AVIVA

SMOOTH MANAGED FUNDS

CUSTOMER GUIDE

LIFE'S BETTER WITH A PLAN

AVIVA WEALTH

AVIVA'S SMOOTH MANAGED FUND RANGE

SOME SHELTER FROM MARKET VOLATILITY

Recent years have seen much uncertainty in stock markets. Our Smooth Managed range of funds could offer some shelter for your investments by helping to reduce the impact of market volatility.

There are some points in your life at which you don't want to be fully exposed to stock market volatility – but want the potential for smoother returns. When you simply don't have decades to weather the ups and downs of the stock markets - in the run-up to retirement, for example. Or once you've retired and are starting to use the money you've saved.

That's why we developed the Aviva Smooth Managed Fund range. Designed to deliver growth over the medium to long term, it still allows you to invest in the stock market, but uses a 'smoothing' process to shelter you from some of the volatility. We'll explain how this works later.

There are two funds in the range with different levels of risk and which invest in a wide range of assets from around the world.

FUND	RISK
Smooth Managed Fund	Medium
Smooth Managed Fund 2	Low to medium

You can invest in the Smooth Managed Funds through Aviva's Pension Portfolio, ISA Portfolio or through the Aviva Select Investment bond. Your financial adviser will look at your personal circumstances, including your tax position and recommend which works best for you.

HOW INVESTING DIFFERS TO SAVING

With the Aviva Smooth Managed Fund range, you are investing your money, so it's important to understand how this differs from saving. The key difference is the level of risk involved.

Savings usually means money in bank and building society accounts. In a savings account, your cash will grow in line with the interest rate. Any interest earned is guaranteed, but if inflation is higher than the interest rate, this means the value is falling in real terms.

Although not guaranteed, investments can offer more long-term growth potential than savings. However, it's important to remember you're putting money into assets that can go down, as well as up in value and there's a chance you might not get back what you invested. Some assets are more volatile than others.

A lot depends on how long you're investing for:

- If you've got decades before you retire, or before you plan to use the money you've saved, you might feel you can take more risk to try and achieve a better long-term return. Investing in equities (company shares) might be something you'd consider.
- If you have only a few years to go before you retire, or before you plan to use the money you've saved, you might not feel like taking too much risk and may want to invest in a fund that could be less volatile. In this case, a Smooth Managed Fund could be just what you're looking for.

The important thing to remember is that investing carries more risk than saving.

HOW STOCK MARKETS WORK

The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices. The graph below shows how it performed from 31 May 2003 to 31 May 2023. As you can see, although the overall direction is upwards, there are some vast peaks and troughs along the way. Past performance is not a guide to future performance. Investments can go down in value as well as up, and you may get back less than you invested.

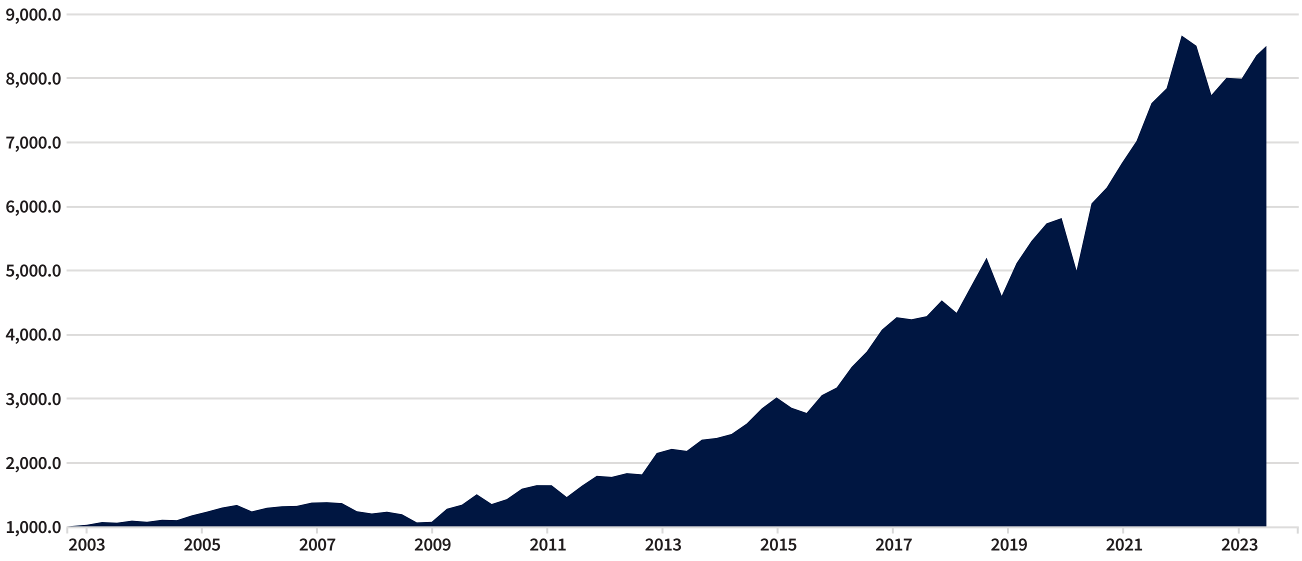
MARKET TIMING – THE PITFALLS

Because there's no way of predicting what the markets will do, it can be difficult to get the timing right when it comes to investing.

One of the biggest risks of market timing is missing out on the market's best-performing cycles. As you can see from the graph, there are several times the market has suddenly fallen, but then recovered.

Sometimes, when investors think the market will go down, they immediately switch into less risky assets, rather than riding out the volatility. This could mean they lose out when markets recover.

S&P 500 TR GBP



Source: Morningstar Direct. The S&P 500 index ("Index") is a product of S&P Dow Jones Indices LLC, its affiliates and/or their licensors and has been licensed for use by Aviva Life and Pensions Limited. For more information on any of S&P Dow Jones Indices LLC's indices please visit spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

WHERE IS MY MONEY INVESTED?

As with any investment fund, when you invest in an Aviva Smooth Managed Fund, your money is pooled together with that of other investors. This creates a bigger fund, meaning you're able to invest in a wider range of assets like equities, bonds and properties. Because you don't have all your eggs in one basket, this can help reduce the impact of market volatility.

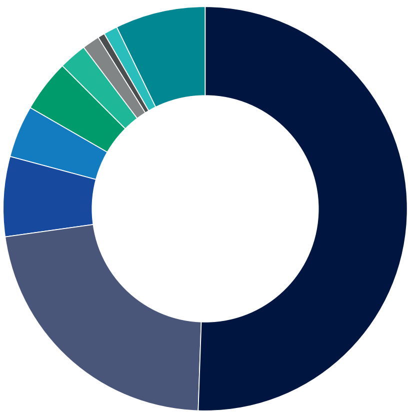
In fact, the Aviva Smooth Managed Funds spread investment risk even further, by using assets from around the world including the US, Europe and Asia.

This ability to invest in a wide range of assets is in addition to the smoothing process – which we'll explain later.

See the diagrams (below), which show the latest Strategic Asset Allocation. See the latest fund factsheets for the most up to date asset allocation.

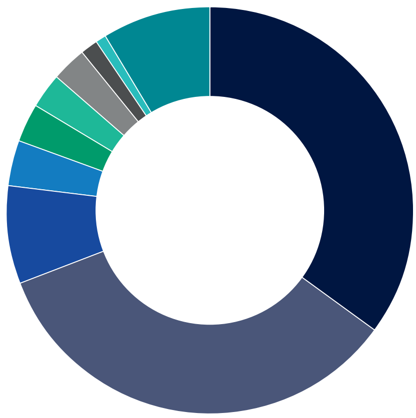
Please note that although your money is invested in a fund, you do not own any of the fund's underlying assets. For example, you won't receive a dividend from shares, or rental income from property, held by the fund. These are reflected in the value of the fund itself.

SMOOTH MANAGED FUND



- 50.7% International Equities
- 22.2% International Bonds
- 6.2% Property
- 4.3% UK Equities
- 4.1% Managed Funds
- 2.3% Alternative Trading Strategies
- 1.4% UK Corporate Bonds
- 0.5% UK Gilts
- 0.1% Money Market
- 1.1% Other
- 7.0% Cash/Money Market

SMOOTH MANAGED FUND 2



- 35.5% International Equities
- 34.1% International Bonds
- 8.0% Property
- 3.4% Alternative Trading Strategies
- 3.1% UK Corporate Bonds
- 2.8% UK Equities
- 2.8% Managed Funds
- 1.5% UK Gilts
- 0.0% Money Market
- 0.6% Other
- 8.6% Cash/Money Market

Source: Aviva Investors as of 30th June 2023.
See glossary at the end of this document to find out more about each type of asset.

MORE INFORMATION

Your financial adviser should check the fund factsheets for up-to-date details of the assets in the Aviva **Smooth Managed Funds**.

HOW SMOOTHING WORKS

As well as using a diversified range of assets from around the world, the Aviva Smooth Managed Funds use a simple smoothing process designed to cushion you from the short-term ups and downs you would see if you were investing directly in the assets. So, although you won't always benefit from the full upside of the markets, you'll have some protection against some of the downside.

The fund is divided into 'units', each equal in value.

WHAT'S THE DIFFERENCE BETWEEN THE SMOOTHED AND UNSMOOTHED PRICE?

The **Unsmoothed price** is simply the value of the assets in the fund, divided by the number of units. This price will move up and down each day with market movements.

The **Smoothed price** is the price at which you actually buy and sell units in a Smooth Managed Fund. Rather than going up and down every day with market movements, the Smoothed price will usually increase every day in line with the **Smooth Growth Rate**. In some market conditions, we could apply a Fund Price Adjustment though – we explain this and when it could happen below.

WHAT'S THE SMOOTH GROWTH RATE AND HOW DOES AVIVA CALCULATE IT?

This is the rate at which the Smoothed price will normally increase.

If you invest through Aviva's Pension Portfolio or ISA Portfolio:

- the **Smooth Growth Rate** for the Smooth Managed Fund = Bank of England Base Rate + 5% per year.
- the **Smooth Growth Rate** for the Smooth Managed Fund 2 = Bank of England Base rate + 3.75% per year.

If you invest through Aviva's Select Investment bond:

- the **Smooth Growth Rate** for the Smooth Managed Fund = Bank of England Base Rate + 4% per year.
- the **Smooth Growth Rate** for the Smooth Managed Fund 2 = Bank of England Base rate + 3% per year.

WHY ARE THE SMOOTH GROWTH RATES DIFFERENT FOR PENSION AND ISA, AND BOND?

You'll see that the Smooth Growth Rates differ, depending on whether you're investing through Aviva's Pension Portfolio, ISA Portfolio or through the Aviva Select Investment Bond. This is simply because there's no tax paid within a pension or ISA fund, whereas in a bond fund, tax will have been paid already. Your financial adviser will explain which product is most suitable for your individual needs when you invest in the fund.

WILL THE SMOOTHED PRICE ALWAYS INCREASE IN VALUE?

No, if there is a 6.5% or more difference between the Smoothed price and the Unsmoothed price, we make a Fund Price Adjustment. This means we automatically adjust the Smoothed price so that the difference is only 1.5%.

This helps to protect the investors in the fund by making sure that anyone leaving the fund at this point won't be taking more (or less) than their fair share.

WHEN CAN I EXPECT AN UPWARD FUND PRICE ADJUSTMENT (FPA)?

As these funds invest in global markets, we must see consistent market improvements over a prolonged period to trigger an upwards Fund Price Adjustment. Fund Price Adjustments are non-discretionary and use a formula that triggers a change when the Unsmoothed price differs by 6.5% or more from the Smoothed price. You can see a worked example on the next page.

SMOOTHING IS SIMPLE

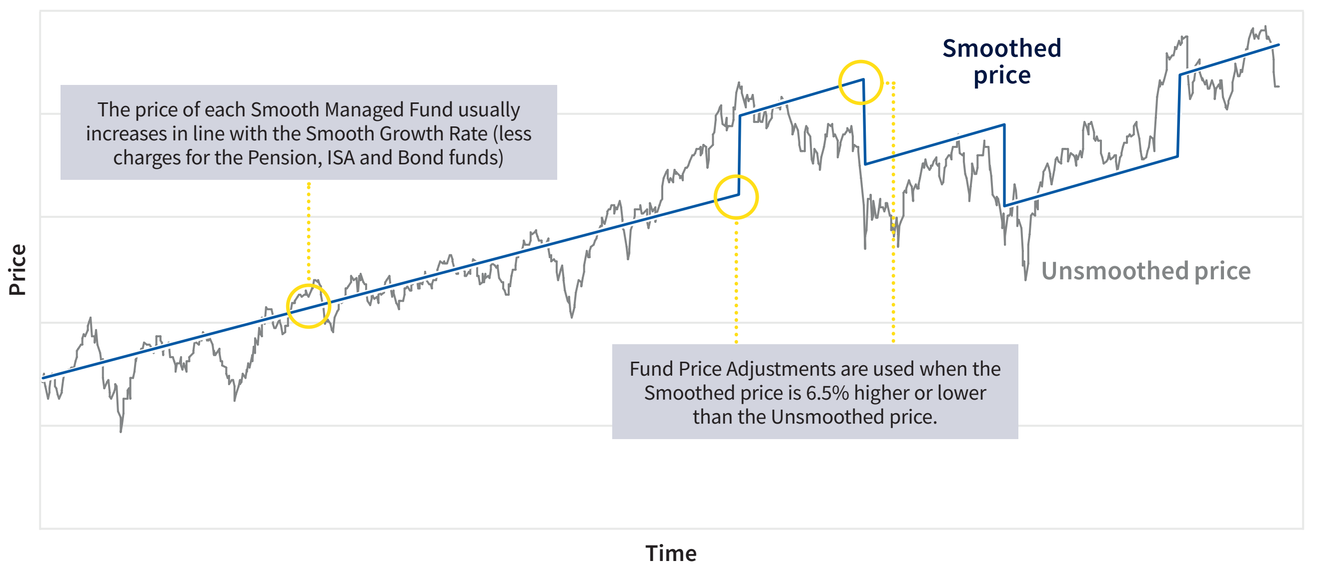
THERE ARE ONLY 2 THINGS YOU NEED TO REMEMBER:
1 - Growth rate is linked to the Bank of England Base Rate
2 - The price of the fund is monitored daily.

The chart below shows how smoothing works – it's not based on any time period or actual investment performance. In this graph the grey line shows the value of all of the assets in the Smooth Managed Fund. You can see how the value can go up and down on a daily basis. Think of this as the "unsmoothed" value of the fund. If we didn't use smoothing, you would see the value of your investment go up and down each day in the same way this line does .

The blue line shows how smoothing works.

Smoothing aims to flatten out those ups and downs, so that you can see your investment growing smoothly, in line with a "Smooth Growth Rate".

So you won't see your value go up as much as the unsmoothed investment when it rises, and you won't see it drop as much when it falls. It also shows what happens when we make a Fund Price Adjustment.



Each business day, we compare the Smoothed price to the Unsmoothed price (which will rise and fall with market conditions).

If the difference in price is 6.5% or more in either direction, we make a Fund Price Adjustment, to bring the Smoothed price to within 1.5% of the Unsmoothed price.

IMPORTANT INFORMATION

The fund is not guaranteed to grow in line with the Smooth Growth Rate and may return more or less than this over any time period.

- Fund Price Adjustments can be applied at any time to bring the fund price more in line with the value of the assets. You should understand that a negative or positive adjustment could be applied to your investment soon after investing, or before you take your money out of either fund.
- If you invest through Aviva's Pension Portfolio or ISA Portfolio, the Smooth Growth Rate will never be:
  - less than 5% or more than 10% for the Smooth Managed Fund.
  - less than 3.75% or more than 8.75% for the Smooth Managed Fund 2.
- If you invest through Aviva's Select Investment bond, the Smooth Growth Rate will never be:
  - less than 4% or more than 9% for the Smooth Managed Fund.
  - less than 3% or more than 8% for the Smooth Managed Fund 2.

The return you get from a Smooth Managed Fund may be more or less than these limits as Fund Price Adjustments could also affect your return.

▲ EXAMPLE 1 -

WHAT COULD HAPPEN WHEN MARKETS RISE

- Say the Smoothed price was 92p and the Unsmoothed price was 100p. This is a gap of 8%.
- Because the difference is more than 6.5%, we adjust the Smoothed price to 98.5p so that the gap is reduced to 1.5%.
- If you had £20,000 in a Smooth Managed Fund before the adjustment, it would be worth £21,413 after the adjustment.

▼ EXAMPLE 2 -

WHAT COULD HAPPEN WHEN MARKETS FALL

- Say the Smoothed price was 108p and the Unsmoothed price was 100p, also a gap of 8%.
- Because the difference is more than 6.5%, we adjust the Smoothed price to 101.5p so that the gap is reduced to 1.5%. The downward adjustment is because the Smoothed price was greater than the Unsmoothed price.
- If you had £20,000 in a Smooth Managed Fund before the adjustment, it would be worth £18,796 after the adjustment.

IMPORTANT INFORMATION

- Smoothing means that the price you get may be more or less than the price of the assets held in the fund.
- Smoothing can protect you against some falls in asset values, but your investment can go down in value if there is a large or prolonged fall in asset values.

SMOOTHED PRICE RESET

A Smoothed price reset is different to a Fund Price Adjustment and would only happen in the most extreme circumstances. Unlike a Fund Price Adjustment, which is triggered by changes in the value of investments, a Smoothed price reset is triggered by large amounts of money entering or leaving the fund. If this happens, to protect customers invested in the fund, the Smoothed price will be immediately reset, so that it is equal to the Unsmoothed price. After this has happened, the Smoothed price will continue to move in line with the Smooth Growth Rate.

A MEDIUM- TO LONG-TERM INVESTMENT

With the Smooth Managed Funds, you need to be prepared to leave your money invested over the medium to long term (normally five years plus).

A TYPICAL INVESTOR WILL:

- **Smooth Managed Fund** - be prepared to take a moderate amount of risk in order to increase the chance of achieving a positive return.
- **Smooth Managed Fund 2** - be prepared to take a low to moderate amount of risk in order to increase the chance of achieving a positive return.

  To give you some context, higher risk funds usually invest more heavily in equities and property to aim for a better return, but the value tends to go up and down more than a medium risk fund.

  Lower risk funds usually invest more heavily in bonds and cash/money markets. While this can help to reduce ups and downs in fund values, the long-term returns can be lower.
- know that the value of an investment can go down as well as up and that they may get back less than they invested.
- prefer to spread risk by investing in a wide range of assets and be comfortable with their money being invested more heavily in shares and/or property than fixed-interest assets.

IMPORTANT INFORMATION

- Switches in and out of any Smooth Managed Fund are limited to one in each calendar quarter (a calendar quarter means 1 January – 31 March, 1 April – 30 June, 1 July – 30 September, 1 October – 31 December inclusive).
- If you invest through Aviva’s Pension Portfolio or ISA Portfolio, you cannot invest more than £2,000,000 in the Smooth Managed Fund. If you invest through Aviva’s Bond, in most circumstances, the maximum that can be invested into the Smooth Managed Fund is £1,000,000 and if you want to invest more than this, your adviser will need to contact us.

FUND MANAGEMENT CHARGES YOU'LL PAY

The fund management charges for our Smooth Managed Funds depend on whether you invest through Aviva's Pension Portfolio, ISA Portfolio or Aviva's Select Investment bond. Your financial adviser will look at your circumstances to see which is the best option for you. The charge covers the administration of the fund.

IMPORTANT INFORMATION

You should understand that there's a cost for the smoothing process, and this is included within the charges shown below. This means that, over the long term, you may get less back than an equivalent fund without smoothing.

If you invest through Aviva's Pension Portfolio or ISA Portfolio, you'll pay: 0.65% a year. That works out at approximately 54p per month for each £1,000 invested. If you invest through Aviva's Select Investment bond, you'll pay: 0.46% a year. That works out at approximately 38p per month for each £1,000 invested.

RISKS YOU SHOULD BE AWARE OF

HERE ARE THE RISKS THE FUNDS MAY HAVE EXPOSURE TO AT ANY GIVEN TIME.

Risk	Description
General	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in. **Specialist funds:** Some funds invest only in a specific or limited range of sectors and this will be set out in the fund's aim. These funds may carry more risk than funds that can invest across a broader range or a variety of sectors. **Suspension of trading:** Fund managers often have the ability, in certain circumstances, to suspend trading in their funds for as long as necessary. When this occurs, we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period. **Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. Most funds can invest in derivatives for the purpose of managing the fund more efficiently or reducing risk. Some funds also use derivatives to increase potential returns, known as 'speculation'. For those funds we apply an additional risk warning (see "Derivatives", below). **Cost of smoothing:** It's important to understand there's a cost to the smoothing process, but this is included in the fund management price.
Foreign Exchange Risk	When funds invest in overseas assets the value will go up and down in line with movements in exchange rates as well as the changes in value of the fund's holdings.
Emerging Markets	Where a fund invests in emerging markets, its value is likely to move up and down by large amounts and more frequently than one that invests in developed markets. These markets may not be as strictly regulated and securities may be harder to buy and sell than those in more developed markets. These markets may also be politically unstable which can result in the fund carrying more risk.
Fixed Interest	Where a fund invests in fixed interest securities, such as company, government, index-linked or convertible bonds, changes in interest rates or inflation can contribute to the value of the investment going up or down. For example, if interest rates rise, the value is likely to fall.
Derivatives	Derivatives are financial contracts whose value is based on the prices of other assets. The fund invests in derivatives as part of its investment strategy, for more reasons than just managing the fund more efficiently. Under certain circumstances, derivatives can result in large movements in the value of the fund and increase the risk profile, compared to a fund that only invests in, for example, equities. The fund may also be exposed to the risk that the company issuing the derivative may not honour their obligations, which could lead to losses.

PROFESSIONAL INVESTMENT MANAGEMENT YOU CAN RELY ON

IT TAKES AVIVA

AVIVA	**325 years** of Aviva heritage	**Financially Strong** AA- (Stable) S&P Rating[1]	**18.7 million** people in the UK, Ireland and Canada choose Aviva[2]
AVIVA INVESTORS	**45+ years** experience in managing multi-asset funds[4]	Aviva Investors manage **£226bn** across a range of asset classes[5]	A team of over **900** in 12 countries around the world[6]

Aviva are the first major UK financial services company to target **NET ZERO CARBON BY 2040**[3]

Source: Aviva
1. S&P Global Ratings - June 2023
2. Aviva PLC 2022 Annual Report & Accounts
3. For more information regarding Aviva's Net Zero 2040 ambition please click here

Source: Aviva Investors
4. For example, the Aviva Mixed Investment (40-85% Shares) fund was launched in 1974
5. 218bn assets under management as at 30 Sept 2022
6. Aviva Investors as at 31 March 2023

The funds are managed by Aviva Investors, global asset managers.
A large organisation, it has the resources to develop new investment opportunities for investors.

An advantage of investing in a professionally managed fund with other people is that you don't have to worry about daily investment decisions and the paperwork that goes with them; it's all in one place.

You can be reassured Aviva Investors have processes in place to manage risk with discipline and rigour.

SPEAK TO YOUR FINANCIAL ADVISER

Whether you're looking for the potential for steadier returns in the run up to retirement (or once you've retired), are worried about the impact of inflation on savings – or have concerns about inheritance tax, you should speak to your financial adviser about the Smooth Managed Fund range.

Your financial adviser will look at whether you could invest through Aviva's Pension Portfolio, ISA Portfolio or the Aviva Select Investment Bond.

GLOSSARY

GENERAL

Investment is not guaranteed : The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in.

INTERNATIONAL & UK EQUITIES

International & UK equities are simply company shares. The share price of companies reflects how well the company is performing at any time.

INTERNATIONAL & UK GOVERNMENT BONDS

International & UK government bonds are loans to a government or a company for a set period, returning a fixed income. Those issued by companies are called corporate bonds. Bonds issued by the UK government are known as gilts. Corporate bonds usually carry a higher rate of interest than gilts because they are riskier. There's an active market: bonds can be bought and sold like equities.

PROPERTY

In an investment context, property usually means investing in commercial property such as offices, retail, leisure and industrial developments.

ALTERNATIVE TRADING STRATEGIES

These are funds that aim to provide a specific target return. For example, they might aim for a stated yearly return on top of the Bank of England base rate over a set period, regardless of whether markets rise or fall. They can invest in assets from around the world.

CASH/MONEY MARKETS

Cash includes short-term deposits like bank or building society accounts. Money market securities are investments that governments, major banks and other institutions issue to generate cash. Although less risky than other asset classes, it's still possible for these investments to fall in value. This might happen if an organisation goes into default. Their value could also be eroded over time by fund/product charges and inflation.

NEED THIS IN A DIFFERENT FORMAT?

Please get in touch if you'd prefer this guide **(LF01102)** in large font, braille or as audio.

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