Aviva Investors Multi-Strategy Target Return

Monthly summary for January 2022

ISIN	UNIT CLASS INCEPTION DATE	FUND SIZE
AU60PIM00268	01/07/2015	AUD 214.35m

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 07/2014 ***Ian Pizer** since 05/2021
Performance benchmark	**RBA cash rate + 5%**

Month in review

Risk assets tumbled in January as hawkish rhetoric by central banks, rising bond yields and growing geopolitical tensions weighed on investor confidence. Developed bond markets saw a rise in rates but more notably a flattening of the yield curve, particularly in the US. The Fund registered a negative return, with Opportunistic registering modest gains while Market and Risk-Reducing Returns posted losses.

Looking ahead last updated January 2022

While jitters around the US Fed hiking cycle are understandable, we believe the market reaction is largely overdone and maintain our constructive economic recovery view.

Month in review

Risk assets tumbled in January as hawkish rhetoric by central banks, rising bond yields and growing geopolitical tensions stemming from the Russia-Ukraine stand-off weighed on investor confidence. Equity markets witnessed a strong rotation from growth into value, with European and emerging market equities outperforming their US counterpart. Developed bond markets saw a rise in rates but more notably a flattening of the yield curve, particularly in the US, as markets priced in greater likelihood of multiple rate hikes. The one exception was China, where bond yields fell over the month. The US dollar index closed the month higher; oil continued its surge while gold suffered on the back of rising real yields.

Market Return strategies detracted from performance, driven mainly by US equities, however our long oil and gas equities position helped to offset a large portion of these losses.

Opportunistic Return strategies delivered gains at portfolio level. Our long travel and leisure equity relative value position was the clear outperformer this month, followed by the re-initiated short US rates and long Australia vs US rates strategies. Losses were incurred in the now closed long US vs emerging market and long industrial digitalisation equity ideas. These ideas are tilted towards the growth axis which we expect to remain challenged going forward.

The **Risk-Reducing** section of the portfolio was the most challenged section of the Fund given the nature of the market sell off. The now-closed long intra-day momentum strategy was the largest detractor, followed by our short emerging market currency basket. On the other hand, the long Chinese rates position made a positive contribution, as did our long tail hedging strategy.

Performance

	Cumulative (%)					Annualised (%)		
	1M	3M	6M	FYTD*	1Y	3Y	5Y	Since Inception
Fund gross	-1.23	0.57	0.94	0.95	3.75	4.25	2.75	2.78
Fund net	-1.31	0.33	0.46	0.40	2.78	3.27	1.78	1.81
Benchmark	0.43	1.24	2.50	2.92	5.10	5.52	5.92	6.13

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 January 2022

While jitters around the US Fed hiking cycle are understandable, we believe the market reaction is largely overdone and maintain our constructive economic recovery view. Our expectation is for accommodative monetary policy to be gradually removed but that it should not be restrictive to growth. Inflation risks are rising and while we believe inflation will remain high, it is not out of control and that central banks can contain it satisfactorily. We continue to express our pro-cyclical view via equity and volatility markets and have positioned for rising rates in the US and a yield curve steepening in the UK.

Within **Market Returns,** the portfolio remains constructive on equities. A large portion of the allocation is implemented via option-based structures that add elements of convexity to the portfolio's return profile. We also maintain our conviction in energy markets, expressed through a custom basket of oil and gas stocks.

We also express our pro-cyclical view via the volatility market, which sits within the **Opportunistic** section of the portfolio. Our equity relative value positions incorporate some defensive sector exposure, such as healthcare, in addition to existing cyclical strategies such as travel and leisure. We also express our duration view through short US rates at the 5-year point on the curve and a UK yield curve steepening position.

The **Risk-Reducing** section of the portfolio consists of a long duration position in Chinese rates, short positions across a range of emerging market currencies and equity relative value strategies.

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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