

Fund objective

To outperform the iBoxx Sterling Non-Gilt All Stocks Index by 1.25% p.a. over rolling three year periods, before charges.

Fund manager

Paul Whelan

Benchmark

iBoxx Sterling Non-Gilt All Stocks Index

Fund size

£49.86 m

No of holdings

241

Launch date

30 September 2004

Gross redemption yield

6.31%

Duration (modified,semi annual)

7.77

Convexity (semi annual)

17.29

Further information

www.avivainvestors.com

Fund summary

The High Alpha Corporate Bond Fund invests in a wide range of sovereign and non sovereign bonds, including supranational and corporate bonds. These are primarily sterling denominated investment grade bonds, but the fund is able to invest in non-sterling bonds as well as high yield and emerging market bonds.

Fund comment

Sterling corporate bond markets produced positive total returns over the quarter. The fund benchmark - iBoxx Corporate Bond Non-Gilts All Stocks Index - returned 1.6%. Performance was primarily attributable to underlying government bonds, which rallied on the back of a series of worse than expected macroeconomic data, and continued anxiety over the Euro zone debt crisis.

The funds targeted a series of risk scenarios, which impacted negatively on performance relative to the benchmark. The fund was positioned to take advantage of positive fundamentals underlying corporate credit, favouring BBB securities against AAA issues. As government bond yields fell, AAA bonds, which most closely follow government bond yields, outperformed. The fund was overweight UK Gilts which negated some of the impact; it also favoured securitised bonds, which outperformed other segments.

The fund continued to favour the Banking sector. Over time, we expect tighter regulation (in the form of Basel III) and higher capital requirements for banks should strengthen the financial system by enhancing stability and reducing the likelihood of bank failures; holding in names such as Barclays and JP Morgan reflect this view. Unfortunately, weakness in peripheral bond markets focused attention on bank's exposure to these underlying markets, resulting in a series of debt downgrades. Peripheral debt concerns also impacted on companies with direct economic exposure such as Telecom Italia.

We retain a constructive view on corporate credit. Large corporations remain the one sector of developed market economies that demonstrate both a wiliness, and ability to significantly reduce debt.

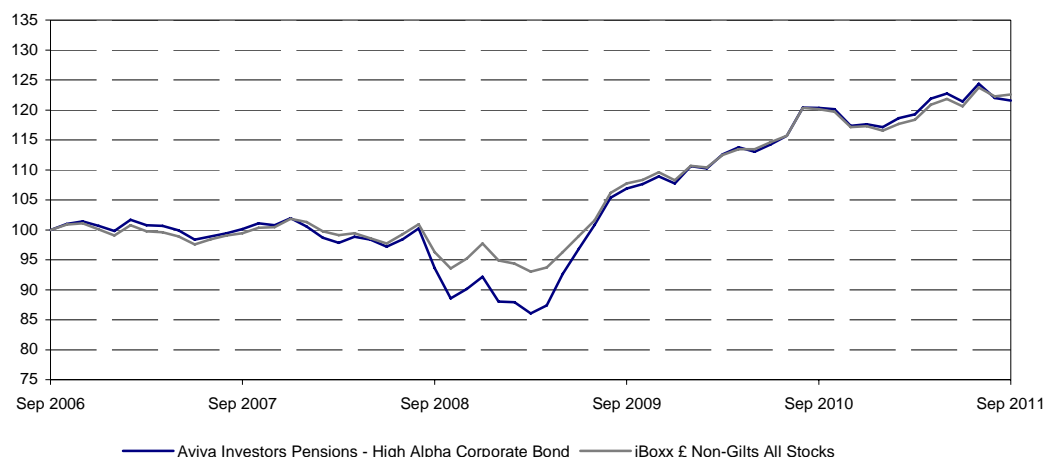
Source: Aviva Investors/Bloomberg, as at 30 September 2011
Basis: mid to mid, net income reinvested, before charges, in Sterling

Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	0.1	3.4	1.0	9.1	4.0	-
Benchmark	1.6	4.5	2.0	8.4	4.2	-
Relative †	-1.5	-1.1	-1.0	0.7	-0.2	-

Source: Aviva Investors/Lipper Hindsight, as at 30 September 2011
Basis: Mid to mid, income reinvested, before charges, in Sterling

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



Source: Aviva Investors/Lipper Hindsight, as at 30 September 2011
Basis: Mid to mid, income reinvested, before charges, in Sterling

Additional information

Credit rating

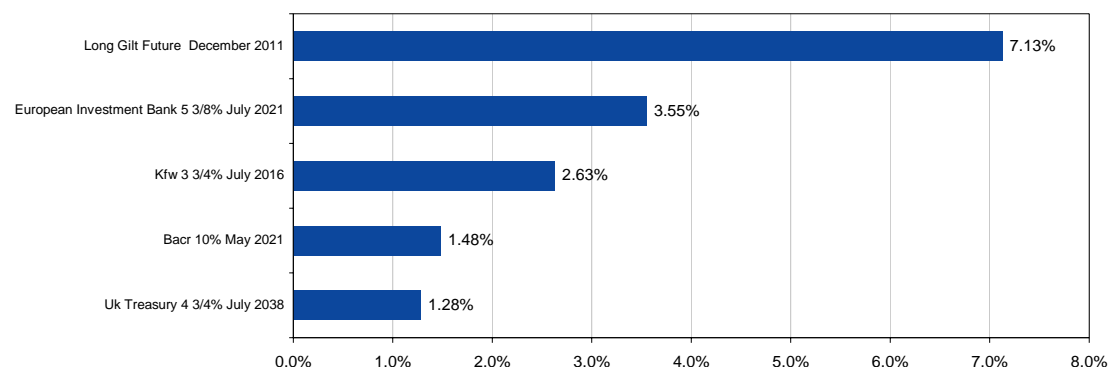
Rating	Fund	Benchmark	Relative
AAA	20.07	27.43	-7.36
AA	10.73	11.39	-0.66
A	27.84	29.53	-1.69
BAA	24.49	21.86	2.63
BA	3.11	0.64	2.47
B	0.00	0.00	0.00
CAA	0.00	0.00	0.00
Other	13.76	9.15	4.61
Total	100.00	100.00	0.00

Maturity rating

Maturity	Fund	Benchmark	Relative
0-3m	-3.10	0.00	-3.10
3m - 1Y	2.59	0.23	2.36
1-3 yrs	5.91	13.70	-7.79
3-5 yrs	9.49	12.20	-2.71
5-7 yrs	15.86	13.47	2.39
7-10 yrs	24.43	14.68	9.75
10-15 yrs	14.50	13.64	0.86
15-20 Yrs	9.64	12.83	-3.19
20+ Yrs	20.70	19.25	1.45
Total	100.00	100.00	0.00

Source: Aviva Investors/BDRISIS/ThinkFolio as at 30th September 2011
Basis: Includes cash, unassigned & derivatives

Largest holdings



Source: Aviva Investors/BDRISIS/ThinkFolio as at 30th September 2011
Basis: Includes cash, unassigned & derivatives

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

Aviva Investors Pensions Limited is the company through which the pooled fund contract is written. Any opinions expressed are based on views of Aviva Investors Global Services Limited, the investment manager appointed by Aviva Investors Pensions Limited to manage the funds. The content of this factsheet should not be viewed as indicating any guarantee of return from an investment in the funds nor should any part be construed as a recommendation to invest or to buy and sell stocks. The value of an investment can go down as well as up and investors may not get back their original investment. Further important details on our service, charges, available funds and specific risk warnings are provided in the Key Features document which is available on request.

Aviva Investors Pensions Limited, registered in England No. 1059606. Registered Office: No. 1 Poultry, London EC2R 8EJ. Authorised and regulated in the UK by the Financial Services Authority and a member of the Association of British Insurers.
Contact us at Aviva Investors Pensions Limited, No. 1 Poultry, London EC2R 8EJ. 11/0982/310212

THIS DATA IS FOR INVESTMENT PROFESSIONALS ONLY. IT IS NOT TO BE VIEWED OR USED WITH RETAIL INVESTORS