

Aviva Irl Asian High Yield Equity Fund

Monthly report

January 2011

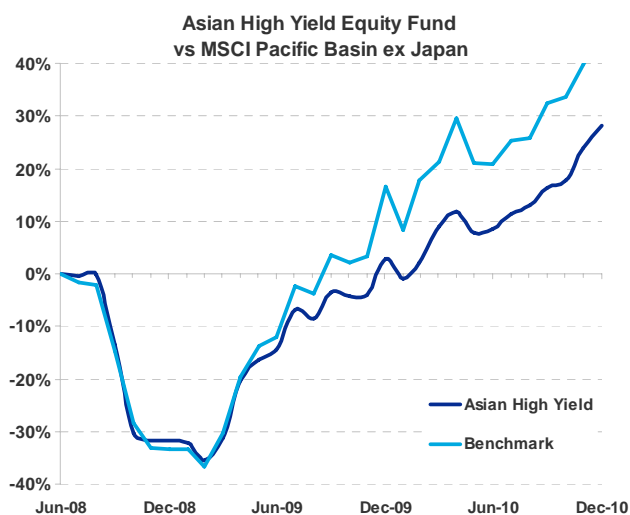


Market review

Asia Pacific equities climbed sharply, more than recouping losses sustained in November, as a series of stronger-than-expected economic data releases from around the world, combined with the US government's decision to extend tax concessions and unemployment benefits, laid to rest the notion that the US economy was poised to slide back into recession. The rally was further underpinned by loose monetary policy in the US and elsewhere which is creating ample liquidity and spurring demand for riskier asset classes such as shares. The fund returned 3.4 per cent over the month, underperforming the index by 1.0 per cent. Chinese stocks underperformed after the country's central bank raised interest rates and took other measures designed to suppress bank lending and cool the pace of economic expansion. Although political tensions continued to escalate between North and South Korea, strong buying from foreign investors and pension funds meant the South Korean market rose sharply.

Source: Bloomberg

Fund performance since launch



Source: Bloomberg 31 December 2010

Fund performance to 31 December 2010:

Fund / Index	1 month	3 months	YTD	1 year
Aviva Irl Asian High Yield SC B	3.4%	10.2%	24.9%	24.9%
MSCI Pacific Basin ex Japan*	4.4%	10.2%	25.2%	25.2%
Performance Difference	-1.0%	0.0%	-0.3%	-0.3%

Source: Aviva Investors, Euro total return performance, net of fees
 *Source: Bloomberg (All performance is shown in euro terms)

Portfolio commentary

Positives for the portfolio included:

- The fund's underweight in China was a positive contributor towards relative performance as equity markets there suffered from monetary tightening
- Taiwan Semiconductor was the top contributor in relative terms. The news that few of the firm's competitors were shutting down plants, increasing the chances of winning new orders in the future, drove the share price higher.

Negatives for the portfolio included:

- Industrial and Commercial Bank of China was the top relative detractor for the fund. The stock fell after China raised interest rates to calm inflationary pressures and cool down the economy

Outlook

The outlook remains positive with decent return expectations for 2011 as valuations, both relative to bonds and on absolute basis, look attractive. The macroeconomic backdrop for Asia and emerging markets remains favorable overall. However, there are headwinds in the form of inflation, currency intervention and capital controls. A number of countries have embarked upon tightening cycles, which will slow economic growth. The European debt issues remain in the foreground. However, a strong economic performance from the US and underlying positive structural trends will support earnings growth in our markets. The headwinds do mean that markets will be prone to periodic setbacks.

Source of market data: Bloomberg or Factset.

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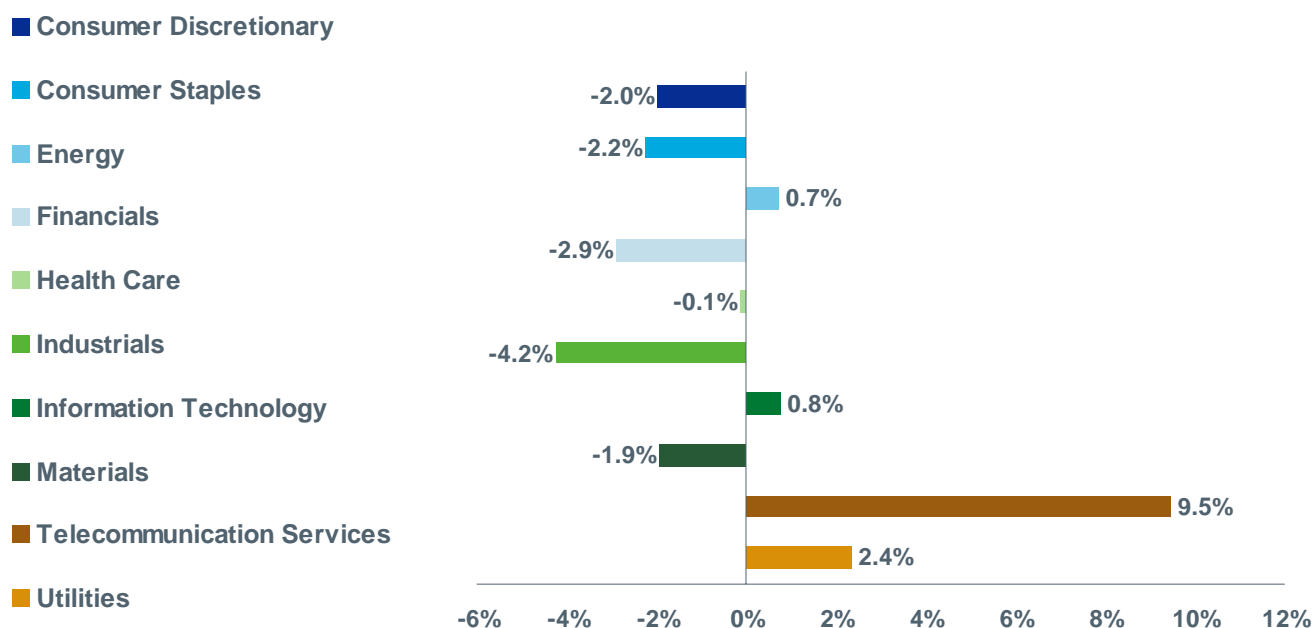
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The table below gives details of how the portfolio has been constructed:

Portfolio	No. of stocks	% of fund	% country yield	% of benchmark	% benchmark yield
China	10	24.44	3.34	24.37	2.17
Hong Kong	17	17.59	3.77	11.38	2.26
Indonesia	2	1.88	3.28	3.23	2.21
Korea	9	17.23	2.46	19.48	1.03
Malaysia	1	0.71	--	4.01	2.35
Singapore	7	15.54	4.59	6.86	2.80
Taiwan	15	20.92	5.13	16.28	3.21
Thailand	2	1.70	2.83	2.39	2.58

Sector weighting versus benchmark to 31 December 2010:



Source: Aviva Investors and Bloomberg 31 December 2010

Important Information

The content of this document has been produced by Aviva Investors Global Services Limited, the investment manager appointed by Aviva Life & Pensions Ireland Limited to manage the fund.

Warning: The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested. Past performance is not a guide to the future. This fund may be affected by changes in currency exchange rates.

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Contact us at Aviva Investors Global Services Limited, No. 1 Poultry, London EC2R 8EJ.

Reference: 11/0026/300411