

## Pension Funds October 2009

### Investment update

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

#### Key issues

- Risk assets offer value, which will continue to be realised as policy stimulus and economic rebalancing cause investors to take a longer-term view.
- The recession is coming to an end as major policy measures take effect, although the recovery in 2010 will be moderate by past standards.
- 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 01/10/09	%
FTSE All-Share Index*	10.8
FTSE World Europe ex UK Index*	16.5
FTSE World ex UK*	12.0
FTA Brit Govt 5 - 15 years Index	12.5
S & P 500 Comp (USA) Index	3.8
FTSE World USA*	4.1
FTSE 100 Index*	9.5
Hang Seng (Hong Kong) Index	34.6
MSCI <sup>SM</sup> Brazil Index	41.7

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 October 2009:** £30,395,263,633

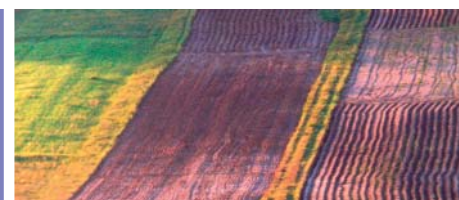
Daily prices for these funds can be found on our website:

[www.standardlifeinvestments.co.uk](http://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 October 2009. 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.



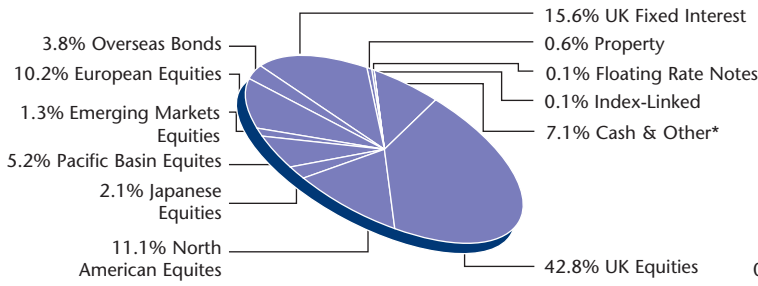
## Annualised Growth (gross of annual management charge)

	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
<b>Managed</b>	13,939,371	13.3	-2.8	2.3	4.9	8.4	4.3	7.1
<b>Cautious Managed</b>	1,412,995	13.6	1.8	3.5	5.6	7.8	4.6	n/a
<b>Protection</b>	468,181	13.6	10.3	6.2	5.5	6.5	6.0	n/a
<b>Stock Exchange</b>	907,793	18.3	-2.5	3.5	6.6	10.3	4.9	7.4
<b>International</b>	332,087	17.7	-2.3	4.1	5.8	9.4	3.9	5.2
<b>UK Equity</b>	2,268,822	12.7	-9.3	-2.7	1.7	6.1	3.0	7.6
<b>Cash</b>	933,084	1.3	3.7	4.3	4.4	4.5	4.5	5.1
<b>North American</b>	611,183	13.7	-2.0	2.0	2.5	4.7	0.3	6.1
<b>Far East</b>	147,979	32.7	-0.8	6.9	7.2	11.7	4.9	3.2
<b>Japanese</b>	147,625	7.0	-6.5	-7.0	-4.4	1.8	-3.8	-1.8
<b>Pacific Basin</b>	156,493	44.4	1.5	14.7	13.6	16.8	9.5	5.7
<b>European</b>	824,258	16.5	-2.9	5.2	8.8	12.9	5.2	7.9
<b>Fixed Interest</b>	508,519	14.2	8.7	5.7	5.3	6.2	6.3	7.8
<b>Property**</b>	909,813	-19.3	-18.7	-13.0	-5.5	-1.3	5.0	7.0
<b>Sterling</b>	998,499	-0.3	1.9	3.1	3.5	3.8	4.4	n/a
<b>FTSE®* Tracker</b>	614,804	13.1	-6.6	-0.9	2.9	6.9	2.8	n/a
<b>Ethical</b>	313,707	11.4	-5.8	-0.2	4.6	8.0	4.9	n/a
<b>Index-Linked</b>	836,053	4.3	7.3	5.5	5.7	6.6	6.5	7.9
<b>Global Equity (50:50)</b>	426,980	15.1	-6.0	0.9	3.9	8.1	n/a	n/a
<b>Corporate Bond</b>	3,151,714	13.4	5.9	3.7	3.9	5.2	n/a	n/a
<b>Overseas Tracker One</b>	62,311	11.7	-3.2	1.7	3.1	6.5	n/a	n/a
<b>US Equity Tracker One</b>	141,427	7.2	-3.7	-0.1	1.0	3.8	n/a	n/a
<b>European Equity Tracker One</b>	92,192	16.4	-3.8	3.6	7.2	11.0	n/a	n/a
<b>Global Equity (50:50) Tracker One</b>	162,216	15.1	-6.0	0.9	3.9	8.1	n/a	n/a
<b>UK Equity Select One</b>	56,193	12.5	-6.3	1.2	5.3	9.2	n/a	n/a
<b>Overseas One</b>	436,144	17.5	-2.8	4.5	6.1	10.2	n/a	n/a
<b>Cautious MoM</b>	26,954	9.3	-2.5	0.5	2.6	5.0	n/a	n/a
<b>Balanced MoM</b>	82,788	11.2	-5.8	-0.6	2.5	6.1	n/a	n/a
<b>Global Equity MoM</b>	32,614	12.4	-7.1	-1.7	1.5	5.9	n/a	n/a
<b>UK Equity MoM</b>	85,543	8.5	-9.2	-3.0	1.8	5.7	n/a	n/a
<b>Overseas Equity MoM</b>	17,867	15.5	-6.1	-1.2	0.6	5.4	n/a	n/a

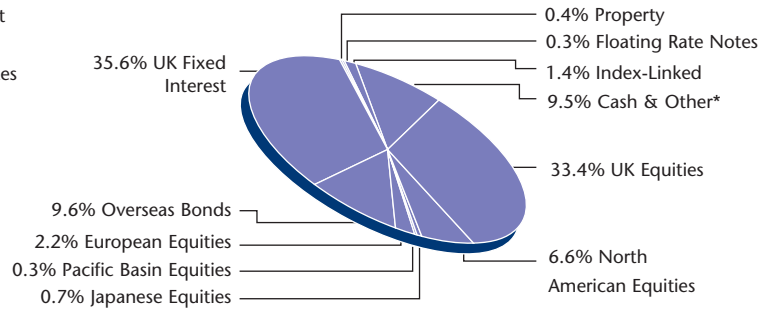
- Performance figures are calculated on a gross basis over periods to 1 October 2009.
- The size of the fund reflects the total overall value of the assets within each underlying fund.
- Not all of the above funds are open for all types of contracts.
- Source: Standard Life Investments

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

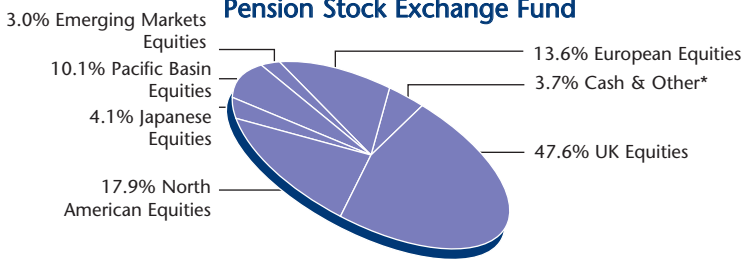
### Pension Managed Fund



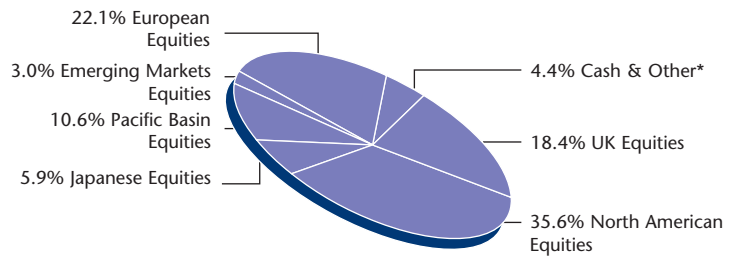
### Pension Cautious Managed Fund



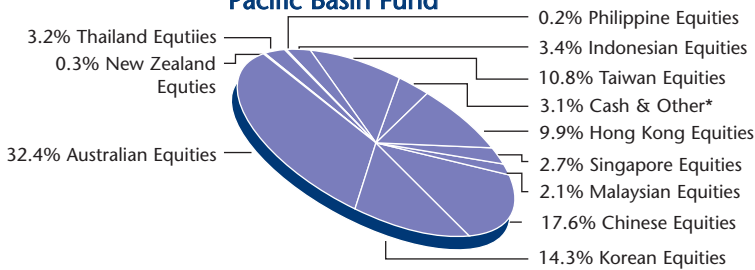
### Pension Stock Exchange Fund



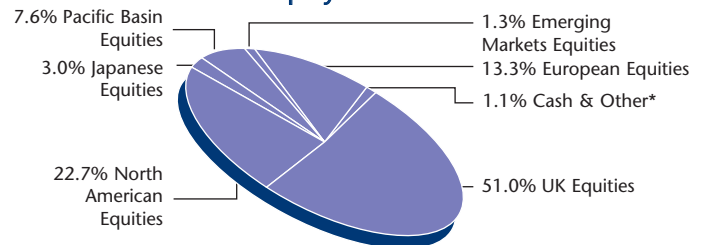
### Pension International Fund



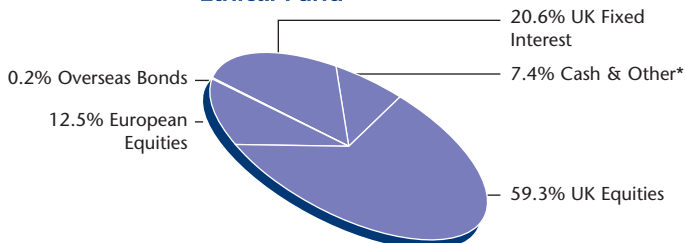
### Pacific Basin Fund



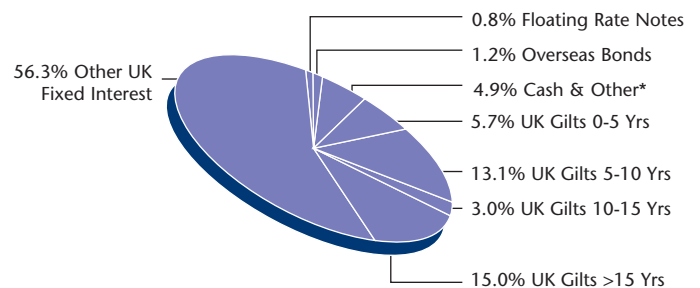
### Global Equity 50:50 Fund



### 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.

# House View

This page sets out our House View as it applies to a UK based balanced fund. Details of how the House View applies to other UK based funds and funds based in other parts of the world can be obtained from your Standard Life Investments representative.

	Positive	Negative	Our View
US Equities	<ul style="list-style-type: none"> <li>The recession is ending in response to major policy measures, such as fiscal packages and quantitative easing</li> <li>Valuations are attractive, especially as more companies return to profitability</li> </ul>	<ul style="list-style-type: none"> <li>Squeeze on corporate margins is forcing major cuts in employment and investment</li> <li>Continued uncertainty about extent of downturn in the housing sector</li> </ul>	Market supported by favourable long-term valuations and easier monetary and fiscal policy despite credit concerns <b>STAY HEAVY</b>
European Ex-UK Equities	<ul style="list-style-type: none"> <li>Management responding to pressures on margins through cost cutting and more M&amp;A activity</li> <li>Parts of the region did not experience as large a credit boom as other countries</li> </ul>	<ul style="list-style-type: none"> <li>Exports remain under pressure due to euro appreciation and sharp slowdown in global trade</li> <li>Continued concerns about efficacy of policy response in Europe</li> </ul>	The region remains vulnerable to the strength of the euro impacting on company margins <b>STAY LIGHT</b>
UK Equities	<ul style="list-style-type: none"> <li>More aggressive monetary and fiscal support than in many other countries</li> <li>Valuations such as dividend yields underpin the market</li> </ul>	<ul style="list-style-type: none"> <li>Oil and resource companies vulnerable to sharp falls in commodity prices</li> <li>Concerns remain about extent of consumer and housing bad debts as unemployment rises</li> </ul>	Despite concerns about the valuation of a number of cyclical sectors, the market is supported by favourable valuations <b>STAY HEAVY</b>
Japanese Equities	<ul style="list-style-type: none"> <li>Japan's financial sector is in a stronger position than in some other countries</li> <li>Increasing dividends plus share buybacks are helpful for investors</li> </ul>	<ul style="list-style-type: none"> <li>Companies facing much weaker export demand from the US and Europe</li> <li>Domestic data suggest economy is suffering a severe recession</li> </ul>	Growing concerns about the impact of deflation on profit margins while the policy response is more limited than elsewhere <b>STAY VERY LIGHT</b>
Pacific Basin Ex-Japan Equities	<ul style="list-style-type: none"> <li>Infrastructure spending remains a primary driver of many economies</li> <li>Some governments have taken strong action to support domestic activity</li> </ul>	<ul style="list-style-type: none"> <li>Earnings at risk from the length of the slowdown in OECD demand</li> <li>Concerns growing about eventual policy tightening in China to cap inflation risks</li> </ul>	Long term valuations remain a concern but governments are taking strong action to support domestic activity <b>STAY LIGHT</b>
Global Emerging Market Equities	<ul style="list-style-type: none"> <li>Strong commodity demand is supporting some economies</li> <li>Current account surpluses protect some countries from credit concerns</li> </ul>	<ul style="list-style-type: none"> <li>Certain economies still require significant support from international bodies</li> <li>Some central banks are becoming concerned about inflation risks</li> </ul>	Some economies are supported by strong China trade links but others remain vulnerable to capital constraints <b>STAY LIGHT</b>
International Bonds			
US	<ul style="list-style-type: none"> <li>Quantitative easing by the US authorities should cap Treasury yields</li> </ul>	<ul style="list-style-type: none"> <li>Vulnerable to increased supply as the fiscal position deteriorates rapidly</li> </ul>	<b>STAY HEAVY</b> within international bonds as Treasuries benefit from quantitative easing
Euro-zone	<ul style="list-style-type: none"> <li>Slow response by the monetary authorities to the financial and economic crisis</li> </ul>	<ul style="list-style-type: none"> <li>Extent of likely debt issuance from easier fiscal policy</li> </ul>	<b>STAY HEAVY</b> within international bonds on expectations of further ECB quantitative easing <b>MOVED TO LIGHT</b> within international bonds on a comparison of international bond yields
Japan	<ul style="list-style-type: none"> <li>Return of deflation and the lack of policy levers to stimulate economic growth</li> </ul>	<ul style="list-style-type: none"> <li>Valuations starting to look stretched</li> </ul>	
UK Bonds			
Gilts	<ul style="list-style-type: none"> <li>Interest rates are close to zero, anchoring short-dated gilt yields, while the authorities are continuing quantitative easing to affect longer-dated yields</li> <li>Defensive characteristics increasingly recognised</li> </ul>	<ul style="list-style-type: none"> <li>Continued concerns about the extent of the rise in the public sector deficit</li> <li>Uncertainty about an exit strategy from quantitative easing is worrying some investors</li> </ul>	Within UK bonds: <b>STAY HEAVY</b> in conventional gilts <b>STAY NEUTRAL</b> in index-linked debt  <b>STAY VERY HEAVY</b> in corporate bonds
Corporate	<ul style="list-style-type: none"> <li>Strong retail and institutional investor demand for extra yield</li> </ul>	<ul style="list-style-type: none"> <li>Downturn in corporate cash flows will lead to higher corporate bond defaults</li> </ul>	Corporate bond valuations remain attractive although individual issues require careful examination
Property			
UK	<ul style="list-style-type: none"> <li>Property income yields relative to gilt yields have risen to highs last seen in the 1930s. Evidence of price improvement in 'prime' assets as newly raised capital is invested</li> </ul>	<ul style="list-style-type: none"> <li>Rental values are falling in line with a weak economic recovery, especially continuing pressures on the retail sector</li> </ul>	We favour well located properties with tenants of good financial strength, plus a sector bias towards core London markets, where future supply is limited, and dominant retail locations <b>MOVED TO NEUTRAL</b>
Global	<ul style="list-style-type: none"> <li>Lack of overbuilding in this cycle should support growth in rents as economies emerge from recession</li> <li>Infrastructure investment underpins opportunities in emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>Credit conditions remain very mixed with commercial bank holdings of property overhanging some markets</li> </ul>	We prefer selective high-yielding logistics markets in Asia & central Europe, and office locations with low future supply such as Paris and Sydney
Cash	<ul style="list-style-type: none"> <li>Cash is an attractive alternative when corporate earnings and dividends are under pressure</li> </ul>	<ul style="list-style-type: none"> <li>Cash yields close to zero are encouraging more investors to seek higher-yielding assets</li> </ul>	Official interest rates are expected to remain low well into 2010 <b>STAY VERY LIGHT</b>

The terms, Very Heavy, Heavy, Neutral, Light and Very Light express Standard Life Investments' view of a Global Managed Portfolio against a given benchmark.

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