Aviva Investors Multi-Strategy Target Return Fund SICAV
Performance and strategy update
January review

Key Points
The fund was able to generate strong positive returns in January, despite choppy markets.

The month was a tale of two halves, with major equity indices posting negative returns following the outbreak of the coronavirus, after reaching new all-time highs earlier in the month. The flight to safety boosted developed market bonds and the US dollar.

Risk-reducing strategies led the gains at fund level. Opportunistic were also positive while Market Return strategies offset part of the gains.

Key fund information
Inception date: 1 July 2014
Fund size: €1,705 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 euros. Volatility calculated on realised annualised daily basis.

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

Fund performance
The Aviva Investors Multi-Strategy (AIMS) Target Return Fund returned 1.20 per cent in January (gross of charges). The fund has delivered an annualised three-year gross return of 1.12 per cent with annualised volatility of 4.00 per cent. This compares with the 9.52 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)

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<thead>
<tr>
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<th>Cumulative performance (%)</th>
<th>Annualised performance (%)</th>
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<tbody>
<tr>
<td></td>
<td>1m</td>
<td>3m</td>
</tr>
<tr>
<td>Total return gross</td>
<td>1.20</td>
<td>2.30</td>
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<tr>
<td>Total return net</td>
<td>1.13</td>
<td>2.08</td>
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Past performance is not a guide to future performance.
Data Source: Aviva Investors/Lipper, a Thomson Reuters company, as at 31 January 2020.

Month in review
January was a tale of two halves, with risk assets initially pushing past the US-Iran geopolitical tensions to continue on their bull run and major US and European equities indices reaching new all-time highs. However, the coronavirus outbreak reversed that streak, triggering risk-off sentiment that saw equities, particularly in Asia, close the month in negative territory. Developed market bonds and the US dollar rallied with the traditional flight to safe haven assets. European bonds outperformed as the ECB kept monetary policy unchanged and suggested lower for longer interest rates and continued QE.

Market Return strategies posted a negative return at fund level. Our credit strategies performed well, with the emerging market hard currency and European bank sub-debt strategies aided by the fall in bond yields. Nevertheless, our long equity exposure negated these gains, with emerging market and Japanese equities suffering the most following the outbreak of the coronavirus.

The Opportunistic section of the portfolio was marginally positive, with our long Good Balance Sheet v Russell 2000 and Data Analytics v global equities strategies leading the gains. The recently introduced long US vs German yields also performed well as the spread between these two regions narrowed. Our long US inflation strategy detracted as falling oil prices impacted the outlook.

It was Risk-Reducing strategies that allowed the fund to make solid headway through the month. Long nominal and real yield exposures in the US contributed the most as bond yields globally took a leg lower. Albeit to a lesser extent, the short Asian currency basket and the recently introduced long duration position in China also boosted overall returns.

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Looking ahead

The new year certainly produced some headwinds for markets, most notably with the coronavirus outbreak. The extent to which contagion spreads outside of China will impact the degree to which economic activity is dampened. However, recent data continues to support the thesis that global growth is recovering and while we do not expect growth to rise above potential, it does represent a somewhat better outlook than previously expected.

While not a foregone conclusion, the material reduction in downside risks associated with the trade war and the improved growth outlook lead us to take a more positive overall risk stance in the portfolio. For example, we increased our equity allocation through last quarter and into the new year to around our long-run average exposure. With global rates expected to remain low over the coming year and monetary policy expected to remain accommodative, we continue to favour select higher yielding credit, currencies and debt assets.

We are also utilising our deep equity capabilities to generate relative value (market neutral) strategies that rely on geographic, sectoral or thematic drivers to complement our other macro driven opportunistic ideas in AIMS.

Low-yielding Asian currencies and duration assets continue to be important risk-reducers in the portfolio. Within developed markets, long-dated nominal US Treasuries remain a relatively attractive proposition. US inflation linked bonds are also favoured.

Key risks

Past performance is not a guide to future performance.

The value of an investment and any income from it can go down as well as up and can fluctuate in response to changes in currency exchange rates. Investors may not get back the original amount invested.

The fund may use derivatives; these can be complex and highly volatile. Derivatives may not perform as expected, which means the fund may suffer significant losses.

Certain assets held in the fund could, by nature, be hard to value or to sell at a desired time or at a price considered to be fair (especially in large quantities), and as a result their prices could be very volatile.
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Fund Facts

Fund structure
A Sub fund of Aviva Investors SICAV, a Luxembourg domiciled UCITS fund incorporated as a Société d’Investissement à Capital Variable (“SICAV”)

Share class and type
Share class A (retail): Accumulation
Share class I (institutional): Accumulation
Share class M (institutional): Accumulation

Currency of fund
EUR

Liquidity
Daily pricing

Settlement
T+3

ISIN Code
Share class A (EUR): LU1074209328
Share class I (EUR): LU1074209757
Share class M (EUR): LU1445746305

Lipper ID
Share class A (EUR): 68264354
Share class I (EUR): 68264357
Share class M (EUR): 38379324

Annual ongoing charge
Share class A (EUR): 1.60%
Share class I (EUR): 0.85%
Share class M (EUR): 0.70%

Entry charge
Share class A (EUR): 5% maximum
Share class I (EUR): 5% maximum
Share class M (EUR): None

Minimum initial lump sum investment
Share class A (EUR): None
Share class I (EUR): 250,000 EUR or equivalent
Share class M (EUR) 25,000,000 EUR or equivalent

1. The ongoing charges figure is based on last year’s expenses for the year ending January 2018.
2. This is the maximum that might be taken out of Shareholders’ money; payable to the sales agents and authorised intermediaries. Shareholders may be eligible to pay less than the maximum amounts shown.

Note: If you access Aviva Investors funds via a platform then you should speak to them directly about their terms and conditions and the availability of share classes. Investments via a fund platform will be subject to that platform's minimum investment criteria and charging structure.

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