

Fund objective

To outperform the iBoxx Sterling Non-Gilt All Stocks Index by 1% p.a. over rolling three year periods, before charges.

Fund manager

Paul Whelan

Benchmark

iBoxx Sterling Non-Gilt All Stocks Index*

Fund size

£84.03m

No of holdings

247

Launch date

30 November 1996

Gross redemption yield

5.75%

Duration (modified, semiannual)

7.59

Convexity (semi annual)

418.68

Further information

www.avivainvestors.com

Fund summary

The Corporate Bond Fund invests in sterling denominated sovereign, supranational and non-UK corporate bonds which offer a higher yield than government bonds of similar maturity in compensation for their greater risk of default.

Fund comment

The fund outperformed its benchmark. Sterling corporate bonds produced positive total returns over the quarter with the fund benchmark - iBoxx Corporate Bond Non-Gilts All Stocks Index - returning 2.3 per cent. Returns were primarily attributable to underlying UK government bonds, which rallied on the back of a series of worse than expected macroeconomic data, and continued anxiety over the Euro Zone debt crisis.

We targeted a series of risk scenarios to take advantage of market uncertainty, favouring longer dated bonds in anticipation of a flight to quality in the gilt market. To this end, your fund favoured gilts in preference to bonds issued under government guarantee, such as Italy and Hungary and European supranationals such as the European Investment Bank (EIB). This proved to be an effective strategy as both Italian and Hungarian bonds came under significant selling pressure. Bonds issued by EIB also sold off as investors questioned the viability of its AAA investment grade rating.

The fund also benefitted from select holdings in subordinated financials, for banks such as Lloyds TSB and Intesa SanPaulo who announced plans to buy back their own, less-highly rated, debt, as a means of shoring up their balance sheets. In order to entice the owners of the bonds to sell, the banks offered to pay above the prevailing market price.

We retain a constructive view on corporate credit. Large corporations remain the one sector of developed market economies that have demonstrated both a wiliness, and ability to significantly reduce debt.

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

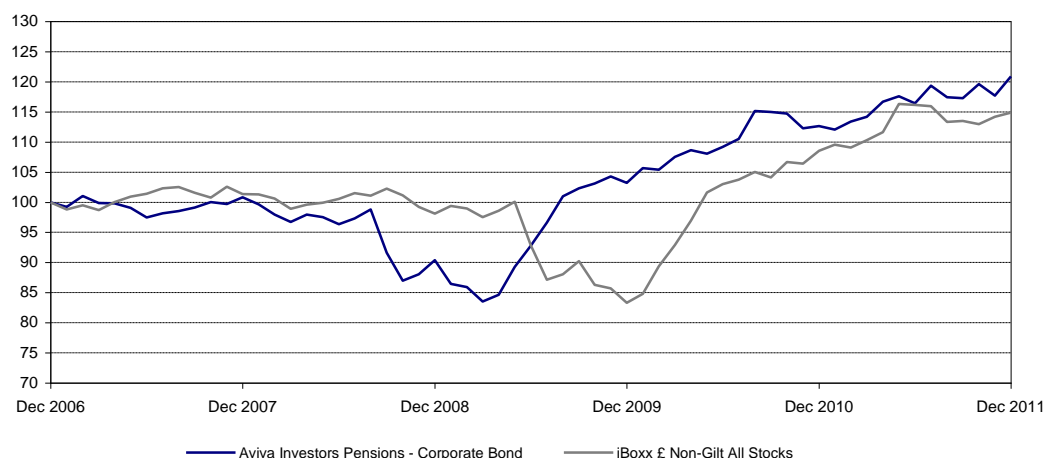
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	3.1	7.3	7.3	10.2	3.9	5.1
Benchmark	2.3	6.9	6.9	8.7	4.6	5.4
Relative †	0.7	0.4	0.4	1.4	-0.7	-0.3

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

*Prior to 1 July 2003, the fund's benchmark was the Warburg All Stocks Index.

Credit rating (%)

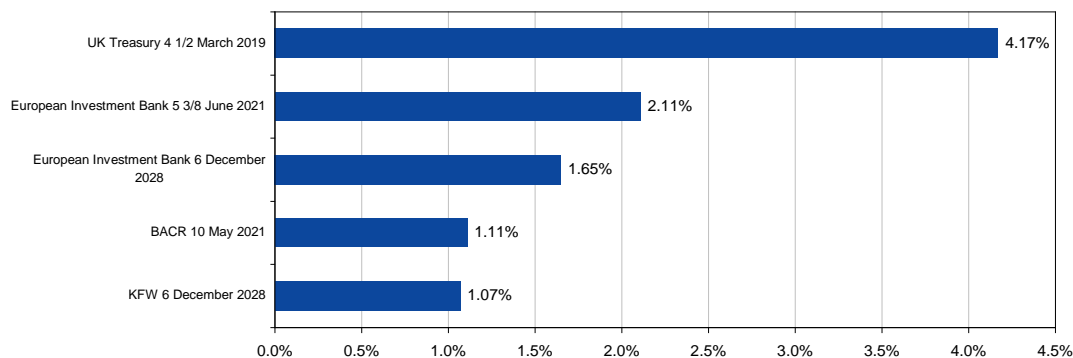
Rating	Fund	Benchmark	Relative
AAA	21.20	26.97	-5.77
AA	11.95	14.57	-2.62
A	33.81	34.62	-0.81
BAA	27.72	23.84	3.88
BB	2.27	0.00	2.27
B	0.38	0.00	0.38
CAA		0.00	0.00
Other	2.67	0.00	2.67
Total	100.00	100.00	0.00

Maturity rating

Maturity	Fund	Benchmark	Relative
0-3m	0.00	26.97	-26.97
3m - 1Y	4.78	14.57	-9.79
1-3 yrs	5.38	34.62	-29.24
3-5 yrs	8.94	23.84	-14.90
5-7 yrs	15.81	0.00	15.81
7-10 yrs	18.25	0.00	18.25
10-15 yrs	14.58	0.00	14.58
15-20 Yrs	10.69	0.00	10.69
20+ Yrs	21.57	19.44	2.13
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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