

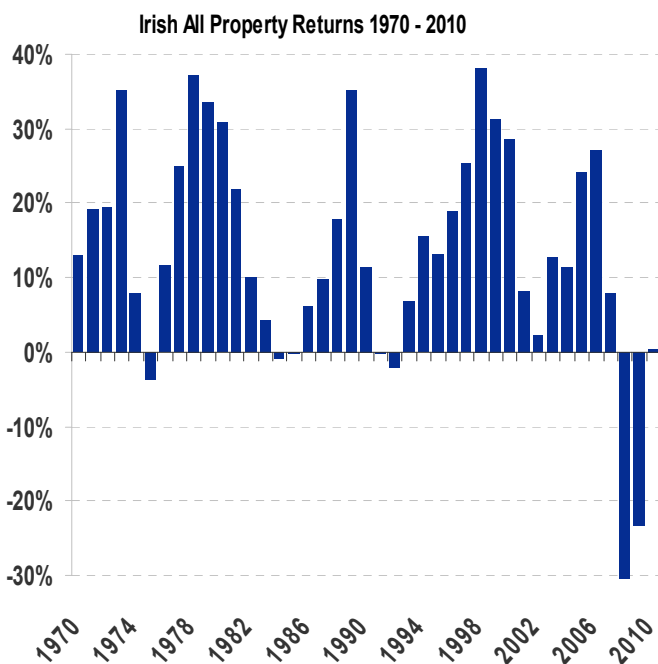
Introduction to Irish property

Property assets are regarded as an effective hedge against inflation, and participate in the general growth and levels of activity within the economy. Returns are therefore influenced by the economic cycle. Property offers a relatively stable income yield from rental, and also offers the potential for capital growth as values rise. Irish Commercial property benefited from the phenomenal growth during Ireland's economic boom in the Celtic Tiger years and conversely, declined in line with the overall economy. This document outlines our views on the current position of the property market and its outlook.

Long-term performance from Irish property

The performance of commercial property markets is intimately related to the underlying economy. Ireland's commercial property sector was a major beneficiary of the "Celtic Tiger" boom years – with several consecutive years of double-digit returns – and it has also suffered severely in the subsequent downturn.

2006 represented the peak in the growth cycle of Irish Commercial property values, while by 2008 the total all property return reversed sharply to -34.2%. In 2009 this sharp reversal continued and the outturn for the full year was -25%. This still puts the performance of commercial property over the cycle significantly ahead of Irish equities.



Source: Jones Lang La Salle and IPD Index Quarter Q1 2010

Confidence in our fund

We believe investors in our Irish Property fund are in a relatively beneficial position for a number of reasons:

Blue Chip holdings

- The list of buildings shows that the locations of all properties held in the fund are of the highest calibre. For example, our retail holdings are all in prime main street locations that receive some of the highest consumer footfall in Ireland e.g. Grafton Street and Henry Street in Dublin and Patrick Street, Cork.
- The line-up of tenants is also strong. There are no speculative developments or properties under construction.

Diversification across sectors

Office sector:

- 6 buildings, 56.1% of the fund.
- All located in Dublin city centre locations, the business centre of Ireland.

Retail sector:

- 8 buildings, 36.5% of the fund.
- Positioned in prime retail locations with a blend of consumer goods e.g. fashion apparel, household / DIY goods, leisure, and souvenirs.

Industrial sector:

- 3 buildings, 7.4% of the fund.
- Highest yielding sector within the fund with an average income yield in double digits.

The Irish economy

Irish economic conditions continue to be weak, and the outlook remains extremely challenging. Employment levels continue to decline, and consumer spending and confidence remain low. Deflation persists across wages and asset values.

Fund performance

The first quarter of 2010 saw the fund produce a marginal positive total return, with income (and profit from disposal of an asset) outstripping continued declines in capital values of the underlying assets. With the Fund valued monthly, we believe it closely reflects current market conditions, but as volatility declines, it is likely that there will be a reversion to a quarterly revaluation regime.

The Fund holds 17 properties, in prime locations in Dublin and Cork.

Performance to 31 May 2010	1 Month	YTD	1 Year	3 Years p.a.	5 Years p.a.
Irish Property Fund (G)	0.7%	0.4%	-10.7%	-27.0%	-10.6%
Irish Property Fund (P)	0.8%	0.5%	-10.5%	-26.7%	-10.4%
Geared Irish Property Fund	0.7%	0.4%	31.0%	-55.4%	-32.4%

Irish property market outlook

The Irish property market remains very weak. Concerns about the economic backdrop, limited liquidity, changes to the law in relation to lease rent-review provisions, and the impact of the National Asset Management Agency (NAMA), are all overhanging the market. However, the relatively high yield now available has led to some increased interest in the market, albeit that this has been slow to translate into transactions.

Retail market:

Retail rental levels have declined and there has been some distress among occupiers. There have been concerted efforts by tenants to negotiate rent concessions, but, at the same time, new interests are coming through, albeit seeking to pay very low rents.

Industrial market:

Activity levels remain low, although there is some interest coming through for purchases, given that values have fallen sharply. Industrial investments now offer high income yield.

Office market:

In the office sector, the occupier market remains weak, but viewing levels are up, and some latent demand is coming through on the back of the competitive terms now on offer as landlords seek to resolve letting voids.

Property fund manager outlook

As the economy moves from deterioration to stability, there is evidence too of stabilisation in the value of prime properties, with yield levels now probably at a cyclical peak. At the same time, continued pressure on rental levels means that the value of more exposed assets continues to be under pressure.

This means that there is continued positive divergence in performance of prime assets over secondary, as the market discriminates more efficiently. The sharp fall-off in values that has already been suffered, and the fund's spread of prime assets should see it outperform more vulnerable sectors of the market.

Fund information

Please note: change in pricing basis

Following a decision made by Aviva Life and Pensions Ireland Limited, the Irish property fund is currently priced on a disposal basis, as opposed to an acquisition basis, due to cash flow into the fund turning from positive to negative (more money going out than coming in) back in December 2007. As and when the funds return to a steady pattern of positive net cash flow, the pricing basis will revert to an acquisition basis.

Fund holdings

The Irish Property Fund holds 17 properties. The table below gives a full list of the holdings in the fund.

Property Address	Sector	Tenant
AIB Bankcentre, Dublin 4	Office	Allied Irish Bank
Block 7, Clanwilliam Court, Dublin 2	Office	ESB
Ormonde House, Earlsfort Terrace, Dublin 2	Office	DTZ Sherry Fitzgerald
Longphort House, Earlsfort Centre, Dublin 2	Office	Allergan, Standards in Public Office Commission (multi-let)
Riverside 1, Sr. John Rogerson's Quay, Dublin 2	Office	McCann Fitzgerald
Plantation House, Herbert St, Dublin 2	Office	Windmill Lane Ltd
Creation House, Grafton St., Dublin 2	Retail	A-Wear
44 Henry Street, Dublin 1	Retail	Carroll's Gifts
43-44 Patrick St., Cork	Retail	Wallis
66, Grafton Street, Dublin 2	Retail	HMV
Retail Park East, Liffey Valley, Co, Dublin	Retail	B&Q
45-47, Nassau Street, Dublin 2	Retail	Porterhouse Group
37, Grafton Street, Dublin 2	Retail	Available To Let
5, Henry Street, Dublin 1	Retail	Hickey & Co.
Bray Business Park, Co. Dublin	Industrial	Trinity Biotech
Kilcarberry Distribution Park	Industrial	TDG plc
Unit D, Greenhills Road, Dublin 12	Industrial	IDA

Source: Aviva Investors, Dublin

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. If this is the case, Aviva Life & Pensions Ireland Limited may defer their request to switch or cash in their units. All property funds are independently valued. The value of property is a matter of a valuer's opinion.

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