



Annual Report

**Standard Life Investments
Dynamic Distribution Fund
Annual Short Report**

for the year ended 31 March 2013

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Standard Life Investments Dynamic Distribution Fund Annual Short Report

Trust Profile and Information

Launch Date

14 February 2006

Objective

The objective of Dynamic Distribution Fund (“the Trust”) is to provide a total return from income and capital appreciation over the longer term.

Policy

The current policy of the Trust is to invest predominantly in a range of other collective investment schemes managed or operated within or outwith the Standard Life Investments group to achieve a broad exposure to diversified investments, including equities, interest bearing securities and property. The Manager may, from time to time, select collective investment schemes managed or operated outside the Standard Life Investments group. The underlying funds may invest anywhere in the world with the Trust maintaining a UK focus. The Trust may also invest in transferable securities issued anywhere in the world.

Non-Sterling denominated assets may be hedged back to Sterling.

Risk Profile

While the level of income provision is likely to be relatively stable, the investor must be able to accept significant temporary losses to capital and the possibility of fluctuations in the income level due to the volatile nature of equity, bond, property and currency markets, and should therefore have an investment time horizon of at least 5 years.

Non-Sterling denominated assets may be hedged back to Sterling.

Benchmark

IMA Mixed Investment 20-60% shares

Reporting dates

Interim	30 September
Annual	31 March

XD dates

Interim	30 June, 30 September, 31 December
Annual	31 March

Interim Payment dates

Accumulation	30 June, 30 September, 31 December
Income	31 August, 30 November, 28 February (29 February in a leap year)

Annual Payment dates

Accumulation	31 March
Income	31 May

Trust Information

Manager	Directors of the Manager	Secretary of the Manager	Trustee	Auditors	Registrar	Investment Adviser
Standard Life Investments (Mutual Funds) Limited 1 George Street Edinburgh EH2 2LL 0131-245-2676	A.S. Acheson D.G. Doran (retired 14 June 2013) S.A. Fitzgerald J. Lowe D.E. Thomas S.R. Wemyss R.J. McKillop	S.E. Crewes	Citibank International plc Citigroup Centre Canada Square Canary Wharf London E14 5LB	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH	The Bank of New York Mellon (International) Limited One Canada Square London E14 5AL	Standard Life Investments Limited 1 George Street Edinburgh EH2 2LL

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Investment Report

Fund Manager: Jacqueline Lowe

Investment background

Investor confidence had fallen to a low ebb by the spring of 2012 as concerns about the future of the Eurozone emerged again and the effects of the ECB's long-term refinancing operation (LTRO) petered out. Beyond the Eurozone, economic data from the US was mixed, while China's economic growth seemed to be cooling down. Going into the summer, risk assets began to rally as global economic data showed signs of improvement and central banks in the US, the Eurozone and Japan announced initiatives aimed at improving liquidity.

Several events combined to drive risk assets higher in the final three months of 2012, despite underlying potential headwinds. China saw a once-in-a-decade change of power, with the selection of new Premier Xi Jinping and Vice-Premier Li Keqiang. In the US, Barack Obama was elected for a second presidential term. The resolution of these political uncertainties helped investor risk appetite, though concerns over the US 'fiscal cliff' undermined confidence towards the end of 2012.

Going into 2013, investor risk appetite was given a boost with the short-term resolution of the US 'fiscal cliff' dilemma and with more encouraging economic data from most regions of the world. Risk assets consequently continued to rally during the first three months of 2013. In particular, improving data from the US and China helped UK equities to maintain their upward trend. At the end of March, concerns about the sustainability of the euro currency resurfaced when Cyprus was obliged to seek a €10 billion bailout as it confronted a banking crisis. The key market event on the domestic front was the UK budget, in particular new initiatives from the Chancellor intended to boost the UK housing market. These proved supportive for housebuilding stocks.

Investment activity

The investment strategy of the Trust is to invest in a range of funds managed by Standard Life Investments to achieve a diversified investment mix across equities, bonds and property.

During the year the Trust made purchases of £3,063,000 and sales of £31,062,000. Purchases during the period included the Global Equity Income Fund and the Emerging Market Debt Fund. We reduced our holdings in a number of funds including Select Income, the Global REIT, UK Property, UK Smaller Companies, UK Equity High Income, UK Equity Unconstrained, UK Equity High Alpha, UK Equity Growth and UK Equity Recovery.

Performance

During the period under review, the Trust returned 15.28%, compared with the IMA Mixed Investment 20-60% Shares sector average of 10.38% (source: Morningstar).

At the start of the period under review, performance benefited from our exposure to the Corporate Bond Fund and the UK Property Fund,

which both delivered positive returns in an environment in which many global equity markets were retreating. By contrast, the UK Equity Unconstrained Fund, the UK Equity High Alpha Fund and the UK Equity Growth Fund declined sharply during the first three months of the period under review. Our exposure to these Funds was consequently detrimental.

However, as soon as equity markets began to rally during the summer of 2012, our holdings in these Funds proved key drivers of the Trust's outperformance. In particular, relative returns benefited from our holding in the UK Equity Unconstrained Fund. Although the UK Property Fund delivered positive returns in the first three months of the review period, it subsequently served as a drag on the Dynamic Distribution Fund's total returns. In the final three months of the review period, our exposure to the Corporate Bond Fund also proved detrimental.

Outlook and future strategy

With global equity markets continuing to post gains against a backdrop of continuously improving economic data and investor sentiment, we believe that numerous investment opportunities remain on offer because they have not yet been recognised by the wider market. Within the UK, the improvement in investor risk appetite has led to notable valuation adjustments across financial markets. For this trend to continue, economic newsflow will need to continue to reassure investors. Recent data from the US remains supportive, but data from Europe is more mixed, with events in Cyprus proving a further complication.

Synthetic Risk & Reward Indicator

Lower risk Typically lower rewards				Higher risk Typically Higher rewards		
1	2	3	4	5	6	7

This indicator reflects the volatility of the Trust's unit price over the last five years which in turn reflects the volatility of the underlying assets in which the Trust invests. Historical data may not be a reliable indication of the future. Where the unit class does not have a history of five years, an alternative unit class or a representative benchmark has been used to show how the Trust price may have behaved over the period.

The current rating is not guaranteed and may change if the volatility of the assets in which the Trust invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Trust offers no guarantee against loss or that the Trust's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

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Investment Report

(Continued)

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Composition of Portfolio		%
as at 31 March 2013		
Bond Funds (35.43%)		34.30
Equity Funds (48.84%)		51.52
Property Funds (15.63%)		14.87
Net other liabilities (0.10%)		(0.69)

The percentage figures in brackets show the comparative holding as at 31 March 2012.

Ten Largest Holdings (by market value)	%
as at 31 March 2013	
SLI UK Equity High Income Fund	26.96
SLI Corporate Bond Fund	18.53
SLI UK Property Fund	12.98
SLI Higher Income Fund	12.88
SLI UK Equity Income Unconstrained Fund	8.62
SLI UK Equity Unconstrained Fund	6.73
SLI UK Smaller Companies Fund	3.48
SLI Global REIT Fund	1.89
SLI Strategic Bond Fund	1.52
SLI Global Absolute Return Strategies Fund	1.49

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Comparative Tables

	Accounting period	Net asset value £'000	Net asset value per unit p	Units in issue
Retail accumulation	31 March 2011	121,192	58.13	208,491,231
	31 March 2012	104,715	58.98	177,541,234
	31 March 2013	95,305	67.24	141,749,087
Institutional accumulation	31 March 2011	845	60.18	1,404,984
	31 March 2012	733	61.20	1,196,979
	31 March 2013	810	70.71	1,145,924
Retail income	31 March 2011	12,387	48.76	25,402,069
	31 March 2012	10,641	49.60	21,452,032
	31 March 2013	9,473	51.90	18,253,139
Institutional income	31 March 2011	439	50.68	865,677
	31 March 2012	367	51.50	712,815
	31 March 2013	385	54.84	700,996
Institutional regulated income	31 March 2011	1	51.06	2,500
	31 March 2012	1	51.85	2,500
	31 March 2013	0	55.33	693
Standard Life accumulation	31 March 2011	0	60.65	500
	31 March 2012	0	61.13	500
	31 March 2013	1	71.51	1,942
Institutional regulated accumulation	31 March 2011	103,104	60.94	169,175,796
	31 March 2012	86,775	61.87	140,252,087
	31 March 2013	85,857	71.82	119,546,921
Platform 1 accumulation	31 March 2013	48	57.86	83,047
Platform 1 income	31 March 2013	130	55.56	233,422

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Comparative Tables (Continued)

	Calendar year	Distribution per unit p	Highest price p	Lowest price p
Retail accumulation	2008	2.0750	54.71	39.44
	2009	1.7194	50.59	38.07
	2010	1.8845	57.68	49.10
	2011	2.2970	59.80	50.80
	2012	2.4557	63.24	54.46
	2013 *	0.8118	67.57	63.68
Institutional accumulation	2008	2.2100	55.51	40.31
	2009	1.8285	51.98	38.99
	2010	1.9616	59.59	50.52
	2011	2.3418	62.03	52.80
	2012	2.6031	66.37	56.72
	2013 *	0.8361	71.04	66.84
Retail income	2008	1.9763	52.08	36.52
	2009	1.5574	44.89	34.84
	2010	1.6351	48.99	42.39
	2011	1.8972	49.95	41.69
	2012	2.0006	49.79	44.37
	2013 *	0.6364	52.80	49.76
Institutional income	2008	2.0705	52.83	37.31
	2009	1.6405	46.22	35.67
	2010	1.6936	50.82	43.80
	2011	1.9759	51.96	43.52
	2012	2.0989	52.50	46.40
	2013 *	0.6549	55.75	52.45
Institutional regulated income	2008	2.1659	53.04	37.54
	2009	1.6504	46.51	35.90
	2010	1.7103	51.17	44.06
	2011	1.9953	52.36	43.89
	2012	2.1067	53.06	46.82
	2013 *	0.6507	56.32	53.00
Standard Life accumulation	2008	2.9768	55.34	40.36
	2009	1.8387	52.33	39.08
	2010	1.9700	60.12	50.88
	2011	2.3719	62.57	53.32
	2012	2.6661	67.18	57.33
	2013 *	0.8430	71.98	67.66

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Comparative Tables

(Continued)

	Calendar year	Distribution per unit p	Highest price p	Lowest price p
Institutional regulated accumulation	2008	2.1549	55.72	40.52
	2009	1.8553	52.47	39.21
	2010	1.9695	60.34	51.11
	2011	2.3827	62.86	53.53
	2012	2.6397	67.38	57.52
	2013 *	0.8585	72.15	67.86
Platform 1 accumulation	2012 **	1.4581	54.34	47.62
	2013 *	0.6710	58.14	54.72
Platform 1 income	2012 **	1.4410	53.23	47.62
	2013 *	0.6781	56.50	53.17

*to 31 March

** from commencement of the unit class on 18 April

Ongoing Charges Figure (OCF)

	2013	2012
Retail accumulation	1.62%	1.62%
Institutional accumulation	0.62%	0.62%
Retail income	1.62%	1.62%
Institutional income	0.62%	0.62%
Institutional regulated income	0.42%	0.42%
Standard Life accumulation	0.12%	0.12%
Institutional regulated accumulation	0.42%	0.42%
Platform 1 accumulation	0.92%	-
Platform 1 income	0.92%	-

The ongoing charges figure (OCF) shows the annualised operating expenses of each unit class as a percentage of the average net asset value of the class over the same period.

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL.
The Standard Life Investments group includes Standard Life Investments (Mutual Funds) Limited, SLTM Limited, Standard Life Investments (Corporate Funds) Limited, SL Capital Partners LLP and Aida Capital Limited.
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Calls may be monitored and/or recorded to protect both you and us and help with our training.
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