

The Multi-Asset Trilogy

Rethinking Diversification for Multi-Asset Investors



Learning objectives

1

Understand the benefits of global asset allocation within equities, the diversification characteristics of the US market, and the case for sector diversification

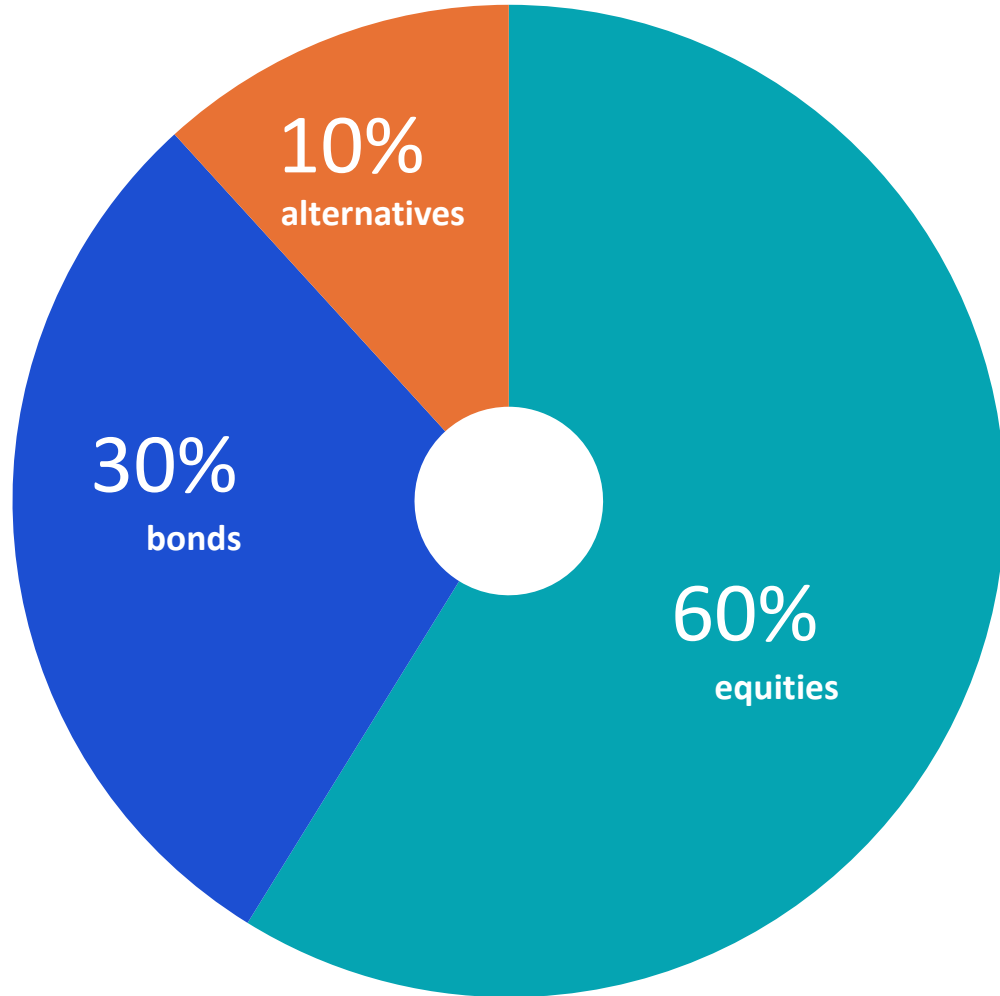
2

Identify the benefits of fixed income within multi-asset portfolios, the differing characteristics of various types of fixed income and how fixed income performs on average relative to equities

3

Identify at least two alternative investments that can provide additional diversification within multi-asset portfolios and describe the potential advantages of using these as an alternative to fixed income

The components of a balanced multi-asset portfolio



Advisers

typically invest in a multi-asset framework

Multi-asset portfolios

blend different asset classes to achieve the benefits of diversification

Different components

play different roles

“Diversification is the only free lunch in investing.”

Harry Markowitz

Pioneer of Modern Portfolio Theory



Why do we diversify?

Reduce risk without sacrificing potential returns

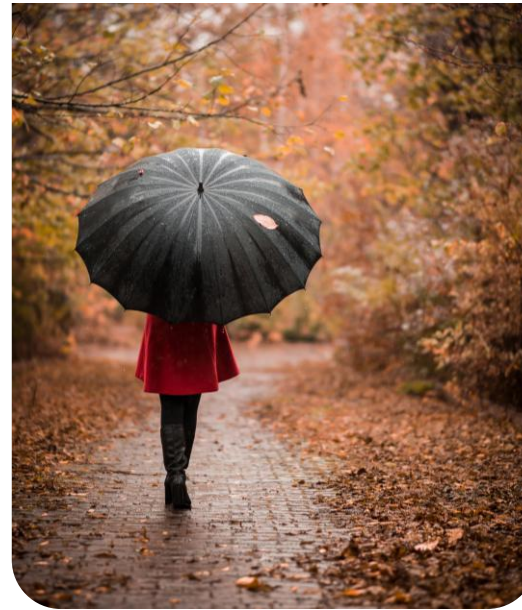
Eggs not in one basket



Reduce portfolio volatility



Protection in falling markets



More portfolio flexibility



Three key Questions for Multi-Asset Investors

1

Are global equities diversified?

2

Do bonds still provide protection to a multi asset portfolio?

3

Do alternatives really improve the risk/return profile of a multi-asset portfolio?

Are global equities
really diversified?



UK pension funds lost £425bn in year of bond market crisis

Market 'Mega-Bubble' Set To Pop, Says Top Economist Who Called 2008 Crash

The last two scenarios when U.S. stocks went up this quickly? During the dot-com bubble and after recessions

Coronavirus: FTSE 100, Dow, S&P 500 in worst day since 1987

US bank stocks sink to all-time low against S&P 500

S&P 500 Hits Record High Buoyed by Economic Hopes Markets Wrap

S&P 500 counts on final 'Mag 7' push for best year this century

French stock market on track for worst showing since Eurozone crisis

Stocks fall to end Wall Street's worst year since 2008, S&P 500 finishes 2022 down nearly 20%

Bitcoin hits new record high of more than \$106,000

Global equity market-cap

Asia Pacific (APAC)

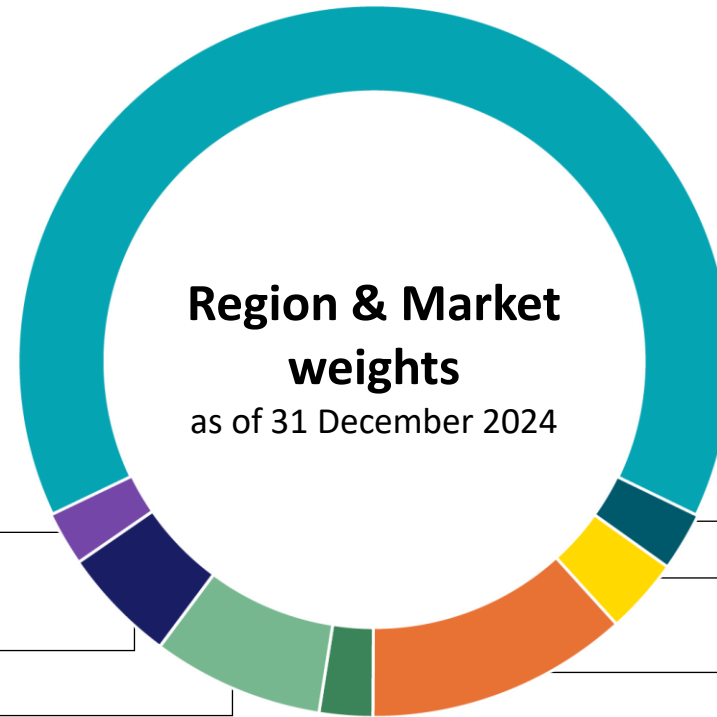
Other APAC | 2.3%

Japan | 4.6%

Emerging Markets

Other EM | 7.3%

China | 2.4%



North America

Canada | 2.7%

Europe

UK | 3.1%

Europe | 10.8%

Past performance is not a reliable indicator of future performance.

Source: Aladdin, as at 31 December 2024. Indices used are available on request. Equities indices in GBP, fixed income indices are GBP hedged.

The US is a big part of global market-cap

Asia Pacific (APAC)

Other APAC | 2.3%

Japan | 4.6%

Emerging Markets

Other EM | 7.3%

China | 2.4%

North America

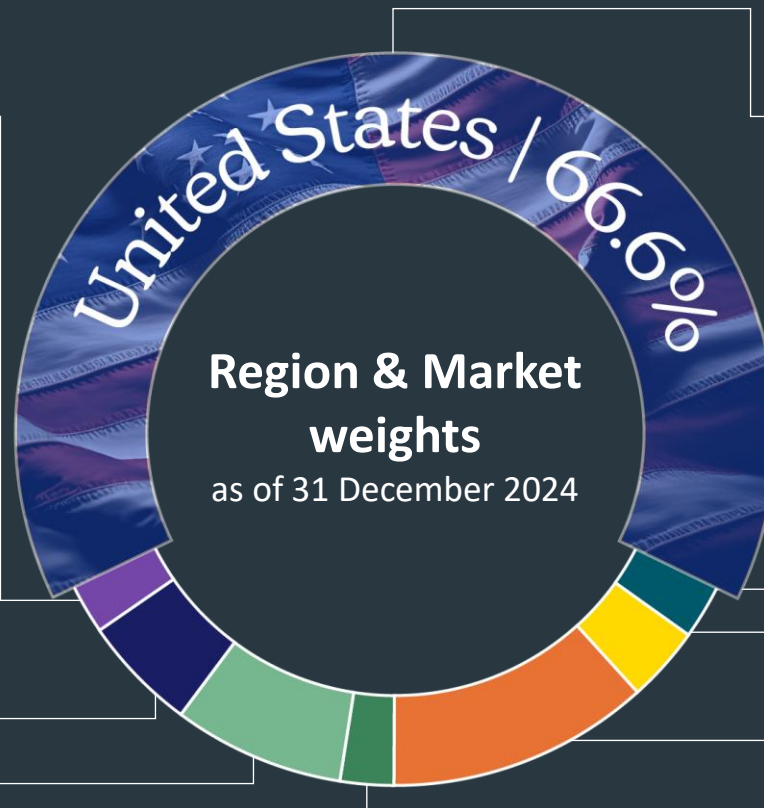
United States | 66.6%

Canada | 2.7%

Europe

UK | 3.1%

Europe | 10.8%



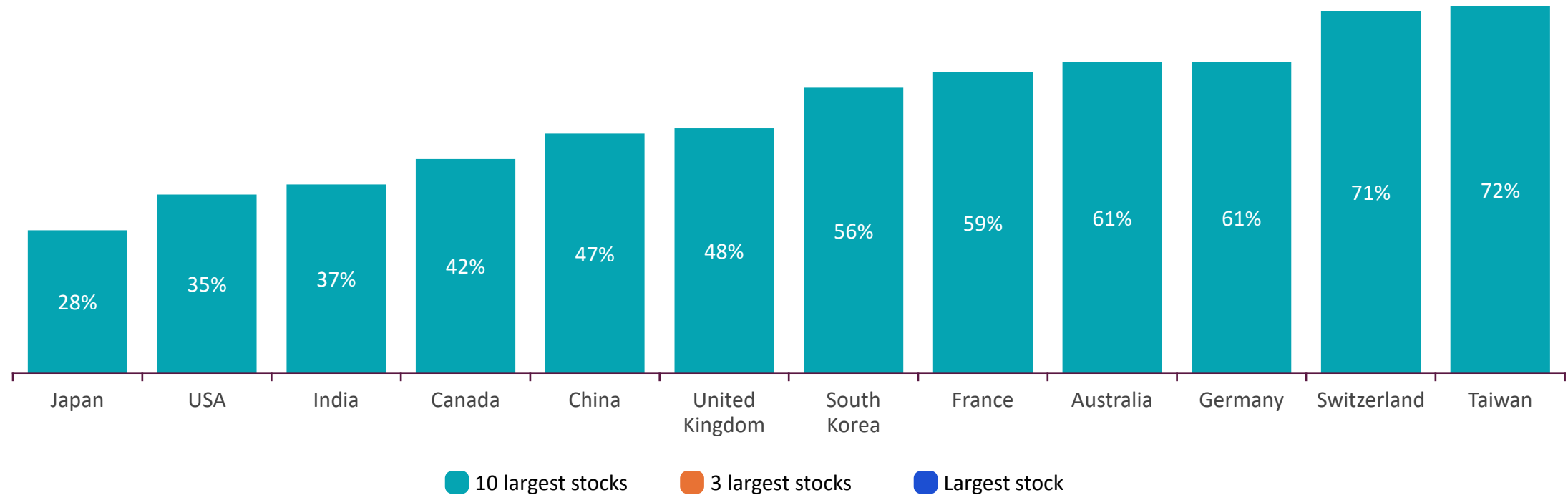
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Source: Aladdin, as at 31 December 2024. Indices used are available on request. Equities indices in GBP, fixed income indices are GBP hedged.

Which is the most concentrated equity market?

Concentration within the world's 12 largest equity markets

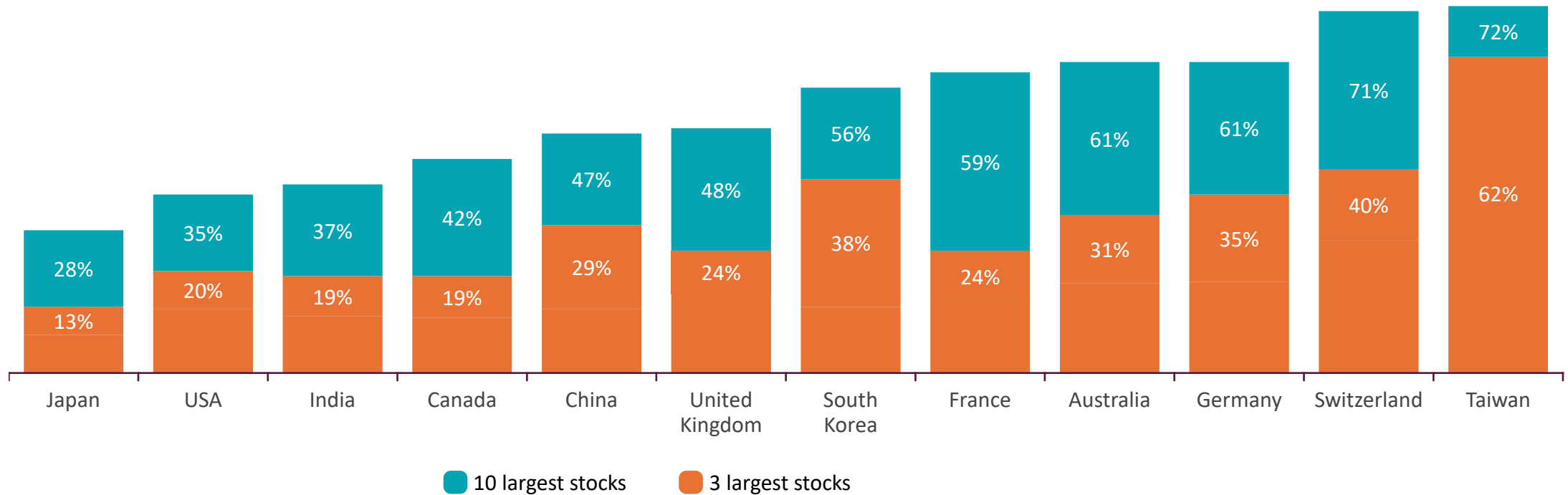
Percent of total market / index



Which is the most concentrated equity market?

Concentration within the world's 12 largest equity markets

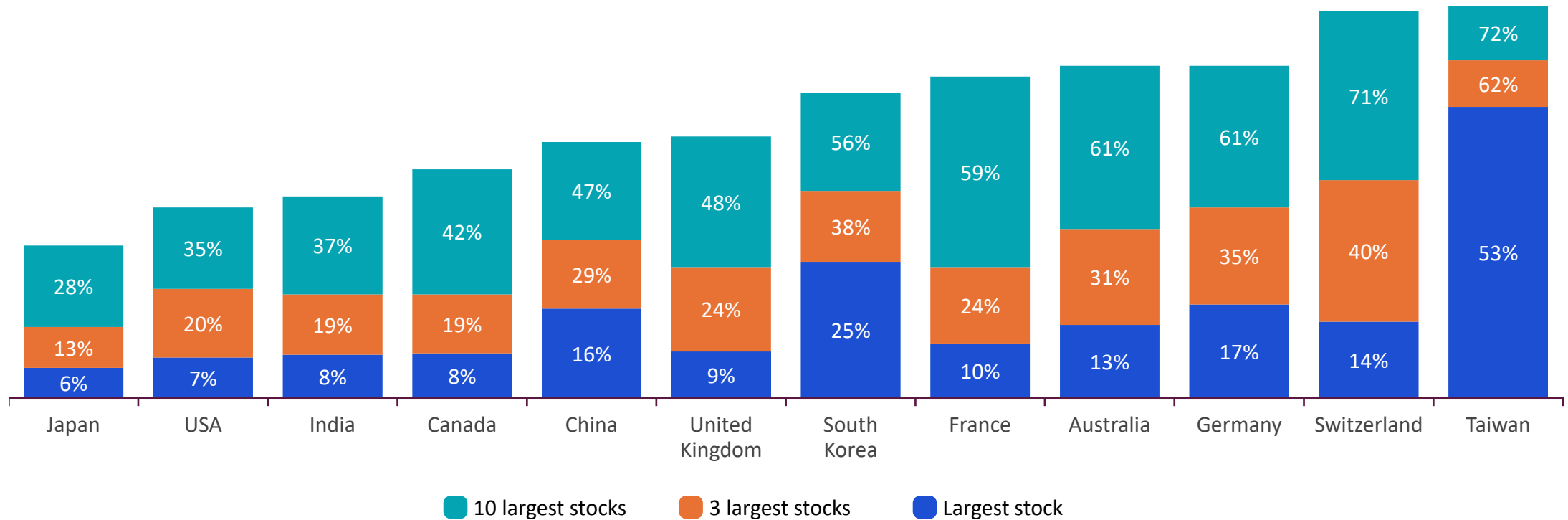
Percent of total market / index



Which is the most concentrated equity market?

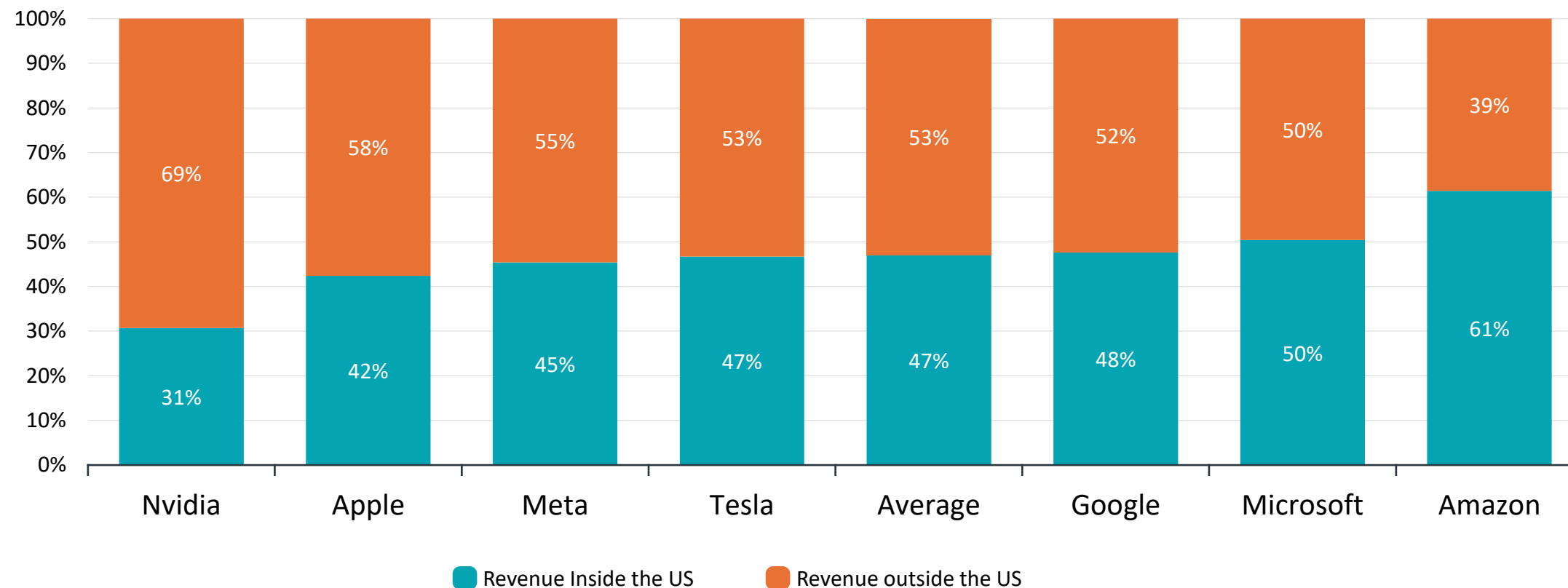
Concentration within the world's 12 largest equity markets

Percent of total market / index



And remember, US listed does not equal US business

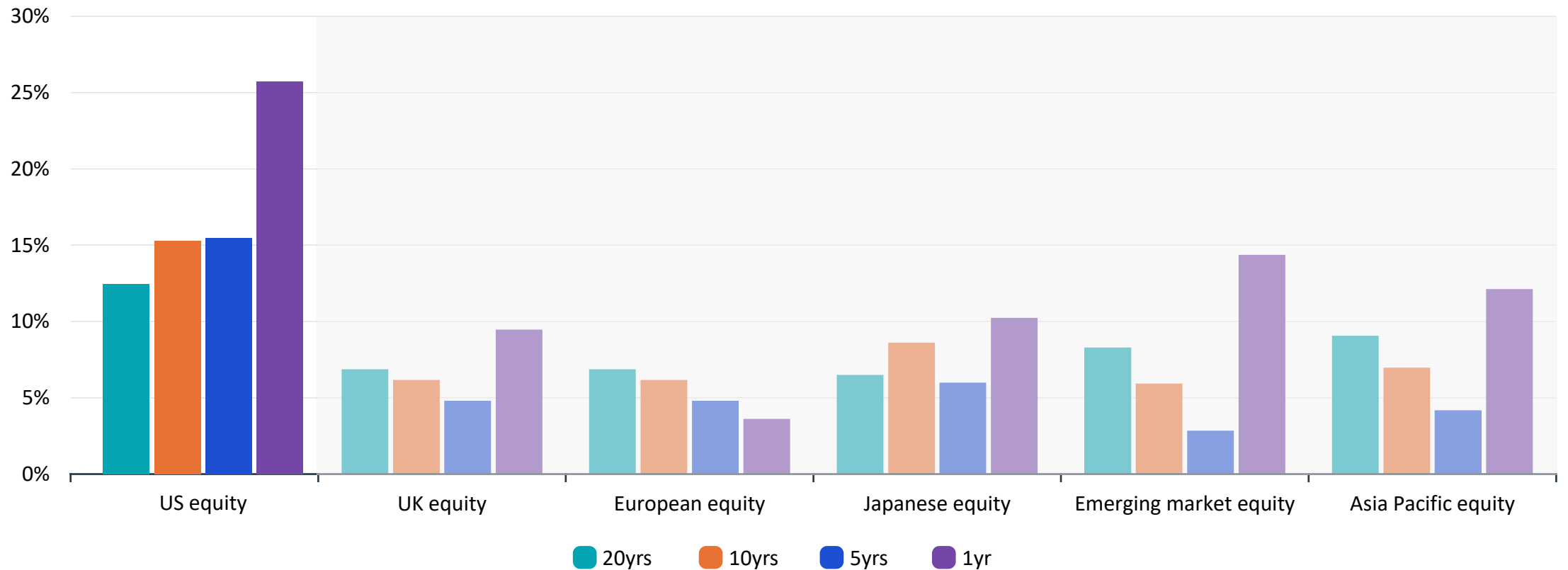
Percentage of revenue generated outside of the US vs inside in 2023



Source: Aviva Investors, Bloomberg and Macrobond as at 31 October 2024. The companies mentioned are for illustrative purposes only, not intended to be an investment recommendation.

Why the US? Equity performance has been great

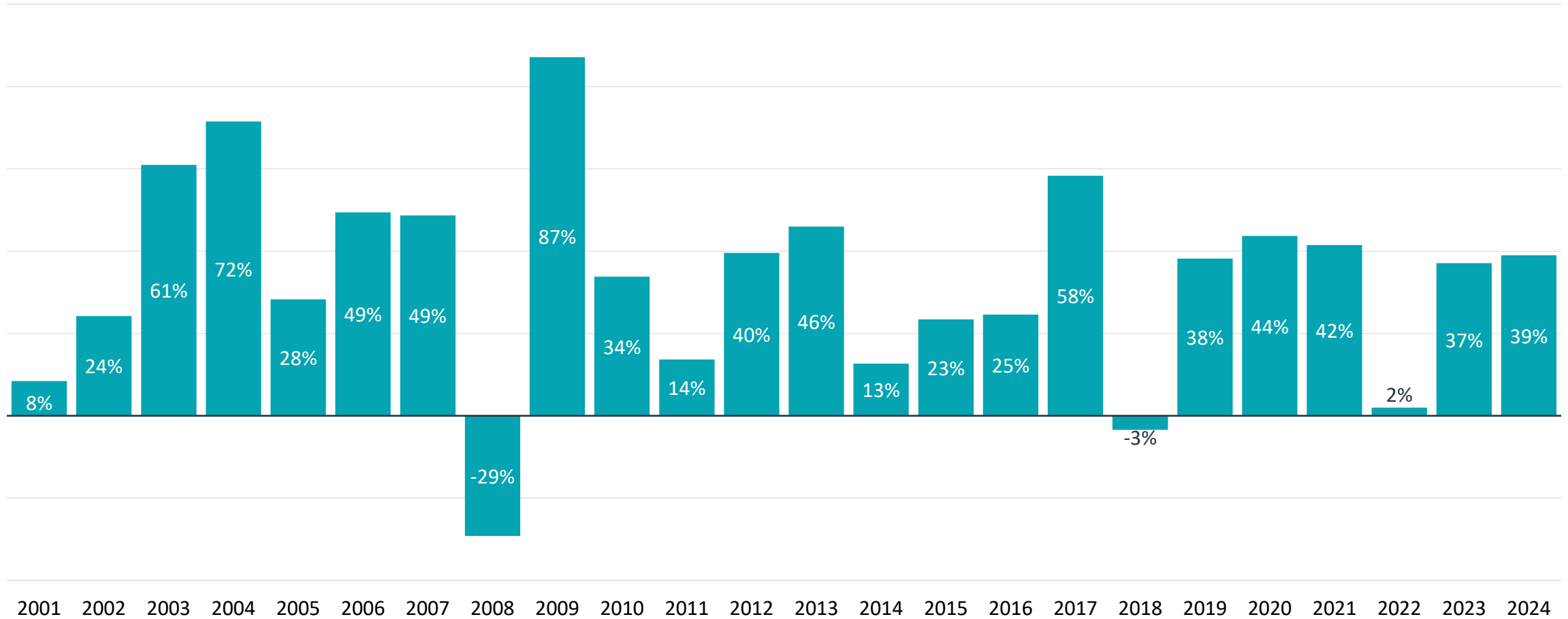
Annualised performance



Past performance is not a reliable indicator of future performance.

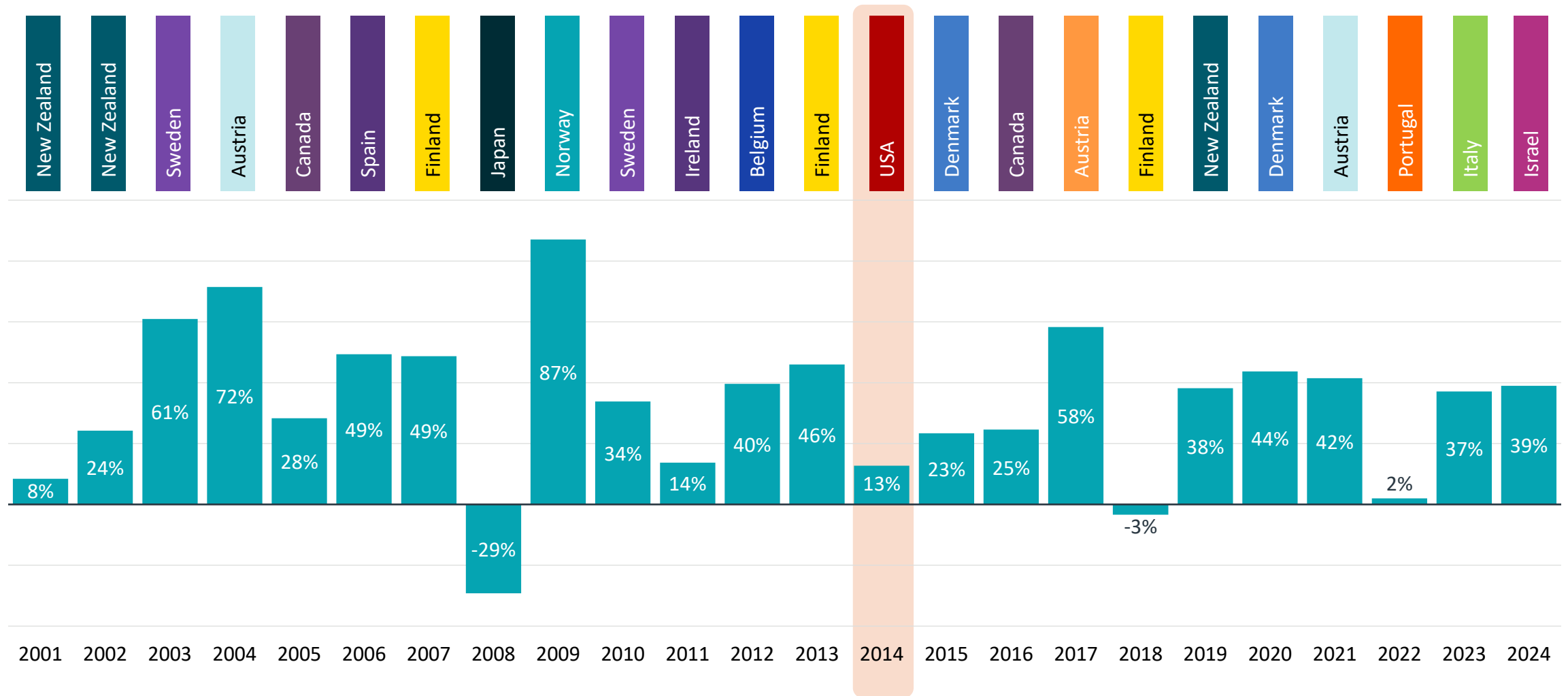
Source: Refinitiv and Morningstar Direct as at 31 December 2024. Indices used are available on request. The performance for all the equity indices are in GBP terms.

The case for regional diversification



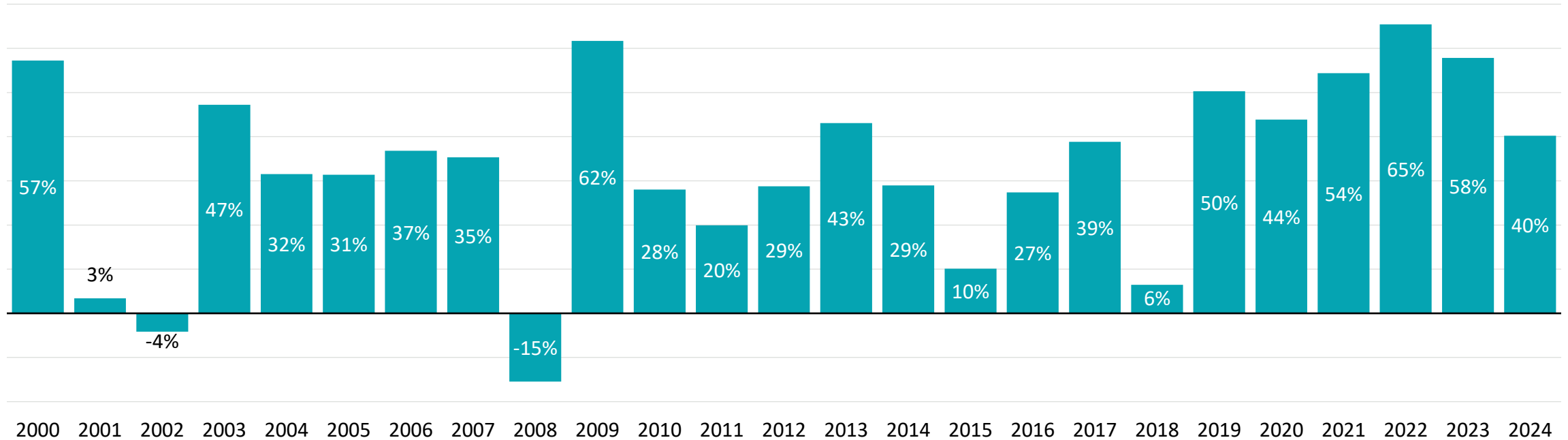
Source: Bloomberg as at 31st December 2024

The case for regional diversification



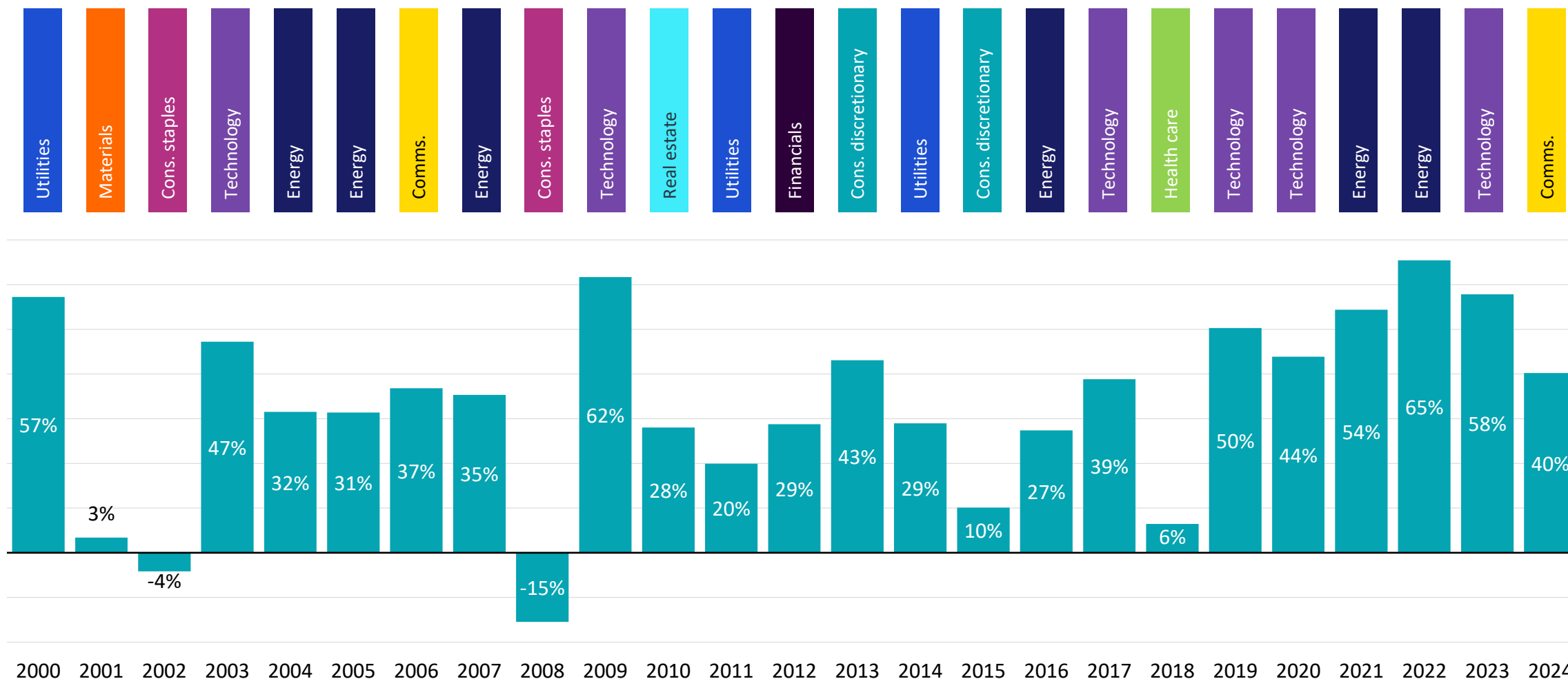
Source: Bloomberg as at 31st December 2024

The case for sector diversification



Source: Bloomberg as at 31st December 2024

The case for sector diversification

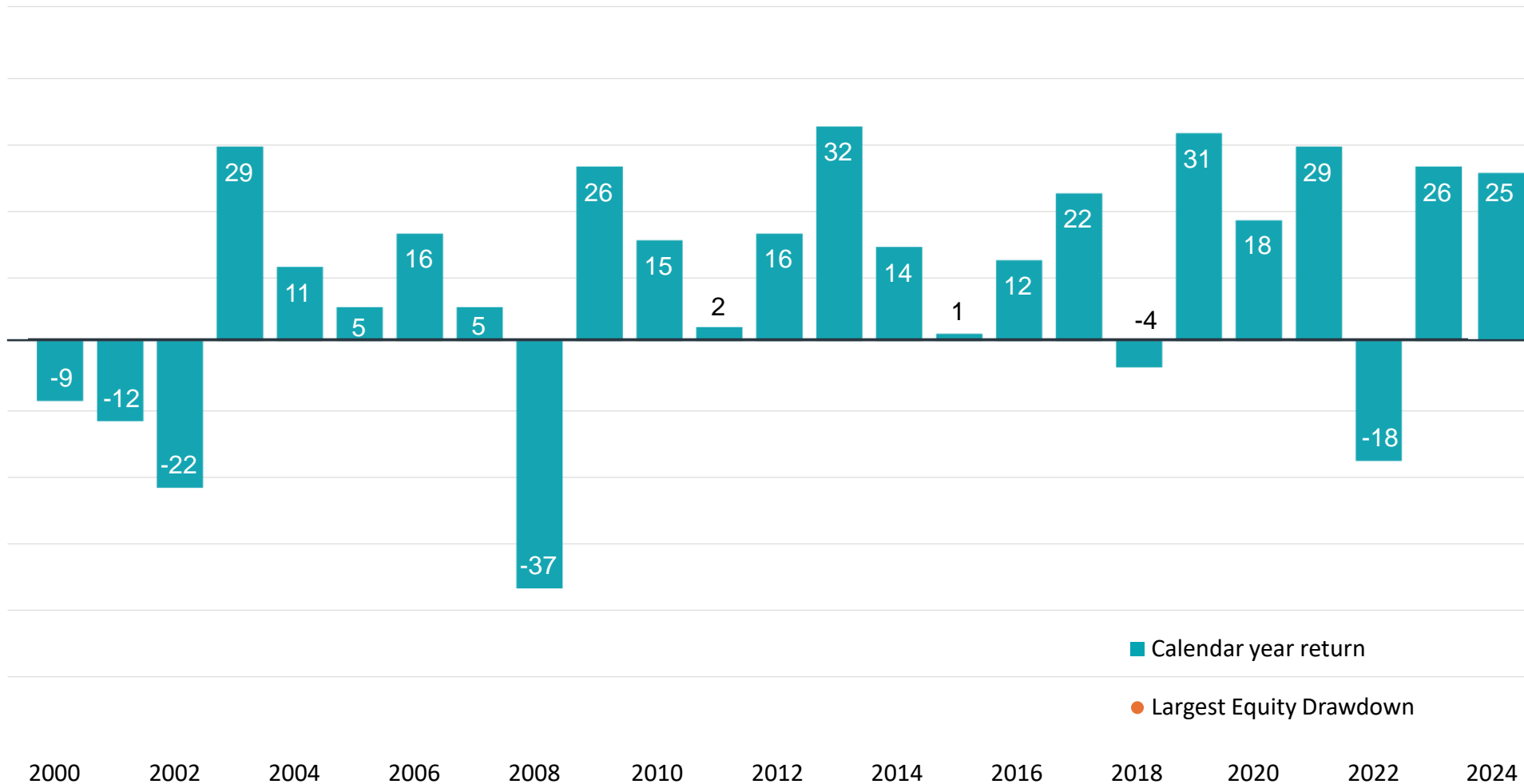


Source: Bloomberg as at 31st December 2024

Can bonds really protect a Multi Asset portfolio?



Volatility is the price you pay for an investment return



The teal bars show the % market return in each year – most are positive!

The orange circles show the largest % fall within each year – many are large!

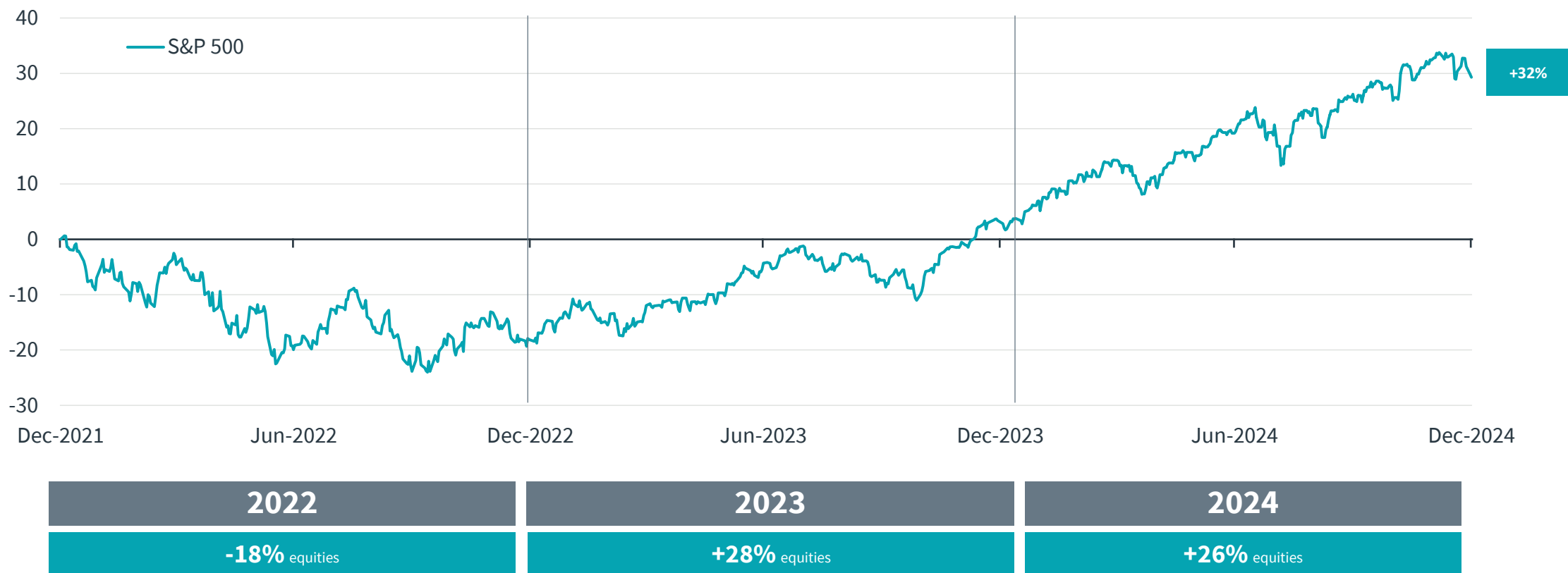
Past performance is not a reliable indicator of future performance.

Source: Aviva Investors, Lipper, a Thomson Reuters company, as at 31 December 2024. Data used S&P 500 TR USD. The index can provide a broad view of the economic health of equity markets because it covers so many companies in so many different sectors.

Equity performance – 2022 – 2024

When equities deliver, fixed income doesn't have to the heavy lifting

Return (per cent)



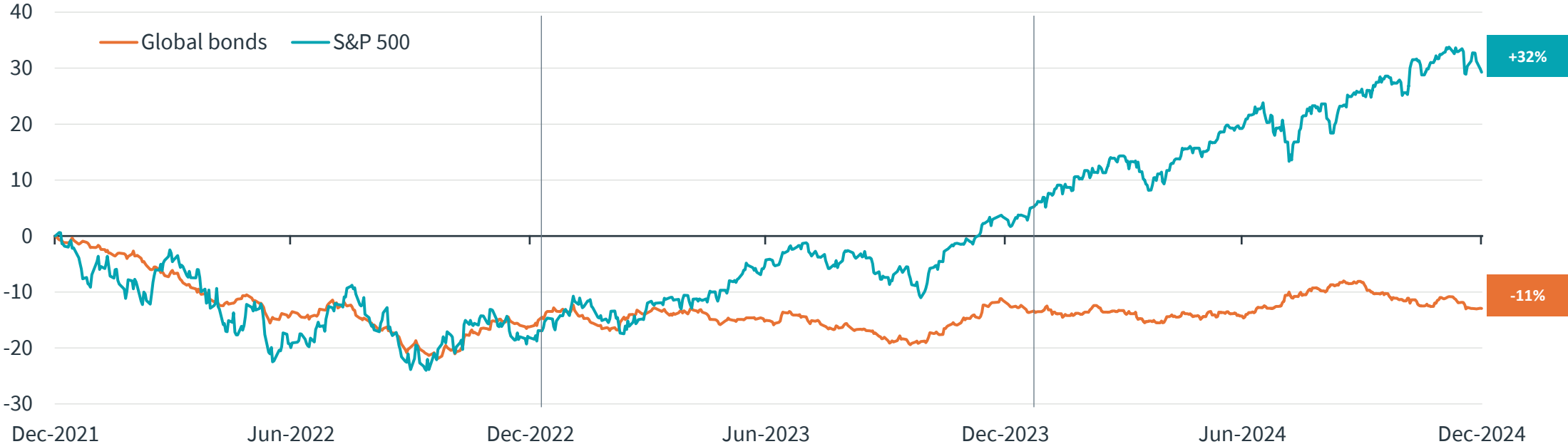
Past performance is not a reliable guide to future performance. The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested.

Source: Morningstar. Data as at 31 December 2024. US equities is represented S&P 500 TR.

Equity & Fixed income performance – 2022 – 2024

When equities deliver, fixed income doesn't have to the heavy lifting

Return (per cent)



2022		2023		2024	
-18% equities	-17% bonds	+26% equities	4% bonds	+25% equities	-4% bonds

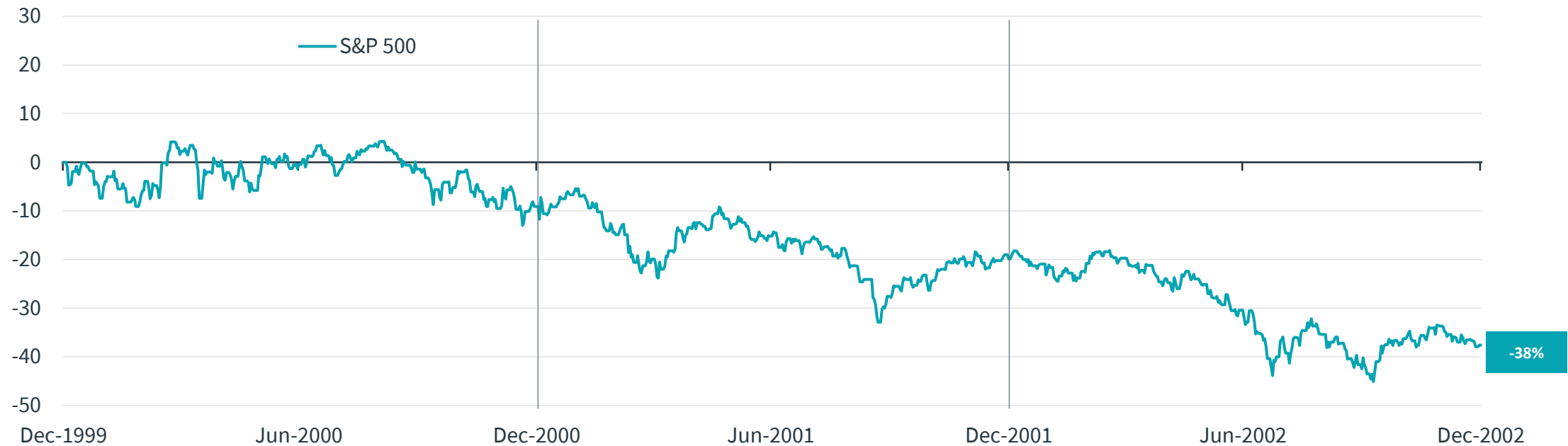
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Source: Morningstar. Data as at 31st December 2024. US equities is represented S&P 500 TR and Global Bonds are represented by Bloomberg Global Aggregate.

Equity performance – 2000 - 2002

Provide some level of protection at the worst time for equity markets

Return (per cent)



2000
-9% equities

2001
-12% equities

2002
-22% equities

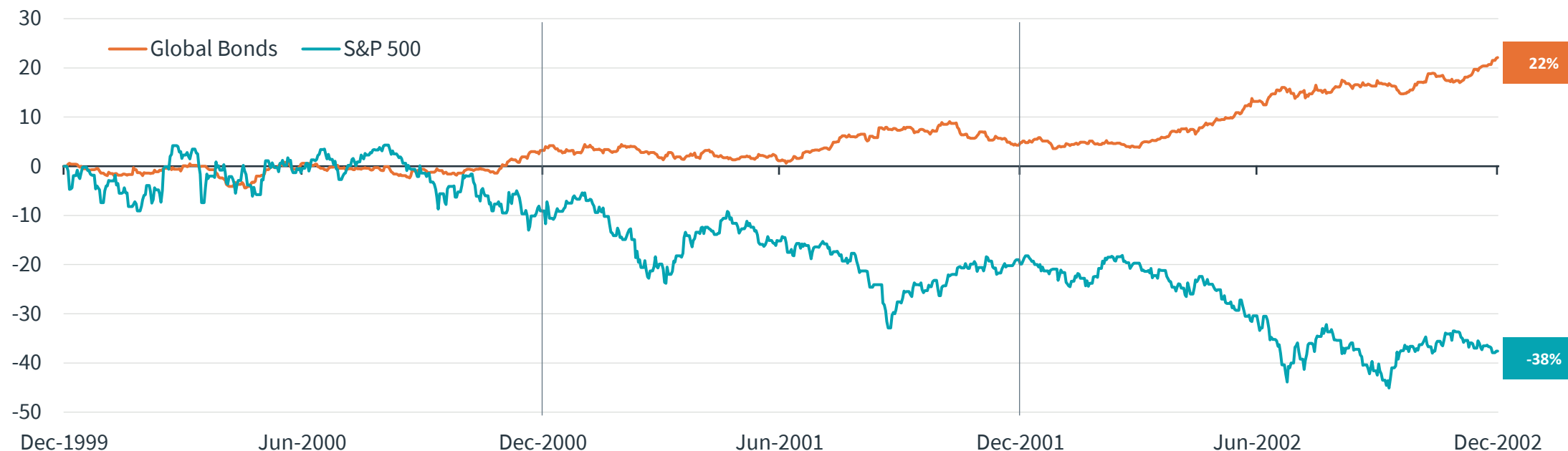
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Source: Bloomberg as at 31 December 2024. US equities is represented S&P 500 TR.

Equity & Fixed income performance – 2000 – 2002

Provide some level of protection at the worst time for equity markets

Return (per cent)

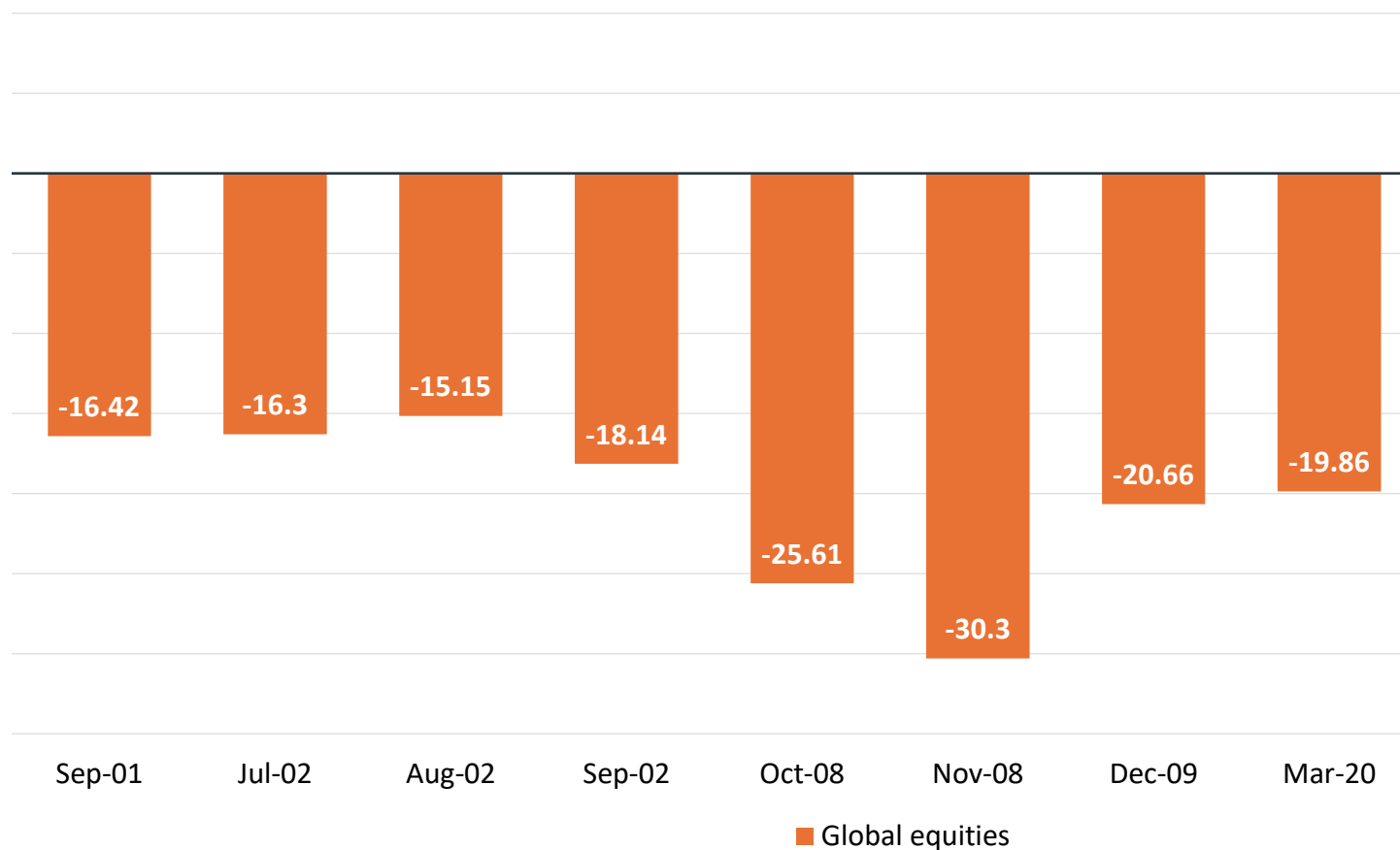


2000		2001		2002	
-9% equities	3% bonds	-12% equities	2% bonds	-22% equities	17% bonds

Past performance is not a reliable guide to 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: Bloomberg as at 31 December 2024. US equities is represented by the S&P 500 TR, Global bonds are represented by Bloomberg Global Aggregate index

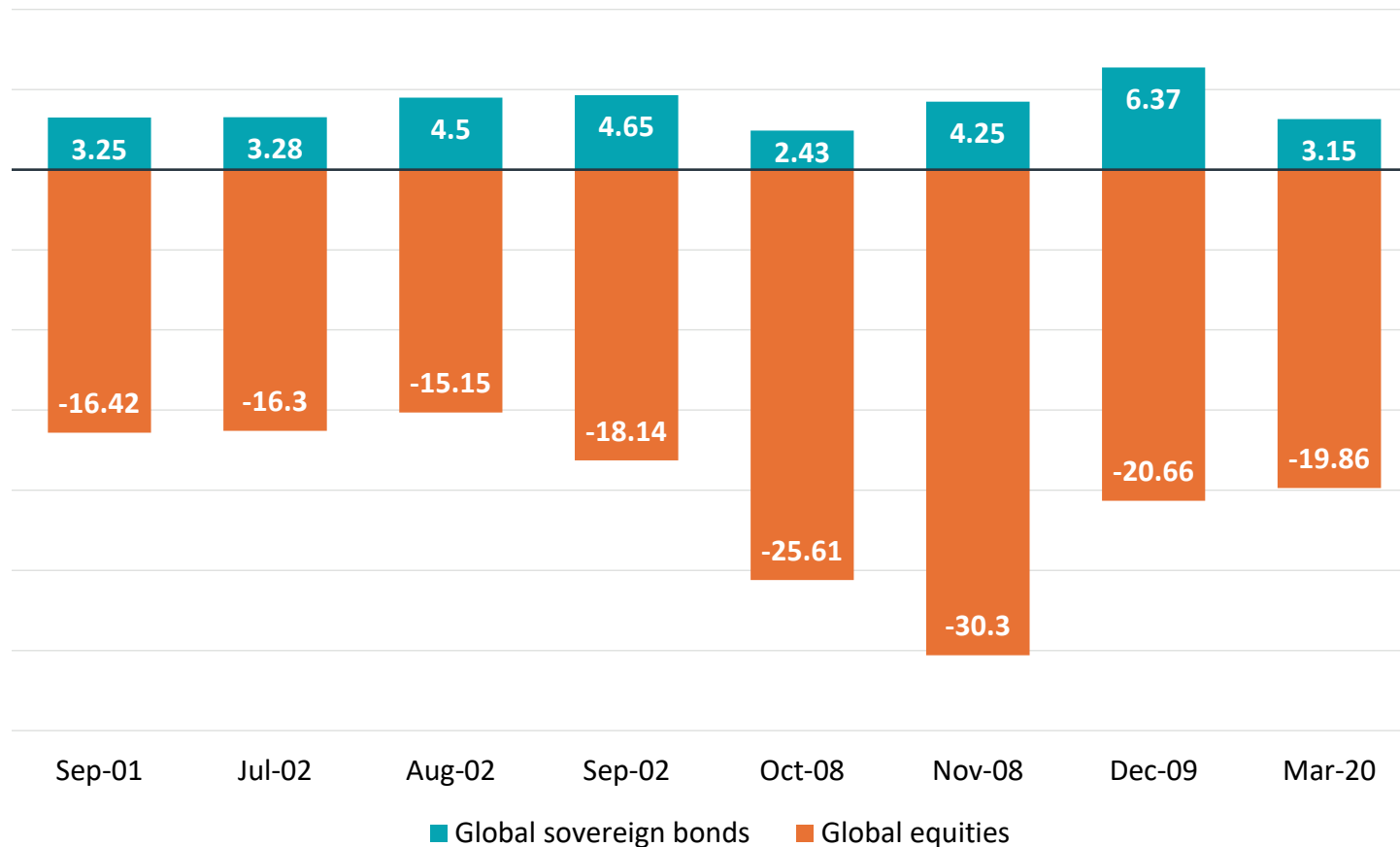
Downside protection – global sovereign bonds



In the **worst 8 equity drawdowns** since **2000**, global treasuries have delivered **positive returns**, consistently offering investors **downside protection**

Source: Morningstar as at 31 December 2024. Global equity market drawdowns are measured using the MSCI ACWI in local currency terms over 3 month rolling periods. Global Treasuries are represented by Bloomberg Global Treasury TR Hdg GBP.

Downside protection – global sovereigns



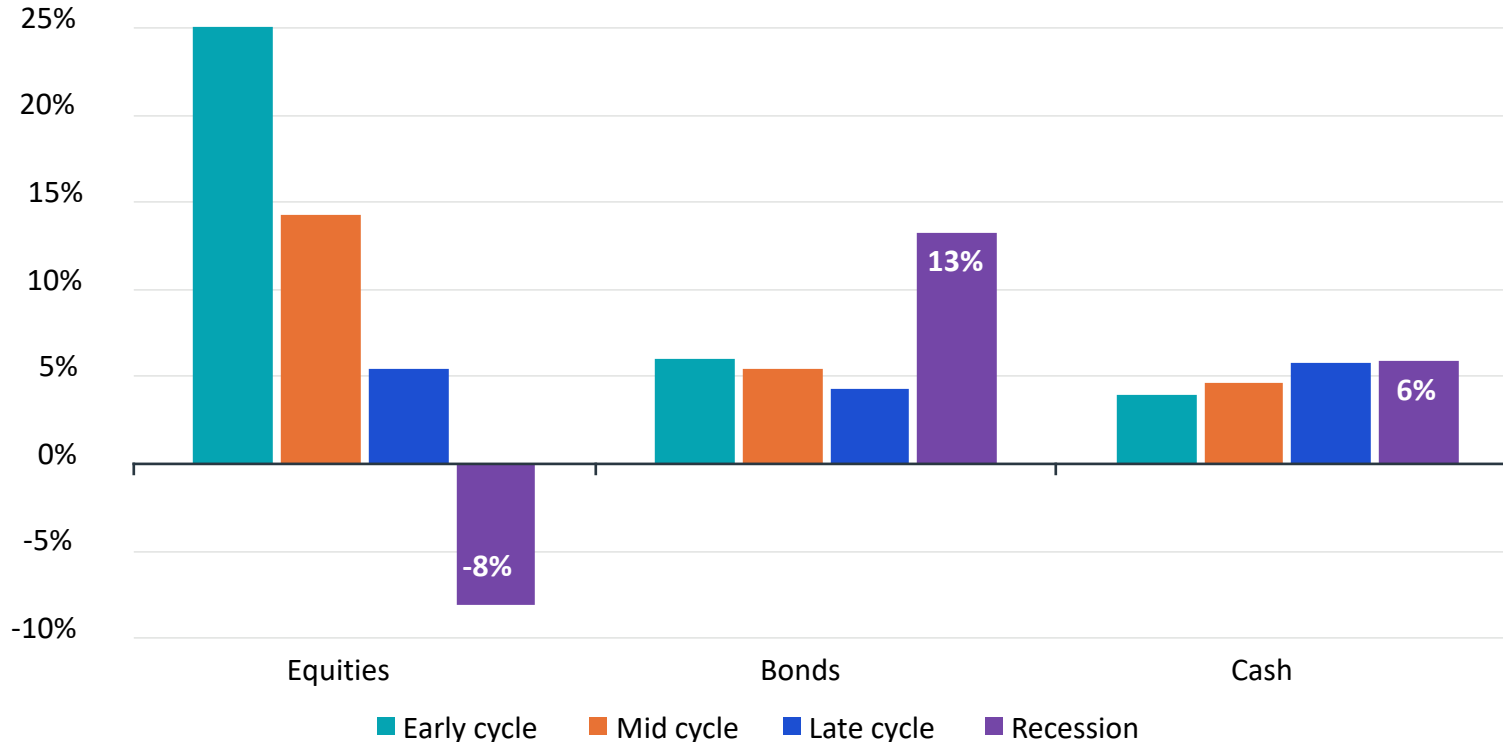
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Source: Morningstar as at 31 December 2024. Global equity market drawdowns are measured using the MSCI ACWI in local currency terms over 3 month rolling periods. Global Treasuries are represented by Bloomberg Global Treasury TR Hdg GBP.

Protection throughout the market cycle

In every recession since 1950, bonds have delivered higher returns than equities and cash

Annual absolute return (average)



Past performance is not a reliable indicator of future performance

Asset class total returns since 1950 represented by indexes from the following sources: Stocks were S&P 500, Bonds were Bloomberg Barclays Global Aggregate Bond Index and cash was US T-Bills 3 month as at 31 December 2022.

In nearly
50
years we've
only had
5
negative years
in the
bond market

Gaining exposure to other types of bonds

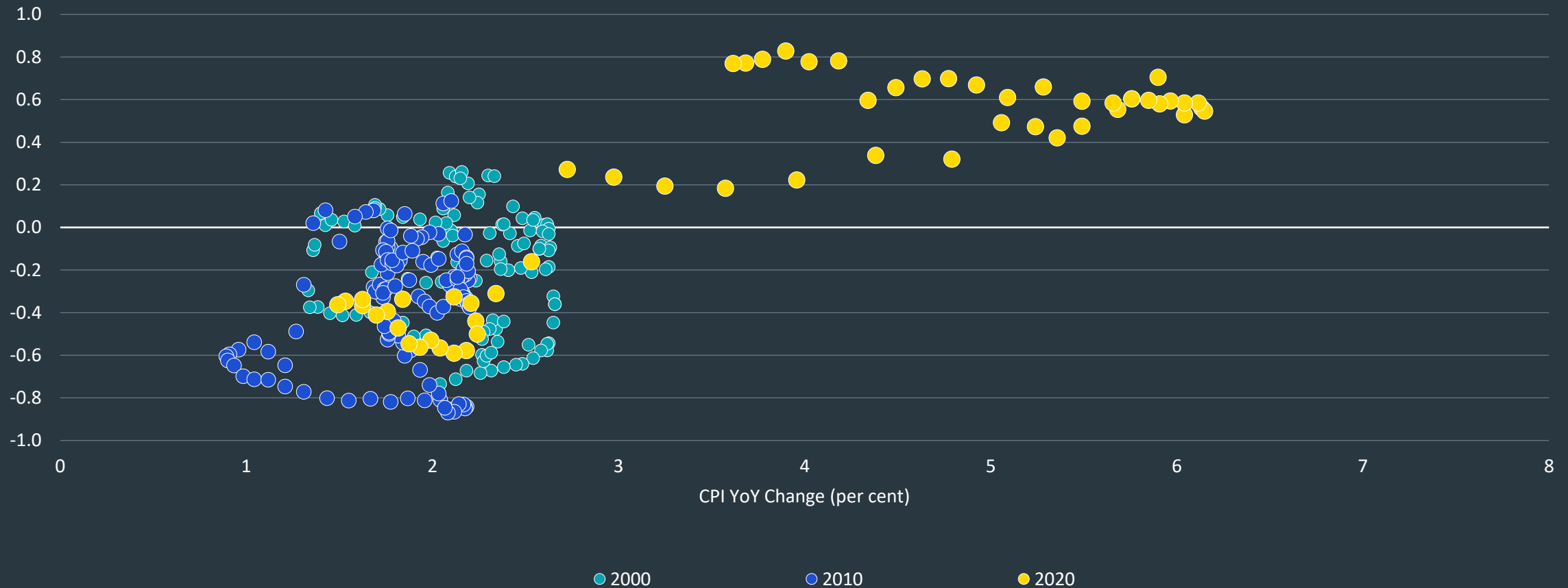
	Corporate Bonds	Emerging Market Bonds	High Yield Bonds	Short Dated Bonds	Inflation Linked Bonds
Growth prospects	✓	✓	✓		
Income diversification	✓		✓	✓	✓
Regional diversification		✓			
Inflation protection					✓
Duration protection	✓			✓	

Do alternatives really improve the risk/return profile of a multi-asset portfolio?



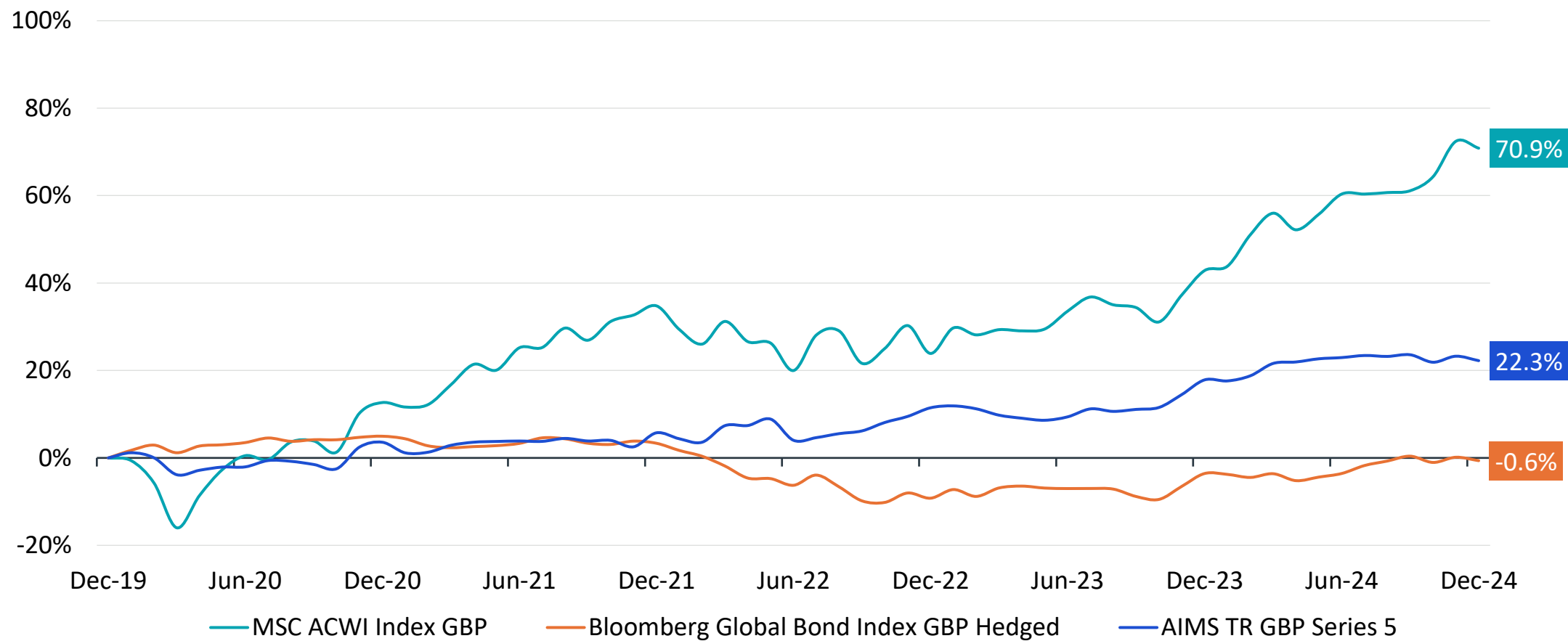
Inflation's impact on equity/bond correlations

Equity-bond correlation

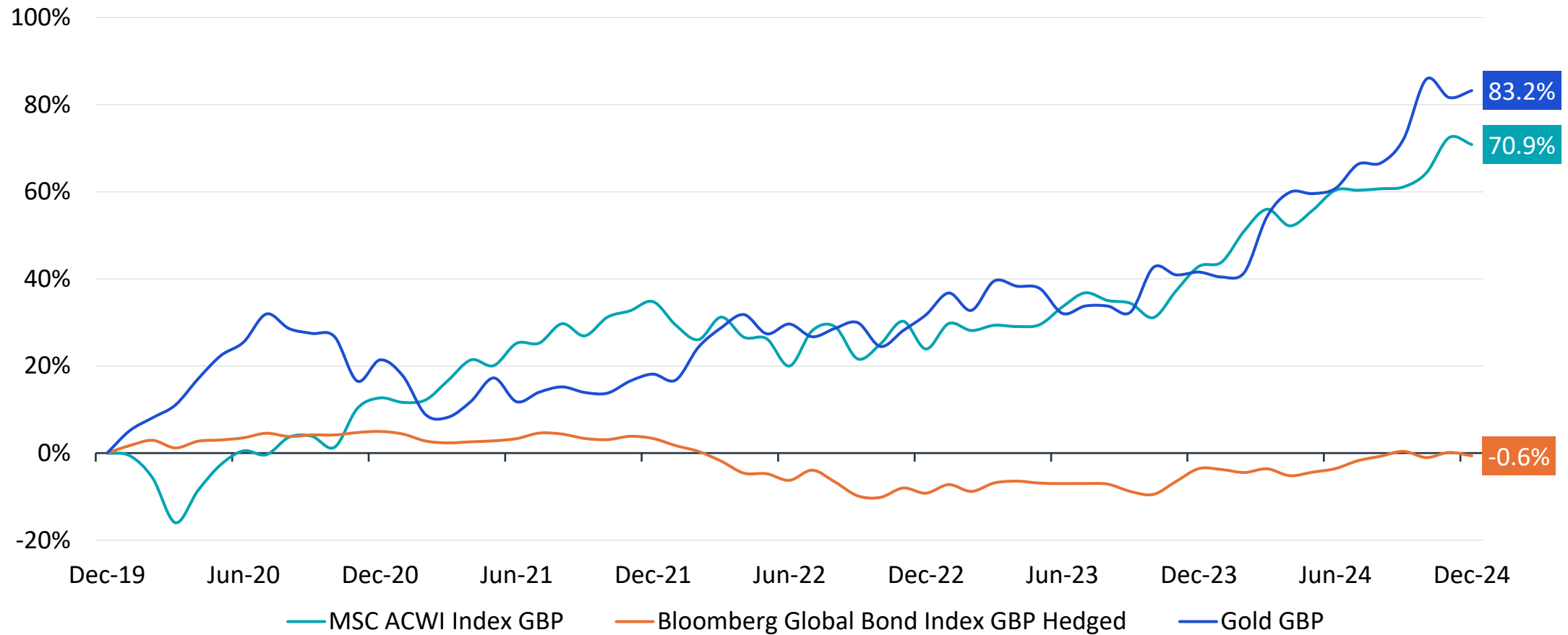


Source: Aviva Investors, Bloomberg, as at 30 September 2024. Equity-bond correlation is calculated using monthly returns with equities represented by the S&P 500 index (SPTR Index) and bonds represented by US Treasuries (Bloomberg Global Agg US Treasuries Index), over an 18-month measurement period.

Absolute Return as a diversifier for fixed income

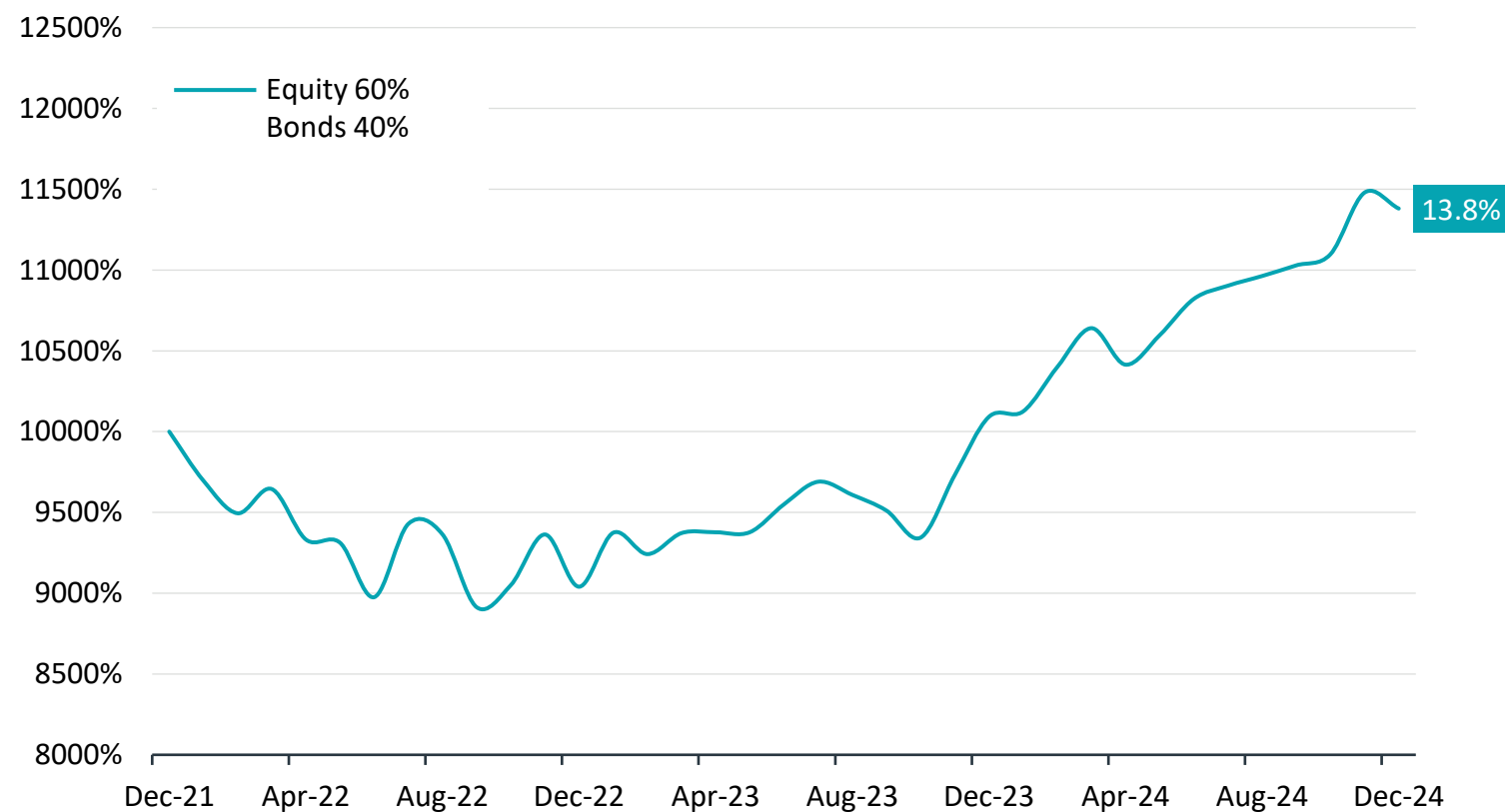


Gold has actually outperformed equities



Adding alternatives to a 60/40 portfolio

Return (per cent)



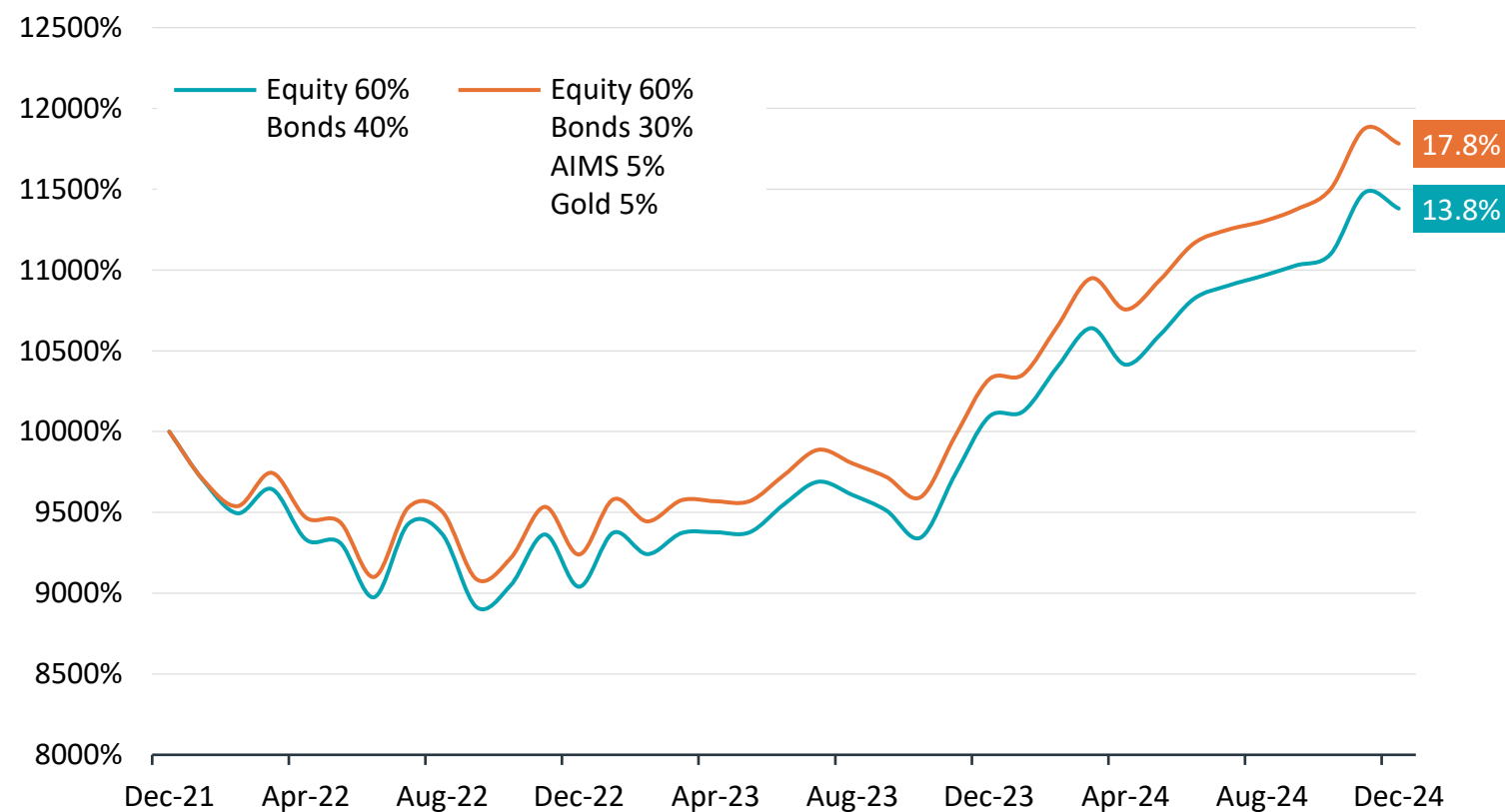
Past performance is not a reliable guide to future performance.

Source: Morningstar, as at 31 December 2024. Equities are represented by MSCI ACWI GBP, Bonds are represented by Bloomberg Global Aggregate TR Hdg GBP, Alts are represented by Aviva Investors Multi-Strategy Fund, SC2 GBP and Gold is Physical Gold in GBP.

	Equities 60 / Bonds 40	Equities 60 / Bonds 30 / Alts 10
Return (Ann)	4.4%	
Volatility	8.3%	
Sharpe Ratio	0.17	

Adding alternatives to a 60/40 portfolio

Return (per cent)



Past performance is not a reliable guide to future performance.

Source: Morningstar, as at 31 December 2024. Equities are represented by MSCI ACWI GBP, Bonds are represented by Bloomberg Global Aggregate TR HdG GBP, Alts are represented by Aviva Investors Multi-Strategy Fund, SC2 GBP and Gold is Physical Gold in GBP.

	Equities 60 / Bonds 40	Equities 60 / Bonds 30 / Alts 10
Return (Ann)	4.4%	5.6%
Volatility	8.3%	7.9%
Sharpe Ratio	0.17	0.33

Key Takeaways

Are global equities diversified?

Yes, including in the US which is one of the **least concentrated global equity markets**

However, there are also **significant benefits to global diversification**

Can bonds really protect a Multi Asset portfolio?

Bonds typically **significantly outperform** equities during times of market stress, but diversification within fixed income is **fundamental**

Do alternatives really improve the risk/return profile of a multi-asset portfolio?

Alternatives such as absolute return funds and gold can **improve downside protection and risk-adjusted return**

Learning objectives

1

Understand the benefits of global asset allocation within equities, the diversification characteristics of the US market, and the case for sector diversification

2

Identify the benefits of fixed income within multi-asset portfolios, the differing characteristics of various types of fixed income and how fixed income performs on average relative to equities

3

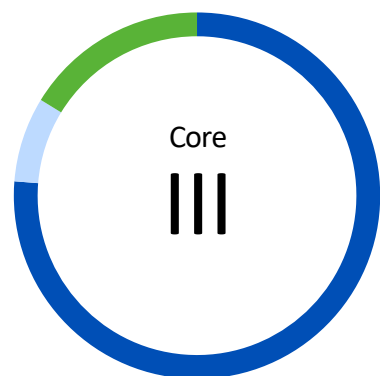
Identify at least two alternative investments that can provide additional diversification within multi-asset portfolios and describe the potential advantages of using these as an alternative to fixed income

Aviva Investors Multi-Asset Range



A globally diversified portfolio

MAF Core



0.15% OCF

Growth Equities	61%
UK Equity	2%
European Equity	6%
North America Equity	41%
Japanese Equity	3%
Emerging Global Equity	6%
Asia Pacific Equity	1%
Global Equity	2%
Growth Fixed Income	6%
Global High Yield	2%
Emerging Market Bonds – Hard Currency	2%
Emerging Market Bonds – Corporate	1%
Defensive Assets	33%
Global Sovereign	19%
Global Investment Grade	13%
Cash & FX	1%






MAF Plus






0.35-0.60% OCF

Growth Equities	66%
UK Equity	2%
North America Equity	36%
European Equity	7%
Japanese Equity	3%
Asia Pacific Equity	2%
Emerging Market Equity	5%
Global Equities	4%
MAF Core - Growth Assets	6%
Sustainable Transition Global Equity	1%
Growth Fixed Income	6%
Emerging Market Local & Hard Currency Bonds	2%
Emerging Market Corporate Bonds	2%
Global High Yield Bonds	2%
Defensive assets	23%
Global Sovereign Bonds	6%
US Inflation Linked Treasuries	1%
US Treasuries	2%
UK Gilt	7%
European Bonds	0%
Japanese Bonds	-2%
Global Credit	5%
MAF Core - Defensive Assets	3%
Cash & FX	1%
Alternative assets	6%
Absolute Return	4%
Gold	2%

Aviva Investors' Multi-asset propositions

	MAF fund ranges				MPS solutions
	MAF Core	MAF Plus	MAF Sustainable	MAF Income	SimplyBiz MPS
Key outcome	Market returns	Alpha	Sustainable outcome	Natural Income	Retirement focus
# of funds	5	5	5	1	3
Asset classes					
Componentry style	Passive focus	Blended focus	Active focus	Active focus	Active focus
Fund selection	In-house	In-house	In-house	In-house	Multi-manager
Approx. cost (OCF)	0.15%	0.35%-0.60%	0.35 -0.45%	0.35-0.60%	0.70% - 0.72%

-  Growth assets
-  Defensive assets
-  Alternative assets

Risk profilers



Ratings



Appendix

For MAF Core:

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 and exchange rates. Investors may not get back the original amount invested.

Emerging market risk: Investments can be made in emerging markets. These markets may be volatile and carry higher risk than developed markets.

Derivatives risk: 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.

Full information on risks applicable to the Fund are in the Prospectus and the Key Investor Information Document (KIID).

For MAF Plus:

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.

Emerging Markets Risk Investments can be made in emerging markets. These markets may be volatile and carry higher risk than developed markets.

Derivatives Risk 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.

Full information on risks applicable to the Fund are in the Prospectus and the Key Investor Information Document (KIID).

Key risks

For MAF Sustainable Stewardship:

Currency Risk: Changes in currency exchange rates could reduce investment gains or increase investment losses. Exchange rates can change rapidly, significantly and unpredictably.

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.

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.

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.

Counterparty Risk: The Fund could lose money if an entity with which it does business becomes unwilling or is unable to meet its obligations to the Fund. A bond or money market security could lose value if the issuer's financial health weakens.

Credit Risk: 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.

Fixed Income Risk: Investments in fixed interest securities are impacted by market and credit risk and are sensitive to changes in interest rates and market expectations of future inflation. Bonds that produce a higher level of income usually have a greater risk of default.

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.

Leverage Markets 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.

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.

Sustainability Risk: The level of sustainability risk to which the Fund is exposed, and therefore the value of its investments, may fluctuate depending on the investment opportunities identified by the Investment Manager.

For MAF Income:

Investment Risk 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.

Convertible Securities Risk Convertible bonds can earn less income than comparable debt securities and less growth than comparable equity securities, and carry a high level of risk.

Credit Risk Bond values are affected by changes in interest rates and the bond issuer's creditworthiness. Bonds that offer the potential for a higher income typically have a greater risk of default.

Derivatives Risk The Fund uses derivatives, these can be complex and highly volatile. Derivatives may not perform as expected meaning the Fund may suffer significant losses.

Illiquid Securities Risk Certain assets held in the Fund could 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.

Full information on risks applicable to the Fund are in the Prospectus and the Key Investor Information Document (KIID).

Ongoing Charges

This Share Class integrates Economies of Scale discounts to the Fund Management Fee ("FMF") which is a component of the Ongoing Charge Figure. Consequently, when a Fund reaches a certain size (a pre-defined "trigger point") a discount will automatically apply to the FMF. However, at all other times the FMF will be charged at the rate as set out in the Fund's prospectus. For further details on the Economies of Scale discounts and the trigger points at which they apply, please refer to the Fund's prospectus.

MAF Core and MAF Sustainable Stewardship -

This product does not have a UK sustainable investment label. This is because – although the fund has sustainability characteristics - it does not meet the criteria for a label. Sustainable investment labels help investors find products that have a specific sustainability goal. They can only be applied to funds with an explicit sustainability objective and that meet other specific regulatory criteria for a UK sustainable investment label.

MAF Plus -

The Investment Manager endeavours to comply with the requirements of the UK Stewardship Code when managing the Funds' assets. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for investors leading to sustainable benefits for the economy, the environment and society. Environmental (particularly climate) and social factors, in addition to governance, have become material issues for fund managers to consider when making investment decisions and undertaking stewardship. The Investment Manager therefore considers a range of financial and non-financial information when assessing investments and to inform its stewardship activities, including considering the potential or actual material risk that sustainability issues may have on an investment. For more information on how the Investment Manager carries out this activity and meets the requirements of the UK Stewardship Code, as well as details about Aviva Investors' firmwide policy, please see our website: <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/>

THIS IS A MARKETING COMMUNICATION

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The Aviva Investors Multi-asset Funds comprise two ranges, each with five funds (together the "Funds"): Aviva Investors Multi-asset Plus Fund range comprises the Aviva Investors Multi-asset Plus Fund I ("MAF Plus I"), the Aviva Investors Multi-asset Fund Plus II ("MAF Plus II"), the Aviva Investors Multi-asset Plus Fund III ("MAF Plus III"), the Aviva Investors Multi-asset Plus Fund IV ("MAF Plus IV") and the Aviva Investors Multi-asset Plus Fund V ("MAF Plus V") Aviva Investors Multi-asset Core Fund range comprises the Aviva Investors Multi-asset Core Fund I ("MAF Core I"), the Aviva Investors Multi-asset Fund Core II ("MAF Core II"), the Aviva Investors Multi-asset Core Fund III ("MAF Core III"), the Aviva Investors Multi-asset Core Fund IV ("MAF Core IV") and the Aviva Investors Multi-asset Core Fund V ("MAF Core V").

The Funds are sub-funds of the Aviva Investors Portfolio Funds ICVC. For further information please read the latest Key Investor Information Document and

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Supplementary Information Document. The Prospectus and the annual and interim reports are also available on request. Copies in English can be obtained free of charge from Aviva Investors UK Fund Services Limited, 80 Fenchurch Street, London, EC3M 4AE. You can also download copies from our website. Issued by Aviva Investors UK Fund Services Limited. Registered in England No 1973412. Authorised and regulated by the Financial Conduct Authority. Firm Reference No. 119310. Registered address 80 Fenchurch Street, London, EC3M 4AE. An Aviva company.

The Aviva Investors MAF Sustainable Stewardship funds are a new range by Aviva Investors and will comprise four funds: Aviva Investors Multi-asset Sustainable Stewardship Fund I ("MAF SS I"), the Aviva Investors Multi-asset Sustainable Stewardship Fund II ("MAF SS II"), the Aviva Investors Multi-asset Sustainable Stewardship Fund III ("MAF SS III") and the Aviva Investors Multi-asset Sustainable Stewardship Fund IV ("MAF SS IV"). Issued by Aviva Investors UK Fund Services Limited. Registered in England No 1973412. Authorised and regulated by the Financial Conduct Authority. Firm Reference No. 119310. Registered address: 80 Fenchurch Street, London, EC3M 4AE. An Aviva company.