

Stock Exchange Fund

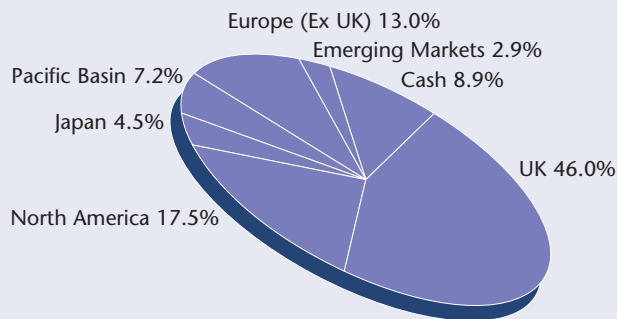
Quarterly Report 30 September 2008

Fund Profile

The Fund is designed for investors who are looking to obtain a broadly based exposure to the global equity markets with a bias towards the UK. 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 markets, sectors and stocks. Asset allocation will reflect the House View set by our Global Investment Group. A broad range of criteria is used in this process such as the Global Macro Framework, Asset Class Inputs and Quantitative Analysis. Based on the House View, markets, sectors and stocks within a portfolio can be described as being Very Heavy, Heavy, Neutral, Light and Very Light relative to the benchmark.

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

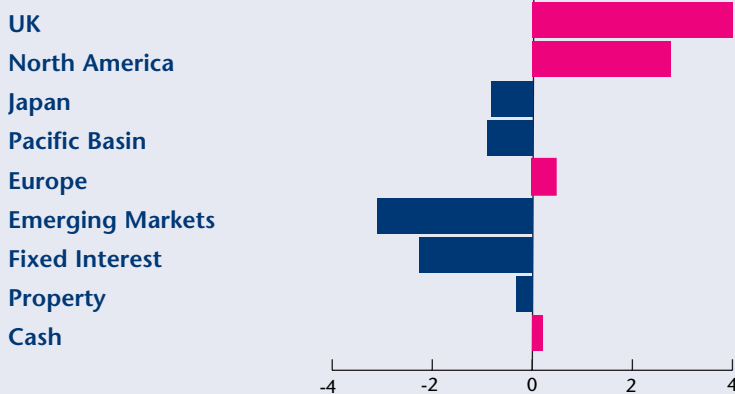


Fund Manager	Matt Savage
Launch Date	May 1986
Current Fund Size	£679.15m
ABI Sector	Stockmarket Managed

Volatility 4.45%

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

Sector Positions Relative to the Lipper Median (%)



Top Ten Holdings

Assets in top ten holdings	%
Assets in top ten holdings	19.7
HSBC	3.5
BP	3.3
Royal Dutch Shell	2.8
Vodafone	2.3
GlaxoSmithKline	2.0
Royal Bank of Scotland	1.3
Barclays	1.3
AstraZeneca	1.3
British American Tobacco	1.0
BAE Systems	0.9



Environment

Global equity markets fell sharply, with severe volatility towards the end of the quarter. Investors had to contend with ongoing concerns over the financial sector, slowing global economic growth and rising inflation, although a fall in commodity prices did provide some relief. In September, events in the global financial sector, including several banking failures, forced immediate intervention by authorities.

Activity

In the UK, we sold British Energy, after an agreed takeover bid from France's EDF. We also took profits in Babcock International and Smiths Group after a strong run of outperformance. Purchases included UK travel company Thomas Cook at an attractive valuation following a positive company meeting and a strong trading outlook for the industry. In Europe, we sold Belgian retailer Delhaize on increased competitive pressures. Turning to the US, bought we healthcare stock Schering Plough, as we were optimistic that resilient cost management would prove the market's fears on the stock to be unfounded.

Outlook

Markets remain subject to bouts of volatility and risk aversion given ongoing problems in financial markets and economic uncertainty. Volatility has provided some valuation opportunities but markets need a resolution to credit concerns and an improvement in the global economy in order for a sustained rally. We continue to focus on bottom-up stock selection, holding our largest positions in those stocks where we feel we have strong insights that are generally unrecognised by the wider market.

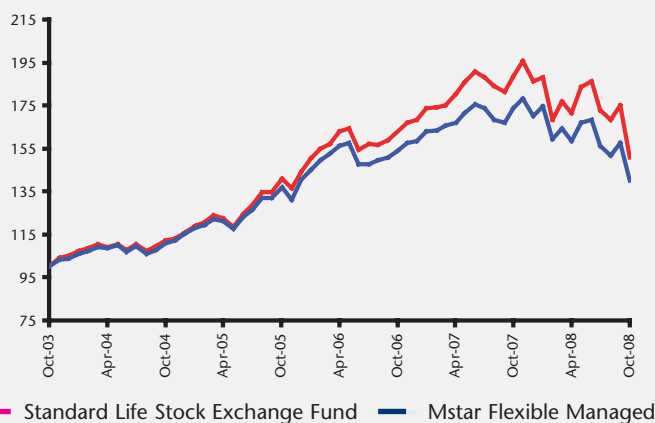
Performance Commentary

During the third quarter of 2008, the unit price of the Stock Exchange Fund fell by -12.79%, compared to the peer group mean return of -10.58% (source: Morningstar).

In the UK portfolio, our holding in miner Xstrata was negative as metal prices fell back. However, this was offset by our underweight positions in Rio Tinto and Eurasian Natural Resources Corp. As oil prices also declined, our holding in Lamprell held back returns.

Within the overseas portfolio, US firm Weatherford International was also hit by the falling oil price, as well as concerns over a global economic slowdown. In Europe, 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



Investment Market Line

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

0845 60 60 062

Performance

Period	Standard Life Stock Exchange Fund	Mstar Flexible Managed
1 Oct 07-30 Sept 08	-20.2%	-19.40%
1 Oct 06-30 Sept 07	15.2%	1.4%
1 Oct 05-30 Sept 06	15.0%	5.8%
1 Oct 04-30 Sept 05	25.3%	48.1%
1 Oct 03-30 Sept 04	11.7%	38.8%

Cumulative Performance

	1 Year	3 Years	5 Years
Fund Return	-20.2%	5.8%	48.1%
Mstar Flexible Managed	-19.40%	1.4%	38.8%

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 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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