

# Standard Life Pension Sterling Fund Customer Information Guide 2<sup>nd</sup> Edition



This document contains some investment terminology. Please contact your financial adviser if you need an explanation of the terms used. This page contains some general information about the fund and its objectives. Page 2 contains additional technical information. Pages 3 and 4 contain a summary of changes compared with the previous version.

## Fund Manager

Greg Cookson

## Fund launch date

19/08/96

## ABI Sector

ABI Money Market

## Annual management charges

0.6% – 1.0%

(depends on product)

## Fund Size

£1.02bn

(as at 31/07/09)

## Fund Description

The Fund is intended to provide market leading returns from a portfolio of money market instruments and invests not only in bank and building society deposits but also in a variety of other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs) where, when purchased, repayment is typically expected within 3 years.

The fund price is not guaranteed by Standard Life and there could be circumstances where the fund price may fall. A fall might happen if, for example, there is a default by one of the banks where some of the money is held or where there is an adverse market movement in the value of one or more of the securities held due to for instance a credit event or where the anticipated repayment term of an asset is extended.

## Outlook for the fund

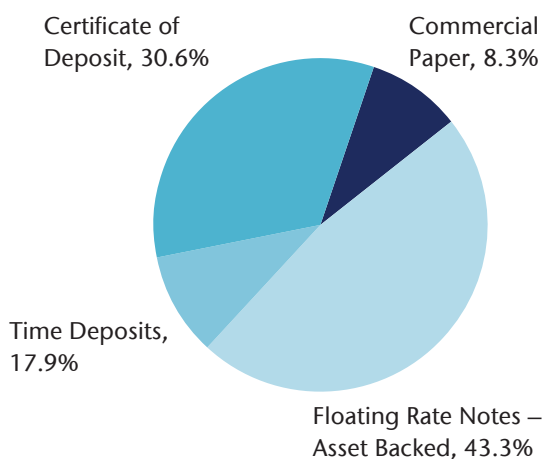
Standard Life believes that the overall outlook for the fund is positive, although difficult market conditions may cause further short-term volatility.

- Interest rates are expected to stay at historically low levels throughout 2009.
- The quality of the assets in the fund remains strong. Over 80% of the asset backed securities in the fund are rated Aaa – the highest quality rating possible – by an independent ratings agency. Generally speaking, better quality assets are more resilient to difficult market conditions than lower quality assets.
- Investors who take a short to medium term view, say beyond 18 months, may benefit from this investment in higher quality asset backed securities. This is because these assets are likely to be worth more to the fund when they ‘mature’ than they are currently.
- Recently, global market conditions have improved a little and there is some evidence of increased confidence amongst professional investment managers. In time, this should increase the current or ‘market’ value of these assets, taking them closer to the amount they should be worth on maturity. If this happens, fund performance would improve, especially over the shorter term.
- However, it should be appreciated that the fund can be subject to future price volatility.

## What does the fund invest in?

The fund may be invested in a variety of different money market instruments at any point in time. To achieve the fund objective, the fund manager actively chooses which assets to invest in and how much. The recent holdings of the fund are shown in the charts below:

**Asset allocation of total fund (as at 31/07/09)**



**Description of assets**

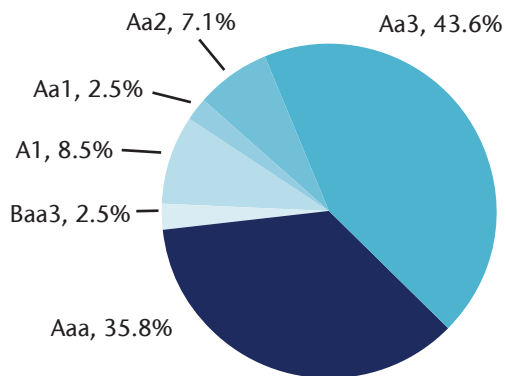
**Time Deposits:** Money deposits at banks and building societies that are not expected to be withdrawn for a certain period of time.

**Certificates of Deposits:** A certificate that bears interest. It is issued by banks and building societies. These are negotiable assets and thus can be sold on to other investors after issue.

**Commercial Paper:** A type of financial asset that is used for short-term borrowing and lending. They are issued by large banks and corporations. They have a life of less than one year. These are also negotiable assets.

**Floating Rate Notes – Asset Backed:** A type of financial asset that usually has a variable interest rate. They are issued by investment vehicles which typically aggregate a number of loans into one bundle e.g. mortgages, credit cards, auto loans.

**Credit rating mix of total fund (as at 31/07/09)\***



\* Source: Moody's Totals may not add up to 100% due to rounding

## Summary of Changes

This section shows at a glance the key changes compared with the previous Customer Information Guide we sent you earlier this year.

Section	Previous Wording	Updated Wording
Fund Size	£1.7bn (as at 12/02/09)	£1.02bn (as at 31/07/09)
Outlook for the Fund	Interest rates are expected to stay at historically low levels throughout 2009. However, whilst the income paid to the fund will fall in line with general market trends, we expect the overall yield enjoyed by the fund to be relatively high.	Interest rates are expected to stay at historically low levels throughout 2009.
	The quality of the assets in the fund remains strong. Over 90% of the asset backed securities in the fund are rated Aaa – the highest quality rating possible – by an independent ratings agency. Generally speaking, better quality assets are more resilient to difficult market conditions than lower quality assets.	The quality of the assets in the fund remains strong. Over 80% of the asset backed securities in the fund are rated Aaa – the highest quality rating possible – by an independent ratings agency. Generally speaking, better quality assets are more resilient to difficult market conditions than lower quality assets.
	Investors who take a short to medium term view, say beyond 18 months stand to benefit from this investment in higher quality asset backed securities. This is because these assets should be worth more to the fund when they ‘mature’ than they are currently.	Investors who take a short to medium term view, say beyond 18 months may benefit from this investment in higher quality asset backed securities. This is because these assets are likely to be worth more to the fund when they ‘mature’ than they are currently.
	Recent government announcements may offer some support to the asset backed security market. This could increase the current or ‘market’ value of these assets, taking them closer to the amount they would be worth when they mature. If this happens, fund performance would improve, especially over the short term.	Recently, global market conditions have improved a little and there is some evidence of increased confidence amongst professional investment managers. In time, this should increase the current or ‘market’ value of these assets, taking them closer to the amount they should be worth on maturity. If this happens, fund performance would improve, especially over the shorter term.
	In the very short term, markets remain fragile, so further price volatility cannot be ruled out over the next 12 months or so.	However, it should be appreciated that the fund can be subject to future price volatility.

## Standard Life Pension Sterling Fund

Section	Previous Wording	Updated Wording
Asset Allocation	(as at 27/01/09) Asset Backed Securities, 40.8% Time Deposits, 26.8% Commercial Paper, 12.3% Certificates of Deposits, 11.0% Non ABS Floating Rate Notes, 7.5% Other 1.6%	(as at 31/07/09) Floating Rate Notes – Asset Backed, 43.3% Certificates of Deposit, 30.6% Time Deposits, 17.9% Commercial Paper, 8.3%
Credit rating mix	(as at 27/01/09) Aaa, 44.6% Aa, 41.2% A, 12.5% B, 0.2% N/R, 1.6%	(as at 31/07/09) Aaa, 35.8% A1, 8.5% Aa1, 2.5% Aa2, 7.1% Aa3, 43.6% Baa3, 2.5%