

## Aviva Investors Sustainable Investment Fund

April 2009



### Key features

- Large investment team providing proprietary company research across the full investment universe
- Full integration of our market leading ESG research into the investment process
- The Sustainable Investment process provides for a more tax effective outcome for investors
- Aviva Investors was the first Australian fund manager to sign up to the UN Principles for Responsible Investment

Our approach to sustainable investment seeks to identify sustainable business models and ensure 'hidden value' and 'hidden risks' are understood and considered when valuing a company.

### What is 'Sustainable Investment'

Sustainable investment considers environmental, social and corporate governance factors as well as traditional financial analysis. In this way analysis of sustainability issues can be used as a tool to identify risks and opportunities often overlooked by fundamental analysis alone.

### Sustainability, not Socially Responsible Investment (SRI)

Sustainability	SRI
<ul style="list-style-type: none"> <li>• What are the opportunities?</li> <li>• What are the risks?</li> <li>• What is it worth?</li> </ul>	<ul style="list-style-type: none"> <li>• Is it moral?</li> <li>• Is it ethical?</li> </ul>

We do not screen our investment universe on the basis of moral or ethical considerations. We look to incorporate ESG issues into our company research process in order to identify potential risks not considered by the broader market.

### Our commitment

- Aviva Investors was the first Australian fund manager to sign the UNPRI
- Our commitment to sustainable business practices follows two streams.
  - Integrating sustainability into our investment decision making and ownership practices to improve long term returns for clients.
  - Embedding to sustainable practices into the way we operate our business.

### Our Sustainability Framework

When we refer to sustainability we are referring to environmental, social and corporate governance (ESG) issues that could potentially impact a company's performance.

Companies and economies do not operate independently of the world around them nor are they immune to the limitations placed on them by their environment and by the communities in which they operate. Hence our core research process considers factors such as:

E Environmental Sustainability	S Corporate Social Responsibility	G Corporate Governance
<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Greenhouse gas emissions</li> <li>• Planning, mitigation</li> <li>• Legal and regulatory</li> <li>• Systems and risk management</li> <li>• Water use</li> </ul>	<ul style="list-style-type: none"> <li>• Human capital survey</li> <li>• Development</li> <li>• Equal opportunity</li> <li>• Occupational health and safety</li> <li>• Community                             <ul style="list-style-type: none"> <li>• Local</li> <li>• Broader</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Board composition, skills</li> <li>• Management track record</li> <li>• Remuneration</li> <li>• Audit</li> <li>• Reporting</li> <li>• Risk management</li> </ul>

The relative importance of specific issues varies from industry to industry and company to company. However, based upon our engagement with the management of companies at various levels, we have concluded that all three categories of sustainability issues (ESG), fundamentally impact corporate operations and hence the value of any company. As such they are important in determining the longer term sustainability of any particular business model, and whether a particular company is a goal investment.

### ESG is:

- Implicitly in the research process
- Explicitly part of the fund's portfolio construction process
- By-products of this are;
  - Stocks are invested for the longer term
  - Low turnover, usually under 50%
  - Beneficial tax outcome
  - Meets the needs of clients wanting a 'sustainability' branded product
  - Clear demonstration of our commitment to ESG

# Aviva Investors Australian Sustainable Investment Fund at a glance

<b>Objective</b>	S&P/ASX 200 Accumulation Index +3% p.a.
<b>Stocks</b>	Between 25-40
<b>Typical Portfolio Turnover</b>	<50% p.a.
<b>Tracking error</b>	2.5% to 5% p.a. (ex ante) over rolling 5 year period
<b>Cash holding</b>	0-10%

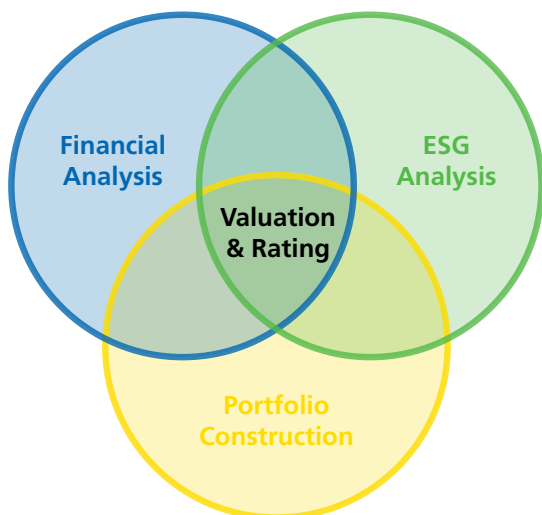
## Investment Philosophy

- We believe that ESG issues are significantly under researched in the Australian market, despite being a major source of business risk.
- We believe that these risks are significant drivers in a firm's ability to earn returns throughout a business cycle.
- Integrated ESG and financial analysis can identify companies which are best placed to manage these risks.
- Active management stemming from this analysis will add value for clients.

## Process

The Sustainable Investment Fund investment process has three stages:

- Stock research & analysis
- Stock valuation and rating
- Portfolio construction



The process reflects our core belief that detailed, systematic sustainability research and analysis integrated with financial analysis can deliver superior investment performance and represents a competitive advantage.

## Portfolio Construction

The fund is an actively managed Australian equity fund which employs a bottom-up stock selection process. ESG factors are considered implicitly in the Stock Research and Analysis stage and are explicitly considered when constructing the portfolio.

## Fund details

**Inception date:**  
16 February 2006

**Fund size at 31 March 2009:**  
\$6.8m

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

**Investment timeframe:**  
At least 5 years

**Relative Risk:**  
High

**Relative Return:**  
High

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

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

**Distribution:**  
Quarterly

**Entry fee:**  
Nil

**Exit fee:**  
Nil

**Management fee:**  
0.85% p.a.

## Portfolio Managers



**Andrew Hamilton**  
Investment Manager

**Key responsibilities:** Andrew is responsible for co-managing the Sustainable Investment Fund and for researching stocks in the Energy, Healthcare, and Insurance sectors.

**Years with the group:** 8

**Years of industry experience:** 11

**Previous roles:** Andrew joined the company after several years in London in a variety of positions with Salomon Brothers International and Nomura International. Prior to joining the finance industry, Andrew worked as a mechanical engineer in product design and development.

**Qualifications:** B.E. (Hons), CFA Charterholder



**John Guadagnuolo**  
Investment Manager

**Key responsibilities:** John is responsible for co-managing the Sustainable Investment Fund and for researching stocks in the Gaming, Transport and Retail sectors.

**Years with the group:** 1

**Years of industry experience:** 8

**Previous roles:** John was previously Portfolio Manager at Equity Trustees. While there John developed and ran their Australian Equity research and portfolio construction processes. John was also the Portfolio Manager of the EQT Flagship Fund, operational head of the Asset Management Team and was a member of their Investment Management Committee where he was responsible for asset allocation research.

**Qualifications:** B.Com & B.A. (Hons), Ph.D. (Classics) (Melb)

### For further information, please contact:

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

---

### Important information

The information provided is of a general nature and has been prepared without taking account of your individual investment objectives, financial situation or particular investment needs. It is not intended as financial advice to retail clients. Before making an investment decision, you should consider the appropriateness of the information, having regard to your objectives, financial situation and needs. We recommend you consult with your financial adviser, who can help you determine how best to achieve your financial goals and whether investing in a fund is appropriate for you. Please note that in all charts on page 2 of this document are gross of all management fees. Investment in the Aviva Investors Investment Funds will only be made upon receipt of a completed application form from the current PDS, a copy of which can be obtained from Aviva Investors. Aviva Investors Premier Fixed Income Fund ARSN 090 827 311. Aviva Investors Limited ABN 85 066 081 114 Level 28 Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 GPO Box 2007s, Melbourne 3001 Telephone: (03) 9220 0300 Facsimile: (03) 9220 0333 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)