

This leaflet gives information on the following

- ▶ factors that affect with profits plan values
- ▶ types of assets – how these affect investment returns
- ▶ investment market conditions
- ▶ asset mixes – the asset mix for different classes of with profits pension business
- ▶ asset and investment return details for each asset mix



This leaflet is intended for individuals who are familiar with investment terminology. If you need an explanation of the terms used email us at wpreport@standardlife.com. Please note that there is no guarantee that any email sent will be received, or that the contents will remain private during internet transmission.

Factors that affect with profits plan values

The return on the asset mix is only one of the factors that affect with profits plan values. Other factors are the deductions we make, and any other discretionary adjustments that we may apply such as smoothing. The deductions are for example for costs of guarantees and our expenses.

When Standard Life demutualised on 10 July 2006 the Heritage With Profits Fund was set up with an Inherited Estate. At least once a year we review whether it's appropriate to make distributions from the Inherited Estate. We use any distributions that we make to enhance with profits payouts.

Some with profits plans guarantee a minimum payout, for example if it's used to buy an annuity at the retirement date selected at the start of the plan or on death. The payout will then be at least the guaranteed benefit, even if the investment returns have been poor.

For more information on with profits please see our 'Understanding With Profits' booklets available on our website at www.standardlife.co.uk/withprofits

Types of assets

We invest in a wide range of assets including equities, property, bonds and cash deposits. We expect that a higher proportion of equities and property will produce returns that are higher over the long term, but more variable over the short term. We expect that a higher proportion of bonds and cash will result in returns that are more stable, but lower over the long term.

Investment Market Conditions

- ▶ Global equity markets delivered solid gains over the quarter
- ▶ Developed markets significantly outperformed emerging markets
- ▶ Corporate bonds outperformed government bonds
- ▶ UK commercial property maintained its recent recovery

UK Equities

UK equities were positive during the final quarter as economic data continued to improve.

The housing sector remained buoyant with mortgage approval levels at their highest since early 2008. Unemployment also continued to grind lower with jobless claims falling and employment increasing. As a result, the FTSE All-Share Index ended the year on a positive note and posted double-digit gains for 2013.

Overseas Equities

US equities ended the year strongly, with the S&P 500 index closing at an all-time high. This positive performance came despite the period starting with a government shutdown as politicians debated the debt ceiling once again. However, investor confidence was boosted by improving economic data, with third-quarter GDP revised up to an annualised rate of 4.1%. European equities posted further solid gains during the quarter and have generally delivered impressive double-digit gains over the year as a whole. Returns in the latter part of the year were driven by the peripheral nations, particularly Italian, Irish and Spanish equities.

Fixed Interest

Government bonds had a weak end to a difficult year in 2013 with core markets of the UK, US and Germany recording their first negative returns, -2% to -4%, since 1999. A brightening economic outlook is bad for bonds and meant that the Fed would taper their QE (bond buying) programme which weighed on their bond market. Credit had a mixed quarter, with a positive start to the period eventually giving way to more volatile conditions. Corporate bonds suffered from the sell off in government bond duration but outperformed government debt as spreads tightened.

Property

The UK commercial real estate market enjoyed a strong end to the year. Improving domestic economic data provided support for real estate, given upward revisions to GDP growth, falling inflation and unemployment, robust industrial orders and a buoyant housing market. As a result, the recovery gathered momentum, with capital values rising 0.9% in November from 0.6% in October and September. Rents also rose, albeit less sharply, and are up 0.5% from April.

Asset Mix

Our aim when managing our with profits business is to provide growth over the long term, while continuing to maintain an appropriate level of financial strength so that we can meet all contractual obligations to our customers. We currently have five different asset mixes that cover most of our pensions business.

Class of with profits business	Fund Name (see your plan statement)	Asset Mix
Unitised pensions for which a minimum unit price growth rate of 4% a year applies	Pension With Profits Fund	Asset Mix 1
Most other unitised pensions	Pension With Profits One Fund Pension 2 With Profits 2 Fund Pension Millennium With Profits Fund Pension With Profits One 2006 Fund Pension 2 With Profits 2 2006 Fund Pension Millennium With Profits 2006 Fund	Asset Mix 3
With Profits Pension Annuities	N/A	Asset Mix 4
Non unitised pensions	N/A	Asset Mix 5
Stakeholder plans taken out before 10 July 2006	Stakeholder With Profits Fund Corporate Stakeholder With Profits Fund	Stakeholder



For information on Stakeholder plans taken out from 10 July 2006 onwards, please see the investment Report for the UK Smoothed Managed With Profits Fund

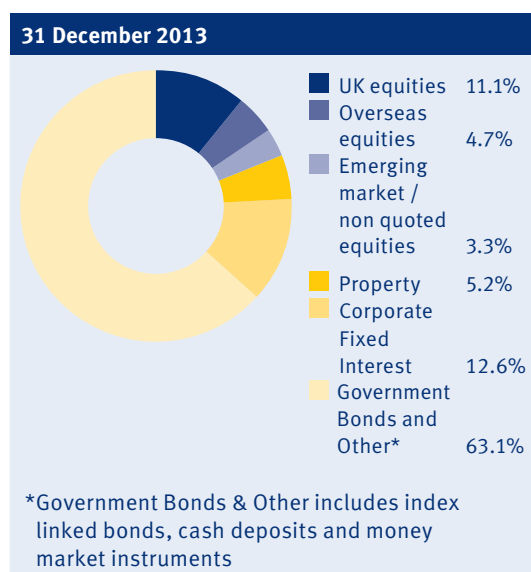
We regularly review the asset mix that backs our with profits business, taking account of such things as:

- ▶ the nature and size of the guarantees for each class of with profits business
- ▶ the strength of the fund
- ▶ any changes in current and expected future market conditions.

Note: the asset mix will also change as market values change.

Any change in the asset mix is likely to result in a change in future returns and plan payouts, see page 1 – Types of assets and Factors that affect with profits plan values. But it will not affect existing guarantees.

Asset Mix 1 Details



Top 5 Equity Holdings

1. BP
2. Vodafone Group
3. HSBC
4. Barclays
5. Rio Tinto

Top 5 Bond Holdings

1. UK Govt 5% 2014
2. UK Govt 2.25% 2014
3. UK Govt 4% 2016
4. UK Govt 4.75% 2030
5. UK Govt 5% 2025

Corporate Bond portfolio

- ▶ 93% rated investment grade bonds of which
- ▶ 11% AAA rated as measured by a composite rating structure, derived from the three major rating agencies.



These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Customers should refer to their annual statements to see how the value of their plan changes over time.

These figures refer to the past. Past Performance is not a reliable guide to future performance.

Investment returns: Last four quarter years

Quarter year ending on:	31/03/13	30/06/13	30/09/13	31/12/13
Asset Mix 1	2.4%	-2.0%	1.3%	0.5%

Asset Mix 1 is predominately invested in fixed interest and other bonds, in particular government bonds. This reflects the relatively higher guarantees provided by the classes of business backed by Asset Mix 1. The returns in Q4 reflect the subdued performance of bond markets over the period

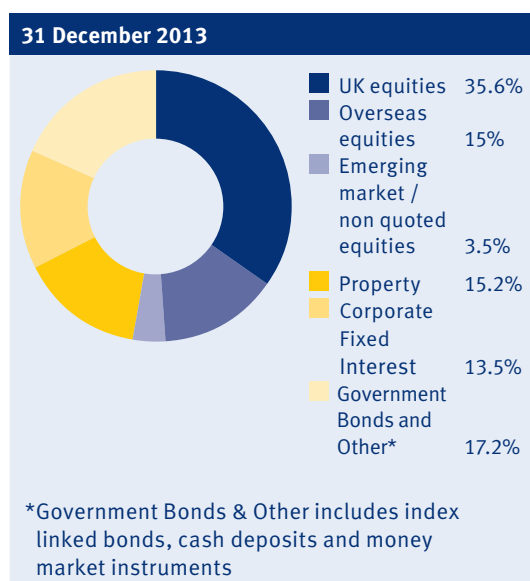
Details for last five calendar years

This table shows the asset mix at the end of each of the last five years and the investment returns for each of those years.

	2009	2010	2011	2012	2013
UK Equities	9%	10%	11%	9%	11%
Overseas Equities	3%	3%	4%	3%	5%
Emerging Market / non quoted equities	1%	1%	2%	1%	3%
Property	6%	6%	6%	6%	5%
Fixed Interest & Other*	81%	80%	77%	81%	76%
Investment Returns	3.6%	10.7%	8.7%	5.7%	2.4%

*Fixed Interest & Other includes Corporate fixed interest, Government bonds including index linked bonds, cash deposits and money market instruments.

Asset Mix 3 Details



Top 5 Equity Holdings

1. BP
2. Vodafone Group
3. HSBC
4. Barclays
5. Rio Tinto

Top 5 Bond Holdings

1. UK Govt 5% 2014
2. UK Govt 2.25% 2014
3. UK Govt 4.75% 2030
4. UK Govt 5% 2025
5. UK Govt 4% 2016

Corporate Bond portfolio

- ▶ 93% rated investment grade bonds of which
- ▶ 11% AAA rated as measured by a composite rating structure, derived from the three major rating agencies.



These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

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Investment returns: Last four quarter years

Quarter year ending on:	31/03/13	30/06/13	30/09/13	31/12/13
Asset Mix 3	5.8%	-0.4%	3.3%	3.6%

Asset Mix 3 is predominately invested in equities, in particular UK equities. The returns in Q4 reflect the relatively good performance of equities and subdued performance in bond markets over the period.

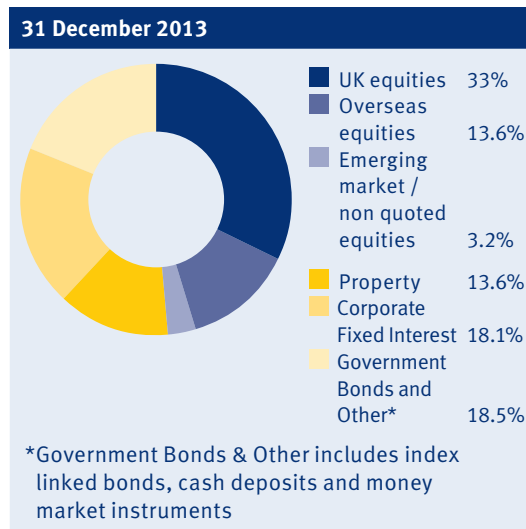
Details for last five calendar years

This table shows the asset mix at the end of each of the last five years and the investment returns for each of those years.

	2009	2010	2011	2012	2013
UK Equities	31%	32%	30%	31%	36%
Overseas Equities	9%	10%	12%	11%	15%
Emerging Market / non quoted equities	3%	4%	4%	5%	3%
Property	14%	14%	16%	15%	15%
Fixed Interest & Other*	43%	40%	38%	38%	31%
Investment Returns	7.8%	13.0%	2.9%	9.8%	12.9%

*Fixed Interest & Other includes Corporate fixed interest, Government bonds including index linked bonds, cash deposits and money market instruments.

Asset Mix 4 Details



Top 5 Equity Holdings

1. BP
2. Vodafone Group
3. HSBC
4. Barclays
5. Rio Tinto

Top 5 Equity Holdings

1. UK Govt 5% 2014
2. UK Govt 2.25% 2014
3. UK Govt 4.75% 2030
4. UK Govt 5% 2025
5. UK Govt 4% 2016

Corporate Bond portfolio

- ▶ 93% rated investment grade bonds of which
- ▶ 11% AAA rated as measured by a composite rating structure, derived from the three major rating agencies.



These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Customers should refer to their annual statements to see how the value of their plan changes over time.

These figures refer to the past. Past Performance is not a reliable guide to future performance.

Investment returns: Last four quarter years

Quarter year ending on:	31/03/13	30/06/13	30/09/13	31/12/13
Asset Mix 4	5.5%	-0.6%	3.1%	3.2%

Asset Mix 4 is predominately invested in equities, in particular UK equities. The returns in Q4 reflect the relatively good performance of equities and subdued performance in bond markets over the period.

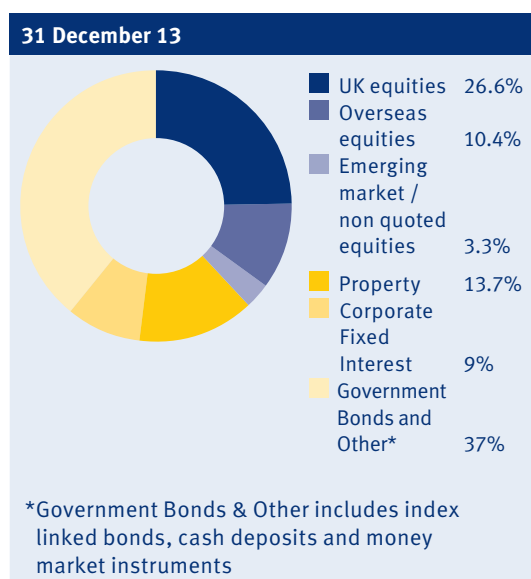
Details for last five calendar years

This table shows the asset mix at the end of each of the last five years and the investment returns for each of those years.

	2009	2010	2011	2012	2013
UK Equities	28%	29%	28%	28%	33%
Overseas Equities	8%	9%	10%	11%	14%
Emerging Market / non quoted equities	3%	4%	4%	4%	3%
Property	13%	13%	15%	14%	14%
Fixed Interest & Other*	48%	45%	43%	43%	37%
Investment Returns	7.3%	12.7%	3.7%	9.5%	11.6%

*Fixed Interest & Other includes Corporate fixed interest, Government bonds including index linked bonds, cash deposits and money market instruments.

Asset Mix 5 Details



Top 5 Equity Holdings

1. BP
2. Vodafone Group
3. HSBC
4. Barclays
5. Rio Tinto

Top 5 Bond Holdings

1. UK Govt 2.25% 2014
2. UK Govt 2.75% 2015
3. UK Govt 5% 2014
4. UK Govt 4% 2016
5. UK Govt 1.25% 2018

Corporate Bond portfolio

- ▶ 93% rated investment grade bonds of which
- ▶ 11% AAA rated as measured by a composite rating structure, derived from the three major rating agencies.



These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Customers should refer to their annual statements to see how the value of their plan changes over time.

These figures refer to the past. Past Performance is not a reliable guide to future performance.

Investment returns: Last four quarter years

Quarter year ending on:	31/03/13	30/06/13	30/09/13	31/12/13
Asset Mix 5	4.5%	-0.5%	2.4%	2.7%

Asset Mix 5 is predominately invested in UK Equities and government bonds. The returns in Q4 reflect relatively good performance of equities and subdued performance in bond markets over the period.

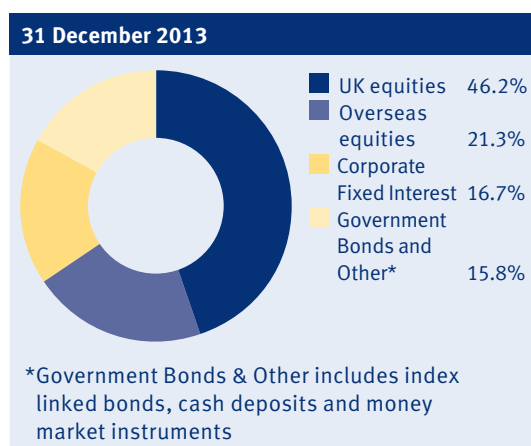
Details for last five calendar years

This table shows the asset mix at the end of each of the last five years and the investment returns for each of those years.

	2009	2010	2011	2012	2013
UK Equities	23%	24%	24%	23%	27%
Overseas Equities	7%	8%	9%	8%	10%
Emerging Market / non quoted equities	3%	3%	3%	3%	3%
Property	12%	13%	13%	13%	14%
Fixed Interest & Other*	55%	52%	51%	53%	46%
Investment Returns	6.2%	12.3%	4.9%	7.9%	9.6%

*Fixed Interest & Other includes Corporate fixed interest, Government bonds including index linked bonds, cash deposits and money market instruments.

Stakeholder Asset Mix Details



Top 5 Equity Holdings

1. BP
2. Vodafone Group
3. HSBC
4. Barclays
5. Rio Tinto

Top 5 Equity Holdings

1. German Govt 4.25% 2017
2. UK Govt 1.25% 2022
3. UK Govt 4% 2022
4. UK Govt 4.75% 2015
5. UK Govt 5% 2025

Corporate Bond portfolio

- 95% rated investment grade bonds of which
- 9% AAA rated as measured by a composite rating structure, derived from the three major rating agencies.



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Investment returns: Last four quarter years

Quarter year ending on:	31/03/13	30/06/13	30/09/13	31/12/13
Stakeholder With Profits Fund and Corporate Stakeholder With Profits Fund	7.4%	-0.9%	4.0%	3.9%

The Asset Mix for these Stakeholder Funds is predominately invested in Equities, in particular UK Equities. The returns in Q4 reflect the good performance of equities along with the subdued performance of bonds over the period.

Details for last five calendar years

This table shows the asset mix at the end of each of the last five years and the investment returns for each of those years.

	2009	2010	2011	2012	2013
UK Equities	44%	45%	41%	42%	46%
Overseas Equities	16%	17%	16%	16%	21%
Fixed Interest & Other*	40%	38%	43%	42%	33%
Investment Returns	19.1%	12.5%	0.2%	12.6%	15.3%

*Fixed Interest & Other includes Corporate fixed interest, Government bonds including index linked bonds, cash deposits and money market instruments.

