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Strategy in brief

Aviva Investors Global Equity Income Strategy

An income strategy targeting growth,
diversification and resilience

It takes Aviva Investors



Why Global Equity Income?

Dividends have always been an important part of equity total returns across the world, offering the potential for a reliable income stream. An allocation to global equities with a focus on sustainable, growing dividends can not only provide clients with an attractive income but also with capital growth.

A global equity income strategy aims to provide clients with the following benefits:

1

Capital protection

Income strategies can offer greater levels of capital protection in periods of market stress. Income paying stocks tend to be established businesses that generate positive cash flows that are better able to withstand market cycles relative to highly growth focused companies that tend to have more volatile stock prices.

2

Inflation protection

Higher yielding companies are typically well-established global franchises with strong brands and the ability to support a sustainable and growing dividend. These dividends, re-invested over time, in a well-balanced high conviction portfolio aim to deliver a powerful compounding total return for investors. Historically, dividends have shown a strong ability to keep pace with, or outgrow inflation.

3

Diversification

Domestic investors have traditionally stayed closer to home in their hunt for income, but a global approach provides more opportunities from a range of regions and sectors. Income paying sectors have also broadened in recent years from the traditional (e.g. consumer staples, financials) to non-traditional sectors such as technology and industrials.

Providing the opportunity for a more resilient capital and income profile regardless of market cycles.

The power of dividends

Significant benefit of reinvesting dividend streams

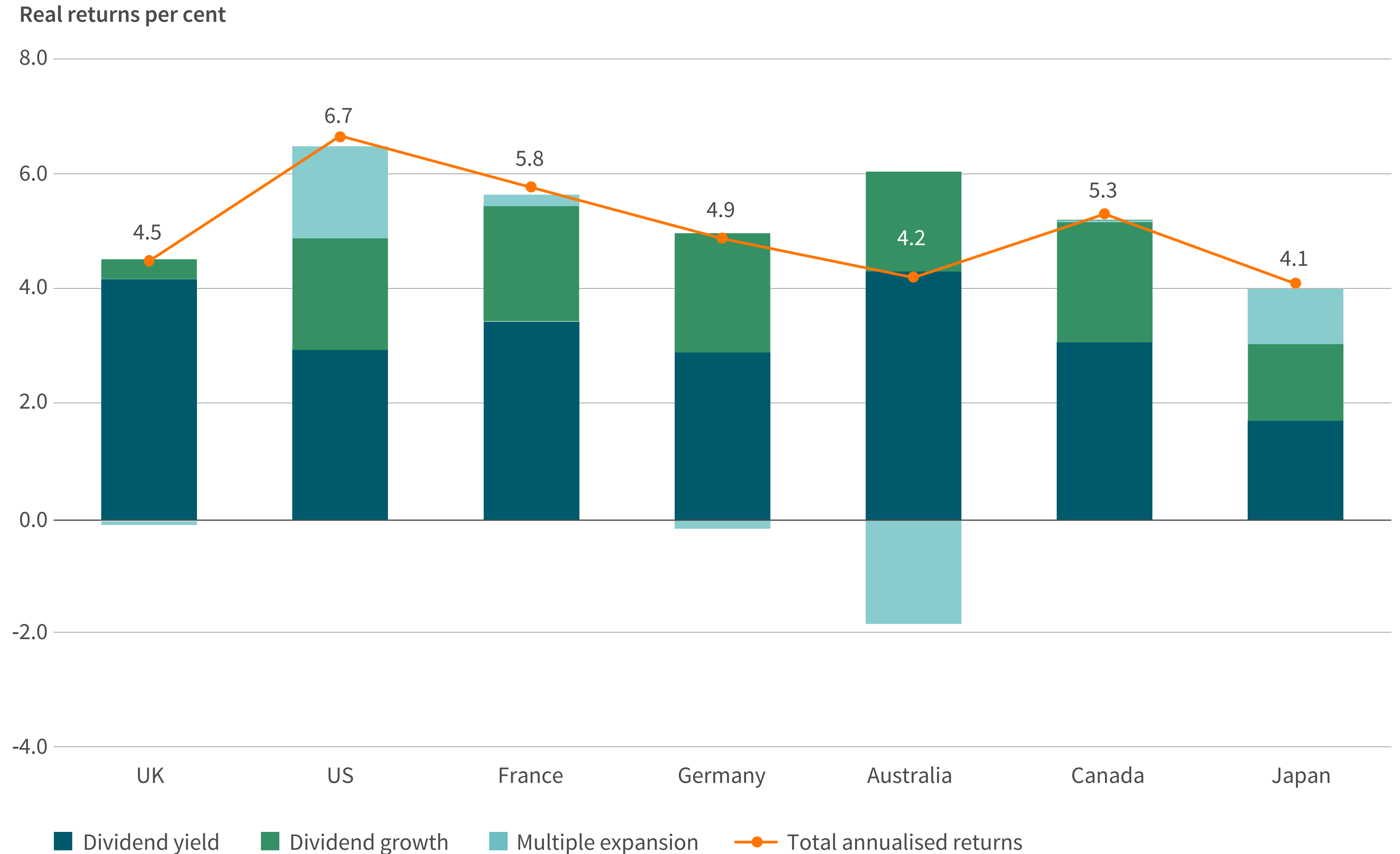
As well as providing the potential for a reliable income stream, a strategy focused on equity income can offer investors attractive long-term capital growth through *the power of compounding*.

Studies show that over the long run, there is a significant benefit from the reinvestment of dividends – or the compounding effect of the dividend yield and its growth – making up the bulk of returns as shown here.*

Growth potential with lower volatility

Companies that pay dividends regularly, generally tend to be *more efficient in allocating capital* and hence *maintain more resilient earnings growth*.

Equity income strategies have also been shown to be *less volatile* than pure growth-oriented approaches, given that dividends are paid from cash flows, not earnings.



Past performance is not a reliable guide to future performance.

Source: Société Générale Research, Thomson Datastream, Aviva Investors, as of June 30, 2023. *Rolling 10-year annualised real returns since 30 June 1992.

A different approach to investing for income and growth

The Aviva Investors Global Equity Income Strategy is a quality income strategy that invests in companies that pay sustainable and growing dividends, backed by strong cash flows and balance sheets.

Our strategy aims to deliver an income yield of 125% of the MSCI ACWI alongside income and capital growth, sourcing opportunities outside of normal income yielding sectors and across the spectrum of value and growth.

Three distinctive characteristics:



Predictability

We focus on companies that offer predictable free cash flow, avoiding the more cyclical companies in favour of those that we believe can continue to deliver resilient income through periods of market stress and changes in the economic cycle.



Protection

We aim to protect the downside through a deep understanding of ESG, balance sheet and valuation characteristics. Our approach is based on a thorough understanding of bottom-up company fundamentals with a strong emphasis on selecting businesses that offer resilience.



Upside

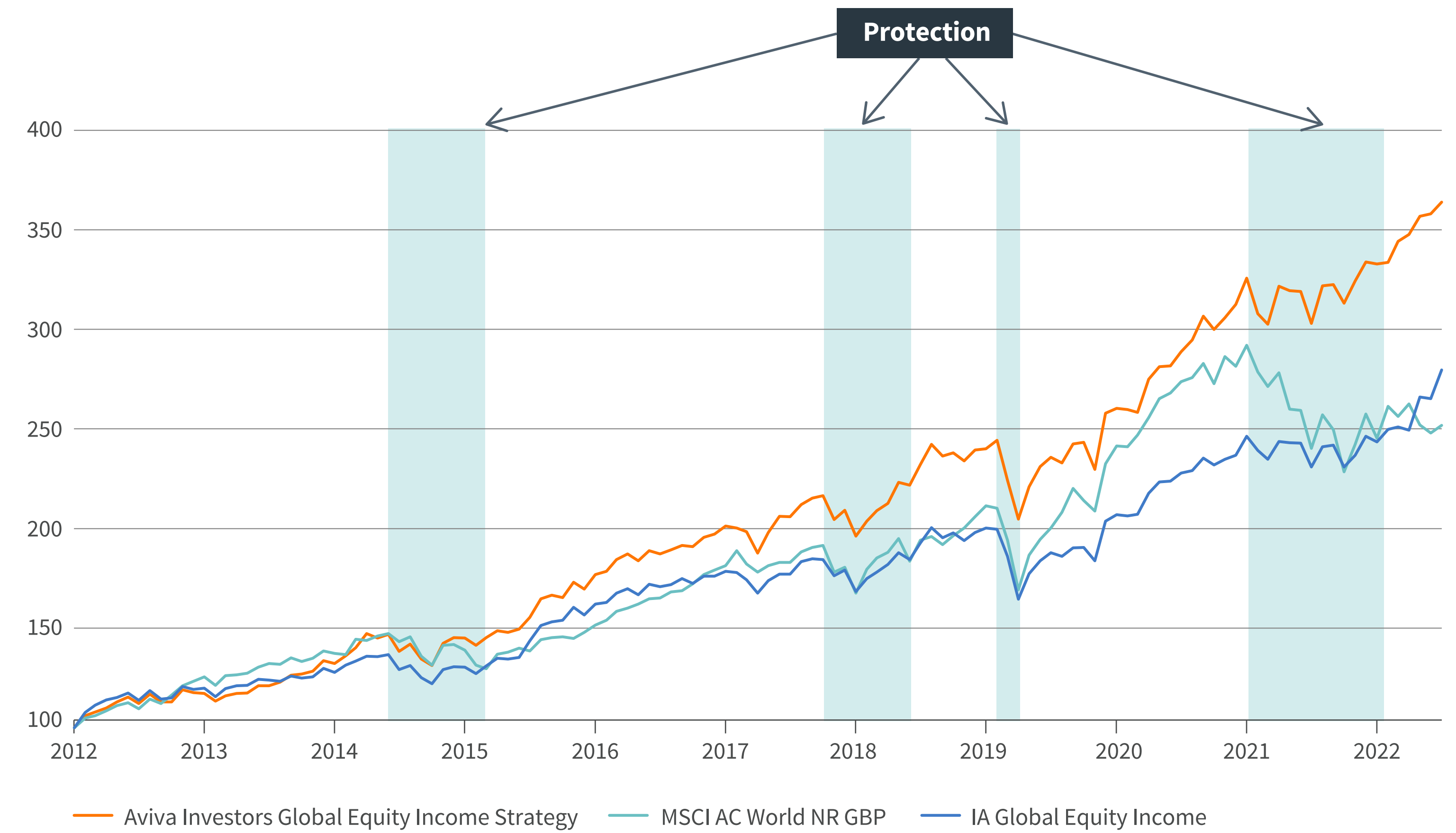
One of the challenges with income investing is that many strategies have struggled to keep pace with markets in recent years given the strong outperformance of growth over value companies. Our focus outside of the traditional income producing sectors has enabled the strategy to outperform through market cycles.

A concentrated, high conviction portfolio, which exhibits low holdings overlap with peers and can offer a complementary strategy to investors' existing global equity holdings.

Resilience and growth in a core equity holding

Investors generally look to global equity income strategies for their ability to provide downside protection. Our strategy has historically delivered on this, but is also well-placed to capture the upside, which can translate into higher levels of dividend and capital growth.

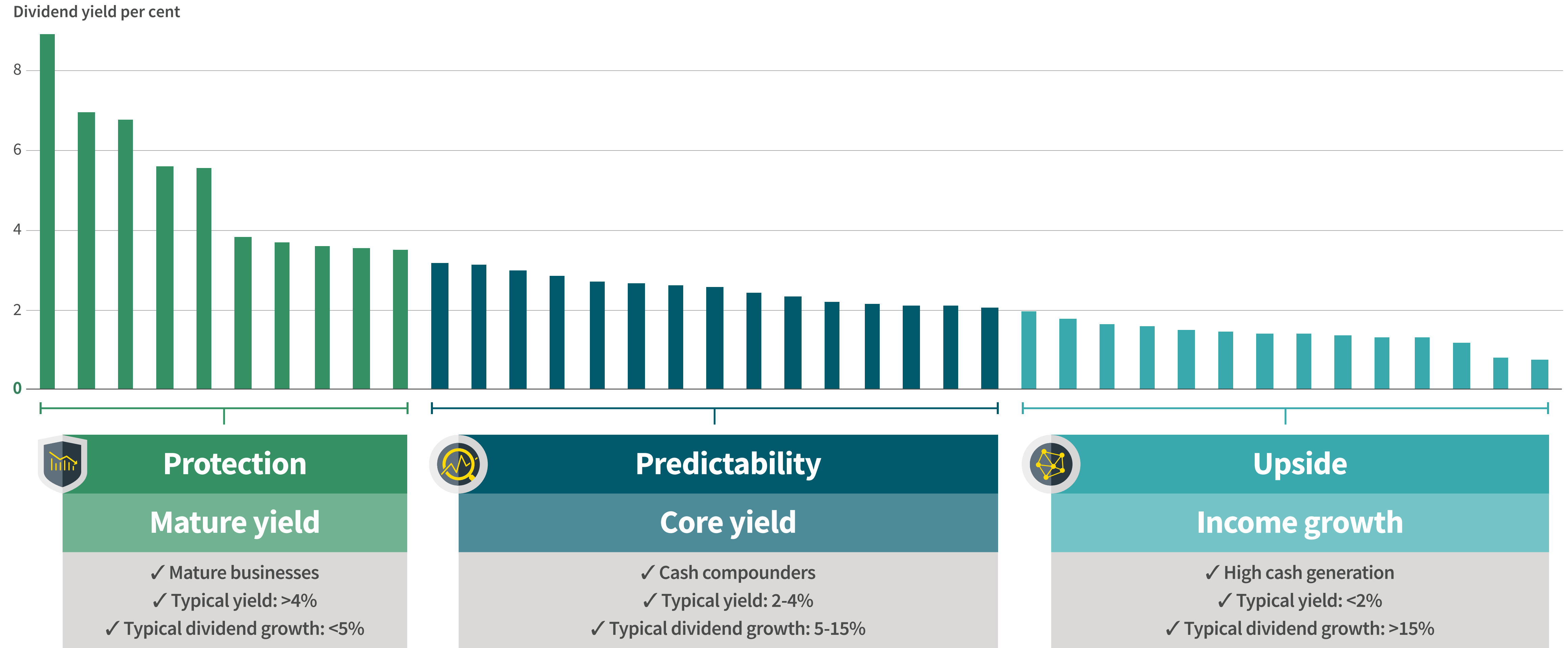
While the strategy may appeal to investors seeking a regular income, our focus on growing total returns with an element of capital protection may appeal to investors looking for a **core standalone holding.**



Past performance is not a reliable guide to future performance.

Source: Morningstar, Aviva Investors, portfolio returns as of June 30, 2023. Performance is shown gross, in GBP. A representative portfolio is used to present the Strategy.

Diversified sources of income growth



Past performance is not a reliable guide to future performance.

Source: Aviva Investors, as of June 30, 2023. FY1 (current forecast year) dividend yield is shown. For illustrative purposes and not intended to be an investment recommendation.

Aviva Investors Global Equity Income Strategy

Key strategy parameters	
Benchmark	MSCI ACWI
Manager income aim	1.25x
Manager performance target	+2%
No. of stocks	30-50
Active share	80%+
Absolute stock limit	10%
Sector limits	None
Guideline tracking error range	2-6%

Aim

Maximise income and capital growth, emphasising downside protection.
Seek diversification of income across sectors.

Avoid

Companies with poor free cash flow generation; high leverage;
volatile stocks with unpredictable levels of income and returns.



Action

Construct a diversified portfolio that can deliver resilient income
and return in a range of market environments.


Source: Aviva Investors.

Experienced team with a proven track record

The lead portfolio manager has a 10-year track record managing this strategy, and the management team is backed by well integrated equity and ESG teams.

Endurance	Income	Climate Transition	Natural Capital	Social Transition
	Richard Saldanha Global Equity Portfolio Manager		Matt Kirby Global Equity Portfolio Manager	Equities \$22.5bn AUM
				Global Equity Strategies \$5.2bn AUM

Connected thinking maximises our resources

	40+ Multi-asset and Macro	65+ Credit	25+ Equities	30+ ESG	130+ Real Assets
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Source: Aviva Investors. AUM as of 30 June 2023. Team numbers as of 30 June 2023. ESG team number represents Liquid Markets ESG investment professionals only. Real Asset ESG investment professionals are included within the Real Assets number.

Key risks



Investment Risk & Currency Risk

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 exchange rates. Changes in currency exchange rates could reduce investment gains or increase investment losses. Exchange rates can change rapidly, significantly and unpredictably. Investors may not get back the original amount invested.



Emerging Markets Risk

Compared to developed markets, emerging markets can have greater political instability and limited investor rights and freedoms, and their securities can carry higher equity, market, liquidity, credit and currency risk.



Equities Risk

Equities can lose value rapidly, can remain at low prices indefinitely, and generally involve higher risks — especially market risk — than bonds or money market instruments. Bankruptcy or other financial restructuring can cause the issuer's equities to lose most or all of their value.



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

Certain assets held in the Strategy 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.



Income Risk

The investment objective of a Strategy is to generate income, at times this may limit opportunities for capital growth.



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Important information

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Where relevant, information on our approach to the sustainability aspects of the strategy and the Sustainable Finance disclosure regulation (SFDR) including policies and procedures can be found on the following link: <https://www.avivainvestors.com/en-gb/capabilities/sustainable-finance-disclosure-regulation/>

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