Provident Mutual Sub-Fund

and Investment Summary

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

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 type of with-profits policy in the Sub-Fund:

Conventional with-profits policy – your investment provides a guaranteed amount (sometimes referred to as the 'sum assured') at maturity or on death.

An Aviva with-profits investment?

At a glance

A number of our products allow investment into with-profits. 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 6.

- The Provident Mutual Sub-Fund is rated as a **low to medium risk** 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.
- The value of the Sub-Fund can go down as well as up depending on the returns made by the assets that make up the Sub-Fund, so you may get back less than has been paid in. We share out the profits and losses of the Sun-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 on page 9.
- 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 12.

What does it mean?

Aviva assesses its risk ratings using historical performance data.

Low to medium - 3

Funds typically investing in **assets like corporate bonds** or a mix of assets where day-to-day changes in value have historically been less than for shares. There's 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 equities (shares), 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

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 Provident Mutual Sub-Fund which invests in a mix of assets, including:

- equities (shares) (UK & international)
- property
- fixed interest
- alternative investments
- cash/money market investments

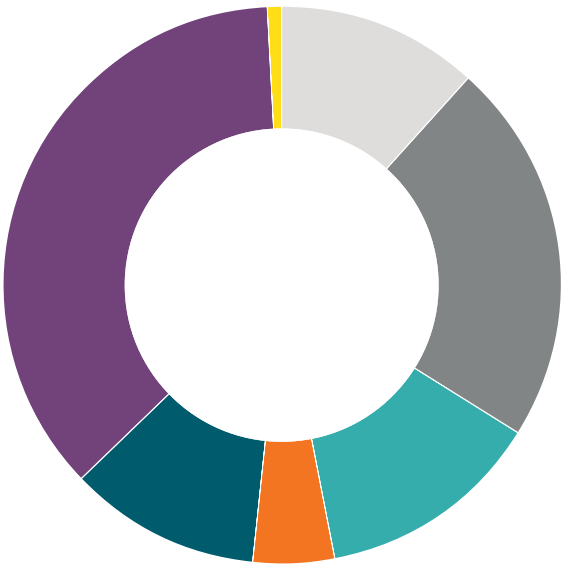
How do we invest your money?

We invest your money into a broad mix of assets. The asset diagram below shows the type and percentage of each asset that the Provident Mutual Sub-Fund invests in. For policies that switched investment returns in 2005, please refer to the asset diagram for the Aviva Life & Pensions UK Limited Old and New With-Profits Sub-Funds.

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

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

For details of the December 2023 asset mixes see the illustrations below. Historical asset mixes are shown on page 7.

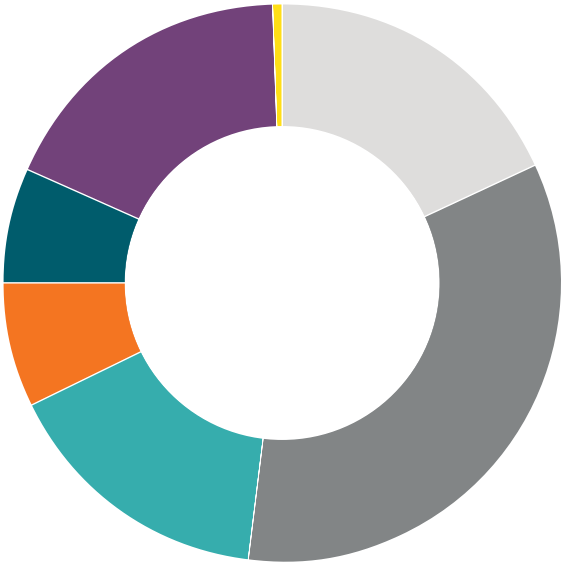


Provident Mutual Sub-Fund
Asset mix as at 31/12/2023

- UK equities (shares) 11.7%
- International equities (shares) 22.3%
- Property 13.0%
- Alternative investments 4.8%
- Fixed interest – gilts 11.1%
- Fixed interest – other bonds 36.3%
- Cash/money market investments 0.8%

For those endowment and whole of life policies that in 2005 accepted the option to switch to receive the investment returns of the former CGNU, (from 1 October 2009 the Aviva Life & Pensions UK Limited Old and New With-Profits Sub-Funds) please refer to the asset mix information on the next page.

Asset mix (continued)



Old and New With-Profits Sub-Funds

Asset mix as at 31/12/2023

- UK equities (shares) 18.2%
- International equities (shares) 34.0%
- Property 15.6%
- Alternative investments 7.2%
- Fixed interest - gilts 6.7%
- Fixed interest - other bonds 18.0%
- Cash/money market investments 0.3%

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:

- try 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?

Equities – UK and International (Shares)

Equities are company shares. They represent part-ownership in a company. Companies issue shares on stock exchanges such as the London Stock Exchange, and the shares are then bought and sold on stock markets. Their value can go up or down.

While there is more potential for gains with shares than some types of investment, there is also greater risk that they will fall in value.

Property

This usually refers to commercial property. Shops, offices and warehouses are examples of commercial property. There are two components to an investment in commercial property – the value of the property itself and the rental income received from the tenants of the property.

Commercial property can be subject to heavy falls and sharp increases in value. **Property isn't always easy to sell because it can take time for the purchase or the sale to be completed, and as a result, to access the money from the property**. Property funds may also invest in indirect property investments, including quoted property trusts and unregulated collective investment schemes.

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 (that offer a larger number or broader range of investment strategies within a single fund) 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

Government bonds and corporate bonds are examples of fixed interest assets. In the UK, government bonds are also called gilts.

Government bonds are loans issued by governments to pay for things such as public services. They're a way for them to borrow money, usually for a fixed term. Governments then pay interest on the loans.

International and UK Corporate bonds are loans issued by companies to pay for their operations or to grow the business among other things.

UK gilts issued by the UK Government are generally seen as lower risk investments than bonds issued by companies (corporate bonds).

Bonds pay the holder of the bond a regular income, and then the full value of the bond is paid when the bond comes to the end of its lifetime. Bonds carry interest rate risk - **changes in interest rates or inflation can contribute to the value of the bond going up or down. For example, if interest rates rise, the bond's value is likely to fall.** There's also the risk of the bond issuer becoming unable to pay back the money it has borrowed.

Cash/Money market investments

Money market investments are also known as cash investments. They are short-term deposits of cash amounts, usually held with a financial company for less than 12 months. Please note they are not deposit accounts with banks or building societies.

Although these investments are less risky than other asset classes, they can sometimes fall in value, for example if an organisation is unable to pay back money it has borrowed. Their value can also be gradually affected over time by inflation and the effect of charges.

Historical asset mixes

Recent Provident Mutual Sub-Fund asset mix

	2023	2022	2021	2020
UK equities (shares)	11.7%	13.4%	14.2%	14.9%
International equities (shares)	22.3%	19.2%	20.7%	21.1%
Property	13.0%	12.5%	10.3%	9.1%
Alternative investments	4.8%	4.9%	5.1%	5.2%
Fixed interest – gilts	11.1%	9.9%	10.2%	10.0%
Fixed interest – other bonds	36.3%	38.6%	34.5%	38.3%
Cash/money market	0.8%	1.5%	5.0%	1.4%

Recent Old New With-Profits Sub-Funds asset mix

	2023	2022	2021	2020
UK equities (shares)	18.2%	20.0%	21.9%	22.4%
International equities (shares)	34.0%	31.2%	31.3%	31.8%
Property	15.6%	15.8%	13.8%	12.7%
Alternative investments	7.2%	7.5%	7.6%	7.3%
Fixed interest – gilts	6.7%	5.2%	5.1%	5.1%
Fixed interest – other bonds	18.0%	19.6%	15.9%	19.4%
Cash/money market	0.3%	0.7%	4.4%	1.3%

Investment returns

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

	2023	2022	2021	2020	2019
before tax (pensions)	6.0%	-8.3%	5.5%	4.2%	12.2%
after tax (life/savings)	5.0%	-7.2%	4.9%	3.3%	9.8%

The recent investment returns achieved by the Old and New With-Profits Sub-Funds, applicable to those endowment and whole of life policies that accepted the option to switch investment, are:

	2023	2022	2021	2020	2019
after tax (life/savings)	7.0%	-5.6%	9.0%	1.6%	9.5%

Further historical investment returns together with other useful updates are available at **aviva.co.uk/help-and-support/managing-yourpolicy/investments/with-profits-bonus-information/**

The returns above are on the whole Sub-Fund and aren't applicable to any individual policy or plan. Figures are before any deduction for investment expenses. 'Before tax (pensions)' returns relate to the investment returns that apply to pension products. 'After tax (life)' returns relate to non-pension products, such as investment bonds or endowment policies.

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

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 (this is explained on page 9)
- 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
- any tax we pay and any future tax changes (pensions currently receive favourable tax treatment)

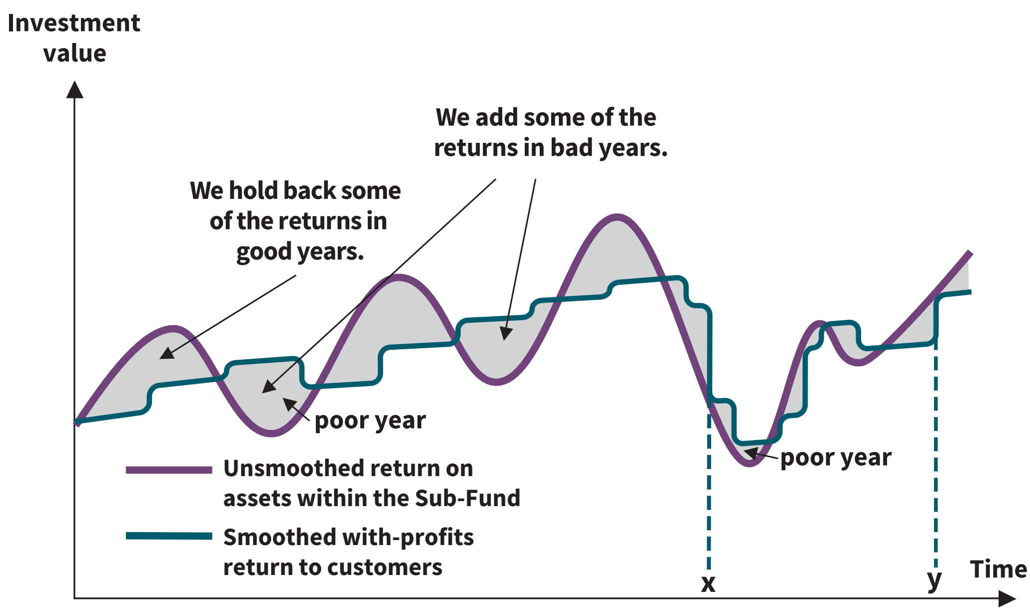
Smoothing – how it works

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 and fall. We even out these variations in performance through changes to the bonus rates that apply, and typically this occurs at least twice a year. This is known as smoothing. We show this with the green line in the diagram below. In contrast, the unsmoothed Sub-Fund's 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 the value of your investment. This is illustrated in the diagram above between points x and y where the teal green line showing the smoothed with-profits value has fallen.

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?' on page 13.

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 and final.

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.

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.

Conventional policies

We may add regular bonuses, if any, once a year to the guaranteed amount.

Conventional with-profits policies can receive two types of regular bonus, which are added on top of the initial guaranteed amount. This is calculated as:

- a proportion of the initial guaranteed amount; and
- a proportion of any bonuses we've added previously.

Once added, we guarantee that the regular bonus will be paid at your chosen retirement date, the policy's maturity date or on death.

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 illustrated on the diagram on the next page at years 1, 11, 17 and 19.
- 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

Final bonus rates aim to pay the balance between the regular bonus 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.

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

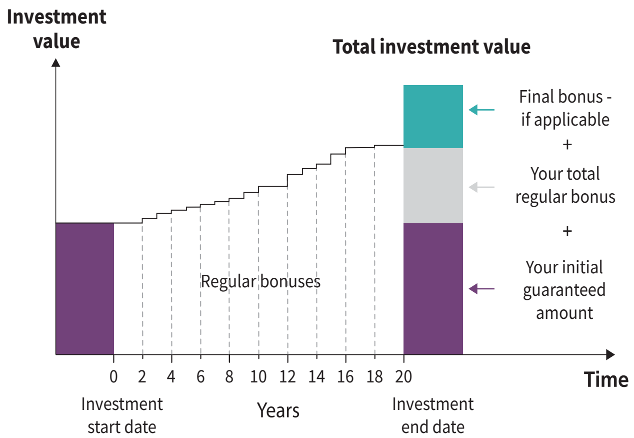
- if you die
- if you transfer your pension or cash-in your policy
- at maturity, for endowments, or at your chosen retirement date, for pensions

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.

How bonuses are added

The diagram shows how we add regular bonuses to your initial guaranteed amount to build up a larger lump sum.

This diagram 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.

What are the guarantees?

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

Conventional Policies

At the end of your policy term, we'll pay the basic guaranteed benefit as well as any regular bonus we've already added. We'll do this even if the stock market falls significantly.

Pensions

Some pension policies may offer **guaranteed annuity options**. Please read your policy document to find out if this applies to you.

You should also read your policy documents to find out what happens if you die before the end of your policy term. It'll tell you how we work out the death benefit.

Life policies

If you have a life policy, you won't have a guarantee if you choose to cash in your policy early.

If you die with your life policy still in place, we'll pay the greater of:

- the basic guaranteed benefit plus any regular bonus we've already added; and
- the minimum life assurance amount.

What does it mean?

Guaranteed annuity options

Some pension policies may offer guaranteed annuity options, such as a guaranteed annuity rate. A guaranteed annuity rate is a valuable benefit, and usually means you can get a higher income from us than you could from another company.

Please read your policy document to find out if this applies to you.

Things you need to be aware of

As these guarantees are valuable, we recommend you seek financial advice before withdrawing or surrendering 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; or
- transfer to another company.

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.

Conventional policies

If you move your money out of a conventional with-profits policy (eg. surrender before the maturity date or transfer before the selected retirement date) we'll reduce the policy's guaranteed benefits to reflect that you've paid fewer premiums and been invested in the Sub-Fund for a shorter time than we expected when you took out the policy. We may add a final bonus.

A bit more about the Sub-Fund

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?

There are a few factors which could have an impact on the Sub-Fund. We call these factors business risks. These may change over time and may include the cost of any guarantees we offer and the 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
- provide an adequate return compared with the risk we take.

What's the inherited estate?

Each of our with-profits sub-funds has a buffer over and above the amount needed to make pay-outs to policyholders. This buffer is known as the inherited estate and we use this to support smoothing and guarantees and to provide security for our policyholders.

The size of the inherited estate is important as it gives us:

- the flexibility to invest in a wider range of assets
- a cushion of extra security to protect our investors when investment returns are low
- a greater ability to smooth the returns you receive.

We review the size of the 'buffer' in each with-profits sub-fund every year to determine whether they have additional surplus that can be shared between eligible policies.

You can find out about the inherited estate distributions that are currently applying at **aviva.co.uk/estate-distributions**

The estate also provides **solvency capital** for our with-profits business, and will normally absorb any profits or losses caused by the business risks.

Is the Sub-Fund closed to new business?

The Provident Mutual Sub-Fund is closed to new business, although we still accept increments to existing policies and and business written following the exercise of options on existing contracts.

What are policyholder and shareholder interests?

There are two groups who have an interest in the Sub-Fund – **policyholders** and **shareholders**. 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 move money out of the Sub-Fund and those who keep their money invested in it
- our shareholders.

We take all this into consideration in the way we run the Sub-Fund. We allocate at least 90% of the returns on the Provident Mutual Sub-Fund (other than returns on the inherited estate that are earmarked for shareholders) to policyholders, with the remaining 10% to shareholders. The shareholders cost is met by the estate.

What does it mean?

Policyholders have invested their money in the Sub-Fund.

Shareholders own a stake in our total business.

Solvency capital is capital that allows Aviva to demonstrate that our Provident Mutual Sub-Fund is solvent and able to meet its obligations even if it were to suffer losses.

Where can you find out more?

We hope this guide has helped you understand how our Provident Mutual 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/#provident-mutual**

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 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.

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How to contact us

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