Aviva Life & Pensions UK Limited
FP With-Profits Sub-fund
Supplementary Fund Information
February 2018

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

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.

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** or by contacting us on **0345 602 9199**.

Investment objective

The Aviva Life & Pensions UK Limited FP With-Profits Sub-Fund aims for longer-term growth by investing in a broad range of assets. We aim to provide the best possible investment returns for the benefit of policyholders generally, allowing for the level of guarantees and the amount of excess assets in the Sub-Fund.

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.

Aviva Life & Pensions UK Limited FP With-Profits Sub-Fund Size as at 31/12/2017	**£9.5bn**

AVIVA

Retirement
Investments
Insurance
Health

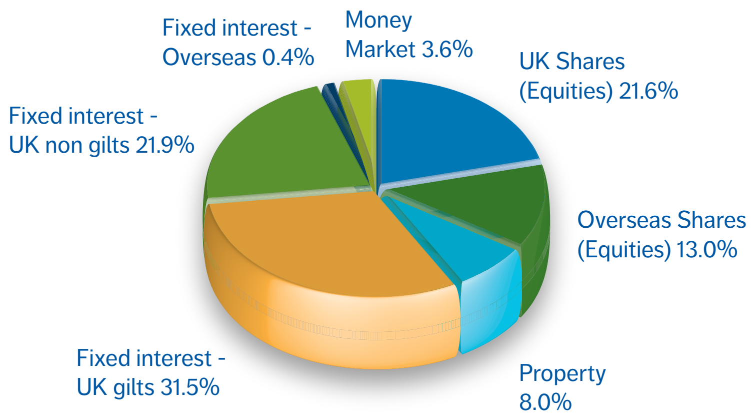
Asset Allocation

The Sub-Fund invests in various types of asset as shown below. The investment strategies of pre and post demutualisation*asset shares† are determined separately, resulting in a different investment mix.

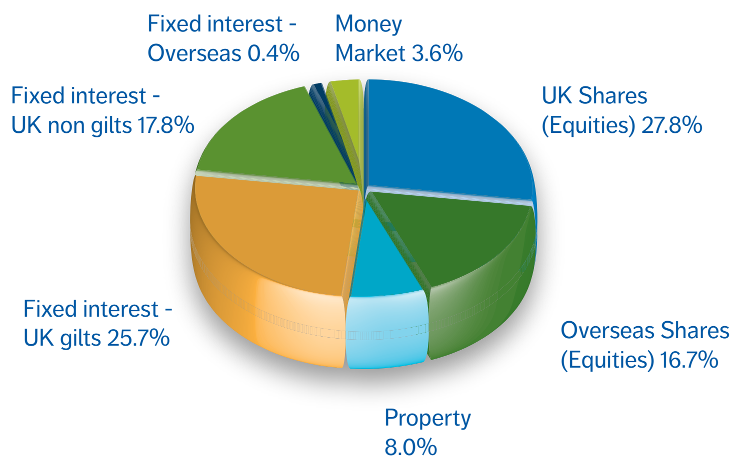
* Pre demutualisation: business written before 9 July 2001.
Post demutualisation: business written on or after 9 July 2001.

† Asset share is the sum of the premiums paid into the Sub-Fund, less deductions for expenses, tax and other charges, increased at the rate of investment return achieved by the Sub-Fund.

Pre demutualisation investment mix
as at 31/12/2017



Post demutualisation investment mix
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, a company or an organisation 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 government bonds 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 Sub-Fund charges, product charges and inflation.

Investment returns

The annual investment returns credited to asset shares in the last five years are as follows:

Investment returns – pre demutualisation					
	(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*	6.6%	11.7%	2.3%	7.2%	7.5%
Life*	5.4%	9.6%	2.0%	6.0%	6.5%

Investment returns – post demutualisation					
	(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*	8.0%	13.4%	2.5%	7.0%	9.5%
Life*	6.6%	11.1%	2.3%	5.9%	8.1%

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

These figures are before any deduction for charges but net of 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.

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

Investment Markets in 2017

Most of the profits of the Sub-Fund 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 returns on the assets backing your policy are shown in the tables above.

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 FP With-Profits Sub-Fund 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.

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