

# American Equity Unconstrained Fund

## Quarterly Update from 1 January to 31 March 2009



Exceptional investments, extraordinary world

### Fund Facts

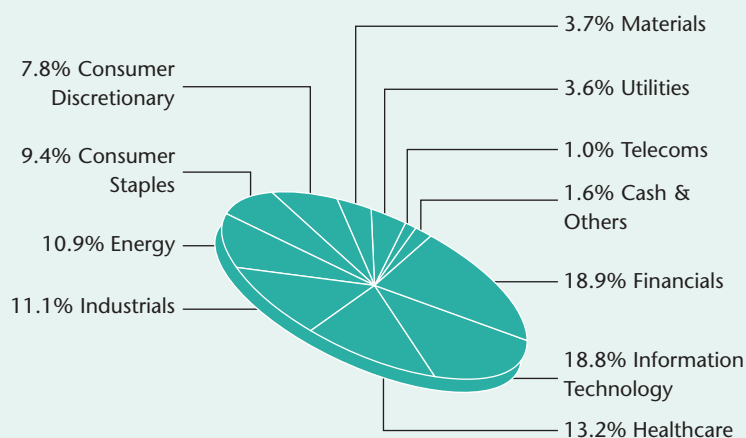
Fund Launch Date	16/11/1998	Lipper	60011496
Fund Manager	Jeff Morris (since January 2007)	Bloomberg	STAEGIR:LN
Base Currency	GBP	ISIN	GB0004483326
IMA Sector	IMA North America	SEDOL	Ret Acc 448332 Ret Inc n/a Inst Acc 448309 Inst Inc n/a
Benchmark	IMA North America	OBSR Rating	n/a
Type of Share	Accumulation	S&P Rating	A
Initial Charge	4.0%	ISA Option	Yes
Annual Management Charge	1.5%	PEP Transfers	Yes
TER*	1.6%	Number of Holdings	82
Reporting Dates	Interim 31 August Annual 28 (29) February	Fund Size	£9.81m
XD Dates	Interim n/a Annual 28 (29) February		
Payment Dates	Interim n/a Annual 30 April		
Valuation Point	7.30am		

\*TER: ratio of total operating costs to average net assets.

Unless stated otherwise, all information refers to the Retail Accumulation share class.

### Fund Holdings as at 31 March 2009

#### Economic Allocation



#### Ten Largest Holdings

Holding	Percentage of Fund
Exxon Mobil	4.7
JPMorgan Chase	3.0
Google	2.8
Monsanto	2.4
Apple	2.3
State Street	2.0
Qualcomm	2.0
Hewlett Packard	1.9
Gilead Sciences	1.9
Lorillard	1.9

## Quarterly Update (continued)

### Investment Strategy & Goal\*

The Fund aims to provide capital appreciation investing in a portfolio of mainly US equities. Holdings are concentrated in mid to large capitalisation companies and the number of stocks held currently ranges between 40-100, to allow a focused investment approach whilst ensuring proper diversification. Value is added through our superior 'focus on change' stock selection process, which is accomplished through our commitment to disciplined in-house research and leveraging insights from our integrated global platform. Our fundamental research orientation emphasises thorough industry knowledge, detailed on-going financial analysis, and management interviews to identify those companies offering the best investment opportunities. The aim is for investment performance to be consistently above the average Fund in the IMA North America sector for periods of up to one year, and to be top quartile for all longer periods.

### Investment Review

- US equities suffered sharp falls over the first quarter, despite rallying in March
- The US government actively pursued policies designed to bolster the ailing economy
- Economic data was largely negative, although some encouraging signs appeased investors towards the end of the period

#### Review

Following the turmoil of 2008, the first quarter of 2009 brought scant relief for US equity investors. A slew of negative economic newsflow, weak corporate earnings reports and ongoing doubts over the financial sector led share prices lower over January and February. However, March saw US equities deliver a positive performance, in line with their global counterparts, as the new US administration outlined radical quantitative easing plans aimed at boosting the flagging economy.

The economic backdrop was unsupportive throughout the period, prompting the US Federal Reserve to keep interest rates on hold at the 0 to 0.25% range. Investors remained sceptical towards the effectiveness of policy moves to stabilise and stimulate the economy, as poor fourth-quarter earnings results clouded US equity performance well into February. Most forward-looking statements were also subdued, reflecting the struggle for companies' management teams in gauging the extent of the problems facing their industries.

In March, investors became tentatively optimistic towards the prospects of a recovery, on news that US manufacturing output had increased and retail sales were less anaemic than anticipated. However, this encouraging picture was tempered by negative data, including a revised down fourth-quarter GDP figure, plunging auto sales and weak industrial production. Financial stocks rebounded late in the month after several US banks reported an unexpectedly profitable start to 2009.

#### Review (continued)

The US Treasury's plan to cleanse bank balance sheets and spur the securitisation market also helped share prices advance.

#### Activity

We initiated a position in State Street, believing that the market had fully priced in the risk of a potentially dilutive capital raising. Elsewhere, we purchased agricultural machinery company Deere & Co., in order to increase the Fund's holdings within the industrial sector. Greater confidence in the sustainability of grain prices also contributed to our decision. We trimmed our position in News Corp., as we believed the firm would be negatively affected by media companies' plans to reduce their advertising expenditure. Finally, we were concerned over the prospects for natural gas prices, given rising shale productivity and the growing risk from imported liquefied natural gas (LNG). This prompted us to reduce the Fund's position in EOG Resources.

#### Performance

The American Equity Unconstrained Fund returned -5.46% over the quarter, outperforming the IMA sector average return of -7.18%.

Our overweight position in pharmaceutical company Genentech boosted Fund returns, as its share price climbed following Roche's acquisition of its remaining stake in the firm. Holding copper miner Freeport-McMoRan also helped performance. The stock advanced amid signs that copper prices had begun to stabilise, as global inventories started to level off. The firm's successful equity raising also sent its share price higher. Elsewhere, MasterCard performed well, helped by evidence of solid earnings that demonstrated the firm's ability to adjust its cost base amid a slowing revenue growth environment.

#### Performance (continued)

On the downside, performance was hampered by US Bancorp, which was dragged down along with its banking peers following earnings reports that revealed a less solid capital footing than investors had expected. A similar rationale undermined our position in Fifth Third Bancorp. Our holding in Orbital Sciences also hurt returns, amid investor concerns over the funding of missile defence programmes.

#### Outlook

The squeeze on US corporate margins looks set to continue, in turn exacerbating the already high levels of unemployment, as consumers face ongoing pressures to household budgets. There is also persistent uncertainty around the extent of the housing sector downturn. However, if the Federal Reserve's policies are successful in triggering a marked reduction in mortgage costs, the US housing market may well stabilise. This will be essential in ensuring a sustained upturn in investor confidence. More generally, the US equity market is supported by relatively low valuations, and by policymakers' proactive approach to monetary and fiscal stimulus.

\*For full details of the fund's objective, policy and investment and borrowing powers please refer to the full prospectus.

Source: Morningstar performance figures are calculated on a bid-to-bid basis over periods to 31 March 2009

Past performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

## Quarterly Update (continued)

### Fund Statistics

Alpha	0.03
Beta	0.99
Information Ratio	0.06
Sharpe Ratio	-2.90
Annualised Volatility*	18.97%
R Squared	0.92
Tracking Error**	4.20

All fund statistics have been calculated over a period of 60 months.

Source: Standard Life Investments

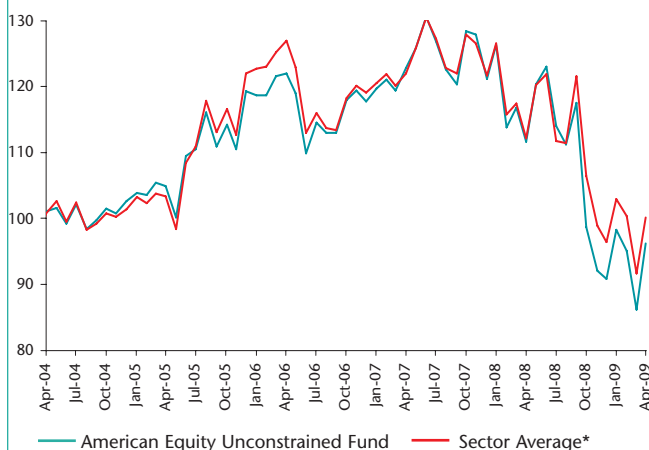
\*Volatility measures the extent to which the price of a fund has risen or fallen over a particular historic period. Volatility figures are calculated using the standard deviation of a fund's monthly return (with income reinvested) over the most recent 36 month period. Source: Morningstar

\*\*Tracking error is a measure of how closely a fund follows a given index. It is measured as the standard deviation of the difference between the fund and the index returns. As with most measures of risk, it is best looked at in conjunction with the return to fully understand the implications.

Source: Standard Life Investments

### 1 April 2004 to 31 March 2009, Bid-Bid, UK Basic Rate, Based in UK Sterling, Calculation Indexed

#### Price Indexed



Source: Morningstar

\*Sector Average is the Mstar (IMA) North American Sector.

Performance shown on a bid-to-bid basis for the UK basic rate taxpayer.

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### Fund Performance

1 Apr 08- 31 Mar 09	1 Apr 07- 31 Mar 08	1 Apr 06- 31 Mar 07	1 Apr 05- 31 Mar 06	1 Apr 04- 31 Mar 05
-16.8%	-8.3%	1.5%	17.2%	4.9%

The performance has been calculated over the stated periods using bid-to-bid basis for a UK basic rate taxpayer.

#### Calendar Year

Discrete %	American Equity Unconstrained Fund (%)	Sector Average* (%)	Quartile Ranking
2004	1.7	1.2	2
2005	14.2	18.5	4
2006	0.8	-1.3	2
2007	5.5	4.5	3
2008	-22.2	-18.5	3
2009**	-5.5	-7.2	2

\*\* to 31 March 2009

#### Cumulative Performance to 31 March 2009

	American Equity Unconstrained Fund (%)	Sector Average (%)*	Ranking
6 Months	-5.9	-10.5	13/81
1 Year	-16.8	-15.0	54/79
3 Years	-23.8	-23.6	35/68
5 Years	-8.0	-3.6	39/62
Since Launch	-21.7	-8.4	33/43

The performance has been calculated over the stated periods to 31 March 2009 using bid-to-bid basis for the UK basic rate taxpayer.

Source: Morningstar

\*IMA North America Sector

### Contact us

For further information on the Standard Life American Equity Unconstrained Fund contact your Standard Life Consultant.

For more details on our current market views please call the Investment Market Line on 0845 60 60 062

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