

Fund objective

To outperform the FTSE World Index by 2.0% p.a. over rolling three year periods, before charges.

Fund manager

John Botham

Benchmark

FTSE Europe (ex UK) Index

Fund size

£26.18 m

No of holdings

54

Launch date

30/11/1991

Further information

www.avivainvestors.com

Fund summary

The European Equity Active Fund* is actively managed and invests in Continental European companies for consistent capital growth potential in excess of the benchmark index. The primary focus of the fund manager is at the stock and sector level reflecting the “stock picking” nature of this fund. The geographical allocation is overlaid as a risk control, to ensure that the fund is not excessively positioned relative to its benchmark in any one region or market and is of secondary importance to sector allocation.

Fund comment

The fund underperformed its benchmark although it retains an impressive record over longer time frames thanks to having been correctly positioned with a strong defensive bias entering the recent economic downturn.

Underperformance over the quarter was primarily stock specific, as the fallout from the sovereign debt crisis hit several of the fund's key stocks. For instance holding banks Societe Generale, Intesa Sanpaolo and ING Group proved detrimental as all three stocks posted double-digit losses on concerns over their sizable exposure to eurozone government debt, particularly those of Greece, Portugal, Spain and Italy. Though the fund remains underweight in the banking sector, we continue to hold Societe Generale as we believe its shares are trading at a significant discount both to the banking sector and its own history.

Another casualty from the recent debt crisis was the Spanish electricity infrastructure firm Red Electrica, which fell after Spain proposed delaying key infrastructure investment in the energy sector to 2016 as part of an austerity program to slash its budget deficit.

Elsewhere in the portfolio individual positions in the steel sector, notably ArcelorMittal and ThyssenKrupp, hurt fund performance as both stocks fell on fresh concerns over China's growth and the shift towards a more cautious global view on the industry.

In terms of relative fund performance, sector selection was the main positive over the quarter, with the fund's bias towards health care and consumer staples benefiting from the rotation towards firms deemed most likely to hold-up in a weaker economy.

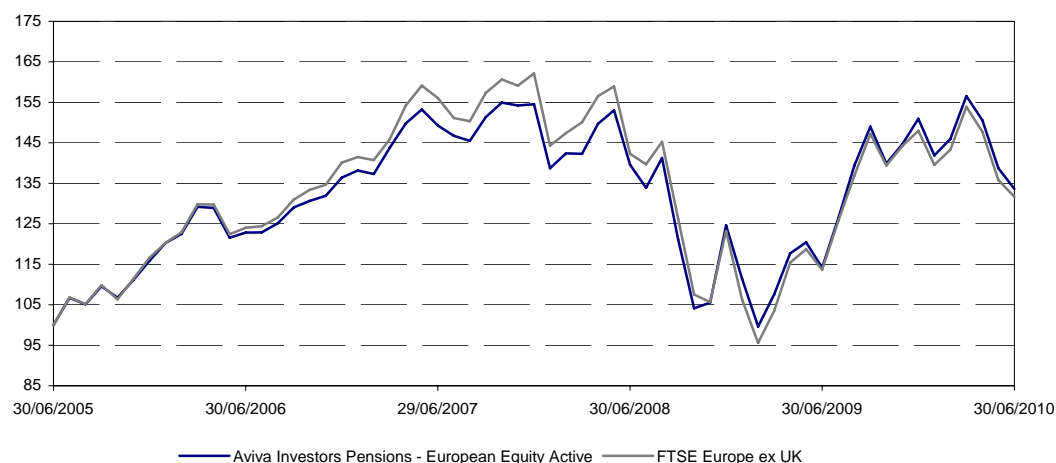
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised to 30/06/10		
				3 yrs	5 yrs	10 yrs
Fund	-14.7	-11.5	17.0	-3.6	6.0	2.1
Benchmark	-14.4	-11.0	15.9	-5.5	5.7	1.5
Relative †	-0.2	-0.5	1.0	2.0	0.3	0.6

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)

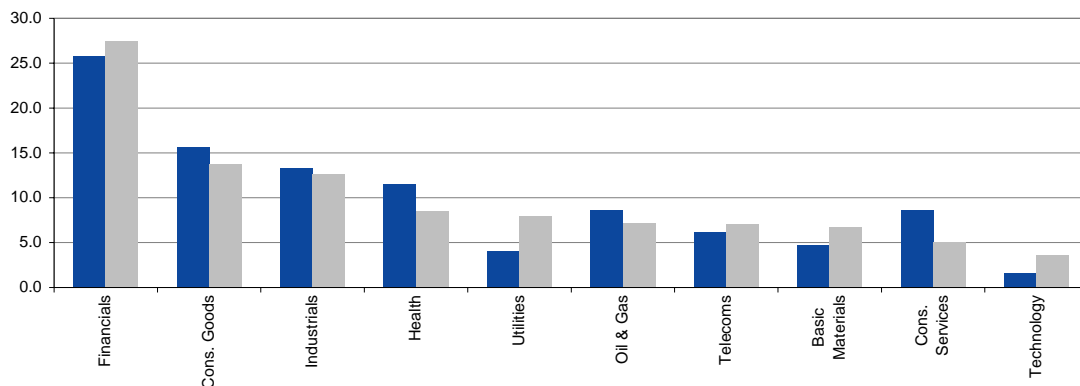


Source : Aviva Investors and Lipper Hindsight – mid to mid, income reinvested, before charges

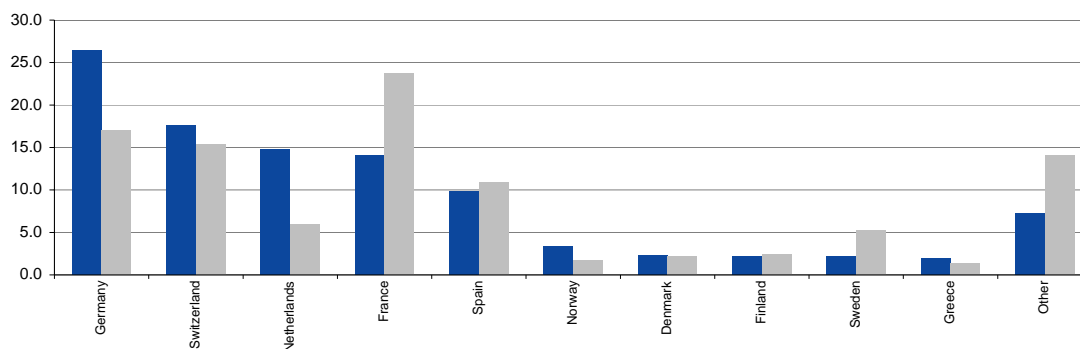
Additional information

* As at April 2006, the European Equity Fund was renamed the European Equity Active Fund.

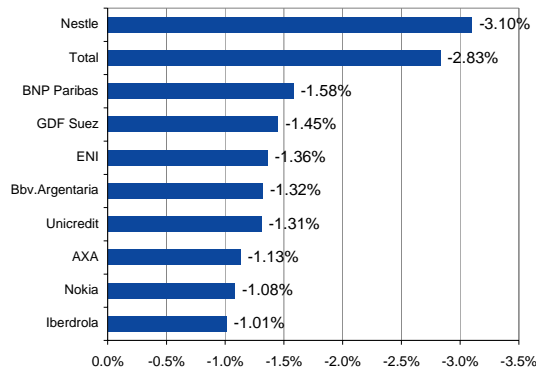
Sector weightings (fund ■ vs benchmark ■)



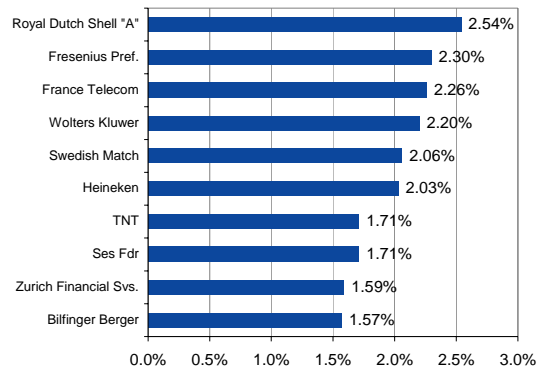
Country weightings (fund ■ vs benchmark ■)



Top 10 underweights§



Top 10 overweights§



§Fund positions relative to the benchmark

† 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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