

Stock Exchange Fund

Quarterly Report 30 June 2009

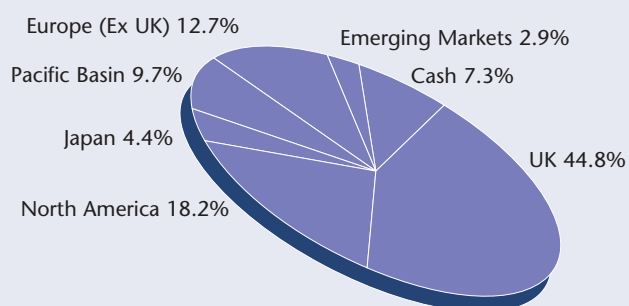
Fund Profile

The Fund aims to provide long term growth and is designed for investors who are looking for exposure to global equity markets including the UK. The Fund is actively managed by our investment team, who may also invest a proportion of assets in 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.

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

Composition of Portfolio as at 30 June 2009

Sector Allocation

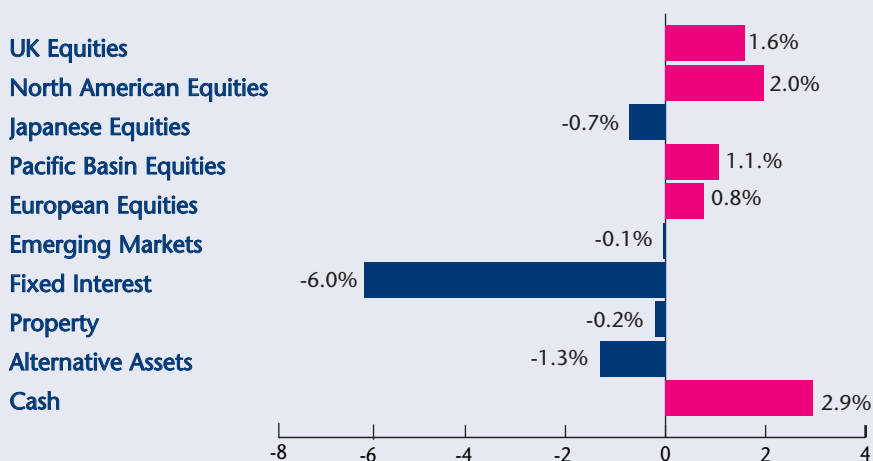


Fund Manager	Matt Savage
Launch Date	May 1986
Current Fund Size	£745.8m
ABI Sector	Flexible Managed

Volatility 18.43%

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

Sector Positions Relative to the Lipper Median (%)



Top Ten Holdings

Assets in top ten holdings	%
Assets in top ten holdings	19.8
BP	3.5
HSBC	3.4
Royal Dutch Shell "B"	3.2
Vodafone	2.3
AstraZeneca	1.7
GlaxoSmithKline	1.6
British American Tobacco	1.3
Barclays	1.1
Xstrata	0.9
BG Group	0.9



Environment

Stock markets performed well in the second quarter. The positive momentum was driven by signs that the worst may be over in the global economic recession. In Europe, various confidence surveys moved higher. Consumer confidence in the US jumped in May, and in the UK, business confidence improved and house prices stabilised. In the stock market, banks rallied from depressed levels, while resources stocks benefited from improved economic sentiment. Government bonds underperformed as investors preferred equities, and became worried about the large amount of money the government needs to raise from the bond market. The rate of decline in commercial property continued to ease.

Activity

Within equities, we bought Serco, due to expected growth in outsourcing by governments in an attempt to cut costs. We also added mining stock Vedanta Resources on hopes for increasing Chinese demand for raw materials and took profits in Rio Tinto after a successful rights issue boosted its share price. In overseas markets, we bought Republic Services, after a reassuring meeting with the waste management company, and Sodexo, for the long-term potential of its vouchers business. Within bonds, we reduced our holdings in UK gilts and continued to build up our holdings in corporate bonds.

Outlook

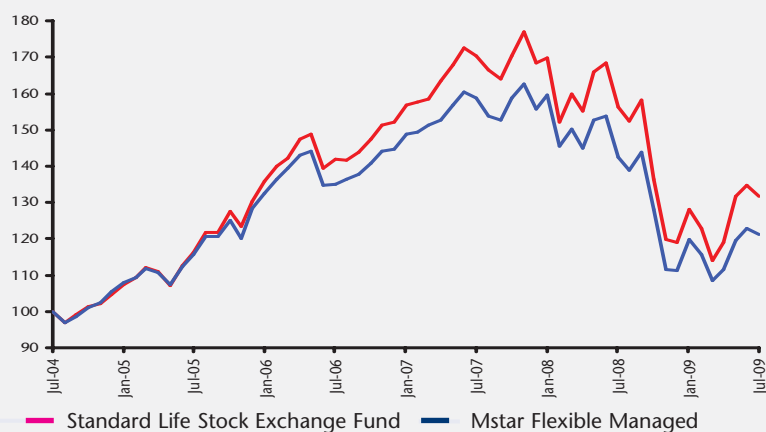
There is support for the UK stock market, even in the absence of a sharp economic recovery, from its extremely low valuation in terms of earnings, dividend and free cashflow. Our favoured positions in the UK and overseas are in a mix of market leaders and economically sensitive stocks whose share prices are pricing too gloomy an outlook. Given the weaker performance from bonds so far this year, we believe global bonds offer reasonable value, especially as investors are too optimistic about economic recovery.

Performance Commentary

During the second quarter, the unit price of the Stock Exchange Fund rose by 10.5%, compared to the peer group mean return of 8.6% (source: Morningstar). The Fund's outperformance was driven by stock selection, partially offset by sector selection. Although the Fund's heavy position in healthcare was unhelpful as the sector lagged the broader market, our overweight in devices manufacturer Mindray Medical and underweight in Johnson & Johnson both

added value. Elsewhere, the industrials sector was the main area of strength for the Fund: we held engineer Wartsila and UK industrial groups GKN and Invensys. The Fund benefited from holding UK-listed mining stocks Xstrata and Kazakhmys but this was partially offset by being underweight in Anglo American. In fixed income, the Fund's growing preference for corporate bonds over gilts was favourable.

Fund Performance - Price Indexed*



Performance*

1 Jul 08 - 1 Jul 09	1 Jul 07 - 1 Jul 08	1 Jul 06 - 1 Jul 07	1 Jul 05 - 1 Jul 06	1 Jul 04 - 1 Jul 05
-16.1%	-8.5%	19.4%	21.6%	15.9%

Cumulative Performance*

	1 Year	3 Years	5 Years
Fund Return	-16.1%	-8.3%	29.3%
Mstar Flexible Managed	-16.0%	-11.5%	19.5%

Investment Market Line

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

0845 60 60 062

The fund performance figures quoted are calculated on a bid to bid basis over periods to 1 July 2009, with gross income reinvested.

The fund performance figures quoted 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.

*Sources: Morningstar - www.morningstar.com and Standard Life Investments.

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