



## Market Review

According to Aviva Investors data, new issue volume for traditional private fixed income in the third quarter of 2010 was more than \$7 billion. This continued the trend of strong issuance that started in late 2009. Through the third quarter of 2010, new issue volume has surpassed \$24 billion, which indicates a very strong new issuance market.

New issuance volume in the seasonally slow third quarter was distributed over a wide variety of sectors. Issuers from traditional sectors such as utilities, energy and food and beverage continued to be active. Private placement investors appear open to reviewing transactions in most sectors of the market. Financings originated from the U.S., the UK, the Netherlands, Germany, France, Australia and Canada. The credit quality of new transactions ranged from BBB- to AAA.

Private fixed income continues to see relatively strong demand for most BBB and higher rated issuers. While spreads for weaker and more cyclical BBB issuers remain relatively wider, investors are still showing good demand for these credits. For the fourth quarter of 2010, we expect both the pipeline of new transactions and investor demand to remain strong.

Aviva Investors North America pursued several attractive investment transactions in the private fixed income market during the quarter. We purchased securities in a variety of sectors including utilities, food and beverage, consumer goods and energy. The average credit quality of third-quarter investments was BBB+.

We expect private debt issuance to remain robust for the remainder of 2010, as issuers – both domestic and foreign – continue to take advantage of low treasury rates and consistent investor demand. We expect the average rating of new issues to remain in the BBB range, as issuers from more cyclical sectors also take advantage of increased investor demand.

Aviva Investors remains committed to its long-term, fundamental approach to private fixed income portfolio management, and we will seek attractive investment opportunities in individual issues that are aligned with our strategy and consistently meet the objectives of our clients.

### Important information

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Source: Barclays Capital; J.P. Morgan; AMG Data Services; Moody's Investors Service