

## Fund objective

To outperform the Barclays Global Aggregate Index by 1.25% p.a. over rolling three year periods, before charges.

## Fund manager

Shahid Ikram

## Benchmark

Barclays Global Aggregate (unhedged) Index

## Fund size

£55.02 m

## No of holdings

99

## Launch date

30/04/1991

## Gross redemption yield

2.12%

## Duration (modified,semi annual)

7.69

## Further information

[www.avivainvestors.com](http://www.avivainvestors.com)

## Fund summary

The High Alpha Global Bond Fund invests in fixed interest securities quoted on the world's major financial markets. The core of the investments will be in established international markets.

## Fund comment

Fund performance over the second quarter of 2010 was positive on an absolute basis, gaining 0.8 per cent, but lagged behind the benchmark return of 1.3 per cent. The period was characterised by ongoing turmoil created by the concerns that certain governments have run up unsustainable levels of debt that they may not be able to fully repay. Aside from the possibility of a default, this also raised the fears that in order to reduce debt levels, spending cuts would be necessary and this would impact on economic growth. The result was a decline in risk appetite, which pushed riskier assets lower. Core government bond markets, such as the US and Germany, gained strongly as a flight to quality effect ensued. Fund performance suffered versus the benchmark principally due to holdings in US credit, where an overweight in the financial sector and being generally overweight risk hurt returns. Ex-US credit was positioned more defensively so suffered less from widening credit spreads. Within the government bond portion of the portfolio, we kept positioning fairly close to benchmark, although moving to underweight in peripheral eurozone bonds versus US treasuries proved fruitful. We also instigated a trade to move out of some German bunds and into US treasuries as bunds became very expensive due to safe haven purchasing. Corporate new issuance slowed markedly over the period as companies delayed trying to bring new deals into a difficult market. This temporarily removed what had been a healthy source of fund returns.

Source of market data: Bloomberg

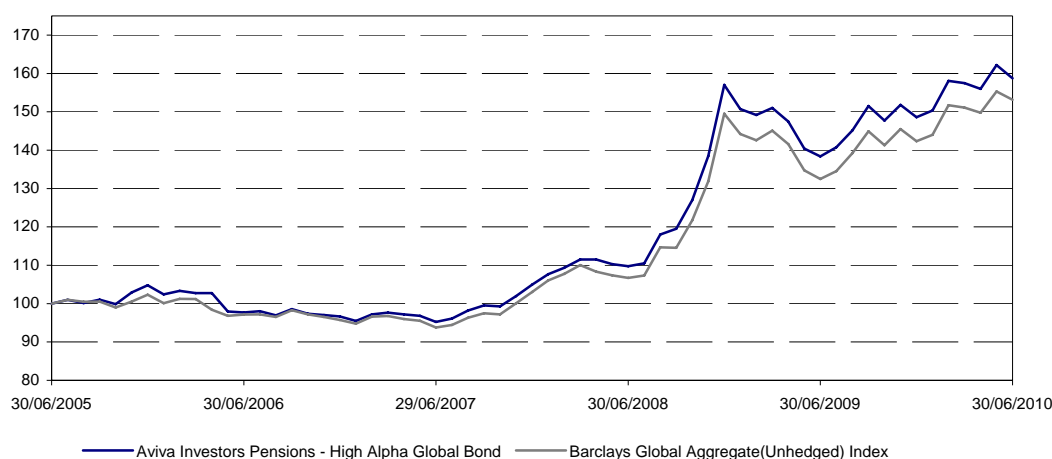
## Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised to 30/06/10		
				3 yrs	5 yrs	10 yrs
Fund	0.8	6.8	14.7	18.5	9.7	6.6
Benchmark	1.3	7.6	15.6	17.7	8.9	6.5
Relative †	-0.5	-0.7	-0.9	0.8	0.8	0.1

Past performance is not a guide to the future.

Source: Aviva Investors, mid to mid, income reinvested, before charges.

## Fund performance vs Benchmark (%) 5 years (or since launch)



Source : Aviva Investors and Lipper Hindsight – mid to mid, income reinvested, before charges

## Additional information

\*Prior to 4 October 2005 the benchmark was JP Morgan Traded Global Bond Index.

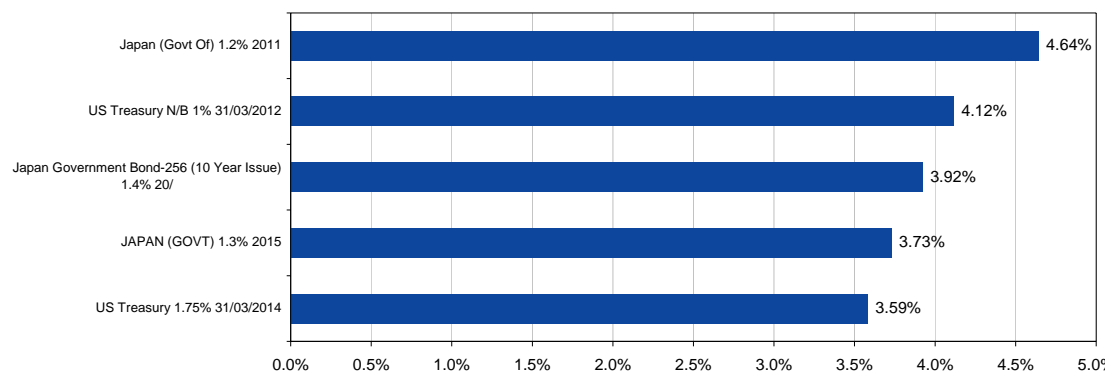
## Credit rating

Rating	%
AAA	26.62
AA	21.50
A	7.04
BBB	2.69
BB	0.11
B	-
Other/not rated (including cash)	42.04
<b>Total</b>	<b>100.00</b>

## Maturity rating

Maturity	%
<1 yr	2.12
1-3 yrs	18.99
3-5 yrs	21.70
5-7 yrs	10.58
7-10 yrs	15.78
10 -15yrs	6.44
15+ yrs	24.39
<b>Total</b>	<b>100.00</b>

## Largest holdings



† Performance has been calculated on a geometric relative basis

There are two methods of comparing a fund against a benchmark, the geometric relative or arithmetic, 'simple difference'. Aviva Investors uses the geometric relative. This is a ratio of out/under performance rather than simply the Fund Return less Benchmark Return. We believe this is a more realistic measure of out/underperformance particularly for comparisons between short and long term performance. The different calculations are shown below.

Performance Calculation:

Arithmetic Relative = Fund Performance – Benchmark Performance

Geometric Relative =  $[(1 + \text{Fund Return} / 100) / (1 + \text{Benchmark Return} / 100) - 1] * 100$

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