AVIVA INVESTORS PROPERTY TRUST MONTHLY BULLETIN

31 December 2011

Performance to 31 December 2011

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	-0.06	0.37	-2.15	1.96	-7.62	2.62

Source: Lipper Hindsight, bid to bid, net income reinvested at dividend pay date.
The fund is currently on a “minimum bid” (cancellation) price basis. This will have impacted performance over certain time periods.
For more information please go to the 'Important Information' at the end of this document or contact Sales Support on 0800 0154 773.
Past performance is not a guide to the future.

Summary

- The fund is a UK Non-UCITS Retail Scheme
- Assets of the fund: £1,812.1m (excluding reinvested income)
- Initial charge: 5%; annual management charge: 1.25%
- Total Expense Ratio: 1.34% / Property Expense Ratio: 0.56% (31 May 2011)
- Historic yield: 2.70%[1]

Market background

- 2011 finished with a good deal more uncertainty in global financial markets than when it started. Equity indices fell further, and concerns remained over sovereign debt levels, both in the Eurozone and beyond. UK commercial property was not immune to these factors, and it appears that the monthly index will show a marginal valuation fall in December (following-on from a similar fall in November). However, as a whole 2011 was not a bad year for UK commercial property, which is likely to have delivered between 7.5% and 8% over the year. Against other asset classes this looks like reasonably good performance, and the lower levels of volatility remain attractive to a number of investors.
- So what of the expected carnage on the high street in December 2011? Did we see retailer failures as expected? Did most of us stay at home and buy our (fewer) Christmas gifts on-line? Well, in fact Christmas 2011 was not as bad as many had feared. Sure, there were a number of high profile retail failures, including Blacks (in early January), La Senza, Hawkins Bazaar and Past Times. But a number who were on the “at risk” list survived (for the time-being at least). The real test is likely to come in a month or two’s time when those retailers who are close to the edge will have to work a plan around longer-term survival, rather than the “let’s just get through Christmas” approach that they may have taken thus far.
- There was some interesting bank activity over December. RBS closed on their £1.4 billion deal with Blackstone, whereby loans with a face value at that level were transferred in to a fund in which Blackstone took a 25% stake for £100m (while RBS retained 75%). That implies a write-down of over 70%. In another loan book deal, Lloyds sold £0.9 billion of loans to Lone Star, and although the pricing is unclear, a write-down of around 30% was expected. These deals are by no means representative of the write-downs required across the banking sector as a whole, but they do show (in certain specific instances) that banks are now willing to take significant balance sheet write-downs in order to deal with their problem assets.
- On the investment side, volumes held up well in December, and (although concentrated on some larger deals) values for better stock remained strong. According to Jones Lang LaSalle, there were deals totalling £2.6 billion under offer in the London City and Docklands markets at the end of 2011. CBRE estimated that about £1.7 billion was placed under offer in those markets in Q4 alone. Cushman & Wakefield estimated that transaction volumes in London as a whole were up around 10% over the year on 2010. However outside the capital activity was thinner, but there were pockets of stronger activity with, for example, Leeds seeing a 30%+ increase in transaction volumes over the first three quarters of 2011 (as estimated by BNP Paribas Real Estate), albeit from a low base in 2010.
- In terms of value-adding activity on the Aviva Investors Property Trust portfolio, a number of key initiatives came to completion in December, which delivered (in aggregate) around £3.3million in additional value to the fund over the month. Those initiatives included new lettings and lease restructurings at our holding on Piccadilly in Central London, which added circa £1.5 million to the asset value. Indeed, a recent retail deal has increased the rental value of that element by over 8% over the month. We also completed on a lease extension on one of our regional office holdings in Central Birmingham, adding £350,000 to the value of the asset, and completed the grant of a new lease on our shopping centre holding in Exeter, which added circa £100,000 to the asset value. We also completed a new letting at our office holding in Mayfair in Central London, delivering over 5% growth in rental value, and £350,000 growth in value over the month. Finally, we completed on the letting of a retail warehouse unit on our park in Maidstone, delivering an additional £1 million in capital value to the fund.
- Investment transactions on the fund over the month remained low, with opportunistic deals being pursued where applicable. Indeed, the fund sold an industrial property over the month to an owner-occupier, achieving over 5% above the latest valuation. Whilst market investment activity remains concentrated on Central London, as demonstrated above the fund has achieved strong asset management performance across the portfolio. We remain convinced that investment performance over the near term will be focused on asset specifics, not macro strategies, and therefore we will continue to be very opportunistic in our approach to investment transactions.

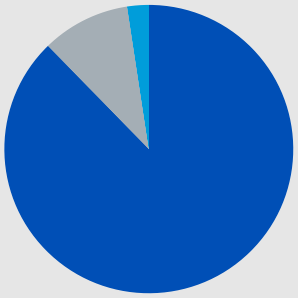
[1] *The historic yield reflects distributions declared over the past 12 months as a percentage of the mid-market unit price, as at 31 December 2011. It does not include any preliminary charge. It is net of tax for a basic rate taxpayer; higher rate taxpayers will be subject to further tax on their distributions.*

Fund Profile

a. Overall profile

- The total cash weighting now stands at 9.9%. The direct property weighting is 87.7% and the indirect (property-related assets) weighting 2.4%.
- Uncommitted cash means money available to meet fund cashflow requirements. It excludes cash or cash-equivalent instruments which could not be accessed within the settlement period required to meet unit redemptions.

Fund position as at 31 December 2011



b. Direct property strategy

The profile of the direct property portfolio as at 31 December 2011 was as follows:

	Offices %	Shops %	Shopping Centre %	Retail Warehouse %	Industrial %	Other %	Total %
South East	5.0	1.3	0.0	4.2	4.4	0.6	15.5
Eastern & South West	1.4	3.0	3.4	0.9	0.7	0.0	9.4
Midlands & Wales	3.5	4.9	2.9	1.4	1.1	3.5	17.3
North & Scotland	5.6	3.9	7.3	4.3	2.4	7.5	31.0
London	12.5	2.7	0.0	11.0	0.6	0.0	26.8
Total	**28.0**	**15.8**	**13.6**	**21.8**	**9.2**	**11.6**	**100.0**

Source: Knight Frank/Aviva Investors

Fund performance

a. Direct property portfolio

- The fund holds 71 properties as at 31 December 2011 with a net initial yield of 5.78%. One sale was completed over the month of an industrial property in Horsham. There were no acquisitions.
- The direct property values during the month have decreased by 0.06% excluding transaction activity. The best performance over the month (excluding transaction activity) came from the Retail Warehousing sector.
- The total return of the direct property portfolio compared to the quarterly version of the IPD Balanced Monthly Index Funds (including the impact of transactions and developments) as at 30 September 2011 was as follows:

	3 months %		1 year %		3 years % p.a.		5 years % p.a.		10 years % p.a.	
	Fund	IPD	Fund	IPD	Fund	IPD	Fund	IPD	Fund	IPD
Shops	1.1	0.9	5.7	5.8	-3.9	0.5	-4.6	-2.1	3.9	6.5
Retail Warehouse	1.9	1.6	14.0	8.9	4.8	4.3	-2.8	-1.6	8.0	7.8
Office	4.2	2.1	6.0	8.4	-0.2	0.8	-2.3	-1.6	4.2	4.9
Industrial	2.5	1.8	6.5	7.6	2.4	1.7	-2.3	-1.4	5.0	6.1
Overall	**2.2**	**1.6**	**7.4**	**7.8**	**0.8**	**1.8**	**-2.7**	**-1.5**	**5.3**	**6.2**

Source: IPD Quarterly Report.
Past performance is not a guide to the future.

Cash performance

– Returns from the cash component of the fund to 31 December 2011 are shown on the table below:

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Cash return	0.06	0.17	0.65	0.70	1.71	3.00

Source: Aviva Investors.
Past performance is not a guide to the future.

Top ten holdings as at 31 December 2011 (listed by order of size of asset)
Hayes - Lombardy Retail Park (retail warehouse)
Preston - St Georges Shopping Centre (shopping centre)
Edinburgh - Omni, Greenside Place (leisure)
London SW1 - Princes House, Jermyn Street, Piccadilly (office/mixed-use)
London EC2 - Alder Castle, 10 Noble Street (office)
Kettering - Tesco (retail)
Exeter - Guildhall Shopping Centre (shopping centre)
Birmingham - Colmore Gate, 2 Colmore Row (office)
London W1 - 20 Soho Square (office)
Birmingham - Broadway Plaza (leisure)
Total: 38.85 % of assets

Important Information

Except where stated as otherwise, the source of all information is Aviva Investors Global Services Limited (Aviva Investors) as at 31 December 2011.

Any future returns and opinions expressed are based on Aviva Investors internal forecasts and should not be relied upon as indicating any guarantee of return from an investment managed by Aviva Investors, nor as advice of any nature.

The content of this bulletin is not intended to be an offer or solicitation for sale where a fund is not registered in accordance with applicable law or where such an offer or solicitation would otherwise be prohibited by law.

Past performance is not a guide to the future. The value of an investment in the fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

Where funds are invested in real estate, investors may not be able to switch or cash in their investment when they want because assets in the fund may not always be readily saleable. If this is the case we may defer or suspend investors' requests to switch or cash in their shares. Investors should also bear in mind that the valuation of real estate is generally a matter of valuers' opinion rather than fact.

Investment into the fund is provided by Aviva Investors UK Fund Services Limited. Copies of the Full and Simplified Prospectus together with the Report & Accounts of the scheme are available free of charge on request from the Authorised Corporate Director, Aviva Investors UK Fund Services Limited, at No. 1 Poultry, London, EC2R 8EJ.

A decision has been taken by Aviva Investors UK Fund Services Limited to switch the fund from an offer price basis to a bid price (cancellation) basis following a return to negative net cashflows. When the fund is on an offer price basis, the fund is generally experiencing positive net daily cashflows, which means that for anyone redeeming units the manager is effectively able to "sell" their holding to new investors thus being able to offer terms to exiting investors that did not reflect the costs involved with transacting in the property market. Recently, however, the fund has been experiencing a higher frequency of negative net daily cashflows and thus has moved to a lower pricing basis in order to reflect the full costs of buying and selling property (including Stamp Duty, valuation and legal costs). This will have impacted fund performance over some time periods. For more information please contact Sales Support on 0800 0154 773.

Aviva Investors approach to valuing property funds reflects standard industry practice for all investment funds, though the impact on property funds by the price moving from an offer to bid price basis and vice versa is greater than it would be for equity and bond funds because of the higher buying costs associated with property. We believe that it is fair and equitable to both existing and exiting investors.

Aviva Investors Global Services Limited, registered in England No. 1151805. Registered Office: No. 1 Poultry, London EC2R 8EJ. Authorised and regulated in the UK by the Financial Services Authority and a member of the Investment Management Association.

Contact us at Aviva Investors Global Services Limited, No. 1 Poultry, London EC2R 8EJ. 12/SC009