

Fund details

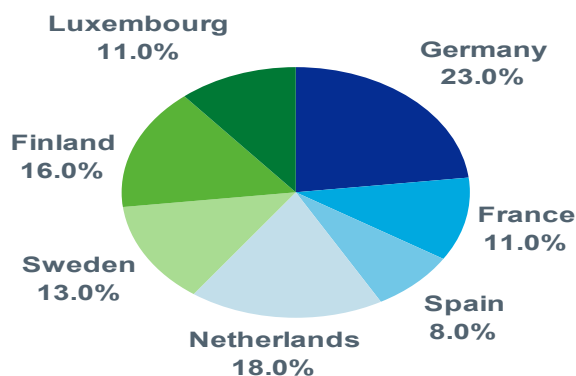
- This fund targets income and long-term capital appreciation through property investment in the European Economic Area (excluding the UK) and Switzerland.
- Total assets of the Fund under management as at 31 May 2010 were €178.6llion*.
- There are currently 9 properties in the portfolio, invested across seven different countries.
- The long-term target weightings are: direct property 80%-90% and 10-20% in property-related liquid assets, such as property securities, and cash.

Market review

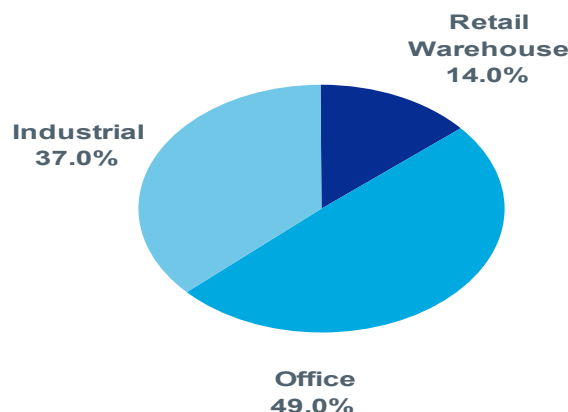
- Prime yields in most continental European markets have continued to stabilise over recent months, with some markets, such as Paris and Stockholm recording yield compression. With investor demand continuing to strengthen, it appears that a recovery based on favourable relative pricing may be underway. Interest continues to be most focused on income-secure product in Europe's deepest and most liquid markets. Prime Paris office yields continue to show the most notable downward movement – a recent report from CB Richard Ellis suggested that prime Paris office yields have fallen by 100bps over the past 12 months including at least 25bps during the first quarter of 2010.
- Given the current low interest rate environment, we expect yields on prime, income-secure property to continue to decline. However, we believe that the prospect for considerable and rapid inward yield movement in most continental markets appears less likely than in the UK as yields in most continental European markets did not move out as quickly, as transparently, or to such high levels as they did in the UK market.
- We are currently projecting all property total returns for Europe (ex UK) for the five years between 2010 and 2014 of 7.4%p.a. on an average basis. These forecasts are built on the main case of the latest Aviva Investors Euro-zone economic forecast in which the recovery is gradual but stays on track. However, growing sovereign debt concerns are increasing the risk to this scenario and the downside risks to these property forecasts are now more apparent than three months ago.
- Overall, we retain a preference for the core markets of Germany, France, Benelux and Nordics. This view is supported by the divergence in economic performance within the Euro-zone and the recent increased downside risks generated by the sovereign debt crisis in much of southern Europe.

Fund position as at 31 May 2010:

Geographical Distribution



Sector Distribution



*Total assets under management are adjusted for month-end valuations which are not reflected in the price until at the end of the third working day after the end of the month. They are defined as gross asset value.

Fund strategy

Overall strategy

- Of the total current Fund size of €178.6 million, approximately 74% is invested in direct property with the remainder comprising of cash (as cash restricted and cash unrestricted) and net receivables.

a) Fund suspension update

- In early December 2009, Aviva Life & Pensions Ireland Limited announced that the deferral period of six months on switches and encashment requests had been lifted on this fund, following the sale of a number of completed property transactions and an improvement in the liquidity position of the fund.

b) Direct property strategy

- The continental European real estate market is looking increasingly attractive from an investment perspective. The fund manager is therefore looking to grow the Fund in order to take advantage of accretive real estate opportunities identified, with a particular focus on the more core markets such as France and Germany.

c) Other assets

- The unrestricted cash level in the fund is currently in excess of 22%. This is higher than our targeted level. The fund manager is therefore considering an investment in real estate securities (to which the fund currently has no exposure) to reduce the cash weighting while maintaining a good level of liquidity.

Fund performance

Performance to 31 May 2010	1 Month	3 Months	YTD	1 Year
European Property Fund (G)	-0.1%	0.5%	-0.2%	-5.6%
European Property Fund (P)	0.0%	0.5%	-0.1%	-5.4%
European Property Geared	-0.4%	0.2%	-0.2%	-11.2%

Source: Aviva Investors, Ireland

Important Information

***This fund is managed by Aviva Investors on behalf of Aviva Life & Pensions Ireland Limited.**

Warning: The value of your investment may go down as well as up. Past performance is not a reliable guide to future performance.

Where funds are invested in property, investors may not be able to switch or surrender when they want because property in the fund may not always be readily saleable. All property funds are independently valued. The value of property is a matter of a valuer's opinion.

This document is for investment professionals only. The opinions expressed are based on Aviva Investors' internal forecasts and should not be relied upon as indicating any guarantee of return from an investment managed by Aviva Investors. Unless stated otherwise, information contained in graphs and tables is provided by Aviva Investors Global Services Limited.

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