

Aviva Investors Multi-Strategy Target Return

Monthly summary for May 2022



ISIN
AU60PIM00268

UNIT CLASS INCEPTION DATE
01/07/2015

FUND SIZE
AUD 226.62m

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%**

Month in review

Following an initial decline, global equities were able to claw back most but not all of the losses through the month of May. US bond yields tightened as investors turned their attention to the weakening growth outlook and increasing recession risks. The fund registered a positive return, driven by Market Returns while Opportunistic Returns and Risk-Reducing Returns modestly detracted.

Looking ahead last updated May 2022

Our bias to value over growth within equities alongside a short position in bonds remains in place. We also believe tactical position management is necessary.

Month in review

Following an initial decline, global equities were able to claw back most of the losses through the month of May. The bulk of the gains occurred in the last full week of May, breaking an eight-week losing streak as speculation of less aggressive rate hikes by the US Fed alongside easing COVID restrictions in China buoyed investor sentiment; but it was not enough to bring returns into positive territory. The trend of value and energy outperformance versus growth continued. US bond yields tightened over the month as investors turned their attention to the weakening growth outlook and increasing recession risks. Meanwhile in Europe, German bund yields widened on the back of increasingly hawkish ECB rhetoric. Oil continued its move higher on increased European sanctions on Russian oil imports as well as reports of tighter than expected US supply. The US dollar gave back some of its gains while gold experienced another month of declines.

Market Return strategies generated strong positive contribution to fund performance. Equities led the gains, most notably through our position in European banks, US equities and oil & gas stocks. All strategies except long global convertibles generated gains.

Opportunistic Returns detracted, led primarily by the long Australian vs US rates and short US rates positions. Most of those losses were offset by gains in short volatility, systematic value equities and short Indian rates strategies.

The **Risk-Reducing** section of the portfolio also experienced a modest drag on performance due to the options hedging strategies, which was partially offset by positive performance from the US strong balance sheet equity relative value position.

Performance

	Cumulative (%)					Annualised (%)		
	1M	3M	6M	FYTD*	1Y	3Y	5Y	Since Inception
Fund gross	1.18	5.03	6.50	5.33	5.43	4.96	3.15	3.28
Fund net	1.10	4.79	5.99	4.42	4.43	3.97	2.17	2.30
Benchmark	0.42	1.26	2.54	4.66	5.10	5.36	5.82	6.09

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.

Looking ahead last updated May 2022

We continue to monitor the balance between slowing but still positive growth, escalations around the war in Ukraine and central bank tightening to contain elevated inflation; our constructive medium-term outlook for selective equities remains, with the focus on position management to adjust for the current risk landscape. Higher sovereign bond yields still appear to be the most likely direction of travel.

At portfolio level, we tactically increased our equity positioning following the strong market sell off, maintaining our preference for value versus growth. We remain short volatility markets and short rates in the US, India and Japan.

Within **Market Returns**, we increased our overall risk level, mainly through our US and UK equity exposure. Meanwhile, we rotated European equity exposure into banks which we believe will benefit from rising ECB rates. Select oil and gas equities remain a high conviction position.

Within the **Opportunistic** section of the portfolio, we maintain our travel and leisure and select value equities positions. We reduced our long gold exposure earlier in the month due to the negative momentum building from rising real yields and strong US dollar against the position.

The **Risk-Reducing** section of the portfolio consists of defensive equity relative value and options hedging strategies.

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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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The Aviva Investors Multi-Strategy Target Return Fund intends to invest a significant proportion of its assets in an underlying fund which in turn may invest a substantial proportion of its assets in derivatives contracts with the aim of, among other things, gearing the underlying fund's investment exposure. The risk for the Aviva Investors Multi-Strategy Target Return Fund involved in this approach may be considerable and may not be suitable for some investors.

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