



Aviva Investors Dividend Builder

January 2010



Key features

- Aviva Investors benefits from a large, well resourced and experienced investment team
- Invests in high yielding Australian shares that will grow their dividends over time
- Emphasis on securing franked income and minimising stock turnover
- Focused on maximising after-tax returns for investors
- Low management fees

Aviva Investors Dividend Builder at a glance

10 reasons why a high yield investment strategy is prudent:

- Yield is a significant component of expected equity market returns
- Helps fund, or retire debt
- High dividends signals that companies have real cashflows
- High dividend paying companies experience high future earnings growth
- High levels of franked income
- If the Reserve Bank is in the process of easing monetary policy, high yield interest rate sensitive investments will benefit
- In the longer term higher yielding shares tend to outperform
- Significant tax advantages of receiving franked income
- Dividend income is a stable source of returns
- Assists in generation of an income stream

Investment objective

The fund's primary objective is to regularly deliver higher levels of dividend income on a tax effective basis, relative to the S&P/ASX 200 Industrials Accumulation Index. The fund's other objective is to provide some capital appreciation.

Investment style

Our investment philosophy is based on the premise that the pricing of individual stocks in the Australian sharemarket is at times inefficient.

This mispricing occurs for a number of reasons:

- Investors take a short-term view;
- Investors under or over react to changes in a company's operating environment; and
- Investors make incorrect generalisations about similar companies.

We believe these inefficiencies can be exploited through bottom-up stock selection.

Stock selection

Criteria	Benefits
Primary Top quartile dividend yield	Ensures high yield
Other Discount to valuation on Aviva Investors research	Helps to achieve capital growth
Preferences for: <ul style="list-style-type: none"> • Diversification of operations • Large market share • Strong cash flow and balance sheet • Sustainable payout ratio 	Sustainability of earnings and income
Predominantly Australian taxpayers	Franking credits
Low turnover	Preserves capital gains

Portfolio construction

Sector Level = Industrials (industrial benchmark)

- Market Capitalisation

	Portfolio Range
Top 100	90% to 100%
ex 100	0% to 10%

- Turnover - 20% to 25% target
- Stock numbers - 15 to 25
- Diversification - The portfolio is well diversified across industries

Aviva Investors' Dividend Builder provides investors with high levels of tax effective income through investment in high quality Australian shares

How we invest

Fund Strategy	Benefits
Invest in stocks in the top quartile by yield	Ensures high income returns
Stocks must have an ability to grow their yield	Protects buying power against inflation
Generally the companies we invest in will have large market share	Reliability of income stream in bad times
Invest in companies where we are comfortable with management	Less unexpected negative surprises
Discount to Aviva Investors' valuation	Ensures potential capital growth
Long term investment horizon with low portfolio turnover	Low level of realised capital gains
Preference for franked income where possible	Tax efficient income stream
Diversified portfolio	Helps smooth out volatility
Target 15 to 25 stocks	Concentrates the portfolio in favoured investments

Investor profile

Dividend Builder is designed for investors seeking a stable, tax effective income stream through participating in the Australian sharemarket and investing in companies providing dividend growth. It may also act as an income stabiliser in investment portfolios, especially during shifting or uncertain markets.

This fund is suitable for use as a 'core' Australian equities holding, or as part of an overall blend of Australian equity managers.

How to use this fund

The fund is a 'long' only Australian equity fund and as such will generally sit within the growth component of a balanced portfolio. Given the fund's focus on generating tax effective income the fund is suited to investors seeking a consistently high distribution yield from their investments.

Fund details

Inception date:
6 September 2005

Fund size at 31 December 2009:
\$24.7m

Benchmark:
S&P/ASX 200 Industrials
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:
0.60% p.a.

Availability:
BT Wrap, Macquarie Wrap,
Navigator

Ratings:
Lonsec - Investment Grade*
S&P - Three Stars**

Portfolio Managers



Glenn Hart
Head of Equities

Key responsibilities: Glenn is responsible for leading the Australian Equities team and is the Portfolio Manager of Dividend Builder and the Australian Equities Fund. He is also a member of the Executive team.

Years with the group: 12

Years of industry experience: 22

Previous roles: Glenn joined the company following the merger with CGU Insurance's investment operations, where he was Manager of Equities. Before CGU, Glenn held positions at Structured Asset Management and JBWere Asset Management.

Qualifications: B.Com (Melb), F Fin, Member CPA Australia



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

For further information, please contact:

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Important information

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