

Fixed Interest Fund

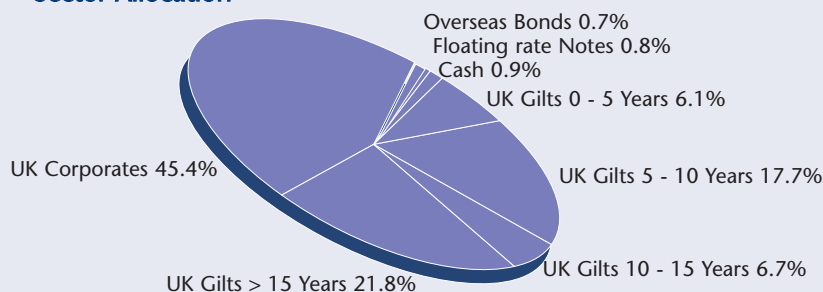
Quarterly Report 31 March 2009

Fund Profile

The fund aims to provide long term growth mainly from the reinvestment of income generated by investing predominantly in UK fixed interest securities such as gilts and corporate bonds. The fund is actively managed by our investment teams who may also invest a proportion of assets in other fixed interest securities (e.g. overseas bonds) 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, reduction of risk or to meet its investment objective if this is permitted and appropriate. 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 31 March 2009

Sector Allocation



Fund Manager	Philip Laing
Launch Date	March 1980
Current Fund Size	£491.56m
ABI Sector	UK Fixed Interest

Yield	5.7%
Duration	7.8
Volatility	5.2%

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 %	
Aaa	40.9%
Aa1	2.2%
Aa2	3.2%
Aa3	2.3%
A1	1.3%
A2	0.4%
A3	2.4%
Baa1	1.6%
Baa2	1.3%
Baa3	0.7%
Ba1	0.0%
Ba2	0.0%
Ba3	0.0%
B1	0.1%
B2	0.1%
B3	0.0%
Caa1	0.0%
NR	13.7%
NA	29.9%

NR may include cash

Source: Moody's

Top Ten Holdings	%
Assets in top ten holdings	31.3
UK (Govt of) 8% 2021	4.9
UK (Govt of) 4.75% 2038	3.3
UK (Govt of) 4.5% 2013.	3.3
UK (Govt of) 4.25% 2032	3.2
UK (Govt of) 5% 2014	3.1
UK (Govt of) 4% 2016	2.9
UK (Govt of) 4.5% 2042	2.8
UK (Govt of) 5% 2018	2.7
Royal Bank of Scotland 4.1% 2011	2.6
UK (Govt of) 4.25% 2055	2.5



Environment

Government bond markets experienced acute volatility in the first quarter, as the positive momentum from rate cuts began to fade in the face of higher levels of government supply. Early on, further government support for the banking sector led to increased fears about the scale of the UK fiscal deficit as well as the overall credit rating of the UK. Repeated bond auctions began to weigh upon the gilt market, with only shorter-dated bonds supported as the Bank of England gradually lowered rates from 2% to 0.5%. The Bank also announced a package of buyback measures totalling up to £150 billion, mainly focused upon the 5- to 25-year section of the yield curve. This prompted a significant market rally as well as considerable dislocation on the yield curve. Meanwhile, corporate bonds posted negative returns in the

Environment (Continued)

first quarter, and credit spreads, particularly of financial debt, remained elevated. Liquidity in the secondary market also remained constrained.

Activity

We reduced our overweight position in bonds with a maturity of five and twenty years, and added to our holdings in 10-year issues when the government announced its quantitative easing (QE) plans. We also lengthened the duration of the Fund, in anticipation of a strong rally prompted by QE. Later in the quarter, we increased our exposure to ultra-long gilts. In addition, we took advantage of attractively-priced new issues, by purchasing bonds from pharmaceutical company Roche, Imperial Tobacco, Unilever, utility Scottish & Southern Energy and publisher Pearson.

Activity (Continued)

We also bought lower tier 2 debt issued by French bank Crédit Agricole. These purchases were mainly financed by reducing our gilt holdings and from the proceeds of maturing corporate bonds.

Outlook

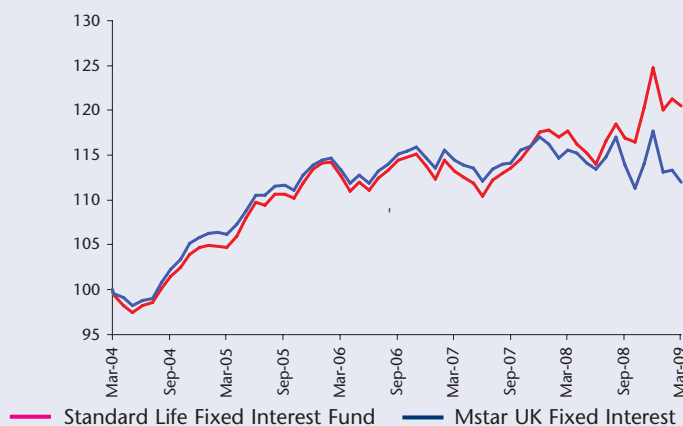
With UK interest rates approaching zero, the scale of the QE programme is highly significant for the gilt market. The scheme looks set to dominate the gilt market over the summer, and should lead to lower yields and a resilient performance from bonds. However, significant support from the Bank of England remains essential for a sustainable upturn in the economy. In the wider bond market, the lack of liquidity remains a considerable problem. Investment grade credit is priced to reflect a protracted recession and soaring defaults, and therefore offers value on a longer-term basis.

Performance Commentary

The Fixed Interest Fund returned -2.77% during the fourth quarter of 2008, ahead of the peer group mean return of -3.19%. (source: Morningstar). Within gilts, performance benefited from overweight positions in short and long-dated bonds. In general, our duration positions were also positive, although we suffered from some

profit taking when the QE rally went into reverse. Within credit, an underweight position in subordinated bank and insurance company debt was helpful, after large losses from RBS and Lloyds. However, the Fund's overweight in senior bank debt was negative, particularly our holdings in longer-dated bonds from Citibank.

Fund Performance - Price Indexed*



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
2.8%	3.5%	0.2%	7.2%	4.9%

Cumulative Performance*

	1 Year	3 Years	5 Years
Fund Return	2.8%	6.6%	19.9%
Mstar UK Fixed Interest	-2.7%	3.3%	14.1%

Investment Market Line

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

0845 60 60 062

Figures quoted are calculated on a bid to bid basis over periods to 31 March 2009, 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.

This communication is intended for investment professionals only and must not be relied on by anyone else.

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

The Standard Life Investments group includes Standard Life Investments (Mutual Funds) Limited, SLTM Limited, Standard Life Investments (Corporate Funds) Limited and SL Capital Partners LLP. Standard Life Investments Limited acts as Investment Manager for Standard Life Assurance Limited and Standard Life Pension Funds Limited.

Standard Life Investments may record and monitor telephone calls to help improve customer service. All companies are authorised and regulated by the Financial Services Authority.

©2009 Standard Life Investments. www.standardlifeinvestments.com

INVRT31 0409

FP