

Fund objective

To outperform the CAPS Balanced Median by 1.5% p.a. over rolling three year periods, before charges

Fund manager

Jason Josefs

Benchmark

CAPS Balanced Median

Fund size

£168.17 m

Launch date

29/12/1972

Further information

www.avivainvestors.com

Fund summary

The Balanced Managed Fund has a risk profile that is designed for pension funds with an average level of maturity (i.e. neither very cashflow positive nor significantly negative).

The fund is actively managed in terms of both asset allocation and stock selection.

The fund is expected to produce most of its added value through stock selection (approximately 70%), with the balance of 30% being achieved through asset allocation.*

Fund comment

The AIPL Balanced Managed fund returned -9.2 per cent over the quarter as global equity markets declined sharply on concern that fiscal austerity measures in many western economies could tip much of the world back into recession. That prompted investors to shift funds out of riskier assets in favour of safer investments such as gold, cash and highly-rated government bonds.

The fund underperformed its benchmark. Underperformance was explained by asset allocation, notably an underweight position in international bond markets. Our nervousness over bond valuations reflects the fact that the bulk of economic indicators released over the past six months have pointed to the global recovery being sustained, albeit with growth rates diverging between Asia (strong), Europe (sub par) and US (somewhere in between). Whilst excess capacity means that inflation in most regions is expected to remain subdued, bond markets will have to digest significant amounts of new issuance. Unfortunately, little of this has appeared to matter over recent months. Instead, investors have become increasingly focused on the sustainability of government spending in a number of southern European countries. More recently fears of a 'double-dip' recession have mounted. Although we continue to attach a relatively low probability to the 'double-dip' scenario, it is important to recognise that the downside risks have increased. However, bond markets have already gone some way towards discounting a recession. In our view, the risk to yields remains skewed to the upside. On a positive note, UK equity investments outperformed with relative lack of exposure to BP proving to be an especially lucrative position as the catastrophic oil spill in the Gulf of Mexico led to growing concern over the company's financial health. Despite uncertainty over the eventual bill we have been increasing our exposure to the shares as we believe the current price does not reflect the company's underlying worth.

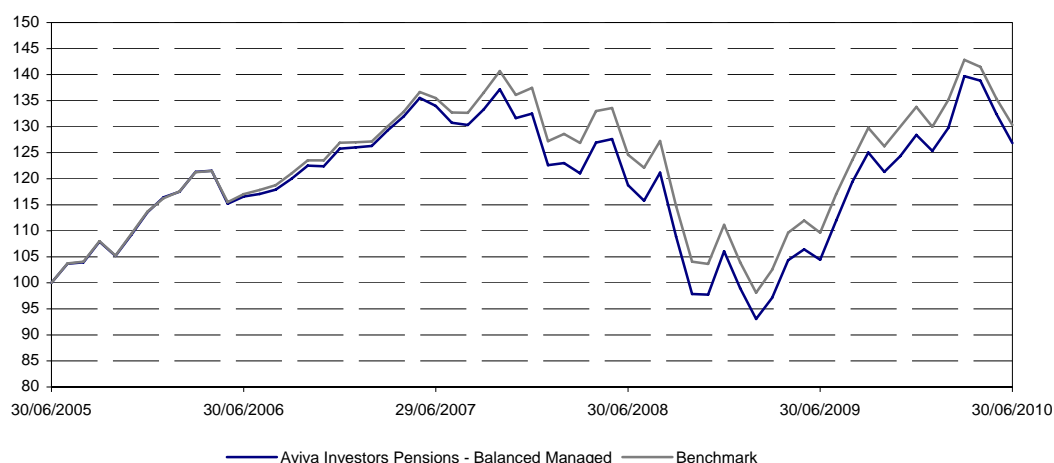
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised to 30/06/10		
				3 yrs	5 yrs	10 yrs
Fund	-9.2	-1.2	21.5	-1.8	4.9	1.9
Benchmark	-8.8	-2.3	19.2	-1.1	-5.5	3.1
Relative †	-0.4	1.1	1.9	-0.7	11.0	-1.2

Past performance is not a guide to the future.

Source: Aviva Investors, mid to mid, income reinvested, before charges.

Fund performance vs Benchmark (%) 5 years (or since launch)

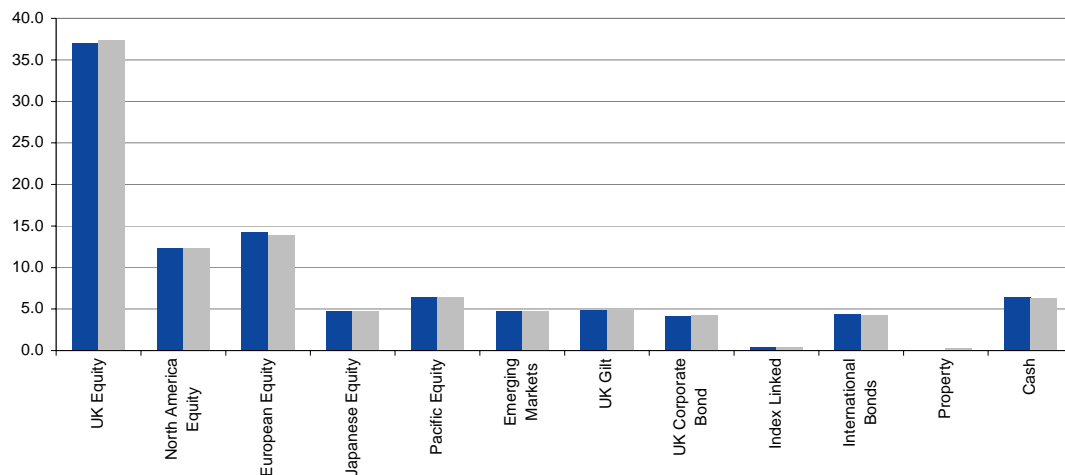


Source : Aviva Investors and Lipper Hindsight – mid to mid, income reinvested, before charges

Additional information

*In April 2006, changes were made to some of the Fund's underlying components, notably UK Equities (adoption of a more modular approach). Aviva Investors has also increased the asset allocation ranges to increase the scope for added value from this source. Full details are available on request.

Distribution



† Performance has been calculated on a geometric relative basis

There are two methods of comparing a fund against a benchmark, the geometric relative or arithmetic, 'simple difference'. Aviva Investors uses the geometric relative. This is a ratio of out/under performance rather than simply the Fund Return less Benchmark Return. We believe this is a more realistic measure of out/underperformance particularly for comparisons between short and long term performance. The different calculations are shown below.

Performance Calculation:

Arithmetic Relative = Fund Performance – Benchmark Performance

Geometric Relative = $[(1 + \text{Fund Return} / 100) / (1 + \text{Benchmark Return} / 100) - 1] * 100$

Aviva Investors Pensions Limited is the company through which the pooled fund contract is written. Any opinions expressed are based on views of Aviva Investors Global Services Limited, the investment manager appointed by Aviva Investors Pensions Limited to manage the funds. The content of this factsheet should not be viewed as indicating any guarantee of return from an investment in the funds nor should any part be construed as a recommendation to invest or to buy and sell stocks. The value of an investment can go down as well as up and investors may not get back their original investment. Further important details on our service, charges, available funds and specific risk warnings are provided in the Key Features document which is available on request.

Aviva Investors Pensions Limited, registered in England No. 1059606. Registered Office: No. 1 Poultry, London EC2R 8EJ. Authorised and regulated in the UK by the Financial Services Authority and a member of the Association of British Insurers.
Contact us at Aviva Investors Pensions Limited, No. 1 Poultry, London EC2R 8EJ. 10/0889/311010

**THIS DATA IS FOR INVESTMENT PROFESSIONALS ONLY. IT IS NOT TO BE VIEWED OR USED WITH
RETAIL INVESTORS**