

**SHINING A LIGHT ON THE.....**  
**Aviva Investors Multi-Strategy Target Return Fund**

**AT A GLANCE**

Investment Objective	
The fund aims to provide a positive return under all market conditions, by targeting an average annual return of 5% above that of the Bank of England base rate, before the deduction of charges, over a rolling three-year period. The Fund aims to achieve this with less than half the volatility of global equities, over the same rolling three-year period. Investors should understand that to achieve its aims the fund will invest in an actively managed, risk diversified multi-strategy portfolio and will understand that in addition to traditional assets such as equities, bonds and cash the Fund makes significant use of investment strategies based on advanced derivative techniques and are aware of associated risks of this type of strategy.	

<b>Inception Date</b>	1 July 2014
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000TVHG">http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000TVHG</a>

Management	
Manager Name	Start Date
Peter Fitzgerald	1 July 2014
Ian Pizer	1 December 2014

Volatility Measurements	
1-Yr Std Dev (volatility)	1-Yr Mean Return
2.89%	-0.86%

**FUND PERFORMANCE**

Performance 1 July 2014 to 30 September 2016:

	2014	2015	2016
<b>Aviva Investors Mlt Strat Trgt Return Fund</b>	4.65%	4.54%	-1.46%
<b>IShares MSCI World Dist</b>	8.08%	1.85%	18.01%

Performance over 1 year and since launch:

	1 year	Since launch
<b>Aviva Investors Mlt Strat Trgt Return Fund</b>	-0.86%	7.80%
<b>IShares MSCI World Dist</b>	27.31%	29.92%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

This is a new fund but based on an established structure. In a changing market environment investors are looking for something to protect against extreme volatility. Out of this need came the Standard Life Global Absolute Return Strategy Fund. This has a track record going back to 2008, and even before that for the Standard Life Pension Scheme. However, its track record has faltered over the last 18 months, and senior members of the team have left in the past few years. Some set up a fund at Invesco and the newest offering is from Aviva.

The Aviva Fund has been running for just over 2 years with a return of 3.39% p.a. which is slightly behind the three-year target return but volatility is down below 3% compared to global equities of over 10%.

I wanted to understand firstly if there is a point of difference and with the lack lustre performance across all the strategies, whether the new environment makes it difficult for these strategies to work in the future.

In the update, we started by talking about where they see a key difference. One of these is that the strategy is part of the DNA of Aviva Investors. Euan Munro is the CEO of the business and was part of the original GARS team. He doesn't get involved with the day to day running of the fund but he does believe it is essential to the success of the business. This means all resources are aligned with the strategy to make it a success.

They also have global insight and this can be valuable, for example one strategy they could implement was being long Korean rates, the same strategy was considered at Standard Life but they didn't have the people on the ground to implement this.

The risk model is another area which they see as important; they have four people whose only role is to work on the strategy. Fundamentally they are all looking for long term themes but they also watch short term trends because these can act as an alarm as to whether something is broken. The size of the fund does mean that they can be more flexible to adapt to changing environments.

A good example was where they were looking to make a trade on the Swiss Franc which seemed a risk-free investment, however the question was what would happen if the government removed the peg. What would the downside risk be? In this case, they didn't make the trade.

They agreed that they haven't always got it right and this year has been difficult; one strategy using a long position UK rates has hurt performance but they believe this has now settled. As to whether the strategy is broken, they believe it can still provide significant downside protection if the markets get messy.

Comparing between the three different options, broadly speaking they all have the same world view but they use different strategies and instruments to play those themes. As an example, they all had strategies on Australian rates. Invesco has done well this year with its position on the Yen, whereas some of the currency calls this fund has made have not worked well, particularly the US dollar position.

In summary, for those looking for alternatives to dampen volatility then these funds are certainly something to consider. They will always argue that the strategy is not broken but there does remain uncertainty about consistent results. Where the Standard Life Fund clearly struggled in 2015 this fund significantly outperformed, and has again done so this year. Invesco have also showed in 2016 that

## LWM Consultants Ltd

---

you can make positive returns so this may support the argument that the strategies still work. The instruments they use to get the returns are not easy to understand and investors need to be aware that these are complex funds.

Certainly, as an investment to protect on the downside these have shown they can do this. We think size plays a part and this is partly where Standard Life have started to struggle. For investors interested in these strategies then there are a few options – firstly to pick one strategy, secondly to blend with one other or both or thirdly blend with a different strategy like Jupiter, Newton or Threadneedle.

*The source of information in this note has been provided by Aviva Investors and is correct as at October 2016. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*