

Fund objective

To outperform the FTSE-A Over 5 years Index-Linked Gilt Index by 0.5% p.a. over rolling three year periods, before charges.

Fund manager

Trevor Welsh

Benchmark

FTSE-A over 5 year Index-linked Gilt Index

Fund size

£111.20 m

Launch date

31 August 1981

Duration (modified,semi annual)

19.37

Convexity (semi annual)

5.26

Further information

www.avivainvestors.com

Fund summary

The Index-Linked Gilt Fund* invests in index-linked securities issued by the British Government. Over the long term, such investments will give a guaranteed yield in excess of the rate of inflation, but in the short term, performance is subject to market influences.

Fund comment

The fund outperformed the benchmark by 0.3 per cent over the quarter. The index linked market had a very active quarter with record supply. The DMO issued nearly £11bn of new bonds through auctions and two syndications. Despite this, total return for the asset class was high as the Euro Zone crisis drove overseas investors into UK bonds as a safe haven. As a consequence real yields continued to fall driving bond prices higher. As well as this effect the continued high levels of current inflation continued to support the income element of the bonds. In this instance sharp increases in utility bills and other things such as insurance kept inflation high and well above the Government target.

The relative outperformance was generated from a combination of factors primarily focussed on positioning the portfolio tactically to take account of the likely impact of the very large supply on various sectors of the yield curve. The fund continues to hold high quality corporate index linked bonds although some credit spread widening implied a slight underperformance and negative contribution from this sector. However, this was more than offset by shorter term trading and the fund more than achieved its outperformance target for the year.

Looking forward we do expect inflation to fall back in 2012 but with interest rates likely to stay very low for some time and the likelihood of further QE from the Bank of England then returns should continue to be positive for the asset class.

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

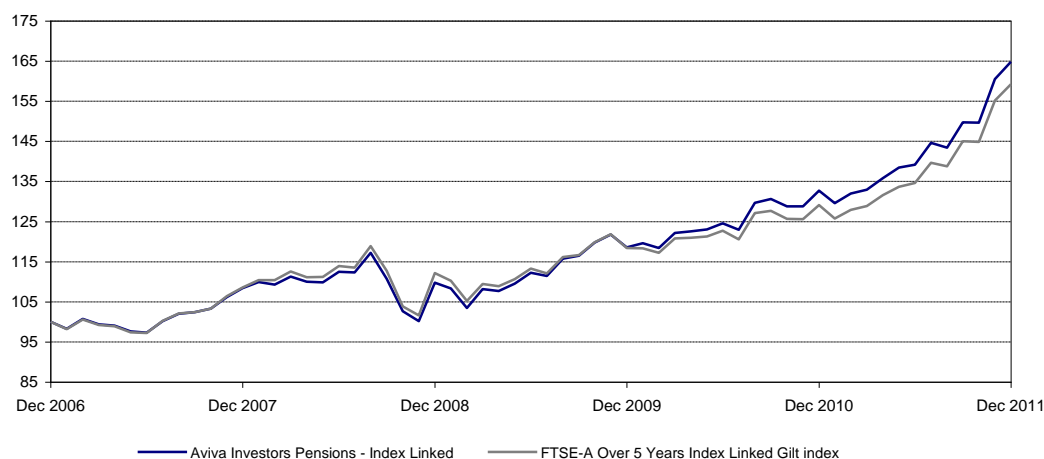
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	10.1	24.2	24.2	14.5	10.5	9.0
Benchmark	9.8	23.3	23.3	12.4	9.7	8.5
Relative †	0.3	0.7	0.7	1.9	0.8	0.5

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 (%) 5 years



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

Additional information

* In April 2006, the Index-Linked Securities Fund was renamed the Index-Linked Gilt Fund.

Credit rating

Rating	Fund	Benchmark	Relative
AAA	81.67	98.70	-17.03
AA	4.37	0.00	4.37
A	3.91	0.00	3.91
BBB	0.00	0.00	0.00
BB	0.70	0.00	0.70
B	0.00	0.00	0.00
CAA	0.00	0.00	0.00
Other	9.35	1.30	8.05
Total	100.00	100.00	0.00

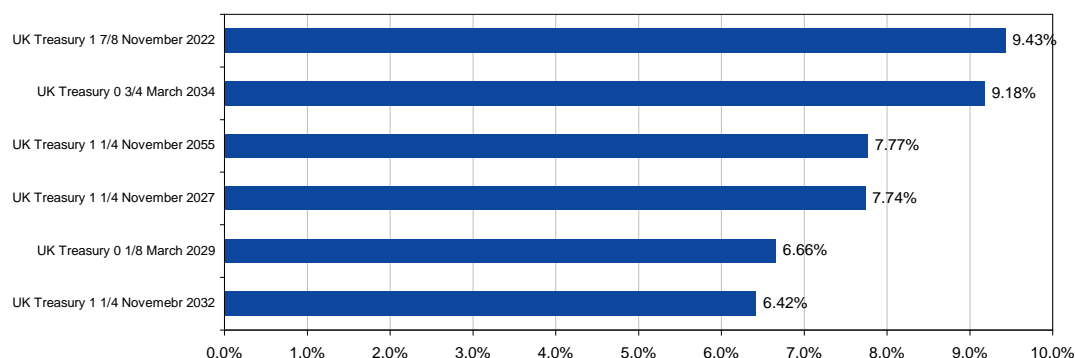
Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

Maturity rating

Maturity	Fund	Benchmark	Relative
0-3m	0.00	0.00	0.00
3m - 1Y	10.72	2.57	8.15
1-3 yrs	3.84	14.19	-10.35
3-5 yrs	18.40	14.30	4.10
5-7 yrs	6.82	6.73	0.09
7-10 yrs	20.34	18.34	2.00
10-15 yrs	3.27	6.35	-3.08
15-20 Yrs	9.07	8.84	0.23
20+ Yrs	27.54	28.68	-1.14
Total	100.00	100.00	0.00

Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

Largest holdings



Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

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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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