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## MULTI ASSET FUNDS 3RD ANNIVERSARY

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### CPD Webinar Invite



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## HOLD THE FRONT PAGE

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### Irish investors eye surging London market

On 30th March last, Aviva Investors' Philip Nell was interviewed for the [Sunday Independent](#).

Philip, who manages the Aviva Ireland UK Property Fund, discussed the resurgence in interest from the Irish in the London property market. You can read the full article [here](#).



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## FUND FOCUS

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### Harnessing the Strength of Aviva Investors' Equity Income Team Fund Manager Q&A

In January 2014, David Lis Head of Equities at Aviva Investors took over managing the Aviva Irl High Yield Equity Fund. In this interview, David discusses his plans for the fund.



Q&A with David Lis the new fund manager of the Aviva High Yield Equity Fund.

In January 2014, David Lis Head of Equities at Aviva Investors took over managing the Aviva Irl High Yield Equity Fund. In this interview, Karen Deenihan, Investment & Savings Marketing Manager at Aviva asks David about his plans for the fund.

**Can you tell us about yourself?**

I joined the investment industry in 1973 and have been Head of Equities since mid-2011. Prior to that, I was Head of UK Equities. My role involves oversight of over £33bn of assets managed by the Equities team and I retain direct responsibility for the management of some £6bn of Institutional funds and £1.5bn of retail funds I have been with Aviva Investors for over 16 years having joined the then Norwich Union Investment Management as a senior fund manager in January 1997, originally joining to manage the UK Income product.

My career started as an investment analyst with Natwest in 1973 and has subsequently included fund management positions with J. Rothschild Investment Management, Morgan Grenfell and Royal Bank of Scotland as well as a 5 year period from 1985 where I founded, part owned and was Chief Executive of Windsor Investment Management before its sale to Royal Bank of Scotland in 1990.

**What characteristics of the fund will remain the same?**

The investment philosophy that has underpinned the successful track record of the fund remains exactly the same- we seek out quality companies with proven business models that pay an attractive and more importantly, a growing dividend yield. The investment process also remains unchanged with initial rigorous screening to filter our investment universe, followed by extensive fundamental research. We also actively engage with management of companies we invest in to ensure their interests are aligned with ours as shareholders. The resultant fund continues to be a concentrated, globally diversified portfolio of stocks that delivers both a high and growing yield.

**What improvements are you making?**

The major enhancement is moving to a team-based investment approach which harnesses the expertise of a range of experienced regional fund managers to generate ideas. From a top-down perspective, we're also utilising our Strategy and Multi-Asset teams to provide their input on regional allocations and also their latest economic views and scenarios.

**Can you tell me more about the benefit of a team approach to generating stock ideas for the fund?**

Aviva has a strong offering in equity income products across a variety of regions- all the fund managers involved are active stock pickers with proven track records and we want to utilise their expertise for our global offering as well. For instance if our UK fund managers have a high conviction in a stock that meets the criteria we have for the high yield fund then we would like it to be incorporated there as well. We want the fund to showcase the best ideas from across the desk and see this as a compelling investment proposition for clients. Another added benefit of the approach is that it allows us to meet a far greater number of companies than would otherwise be the case. Overall we see this approach is a key differentiator between us and many other competitors in the global equity space.

**What role will Richard Saldanha, the Portfolio Constructor have in managing the fund?**

Richard's main role will be to integrate the ideas from the regional fund managers to construct a portfolio that is globally diversified and maintains the income and quality bias that we look for. Richard's experience of managing US equities over the past four years will also enable him to provide input for the US names we hold in the fund.

### **What stocks have you sold since you starting managing the fund and why did you sell them?**

We sold the position in HSBC recently, as although it pays an above average yield we see more potential for dividend growth in the UK insurance sector- we prefer to hold stocks such as Resolution (which actually pays a higher yield than HSBC) and Legal & General. We also sold European oil services company Technip, which has seen margins weakening as the larger oil majors rein in spending, as we see better opportunities in other sectors such as consumer discretionary.

### **What stocks have you bought and why?**

We bought Resolution for the fund as it combines a high yield (over 6%) with an attractive valuation- it's a high conviction name that we hold across all our UK funds. They have a strong market presence in corporate pensions through the Friends Life business, and the management focus on returning cash flow to shareholders makes it particularly appealing from an income investor perspective.

BMW was also another recent addition; with its three high quality established brands (BMW, Mini and Rolls-Royce) targeted mainly at the premium market we see them as extremely well placed in the auto sector. The dividend has doubled over the past three years and with the company only paying out 30% of its profits we see good opportunity for dividend growth there as well.

### **What's your top overweight position in the fund and why do you like this stock so much?**

Our biggest overweight position in the fund is Legal & General. As a business they have consistently delivered strong performance, and are well-diversified with risk, savings and asset management divisions. The dividend has doubled over the last three years and with management maintaining a strong focus on cash flow generation there is plenty of room for further growth. They also recently made an exciting acquisition in the US to take advantage of changes in pension legislation and ageing populations, which has been an increasingly important theme in the sector.

### **What's your outlook for high yield stocks for the rest of 2014?**

After the strong rally in 2013, we see a more modest year ahead for global equities as a whole but continue to be constructive as the global economic recovery gathers momentum. With the current low-interest rate environment set to remain for some time, stocks that can deliver high levels of income whilst also offering the potential for capital growth continue to look attractive. Therefore, we think the fund's emphasis on high-quality income stocks with growing dividends will serve investors well.

### **What are the main risks facing the market?**

A lot of recent focus has been on emerging markets as certain countries struggle to come to terms with an increasing debt burden, and fears remain over a more pronounced slowdown in China. A number of stocks with emerging market exposure sold off in January as these fears intensified but we believe that global companies with geographically diversified revenues will be best placed to overcome any potential risks.

### **Learn more**

For more information please contact your Broker Consultant or visit our funds page on [www.avivabroker.ie/funds](http://www.avivabroker.ie/funds)

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## **Strength and scale**

### **The Aviva European Commercial Property Fund**

- Total assets under management as at 28 February 2014 were €322.64mn, which includes 14 properties invested across 9 countries. The net initial yield on the underlying properties in the Fund is currently 7.34%.

- The Fund Manager's aim is to maintain a medium term liquidity level of about 15-20%. Aviva Investors maintains a strong focus on maintaining portfolio income and continuing to reduce vacancy rates through active asset management.

- For 2013 as a whole, property transactions in Europe worth almost €98bn were recorded, the strongest total since 2007. (Source: Aviva Investors March 2014).

- You can read the full Fund Report [here](#).



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## BLACKROCK GLOBAL ABSOLUTE RETURN BOND FUND

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### Reasons To Buy

The Aviva Irl Blackrock Global Absolute Return Bond Fund aims to deliver positive absolute returns for investors regardless of market movements.

Since launch in May 2013, the Fund has returned a performance of 3.74% net of fees with a volatility of 1.02% (Source Blackrock April 2014).

BlackRock have just updated their 'Reasons To Buy' flyer which you can read [here](#).

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## MARCH FUND AND MARKET PERFORMANCE SPOTLIGHT

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### Emerging Market Outflows Continue

- March started out with global jitters due to the unsettling political situation in Ukraine. The start of the month saw a sudden escalation in talks of military force being used by Russia and this affected capital markets, mostly equity indices, across the globe. But global capital markets have made their peace as a full-blown military offensive is unlikely.
- Outflows from emerging market funds continued and even Japan equity funds posted outflows for the first time year to date. Inflows into developed market funds such as US and Europe remained intact.
- China was also in the spotlight as investors grew increasingly uncertain about the economy's revival. Subsequently, inflows into emerging market equity funds picked up towards the end of the month.
- Central bank policy continues to dictate interest rates will stay low.
- Our funds higher up the risk spectrum performed well over March 2014. The Dynamic Multi Asset Fund, High Yield Fund, BlackRock World Gold, BlackRock World Mining, BlackRock World Energy and BlackRock New Energy Funds were up 2.1%, 1.9%, 9.8%, 6.4%, 5.7% and 3.4% respectively.
- Download our monthly performance scorecard by [clicking here](#).

Fund Name	YTD Return	12 Month Return	3 Month Return	1 Month Return
Aviva Global Bond	1.2%	1.5%	1.8%	1.5%
Aviva Global Equity	2.1%	2.5%	2.8%	2.5%
Aviva High Yield	1.9%	2.2%	2.5%	2.2%
Aviva World Gold	9.8%	10.2%	10.5%	10.2%
Aviva World Mining	6.4%	6.8%	7.1%	6.8%
Aviva World Energy	5.7%	6.1%	6.4%	6.1%
Aviva New Energy	3.4%	3.8%	4.1%	3.8%

"The information outlined in this email is the opinion of the author and is not intended for use when reviewing the appropriateness of a particular investment or pension products to an individual's financial needs and circumstances."

Warning: These funds may be affected by changes in currency exchange rates.

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Warning: The value of your investment may go down as well as up. Subtitle Text

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