

# Aviva Investors Premier Fixed Income Fund

August 2009



## Key features

- The fund provides a broadly diversified fixed income fund offering exposure to domestic fixed interest, international fixed interest and credit markets
- Aviva Investors implements a sophisticated and robust investment and risk management process
- The fund has a long term track record of active management through many market cycles
- Aviva Investors has an experienced investment team with access to the broader resources of Aviva Investors globally
- The portfolio is well suited to times of equity market volatility

## The current environment for fixed income

The Premier Fixed Income Fund is a diversified fixed income fund that aims to deliver the best possible investment returns across the market cycle. This is achieved through managing its asset allocation amongst various debt asset classes, managing the fund's duration and the fund's government and non-government exposures.

In the current economic environment, we expect the RBA to begin raising the cash rate towards more normal levels. In this environment fixed rate investments are prone to capital losses, but don't forget markets are pre-emptive and begin to discount these moves prior to them actually being delivered.

With this in mind, we have anticipated the fund's credit exposure will be the main driver of returns in 2009. The fund's high yield exposure has significantly outperformed other debt asset classes in the current year to date. Our allocation to this sector has ranged between 10% and 18%, and currently sits at 10%.

Additionally, the fund is currently overweight to higher rated credit. In this bucket we include semi-government, government guaranteed and unguaranteed bank paper which have all outperformed government bonds.

## Premier Fixed Income Fund goes increasingly global

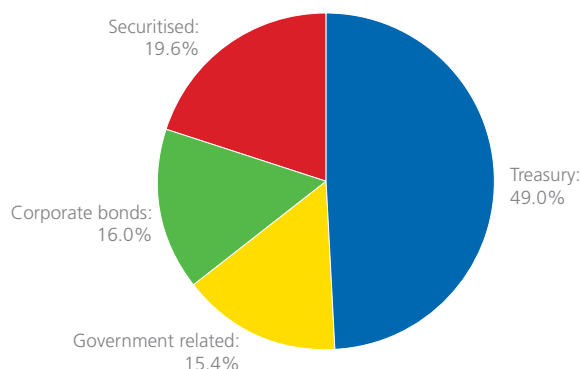
The Premier Fixed Income Fund is now able to access Aviva Investors' global fixed income expertise product offerings and see this as a real enhancement to the Premier Fixed Income Fund going forward. Following a rigorous internal review the Aviva Investors Global High Yield Fund and the Aviva Investors Global Aggregate Bond Fund have both received allocations from the fund.

The allocation to the Aviva Investors Global Aggregate Bond Fund replaces a previously passively managed allocation to global bonds. The net affect of this change is to increase the Premier Fixed Income Fund's alpha target by 50 basis points per annum.

The allocation to the Aviva Investors Global High Yield Fund replaces the fund's allocation to a portfolio of domestic high yield and hybrid securities. The allocation to a global fund brings with it a much larger opportunity set and the significant resourcing of Aviva Investors' well renowned US fixed income team.

### Why global aggregate bond exposure?

Allocating to a global aggregate strategy provides investors with broad exposure to a global range of fixed income asset classes. A global aggregate strategy invests in the asset classes included in the Barclays Global Aggregate Index. It includes over 12,000 bonds across 21 currencies; government and corporate bonds, investment-grade emerging markets bonds and mortgage backed securities are all included.



### Global High Yield

Our global portfolio management team has a combined total of over 60 years of investment experience. We have a significant commitment to credit research with 24 credit analysts (14 in US and 10 in Europe). At Aviva Investors, we have developed a conservative yet flexible approach to investing in high yield bonds which has historically provided strong relative and risk-adjusted performance. The team invests primarily in BB and B rated corporate bonds, while opportunistically investing in CCC rated securities.

Rating	Fund %	Benchmark %
BBB or above	9.28	-
BB	37.62	46.83
B	34.29	30.04
CCC	16.55	17.38
CC	0.25	4.30
C	-	1.28
D	1.25	-
Not rated	0.76	0.17
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Aviva Investors Premier Fixed Income Fund is a diversified fixed interest fund offering exposure to domestic and international fixed interest, as well as high yield and inflation linked bonds.

## Investment objective and strategy

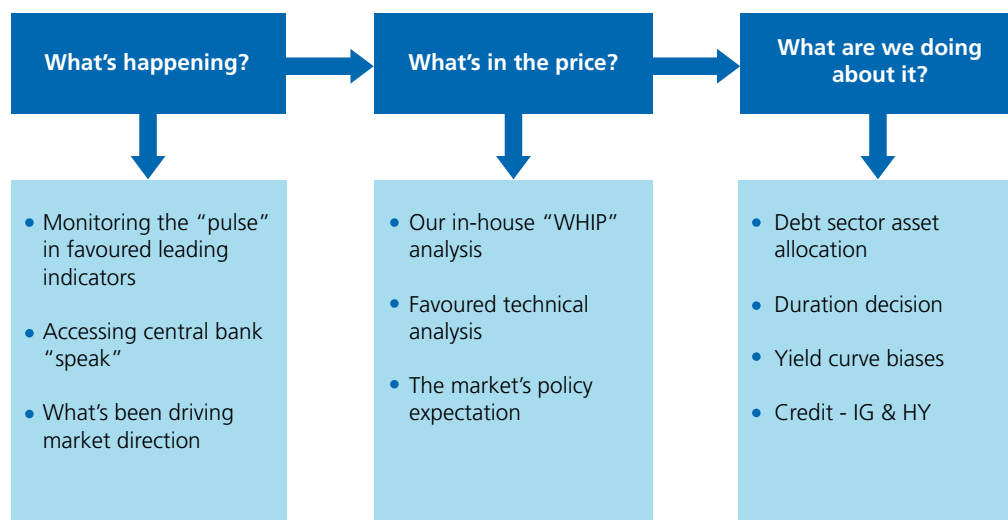
The fund's objective is to outperform its Benchmark over a rolling three year period by investing in a broadly diversified portfolio of fixed income securities (both Australian and international).

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.

	Minimum	Benchmark Allocation	Maximum	As at 17 August 09
<b>Australian fixed income</b>	30%	75%	100%	63.6%
Coupon bonds	0%	75%	100%	63.6%
Inflation-linked bonds	0%	--	20%	0.0%
<b>High yield securities</b>	0%	-	20%	9.5%
<b>Global bonds</b>	0%	25%	50%	25.4%
<b>Cash/short-term securities<sup>3</sup></b>	0%	0%	20%	1.5%

## Investment process

Portfolio management and construction are the output of our "what's in the price" analysis.



## Asset Allocation

The Portfolio Managers of the Premier Fixed Income Fund determine a strategic 'through the cycle' allocation to each sub-component of Premier in order to maximise the diversification benefits and broaden the opportunity set for the fund as a whole. These allocations are determined within the fund's defined asset allocation ranges, and are set in the expectation that from time to time one sector will outperform the other.

## Fund details

**Inception date:**  
31 May 2000

**Fund size at 31 July 2009:**  
\$139.8m

**Benchmark:**  
75% UBS Australia Composite Bond Index and 25% Barclays Capital Global Aggregate Index (hedged into A\$)

**Investment timeframe:**  
At least 3 years

**Relative Risk:**  
Low

**Relative Return:**  
Medium

**Minimum Investment:**  
\$20,000

**Minimum additional investment:**  
\$10,000

**Distribution:**  
Quarterly

**Entry fee:**  
Nil

**Exit fee:**  
Nil

**Management fee:**  
0.48% p.a.

**Availability:**  
BT Wrap, Macquarie Wrap, Navigator, IOOF and Colonial First Wrap

**Ratings:**  
Lonsec – Investment Grade \*  
S&P – 3 Stars \*\*

## Portfolio Managers



**Lance Pupelis**  
Head of Fixed Income

**Key responsibilities:** Lance is responsible for leading the Fixed Income team and is the Portfolio Manager of the Premier Fixed Income Fund. He is also a member of the Executive team.

**Years with the group:** 17

**Years of industry experience:** 24

**Previous roles:** Lance joined the company in 1998 following the merger with Norwich Investment Management, where he had been Head of Fixed Interest since 1992. Prior to that, Lance held positions at Westpac, Bank of Melbourne and ANZ.

**Qualifications:** B.Ec, LLB (Monash)

### For further information, please contact:

- Investor Services team on 1800 671 849
- [investorservices.au@avivainvestors.com](mailto:investorservices.au@avivainvestors.com)
- visiting [www.avivainvestors.com.au/premierfixedincome](http://www.avivainvestors.com.au/premierfixedincome)

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Email: [investorservices.au@avivainvestors.com](mailto:investorservices.au@avivainvestors.com)

A member of the Aviva plc group.  
Website: [www.avivainvestors.com.au](http://www.avivainvestors.com.au)

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