

Quarterly Fund Review

Aviva Investors Long Term Equity Fund - Series 1

June 2011



Fund facts

Inception date:	2 April 2008
Closing date:	31 July 2009
Termination date:	30 November 2018
Fund size at 30 June 2011:	\$28.3m
Benchmark:	S&P/ASX 50 Accumulation Index ¹
Investment timeframe:	10 years

Investment details

Distribution:	Half yearly
Entry fee:	Nil
Exit fee:	2% ²
Management fee:	0.80% p.a.

Investment returns

Performance to 30 June 2011

Period	Gross Return %	Bmk Return %	Excess Return %	Net Return % ³
3 months	-3.3	-3.6	0.3	-3.4
6 months	1.1	0.2	0.9	0.7
1 year	11.4	11.2	0.2	10.6
3 years p.a.	4.0	1.1	2.9	3.2
5 years p.a.	-	-	-	-
Since inception p.a.	1.7	0.8	0.9	0.9

¹ The fund's benchmark for comparative purposes has changed from the S&P/ASX 200 Accumulation Index to more closely reflect the underlying assets in the fund.

² Exit fee applies to withdrawals made prior to 30 November 2018.

³ Investment returns are based on exit to exit prices, are net of management fees and assume reinvestment of all distributions. Past performance is not a guide to or indication of future performance.

Investment objective and strategy

The fund's objective is to provide investors with stable investment growth in a tax efficient manner over the fund's investment period.

The fund invests in a diversified portfolio of up to 20 Australian companies selected predominantly from the top 30 companies by market capitalisation on the Australian Securities Exchange (ASX), for their ability to provide both stable yield and capital growth.

The fund will predominantly invest in large, well known Australian companies which Aviva Investors considers appropriate for a long term investment of this nature.

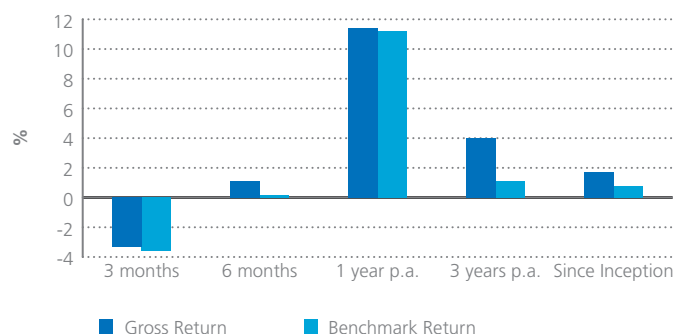
Fund performance

The fund delivered a gross return of -3.3% for the June quarter, outperforming the benchmark S&P/ASX 50 Accumulation Index return of -3.6% by 0.3%. For the year to 30 June 2011 the fund marginally outperformed the index gross of fee.

The best performing stocks during the quarter, relative to the Benchmark, were overweight positions in Foster's Group (1.12%) and Transurban Group (0.22%).

Stocks detracting from the fund's performance, relative to the Benchmark, was an overweight position in Woodside petroleum (-0.47%) and Treasury Wine Estates (-0.36%) which entered the portfolio following its demerger from Foster's Group.

Gross Return vs Benchmark Return



Distribution history⁴

Quarter end	Cents per unit
June 2011	2.47
December 2010	1.50
June 2010	1.48
December 2009	1.46
June 2009	0.95
December 2008	0.42
June 2008	0.01

⁴Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above.

Franking levels

Year end	
30 June 2011	107.66%
30 June 2010	110.86%
30 June 2009	99.10%
30 June 2008	0.00%

Top 10 shares holdings at 30 June 2011 (alphabetical order)

- AMP
- BHP Billiton
- Commonwealth Bank
- Foster's Group
- Suncorp Group
- Telstra Corporation
- Transurban Group
- Wesfarmers
- Westpac Banking Corporation
- Woodside Petroleum

Market review

The Australian sharemarket underperformed most global sharemarkets this quarter with the S&P/ASX 50 Accumulation Index falling 3.6%. Signs of weaker domestic growth, the possibility of further monetary policy tightening and the relatively high level of the Australian dollar negatively impacted sentiment. The mining sector was affected by signs of a slowdown in China and weakness in energy stocks.

In this environment, the best performing sectors were defensives, including utilities (3.2%), consumer staples (2.1%) and telecoms (3.1%). The energy sector (-11.1%) was very weak, weighed down by an announcement from Woodside Petroleum that the Pluto-1 gas project would take six months longer than expected to complete and would experience a cost overrun of A\$900 million. Other sectors that underperformed the broader market include consumer discretionary (-8.2%), resources (-7.0%), industrials (-6.1%), materials (-5.5%) and financials (-5.1%).

Outlook

We expect domestic companies to be experiencing a difficult trading environment at present. This difficulty in finding earnings growth is well recognised by the market, as many cyclical type stocks have been sold off aggressively, in some instances share prices factor in a virtual deep recession. Resource companies are experiencing massive margins on an historical basis, but these will be challenged going forward by large wage increases and huge project capex cost blowouts. Overall, the market is trading on a low price earnings multiple relative to its recent history. We are now seeing a large number of compelling opportunities in beaten up industrials in particular. As such, we have been increasing our positions in high quality businesses that we believe are suffering from temporary issues, which have created a significant gap between the market price and our estimation of value.

About Aviva Investors

Aviva Investors is a global asset management company with over A\$450 billion in funds under management. Launched in September 2008, Aviva Investors unites the asset management capabilities of the international investments and insurance group, Aviva plc.



Fund Manager of the Year
Australia

Aviva Investors in Australia operated as Portfolio Partners from 1994 until September 2008. We specialise in the active management of Australian equities and listed property, and have A\$5.5 billion in funds under management. Aviva Investors prides itself on providing specialist investment management services to meet our clients' needs.

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