

Corporate Bond Fund

Quarterly Report 30 September 2008

Fund Profile

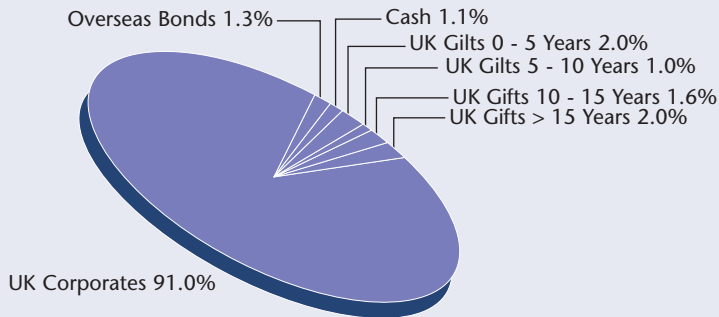
The fund aims to provide returns from a combination of income and capital growth by investing predominantly in the UK corporate bond market. The fund is actively managed by our investment team who may also invest a proportion of assets in other fixed interest securities (e.g. overseas bonds and gilts) and/or money market instruments to try to take advantage of opportunities they have identified.

The value of investments within the fund can fall as well as rise and is not guaranteed – you may get back less than you pay in.

The fund may use derivatives for the purposes of efficient portfolio management or to meet its investment objective.

The sterling value of overseas assets held in the fund may rise and fall as a result of exchange rate fluctuations.

Composition of Portfolio as at 30 September 2008



Fund Manager	Craig MacDonald
Launch Date	March 2001
Current Fund Size	£2,139.14m

Yield	7.03%
Duration	6.51
Volatility	1.03%

Volatility source: Morningstar.

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

Composition of Portfolio by Credit Rating

Ratings Breakdown %	
A	26.9
AA	24.2
AAA	31.6
B	0.2
BB	0.4
BBB	16.6
CC	0.0
CCC	0.0
N/R	0.1

Source: S&P

Top Ten Holdings	%
Assets in top ten holdings	14.5
EIB 4.8750%	2.5
EIB 6% 2028	2.2
KfW 5.25% 2012	1.5
EIB 5.375% 2021	1.3
UK (Govt of) 5% 2012	1.2
KfW 4.75% 2010	1.2
Svenska Handelsbanken 5% Perpetual	1.2
KfW 6% 2028	1.2
Bank of America 7% 2028	1.1
BNP 6.125% 2011	1.1



Environment

Conditions in the corporate bond market deteriorated, as global recession fears gained credence amid weak economic news. A stream of negative news from the financial sector undermined the market. The turmoil within the financial sector culminated in two of the largest US financial institutions, Lehman Brothers and Washington Mutual, filing for bankruptcy. Consequently, financial spreads over government bonds widened dramatically. Defensive sectors performed well, particularly utilities and telecoms, while economically sensitive sectors such as capital goods saw lacklustre returns. The rejection of the proposed \$700 billion rescue package by US Congress caused even more acute levels of volatility.

Activity

We used new cashflows to increase the Fund's exposure to high quality names, and also added to our holdings in government bonds to further reduce risk. We took advantage of the generous premiums paid by companies issuing new debt by purchasing senior debt from Bank of America and Royal Bank of Scotland. We also increased our exposure to defensive names by buying bonds from utility company Scottish and Southern Energy, and Imperial Tobacco. To fund these purchases, we took profits from strongly-performing names such as Tesco and Yorkshire Power.

Outlook

The market is likely to remain thin and nervous amid the instability within the financial sector, where a lack of confidence is clearly apparent. The support packages provided so far for individual financial institutions worldwide attempt to allay some of these concerns, with other moves likely. Government markets are beginning to price in the possibility of interest rate cuts by central banks. Investment grade credit spreads are at historically wide levels, however the unprecedented market conditions mean careful selection and analysis is necessary when looking to add risk.

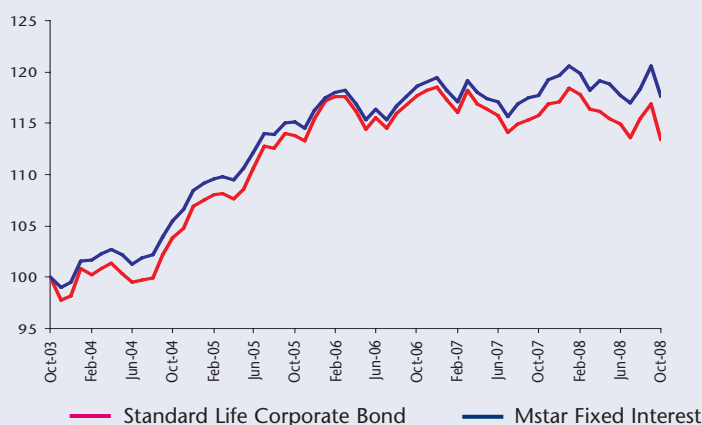
Performance Commentary

During the third quarter of 2008, the Corporate Bond Fund returned -0.24%, comfortably outperforming the peer group mean return of -3.51% (source: Morningstar). We maintained our underweight position in US brokers over the quarter, which boosted

relative returns. In particular, our lack of exposure to Lehman Brothers and Washington Mutual was positive as both companies filed for bankruptcy. Our underweight positions in AIG and Bradford & Bingley were also positive for relative performance. On the downside,

the squeeze on the UK consumer affected our position in Enterprise Inns, while negative sentiment towards Wachovia impacted our holdings in the company. However, the subsequent bidding battle for Wachovia by Citigroup and Wells Fargo helped this position.

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
-2.1%	-1.6%	3.4%	9.7%	3.9%

Cumulative Performance

	1 Year	3 Years	5 Years
Fund Return	-2.1%	-0.4%	13.4%
Mstar Fixed Interest	-5.7%	-3.7%	8.9%

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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