

Far East Fund

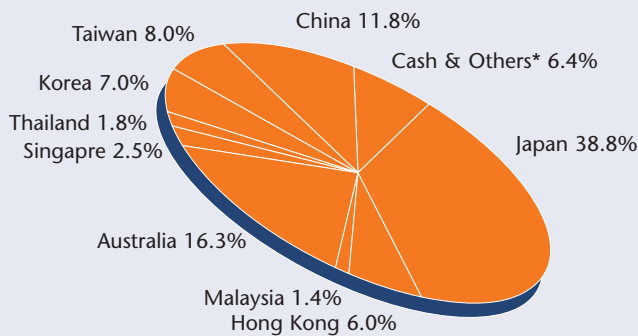
Quarterly Report 31 December 2008

Fund Profile

The Fund is designed for investors who are looking to obtain exposure to both Japanese and Pacific Basin equities. The Pacific portfolio will include areas such as Australia, Hong Kong, Singapore and Korea. 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 company visits, traditional valuation measures and insights into a company's management. 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 31 December 2008



*Others is those countries with assets of less than 1%

Fund Manager	Jacqueline Kerr
Launch Date	March 1987
Current Fund Size	£9.73m
Sector	Asia Pacific Inc Japan

Volatility 13.5%

Volatility source: S&P Micropal. Volatility is the annualised standard deviation of monthly total returns over the last 36 months.

Top Ten Holdings	%
Assets in top ten holdings	16.3
China Mobile	2.3
Toyota Motor	2.2
BHP Billiton	2.1
Samsung Electronics	1.8
Taiwan Semiconductors Manufacturing	1.7
Mitsubishi UFJ Financial	1.6
Takeda Pharmaceutical	1.4
Swire Pacific "A"	1.1
Commonwealth Bank of Australia	1.1
NTT DoCoMo	1.0



Investment Review & Outlook

Environment

Asian markets suffered sharp losses over the fourth quarter. As global growth slowed, Japan officially entered into recession, while the strengthening yen lowered the competitiveness of Japan's major exporters in overseas markets. Chinese equities showed some resilience, however, buoyed by news of the government's significant stimulus package that will see expenditure of \$550 billion on domestic infrastructure. As economic indicators worsened, several of the region's governments responded with interest rate cuts.

Activity

We established a holding in West Japan Railway and added to Mitsui OSK, which we believe will benefit from a reduction in shipping capacity, as competitors scrap more ships and cancel new orders. We also purchased tobacco stock KT&G, as we believe the firm shows robust growth prospects on the back of its premium products and continued export strength. South Korean stock Daewoo Shipbuilding & Marine Engineering was eliminated from the portfolio, as we expect the downturn in the ship building industry to continue.

Outlook

We expect Asian stock markets to be volatile for some time to come, as investors weigh up negative economic newsflow with the constructive effects of government and central bank intervention. Many companies across the Pacific Basin are relatively well capitalised, however, which bodes well for long-term rewards. Undervalued currencies and lower commodity prices should also provide support. In addition, the Japanese market looks reasonably valued, while the balance sheet strength of Japanese companies remains solid compared to western peers.

Performance Commentary

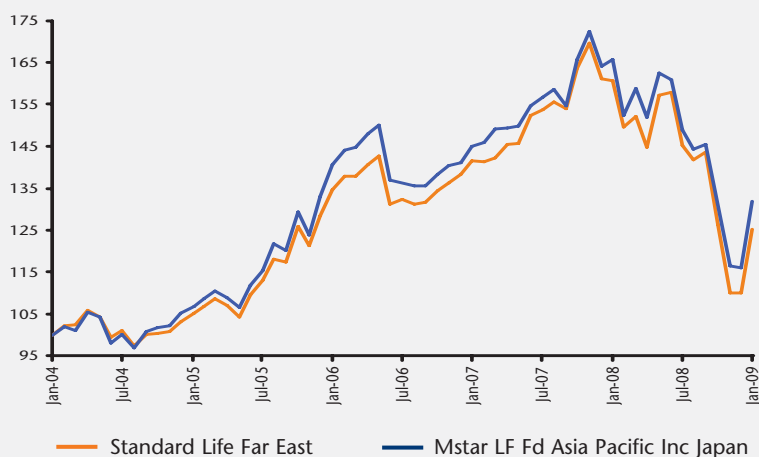
During the fourth quarter of 2008, the unit price of the Far East Fund returned -0.85%, in comparison with the peer group mean return of 0.26% (source: Morningstar).

Performance was undermined by our positions in Japanese auto parts supplier Denso, given the stronger yen and weak consumer demand, and Asahi Glass, due to price pressures in the industry following poor

sales of LCD TVs. Meanwhile, Taiwanese stock MediaTek hurt Fund returns, as investors anticipated a slowdown in the sales of global handsets for which the firm supplies components. On the upside, our positions in various companies within the consumer staples and healthcare sectors made a positive contribution to Fund performance. For instance, Thai convenience store chain CP All

and Chinese medical disposables firm Shandong Weigao both bolstered Fund returns. Elsewhere, Angang Steel and Taiwan Cement benefited from the Chinese government's announcement of various infrastructure-boosting measures.

Fund Performance – Price Indexed



Figures quoted are calculated on a bid to bid basis over periods to 31 December 2008, with net income reinvested and are based on units which contain 1.0% AMC. For the relevant charges on your policy please refer to your policy documentation.

Source: Morningstar and Standard Life Investments.

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

Performance

	1 Jan 08 - 31 Dec 08	1 Jan 07 - 31 Dec 07	1 Jan 06 - 31 Dec 06	1 Jan 05 - 31 Dec 05	1 Jan 04 - 31 Dec 04
Return	-22.0%	13.5%	5.1%	28.1%	5.2%
Mstar Asia Pacific Inc Japan-X%		1 Year	3 Years	5 Years	
		-22.0%	-7.0%	25.3%	
		-20.6%	-6.6%	33.3%	

Investment Market Line

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

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