

# Model Portfolio Summary

## Introduction to Aviva Investors

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**We provide investors with confidence in their investment decisions and outcomes. We integrate our whole business around our investors – the outcomes they want and the values they hold. We bring broad and deep asset management expertise across all major asset classes, through a distinctive combination of insurance heritage and investment capabilities.**

Responsibility is built into everything we do. Doing the right thing for our people, clients and their investments is fundamental to our legacy and long-term success. Acting and investing responsibly makes financial sense and helps create a sustainable future for us all.

## Overview of the Aviva Investors Model Portfolios

Our three Model Portfolios are:

- **Aviva Investors Retirement Income Portfolio I**
- **Aviva Investors Retirement Income Portfolio II**
- **Aviva Investors Retirement Income Portfolio III**

Each of the Model Portfolios is designed for clients that are planning to take an income from their portfolio. Our strategic asset allocation is built to take into consideration the impact of taking an income from an investment whilst managing the appropriate level of risk.

As the Financial Adviser, you will advise your clients on which Model Portfolio(s) is suitable and may link the whole or part of your clients' overall portfolio to a Model Portfolio. This means that once linked, your client's portfolio will be managed in line with the relevant Model Portfolio. If we change the composition of the Model Portfolio (as described below), your client's portfolio will be updated to reflect those changes so long as it is linked to that Model Portfolio.

The Model Portfolios are accessible through Adviser Platforms. It may also be possible to link your client to more than one Model Portfolio, please check with the relevant platform to see if this functionality is available.

We charge a 0.22% per annum Model Portfolio Service fee for our Model Portfolio Service and there will be other charges associated with your client's investment. Further detail is set out in the Charges section below.

## The key parties in relation to the Model Portfolios

**Aviva Investors:** takes care of the investment management of the Model Portfolios and develops the strategic asset allocation models.

**Financial Adviser:** as the financial adviser you will assess the initial and ongoing suitability of Model Portfolios for your clients and give them financial advice. You are responsible for linking or de-linking (by selling or switching to another investment) the whole or part of your client's portfolio to a Model Portfolio.

**Platform:** will make the Model Portfolios available for investment on the platform and provide administration and reporting services for your client's investments.

## Investment objectives

Each Aviva Investors Retirement Income Portfolio aims to deliver sustainable income for individuals over a 25-year period within the below target ranges:

Portfolio	Income withdrawal target range (%) *
Aviva Investors Retirement Income Portfolio I	4-5
Aviva Investors Retirement Income Portfolio II	5-6
Aviva Investors Retirement Income Portfolio III	6-7

\*The income withdrawal percentage is an annual withdrawal amount based on the starting portfolio value. You may recommend your clients take more or less withdrawal and at more regular intervals depending on their circumstances.

The Model Portfolios will invest globally in a variety of asset classes including equities, bonds, liquid alternatives and cash equivalents. Each portfolio has its own sequencing risk profile, which its strategic asset allocation (or "SAA") aims to align to. These range from Retirement Income Portfolio I, which has the lowest sequencing risk, to Retirement Income Portfolio III, which has the highest sequencing risk.

### What is sequencing risk?

- Put simply, sequencing risk is the risk of the pension savings being exposed to the worst returns at the worst possible time.
- Weak or strong periods of performance coupled with the timing of when you are making withdrawals from the pension can affect the long-term value of the portfolio.
- The worst-case scenario being that your clients have a high level of withdrawal coupled with weak returns.
- The best-case scenario being that your clients have a low level of withdrawal coupled with strong returns.

Please see the charts below. These are for illustrative purposes to show that taking income in retirement can produce different wealth outcomes due to the sequencing of investment returns, compared to taking no withdrawals when this would not be a problem (as would be typical before retirement).

Both charts show an investment horizon of 30 years and two portfolios that have different sequences of returns; the green line shows the portfolio that has the strong returns in the early years and the black line shows the portfolio that has the weak returns in the early years.

The first chart shows the two portfolios' wealth outcomes when no withdrawals are taken and therefore there is no sequencing risk to consider. As the below shows, if the annualised return over 30 years is the same on both portfolios, then the end value will also be the same.

The second chart shows the same but considers a regular income withdrawal from both portfolios and this is where sequencing risk can have an impact. In a scenario where there are weak returns in the early years and a 6% annual withdrawal (based on the starting portfolio value) then capital is quickly eroded, and the portfolio is exhausted in year 17. In a scenario where there are strong returns in the early years and a 6% annual withdrawal then capital continued to remain above the initial investment amount after taking a 6% withdrawal for 30 years.

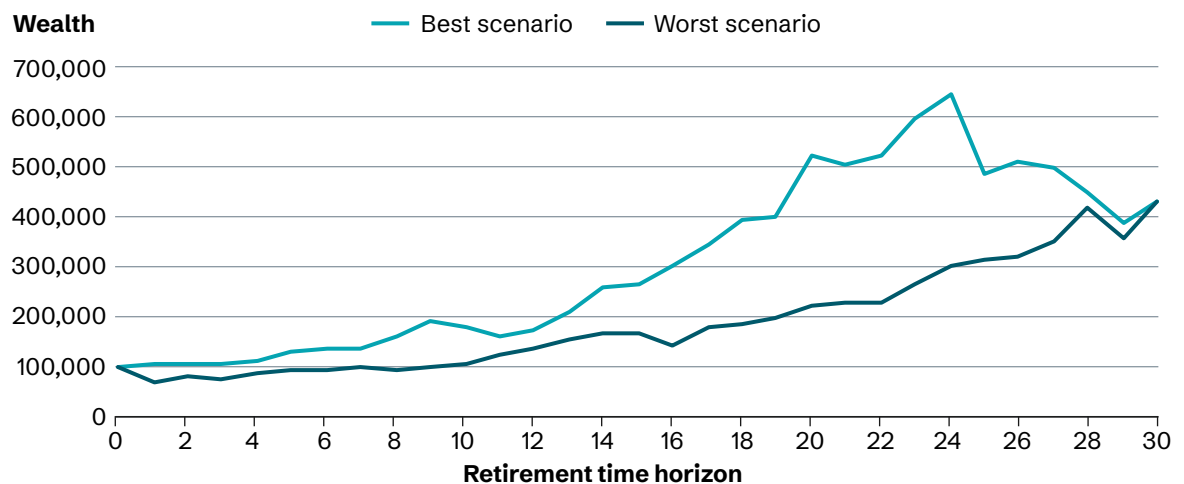
## Two portfolios with the same annualised return (5%) over 30yrs but with different sequences

### Accumulation

No cash withdrawal



No sequencing risk

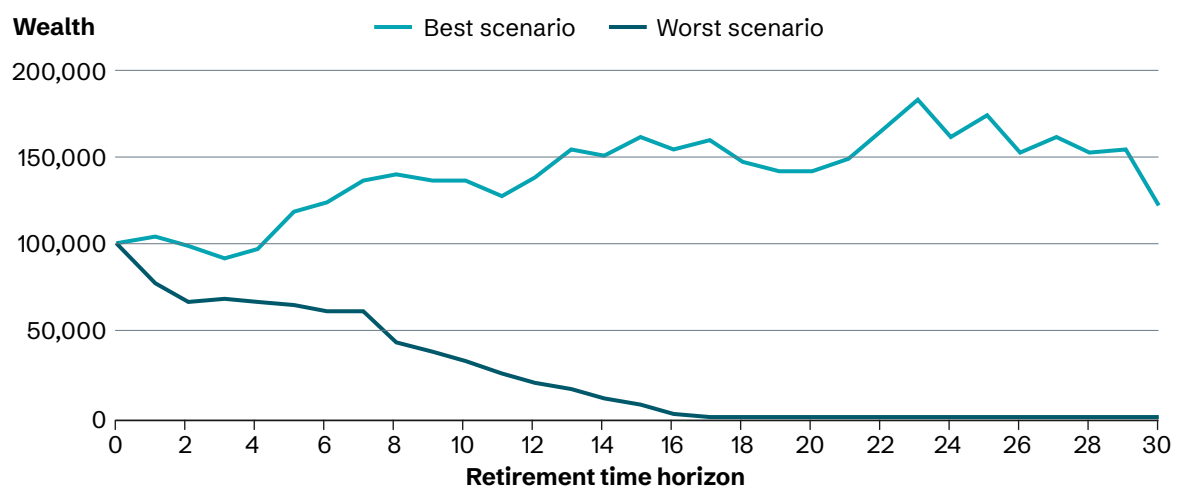


### Decumulation

Cash withdrawals (eg 6% income)



Sequencing risk



Forecasts and simulated performance are not reliable indicators of future performance.

For illustrative purposes only and not intended as an investment recommendation.

Source: Aviva Investors. Outcomes assessed over a 30y horizon per December 2022 CMA release.

Based on stochastic modelling using model portfolios which make the above assumptions.

Chart is for illustration only and highlights a good and bad sequencing outcome.

All retirement portfolios within our Model Portfolio range are risk-profiled<sup>1</sup>, for the purposes of client risk suitability. A portfolio in the low sequencing risk band has the lowest expected sequencing risk and it is therefore less likely that the timing of withdrawals will impact returns.

<sup>1</sup> Please speak to your Aviva Investors Business Development Manager to confirm which rating agencies have profiled the Aviva Investors Retirement Income Portfolios.

Portfolio	Risk Band
Aviva Investors Retirement Income Portfolio I	Low Sequencing Risk
Aviva Investors Retirement Income Portfolio II	Medium Sequencing Risk
Aviva Investors Retirement Income Portfolio III	High Sequencing Risk

## Managing Longevity Risk

Longevity risk is the risk of your client living beyond their pension savings. Life expectancy has been increasing in the UK, but this is putting greater pressure on pension savings to last for an increasing number of years in retirement. By investing for the long-term and paying close attention to sequencing risk, we aim to reduce the risk of pension savings running out.

### Our solution to these retirement challenges:

- 1. Unique portfolio construction:** We carefully choose from a diverse range of global asset classes. We then identify what we believe to be the optimum blend of funds to align to the Aviva Investors decumulation strategic asset allocation models and provide the best chance of sustainably delivering withdrawals throughout your client's retirement.
- 2. Natural Income generation:** We build retirement portfolios which aim to earn an attractive yield by investing in assets that are paying investors a regular stream of income. The natural income from the Model Portfolios can be used to top up your client's cash account on the relevant platform. A unit encashment can then be made to make up the rest of your client's income withdrawal. Because of the natural income, the amount of unit encashment will be smaller than if there was no natural income, helping to mitigate sequencing risk and the effects of withdrawing at inopportune times.
- 3. Probability-based outcomes:** We help you and your clients to understand how sustainable income withdrawals from their pension savings are expected to be and the potential they have for leaving a legacy for their loved ones through our retirement forecast capabilities.
- 4. Dynamic Management:** Markets move day by day, and we proactively manage the Model Portfolios. We analyse risk using a variety of tools to ensure that the Model Portfolios are robust and not excessively exposed to any one source of risk.
- 5. Multi-asset expertise:** Our Multi-asset team have been managing multi-asset funds for over 50 years. We currently manage approximately £112billion (as at 31 May 2025) in various multi-asset funds and we believe we have developed a robust approach to investing.

## Example of Possible SAA applicable to Model Portfolios

An example of each Model Portfolio and the corresponding SAA model are outlined in the table below.

This is an example of the Model Portfolios SAA based as of 30 April 2025 and may not represent the SAA applicable at the time of any application and is monitored on a daily basis and subject to recalibrating on an annual basis.

	Retirement Income Portfolio I	Retirement Income Portfolio II	Retirement Income Portfolio III
<b>Asset class</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Equities</b>			
Global Equity	7.06%	18.08%	28.89%
UK Equity	0.63%	1.61%	2.57%
N.America Equity	4.04%	9.67%	15.44%
Europe ex-UK Equity	1.25%	2.83%	4.52%
EM Equity	1.14%	2.91%	4.65%
Asia PAC Equity	-	1.07%	1.70%
<b>Defensive</b>			
Global Investment Grade	15.48%	8.42%	1.99%
UK Corporates	7.01%	3.07%	-
Global Sovereign	30.00%	14.17%	2.23%
UK Gilts	3.00%	1.32%	-
<b>Return seeking debt</b>			
Emerging Markets Debt Local Currency	2.38%	4.62%	5.00%
Emerging Market Debt Hard Currency	2.38%	4.62%	5.00%
Global High Yield	2.38%	4.62%	5.00%
<b>Liquid alternatives</b>			
Global REITS	3.71%	4.00%	4.00%
Listed Infrastructure	5.93%	6.00%	6.00%
Absolute Return	10.00%	10.00%	10.00%
<b>Cash</b>	<b>3.64%</b>	<b>3.00%</b>	<b>3.00%</b>

Each Model Portfolio aims to remain aligned to the relevant SAA model, which is regularly monitored and subject to rebalancing on a quarterly basis. We also set risk parameters to give ourselves flexibility to make changes more regularly. This means that we can increase or decrease the allocation to each asset class as follows:

<b>Asset Class</b>	<b>Tactical Asset Allocation (TAA) Range</b>
Equities	+/- 5.00%
Liquid Alternatives	+/- 7.00%
Fixed Income (Defensive and Return Seeking Debt combined)	+/- 10.00%
Cash	min. 1%

We also expect each Model Portfolio to operate within a 2-6% ex ante tracking error range.<sup>1</sup>

**As the Financial Adviser it will be your responsibility to help your client(s) decide which Model Portfolio would best suit them.**

<sup>1</sup> A tracking error whose calculations are based on a forecasting model is called an “ex ante” tracking error. The lower the number, the closer the performance of the Model Portfolio is expected to be to the performance of the benchmark.

## Investment universe

The Model Portfolios will invest in funds managed by Aviva Investors and external best in class funds. These funds will be invested in a variety of global asset classes, namely shares of both developed and emerging market companies; bonds issued by companies, governments, or large institutional organisations in developed and emerging markets; liquid alternatives; cash; and money market instruments.

The Model Portfolios will not invest directly in derivatives. However, derivative strategies may form part of the holdings of the funds that the Model Portfolios invest into.

The Model Portfolios may also gain exposure to property and commodities through investments in funds.

## Investment Strategy & Process

We will aim to rebalance the asset mix of the Model Portfolios on at least a quarterly basis, and we will consider our risk parameters and market conditions. Rebalancing is the process by which we will buy or sell the Model Portfolio’s investments in order to stay in line with the corresponding SAA as described above.

There are five key steps in our investment process:

- 1. Strategic Asset Allocation (SAA):** The SAA models are designed to take into consideration the specific investment challenges investors face when taking an income from their savings.
- 2. Componentry selection:** The Model Portfolios use a combination of Aviva Investors and external best in class investment strategies. External managers used in the portfolios will be selected by our Manager Research team.
- 3. Tactical asset allocation (TAA):** We actively review each Model Portfolio and adjust it to take advantage of market opportunities or to reduce risk.
- 4. Risk and portfolio construction:** Before any Model Portfolio changes are made, we will run risk analysis to check the effects of the proposed changes. We also carry out ongoing risk analysis to test the robustness of the Model Portfolios. This is to help us understand how the Model Portfolio may perform in different market conditions.
- 5. Ongoing Monitoring:** We oversee the Model Portfolios to ensure they continue to be aligned to their respective SAA and sequencing risk profiles and will aim to rebalance the Model Portfolios at least quarterly back to the target weights. An SAA review is conducted annually.

## Charges

We charge a 0.22% Model Portfolio Service fee. The Model Portfolios invest in a blend of Aviva Investors and external funds which your clients will pay an ongoing charges figure (OCF) on. We will receive remuneration for our services in this respect only on the Aviva Investors funds held within the portfolios. As the Financial Adviser it is your responsibility to provide clients with details of your fees and any fees applied by the Platform.

	Retirement Portfolio I	Retirement Portfolio II	Retirement Portfolio III
<b>Portfolio ongoing charges (OCF)<sup>1</sup></b>	0.48	0.50	0.49
<b>Model Portfolio Service Fee</b> (VAT exempt)	0.22	0.22	0.22
<b>Estimated transaction costs<sup>2</sup></b>	0.09	0.12	0.14
<b>Total estimated cost</b>	<b>0.79</b>	<b>0.84</b>	<b>0.85</b>
Risk profile	Low Sequencing risk   Medium Sequencing risk   High Sequencing risk		

Source Aviva Investors as of 31 May 2025. OCF is as of 31 March 2025.

<sup>1</sup> The OCF (Ongoing Charge Figure) is made up of the fund managers' fees for each fund held within the portfolio, along with other costs, such as administration, marketing and regulation. This figure tells you the annual costs of an investment fund as a percentage of its average asset value over a single year.

Other charges may apply such as platform fees and adviser charges.

<sup>2</sup> These are cash payments incurred when each fund in the portfolio buys and sells investments, and which reduce fund returns. These costs are separate from the ongoing charge and include broker commission (fee paid to a broker to execute a trade) and taxes.

## Model Portfolio target market

The Model Portfolio(s) have been made available to FCA authorised Financial Advisers to select for their clients, where the Model Portfolio is held on a Platform. The Model Portfolios are suitable for investors who;

1. Have an FCA authorised Financial Adviser who is responsible for assessing the suitability of their investments, including the associated risks, rewards and features.
2. Are in retirement and want to drawdown regularly from the portfolio.
3. Are looking for an investment that aims to grow their assets over the long term (5 years or more) through a combination of income and capital growth, in order to sustain income withdrawals and/or potentially leave a legacy.
4. Are happy to accept some degree of investment risk, in accordance with the low, medium and high sequencing risk profiles
5. Have the capacity to absorb losses where 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 and exchange rates. Investors may not get back the original amount invested.

If there is no FCA authorised Financial Adviser or the FCA authorised Financial Adviser no longer acts for the client, then the eligibility criteria to hold the Model Portfolios will not have been met as there is no ability to assess the suitability of the Model Portfolio(s).



## Key risks

There are several risks which you should be aware of which could affect the Model Portfolios or the underlying funds into which they invest. The value of an investment and any income from it can go down as well as up and investors may not get back the original amount invested, or the income target expected. The key risks across the Aviva Investors Retirement Income Portfolio I, II and III and the underlying funds in which they invest are as follows:

**Counterparty risk:** A fund could lose money if an entity with which it does business becomes unwilling or is unable to meet its obligations to the fund.

**Currency risk:** Changes in currency exchange rates could reduce investment gains or increase investment losses. Exchange rates can change rapidly, significantly and unpredictably.

**Default risk:** Issuers of certain bonds or money market instruments could become unable to make payments on their bonds, causing a reduction in income to the fund and also in the value of bonds held by the fund. Under extreme market or economic conditions, defaults could be widespread and their effect on fund performance significant.

**Derivatives risk:** Derivatives are instruments that can be complex and highly volatile, have some degree of unpredictability (especially in unusual market conditions), and can create losses significantly greater than the cost of the derivative itself.

**Emerging markets risk:** Compared to developed markets, emerging markets can have greater political instability and limited investor rights and freedoms, and their securities can carry higher equity, market, liquidity, credit and currency risk.

**Equities risk:** Equities can lose value rapidly, can remain at low prices indefinitely, and generally involve higher risks — especially market risk — than bonds or money market instruments. Bankruptcy or other financial restructuring can cause the issuer's equities to lose most or all of their value.

**Fixed income risk:** Investments in fixed interest securities are impacted by market and credit risk and are sensitive to changes in interest rates and market expectations of future inflation. Bonds that produce a higher level of income usually have a greater risk of default.

**Hedging risk:** Any measures taken to offset specific risks will generate costs (which reduce performance), could work imperfectly or not at all, and if they do work will reduce opportunities for gain.

**Interest rate risk:** When interest rates rise, bond values generally fall. This risk is generally greater for longer-term bonds and for bonds with higher credit quality.

**Leverage risk:** A small price decline on a "leveraged" underlying investment will create a correspondingly larger loss for the fund. A high overall level of leverage and/or unusual market conditions could create significant losses for the fund.

**Longevity risk:** The risk of living beyond retirement saving's which could result in a shortfall of income or savings in retirement.

**Multi-strategy risk:** Because the portfolios are exposed to the risks of multiple markets and asset classes, there is a risk that some or all of the strategies may not perform or correlate as expected.

**Sequencing risk:** The danger that the timing of withdrawals from a retirement account will negatively impact the overall rate of return available to the client.

**Sustainability risk:** An Environmental, Social or Governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

**Target outcome risk:** Any outcomes stated as targets are not guaranteed and may not be achieved.

## **Important Information**

### **THIS IS A MARKETING COMMUNICATION**

Except where stated as otherwise, the source of all information is Aviva Investors Global Services Limited (“Aviva Investors”). Unless stated otherwise any opinions expressed are those of Aviva Investors. They should not be viewed as indicating any guarantee of return from an investment managed by Aviva Investors nor as advice of any nature. The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested.

The Aviva Investors Retirement Income Portfolios comprise of three Model Portfolios (together the “Aviva Investors Retirement Income Model Portfolios”): Aviva Investors Retirement Income Portfolio I, Aviva Investors Retirement Income Portfolio II, and Aviva Investors Retirement Income Portfolio III.

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