STRATEGY IN BRIEF

Aviva Investors Global Sovereign Bond Strategy

Aiming to deliver positive and consistent excess returns through all market cycles

AVIVA INVESTORS

Why now for Global Sovereign Bonds?

As the era of cheap money comes to an end, greater emphasis will be placed on economic fundamentals for investment returns. The Global Sovereign Bond strategy, with its global and active approach to sourcing diversified risk-adjusted returns, is well placed to navigate this new market environment.

1

Attractive yield

Financial repression suppressed the real risk-free rate and drove a huge flow of money into risk assets; this era is now over. We believe bonds now look attractive vs equities, with yields at their highest level in over a decade (Figure 1).

2

Portfolio diversification

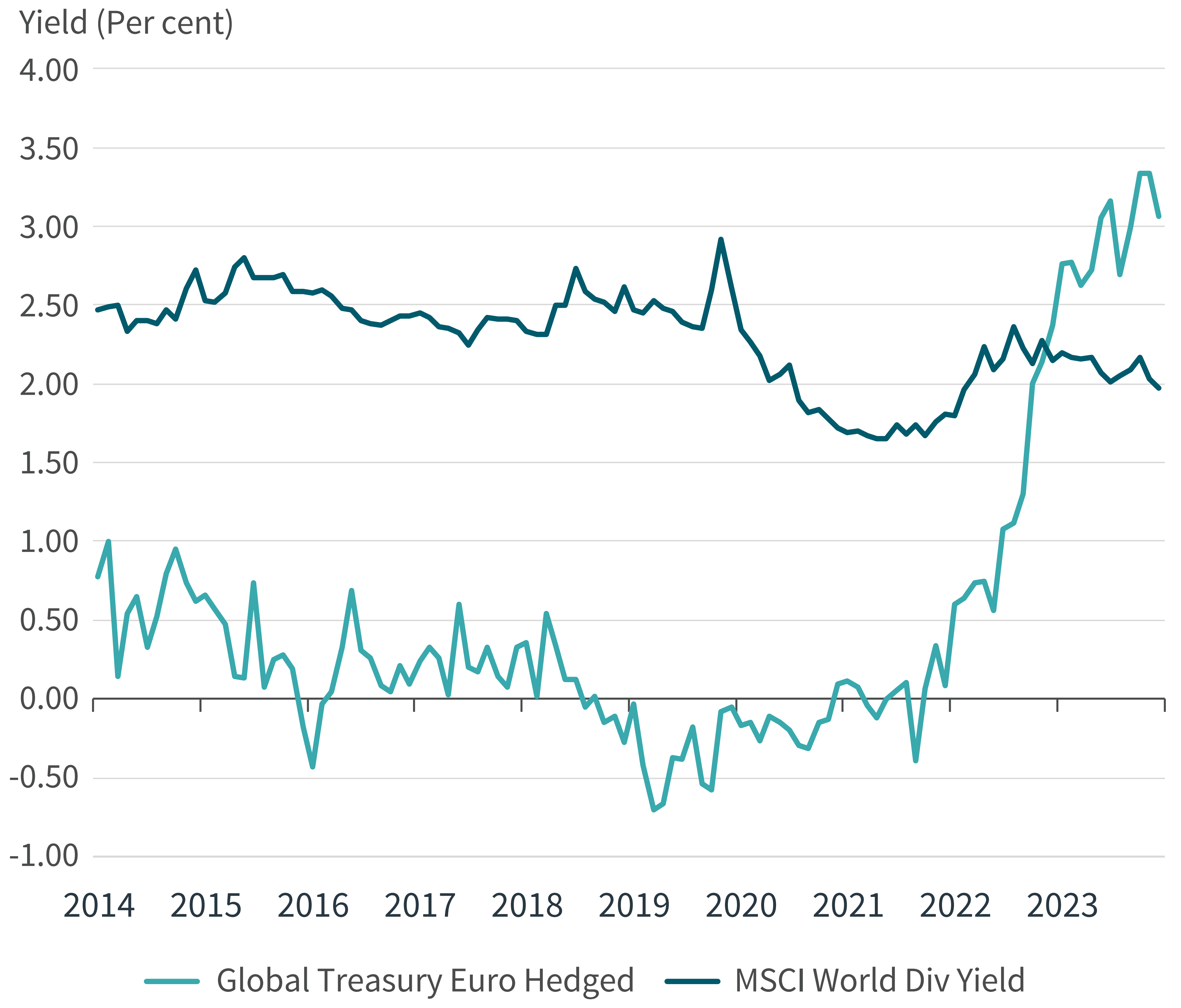
With interest rates near or at their peak, government bonds can offer portfolio diversification. This is due to the feedback loop in the economic cycle whereby higher yields can trigger a recession and an eventual central bank policy reversal.

3

Opportunities for active management

The reversal of easy monetary policy has increased dispersion across investment grade sovereigns and could provide additional opportunities to generate alpha.

Figure 1. Global Treasury Euro Hedged yield vs MSCI World dividend yield



Past performance is not a reliable indicator of future performance. 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.

Source: Aviva Investors, Bloomberg, as at 31 December 2023. 'Global Treasury Euro Hedged' yield is the yield to maturity of the Bloomberg Global Aggregate Treasury index, hedged 100% back into Euros. 'MSCI World Div Yield' is the 12m dividend yield of the MSCI World index.

Our approach to sovereign bond investing

Unconstrained approach

We believe a flexible allocation is key to long-term returns. Our process seeks to capture opportunities across the full investment universe.

- **Benchmark aware, not benchmark constrained**
- **No pre-determined risk biases**

Robust portfolio construction

A disciplined portfolio construction process can be an independent source of alpha, potentially leading to more consistent outperformance through the cycle with lower drawdowns.

- **Top-down & bottom up 'MFVT'* investment process**
- **'Three lines of defence' risk framework**

Responsible investment

ESG is integrated throughout our sovereign investment process, and is crucial to our assessment of issuers. Engaging with governments as sovereign bondholders also forms a key part of our macro stewardship agenda.

- **Quant ESG country model along with a forward-looking qualitative framework**
- **Industry-leading macro stewardship & sovereign engagement**

1 Uncorrelated alpha

Alpha generation that is uncorrelated to the benchmark

2 Smoother path of returns

Focus on capital preservation for a smoother path of returns versus the benchmark

3 ESG integrated

ESG risks considered throughout to help future proof the portfolio

Beyond any binding ESG constraints in the strategy and baseline exclusions policy, the investment manager retains discretion over final investment decisions, taking into account wider risk factors.

Source: Aviva Investors as at 31 December 2023. *MFVT refers to our multi-factor Investment framework: Macro, Fundamental, Valuation and Technical.

Aviva Investors Global Sovereign Bond Strategy

Key strategy parameters

Portfolio manager	Steve Ryder, Daniel Bright, Edward Hutchings
Benchmark	Bloomberg Global Aggregate Treasuries Total Return Index Hedged EUR
Base currency	Euro
Inception date	August 2009
AUM	€6.6bn
Asset class mix	Bonds issued by government and supranational issuers worldwide
Currency exposure	All non-active currency positions hedged back to Euro
Derivatives usage	The Fund may use derivatives for investment purposes, hedging and efficient portfolio management

Source: Aviva Investors as at 31 December 2023.

The team behind our approach

Global Rates

Edward Hutchings
Head of Rates

Steve Ryder
Senior Portfolio Manager

Daniel Bright
Portfolio Manager

Tsvetoslav Tsonev
Portfolio Manager

Simran Lall
Sovereign Analyst

40+
Multi-asset & macro

13
EM PMs and Analysts

7
LDI PMs and Analysts

3
Sovereign ESG specialists

Source: Aviva Investors, as at 31 December 2023.

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. Investors may not get back the original amount invested.

Credit and Interest Rate Risk
A bond or money market security could lose value if the issuer's financial health weakens. Below investment grade bonds (also known as high yield securities) typically have greater credit risk than investment grade securities.

Interest rate risk — bonds
When interest rates rise, bond values generally fall. This risk is generally greater for longer-term bonds and for bonds with higher credit quality.

Derivatives Risk
The Investments can be made in derivatives, which can be complex and highly volatile. Derivatives may not perform as expected, meaning significant losses may be incurred.

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.

Sustainability Risk
The level of sustainability risk may fluctuate depending on which investment opportunities the Investment Manager identifies. This means that the fund is exposed to Sustainability Risk which may impact the value of investments over the long term.

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482456 – 13/03/25