

Asia Pacific High Yield Equity Fund

Monthly report

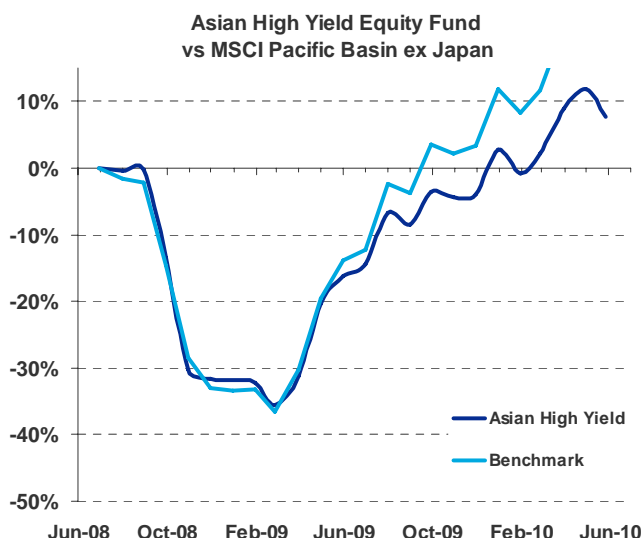
July 2010



Market review

Asia Pacific ex-Japan equities outperformed their international counterparts in June on optimism the region's economies will manage to weather any renewed downturn in the West. As elsewhere, investors favoured shares in those companies which are better placed to withstand the effects of a renewed economic downturn. Economic data across the region was mixed, although recent weeks have seen the release of several leading economic indicators which suggest the rate of China's economic expansion may be moderating quite rapidly.

Fund performance



Source: Bloomberg 30 June 2010

Fund performance to 30 June 2010:

Fund / Index	1 month	3 Months	YTD	1 Year
Asia Pacific High Yield SC B	0.7%	-0.4%	5.6%	26.8%
MSCI Pacific Basin ex Japan*	-0.1%	-0.3%	7.9%	37.6%
Performance Difference	0.8%	-0.1%	-2.3%	-10.8%

Source: Aviva Investors, Euro total return performance, gross of fees

*Source: Bloomberg

Portfolio commentary

Positives for the portfolio included:

- Good stock selection in Indonesia, the leading performer in the region, was favourable for the fund. **Bank Rakyat Indonesia** was the leading relative performer given robust loan growth on the back of low credit costs and an expansion of its operational and financial activities.
- **CNOOC**, China's largest offshore energy company was also a major contributor to performance on the prospect a stronger Yuan will lower costs of purchase of US dollar denominated oil and increase purchasing power in overseas oil and gas reserves acquisitions

Negatives for the portfolio included:

- **Esprit**, the Hong Kong based global clothing retailer was the biggest drag on the fund's relative performance. Fragility of the European economy, the company's biggest market and a decline in the euro affected sales.
- **Wistron**, the Taiwanese computer hardware manufacturer was another major detractor to the fund's performance as sales to Europe were affected by a weak macroeconomic environment.

Outlook

There may be more downside in the coming months before we see an improvement. Recent sell-off was driven by more fundamental reasons than the sovereign stress issues that we have seen in the market. Certainly, markets are now a good deal cheaper than last month; however we still have no solution to the problems in Europe. Interest rates are still rising in Asia and the Chinese government is also focused on slowing down excessive loan growth, which will make it difficult for the markets to make any strong headway over the summer months.

Source of market data Bloomberg or Factset.

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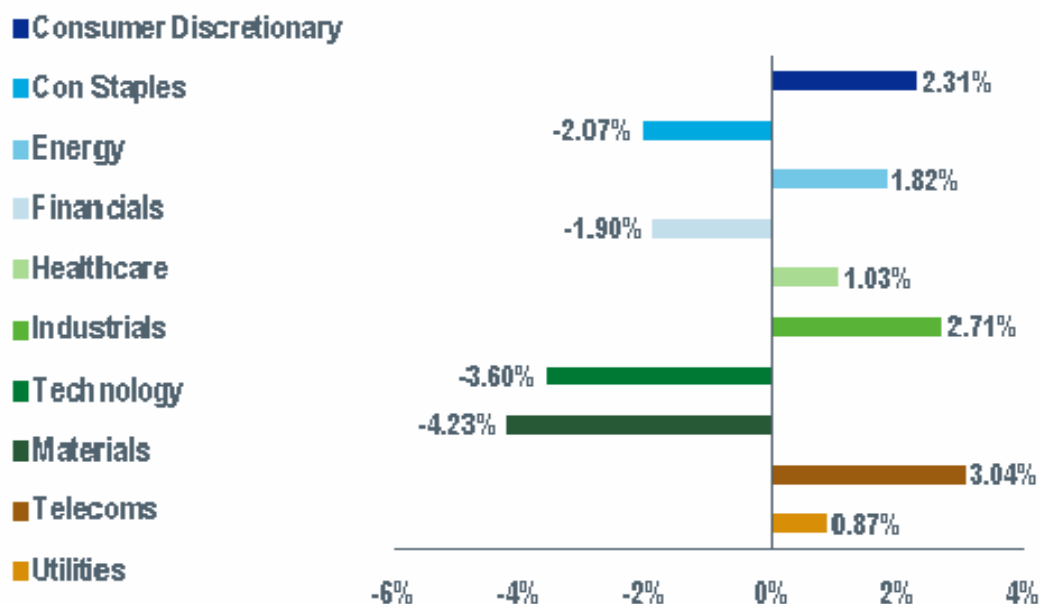
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The table below gives details of how the portfolio has been constructed:

Portfolio	No. of stocks	% of Fund	% Country Yield	% of Benchmark	% Benchmark Yield
Australia	14	26.4	4.4	25.0	4.2
China	5	11.7	3.6	19.9	2.3
Hong Kong	6	12.9	4.4	7.9	3.0
Indonesia	3	6.9	2.2	2.5	2.2
South Korea	9	13.2	3.2	14.1	1.3
Malaysia	2	3.4	6.2	3.1	2.3
Singapore	4	9.2	5.1	5.2	3.0
Taiwan	12	13.0	5.3	11.3	2.8
Thailand	1	1.1	3.3	1.6	3.3
Cash		2.2			

Sector weighting versus benchmark to 30 June 2010:



Source: Aviva Investors and Bloomberg 30 June 2010

Important Information

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

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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