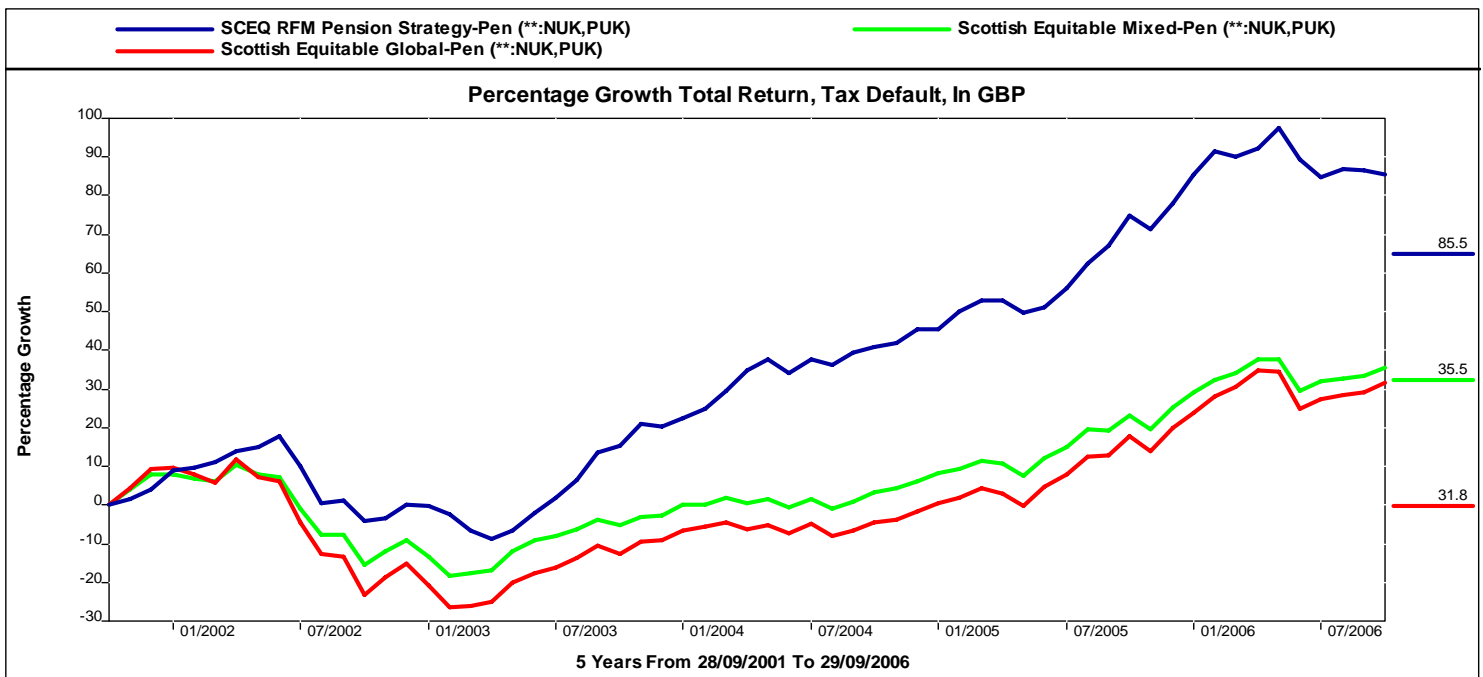


Portfolio Activity

- The fund was down 0.5% in September, with losses driven by falls in mining stocks and Japanese Smaller companies as higher beta assets continue to be sold off as US economic growth falters.
- There are some signs of slowing in the global economy and as such there is the hope that interest rates have peaked in the majority of countries where rate rises have been an issue. Whilst markets have been reasonable in 2006 (Japan being the unfortunate exception) there is insufficient evidence that there will be scope for large rate reductions during 2007.
- The majority of commentators are now suggesting a soft landing and whilst there are still some bears in the woods it doesn't look like there is too much doom and gloom in the future if one is selective and proceeds in cautious manner.
- Japan continues to be a long term play in our portfolios, whilst the year started well and Japan started to rise from its deflationary problems recent data suggests a mixed picture. The Tankan survey of large manufactures is actually showing an increase in confidence and business conditions for the last quarter whilst non manufacturers remain stable. The key with Japan will be to balance it against other regions and to adopt a long term strategic approach as there is data to suggest an improving picture and it may only be a question of time before the Bank of Japan is able to raise interest rates again.
- Short term bond yields should rise as a result of a monetary tightening policy in many regions, how long these levels remain will depend upon the slow down as the expectation of weaker growth will likely cause yields to fall again. Corporate bond yields will most likely widen slightly with the deterioration in economic growth.



Performance Chart – 5 Years



Absolute Performance

Total Return on Investment expressed as a percentage, excluding initial charges and showing the ranking within the ABI Pension sector Peer Groups listed over the time periods shown up to 29.9.06*. Launch date 16.5.94.

	6 Months	1 Year	3 Years	5 Years	10 Years
RFM Pension Strategy	-3.42	5.98	60.64	85.11	159.78
ABI Pension Balanced	-1.51	9.87	46.00	44.24	76.07
Fund Quartile Ranking	4	4	1	1	1
Fund Absolute Ranking	188/215	195/205	5/176	1/138	1/68

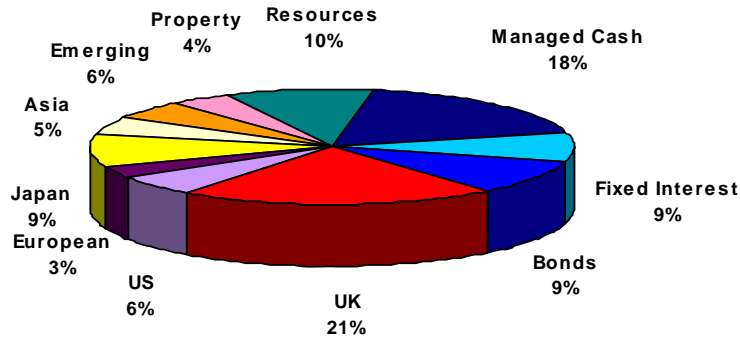
*Source: Lipper Hindsight



Scottish Equitable RFM Pension Strategy

October 2006

Asset Allocation



Top 5 Holdings

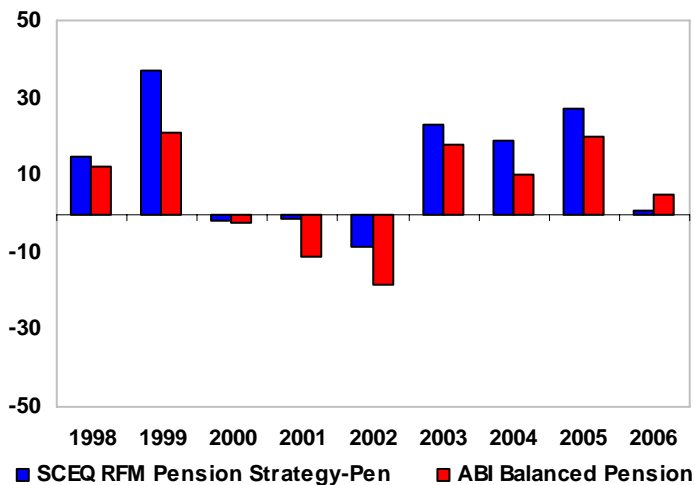
limia Group Plc	5.6%
Pimco Euro Bond	4.4%
Delta Plc	4.3%
JPMF Euro Liquidity Fund	4.0%
European Equity Tranche	3.8%

Fund Facts

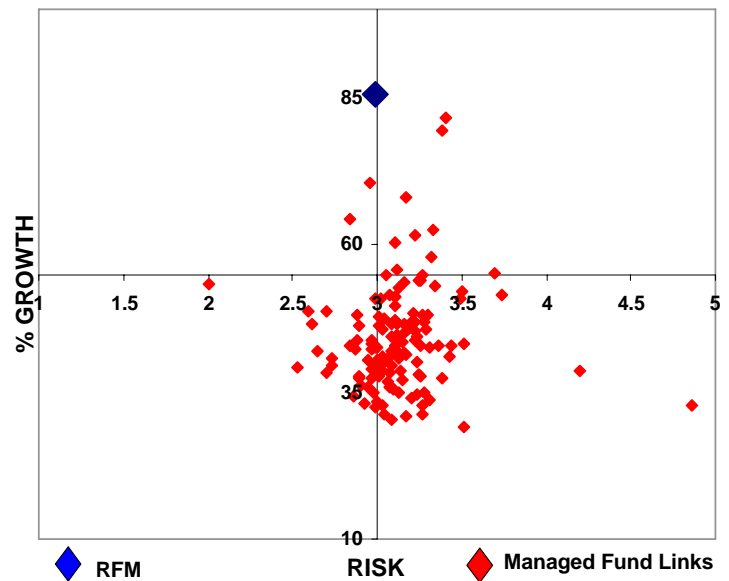
Fund Size	£15.6m
SEDOL	1633085
Share Type	Accumulation
Minimum Investment	£5000
Switch	Free for Existing ScEq Policies

Charges	As per product wrapper
Commission	As per product wrapper
Price at 31st August 2006	NAV 285.37p
Contact	Your Financial Adviser

Discrete Year Performance



Risk Return Scatter - 5 Years*



Investment Objective & Fund Strategy

The aim of the RFM Pension Strategy fund is to provide long-term growth by investing in a balanced portfolio of worldwide equities, fixed interest stocks and cash deposits although the Investment Manager, MitonOptimal, may from time to time choose to invest in property or selected foreign currency deposits. Like any equity based fund it is possible that over the shorter term, the fund price may experience a degree of volatility.

The Fund Management Team

Martin Gray, the lead fund manager has over 20 years experience in fund management and is rated one of the top fund managers in the Balanced Managed Sector. The co-fund manager Tom McGrath has over 13 years experience and along with Martin is ranked in the top Hot 100 List of all UK Fund Managers (Professional Adviser, 22 April, 2006). MitonOptimal won the Moneywise Pension Award in September 2006, the Asset Allocator of the Year Award in July along with the Lipper Global Mixed Asset Aggressive & Balanced Awards for 3 Year Risk Adjusted Performance in the early part of the year.

Investment Manager: MitonOptimal UK Ltd, 10-14 Duke Street, Reading, Berkshire, RG1 4RU

Fund & Administration Manager: Capita Financial Managers Ltd, Beaufort House, 15 St. Botolph Street, London EC3A 7H

Trustee: Bank of New York Trust & Depository Company Ltd, One Canada Square, London E14 5AL

* Scottish Equitable RFM Pension Strategy versus all Managed Fund Links

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