

Pension Funds February 2010

Investment update

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

Key issues

- Risk assets still offer value, although investors should prepare for further economic and market volatility over the next year.
- The economic recovery in 2010 will be moderate by past standards, with the gap between faster and slower growing countries becoming more noticeable.
- In the current low interest rate environment, corporate bonds, equity income and property yield are attractive sources of income.

Investment Indices

Annual growth up to 01/02/10	%
FTSE All-Share Index*	33.2
FTSE World Europe ex UK Index*	31.3
FTSE World ex UK*	26.4
FTA Brit Govt 5 - 15 years Index	4.0
S & P 500 Comp (USA) Index	19.8
FTSE World USA*	20.6
FTSE 100 Index*	30.4
Hang Seng (Hong Kong) Index	40.3
MSCI SM Brazil Index	75.1

Source: Standard Life Investments

Note

Growth figures for Investment Indices include reinvested income, and are expressed in sterling.
For comparison purposes these figures do not allow for any charges and dealing costs.

Total Investment Funds under management as at 1 February 2010: £30,944,830,902.

Daily prices for these funds can be found on our website:

www.standardlifeinvestments.co.uk

Notes

- Further product information is available from your local Standard Life office.
- Performance figures are calculated on a gross basis over periods to February 2010. They do not allow for any charges which may be deducted.
- Source: Standard Life Investments.
- With regard to past performance figures, it is important to remember that past performance is not a guide to future performance and the value of units can go down as well as up. The sterling value of any overseas assets held in these funds can rise and fall as a result of exchange rate fluctuations.
- * The FTSE All-Share Index®, FTSE All-Share Index and FTSE World Europe ex UK Index are calculated solely by FTSE International Limited. FTSE International Limited does not sponsor, endorse or promote this product. All copyright in the index values and constituent list vests in FTSE International Limited. Standard Life Investments Limited has obtained full licence from FTSE International Limited to use such copyright in the creation of this product. "FTSE™", "FT-SE®" and "Footsie®" are trade marks of Exchange and FT and are used by FTSE International Limited under licence. "FTSE All-Share is a trade mark of FTSE.

These funds may only be accessed through policies issued by Standard Life Assurance Limited.



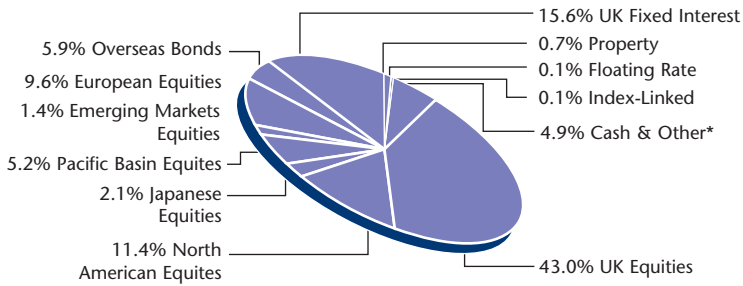
Annualised Growth (gross of annual management charge)

	Size of Fund (£'000)	Over past 1 year % pa	Over past 2 years % pa	Over past 3 years % pa	Over past 4 years % pa	Over past 5 years (*or since launch) % pa	Over past 10 years % pa	Over past 15 years % pa
Managed	13,960,930	23.7	1.8	0.6	3.0	7.0	3.5	7.2
Cautious Managed	1,462,247	17.0	4.4	2.9	4.1	6.8	4.3	n/a
Protection	469,306	5.7	5.2	6.1	3.5	5.0	5.4	n/a
Stock Exchange	901,430	31.7	3.4	1.3	4.2	8.7	3.8	7.6
International	340,660	28.4	3.1	1.7	3.5	8.1	2.5	5.7
UK Equity	2,209,330	34.9	-2.4	-4.2	0.1	4.6	2.4	7.6
Cash	902,836	0.7	2.7	3.8	4.0	4.2	4.4	5.0
North American	621,680	20.9	3.9	1.0	1.7	4.4	-0.1	6.4
Far East	144,900	39.9	4.4	4.6	3.9	9.8	2.4	3.9
Japanese	140,887	5.1	-2.9	-6.7	-7.4	0.6	-6.0	-1.2
Pacific Basin	152,244	58.4	7.3	10.5	10.5	14.5	7.1	6.7
European	755,585	23.2	0.2	0.6	4.5	10.1	3.0	7.6
Fixed Interest	503,873	12.7	7.5	6.8	4.8	5.7	6.4	7.6
Property**	972,876	6.0	-8.9	-10.8	-4.4	-0.4	5.7	7.7
Sterling	936,041	4.8	3.0	3.8	4.1	4.3	4.6	n/a
FTSE®* Tracker	618,640	32.7	0.0	-2.3	1.4	5.6	2.3	n/a
Ethical	317,429	32.2	-0.2	-3.2	2.4	6.1	4.4	n/a
Index-Linked	882,492	8.2	4.1	7.2	4.9	6.3	6.3	7.9
Global Equity (50:50)	442,708	30.8	0.4	-1.1	1.9	6.7	n/a	n/a
Corporate Bond	3,746,475	18.2	6.7	5.3	3.8	5.0	n/a	n/a
Overseas Tracker One	61,189	19.4	0.8	-0.2	1.0	5.4	n/a	n/a
US Equity Tracker One	145,176	17.1	1.9	-0.4	0.2	3.9	n/a	n/a
European Equity Tracker One	84,328	25.0	-2.8	-1.3	2.9	7.6	n/a	n/a
Global Equity (50:50) Tracker One	173,707	26.3	0.6	-1.1	1.3	5.6	n/a	n/a
UK Equity Select One	56,514	34.4	-0.2	-1.3	2.9	7.4	n/a	n/a
Cautious MoM	25,786	19.0	0.7	-0.3	1.7	4.3	n/a	n/a
Balanced MoM	81,024	22.7	-0.7	-2.3	0.8	4.9	n/a	n/a
Global Equity MoM	33,012	24.3	-0.7	-3.5	-0.4	4.7	n/a	n/a
UK Equity MoM	85,337	24.7	-2.4	-5.1	-0.1	4.4	n/a	n/a
Overseas Equity MoM	17,044	23.4	-0.0	-2.6	-1.2	4.5	n/a	n/a

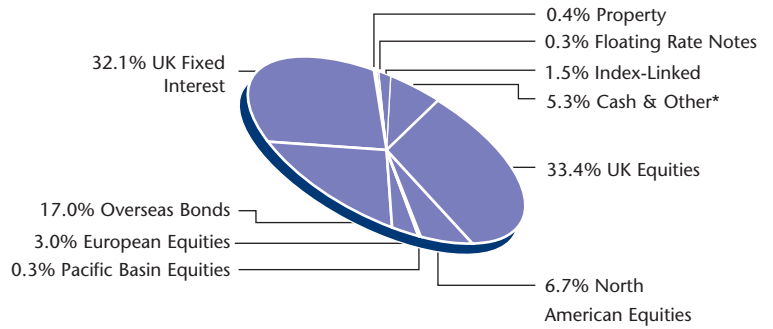
- Performance figures are calculated on a gross basis over periods to 1 February 2010.
- The size of the fund reflects the total overall value of the assets within each underlying fund.
- Not all of the above funds are open for all types of contracts.
- Source: Standard Life Investments

** Figures quoted include the change in pricing to minimum valuation basis in August 2007.

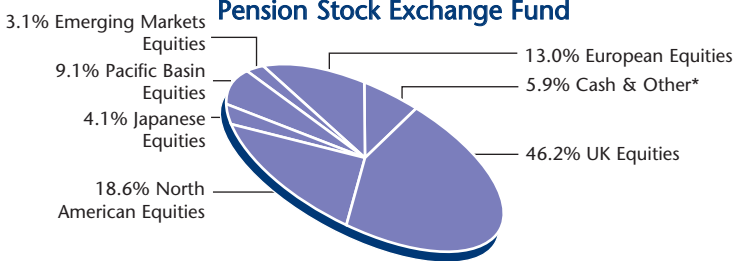
Pension Managed Fund



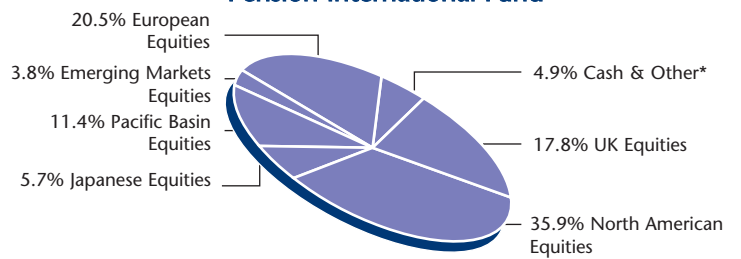
Pension Cautious Managed Fund



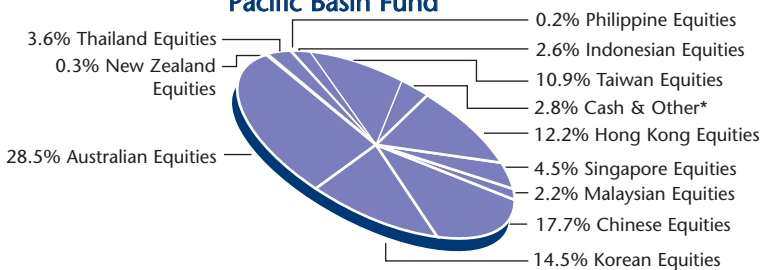
Pension Stock Exchange Fund



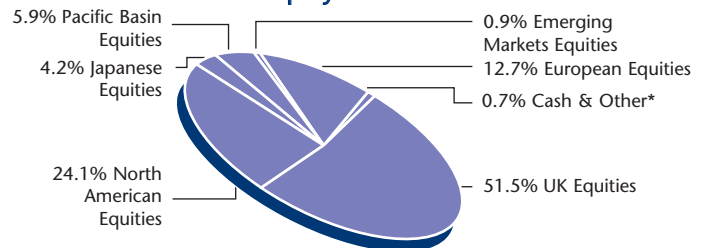
Pension International Fund



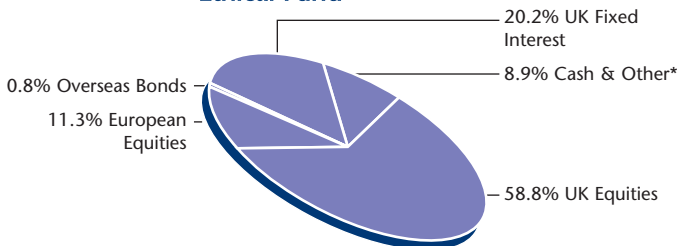
Pacific Basin Fund



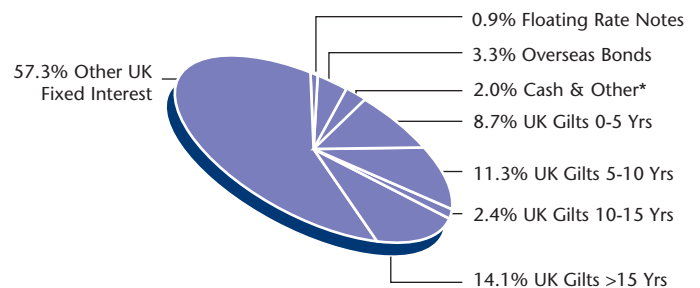
Global Equity 50:50 Fund



Ethical Fund



Fixed Interest Fund



*"Cash and Other" for example, may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs) and allowances for tax, dividends and interest due if appropriate.

Risk	The Global Investment Group has concluded that portfolios will take on moderate levels of risk, focusing on assets with high, yet sustainable, yield and looking for relative value opportunities in view of continued economic and market volatility.	
Government Bonds		
US Treasuries	Yields look relatively attractive against the backdrop of muted inflation pressures and a still vulnerable housing market which will limit any interest rate increases this year.	HEAVY
European Bonds	Still well supported by an environment of moderate economic growth and restrained inflation, especially the lagged effect of the euro appreciation delaying ECB tightening.	HEAVY
UK Gilts	Concerns about the economy's fiscal position and likely sizeable gilt supply in the years ahead make us cautious relative to other Western markets.	NEUTRAL
Japanese Bonds	Low Japanese government bond yields mean this asset class is increasingly being used as a funding source for other investments including other government bond markets.	NEUTRAL
UK Inflation Linked debt	There are inflation risks in the medium term from central bank quantitative easing, but valuations of inflation-proofed debt need to be examined carefully.	NEUTRAL
Corporate Bonds		
Investment Grade	Valuations have moved to less extreme levels but spreads over government bonds are still historically wide. Improving corporate cash flow signals a peak in bond default rates in early 2010.	VERY HEAVY
High Yield Debt	Attractive carry basis but investors need to be very aware of selective default risk. The House View has a modest preference for US bonds over European bonds because of anticipated defaults.	NEUTRAL
Equities		
US Equities	Supported by improving corporate cash flow into 2010 on the back of strict cost control but the upside is limited by the consumer debt and housing market overhangs restraining domestic demand.	NEUTRAL
European Equities	Profitability is restrained by less cost cutting than is taking place in the US and UK, plus the impact of euro appreciation, albeit some firms are supported by their exposure to emerging market economies.	LIGHT
Japanese Equities	Exposure to the Asian and US economies is offset by very weak domestic dynamics and tighter fiscal policy; government action has been unsuccessful so far in stimulating consumer spending or ending deflation.	LIGHT
UK Equities	The market can make headway supported by valuations and the benefits of sterling's depreciation on overseas earnings, but faces headwinds from weak real income growth and fiscal tightening.	NEUTRAL
Developed Asian Equities	Cautiously selective on Asian economies benefiting from strong Chinese growth, but wary of inflation pressures building in some countries unless central banks take firm action to dampen liquidity.	NEUTRAL
Emerging Market Equities	Some are benefiting from the upturn in commodity demand and upgrades to sovereign debt ratings. Others still face external financing problems awaiting a strong recovery in export growth.	NEUTRAL
Property		
UK Asian	Selectively Heavy in prestige properties, logistics and cities with clear supply constraints but cautious about the risks of forced selling by commercial banks.	HEAVY
European US	Valuations remain unattractive plus an overhang of property debt is held by the commercial banks.	LIGHT
Other Assets		
Foreign Exchange	Interest rate differentials and political drivers are becoming more important differentiations of global capital flows.	Heavy \$ and £ vs Light € and ¥
Global Commodities	Strong demand for industrial commodities, led by infrastructure projects in emerging economies, but oil and soft commodities will eventually see new supply come on stream.	NEUTRAL
Cash		
	Central banks in the major economies will keep monetary policy very loose well into 2010 as inflation pressures remain weak due to excess capacity and high levels of unemployment.	VERY LIGHT