

SHINING A LIGHT ON THE.....
Aviva Investors Emerging Markets Bond Fund

AT A GLANCE

Investment Objective	
<p>The objective of the Fund is to earn income and increase the value of the Shareholder's investment over time. The Fund invests mainly in bonds issued by governments and corporations in emerging market countries. Specifically, at all times, the Fund invests at least two thirds of total net assets (excluding liquidities) in bonds of governmental, quasi-governmental, supranational, bank or corporate issuers that have their registered office, or do most of their business, in emerging market countries anywhere in the world. The Fund may use derivatives for investment purposes by creating opportunistically both long and synthetic covered short positions with the aim of maximizing positive returns. This will notably allow a more efficient risk budgeting while meeting the tracking error objective without additional or unwanted risk.</p>	

Inception Date	8 December 2003
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04EW3

Management	
Manager Name	Start Date
Aaron Grehan	1st January 2010
Michael McGill	1st March 2015

Top 10 Holdings		
Total number of holdings	138	
Assets in Top 10 Holdings	18.17%	
Name	Sector	% of Assets
Angola (Republic of) 8.25%	-	2.98%
Saudi Arabia (Kingdom of) 5.25%	-	2.60%
Russian Federation 4.75%	-	1.91%
Mexico (United Mexican States) 4.5%	-	1.65%
Serbia (Republic Of) 7.25%	-	1.62%
State of Qatar 4.82%	-	1.60%
Islamic Republic of Pakistan 6.88%	-	1.55%
State of Qatar 5.1%	-	1.48%
Egypt (Arab Republic of) 8.7%	-	1.40%
Nigeria (Federal Republic of) 8.75%	-	1.39%

Volatility Measurements	
3-Yr Std Dev (volatility)	10.72%
3-Yr Mean Return (average)	9.65%

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FUND PERFORMANCE

Performance from 1st January 2013 to 31st May 2019:

	2013	2014	2015	2016	2017	2018	2019
Aviva Investors Emerging Markets Bond Fund	-9.62%	9.62%	5.62%	30.58%	-2.01%	1.37%	7.84%
JPM EMBI Global Diversified TR	-7.01%	14.11%	7.04%	31.39%	0.71%	1.69%	8.78%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
Aviva Investors Emerging Markets Bond Fund	10.52%	29.74%	52.80%	188.64%
JPM EMBI Global Diversified TR	13.45%	35.46%	67.23%	226.61%

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....

There has been a great deal of focus on Aviva and in particular the emerging markets part of the business. They have employed a number of new staff, mainly from Standard Life, but also other specialist emerging market managers. Due to this the emerging market debt time have started to promote their funds. They have three funds; hard currency, local currency and corporate.

The update primarily focused on the reasons for emerging market. They started by explaining that the average debt to GDP ratio for 2018 was 99%. Of the 73 emerging market countries just one is at this level. The countries therefore have considerably less debt than developed economies.

The second reasons to consider the asset class is that it is high yielding, offering access to 73 countries and more than 600 corporates. There is high structural growth and a growing opportunity set.

They believe there is always a story and that good active fund management is the way to make money in this asset class moving forward.

The real challenge with Emerging Market Debt is that at any given point in time different parts of the market will perform very differently. The Aviva offering provides access to a Hard Currency, Local Currency or Corporate Strategy. What it doesn't seem to offer is a blended strategy where the manager can be active between the different options to maximise returns.

The other concern certainly with the hard currency option is that the performance over all time periods lags the index which would beg the question as to why not buy the index. There is in theory a good reason why you would not because there is no distinction between good and bad debt but if a

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fund manager cannot outperform this then questions have to be asked. However, on the flip side Aviva are investing heavily in the emerging markets team and this may help in improving performance.

In summary, the argument for emerging market debt is strong. There are risks and this can be a more volatile asset class. We would be concerned by the underperformance and the lack of a blended strategy. However, it will be interesting to see how the new employees influence performance moving forward.

The source of information in this note has been provided by Aviva and is correct as at June 2019. 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.