Stakeholder With-Profits Sub-Fund
and Investment Summary

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AVIVA

This guide provides a summary of how we manage the **Aviva Life & Pensions UK Limited Stakeholder With-Profits Sub-Fund (the 'Sub-Fund')**, along with details of the asset mix and investment returns.

Your policy document will show the name of the company your policy was taken out with. If you are unsure which with-profits sub-fund you're invested in, you can find further details at **aviva.co.uk/ppfm**.

Contents

Making sense of it

You may find some of the terms in this guide unfamiliar. To help, we've provided an explanation of the terms in **'What does it mean?'** boxes.

There is one main type of with-profits policy in the Sub-Fund:

Unitised with-profits policies – your investment is used to buy units of equal monetary value based on the unit price on the day of the investment.

What is an Aviva with-profits investment?

At a glance

An Aviva with-profits investment is a low to medium risk investment that has the advantage of pooling your money with that of other investors, so you can benefit from investing in a wide spread of **assets**.

We explain assets in greater detail on page 4.

- The Stakeholder With-Profits Sub-Fund is rated as a **low to medium volatility** fund.
- An Aviva with-profits investment offers the possibility of higher returns than you may get from an average savings account with a bank or building society. Although there is no fixed term, you should be prepared to invest for at least 5 to 10 years.
- The value of the Sub-Fund can go down as well as up depending on the returns of the underlying mix of assets within the Sub-Fund. We share out the profits and losses of the Sub-Fund through a system of bonuses, with the aim of smoothing the returns on your with-profits investment over the long term.
- We explain smoothing in more detail later, but basically it helps to reduce some of the significant ups and downs of investing in the stock market. We smooth the rises and falls in value by holding back some of the investment returns in good years. We then use them to top up bonuses in poor investment years. Losses made in poor investment years may also reduce returns in good investment years.
- Some products provide guaranteed policy benefits if certain events happen or on specified dates. We explain some of these guarantees in greater detail in the What are the Guarantees? section on page 11.

What does it mean?

Low to medium volatility - 3

Aviva assesses risk ratings using historical performance.

The historical performance of funds with this risk rating has typically experienced low to medium volatility compared with other funds Aviva has rated. This means that these funds have a low to medium potential for substantial changes in value compared with other Aviva funds.

You can find out more about our risk ratings at: **https://www.aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings/**

Assets

An Asset is a type of investment. Different types of assets include equities (company shares), gilts (loans to the UK government), corporate bonds (loans to companies), property or cash and cash alternatives. Assets can rise and fall in value.

Things you need to be aware of

Investing in with-profits may not be appropriate if you:

- expect to need your money in the short term
- are not prepared to accept any risk of losing money
- would prefer the certainty of the interest from a bank or building society savings account, which you are guaranteed to receive once it is earned.

Asset mix

At a glance

We invest your money in the Stakeholder With-Profits Sub-Fund, which invests in a mix of assets including:

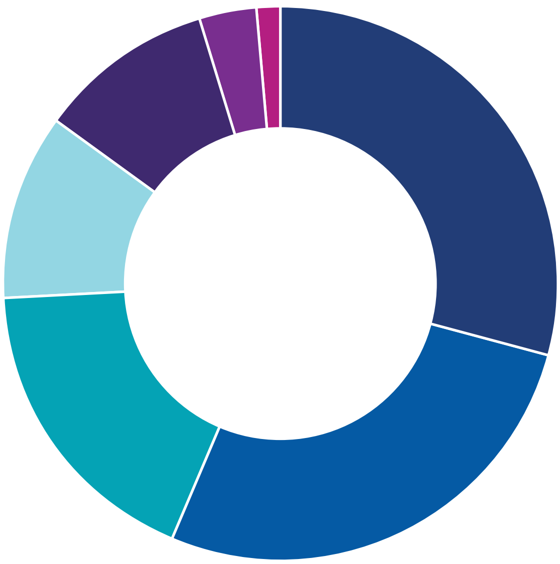
- shares/equities (UK and international)
- property
- fixed interest - corporate bonds (UK and international) and UK gilts
- cash/money market

How do we invest your money?

We invest your money into a broad mix of assets. The asset diagram below shows the type and percentage of each asset that the Stakeholder With-Profits Sub-Fund invests in.

The Sub-Fund your policy invests in will always hold a mixture of higher and lower risk assets to achieve its objectives.

The Sub-Fund holds a greater proportion of higher risk assets, such as **shares (equities)** and **property**. The rest is in medium and lower risk investments, such as **gilts, corporate bonds, cash/money market**.



Asset mix as at 31 December 2018

This diagram shows the asset mix of the Stakeholder With-Profits Sub-Fund as at the end of December 2018.

- UK shares (equities) 29.3%
- International shares (equities) 27.2%
- Property 17.9%
- Fixed interest - UK gilts 10.7%
- Fixed interest - UK corporate bonds 10.2%
- Fixed interest - international bonds 3.5%
- Cash/money market 1.2%

Asset mix (continued)

The performance of the different types of assets varies over time. Our fund managers may change the asset mix to:

- improve the long term performance of the Sub-Fund
- make sure that the Sub-Fund can meet its obligations.

From time to time the Sub-Fund may include investments in other Aviva group companies. However, this will not have a direct effect on the asset mix backing your policy.

What does it mean?

Shares (equities)

Shares (or equities) are shares in companies listed on stock exchanges around the world. As shares can rise and fall in value very easily, equities are riskier than most other investments. However, they usually offer the greatest chance of higher returns over the long term. In our With-Profit Fund the equity part of the asset mix includes equity-type assets that are not quoted on stock exchanges, plus alternative investments. We only invest a small proportion in alternative investments, typically less than 5%.

Property

This is investment in commercial property such as shopping centres and business offices. The value of property can go down as well as up, and property may take longer to buy and sell than other types of investment.

Fixed interest

Fixed interest investments include government and corporate bonds. These are loans issued by the government or a company as a way for them to borrow money. The government or company pays interest on the loan and promises to pay back the debt at a certain point in the future. The value of fixed interest investments can go down as well as up. Government bonds issued by the UK government are referred to as gilts.

If a government or a company defaults on the loan then the interest will not be paid. UK gilts are regarded as less risky than corporate bonds as the UK government has a good credit rating.

Cash/money market

Cash means a range of short-term deposits – similar to a bank/building society account. Cash also includes money market securities, which are interest generating investments, issued by governments, banks and other major institutions. The value of cash and money market securities can go down as well as up.

The table below shows the mix of assets of the Sub-Fund in recent years.

	31.12.18 %	31.12.17 %	31.12.16 %	31.12.15 %	31.12.14 %
UK shares (equities)	29.3	27.1	26.4	28.7	34.6
International shares (equities)	27.2	36.1	33.6	23.3	18.3
Property	17.9	15.0	17.4	18.2	18.0
Fixed interest - UK gilts	10.7	7.6	6.8	5.3	3.9
Fixed interest - UK corporate bonds	10.2	11.3	11.9	13.8	16.5
Fixed interest - international bonds	3.5	2.3	2.5	3.0	5.3
Cash/money market	1.2	0.6	1.4	7.7	3.4
	100.0	100.0	100.0	100.0	100.0

Investment returns and market overview

Investment Returns

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

2018	2017	2016	2015	2014
-2.5%	8.9%	12.1%	6.0%	8.0%

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

This is past performance. Past performance is not a guide to the future.

Investment markets in 2018

Equity markets generally performed poorly in 2018, with the exception of the US which made modest gains in sterling terms, helped by the weakness of the pound relative to the dollar. UK government bond (gilt) prices edged slightly higher but UK corporate bonds made a small loss over the year.

The main factors affecting performance were investors' concerns about the reduction of economic support from central banks plus interest rate increases, fears of a global trade war, political risk in Europe and uncertainty around Brexit and its effects.

The FTSE®* 100 share index, a commonly used indicator of the performance of UK shares, showed a total return of minus 8.8% (see Note 1), while UK corporate bonds returned minus 1.5%. (see Note 2).

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.

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What affects how much you might get?

The amount you get back will depend on the amount you invest, plus:

- how the Sub-Fund has performed during the time you have invested with us
- the way we apply the smoothing process
- the effect of any guarantees (shown in your policy documents)
- our charges, such as administration costs, investment management fees and any financial adviser commission or charges.
- the 0.25% annual deduction to put into the smoothing account so we can operate smoothing effectively
- any tax we pay and any future tax changes (pensions currently receive favourable tax treatment)
- any early exit charges (where applicable), withdrawals (where these are allowed), and whether we are applying a market value reduction when you move money out of the Sub-Fund.

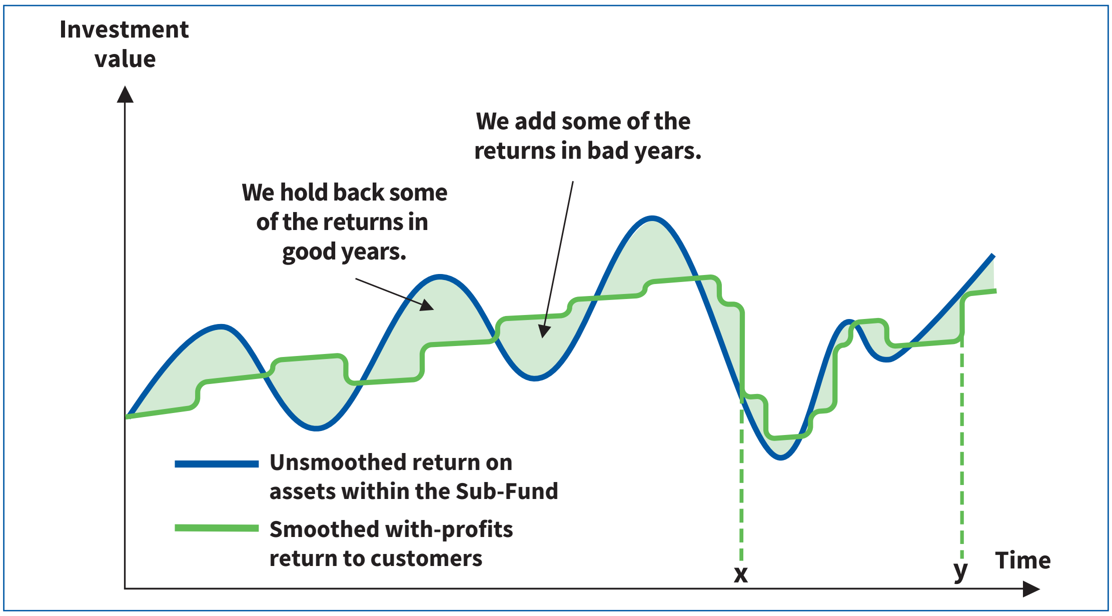
Smoothing – how it works

At a glance

One of the main features of a with-profits investment is that it aims to grow in value smoothly from year to year rather than being affected by the significant ups and downs of the stock market.

Over time the value of the assets held by the Sub-Fund will rise or fall. We do not change bonus rates as often as the value of the assets changes. Instead we aim to even out some of these variations in performance. This is known as smoothing. We show this with the green line in the diagram below. In contrast, the unsmoothed Sub-Fund value changes each day as the value of the assets goes up and down. This is shown by the blue line in the diagram.

The following diagram is for illustration purposes only and shows a period of positive growth overall, which is not guaranteed.



Things you need to be aware of

There may be times in poor market conditions when smoothing can’t fully protect your investment, as illustrated between points **x and y** in the diagram above. This can happen following a large or sustained fall in the stock markets or when investment returns are below the level we normally expect. If you leave the Sub-Fund under these circumstances, this could reduce the value of your investment. This is explained in more detail under the heading ‘What happens if you leave the Sub-Fund early?’

Bonuses – how do we add the bonuses?

We share out the returns the Sub-Fund earns through a system of bonuses. There are different types of bonuses:

Regular bonus

Regular bonuses are designed to be sustainable and provide steady growth over time in the value of your investment. We decide regular bonus rates at least once a year.

Final bonus

Final bonus aims to pay any balance between the regular bonuses we have already added and the performance of the Sub-Fund over the whole period of your investment. This makes sure that you get a fair share of the return your investment has earned.

Bonuses can vary and are not guaranteed.

Bonuses

You can usually see any regular bonus details in your yearly statement. The rate will vary over the period of your investment.

We decide the bonuses by looking at:

- how the Sub-Fund has performed in the current year
- any returns or losses from earlier years that we have not already shared out through smoothing
- what we expect to earn in future years, and the effect of smoothing.

Regular bonus

Unitised Policies

We calculate your share of your investment in the Sub-Fund in units. We add the regular bonus, if any, to your investment by increasing the price of the units you have. This means that the number of units you hold stays the same, but the value of these units increases and reflects the bonus rate we've set.

Things you need to be aware of

- A regular bonus is not the same as interest from a bank or building society.
- We don't guarantee to add a regular bonus to your investment each year. This is indicated at years one and nine in the diagram on the next page.
- It's likely that bonuses will be smaller in poor investment years than in good years.

Bonuses – how do we add the bonuses? (continued)

Final bonus

We aim to pay a final bonus to increase the value of your policy:

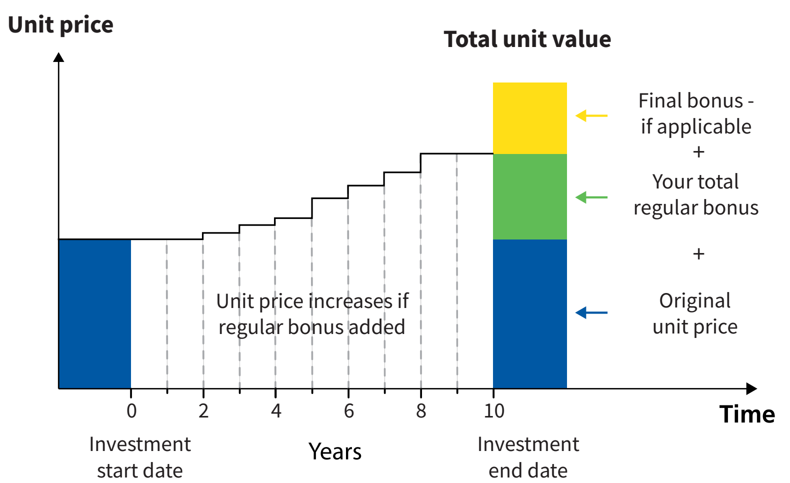
- if you die
- if you transfer or cash-in your pension
- at your chosen retirement date
- if you switch out of the Sub-Fund into another investment fund.

We normally review final bonus rates twice a year. However, we may review them more frequently if there are large changes in investment markets. Final bonus rates can change at any time, are not guaranteed and could be zero.

Things you need to be aware of

- The final bonus is based on the year in which you invested and the point at which you leave the Sub-Fund. It may vary depending on the returns earned over the lifetime of your investment and is not guaranteed.
- You may not receive a final bonus if the investment return has been low over the period you invested, as you will have already received your share of the returns through regular bonuses.
- We use a typical policy rather than individual policies when setting final bonus rates for policies issued in the same year.
- If a **market value reduction** is in place then this can reduce the effect of any final bonus and you may get back less than you invested. We will tell you if a market value reduction is applying before you take money out of the Sub-Fund so you have the opportunity to change your mind.

Unitised Policies



The diagram shows how we add regular bonuses to your original investment. This is for illustration purposes only and shows a period of positive growth overall, which is not guaranteed.

The term illustrated is not the minimum or maximum period of investment for with profits.

What does it mean?

Market Value Reduction

This is a reduction we sometimes have to make so that customers who remain invested in the Sub-Fund are not disadvantaged when others choose to leave.

An example showing why we may make a market value reduction

If there are three investors in a fund who each invest £10,000, the total fund is worth £30,000. If stock markets fall by 20% and the total fund value drops to £24,000, this would mean that if one investor withdraws their original £10,000 without a market value reduction in place, it would only leave £14,000 to be shared between the remaining two investors.

What are the Guarantees?

Some products provide guaranteed policy benefits if certain events happen or on dates as set out in your policy document.

Unitised Policies

Guarantees

If you keep your money invested in the Sub-Fund until the retirement date you originally chose or your death, we will not apply a market value reduction.

However, we may apply a market value reduction at your originally selected retirement date if any of the following apply:

- you started your plan within five years of your original retirement date
- you have made any new one-off investments or increased your regular contributions (except those automatically increasing in line with average earnings) within five years of your original retirement date
- you have moved any existing investment into the Sub-Fund within five years of your original retirement date
- you have switched into the Sub-Fund within five years of your original retirement date.

Please refer to your policy terms and conditions for further details.

We can't guarantee the amount you will get back if you move out of the Sub-Fund before or after your originally selected retirement date.

Things you need to be aware of

As these guarantees are valuable, we recommend you seek financial advice before transferring or switching any benefits in the future.

What happens if you leave the Sub-Fund early?

You may decide to move some or all of your investment out of the Stakeholder With-Profits Sub-fund early. For example, where your policy allows, you might:

- cash in your policy
- transfer to another company; or
- switch to another type of fund

You should view with-profits investments as a long-term investment. This means leaving the Sub-Fund early may be the wrong option for you, especially if you have guarantees.

If you're considering leaving the Sub-Fund, we'd strongly suggest that you talk to your financial adviser or contact us directly. You can call us on the telephone number shown on your annual statement.

Unitised Policies

We work out the cash-in, transfer or switch value by looking at the value of units in your policy and then apply any deduction as described in your policy documents. We may then add a final bonus. There may be times in poor market conditions or when investment returns are below the level we normally expect when we would apply a **market value reduction** if you move out of the Sub-Fund.

Market value reductions only apply to unitised with-profits policies. It's a reduction made to ensure that policyholders who remain in the Sub-Fund are not disadvantaged when others leave. If you move out of the Sub-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 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 the Sub-Fund within five years of your original retirement date. Please refer to your policy terms and conditions for further details.

If you tell us you want to move your money out of the Sub-Fund we'll let you know if a market value reduction will be applied before taking your money out of the Sub-Funds. This gives you the chance to change your mind.

Questions and Answers

What is the With Profits Committee?

Our customers are at the heart of everything we do and we are fully committed to treating them fairly at all times. To support this, we have a With Profits Committee which oversees our work with independent expertise to make sure our decisions relating to with-profits investments are fair.

You can find out more about our With Profits Committee at **aviva.co.uk/wpcommittee**.

How are business risks managed?

Our Stakeholder With-Profits Sub-Fund is exposed to a number of risks that we call business risks. These may change over time and may include:

- the amount of new business we sell and the terms we offer
- the cost of any guarantees we offer; and
- the Sub-Fund's expenses being higher than planned.

As business risks could affect the returns the Sub-Fund earns, we continually assess the risks to see if they:

- are acceptable to the Sub-Fund; and
- provide an acceptable return compared with the risk we take.

What are the policyholder interests?

We must make sure that any decisions we make about how we run the Sub-Fund are fair to everyone. This means we have to balance the interests of:

- policyholders whose investments start at different times
- policyholders who leave the Sub-Fund and those who keep their money invested in it

We take all this into consideration in the way we run the Sub-Fund.

How are the profits shared?

Profits from the Sub-Fund are only distributable to its with-profits policyholders in the form of bonuses added to their policies.

Where can I find out more?

We hope this guide has helped you understand how our Stakeholder With-Profits Sub-Fund works.

This guide is only meant to be a summary. We also have a detailed document, called the **Principles and Practices of Financial Management (PPFM)**, which is produced in line with guidance from our regulator, the Financial Conduct Authority. You can find it and more on our website: **Aviva.co.uk/ppfm/#stakeholder**

If there are any differences between the information in the two guides, you should take the Principles and Practices of Financial Management as the final word.

You can see a summary of any changes to our PPFM on our website together with our yearly compliance statement.

You can also contact us for a copy of these guides or for more information by calling
0800 068 6800.
Calls may be recorded and/or monitored for the purposes of training and quality assurance.

Write to us at:
Aviva, PO Box 520
Surrey Street,
Norwich NR1 3WG

You can use the link below to find out more about our Sub-Funds at:
aviva.co.uk/ppfm

If you have any questions about your investment you can talk to your financial adviser. They will be able to consider your current circumstances and financial goals.

If you don't have a financial adviser, one can be found at **unbiased.co.uk**.

Please note your financial adviser may charge you for any advice provided.

The 'My Aviva' website can provide you with information at the click of a mouse. Access to 'My Aviva' requires a customer password login.

Go to **myaviva.co.uk** to:

- access more information about the funds available to your policy.
- value your investments online; and
- change your personal details online.

Most customers can register, but we're continually adding more types of policy to MyAviva, so don't worry if you can't see yours.

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