



Interim Report

**Standard Life Investments
Dynamic Distribution Fund
Interim Report & Financial
Statements (unaudited)**

for the half year ended 30 September 2013

Contents

- 1 Trust Profile and Information***
- 2 Statement of Manager's Responsibilities**
- 2 Manager's Statement***
- 3 The Registrar of the Trust**
- 4 Investment Report***
- 6 Comparative Tables**
- 9 Financial Statements**
- 11 Portfolio Statement***
- 12 Distribution Tables**

*** These items comprise the Manager's Report for the purposes of the rules contained in the Collective Investment Schemes sourcebook ("the Sourcebook").**

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Trust Profile and Information

Launch Date

14 February 2006

Objective

The objective of the Standard Life Investments 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.

Benchmark

IMA Mixed Investment 20-60% shares

Reporting dates

Interim	30 September
Annual	31 March

XD dates

Interim	1 July, 1 October, 1 January
Annual	1 April

Payment date

Interim	31 August, 30 November, 28 February (29 February in a leap year)
Annual	31 May

Trust Information

Manager	Directors of the Manager	Secretary of the Manager	Trustee	Auditors	Registrar	Investment Adviser
Standard Life Investments (Mutual Funds) 1 George Street Edinburgh EH2 2LL 0131-245-2676	A.S. Acheson D.G. Doran (resigned 16 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

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Statement of Manager's Responsibilities

The Regulations require the Manager to prepare financial statements for each annual and half-yearly accounting period which give a true and fair view of the financial position of the Trust and of its net revenue/expenses and net gains/losses on the property of the Trust for the period. In preparing the financial statements the Manager is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ comply with the disclosure requirements of the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in October 2010;
- ▶ follow generally accepted accounting principles and applicable accounting standards;
- ▶ make judgements and estimates which are prudent;
- ▶ keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Manager is responsible for the management of the Trust in accordance with the Trust Deed, Prospectus and the Sourcebook and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the half year ended 30 September 2013. The Manager also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

Manager's Statement

The Manager is Standard Life Investments (Mutual Funds) Limited which is authorised and regulated by the Financial Conduct Authority for investment business.

The Trust is constituted as a non-UCITS retail scheme for the purposes of the FCA roles.

Copies of the most recent Prospectus are available, on request, from the Manager.

Distributions are made from positive net revenue where gross revenue exceeds expenses and tax. The total return consists of investment and currency gains and losses in addition to net revenue. In situations where the Trust has a negative total return but a positive net revenue position, there will be a distribution.

We hereby certify the Interim Report and Financial Statements on behalf of the Directors of the Manager, Standard Life Investments (Mutual Funds) Limited.

Director
Edinburgh
30 November 2013

Director

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

The Registrar of the Trust

The Registrar of the Standard Life Investments Dynamic Distribution Fund is The Bank of New York Mellon (International) Limited.

The Registrar is responsible to the Trustee for the maintenance of a register of unitholders in the Trust. This register can be inspected at 12 Blenheim Place, Edinburgh, EH7 5JH.

The Registrar is also responsible for the distribution of the Interim and Annual Report and Financial Statements and tax vouchers to unitholders at the addresses recorded on the register.

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Investment Report

Fund Manager: Jacqueline Lowe

Investment background

Speculation that the Federal Reserve (Fed) might begin to taper its stimulus later in 2013 drove a sharp upturn in financial market volatility in late May. This manifested itself in a sharp rise in core government bond yields, profit-taking across several global equity markets and outflows from emerging market assets. Evidence of a moderation in China's growth rate exerted additional pressures on emerging market and commodity-related equities in particular. Core government bond markets and developed equity markets subsequently regained their poise, but emerging market assets remained more volatile.

In the event, the Fed took markets by surprise when it announced in mid-September that quantitative easing (QE) would be sustained for now. This proved a welcome boost for risk assets. Several developed equity markets breached multi-year highs in late September. By the end of the period, there were signs of greater divergence in the performance of individual equity markets within the broad emerging market investment universe.

The UK commercial property market continued on a broadly improving trend. Capital values were increasingly positive, while stronger economic data was expected to feed through into rental growth.

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.

We reduced our holdings in a number of funds over the period, including the Higher Income Fund, the Corporate Bond Fund, the UK Equity High Income Fund, the UK Equity High Alpha Fund, the Select Income Fund, the UK Property Fund, the UK Equity Recovery Fund and the UK Equity Unconstrained Fund. Notwithstanding our decision to trim our holdings in selected equity funds, around 50% of the Dynamic Distribution Fund was invested in equities at the end of the period. We believe our more cyclical bias leaves us well positioned to benefit from the on-going recovery in investor risk appetite.

During the period to 30 September 2013 no material changes were made to the portfolio.

Performance

During the period under review, the Trust returned 5.46%, compared with the IMA Mixed Investment 20-60% Shares sector average of 0.54% (source: Morningstar).

Performance benefited from our cyclical bias via our exposure to the UK Equity Unconstrained Fund and the UK Equity Recovery Fund in particular, with our exposure to the UK Equity High Alpha Fund, Global Equity Income Fund, the UK Equity Income Unconstrained Fund, the UK High Income Fund and the UK Property Fund, also proving positive. Several emerging market assets, including selected emerging market debt, came under pressure for much of the period under review. In this environment, our exposure to the Emerging Market Debt Fund detracted from returns.

Outlook and future strategy

In our view, policy tightening will not derail the global economy. The US authorities have indicated that QE tapering will only occur when the US economy is sufficiently strong. In Japan, policymakers have embarked upon a major QE programme aimed at ending the country's sustained deflation trend. Europe's problems are now looking more manageable, helped by support from the European Central Bank (ECB), while the authorities in China are clearly committed to a soft economic landing. While several emerging market economies remain under pressure given global capital flows back to developed markets, we are not expecting a repeat of Asia crisis of the late 1990s as balance sheets in the emerging world are now much healthier.

Continuing global economic recovery should ensure that core government bond yields continue to rise, albeit gradually. Nevertheless, financial markets overall are likely to remain vulnerable to intermittent swings in investor sentiment and consequent periods of market volatility. Against this backdrop, we believe that our strategy of investing across all the major asset classes should provide us with a degree of protection.

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Investment Report

(Continued)

Synthetic Risk & Reward Indicator

Lower risk
Typically lower rewards

Higher risk
Typically Higher rewards

1	2	3	4	5	6	7
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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).

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 30 September 2013	
Bond Funds (34.30%)	32.64
Equity Funds (51.52%)	53.80
Property Funds (14.87%)	14.60
Net other liabilities (-0.69%)	(1.04)

The percentage figures in brackets show the comparative holding as at 31 March 2013.

Ten Largest Holdings (by market value)	%
as at 30 September 2013	
SLI UK Equity High Income Fund	27.94
SLI Corporate Bond Fund	17.51
SLI UK Property Fund	12.73
SLI Higher Income Fund	12.09
SLI UK Equity Income Unconstrained Fund	9.48
SLI UK Equity Unconstrained Fund	7.70
SLI UK Smaller Companies Fund	3.83
SLI Global REIT Fund	1.87
SLI UK Equity Recovery Fund	1.54
SLI Strategic Bond Fund	1.52

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

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
	30 September 2013	93,957	70.77	132,768,725
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
	30 September 2013	910	74.71	1,218,544
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
	30 September 2013	9,445	53.53	17,644,493
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
	30 September 2013	446	56.62	787,726
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
	30 September 2013	0	57.33	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
	30 September 2013	124	75.70	163,601
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
	30 September 2013	86,609	75.95	114,030,890
Platform 1 accumulation	31 March 2013	48	57.86	83,047
	30 September 2013	675	60.96	1,107,947
Platform 1 income	31 March 2013	130	55.56	233,422
	30 September 2013	607	57.01	1,064,837

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

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**	2.2180	71.34	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**	2.4421	75.30	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**	1.7174	54.74	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**	1.9437	57.92	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**	1.8279	58.64	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**	3.5227	76.44	67.66

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

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**	2.3894	76.54	67.86
Platform 1 accumulation	2012 *	1.4581	54.34	47.62
	2013**	2.6163	61.55	54.72
Platform 1 income	2012 *	1.4410	53.23	47.62
	2013**	2.2406	58.63	53.17

*from commencement of the unit class on 18 April

**to 30 September

Ongoing Charges Figure (OCF)

	30 September 2013	31 March 2013
Retail accumulation	1.61%	1.62%
Institutional accumulation	0.61%	0.62%
Retail income	1.61%	1.62%
Institutional income	0.61%	0.62%
Institutional regulated income	0.41%	0.42%
Standard Life accumulation	0.11%	0.12%
Institutional regulated accumulation	0.41%	0.42%
Platform 1 accumulation	0.91%	0.92%
Platform 1 income	0.91%	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 Dynamic Distribution Fund Interim Report & Financial Statements

Financial Statements

Statement of Total Return

for the six months ended 30 September 2013 (unaudited)

	30 September 2013		30 September 2012	
	£'000	£'000	£'000	£'000
Income:				
Net capital gains		7,182		2,511
Revenue	4,536		4,757	
Expenses	(1,018)		(1,037)	
Finance costs: Interest	(45)		(66)	
Net revenue before taxation	3,473		3,654	
Taxation	(337)		(367)	
Net revenue after taxation		3,136		3,287
Total return before distributions		10,318		5,798
Finance costs: Distributions		(3,937)		(4,117)
Change in net assets attributable to unitholders from investment activities		6,381		1,681

Statement of Change in Net Assets Attributable to Unitholders

for the six months ended 30 September 2013 (unaudited)

	30 September 2013		30 September 2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		192,009		203,232
Amounts receivable on issue of units	4,150		692	
Less: Amounts payable on cancellation of units	(13,436)		(20,582)	
		(9,286)		(19,890)
Stamp duty reserve tax		(14)		(9)
Change in net assets attributable to unitholders from investment activities (see above)		6,381		1,681
Retained distribution on accumulation units		3,683		3,811
Closing net assets attributable to unitholders		192,773		188,825

Comparative information is provided for the statement of change in net assets attributable to Unitholders. Since this information is for the prior interim period, the net assets at the end of that period do not correspond to the net assets at the start of the current period.

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Financial Statements

(Continued)

Balance Sheet

as at 30 September 2013 (unaudited)

	30 September 2013		31 March 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		194,784		193,334
Debtors	3,329		2,803	
Total other assets		3,329		2,803
Total assets		198,113		196,137
Liabilities				
Creditors	(613)		(1,039)	
Bank overdrafts	(4,593)		(2,967)	
Distribution payable on income units	(134)		(122)	
Total other liabilities		(5,340)		(4,128)
Total liabilities		(5,340)		(4,128)
Net assets attributable to unitholders		192,773		192,009

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Portfolio Statement

as at 30 September 2013

Holding	Market value £'000	Percentage of total net assets
Collective Investment Schemes (100.69%)	194,784	101.04
Bond Funds (34.30%)	62,920	32.64
72,445,759 SLI Corporate Bond Fund	33,750	17.51
2,006,018 SLI Emerging Market Debt Fund	937	0.49
185,348 SLI Global SICAV	1,986	1.03
48,878,914 SLI Higher Income Fund	23,317	12.09
4,404,836 SLI Strategic Bond Fund	2,930	1.52
Equity Funds (51.52%)	103,734	53.80
3,720,238 SLI Global Absolute Return Strategies Fund	2,849	1.48
4,120,313 SLI Global Equity Income	2,497	1.29
1,123,509 SLI UK Equity High Alpha Fund	1,049	0.54
92,223,957 SLI UK Equity High Income Fund	53,866	27.94
36,485,151 SLI UK Equity Income Unconstrained Fund	18,273	9.48
1,935,580 SLI UK Equity Recovery Fund	2,967	1.54
10,337,763 SLI UK Equity Unconstrained Fund	14,838	7.70
6,122,753 SLI UK Smaller Companies Fund	7,395	3.83
Property Funds (14.87%)	28,130	14.60
9,663,976 SLI Global REIT Fund	3,597	1.87
29,050,896 SLI UK Property Fund	24,533	12.73
Total investment assets	194,784	101.04
Net other liabilities	(2,011)	(1.04)
Total Net Assets	192,773	100.00

All investments are regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 March 2013.

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Distribution Tables

for the three months ended 30 June 2013

Dividend distribution

Group 1 - units purchased prior to 1 April 2013

Group 2 - units purchased between 1 April 2013 and 30 June 2013

	Net income 2013 pence per unit	Equalisation 2013 pence per unit	Distribution paid 2013 pence per unit	Distribution paid 2012 pence per unit
Retail accumulation				
Group 1	0.5514	-	0.5514*	0.4901
Group 2	0.2898	0.2616	0.5514*	0.4901
Institutional accumulation				
Group 1	0.5805	-	0.5805*	0.5124
Group 2	-	-	-	-
Retail income				
Group 1	0.4260	-	0.4260**	0.3947
Group 2	0.1366	0.2894	0.4260**	0.3947
Institutional income				
Group 1	0.4503	-	0.4503**	0.4146
Group 2	-	-	-	-
Institutional regulated income				
Group 1	0.4415	-	0.4415**	0.4188
Group 2	-	-	-	-
Standard Life accumulation				
Group 1	0.5974	-	0.5974*	0.3866
Group 2	0.5163	0.0811	0.5974*	-
Institutional regulated accumulation				
Group 1	0.5896	-	0.5896*	0.5198
Group 2	0.2110	0.3786	0.5896*	0.5198

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Distribution Tables

(Continued)

	Net income 2013 pence per unit	Equalisation 2013 pence per unit	Distribution paid 2013 pence per unit	Distribution paid 2012 pence per unit
Platform 1 accumulation				
Group 1	0.4766	-	0.4766*	0.3876
Group 2	0.2497	0.2269	0.4766*	-
Platform 1 income				
Group 1	0.4574	-	0.4574**	0.3878
Group 2	0.1266	0.3308	0.4574**	-
* Distribution accumulated on 30 June 2013				
** Distribution paid on 31 August 2013				
for the three months ended 30 September 2013				
Dividend distribution				
Group 1 - units purchased prior to 1 July 2013				
Group 2 - units purchased between 1 July 2013 and 30 September 2013				
	Net income 2013 pence per unit	Equalisation 2013 pence per unit	Distribution payable 2013 pence per unit	Distribution paid 2012 pence per unit
Retail accumulation				
Group 1	0.8548	-	0.8548*	0.7687
Group 2	0.6092	0.2456	0.8548*	0.7687
Institutional accumulation				
Group 1	1.0255	-	1.0255*	0.8043
Group 2	0.4698	0.5557	1.0255*	-
Retail income				
Group 1	0.6550	-	0.6550**	0.6131
Group 2	0.4211	0.2339	0.6550**	0.6131
Institutional income				
Group 1	0.8385	-	0.8385**	0.6446
Group 2	0.1289	0.7096	0.8385**	-

Standard Life Investments Dynamic Distribution Fund Interim Report & Financial Statements

Distribution Tables

(Continued)

	Net income 2013 pence per unit	Equalisation 2013 pence per unit	Distribution payable 2013 pence per unit	Distribution paid 2012 pence per unit
Institutional regulated income				
Group 1	0.7357	-	0.7357**	0.6543
Group 2	-	-	-	-
Standard Life accumulation				
Group 1	2.0823	-	2.0823*	0.9484
Group 2	1.3096	0.7727	2.0823*	-
Institutional regulated accumulation				
Group 1	0.9413	-	0.9413*	0.8164
Group 2	0.7480	0.1933	0.9413*	0.8164
Platform 1 accumulation				
Group 1	1.4687	-	1.4687*	0.6627
Group 2	0.9910	0.4777	1.4687*	-
Platform 1 income				
Group 1	1.1051	-	1.1051**	0.6535
Group 2	0.8077	0.2974	1.1051**	-
* Distribution accumulated on 30 September 2013				
** Distribution payable on 30 November 2013				
Treatment by Corporate Unitholders				
Corporate unitholders should account for the current period’s dividends shown in the distribution tables as follows:				
	1st Interim Dividend Distribution	2nd Interim Dividend Distribution		
Treat as a UK corporate dividend	45.85%	62.50%		
Treat as unfranked investment income*	54.15%	37.50%		
*After deduction of income tax at the lower rate. This amount is liable to corporation tax.				

