

AVIVA INVESTORS EUROPEAN PROPERTY FUND MONTHLY BULLETIN

30 November 2011



The Aviva Investors European Property Fund (“the fund”) is a UK authorised Non-UCITS Retail Scheme Open-Ended Investment Company that targets income and long-term capital appreciation through property investment in the European Economic Area (excluding the UK) and Switzerland.

Fund summary

Total assets under management as at 30 November 2011 were £316.5 million, which includes 16 properties invested across nine countries. The net initial yield on the underlying properties in the fund is currently 7.0%.

European market

- Despite quarterly economic growth in Q3 in the Eurozone’s largest economies, Germany and France, of 0.5% and 0.4% respectively, the second GDP release for Q3 showed that the Eurozone economy expanded by just 0.2%. Lead indicators are suggesting a recession in the Eurozone starting in Q4 and continuing through 2012.
- Financial markets continue to be driven by economic and political sentiment. The deteriorating conditions in peripheral countries are impacting on core economies, with the recent announcement that the credit rating agency Standard and Poor’s is reviewing 15 of the 17 Eurozone credit ratings, including France and Germany.
- Real estate forecasts have been revised downwards reflecting weaker income growth prospects. Given the significant change in economic prospects in the core economies, some of the largest downward revisions have occurred in these markets.
- Scarcity of debt is a key risk for the European real estate market. A credit squeeze is expected in the Eurozone and there is evidence to suggest that this is already underway. Several major banks have closed their books to any new commercial real estate lending. For anything but very prime assets, finding debt for new loans or refinancing is likely to be very difficult in the near term.
- Looking forward, with the ongoing European sovereign-debt crisis and the market remaining constrained by low levels of debt availability, we now expect a period of relatively weak performance in most European real estate markets.

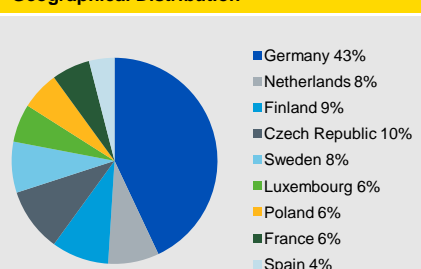
Fund strategy

- At the start of 2011, there were strong positive net inflows into the fund, resulting in a significant increase in assets under management. Although there have been some outflows from the fund since then, the total unrestricted cash position for the fund as at the end of November stands at just under 22%.
- We would like to bring the cash weighting of the fund down to our long-term targeted level which is around 15% and are continuing to review investment opportunities to do this.
- Property values within the portfolio continue to remain broadly stable. Values were unchanged during November.
- With divergent conditions across the Eurozone, we continue to maintain a preference for the core markets of Germany, France and the Nordics. German retail has been a particular focus for the fund recently and the fund’s weighting to that market is above 40%. The fund has a limit of 50% to be invested in any one country.
- Aside from direct property, over the last few months the fund manager has made investments into the property securities market and the fund weighting to this sector currently stands at 5.6%. During November the European listed real estate market (EPRA ex-UK) dropped by close to 7% on renewed Eurozone debt fears. The market was spooked by the Greek referendum proposal at the beginning of the month and by the central issues of the crisis still remaining unresolved. The fund’s portfolio of listed real estate holdings has outperformed the FTSE EPRA ex-UK index over the last three months but underperformed the index in November^[1].
- Looking forward, until a solution to the Eurozone debt crisis is agreed, we are anticipating continued short-term volatility in the equity market. However, the fund’s listed real estate portfolio is concentrated in the more liquid, defensive and higher-yielding securities (such as Unibail and Corio) with only limited exposure to peripheral countries in their portfolios. Such companies provide pan-European exposure to the property market, primarily in the retail and office sectors. They combine an attractive dividend yield with a high level of liquidity and we expect them to be more resilient during periods of higher equity market volatility than the wider listed real estate securities market.

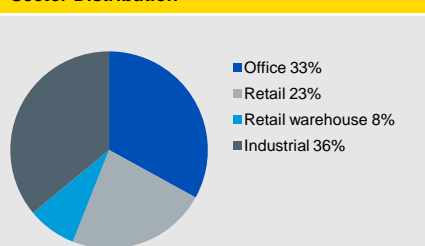
^[1] Source: Aviva Investors and Bloomberg/FTSE EPRA NAREIT Europe Ex UK Gross Return Index

Current investment profile (as at 30 November 2011)

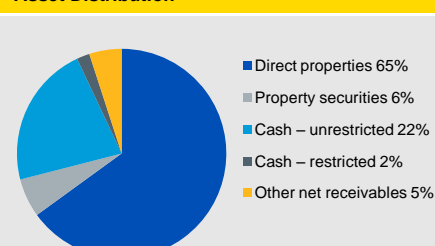
Geographical Distribution



Sector Distribution



Asset Distribution



Fund performance (as at 30 November 2011)

Share class	Description of share	Type of share	Launch date	1 month %	3 months %	6 months %	12 months %	3 years % p.a.	Since inception % p.a.
A € NET ACC	Accumulation	Retail	23/02/2007	-0.63	-0.42	-1.32	0.92	-5.24	-6.90
A € NET INC	Income	Retail	04/06/2007	-0.59	-0.46	-1.36	0.92	-5.21	-7.45
I € NET ACC	Accumulation	Institutional	05/04/2007	-0.54	-0.34	-1.08	1.45	-4.59	-6.39
I € NET INC	Income	Institutional	26/10/2006	-0.55	-0.40	-1.08	1.57	-4.55	-7.69
A £ NET INC	Income	Retail	25/04/2007	-2.97	-4.19	-3.49	2.87	-8.30	-8.91
R £ NET INC	Income	Retail	21/12/2006	-2.98	-4.21	-3.59	2.62	-8.40	-8.26
I £ NET INC	Income	Institutional	27/03/2007	-2.89	-4.11	-3.25	3.35	-7.77	-8.15
A \$ NET ACC	Accumulation	Retail	21/01/2011	-5.56	-8.10	-8.79	-	-	-

Source: Lipper Hindsight. Performance figures are net of fees, net income reinvested at dividend pay date.

Note: As of 18 October 2010, the fund renamed all share classes. A€ (previously A) to A € NET ACC, A€x (previously Ax) to A € NET INC, I to I€ (previously I) to I € NET ACC, I€x (previously Ix) to I € NET INC, A£xh (previously Bx) to A £ NET INC, R£xh (previously Rx) to R £ NET INC, and I£xh (previously Cx) to I £ NET INC. Past performance is not a guide to the future.

Performance

- Over the month of November the value of the direct properties remained static. As detailed above, direct property accounts for 65% of the portfolio as at 30 November 2011. As at the same date, unrestricted cash accounted for just under 22%. The cash component of the fund during the month of November was yielding approximately 1% on an annualised basis.
- The one-month performance of both the sterling and dollar share classes was weaker than that of the euro share classes due to the weakening of the euro against sterling and the US dollar.
- Over the one-month period to 30 November 2011, the euro weakened against sterling and the dollar by approximately 2.4% and 5.0% respectively. Over the 12-month period to 30 November, the euro has strengthened against sterling by 1.7%¹.
- On 9 March 2011, a decision was taken by Aviva Investors UK Fund Services Limited to switch the fund from an offer-price basis to a bid-price basis. This move (and previous moves) in pricing basis will have impacted the performance of the fund. For more information, please see the 'Important Information' at the end of this document or contact Sales Support on 0800 0154 773.

Top ten holdings as at 30 November 2011 (listed by order of size of asset)

Salzgitter - City Carree, Albert-Schweitzer-Strasse 1 (Retail) GERMANY
Vantaa - Mantaalitie 5-7 (Industrial) FINLAND
Frankfurt - Königsteiner Strasse 9-13, Höchst (Retail) GERMANY
Sundsvall - Birsta Syd Retail Park (Retail warehouse) SWEDEN
Amsterdam - Busitel II, Orlyplein 2 – 74 (Office) NETHERLANDS
Mannheim - Megaron B, Dynamostrasse 17/19 (Office) GERMANY
Munich - Zamdorfer Strasse 88 (Office) GERMANY
Luxembourg - 2 Rue du Fosse (Office) LUXEMBOURG
Kadan - Kralovsky vrch 1990 (Industrial) CZECH REPUBLIC
Sehnde - Gretlade 1 (Industrial) GERMANY
Total: 52.8 % of direct property assets

¹ Source: JP Morgan as at 30 November 2011

Important Information

Except where stated as otherwise, the source of all information is Aviva Investors Global Services Limited (Aviva Investors) as at 30 November 2011. All economic data is sourced from Factset as at 30 November 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.

On 18 October 2010 the fund became a UK Authorised Non-UCITS Retail Scheme (NURS) dual-priced Open-Ended Investment Company (OEIC). Previously the fund was a Luxembourg non-UCITS single-priced SICAV. On 18 October 2010, the non-UCITS SICAV was liquidated and its assets transferred to the UK NURS OEIC and the performance history of the SICAV was retained for use in the new UK OEIC.

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.

If the fund is invested in overseas markets or holds currencies other than sterling, then currency exchange rate movements may cause the value of your investment to fall as well as rise.

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.

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.

On 9 March 2011 a decision was taken by Aviva Investors UK Fund Services Limited to switch the fund from an offer-price basis to a bid-price basis. 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. Since early March, the fund has experienced a higher frequency of negative net daily cashflows and thus moved to a lower pricing basis (as of 9 March 2011) in order to reflect the full costs of buying and selling property (including Stamp Duty, valuation and legal costs).

Please therefore note that this recent price switch (and previous price switches) will have impacted fund performance. The fund switched from an offer price to a bid price on 21 May 2008, to an offer price on 6 January 2010, to a bid price on 3 February 2010, to an offer price on 27 October 2010, to a bid price on 12 November 2010, to an offer price on 27 January 2011 and to a bid price on 9 March 2011. For more information please contact Sales Support on 0800 0154 773.

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.

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.

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