

**This report gives information on the mix of assets that backs different categories of with profits business and the investment returns on these assets. The change in the value of a with profits policy will differ from the investment return on the asset mix for that policy.**

The change in the value of any individual policy will also reflect the deductions we make as well as any discretionary adjustments, such as smoothing. The deductions are normally for such things as our expenses and (where relevant) tax, costs of life cover and guarantees, and a contribution to Standard Life's capital. Some payout values are also affected by the guarantees that apply.

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 investments guarantee a minimum payout, for example when you die or when your policy reaches its maturity date, as long as all payments have been made when due. We will then pay at least this minimum amount regardless of the performance of the assets we hold over the period that your policy is invested in with profits.

## Asset Allocation

Our investment strategy aims to provide good potential for growth over the long term, whilst maintaining an appropriate level of financial strength and meeting all contractual obligations to policyholders.

We do this by investing in a wide range of assets, which we regularly review and may change over time. The reviews take account of the characteristics of the liabilities – including the nature and amount of any guarantees – the strength of the fund, and any changes in current and expected future market conditions.

The asset mix is not the same for all types of with profits policies but varies according to the extent of any guarantees that they might have.

We currently group policies into 3 categories, as described in the following table, and so there are 3 different asset mixes.

Policy Type	Fund Name (see your policy statement)	Asset Mix
Personal Pension Plan* Personal Pension Plus* Tower Pension Series*	Pension With Profits Fund	Category 1
Corporate Pension Series* Buy out Bond*	Pension With Profits 2 Fund	
Capital Savings Plan Flexible Life Plan Mortgage Plan Capital Savings Plan (MC100) MoneyWorks Plan (Net) MoneyWorks Plan (Gross) MoneyWorks SSIA Approved Retirement Funds With Profits Retirement Annuity Endowment Assurance Plan Early Maturity Plan Flexible Savings Plan MC Plan Whole of Life Plan Pure Endowment Personal Pension PenPlan	Life With Profits Fund  MoneyWorks With Profits Fund  Retirement With Profits Fund  Conventional With Profits	Category 2
PRSA Synergy Investment Bond Synergy Portfolio Bond Synergy approved retirement funds Synergy Portfolio approved retirement funds Personal Pension Plan* Personal Pension Plus* Tower Pension Series* Corporate Pension Series* Executive Pension Plus Buy out Bond* With Profits Bond Tower Pension Series*	Standard Life With Profits Fund (Pension With Profits Fund A)         With Profits Bond Fund Pension With Profits Fund D	

\* New policies taken out from September 2004 and increments from that date to existing policies are allocated to the Standard Life With Profits Fund.

+ Pension scheme members who joined before September 2004 have investments in the Pension With Profits Fund. Increments to these, and new members who joined between September 2004 and 9 July 2006, are invested in Pension With Profits Fund A. New members who joined from 10 July 2006 are invested in Pension With Profits Fund D.

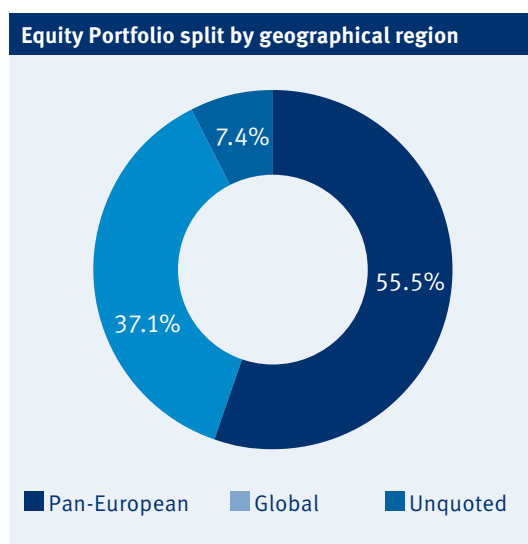
Note – Synergy policies taken out since June 2006 do not have a with profits investment option. All other policy types listed above are no longer available to new investors.

## Asset mix details

Investment allocation at 31 March 2012

Asset Class	Category 1	Category 2	Category 3
Equities	23.5%	50%	61.3%
Fixed Interest	73.3%	46.8%	35.5%
Other*	3.2%	3.2%	3.2%

\* Other includes cash deposits and money market instruments.



Top 5 Equity Holdings	Sector
1 Nestle	Consumer
2 Novo Nordisk	Pharmaceutical
3 Anheuser Busch	Consumer
4 Sanofi	Pharmaceutical
5 Henkel	Consumer

Top 5 Bond Holdings	Rating
1 Germany (Fed Rep) 3.5% 2019	AAA
2 UK (Govt of) 2.5% IL 2016	AAA
3 Germany (Fed Rep) 3% 2020	AAA
4 France (Govt of) 5.5% OAT 2029	AAA
5 Netherlands (Kingdom) 2.75% 2015	AAA

## Investment returns

Last four quarter year returns:

Investment returns (before tax)	Quarter year ending on:			
	30/06/11	30/09/11	31/12/11	31/03/12
Category 1	1.2%	-2.1%	2.1%	4.4%
Category 2	0.8%	-7.3%	4.1%	6.7%
Category 3	0.7%	-9.5%	5.0%	7.7%

Last four financial year returns:

Investment returns (before tax)	Financial year ending on:			
	31/12/08	31/12/09	31/12/10	31/12/11
Category 1	-5.2%	7.3%	10.5%	0.7%
Category 2	-23.0%	13.4%	12.7%	-2.9%
Category 3	-29.1%	16.0%	13.5%	-4.6%

Recent investment returns are estimates.

The change in the value of a with profits policy will differ from the investment return on the corresponding asset mix.



**Warning: Past performance is not a reliable guide to future performance.**

## Performance Commentary

### Fixed Interest

Core government bonds lagged more risky assets but peripheral bonds rebounded. Government bond markets refused to retreat despite the apparent risk-on environment, staying close to their record low yields. Spanish, Italian and Irish yields fell sharply as the European Central Bank's provision of cheap, longer-term funding staved off the threat of a banking system collapse and enabled the banks to support the sizeable debt auctions of peripheral European countries.

Credit markets staged a solid rebound in January and February. Spreads tightened markedly and investment grade issues delivered returns well ahead of equivalent government debt. Lower-rated issues outperformed the higher-quality end of the credit spectrum. Through March, momentum slackened. Investors paused to re-evaluate global growth prospects, as signs emerged that high oil prices and weaker demand from China may cause the US recovery to waiver.

### European Equities

Crucially in Europe the European Central Bank's liquidity injections, in the form of its longer-term refinancing operations (LTRO), eased anxieties that a funding crisis could lead to a major seizure of the region's financial system. This allowed most of the region's stock markets (ex Spain) to rebound despite poor economic data. GDP for the EU is forecast to decline in 2012 and the peripheral countries are mired in recession.

In the UK, stocks rallied in January and February before weakening again in March. Earnings were mixed. Financial stocks benefited initially from the efforts of the European Central Bank to improve liquidity. However, UK growth remained disappointing, with the final estimate of fourth-quarter GDP coming in at -0.3%.

### Global Equities

Equity markets around the world made a strong start to 2012. All the major indices (with the notable exception of Spain) finished the period well ahead, as investors took a more sanguine view of the economic landscape and the issues facing the Euro-zone. Most markets fell back in March. The exception was the US where investors were encouraged by reasonable economic data that included some improvement in levels of employment, consumer confidence and the housing market. The Federal Reserve also steadied markets by pledging to keep interest rates near zero until 2014. The ongoing commitment to keep the wheels of the financial system turning was echoed by other central banks, many of which announced asset purchase schemes during the period. However, worries remained over weakening growth in Europe and China.

After rebounding sharply towards the end of 2011, the US equity market continued to rise in Q1 2012. Investor risk appetite benefited from a flow of broadly positive economic data. The Federal Reserve kept a watchful eye on the domestic economy, hoping that recovery in the banking system will allow for a sustained increase in employment, a more confident consumer and an improving housing market.

Japanese equities had a particularly strong quarter, finishing close to the level they had reached prior to the tragic events of a year earlier. A key driver was a weaker yen as the Bank of Japan continued to ease monetary policy. The nation's export-oriented firms were key beneficiaries of the currency rebalancing.

Chinese equities advanced strongly during January and February, on hopes that China would loosen restrictions on its property market and expand monetary policy. They lost ground in March, after Premier Wen Jiabao reduced the country's 2012 economic growth target. Hopes of China boosting its money supply to support its weakening economy benefited a number of export-orientated economies, with markets in Singapore and the Philippines posting especially strong returns over the period.

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