Stakeholder With-Profits Sub-Fund

and Investment Summary

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're 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's 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's 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 5.

- The Stakeholder With-Profits Sub-Fund is rated as a **low to medium volatility** fund.
- An Aviva with-profits investment aims to provide steady capital growth over the medium to long term by investing in a broad range of assets, while smoothing out some of the fluctuations of investment markets. It offers the possibility of higher returns than you may get from an average savings account with a bank or building society.
- 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, so you may get back less than has been paid in. 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?

Aviva assesses risk ratings using historical performance.

Low to medium volatility - 3
Funds typically investing in assets like corporate bonds or a mix of assets where the day-to-day prices go up or down less than shares. There is still a risk that the value of your investment could fall.

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

Assets
An asset is a type of investment. Different types of assets include shares (equities), property, fixed interest (gilts and other bonds), alternative investments and cash/money market. Assets can rise and fall in value.

Things you need to be aware of

Although the sub-fund is closed to new investments, some customers can invest in it. To find out more, please call the number on your annual statement for details.

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

- expect to need your money in the short term
- aren't 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're guaranteed to receive once it's 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 & international)
- property
- fixed interest - gilts and other bonds
- alternative investments
- cash/money market

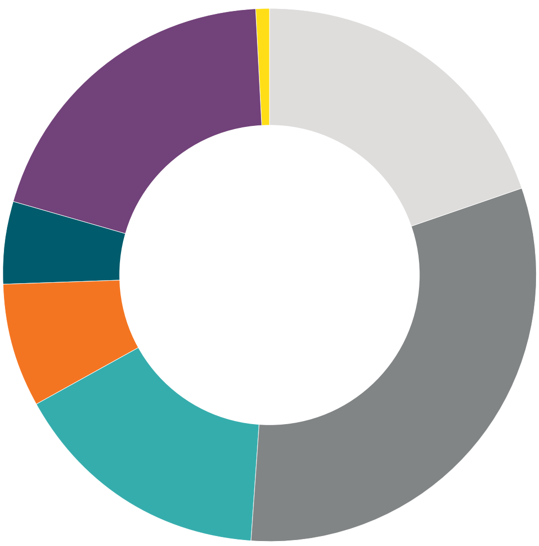
How do we invest your money?

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 **fixed interest (gilts and other bonds), alternative investments** and **cash/money market**.

For details of the December 2022 asset mix see the illustration below. Historic asset mixes are shown on page 14.



Stakeholder With-Profits Sub-Fund
Asset mix as at 31/12/2022

- UK shares (equities) 20.0%
- International shares (equities) 31.2%
- Property 15.8%
- Alternative investments 7.5%
- Fixed Interest - gilts 5.2%
- Fixed interest - other bonds 19.6%
- Cash/money market 0.7%

Asset mix (continued)

The performance of the different types of assets varies over time, and all asset types can go down in value as well as up. 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 won't 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, they are riskier than most other investments. However, they usually offer the greatest chance of higher returns over the long term. In our Sub-Fund the equity part of the asset mix includes equity-type assets that aren't quoted on stock exchanges.

Property

This is investment in commercial property such as shopping centres, business offices and industrial warehouses. Property may take longer to buy and sell than other types of investment.

Alternative investments

Alternative investments are assets which tend to behave differently to more traditional asset classes such as equities, bonds or property. These investments can include multi-strategy funds which seek to take advantage of investment opportunities not always found in the approach used by more traditional asset classes. Adding alternative investments to a portfolio may provide broader diversification, reduce risk and enhance returns.

Fixed interest - gilts

These are bonds issued by the UK government. The government pays interest on the bonds and promises to pay back the principal amount (money borrowed) at a certain point in the future. If the government defaults on a bond, the principal amount and interest will not be paid. However, gilts are regarded as less risky than corporate bonds.

Fixed interest - other bonds

This can be various types of non-gilt investments, including bonds issued by non-UK governments, corporate bonds (i.e. loans issued by companies to be paid at a point in the future) and alternative credit (including non-traditional corporate, private or emerging market debt). If a company defaults on a bond, the principal amount (money borrowed) and interest will not be paid. Corporate bonds are regarded as riskier than gilts.

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.

Investment returns and market overview

The investment returns achieved by the Sub-Fund in recent years are:

	2022	2021	2020	2019	2018
before tax (pensions)	-6.1%	10.2%	1.9%	11.8%	-2.5%

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

This is past performance. Past performance isn't a guide to the future.

Investment markets in 2022

2022 was a challenging year for investors. The war in Ukraine and rising inflation dominated markets, and the efforts made by Central banks to combat inflation by hiking interest rates saw equity, government bond and credit markets all struggle.

Although during the course of the last year, the FTSE®100 index, a commonly used indicator of the performance of UK shares, experienced several periods with significant falls in value, overall it had a small gain of 0.91%[1], as a result of its large exposure to commodity producers, defensive consumer staples and its low exposure to expensive technology companies. The fall in Sterling came as a silver lining, providing a cushion to the UK stock market given approximately two thirds of UK listed company revenue is derived from overseas. However, overseas equity markets in aggregate lost value, with the MSCI World Index falling 7.83%[2] in Sterling terms over the year.

The UK bond market had a difficult year. UK government bonds (gilts) were particularly hard hit losing 25.44%[3] of their value. UK corporate bonds fell by 17.76%[4]. The poor performance was mainly caused by the Bank of England having to raise interest rates in response to inflation at a faster pace than investors had expected, with some further uncertainty caused by the "mini budget" in September. Property investments also suffered following the rise in interest rates, with the MSCI /AREF UK All Balanced Quarterly Property Fund Index falling by 9.46%[5] in 2022.

Notes:

[1]Source: FE Analytics. (FTSE 100 Total Return Index)
[2]Source: MSCI [Morgan Stanley Capital International]. (MSCI World Index TR in GBP)
[3]Source: FE Analytics. (FTSE Actuaries UK Conventional Gilts All Stocks TR index)
[4]Source: FE Analytics. (ICE BofA Sterling Non Gilts TR Index)
[5]Source: MSCI. (MSCI/AREF UK All Balanced Quarterly Property Fund TR)

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've 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're applying a **market value reduction** when you move money out of the Sub-Fund.

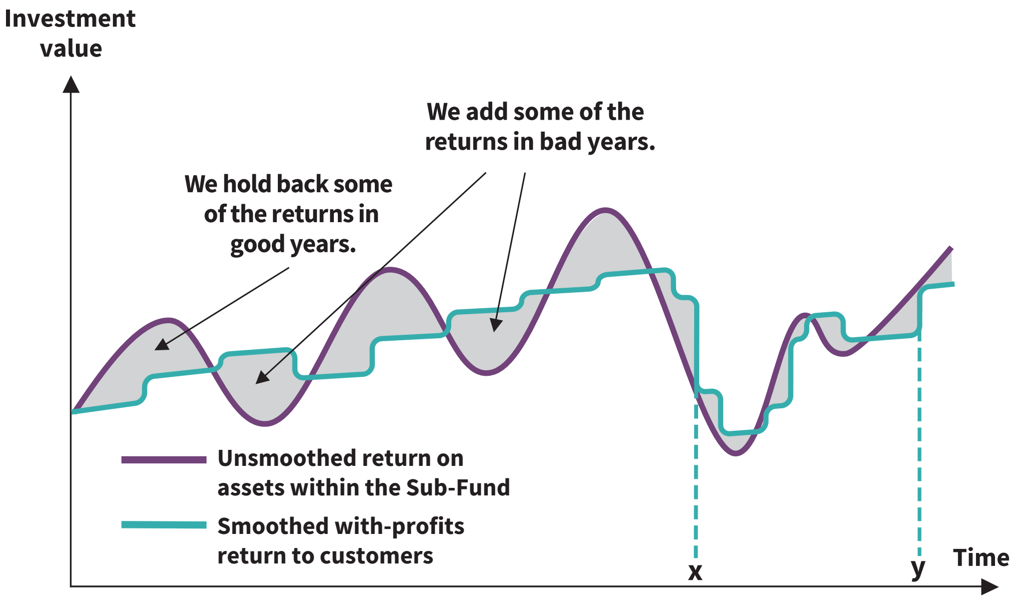
Smoothing – how it works

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 don't 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 purple line in the diagram.

The following diagram is for illustration purposes only and shows a period of positive growth overall, which isn't 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've 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 aren't 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 haven't 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 isn't 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 1 and 9 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

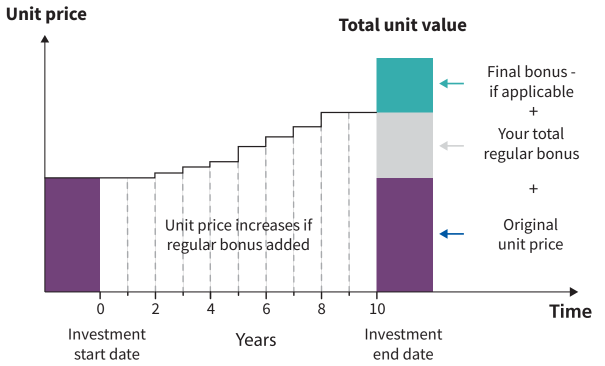
We aim to pay a final bonus to increase the value of your policy:

- 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, aren't guaranteed and could be zero.

Unitised policies

The diagram shows how we add regular bonuses to your original investment.



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 isn't guaranteed.

The term illustrated isn't the minimum or maximum period of investment for with profits.

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 isn't guaranteed.
- If the investment return has been low over the period you invested, you may not receive a final bonus as you'll 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'll 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.

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 aren't 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

If you keep your money invested in the Sub-Fund until the retirement date you originally chose or your death, we won't 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 policy within five years of your original retirement date
- you've 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've moved any existing investment into the Sub-Fund within five years of your original retirement date
- you've switched into the Sub-Fund within five years of your original retirement date.

Please refer to your policy documents for further details.

We can't guarantee the amount you'll 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 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 aren't disadvantaged when others leave. If you move out of the Sub-Fund when a market value reduction is in place it'll reduce the value of your investment. This means you could get back less than you've invested. We won't 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've 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 documents 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-Fund. This gives you the chance to change your mind.

Questions and answers

What's the With-Profits Committee?

Our customers are at the heart of everything we do and we're 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 incremental 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.

Is the Sub-Fund closed to new business?

The Sub-Fund was closed to new business from 1 January 2023. No new business is written in the Sub-Fund except for incremental business.

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.

Historical asset mixes

Recent asset mixes

	2019	2020	2021	2022
UK shares (equities)	21.2%	22.4%	21.9%	20.0%
International shares (equities)	32.1%	31.8%	31.3%	31.2%
Property	14.9%	12.7%	13.8%	15.8%
Alternative investments	6.8%	7.3%	7.6%	7.5%
Fixed interest – gilts	9.3%	5.1%	5.1%	5.2%
Fixed interest – other bonds	14.3%	19.4%	15.9%	19.6%
Cash/money market	1.4%	1.3%	4.4%	0.7%

Where can you 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

Monday to Friday 8am to 8pm, Saturday 8.30am to 5pm and Sunday 10am to 4pm. Calls may be monitored and/or recorded.

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'll be able to consider your current circumstances and financial goals.

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

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

Manage your products online with MyAviva

MyAviva brings together the products that help you protect your health, your loved ones, your future and your possessions, in one safe, secure and simple-to-use place.

It's quick and easy to register – either online or through the app - with a whole host of benefits at your finger tips.

Need this in a different format?

Please get in touch if you'd prefer this summary **(SP56001)** in large font, braille or as audio.

How to contact us

0800 068 6800

contactus@aviva.com

aviva.co.uk

| Retirement | Investments | Insurance | Health |

Aviva Life & Pensions UK Limited.
Registered in England No 3253947. 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..

aviva.co.uk

CFPPFMSH SP56001 03/2023

AVIVA