

# AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2)

## Annual Report and Financial Statements

For the year ended 31 July 2016



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## CONTENTS

Company Information*	2
Report of the Authorised Corporate Director*	3
Statement of Cross Holdings	5
Policies and Risks	6
Aviva Investors UK Opportunities Fund	9
Aviva Investors UK Equity MoM 1 Fund	24
Aviva Investors UK Equity MoM 2 Fund	38
Aviva Investors UK Equity MoM 3 Fund	54
Aviva Investors US Equity MoM 1 Fund	68
Aviva Investors Euro Equity MoM 1 Fund	88
Aviva Investors Euro Equity MoM 2 Fund	102
Aviva Investors Apac Equity MoM 1 Fund	116
Aviva Investors Japan Equity MoM 1 Fund	131
Aviva Investors EM Equity MoM 1 Fund	147
Aviva Investors UK Gilts MoM 1 Fund	162
Aviva Investors UK Credit MoM 1 Fund	174
Aviva Investors Sterling Credit MoM 1 Fund	189
Aviva Investors Global Agg MoM 1 Fund	204
Statement of the Authorised Corporate Director's Responsibilities*	224
Authorised Corporate Director's Statement*	224
Statement of the Depositary's Responsibilities	225
Depositary's Report to the Shareholders	225
Independent Auditors' Report to the Shareholders of Aviva Investors Manager of Manager ICVC (ICVC2)	226
General Information	228

\* These items comprise the Manager's Report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook ("the Regulations").

## COMPANY INFORMATION

### AUTHORISED CORPORATE DIRECTOR

Aviva Investors UK Fund Services Limited  
No. 1 Poultry  
London, EC2R 8EJ

Aviva Investors UK Fund Services Limited (the ACD) is a wholly owned subsidiary of Aviva Investors Holdings Limited, a company incorporated in the United Kingdom and within the Aviva Group of Companies. The ACD is a member of the Investment Association and is authorised and regulated by the Financial Conduct Authority.

### DIRECTORS

I Buckle  
E Potter (resigned 19 October 2015)  
J Misselbrook  
D Dahan (resigned 31 March 2016)  
S Ebenston  
C Abrahams (resigned 31 December 2015)  
A Brown (appointed 2 February 2016, resigned 22 July 2016)  
M Craston (appointed 22 March 2016)  
G Cass (appointed 16 June 2016)

### ADMINISTRATOR AND REGISTRAR

International Financial Data Services (UK) Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex, SS15 5FS

### INVESTMENT MANAGER

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

Aviva Investors Global Services Limited is a member of the Investment Association and is authorised and regulated by the Financial Conduct Authority. The ultimate parent company of Aviva Investors Global Services Limited is Aviva Plc.

### DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London, E14 5JP

J.P.Morgan Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
7 More London Riverside  
London, SE1 2RT

PricewaterhouseCoopers LLP have been reappointed as auditors of the Company.

## REPORT OF THE AUTHORISED CORPORATE DIRECTOR

### THE COMPANY

Aviva Investors Manager of Manager ICVC (ICVC 2) (“the Company”) is an Open-Ended Investment Company (OEIC) with variable capital incorporated in England and Wales since 23 October 2001. The property of the Company is entrusted to J.P. Morgan Europe Limited (“the Depository”). The shareholders are not liable for any debts of the Company.

The object of the Company is to invest the scheme property in transferable securities, money market instruments, derivative instruments and forward transactions, deposits and units of collective investment schemes in accordance with the COLL Sourcebook with the aim of spreading investment risk and giving its shareholders the benefit of the results of the management of that property.

The Company has an umbrella structure and currently has fourteen Funds, each with a different investment objective. In the financial statements you will find an investment review for each Fund which includes details of the investment objectives.

### AUTHORISED STATUS

From 23 October 2001 the Company was authorised as an Open-Ended Investment Company under Regulation 7 of the Open-Ended Investment Companies Regulations 1996 (superseded by Regulation 12 of the Open-Ended Investment Companies Regulations 2001).

The Company is authorised to operate as a “UCITS Scheme” for the purposes of the COLL sourcebook and as an “umbrella” company for the purposes of the OEIC Regulations, which means that the Company issues shares linked to different Funds.

### SIGNIFICANT INFORMATION

#### Fund Closure

On 3 March 2016, the investors in the Aviva Investors UK Equity MoM 5 Fund switched their holdings into the Aviva Investors UK Equity MoM 1 Fund, Aviva Investors UK Equity MoM 2 Fund and Aviva Investors UK Equity MoM 3 Fund resulting in the disposal of all the investments in the Fund. The Fund commenced termination on 7 July 2016 and completed termination on 30 July 2016.

#### FATCA and CRS Reporting

Tax regulations require us to collect information about your tax residency and you will have therefore provided this at the time of making your investment with us. The term tax regulations refers to the International Tax Compliance Regulations 2015 which implements the Foreign Account Tax Compliance Act (FATCA) and the OECD Common Reporting Standard (CRS) for Automatic Exchange of Financial Account Information. As a result, in certain circumstances we will be obliged to share information about your account(s) with Her Majesty’s Revenue & Customs (HMRC) who may in turn share this information with any or all jurisdictions that have agreed to exchange information under FATCA and CRS. The information previously provided by you at the time of making your investment will be used by us to report to HMRC regarding your account(s), where so required. This does not apply where you have invested with us solely via an ISA.

#### Change to Aviva Investors Sterling Credit MoM 1 Fund investment policy

The ACD has amended the investment policy of this Fund to relax the requirement that at least 50% of the Fund should be invested in Sterling denominated fixed interest securities, whilst still maintaining the constraint that Sterling exposure will continue to be managed within a range of 98% to 102%.

#### Investment Policy clarification for Aviva Investors UK Gilts MoM 1 Fund; Aviva Investors UK Credit MoM 1 Fund; Aviva Investors Sterling Credit MoM 1 Fund; and Aviva Investors Global Agg MoM 1 Fund

The ACD has clarified the investment policy of these Funds by removing the sentence “Investment grade credit is that which has been assigned a credit rating of BBB or higher by Standard & Poor’s or an equivalent rating assigned by another recognised rating agency.” from the investment policy of each of the following Funds in the Scheme’s Prospectus: Aviva Investors UK Gilts MoM 1 Fund; Aviva Investors UK Credit MoM 1 Fund; Aviva Investors Sterling Credit MoM 1 Fund; and Aviva Investors Global Agg MoM 1 Fund.

#### Remuneration Policy

UCITS V came into effect on 18 March 2016 and the ACD has been subject to the UCITS Remuneration Code from that date. Up to date details of its remuneration policy, including but not limited to (i) a description of how remuneration and benefits are calculated and (ii) the identities of persons responsible for awarding remuneration and benefits, including the composition of the Aviva Investors Remuneration Committee, are available from the ACD’s website at <https://uk.avivainvestors.com/gb/en/individual/about-us/for-todays-investor.html>. A paper copy of the information available from the ACD’s website in relation to remuneration is also available free of charge on request from the ACD.

The ACD is also required to disclose a range of information in relation to UCITS remuneration paid in respect of each full performance period after the implementation of UCITS V. As the first full performance period for the ACD will be the period from 1 January 2017 to 31 December 2017, that information is therefore not available to the ACD for this annual accounting period and as such no remuneration disclosures have been included in these financial statements. A full remuneration disclosure setting out the information required by COLL 4.5.7R(7) will be included in the annual financial statements from the year ended 31 July 2018 onwards.

#### Changes to the Prospectus

On 12 August 2016, we made several updates to our prospectuses, as we do annually to include updated fund performance information and to make sure all elements of the prospectus are up to date. One of the changes made was to set out that if, following the closure of one of our Funds, any amount remaining after the payment of all amounts due to shareholders and the liabilities of the Fund is agreed with the fund’s depository to be “immaterial”, this amount will be paid to charity. We also made some changes to the way in which the charges applicable to the Funds are displayed, in order to make this clearer for our investors.

#### Regular Savings Mandates set up before 31 December 2012

From 13 April 2016, the ACD has discounted the initial charge in full on all future investment made in each of the Funds through regular investment mandates set up before 31 December 2012.

## REPORT OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)

### THE FINANCIAL STATEMENTS

We are pleased to present the annual financial statements of the Company for the year ended 31 July 2016. As required by the Regulations, information for each of the Funds has also been included in these financial statements. On the following pages we review the performance of each of those Funds during the year. We hope that you find our review useful and informative.

### ANNUAL GENERAL MEETINGS

The Company will not be holding Annual General Meetings.

## STATEMENT OF CROSS HOLDINGS

There are no cross holdings as at 31 July 2016.

## POLICIES AND RISKS

### ACCOUNTING POLICIES

#### a Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association (IMA) (now The Investment Association) in May 2014 (SORP 2014), which supersedes the Statement of Recommended Practice of Authorised funds issued by the IMA in October 2010 (SORP 2010), and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Both of which became effective for the accounting periods commencing 1 January 2015.

There have been no changes to the financial position or financial performance of the Funds as a result of the above changes. However, certain comparative items have been restated in the Financial Statements, as a result of the above changes. These restatements are detailed within the Notes to the Financial Statements for each individual Fund.

All of the Funds have been prepared on a going concern basis.

#### b Share classes

The Funds have three types of share classes: retail shares (class 1), institutional shares (class 2) and shares held by associated undertakings of Aviva Plc (class 3). Each share class bears different charges and consequently the level of revenue allocated to each share class will differ. Some share classes consist of income shares only, whilst others consist of accumulation shares only.

#### c Recognition of revenue

Dividends are recognised when the investment is quoted ex-dividend. Interest arising on fixed interest stocks is recognised on an effective yield basis. Deposit interest and other revenues are recognised on an accruals basis.

Special dividends are either treated as income or capital depending on the facts of each dividend.

#### d Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and the Funds' objectives for investment in derivative instruments.

Where positions are held to protect capital, the returns are treated as capital. Where positions are held to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction.

Where appropriate, the returns from derivatives linked to US Mortgage Backed Securities are apportioned between capital and revenue.

#### e Underwriting commission

Underwriting commission is accounted for when the issue underwritten takes place and is normally taken to revenue. Where the Company is required to take up all the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of shares taken up and the balance is taken to revenue.

#### f Basis of valuation of investments

##### Quoted investments

The quoted investments of the Company have been valued at bid market value at 2pm on the last working day of the accounting period for all Funds with the exception of the Aviva Investors UK Opportunities Fund which has been valued at midday. Investments in Luxembourg SICAVs are valued using their single quoted price.

##### Unquoted and unapproved investments

The unquoted and unapproved investments of the Company have been valued by the Investment Manager using available information, such as recent transaction prices, valuations from reliable sources, financial performance and other relevant factors, to arrive at an estimated fair value.

##### Suspended securities

Suspended securities have been valued at the suspended market price per share or valued by the Investment Manager using available information to arrive at an estimated fair value.

##### Delisted securities

Delisted securities have been valued at nil pence per share

##### Forward foreign currency contracts

The Company's forward foreign currency positions on the last working day of the accounting period are included in the portfolio statement as an asset or liability so as to reflect the value of each contract.

##### Over the counter (OTC) derivatives

OTC derivatives are either valued by the relevant counterparty or by the Investment Manager using available information to arrive at an estimated fair value.

##### Exchange traded derivatives (ETDs)

ETDs are included at the aggregate unrealised market value of the open contracts.

##### CIS investments

CIS investments are valued at the last share price available at the valuation point.

##### g Exchange rates

Assets and liabilities held in foreign currencies are translated at the rate ruling at 2pm on the last working day of the accounting period for all Funds with the exception of the Aviva Investors UK Opportunities Fund which was translated at midday. Revenue and expenditure items are translated at the rate ruling at the date of the transaction.

##### h Taxation and deferred taxation

Provision for Corporation Tax is based at the current rate, as appropriate, on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken as appropriate. Deferred taxation is provided using the liability method on all timing differences that have originated but not reversed at the balance sheet date, calculated at the rate for the period in which it is anticipated the timing differences will reverse, based on rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.



## POLICIES AND RISKS (CONTINUED)

### DISTRIBUTION POLICIES

#### a Distribution policy

Where appropriate, the Company will pay any surplus revenue as a revenue distribution or accumulation of capital. The Aviva Investors UK Gilts MoM 1 Fund, the Aviva Investors UK Credit MoM 1 Fund, the Aviva Investors Sterling Credit MoM 1 Fund and the Aviva Investors Global Agg MoM 1 Fund are more than 60% invested in qualifying investments (as defined by the relevant legislation) and pay interest distributions. All the other Funds pay dividend distributions.

Full details are set out in the distribution tables.

#### b Treatment of stock dividends

The ordinary element of stock dividends is treated as revenue and forms part of the Fund's distribution. The value of the stock dividend is based on the market value of the shares on the dates they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is treated as capital.

#### c Treatment of management expenses

The ACD's periodic charge is charged to the revenue property of all the Funds. Aviva Investors UK Gilts MoM 1 Fund, Aviva Investors UK Credit MoM 1 Fund, Aviva Investors Sterling Credit MoM 1 Fund and Aviva Investors Global Agg MoM 1 Fund offset the ACD's periodic charge to capital for the purpose of the distribution.

All other expenses, except those relating to the purchase and sale of investments, are charged against revenue. Expenses are accounted for on an accruals basis.

### FINANCIAL INSTRUMENTS

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payable for cancellation of shares and debtors for accrued revenue.

The Company also enters into derivative transactions in the form of investment in forward foreign currency contracts, stock index futures and interest rate swaps. The purpose of these financial instruments is efficient portfolio management.

In particular, forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. Stock index futures are used to manage market risk arising from the time lag between funds being receivable or payable by the Company and investments or disinvestments in underlying securities.

In accordance with requirements set out in the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority, such scheme transactions must be economically appropriate, any exposure must be fully covered and the transactions must be entered into with the aim of reducing risk and/or costs and/ or generating additional capital or revenue for the scheme with no, or an acceptably low level of risk. Open-Ended Investment Companies are not permitted by the Regulations to enter into a transaction in derivatives if its purpose could reasonably be regarded as speculative.

The Company's use of financial instruments satisfies these requirements.

The Company has exposure to a number of different risks to varying degrees. The main risks it faces from its financial instruments and the Investment Manager's policies for managing these risks are summarised below:

#### a Foreign currency risk

The Funds can be exposed to foreign currency risk as a result of investing in assets denominated in currencies other than Sterling. Where the manager deems it necessary, this exposure to foreign currency fluctuations is mitigated by the use of forward foreign currency contracts. Where relevant, numerical disclosures can be found in the notes to the financial statements for each Fund.

#### b Interest rate risk

The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Investment Manager manages this risk by maintaining a balanced portfolio with due consideration to interest rate and redemption profiles. Interest rate risk is also managed by ensuring that deposits mature within a relatively short period. Where relevant, numerical disclosures can be found in the notes to the financial statements for each Fund.

## POLICIES AND RISKS (CONTINUED)

### FINANCIAL INSTRUMENTS (CONTINUED)

#### **c Market risk**

The Funds' investment portfolios are exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies of the Funds. This investment might be made directly, or indirectly, via a swap. Adherence to investment and borrowing powers set out in the Instrument of Incorporation and in the Collective Investment Schemes Sourcebook of the Financial Conduct Authority, mitigates the risk of excessive exposure to any particular type of security or issuer.

Further information on the investment portfolios is set out in the investment reports and portfolio statements, of the individual Funds.

#### **d Credit risk**

The Funds restrict their exposure to credit losses on derivative instruments by trading via International Swap and Derivative Association (ISDA) Master Arrangements with each counterparty.

The Funds are exposed to the risk that a bond issuer may default on the interest payments or the redemption of the bond. The Funds manage this risk by maintaining a balanced portfolio with due consideration to interest rate and redemption profiles and the credit worthiness of the bond issuer.

#### **e Liquidity risk**

This is the risk that there is insufficient liquidity which restricts a Fund's investment opportunities or ability to pay liabilities at short notice. This risk is managed by ensuring that overdrafts are monitored and maintained within investment limits and exposure to unquoted or illiquid securities is limited.

#### **f Counterparty Risk**

There is a risk that the Counterparty will not be able to settle its obligations under the agreement. This is mitigated by an assessment of the credit worthiness of the Counterparty, and the use of multiple counterparties to ensure that no more than 20% of the Fund value is exposed to one counterparty.

Further information on the investment portfolio is set out in the investment reports and portfolio statements.

## AVIVA INVESTORS UK OPPORTUNITIES FUND

### INVESTMENT OBJECTIVE

Long term capital appreciation.

### INVESTMENT POLICY

Selective investment principally in UK equities based on price and prospects of above average earnings growth. There may also be limited investment in global bond markets from time to time.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned -4.87 per cent (share class 1, net of fees), underperforming both the Investment Association UK All-Companies sector return of 1.02 per cent and the FTSE® All-Share Index return of 3.82 per cent.

#### Review

After a strong year in 2015, fund performance has deteriorated since the turn of the year predominantly due to the Fund's high emphasis on earnings momentum, which having driven the market since the beginning of 2009, went into reverse during January led by the rally in the oil price. Given the oil & gas sector's high concentration in terms of individual stocks, and investors' consensual underweight exposure to the sector, from the beginning of 2016 there was a sharp rotation away from earnings momentum in favour of value and recovery stocks, which has detracted from performance given the Fund has less emphasis on these stocks. Consequently a number of the Fund's longstanding holdings, that have driven performance in recent years, have underperformed despite continuing to deliver robust earnings momentum, notably Dixons Carphone, Moneysupermarket and Paysafe Group. The Fund Managers' view is that market leadership will revert to earnings momentum in time as low UK economic growth is likely to persist, if anything exacerbated by the EU referendum decision, while earnings forecasts for oil and resources stocks appear overoptimistic.

The Fund's limited exposure to consumer staples and utilities was detrimental, as less cyclical sectors performed well during market turbulence at the start of 2016 and in the aftermath of the UK vote to leave the European Union in June. The Fund's longstanding and largest sector overweight to consumer services, which has driven outperformance over the past three years, has been a negative contributor since the turn of the year. Whilst UK household disposable income has continued to grow in 2016 and consumer exposed stocks have generally continued to deliver strong trading, we underappreciated the extent to which investors would grow nervous of UK consumer-exposed stocks prior to the EU referendum.

Holdings in ITV and Sepura detracted. Shares in media group ITV weakened in the run up to the EU referendum, and in the immediate aftermath on concerns over an impending economic downturn. However, ITV's recent half-year results were ahead of expectations, boosted by revenues from the company's studios unit, leading to a hike in the interim dividend payment. Sepura, the global handset communications provider, issued a profit warning ahead of its annual results due to delayed contracts. Whilst disappointing, the company has now taken action to address concerns over the health of its balance sheet and the Fund Managers believe Sepura's TETRA (terrestrial trunked radio) technology looks well placed to become the dominant standard in digital handsets. One of the biggest disappointments has been the underperformance of the Fund's largest position in London Stock Exchange, which despite announcing a merger with

Deutsche Boerse and delivering better than expected financial results has underperformed.

Holdings in Sanne Group, Next Fifteen and Sage performed well. Maiden annual results from outsourcing group Sanne, which provides fund administration services, exceeded forecasts while a recent acquisition provides a foothold in the South African hedge fund market. Accounting and payroll software group Sage reported a sharp rise in software subscriptions, and in recurring revenues, which underpinned interim earnings growth.

The Fund was not positioned for a leave vote in the EU referendum, and consequently an emphasis on mid-cap stocks and a relative lack of exposure to large-cap overseas earnings beneficiaries continued to detract from performance following the vote. Whilst the mid-cap FTSE® 250 index has subsequently rebounded, the Fund's holdings in housing related stocks including McCarthy & Stone, Ibstock, Derwent London and Countryside Group have not recovered in line with the rest of the market. Having reassessed these holdings, our view is that the market is discounting extremely pessimistic scenarios which we believe are unlikely.

As almost every UK economic indicator has materially weakened during the course of July, with the data now implying the economy will be in recession by early 2017, we are reappraising holdings that are solely domestic businesses. This has led us to further cut back our position in Whitbread having reduced the size of the holding steadily this year. While our investment process remains unchanged, given the current economic and political uncertainty in the UK when appraising new investment opportunities we will focus increasingly on perceived defensive stocks, as well as companies with substantial overseas earnings.

#### August 2016

Sources: Fund and peer group performance figures – Lipper, mid to mid basis with net income reinvested in GBP, with no initial charges applied. Market data – Bloomberg.

\* Fund performance figures – share class 1, source Lipper Hindsight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Aviva Investors Global Services Limited

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative tables on page 11 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS UK OPPORTUNITIES FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP	Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP
Paysafe Group plc	GlaxoSmithKline plc
Reckitt Benckiser Group plc	HSBC Holdings plc
Ibstock plc	Essentra plc
Worldpay Group plc	Compass Group plc
McCarthy & Stone plc	Tritax Big Box plc, REIT
Zoopla Property Group plc	BT Group plc
Inmarsat plc	Whitbread plc
Barclays plc	Paysafe Group plc
Countryside Properties plc	Restaurant Group plc (The)

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- Investment may be restricted to a limited number of holdings, industries, or Countries. The Fund share price may be more exposed to specific events and as a result may experience large daily price changes.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLES

	2016	2015	2014
Class 1 Accumulation	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	134.90	123.08	117.28
Return before operating charges <sup>†</sup>	(4.60)	13.81	7.66
Operating charges	(1.98)	(1.99)	(1.86)
Return after operating charges <sup>†</sup>	(6.58)	11.82	5.80
Distributions on income shares	–	–	–
Closing net asset value per share	128.32	134.90	123.08
Retained distributions on accumulation shares	2.34	2.08	2.09
<sup>†</sup> after direct transaction costs of	(0.21)	(0.22)	(0.26)
<b>Performance</b>			
Return after charges	(4.88)%	9.60%	4.95%
<b>Other information</b>			
Closing net asset value (£000)	1,127	1,512	1,614
Closing number of shares	878,708	1,120,920	1,311,746
Operating charges (%) <sup>†</sup>	1.53%	1.53%	1.53%
Direct transaction costs (%) <sup>#</sup>	0.16%	0.17%	0.21%
<b>Prices<sup>≈</sup></b>			
Highest share price	136.85	140.35	128.60
Lowest share price	117.46	113.85	113.65

	2016	2015	2014
Class 2 Accumulation	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	224.19	202.92	191.81
Return before operating charges <sup>†</sup>	(7.66)	22.86	12.58
Operating charges	(1.57)	(1.59)	(1.47)
Return after operating charges <sup>†</sup>	(9.23)	21.27	11.11
Distributions on income shares	–	–	–
Closing net asset value per share	214.96	224.19	202.92
Retained distributions on accumulation shares	5.62	5.17	5.04
<sup>†</sup> after direct transaction costs of	(0.34)	(0.37)	(0.42)
<b>Performance</b>			
Return after charges	(4.12)%	10.48%	5.79%
<b>Other information</b>			
Closing net asset value (£000)	840	821	389
Closing number of shares	390,657	366,317	191,475
Operating charges (%) <sup>†</sup>	0.73%	0.73%	0.73%
Direct transaction costs (%) <sup>#</sup>	0.16%	0.17%	0.21%
<b>Prices<sup>≈</sup></b>			
Highest share price	227.47	232.93	211.32
Lowest share price	196.04	188.01	185.98

	2016	2015	2014
Class 3 Accumulation	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	313.49	282.91	266.63
Return before operating charges <sup>†</sup>	(10.72)	31.88	17.49
Operating charges	(1.29)	(1.30)	(1.21)
Return after operating charges <sup>†</sup>	(12.01)	30.58	16.28
Distributions on income shares	–	–	–
Closing net asset value per share	301.48	313.49	282.91
Retained distributions on accumulation shares	8.77	8.12	7.84
<sup>†</sup> after direct transaction costs of	(0.48)	(0.51)	(0.59)
<b>Performance</b>			
Return after charges	(3.83)%	10.81%	6.11%
<b>Other information</b>			
Closing net asset value (£000)	180,522	195,017	167,861
Closing number of shares	59,878,505	62,208,505	59,333,366
Operating charges (%) <sup>†</sup>	0.43%	0.43%	0.43%
Direct transaction costs (%) <sup>#</sup>	0.16%	0.17%	0.21%
<b>Prices<sup>≈</sup></b>			
Highest share price	318.10	325.54	294.26
Lowest share price	274.57	262.28	258.59

<sup>†</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 1	1.53%	1.53%
Class 2	0.73%	0.73%
Class 3	0.43%	0.43%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 93.61% (94.37%)</b>				
<b>Consumer Discretionary 18.04% (21.10%)</b>				
<b>Auto Components 0.40% (1.69%)</b>				
Torotrak plc	GBP	18,585,556	725	0.40
			725	0.40
<b>Hotels, Restaurants &amp; Leisure 4.01% (8.42%)</b>				
Compass Group plc	GBP	419,547	5,945	3.26
Whitbread plc	GBP	35,730	1,374	0.75
			7,319	4.01
<b>Household Durables 1.55% (0.00%)</b>				
Countryside Properties plc	GBP	1,205,943	2,840	1.55
			2,840	1.55
<b>Internet &amp; Catalog Retail 0.00% (0.21%)</b>				
<b>Media 5.54% (5.59%)</b>				
ITV plc	GBP	2,697,930	5,296	2.90
Next Fifteen Communications Group plc <sup>#</sup>	GBP	1,683,202	4,814	2.64
			10,110	5.54
<b>Multiline Retail 1.60% (1.51%)</b>				
B&M European Value Retail SA	GBP	1,134,943	2,921	1.60
			2,921	1.60
<b>Specialty Retail 4.94% (3.68%)</b>				
BCA Marketplace plc	GBP	3,083,934	5,543	3.04
Dixons Carphone plc	GBP	998,020	3,469	1.90
			9,012	4.94
<b>Consumer Discretionary total</b>			<b>32,927</b>	<b>18.04</b>
<b>Consumer Staples 8.73% (4.67%)</b>				
<b>Household Products 2.15% (0.00%)</b>				
Reckitt Benckiser Group plc	GBP	55,394	3,922	2.15
			3,922	2.15
<b>Tobacco 6.58% (4.67%)</b>				
British American Tobacco plc	GBP	253,070	12,002	6.58
			12,002	6.58
<b>Consumer Staples total</b>			<b>15,924</b>	<b>8.73</b>
<b>Energy 10.55% (8.22%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 10.55% (8.22%)</b>				
BP plc	GBP	1,797,852	7,652	4.19
Royal Dutch Shell plc 'B'	GBP	574,234	11,599	6.36
			19,251	10.55
<b>Energy total</b>			<b>19,251</b>	<b>10.55</b>
<b>Financials 19.76% (23.26%)</b>				
<b>Banks 4.85% (7.62%)</b>				
Barclays plc	GBP	2,403,579	3,801	2.08
HSBC Holdings plc	GBP	1,017,380	5,055	2.77
			8,856	4.85
<b>Capital Markets 2.30% (1.48%)</b>				
Sanne Group plc	GBP	1,134,888	4,199	2.30
			4,199	2.30
<b>Diversified Financial Services 5.53% (4.35%)</b>				
London Stock Exchange Group plc	GBP	363,561	10,082	5.53
			10,082	5.53

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Insurance 5.32% (5.71%)</b>				
Aviva plc†	GBP	506,000	1,971	1.08
Prudential plc	GBP	581,998	7,738	4.24
			9,709	5.32
<b>Real Estate Investment Trusts (REITs) 1.76% (4.10%)</b>				
Derwent London plc	GBP	114,195	3,205	1.76
			3,205	1.76
<b>Financials total</b>			<b>36,051</b>	<b>19.76</b>
<b>Health Care 5.24% (8.06%)</b>				
<b>Biotechnology 1.53% (1.89%)</b>				
Shire plc	GBP	56,973	2,798	1.53
			2,798	1.53
<b>Health Care Equipment &amp; Supplies 1.10% (1.52%)</b>				
Smith & Nephew plc	GBP	161,949	2,007	1.10
			2,007	1.10
<b>Health Care Providers &amp; Services 2.61% (2.03%)</b>				
McCarthy & Stone plc	GBP	1,217,776	2,065	1.13
UDG Healthcare plc	GBP	468,604	2,695	1.48
			4,760	2.61
<b>Pharmaceuticals 0.00% (2.62%)</b>				
<b>Health Care total</b>			<b>9,565</b>	<b>5.24</b>
<b>Industrials 3.82% (4.88%)</b>				
<b>Airlines 1.44% (2.35%)</b>				
easyJet plc	GBP	249,539	2,620	1.44
			2,620	1.44
<b>Professional Services 1.31% (0.99%)</b>				
Ricardo plc	GBP	314,996	2,397	1.31
			2,397	1.31
<b>Trading Companies &amp; Distributors 1.07% (1.54%)</b>				
Lavendon Group plc	GBP	1,668,946	1,953	1.07
			1,953	1.07
<b>Industrials total</b>			<b>6,970</b>	<b>3.82</b>
<b>Information Technology 10.36% (5.23%)</b>				
<b>Communications Equipment 1.12% (1.46%)</b>				
Sapura plc	GBP	3,755,266	2,037	1.12
			2,037	1.12
<b>Internet Software &amp; Services 3.55% (1.37%)</b>				
Moneysupermarket.com Group plc	GBP	996,823	2,967	1.63
Zoopla Property Group plc	GBP	1,200,018	3,509	1.92
			6,476	3.55
<b>IT Services 2.74% (0.00%)</b>				
Paysafe Group plc	GBP	328,710	1,277	0.70
Worldpay Group plc	GBP	1,275,839	3,733	2.04
			5,010	2.74
<b>Software 2.95% (2.40%)</b>				
Izodia plc^	GBP	1,192,922	–	–
Sage Group plc (The)	GBP	761,000	5,380	2.95
			5,380	2.95
<b>Information Technology total</b>			<b>18,903</b>	<b>10.36</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Materials 9.07% (9.12%)</b>				
<b>Chemicals 0.00% (2.14%)</b>				
<b>Construction Materials 1.51% (0.00%)</b>				
lbstock plc	GBP	1,783,423	2,764	1.51
			<u>2,764</u>	<u>1.51</u>
<b>Containers &amp; Packaging 4.22% (2.96%)</b>				
DS Smith plc	GBP	1,979,583	7,709	4.22
			<u>7,709</u>	<u>4.22</u>
<b>Metals &amp; Mining 3.34% (4.02%)</b>				
Rio Tinto plc	GBP	249,618	6,087	3.34
			<u>6,087</u>	<u>3.34</u>
<b>Materials total</b>			<b>16,560</b>	<b>9.07</b>
<b>Telecommunication Services 8.04% (9.83%)</b>				
<b>Diversified Telecommunication Services 5.15% (5.59%)</b>				
BT Group plc	GBP	1,729,976	7,123	3.90
Inmarsat plc	GBP	296,776	2,276	1.25
			<u>9,399</u>	<u>5.15</u>
<b>Wireless Telecommunication Services 2.89% (4.24%)</b>				
People's Operator Holdings Ltd.#	GBP	2,725,716	409	0.22
Vodafone Group plc	GBP	2,127,834	4,873	2.67
			<u>5,282</u>	<u>2.89</u>
<b>Telecommunication Services total</b>			<b>14,681</b>	<b>8.04</b>
<b>Equities total</b>			<b>170,832</b>	<b>93.61</b>
<b>Liquidity Funds 4.22% (4.46%)</b>				
Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP <sup>†</sup>	GBP	7,700,000	7,700	4.22
<b>Liquidity Funds total</b>			<b>7,700</b>	<b>4.22</b>
Investment assets			178,532	97.83
Net other assets			3,957	2.17
<b>Net assets</b>			<b>182,489</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

# Security traded on another regulated market.

† Investment in or managed by a related party.

^ Unlisted, suspended or delisted security.



## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Income</b>				
Net capital (losses)/gains	2		(13,189)	12,963
Revenue	3	6,316		5,700
Expenses	4	(819)		(801)
Net revenue before taxation		5,497		4,899
Taxation	5	(7)		(15)
Net revenue after taxation			5,490	4,884
<b>Total return before distributions</b>			<b>(7,699)</b>	<b>17,847</b>
Distributions	6		(5,490)	(4,884)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(13,189)</b>	<b>12,963</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>197,350</b>	<b>169,864</b>
Movement due to issue and cancellation of shares:			
Amounts receivable on issue of shares	195		14,903
Amounts payable on cancellation of shares	(7,271)		(5,411)
		(7,076)	9,492
Dilution adjustment		22	110
Change in net assets attributable to shareholders from investment activities (see above)		(13,189)	12,963
Retained distribution on accumulation shares		5,379	4,921
Unclaimed distribution monies		3	–
<b>Closing net assets attributable to shareholders</b>		<b>182,489</b>	<b>197,350</b>

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		178,532	195,049
<b>Current assets:</b>			
Debtors	8	1,011	212
Cash and bank balances	9	3,058	3,022
<b>Total assets</b>		<b>182,601</b>	<b>198,283</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Other creditors	10	(112)	(933)
<b>Total liabilities</b>		<b>(112)</b>	<b>(933)</b>
<b>Net assets attributable to shareholders</b>		<b>182,489</b>	<b>197,350</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010.

### 2 Net capital (losses)/gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Expenses relating to the purchase and sale of investments	(4)	(5)
Non-derivative securities (losses)/gains	(13,185)	12,968
<b>Net capital (losses)/gains</b>	<b>(13,189)</b>	<b>12,963</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	4	31
Interest on debt securities	31	–
Overseas dividends	359	198
UK dividends	5,845	5,282
Underwriting commission	6	18
Unfranked components of Real Estate Investment Trusts	71	171
<b>Total revenue</b>	<b>6,316</b>	<b>5,700</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	765	746
Registration fees	10	11
	775	757
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	25	24
Safe custody fee	2	2
	27	26
<b>Other expenses:</b>		
Audit fee*	10	9
Printing & postage expenses	7	9
	17	18
<b>Total expenses</b>	<b>819</b>	<b>801</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	7	15
<b>Total current tax for the year (see note 5.b)</b>	<b>7</b>	<b>15</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>5,497</b>	<b>4,899</b>
Corporation tax at 20%	1,099	980
<b>Effects of:</b>		
Movement in excess expenses	141	117
Overseas dividends not subject to corporation tax	(71)	(40)
Overseas tax suffered	7	15
UK dividends not subject to corporation tax	(1,169)	(1,057)
	(1,092)	(965)
<b>Current tax charge (see note 5.a)</b>	<b>7</b>	<b>15</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,175,000 (2015: £4,468,000) creating a potential deferred tax asset of £1,035,000 (2015: £894,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	2,229	2,119
Final distribution	3,150	2,802
	5,379	4,921
Add: Revenue deducted on cancellation of shares	113	37
Deduct: Revenue received on issue of shares	(2)	(74)
<b>Total distributions</b>	<b>5,490</b>	<b>4,884</b>

Details of the distributions per share are set out in the distribution tables on page 23.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 £000	As at 31.07.15 £000
Quoted prices for identical instruments in active markets	170,832	186,249
Prices of recent transactions for identical instruments	7,700	8,800
<b>Total</b>	<b>178,532</b>	<b>195,049</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	250	193
Amounts receivable on issue of shares	–	1
Income tax recoverable	28	16
Overseas tax recoverable	19	2
Sales awaiting settlement	714	–
<b>Total debtors</b>	<b>1,011</b>	<b>212</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	3,058	3,022
<b>Total cash and bank balances</b>	<b>3,058</b>	<b>3,022</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	105	106
Amounts payable for cancellation of shares	7	20
Purchases awaiting settlement	–	807
<b>Total creditors</b>	<b>112</b>	<b>933</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 Contingent liabilities and commitments

There were no contingent liabilities or commitments at the year end (2015: £nil).

### 12 Related party transactions

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £58,000 (2015: £69,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £5,337,000 (2015: £4,881,000). The amount outstanding at the year end was £3,125,000 (2015: £2,779,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are identified on the portfolio statement. The total purchases and sales on these investments during the year amounted to £32,600,000 (2015: £28,400,000) and £24,900,000 (2015: £25,500,000) respectively. The income received during the year amounted to £136,000 (2015: £92,000).

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties (share class 2)	36,330	14,332	21,998
ACD and related parties (share class 3)	59,878,505	(2,330,000)	62,208,505

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has three share classes: Class 1 (Retail), Class 2 (Institutional) and Class 3 (Associated undertakings of Aviva Plc). The annual management charges are as follows:

Class 1: 1.50%  
Class 2: 0.70%  
Class 3: 0.40%

The net asset value per share class, the net asset value per share and the number of shares in the class are shown on page 11. The distributions per share class are given in the distribution tables on page 23. All the share classes have the same rights on winding up.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 1 Accumulation	1,120,920	69,502	(129,281)	(182,433)	878,708
Share Class 2 Accumulation	366,317	50,905	(136,044)	109,479	390,657
Share Class 3 Accumulation	62,208,505	–	(2,330,000)	–	59,878,505

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 0.01% (2015: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 5.90% (2015: 5.99%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depository's base rate.

The floating rate on deposits is linked to LIBOR or its overseas equivalent.

**Market price risk**

At the year end date, 97.83% (2015: 98.83%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.78%.

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(50,882)	(48)	(178)	(51,108)	0.09%	0.35%
Bonds	(32,600)	–	–	(32,600)	0.00%	0.00%
	(83,482)	(48)	(178)	(83,708)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	53,409	(69)	–	53,340	0.13%	0.00%
Bonds	24,900	–	–	24,900	0.00%	0.00%
	78,309	(69)	–	78,240		
<b>Total</b>		(117)	(178)			
<b>Percentage of Fund average net assets</b>		0.06%	0.10%			

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs (continued)**

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(60,107)	(40)	(197)	(60,344)	0.07%	0.33%
	(60,107)	(40)	(197)	(60,344)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	47,053	(73)	–	46,980	0.16%	0.00%
	47,053	(73)	–	46,980		
<b>Total</b>		(113)	(197)			
Percentage of Fund average net assets		0.06%	0.11%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.33% (31.07.15: 0.31%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).



## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Accumulation shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 1	Group 1	1.5346	–	1.5346	1.1804
	Group 2	0.5272	1.0074	1.5346	1.1804
Share Class 2	Group 1	3.4059	–	3.4059	2.8606
	Group 2	0.9603	2.4456	3.4059	2.8606
Share Class 3	Group 1	5.2166	–	5.2166	4.4662
	Group 2	5.2166	0.0000	5.2166	4.4662

Group 1 shares are those shares purchased at or before 12:00 noon on 31 January 2016.

Group 2 shares are those shares purchased after 12:00 noon on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Accumulation shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 1	Group 1	0.8079	–	0.8079	0.9000
	Group 2	0.1736	0.6343	0.8079	0.9000
Share Class 2	Group 1	2.2166	–	2.2166	2.3117
	Group 2	0.6431	1.5735	2.2166	2.3117
Share Class 3	Group 1	3.5545	–	3.5545	3.6516
	Group 2	0.4323	3.1222	3.5545	3.6516

Group 1 shares are those shares purchased at or before 12:00 noon on 31 July 2015.

Group 2 shares are those shares purchased after 12:00 noon on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS UK EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 8.75 per cent (net of fees), outperforming the FTSE® All-Share Index return of 3.82 per cent.

#### Review

We think it is important to note that several of the best performers in the strategy over the period were technology companies, or companies doing interesting things with technology. These include RELX, Sage, Hargreaves Lansdown (which we analyse as a technology platform company, rather than an IFA), Halma and eBay. Meanwhile, just as important, technology-related companies feature amongst the poorest too. These include Daily Mail, Pearson and Burberry (which is investing heavily into digital marketing). We would not be at all surprised to discover in another twelve months that this theme has continued, with technology change becoming an increasingly important driver of portfolio performance, both good and bad. It may well also be that some of our weaker performers – those above – could turn out to be the next winners. It is notable, for instance, that as 2016 has progressed one of our best stocks has been Pearson, up 20 per cent since the start of the calendar year. Yet Pearson was an exceptionally disappointing holding for us in 2015. What has changed for Pearson in 2016 is that, at the margin, investors have gained slightly more confidence that the company's strategy of investing in digital products and software services for the education sector will succeed. Again this key theme of technology change.

We emphasise this point because technology is self-evidently becoming not only more important for the Fund, but for the UK stock market too – creating winners and losers in almost every industry sector. It seems to us to be a credible proposition that getting technology right – in terms of avoiding the industries or companies being crushed by the Internet or identifying those which can use digital to enhance their products or market positions – will be the determining factor for equity investment performance over the next few years.

It is also important here to emphasise that to our minds this technology theme is of far more significance for investment success than responding to the short term macro-economic and political worries associated with Brexit. Of course these political uncertainties will produce volatility in markets, but we will do our best to ignore it, except to the extent it may create opportunities for us to add to existing holdings. The truth is stock market history confirms time and again that what creates wealth for patient investors is not the attempt to trade in and out of stocks in response to changes in interest rates, currencies or shades of government. No, what creates wealth is the development of new technology that helps existing companies do their job better, more usefully or more productively or new technology that brings into being new companies and even new industries. If you think we're being fanciful just consider the huge value built up in Amazon, Facebook, Google, Netflix and others over the last decade. It is no accident, we think, that the US stock market, which is home to these emergent companies, has been the best performer for a number of years as it dominates the propagation of new tech.

This is why we continue to be optimistic for all the companies highlighted in the first paragraph of this report. The UK may not have its own Facebook, but we do have the world's leading digital professional publishing company – RELX, the world's most visited English language newspaper website – MailOnline and the leading educational software developer in Pearson. We expect these and others to be the big contributors to our performance in years to come.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Lindsell Train Limited.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 26 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

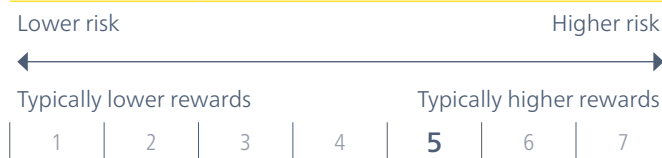
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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS UK EQUITY MOM 1 FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
Finsbury Growth & Income Trust plc	Hargreaves Lansdown plc
Burberry Group plc	eBay, Inc.
Schroders plc	RELX plc
Hargreaves Lansdown plc	Heineken Holding NV
Daily Mail & General Trust plc 'A'	Young & Co's Brewery plc, (Non-Voting)
Mondelez International, Inc. 'A'	Sage Group plc (The)
Diageo plc	Rathbone Brothers plc
Schroders plc, (Non-Voting)	Mondelez International, Inc. 'A'
RELX plc	Schroders plc
PayPal Holdings, Inc.	Daily Mail & General Trust plc 'A'

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	280.77	240.58	232.00
Return before operating charges <sup>†</sup>	27.48	46.57	14.64
Operating charges	(2.82)	(2.73)	(2.50)
Return after operating charges <sup>†</sup>	24.66	43.84	12.14
Distributions on income shares	(4.18)	(3.65)	(3.56)
Closing net asset value per share	301.25	280.77	240.58
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.11)	(0.11)	(0.24)
<b>Performance</b>			
Return after charges	8.78%	18.22%	5.23%
<b>Other information</b>			
Closing net asset value (£000)	274,503	250,701	263,727
Closing number of shares	91,121,345	89,291,105	109,621,780
Operating charges (%) <sup>‡</sup>	1.02%	1.03%	1.03%
Direct transaction costs (%) <sup>#</sup>	0.04%	0.04%	0.10%
<b>Prices<sup>≈</sup></b>			
Highest share price	307.64	290.01	256.27
Lowest share price	252.55	229.90	221.98

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

## Ongoing Charges Figure\*

Share class	31.07.16	31.07.15
Class 2	1.02%	1.03%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Collective Investment Schemes 2.65% (0.00%)</b>				
<b>Investment Companies 2.65% (0.00%)</b>				
Finsbury Growth & Income Trust plc	GBP	1,119,000	7,285	2.65
			7,285	2.65
<b>Collective Investment Schemes total</b>			<b>7,285</b>	<b>2.65</b>
<b>Equities 97.29% (99.97%)</b>				
<b>Consumer Discretionary 30.34% (33.73%)</b>				
<b>Hotels, Restaurants &amp; Leisure 5.11% (6.77%)</b>				
Fuller Smith & Turner plc 'A'	GBP	206,675	2,021	0.74
Greene King plc	GBP	898,200	7,271	2.65
Young & Co's Brewery plc 'A'*	GBP	360,785	4,261	1.55
Young & Co's Brewery plc, (Non-Voting)*	GBP	51,947	468	0.17
			14,021	5.11
<b>Media 20.30% (22.12%)</b>				
Celtic plc*	GBP	166,410	120	0.04
Daily Mail & General Trust plc 'A'	GBP	1,533,265	11,024	4.02
Euromoney Institutional Investor plc	GBP	689,869	7,126	2.60
Pearson plc	GBP	1,321,337	11,311	4.12
RELX plc	GBP	1,838,372	26,142	9.52
			55,723	20.30
<b>Textiles, Apparel &amp; Luxury Goods 4.93% (4.84%)</b>				
Burberry Group plc	GBP	1,033,519	13,539	4.93
			13,539	4.93
<b>Consumer Discretionary total</b>			<b>83,283</b>	<b>30.34</b>
<b>Consumer Staples 28.55% (26.30%)</b>				
<b>Beverages 15.07% (14.13%)</b>				
A.G. Barr plc	GBP	1,549,076	8,419	3.07
Diageo plc	GBP	904,586	19,607	7.14
Heineken Holding NV	EUR	212,246	13,326	4.86
			41,352	15.07
<b>Food Products 4.62% (4.26%)</b>				
Mondelez International, Inc. 'A'	USD	380,000	12,691	4.62
			12,691	4.62
<b>Personal Products 8.86% (7.91%)</b>				
Unilever plc	GBP	696,617	24,326	8.86
			24,326	8.86
<b>Consumer Staples total</b>			<b>78,369</b>	<b>28.55</b>
<b>Financials 21.28% (23.34%)</b>				
<b>Capital Markets 12.97% (14.73%)</b>				
Hargreaves Lansdown plc	GBP	1,025,568	13,158	4.79
Rathbone Brothers plc	GBP	506,649	9,297	3.39
Schroders plc	GBP	484,293	12,548	4.57
Schroders plc, (Non-Voting)	GBP	30,000	595	0.22
			35,598	12.97
<b>Diversified Financial Services 8.31% (8.61%)</b>				
London Stock Exchange Group plc	GBP	825,650	22,804	8.31
			22,804	8.31
<b>Financials total</b>			<b>58,402</b>	<b>21.28</b>

PORTFOLIO STATEMENT (CONTINUED)  
As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Information Technology 17.12% (16.60%)</b>				
<b>Electronic Equipment, Instruments &amp; Components 3.30% (2.62%)</b>				
Halma plc	GBP	867,747	9,059	3.30
			9,059	3.30
<b>Internet Software &amp; Services 1.06% (2.03%)</b>				
eBay, Inc.	USD	123,000	2,898	1.06
			2,898	1.06
<b>IT Services 3.06% (2.74%)</b>				
PayPal Holdings, Inc.	USD	299,000	8,413	3.06
			8,413	3.06
<b>Software 9.70% (9.21%)</b>				
Fidessa Group plc	GBP	494,376	12,038	4.38
Sage Group plc (The)	GBP	2,063,352	14,598	5.32
			26,636	9.70
<b>Information Technology total</b>			<b>47,006</b>	<b>17.12</b>
<b>Equities total</b>			<b>267,060</b>	<b>97.29</b>
Investment assets			274,345	99.94
Net other assets			158	0.06
<b>Net assets</b>			<b>274,503</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

# Security traded on another regulated market.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains	2		18,646		37,814
Revenue	3	6,391		6,245	
Expenses	4	(2,550)		(2,607)	
Net revenue before taxation		3,841		3,638	
Taxation	5	(47)		(48)	
Net revenue after taxation			3,794		3,590
<b>Total return before distributions</b>			<b>22,440</b>		<b>41,404</b>
Distributions	6		(3,794)		(3,590)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>18,646</b>		<b>37,814</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>250,701</b>		<b>263,727</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	8,140		98	
Amounts payable on cancellation of shares	(3,040)		(51,026)	
		5,100		(50,928)
Dilution adjustment		56		88
Change in net assets attributable to shareholders from investment activities (see above)		18,646		37,814
<b>Closing net assets attributable to shareholders</b>		<b>274,503</b>		<b>250,701</b>

\* Refer to the accounting policies note on page 31.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		274,345	250,615
<b>Current assets:</b>			
Debtors	8	362	74
Cash and bank balances	9	2,483	2,218
<b>Total assets</b>		<b>277,190</b>	<b>252,907</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(2,438)	(1,955)
Other creditors	10	(249)	(251)
<b>Total liabilities</b>		<b>(2,687)</b>	<b>(2,206)</b>
<b>Net assets attributable to shareholders</b>		<b>274,503</b>	<b>250,701</b>



## NOTES TO THE FINANCIAL STATEMENT

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

### Statement of Total Return

Interest payable of £1,498 is now disclosed within 'Expenses', whereas under SORP 2010 this was disclosed within 'Finance costs'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(7)	(13)
Expenses relating to the purchase and sale of investments	(2)	(2)
Non-derivative securities gains	18,655	37,829
<b>Net capital gains</b>	<b>18,646</b>	<b>37,814</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	3	–
Overseas dividends	405	386
UK dividends	5,983	5,859
<b>Total revenue</b>	<b>6,391</b>	<b>6,245</b>

### 4 Expenses

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	2,493	2,542
	2,493	2,542
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	32	33
Interest payable	–	1
Safe custody fee	6	6
	38	40
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	8	10
Statement fees	2	6
	19	25
<b>Total expenses</b>	<b>2,550</b>	<b>2,607</b>

\* Refer to the accounting policies note above.

\*\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	47	48
<b>Total current tax for the year (see note 5.b)</b>	<b>47</b>	<b>48</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>3,841</b>	<b>3,638</b>
Corporation tax at 20%	768	728
<b>Effects of:</b>		
Movement in excess expenses	509	521
Overseas dividends not subject to corporation tax	(81)	(77)
Overseas tax suffered	47	48
UK dividends not subject to corporation tax	(1,196)	(1,172)
	(721)	(680)
<b>Current tax charge (see note 5.a)</b>	<b>47</b>	<b>48</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provisions for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £13,312,000 (2015: £10,765,000) creating a potential deferred tax asset of £2,662,000 (2015: £2,153,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	1,342	1,367
Final distribution	2,438	1,955
	3,780	3,322
Add: Revenue deducted on cancellation of shares	25	269
Deduct: Revenue received on issue of shares	(11)	(1)
<b>Total distributions</b>	<b>3,794</b>	<b>3,590</b>

Details of the distributions per share are set out in the distribution tables on page 37.

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 £000	As at 31.07.15 £000
Quoted prices for identical instruments in active markets	274,345	250,615
<b>Total</b>	<b>274,345</b>	<b>250,615</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	342	63
Overseas tax recoverable	20	11
<b>Total debtors</b>	<b>362</b>	<b>74</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	2,483	2,218
<b>Total cash and bank balances</b>	<b>2,483</b>	<b>2,218</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	249	251
<b>Total creditors</b>	<b>249</b>	<b>251</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £215,000 (2015: £217,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,781,000 (2015: £3,322,000). The amount outstanding at the year end was £2,438,000 (2015: £1,955,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	91,121,345	1,830,240	89,291,105

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 26. The distributions per share class are given in the distribution tables on page 37. All the share classes have the same rights on winding up.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	89,291,105	2,877,170	(1,046,930)	–	91,121,345

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 13.60% (2015: 13.41%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 1.36%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Euro	20	11	13,326	10,978	13,346	10,989
US Dollar	-	-	24,002	22,634	24,002	22,634

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 0.90% (2015: 0.88%) of the net assets of the Fund were interest bearing and as such the interest risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 99.94% (2015: 99.97%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.99%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(23,383)	(18)	(80)	(23,481)	0.08%	0.34%
	(23,383)	(18)	(80)	(23,481)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	18,414	(9)	–	18,405	0.05%	0.00%
	18,414	(9)	–	18,405		
<b>Total</b>		(27)	(80)			
<b>Percentage of Fund average net assets</b>		0.01%	0.03%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(6,976)	(8)	(30)	(7,014)	0.11%	0.43%
	(6,976)	(8)	(30)	(7,014)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	57,244	(55)	–	57,189	0.10%	0.00%
	57,244	(55)	–	57,189		
<b>Total</b>		(63)	(30)			
<b>Percentage of Fund average net assets</b>		0.02%	0.01%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.17% (2015: 0.34%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	2.6761	–	2.6761	2.1896
	Group 2	2.0689	0.6072	2.6761	2.1896

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	1.5034	–	1.5034	1.4556
	Group 2	1.5034	0.0000	1.5034	1.4556

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS UK EQUITY MOM 2 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 4.01 per cent (net of fees), outperforming the FTSE® All-Share Index return of 3.82 per cent.

#### Review

The biggest contributions to returns over the period came from two of the Fund's international holdings: Lockheed Martin and General Electric. With sterling slumping in the wake of the unexpected outcome of the Brexit vote, both companies were rewarded for having dollar-denominated earnings. But even before the vote, their performance had been good, helping to cement our belief that, when carefully selected, such holdings can broaden the portfolio where the UK market is too concentrated.

Among our UK stocks, Imperial Tobacco's performance stood out. A recent acquisition won it a near-10 per cent share of the US market. Sales of tobacco have plenty of room to grow in the US: excise taxes are low compared to other jurisdictions and rising taxes are actually good for profits. Excise duties make up a large part of the retail price so, concurrent with an increase, tobacco companies can raise their prices. Markets are increasingly recognising this, so we have taken some money out of the company (which is now called Imperial Brands) and re-invested it elsewhere. But it remains an important holding.

Among mid caps, we continued to see useful rises in the value of RELX (the company formerly known as Reed Elsevier) and Informa both of which provide valuable data and analytics to businesses. These companies are not particularly capital-intensive and both have long duration cashflows and high barriers to entry.

On the negative side, Lloyds Banking Group fell sharply following the referendum result; it is foursquare exposed to the fortunes of the UK's economy. However unlike in 2008, loan-to-value multiples in its mortgage book are fairly low, its commercial property lending is modest and Lloyds has been fairly passive in the mortgage market, preferring a 'value over volume' strategy. So we think the market has overreacted, though we acknowledge that given the uncertainty any dividends from Lloyds might be less than we had previously hoped.

Pearson also disappointed. Its transition from print to digital content has not been a smooth one. But to those who say it is structurally threatened, we point out that education is a cautious sector and deals with change only gradually. Witness the furore from parents, pupils, teachers and politicians when things go wrong. So being a trusted provider whose materials are similarly trusted remains an advantage.

The vote for 'Brexit' in late June has had a material effect on markets, currencies and trends within equity markets. Yet if the impact of the vote has been understandable, it has been more extreme than we would have anticipated. Within UK equities, domestically orientated mid-sized companies, which had perhaps become too popular and expensive before the vote, were cast aside and fell heavily. By contrast, the dollar profits of the likes of oil, pharmaceutical and multinational companies have been in demand, so their shares have risen strongly. These moves were reflected in the performance of the UK indices in June: the 'multinational' FTSE® 100 Index rose by 4.7 per cent while the domestically dominated FTSE® 250 Index fell by 5.1 per cent.

Given that the outcome of Brexit was always uncertain, we had not positioned the portfolio for a particular outcome, aside from retaining 7 per cent cash. That, though, said more about a global economy low on growth than it did about Brexit. Despite that precaution, our short-term performance suffered after the referendum. And while we avoided the full force of the plummet in mid-caps, it didn't take much deviation in exposure to dollar earners to lag the benchmark.

It would be brave or foolish to forecast the progress of the UK in the coming months and years. But we suspect that some of the more bearish predictions of recession are overdone: the Bank of England has the freedom to do 'whatever it takes' to avoid such an outcome. As for the performance of UK equities, it will be interesting to see how our market is perceived versus other opportunities worldwide. The UK is going through a process of reappraising and re-pricing its risks; and with international investors having benefited from the depreciation of sterling and having stayed on the sidelines ahead of the referendum, we think that the market has the scope to do relatively well. Added to that, we expect some acquisitive interest from foreign companies and sovereign wealth funds.

At the stock level, we are inclined to think that certain differentials in performance are excessive. Our instinct is to begin to oppose the market's momentum. The euphoria of currency-driven upgrades is not a good enough reason to reappraise a stock fundamentally. In essence while it is held up as a positive in a world short of good news, the benefits of a lower pound could yet prove ephemeral. So from here we are looking at switching from expensive defensives and international stocks into companies that have been swept along in the domestic negativity yet which actually have characteristics and options at their disposal to get through difficult conditions. In time, the market will focus on where risk is discounted versus areas where money has flown unthinkingly. For example, pharmaceuticals will soon find themselves subject to uncertainty surrounding the outcome of the US election.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Artemis.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 40 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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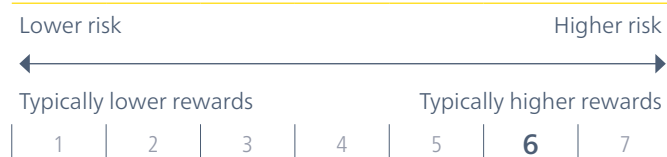
Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## AVIVA INVESTORS UK EQUITY MOM 2 FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
AstraZeneca plc	Imperial Brands plc
Lloyds Banking Group plc	GlaxoSmithKline plc
BT Group plc	General Electric Co.
Imperial Brands plc	Smith & Nephew plc
3i Group plc	Pfizer, Inc.
GlaxoSmithKline plc	Tate & Lyle plc
Wolters Kluwer NV	William Hill plc
Standard Life plc	AstraZeneca plc
Royal Mail plc	Enagas SA
Pfizer, Inc.	Lockheed Martin Corp.

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	93.94	92.16	97.15
Return before operating charges <sup>†</sup>	4.61	4.69	(2.90)
Operating charges	(0.94)	(0.97)	(1.03)
Return after operating charges <sup>†</sup>	3.67	3.72	(3.93)
Distributions on income shares	(2.79)	(1.94)	(1.06)
Closing net asset value per share	94.82	93.94	92.16
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.26)	(0.56)	(0.06)
<b>Performance</b>			
Return after charges	3.91%	4.04%	(4.05)%
<b>Other information</b>			
Closing net asset value (£000)	139,552	94,786	90,980
Closing number of shares	147,173,681	100,905,434	98,723,937
Operating charges (%) <sup>‡</sup>	1.04%	1.04%	1.03%
Direct transaction costs (%) <sup>#</sup>	0.29%	0.60%	0.06%
<b>Prices<sup>≈</sup></b>			
Highest share price	97.37	98.67	107.09
Lowest share price	82.18	81.42	92.83

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.04%	1.04%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Collective Investment Schemes 0.54% (0.54%)</b>				
<b>Investment Companies 0.54% (0.54%)</b>				
NextEnergy Solar Fund Ltd.	GBP	745,000	756	0.54
			<u>756</u>	<u>0.54</u>
<b>Collective Investment Schemes total</b>			<b>756</b>	<b>0.54</b>
<b>Equities 96.77% (98.95%)</b>				
<b>Consumer Discretionary 17.13% (16.78%)</b>				
<b>Hotels, Restaurants &amp; Leisure 4.15% (6.41%)</b>				
Greene King plc	GBP	150,913	1,222	0.88
SSP Group plc	GBP	495,247	1,569	1.12
TUI AG	GBP	303,795	2,995	2.15
			<u>5,786</u>	<u>4.15</u>
<b>Household Durables 1.11% (1.16%)</b>				
Persimmon plc	GBP	91,571	1,547	1.11
			<u>1,547</u>	<u>1.11</u>
<b>Media 9.77% (7.11%)</b>				
Informa plc	GBP	523,234	3,749	2.69
Pearson plc	GBP	207,629	1,777	1.27
RELX NV	EUR	43,328	585	0.42
RELX plc	GBP	362,222	5,151	3.69
Wolters Kluwer NV	EUR	75,367	2,376	1.70
			<u>13,638</u>	<u>9.77</u>
<b>Specialty Retail 2.10% (2.10%)</b>				
Card Factory plc	GBP	487,886	1,500	1.08
Halfords Group plc	GBP	402,494	1,427	1.02
			<u>2,927</u>	<u>2.10</u>
<b>Consumer Discretionary total</b>			<b>23,898</b>	<b>17.13</b>
<b>Consumer Staples 4.73% (7.13%)</b>				
<b>Food Products 0.00% (1.10%)</b>				
<b>Household Products 1.21% (1.89%)</b>				
Reckitt Benckiser Group plc	GBP	23,476	1,692	1.21
			<u>1,692</u>	<u>1.21</u>
<b>Tobacco 3.52% (4.14%)</b>				
Imperial Brands plc	GBP	124,644	4,913	3.52
			<u>4,913</u>	<u>3.52</u>
<b>Consumer Staples total</b>			<b>6,605</b>	<b>4.73</b>
<b>Energy 6.41% (5.66%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 6.41% (5.66%)</b>				
BP plc	GBP	986,289	4,168	2.98
Royal Dutch Shell plc 'B'	GBP	240,513	4,783	3.43
			<u>8,951</u>	<u>6.41</u>
<b>Energy total</b>			<b>8,951</b>	<b>6.41</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Financials 29.02% (28.95%)</b>				
<b>Banks 6.77% (10.39%)</b>				
Barclays plc	GBP	1,441,238	2,292	1.64
HSBC Holdings plc	GBP	584,641	2,900	2.08
Lloyds Banking Group plc	GBP	7,964,243	4,251	3.05
			9,443	6.77
<b>Capital Markets 5.29% (3.95%)</b>				
3i Group plc	GBP	966,651	5,925	4.25
Ashmore Group plc	GBP	441,323	1,456	1.04
			7,381	5.29
<b>Consumer Finance 0.14% (0.87%)</b>				
Capital One Financial Corp.	USD	3,705	189	0.14
			189	0.14
<b>Diversified Financial Services 3.06% (2.42%)</b>				
IG Group Holdings plc	GBP	299,630	2,634	1.89
London Stock Exchange Group plc	GBP	59,111	1,632	1.17
			4,266	3.06
<b>Insurance 10.13% (9.08%)</b>				
Direct Line Insurance Group plc	GBP	930,806	3,240	2.32
Legal & General Group plc	GBP	1,167,479	2,388	1.71
Phoenix Group Holdings	GBP	153,687	1,231	0.88
RSA Insurance Group plc	GBP	358,503	1,774	1.27
Saga plc	GBP	1,444,773	2,934	2.10
Standard Life plc	GBP	856,042	2,574	1.85
			14,141	10.13
<b>Real Estate Investment Trusts (REITs) 3.63% (2.24%)</b>				
Assura plc	GBP	1,542,058	894	0.64
Secure Income REIT plc <sup>#</sup>	GBP	486,566	1,304	0.93
Segro plc	GBP	654,579	2,874	2.06
			5,072	3.63
<b>Financials total</b>			<b>40,492</b>	<b>29.02</b>
<b>Health Care 11.68% (13.70%)</b>				
<b>Health Care Equipment &amp; Supplies 0.00% (1.47%)</b>				
<b>Pharmaceuticals 11.68% (12.23%)</b>				
AstraZeneca plc	GBP	100,360	5,042	3.61
Bayer AG	EUR	41,939	3,375	2.42
GlaxoSmithKline plc	GBP	295,519	4,988	3.58
Indivior plc	GBP	408,666	1,215	0.87
Novartis AG	CHF	26,944	1,680	1.20
			16,300	11.68
<b>Health Care total</b>			<b>16,300</b>	<b>11.68</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Industrials 11.95% (11.45%)</b>				
<b>Aerospace &amp; Defense 6.37% (5.96%)</b>				
BAE Systems plc	GBP	523,005	2,795	2.00
Cobham plc	GBP	1,461,015	2,507	1.80
Lockheed Martin Corp.	USD	11,175	2,150	1.54
Ultra Electronics Holdings plc	GBP	83,792	1,434	1.03
			<u>8,886</u>	<u>6.37</u>
<b>Air Freight &amp; Logistics 1.76% (0.53%)</b>				
Royal Mail plc	GBP	487,180	2,455	1.76
			<u>2,455</u>	<u>1.76</u>
<b>Commercial Services &amp; Supplies 1.73% (0.99%)</b>				
Rentokil Initial plc	GBP	1,132,646	2,414	1.73
			<u>2,414</u>	<u>1.73</u>
<b>Construction &amp; Engineering 0.90% (0.74%)</b>				
SPIE SA	EUR	87,992	1,259	0.90
			<u>1,259</u>	<u>0.90</u>
<b>Industrial Conglomerates 0.00% (1.67%)</b>				
<b>Machinery 0.35% (1.21%)</b>				
Melrose Industries plc	GBP	71,234	484	0.35
			<u>484</u>	<u>0.35</u>
<b>Transportation Infrastructure 0.84% (0.35%)</b>				
BBA Aviation plc	GBP	496,282	1,181	0.84
			<u>1,181</u>	<u>0.84</u>
<b>Industrials total</b>			<b>16,679</b>	<b>11.95</b>
<b>Information Technology 1.64% (1.39%)</b>				
<b>Electronic Equipment, Instruments &amp; Components 1.27% (1.39%)</b>				
Laird plc	GBP	606,051	1,768	1.27
			<u>1,768</u>	<u>1.27</u>
<b>Software 0.37% (0.00%)</b>				
Microsoft Corp.	USD	12,200	518	0.37
			<u>518</u>	<u>0.37</u>
<b>Information Technology total</b>			<b>2,286</b>	<b>1.64</b>
<b>Materials 3.37% (3.08%)</b>				
<b>Chemicals 1.01% (1.40%)</b>				
Syngenta AG	CHF	4,771	1,418	1.01
			<u>1,418</u>	<u>1.01</u>
<b>Metals &amp; Mining 2.36% (1.68%)</b>				
Rio Tinto plc	GBP	135,095	3,289	2.36
			<u>3,289</u>	<u>2.36</u>
<b>Materials total</b>			<b>4,707</b>	<b>3.37</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Telecommunication Services 7.56% (7.06%)</b>				
<b>Diversified Telecommunication Services 5.00% (4.16%)</b>				
BT Group plc	GBP	1,189,889	4,911	3.52
Inmarsat plc	GBP	270,151	2,073	1.48
			<u>6,984</u>	<u>5.00</u>
<b>Wireless Telecommunication Services 2.56% (2.90%)</b>				
Vodafone Group plc	GBP	1,564,333	3,565	2.56
			<u>3,565</u>	<u>2.56</u>
<b>Telecommunication Services total</b>			<b>10,549</b>	<b>7.56</b>
<b>Utilities 3.28% (3.75%)</b>				
<b>Gas Utilities 0.50% (1.16%)</b>				
Enagas SA	EUR	30,499	699	0.50
			<u>699</u>	<u>0.50</u>
<b>Independent Power and Renewable Electricity Producers 0.58% (0.83%)</b>				
Drax Group plc	GBP	236,673	810	0.58
			<u>810</u>	<u>0.58</u>
<b>Multi-Utilities 2.20% (1.76%)</b>				
Centrica plc	GBP	1,282,548	3,072	2.20
			<u>3,072</u>	<u>2.20</u>
<b>Utilities total</b>			<b>4,581</b>	<b>3.28</b>
<b>Equities total</b>			<b>135,048</b>	<b>96.77</b>
Investment assets			135,804	97.31
Net other assets			3,748	2.69
<b>Net assets</b>			<b>139,552</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

# Security traded on another regulated market.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains	2		3,350		1,522
Revenue	3	4,715		3,004	
Expenses	4	(1,179)		(967)	
Net revenue before taxation		3,536		2,037	
Taxation	5	(49)		(30)	
Net revenue after taxation			3,487		2,007
<b>Total return before distributions</b>			<b>6,837</b>		<b>3,529</b>
Distributions	6		(3,487)		(2,007)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>3,350</b>		<b>1,522</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>94,786</b>		<b>90,980</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	48,186		22,205	
Amounts payable on cancellation of shares	(7,095)		(20,114)	
		41,091		2,091
Dilution adjustment		325		193
Change in net assets attributable to shareholders from investment activities (see above)		3,350		1,522
<b>Closing net assets attributable to shareholders</b>		<b>139,552</b>		<b>94,786</b>

\* Refer to the accounting policies note on page 47.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		135,804	94,307
<b>Current assets:</b>			
Debtors	8	1,036	132
Cash and bank balances	9	5,425	1,966
<b>Total assets</b>		<b>142,265</b>	<b>96,405</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(2,578)	(1,399)
Other creditors	10	(135)	(220)
<b>Total liabilities</b>		<b>(2,713)</b>	<b>(1,619)</b>
<b>Net assets attributable to shareholders</b>		<b>139,552</b>	<b>94,786</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

#### Statement of Total Return

Interest payable of £3,419 is now disclosed within 'Expenses', whereas under SORP 2010 this was disclosed within 'Finance costs'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains/(losses)	6	(15)
Expenses relating to the purchase and sale of investments	(13)	(9)
Forward currency contracts gains/(losses)	2	(2)
Non-derivative securities gains	3,355	1,548
<b>Net capital gains</b>	<b>3,350</b>	<b>1,522</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	44	9
Interest on debt securities	14	–
Overseas dividends	584	292
UK dividends	4,005	2,666
Unfranked components of Real Estate Investment Trusts	68	37
<b>Total revenue</b>	<b>4,715</b>	<b>3,004</b>

### 4 Expenses

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,103	933
	1,103	933
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	16	15
Interest payable	44	3
Safe custody fee	3	2
	63	20
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	1	2
Statement fees	3	3
	13	14
<b>Total expenses</b>	<b>1,179</b>	<b>967</b>

\* Refer to the accounting policies note above.

\*\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	49	30
<b>Total current tax for the year (see note 5.b)</b>	<b>49</b>	<b>30</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>3,536</b>	<b>2,037</b>
Corporation tax at 20%	707	407
<b>Effects of:</b>		
Movement in excess expenses	211	184
Overseas dividends not subject to corporation tax	(117)	(58)
Overseas tax suffered	49	30
UK dividends not subject to corporation tax	(801)	(533)
	(658)	(377)
<b>Current tax charge (see note 5.a)</b>	<b>49</b>	<b>30</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £7,439,000 (2015: £6,386,000) creating a potential deferred tax asset of £1,488,000 (2015: £1,277,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	1,043	497
Final distribution	2,578	1,399
	3,621	1,896
Add: Revenue deducted on cancellation of shares	126	200
Deduct: Revenue received on issue of shares	(260)	(89)
<b>Total distributions</b>	<b>3,487</b>	<b>2,007</b>

Details of the distributions per share are set out in the distribution tables on page 53.

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 £000	As at 31.07.15 £000
Quoted prices for identical instruments in active markets	135,804	94,307
<b>Total</b>	<b>135,804</b>	<b>94,307</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	136	97
Income tax recoverable	11	–
Overseas tax recoverable	98	35
Sales awaiting settlement	791	–
<b>Total debtors</b>	<b>1,036</b>	<b>132</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	5,425	1,966
<b>Total cash and bank balances</b>	<b>5,425</b>	<b>1,966</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	135	105
Purchases awaiting settlement	–	115
<b>Total creditors</b>	<b>135</b>	<b>220</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £114,000 (2015: £85,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,622,000 (2015: £1,896,000). The amount outstanding at the year end was £2,578,000 (2015: £1,399,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	147,173,681	46,268,247	100,905,434

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 40. The distributions per share class are given in the distribution tables on page 53.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	100,905,434	53,915,811	(7,647,564)	–	147,173,681

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 10.48% (2015: 12.18%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 1.05%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Euro	56	11	8,294	4,415	8,350	4,426
Swiss Franc	42	23	3,098	3,144	3,140	3,167
US Dollar	282	–	2,857	3,953	3,139	3,953

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 3.89% (2015: 2.07%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 97.31% (2015: 99.49%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.73%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(64,760)	(32)	(261)	(65,053)	0.05%	0.40%
Bonds	(1,304)	–	–	(1,304)	0.00%	0.00%
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(633)	–	–	(633)	0.00%	0.00%
	(66,697)	(32)	(261)	(66,990)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	27,472	(28)	–	27,444	0.10%	0.00%
Bonds	1,404	–	–	1,404	0.00%	0.00%
	28,876	(28)	–	28,848		
<b>Total</b>		(60)	(261)			
<b>Percentage of Fund average net assets</b>		0.05%	0.24%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(109,459)	(62)	(438)	(109,959)	0.06%	0.40%
	(109,459)	(62)	(438)	(109,959)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	106,895	(62)	(1)	106,832	0.06%	0.00%
	106,895	(62)	(1)	106,832		
<b>Total</b>		(124)	(439)			
<b>Percentage of Fund average net assets</b>		0.13%	0.47%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.10% (2015: 0.09%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	1.7517	–	1.7517	1.3862
	Group 2	1.2137	0.5380	1.7517	1.3862

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	1.0348	–	1.0348	0.5492
	Group 2	1.0348	0.0000	1.0348	0.5492

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS UK EQUITY MOM 3 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned -1.62 per cent (net of fees), underperforming the FTSE® All-Share Index return of 3.82 per cent.

#### Review

Whilst much of the initial stock market reaction to Brexit has been rational and understandable, markets do not seem to have reacted quite so violently to the wave of populism and anti-establishment fervour behind the vote. Will this breed similar behaviour around Europe and in the US? Will the man in the street be happy to accept further austerity if the UK and many European governments try to rein in their budget deficits? Will corporates be allowed to continue playing fast and easy with tax regimes? Can wage rates remain low as a percentage of GDP? Has the long-term trend of globalisation found its match? Is quantitative easing for the people – printing money to fund government-financed schemes – becoming ever more likely?

All of this together with concerns over China, debt levels around the world, euro sclerosis and US political issues suggest that the multi-decade period of equities being valued expensively relative to history may be coming to an end. If so, the most expensive and in-favour equities could be the most vulnerable to vicious re-ratings.

But opportunities remain. As governments and central banks realise that continually lower interest rates have not generated deflation, then the introduction of more new-fangled policies becomes more likely. To protect against the unintended consequences of these policies, investors may well be tempted to add precious metals to their portfolios. Meanwhile, those parts of the equity market already priced for very negative outcomes may paradoxically offer the best protection to investors positioning their portfolios for a very different future. Our strategy is to stick with the most misunderstood stocks – the banks, construction-related stocks (Travis Perkins, SIG and Grafton) and a few retailers. We are keeping our eyes on other beaten-up areas, but some sectors have significant structural issues. For example, we believe the mining sector is very sensitive to the highly indebted Chinese economy and the life assurance sector may run into issues if interest rates remain too low for too long. Meanwhile, whilst our overweight in oil stocks performed well during the post Brexit turmoil, we have reduced our exposure to this area as the longer-term outlook for oil also looks pressured.

During the twelve month period we initiated a number of new positions. As a sample we selected the following two:

We initiated a position in Barclays at a price significantly below its net asset value. Barclays has been through an extremely turbulent decade, but after some significant management changes, there appears to be greater focus on necessary restructuring. The core franchise of UK retail and business banking remains attractive in our view, while the Barclaycard business remains strong. Although there is much to do in terms of shrinking the investment bank and reducing exposure to Africa, the new management gives us sufficient confidence it fully understands the necessary steps to generate value for shareholders. We also continue to believe investors' assumptions regarding further regulation and lower/negative interest rates are too negative. The governor of the Bank of England has been quite explicit in articulating that we are around the peak of regulation intensity and it is wrong to assume interest rates will remain low for a long time.

We also repurchased Signet Jewelers, a dominant market-leading business that has remorselessly taken market share in a growing category, and with no obvious structural threats. However, as always with out-of-favour shares, the story is not quite that simple, as there are concerns over the quality of its loan book, a weakening US consumer and a much-publicised case of diamond-swapping in its repair business. However, following significant weakness the shares are very attractively valued in our view.

Two significant sales are as follows:

We sold our position in Rio Tinto, which reached our target price rather sooner than expected. There is obviously a great deal of noise about commodity prices but some recent research suggests Chinese commodity usage has been greatly in excess of that justified by its general economic development. This (and the risks of recycling) suggests the ongoing Chinese demand for various commodities could fall significantly over the next ten to fifteen years. Given China accounts for a very significant percentage of global demand for many commodities, this could have an important long-term effect on sector valuations.

US mining equipment manufacturer Joy Global received a bid approach from Japanese company Komatsu, and we took advantage of the ensuing share price strength to exit the position.

We remain bullish about the silver price given what we see as a deteriorating balance between supply and more buoyant demand. Some large silver mines are now very mature and therefore in decline. Furthermore, a decent proportion of silver production comes as a result of mining for other commodities. These are areas where we also expect to see supply declines. Silver miner Fresnillo's share price has participated in the mining rally but already discounts a higher silver price. With this in mind, we have been reducing our holding.

After some years of disappointing earnings releases, GlaxoSmithKline's operational performance has now started to improve, providing investors with confidence that the large dividend can be justified. Additionally, post the referendum result, European healthcare stocks benefitted from the flight into global defensive sectors, as did BP and Royal Dutch Shell. Kuoni and TNT Express both performed strongly after receiving bid approaches.



## AVIVA INVESTORS UK EQUITY MOM 3 FUND (CONTINUED)

### FUND MANAGER’S REPORT (CONTINUED)

In terms of negative contributors to performance, the stocks most exposed to the cyclical elements of the UK economy – banks (Royal Bank of Scotland, Lloyds Banking), retailers (Marks & Spencer), property (Helical), and construction related stocks (Grafton, SIG) – have performed especially poorly since the EU referendum in June.

Vallourec also performed poorly as weak trading led to a deteriorating balance sheet, and we have now exited the position.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Investec Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 56 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
Barclays plc	Royal Dutch Shell plc 'B'
Tesco plc	BP plc
Travis Perkins plc	Direct Line Insurance Group plc
Royal Bank of Scotland Group plc	British American Tobacco plc
Wm Morrison Supermarkets plc	TNT Express NV
Marks & Spencer Group plc	Carnival plc
Best Buy Co., Inc.	Carrefour SA
BP plc	Kuoni Reisen Holding AG
SIG plc	HSBC Holdings plc
Signet Jewelers Ltd.	Joy Global, Inc.

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean ‘risk free’.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	141.86	137.69	135.30
Return before operating charges <sup>†</sup>	(1.05)	9.07	6.88
Operating charges	(1.39)	(1.48)	(1.45)
Return after operating charges <sup>†</sup>	(2.44)	7.59	5.43
Distributions on income shares	(3.69)	(3.42)	(3.04)
Closing net asset value per share	135.73	141.86	137.69
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.29)	(0.10)	(0.27)
<b>Performance</b>			
Return after charges	(1.72)%	5.51%	4.01%
<b>Other information</b>			
Closing net asset value (£000)	82,774	94,612	141,509
Closing number of shares	60,986,162	66,692,243	102,775,890
Operating charges (%) <sup>‡</sup>	1.05%	1.04%	1.04%
Direct transaction costs (%) <sup>#</sup>	0.22%	0.07%	0.19%
<b>Prices<sup>≈</sup></b>			
Highest share price	143.88	150.62	144.95
Lowest share price	118.45	127.48	131.81

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.05%	1.04%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.16% (96.17%)</b>				
<b>Consumer Discretionary 10.90% (6.93%)</b>				
<b>Hotels, Restaurants &amp; Leisure 2.90% (4.73%)</b>				
Carnival plc	GBP	27,171	991	1.20
J D Wetherspoon plc	GBP	105,550	888	1.07
Ladbroke's plc	GBP	358,984	489	0.59
Thomas Cook Group plc	GBP	56,253	37	0.04
			2,405	2.90
<b>Internet &amp; Catalog Retail 0.52% (0.02%)</b>				
Home Retail Group plc	GBP	13,840	21	0.03
N Brown Group plc	GBP	233,711	408	0.49
			429	0.52
<b>Media 0.31% (0.26%)</b>				
Bloomsbury Publishing plc	GBP	153,144	253	0.31
			253	0.31
<b>Multiline Retail 2.39% (1.35%)</b>				
Marks & Spencer Group plc	GBP	620,061	1,978	2.39
			1,978	2.39
<b>Specialty Retail 4.78% (0.57%)</b>				
Best Buy Co., Inc.	USD	54,998	1,384	1.67
Carpetright plc	GBP	313,541	705	0.85
Kingfisher plc	GBP	154,912	518	0.63
Signet Jewelers Ltd.	USD	20,535	1,349	1.63
			3,956	4.78
<b>Consumer Discretionary total</b>			<b>9,021</b>	<b>10.90</b>
<b>Consumer Staples 9.59% (8.59%)</b>				
<b>Food &amp; Staples Retailing 6.89% (4.39%)</b>				
Tesco plc	GBP	1,733,292	2,699	3.26
Wm Morrison Supermarkets plc	GBP	1,615,003	3,001	3.63
			5,700	6.89
<b>Personal Products 0.63% (0.79%)</b>				
Avon Products, Inc.	USD	177,001	518	0.63
			518	0.63
<b>Tobacco 2.07% (3.41%)</b>				
British American Tobacco plc	GBP	36,112	1,717	2.07
			1,717	2.07
<b>Consumer Staples total</b>			<b>7,935</b>	<b>9.59</b>
<b>Energy 9.05% (15.24%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 9.05% (15.24%)</b>				
BP plc	GBP	661,879	2,797	3.38
Royal Dutch Shell plc 'B'	GBP	235,922	4,691	5.67
			7,488	9.05
<b>Energy total</b>			<b>7,488</b>	<b>9.05</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Financials 28.76% (27.30%)</b>				
<b>Banks 24.60% (20.17%)</b>				
Barclays plc	GBP	2,486,827	3,955	4.78
Citigroup, Inc.	USD	52,682	1,755	2.12
HSBC Holdings plc	GBP	1,291,580	6,406	7.74
Lloyds Banking Group plc	GBP	6,859,665	3,661	4.42
Royal Bank of Scotland Group plc	GBP	1,850,870	3,591	4.34
Standard Chartered plc	GBP	164,860	996	1.20
			20,364	24.60
<b>Consumer Finance 0.91% (0.00%)</b>				
International Personal Finance plc	GBP	283,520	755	0.91
			755	0.91
<b>Insurance 0.00% (2.41%)</b>				
<b>Real Estate Investment Trusts (REITs) 1.99% (3.11%)</b>				
British Land Co. plc (The)	GBP	125,739	837	1.01
Land Securities Group plc	GBP	74,017	808	0.98
			1,645	1.99
<b>Real Estate Management &amp; Development 1.26% (1.61%)</b>				
Helical Bar plc	GBP	371,564	1,046	1.26
			1,046	1.26
<b>Financials total</b>			<b>23,810</b>	<b>28.76</b>
<b>Health Care 8.73% (7.12%)</b>				
<b>Pharmaceuticals 8.73% (7.12%)</b>				
GlaxoSmithKline plc	GBP	427,921	7,223	8.73
			7,223	8.73
<b>Health Care total</b>			<b>7,223</b>	<b>8.73</b>
<b>Industrials 15.47% (17.32%)</b>				
<b>Aerospace &amp; Defense 2.01% (3.02%)</b>				
Chemring Group plc	GBP	222,370	315	0.38
QinetiQ Group plc	GBP	602,964	1,347	1.63
			1,662	2.01
<b>Air Freight &amp; Logistics 0.14% (2.29%)</b>				
Royal Mail plc	GBP	23,544	119	0.14
			119	0.14
<b>Building Products 0.65% (0.74%)</b>				
Kingspan Group plc	EUR	30,616	541	0.65
			541	0.65
<b>Machinery 1.00% (0.92%)</b>				
Manitowoc Co., Inc. (The)	USD	57,115	244	0.30
Manitowoc Foodservice, Inc.	USD	42,060	582	0.70
			826	1.00
<b>Road &amp; Rail 1.56% (2.16%)</b>				
Go-Ahead Group plc	GBP	70,128	1,289	1.56
			1,289	1.56
<b>Trading Companies &amp; Distributors 10.11% (8.19%)</b>				
Grafton Group plc	GBP	711,941	3,958	4.78
SLG plc	GBP	2,246,494	2,375	2.87
Travis Perkins plc	GBP	130,654	2,034	2.46
			8,367	10.11
<b>Industrials total</b>			<b>12,804</b>	<b>15.47</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Information Technology 1.01% (1.40%)</b>				
<b>IT Services 1.01% (1.40%)</b>				
Computacenter plc	GBP	102,624	837	1.01
			837	1.01
<b>Information Technology total</b>			<b>837</b>	<b>1.01</b>
<b>Materials 6.68% (4.42%)</b>				
<b>Chemicals 0.00% (0.18%)</b>				
<b>Construction Materials 3.59% (2.74%)</b>				
CRH plc	EUR	129,133	2,972	3.59
			2,972	3.59
<b>Metals &amp; Mining 3.09% (1.50%)</b>				
AngloGold Ashanti Ltd., ADR	USD	21,328	348	0.42
Barrick Gold Corp.	CAD	19,106	308	0.37
Fresnillo plc	GBP	45,524	865	1.05
Gold Fields Ltd., ADR	USD	18,100	85	0.10
Hochschild Mining plc	GBP	41,143	109	0.13
Kinross Gold Corp.	CAD	44,768	171	0.21
Newmont Mining Corp.	USD	20,825	672	0.81
			2,558	3.09
<b>Materials total</b>			<b>5,530</b>	<b>6.68</b>
<b>Telecommunication Services 1.92% (2.89%)</b>				
<b>Diversified Telecommunication Services 1.92% (2.89%)</b>				
BT Group plc	GBP	385,388	1,590	1.92
			1,590	1.92
<b>Telecommunication Services total</b>			<b>1,590</b>	<b>1.92</b>
<b>Utilities 6.05% (4.96%)</b>				
<b>Independent Power and Renewable Electricity Producers 2.98% (2.25%)</b>				
Drax Group plc	GBP	720,920	2,469	2.98
			2,469	2.98
<b>Multi-Utilities 3.07% (2.71%)</b>				
Centrica plc	GBP	1,060,667	2,540	3.07
			2,540	3.07
<b>Utilities total</b>			<b>5,009</b>	<b>6.05</b>
<b>Equities total</b>			<b>81,247</b>	<b>98.16</b>
Investment assets			81,247	98.16
Net other assets			1,527	1.84
<b>Net assets</b>			<b>82,774</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital (losses)/gains	2		(4,315)		3,862
Revenue	3	3,362		4,248	
Expenses	4	(898)		(1,240)	
Net revenue before taxation		2,464		3,008	
Taxation	5	(12)		(10)	
Net revenue after taxation			2,452		2,998
<b>Total return before distributions</b>			<b>(1,863)</b>		<b>6,860</b>
Distributions	6		(2,452)		(2,998)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(4,315)</b>		<b>3,862</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>94,612</b>		<b>141,509</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	-		171	
Amounts payable on cancellation of shares	(7,528)		(51,019)	
		(7,528)		(50,848)
Dilution adjustment		5		89
Change in net assets attributable to shareholders from investment activities (see above)		(4,315)		3,862
<b>Closing net assets attributable to shareholders</b>		<b>82,774</b>		<b>94,612</b>

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		81,247	90,985
<b>Current assets:</b>			
Debtors	8	32	529
Cash and bank balances	9	3,872	4,446
<b>Total assets</b>		<b>85,151</b>	<b>95,960</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(1,381)	(1,240)
Other creditors	10	(996)	(108)
<b>Total liabilities</b>		<b>(2,377)</b>	<b>(1,348)</b>
<b>Net assets attributable to shareholders</b>		<b>82,774</b>	<b>94,612</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010.

### 2 Net capital (losses)/gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Currency (losses)/gains	(9)	2
Expenses relating to the purchase and sale of investments	(11)	(11)
Non-derivative securities (losses)/gains	(4,295)	3,871
<b>Net capital (losses)/gains</b>	<b>(4,315)</b>	<b>3,862</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	8	16
Overseas dividends	238	307
Stock dividends	–	11
UK dividends	3,070	3,790
Unfranked components of Real Estate Investment Trusts	46	124
<b>Total revenue</b>	<b>3,362</b>	<b>4,248</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	867	1,201
	867	1,201
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	13	17
Interest payable	2	–
Safe custody fee	3	5
	18	22
<b>Other expenses:</b>		
Audit fee*	9	9
Statement Fees	4	5
Printing & postage expenses	–	3
	13	17
<b>Total expenses</b>	<b>898</b>	<b>1,240</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	12	10
<b>Total current tax for the year (see note 5.b)</b>	<b>12</b>	<b>10</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>2,464</b>	<b>3,008</b>
Corporation tax at 20%	493	602
<b>Effects of:</b>		
Movement in excess expenses	168	220
Overseas dividends not subject to corporation tax	(47)	(62)
Overseas tax suffered	12	10
Stock dividends not taxable	–	(2)
UK dividends not subject to corporation tax	(614)	(758)
	(481)	(592)
<b>Current tax charge (see note 5.a)</b>	<b>12</b>	<b>10</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £7,956,000 (2015: £7,113,000) creating a potential deferred tax asset of £1,591,000 (2015: £1,423,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	952	1,381
Final distribution	1,381	1,240
	2,333	2,621
Add: Revenue deducted on cancellation of shares	119	379
Deduct: Revenue received on issue of shares	–	(2)
<b>Total distributions</b>	<b>2,452</b>	<b>2,998</b>

Details of the distributions per share are set out in the distribution tables on page 67.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 Assets £000	As at 31.07.15 Assets £000
Quoted prices for identical instruments in active markets	81,247	90,985
<b>Total</b>	<b>81,247</b>	<b>90,985</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	17	16
Income tax recoverable	5	–
Overseas tax recoverable	10	–
Sales awaiting settlement	–	513
<b>Total debtors</b>	<b>32</b>	<b>529</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	3,872	4,446
<b>Total cash and bank balances</b>	<b>3,872</b>	<b>4,446</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	88	108
Purchases awaiting settlement	908	–
<b>Total creditors</b>	<b>996</b>	<b>108</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £66,000 (2015: £84,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £2,333,000 (2015: £2,622,000). The amount outstanding at the year end was £1,381,000 (2015: £1,240,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	60,986,162	(5,706,081)	66,692,243

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 56. The distributions per share class are given in the distribution tables on page 67.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	66,692,243	–	(5,706,081)	–	60,986,162

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 13.25% (2015: 11.70%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 1.36%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Canadian Dollar	1	23	479	133	480	156
Euro	28	16	3,513	7,773	3,541	7,789
US Dollar	13	6	6,937	3,121	6,950	3,127

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 4.68% (2015: 4.70%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depository's base rate.

**Market price risk**

At the year end date, 98.16% (2015: 96.17%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.82%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(32,587)	(24)	(138)	(32,749)	0.07%	0.42%
Corporate actions	(230)	–	–	(230)		
	<u>(32,817)</u>	<u>(24)</u>	<u>(138)</u>	<u>(32,979)</u>		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	38,447	(26)	–	38,421	0.07%	0.00%
	<u>38,447</u>	<u>(26)</u>	<u>–</u>	<u>38,421</u>		
<b>Total</b>		<u>(50)</u>	<u>(138)</u>			
<b>Percentage of Fund average net assets</b>		<u>0.06%</u>	<u>0.16%</u>			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(26,912)	(19)	(114)	(27,045)	0.07%	0.42%
	<u>(26,912)</u>	<u>(19)</u>	<u>(114)</u>	<u>(27,045)</u>		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	79,273	(43)	(1)	79,229	0.05%	0.00%
	<u>79,273</u>	<u>(43)</u>	<u>(1)</u>	<u>79,229</u>		
<b>Total</b>		<u>(62)</u>	<u>(115)</u>			
<b>Percentage of Fund average net assets</b>		<u>0.05%</u>	<u>0.10%</u>			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.16% (2015: 0.20%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	2.2650	–	2.2650	1.8599
	Group 2	0.0000	2.2650	2.2650	1.8599

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	1.4276	–	1.4276	1.5620
	Group 2	1.4276	0.0000	1.4276	1.5620

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS US EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in US equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the US. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 22.04 per cent (net of fees), outperforming the S&P 500 Index return of 5.61 per cent.

#### Review

The Fund's active sector positioning tends to vary over time and is a function of the volatility and correlation characteristics of the underlying stocks. Over the past twelve months, the Fund's average active sector positioning moderately detracted from the strategy's relative return. Specifically, an underweight allocation to the telecommunication services sector, which was the strongest performing sector during the period, detracted from relative performance. The Fund was also negatively impacted by adverse security selection during the period, particularly within the health care, energy, and information technology sectors.

Due to their volatility and correlation characteristics, the Fund tends to overweight the smaller cap stocks within the investment universe as they provide more relative volatility capture potential.

The Fund's active size positioning had a negative impact on relative performance during the period as the mega cap stocks outperformed the smaller cap stocks within the S&P 500 Index.

An overall negative selection effect also detracted from the Fund's relative performance during the period.

An average underweight allocation to telecommunication services, which was the strongest performing sector during the period, detracted from the Fund's relative performance.

Selection effect, which is a residual of the investment process, also detracted from the Fund's relative performance during the period, especially within the health care, energy, and information technology sectors.

Three of the Fund's ten largest detractors during the period were positions in the health care sector (an underweight to Johnson & Johnson, as well as overweights to Mallinckrodt and AmerisourceBergen). Another three of the strategy's ten largest detractors during the period were positions in the information technology sector (an overweight to Western Digital, as well as underweights in Alphabet Inc. Class C and Microsoft).

The Investment Manager attempts to generate an excess return at the least amount of tracking error through all market cycles regardless of the direction the market moves or the magnitude of the move. The investment process is engineered for any environment. Because the Investment Manager does not conduct traditional economic or fundamental analysis, we have no view on individual stocks, sectors, economic, or market conditions. Stocks are overweight and underweight relative to the benchmark weightings based on estimates of stocks' relative volatility and correlation characteristics. The estimation of relative volatilities and correlations and the determination of the overweights and underweights in the investment process rely only on stock return data, not on other economic or fundamental data.

The portfolio positioning is a function of the optimisation routine and is a byproduct of the search for stocks with high relative volatility and low correlation. Consequently, the actual positioning of the portfolio from a sector and stock specific standpoint is a residual of the process. The rationale for overweighted and underweighted positions is a function of stocks' relative volatility and correlation characteristics in aggregate.

Going forward, the Investment Manager will continue to implement its mathematical investment process in a disciplined and deliberate manner. At the same time, the Investment Manager continues to make marginal improvements to the process, seeking an efficient portfolio that offers better long-term results than its benchmark regardless of the market's direction.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by INTECH.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 70 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## COMPARATIVE TABLES

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	227.64	190.57	179.87
Return before operating charges <sup>†</sup>	52.52	40.59	13.48
Operating charges	(2.46)	(2.27)	(1.88)
Return after operating charges <sup>†</sup>	50.06	38.32	11.60
Distributions on income shares	(1.34)	(1.25)	(0.90)
Closing net asset value per share	276.36	227.64	190.57
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.12)	(0.15)	(0.13)
<b>Performance</b>			
Return after charges	21.99%	20.11%	6.45%
<b>Other information</b>			
Closing net asset value (£000)	246,769	187,751	187,632
Closing number of shares	89,291,279	82,476,830	98,456,588
Operating charges (%) <sup>‡</sup>	1.04%	1.04%	1.04%
Direct transaction costs (%) <sup>#</sup>	0.05%	0.07%	0.07%
<b>Prices<sup>≈</sup></b>			
Highest share price	280.62	243.90	191.46
Lowest share price	205.76	185.21	167.86

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.04%	1.04%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 99.33% (99.36%)</b>				
<b>Consumer Discretionary 15.11% (11.76%)</b>				
<b>Auto Components 0.88% (0.48%)</b>				
Delphi Automotive plc	USD	26,300	1,346	0.55
Goodyear Tire & Rubber Co. (The)	USD	38,100	827	0.33
			<u>2,173</u>	<u>0.88</u>
<b>Distributors 0.13% (0.17%)</b>				
Genuine Parts Co.	USD	2,400	186	0.08
LKQ Corp.	USD	4,800	122	0.05
			<u>308</u>	<u>0.13</u>
<b>Diversified Consumer Services 0.03% (0.00%)</b>				
H&R Block, Inc.	USD	4,500	82	0.03
			<u>82</u>	<u>0.03</u>
<b>Hotels, Restaurants &amp; Leisure 2.18% (1.35%)</b>				
Carnival Corp.	USD	12,300	433	0.17
Darden Restaurants, Inc.	USD	7,200	333	0.13
Marriott International, Inc. 'A'	USD	9,500	514	0.21
McDonald's Corp.	USD	13,100	1,183	0.48
Royal Caribbean Cruises Ltd.	USD	15,000	830	0.34
Starbucks Corp.	USD	40,700	1,791	0.73
Yum! Brands, Inc.	USD	4,400	300	0.12
			<u>5,384</u>	<u>2.18</u>
<b>Household Durables 0.99% (1.08%)</b>				
DR Horton, Inc.	USD	26,900	686	0.28
Leggett & Platt, Inc.	USD	4,600	189	0.07
Lennar Corp. 'A'	USD	1,800	66	0.03
Mohawk Industries, Inc.	USD	3,800	595	0.24
Newell Brands, Inc.	USD	24,300	907	0.37
			<u>2,443</u>	<u>0.99</u>
<b>Internet &amp; Catalog Retail 2.18% (0.12%)</b>				
Amazon.com, Inc.	USD	4,400	2,504	1.02
Expedia, Inc.	USD	2,300	207	0.08
Netflix, Inc.	USD	29,700	2,058	0.84
Priceline Group, Inc. (The)	USD	600	601	0.24
			<u>5,370</u>	<u>2.18</u>
<b>Leisure Products 0.70% (0.02%)</b>				
Hasbro, Inc.	USD	13,700	839	0.34
Mattel, Inc.	USD	35,600	890	0.36
			<u>1,729</u>	<u>0.70</u>
<b>Media 2.15% (2.85%)</b>				
Comcast Corp. 'A'	USD	50,540	2,593	1.05
Interpublic Group of Cos., Inc. (The)	USD	32,900	573	0.23
Omnicom Group, Inc.	USD	3,100	194	0.08
Scripps Networks Interactive, Inc. 'A'	USD	1,700	86	0.03
Walt Disney Co. (The)	USD	25,800	1,871	0.76
			<u>5,317</u>	<u>2.15</u>
<b>Multiline Retail 0.11% (0.51%)</b>				
Dollar Tree, Inc.	USD	800	58	0.02
Target Corp.	USD	3,800	215	0.09
			<u>273</u>	<u>0.11</u>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Specialty Retail 4.53% (3.73%)</b>				
Advance Auto Parts, Inc.	USD	900	116	0.05
AutoZone, Inc.	USD	2,600	1,604	0.65
Foot Locker, Inc.	USD	2,600	117	0.05
Home Depot, Inc. (The)	USD	29,100	3,035	1.23
L Brands, Inc.	USD	30,600	1,707	0.69
Lowe's Cos., Inc.	USD	15,900	989	0.40
O'Reilly Automotive, Inc.	USD	11,600	2,531	1.03
Ross Stores, Inc.	USD	11,400	529	0.21
TJX Cos., Inc. (The)	USD	3,100	190	0.08
Tractor Supply Co.	USD	5,200	359	0.14
			11,177	4.53
<b>Textiles, Apparel &amp; Luxury Goods 1.23% (1.45%)</b>				
Coach, Inc.	USD	13,800	446	0.18
Michael Kors Holdings Ltd.	USD	2,000	79	0.03
NIKE, Inc. 'B'	USD	32,900	1,379	0.56
Under Armour, Inc. 'A'	USD	5,700	171	0.07
Under Armour, Inc. 'C'	USD	5,658	153	0.06
VF Corp.	USD	17,200	801	0.33
			3,029	1.23
<b>Consumer Discretionary total</b>			<b>37,285</b>	<b>15.11</b>
<b>Consumer Staples 14.45% (11.00%)</b>				
<b>Beverages 3.31% (2.78%)</b>				
Brown-Forman Corp. 'B'	USD	12,500	926	0.38
Coca-Cola Co. (The)	USD	22,640	747	0.30
Constellation Brands, Inc. 'A'	USD	23,100	2,856	1.16
Dr Pepper Snapple Group, Inc.	USD	28,600	2,117	0.86
Molson Coors Brewing Co. 'B'	USD	3,100	229	0.09
PepsiCo, Inc.	USD	15,654	1,280	0.52
			8,155	3.31
<b>Food &amp; Staples Retailing 2.98% (3.53%)</b>				
Costco Wholesale Corp.	USD	12,200	1,534	0.62
CVS Health Corp.	USD	31,450	2,221	0.90
Kroger Co. (The)	USD	84,200	2,191	0.89
Sysco Corp.	USD	12,700	498	0.20
Walgreens Boots Alliance, Inc.	USD	14,900	895	0.37
			7,339	2.98
<b>Food Products 3.28% (1.22%)</b>				
Campbell Soup Co.	USD	21,200	987	0.40
ConAgra Foods, Inc.	USD	13,000	456	0.18
General Mills, Inc.	USD	17,300	933	0.38
Hormel Foods Corp.	USD	39,900	1,104	0.45
JM Smucker Co. (The)	USD	3,700	426	0.17
Kellogg Co.	USD	11,100	687	0.28
Kraft Heinz Co. (The)	USD	1,500	98	0.04
McCormick & Co., Inc., (Non-Voting) 'G'	USD	12,300	948	0.38
Mondelez International, Inc. 'A'	USD	21,500	718	0.29
Tyson Foods, Inc. 'A'	USD	31,600	1,745	0.71
			8,102	3.28
<b>Household Products 1.94% (1.51%)</b>				
Church & Dwight Co., Inc.	USD	1,700	126	0.05
Clorox Co. (The)	USD	16,400	1,622	0.66
Colgate-Palmolive Co.	USD	3,200	177	0.07
Kimberly-Clark Corp.	USD	19,000	1,870	0.76
Procter & Gamble Co. (The)	USD	15,470	992	0.40
			4,787	1.94

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Personal Products 0.17% (0.00%)</b>				
Estee Lauder Cos., Inc. (The) 'A'	USD	6,100	425	0.17
			425	0.17
<b>Tobacco 2.77% (1.96%)</b>				
Altria Group, Inc.	USD	61,419	3,117	1.26
Philip Morris International, Inc.	USD	8,900	667	0.27
Reynolds American, Inc.	USD	80,508	3,055	1.24
			6,839	2.77
<b>Consumer Staples total</b>			<b>35,647</b>	<b>14.45</b>
<b>Energy 4.11% (3.12%)</b>				
<b>Energy Equipment &amp; Services 0.41% (0.05%)</b>				
Helmerich & Payne, Inc.	USD	7,500	347	0.14
Schlumberger Ltd.	USD	5,536	331	0.14
Transocean Ltd.	USD	40,200	326	0.13
			1,004	0.41
<b>Oil, Gas &amp; Consumable Fuels 3.70% (3.07%)</b>				
Apache Corp.	USD	8,800	345	0.14
Chesapeake Energy Corp.	USD	59,300	232	0.09
Chevron Corp.	USD	5,700	439	0.18
Cimarex Energy Co.	USD	3,400	296	0.12
Concho Resources, Inc.	USD	1,400	127	0.05
EOG Resources, Inc.	USD	1,300	79	0.03
Exxon Mobil Corp.	USD	37,557	2,560	1.04
Marathon Petroleum Corp.	USD	1,200	35	0.01
Newfield Exploration Co.	USD	15,600	500	0.20
Noble Energy, Inc.	USD	3,000	80	0.03
Occidental Petroleum Corp.	USD	6,200	346	0.14
Phillips 66	USD	27,343	1,576	0.64
Pioneer Natural Resources Co.	USD	2,400	286	0.12
Tesoro Corp.	USD	16,800	962	0.39
Valero Energy Corp.	USD	32,700	1,282	0.52
			9,145	3.70
<b>Energy total</b>			<b>10,149</b>	<b>4.11</b>
<b>Financials 15.57% (16.35%)</b>				
<b>Banks 2.87% (2.66%)</b>				
Bank of America Corp.	USD	49,137	545	0.22
Citigroup, Inc.	USD	4,000	133	0.05
Fifth Third Bancorp	USD	10,500	150	0.06
Huntington Bancshares, Inc.	USD	55,600	398	0.16
JPMorgan Chase & Co.	USD	31,467	1,525	0.62
M&T Bank Corp.	USD	2,800	243	0.10
People's United Financial, Inc.	USD	44,700	512	0.21
PNC Financial Services Group, Inc. (The)	USD	3,800	239	0.10
Regions Financial Corp.	USD	200	1	–
SunTrust Banks, Inc.	USD	6,800	218	0.09
US Bancorp	USD	20,813	662	0.27
Wells Fargo & Co.	USD	63,773	2,320	0.94
Zions Bancorporation	USD	5,800	123	0.05
			7,069	2.87
<b>Capital Markets 0.84% (2.24%)</b>				
Bank of New York Mellon Corp. (The)	USD	19,400	584	0.24
BlackRock, Inc.	USD	900	247	0.10
Charles Schwab Corp. (The)	USD	25,000	543	0.22
E*TRADE Financial Corp.	USD	21,500	409	0.17
Goldman Sachs Group, Inc. (The)	USD	700	85	0.03
Northern Trust Corp.	USD	4,000	205	0.08
			2,073	0.84

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Consumer Finance 0.31% (1.07%)</b>				
Capital One Financial Corp.	USD	2,400	123	0.05
Discover Financial Services	USD	14,700	632	0.26
			755	0.31
<b>Diversified Financial Services 2.24% (3.01%)</b>				
Berkshire Hathaway 'B'	USD	12,164	1,328	0.54
CME Group, Inc.	USD	16,200	1,248	0.50
Intercontinental Exchange, Inc.	USD	3,710	744	0.30
Moody's Corp.	USD	6,400	514	0.21
Nasdaq, Inc.	USD	17,200	922	0.37
S&P Global, Inc.	USD	8,500	780	0.32
			5,536	2.24
<b>Insurance 4.24% (3.00%)</b>				
Aflac, Inc.	USD	3,900	216	0.09
Allstate Corp. (The)	USD	30,100	1,574	0.64
American International Group, Inc.	USD	18,000	746	0.30
Aon plc	USD	900	75	0.03
Arthur J Gallagher & Co.	USD	2,800	105	0.04
Assurant, Inc.	USD	9,300	586	0.24
Chubb Ltd.	USD	4,623	442	0.18
Cincinnati Financial Corp.	USD	18,200	1,035	0.42
Hartford Financial Services Group, Inc. (The)	USD	31,500	1,046	0.42
Marsh & McLennan Cos., Inc.	USD	20,100	1,011	0.41
Progressive Corp. (The)	USD	62,000	1,530	0.62
Prudential Financial, Inc.	USD	900	52	0.02
Torchmark Corp.	USD	6,800	319	0.13
Travelers Cos., Inc. (The)	USD	14,480	1,287	0.52
Unum Group	USD	600	15	0.01
Willis Towers Watson plc	USD	400	38	0.01
XL Group Ltd.	USD	14,500	385	0.16
			10,462	4.24
<b>Real Estate Investment Trusts (REITs) 5.07% (4.28%)</b>				
American Tower Corp.	USD	4,200	370	0.15
Apartment Investment & Management Co. 'A'	USD	11,900	398	0.16
AvalonBay Communities, Inc.	USD	7,200	992	0.40
Crown Castle International Corp.	USD	4,500	329	0.13
Digital Realty Trust, Inc.	USD	6,000	488	0.20
Equinix, Inc.	USD	6,113	1,756	0.71
Equity Residential	USD	19,500	985	0.40
Essex Property Trust, Inc.	USD	4,400	734	0.30
Extra Space Storage, Inc.	USD	16,900	1,098	0.45
Federal Realty Investment Trust	USD	5,300	676	0.27
Kimco Realty Corp.	USD	24,700	595	0.24
Macerich Co. (The)	USD	5,600	377	0.15
Prologis, Inc.	USD	7,800	316	0.13
Public Storage	USD	8,900	1,606	0.65
Realty Income Corp.	USD	14,800	791	0.32
Simon Property Group, Inc.	USD	3,500	593	0.24
UDR, Inc.	USD	15,000	415	0.17
			12,519	5.07
<b>Real Estate Management &amp; Development 0.00% (0.09%)</b>				
<b>Financials total</b>			<b>38,414</b>	<b>15.57</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Health Care 11.09% (16.25%)</b>				
<b>Biotechnology 1.29% (2.02%)</b>				
AbbVie, Inc.	USD	370	18	0.01
Alexion Pharmaceuticals, Inc.	USD	1,000	98	0.04
Amgen, Inc.	USD	4,100	531	0.21
Celgene Corp.	USD	4,800	404	0.16
Gilead Sciences, Inc.	USD	14,300	878	0.36
Regeneron Pharmaceuticals, Inc.	USD	3,800	1,181	0.48
Vertex Pharmaceuticals, Inc.	USD	1,000	73	0.03
			3,183	1.29
<b>Health Care Equipment &amp; Supplies 2.33% (1.61%)</b>				
Becton Dickinson and Co.	USD	7,830	1,042	0.42
Boston Scientific Corp.	USD	18,600	342	0.14
CR Bard, Inc.	USD	2,500	424	0.17
Danaher Corp.	USD	4,200	258	0.11
DENTSPLY SIRONA, Inc.	USD	23,000	1,097	0.44
Edwards Lifesciences Corp.	USD	22,500	1,922	0.78
Intuitive Surgical, Inc.	USD	300	156	0.06
Medtronic plc	USD	5,500	364	0.15
Stryker Corp.	USD	1,700	148	0.06
			5,753	2.33
<b>Health Care Providers &amp; Services 3.97% (6.87%)</b>				
Aetna, Inc.	USD	19,397	1,698	0.69
AmerisourceBergen Corp.	USD	13,200	847	0.34
Anthem, Inc.	USD	10,400	1,045	0.42
Cardinal Health, Inc.	USD	17,100	1,068	0.43
Cigna Corp.	USD	18,300	1,881	0.76
Henry Schein, Inc.	USD	6,500	881	0.36
McKesson Corp.	USD	600	88	0.04
UnitedHealth Group, Inc.	USD	16,900	1,824	0.74
Universal Health Services, Inc. 'B'	USD	4,700	462	0.19
			9,794	3.97
<b>Health Care Technology 0.00% (0.15%)</b>				
<b>Life Sciences Tools &amp; Services 0.97% (0.71%)</b>				
Agilent Technologies, Inc.	USD	2,400	86	0.03
PerkinElmer, Inc.	USD	9,500	400	0.16
Thermo Fisher Scientific, Inc.	USD	13,500	1,621	0.66
Waters Corp.	USD	2,400	285	0.12
			2,392	0.97
<b>Pharmaceuticals 2.53% (4.89%)</b>				
Allergan plc	USD	10,114	1,954	0.79
Bristol-Myers Squibb Co.	USD	2,400	135	0.05
Eli Lilly & Co.	USD	14,600	916	0.37
Johnson & Johnson	USD	20,101	1,891	0.77
Merck & Co., Inc.	USD	526	23	0.01
Pfizer, Inc.	USD	32,565	903	0.36
Zoetis, Inc.	USD	11,500	435	0.18
			6,257	2.53
<b>Health Care total</b>			<b>27,379</b>	<b>11.09</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Industrials 11.42% (11.88%)</b>				
<b>Aerospace &amp; Defense 3.93% (3.64%)</b>				
Boeing Co. (The)	USD	3,800	382	0.15
General Dynamics Corp.	USD	11,700	1,302	0.53
Honeywell International, Inc.	USD	2,400	210	0.08
Lockheed Martin Corp.	USD	15,800	3,039	1.23
Northrop Grumman Corp.	USD	15,600	2,562	1.04
Raytheon Co.	USD	18,900	1,973	0.80
Rockwell Collins, Inc.	USD	700	45	0.02
TransDigm Group, Inc.	USD	900	190	0.08
			9,703	3.93
<b>Air Freight &amp; Logistics 0.31% (0.67%)</b>				
CH Robinson Worldwide, Inc.	USD	7,900	413	0.17
Expeditors International of Washington, Inc.	USD	7,400	281	0.11
United Parcel Service, Inc. 'B'	USD	900	74	0.03
			768	0.31
<b>Airlines 1.27% (1.85%)</b>				
Alaska Air Group, Inc.	USD	5,100	264	0.11
American Airlines Group, Inc.	USD	6,900	190	0.08
Delta Air Lines, Inc.	USD	35,400	1,053	0.43
Southwest Airlines Co.	USD	48,400	1,370	0.55
United Continental Holdings, Inc.	USD	7,300	262	0.10
			3,139	1.27
<b>Building Products 0.77% (0.10%)</b>				
Allegion plc	USD	9,633	530	0.21
Fortune Brands Home & Security, Inc.	USD	2,300	111	0.05
Masco Corp.	USD	44,700	1,246	0.51
			1,887	0.77
<b>Commercial Services &amp; Supplies 1.12% (1.04%)</b>				
Cintas Corp.	USD	10,000	818	0.33
Pitney Bowes, Inc.	USD	7,600	110	0.05
Republic Services, Inc.	USD	32,800	1,287	0.52
Stericycle, Inc.	USD	800	64	0.03
Waste Management, Inc.	USD	9,500	476	0.19
			2,755	1.12
<b>Construction &amp; Engineering 0.20% (0.00%)</b>				
Fluor Corp.	USD	4,400	179	0.07
Jacobs Engineering Group, Inc.	USD	1,800	73	0.03
Quanta Services, Inc.	USD	12,200	236	0.10
			488	0.20
<b>Electrical Equipment 0.41% (0.00%)</b>				
Acuity Brands, Inc.	USD	3,300	658	0.27
AMETEK, Inc.	USD	7,800	279	0.11
Emerson Electric Co.	USD	1,800	76	0.03
			1,013	0.41
<b>Industrial Conglomerates 1.64% (1.02%)</b>				
3M Co.	USD	4,100	552	0.22
General Electric Co.	USD	100,828	2,382	0.97
Roper Technologies, Inc.	USD	8,700	1,112	0.45
			4,046	1.64

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Machinery 0.87% (0.30%)</b>				
Fortive Corp.	USD	2,100	77	0.03
Illinois Tool Works, Inc.	USD	2,500	218	0.09
Snap-on, Inc.	USD	7,700	905	0.36
Stanley Black & Decker, Inc.	USD	4,800	444	0.18
Xylem, Inc.	USD	14,200	514	0.21
			2,158	0.87
<b>Professional Services 0.79% (0.74%)</b>				
Equifax, Inc.	USD	15,500	1,565	0.63
Nielsen Holdings plc	USD	7,900	323	0.13
Verisk Analytics, Inc.	USD	1,000	65	0.03
			1,953	0.79
<b>Road &amp; Rail 0.00% (2.25%)</b>				
<b>Trading Companies &amp; Distributors 0.11% (0.27%)</b>				
Fastenal Co.	USD	8,800	283	0.11
			283	0.11
<b>Industrials total</b>			<b>28,193</b>	<b>11.42</b>
<b>Information Technology 16.94% (16.57%)</b>				
<b>Communications Equipment 0.75% (0.55%)</b>				
Cisco Systems, Inc.	USD	3,800	88	0.03
Harris Corp.	USD	4,800	314	0.13
Juniper Networks, Inc.	USD	47,800	817	0.33
Motorola Solutions, Inc.	USD	12,000	631	0.26
			1,850	0.75
<b>Electronic Equipment, Instruments &amp; Components 0.01% (0.46%)</b>				
Amphenol Corp. 'A'	USD	600	27	0.01
			27	0.01
<b>Internet Software &amp; Services 2.79% (1.36%)</b>				
Alphabet, Inc. 'A'	USD	2,500	1,446	0.59
Alphabet, Inc. 'C'	USD	2,101	1,184	0.48
eBay, Inc.	USD	11,400	269	0.11
Facebook, Inc. 'A'	USD	33,500	3,166	1.28
VeriSign, Inc.	USD	12,700	809	0.33
			6,874	2.79
<b>IT Services 4.44% (3.36%)</b>				
Accenture plc 'A'	USD	11,800	1,000	0.41
Automatic Data Processing, Inc.	USD	19,000	1,317	0.53
Cognizant Technology Solutions Corp. 'A'	USD	300	13	0.01
Fidelity National Information Services, Inc.	USD	13,800	839	0.34
Fiserv, Inc.	USD	30,200	2,528	1.02
Global Payments, Inc.	USD	4,500	266	0.11
MasterCard, Inc. 'A'	USD	12,800	929	0.38
Paychex, Inc.	USD	14,500	649	0.26
PayPal Holdings, Inc.	USD	19,900	560	0.23
Total System Services, Inc.	USD	24,600	973	0.39
Visa, Inc. 'A'	USD	31,400	1,880	0.76
			10,954	4.44

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Semiconductors &amp; Semiconductor Equipment 2.74% (3.80%)</b>				
Applied Materials, Inc.	USD	11,400	229	0.09
Broadcom Ltd.	USD	16,349	2,030	0.82
First Solar, Inc.	USD	12,100	431	0.17
Intel Corp.	USD	38,300	1,007	0.41
Lam Research Corp.	USD	5,600	394	0.16
Microchip Technology, Inc.	USD	5,100	219	0.09
NVIDIA Corp.	USD	39,800	1,690	0.69
Texas Instruments, Inc.	USD	2,000	106	0.04
Xilinx, Inc.	USD	17,200	664	0.27
			6,770	2.74
<b>Software 3.93% (2.30%)</b>				
Activision Blizzard, Inc.	USD	62,500	1,902	0.77
Adobe Systems, Inc.	USD	12,600	938	0.38
Citrix Systems, Inc.	USD	1,400	94	0.04
Electronic Arts, Inc.	USD	29,300	1,690	0.69
Intuit, Inc.	USD	8,400	712	0.29
Microsoft Corp.	USD	92,606	3,935	1.59
Red Hat, Inc.	USD	7,400	416	0.17
			9,687	3.93
<b>Technology Hardware, Storage &amp; Peripherals 2.28% (4.74%)</b>				
Apple, Inc.	USD	69,372	5,473	2.22
EMC Corp.	USD	7,700	165	0.06
			5,638	2.28
<b>Information Technology total</b>			<b>41,800</b>	<b>16.94</b>
<b>Materials 3.76% (3.99%)</b>				
<b>Chemicals 1.82% (2.53%)</b>				
Albemarle Corp.	USD	3,000	193	0.08
Dow Chemical Co. (The)	USD	20,200	819	0.33
Eastman Chemical Co.	USD	600	32	0.01
Ecolab, Inc.	USD	12,900	1,162	0.47
International Flavors & Fragrances, Inc.	USD	4,300	433	0.18
LyondellBasell Industries NV 'A'	USD	27,800	1,660	0.67
PPG Industries, Inc.	USD	800	64	0.03
Sherwin-Williams Co. (The)	USD	600	135	0.05
			4,498	1.82
<b>Construction Materials 0.80% (0.16%)</b>				
Martin Marietta Materials, Inc.	USD	1,700	264	0.11
Vulcan Materials Co.	USD	17,700	1,699	0.69
			1,963	0.80
<b>Containers &amp; Packaging 0.70% (0.65%)</b>				
Avery Dennison Corp.	USD	13,500	798	0.32
Ball Corp.	USD	14,300	767	0.31
Sealed Air Corp.	USD	4,900	175	0.07
			1,740	0.70
<b>Metals &amp; Mining 0.44% (0.65%)</b>				
Freeport-McMoRan, Inc. 'B'	USD	10,600	104	0.04
Newmont Mining Corp.	USD	25,500	822	0.34
Nucor Corp.	USD	3,800	155	0.06
			1,081	0.44
<b>Materials total</b>			<b>9,282</b>	<b>3.76</b>



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Telecommunication Services 0.97% (1.14%)</b>				
<b>Diversified Telecommunication Services 0.97% (1.14%)</b>				
AT&T, Inc.	USD	31,717	1,021	0.41
CenturyLink, Inc.	USD	3,500	81	0.03
Frontier Communications Corp.	USD	76,100	293	0.12
Verizon Communications, Inc.	USD	24,037	997	0.41
			2,392	0.97
<b>Telecommunication Services total</b>			<b>2,392</b>	<b>0.97</b>
<b>Utilities 5.91% (7.30%)</b>				
<b>Electric Utilities 2.50% (3.65%)</b>				
Alliant Energy Corp.	USD	4,100	124	0.05
American Electric Power Co., Inc.	USD	12,500	651	0.26
Duke Energy Corp.	USD	859	55	0.02
Edison International	USD	8,900	514	0.21
Entergy Corp.	USD	1,100	67	0.03
Eversource Energy	USD	9,300	408	0.16
Exelon Corp.	USD	1,500	42	0.02
NextEra Energy, Inc.	USD	12,000	1,156	0.47
PG&E Corp.	USD	8,400	405	0.16
Pinnacle West Capital Corp.	USD	8,200	487	0.20
PPL Corp.	USD	35,700	1,005	0.41
Southern Co. (The)	USD	14,000	564	0.23
Xcel Energy, Inc.	USD	20,700	685	0.28
			6,163	2.50
<b>Gas Utilities 0.00% (0.08%)</b>				
<b>Multi-Utilities 3.03% (3.57%)</b>				
Ameren Corp.	USD	15,200	599	0.24
CMS Energy Corp.	USD	30,700	1,044	0.42
Consolidated Edison, Inc.	USD	11,200	677	0.27
Dominion Resources, Inc.	USD	500	29	0.01
DTE Energy Co.	USD	11,300	829	0.34
NiSource, Inc.	USD	41,500	808	0.33
Public Service Enterprise Group, Inc.	USD	10,100	344	0.14
SCANA Corp.	USD	17,500	978	0.40
Sempra Energy	USD	13,000	1,095	0.44
WEC Energy Group, Inc.	USD	22,177	1,076	0.44
			7,479	3.03
<b>Water Utilities 0.38% (0.00%)</b>				
American Water Works Co., Inc.	USD	15,200	943	0.38
			943	0.38
<b>Utilities total</b>			<b>14,585</b>	<b>5.91</b>
<b>Equities total</b>			<b>245,126</b>	<b>99.33</b>
Investment assets			245,126	99.33
Net other assets			1,643	0.67
<b>Net assets</b>			<b>246,769</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital gains	2		42,858		36,980
Revenue	3	3,738		3,795	
Expenses	4	(2,078)		(2,074)	
Net revenue before taxation		1,660		1,721	
Taxation	5	(512)		(558)	
Net revenue after taxation			1,148		1,163
<b>Total return before distributions</b>			<b>44,006</b>		<b>38,143</b>
Distributions	6		(1,148)		(1,163)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>42,858</b>		<b>36,980</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>187,751</b>		<b>187,632</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	47,454		40,584	
Amounts payable on cancellation of shares	(31,378)		(77,628)	
		16,076		(37,044)
Dilution adjustment		84		183
Change in net assets attributable to shareholders from investment activities (see above)		42,858		36,980
<b>Closing net assets attributable to shareholders</b>		<b>246,769</b>		<b>187,751</b>

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		245,126	186,552
<b>Current assets:</b>			
Debtors	8	2,040	237
Cash and bank balances	9	2,034	1,776
<b>Total assets</b>		<b>249,200</b>	<b>188,565</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(648)	(625)
Other creditors	10	(1,783)	(189)
<b>Total liabilities</b>		<b>(2,431)</b>	<b>(814)</b>
<b>Net assets attributable to shareholders</b>		<b>246,769</b>	<b>187,751</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains	226	440
Expenses relating to the purchase and sale of investments	(18)	(17)
Non-derivative securities gains	42,650	36,557
<b>Net capital gains</b>	<b>42,858</b>	<b>36,980</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	2	4
Overseas dividends	3,729	3,787
Stock dividends	2	–
UK dividends	5	4
<b>Total revenue</b>	<b>3,738</b>	<b>3,795</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	2,018	2,013
	2,018	2,013
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	27	26
Safe custody fee	13	14
	40	40
<b>Other expenses:</b>		
Audit fee*	9	9
Printing & postage expenses	2	5
Statement fees	9	7
	20	21
<b>Total expenses</b>	<b>2,078</b>	<b>2,074</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	512	558
<b>Total current tax for the year (see note 5.b)</b>	<b>512</b>	<b>558</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>1,660</b>	<b>1,721</b>
Corporation tax at 20%	332	344
<b>Effects of:</b>		
Movement in excess expenses	391	384
Overseas dividends not subject to corporation tax	(716)	(722)
Overseas tax suffered	512	558
Revenue taxable in different periods	(1)	–
Tax relief for overseas tax suffered	(5)	(5)
UK dividends not subject to corporation tax	(1)	(1)
	180	214
<b>Current tax charge (see note 5.a)</b>	<b>512</b>	<b>558</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £9,354,000 (2015: £7,405,000) creating a potential deferred tax asset of £1,872,000 (2015: £1,481,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	501	529
Final distribution	648	625
	1,149	1,154
Add: Revenue deducted on cancellation of shares	86	117
Deduct: Revenue received on issue of shares	(87)	(108)
<b>Total distributions</b>	<b>1,148</b>	<b>1,163</b>

Details of the distributions per share are set out in the distribution tables on page 87.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

	As at 31.07.16	As at 31.07.15
Valuation technique	Assets £000	Assets £000
Quoted prices for identical instruments in active markets	245,052	18,552
Valuation techniques using observable market data	74	–
<b>Total</b>	<b>245,126</b>	<b>18,552</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16	As at 31.07.15
	£000	£000
Accrued revenue	141	92
Amounts receivable on issue of shares	221	–
Overseas tax recoverable	176	145
Sales awaiting settlement	1,502	–
<b>Total debtors</b>	<b>2,040</b>	<b>237</b>

**9 Cash and bank balances**

	As at 31.07.16	As at 31.07.15
	£000	£000
Cash and bank balances	2,034	1,776
<b>Total cash and bank balances</b>	<b>2,034</b>	<b>1,776</b>

**10 Other creditors**

	As at 31.07.16	As at 31.07.15
	£000	£000
Accrued expenses	233	189
Purchases awaiting settlement	1,550	–
<b>Total creditors</b>	<b>1,783</b>	<b>189</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £198,000 (2015: £159,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,150,000 (2015: £1,154,000). The amount outstanding at the year end was £649,000 (2015: £625,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	89,291,279	6,814,449	82,476,830

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 70. The distributions per share class are given in the distribution tables on page 87.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	82,476,830	19,685,961	(12,871,512)	–	89,291,279

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 100.03% (2015: 100.03%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 10.00%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
US Dollar	1,706	1,259	245,126	186,552	246,832	187,811

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 0.82% (2015: 0.95%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depository's base rate.

**Market price risk**

At the year end date, 99.93% (2015: 99.36%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.93%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(151,379)	(53)	–	(151,432)	0.04%	0.00%
	(151,379)	(53)	–	(151,432)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	135,542	(49)	(3)	135,490	0.04%	0.00%
	135,542	(49)	(3)	135,490		
<b>Total</b>		(102)	(3)			
<b>Percentage of Fund average net assets</b>		0.05%	0.00%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(147,276)	(69)	–	(147,345)	0.05%	0.00%
	(147,276)	(69)	–	(147,345)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	184,143	(78)	(4)	184,061	0.04%	0.00%
	184,143	(78)	(4)	184,061		
<b>Total</b>		(147)	(4)			
<b>Percentage of Fund average net assets</b>		0.07%	0.00%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.02% (2015: 0.03%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015:nil).



## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	0.7264	–	0.7264	0.7579
	Group 2	0.3005	0.4259	0.7264	0.7579

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.6164	–	0.6164	0.4909
	Group 2	0.1551	0.4613	0.6164	0.4909

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS EURO EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in European equities (excluding UK).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Europe (excluding UK). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 4.71 per cent (net of fees), underperforming the FTSE® World Europe ex UK Index return of 7.06 per cent.

#### Review

Bouts of market volatility characterised much of the period under review. Themes dominating European markets over the year included the European Central Bank's (ECB) activities to stimulate investment and boost sentiment across the Eurozone, US monetary policy and the related concerns about slowing economic growth in China, the demand and the outlook for oil and other commodities and most recently the drama resulting from the UK referendum decision in June to leave the EU.

At odds with the December 2015 decision by the US Federal Reserve (the Fed) to raise rates for the first time in eight years, the ECB has been moving in the opposite direction. Though its year end level of monetary stimulus was viewed as disappointing by observers, a more aggressive policy package (increasing monthly asset purchases from €60 billion to €80 billion and cutting the deposit rate further) in March helped firm up markets after dramatic falls across European markets in January and February. During the first half of 2016 the Eurozone showed signs of an economic uplift; unemployment across the region fell to 10.2 per cent, a level not seen since August 2011 and in its June economic outlook, the Organisation for Economic Cooperation and Development (OECD) increased its growth forecast to 1.6 per cent from the 1.4 per cent forecast in February.

After its move on rates in December, the Fed's decision to postpone any further increase so far in 2016 was a major influence on markets. The OECD cut its 2016 US growth forecast from 2 per cent to 1.8 per cent, leaving US policy makers unconvinced of the economy's appetite for a further rate hike. The Fed also highlighted the impact of weaker Chinese growth. The knock on weakness in the oil price supported the recovery across the Eurozone and as it is a net importer of oil, this has been beneficial for consumers. On the downside, weak commodity prices impacted the European materials sector.

The referendum decision by the UK electorate in late June to leave the EU has provided a dramatic conclusion to the period under review. Considerable constitutional, economic and social uncertainty has been created as a result, not just in the UK but across the other 27 members as well. Up to this event the underlying signs for Europe had been improving: having seen its economy post better-than-expected Q1 GDP data, German think tank ZEW's sentiment survey of current economic conditions increased to 54.5 points in June from 53.1 points in May. In Greece, policymakers agreed to undertake fiscal reform, receiving backing from several Eurozone finance ministers and secured the second tranche of its €86 billion bailout package that had been agreed in August 2015. Spain and Ireland, which are both going through periods of political transition, also provided cause for economic optimism. Despite political deadlock in Spain, consumer spending drove a 0.8 per cent quarter-on-quarter GDP expansion in Q1. The European Commission, meanwhile, forecast that Ireland would maintain its position as Europe's fastest-growing economy, predicting GDP growth of 4.9 per cent for 2016.

Over the year, defensives in the form of consumer staples and utilities were the strongest contributors to the Fund, especially those with non-European sources of earnings. An overweight in Anheuser-Busch InBev was a major positive contributor to the Fund's performance; the stock continued to enjoy a favourable market reaction to its successful bid for SABMiller. A holding in Carlsberg A/S has also enhanced the Fund's performance and Italian spirits producer Davide Campari-Milano was also a significant positive contributor. Underlying sales trends for its brands continue to be very strong, thanks to the resurgence in the popularity of older style cocktails, and its lower exposure to emerging markets was also supportive from a sentiment perspective.

Dutch information services business Wolters Kluwer was a very strong performer thanks to delivering strong results and reiterating guidance for the remainder of the year. Organic revenue growth and margin expansion are supportive of our investment thesis, and growth in America and Asia Pacific more than offset the weaker environment across Europe.

By contrast, financials which make up almost a quarter of the index were severely impacted by the surprise result of the Brexit referendum; in spite of not holding significant underperformers such as Banco Santander and Deutsche Bank, the sector contributed five of the ten bottom detractors for the Fund over the period. Credit Suisse was the largest single detractor to the Fund, with the main reason a poor performance from its investment bank. Following a meeting with company management, we believe our investment rationale remains intact, but have trimmed our holding to take account of the heightened risk environment. Two other overweight positions in financials, Permanent TSB and Bank of Ireland also detracted from performance. In spite of the difficulties in the sector, German real estate business Vonovia was one of the Fund's strongest positive contributors. In March the company reported full year profits strong compared to those in 2014, with revenue growth resulting from both additional properties and its "extensions" strategy of offering additional services to both tenants and landlords.

French broadcaster Television Francaise (TF1) exhibited some weakness due to a loss of momentum in the French advertising market over the year, and the short term earnings impact of moving its news from pay-TV to a free-to-air channel.

## AVIVA INVESTORS EURO EQUITY MOM 1 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

Good stock selection and an overweight position helped the contribution from the health care equipment and services sector. German health care facility Fresenius contributed positively as management announced the company would deliver its mid-term earnings target two years ahead of expectations, implying a significant upgrade to earnings per share. By contrast Novartis detracted from Fund performance. The company's third quarter results disappointed, resulting from earnings lagging expectations and a negative currency impact. Its problems stem from its eye treatment business, Alcon, where revenues have been weak as surgical equipment sales have slowed in emerging markets. Yet the company has a strong pipeline and an attractive valuation, attractive relative to its peers.

Despite the prospect of continued volatility, we believe European equities represent good value. Compared to the rest of the world, Europe represents the greatest area of potential recovery in terms of margins and profitability.

Across Europe we feel that the near term impact of Brexit is unlikely to be pronounced and we expect no more than a modest hit to Eurozone GDP in the second half of 2016 resulting from Brexit related uncertainties. Eurozone trade with the UK comprises a far smaller share of EU GDP than it does the other way around. In addition, the increased post Brexit liquidity supplied by central banks may translate into a bounce for European equities and some evidence of this can be seen as bond yields in Europe periphery head lower after the vote.

Yet it should be noted that the ECB still sees strong regional disinflationary pressures, regards the banking system as fragile, and believes that politicians have been slow to implement economic reforms. Any additional monetary easing should be interpreted as a kind of insurance policy against a possible setback in times of high political uncertainty and given the possibility of rising interest rates in the US.

We believe that bottom-up stock selection is the best means for investors to differentiate between the two, given the context of the markets today. This approach evaluates companies on their individual merits, reconciling their operating models with the business environment and drawing the complex connections needed for strong, deep investment theses. As Europe continues to work through its recovery and as global markets find their equilibrium, we believe stock selection continues to be a patient investor's sharpest tool.

## August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Lazard Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 90 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## Material Portfolio Changes

Purchases	Sales
Eni SpA	Novartis AG
Adecco Group AG	Bayer AG
Syngenta AG	Fresenius SE & Co. KGaA
ING Groep NV	Banco Bilbao Vizcaya Argentaria SA
Valeo SA	Royal Dutch Shell plc 'A'
Carlsberg A/S 'B'	BNP Paribas SA
ABN AMRO Group NV, CVA	Swedbank AB 'A'
AXA SA	ABN AMRO Group NV, CVA
Anheuser-Busch InBev SA	Acciona SA
Schneider Electric SE	Ryanair Holdings plc

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments will be affected by changes in exchange rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	189.75	169.10	167.84
Return before operating charges <sup>†</sup>	10.94	24.89	5.42
Operating charges	(1.98)	(1.95)	(1.86)
Return after operating charges <sup>†</sup>	8.96	22.94	3.56
Distributions on income shares	(2.72)	(2.29)	(2.30)
Closing net asset value per share	195.99	189.75	169.10
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.44)	(0.57)	(0.28)
<b>Performance</b>			
Return after charges	4.72%	13.57%	2.12%
<b>Other information</b>			
Closing net asset value (£000)	138,928	154,186	90,386
Closing number of shares	70,887,198	81,256,281	53,451,969
Operating charges (%) <sup>‡</sup>	1.07%	1.07%	1.07%
Direct transaction costs (%) <sup>#</sup>	0.24%	0.31%	0.16%
<b>Prices<sup>≈</sup></b>			
Highest share price	199.54	199.67	183.03
Lowest share price	167.14	156.23	158.96

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.07%	1.07%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.32% (100.90%)</b>				
<b>Austria 1.63% (0.76%)</b>				
Erste Group Bank AG	EUR	112,569	2,259	1.63
			2,259	1.63
<b>Belgium 6.47% (4.72%)</b>				
Anheuser-Busch InBev SA	EUR	64,790	6,197	4.46
KBC Group NV	EUR	70,843	2,785	2.01
			8,982	6.47
<b>Denmark 6.08% (3.74%)</b>				
Carlsberg A/S 'B'	DKK	55,100	4,110	2.96
Novo Nordisk A/S 'B'	DKK	101,265	4,337	3.12
			8,447	6.08
<b>Finland 2.43% (4.07%)</b>				
Sampo OYJ 'A'	EUR	108,421	3,382	2.43
			3,382	2.43
<b>France 20.17% (16.65%)</b>				
AXA SA	EUR	344,655	5,316	3.83
Capgemini SA	EUR	27,268	1,967	1.42
Elior Participations SCA	EUR	144,441	2,349	1.69
Iliad SA	EUR	17,010	2,492	1.79
Legrand SA	EUR	59,925	2,502	1.80
Schneider Electric SE	EUR	53,976	2,664	1.92
Television Francaise 1	EUR	222,022	1,605	1.15
Valeo SA	EUR	66,473	2,574	1.85
Vinci SA	EUR	60,090	3,387	2.44
Vivendi SA	EUR	214,124	3,161	2.28
			28,017	20.17
<b>Germany 10.02% (13.75%)</b>				
Fresenius SE & Co. KGaA	EUR	70,528	3,963	2.85
GEA Group AG	EUR	53,324	2,136	1.54
SAP SE	EUR	77,376	5,118	3.68
Vonovia SE	EUR	91,346	2,709	1.95
			13,926	10.02
<b>Ireland 6.47% (8.88%)</b>				
Bank of Ireland	EUR	10,670,414	1,664	1.20
CRH plc	EUR	100,761	2,319	1.67
Kerry Group plc 'A'	EUR	37,363	2,397	1.73
Kingspan Group plc	EUR	39,450	698	0.50
Permanent TSB Group Holdings plc	EUR	326,806	579	0.42
Ryanair Holdings plc	EUR	130,720	1,327	0.95
			8,984	6.47
<b>Italy 10.29% (7.45%)</b>				
Atlantia SpA	EUR	102,028	1,909	1.37
Banca Mediolanum SpA	EUR	305,324	1,701	1.23
Cerved Information Solutions SpA	EUR	183,816	1,157	0.83
Davide Campari-Milano SpA	EUR	325,223	2,520	1.81
Eni SpA	EUR	249,522	2,836	2.04
Snam SpA	EUR	463,532	2,011	1.45
Telecom Italia SpA	EUR	3,364,327	2,163	1.56
			14,297	10.29

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Netherlands 10.68% (9.83%)</b>				
ING Groep NV	EUR	337,751	2,849	2.05
NN Group NV	EUR	99,038	2,014	1.45
RELX NV	EUR	173,622	2,345	1.69
Unilever NV, CVA	EUR	121,715	4,194	3.02
Wolters Kluwer NV	EUR	109,147	3,441	2.47
			14,843	10.68
<b>Norway 4.18% (4.24%)</b>				
Europris ASA	NOK	395,851	1,291	0.93
Gjensidige Forsikring ASA	NOK	120,464	1,525	1.10
Petroleum Geo-Services ASA	NOK	170,456	255	0.18
Telenor ASA	NOK	218,271	2,735	1.97
			5,806	4.18
<b>Portugal 0.00% (1.67%)</b>				
<b>Spain 2.35% (5.01%)</b>				
Abertis Infraestructuras AS	EUR	174,895	2,060	1.48
Red Electrica Corp. SA	EUR	70,216	1,208	0.87
			3,268	2.35
<b>Sweden 0.00% (3.51%)</b>				
<b>Switzerland 15.23% (13.28%)</b>				
Actelion Ltd.	CHF	27,605	3,683	2.65
Adecco Group AG	CHF	58,770	2,433	1.75
Cie Financiere Richemont SA	CHF	36,716	1,687	1.21
Credit Suisse Group AG	CHF	179,883	1,568	1.13
Novartis AG	CHF	134,223	8,369	6.02
Syngenta AG	CHF	11,491	3,424	2.47
			21,164	15.23
<b>Turkey 1.57% (1.92%)</b>				
Turkcell Iletisim Hizmetleri AS	TRY	830,493	2,179	1.57
			2,179	1.57
<b>United Kingdom 0.75% (1.42%)</b>				
Royal Dutch Shell plc 'A'	EUR	54,130	1,043	0.75
			1,043	0.75
<b>Equities total</b>			<b>136,597</b>	<b>98.32</b>
Investment assets			136,597	98.32
Net other assets			2,331	1.68
<b>Net assets</b>			<b>138,928</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains	2		4,681		13,336
Revenue	3	4,234		3,574	
Expenses	4	(1,584)		(1,279)	
Net revenue before taxation		2,650		2,295	
Taxation	5	(398)		(476)	
Net revenue after taxation			2,252		1,819
<b>Total return before distributions</b>			<b>6,933</b>		<b>15,155</b>
Distributions	6		(2,266)		(1,819)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>4,667</b>		<b>13,336</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>154,186</b>		<b>90,386</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	4,082		53,333	
Amounts payable on cancellation of shares	(24,110)		(3,044)	
		(20,028)		50,289
Dilution adjustment		103		175
Change in net assets attributable to shareholders from investment activities (see above)		4,667		13,336
<b>Closing net assets attributable to shareholders</b>		<b>138,928</b>		<b>154,186</b>

\* Refer to the accounting policies note on page 95.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		136,597	155,579
<b>Current assets:</b>			
Debtors	8	1,089	928
Cash and bank balances	9	6,646	3,865
<b>Total assets</b>		<b>144,332</b>	<b>160,372</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(1,925)	(1,864)
Other creditors	10	(3,479)	(4,322)
<b>Total liabilities</b>		<b>(5,404)</b>	<b>(6,186)</b>
<b>Net assets attributable to shareholders</b>		<b>138,928</b>	<b>154,186</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

#### Statement of Total Return

Interest payable of £1,000 is now disclosed within 'Expenses', whereas under SORP 2010 they were was disclosed within 'Finance costs'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(143)	(357)
Expenses relating to the purchase and sale of investments	(18)	(21)
Forward currency contracts gains	4	5
Non-derivative securities gains	4,838	13,709
<b>Net capital gains</b>	<b>4,681</b>	<b>13,336</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas dividends	4,234	3,574
<b>Total revenue</b>	<b>4,234</b>	<b>3,574</b>

### 4 Expenses

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,499	1,216
	1,499	1,216
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	20	17
Interest payable	2	1
Safe custody fee	33	29
	55	47
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	2	2
Professional fees	14	1
Statement fees	5	4
	30	16
<b>Total expenses</b>	<b>1,584</b>	<b>1,279</b>

\* Refer to the accounting policies note above.

\*\* The audit fee was £8,226 (2014: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	398	476
<b>Total current tax for the year (see note 5.b)</b>	<b>398</b>	<b>476</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>2,650</b>	<b>2,295</b>
Corporation tax at 20%	530	459
<b>Effects of:</b>		
Expenses not deductible for tax purposes	3	–
Movement in excess expenses	303	247
Overseas dividends not subject to corporation tax	(836)	(704)
Overseas tax suffered	398	476
Tax relief for overseas tax suffered	–	(2)
	(132)	17
<b>Current tax charge (see note 5.a)</b>	<b>398</b>	<b>476</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,439,000 (2015: £3,924,000) creating a potential deferred tax asset of £1,088,000 (2015: £785,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Final distribution	1,925	1,864
	1,925	1,864
Add: Revenue deducted on cancellation of shares	348	13
Deduct: Revenue received on issue of shares	(7)	(58)
<b>Total distributions</b>	<b>2,266</b>	<b>1,819</b>
<b>Reconciliations of distributions for the year to net revenue after taxation</b>		
Distributions for the year	2,266	1,819
Other fees borne by the capital account	(14)	–
<b>Net revenue after taxation</b>	<b>2,252</b>	<b>1,819</b>

Details of the distributions per share are set out in the distribution tables on page 101.

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 £000	As at 31.07.15 £000
Quoted prices for identical instruments in active markets	136,597	155,579
<b>Total</b>	<b>136,597</b>	<b>155,579</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	–	13
Overseas tax recoverable	629	394
Sales awaiting settlement	460	521
<b>Total debtors</b>	<b>1,089</b>	<b>928</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	6,646	3,865
<b>Total cash and bank balances</b>	<b>6,646</b>	<b>3,865</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	153	157
Corporation tax payable	13	13
Purchases awaiting settlement	3,313	4,152
<b>Total creditors</b>	<b>3,479</b>	<b>4,322</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £123,000 (2015: £129,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,925,000 (2015: £1,864,000). The amount outstanding at the year end was £1,925,000 (2015: £1,864,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	70,887,198	(10,369,083)	81,256,281

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 90. The distributions per share class are given in the distribution tables on page 101.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	81,256,281	2,123,186	(12,492,269)	–	70,887,198

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: nil).

**Currency risk**

At the year end date, 97.00% (2015: 99.16%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 9.70%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Danish Krone	16	(39)	8,447	5,766	8,463	5,727
Euro	(2,090)	(1,976)	99,001	114,407	96,911	112,431
Norwegian Krone	67	(166)	5,806	6,541	5,873	6,375
Swedish Krona	(3)	(192)	–	5,415	(3)	5,223
Swiss Franc	172	(56)	21,164	20,483	21,336	20,427
Turkish Lira	–	(357)	2,179	2,967	2,179	2,610

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 4.78% (2015: 2.51%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 98.32% (2015: 100.90%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.83%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(110,258)	(119)	(117)	(110,494)	0.11%	0.11%
	(110,258)	(119)	(117)	(110,494)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	134,412	(125)	–	134,287	0.09%	0.00%
	134,412	(125)	–	134,287		
<b>Total</b>		(244)	(117)			
<b>Percentage of Fund average net assets</b>		0.16%	0.08%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(135,785)	(114)	(166)	(136,065)	0.08%	0.12%
	(135,785)	(114)	(166)	(136,065)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	84,035	(99)	–	83,936	0.12%	0.00%
	84,035	(99)	–	83,936		
<b>Total</b>		(213)	(166)			
<b>Percentage of Fund average net assets</b>		0.17%	0.14%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.08% (2015:0.05%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	2.7159	–	2.7159	2.2936
	Group 2	2.3686	0.3473	2.7159	2.2936

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.0000	–	0.0000	0.0000
	Group 2	0.0000	0.0000	0.0000	0.0000

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS EURO EQUITY MOM 2 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in European equities (excluding UK).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Europe (excluding UK). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 19.17 per cent (net of fees), outperforming the FTSE® World Europe ex UK Index return of 7.06 per cent.

#### Review

At the start of the review period, growing worries over the Chinese stockmarket and economy were transmitted globally, resulting in a sell-off whose epicentre on 24 August 2015 was labelled 'Black Monday'. The global importance of China's economic strength raised question marks about the timing of impending rate rises in the US. The US Federal Reserve (the Fed) subsequently chose not to enact interest rate 'lift-off' at its September meeting, instead waiting for December to raise rates.

In December 2015, a revival of Chinese concerns took equity markets into a downtrend which worsened in the first weeks of 2016 and persisted until anticipation of European Central Bank (ECB) stimulus measures at its March meeting boosted sentiment. The ECB's President, Mario Draghi, did indeed deliver new policy measures, but markets reacted with increased volatility and failed to establish a strong trajectory, with a positive impact on sentiment being tempered by rising concerns that QE is doing little to stimulate real economic activity.

The rally faded as the outlook for US monetary policy became more uncertain and as political risk (particularly relating to the US election, Brexit vote and Spanish elections) generated market volatility. Expectations regarding the likely outcome of the UK's EU referendum oscillated in May and June, before markets strongly priced in a Remain vote in the days immediately before the referendum. Equity markets rallied and sterling appreciated. However, this confidence was shown to be misplaced when a Leave vote was returned, resulting in UK and European markets moving sharply lower on the day.

Markets then rallied strongly, led by large-caps, to recover their referendum losses before the end of July. There was an increasing emphasis on the increased central bank stimulus that might be forthcoming as a result of the vote. The vote for Brexit weighed heavily on sterling, which depreciated 17 per cent against the euro over the year.

From a sector perspective, concerns towards financials escalated rapidly and reflected investors' anxieties regarding banks' profitability in a world of low and negative policy rates. The sector fell 12.4 per cent in sterling terms over the year. The best performing sector was consumer staples, up more than 28 per cent.

We have seen increasing signs that we are now in a 'show me' phase where investors are beginning to differentiate more between stocks as they focus on company fundamentals. With a gloomier global macroeconomic picture taking hold, the dominant investment regime has been one of low but widening valuation dispersion in Europe albeit, punctuated by bouts of sharp value-led gains (such as in October 2015 and March 2016).

The Fund's strongest contributors included Paddy Power, Software AG and Straumann Holding.

The main event for Paddy Power shareholders was the announcement of a merger with Betfair, which completed in February 2016. Paddy Power shareholders received a €1.2 dividend per share for 2015, which was paid alongside a special dividend and 'closing dividend' of c. €1.8 and c. €0.2 per share respectively. The bookmaker experienced strong trading during the year.

Straumann, the Swiss-based dental implant manufacturer company, reported better than expected Q1 2016 results including 12 per cent growth in organic revenues, the strongest rate of growth seen since 2008, with higher than forecast sales in Asia-Pacific and North America. Management upgraded its full year organic growth forecast to high-single-digit range compared to mid-single-digit range previously.

Software AG, a German software infrastructure solutions business, gave evidence of strong trading through the year and in July 2016 upgraded its full year 2016 guidance within interim results. It lifted its forecast for operating profit margins from 30-31 per cent to 30.5-31.5 per cent. The company grew revenues by 5 per cent in the first half of 2016 and stated it has a strong project pipeline for the second half.

The biggest detractors from performance included Fred Olsen Energy, Banco Popolare and Hugo Boss.

Hugo Boss shares fell as it became clear that a weak retail outlook for the US and China was affecting profitability. The company stated that it expected a low double-digit fall in operating profit in 2016. The departure of the company's CEO was also announced.

Shares in Banco Popolare were caught up in widespread weakness in the financials sector. The company also completed a rights issue to raise €1bn as part of its merger with Banca Popolare di Milano.

Fred Olsen's share price fall is a result of the decline in the oil price (down 11 per cent over the period), which is having a clear impact on the company's activity levels. It also issued Q2 2016 results which a US\$159m impairment charge, which the company booked to reflect further weakening of the offshore drilling market.



## AVIVA INVESTORS EURO EQUITY MOM 2 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

A number of portfolio changes were made over the year, primarily representing changes resulting from this year's review of company report and accounts, but also the need to create liquidity to satisfy April's withdrawal of funds. The annual portfolio restructuring was largely completed during May and June. Following the changes, the Fund's style bias remains tilted towards growth and quality. However, mindful of some now attractive value opportunities in a few specific sectors, the value element of the Fund has increased slightly compared with last year.

European markets remain in a downtrend with no significant signs of investor stress that would signal the potential for sharp recovery. Aggressive corporate investment continues to wane in Europe which is usually constructive for equity markets and long term valuation measures are not especially troubling for European markets. However, in the shorter term, trend is a better guide to the next six months and the continuation of a downtrend in Europe along with low levels of investor recession anxiety (implied by narrow valuation spreads) suggests the possibility of continued volatility in European markets which could be subject to further weakness.

Whilst valuation measures in Europe are not of particular concern the same could not be said of the US market which resides on through the cycle valuations that imply de minimis returns from equities over the next ten years. Yet in the past few months the US has seen a recovery in the stock market sufficient to push our technical indicator back into an uptrend, albeit thinly supported as the breadth of the market is narrow.

## August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Liontrust Investment Partners LLP.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 104 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## Material Portfolio Changes

Purchases	Sales
CIE Automotive SA	Gamesa Corp. Tecnologica SA
Forbo Holding AG	Paddy Power plc
Koninklijke Vopak NV	Pandora A/S
Nexans SA	Kone OYJ 'B'
Vestas Wind Systems A/S	Ipsen SA
Dfids A/S	Valmet OYJ
NN Group NV	Novozymes A/S 'B'
HOCHTIEF AG	Industria de Diseno Textil SA
Schindler Holding AG	Euronext NV
Partners Group Holding AG	ProSiebenSat.1 Media SE

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments will be affected by changes in exchange rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	172.00	162.20	158.98
Return before operating charges <sup>†</sup>	34.90	13.74	8.06
Operating charges	(1.87)	(1.79)	(1.74)
Return after operating charges <sup>†</sup>	33.03	11.95	6.32
Distributions on income shares	(2.83)	(2.15)	(3.10)
Closing net asset value per share	202.20	172.00	162.20
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.66)	(0.57)	(0.57)
<b>Performance</b>			
Return after charges	19.20%	7.37%	3.98%
<b>Other information</b>			
Closing net asset value (£000)	47,015	83,266	48,635
Closing number of shares	23,251,716	48,409,590	29,985,174
Operating charges (%) <sup>‡</sup>	1.05%	1.06%	1.06%
Direct transaction costs (%) <sup>#</sup>	0.37%	0.34%	0.35%
<b>Prices<sup>≈</sup></b>			
Highest share price	205.29	182.14	173.96
Lowest share price	158.47	146.66	153.43

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

## Ongoing Charges Figure\*

Share class	31.07.16	31.07.15
Class 2	1.05%	1.06%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.28% (96.50%)</b>				
<b>Austria 1.78% (0.00%)</b>				
OMV AG	EUR	42,099	839	1.78
			839	1.78
<b>Denmark 18.89% (13.19%)</b>				
Dfds A/S	DKK	47,463	1,635	3.48
NKT Holding A/S	DKK	42,944	1,670	3.55
Novo Nordisk A/S 'B'	DKK	30,578	1,310	2.79
Pandora A/S	DKK	13,108	1,290	2.74
Royal Unibrew A/S	DKK	43,248	1,496	3.18
Vestas Wind Systems A/S	DKK	28,065	1,481	3.15
			8,882	18.89
<b>Finland 0.00% (9.00%)</b>				
<b>France 7.54% (15.00%)</b>				
Nexans SA	EUR	39,709	1,527	3.25
Peugeot SA	EUR	49,023	557	1.18
TOTAL SA	EUR	40,875	1,460	3.11
			3,544	7.54
<b>Germany 7.95% (12.40%)</b>				
Deutsche Pfandbriefbank AG	EUR	97,562	708	1.51
HOCHTIEF AG	EUR	15,263	1,500	3.19
Software AG	EUR	50,463	1,532	3.25
			3,740	7.95
<b>Ireland 0.00% (2.66%)</b>				
<b>Italy 3.54% (0.00%)</b>				
Banco Popolare SC	EUR	167,686	360	0.77
DiaSorin SpA	EUR	27,398	1,304	2.77
			1,664	3.54
<b>Netherlands 8.66% (6.15%)</b>				
Koninklijke Vopak NV	EUR	36,864	1,413	3.01
NN Group NV	EUR	57,660	1,172	2.49
Unilever NV, CVA	EUR	43,154	1,487	3.16
			4,072	8.66
<b>Norway 1.25% (1.47%)</b>				
Fred Olsen Energy ASA	NOK	108,760	160	0.34
Norsk Hydro ASA	NOK	133,469	428	0.91
			588	1.25
<b>Spain 15.35% (9.47%)</b>				
ACS Actividades de Construccion y Servicios SA	EUR	62,251	1,362	2.90
Amadeus IT Holding SA 'A'	EUR	36,517	1,321	2.81
CIE Automotive SA	EUR	111,037	1,623	3.45
Endesa SA	EUR	89,152	1,417	3.01
Red Electrica Corp. SA	EUR	86,800	1,493	3.18
			7,216	15.35
<b>Sweden 12.17% (17.85%)</b>				
Atlas Copco AB 'A'	SEK	68,854	1,459	3.10
Axfood AB	SEK	109,774	1,480	3.15
Peab AB	SEK	250,398	1,517	3.23
Swedish Match AB	SEK	46,537	1,265	2.69
			5,721	12.17

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value	
			£000	% of Net Assets
<b>Switzerland 21.15% (9.31%)</b>				
Actelion Ltd.	CHF	13,366	1,783	3.79
Cembra Money Bank AG	CHF	28,894	1,571	3.34
Forbo Holding AG	CHF	1,608	1,549	3.30
Partners Group Holding AG	CHF	4,726	1,618	3.44
Schindler Holding AG	CHF	10,823	1,563	3.33
Straumann Holding AG	CHF	5,137	1,468	3.12
UBS Group AG	CHF	36,701	390	0.83
			9,942	21.15
<b>Equities total</b>			<b>46,208</b>	<b>98.28</b>
Investment assets			46,208	98.28
Net other assets			807	1.72
<b>Net assets</b>			<b>47,015</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains	2		11,812		3,509
Revenue	3	1,927		1,952	
Expenses	4	(782)		(681)	
Net revenue before taxation		1,145		1,271	
Taxation	5	(66)		(265)	
Net revenue after taxation			1,079		1,006
<b>Total return before distributions</b>			<b>12,891</b>		<b>4,515</b>
Distributions	6		(1,079)		(1,006)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>11,812</b>		<b>3,509</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>83,266</b>		<b>48,635</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	–		31,792	
Amounts payable on cancellation of shares	(48,198)		(790)	
		(48,198)		31,002
Dilution adjustment		135		120
Change in net assets attributable to shareholders from investment activities (see above)		11,812		3,509
<b>Closing net assets attributable to shareholders</b>		<b>47,015</b>		<b>83,266</b>

\* Refer to the accounting policies note on page 109.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		46,208	80,354
<b>Current assets:</b>			
Debtors	8	197	357
Cash and bank balances	9	1,358	3,696
<b>Total assets</b>		<b>47,763</b>	<b>84,407</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(658)	(1,041)
Other creditors	10	(90)	(100)
<b>Total liabilities</b>		<b>(748)</b>	<b>(1,141)</b>
<b>Net assets attributable to shareholders</b>		<b>47,015</b>	<b>83,266</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

#### Statement of Total Return

Interest payable of £5,551 is now disclosed within 'Expenses', whereas under SORP 2010 they were was disclosed within 'Finance costs'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(139)	(90)
Expenses relating to the purchase and sale of investments	(9)	(12)
Non-derivative securities gains	11,960	3,611
<b>Net capital gains</b>	<b>11,812</b>	<b>3,509</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	12	–
Overseas dividends	1,915	1,874
UK dividends	–	78
<b>Total revenue</b>	<b>1,927</b>	<b>1,952</b>

### 4 Expenses

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	750	649
	750	649
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	11	10
Interest payable	1	6
Safe custody fee	6	4
	18	20
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	2	1
Statement fees	3	2
	14	12
<b>Total expenses</b>	<b>782</b>	<b>681</b>

\* Refer to the accounting policies note above.

\*\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	66	265
<b>Total current tax for the year (see note 5.b)</b>	<b>66</b>	<b>265</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>1,145</b>	<b>1,271</b>
Corporation tax at 20%	229	254
<b>Effects of:</b>		
Movement in excess expenses	154	136
Overseas dividends not subject to corporation tax	(383)	(375)
Overseas tax suffered	66	265
UK dividends not subject to corporation tax	–	(15)
	(163)	11
<b>Current tax charge (see note 5.a)</b>	<b>66</b>	<b>265</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £3,222,000 (2015: £2,452,000) creating a potential deferred tax asset of £645,000 (2015: £491,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Final distribution	658	1,041
	658	1,041
Add: Revenue deducted on cancellation of shares	421	4
Deduct: Revenue received on issue of shares	–	(39)
<b>Total distributions</b>	<b>1,079</b>	<b>1,006</b>

Details of the distributions per share are set out in the distribution tables on page 115.

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 Assets £000	As at 1.07.15 Assets £000
Quoted prices for identical instruments in active markets	46,208	80,354
<b>Total</b>	<b>46,208</b>	<b>80,354</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Overseas tax recoverable	197	190
Sales awaiting settlement	–	167
<b>Total debtors</b>	<b>197</b>	<b>357</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	1,358	3,696
<b>Total cash and bank balances</b>	<b>1,358</b>	<b>3,696</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	90	100
<b>Total creditors</b>	<b>90</b>	<b>100</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £41,000 (2015: £69,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £658,000 (2015: £1,041,000). The amount outstanding at the year end was £658,000 (2015: £1,041,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	23,251,716	(25,157,874)	48,409,590

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 104. The distributions per share class are given in the distribution tables on page 115.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	48,409,590	–	(25,157,874)	–	23,251,716

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 98.73% (2015: 97.58%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 9.87%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Danish Krone	25	2	8,882	10,986	8,907	10,988
Euro	110	810	21,075	45,527	21,185	46,337
Norwegian Krone	13	51	588	1,223	601	1,274
Swedish Krona	–	–	5,721	14,864	5,721	14,864
Swiss Franc	60	34	9,942	7,754	10,002	7,788

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 2.89% (2015: 4.44%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 98.28% (2015: 96.50%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.83%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(27,438)	(121)	(7)	(27,566)	0.44%	0.03%
	(27,438)	(121)	(7)	(27,566)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	73,823	(151)	–	73,672	0.20%	0.00%
	73,823	(151)	–	73,672		
<b>Total</b>		(272)	(7)			
<b>Percentage of Fund average net assets</b>		0.36%	0.01%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(75,888)	(101)	(30)	(76,019)	0.13%	0.04%
	(75,888)	(101)	(30)	(76,019)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	48,135	(88)	–	48,047	0.18%	0.00%
	48,135	(88)	–	48,047		
<b>Total</b>		(189)	(30)			
<b>Percentage of Fund average net assets</b>		0.29%	0.05%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.08% (2015: 0.31%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	2.8284	–	2.8284	2.1503
	Group 2	2.8284	0.0000	2.8284	2.1503

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.0000	–	0.0000	0.0000
	Group 2	0.0000	0.0000	0.0000	0.0000

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS APAC EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in Asia Pacific equities (excluding Japan).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the Asia Pacific region (excluding Japan). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 15.39 per cent (net of fees), underperforming the FTSE® Asia Pacific ex Japan Index return of 22.12 per cent.

#### Review

Country allocation contributed to most of the underperformance, given the overweight in Hong Kong (affected by the slowdown in Chinese growth) and the underweight in Korea (which benefitted from foreign investor inflows on the back of higher earnings).

Investors started the period cautious on Asian equities. This was driven by concerns on China's slowing economy, liberal use of credit across the region and the possibility of US interest rate rises. A collapse in China A-shares that started in June, triggered by the unwinding of margin financing, led to a sell-off across regional markets. The Chinese currency devaluation in August led to further capital outflows and selling across the region.

Towards the middle of the period, when it became clear that Chinese policy was again easing, regional markets stabilised. China news flow continued to dominate, but there was also a realisation that US interest rate hikes were likely to be delayed. This allows greater flexibility across the region for further interest rate cuts, fiscal easing and infrastructure investments. As a result, regional markets recovered strongly in the second half of the period, while returns for UK investors were increased by the fall in sterling after the EU referendum. ASEAN markets, other than Malaysia, has been the strongest so far this year.

Hong Kong, Australian and Korean stock selection were detractors to performance, offsetting gains in Taiwan, Singapore and China. Hong Kong financials (HSBC, BOC and AIA) fell on worries over slower economic growth and the Chinese currency's depreciation. Property stocks Hong Kong Land, Kerry and Cheung Kong were impacted by similar worries, in addition to fears on US interest rates. We continue to see them as well-managed companies offering value and attractive dividend yields during a period of elevated uncertainty.

Whilst we were largely cautious on China and focused on stronger private enterprises, the weaker China environment nevertheless impacted our holdings. Belle International, a traditional footwear/apparel company, struggled against online discounting. Whilst we strive to hold the better quality state-owned enterprises (SOEs) businesses, two holdings hurt performance. Zhuzhou CRRC Times Electric was down on slower growth in overseas orders, while China Resources Land continues to be affected by property affordability and tightening property policies.

In Australia, not holding gold miner Newcrest Mining was a drag on performance. This was somewhat offset by holding James Hardie (a building material supplier.) Other positive contributors included holdings in the healthcare sector (CSL, Resmed and Medibank) and in Brambles.

Jardine Matheson and Jardine Cycle & Carriage boosted performance on the back of recent strength in subsidiary Astra International.

Among portfolio activities, we trimmed the holding in Emperador as a result of risks in a recent acquisition. In Korea, we initiated positions in Yuhan Corp (our analyst's top pick within the healthcare sector) and several mid-cap names. We also increased our weighting in Samsung Electronic given their technology leadership and recovering handset margins. We have initiated a position in Chinese internet company Sina Corporation and topped up the holding in Alibaba, a new-economy play on Chinese consumption which continues to deliver 20 per cent-plus growth. At the same time, we trimmed exposure to another internet play, Baidu, given increased concerns on monetisation risks and its weaker strategic positioning. We increased the holding in Tencent and reduced the holding in China Mengniu.

Whilst there is heightened uncertainty after the Brexit vote, we did not see a need for the Fund to re-position its holdings. Market expectations for corporate profits had already adjusted significantly lower to reflect lower global growth and a challenging operating environment, but it remains to be seen to what extent the Brexit vote compounds this view.

Post Brexit, there is a growing view that the next US interest rate hike has been further delayed. This provides a window for more accommodative monetary policy in Asia. As a result we have seen strong inflows into ASEAN markets. Share valuations are now running slightly ahead of companies' fundamentals. It is important that governments deliver on announced infrastructure projects and reforms to sustain recent momentum.

The Fund remains focused on companies that have strong balance sheets and offer sustainable value or attractive dividend yields (for example telecoms and HK property investment companies.) The Fund is also invested in companies where we see pockets of growth at defensible valuation premiums. These include Chinese new-economy stocks and niche sectors such as Taiwan/Korean technology companies, Australian healthcare and Australian resource stocks.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Schroder Investment Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 118 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS APAC EQUITY MOM 1 FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
Taiwan Mobile Co. Ltd.	Baidu, Inc., ADR
Tencent Holdings Ltd.	CSL Ltd.
Alibaba Group Holding Ltd., ADR	James Hardie Industries plc, CDI
Samsung Electronics Co. Ltd.	SK Telecom Co. Ltd.
ASX Ltd.	Taiwan Semiconductor Manufacturing Co. Ltd.
SINA Corp.	Baoxin Auto Group Ltd.
HSBC Holdings plc	Public Bank Bhd.
LG Chem Ltd.	Samsung Electronics Co. Ltd.
Yuhan Corp.	KB Financial Group, Inc.
ResMed, Inc., CDI	AIA Group Ltd.

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Developing market investments can be less easy to buy and sell, and their values may be influenced by the economic and political risks of the countries of issue.
- The value of investments will be affected by changes in exchange rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	189.20	198.14	185.87
Return before operating charges <sup>†</sup>	31.27	(2.80)	17.30
Operating charges	(2.49)	(2.75)	(2.55)
Return after operating charges <sup>†</sup>	28.78	(5.55)	14.75
Distributions on income shares	(3.67)	(3.39)	(2.48)
Closing net asset value per share	214.31	189.20	198.14
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.16)	(0.14)	(0.39)
<b>Performance</b>			
Return after charges	15.21%	(2.80)%	7.93%
<b>Other information</b>			
Closing net asset value (£000)	43,444	47,473	46,854
Closing number of shares	20,271,338	25,091,209	23,647,402
Operating charges (%) <sup>‡</sup>	1.36%	1.34%	1.36%
Direct transaction costs (%) <sup>#</sup>	0.09%	0.07%	0.21%
<b>Prices<sup>≈</sup></b>			
Highest share price	218.46	228.05	200.50
Lowest share price	162.38	190.45	175.66

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.36%	1.34%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.86% (96.98%)</b>				
<b>Australia 21.22% (21.35%)</b>				
AGL Energy Ltd.	AUD	36,723	432	0.99
ASX Ltd.	AUD	14,159	402	0.93
Australia & New Zealand Banking Group Ltd.	AUD	44,807	662	1.52
BHP Billiton Ltd.	AUD	60,259	672	1.55
Brambles Ltd.	AUD	106,960	822	1.89
Commonwealth Bank of Australia	AUD	11,379	503	1.16
Computershare Ltd.	AUD	80,113	407	0.94
CSL Ltd.	AUD	12,176	821	1.89
Incitec Pivot Ltd.	AUD	273,115	448	1.03
Medibank Pvt Ltd.	AUD	242,727	426	0.98
National Australia Bank Ltd.	AUD	71,951	1,092	2.51
Orica Ltd.	AUD	22,570	183	0.42
QBE Insurance Group Ltd.	AUD	28,922	181	0.42
Rio Tinto Ltd.	AUD	14,117	400	0.92
Wesfarmers Ltd.	AUD	11,800	290	0.67
Westpac Banking Corp.	AUD	45,306	805	1.85
Woodside Petroleum Ltd.	AUD	16,733	254	0.59
Woolworths Ltd.	AUD	31,294	419	0.96
			9,219	21.22
<b>Bermuda 6.29% (6.11%)</b>				
Hongkong Land Holdings Ltd.	USD	211,200	1,021	2.35
Jardine Matheson Holdings Ltd.	USD	29,500	1,312	3.02
Kerry Properties Ltd.	HKD	193,500	399	0.92
Peace Mark Ltd. ^	HKD	276,000	-	-
			2,732	6.29
<b>Cayman Islands 13.17% (12.51%)</b>				
Alibaba Group Holding Ltd., ADR	USD	11,890	747	1.72
Baoxin Auto Group Ltd. ^	HKD	261,560	108	0.25
Belle International Holdings Ltd.	HKD	898,000	445	1.02
Cheung Kong Property Holdings Ltd.	HKD	59,832	322	0.74
China Mengniu Dairy Co. Ltd.	HKD	240,000	303	0.70
China Resources Land Ltd.	HKD	338,888	634	1.46
China Shineway Pharmaceutical Group Ltd.	HKD	265,000	212	0.49
CK Hutchison Holdings Ltd.	HKD	49,832	441	1.02
Pacific Textiles Holdings Ltd.	HKD	591,000	634	1.46
SINA Corp.	USD	9,515	396	0.91
Tencent Holdings Ltd.	HKD	81,300	1,478	3.40
			5,720	13.17
<b>China 7.52% (9.37%)</b>				
China Construction Bank Corp. 'H'	HKD	1,376,000	696	1.60
China Pacific Insurance Group Co. Ltd. 'H'	HKD	230,200	613	1.41
China Petroleum & Chemical Corp. 'H'	HKD	370,200	199	0.46
Industrial & Commercial Bank of China Ltd. 'H'	HKD	1,702,000	727	1.67
Shandong Weigao Group Medical Polymer Co. Ltd. 'H'	HKD	688,000	288	0.66
Zhuzhou CRRC Times Electric Co. Ltd. 'H'	HKD	179,700	745	1.72
			3,268	7.52
<b>Hong Kong 10.80% (11.22%)</b>				
AIA Group Ltd.	HKD	361,200	1,688	3.89
BOC Hong Kong Holdings Ltd.	HKD	294,500	731	1.68
Cathay Pacific Airways Ltd.	HKD	316,000	387	0.89
China Mobile Ltd.	HKD	123,500	1,151	2.65
CNOOC Ltd.	HKD	138,000	125	0.29
Galaxy Entertainment Group Ltd.	HKD	49,000	123	0.28
Sun Hung Kai Properties Ltd.	HKD	45,000	486	1.12
			4,691	10.80

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Indonesia 1.44% (1.74%)</b>				
Bank Mandiri Persero Tbk. PT	IDR	837,004	488	1.12
Semen Indonesia Persero Tbk. PT	IDR	256,700	139	0.32
			627	1.44
<b>Ireland 1.69% (2.06%)</b>				
James Hardie Industries plc, CDI	AUD	59,013	735	1.69
			735	1.69
<b>Luxembourg 0.54% (0.79%)</b>				
Samsonite International SA	HKD	109,500	234	0.54
			234	0.54
<b>Malaysia 0.00% (1.19%)</b>				
<b>Philippines 1.35% (1.40%)</b>				
Ayala Land, Inc.	PHP	514,600	326	0.75
Globe Telecom, Inc.	PHP	7,200	261	0.60
			587	1.35
<b>Singapore 5.00% (6.32%)</b>				
First Resources Ltd.	SGD	332,800	302	0.70
Jardine Cycle & Carriage Ltd.	SGD	17,888	394	0.91
Singapore Telecommunications Ltd.	SGD	270,900	636	1.46
United Overseas Bank Ltd.	SGD	48,600	497	1.14
UOL Group Ltd.	SGD	105,900	343	0.79
			2,172	5.00
<b>South Korea 11.78% (9.09%)</b>				
Cell Biotech Co. Ltd.	KRW	6,365	269	0.62
Hyundai Motor Co.	KRW	8,305	741	1.71
LG Chem Ltd.	KRW	2,590	428	0.98
Samsung Electronics Co. Ltd.	KRW	1,781	1,861	4.28
SK Hynix, Inc.	KRW	33,076	771	1.77
SK Telecom Co. Ltd.	KRW	3,278	512	1.18
Vieworks Co. Ltd.	KRW	5,501	185	0.43
Yuhan Corp.	KRW	1,683	350	0.81
			5,117	11.78
<b>Taiwan 12.11% (9.40%)</b>				
Advanced Semiconductor Engineering, Inc.	TWD	527,000	473	1.09
Cathay Financial Holding Co. Ltd.	TWD	167,000	142	0.33
Hon Hai Precision Industry Co. Ltd.	TWD	588,975	1,226	2.82
MediaTek, Inc.	TWD	31,898	184	0.42
Taiwan Mobile Co. Ltd.	TWD	299,000	779	1.79
Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	602,000	2,459	5.66
			5,263	12.11
<b>Thailand 3.99% (3.79%)</b>				
Bangkok Bank PCL	THB	118,800	440	1.01
BEC World PCL	THB	315,700	169	0.39
BTS Rail Mass Transit Growth Infrastructure Fund 'F'	THB	1,467,500	392	0.90
Intouch Holdings PCL, NVDR	THB	200,400	260	0.60
Kasikornbank PCL, NVDR	THB	31,700	136	0.31
Land & Houses PCL, NVDR	THB	1,534,840	337	0.78
			1,734	3.99

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United Kingdom 0.63% (0.00%)</b>				
HSBC Holdings plc	HKD	55,600	273	0.63
			273	0.63
<b>United States of America 1.33% (0.64%)</b>				
ResMed, Inc., CDI	AUD	109,641	577	1.33
			577	1.33
<b>Equities total</b>			<b>42,949</b>	<b>98.86</b>
Investment assets			42,949	98.86
Net other assets			495	1.14
<b>Net assets</b>			<b>43,444</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

^ Unlisted, suspended or delisted security.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital gains/(losses)	2		6,254		(2,573)
Revenue	3	1,674		1,578	
Expenses	4	(624)		(648)	
Net revenue before taxation		1,050		930	
Taxation	5	(119)		(115)	
Net revenue after taxation			931		815
<b>Total return before distributions</b>			<b>7,185</b>		<b>(1,758)</b>
Distributions	6		(931)		(815)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>6,254</b>		<b>(2,573)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>47,473</b>		<b>46,854</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	459		4,247	
Amounts payable on cancellation of shares	(10,786)		(1,071)	
		(10,327)		3,176
Dilution adjustment		44		16
Change in net assets attributable to shareholders from investment activities (see above)		6,254		(2,573)
<b>Closing net assets attributable to shareholders</b>		<b>43,444</b>		<b>47,473</b>

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		42,949	46,040
<b>Current assets:</b>			
Debtors	8	253	118
Cash and bank balances	9	754	1,913
<b>Total assets</b>		<b>43,956</b>	<b>48,071</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(442)	(527)
Other creditors	10	(70)	(71)
<b>Total liabilities</b>		<b>(512)</b>	<b>(598)</b>
<b>Net assets attributable to shareholders</b>		<b>43,444</b>	<b>47,473</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010.

### 2 Net capital gains/(losses)

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains/(losses) on investments during the year comprise:</b>		
Currency losses	(34)	(1)
Expenses relating to the purchase and sale of investments	(10)	(7)
Forward currency contracts gains	3	–
Non-derivative securities gains/(losses)	6,295	(2,565)
<b>Net capital gains/(losses)</b>	<b>6,254</b>	<b>(2,573)</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	3	–
Overseas dividends	1,648	1,557
Stock dividends	7	21
UK dividends	16	–
<b>Total revenue</b>	<b>1,674</b>	<b>1,578</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	572	610
	572	610
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	8	8
Interest payable	15	–
Safe custody fee	16	18
	39	26
<b>Other expenses:</b>		
Audit fee*	9	9
Printing & postage expenses	2	–
Professional fees	–	1
Statement fees	2	2
	13	12
<b>Total expenses</b>	<b>624</b>	<b>648</b>

\* The audit fee was £8,266 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	119	115
<b>Total current tax for the year (see note 5.b)</b>	<b>119</b>	<b>115</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>1,050</b>	<b>930</b>
Corporation tax at 20%	210	186
<b>Effects of:</b>		
Movement in excess expenses	122	129
Overseas dividends not subject to corporation tax	(330)	(311)
Overseas tax suffered	119	115
Stock dividends not taxable	(1)	(4)
Non-trade deficit set against current year income	2	–
UK dividends not subject to corporation tax	(3)	–
	(91)	(71)
<b>Current tax charge (see note 5.a)</b>	<b>119</b>	<b>115</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,768,000 (2015: £5,160,000) creating a potential deferred tax asset of £1,154,000 (2015: £1,032,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	373	300
Final distribution	442	527
	815	827
Add: Revenue deducted on cancellation of shares	117	5
Deduct: Revenue received on issue of shares	(1)	(17)
<b>Total distributions</b>	<b>931</b>	<b>815</b>

Details of the distributions per share are set out in the distribution tables on page 130.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 £000	As at 31.07.15 £000
Quoted prices for identical instruments in active markets	41,749	37,234
Valuation techniques using observable market data	1,092	1,440
Valuation techniques using non-observable market data	108	7,366
<b>Total</b>	<b>42,949</b>	<b>46,040</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	148	108
Overseas tax recoverable	17	10
Sales awaiting settlement	88	–
<b>Total debtors</b>	<b>253</b>	<b>118</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	754	1,913
<b>Total cash and bank balances</b>	<b>754</b>	<b>1,913</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	70	71
<b>Total creditors</b>	<b>70</b>	<b>71</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £51,000 (2015: £52,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £815,000 (2015: £827,000). The amount outstanding at the year end was £442,000 (2015: £527,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	20,271,338	(4,819,871)	25,091,209

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 118. The distributions per share class are given in the distribution tables on page 130.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	25,091,209	238,144	(5,058,015)	–	20,271,338

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 99.40% (2015: 97.28%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10%, the value of the Fund will change by 9.94%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Australian Dollar	53	3	10,531	11,414	10,584	11,417
Hong Kong Dollar	109	30	13,442	16,273	13,551	16,303
Indonesian Rupiah	–	–	627	826	627	826
Malaysian Ringgit	–	–	–	567	–	567
Philippine Peso	–	–	587	664	587	664
Singapore Dollar	–	15	2,172	2,556	2,172	2,571
South Korean Won	10	10	5,117	4,314	5,127	4,324
Taiwan Dollar	23	38	5,263	4,463	5,286	4,501
Thailand Baht	–	–	1,734	1,798	1,734	1,798
US Dollar	40	44	3,476	3,165	3,516	3,209

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 1.72% (2015: 4.03%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 98.86% (2015: 96.98%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.89%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(6,512)	(7)	(2)	(6,521)	0.11%	0.03%
	(6,512)	(7)	(2)	(6,521)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	15,940	(13)	(19)	15,908	0.08%	0.12%
	15,940	(13)	(19)	15,908		
<b>Total</b>		(20)	(21)			
<b>Percentage of Fund average net assets</b>		0.04%	0.05%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(8,631)	(11)	(5)	(8,647)	0.13%	0.06%
	(8,631)	(11)	(5)	(8,647)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	6,128	(6)	(10)	6,112	0.10%	0.16%
	6,128	(6)	(10)	6,112		
<b>Total</b>		(17)	(15)			
<b>Percentage of Fund average net assets</b>		0.04%	0.03%			

**Dealing spread**

As at 31 March 2016, the average portfolio dealing spread was 0.23% (2015: 0.28%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015:nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	2.1792	–	2.1792	2.1019
	Group 2	1.4166	0.7626	2.1792	2.1019

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	1.4884	–	1.4884	1.2836
	Group 2	1.4884	0.0000	1.4884	1.2836

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS JAPAN EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in Japanese equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Japan. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 14.79 per cent (net of fees), outperforming the FTSE® Japan Index return of 14.08 per cent.

#### Review

The Index recorded a significant fall of -19.71 per cent\* in yen terms during the one-year review period. Japanese equity markets weakened as investors responded to deepening concerns about specific political developments and economic conditions worldwide. The pace of growth in the Chinese economy has been slowing and natural resource prices have levelled off during the period. The pace of recovery in the Japanese economy also became more gradual. Production activity has flattened out along with slow global growth and the bottoming out of the yen exchange rate relative to other major currencies. Domestic demand also seems to be levelling off as wage growth slows and inflation sank into negative territory in the latter half of the review period. The Bank of Japan has made additional monetary easing measures to deal with the price conditions, but the efforts have yet to be reflected in the consumer prices index. In the meantime, Japanese companies have improved their profit margins and ROE (return on equity) for the last three years, but amid the flattening economic conditions the earnings momentum appears to have weakened for the fiscal year 2016.

Our sector allocation strategy detracted from the relative return by 5bp\*. Cyclical sectors led the market downturn on the back of an increase in the value of the yen against other major currencies and flattening global demand. Therefore, our small overweight position in the export oriented cyclical sectors, including the Automobiles and Electronics sectors, and an underweight position in the defensive Medical sector detracted from the relative performance.

On the other hand, our stock selection efforts were able to generate a positive relative performance of 160bp over the period. Our favoured retail holding in the Consumption sector, Nitori, posted a strong return against the overall weak market trend, driven by robust same-store sales growth. The largest furniture and household goods store chain in Japan is also expected to improve its profit margin as the rising yen exchange rate should help to reduce the cost of goods sold. In addition, our favoured stock among the discount apparel retailers, Shimamura, appreciated on the back of improved profit margins and stable sales growth. In the same sector, our preferred holding in the food industry, Morinaga Milk, also advanced as it offered robust earnings prospects for the fiscal year 2016. We therefore saw a large positive stock selection effect in the Consumption sector. We also saw positive stock selection results in the Infrastructure sector. Our medium sized construction company holding, Penta-Ocean Construction, outperformed its peers due to a strong order book. Within the same sector, Kandenko, a leading electrical construction company, posted a robust performance along with its improved profit margin during the period. On the other hand, stock selection in the Capital Goods sector detracted from the relative return. We held underweight exposures to companies with stable earnings prospects that are trading at unattractive valuations, including Keyence and Daikin Industries, and these stocks outperformed within the sector during the market downturn.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Nomura Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 133 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS JAPAN EQUITY MOM 1 FUND (CONTINUED)

## Material Portfolio Changes

Purchases	Sales
Mazda Motor Corp.	Toyota Motor Corp.
Mitsubishi Chemical Holdings Corp.	Honda Motor Co. Ltd.
Tsumura & Co.	Mazda Motor Corp.
Fuji Heavy Industries Ltd.	Mizuho Financial Group, Inc.
Ebara Corp.	Panasonic Corp.
Daiwa House Industry Co. Ltd.	Nippon Telegraph & Telephone Corp.
Otsuka Holdings Co. Ltd.	FANUC Corp.
Inpex Corp.	SoftBank Group Corp.
Mitsubishi Tanabe Pharma Corp.	Daikin Industries Ltd.
Isuzu Motors Ltd.	Mitsubishi Chemical Holdings Corp.

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments will be affected by changes in exchange rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	150.25	130.54	129.80
Return before operating charges <sup>†</sup>	24.13	22.31	3.20
Operating charges	(1.94)	(1.95)	(1.76)
Return after operating charges <sup>†</sup>	22.19	20.36	1.44
Distributions on income shares	(1.26)	(0.65)	(0.70)
Closing net asset value per share	171.18	150.25	130.54
Retained distributions on accumulation shares	–	–	–
† after direct transaction costs of	(0.18)	(0.10)	(0.11)
<b>Performance</b>			
Return after charges	14.77%	15.60%	1.11%
<b>Other information</b>			
Closing net asset value (£000)	214,330	276,694	54,629
Closing number of shares	125,210,846	184,152,820	41,849,356
Operating charges (%) <sup>‡</sup>	1.31%	1.31%	1.39%
Direct transaction costs (%) <sup>#</sup>	0.12%	0.07%	0.09%
<b>Prices<sup>≈</sup></b>			
Highest share price	172.42	160.10	134.81
Lowest share price	126.69	122.60	116.53

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.31%	1.31%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 99.17% (99.62%)</b>				
<b>Consumer Discretionary 23.62% (25.06%)</b>				
<b>Auto Components 4.57% (4.81%)</b>				
Denso Corp.	JPY	47,800	1,420	0.66
Keihin Corp.	JPY	94,800	1,133	0.53
KYB Corp.	JPY	475,000	1,285	0.60
Sanden Holdings Corp.	JPY	401,000	875	0.41
Stanley Electric Co. Ltd.	JPY	114,300	2,116	0.99
Toyoda Gosei Co. Ltd.	JPY	14,300	237	0.11
Toyota Industries Corp.	JPY	46,400	1,591	0.74
Unipres Corp.	JPY	91,500	1,137	0.53
			9,794	4.57
<b>Automobiles 8.04% (10.97%)</b>				
Fuji Heavy Industries Ltd.	JPY	148,100	4,370	2.04
Isuzu Motors Ltd.	JPY	328,600	3,256	1.52
Mazda Motor Corp.	JPY	212,000	2,411	1.13
Nissan Motor Co. Ltd.	JPY	400,600	2,977	1.39
Toyota Motor Corp.	JPY	97,300	4,211	1.96
			17,225	8.04
<b>Hotels, Restaurants &amp; Leisure 0.00% (0.27%)</b>				
<b>Household Durables 3.25% (2.31%)</b>				
Alpine Electronics, Inc.	JPY	156,800	1,293	0.60
PanaHome Corp.	JPY	175,000	1,045	0.49
Panasonic Corp.	JPY	201,900	1,497	0.70
Sony Corp.	JPY	65,100	1,569	0.73
Sumitomo Forestry Co. Ltd.	JPY	146,000	1,560	0.73
			6,964	3.25
<b>Leisure Products 1.09% (0.00%)</b>				
Bandai Namco Holdings, Inc.	JPY	104,500	2,102	0.98
Yamaha Corp.	JPY	10,600	223	0.11
			2,325	1.09
<b>Media 0.00% (0.73%)</b>				
<b>Multiline Retail 0.89% (1.09%)</b>				
Marui Group Co. Ltd.	JPY	175,200	1,916	0.89
			1,916	0.89
<b>Specialty Retail 5.78% (4.88%)</b>				
ABC-Mart, Inc.	JPY	20,800	1,006	0.47
EDION Corp.	JPY	182,800	1,153	0.54
K's Holdings Corp.	JPY	102,500	1,434	0.67
Nishimatsuya Chain Co. Ltd.	JPY	111,400	1,199	0.56
Nitori Holdings Co. Ltd.	JPY	52,500	4,912	2.29
Shimachu Co. Ltd.	JPY	59,800	1,020	0.47
Shimamura Co. Ltd.	JPY	15,100	1,667	0.78
			12,391	5.78
<b>Consumer Discretionary total</b>			<b>50,615</b>	<b>23.62</b>
<b>Consumer Staples 4.40% (4.29%)</b>				
<b>Food &amp; Staples Retailing 0.54% (1.08%)</b>				
Seven & i Holdings Co. Ltd.	JPY	6,700	212	0.10
Tsuruha Holdings, Inc.	JPY	11,000	946	0.44
			1,158	0.54



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Food Products 1.99% (1.18%)</b>				
Kewpie Corp.	JPY	75,400	1,751	0.82
MEIJI Holdings Co. Ltd.	JPY	12,600	995	0.46
Morinaga Milk Industry Co. Ltd.	JPY	272,000	1,522	0.71
			4,268	1.99
<b>Personal Products 0.97% (1.09%)</b>				
Kao Corp.	JPY	21,200	865	0.40
Pola Orbis Holdings, Inc.	JPY	16,400	1,222	0.57
			2,087	0.97
<b>Tobacco 0.90% (0.94%)</b>				
Japan Tobacco, Inc.	JPY	65,100	1,924	0.90
			1,924	0.90
<b>Consumer Staples total</b>			<b>9,437</b>	<b>4.40</b>
<b>Energy 1.01% (0.89%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 1.01% (0.89%)</b>				
Inpex Corp.	JPY	358,700	2,153	1.01
			2,153	1.01
<b>Energy total</b>			<b>2,153</b>	<b>1.01</b>
<b>Financials 17.46% (18.89%)</b>				
<b>Banks 8.91% (10.23%)</b>				
Aozora Bank Ltd.	JPY	624,000	1,734	0.81
Mitsubishi UFJ Financial Group, Inc.	JPY	1,279,840	4,894	2.28
Mizuho Financial Group, Inc.	JPY	2,111,800	2,594	1.21
Nishi-Nippon City Bank Ltd. (The)	JPY	594,000	878	0.41
Resona Holdings, Inc.	JPY	709,200	2,163	1.01
Sumitomo Mitsui Financial Group, Inc.	JPY	198,100	4,808	2.24
Sumitomo Mitsui Trust Holdings, Inc.	JPY	795,000	2,028	0.95
			19,099	8.91
<b>Consumer Finance 0.48% (0.00%)</b>				
Jaccs Co. Ltd.	JPY	291,000	1,018	0.48
			1,018	0.48
<b>Diversified Financial Services 1.55% (1.54%)</b>				
ORIX Corp.	JPY	159,900	1,720	0.80
Zenkoku Hoshu Co. Ltd.	JPY	53,800	1,612	0.75
			3,332	1.55
<b>Insurance 1.98% (2.47%)</b>				
T&D Holdings, Inc.	JPY	152,500	1,195	0.56
Tokio Marine Holdings, Inc.	JPY	102,800	3,050	1.42
			4,245	1.98
<b>Real Estate Investment Trusts (REITs) 1.51% (1.79%)</b>				
Advance Residence Investment Corp.	JPY	479	1,000	0.47
Hoshino Resorts REIT, Inc.	JPY	133	1,226	0.57
Japan Hotel REIT Investment Corp.	JPY	1,585	1,004	0.47
			3,230	1.51
<b>Real Estate Management &amp; Development 3.03% (2.86%)</b>				
Daiwa House Industry Co. Ltd.	JPY	119,300	2,542	1.18
Leopalace21 Corp.	JPY	322,300	1,753	0.82
Mitsui Fudosan Co. Ltd.	JPY	73,000	1,207	0.56
Tokyu Fudosan Holdings Corp.	JPY	221,300	1,002	0.47
			6,504	3.03
<b>Financials total</b>			<b>37,428</b>	<b>17.46</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Health Care 6.41% (4.54%)</b>				
<b>Health Care Equipment &amp; Supplies 0.30% (0.27%)</b>				
Hogy Medical Co. Ltd.	JPY	13,100	634	0.30
			634	0.30
<b>Health Care Providers &amp; Services 0.00% (0.35%)</b>				
<b>Pharmaceuticals 6.11% (3.92%)</b>				
Chugai Pharmaceutical Co. Ltd.	JPY	40,700	1,153	0.54
Daiichi Sankyo Co. Ltd.	JPY	106,600	1,926	0.90
Mitsubishi Tanabe Pharma Corp.	JPY	86,200	1,218	0.57
Ono Pharmaceutical Co. Ltd.	JPY	38,800	1,056	0.49
Otsuka Holdings Co. Ltd.	JPY	86,300	3,100	1.44
Shionogi & Co. Ltd.	JPY	75,000	2,945	1.37
Tsumura & Co.	JPY	79,900	1,709	0.80
			13,107	6.11
<b>Health Care total</b>			<b>13,741</b>	<b>6.41</b>
<b>Industrials 21.17% (18.44%)</b>				
<b>Air Freight &amp; Logistics 0.00% (0.77%)</b>				
<b>Airlines 0.80% (0.00%)</b>				
ANA Holdings, Inc.	JPY	796,000	1,720	0.80
			1,720	0.80
<b>Building Products 0.96% (1.98%)</b>				
Nichias Corp.	JPY	178,000	1,090	0.51
Takasago Thermal Engineering Co. Ltd.	JPY	97,800	975	0.45
			2,065	0.96
<b>Commercial Services &amp; Supplies 1.13% (1.55%)</b>				
Dai Nippon Printing Co. Ltd.	JPY	215,000	1,821	0.85
Secom Co. Ltd.	JPY	10,400	593	0.28
			2,414	1.13
<b>Construction &amp; Engineering 4.11% (2.88%)</b>				
Kajima Corp.	JPY	192,000	1,074	0.50
Kanden Co. Ltd.	JPY	238,000	1,755	0.82
Kinden Corp.	JPY	157,300	1,439	0.67
Kyowa Exeo Corp.	JPY	91,100	898	0.42
Nippo Corp.	JPY	97,000	1,348	0.63
Penta-Ocean Construction Co. Ltd.	JPY	307,700	1,418	0.66
Shimizu Corp.	JPY	85,000	655	0.31
Toda Corp.	JPY	59,000	225	0.10
			8,812	4.11
<b>Electrical Equipment 3.83% (1.61%)</b>				
Daihen Corp.	JPY	280,000	1,095	0.51
Fuji Electric Co. Ltd.	JPY	625,000	2,095	0.98
Furukawa Electric Co. Ltd.	JPY	445,000	880	0.41
GS Yuasa Corp.	JPY	310,000	964	0.45
Mabuchi Motor Co. Ltd.	JPY	43,800	1,518	0.71
Nidec Corp.	JPY	24,000	1,662	0.77
			8,214	3.83
<b>Industrial Conglomerates 0.00% (0.21%)</b>				

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Machinery 5.71% (5.08%)</b>				
Amada Holdings Co. Ltd.	JPY	287,900	2,383	1.11
Ebara Corp.	JPY	557,000	2,301	1.08
Furukawa Co. Ltd.	JPY	351,000	436	0.20
Hitachi Koki Co. Ltd.	JPY	165,000	838	0.39
Japan Steel Works Ltd. (The)	JPY	475,000	1,610	0.75
Makino Milling Machine Co. Ltd.	JPY	127,000	545	0.26
Mitsui Engineering & Shipbuilding Co. Ltd.	JPY	520,000	581	0.27
NTN Corp.	JPY	331,000	818	0.38
SMC Corp.	JPY	11,700	2,333	1.09
Star Micronics Co. Ltd.	JPY	43,300	387	0.18
			12,232	5.71
<b>Marine 0.00% (0.38%)</b>				
<b>Professional Services 1.32% (0.00%)</b>				
Recruit Holdings Co. Ltd.	JPY	98,000	2,820	1.32
			2,820	1.32
<b>Road &amp; Rail 1.18% (1.58%)</b>				
East Japan Railway Co.	JPY	20,400	1,414	0.66
Fukuyama Transporting Co. Ltd.	JPY	262,000	1,121	0.52
			2,535	1.18
<b>Trading Companies &amp; Distributors 1.80% (2.40%)</b>				
Hanwa Co. Ltd.	JPY	272,000	1,108	0.52
Mitsubishi Corp.	JPY	210,400	2,748	1.28
			3,856	1.80
<b>Transportation Infrastructure 0.33% (0.00%)</b>				
Sumitomo Warehouse Co. Ltd. (The)	JPY	178,000	708	0.33
			708	0.33
<b>Industrials total</b>			<b>45,376</b>	<b>21.17</b>
<b>Information Technology 10.26% (12.44%)</b>				
<b>Communications Equipment 0.43% (0.49%)</b>				
Hitachi Kokusai Electric, Inc.	JPY	76,200	925	0.43
			925	0.43
<b>Electronic Equipment, Instruments &amp; Components 1.52% (2.12%)</b>				
Murata Manufacturing Co. Ltd.	JPY	21,000	1,977	0.92
Nippon Chemi-Con Corp.	JPY	85,000	94	0.04
Nippon Signal Co. Ltd.	JPY	164,700	1,193	0.56
			3,264	1.52
<b>Internet Software &amp; Services 0.80% (0.85%)</b>				
Yahoo Japan Corp.	JPY	512,700	1,711	0.80
			1,711	0.80
<b>IT Services 1.32% (2.62%)</b>				
Itochu Techno-Solutions Corp.	JPY	102,000	1,860	0.87
NET One Systems Co. Ltd.	JPY	190,500	970	0.45
			2,830	1.32
<b>Semiconductors &amp; Semiconductor Equipment 1.43% (1.94%)</b>				
Disco Corp.	JPY	22,600	1,762	0.82
Tokyo Seimitsu Co. Ltd.	JPY	72,500	1,299	0.61
			3,061	1.43
<b>Software 1.34% (0.27%)</b>				
Capcom Co. Ltd.	JPY	68,400	1,057	0.49
Nexon Co. Ltd.	JPY	127,700	1,445	0.68
Square Enix Holdings Co. Ltd.	JPY	15,700	371	0.17
			2,873	1.34

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Technology Hardware, Storage &amp; Peripherals 3.42% (4.15%)</b>				
Canon, Inc.	JPY	141,300	3,047	1.42
Eizo Corp.	JPY	28,900	596	0.28
Hitachi Maxell Ltd.	JPY	96,100	1,220	0.57
Seiko Epson Corp.	JPY	182,700	2,460	1.15
			7,323	3.42
<b>Information Technology total</b>			<b>21,987</b>	<b>10.26</b>
<b>Materials 7.30% (8.92%)</b>				
<b>Chemicals 3.35% (5.25%)</b>				
Denka Co. Ltd.	JPY	212,000	700	0.33
Mitsui Chemicals, Inc.	JPY	515,000	1,658	0.77
NOF Corp.	JPY	192,000	1,256	0.59
Sumitomo Bakelite Co. Ltd.	JPY	225,000	820	0.38
Teijin Ltd.	JPY	471,000	1,347	0.63
Toyobo Co. Ltd.	JPY	986,000	1,406	0.65
			7,187	3.35
<b>Construction Materials 1.01% (0.00%)</b>				
Taiheiyo Cement Corp.	JPY	993,000	2,154	1.01
			2,154	1.01
<b>Metals &amp; Mining 2.94% (3.67%)</b>				
Dowa Holdings Co. Ltd.	JPY	233,000	933	0.44
JFE Holdings, Inc.	JPY	163,000	1,625	0.76
Kobe Steel Ltd.	JPY	2,373,000	1,553	0.72
Nippon Denko Co. Ltd.	JPY	361,700	449	0.21
Sumitomo Metal Mining Co. Ltd.	JPY	191,000	1,744	0.81
			6,304	2.94
<b>Materials total</b>			<b>15,645</b>	<b>7.30</b>
<b>Telecommunication Services 6.88% (5.41%)</b>				
<b>Diversified Telecommunication Services 2.75% (2.11%)</b>				
Nippon Telegraph & Telephone Corp.	JPY	164,200	5,890	2.75
			5,890	2.75
<b>Wireless Telecommunication Services 4.13% (3.30%)</b>				
KDDI Corp.	JPY	65,900	1,522	0.71
NTT DOCOMO, Inc.	JPY	277,100	5,582	2.60
SoftBank Group Corp.	JPY	41,900	1,756	0.82
			8,860	4.13
<b>Telecommunication Services total</b>			<b>14,750</b>	<b>6.88</b>
<b>Utilities 0.66% (0.74%)</b>				
<b>Electric Utilities 0.66% (0.74%)</b>				
Kyushu Electric Power Co., Inc.	JPY	199,500	1,414	0.66
			1,414	0.66
<b>Utilities total</b>			<b>1,414</b>	<b>0.66</b>
<b>Equities total</b>			<b>212,546</b>	<b>99.17</b>
Investment assets			212,546	99.17
Net other assets			1,784	0.83
<b>Net assets</b>			<b>214,330</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital gains	2		29,968		14,814
Revenue	3	6,260		3,154	
Expenses	4	(3,269)		(1,989)	
Net revenue before taxation		2,991		1,165	
Taxation	5	(622)		(315)	
Net revenue after taxation			2,369		850
<b>Total return before distributions</b>			<b>32,337</b>		<b>15,664</b>
Distributions	6		(2,369)		(850)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>29,968</b>		<b>14,814</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>276,694</b>		<b>54,629</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	–		207,345	
Amounts payable on cancellation of shares	(92,618)		(527)	
		(92,618)		206,818
Dilution adjustment		286		433
Change in net assets attributable to shareholders from investment activities (see above)		29,968		14,814
<b>Closing net assets attributable to shareholders</b>		<b>214,330</b>		<b>276,694</b>

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		212,546	275,646
<b>Current assets:</b>			
Debtors	8	1,769	897
Cash and bank balances	9	3,077	1,951
<b>Total assets</b>		<b>217,392</b>	<b>278,494</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(1,299)	(831)
Other creditors	10	(1,763)	(969)
<b>Total liabilities</b>		<b>(3,062)</b>	<b>(1,800)</b>
<b>Net assets attributable to shareholders</b>		<b>214,330</b>	<b>276,694</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains	93	90
Expenses relating to the purchase and sale of investments	(48)	(43)
Non-derivative securities gains	29,923	14,767
<b>Net capital gains</b>	<b>29,968</b>	<b>14,814</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	1	3
Overseas dividends	6,104	3,058
Unfranked components of Real Estate Investment Trusts	155	93
<b>Total revenue</b>	<b>6,260</b>	<b>3,154</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	3,182	1,932
	3,182	1,932
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	33	21
Safe custody fee	35	23
	68	44
<b>Other expenses:</b>		
Audit fee*	9	9
Printing & postage expenses	6	2
Statement fees	4	2
	19	13
<b>Total expenses</b>	<b>3,269</b>	<b>1,989</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	622	315
<b>Total current tax for the year (see note 5.b)</b>	<b>622</b>	<b>315</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2014: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>2,991</b>	<b>1,165</b>
Corporation tax at 20%	598	233
<b>Effects of:</b>		
Movement in excess expenses	618	387
Overseas dividends not subject to corporation tax	(1,221)	(612)
Overseas tax suffered	622	315
Revenue taxable in different periods	8	(8)
Tax relief for overseas tax expensed	(3)	–
	24	82
<b>Current tax charge (see note 5.a)</b>	<b>622</b>	<b>315</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £6,924,000 (2015: £3,835,000) creating a potential deferred tax asset of £1,385,000 (2015: £767,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	401	113
Final distribution	1,299	831
	1,700	944
Add: Revenue deducted on cancellation of shares	669	–
Deduct: Revenue received on issue of shares	–	(94)
<b>Total distributions</b>	<b>2,369</b>	<b>850</b>

Details of the distributions per share are set out in the distribution tables on page 146.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Valuation technique	As at 31.07.16 Assets £000	As at 31.07.15 Assets £000
Quoted prices for identical instruments in active markets	212,546	275,646
<b>Total</b>	<b>212,546</b>	<b>275,646</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	239	239
Sales awaiting settlement	1,530	658
<b>Total debtors</b>	<b>1,769</b>	<b>897</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	3,077	1,951
<b>Total cash and bank balances</b>	<b>3,077</b>	<b>1,951</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	260	325
Purchases awaiting settlement	1,503	644
<b>Total creditors</b>	<b>1,763</b>	<b>969</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 Related party transactions

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £228,000 (2015: £294,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,701,000 (2015: £944,000). The amount outstanding at the year end was £1,299,000 (2015: £831,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	125,210,846	(58,941,974)	184,152,820

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 133. The distributions per share class are given in the distribution tables on page 146.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	184,152,820	–	(58,941,974)	–	125,210,846

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 7 and 8.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

#### Currency risk

At the year end date, 100.59% (2015: 99.96%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10.00%, the value of the Fund will change by 10.06%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Japanese Yen	3,055	926	212,546	275,646	215,601	276,572

#### Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end date 1.44% (2015: 0.71%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depositary's base rate.

#### Market price risk

At the year end date, 99.17% (2015: 99.62%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.92%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(197,503)	(151)	–	(197,654)	0.08%	0.00%
	(197,503)	(151)	–	(197,654)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	290,829	(152)	–	290,677	0.05%	0.00%
	290,829	(152)	–	290,677		
<b>Total</b>		(303)	–			
<b>Percentage of Fund average net assets</b>		0.12%	0.00%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(272,883)	(57)	–	(272,940)	0.02%	0.00%
	(272,883)	(57)	–	(272,940)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	66,545	(53)	–	66,492	0.08%	0.00%
	66,545	(53)	–	66,492		
<b>Total</b>		(110)	–			
<b>Percentage of Fund average net assets</b>		0.07%	0.00%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.25% (2015: 0.22%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	1.0377	–	1.0377	0.4513
	Group 2	0.0924	0.9453	1.0377	0.4513

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.2180	–	0.2180	0.1948
	Group 2	0.2180	0.0000	0.2180	0.1948

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS EM EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in emerging market equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded in emerging markets. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 24.98 per cent (net of fees), outperforming the MSCI Emerging Market Index return of 17.09 per cent.

#### Review

At the country level, stock selection was the dominant positive while country allocation also added value.

Stock selection in China had a positive impact as did our underweight to this market. Our holding in the China-based dominant social platform Tencent was helpful for relative performance. Investors were enthused by the company's quarterly results, which demonstrated good momentum across all main business lines and stronger-than-expected revenues.

Our choice of stocks in Brazil added value, as did our overweight stance. In the second half of the period in particular, a large position in apparel retailer Lojas Renner helped performance as the stock rallied strongly. While the company announced somewhat weak quarterly results, the shares rebounded from a spell of subdued performance as investors became more confident that the Brazilian economy may be bottoming.

Security selection in Mexico was beneficial. Our off-benchmark position in gold and silver producer Fresnillo (the stock is UK-listed, but all operating mines and development projects are located in Mexico) added value, particularly toward the end of the period. A spike in the price of gold saw the stock rally, while earlier in the period the share price was lifted by the release of better-than-expected production numbers.

Stock selection in South Africa had a negative effect. In what was a challenging period for the South African market, our holdings in retailers Woolworths and Mr Price suffered. However, despite the difficult environment, we believe their strong management teams will be able to return the companies back to their growth runway.

At the sector level, stock selection was the key positive and group allocation was also beneficial. Our choice of securities in the financials sector added value. Stock selection within—and our overweight to—the information technology and consumer discretionary sectors was beneficial. On the negative side, our choice of securities among utilities and health care names weighed on relative returns.

Emerging markets delivered strong returns over the period. In the first half of the period, these markets trended downward, largely as a result of investor concerns related to China—in particular, the health of its economy and the devaluation of its currency. However, from mid-February investor sentiment turned and commodity prices rallied with the oil price breaching USD \$50 per barrel for the first time in several months. This was a favorable trend for emerging markets, as several of these countries are major exporters of natural resources. Gold saw a particularly sharp move at the end of June on heavy buying following the surprise “leave” result in the UK's referendum on EU membership. While this hit investor sentiment initially, emerging markets generally shrugged off the Brexit concerns and performed well through to the end of the period. The vote result raised expectations that the US Federal Reserve would pause its monetary tightening cycle (having raised short-term interest rates in December for the first time in almost a decade), spurring demand for riskier assets. Assurances from the Bank of England and the European Central Bank that they would loosen monetary policy to cushion markets also supported risk appetite.

Peru was among the best-performing emerging markets, helped by higher gold and copper prices. Brazil was a strong outperformer. Performance was weak in the first half, as concerns over its deteriorating economy and domestic political uncertainties weighed on sentiment. However, the market rebounded later in the period, boosted by the commodities rally and an improvement in the political environment. Indonesia outperformed, with the country's central bank reducing interest rates in a bid to boost economic growth.

Chinese equities underperformed, falling sharply at the beginning of the period on the unexpected announcement of a devaluation of the country's currency. The Chinese market also had a torrid start to 2016 on renewed worries about devaluation and a slowing domestic economy. Turkey was among the weakest-performing emerging markets, particularly toward the end of the period. The market sold off as investor concerns about the domestic political situation reached a crescendo on a failed military coup in mid-July.

Economic growth across many developing markets should continue to be higher than in the developed world in the near future, with some signs that this gap, which has narrowed for the past five years, may finally be turning higher. Those countries that push forward with reforms should do well, while countries that do not will struggle. Valuations are compelling and remain at a discount relative to their history and to their developed market peers. Our view is that we are likely to see a much more uneven world going forward, with less correlation and greater divergence in performance among countries and in stocks within those countries. We will remain focused on quality companies, as we continue to believe that those leading firms will weather the tough environment and will, in fact, improve their competitive positioning.

## AVIVA INVESTORS EM EQUITY MOM 1 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

Near-term risks include a worse-than-expected slowdown in China or a breakdown in its financial system, a sharper-than-anticipated rise in US interest rates, or an unexpected bout of risk aversion due to geopolitical events. However, we believe that investor concerns may be overdone. The extent of the Chinese growth slowdown remains a key question, but policymakers are now focused on structural reforms that will lead to higher-quality and more sustainable growth. In our opinion, the actual impact of US interest rate increases on emerging markets will prove less significant than investors fear. Indeed, the impact of Brexit will likely act as a dampening effect on any rate increases.

Overall, the environment will remain complex, but this should provide a good opportunity for active investors to take advantage of valuation anomalies. The emerging consumer remains a powerful force and should continue to drive strong growth in a variety of industries and companies, including retail, banking, technology, and the Internet. With investors skeptical, valuations attractive, and fundamentals bottoming, the environment appears positive for emerging market equities and ripe for stock picking.

August 2016

\* Fund performance figures – share class 2, source Lipper Hindight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by T Rowe Price International.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 149 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## Material Portfolio Changes

Purchases	Sales
Infosys Ltd., ADR	Taiwan Semiconductor Manufacturing Co. Ltd.
Tencent Holdings Ltd.	SABMiller plc
Taiwan Semiconductor Manufacturing Co. Ltd.	Tata Motors Ltd., ADR
Itau Unibanco Holding SA Preference	Dr Reddy's Laboratories Ltd., ADR
Samsung Electronics Co. Ltd.	Industrial & Commercial Bank of China Ltd. 'H'
Magnit PJSC, GDR	Larsen & Toubro Ltd., GDR
Lojas Renner SA	BR Malls Participacoes SA
Hengan International Group Co. Ltd.	Want Want China Holdings Ltd.
Alibaba Group Holding Ltd., ADR	Ping An Insurance Group Co. of China Ltd. 'H'
Tata Motors Ltd., ADR	Cie Financiere Richemont SA, Receipts

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Developing market investments can be less easy to buy and sell, and their values may be influenced by the economic and political risks of the countries of issue.
- The value of investments will be affected by changes in exchange rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	310.22	320.22	312.00
Return before operating charges <sup>†</sup>	82.16	(4.22)	13.88
Operating charges	(4.55)	(4.87)	(4.36)
Return after operating charges <sup>†</sup>	77.61	(9.09)	9.52
Distributions on income shares	(1.16)	(0.91)	(1.30)
Closing net asset value per share	386.67	310.22	320.22
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.50)	(0.67)	(0.88)
<b>Performance</b>			
Return after charges	25.02%	(2.84)%	3.05%
<b>Other information</b>			
Closing net asset value (£000)	87,881	39,873	65,749
Closing number of shares	22,727,468	12,853,103	20,532,115
Operating charges (%) <sup>‡</sup>	1.45%	1.45%	1.44%
Direct transaction costs (%) <sup>#</sup>	0.16%	0.20%	0.29%
<b>Prices<sup>≈</sup></b>			
Highest share price	391.24	377.86	324.98
Lowest share price	268.73	307.65	274.89

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	1.46%	1.45%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 97.17% (97.80%)</b>				
<b>Brazil 12.14% (9.85%)</b>				
Ambev SA, ADR	USD	99,800	443	0.50
Banco Bradesco SA Preference	BRL	142,992	914	1.04
BR Malls Participacoes SA	BRL	169,420	542	0.62
BRF SA	BRL	33,800	401	0.46
Itau Unibanco Holding SA Preference	BRL	447,172	3,448	3.92
Lojas Renner SA	BRL	553,800	3,474	3.95
Multiplan Empreendimentos Imobiliarios SA	BRL	26,700	388	0.44
Raia Drogasil SA	BRL	71,400	1,061	1.21
			10,671	12.14
<b>Cayman Islands 14.26% (10.67%)</b>				
58.com, Inc., ADR	USD	11,100	431	0.49
Alibaba Group Holding Ltd., ADR	USD	26,317	1,654	1.88
Baidu, Inc., ADR	USD	15,850	1,984	2.26
China Mengniu Dairy Co. Ltd.	HKD	626,000	791	0.90
Hengan International Group Co. Ltd.	HKD	199,000	1,263	1.44
Sunny Optical Technology Group Co. Ltd.	HKD	191,000	575	0.65
Tencent Holdings Ltd.	HKD	279,700	5,084	5.79
Vipshop Holdings Ltd., ADR	USD	69,300	746	0.85
			12,528	14.26
<b>Chile 1.50% (0.89%)</b>				
Banco Santander Chile, ADR	USD	50,800	777	0.88
SACI Falabella	CLP	98,281	543	0.62
			1,320	1.50
<b>China 4.24% (8.57%)</b>				
Anhui Conch Cement Co. Ltd. 'H'	HKD	178,500	353	0.40
BAIC Motor Corp. Ltd. 'H'	HKD	367,000	250	0.29
China Longyuan Power Group Corp. Ltd. 'H'	HKD	669,000	404	0.46
China Pacific Insurance Group Co. Ltd. 'H'	HKD	38,200	102	0.12
China Vanke Co. Ltd. 'H'	HKD	366,000	626	0.71
Dongfeng Motor Group Co. Ltd. 'H'	HKD	330,000	307	0.35
Huaneng Renewables Corp. Ltd. 'H'	HKD	1,560,000	375	0.43
Ping An Insurance Group Co. of China Ltd. 'H'	HKD	370,000	1,304	1.48
			3,721	4.24
<b>Colombia 0.41% (0.50%)</b>				
Grupo Aval Acciones y Valores SA, ADR Preference	USD	62,500	361	0.41
			361	0.41
<b>Hong Kong 1.69% (3.55%)</b>				
Beijing Enterprises Holdings Ltd.	HKD	136,000	579	0.66
CNOOC Ltd.	HKD	489,000	442	0.50
CSPC Pharmaceutical Group Ltd.	HKD	706,000	460	0.53
			1,481	1.69
<b>India 12.25% (13.29%)</b>				
Axis Bank Ltd., GDR	USD	49,119	1,519	1.73
Dr Reddy's Laboratories Ltd., ADR	USD	19,084	629	0.71
HDFC Bank Ltd., ADR	USD	35,500	1,854	2.11
ICICI Bank Ltd., ADR	USD	226,935	1,374	1.56
Infosys Ltd., ADR	USD	267,356	3,354	3.82
Larsen & Toubro Ltd., GDR	USD	4,984	87	0.10
Mahindra & Mahindra Ltd., GDR	USD	5,361	89	0.10
State Bank of India, GDR	USD	3,465	88	0.10
Tata Motors Ltd., ADR	USD	62,609	1,775	2.02
			10,769	12.25



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Indonesia 3.15% (3.02%)</b>				
Astra International Tbk. PT	IDR	2,284,500	1,015	1.15
Bank Central Asia Tbk. PT	IDR	1,430,700	1,191	1.36
Matahari Department Store Tbk. PT	IDR	489,800	563	0.64
			2,769	3.15
<b>Malaysia 0.40% (0.53%)</b>				
Astro Malaysia Holdings Bhd.	MYR	659,000	355	0.40
			355	0.40
<b>Mexico 2.30% (2.33%)</b>				
Grupo Financiero Santander Mexico SAB de CV, ADR	USD	108,800	749	0.85
Wal-Mart de Mexico SAB de CV	MXN	738,400	1,275	1.45
			2,024	2.30
<b>Netherlands 0.38% (0.32%)</b>				
Yandex NV 'A'	USD	19,900	336	0.38
			336	0.38
<b>Philippines 4.08% (4.00%)</b>				
BDO Unibank, Inc.	PHP	316,240	575	0.66
GT Capital Holdings, Inc.	PHP	26,725	660	0.75
SM Investments Corp.	PHP	98,925	1,092	1.24
Universal Robina Corp.	PHP	391,510	1,259	1.43
			3,586	4.08
<b>Russia 4.95% (4.00%)</b>				
Magnit PJSC, GDR	USD	75,680	2,207	2.51
Sberbank of Russia PJSC, ADR	USD	313,082	2,146	2.44
			4,353	4.95
<b>South Africa 8.46% (8.88%)</b>				
Aspen Pharmacare Holdings Ltd.	ZAR	63,626	1,285	1.46
FirstRand Ltd.	ZAR	436,516	1,145	1.30
Mr Price Group Ltd.	ZAR	44,476	544	0.62
Naspers Ltd. 'N'	ZAR	6,430	762	0.87
Sanlam Ltd.	ZAR	296,193	1,045	1.19
Shoprite Holdings Ltd.	ZAR	112,812	1,237	1.41
Woolworths Holdings Ltd.	ZAR	294,620	1,420	1.61
			7,438	8.46
<b>South Korea 10.49% (8.38%)</b>				
Hyundai Glovis Co. Ltd.	KRW	1,685	192	0.22
Hyundai Motor Co.	KRW	10,928	976	1.11
LG Household & Health Care Ltd.	KRW	3,054	2,090	2.38
NAVER Corp.	KRW	1,860	896	1.02
Samsung Electronics Co. Ltd.	KRW	3,284	3,431	3.90
Samsung Electronics Co. Ltd. Preference	KRW	657	564	0.64
SK Hynix, Inc.	KRW	45,817	1,068	1.22
			9,217	10.49
<b>Switzerland 0.00% (0.86%)</b>				
<b>Taiwan 9.82% (10.49%)</b>				
Catcher Technology Co. Ltd.	TWD	258,000	1,356	1.54
China Life Insurance Co. Ltd.	TWD	29,120	18	0.02
Delta Electronics, Inc.	TWD	140,511	559	0.64
Largan Precision Co. Ltd.	TWD	12,000	972	1.10
Quanta Computer, Inc.	TWD	336,000	517	0.59
Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	852,000	3,480	3.96
Uni-President Enterprises Corp.	TWD	1,120,878	1,731	1.97
			8,633	9.82

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Thailand 2.72% (2.43%)</b>				
CP ALL PCL	THB	676,600	760	0.87
Kasikornbank PCL, NVDR	THB	264,100	1,133	1.29
Siam Cement PCL (The), NVDR	THB	44,650	493	0.56
			<u>2,386</u>	<u>2.72</u>
<b>Turkey 1.75% (2.10%)</b>				
BIM Birlesik Magazalar AS	TRY	61,123	855	0.98
Turkiye Garanti Bankasi AS	TRY	366,065	678	0.77
			<u>1,533</u>	<u>1.75</u>
<b>United Kingdom 2.18% (2.67%)</b>				
Fresnillo plc	GBP	51,398	977	1.11
SABMiller plc	ZAR	21,342	939	1.07
			<u>1,916</u>	<u>2.18</u>
<b>United States of America 0.00% (0.47%)</b>				
<b>Equities total</b>			<b>85,397</b>	<b>97.17</b>
Investment assets			85,397	97.17
Net other assets			2,484	2.83
<b>Net assets</b>			<b>87,881</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains/(losses)	2		14,296		(1,261)
Revenue	3	1,011		929	
Expenses	4	(666)		(653)	
Net revenue before taxation		345		276	
Taxation	5	(111)		(122)	
Net revenue after taxation			234		154
<b>Total return before distributions</b>			<b>14,530</b>		<b>(1,107)</b>
Distributions	6		(234)		(154)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>14,296</b>		<b>(1,261)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>39,873</b>		<b>65,749</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	35,821		3,666	
Amounts payable on cancellation of shares	(2,235)		(28,405)	
		33,586		(24,739)
Dilution levy		126		124
Change in net assets attributable to shareholders from investment activities (see above)		14,296		(1,261)
<b>Closing net assets attributable to shareholders</b>		<b>87,881</b>		<b>39,873</b>

\* Refer to the accounting policies note on page 155.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	As at 31.07.15 £000
<b>Assets:</b>			
Investments		85,397	38,997
<b>Current assets:</b>			
Debtors	8	354	128
Cash and bank balances	9	2,775	954
<b>Total assets</b>		<b>88,526</b>	<b>40,079</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(262)	(117)
Other creditors	10	(383)	(89)
<b>Total liabilities</b>		<b>(645)</b>	<b>(206)</b>
<b>Net assets attributable to shareholders</b>		<b>87,881</b>	<b>39,873</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

### Statement of Total Return

Interest payable of £2,000 is now disclosed within 'Expenses', whereas under SORP 2010 they were disclosed within 'Finance costs'.

### 2 Net capital gains/(losses)

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains/(losses) on investments during the year comprise:</b>		
Currency gains	232	26
Expenses relating to the purchase and sale of investments	(49)	(45)
Forward currency contracts losses	(37)	(50)
Non-derivative securities gains/(losses)	14,150	(1,192)
<b>Net capital gains/(losses)</b>	<b>14,296</b>	<b>(1,261)</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas dividends	982	883
Stock dividends	8	19
UK dividends	21	27
<b>Total revenue</b>	<b>1,011</b>	<b>929</b>

### 4 Expenses

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	612	600
	612	600
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	8	8
Dividend collection charges	12	5
Interest payable	–	2
Safe custody fee	22	22
	42	37
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	–	2
Professional fees	2	2
Statement fees	1	3
	12	16
<b>Total expenses</b>	<b>666</b>	<b>653</b>

\* Refer to the accounting policies note above.

\*\* The audit fee was £8,266 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	111	122
<b>Total current tax for the year (see note 5.b)</b>	<b>111</b>	<b>122</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>346</b>	<b>276</b>
Corporation tax at 20%	69	55
<b>Effects of:</b>		
Movement in excess expenses	109	112
Overseas dividends not subject to corporation tax	(171)	(158)
Overseas tax suffered	111	122
Stock dividends not taxable	(2)	(4)
Tax relief on overseas tax suffered	(1)	–
UK dividends not subject to corporation tax	(4)	(5)
	42	67
<b>Current tax charge (see note 5.a)</b>	<b>111</b>	<b>122</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £1,649,000 (2015: £1,108,000) creating a potential deferred tax asset of £330,000 (2015: £221,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Final distribution	262	117
	262	117
Add: Revenue deducted on cancellation of shares	2	38
Deduct: Revenue received on issue of shares	(30)	(1)
<b>Total distributions</b>	<b>234</b>	<b>154</b>

Details of the distributions per share are set out in the distribution tables on page 161.

**7 Fair value hierarchy**

	As at 31.07.16 Assets £000	As at 31.07.15 Assets £000
<b>Valuation technique</b>		
Quoted prices for identical instruments in active markets	85,397	34,166
Valuation techniques using observable market data	–	4,831
<b>Total</b>	<b>85,397</b>	<b>38,997</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	94	72
Overseas tax recoverable	5	3
Sales awaiting settlement	255	53
<b>Total debtors</b>	<b>354</b>	<b>128</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	2,775	954
<b>Total cash and bank balances</b>	<b>2,775</b>	<b>954</b>

**10 Other creditors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued expenses	107	69
Purchases awaiting settlement	276	20
<b>Total creditors</b>	<b>383</b>	<b>89</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £81,000 (2015: £44,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £263,000 (2015: £117,000). The amount outstanding at the year end was £263,000 (2015: £117,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	22,727,468	9,874,365	12,853,103

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 149. The distributions per share class are given in the distribution tables on page 161.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	12,853,103	10,576,835	(702,470)	–	22,727,468



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 99.00% (2015: 99.24%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10%, the value of the Fund will change by 9.90%.

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.16	31.07.15	31.07.16	31.07.15	31.07.16	31.07.15
Brazilian Real	22	15	10,228	3,734	10,250	3,749
Chilean Peso	–	–	543	227	543	227
Chinese Yuan	5	6	–	–	5	6
Hong Kong Dollar	62	33	12,915	7,363	12,978	7,396
Indonesian Rupiah	–	–	2,769	1,205	2,769	1,205
Malaysian Ringgit	–	–	355	211	355	211
Mexican Peso	–	–	1,275	601	1,275	601
Philippine Peso	–	22	3,586	1,594	3,586	1,616
South African Rand	–	–	8,377	4,790	8,376	4,790
South Korean Won	(268)	4	9,217	3,343	8,949	3,347
Swiss Franc	5	3	–	–	5	3
Taiwan Dollar	2	18	8,633	4,183	8,635	4,201
Thailand Baht	94	–	2,386	968	2,480	968
Turkish Lira	–	9	1,533	836	1,533	845
US Dollar	2,452	621	22,603	9,782	25,055	10,403

**Interest rate risk**

The Fund does not invest in either fixed or floating rates securities and interest rate exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates and as such the interest rate risk is not considered significant.

At the year end 3.16% (2015: 2.38%) of the net assets of the Fund were interest bearing.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 97.17% (2015: 97.80%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.72%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(44,831)	(32)	(23)	(44,886)	0.07%	0.05%
	(44,831)	(32)	(23)	(44,886)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	12,683	(14)	(12)	12,657	0.11%	0.09%
	12,683	(14)	(12)	12,657		
<b>Total</b>		(46)	(35)			
<b>Percentage of Fund average net assets</b>		0.09%	0.07%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(14,244)	(16)	(9)	(14,269)	0.11%	0.06%
Corporate actions	(121)	–	–	(121)		
	(14,365)	(16)	(9)	(14,390)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Equities	37,221	(30)	(40)	37,151	0.08%	0.11%
	37,221	(30)	(40)	37,151		
<b>Total</b>		(46)	(49)			
<b>Percentage of Fund average net assets</b>		0.10%	0.10%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.17% (2015: 0.24%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2016**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	1.1530	–	1.1530	0.9087
	Group 2	0.8396	0.3134	1.1530	0.9087

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

**Interim distribution paid in pence per share for the six months ended 31 January 2016**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.0027	–	0.0027	–
	Group 2	–	0.0027	0.0027	–

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

**Equalisation**

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS UK GILTS MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in UK government fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in UK government fixed interest securities listed or traded on Regulated markets in the UK. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling gilts, index linked gilts, Sterling, US dollar and Euro denominated investment grade credit, money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 12.11 per cent (net of fees), underperforming the FTSE® British Government All Stocks Index return of 13.97 per cent.

#### Review

At the start of the period, our preference for longer-dated bonds hurt relative performance as speculation that the US Federal Reserve was poised to start cutting interest rates more aggressively than anticipated helped shorter-dated bonds outperform. In early 2016, being cautiously positioned was unhelpful when the market rallied in response to a surprise rate cut by the Bank of Japan. Returns were boosted, however, by our holdings in ultra-long-dated gilts in the run up to, and immediately following, the EU referendum. The exposure to short-dated index-linked gilts also boosted returns.

UK gilts posted strong total returns in the twelve months under review as the market rallied on expectations that interest rates would remain historically low for an extended period. Demand for gilts was supported by general concerns about the health of the global economy and, from February 2016, uncertainty in the lead-up to June's European Union membership referendum. Despite the desire of the Bank of England (BoE) to start to normalise monetary policy, there was little room for manoeuvre as inflation remained well below the government's two per cent target. This had been exacerbated by a sharp correction in the commodities markets, starting in November 2015. In the weeks leading up to the UK referendum vote, the gilt market was volatile as investors assessed mixed signals on rate policy from the US central bank, the Federal Reserve, and ever tighter referendum opinion polls. In the immediate aftermath of the UK's shock decision to leave the EU, gilts rallied sharply. The gains continued in July as the BoE hinted strongly that it was ready to expand its monetary support policies in a bid to avert a UK recession.

At the start of the period we held a preference for longer-dated bonds as we believed that that area of the market offered the best value. In our view, yields on longer-dated bonds had further to fall, which meant that prices had further to rise. We also felt that there would continue to be structural demand for longer-maturity bonds from institutions and pension funds with liability-hedging needs. We began 2016 with a more aggressive stance as concerns about the faltering Chinese economy were bullish for bonds. However, we pared this back as the market rallied more sharply than anticipated. Indeed, with market conditions being exceptionally volatile we became more cautious in our positioning. As the uncertainty over Brexit increased, we moved into ultra-long dated bonds as there was little value to be found elsewhere in the market. As a hedge against the inflationary impact of a potential 'Leave' vote we also held a position in index-linked bonds for much of the period.

Whilst gilts appear unattractively valued after an extended run of strong performance, we still believe there is potential for further gains. In the short to medium term, support will come from the BoE's commitment to do all in its power to support the economy. This could mean cutting interest rates to zero, or even below. Some years may pass before the rules governing the new relationship between the EU and the UK are in place. This suggests that gilts will find support from various political flashpoints this year and next.

#### August 2016

\* Fund performance figures –share class 2, source Lipper Hindsight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Aviva Investors Global Services Limited.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 164 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS UK GILTS MOM 1 FUND (CONTINUED)

### Material Portfolio Changes

Purchases	Sales
UK Treasury 4.00% 07/09/2016	UK Treasury 2.00% 07/09/2025
UK Treasury 2.00% 07/09/2025	UK Treasury 4.00% 07/09/2016
UK Treasury 2.00% 22/01/2016	UK Treasury 2.00% 22/01/2016
UK Treasury 1.50% 22/07/2026	UK Treasury 2.75% 07/09/2024
UK Treasury 2.75% 07/09/2024	UK Treasury 2.00% 22/07/2020
UK Treasury 2.00% 22/07/2020	UK Treasury 4.75% 07/09/2015
UK Treasury 2.50% 22/07/2065	UK Treasury 3.50% 22/01/2045
UK Treasury 3.50% 22/01/2045	UK Treasury 4.50% 07/09/2034
UK Treasury 4.75% 07/09/2015	UK Treasury 3.25% 22/01/2044
UK Treasury 1.75% 07/09/2022	UK Treasury 1.50% 22/07/2026

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Bond values are affected by changes in interest rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	115.31	108.28	108.50
Return before operating charges <sup>†</sup>	15.15	9.79	2.82
Operating charges	(0.92)	(0.91)	(0.84)
Return after operating charges <sup>†</sup>	14.23	8.88	1.98
Distributions on income shares	(1.90)	(1.85)	(2.20)
Closing net asset value per share	127.64	115.31	108.28
Retained distributions on accumulation shares	–	–	–
† after direct transaction costs of	–	–	–
<b>Performance</b>			
Return after charges	12.34%	8.20%	1.82%
<b>Other information</b>			
Closing net asset value (£000)	91,970	74,945	81,601
Closing number of shares	72,055,485	64,992,280	75,360,065
Operating charges (%) <sup>‡</sup>	0.78%	0.79%	0.78%
Direct transaction costs (%) <sup>#</sup>	–	–	–
<b>Prices<sup>≈</sup></b>			
Highest share price	128.62	122.34	109.35
Lowest share price	113.65	108.76	105.65

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	0.78%	0.79%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 98.52% (97.52%)</b>				
<b>United Kingdom 98.52% (97.52%)</b>				
UK Treasury 4.00% 07/09/2016	GBP	5,639,000	5,660	6.15
UK Treasury 1.75% 22/07/2019	GBP	3,667,000	3,840	4.18
UK Treasury 2.00% 22/07/2020	GBP	7,070,000	7,560	8.22
UK Treasury 3.75% 07/09/2020	GBP	4,456,000	5,106	5.55
UK Treasury 1.50% 22/01/2021	GBP	4,991,000	5,257	5.72
UK Treasury 1.75% 07/09/2022	GBP	5,056,000	5,462	5.94
UK Treasury 1.50% 22/07/2026	GBP	16,259,000	17,305	18.82
UK Treasury 4.25% 07/06/2032	GBP	1,880,000	2,689	2.92
UK Treasury 4.50% 07/09/2034	GBP	2,448,000	3,674	3.99
UK Treasury 4.25% 07/09/2039	GBP	2,746,000	4,188	4.55
UK Treasury 4.25% 07/12/2040	GBP	3,246,000	5,018	5.46
UK Treasury 3.25% 22/01/2044	GBP	9,000	12	0.01
UK Treasury 3.50% 22/01/2045	GBP	3,771,000	5,418	5.89
UK Treasury 3.75% 22/07/2052	GBP	2,780,500	4,535	4.93
UK Treasury 2.50% 22/07/2065	GBP	7,767,000	10,693	11.63
UK Treasury Inflation Linked 1.25% 22/11/2017	GBP	2,957,000	4,191	4.56
			90,608	98.52
<b>Government Bonds total</b>			<b>90,608</b>	<b>98.52</b>
<b>Futures (0.04)% (0.00%)</b>				
Long Gilt 28/09/2016	GBP	(36)	(36)	(0.04)
<b>Futures total</b>			<b>(36)</b>	<b>(0.04)</b>
Investment assets			90,572	98.48
Net other assets			1,398	1.52
<b>Net assets</b>			<b>91,970</b>	<b>100.00</b>

All holdings are debt securities denominated in sterling and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital gains	2		8,401		5,202
Revenue	3	1,275		1,383	
Expenses					
Net revenue before taxation	4	(605)		(530)	
Taxation	5	–		–	
Net revenue after taxation			670		853
<b>Total return before distributions</b>			<b>9,071</b>		<b>6,055</b>
Distributions	6		(1,251)		(1,358)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>7,820</b>		<b>4,697</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>74,945</b>		<b>81,601</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	18,691		13,482	
Amounts payable on cancellation of shares	(9,496)		(24,845)	
		9,195		(11,363)
Dilution adjustment		10		10
Change in net assets attributable to shareholders from investment activities (see above)		7,820		4,697
<b>Closing net assets attributable to shareholders</b>		<b>91,970</b>		<b>74,945</b>



## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	Restated* As at 31.07.15 £000
<b>Assets:</b>			
Investments		90,608	73,087
<b>Current assets:</b>			
Debtors	8	338	4,491
Cash and bank balances	9	1,428	1,224
<b>Total assets</b>		<b>92,374</b>	<b>78,802</b>
<b>Liabilities:</b>			
Investment liabilities		(36)	–
<b>Creditors:</b>			
Distribution payable		(302)	(359)
Other creditors	10	(66)	(3,498)
<b>Total liabilities</b>		<b>(404)</b>	<b>(3,857)</b>
<b>Net assets attributable to shareholders</b>		<b>91,970</b>	<b>74,945</b>

\* Refer to the accounting policies note on page 168.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

#### Balance sheet

The Income tax withheld on distributions of £62,000 is now included within 'Distributions payable', whereas under SORP 2010 this was disclosed within 'Creditors'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains	7	25
Derivative contracts losses	(200)	(16)
Expenses relating to the purchase and sale of investments	(3)	(3)
Forward currency contracts gains	–	169
Non-derivative securities gains	8,597	5,027
<b>Net capital gains</b>	<b>8,401</b>	<b>5,202</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	2	–
Interest on debt securities	1,294	1,385
Interest on derivatives	(21)	(2)
<b>Total revenue</b>	<b>1,275</b>	<b>1,383</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	581	505
	581	505
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	12	11
Safe custody fee	1	1
	13	12
<b>Other expenses:</b>		
Audit fee*	9	9
Printing & postage expenses	–	2
Statement fees	2	2
	11	13
<b>Total expenses</b>	<b>605</b>	<b>530</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Corporation tax	–	–
<b>Total current tax for the year (see note 5.b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>670</b>	<b>853</b>
Corporation tax at 20%	134	171
<b>Effects of:</b>		
Movement in excess expenses	121	105
Tax deductible on interest distributions	(255)	(276)
	(134)	(171)
<b>Current tax charge (see note 5.a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £4,422,000 (2015: £3,817,000) creating a potential deferred tax asset of £884,000 (2015: £763,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	362	367
Gross interest distribution for the three months ended 31 January	325	310
Gross interest distribution for the three months ended 30 April	279	303
Gross interest distribution for the three months ended 31 July	302	359
	1,268	1,339
Add: Revenue deducted on cancellation of shares	19	68
Deduct: Revenue received on issue of shares	(36)	(49)
<b>Total distributions</b>	<b>1,251</b>	<b>1,358</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	1,251	1,358
ACD's periodic charge borne by the capital account	(581)	(505)
<b>Net revenue after taxation</b>	<b>670</b>	<b>853</b>

Details of the distributions per share are set out in the distribution tables on page 173.

## 7 Fair value hierarchy

Valuation technique	As at 31.07.16		As at 31.07.15	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Valuation techniques using observable market data	90,608	(36)	73,087	–
<b>Total</b>	<b>90,608</b>	<b>(36)</b>	<b>73,087</b>	<b>–</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

## 8 Debtors

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	338	680
Amounts receivable on issue of shares	–	3,811
<b>Total debtors</b>	<b>338</b>	<b>4,491</b>

## 9 Cash and bank balances

	As at 31.07.16 £000	As at 31.07.15 £000
Amounts held at futures clearing house and brokers	210	–
Cash and bank balances	1,218	1,224
<b>Total cash and bank balances</b>	<b>1,428</b>	<b>1,224</b>

## 10 Other creditors

	As at 31.07.16 £000	Restated* As at 31.07.15 £000
Accrued expenses	66	58
Purchases awaiting settlement	–	3,440
<b>Total creditors</b>	<b>66</b>	<b>3,498</b>

\* Refer to the accounting policies note on page 168.

## 11 Contingent liabilities and commitments

There were no contingent liabilities or commitments at the year end (2015: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £49,000 (2015: £41,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,019,000 (2015: £1,067,000). The amount outstanding at the year end was £248,000 (2015: £297,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	72,055,485	7,063,205	64,992,280

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 164. The distributions per share class are given in the distribution tables on page 173.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	64,992,280	15,111,659	(8,048,454)	-	72,055,485

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 0.05% (2015: 0.05%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

**Interest rate risk**

At the year end date 100.07% (2015: 99.15%) of the net assets of the Fund were interest bearing.

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	1,384	90,608	338	92,330
Euro	44	-	-	44
<b>Financial Liabilities</b>				
Sterling	-	-	(404)	(404)
<b>Total</b>	<b>1,428</b>	<b>90,608</b>	<b>(66)</b>	<b>91,970</b>

If the interest rates were to change by 10%, the value of the Fund will change by 10.00%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments (continued)**

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2015 was:

Currency 31.07.15	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	1,187	73,087	4,491	78,765
Euro	37	-	-	37
<b>Financial Liabilities</b>				
Sterling	-	-	(3,857)	(3,857)
<b>Total</b>	<b>1,224</b>	<b>73,087</b>	<b>634</b>	<b>74,945</b>

The floating rate on bank balances is linked to the Depository's base rate.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 98.48% (2015: 97.52%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.85%.

**16 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.16	31.07.15	31.07.16	31.07.15
Investment grade	90,608	73,087	98.52%	97.52%
<b>Total debt securities</b>	<b>90,608</b>	<b>73,087</b>	<b>98.52%</b>	<b>97.52%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BBB- or lower are considered below investment grade.

**17 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2016 (2015: £nil). The total purchases for the year amounted to £216,762,000 (2015: £277,347,000) and the total sales amounted to £207,063,000 (2015: £289,193,000).

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.06% (2015: 0.05%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**18 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	0.4309	0.0862	0.3447	–	0.3447	0.4563
	Group 2	0.0429	0.0086	0.0343	0.3104	0.3447	0.4563

Group 1 shares are those shares purchased at or before 2pm on 30 April 2016.

Group 2 shares are those shares purchased after 2pm on 30 April 2016.

## Interim distribution paid in pence per share for the three months ended 30 April 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 30 June 2016	Interim distribution paid 30 June 2015
Share Class 2	Group 1	0.4440	0.0888	0.3552	–	0.3552	0.4456
	Group 2	0.1164	0.0233	0.0931	0.2621	0.3552	0.4456

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

## Interim distribution paid in pence per share for the three months ended 31 January 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.4908	0.0982	0.3926	–	0.3926	0.4569
	Group 2	0.1118	0.0224	0.0894	0.3032	0.3926	0.4569

Group 1 shares are those shares purchased at or before 2pm on 31 October 2015.

Group 2 shares are those shares purchased after 2pm on 31 October 2015.

## Interim distribution paid in pence per share for the three months ended 31 October 2015

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2015	Interim distribution paid 31 December 2014
Share Class 2	Group 1	0.5328	0.1066	0.4262	–	0.4262	0.4919
	Group 2	0.5101	0.1020	0.4081	0.0181	0.4262	0.4919

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

## Equalisation

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS UK CREDIT MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in UK corporate fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in UK corporate fixed interest securities listed or traded on Regulated Markets in the UK. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling denominated investment grade credit, overseas investment grade credit (hedged), gilts, overseas government bonds (hedged), money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 9.20 per cent (net of fees), underperforming the iBoxx Sterling Non-Gilts Index return of 11.85 per cent.

#### Review

Both corporate and government bonds endured a turbulent year. Investors focused on the key themes of the strength of economic recovery, central bank policy activity (real or inferred) and the search for yield in a low interest rate/low inflation environment. Growth in the US continued but slowed in the UK.

In June 2016, the UK referendum vote to leave the European Union (EU) resulted in considerable economic and (short-term) political uncertainty. Sterling fell dramatically against the US dollar and the euro. Domestically focused UK issuers, especially those in the financial sector, were the hardest hit. Gilt yields fell heavily in the aftermath of the vote as investors moved to price in a combination of slower domestic economic growth, interest rate cuts from the Bank of England and the potential restarting of quantitative easing (QE) in the UK.

Over the year, markets were dominated by the timing and scope of central bank intervention. The US Federal Reserve (the Fed) raised rates only once, in December 2015. Meanwhile, the European Central Bank (ECB) lowered rates in December 2015 and March 2016, extended the length of their asset purchase programme, and expanded it to €80 billion per month. In the UK, the Bank of England promised supportive measures in the wake of the Brexit vote, and the much anticipated interest rate cut and asset purchase programme were eventually announced on 4 August.

The Fund began the period with a small underweight position in interest rate risk relative to its benchmark. We closed this position in the latter half of the third quarter of 2015 as we had become more cautious about the macroeconomic outlook, and believed (correctly) that potential interest rate rises could extend into the future. We ran a broadly neutral duration position thereafter, preferring to use our risk budget in areas where we had greater conviction. We then lowered the Fund's duration

at the start of February 2016, following the large downward move in yields experienced in the opening weeks of 2016. Our opinion was that the extent of the move was unjustified given the only mild deterioration in the global economic outlook. Our underweight duration stance was again closed in the run-up to the UK vote on EU membership, as we believed the balance of risk to reward no longer favoured being short duration. This protected performance to an extent as yields fell heavily after the referendum result. However, over the period as a whole, the Fund's duration positioning was a drag on performance.

We maintained a small overweight position in aggregate credit risk, adjusting the position to suit market conditions. Although credit spreads moved wider in the first eight months of the period, the ECB's inclusion of corporate bonds as part of their QE programme sparked a significant rally.

The largest sector position in the Fund remains a preference for collateralised bonds, at the expense of generic industrial and telecom bonds. The inherently defensive nature of the collateralised sector made the Fund less vulnerable to any generic sell-off in corporate bonds during risk-averse periods. However, the sector did struggle in the final months of 2015 under the weight of selling pressure (as insurance companies looked to optimise their portfolios in the run-up to Solvency II). The sector also failed to keep pace with the broader market rally experienced in March and April 2016.

Within issue selection, the poorest performance came from bonds issued by Standard Chartered. Contributions from bonds in the collateralised sector were mixed with White City Property and Annington Finance positive, while Telereal and Tesco Property were negative. Selections within sovereign and sub sovereign were supportive with notable contributions from bonds issued by EIB, Transport for London and Network Rail.

The reaction in corporate bond markets to the EU referendum vote has, perhaps, been more modest than many commentators were expecting. The relaxed response in both investment grade and high yield is driven by the overriding view that any economic damage from the UK's decision will be localised and that central bank action – ECB bond buying and anticipated Bank of England rate cuts – are enough to keep corporate bond markets supported in the medium term.

Relative to their government bond counterparts, corporate bonds continue to offer an attractive option for investors who need to source income, and unlike many other asset classes are nowhere near their relative highs. Our concern, however, is that the current level of uncertainty may not be fully reflected in current corporate bond yield levels. This concern, therefore, has led us to retain a slightly cautious stance in our portfolios to protect against further weakness, which we would likely regard as a buying opportunity.

#### August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Kames Capital.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 176 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## AVIVA INVESTORS UK CREDIT MOM 1 FUND (CONTINUED)

### Material Portfolio Changes

Purchases	Sales
KFW 2.00% 06/12/2018	Network Rail Infrastructure Finance plc 4.88% 27/11/2015
European Investment Bank 5.38% 07/06/2021	European Investment Bank 8.75% 25/08/2017
Bank of America Corp. 7.00% 31/07/2028	KFW 5.50% 07/12/2015
FCE Bank plc 2.73% 03/06/2022	GE Capital UK Funding 5.13% 24/05/2023
Yorkshire Building Society 3.50% 21/04/2026	High Speed Rail Finance 1 plc 4.38% 01/11/2038
Electricity North West Ltd. 8.88% 25/03/2026	Northern Powergrid Yorkshire plc 4.38% 05/07/2032
Stagecoach Group plc, FRN 4.00% 29/09/2025	General Electric Capital Corp., FRN 6.50% 15/09/2067
RELX Investments plc 2.75% 01/08/2019	International Business Machines Corp. 2.75% 21/12/2020
Segro plc, REIT 6.75% 23/11/2021	Electricite de France SA, FRN 6.00% Perpetual
AT&T, Inc. 4.38% 14/09/2029	DIRECTV Holdings LLC 4.38% 14/09/2029

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Bond values are affected by changes in interest rates.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	99.10	96.64	95.35
Return before operating charges <sup>†</sup>	10.39	6.52	6.38
Operating charges	(0.78)	(0.80)	(0.77)
Return after operating charges <sup>†</sup>	9.61	5.72	5.61
Distributions on income shares	(3.87)	(4.08)	(4.32)
Closing net asset value per share	104.84	99.10	96.64
Retained distributions on accumulation shares	–	–	–
† after direct transaction costs of	–	–	–
<b>Performance</b>			
Return after charges	9.70%	5.92%	5.88%
<b>Other information</b>			
Closing net asset value (£000)	97,632	117,868	102,870
Closing number of shares	93,126,919	118,941,868	106,442,516
Operating charges (%) <sup>‡</sup>	0.79%	0.79%	0.79%
Direct transaction costs (%) <sup>#</sup>	–	–	–
<b>Prices<sup>≈</sup></b>			
Highest share price	106.12	106.07	98.46
Lowest share price	96.37	97.22	93.63

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

- (a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.  
 (b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	0.79%	0.79%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 0.56% (3.34%)</b>				
<b>Germany 0.00% (1.21%)</b>				
<b>United Kingdom 0.56% (2.13%)</b>				
UK Treasury 3.25% 22/01/2044	GBP	400,000	547	0.56
			547	0.56
<b>Government Bonds total</b>			<b>547</b>	<b>0.56</b>
<b>Corporate Bonds 90.60% (85.93%)</b>				
<b>Australia 3.15% (3.43%)</b>				
APT Pipelines Ltd. 3.50% 22/03/2030	GBP	1,200,000	1,253	1.28
Asciano Finance Ltd. 5.00% 19/09/2023	GBP	800,000	889	0.91
Scentre Group Trust 1, REIT 2.38% 08/04/2022	GBP	900,000	934	0.96
			3,076	3.15
<b>Cayman Islands 1.06% (1.44%)</b>				
THPA Finance Ltd., Series A2 7.13% 15/03/2024	GBP	560,219	637	0.65
Yorkshire Water Services Bradford Finance Ltd., FRN 6.00% 24/04/2025	GBP	385,000	397	0.41
			1,034	1.06
<b>Denmark 1.37% (0.96%)</b>				
DONG Energy A/S 5.75% 09/04/2040	GBP	900,000	1,334	1.37
			1,334	1.37
<b>France 5.98% (6.71%)</b>				
BPCE SA 5.25% 16/04/2029	GBP	800,000	890	0.91
Credit Agricole SA 7.38% 18/12/2023	GBP	650,000	846	0.87
Dexia Credit Local SA 2.13% 12/02/2025	GBP	800,000	843	0.86
Electricite de France SA 6.00% 23/01/2114	GBP	900,000	1,317	1.35
Engie SA 5.00% 01/10/2060	GBP	700,000	1,201	1.23
Orange SA, FRN 5.75% Perpetual	GBP	700,000	745	0.76
			5,842	5.98
<b>Germany 2.23% (0.00%)</b>				
KFW 2.00% 06/12/2018	GBP	2,100,000	2,176	2.23
			2,176	2.23
<b>Ireland 0.00% (1.34%)</b>				
<b>Jersey 3.24% (5.47%)</b>				
AA Bond Co. Ltd. 6.27% 02/07/2043	GBP	965,000	1,192	1.22
CPUK Finance Ltd. 7.24% 28/02/2042	GBP	600,000	781	0.80
Heathrow Funding Ltd. 6.45% 10/12/2033	GBP	773,000	1,190	1.22
			3,163	3.24
<b>Netherlands 3.43% (4.18%)</b>				
ABN AMRO Bank NV 2.25% 11/09/2017	GBP	600,000	610	0.63
Cooperatieve Rabobank UA, FRN 6.91% Perpetual	GBP	700,000	829	0.85
E.ON International Finance BV 6.75% 27/01/2039	GBP	650,000	1,026	1.05
Siemens Financieringsmaatschappij NV, FRN 6.12% 14/09/2066	GBP	879,000	882	0.90
			3,347	3.43
<b>Sweden 0.94% (0.92%)</b>				
Swedbank AB 1.63% 15/04/2019	GBP	900,000	920	0.94
			920	0.94

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United Kingdom 55.15% (46.97%)</b>				
Annington Finance No. 4 plc, Series C1 8.07% 10/01/2023	GBP	950,000	1,254	1.28
Arqiva Financing plc 4.88% 31/12/2032	GBP	1,000,000	1,129	1.16
Aspire Defence Finance plc 4.67% 31/03/2040	GBP	851,224	1,054	1.08
BAE Systems plc 4.13% 08/06/2022	GBP	795,000	900	0.92
BG Energy Capital plc, FRN 6.50% 30/11/2072	GBP	492,000	521	0.53
BL Superstores Finance plc, Series A2 4.48% 04/10/2030	GBP	796,232	906	0.93
British Land Co. plc (The), REIT 5.26% 24/09/2035	GBP	500,000	621	0.64
BUPA Finance plc, FRN 6.12% Perpetual	GBP	700,000	757	0.78
Centrica plc, FRN 6.38% 10/03/2022	GBP	633,000	803	0.82
Coventry Building Society 5.88% 28/09/2022	GBP	779,000	965	0.99
Dignity Finance plc, Series B 4.70% Perpetual	GBP	880,000	1,068	1.09
Eastern Power Networks plc 4.75% 30/09/2021	GBP	843,000	985	1.01
Electricity North West Ltd. 8.88% 25/03/2026	GBP	700,000	1,120	1.15
FCE Bank plc 2.73% 03/06/2022	GBP	1,100,000	1,161	1.19
Gwynt y Mor OFTO plc 2.78% 17/02/2034	GBP	767,647	815	0.83
HJ Heinz Finance UK plc 6.25% 18/02/2030	GBP	687,000	933	0.96
HSBC Bank plc 4.75% 24/03/2046	GBP	1,125,000	1,358	1.39
Imperial Brands Finance plc, FRN 9.00% 17/02/2022	GBP	597,000	827	0.85
Imperial Brands Finance plc, FRN 4.88% 07/06/2032	GBP	400,000	510	0.52
Intu Metrocentre Finance plc, REIT 4.13% 06/12/2023	GBP	800,000	885	0.91
John Lewis plc 4.25% 18/12/2034	GBP	800,000	868	0.89
Land Securities Capital Markets plc, FRN 4.87% 29/09/2025	GBP	633,000	769	0.79
Legal & General Group plc, FRN 5.50% 27/06/2064	GBP	800,000	806	0.83
Liverpool Victoria Friendly Society Ltd., FRN 6.50% 22/05/2043	GBP	500,000	494	0.51
London & Quadrant Housing Trust 2.63% 05/05/2026	GBP	827,000	893	0.91
Marston's Issuer plc, FRN, Series A3 5.18% 15/07/2032	GBP	914,000	1,030	1.05
Meadowhall Finance plc, Series A1 4.99% 12/07/2037	GBP	689,449	873	0.89
Mitchells & Butlers Finance plc, Series C1 6.47% 15/09/2032	GBP	854,000	1,063	1.09
Motability Operations Group plc 5.63% 29/11/2030	GBP	738,000	1,068	1.09
Nationwide Building Society 3.00% 06/05/2026	GBP	800,000	867	0.89
Nats En Route plc 5.25% 31/03/2026	GBP	978,948	1,157	1.19
Network Rail Infrastructure Finance plc 4.75% 29/11/2035	GBP	879,000	1,309	1.34
Northern Powergrid Yorkshire plc 9.25% 17/01/2020	GBP	703,000	892	0.91
Prudential plc 1.38% 19/01/2018	GBP	600,000	603	0.62
Prudential plc, FRN 11.37% 29/05/2039	GBP	492,000	607	0.62
Punch Taverns Finance plc 7.32% 15/10/2025	GBP	56,201	59	0.06
RAC Bond Co. plc 4.87% 06/05/2046	GBP	600,000	658	0.67
RELX Investments plc 2.75% 01/08/2019	GBP	1,000,000	1,045	1.07
RSA Insurance Group plc, FRN 9.37% 20/05/2039	GBP	152,000	179	0.18
Santander UK plc 1.88% 17/02/2020	GBP	1,000,000	1,018	1.04
Scotland Gas Networks plc 3.25% 08/03/2027	GBP	900,000	1,000	1.02
Segro plc, REIT 6.75% 23/11/2021	GBP	800,000	1,000	1.02
SP Manweb plc 4.88% 20/09/2027	GBP	800,000	1,011	1.04
SSE plc, FRN 3.88% Perpetual	GBP	800,000	786	0.81
Stagecoach Group plc, FRN 4.00% 29/09/2025	GBP	1,000,000	1,112	1.14
Standard Chartered Bank, FRN 5.37% Perpetual	GBP	527,000	519	0.53
Standard Life plc, FRN 6.75% Perpetual	GBP	700,000	759	0.78
Telereal Securitisation plc, Series A5 5.39% 10/12/2033	GBP	568,178	672	0.69
Telereal Securitisation plc, Series B4 6.16% 10/12/2033	GBP	498,542	595	0.61
Tesco Property Finance 1 plc 7.62% 13/07/2039	GBP	737,090	867	0.89
Transport for London 2.25% 09/08/2022	GBP	2,100,000	2,248	2.30
Transport for London 3.88% 23/07/2042	GBP	1,800,000	2,376	2.43
Unique Pub Finance Co. plc (The), Series A3 6.54% 30/03/2021	GBP	687,600	712	0.73
Virgin Media Secured Finance plc 5.50% 15/01/2021	GBP	633,000	683	0.70
Wales & West Utilities Finance plc 6.25% 30/11/2021	GBP	703,000	879	0.90
Western Power Distribution East Midlands plc 5.25% 17/01/2023	GBP	773,000	942	0.96
White City Property Finance plc 5.12% 17/04/2035	GBP	792,186	984	1.01
Yorkshire Building Society 3.50% 21/04/2026	GBP	900,000	979	1.00
Zurich Finance UK plc, FRN 6.62% Perpetual	GBP	800,000	894	0.92
			53,848	55.15

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United States of America 14.05% (14.51%)</b>				
American International Group, Inc. 5.00% 26/04/2023	GBP	700,000	812	0.83
AT&T, Inc. 4.38% 14/09/2029	GBP	784,000	941	0.96
AT&T, Inc. 7.00% 30/04/2040	GBP	650,000	1,049	1.07
Bank of America Corp. 7.00% 31/07/2028	GBP	700,000	1,020	1.05
Brown-Forman Corp. 2.60% 07/07/2028	GBP	200,000	213	0.22
Citigroup, Inc. 7.63% 03/04/2018	GBP	633,000	701	0.72
Digital Stout Holding LLC, REIT 4.25% 17/01/2025	GBP	800,000	881	0.90
Goldman Sachs Group, Inc. (The) 4.25% 29/01/2026	GBP	700,000	808	0.83
Goldman Sachs Group, Inc. (The) 6.88% 18/01/2038	GBP	700,000	1,005	1.03
Juneau Investments LLC 5.90% 22/02/2021	GBP	941,000	1,042	1.07
Mellon Capital III, FRN 6.37% 05/09/2066	GBP	400,000	399	0.41
Pfizer, Inc. 6.50% 03/06/2038	GBP	600,000	1,005	1.03
Verizon Communications, Inc. 4.07% 18/06/2024	GBP	900,000	1,058	1.08
Walgreens Boots Alliance, Inc. 2.88% 20/11/2020	GBP	700,000	734	0.75
Wells Fargo & Co. 4.88% 29/11/2035	GBP	900,000	1,105	1.13
Welltower, Inc., REIT 4.80% 20/11/2028	GBP	800,000	947	0.97
			13,720	14.05
<b>Corporate Bonds total</b>			<b>88,460</b>	<b>90.60</b>
<b>Supranationals 7.50% (6.35%)</b>				
European Investment Bank 4.75% 15/10/2018	GBP	1,687,000	1,846	1.89
European Investment Bank 5.38% 07/06/2021	GBP	1,800,000	2,204	2.26
European Investment Bank 5.63% 07/06/2032	GBP	800,000	1,270	1.30
European Investment Bank 3.88% 08/06/2037	GBP	1,433,000	2,000	2.05
			7,320	7.50
<b>Supranationals total</b>			<b>7,320</b>	<b>7.50</b>
Investment assets			96,327	98.66
Net other assets			1,305	1.34
<b>Net assets</b>			<b>97,632</b>	<b>100.00</b>

All holdings are debt securities denominated in sterling and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
Income					
Net capital gains	2		6,330		2,987
Revenue	3	4,128		4,551	
Expenses	4	(822)		(877)	
Net revenue before taxation		3,306		3,674	
Taxation	5	–		–	
Net revenue after taxation			3,306		3,674
<b>Total return before distributions</b>			<b>9,636</b>		<b>6,661</b>
Distributions	6		(4,090)		(4,512)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>5,546</b>		<b>2,149</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>117,868</b>		<b>102,870</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	7,908		16,239	
Amounts payable on cancellation of shares	(33,859)		(3,481)	
		(25,951)		12,758
Dilution adjustment		169		91
Change in net assets attributable to shareholders from investment activities (see above)		5,546		2,149
<b>Closing net assets attributable to shareholders</b>		<b>97,632</b>		<b>117,868</b>

## BALANCE SHEET

### As at 31 July 2016

	Notes	As at 31.07.16 £000	Restated* As at 31.07.15 £000
<b>Assets:</b>			
Investments		96,327	112,703
<b>Current assets:</b>			
Debtors	8	1,482	1,819
Cash and bank balances	9	789	4,616
<b>Total assets</b>		<b>98,598</b>	<b>119,138</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(888)	(1,176)
Other creditors	10	(78)	(94)
<b>Total liabilities</b>		<b>(966)</b>	<b>(1,270)</b>
<b>Net assets attributable to shareholders</b>		<b>97,632</b>	<b>117,868</b>

\* Refer to the accounting policies note on page 182.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

### Balance sheet

The income tax withheld on distributions of £234,000 is now included within 'Distributions payable', whereas under SORP 2010 this was disclosed within 'Creditors'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Expenses relating to the purchase and sale of investments	(1)	(1)
Non-derivative securities gains	6,331	2,988
<b>Net capital gains</b>	<b>6,330</b>	<b>2,987</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	10	–
Interest on debt securities	4,118	4,551
<b>Total revenue</b>	<b>4,128</b>	<b>4,551</b>

### 4 Expenses

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	784	838
	784	838
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	15	16
Safe custody fee	8	9
	23	25
<b>Other expenses:</b>		
Audit fee*	9	9
Printing & postage expenses	2	3
Statement fees	4	2
	15	14
<b>Total expenses</b>	<b>822</b>	<b>877</b>

\* The audit fee was £8,226 (2015: £7,688) net of VAT.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Corporation tax	–	–
<b>Total current tax for the year (see note 5.b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>3,306</b>	<b>3,674</b>
Corporation tax at 20%	661	735
<b>Effects of:</b>		
Movement in excess expenses	(661)	–
Tax deductible on interest distributions	–	(735)
	(661)	(735)
<b>Current tax charge (see note 5.a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £1,674,000 (2015: £4,980,000) creating a potential deferred tax asset of £335,000 (2015: £996,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6 Distributions

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	1,051	1,131
Gross interest distribution for the three months ended 31 January	1,013	1,105
Gross interest distribution for the three months ended 30 April	1,037	1,149
Gross interest distribution for the three months ended 31 July	900	1,176
	4,001	4,561
Add: Revenue deducted on cancellation of shares	138	19
Deduct: Revenue received on issue of shares	(49)	(68)
<b>Total distributions</b>	<b>4,090</b>	<b>4,512</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	4,090	4,512
ACD's periodic charge borne by the capital account	(784)	(838)
<b>Net revenue after taxation</b>	<b>3,306</b>	<b>3,674</b>

Details of the distributions per share are set out in the distribution tables on page 188.

## 7 Fair value hierarchy

Valuation technique	As at 31.07.16		As at 31.07.15	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Valuation techniques using observable market data	96,327	–	112,703	–
<b>Total</b>	<b>96,327</b>	<b>–</b>	<b>112,703</b>	<b>–</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

## 8 Debtors

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	1,381	1,819
Sales awaiting settlement	101	–
<b>Total debtors</b>	<b>1,482</b>	<b>1,819</b>

## 9 Cash and bank balances

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	789	4,616
<b>Total cash and bank balances</b>	<b>789</b>	<b>4,616</b>

## 10 Other creditors

	As at 31.07.16 £000	Restated* As at 31.07.15 £000
Accrued expenses	78	94
<b>Total creditors</b>	<b>78</b>	<b>94</b>

\* Refer to the accounting policies note on page 182.

## 11 Contingent liabilities and commitments

There were no contingent liabilities or commitments at the year end (2015: £nil).

## 12 Related party transactions

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £58,000 (2015: £74,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,184,000 (2015: £3,659,000). The amount outstanding at the year end was £706,000 (2015: £942,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	93,126,919	(25,814,949)	118,941,868

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

## 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 176. The distributions per share class are given in the distribution tables on page 188.

## 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	118,941,868	7,995,539	(33,810,488)	–	93,126,919

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 7 and 8.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

#### Currency risk

At the year end date, none (2015: none) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

#### Interest rate risk

At the year end date 99.47% (2015: 99.53%) of the net assets of the Fund were interest bearing. The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	13,926	83,187	1,482	98,595
US Dollar	3	–	–	3
<b>Financial Liabilities</b>				
Sterling	–	–	(966)	(966)
<b>Total</b>	<b>13,929</b>	<b>83,187</b>	<b>516</b>	<b>97,632</b>

If the interest rates were to change by 10%, the value of the Fund will change by 9.95%.

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2015 was:

Currency 31.07.15	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	5,498	111,821	1,819	119,138
<b>Financial Liabilities</b>				
Sterling	–	–	(1,270)	(1,270)
<b>Total</b>	<b>5,498</b>	<b>111,821</b>	<b>549</b>	<b>117,868</b>

The floating rate on bank balances is linked to the Depositary's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and sterling denominated bank balances that bear interest rates based on LIBOR.

The interest rate risk is not considered significant.

#### Market price risk

At the year end date, 98.66% (2015: 95.62%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.87%.

### 16 Debt security credit analysis

	Market value £000		Total net assets %	
	31.07.16	31.07.15	31.07.16	31.07.15
Investment grade	87,556	107,724	89.68%	91.39%
Below investment grade	6,240	1,914	6.39%	1.62%
Unrated	2,531	3,065	2.59%	2.61%
<b>Total debt securities</b>	<b>96,327</b>	<b>112,703</b>	<b>98.66%</b>	<b>95.62%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BBB- or lower are considered below investment grade.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **17 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2016 (2015: £nil). The total purchases for the year amounted to £21,405,000 (2015: £30,328,000) and the total sales amounted to £43,695,000 (2015: £17,447,000).

### **Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 1.00% (2015: 0.86%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

### **18 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	0.9476	0.1895	0.7581	–	0.7581	0.7923
	Group 2	0.9476	0.1895	0.7581	0.0000	0.7581	0.7923

Group 1 shares are those shares purchased at or before 2pm on 30 April 2016.

Group 2 shares are those shares purchased after 2pm on 30 April 2016.

## Interim distribution paid in pence per share for the three months ended 30 April 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 30 June 2016	Interim distribution paid 30 June 2015
Share Class 2	Group 1	0.9470	0.1894	0.7576	–	0.7576	0.7829
	Group 2	0.1584	0.0317	0.1267	0.6309	0.7576	0.7829

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

## Interim distribution paid in pence per share for the three months ended 31 January 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.9831	0.1966	0.7865	–	0.7865	0.8351
	Group 2	0.9831	0.1966	0.7865	0.0000	0.7865	0.8351

Group 1 shares are those shares purchased at or before 2pm on 31 October 2015.

Group 2 shares are those shares purchased after 2pm on 31 October 2015.

## Interim distribution paid in pence per share for the three months ended 31 October 2015

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2015	Interim distribution paid 31 December 2014
Share Class 2	Group 1	0.9969	0.1994	0.7975	–	0.7975	0.8542
	Group 2	0.9969	0.1994	0.7975	0.0000	0.7975	0.8542

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

## Equalisation

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS STERLING CREDIT MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth).

### INVESTMENT POLICY

The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling credit, overseas credit, gilts, overseas government bonds, asset backed securities, (including mortgage backed securities), money market instruments, collective investment schemes and deposits. Up to 50 per cent of the value of the scheme property may be invested in credit which is deemed to be below investment grade. The Fund's exposure will be in Sterling or currency hedged back to Sterling. The Sterling exposure will be within a range of 98 per cent to 102 per cent.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned -0.34 per cent (net of fees), underperforming its composite benchmark 35 per cent iBoxx EUR HY; 35 per cent iBoxx EUR Overall Corporate; 30 per cent 3m LIBOR return of 3.00 per cent.

#### Review

From August to year end 2015, the Fund suffered, firstly from the fears around a slowdown in global growth and secondly from the significant fall in commodity prices, which contributed to a significant fall in AT1 (Additional Tier 1) and CLO (collateralised loan obligation) prices in January/February of 2016.

While the markets had sporadic periods of calm, which helped prices, the lead up to the "Brexit" vote, and the actual result to leave the EU, also caused significant distribution and the inability to hedge the portfolio in advance of this vote, had a substantial impact on the NAV during that period.

As we approached the end of the period, July was a much stronger month for risk assets, as the market responded very positively to the European Central Bank (ECB) quantitative easing (QE) policies, while action from the Bank of England (BoE) is also expected.

August is typically a quiet month for market activity but August 2015 proved to be an exception, with participants anxious about higher US interest rates and the effect this would have on a fairly weak global economy. When the People's Bank of China announced an adjustment to the Yuan fixing leading to a 2 per cent reduction in the value against the USD, the markets began a self-led spiral down with the Dow Jones index opening over 1000pts weaker on 24 August. The weak sentiment continued into the end of Q3 2015 with liquidity all but completely evaporating.

Midway through October a relatively poor US non-farm payrolls number was interpreted as ending the chance of an October interest rates hike, which in turn helped to turn sentiment. Meanwhile, the Q3 earnings cycle saw US corporates generally beating profit forecasts but falling short on revenues, due to the strong dollar.

In Europe, the ECB talk became markedly more dovish at the start of Q4, while conversely, the Federal Open Market Committee (FOMC) October meeting inferred that a first interest rates hike was on the cards, reversing the relief rally and improved sentiment.

Unusually December turned out to be very challenging for investors to navigate, with the ECB cutting the deposit interest rate to minus 30bp and expanding QE, while the FOMC hiked Federal Reserve Funds to 0.25-0.50 per cent leading to large outflows from US high yield bond funds and the US high yield sector recording only its third negative year in the last two decades, losing 5 per cent. The downward spiral continued to the year-end with commodity prices at the core of the action, with Brent crude down a further 17 per cent in the month, taking 2015 losses to a huge 44 per cent.

The weak sentiment continued into January and 2016 had the most depressed start to a year we can recall. The weakness in oil prices continued resulting in WTI crude testing new lows of \$28.50 a barrel, while China released Q4-2015 GDP numbers of 6.8 per cent which, though just 0.1 per cent below consensus, sent the market bears a late Christmas present. At the first FOMC of 2016, Janet Yellen signaled that the Fed was on hold, but the Bank of Japan (BoJ) then shocked the market by moving domestic rates into negative, while the BoE and ECB also became increasingly dovish.

The negative tone that had weighed down the previous nine months reached a low point in early February as the 'rolling bear' sentiment switched its attention to the banking sector with speculation that Deutsche Bank would be the first bank not to pay coupons on their contingent capital bonds, while CLOs, also endured sharp price declines in the month on the news that Credit Suisse was selling its holdings.

At the end of Q1-2016 the market received a welcome boost with the ECB announcing a raft of stimuli that exceeded all expectations. Banks were effectively offered unlimited liquidity support through to March 2021, which led to a significant relief rally in subordinated bank paper across the Euro-region.

On the other side of the Atlantic the FOMC decided to keep Fed-Funds on hold and as we moved into the Q2-2016 the markets became more benign on reduced fears of a hard landing in China, while the "Remain" camp took an early lead in the UK referendum opinion polls. Indeed, "Brexit" became the only story for June, with those advocating a Remain vote enjoying strong early support and, in the build up to the decision, the expectations of a "Brexit" result had all but been discounted by the markets. When the shock result was announced on the morning of 24th of June, it was sterling that was hit hardest by the early selling pressure; with STG/USD trading down over 11 per cent to 1.32. In credit, the bellwether Xover index widened out 125bps to +450bps and 30yr UST bonds rallied over three points in the classic flight to safety trade.

## AVIVA INVESTORS STERLING CREDIT MOM 1 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

As we approach July month end, the markets have rallied impressively, with the fears of the consequences of Brexit being more than overshadowed by the "technical" impact of ECB QE and the expectation of support from the BoE. Spreads have tightened markedly, helped by changes to the capital regulation, which have offered support to AT1s, in particular, and the EU bank stress tests, where the sector performed very well. The squeeze tighter in spreads seems likely to continue for the time being, although further volatility is expected once the "Brexit" vote feeds into the economic data, while the US election is also on the horizon.

Most of the focus over the summer will be on UK economic data, in order to assess the impact of the UK decision to leave the EU. There will also be considerable interest on the timing and the rhetoric that accompanies the UK decision surrounding the triggering of Article 50.

In the immediate term, the main sentiment driver will likely come from the BoE meeting in early August and the extent of the stimulus (if at all) it announces. A 25bp rate cut is widely expected whereas the addition of any asset purchase program will likely extend the current market rally. That aside, market technicals have softened recently and the fundamental economic factors are becoming more prominent.

Political headwinds are also likely to increase over the second half, with a key constitutional referendum in Italy (expected November) and the all-important US election edging ever closer and the PMs expect these events to be accompanied by an increase in market volatility.

## August 2016

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP, composite benchmark source Morningstar Direct. Unless otherwise indicated, all data has been sourced by Twentyfour Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 191 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## Material Portfolio Changes

Purchases	Sales
UK Treasury 1.25% 22/7/2018	UK Treasury 1.25% 22/07/2018
US Treasury 3.00% 15/11/2045	US Treasury 3.00% 15/11/2045
US Treasury 2.50% 15/05/2046	US Treasury 2.50% 15/05/2046
UK Treasury 2.25% 07/09/2023	Spain Government Bond 1.95% 30/07/2030
Portugal Obrigaçoes do Tesouro 2.00% 15/06/2020	Portugal Obrigaçoes do Tesouro OT 4.80% 15/06/2020
UK Treasury 0.38% 15/07/2025	UK Treasury 0.38% 15/07/2025
UK Treasury 2.00% 07/09/2025	RL Finance Bonds plc, FRN 6.12% Perpetual
Italy Buoni Poliennali Del Tesoro 2.00% 01/12/2025	RSA Insurance Group plc, FRN 6.70% Perpetual
Spain Government Bond 2.15% 31/10/2025	Banco Bilbao Vizcaya Argentaria SA, FRN 9.00% Perpetual
Intesa Sanpaolo SpA, FRN 7.00% Perpetual	Portugal Obrigaçoes do Tesouro OT 3.88% 15/02/2030

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Bond values are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually have a greater risk of default.
- For Asset Backed securities, there is no guarantee that the value of the underlying assets or the income from them will be maintained, which could result in losses for the Fund. These types of security may also be more difficult to sell which can adversely affect their value.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.



## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	105.79	106.07	100.00
Return before operating charges <sup>†</sup>	1.42	1.79	12.47
Operating charges	(0.81)	(0.85)	(0.85)
Return after operating charges <sup>†</sup>	0.61	0.94	11.62
Distributions on income shares	(5.68)	(1.22)	(5.55)
Closing net asset value per share	100.72	105.79	106.07
Retained distributions on accumulation shares	–	–	–
<sup>†</sup> after direct transaction costs of	–	–	–
<b>Performance</b>			
Return after charges	0.58%	0.89%	11.62%
<b>Other information</b>			
Closing net asset value (£000)	70,809	89,287	92,082
Closing number of shares	70,306,075	84,396,386	86,813,983
Operating charges (%) <sup>‡</sup>	0.80%	0.80%	0.80%
Direct transaction costs (%) <sup>#</sup>	–	–	–
<b>Prices<sup>≈</sup></b>			
Highest share price	106.02	108.94	108.76
Lowest share price	96.74	104.84	100.00

<sup>‡</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

## Ongoing Charges Figure\*

Share class	31.07.16	31.07.15
Class 2	0.80%	0.80%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 10.23% (5.44%)</b>				
<b>Portugal 0.00% (2.47%)</b>				
<b>Spain 1.04% (2.97%)</b>				
Spanish Bonos 1.95% 30/04/2026	EUR	€800,000	733	1.04
			733	1.04
<b>United Kingdom 9.19% (0.00%)</b>				
UK Treasury 2.25% 07/09/2023	GBP	£3,548,000	3,981	5.62
UK Treasury 2.00% 07/09/2025	GBP	£2,269,000	2,526	3.57
			6,507	9.19
<b>Government Bonds total</b>			<b>7,240</b>	<b>10.23</b>
<b>Corporate Bonds 82.50% (90.89%)</b>				
<b>Australia 0.00% (1.28%)</b>				
<b>Austria 1.66% (0.16%)</b>				
Vienna Insurance Group AG Wiener Versicherung Gruppe, FRN 5.50% 09/10/2043	EUR	€1,300,000	1,175	1.66
			1,175	1.66
<b>Belgium 2.38% (0.00%)</b>				
Argenta Spaarbank NV, FRN 3.87% 24/05/2026	EUR	€900,000	780	1.10
Ethias SA 5.00% 14/01/2026	EUR	€1,300,000	903	1.28
			1,683	2.38
<b>Bermuda 1.17% (0.00%)</b>				
Hiscox Ltd., FRN 6.12% 24/11/2045	GBP	£800,000	826	1.17
			826	1.17
<b>Cayman Islands 0.00% (1.94%)</b>				
<b>France 5.90% (8.27%)</b>				
AXA SA, FRN 6.46% Perpetual	USD	\$845,000	671	0.95
Credit Agricole SA, FRN 8.12% Perpetual	GBP	£1,400,000	1,524	2.15
Groupama SA, FRN 6.37% Perpetual	EUR	€1,200,000	921	1.30
Orange SA, FRN 5.75% Perpetual	GBP	£1,000,000	1,064	1.50
			4,180	5.90
<b>Germany 2.49% (2.00%)</b>				
Aareal Bank AG, FRN 7.62% Perpetual	EUR	€1,200,000	971	1.37
Commerzbank AG 8.13% 19/09/2023	USD	\$900,000	789	1.12
			1,760	2.49
<b>Ireland 5.84% (10.29%)</b>				
Avoca CLO XIII Ltd., FRN, Series 13X 'D' 3.22% 29/12/2027	EUR	€2,000,000	1,592	2.25
Bank of Ireland, FRN 7.37% Perpetual	EUR	€950,000	775	1.09
Black Diamond CLO 2015-1 Designated Activity Co., FRN, Series 2015-1X 'DNE' 3.70% 03/10/2029	EUR	€850,000	674	0.95
Swiss Reinsurance Co. Ltd., FRN 8.25% Perpetual	USD	\$310,000	252	0.36
Taurus 2016-1 DEU DAC, FRN, Series 2016-DE1 'D' 4.00% 17/11/2026	EUR	€1,000,000	841	1.19
			4,134	5.84
<b>Italy 1.90% (0.51%)</b>				
Assicurazioni Generali SpA, FRN 6.42% Perpetual	GBP	£700,000	691	0.97
Intesa Sanpaolo SpA, FRN 7.00% Perpetual	EUR	€800,000	658	0.93
			1,349	1.90
<b>Luxembourg 7.60% (3.78%)</b>				
Altice Luxembourg SA 7.25% 15/05/2022	EUR	€410,000	349	0.49
Cabot Financial Luxembourg II SA, FRN 5.87% 15/11/2021	EUR	€650,000	512	0.72
Cabot Financial Luxembourg SA 8.38% 01/08/2020	GBP	£500,000	507	0.72
Garfunkelux Holdco 3 SA 8.50% 01/11/2022	GBP	£700,000	694	0.98
Hayfin Ruby II Luxembourg SCA, FRN, Series 2X 'D2' 5.25% 28/08/2024	GBP	£2,500,000	2,559	3.61
Intralot Capital Luxembourg SA 6.00% 15/05/2021	EUR	€500,000	392	0.55
UniCredit International Bank Luxembourg SA, FRN 8.59% Perpetual	GBP	£355,000	372	0.53
			5,385	7.60

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Netherlands 7.64% (11.08%)</b>				
Dryden 35 Euro CLO 2014 BV, FRN, Series 2014-35X 'DN' 3.79% 17/05/2027	EUR	€2,500,000	2,049	2.89
Dryden 44 Euro CLO 2015 BV, FRN, Series 2015-44X 'DNE' 4.30% 15/07/2030	EUR	€350,000	297	0.42
Dryden 44 Euro CLO 2015 BV, FRN, Series 2015-44X 'E' 6.50% 15/07/2030	EUR	€150,000	120	0.17
Fiat Chrysler Automobiles NV 5.25% 15/04/2023	USD	\$600,000	459	0.65
Grupo Isolux Corsan Finance BV 6.63% 15/04/2021	EUR	€1,100,000	158	0.22
Jubilee CLO 2014-XIV BV, FRN, Series 2014-14X 'E' 4.75% 15/01/2028	EUR	€1,400,000	1,019	1.44
Swiss Reinsurance Co., FRN 6.30% Perpetual	GBP	£500,000	541	0.77
TMF Group Holding BV 9.88% 01/12/2019	EUR	€425,000	383	0.54
UPC Holding BV 6.75% 15/03/2023	CHF	CHF 455,000	382	0.54
			5,408	7.64
<b>New Zealand 1.66% (0.00%)</b>				
Chorus Ltd., FRN 6.75% 06/04/2020	GBP	£1,000,000	1,173	1.66
			1,173	1.66
<b>Norway 0.67% (0.00%)</b>				
Lock Lower Holding A/S 9.50% 15/08/2022	EUR	€550,000	473	0.67
			473	0.67
<b>Spain 0.99% (3.97%)</b>				
Banco Bilbao Vizcaya Argentaria SA, FRN 8.87% Perpetual	EUR	€800,000	701	0.99
			701	0.99
<b>Switzerland 2.97% (3.91%)</b>				
Credit Suisse Group AG, FRN 7.50% Perpetual	USD	\$1,625,000	1,270	1.79
UBS Group AG, FRN 5.75% Perpetual	EUR	€475,000	413	0.58
UBS Group AG, FRN 6.87% Perpetual	USD	\$550,000	421	0.60
			2,104	2.97
<b>United Kingdom 33.95% (43.70%)</b>				
Alba 2006-1 plc, FRN, Series 2006-1 'C' 1.07% 21/11/2037	GBP	£697,148	554	0.78
Amicus Mortgage Finance 2015 1 plc, FRN, Series 2015-1 'A' 3.86% 12/07/2021	GBP	£750,000	742	1.05
Barclays Bank plc, FRN 14.00% Perpetual	GBP	£1,070,000	1,344	1.90
BUPA Finance plc, FRN 6.12% Perpetual	GBP	£750,000	811	1.15
Coventry Building Society, FRN 6.37% Perpetual	GBP	£2,100,000	1,964	2.77
esure Group plc 6.75% 19/12/2024	GBP	£1,500,000	1,465	2.07
GKN Holdings plc 6.75% 28/10/2019	GBP	£100,000	115	0.16
Honours plc, FRN 'A1' 0.73% 10/04/2029	GBP	£642,496	488	0.69
Inovyn Finance plc 6.25% 15/05/2021	EUR	€625,000	547	0.77
Investec Bank plc 9.63% 17/02/2022	GBP	£100,000	120	0.17
Jerrold Finco plc 9.75% 15/09/2018	GBP	£675,000	702	0.99
Keystone Financing plc 9.50% 15/10/2019	GBP	£750,000	774	1.09
Legal & General Group plc, FRN 5.87% Perpetual	GBP	£600,000	617	0.87
Legal & General Group plc, FRN 6.39% Perpetual	GBP	£400,000	409	0.58
Liverpool Victoria Friendly Society Ltd., FRN 6.50% 22/05/2043	GBP	£1,724,000	1,705	2.41
Nationwide Building Society, FRN 6.87% Perpetual	GBP	£2,000,000	1,915	2.70
New Look Secured Issuer plc 6.50% 01/07/2022	GBP	£700,000	659	0.93
Newgate Funding 2007-1, FRN, Series 2007-1X 'MA' 0.79% 01/12/2050	GBP	£524,648	423	0.60
Old Mutual plc 8.00% 03/06/2021	GBP	£450,000	503	0.71
Old Mutual plc, FRN 6.38% Perpetual	GBP	£232,000	229	0.32
Pension Insurance Corp. plc 6.50% 03/07/2024	GBP	£575,000	563	0.80
RAC Bond Co. plc 4.57% 06/05/2023	GBP	£339,000	365	0.52
RMAC Securities No. 1 plc, FRN, Series 2006-NS3X 'M1C' 0.01% 12/06/2044	EUR	€384,347	262	0.37
Skipton Building Society, FRN 6.75% 30/05/2022	GBP	£1,200,000	1,080	1.53
Society of Lloyd's, FRN 7.42% Perpetual	GBP	£1,310,000	1,350	1.91
Standard Chartered Bank, FRN 7.75% Perpetual	GBP	£730,000	816	1.15
Telereal Secured Finance plc 4.01% 10/12/2033	GBP	£87,090	91	0.13
Towd Point Mortgage Funding 2016-Granite1 plc, FRN, Series 2016-GR1X 'E' 3.59% 20/07/2046	GBP	£400,000	384	0.54
Uropa Securities plc, FRN, Series 2007-1 'S' 4.84% 10/10/2040	GBP	£8,175	8	0.01
Vedanta Resources plc 9.50% 18/07/2018	USD	\$555,000	424	0.60

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value	
			£000	% of Net Assets
Virgin Money Holdings UK plc, FRN 7.87% Perpetual	GBP	£450,000	421	0.59
Warwick Finance Residential Mortgages No. One plc, FRN, Series 'C' 2.09% 21/09/2049	GBP	£1,000,000	899	1.27
Warwick Finance Residential Mortgages No. Two plc, FRN, Series 2 'E' 2.79% 21/09/2049	GBP	£1,000,000	852	1.20
Western Power Distribution plc, FRN 3.63% 06/11/2023	GBP	£150,000	164	0.23
Whitbread Group plc 3.38% 16/10/2025	GBP	£250,000	275	0.39
			24,040	33.95
<b>United States of America 5.68% (0.00%)</b>				
AT&T, Inc. 5.50% 15/03/2027	GBP	£400,000	522	0.74
Cemex Finance LLC 9.38% 12/10/2022	USD	\$800,000	667	0.94
Cemex Finance LLC 4.63% 15/06/2024	EUR	€200,000	168	0.24
JBS USA LLC 5.75% 15/06/2025	USD	\$300,000	223	0.31
Meritor, Inc. 6.75% 15/06/2021	USD	\$1,100,000	790	1.12
Rabobank Capital Funding Trust IV, FRN 5.56% Perpetual	GBP	£1,000,000	1,043	1.47
TEGNA, Inc. 6.38% 15/10/2023	USD	\$612,000	495	0.70
Verizon Communications, Inc. 4.07% 18/06/2024	GBP	£100,000	117	0.16
			4,025	5.68
<b>Corporate Bonds total</b>			<b>58,416</b>	<b>82.50</b>
<b>Swaps 0.00% ((0.44)%)</b>				
<b>Forward Currency Contracts 0.73% (0.74%)</b>				
Buy EUR 1,100,000 sell GBP 923,120 dated 12/08/2016			5	0.01
Buy EUR 2,200,000 sell GBP 1,878,415 dated 17/08/2016			(23)	(0.03)
Buy GBP 415,661 sell CHF 525,000 dated 17/08/2016			7	0.01
Buy GBP 21,633,713 sell EUR 25,235,000 dated 17/08/2016			349	0.49
Buy GBP 8,320,188 sell USD 10,760,000 dated 17/08/2016			186	0.26
Buy USD 1,900,000 sell GBP 1,441,152 dated 12/08/2016			(5)	(0.01)
<b>Forward Currency Contracts total</b>			<b>519</b>	<b>0.73</b>
Investment assets			66,175	93.46
Net other assets			4,634	6.54
<b>Net assets</b>			<b>70,809</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital (losses)/gains	2		(3,819)		435
Revenue	3	4,502		4,925	
Expenses	4	(656)		(757)	
Net revenue before taxation		3,846		4,168	
Taxation	5	–		–	
Net revenue after taxation			3,846		4,168
<b>Total return before distributions</b>			<b>27</b>		<b>4,603</b>
Distributions	6		(4,443)		(4,854)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(4,416)</b>		<b>(251)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		<b>89,287</b>		<b>92,082</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	11,263		832	
Amounts payable on cancellation of shares	(25,490)		(3,376)	
		(14,227)		(2,544)
Dilution adjustment		165		–
Change in net assets attributable to shareholders from investment activities (see above)		(4,416)		(251)
<b>Closing net assets attributable to shareholders</b>		<b>70,809</b>		<b>89,287</b>

\* Refer to the accounting policies note on page 197.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	Restated* As at 31.07.15 £000
<b>Assets:</b>			
Investments		66,202	86,677
<b>Current assets:</b>			
Debtors	8	1,848	1,662
Cash and bank balances	9	6,230	4,260
<b>Total assets</b>		<b>74,280</b>	<b>92,599</b>
<b>Liabilities:</b>			
Investment liabilities		(27)	(403)
<b>Creditors:</b>			
Distribution payable		(965)	(1,284)
Other creditors	10	(2,479)	(1,625)
<b>Total liabilities</b>		<b>(3,471)</b>	<b>(3,312)</b>
<b>Net assets attributable to shareholders</b>		<b>70,809</b>	<b>89,287</b>

\* Refer to the accounting policies note on page 197.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**1 Accounting basis and policies**

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

**Statement of Total Return**

Interest payable of £34,000 is now disclosed within 'Expenses', whereas under SORP 2010 this was disclosed within 'Finance costs'.

**Balance sheet**

The Income tax withheld on distributions of £257,000 is now included within 'Distributions payable', whereas under SORP 2010 this was disclosed within 'Creditors'.

**2 Net capital (losses)/gains**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Currency losses	(1,632)	(1,763)
Derivative contracts losses	(402)	(222)
Expenses relating to the purchase and sale of investments	(3)	(3)
Forward currency contracts (losses)/gains	(4,979)	5,560
Non-derivative securities gains/(losses)	3,197	(3,137)
<b>Net capital (losses)/gains</b>	<b>(3,819)</b>	<b>435</b>

**3 Revenue**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	12	13
Interest on debt securities	4,561	5,108
Interest on derivatives	(71)	(196)
<b>Total revenue</b>	<b>4,502</b>	<b>4,925</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4 Expenses**

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	597	686
	597	686
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	12	13
Interest payable	26	34
Safe custody fee	6	8
	44	55
<b>Other expenses:</b>		
Audit fee**	10	11
Statement fees	5	5
	15	16
<b>Total expenses</b>	<b>656</b>	<b>757</b>

\* Refers to the accounting policies note on page 197.

\*\* The audit fee was £8,226 (2015: £7,688) net of VAT.

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Corporation tax	–	–
<b>Total current tax for the year (see note 5.b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>3,846</b>	<b>4,168</b>
Corporation tax at 20%	769	834
<b>Effects of:</b>		
Tax deductible on interest distributions	(769)	(834)
	(769)	(834)
<b>Current tax charge (see note 5.a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6 Distributions

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	1,202	1,169
Gross interest distribution for the three months ended 31 January	1,049	1,182
Gross interest distribution for the three months ended 30 April	1,071	1,199
Gross interest distribution for the three months ended 31 July	967	1,285
	4,289	4,835
Add: Revenue deducted on cancellation of shares	214	25
Deduct: Revenue received on issue of shares	(60)	(6)
<b>Total distributions</b>	<b>4,443</b>	<b>4,854</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	4,443	4,854
ACD's periodic charge borne by the capital account	(597)	(686)
<b>Net revenue after taxation</b>	<b>3,846</b>	<b>4,168</b>

Details of the distributions per share are set out in the distribution tables on page 203.

## 7 Fair value hierarchy

Valuation technique	As at 31.07.16		As at 31.07.15	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Valuation techniques using observable market data	65,714	(27)	86,026	–
Valuation techniques using non-observable data	488	–	651	(403)
<b>Total</b>	<b>66,202</b>	<b>(27)</b>	<b>86,677</b>	<b>(403)</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	1,042	1,436
Sales awaiting settlement	806	226
<b>Total debtors</b>	<b>1,848</b>	<b>1,662</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Cash and bank balances	6,230	4,260
<b>Total cash and bank balances</b>	<b>6,230</b>	<b>4,260</b>

**10 Other creditors**

	As at 31.07.16 £000	Restated* As at 31.07.15 £000
Accrued expenses	75	81
Purchases awaiting settlement	2,404	1,544
<b>Total creditors</b>	<b>2,479</b>	<b>1,625</b>

\* Refer to the accounting policies note on page 197.

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £38,000 (2015: £54,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,401,000 (2015: £3,865,000). The amount outstanding at the year end was £773,000 (2015: £1,027,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	70,306,075	(14,090,311)	84,396,386

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 191. The distributions per share class are given in the distribution tables on page 203.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	84,396,386	11,085,745	(25,176,056)	–	70,306,075

## 15 Counterparty Exposure

## Financial derivative exposure

The types of derivatives held at the year end date were forward currency contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the year end date was as follows:

31.07.16	Forward currency contracts £000	Total £000
JPMorgan Chase & Co	519	519
<b>Total</b>	<b>519</b>	<b>519</b>

31.07.15	Forward currency contracts £000	Total £000
JPMorgan Chase & Co	659	659
BNP Paribas	–	(398)
<b>Total</b>	<b>659</b>	<b>659</b>

The counterparty exposure on forward currency contracts is reported at their mark to market values.

## Collateral

At the year end date no collateral was held or pledged by the Company or on behalf of the counterparties in respect of the above (2015: £nil).

## 16 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 7 and 8.

## Currency risk

At the year end date, 0.15% (2015: (0.15)%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

## Interest rate risk

At the year end date 104.86% (2015: 101.10%) of the net assets of the Fund were interest bearing. The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	30,934	46,369	–	77,303
Euro	14,664	7,829	–	22,493
Swiss Franc	10	391	–	401
US Dollar	2,628	5,498	–	8,126
<b>Financial Liabilities</b>				
Sterling	–	(4,243)	(2,354)	(6,597)
Euro	–	(21,285)	(1,090)	(22,375)
Swiss Franc	–	(408)	–	(408)
US Dollar	–	(8,134)	–	(8,134)
<b>Total</b>	<b>48,236</b>	<b>26,017</b>	<b>(3,444)</b>	<b>70,809</b>

If the interest rates were to change by 10%, the value of the Fund will change by 10.49%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments (continued)**

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2015 was:

Currency 31.07.15	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	14,156	35,938	42,089	92,183
Euro	16,389	13,857	588	30,834
US Dollar	129	9,804	184	10,117
<b>Financial Liabilities</b>				
Sterling	-	-	(2,758)	(2,758)
Euro	-	-	(30,984)	(30,984)
US Dollar	-	-	(10,105)	(10,105)
<b>Total</b>	<b>30,674</b>	<b>59,599</b>	<b>(986)</b>	<b>89,287</b>

The floating rate on bank balances is linked to the Depository's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and sterling denominated bank balances that bear interest rates based on LIBOR.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 93.46% (2015: 96.63%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.35%.

**17 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.16	31.07.15	31.07.16	31.07.15
Investment grade	28,676	43,339	40.50%	48.55%
Below investment grade	33,529	40,456	47.35%	45.30%
Unrated	3,451	2,218	4.87%	2.48%
<b>Total debt securities</b>	<b>65,656</b>	<b>86,013</b>	<b>92.72%</b>	<b>96.33%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BBB- or lower are considered below investment grade.

**18 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2016 (2015: £nil). The total purchases for the year amounted to £61,261,000 (2015: £89,728,000) and the total sales amounted to £84,748,000 (2015: £92,024,000).

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 1.44% (2015: 1.14%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**19 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015:nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	1.3738	0.2748	1.0990	–	1.0990	1.2170
	Group 2	0.1479	0.0296	0.1183	0.9807	1.0990	1.2170

Group 1 shares are those shares purchased at or before 2pm on 30 April 2016.

Group 2 shares are those shares purchased after 2pm on 30 April 2016.

## Interim distribution paid in pence per share for the three months ended 30 April 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 30 June 2016	Interim distribution paid 30 June 2015
Share Class 2	Group 1	1.4218	0.2844	1.1374	–	1.1374	1.1217
	Group 2	0.2203	0.0441	0.1762	0.9612	1.1374	1.1217

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

## Interim distribution paid in pence per share for the three months ended 31 January 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	1.4171	0.2834	1.1337	–	1.1337	1.1082
	Group 2	1.3044	0.2609	1.0435	0.0902	1.1337	1.1082

Group 1 shares are those shares purchased at or before 2pm on 31 October 2015.

Group 2 shares are those shares purchased after 2pm on 31 October 2015.

## Interim distribution paid in pence per share for the three months ended 31 October 2015

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2015	Interim distribution paid 31 December 2014
Share Class 2	Group 1	1.4710	0.2942	1.1768	–	1.1768	1.0936
	Group 2	0.4449	0.0890	0.3559	0.8209	1.1768	1.0936

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

## Equalisation

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## AVIVA INVESTORS GLOBAL AGG MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in global fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in global fixed interest securities listed or traded on Regulated Markets. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling denominated investment grade credit, overseas investment grade credit (hedged), gilts, overseas government bonds (hedged), money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2016, the Fund\* returned 3.28 per cent (net of fees), underperforming the Barclays Global Aggregate (hedged to GBP) Index return of 13.87 per cent.

#### Review

Relative performance was down versus the benchmark during the time period, with underperformance in foreign exchange allocation and security selection being the main drivers. An underweight position in several Asian currencies (such as the Singapore Dollar, Korean Won, and Taiwan Dollar) detracted from performance. Foreign exchange underperformance was also attributed to an underweight across the dollar bloc (Australia, New Zealand, and Canada), which outperformed during the period. Although asset allocation performance was positive, our overweight position in inflation linked securities was a source of underperformance as well. Security selection underperformance was driven predominantly by names held in the corporate credit sector, both in investment grade and high yield and mostly in the commodity-related sectors. Yield curve positioning was a slight positive to performance due to our positioning in Japan, Australia and Canada, which was somewhat offset by our positioning in the US, Europe, and the UK.

The past twelve months have seen multiple periods of volatility, led by moves in oil and active global central banks. During this time, we saw a large sell off in commodity prices during the second half of 2015, which continued into January and February of 2016. We've also seen the continuation of slow global growth, which has persisted since the global financial crisis and has kept central bank intervention active in markets. This central bank activity has created a very technically driven market, where we see bouts of wide price swings as the market looks to interpret economic signals and comments. Over this period, we've seen an increase in monetary policy through rate cuts, as well as quantitative easing, which continues to expand away from sovereign debt and into areas such as corporate bonds and other securities. This expansion of quantitative easing has driven interest rates lower across developed markets and has generated spread volatility during periods of uncertainty.

In the US, the Federal Reserve increased rates in December 2015, after a major risk rally which started the fourth quarter of 2015. High yield, credit and emerging markets all staged recoveries in October off of their lows in September as commodity prices stabilised and sovereign yields sold off. November and December were decidedly the opposite as multiple events conspired against bond markets globally. In emerging markets, multiple political events, from further negative news in Brazil, to a change in finance minister in South Africa, further impaired that sector. In high yield and credit, oil prices dove to new lows on further concerns of demand. In the second half of December, however, we saw a rally in spread product on the back of the Fed move as the market believed the central bank was seeing some stability in the economy.

The first quarter of 2016 was a tale of two halves. The first half saw a rally in sovereign debt yields and a major selloff in credit spreads as Fed comments were more dovish than the markets expected and growth fears in China exacerbated concerns over commodity prices. This downturn in the markets and commodity prices quickly reversed in mid-February and we saw a massive rally in risk from high yield and investment grade corporates to emerging markets. This rally continued through the end of the first quarter into the second quarter and has been a major theme for returns in global bond markets.

During the second quarter of 2016, global central bank intervention and a political shift towards populism both continued to grow. The quarter was marked by an expansion of European Central Bank (ECB) and Bank of Japan (BoJ) easing policies and was capped off by the vote in the UK to exit the European Union. This expansion of easy monetary policies, continued to be a catalyst for corporate credit spreads to tighten in most major markets, and to keep interest rates near their lows, further expanding the number of regions with negative interest rates. As we headed into July, and the post-UK referendum world, we were met, once again, with further spread volatility, which, as it did in February, quickly reversed course and rally beyond the market prior to the downturn. The vote was also followed by additional central bank accommodation by the Bank of England (BoE), as well as fiscal stimulus in Japan. These moves, in conjunction with a stabilisation in commodity prices and a breakdown in the correlation in risk markets with commodities, continued to be supportive to credit spreads and emerging markets.

We expect world GDP to continue to grow moderately in 2016, with the balance of risk shifted to the downside. US economic growth looks poised to stay above the two per cent trend in 2016, although global volatility may test this level. Broader developed market growth looks mixed, but generally positive. Accommodative monetary policy across developed markets should continue to bolster their economies, however, the impact of the policies has moderated. We still believe that the market is not pricing in the potential for inflation due to the unprecedented global central bank accommodation. Emerging market economic growth remains mixed, varying by region, however a stabilisation in the US dollar and commodity prices should be fundamentally supportive. The balance of risks in China are tilted lower as the authorities face a growing need for making important policy trade-offs as growth continues to slow.



## COMPARATIVE TABLE

	2016	2015	2014
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	106.88	104.69	101.92
Return before operating charges <sup>†</sup>	4.79	5.20	6.13
Operating charges	(0.87)	(0.86)	(0.82)
Return after operating charges <sup>†</sup>	3.92	4.34	5.31
Distributions on income shares	(2.10)	(2.15)	(2.54)
Closing net asset value per share	108.70	106.88	104.69
Retained distributions on accumulation shares	-	-	-
† after direct transaction costs of	(0.09)	-	-
<b>Performance</b>			
Return after charges	3.67%	4.15%	5.21%
<b>Other information</b>			
Closing net asset value (£000)	98,397	90,224	94,558
Closing number of shares	90,517,628	84,417,523	90,325,415
Operating charges (%) <sup>‡</sup>	0.82%	0.80%	0.80%
Direct transaction costs (%) <sup>#</sup>	0.08%	0.00%	0.00%
<b>Prices<sup>≈</sup></b>			
Highest share price	109.41	110.26	105.69
Lowest share price	105.42	104.78	100.79

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year.

**Ongoing Charges Figure\***

Share class	31.07.16	31.07.15
Class 2	0.82%	0.80%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



## PORTFOLIO STATEMENT

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 64.09% (32.22%)</b>				
<b>Argentina 0.78% (0.00%)</b>				
Banco de la Provincia de Buenos Aires 5.75% 15/06/2019	USD	325,000	251	0.25
Banco de la Provincia de Buenos Aires 9.13% 16/03/2024	USD	325,000	271	0.28
Republic of Argentina 7.50% 22/04/2026	USD	300,000	243	0.25
			765	0.78
<b>Australia 4.29% (1.40%)</b>				
Australia Government Bond 2.75% 21/10/2019	AUD	2,675,000	1,591	1.61
Australia Government Bond 3.25% 21/04/2025	AUD	4,140,000	2,635	2.68
			4,226	4.29
<b>Belgium 0.00% (0.79%)</b>				
<b>Brazil 0.55% (0.00%)</b>				
Federal Republic of Brazil 5.63% 21/02/2047	USD	750,000	544	0.55
			544	0.55
<b>Canada 2.06% (2.05%)</b>				
Canada Government Bond 1.50% 01/03/2020	CAD	100,000	59	0.06
Canada Government Bond 2.25% 01/06/2025	CAD	2,125,000	1,358	1.38
Canada Government Bond 3.50% 01/12/2045	CAD	750,000	613	0.62
			2,030	2.06
<b>Dominican Republic 0.00% (0.25%)</b>				
<b>Finland 0.00% (0.25%)</b>				
<b>France 7.41% (2.45%)</b>				
France Government Bond 3.25% 25/10/2021	EUR	3,625,000	3,642	3.70
France Government Bond 1.00% 25/11/2025	EUR	1,975,000	1,810	1.84
France Government Bond 0.50% 25/05/2026	EUR	2,100,000	1,835	1.87
			7,287	7.41
<b>Germany 4.91% (2.80%)</b>				
Bundesrepublik Deutschland Bond 2.25% 04/09/2020	EUR	2,410,000	2,276	2.31
Bundesrepublik Deutschland Bond 2.50% 15/08/2046	EUR	1,885,000	2,555	2.60
			4,831	4.91
<b>Hungary 1.24% (0.39%)</b>				
Hungary Government Bond 3.00% 26/06/2024	HUF	136,850,000	378	0.39
Hungary Government Bond 5.50% 24/06/2025	HUF	255,150,000	838	0.85
			1,216	1.24
<b>Indonesia 0.74% (0.83%)</b>				
Republic of Indonesia 3.75% 14/06/2028	EUR	800,000	724	0.74
			724	0.74
<b>Ireland 1.18% (0.00%)</b>				
Ireland Government Bond 5.40% 13/03/2025	EUR	965,000	1,160	1.18
			1,160	1.18
<b>Italy 4.76% (5.58%)</b>				
Italy Buoni Poliennali Del Tesoro 3.50% 01/06/2018	EUR	2,775,000	2,492	2.53
Italy Buoni Poliennali Del Tesoro 2.34% 15/09/2024	EUR	2,224,635	2,194	2.23
			4,686	4.76
<b>Japan 7.09% (0.00%)</b>				
Japan Government Inflation Linked 0.10% 10/03/2025	JPY	495,712,709	3,873	3.93
Japan Government Thirty Year Bond 1.70% 20/09/2044	JPY	120,050,000	1,229	1.25
Japan Government Twenty Year Bond 0.40% 20/03/2036	JPY	245,900,000	1,878	1.91
			6,980	7.09

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Kazakhstan 0.00% (0.26%)</b>				
<b>Mexico 2.65% (3.00%)</b>				
Mexico Government Bond 4.75% 14/06/2018	MXN	65,400,000	2,606	2.65
			2,606	2.65
<b>Morocco 2.11% (0.00%)</b>				
Morocco Government Bond 4.25% 11/12/2022	USD	290,000	235	0.24
Morocco Government Bond 3.50% 19/06/2024	EUR	2,030,000	1,840	1.87
			2,075	2.11
<b>Netherlands 1.07% (0.00%)</b>				
Netherlands Government Bond 1.25% 15/01/2019	EUR	1,195,000	1,053	1.07
			1,053	1.07
<b>New Zealand 1.28% (0.00%)</b>				
New Zealand Government Bond 2.00% 20/09/2025	NZD	2,125,000	1,256	1.28
			1,256	1.28
<b>Peru 0.55% (0.00%)</b>				
Republic of Peru 2.75% 30/01/2026	EUR	200,000	186	0.19
Republic of Peru 4.13% 25/08/2027	USD	425,000	357	0.36
			543	0.55
<b>Poland 1.09% (0.00%)</b>				
Republic of Poland 1.50% 09/09/2025	EUR	1,120,000	1,007	1.02
Republic of Poland 0.88% 10/05/2027	EUR	75,000	63	0.07
			1,070	1.09
<b>Qatar 0.39% (0.00%)</b>				
State of Qatar 2.38% 02/06/2021	USD	500,000	380	0.39
			380	0.39
<b>Romania 0.31% (0.32%)</b>				
Romania Government Bond 2.75% 29/10/2025	EUR	350,000	310	0.31
			310	0.31
<b>Serbia 0.27% (0.00%)</b>				
Republic of Serbia 7.25% 28/09/2021	USD	300,000	262	0.27
			262	0.27
<b>Singapore 2.19% (0.00%)</b>				
Singapore Government Bond 2.13% 01/06/2026	SGD	3,725,000	2,151	2.19
			2,151	2.19
<b>South Korea 0.00% (1.38%)</b>				
<b>Spain 2.66% (3.62%)</b>				
Spanish Bonos 1.40% 31/01/2020	EUR	2,195,000	1,942	1.97
Spanish Bonos 5.75% 30/07/2032	EUR	500,000	678	0.69
			2,620	2.66
<b>Sri Lanka 0.44% (0.00%)</b>				
Republic of Sri Lanka 5.75% 18/01/2022	USD	550,000	429	0.44
			429	0.44
<b>Sweden 1.15% (0.56%)</b>				
Sweden Government Bond 5.00% 01/12/2020	SEK	10,360,000	1,136	1.15
			1,136	1.15
<b>United Kingdom 4.10% (4.03%)</b>				
UK Treasury 1.50% 22/01/2021	GBP	850,000	895	0.91
UK Treasury 2.00% 07/09/2025	GBP	975,000	1,085	1.10
UK Treasury 3.25% 22/01/2044	GBP	1,505,000	2,059	2.09
			4,039	4.10

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United States of America 8.82% (1.89%)</b>				
UK Treasury Inflation Linked 0.38% 15/07/2025	USD	1,145,000	905	0.92
UK Treasury Inflation Linked 0.63% 15/01/2026	USD	1,400,000	1,128	1.15
US Treasury 2.50% 15/05/2046	USD	4,435,000	3,548	3.60
US Treasury Bill 0.00% 15/09/2016	USD	4,100,000	3,099	3.15
			8,680	8.82
<b>Uruguay 0.00% (0.37%)</b>				
<b>Government Bonds total</b>			<b>63,059</b>	<b>64.09</b>
<b>Corporate Bonds 30.65% (52.84%)</b>				
<b>Australia 0.00% (2.19%)</b>				
<b>Belgium 0.00% (0.32%)</b>				
<b>Canada 0.00% (2.08%)</b>				
<b>Chile 0.39% (0.00%)</b>				
Corp. Nacional del Cobre de Chile 4.50% 16/09/2025	USD	475,000	383	0.39
			383	0.39
<b>Denmark 0.00% (0.47%)</b>				
<b>France 0.39% (3.31%)</b>				
Societe Generale SA 2.75% 12/10/2017	USD	500,000	384	0.39
			384	0.39
<b>Germany 2.57% (1.10%)</b>				
Allianz SE, FRN 5.63% 17/10/2042	EUR	200,000	201	0.21
KFW 1.13% 16/11/2018	USD	2,450,000	1,860	1.89
KFW 4.00% 16/01/2019	AUD	775,000	464	0.47
			2,525	2.57
<b>Guernsey 0.00% (0.63%)</b>				
<b>Hungary 0.24% (0.00%)</b>				
MFB Magyar Fejlesztési Bank Zrt. 6.25% 21/10/2020	USD	280,000	235	0.24
			235	0.24
<b>India 0.00% (0.58%)</b>				
<b>Indonesia 0.00% (0.27%)</b>				
<b>Ireland 0.00% (0.69%)</b>				
<b>Italy 1.16% (0.96%)</b>				
Enel SpA 4.88% 20/02/2018	EUR	350,000	317	0.32
Intesa Sanpaolo SpA 3.88% 15/01/2019	USD	780,000	605	0.61
Telecom Italia SpA 6.38% 24/06/2019	GBP	200,000	224	0.23
			1,146	1.16
<b>Japan 0.00% (0.56%)</b>				
<b>Luxembourg 0.00% (1.18%)</b>				
<b>Mexico 0.78% (0.36%)</b>				
Banco Nacional de Comercio Exterior SNC 4.38% 14/10/2025	USD	600,000	480	0.49
Petroleos Mexicanos 3.75% 15/03/2019	EUR	325,000	289	0.29
			769	0.78
<b>Netherlands 3.66% (6.56%)</b>				
ABN AMRO Bank NV 4.25% 02/02/2017	USD	280,000	215	0.22
ABN AMRO Bank NV 4.75% 28/07/2025	USD	290,000	229	0.23
Cooperatieve Rabobank UA 3.38% 19/01/2017	USD	975,000	745	0.76
Cooperatieve Rabobank UA, FRN 2.50% 26/05/2026	EUR	240,000	210	0.21
Iberdrola International BV, FRN 5.75% Perpetual	EUR	500,000	453	0.46
Mylan NV 2.50% 07/06/2019	USD	300,000	231	0.23
Teva Pharmaceutical Finance Netherlands II BV 1.13% 15/10/2024	EUR	125,000	106	0.11
Teva Pharmaceutical Finance Netherlands III BV 2.80% 21/07/2023	USD	125,000	96	0.10
Teva Pharmaceutical Finance Netherlands III BV 3.15% 01/10/2026	USD	250,000	192	0.20

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
Volkswagen International Finance NV 2.38% 22/03/2017	USD	500,000	380	0.39
Volkswagen International Finance NV 1.60% 20/11/2017	USD	200,000	151	0.15
Vonovia Finance BV 3.20% 02/10/2017	USD	420,000	323	0.33
Vonovia Finance BV 1.63% 15/12/2020	EUR	300,000	269	0.27
			3,600	3.66
<b>Spain 1.15% (1.05%)</b>				
BBVA Subordinated Capital SAU, FRN 3.50% 11/04/2024	EUR	600,000	523	0.53
Santander International Debt SAU 4.00% 27/03/2017	EUR	700,000	605	0.62
			1,128	1.15
<b>Sweden 0.00% (3.80%)</b>				
<b>United Kingdom 1.00% (6.04%)</b>				
British Telecommunications plc 0.63% 10/03/2021	EUR	400,000	342	0.35
Lloyds Bank plc 4.63% 02/02/2017	EUR	255,000	220	0.22
Lloyds Banking Group plc 3.10% 06/07/2021	USD	200,000	153	0.16
Vodafone Group plc 1.25% 25/08/2021	EUR	305,000	269	0.27
			984	1.00
<b>United States of America 19.31% (20.69%)</b>				
21st Century Fox America, Inc. 3.70% 15/10/2025	USD	200,000	165	0.17
Aetna, Inc. 1.90% 07/06/2019	USD	375,000	287	0.29
Ally Financial, Inc. 3.50% 27/01/2019	USD	345,000	264	0.27
Apple, Inc. 3.25% 23/02/2026	USD	590,000	477	0.48
Aventura Mall Trust, FRN, Series 2013-AVM 'A' 3.87% 05/12/2032	USD	330,000	269	0.27
BAE Systems Holdings, Inc. 3.80% 07/10/2024	USD	305,000	243	0.25
Banc of America Commercial Mortgage Trust, FRN, Series 2007-2 'AJ' 5.80% 10/04/2049	USD	300,000	205	0.21
BBCMS Trust, Series 2013-TYSN 'A2' 3.76% 05/09/2032	USD	100,000	80	0.08
Bear Stearns Commercial Mortgage Securities Trust, FRN, Series 2007-PW17 'AJ' 6.08% 11/06/2050	USD	280,000	208	0.21
Branch Banking & Trust Co. 3.63% 16/09/2025	USD	675,000	549	0.56
Capital Auto Receivables Asset Trust, Series 2014-2 'D' 2.81% 20/08/2019	USD	650,000	496	0.50
Capital One Financial Corp. 3.75% 28/07/2026	USD	700,000	530	0.54
CarMax Auto Owner Trust, Series 2014-2 'D' 2.58% 16/11/2020	USD	525,000	397	0.40
CarMax Auto Owner Trust, Series 2014-4 'D' 3.04% 17/05/2021	USD	450,000	342	0.35
Chase Issuance Trust, FRN, Series 2013-A6 'A6' 0.90% 15/07/2020	USD	585,000	444	0.45
Chrysler Capital Auto Receivables Trust, Series 2015-BA 'C' 3.26% 15/04/2021	USD	450,000	345	0.35
Citigroup, Inc. 4.40% 10/06/2025	USD	635,000	508	0.52
Citigroup, Inc. 4.65% 30/07/2045	USD	400,000	339	0.34
Colony American Homes 2014-1, FRN, Series 2014-1A 'C' 2.30% 17/05/2031	USD	140,000	105	0.11
Daimler Finance North America LLC 1.50% 05/07/2019	USD	350,000	264	0.27
Dell Equipment Finance Trust, Series 2016-1 'A2' 1.43% 24/09/2018	USD	400,000	302	0.31
Drive Auto Receivables Trust, Series 2016-AA 'C' 3.91% 17/05/2021	USD	1,000,000	776	0.79
DT Auto Owner Trust, Series 2016-1A 'C' 3.54% 15/10/2021	USD	500,000	383	0.39
Exeter Automobile Receivables Trust, Series 2015-3A 'A' 2.00% 16/03/2020	USD	241,542	183	0.19
Extended Stay America Trust, FRN, Series 2013-ESH7 'D7' 4.17% 05/12/2031	USD	375,000	286	0.29
FedEx Corp. 1.00% 11/01/2023	EUR	100,000	87	0.09
FedEx Corp. 3.25% 01/04/2026	USD	145,000	116	0.12
FedEx Corp. 1.63% 11/01/2027	EUR	275,000	242	0.25
Ford Motor Credit Co. LLC 3.00% 12/06/2017	USD	655,000	502	0.51
Freeport-McMoRan, Inc. 2.15% 01/03/2017	USD	300,000	226	0.23
General Electric Co., FRN 5.00% Perpetual	USD	123,000	100	0.10
GM Financial Automobile Leasing Trust, Series 2014-1A 'D' 2.51% 20/03/2019	USD	620,000	469	0.48
GM Financial Automobile Leasing Trust, Series 2015-1 'C' 2.50% 20/06/2019	USD	535,000	405	0.41
GM Financial Automobile Leasing Trust, Series 2015-3 'C' 2.98% 20/11/2019	USD	220,000	168	0.17
GM Financial Automobile Leasing Trust, Series 2015-3 'D' 3.48% 20/08/2020	USD	300,000	225	0.23
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2006-LDP9 'AM' 5.37% 15/05/2047	USD	585,000	445	0.45
JPMorgan Chase Commercial Mortgage Securities Trust, FRN, Series 2007-LDPX 'AM' 5.46% 15/01/2049	USD	560,000	410	0.42
JPMorgan Chase & Co. 3.30% 01/04/2026	USD	300,000	235	0.24
JPMorgan Chase Bank NA, FRN 4.38% 30/11/2021	EUR	250,000	212	0.22
KCOT 1.65% 15/07/2020	USD	225,000	170	0.17
Morgan Stanley 4.00% 23/07/2025	USD	330,000	267	0.27

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value £000	% of Net Assets
Newell Brands, Inc. 2.60% 29/03/2019	USD	220,000	171	0.17
OneMain Financial Issuance Trust, Series 2014-2A 'A' 2.47% 18/09/2024	USD	726,175	551	0.56
OneMain Financial Issuance Trust, Series 2015-1A 'A' 3.19% 18/03/2026	USD	550,000	421	0.43
OneMain Financial Issuance Trust, Series 2015-1A 'B' 3.85% 18/03/2026	USD	580,000	434	0.44
OneMain Financial Issuance Trust, Series 2015-2A 'A' 2.57% 18/07/2025	USD	715,000	542	0.55
Oracle Corp. 4.00% 15/07/2046	USD	575,000	444	0.45
Prudential Financial, Inc. 5.38% 21/06/2020	USD	280,000	238	0.24
Southern Co. (The) 3.25% 01/07/2026	USD	450,000	355	0.36
Springleaf Funding Trust, Series 2015-AA 'A' 3.16% 15/11/2024	USD	1,005,000	766	0.78
T-Mobile USA, Inc. 6.00% 01/03/2023	USD	210,000	168	0.17
Verizon Owner Trust, Series 2016-1A 'A' 1.42% 20/01/2021	USD	325,000	246	0.25
Visa, Inc. 2.20% 14/12/2020	USD	750,000	585	0.59
Walgreens Boots Alliance, Inc. 1.75% 30/05/2018	USD	275,000	209	0.21
Walt Disney Co. (The) 3.00% 30/07/2046	USD	100,000	71	0.07
Wells Fargo & Co. 2.63% 15/12/2016	USD	330,000	251	0.25
Wells Fargo & Co. 3.00% 22/04/2026	USD	390,000	301	0.31
Wells Fargo & Co. 4.30% 22/07/2027	USD	170,000	140	0.14
ZFS Finance USA Trust V, FRN 6.50% 09/05/2067	USD	500,000	381	0.39
			19,000	19.31
<b>Corporate Bonds total</b>			<b>30,154</b>	<b>30.65</b>
<b>Supranationals 2.64% (4.37%)</b>				
European Investment Bank 1.25% 05/11/2020	CAD	1,275,000	733	0.74
International Bank for Reconstruction and Development (The) 3.50% 22/01/2021	NZD	3,325,000	1,869	1.90
			2,602	2.64
<b>Supranationals total</b>			<b>2,602</b>	<b>2.64</b>
<b>Forward Currency Contracts (0.30)% (2.73%)</b>				
Buy AUD 2,540,000 sell GBP 1,449,605 dated 31/08/2016			1	–
Buy BRL 4,350,000 sell USD 1,190,851 dated 02/08/2016			111	0.11
Buy BRL 3,780,000 sell USD 1,126,895 dated 04/10/2016			10	0.01
Buy CAD 3,510,000 sell GBP 2,027,614 dated 31/08/2016			(6)	(0.01)
Buy COP 3,415,410,000 sell USD 1,154,024 dated 31/08/2016			(43)	(0.04)
Buy EUR 270,000 sell GBP 226,321 dated 31/08/2016			1	–
Buy GBP 6,162,229 sell AUD 10,755,000 dated 31/08/2016			22	0.02
Buy GBP 1,004,678 sell AUD 1,770,000 dated 31/08/2016			(6)	(0.01)
Buy GBP 5,751,362 sell CAD 9,990,000 dated 31/08/2016			(3)	–
Buy GBP 31,296,801 sell EUR 37,405,000 dated 31/08/2016			(264)	(0.27)
Buy GBP 2,813,002 sell HUF 1,107,000,000 dated 31/08/2016			(177)	(0.18)
Buy GBP 7,366,845 sell JPY 1,030,085,000 dated 31/08/2016			(210)	(0.21)
Buy GBP 1,195,380 sell MXN 29,255,000 dated 31/08/2016			24	0.02
Buy GBP 967,220 sell MXN 25,790,000 dated 31/08/2016			(65)	(0.07)
Buy GBP 3,011,262 sell NZD 5,675,000 dated 31/08/2016			(59)	(0.06)
Buy GBP 3,107,153 sell SGD 5,555,000 dated 31/08/2016			(11)	(0.01)
Buy GBP 37,341,597 sell USD 49,095,000 dated 31/08/2016			236	0.24
Buy GBP 47,365 sell USD 70,636 dated 29/12/2016			(6)	(0.01)
Buy HUF 642,360,000 sell GBP 1,638,575 dated 31/08/2016			96	0.10
Buy IDR 8,522,230,000 sell USD 637,176 dated 31/08/2016			7	0.01
Buy INR 42,560,000 sell USD 628,562 dated 31/08/2016			4	–
Buy JPY 70,250,000 sell GBP 506,336 dated 31/08/2016			10	0.01
Buy MXN 8,800,000 sell GBP 345,922 dated 31/08/2016			6	0.01
Buy MXN 4,935,000 sell GBP 202,606 dated 31/08/2016			(5)	–
Buy PLN 4,590,000 sell GBP 825,038 dated 31/08/2016			62	0.06
Buy RUB 79,040,000 sell USD 1,194,346 dated 31/08/2016			(13)	(0.01)
Buy SEK 10,320,000 sell GBP 910,509 dated 31/08/2016			2	–
Buy USD 1,324,564 sell BRL 4,350,000 dated 02/08/2016			(10)	(0.01)

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2016

Investment	Currency	Holding	Market Value	
			£000	% of Net Assets
Buy USD 224,945 sell GBP 171,221 dated 03/08/2016			(1)	–
Buy USD 520,000 sell GBP 396,515 dated 31/08/2016			(3)	–
Buy USD 76,177 sell IDR 997,920,000 dated 31/08/2016			–	–
Buy USD 60,446 sell INR 4,065,000 dated 31/08/2016			–	–
Buy USD 88,272 sell RUB 5,615,000 dated 31/08/2016			4	–
Buy USD 1,243,214 sell TWD 39,845,000 dated 31/08/2016			(5)	–
<b>Forward Currency Contracts total</b>			<b>(291)</b>	<b>(0.30)</b>
<b>Futures (0.23)% (0.04%)</b>				
Australia 3 Year Bond 15/09/2016	AUD	52	4	–
Canada 10 Year Bond 21/09/2016	CAD	24	2	–
Euro-Bobl 08/09/2016	EUR	(33)	(33)	(0.03)
Euro-Bund 08/09/2016	EUR	(74)	(187)	(0.19)
Japan 10 Year Bond 12/09/2016	JPY	(1)	3	–
Long Gilt 28/09/2016	GBP	18	24	0.03
US 10 Year Note 21/09/2016	USD	(42)	(20)	(0.02)
US 2 Year Note 30/09/2016	USD	1	–	–
US 5 Year Note 30/09/2016	USD	80	(20)	(0.02)
<b>Futures total</b>			<b>(227)</b>	<b>(0.23)</b>
Investment assets			95,297	96.85
Net other assets			3,100	3.15
<b>Net assets</b>			<b>98,397</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2015.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2016

	Notes	£000	Year ended 31.07.16 £000	£000	Restated* Year ended 31.07.15 £000
Income					
Net capital gains	2		2,038		2,783
Revenue	3	1,805		1,935	
Expenses	4	(723)		(749)	
Net revenue before taxation		1,082		1,186	
Taxation	5	–		(9)	
Net revenue after taxation			1,082		1,177
<b>Total return before distributions</b>			3,120		3,960
Distributions	6		(1,742)		(1,884)
<b>Change in net assets attributable to shareholders from investment activities</b>			1,378		2,076

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2016

	£000	Year ended 31.07.16 £000	£000	Year ended 31.07.15 £000
<b>Opening net assets attributable to shareholders</b>		90,224		94,558
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	14,905		–	
Amounts payable on cancellation of shares	(8,135)		(6,415)	
		6,770		(6,415)
Dilution adjustment		25		5
Change in net assets attributable to shareholders from investment activities (see above)		1,378		2,076
<b>Closing net assets attributable to shareholders</b>		98,397		90,224

\* Refer to the accounting policies note on page 215.

## BALANCE SHEET

As at 31 July 2016

	Notes	As at 31.07.16 £000	Restated* As at 31.07.15 £000
<b>Assets:</b>			
Investments		96,444	83,384
<b>Current assets:</b>			
Debtors	8	623	15,492
Cash and bank balances	9	3,168	2,383
<b>Total assets</b>		<b>100,235</b>	<b>101,259</b>
<b>Liabilities:</b>			
Investment liabilities		(1,147)	(197)
<b>Creditors:</b>			
Distribution payable		(442)	(467)
Other creditors	10	(249)	(10,371)
<b>Total liabilities</b>		<b>(1,838)</b>	<b>(11,035)</b>
<b>Net assets attributable to shareholders</b>		<b>98,397</b>	<b>90,224</b>

\* Refer to the accounting policies note on page 215.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 6 to 7 for accounting basis and policies.

There have been no changes to the financial position or financial performance of the Fund as a result of preparing these statements in accordance with SORP 2014 rather than SORP 2010. However, as a result of this change certain comparative items have been restated in the Financial Statements as set out below.

#### Statement of Total Return

Interest payable of £6,000 is now disclosed within 'Expenses', whereas under SORP 2010 this was disclosed within 'Finance costs'.

#### Balance sheet

The Income tax withheld on distributions of £93,000 is now included within 'Distributions payable', whereas under SORP 2010 this was disclosed within 'Creditors'.

### 2 Net capital gains

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(248)	(881)
Derivative contracts losses	(562)	(174)
Expenses relating to the purchase and sale of investments	(25)	(10)
Forward currency contracts (losses)/gains	(16,229)	3,942
Non-derivative securities gains/(losses)	19,102	(94)
<b>Net capital gains</b>	<b>2,038</b>	<b>2,783</b>

### 3 Revenue

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Bank and deposit interest	20	–
Interest on debt securities	1,752	2,172
Interest on derivatives	33	(237)
<b>Total revenue</b>	<b>1,805</b>	<b>1,935</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4 Expenses**

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	660	707
	660	707
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	13	14
Interest payable	29	6
Safe custody fee	7	8
	49	28
<b>Other expenses:</b>		
Audit fee**	9	9
Printing & postage expenses	1	2
Statement fees	4	3
	14	14
<b>Total expenses</b>	<b>723</b>	<b>749</b>

\* Refer to the accounting policies note on page 215.

\*\* The audit fee was £8,226 (2015: £7,688) net of VAT.

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
Overseas tax suffered	-	9
<b>Total current tax for the year (see note 5.b)</b>	<b>-</b>	<b>9</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2015: 20%).

The differences are explained below:

	Year ended 31.07.16 £000	Year ended 31.07.15 £000
<b>Net revenue before taxation</b>	<b>1,082</b>	<b>1,186</b>
Corporation tax at 20%	216	237
<b>Effects of:</b>		
Movement in excess expenses	6	-
Overseas tax suffered	-	9
Tax deductible on interest distributions	(222)	(237)
	(216)	(228)
<b>Current tax charge (see note 5.a)</b>	<b>-</b>	<b>9</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2015: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £29,000 (2015: £nil) creating a potential deferred tax asset of £6,000 (2015: £nil). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6 Distributions

	Year ended 31.07.16 £000	Restated* Year ended 31.07.15 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	451	580
Gross interest distribution for the three months ended 31 January	489	323
Gross interest distribution for the three months ended 30 April	385	502
Gross interest distribution for the three months ended 31 July	442	467
	1,767	1,872
Add: Revenue deducted on cancellation of shares	24	12
Deduct: Revenue received on issue of shares	(49)	–
<b>Total distributions</b>	<b>1,742</b>	<b>1,884</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	1,742	1,884
ACD's periodic charge borne by the capital account	(660)	(707)
<b>Net revenue after taxation</b>	<b>1,082</b>	<b>1,177</b>

Details of the distributions per share are set out in the distribution tables on page 223.

\* Refer to the accounting policies note on page 215.

## 7 Fair value hierarchy

Valuation technique	As at 31.07.16		As at 31.07.15	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Quoted prices for identical instruments in active markets	8	(260)	39	–
Valuation techniques using observable market data	93,337	(887)	83,204	(197)
Valuation techniques using non-observable market data	3,099	–	141	–
<b>Total</b>	<b>96,444</b>	<b>(1,147)</b>	<b>83,384</b>	<b>(197)</b>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities.

The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority is given to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

**Quoted prices for identical instruments in active markets** – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

**Prices of recent transactions for identical instruments** – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Valuation techniques using observable market data** – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

**Valuation techniques using non-observable data** – Non-observable entity specific data should be used only where relevant observable market data is not available.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**8 Debtors**

	As at 31.07.16 £000	As at 31.07.15 £000
Accrued revenue	623	726
Sales awaiting settlement	–	14,766
<b>Total debtors</b>	<b>623</b>	<b>15,492</b>

**9 Cash and bank balances**

	As at 31.07.16 £000	As at 31.07.15 £000
Amounts held at futures clearing house and brokers	242	347
Cash and bank balances	2,926	2,036
<b>Total cash and bank balances</b>	<b>3,168</b>	<b>2,383</b>

**10 Other creditors**

	As at 31.07.16 £000	Restated* As at 31.07.15 £000
Accrued expenses	79	81
Purchases awaiting settlement	170	10,290
<b>Total creditors</b>	<b>249</b>	<b>10,371</b>

\* Refer to the accounting policies note on page 215.

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2015: £nil).

**12 Related party transactions**

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £56,000 (2015: £61,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,418,000 (2015: £1,495,000). The amount outstanding at the year end was £363,000 (2015: £374,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.16 (shares)	Movement (shares)	Holdings at 31.07.15 (shares)
ACD and related parties	90,517,628	6,100,105	84,417,523

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 206. The distributions per share class are given in the distribution tables on page 223.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.15	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.16
Share Class 2 Income	84,417,523	13,724,271	(7,624,166)	–	90,517,628

**15 Counterparty Exposure****Financial derivative exposure**

The types of derivatives held at the year end date were forward currency contracts and future contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the year end date was as follows:

	Forward currency contracts £000	Futures contracts £000	Total £000
<b>31.07.16</b>			
Barclays	(6)	–	(6)
Citigroup	55	–	55
Goldman Sachs	121	–	121
HSBC	78	–	78
JPMorgan	(299)	33	(266)
Standard Chartered Bank	(2)	–	(2)
UBS	(238)	–	(238)
<b>Total</b>	<b>(291)</b>	<b>33</b>	<b>(258)</b>

	Forward currency contracts £000	Futures contracts £000	Total £000
<b>31.07.15</b>			
Barclays	(16)	–	(16)
Deutsche Bank	5	–	5
Goldman Sachs	98	39	137
HSBC	589	–	589
JPMorgan	768	–	768
Morgan Stanley	647	–	647
UBS	375	–	375
<b>Total</b>	<b>2,466</b>	<b>39</b>	<b>2,505</b>

The counterparty exposure on forward currency contracts is reported at their mark to market values but for futures contracts it is only the positive mark to market value that are reported.

**Collateral**

At the year end date no collateral was held or pledged by the Company or on behalf of the counterparties in respect of the above (2015: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 7 and 8.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2015: £nil).

**Currency risk**

At the year end date, 0.69% (2015: (1.16)%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

**Interest rate risk**

At the year end date 100.60% (2015: 92.07%) of the net assets of the Fund were interest bearing.

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
Sterling	2,574	4,263	100,100	106,937
Australian Dollar	-	4,690	1,487	6,177
Brazilian Real	-	-	1,872	1,872
Canadian Dollar	13	2,763	2,033	4,809
Colombian Peso	-	-	829	829
Euro	116	29,900	574	30,590
Hungarian Forint	-	1,216	1,740	2,956
Indian Rupee	-	-	479	479
Indonesian Rupiah	-	-	489	489
Japanese Yen	(28)	6,980	529	7,481
Mexican Peso	-	2,606	565	3,171
New Zealand Dollar	-	3,125	1	3,126
Polish Zloty	-	-	887	887
Russian Rouble	-	-	889	889
Singapore Dollar	-	2,151	7	2,158
Swedish Krona	-	1,136	943	2,079
US Dollar	5,902	31,576	2,831	40,309
Sterling	-	-	(9,222)	(9,222)
Australian Dollar	-	-	(7,151)	(7,151)
Brazilian Real	-	-	(1,011)	(1,011)
Canadian Dollar	-	-	(5,754)	(5,754)
Euro	-	-	(31,780)	(31,780)
Hungarian Forint	-	-	(2,990)	(2,990)
Indian Rupee	-	-	(46)	(46)
Indonesian Rupiah	-	-	(57)	(57)
Japanese Yen	-	-	(7,577)	(7,577)
Mexican Peso	-	-	(2,204)	(2,204)
New Zealand Dollar	-	-	(3,070)	(3,070)
Russian Rouble	-	-	(63)	(63)
Singapore Dollar	-	-	(3,118)	(3,118)
Taiwan Dollar	-	-	(945)	(945)
US Dollar	-	-	(41,853)	(41,853)
<b>Total</b>	<b>8,577</b>	<b>90,406</b>	<b>(586)</b>	<b>98,397</b>

If the interest rates were to change by 10%, the value of the Fund will change by 10.06%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments (continued)**

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2015 was:

Currency 31.07.15	Floating Rate £000	Fixed Rate £000	None £000	Total £000
Sterling	2,167	4,941	172,853	179,961
Australian Dollar	-	1,259	1,343	2,602
Canadian Dollar	-	2,028	2,092	4,120
Euro	11,190	25,372	22,495	59,057
Japanese Yen	24	5,573	9,329	14,926
Korean Won	-	1,247	1,295	2,542
Mexican Peso	-	2,182	4,203	6,385
Swedish Krona	-	505	412	917
US Dollar	2,946	32,999	69,382	105,327
Sterling	(9,368)	-	(79,324)	(88,692)
Australian Dollar	-	-	(2,670)	(2,670)
Canadian Dollar	-	-	(4,165)	(4,165)
Euro	-	-	(58,699)	(58,699)
Japanese Yen	-	-	(14,925)	(14,925)
Korean Won	-	-	(2,546)	(2,546)
Mexican Peso	-	-	(6,483)	(6,483)
Swedish Krona	-	-	(815)	(815)
US Dollar	-	-	(106,618)	(106,618)
<b>Total</b>	<b>6,959</b>	<b>76,106</b>	<b>7,159</b>	<b>90,224</b>

The floating rate on bank balances is linked to the Depository's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and sterling denominated bank balances that bear interest rates based on LIBOR.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 96.85% (2015: 96.83%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.68%.

**17 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.16	31.07.15	31.07.16	31.07.15
Investment grade	83,703	76,348	85.06%	84.62%
Below investment grade	9,685	2,156	9.85%	2.39%
Unrated	2,427	2,183	2.47%	2.42%
<b>Total debt securities</b>	<b>95,815</b>	<b>80,687</b>	<b>97.38%</b>	<b>89.43%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BBB- or lower are considered below investment grade.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**18 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Bonds	(244,062)	(41)	–	(244,103)	0.02%	0.00%
	(244,062)	(41)	–	(244,103)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Bonds	247,483	(30)	(2)	247,451	0.01%	0.00%
	247,483	(30)	(2)	247,451		
<b>Total</b>		(71)	(2)			
<b>Percentage of Fund average net assets</b>		0.08%	0.00%			

31.07.15	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Bonds	(183,245)	–	–	(183,245)	0.00%	0.00%
Funds	(700)	–	–	(700)	0.00%	0.00%
	(183,945)	–	–	(183,945)		
<b>Sales (excluding in-specie transfers and corporate actions)</b>						
Bonds	199,130	–	–	199,130	0.00%	0.00%
Funds	5,448	–	–	5,448	0.00%	0.00%
	204,578	–	–	204,578		
<b>Total</b>		–	–			
<b>Percentage of Fund average net assets</b>		0.00%	0.00%			

**Dealing spread**

As at 31 July 2016, the average portfolio dealing spread was 0.23% (2015: 0.33%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**19 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2015: nil).



## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Final distribution payable 30 September 2016	Final distribution paid 30 September 2015
Share Class 2	Group 1	0.5016	0.1003	0.4013	–	0.4013	0.4425
	Group 2	0.0489	0.0098	0.0391	0.3622	0.4013	0.4425

Group 1 shares are those shares purchased at or before 2pm on 30 April 2016.

Group 2 shares are those shares purchased after 2pm on 30 April 2016.

## Interim distribution paid in pence per share for the three months ended 30 April 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 30 June 2016	Interim distribution paid 30 June 2015
Share Class 2	Group 1	0.4883	0.0977	0.3906	–	0.3906	0.4728
	Group 2	0.4883	0.0977	0.3906	0.0000	0.3906	0.4728

Group 1 shares are those shares purchased at or before 2pm on 31 January 2016.

Group 2 shares are those shares purchased after 2pm on 31 January 2016.

## Interim distribution paid in pence per share for the three months ended 31 January 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2016	Interim distribution paid 31 March 2015
Share Class 2	Group 1	0.5808	0.1162	0.4646	–	0.4646	0.2884
	Group 2	0.5808	0.1162	0.4646	0.0000	0.4646	0.2884

Group 1 shares are those shares purchased at or before 2pm on 31 October 2015.

Group 2 shares are those shares purchased after 2pm on 31 October 2015.

## Interim distribution paid in pence per share for the three months ended 31 October 2015

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2015	Interim distribution paid 31 December 2014
Share Class 2	Group 1	0.5318	0.1064	0.4254	–	0.4254	0.5171
	Group 2	0.4293	0.0859	0.3434	0.0820	0.4254	0.5171

Group 1 shares are those shares purchased at or before 2pm on 31 July 2015.

Group 2 shares are those shares purchased after 2pm on 31 July 2015.

## Equalisation

Equalisation applies only to Group 2 shares, in other words shares purchased during the relevant period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook of the Financial Conduct Authority requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting period which give a true and fair view of the financial positions of the Company at the period end and of the net revenue and net gains or losses on the scheme property of the Company for the period then ended.

In preparing the financial statements the ACD is required to:

- follow applicable accounting standards;
- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future; and
- comply with the Instrument of Incorporation and the Statement of Recommended Practice for Authorised Funds.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Regulations and the Instrument of Incorporation.

The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUTHORISED CORPORATE DIRECTOR'S STATEMENT

We hereby approve the Report and Financial Statements of Aviva Investors Manager of Manager ICVC (ICVC 2) for the year ended 31 July 2016 on behalf of Aviva Investors UK Fund Services Limited in accordance with the requirements of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority.

I Buckle  
Director

S Ebenston  
Director  
11 November 2016

## STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed by the Authorised Corporate Director in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

## DEPOSITARY'S REPORT TO THE SHAREHOLDERS

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the COLL Sourcebook and, where applicable, the OEIC Regulations and the Company's Instrument of Incorporation and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

J.P. Morgan Europe Limited  
Bournemouth  
11 November 2016

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2)

## REPORT ON THE FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, Aviva Investors Manager of Managers ICVC (ICVC2)'s financial statements (the "financial statements of the Company"):

- give a true and fair view of the financial position of the Company and each of the Funds as at 31 July 2016 and of the net revenue and the net capital gains of the scheme property of the Company and each of the Funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

### WHAT WE HAVE AUDITED

Aviva Investors Manager of Manager ICVC (ICVC2) (the "Company") is an umbrella fund with a number of Funds. The financial statements of the Company, included within the Annual Report and Financial Statements (the "Annual Report") comprise the financial statements of each of the Funds, which are prepared by Aviva Investors UK Funds Services Limited (the "Authorised Corporate Director"), and comprise for each of the Funds:

- the balance sheet as at 31 July 2016
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to shareholders for the year then ended;
- the accounting policies and notes applicable to the financial statements of all Funds and notes to the financial statements of individual Funds, which include other explanatory information; and
- the distribution table

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice "Financial Statements of UK Authorised Funds" issued by the Investment Management Association (the "Statement of Recommended Practice for UK Authorised Funds"), the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

In applying the financial reporting framework, the Authorised Corporate Director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## OPINIONS ON MATTERS PRESCRIBED BY THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### PROPRIETY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### OUR RESPONSIBILITIES AND THOSE OF THE AUTHORISED CORPORATE DIRECTOR

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 224, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2) (CONTINUED)

### **WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's and each of the Company's Funds' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
11 November 2016

(a) The maintenance and integrity of the Aviva Investors website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## GENERAL INFORMATION

Investments in Aviva Investors Manager of Manager ICVC (ICVC 2) are intended to be medium to long term investments and should not be considered as a short term investment.

Past performance is not a guide to the future.

The value of an investment in the Funds and the revenue from it may go down as well as up, and you may not get back the original amount invested.

Where Funds are invested abroad, the value of your investment may rise and fall purely on account of movement in exchange rates.

Please refer to the Prospectus (which is available from the ACD on request) for a full description of the risks involved when investing in the Funds.

Any future returns and opinions expressed should not be relied upon as indicating any guarantee of return from investment in the Funds.

The performance figure given for each fund is based on midday values for the Aviva Investors UK Opportunities Fund and at 2pm for all other Funds.

The information contained within this document should not be construed as a recommendation to purchase or sell stocks.

### **Publication of Prices**

Information on the prices of Shares will be available by calling 0800 051 2003 or on the internet at [www.avivainvestors.com](http://www.avivainvestors.com). Calls may be recorded for training or monitoring purposes. Calls are free from landlines and mobiles.

