within the financial sector culminated in two of the largest US financial institutions, Lehman Brothers and Washington Mutual, filing for bankruptcy. In the UK, building society Bradford & Bingley was nationalised, and Lloyds TSB proposed a rescue bid for HBOS. The ongoing freeze within the credit and money markets led to companies struggling to obtain funding, particularly those companies that relied heavily on the commercial paper markets. As the quarter progressed, fears of counterparty risk and banks' balance sheets continued to constrain liquidity and weigh on corporate bond valuations.

Environment (continued)

Consequently, financial spreads over government bonds widened dramatically over the quarter. Against a weakening economic backdrop, defensive sectors performed well, particularly utilities and telecoms, while economically sensitive sectors such as capital goods and basic industries saw lacklustre returns. As the quarter drew to a close, the rejection of the proposed \$700 billion rescue package by US Congress caused even more acute levels of volatility.

Activity

There was limited trading activity over the quarter, although we sold the Fund's sub-investment grade holding in Italian directories company SEAT. We used the proceeds to purchase long-dated debt from the European Investment Bank.

Performance

The Ethical Corporate Bond Fund returned -0.43%, significantly outperforming the sector average return of -3.21%. Our underweight exposure to financial companies relative to the peer group helped performance, as negative sentiment cloaked the financial sector. Also, our preference for AAA-rated debt boosted Fund returns, as investors turned to the safety of highly-rated debt. On the downside, our underweight position in Alliance & Leicester detracted performance, following its purchase by Santander. The Fund's holding in Bradford & Bingley bonds also detracted from returns.

Outlook

The market is likely to remain thin and nervous amid the instability within the financial sector, where a lack of confidence is clearly apparent. The support packages provided so far for individual financial institutions worldwide attempt to allay some of these concerns, with other moves likely. Government markets are beginning to price in the possibility of interest rate cuts by central banks. Investment grade credit spreads are at historically wide levels, however the unprecedented market conditions mean careful selection and analysis is necessary when looking to add risk.

Source: Morningstar performance figures are calculated on a bid-to-bid basis over periods to 30 September 2008.

Past performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Quarterly Update (continued)

Fund Statistics

Alpha	0.19
Beta	0.58
Information Ratio	1.13
Sharpe Ratio	-0.64
Annualised Volatility*	1.16%
R Squared	0.81
Tracking Error**	3.35

All fund statistics have been calculated over a period of 60 months.
Source: Standard Life Investments

*Volatility measures the extent to which the price of a fund has risen or fallen over a particular historic period. Volatility figures are calculated using the standard deviation of a fund's monthly return (with income reinvested) over the most recent 36 month period. Source: Morningstar

**Tracking error is a measure of how closely a fund follows a given index. It is measured as the standard deviation of the difference between the fund and the index returns. As with most measures of risk, it is best looked at in conjunction with the return to fully understand the implications.
Source: Standard Life Investments

Fund 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
-2.6%	-2.9%	-	-	-

The performance has been calculated over the stated periods using bid-to-bid basis for a UK basic rate taxpayer.

Calendar Year to 31 December

Discrete %	Ethical Corporate Bond Fund (%)	Sector Average* (%)	Quartile Ranking
2006**	-1.4	-0.7	4
2007	0.2	-0.2	2
2008***	-4.5	-8.2	1

**from commencement of fund on 2 November 2005

***to 30 September 2008

Cumulative Performance to 30 September 2008

	Ethical Corporate Bond Fund (%)	Sector Average* (%)	Ranking
6 Months	-1.8	-4.8	15/89
1 Year	-2.6	-6.5	14/86
Since Launch	-2.4	-6.2	14/76

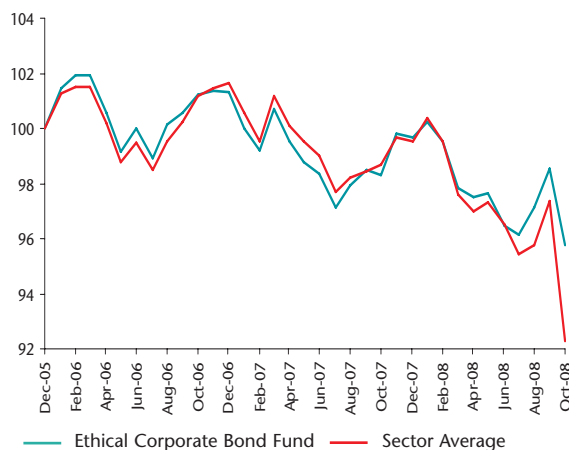
The performance has been calculated over the stated periods to 30 September 2008 using bid-to-bid basis for the UK basic rate taxpayer.

Source: Morningstar

*IMA Sterling (£) Corporate Bond

2 November 2005 to 30 September 2008, Bid-Bid, UK Basic Rate, Based in UK Sterling, Calculation Indexed

Price Indexed



Source: Morningstar

Sector Average is the Mstar (IMA) Sterling (£) Corporate Bond.

Performance shown on a bid-to-bid basis for the UK basic rate taxpayer.

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Contact us

For further information on the Standard Life UK Ethical Corporate Bond Fund contact your Standard Life Consultant.

For more details on our current market views please call the **Investment Market Line on 0845 60 60 062**

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