

# AVIVA LINKED PROPERTY FUND Quarterly Report

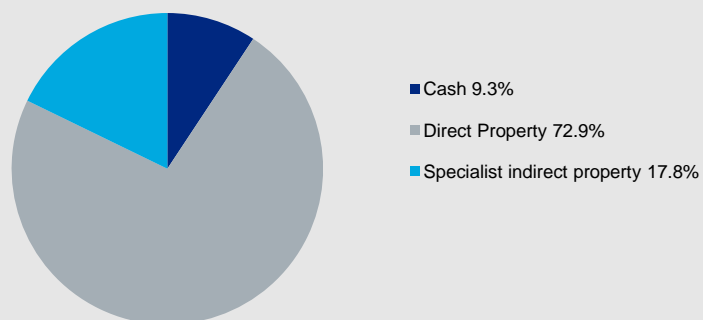
Q3 2011



## Summary

- The Aviva Linked Property Fund comprises a property asset pool for existing and new unit-linked Life and Pensions business
- Overall fund size as at 30 September 2011: £3,001.3m (136 properties)

## Property Profile



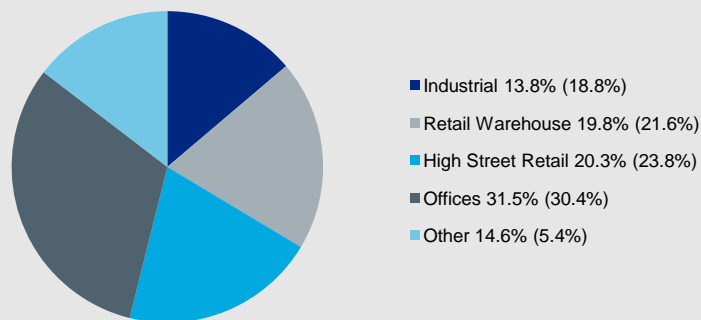
Source: Aviva Investors as at 30 September 2011

The fund invests primarily into UK commercial property, including retail, offices and industrial sectors.

The indirect property is made up of holdings in a number of specialist, sector-focused funds, for example:

- The Mall Fund, which invests in shopping centres;
- The Junction Fund, which invests in retail warehouses;
- Quercus, which invests in properties in the healthcare sector;
- Apia, which invests in regional offices throughout the UK.

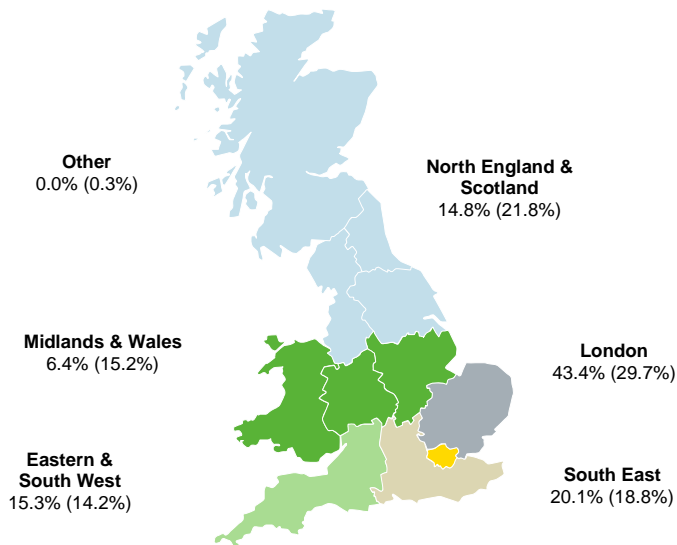
## Property – sector split\*



\* Includes indirect holdings

Source: Aviva Investors/IPD as at 30 September 2011 (IPD All Balanced Index Funds benchmark figures in brackets)

## Property – geographical split\*\*



\*\*Excludes indirect holdings

Source: Aviva Investors/IPD as at 30 September 2011 (IPD benchmark figures in brackets)

## Aviva Linked Property Fund: Life and Pensions performance

Unitised Life Fund		
Years to 30 September 2011	% p.a.	Sector average % p.a.
1	4.9	3.3
3	-2.4	-0.3
5	-3.9	-3.6
10	3.4	3.4

Source: Lipper Hindsight, bid to bid, net income reinvested as at 30 September 2011  
Past performance is not a guide to the future

Unitised Pension Fund		
Years to 30 September 2011	% p.a.	Sector average % p.a.
1	5.7	3.9
3	-1.6	0.2
5	-3.6	-3.4
10	4.1	4.5

Source: Lipper Hindsight, bid to bid, gross income reinvested as at 30 September 2011.  
Past performance is not a guide to the future

Aviva Linked Property Fund: direct property performance		
Years to 30 September 2011	Fund % p.a.	IPD Balanced Monthly Index % p.a.
1	9.5	8.4
3	3.6	2.4
5	0.6	-1.1
10	6.9	6.5

Source: Aviva Investors/IPD, chain linked, money weighted rates of return as at 30 September 2011.

Past performance is not a guide to the future.

## Market background and outlook

- The third quarter brought further evidence that the rally in UK commercial property values has all but ground to a halt. The September Investment Property Databank Monthly Index (IPDMI), the leading indicator of UK commercial property values, recorded capital growth for the eighth consecutive quarter but, at just 0.2% quarter on quarter (q-o-q), this was the weakest quarter of value uplift since the market turned in the middle of 2009. The IPDMI estimates that capital values have recovered by around 18% since the cycle low reached in July 2009; nonetheless, they remain circa 34% below the peak reached in June 2007. At an all-property level, rental growth was negligible in Q3 at 0.1% q-o-q, though this figure masks divergences at sector level where robust growth in Central London offices is cancelling ongoing modest declines in most other sectors. The IPDMI recorded an all-property total return of 1.9% for Q3, marginally lower than the previous quarter's return. On the back of Central London's robust rental performance, the office sector continues to outperform, delivering a total return of 2.5% over the course of Q3 compared to

1.4% for the retail sector and 1.8% for industrials.

- Recent market trends have tended to support our view that the near term is likely to see a period of below-average returns from UK commercial property. Though prime assets in terms of location, tenant and lease remain in demand and the income yield from property remains attractive compared to that of other asset types, most investors are wary of secondary assets. The next leg in the recovery for property values generally must wait for a pick-up in rental prospects. With economic recovery, though weak, expected to continue and low levels of development in the near term, we continue to expect that rental recovery will come and that medium-term prospects for the asset class are relatively healthy though recent economic and financial developments suggest that downside risks have increased.

#### Fund strategy and activity

- There have been some property sales completed during the quarter. These included office buildings in Watford and Winchester, where good prices have been achieved compared to uncertain future prospects. There were also sales of retail units in Liverpool and Bristol; in both cases they only had short occupational leases in towns which have an oversupply of space. Some other properties are also targeted for sale.
- New investment continues into the fund's pre-let development of a Tesco superstore in St Helens (to complete in 2011), and a large office refurbishment in Central London (to complete in early 2012). We are in the process of pre-letting a proposed shopping park development in the Midlands, which we expect to begin in 2012. There are other smaller asset management transactions in hand throughout the portfolio, focused on maximising returns.

#### Top ten direct property holdings as at 30 September 2011

Location	Value band
Queensberry House, Old Burlington Street, London W1 (Offices)	£100 - £150m
The Bentall Centre, Kingston (Retail)	£100 - £150m
40 Berkeley Square, London W1 (Office)	£100 - £150m
The Berkeley Centre, London W1 (Other)	£100 - £150m
325-329 Oxford Street, London W1 (Retail)	£50 - £75m
Cambridge Close Retail Park, Aylesbury (Retail warehousing)	£50 - £75m
The Centre, Feltham (Retail Warehousing)	£50 - £75m
Crown Point Retail Park, Leeds (Retail warehousing)	£50 - £75m
Merton Road Industrial Estate (Industrial)	£25 - £50m
Leyton Mills, London (Retail warehousing)	£25 - £50m
<b>Total</b>	<b>29.4% of fund</b>

#### Important information

Except where stated as otherwise, the source of all information is Aviva Investors Global Services Limited ("Aviva Investors") as at 30 September 2011.

Past performance is not a guide to the future.

The value of a fund and the 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 property, you may not be able to switch or cash in your investment when you want because property in the Fund may not always be readily saleable. If this is the case we may defer your request to switch or cash in your units. You should also bear in mind that the valuation of property is generally a matter of valuers' opinion rather than fact.

The future returns and opinions expressed are based on Aviva Investors' internal forecasts and should not be relied upon as indicating any guarantee of return for an Aviva Investors' investment.

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.

11/SC0337/310112