Aviva Investors Multi-Strategy Target Return Fund

Performance and strategy update

September 2019 review

AVIVA INVESTORS

Key Points

Performance in September was marginally negative but 2019 returns remain robust.

Market risk sentiment improved in the first half of September though optimism started to fade as global uncertainty rose again.

Market Returns led the gains which were however broadly offset by Risk-Reducing strategies. Opportunistic strategies were marginally positive.

Key fund information

Inception date: 31 July 2014

Fund size: $1,965 million

Fund managers (since):
Peter Fitzgerald (1 July 2014)
James McAlevey (14 June 2018)
Mark Robertson (17 September 2018)

Investment objective:
The fund aims to target a five per cent per annum gross return above the European Central Bank base rate (or equivalent) over a three-year rolling period, regardless of market conditions (absolute return).

Performance shown for share class I (institutional).

Basis: Both net and gross performance numbers calculated on a NAV basis in USD. Volatility calculated on realised annualised daily basis.

The figures do not include the effect of any entry or exit charge.

Fund performance in September

The Aviva Investors Multi-Strategy (AIMS) Target Return Fund (USD Hedged) returned 0.12 per cent in September (gross of TER). The fund has delivered an annualised three-year gross return of 3.05 per cent with annualised volatility of 4.06 per cent. This compares with the 9.41 per cent annualised volatility seen from the MSCI All Country World Index® (local currency) over the same period.

Performance (gross and net of the annual ongoing charge)

	Cumulative performance (%)					Annualised performance (%)	
	1m	3m	6m	YTD	1yr	3yr	Since inception
Total return gross	0.12	2.36	4.70	10.40	5.01	3.05	3.42
Total return net	0.05	2.15	4.26	9.70	4.13	2.18	2.55

Past performance is not a guide to future performance.

Data Source: Aviva Investors/Lipper, a Thomson Reuters company, as at 30 September 2019.

Month in review

Following the set-back in August, risk assets got off to a much better start in September as trade tensions momentarily subsided and some growth indicators stabilised. Within **Market Returns**, our long equity positions led the gains followed by long credit strategies. Investors favoured more cyclical sectors with our long positioning in Japanese and Semiconductor equities being amongst the most notable beneficiaries.

Albeit to a lesser degree, safe haven assets also shrugged off part of the August pessimism, especially during the first half of the month. After touching an all-time low of 1.95%, 30-year US Treasury yields recovered part of the lost ground in September, settling at just over 2.11%. Though reducing a portion of our key defensive positions in late August, the portfolio continues to maintain a net long duration bias, meaning that long duration strategies within **Risk-Reducing** naturally detracted as bond yields re-rated higher. While the sell-off pressure in bonds started to ease following growth concerns in Europe (German manufacturing PMI falling to 41.4), dovish ECB & Fed meetings and more importantly as Trump announced that he didn't need to secure a trade deal with China before the 2020, the gains weren't enough to offset the moves registered earlier in the month. Other safe haven assets also pared back some of the gains. Our defensive currency positions which were amongst the key top contributors in August, naturally detracted.

One of the big themes in equities this month has been a significant style rotation; momentum strategies (which buy past winners and sell past losers) have underperformed value strategies (which buy cheap and sell expensive stocks). Our decision to increase the size of the long Europe vs Switzerland equity strategy proved to be timely as the more cyclical nature of European equities led them to outperform the relatively more defensive Swiss market. The short EUR position also added to returns while the US Healthcare vs Market equity strategy negated part of the gains. All in all, **Opportunistic strategies** were marginally positive in September.

Looking ahead

Following a sharp slowdown over the course of 2018, we expect global growth to remain soft in 2019 and 2020. While the strength of labour markets and associated elevated levels of consumer confidence have been the bright spots throughout the current expansion, global economic repercussions could arise should there be any spill over from weakening business confidence into hiring intentions. Though the balance of risk remains tilted to the downside, an imminent global recession is not in our central scenario, especially as monetary policy is expected to remain supportive.

Against this backdrop, equity risk in the fund has been progressively reduced over the course of the year, currently sitting at the lowest end of the range since inception. We prefer to allocate risk to credit strategies, most notably emerging market debt hard currency and European financial sub-debt, as they should remain supported in a low yield environment. Relative value equity positions with sector or thematic drivers continue to be an area of focus in the fund, as in our view they can be useful when markets behave in a somewhat binary manner.

Finally, focusing on downside protection remains instrumental in our portfolio construction process. Strategies such as long duration positions in the US alongside a short Asian and Antipodean currency basket vs the Dollar and the Yen continue to remain key holdings with strong risk-reducing qualities.

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Aviva Investors Multi-Strategy Target Return Fund is a sub-fund of Aviva Investors SICAV, an open-ended investment company incorporated as a Société d'Investissement à Capital Variable in Luxembourg. It is authorised by the Commission de Surveillance du Secteur Financier (CSSF) and qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under Part I of the law of 17 December 2010 relating to undertakings for collective investment. The Management Company is Aviva Investors Luxembourg S.A. Investment Manager is Aviva Investors Global Services Limited, regulated and authorised by the Financial Conduct Authority.

The Prospectus and Key Investor Information Document (KIID), are available, together with the annual and semi-annual reports and financial statements of the SICAV, free of charge from Aviva Investors Luxembourg S.A., 2 rue du Fort Bourbon 1st Floor.L-1249 Luxembourg, Grand Duchy of Luxembourg R.C.S. Luxembourg B25708, from the investment manager, Aviva Investors Global Services Limited on our website at www.avivainvestors.com, from our office at St Helens, 1 Undershaft, London, EC3P 3DQ or from the relevant offices below.

The Prospectus is available in English, and German, but the German version of the Prospectus is targeted only to Swiss investors. Where a sub-fund of the SICAV is registered for public distribution in a jurisdiction, a KIID in the official language of that jurisdiction will be available. The Prospectus, the KIIDs, the Articles of Incorporation as well as the Annual and Semi-Annual Reports are available free of charge in Austria from the Raiffeisen Bank International AG, Am Stadtpark 9, 1030 Vienna which is the appointed paying agent within the meaning of § 34 InvFG and in Switzerland, from the Representative and Paying Agent BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse

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