# Aviva Investors Elite Opportunities Fund

January 2010

## Key features

- provides exposure to a concentrated portfolio of Aviva Investors' highest conviction investment ideas
- Relatively unconstrained investment guidelines within a strong risk management framework allows for significant alpha potential
- A proven long term track record of adding value for investors
- A style neutral approach that can add value across the market cycle

Aviva Investors Elite Opportunities Fund is a concentrated portfolio of Australian equities containing only our highest conviction investment ideas

## What do we mean by high conviction?

When referring to 'high conviction' portfolios, we are referring to:

- concentrated portfolios holding only a small number of our best investment ideas
- portfolios that are constructed with little reference to a stock's representation in the benchmark index.

## Features of the Elite Opportunities Fund

The Aviva Investors Elite Opportunities Fund is a concentrated portfolio of our best investment ideas. The fund is relatively unconstrained at a stock and sector level allowing the Portfolio Manager to invest in his best ideas.

The fund is managed by Nick Pashias, Aviva Investors' Deputy Head of Equities. This fund is managed as Nick would manage his own money. As such, the fund contains a core portion of stocks he believes have excellent long term growth potential. This accounts for at least 80% of the portfolio. The remaining 20% consists of short term, trading opportunities and cash.

Unlike the majority of core Australian equity funds, which are obliged to hold stocks that make up a large part of their index, this fund will only hold stocks that the Portfolio Manager believes have excellent potential for share price appreciation. Stock selection is based on Nick's fundamental belief of the growth potential of that stock and if he doesn't like a stock, it will not be owned by the fund.

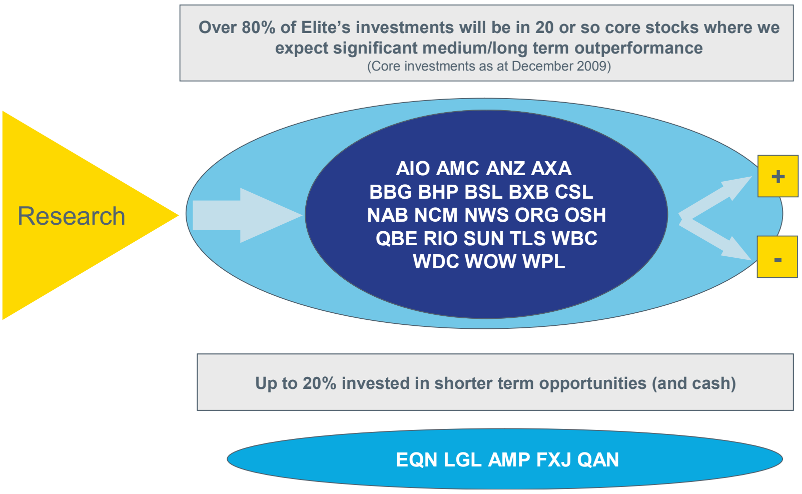
This benchmark unaware portfolio construction process means the fund will be less correlated with Australian equity markets. This makes the fund well suited to being included as part of a diversified investment portfolio.

## Investment objective and strategy

The fund's objective is to outperform the S&P ASX 200 Accumulation index by 4% p.a. over rolling five year periods.

The fund takes large positions in a concentrated portfolio of no more than 30 companies. Generally at least 80% of this portfolio will be invested in companies identified as having the potential for long term value; the remaining 20% is invested in shorter term opportunities.

The fund has a tracking error range of between 4% and 7% p.a. and will be fully invested at all times.




## Stock selection

The approach to stock selection is bottom-up, and is focused on identifying companies where the potential value of each company's business is not fully reflected in the current share price. Nick draws on the research of the broader equities team as an input into stock selection and portfolio construction. While stock valuations provide a starting point for preferred and non-preferred stocks, the Portfolio Manager retains ultimate discretion over which stocks make it into the Elite Opportunities portfolio and their respective weightings.

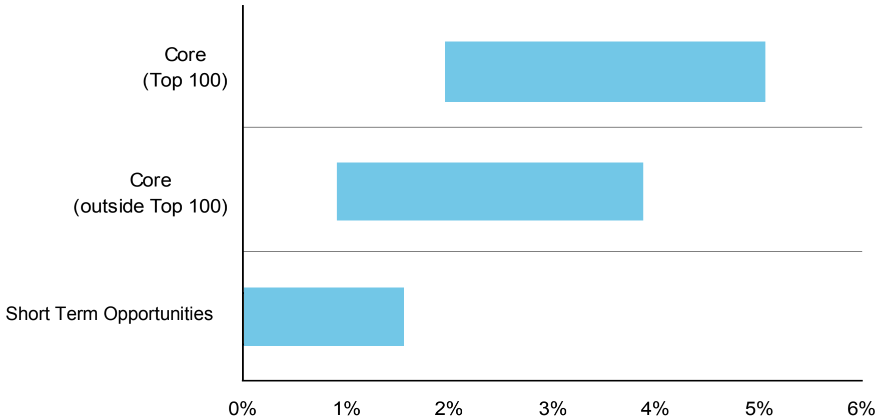
# The relatively unconstrained investment guidelines allows for the greatest alpha potential

## Portfolio construction

To construct a portfolio of what Nick considers are the best investment opportunities, he reinforces the bottom-up research undertaken (which encompasses fundamental and valuation analysis) with his extensive market knowledge and experience.

Successful portfolio management involves balancing the 'science' of stock research and understanding, with the 'art' of portfolio management. In managing the portfolio, Nick selects and weights stocks on the basis of the strength of his conviction, without being constrained by individual stock or sector limits. His views are not tempered by media commentary, market consensus or herd mentality. If he doesn't like a stock, he won't own it – no matter how big a part of the index it is.

Since the fund can invest in no more than 30 companies, there is a strong sell discipline. Stocks are generally sold down when they outperform, come close to, or achieve their assessed valuation. Central to this approach is the belief that stocks tend to mean revert over the long term.




### Core: >80% of portfolio

- Companies will generally be in the upper quartile of Aviva Investors' research framework
- Focus is on long term value with a contrarian bias
- Top 100 company, 3-4% overweight position (+/- 1%) or 2-3% (+/- 1%) for companies outside the ASX100

### Short Term Opportunities: < 20% of portfolio

- Short term value opportunity (technical or fundamental)
- ~1.5% overweight position

## Using this fund

As a concentrated, long only Australian Equity portfolio this fund will generally sit within the growth assets component of a balanced portfolio. The fund can be used on a stand alone basis, however the style neutral investment philosophy also makes it suitable to blend with both growth and value managers.

### Fund details

**Inception date:**
18 November 2002

**Fund size at 31 December 2009:**
$39.8m

**Benchmark:**
S&P/ASX 200 Accumulation Index

**Investment timeframe:**
At least 5 years

**Relative Risk:**
High - Very High

**Relative Return:**
High - Very High

**Minimum Investment:**
$20,000

**Minimum additional investment:**
$5,000

**Distribution:**
Quarterly

**Entry fee:**
Nil

**Exit fee:**
Nil

**Management fee:**
0.70% p.a.[1]

**Performance fee:**
20% of performance above performance hurdle (on positive returns only)[2]

**Availability:**
BT Wrap, Colonial First Wrap, Macquarie Wrap, Navigator, IOOF, Netwealth, Portfolio Care

**Ratings:**
Lonsec* – Recommended
S&P** – Three Stars

[1] Excluding performance fee
[2] Performance hurdle is the benchmark return plus 5%p.a. A performance fee is not paid unless the funds net performance is positive.

## Portfolio Manager

**Nick Pashias**
Deputy Head of Equities

**Key responsibilities:** Nick is Deputy Head of Equities and Portfolio Manager of the Elite Opportunities Fund and the Australian Resources Fund. He is also responsible for leading the equity research process.

**Years with the group:** 12
**Years of industry experience:** 12

**Previous roles:** Nick previously worked on a number of projects with resource companies while completing his Ph.D. in Chemical Engineering at The University of Melbourne. On completion of his Ph.D., Nick worked as a consultant with particular emphasis on efficiency improvement and process streamlining in the mining industry.

**Qualifications:** B.E. (Hons) (Melb), Ph.D. (Chem Eng) (Melb), M. App. Fin (Maq)

## For further information, please contact:

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