



Aviva Investors, Administration Office,
PO Box 10410, Chelmsford CM99 2AY

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Address 2
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Address 5
Address 6

6 June 2019

Dear Client Title, Surname OR Sir/Madam

Client Reference Number:

Important Changes to Aviva Investors Bond Fund Range (the “Fund or Funds”)

We are writing to you to explain how we will describe the investment objectives and policies of our bond fund range in the future. We are also notifying you of our intention to make some Fund specific changes to the objectives and benchmarks. As part of our ongoing commitment to our clients we constantly review our fund range to ensure that all the information we provide about our funds is as clear and appropriate as possible.

This letter is for your information as an investor in our funds. We recommend you take the time to review the changes. You do not need to respond to us unless you want to take action.

We are changing the way we describe the investment objective and policy of these Funds, as detailed further in the Appendix to this letter. This change is designed to make the Funds’ aims and strategies clearer. The following summarises and explains these changes.

The new investment policy wording better describes each Fund’s overall strategy and the types of investments the investment manager will look for. The overall investment objective for each Fund is measured over the long term, meaning performance should be judged over five years or more.

We also set out how environmental, social and governance (ESG) criteria are integrated into the investment process and considered alongside a range of financial metrics and research. We also actively engage with companies with the aim of positively influencing company behaviour. Further information on how we integrate ESG and the limited exclusions we have is available on our website and in the Prospectus.

We have introduced a “Performance and Risk Measurement” section which explains how the Funds’ performance is compared against a benchmark index, and why the benchmark index has been selected for performance and risk measurement.

Please note that these clarifications will not result in any change to the investment strategy or risk profile of each Fund, rather they are being made to more clearly describe how each Fund is managed. Full details of these clarifications are in the Appendix.

Fund specific investment objective and benchmark index changes

In addition to these general updates, we are also making some specific changes to each Fund, which are also detailed in the Appendix.

Is any action required?

This letter is for information purposes and you are not required to take any action. We are providing you with **60 days' advance notice** of the changes to the Funds in order that you have time to consider them and reconsider your investment in the Fund(s), should you wish to do so, before the changes become effective on 7 August 2019.

We have also provided a comparison of the six bond-focused Funds in our range so that you are able to make an informed decision about which Fund is right for you, this information can be found in the Appendix. It is free to switch funds if an alternative fund would better suit your investment needs.

For further details and clarification please refer to the relevant Fund's Key Investor Information Document (KIID) and Prospectus which are available at <https://www.avivainvestors.com/amms>.

If you have any queries on the changes we are making please contact your financial adviser or our Customer Service Team on 0800 051 2003* or internationally on +44 1268 44 8219**. We recommend that you speak to your financial adviser before making any investment decisions. You should not interpret anything in this letter as financial advice. If you do not have a financial adviser then you can obtain details of independent financial advisers in your area by visiting www.unbiased.co.uk.

Thank you for investing with Aviva Investors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Iain Buckle', written over a horizontal line.

Iain Buckle
Head of UK Management Companies
Aviva Investors

Calls may be recorded for training and monitoring purposes, and to comply with applicable law and regulations. Details of call charges are given below:

** Calls are free from UK landlines and mobiles.*

*** Call charges to this number will depend on the call package you have arranged with your landline or mobile provider.*

Appendix- Aviva Investors High Yield Bond Fund

Change of Investment Objective

We are changing the way we describe the Funds' aim. This is not a change to the way the Fund is run, it is just designed to make the objective clearer. The current investment objective is that the Fund aims:

To maximise total return while generating a high level of income through investment in a diversified portfolio of fixed interest securities.

This is changing to be described as:

The Fund will aim to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more).

The benchmark (the "Index") is Bloomberg Barclays Pan European High Yield Index 2% issuer capped (Sterling hedged).

Previously we have not defined what "maximising total return" meant, nor what a "high level of income" was, the simplest comparison for this would have been to other high yield bond-based investment and saving products. Whilst this remains the case, and we still aim for the Fund to continue to "maximise total return while generating a high level of income" compared to other high yield bond-based investment products going forwards, we believe it is more appropriate to set a defined level of return that the Fund aims to generate in relation to the benchmark.

Change of Investment Benchmark

The Fund's benchmark is Bloomberg Barclays Pan European High Yield Index 2% issuer capped (*Sterling hedged*). This is a change to the currently published composite index for this Fund, but the change does not materially alter the risk profile of the Fund as the two indexes have very similar risk profiles.

The benchmark index has been selected as a target and for performance measurement because it is representative of the type of bonds in which the Fund is likely to invest, and it is therefore an appropriate comparator for the Fund's performance.

In summary, even though we are no longer saying the Fund aims to "maximise total return while generating a high level of income", the new target benchmark offers the same potential, and in a way that can be measured.

Please note that these changes will not result in any material changes to the investment strategy or risk profile of the Fund, and are being made to more clearly describe how the Fund is managed. We are hereby giving 60 days' notice of the plan to implement this change because it looks different to the way we describe the Fund's aims currently. This gives you time to evaluate the change and decide if this new benchmark-based target remains consistent with your needs.

| Previous | New |
|--|---|
| <p data-bbox="145 210 635 237">Aviva Investors High Yield Bond Fund</p> <p data-bbox="145 271 416 297">Investment Objective</p> <p data-bbox="145 331 719 421">To maximise total return while generating a high level of income through investment in a diversified portfolio of fixed interest securities.</p> <p data-bbox="145 454 376 481">Investment Policy</p> <p data-bbox="145 515 687 633">Diversified investment in high yield bonds but also other fixed income assets, such as government bonds and investment grade corporates.</p> <p data-bbox="145 667 695 846">The Fund may invest in any of the following financial instruments in order to achieve its investment objective: transferable securities, money market instruments, units in collective investment schemes, deposits and derivatives and forward transactions.</p> <p data-bbox="145 880 671 943">Note: At least 80% of assets will either be in sterling or currency hedged back to sterling.</p> | <p data-bbox="751 210 1241 237">Aviva Investors High Yield Bond Fund</p> <p data-bbox="751 271 1023 297">Investment Objective</p> <p data-bbox="751 331 1326 510">The Fund will aim to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more).</p> <p data-bbox="751 544 1286 633">The benchmark (the "Index") is Bloomberg Barclays Pan European High Yield Index 2% Issuer Capped (Sterling Hedged).</p> <p data-bbox="751 667 983 694">Investment Policy</p> <p data-bbox="751 728 1318 907">Core investment: At least 80% of the Fund will be invested in high yield bonds, which have been independently rated as sub-investment grade with a credit rating below BBB/Baa3, issued by companies in Sterling or hedged to Sterling.</p> <p data-bbox="751 940 1326 1059">Sub-investment grade bonds are typically regarded as being of lower quality and therefore higher risk than "investment grade" bonds, but typically offer a higher yield.</p> <p data-bbox="751 1093 1318 1249">Other investments: The Fund may also invest in other bonds, including those issued by governments and supranational organisations, other funds (including funds managed by Aviva Investors companies), cash and deposits.</p> <p data-bbox="751 1283 1334 1552">Derivatives, such as futures, may be used from time to time, to gain a particular market exposure which would otherwise be difficult or costly to achieve, or to manage the Fund's cash flows in a cost-effective manner. Derivatives may also be used to reduce risk, such as foreign currency risk within the Fund. This type of derivative usage is called "efficient portfolio management".</p> <p data-bbox="751 1585 1334 2011">Strategy: The Fund is actively managed, and the Investment Manager will make high conviction (strong belief) investments at both a company and sector level, basing their investment selection process on a long-term outlook, whilst looking to deliver optimum risk adjusted-returns. The Investment Manager will focus on identifying what they judge to be higher quality sub-investment grade bonds through assessment of the business strengths and risks associated with the underlying companies, the valuation of the bonds relative to the market, the views of independent risk rating agencies, and any other relevant factors, whilst also taking</p> |

advantage of short-term opportunities when they arise.

Environmental, Social and Governance (ESG) factors: ESG factors are integrated into the investment process and are considered alongside a range of financial metrics and research, but the Investment Manager retains discretion over which investments are selected. We also actively engage with companies with the aim of positively influencing company behaviour and helping to create competitive returns. In addition, the Fund has limited exclusions based on Aviva Investors' UK Responsible Investment policy. Further information on how we integrate ESG and the Aviva Investors UK Responsible Investment policy into our investment approach, and how we engage with companies is available on our website and in the Prospectus.

Performance and Risk Measurement: The Fund's performance is measured against the Index after charges and taxes.

The Fund does not base its investment process upon the Index, which is only a representation of the investment universe, therefore the Fund will hold bonds that are not part of the Index, and will only hold a relatively small proportion of bonds relative to the number in the Index.

The Index represents the performance of a broad range of sub-investment grade bonds issued in Euro, Sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc, hedged to Sterling, but caps the exposure to a single issuer (company) at 2%.

The Index has been selected as a benchmark for performance and risk measurement because it is representative of the type of bonds in which the Fund is likely to invest, and it is therefore an appropriate measure for the Fund's performance.

The Aviva Investors Bond Fund Range

There are six funds in the Aviva Investors Bond Fund range. These funds focus on investing in bonds. The range can be split into two parts, three of the funds can pay a monthly income and focus on income generation; and the other three funds can pay an income quarterly and focus on total returns over income generation. Income can also be reinvested rather than paid to investors when growth is the desired outcome. The other differences between the funds are based on which type of bonds they invest in and their individual investment strategies. It is free to switch between the funds in the range should you wish to move to one of our other funds.

Although more challenging times may lie ahead for bonds, we can help you get the most from your fixed income investments. With our internationally located investment team, we scour the world for the brightest capital growth and income opportunities. If you are looking to maximise the income and capital growth benefits of investing in bonds, we have a broad range of specialist funds from which you can select. Managed by a dedicated global fixed income team, our funds offer exposure to high-quality government and corporate bonds as well as riskier categories of bond that, in our view, tend to offer the best capital growth and yield prospects.

Funds that can pay quarterly income and focus on total returns

Aviva Investors Corporate Bond Fund – This is the largest fund in our range with assets under management of nearly £2.5billion. The fund has been established for over 20 years and is classed as the lowest risk fund in the range because its investment profile has the highest proportion of higher credit quality bonds in it. This also means that returns are likely to be less volatile than the other funds in the range. The fund is co-managed by Colin Purdie, our Fixed Income Chief Investment officer, and James Vokins, a Senior Fund Manager.

Aviva Investors Strategic Bond Fund – This is the most flexible fund in our range because it can invest in a very broad range of different bonds and can change how it is positioned based on the manager's view of market conditions – this is the “strategic” element of the fund. Assets under management are over £400m and the fund has been managed by Chris Higham since it launched in 2008 and is co-managed with James Vokins. The level of risk in the fund can vary, but between the three funds focusing on total return generation it will normally carry lower risks than the Aviva Investors High Yield Bond Fund and more risks than the Aviva Investors Corporate Bond Fund.

Aviva Investors High Yield Bond Fund – This is a specialist fund in our range with its focus specifically on high yield (lower credit quality) bonds issued by corporates. Bonds are broadly split into two types: higher quality (or investment grade) and lower quality (or non-investment grade or high yield). In general, higher risk bonds can deliver higher levels of income than lower risk bonds but they will be more volatile and carry more risks.

Funds that can pay monthly income and focus on income generation

Aviva Investors Monthly Income Plus Fund - This fund, like the Aviva Investors Corporate Bond Fund, is co-managed by Colin Purdie and James Vokins, and likewise it is the lowest risk fund in the range of our three monthly income paying funds. The fund mainly invests in investment grade bonds and the income generated is from the lower end of the bond risk spectrum. The fund can invest up to 20% of its net asset value in high yield bonds.

Aviva Investors Higher Income Plus Fund – This fund invests in a mixture of investment grade bonds and higher yield bonds. The fund may also invest in emerging market bonds (both corporate and sovereign). The fund invests in bonds that are issued in sterling or hedged back to sterling. The fund is managed by Chris Higham and James Vokins.

Aviva Investors Managed High Income Fund – The profile of this fund is similar to that of the Aviva Investors Higher Income Plus Fund but although there is a greater emphasis by the fund managers on high yield bonds. Like the Aviva Investors Higher Income Plus, the fund can invest in both developed and emerging market bonds. The fund also invests in bonds that are issued in sterling or hedged back to sterling. The fund is also managed by the team of Chris Higham and James Vokins.

Key risks

For further information on the risks and risk profiles of our funds, please refer to the relevant Key Investor Information Document (KIID) and Prospectus.

Investment risk

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. You may not get back the original amount invested.

Credit risk

Bond values are affected by changes in interest rates and the bond issuer's creditworthiness. Bonds that offer the potential for a higher income typically have a greater risk of default.

The following tables show a summary of each fund's objective and shows the past performance of the funds. The past performance is based on Share Class 1 – our standard retail share class for direct investors.

| | Name | New Objective | New Benchmark |
|---------------|--|---|--|
| Total Return | Aviva Investors Corporate Bond Fund | The Fund will aim to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is Markit iBoxx Sterling Non-Gilts Total Return Index. | Markit iBoxx Sterling Non-Gilts Total Return Index |
| | Aviva Investors Strategic Bond Fund | The Fund will aim to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, governments or large institutional organisations, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is a Bloomberg Barclays Composite Index. | One third Bloomberg Barclays Treasury G7 Index (Sterling hedged), one third Bloomberg Barclays Global Aggregate Corporate Index (Sterling hedged), and one third Bloomberg Barclays Global High Yield Index Ex CMBS ex EMG 2% issuer capped (Sterling hedged). |
| | Aviva Investors High Yield Bond Fund | The Fund will aim to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is Bloomberg Barclays Pan European High Yield Index 2% issuer capped (Sterling hedged). | Bloomberg Barclays Pan European High Yield Index 2% issuer capped (Sterling hedged). |
| Income Paying | Aviva Investors Monthly Income Plus Fund | The Fund will invest in bonds issued by companies and aims to provide an income equivalent to the benchmark, and an overall net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is the Markit iBoxx Sterling Non-Gilts Total Return Index. | Markit iBoxx Sterling Non-Gilts Total Return Index |
| | Aviva Investors Higher Income Plus Fund | The Fund will invest in bonds issued by companies and aims to provide an income of at least 110% of the income return of the benchmark, and an overall net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is a composite index. | 50% Markit iBoxx Sterling Non-Gilts Index, 40% Bloomberg Barclays Pan European High Yield Index 2% issuer capped (Sterling hedged) and 10% J.P.Morgan Emerging Market Bond Index (Sterling hedged). |
| | Aviva Investors Managed High Income Fund | The fund will invest in bonds issued by companies and aims to provide an income of at least 110% of the income return of the benchmark and overall net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is a composite index. | 40% Markit iBoxx Sterling Non-Gilts Index, 50% Bloomberg Barclays Global High Yield Index ex CMBS ex EMG 2% issuer capped (Sterling hedged) and 10% J.P.Morgan Global Emerging Markets Bond Index (Sterling hedged). |

| Name | Fund Performance (net Share Class 1 Inc) | | | | |
|--|--|--------|-------|-------|--------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Aviva Investors Corporate Bond Fund | 10.50% | -0.23% | 7.95% | 3.98% | -2.22% |
| Aviva Investors Strategic Bond Fund | 6.02% | 1.02% | 6.00% | 2.91% | -4.41% |
| Aviva Investors High Yield Bond Fund | 5.47% | 2.98% | 7.38% | 3.23% | -4.89% |
| Aviva Investors Monthly Income Plus Fund | 10.76% | 0.02% | 8.69% | 4.55% | -2.96% |
| Aviva Investors Higher Income Plus Fund | 8.16% | 0.98% | 8.27% | 4.27% | -3.31% |
| Aviva Investors Managed High Income Fund | 6.46% | -1.06% | 8.82% | 3.89% | -3.77% |

For past performance relative to each Fund's benchmark, please view our draft KIIDs available on the following webpage, <https://www.avivainvestors.com/amms>.

For distribution and underlying yield information on each fund, please view our fund factsheets on <https://www.avivainvestors.com/en-gb/capabilities/fund-centre/>.

Past performance is not a guide to future performance.

Investment decisions should not be based on short term performance. Performance source: Aviva Investors/Lipper, a Thomson Reuters company as at 31 December 2018. Basis: Mid to mid, net income reinvested, net of ongoing charges and fees, in Sterling and net of tax payable by the Fund. The figures do not include the effect of any exit or entry charge.

The bond expert in your corner

Our insurance heritage gives us a deep understanding of risk. It has also given us vast experience in designing solutions to meet your needs.

Creativity

For us, being creative is the key to getting the most out of bonds. We therefore actively promote a culture of idea-sharing and debate between our research teams that are based in Chicago, London, Paris, Singapore, Toronto and Warsaw.

Construction

We take great care in how we construct and maintain our funds. Whilst our approach is innovative and adaptable, we monitor portfolios constantly to ensure we remain aware of risks and stay true to our investment philosophy.

Responsible

Environmental, social and governance considerations are critical to the generation of attractive and sustainable long-term returns in bonds.

For more information visit <https://www.avivainvestors.com/en-gb/capabilities/fixed-income/>.