

## Aviva Investors Asia Pacific High Yield Equity Fund

Q4/09 Update

### Michael Aherne

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Presenter: The Manager of the Asia Pacific High Yield Equity Fund is Michael Aherne. Michael, how has the Asian market performed during the third quarter and why has it been so strong overall this year?

Michael Aherne: Economic data continues to exceed analyst forecasts with recovery now taking hold in many of the major world economies. Asia, being an export driven economy, is a beneficiary of this upturn in economic activity and most of the markets in the region returned over 15% in the quarter. Over the course of the year, Asian stock markets have done extremely well, outperforming many of its global peers. The region has been helped by a significant amount of excess liquidity, low interest rates and attractive valuations. In addition to this, Asian banking systems are very well capitalised with the ability to lend. We have also seen significant stimulus packages from many of the governments within the region. This has helped stimulate growth and, as a result, Asia has experienced a very shallow recession.

Presenter: How has the fund performed during the course of this rally?

Michael Aherne: Year to date the absolute return of the fund is 40%. The fund has been exposed to the very strong Chinese economy. We are overweight the Chinese banks, like Bank of China which is up 95% this year and China Commercial Bank which has also risen 45%. The Chinese banks have seen very strong growth and lending this year. Also technology has been one of the best performing sectors and many of our Taiwan technology names have done extremely well. Compal Electronics, which makes laptops for the likes of Dell and Hewlett Packard has risen 120% and Wistron, also an ODM in Taiwan, has risen over 160%. At present the portfolio is fairly defensively set up with overweights in telecoms, utilities and healthcare, while being underweight the materials and industrial sector.

Presenter: You mentioned a moment ago the fund was up 40% year to date, up to what date exactly?

Michael Aherne: Up to 30th September.

Presenter: You've talked about your exposure to China but are you at all concerned by China's growth prospects?

Michael Aherne: Investors are worried about tighter policy and liquidity risk in China after the regulatory reined in excessive loan growth and cautioned about certain industries in terms of overcapacity. However, we have to remember that China still has a current account and trade account surplus. It has a very healthy financial system, has strong consumer demand and will have the highest economic growth in the world this year, and we want to maintain an exposure to that story.

Presenter: So what's your outlook for the last three months of 2009?

Michael Aherne: The markets in Asia are up over 50% in the last six months, a phenomenal return, and the recent positive economic data along with the ample liquidity can provide further support to the region going forward. However markets do appear fully valued and October can traditionally be a difficult month for the stock market. The US consumer, who is of extreme importance to Asia, is under a bit of pressure so it will be difficult to see the region continue its strong rally.

Presenter: Michael Aherne, thank you very much.

Michael Aherne: 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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