

Aviva Investors

Global Equity Endurance Fund

Giles Parkinson, Fund Manager

September 2019

Turbulence

The fund declined by 0.1%* in September, whilst the MSCI All-Countries World Index rose by 2.1%. Since inception the fund is up 44%*, whilst the MSCI All-Countries World Index is up 34%*. As a long-term strategy with low turnover we fully expect and recommend that unitholders judge our performance over a period of five years or more.

September was a relatively weaker month in which the fund did not participate in the market's rise. Our June commentary *Healthy Paranoia* addressed the topic of rising stock momentum within the portfolio and the commensurately strong YTD fund performance. Making too much money, too soon could be classed as a 'good problem to have' but in our experience can be a sign of growing risk. Our response – as it ever shall be – was to buy cheap stocks and sell expensive ones based on our assessment of their intrinsic value. Turnover in the fund accordingly increased: across the second and third quarters we initiated seven new holdings (Aon, St James's Place, Comcast, First Republic, Marsh & McLennan, Travelsky Technology, Allegion) which at month-end accounted for twelve percent of the NAV. In aggregate these purchases were material positive contributors to performance in September, with St James's Place rising almost 8% in US dollar terms, for example.

Unilever is one example of something that was sold on the other side. At the beginning of the second quarter it was a 6.2% position, the third largest overall, and has been a substantial holding since fund inception. Back in the middle of 2017 the company guided that disposing of the structurally declining margarine business and acquiring fast-growing "speedboat" brands like Dollar Shave Club would be accretive to the overall organic revenue growth rate by one percent. However, even with this benefit the top-line has failed to accelerate from the 2016 level of around three percent, in contrast to the trends exhibited by large cap peers, and despite the tailwind from pickup in emerging-markets which account for a disproportionate majority of Unilever's revenues. The recovery at Procter & Gamble, who reported seven percent organic growth in the most recent period, is particularly stark (something we addressed in our August 2017 commentary *Big Gorilla*). Indeed, Unilever's market share began to slip in 2017, coincident with the cost-cutting response to juice profits and defend against the aborted takeover bid from KraftHeinz. Whilst these deteriorating trends had been apparent to us for some time and we revised our valuation assessment accordingly, what changed more rapidly was that the share price continued to make fresh all-time highs, and consequently the position ended the month at 1.6%.

Past performance does not guarantee future returns.

*Source: Bloomberg, I USD share class, Net of fees, 30th August to 30th September 2019. The inception date of the fund was 21st November 2016

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Key Risks

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.

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.

The Fund invests in emerging markets, these markets may be volatile and carry higher risk than developed markets.

The Fund invests in a small portfolio of securities. Losses from a single investment may be more detrimental to the overall performance than if a larger number of investments were made.

The Fund uses derivatives; these can be complex and highly volatile. This means in unusual market conditions the Fund may suffer significant losses. In unusual market conditions, the Fund may have difficulty selling its investments, which may cause it to suffer losses, defer redemption payments or suspend dealing in shares.

Investors' attention is drawn to the specific risk factors set out in the fund's share class key investor information document ("KIID") and Prospectus. Investors should read these in full before investing.

Important Information

Unless stated otherwise any opinions expressed are those of Aviva Investors. They should not be viewed as indicating any guarantee of return from an investment managed by Aviva Investors nor as personalised advice of any nature. This document should not be taken as a recommendation or offer by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. The legal documentation and the subscription documents should be read before an investment is made. Portfolio holdings are subject to change at any time without notice and information about specific securities should not be construed as a recommendation to buy or sell any securities.

The Prospectus and Key Investor Information Document (KIID), are available, together with the Report and Accounts of the SICAV, free of charge from Aviva Investors Luxembourg, 2 rue du Fort Bourbon 1st Floor.L-1249 Luxembourg, Grand Duchy of Luxembourg R.C.S. Luxembourg B25708, Aviva Investors, St Helen's, 1 Undershaft, London EC3P 3DQ or relevant office below. The Prospectus is available in English and German. Where a sub fund of the SICAV is registered for public distribution in a jurisdiction, a KIID in the official language of that jurisdiction will be available. The Prospectus, the KIIDs, the Articles of Incorporation as well as the Annual and Semi-Annual Reports are available free of charge in Austria from Raiffeisen Bank International AG, Am Stadtpark 9, 1030 Vienna the paying agent and in Switzerland, from the representative and paying agent BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. In Germany, The Paying and Information Agent in the Federal Republic of Germany is Marcard, Stein & Co AG Ballindamm 36 20095 Hamburg, Germany. In Spain, copies of the Prospectus and KIID together with the Report and Accounts are available free of charge from the offices of distributors in Spain. The UCITS is authorised by the CNMV with registration number 7. You can also download copies at www.avivainvestors.com. Aviva Investors Global Services Limited, registered in England No. 1151805. Registered Office: St Helen's, 1 Undershaft, London EC3P 3DQ. Authorised and regulated in the UK by the Financial Conduct Authority and a member of the Investment Association.

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