

SHINING A LIGHT ON THE.....
Aviva Investors Emerging Markets Equity Small Cap Fund

AT A GLANCE

| Investment Objective | |
|--|--|
| <p>The objective of the Fund is to increase the value of the Shareholder's investment over time. The fund invests mainly in equities of small companies in developing or emerging markets. Specifically, at all times, the Fund invests at least two thirds of total net assets (excluding liquidities) in equities and equity-related securities of companies that have their registered office, or do most of their business, in developing or emerging markets and are deemed to be "small cap companies" as defined by the Board from time to time. Equity-related securities can include ADRs, GDRs, options on equities, exchange-traded convertible securities, participation certificates and profit sharing certificates, among others. The Fund does not buy equity warrants but may hold any it receives in connection with equities it owns.</p> | |

| | |
|----------------------------|---|
| Inception Date | 13 September 2013 (sterling share class) |
| Fund Factsheet Link | http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000QSV2 |

| Management | |
|---------------------|-------------------|
| Manager Name | Start Date |
| Will Ballard | 13 September 2013 |
| Bryony Deuchars | 1 July 2016 |

| Investment Style Details | |
|------------------------------|--------------------|
| Equity Style | |
| Market Capitalisation | % of Equity |
| Giant | 0.00% |
| Large | 8.15% |
| Medium | 55.25% |
| Small | 33.06% |
| Micro | 3.54% |

| Top 10 Holdings | | |
|----------------------------------|-------------------|--------------------|
| Total number of holdings | 85 | |
| Assets in Top 10 Holdings | 23.90% | |
| Name | Sector | % of Assets |
| Finolex Cables Ltd | Technology | 2.89% |
| Getac Technology Corp | Technology | 2.64% |
| Torrent Pharmaceuticals Ltd | Healthcare | 2.46% |
| Powertech Technology Inc | Technology | 2.43% |
| KCE Electronics PCL | Technology | 2.33% |
| Samjin Pharmaceutical Co Ltd | Healthcare | 2.32% |
| Hexaware Technologies Ltd | Technology | 2.32% |
| Hartalega Holdings Bhd | Consumer Cyclical | 2.21% |
| Super Group Ltd | Industrials | 2.18% |
| Fillinvest Land Inc | Real Estate | 2.10% |

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| Volatility Measurements | |
|----------------------------|--------|
| 3-Yr Std Dev (volatility) | 13.11% |
| 3-Yr Mean Return (average) | 12.05% |

FUND PERFORMANCE

Performance from 13 September 2013 to 28 February 2017:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------|-------|---------|--------|-------|
| Aviva Investors Emerging Markets Equity Small Cap Fund | 0.50% | 4.09% | -3.18% | 30.11% | 5.92% |
| iShares MSCI Emerging Markets | -2.49% | 2.62% | -11.15% | 33.56% | 7.07% |

Performance over 12 months, 3 years and since launch:

| | 1 year | 3 years | Since Launch |
|--|--------|---------|--------------|
| Aviva Investors Emerging Markets Equity Small Cap Fund | 32.21% | 44.49% | 39.58% |
| iShares MSCI Emerging Markets | 42.80% | 38.31% | 27.54% |

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

It is worth starting the update by explaining that the oldest share class is in dollars and this was launched in 2007. At the time, it was a concentrated portfolio of 40 stocks. Will has been working with the fund since 2009, and the main change is that it now holds over 80 stocks and no-one stock dominates the fund. The reason for the move was to reduce the volatility, but at the same time benefit from the growth in small cap stocks. The performance we have shown is for the sterling share class, which was launched in 2013.

Will explained that this fund is very different to other emerging market funds, which tend to be large cap and focus primarily on the index. This means they are investing in the most expensive part of the market.

This is a bottom-up driven fund; as an example, in India he sees plenty of opportunities in micro lending to the rural community. In investing he applies a value overlay looking for the cheapest companies. At the same time, he is focused on quality companies with strong cash flows. The fund has a \$5 billion maximum market cap and he feels this is a part of the market missed by many funds.

He doesn't believe there is significant risk, because he focuses on quality and corporate governance is really important. Although this isn't a dividend fund, those that provide a dividend are a demonstration (he believes) of a well-run company.

Healthcare is a big exposure for the fund, and in particular the demand for private healthcare. We talked about the risk of Trump in emerging markets and he explained that it depends on where you invest. For example, there is a business in Mexico which has a monopoly on springs for US pick-up

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trucks. Tariffs could force the company out of business but then the US wouldn't get their supplies! The makers of iPhones in China looked at relocating to the US but it would make the phone 3 times more expensive. So, certain businesses won't be hurt others will be, such as the risk to textile manufacturers.

One example of a recent purchase was a Mexican low cost airline. It provides flights between the US and Mexico. The number of people taking the journeys has reduced, especially with Trump's election and immigration. This has forced the company to issue a profit warning. However, Will looks at everything with a five year time horizon, and his view is that Mexicans will continue to want to travel home to visit family. This is a short term hit but long term the business remains sound.

Will explained that he wants to find stocks he can hold over the long term, so that turnover is low on the fund. New stocks come in with low weightings and perhaps reach 3%, but there isn't a sole stock which dominates. Liquidity is not an issue either at the moment.

In summary, this fund might act as a blend with larger cap emerging market funds. In terms of performance it hasn't significantly outperformed the index and some investors may wish to wait to see this come through, or compare to other funds in this space.

The source of information in this note has been provided by Aviva and is correct as at March 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.