# AVIVA INVESTORS MULTI-STRATEGY (AIMS)

## AIMS Fixed Income Fund - SICAV

"Because no one can predict the future"

Q4 2018

This document is for Professional clients and institutional/qualified investors only. It is not to be distributed to or relied on by retail investors.

# Aviva Investors Multi-Strategy Fixed Income Fund

## Fund Characteristics

| Investor needs | Our solution |
|---|---|
| Capital growth over the long term | Performance objective: Cash + 3% p.a.[1] |
| Minimise volatility | Less than volatility of global fixed income[2] |
| Low correlation with global fixed income | Enhanced diversification |

1. Objective based on EONIA, annualised on a rolling 3 year basis, before charges.
2. Global fixed income referenced by Bloomberg Barclays Global Aggregate Bond Index EUR hedged.

# Aviva Investors Multi-Strategy capabilities

## Harnessing our global expertise


### Construction

Robust portfolio to perform in all market conditions

### Creativity

Unconstrained approach driven by best ideas

### Commitment

Ensures firm-wide collaboration

# Commitment

## An accountable team with firm-wide support

***Euan Munro***
*Global CEO, Aviva Investors*
*Strategic adviser to the AIMS fund range*

**FUND MANAGERS, AIMS FIXED INCOME FUND**

| | | | |
|---|---|---|---|
| ***James McAlevey, CFA***<br>*Joined investment industry: 2000*<br>*Joined Aviva Investors: 2016* | ***Joubeen Hurren, CFA***<br>*Joined investment industry: 2011*<br>*Joined Aviva Investors: 2011* | ***Orla Garvey***<br>*Joined investment industry: 2005*<br>*Joined Aviva Investors: 2013* | ***Mark Robertson***<br>*Joined investment industry: 2000*<br>*Joined Aviva Investors: 2018* |

**MULTI-ASSET & MACRO TEAMS SUPPORTING AIMS**

| Investment Strategy (10) | Portfolio Managers (31*) | Portfolio Construction & Risk (4) | Implementation (15) |
|---|---|---|---|
| Liaise with global investment teams in idea generation | Multi-asset, Multi-strategy, rates and emerging market debt | Conduct pre/post trade risk analysis | Portfolio rebalancing and cash flow management |

**GLOBAL TEAMS**

| Chicago | Toronto | London | Paris | Warsaw | Singapore |
|---|---|---|---|---|---|

| **452 Investment Professionals** | **€389 billion AUM** |
|---|---|

*This figure is inclusive of the named AIMS portfolio managers above.

Source: Aviva Investors. Members of the Multi-asset and Macro team updated as at 31 December 2018. The number of Investment professionals and AUM figures are updated as at 30 September 2018.

# INVESTMENT PROCESS

# Investment process

## Unconstrained approach driven by best ideas

| Creating an inventory of approved ideas | Constructing a robust diversified portfolio |
| --- | --- |

House view | Idea generation | Idea evaluation | Idea selection | Portfolio construction & risk | Implementation

**Global collaboration in idea generation**

**Dedicated AIMS team managing the portfolio**

# The House View

## Harnessing our firm wide expertise in identifying macro themes

| The House View defines: | |
|---|---|
| Our **central case** across markets and key themes<br>e.g.) Normalisation in inflation | The **key macro risks** to the central case<br>e.g.) Secular stagnation |


- **Our global investment teams** debate macro themes:
  - Quarterly House View Forum - 1 full day
  - Focus on key risks in separate sessions
- Starting point for investment teams to **generate ideas**
- The House View is driven:
  - **Bottom-up** views from asset class specialists
  - **Top-down** views from the Multi-asset team

# Idea generation

## Robust framework for assessing ideas

Key criteria:

- Ideas are expected to perform positively in the context of the House View macro framework
- Ideas consistent with 3 year investment horizon
- Liquid & scalable

| | |
|---|---|
| 1 | Description of the opportunity |
| 2 | What is the upside / downside return potential? |
| 3 | Why is the opportunity available? |
| 4 | What generic market circumstances will make or break this idea? |
| 5 | What are the key idiosyncratic risk factors? Are there any ESG risk factors? |
| 6 | What are liquidity conditions like? |

Source: Aviva Investors. The data is for illustrative purpose only.

# Idea evaluation

## Capturing investment expertise to identify best ideas

**Strategic Investment Group (SIG) representation**

| | | | | | |
|---|---|---|---|---|---|
| Euan Munro, CEO | CIO, Multi-asset and Macro | CIO, Real Assets | Global Responsible Investment | AIMS Fund Managers | Global Head of Rates |
| CIO, Credit | CIO, Solutions | CIO, Equities | Head Portfolio Construction & Risk | Emerging Markets Equities & Debt | Investment Strategy |

**Monthly new ideas meeting**

Debate new investment ideas

Chaired by Peter Fitzgerald

**Strategic Investment Group**

Approves best ideas by consensus

Senior representation

Forum open to all

**Quarterly review meeting**

Re-assess updated SIG notes of existing portfolio strategies

Chaired by Euan Munro

- ✓ **Collaboration results in a diverse range of ideas**
- ✓ **Portfolio discipline maintained before and after investing**
- ✓ **Allows visibility & encourages engagement within the business**

Source: Aviva Investors

# Portfolio construction and risk

## Integrated risk focus at the heart of portfolio construction

**Portfolio construction & risk team**

**Informing & questioning**

**Portfolio of 25 - 35 strategies**

**Fund management team**

**Making ultimate decision**

### Sources of diversification:

**Strategy type**:
Market Returns, Opportunistic Returns and Risk-Reducing

**Six risk drivers:**
Currency, Curve, Duration, Inflation, Volatility and Spread

**Global geography:**
Developed and Emerging Markets

### Risk process:

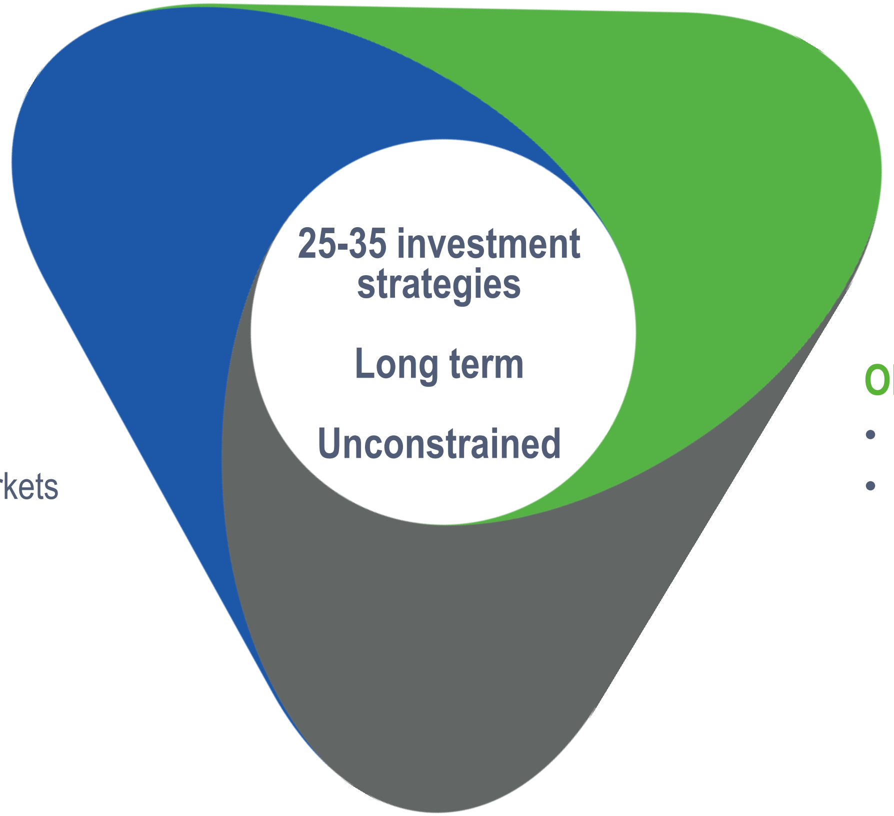
**Prerequisite for any portfolio changes:**
- Pre-trade risk analysis

**Ongoing risk monitoring:**
- Daily & weekly risk packs
- Multi-time horizon approach
- Stress testing and scenario analysis
- Cluster, Absorption, Turbulence analysis

Source: Aviva Investors. The data is for illustrative purpose only.

# Strategy Overview

## Robust portfolio designed to perform across a wide range of market conditions




**MARKET RETURNS**
- Exposure to traditional assets
- Expected to perform in rising markets

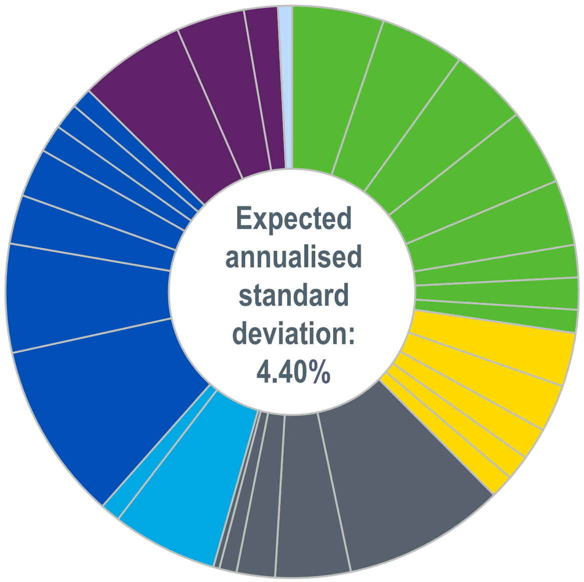
**OPPORTUNISTIC RETURNS**
- Taking advantage of market mispricing
- Can perform in rising or falling markets

**RISK-REDUCING RETURNS**
- Exposure to traditional & non traditional assets
- Aims to protect portfolio in times of market stress

# Construction

## Portfolio risk breakdown

### Risk drivers and strategies contribution to risk (% of total portfolio risk)




| Currency | 27.3 |
|---|---|
| Short TWD | 5.2 |
| Long South Africa | 4.7 |
| Long Indonesia | 4.4 |
| Short NZD v SEK | 4.3 |
| Short AUD | 3.7 |
| Long Peru | 1.8 |
| Long NOK | 1.8 |
| Long INR | 1.3 |

| Spread | 16.9 |
|---|---|
| Long bank subordinated debt | 9.2 |
| Long EM hard currency | 4.2 |
| Short Australian banks | 2.2 |
| Short UK credit | 1.0 |
| Long US CMBS | 0.3 |

| Duration | 25.9 |
|---|---|
| Short US front-end rates | 10.1 |
| Long Mexico v US | 6.1 |
| Short JPY rates | 2.8 |
| Short EUR rates | 2.7 |
| Long Brazil | 1.6 |
| Long USD payer spread | 1.5 |
| Long Hungarian v European rates | 1.2 |

| Curve | 10.2 |
|---|---|
| Korean yield curve steepener | 3.0 |
| US yield curve forward steepener | 2.7 |
| US long-end yield curve steepener | 1.8 |
| Swedish yield curve flattener | 1.4 |
| Short Europe asset swap | 1.3 |

| Volatility | 7.1 |
|---|---|
| Long US rates volatility | 6.0 |
| Long USD v JPY volatility | 1.1 |

| Inflation | 11.8 |
|---|---|
| Short GBP inflation | 6.0 |
| Long USD inflation | 3.9 |
| Long US real yield | 1.9 |

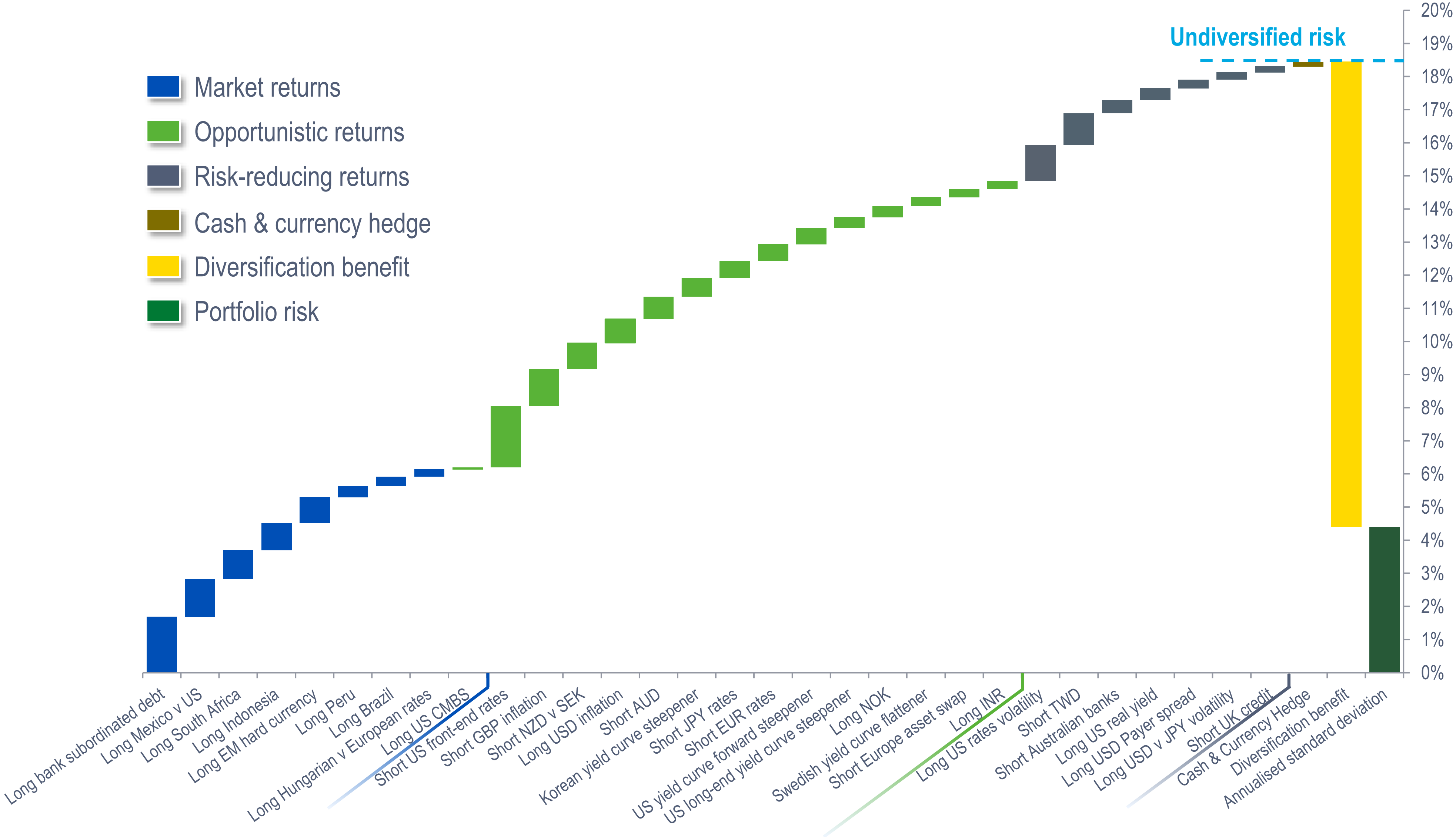
| Cash & Currency Hedge | 0.8 |
|---|---|

| Portfolio Characteristics | Investment guidelines |
|---|---|
| **Risk driver level (e.g. equities, duration, credit)** | Up to 50% of aggregate stand alone risk |
| **Individual investment strategy** | Up to 30% of aggregate stand alone risk |
| **Borrowing** | Not allowed |
| **Leverage** | Up to 1200% on a gross sum notional basis |

Source: Aviva Investors, as at 31 December 2018 for the AIMS Fixed Income SICAV. The data shown is based on ex-ante volatility which is a forward looking measure. Potential returns are based on a number of assumptions, may not be realised and are subject to risk. *Expected annualised standard deviation is defined as the ex-ante undiversified annualised volatility based on 5-year-weekly data.

# Construction

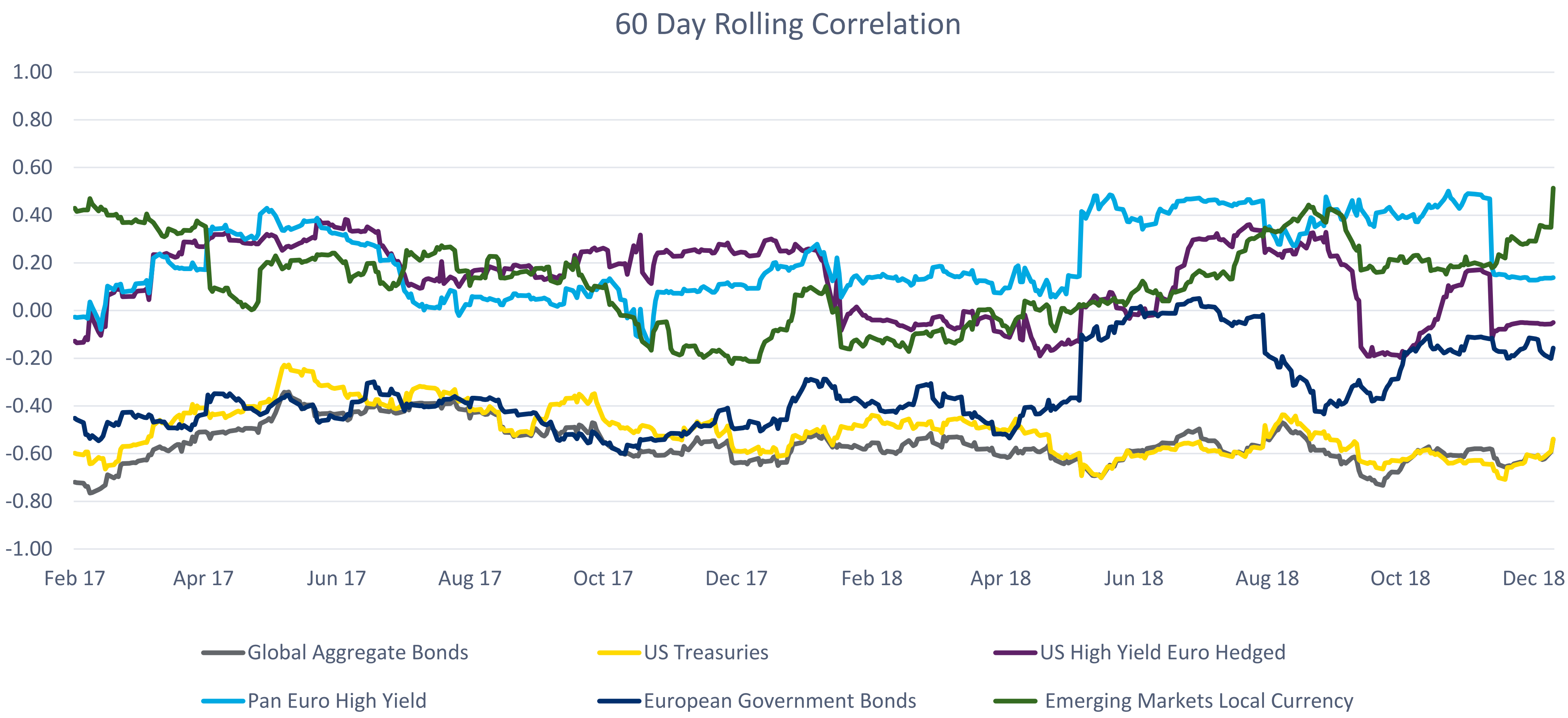
## Strategy contribution to portfolio risk and diversification benefit




Source: Aviva Investors, as at 31 December 2018 for the AIMS Fixed Income SICAV. The data shown is based on ex-ante volatility which is a forward looking measure. Potential returns are based on a number of assumptions, may not be realised and are subject to risk. Horizontal line of global fixed income represents annualised daily standard deviation of Bloomberg Barclays Global Aggregate Bond Index EUR hedged returns.

# Performance

## Low correlation to traditional fixed income asset classes




**Past Performance is not a guide to future returns.**

Source: Aviva Investors, as at 31 December 2018. EM Local Currency: JPM GBI EM Global Diversified EUR Hedged,, European High Yield: Bloomberg Barclays European High Yield Index Euro Hedged. Global Aggregate Bonds, Bloomberg Barclays Global Aggregate Bond Index EUR hedged. Correlation figures are calculated from Net daily returns since inception (1 December 2016)

# Performance to 31 December 2018

## AIMS Fixed Income I EUR


Source: Aviva Investors, Lipper, a Thomson Reuters company, as at 31 December 2018. Performance is shown mid-to-mid, in EUR. Inception date 1 December 2016.

| Fund performance (gross of all fees) vs. target[1] | S.I. ann. |
|---|---|
| AIMS Fixed Income I EUR | -1.06% |
| Performance target[1] | 2.64% |

[1] Performance target of the AIMS FI strategy is EONIA +3% p.a. over any rolling 3 year period, before fees.

| Fund performance | 2017 | 2018 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | YTD | Cumulative S.I. |
|---|---|---|---|---|---|---|---|---|
| AIMS Fixed Income I EUR (gross of all fees) | -0.33% | -2.07% | 1.00% | -0.44% | -0.54% | -2.08% | -2.07% | -2.19% |
| AIMS Fixed Income I EUR (net of all fees) | -0.77% | -2.51% | 0.88% | -0.55% | -0.65% | -2.19% | -2.51% | -3.10% |

**Past performance is not a guide to future performance.**

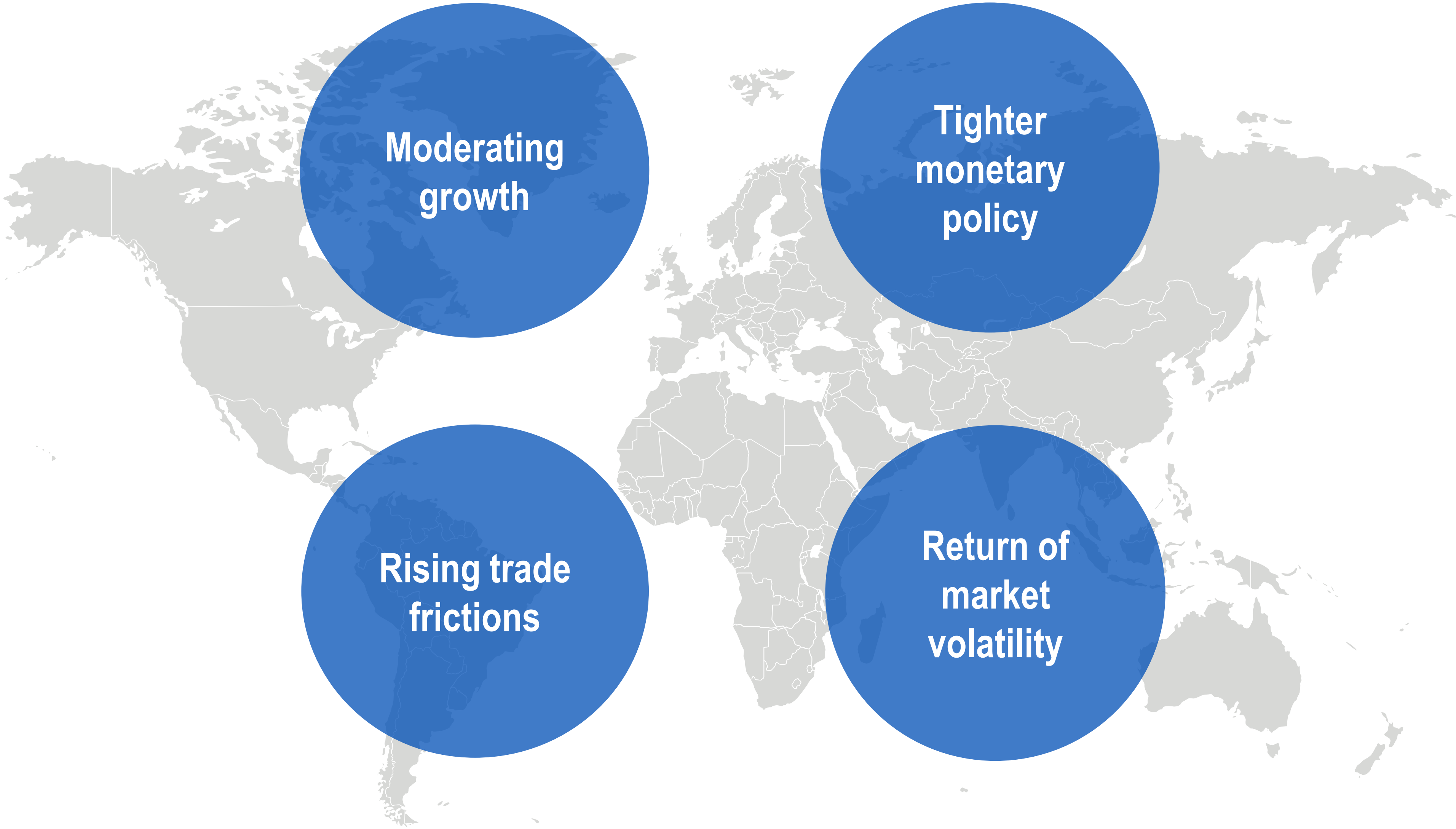
Source: Aviva Investors, Lipper, a Thomson Reuters company, as at 31 December 2018. Performance is shown net of all fees, in EUR, unless indicated otherwise. Inception date 1 December 2016.

**The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested.**

# OUTLOOK & POSITIONING

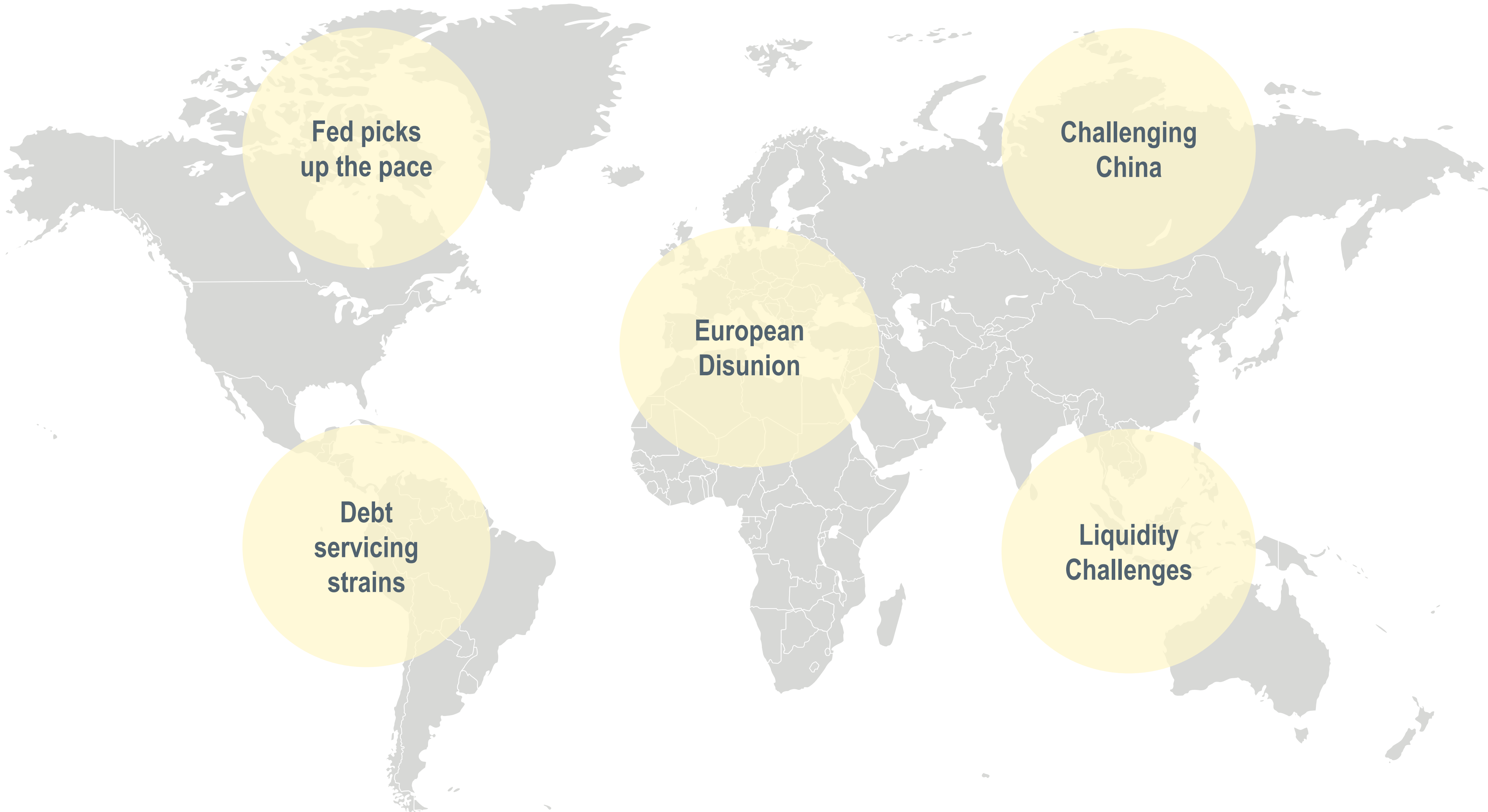
# House View

## Key themes




Source: Aviva Investors as at 31 December 2018

# House View
## Key risks




Source: Aviva Investors as at 31 December 2018

# Outlook and positioning

## Summary at fund level

Long risk assets (Subordinated debt and selective EMD)

Net short duration at fund level

Long US Inflation & Short UK Inflation

Long JPY & Short USD

Source: Aviva Investors as at 31 December 2018.

# ENVIRONMENTAL, SOCIAL & GOVERNANCE

# Our Heritage as Responsible Investors

| | |
|---|---|
| 1994 | Aviva Investors among first asset managers to publish Corporate Governance Voting Policy |
| 1995 | At UN Summit Aviva pledges for 'balance of economic development, the welfare of people and a sound environment, by incorporating these considerations into business activities' |
| 2001 | Aviva Investors founding CDP signatory (previously Carbon Disclosure Project) & first asset manager to formally integrate corporate responsibility to voting policy |
| 2006 | Aviva Investors is founding signatory of the Principles for Responsible Investment |
| 2007 | Aviva is founding signatory to ClimateWise and Accounting for Sustainability Principles |
| 2010 | Aviva Investors in vanguard of signing the UK Stewardship Code |
| 2012 | Aviva Investors founded Corporate Sustainability Reporting Coalition with call to action at Rio+20 Conference |
| 2014 | Launched Aviva Roadmap for Sustainable Capital Markets & Sustainable Capital Markets Manifesto |
| 2015 | Mark Wilson speaks at UN General Assembly on Sustainable Finance<br>Aviva published Strategic Response to Climate Change & actively participated in COP21<br>Aviva Investors joined Investor Forum Board |
| 2016 | Aviva Investors asked to join the Financial Stability Board Taskforce on climate-related financial disclosures<br>Aviva Investors asked to join European Commission's High Level Expert Group on Sustainable Finance |


We are at the forefront of shaping the industry

# ESG factors embedded into the AIMS process

## Multi-layered ESG integration approach

### Global Responsible Investment Team

Ensures that material ESG factors are considered when determining the firm-wide macro outlook and security specific valuations.

**House View**
- Participation in quarterly meetings
- Contribution to quarterly House View publication

**Idea Generation & Evaluation**
- Generate ESG-related ideas
- Evaluate SIG ideas against ESG considerations

**Assessment of Underlying Securities**
- Sovereign Debt Research
- Sector Research
- Corporate Issuer Research

**Responsible Stewardship**
- Unilever
- Reckitt
- Shell

*"The rise of populism has emphasised how politics, economics and social considerations are inextricably linked. Having a holistic analytical framework, which includes ESG, is essential to our ability to navigate and interpret a world experiencing unprecedented change."*

Ian Pizer – Senior Strategist

# AIMS FI ESG Screen

## Integrating a ESG screen into our investable universe

### Key criteria for ESG Screen Inclusion

**Environmental**

**Primarily excluded on the basis of low sustainability or lack of action on climate change**
Example: China Coal

**Social**

**Companies mainly excluded for human rights violations**
Example: G4S

**Governance**

**Poor Corporate Governance or Corruption**
Example: Volkswagen

**Tobacco**

**Sector Excluded**
Example: BATS

**Controversial weapons**

**Companies engaged in the production of indiscriminate weapons**
Example: Lockheed Martin

**Global Fixed income Universe**

**ESG Screen**
Circa 180 names removed

**AIMS FI Investable Universe**

**Idea Generation and Selection**

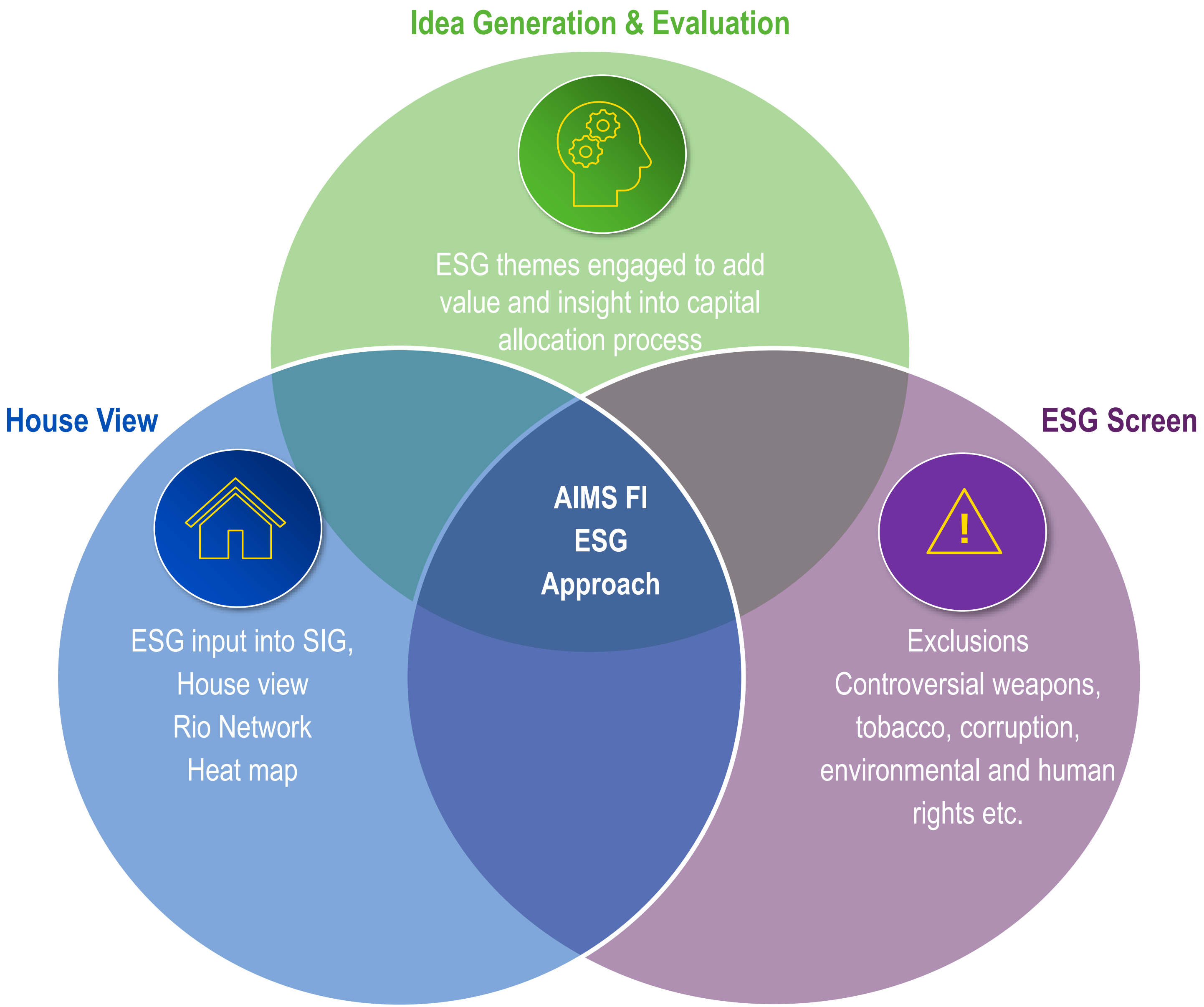
**Pre and Post Trade Compliance**
Restricted securities hard coded in to Aladdin as final line of defence

**Quarterly Review**
Restriction list reviewed names added or removed

**Designed to remove the worst offending sovereign and corporate from our investable universe**

# AIMS FI ESG Approach

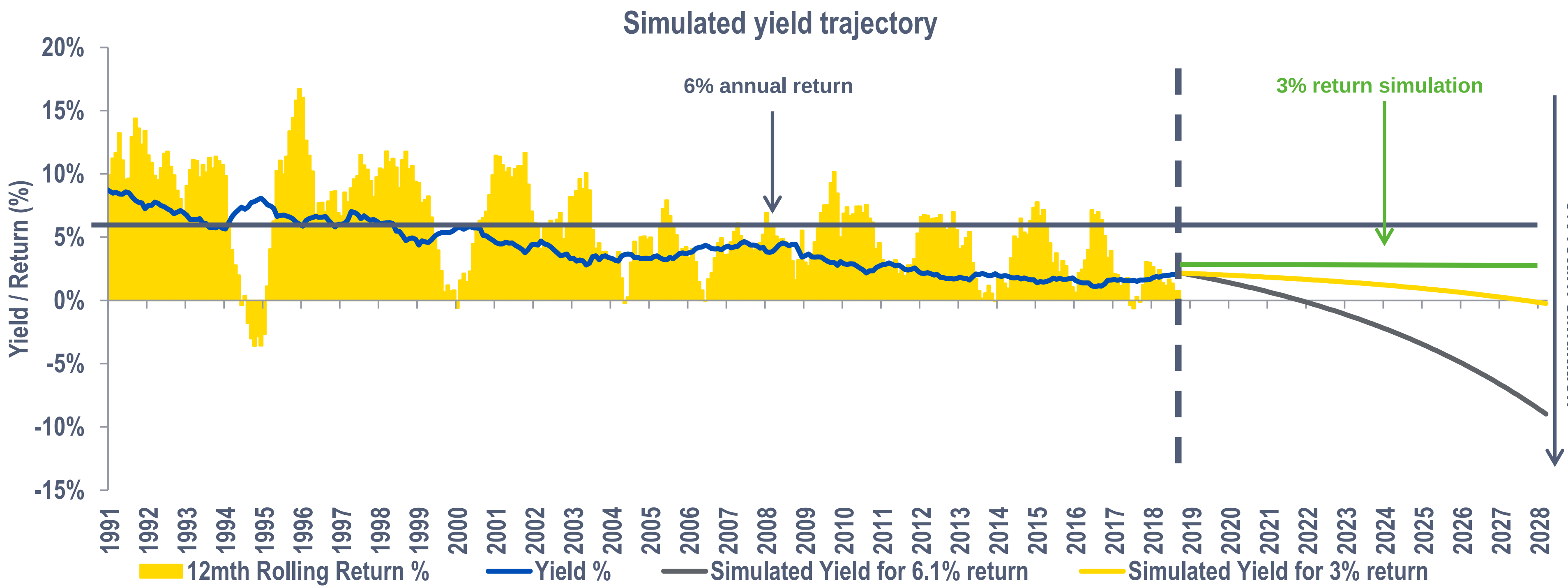
## Multi-layered ESG integration approach



# APPENDIX

# Return

## Maintaining historical return experience increasingly difficult



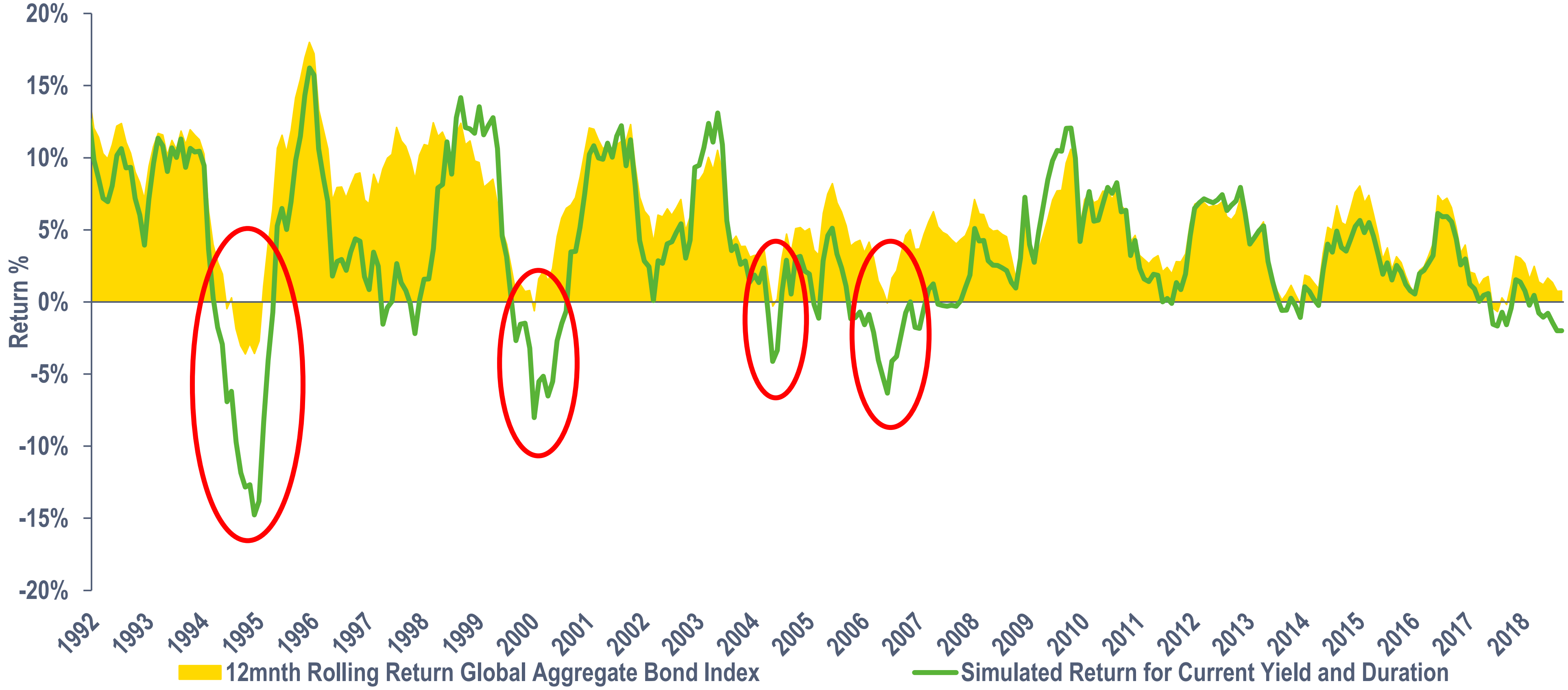

Yields would have to fall from 2.15% to -10% over 10 years to generate 6% returns per annum
Yields would have to fall from 2.15% to -0.5% over 10 years to generate 3% returns per annum

Source: Aviva Investors, Bloomberg Barclays Global Aggregate Bond Index as at 30 September 2018.

# Downside risk management

## Lower starting yields and higher durations make negative returns more likely

If you thought the 1994 bond crash was bad….



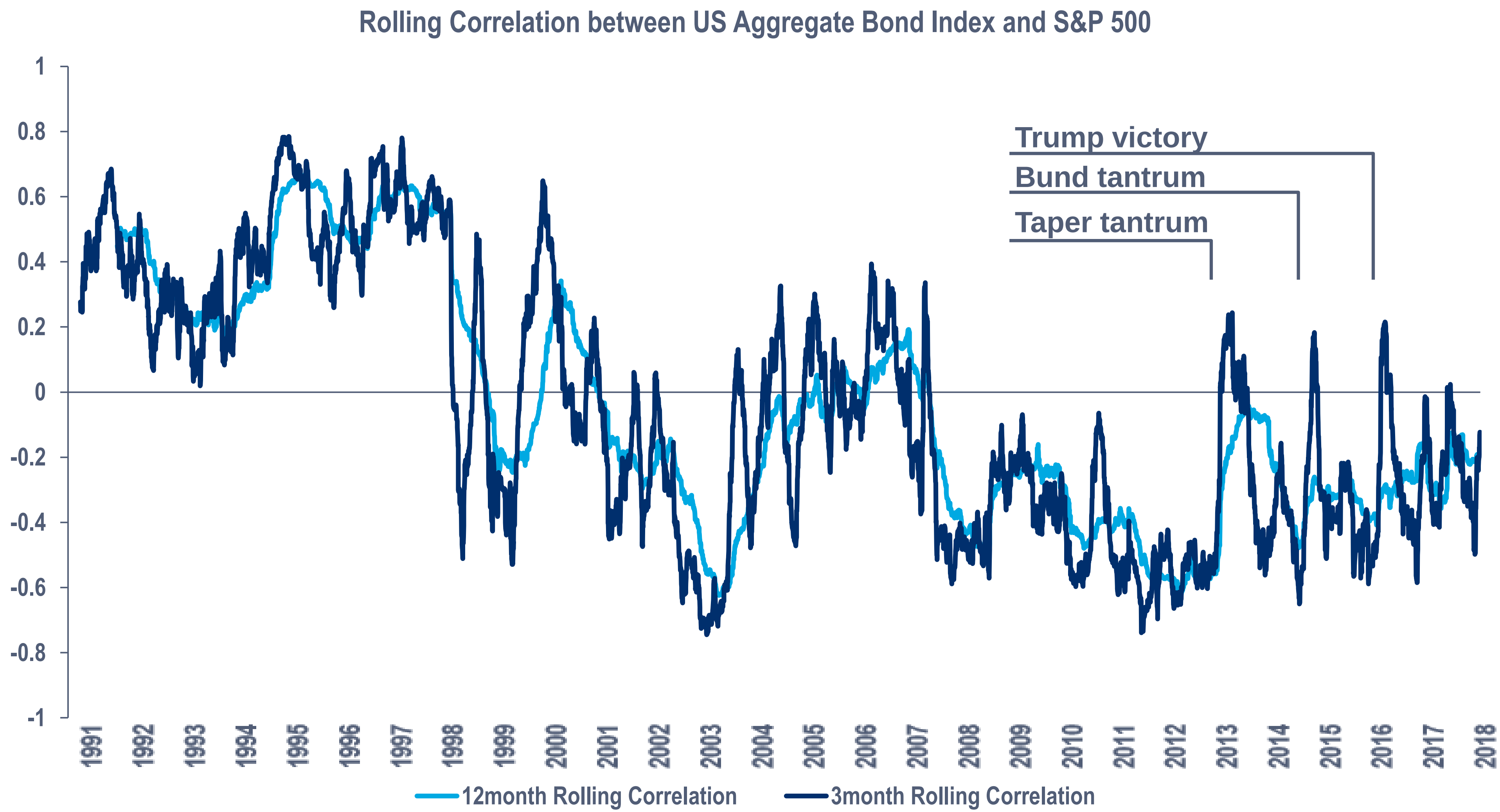

A repeat of 1994 would see a c.15% loss at current yields

**Past Performance is not a guide to future returns.**

Source: Aviva investors, Bloomberg as at 30 September 2018. Bloomberg Barclays Global Aggregate Bond Total Return Index USD. The value of an investment and any income from it may go down as well as up and the investor may not get back the original amount invested.

# Diversification

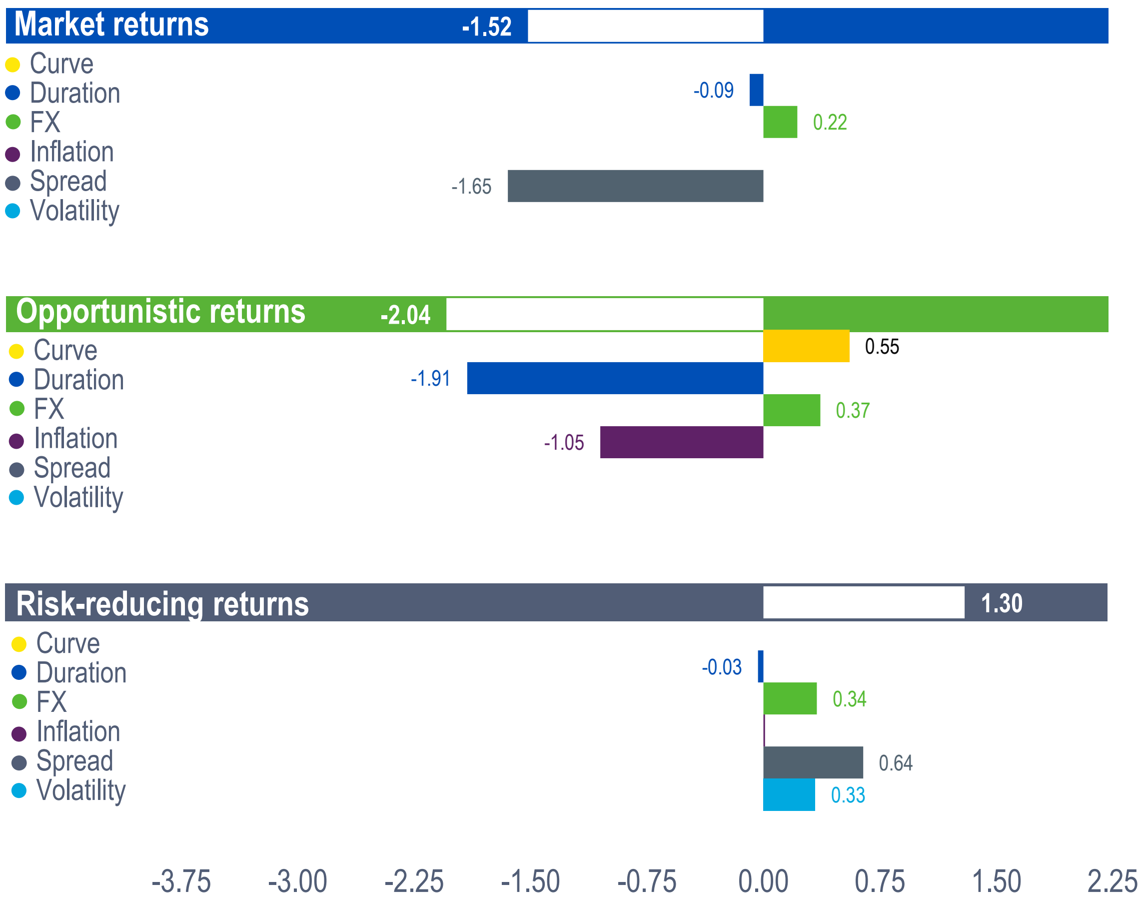
## Negative correlation is not guaranteed and is increasingly unreliable




Source: Aviva Investors, Bloomberg Barclays Global Aggregate Bond Index Returns are hedged in USD, S&P 500 Index USD Returns as at 30 September 2018

# Main drivers of performance

## Q4 2018 performance attribution (%)




- Our long bank subordinated debt and emerging market hard currency mandates drove the majority of negative returns alongside long Mexico v US. Long Brazil and Indonesia on the other hand were positive.

- Short duration strategies and inflation were the largest detractors; however our US 5s10s forward steepener and US 10s30s steepener contributed positively.

- Short credit positions were amongst the highest performers in the quarter, including short energy CDS, short AUS banks and short autos CDS.

**Past performance is not a guide to future performance.**

Source: Aviva Investors, as at 31 December 2018. Performance contribution is shown gross of all fees, in EUR for the Aviva Investors Multi Strategy Fixed Income SICAV. Inception date 1 December 2016.

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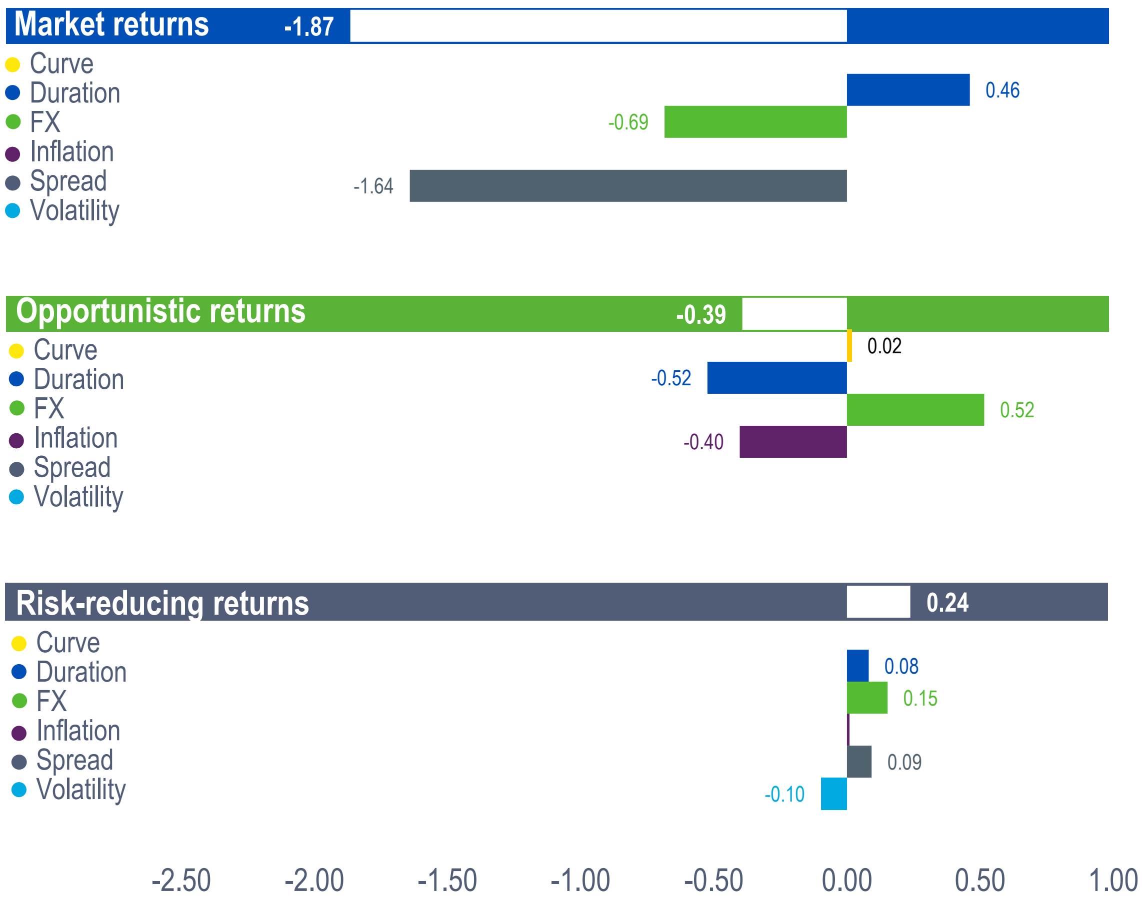
# Main drivers of performance

## 2018 performance attribution (%)




- Long Brazilian rates delivered strong returns while long Bank Sub Debt and EM hard currency strategies more than offset these gains.
- Short AUD and US steepener strategies positively contributed; whilst long US & short UK inflation strategies alongside short developed markets rates positions dragged on performance.
- Long US rates volatility and short CDS strategies were positive, however these gains were offset by long USD v JPY volatility.

**Past performance is not a guide to future performance.**

Source: Aviva Investors, as at 31 December 2018. Performance contribution is shown gross of all fees, in EUR for the Aviva Investors Multi Strategy Fixed Income Fund (SICAV). Inception date 1 December 2016.

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# Performance attribution

## Return contribution by risk factor

| Summary by parent strategy | 1 Month | 3 Months | 6 Months | YTD | 1 Year | Since inception |
|---|---|---|---|---|---|---|
| Market return strategy | -0.72 | -1.52 | -1.31 | -1.87 | -1.87 | 1.34 |
| Opportunistic return strategy | -1.92 | -2.04 | -1.38 | -0.39 | -0.39 | -0.54 |
| Risk reducing return strategy | 0.42 | 1.30 | 0.09 | 0.24 | 0.24 | -3.74 |
| Cash & Currency Hedge | -0.02 | -0.06 | -0.17 | -0.07 | -0.07 | 0.46 |
| Total | **-2.24** | **-2.32** | **-2.78** | **-2.09** | **-2.09** | **-2.47** |

| Summary by risk factor | 1 Month | 3 Months | 6 Months | YTD | 1 Year | Since inception |
|---|---|---|---|---|---|---|
| Duration | -1.31 | -2.03 | -1.40 | 0.02 | 0.02 | 0.61 |
| FX | 0.48 | 0.93 | -0.03 | -0.02 | -0.02 | 0.25 |
| Spread | -0.58 | -1.01 | -0.91 | -1.55 | -1.55 | -0.44 |
| Curve | -0.04 | 0.55 | 0.67 | 0.02 | 0.02 | -0.37 |
| Inflation | -1.02 | -1.04 | -1.00 | -0.39 | -0.39 | -0.54 |
| Volatility | 0.26 | 0.33 | 0.06 | -0.10 | -0.10 | -2.44 |
| Cash & Currency Hedge | -0.02 | -0.06 | -0.17 | -0.07 | -0.07 | 0.46 |
| Total | **-2.24** | **-2.32** | **-2.78** | **-2.09** | **-2.09** | **-2.47** |

**Past Performance is not a guide to future returns**

Source: Aladdin, Aviva Investors, as at 31 December 2018. Performance contribution is shown gross of all fees, in EUR. Inception date 1 December 2016.

# Performance

## Contribution to returns

| | 1 Month | 3 Months | 6 Months | YTD | 1 Year | SI |
|---|---|---|---|---|---|---|
| **Currency** | | | | | | |
| Short AUD | 0.33 | 0.31 | 0.54 | 1.00 | 1.00 | 0.90 |
| Short NZD v SEK | 0.39 | -0.03 | 0.02 | -0.37 | -0.37 | -0.02 |
| Long Peru | -0.01 | -0.04 | -0.12 | 0.14 | 0.14 | 0.39 |
| Long INR | -0.10 | 0.30 | 0.01 | -0.03 | -0.03 | 0.02 |
| Long Indonesia | -0.11 | 0.29 | -0.10 | -0.78 | -0.78 | -0.37 |
| Short TWD | 0.17 | 0.34 | 0.04 | 0.15 | 0.15 | 0.15 |
| Long South Africa | -0.13 | -0.03 | -0.01 | -0.01 | -0.01 | 0.22 |
| Long NOK | -0.07 | -0.21 | -0.20 | -0.21 | -0.21 | -0.21 |
| **Duration** | | | | | | |
| Short US front-end rates | -1.16 | -1.52 | -1.20 | -0.22 | -0.22 | 0.53 |
| Long USD payer spread | -0.03 | -0.03 | -0.15 | 0.01 | 0.01 | -0.53 |
| Short EUR rates | -0.09 | -0.19 | -0.20 | -0.20 | -0.20 | -0.28 |
| Long Brazil | -0.02 | 0.45 | 0.53 | 0.60 | 0.60 | 0.60 |
| Short JPY rates | -0.15 | -0.20 | -0.05 | -0.11 | -0.11 | -0.11 |
| Long Mexico v US | 0.09 | -0.72 | -0.55 | -0.23 | -0.23 | -0.80 |
| Long Hungarian v European rates | 0.05 | 0.19 | 0.26 | 0.14 | 0.14 | 0.26 |
| **Inflation** | | | | | | |
| Long USD inflation | -0.45 | -0.68 | -0.63 | -0.46 | -0.46 | -0.69 |
| Short GBP inflation | -0.58 | -0.37 | -0.35 | -0.08 | -0.08 | -0.08 |
| Long US real yield | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| **Curve** | | | | | | |
| Short Europe asset swap | -0.03 | -0.05 | -0.07 | -0.21 | -0.21 | -0.07 |
| US long-end yield curve steepener | -0.05 | 0.28 | 0.35 | 0.06 | 0.06 | 0.13 |
| US yield curve forward steepener | 0.27 | 0.47 | 0.46 | 0.21 | 0.21 | 0.02 |
| Korean yield curve steepener | -0.26 | -0.25 | -0.28 | -0.12 | -0.12 | -0.28 |
| Swedish yield curve flattener | 0.06 | 0.12 | 0.11 | -0.04 | -0.04 | -0.08 |
| **Spread** | | | | | | |
| Long US CMBS | -0.05 | -0.05 | -0.05 | 0.02 | 0.02 | 0.42 |
| Long bank subordinated debt | -0.21 | -0.82 | -0.47 | -0.73 | -0.73 | 0.48 |
| Short Australian banks | 0.08 | 0.13 | -0.13 | 0.09 | 0.09 | 0.03 |
| Long EM hard currency | -0.34 | -0.77 | -0.55 | -0.67 | -0.67 | -0.67 |
| Short UK credit | 0.00 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| **Volatility** | | | | | | |
| Long US rates volatility | 0.26 | 0.38 | 0.13 | 0.14 | 0.14 | -2.06 |
| Long USD v JPY volatility | 0.00 | -0.04 | -0.07 | -0.24 | -0.24 | -0.38 |
| Cash | -0.02 | -0.06 | -0.17 | -0.07 | -0.07 | 0.46 |
| **Total open positions** | **-2.13** | **-2.84** | **-2.89** | **-2.37** | **-2.37** | **-2.20** |
| **Total closed positions** | **-0.11** | **0.52** | **0.12** | **0.28** | **0.28** | **-0.27** |
| **Total** | **-2.24** | **-2.32** | **-2.78** | **-2.09** | **-2.09** | **-2.47** |

Source: Aviva Investors, as at 31 December 2018 for the AIMS Fixed Income SICAV fund. Performance contribution is shown gross of all fees, in EUR. Inception date 1 December 2016.

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# Portfolio changes

## Since inception

| Risk factor | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 |
|---|---|---|---|---|---|---|
| **Duration** | - Long Israel | + Long HUF v EUR | + Long Brazil<br>+ Long India<br>- Long Poland | + Short JPY Duration<br>- Long India | - Long Austalia<br>+ Short EUR Rates | |
| **FX** | - Short Commodity FX<br>+ Short AUD | - Long USD v KRW | + Long Russia<br>+ Long MYR | + Long USD v TWD<br>- Long MYR | - Short GBP<br>- Long Russia<br>+ Long South Africa | + Long NOK |
| **Spread** | - Short Auto Basket v Main | + CDX Option Collar | | + CDX Option Collar<br>- CDX Flattener<br>+ Long EM HC | - Long US Credit | - Short Autos<br>+ Short UK Credit<br>- Short Energy CDS |
| **Curve** | - JPY Steepener | | | | - EUR Curve Steepener | - US 2s5s Curve Steepener |
| **Inflation** | + JPY Inflation | | + Short GBP Inflation<br>- Short EUR Inflation<br>- Long JPY Inflation | + Long EUR Inflation | - Long EUR Inflation | + Long US Real Yield |
| **Volatility** | | | | | | |

**+ Positions entered** **- Positions exited**

Source: Aviva Investors as at 31 December 2018. The example of strategies provided are for information purposes only and do not constitute an offer to subscribe for an interest in any investment strategy, nor advice of any nature

# Construction

## Portfolio breakdown

| Market returns | Strategy | Implementation |
|---|---|---|
| Duration | — Long Brazil | FX Put Spreads vs USD |
| | — Long HUF v EUR | 5yr Swaps 6m forward |
| | — Long Mexico v US | 5yr Swaps 6m forward & FX Put Spread vs USD |
| FX | — Long Indonesia | 20yr bond unhedged vs USD KRW and TWD |
| | — Long Peru | 10yr bond unhedged vs USD KRW and TWD |
| | — South Africa | 30yr bond unhedged vs USD |
| Spread | — Long Bank Sub Debt | Cash Bonds (AT1 Basket) & Senior Fin receiver spread |
| | — Long EM HC | Cash bonds basket duration hedged |
| | — Long US CMBS | Interest only CMBS |
| **Opportunistic returns** | **Strategy** | **Implementation** |
| Curve | — KRW Steepener | 2yr v 10yr interest rate swap 1yr forward |
| | — SEK Flattener | 2yr swap 1yr forward Vs 2yr swap 4yr forward Swaps |
| | — EUR Asset Swap | Short 30yr Euro on ASW via invoice spreads (0.75yrs dc) |
| | — USD Bear Steepener 10-30 | 10yr v 30yr Swaps 3yrs forward conditionaly bearish |
| | — USD Forward Steepener 5-10 | 5yr v 10yr Swaps 2yrs forward |
| Duration | — Short EUR Rates | 30yr Swaps 1yr forward |
| | — Short JPY Duration | 10yr forward 10yr JPY payer swaption |
| | — Short US Front End | 5yr 2year forward swap, 2yr 2yr forward Payer Swaption, 3yr OIS and Treasury Put Spread |
| FX | — Long INR | FX Forward vs KRW |
| | — Long NOK | FX Forward vs EUR |
| | — Short AUD | FX Forward vs JPY |
| | — Short NZD v SEK | FX forward |
| Inflation | — Long US inflation | 30 year Inflaton Swap |
| | — Short GBP Inflation | 10 year inflation Swap / 10y10y nominal swap |
| **Risk-reducing returns** | **Strategy** | **Implementation** |
| Duration | — Long US Payer Spread | Sold 10yr rates 2yr forward payer spread 1x2 Ratio |
| FX | — Short TWD | FX Forward vs USD & JPY |
| Inflation | — Long US Real Yield | Long US 30yr Inflation Linked bond |
| Spread | — Short AUD Banks | AUD bank CDS |
| | — Short UK Credit | Long CDS on UK basket vs Main |
| Vol | — Long USD v JPY Vol | Long JPY/USD Call delta hedged |
| | — Long USD Rates Vol | 6yr Options on 10yr Rates (Straddle) |

Source: Aviva Investors as at 31 December 2018. The example of strategies provided are for information purposes only and do not constitute an offer to subscribe for an interest in any investment strategy, nor advice of any nature

# Aviva Investors Multi-Strategy Fixed Income

## Biographies

### Euan Munro, FIA

Chief Executive Officer
Chairman of the Strategic Investment Group and strategic adviser to the AIMS Funds

**Joined investment industry: 1992**
**Joined Aviva Investors: 2014**

**Main responsibilities**
Euan is CEO of Aviva Investors and a member of the Aviva plc Group Executive Committee. He is also strategic adviser on our AIMS range of portfolios and chairs the Strategic Investment Group, a company-wide forum that approves the investment ideas that populate these funds.

**Experience and qualifications**
Before moving in to executive leadership, Euan had built a strong track record in fixed income and multi-strategy investing. In May 2016 he was named "Innovator of the past 20 years" at the Financial News 20th Anniversary Awards for Excellence in European Finance.

Euan holds a Bachelor of Engineering degree in Physics and Electronics from the University of Edinburgh and a postgraduate diploma in Actuarial Sciences from Heriot-Watt University. He is also a Fellow of the Institute of Actuaries.

### James McAlevey, CFA

Head of Rates
Portfolio Manager, AIMS Fixed Income and Target Return funds

**Joined investment industry: 2000**
**Joined Aviva Investors: 2016**

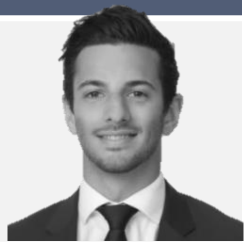
**Main responsibilities**
James manages our AIMS Fixed Income and Target Return funds. He also leads our rates team. James sits on the Strategic Investment Group (SIG), where all investment ideas that are proposed for inclusion in the AIMS portfolios are rigorously debated.

**Experience and qualifications**
Prior to joining Aviva Investors, James worked at Henderson Global investors where he was Head of interest rates with a focus on alpha generation in the benchmark agnostic product offering. He previously worked on the hedge fund side of the business, where he gained insight and experience in the use and application of derivatives in an absolute return framework. James holds an MSc in Economics from the University of Bristol and is a CFA® Charterholder.

# Aviva Investors Multi-Strategy Fixed Income

## Biographies

### Joubeen Hurren, CFA
Senior Portfolio Manager
AIMS Fixed Income and Investment Grade Credit



**Joined investment industry: 2011**
**Joined Aviva Investors: 2011**

**Main responsibilities**
Joubeen is a co-manager on the AIMS Fixed Income strategy, and manages sterling and euro denominated investment grade credit portfolios as a member of the Global Investment Grade Credit team.

**Experience and qualifications**
Joubeen joined Aviva Investors' graduate scheme in 2011 gaining experience in a number of roles in both fixed income and equity. Prior to joining, he worked at Bank of New York Mellon in client relationship management within the business development team. He began his career in marketing at French cosmetics group L'Oréal.

Joubeen holds a degree in Business Administration from the University of Bath and is a CFA® charterholder.

### Orla Garvey
Senior Portfolio Manager
AIMS Fixed Income and Developed Market Rates

**Joined investment industry: 2005**
**Joined Aviva Investors: 2013**

**Main responsibilities**
Orla is a co-manager on the AIMS Fixed Income strategy and is responsible for managing the Global Inflation Linked Benchmark funds for the Developed Rates team.

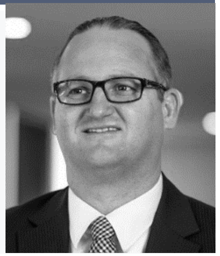
**Experience and qualifications**
Before moving to the MSFI team in July 2015 Orla spent two years at Aviva Investors managing developed sovereign debt portfolios, focusing on the UK Gilt and inflation linked market. Prior to joining Aviva Investors, Orla worked as a UK Gilt and index-linked portfolio manager at Scottish Widows investment partnership. She also worked at the Church of Ireland as a UK equity and fixed income analyst. She began her career as an equity analyst for NCB Stockbrokers. Orla holds a BSc in Financial and Actuarial Maths from Dublin City University and an MSc in Statistics from University College Dublin.

# Biographies

## Mark Robertson

Head of Multi-strategy funds
AIMS Target Return, Target Income and Fixed Income funds

**Joined investment industry: 2000**
**Joined Aviva Investors: 2018**



**Main responsibilities**

Mark is responsible for managing our suite of outcome-focused multi-strategy funds as well as leading our multi-strategy investment team.

**Experience and qualifications**

Prior to joining Aviva Investors, Mark was head of Multi-asset portfolios at NN Investment Partners with responsibility for portfolio construction, risk budgeting and performance. He was also lead manager for the Kronos Multi-strategy portfolios and a co-manager on the absolute return funds. In addition, Mark was head of the Innovation Lab which looks at implementing new data sets and tools to enhance the investment process. Beforehand, Mark was a portfolio manager at UBS Asset Management.

Mark graduated with a Bachelor of Science from the University of Waikato in New Zealand and a Master of Applied Finance from Macquarie University in Sydney.

# Commitment

## SIG – Permanent members

| |
|---|
| **Euan Munro, FIA, CEO** |
| Peter Fitzgerald, CFA, CIO Multi-asset and Macro, Portfolio Manager AIMS Target Return and Target Income funds |
| Ian Pizer, PhD, CFA, Senior Strategist |
| Mark Robertson, Head of Multi-Strategy Funds, Portfolio Manager AIMS Target Return, AIMS Fixed Income and Target Income funds |
| James McAlevey, CFA, Head of Rates, Portfolio Manager AIMS Fixed Income and Target Return funds |
| Ahmed Behdenna, Portfolio Manager AIMS Target Income fund |
| Al Denholm, CFA, CIO Solutions |
| Orla Garvey, Portfolio Manager AIMS Fixed Income fund |
| Joubeen Hurren, CFA, Portfolio Manager AIMS Fixed Income fund |
| Sunil Krishnan, CFA, Head of Multi-asset funds |
| Michael Grady, Head of Investment Strategy & Chief Economist |
| Trevor Leydon, FCCA, Head of Investment Risk & Portfolio Construction |
| Colin Purdie, CFA, CIO Credit |
| David Nowakowski, Senior Strategist |
| David Cumming, CIO Equities |
| Mirza Baig, Head of Investment Stewardship |
| Mikhail Zverev, Head of Global Equities |
| Liam Spillane, Head of Emerging Markets Debt |
| Mark Versey, FIA, CIO Real Assets |
| Alistair Way, Head of EM Equities |
| Susan Smith, Head of US Equities |
| Geoffroy Lenoir, Head of European Rates |

Source: Aviva Investors, as at 31 December 2018.

# Key risks

The value of an investment and any income from it can go down as well as up and can fluctuate in response to changes in currency and exchange rates. Investors may not get back the original amount invested.

The Fund uses derivatives, these can be complex and highly volatile. This means in unusual market conditions the Fund may suffer significant losses.

In unusual market conditions, the Fund may have difficulty selling its investments, which may cause it to suffer losses, defer redemption payments or suspend dealing in shares.

# Important information

Except where stated as otherwise, the source of all information is Aviva Investors Global Services Limited ("Aviva Investors") as at 31 December 2018. Unless stated otherwise any opinions expressed are those of Aviva Investors. They should not be viewed as indicating any guarantee of return from an investment managed by Aviva Investors nor as advice of any nature. **The value of an investment and any income from it may go down as well as up and the investor may not get back the original amount invested. Past performance is not a guide to future returns.**

**Derivative risks: As a result of the high degree of leverage typically employed when trading financial derivatives, a relatively small price movement in the underlying asset may result in substantial losses to the fund's assets.**

**Investors' attention is drawn to the specific risk factors set out in the fund's share class key investor information document ("KIID") and prospectus. Investors should read these in full before investing.**

The content of this presentation does not purport to be representational or provide warranties above and beyond those contained in the Prospectus and subscription documentation of the Fund. The Prospectus and the subscription document contain the full terms, conditions, representations and warranties in respect of the Fund. Nothing in this presentation shall be construed as forming any part of those terms, conditions, representations or warranties. The underlying holdings of the fund should be considered in order to establish an appropriate minimum holding period.

The distribution and offering of shares may be restricted by law in certain jurisdictions. This document should not be taken as a recommendation or offer by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Portfolio holdings are subject to change without notice and information about specific securities should not be construed as a recommendation to buy or sell any securities.

Aviva Investors Multi-Strategy Target Return Fund is a sub-fund of Aviva Investors SICAV I; an open-ended investment company incorporated as a Société d'Investissement à Capital Variable in Luxembourg. It is authorised by the Commission de Surveillance du Secteur Financier (CSSF) and qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under Part I of the law of 17 December 2010 relating to undertakings for collective investment. The Management Company is Aviva Investors Luxembourg S.A. The Investment Manager is Aviva Investors Global Services Limited, regulated and authorised by the Financial Conduct Authority.

The Prospectus and KIID, are available, together with the annual and semi-annual reports and financial statements of the SICAV, free of charge from Aviva Investors Luxembourg S.A., 2 rue du Fort Bourbon 1st Floor.L-1249 Luxembourg, Grand Duchy of Luxembourg R.C.S. Luxembourg B25708, or online at www.avivainvestors.com.

The Prospectus is available in English and German. Where a sub fund of the SICAV is registered for public distribution in a jurisdiction, a KIID in the official language of that jurisdiction will be available.
Full terms and conditions of Aviva Investors products and services are available on request.

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Swiss investors:
In Switzerland, this document is issued by Aviva Investors Schweiz GmbH, authorised by FINMA as a distributor of collective investment schemes.
The representative and paying agent of the SICAV in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland ("BNP"). Copies of the Articles of Association, the prospectus, the KIID, and the annual and semi-annual reports of the SICAV may be obtained free of charge from BNP.

**INAIMS17/235**

Prepared for professional clients and institutional/qualified investors. It is not to be distributed to or relied on by retail clients.

# AVIVA INVESTORS

## - MULTI-STRATEGY FIXED INCOME FUND (SHARE CLASS I EUR)

AS AT 31 JANUARY 2019

### KEY FACTS

### INVESTMENT STRATEGY

The Fund aims to produce steady returns in all market conditions while seeking to preserve capital. It seeks to do this by using a multi-strategy approach, combining a range of global investment ideas. The ideas are implemented as strategies within the Fund. Some strategies are expected to perform well when financial markets rise, others when they fall, and a third group which look to generate returns while being indifferent to the direction markets take. The Fund strives to meet its objectives irrespective of the performance of a benchmark or peers. In doing so it makes significant use of derivatives. Where derivatives do not perform as expected or in adverse market conditions, the Fund could suffer substantial losses.

### FUND MANAGER

Mark Robertson
Since 17 September 2018

James McAlevey
Since 1 December 2016

Joubeen Hurren
Since 1 December 2016

Orla Garvey
Since 1 December 2016

### SHARE CLASS CURRENCY

EUR

### SHARE PRICE

EUR 98.8951

### FUND SIZE

EUR 503.45m

### SHARE CLASS INCEPTION DATE

1 December 2016

### FEES

Management Fee: 0.35% p.a
*The management fee is based on a percentage of the value of the funds under management. It is applied annually to cover the cost of running the fund.*

Entry Charge: 5.00%
*This is the maximum that might be taken out of your money before it is invested. Current charges are available from the Fund provider on request.*

Ongoing Charge: 0.45% (as at 1 January 2018)
*The ongoing charges figure is based on last year's expenses for the year ending January 2018. The figure for ongoing charges excludes performance fees and portfolio transaction costs, except in the case of an entry/exit charge paid by the Fund when buying or selling units in another collective investment undertaking.*

Exit Charge: None
*This is the maximum that might be taken out of your money before the proceeds of your investment are paid out. Current charges are available from the Fund provider on request.*

### HEDGED SHARE CLASS

No

### OBJECTIVES AND INVESTMENT POLICY

The objective of the Fund is to achieve a 3.00% per annum gross return above the European Central Bank base rate (or equivalent) over a 3-year rolling period, regardless of market conditions (absolute return).
The Fund invests mainly in bonds, money market instruments and bank deposits from anywhere in the world.
The Fund may also invest in regulated funds.
The Fund makes extensive use of derivatives for investment purposes.
The Investment Manager actively makes the investment selection decisions for the Fund.
You can buy and sell shares on any full bank business day in Luxembourg.
For full investment objectives and policy details please refer to the Prospectus.
Recommendation: this Fund is designed for investors who plan to invest for at least 5 years.

### RISK AND REWARD PROFILE

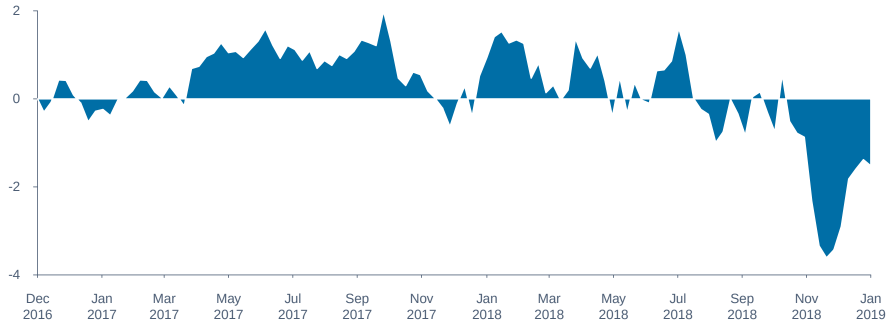
Lower Risk — Higher Risk

Typically lower rewards — Typically higher rewards

| 1 | 2 | **3** | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments and the income from them will change over time.
- The Fund price may fall as well as rise and as a result you may not get back the original amount you invested.
- **Contingent convertible:** are complex instruments, their income payments can be highly volatile and may be cancelled or suspended at any time, and they carry greater risk of investment loss than equities.
- **Credit risk:** A bond or money market security could lose value if the issuers financial health weakens. Below investment grade bonds (also known as high yield securities) typically have greater credit risk than investment grade securities.
- **Default risk:** Issuers of certain bonds or money market instruments could become unable to make payments on their bonds, causing a reduction in income to the Fund and also in the value of bonds held by the Fund. Under extreme market or economic conditions, defaults could be widespread and their effect on Fund performance significant.
- **Derivatives risk:** Derivatives are instruments that can be complex and highly volatile, have some degree of unpredictability (especially in unusual market conditions), and can create losses significantly greater than the cost of the derivative itself.
- **Hedging risk:** Any measures taken to offset specific risks will generate costs (which reduce performance), could work imperfectly or not at all, and if they do work will reduce opportunities for gain.
- **Illiquid securities risk:** Certain assets held in the Fund could, by nature, be hard to value or to sell at a desired time or at a price considered to be fair (especially in large quantities), and as a result their prices could be very volatile.
- **Leverage risk:** A small price decline on a "leveraged" underlying investment will create a correspondingly larger loss for the Fund. A high overall level of leverage and/or unusual market conditions could create significant losses for the Fund.
- **Operational risk:** Human error or process/system failures, internally or at our service providers, could create losses for the Fund.
- Full information on the risks applicable to the Fund is detailed in the Prospectus.

### PERFORMANCE (%) - SINCE INCEPTION




**Past performance is not a guide to future performance**
Source: Aviva Investors/Lipper, a Thomson Reuters company as at 31 January 2019
Basis: Mid to mid, gross income re-invested, net of fees, in Euro

# AVIVA INVESTORS

## - MULTI-STRATEGY FIXED INCOME FUND (SHARE CLASS I EUR)

AS AT 31 JANUARY 2019

**FURTHER INFORMATION**

**SETTLEMENT**

T + 3

**NAV CALCULATION**

Global close

**INDUSTRY CODES**

| | |
|---|---|
| ISIN: | LU1403771048 |
| SEDOL: | BYYXZ30 |
| Bloomberg: | AVMSFIE LX |
| WKN: | A2AH2G |
| Valoren: | 32431310 |
| MEXID: | YAXAF |

**MINIMUM INVESTMENT**

250,000

**MANAGEMENT COMPANY**

Aviva Investors Luxembourg S.A.
2 rue du Fort Bourbon
L-1249 Luxembourg

**INVESTMENT ADVISOR**

Aviva Investors Global Services Limited

**CUSTODIAN**

J.P. Morgan Bank Luxembourg S.A.

**AUDITOR**

PricewaterhouseCoopers Société coopérative

**LEGAL FORM**

Sub fund of Aviva Investors SICAV (Luxembourg UCITS)

## HIGHLIGHTS

- Over the month the Fund delivered an overall absolute return of 2.06%
- Fund performance recovered as markets aligned themselves closer to fundamentals after December’s turbulence
- Market return strategies were the main contributors to performance

## PERFORMANCE (%)

| | Calendar | | | | | Discrete Annual to last quarter end | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 31/12/17 to 31/12/18 | 31/12/16 to 31/12/17 | 31/12/15 to 31/12/16 | 31/12/14 to 31/12/15 | 31/12/13 to 31/12/14 |
| Fund | -2.51 | -0.77 | - | - | - | -2.51 | -0.77 | - | - | - |

| | Cumulative | | | | | | | | Annualised | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1m | 3m | 6m | YTD | 1Y | 3Y | 5Y | Since Inception | 1Y | 3Y | 5Y |
| Fund | 2.06 | -0.35 | -2.27 | 2.06 | -2.03 | - | - | -1.10 | -2.03 | - | - |

**Past performance is not a guide to future performance**
Source: Aviva Investors/Lipper, a Thomson Reuters company as at 31 January 2019
Basis: Mid to mid, gross income re-invested, net of fees, in Euro

## COMMENTARY

Within Market Strategies, the positions anticipating gains by subordinated bank debt and emerging market hard currency bonds were the strongest contributors to returns as global risk sentiment turned positive after the extreme risk-off moves seen in December. These strategies also benefited from a dovish pivot from the Federal Reserve, which saw expectations downgraded for US interest rate hikes.
Opportunistic strategies where a marginal detractor. The short UK inflation strategy delivered positive returns as inflation hit a two year low in December. The position also benefited from the House of Lords economic affairs committee recommending changes to the way the Retail Price index is calculated. This is likely to result in lower inflation estimates. The long US Inflation strategy was also strong performer as oil price partially recovered, having fallen by 30% in December.
In risk reducing strategies, the long US real yield strategy was a positive contributor as inflation expectations picked up in the US. The short Taiwan strategy benefited from a stronger Japanese yen. We are increasingly using the yen as a defensive currency to protect the portfolio from an escalation of the current US-China trade tensions. Whilst the US dollar has generally been the defensive currency of choice for investors, the shift to a more neutral stance from the Federal Reserve and questions over the sustainability of US growth exceptionalism could start to threaten its reliability as a safe-haven asset class.

# AVIVA INVESTORS

## - MULTI-STRATEGY FIXED INCOME FUND (SHARE CLASS I EUR)

AS AT 31 JANUARY 2019

### FUND STRATEGIES

The Fund invests in a wide range of strategies which combine to diversify the risk in the Fund and to help the Fund perform in many different market conditions. By combining strategies, the fund managers aim to generate lower risk than the sum of the risks of each individual strategy.

### PORTFOLIO RISK AND RETURN ANALYSIS

The table below shows how much of the Fund is made up from each risk factor and the contribution each has made to returns.

This gives you a breakdown of the performance of the strategies so you can see where Fund performance has come from.

| Risk factor | Strategy | Stand-alone Risk Exposure % | Weighting (risk-based%) | Contribution to returns % January | Contribution to returns % 1 year |
|---|---|---|---|---|---|
| Duration | Short US short-term rates | 1.73 | 10.79 | -0.12 | -0.99 |
| | Long Mexican v US rates | 0.75 | 4.69 | 0.37 | -0.05 |
| | Long Brazilian rates | 0.68 | 4.26 | 0.21 | 0.75 |
| | Short JPY Duration | 0.43 | 2.67 | -0.14 | -0.24 |
| | Long USD payer spread | 0.13 | 0.82 | -0.16 | -0.52 |
| Inflation | Short GBP inflation | 1.24 | 7.71 | 0.30 | 0.01 |
| | Long US real yield | 0.97 | 6.05 | 0.14 | 0.15 |
| | Long USD inflation | 0.78 | 4.87 | 0.23 | -0.45 |
| Currency | Short TWD | 1.18 | 7.36 | 0.10 | 0.25 |
| | Short NZD v SEK | 0.67 | 4.16 | -0.45 | -0.79 |
| | Long South African government bonds | 0.61 | 3.81 | 0.32 | 0.30 |
| | Long Indonesian government bonds | 0.59 | 3.68 | 0.27 | -0.45 |
| | Long Norwegian krone | 0.55 | 3.45 | 0.17 | -0.04 |
| | Long Peru | 0.52 | 3.22 | 0.12 | 0.17 |
| | Long INR | 0.23 | 1.44 | -0.05 | -0.09 |
| | Short AUD | 0.16 | 0.98 | -0.06 | 1.13 |
| | Long TRY v USD | 0.00 | 0.00 | -0.00 | -0.16 |
| Volatility | Long US Rates Volatility | 0.86 | 5.37 | -0.35 | -0.24 |
| | Long USD v JPY volatility | 0.18 | 1.13 | -0.05 | -0.15 |
| Cash | Cash and Currency Hedge | 0.15 | 0.93 | 0.03 | -0.18 |
| Spread | Long bank subordinated debt | 1.14 | 7.07 | 0.96 | 0.11 |
| | Long EM hard currency | 0.90 | 5.58 | 0.80 | 0.11 |
| | Short Australian v US banks | 0.31 | 1.90 | -0.20 | -0.09 |
| | Long US CMBS | 0.02 | 0.14 | -0.04 | -0.07 |
| Curve | US yield curve steepener | 0.49 | 3.02 | -0.06 | 0.26 |
| | US long-end yield curve steepener | 0.31 | 1.95 | 0.05 | 0.35 |
| | Korean yield curve steepener | 0.25 | 1.53 | -0.03 | -0.31 |
| | Swedish yield curve flattener | 0.23 | 1.42 | 0.09 | 0.22 |
| Closed Positions | | 0.00 | 0.00 | -0.27 | -0.55 |

**Past performance is not a guide to future performance.**

Source: MSCI Riskmetrics, as at 31 January 2019. Risk Basis: Includes all holdings, cash & derivatives, base currency Euro. Risk data shown is based on annualised standard deviation. Effective observation period (history) of risk factors of at least one year.

Includes idiosyncratic risks & takes account of basis risks, and second-order and nonlinear risks.

Attribution Basis: Includes all holdings, cash & derivatives, base currency Euro. FX Allocation Hurdle Rate - Base Currency Deposit Rate.

Funding Cost Hurdle Rate - Negative Average Deposit Rate Of Currencies in Benchmark.

Local Allocation Model - Total Return Allocation. Weight/Normalisation - Net Market Value.

**Risk Type Glossary**

**Stand-alone Risk Exposure** – is the volatility associated with a single strategy or asset

**Contribution to returns** – is the breakdown of the return within the given investment universe

**Weighting (risk-based %)** – is the stand-alone volatility as a percentage of the undiversified volatility of the Fund

Prepared for professional clients and institutional/qualified investors. It is not to be distributed to or relied on by retail clients.

# AVIVA INVESTORS
## - MULTI-STRATEGY FIXED INCOME FUND (SHARE CLASS I EUR)

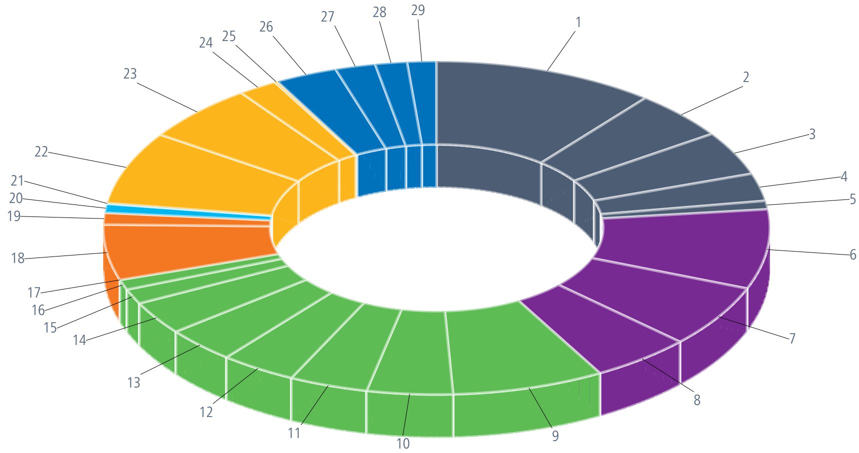
AS AT 31 JANUARY 2019

### IMPORTANT INFORMATION



### PORTFOLIO RISK BREAKDOWN BY STRATEGY
### POSITIONAL STAND-ALONE STANDARD DEVIATION

Annualised Volatility: 4.17%



**Duration**
1. Short US short-term rates
2. Long Mexican v US rates
3. Long Brazilian rates
4. Short JPY Duration
5. Long USD Payer Spread

**Inflation**
6. Short GBP Inflation
7. Long US real yield
8. Long USD Inflation

**Currency**
9. Short TWD
10. Short NZD v SEK
11. Long South African government bonds
12. Long Indonesian government bonds
13. Long Norwegian krone
14. Long Peru
15. Long INR
16. Short AUD
17. Long TRY v USD

**Volatility**
18. Long US rates volatility
19. Long USD v JPY volatility

**Cash**
20. Cash
21. FX Hedge

**Spread**
22. Long bank subordinated debt
23. Long EM hard currency
24. Short Australian v US banks
25. Long US CMBS

**Curve**
26. US yield curve steepener
27. US long-end yield curve steepener
28. Korean yield curve steepener
29. Swedish yield curve flattener

**Past performance is not a guide to future performance.**

Source: MSCI Riskmetrics, as at 31 January 2019. Risk Basis: Includes all holdings, cash & derivatives, base currency Euro. Risk data shown is based on annualised standard deviation. Effective observation period (history) of risk factors of at least one year.
Includes idiosyncratic risks & takes account of basis risks, and second-order and nonlinear risks.
Attribution Basis: Includes all holdings, cash & derivatives, base currency Euro. FX Allocation Hurdle Rate - Base Currency Deposit Rate.
Funding Cost Hurdle Rate - Negative Average Deposit Rate Of Currencies in Benchmark.
Local Allocation Model - Total Return Allocation. Weight/Normalisation - Net Market Value.

### EXPECTED DIVERSIFICATION FROM COMBINING IDEAS

The Fund invests in a range of strategies which combine to diversify the risk of the Fund and to help it perform in many different market conditions. The volatility forecasts below provides an illustrative picture of the expected diversification benefit from combining the strategies within the Fund.
The table below shows the Total stand-alone risk exposure of the portfolio. This is the total sum of stand-alone volatility of all strategies in the portfolio, assuming no diversification benefit.
50% of Global bonds volatility is expressed as 50% of realised annualised daily volatility of Barclays Global Aggregate Index (Euro hedged). Expected combined risk of the portfolios is a result of diversification benefit on the Total Independent Risk.

| Total stand-alone risk exposure | Expected combined risk† | 50% Global bonds volatility†† |
|---|---|---|
| 16.07% | 4.17% | 1.11% |

Source: Aviva Investors/Lipper, a Thomson Reuters company, as at 31 January 2019.
Basis: Takes account of all holdings including cash and derivatives.
†Expected combined risk is the forecast volatility of the fund as measured by the annualised volatility of the current portfolio of strategies using the last five years of data.
††Global bonds volatility is the historical volatility of the Bloomberg Barclays Global Aggregate Index (Euro hedged) as measured by the annualised volatility of the index over the last five years.
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