

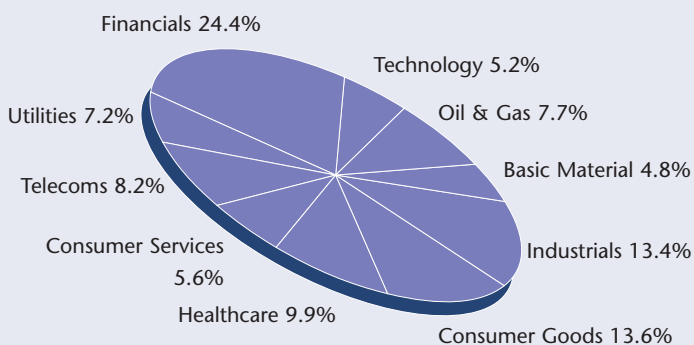
European Fund Quarterly Report 30 September 2008

Fund Profile

The Fund is designed for investors who are looking to obtain a broadly based exposure to European equity markets. The Fund is managed with a thematic approach, focusing on sectoral rather than country asset allocation. 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. 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



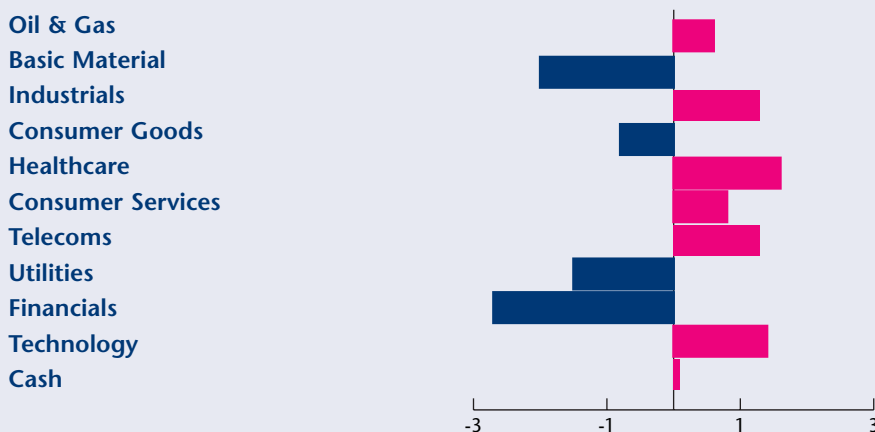
| | |
|-----------------------------|--------------|
| Fund Manager | Kay Eyre |
| Launch Date | July 1988 |
| Current Fund Size | £731.58m |
| ABI Sector | Europe Ex UK |
| No. of Holdings | 50 - 75 |
| Tracking Error Range | 3 - 5% |

| | |
|-------------------|-------|
| Alpha | 0.17 |
| Beta | 0.99 |
| Volatility | 4.77% |

Fund ratios are calculated against the FT World Euro EX UK index. Volatility source: Morningstar.

Volatility is the standard deviation of monthly total returns over the last 36 months.

Sector Positions Relative to the FTSE World Europe Ex UK (%)



| Top Ten Holdings | % |
|-----------------------------------|-------------|
| Assets in top ten holdings | 31.3 |
| Nestle | 4.7 |
| Roche | 3.9 |
| Novartis | 3.6 |
| Siemens | 3.3 |
| Telefonica | 3.3 |
| BNP Paribas | 2.9 |
| Banco Santander | 2.5 |
| Bayer | 2.5 |
| Allianz | 2.3 |
| BBVA | 2.3 |



Environment

European equities suffered further losses over the third quarter, despite making modest gains throughout July and August. Negative newsflow from the global financial sector continued to dominate market movements, against a backdrop of deteriorating economic growth and rising inflationary pressures. Although a fall in commodity prices provided some support, the dramatic events within the US and European financial sectors in September saw markets end the period in sharply negative territory.

Activity

Impressive growth prospects for Switzerland's Temenos Group prompted its addition to the Fund. We also initiated a position in Italian retail bank Intesa Sanpaolo, as it looked set to benefit from a strong positioning within the Italian market and a robust capital base. We sold Wacker Chemie, as weakness in the semiconductor market appeared likely to offset strength within its polysilicon business. In addition, we sold Belgium-based retail group Delhaize, as we anticipated that increased competitive pressures and US consumer weakness would adversely affect the company's trading volumes.

Outlook

Against the backdrop of an increasingly volatile global economy and ongoing credit restrictions, European corporate profitability has remained subdued. Meanwhile, European exports have weakened as the economies of major trading partners decline. We expect to see an increase in corporate activity, with management efforts still focused on restructuring and M&A opportunities. Central bank monetary policy is also likely to play a significant role in future balance sheet strength.

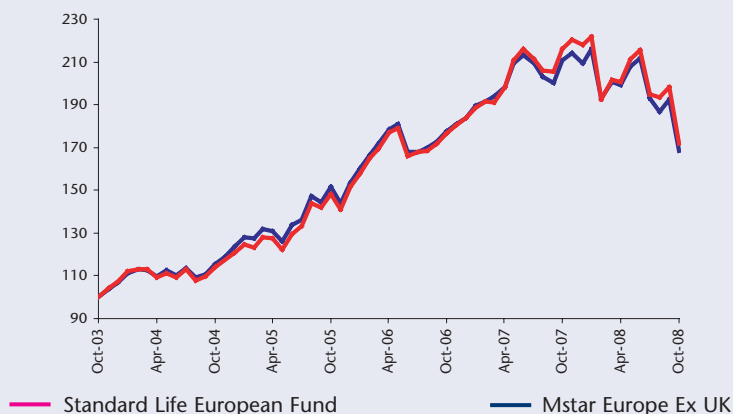
Performance Commentary

During the third quarter of 2008, the unit price of the European Fund fell in value by -11.80%, ahead of the peer group mean return of -12.71% (source: Morningstar).

Our positions in French bank BNP Paribas and Swiss insurer Zurich Financial Services boosted Fund returns, as the companies benefited from their perceived 'safe haven' status among financials. The Fund's underweight exposure to the oil & gas sector

and particularly to Total also proved helpful, as oil prices continued their downward trend. Elsewhere, our preference for Danone was a positive influence, as results showed more resilience for the company's top brands than the market had feared. However, steel tube producer Vallourec detracted from performance, on market concerns over the firm's ability to pass on raw material increases.

Fund Performance - Price Indexed



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 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| -20.3% | 22.1% | 19.2% | 29.8% | 14.2% |

Cumulative Performance

| | 1 Year | 3 Years | 5 Years |
|--------------------|--------|---------|---------|
| Return | -20.3% | 16.0% | 71.9% |
| Mstar Europe Ex UK | -20.1% | 11.3% | 68.6% |

Investment Market Line

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

0845 60 60 062

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

Sources: Morningstar - www.morningstar.com, Datastream 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.

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