

Fund Profile

Aviva Investors Premier Fixed Income Fund

December 2011



Investment objective

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).

Fund commentary

The fund delivered a return of 1.1% (net of fees) for the month, outperforming the index of 1.0%.

International government bonds produced positive returns led by 'peripheral' euro zone bond markets which were boosted by efforts by the European Central Bank to increase liquidity within Europe's stressed banking system. The central bank's measures included the provision of two unlimited three-year loan 'facilities' which provided significant support to euro zone banks. In the first tender banks applied to borrow €498bn, far more than anticipated. This led to speculation some financial institutions were following the thinly veiled advice of French President Nicolas Sarkozy and borrowing cash at a reduced rate in order to purchase high-yielding euro zone government bonds. Despite improved risk appetite, more highly rated markets, such as German bunds, US treasuries, UK Gilts, Australian and Canadian government bonds also advanced. Investors seemingly believe the problems facing several European nations are far from over preferring to take a wait and see approach in advance of significant French, Italian and Spanish debt auctions in January, and the upcoming ratings agency reviews of their creditworthiness.

Investment-grade and bond prices also rallied as investors embraced efforts by the European Central Bank to boost liquidity and looked to increase risk positions. Although activity in the corporate bond market was limited due to the holiday season credit spreads tightened as financial institutions continued to announce Liability Management Exercises (LMEs).

The fund outperformed its benchmark in December. The main driver was an overweight position in AAA rated European Investment Bank (EIB). The fund also benefitted from holding senior subordinated financials which outperformed as a result of LMEs. In addition, at the start of the month, we took a short-term tactical position with an overweight in Italian bonds versus French bonds. We believed that the French bonds had become relatively expensive following a sharp rally in the preceding month.

Fund facts

Inception date:	31 May 2000
Fund size at 31 December 2011:	\$84.2m
Benchmark:	75% UBS Australia Composite Bond Index and 25% Barclays Capital Global Aggregate Bond Index (hedged into A\$)
Investment timeframe:	At least 3 years
Relative risk:	Low
Relative return:	Medium

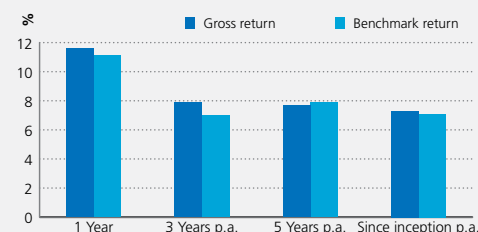
¹ On 29 September 2008 the Benchmark name changed from 75% UBS Australia Composite Bond Index and 25% JP Morgan Global Government Bond Index (hedged into A\$) to 75% UBS Australia Composite Bond Index and 25% Barclays Capital Global Aggregate Bond Index (hedged into A\$)

Investment returns Performance to 31 December 2011

Period	Gross return %	Bmk return %	Excess return %	Net return ¹ %
1 month	1.2	1.0	0.2	1.1
3 months	2.5	1.9	0.6	2.4
1 year	11.6	11.1	0.5	11.1
3 years p.a.	7.9	7.0	0.9	7.4
5 years p.a.	7.7	7.9	-0.2	7.3
Since inception p.a.	7.3	7.1	0.2	6.9

¹ 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.

Gross return vs Benchmark return



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.

Investment details

Minimum investment:	\$20,000
Minimum additional investment:	\$5,000
Distribution:	Quarterly
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.48% p.a.

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Dec 11
Australian fixed income	30%	75%	100%	73.7%
Coupon bonds	0%	75%	100%	73.7%
Inflation-linked bonds	0%	-	20%	0.0%
High yield securities	0%	-	20%	0.0%
Global bonds	0%	25%	50%	25.6%
Cash/short-term securities⁴	0%	0%	20%	0.7%

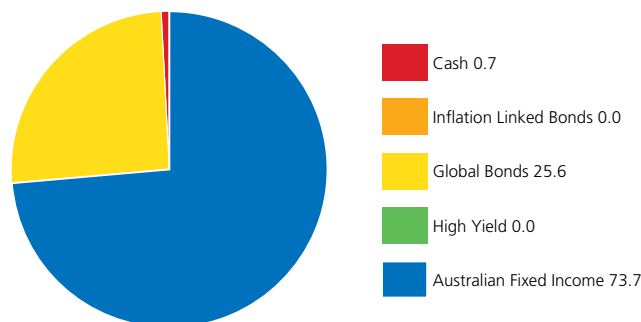
⁴ This allocation does not include cash held as part of the other sub-components for stock selection purposes.

Distribution history ³

Quarter end	Cents per unit
31 December 2011	67.40
30 September 2011	40.80
30 June 2011	177.15
31 March 2011	71.79
31 December 2010	70.88
30 September 2010	17.52
16 July 2010	36.45
30 June 2010	238.54
31 March 2010	38.85
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

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

Asset allocation - 31 December 2011



About Aviva Investors

Aviva Investors specialises in the active management of Australian equities and listed property. We are dedicated to providing market leading investment solutions to both institutional and retail clients.



Fund Manager of the Year
Australia

Since our inception in 1994, Aviva Investors has developed an excellent reputation as a leading specialist in the active management of Australian equities and listed property. Our dynamic culture, coupled with the quality of our investment team, allows us to deliver a compelling range of investment solutions. Aviva Investors is wholly owned by nabinvest, the direct investment arm of NAB Wealth Management.

For further information please contact our Client Services Team - Toll Free: 1800 671 849
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