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Aviva Investors Multi-Strategy Target Return

Quarterly review for the three months to 30 September 2022

ISIN	UNIT CLASS INCEPTION DATE	FUND SIZE
AU60PIM00268	01/07/2015	AUD 213.89m

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

Markets were buffeted by worries about recession as central banks chose to prioritise the battle against inflation with further aggressive interest rate hikes.

How the fund performed

The fund ended the quarter in positive territory. Opportunistic Returns were the strongest performer, followed by Risk Reducing Returns, while Market Returns modestly detracted from performance.

Looking ahead

We monitor the balance of risks stemming from policy error by central banks and geopolitical tail risks following Russia's escalation in the Ukraine conflict but will look to add exposure as opportunities arise.

What happened in the market

The third quarter started off strong for risky assets as prospects of easier monetary policy saw global equities surge in July. The S&P broke its record for the biggest post-FOMC gain despite a 75-basis point hike as markets priced in a more dovish tilt by the US Fed. Developed bond market yields tightened considerably on the changing narrative of recession risks away from inflation concerns, especially the longer-dated maturities which led to another inversion of the yield curve.

August was a tale of two halves for risky assets, initially building on the gains from July and optimism that peak inflation was likely behind us. However, hawkish rhetoric leading up to and during the Jackson Hole central bank conference dampened investor. Developed bond market yields rose sharply, particularly at the front end of the curve, causing further inversion of the US and German yield curves.

The continuation of hawkish central bank rhetoric in September to stem inflation alongside Europe's energy supply concerns and market turmoil following the UK government's mini-budget announcement induced strong risk-off moves in risky assets. Developed bond markets had a particularly volatile month, with the spotlight on the UK Gilts market, where the 2-year gilt yield rose a record 160bps to peak at 4.6% before the Bank of England intervention allowed it to settle the month at 4.2%.

Growth concerns saw crude oil prices fall 25% over the quarter, the US dollar climb another 7% while gold fell by 8%.

How the fund performed

	Cumulative (%)					Annualised (%)		
	1M	3M	6M	FYTD*	1Y	3Y	5Y	Since Inception
Fund gross	0.78	2.22	-1.05	2.22	2.91	2.92	2.83	2.79
Fund net	0.70	1.98	-1.52	1.98	1.94	1.95	1.86	1.82
Benchmark	0.55	1.58	2.86	1.58	5.45	5.36	5.80	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.

Market Returns had relatively strong performance over the quarter but ended the period modestly detracting at fund level. This was due to losses mainly within the long US equities position, followed to a lesser extent by long resources and oil & gas equities. Performance was buffered by gains across long emerging market, UK and Japanese equities as well as our high yield credit exposure.

Opportunistic Returns continued to generate strong gains at portfolio level. The leading contributors were the short US rates strategy, followed by long resource equities relative value and short volatility positions, which were also the best performing strategies at fund level. Some of these gains were offset by losses in long systematic value, European banks and healthcare equity relative value.

The **Risk-Reducing** section also contributed positively. The newly introduced basket of short Asian currencies vs the US dollar alongside long US dollar positions versus the Euro and UK sterling all posted gains; the strong balance sheet equities position was the only detractor.

Looking ahead

Increasing risks of policy error by central banks and geopolitical tail risks following Russia's escalation in the Ukraine conflict keeps us on the side lines for the moment. However, valuations are beginning to look attractive in certain sectors of equities and credit and we will look to add exposure when opportunities arise.
Higher sovereign bond yields still appear to be the most likely direction of travel. Dynamic position management is more critical than ever in the current risk landscape.

At portfolio level, we continued to decrease our equity risk, which is now at historic lows. Notably, we removed our directional exposure to European and emerging market equities and reduced risk across other regions. We continue to maintain preference for value versus growth in US and Europe, as well as the resources sector. We are looking for opportunities to add to our short volatility strategy which we reduced materially and focus on short rates in Japan given the asymmetry.

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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