

“The investment cycle”  
“The return of volatility”  
&

“The importance of being selective for multi  
asset investors in the current environment”

**John Deehan - Investment Sales  
Manager**

# Multi-Asset Choice



**Cost  
efficient**

**3 world  
class, multi  
award  
winning  
fund  
managers**

**Active,  
passive  
and  
blended  
styles**

**Reduce risk and  
create unique  
portfolios by  
blending funds from  
the same risk profile**

**Lifestyle  
options  
available**



- Seeks to optimise returns for the level of risk taken
- Blended approach of active and passive investments



- Seeks to optimise returns by targeting different risk levels
- Primarily low cost passive investments

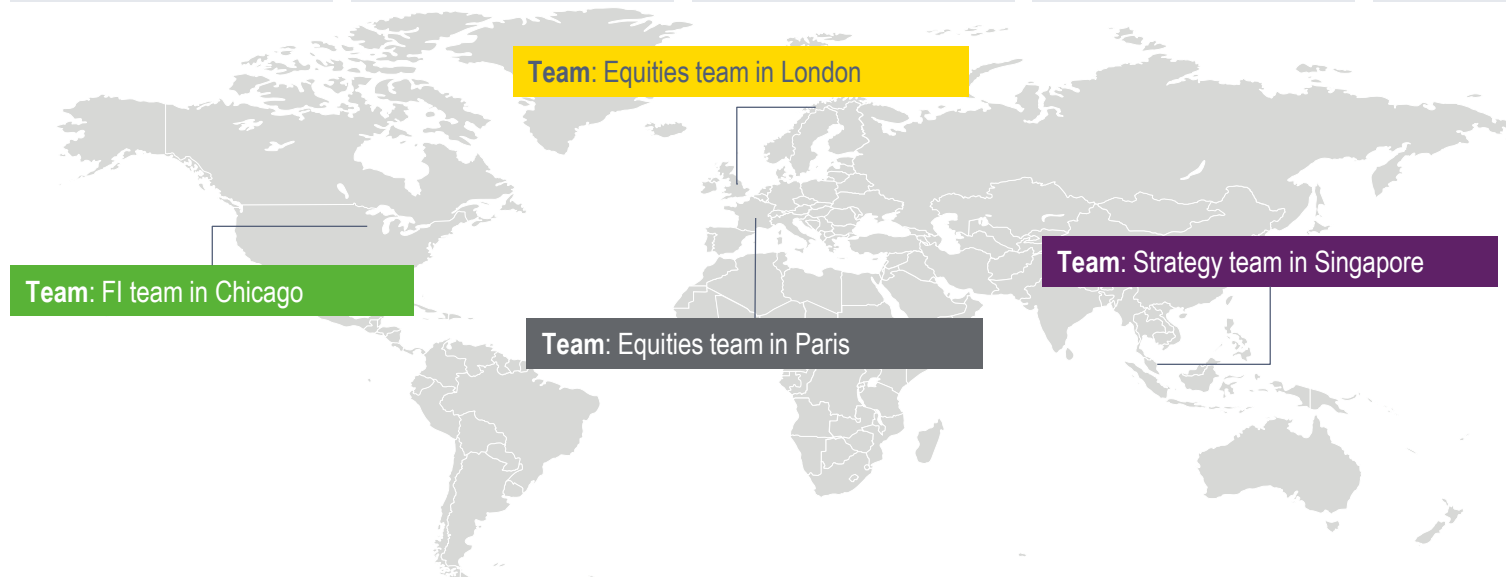


- Seeks to optimise returns by varying the funds' exposure to return seeking assets
- Primarily active investments

✓ Over  
**86,000**  
**customers**  
<sup>1</sup>

✓ Over **€3**  
**billion in**  
**assets**<sup>2</sup>

Fixed Income	Equities	Multi-asset	Corporate Research	ESG
87 investment professionals €250 billion AuM	27 investment professionals €78 billion AuM	36 investment professionals €118 billion AuM*	28 investment professionals Industry & regional focus	9 investment professionals



Source: Aviva Investors. Staff data updated as at 28 February 2018. AUM data updated as at 30 September 2017. \*Please note: Our Multi-asset team manage € 118 billion (£104bn, \$140bn) of assets managed by investment desks across Aviva Investors and would be included in the equities and fixed income figures above. The coloured boxes on the map represent examples of AIMS strategies in the fund proposed by our global asset class teams.

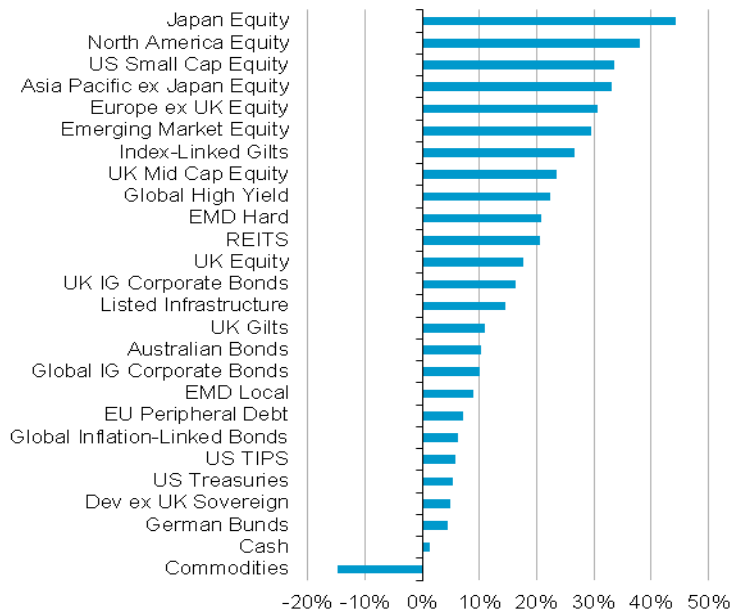
# Looking back in time

## A three year review

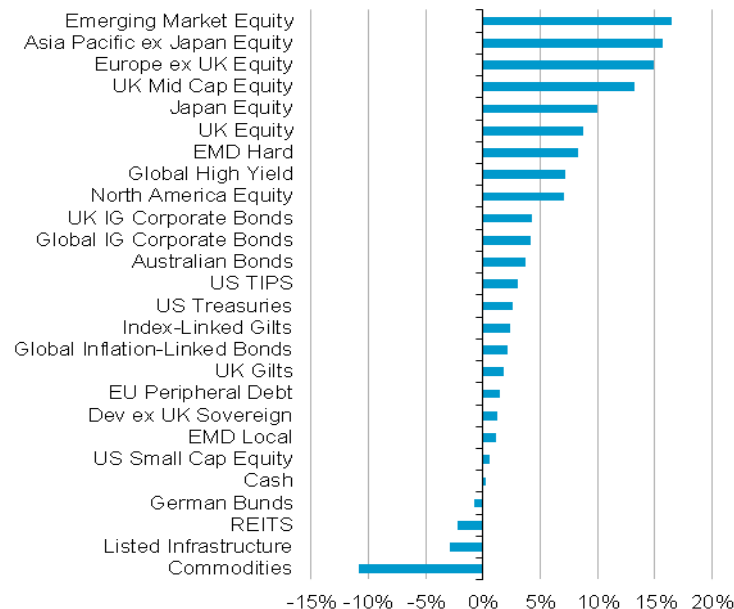


# What happened to asset classes?

## Asset class performance for a EUR-based investor over the last 3 years



## Asset class performance for a EUR-based investor over the last 12 months

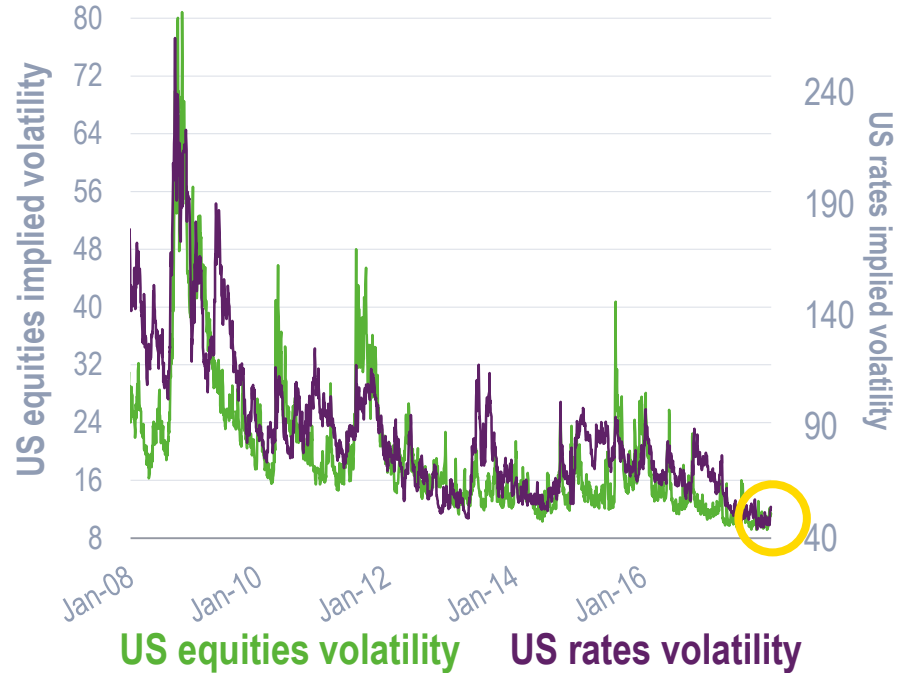


# What happened in 2017?

## Bond markets not fully pricing in positive US economic fundamentals



## Bye-bye liquidity, hello volatility?



# House View

## Key themes

**Turning point for  
global monetary policy  
in sight**

Underweight duration  
and credit

**Market outcomes to be  
increasingly  
determined by  
fundamental factors**

Overweight value  
regions and sectors

**Expectations of  
sustained inflation**

Overweight to US  
inflation

**Opportunistic  
Chinese reform**

Overweight to emerging  
market assets

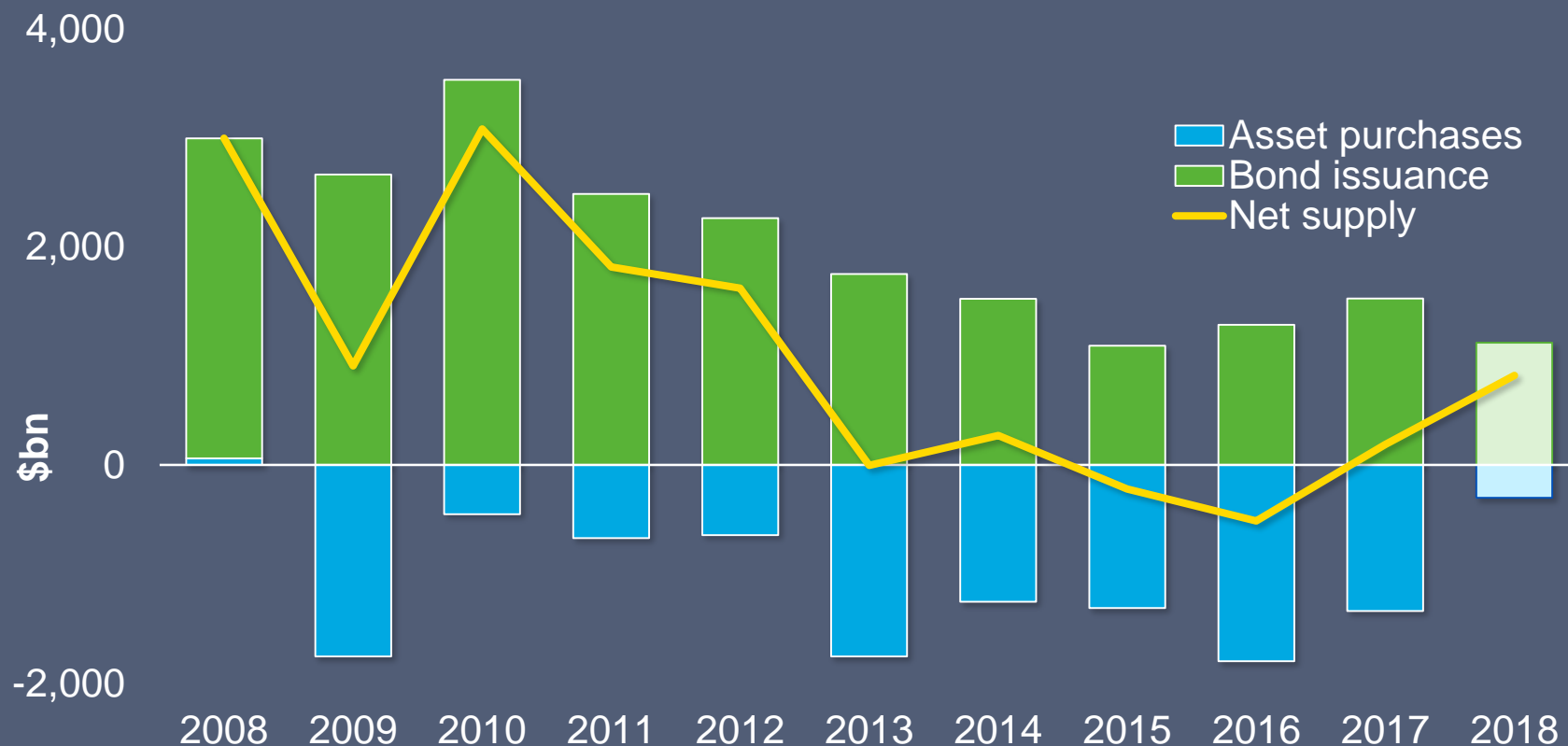
**Peak financial  
regulation**

Preference for European  
banks

Source: Aviva Investors as at 31 December 2017.

# Turning point for global monetary policy

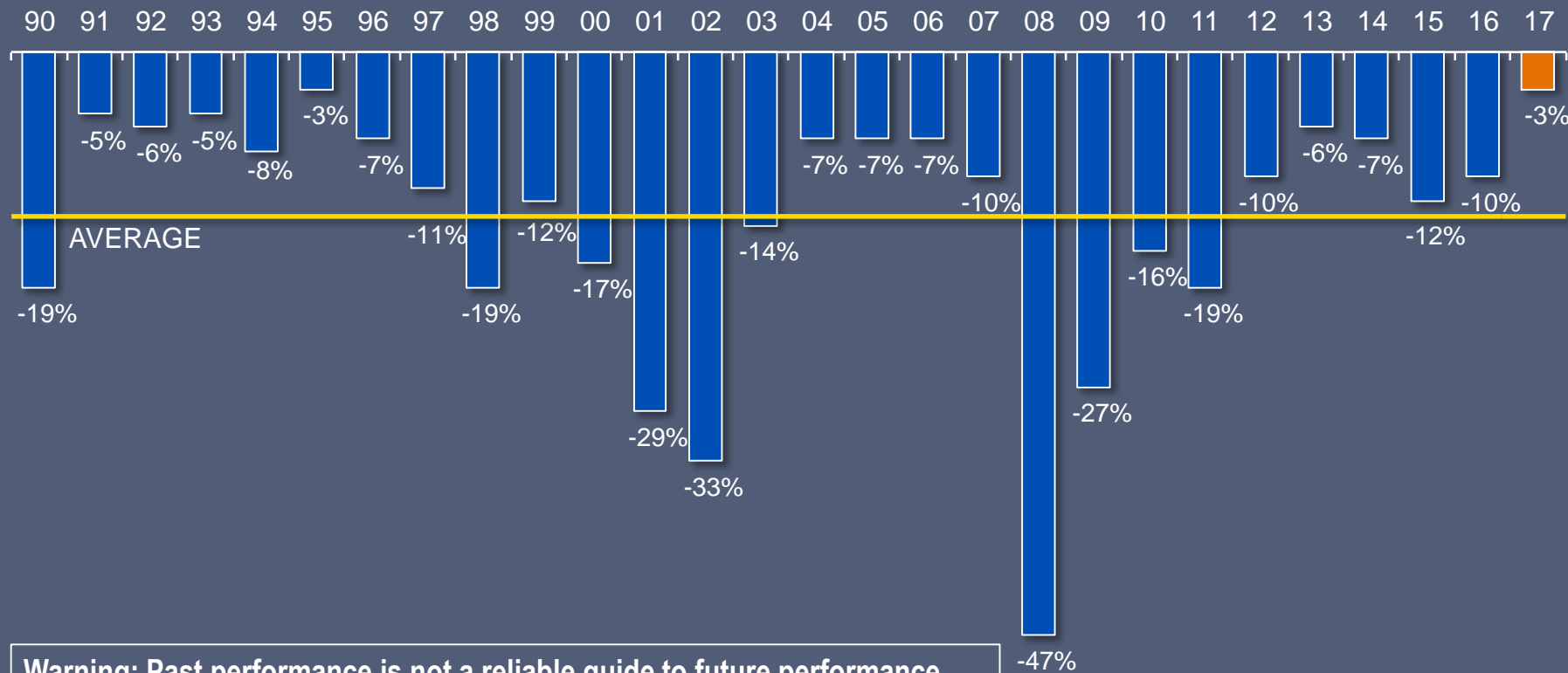
Expect higher interest rates





# Historically low drawdowns for S&P 500

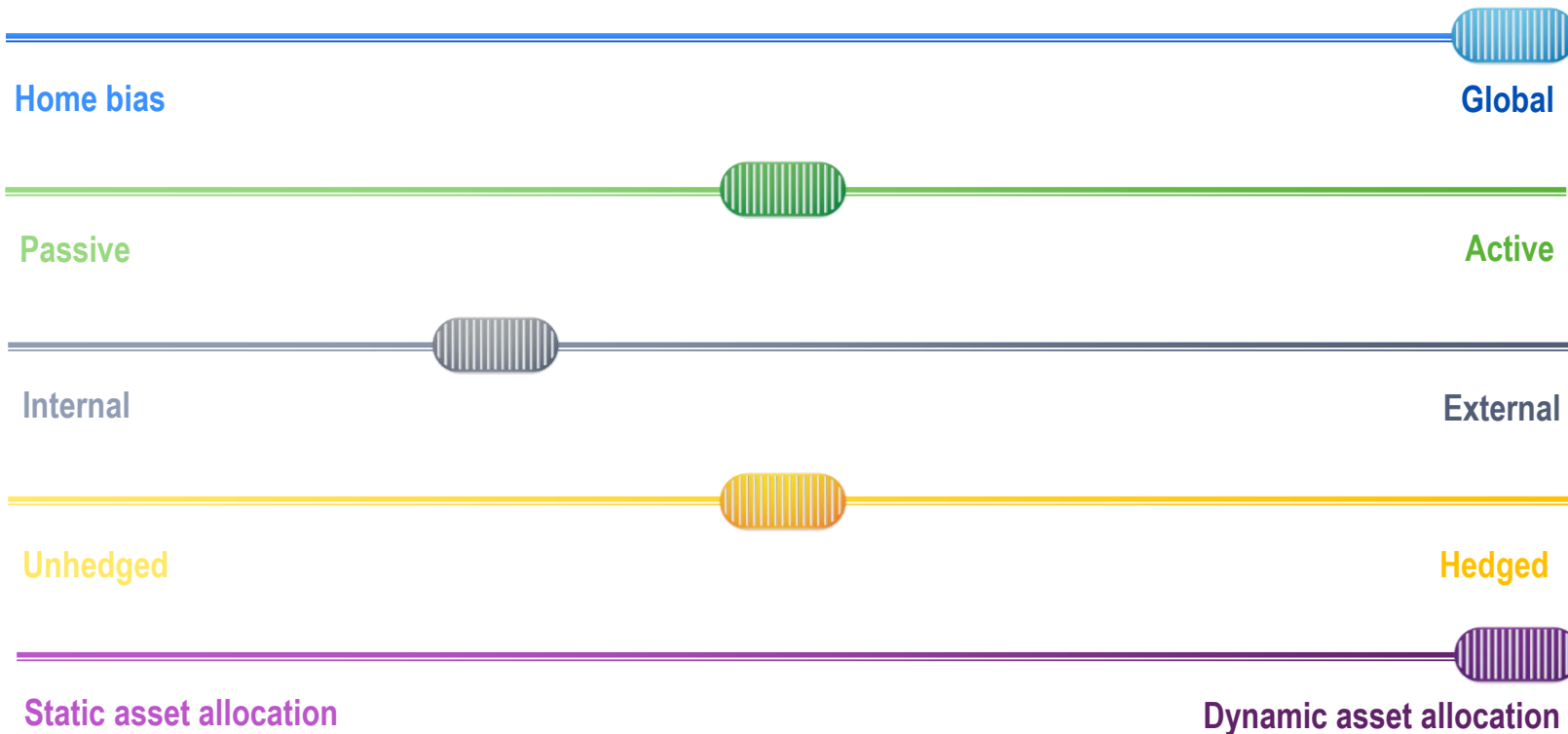
Expect volatility to normalise



Warning: Past performance is not a reliable guide to future performance.

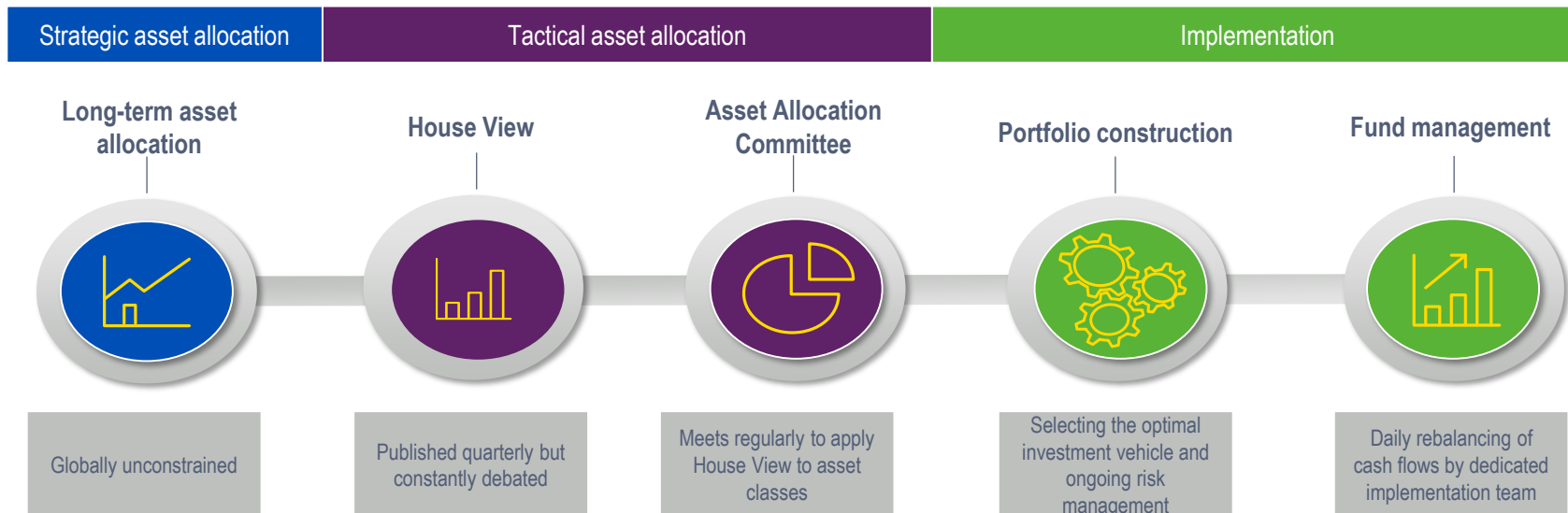
# Building a multi-asset solution in today's environment

## Key considerations



# Investment process

Our investment process draws on all our strengths



Harnessing our global resources to determine optimal asset allocation

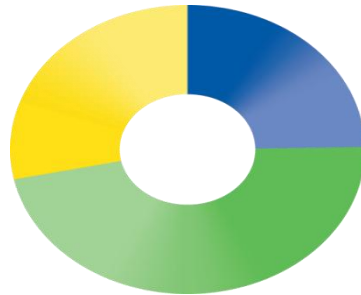
Constructing risk-managed portfolios that are robust

# Strategic asset allocation

## Aligned to ESMA risk bands

MAF Funds	MAF Cautious	MAF Strategic	MAF Dynamic
ESMA* risk rating	3	4	5
5-year volatility band (%)	2 - 5	5 - 10	10 - 15

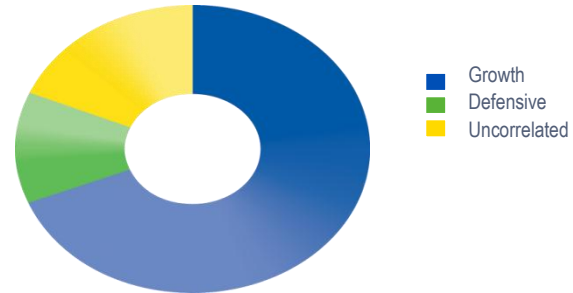
MAF Cautious (Risk 3)



MAF Strategic (Risk 4)



MAF Dynamic (Risk 5)



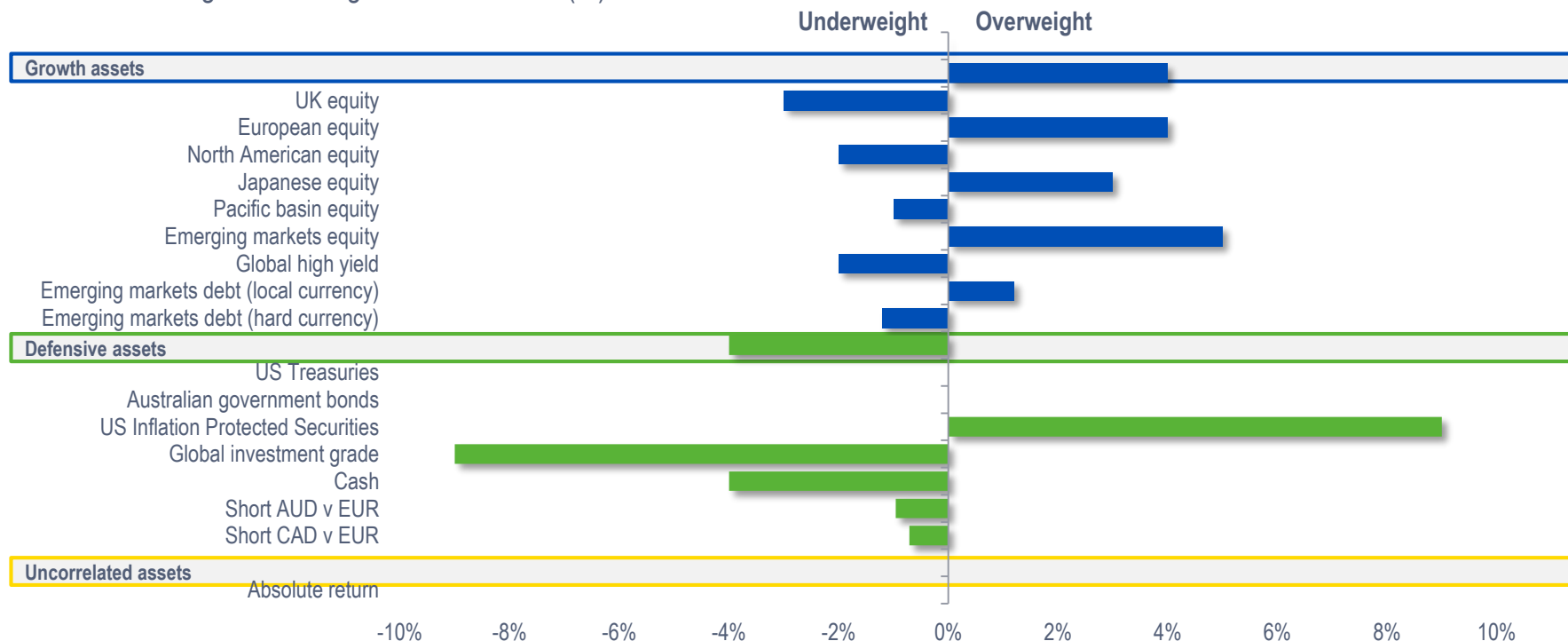
■ Growth  
■ Defensive  
■ Uncorrelated

Source: Aviva Investors at 31 December 2017. \* ESMA is European Securities and Markets Authority. The asset allocation splits shown are for illustrative purposes only.

# Tactical asset allocation

## Adding value around the strategic asset allocation

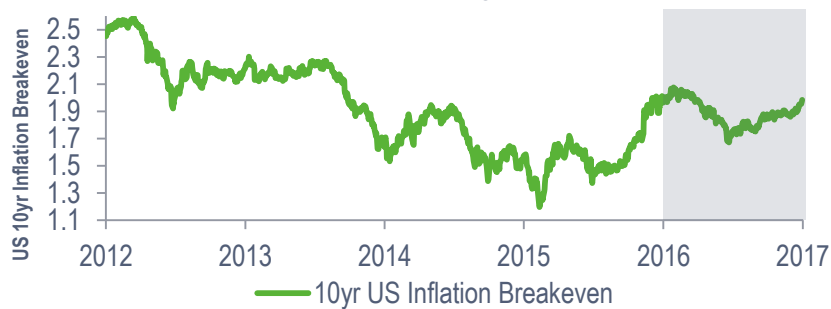
Relative weights to strategic asset allocation (%)



# Outlook

## Expect a pick-up in inflation

Global inflation expectations recovered during 2017

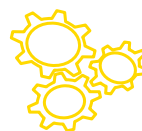
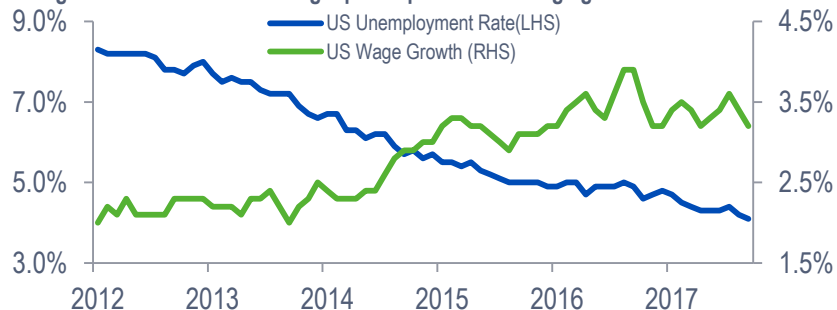


Macro economic fundamentals point towards a sustained return of inflation to target



Positive backdrop for Growth assets but Defensive assets will be more challenged

Tighter labour market creating upward pressure on wage growth

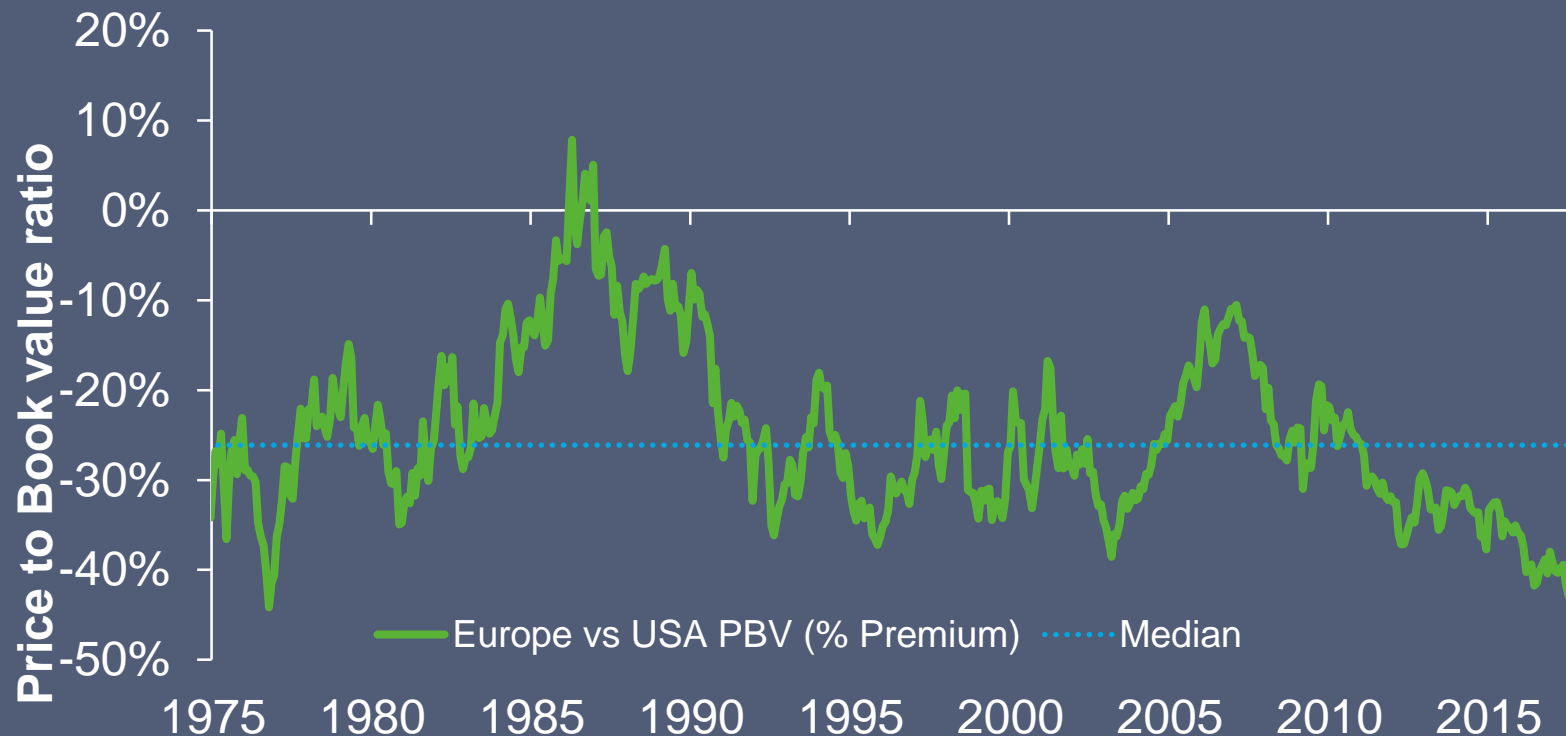


Tactical overweight to growth assets and US Inflation Protected Securities (TIPS)

Source: Aviva Investors, Macrobond and Bloomberg, as at 31 December 2017

# The importance of being selective

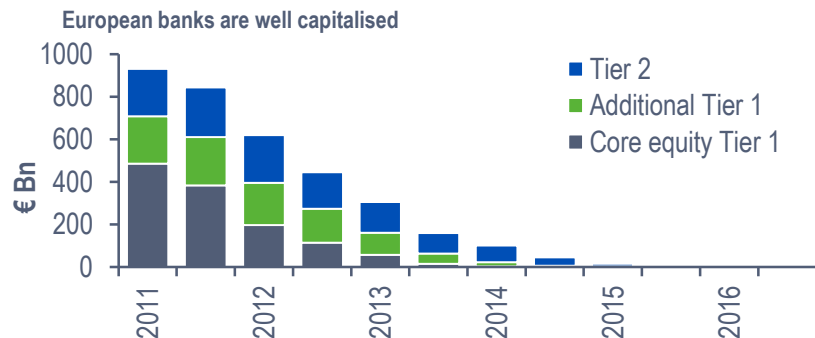
## European versus US equity



**WARNING: Past performance is not a reliable guide to future performance.**

# Outlook

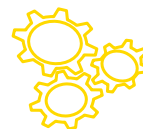
## Expect European banks to outperform broader market



Banks are attractively valued and should benefit from an increase in rates



Tilt portfolio to European banking sector



Implemented via a Euro Stoxx Banks Future

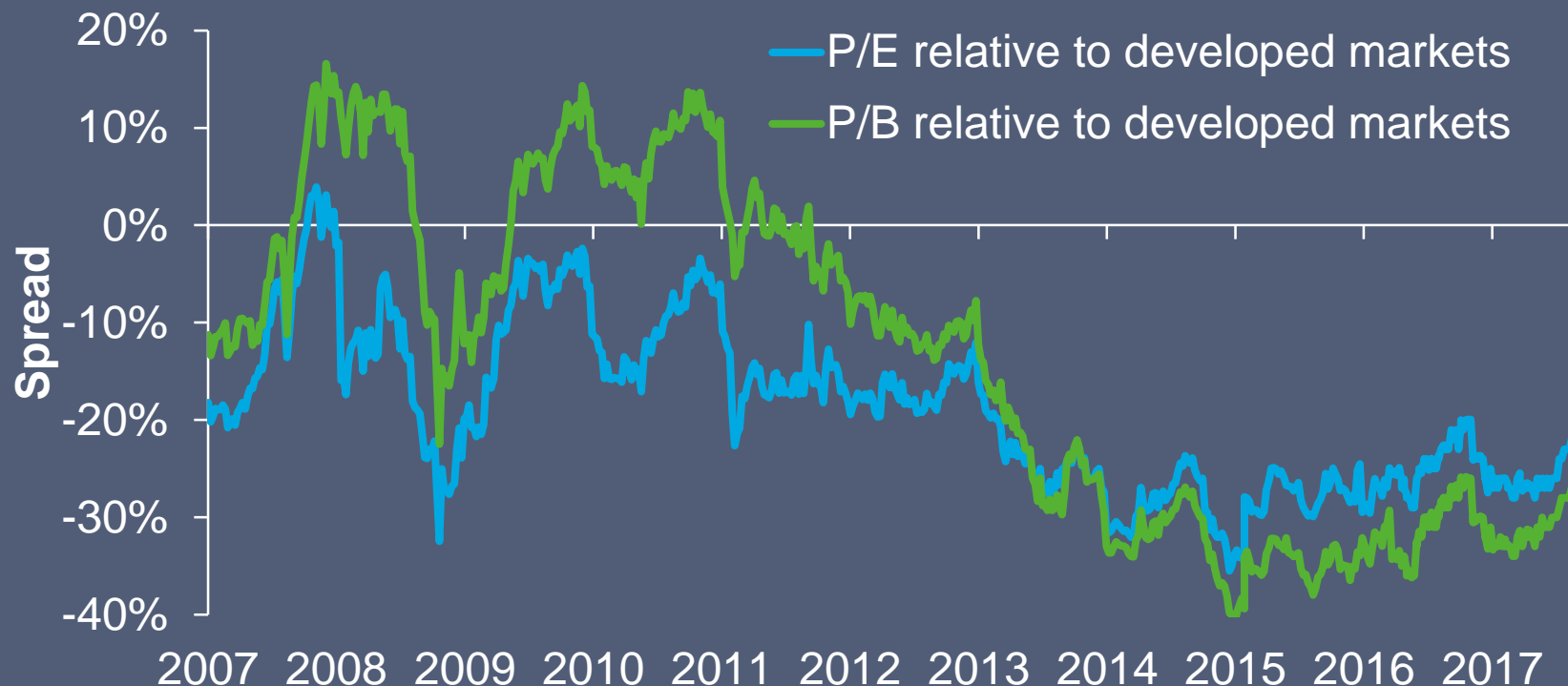


Sources: Bloomberg, Aviva Investors, Basel Committee on Banking supervision as at 31 December 2017.



# Looking further afield

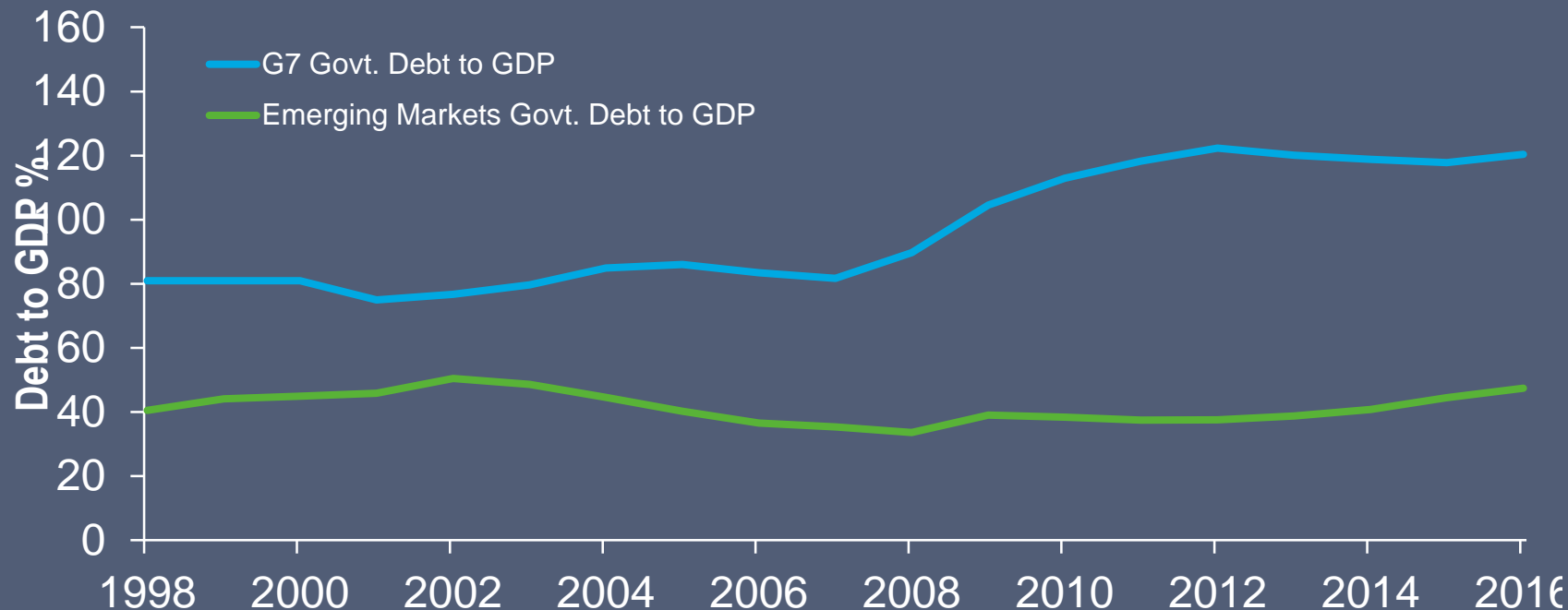
## Emerging market versus developed equities



**WARNING: Past performance is not a reliable guide to future performance.**

# A closer look at fundamentals

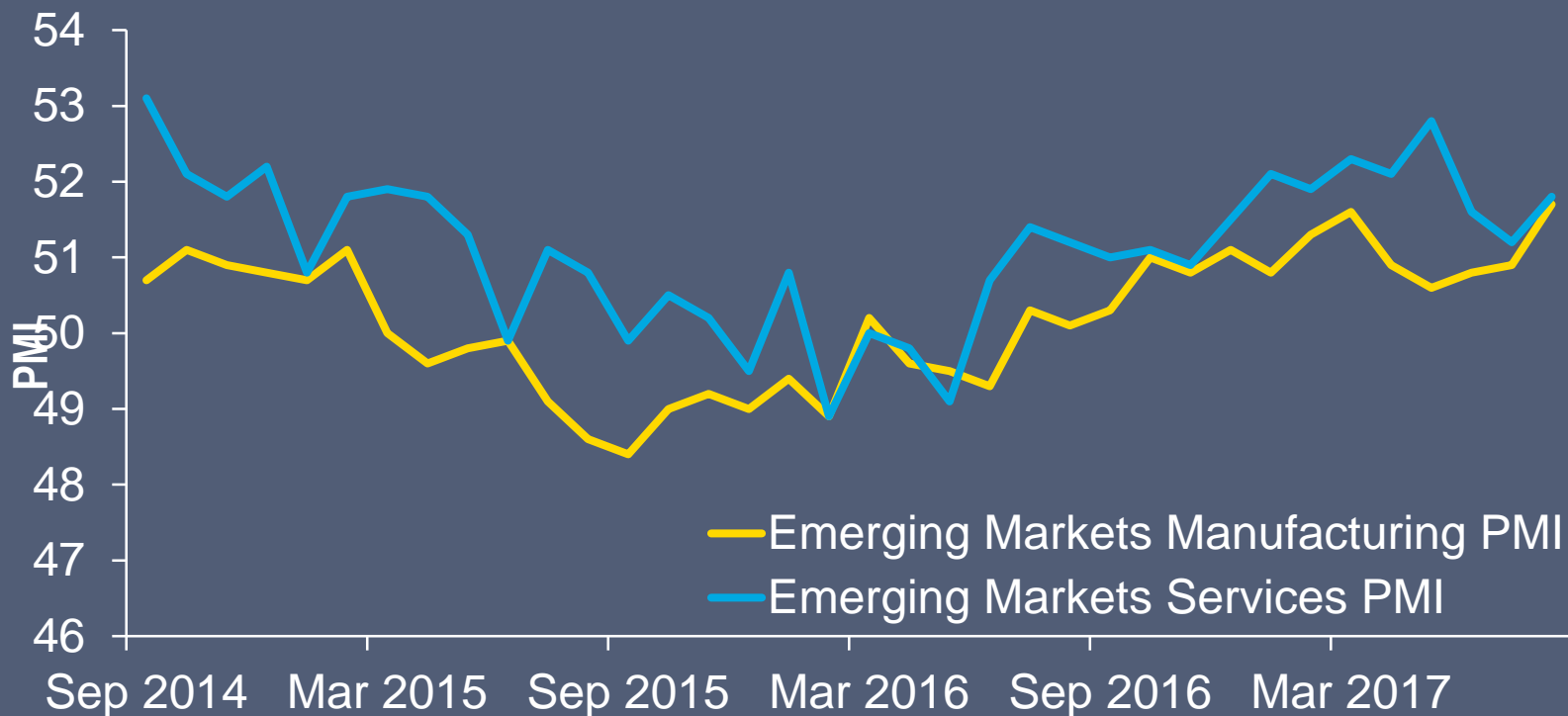
## Emerging economies benefit from solid fundamentals



**WARNING: Past performance is not a reliable guide to future performance.**

# A closer look at fundamentals

Emerging economies benefit from improving sentiment



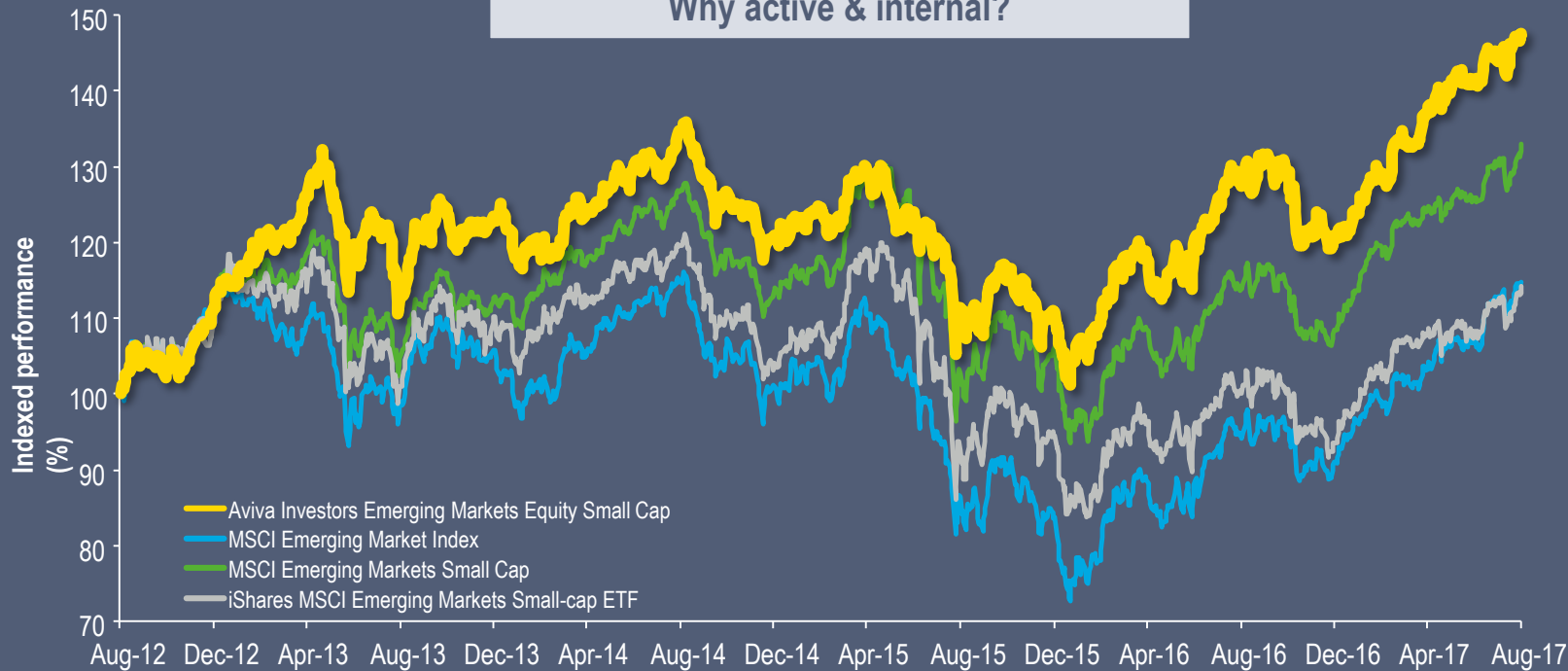
**WARNING: Past performance is not a reliable guide to future performance.**

Source: Aviva Investors, Macrobond as at 31 August 2017.

# Emerging Markets Equity Small Cap

Active & internal

Why active & internal?



**WARNING: Past performance is not a reliable guide to future performance.**



Higher interest rates

Volatility to normalise

Asset prices to be determined by fundamentals



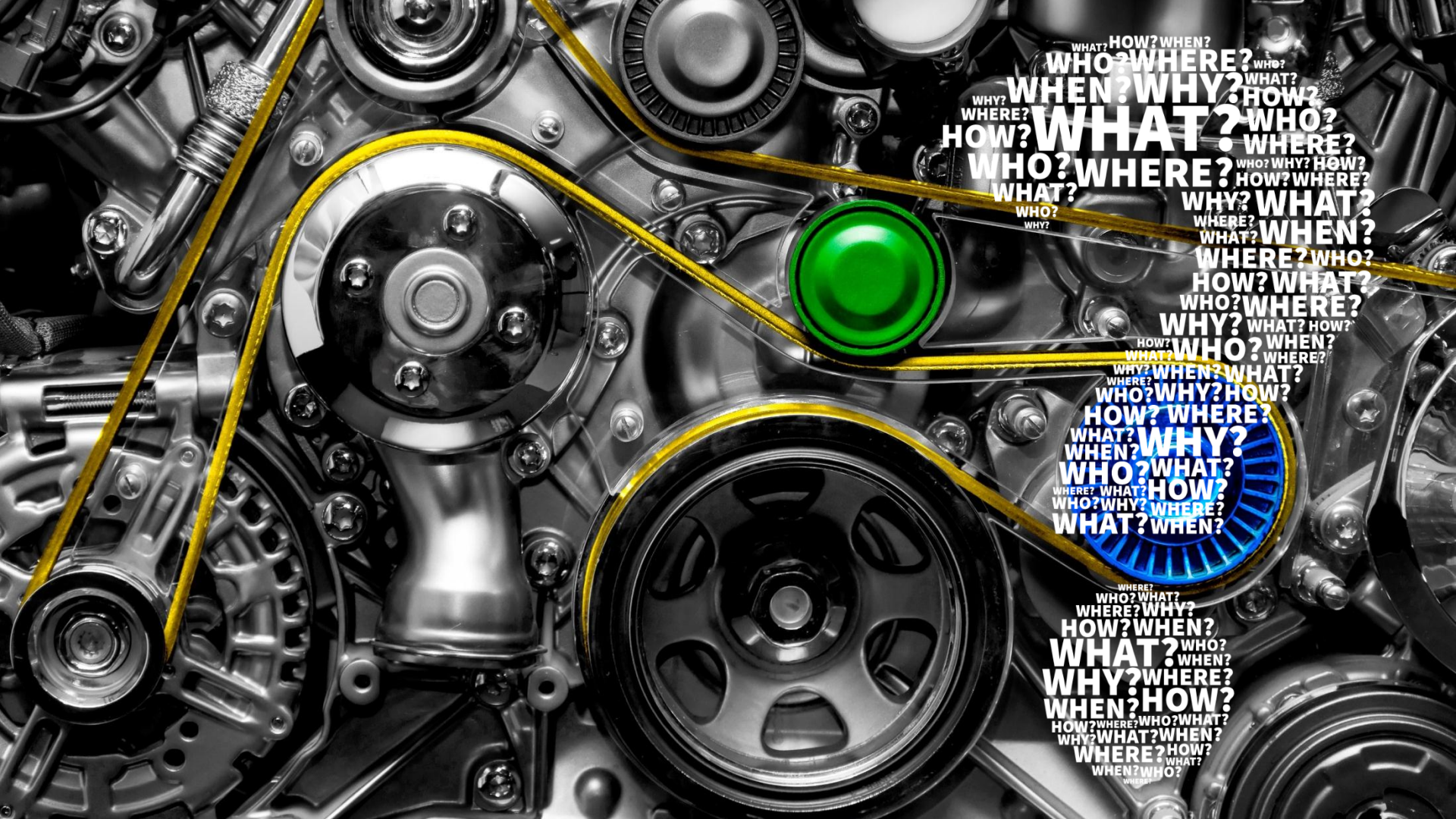
---

“Those who do not remember the past are condemned to repeat it”

---



**Benjamin Graham,  
The Intelligent Investor**



WHAT? HOW? WHEN?  
WHO? WHERE? WHO?  
WHY? WHAT? HOW?  
WHY? WHERE? WHO?  
HOW? WHAT? WHERE?  
WHO? WHERE? HOW? WHERE?  
WHAT? WHO?  
WHY?  
WHY? WHAT?  
WHERE? WHAT?  
WHAT? WHEN?  
WHERE? WHO?  
HOW? WHAT?  
WHO? WHERE?  
WHY? WHAT? HOW?  
HOW? WHO? WHEN?  
WHERE? WHERE?  
WHY? WHEN? WHAT?  
WHO? WHY? HOW?  
HOW? WHERE?  
WHAT? WHY?  
WHEN? WHAT?  
WHO? WHAT?  
WHERE? WHAT? HOW?  
WHO? WHY? WHERE?  
WHAT? WHEN?  
WHERE?  
WHO? WHAT?  
WHERE? WHY?  
HOW? WHEN?  
WHAT? WHO?  
WHY? WHERE?  
WHEN? HOW?  
HOW? WHERE? WHO? WHAT?  
WHY? WHAT? WHEN?  
WHERE? HOW?  
WHEN? WHO?

# Thank you





Aviva Life & Pensions UK Limited, trading as Aviva Life & Pensions Ireland, is authorised by the Prudential Regulation Authority in the UK and is regulated by the Central Bank of Ireland for conduct of business rules.

Aviva Life & Pensions UK Limited, trading as Aviva Life & Pensions Ireland, is also regulated in the UK: by the Prudential Regulation Authority for prudential rules and, to a limited extent, by the Financial Conduct Authority for applicable UK conduct rules. Registered Branch Office in Ireland (No 906464) at One Park Place, Hatch Street, Dublin 2. Tel (01) 898 7000 Web [www.aviva.ie](http://www.aviva.ie) Registered in England (3253947) at Wellington Row, York, YO90 1WR.

WARNING: The value of your investment may go down as well as up.  
WARNING: If you invest in these funds you may lose some or all of the money you invest.

WARNING: These funds may be affected by changes in currency exchange rates.