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UK Equity Recovery Fund

Seeking to exploit a recovery in oversold UK shares in anticipation of improving market sentiment and economic conditions

About the fund

Standard Life Investments launched the UK Equity Recovery Fund to give experienced retail investors access to a fund that is specifically designed to benefit from an improvement in market sentiment and any economic recovery in the UK.

The fund invests in UK stocks that we believe offer the prospect of recovery in the medium to long term. It is concentrated in a relatively small number of mainly large and medium-sized UK companies that we believe will perform strongly when sentiment changes or economic conditions improve. Due to the focus of the Fund, it is likely to deliver more volatile returns than many UK equity funds.

As a result, there may be periods of significant outperformance and underperformance throughout the market cycle. There are, however, significant opportunities for investors to be rewarded in this type of fund over the medium to longer term.

The fund draws on the investment expertise of our highly-regarded UK equity team and is managed by head of desk, David Cumming. The timing of the fund's launch, in March 2009, should not be seen as a statement that we believe the UK economy and market are set for a sustained recovery. That is a decision for individual clients and their advisers.

Why choose us?

An investment in the UK Equity Recovery Fund is an investment in an award-winning team. We adopt a 'team approach' to managing money. Our success over long periods resulted in the team winning the 'Citywire Team All Stars Asset Group Winner – UK Equities' in August 2008 for the second consecutive year.

There are many other good reasons to choose Standard Life Investments. Here are five.

1. Our track record is excellent over long periods and different sectors; as at 1 March 2009, our UK Equity Growth, UK Equity High Income and UK Smaller Companies Funds had all delivered top quartile performance over two, three and five-year periods.*
2. The UK Equity Recovery Fund is the only fund available to UK retail investors that is directly managed by our highly-regarded head of UK equities, David Cumming.
3. The 17-strong UK equity team is filled with talented, experienced fund managers with an average of 15 years investment experience. Each of the fund managers has research responsibilities for certain sectors and contribute ideas for stock selection.
4. We are a leading manager of UK equities and manage funds equivalent to around 2% of the FTSE All-Share index. Our scale gives us excellent access to top management in UK companies.

5. Seven of our nine UK equity funds carry a rating of A or higher from Standard & Poor's (S&P). Only around 20% of funds in each sector typically secure an S&P rating.

* Source: Morningstar, bid-bid, all periods to 1 March 2009

Fund	S&P Rating
UK Equity Growth	AAA
UK Equity High Income	AAA
UK Smaller Companies	AA
UK Ethical	AA
UK Equity High Alpha	A
UK Equity Unconstrained	A
UK Opportunities	A

Source: Standard & Poor's, as at 3 March 2009

Why choose a recovery fund?

The fall in UK equity markets in 2008 was the worst since 1974. This was exacerbated by the particularly weak performance of financial and economically sensitive consumer and industrial shares. As a result, there is an outstanding opportunity for investors to exploit low stock market valuations and negative investor sentiment, particularly in oversold sectors of the market. Our UK Equity Recovery Fund focuses on these stocks to allow investors to capitalise on a potential upturn in market sentiment and any improvement in economic conditions.

What is a 'recovery' stock?

A recovery stock is seen to be one that meets each of the three following criteria:

1. It has fallen in price because of poor business performance or a deterioration in the market's perception of its prospects.

2. We have identified a catalyst for a positive change in its fortunes, either at an economic or company-specific level.
3. We believe this will lead the market to reassess the company's prospects and result in its share price outperforming the market.

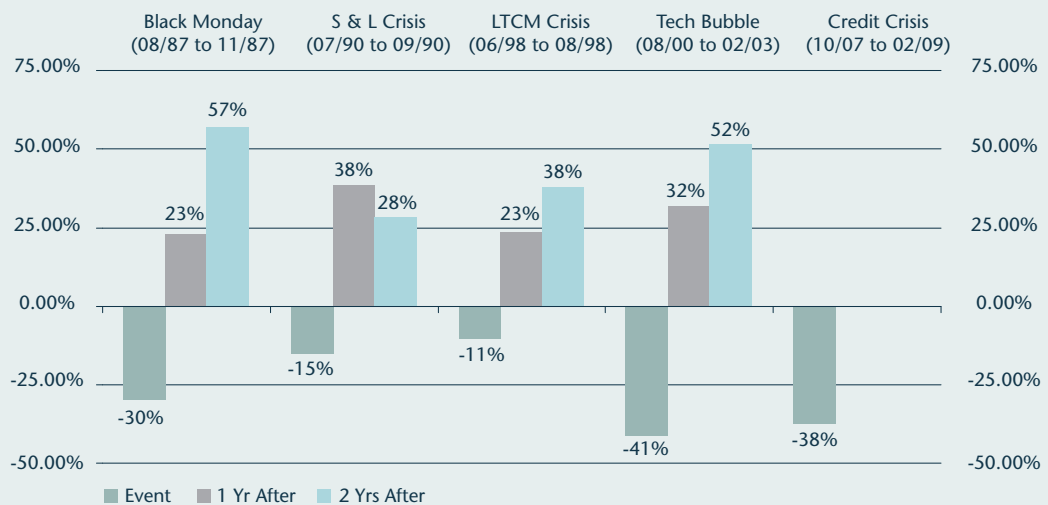
As their name would suggest, economically sensitive stocks typically perform worse than the broader market as economic conditions worsen and outperform as the economy recovers. There is also potential to add significant value from stock specific insights. These factors point to a potentially strong outlook for recovery stocks as economic and market sentiment improve.

Recoveries outperformed downturns

Our analysis of the past 20 years has shown that market recoveries have tended to exceed the downturns: the chart below illustrates this point. Despite the timing of this fund's launch and the interesting chart shown below, we are not claiming that markets have bottomed out and entered a sustained recovery. We are living in uncertain times and investors are dealing with unusual circumstances. There remains a real risk that we could see further volatility and falls in markets, and it is possible that investors will face a

rocky road ahead for some time. However, markets fell dramatically from the summer of 2007 into 2009, and the bounce in markets witnessed from March this year has only gone some way to restoring returns and confidence. Investors stand to benefit from any significant economic improvement and consistent change in market sentiment by investing in a fund specifically positioned for such a recovery.

FTSE All Share TR



Source: Lipper Hindsight, 'Event' is over period in parenthesis using month end dates, '1 Yr After' is 1 year return from end of period in parenthesis, '2 Yr After' is 2 year return from end of period in parenthesis

Meet our key people

This fund is the first opportunity for UK retail investors to access the investment expertise of David Cumming, Standard Life Investments' Head of UK Equities.



David Cumming

Fund Manager,
UK Equity
Recovery Fund
Head of UK Equities

David joined Standard Life Investments from Morgan Grenfell Asset Management in 1990. Since then, he has carved out a long and illustrious track record in managing UK equity funds.

David started managing pension funds for institutional clients in 1998 and has managed the Institutional UK Equity Select Fund since its launch in 2000. Over that long period, the fund's quarterly returns have outperformed the FTSE All-Share Index 75% of the time.

David was appointed to the Board of Standard Life Investments in 2004 and is the lead manager for the UK Equity Recovery Fund.

How we choose stocks

This is a new fund for Standard Life Investments. However, we manage the fund using our tried-and-tested-and-trusted process, which results in the development of strong ideas for our actively-managed portfolio of mainly recovery

stocks. Our track record in UK equities shows that the way we choose stocks is effective. Our process includes the following factors:

Focus on change	By knowing the key issues for individual stocks, we can identify change early. This drives shares to outperform.
Superior information	Our scale gives us close, direct contact with companies. Knowing companies well is vital for investing in recovery-type stocks.
Full coverage of UK market	We do not compromise on our coverage of stocks. We cover the FTSE 350 and small companies.
Active corporate oversight	Engaging closely with company managers helps us to better understand stocks and their drivers for positive change.
Stock-ranking tool	Our in-house stock-ranking tool analyses 12 factors linked to share price performance. It is proven to add value.

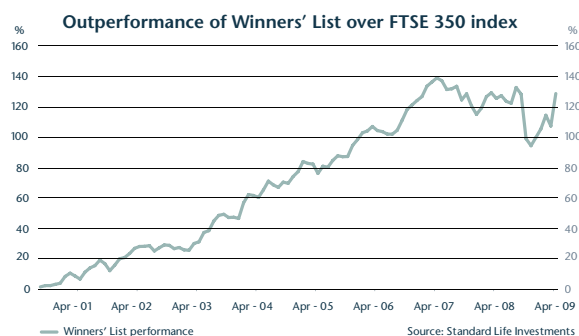
In addition, the fund manager taps into the expertise of our 60-strong global and regional equity teams and has access to our fixed interest team's views. This helps us gain a more rounded view of the stocks we choose.

industries such as support services, retail, media, travel, leisure, financials and industrials. Conversely, there will be a lower exposure to sectors such as tobacco, utilities, consumer staples and pharmaceuticals, though there may be interesting stock-specific opportunities in these areas at times.

As far as the composition of the fund is concerned, it is likely to contain more stocks in economically-sensitive

Winners' list

One output of our UK equity process is our Winners' List. This comprises the top 20 buying ideas from the team's analysis, which our fund managers use to build their portfolios. The performance of our Winners' List is charted here, relative to the FTSE 350 Index. Outperformance of more than 120% clearly illustrates our team's stockpicking skill and repeatability of our process.



Why consider investing?

This type of fund may be suitable if investors:

- wish to invest in a fund that aims to provide capital growth over the long term from an actively-managed portfolio of mainly 'recovery' UK equities
- are looking for a fund that is specifically positioned to benefit from a positive change in market sentiment or recovery in economic conditions
- are comfortable investing in medium and small-sized companies
- are tolerant of a higher level of risk than you would expect from a more broadly-based UK equity fund.

This type of fund may not be suitable if investors:

- do not wish to take any risk with your capital
- are averse to the potential for significant losses in the short term
- are seeking a broad-based UK equity fund designed to outperform over different stages of the market cycle
- are looking to take an income from your investment.

Technical specifications

Fund details

- OEIC sub-fund under the SLIC II umbrella – UCITS III under COLL
- IMA Sector – UK All Companies
- Benchmark – FTSE All Share Index
- Accumulation units available

Details of charges

- Initial charge - 4.00%
- AMC - 1.6%
- TER - 1.8%

Minimum investment

- Retail share class £500

Volatility rating



Volatility tracks the historical ups and downs of a fund's price over a specified time period (we use index returns where no price history exists). Using this information, we are able to rank our funds against one another in terms

of their historic volatility and place them on a scale of increasing risk. Generally speaking, the more ups and downs in a fund's price over a period of time, the higher the risk an investor takes by investing in it and vice versa. We should point out, however, that this rating is derived using historical performance data. It provides a snapshot of the past and should not be viewed as a guide to future fund performance.

For further details on the UK Equity Recovery Fund, or information on how to access the Fund, please contact your Standard Life Investments Sales Manager or Standard Life Account Manager.

(We may record and monitor telephone calls to help improve customer service.)

www.standardlifeinvestments.co.uk

Useful Numbers

Market information

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Customer Information

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