

# Key notes



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## Chris Higham, Aviva Investors Strategic Bond Fund – 3 Year Anniversary

### Gross redemption yield

- Highest level on the fund since it launched in September 2008
- Attractive at a time when the Fed have committed to keeping interest rates at virtually 0% for the next couple of years
- In the main, Fund is invested in companies with strong balance sheets

### Higham has been increasing risk profile in the fund during latter part of 2011

- Has built up a 45% portfolio exposure to high yield credits, the largest it has ever been
- Increased holding in investment grade credit and some subordinated financials
- Moved out of defensive assets such as government bonds and UK government gilts
- Fund has some 60% in UK, some 5% in the US and the balance in selective areas of Europe

### Fund has resources dedicated to managing risk

- Portfolio analyst who provides daily risk reports
- Aviva's independent risk management team – operating like an external check on the portfolio

### Expect the difficult times of the last three years to continue

- Sovereign crisis due in part to the risks being transferred from banks and other financials to government balance sheets in 2008
- Majority of developed markets still have too much debt and we think it is likely to need five to 10 years to clear it
- Expect plenty of volatility during this period

### 2011 has been a challenging year for the fund but three year track record remains strong

- Start of 2011 moved into low risk assets - in March and April had some 40% in government bonds
- By contrast, in our view, the majority of our peer group reduced risk even more
- Differentials of returns has been a lot smaller than in previous years, so Fund only marginally underperformed, but given the significant outperformance in 2008 and 2009 means we're still well ahead

### Expect market volatility to continue but there is plenty to be positive about

- We believe valuations in credit are compelling: the rewards for risk taken are attractive
- Fundamental credits and fundamental corporates are robust, although government bonds and financials have question marks against them
- In our view global macro data is encouraging: US economic data is getting better, we expect Asia to have reasonably strong growth but Europe is the exception to this picture



For further information on the Aviva Investors Strategic Bond Fund or any of the Aviva Investors Funds please call us on 0800 015 4773 or email [fund&salessupport@avivainvestors.com](mailto:fund&salessupport@avivainvestors.com).

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## Important information

Unless otherwise stated all information is Aviva Investors as at 31 October 2011.

Any opinions expressed are based on the views of Aviva Investors and should not be relied upon as indicating any guarantee of return from an investment managed by Aviva Investors.

Past performance is not a guide to future performance.

For further information on the risks of the fund please see the Simplified Prospectus.

Credit and fixed interest securities are the debts of governments or companies generally issued in the form of bonds. These securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the security may fall, and vice versa. The value of these securities will fall if the issuer is unable to repay their debt or had their credit rating reduced. Generally, the higher perceived credit risk of the issuer, the higher the rate of interest.

High yield bonds (sometimes called sub-investment grade) are potentially more risky (higher credit risk) as the companies are more likely to be unable to honour repayment.

The value of an investment in the Fund and any income from it could go down as well as up and is not guaranteed. Investors may not get back their original investment.

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CI03129 01/2012



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