

Aviva Investors Passive Funds ACS (the “Sub-funds”) Value Assessment Report

January 2022



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 30 September 2021



This is our third Value Assessment report for this range of Sub-funds, and although this is only one aspect of our ongoing product governance process, it is our opportunity as a Board to communicate to investors how we continue to ensure that we act in your best interests, and help you to meet your investment needs, something Aviva Investors has been doing for over 50 years.

Sadly, the Covid-19 pandemic continues to impact our daily lives and creates challenges from an investment perspective. Positively we have seen improved performance outcomes in a number of Funds, and others remain resilient despite these challenges.

In this report we set out how the Scheme has performed over the last 12 months, where we have seen opportunities for improvement, or where it has been necessary to make changes.

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, we have also implemented a number of changes to the process throughout the year.

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 our Value Assessment Approach which explains how we have reached our conclusions, and can be found on page 2 of this report.

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

Mark White
Chairman

Value assessment approach

Aviva Investors UK Fund Services Limited

An introduction to value assessments

The following describes how we, as Authorised Fund Manager (AFM) of the Sub-funds, approach the assessment and the range of factors considered by 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 Sub-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 Sub-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 Sub-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, will be considered. Performance is also considered in the context of the relevant peer group and whether the Sub-fund operated in accordance with its respective risk limits and investment restrictions.

Sub-fund performance, as measured against its objectives, which is assessed by the regularly scheduled governance meetings, is also 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 Sub-fund where no other viable options are available.

Further information on the specific performance of individual Sub-funds is included in the Fund Manager Report section of the Report and Accounts, covering the period relevant to that report.



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 Sub-fund.

The underlying fees, costs and expenses 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;
- 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 Sub-fund. The Company will determine whether the costs allocated to each Sub-fund is a fair reflection of the costs of the services provided for the relevant unit class of each Sub-fund, with an appropriate allowance for the levels of income earned for 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 Sub-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 unit class and the extent to which investors might also benefit from financial savings that result. For example, whether the charges 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 Sub-fund, and the appropriate level of charges, 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 charges.

In looking at whether investors have benefited appropriately, either directly or indirectly, in any savings or benefits in relation to the management of the Sub-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 Sub-funds by the Company or on its behalf are reasonable compared to fees for similar services in the market.

Direct comparisons of the individual fees that are paid for the services provided to the Sub-funds may be difficult because information is not generally publicly available, however 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 charge for each unit class.



6. Comparable services

The Board considers whether the fees charged by the Company for the services it performs for the Sub-funds are consistent with those charged by the Company and other companies within the Aviva Group. This considers 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.



7. Classes of units

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

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 Sub-fund.

Value assessment report

Aviva Investors Passive Funds ACS (“the Scheme”)

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 unit classes in the Sub-funds unless we have specifically noted unit class exceptions.

The Scheme comprises 23 Sub-funds, all of which have an objective to track the performance of their respective benchmark, and the investor charges are levied based on the same fee structure regardless of whether this is incurred by the Sub-fund, or charged to the investor directly. Therefore, although each Sub-fund and unit class has been considered individually, the following report summarises the assessment applicable for all of the Sub-funds.



1. Quality of service

The range, nature, extent and quality of the services provided to investors has been assessed and each Sub-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

Each Sub-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.



3. Authorised fund manager costs

Fees paid to the Authorised Fund Manager are considered to be reasonable when taking into account the underlying costs for the services provided and the performance objectives set for each Sub-fund.



4. Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality. 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. Although there has been an increase in the size of the Scheme during the previous 12 months, no material scale savings have been identified.



5. Comparable market rates

The fees paid for each of the services provided to the scheme and each Sub-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 Sub-fund.



7. Classes of units

The pricing of each unit class of the Sub-fund is considered to be reasonable based on the different unit class eligibility criteria and target investor for each unit class. All investors are invested appropriately in the unit class they are eligible to hold in the Sub-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 unit classes are justified in the context of overall value being delivered to investors.

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.