

# Fund Profile

## Aviva Investors Premier Fixed Income Fund

January 2010

### Fund facts

<b>Inception date:</b>	31 May 2000
<b>Fund size at 31 January 2010</b>	\$148.0m
<b>Benchmark:</b>	75% UBS Australia Composite Bond Index and 25% Barclays Capital Global Aggregate Bond Index (hedged into A\$)
<b>Investment timeframe:</b>	At least 3 years
<b>Relative Risk:</b>	Low
<b>Relative Return:</b>	Medium

<sup>1</sup> On 29 September 2008 the Benchmark name changed from 75% UBS Australia Composite Bond Index and 25% JP Morgan Global Government Bond Index (hedged into A\$) to 75% UBS Australia Composite Bond Index and 25% Barclays Capital Global Aggregate Bond Index (hedged into A\$)

### Investment details

<b>Minimum investment:</b>	\$20,000
<b>Minimum additional investment:</b>	\$10,000
<b>Distribution:</b>	Quarterly
<b>Entry fee:</b>	Nil
<b>Exit fee:</b>	Nil
<b>Management fee:</b>	0.48% p.a.

### Franking levels

Year end	
30 June 2009	4.60%
30 June 2008	1.27%
30 June 2007	1.76%
30 June 2006	0.11%

### Investment returns

#### Performance to 31 January 2010

Period	Gross Return %	Bmk Return %	Excess Return %	Net Return <sup>2</sup> %
1 month	1.3	1.3	0.0	1.3
3 months	2.8	2.4	0.4	2.7
1 year	5.0	3.7	1.3	4.6
3 years p.a.	7.0	7.8	-0.8	6.6
5 years p.a.	6.3	6.7	-0.4	5.9
Since inception p.a.	6.9	6.8	0.1	6.5

<sup>2</sup> Investment returns are based on exit to exit prices of Professional Selection units, are net of management fees and assume reinvestment of all distributions. Past performance is not a guide to or indication of future performance.

### Investment objective and strategy

The fund's objective is to outperform its Benchmark over a rolling three year period by investing in a broadly diversified portfolio of fixed income securities (both Australian and international).

The Australian fixed income component includes coupon bonds (Australian Commonwealth, semi-government and corporate bonds), and inflation-linked bonds.

In addition, we seek to enhance returns and improve diversification by including allocations to both high yield and global fixed income securities.

The fund's exposure to high yield securities will be predominately to high yielding corporate debt, but may also include convertible notes and preference shares. The global fixed income allocation may include exposure to government, corporate and other asset backed securities.

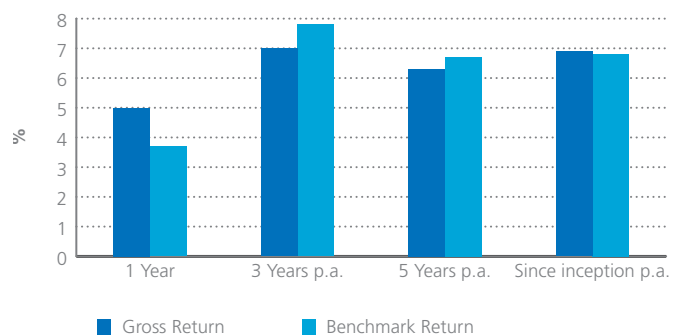
The fund seeks to consistently add value in a risk-controlled way. It is designed to provide investors predominantly with income, along with some capital growth over the medium to long-term.

### Investor profile

The Premier Fixed Income Fund is suitable for investors looking for a sophisticated fixed income product, with a diverse portfolio providing both domestic and global exposure, and greater opportunities to generate above Benchmark returns.

Investors should be aware that while fixed income investments are generally less risky than equity investments, the fund will be exposed to changes in interest rates because it holds bonds. Rises in interest rates lower the value of a bond, and hence the value of the fund. The fund is also subject to credit risk.

### Gross Return vs Benchmark Return



## Distribution history<sup>3</sup>

Quarter end	Cents per unit
31 December 2009	55.41
30 September 2009	13.30
30 June 2009	143.27
31 March 2009	46.47
31 December 2008	69.90
30 September 2008	39.37
30 June 2008	127.17
31 March 2008	36.86
31 December 2007	67.94
30 September 2007	62.02
30 June 2007	100.36
31 March 2007	57.89

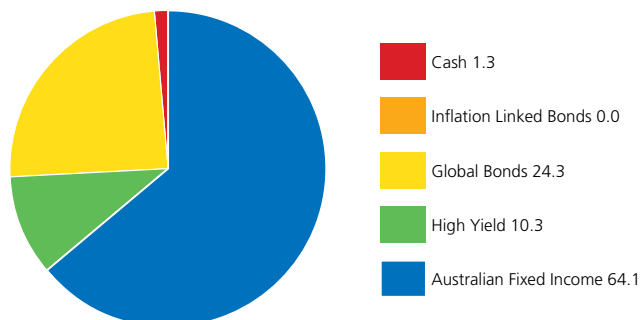
<sup>3</sup> Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above.

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Jan 10
<b>Australian fixed income</b>	30%	75%	100%	64.1%
Coupon bonds	0%	75%	100%	64.1%
Inflation-linked bonds	0%	-	20%	0.0%
<b>High yield securities</b>	0%	-	20%	10.3%
<b>Global bonds</b>	0%	25%	50%	24.3%
<b>Cash/short-term securities<sup>4</sup></b>	0%	0%	20%	1.3%

<sup>4</sup> This allocation does not include cash held as part of the other sub-components for stock selection purposes.

## Asset allocation - 31 January 2010



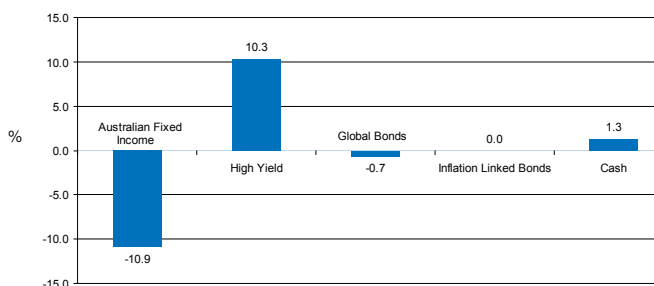
## Latest portfolio update

The ongoing improvement in the local economic outlook has seen the Reserve Bank of Australia (RBA) start the process of returning official interest rates towards more normal levels. The RBA has hiked three times each by 0.25% lifting cash to a still low 3.75%. However the RBA has reminded us all that both borrowing and lending rates in the economy have risen by more than the official rate moves. The RBA says that these moves are worth about an extra 1% such that current interest rates in the economy are analogous to an official rate of nearer to 4.75%. The RBA will make allowance for this when setting policy. In other words "normal" official interest rates which we have previously described as nearer to 5.50% may now be lower to account for economy wide interest rates. As such the "new normal" may be nearer 4.50%. In any event the market is now pricing in a cash rate of around 4.50% by Christmas 2010.

In terms of local market moves the benchmark 3-year bond closed lower in yield by 0.21% at 4.85% while the benchmark 10-year bond closed lower by 0.31% at 5.45%. The UBS Composite Bond Index delivered a solid return of 1.35% as capital gains from falling yields boosted returns.

For the month the fund returned 1.3% (net of fees) to match the benchmark return of 1.3%. The performance was driven by a rally to lower yields in most fixed income markets delivering capital gains. The global and Australian components of the fund delivered very similar returns for the period as did the allocation to global high yield.

## Asset allocation variance from benchmark - 31 January 2010



## About Aviva Investors

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

Aviva Investors in Australia operated as Portfolio Partners from 1994 until September 2008. We specialise in the active management of Australian equities, fixed income and listed property, and have A\$8.4 billion in funds under management. Aviva Investors prides itself on providing specialist investment management services to meet our clients' needs.

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