

Aviva Investors Investment Funds ICVC Value Assessment Report



February 2021

As Chairman of the board of directors (the “Board”) of Aviva Investors UK Fund Services Limited (“AIUKFSL” or the “Company”), and on behalf of my fellow Board members, I would like to introduce the Value Assessment for the year to 15 October 2020.



The AIUKFSL Board is responsible for monitoring and upholding the culture, values, standards and ethics, and reputation of the Company, and ensuring that it acts in the best interests of its customers at all times.

Aviva Investors has been helping to meet customers’ investment needs for over 50 years and continually strives to deliver value for our investors. In this report we set out how the Fund has performed over the last 12 months, and where we have seen opportunities for improvement. In general I am pleased to say that despite a very challenging market due to the Covid-19 pandemic, the funds that we have reviewed in this report have been resilient, and we have seen improved performance in areas where we identified concerns last year.

The Board takes the Value Assessment very seriously, and the rigorous process that we have implemented will continue to drive improvements where they are necessary. If you would like to understand more about how the Value Assessment is carried out and the factors we consider, I would encourage you to read the Value Assessment Approach document which explains how we have reached our conclusions.

I would like to thank you for trusting Aviva Investors with your investment and taking the time to read this report.

Mark White
Chairman

An introduction to Value Assessments

An Authorised Fund Manager ('AFM') must conduct an assessment of value for each share class in each of the funds that it manages at least annually. The Financial Conduct Authority's (FCA) rules prescribe a minimum set of components that need to be considered to determine if a fund provides value to investors, and that its costs and charges are justified in this context.

The following describes how we, as AFM of the Funds, approaches the assessment and the range of factors considered by the Company's board of directors ('the Board') for each component.

This exercise is performed annually in addition to and in conjunction with our regular fund reviews. Those reviews include extensive assessments of service and performance for each fund, with appropriate action taken throughout the year. If the result of the value assessment is that charges are not considered to be justified in the context of overall value, appropriate action will be taken.

COMPONENTS OF THE VALUE ASSESSMENT

1. Quality of service

Consideration is given to the range, nature, extent and quality of services provided directly to investors or undertaken on their behalf, and whether investors have benefited appropriately. This covers the services performed by the Company and its suppliers, as well as their reputation, expertise, resources and relative capabilities. This includes:

- The quality of the investment manager, including their processes (trading, risk management, compliance, technology, research and operational) and any environmental, social and governance (ESG) factors that are integrated into the investment process.
- The quality of administrative and investor services provided to the fund, using investor satisfaction surveys, complaints and data relating to operational accuracy to assess the positioning of the Company and its products and services over time, and relative to other similar firms.
- The timely delivery of clear communications, and the appropriateness of information provided to investors to help them make informed investment decisions.

2. Performance

Consideration is given to whether fund performance, before and after the deduction of expenses, is within a reasonable range of outcomes relative to its objective, policy and strategy when measured over appropriate time periods. The time periods will be set out in the investment objective or policy, and performance over 1, 3, 5 and 7 years, or since inception if there is not a full seven year's performance data. Performance is also considered in the context of the relevant peer group and whether the fund operated in accordance with its respective risk limits and investment restrictions.

Fund performance, as measured against its objectives, is assessed in the regularly scheduled fund review, which is taken into account in reaching the conclusions for the value assessment.

If the performance is considered unsatisfactory, the following factors may be taken into account where relevant:

- Explanations for any underperformance provided by the investment manager as part of the Company's fund performance governance model; and
- Any appropriate steps (such as consideration of changing the investment objective, policy, strategy or investment personnel) that have been taken or are intended to be made with the goal of improving performance.

The Company could consider changing the investment manager or closing the fund where no other viable options are available.

Further information on the specific performance of individual funds is included in the Fund Manager Report section of the Report and Accounts, covering the period relevant to that report. More topical information is available in the regular fund factsheets and updates, available on our website.

3. AFM costs and charges

Consideration is given to whether charges are reasonable, taking into account the underlying costs for the services provided and the performance objectives of each fund.

We undertook a thorough review of charges across our fund range in 2018, which resulted in the introduction of a single Fund Management Fee ('FMF'). The FMF is the only direct charge deducted from the funds and is a simpler charging model for investors. The review also resulted in the charges being reduced on several funds.

The underlying fees, costs and expenses covered by the FMF are detailed in the fund prospectus, but in summary cover the following payments:

- the fees and expenses of the Company as AFM;
- the fees and expenses of the Investment Manager;
- the fees and expenses of the Depositary;
- the fees and expenses of the Custodian;
- the fees and expenses of the Auditor;
- the permitted costs in connection with periodic statements and accounts; and
- FCA fees.

To assist with the value assessment, a costs and charges model is used that allows us to assess the costs attributable to each fund. The model is refreshed semi-annually and provides a comparison of the FMF for each fund against all elements of cost that must be paid out of the proceeds. This helps us determine whether the FMF is fair based on the costs of services provided for the relevant share class, with an appropriate allowance for the income earned by the Company from these activities.

4. Economies of scale

Consideration is given to whether investors have participated appropriately in any savings or benefits derived from the size of the fund. We also consider whether investors have benefited from the scale of the Aviva Group and the ability to negotiate favourable pricing with service providers due to the wide range of other products and services offered across the Group, along with the scale and range of other funds and assets managed by the Company.

The Board considers whether economies of scale have been realised in relation to the costs and operating expenses of each share class and the extent to which investors might also benefit from financial savings that result. For example, whether the FMF fairly reflects the fees charged in respect of the third party supplied services – which should be competitive due to the scale of Aviva and the potential breadth of other Aviva product ranges that the supplier also provides services for.

The assessment of the underlying service costs of running the fund, and the appropriate level of FMF, takes place on an annual basis. Any changes to the underlying costs will be reflected in this analysis, and may result in a change to the FMF.

In looking at whether investors have benefited appropriately, either directly or indirectly, in any savings or benefits in relation to the management of the fund, the Board acknowledges the wider, albeit intangible, benefits to investors, such as the reputation, brand and financial strength of the Aviva Group.

The Board may also consider it appropriate to reinvest cost savings directly into the Company, to finance product development or retain savings for commercial reasons. Consideration will be given to the drivers of the scale generated in determining whether benefits should be shared or reinvested.

5. Comparable market rates

Consideration is given to whether the fees paid for each service provided to the funds by the Company or on its behalf are reasonable compared to fees for similar services in the market.

An independent consultant is used to carry out a periodic survey of the main expenses of the fund and those of competitors. The survey provides benchmarks for each of the main expense items associated with running a fund to help the Board determine whether the funds are paying a reasonable price.

The survey considers a number of expenses, including:

- Transfer agency fees
- Fund accounting fees
- Investment management fees
- Custodian fees
- Depository fees
- Audit fees

Direct comparisons may be difficult because information is not generally publicly available and is affected by numerous factors. Where specific expenses are highlighted to be outliers in the report, the reasons for this will be considered to determine the extent to which they are appropriate.

The review will also consider the overall costs of comparable products, by benchmarking each fund against a suitable peer group. Where the aggregate charges (as calculated by the Ongoing Charges Figure) are greater than the average cost of equivalent peer group funds, consideration will be given to whether it would be appropriate to adjust the FMF.

6. Comparable services

The Board considers whether the fees charged by the Company for the services it performs for the fund are consistent with those charged by the Company and other companies within the Aviva Group. This gives consideration to other similar funds or services operated by the Aviva Group that are available in the UK, are of a comparable size, and are managed to similar objectives and policies.

As stated in section 3, we undertook a thorough review of our charging mechanism across the fund range in 2018, which resulted in the introduction of a single FMF. Part of this exercise was to ensure the fees charged were appropriate across our UK range of regulated funds; considering their relative nature, investment objectives and services provided.

7. Classes of units

The Board assesses whether investors hold shares in the most appropriate share class for their investment, in terms of fees applied.

As part of the review of our charges in 2018, we carried out an assessment of whether investors held units in the most appropriate share class. The review prompted the closure or merger of a number of share classes, along with the amendment of some minimum investment limits and share class eligibility criteria, and the removal of trail commission to advisers. This resulted in some investors being moved into alternative share classes that either had fees of an equivalent level, or lower than they had been paying previously.

In addition, we have a process in place to identify any investors who would be eligible for a share class with lower fees. If any such investors are identified, steps are taken to move them into that share class if possible.

Other factors may be considered in determining the conclusion of the value assessment, as deemed appropriate by the Board. If such other factors are considered, details will be provided in the value assessment report for the relevant fund.

Aviva Investors Climate Transition Global Equity Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Classes exceptions.

It should be noted that this Fund launched on 8 June 2020, so this assessment has been completed with limited reference data. The conclusions are, therefore, in a large part dependent upon the product feasibility assessment that was completed prior to launch which evidenced that the Fund’s long term objective and fees were appropriate for a fund with this strategy.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the performance since launch is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. As this Fund launched on 8 June 2020, the FMF has been set based on the target size of the fund, which has not yet been reached, and therefore there are no economies of scale cost savings that have been achieved.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the period 8 June 2020 to 15 October 2020 the Aviva Investors Climate Transition Global Equity Fund delivered a total return of 13.04% (share class 1), net of fees*. The Funds benchmark index returned 5.92% over the same period.

Review

Global share markets performed well after the strategy was launched in June 2020 and the fund also benefited from value-adding stock selection. This resulted in a period of favourable performance, both in absolute terms and relative to the benchmark.

Stock picking in the 'Solutions' sleeve was particularly beneficial, with investments in Xinyi Solar, Vestas Wind Systems and Siemens Gamesa all generating strong returns.

Xinyi Solar, a Chinese solar panel glass manufacturer, has a strong competitive position and cost advantage versus other suppliers, and continues to benefit from the global transition towards renewable energy sources.

Vestas Wind Systems and Siemens Gamesa, the two leading wind turbine manufacturers globally, benefited from the pace of new investment in renewable energy solutions. The European Union's €750 billion Covid-related recovery package announced earlier this year outlined a further commitment to green initiatives, following on from the European Green Deal in 2019. At the same time, US presidential candidate Joe Biden outlined a commitment to invest heavily in clean energy solutions, if elected. These developments provided a tailwind for both stocks.

Investments in US-listed air conditioning, heating and ventilation supplier Trane Technologies, water and wastewater management giant Suez, and Irish insulation supplier Kingspan also performed well and made meaningful contributions to performance.

Elsewhere, a new position in Unilever was established in the 'Transition' sleeve of the portfolio. The company has a range of impressive climate risk management initiatives underway. We also believe the market is not fully appreciating Unilever's momentum in increasing market share and the potential benefits of a planned share class unification.

Outlook

Financial markets appear to be struggling to efficiently price decarbonisation and the physical impact risks associated with climate change. Consequently, we launched the Climate Transition Global Equity strategy to exploit these market inefficiencies.

The fund continues to invest in both 'Solutions' providers – companies that are reducing emissions and adapting to the physical impacts of climate change – and 'Transition' oriented companies, those that are aligning their business models for a warmer, lower-carbon world. We believe companies in both areas will perform well over time as governments and regulators increasingly focus on climate-related initiatives.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

Aviva Investors Continental European Equity Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund aims to grow your investment over the long term (5 years or more) by investing in shares of European companies. In the Value Assessment published in February 2020 the Board noted that the Fund’s performance in the previous 3 years was at the lower end of the range of expected outcomes for an actively managed fund of this nature. In addition, the report noted significant investment in our investment management and research capabilities, including the appointment of a new Chief Investment Officer for the Equities team in 2018.

Following these changes, and specifically over the last 12 month period the Fund has performed better than the FTSE Europe ex UK Total Return Index (+0.66%, share class 1)*, and the Fund’s performance remains positive over the longer term. Consequently, for the year to 15 October 2020, the Fund’s performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes.

The Board therefore believe that the improvements in performance over the last year demonstrate that the changes made to the investment process and philosophy have had a positive impact, and the Fund is positioned to deliver against its stated objective over the longer term.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



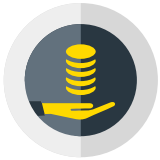
3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Continental European Fund delivered a total return of 3.32%* (share class 1), net of fees. The Fund's benchmark, the FTSE® Europe ex UK Index returned 2.66% over the same period.

Review

Markets began the period on a relatively positive footing, as the US and China reached a 'phase-one' trade agreement, but optimism was quickly erased as the Covid-19 pandemic heightened fears of a global economic recession. Governments worldwide did a good job of reacting quickly to the crisis via financial support packages, which helped markets to recover from the low levels seen in March.

Stock selection in the technology sector was a positive contributor to performance, due to the outperformance of, and our overweight positions in, semiconductor manufacturers Infineon and STMicroelectronics. Both companies benefited from increased demand for semiconductors globally due to changing consumer habits, as a result of lockdown measures put in place to ease the spread of Covid-19. Our holding in business software group SAP was particularly resilient in difficult market conditions, while German meal-kit delivery firm HelloFresh benefitted from increasing demand for its products as more customers worked from home, leading to a very strong share price performance in the period. The business has grown rapidly in the US, which now accounts for over half of HelloFresh's total sales. Positive allocation and stock selection in the oil and gas sector also contributed to the fund's performance. In particular, Neste continued its impressive run after it benefited from demand for its sustainable biofuel products.

One of the main detractors from performance was the fund's exposure to consumer stocks. Notably, beverages group Anheuser-Busch InBev suffered from the impact of Covid-19 on its operations in China. Our holding in automotive manufacturer Peugeot also detracted on concerns over supply chain disruption and lower global vehicle demand. Among industrials, the fund's holding in Airbus was a negative contributor to performance due to the significant impact of Covid-19 on air travel. That said, we believe the business remains well positioned to return to growth within an attractive and competitive market.

Umicore was one of the worst-performing stocks in the basic materials sector. It suffered from Tesla's decision to produce its own cathodes for electric vehicles, which could make the cathodes market more competitive. However, we considered this concern exaggerated and retain our positive opinion of Umicore. The financials sector was another underperformer, with overweight positions in insurance companies Allianz and Axa providing negative contributions.

The market sell-off early in the Covid-19 crisis created pockets of opportunity, where a selection of high-quality companies fell to attractive valuations. Our decision to raise the portfolio's cash position gave us flexibility to benefit from these opportunities.

Outlook

The outlook for European equities is constructive as despite the uncertainties surrounding Covid-19, we have been into and out of lock down and are better able to cope with restrictions that governments need to put in place to slow the rate of infections. We are vigilant about the positive or negative impact that changes to the ways people live and work could have on different sectors. Our focus remains on bottom-up stock-picking. We will look for opportunities in which we have a different view to consensus expectations and where we believe the market is mispricing stocks.

* Fund performance figures - source Lipper, a Thomson Reuters company, net of fees, net of income reinvested.

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund aims 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). In the Value Assessment published in February 2020 the Board noted that the Fund’s performance for the periods then under review was at the lower end of the range of expected outcomes for an actively managed fund of this nature, along with an explanation that the Fund is positioned cautiously given the uncertain economic and monetary policy environment.

Over the last year, the Fund has achieved a net return of 5.13% (both net of fees and taxes)*, which given the current interest rate environment and the market volatility during the Covid-19 pandemic the Fund has provided investors with a positive risk adjusted return. Consequently, for the year to 15 October 2020, the Fund’s performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes.

The Board therefore believe that the performance over the last year indicates that the cautious investment philosophy is effective, despite the prevailing market environment, and the Fund is positioned to deliver against its stated objective. However, it should be noted that the risk of credit rating downgrades and potential defaults remain a concern if there is a further economic setback.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



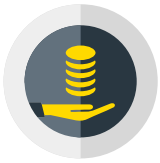
3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Corporate Bond Fund delivered a total return of 5.13% (share class 1), net of fees*. The Fund's benchmark, the Markit iBoxx Sterling Non-Gilts Total Return Index, returned 5.87% over the same period.

Review

The Fund posted a positive total return in what was a turbulent twelve months for financial markets. Sterling corporate bonds witnessed volatility at the beginning of the period as political uncertainty spiked in the lead-up to the UK's scheduled departure from the European Union on 31 October. Market turbulence persisted after parliament forced a further Brexit postponement and a general election was called for 12 December. The subsequent decisive victory for the Conservative party helped stabilise the market into year-end as the political fog lifted. Positive market momentum persisted into the new year as the US and China agreed the first phase of a deal on trade, which was seen as vital in injecting new vigour into a sluggish global economy. From late February, sentiment was buffeted by the developing coronavirus crisis as economic shutdowns across the world threatened the financial stability of many corporate bond issuers. The weakness was particularly pronounced in the first two weeks of March as much of the world's working population began to be confined to home under lockdown measures. However, when interest rates were cut sharply, plentiful cheap funding was made available and central banks expanded their bond purchasing programmes, the market stabilised and a measure of normal functioning returned. In the summer months, the gradual improvements in economic growth rates across the world, allied to strong investor demand for income, saw the corporate bond market trade positively. In the autumn, however, a strong second wave of coronavirus cases in Europe and elsewhere rattled investor confidence.

The Fund adopted a broadly cautious stance in terms of credit risk over the period. While this was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy.

Overall, the Fund was supported by exposure to UK government bonds as the market performed strongly in response to interest rate cuts, restarted government bond purchasing through the quantitative easing programme and the shifting of assets into less risky assets by nervous investors. Returns were also supported by exposure to issuers involved in healthcare, such as drug maker GlaxoSmithKline. Communications companies, which fed off the strength of the technology giants in the US, also contributed well.

Among the detractors from fund performance were holdings in companies that were more sensitive to social and mobility restrictions. These included UK airport operators Heathrow, Manchester and Gatwick and pub operators Mitchells & Butlers and Greene King.

Outlook

The prospects for corporate bonds hang largely on how successful governments are in preventing further damaging economic shutdowns. While the recent second wave of coronavirus infections has not caused as many fatalities as the initial stages of the pandemic, there remains real concern that the global economy will have to contend with a further round of restrictions.

Otherwise, corporate bonds are fairly well set. The Bank of England and the UK government appear committed to ensuring liquidity remains cheap and plentiful. Furthermore, demand for the market remains very strong given falling equity dividends and historically low bond yields. Investors should remain mindful, however, that corporate bond valuations are no longer compellingly cheap and that market fundamentals are fragile, with further credit downgrades likely to be triggered by dips in economic data.

* Fund performance figures - source Lipper, a Thomson Reuters company, net of fees, net of income reinvested.

Aviva Investors Distribution Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was at the lower end of the range of expected outcomes over the time periods considered by the review, primarily as a result of the underperformance over the last 12 months.

The Fund aims to deliver an income equivalent to the benchmark income whilst seeking to provide capital growth over the long term (5 years or more). The benchmark is made up of 35% FTSE® All-Share Index and 65% ML® Composite index. The income target is measured over any given 3-year period (before charges and taxes).

Although the Fund has not achieved its objective of delivering an income equivalent to the benchmark income over the periods under consideration, the value of the Fund on a total return basis has increased over the last 5 years at an average annual rate of 3.58% (net of fees & taxes)*. The year to 15 October 2020 has been a particularly challenging period for markets generally due to the Covid-19 pandemic and uncertainty caused by the BREXIT negotiations, with the Fund’s exposure to UK equities having a negative effect on overall performance. This has also had an impact on the Fund’s longer-term returns, which prior to 2020 had ranked positively versus its peers.

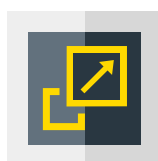
As a result, the Board considers that performance should be monitored more closely, and a strategic review undertaken to ensure the Fund can continue to deliver value to investors. Any proposed actions identified by this review will be announced in due course.

A detailed explanation of the last 12 months performance to 15 October 2020 is included in the Fund Manager’s Report below, with further information available within the latest Fund Fact Sheet.



3. Authorised Fund Manager Costs

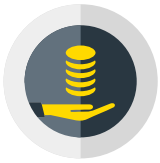
The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged.

There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

However, as detailed above, we will monitor performance more closely and undertake a strategic review in order to ensure the Fund can continue to deliver value to investors. Any proposed actions identified by this review will be announced in due course.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Distribution Fund delivered a total return of -2.79% (share class 1) net of fees*. The Fund's benchmark, which comprises 35% FTSE® All-Share Index and 65% ML Composite (50% ML £ Non-Gilt A, 50% ML £ Non Gilt BBB), returned -0.50% over the same period.

Review

The Fund posted a disappointing return over the twelve months in review, with holdings in UK equities dragging down overall performance as the coronavirus crisis and uncertainty over Brexit sapped investors' appetite for risk.

The corporate bond portfolio made a positive contribution to performance, aided by a broadly cautious stance in terms of credit risk over the period. While this positioning was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy.

Overall, the Fund was supported by exposure to UK government bonds as the market performed well. Returns were also supported by exposure to healthcare issuers such as drug maker GlaxoSmithKline. Communications companies, which fed off the strength of the technology giants in the US, also contributed well. Among the detractors from fund performance were holdings in companies that were more sensitive to social and mobility restrictions. These included UK airport operators Heathrow, Manchester and Gatwick and pub operators Mitchells & Butlers and Greene King.

UK equities suffered a fall of approximately 15% over the year. In the Fund, several holdings were affected by lockdown restrictions, including Cineworld and Melrose. Cineworld made a strong start to 2020, thanks to box-office takings more than 10% ahead of 2019 and a growing market share in the US. But cinemas closed due to the pandemic, and investors grew nervous about the group's liquidity, given its high debt levels. Shares in Melrose also fell, given the company's exposure to autos and aerospace. However, the stock subsequently recovered much of the lost ground.

Overall, however, our equity portfolio fell by less than the market. A notable contribution was made by our positioning in the financial sector. Avoiding Lloyds and HSBC was a key factor, as major banks halted dividend payments in response to pressure from the Bank of England. Among our financial sector holdings, life insurance group Phoenix traded well.

Outlook

Valuations for corporate bonds have become less attractive but the market should continue to profit from investors' search for yield. Central bank asset purchase programmes have, in a number of instances, been expanded to include corporate bonds and this should continue to underpin the market. Indeed, further support for the financial system could be forthcoming in the next few weeks. However, the shadow of credit rating downgrades continues to hang over the investment-grade sector. With economic uncertainty rising in the wake of the UK's entry into lockdown on 5 November, we will remain wary of taking on too much credit risk within lower-quality segments of the market.

In the UK equity portion, portfolio construction discipline continues to be an important focus. We are trying to keep a balance of ideas in the portfolio given the possible range of outcomes that lie ahead. Assessing how governments and central banks can continue to actively stimulate economies, which has provided some comfort thus far, as well as managing the second wave of Covid-19, also remains key. We are continuing to assess business models and invest cautiously based on which companies will survive this short-term crisis and how they adapt to new consumer habits – all with a longer-term view on fundamentals and valuations. We expect a continued recovery but with the path being far from smooth.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Global Emerging Markets Equity Unconstrained Fund delivered a total return of 12.16% (share class 1), net of fees*. The Fund's benchmark, the MSCI® Emerging Market Index ("the Index"), returned 11.36% over the same period.

Review

Early in 2020, global economic indicators highlighted that industrial activity worldwide had begun to regain some momentum from earlier setbacks arising from the US-China trade dispute. However, the rapid spread of the Covid-19 pandemic reversed that progress, particularly in South East Asian and Latin American countries.

As coronavirus lockdown measures eased, equities regained a semblance of calm. Markets rebounded after central banks and governments worldwide announced a range of monetary and fiscal stimulus packages to underpin the global economy. Among the major emerging economies, central banks in Brazil, India and Russia all cut interest rates to boost slowing economic growth.

North Asian markets drove the relative resilience of emerging-market equities over the period. Not only do they appear to have been the first in, and out, of the Covid-19 crisis, but their equity universe is also highly concentrated in sectors such as healthcare and information technology, for which the pandemic has been a positive earnings catalyst.

Portfolio performance was driven by holding a diverse range of stocks that highlighted our style agnostic approach to sector selection. Our stock selection was underpinned by our non-consensus, change-based investment philosophy.

Among the fund's top contributors to performance were lesser-known small and mid-sized companies in the technology sector, notably online payments processor NHN KCP, and Korean information and communications technology provider Douzone Bizon. Another contributor to performance was EcoPro BM, a specialist in battery cathode materials and supplier to leading electric vehicle manufacturers. Meanwhile, Yageo, a maker of passive electronic components for electronic applications used in 5G broadband, data centres, automotives, telecommunications and consumer electronics, benefited from a strong cyclical recovery in volumes and pricing.

Reliance Industries, India's largest petrochemical company and second-largest refiner, was also a significant contributor to outperformance thanks to a change in its business strategy. A pivot into telecommunications, consumer retail and media enhanced its earnings, while a debt deleveraging programme improved its balance sheet.

The fund's exposure to smaller- and medium-sized companies had detracted from relative performance against the benchmark index in February and March, due to general risk aversion and a share sell-off by investors. However, we used this as an opportunity to selectively add to positions in which we believed company fundamentals remained intact, notably in the Korean and Taiwanese technology space, which ultimately benefitted performance.

Outlook

The economic outlook is uncertain as a second wave of Covid-19 appears and geopolitical uncertainty between the US and China remains. In such an unpredictable and changeable environment, while unconstrained in nature, we will continue to manage the fund with a disciplined risk process. We will focus on maintaining diversified exposure to emerging market opportunities, with the aim of generating alpha from globally corroborated stock specific insights.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

Aviva Investors Global Equity Endurance Fund (the "Fund")

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the 'Value Assessment Approach' (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund's operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund's overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the fund (internally or externally) were reviewed, and as a result of the ongoing exercise that the Company undertakes to benchmark fees against equivalent funds run by other firms, a decision has been taken to lower some of the fees charged in order to provide greater value for investors. Further details can be found in the assessment conclusion below.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the share classes are justified in the context of overall value being delivered to investors. This conclusion has taken into account the decision to lower the FMF for Share Class 6 from 1.12% to 1.00% on 1 February 2021, due to the market rates benchmarking exercise which has been undertaken. The charges for all other share classes remain unchanged.

Past performance is not a guide to the future. 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.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Global Equity Endurance Fund delivered a total return of 12.96% (share class 6), net of fees*. The Fund's benchmark, the MSCI® All Countries World Index, returned 12.38% over the same periods.

Review

Markets were stronger over the period, but experienced significant volatility in the first few months of 2020 as Covid-19 spread across the globe, and western governments attempted to curb the pandemic by restricting social and economic activity. Markets recovered from late March and gained through much of the rest of the period. Governments in all major regions announced enormous programmes to help support their economies and minimise job losses. At the same time, central banks lowered interest rates and boosted liquidity to allow financial markets to operate normally and efficiently.

The biggest single positive contributor over the period was Trane Technologies, a leading manufacturer of heating, ventilation and air conditioning systems. The company reported second-quarter results that showed a much greater resilience to the adverse impact of lockdowns than anticipated. Darden Restaurants, a relatively recent addition to the portfolio, was another strong performer. The company is the owner of Olive Garden, LongHorn Steakhouse and other casual dining chains in the US. The company took advantage of enforced closures earlier in the year to reconfigure its restaurant kitchens and menus, helping to reduce costs. This strategy appears to be working: the company preserved its profit margins in the second quarter despite a sharp reduction in revenues. This was well received by investors and helped the shares appreciate.

On the negative side was Relx – a conglomerate of professional services assets. The impact of lockdowns has not been good for the company, as it has interrupted the delivery of its physical products. These still make up a significant proportion of revenues, even after two decades of transitioning products over to digital. Relx's small exhibitions business posted losses for the period. Not owning Apple and Amazon detracted from relative performance.

Outlook

The outlook for global equity markets is particularly uncertain. It is unclear how the pandemic will evolve as winter approaches. In addition, political uncertainty is increasing in the run-up to the US presidential election. The resumption of economic activity is supportive, but the recovery path in many countries is expected to remain uneven and markets could see some volatility as a result. Despite a modest drop towards the end of the period under review, US equities remain close to record highs. These elevated valuations leave little room for disappointment and underline the importance of careful stock selection.

The Global Equity Endurance Fund is a portfolio of what we believe to be above-average businesses trading at cheaper free cash flow yields than the market and at a discount to their intrinsic value. A combined focus on the durability of a company and the price we pay for the stock enables us to exploit opportunities and make the approach adaptive to changing market conditions. As a long-term strategy with low turnover, we recommend that investors judge our performance over a period of five years or more.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

Aviva Investors Global Equity Income Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Global Equity Income Fund delivered a total return of 4.36% (share class 1), net of fees*. The Funds benchmark, the MSCI® All Country World Index delivered an average return of 12.38% over the same period.

Review

Markets were stronger over the period, but experienced significant volatility in the first few months of 2020 as Covid-19 spread across the globe, and western governments attempted to curb the pandemic by restricting social and economic activity. Markets recovered from late March and gained through much of the rest of the period. Governments in all major regions announced enormous programmes to help support their economies and minimise job losses. At the same time, central banks lowered interest rates and boosted liquidity to allow financial markets to operate normally and efficiently.

Performance from our technology holdings was positive. The holding in Taiwan Semiconductor Manufacturing (TSMC) benefited from news that Intel was looking to shift its chip manufacturing to outsourced providers such as TSMC. Structural demand from the 5G smartphone cycle as well as high-performance computing will continue to drive growth at the company. Microsoft performed well, experiencing increased demand from customers for collaborative working tools such as Slack and Teams. The company's Azure cloud offering also benefitted from increased work and stay at home trends. The relatively recently acquired position in Xinyi Solar, the solar panel glass manufacturer, also performed well owing to its strong competitive position and cost advantage compared to other suppliers, as well as the ongoing global energy transition to renewables.

Not owning Amazon was a key detractor from relative performance over the period as US technology stocks benefited from the Covid-19 crisis. The holding in Total also negatively affected returns due to the weaker oil price, which dragged down the wider energy sector. Axa was relatively weak owing to the impact of the pandemic on business insurance claims this year.

In terms of portfolio activity, we reduced the fund's exposure to the energy sector. We sold the position in Shell, using the proceeds to add to the holding in Total. The decision by Total to maintain its dividend underlined the strength of its balance sheet; the company is well placed to deal with a lower oil price, given significant reduction in both capital and operational expenditure and has also made significant investments towards transitioning its portfolio. We bought a new position in BAE Systems, as we believe it has a resilient business model given its healthy backlog from large defence programs and exposure to growth areas such as cyber and intelligence. A position was also taken in Booz Allen Hamilton, the consulting firm, which is well positioned to capture significant market share of governmental contracts for further IT modernisation, as evidenced by recent contract wins and a strong backlog.

Outlook

The outlook for global equity markets is particularly uncertain. It is unclear how the pandemic will evolve as winter approaches. In addition, political uncertainty seems likely to increase further ahead of the US presidential election.

The resumption of economic activity is supportive, but the recovery path in many countries is expected to remain uneven and markets could see some volatility as a result. Despite a modest drop towards the end of the quarter, US equities remain close to record highs. These elevated valuations leave little room for disappointment and underline the importance of careful stock selection.

We continue to manage the fund with a long-term perspective and believe it is reasonably well placed to deal with the current uncertain environment. Clearly given the heightened market volatility and stress, many investors are looking at the ability of companies to pay dividends in this climate. This has been most pronounced in the European banking and insurance sectors, where regulators have intervened to halt planned dividend payments or share buybacks. In terms of income, over 95% of the fund's holdings are committed to maintaining or increasing their dividend this year, which means the portfolio should remain relatively resilient despite the volatile backdrop. We continue to be comfortable with the long-term positioning of the fund.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see avivainvestors.com/value-assessments) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Global Equity Unconstrained Fund delivered a total return of 12.96% (share class 1), net of fees*. The Fund's benchmark, the MSCI® All Countries World Index, returned 12.38% over the same period

Review

Markets were stronger over the period, but experienced significant volatility in the first few months of 2020 as Covid-19 spread across the globe, and western governments attempted to curb the pandemic by restricting social and economic activity. Markets recovered from late March and gained through much of the rest of the period. Governments in all major regions announced enormous programmes to help support their economies and minimise job losses. At the same time, central banks lowered interest rates and boosted liquidity to allow financial markets to operate normally and efficiently.

Prior to Covid-19, the fund outperformed its benchmark index over the fourth quarter of 2019 and during January. The main contribution came from stock selection in the technology sector. Once the magnitude of the pandemic and its impact on global economic activity became clear, the outperformance of the fund was reversed. Going into the crisis, the fund had relatively low exposure to defensive sectors such as consumer staples, and a higher exposure to industrials and more cyclical technology stocks such as semiconductors. This sector stance detracted from performance. The market recovery in April saw very strong performance from high-growth US technology stocks. Not owning Apple and Tesla (and other similar stocks) detracted from relative performance.

In terms of portfolio activity, we made several changes to the fund in response to the Covid-related sell-off. For instance, we bought new positions in Hubbell (US) and Prysmian (Italy), suppliers of components and electric cables for utility transmission and distribution networks. Both companies benefit from increased investment by utilities into the transmission and distribution grid. We also acquired a new holding in Motorola Solutions, a US global leader in first-responder communication networks equipment, network management and related software. We are positive on the long-term growth potential of its core networks operations as well as the substantial value in its video and software businesses, which are benefiting from competitive and technological change. A position was taken in Booz Allen Hamilton, the consulting firm. We believe it is well positioned to gain market share of governmental contracts for further IT modernisation, as evidenced by recent contract wins and a strong backlog. Our holdings in Umicore and Alibaba were sold to fund new positions.

Outlook

The outlook for global equity markets is particularly uncertain. It is unclear how the pandemic will evolve as winter approaches and political uncertainty is increasing in the run-up to the US presidential election.

The resumption of economic activity is supportive, but the recovery path in many countries is expected to remain uneven and markets could see some volatility as a result. Despite a modest drop towards the end of the quarter, US equities remain close to record highs. These elevated valuations leave little room for disappointment and underline the importance of careful stock selection.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Higher Income Plus Fund delivered a total return of 4.70% (share class 1) net of fees*. The Fund's benchmark*, 50% Markit iBoxx Sterling Non-Gilts Index, 40% Bloomberg Barclays Pan European High Yield Index 2% issuer capped and 10% JPM Emerging Market Bond Index, returned 3.38% over the same period.

Review

It was a turbulent twelve months for financial assets as markets were dominated by the global coronavirus crisis and the fiscal and monetary response to its severe economic impact. The Fund nevertheless posted steady gains and outperformed its benchmark by 1.32 percentage points after charges, aided by its broad diversification across global fixed income asset classes. Holdings in government bonds such as gilts and US Treasuries, as well as index-linked bonds, provided a firm foundation for performance as they prospered from a combination of ultra-low interest rates and central bank asset purchasing programmes (otherwise known as quantitative easing).

The investment grade bond market proved surprisingly resilient to the Covid-19 crisis, being supported by central bank purchasing and strong demand from income-hungry investors. In the fund, we adopted a broadly cautious stance over the period. While this was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy and this made a good contribution to the Fund's outperformance. Being slightly underweight high-yield also added value, as did exposure to healthcare companies such as drug maker GlaxoSmithKline and communications companies, with Netflix standing out as lockdowns drove a surge in new subscriptions. The Fund lost a little ground in the second half of the period by being a little reticent to add risk into the market rally. Other detractors from performance were holdings in companies that were more sensitive to social and mobility restrictions such as the pub group Mitchells & Butlers and Manchester and Gatwick airports.

Outlook

The near-term outlook for fixed income has become even more difficult to call following the recent resurgence of Covid-19 and re-imposition of lockdowns in Europe. However, we believe that the economic damage may be more limited this time around, and with hopes increasing that an effective vaccine for the virus may soon become available, there is the potential for a brisk rally in confidence. Central banks have also indicated they will introduce more stimulus when necessary.

Within fixed income markets, government bonds currently enjoy little value. With yields at historically low levels and the market heavily oversupplied, it is difficult to see them making meaningful progress. However, the commitment of central banks to keep buying significant amounts of government debt should offer technical support, as will the huge government fiscal support programmes that are currently being extended.

Valuations for corporate bonds are close to the relatively rich levels seen immediately prior to the Covid crisis. However, the market should continue to profit from investors' search for yield. Central bank asset purchase programmes have, in a number of instances, been expanded to include corporate bonds and we expect this to continue to prove supportive.

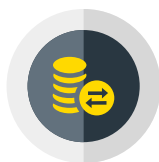
We remain cautiously optimistic on the outlook for corporate bonds. However, the shadow of credit rating downgrades continues to hang over the investment-grade sector, while default rates for high-yield bonds could accelerate alarmingly if there is another economic setback. We will be therefore wary of taking on too much credit risk within lower-quality segments of the market.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

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Aviva Investors High Yield Bond Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund aims 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). In the Value Assessment published in February 2020 the Board noted that the Fund’s performance in the previous 3 years was at the lower end of the range of expected outcomes for an actively managed fund of this nature, along with an explanation of changes made to the investment process designed to improve the performance of the Fund.

Over the last year, the Fund has achieved its stated objective of beating the benchmark on a net basis by 1.57% (net of fees & taxes)*, a return which compares favourably to similar funds in its peer group. Given the current interest rate environment and the market volatility during the Covid-19 pandemic the Fund has provided investors with a positive risk adjusted return. Consequently, for the year to 15 October 2020, the Fund’s performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes.

The Board therefore believe that the improvements in performance over the last year demonstrate that the changes made to the investment process have had a positive impact, and the Fund is positioned to deliver against its stated objective over the longer term. However, it should be noted that the risk of credit rating downgrades and potential defaults remain a concern if there is a further economic setback.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors High Yield Bond Fund delivered a total return of 1.57% (share class 1) net of fees*. The Fund's benchmark, the Bloomberg Barclays Pan European High Yield Index 2% Issuer Capped, returned 0.34% over the same period.

Review

High-yield bonds performed well at the start of the period as investors anticipated an improving global economy on the back of hopes that the US and China were about to end their dispute over trade. Indeed, the signing of the first phase of a trade deal between the two countries in January helped high-yield bonds start the year on a firm footing. However, from February, the escalating global coronavirus crisis saw confidence collapse, particularly when economic shutdowns started to be announced in March. High-yield bonds sold off sharply as the deteriorating growth outlook and closure of many industries significantly increased the prospect of corporate debt defaults. Indeed, as the month progressed rating agencies began to anticipate a record number of high-yield issuers defaulting on their debt. From the end of March, however, the market began to recover some lost ground. Confidence was buoyed by a huge effort on the part of governments and central banks to soften the economic impact of the crisis for companies and individuals. Importantly, cuts in interest rates (to close to zero in the US and UK), alongside the restarting of central bank asset purchase programmes, relieved some of the pressure on financially stretched companies by injecting plentiful liquidity into the financial system. The introduction of furlough schemes, which part-funded the wages of workers who would otherwise have been laid off, also helped stabilise sentiment.

The Fund outperformed its benchmark by 1.23 percentage points, after charges. At the start of the period, we were constructive on high-yield bond market fundamentals, with default rates remaining low and investor appetite for income-generating assets proving resilient. However, being mindful of the heightened danger of economic shocks, we reduced credit risk within the Fund. This was expressed by avoiding lower-quality credits and those issuers whose businesses were particularly sensitive to deteriorating economic conditions. This proved to be a profitable move, although the strategy detracted somewhat from performance later in the period as confidence rebounded in line with a sharp improvement in economic growth rates over the summer months.

Outlook

A sharp rise in Covid-19 infections across the world towards the end of the third quarter has served as a reminder that the crisis is far from over and that the global economy remains vulnerable to further severe disruption. This, together with political uncertainty surrounding the US presidential election, raises the risk of heightened volatility in the short term.

These factors aside, we remain upbeat about the prospects for the sub-investment-grade market on a twelve-month view. We expect the asset class to continue to attract strong investor demand given its extremely attractive yield advantage over government and high-quality corporate bonds. The ongoing provision of unprecedented levels of liquidity will also be crucial in helping many heavily indebted companies keep their head above water.

Valuations remain attractive despite the market's recent recovery. However, the performance of individual market sectors will remain highly sensitive to pandemic-related newsflow. A spike in default rates remains a threat.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

Aviva Investors International Index Tracking Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see avivainvestors.com/value-assessments) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class

eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors International Index Tracking Fund delivered a total return of 10.81% (share class 2), net of fees*. The Fund's benchmark, the FTSE® World ex UK Index, returned 13.25% over the same period.

Review

Global equity indices gained over the 12-month period, clawing back losses made in the first half. Early in the review period, the trade relationship between China and the US continued to be fraught, easing in January when a phase-one agreement was made. The agreement brought relief to equity investors, but this was short-lived. The rapid spread of Covid-19 caused markets to fall rapidly in the first quarter. Markets recovered from late March and gained through much of the rest of the period.

To support the economy, the US Federal Reserve reduced interest rates to zero for only the second time in its history, while Congress approved an unprecedented \$2 trillion fiscal stimulus package. As investors became increasingly pessimistic about the earnings outlook, sectors with more sustainable revenue growth fared better, notably technology, healthcare and consumer staples. In contrast, energy, financials and industrials were weakest, with the former particularly hard hit as the oil price fell to an 18-year low, prompting US producers to cut the number of operating drilling rigs and lower capital expenditure plans.

The European Central Bank (ECB) launched a new €750 billion asset-purchase programme, stepping up its policy initiatives to counter the serious economic threats posed by the coronavirus outbreak. As investors became increasingly preoccupied with the impact of the coronavirus on corporate earnings, and the risk of a severe economic downturn, cyclical sectors sold off sharply. Banks were particularly weak as the ECB stipulated that lenders should shelve dividend payments and share buybacks to preserve capital. Later in the period, policymakers agreed a European Recovery Fund, which involved a de facto transfer of wealth from core to peripheral Europe.

Asia-Pacific markets underperformed their global counterparts over the period. Having initially risen, on optimism that improved US-China trade relations would boost export-oriented Asia-Pacific economies, the region's markets tumbled alongside their global peers. However, relative success in containing the virus in New Zealand and Australia helped these markets perform well late in the period.

As the period ended, equities regained a semblance of calm, after central banks and governments worldwide announced a range of monetary and fiscal stimulus packages to underpin the global economy.

Outlook

The extreme pessimism of earlier in the year has abated, and expectations for earnings have begun to improve, albeit from depressed levels. Equities should be supported, if downside risks (e.g. fiscal cliffs) are avoided and assuming the global economy, however erratically, continues to heal during 2021. Valuations outside the US, Japan and China are lower and arguably provide a cushion; moreover, in several markets, the earnings outlook for 2021 has begun to improve.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

Aviva Investors Managed High Income Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Managed High Income Fund posted a total return of 3.75% (share class 1) net of fees*. The Fund's composite benchmark, 40% Markit iBoxx Sterling Non-Gilts Index, 50% Bloomberg Barclays Global High Yield Index ex CMBS ex EMG 2% issuer capped and 10% JPM Emerging Markets Bond Index, returned 3.88% over the same period.

Review

It was a turbulent twelve months for financial assets as markets were dominated by the global coronavirus crisis and the fiscal and monetary response to its severe economic impact. The Fund nevertheless posted steady gains, aided by its broad diversification across global fixed income asset classes. Holdings in government bonds such as gilts and US Treasuries, as well as index-linked bonds, provided a firm foundation for performance as they prospered from a combination of ultra-low interest rates and central bank asset purchasing programmes (otherwise known as quantitative easing).

The investment grade bond market proved surprisingly resilient to the Covid-19 crisis, being supported by central bank purchasing and strong demand from income-hungry investors. In the fund, we adopted a broadly cautious stance over the period. While this was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy and this made a good contribution to returns. Other positions to add value included exposure to healthcare companies such as drug maker GlaxoSmithKline and communications companies, with Netflix standing out as lockdowns drove a surge in subscriptions. The Fund lost a little ground in the second half of the period by being a little reticent to add risk into the market rally.

Despite rallying strongly in the second half of the period, high-yield bonds made a negligible contribution to aggregate performance. Strategy within the US dollar high-yield exposure was also a little disappointing because of overly cautious positioning when the market rallied in March and April. This held back relative performance somewhat.

Outlook

The near-term outlook for fixed income has become even more difficult to call following the recent resurgence of Covid-19 and re-imposition of lockdowns in Europe. However, we believe that the economic damage may be more limited this time around, and with hopes increasing that an effective vaccine for the virus may soon become available, there is the potential for a brisk rally in confidence. Central banks have also indicated they will introduce more stimulus when necessary.

Within fixed income markets, government bonds currently enjoy little value. With yields at historically low levels and the market heavily oversupplied, it is difficult to see them making meaningful progress. However, the commitment of central banks to keep buying significant amounts of government debt should offer technical support, as will the huge government fiscal support programmes that are currently being extended.

Valuations for corporate bonds are close to the relatively rich levels seen immediately prior to the Covid crisis. However, the market should continue to profit from investors' search for yield. Central bank asset purchase programmes have, in a number of instances, been expanded to include corporate bonds and we expect this to continue to prove supportive.

We remain cautiously optimistic on the outlook for corporate bonds. However, the shadow of credit rating downgrades continues to hang over the investment-grade sector, while default rates for high-yield bonds could accelerate alarmingly if there is another economic setback. We will be therefore wary of taking on too much credit risk within lower-quality segments of the market.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

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Aviva Investors Monthly Income Plus Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class

eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Monthly Income Plus Fund delivered a total return of 5.67% (share class 1) net of fees*. The Fund's benchmark, the Markit iBoxx Sterling Non-Gilts Total Return Index, returned 5.87% over the same period.

Review

The Fund posted a positive total return in what was a turbulent twelve months for financial markets. Sterling corporate bonds witnessed volatility at the beginning of the period as political uncertainty spiked in the lead-up to the UK's scheduled departure from the European Union on 31 October. Market turbulence persisted after parliament forced a further Brexit postponement and a general election was called for 12 December. The subsequent decisive victory for the Conservative party helped stabilise the market into year-end as the political fog lifted. Positive market momentum persisted into the new year as the US and China agreed the first phase of a deal on trade, which was seen as vital in injecting new vigour into a sluggish global economy. From late February, sentiment was buffeted by the developing coronavirus crisis as economic shutdowns across the world threatened the financial stability of many corporate bond issuers. The weakness was particularly pronounced in the first two weeks of March as much of the world's working population began to be confined to home under lockdown measures. However, when interest rates were cut sharply, plentiful cheap funding was made available and central banks expanded their bond purchasing programmes, the market stabilised and a measure of normal functioning returned. In the summer months, the gradual improvements in economic growth rates across the world, allied to strong investor demand for income, saw the corporate bond market trade positively. In the autumn, however, a strong second wave of coronavirus cases in Europe and elsewhere rattled investor confidence.

The Fund adopted a broadly cautious stance in terms of credit risk over the period. While this was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy.

Overall, the Fund was supported by exposure to UK government bonds as the market performed strongly in response to interest rate cuts, restarted government bond purchasing through the quantitative easing programme and the shifting of assets into less risky assets by nervous investors. Returns were also supported by exposure to issuers involved in healthcare, such as drug maker GlaxoSmithKline. Communications companies, which fed off the strength of the technology giants in the US, also contributed well.

Among the detractors from fund performance were holdings in companies that were more sensitive to social and mobility restrictions. These included UK airport operators Heathrow, Manchester and Gatwick and pub operators Mitchells & Butlers and Greene King.

Outlook

The prospects for corporate bonds hang largely on how successful governments are in preventing further damaging economic shutdowns. While the recent second wave of coronavirus infections has not caused as many fatalities as the initial stages of the pandemic, there remains real concern that the global economy will have to contend with a further round of restrictions.

Otherwise, corporate bonds are fairly well set. The Bank of England and the UK government appear committed to ensuring liquidity remains cheap and plentiful. Furthermore, demand for the market remains very strong given falling equity dividends and historically low bond yields. Investors should remain mindful, however, that corporate bond valuations are no longer compellingly cheap and that market fundamentals are fragile, with further credit downgrades likely to be triggered by dips in economic data.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was at the lower end of the range of expected outcomes over the time periods considered by the review. This is consistent with the Value Assessment published in February 2020, however the context in which performance can be judged in this reporting period has to take account of the challenging market conditions which have resulted from the Covid pandemic.

The Fund aims to deliver on average 5% per year above the Bank of England base rate before the deduction of charges over rolling three-year periods (‘Return Target’) whilst aiming to manage volatility to a target of less than half the volatility of global equities measured over the same rolling three year periods (‘Volatility Target’).

Although the Fund has not achieved the Return Target element of this objective during the year to 15 October 2020, the Fund has continued to achieve its Volatility Target, by remaining below the target of half the volatility of global equities (29.4%), this is despite overall market volatility increasing significantly during this period. The fact that the Fund has managed volatility effectively has prevented the Fund suffering losses which may have otherwise arisen.

A further key consideration is that the Fund’s direct peer group, which is made up of Funds with broadly similar characteristics to the Fund, have also struggled to deliver their targeted performance during this period.

As a consequence, the Board considers that the Fund has delivered value over the period and the Investment Manager’s continued management should still benefit the Fund and its investors, but the performance should remain under review.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website..



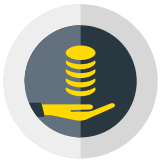
3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the fund (internally or externally) were reviewed, and as a result of the ongoing exercise that the Company undertakes to benchmark fees against equivalent funds run by other firms, a decision has been taken to lower some of the fees charged in order to provide greater value for investors. Further details can be found in the assessment conclusion below.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the share classes are justified in the context of overall value being delivered to investors. This conclusion has taken into account the decision to lower the FMF for share class 1 from 1.10% to 1.05% on 1 February 2021, due to the market rates benchmarking exercise which has been undertaken. The charges for all other share classes remain unchanged.

* Volatility figures sourced from Morningstar. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Multi-Strategy Target Return Fund delivered a total return of 0.28% (share class 1) net of fees*. The Fund's benchmark, the Bank of England Base Rate Plus 5%, returned 5.39% over the same period.

Review

Appetite for risk notably increased in the last quarter of 2019, with investors' 2020 outlook becoming more constructive following positive developments on the "phase 1" trade deal between the US and China. For the Fund, Market Return strategies continued to perform positively, as did Risk-Reducing strategies. Opportunistic strategies also did well, although returns were more moderate. The Fund extended the gains in early 2020, withstanding the initial wobble of global equities following the first signs of the outbreak of the virus.

As the first quarter of 2020 unfolded, however, investors' fears mounted as it became clear that the virus outbreak would soon become a global concern. Appetite for risk capitulated quickly, with the peak in market stress being reached in mid-March. While not immune to the volatile market conditions in February and March, the Fund was able to protect capital through a difficult market environment. While equity and credit Market Return strategies detracted from performance, defensive positions within Risk-Reducing and Opportunistic strategies offered a much-needed level of protection.

Market sentiment recovered sharply in the subsequent two quarters. Fiscal and monetary responses were instrumental in improving market conditions with decreasing rates of new infections and fatalities also contributing to the overall level of optimism. The Fund recovered a portion of the losses during the period, with both Q2 and Q3 being positive quarters for overall performance. Market Return strategies were the main driver of performance with long equity and credit positions leading the gains. The positive performance from Market Returns more than offset the losses from Risk-Reducing which detracted as capital flowed out of traditional so-called safe havens. Opportunistic strategies were broadly flat in the second half of the review period.

Outlook

COVID-19 continues to dominate the global economic outlook. Visibility on the timing and extent of economic recovery therefore remains uncertain. Nevertheless, we have been gaining confidence from central bank and governmental interventions, with these policies having undoubtedly averted an even greater economic crisis. It is therefore quite possible that if the virus were to be contained, activity could quickly return to pre-COVID trends. This is a recession driven by physical limitations rather than systemic fragility in a certain sector or economy.

The portfolio maintains a moderate exposure to equities, with a portion of this allocation being implemented via option-based structures which are intended to limit potential downside losses while still offering the ability to participate in the upside. The team's views on credit remain constructive, with positioning in European and US High Yield being the favoured allocations. Monetary policy has been loosened aggressively and while increased loan guarantees and state backstops may not replace lost revenues, we see them as being increasingly helpful in decreasing default rates.

Opportunistic Returns on the other hand are centred on finding uncorrelated and less macro-dependent strategies across asset classes with market neutral equity ideas being an important area of focus.

With regard to Risk-Reducing, long duration in developed markets remains a core building block. We also continue to rely on the Japanese yen for capital preservation.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested.

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund aims to grow your investment through a combination of income and capital returns by investing in bonds issued by companies, governments or supranational organisations, whilst aiming to provide a net return greater than the benchmark over the long term (5 years or more). In the Value Assessment published in February 2020 the Board noted that the Fund’s performance in the previous 3 years was at the lower end of the range of expected outcomes for an actively managed fund of this nature, along with an explanation of the reasons behind this, which included a decision to position the Fund cautiously given the uncertain economic and monetary policy environment.

Over the last year, the Fund has achieved its stated objective of beating the benchmark on a net basis, and the value of the Fund has increased by 5.44% (net of fees & taxes)*. Given the current interest rate environment and the market volatility during the Covid-19 pandemic the Fund has provided investors with a positive risk adjusted return. Consequently, for the year to 15 October 2020, the Fund’s performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes.

The Board therefore believe that the improvements in performance over the last year demonstrate that the changes made to the investment process and the cautious approach have had a positive impact, and the Fund is positioned to deliver against its stated objective over the longer term. However, it should be noted that the risk of credit rating downgrades and potential defaults remain a concern if there is a further economic setback.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



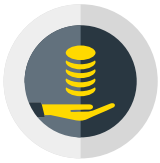
3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Strategic Bond Fund delivered a total return of 5.44%, (share class 1) net of fees*. The Fund's composite benchmark*, one third Bloomberg Barclays Treasury G7 Index, one third Bloomberg Barclays Global Aggregate Corporate Index and one third Bloomberg Barclays Global High Yield Index ex CMBS ex EMG 2% issuer capped, returned 4.18% over the same period.

Review

It was a turbulent twelve months for financial assets as markets were dominated by the global coronavirus crisis and the fiscal and monetary response to its severe economic impact. The Fund nevertheless posted steady gains and outperformed its benchmark by 1.26 percentage points after charges, aided by its broad diversification across global fixed income asset classes. Holdings in government bonds such as gilts and US Treasuries, as well as index-linked bonds, provided a firm foundation for performance as they prospered from a combination of ultra-low interest rates and central bank asset purchasing programmes (otherwise known as quantitative easing).

The investment grade bond market proved surprisingly resilient to the Covid-19 crisis, being supported by central bank purchasing and strong demand from income-hungry investors. In the fund, we adopted a broadly cautious stance over the period. While this was initially in response to rich bond market valuations, it was later more a consequence of the huge economic uncertainty created by the coronavirus crisis. Our watchful view was expressed by the avoidance of issuers which are notably sensitive to the fortunes of the economy and this made a good contribution to the Fund's outperformance. Being slightly underweight high-yield also added value, as did exposure to healthcare companies such as drug maker GlaxoSmithKline and communications companies, with Netflix standing out as lockdowns drove a surge in new subscriptions. The Fund lost a little ground in the second half of the period by being a little reticent to add risk into the market rally. Other detractors from performance were holdings in companies that were more sensitive to social and mobility restrictions such as the pub group Mitchells & Butlers.

Outlook

The near-term outlook for fixed income has become even more difficult to call following the recent resurgence of Covid-19 and re-implosion of lockdowns in Europe. However, we believe that the economic damage may be more limited this time around, and with hopes increasing that an effective vaccine for the virus may soon become available, there is the potential for a brisk rally in confidence. Central banks have also indicated they will introduce more stimulus when necessary.

Within fixed income markets, government bonds currently enjoy little value. With yields at historically low levels and the market heavily oversupplied, it is difficult to see them making meaningful progress. However, the commitment of central banks to keep buying significant amounts of government debt should offer technical support, as will the huge government fiscal support programmes that are currently being extended.

Valuations for corporate bonds are close to the relatively rich levels seen immediately prior to the Covid crisis. However, the market should continue to profit from investors' search for yield. Central bank asset purchase programmes have, in a number of instances, been expanded to include corporate bonds and we expect this to continue to prove supportive.

We remain cautiously optimistic on the outlook for corporate bonds. However, the shadow of credit rating downgrades continues to hang over the investment-grade sector, while default rates for high-yield bonds could accelerate alarmingly if there is another economic setback. We will be therefore wary of taking on too much credit risk within lower-quality segments of the market.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was at the lower end of the range of expected outcomes for an actively managed fund of this nature since it launched in July 2019.

The Fund aims to provide a yearly income yield of 5% (gross) with the potential for capital growth over the long-term (5 years or more) by investing in global assets focussed on long-term sustainability.

The Fund has achieved its income yield target in excess of 5% in its first year, however since the Fund was launched the challenges faced globally as a result of the Covid-19 pandemic in 2020 have had a significant impact on markets, and as a result the Fund had a short period of underperformance.

The Board is confident that the Fund is positioned to deliver against all of its stated objectives over the long term and the Investment Manager’s continued management of the Fund is in the best interests of investors.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors Sustainable Income & Growth Fund delivered a total return of -1.91% (share class 1), net of fees*. The Fund's benchmark, 60% MSCI® All Countries World Index, returned -6.61% over the same period.

Review

The Covid-19 pandemic had serious implications for financial markets, with volatility increasing in all major asset classes. This resulted in some changes in portfolio positioning, to help preserve capital and position the fund for future growth. Despite these amendments and a subsequent rebound in performance, disappointing returns from some of the fund's underlying investments meant returns were negative in the year as a whole.

The fund had been positioned for an anticipated modest improvement in economic growth during 2020, in line with Aviva Investors' published House View. The fund performed reasonably well until mid-February, when virus-related concerns eroded investor sentiment, and resulted in a drawdown in equity and credit markets. The portfolio declined in value by more than -16% during March alone, for example, brought down by exposure to energy and property markets. The oil price declined as Saudi Arabia cut prices and as investors became increasingly concerned about the demand outlook. At the same time, property valuations came under pressure as investors questioned how lockdowns in the UK and elsewhere might affect occupancy levels and rental growth.

These evolving market conditions prompted us to amend positioning, exiting several positions that were expected to remain challenged for an extended period. The sales essentially fell into three categories:

- Retail property landlords: Simon Property Group and Klepierre;
- Leveraged financial companies: Apollo and Ares; and
- Oil: Oneok and Genesis.

The proceeds of these sales were reinvested in companies with strong cashflows, including Apple and Accenture, the latter a global consulting firm with a technology bias. The subsequent rally in these and other technology-related stocks between April and October helped the fund recover most of its earlier lost ground. We also increased the fund's exposure to companies where the US Government is the ultimate creditor, for example Annaly Capital, a provider of agency-backed mortgages.

Outlook

Overall, investors continue to look for investments that can provide appealing and sustainable income streams. Listed companies with attractive dividends remain popular, for example, and many investors are increasing exposure to high yield credit and emerging market bonds. Both provide much higher prospective income than government bonds. On top of the equity allocation, the fund maintains meaningful allocations to these asset classes, both of which made positive contributions to performance in the second half of the year.

While gathering economic momentum is encouraging for risk assets, the outlook remains highly uncertain. Earnings growth among listed companies should pick up strongly in 2021 compared to the virus-affected slump in 2020, but beyond that, they could stagnate or slide. Against that backdrop, equity valuations look stretched in some areas. Any further appreciation in share markets might therefore prompt us to lower the fund's equity allocation, in favour of fixed income exposures.

We believe securities, both equities and bonds, that can provide attractive income through the market cycle – either through dividend payments or bond coupons – will be well supported. Companies that are managing environmental, social and governance risks most effectively are also expected to outperform peers over the long term. Sustainability considerations therefore form an important component of the security selection process.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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Aviva Investors UK Index Tracking Fund (the “Fund”)

In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors UK Index Tracking Fund delivered a total return of -14.40% (share class 2), net of fees*. The Fund's benchmark, the FTSE® All Share Index, returned -14.46% over the same period.

Review

UK equities ended 2019 on a positive note, as the political stalemate over Brexit that had clouded sentiment was broken. The Conservative Party won an emphatic majority in December's general election, paving the way for the EU withdrawal bill to pass through parliament before the deadline of 31 January. UK equities rallied on the back of the result, as more domestically oriented mid-cap stocks and smaller companies responded very favourably to the prospect of more certainty.

In January, the US and China shook hands on a phase-one trade agreement, a breakthrough after months of tit-for-tat trade tariffs. But the optimistic mood faded as the rapid spread of Covid-19 spawned fears of a global health emergency. On 11 March, the World Health Organisation declared the outbreak a pandemic, sending markets into freefall. In the first three months of the year, the UK equity market recorded its worst quarterly performance since 1987. As lockdown measures were imposed to halt the virus, retailers, financials, industrials and real estate were badly affected. Moreover, a range of companies moved to suspend dividend payments and opted to preserve cash, to shore up their balance sheets.

To alleviate the economic impact, the Bank of England sanctioned two emergency reductions in interest rates, taking its bank base rate to a historic low of 0.1%, and relaunched its quantitative-easing programme, increasing its holdings of gilts and UK corporate bonds by £200 billion. The central bank also extended its term funding scheme for another four years, to encourage high street banks to lend to small- and medium-sized enterprises (SMEs).

The UK Chancellor announced at least £60 billion of extra public spending to protect businesses, employees and the self-employed against an economic slump. These measures included a coronavirus job retention scheme, where the government paid the wages of furloughed employees up to £2,500 a month. The scheme was subsequently extended until spring 2021. In addition, the government offered some £330 billion in loan guarantees to companies. Lockdown restrictions were gradually lifted over the summer months, but rising case numbers across the UK led to regional lockdowns being reimposed in early autumn. The pandemic sparked a deep UK recession, with GDP falling by 19.8% in the three months to the end of June.

Meanwhile, negotiations continued over the terms of UK-EU trade after the end of the Brexit transition period (31 December 2020). In September, the UK government caused consternation in Europe by publishing details of its internal markets bill, which ran contrary to elements of the withdrawal agreement. The EU objected strongly, although trade negotiations continued until the end of the review period.

Outlook

With further lockdown measures being introduced, primarily at the local level, we head into the fourth quarter of the year with material uncertainty about the state of the UK economy. The late-summer recovery in economic growth could well peter out as new cases of coronavirus emerge across the UK. The ongoing EU/UK trade negotiations only add to the uncertainty, with the talks likely to go to the wire.

Despite the gloomy outlook, a pathway to normalisation is evident as the second wave fades, treatment options improve, and vaccines begin to be approved and rolled out over the next few months. Valuations in cyclicals and financials remain extremely depressed, discounting a severe and prolonged recession. However, this is not the most likely scenario, given the offsetting fiscal spending and monetary support. As a recovery becomes clearer, the market has the potential to recover strongly. Once we are beyond the year's end, and through the transition phase of leaving the EU, the continuing Brexit uncertainties that have so clouded the outlook for UK equities should begin to fall away.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



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2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

The Board did however recognise that the level of income generated over the last 12 months has fallen when compared to previous periods. This can be specifically attributed to the impact of the Covid-19 pandemic, which resulted in a number of companies who have historically been regular dividend payers, either deferring or cancelling their 2020 dividends.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

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5. Comparable Market Rates

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Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors UK Listed Equity Income Fund delivered a total return of -12.89% (share class 2), net of fees*. The Fund's benchmark, the FTSE® All Share Index, returned -14.46% over the same period.

Review

UK equities ended 2019 on a positive note, as the political stalemate over Brexit that had clouded sentiment was broken. The Conservative Party won an emphatic majority in December's general election, paving the way for the EU withdrawal bill to pass through parliament before the deadline of 31 January. UK equities rallied on the back of the result, as more domestically oriented mid-cap stocks and smaller companies responded very favourably to the prospect of more certainty.

In January, the US and China shook hands on a phase-one trade agreement, a breakthrough after months of tit-for-tat trade tariffs. But the optimistic mood faded as the rapid spread of Covid-19 spawned fears of a global health emergency. On 11 March, the World Health Organisation declared the outbreak a pandemic, sending markets into freefall. In the first three months of the year, the UK equity market recorded its worst quarterly performance since 1987. As lockdown measures were imposed to halt the virus, retailers, financials, industrials and real estate were badly affected. Moreover, a range of companies moved to suspend dividend payments and opted to preserve cash, to shore up their balance sheets.

To alleviate the economic impact, the Bank of England (BoE) sanctioned two emergency reductions in interest rates, taking its bank base rate to a historic low of 0.1%, and relaunched its quantitative-easing programme, increasing its holdings of gilts and UK corporate bonds by £200 billion. The central bank also extended its term funding scheme for another four years, to encourage high street banks to lend to small- and medium-sized enterprises (SMEs).

The UK Chancellor announced at least £60 billion of extra public spending to protect businesses, employees and the self-employed against an economic slump. These measures included a coronavirus job retention scheme, where the government paid the wages of furloughed employees up to £2,500 a month. The scheme was subsequently extended until spring 2021. In addition, the government offered some £330 billion in loan guarantees to companies. Lockdown restrictions were gradually lifted over the summer months, but rising case numbers across the UK led to regional lockdowns being reimposed in early autumn. The pandemic sparked a deep UK recession, with GDP falling by 19.8% in the three months to the end of June.

Meanwhile, negotiations continued over the terms of UK-EU trade after the end of the Brexit transition period (31 December 2020). In September, the UK government caused consternation in Europe by publishing details of its internal markets bill, which ran contrary to elements of the withdrawal agreement. The EU objected strongly, although trade negotiations continued until the end of the review period.

At a portfolio level, several holdings were affected by the lockdown restrictions imposed on businesses, including Cineworld and Melrose. Cineworld made a strong start to 2020, with box-office tracking more than 10% ahead of 2019 and a growing market share in the US. But cinemas closed due to the pandemic, and investors grew nervous about the group's liquidity, given its high debt levels. Throughout the third quarter, the slow opening of US cinemas has delayed some blockbuster films, causing further uncertainty. UK and US cinema closures and the postponement of the new James Bond film until April 2021 highlight the difficulties facing the company. However, a return of public confidence could support the share price in the near term.

Shares in Melrose also fell in the first half of the year, given the company's exposure to autos and aerospace. While short-term revenues will clearly decline, particularly in autos, we believe the market is overlooking the large aerospace backlog that was in place before Covid-19.

A key factor that detracted from fund performance, relative to the benchmark FTSE All Share index, was an underweight allocation to healthcare stocks. Most notably, our lack of exposure to AstraZeneca, based on valuation grounds and concerns over the company's accounting policies, detracted from returns.

In the second half of the review period, being underweight in BP and Royal Dutch Shell aided returns, as did our overall underweight in the overall oil and gas sector. Demand for these stocks did not return as quickly as some expected. We see better risk-versus-reward opportunities elsewhere in the market. The recovery in the oil market is becoming slower, and the move to newer business models will be disruptive.

Detractors in the second half of the period included Cineworld, Babcock and Beazley. Cineworld continued to be weak due to the pandemic, while Babcock detracted following news of a change of CEO. Beazley, an insurer dealing in commercial lines of business, also weighed on returns. The company raised capital at the start of the year, but the impact of Covid-19 has been greater than expected.

For the year as a whole, our positioning in the financial sector made a key contribution to relative performance. Avoiding Lloyds and HSBC was a key factor, as major banks halted dividend payments in response to pressure from the BoE. With interest rates at historically low levels, the immediate outlook for banks is bleak. Among our financial sector holdings, life insurance group Phoenix continued to trade well, and we expect the company to take a proactive approach to mergers and acquisitions. We have been topping up our position since the start of the second quarter, as the business model has held up well and the business continues to generate cash flows. That means its ability to pay a dividend has been strong. We reduced exposure late in the review period, after strong outperformance.

Outlook

We believe our consistent set of investment beliefs and long-term investment approach will be critical to successfully capitalising on this challenging market environment. We continue to focus on company fundamentals, especially cash generation and valuations.

Portfolio-construction discipline is particularly important. We are trying to keep a balance of ideas in the portfolio, given the possible range of outcomes that lie ahead.

We are continuing to assess business models, making portfolio changes based on which companies will survive this short-term crisis and how will they adapt to new consumer habits. We expect an ongoing recovery, but the path will be far from smooth.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund aims to grow your investment over the long term (5 years or more) through a combination of capital growth and income by investing in shares of UK companies. In the Value Assessment published in February 2020 the Board noted that the Fund’s performance in the previous 3 years was at the lower end of the range of expected outcomes for an actively managed fund of this nature. The report also provided an explanation of significant investment in our investment management and research capabilities, including the appointment of a new Chief Investment Officer for the Equities team in 2018.

Following these changes, and specifically over the last 12 month period, the Fund has performed better than the FTSE All Share index (+2.81%, net of fees and taxes)*. Consequently, for the year to 15 October 2020, the Fund’s performance after charges was deemed to be within a reasonable range of outcomes relative to its investment objective, policy and strategy and the extreme challenges faced as a result of the Covid-19 pandemic in 2020 which have resulted in a significant drop in the index.

The Board therefore believe that the improvements in performance versus the index over the last year demonstrate that the changes made to the investment process and philosophy have had a positive impact, and the Fund is positioned to deliver against its stated objective over the longer term.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



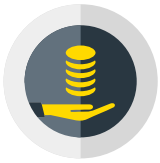
3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has been a reduction in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

* Performance figures based on Share Class 1, net income reinvested, net of fees and taxes for the period specified to 15 October 2020. Past performance is not a guide for future performance, the value of your investment can go down as well as up and you may not get back the amount invested.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors UK Listed Equity Unconstrained Fund delivered a total return of -11.65% (share class 1), net of fees*. The Fund's benchmark, the FTSE® All Share Index, returned -14.46% over the same period.

Review

UK equities ended 2019 on a positive note, as the political stalemate over Brexit that had clouded sentiment was broken. The Conservative Party won an emphatic majority in December's general election, paving the way for the EU withdrawal bill to pass through parliament before the deadline of 31 January. UK equities rallied on the back of the result, as more domestically oriented mid-cap stocks and smaller companies responded very favourably to the prospect of more certainty.

In January, the US and China shook hands on a phase-one trade agreement, a breakthrough after months of tit-for-tat trade tariffs. But the optimistic mood faded as the rapid spread of Covid-19 spawned fears of a global health emergency. On 11 March, the World Health Organisation declared the outbreak a pandemic, sending markets into freefall. In the first three months of the year, the UK equity market recorded its worst quarterly performance since 1987. As lockdown measures were imposed to halt the virus, retailers, financials, industrials and real estate were badly affected. Moreover, a range of companies moved to suspend dividend payments and opted to preserve cash, to shore up their balance sheets. In March, we felt market panic led to multiple instances of shares being oversold relative to company fundamentals, so we added to select positions within consumer services and financials.

To alleviate the economic impact, the Bank of England sanctioned two emergency reductions in interest rates, taking its bank base rate to a historic low of 0.1%, and relaunched its quantitative-easing programme, increasing its holdings of gilts and UK corporate bonds by £200 billion. The central bank also extended its term funding scheme for another four years, to encourage high street banks to lend to small- and medium-sized enterprises (SMEs).

The UK Chancellor announced at least £60 billion of extra public spending to protect businesses, employees and the self-employed against an economic slump. These measures included a coronavirus job retention scheme, where the government paid the wages of furloughed employees up to £2,500 a month. The scheme was subsequently extended until spring 2021. In addition, the government offered some £330 billion in loan guarantees to companies. Lockdown restrictions were gradually lifted over the summer months, but rising case numbers across the UK led to regional lockdowns being reimposed in early autumn. The pandemic sparked a deep UK recession, with GDP falling by 19.8% in the three months to the end of June.

Meanwhile, negotiations continued over the terms of UK-EU trade after the end of the Brexit transition period (31 December 2020). In September, the UK government caused consternation in Europe by publishing details of its internal markets bill, which ran contrary to elements of the withdrawal agreement. The EU objected strongly, although trade negotiations continued until the end of the review period.

At a portfolio level, several holdings were affected by the lockdown restrictions imposed on businesses. Our stock-specific investment thesis led the fund to be overweight in leisure, UK banks and media stocks, which were adversely affected. At a portfolio level, Cineworld, OneSavings Bank and M&G weighed on returns in the first half of the review period.

Cineworld made a strong start to 2020, with box-office tracking more than 10% ahead of 2019 and a growing market share in the US. But cinemas closed due to the pandemic, and investors grew nervous about the group's liquidity, given its high debt levels. Throughout the third quarter, the slow opening of US cinemas has delayed some blockbuster films, causing further uncertainty. UK and US cinema closures and the postponement of the new James Bond film until April 2021 highlight the difficulties facing the company. A return of public confidence could support the share price in the near term, but the holding is under review.

Meanwhile, OneSavings Bank and M&G were not immune to the 'risk-off' environment affecting UK financials. This was despite OneSavings Bank producing better results than the market expected earlier in the year. We believe the market does not properly appreciate M&G's business model, particularly after the Prudential demerger. It contains a large and stable back book, as well as strong products such as Pru Fund. Later in the period, the fund's position in Standard Chartered detracted, even though the

company released better-than-expected half-year results. Uncertainty surrounding the resumption of dividend payments led to the weakness. We believe that banks have more than adequate capital and that they will resume dividend payments next year.

A key factor that detracted from fund performance, relative to the benchmark FTSE All Share Index, was an underweight allocation to healthcare stocks. Most notably, our lack of exposure to AstraZeneca, based on valuation grounds and concerns over the company's accounting policies, detracted from returns.

Meanwhile, positioning in the industrials sector helped relative performance in the first half of the review period. A key contributor was our holding in construction group Morgan Sindall. The company's annual results, published in February, highlighted that trading had been relatively resilient against the backdrop of a weak construction market in 2019. Morgan Sindall has a strong focus on infrastructure and social housing, both priority areas in the UK for long-term investment.

In the second half of the review period, Future, BP, Royal Dutch Shell and 888 Holdings were among the top positive contributors. Future has raised its full-year profit forecasts as it continues to benefit from the shift to digital media. The integration of TI Media, acquired in October last year, is making good progress and performance has been boosted by the synergies. Being underweight in BP and Royal Dutch Shell aided returns, as did our overall underweight in the overall oil and gas sector. Demand for these stocks did not return as quickly as some expected. We see better risk-versus-reward opportunities elsewhere in the market. The recovery in the oil market is becoming slower, and the move to newer business models will be disruptive. Elsewhere, 888 Holdings benefited from the high levels of customers acquired in the year to date and the structural shift towards online services. The resumption of sports betting from June has accelerated these trends.

Detractors in the second half of the period included Cineworld and IAG. Cineworld continued to be weak due to the pandemic. IAG suffered from quarantine restrictions in Europe, but has indicated that it should break even in terms of operating cash by year-end.

Outlook

The fund continues to target businesses that will sustainably generate cash in this difficult environment, focusing on a return to dividend payments. This is supplemented by some recovery situations where the market is overly pessimistic on the industry outlook after a decline in the prevalence of the virus.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



1. Quality of Service

The range, nature, extent and quality of the services provided to investors has been assessed and the Fund’s operating model was considered to be working effectively over the period. Investors received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment, and the service delivered has been timely and of an appropriate quality.



2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors UK Listed Small and Mid-Cap Fund delivered a total return of -4.98% (share class 1) net of fees*. The Fund's benchmark, the FTSE® 250 ex Investment Trust (the "Index"), returned -14.45% over the same period.

Review

The largest detractors in performance within the portfolio were Cineworld, WH Smith, Superdry and Capital & Counties. All four names were acutely impacted by Covid-19 lockdowns, which overshadowed the stock specific investment case. For WH Smith, this is the US market share opportunity, at Superdry the overhaul in product range and marketing, and for Capital & Counties the improvement in rental growth at Covent Garden through development. We have retained positions in each of these stocks as the market overlooks these positive medium-term dynamics in favour of near-term economic worries. In the case of Cineworld we exited the position after lockdowns were imposed given the pressure on the balance sheet and shifts in consumer behaviour toward online platforms. Other detractors were from stocks not owned such as Pennon and Games Workshop.

The largest positive contributions were spread across several high conviction positions in line with our stock specific theses. These include Future, GlobalData, YouGov, 888 and Keywords Studios. The underweight positions in Micro Focus, Tullow and Capita also contributed positively.

The benchmark fell 14.45% over the last year. Each quarter was marked by swings in sentiment. The first saw elation over a Brexit agreement and a Conservative majority in UK parliament. The second lingering trade worries between the US and China, as well as negative relative performance for those stocks with Asian exposure due to Covid-19. The third saw capitulation as the virus spread to Europe and the US, with a sharp rebound in sentiment as the market assumed any recovery would be quick. The fourth an unwinding of that optimism and a belief that the unusual environment we are currently in will become the norm. Sentiment remains polarised. There is an expectation that stocks which have seen an uptick in trading from the pandemic will continue to do so. And those where profit has been hit will see permanent impairment.

The portfolio remains diversified across sector and style. Tracking error, despite the market wide panic, peaked at just 870bps and finished the year lower at c840bps. We are conscious that the quantitative analysis of tracking error is not enough by itself and needs to be complemented by qualitative judgement. There must be careful consideration in understanding where uncertainties lie, analysis on a bottom up basis to assess such risks, and then diversification across several names across multiple sectors based on conviction. We will not be closely tracking the index to avoid risk, but trying to manage the portfolio so we are well paid to take on such uncertainty.

In February and March, pandemic concerns initially caused panic across the index, with most stocks falling. The market then penalised those companies: 1) with greater perceived exposure to a recession; 2) that announced dividend cuts or fund raising early to address liquidity concerns; and 3) announced earnings downgrades for the current year, even if this makes little difference to the longer-term outlook. There is little precedent for the specific impact of Covid-19 in order to base a view on the length or severity of the disruption. And what we don't know is far greater than what is known. But there is precedent for market crises. Therefore, as a starting point we focused on two key questions when making changes to the portfolio:

1. Will Covid-19 result in a deteriorating competitive position for companies in the longer term?
2. Is there a real risk of dilution?

The market has been focused on incremental daily newsflow rather than the long-term outlook. But where we have been comfortable that a group's competitive position should at least be stable (if not improved), and there is little risk of dilution even if we eliminate earnings and cashflow for a year, then this offered opportunities to selectively buy stocks. We therefore used weakness to buy the likes of Hays, Halfords and Pets at Home. For all three the competitive position should only be enhanced post the pandemic as they continue to invest in improving their service, without worries over liquidity or solvency.

We also purchased Paragon Banking Group, Unite Group, and Inchcape post significant weakness in the share prices. The market was quick to deem these stocks as those which will suffer significantly due to the pandemic. And in absolute terms newsflow in the near term is poor. However, what matters is what is in the price and whether we are being compensated for taking on the perceived risk in the market. In our view, all three stocks offer significant upside given their industry leading positions as end markets normalise.

Outlook

There has been significant market volatility in response to Covid-19. However, our process remains unchanged. We will continue to adopt a style agnostic approach and assess opportunities on a bottom up, stock specific, basis. This is based on four lenses where we believe the market has mispriced a stock.

- Where crises across a sector/market drags share prices down to levels of extreme valuation discount despite solid operating execution. An example is Paragon Banking Group. The market is anchoring to the global financial crisis where the group's wholesale funding model caused the group significant issues. However, the funding model, capital position and competitive positioning in Buy to Let have all improved significantly. Interest rate sensitivity is limited, asset pricing is improving during Covid, and impairments taken already assume considerable negative house price inflation and an extended period of high unemployment.
- Stocks undergoing change where the market underestimates a more positive outlook. Vistry has potential for self-help driven upgrades following its acquisition of Galliford's housing business. This should come from stronger margin delivery in both the housebuilding and partnerships businesses given implied margins in the land bank, cost synergies and a change in strategy with partnerships more focused on development in addition to contracting.
- Where the market underestimates high barriers to entry and the sustainability of a company's competitive position. Trainline is a good example, where the market is extrapolating the impact of Covid-19 on train passenger numbers in the near term and doubting the group's growth potential. However, the pandemic has accelerated the shift to online/e-ticketing, with the group gaining share and we expect it to emerge from the pandemic in a stronger position, without any balance sheet issues.
- Stocks in embryonic markets where the market underestimates the growth trajectory due to lack of precedent or comparatives: YouGov is an example where the market has faded revenue/margin guidance sharply. But the group has a strong, differentiated data product set that is market leading in market research and consumer profiling. This dominant position should enable continued high levels of growth due to geographic expansion, cross-selling and continued product innovation.

* Fund performance figures – source Lipper, a Thomson Reuters company, net of fees, net income reinvested

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In line with the requirement to conduct an assessment of value, the following summarises the conclusions reached by the Board having considered the range of factors as set out in the ‘Value Assessment Approach’ (see [avivainvestors.com/value-assessments](https://www.avivainvestors.com/value-assessments)) which describes how we carry out the Value Assessment. This applies to all Share Classes in the Fund unless we have specifically noted Share Class exceptions.



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2. Performance

The Fund’s overall performance after charges, relative to its investment objectives, policy and strategy was deemed to be within a reasonable range of outcomes based on the various time periods reviewed and the information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below. You will also be able to find more detailed information on fund performance within the Fund Fact Sheet on our website.



3. Authorised Fund Manager Costs

The Fund Management Fee (FMF) is the single charge paid to the Authorised Fund Manager and is considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for the Fund.



4. Economies of Scale

The specific benefits derived from economies of scale are returned to investors in various ways including through the FMF review process as referred to in the Value Assessment Approach. The Board concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months, and as such no additional savings have been identified.



5. Comparable Market Rates

The fees paid for each of the services provided to the Fund (internally or externally) were considered to be competitive relative to those charged by similar competitor funds within the UK regulated funds market.



6. Comparable Services

On the basis of the available information and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Aviva Group for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.



7. Classes of Units

The pricing of each Share Class of the Fund is considered to be reasonable based on the different Share Class eligibility criteria and target investor for each Share Class. All investors are invested appropriately in the Share Class they are eligible to hold in the Fund at the date of the assessment.



Overall Assessment Conclusion

In conclusion, the Board confirms all components of the assessment have been considered and the charges for each of the Share Classes are justified in the context of overall value being delivered to investors.

Fund Manager's Report

Performance

Over the twelve months ended 15 October 2020, the Aviva Investors UK Smaller Companies Fund delivered a total return of 5.97% (share class 2), net of fees*. The Fund's benchmark, the FTSE® UK Small Cap ex Investment Trust Index, returned -10.34% over the same period.

Review

UK equities ended 2019 on a positive note, as the political stalemate over Brexit that had clouded sentiment was broken. The Conservative Party won an emphatic majority in December's general election, paving the way for the EU withdrawal bill to pass through parliament before the deadline of 31 January. UK equities rallied on the back of the result, as more domestically oriented mid-cap stocks and smaller companies responded very favourably to the prospect of more certainty.

In January, the US and China shook hands on a phase-one trade agreement, a breakthrough after months of tit-for-tat trade tariffs. But the optimistic mood faded as the rapid spread of Covid-19 spawned fears of a global health emergency. On 11 March, the World Health Organisation declared the outbreak a pandemic, sending markets into freefall. In the first three months of the year, the UK equity market recorded its worst quarterly performance since 1987. As lockdown measures were imposed to halt the virus, retailers, financials, industrials and real estate were badly affected. Moreover, a range of companies moved to suspend dividend payments and opted to preserve cash, to shore up their balance sheets.

To alleviate the economic impact, the Bank of England sanctioned two emergency reductions in interest rates, taking its bank base rate to a historic low of 0.1%, and relaunched its quantitative-easing programme, increasing its holdings of gilts and UK corporate bonds by £200 billion. The central bank also extended its term funding scheme for another four years, to encourage high street banks to lend to small- and medium-sized enterprises (SMEs).

The UK Chancellor announced at least £60 billion of extra public spending to protect businesses, employees and the self-employed against an economic slump. These measures included a coronavirus job retention scheme, where the government paid the wages of furloughed employees up to £2,500 a month. The scheme was subsequently extended until spring 2021. In addition, the government offered some £330 billion in loan guarantees to companies. Lockdown restrictions were gradually lifted over the summer months, but rising case numbers across the UK led to regional lockdowns being reimposed in early autumn. The pandemic sparked a deep UK recession, with GDP falling by 19.8% in the three months to the end of June.

Meanwhile, negotiations continued over the terms of UK-EU trade after the end of the Brexit transition period (31 December 2020). In September, the UK government caused consternation in Europe by publishing details of its internal markets bill, which ran contrary to elements of the withdrawal agreement. The EU objected strongly, although trade negotiations continued until the end of the review period.

Before the market sell-off driven by the virus, the fund had been outperforming its benchmark, a trend that continued both during the market's fall and its subsequent recovery. The main reason for this resilience is our investment approach. We have consistently focused on companies with sustainable business models, where possible in growing markets. We believe that the companies which were strong before the pandemic will, whenever we come out the other side, be able to thrive again.

In the first half of the review period, DiscoverIE Group and Oxford Metrics contributed to relative performance. DiscoverIE has delivered impressive organic growth as it has aligned its higher-return design and manufacturing division towards the renewable energy, medical and transportation sectors. The company has been rewarded with a higher valuation by investors as it moves away from being a cyclical component supplier. Oxford Metrics, an analytical software company focused on motion measurement and infrastructure asset management, has exhibited strong growth. We believe the company's earnings outlook looks highly favourable, as it is a leading player in this field.

On the negative side, some holdings were badly affected by the emergence of the coronavirus. These included 4Imprint, a promotional merchandise operator mainly active in the US market. It struggled due to concerns that corporate spending will be hit

hard as companies cut costs. The immediate trading outlook is tough, but 4Imprint remains a market leader in its field. Elsewhere, our holding in AB Dynamics was affected by the material sell-off in all auto-related stocks.

Later in the review period, Eagle Eye Solutions and IMImobile were very strong performers. Eagle Eye Solutions reported strong results, thanks to strong demand for its AIR platform product. It is one of the largest holdings in the fund, with international clients likely to provide more growth. IMImobile also reported a strong set of results, owing largely to strong growth in its cloud-related products. Key detractors at this time included Begbies Traynor, Advanced Medical Solutions and The Gym Group.

In terms of fund activity, we have been very active as circumstances and share prices have changed dramatically. This has presented investment opportunities, with various new holdings added to the portfolio. We also added to existing holdings where we believed the share price had weakened to very attractive long-term levels.

Outlook

The outlook remains uncertain, owing to Covid-19 and the ongoing UK/EU talks. Within the consumer segment of the market, we prefer online businesses and services to ‘bricks and mortar’ shops. With further lockdown measures being introduced, mainly at the local level, there is material uncertainty about the state of the UK economy. Further outbreaks of Covid-19 in the UK, or elsewhere, are the largest risks to economic recovery. The speed at which this second wave has resurfaced shows the unpredictability of the virus. The shift from the furlough scheme to the more targeted job support scheme at the end of October is a more specific risk to the UK market: it seems almost inevitable that unemployment levels will spike in the final months of the year. The ongoing EU/UK trade talks only add to the uncertainty, with negotiations likely to go to the wire.

In this environment, we have consciously kept exposure in the fund directly targeted at the consumer part of the economy, with no online counterbalance, at very low levels.

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