Aviva

Smooth Managed Funds

Customer guide

Life's better with a plan

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Glossary

International and UK Equities

International and UK equities are company shares. The share price of companies reflects how well the company is performing at any time.

International and UK Government Bonds

International and UK government bonds are loans to a government or a company for a set period, returning a fixed income. Those issued by companies are called corporate bonds. Bonds issued by the UK government are known as gilts. Corporate bonds usually carry a higher rate of interest than gilts because they are riskier. There's an active market, with bonds bought and sold like equities.

Property

In an investment context, property usually means investing in commercial property such as offices, retail, leisure and industrial developments.

When a fund invests substantially in property funds, property shares, or directly in property, you should bear in mind that: property isn't always easy to sell, so at times the fund may be unable to cash in or switch part or all of its holdings. You may not be able to access your money during this time. Commercial Properties are highly illiquid compared with most other financial markets, meaning that buying or selling property can take months to complete.

Alternative Trading Strategies

These are funds that aim to provide a specific target return. For example, they might aim for a stated yearly return on top of the Bank of England base rate over a set period, regardless of whether markets rise or fall. They can invest in assets from around the world.

Cash/Money Markets

Cash includes short-term deposits like bank or building society accounts. Money market securities are investments that governments, major banks and other institutions issue to generate cash. Although less risky than other asset classes, it's still possible for these investments to fall in value. This might happen if an organisation goes into default. Their value could also be eroded over time by fund/product charges and inflation.

Managed funds

These are holdings in other funds where no further breakdown is available to incorporate in the chart.

Other

Regarding asset allocation, other is anything that is not caught under any "normal" category.

Aviva's Smooth Managed Fund Range

Some shelter from market volatility

Recent years have seen much uncertainty in stock markets. Our Smooth Managed range of funds could offer some shelter for your investments by helping to reduce the impact of the ups and downs of the stock market.

There are some points in your life at which you don't want to be fully exposed to stock market volatility – but want the potential for smoother investment returns on your money. When you simply don't have decades to weather the ups and downs of the stock markets - in the run-up to retirement, for example - or once you've retired and are starting to use the money you've saved.

That's why we developed the Aviva Smooth Managed Fund range. Designed to deliver growth over the medium to long term (usually five to 10 years), it still allows you to invest in the stock market, but uses a 'smoothing' process to shelter you from some of the volatility. We'll explain how this works later.

There are two funds in the range with different levels of risk and which invest in a wide range of assets from around the world.

FUND	RISK
Smooth Managed Fund	Medium
Smooth Managed Fund 2	Low to medium

You can invest in the Smooth Managed Funds through Aviva's Pension Portfolio, ISA Portfolio or through the Aviva Onshore Bond. Your financial adviser will look at your personal circumstances, including your tax position and recommend which works best for you.

If you don't have an adviser, you can find one at **unbiased.co.uk** or, for pension customers, **moneyhelper.org.uk**. A financial adviser may charge you for their services.

Please remember that the value of an investment is not guaranteed and can go down as well as up. You could get back less that has been paid in.

How investing differs to saving

With the Aviva Smooth Managed Fund range, you are investing your money, so it's important to understand how this differs from saving. The key difference is the level of risk involved.

Savings usually means money in bank and building society accounts. In a savings account your cash will grow in line with the interest rate. Any interest earned is guaranteed, but if inflation is higher than the interest rate, this means the value of your savings are falling when you take that into account.

Although not guaranteed, investments can offer more long-term growth potential than savings. However, it's important to remember you're putting money into assets - such as equities and bonds - that can go down, as well as up in value and there's a chance you might not get back what you invested. Some assets are more volatile than others.

A lot depends on how long you're investing for:

- If you've got decades before you retire or before you plan to use the money you've saved, you might feel you can take more risk to try and achieve a better long-term return. Investing in equities (company shares) might be something you'd consider.
- If you have only a few years to go before you retire or before you plan to use the money you've saved, you might not feel like taking too much risk and may want to invest in a fund that could be less volatile. In this case, a Smooth Managed Fund could be just what you're looking for.

The important thing to remember is investing carries more risk than saving.

How stock markets work

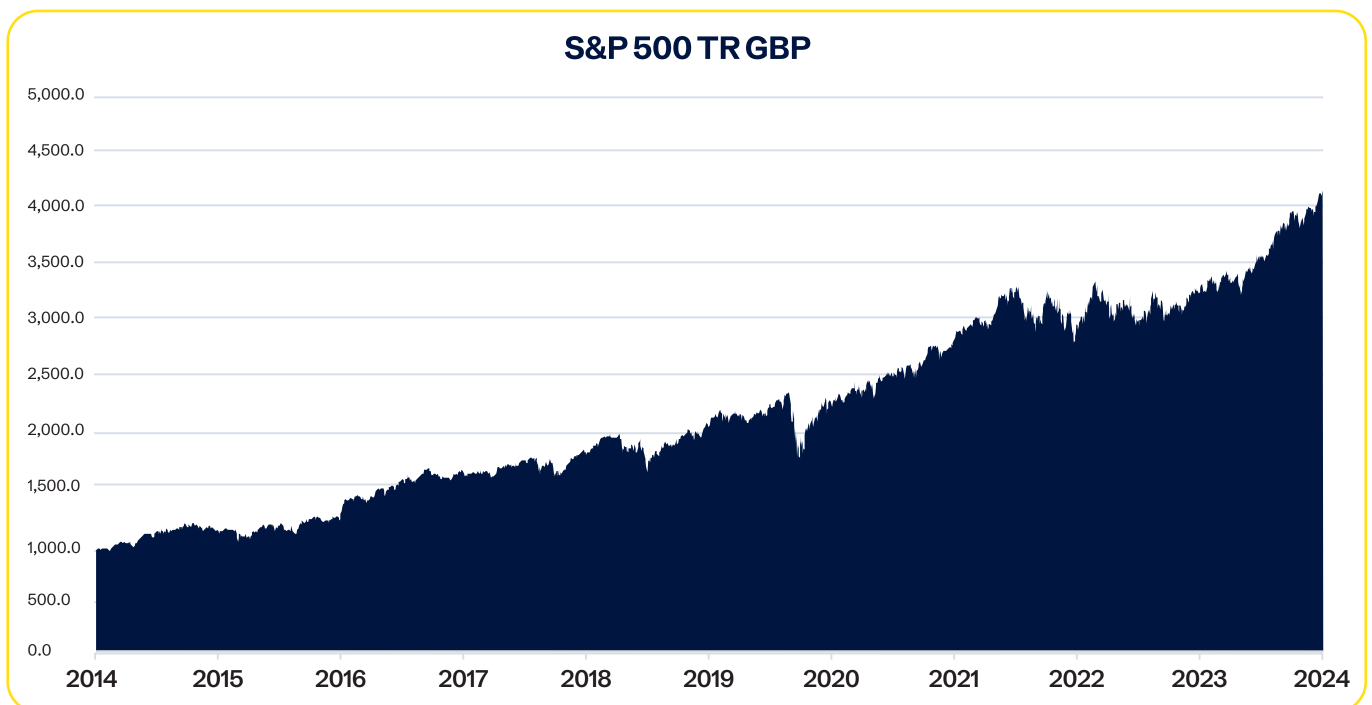
The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices. The graph below shows how it performed from 28 June 2014 to 28 June 2024. As you can see, although the overall direction is upwards, there are some vast peaks and troughs along the way. Please remember though that past performance is not a guide to future performance. Investments can go down in value as well as up, and you may get back less than you invested.

Market timing – the pitfalls

Because there's no way of predicting what the markets will do, it can be difficult to get the timing right when it comes to investing.

One of the biggest risks of market timing is missing out on the market's best-performing cycles. As you can see from the graph, there are several times where the market has suddenly fallen, but then recovered.

Sometimes, when investors think the market will go down, they immediately switch into less risky assets, rather than riding out the volatility. This could mean they lose out when markets recover.



Source: Morningstar Direct. The S&P 500 index ("Index") is a product of S&P Dow Jones Indices LLC, its affiliates and/or their licensors and has been licensed for use by Aviva Life and Pensions Limited. Copyright © 2023 S&P Dow Jones Indices LLC, its affiliates and/or their licensors. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

Where is my money invested?

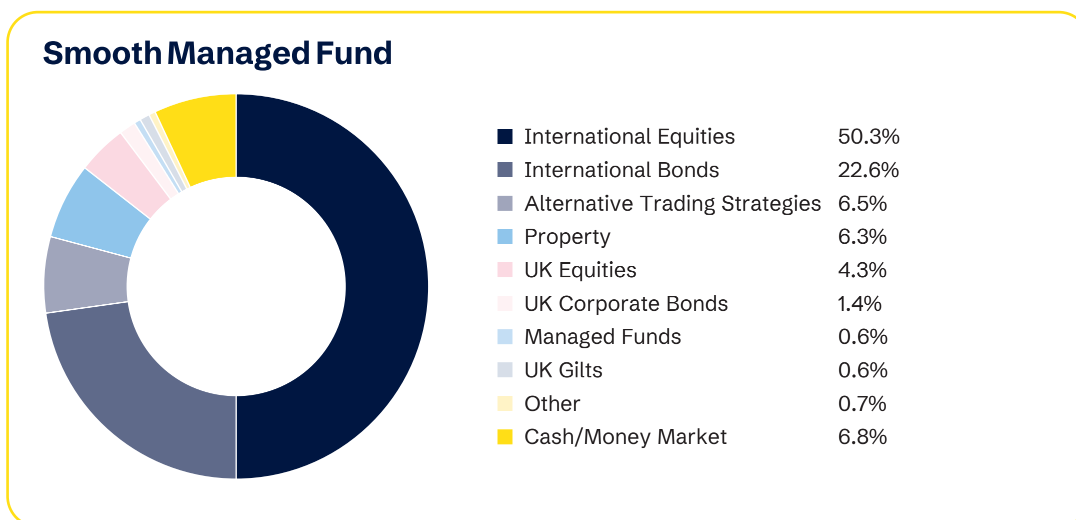
As with any investment fund, when you invest in an Aviva Smooth Managed Fund, your money is pooled together with that of other investors. This creates a bigger fund, meaning you're able to invest in a wider range of assets like equities, bonds and properties. Because you don't have all your eggs in one basket, this can help reduce the impact of market volatility.

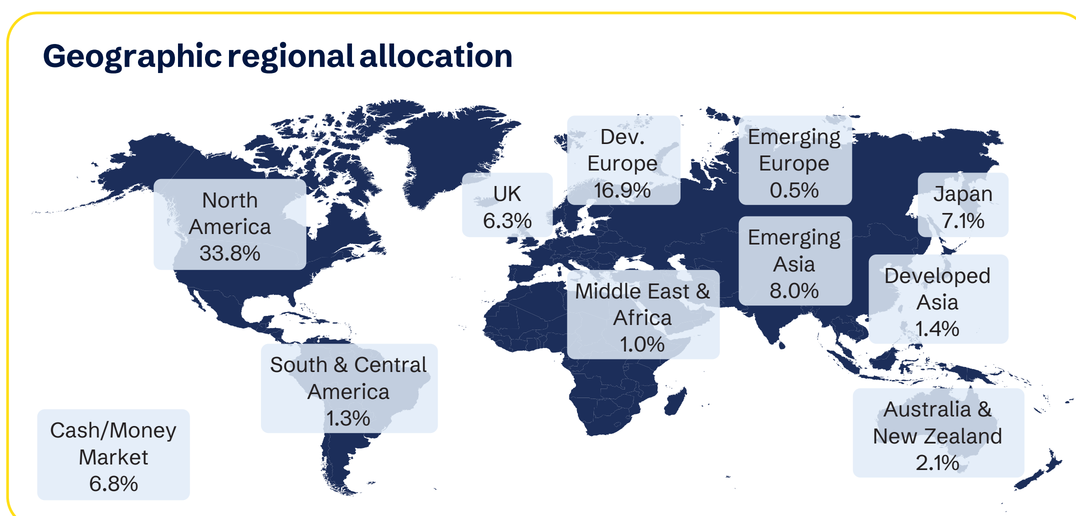
In fact, the Aviva Smooth Managed Funds spread investment risk even further, by using assets from around the world including the US, Europe and Asia.

This ability to invest in a wide range of assets is in addition to the smoothing process – which we'll explain later.

See the diagrams (below), which show the latest Strategic Asset Allocation (as of 30th June 2024). Our Strategic Asset Allocation is used to create a long-term portfolio aligned with your risk profile. See the latest fund factsheets for the most up to date asset allocation.

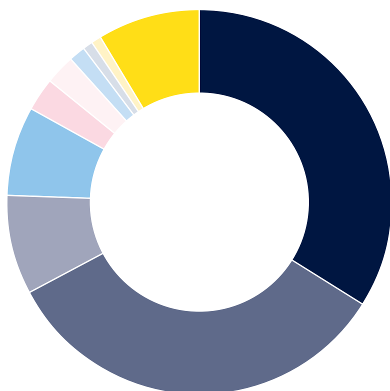
Although your money is invested in a fund, you don't own any of the fund's underlying assets. For example, you won't receive a dividend from shares, or rental income from property, held by the fund. These are reflected in the value of the fund itself.





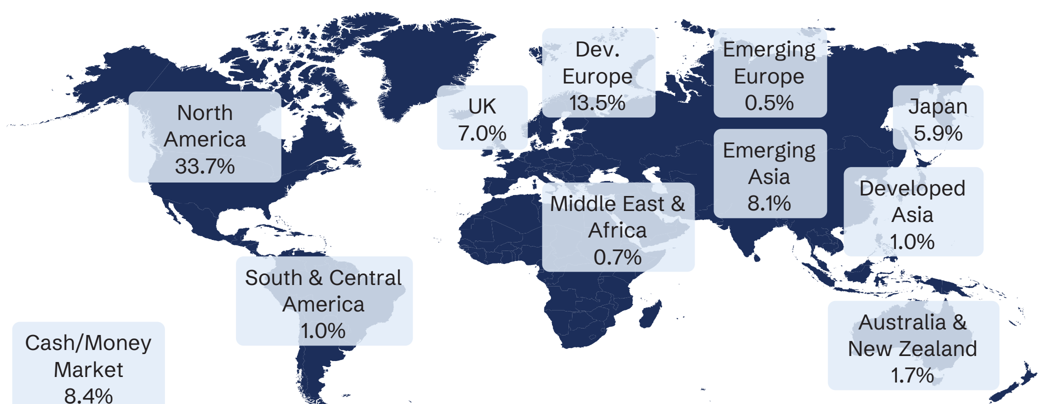
Source: Aviva Investors as of 30th June 2024.
See the glossary at the beginning of this document to find out more about each type of asset.

Smooth Managed Fund 2



Asset	%
International Bonds	33.9%
International Equities	33.3%
Property	8.4%
Alternative Trading Strategies	7.4%
UK Corporate Bonds	2.8%
UK Equities	2.6%
UK Gilts	1.5%
Managed Funds	0.7%
Other	0.9%
Cash/Money Market	8.4%

Geographic regional allocation



Source: Aviva Investors as of 30th June 2024.
See the glossary at the beginning of this document to find out more about each type of asset.

More information

Your financial adviser should check the fund factsheets for up-to-date details of the assets in the Aviva **Smooth Managed Funds.**

How smoothing works

As well as using a spread of assets from around the world, the Aviva Smooth Managed Funds use a simple smoothing process designed to cushion you from the short-term ups and downs you would see if you were investing directly in the assets. So, although you won't always benefit from the full upside of the markets, you'll have some protection against some of the downside.

The fund is divided into 'units', each equal in value.

What's the difference between the Smoothed and Unsmoothed price?

The Unsmoothed price is simply the value of the assets in the fund, divided by the number of units. This price will move up and down each day with market movements.

The Smoothed price is the price at which you actually buy and sell units in a Smooth Managed Fund. Rather than going up and down every day with market movements, the Smoothed price will usually increase every day in line with the Smooth Growth Rate. In some market conditions, we could apply a Fund Price Adjustment though – we explain this and when it could happen below.

What's the Smooth Growth Rate and how does Aviva calculate it?

This is the rate at which the Smoothed price will normally increase.

If you invest through Aviva's Pension Portfolio or ISA Portfolio:

- the **Smooth Growth Rate** for the Smooth Managed Fund = Bank of England Base Rate + 5% per year.
- the **Smooth Growth Rate** for the Smooth Managed Fund 2 = Bank of England Base rate + 3.75% per year.

If you invest through the Aviva Onshore Bond:

- the **Smooth Growth Rate** for the Smooth Managed Fund = Bank of England Base Rate + 4% per year.
- the **Smooth Growth Rate** for the Smooth Managed Fund 2 = Bank of England Base rate + 3% per year.

Why are the Smooth Growth Rates different for pension and ISA, and bond?

You'll see Smooth Growth Rates differ depending on whether you're investing through Aviva's Pension Portfolio, ISA Portfolio or through the Aviva Onshore Bond. This is simply because there's no tax paid within a pension or ISA fund, but in a bond fund, tax will have been paid already. Your financial adviser will explain which product is most suitable for your individual needs when you invest in the fund.

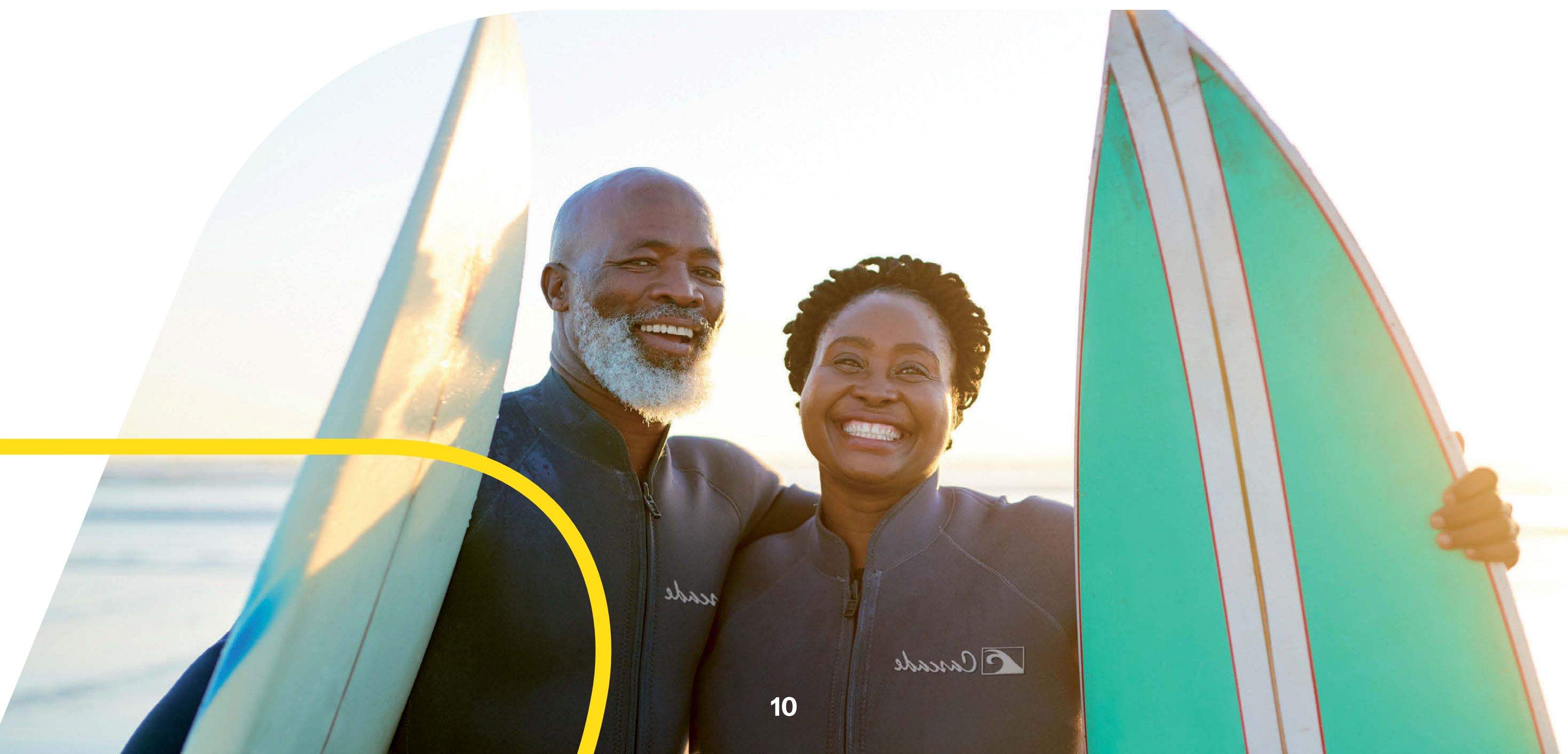
Will the Smoothed Price always increase in value?

No, if there is a 6.5% or more difference between the Smoothed price and the Unsmoothed price, we make a Fund Price Adjustment. This means we automatically adjust the Smoothed price so the difference is only 1.5%.

This helps to protect the investors in the fund by making sure anyone leaving the fund at this point won't be taking more (or less) than their fair share.

When can I expect an upward fund price adjustment (FPA)?

As these funds invest in global markets, we must see consistent market improvements over a prolonged period to trigger an upwards Fund Price Adjustment. Fund Price Adjustments occur automatically, using a formula that trigger a change when the Unsmoothed price differs by 6.5% or more from the Smoothed price.

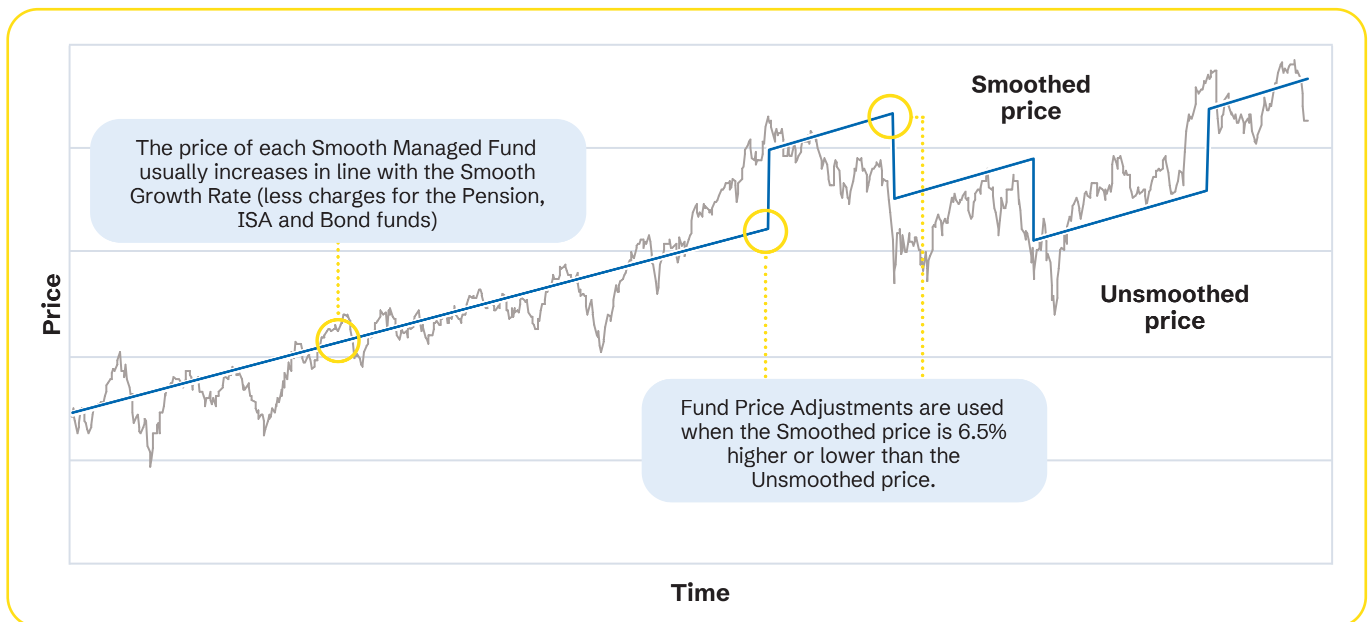


Smoothing is simple

There are two key things you need to remember:

1 - Growth rate is linked to the Bank of England Base Rate

2 - The price of the fund is monitored daily



The chart above shows how smoothing works – **it's not based on any time period or actual investment performance**. In this graph the grey line shows the value of all of the assets in the Smooth Managed Fund. You can see how the value can go up and down on a daily basis. Think of this as the "unsmoothed" value of the fund. If we didn't use smoothing, you would see the value of your investment go up and down each day in the same way this line does.

The blue line shows how smoothing works.

Smoothing aims to flatten out those ups and downs, so you can see your investment growing smoothly, in line with a Smooth Growth Rate.

So you won't see your value go up as much as the unsmoothed investment when it rises, and you won't see it drop as much when it falls. It also shows what happens when we make a Fund Price Adjustment.

Each business day, we compare the Smoothed price to the Unsmoothed price (which will rise and fall with market conditions).

If the difference in price is 6.5% or more in either direction, we make a Fund Price Adjustment, to bring the Smoothed price to within 1.5% of the Unsmoothed price.

Important information

The fund is not guaranteed to grow in line with the Smooth Growth Rate and may return more or less than this over any time period.

- Fund Price Adjustments can be applied at any time to bring the fund price more in line with the value of the assets. You should understand that a negative or positive adjustment could be applied to your investment soon after investing, or before you take your money out of either fund.
- If you invest through Aviva's Pension Portfolio or ISA Portfolio, the Smooth Growth Rate will never be:
  - less than 5% or more than 10% for the Smooth Managed Fund.
  - less than 3.75% or more than 8.75% for the Smooth Managed Fund 2.
- If you invest through the Aviva Onshore Bond, the Smooth Growth Rate will never be:
  - less than 4% or more than 9% for the Smooth Managed Fund.
  - less than 3% or more than 8% for the Smooth Managed Fund 2.

The return you get from a Smooth Managed Fund may be more or less than these limits as Fund Price Adjustments could also affect your return.

▲ Example 1

What could happen when markets rise

- Say the Smoothed price was 92p and the Unsmoothed price was 100p. This is a gap of 8%.
- Because the difference is more than 6.5%, we adjust the Smoothed price to 98.5p, so the gap is reduced to 1.5%.
- If you had £20,000 in a Smooth Managed Fund before the adjustment, it would be worth £21,413 after the adjustment. This is a 7.065% increase.

▼ Example 2

What could happen when markets fall

- Say the Smoothed price was 108p and the Unsmoothed price was 100p, also a gap of 8%.
- Because the difference is more than 6.5%, we adjust the Smoothed price to 101.5p, so the gap is reduced to 1.5%. The downward adjustment is because the Smoothed price was greater than the Unsmoothed price.
- If you had £20,000 in a Smooth Managed Fund before the adjustment, it would be worth £18,796 after the adjustment. This is a 6.02% decrease.

Smoothed price reset

A Smoothed price reset is different to a Fund Price Adjustment and would only happen in the most extreme circumstances. Unlike a Fund Price Adjustment, which is triggered by changes in the value of investments, a Smoothed price reset is triggered by large amounts of money entering or leaving the fund. If this happens, to protect customers invested in the fund, the Smoothed price will be immediately reset, so it is equal to the Unsmoothed price. After this has happened, the Smoothed price will continue to move in line with the Smooth Growth Rate.

A medium- to long-term investment

With the Smooth Managed Funds, you need to be prepared to leave your money invested over the medium to long-term (normally five years plus).

A typical investor will:

- **Smooth Managed Fund** - be prepared to take a moderate amount of risk to increase the chance of achieving a positive return
- **Smooth Managed Fund 2** - be prepared to take a low to moderate amount of risk to increase the chance of achieving a positive return
- prefer to spread risk by investing in a wide range of assets and be comfortable with their money being invested more heavily in shares and/or property than fixed-interest assets.

To give you some context, higher risk funds usually invest more heavily in equities and property to aim for a better return, but the value tends to go up and down more than a medium risk fund.

Lower risk funds usually invest more heavily in bonds and cash/money markets. While this can help to reduce ups and downs in fund values, the long-term returns can be lower.

Smoothing means the price you get may be more or less than the price of the assets held in the fund. Smoothing can protect you against some falls in asset values, but your investment can go down in value if there is a large or lasting fall in asset values.

Please note, the value of an investment can go down as well as up and you may get back less than you invested.

Minimum investment amount

- If you invest through Aviva's Pension Portfolio or ISA Portfolio, you can't invest more than £2,000,000 in the Smooth Managed Fund. If you invest through the Aviva Onshore Bond, in most circumstances, the maximum you can invest into the Smooth Managed Fund is £1,000,000. If you want to invest more than this, your adviser will need to contact us.

Switches

- Switches in and out of any Smooth Managed Fund are limited to one in each calendar quarter (1 January - 31 March, 1 April - 30 June, 1 July - 30 September, 1 October - 31 December inclusive).

Fund management charges you'll pay

The fund management charges for our Smooth Managed Funds depend on whether you invest through Aviva's Pension Portfolio, ISA Portfolio or the Aviva Onshore Bond. Your financial adviser will look at your circumstances to see which is the best option for you. The charge covers the administration of the fund.

Important information

You should understand there's a cost for the smoothing process, and this is included within the charges shown below. Over the long term, this means, you may get less back than an equivalent fund without smoothing.

If you invest through Aviva's Pension Portfolio or ISA Portfolio, you'll pay 0.65% annually. That works out at approximately 54p a month for each £1,000 invested. If you invest through Aviva Onshore Bond, you'll pay 0.58% a year. That works out at approximately 48p a month for each £1,000 invested.

Please note that you may be subject to additional charges over and above these fund management charges. Please speak with your financial adviser to find out more.

Risks you should be aware of

Here are the risks the funds may have exposure to at any given time.

Risk	Description
General	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in. **Specialist funds:** Some funds invest only in a specific or limited range of sectors and this will be set out in the fund's aim. These funds may carry more risk than funds that can invest across a broader range or a variety of sectors. **Suspension of trading:** In certain circumstances, managers often have the ability to suspend trading in their funds for as long as necessary. When this happens, we will need to delay the cashing in or switching of units in the relevant fund. The fund is divided into units of equal size, which is what you buy when you invest in a fund. **Derivatives:** The fund invests in derivatives as part of its investment strategy, these are investments whose value depends on another financial asset, for example, the price of a bond, currency or share. Derivatives can be used by fund managers to control particular aspects of a fund's risk, such as interest rate movements, or as an investment in their own right.
Foreign Exchange Risk	When funds invest in overseas assets, the value will go up and down in line with movements in exchange rates as well as changes in the value of the fund's holdings.
Emerging Markets	An emerging market is an economy that has some but not all the characteristics of a developed economy. Where a fund invests in emerging markets, its value is likely to move up and down by large amounts and more frequently than one that invests in developed markets. These markets may not be as strictly regulated and securities may be harder to buy and sell than those in more developed markets. These markets may also be politically unstable which can result in the fund carrying more risk.
Fixed Interest	Where a fund invests in fixed interest securities, such as company, government or other bonds, changes in interest rates or inflation can contribute to the value of the investment going up or down. For example, if interest rates rise, the value is likely to fall.

Professional investment management you can rely on

It takes Aviva

325 years of Aviva heritage

Financially Strong

19.2 million people in the UK, Ireland and Canada choose Aviva[1]

49+ years experience in managing multi-asset funds[2]

Aviva Investors manage **233 billion** across a range of asset classes[3]

A team of over **1000** people in 11 countries around the world[4]

Aviva are the first major UK financial services company to target **NET ZERO CARBON BY 2040**[5]

Source: Aviva
1. Aviva PLC 2023 Annual Report & Accounts
2. For example, the Aviva Mixed Investment (40-85% Shares) fund was launched in 1974

Source: Aviva Investors
3. £233bn assets under management as at 31 March 2024
4. Aviva Investors as at 31 March 2024
5. For more information regarding Aviva's Net Zero 2040 ambition, please click **here**

By investing in a professionally managed fund with other people, you don't have to worry about daily investment decisions and the paperwork that goes with them - it's all in one place.

Aviva Investors has processes in place to manage risk with discipline and rigour.

Speak to your financial adviser

Whether you're looking for the potential for steadier returns in the run up to retirement (or once you've retired), you're worried about the impact of inflation on savings or have concerns about inheritance tax, you should speak to your financial adviser about the Smooth Managed Fund range.

Your financial adviser will look at whether you could invest through Aviva's Pension Portfolio, ISA Portfolio or the Aviva Onshore Bond.

If you don't have an adviser, you can find one at **unbiased.co.uk** or, for pension customers, **moneyhelper.org.uk**. A financial adviser may charge you for their services.

Need this in a different format?
Please get in touch if you'd prefer this Smooth Managed Funds customer guide (**LF01102**) in large print, braille, audio or in a different colour.

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