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# Aviva Investors Multi-Strategy Target Return

**Monthly summary** for December 2021

| ISIN | UNIT CLASS INCEPTION DATE | FUND SIZE |
|---|---|---|
| AU60PIM00268 | 01/07/2015 | AUD 217.40m |

## 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<br>***Ian Pizer** since 05/2021 |
| Performance benchmark | **RBA cash rate + 5%** |

### What happened in the market

Risk assets trended higher, notwithstanding a sharp correction in late November due to the new Omicron variant. Global bonds seesawed between hawkish central bank sell-off and Omicron driven safe haven rally to close the quarter roughly unchanged.

### How the fund performed

The fund ended the quarter in positive territory, with all three sections of the portfolio posting gains. On aggregate, Market Returns led the gains, followed by Opportunistic Returns while Risk-Reducing strategies posted moderate gains despite the positive market backdrop.

### Looking ahead

With Omicron fears mostly in the rear-view mirror, we maintain our constructive economic recovery outlook. We continue to express our pro-cyclical view via equity and volatility markets.

## What happened in the market

Risk assets started the quarter on a positive note, shrugging off inflation worries and more hawkish central bank rhetoric as companies entered into another strong earnings season, led by US equities. Global bond yields, however, reacted sharply higher at the short-end and causing a flattening of the yield curve. The US dollar slipped slightly, providing a boost to gold.

November continued for most of the month with a strong risk-on appetite; however, the discovery of the potentially more contagious Covid variant Omicron put an abrupt end to the rally. European and emerging market equities were hit hardest, as were most cyclical sectors. Global bonds served as traditional safe havens, with yields across developed and emerging markets falling sharply following months of grinding higher on inflation concerns. The US dollar outperformed, while gold gave away most of its gains to close in negative territory.

As fears around the severity of Omicron subsided in mid-December, global equities continued their upward surge to end the year near the recent all-time highs. Developed market equities led the gains while emerging market equities lagged behind, closing the year in negative territory. Global bonds reversed the previous month end's safe haven rally, with central bank policy and inflation coming back to the forefront of investors' minds. The US dollar index closed the month slightly down while gold made up some of the losses incurred in November.

## How the fund performed

| | Cumulative (%) | | | | | Annualised (%) | | |
|---|---|---|---|---|---|---|---|---|
| | 1M | 3M | 6M | FYTD* | 1Y | 3Y | 5Y | Since Inception |
| **Fund gross** | 3.35 | 2.25 | 2.21 | 2.21 | 2.57 | 5.93 | 2.75 | 3.01 |
| **Fund net** | 3.27 | 2.01 | 1.74 | 1.74 | 1.60 | 4.93 | 1.78 | 2.04 |
| **Benchmark** | 0.41 | 1.23 | 2.49 | 2.49 | 5.10 | 5.56 | 5.94 | 6.14 |

**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 positive return over the period. While gains were registered mostly across the board, US equities was the dominant driver. The one exception was a loss incurred in the long Japanese equities position.

**Opportunistic Returns** also generated gains. The short US equity forward variance as well as long carbon emissions strategies were the top contributors, followed closely by the short Polish rates position. On the other hand, the long travel and leisure relative value and UK yield curve steepener, both positions introduced this quarter, were the largest drag on performance within this section of the portfolio.

Despite the overall positive risk-on backdrop, the **Risk-Reducing** section of the portfolio added to positive fund performance. Gains in the long US strong balance sheet vs Market, long Chinese rates and short emerging market currency basket more than offset losses from the tail-hedging and intraday momentum strategies.

## Looking ahead

Omicron remains a threat but the probability of the worst-case scenario becoming reality is fading. We maintain our constructive economic recovery view. 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. Our expectation is for accommodative monetary policy to be gradually removed but that it should not be restrictive to growth. We continue to express our pro-cyclical view via equity and volatility markets and expect to reinstate our short rates positions in the new year.

Within **Market Returns,** the portfolio remains constructive on equities. The majority 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.

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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