
Blue Chip Corporate Bond Fund
Fergus Ryan
Business Development Manager, Ireland

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I'm joined by Fergus Ryan, Business Development Manager at Aviva Investors in Dublin. Fergus, Aviva Investors recently launched a Blue Chip Corporate Bond Fund to the Irish market, why now?

Well at the moment we think there's three very good reasons for launching a corporate bond fund. Firstly, bonds as an asset class we'll be quite optimistic on for the next certainly 18-24 months, and that's basically down to the low interest rate, low inflationary environment which suits bonds obviously. But within bonds we'd expect corporate bonds probably to outperform government bonds. The second reason is we expect that a lot of Irish investors wouldn't have a large exposure to corporate bonds. And lastly, obviously we think it's a perfect diversification tool for Irish investors.

Can this fund invest outside of the Irish market?

Oh absolutely, yes. It's a global fund, for example, some of the stocks we would have in there at the moment are the likes of IBM, the US company, Proctor & Gamble, another US company. Scandinavian companies like Statoil and Nokia, the UK retailer Tesco, and obviously Irish companies like CRH for example.

And what's the investment philosophy behind this fund?

The investment philosophy would be a marriage between the strong performance track record of our bond team and the high yield process that our equity team

involves. And essentially what this allows us to do is target very profitable companies that have high yielding corporate bonds at present.

And how's this fund being set up?

At the moment the portfolio has about 25 companies in it, we'd expect that to rise towards 40 as obviously money flows into the fund. We will invest in a minimum grade of triple B by the independent rating agencies, but for example at the moment the fund has about 85% spread between double A and single A graded companies. We're going to equally weight each stock so that the fund won't be held to ransom by a particular company, and we're going to try and get it as geographically and as sectorally neutral as we can so therefore, again, one particular region or one particular type of industry won't hold the fund performance to ransom.

Now this is a fund that certainly at launch has got no financials in it, or indeed in its benchmark, what's the reasoning behind that?

That's correct. Obviously because of the turmoil in the financial industry we've decided that we won't invest in financial companies or anything graded junk at the moment. And that's basically down to the concerns people would have over financial-related companies or heavily indebted companies.

Who's running this fund and what resources can they draw on?

The Fund Manager is Alan Galvin who's been with Aviva Investors since 1995. He is part of a four man bond team who's headed up by Roy Asher, our Chief Investment Officer, who's got over 20 years' experience in the industry and with Aviva Investors.

You mentioned earlier a number of blue chip names, what is it specifically that the team likes about them?

Well the key characteristics we'd be looking for in the stocks is obviously they have to be a profitable business, and typically these are large international blue chip companies. What we'd expect from these companies is it's not just one year of good profits, it's profits that they've generated year in year out but also

consistently above competitor companies in their industries or peer companies in their field.

Well sum it up for us, what's a typical investor in this fund and what should they expect from it?

Typically we'd expect people who have a low exposure or no exposure to corporate bonds to get involved, somebody looking to diversify their portfolio a little bit further, and also someone who'd like to take the opportunity that bonds themselves will present in the next 18-24 months from a performance point of view.

And finally, where can investors get further information on this fund?

Contact your financial adviser for more information, or look at the fund information page on avivainvestors.com.

Fergus Ryan, thank you.

Thanks.

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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