2024 **VALUE ASSESSMENT REPORT**

Aviva Investors Select Funds ICVC

An annual review of the value our funds have provided to investors

June 2024

Why do we produce a Value Assessment report?

As an Authorised Fund Manager ('AFM') we are required to conduct an assessment of value for each of the funds that we manage annually. The Financial Conduct Authority's (FCA) rules set out a minimum criteria to be considered to determine if funds offer value to investors, and that their costs and charges are justified in this context.

Who is it for?

The Value Assessment is intended for all investors in our funds, we produce a report each year for each of the fund ranges at an individual share class level, all of which can be found on the Value Assessment dedicated webpage.

The Value Assessment is designed to aid investors in understanding how individual funds have performed, along with our levels of customer service, and whether the fees that we charge are fair.

What is the benefit to investors?

Through the components set out by the FCA, the report will state whether the fund and share class that you are invested in is delivering value in terms of fund performance versus its stated objective, fees charged and quality of service provided. The Fund Board (AIUKFSL) are responsible for ensuring the funds meet the set criteria and explaining any areas where the funds are below expectations.

You can see an introduction from our chair on page 4.

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Statement from the Chair

Dear Investor,

As the new Independent Chair 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 present the Value Assessment for the year to 29 February 2024.

This is our fifth Value Assessment report, and it is our opportunity as a Board to consider all aspects of fund performance and the services provided to our customers, ensuring that robust and appropriate actions are being taken to address any concerns that we have on behalf of our investors. This is only one aspect of our ongoing product governance process, but this gives us the opportunity to communicate directly with investors and explain how we are acting in your best interests to help you meet your investment needs, something Aviva Investors has been doing for over 50 years.

In this report we set out how each Fund has performed over the last 12 months, where we have seen opportunities to improve investor outcomes, or where it has been necessary to make changes, from both a performance perspective and your individual experience of dealing with Aviva Investors. This includes reducing the minimum investment criteria for all funds allowing some investors to access cheaper share classes. This has led to us proactively contacting impacted investors to begin the switch to the cheaper share classes.

The global economy has continued to face significant pressures with implications for investment markets, and the cost of living crisis highlights an even greater need to deliver value for our customers. This document includes an overview of the economic environment over the past 12 months and the impact on individual fund performance over the last year.

We hope that you find this report useful in supporting your investment decisions. If you would like to provide any feedback on this report it would be very much appreciated as we look to make improvements going forward. Please contact our customer service helpline on 0800 051 2003 between the hours of 8:30am and 5:30pm Monday to Friday, or alternatively write to us at enquiries.uk@avivainvestors.com.

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 11 of this report. On behalf of the Board we would like to thank you for entrusting Aviva Investors with your investment and taking the time to consider the findings of this report.

Jacqueline Lowe
Chair

Jacqueline Lowe

"This gives us the opportunity to communicate directly with investors and explain how we are acting in your best interests to help you meet your investment needs"

Market Review

Following last year's assessment where geopolitical pressures and rising inflation and interest rates broadly challenged markets, we are pleased to report that we have seen some recovery in the markets over the course of the last year as sentiment has improved.

In 2022 global markets faced the knock-on effects of the Russian invasion of Ukraine at the beginning of the year, causing a rise in oil and energy prices and complicating global supply chains. This in turn led to a rise in inflation, with the Consumer Price Index (CPI) the standard measure of inflation, reaching a high of 11%, and the cost of living crisis impacting many UK households. In an attempt to tame inflation, the Bank of England raised interest rates which put additional pressure on households as mortgage payments rose. The subsequent drop in consumer and business confidence caused markets to fall which was reflected in the value of investors holdings as many saw an overall loss in the prior year.

During the past year interest rates in the UK have continued to rise but have appeared to level off at 5.25% following the latest hike in August 2023.On a positive note, inflation has begun to fall, at the time of this assessment the CPI fell to 3.4% but is still above the Government target rate of 2%. While annual inflation declined at a brisk pace in the US and Europe, it nevertheless remained significantly above target. This prompted central banks to persist with interest rate hikes which contributed to the failure of several US banks in the early part of 2023, causing a bout of heightened volatility in financial markets. However, the overall strength of company earnings sustained positive momentum in the markets as has enthusiasm around companies exposed to the Artificial Intelligence theme.

Global equities and fixed income markets posted solid gains in the twelve months under review. Strong performance was posted by US and Japanese equity shares, which increased in value encouragingly thanks to resilient growth and continued strong earnings coinciding with stronger economic sentiment. The Eurozone has faced a year of stagnation, however investors welcomed data suggesting that the economy was steering itself away from recession. In the UK the economy performed somewhat better than forecasts despite the high inflation and rising interest rates, however the UK is in a technical recession at the point of this review, having seen two consecutive negative quarters of gross domestic product (GDP), adjusted for inflation. Emerging markets underperformed developed markets, with the disappointing performance of the Chinese economy, which was slower to emerge from Covid restrictions.

The global economy looks to be in an improved position in 2024 thanks to the US economy having performed somewhat better in recent months. The Eurozone and the UK looks set to return to growth and the outlook for Japan is also positive, although growth may struggle to match last year's pace.

Representative benchmarks that are used as a general indicator of equity markets are the MSCI World Index from a global perspective and the FTSE All Share for a UK view. In the year to 29 February 2024, both were up 19.6% and 8.4% respectively. The Bloomberg Global Aggregate Corp Index, which is often used as a proxy for fixed income markets, was up 6.0% in the same period, whilst moving in the right direction there is still some way to go to recover the 10% decline in the previous year.

We are pleased to report that the majority of Funds in this review period have delivered a positive return for the year but in some cases the medium to long term performance remains impacted by the volatile markets in the wake of Covid-19, Russia's invasion of Ukraine and the aborted mini-budget in the UK.

We measure each Fund's performance against an appropriate benchmark and compare performance to a peer group of similar funds over various time periods, which are key factors in evaluating the performance of our Funds as they provide market context to the performance that we have seen.

Broadly, our investment managers adhere to a long-term investing horizon and this remains unchanged; they look to hold positions that are resilient and best-in-class, and our portfolio managers have stuck with this approach that has delivered value for our customers in the past.

The Fund Managers Report included with each of the Fund's reports below will provide further detail on the individual performance of the Funds.

Quality of Service

We monitor the services we provide to our customers using various methods, including customer feedback and complaints, through monitoring our ability to deal with customer queries effectively within prescribed timescales, and through surveys conducted by independent firms on our behalf.

The feedback we receive and information we collate informs us how we can we strive to make changes which will benefit customers overall experience. This year we are making various improvements both to this report and other correspondence you receive such as the bi-annual statements, and we plan to make enhancements to our website (www.avivainvestors.com), making information more accessible to you, and more easily understood.

The feedback we have received from our customers tells us that we occasionally use too much investment jargon; that our website and some of our reports are not always easy to navigate. We have therefore made some changes to this report, including an introductory page which is intended to help you understand the purpose of the Value Assessment, why it is important to you, and what to look out for when reviewing your funds. There is also a summary page for all funds that provides a quick overview of the outcomes of this assessment and enables you to quickly navigate to the funds that are relevant to you.

The Fund Centre has a wealth of information, mostly compiled by our in-house experts including their views on the current and future state of the economy, which helps to shape our investment decisions. We are considering a number of options to make our website and fund fact sheets simpler to navigate and easier to understand, removing terminology which is less user friendly.

The bi-annual statements have also been reviewed with a view to making them as customer friendly as possible, enhancements included more detailed updates on market and fund performance and additional detail on the Value Assessment outcomes. For those investors that deal directly with us and receive the statement, we hope that you found the recent report useful.

Through our ongoing business monitoring we are aware that some customers have experienced delays in receiving responses when contacting our Customer Service Centre over the last year. We have been working hard to minimise the impact on customers both by ensuring that servicing issues are resolved and also that a similar situation does not happen again in the future. We can confirm that these issues have now been resolved following the implementation of some technology enhancements to speed up customer response times, which has allowed us to resolve most outstanding client requests.

If you would like to provide specific feedback on the service you have received, or how this could be improved, please contact our customer service helpline on 0800 051 2003 between the hours of 8:30 and 5:30 Monday to Friday, or alternatively write to us at enquiries.uk@avivainvestors.com.

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Meet the board

FUND DASHBOARD

These are the people responsible for the Value Assessments and ensuring we continue to meet our customer expectations

Jacqueline Lowe

Chair of Aviva Investors UK Fund Services Ltd

Main responsibilities

Jacqueline Lowe was appointed as the Independent Chair of Aviva Investors UK Fund Services Limited in November 2023, and is also the Chair of the Aviva Investors Luxembourg Supervisory Board.

READ FULL BIOGRAPHY HERE

Barry Fowler

Chief Executive Officer of Aviva Investors UK Fund Services Ltd

Main responsibilities

Barry serves on a number of governance and oversight committees, including our UK management company and chairs the supervisory board of our Luxembourg management company.

READ FULL BIOGRAPHY HERE

Kate McClellan

Chief Operating Officer

Main responsibilities

As Chief Operating Officer, Kate is responsible for global operations and information technology across the Aviva Investors business.

READ FULL BIOGRAPHY HERE

Alexa Coates

Independent Non-Executive Director

Main responsibilities

Alexa Coates is an independent non-executive director of Aviva Investors. Alexa was appointed to the Aviva Investors Holdings Limited Board and the Aviva Investors Global Services Limited Board in November 2019.

READ FULL BIOGRAPHY HERE

These are the people responsible for the Value Assessments and ensuring we continue to meet our customer expectations (continued)

Jane Adamson

Director of Financial Reporting and Control

Main responsibilities

Jane Adamson is the Director of Financial Reporting and Control for Aviva Investors, responsible for Group, Statutory and Regulatory Reporting and Capital Management.

READ FULL BIOGRAPHY HERE

Martin Bell

Director of Global Fund Services

Main responsibilities

Martin is the Director of Global Funds Services, which brings together the activities of the UK and Luxembourg Management Companies covering all Aviva Investors regulated funds business. Martin serves on a number of boards, including Aviva Investors UK Fund Services Limited and the Luxembourg Management Board.

READ FULL BIOGRAPHY HERE

Sally Winstanley

Director of Operations Strategy and Implementation

Main responsibilities

Sally has day to day responsibility for leading the Transformation Programme required to implement one of Europe's largest Asset Management outsourcing deals that will see Aviva Investors rationalise several third party outsource providers, supporting its liquid markets business, to one best-in-class supplier.

READ FULL BIOGRAPHY HERE

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Our approach

As Authorised Fund Manager ('AFM') of the funds, the following sets out our approach to the assessment, and the range of factors considered by the Company's board of directors ('the Board') to determine if 'value' is being provided to investors, and whether costs and charges are justified.

This exercise is carried out 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 where necessary throughout the year. If the result of the value assessment is that the charges paid by investors are not considered to be justified based on the level of service we are providing, appropriate action will be taken.

Quality of service

We consider the range, nature, extent and quality of services provided directly to investors or undertaken on their behalf, and whether investor's expectations have been met. This includes the services performed by the Company and its suppliers, as well as their reputation, expertise, resources and relative capabilities. The key factors are:

- The quality of the **investment process**, including their trading, risk management, compliance, technology, research and operational processes.
- The quality of the **customer services** provided, using investor satisfaction surveys, complaints and data relating to operational accuracy to assess the positioning of Aviva Investors and its products and services over time, in comparison to similar firms.
- The quality and timely delivery of clear **communications**, and the relevance of information provided to investors to help them make informed decisions.

Performance

We consider whether fund performance, after the deduction of expenses, is within a reasonable range of outcomes relative to the fund's objective, policy and strategy when measured over appropriate time periods.

The time horizon that we consider most appropriate to assess performance will be stated within the individual fund's investment objective or policy, however we also review performance over one, three, five and seven years (or since inception if there is not a full seven year's performance data).

Performance is also considered in comparison to the respective fund's 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 regular governance meetings and this is also taken into account in reaching the conclusions for the value assessment.

If performance is considered unsatisfactory, the following factors may be applicable:

- Explanations for any underperformance provided by the investment manager as part of our fund performance governance model.
- 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.

Alternatively, we could consider changing the investment manager or closing the fund where no other viable options are available or where previous actions have not delivered the desired results.

We provide further information on the specific performance of individual funds within the Fund Manager Report section of the Value Assessment, covering the period relevant to that report. More up to date information is available in the regular fund factsheets and updates, available on our website.

Authorised Fund Manager costs & charges

We consider whether our charges are reasonable, taking into account the underlying costs we incur for the services provided, and the performance objectives of each fund.

We use a Fund Management Fee ('FMF') to deduct the charges from the funds, this is a single all-inclusive charge and is designed to provide a straightforward, easy to understand charging model for investors.

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
- FCA fees

To assist with the value assessment, we use a costs and charges model to assess the costs applicable to each fund. The model is refreshed semi-annually and provides analysis of all elements of cost that must be paid out of the proceeds of the FMF. This helps us to 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.

Economies of scale

We consider whether we have been able to achieve any savings or benefits as a result of the size of the fund, referred to here as "Economies of Scale", and whether investors have benefited appropriately.

In particular, we consider whether economies of scale have been achieved in relation to the costs and operating expenses of each share class and the extent to which investors should benefit from financial savings that result.

For example, we will consider 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 the supplier provides services for, allowing us to obtain favourable rates.

The assessment of the underlying service costs of running the fund, and the appropriate level of the FMF, takes place annually. 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, directly or indirectly, in any savings or benefits in relation to the management of the fund, we acknowledge the wider, albeit intangible, benefits to investors, such as the reputation, brand and financial strength of the Aviva Group.

We may also consider it appropriate to reinvest cost savings directly into the Company, to finance product development, or retain savings for commercial reasons.

In reaching a conclusion, we will assess the extent to which investors in our direct retail share classes have already benefited from the automatic discount which is applied to each fund when it reaches a certain level of assets under management (AUM), with the discount ranging from 0.01% to 0.05% dependent on the complexity of the fund. For further details on this policy, please refer to the relevant Prospectus. All other share classes will be assessed on a case by case basis.

Comparable market rates

We consider whether the Ongoing Charge Figure (OCF) for each share class is reasonable compared to similar funds and share classes in the market by benchmarking each fund against a suitable peer group. The data used for the comparison is supplied by an independent data provider.

Direct comparisons of the individual fees that make up the overall OCF may be difficult because information is not generally publicly available and is affected by numerous factors. As noted, the underlying expenses included in the FMF are routinely reviewed and this component is focused on the overall fee for a share class in comparison to a suitable peer group.

Where the total charges (as calculated by the OCF) are greater than the average cost of equivalent peer group funds, we will review the FMF and consider whether an adjustment can be made to our fee.

Comparable services

We consider whether the fees charged by Aviva Investors for services it performs for the fund are consistent with those charged throughout the Aviva Group. This considers similar funds or services operated by both Aviva Investors and the wider Aviva Group that are available in the UK, are of a comparable size, and are managed to similar objectives and policies.

Classes of units

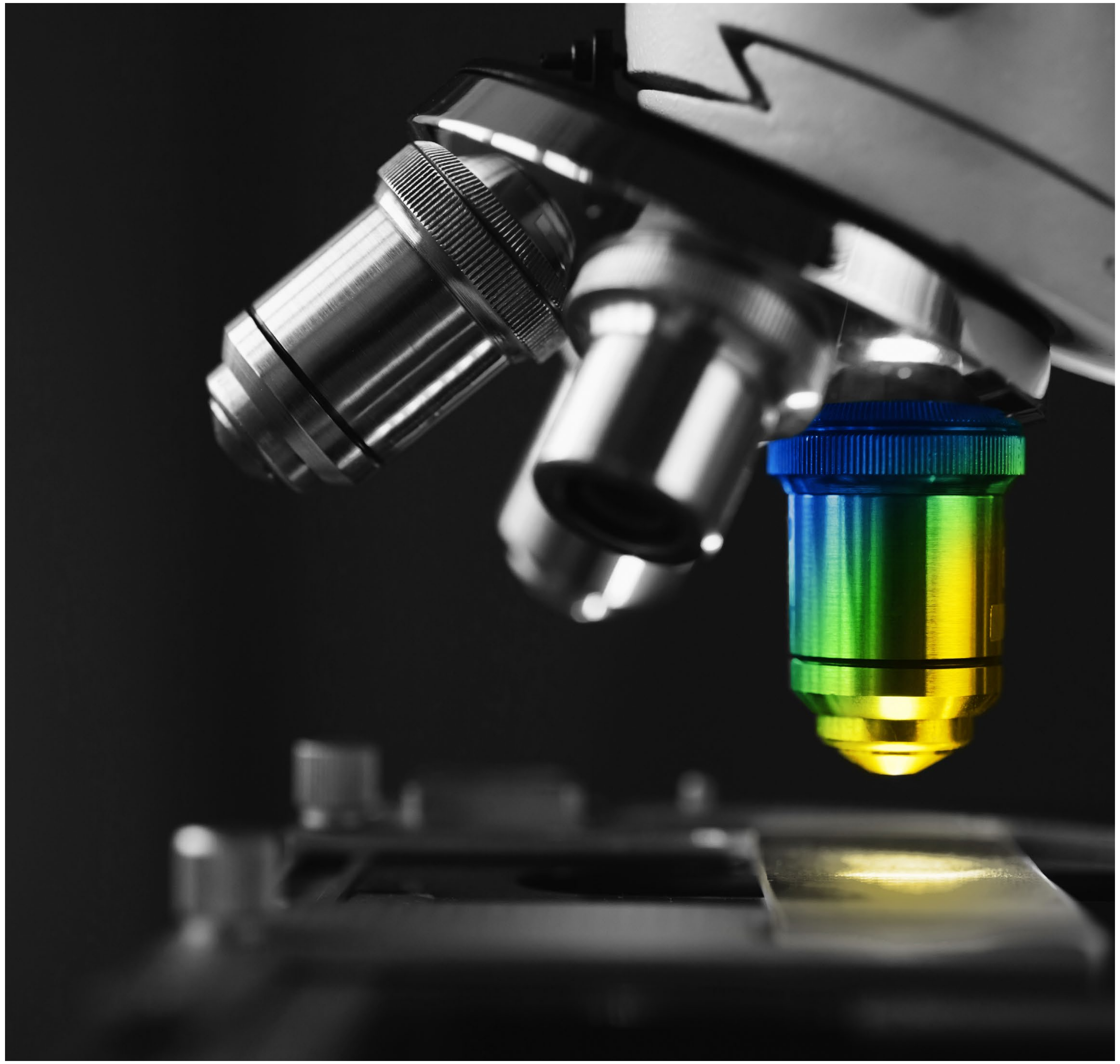
We assess whether investors hold shares in the most appropriate share class, in terms of the service offered, entry criteria and fees applied.

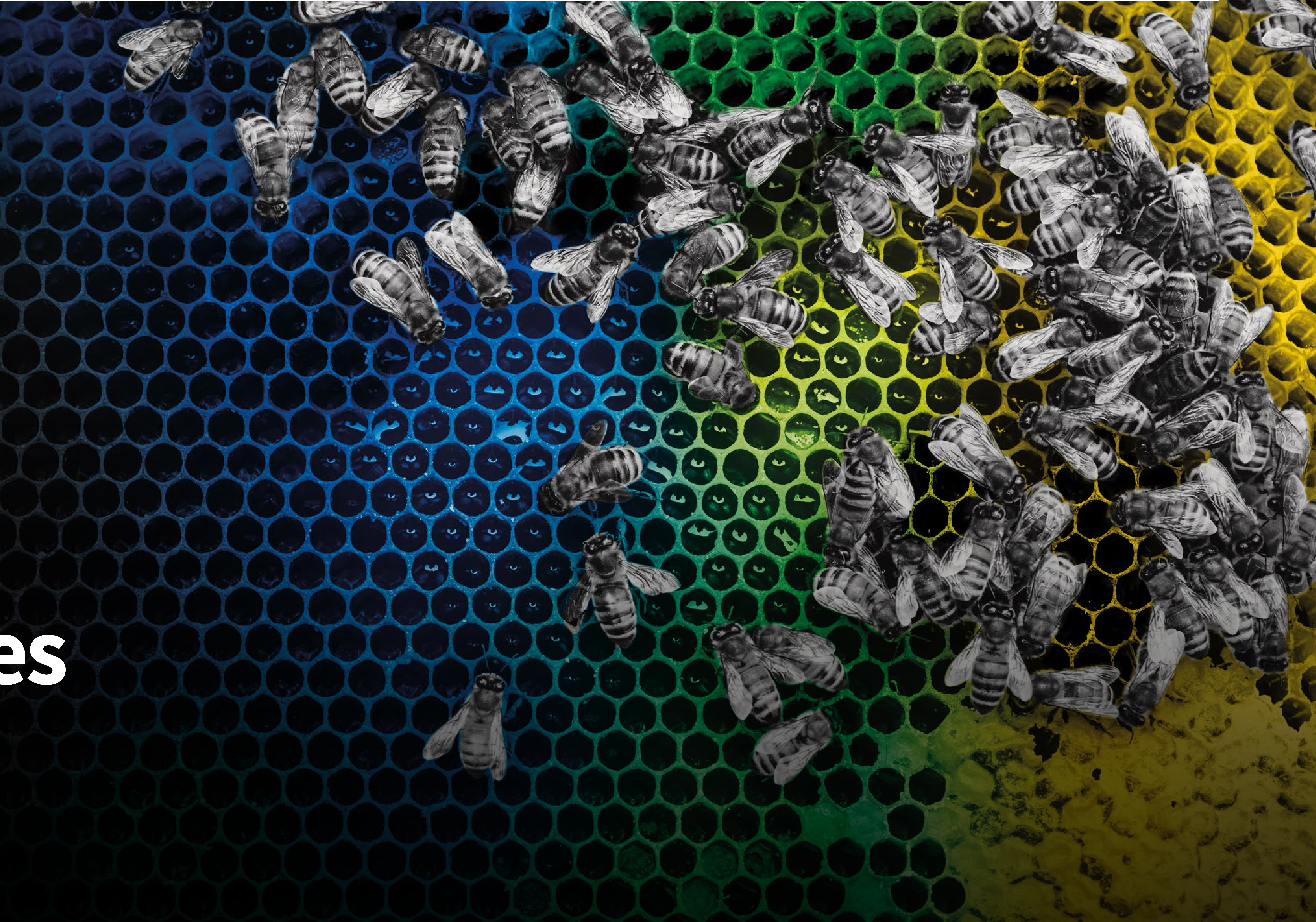
In the past this has prompted the closure or merger of a number of share classes, along with the amendment of some minimum investment limits and share class eligibility criteria, and the removal of trail commission to advisers. These changes have resulted in some investors being moved into alternative share classes that either had fees of an equivalent or lower level than they had been paying previously.

More recently, we have implemented a process to identify 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.

Other factors

We may consider other factors 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.





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Types of share classes

Understanding our costs

Our funds are available to all types of investors from individuals who wish to invest in an ISA, starting at £50 per month, up to large investors, investing on behalf of their own client base, such as a company pension scheme. We take a single Fund Management Fee (FMF) from our funds to cover all the costs incurred in running a fund and generating a profit for the business. The FMF charged to investors will depend on the costs incurred. We use the FMF so that our clients know exactly what they are paying to invest, avoiding fluctuating charges and making it easy to compare against other funds. The fees that are paid by our external investors cover the costs of the following:

Cost structure key

Investment Management Costs

The charge we pay for the investment management team to make the investment decisions for the fund.

The investment management costs are paid by all investors, and this is where the bulk of the fee goes to pay for the research and expertise to make the investment decisions on your behalf.

Fund Administration Costs

This includes charges for Fund Accounting, Custody, Depositary, Regulatory and Audit; covering the costs associated with valuing the assets, safe keeping of the assets, along with ensuring the fund's accounts are fully audited and they are in compliance with the regulations.

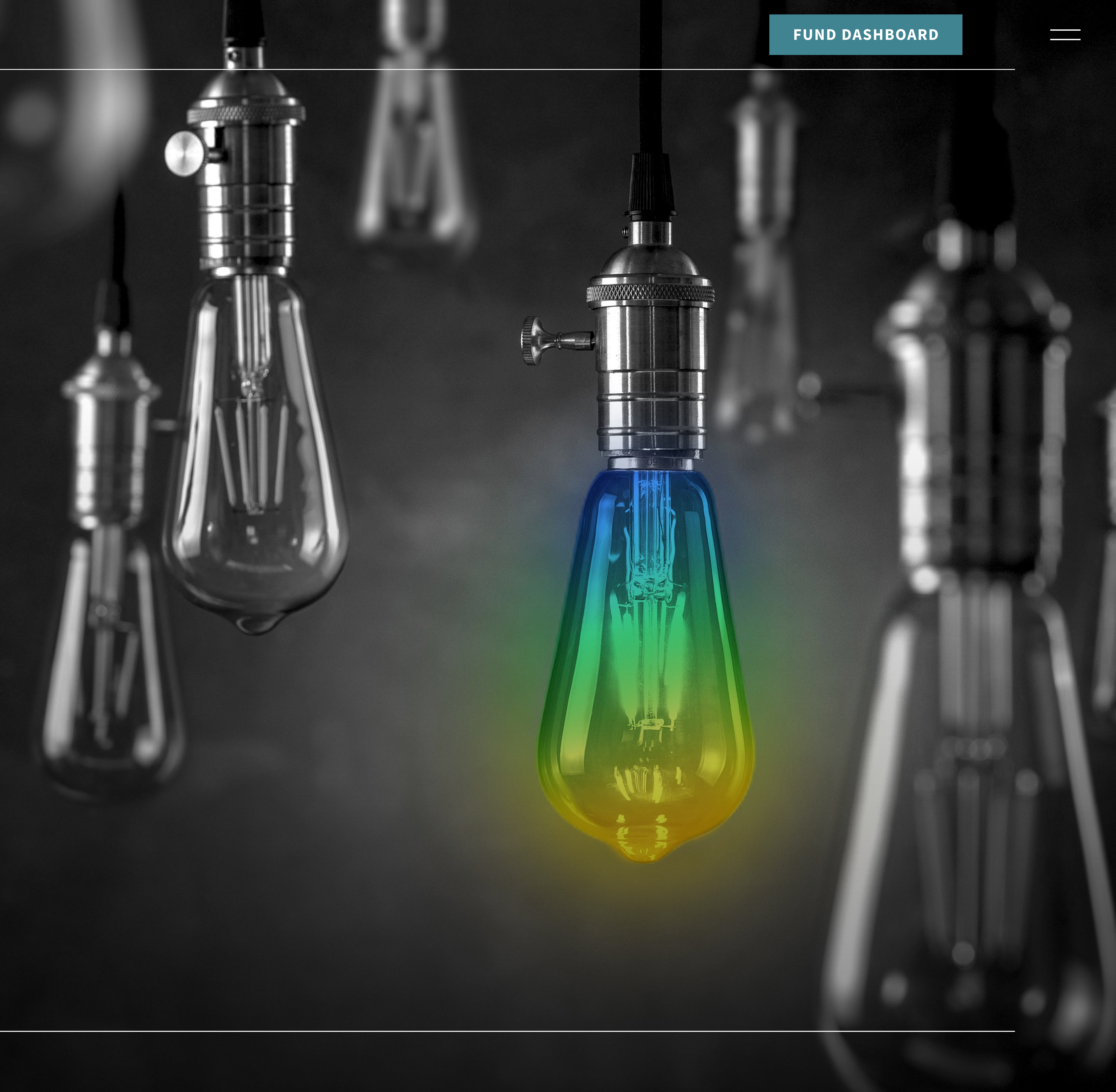
All investors pay a share of these costs, they are essential for running the Funds, regardless of the type of investor so it is fair that these costs are shared.

Customer Service Costs

This covers the costs associated with buying into and selling out of the fund, along with having a dedicated helpline to assist with investor queries. It also covers the costs of the 6 monthly statements that you receive or when we need to write to you or provide updates about your investment.

Economies of Scale: When a fund reaches a certain size, dependent on the complexity of the fund, the fees of our direct retail customers (share classes 1) are automatically reduced, ensuring that our individual investors are receiving the benefits of savings that are achieved when a fund grows.

Unit classes	Investor type	Cost levels	Cost breakdown	Subscription level
Share Class 1	**Individuals** who have invested into a Fund directly through Aviva Investors or via an Independent Financial Advisor		Investors in these classes will pay a share of the costs incurred by the fund, and have access to our contact centre, either by phone or in writing.	Minimum initial subscription £1,000
Share Class 2	**Investors** who have bought a Fund through an intermediary, such as an investment platform, or meet the minimum subscription requirements		Investors in these classes will pay less for Investor Communication Costs because the platform manager provides the individual client support.	Minimum initial aggregate subscription £100,000
Share Class 3 **Share Class 5**	**Large institutional investors**, investing on behalf of pension funds, or wealth managers		Investors in these classes will pay less because they are large institutional investors and do not require administration support.	Minimum initial subscription of at least £1,000,000 (see prospectus for further details)



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Aviva Investors Fund Reports

Fund dashboard

A summary of the findings for each fund is below, we adopt a red, amber or green rating to easily identify when there are concerns. See page 20 to see what the ratings mean. **Click on the relevant fund to easily access the relevant page:**

Fund	Overall score	Quality of service	Performance	Costs and charges	Classes of units	Conclusion	Click fund to view	
							Section	Page
Aviva Investors US Equity Income Fund	🔴	🟢	🔴	🟢	🟢	*The Fund is not delivering value, we are undertaking a strategic review of the Fund, and will contact investors shortly.*	5.01	21
Aviva Investors US Equity Income Fund II	🔴	🟢	🔴	🟢	🟢	*The Fund is not delivering value, we are undertaking a strategic review of the Fund, and will contact investors shortly.*	5.02	26

Fund dashboard metrics

We use red, amber and green ratings to easily identify when there are concerns, with measures based on the following:

Overall Fund Ratings

A green rating means that the Board is satisfied that the fund is delivering value to investors. A fund may be rated green overall whilst having individual amber component ratings if the Board is satisfied that overall value has still been delivered to investors and/or actions are already being taken which will address these concerns.

An amber rating means that the Board has identified some areas for improvement, which will be reflected within the individual amber or red ratings for one or more of the components. This will usually mean that the Board believes that the individual components require further action to be taken to improve the rating in the future, and this will be detailed within the report.

A red rating indicates that the Board is not satisfied that the fund is delivering value to investors and action must be taken in order to meet the requirements of the value assessment in the future. It may also mean that actions have been taken previously to address these issues but these have not had the desired effect, and the Board therefore requires further action to be taken in the best interests of investors over the longer term.

Individual Component Ratings

A green rating means that the Board is satisfied that the component is delivering value, and there are no issues or concerns with that specific element of the fund.

An amber rating means that the Board has identified some areas for improvement within that component, however investors have still received value from that component. This is because action may have already been taken throughout the normal course of business to address these concerns, or there may be other mitigating factors. Additional information will be included in the individual fund reports, including the reason this element has been rated amber, and any action taken to address the concern.

A red rating indicates that the Board has identified more serious concerns with the component, and therefore value may not be being delivered to investors. This could include situations where actions taken previously to address an amber rating may not have had the desired effect, or a new issue has been identified which hasn't yet been addressed. The individual fund reports will provide further information on what action is being taken to address the issue.

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Aviva Investors US Equity Income Fund

Aviva Investors US Equity Income Fund

Overall assessment

Summary Ratings	Share Class 1	Share Class 2	Share Class 3	Share Class 5	Share Class 2 USD
Overall	🔴	🔴	🔴	🔴	🔴
Quality of service	🟢	🟢	🟢	🟢	🟢
Performance	🔴	🔴	🔴	🔴	🔴
Authorised fund manager costs	🟢	🟢	🟢	🟢	🟢
Economies of scale	🟢	🟢	🟢	🟢	🟢
Comparable market rates	🟢	🟢	🟢	🟢	🟢
Comparable services	🟢	🟢	🟢	🟢	🟢
Classes of units	🟢	🟢	🟢	🟢	🟢

In line with the requirement to conduct a value assessment, the Board has concluded that due to the performance issues detailed within the Performance section, value has not been delivered to the majority of investors, and therefore a strategic review of the Fund will be completed to determine how value can be delivered for investors going forwards.

The following summarises the conclusions we have reached having considered the range of factors as set out in the 'Value Assessment Approach'. This applies to all share classes in the Fund unless we have specifically noted exceptions.

Quality of service

We have considered the overall quality of the services provided to investors, and have concluded that Investors have received clear communications, and relevant information at appropriate times to enable them to make informed decisions, and the service delivered has been timely and of an appropriate quality.

Performance

Performance: Annualised net return (%)	Share Class 1	Share Class 2	Share Class 3	Share Class 5	Share Class 2 USD	Benchmark^
1 Year	-1.49	-1.24	-1.18	-1.04	3.29	8.64
3 Year	7.75	8.02	8.21	8.22	4.61	11.70
5 Year	6.71	6.98	7.24	7.14	5.90	10.30
7 Year	4.79	5.14	5.42	–	5.40	7.82
Since launch	–	–	–	6.52	-	–

^Russell 3000 Value TR
Performance basis: Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Fund.
The figures do not include the effect of any exit or entry charge.
Full performance data is available in the Fund Fact Sheet, which can be found here Fund centre - Aviva Investors

Aviva Investors US Equity Income Fund (continued)

The Fund aims to grow your investment by providing combined income and capital growth greater than that of the Russell 3000 Value index over the long term (5 years or more), along with delivering an income of at least 125% of the same index over any given 12 month period, in each case before the deduction of fees and taxes.

The Board is comfortable with the Fund's consistent delivery against its income objective. However, the Fund has not met its capital growth objective over the last year. The Fund has delivered -1.49%* (share class 1, after fees and taxes) trailing the benchmark which returned 8.64%. Throughout the last year the Portfolio Managers have maintained their investment strategy focusing on dividend-paying stocks. The market has favoured higher growth stocks, many that are tied to the theme of Artificial Intelligence, that pay little or no income which has been detrimental to the Fund's performance.

Despite the income returns, the Board consider that the disappointing total return over the last year means that value has not been delivered to the majority of investors relative to the stated objective and has concluded that a strategic review should be undertaken to determine how we can improve the investor outcome going forwards. The review has already commenced, and we aim to write to investors with our proposed course of action within 6 months of publishing this report.

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.

*Fund performance figures – source Morningstar, net of fees, net income reinvested.

Authorised Fund Manager costs

Authorised Fund Manager Costs

	Share Class 1	Share Class 2	Share Class 3	Share Class 5
Fund management fee	1	0.75	0.53	0.55

The Fund Management Fee (FMF) is a single charge paid to the Authorised Fund Manager, and we consider this to be reasonable when taking into account the underlying costs for the services provided and performance objectives of the Fund.

Economies of scale

We have concluded that all investors participated appropriately in general economies of scale derived from investing with the Company based on a range of benefits and services provided and overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months.
As such, no additional savings have been identified.

Aviva Investors US Equity Income Fund (continued)

Comparable market rates

We have reviewed the fees paid for each of the services provided to the Fund (internally or externally), and we consider these to be competitive relative to those charged by similar funds within the UK regulated funds market.

Comparable services

We have reviewed those services which we consider to be comparable, and the fees we charge are deemed reasonable compared to fees charged by associated companies within the Aviva Group for comparable products of an equivalent size and similar investment objective and policy to the Fund available in the UK.

Classes of units

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

Aviva Investors US Equity Income Fund (continued)

Fund Managers Report

Performance

Over the twelve months ended 29 February 2024 the Fund (share class 1, net of fees) returned -1.49%*. The Fund's benchmark, the Russell® 3000 Value Index, returned 8.64% over the same period.

The tracking error at the year end was 4.68%.

Portfolio Review

The strong momentum that characterized the last two months of 2023 continued into 2024 and U.S. equity markets advanced in Q1. The advance was broad as all nine Russell style boxes and 10 of the 11 S&P 500 sectors posted gains for the period. This despite the uncertain economic backdrop as persistent inflation and continued economic growth forced Federal Reserve officials to talk down expectations of near-term interest rate cuts. As a result, long term interest rates moved higher throughout the period and the 10 YR U.S. Treasury increased +32 bps to end at 4%. Fortunately, the rise in prevailing 30-year fixed mortgage rates was similarly subdued as the St. Louis Federal Reserve reported rates only increased +18 bps in the same period, and housing costs remain well below the Q4 peak.

Risk accumulation continued in Q1 despite the modest uptick in U.S. interest rates. Large cap stocks topped U.S. equity markets with the Russell 1000 advancing +10.30% versus +5.18% for the small cap Russell 2000. Growth stocks led the market higher in the period, as value lagged the first two months of the year before modestly outperforming in March. Among large cap stocks, the outperformance of growth over value was a relatively sedate +242 bps, whereas small cap growth stocks outperformed their value peers by +468 bps. The uptick in interest rates impacted sector level results as Real Estate (-1.02%) was the only sector in the Russell 3000 Value to post a negative return and Utilities lagged with a (+4.88%) return. In contrast, higher rates fueled earnings expectations for companies in the financial sector which advanced (+12.00%). Rising oil prices pushed the Energy sector (+13.70%) to the top of the list in Q1.

The most significant positive impacts on relative performance were from stock selection in Utilities (+109 bps) and the overweight in Information Technology (+90 bps).

*Fund performance figures – source Morningstar, net of fees, net income reinvested.

The holdings with the highest contribution to active return were Vistra Corp. (VST: +154%, +271 bps), Oracle Corp. (ORCL: +30%, +91 bps), and Micron Technology Inc. (MU: +57%, +72 bps).

The most significant negative impacts on relative performance were from stock selection in Communication Services (-220 bps) and Health Care (-189 bps).

The holdings with the lowest contribution to active return were AES Corp. (AES: -36%, -213 bps), Bristol-Myers Squibb Co. (BMY: -24%, -111 bps), and United Parcel Services Inc. (Cl B) (UPS: -15%, -107 bps).

As of February 29, the portfolio held a total of 51 positions. During the period, we established 16 new positions and eliminated 14 positions.

Outlook

Our outlook remains substantially unchanged in recent months. While the Fed's increasingly dovish approach eases our concerns of a catastrophic policy mistake, it is much too early for investors to breathe a sigh of relief. The Fed deliberately set the U.S. economy on a course toward recession to rein in inflation. However, an economic contraction could wreak havoc in an election year so it is fair to conclude that it is under intense pressure to take its foot off the brake, allow fiscal stimulus to run its course, and let inflation be a 2025 problem. We remain skeptical regarding the Fed's ability to thread the needle and generate a smooth soft landing. Either economic growth remains strong and inflation persists above the Fed's target, or the economy starts to crack as fiscal stimulus wears off.

We expect any economic stress generated in this process will likely be compounded by the political process. Fortunately, we expect such stress would prompt quick rate cuts to drive outperformance for dividend-focused strategies. As such, we will likely continue to follow value toward cheaper, more defensive areas, like Consumer Staples and Utilities, and tread carefully in more cyclical sectors. The increased scrutiny surrounding dividend sustainability will also play an important role in ensuring that we are aligned with the higher quality bias we believe will be successful in the coming quarters.

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.

5.02

Aviva Investors US Equity Income Fund II

Aviva Investors US Equity Income Fund II

Overall assessment

Summary Ratings	Share Class 1	Share Class 2	Share Class 3	Share Class 5	Share Class 2 USD
Overall	🔴	🔴	🔴	🔴	🔴
Quality of service	🟢	🟢	🟢	🟢	🟢
Performance	🔴	🔴	🔴	🔴	🔴
Authorised fund manager costs	🟢	🟢	🟢	🟢	🟢
Economies of scale	🟢	🟢	🟢	🟢	🟢
Comparable market rates	🟢	🟢	🟢	🟢	🟢
Comparable services	🟢	🟢	🟢	🟢	🟢
Classes of units	🟢	🟢	🟢	🟢	🟢

In line with the requirement to conduct a value assessment, the Board has concluded that due to the performance issues detailed within the Performance section, value has not been delivered to the majority of investors, and therefore a strategic review of the Fund will be completed to determine how value can be delivered for investors going forwards.

The following summarises the conclusions we have reached having considered the range of factors as set out in the 'Value Assessment Approach'. This applies to all share classes in the Fund unless we have specifically noted exceptions.

Quality of service

We have considered the overall quality of the services provided to investors, and have concluded that Investors have received clear communications, and relevant information at appropriate times to enable them to make informed decisions, and the service delivered has been timely and of an appropriate quality.

Performance

Performance: Annualised net return (%)

	Share Class 1	Share Class 2	Share Class 3	Share Class 5	Share Class 2 USD	Benchmark^
1 Year	-1.56	-1.32	-1.22	-1.12	3.21	8.64
3 Year	8.07	8.34	8.56	8.54	4.93	11.70
5 Year	6.69	6.99	7.27	7.15	5.87	10.30
7 Year	4.74	5.11	5.42	–	5.33	7.82
Since launch	–	–	–	6.43	-	–

^Russell 3000 Value TR

Performance basis: Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Fund.

The figures do not include the effect of any exit or entry charge.

Full performance data is available in the Fund Fact Sheet, which can be found here Fund centre - Aviva Investors

Aviva Investors US Equity Income Fund II (continued)

The Fund aims to grow your investment by providing combined income and capital growth greater than that of the Russell 3000 Value index over the long term (5 years or more), along with delivering an income of at least 125% of the same index over any given 12 month period, in each case before the deduction of fees and taxes.

The Board is comfortable with the Fund's consistent delivery against its income objective. However, the Fund has not met its capital growth objective over the last year. The Fund has delivered -1.56%* (share class 1, after fees and taxes) trailing the benchmark which returned 8.64%. Throughout the last year the Portfolio Managers have maintained their investment strategy focusing on dividend-paying stocks. The market has favoured higher growth stocks, many that are tied to the theme of Artificial Intelligence, that pay little or no income which has been detrimental to the Fund's performance.

Despite the income returns, the Board consider that the disappointing total return over the last year means that value has not been delivered to the majority of investors relative to the stated objective and has concluded that a strategic review should be undertaken to determine how we can improve the investor outcome going forwards. The review has already commenced, and we aim to write to investors with our proposed course of action within 6 months of publishing this report.

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.

*Fund performance figures – source Morningstar, net of fees, net income reinvested.

Authorised Fund Manager costs

Authorised Fund Manager Costs

	Share Class 1	Share Class 2	Share Class 3	Share Class 5
Fund management fee	1	0.75	0.53	0.55

The Fund Management Fee (FMF) is a single charge paid to the Authorised Fund Manager, and we consider this to be reasonable when taking into account the underlying costs for the services provided and performance objectives of the Fund.

Economies of scale

We have concluded that all investors participated appropriately in general economies of scale derived from investing with the Company based on a range of benefits and services provided and overall fees charged. There has not been a material change in the size of the Fund during the previous 12 months. As such, no additional savings have been identified.

Aviva Investors US Equity Income Fund II (continued)

Comparable market rates

We have reviewed the fees paid for each of the services provided to the Fund (internally or externally), and we consider these to be competitive relative to those charged by similar funds within the UK regulated funds market.

Comparable services

We have reviewed those services which we consider to be comparable, and the fees we charge are deemed reasonable compared to fees charged by associated companies within the Aviva Group for comparable products of an equivalent size and similar investment objective and policy to the Fund available in the UK.

Classes of units

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

Aviva Investors US Equity Income Fund II (continued)

Fund Managers Report

Performance

Over the twelve months ended 29 February 2024 the Fund (share class 1, net of fees) returned -1.56%*. The Fund's benchmark, the Russell® 3000 Value Index, returned 8.64% over the same period.

The tracking error at the year end was 4.76%.

Portfolio Review

The strong momentum that characterized the last two months of 2023 continued into 2024 and U.S. equity markets advanced in Q1. The advance was broad as all nine Russell style boxes and 10 of the 11 S&P 500 sectors posted gains for the period. This despite the uncertain economic backdrop as persistent inflation and continued economic growth forced Federal Reserve officials to talk down expectations of near-term interest rate cuts. As a result, long term interest rates moved higher throughout the period and the 10 YR U.S. Treasury increased +32 bps to end at 4%. Fortunately, the rise in prevailing 30-year fixed mortgage rates was similarly subdued as the St. Louis Federal Reserve reported rates only increased +18 bps in the same period, and housing costs remain well below the Q4 peak.

Risk accumulation continued in Q1 despite the modest uptick in U.S. interest rates. Large cap stocks topped U.S. equity markets with the Russell 1000 advancing +10.30% versus +5.18% for the small cap Russell 2000. Growth stocks led the market higher in the period, as value lagged the first two months of the year before modestly outperforming in March. Among large cap stocks, the outperformance of growth over value was a relatively sedate +242 bps, whereas small cap growth stocks outperformed their value peers by +468 bps. The uptick in interest rates impacted sector level results as Real Estate (-1.02%) was the only sector in the Russell 3000 Value to post a negative return and Utilities lagged with a (+4.88%) return. In contrast, higher rates fueled earnings expectations for companies in the Financials sector which advanced (+12.00%). Rising oil prices pushed the Energy sector (+13.70%) to the top of the list in Q1.

The most significant positive impacts on relative performance were from stock selection in Utilities (+106 bps) and the overweight in Information Technology (+84 bps).

*Fund performance figures – source Morningstar, net of fees, net income reinvested.

The holdings with the highest contribution to active return were Vistra Corp. (VST: +154%, +268 bps), Oracle Corp. (ORCL: +31%, +90 bps), and Micron Technology Inc. (MU: +57%, +69 bps).

The most significant negative impacts on relative performance were from stock selection in Communication Services (-217 bps) and Health Care (-186 bps).

The holdings with the lowest contribution to active return were AES Corp. (AES: -36%, -214 bps), Bristol-Myers Squibb Co. (BMY: -23%, -110 bps), and United Parcel Services Inc. (Cl B) (UPS: -15%, -107 bps).

As of February 29, the portfolio held a total of 51 positions. During the period, we established 16 new positions and eliminated 14 positions.

Outlook

Our outlook remains substantially unchanged in recent months. While the Fed's increasingly dovish approach eases our concerns of a catastrophic policy mistake, it is much too early for investors to breathe a sigh of relief. The Fed deliberately set the U.S. economy on a course toward recession to rein in inflation. However, an economic contraction could wreak havoc in an election year so it is fair to conclude that it is under intense pressure to take its foot off the brake, allow fiscal stimulus to run its course, and let inflation be a 2025 problem. We remain skeptical regarding the Fed's ability to thread the needle and generate a smooth soft landing. Either economic growth remains strong and inflation persists above the Fed's target, or the economy starts to crack as fiscal stimulus wears off.

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594361, June 2024

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