2025 Value Assessment Report

Aviva Investors Funds ACS

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

April 2025

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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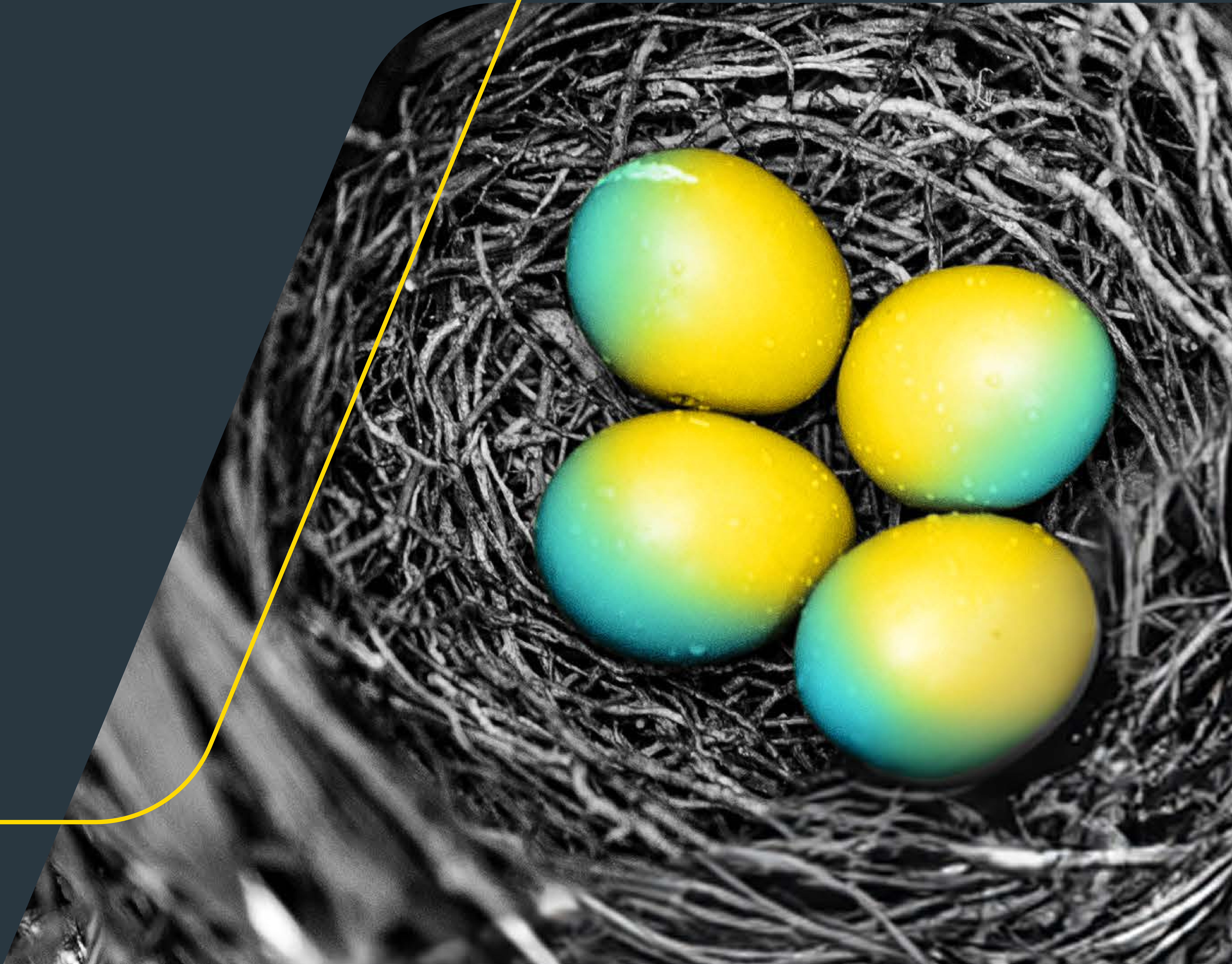

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Statement from the Chair

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 Aviva Investors Funds ACS for the year to 31 December 2024. This report provides an in-depth look at the Sub-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 Sub-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 Sub-fund has performed over the past 12 months, highlights opportunities for improvement, and outlines any changes we've made. In this review, we assessed a total of 32 sub-funds and are pleased to report that they all met the requirements of the assessment giving consideration to an overall outcome across the 7 components of the Value Assessment.

We have identified opportunities to improve some of the Sub-funds, all of which have been considered by the Board and addressed in the individual Sub-fund reports below.

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

"We're committed to truly understanding who you are, what you want from us, and how we can help you achieve your investment goals"

Market Review

We are pleased to note that global shares performed strongly over the past twelve months. Interest rates, which had been rising, have now started to drop, sitting at 4.75% (as at 31 Dec 24) with inflation (Consumer Prices Index (CPI)) also moving closer to the target rate of 2%, standing at 2.5% 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. And further cuts towards the end of the year resulted in the Fed rate being 4.5% at year end.

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 9.5% and 20.8% respectively for the year ending 31 December 2024. The Bloomberg Global Aggregate Corp Index, a measure of fixed income markets, was up 3.3%, not yet fully recovered from a 19% decline in 2022.

Fund Performance

We are pleased that the majority of Funds in this review delivered positive returns (Net of fees) exceeding the Bank of England base rate for the year, in some cases the medium to long-term performance remains impacted by market volatility over previous years. However, there are some instances where overall returns are down over the year and these have been addressed in the individual Sub-fund reports below. 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.

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Meet the board

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

Kate McClellan

Chief Operating Officer

Main responsibilities

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

Read full biography here

Alexa Coates

Independent Non-Executive Director

Main responsibilities

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

Read full biography here

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

Jill Barber

Chief Distribution Officer

Main responsibilities

Jill is a member of the Aviva Investors Executive Committee and is responsible for delivering client solutions globally, covering all channels. She leads the global teams covering Aviva Client, Institutional, Insurance and Wealth in the UK, Europe, Asia and North America. Jill also oversees Product Strategy, Central Distribution Solutions, Distribution Strategy and Planning, Investment and Client Communications.

Read full biography here

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Our approach

An introduction to Value Assessments

As Authorised Fund Manager ('AFM') of the Sub-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 Sub-fund, with appropriate action taken throughout the year. If the result of the value assessment is that charges are not considered to be justified in the context of overall value, appropriate action will be taken.

Quality of service

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

This includes:

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

Performance

Consideration is given to whether Sub-fund performance, before and after the deduction of expenses, is within a reasonable range of outcomes relative to its objective, policy and strategy when measured over appropriate time periods.

The time periods will be set out in the investment objective or policy, and performance over 1, 3, 5 and 7 years (or since inception if there is not a full 7 year's performance data) will be considered. Performance is also considered in the context of the relevant peer group and whether the Sub-fund operated in accordance with its respective risk limits and investment restrictions.

Sub-fund performance, as measured against its objectives, is assessed in regularly scheduled governance meetings, and also taken into account in reaching the conclusions for the value assessment.

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

- Explanations for any underperformance provided by the investment manager as part of the Company's 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.

The Company could consider changing the investment manager or closing the Sub-fund where no other viable options are available or where previous actions have not proved satisfactory.

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

Authoried Fund Manager costs & charges

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

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

- the fees and expenses of the Company as AFM;
- the fees and expenses of the Investment Manager;
- the fees and expenses of the Depositary;
- the fees and expenses of the Custodian;
- the fees and expenses of the Auditor;
- FCA fees.

To assist with the value assessment, a costs and charges model is used to assess the costs attributable to each Sub-fund. The Company will determine whether the costs allocated to each Sub-fund is a fair reflection of the costs of the services provided for the relevant unit class of each Sub-fund, with an appropriate allowance for the levels of income earned for the Company from these activities.

Economies of scale

Consideration is given to whether we have been able to achieve any savings or benefits derived from the size of the Sub-fund, referred to here as "Economies of Scale", and whether investors have benefited appropriately.

In particular the Board considers whether economies of scale have been achieved in relation to the costs and operating expenses of each unit class and the extent to which investors might also benefit from financial savings that result. For example, consideration will be given to whether the charges fairly reflects the fees charged in respect of the third party supplied services – which should be competitive due to the scale of Aviva and the potential breadth of other Aviva product ranges that the supplier also provides services for, allowing us to obtain favourable rates.

The assessment of the underlying service costs of running the Sub-fund, and the appropriate level of charges, takes place annually. Any changes to the underlying costs will be reflected in this analysis and may result in a change to the charges.

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

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

Comparable market rates

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

Direct comparisons of the individual fees that are paid for the services provided to the Sub-funds may be difficult because information is not generally publicly available, however where the aggregate charges (as calculated by the Ongoing Charges Figure) are greater than the average cost of equivalent peer group funds, consideration will be given to whether it would be appropriate to adjust the charge for each unit class.

Comparable services

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

Classes of units

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

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

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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 15 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	Section	Page
Aviva Investors Asia Pacific ex Japan Fund	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.01	16
Aviva Investors Balanced Life Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.02	20
Aviva Investors Balanced Pension Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.03	24
Aviva Investors Cautious Pension Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.04	28
Aviva Investors Distribution Life Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.05	32
Aviva Investors Emerging Market Equity Core Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.06	36
Aviva Investors Europe Equity ex UK Core Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.07	40
Aviva Investors Europe Equity EX UK Fund	▲	●	◆	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.08	44
Aviva Investors Global Equity Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.09	49
Aviva Investors Global Equity Growth Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.10	54
Aviva Investors Index Linked Gilt Fund	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.11	59
Aviva Investors Japan Equity Core Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.12	63
Aviva Investors Japan Equity Fund	▲	▲	◆	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.13	67
Aviva Investors Money Market VNAV Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.14	71
Aviva Investors North American Equity Core Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.15	76

Continued over

Fund	Overall score	Quality of service	Performance	Costs and charges	Classes of units	Conclusion	Section	Page
Aviva Investors North American Equity Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.16	80
Aviva Investors Pacific Equity ex Japan Core Fund	●	●	●	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.17	85
Aviva Investors Pre-Annuity Fixed Interest Fund	●	●	●	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.18	89
Aviva Investors Sterling Corporate Bond Fund	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.19	93
Aviva Investors Sterling Gilt Fund	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.20	97
Aviva Investors Strategic Global Equity Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.21	101
Aviva Investors Stewardship Fixed Interest Fund*	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.22	105
Aviva Investors Stewardship International Equity Fund*	▲	●	◆	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.23	109
Aviva Investors Stewardship UK Equity Fund*	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.24	113
Aviva Investors Stewardship UK Equity Income Fund*	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.25	117
Aviva Investors UK Equity Alpha Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.26	121
Aviva Investors UK Equity Core Fund	●	●	●	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.27	125
Aviva Investors UK Equity Dividend Fund	●	●	▲	●	●	*We have provided more information on the Sub-fund's recent performance in the Sub-fund report.*	4.28	129
Aviva Investors UK Listed Equity ex Tobacco Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.29	133
Aviva Investors UK Listed Equity Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.30	137
Aviva Investors UK Listed Equity Income Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.31	141
Aviva Investors US Large Cap Equity Fund	●	●	●	●	●	The Sub-fund is delivering value in all aspects of the assessment.	4.32	145

*change in Sub-fund name effective 7 April 2025, impacted investors were notified separately

Fund dashboard metrics

Overall Fund Ratings

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

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

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

Individual Component Ratings

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

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

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

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Aviva Investors Asia Pacific ex Japan Fund

Aviva Investors Asia Pacific ex Japan Fund

Overall assessment

Summary Ratings							
Share Class Designation	UK Institutional Acc	ACS Acc (Class 1)	ACS Acc (Class 2)	UK Corporate Acc	Insured Pension Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	●	●	●	●	●	●	●
Quality of service	●	●	●	●	●	●	●
Performance	▲	▲	▲	▲	▲	▲	▲
Authorised fund manager costs	●	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●	●
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 unit class are justified in the context of overall value being delivered to investors. However, the Board notes that there has been some short term underperformance, and more information can be found on this in the Performance section on the next page.

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 unit classes in the Sub-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 Designation	ACS Acc (Class 1)	ACS Acc (Class 2)	Insured Pension Inc	Insured Pension Acc	UK Corporate Acc	UK Corporate Inc	UK Institutional Acc	MSCI AC Asia Pac Ex Jpn[2]
1 Year	10.71	10.71	10.66	10.70	10.70	10.72	10.72	12.12
3 Year	0.55	0.55	0.56	-	-	0.55	0.54	1.82
5 Year	-	-	4.30	-	-	4.30	4.31	4.18
7 Year	-	-	4.48	-	-	4.48	4.46	3.65
Since launch	-	1.09	-	4.64	4.64	-	-	-

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to grow your investment over the long term (5 years or more) by investing in shares of companies in the Asia-Pacific region, excluding Japan.

Over the year to 31 December 2024 the Sub-fund has underperformed the benchmark against which its performance can be compared by 1.4%, this was primarily due to negative stock selection in Chinese securities, and an overweight holding in Samsung Electronics, which did not perform as well as expected. Despite a disappointing year, the Sub-fund is neutral to the benchmark over 5 years (4.3% vs 4.2%) and is delivering growth over a 7 year period.

Whilst the Sub-fund's performance over the short to medium term is disappointing, some changes have been made to the portfolio management team, of which the Board is supportive, and the Board is therefore confident of the portfolio manager's ongoing ability to meet the stated objective in the future. Therefore, we do not intend to make any changes to the Sub-fund at this point in time, but the Sub-fund will remain under review following our standard governance process.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January to 31 December 2024, the portfolio posted a return of 10.7%* (net of fees in GBP terms), relative to the benchmark which returned 12.1%.

Portfolio Review

Positive stock selection in Taiwan and India was the key contributor to relative performance, while this was offset by weak stock selection in Australia and Korea.

In Taiwan, our overweight position in TSMC did well on the back of a renewed rally in AI-related companies in the region, while our overweight exposure to Mediatek also outperformed on rising expectations of its AI ASIC (application-specific integrated circuit) as an alternative to GPUs for AI applications. In India, our overweight position in ICICI Bank did well as the company continued to report strong loan and profit growth and outperforming peers, while asset quality remains stable.

Conversely, in Korea, our overweight position in Samsung Electronics did poorly on the back of delays in qualification for Nvidia's high-bandwidth memory chips and market fears over a slowdown in the memory cycle. Our overweight position in LG Chem also underperformed on the back of lacklustre battery demand amid a slowdown in the global EV sector, while petrochemical demand also remained sluggish given the soft macro backdrop in China. In Australia, our overweight positions in diversified miners BHP and Rio Tinto did poorly as subdued demand in China due to its ongoing property downturn continues to exert downward pressure on iron ore prices.

Persistent geopolitical tensions, higher global interest rates, and slower growth in China continued to weigh on markets. The US Fed cut interest rates as expected, but its hawkish skew due to the strength of the economy and inflation above 2% drove a broad sell-off in markets in late December.

In China, the delayed recovery in consumer demand and persistent property sector challenges dragged on economic growth. GDP growth for 2024 is estimated at 4.6%, below earlier expectations. US-China trade tensions resurfaced with tariffs extended on key exports, impacting manufacturing and export-oriented sectors. Technology stocks faced additional pressure from export restrictions and reduced global semiconductor demand. Policymakers are expected to announce further stimulus measures, but the effectiveness of these steps remains uncertain.

The Indian banking sector saw rising stress due to higher interest rates and asset quality issues in the retail and SME segments. Domestic flows stayed robust ahead of the national elections in 2025, which are expected to further drive capital allocation to key infrastructure and consumer sectors.

In Korea, the uncertainty over potential leadership changes has exacerbated market volatility, with investors concerned about the potential policy shifts and their impact on the business environment. Adding to the pressure were fears that the Inflation Reduction Act (IRA) subsidies benefiting the battery supply chain could be rolled back, dampening investor sentiment in the sector.

In Taiwan, the semiconductor sector remained a key driver, supported by global investments in AI and advanced chip technologies. Foreign direct investment into Taiwan continues to bolster economic resilience. However, cross-strait tensions with China remain a potential overhang for market performance in 2025.

The broader Asian market (based on the MSCI APxJ Index) is trading at 13.3x PER, with consensus earnings growth expectations of 11% for 2025. Taiwan and Korea are expected to lead earnings growth (both rising 17% y/y), supported by AI-led investments. China is forecasted to grow earnings by 9%, but risks remain due to weak domestic demand. India is expected to recover to double-digit earnings growth in FY26, supported by nominal GDP expansion and structural reforms. Key risks for broader markets include further escalation of geopolitical tensions, prolonged monetary tightening, and weaker-than-expected consumer recovery in China.

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.

4.02

Aviva Investors Balanced Life Fund

Aviva Investors Balanced Life Fund

Overall assessment

Summary Ratings	
Share Class Designation	UK Corporate Inc
Overall rating	●
Quality of service	●
Performance	●
Authorised fund manager costs	●
Comparable market rates	●
Economies of scale	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	SONIA +4%
1 Year	8.76	9.49
3 Years	1.22	7.96
5 Years	4.50	6.41
7 Years	4.13	5.87

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the portfolio returned 8.8%* (net of fees) and the comparator[1] returned -20.0%. Over the same period, 3-month cash[2] + 4% generated a total return of 9.5%.

Portfolio Review

The first half of 2024 was characterised by a notable resilience in US economic data, primarily due to the buoyancy of the labour market. As a result, there was a readjustment of rate expectations in the US bond market, which began to closely align with our perspective of a gradual economic slowdown. Our focus this year has been on strategically positioning ourselves for this anticipated soft landing.

Equity positions, particularly in developed markets, performed well in the first half of the year. Following a strong rally into year-end, valuations appeared stretched. As a result, we started the year with a cautious view given how far equity markets had moved. As Q1 progressed, we upgraded our equity view to positive as growth continued to surprise on the upside, while inflation remained under control. We have maintained a positive view on equities since then given the benign growth outlook powered by a resilient labour market in the US. Equity allocations have contributed positively, driven by our core US and global equity positions. Given our positive view on US equities, we topped up exposure to the Aviva US Large Cap strategy early in the year. This strategy exhibited strong gains as US technology stocks led the equity rally in the first half of the year, and then again following President Trump's election victory. Q4 saw us adjust the composition of our regional exposure to incorporate hedges ahead of the US election. Given markets had moved quite far, we became more targeted with our US exposure, rotating some S&P 500 exposure into the Dow Jones which we believed would outperform should Trump win the election. We also bought put options on the S&P 500 which helped shield the portfolio amidst the volatility in October and again in December.

In fixed income, returns were negative for the year, with losses in government bonds outweighing gains in credit. In the first half of the year, we proactively reduced our exposure to the US 10-year, which protected the portfolio as market expectations of when the US Federal Reserve (Fed) would cut interest rates were pushed back.

Despite this, government bonds were the largest detractor in fixed income. The trend of investors resetting rate cut expectations continued in the second half of the year. At the beginning of Q4, excessive rate cuts were priced by the market, but as investors reset their expectations, the US 10-year yield approached attractive levels, and we took the opportunity to increase exposure. However, yields rose again as US-inflation figures saw an unexpected uptick. Elsewhere, we cut our UK gilt exposure in the final quarter given the elevated volatility following the Autumn budget announcement. We have maintained a preference for credit over the year. Both investment grade and high yield debt allocations performed well, whilst emerging market debt ended the period flat. Credit markets were supported by attractive income and easing liquidity conditions, while a rise in US bond yields and a strengthening US dollar acted as headwinds for emerging market debt at the end of the year. Considering these headwinds, we trimmed our exposure to emerging market debt in the final quarter of the year.

Allocations to gold have been additive to performance over the year. Gold offers a good hedge against concerns around the sustainability of fiscal spending, and we believe it will benefit from ongoing central bank buying.

Looking ahead, we think conditions are favourable for good returns to be made in 2025, but there will be challenges to navigate. Our focus is shifting now from landings to divergence - across economies, central bank actions and market performance. US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the "Trump trade" will deliver even more outperformance in the months ahead. However, with the new administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect positive returns from equities in 2025, with market performance broadening out from recent winners. We like gold, the US dollar and selected bond positions as portfolio hedges.

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.

1. 70% MSCI ACWI GBP HEDGED (NDR) and 30% FTSE A Gilts All Stocks.
2. Cash is represented by LIBOR until 30 November 2021 where it is chain-linked to SONIA.

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

4.03

Aviva Investors Balanced Pension Fund

Aviva Investors Balanced Pension Fund

Overall assessment

Summary Ratings		
Share Class Designation	UK Corporate Acc	Insured Pension Inc
Overall rating	●	●
Quality of service	●	●
Performance	●	●
Authorised fund manager costs	●	●
Comparable market rates	●	●
Economies of scale	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Inc	UK Corporate Acc	SONIA +4%
1 Year	8.81	8.77	9.49
3 Years	1.43	1.42	7.96
5 Years	4.57	4.61	6.41
7 Years	4.25	–	5.87
Since Launch	–	4.59	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the portfolio returned 8.8%* (net of fees) and the comparator[1] returned 20.0%. Over the same period, 3-month cash[2] + 4% generated a total return of 9.5%.

Portfolio Review

The first half of 2024 was characterised by a notable resilience in US economic data, primarily due to the buoyancy of the labour market. As a result, there was a readjustment of rate expectations in the US bond market, which began to closely align with our perspective of a gradual economic slowdown. Our focus this year has been on strategically positioning ourselves for this anticipated soft landing.

Equity positions, particularly in developed markets, performed well in the first half of the year. Following a strong rally into year-end, valuations appeared stretched. As a result, we started the year with a cautious view given how far equity markets had moved. As Q1 progressed, we upgraded our equity view to positive as growth continued to surprise on the upside, while inflation remained under control. We have maintained a positive view on equities since then given the benign growth outlook powered by a resilient labour market in the US. Equity allocations have contributed positively, driven by our core US and global equity positions. Given our positive view on US equities, we topped up exposure to the Aviva US Large Cap strategy early in the year. This strategy exhibited strong gains as US technology stocks led the equity rally in the first half of the year, and then again following President Trump's election victory. Q4 saw us adjust the composition of our regional exposure to incorporate hedges ahead of the US election. Given markets had moved quite far, we became more targeted with our US exposure, rotating some S&P 500 exposure into the Dow Jones which we believed would outperform should Trump win the election. We also bought put options on the S&P 500 which helped shield the portfolio amidst the volatility in October and again in December.

In fixed income, returns were negative for the year, with losses in government bonds outweighing gains in credit. In the first half of the year, we proactively reduced our exposure to the US 10-year, which protected the portfolio as market expectations of when the US Federal Reserve (Fed) would cut interest rates were pushed back. Despite this, government bonds were the largest detractor in fixed income. The trend of investors resetting rate cut expectations continued in the second half of the year. At the beginning of Q4, excessive rate cuts were priced by the market, but as investors reset their expectations, the US 10-year yield approached attractive levels, and we took the opportunity to increase exposure. However, yields rose again as US-inflation figures saw an unexpected uptick. Elsewhere, we cut our UK gilt exposure in the final quarter given the elevated volatility following the Autumn budget announcement. We have maintained a preference for credit over the year. Both investment grade and high yield debt allocations performed well, whilst emerging market debt ended the period flat. Credit markets were supported by attractive income and easing liquidity conditions, while a rise in US bond yields and a strengthening US dollar acted as headwinds for emerging market debt at the end of the year. Considering these headwinds, we trimmed our exposure to emerging market debt in the final quarter of the year.

Allocations to gold have been additive to performance over the year. Gold offers a good hedge against concerns around the sustainability of fiscal spending, and we believe it will benefit from ongoing central bank buying.

Looking ahead, we think conditions are favourable for good returns to be made in 2025, but there will be challenges to navigate. Our focus is shifting now from landings to divergence - across economies, central bank actions and market performance. US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the "Trump trade" will deliver even more outperformance in the months ahead. However, with the new administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect positive returns from equities in 2025, with market performance broadening out from recent winners. We like gold, the US dollar and selected bond positions as portfolio hedges.

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.

1. 70% MSCI ACWI GBP HEDGED (NDR) and 30% FTSE A Gilts All Stocks.
2. Cash is represented by LIBOR until 30 November 2021 where it is chain-linked to SONIA.

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

4.04

Aviva Investors Cautious Pension Fund

Aviva Investors Cautious Pension Fund

Overall assessment

Summary Ratings		
Share Class Designation	UK Corporate Acc	Insured Pension Inc
Overall rating	●	●
Quality of service	●	●
Performance	●	●
Authorised fund manager costs	●	●
Comparable market rates	●	●
Economies of scale	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Inc	UK Corporate Acc	SONIA +2.5%
1 Year	6.37	6.23	7.91
3 Years	0.27	0.22	6.40
5 Years	3.12	3.11	4.88
7 Years	3.02	–	4.35
Since Launch	–	3.31	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the portfolio returned 6.2%* (net of fees) and the comparator returned 15.3%. Over the same period, 3-month cash[2] + 2.5% generated a total return of 7.9%.

Portfolio Review

The first half of 2024 was characterised by a notable resilience in US economic data, primarily due to the buoyancy of the labour market. As a result, there was a readjustment of rate expectations in the US bond market, which began to closely align with our perspective of a gradual economic slowdown. Our focus this year has been on strategically positioning ourselves for this anticipated soft landing.

Equity positions, particularly in developed markets, performed well in the first half of the year. Following a strong rally into year-end, valuations appeared stretched. As a result, we started the year with a cautious view given how far equity markets had moved. As Q1 progressed, we upgraded our equity view to positive as growth continued to surprise on the upside, while inflation remained under control. We have maintained a positive view on equities since then given the benign growth outlook powered by a resilient labour market in the US. Equity allocations have contributed positively, driven by our core US and global equity positions. Given our positive view on US equities, we topped up exposure to the Aviva US Large Cap strategy early in the year. This strategy exhibited strong gains as US technology stocks led the equity rally in the first half of the year, and then again following President Trump's election victory. Q4 saw us adjust the composition of our regional exposure to incorporate hedges ahead of the US election. Given markets had moved quite far, we became more targeted with our US exposure, rotating some S&P 500 exposure into the Dow Jones which we believed would outperform should Trump win the election. We also bought put options on the S&P 500 which helped shield the portfolio amidst the volatility in October and again in December.

In fixed income, returns edged into negative territory for the year, with losses in government bonds narrowly outweighing gains in credit. In the first half of the year, we proactively reduced our exposure to the US 10-year, which protected the portfolio as market expectations of when the US Federal Reserve (Fed) would cut interest rates were pushed back. Despite this, government bonds were the largest detractor in fixed income. The trend of investors resetting rate cut expectations continued in the second half of the year. At the beginning of Q4, excessive rate cuts were priced by the market, but as investors reset their expectations, the US 10-year yield approached attractive levels, and we took the opportunity to increase exposure. However, yields rose again as US-inflation figures saw an unexpected uptick. Elsewhere, we cut our UK gilt exposure in the final quarter given the elevated volatility following the Autumn budget announcement. We have maintained a preference for credit over the year. Both investment grade and high yield debt allocations performed well, whilst emerging market debt ended the period flat. Credit markets were supported by attractive income and easing liquidity conditions, while a rise in US bond yields and a strengthening US dollar acted as headwinds for emerging market debt at the end of the year. Considering these headwinds, we trimmed our exposure to emerging market debt in the final quarter of the year.

Allocations to gold have been additive to performance over the year. Gold offers a good hedge against concerns around the sustainability of fiscal spending, and we believe it will benefit from ongoing central bank buying.

Looking ahead, we think conditions are favourable for good returns to be made in 2025, but there will be challenges to navigate. Our focus is shifting now from landings to divergence - across economies, central bank actions and market performance. US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the "Trump trade" will deliver even more outperformance in the months ahead. However, with the new administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect positive returns from equities in 2025, with market performance broadening out from recent winners. We like gold, the US dollar and selected bond positions as portfolio hedges.

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.

1. 50% MSCI AC World TR hedged to GBP, 50% FTSE All Stocks Gilt TR index.
2. Cash is represented by LIBOR until 30 November 2021 where it is chain-linked to SONIA.

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

4.05

Aviva Investors Distribution Life Fund

Aviva Investors Distribution Life Fund

Overall assessment

Summary Ratings	
Share Class Designation	UK Corporate Inc
Overall rating	●
Quality of service	●
Performance	●
Authorised fund manager costs	●
Comparable market rates	●
Economies of scale	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	SONIA +2.5%
1 Year	6.29	7.91
3 Years	0.65	6.40
5 Years	3.37	4.88
7 Years	3.85	4.35

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the portfolio returned 6.3%* (net of fees). Over the period, 3-month cash + 2.5%[1] generated a total return of 7.9%. The yield of the portfolio at the end of the period was 4.3%, ahead of its target of 2.7% (110% of the comparator index1).[2]

Portfolio Review

The first half of 2024 was characterised by a notable resilience in US economic data, primarily due to the buoyancy of the labour market. As a result, there was a readjustment of rate expectations in the US bond market, which began to closely align with our perspective of a gradual economic slowdown. Our focus this year has been on strategically positioning ourselves for this anticipated soft landing.

Equity positions, particularly in developed markets, performed well in Q1. Following a strong rally into year-end, valuations appeared stretched. As a result, we started the year with a cautious view given how far equity markets had moved. As Q1 progressed, we upgraded our equity view to positive as growth continued to surprise on the upside, while inflation remained under control. We have maintained a positive view on equities since then given the benign growth outlook powered by a resilient labour market in the US. Equity allocations have contributed positively, driven by our core global and UK equity positions. Q4 saw us adjust the composition of our regional exposure to incorporate hedges ahead of the US election. Given markets had moved quite far, we became more targeted with our US exposure, rotating some S&P 500 exposure into the Dow Jones which we believed would outperform should Trump win the election. We also bought put options on the S&P 500 which helped shield the portfolio amidst the volatility in October and again in December.

In government debt, we proactively reduced our exposure to US 10-year government bonds in the first half of the year, protecting the portfolio as market expectations of when the Fed would cut were pushed back. Despite this, government bonds were the largest detractor in fixed income. The start of Q4 saw excessive rate cuts being priced in, but as investors reset their expectations, the US 10-year yield approached attractive levels, so we took the opportunity to increase exposure. The end of the year also saw us cut our UK gilt exposure given the elevated volatility following the Autumn budget announcement. On the credit front, investment grade debt and high yield bonds contributed positively to performance, though allocations to emerging market debt ended the period flat. We trimmed our local emerging market debt exposure towards the end of the year as rise in US bond yields and a strengthening US dollar pose headwinds for the asset class.

Allocations to gold have been additive to performance over the year. Gold offers a good hedge against concerns around the sustainability of fiscal spending, and we believe it will benefit from ongoing central bank buying.

Looking ahead, we think conditions are favourable for good returns to be made in 2025, but there will be challenges to navigate. Our focus is shifting now from landings to divergence - across economies, central bank actions and market performance. US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the “Trump trade” will deliver even more outperformance in the months ahead. However, with the new administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect positive returns from equities in 2025, with market performance broadening out from recent winners. We like gold, the US dollar and selected bond positions as portfolio hedges.

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.

1. Cash is represented by LIBOR until 30 November 2021 where it is chain-linked to SONIA.
2 Comparator comprises 50% MSCI AC World index hedged to GBP, 50% FTSE All stocks Gilts index.
* Fund performance figures – source Morningstar, net of fees, net income reinvested.

4.06

Aviva Investors Emerging Market Equity Core Fund

Aviva Investors Emerging Market Equity Core Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	Insured Pension Acc	Fund of Funds Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Fund of Funds Acc	Insured Pension Acc	UK Institutional Acc	MSCI EM NR USD[2]
1 Year	9.02	9.46	8.14	7.50
Since Launch	8.74	6.89	8.05	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a USD return of 8.1%* in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI Emerging Markets Index[2], returned 7.5%.

Review

Emerging market shares posted solid returns in US dollar terms in 2024. Asian markets made attractive gains as signs of improvement in Chinese growth and increasing expectations of a so-called soft economic landing in the US boosted the outlook for the region's manufacturers. Companies linked to the artificial intelligence (AI) boom performed notably well.

Returns from Latin America were disappointing, however, as both the Brazilian and Mexican markets traded sharply lower. In Brazil, shares were hit by a number of domestic challenges, including weakness in the index heavyweight Vale, high interest rates and a significant devaluation of the domestic currency. Mexican shares were buffeted by a strong peso and worries about high inflation and rising labour costs, not to mention an unfavourable election result in the eyes of investors. It was a stellar year for Argentinean shares, however, on evidence of an economic revival under President Milei.

Elsewhere, Turkish shares rallied strongly (+41% in local terms) as investors swamped the market in a bid for refuge against runaway inflation. In emerging Europe, the strongest market was Hungary (+31% in local terms).

The leading market sectors over the year were communication services, information technology and financials. As elsewhere, materials companies lagged as commodity prices weakened.

Outlook

As we start 2025, investors are focused on China, the US and global geopolitics. Key macroeconomic drivers – notably the outlook for US inflation, US Federal Reserve decisions on the scope for interest-rate cuts and the strength of the US dollar against emerging-market currencies – remain significant factors for the performance of emerging-market equities. China is also central, following the government's recent policy efforts to revive its economy and resultant market volatility. In addition, there is an uncertain outlook for US policy under President Trump, particularly regarding the US's international stance and tariff policy towards China. Meanwhile, the Ukraine conflict drags on and the situation in the Middle East remains fragile. All of these important yet unpredictable variables could shape the outlook for emerging-market equities in the coming months and beyond.

Macroeconomic factors and investor flows continue to play significant roles in asset-price formation in emerging markets; however, we continue to believe that solid corporate fundamentals will ultimately assert themselves and that valuations do matter.

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

4.07

Aviva Investors Europe Equity ex UK Core Fund

Aviva Investors Europe Equity ex UK Core Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Corporate Acc	Insured Pension Acc	Fund of Funds Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Fund of Funds Acc	Insured Pension Acc	UK Corporate Acc	MSCI Europe Ex UK NR GBP[2]
1 Year	2.45	2.53	2.53	1.94
Since Launch	7.86	7.93	7.90	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a sterling return of 2.5%* (net of fees) in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI Europe ex-UK Index[2], returned 1.9%.

Review

Europe ex-UK equities advanced modestly in 2024 but underperformed the global average by a clear margin. Investor sentiment was impacted negatively by a combination of a stagnating economy and political turbulence as elections in a number of countries saw notable gains by more extreme fringe parties.

The region's economic woes were exacerbated by marked weakness in Germany. Normally the engine of European growth, Germany flirted with recession as its manufacturing sector shrank amid high energy prices and waning demand for its exports. The automobile sector came under particular pressure as it struggled to make the transition to electric vehicles amid fierce competition from China. In response, growth for the Eurozone overall remained in the doldrums, although an expansion of 0.4% in the third quarter represented a modest improvement from earlier in the year. The closely watched Eurozone manufacturing purchasing manager index was in contractionary territory throughout the period, beginning the year at 46.6 and ending it at 45.1 (a figure of 50 or above indicates expansion).

Given the headwinds facing growth, investors looked to the European Central Bank (ECB) to inject some momentum into growth via looser monetary policy. In June, the ECB became the first of the major monetary custodians to ease policy, cutting interest rates by 25 basis points, even though inflation had yet to reach target. It lowered borrowing costs a further three times to bring its benchmark rate to 3.0% by the end of the year.

Within the market, there was a wide dispersion of returns. The leading sector was financials, while solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

Outlook

Eurozone growth will be subject to further downside pressure due to potential tariffs and the region's exposure to global trade. However, underlying dynamics are not as weak as sentiment surveys suggest and the reduction in interest rates together with still positive real income growth and significant excess savings suggest that part of the hit will be absorbed. In sum, we have reduced our 2025 real GDP growth forecast to 1.1% from 1.4% previously.

Inflation is set to fall over the course of 2025. However, the trend in services inflation has stalled, suggesting that the decline will be gradual, and aggregate demand will not be as weak as generally assumed. On monetary policy, we do not share the market's view for a terminal rate below 2%. Our expectation is for rates to bottom around 2.25%-2.5% in addition to a likely pickup in consumption.

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

4.08

Aviva Investors Europe Equity ex UK Fund

Aviva Investors Europe Equity ex UK Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	▲	▲	▲
Quality of service	●	●	●
Performance	◆	◆	◆
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit class are justified in the context of overall value being delivered to investors. However, the Board notes that there has been some short term underperformance, and more information can be found on this in the Performance section opposite.

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 unit classes in the Sub-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 Designation	UK Corporate Inc	Insured Pension Inc	UK Institutional Acc	FTSE Developed Europe ex UK NR GBP[1]
1 Year	-1.55	-1.75	-2.12	2.46
3 Years	-0.85	-0.89	-1.20	2.92
5 Years	4.28	4.25	4.04	6.74
7 Years	3.65	3.64	3.41	6.05

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

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

In the Value Assessment published in April 2024 the Board confirmed that a new portfolio manager had been appointed and would be taking over management of the portfolio in an orderly manner; this was completed in July 2024 and Fidelity (FIL Investment Management Ltd) assumed responsibility for the portfolio management of the Sub-fund in July 2024.

Throughout this transition period the Sub-fund has had a disappointing 12 months, it has delivered a negative return of -1.7%, underperforming the benchmark against which its performance can be compared by 4.1% in the year to 31 December 2024. However, the decision to appoint Fidelity followed a thorough selection process, and their track record, along with their philosophy and strategy, was considered to be an ideal fit for the Sub-fund's objective. The Board therefore believes that the change of investment manager will ultimately position the Sub-fund for it to deliver value to investors and more time must be given for the new portfolio management team to have a positive impact on the Sub-fund. In the meantime, the Sub-fund will remain under review following our standard governance process.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Market Overview

Despite delivering positive returns over the third quarter, Continental European equities declined over the fourth quarter to end the 6-month period in negative territory. Optimism around Donald Trump's US presidential election win in November quickly faded as markets turned their focus to potential trade tariffs and geopolitical risks. Political instability in Germany, where the ruling coalition dissolved, and in France, where the government faced a no-confidence vote, also added to the uncertainty. Weak manufacturing data from the US and Europe also fuelled concerns about economic growth. However, Continental European equities partially recovered as the ECB implemented three rate cuts over the period while the Fed also began its monetary easing cycle. A series of stimulus measures from China's central bank added to the positive sentiment, driving optimism of a swift recovery in Chinese demand.

Portfolio Performance

The portfolio underperformed the index. The underperformance was mainly driven by security selection, particularly within the consumer staples and healthcare sectors, while the lack of exposure to communication services sector and unfavourable allocation to the industrials (notably, the lack of exposure to Siemens Energy) held back gains. Some of these losses were partially offset by the underweight allocation to the consumer discretionary sector. The contribution from the information technology sector was mixed, with positive sector allocation outweighed by weaker stock selection within the sector.

At a stock level, the portfolio's holding in Novo Nordisk proved disappointing, while holding in Swiss pharmaceutical business Roche offset some of these losses. Roche reported positive H1'24 results in July with sales and earnings above consensus forecasts. The company also raised its FY 2024 earnings guidance and unveiled promising early-stage results for its oral weight-loss drug and plans to fast-track development. Shares in Novo Nordisk were weak on this news given the perceived competitive threat. Later in the period, Novo's shares fell sharply in December following a disappointing late-stage trial result for its experimental, next generation obesity drug CagriSema.

The portfolio's exposure to semiconductor equipment business ASML was among the top two detractors. Following a strong rally on the back of positive developments surrounding artificial intelligence (AI), several semiconductor names reported disappointing results in the third quarter and the market also reacted negatively to news that the US is considering implementing more severe trade restrictions on China in relation to semiconductors.

Holding in oil French oil major TotalEnergies was another source of weakness. Energy names declined in September as crude oil prices dropped on a media report that Saudi Arabia is preparing to scrap its unofficial oil price as OPEC+ looked set to raise output in December. Later in the period, the company reported Q3'24 results in October, slightly missing expectations as refining margins and upstream outages dragged down earnings.

Within the consumer staples sector, the portfolio's holdings in French beauty group L'Oréal and Swiss consumer goods business Nestlé were other notable detractors. Over the period weakening consumer spending, particularly in China, has hurt the space. Post Covid weakness has extended longer than expected in areas such as spirits, beauty, and pet food. L'Oréal missed third- quarter sales estimates due to reduced beauty product demand in China and slower growth in its dermatological division. Nestlé reported a weak set of numbers in Q3'24 and cut guidance citing a 'soft' demand environment. It has had challenges from raw material inflation in coffee and cocoa, the unexpected departure of its CEO, and has struggled to maintain good pricing.

On a positive note, shares in German enterprise software business SAP rose significantly following an upward revision of its full year revenue guidance driven by strong growth in its cloud business over the third quarter. In December, the stock benefited from positive broker commentary, citing its attractive earnings growth potential over the longer term.

In Financials, the portfolio's holdings in 3i Group and Deutsche Börse added notable value. 3i Group delivered strong returns, supported by the continued outperformance of its largest portfolio asset, discount retailer Action. In November, the company reported robust H1 FY2025 results, with an 8% increase in NAV per share driven by significant sales growth at Action. Deutsche Börse also added value, initially benefiting from in-line Q2 2024 results and a subsequent upward revision to its full-year guidance for net revenue and EBITDA in July. The stock remained resilient later in the period, following in-line Q3 2024 results reported in October.

Outlook

The resounding victory for the Republicans in November's US election has shifted the economic landscape for 2025. In Europe, Fidelity's macro team expects a cyclical upswing in 2025, as falling inflation and lower interest rates help to resurrect capital expenditure from corporates and consumer confidence. Stronger real disposable income and easier financing conditions should facilitate the release of elevated excess savings to spur consumption growth. On monetary policy, the team expects the ECB to cut rates quickly to reach 2%, followed by a gradual easing to 1.5% by the end of 2025.

On the flipside, we are mindful that Europe will have to navigate a shift in the US trade and industrial policy, that is likely to weaken its growth prospects and put downward pressure on domestic inflation as external demand slows. Potential tariffs from the US pose a downside risk, particularly for the automotive sector, and the resulting trade uncertainty could reduce growth by up to half a percentage point. Recent profit warnings by European industrial and automobile companies, as well as lacklustre sales by consumer discretionary names, raise doubts over the strength of the Chinese demand. Germany in particular is likely to face the impact of these headwinds given additional uncertainty due to the snap elections in February.

While there are reasons to predict that European GDP growth is likely to lag that of the US, as a stock market the MSCI Europe Index has very diversified revenue exposure. There are many European companies that present attractive opportunities for investors. The manufacturing recession in Europe is already one of the longest in decades and we are probably closer to the end, which could make Europe more attractive in the near future.

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.

Performance commentary 5th July 2024 to 31st December 2024.

4.09

Aviva Investors Global Equity Fund

Aviva Investors Global Equity Fund

Overall assessment

Summary Ratings							
Share Class Designation	UK Institutional Acc	UK Corporate Acc	Insured Pension Acc	ACS FoF Acc (Class 1)	ACS FoF Acc (Class 2)	UK Corporate Inc	Insured Pension Inc
Overall rating	●	●	●	●	●	●	●
Quality of service	●	●	●	●	●	●	●
Performance	●	●	●	●	●	●	●
Authorised fund manager costs	●	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	ACS Acc (Class 1)	ACS Acc (Class 2)	Insured Pension Inc	Insured Pension Acc	UK Corporate Acc	UK Institutional Acc	MSCI World NR GBP[2]
1 Year	23.56	–	–	23.69	23.68	23.66	23.50	20.79
3 Year	9.62	–	–	9.74	–	–	9.60	9.15
5 Year	14.82	–	–	14.96	–	–	14.81	12.42
7 Year	13.62	–	–	13.76	–	–	13.59	11.46
Since launch	–	19.60	19.60	–	19.03	18.91	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned +23.6%* (net of fees), outperforming the MSCI World Index[2] by 2.8% over the period.

Portfolio Review

Global stock markets achieved strong gains in CY2024, despite periods of volatility driven by shifting economic expectations as well as geopolitical tensions and policy changes. The US was the top performing equity market supported by robust economic growth and healthy corporate earnings. The rally was driven largely by the "Magnificent Seven" tech companies, who accounted for approximately half of the S&P500's returns during the year. Indeed, narrow breadth was a theme across many regional equity markets as larger companies outperformed their smaller counterparts.

Information technology was the leading sector, spearheaded by hardware and semiconductor companies. Some of the other cyclically oriented sectors - consumer discretionary, financials, industrials - also performed well as investors in the latter parts of the period anticipated policy shifts would spur economic growth.

Most major currencies fell against the US dollar but in local currency terms performance outside the US was robust. Japan's Nikkei index was a standout buoyed by ongoing corporate governance reforms and an improving economic backdrop. In contrast, China's markets experienced a turbulent year, marked by weak consumer confidence and deflationary pressures that were met with government stimulus, which drove a rally in Chinese equities in the second half of the year. Europe saw mixed results with some markets like Spain performing well, while others like France struggled where underperformance was characterised by political uncertainty.

The portfolio outperformed its comparator index against this backdrop. In aggregate, stock picks in communications services performed particularly well as streaming platform companies Spotify and Netflix were among the leading contributors. Both companies are enjoying market-leading competitive positions which is driving strong pricing power while diversification of revenue streams (audiobooks and advertising respectively) is also delivering growth for both companies.

Several Japanese holdings were also among the top performers as corporate reform and a weaker yen helped drive improved profitability and shareholder value. Some stock picks also experienced improvements in end-market demand, particularly in industrials. Machinery manufacturer Mitsubishi Heavy Industries saw increased demand for gas turbines while Hitachi's industrial digitisation and power grid business segments drove revenue growth and margin expansion.

The AI investment theme performed well for the second consecutive year. Semiconductor companies TSMC and Arm Holdings as well as networking systems provider Arista Networks all saw significant revenue and earnings growth during the period as they benefitted from the continued AI infrastructure build-out. AI-related tailwinds, alongside strong operating and financial performance of their core businesses, also helped Magnificent-7 stocks such as Alphabet and Amazon to outperform.

There were however some pockets of weaker performance within technology during the period. Opportunistic holding and semiconductor company Samsung Electronics disappointed. While the company benefitted to an extent from an upturn in the memory cycle, this was overshadowed by operational weaknesses in both foundry and memory. We sold this position in the final quarter of the year. In software, multimedia company Adobe underperformed driven largely by investor concern around competitive pressures stemming from Generative AI companies and emerging peers. We believe these concerns have been overestimated given the company's high barriers to entry but acknowledge these risks and continue to monitor the position closely.

Autos company Bayer Motoren Werk (BMW) was another notable detractor as the company issued a profit warning due to a product recall in the second half of the year. The company also saw increasing competition and softer demand in China. We remain positive on our outlook believing the company is well poised for volume growth in 2025 while its leading position in electric vehicles supports longer-term conviction. Similarly, Japanese industrial holding SMC Corp underperformed as China competition intensified. We believe the company's market share position is however showing signs of stabilising on improving cost competitiveness.

Equity markets in aggregate have enjoyed strong momentum through most of 2024, supported by positive investor sentiment, increasing risk appetite and strong asset class flows. More importantly, markets have been buoyed by supportive growth fundamentals, monetary easing by global central banks and an expanding business cycle, and this remains our central scenario for 2025.

However, in the short term, the outlook is less certain with recent volatility illustrating the delicate market balance and the potential for market drawdown on disappointing news flow. This is accentuated by high equity valuations which provide little support in the event of data that brings into question the benign outlook that has been substantially priced in. Macro data is therefore likely to dominate sentiment in the near term. In this regard, the US remains critically important due to its weight within global benchmarks but also due to the US economy's role in driving for global growth.

The US, once again, dominated equity market returns in 2024 due to a resilient economic backdrop, upgrades to growth and market enthusiasm for Donald Trump's anticipated policy measures. We think these dynamics are likely to persist in 2025, re-enforced by so-called US Exceptionalism. US companies, particularly those with significant domestic revenue exposure, are therefore well-placed and we expect to see robust and accelerating earnings growth as a consequence. Unlike in 2024, where growth was largely confined to the mega-cap tech stocks, growth should broaden-out in 2025, benefitting stocks in some of the less-glamorous areas of the market that struggled in 2024. US equity market leadership should, we believe, be less-concentrated and less-polarised this year.

Despite this, vulnerability to news flow that conflicts with a 'soft- or no-landing scenario' has been amply demonstrated by the sell-off in the S&P500 in late December/early January as expectations of rate cuts started to moderate.

Trump's policy proposals – substantive or otherwise – will also come under increasing scrutiny after his inauguration providing another source of risk to the growth and inflation outlook both domestically and internationally. Trade tariffs and immigration policy are at the epicentre of this and will probably remain so throughout 2025. Geopolitical risks remain at heightened levels, significantly influencing global economic stability and market dynamics. Factors such as ongoing conflicts, trade tensions, and shifts in international alliances can create uncertainty that impacts investor sentiment and economic forecasts. The rise of populism in various regions has further complicated this landscape, leading to fragmented political environments and challenges to already-fragile economic frameworks.

Nowhere has this been more apparent than in Europe, where governments try to navigate stretched balance sheets, failing confidence and soft growth. Political noise in Europe will likely continue to weigh on sentiment, and fiscal consolidation amidst slower growth poses a headwind for Europe. Despite this we continue to see parts of Europe enjoying a far healthier macro backdrop with interesting domestically exposed growth. But in general, portfolio exposure is tilted towards those companies with material overseas earnings that have attractive end-market exposures, frequently aligned to structural thematic trends such as the energy transition and data centre capex.

Outside of these areas, exporters in Europe, but worldwide more broadly, continue to contend with soft demand from China which continues to see weak business and consumer confidence, depressed capital investment, and weak consumer spending. We do not anticipate a significant change in this backdrop in light of the significant structural challenges faced in China as a consequence of persistent overinvestment and the massive overbuild in residential property. The authorities in China have responded, combining more aggressive monetary and fiscal policy support to boost the economy and fight deflation, but with tens of millions of unsold vacant homes in China, the property market overhang will take years to fully clear.

However, economic indicators do appear to have stabilized with a suggestion that we are beginning to see a moderately improving outlook. China will, however, be hit hardest by US tariffs, although this risk extends to a lesser extent to many US trade-dependent countries.

For the time being, our China exposures (direct or otherwise) will be calibrated reflecting our assessment of higher risk and greater uncertainty but in many cases, attractive valuations and conservative growth expectations.

Currency moves have also been a significant determinant of equity market returns in recent months, with the USD strength anticipating higher inflation, tighter policy from the Federal Reserve (Fed), and a higher US yield curve from President Trump's expansionary policies. This will remain broadly unhelpful for emerging market (EM) equity returns, pressuring EM currencies and limiting EM central bank policies.

Exporters in Japan have also struggled, in aggregate, from their sensitivity to industrial demand in China. Here too, end-market exposure has been an important consideration, a modest uptick in China capex intentions could provide upside more broadly. Yen depreciation, driven by inflation and interest rate differentials, could further boost the competitiveness of Japan's exporters. The Bank of Japan's (BoJ) reflationary policy agenda will continue to provide support for a range of domestic growth opportunities. with rising consumer and construction spending being obvious beneficiaries. Governance reforms championed by the Tokyo Stock Exchange (TSE) have, and will be, a catalyst for an acceleration in the unwinding of crossholdings and return of excess corporate cash.

Artificial Intelligence (AI) has, and remains, the dominant investment theme for equity markets buoying investor sentiment and contributing disproportionately to equity market returns in 2024. Despite accusations of extreme valuations, we think many of these stocks are still at the beginning of a multi-year growth story, although we also recognise that this growth story will be characterised by short term cyclical cycles. Our portfolios have generally maintained a material, but well-diversified exposure to a range of AI enablers, adopters and disrupters but we expect our exposures to rotate around cyclical drivers, long-term forecasts and valuation.

In summary, we expect fundamentals to be broadly supportive of equity market returns. However, we anticipate a period of increased volatility reflecting near term uncertainty and the potential for news flow and data to disappoint relative to very benign expectations. A rotation in market leadership has been anticipated for some time and while momentum still favours the winners from 2024 we believe fundamentals do suggest a broadening out of performance in 2025. In aggregate we believe this environment should be more favourable active stock pickers.

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.

4.10

Aviva Investors Global Equity Growth Fund

Aviva Investors Global Equity Growth Fund

Overall assessment

Summary Ratings		
Share Class Designation	**UK Institutional Acc**	**UK Corporate Inc**
Overall rating	●	●
Quality of service	●	●
Performance	●	●
Authorised fund manager costs	●	●
Comparable market rates	●	●
Economies of scale	●	●
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 unit 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 unit classes in the Sub-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 Designation	**UK Corporate Inc**	**UK Institutional Acc**	**MSCI World NR GBP[2]**
1 Year	24.22	23.93	20.79
3 Years	10.20	10.09	9.15
5 Years	15.05	14.97	12.42
7 Year	13.32	13.20	11.46

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned +24.2%* (net of fees), outperforming the MSCI World Index[2] by 3.4% over the period.

Portfolio Review

Global stock markets achieved strong gains in CY2024, despite periods of volatility driven by shifting economic expectations as well as geopolitical tensions and policy changes. The US was the top performing equity market supported by robust economic growth and healthy corporate earnings. The rally was driven largely by the “Magnificent Seven” tech companies, who accounted for approximately half of the S&P500’s returns during the year. Indeed, narrow breadth was a theme across many regional equity markets as larger companies outperformed their smaller counterparts.

Information technology was the leading sector, spearheaded by hardware and semiconductor companies. Some of the other cyclically oriented sectors – consumer discretionary, financials, industrials – also performed well as investors in the latter parts of the period anticipated policy shifts would spur economic growth.

Most major currencies fell against the US dollar but in local currency terms performance outside the US was robust. Japan’s Nikkei index was a standout buoyed by ongoing corporate governance reforms and an improving economic backdrop. In contrast, China’s markets experienced a turbulent year, marked by weak consumer confidence and deflationary pressures that were met with government stimulus, which drove a rally in Chinese equities in the second half of the year. Europe saw mixed results with some markets like Spain performing well, while others like France struggled where underperformance was characterised by political uncertainty.

The portfolio outperformed its comparator index against this backdrop. In aggregate, stock picks in communications services performed particularly well as streaming platform companies Spotify and Netflix were among the leading contributors. Both companies are enjoying market-leading competitive positions which is driving strong pricing power while diversification of revenue streams (audiobooks and advertising respectively) is also delivering growth for both companies.

Several Japanese holdings were also among the top performers as corporate reform and a weaker yen helped drive improved profitability and shareholder value. Some stock picks also experienced improvements in end-market demand, particularly in industrials. Machinery manufacturer Mitsubishi Heavy Industries saw increased demand for gas turbines while Hitachi’s industrial digitisation and power grid business segments drove revenue growth and margin expansion.

The AI investment theme performed well for the second consecutive year. Semiconductor companies TSMC and Arm Holdings as well as networking systems provider Arista Networks all saw significant revenue and earnings growth during the period as they benefitted from the continued AI infrastructure build-out. AI-related tailwinds, alongside strong operating and financial performance of their core businesses, also helped Magnificent-7 stocks such as Alphabet and Amazon to outperform.

There were however some pockets of weaker performance within technology during the period. Opportunistic holding and semiconductor company Samsung Electronics disappointed. While the company benefitted to an extent from an upturn in the memory cycle, this was overshadowed by operational weaknesses in both foundry and memory. We sold this position in the final quarter of the year. In software, multimedia company Adobe underperformed driven largely by investor concern around competitive pressures stemming from Generative AI companies and emerging peers. We believe these concerns have been overestimated given the company’s high barriers to entry but acknowledge these risks and continue to monitor the position closely.

Autos company Bayer Motoren Werk (BMW) was another notable detractor as the company issued a profit warning due to a product recall in the second half of the year. The company also saw increasing competition and softer demand in China. We remain positive on our outlook believing the company is well poised for volume growth in 2025 while its leading position in electric vehicles supports longer-term conviction. Similarly, Japanese industrial holding SMC Corp underperformed as China competition intensified. We believe the company’s market share position is however showing signs of stabilising on improving cost competitiveness.

Equity markets in aggregate have enjoyed strong momentum through most of 2024, supported by positive investor sentiment, increasing risk appetite and strong asset class flows. More importantly, markets have been buoyed by supportive growth fundamentals, monetary easing by global central banks and an expanding business cycle, and this remains our central scenario for 2025.

However, in the short term, the outlook is less certain with recent volatility illustrating the delicate market balance and the potential for market drawdown on disappointing news flow. This is accentuated by high equity valuations which provide little support in the event of data that brings into question the benign outlook that has been substantially priced in. Macro data is therefore likely to dominate sentiment in the near term. In this regard, the US remains critically important due to its weight within global benchmarks but also due to the US economy’s role in driving for global growth.

The US, once again, dominated equity market returns in 2024 due to a resilient economic backdrop, upgrades to growth and market enthusiasm for Donald Trump's anticipated policy measures. We think these dynamics are likely to persist in 2025, re-enforced by so-called US Exceptionalism. US companies, particularly those with significant domestic revenue exposure, are therefore well-placed and we expect to see robust and accelerating earnings growth as a consequence. Unlike in 2024, where growth was largely confined to the mega-cap tech stocks, growth should broaden-out in 2025, benefitting stocks in some of the less-glamorous areas of the market that struggled in 2024. US equity market leadership should, we believe, be less-concentrated and less-polarised this year.

Despite this, vulnerability to news flow that conflicts with a 'soft- or no-landing scenario' has been amply demonstrated by the sell-off in the S&P500 in late December/early January as expectations of rate cuts started to moderate.

Trump's policy proposals – substantive or otherwise – will also come under increasing scrutiny after his inauguration providing another source of risk to the growth and inflation outlook both domestically and internationally. Trade tariffs and immigration policy are at the epicentre of this and will probably remain so throughout 2025. Geopolitical risks remain at heightened levels, significantly influencing global economic stability and market dynamics. Factors such as ongoing conflicts, trade tensions, and shifts in international alliances can create uncertainty that impacts investor sentiment and economic forecasts. The rise of populism in various regions has further complicated this landscape, leading to fragmented political environments and challenges to already-fragile economic frameworks.

Nowhere has this been more apparent than in Europe, where governments try to navigate stretched balance sheets, failing confidence and soft growth. Political noise in Europe will likely continue to weigh on sentiment, and fiscal consolidation amidst slower growth poses a headwind for Europe. Despite this we continue to see parts of Europe enjoying a far healthier macro backdrop with interesting domestically exposed growth. But in general, portfolio exposure is tilted towards those companies with material overseas earnings that have attractive end-market exposures, frequently aligned to structural thematic trends such as the energy transition and data centre capex.

Outside of these areas, exporters in Europe, but worldwide more broadly, continue to contend with soft demand from China which continues to see weak business and consumer confidence, depressed capital investment, and weak consumer spending. We do not anticipate a significant change in this backdrop in light of the significant structural challenges faced in China as a consequence of persistent overinvestment and the massive overbuild in residential property. The authorities in China have responded, combining more aggressive monetary and fiscal policy support to boost the economy and fight deflation, but with tens of millions of unsold vacant homes in China, the property market overhang will take years to fully clear. However, economic indicators do appear to have stabilized with a suggestion that we are beginning to see a moderately improving outlook. China will, however, be hit hardest by US tariffs, although this risk extends to a lesser extent to many US trade-dependent countries.

For the time being, our China exposures (direct or otherwise) will be calibrated reflecting our assessment of higher risk and greater uncertainty but in many cases, attractive valuations and conservative growth expectations.

Currency moves have also been a significant determinant of equity market returns in recent months, with the USD strength anticipating higher inflation, tighter policy from the Federal Reserve (Fed), and a higher US yield curve from President Trump's expansionary policies. This will remain broadly unhelpful for emerging market (EM) equity returns, pressuring EM currencies and limiting EM central bank policies.

Exporters in Japan have also struggled, in aggregate, from their sensitivity to industrial demand in China. Here too, end-market exposure has been an important consideration, a modest uptick in China capex intentions could provide upside more broadly. Yen depreciation, driven by inflation and interest rate differentials, could further boost the competitiveness of Japan's exporters. The Bank of Japan's (BoJ) reflationary policy agenda will continue to provide support for a range of domestic growth opportunities. with rising consumer and construction spending being obvious beneficiaries. Governance reforms championed by the Tokyo Stock Exchange (TSE) have, and will be, a catalyst for an acceleration in the unwinding of crossholdings and return of excess corporate cash.

Artificial Intelligence (AI) has, and remains, the dominant investment theme for equity markets buoying investor sentiment and contributing disproportionately to equity market returns in 2024. Despite accusations of extreme valuations, we think many of these stocks are still at the beginning of a multi-year growth story, although we also recognise that this growth story will be characterised by short term cyclical cycles. Our portfolios have generally maintained a material, but well-diversified exposure to a range of AI enablers, adopters and disrupters but we expect our exposures to rotate around cyclical drivers, long-term forecasts and valuation.

In summary, we expect fundamentals to be broadly supportive of equity market returns. However, we anticipate a period of increased volatility reflecting near term uncertainty and the potential for news flow and data to disappoint relative to very benign expectations. A rotation in market leadership has been anticipated for some time and while momentum still favours the winners from 2024 we believe fundamentals do suggest a broadening out of performance in 2025. In aggregate we believe this environment should be more favourable active stock pickers.

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.

4.11

Aviva Investors Index Linked Gilt Fund

Aviva Investors Index Linked Gilt Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	Insured Pension Acc	UK Corporate Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	▲	▲	▲
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Acc	UK Corporate Acc	UK Institutional Acc	FTSE Act UK Index-Lnk Gilts AS TR GBP[1]
1 Year	-8.03	-8.05	-8.19	-8.32
3 Years	-14.72	-14.73	-14.77	-14.98
5 Years	-6.46	-6.47	-6.49	-6.61
7 Years	–	–	-3.78	-3.95
Since Launch	-6.66	-6.66	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-fund aims to grow your investment by investing in bonds issued or guaranteed by governments over the long term (5 years or more).

In the report published in April 2024 the Board noted that the Sub-fund delivered a positive return to investors following the volatile market conditions at the end of 2022.

In the current year, the market for Index-Linked Gilt Bonds has once again been challenging, the anticipated interest rate cuts were less than expected, leading to a sell off in bond markets, causing yields to rise and prices to fall. These bonds are linked to inflation rises and higher inflation will typically erode the value of bonds.

As expected, the Sub-fund has moved in line with the markets and has delivered an overall loss for investors in excess of 8% over the year. This combined with previous years losses means that over a five year period the Sub-fund is delivering a loss in excess of 6% p.a.

The Sub-fund is however providing investors with returns that are in excess of the benchmark against which its performance can be compared, over both the short and longer term, and it consistently performs well in comparison to similar funds in its peer group.

The market environment is less than favourable for this type of strategy, and other factors considered by the Board suggest overall performance is in line with expectations, and the Board therefore retains confidence in the approach adopted by the portfolio manager, which should benefit investors over the long term.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned -8.0%*. By comparison, the benchmark, the FTSE Government Index-Linked All-Stocks Index[1], returned -8.3%.

Market Review

Though touted to be a year of much brighter prospects, 2024 developed into something of a damp squib for conventional gilts and, in particular, index-linked gilts. Concerns that inflation was not returning to target as quickly as had been anticipated caused the central banks to talk down the likelihood of early cuts in interest rates. It was not until June that the European Central Bank became the first of the major monetary custodians to start the process of returning interest rates to a more neutral level. Despite kicking off with an outsized 50 basis point reduction in September, the US Federal Reserve shifted its thinking to a slower pace of easing as stronger-than-expected growth increased the possibility of inflation reaccelerating. This resulted in bonds ending an already disappointing year on a further weak note.

In the UK, a fall in inflation in the summer to the Bank of England (BoE) 2.0% target led to a quarter-point cut in interest rates in August. However, any rally was short-lived as uncertainty then stalked the market ahead of the new Labour administration's first budget. The subsequent announcement of significant new government borrowing spooked the market, leading to a gilt sell-off in the final quarter of the year, even despite a further quarter-point cut in the UK base rate in November. This downbeat mood was underscored by renewed caution from the BoE going into the new year as inflationary pressures appeared to build once again.

In the first quarter, the fund held a mix of US and UK curve-steepening positions and long duration trades, plus a cross-market position, being long US Treasuries against German Bunds. These contributed positively and, considering the uncertain backdrop of central banks wanting to cut interest rates yet the data not allowing them, they were all structured in a manner to simply make tactical gains and not expose the portfolio to any unnecessary risks.

In the second quarter, the fund ran a mix of tactical duration trades attempting to exploit the range-bound dynamics of market yields, and curve-flattening strategies looking to exploit the lack of issuance in the longer-dated maturity segment of the gilt curve.

These both proved particularly successful in May and June. Elsewhere, while cross-market positions also added to performance, this was offset by negative returns from small inflation positions.

The summer period brought a huge amount of volatility, which prompted us to enter trades looking for higher yields, either outright or via yield curve strategies. However, dovish central bank rhetoric alongside weaker economic data caused the fund to struggle against its benchmark in the third quarter.

As the year drew to a close, the fund navigated the UK budget and US election with a mix of both yield curve and long duration positions looking for lower yields. With these adding to performance, we took profits and shifted focus towards steering the fund through potentially sizeable market movements around year-end.

Outlook

We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside a potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move. Businesses' national insurance contributions will increase employment costs but profit margins are falling, signalling increasingly reduced pricing power by firms: wage growth and employment are likely to absorb most of the impact.

The risks to growth are to the downside as a result of higher mortgage rates as well as services inflation continuing to put pressure on people's disposable incomes. Wage growth may slow down further as the effects of the national insurance contributions changes really start hitting businesses. A lot of uncertainty around the reliability of the labour market data remains and so the BoE will likely keep their cards close to their chest until they are sure of the full economic picture. In the meantime, elevated supply is likely to keep pressure on longer-dated yields.

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

4.12

Aviva Investors Japan Equity Core Fund

Aviva Investors Japan Equity Core Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Corporate Acc	Insured Pension Acc	Fund of Funds Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Fund of Funds Acc	Insured Pension Acc	UK Corporate Acc	MSCI Japan NR GBP[2]
1 Year	12.30	12.64	12.38	10.24
Since Launch	11.97	12.28	12.01	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a sterling return of 12.4%* (net of fees) in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI Japan Index[2], returned 10.2%.

Review

Japanese shares performed well in 2024 despite some patchy growth data. The economy shrank by 0.5% in the first quarter of the year, with private consumption sagging amid a cost-of-living crisis. While it rebounded to 0.7% in the second quarter, it eased back to 0.3% in the third.

There were, however, strong hopes that the underlying economy was on an improving trajectory. Indeed, the market rallied to new all-time highs as optimism rose towards the country's technology companies as the artificial intelligence boom continued. Structurally, the market also benefited from continued strong inflows of overseas assets as investors noted progress in key corporate governance reforms.

The period was also notable for the decision by the Bank of Japan (BoJ) to end its long-held negative interest rate policy amid a rise in inflation. With the country's core consumer inflation rate moving 80 basis points higher to 3.0% between January and December, due in part to a sharp rise in electricity prices as subsidies ended, the BoJ became the only major central bank to tighten monetary policy over the course of the year.

Outlook

Following a surprise outcome in the snap election that saw Prime Minister Shigeru Ishiba and his LDP lose a majority, the economic outlook for Japan is surprisingly bright. This is in part because the coalition partner will push his minority government to add fiscal stimulus via tax cuts. Domestic consumption should also be helped by wage increases and post-tax disposable income, although this will face the chronic headwinds of an ageing and shrinking population.

Domestic cap-expenditure is also a bright spot as the labour shortage forces firms to seek efficiency gains through digitalisation, artificial intelligence and automation. Income from foreign assets, which totals ¥1.7 quadrillion ($11 trillion), and a net international investment position of $3.6 trillion, are additional supports for both corporate earnings and household incomes.

Japanese shares offer attractive value but for that to be unlocked, further progress will need to be made on corporate reforms. The potential use of tariffs by the new Trump administration in the US represents another layer of uncertainty.

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

4.13

Aviva Investors Japan Equity Fund

Aviva Investors Japan Equity Fund

Overall assessment

Summary Ratings								
Share Class Designation	UK Institutional Acc	UK FoF Acc Units	ACS Acc (Class 1)	ACS Acc (Class 2)	UK Corporate Acc	Insured Pension Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	▲	▲	▲	▲	▲	▲	▲	▲
Quality of service	▲	▲	▲	▲	▲	▲	▲	▲
Performance	◆	◆	◆	◆	◆	◆	◆	◆
Authorised fund manager costs	●	●	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●	●	●
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 unit class are justified in the context of overall value being delivered to investors. However, the Board notes that there has been some short term underperformance, and more information can be found on this in the Performance section opposite.

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 unit classes in the Sub-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.

However, we have rated the Quality of service as Amber due to the changes in the portfolio management team over the last year, as noted in the Performance section below. We consider the changes implemented to to be positive steps and ones that will help improve both the Quality of service and Performance.

Performance

Performance: Annualised net return (%)									
Share Class Designation	UK Corporate Inc	UK FoF Acc Units	ACS Acc (Class 1)	ACS Acc (Class 2)	Insured Pension Acc	Insured Pension Inc	UK Corporate Acc	UK Institutional Acc	TOPIX TR GBP
1 Year	7.43	9.25	7.66	7.66	7.66	7.69	7.50	7.40	9.99
3 Year	3.42	4.05	–	–	–	3.63	–	3.44	6.09
5 Year	4.06	–	–	–	–	4.33	–	4.07	5.94
7 Year	3.83	–	–	–	–	4.05	–	3.79	4.95
Since launch	–	3.99	7.34	7.34	8.52	–	8.31	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to grow your investment over the long term (5 years or more) by investing in shares of Japanese companies.

Although the Sub-fund has met the growth objective and delivered a positive return of 4% p.a. (UK Institutional Class) over 5 years, it has not delivered returns in excess of the benchmark against which its performance can be compared, which returned 5.9% p.a, over 5 years, 1.8% p.a. above the performance of the Sub-fund.

Throughout the last year we have been working closely with the portfolio management team as they make improvements to the investment process with a view to turning around the Sub-fund's performance; this includes the addition of a new co-portfolio manager, improvements in the research process and risk management functions, all designed to enhance and strengthen the existing team.

Although Sub-fund performance over the year is negative, since June 2024, the Sub-fund has delivered positive results relative to the benchmark, indicating that the improvements made are having the desired impact on performance. The Board is satisfied that the changes made by the portfolio manager are all positive steps and sufficient to improve performance, and although the short term returns are encouraging the Sub-fund will remain under review following our standard governance process.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The Japanese equity market continued to rise strongly in 2024 generating a return of 20.5%* for TOPIX Total Return in Japanese Yen terms, however the yen also weakened against sterling, resulting in a total return for a sterling-based investor of 10.0%*.

Portfolio Review

2024 marked multiple historical records for the Japanese equity market. Earlier in the year, the Nikkei 225 surpassed its previous all-time high for the first time in 34 years, reaching ¥42,200 as the highest ever in mid-year. Shortly after, we witnessed a significant market crash in August, leading to a period of narrow trading ranges, with market volatility remaining high. The Japanese yen also fluctuated considerably, and government intervention helped to mitigate downside risks to some extent. As the year progressed, political turmoil in Japan and the outcome of the US presidential election contributed to further volatility expected in the coming year.

The macroeconomic trend in Japan has entered a new era of inflation after three decades of deflation, however, wage growth has been slow, resulting in a lack of real wage growth that has somewhat delayed consumption recovery in 2024. Governance reforms have also progressed steadily, resulting in the historically high figures for share buybacks by Japanese companies. Despite such notable developments, there have been fewer catalysts in 2024 to bolster confidence among overseas investors.

The portfolio significantly underperformed the benchmark in the first quarter, severely penalised by our style, size allocation, and key positions particularly in the large cap space amid the highly concentrated market. However, the performance started to improve from April when the market normalised and our stock selection recovered to add value continuously towards the end of 2024. The portfolio underperformed over the year and the largest negative contributions came from Ibiden, a mid-cap electronic component maker, as well as NTT, a large cap telecom provider. We also saw positive individual contributions come from Musashi Seimitsu, a small cap auto parts maker. Mitsubishi UFJ Financial Holdings and JVC Kenwood also added value.

During 2024, we made further changes in both portfolio management and research. We added Kota Takahashi to the Core team, working alongside Kazuhiro Toyoda, and initiated an additional process to enhance portfolio risk control and reviews. The research team has also evolved and has started to make solid contributions to performance. Our portfolio strategy remains seeking companies with sustainable mid to long-term earnings, focusing on company-specific factors and valuation. We continue to manage our portfolio with a barbel type style, combining value stocks with improving ROE as well as growth stocks (high PBR) with cheaper or reasonable valuations. We maintain our overall portfolio risk characteristics and focus on quality with balancing growth and value styles. Small cap stocks, where the fund remains overweight, have performed well since April. We have added large cap stocks with attractive valuations such as Shin-Etsu Chemical, Recruit Holdings, and Daiichi Sankyo. Whilst we continue to seek out interesting ideas from both the mid and small cap spaces, the degree of our small cap overweight has been gradually but consistently reduced.

Looking ahead to 2025, we believe that a key indicator will be further improvement in Return on Equity (ROE). We think the revival of Japanese companies can be achieved through improved profitability and expect that governance reforms will continue to positively impact the profitability of Japanese companies. We remain optimistic about the Japanese equity market based on our expectations for earnings growth, improvements in ROE, and increased shareholder returns. Our view is further supported by the current valuation levels, which are not excessive. It is also worthwhile reiterating that the macroeconomic trend in Japan has entered a new era of inflation after three decades of deflation as this is also expected to have a lasting impact on the earnings growth of Japanese companies.

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

4.14

Aviva Investors Money Market VNAV Fund

Aviva Investors Money Market VNAV Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Inc	UK Corporate Inc	UK Institutional Acc	SONIA
1 Year	5.30	5.40	5.34	5.28
3 Years	3.83	3.84	–	3.81
5 Years	2.34	2.34	–	2.32
7 Years	1.86	1.86	–	1.80
Since Launch	–	–	5.28	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

For the 12-month period ended 31 December 2024, the portfolio posted returns of 5.3%* versus the benchmark return of 5.3%. The portfolio's yield ended the period at 4.58%.

Portfolio Review

Central banks were in the spotlight during Q1. Along with other major central banks, the Bank of England (BoE) chose to proceed with caution, needing greater confidence that inflation was moving sustainably down towards target. Interest rates were held steady at 5.25%, offering investors attractive returns. However, the BoE became increasingly dovish, with March's meeting revealing a majority of members voting for no change, including two who had previously voted for a rate hike. Market pricing puts June as the most likely time for the first rate cut.

Gilt yields continued to rise uniformly across the curve over the course of the second quarter. In a similar fashion to other major government bond markets, the latter stage of the quarter saw a partial retracement of the initial sharp sell-off. Real gilt yields (when adjusted for inflation) also ended the quarter higher, although inflation breakevens, after peaking in April, fell over the period marking a modest reduction in market-based inflation expectations. With no change to monetary policy conditions cash rates remained broadly unchanged. In currencies, Sterling appreciated against the US dollar and the euro.

In May's release, UK headline inflation showed an encouraging fall to 2% on an annual basis, which was the first time since mid-2021. However, beneath the surface some of the details were less favourable, including services inflation, a key metric monitored by the Bank of England (BoE), which came in at a higher-than-expected 5.7% year-on-year. Despite only two members voting to lower interest rates, the decision to keep rates unchanged in June was viewed as relatively dovish, the statement pointing to the decision to remain on hold as being 'finely balanced'.

The UK economy continued to show some relative signs of resilience during the third quarter, at least compared to mainland Europe. Growth was holding up, but the move lower in PMI surveys was a reminder that the recovery is not necessarily on a firm footing. This suggested that the Bank of England would be in no hurry to change its stance of a gradual easing in policy. In October the market expected UK interest rates to be 1.25% to 1.5% lower in 12 months' time, and that gilts would therefore start to offer some potential value.

During the fourth quarter of 2024 the BoE cut interest rates to 4.75%, although concerns over elevated inflation and wage growth dampened possibilities for further cuts in the near term. The newly instated government's October Budget had a strong impact on the UK fixed income market. Chancellor of the Exchequer, Rachel Reeves, announced a £40 billion tax increase and concerns over projected borrowing were also rising. Consequently, 10-year gilt yields rose, and the pound depreciated against the dollar, reflecting investor anxiety.

Flash Purchasing Managers' Index (PMI) data for December indicated that the UK economy remained largely stagnant as 2024 ended, signalling a notable loss of growth momentum compared to earlier in the year. New orders decreased in December for the first time in over a year, reflecting a decline in demand as the deepening downturn in the manufacturing sector shows signs of spreading to the services economy.

Business confidence suffered a further blow, slipping to a two-year low as companies grappled with a bleak outlook for sales alongside rising costs. Changes announced in the Budget have particularly impacted staffing expenses, further affecting confidence levels.

Portfolio construction remained consistent with the primary objectives of the Fund to preserve capital and provide liquidity. We maintained our diversified portfolio by investing in high-quality commercial paper, certificates of deposit and time deposits, with a preference for of Certificates of Deposit (CD's). We continue to allocate to high quality pre-approved counterparties such as Landesbank Baden-Wuerttemberg and Mizuho Bank Ltd.

The portfolio's weighted average maturity (WAM) started the year at 45 days and ending the period at 55 days as we felt this level represented the appropriate balance. As cash rates decreased over the period, the funds effective yield moved in-line with the market and ended the year at 4.58%, having started the year at 5.18%. The SONIA benchmark yield also dropped in line with the BoE rate cuts from 5.19% and ended the year at 4.70%.

The key trends as we move into 2025 show a divergence between the UK and Europe, where business sentiment is suffering, while across the Atlantic there is stronger data in the US.

Firms in the UK have been demonstrating only limited ability to grow, and survey data continues to be slightly weaker, particularly with reference to the labour market. The October Budget has been a factor here, weighing on UK sentiment with the likely impact of depressing private sector hiring in the near term. But private sector pay growth data came in higher than expected, and price pressures remain robust, giving the UK a lingering inflation challenge and leading the Bank of England to hold interest rates in December, having cut in November. The BOE is anticipating cuts to progress on a quarterly basis from here. The market, however, has been revising down expectations given the slightly better data: at the start of December the market expected two full 25bp cuts by next June (i.e. in line with the Bank's "quarterly" expectations) but by the year-end pricing had moved to imply one cut and only a 50% chance of a second.

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

4.15

Aviva Investors North American Equity Core Fund

Aviva Investors North American Equity Core Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Corporate Acc	Insured Pension Acc	Fund of Funds Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Fund of Funds Acc	Insured Pension Acc	UK Corporate Acc	MSCI North America NR GBP[2]
1 Year	26.80	27.29	27.09	26.24
Since Launch	19.11	19.46	19.19	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a sterling return of 27.1%* (net of fees) in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI North America Index[2], also returned 26.2%.

Review

US equities performed strongly in 2024 as the market hit a succession of new highs thanks mainly to the strength of the large technology companies amid the artificial intelligence boom. A notable appreciation of the dollar created a further performance tailwind for sterling investors.

The US economy began the year with many investors expecting it to slow amid relatively high inflation and the lagged impact of higher interest rates. However, fears of a sharp deceleration – even recession – appeared to be confounded by a resilient consumer and robust labour market. US growth also reaped the benefit of its access to relatively cheap energy. By the third quarter of the year, annualised GDP growth was a solid 3.0%, with little change expected for the fourth.

Expectations around US interest rate policy were also a key theme for investors over the year. Although the market was disappointed that the indicated cuts did not materialise early in the year, the US Federal Reserve delivered an outsized half-percentage point cut in September. However, a return to more cautious rhetoric in the fourth quarter amid increased inflationary expectations saw the market end the year on a more subdued note.

The leading market sectors over the year were consumer discretionary, information technology and financials. As elsewhere, materials companies lagged as commodity prices weakened.

Outlook

Growth in the US is expected to slow from above-trend rates seen in recent years to below trend in the second half of 2025, before re-accelerating in 2026. The slowdown largely reflects an expected softening in consumer spending, as real disposable income growth eases as the impact of ongoing restrictive monetary policy weighs on activity.

With President Trump back in the White House, the prospect of trade policy uncertainty and likely tariff measures are also expected to weigh moderately on growth in the second half of the year. On the supply-side, the rapid increase in population growth seen in 2023 and 2024 is likely to also slow, as immigration declines, bringing trend growth lower as well.

The potential impact on growth of policies under President Trump is likely to be wide-ranging. We assume that significant tariffs are imposed on China, but that they are more limited in other specific product areas. We expect that corporate tax cuts are delivered in the 2025 budget (likely Q3) and that the existing personal tax rates are maintained. There is likely to be some additional easing in the income tax burden. The boost from tax changes, alongside a deregulation drive, leads to the reacceleration in growth in 2026. The deficit is expected to widen moderately in 2026 from the already wide 6.5% of GDP.

For the stock market, we expect earnings to be the key driver in the year ahead, with a clearer case for US corporates out-earning the rest of the world.

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

4.16

Aviva Investors North American Equity Fund

Aviva Investors North American Equity Fund

Overall assessment

Summary Ratings

Share Class Designation	UK Institutional Acc	UK Corporate Acc	Insured Pension Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	●	●	●	●	●
Quality of service	●	●	●	●	●
Performance	●	●	●	●	●
Authorised fund manager costs	●	●	●	●	●
Comparable market rates	●	●	●	●	●
Economies of scale	●	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	Insured Pension Acc	Insured Pension Inc	UK Corporate Acc	UK Institutional Acc	FTSE World NA TR GBP[1]
1 Year	30.25	30.04	30.00	30.18	29.74	26.85
3 Years	12.67	-	12.54	-	12.33	11.39
5 Years	17.78	-	17.77	-	17.57	15.57
7 Years	15.96	-	16.03	-	15.78	14.80
Since Launch	-	22.70	-	22.92	-	-

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned 30.3%* (net of fees), outperforming the FTSE All World North America[1] by 2.8% over the period.

Review

US equities achieved strong gains in CY2024, despite periods of volatility driven by shifting economic expectations as well as geopolitical tensions and policy changes. The US was the top performing equity market supported by robust economic growth and healthy corporate earnings. The rally was driven largely by the "Magnificent Seven" tech companies, who accounted for approximately half of the S&P500's returns during the year. Indeed, narrow breadth was a theme across many regional equity markets as larger companies outperformed their smaller counterparts.

Information technology was the leading sector, spearheaded by hardware and semiconductor companies. Some of the other cyclically oriented sectors - consumer discretionary, financials, industrials - also performed well as investors in the latter parts of the period anticipated policy shifts would spur economic growth.

The portfolio outperformed its comparator index against this backdrop. In aggregate, stock picks in communications services performed particularly well as digital streaming company Netflix was among the leading contributors. The company enjoys a market-leading competitive position which is driving strong pricing power while diversification of revenue streams (ad-supported tier) is also delivering growth for the company.

Several opportunistic holdings also contributed to relative returns, driven primarily by improved end market demand. Energy services and equipment maker GE Vernova saw a surge in gas turbine orders to meet local power demand increases while semiconductor company Micron Technology saw a drastic earnings inflection as memory semiconductors emerged from a severe downturn that drove losses in 2023.

The AI investment theme performed well for the second consecutive year. Networking systems provider Arista Networks saw significant revenue and earnings growth during the period as it benefitted from the continued AI infrastructure build-out. AI-related tailwinds, alongside strong operating and financial performance of their core businesses, also helped Magnificent-7 stocks Alphabet and Meta Platforms to outperform.

There were however some pockets of weaker performance within technology during the period. Opportunistic holding and semiconductor company Intel disappointed. Part of our original thesis was around an improvement and recovery in the PC market to drive an inflection in earnings. This did not materialize. Furthermore, the company has so far failed to close the gap with TSMC in the foundry business. As a result, capital expenditure is rising and return on invested capital is falling, pushing expectations for an earnings inflection further out. We sold our position in May. In software, multimedia company Adobe underperformed largely on investor concern around competitive pressures stemming from Generative AI companies and emerging peers. We believe these concerns have been overestimated given the company's high barriers to entry but acknowledge these risks and continue to monitor the position closely.

Equity markets in aggregate have enjoyed strong momentum through most of 2024, supported by positive investor sentiment, increasing risk appetite and strong asset class flows. More importantly, markets have been buoyed by supportive growth fundamentals, monetary easing by global central banks and an expanding business cycle, and this remains our central scenario for 2025.

However, in the short term, the outlook is less certain with recent volatility illustrating the delicate market balance and the potential for market drawdown on disappointing news flow. This is accentuated by high equity valuations which provide little support in the event of data that brings into question the benign outlook that has been substantially priced in. Macro data is therefore likely to dominate sentiment in the near term. In this regard, the US remains critically important due to its weight within global benchmarks but also due to the US economy's role in driving for global growth.

The US, once again, dominated equity market returns in 2024 due to a resilient economic backdrop, upgrades to growth and market enthusiasm for Donald Trump's anticipated policy measures. We think these dynamics are likely to persist in 2025, re-enforced by so-called US Exceptionalism. US companies, particularly those with significant domestic revenue exposure, are therefore well-placed and we expect to see robust and accelerating earnings growth as a consequence. Unlike in 2024, where growth was largely confined to the mega-cap tech stocks, growth should broaden-out in 2025, benefitting stocks in some of the less-glamorous areas of the market that struggled in 2024. US equity market leadership should, we believe, be less-concentrated and less-polarised this year.

Despite this, vulnerability to news flow that conflicts with a 'soft- or no-landing scenario' has been amply demonstrated by the sell-off in the S&P500 in late December/early January as expectations of rate cuts started to moderate.

Trump's policy proposals – substantive or otherwise – will also come under increasing scrutiny after his inauguration providing another source of risk to the growth and inflation outlook both domestically and internationally. Trade tariffs and immigration policy are at the epicentre of this and will probably remain so throughout 2025. Geopolitical risks remain at heightened levels, significantly influencing global economic stability and market dynamics. Factors such as ongoing conflicts, trade tensions, and shifts in international alliances can create uncertainty that impacts investor sentiment and economic forecasts. The rise of populism in various regions has further complicated this landscape, leading to fragmented political environments and challenges to already-fragile economic frameworks.

Nowhere has this been more apparent than in Europe, where governments try to navigate stretched balance sheets, failing confidence and soft growth. Political noise in Europe will likely continue to weigh on sentiment, and fiscal consolidation amidst slower growth poses a headwind for Europe. Despite this we continue to see parts of Europe enjoying a far healthier macro backdrop with interesting domestically exposed growth. But in general, portfolio exposure is tilted towards those companies with material overseas earnings that have attractive end-market exposures, frequently aligned to structural thematic trends such as the energy transition and data centre capex.

Outside of these areas, exporters in Europe, but worldwide more broadly, continue to contend with soft demand from China which continues to see weak business and consumer confidence, depressed capital investment, and weak consumer spending. We do not anticipate a significant change in this backdrop in light of the significant structural challenges faced in China as a consequence of persistent overinvestment and the massive overbuild in residential property. The authorities in China have responded, combining more aggressive monetary and fiscal policy support to boost the economy and fight deflation, but with tens of millions of unsold vacant homes in China, the property market overhang will take years to fully clear. However, economic indicators do appear to have stabilized with a suggestion that we are beginning to see a moderately improving outlook. China will, however, be hit hardest by US tariffs, although this risk extends to a lesser extent to many US trade-dependent countries.

For the time being, our China exposures (direct or otherwise) will be calibrated reflecting our assessment of higher risk and greater uncertainty but in many cases, attractive valuations and conservative growth expectations.

Currency moves have also been a significant determinant of equity market returns in recent months, with the USD strength anticipating higher inflation, tighter policy from the Federal Reserve (Fed), and a higher US yield curve from President Trump's expansionary policies. This will remain broadly unhelpful for emerging market (EM) equity returns, pressuring EM currencies and limiting EM central bank policies.

Exporters in Japan have also struggled, in aggregate, from their sensitivity to industrial demand in China. Here too, end-market exposure has been an important consideration, a modest uptick in China capex intentions could provide upside more broadly. Yen depreciation, driven by inflation and interest rate differentials, could further boost the competitiveness of Japan's exporters. The Bank of Japan's (BoJ) reflationary policy agenda will continue to provide support for a range of domestic growth opportunities. with rising consumer and construction spending being obvious beneficiaries. Governance reforms championed by the Tokyo Stock Exchange (TSE) have, and will be, a catalyst for an acceleration in the unwinding of crossholdings and return of excess corporate cash.

Artificial Intelligence (AI) has, and remains, the dominant investment theme for equity markets buoying investor sentiment and contributing disproportionately to equity market returns in 2024. Despite accusations of extreme valuations, we think many of these stocks are still at the beginning of a multi-year growth story, although we also recognise that this growth story will be characterised by short term cyclical cycles. Our portfolios have generally maintained a material, but well-diversified exposure to a range of AI enablers, adopters and disrupters but we expect our exposures to rotate around cyclical drivers, long-term forecasts and valuation.

In summary, we expect fundamentals to be broadly supportive of equity market returns. However, we anticipate a period of increased volatility reflecting near term uncertainty and the potential for news flow and data to disappoint relative to very benign expectations. A rotation in market leadership has been anticipated for some time and while momentum still favours the winners from 2024 we believe fundamentals do suggest a broadening out of performance in 2025. In aggregate we believe this environment should be more favourable active stock pickers.

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.

4.17

Aviva Investors Pacific Equity ex Japan Core Fund

Aviva Investors Pacific Equity ex Japan Core Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Corporate Acc	Insured Pension Acc	Fund of Funds Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Fund of Funds Acc	Insured Pension Acc	UK Corporate Acc	MSCI Pacific ex Japan NR GBP[2]
1 Year	5.50	5.69	5.69	6.46
Since Launch	1.95	2.03	2.04	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to deliver returns which are similar to the returns of the MSCI pacific ex Japan Index (GBP) (the "Index") over a rolling 12 month- period (before charges and taxes). The Sub-Fund also aims to deliver, on average, a higher ESG score and lower carbon intensity score than the Index over a rolling 12 month period (measured using month end data), whilst seeking to minimise tracking error to the Index.

The Sub-fund has achieved the objective to deliver returns similar to the Index, along with a higher ESG score and lower carbon intensity score than the same Index. Although the Sub-fund has achieved this high level objective, there is an ambition to uplift the ESG score by 5%, in this case the Sub-fund has raised the score by c3%, and whilst it is beating the Index, it is not at the level that we aim for.

The Investment Manager adopts a passive sampling approach to investing, with an active ESG overlay, and because of this it is not always possible to meet both the financial objective whilst uplifting the ESG score by a full 5%, as this requires certain exclusions from the portfolio that are included in the Index. Given that the Sub-fund's stated primary objective is to deliver a higher ESG score, along with returns similar to the Index, the Board are satisfied that the Sub-fund is achieving its primary objective.

Therefore the Board do not have any concerns with the portfolio manager's approach and consider that the Sub-fund has delivered returns in line with the high level objective as stated above.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a sterling return of 5.7%* (net of fees) in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI Pacific ex-Japan Index[2], returned 6.5%.

Review

The MSCI Pacific ex-Japan Index posted steady returns in 2024. For sterling investors, returns were held back somewhat by the relatively weak performance of Australia, which comprises over two-thirds of the index, as its mining sector struggled on concerns about falling demand for raw materials. There were also concerns about the weaker performance of the Australian economy overall, with growth stuttering due to the impact of high interest rates and rising cost-of-living pressures.

The strongest returns were posted by Singapore, led by digital platforms and banks. The high-yielding nature of the stock market was in demand in the context of expectations for interest rate cuts. Hong Kong shares were supported on market optimism about the Chinese economy and a strong flow of investment assets from overseas, together with hopes of support for the beleaguered property sector.

The strongest sector was information technology as investors continued to back companies profiting from the artificial intelligence boom. There were also good gains by communication services companies and financials. Aside from materials, energy was the other major disappointment as the oil price traded lower.

Outlook

There are some keen headwinds facing Asia Pacific markets as we move into 2025. The tepid performance of the Chinese economy will continue to ripple out across the region. Its lower-than-expected demand for raw materials is likely to weigh on Australian equities given the dominance of its mining companies. Australia's economy is also experiencing a period of weakness on the back of high interest rates and a cost of living crisis. With a general election due in May, uncertainty hangs over the market.

Hong Kong shares remain sensitive to sentiment towards growth in mainland China and geopolitical developments. Should there be positive surprises in both these regards, Hong Kong shares could rally well. Elsewhere, Singapore appears set for further steady economic growth as external demand for its products and services remains strong and inflation continues on its downward trend.

Investors will also be monitoring closely US economic policy under the new Trump administration. A sharp lurch towards protectionism would undoubtedly sap confidence towards the region. However, the introduction of economic stimulus, including regulatory reform and tax cuts, would be viewed as being positive for global markets.

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

4.18

Aviva Investors Pre-Annuity Fixed Interest Fund

Aviva Investors Pre-Annuity Fixed Interest Fund

Overall assessment

Summary Ratings		
Share Class Designation	UK Institutional Acc	Insured Pension Acc
Overall rating	●	●
Quality of service	●	●
Performance	●	●
Authorised fund manager costs	●	●
Comparable market rates	●	●
Economies of scale	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Inc	UK Institutional Acc	Benchmark*
1 Year	-3.49	-3.48	-4.21
3 Years	-9.56	-9.55	-9.95
5 Years	-4.83	-4.83	-5.21
7 Years	-	-2.19	-2.45
Since Launch	-4.95	-	-

*35% FTSE UK Gilts 15-25y TR1 ; 15% FTSE UK Gilts 25y+ TR1 ; 10% iBoxx Sterling Non-Gilts 1-5y TR4 ; 35% iBoxx Sterling Non-Gilts 5-15y TR4 ; 5% iBoxx Sterling Non-Gilts 15y+ TR4.

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-fund aims to provide an element of protection from changes in the cost of buying a pension annuity by investing in bonds issued by companies and governments.

In the report published in April 2024 the Board noted that the Sub-fund delivered a positive return to investors following the volatile market conditions at the end of 2022.

In the current year, the market for Government Bonds has once again been challenging, the anticipated interest rate cuts were less than expected, leading to a sell off in bond markets, causing yields to rise and prices to fall. The Sub-fund is however providing investors with returns that are in excess of the benchmark against which its performance can be compared, over both the short and longer term, and as annuity rates have increased over the year the Sub-fund has continued to protect the purchasing power of an investor's retirement fund.

Therefore, the Sub-fund's overall performance after charges is considered to offer value to investors, taking into consideration performance relative to its investment objectives, policy and strategy, and other relevant information considered in the assessment.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned -3.5%*. This compared to a return of -4.2% by the composite benchmark.

Review

It was a disappointing year of performance for corporate bonds. The lack of progress can be attributed mainly to negative performance by underlying gilts (FTSE Government All-Stocks Index down 3.3% over the calendar year) as investors pushed back their expectations for interest rate cuts. There were concerns that inflation was taking longer than anticipated to subdue, with stubbornly high services inflation being a notable focus for the policy makers. Gilt returns were also under pressure from high levels of issuance as governments both domestically and internationally struggled to rein back their spending programmes.

Despite their relative tightness at the start of 2024, corporate bond spreads narrowed by around 34 basis points over the year, thereby helping to offset the headwind of a weak gilt market. A resilient fundamental backdrop proved supportive as company earnings held up reasonably well, reflecting improving growth, at least in the early part of the period. Spreads contracted most notably in the lower-quality BBB-rated segment of the market. Technical factors were also helpful as strong demand from institutional investors easily absorbed plentiful new issuance.

Given the objective of the fund to preserve capital prior to investment in an annuity, we adopt a conservative stance to managing the portfolio, taking small positions relative to the benchmark.

Our credit selection was guided by a broad preference for financials over corporates. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for upcoming pressures, which we felt was not reflected in relative spreads. Revenues were supported by higher rates and volatility. This enabled banks to control earnings allocation – retaining funds to support regulatory capital requirements, building provision against future expected loan losses and funding stakeholder distributions. Aside from banks, good contributions were also made by automotive and electric utility bonds.

The top individual security contributors were the fund manager Investec, Barclays and insurer Legal & General. The main detractor was asset manager abrdn (formerly known as Aberdeen).

Limited exposure to French banks was helpful as political events in the latter half of June led to spread widening for the likes of Société Générale and Credit Agricole.

Outlook

We head into 2025 expecting elevated market volatility in the short term given the huge uncertainty around the new US administration's policy detail. As usual there will be significant new sovereign bond issuance as we start the first quarter which the market will have to absorb. The question will be whether the recent sell-off is providing investors with enough compensation for these uncertainties. With the sell-off being both from a repricing of rate expectations and a rebuild in term premia we believe there is increasing value in the bond market.

While credit spreads are tight, the creditworthiness of companies has improved, and should continue doing so given the prospect for continued earnings growth. That means spreads are likely to remain rangebound.

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

4.19

Aviva Investors Sterling Corporate Bond Fund

Aviva Investors Sterling Corporate Bond Fund

Overall assessment

Summary Ratings				
Share Class Designation	**UK Institutional Acc**	**UK Corporate Acc**	**Insured Pension Acc**	**UK Corporate Inc**
Overall rating	●	●	●	●
Quality of service	●	●	●	●
Performance	▲	▲	▲	▲
Authorised fund manager costs	●	●	●	●
Comparable market rates	●	●	●	●
Economies of scale	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	**Insured Pension Acc**	**UK Corporate Acc**	**UK Corporate Inc**	**UK Institutional Acc**	**Markit iBoxx GBP NonGilts TR[4]**
1 Year	2.62	2.62	2.67	2.61	1.71
3 Years	-3.10	-3.10	-3.08	-3.10	-3.14
5 Years	-0.90	-0.90	-0.89	-0.92	-1.03
7 Years	–	–	0.57	0.55	0.30
Since Launch	-0.81	-0.81	–	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to grow your investment over the long term (5 years or more) through a combination of income and capital returns, by investing in bonds issued by companies.

The bond market has been challenging over recent years due to high inflation, rising interest rates, and more recently the anticipated interest rate cuts in the UK were less than expected, which lead to a further sell off in bond markets, causing yields to rise and prices to fall.

As expected, the Sub-fund has moved in line with the markets and has delivered a gain for investors of 2.6% over the year, which is 0.9% above the benchmark against which its performance can be compared. However, losses incurred in previous years are still impacting the overall returns over the longer term, with the Sub-fund returning -0.9% p.a. over 5 years.

The Sub-fund is however providing investors with returns that are in excess of that benchmark, over both the short and longer term, and it has performed well in comparison to similar funds in its peer group over the last year.

The market environment is less than favourable for this type of strategy, and other factors considered by the Board suggest overall performance is in line with expectations, and the Board therefore retains confidence in the approach adopted by the portfolio manager, which should benefit investors over the long term.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned 2.6%*. By comparison, the benchmark, the iBoxx Sterling Corporate and Collateralized Index[4], returned 1.7%.

Review

2024 saw sterling corporate bonds post modest total returns. The lack of progress can be attributed mainly to negative performance by underlying gilts (FTSE Government All-Stocks Index down 3.3% over the calendar year) as investors pushed back their expectations for interest rate cuts. There were concerns that inflation was taking longer than anticipated to subdue, with stubbornly high services inflation being a notable focus for the policy makers. Gilt returns were also under pressure from high levels of issuance as governments both domestically and internationally struggled to rein back their spending programmes.

Despite their relative tightness at the start of 2024, corporate bond spreads narrowed by around 34 basis points over the year, thereby helping to offset the headwind of a weak gilt market. A resilient fundamental backdrop proved supportive as company earnings held up reasonably well, reflecting improving growth, at least in the early part of the period. Spreads contracted most notably in the lower-quality BBB-rated segment of the market. Technical factors were also helpful as strong demand from institutional investors easily absorbed plentiful new issuance.

Over the course of the review period, our continued preference for financials over corporates underpinned fund performance. Against an uncertain macroeconomic backdrop, we saw banks as being well positioned for upcoming pressures, which we felt were not reflected in relative spreads. Revenues were supported by higher rates and volatility. This enabled banks to control earnings allocation – to help support regulatory capital requirements, to build provision against future expected loan losses and to fund stakeholder distributions. Aside from banks, good contributions were also made by life insurance and electric utility bonds.

The top individual security contributor was Mitchells & Butlers, a UK pub operator that we have owned in the fund for some time. Value was also added by Medical Properties Trust, a US corporate which has gone through its share of volatility.

Our index position in iTraxx Main, protecting against European spread widening, proved effective during episodes of volatility, such as when snap French elections were called in June.

The utilities sector was the biggest detractor over the year. This was primarily due to the holding in Thames Water, which faced numerous issues, including downgrades by S&P and Moody's over debt default fears.

Outlook

We head into 2025 expecting elevated market volatility in the short term given the huge uncertainty around the new US administration's policy detail. As usual there will be significant new sovereign bond issuance as we start the first quarter which the market will have to absorb. The question will be whether the recent sell-off is providing investors with enough compensation for these uncertainties. With the sell-off being both from a repricing of rate expectations and a rebuild in term premia we believe there is increasing value in the bond market.

While credit spreads are tight, the creditworthiness of companies has improved, and should continue doing so given the prospect for continued earnings growth. That means spreads are likely to remain rangebound.

The fund begins the year with a slightly lower credit risk profile, with exposure mainly in the higher-beta sectors, water , real estate and autos. We are adding to the lower-beta sectors via shorter-dated UK bank debt and less risky consumer names. We continue to run the most risk in banks, longer-dated communications companies and securitised issues and are happy to hold these into 2025.

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

4.20

Aviva Investors Sterling Gilt Fund

Aviva Investors Sterling Gilt Fund

Overall assessment

Summary Ratings						
Share Class Designation	**UK Institutional Acc**	**ACS Acc (Class 1)**	**ACS Acc (Class 2)**	**UK Corporate Acc**	**Insured Pension Acc**	**UK Corporate Inc**
Overall rating	●	●	●	●	●	●
Quality of service	●	●	●	●	●	●
Performance	▲	▲	▲	▲	▲	▲
Authorised fund manager costs	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	**ACS Acc (Class 1)**	**ACS Acc (Class 2)**	**Insured Pension Inc**	**UK Corporate Inc**	**UK Corporate Acc**	**UK Institutional Acc**	**FTSE Act UK Cnvt Gilts All Stocks TR GBP[1]**
1 Year	-2.80	-2.80	-2.80	-2.74	-2.80	-2.84	-3.32
3 Year	-8.19	-8.19	-8.19	-8.20	-8.19	-8.22	-8.60
5 Year	-4.42	-4.43	-4.42	-4.42	-4.42	-4.44	-4.75
7 Year	-	-	-	-2.08	-	-2.10	-2.41
Since launch	-2.32	-2.32	-4.57	-	-4.57	-	-

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to grow your investment over the long term (5 years or more) through a combination of income and capital returns, by investing in bonds issued or guaranteed by governments.

The UK Government Bond market has been challenging over recent years due to high inflation, rising interest rates, and more recently the anticipated interest rate cuts were less than expected, which lead to a further sell off in bond markets, causing yields to rise and prices to fall.

As expected, the Sub-fund has moved in line with the markets and has delivered an overall loss for investors of 2.8% over the year. This combined with previous years losses means that over a five year period the Sub-fund is delivering a loss of 4.4% p.a.

The Sub-fund is however providing investors with returns that are in excess of the benchmark against which its performance can be compared, over both the short and longer term, and it consistently performs well in comparison to similar funds in its peer group.

The market environment is less than favourable for this type of strategy, and other factors considered by the Board suggest overall performance is in line with expectations, and the Board therefore retains confidence in the approach adopted by the portfolio manager, which should benefit investors over the long term.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024 the sub-fund returned -2.8%*. By comparison, the benchmark, the FTSE Government All-Stocks Index[1], returned -3.3%.

Review

Though touted to be a year of much brighter prospects, 2024 developed into something of a damp squib for gilts and sovereign bonds overall. Concerns that inflation was not returning to target as quickly as had been anticipated caused the central banks to talk down the likelihood of early cuts in interest rates. It was not until June that the European Central Bank became the first of the major monetary custodians to start the process of returning interest rates to a more neutral level. Despite kicking off with an outsized 50 basis point reduction in September, the US Federal Reserve shifted its thinking to a slower pace of easing as stronger-than-expected growth increased the possibility of inflation reaccelerating. This resulted in bonds ending an already disappointing year on a further weak note.

In the UK, a fall in inflation in the summer to the Bank of England (BoE) 2.0% target led to a quarter-point cut in interest rates in August. However, any rally was short-lived as uncertainty then stalked the market ahead of the new Labour administration's first budget. The subsequent announcement of significant new government borrowing spooked the market, leading to a gilt sell-off in the final quarter of the year, even despite a further quarter-point cut in the UK base rate in November. This downbeat mood was underscored by renewed caution from the BoE going into the new year as inflationary pressures appeared to build once again.

In the first quarter, the fund held a mix of US and UK curve-steepening positions and long duration trades, plus a cross-market position, being long US Treasuries against German Bunds. These contributed positively and, considering the uncertain backdrop of central banks wanting to cut interest rates yet the data not allowing them, they were all structured in a manner to simply make tactical gains and not expose the portfolio to any unnecessary risks.

In the second quarter, the fund ran a mix of tactical duration trades attempting to exploit the range-bound dynamics of market yields, and curve-flattening strategies looking to exploit the lack of issuance in the longer-dated maturity segment of the gilt curve. These both proved particularly successful in May and June. Elsewhere, small cross-market positions also added to performance.

The summer period brought a huge amount of volatility, which prompted us to enter trades looking for higher yields, either outright or via yield curve strategies. However, dovish central bank rhetoric alongside weaker economic data caused the fund to struggle against its benchmark in the third quarter.

As the year drew to a close, the fund navigated the UK budget and US election with a mix of both yield curve and long duration positions looking for lower yields. With these adding to performance, we took profits and shifted focus towards steering the fund through potentially sizeable market movements around year-end.

Outlook

The UK, along with other developed markets, has seen a sharp increase in ten-year yields as well as a steepening of the yield curve. The BoE's cautious stance going into 2025 will likely keep policy rate expectations around current levels whilst longer-dated bonds try to find a clearing level in this higher supply environment. However, we expect the BoE to further cut rates this year as growth falls short of officials' forecasts, employment declines and inflation trends towards target.

The risks to growth are to the downside as a result of higher mortgage rates as well as services inflation continuing to put pressure on people's disposable incomes. Wage growth may slow down further as the effects of the national insurance contributions changes really start hitting businesses. A lot of uncertainty around the reliability of labour market data remains and so the BoE will likely keep their cards close to their chest until they are sure of the full economic picture. In the meantime, elevated supply is likely to keep pressure on longer-dated yields.

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

4.21

Aviva Investors Strategic Global Equity Fund

Aviva Investors Strategic Global Equity Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	UK Corporate Acc	UK Corporate Inc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Acc	UK Corporate Inc	UK Institutional Acc	MSCI ACWI NR GBP[2]
1 Year	19.03	19.02	18.82	19.59
3 Years	7.59	7.58	7.45	8.22
5 Years	–	10.50	10.42	11.31
7 Years	–	9.15	9.07	10.41
Since Launch	10.74	–	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Review

The strategy finished 2024 in line with the benchmark, with Value and Profitability emerging as the primary drivers of performance. However, idiosyncratic risk was the main detractor, stemming from a combination of the portfolio's low beta tilt, sustainability features, and stock-specific events. While factor exposures provided notable contributions, these gains were partially offset by challenges associated with specific holdings and market dynamics.

Our strategy underperformed in the first quarter, with the lacklustre performance primarily driven by our sustainability-focused features and the portfolio's lower beta tilt. Whilst Value and Profitability investment factors contributed positively, these gains were outweighed by the underperformance of our sustainability exposures. Additionally, weak stock selection within the Technology and Communications sectors added to the negative performance. However, stock selection in the Materials sector provided a partial offset to these losses. The lower beta of our portfolio, which typically reduces sensitivity to overall market movements, worked against us during a quarter marked by strong equity market rallies.

Equity markets in the second quarter were shaped by uncertainty surrounding the timing of monetary policy relaxation and pivotal elections across the globe. This period saw increased equity volatility, alongside modest market appreciation. Our strategy struggled in this environment, with our underperformance largely attributed to certain holdings underperforming expectations, despite a focus on companies with steady earnings growth and attractive valuations. Additionally, our emphasis on sustainability and maintaining a lower beta continued to be headwinds in a volatile but upward-trending market environment.

The third quarter marked a change in fortune for our strategy, which significantly outperformed the benchmark. Despite pronounced volatility, global equities gained, with emerging markets outperforming developed markets. The quarter began with a sharp sell-off in technology-related stocks, driven by a shift away from AI-related momentum, which led to underperformance in Momentum signals. However, monetary easing by multiple central banks, including a larger-than-expected rate cut by the US Federal Reserve and supportive measures from China, buoyed equity markets. Factor exposures benefited from this broad market recovery, with sectors that had previously been overlooked regaining investor interest. Sustainability measures performed well, significantly contributing to the strategy's outperformance, while strong stock selection, particularly within the Technology sector, further enhanced returns. Momentum was the only factor that underperformed during the period.

The strategy again outperformed its benchmark in the fourth quarter, despite heightened volatility across equity markets. The quarter was marked by regional performance disparities: the US and Japan outperformed Europe, the UK, and Emerging Markets, while higher US yields, a stronger US dollar, and a hawkish Federal Reserve stance dampened optimism for 2025 interest rate cuts. From a factor perspective, Momentum and Profitability were strong performers, while Value and Governance signals showed mixed results, and Low Volatility lagged. The strategy's outperformance was driven by favorable exposures to Momentum, Profitability, and Value factors, as well as strong stock selection, particularly within the US Technology sector.

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.

4.22

Aviva Investors Stewardship Fixed Interest Fund

Aviva Investors Stewardship Fixed Interest Fund

Overall assessment

Summary Ratings					
Share Class Designation	UK Institutional Acc	Insured Pension Acc	UK Feeder Acc	UK Fund of Funds Acc	UK Corporate Inc
Overall rating	●	●	●	●	●
Quality of service	●	●	●	●	●
Performance	●	●	●	●	●
Authorised fund manager costs	●	●	●	●	●
Comparable market rates	●	●	●	●	●
Economies of scale	●	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	UK Feeder Acc	UK Fund of Funds Acc	UK Institutional Acc	Insured Pension Acc	Markit iBoxx GBP NonGilts TR[4]
1 Year	2.54	2.57	2.58	2.49	2.56	1.71
3 Years	-2.62	-2.61	–	-2.63	-2.61	-3.14
5 Years	-0.62	–	–	-0.62	-0.62	-1.03
7 Years	0.73	–	–	0.71	–	0.30
Since Launch	–	-1.91	8.60	–	-0.49	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned 2.5%*. By comparison, the benchmark, the iBoxx Sterling Non-Gilts Index[4], returned 1.7%.

Portfolio Review

2024 saw sterling corporate bonds post modest total returns. The lack of progress can be attributed mainly to negative performance by underlying sovereign bonds (FTSE Government All-Stocks Index down 3.3% over the calendar year) as investors pushed back their expectations for interest rate cuts. There were concerns that inflation was taking longer than anticipated to subdue, with stubbornly high services inflation being a notable focus for the policy makers. Gilt returns were also under pressure from high levels of issuance as governments both domestically and internationally struggled to rein back their spending programmes.

Despite their relative tightness at the start of 2024, corporate bond spreads narrowed by around 34 basis points over the year, thereby helping to offset the headwind of a weak gilt market. A resilient fundamental backdrop proved supportive as company earnings held up reasonably well, reflecting improving growth, at least in the early part of the period. Spreads contracted most notably in the lower-quality BBB-rated segment of the market. Technical factors were also helpful as strong demand from institutional investors easily absorbed plentiful new issuance.

The fund outperformed its benchmark over 2024, a year in which the majority of fixed income assets delivered positive returns.

A notably contribution to performance came in the first quarter on the back of a positive stance on credit risk, mainly expressed via an overweighting of subordinated financial bonds. Being overweight BBB-rated bonds was also helpful.

Returns were nevertheless slightly negative in the second quarter, with some of the European positions proving to be a headwind following political developments in June. The structural underweighting of some top-performing sectors such as tobacco and energy also proved unhelpful. While duration positioning played out well over June, it remained negative over the longer term at the absolute return level, but relative to benchmark it contributed positively. In the third quarter, the fund profited from its exposure to interest rates as the market rallied on expectations of more aggressive monetary policy loosening in the US.

Value was added by banks, along with sterling and euro life insurance companies. Wirelines and healthcare also posted compelling returns from sterling and euro bonds.

Returns in the fourth quarter were negative, but relative performance was positive, derived mainly from our sector allocation, notably banks, and security selection. Interest rate exposure was a small detractor overall as gilt yields rose over the last few weeks of the year.

Overall, the banking sector was the fund's top contributor over the year, led by HSBC and NatWest in the UK. Whilst central banks did not cut interest rates as aggressively as anticipated, the overall environment favoured banking bonds, which were less sensitive to interest rate changes.

The utilities sector was the biggest detractor over the year. This was primarily due to the holding in Thames Water, which faced numerous issues, including downgrades by S&P and Moody's over debt default fears.

Throughout the year, our trades focused on issuers with attractive valuations and which also contribute to the UN Sustainable Development Goals.

Outlook

We head into 2025 expecting elevated market volatility in the short term given the huge uncertainty around the new US administration's policy detail. As usual there will be significant new sovereign bond issuance as we start the first quarter which the market will have to absorb. The question will be whether the recent sell-off is providing investors with enough compensation for these uncertainties. With the sell-off being both from a repricing of rate expectations and a rebuild in term premia we believe there is increasing value in the bond market. While credit spreads are tight, the creditworthiness of companies has improved, and should continue doing so given the prospect for continued earnings growth. That means spreads are likely to remain rangebound, making the yield pick-up from investing in high-yield bonds attractive. However, looking further ahead we would want to see more risk premium built into the market before increasing our allocation to this asset class. In the fund, we enter 2025 long of the benchmark in terms of duration. We are overweight sterling bonds in the ten-year segment but are neutral in the US dollar and euro curves. Credit risk is concentrated in insurance, communications and senior UK bank debt.

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

4.23

Aviva Investors Stewardship International Equity Fund

Aviva Investors Stewardship International Equity Fund

Overall assessment

Summary Ratings					
Share Class Designation	UK Institutional Acc	UK Corporate Acc	Insured Pension Acc	UK Feeder Acc	UK Fund of Funds Acc
Overall rating	▲	▲	▲	▲	▲
Quality of service	●	●	●	●	●
Performance	◆	◆	◆	◆	◆
Authorised fund manager costs	●	●	●	●	●
Comparable market rates	●	●	●	●	●
Economies of scale	●	●	●	●	●
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 unit class are justified in the context of overall value being delivered to investors. However, the Board notes that there has been some underperformance, and more information can be found on this in the Performance section opposite.

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 unit classes in the Sub-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 Designation	UK Corporate Acc	UK Feeder Acc	UK Fund of Funds Acc	UK Institutional Acc	Insured Pension Acc	MSCI World NR GBP[2]
1 Year	10.45	10.43	10.47	10.42	10.55	20.79
3 Years	3.15	3.16	–	3.13	3.26	9.15
5 Years	9.00	–	–	8.99	9.11	12.42
7 Years	–	–	–	9.92	–	11.46
Since Launch	9.12	6.53	13.02	–	9.23	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

During the period in review, the Sub-Fund aimed to: (i) grow your investment and provide an average annual net return greater than the MSCI® World NDR Total Return GBP Index over a rolling 5 year period through investment in shares of global companies; and (ii) make investments with an overall positive alignment to the UN Sustainable Development Goals ("SDGs") as defined by the Investment Manager's Sustainable Stewardship Investment Policy ("SSIP").

The Sub-fund has had a disappointing year from a performance perspective relative to its benchmark, returning 10.4%, which is 10.4% below the benchmark.

Although there were some sectors that underperformed, such as Industrials where we are overweight, a significant contributor to this underperformance is because the Sub-fund does not invest in a significant portion of the benchmark, including several of the US mega technology stocks, such as Apple or Amazon, because they do not align to the SDG selection process as outlined in the SSIP. The SSIP covers a wide range of goals covering three core elements: economic growth, social inclusion and environmental protection, which requires holdings to positively align with the 17 SDGs.

Investors have been notified of our intention to make changes to the Sub-fund as a result of the Sustainability Disclosure Requirements (SDR), including to amend the SSIP to replace the high-level aims with more detailed disclosures regarding the asset selection process driven by our proprietary investment framework that links to the three sustainability pillars of “Climate”, “Earth” and “People”, thereby providing investors with additional information which explains our decision making with regards to excluded stocks for a Sub-fund of this nature. However, these changes would not result in a change to the investment process, and therefore these stocks would continue to be excluded going forwards, unless the respective social and governance concerns are addressed by those companies.

Due to the returns relative to the benchmark, the Board is aware that the performance of the Sub-fund will be of concern to some investors, however for those who chose this Sub-fund due to its sustainable investing philosophy, the Sub-fund continues to deliver on this element of the objective, and therefore periods of underperformance may be experienced as a result of this investment approach. Therefore, the Board does not propose to make any changes to the Sub-fund at this time, and is satisfied that the forthcoming changes will give investors more detailed information to make investment decisions going forward.

A detailed explanation of the last 12 months performance is included in the Fund Manager’s Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned 10.4%*. The fund's benchmark, the MSCI World Index[2], returned 20.8%.

Review

2024 proved to be a second-consecutive year of strong performance by equities, with the US proving to be the powerhouse once again as it confounded expectations of a 'hard economic landing'.

Equities were underpinned by the continuation of broadly positive corporate earnings and hopes that easier monetary conditions were around the corner. Growth was nevertheless uninspiring in most regions, with China offering little evidence that it was emerging from its recent slump, even despite enjoying a manufacturing boom thanks to its clear leadership in the manufacture of EVs. Europe languished in stagnation throughout the year as the performance of its largest economy, Germany, dipped alarmingly. Only the US stood out, thanks in no small measure to both the ongoing boom for artificial intelligence (AI) technology and its structural advantage of cheap energy.

In local terms, the leading markets were the US (S&P Composite 25.0%) and Japan Topix (20.5%). The MSCI Europe ex-UK Index returned a more subdued but still respectable 8.1%. Emerging markets generally performed well (MSCI Emerging Markets Index 13.7%) as they benefited from the continued normalisation of global trade and early cuts in interest rates by a number of central banks.

The fund's underperformance of its benchmark in 2024 was largely attributable to stocks that we either do not hold, or have underweights to, that benefited from Donald Trump's victory in the US elections in November. The fund was also structurally underweight the so-called 'Magnificent 7' (MAG-7) technology megacap stocks that were key drivers of return in the US in 2024.

Several technology names ranked amongst the fund's top performers in the year, including Cadence Design Systems and Alphabet. Demand in various end markets, including AI and cloud computing, drove strong financial performance in these companies.

The primary reason that the strategy was underweight the MAG-7 was due to social and governance concerns, which have been exacerbated by Trump's presidential victory. The MAG-7 alone comprises around a quarter of the fund's benchmark and hence has a significant influence on overall performance.

Trump's victory boosted the performance of some of these stocks. For example, Tesla's share price rose by 50% between the election result in early November and the end of the year.

We added several stocks to the portfolio which contribute to the UN Sustainable Development Goals while also demonstrating strong performance potential. Noteworthy examples include Colgate, Nvidia, Tetra Tek, L'Oreal, Cadence Design Systems and Canadian Pacific.

Outlook

The year ahead shapes up as one of heightened uncertainty. However, it does not have to follow that this leads to recession or a poor environment for risk assets. Instead, the policy uncertainty implies a wide distribution of possible outcomes, both positive and negative. It is likely to feel somewhat unsettled. The return of President Trump to the White House is expected to bring with it a host of important changes across the policy spectrum: from trade, to tax and spending, regulatory, immigration and foreign policy. Any one of these would be significant in its own right, so the combination and sequencing of all of them will no doubt prove challenging for markets to digest. Moreover, while the direction of travel is clear for each, the timing and magnitude are not.

While equity valuations look elevated, especially in the US, it is also hard to make a compelling argument for valuations to move lower. This suggests that earnings take over from multiple expansion and become the major contributor to returns in 2025. If that scenario is correct, US equities seem still well positioned, with a robust earnings growth outlook amidst resilient economic activity. Absent a major shock, we expect the US to keep outperforming, especially relative to European peers where earnings-per-share forecasts are weaker and external headwinds to growth are rising owing to potential global trade disruptions.

We are conscious that equity markets have risen considerably for a second year in a row. However, we still believe in our ability to find interesting ideas that fulfil the dual mandate of the fund.

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

4.24

Aviva Investors Stewardship UK Equity Fund

Aviva Investors Stewardship UK Equity Fund

Overall assessment

Summary Ratings			
Share Class Designation	**UK Institutional Acc**	**Insured Pension Acc**	**UK Corporate Inc**
Overall rating	●	●	●
Quality of service	●	●	●
Performance	▲	▲	▲
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	**Insured Pension Acc**	**UK Corporate Inc**	**UK Institutional Acc**	**FTSE Custom All-Share TR GBP[1]**
1 Year	10.75	10.74	10.71	10.94
3 Years	3.61	3.57	3.58	3.80
5 Years	3.83	3.82	3.82	4.07
7 Years	–	5.22	5.22	4.62
Since Launch	4.38	–	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to (i) grow your investment and provide an average annual net return greater than the FTSE® All-Share Custom Index over a rolling 5 year period through investment in shares of UK companies; and (ii) make investments with an overall positive alignment to the UN Sustainable Development Goals (“SGDs”) as defined by the Investment Manager’s Sustainable Stewardship Investment Policy (“SSIP”).

Over the year to 31 December 2024 the Sub-fund has underperformed the primary benchmark by 0.2%, however, when compared to the secondary standard FTSE All-Share benchmark the Sub-fund has exceeded this index by 1.1%. On a longer term basis (5 years) the Sub-fund is 0.2% p.a. below the benchmark.

Whilst the longer term returns are marginally below the benchmark, the Board do not have any concerns with the portfolio manager's strategy and ongoing ability to meet the stated objective in the future. Therefore, we do not intend to make any changes to the Sub-fund at this point in time, but the Sub-fund will remain under review following our standard governance process.

Investors have been notified of our intention to make changes to the Sub-fund as a result of the Sustainability Disclosure Requirements (SDR), including to amend the SSIP to replace the high-level aims with more detailed disclosures regarding the asset selection process driven by our proprietary investment framework that links to the three sustainability pillars of "Climate", "Earth" and "People", thereby providing investors with additional information which explains our decision making with regards to excluded stocks for a Sub-fund of this nature.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the sub-fund returned 10.8%*. The fund's benchmark, the FTSE All-Share Custom Index[1], returned 10.9%.

Review

The UK stock market produced a solid return in 2025, with almost all the gain being generated in the first half of the year as investors noted an improvement in the domestic economy and the prospect of looser monetary policy both at home and in the other major developed economies.

The Bank of England (BoE) left interest rates unchanged at a 16-year high of 5.25% until August, when it made the first of two quarter point cuts. This was in response to the annual rate of inflation, which halved from 4% in January to 2% in May, thereby meeting the central bank's target. Inflation went on to end the year slightly higher at 2.5%.

The uncertainty of the timing of the general election was ended in the spring when a national poll was called for 4 July. While the subsequent landslide victory of the Labour party was expected, the more expansive-than-anticipated tax-and-spend agenda of the new administration took the market by surprise, leaving many investors concerned that the nascent economic recovery would be stifled. Shares could thus find little traction in the second half of the year as doubts resurfaced about growth yet the BoE remained cautious on policy.

With the market, there was a wide dispersion of returns. The leading sector was financials, with banks profiting from the BoE's reticence to cut interest rates aggressively and the better-than-expected performance of the economy, at least in the first half of the year. Solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

Both stock selection and sector allocation had a broadly neutral impact on performance. At the stock level, shares of packaging maker D S Smith and soft drinks company Britvic contributed well, being boosted by takeover activity. D S Smith was subject to bids from both UK and US companies while Britvic agreed to be taken over by Carlsberg in a £3.3 billion deal. On the negative side, Burberry was a detractor from performance as the luxury goods brand issued a number of profit warnings because of slowing demand from China. It also suspended its dividend. Other disappointing performers included Gresham House and Oxford Metrics.

In terms of sector positioning, the lack of exposure to basic materials was helpful as the outlook for earnings for mining companies became more uncertain. However, this was offset by the drag of being underweight financials.

Outlook

The UK will find itself at a crossroads this year: on one hand, domestic developments are clouded with uncertainty on the growth and inflation impact of the new budget and the monetary policy response. On the other hand, the new US administration poses considerable challenges to policy makers. On balance, we expect growth will settle around 1.2% in 2025 – much lower than the office for budget responsibility (OBR) and BoE forecast. Uncertainty and initially high borrowing costs suggest a revival of private consumption is not on the cards. As a result, we expect the BoE to maintain a cautious stance early in the year but eventually be forced to slash rates towards 3%. Growth should pick up slightly to 1.2% due to a materially lower fiscal drag but we see it as highly unlikely to achieve the forecasts produced by the OBR (2%) and BoE (1.5%). We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move.

While there appears to be a lack of positive catalysts to drive the market higher currently, UK equities nevertheless continue to offer value and trade at relatively cheap levels compared with history and other global markets.

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

4.25

Aviva Investors Stewardship UK Equity Income Fund

Aviva Investors Stewardship UK Equity Income Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	Insured Pension Acc	UK Corporate Inc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	▲	▲	▲
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Institutional Acc	UK Corporate Inc	Insured Pension Acc	FTSE Custom All-Share TR GBP[1]
1 Year	10.01	10.40	10.41	10.94
3 Years	3.10	3.18	3.21	3.80
5 Years	3.16	3.17	3.21	4.07
7 Years	4.76	4.83	–	4.62
Since Launch	–	–	3.82	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to: (i) deliver an income return in excess of the FTSE® All-Share Index, annualised over a rolling three year periods, whilst also aiming to grow your investment and provide an average annual return greater than the FTSE All Share Custom Index over rolling 5 year periods by investing in shares of UK companies: and (ii) make investments with an overall positive alignment to the UN Sustainable Development Goals ("SDGs") as defined by the Investment Manager's Stewardship Investment Policy ("SSIP"). Both the income and return aims are measured before the deduction of Sub-Fund charges and tax.

Over the year to 31 December 2024 the Sub-fund has underperformed the primary benchmark by 0.9%, which was largely due to being underweight in our allocation to the Financials sector. However, when compared to the standard FTSE All-Share benchmark the Sub-fund has exceeded this index by 0.50%. In addition, the Sub-fund has met its objective to deliver an income return in excess of the FTSE All-Share benchmark over 3 rolling years, with an average of 107%.

Whilst the longer term returns are disappointing, the Board do not have any concerns with the portfolio manager's strategy and ongoing ability to meet the stated objective in the future. Therefore, we do not intend to make any changes to the Sub-fund at this point in time, but the Sub-fund will remain under review following our standard governance process.

Investors have been notified of our intention to make changes to the Sub-fund as a result of the Sustainability Disclosure Requirements (SDR), including to amend the SSIP to replace the high-level aims with more detailed disclosures regarding the asset selection process driven by our proprietary investment framework that links to the three sustainability pillars of "Climate", "Earth" and "People", thereby providing investors with additional information which explains our decision making with regards to excluded stocks for a Sub-fund of this nature.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

From 1 January 2024 to 31 December 2024, the sub-fund returned 10.0%*. The fund's benchmark, the FTSE All-Share Custom Index[1], returned 10.9%.

Market Review

The UK stock market produced a solid return in 2025, with almost all the gain being generated in the first half of the year as investors noted an improvement in the domestic economy and the prospect of looser monetary policy both at home and in the other major developed economies.

The Bank of England (BoE) left interest rates unchanged at a 16-year high of 5.25% until August, when it made the first of two quarter point cuts. This was in response to the annual rate of inflation, which halved from 4% in January to 2% in May, thereby meeting the central bank's target. Inflation went on to end the year slightly higher at 2.5%.

The uncertainty of the timing of the general election was ended in the spring when a national poll was called for 4 July. While the subsequent landslide victory of the Labour party was expected, the more expansive-than-anticipated tax-and-spend agenda of the new administration took the market by surprise, leaving many investors concerned that the nascent economic recovery would be stifled. Shares could thus find little traction in the second half of the year as doubts resurfaced about growth yet the BoE remained cautious on policy.

With the market, there was a wide dispersion of returns. The leading sector was financials, with banks profiting from the BoE's reticence to cut interest rates aggressively and the better-than-expected performance of the economy, at least in the first half of the year. Solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

At the stock-selection level, private-equity specialist Intermediate Capital Group ranked among the top-performing positions as asset-gathering and earnings momentum remained positive. The holding in D S Smith added value as the packaging maker became subject to takeover bids. Beverage maker Britvic also contributed well as the shares surged on a takeover approach from Carlsberg, which was ultimately accepted. On the negative side, shares in St. James's Place weakened as the wealth manager set aside substantial provisions to settle potential refunds to clients. It was also a disappointing year for self-storage company Safestore on falling profits and concerns about inflation-driven costs.

In terms of sector positioning, the most value was added by the lack of exposure to basic materials as some large mining companies warned about the revenue outlook. Being underweight consumer staples companies was also helpful. The main drag was the underweighting of financials and the overweighting of utilities.

Outlook

The UK will find itself at a crossroads this year: on one hand, domestic developments are clouded with uncertainty on the growth and inflation impact of the new budget and the monetary policy response. On the other hand, the new US administration poses considerable challenges to policy makers. On balance, we expect growth will settle around 1.2% in 2025 – much lower than the office for budget responsibility (OBR) and BoE forecast. Uncertainty and initially high borrowing costs suggest a revival of private consumption is not on the cards. As a result, we expect the BoE to maintain a cautious stance early in the year but eventually be forced to slash rates towards 3%. Growth should pick up slightly to 1.2% due to a materially lower fiscal drag but we see it as highly unlikely to achieve the forecasts produced by the OBR (2%) and BoE (1.5%). We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move.

While there appears to be a lack of positive catalysts to drive the market higher currently, UK equities nevertheless continue to offer value and trade at relatively cheap levels compared with history and other global markets.

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

4.26

Aviva Investors UK Equity Alpha Fund

Aviva Investors UK Equity Alpha Fund

Overall assessment

Summary Ratings				
Share Class Designation	UK Institutional Acc	Insured Pension Acc	UK Corporate Acc	UK FoF Acc Units
Overall rating	●	●	●	●
Quality of service	●	●	●	●
Performance	●	●	●	●
Authorised fund manager costs	●	●	●	●
Comparable market rates	●	●	●	●
Economies of scale	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Acc	UK Corporate Acc	UK FoF Acc Units	UK Institutional Acc	FTSE Custom All-Share, ex Inv Trust, ex Aviva TR GBP[1]
1 Year	6.66	6.58	6.58	6.56	8.56
3 Years	5.34	5.33	5.33	5.31	6.09
5 Years	5.38	5.38	–	5.38	4.70
7 Years	–	–	–	4.74	4.73
Since Launch	5.98	5.86	11.78	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned 6.7%*. The fund's benchmark, the FTSE All-Share Index ex IT, ex Aviva[1], returned 8.6%.

Review

The UK stock market produced a solid return in 2025, with almost all the gain being generated in the first half of the year as investors noted an improvement in the domestic economy and the prospect of looser monetary policy both at home and in the other major developed economies.

The Bank of England (BoE) left interest rates unchanged at a 16-year high of 5.25% until August, when it made the first of two quarter point cuts. This was in response to the annual rate of inflation, which halved from 4% in January to 2% in May, thereby meeting the central bank's target. Inflation went on to end the year slightly higher at 2.5%.

The uncertainty of the timing of the general election was ended in the spring when a national poll was called for 4 July. While the subsequent landslide victory of the Labour party was expected, the more expansive-than-anticipated tax-and-spend agenda of the new administration took the market by surprise, leaving many investors concerned that the nascent economic recovery would be stifled. Shares could thus find little traction in the second half of the year as doubts resurfaced about growth yet the BoE remained cautious on policy.

With the market, there was a wide dispersion of returns. The leading sector was financials, with banks profiting from the BoE's reticence to cut interest rates aggressively and the better-than-expected performance of the economy, at least in the first half of the year. Solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

The fund generated a positive return but underperformed its benchmark over the period, with stock selection proving to be the main drag. Not owning stock in aero-engine maker Rolls-Royce Holdings weighed on performance as the share price rallied on increasing investor optimism about its earnings outlook. Next 15 Communications sold off sharply in September as the loss of a major client created a significant shortfall in revenue. Falling profits saw mining company Rio Tinto's shares slide lower amid a notably disappointing year for the sector. On the positive side, the holding in packaging maker D S Smith was boosted as it became subject to takeover bids. Building materials supplier CRH performed well on the back of rising profits.

Sector allocation had a neutral impact on performance. Here, the benefit of being underweight materials companies was offset by the drag of being underweight financials. Most other sector positions had a negligible influence.

Outlook

The UK will find itself at a crossroads this year: on one hand, domestic developments are clouded with uncertainty on the growth and inflation impact of the new budget and the monetary policy response. On the other hand, the new US administration poses considerable challenges to policy makers. On balance, we expect growth will settle around 1.2% in 2025 – much lower than the office for budget responsibility (OBR) and BoE forecast. Uncertainty and initially high borrowing costs suggest a revival of private consumption is not on the cards. As a result, we expect the BoE to maintain a cautious stance early in the year but eventually be forced to slash rates towards 3%. Growth should pick up slightly to 1.2% due to a materially lower fiscal drag but we see it as highly unlikely to achieve the forecasts produced by the OBR (2%) and BoE (1.5%). We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move.

While there appears to be a lack of positive catalysts to drive the market higher currently, UK equities nevertheless continue to offer value and trade at relatively cheap levels compared with history and other global markets.

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

4.27

Aviva Investors UK Equity Core Fund

Aviva Investors UK Equity Core Fund

Overall assessment

Summary Ratings		
Share Class Designation	UK Corporate Acc	Insured Pension Inc
Overall rating	●	●
Quality of service	●	●
Performance	●	●
Authorised fund manager costs	●	●
Comparable market rates	●	●
Economies of scale	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Acc	UK Corporate Acc	MSCI United Kingdom ex Tobacco NR GBP[2]
1 Year	7.48	7.47	8.41
Since Launch	6.27	6.28	-

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to deliver returns which are similar to the returns of the MSCI United Kingdom ex Tobacco Index (GBP) (the "Index") over a rolling 12 month- period (before charges and taxes). The Sub-Fund also aims to deliver, on average, a higher ESG score and lower carbon intensity score than the Index over a rolling 12 month period (measured using month end data), whilst seeking to minimise tracking error to the Index.

The Sub-fund has achieved the objective to deliver returns similar to the Index, along with a higher ESG score and lower carbon intensity score than the same Index. Although the Sub-fund has achieved this high level objective, there is an ambition to uplift the ESG score by 5%, in this case the Sub-fund has raised the score by c2%, and whilst it is beating the Index, it is not at the level that we aim for.

The Investment Manager adopts a passive sampling approach to investing, with an active ESG overlay, and because of this it is not always possible to meet both the financial objective whilst uplifting the ESG score by a full 5%, as this requires certain exclusions from the portfolio that are included in the Index. Given that the Sub-fund's stated primary objective is to deliver a higher ESG score, along with returns similar to the Index, the Board are satisfied that the Sub-fund is achieving its primary objective.

Therefore the Board do not have any concerns with the portfolio manager's approach and consider that the Sub-fund has delivered returns in line with the high level objective as stated above.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The fund posted a sterling return of 7.5%* in the twelve months to 31 December 2024. Over the same period, the fund's benchmark, the MSCI United Kingdom ex-Tobacco Index[2], returned 8.4%.

Review

The UK stock market produced a solid return in 2025, with almost all the gain being generated in the first half of the year as investors noted an improvement in the domestic economy and the prospect of looser monetary policy both at home and in the other major developed economies.

The Bank of England (BoE) left interest rates unchanged at a 16-year high of 5.25% until August, when it made the first of two quarter-point cuts. This was in response to the annual rate of inflation, which halved from 4% in January to 2% in May, thereby meeting the central bank's target. Inflation went on to end the year slightly higher at 2.5%.

The uncertainty of the timing of the general election was ended in the spring when a national poll was called for 4 July. While the subsequent landslide victory of the Labour party was expected, the more expansive-than-anticipated tax-and-spend agenda of the new administration took the market by surprise, leaving many investors concerned that the nascent economic recovery would be stifled. Shares could thus find little traction in the second half of the year as doubts resurfaced about growth yet the BoE remained cautious on policy.

With the market, there was a wide dispersion of returns. The leading sector was financials, with banks profiting from the BoE's reticence to cut interest rates aggressively and the better-than-expected performance of the economy, at least in the first half of the year. Solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

Outlook

The UK will find itself at a crossroads this year: on one hand, domestic developments are clouded with uncertainty on the growth and inflation impact of the new budget and the monetary policy response. On the other hand, the new US administration poses considerable challenges to policy makers. On balance, we expect growth will settle around 1.2% in 2025 – much lower than the office for budget responsibility (OBR) and BoE forecast. Uncertainty and initially high borrowing costs suggest a revival of private consumption is not on the cards. As a result, we expect the BoE to maintain a cautious stance early in the year but eventually be forced to slash rates towards 3%. Growth should pick up slightly to 1.2% due to a materially lower fiscal drag but we see it as highly unlikely to achieve the forecasts produced by the OBR (2%) and BoE (1.5%). We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move.

While there appears to be a lack of positive catalysts to drive the market higher currently, UK equities nevertheless continue to offer value and trade at relatively cheap levels compared with history and other global markets.

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

4.28

Aviva Investors UK Equity Dividend Fund

Aviva Investors UK Equity Dividend Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	UK Corporate Acc	Insured Pension Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	▲	▲	▲
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit class are justified in the context of overall value being delivered to investors. However, the Board notes that there has been some short term underperformance, and more information can be found on this in the Performance section opposite.

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 unit classes in the Sub-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 Designation	Insured Pension Acc	UK Corporate Acc	UK Institutiona Acc	FTSE Custom All-Share, ex Inv Trust, ex Aviva TR GBP[1]
1 Year	6.89	6.89	6.85	8.56
3 Years	4.26	4.26	4.23	6.09
5 Years	3.05	3.05	3.04	4.70
7 Years	–	–	3.78	4.73
Since Launch	3.75	3.75	-	-

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

The Sub-Fund aims to deliver an income in excess of the income of the FTSE® All-Share ex IT ex Aviva Index (the "Index"), over 3-year rolling periods and provide an average annual net return greater than the Index over rolling 5 year periods, by investing in shares of UK companies.

Over the year to 31 December 2024, the Sub-fund has provided investors with a strong income return and delivered growth, however the Sub-fund's performance relative to its benchmark is below expectations.

In February 2024 a new portfolio manager was appointed to the Sub-fund, and they have concentrated on controlling risk, diversifying income, and improving liquidity. Portfolio activity increased with the addition of banks and energy stocks, however the largest detractor over the year is in the Financial sector, where returns have been mixed across banks.

The Board are confident that the addition of a new portfolio manager to the team is a positive outcome for the Sub-fund, bringing a wealth of experience to compliment the wider team, and does not have any concerns with the team's ability to meet the stated objective in the future. Therefore, we do not intend to make any changes to the Sub-fund at this point in time, but the Sub-fund will remain under review following our standard governance process.

A detailed explanation of the last 12 months performance is included in the Fund Manager's Report below.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

In the twelve months to 31 December 2024, the sub-fund returned 6.9%*. The fund's benchmark, the FTSE All-Share Index ex IT, ex Aviva[1], returned 8.6%.

Review

The UK stock market produced a solid return in 2025, with almost all the gain being generated in the first half of the year as investors noted an improvement in the domestic economy and the prospect of looser monetary policy both at home and in the other major developed economies.

The Bank of England (BoE) left interest rates unchanged at a 16-year high of 5.25% until August, when it made the first of two quarter point cuts. This was in response to the annual rate of inflation, which halved from 4% in January to 2% in May, thereby meeting the central bank's target. Inflation went on to end the year slightly higher at 2.5%.

The uncertainty of the timing of the general election was ended in the spring when a national poll was called for 4 July. While the subsequent landslide victory of the Labour party was expected, the more expansive-than-anticipated tax-and-spend agenda of the new administration took the market by surprise, leaving many investors concerned that the nascent economic recovery would be stifled. Shares could thus find little traction in the second half of the year as doubts resurfaced about growth yet the BoE remained cautious on policy.

With the market, there was a wide dispersion of returns. The leading sector was financials, with banks profiting from the BoE's reticence to cut interest rates aggressively and the better-than-expected performance of the economy, at least in the first half of the year. Solid double-digit gains were also posted by industrials and information technology. On the negative side, it was a poor year for the mining sector as the weakness of China's economy led to a fall in demand for commodities.

Stock selection weighed on the fund's relative performance over the period in review. Merchant bank Close Brothers was the weakest performer in the fund after it revealed that it would be scrapping its dividend this year owing to potential costs related to the FCA's investigation into its automotive financing wing. Shares in St. James's Place also weakened as the wealth manager set aside substantial provisions to settle potential refunds to clients following allegations of over-charging.

Private-equity specialist Intermediate Capital Group was the top-performing position as asset-gathering and earnings momentum remained positive. The holding in D S Smith added value as the packaging maker became subject to takeover attempts. Not owning two underperforming index heavyweights in miner Glencore and oil major BP also added value.

Sector allocation offset some of the disappointments at the stock-picking level. The most profitable positions were the underweighting of basic materials and the overweighting of industrials. The overweighting of utilities amid some weak newsflow for water companies, was the main drag.

Outlook

The UK will find itself at a crossroads this year: on one hand, domestic developments are clouded with uncertainty on the growth and inflation impact of the new budget and the monetary policy response. On the other hand, the new US administration poses considerable challenges to policy makers. On balance, we expect growth will settle around 1.2% in 2025 – much lower than the office for budget responsibility (OBR) and BoE forecast. Uncertainty and initially high borrowing costs suggest a revival of private consumption is not on the cards. As a result, we expect the BoE to maintain a cautious stance early in the year but eventually be forced to slash rates towards 3%. Growth should pick up slightly to 1.2% due to a materially lower fiscal drag but we see it as highly unlikely to achieve the forecasts produced by the OBR (2%) and BoE (1.5%). We have revised higher our inflation projections to 2.0% for year-end: increased public spending adds upside inflationary impulses alongside potential tariff impact (in case of retaliation) but downside risks to wage growth, higher unemployment and higher yields initially will offset part of the move.

While there appears to be a lack of positive catalysts to drive the market higher currently, UK equities nevertheless continue to offer value and trade at relatively cheap levels compared with history and other global markets.

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

4.29

Aviva Investors UK Listed Equity ex Tobacco Fund

Aviva Investors UK Listed Equity ex Tobacco Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Corporate Inc	UK Institutional Acc	UK Corporate Acc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	UK Corporate Acc	UK Institutional Acc	FTSE Custom All-Share ex Tobacco TR GBP[1]
1 Year	8.83	8.79	8.66	8.60
3 Years	6.26	6.31	6.27	5.59
5 Years	4.54	4.58	4.56	4.71
7 Years	–	–	–	4.77
Since Launch	4.74	5.09	4.75	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned 8.7%* (net of fees) from 1 January to 31 December 2024 whilst the FTSE All-Share ex Tobacco index[1] returned 8.6%.

Review

Fund performance was positive and was marginally ahead of the benchmark return. In the first half of the year the performance of small and mid-sized (SMID) companies was helped by a flurry of new bid activity and was further supported by expectations of a possible turning point for domestically focused companies following a decade of underperformance. We have gradually built a large position in smaller companies, and we also have more exposure than the benchmark in mid-sized companies because of finding more mispriced opportunities there. Events later in the year including the UK budget and Trump election made it harder for domestic, and SMID companies to perform. Larger UK-listed companies exposed to the US economy benefitted from enthused market sentiment and a tailwind from US dollar strength. While we continue to review our overall positioning, we have made some initial changes notably selling our real estate investment trust exposure in Land Securities.

The major detractors held in the portfolio were domestic services businesses Pets at Home (retailer and veterinary business) and Whitbread (owner of budget hotels business Premier Inn). Companies that we do not own were also significant to detrimental performance; most notably industrial business Rolls Royce as its orderbooks strengthened with a strong post covid recovery in civil and defence aerospace end markets. On the positive side, Asian focused bank Standard Chartered performed well with Trump's election win boosting banks at the end of the period in expectations of benefits to financial markets. Life assurance company Just Group and gaming company Flutter Entertainment also performed well.

We expect UK equity merger and acquisition activity to remain a theme in 2025, given that valuations remain so compelling particularly in the small and mid-sized parts of the market. The financial strength of many UK companies has also enabled the expansion of sizeable share buyback programmes. US exceptionalism, in the form of higher economic growth and stock market returns, may be turbo-charged by Trump. However high expectations and crowded positioning mean that investors could benefit by diversifying portfolios into lower-valued, out of favour assets. UK equities are a prime example. In our portfolio we remain focused on companies' long-term fundamental prospects. As active stock-pickers we add to companies on share price weakness where we have conviction in their long-term strategy and diversify the portfolio to seek to enable it to perform whatever the macroeconomic backdrop.

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

4.30

Aviva Investors UK Listed Equity Fund

Aviva Investors UK Listed Equity Fund

Overall assessment

Summary Ratings

Share Class Designation	UK Institutional Acc	ACS Acc (Class 1)	ACS Acc (Class 2)	UK Corp Acc Units	Insured Pension Inc	UK Corporate Inc
Overall rating	●	●	●	●	●	●
Quality of service	●	●	●	●	●	●
Performance	●	●	●	●	●	●
Authorised fund manager costs	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	ACS Acc (Class 1)	ACS Acc (Class 2)	Insured Pension Inc	UK Corp Acc Units	UK Institutional Acc	FTSE All-Share TR GBP[1]
1 Year	8.66	8.63	8.63	8.66	–	8.62	9.47
3 Year	6.58	6.59	6.59	6.57	–	6.58	5.83
5 Year	4.82	4.86	4.86	4.82	–	4.84	4.81
7 Year	4.95	–	–	4.95	–	4.93	4.54
Since launch	–	4.79	4.79	–	1.03	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned 8.7%* (net of fees) from 1 January to 31 December 2024 whilst the FTSE All-Share index[1] returned 9.5%.

Review

Fund performance was positive, but lagged the benchmark return. In the first half of the year the performance of small and mid-sized (SMID) companies was helped by a flurry of new bid activity and was further supported by expectations of a possible turning point for domestically focused companies following a decade of underperformance. We have gradually built a large position in smaller companies, and we also have more exposure than the benchmark in mid-sized companies because of finding more mispriced opportunities there. Events later in the year including the UK budget and Trump election made it harder for domestic, and SMID companies to perform. Larger UK-listed companies exposed to the US economy benefitted from enthused market sentiment and a tailwind from US dollar strength. While we continue to review our overall positioning, we have made some initial changes notably selling our real estate investment trust exposure in Land Securities.

The major detractors held in the portfolio were domestic services businesses Pets at Home (retailer and veterinary business) and Whitbread (owner of budget hotels business Premier Inn). Companies that we do not own were also significant to detrimental performance; most notably industrial business Rolls Royce as its orderbooks strengthened with a strong post covid recovery in civil and defence aerospace end markets and tobacco firm British American Tobacco. On the positive side, Asian focused bank Standard Chartered performed well with Trump's election win boosting banks at the end of the period in expectations of benefits to financial markets. Life assurance company Just Group and gaming company Flutter Entertainment also performed well.

We expect UK equity merger and acquisition activity to remain a theme in 2025, given that valuations remain so compelling particularly in the small and mid-sized parts of the market. The financial strength of many UK companies has also enabled the expansion of sizeable share buyback programmes. US exceptionalism, in the form of higher economic growth and stock market returns, may be turbo-charged by Trump. However high expectations and crowded positioning mean that investors could benefit by diversifying portfolios into lower-valued, out of favour assets. UK equities are a prime example. In our portfolio we remain focused on companies' long-term fundamental prospects. As active stock-pickers we add to companies on share price weakness where we have conviction in their long-term strategy and diversify the portfolio to seek to enable it to perform whatever the macroeconomic backdrop.

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

4.31

Aviva Investors UK Listed Equity Income Fund

Aviva Investors UK Listed Equity Income Fund

Overall assessment

Summary Ratings			
Share Class Designation	UK Institutional Acc	UK Corporate Inc	Insured Pension Inc
Overall rating	●	●	●
Quality of service	●	●	●
Performance	●	●	●
Authorised fund manager costs	●	●	●
Comparable market rates	●	●	●
Economies of scale	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	Insured Pension Inc	UK Corporate Inc	UK Institutional Acc	FTSE All-Share TR GBP[1]
1 Year	14.35	14.24	13.77	9.47
3 Years	9.52	9.46	9.41	5.83
5 Years	7.91	7.86	7.74	4.81
7 Years	6.75	6.71	6.58	4.54

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned 14.4%* net of fees in 2024. The FTSE All Share index[1] returned 9.5%.

Review

Our focus on cheap stocks (within a cheap market) and minimising fundamental risks was rewarded with significant outperformance relative to index in 2024. In 2024, the UK stock market witnessed more than its fair share of merger and acquisition (M&A) activity. The financial strength of many UK companies has also facilitated the expansion of sizeable share buyback programmes This has two primary impacts: First, it underscores the attractive valuations of many of these companies. Secondly, it should, all else being equal, boost share prices.

All of this is encouraging. While some areas of the market, particularly the banks, have rerated to more reasonable levels, the bottom line is that the UK—and UK Value in particular—is extremely attractive from both a recovery and an income perspective. History suggests that the coming years will reward investors handsomely for putting their capital to work in this unloved investment style within the most overlooked market.

Banks stole the show in 2024, as our top 3 contributors were NatWest, Barclays and Standard Chartered. NatWest's results were robust throughout the year. In the last three years, NatWest had done everything that we could have hoped for operationally. Pre-tax profits had grown from £4bn to £6bn, return on equity had increased, the cost-income ratio had decreased, the only thing that lacked was an improvement in the share price. Patience, and the continued judicious use of share buybacks have delivered a great recovery story for shareholders over the past year. Barclays results have also been positive, causing it to be one of the key contributors. One of the most significant things to come out of Barclays results at the start of the year was management's saying, and we are paraphrasing here, "we've had enough". They decided they were unwilling to wait for the stock market to like the old strategy, and they need to do something to address the persistent undervaluation.

The business is in the process of being rebalanced to allocate more internal capital to the retail business (which tends to make higher returns) and less to the Investment bank (which tends to make more volatile returns). They are also moving to an effective 100% payout ratio in buybacks and dividends, which is a statement of intent. This will be achieved by returning at least £10bn to shareholders over the next three years, which is 40% of their market cap, and they say they will do so without weakening its capital ratios. This commitment follows the £9bn returned to shareholders since 2019, which has resulted in a 13% decline in the shares in issue. Barclays has proven to be effective in cutting costs in the retail business, which is exemplified by the number of UK branches have declining from 666 in 2021 to 306 today. Barclays has seen strong returns over the past 12 months due to these results. Standard Chartered's share price rose by 25% in Q4 after the bank reported a significant increase in its third-quarter pretax profit. It said it now plans to return $8 billion to shareholders in 2024-26, compared to previous guidance of at least $5 billion.

On the negative side, Intel performed poorly. A strategic review resulted in a substantial increase in investment levels as the chip giant attempted to regain its technological leadership position in the CPU market and onshore the fabrication of semiconductors to the US. The result is increased leverage and declining margins, and so far, this pivot hasn't gone to plan. In July Intel announced emergency cost-saving measures that included a 15% reduction in its workforce and scrapping the dividend. Eni has also been one of the key detractors. Eni has faced challenges with falling oil prices and has missed expectations in recent results. Tyre manufacturer Continental was another key detector. The company have struggled with the transition to electric vehicles and are also struggling due to competition from Chinese competitors.

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

4.32

Aviva Investors US Large Cap Equity Fund

Aviva Investors US Large Cap Equity Fund

Overall assessment

Summary Ratings				
Share Class Designation	UK Institutional Acc	ACS Acc (Class 1)	ACS Acc (Class 2)	UK Corporate Inc
Overall rating	●	●	●	●
Quality of service	●	●	●	●
Performance	●	●	●	●
Authorised fund manager costs	●	●	●	●
Comparable market rates	●	●	●	●
Economies of scale	●	●	●	●
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 unit 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 unit classes in the Sub-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 Designation	UK Corporate Inc	ACS Acc (Class 1)	ACS Acc (Class 2)	UK Institutional Acc	S&P 500 TR GBP
1 Year	29.80	29.98	29.98	29.75	27.26
3 Years	12.21	12.41	12.41	12.20	11.82
5 Years	17.37	17.57	17.57	17.38	15.82
7 Years	15.58	–	–	15.58	15.09
Since Launch	–	15.53	15.53	–	–

Performance basis: Month end returns, Mid to mid, net income reinvested, net of ongoing charges and fees, net of tax payable by the Sub-fund. The figures do not include the effect of any exit or entry charge.

We have reviewed the Sub-fund's overall performance after charges, relative to its investment objectives, policy and strategy, and the Sub-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.

Authorised Fund Manager costs

We consider that the fees paid are reasonable when taking into account the underlying costs for the services provided and performance objectives set for the Sub-fund.

Economies of scale

The specific benefits derived from economies of scale are returned to investors as a result of the single fee structure which operates for the entire Scheme, which enables each Sub-fund to benefit from the scale of the Scheme in totality.

We have concluded that all investors participated appropriately in the general economies of scale derived from investing with the Company based on a range of benefits and services provided and the overall fees charged. There has not been a material change in the size of the Scheme, or Sub-fund during the previous 12 months, and 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 Sub-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 Sub-fund available in the UK.

Classes of units

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

Fund Managers Report

Performance

The portfolio returned 29.8%* (net of fees), outperforming the S&P 500 by 2.5% over the period.

Review

US equities achieved strong gains in CY2024, despite periods of volatility driven by shifting economic expectations as well as geopolitical tensions and policy changes. The US was the top performing equity market supported by robust economic growth and healthy corporate earnings. The rally was driven largely by the "Magnificent Seven" tech companies, who accounted for approximately half of the S&P500's returns during the year. Indeed, narrow breadth was a theme across many regional equity markets as larger companies outperformed their smaller counterparts.

Information technology was the leading sector, spearheaded by hardware and semiconductor companies. Some of the other cyclically oriented sectors – consumer discretionary, financials, industrials – also performed well as investors in the latter parts of the period anticipated policy shifts would spur economic growth.

The portfolio outperformed its comparator index against this backdrop. In aggregate, stock picks in communications services performed particularly well as digital streaming company Netflix was among the leading contributors. The company enjoys a market-leading competitive position which is driving strong pricing power while diversification of revenue streams (ad-supported tier) is also delivering growth for the company.

Several opportunistic holdings also contributed to relative returns, driven primarily by improved end market demand. Energy services and equipment maker GE Vernova saw a surge in gas turbine orders to meet local power demand increases while semiconductor company Micron Technology saw a drastic earnings inflection as memory semiconductors emerged from a severe downturn that drove losses in 2023.

The AI investment theme performed well for the second consecutive year. Networking systems provider Arista Networks saw significant revenue and earnings growth during the period as it benefitted from the continued AI infrastructure build-out. AI-related tailwinds, alongside strong operating and financial performance of its core business, also helped Magnificent-7 stock Alphabet to outperform.

There were however some pockets of weaker performance within technology during the period. Opportunistic holding and semiconductor company Intel disappointed. Part of our original thesis was around an improvement and recovery in the PC market to drive an inflection in earnings. This did not materialize. Furthermore, the company has so far failed to close the gap with TSMC in the foundry business. As a result, capital expenditure is rising and return on invested capital is falling, pushing expectations for an earnings inflection further out. We sold our position in May. In software, multimedia company Adobe underperformed largely on investor concern around competitive pressures stemming from Generative AI companies and emerging peers. We believe these concerns have been overestimated given the company's high barriers to entry but acknowledge these risks and continue to monitor the position closely.

Equity markets in aggregate have enjoyed strong momentum through most of 2024, supported by positive investor sentiment, increasing risk appetite and strong asset class flows. More importantly, markets have been buoyed by supportive growth fundamentals, monetary easing by global central banks and an expanding business cycle, and this remains our central scenario for 2025.

However, in the short term, the outlook is less certain with recent volatility illustrating the delicate market balance and the potential for market drawdown on disappointing news flow. This is accentuated by high equity valuations which provide little support in the event of data that brings into question the benign outlook that has been substantially priced in. Macro data is therefore likely to dominate sentiment in the near term. In this regard, the US remains critically important due to its weight within global benchmarks but also due to the US economy's role in driving for global growth.

The US, once again, dominated equity market returns in 2024 due to a resilient economic backdrop, upgrades to growth and market enthusiasm for Donald Trump's anticipated policy measures. We think these dynamics are likely to persist in 2025, re-enforced by so-called US Exceptionalism. US companies, particularly those with significant domestic revenue exposure, are therefore well-placed and we expect to see robust and accelerating earnings growth as a consequence. Unlike in 2024, where growth was largely confined to the mega-cap tech stocks, growth should broaden-out in 2025, benefitting stocks in some of the less-glamorous areas of the market that struggled in 2024. US equity market leadership should, we believe, be less-concentrated and less-polarised this year.

Despite this, vulnerability to news flow that conflicts with a 'soft- or no-landing scenario' has been amply demonstrated by the sell-off in the S&P500 in late December/early January as expectations of rate cuts started to moderate.

Trump's policy proposals – substantive or otherwise – will also come under increasing scrutiny after his inauguration providing another source of risk to the growth and inflation outlook both domestically and internationally. Trade tariffs and immigration policy are at the epicentre of this and will probably remain so throughout 2025. Geopolitical risks remain at heightened levels, significantly influencing global economic stability and market dynamics. Factors such as ongoing conflicts, trade tensions, and shifts in international alliances can create uncertainty that impacts investor sentiment and economic forecasts. The rise of populism in various regions has further complicated this landscape, leading to fragmented political environments and challenges to already-fragile economic frameworks.

Nowhere has this been more apparent than in Europe, where governments try to navigate stretched balance sheets, failing confidence and soft growth. Political noise in Europe will likely continue to weigh on sentiment, and fiscal consolidation amidst slower growth poses a headwind for Europe. Despite this we continue to see parts of Europe enjoying a far healthier macro backdrop with interesting domestically exposed growth. But in general, portfolio exposure is tilted towards those companies with material overseas earnings that have attractive end-market exposures, frequently aligned to structural thematic trends such as the energy transition and data centre capex.

Outside of these areas, exporters in Europe, but worldwide more broadly, continue to contend with soft demand from China which continues to see weak business and consumer confidence, depressed capital investment, and weak consumer spending. We do not anticipate a significant change in this backdrop in light of the significant structural challenges faced in China as a consequence of persistent overinvestment and the massive overbuild in residential property. The authorities in China have responded, combining more aggressive monetary and fiscal policy support to boost the economy and fight deflation, but with tens of millions of unsold vacant homes in China, the property market overhang will take years to fully clear. However, economic indicators do appear to have stabilized with a suggestion that we are beginning to see a moderately improving outlook. China will, however, be hit hardest by US tariffs, although this risk extends to a lesser extent to many US trade-dependent countries.

For the time being, our China exposures (direct or otherwise) will be calibrated reflecting our assessment of higher risk and greater uncertainty but in many cases, attractive valuations and conservative growth expectations.

Currency moves have also been a significant determinant of equity market returns in recent months, with the USD strength anticipating higher inflation, tighter policy from the Federal Reserve (Fed), and a higher US yield curve from President Trump's expansionary policies. This will remain broadly unhelpful for emerging market (EM) equity returns, pressuring EM currencies and limiting EM central bank policies.

Exporters in Japan have also struggled, in aggregate, from their sensitivity to industrial demand in China. Here too, end-market exposure has been an important consideration, a modest uptick in China capex intentions could provide upside more broadly. Yen depreciation, driven by inflation and interest rate differentials, could further boost the competitiveness of Japan's exporters. The Bank of Japan's (BoJ) reflationary policy agenda will continue to provide support for a range of domestic growth opportunities. with rising consumer and construction spending being obvious beneficiaries. Governance reforms championed by the Tokyo Stock Exchange (TSE) have, and will be, a catalyst for an acceleration in the unwinding of crossholdings and return of excess corporate cash.

Artificial Intelligence (AI) has, and remains, the dominant investment theme for equity markets buoying investor sentiment and contributing disproportionately to equity market returns in 2024. Despite accusations of extreme valuations, we think many of these stocks are still at the beginning of a multi-year growth story, although we also recognise that this growth story will be characterised by short term cyclical cycles. Our portfolios have generally maintained a material, but well-diversified exposure to a range of AI enablers, adopters and disrupters but we expect our exposures to rotate around cyclical drivers, long-term forecasts and valuation.

In summary, we expect fundamentals to be broadly supportive of equity market returns. However, we anticipate a period of increased volatility reflecting near term uncertainty and the potential for news flow and data to disappoint relative to very benign expectations. A rotation in market leadership has been anticipated for some time and while momentum still favours the winners from 2024 we believe fundamentals do suggest a broadening out of performance in 2025. In aggregate we believe this environment should be more favourable active stock pickers.

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

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