

# Quarterly Fund Review

## Aviva Investors Long Term Equity Fund - Series 1

June 2010



### Fund facts

<b>Inception date:</b>	2 April 2008
<b>Closing date:</b>	31 July 2009
<b>Termination date:</b>	30 November 2018
<b>Fund size at 30 June 2010:</b>	\$26.7m
<b>Benchmark:</b>	S&P/ASX 50 Accumulation Index <sup>1</sup>
<b>Investment timeframe:</b>	10 years

### Investment details

<b>Distribution:</b>	Half yearly
<b>Entry fee:</b>	Nil
<b>Exit fee:</b>	2% <sup>2</sup>
<b>Management fee:</b>	0.80% p.a.

### Investment returns

#### Performance to 30 June 2010

Period	Gross Return %	Bmk Return %	Excess Return %	Net Return % <sup>3</sup>
3 months	-10.6	-11.2	0.6	-10.8
6 months	-9.7	-9.5	-0.2	-10.1
1 year	13.8	13.5	0.3	12.9
3 years p.a.	-	-	-	-
5 years p.a.	-	-	-	-
Since inception p.a.	-2.4	-3.6	1.2	-3.1

<sup>1</sup> The fund's benchmark for comparative purposes has changed from the S&P/ASX 200 Accumulation Index to more closely reflect the underlying assets in the fund.

<sup>2</sup> Exit fee applies to withdrawals made prior to 30 November 2018.

<sup>3</sup> Investment returns are based on exit to exit prices, are net of management fees and assume reinvestment of all distributions. Past performance is not a guide to or indication of future performance.

### Investment objective and strategy

The fund's objective is to provide investors with stable investment growth in a tax efficient manner over the fund's investment period.

The fund invests in a diversified portfolio of up to 20 Australian companies selected predominantly from the top 30 companies by market capitalisation on the Australian Securities Exchange (ASX), for their ability to provide both stable yield and capital growth.

The fund will predominantly invest in large, well known Australian companies which Aviva Investors considers appropriate for a long term investment of this nature.

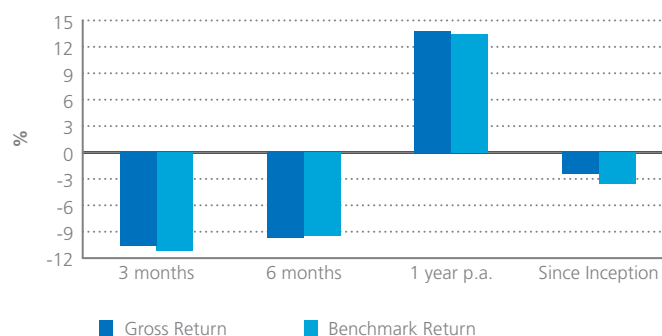
### Fund performance

The fund delivered a gross return of -10.6% for the June quarter, outperforming the benchmark S&P/ASX 50 Accumulation Index return of -11.2% by 0.6%.

The best performing stocks during the quarter, relative to the Benchmark, were overweight positions in Foster's Group (0.89%), CSR (0.73%) and Telstra Corporation (0.29%).

Stocks detracting from the fund's performance, relative to the Benchmark, was an overweight position in Westpac Banking Corporation (-0.63%). Also not owning Lihir Gold (-0.42%) and Westfield (-0.33%) detracted from performance.

### Gross Return vs Benchmark Return



## Distribution history<sup>4</sup>

Quarter end	Cents per unit
June 2010	1.48
December 2009	1.46
June 2009	0.95
December 2008	0.42
June 2008	0.01

<sup>4</sup>Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above.

## Franking levels

Year end	
30 June 2010	110.86%
30 June 2009	99.10%
30 June 2008	0.00%

## Top 10 shares holdings at 30 June 2010 (alphabetical order)

- BHP Billiton
- Commonwealth Bank
- CSR
- Foster's Group
- Suncorp-Metway
- Telstra Corporation
- Transurban Group
- Wesfarmers
- Westpac Banking Corporation
- Woodside Petroleum

## Market review

Global sharemarkets fell sharply in the June quarter, mainly in response to European sovereign debt problems. Most of the weakness occurred in May when fears that Greece would default on its debt repayments were widespread. Further weakness occurred towards quarter-end in response to Hungary's financial instability and Greece's four notch credit rating downgrade by Moody's. Signs of a slowdown in Chinese growth and weaker than expected US growth data also negatively impacted sentiment.

The Australian sharemarket was dominated by global events with the European sovereign debt crisis being the main focus. Evidence of some slowing in Chinese growth and lacklustre US growth data also impacted sentiment. Domestically, the market weakened in May in response to the Government's proposed Resource Super Profits Tax (RSPT) although a compromise with the mining industry was reached just after quarter end thanks to Julia Gillard replacing Kevin Rudd as Prime Minister. The S&P/ASX 200 Accumulation Index fell 11.1% in the quarter.

The best performing sector was telecommunications (up 7.0%), as Telstra and the government signed a non-binding agreement to rollout a National Broadband Network. Defensive sectors such as consumer staples (down 4.6%) and property trusts (down 2.8%) also outperformed the broader market. The financial sector (down 16.4% excluding REITs) underperformed following a round of uninspiring earnings reports from the banks.

## Outlook

In the near term, global sharemarket sentiment remains fragile. Sovereign debt problems in Europe continue to be the major focus and investors are not convinced that the EU authorities have committed sufficient funds to deal with the problem in the longer term. Recent credit downgrades for Portugal, Spain and Greece reinforce the risks of investing in this region. There is also the chance that investors will start to focus on debt problems in other regions as the Global Financial Crisis caused a significant rise in debt to GDP ratios in most developed economies.

Global developments will continue to impact sentiment towards Australian shares despite robust domestic demand and neutral official interest rate settings. The recent compromise between the Gillard Government and the mining sector over the RSPT should improve offshore investor sentiment towards the Australian market and provide some underlying support for mining stocks.

## About Aviva Investors

Aviva Investors is a global asset management company with over A\$445 billion in funds under management. Launched in September 2008, Aviva Investors unites the asset management capabilities of the international investments and insurance group, Aviva plc. Aviva Investors in Australia operated as Portfolio Partners from 1994 until September 2008. We specialise in the active management of Australian equities, fixed income and listed property, and have A\$7.9 billion in funds under management. Aviva Investors prides itself on providing specialist investment management services to meet our clients' needs.

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