

Aviva Investors Multi-Strategy Target Return

Quarterly review for the three months to 30 September 2021



ISIN
AU60PIM00268

UNIT CLASS INCEPTION DATE
01/07/2015

FUND SIZE
AUD 210.59m

Fund overview

Objective: To achieve a 5% per annum gross return above the Reserve Bank of Australia Cash Rate (or equivalent) over a 3-year rolling period, regardless of market conditions (absolute return).

* Ian Pizer used to manage this fund from 01/07/2014 to 01/09/2018 and again he is an active fund manager from 06/05/2021 to present.

Summary

Underlying Fund managers

Peter Fitzgerald since 07/2015
***Ian Pizer** since 05/2021

Performance benchmark

RBA cash rate + 5%

What happened in the market

Risk assets trended higher over the quarter, before correcting sharply in September as concerns around slowing growth, higher inflation and policy tightening concerns took hold.

How the fund performed

The fund ended the quarter with a moderate loss. Opportunistic Returns posted gains, but this was more than offset by underperformance in Market Return and Risk-Reducing strategies.

Looking ahead

We continue to express our pro-cyclical view via equity markets, albeit to a lower degree, as well as the volatility markets which remain well supported and offer an attractive risk reward.

What happened in the market

Risk assets started the quarter on a positive note, with credit spreads continuing to narrow and global equities edging higher on the back of a strong earnings season. One exception was the emerging market complex, which experienced a noticeable setback precipitated by tightening Chinese regulatory controls alongside rising cases of the delta variant. It was a smooth ride for bond markets in July, with yields coming in broadly tighter across major markets.

Risk assets, equities in particular, charged higher into August, reaching new all-time highs before experiencing a setback mid-month as rising cases of the delta variant, US Fed tapering concerns and continued Chinese regulatory crackdowns dampened investor sentiment. This, however, quickly reversed as investors interpreted the weakening outlook as reason for a more accommodative monetary policy stance. Bond yields closed the month higher, as did the US dollar.

Risk assets suffered in September, with global equities reversing much of their summer gains due to a combination of slowing growth, higher inflation and possible policy tightening as well as contagion concerns around the Evergrande debt crisis. Bonds also came under pressure, particularly towards the end of the month as hawkish central bank rhetoric around tapering drove yields higher. The US dollar strengthened on the back of the risk-off market backdrop and rising US Treasury yields, which had a corresponding negative effect on gold. Oil surged, driven by the spike in natural gas prices amidst tightening global supply.

How the fund performed

| | Cumulative (%) | | | | | Annualised (%) | | |
|-------------------|----------------|-------|------|-------|------|----------------|------|-----------------|
| | 1M | 3M | 6M | FYTD* | 1Y | 3Y | 5Y | Since Inception |
| Fund gross | -0.56 | -0.03 | 0.64 | -0.03 | 5.58 | 3.35 | 2.97 | 2.77 |
| Fund net | -0.64 | -0.27 | 0.16 | -0.27 | 4.59 | 2.38 | 2.00 | 1.80 |
| Benchmark | 0.41 | 1.24 | 2.52 | 1.24 | 5.12 | 5.68 | 6.01 | 6.19 |

Past performance is not a guide to future performance.

Performance basis: NET OF FEES, COSTS, TAXES. Mirrors Australian Dollar Hedged 'F' Share Class of the Aviva Investors Multi-Strategy Target Return Fund, a sub-fund of Aviva Investors SICAV. The Fund's performance is measured against the Reserve Bank of Australia Cash Rate + 5%. *Financial year-to-date. The financial year runs from 1 July to 30 June.

Market Return strategies delivered a moderate loss over the period. Despite contributing strongly through July and August, the set-back in markets during the latter part of September saw most of the advances being erased. Within equities, the long emerging market equity position was the main underperformer, with a considerable portion of the losses offset by the positive contribution of the long US equities position.

Opportunistic Returns on the other hand finished the quarter in positive territory. Our equity relative value ideas such as long US Industrials and long Healthcare (both vs Market) were the largest detractors; however, strong gains in the long energy equities vs Market strategy more than offset those losses. Our short Polish rates and long US vs emerging marketing equities positions also contributed positively to fund performance.

The **Risk-Reducing** section of the portfolio incurred a small loss. Gains in our long Chinese rates position were offset by losses within our tail-hedging and now closed US vs German rates strategies.

Looking ahead

We believe the economic recovery remains intact, despite frictions related to supply/demand imbalances due to a sharp recovery from Covid. Monetary policy continues to remain supportive in heading off any economic headwinds, and we view potential corrections as opportunities for better entry points. We continue to express our pro-cyclical view via equity markets, albeit to a lower degree, and through volatility markets.

Within Market Returns, the portfolio remains constructive on risk assets. Equities make up the bulk of the allocation, implemented predominantly via option-based structures that add elements of convexity to the portfolio's return profile.

As outlined above, we prefer to express our pro-cyclical view via the volatility market, which sits within the Opportunistic section of the portfolio. Other high conviction positions we hold are long energy equities vs Market, long gold, and short US and Polish bonds strategies.

We continue to use tail-hedging option structures and discretionary hedging strategies for capital preservation within the Risk-Reducing section of the portfolio. This month we introduced a defensive safe haven currency as well as an equity relative value strategy for additional portfolio protection. We maintain our long duration position in Chinese rates.

Fund risks

The key risks of the fund, which are detailed in the product disclosure statement, are:

- Collateral risk
- Counterparty risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Fund risk
- Fund Structure risks
- General risks
- Interest rate risk
- Leverage risk
- Liquidity risk
- Market risk
- Operational risk

Important information

The source for all performance, portfolio and fund breakdown data is Morningstar unless indicated otherwise.

All data is as at the date of the Commentary, unless indicated otherwise. For share classes that have not yet completed 5 years, the cumulative performance chart will start from the first full month.

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.

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