
Managed Fund Positioning
Paul Roche
Fund Manager, Asset Allocation, Ireland

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My name is Paul Roche and I'm the Asset Allocation Fund Manager at Aviva Investors in Dublin. Today I'm going to talk briefly about our outlook for equity markets over the coming three to six months, and I'm going to talk about how our Managed Pension Fund is currently positioned.

Firstly I'd like to talk about what happened. We have just witnessed a powerful rally in equity markets. We think this is largely a result of investors coming to the conclusion that the world economy wasn't in fact going to grind to a halt and that equity markets weren't going to go to zero.

So now that we've survived the abyss, what do we have to look forward to? We think that equity markets are going to remain on edge as investors grapple with the continuing poor economic newsflow and concerns linger over the strength of any economic recovery. Therefore, we think that equities are going to trade in a wide range in the near future and within our Managed Pension Fund we expect to play this range in the coming three to six months.

Well is the worst of the recession now over?

Generally speaking, we think that the level of economic activity has troughed in most countries around the world in the second quarter. However, having said this, we don't think there's going to be any strong return to normal growth and we think that any recovery will be muted at best. In particular we think that the economic newsflow will continue to be bad, especially newsflow concerning unemployment, which we expect to rise in the coming quarters.

Given that backdrop, how have you positioned the Managed Pension Fund?

We are currently slightly overweight equities within the Managed Pension Fund as we think that equity markets have a little bit to run on from here. And in relation to bonds, we are currently neutral but we expect to add to bond positions in the near future at better entry levels.

Just as a matter of interest, a very difficult last 24 months, has that changed your views on asset allocation at all?

I don't think it's fundamentally changed our views, but I suppose what it has done is reminded us that we need to move very, very quickly in fast moving markets. And you can't really wait until something happens, you have to pre-empt things happening and be ready to move accordingly.

You've been talking about equities and bonds, what other asset classes have you got in your locker?

Well the Managed Pension Fund is a traditional balanced fund so it also has an allocation to property and cash. And we do take positions in other asset classes such as commodities, but to a smaller extent.

Paul, thank you.

Thank you.

Warning: Past performance is not a reliable guide to future performance.

The value of your investment may go down as well as up.

The fund may be affected by changes in currency exchange rates.

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One Park Place, Hatch Street, Dublin 2.