

Standard Life UK Smaller Companies Trust

Trust Update Quarter Ended 31 December 2009



Harry Nimmo

As Investment Director and Head of the UK Smaller Companies Desk for Standard Life Investments, Harry manages the Standard Life UK Smaller Companies Trust. He spent the early years of his career as a Land Surveyor working both in the UK and in Saudi Arabia. In 1984 Harry graduated with an MBA and joined Standard Life Investments the following year. He has held various investment analyst and manager roles covering US equity funds, larger UK quoted company funds and UK equity smaller company funds. In 1997, Harry launched the UK Smaller Companies unit trust as Fund Manager and was appointed to his current role a year later. In July 2001 Harry was awarded the Investment Week UK Smaller Companies Fund Manager of the Year. Harry was appointed Manager of the Standard Life UK Smaller Companies Trust in September 2003 and in 2008 and 2009 he was named 'Citywire Top 100 Fund Manager of the Year'.



Features of the Trust

- The Trust invests in an actively managed portfolio of smaller and mid sized companies in the UK equity market.
- The Trust is designed to produce long term capital growth and outperformance of the Hoare Govett Smaller Companies Index (excluding investment trusts).

Investment Objective

To achieve long term capital growth by investment in UK quoted smaller companies.

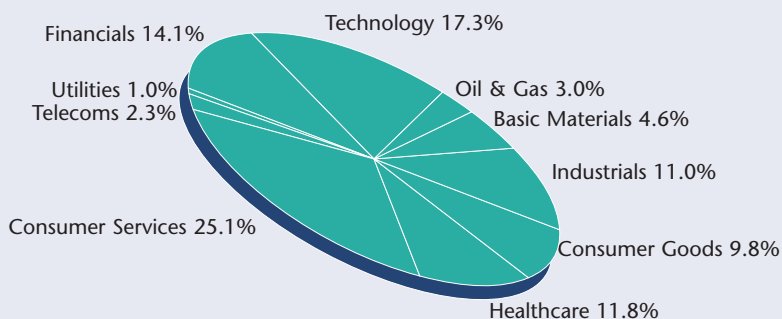
Benchmark

The Extended Hoare Govett Smaller Companies Index (excluding investment trusts).

Trust Managers	Standard Life Investments Limited (Since 01/09/2003)
Gross Assets	£95.88m (31/12/2009 Source: SLI)
Share Price	126.5p (31/12/2009 Source: Thomson Datastream)
Net Asset Value	137.54p (31/12/2009 Source: Thomson Datastream)
Discount	Current: -8.03% (31/12/2009 Source: Thomson Datastream) 12 Month High: -5.61% (Source: Thomson Datastream) 12 Month Low: -17.09% (Source: Thomson Datastream)
Trust Annual Management Fee	0.65% on equity holdings 0.20% on cash holdings

Launch Date	1993
Sedol	0295958
Reuters	SLS.L
Yield (Net)	1.26% (31/12/2009 Source: SLI)
Current Equity Gearing	7.00% (31/12/2009 Source: SLI)
Dividends Annually	October
Note: The level of gearing and yields change on a daily basis.	

Net Assets Breakdown – 31 December 2009



Largest Ten Holdings	Percentage of Total Assets
ASOS	4.8
Abcam	3.9
Paddy Power	3.6
Domino's Pizza	3.3
Telecity Group	2.9
Chemring Group	2.9
Hargreaves Lansdown	2.8
Computacenter	2.7
PZ Cussons	2.6
Fidessa Group	2.6
Assets in largest ten holdings	32.1



Investment Review & Outlook

Review

- UK smaller companies fell back in the final quarter.
- Markets remain choppy on concerns over default in Middle East.
- Corporate news flow continued to improve.

Environment

Despite the broader UK market making gains into the year end, UK smaller companies delivered a negative return for the final quarter of 2009. With global economic data and corporate news flow generally supportive, the market paused for breath in October and November following a strong run. However, while smaller companies underperformed their large cap counterparts over the quarter, they produced a strong performance over the year as a whole. In 2009, the FTSE SmallCap Index returned over 50%, compared to a 30% rise for the blue-chip dominated FTSE All-Share Index.

The market rally continued at the start of October, as companies continued to report

Environment (Continued)

signs of improved trading. For example, results from the US third-quarter earnings season were generally taken positively, with companies such as JPMorgan and Intel beating expectations. In the UK, companies across a range of sectors, including consumer, industrial and financial firms, were more upbeat as trading picked up. However, increased risk aversion caused investors to take profits later in the month. It was a similar story in November, as the market initially started well before giving up gains as concerns over debt problems in Dubai led to a reduced appetite for riskier assets. Smaller companies did rise in December, however, as investors ensured a positive end to the year.

Activity

Purchases during the period included Zambian copper producer First Quantum Mining, following a positive meeting with the company's management. We also bought Axis-Shield, which specialises in doctors' office test kits for ailments mainly related to chronic diseases. Regarding sales, a deteriorating matrix score led us to sell our holding in housing services provider Connaught. Other sales included Redhall Group, as the firm failed

Activity (Continued)

to deliver on the favourable prospects in the nuclear industry, and genetics company Genus, in order to take advantage of other investment ideas.

Outlook

The outlook for UK smaller companies remains positive as confidence in the recovery starts to consolidate, helped by resilient consumer spending over the Christmas period. Monetary policy is set to stay accommodative for some time, helping to further stimulate retail sales and housing market activity. The market should also be supported by evidence of the global economy becoming self-sustaining, while smaller companies should also benefit from continued positive earnings momentum. As the recovery moves forward, we see potential for a rotation from more highly cyclical recovery stocks into high quality, resilient businesses with predictable growth. Our investment process continues to focus on companies that offer robust growth, strong balance sheets, international exposure and strong cash flows.

Performance

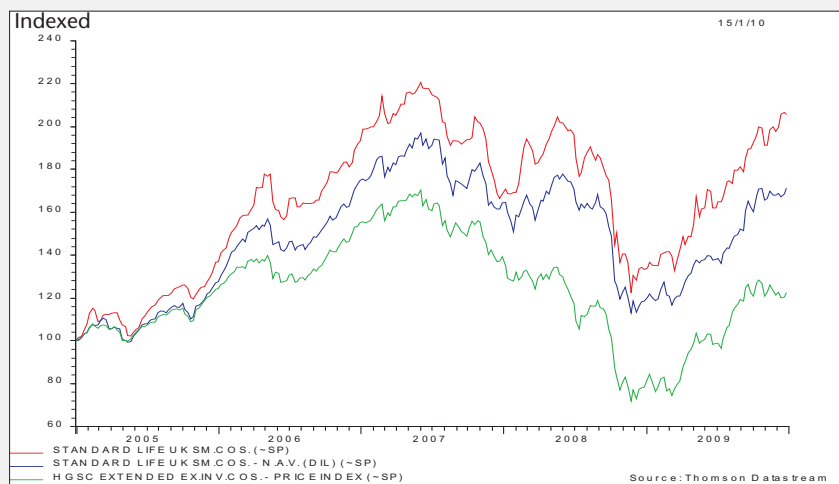
Online retailer Asos, bookmaker Paddy Power and online antibodies distributor Abcam were among the Fund's top performers during the quarter, spurred by resilient trading. Diagnostic testing company Immunodiagnostic Systems Holdings was also positive, after announcing very strong results helped by its increased position in the vitamin D testing market. Soft furnishings retailer Dunelm provided a further boost, given

additional earnings upgrades following a trading statement. On the downside, IT infrastructure firm Computacenter was subject to profit taking. Goals Soccer Centres and recruitment firm Harvey Nash were also weak after announcing lacklustre results.

Performance	Q4 2009 (%)	1 Year (%)	2 Years (%)	3 Years (%)	4 Years (%)	5 Years (%)
SL UK Smaller Companies Trust (Share Price)	8.6	55.7	21.3	7.2	51.5	107.4
SL UK Smaller Companies Trust (NAV)	5.0	45.9	4.0	-1.7	34.8	72.0
HGSC Extended (ex Investment Cos)	-0.1	56.1	-11.1	-20.2	-0.4	23.8

Source: Thomson Datastream - The percentage growth figures above are calculated over periods to 31 December 2009 on a mid to mid basis. Standard Life Investments was appointed to manage the Standard Life UK Smaller Companies Trust in September 2003.

Fund Performance - Price Indexed



Note: Past performance is not a guide to future performance and the value of shares can go down as well as up.

Standard Life Investments Limited, tel. +44 131 225 2345, a company registered in Scotland (SC 123321) Registered Office 1 George Street Edinburgh EH2 2LL.

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Investment Market Line

For more details on our current market views please call:

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