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*Global High Yield Equity Fund Update*  
*Jude O'Reilly*  
*Senior Equity Fund Manager, Ireland*

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**Jude O'Reilly is responsible for the Global High Yield Equity Fund here at Aviva Investors. Jude, what have been the main themes in global markets during the second quarter of this year?**

Sector rotation and reflation were the dominant themes in the quarter. An improvement in leading indicators along with substantial policy action convinced markets that the worst was behind us in terms of deteriorating economic and corporate newsflow. This was reflected in a rotation out of typically defensive sectors such as healthcare and utilities into more economically sensitive cyclical sectors such as industrials and materials, along with bombed out financials. So too as the possibility of deflation receded, largely driven by unprecedented actions by governments and central banks, this allowed equity valuations to improve from the March lows.

**And how's this been reflected in the performance of global sectors?**

Well financials was the best performing sector rising 29% in the period. Here some of our picks would be Banco Santander, a Spanish bank which rose 70%, along with BNP Paribas, a French bank which rose 52%. Both reported strong earnings driven by better volumes, pricing and market share gains. Materials would have been the second best performing sector rising 17% and here one of our holdings, BASF, a German chemical manufacturer, rose 32%. So even as earnings were sharply down investors were willing to look forward for a more rosy economic environment. On the negative side, healthcare was one of the laggards

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rising only 3%, and our holding in GlaxoSmithKline, a UK company, only rose 3% in the period. Utilities, another laggard, rose 5% in the period and one of our holdings, Pacific Gas & Electricity, an American utility, only rose 3%.

### **And what's that meant for the performance of the fund itself?**

Well, positive drivers of performance included being underweight healthcare along with our choice in stocks in financials, consumer staples. On the negative side overweight energy and underweight financials hurt performance, as did our choice of stocks in consumer discretionary. And finally, at the end of June the fund was yielding 4.5% which compares favourably with equity markets yielding only 3.2%.

**Jude O'Reilly, thank you very much.**

Thank you.

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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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