



Aviva Investors Listed Property Fund

January 2010



Key features

- A concentrated, low turnover portfolio of listed real estate investments
- This fund is open and highly liquid
- Large, experienced and stable investment team with access to the research of a global pool of analysts
- Strong track record of long term first quartile performance
- Integration of ESG analysis into all stages of the portfolio management process

Aviva Investors Listed Property Fund is an actively managed, concentrated fund that aims to provide tax efficient growth and income from investments in listed property related securities

What has caused the recent market turmoil in A-REITs?

- Too many REIT's were too aggressive and over-leveraged during the bull market, and are now faced with impaired balance sheets and/or heavy pressure on earnings and distributions.
- This is a result of unsustainable financial structures, flawed business models and unrealistic distribution payout policies.
- The sector will find life very tough in a capital constrained environment, but there will be clear winners and losers.

Where to now?

Our long term outlook and strategy should stand our portfolio in good stead:

- REIT's are an attractive asset class to own and represent good value for the first time in recent years.
- We remain particularly wary of stocks that own lower quality real estate and that rely heavily on using financial instruments such as derivatives to generate profits.
- Our portfolio is well positioned in high quality, good value stocks that we expect to outperform across the cycle.

What are the benefits of investing in A-REITs?

- Strong income return with some capital growth: REITs provide investors with the potential for capital appreciation of the property assets held, as well as an income stream for the rental of these assets.
- Liquidity: REITs are listed on the Australian Securities Exchange and do not have the same liquidity constraints of funds with exposure to direct property holdings.
- Tax efficient: Aviva Investors' low turnover approach to managing this fund means that capital gains are relatively tax efficient and portions of the income generated by the fund may be tax deferred.
- Diversification: Investing in a managed fund that owns listed property securities can provide exposure to a wide range of income producing real estate such as office buildings, shopping centres, industrial sheds, residential estates, self storage centres, retirement villages and hotels.
- Inflationary hedge: Property can be an effective hedge against inflation. For example, long term leases often stipulate yearly rent increases in line with inflation.

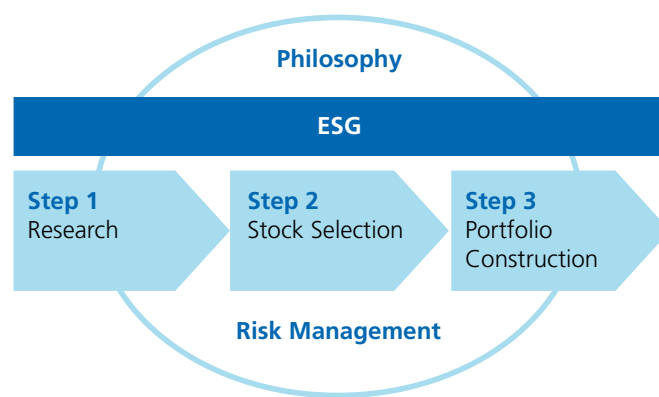
Investment Objective

The fund's objective is to outperform the S&P/ASX 200 A-REIT Accumulation Index over a rolling five year period. The fund primarily invests in property securities and property related securities that are listed on the Australian Securities Exchange.

Investment Philosophy

We believe that superior long-term returns can be generated by having a clear strategy, undertaking proprietary research and analysis using the insights of a large and experienced team, and maintaining a disciplined portfolio construction process in a tax efficient manner.

Process



Research

Our research efforts form the core of our investment decision making process. We undertake detailed proprietary research and analysis into all securities within our investment universe.

The process draws on a range of research and information including:

- Proprietary research efforts including company meetings and property tours
- Proprietary security analysis
- Publicly available information
- External research

Stock Selection

Our research efforts focus on analysing securities across a defined set of qualitative and quantitative measures:

- Have management we consider trustworthy
- Own quality real estate
- Have a strong balance sheet
- Have sensible growth plans
- Are attractively valued

The Aviva Investors Listed Property Fund has won the award for best Australian listed property fund at the annual AFR Smart Investor Awards.



The output of the research and stock selection process is a Return Rating which reflects the security's expected absolute return over the next 12 months. Each security is rated from A to E based on its expected 12 month return:

- A Expected return of greater than 25%
- B Expected return of between 15% and 25%
- C Expected return of between 5% and 15%
- D Expected return of between 5% and -5%
- E Expected return of less than -5%

Portfolio Construction

The aim of the portfolio construction stage of the investment process is to build and manage a low turnover, concentrated, yet well diversified portfolio of what we consider to be the most attractively valued listed property and property related securities.

The key inputs into the portfolio construction process are:



Risk Management

We have in place a set of prescribed portfolio constraints that address portfolio risk from both an absolute and relative to benchmark perspective:

- Number of securities: 10 – 30
- Maximum security weights: index +/- 7%
- Tracking error range: 2 - 6%
- Cash holding: 0 – 10%
- No gearing or shorting permitted
- Low portfolio turnover: Typically 10- 30%

Using this fund

As a concentrated 'long' only A-REIT product the 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:
28 February 1994

Fund size at 31 December 2009:
\$24.0m

Benchmark:
S&P/ASX 200 A-REIT Accumulation Index

Investment timeframe:
At least 5 years

Relative Risk:
High

Relative Return:
High

Minimum Investment:
\$20,000

Minimum additional investment:
\$5,000

Distribution:
Quarterly

Entry fee:
Nil

Exit fee:
Nil

Management fee:
0.72% p.a.

Availability:
BT Wrap, Macquarie Wrap, Navigator, Netwealth

Ratings:
Adviser Edge - 4.25 stars
Lonsec - Recommended *

Portfolio Managers



Brett McNeill
Investment Manager

Key responsibilities: Brett is the Portfolio Manager of the Listed Property Fund and Deputy Portfolio Manager of Dividend Builder. He is also responsible for researching stocks in the Listed Property and Infrastructure sectors.

Years with the group: 4

Years of industry experience: 6

Previous roles: Brett was previously a Research Analyst with Navigator Australia.

Qualifications: B.Com (Economics & Finance) (Monash), CFA Charterholder



Michael Brown
Investment Manager

Key responsibilities: Michael is Deputy Portfolio Manager of the High Growth Shares Fund, Long/Short Equity Fund and Listed Property Fund. He is also responsible for researching stocks in the Food, Beverages & Tobacco and Materials (ex-Metals & Mining) sectors.

Years with the group: 4

Years of industry experience: 23

Previous roles: Michael previously worked for ABN AMRO in a Research Sales and Account Management role. Prior to this, Michael was a Senior Analyst with Merrill Lynch from 1994 – 2001. During his time with Merrill Lynch, Michael was a rated analyst in the building materials and basic industry sectors and was a rated member of the small company's team in 1994 and 1995.

Qualifications: B.Ec. (UQ), F Fin



Richard Colquhoun
Investment Manager

Key responsibilities: Richard is the Deputy Portfolio Manager of the Listed Property Fund and Portfolio Manager of the Aviva Investors' group funds. He is also responsible for researching the Capital Goods, Commercial Services & Supplies, Media and Utilities sectors.

Years with the group: 2

Years of industry experience: 15

Previous roles: Richard was previously an Investment Analyst at Argo in Sydney.

Qualifications: B.Com (Newcastle), F Fin

For further information, please contact:

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Important information

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