

Fund objective

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

Fund manager

John Botham

Benchmark

FTSE World Europe (ex UK) Index

Fund size

£26.53 m

No of holdings

59

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 significantly outperformed its benchmark over the quarter owing to a particularly strong performance from stock selection and a positive, though less impressive, display from asset allocation. This performance ultimately helped the fund deliver a positive return in 2010, and maintain its strong track record over longer time frames.

In stock selection the decision to increase the fund's exposure to Asian-led growth paid dividends, as German and Nordic industrial holdings such as Infineon Technologies, Bilfinger Berger, ThyssenKrupp and Clariant produced strong returns. Two other positions that fell into this category were German automaker Volkswagen and Swedish trucks producer Volvo. Limited exposure to companies in southern Europe also benefited the fund as their economies continued to struggle.

Europe's second-largest semiconductor firm Infineon advanced after announcing its first dividend payment in a decade, better than expected fourth-quarter profits and a share buy-back plan. It also benefited from a significant broker upgrade from Goldman Sachs. We remain overweight the stock as it is exposed to areas of the market which offer more secular growth and lower volatility than other parts of the semiconductor industry. ThyssenKrupp, Germany's largest steelmaker, advanced on the back of strong metal prices, while Swiss chemicals firm Clariant benefited from a positive earnings update.

In terms of sector positioning the fund's underweight position in financials such as Banco Santander proved lucrative, as banks in particular slumped on renewed sovereign debt concerns. Being underweight utilities and telecommunications also helped, as investors largely ignored defensive sectors in favour of cyclical sectors which were closely tied to the fortunes of emerging market growth.

Source of market data: Bloomberg

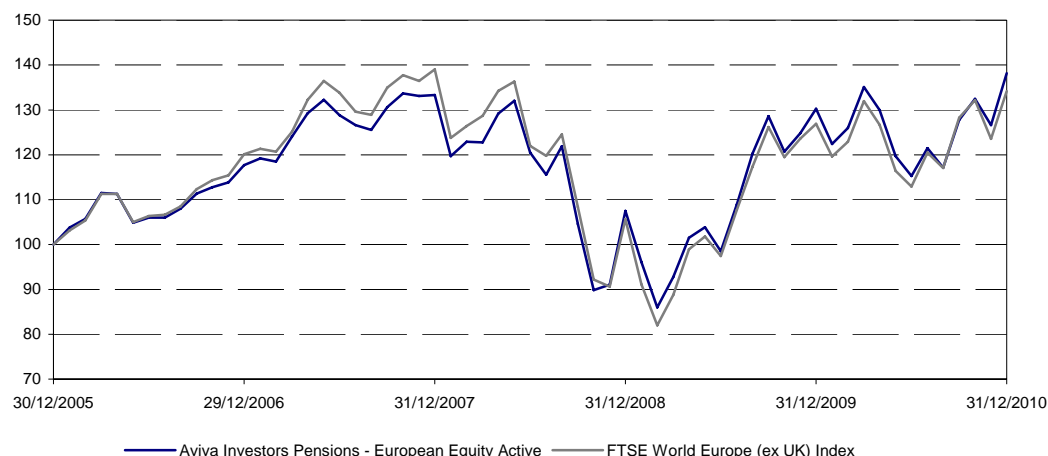
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised to 31/12/10		
				3 yrs	5 yrs	10 yrs
Fund	8.1	6.1	6.1	1.2	6.7	4.4
Benchmark	4.6	5.8	5.8	-1.2	6.1	3.7
Relative †	3.3	0.3	0.3	2.4	0.6	0.7

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)

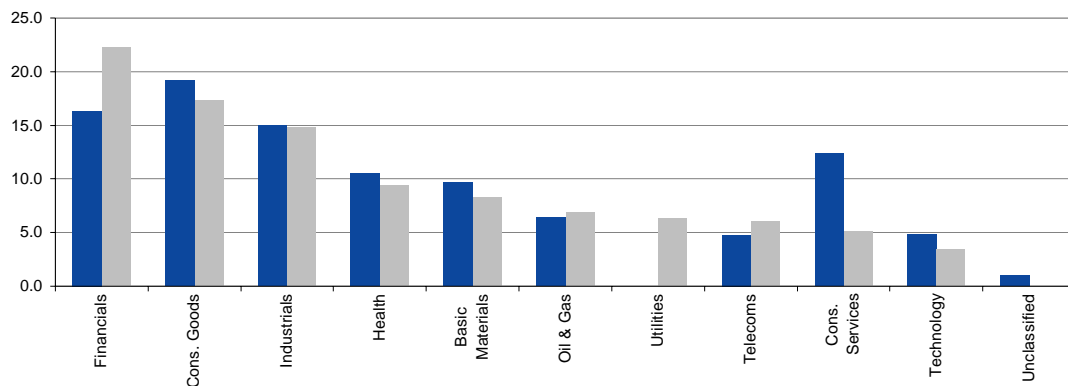


Source : Aviva Investors and Lipper Hindsight – mid to mid, income reinvested, before charges

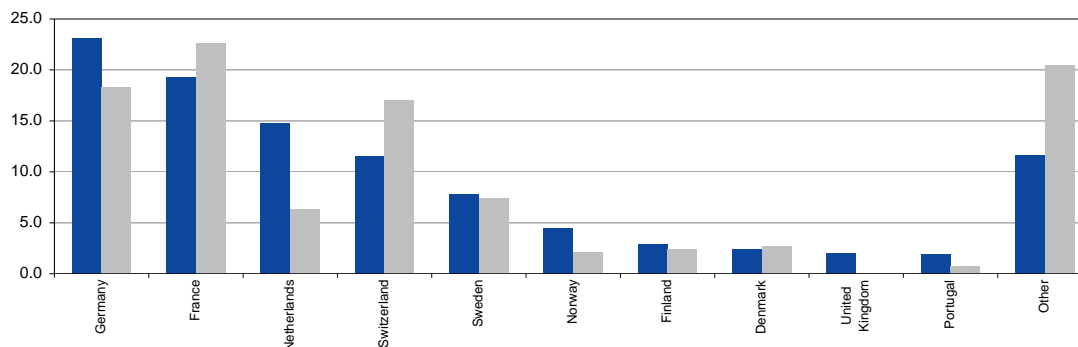
Additional information

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

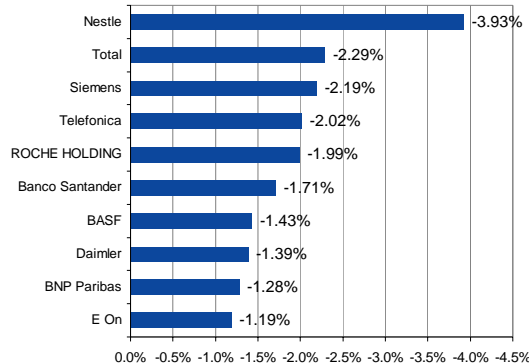
Sector weightings (fund ■ vs benchmark ■)



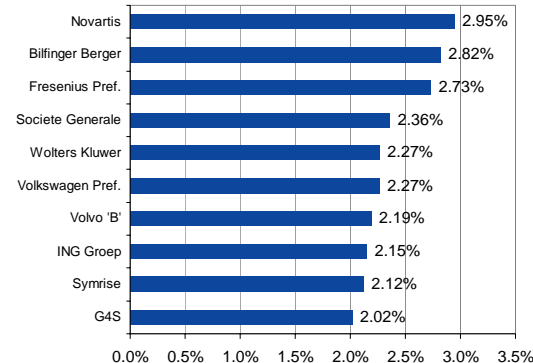
Country weightings (fund ■ vs benchmark ■)



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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