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Aviva Investors Absolute TAA Fund

Second quarter 2009 performance update

AVIVA INVESTORS

The ATAA Fund returned 2.49%* net of fees over the second quarter of 2009, outperforming one month LIBOR by 2.3%.

Quarterly performance

Five decision areas contributed positively to performance over the quarter - equity beta (direction), equity market selection, bond beta, currency and credit. NB in the attribution table below bonds are referred to 'long term interest rates' and credit is referred to as 'other'.

Currency decisions were the main contributor, primarily due to decisions made in the first two months of the quarter; the fund's aggregate long NOK, long GBP and Short USD exposures were behind this.

Credit was the next largest positive contributor – the Fund's long European 5 year CDS Super senior tranche position performed well in April and May as credit spreads narrowed significantly on the back of the improvement in risk appetite.

Equity beta and bond beta decisions also contributed positively to performance; the former was a result of an aggregate long equity exposure in the first week of the quarter, benefiting from the 9th March bear market rally, and being aggregate short equities towards the middle of June as equity markets fell somewhat. Bond beta was due to being aggregate short bonds during the middle of the quarter as bond yields rose.

Equity market selection added marginally to performance.

The Fund's only performance detractor was bond market selection - most of this loss was incurred in May as a result of the Fund's long Germany / short Japan pair trade, as well as the long Australia / short US position.

The table below quantifies the contribution of each decision type:

	Q2 2009
Equity Beta	1.49%
Equity Market Selection	0.27%
Short Term Interest Rates (<5 Yrs)	0.00%
Long Term Interest Rates Beta	1.03%
Long Term Interest Rates Market Selection	-4.75%
Currency Selection	2.92%
Other	1.65%
Total Assets	**2.61%**
Cash	0.19%
Total Assets inc Cash	2.80%
Management Fee	0.25%
Performance Fee	0.27%
Total Assets inc Cash inc Management / Performance Fee	2.28%
Actual ATAA Performance	2.49%
Error Term**	-0.22%

** As at 6 July 2009.*
*** The above table shows Aviva Investors Strategy team calculated performance estimates. The error term exists due to employing a slightly differing methodology to the official Performance provider, as well as using a different pricing source.*

Investment backdrop

- 2009 is set to be weakest for the global economy in the post-war period.
- The major economies are expected to see peak-to-trough declines in GDP of at least 4%.
- Even with robust growth in China and other emerging nations, world GDP will probably fall this year for the first time in more than 50 years.
- Unprecedented policy action has been taken in response to the severe downturn. Interest rates have been cut to effectively zero in several countries.
- Huge fiscal expansion packages are underway and numerous assistance packages have been unveiled to assist credit markets and the banking sector.
- The Bank of England and the Fed have begun "quantitative easing" (outright purchases of sovereign bonds) in order to boost the money supply directly. On a similar note but on a smaller scale, the ECB have begun buying 'covered bonds'.
- Adjustments within the banking sector continue to be made, and households continue to deleverage. The latter has pushed up savings ratios and reduced debt levels.
- This will restrain spending growth, although the transition will be helped in 2009 by the boost to real incomes brought about by exceptionally low inflation rates.
- Annual inflation rates are likely to turn negative this year, prompting concerns over secular debt-deflation. We assume deflation does not take root, not least because Central Banks can, and will, resist it through as much money creation as is required.
- World trade growth has collapsed, raising fears about growing protectionism.
- The industrial downswing, partly inventory-related, has been especially fierce towards the end of 2008 and in the first quarter of 2009.
- The liquidity squeeze is still having an impact even with low policy rates and activist Central Banks. One consequence is that business investment will weaken sharply in 2009 before stabilising in 2010.
- Policy measures should gain some traction by the end of 2009, allowing economies to begin growing once more.
- But the recovery may be somewhat muted as the longer-term adjustments among households and banks take time to work through.

Current Investment Scenarios

The starting point in our investment process is to determine economic scenarios, shown below. Using scenario analysis, a portfolio is constructed that aims to achieve its outperformance target in the most likely econcomic scenario/s and at the same time outperforms LIBOR should one of the less likely scenarios materialise. This will result in a 'template portfolio'.

Over the period since 31 March 2009 the economic scenarios changed radically to reflect the improving but uncertain economic outlook. The previous three scenarios with corresponding probabilitites 'Deep Recession 40%', 'Depression 25%' and 'Respite 35%' were replaced with the current scenarios below.

Aviva Investors, Investment Strategy Team – investment scenarios and positioning

Double Dip 40%

- Similarly to recovery scenario, growth rebounds in H2 as policy stimulus takes effect.
- On-going credit correction leaves private-sector borrowing subdued. Unemployment is a drag on household finances and consumption until the middle of 2010.
- Second recession avoided but headwinds return to fore as impact of global stimulus packages fades.
- Risk assets initially strong, but run out of steam by year -end. Bonds range - bound. Emerging markets, Asian fx outperform.

Headwinds 30%

- Worst period of economic deterioration behind us. Return to shallow growth before year - end.
- Sub - par recovery in 2010 as rebuilding of household savings plus credit restraint puts hand - brake on growth. Govt. fiscal support provides some offset.
- Near term US leads. Moving into 2010, US & UK hampered by headwinds, Japan benefits from Asian growth and EU from lack of imbalances.
- Emerging economies decouple to a large extent, becoming the driver of global growth in 2010.

Recovery 15%

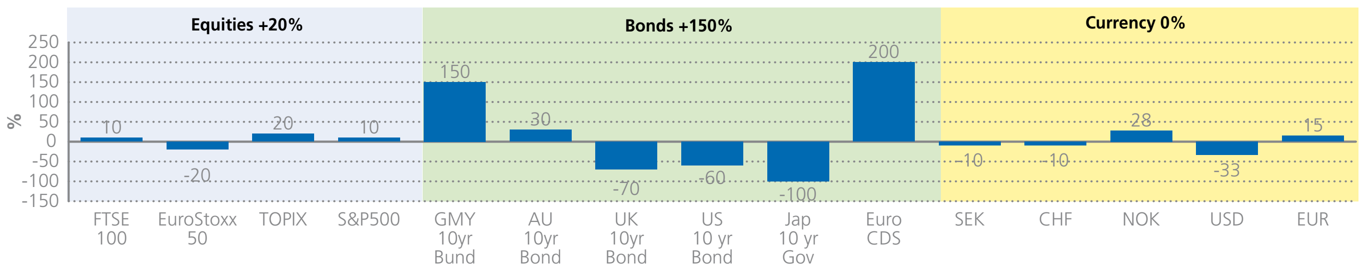
- Green shoots ' continue and lead to a significant turn - around in growth in the second half of the year.
- Concerns about household finances and the ability of the financial system to provide normal levels of ending prove misplaced.
- Adjustment to a more sustainable level of savings takes place in 2009. Bank lending to households and corporates normalizes in 2010.
- Investment and consumption rebound strongly, leading to above rend growth through 2010.
- Risk assets, $ rally. Bonds sell off.

ShockCommodity 15%

- Structural commodity story still intact – strong EM demand, govt. infrastructure projects, supply constrained by underinvestment, inst. strategic allocation programmes, inflation / fx debasement hedge trade...
- Combines with excess liquidity from policy stimulus to push commodities still higher in H2.
- Earnings growth and discretionary spending power hit particularly hard. On top of structural headwinds, growth turns negative again in 2010.
- $ weakens, equities supported initially, but soon falter. Bond yields rise.

Source: Aviva Investors Strategy team as at 6 July 2009

Positions represent the Strategy team's consensus view at a particular point in time. These views are regularly subject to changes as a result of the flow of new information, the likelihood attributed to separate potential scenarios and also the degree of conviction in relation to each specific position.



Template Portfolio

Source: Aviva Investors Strategy team as at 6 July 2009

Below we show the portfolio positions at the end of the quarter and rational for these positions:

6 July 2009 positions

Reasons for positions - 6 July 2009

Equity Market	Position %	Reasons
FTSE 100	+10	Pair trade long 10% FTSE/short 10% Eurostox. Eurostoxx outperformed FTSE and more overbought. Economic momentum favours UK. FTSE higher mining and oil exposure, less financials than Eurostoxx.
Euro Stoxx 50	-20	Pair trade against UK (10%) and US (10%).
TOPIX	+20	Long equity beta exposure. Attractive valuation, strong underperformer and cyclical market. Should benefit from improving global trade and stronger Asian growth.
S&P 500	+10	Pair trade against Europe. US ahead in Economic cycle, more proactive monetary and fiscal policy.
Total Equities	+20	N/A

Source: Aviva Investors Strategy team as at 6 July 2009

Bond Market	Position %	Reasons
GERMANY 10 YR GOV	+150	Pair trade against Gilts (70%), plus pair trade against Japan (80%). Attractive valuation, spread between Gilts and Bunds very compressed. Europe economic laggard and more policy response expected from ECB. UK slowly improving.
AUSTRALIA 10 YR GOV	+30	Australian Bonds have sold off aggressively. Weakening economy and attractive valuation. Yield curve suggesting rates will come down further.
UK 10 YR GOV	-70	Pair trade against German bonds. UK economic momentum improving, concerns over budget deficits and increased bond issuance. Spread between Gilts and Bunds very compressed.
US 10 YR GOV	-60	Following output of optimiser. Recent fall in yields left US Treasuries close to fair value. Fed intervention more limited at current levels.
JAP 10 YR GOV	-100	Japanese yields offer relative limited downside.
European Super-Senior 5 YR CDS	+200	Exposure to credit spreads with very limited default exposure (protected against initial 22% losses). Capturing very wide spreads given forced de-leveraging and high liquidity premium.
Total Bonds	+150	N/A

Source: Aviva Investors Strategy team as at 6 July 2009

Currency Market (vs. USD)	Position %	Reasons
SEK	-10	Swedish economy and banking system very exposed to Baltics and Eastern Europe.
CHF	-10	Deteriorating economic climate weighs on interest rates outlook. Central bank attempting to weaken currency.
NOK	+28	Strong economy, exposure to oil market and backed by sovereign wealth fund. Attractive valuation.
USD	-33	Strong out-performer. Should be vulnerable once growth indicators and risk appetite pick up.
EUR	+15	Hedge against long bond position. If risk appetite stays strong, Euro is likely to appreciate against the US dollar.
Total Currency	0	N/A

Source: Aviva Investors Strategy team as at 6 July 2009

Positions changes over quarter

The Fund neutralised its aggregate long equity exposure in the first week of April after benefiting from the equity rally post March 9th lows. An aggregate equity short position was re-initiated throughout most of June and then subsequently neutralised. The Fund started the quarter net long bonds but this was neutralised at the beginning of April. An aggregate short exposure was then adopted towards the middle of May, which was reversed to a small aggregate long position at the beginning of June. The European CDS weighting was also augmented over the quarter, to end the quarter aggressively long.

Date	Positional Change
03-Apr-09	Closing long FTSE 100
03-Apr-09	Reducing S&P 500 to +10%
03-Apr-09	Reducing Australian bonds to +30%
03-Apr-09	Selling 30% US 10yr bonds
08-May-09	Switching -10% Japan eq short to Singapore eq
12-May-09	Increasing Japanese bonds short by -40%
12-May-09	Closing long AUD / short JPY
12-May-09	Closing long SGD / short USD
30-May-09	Open +15% FTSE 100 / -15% Eurostoxx 50
30-May-09	Open +70% 10y Bunds / -70% 10y Gilts
30-May-09	Buying 55% US 10y Treasuries
30-May-09	Open +15% Euro / -15% USD

Date	Positional Change
01-Jun-09	Selling -20% Eurostoxx 50
08-Jun-09	Closing long GBP / short USD
16-Jun-09	Closing short Eurostoxx 50
06-Jul-09	Selling -85% US 10y Treasuries
06-Jul-09	Increasing German Bunds long by 20%
06-Jul-09	Closing short Singapore equities
06-Jul-09	Open +20% Topix
06-Jul-09	Selling 5% of Eurostoxx 50 and FTSE 100

Source: Aviva Investors Strategy team as at 6 July 2009

Aviva Investors Absolute TAA Fund (Share class I)

Launch date: 26 January 2006

Fund Performance (net of all fees)

Cumulative Performance %	1 M	3 M	6 M	YTD	1 Y	3 Y	5 Y	10 Y	Since Launch
Portfolio GBP	0.28	2.49	10.21	10.21	24.15	31.1	–	–	44.24
Benchmark GBP (1 month Libor)	0.06	0.21	0.63	0.63	3.28	15.34	–	–	17.61

Annualized Performance %	1 Y	3 Y	5 Y
Portfolio GBP	24.15	9.44	–
Benchmark GBP (1 month Libor)	3.28	4.87	–

Performance figures sourced from Lipper Hindsight as at 30 June 2009 and illustrated on a bid to bid, gross income reinvested basis in the currency shown.