2025 **VALUE ASSESSMENT REPORT**

# Aviva Investors Investment Funds ICVC

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

February 2025

AVIVA INVESTORS

## 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 5.**

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# Statement from the Chair

# Dear Investor,

**On behalf of myself and the board of directors (the "Board") of Aviva Investors UK Fund Services Limited ("AIUKFSL" or the "Company"), I am pleased to share our latest Value Assessment for the year to 15 October 2024. This report provides an in-depth look at the Funds you invest in and answers the crucial question: are they providing you with value?**

This is our sixth year of producing a Value Assessment Report, and it's our chance as a Board to reflect on all aspects of the service we provide to you, including our ongoing interactions with investors to ensure our products meet your investment needs. We evaluate whether the fees you pay are justified by the Fund's performance and the service we deliver; and we act whenever it is necessary to address concerns. This annual assessment is a key part of our ongoing governance process because it allows us to communicate directly with you and invite your feedback on how we can improve.

With the introduction of the Consumer Duty in 2023, we've been inspired to think differently about our investors. We're committed to truly understanding who you are, what you want from us, and how we can help you achieve your investment goals.

The report details how each Fund has performed over the past 12 months, highlights opportunities for improvement, and outlines any changes we've made.

Over the last year, we've continued to enhance our fund range, including closing two Funds that were no longer providing value and transitioning investors from our Corporate Bond Fund to our Sterling Corporate Bond Fund, which we believe is a better option for those invested in this asset class. If you were affected by this, further details would have been provided to you at the time.

In this review, we assessed a total of 15 funds and are pleased to report that 12 meet the high standards of value you expect from us when giving consideration to an overall outcome across the 7 components of the Value Assessment. We have also made improvements to several Funds with a view to improving customer outcomes, further details of these changes can be found in the individual Fund reports below.

We have also taken some additional steps this year to improve our service, these include:

- Simplifying the investor eligibility criteria for all funds, allowing some investors to benefit from cheaper share classes. Investors will be notified as they become eligible for these classes.
- Notifying customers via our mid-year statements about unclaimed income due to uncashed cheques or outdated bank details. We are pleased to note a positive response to this initiative, resulting in an increase in successful payments being made to eligible customers.

More broadly, we will continue to closely monitor the performance, fees, costs, and services of all our funds to identify potential improvements in the coming years.

The ever-changing global events continue to challenge us from an investment perspective. On the next page, you'll find an overview of the economic environment over the last 12 months and how it has had an impact on fund performance.

We hope you find this report useful in supporting your investment decisions. Your feedback is invaluable to us, so please don't hesitate to contact our customer service helpline on 0800 051 2003 between 8:30 and 5:30, Monday to Friday, or write to us at enquiries.uk@avivainvestors.com.

If you'd like to learn more about how the Value Assessment is conducted and the factors we consider, I encourage you to read our Value Assessment Approach, which explains how we reach our conclusions. You can find it here: Value assessment approach - Aviva Investors.

On behalf of the Board, thank you for entrusting Aviva Investors with your investment and for taking the time to read this report. We look forward to continuing to serve you and help you achieve your financial goals.

Jacqueline Lowe
Chair

*"With the introduction of the Consumer Duty in 2023, we've been inspired to think differently about our investors"*

# Market Review and Fund Performance Update

**We are pleased to note that global shares performed strongly over the past twelve months. Interest rates, which had been rising, have now stabilized at 5% (as at 15 Oct 24) with inflation (Consumer Prices Index (CPI)) also moving closer to the target rate of 2%, standing at 2.6% at the time of this review.**

## Equity Market Performance

Confidence in the equity market was bolstered by data suggesting that major developed economies would avoid significant downturns in 2024. Concerns about a slowing US economy eased as robust consumer spending was driven by stronger-than-expected employment data. Government investment also played a key role in maintaining growth momentum. With hopes high that the US Federal Reserve would start cutting interest rates in 2024, the US stock market, particularly its large technology companies, reached new highs. In September, the Fed surprised the market with a 0.5% cut in interest rates, following similar moves by the European Central Bank and the Bank of England.

While economic news was mixed in Europe, Japan, and the UK, shares still posted strong returns. Although the UK and Japan technically fell into recession in late 2023, data released in the new year showed a quick return to growth. The return of inflation to Japan prompted the Bank of Japan to end a decade of negative interest rates.

Emerging markets also performed well, supported by the prospect of lower US interest rates and higher global demand for their goods and services.

## Bond Market Performance

It was a positive year for bond markets. Government bonds benefited from indications that interest rates would fall in developed economies as inflation moved back towards target levels. This allowed central banks to use lower interest rates to steer economies away from potential recession. Cuts by the European Central Bank, Bank of England, and US Federal Reserve helped push government bond yields lower and lift bond prices.

Corporate bonds also performed well, supported by strong government bond performance and steady corporate earnings. Demand from institutional investors keen to lock in higher interest rates absorbed new issuance.

## Benchmark Performance

The main benchmarks that are commonly used to measure market performance are the MSCI World Index and the FTSE All Share for equity markets, both were up 14.2% and 22.5% respectively for the year ending October 15, 2024. The Bloomberg Global Aggregate Corp Index, a measure of fixed income markets, was up 12.1%, recovering from a 19% decline in 2022.

## Fund Performance

We are pleased that all the Funds in this review delivered positive returns (Net of fees) exceeding the Bank of England base rate for the year, however, in some cases the medium to long-term performance remains impacted by market volatility over previous years. We also measure each Fund's performance against appropriate benchmarks and peer groups over various time periods to provide market context, these returns can be found in the individual Fund reports below.

Our investment managers maintain a long-term view, focusing on resilient and best-in-class positions. This philosophy has consistently delivered value for our customers.

For more detailed information on individual Fund performance, please refer to the Fund Managers Report included with each Fund's report below.

FUND DASHBOARD

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# Meet the board

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

## 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.

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## 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

## 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

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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 considered:

- 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

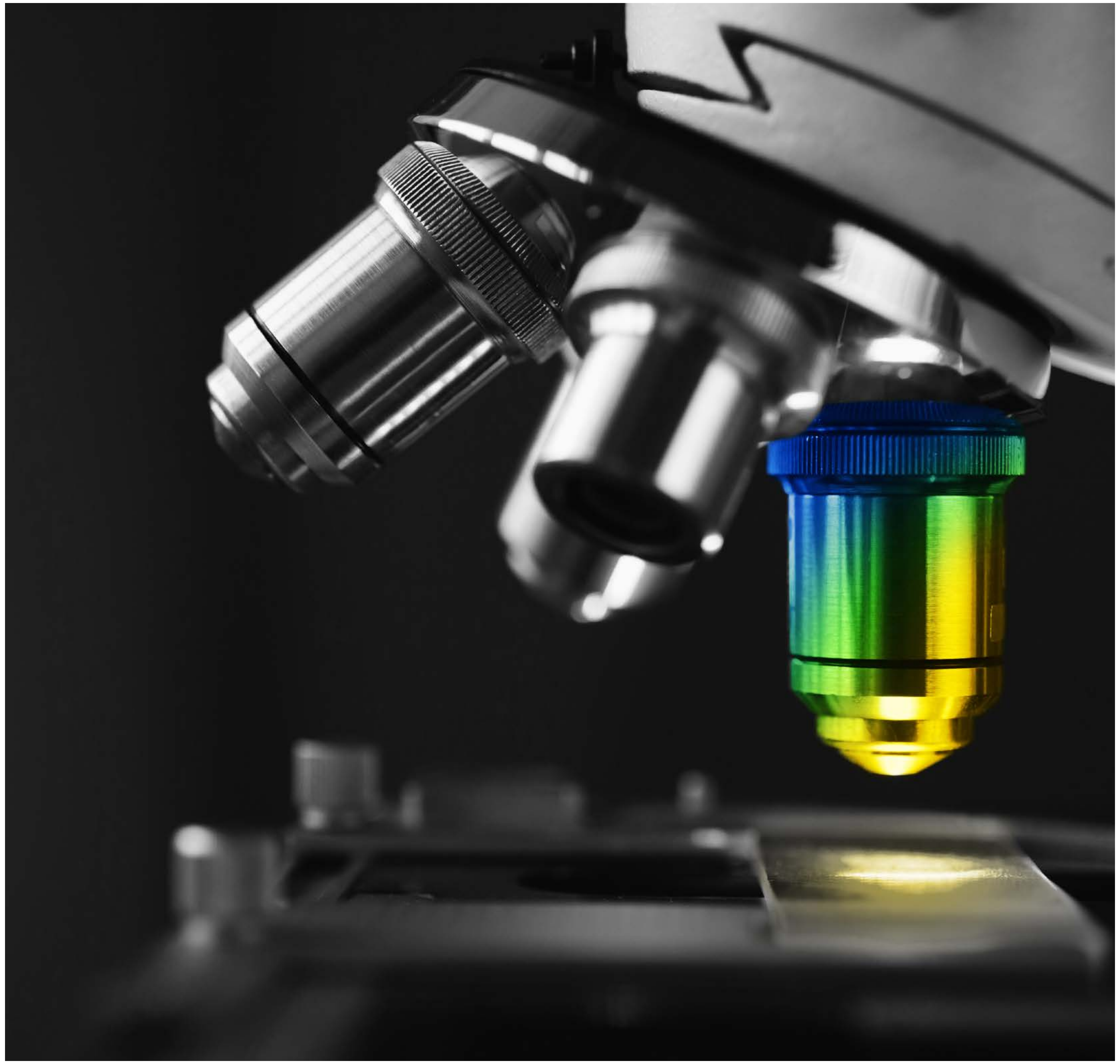
We assess whether investors hold shares in the most appropriate share class, in terms of the service offered, entry criteria and fees applied.

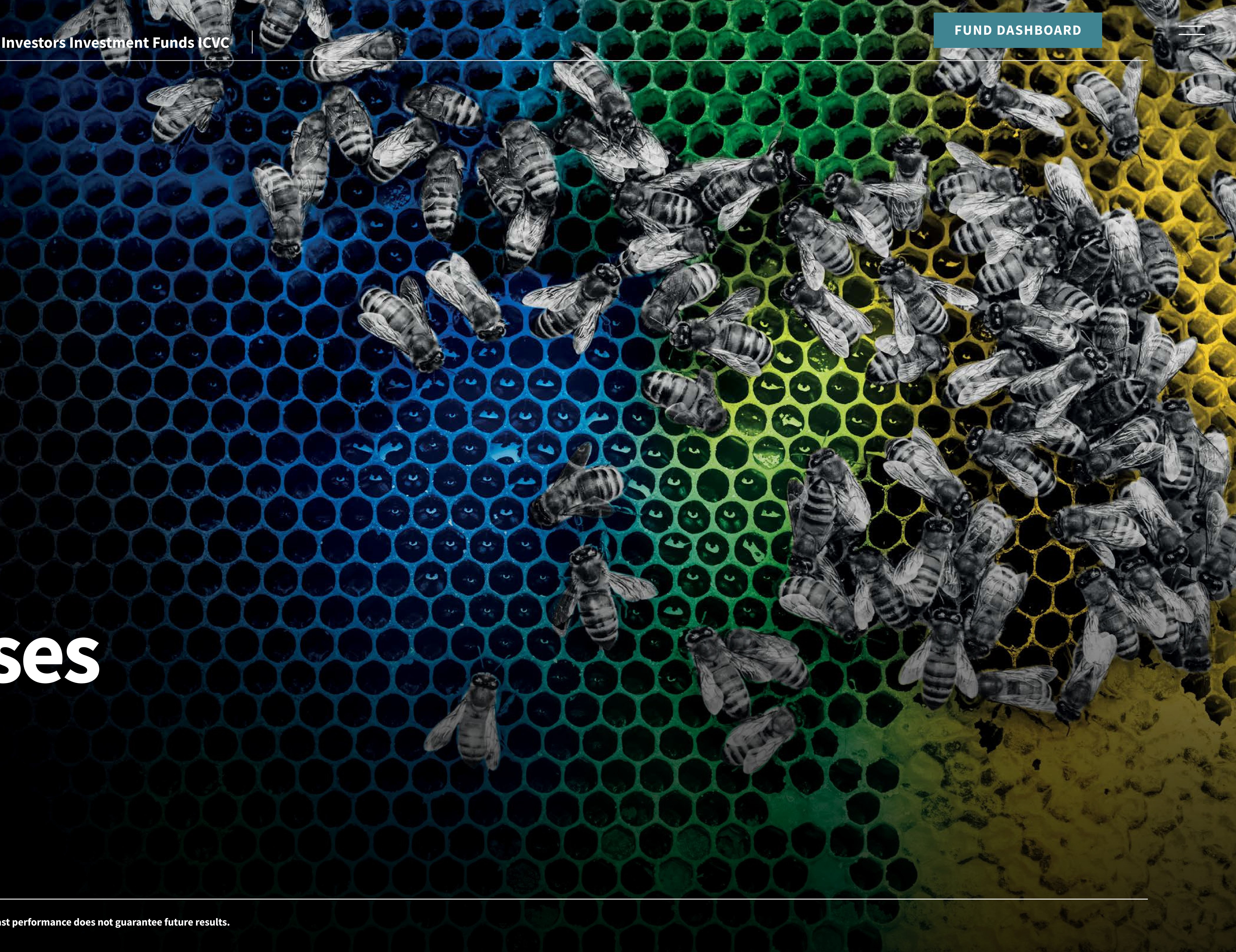
We routinely carry out an assessment of whether investors hold units in the most appropriate share class. In the past this has prompted the closure or merger of a number of share classes, along with the amendment of some minimum investment limits and share class eligibility criteria, and the removal 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 if possible.

## 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 & 6) 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**<br>**Share Class 6** | **Individuals** who have invested into a Fund directly through Aviva Investors or via an Independent Financial Advisor |  | Clients 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**<br>**Share Class 9** | **Investors** who have bought a Fund through an intermediary, such as an investment platform, or meet the minimum subscription requirements |  | Clients 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 4**<br>**Share Class 5**<br>**Share Class A** | **Large institutional investors**, investing on behalf of pension funds, or wealth managers |  | Clients 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 Climate Transition Global Equity Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.01 | 19 |
| Aviva Investors Continental European Equity Fund | ▲ | ● | ◆ | ● | ● | *We have provided more information on the Fund's recent performance in the Fund report.* | 5.02 | 23 |
| Aviva Investors Global Equity Endurance Fund | ● | ▲ | ● | ● | ● | *We have provided more information in relation to recent changes to the portfolio management team in the Fund report.* | 5.03 | 28 |
| Aviva Investors Global Equity Income Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.04 | 33 |
| Aviva Investors Higher Income Plus Fund | ▲ | ● | ◆ | ● | ● | *We have provided more information on the Fund's recent performance in the Fund report.* | 5.05 | 38 |
| Aviva Investors International Index Tracking Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.06 | 43 |
| Aviva Investors Managed High Income Fund | ● | ● | ▲ | ● | ● | *We have provided more information on the Fund's recent performance in the Fund report.* | 5.07 | 47 |
| Aviva Investors Multi-asset Income Fund | ▲ | ● | ◆ | ● | ● | *We have made changes to the Fund with a view to improving performance, more information on the Fund's recent performance is included in the Fund report.* | 5.08 | 52 |
| Aviva Investors Multi-Strategy Target Return Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.09 | 57 |
| Aviva Investors Sterling Corporate Bond Fund | ● | ● | ▲ | ● | ● | *We have provided more information on the Fund's recent performance in the Fund report.* | 5.10 | 61 |
| Aviva Investors Strategic Bond Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.11 | 65 |
| Aviva Investors UK Index Tracking Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.12 | 70 |
| Aviva Investors UK Listed Equity Income Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.13 | 74 |
| Aviva Investors UK Listed Equity Unconstrained Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.14 | 78 |
| Aviva Investors UK Listed Small and Mid-Cap Fund | ● | ● | ● | ● | ● | The fund is delivering value in respect of all areas of the assessment. | 5.15 | 83 |

# 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.

# 5.01

# Aviva Investors Climate Transition Global Equity Fund

# Aviva Investors Climate Transition Global Equity Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 5 | Share Class 8 |
|---|---|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 4 | Share Class 5 | Share Class 8 | Benchmark^ |
|---|---|---|---|---|---|---|
| **1 Year** | 23.06 | 23.23 | 23.62 | 23.72 | 24.16 | 21.67 |
| **3 Years** | 6.81 | 6.96 | 7.08 | 0.00 | 7.41 | 8.70 |
| **Since Launch** | 11.93 | 12.10 | 12.25 | 13.49 | 12.51 | – |

^MSCI AC World NR GBP Index[2].

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 Climate Transition Global Equity Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

**Authorised Fund Manager Costs**

| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 5 | Share Class 8 |
|---|---|---|---|---|---|
| **Fund management fee** | 1.00 | 0.85 | 0.48 | 0.40 | 0.04 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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 Climate Transition Global Equity Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a net return of 23.1%* (share class 1) in the twelve months in review. The Fund's benchmark, the MSCI All Countries World Index[2] returned 21.7%.

### Portfolio Review

Global shares posted buoyant returns in the twelve months under review. Confidence was supported by hopes that the main developed economies would avoid material slowdowns in 2024 and that central banks would start to trim interest rates amid close-to-target inflation in the leading economies.

The Fund generated a strong absolute return over the period and outperformed its benchmark. At the sector level, the lack of exposure to energy companies was helpful given the headwinds facing the sector. The Fund's most favoured market sector was industrials, although the holdings were selected to be defensive in an uncertain economic environment. This positioning nevertheless added to performance.

Among the top stock contributors over the period was Trane Technologies. The Irish-American manufacturer of HVAC (heating, ventilation and air conditioning) systems benefited from upgrades to earnings and revenues over the period. Microchip makers ASM International and TSMC (Taiwan Semiconductor Manufacturing Company) also added notable value for the Fund. Both stocks benefited from a very strong technology cycle that has been partly driven by developments in artificial intelligence (AI), which have in turn driven demand for AI-specific semiconductors.

On the negative side, UK pest control firm Rentokil Initial performed disappointingly. The integration of its acquired US business, Terminix, proved to be slower than expected and with greater risks. This translated into lacklustre growth in their key US market. Positions in renewable energy company EDP Renovaveis and Canadian automotive solutions provider ATS Corp also weighed on performance.

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

In terms of trading, we initiated a position in Carlisle. The company manufactures a variety of products for the roofing, real estate, construction and manufacturing industries and is primely positioned to capitalise upon the structural shift towards improved building efficiency. Carlisle has its near-term SBTi (Science Based Targets initiative) approved to align with 1.5 degrees and has committed to net-zero.

We exited our position in Daikin, a maker of air conditioning equipment for household and commercial use, with additional exposure to chemical, hydraulic and electronic businesses. Our engagements with the company surfaced their exposure to producing white phosphorous, used in smoke ammunitions for the Japanese Ministry of Defence, and we were displeased by their reluctance to cease production. Our due diligence regarding this issue, coupled with gaps in their evolving net-zero strategy and our negative view of the near-to-medium term financial sustainability of the business, led to our decision to sell our holding.

### Outlook

The prospect of monetary easing continues to underpin markets, even though some strong economic data from the US has muddied the waters a little and has pushed back rate-cut expectations.

Donald Trump's victory in early November saw equities and the US dollar soar, and bond markets decline, which is a reasonably rational appraisal of his victory and what it means for markets. Trump is expected to pursue an 'America First', expansionary economic agenda, which could reignite inflation, although we can probably expect the US to avoid a 'hard landing' in the near future, which is a positive.

Over the longer term, the same issues abound: the world is a markedly less safe place, high levels of debt will ultimately need to be addressed and climate change continues apace. These are risks, but for now, we still see global equity markets as well-supported, even if valuations are a little extended.

We continue to position the fund conservatively, focusing on companies that meet our climate transition mandate and that possess resilient business models.

**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 Continental European Equity Fund

# Aviva Investors Continental European Equity Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
|---|---|---|---|---|
| **1 Year** | 12.90 | 13.07 | 13.99 | 15.18 |
| **3 Years** | 2.21 | 2.37 | 3.08 | 4.92 |
| **5 Years** | 5.62 | 5.78 | 6.43 | 7.95 |
| **7 Years** | 2.98 | 3.14 | 3.74 | 6.39 |

^FTSE AW Europe ex UK TR Index[1].
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 Continental European Equity Fund (continued)

The Fund aims to grow your investment over the long term (5 years or more) by investing in shares of European companies, whilst the Fund's performance is compared against the FTSE® Europe ex UK Total Return Index[1].

We changed the investment manager of the Fund to MFS International (UK) Limited in November 2022, and provided an update in last year's assessment on their progress. The Board confirmed they were happy with the choice of manager and their outstanding track record, along with their robust research process, which set them apart from alternative managers.

The performance of the Fund last year was hampered by a single stock, Novo Nordisk, who's price climbed following a clinical trail for its weight loss drug, Semaglutide. MFS take a longer term view to stock selection, in line with the objective of the Fund, and considered the stock to be overvalued relative to its long term value, which is heavily dependent upon the outcome of a single drug trial.

In the year to 15 October 2024, the Fund has achieved its growth objective (+12.9% share class 1, net of fees), however due to the continued rise of Novo Nordisk and one other stock, ASML, throughout the first half of 2024, the Fund has not delivered returns in excess of the benchmark, having underperformed by 2.3% (share class 1, net of fees & taxes) over the last year.

The European equity market peaked in late June of 2024, and since this point the value of Novo Nordisk had dropped by c22% at the point of this assessment, following weaker than expected second quarter earnings and sales results reported by the company, driven by lower sales of other weight loss drugs. ASML, which is a technology company involved in the production of microchips, also increased in price during the summer. Although the company reported weaker than expected orders during the first quarter of 2024, the rise was attributed to optimism regarding future orders. Since the high in July 2024, the price had declined by c33% at the point of the review largely due to uncertainty over future customer capital expenditure across the semiconductor sector.

The Fund has experienced a challenging period in terms of performance relative to the benchmark, however the evidence now supports the portfolio manager's view these stocks were overvalued, and the aim of the Fund and the portfolio manager is to pick stocks that they consider to have a long term value.

The Fund remains under review following our standard monitoring process as returns are below the benchmark objective, however the Board are aware of the specific reasons for this and remain supportive of the portfolio manager; and believe that MFS's continued management of the Fund is in the best interests of investors over the long 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.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| **Fund management fee** | 1.00 | 0.85 | 0.05 |

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 Continental European Equity 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.

## Fund Managers Report

### Performance

For the twelve months ended October 15, 2024, the Aviva Investors Continental European Equity Fund (fund) provided a total return of 12.9%* (GBP, share class 1). This compares with a return of 15.2% for the portfolio's benchmark, the FTSE Europe Ex UK Index[1].

### Annual Market Environment

- As inflation moderated around the globe during the reporting period, several major central banks began to ease monetary policy.
- Geopolitical strains remained high amid ongoing conflicts in Ukraine and in the Middle East, while relations between China and the US remained tense. At the end of the period, China unveiled a sizable stimulus package aimed at shoring up its property sector and bolstering consumer and investor confidence.
- Toward the end of the period, labor markets, particularly in the US, loosened modestly, brightening the inflation outlook.
- Global equity markets reached record levels during the period as they withstood the adversity of the unsettled geopolitical climate and higher interest rate environment amidst optimism over wide-scale adoption of artificial intelligence.

# Aviva Investors Continental European Equity Fund (continued)

## Factors Affecting Performance

- On aggregate, sector allocation relative to the FTSE Europe Ex UK Index[1] held back relative returns.
- During the reporting period, the fund's relative currency exposure, resulting primarily from differences between the fund's and the benchmark's exposures to holdings of securities denominated in foreign currencies, was a contributor to relative performance.

## Detractors from Performance

- A combination of security selection and an underweight allocation to the financials sector detracted from relative returns.
- An overweight position and security selection in the consumer staples sector detracted from relative returns.
- Individual holdings: The timing of the fund's position in Bayer, which was eliminated in February 2024. Overweight positions in Nestle and Heineken

## Contributors to Performance

- Security selection in the industrials sector contributed to relative returns.
- Security selection and an underweight position in the energy sector also supported relative results.
- An overweight position in the information technology sector further supported relative performance.
- Individual holdings: Overweight positions in SAP, Schneider Electric and Assa Abloy

**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.**

# 5.03

# Aviva Investors Global Equity Endurance Fund

# Aviva Investors Global Equity Endurance Fund

## Overall assessment

| Summary Ratings | Share Class 2 | Share Class 6 | Share Class 8 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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

Further to our announcement in August 2024, the portfolio managers that were responsible for the Fund left Aviva Investors to pursue another opportunity, and an interim management plan was implemented to ensure that an orderly transition of duties was completed, with no changes to the investment approach and process.

The Fund continues to benefit from our team based and analyst led investment process whilst we conduct the search for additional portfolio managers to further strengthen the Global Equity team. In the meantime, the Board has been monitoring the situation closely and is satisfied that there is sufficient expertise within the wider team to ensure that the Fund is managed to the service levels that are expected.

We have considered all other aspects of 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.

# Aviva Investors Global Equity Endurance Fund (continued)

## Performance

| Performance: Annualised net return (%) | Share Class 2 | Share Class 6 | Share Class 8 | Benchmark^ |
|---|---|---|---|---|
| 1 Year | 18.53 | 18.38 | 19.54 | 21.67 |
| 3 Years | 6.62 | 6.48 | 7.45 | 8.70 |
| 5 Years | 12.06 | 11.88 | 12.79 | 11.42 |
| Since Launch | 11.14 | 10.94 | 11.80 | – |

^MSCI AC World NR GBP Index[2].
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

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | Share Class 2 | Share Class 6 | Share Class 8 |
|---|---|---|---|
| Fund management fee | 0.87 | 1.00 | 0.02 |

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.

## 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.

# Aviva Investors Global Equity Endurance Fund (continued)

## 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.

## Fund Managers Report

### Performance

The Fund posted a net return of 18.4%* in the twelve months in review (share class 6). The MSCI All Country World Index[2] (total return, in sterling) returned 21.7%.

### Portfolio Review

Global shares posted strong returns in the twelve months under review. Confidence was supported by hopes that the main developed economies would avoid material slowdowns in 2024 and that central banks would start to trim interest rates amid close-to-target inflation in the leading economies.

The strongest contributor over the review period was US data analytics company Fair Isaac. Above-expectations results for the second quarter helped it stage an impressive recovery after a notable setback in March, when the share price traded sharply lower following a request for the US Department of Justice to investigate potentially anti-competitive practices. Strong returns were also posted by US credit scoring company Equifax and US military contractor Booz Allen Hamilton.

Among the notable disappointments in the period was UK pest control firm Rentokil Initial as the integration of its acquired US business, Terminix, proved to be slower than expected and with greater risks. With this translating into lacklustre growth in their key US market, where its competitor Rollins continued to lead, we chose to sell out of our investment. Not holding the stellar-performing US technology giant Nvidia was another headwind to performance, although this positioning began to have a positive impact in the latter stages of the period as market sentiment towards the large technology companies began to weaken.

Sector strategy added value for the Fund overall. Despite the drag of being underweight the information technology sector – which contained the strongly performing beneficiaries of the artificial intelligence boom – returns benefited from the lack of exposure to energy as the oil price fell and the underweighting of consumer staples companies.

# Aviva Investors Global Equity Endurance Fund (continued)

Among the new additions to the Fund in the period was Latin American e-commerce business Mercado Libre. We view the company as a potential ‘Amazon-of-the-Amazons’, which is currently enjoying the ‘flywheel’ of network formation as buyers and sellers enforce the strength of the leading network. They have been able to establish a significant competitive advantage through their logistics and fulfilment capability. With the company priced to deliver over 20% revenue growth for the next decade, we see a compelling opportunity.

## Outlook

The combination of resilient growth, solid company earnings and inflation continuing to fall to within range of central bank targets creates a positive backdrop for equities, even if valuations are starting to look a little rich following the breaching of new highs in several markets. Expectations for further cuts in interest rates in the developed economies could well prove supportive, but sentiment may be hurt if these are pushed out or slowed further.

We should also be mindful of the raised potential for unexpected geopolitical events to disrupt sentiment. 2024 has been an active election year in several key countries and results in the EU elections have added to market uncertainty. Negative inflation shocks have the potential to sap confidence and it is by no means assured that the battle has been won.

In the fund, our approach is to continue looking for companies we believe can deliver enduring cash flow growth regardless of market conditions.

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

FUND DASHBOARD

# 5.04

# Aviva Investors Global Equity Income Fund

# Aviva Investors Global Equity Income Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 8 |
|---|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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

Investors may be aware that there have been some changes to the portfolio management team for the Fund, throughout this period there have been no changes to the investment approach, and the Fund continues to benefit from our team based and analyst led investment process.

The Board has been monitoring the situation closely and is satisfied that there is sufficient expertise within the wider team to ensure that the Fund is managed to the service levels that are expected.

We have considered all other aspects of 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.

# Aviva Investors Global Equity Income Fund (continued)

## Performance

| Performance: Annualised net return (%) | | | | | |
|---|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 8 | Benchmark^ |
| **1 Year** | 21.41 | 21.71 | 22.26 | 22.75 | 21.67 |
| **3 Years** | 13.94 | 14.23 | 14.71 | 15.03 | 8.70 |
| **5 Years** | 13.20 | 13.48 | 0.00 | 14.16 | 11.42 |
| **7 Years** | 11.67 | 12.00 | 0.00 | 12.63 | 10.21 |
| **Since Launch** | – | – | 19.73 | – | – |

^MSCI AC World NR GBP Index[2].
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

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | | |
|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 8 |
| **Fund management fee** | 1.12 | 0.87 | 0.42 | 0.02 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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.

# Aviva Investors Global Equity Income Fund (continued)

## 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.

## Fund Managers Report

### Performance

The Fund returned 21.4%* in the twelve months in review (share class 1, income units), while the MSCI All Country World Index[2] (total returns, in sterling) returned 21.7%.

### Portfolio Review

Global shares posted strong returns in the twelve months under review. Confidence was supported by hopes that the main developed economies would avoid material slowdowns in 2024 and that central banks would start to trim interest rates amid close-to-target inflation in the leading economies.

The Fund matched the attractive total return of its benchmark index.  Among the leading contributors were defence-related securities such as Booz Allen Hamilton and, to a lesser degree, BAE Systems as government military spending increased in response to heightened geopolitical uncertainty. Another prominent theme was that of the increasing adoption of artificial intelligence technology. Here, the Fund benefited from exposure to key beneficiaries of the surging demand for computer processing power such as microchip makers Taiwan Semiconductor and Broadcom. Other notable winners over the review period included French building materials supplier Saint Gobain and US electronics company Motorola.

Amid a broad underweighting of information technology companies, not owning US technology giant Nvidia was a drag on returns as investors continued to clamour for the beneficiaries of AI. However, this position began to contribute positively towards the end of the review period. UK consumer goods company Reckitt Benckiser was also a disappointment as its shares fell back sharply at the end of February as it missed revenues expectations and general performance was seen to be weak.

# Aviva Investors Global Equity Income Fund (continued)

During the period we purchased a new position in UK consumer goods company Unilever. Whilst a new chief executive trying to reinvigorate organic growth is nothing new here, we believe some elements that he is looking to address make sense. Returns on invested capital remain reasonable and a 4% dividend yield is certainly attractive for the Fund.

We purchased a new position in Irish-domiciled but UK-listed building materials supplier CRH. Despite recent positive share price moves, we believe this is still undervalued by the market.

We increased exposure to Pepsi. Comments from Walmart on spending from consumers on weight-loss drugs negatively impacted shares across a range of food & beverage companies. However, we felt it was far too early to extrapolate long-term consumption habits and would point to Pepsi's increasing focus on healthier snacking options as offering some mitigation. We still view the business as highly resilient, offering attractive earnings growth allied to a growing 3% dividend yield.

## Outlook

The combination of resilient growth, solid company earnings and inflation continuing to fall to within range of central bank targets creates a positive backdrop for equities, even if valuations are starting to look a little rich. Expectations for further cuts in interest rates in the developed economies could well prove supportive, but sentiment may be hurt if these are pushed out or slowed.

We should also be mindful of the raised potential for unexpected geopolitical events to disrupt sentiment. 2024 has been an active election year in several key countries and some results have added to market uncertainty. Negative inflation shocks also have the potential to sap confidence and it is by no means assured that the battle has been won.

From a yield standpoint, we are seeing some attractive dividends in Europe from companies such as Deutsche Telekom (3.5%) and Roche (4.4%). We are also seeing good payouts in some markets in Asia, with Hong Kong insurance company AIA (2.6%) being a notable example.

There are also numerous sound companies in the UK paying solid dividends. Firms such as Unilever, the London Stock Exchange and BAE Systems are industry leaders and have a global reach, which is important from a diversification standpoint. In our opinion, valuations of UK-listed companies also tend to be relatively more attractive than their US counterparts, with all these examples trading at around a 6% free cashflow yield or above.

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

# 5.05

# Aviva Investors Higher Income Plus Fund

# Aviva Investors Higher Income Plus Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
|---|---|---|---|---|
| **1 Year** | 9.76 | 10.00 | 10.65 | 12.45 |
| **3 Years** | -0.94 | -0.70 | -0.30 | -0.15 |
| **5 Years** | 0.93 | 1.18 | 1.55 | 1.12 |
| **7 Years** | 1.60 | 1.86 | 2.21 | 1.84 |

^50% Markit iBoxx Sterling Non-Gilts Index[4], 40% Bloomberg Pan European High Yield Index 2% issuer capped (GBP Hedged)[3] and 10% JPM Emerging Market Bond Index (GBP hedged)[5].

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 Higher Income Plus Fund (continued)

The Fund invests in bonds issued by companies and aims to provide an income of at least 110% of the income return of the benchmark, over 5-year rolling periods and an overall net return greater than the benchmark over the long term (5 years or more). The benchmark (the "Index") is a composite index, formed of 50% Markit iBoxx Sterling Non-Gilts Index[4], 40% Bloomberg Barclays Pan European High Yield Index 2% issuer capped (GBP Hedged)[3] and 10% JPM Emerging Market Bond Index (GBP hedged)[5].

In the year to 15 October 2024, the Fund has delivered a net return of 9.7%, which is 2.7% below the index (Class 1). Over the long term (5 years) the return is below the target by 0.19% per annum (Class 1 - net of fees and taxes), with an annual return of 0.93% compared to the benchmark's 1.12%. In relation to the income target the Fund has consistently outperformed the benchmark yield over the last 5 years, with an average of 107%.

The main reason for the underperformance is a holding in a Thames Water Utilities Finance bond which has decreased in value over the course of the last year. This bond has been part of the Fund's portfolio for some time, and has historically provided an attractive yield for investors, however, Thames Water is currently in the process of restructuring their debt to enable them to support future infrastructure investment commitments, and whilst this uncertainty exists it is having a detrimental impact on the value of this bond.

The overall investment approach for the Fund remains unchanged, which prior to the current year, has delivered returns in line with the stated objective. Therefore, particularly given this, the Board consider that the investment management team's strategy remains appropriate for the Fund and should be evaluated over the long term but acknowledge that the performance relative to the benchmark in the short term is disappointing. Therefore, the Board conclude that it is not in the interests of investors to make any changes to the Fund at this stage, instead it should remain under review following our standard monitoring process.

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.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| Fund management fee | 0.87 | 0.62 | 0.02 |

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 Higher Income Plus 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.

## Fund Managers Report

### Performance

The Fund posted a net return of 9.8%* (share class 1) in the twelve months in review. The Fund's benchmark (50% Markit iBoxx Sterling Non-Gilts Index[4], 40% Bloomberg Barclays Pan European High Yield Index 2% issuer capped[3] and 10% JPM Emerging Market Bond Index[5]) returned 12.5%.

### Portfolio Review

The Fund posted an attractive total return, despite a mixed backdrop for fixed income investments. Initially, the sovereign bond market, which is a key influencer on corporate bond returns, rallied strongly as softer language from the main central banks and positive progress in bringing down inflation suggested that interest rate cuts may be delivered much earlier than expected in 2024. However, sovereign bonds gave back these gains in the first half of 2024 as hopes for a swift loosening of monetary policy faded following some higher-than-expected inflation data in the US. They performed more positively in the final stages of the period as the leading central banks began to cut interest rates amid falls in inflation back to target levels.

The performance of corporate bonds benefited from the view that the feared sharp slowdown of the global economy in 2024 was not likely to materialise. The credit worthiness of many corporate bond issuers was broadly maintained as companies appeared to be weathering the impact of high interest rates. Indeed, the UK economy performed more strongly than anticipated as it emerged from a mild recession in the second half of 2023. The sterling market also found technical support from strong demand as institutional investors sought to lock in attractive yields while they were still available.

# Aviva Investors Higher Income Plus Fund (continued)

Given the uncertainty over the outlook for the developed economies and the path of interest rates – not to mention the rich valuations of corporate bonds - we maintained broadly cautious positioning, looking to raise the Fund's exposure to more defensive market sectors. Structurally, we held a preference for higher-quality 'investment-grade' bonds as we were concerned about the raised potential for defaults in lower-rated issues.

During the review period, we maintained a preference for banks, which was one of the main drivers of Fund performance. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for upcoming economic pressures. Their increased revenues thanks to higher interest rates would, in our view, help them meet regulatory capital requirements, build buffers against future expected loan losses and fund payments to investors. In the fund, the main banking contributors included Bank of America, Banco Santander and Intesa Sanpaolo.

Security selection was positive overall, with the bonds of UK pub operators Greene King and Mitchells & Butlers performing well as the hospitality sector rebounded thanks to the better-than-expected performance of the UK economy. Energizer Gamma and Paramount Global also added value.

Industry allocation was the main detractor from returns, with exposure to the 'other' utility sector (which includes beleaguered UK water companies such as Thames Water) being a notable drag. At the individual security level, there were also weak returns from Altice as the French telecoms company proposed a devaluation (or so-called 'haircut') of bond investors' holdings. Other disappointing performers included Lloyds Bank, Legal & General and Netflix.

## Outlook

The surprise decision by the US Federal Reserve to cut US interest rates more aggressively by half a percentage point in September could set the tone for faster reductions by the main central banks. It seems reasonable to assume that policymakers will now focus more sharply on supporting growth now that inflation appears to be under greater control. If so, this should offer useful support to the bond markets.

We remain broadly constructive on the prospects for the main economies and expect the US to avoid a so-called 'hard landing'. Corporate earnings may have deteriorated somewhat but this has been from a high base. We therefore see company fundamentals remaining supportive of corporate bonds, with credit downgrades unlikely to accelerate meaningfully.

From the technical perspective, we should see strong demand for corporate bonds in the short term as investors look to lock in higher yields while they are still available. However, the supply/demand balance may turn less favourable looking further out as rates fall and companies are tempted to issue more bonds. Investors should also be mindful that corporate bond valuations are very rich, which makes them more vulnerable to unexpected economic or geopolitical shocks. With this also limiting potential return upside, we are taking a watchful stance, although we do retain a measure of risk in the Fund as further rallies are possible.

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

# 5.06

# Aviva Investors International Index Tracking Fund

# Aviva Investors International Index Tracking Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 |
|---|---|---|---|---|
| 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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 5 | Share Class 8 | Benchmark^ |
|---|---|---|---|---|---|
| 1 Year | 22.86 | 23.09 | 22.97 | 23.34 | 22.89 |
| 3 Years | 9.66 | 9.87 | 9.76 | 10.03 | 10.02 |
| 5 Years | 12.08 | 12.31 | 12.20 | 12.42 | 12.80 |
| 7 Years | 10.79 | 11.04 | 0.00 | 11.12 | 11.58 |
| Since Launch | – | – | 10.86 | – | – |

^FTSE World ex UK TR GBP Index[1].
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 International Index Tracking Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | | |
|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 |
| **Fund management fee** | 0.45 | 0.25 | 0.20 | 0.05 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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 International Index Tracking Fund (continued)

## Fund Managers Report

### Performance

The Fund returned 22.9%* in the twelve months in review (share class 1, accumulation units). The Fund's benchmark, the FTSE World ex UK Index[1], returned 22.9%.

The Fund is passively managed, meaning returns are not expected to vary meaningfully from those of the benchmark.

### Portfolio Review

Global shares posted strong returns in the twelve months under review. Confidence was supported by data suggesting that the main developed economies would avoid meaningful downturns in 2024. Concerns about a slowing US economy eased as robust consumer spending was fuelled by stronger-than-expected employment data, at least in the early stages of the period. Government investment also played a key role in sustaining the momentum of growth. With hopes also high that the US central bank (Fed) would start to cut interest rates in 2024 amid positive progress in the fight against inflation, the US stock market – boosted by further sharp gains by its large technology companies - pushed on to a succession of new highs. In September, the Fed would go on to surprise the market with a half percentage point cut in interest rates, following on from earlier moves by the European Central Bank and the Bank of England.

While the economic news was much more mixed in Europe, Japan and the UK, shares nevertheless surfed the wave of optimism to post strong total returns. Although the UK and Japan had technically fallen into recession in the final quarter of 2023, data released in the new year showed an immediate bounce back to growth. Indeed, the return of inflation to the Japanese economy prompted the Bank of Japan to finally end negative interest rates after a decade of ultra-loose monetary policy.

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

Emerging markets also contributed well, with confidence underpinned by the prospect of lower US interest rates and a higher-than-anticipated global demand for their goods and services. Several emerging markets also benefited from an early start to interest rate cutting.

Volatility was relatively low over the review period considering notable geopolitical uncertainties such as the ongoing war in Ukraine and escalating tensions in the Middle East.

### Outlook

Overall, we are modestly constructive on equities as they have the potential to perform well in a disinflationary macro environment in which developed market central banks are cutting interest rates. While we are concerned that the valuation of the US equity market is looking stretched after hitting a succession of new highs, we are reassured by the resilience of corporate earnings. We do expect the US economy to slow, but not at a rate that causes concern.

Among our main worries is the febrile geopolitical environment, not least the ongoing conflicts in Ukraine and the Middle East. The decisive victory of Donald Trump in November's US presidential election could have a disruptive impact on the markets given the strong likelihood that protectionist trade policies will be reintroduced. Conversely, potential tax cuts and a rolling back of corporate regulation could be viewed by the market as positive catalysts. In any event, geopolitical and economic uncertainty will remain high.

**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.**

# 5.07

# Aviva Investors Managed High Income Fund

# Aviva Investors Managed High Income Fund

## Overall assessment

| Summary Ratings | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| 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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
|---|---|---|---|---|
| 1 Year | 12.92 | 13.21 | 13.90 | 13.11 |
| 3 Years | -0.14 | 0.12 | 0.66 | -0.01 |
| 5 Years | 1.43 | 1.69 | 2.14 | 1.56 |
| 7 Years | 1.81 | 2.11 | 2.53 | 2.07 |

^40% Markit iBoxx Sterling Non-Gilts Index[4], 50% Bloomberg Global High Yield Index ex CMBS ex EMG 2% issuer capped (GBP hedged)[3] and 10% JPM Emerging Markets Bond Index (GBP hedged)[5].

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 Managed High Income Fund (continued)

The Fund aims to provide an income of at least 110% of the income of the benchmark (before charges and taxes), whilst seeking to provide an overall net return greater than the benchmark over the long term (5 years or more) by investing in bonds issued by companies.

The Fund suffered overall losses from an unprecedented weak bond market in October 2022 which was at a low point following the impact of the mini budget in September 2022. The market has continued to rebound since this date and the majority of these losses were recovered last year, and the Board is pleased to report that the Fund is now back in positive territory following a strong year where the Fund delivered 12.9% (share class 1, net of fees and taxes) to 15 October 24. This puts the Fund 0.13% (share class 1) below the long term (5 year) target of an overall net return greater than the benchmark.

In terms of the Fund's target to deliver income of at least 110%, this proved to be challenging in the year to 15 October 2023 due to rising interest rates, and the Fund has improved on this objective in the current year to 15 October 2024, achieving 107% of its target. Whilst the Board notes that there is more to do in this area, they are comfortable that the progress is positive.

Therefore the Board do not intend to make any changes to the management of the Fund and believe the portfolio manager is best placed to deliver on the Fund's objective over the long 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.

## Authorised Fund Manager costs

**Authorised Fund Manager Costs**

| | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| **Fund management fee** | 0.87 | 0.62 | 0.02 |

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.

## 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.

# Aviva Investors Managed High Income Fund (continued)

## 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.

## Fund Managers Report

### Performance

The Fund posted a net return of 12.9%* (share class 1) in the twelve months in review. The Fund's composite benchmark (40% Markit iBoxx Sterling Non-Gilts Index[4], 50% Bloomberg Barclays Global High Yield Index ex CMBS ex EMG 2% issuer capped3 and 10% JPM Emerging Markets Bond Index[5]) returned 13.1%.

### Portfolio Review

The Fund posted an attractive total return, despite a mixed backdrop for fixed income investments. Initially, the sovereign bond market, which is a key influencer on corporate bond returns, rallied strongly as softer language from the main central banks and positive progress in bringing down inflation suggested that interest rate cuts may be delivered much earlier than expected in 2024. However, sovereign bonds gave back these gains in the first half of 2024 as hopes for a swift loosening of monetary policy faded following some higher-than-expected inflation data in the US. They performed more positively in the final stages of the period as the leading central banks began to cut interest rates amid falls in inflation back to target levels.

The performance of corporate bonds benefited from the view that the feared sharp slowdown of the global economy in 2024 was not likely to materialise. The credit worthiness of many corporate bond issuers was broadly maintained as companies appeared to be weathering the impact of high interest rates. Indeed, the UK economy performed more strongly than anticipated as it emerged from a mild recession in the second half of 2023. The sterling market also found technical support from strong demand as institutional investors sought to lock in attractive yields while they were still available.

# Aviva Investors Managed High Income Fund (continued)

Given the uncertainty over the outlook for the developed economies and the path of interest rates – not to mention the rich valuations of corporate bonds - we maintained broadly cautious positioning, looking to raise the Fund's exposure to more defensive market sectors. Structurally, we held a preference for higher-quality 'investment-grade' bonds as we were concerned about the raised potential for defaults in lower-rated issues.

During the review period, we maintained a preference for banks, which was one of the main drivers of Fund performance. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for upcoming economic pressures. Their increased revenues thanks to higher interest rates would, in our view, help them meet regulatory capital requirements, build buffers against future expected loan losses and fund payments to investors.

The more risky segments of the portfolio contributed usefully to returns, with high-yield bonds continuing to be boosted by strong investor demand, despite worries about the value on offer after good performance through much of 2023. Emerging market bonds also performed well as they are geared positively into expectations for interest rate cuts in the US. Rate-cutting also started in several emerging market countries.

## Outlook

The surprise decision by the US Federal Reserve to cut US interest rates more aggressively by half a percentage point in September could set the tone for faster reductions by the main central banks. It seems reasonable to assume that policymakers will now focus more sharply on supporting growth now that inflation appears to be under greater control. If so, this should offer useful support to the bond markets.

We remain broadly constructive on the prospects for the main economies and expect the US to avoid a so-called 'hard landing'. Corporate earnings may have deteriorated somewhat but this has been from a high base. We therefore see company fundamentals remaining supportive of corporate bonds, with credit downgrades unlikely to accelerate meaningfully.

From the technical perspective, we should see strong demand for corporate bonds in the short term as investors look to lock in higher yields while they are still available. However, the supply/demand balance may turn less favourable looking further out as rates fall and companies are tempted to issue more bonds. Investors should also be mindful that corporate bond valuations are very rich, which makes them more vulnerable to unexpected economic or geopolitical shocks. With this also limiting potential return upside, we are taking a watchful stance, although we do retain a measure of risk in the Fund as further rallies are possible.

**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.**

# 5.08

# Aviva Investors Multi-asset Income Fund

# Aviva Investors Multi-asset Income Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 9 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 9 | Benchmark^ |
|---|---|---|---|---|
| **1 Year** | 13.23 | 13.39 | 0.00 | 13.09 |
| **3 Years** | -0.46 | -0.31 | 0.00 | 0.83 |
| **5 Years** | 1.00 | 1.15 | 0.00 | 2.11 |
| **5 Years** | 1.64 | 1.84 | 0.00 | 2.60 |
| **Since Launch** | – | – | -0.40 | – |

^Benchmark from 24/9/24 - 30% MSCI AC World Index, 20% Bloomberg Global High Yield Total Return Value Index and 50% Bloomberg Global Aggregate Corporate Total Return Index (Hedged GBP).

Benchmark up to 23/9/24 - 35% FTSE® All-Share Index and 65% ML Composite (50% ML £ Non-Gilt A 50% ML £ Non-Gilt BBB).

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 Multi-asset Income Fund (continued)

The Fund aims to deliver an income return in excess of the Index over any given 3-year period (before charges and taxes) and provide an average annual net return greater than the Index over rolling 5-year periods. This should result in the growth of your investment over the long term.

In last year's review we informed investors of our intention to make significant changes to the Fund with the purpose of maximising diversification by increasing the global exposure allowed by the Fund. We wrote to investors on 26 July 2024 inviting them to vote on the proposed changes and the Board were pleased to see an overwhelming vote in favour of making the changes. This resulted in a change to the Fund name, removal of geographical restrictions and the ability for the Fund to invest in a wider range of assets and was completed on 23 September 2024.

At the point of the review, 15 October 2024, the Fund was providing investors with a return of 13.2% (share class 1, net of fees and taxes) over the year, which is 0.1% above the benchmark for the same period.

Whilst the returns over the last year are positive, the Board are mindful that the Fund has not delivered value to investors over the longer term and are pleased that the programme to modernise the Fund is now complete, positioning the Fund to deliver value to investors going forward. The Fund will now continue to be monitored closely following our standard governance process.

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.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 9 |
| Fund management fee | 0.78 | 0.58 | 0.35 |

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.

## 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.

# Aviva Investors Multi-asset Income Fund (continued)

## 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.

## Fund Managers Report

### Performance

The Fund posted a net return of 13.2%* (share class 1) in the twelve months in review. The Fund's composite benchmark (30% MSCI AC World Index[2] 20% Bloomberg Global High Yield Total Return Value Index[3] 50% Bloomberg Global Aggregate Corporate Total Return Index[3]), returned 13.1%. Please note that this benchmark was adopted on 24 September 2024 when the Fund's name was changed from Aviva Investors Distribution Fund and the portfolio's assets were restructured.

### Portfolio Review

Fund returns were supported by gains by both UK equities (FTSE All-Share Index[1] +13.8%) and sterling corporate bonds (Markit iBoxx Sterling Non-Gilts Total Return Index[4] + 9.7%) over the period.

Corporate bonds, which made up most of the portfolio, were supported by broadly positive company earnings releases, which helped to underpin credit quality. We held a watchful stance in the portfolio given the vulnerability of company earnings to slowing growth brought about by the high and rising interest rate environment. We focused on relatively 'defensive' sectors that would be expected to be more resilient to fragile confidence, such as technology and communications.

UK shares benefited from rising appetite for riskier assets as hopes grew that the central banks, having paused their cycle of interest rate hikes, were poised to cut borrowing costs amid a clear fall in the rate of inflation, both in the UK and across the other major economies. The subsequent commencement of rate cutting, together with resilient economic data from the UK and the US, helped sustain market momentum through the latter stages of the Fund's review period.

# Aviva Investors Multi-asset Income Fund

At the stock selection level, niche asset manager Intermediate Capital performed well as it continued to build funds under management and raised its dividend. Another notable winner was the UK's leading supermarket Tesco, which rallied strongly on better-than-expected profits and raised earnings guidance. Packaging maker DS Smith benefited from takeover speculation. As the period progressed, the Fund was helped its underweighting of energy, and in particular its lack of exposure to struggling BP, as the oil price fell back.

Among the main disappointments over the period was merchant bank Close Brothers, whose shares plunged as it scrapped its dividend on concerns about compensation claims following a regulatory review of its auto finance business. Wealth management company St James's Place was hit by concerns that many of its clients would be entitled to significant compensation following mischarging of its products. Melrose Industries gave back some of its strong gains in the second half of the period, while fellow defence-related stock Babcock International also lost momentum after a strong start.

## Outlook

We expect a more moderate pace of equity gains and more volatility, with 'bull-market' corrections becoming more frequent. But there is enough support from the economy, structural drivers and expectations of lower rates to drive continued upside in equities for longer.

We reiterate that economic growth has been, and still is, the driver of the equity rally. On that point, corporate profit growth remains robust, with a high degree of visibility on future earnings and profit margins continue to show resilience. While that background is in place, the core of the investment case for equities remains solid.

Across regions the key question revolves around US leadership and if it continues despite challenging valuations or if the broadening of equity markets will favour regions outside the US. In many ways, the case for a continuation of US leadership appears stronger now than it has been throughout the year as earnings growth has broadened out and almost all sectors of the US market are now growing, reducing the dependence on 'Magnificent 7' earnings.

For bonds, terminal interest rates are likely to be materially higher compared to the pre-COVID period. We see the number of US Federal Reserve cuts priced in by markets as broadly fair, but there are risks in both directions. We think the European Central Bank will end up cutting by a little less than market expectations, while we maintain the view that the Bank of England will be forced to deliver faster and deeper cuts next year. In contrast, the Bank of Japan will continue to tighten policy.

**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.**

# 5.09

# Aviva Investors Multi-Strategy Target Return Fund

# Aviva Investors Multi-Strategy Target Return Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 | Share Class 9 |
|---|---|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 5 | Share Class 8 | Share Class 9 | Benchmark^ |
|---|---|---|---|---|---|---|
| **1 Year** | 10.86 | 11.09 | 11.04 | 11.63 | 10.99 | 10.69 |
| **3 Years** | 5.47 | 5.68 | 6.17 | 6.10 | 5.65 | 8.71 |
| **5 Years** | 4.37 | 4.58 | 4.93 | 4.93 | 4.59 | 7.31 |
| **7 Years** | 3.24 | 3.45 | 3.73 | 3.76 | 3.46 | 6.85 |

^Bank of England Base Rate +5%.
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

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

# Aviva Investors Multi-Strategy Target Return Fund (continued)

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | | | |
|---|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 | Share Class 9 |
| **Fund management fee** | 1.05 | 0.85 | 0.70 | 0.03 | 0.80 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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 Multi-Strategy Target Return Fund (continued)

## Fund Managers Report

### Performance

In the twelve months to 15 October 2024, the Fund posted a net return of 10.9%* (share class 1). By comparison, the Fund's benchmark (Bank of England Base Rate Plus 5%) returned 10.7%.

### Portfolio Review

The review period saw most risk assets perform well as investors' confidence grew that the US economy would achieve a soft economic landing. Sentiment was also boosted by the prospect of interest rates being cut amid falls in inflation to close to central bank targets. As cuts began to materialise, defensive assets such as government bonds began to recoup earlier lost ground.

October had been a challenging month for markets in the wake of the attack by Hamas on Israel and concerns around potential escalation. However, November and December saw strong risk rallies, driven by the growing expectation that material slowdowns would be avoided in the developed economies. The Fund delivered strong gains in the final calendar quarter of 2023, with Market Returns, Opportunistic Returns and Risk Reducing Returns all delivering positive performance. Market Returns added the most value, with key contributors being our long regional equities positions. Opportunistic Returns also made gains during the quarter, with the long exposure in UK rates being the strongest contributor, more than offsetting losses in short Japanese rates. The Risk-Reducing section ended the quarter in positive territory, led by gains in long Korean rates. This was slightly dampened by modest losses in the risk-reducing options strategy.

Risk assets started off strongly in 2024 on the back of growing expectations for a soft landing and continued excitement around artificial intelligence. Several equity indices reached all-time highs, while bonds struggled as interest rate cuts were pushed back. The Fund's strong start to the review period extended into the first quarter of 2024. Market Returns contributed positively due to our long regional equities positions. Opportunistic Returns was the main driver of performance, largely due to our commodities positions, with long exposure to copper, oil and newly introduced gold all contributing positively. The long UK versus US rates strategy was another key contributor, more than offsetting losses in the long UK rates position. The Risk-Reducing Returns section of the Fund detracted from performance, driven by losses in long Korean rates and long equity volatility.

The second half of the review period saw further positive returns but on a flatter trajectory. In the second calendar quarter, Opportunistic Returns led the gains, primarily due to the short Japanese rates strategy as the Bank of Japan ended its negative interest rate policy. Our commodity positions also added to Fund performance, mainly through the long copper and long gold strategies. While Risk-Reducing Returns had a neutral impact, Market Returns strategies incurred losses, led by our long exposure in European equities and, to a lesser extent, long Japanese equities.

In the third quarter of the year, Market Returns strategies led the gains thanks to our long gold mining equities and long European equities positions. The Risk-Reducing Returns section of the portfolio was also positive thanks to gains by the long Korean rates trade. Opportunistic Returns nevertheless posted losses, primarily from our duration positions in both UK versus US rates and short Japanese rates.

### Outlook

Following US elections on 5 November, global markets are digesting the news that Donald Trump has won a second presidential term. Market participants had positioned themselves within defensive assets which are less sensitive to economic cycles whilst the election uncertainty premium weighed on markets. Uncertainty in the Middle East remains high as strikes between Israel and Iran continue and the world waits on how each will respond. Central banks are also expected to continue their cuts in interest rates to help manage inflation.

The fund's equity allocation has varied in 2024, from around 10% to 26%. We currently maintain 8.1% equity exposure, with long positions in US, Europe and UK. Within duration we maintain conviction in our long standing short Japanese rates theme. Positions such as long UK rates within opportunistic returns, and long South Korean rates within risk-reducing returns help balance the overall duration profile.

**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.**

# 5.10

# Aviva Investors Sterling Corporate Bond Fund

# Aviva Investors Sterling Corporate Bond Fund

## Overall assessment

| Summary Ratings | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| 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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
| 1 Year | 9.41 | 9.62 | 10.20 | 9.29 |
| 3 Years | -2.99 | -2.80 | -2.39 | -2.81 |
| 5 Years | -0.87 | -0.69 | -0.32 | -0.82 |
| 7 Years | 0.53 | 0.75 | 1.11 | 0.59 |

^Markit iBoxx Sterling Non Gilts Overall TR Index[4].

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 Sterling Corporate Bond Fund (continued)

The Fund aims to provide an income equivalent to the benchmark (before charges and taxes) and grow your investment by investing in bonds issued by companies, with an overall net return greater than the benchmark over the long term (5 years or more).

The Fund's long-term returns remain impacted by the unprecedented weak bond market in October 2022, which was a low point resulting from the impact of the mini budget in September 2022. Following a positive 2023, the Fund has continued in this vein, delivering 9.41% (Class 1 - net of fees and taxes) to 15 October 2024. The Fund is just 0.05% (Class 1 – net of fees and taxes) below the long term (5 year) target of an overall net return greater than the benchmark. The Fund has achieved its income target, delivering an income return of 105% of the benchmark over the last 5 years.

The Board therefore consider that the Fund is providing value to investors and the portfolio manager is best placed to deliver on the Fund's objective over the long 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.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| Fund management fee | 0.70 | 0.50 | 0.03 |

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.

## 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 Sterling Corporate Bond Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a net return of 9.4%* (share class 1, income units) in the twelve months in review. The Fund's benchmark, the Markit iBoxx Sterling Non-Gilts Total Return Index[4], returned 9.3%.

### Portfolio Review

The Fund posted an attractive total return, despite a mixed backdrop for fixed income investments. Initially, the UK gilt market, which is a key influencer on corporate bond returns, rallied strongly as softer language from the main central banks and positive progress in bringing down inflation suggested that interest rate cuts may be delivered much earlier than expected in 2024. However, gilts gave back these gains in the first half of 2024 as hopes for a swift loosening of monetary policy faded following some higher-than-expected inflation data in the US. Gilts performed more positively in the final stages of the period as the Bank of England, together with the other leading central banks, began to cut interest rates amid falls in inflation back to target levels.

The performance of corporate bonds benefited from the view that the feared sharp slowdown of the global economy in 2024 was not likely to materialise. The credit worthiness of many corporate bond issuers was broadly maintained as many companies appeared to be weathering the impact of high interest rates. Indeed, the UK economy performed more strongly than anticipated as it emerged from a mild recession in the second half of 2023. The sterling market also found technical support from strong demand as institutional investors sought to lock in attractive yields while they were still available.

There was no meaningful divergence in the Fund's performance versus its benchmark over the course of the review period. Given the uncertainty over the outlook for the UK economy and the path of interest rates – not to mention the rich valuations of corporate bonds - we maintained broadly cautious positioning, looking to raise the Fund's exposure to more defensive market sectors.

During the review period, we maintained a preference for banks. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for raised economic pressures. Their increased revenues thanks to higher interest rates would, in our view, help them meet regulatory capital requirements, build buffers against future expected loan losses and fund payments to investors.

### Outlook

The surprise decision by the US Federal Reserve to cut US interest rates more aggressively by half a percentage point in September could set the tone for faster reductions by the main central banks. It seems reasonable to assume that policymakers will now focus more sharply on supporting growth now that inflation appears to be under greater control. If so, this should offer useful support to the bond markets.

We remain broadly constructive on the prospects for the main economies and expect the US to avoid a so-called 'hard landing'. Corporate earnings may have deteriorated somewhat but this has been from a high base. We therefore see company fundamentals remaining supportive of corporate bonds, with credit downgrades unlikely to accelerate meaningfully.

From the technical perspective, we should see strong demand for corporate bonds in the short term as investors look to lock in higher yields while they are still available. However, the supply/demand balance may turn less favourable looking further out as rates fall and companies are tempted to issue more bonds. Investors should also be mindful that corporate bond valuations are very rich, which makes them more vulnerable to unexpected economic or geopolitical shocks. With this also limiting potential return upside, we are taking a watchful stance, although we do retain a measure of risk in the Fund as further rallies are possible.

**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.**

# 5.11

# Aviva Investors Strategic Bond Fund

# Aviva Investors Strategic Bond Fund

## Overall assessment

| Summary Ratings | | | | |
|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 |
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 5 | Share Class 8 | Benchmark^ |
| **1 Year** | 10.64 | 10.93 | 10.98 | 11.59 | 11.54 |
| **3 Years** | -0.31 | -0.07 | -0.02 | 0.42 | -0.29 |
| **5 Years** | 1.56 | 1.82 | 1.87 | 2.24 | 1.13 |
| **7 Years** | 1.47 | 1.74 | 1.79 | 2.13 | 1.76 |

^One third Bloomberg Treasury G7 Index (GBP Hedged), one third Bloomberg Global Aggregate Corporate Index (GBP hedged), and one third Bloomberg Global High Yield Index ex CMBS ex EMG 2% issuer capped (GBP)[3].

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 Strategic Bond Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

**Authorised Fund Manager Costs**

| | Share Class 1 | Share Class 2 | Share Class 5 | Share Class 8 |
|---|---|---|---|---|
| **Fund management fee** | 0.88 | 0.63 | 0.58 | 0.03 |

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.

## 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 Strategic Bond Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a return of 10.6%* (share class 1), net of fees in the twelve months in review. The Fund's composite benchmark (one third Bloomberg Barclays Treasury G7 Index[3], one third Bloomberg Barclays Global Aggregate Corporate Index[3] and one third Bloomberg Barclays Global High Yield Index ex CMBS ex EMG 2% issuer capped[3]) returned 11.5%.

### Portfolio Review

The Fund posted an attractive total return, despite a mixed backdrop for fixed income investments. Initially, the sovereign bond market, which is a key influencer on corporate bond returns, rallied strongly as softer language from the main central banks and positive progress in bringing down inflation suggested that interest rate cuts may be delivered much earlier than expected in 2024. However, sovereign bonds gave back these gains in the first half of 2024 as hopes for a swift loosening of monetary policy faded following some higher-than-expected inflation data in the US. They performed more positively in the final stages of the period as the leading central banks began to cut interest rates amid falls in inflation back to target levels.

The performance of corporate bonds benefited from the view that the feared sharp slowdown of the global economy in 2024 was not likely to materialise. The credit worthiness of many corporate bond issuers was broadly maintained as companies appeared to be weathering the impact of high interest rates. Indeed, the UK economy performed more strongly than anticipated as it emerged from a mild recession in the second half of 2023. The sterling market also found technical support from strong demand as institutional investors sought to lock in attractive yields while they were still available.

Given the uncertainty over the outlook for the developed economies and the path of interest rates – not to mention the rich valuations of corporate bonds - we maintained broadly cautious positioning, looking to raise the Fund's exposure to more defensive market sectors. Structurally, we held a preference for higher-quality 'investment-grade' bonds as we were concerned about the raised potential for defaults in lower-rated issues.

During the review period, we maintained a preference for banks, which was one of the main drivers of Fund performance. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for upcoming economic pressures. Their increased revenues thanks to higher interest rates would, in our view, help them meet regulatory capital requirements, build buffers against future expected loan losses and fund payments to investors.

Security selection was the main headwind to performance. Among the largest detractors was the distressed utility Thames Water, whose credit rating came under severe pressure given the company's significant debt pile and negative newsflow towards the sector in general. There were also weak returns from Altice as the French telecoms company proposed a devaluation (or so-called 'haircut') of bond investors' holdings. On the positive side, the bonds of UK pub operator Greene King performed well as the hospitality sector rebounded thanks to the better-than-expected performance of the UK economy.

### Outlook

The surprise decision by the US Federal Reserve to cut US interest rates more aggressively by half a percentage point in September could set the tone for faster reductions by the main central banks. It seems reasonable to assume that policymakers will now focus more sharply on supporting growth now that inflation appears to be under greater control. If so, this should offer useful support to the bond markets.

# Aviva Investors Strategic Bond Fund (continued)

We remain broadly constructive on the prospects for the main economies and expect the US to avoid a so-called 'hard landing'. Corporate earnings may have deteriorated somewhat but this has been from a high base. We therefore see company fundamentals remaining supportive of corporate bonds, with credit downgrades unlikely to accelerate meaningfully.

From the technical perspective, we should see strong demand for corporate bonds in the short term as investors look to lock in higher yields while they are still available. However, the supply/demand balance may turn less favourable looking further out as rates fall and companies are tempted to issue more bonds. Investors should also be mindful that corporate bond valuations are very rich, which makes them more vulnerable to unexpected economic or geopolitical shocks. With this also limiting potential return upside, we are taking a watchful stance, although we do retain a measure of risk in the Fund as further rallies are possible.

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

# 5.12

# Aviva Investors UK Index Tracking Fund

# Aviva Investors UK Index Tracking Fund

## Overall assessment

| Summary Ratings | | | | |
|---|---|---|---|---|
| | **Share Class 1** | **Share Class 2** | **Share Class 8** | **Share Class A** |
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8** | **Share Class A** | **Benchmark^** |
| **1 Year** | 13.70 | 13.92 | 14.14 | 14.06 | 14.21 |
| **3 Years** | 6.44 | 6.65 | 6.78 | 6.77 | 6.84 |
| **5 Years** | 5.81 | 6.03 | 6.11 | 6.14 | 6.12 |
| **7 Years** | 4.60 | 4.84 | 4.90 | 4.96 | 4.98 |

^FTSE All-Share TR Index[1].

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 UK Index Tracking Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | | |
|---|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 | Share Class A |
| **Fund management fee** | 0.41 | 0.20 | 0.01 | 0.07 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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 UK Index Tracking Fund (continued)

## Fund Managers Report

### Performance

The Fund returned 13.7%* in the twelve months in review (share class 1, income units). The Fund's benchmark, the FTSE All-Share Index[1], returned 14.2%.

The Fund is passively managed, meaning Fund returns are not expected to vary meaningfully from those of the benchmark.

### Portfolio Review

UK shares posted attractive gains over the review period. Sentiment towards the UK was weak at the start, with the economy reported to have fallen into a technical recession in the second half of 2023. However, growth picked up in the new year, with the country's gross domestic product expanding by 0.7% in the first quarter of 2024 and a further 0.5% in the second quarter. Activity data for the manufacturing sector painted a more positive picture as the period progressed, moving from a notable contraction at the start to steady expansion by the end.

In terms of monetary policy, a cautious Bank of England left interest rates unchanged at 5.25% during most of the review period. However, in response to a more rapid-than-expected fall in annual inflation from 4.6% in October 2023 to the 2.0% target in the summer, it reduced the base rate by a quarter percentage point in August 2024.

Political uncertainty was reduced in July following the landslide victory of Labour in the July general election. However, investors subsequently began to become concerned that the tax burden on companies may have to rise by more than anticipated to plug the hole in the public finances.

The FTSE All-Share index's return was lower than the global average as industry heavyweights such as BP and Shell suffered the headwind of a falling oil price and the large mining stocks were hit by worries about weaker demand for raw materials from a struggling Chinese economy. Small and medium-sized companies nevertheless enjoyed improved fortunes as sentiment towards the domestic economy improved.

### Outlook

Economic conditions have generally improved in the UK, especially the outlook for inflation. However, it is difficult to see a significant acceleration in economic growth currently given uncertain trends both in the UK and overseas. The Labour Party's Budget will likely prove to be a headwind for growth in the short-to-medium term, given the huge scale of the tax rises and extra borrowing that was announced in late October. It also probably reduces the extent to which the Bank of England can feasibly cut interest rates in the immediate future. While there appear to be limited evident catalysts to push the market much higher from current levels, it nevertheless continues to offer value and trade at relatively cheap levels compared with history and other global markets.

Geopolitical issues (most notably the conflicts in Gaza, Lebanon and Ukraine) remain an ongoing and significant risk to all equity markets and could easily flare up at any time, causing share prices to fall.

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

# 5.13

# Aviva Investors UK Listed Equity Income Fund

# Aviva Investors UK Listed Equity Income Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 8 |
|---|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 4 | Share Class 8 | Benchmark^ |
|---|---|---|---|---|---|
| **1 Year** | 17.95 | 18.17 | 18.67 | 19.11 | 14.21 |
| **3 Years** | 4.42 | 4.62 | 5.05 | 5.33 | 6.84 |
| **5 Years** | 5.22 | 5.42 | 5.85 | 6.05 | 6.12 |
| **7 Years** | 4.13 | 4.38 | 0.00 | 4.98 | 4.98 |
| **Since Launch** | – | – | 5.50 | – | – |

^FTSE All-Share TR Index[1].

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 UK Listed Equity Income Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

**Authorised Fund Manager Costs**

| | Share Class 1 | Share Class 2 | Share Class 4 | Share Class 8 |
|---|---|---|---|---|
| **Fund management fee** | 1.00 | 0.81 | 0.45 | 0.02 |

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.

Investors who invest directly with us in share class 1 will benefit from the economies of scale discount that we apply at certain thresholds depending on the size of the fund, which for this fund is currently 0.01%.

## 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 UK Listed Equity Income Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a net return of 18.0%* (share class 1, income units) in the twelve months in review. The Fund's benchmark, the FTSE All-Share Index[1], returned 14.2%.

### Portfolio Review

UK shares posted attractive gains over the review period. Sentiment towards the UK was weak at the start, with the economy reported to have fallen into a technical recession in the second half of 2023. However, growth picked up in the new year, with the country's gross domestic product expanding by 0.7% in the first quarter of 2024 and a further 0.5% in the second quarter. Activity data for the manufacturing sector painted a more positive picture as the period progressed, moving from a notable contraction at the start to steady expansion by the end.

In terms of monetary policy, a cautious Bank of England left interest rates unchanged at 5.25% during most of the review period. However, in response to a more rapid than expected fall in annual inflation from 4.6% in October 2023 to the 2.0% target in the summer, it reduced the base rate by a quarter percentage point in August 2024.

The Fund posted strong returns relative to the benchmark index. In the first half of the period, stocks related to defence spending, such as Melrose Industries, Babcock International and BAE Systems, were strong performers. However, momentum waned thereafter as investors, noting stretched valuations, booked profits. Holding only limited exposure to the mining sector was helpful as commodity prices struggled for traction amid waning demand from a struggling Chinese economy. Having no exposure to BP was also helpful as the oil major's shares suffered sharp underperformance amid falls in the oil price.

The Fund benefited from bid activity in the period. Among the notable deals were the takeover of beverage company Britvic by Carlsberg and the acquisition of building products supplier Tyman by US rival Quanex.

On the negative side, shares in wealth manager St. James's Place dipped as the company set aside substantial provisions to settle potential refunds to clients. Merchant bank Close Brothers also dragged on performance after announcing it would be scrapping its dividend. Elsewhere, National Grid suffered turbulence as it sought to raise financing to fund infrastructure modernisation. It recovered ground into the end of the period, however.

### Outlook

Economic conditions have generally improved in the UK, especially the outlook for inflation. However, it is difficult to see a significant acceleration in economic growth currently given uncertain trends both in the UK and overseas. The Labour Party's Budget will likely prove to be a headwind for growth in the short-to-medium term, given the huge scale of the tax rises and extra borrowing that was announced in late October. It also probably reduces the extent to which the BoE can feasibly cut interest rates in the immediate future. While there appear to be limited evident catalysts to push the market much higher from current levels, it nevertheless continues to offer value and trade at relatively cheap levels compared with history and other global markets.

Geopolitical issues (most notably the conflicts in Gaza, Lebanon and Ukraine, but also the relatively belligerent regimes in China and North Korea) remain an ongoing and significant risk to all equity markets and could easily flare up at any time, causing share prices to fall.

In these volatile and challenging times, we believe it is particularly important to maintain a resilient and well-diversified portfolio. We look through market noise for a consistent, income-generative return for investors. The Fund, which is more mid cap-orientated than its peers, offers the opportunity for income generation, as well as growth in both income and capital, across the whole spectrum of market capitalisations.

**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.**

# 5.14

# Aviva Investors UK Listed Equity Unconstrained Fund

# Aviva Investors UK Listed Equity Unconstrained Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
|---|---|---|---|---|
| **1 Year** | 12.98 | 13.19 | 14.10 | 14.21 |
| **3 Years** | 2.29 | 2.47 | 3.18 | 6.84 |
| **5 Years** | 8.14 | 8.34 | 9.00 | 6.12 |
| **7 Years** | 5.31 | 5.50 | 6.12 | 4.98 |

^FTSE All-Share TR Index[1].
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 UK Listed Equity Unconstrained Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| **Fund management fee** | 1.00 | 0.82 | 0.02 |

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.

## 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 UK Listed Equity Unconstrained Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a net return of 13.0%* (share class 1, income units) in the twelve months in review. The Fund's benchmark, the FTSE All-Share Index[1], returned 14.2%.

### Portfolio Review

UK shares posted attractive gains over the review period. Sentiment towards the UK was weak at the start, with the economy reported to have fallen into a technical recession in the second half of 2023. However, growth picked up in the new year, with the country's gross domestic product expanding by 0.7% in the first quarter of 2024 and a further 0.5% in the second quarter. Activity data for the manufacturing sector painted a more positive picture as the period progressed, moving from a notable contraction at the start to steady expansion by the end.

In terms of monetary policy, a cautious Bank of England left interest rates unchanged at 5.25% during most of the review period. However, in response to a more rapid than expected fall in annual inflation from 4.6% in October 2023 to the 2.0% target in the summer, it reduced the base rate by a quarter percentage point in August 2024.

The Fund's returns were broadly in line with the benchmark index. In the first half of the period, stocks related to defence spending, such as Melrose Industries, Babcock International and Chemring, were strong performers. However, momentum waned thereafter as investors, noting stretched valuations, booked profits. Niche asset manager Intermediate Capital Group contributed well as the company's management announced strong interim results and increased the share dividend. This saw the asset management firm promoted from the FTSE 250 Index to the blue-chip FTSE 100 Index. Elsewhere, supermarket Tesco's shares performed well as the company's operational performance continued to improve. At the sector level, not owning BP and being underweight Shell was helpful as the energy sector gave back some of its recent strong performance amid a fall in the price of oil.

Hi-tech automotive equipment manufacturer Dowlais Group was one of the main disappointments during the period as the management revealed that light vehicle production and the firm's order book would be weaker than expected in 2024. Shares in wealth manager St. James's Place dipped as the company set aside substantial provisions to settle potential refunds to clients. We subsequently sold the stock. Elsewhere, Next Fifteen Communication saw its shares fall sharply in September following a contract termination from a major client.

### Outlook

Economic conditions have generally improved in the UK, especially the outlook for inflation. However, it is difficult to see a significant acceleration in economic growth currently given uncertain trends both in the UK and overseas. The Labour Party's Budget will likely prove to be a headwind for growth in the short-to-medium term, given the huge scale of the tax rises and extra borrowing that was announced in late October. It also probably reduces the extent to which the BoE can feasibly cut interest rates in the immediate future. While there appear to be limited evident catalysts to push the market much higher from current levels, it nevertheless continues to offer value and trade at relatively cheap levels compared with history and other global markets.

# Aviva Investors UK Listed Equity Unconstrained Fund (continued)

Geopolitical issues (most notably the conflicts in Gaza, Lebanon and Ukraine) remain an ongoing and significant risk to all equity markets and could easily flare up at any time, causing share prices to fall.

Regarding our investment approach, we aim to manage the fund in an unconstrained way and avoid being restricted by the composition of the benchmark index. This means we can build significant overweight positions in our best ideas, across all sectors. We look through the short-term market noise and invest based on long-term company fundamentals, with a focus on cash generation.

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

# 5.15

# Aviva Investors UK Listed Small and Mid-Cap Fund

# Aviva Investors UK Listed Small and Mid-Cap Fund

## Overall assessment

**Summary Ratings**

| | Share Class 1 | Share Class 2 | Share Class 8 |
|---|---|---|---|
| **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 all components of the assessment have been considered and the charges for each share class are justified in the context of overall value being delivered to investors.

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 8 | Benchmark^ |
|---|---|---|---|---|
| **1 Year** | 26.12 | 26.33 | 27.35 | 26.99 |
| **3 Years** | -3.80 | -3.64 | -2.97 | 0.15 |
| **5 Years** | 3.89 | 4.07 | 4.71 | 3.24 |
| **7 Years** | 3.65 | 3.82 | 4.43 | 2.91 |

^FTSE 250 Ex Investment TR GBP Index[1].

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 UK Listed Small and Mid-Cap Fund (continued)

We have reviewed the Fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Fund's performance is deemed to be within a reasonable range of outcomes based on the 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 can find more detailed information on fund performance within the Fund factsheet on our website.

## Authorised Fund Manager costs

| Authorised Fund Manager Costs | | | |
|---|---|---|---|
| | Share Class 1 | Share Class 2 | Share Class 8 |
| **Fund management fee** | 1.00 | 0.83 | 0.03 |

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.

## 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 UK Listed Small and Mid-Cap Fund (continued)

## Fund Managers Report

### Performance

The Fund posted a net return of 26.1%* (share class 1) in the twelve months in review. The Fund's benchmark, the FTSE 250 ex Investment Trust Index[1], returned 27.0%.

### Portfolio Review

UK smaller and medium-sized company shares made gains over the period and outperformed the blue chips of the FTSE 100 Index given their greater sensitivity to improving investor confidence. Even though the UK had fallen into a technical recession in the second half of 2023, the generally brighter outlook for the economy and the prospect of the Bank of England cutting interest rates in 2024 also supported returns.

In the Fund, retirement plan solutions provider Just Group made a good contribution to returns after posting very strong first-half earnings and substantially raising its profit forecast for the year. Construction company Kier performed well on positive earnings momentum, which led management to reinstate the dividend. Shares in Ascential, formerly EMAP, surged after a bid from FTSE 100 Index member, publications and exhibitions group Informa, was accepted in July. Against a backdrop of heightened geopolitical uncertainty, defence company Chemring's share price rallied as the company announced a very strong order book and a jump in full-year revenues and profits. Strong sales momentum led to consistent share price appreciation by retailer Marks & Spencer.

On the negative side, Next Fifteen Communications saw its share price fall significantly in September following a contract termination by a major client. The market was also unimpressed by the announcement of flat revenues for the first half of the year. YouGov suffered a turbulent ride during the period, with the share price giving back most of the sharp gains seen over the turn of the year on concerns about earnings being able to justify a rich valuation. However, the shares stabilised into the end of the period as the company upgraded its earnings guidance.

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

### Outlook

Economic conditions have generally improved in the UK, especially the outlook for inflation. However, it is difficult to see a significant acceleration in economic growth currently given uncertain trends both in the UK and overseas. The Labour Party's Budget will likely prove to be a headwind for growth in the short-to-medium term, given the huge scale of the tax rises and extra borrowing that was announced in late October. It also probably reduces the extent to which the BoE can feasibly cut interest rates in the immediate future. While there appear to be limited evident catalysts to push the market much higher from current levels, it nevertheless continues to offer value and trade at relatively cheap levels compared with history and other global markets.

Geopolitical issues (most notably the conflicts in Gaza, Lebanon and Ukraine) remain an ongoing and significant risk to all equity markets and could easily flare up at any time, causing share prices to fall.

Faced with continuing market uncertainty, we believe our focus on seeking more stock-specific and defensive ideas will prove beneficial. We remain focused on finding fundamental market mispricings, with an emphasis on companies that are well placed to continue to deliver in a high-inflation, low-growth environment. Overall, small- and mid-cap equities offer investors the potential for compelling capital growth, with plentiful opportunities at the stock level.

**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.**

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# Contact

Aviva Investors
80 Fenchurch Street
London EC3M 4AE
+44 (0)20 7809 6000

**www.avivainvestors.com**