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# Aviva Investors Strategic Bond Fund

## **Quarterly review** for the three months to 30 June 2024

| REPRESENTATIVE SHARE CLASS | SHARE CLASS INCEPTION DATE | FUND SIZE |
|---|---|---|
| GB00B3CGG643 | 22/09/2008 | GBP 197.61m |

## Fund overview

**Objective:** To grow your investment through a combination of income and capital returns, whilst aiming to provide a net return greater than that of the benchmark over the long term (5 years or more) (after charges and taxes). The benchmark (the "Index") is a composite index, as detailed in our prospectus.

The fund's benchmark was introduced on the 7th August 2019 and is tracked since inception.

## Summary

| | |
|---|---|
| Fund managers | **Chris Higham** since 09/2008<br>**James Vokins** since 06/2016 |
| Performance benchmark | **Composite Index** |

### What happened in the market

Fixed income markets were held back by fading hopes of early cuts in interest rates by the main central banks. Corporate bonds also struggled for momentum as spreads widened.

### Performance

The fund performed well in relative terms over the quarter. At the sector level, the overweighting of communications companies was a key contributor. Positioning in banks was also helpful.

### Looking ahead

We are moderately positive on the outlook for corporate bonds. Despite relatively heavy new issuance and rich valuations, we note ongoing strong investor demand as all-in yields remain attractive.

## What happened in the market

Global fixed income markets were lacklustre in the second quarter as the main monetary policy makers indicated that the pace of interest rate cuts was likely to be slower than forecast. Changing rates expectations and unpredictable inflation data saw sovereign bond yields suffer a rollercoaster ride, rising initially and then falling back. Ultimately, most markets posted losses, with European issues suffering particular turbulence at the end of the quarter following a shift to the right in the EU parliamentary elections and a risky snap National Assembly poll called by French president Macron. The Bank of Japan remained the notable outlier in terms of policy, with Japanese government bond yields rising to their highest level in a decade in May and remaining elevated thereafter following the announcement of an intention to reduce the pace of bond purchasing. Global high-yield and investment-grade credit spreads widened marginally for the first time in the last five quarters. The widening was more pronounced in high yield than investment grade in both the US dollar and euro markets. Notably, euro investment-grade and high-yield spreads widened the most in June after the surprise call for elections in France. US dollar credit spreads also saw widening in June.

## Calendar year returns

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Fund gross** | 9.24% | 7.97% | 1.98% | -11.16% | 8.16% |
| **Fund net** | 8.29% | 7.02% | 1.09% | -11.94% | 7.21% |
| **Benchmark** | 9.29% | 5.77% | 0.59% | -13.08% | 8.60% |
| | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Fund gross** | 8.00% | 2.90% | 7.92% | 4.18% | -3.57% |
| **Fund net** | 6.02% | 1.02% | 6.00% | 2.91% | -4.41% |
| **Benchmark** | 6.42% | -0.36% | 8.07% | 4.04% | -1.78% |

**Past performance is not a guide to future performance.**

Performance shown is for the representative share class, for details of other share classes please refer to the specific factsheet. Performance basis: Mid to mid, in the share class currency, net of tax payable by the Fund with income reinvested. Net figures are net of ongoing charges and fees. Net and Gross performance does not include the effect of any exit or entry charge. The Fund's performance is compared against the one third Bloomberg Treasury G7 Index (GBP hedged), one third Bloomberg Global Aggregate Corporate Index (GBP hedged), and one third Bloomberg Global High Yield Index ex CMBS ex EMG 2% issuer capped (GBP hedged).

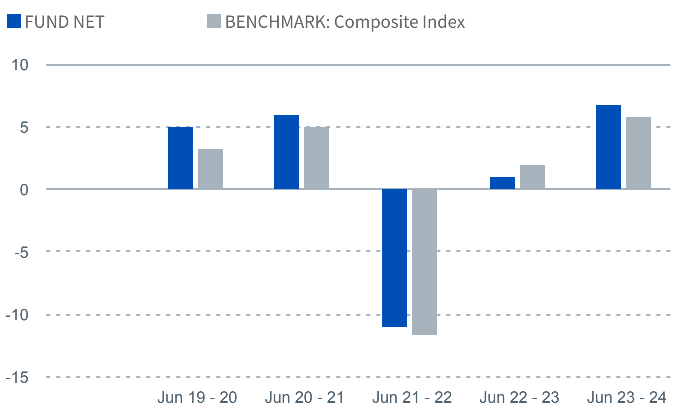
The fund performed well in relative terms over the quarter. At the sector level, the overweighting of communications companies (notably cable & satellite and wirelines) was a key contributor. Positioning in banks was also helpful, mainly via the exposure to UK financials and the underweighting of French banks as volatility spiked in June. The fallout from the calling of the snap French election was also softened by the exposure to the iTraxx Main hedging position. The leading individual security positions were Greene King and Altice. The holding in US Treasuries was the main detractor.

## Looking ahead

We believe the backdrop for bonds is broadly positive given the income now available and a monetary easing cycle ahead. The extent of further easing will be determined not by the need for policy to be made less restrictive but by how much policy will need to be accommodative in the face of a weaker growth outlook. As it stands, the US economy appears to be heading for a soft landing, while Europe and the UK are starting to show signs of recovery. This may slow the pace of rate cuts and thus reduce the expected tailwind for bonds. Regarding corporate bonds, we are moderately positive on the outlook. Despite relatively heavy new issuance and rich valuations, we note ongoing strong investor demand as all-in yields remain attractive. Solid yields also support high-yield bonds, although investor demand is slowing and we are starting to see some sharply negative price action for some issuers. For emerging market debt, softer global financial conditions create an easier funding backdrop for issuers. Moreover, the fact that inflation is under control across many emerging countries should also permit long interest rate cutting cycles to take root and help unlock the latent value in the market.

# **Aviva Investors Strategic Bond Fund** Quarterly review June 2024

## Rolling annual net performance (%)




| | Jun 19 - 20 | Jun 20 - 21 | Jun 21 - 22 | Jun 22 - 23 | Jun 23 - 24 |
|---|---|---|---|---|---|
| Fund gross | 5.85 | 6.80 | -10.32 | 1.86 | 7.73 |
| Fund net | 4.92 | 5.87 | -11.10 | 0.98 | 6.79 |
| Benchmark | 3.18 | 5.02 | -11.62 | 1.99 | 5.81 |

**Past performance is not a guide to future performance.**
Basis of performance is described on page 1.

## Performance

| | Cumulative (%) | | | | | Annualised (%) | | |
|---|---|---|---|---|---|---|---|---|
| | 1M | 3M | 6M | YTD | 1Y | 5Y | 10Y | Since Inception |
| **Fund gross** | 1.36 | 0.95 | 1.65 | 1.65 | 7.73 | 2.16 | 2.92 | 6.60 |
| **Fund net** | 1.28 | 0.73 | 1.20 | 1.20 | 6.79 | 1.27 | 1.75 | 5.02 |
| **Benchmark** | 0.76 | 0.23 | 0.60 | 0.60 | 5.81 | 0.66 | 2.13 | 4.29 |

## Fund targets

The Index has been selected as a benchmark for performance measurement because it is representative of the type of bonds in which the Fund is likely to invest, and it is therefore an appropriate measure for the Fund's performance.

## Fund 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.

**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).

## Important information

**THIS IS A MARKETING COMMUNICATION**

The source for all performance, portfolio and fund breakdown data is Morningstar unless indicated otherwise. All data is as at the date of the Factsheet, unless indicated otherwise.

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For further information please read the latest Key Investor Information Document and 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, PO Box 10410, Chelmsford CM99 2AY. You can also download copies at www.avivainvestors.com

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All performance figures shown are up to the latest month end unless otherwise stated and are on a total return basis. Up to 05 April 2017, the figures include income reinvested after deducting basic rate income tax. From 06 April 2017, income is reinvested without deducting this tax. This will impact fund performance figures post 06 April 2017.