

# Aviva Life & Pensions UK Limited FLC With-Profits Sub-Funds Supplementary Fund Information February 2018

This document has been produced to provide you with information on the Sub-Funds and to help you review your financial situation. It includes information on the asset mix and performance of the Sub-Funds.

**This document is for information only and is not designed to provide advice on the suitability of an investment for your personal financial situation. If you have any questions on the information included in this document, please speak to your financial adviser, who may charge you for any advice provided. If you do not have a financial adviser you can find one at [www.unbiased.co.uk](http://www.unbiased.co.uk).**

We manage our with-profits business according to our 'Principles and Practices of Financial Management (PPFM)' document. We also have a short version of the PPFM, our 'With-Profits Summary: A guide to how we manage our with-profits business'. You can get copies of these documents from our website [www.withprofitsfunds.co.uk](http://www.withprofitsfunds.co.uk) or by contacting us on **0345 602 9199**.

## Investment objective

**To provide steady capital growth over the medium to long term, whilst smoothing out fluctuations in investment markets. The FLC With-Profits Sub-Funds invest in a wide spread of different investments, including shares and property.**

## How is your money invested?

Our investment strategy is to invest in a broad range of assets for medium to long term growth. We review our investment strategy at least yearly but may do so more often if market conditions change quickly. Please note that although your money is invested in the Aviva Life & Pensions UK Limited FLC With-Profits Sub-Funds, you do not own any of the Sub-Funds' underlying assets. So, for example, you will receive neither dividends from shares owned by the Sub-Funds nor rental income from a property owned by the Sub-Funds. These income streams are reflected in the value of the FLC With-Profits Sub-Funds.

Aviva Life & Pensions  
UK Limited FLC With-Profits  
Sub-Funds  
Size as at 31/12/2017

£6.1bn

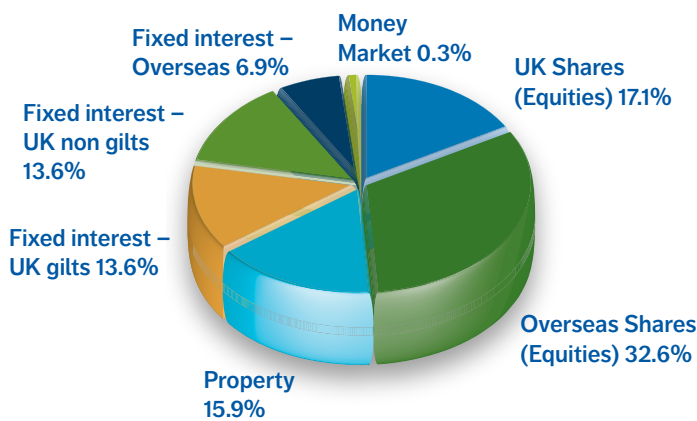


Retirement  
Investments  
Insurance  
Health

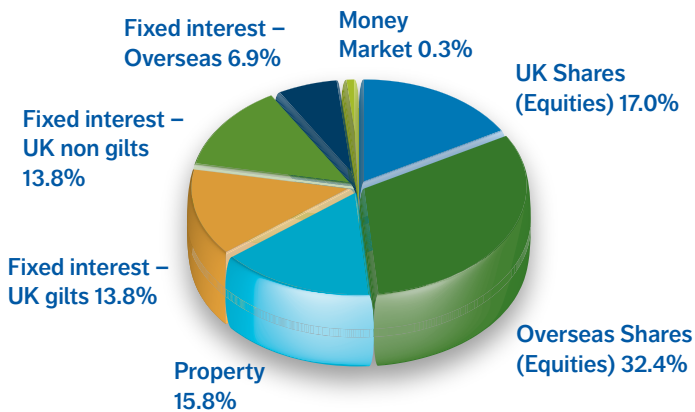
## Asset Allocation

The Sub-Funds invest in various types of asset as shown below.

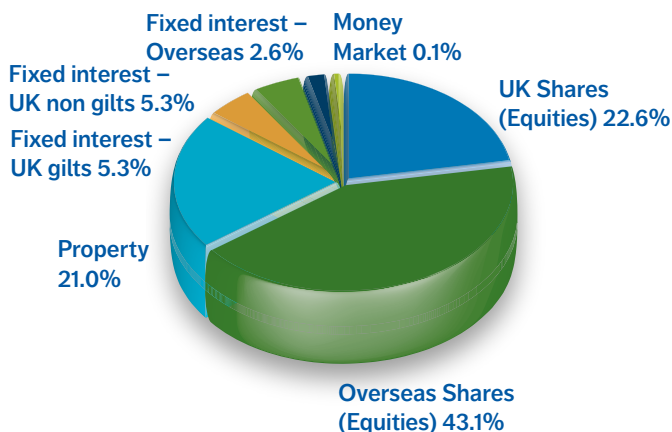
The first chart shows the overall with-profits asset allocation. However, different policies have different asset allocations: The middle chart shows the allocation for **conventional** policies, and the bottom chart the initial asset allocation for **unitised** policies. All unitised policies are initially invested in a higher proportion of shares and property. However, as policies get nearer to their maturity date, we increase the level of fixed interest assets and reduce the level of shares and property.



Overall Asset Allocation as at 31/12/2017



Asset Allocation for Conventional Policies as at 31/12/2017



Initial Asset Allocation for Unitised Policies as at 31/12/2017

## Asset classes

### Shares

Shares are also known as equities. Shareholders have a 'share' in a company's assets. Shares are bought and sold on stock markets and their value can go up and down depending on the fortunes of the company and stock markets in general. Companies may also pay a share of profits to shareholders, known as dividends. While there is more opportunity for potential gains with shares than some asset classes, there is also greater risk that they will fall in value.

### Fixed Interest

Referred to as bonds, these are loans to a government or a company which pay a fixed interest rate for a set period until the loan is repaid to the investor. The most common bonds are government bonds (known in the UK as gilts) and corporate bonds (issued by companies). If a government or company defaults on the loan, then the interest will not be paid. For this reason UK gilts are seen as less risky than corporate bonds as the UK government is less likely to be unable to repay them.

### Property

Property investment usually means commercial property such as offices and retail, leisure and industrial developments. It can also include residential property. As well as the potential increase in their value, property investments can also produce rental income. Property can be subject to heavy falls and sharp increases in value. It can also take more time to buy and sell property than investments in other asset classes.

### Money Market

The 'money market' is a mechanism for short-term borrowing and lending between organisations. Money market investments typically include what are described as 'near-cash instruments', such as certificates of deposit, floating rate notes and treasury bills. They are not to be confused with deposit accounts with bank or building societies.

Although less risky than other asset classes, there could be circumstances where these investments fall in value, for example if an organisation defaults. Their value could also be eroded over time due to the effects of the Sub-Funds charges, product charges and inflation.

## Investment Returns

The investment returns achieved in each of the last five years are as follows:

	(01/01/17 – 31/12/17)	(01/01/16 – 31/12/16)	(01/01/15 – 31/12/15)	(01/01/14 – 31/12/14)	(01/01/13 – 31/12/13)
Pension*	8.1%	11.7%	6.0%	9.3%	11.4%
Life*	6.7%	9.8%	5.2%	7.9%	9.7%

\*Life policies and Pension policies have earned different returns due to differences in tax treatment.

The investment returns above are returns on the whole Sub-Fund and are not applicable to any individual policy or plan. Figures are before any deduction for investment expenses.

**Past performance should not be used as a guide to future performance.** The ultimate value of a with-profits investment depends on future bonuses which cannot be guaranteed and may be reduced or increased at any time to ensure the benefits paid out remain close to the value of underlying investments.

Please note that the investment returns will not directly match any bonus payments you could receive from your investment. When we set our bonus rates, we take into account investment conditions experienced over the lifetime of the plan. Your money is not directly linked to the ups and downs of the FLC With-Profits Sub-Fund's assets. Instead, we 'smooth' the investment returns. This means that the Sub-Funds aim to build up reserves during good years to cover times when investment returns are poor. A proportion of the investment returns are then added to your plan as bonuses. These vary from year to year. Bonus rates are regularly reviewed and may change at any time.

The amount available for bonuses is affected by many different things. For example, some of the contracts have guarantees, so we set aside money to cover these.

The value of the Sub-Funds can fall and rise for a number of reasons including exchange rate fluctuations.

## Investment markets in 2017

Most of the profits of the Sub-Funds come from investments in shares, property and bonds.

Equity markets (shares) performed well in 2017, as did UK commercial property. UK corporate bonds and UK government bonds (gilts) have experienced much lower growth.

The main factors affecting performance include the uncertainty around Britain's exit from the EU (Brexit) and investor concerns regarding increasing inflation and interest rate rises.

The FTSE 100 share index, a commonly used indicator of the performance of UK shares, showed a total return of 11.95% (see note 1) while UK corporate bonds returned 4.32% (see note 2). Commercial property values remained broadly the same.

Against this backdrop, in 2017, the overall investment return on the assets backing with-profits policies in the FLC With-Profits Sub-Funds was 8.1%.

### Notes

- 1 Source: Lipper IM, a Thomson Reuters company. FTSE 100 Total Return Index.
- 2 Source: Lipper IM, a Thomson Reuters company. Markit iBoxx Sterling Non Gilts Overall TR Index.

## Market Value Reduction (MVR)

Market value reductions (MVRs) only apply to unitised with-profits policies. It's a reduction made to ensure that policyholders who remain in the FLC With-Profits Sub-Funds are not disadvantaged when others leave. We may apply an MVR when investment returns are below the level we normally expect. If you move out of a with-profits fund when a market value reduction is in place it will reduce the value of your investment. This means you could get back less than you have invested. We will not apply it to your policy on your selected retirement date, on maturity or on death. However, we may apply it on your selected retirement date if you have made any additional single payments, transfer payments or switches into a with-profits fund in the previous five years.

Aviva, PO Box 582, Bristol BS34 9FX. Telephone number 0117 989 9000

**Aviva Life & Pensions UK Limited.**

Registered in England No. 3253947. Registered office: Aviva, Wellington Row, York, YO90 1WR.  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority  
and the Prudential Regulation Authority. Firm Reference Number 185896.

**Calls to Aviva may be recorded.**

