

Fund objective

To outperform the IPD/PPFI All Balanced Weighted Average by 1% p.a. over rolling three year periods, before charges.

Fund manager

Robert Walton

Benchmark

IPD/PPFI All Balanced Weighted Average

Fund size

£1232.10m

Launch date

04 August 1972

Further information

www.avivainvestors.com

Fund summary

The Property Fund invests in UK commercial properties across all major sectors (offices, industrial and retail). The fund undertakes limited property development when it is appropriate to do so. Active management opportunities are undertaken wherever possible to enhance the value of properties and hence the fund.

Fund comment

The fund returned 1.2% over the quarter, marginally underperforming the 1.3% recorded by the benchmark index, the IPD/PPFI All Balanced Funds weighted average. The fund continues to outperform the benchmark over three, five and ten years.

The fund's direct property outperformed its benchmark again in Q4 on a total return basis, returning 1.9% vs 1.7%, boosted by strong capital growth in the fund's retail warehouses (a sector where the fund has a large exposure). The fund's retail holdings also continue to perform well. Income return continues to make up the majority of returns overall.

The fund has reduced cash levels over the quarter to 8.1% (down from 10.7% as at Q3 2011) through purchases during the quarter. The fund continues to focus on assets with security of income and guaranteed income growth (whether through inflation linked reviews or fixed rental uplifts).

Fund Activity

Transactions during the quarter included the purchase of a large retail park – Central Twelve Shopping Park – in Southport, which is now the largest property in the fund. The fund also purchased a multi-let industrial estate – Gateway 25 in West Thurrock. Both purchases are likely to improve covenant strength and make a positive contribution to lease length.

Sales during the quarter included the Beadle Trading Estate in Cambridge which was a small, secondary industrial asset and Devon House, London SW1, a small office property in central London.

Asset management initiatives in the quarter included several lease renewals, and the re-letting of the former Focus unit in Caernarfon Road retail park to The Range (which addresses a significant void and secures a long lease with guaranteed income growth to a strong covenant). The fund also entered into a lease for parking on Westgate Retail Park in Basildon which improves security of income and reduces exposure to a difficult covenant. The fund has a strong asset management pipeline, with a number of initiatives planned for 2012, which should deliver value for the fund.

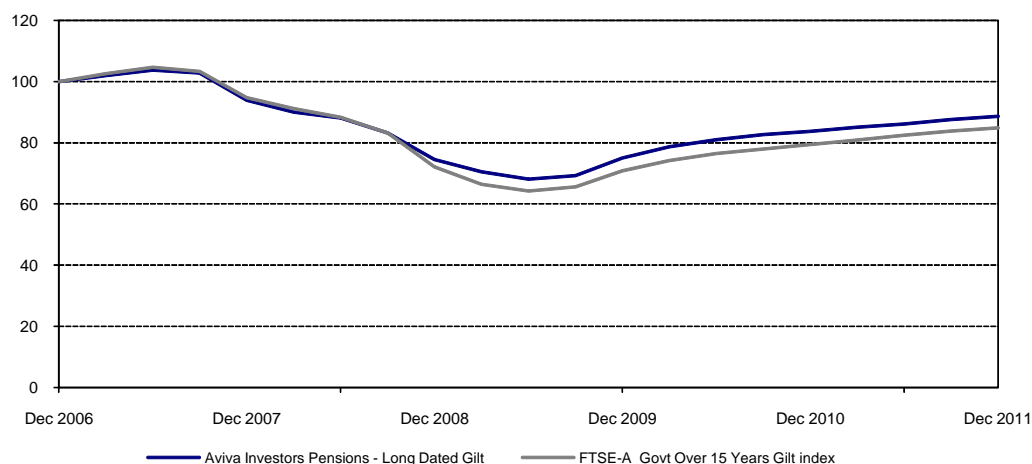
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	1.2	5.9	5.9	6.0	-2.4	6.3
Benchmark	1.3	6.8	6.8	5.6	-3.2	5.5
Relative †	-0.1	-0.8	-0.8	0.4	0.8	0.8

Past performance is not a guide to the future

Source: Aviva Investors/IPD/PPFI as at 31 December 2011
Basis: NAV to NAV, net income reinvested, net of charges, in Sterling

Fund performance vs Benchmark (%) 5 years

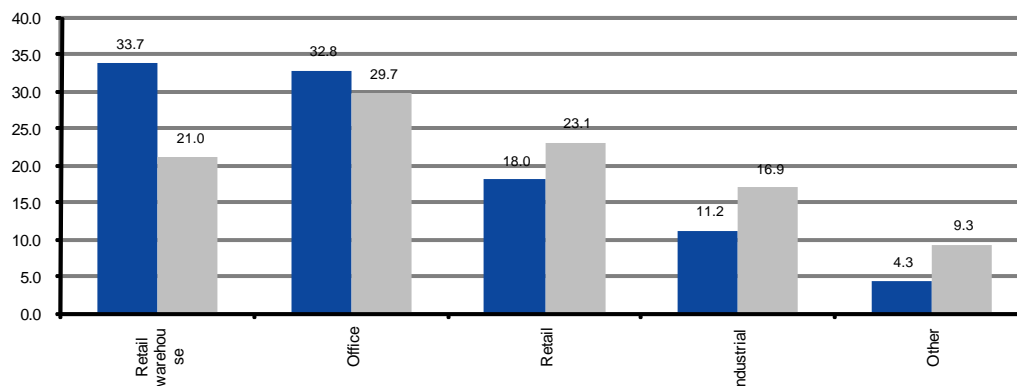


Source: Aviva Investors/IPD/PPFI as at 31 December 2011
Basis: NAV to NAV, net income reinvested, net of charges, in Sterling

Additional information

Where funds are invested in property investors may not be able to switch or cash in an investment when they want because property in the fund may not always be readily saleable. If this is the case we may defer a request to switch or cash in units. Investors should also bear in mind that the valuation of property is generally a matter of valuers' opinion rather than fact.

Sector weightings (fund ■ vs benchmark ■)



Top 10 largest holdings

	Sector	lot size range £ m
Central Twelve Shopping Park, Southport	Retail	50-55
Exeter Retail Park, Exeter	Retail warehouse	40-45
163-203 Eversholt Street, London NW1	Office	40-45
Sainsburys, Bishop Auckland	Retail	35-40
25 Soho Square, London W1	Office	30-35
111 The Strand, London WC1	Office	35-40
Abbott House, Maidenhead	Office	30-35
Westgate Retail Park, Basildon	Retail warehouse	30-35
Cantium Retail Park, London SE1	Retail warehouse	30-35
Tesco, Welling	Retail	30-35

30.6% of fund

Source: CBRE, as at 31 December 2011

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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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