

Aviva Investors Retirement Portfolios

This document is for professional clients, institutional/qualified investors and advisors only.



Contents

We aim to deliver quality retirement outcomes	3
Retirement investment challenges – Longevity risk	4
Retirement investment challenges – Sequencing risk	5
Our solution to these challenges	6
Optimised portfolio construction	7
Probability-targeted outcomes	9
Natural income generation	10
Combining natural income with a ‘cash bucket’	10
Bringing this together	11
Three retirement portfolios to choose from	12
Key risks	13
Glossary	14

We aim to deliver quality retirement outcomes

Aviva Investors is pleased to present the Retirement Model Portfolios, designed specifically to provide your clients with the income they need in retirement.

This solution takes a different approach to help them achieve their retirement spending goals and priorities. Each Retirement Model Portfolio can be bought within a variety of different wrappers. You will be able to use this solution to best suit your clients' needs.

It's our goal to make it as easy as possible to take a regular income from retirement savings:

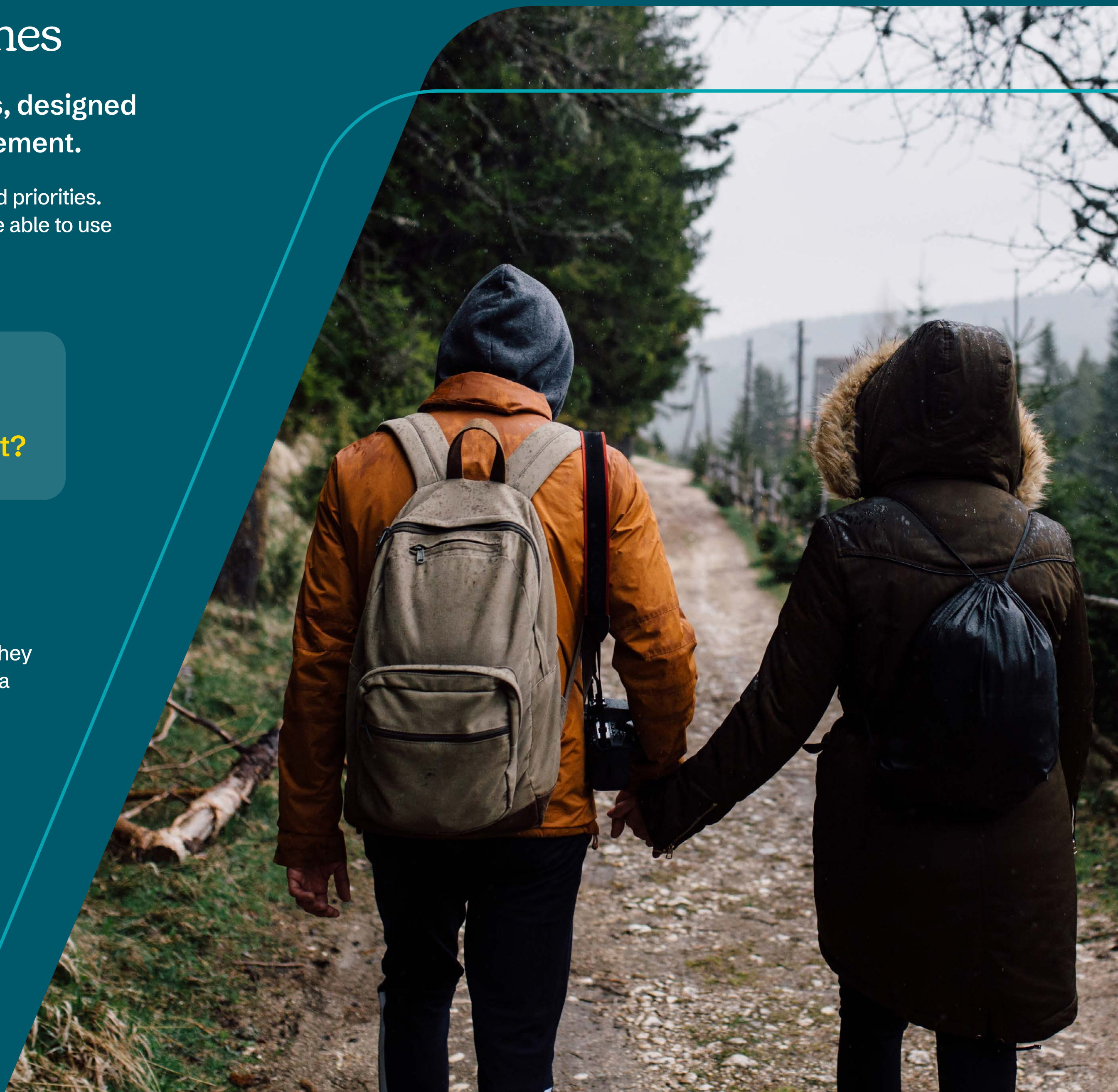
Our solution answers two key questions:

- 1 How much income can I take?
- 2 How long will it last?

Why is a different approach needed in retirement?

Retirees will want to withdraw money from their retirement savings and this differs from the approach taken until now where the focus has been mainly on contributing to build your savings. Because of this important shift toward taking withdrawals, this means there are new challenges they need the retirement portfolio to take into consideration so that they're best positioned to have a successful outcome in retirement. If they choose to keep their retirement savings invested to provide an income, their money will still be subject to the ups and downs associated with investing and there is a risk that they will lose money.

An alternative approach could be to purchase an annuity that provides a guaranteed level of income, but offers less flexibility and legacy potential. There are also other options for retirement savings such as keeping it untouched or withdrawing it all at once. We encourage retirees to discuss which option is best for them with you, their financial adviser. They will also talk through with you any potential and unforeseen circumstances which may cause income needs to change, as well as the impact of inflation and tax on income and any potential legacy.



Retirement investment challenges

> Longevity risk

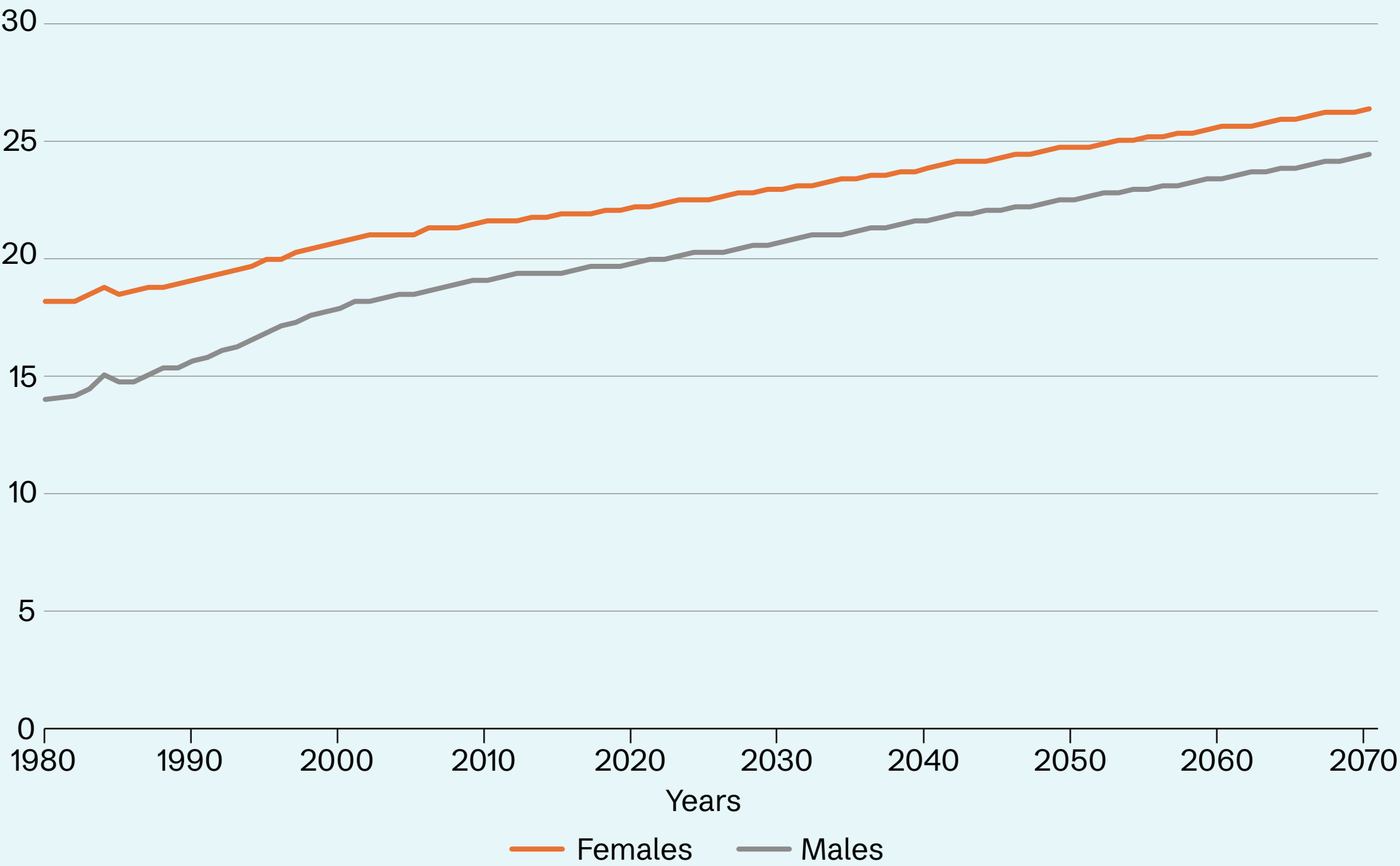
What is longevity risk?

Put simply, longevity risk is the risk of living beyond retirement savings. Life expectancy has been increasing in the UK (which is good news) but this is putting greater pressure on retirement savings to last for an increasing number of years in retirement. By investing for the long-term and paying close attention to sequencing risk (which we explain next), this can help to reduce the risk of retirement savings running out.

Historical & projected life expectancy at age 65

At age 65 men are expected to live an additional 18 years and 6 months, and women an additional 21 years.

Number of years in retirement



Source: Office for National Statistics 18 March 2025 National life tables - life expectancy in the UK: 2021 to 2023.

Retirement investment challenges

Sequencing risk

What is Sequencing risk?

Sequencing risk happens when the order of investment returns and withdrawals affects how long a pension pot lasts. If withdrawals begin during a period of poor market performance, the pot can reduce much faster than expected. Even if markets improve later, those early losses combined with withdrawals make it harder for the savings to last throughout retirement.

Sequencing risk becomes a problem when making withdrawals.

These charts 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 wouldn't be a problem (as would be typical before retirement).

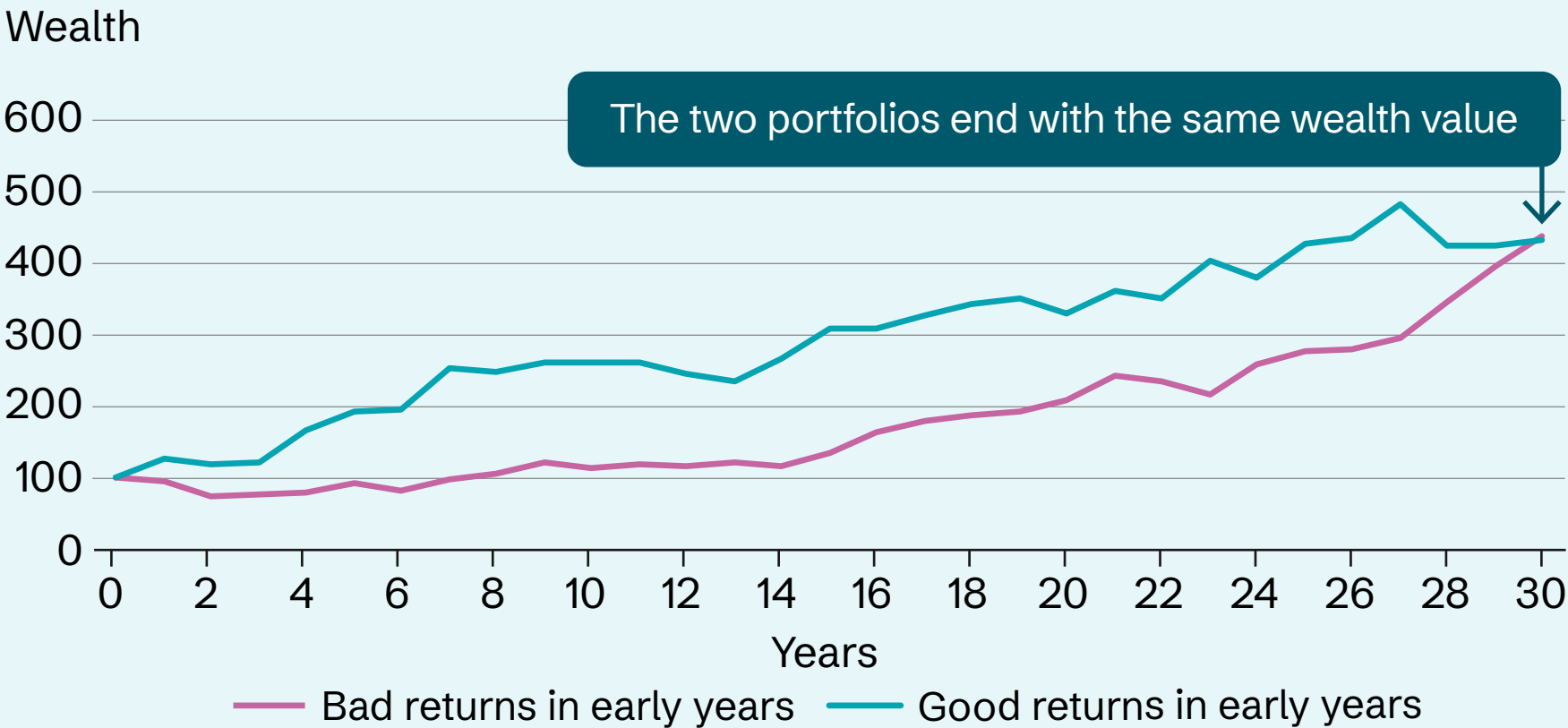
The orange line shows the portfolio that has the good sequence of returns in the early years and the teal line shows the portfolio that has the bad returns in the early years.

The first chart shows the two portfolios' wealth outcomes when no withdrawals are taken and the second chart shows the same but takes into account a regular income withdrawal from both portfolios.

These charts are an illustrative example; they don't indicate any certain outcomes or guarantee of returns.

One way to help to reduce sequencing risk is to use a cash bucket. We discuss this in more detail later on but you may recommend setting aside two years of income as cash for the first period of your client's retirement. The aim is to not need to cash in any units during this time.

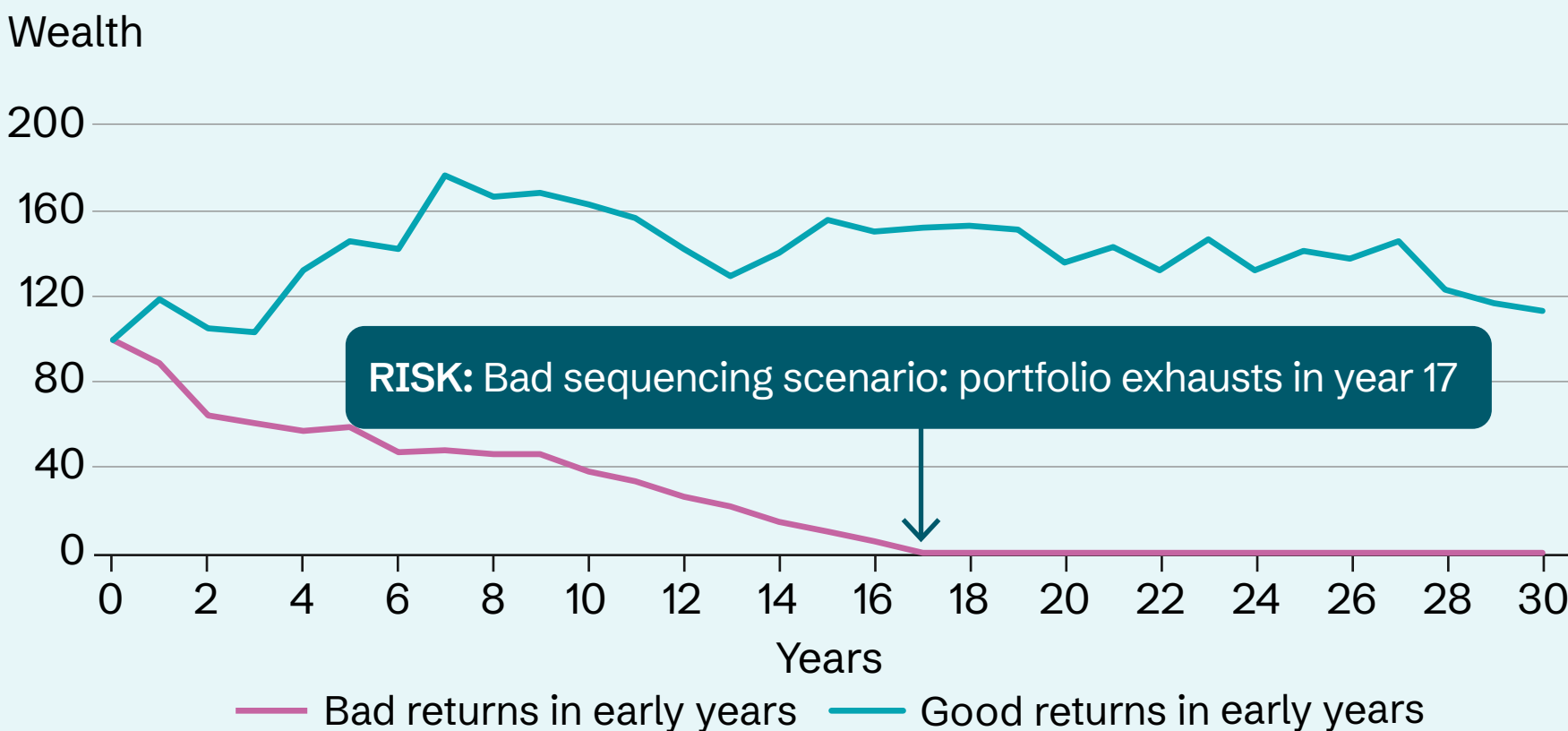
No cash withdrawals = No sequencing risk



No withdrawal

When observing the two portfolios, with different sequences of returns but the same annualised return (5% return), the wealth outcome is exactly the same for both portfolios when no withdrawal is taken.

Income withdrawals = Sequencing risk



6% withdrawal

But when taking annual withdrawals (6% withdrawal in this case) the two portfolios have considerably different wealth outcomes. The bad sequence of returns caused the portfolio's wealth to be exhausted prematurely (the pink line)

Forecasts and simulated performance are not reliable indicators of future performance, the effect of fees will reduce the overall return received. If income comes only from selling units and doesn't include any natural income, the effect on the portfolio will be enhanced. The models are based on assumptions and estimates, which may not reflect what actually happens in the future. For illustrative purposes only and not intended as an investment recommendation.

Source: Aviva Investors as at 30/06/2024. Outcomes assessed over a 30y horizon per December 2023 CMA release. Estimates are based on internal assumptions and simulations. Targets may not be achieved. Forecasts are not a reliable indicator of future performance. Data used for assumptions are based on objective data and takes into account scenarios in different market conditions. Please note the effect of fees would reduce the overall performance. Returns are stated gross of fees.

Our solution to these challenges

Our retirement portfolios aim to support sustainable income withdrawal over the long term through a combination of income and capital returns.

Optimised portfolio construction for retirement

We pick a mix of investments from around the world and combine them in a way that we believe gives the best chance of having a steady income throughout retirement.

Probability-targeted outcomes

This helps your client to understand how long income withdrawals from their retirement savings could last and the potential for leaving a legacy for loved ones.

Natural income generation

We choose investments that pay a regular stream of income. This can make a valuable contribution towards paying your client's retirement income.



Optimised portfolio construction

Our retirement portfolios aim to provide your client with a specific level of income. We also want to give them confidence that this income will continue for as long as they need it. Here's how we do it:

We choose a range of investments, such as:

Equities

Equities are an equal portion representing part ownership in a company that investors can buy. When you own shares, you can earn money through dividends (regular payments from company profits) and if you sell your shares for more than you paid for them. We choose equities from around the world or we focus on specific regions such as the UK, North America and Europe.

Bonds

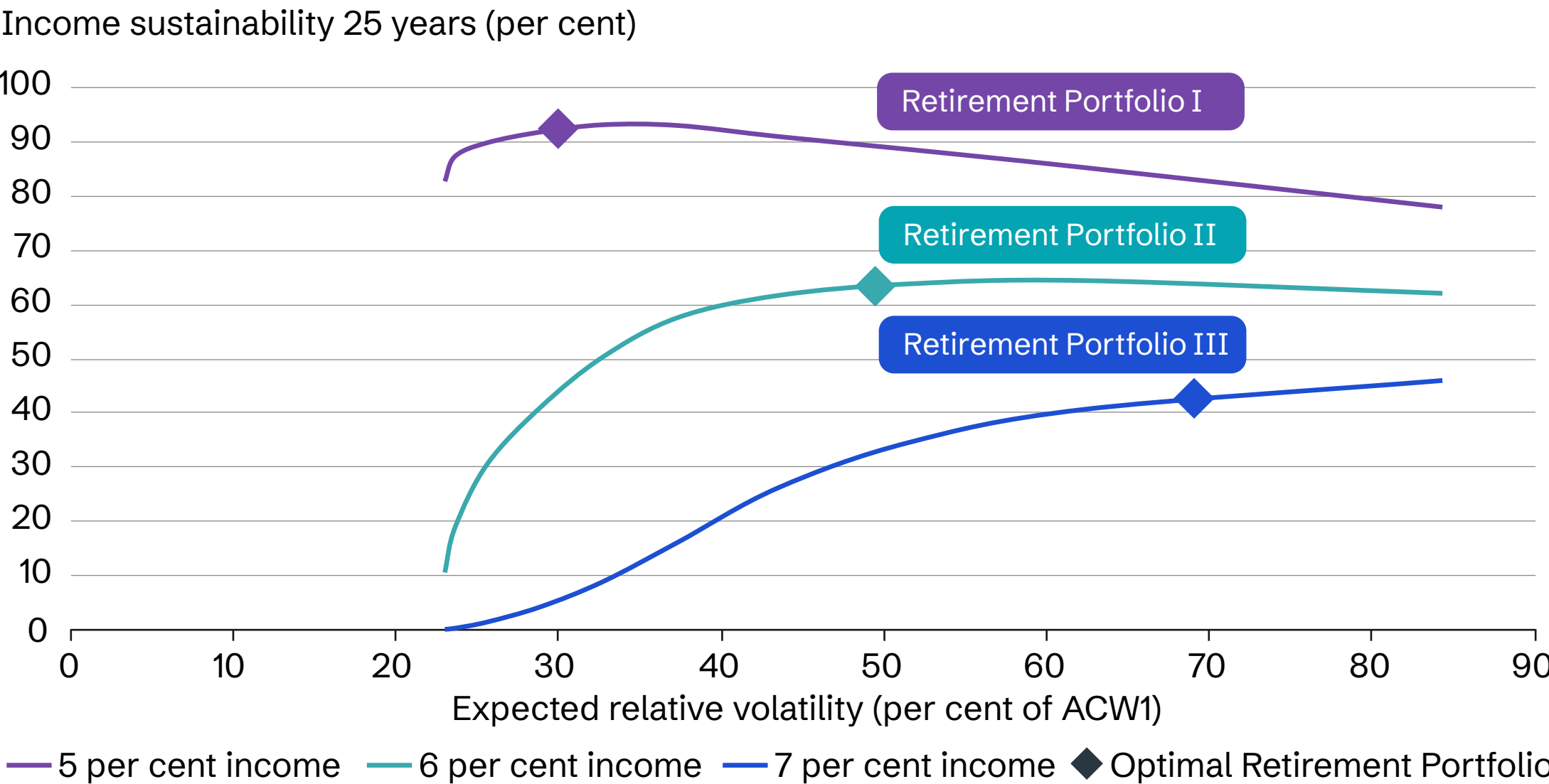
Bonds are a type of investment where you lend money to a government or company for a set period. In return, they pay you regular interest and give your money back at the end. They are commonly issued by companies and governments. We invest in a range of different types of bonds from across the world; some will pay higher interest, with others the interest is lower but we are more certain of getting our money back.

We also make other investments such as cash, listed infrastructure, real estate and absolute return funds.

We usually manage the investments actively by choosing and adjusting them ourselves. However, to help keep fees low, we sometimes use a passive approach where we don't make frequent changes.

We combine different types of investments to give your client the best chance of getting the income they want, while keeping the level of risk as low as possible.

The chart below shows what's referred to as an efficient frontier. When constructing a portfolio for retirement the objective is to optimise a sustainable income for a given level of risk (volatility). You will see on this chart that the portfolios are positioned to give the best balance between risk and income sustainability.



Forecasts and simulated performance are not reliable indicators of future performance. Returns are stated gross of fees, the effect of fees will reduce the overall return received.

Source: Aviva Investors as at 30/06/2024. Outcomes assessed over a 30y horizon per December 2023 CMA release. Income sustainability based on CPI linked withdrawals. Estimates are based on internal assumptions and simulations. Targets may not be achieved. Forecasts are not a reliable indicator of future performance. Data used for assumptions are based on objective data and takes into account scenarios in different market conditions. Please note the effect of fees would reduce the overall performance.

Optimised portfolio construction

We choose expert investment managers for each type of investment, aiming for strong returns while carefully managing risk.

Retirement Portfolio

The retirement portfolio shown is for a 6 per cent sustainable income withdrawal using a combination of natural income and unit encashments. Natural income is provided by fund distributions. This is an example of the mix of investments your client's retirement savings could be invested in. This mix can change over time. By showing this example, we're not giving any investment advice.

Equity Income 36.2%

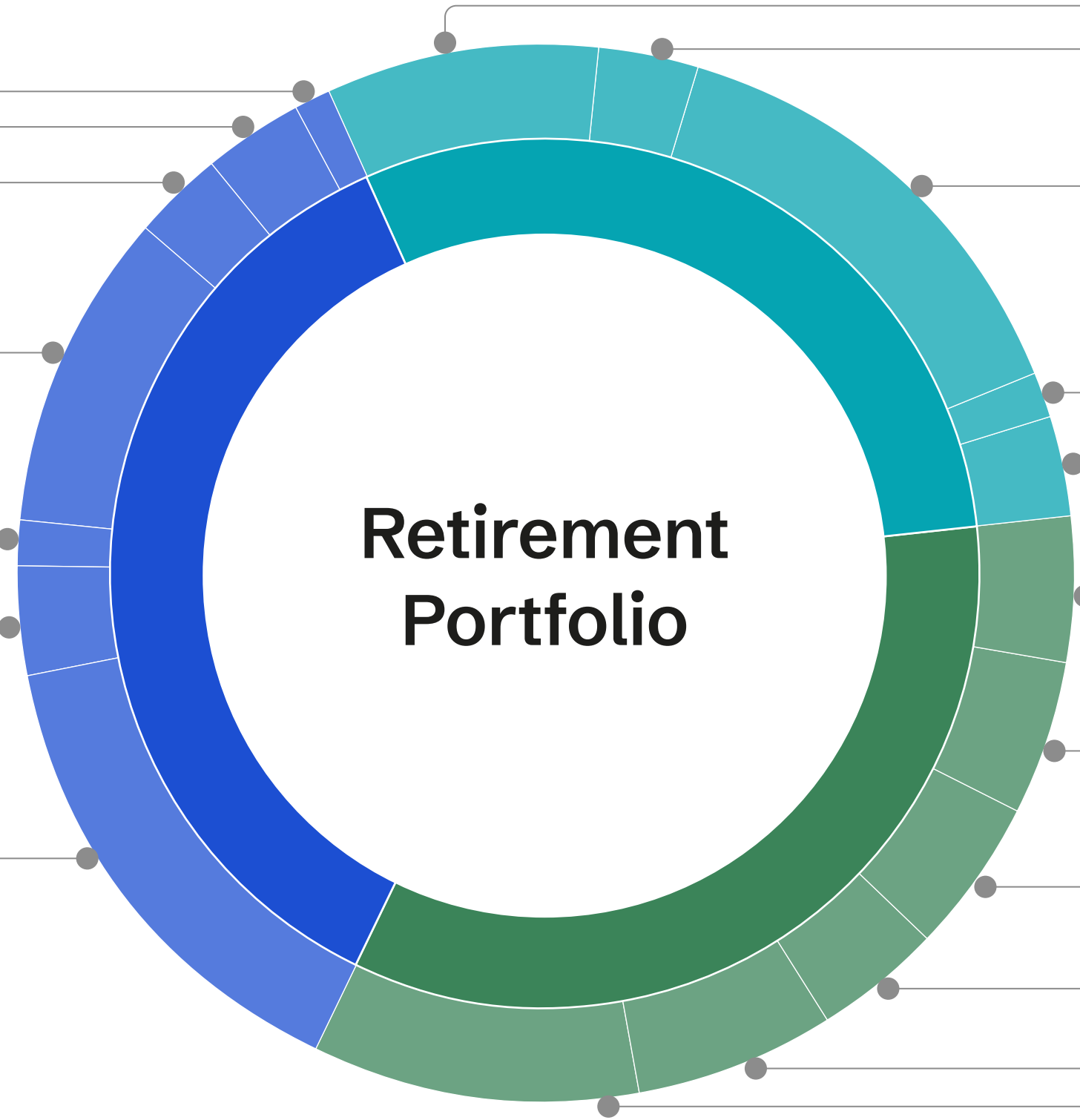
- Asian Income | 1.1%
- Emerging Markets Income | 2.9%
- Continental Europe Income | 2.8%
- US Index | 9.7%
- UK Income Fund | 1.6%
- Global Enhanced Income | 3.1%
- Global Equity Income | 15.0%

Defensive Income 30.0%

- Global Investment Grade Corporate Bond | 8.4%
- Corporate Bonds | 3.1%
- Global Sovereign Bonds | 14.2%
- UK Government Bond Index Fund | 1.3%
- Sterling Liquidity | 3.0%

Alternative Income 33.8%

- Global High Yield Bond | 4.6%
- Emerging Markets Hard Currency | 4.6%
- Emerging Market Local Currency Debt | 4.6%
- Global REITs | 4.0%
- Global Listed Infrastructure | 6.0%
- Multi-strategy Target Return | 10.0%



Source: Aviva Investors.
This diagram is for illustrative purposes only, asset allocations are subject to change.

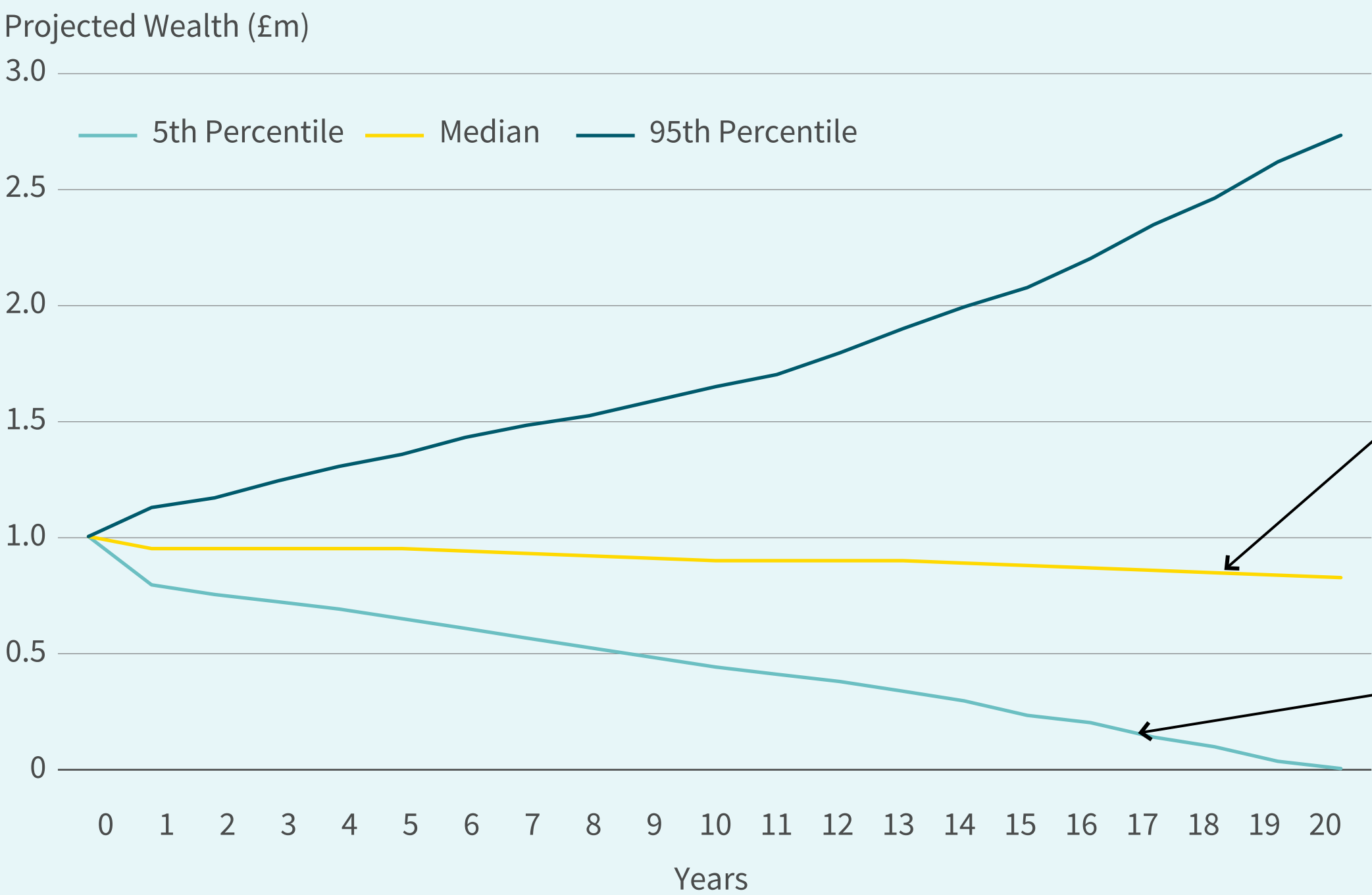
Probability-targeted outcomes

We look at a range of possible retirement outcomes by using different market scenarios to show how wealth could change when taking a regular income. This helps us give a sense of how likely certain outcomes are, based on probability.

While no one can predict exactly what will happen, this approach can support your client conversations and help them to make confident, informed decisions about their retirement.

Here is an example showing how one of our retirement portfolios might perform when withdrawing 6% each year.

Range of possible outcomes using Retirement Portfolio II for a £1m initial investment, taking 6% annual income



Central scenario (median) could give the potential to leave a legacy.

There's a chance, in the worst potential outcomes across this range, that money will run out after around 19 years.

Important Information About This Example Forecasts are not a reliable indicator of future performance. This is just an illustration to help explain how things might work. It's not advice or a recommendation. The results are not guaranteed.

The figures shown are based on computer models, not real-life results. They use made-up examples to show how the Retirement Portfolio II could perform. The models are based on assumptions and estimates, which may not reflect what actually happens in the future. Investments can go up or down. These numbers don't take the impact of inflation into account. The data used in the models is based on reliable sources and considers different market conditions. The retirement portfolio uses active managers across multiple asset classes aiming to outperform passive equivalents, and we assume a 50% probability of success, which is reflected in our performance assumptions through an uplift in expected returns. The figures shown are after product fees.

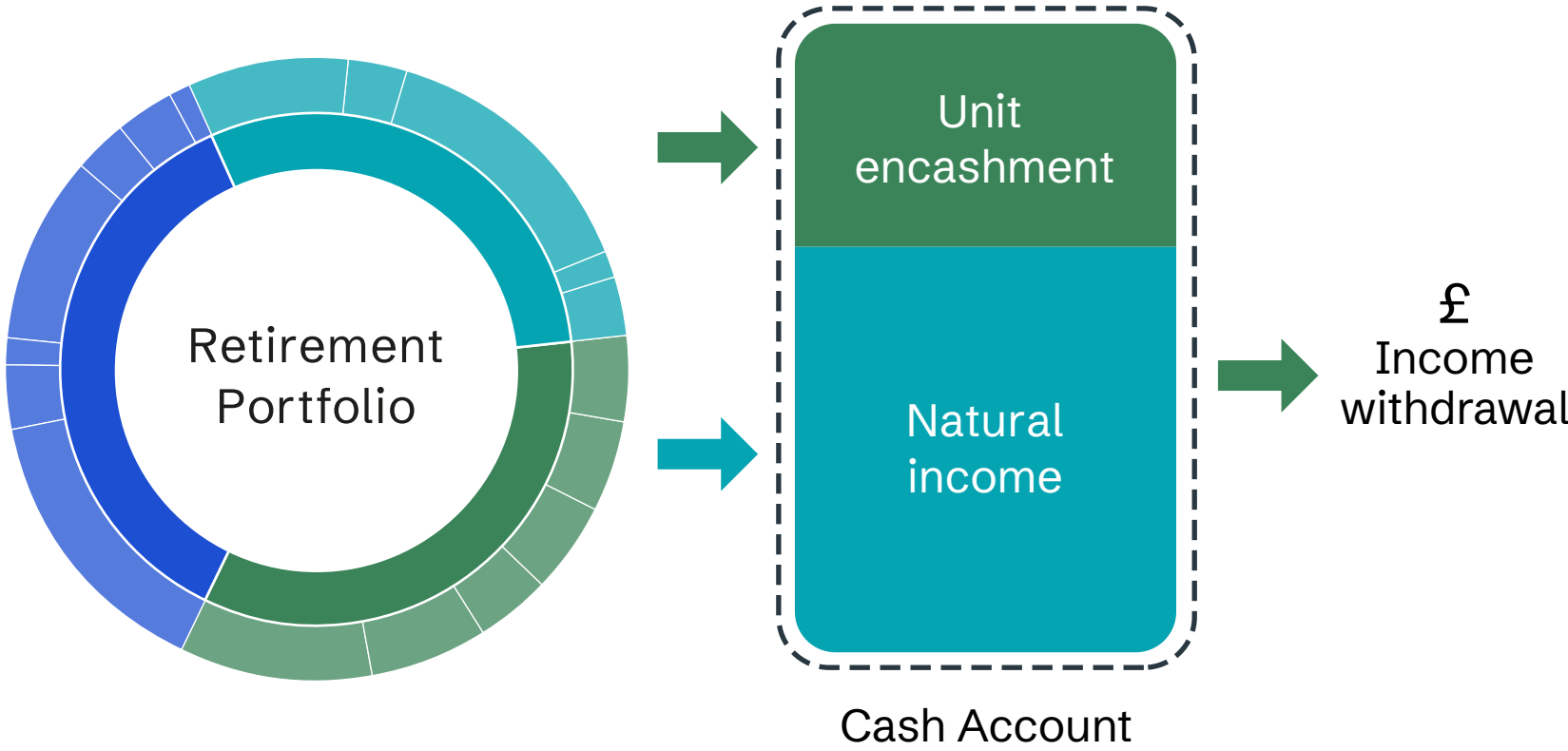
Source: Aviva Investors & ORTEC Finance, as at 31 December 2024. Outcomes assessed over a 30y horizon per December 2022 CMA release.

Natural income generation

We have designed the Retirement Portfolio to provide a healthy balance of natural income.

The income-focused funds we’ve chosen are designed to pay regular income through fund distributions (usually monthly or quarterly). This income can help support regular withdrawals, as explained below:

- 1. All natural income from the Retirement Portfolio will go into your client's cash account on the platform.
- 2. Additional income can be achieved through unit encashments to make up the rest of the income withdrawal. Because of the natural income, the amount of unit encashment will be smaller than if there was no natural income, helping to reduce the effects of withdrawing at inopportune times.

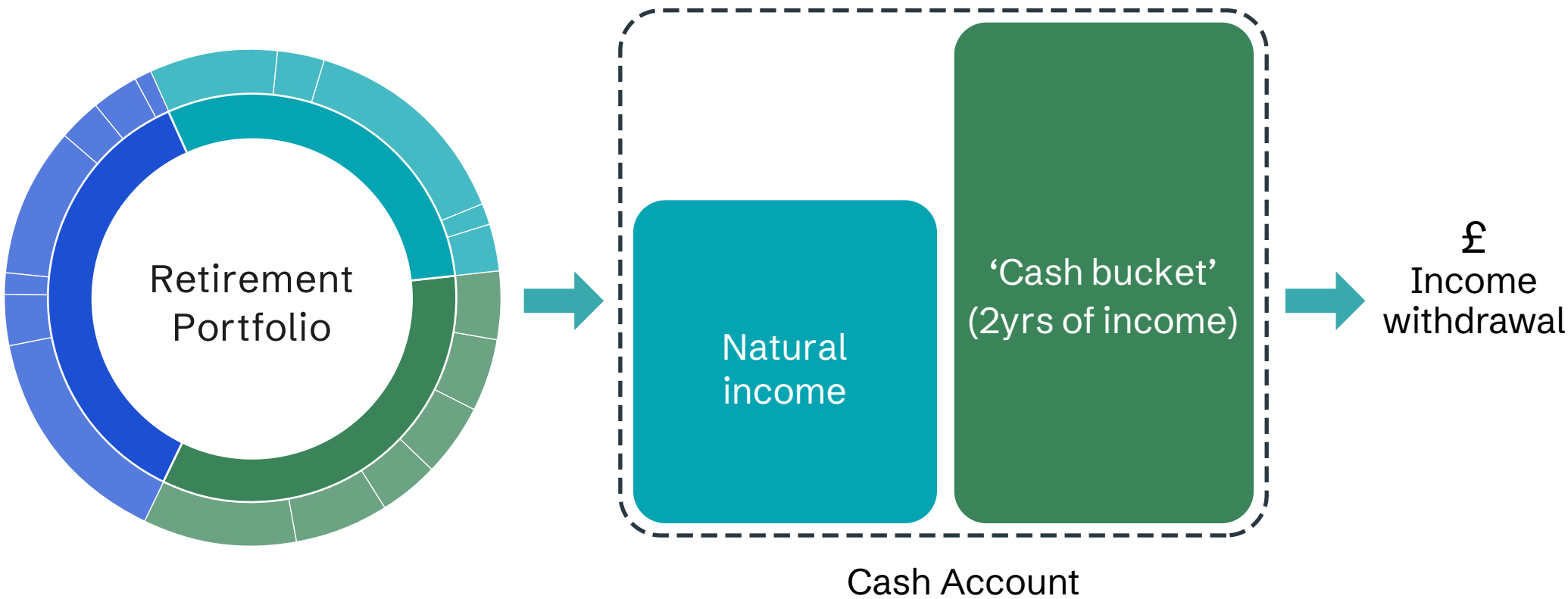


Source: Aviva Investors.
This diagram is for illustrative purposes only, asset allocations are subject to change. The proportions of unit encashment and natural income will vary depending on which retirement portfolio is chosen and market conditions. Natural income is paid from fund distributions according to their usual payment frequency. Unit encashment and retirement income payments can be set up at more frequent intervals.

Combining natural income with a ‘cash bucket’

You may recommend setting-aside two years of income as cash for the first period of your client's retirement.

- The Retirement Portfolio can be combined with a cash bucket held in the platform cash account earning interest. This would give your client some protection from sequencing risk and aim to put them on a good path for retirement.
- The cash bucket will be topped up with natural income flowing from the retirement portfolio, and this will be used for withdrawals in the first few years of retirement. Withdrawals thereafter will follow the same process shown in the diagram above.



Source: Aviva Investors.
This diagram is for illustrative purposes only, asset allocations are subject to change.

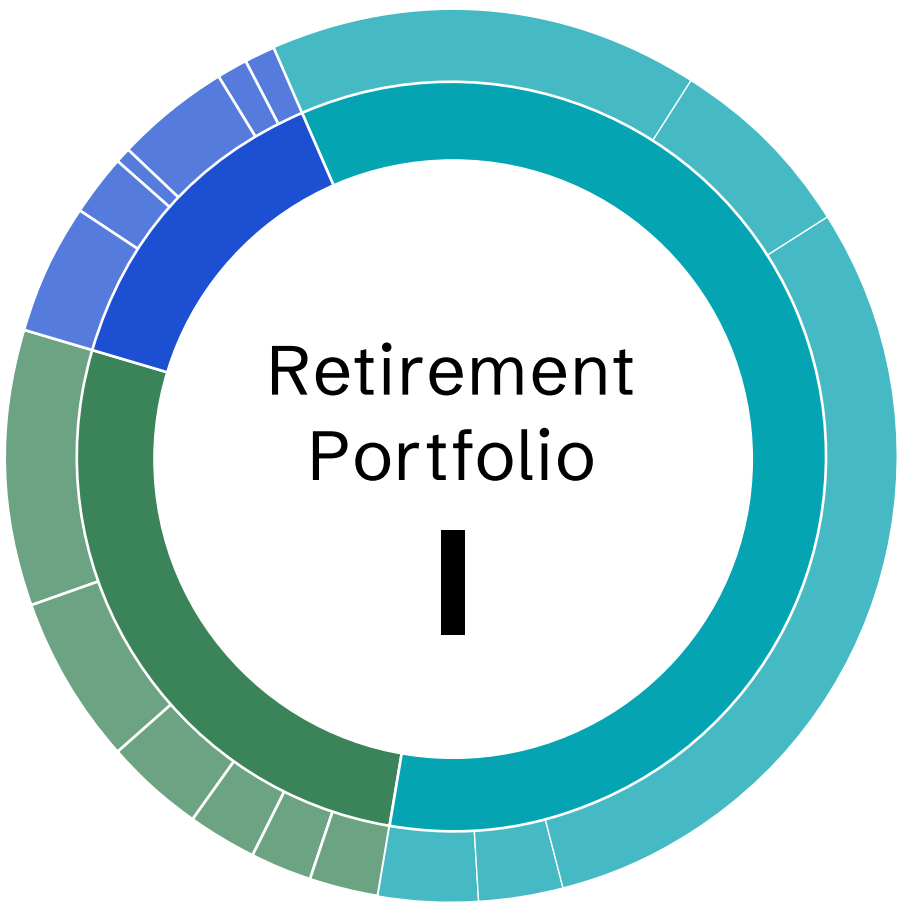
Bringing this together

The Retirement Portfolio provides your client with these key retirement features:		
Optimised portfolio construction for retirement	Probability-targeted outcomes	Natural income generation
Aiming to provide the solution for a sustainable and regular income in retirement:		
Aims to minimise retirement risks		And answering two key questions
<div><div>></div><div>Sequencing risk</div><div>Helping to manage unpredictable returns to reduce the risk of your client withdrawing at the wrong time – to give their retirement savings a better chance of lasting</div></div> <div><div>></div><div>Longevity risk</div><div>Reducing the risk of them living beyond their retirement savings</div></div>		<div><div>1</div><div>How much income can I take?</div><div>Portfolios built to target specific levels of income withdrawal (up to 5%, 6% or 7%) and paying natural income regularly. Your client's income will be paid before the portfolio fee is taken off, so the fee will be deducted from the amount they receive. Any platform and adviser fees will be charged separately.</div></div> <div><div>2</div><div>How long will it last?</div><div>Portfolios aiming to give a better chance of receiving income by extending the longevity of wealth and offering the potential to leave a legacy to loved ones</div></div>

Three retirement portfolios to choose from

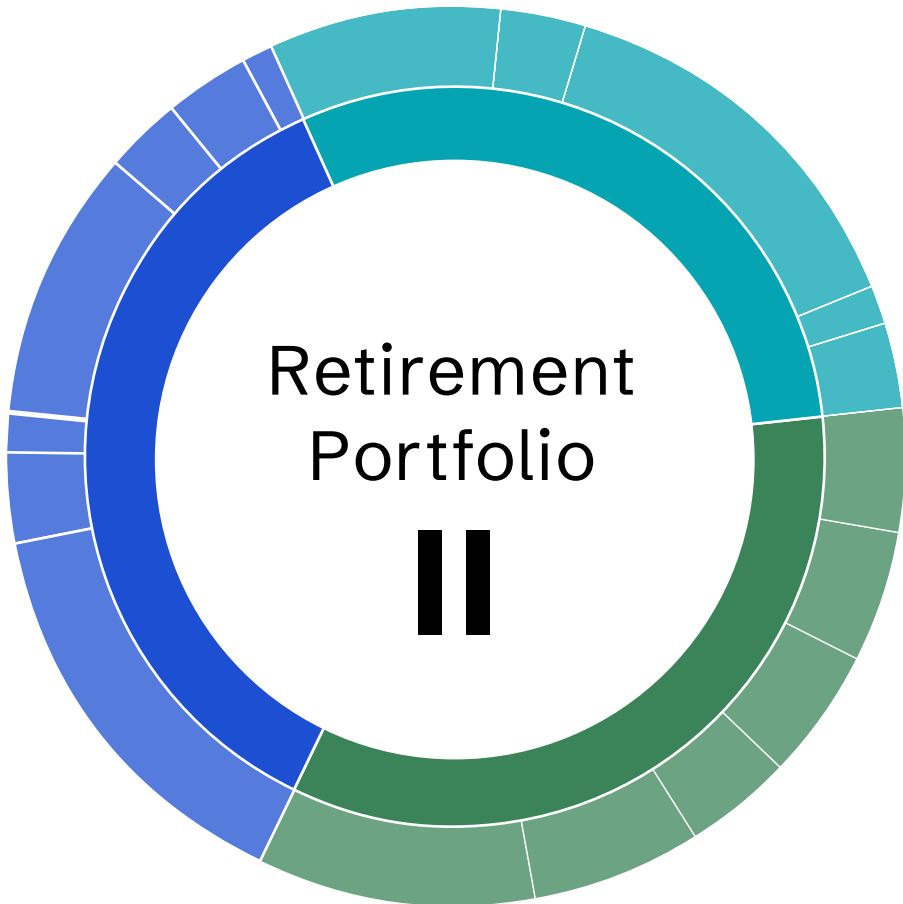
Retirement Portfolio

- ✓ Retirement focus
- ✓ Actively managed
- ✓ Model portfolio service
- ✓ Available via a financial adviser



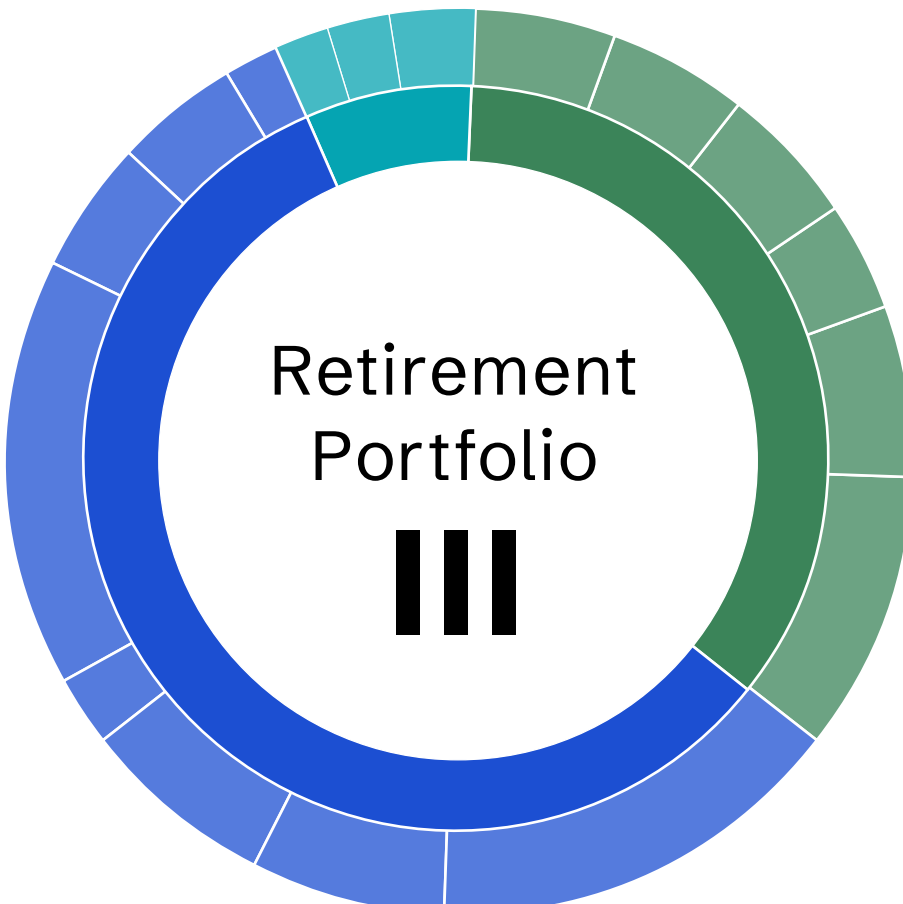
Up to **5%**

Annual income withdrawal*



Up to **6%**

Annual income withdrawal*



Up to **7%**

Annual income withdrawal*

Equity Income
Aims to grow money over time. Typically invests in shares from around the world.

Defensive Income
Aims to protect the value of investments and manage risk. Typically invests in cash, government bonds and lower-risk corporate bonds.

Alternative Income
Gives the potential to grow investments in areas beyond traditional asset types. It includes options like absolute return funds.

This diagram is for illustrative purposes only and subject to change.
*The income withdrawal percentage is an annual withdrawal amount based on the starting portfolio value.
You may recommend taking more or less income and at more regular intervals depending on your client's personal circumstances.

Key risks



Investment/objective risk
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.



Currency risk
The fund holds investments in different currencies. Changes in exchange rates can affect the returns, even if the fund tries to reduce this risk.



Emerging markets risk
Emerging markets are countries with growing economies that are still developing. Investing in emerging markets can be riskier and more unpredictable than investing in developed markets.



Equities risk
Equities can lose value rapidly and can remain at low prices indefinitely. In general they are more risky 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. This means that the value of the fund's investment in those equities will fall and it may not get any of the original investment back.



Fixed income risk
Fixed income investments pay a set amount of money regularly over time. These can lose some or all of their value if interest rates or inflation rise, or if the issuer becomes less likely to be able to pay the income. Investments that offer higher income often carry a greater risk of not being paid.



Objective/Performance Risk
There's no guarantee your portfolio will meet its objective or provide the income you expect without losing some of your original investment. Because your money stays invested, its value can go up and down and could be subject to a sharp fall in value. If this happens and how long you can keep your money invested is limited, your portfolio might not recover in time, which could mean your money runs out before your retirement ends, especially in particularly adverse market conditions.



Impact of Costs and Charges Risk
Costs and charges will reduce the amount of money left in your portfolio. Consequently this could reduce the amount of income you are able to take or how long it will last.



Inflation Risk
Inflation will reduce the purchasing power of your money over time.



Sequencing Risk
The timing of withdrawals from your investments—especially during a market downturn—can reduce how long your money lasts. If markets fall early in retirement while you're taking money out, your portfolio may reduce faster than expected, even if it recovers later. This means you may not be able to sustain your desired level of income, or it may run out sooner than you originally planned.

Glossary

Annualised return

An annualised total return is the geometric average amount of money earned by an investment each year over a given time period.

Volatility(%)

A measure of the fund's dispersion of returns. A higher volatility implies that a fund's return is spread over a larger range of values whilst a lower volatility implies that a fund's return is spread over a smaller range of values.

Estimated Historic Yield

This reflects a weighted average yield of the underlying funds held within the portfolio based on month end weightings. A 12 month yield is calculated for the underlying funds. This is an expression of the amount paid out in distributions (pre-tax) by the investment in the last 12 months expressed as a percentage of the previous month end price. Distributions include capital gains, dividend and interest payments but does not include any return of capital payments. For funds without a 12 month yield, the current yield (annual income (interest or dividends) divided by the current price of the security) has been used as a substitute.

Portfolio Management Fee

The portfolio management fee is a Discretionary Fund Management (DFM) Charge. This is a fixed rate charge to cover the costs of managing the investments of the portfolio. It accrues daily based on a percentage of the portfolio's net asset value and deducted from the portfolio's assets.

Manager Target

This is the Investment Manager's target for income withdrawal and does not guarantee actual investment results.

Underlying OCF

As we invest in the underlying funds in this portfolio, the underlying fund's charges will apply. These are costs you can expect to pay annually based on last year's expenses. The ongoing charges of the underlying funds is made up of various elements such as the fund management fee, professional fees, audit fees and custody fees.

Tracking Error(%)

A measure of how closely the fund follows its benchmark. A passive portfolio should have a tracking error close to zero, while an actively managed portfolio would normally have a higher tracking error.

Transaction costs

The costs paid by the portfolio when buying or selling investments, including clear fees like commissions and hidden ones like the difference between buying and selling prices.

Equity Income

Investments that have the potential to provide capital growth and income yield.

Defensive Income

Investments that aim to protect capital value and manage risk.

Alternative Income

Investments that have the potential to provide diversified returns from traditional asset classes.

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

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