

With-Profits Customer News

27 July 2023

Aviva's mid-year with-profits bonus rates

At the beginning of July, we revised our with-profits bonus rates. This announcement provides information about our main with-profits sub-funds.

Investment overview

Last year's tough economic conditions were particularly damaging to growth stocks. Having stood strong in last year's turbulence, hopes were high that the FTSE[®]100 index, a commonly used indicator of the performance of UK shares, would power ahead in 2023 based on its high proportion of companies perceived as resilient and from sectors such as energy, mining, and banking. However, the performance of the FTSE[®]100 index faltered in the first five months of 2023, up **1.81%**¹, with other major markets worldwide leaving it trailing in their wake.

UK government bonds (gilts) were hit very hard by the mini budget in 2022 and continued to fall in value in 2023. For the period January – May 2023, the FTSE Actuaries UK Conventional Gilts All Stocks fell further (by **3.09%**²) as the hope that the Bank of England would halt the rate hiking faded. Compared to gilts, corporate bonds just managed to keep level, with Markit iBoxx GBP Non-Gilts up **0.10%**³. In view of the gloomy economic outlook, higher interest rates and tightening credit conditions, the UK property market fell further by **0.22%**⁴ in the first quarter of the year.

Against this backdrop, over the first five months of 2023, our with-profits sub-funds have produced investment returns ranging from **0.0%** to **3.3%** before tax.

¹ Source: FE Analytics. (FTSE 100 Total Return Index)

² Source: FE Analytics. (FTSE Actuaries UK Conventional Gilts All Stocks TR index)

³ Source: FE Analytics. (Markit iBoxx Sterling Non-Gilts TR Index)

⁴ Source: MSCI. (MSCI/AREF UK All Balanced Quarterly Property Fund TR)

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Key mid-year bonus review messages

One of the features of a with-profits investment is 'smoothing' which, over the long-term, keeps back some of the gains earned in good investment years to help pay bonuses in poor investment years. Smoothing therefore means that the full extent of falls in the market value of assets does not always immediately impact pay-outs.

How has the mid-year bonus rate review impacted policy pay-outs?

For some conventional policies, we are continuing to smooth pay-outs down following the large market falls during 2022, meaning that some policies will see a 5% cut in pay-out at this review. For other policies, reductions to pay-outs of around 3% (ranging from 1% to 5%) have been applied to bring the pay-outs into line with the performance of the sub-funds. In some cases, these reductions will be at least partly mitigated by changes to estate distribution uplifts. (For further details see our estate distribution news summary shown at the end of this announcement).

How have regular bonus rates been affected?

Regular bonus rates are unchanged from those declared in January 2023.

Are Market Value Reductions (MVRs) being applied to any policies?

No. Market Value Reductions are not currently applying on policies invested in our with-profits sub-funds, though we reserve the right to introduce them in the future. If MVRs were to be applied, they would impact unitised with-profits policies only.

When is the next bonus review?

Bonus rates are reviewed regularly to ensure fairness to all with-profits customers. Unless there are major changes in the markets, the next review is expected to be on 1 January 2024 in line with our normal timetable. For policies invested in the WL With-Profits Sub-Fund, bonus rates are reviewed on 1 October and 1 April.

Which Sub-Fund is my policy invested in?

The '[With-Profits Fund Guides](#)' section on our website can help you to work out which with-profits sub-fund your policy is invested in. You can also find information about the assets our sub-funds invest in.

Which type of fund is my policy invested in?

You can tell if your policy is 'unitised' or 'conventional' from your annual statement. If it shows units and unit prices then you have a unitised policy; otherwise you have a conventional policy.

Further information about our main Aviva Life & Pensions UK Limited With-Profits Sub-Funds

Old and New With-Profits Sub-Funds (includes ex CGU, CGNU, Commercial Union and General Accident policies)

- Investment return during the first 5 months of 2023 (before tax) = **0.7%**.
- Target asset mix for shares, property and alternative investments are around **73%** of the assets backing policy benefits.

With-Profits Sub-Fund (includes ex Norwich Union policies)

- Investment return during the first 5 months of 2023 (before tax) = **0.0%**.
- Target asset mix for shares, property and alternative investments are around **71%** of the assets backing policy benefits.

FLAS With-Profits Sub-Fund (including ex Sun Life Assurance Society policies)

- Investment return during the first 5 months of 2023 (before tax) = **1.1%**.
- Target asset mix for shares, property and alternative investments are around **49%** of the assets backing policy benefits.

FLC With-Profits Sub-Fund (includes ex AXA Sun Life and AXA Equity and Law Life Assurance Society policies)

- Investment return during the first 5 months of 2023 (before tax) = **1.0%**.
- Target asset mix for shares, property and alternative investments are around **60%** of the assets backing policy benefits. The asset mix for most unitised policies depends on the remaining term to maturity of the policy.

FP With-Profits Sub-Fund (includes ex Friends Provident policies)

- Investment return during the first 5 months of 2023 (before tax) =
 - **3.3%** for policies written before 9 July 2001 (pre-demutualisation).
 - **0.8%** for policies written after 8 July 2001 (post demutualisation).
- Target asset mix for shares, property and alternative investments are around:
 - **50%** of the Sub-Fund's investments for pre-demutualisation policies.
 - **55%** of the Sub-Fund's investments for post demutualisation policies.

Impact of the declaration

Our with-profits sub-funds continue to deliver long term growth for customers. In addition, the distribution of excess assets from many of the sub funds, continues to play an important role in uplifting maturity values. Some examples of policy pay-outs for our main Aviva Life & Pensions UK Limited With-Profits Sub-Funds are shown in the tables below.

Whilst we look to provide example pay-outs based on the same products as previous announcements, this is not always possible as it's dependent on the availability of the underlying product at the specific commencement date.

New With-Profits Sub-Fund (includes ex CGU, CGNU, Commercial Union and General Accident policies)

Product (term)	Investment details (started on)	Total investment	Pay-out value ¹ in July 2023 (Annual return)
Conventional Endowment (25 Year)	£50 per month from 1 July 1998 (based on male, non-smoker, age 29)	£15,000	£23,205 (3.3%)
Unitised Pension (30 years)	£200 per month from 1 July 1993 (based on male, policy maturing at age 65)	£72,000	£173,297 (5.3%)
Unitised Pension (25 years)	£200 per month from 1 July 1998 (based on male, policy maturing at age 65)	£60,000	£115,342 (4.8%)
Unitised Pension (20 years)	£200 per month from 1 July 2003 (based on male, policy maturing at age 65)	£48,000	£81,240 (4.9%)
Unitised Bond (15 years)	£10,000 single premium (1 July 2008)	£10,000	£17,042 (3.6%)
Unitised Bond (10 years)	£10,000 single premium (1 July 2013)	£10,000	£13,863 (3.3%)
Unitised Bond (5 years)	£10,000 single premium (1 July 2018)	£10,000	£10,829 (1.6%)

Although not shown, customers with policies invested in the smaller Old With-Profits Sub-Fund are currently benefitting from an uplift as a result of a distribution of the excess assets in the Sub-Fund. This means Old With-Profits Sub-Fund sample pay-out values are higher than shown in the highlighted column. All ex CGU, CGNU, Commercial Union and General Accident mortgage endowment customers invested in the New and Old With-Profits Sub-Funds may also benefit from a **Mortgage Endowment Promise** if their policy is held to the end of the term.

¹ The pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The Annual Return figures shown are the average return earned per year over the term specified.

Source: Aviva.

With-Profits Sub-Fund (includes ex Norwich Union policies)

The pay-out values shown for this Sub-Fund include an uplift as a result of a distribution of the excess assets in the Sub-Fund. This table does not include with-profits bonds as new bond business was not invested in this Sub-Fund after October 2000.

Product (term)	Investment details (started on)	Total investment	Pay-out value ¹ in July 2022 (Annual return)
Conventional Endowment (25 Year)	£50 per month from 1 July 1998 (based on male, non-smoker, age 29)	£15,000	£25,092 (3.9%)
Unitised Pension (30 years)	£200 per month from 1 July 1993 (based on male, policy maturing at age 65)	£72,000	£157,832 (4.7%)
Unitised Pension (25 years)	£200 per month from 1 July 1998 (based on male, policy maturing at age 65)	£60,000	£113,994 (4.7%)

Ex Norwich Union mortgage endowment customers may also benefit from a **Mortgage Endowment Promise** if their policy is held to the end of the term.

FLC With-Profits Sub-Fund (includes ex AXA Sun Life policies)

The pay-out values shown for this Sub-Fund are currently benefitting from a substantial uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value ² in July 2022 (Annual return)
Unitised Endowment (25 Year)	£50 per month from 1 July 1998 (based on male, non-smoker, age 29)	£15,000	£31,901 (5.6%)
Unitised Pension (30 years)	£200 per month from 1 July 1993 (based on male, policy maturing at age 65)	£72,000	£227,832 (6.8%)
Unitised Pension (25 years)	£200 per month from 1 July 1998 (based on male, policy maturing at age 65)	£60,000	£187,144 (8.1%)
Unitised Pension (20 years)	£200 per month from 1 July 2003 (based on male, policy maturing at age 65)	£48,000	£166,148 (11.2%)

¹ The pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The endowment value is after charges and tax. The pension values are after charges and before tax. The Annual Return figure is the average return earned per year over the term specified. Source: Aviva.

² The pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The endowment value is after charges and tax. The pension values are after charges and before tax. The 30-year and 25-year pay-outs are based on the Multipension 3 product sold from 1993. The 20-year pay-out is based on the New World Pension product sold from 6 April 2001. The Annual Return figures shown are the average return earned per year over the term specified. Source: Aviva

FLAS With-Profits Sub-Fund (includes ex Sun Life Assurance Society policies)

Pay-out values for this Sub-Fund are currently benefitting from a substantial uplift as a result of a distribution of the excess assets in the Sub-Fund. The table below does not include with-profits bonds, as few with-profits bonds have been invested in the Sub-Fund (since 2002).

Product (term)	Investment details (started on)	Total investment	Pay-out value ¹ in July 2022 (Annual return)
Unitised Endowment (25 Year)	£50 per month from 1 July 1998 (based on male, non-smoker, age 29)	£15,000	£31,330 (5.4%)
Unitised Pension (30 years)	£200 per month from 1 July 1993 (based on male, policy maturing at age 65)	£72,000	£225,195 (6.8%)
Unitised Pension (25 years)	£200 per month from 1 July 1998 (based on male, policy maturing at age 65)	£60,000	£143,777 (6.4%)

FP With-Profits Sub-Fund (includes ex Friends Provident policies)

The pay-out values shown for this Sub-Fund are currently benefitting from an uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value ² in July 2022 (Annual return)
Conventional Endowment (25 Year)	£50 per month from 1 July 1998 (based on male, non-smoker, age 29)	£15,000	£29,435 (5.0%)
Unitised Pension (30 years)	£200 per month from 1 July 1993 (based on male, policy maturing at age 65)	£72,000	£166,694 (5.1%)
Unitised Pension (25 years)	£200 per month from 1 July 1998 (based on male, policy maturing at age 65)	£60,000	£123,622 (5.3%)
Unitised Bond (15 years)	£10,000 single premium (1 July 2008)	£10,000	£19,617 (4.6%)

¹ The pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The endowment value is after charges and tax. The pension values are after charges and before tax. The Annual Return figure is the average return earned per year over the term specified. Source: Aviva.

² The pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The Annual Return figures shown are the average return earned per year over the term specified. Source: Aviva.

How With-Profits policies work

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. Some types of with-profits policies offer guarantees that provide a cushion against falling investment markets in certain circumstances. In addition, except when bonus rates are changed, the pay-out from a with-profits policy does not vary greatly on a day-to-day basis, as might be the case for a unit linked policy.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- Please note that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed.
- Further details as to how bonus rates are applied can be found in our [‘With-Profits Fund Guides’](#).
- Market value reductions may be applied at any time, particularly following a large or sustained fall in the stock market.
- Please refer to your policy literature and Terms and Conditions for details of the plan/policy’s aims, commitment, its charges and any risks associated with it.
- You can find some more general information about our other Sub-Funds below:

[Aviva Life & Pensions UK Limited Provident Mutual Sub-Fund](#)

[Aviva Life & Pensions UK Limited Stakeholder With-Profits Sub-Fund](#)

[Aviva Life & Pensions UK Limited FPLAL With-Profits Sub-Fund](#)

[Aviva Life & Pensions UK Limited Secure Growth Fund](#)

[Aviva Life & Pensions UK Limited WL With-Profits Sub-Fund](#)

- You can find details about the Estate Distribution that are currently applying [here](#).

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Aviva Life & Pensions UK Limited.

Registered in England No. 3253947. Aviva, Wellington Row, York, YO90 1WR. (Regulator Firm Reference Number 185896).

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