

UK Equity Fund

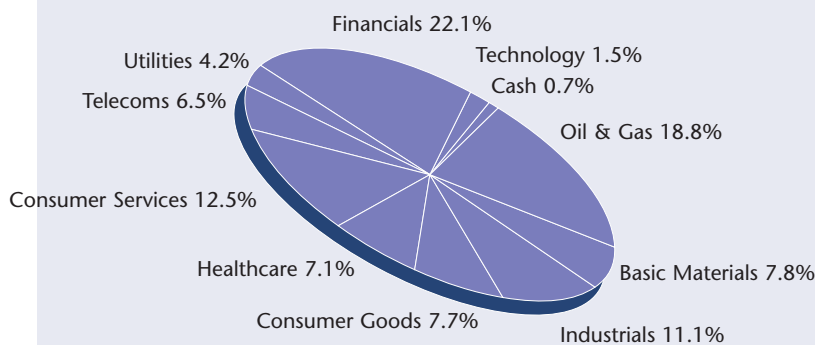
Quarterly Report 30 September 2008

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. 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	Helen Driver
Launch Date	March 1980
Current Fund Size	£2,088.52m
ABI Sector	UK All Companies
No. of Holdings	160 - 240
Tracking Error Range	2% - 2.75%

Alpha	-0.08
Beta	1.05
Volatility	4.69%

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 Positions Relative to the FTSE All Share (%)



Top Ten Holdings	%
Assets in top ten holdings	46.2
BP	9.5
HSBC	7.2
Royal Dutch Shell	6.2
Vodafone	5.2
GlaxoSmithKline	4.8
Royal Bank of Scotland	4.5
Barclays	2.5
British American Tobacco	2.1
BHP Billiton	2.1
Tesco	2.1



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

The fall in base metal prices, in response to a softening global economic outlook, prompted us to reduce our holdings in the mining sector. As a result, we sold Anglo American, BHP Billiton and Vedanta Resources. Elsewhere, we sold support services firm Babcock International after a period of strong outperformance. Purchases included pharmaceuticals giant AstraZeneca following encouraging drug trial data, an improving pipeline and ongoing share buyback programme. We added to travel company Thomas Cook at an attractive valuation following a positive company meeting and a strong trading outlook for the industry.

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

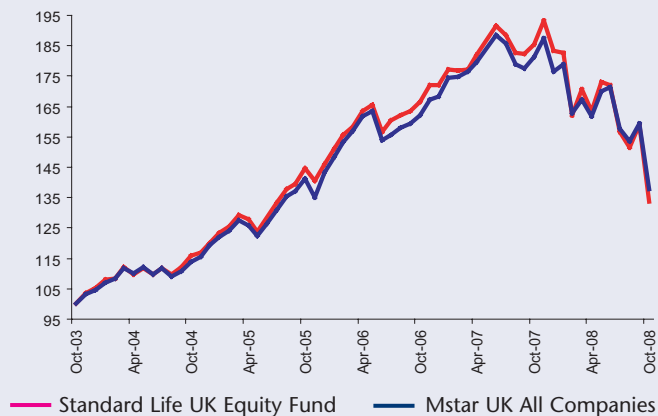
During the third quarter of 2008, the UK Equity Fund returned -14.73%, behind the peer group mean return of -12.98% (source: Morningstar).

Given the ongoing turmoil in the financial markets our holdings in the banking sector had a material impact on performance over the quarter. Bradford & Bingley was

nationalised and its deposit base sold to Spain's Santander, while HBOS accepted a bid from Lloyds TSB. Our holding in miner Xstrata was a negative contributor as the market became increasingly cautious of GDP-sensitive sectors. This was somewhat offset by our underweight holding in Rio Tinto. Meanwhile, a sharp fall in the price of oil from elevated levels was detrimental for our overweight

holding in BP, but supportive of our positions in easyJet, British Airways and Carnival, who benefit from lower fuel costs.

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

	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
	-28.2%	10.9%	14.8%	24.3%	15.4%

Cumulative Performance

	1 Year	3 Years	5 Years
Fund Return	-28.2%	-8.6%	31.2%
Mstar UK All Companies	-29.9%	-2.6%	37.1%

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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