

## Balanced Managed Fund Monthly report

July 2010



### Fund Background

A medium risk mandate, this composite fund comprises equities, bonds, property and cash. The equity portfolios utilise both growth and dividend yielding investment styles. The bond portfolio can invest in both government bonds, on a conventional and index linked basis, as well as corporate bonds. The property portfolio invests in Irish property and/or IPUT shares.

### Asset Allocation

Our asset allocation process is a vital part of the overall investment management operation. The process includes inputs from both our equity and bond teams and ultimately decisions are made on the basis of these meetings and our economist's macroeconomic views. The Strategy Group meets formally on a monthly basis to decide the appropriate mix of our funds. This meeting receives inputs from our in-house strategists and economist, plus the bond and equity teams.

#### Quarter 2 2010 asset allocation position:

Fund / Index	Aviva Irl Position	Average Position	Relative
Irish Equities	6.52%	5.81%	0.71%
Euro (ex Irl) Equities	16.84%	15.76%	1.07%
Europe (exUK, Euro) Equities	2.87%	6.07%	-3.20%
UK Equities	9.23%	10.15%	-0.92%
US Equities	19.94%	23.79%	-3.85%
Japanese Equities	0.61%	2.86%	-2.25%
Pacific Basin Equities	14.25%	9.02%	5.23%
Bonds	16.66%	16.48%	0.18%
Property	5.97%	3.38%	2.59%
Cash	7.11%	6.67%	0.44%

### Portfolio commentary

- The fund is broadly neutral on equities. Concern over the implications of Europe's fiscal crisis has led to a sharp reversal in equity markets' fortunes in recent weeks. We see a growing risk that the problems currently engulfing Europe lead to an abrupt halt in the world economic recovery. We expect markets will struggle to make major headway given that the re-rating phase that began in March 2009 appears to have run its course. But at the same time the pace of recovery in corporate earnings continues to surprise on the upside and there is no indication this is set to end any time soon

### Fund performance

- The fund outperformed its benchmark. This was partly due to strong stock selection within international bonds. Stock selection within international equities was also largely positive, although returns from Irish equity investments held back relative performance somewhat.
- The fund is benchmarked against average managed fund asset mix, as per Mercer Survey for asset mix and performance purposes

#### The table below shows performance over various periods to 30 June 2010:

Fund / Index	1 Month	1 Year	3 Years p.a.	5 Years p.a.
Managed Fund Life SC C	-1.7%	14.9%	-11.8%	-2.4%
Managed Fund Pension SC B	-1.6%	15.2%	-11.5%	-2.1%
Mercer Survey Average*	-1.8%	17.8%	-9.3%	-0.5%

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

\*Source: Mercer Survey 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.

Unless stated otherwise any opinions expressed are those of Aviva Investors Global Services Limited (Aviva Investors). They should not be viewed as indicating any guarantee of return from an investment managed by Aviva Investors nor as advice of any nature.

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