

Fund objective

To outperform LIBOR plus 4% over a rolling 5 year period before charges.

Fund manager

Mirko Cardinale

Benchmark

1 Month Libor

Fund size

£215.7m (underlying OEIC)

Launch date

27 November 2007

Further information

www.avivainvestors.com

Fund summary

The Diversified Strategy Fund invests in the Aviva Investors UK Fund Services Ltd Diversified Strategy Fund which is in a Non-UCITS Retail Scheme (NURS). Investment will be made in shares or units of collective investment schemes (including unregulated collective investment schemes) which invest in any geographical area, industry sector or asset class. Additionally, the Fund may invest directly in worldwide equity and equity related securities, other transferable securities, money market instruments, deposits, cash and near cash, derivative instruments and forward transactions.

Fund comment

The Diversified Strategy Fund returned 0.5 per cent on the quarter, as investments in both equities and bonds climbed in value, more than offsetting the impact of a decline in the value of its commodity holdings. The fund outperformed its cash benchmark by 0.3 percentage points.

In terms of individual positions, a stake in Australian government bonds proved lucrative as the market rallied sharply after the Australian central bank began cutting interest rates in anticipation of a weakening global economic outlook.

This position was established in order to offer the fund some protection against a global economic slowdown. The manager simultaneously believes there is significantly more scope for short-term interest rates to fall in Australia than in other developed countries, where in the majority of cases they are already close to record lows.

Equity holdings also boosted performance. But commodity investments were hurt by a sharp fall in the value of most raw material prices on concern the Chinese economy may be slowing more rapidly than hitherto expected.

Looking ahead, prospective returns from owning equities appear attractive relative to the low rates on offer from holding government bonds and cash. As a result, the manager, in recent weeks, has slightly increased exposure to riskier asset classes such as convertibles. However, we simultaneously recognize that there are still significant risks. As such, a number of hedges, that are expected to offer a degree of protection should the economic outlook sour, have been maintained.

Source: Aviva Investor/ Bloomberg as at 31 December 2011

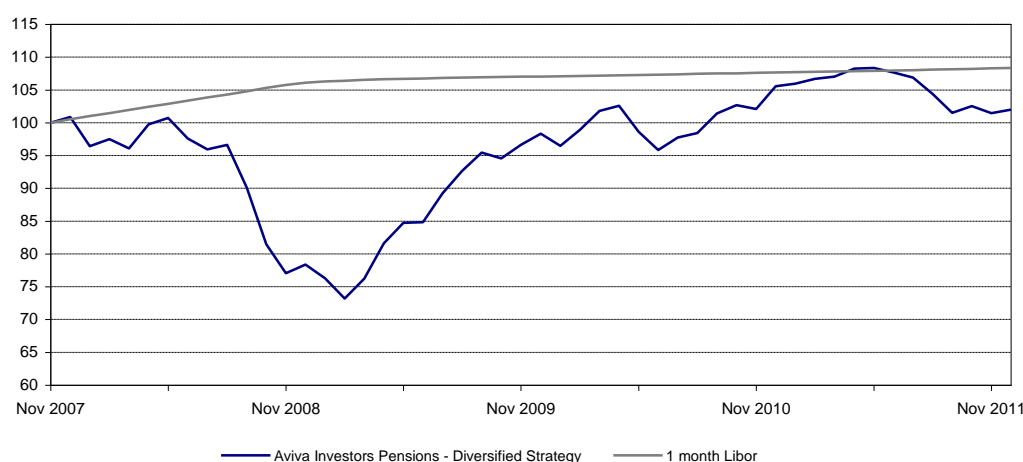
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	0.5	-3.4	-3.4	9.2	-	-
Benchmark	0.2	0.6	0.6	0.7	-	-
Relative †	0.3	-4.0	-4.0	8.4	-	-

Past performance is not a guide to the future

Source: Aviva Investor/ Lipper Hindsight as at 31 December 2011
Basis: Mid to mid, Income reinvested, before charge, in Sterling

Fund performance vs Benchmark (%) Since launch



Source: Aviva Investor/ Lipper Hindsight as at 31 December 2011
Basis: Mid to mid, Income reinvested, before charge, in Sterling

Additional information

Asset/Fund	Allocation (%)
Equities	27.81
■ UK Equity (via FWI fund and futures)	4.93
■ UK 2014 dividends	1.25
■ FTSE Options	5.53
■ FTSE 100 Options (buy)	9.39
■ FTSE 100 Options (sell)	-9.39
■ European Equity (via FWI fund and futures)	-0.13
■ European 2014 dividends	3.31
■ Eurostoxx Options	0.89
■ US Equity (via FWI fund and futures)	-0.03
■ Perlus US Equity Microcap Fund	3.14
■ Japan Equity (via FWI fund and futures)	3.67
■ Asia -Pacific Equity (via FWI fund and futures)	3.11
■ Emerging Market Passive Equities	2.15
Convertibles	3.91
■ Global Convertible Bond Fund	3.91
Developed Government Bonds	13.80
■ Gilts Future	4.27
■ Australian Bond Future	5.20
■ US Government Bonds	4.33
Corporate/EM Government bonds	14.41
■ iShares Corporate Bond	5.57
■ Global High Yield Bond Fund	1.95
■ Brazilian Index Linked Bonds	3.59
■ Mexico Index Linked Bond	1.32
■ SA Index Linked Bond	0.23
■ Polish Index Linked Bond	0.29
■ Chile Index Linked Bond	1.47
Cash	6.71
■ Sterling Reserve Fund	6.41
■ Cash	0.30
Commodities	9.31
■ Harewood Oscillator Fund (commodity beta product)	3.25
■ DBLCI Mean Reversion Enhanced (commodity beta product)	2.79
■ Deutsche Bank Commodity Indices (commodity beta product)	3.27
Property	5.55
■ UK Property Fund	5.55
Alpha	18.50
■ Absolute TAA Fund	5.89
■ Deutsche Bank Harvest Index (commodity alpha product)	2.73
■ G7 Fixed Income Fund (hedge fund)	6.15
■ HCM Alpha Fund	3.74
Total	100.00

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

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