

A guide to the Aviva Diversified Assets Funds

For Financial Adviser, Employer And
Trustee Use Only

About this guide

This guide provides you with details of our Aviva Diversified Assets Funds. They have been specifically designed for our range of auto-enrolment default investment solutions and similar investment needs.

Contents

Introduction to the Aviva Diversified Assets Funds	Page	3
Why are the Aviva Diversified Assets Funds different?	Page	3
What is Risk and Risk Targeting?	Page	3
How does Aviva Investors manage the range of Diversified Assets Funds?	Page	4
Why are we targeting 'risk'?	Page	5
What is the Aviva Investors' asset allocation policy?	Page	5
What are the key features of the Aviva Diversified Assets Funds?	Page	6
What are the benefits of the Aviva Diversified Assets Funds?	Page	7
How are ESG considerations incorporated into the Diversified Assets Funds?	Page	7
How will the funds be managed?	Page	8
Aviva Investors' multi-asset funds team	Page	9 - 10

Introduction to the Aviva Diversified Assets Funds

The Diversified Assets Funds have been specifically designed for our range of auto enrolment default investment solutions including the My Future Focus and My Future Choice ranges, although these funds can be used for other purposes. The fund objectives set a clear expectation of the outcomes in terms of risk and how we expect to manage those risks through a diversified asset allocation.

The objective of the Diversified Assets Funds is to manage risk whilst providing the potential for long-term growth through exposure to a range of asset classes that can include, but is not limited to equities, fixed interest, cash, property and commodities. The funds may also use derivatives.

The value of an investment can fall as well as rise. Investors could get back less than invested.

Why are the Aviva Diversified Assets Funds different?

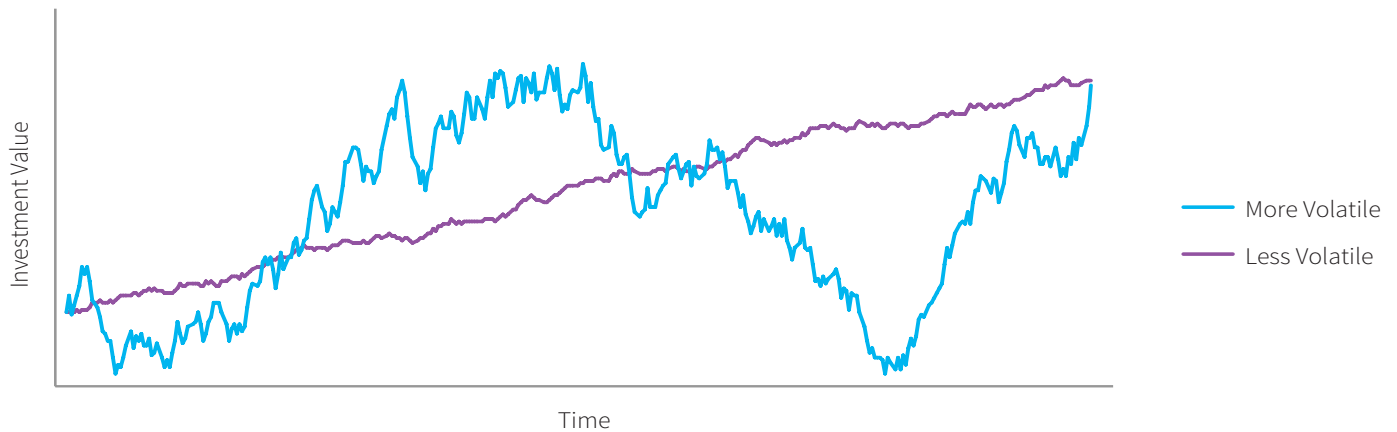
The Diversified Assets Funds aim to provide robust investment solutions for auto enrolment default strategies over the long term. The funds offer a comprehensive solution which includes active asset allocation, the selection of the most appropriate investment vehicle for each asset class and regular rebalancing. The funds are equally suitable for other customers with similar needs outside auto enrolment schemes. Our funds are supported by a clear and comprehensive literature suite and a range of services to help you in your recommendation and review processes.

Our Diversified Assets Funds are constructed with the aim of maximising returns while targeting a level of risk, over the medium to long term. By managing the risk in the funds we aim to help advisers and employers determine the most appropriate My Future Focus or My Future Choice strategy and underlying Diversified Assets Fund that is best suited to employees' attitude to risk.

What is Risk and Risk Targeting?

A key differentiator is that the range of Diversified Assets Funds are risk-targeted. Traditional funds' risk levels are typically determined by a relative performance target, i.e. they aim to outperform competitor funds. For investors this means it is often unclear how much total risk is being taken and the amount of risk a fund is taking can vary dramatically over time.

Risk is typically defined as the possibility of an investment losing some or all of its value at the time when it is needed. This risk is often measured by 'volatility' – that's a way of calculating how much and how quickly a particular investment rises and falls in value over time. The higher the volatility then the more chance there is of an investment losing a lot of its value in a relatively short period of time, but there should be a greater chance of making higher investment returns over the long term.



Risk targeting means that the investments the fund holds will be bought and sold with the aim of keeping volatility within certain targets. In this way, you should be able to find an investment approach with an underlying fund that fits the level of investment risk that your client is comfortable taking, and you can be sure that we will work hard to keep risk at a level that you are comfortable with.

How does Aviva Investors manage the range of Diversified Assets Funds?

The Diversified Assets Funds aim to maximise returns for risk ranges over the medium to long term. These risk ranges determine the amount of risk each fund targets over a rolling five-year period. Over time it may be appropriate for the funds to take a little more or little less risk. This will be driven by the market conditions at that time and the opportunities. The asset allocation for the funds is determined through Aviva Investors asset allocation process (described below). To find out more about Aviva Investors' capabilities please visit avivainvestors.com/en-gb/capabilities/multi-asset-macro

The objective is to determine a diversified asset exposure in order to achieve the volatility target, taking into account long-term risk forecasts and economic scenarios. The actual volatility experienced may differ from the target volatility but it is expected that the fund's risk will remain within the tolerance limits. If the fund's volatility exceeds, or is expected to exceed the tolerance, the asset allocation will be reviewed to understand the causes and identify changes that may be required. As such, you can be assured that the Diversified Assets Funds will always aim to remain within their relevant risk range over the medium to long term.

The funds map to typical investor profiles as described in the box below:

Fund Name	Typical investor profile	Where does this fund sit in our My Future Focus investment solutions?
Diversified Assets Fund 1	Low risk	This fund seeks to achieve a positive return by investing primarily in fixed interest and money market instruments. It may also use derivatives for investment purposes. The fund targets a volatility of 12.5% of Global Equities (as measured on a rolling 5-year basis). This will be used in the My Future Focus Cash Lump Sum Fund, which has been designed to enable customers to take a cash lump sum with their pension pot.
Diversified Assets Fund 2	Low to medium risk	This fund aims to provide growth with a reduced level of risk, through exposure to a range of asset classes that can include, but are not limited to, equities, fixed interest, cash, and property. It may also use derivatives for investment purposes. The fund targets volatility of 25% of Global Equities (as measured on a rolling 5-year basis). This will be used in the My Future Focus Consolidation Fund.
Diversified Assets Fund 3	Medium risk	This fund aims to provide an appropriate balance between growth and risk reduction, through exposure to a range of asset classes that can include, but are not limited to, equities, fixed interest, cash, and property. It may also use derivatives for investment purposes. The fund targets volatility of 50% of Global Equities (as measured on a rolling 5-year basis). This will be used in the My Future Focus Drawdown Fund.
Diversified Assets Fund 4	Medium to high risk	This fund aims to provide long term growth, through exposure to a range of asset classes that can include, but are not limited to, equities, fixed interest, cash, and property. It may also use derivatives for investment purposes. The fund targets volatility of 75% of Global Equities (as measured on a rolling 5-year basis). This will be used in the My Future Focus Growth Fund.
Diversified Assets Fund 5	High risk	This fund aims to provide long term growth, through exposure to a range of asset classes that can include, but are not limited to, equities, fixed interest, cash, and property. It may also use derivatives for investment purposes. The fund targets volatility of 90% of global equities (as measured on a rolling five-year basis). This will be used in the My Future Choice Fund.

To find out more about risk ratings and warnings and further information about the funds, please see the fund factsheets at aviva-for-advisers.co.uk/adviser/site/public/fund-centre

Why are we targeting ‘risk’?

As discussed earlier, the Diversified Assets Funds are managed to target a specific level of risk.

‘Risk’ is arguably less tangible than ‘return’ to investors and arguably less attractive to communicate positively so it’s no surprise that the industry has preferred funds that seek to outperform a benchmark. However, in practice the investment decision being asked of members in long-term pensions saving has always been expressed in terms of risk. By marketing on a return basis, the industry has been implicitly asking members to gauge and monitor the evolving risk of funds for themselves.

With this solution we are able to offer a clearer link between attitude to risk and the investment outcome. We believe that our approach increases clarity and suitability.

Fundamentally, the member has control over their contribution rate, when and how they take their benefits, and finally, the amount of investment risk they wish to take. We’re providing the tools to complete the member journey planning toolkit from an investment perspective.

We strongly believe this is the investment approach most suitable for auto-enrolment. We believe that risk targeting is most suitable for a default strategy for auto enrolled schemes as investors can be reassured that the funds and the amount of risk is commensurate with where they are in their retirement journey and what they want to do with their pension savings.

What is the Aviva Investors’ asset allocation policy?

In our opinion, asset allocation is the key driver of returns and having the right asset allocation can greatly enhance a portfolio’s return. We therefore put active, dynamic asset allocation at the heart of our investment process. The asset allocation process for this solution is based on fundamental, macro research and valuation analysis. We also believe that understanding technical factors and market sentiment can supplement the key investment decisions.

Aviva Investors has a dedicated multi-asset Investment Strategy team of economists and strategists. Their role is to analyse and understand the macro economic environment, and conduct business cycle analysis. They formulate Aviva Investors’ outlook for the global economy in the context of the prevailing market conditions. Their analysis covers the key drivers of the major economies and the expected returns of the major asset classes. We recognise that no one can predict the future with certainty; therefore around the central view the Strategy team identifies the key ‘risk scenarios’, against which portfolios can be tested for robustness.

The table below shows the strategic asset allocations for illustrative purposes only:

Asset Class	Aviva Diversified Assets Fund 1	Aviva Diversified Assets Fund 2	Aviva Diversified Assets Fund 3	Aviva Diversified Assets Fund 4	Aviva Diversified Assets Fund 5
UK Equities	0.0%	1.5%	4.0%	6.0%	3.0%
Europe ex UK Equities	0.0%	3.1%	7.0%	12.0%	20.0%
US Equities	0.0%	8.3%	19.0%	34.0%	41.0%
Japan Equities	0.0%	1.1%	3.0%	4.0%	7.0%
Asia Pacific ex-Japan Equities	0.0%	1.4%	3.0%	6.0%	5.0%
Other regions (Canada and Israel)	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Markets Equities	0.0%	2.1%	5.0%	8.0%	13.0%
All Stocks Sterling Corporate Bonds	0.0%	29.5%	14.4%	5.0%	0.0%
Short-dated Sterling Corporate Bonds	44.0%	0.0%	0.0%	0.0%	0.0%
Overseas investment grade corporate bonds	0.0%	0.0%	5.2%	3.0%	0.0%
Overseas government bonds	0.0%	21.8%	12.0%	0.0%	0.0%

Asset Class	Aviva Diversified Assets Fund 1	Aviva Diversified Assets Fund 2	Aviva Diversified Assets Fund 3	Aviva Diversified Assets Fund 4	Aviva Diversified Assets Fund 5
Short-dated Conventional Gilts	36.0%	18.0%	0.0%	0.0%	0.0%
All Stocks Gilts	0.0%	0.0%	6.0%	0.0%	0.0%
Over 5 Year Index Linked Gilts	0.0%	0.0%	0.0%	0.0%	0.0%
High Yield Debt	0.0%	1.0%	2.0%	2.0%	0.0%
Emerging Market Debt	0.0%	4.0%	8.0%	9.0%	0.0%
Property	0.0%	4.0%	10.0%	10.0%	10.0%
Cash	20.0%	4.0%	1.5%	1.0%	1.0%
Total	100%	100%	100%	100%	100%

Totals may not add up to 100% due to the impact of rounding.

Both the assets and the proportion of those assets held in our funds may vary over time. Please refer to the latest fund factsheet, which can be found in the Fund Centre on our 'Aviva for Advisers' website, at aviva-for-advisers.co.uk for full details of the current asset split.

What are the key features of the Aviva Diversified Assets Funds?

- A range of investment solutions designed to meet the needs of members of auto enrolment pension schemes and other pension plan members with similar investment needs
- Designed to help advisers align the investment risk profile of groups of employees with the My Future Focus (and underlying Aviva Diversified Assets Funds) default solution.
- Aviva is responsible for ensuring the funds within the Aviva Diversified Assets Funds range (as part of the My Future Focus Lifestage strategies) are fit for purpose and suitable for the profile of a "typical" customer with an assumed attitude to risk
- Risk-targeted approach with funds designed to reflect specific investor risk profiles over the long term
- Global investment strategy that aims to maximise returns for the targeted level of risk
- Invest in a wide range of asset classes to smooth returns
- Dynamic asset allocation
- Designed to operate within the overall charge cap of 0.75% for default funds. Attractively priced with 0% Additional Yearly Charge and 0% fund manager expense charge (FMEC)
- Funds are managed by a well-resourced multi-asset team at global asset manager Aviva Investors.

How will the funds be managed?

As mentioned, the Diversified Assets Funds funds will be managed by Aviva Investors' multi-asset team. Multi-asset capability has been at the heart of Aviva's asset management business for more than 30 years, with the multi-asset team managing and advising on over £70bn of assets for a global network of clients.

The multi-asset team employs the following structured three-step process:

Step 1: Strategic asset allocation

The funds follow a globally unconstrained approach, enabling the asset allocation to be determined using the widest opportunity set and reducing the home bias of the funds. The investment specialists at Aviva Investors build portfolios looking beyond traditional asset class groupings such as "equities" and "bonds" and instead dig deeper to understand the drivers of risk behind the asset. By categorising assets as "Growth", "Defensive" or "Uncorrelated" Aviva Investors can better quantify risk and build more robust portfolios.

Step 2: Dynamic asset allocation

Aviva Investors uses a team-based approach underpinned by firm-wide collaboration in idea generation and decision-making. The approach combines human judgment with the support of quantitative analysis. The starting point is the development of the Aviva Investors' house view, which is generated quarterly and reflects the views of all investment teams - in the UK and globally - across the business. The Asset Allocation Committee (AAC) then translates these views into fund positioning, tilting the portfolios towards favoured areas and away from those which are less attractive. Market conditions can change considerably from quarter to quarter, so the process is continuous, responding as conditions change. The multi-asset team meets formally on a weekly basis to discuss and challenge positioning, but ongoing conversation and the monitoring of data are part of the day-to-day dynamic process.

Step 3: Implementation

Aviva Investors places significant focus on the construction of its portfolios and has invested in best-in-class systems and a dedicated implementation team. Each portfolio manager has a risk analysis toolkit, enabling them to stress test portfolios (looking at both historical and hypothetical events) before making an allocation change. In this way they can identify the risk or bias a new position may bring to a portfolio before deciding if they should proceed with the decision. A dedicated team of implementation specialists ensures trades are placed in the most cost-effective manner, freeing up the portfolio managers' time to focus on making investment decisions.

What are the benefits of the Aviva Diversified Assets Funds?

A comprehensive solution to meet the needs of advisers and employers

As part of the My Future Focus and My Future Choice ranges, the Aviva Diversified Assets Funds offer a comprehensive solution for advisers, which includes, the selection of the most appropriate investment vehicle for each asset class, regular rebalancing and clear performance attribution.

The My Future Focus and My Future Choice ranges and the Aviva Diversified Assets Funds are supported by a clear and comprehensive literature suite and a range of auto enrolment services to help advisers stage schemes for auto enrolment where needed.

Risk-targeted approach facilitates suitability and the funds' review processes

The Aviva Diversified Assets Funds have been constructed using risk targets where the aim is to maximise returns while targeting and managing risk over the long term.

By targeting a risk range for each of the Aviva Diversified Assets Funds we make it easier for advisers and employers to assess whether an investment is appropriate for the members of a scheme. This reduces the need to undertake time-consuming governance and facilitates review processes. It also makes it easier for advisers to match the investment needs of individuals with the appropriate Aviva Diversified Assets Funds.

Diversified mix of assets intended to smooth returns

A wide range of asset classes (traditional and alternative) spread across both active and passive strategies to provide a smoother journey.

Managed by experts to assist with your due diligence obligations

In choosing Aviva Investors, the fund manager of the Diversified Assets Funds, you can be confident that your clients' investments are in the hands of an established multi-asset manager in the pension market with a tried and tested investment process. Multi-asset funds have been at the heart of the Aviva Investors fund management business for more than a decade. As a global asset manager Aviva Investors has significant expertise in constructing multi-asset portfolios, as well as managing the underlying single asset classes.

Competitive charging structure designed to operate within the auto enrolment charge cap

Designed to operate within the overall Group Personal Pension charge cap of 0.75% for auto enrolment schemes. Attractively priced with 0% Additional Yearly Charge and 0% FMEC, making them highly attractive for other circumstances as well.

How are ESG considerations incorporated into the Diversified Assets Funds?

There is growing recognition that incorporating environmental, social and governance (ESG) factors alongside active ownership is key to delivering a successful investment strategy, aiming to help improve outcomes for workplace pension scheme members.

Aviva Investors has always believed that companies which conduct their business in a responsible and sustainable way are more likely to succeed over time. The asset manager has a long track record, dating back to 1970, of using its influence and experience to support and promote the long-term sustainability of capital markets, economies and society. A dedicated Global Responsible Investment (GRI) Team of more than 30 professionals with significant experience in ESG themes manages the two key elements to Aviva Investors' approach:

- First, ESG considerations are integrated into Aviva Investors' active management investment processes, incorporating macro, thematic, industry and stock-specific insights and leveraging the best of both internal and external ESG data.
- Second, Aviva Investors takes an active approach to stewardship to promote good practice among those companies it invests in. The fund manager's engagement approach is designed to deliver impact across all portfolios.

Aviva Investors strongly believes that engaging with businesses, including those in the commodities for example, as well as in banking, healthcare, technology sectors among other industries, and is crucial to be able to bring about positive change and to help businesses in general reduce their carbon intensity. Aviva Investors takes its role as a shareholder in businesses across all industries very seriously to both engage and vote at company meetings to foster change. Aviva Investors sets clear guidelines for all of its engagement work, meaning that it expects to see clear outcomes when it works with businesses, such as wanting to see a clear policy to net zero and in a given period of time. Where the fund manager's expectations are not met, Aviva Investors will consider removing its investment in a business.

The passively managed funds are tilted to companies which score better in ESG terms, based on the analysis carried out by the Aviva Investors' team as described above. This process is optimised so that the fund and the benchmark take similar amounts of risk.

We're working to align the funds with Aviva's net zero target for 2040.

Exclusions are also used to align the funds with our net zero target for 2040 and our overall approach to responsible investment. The funds do not invest in companies and sectors that generate prescribed levels of revenue from controversial weapons and civilian firearms; those that generate prescribed levels of revenue from unconventional fossil fuels (arctic oil, oil sands) and also tobacco producers and distributors, and companies involved in thermal coal. Companies that violate the UN Global Compact are excluded as well.

While we are working towards our stated net zero target for 2040, we acknowledge that we have relationships with businesses and existing assets that may be associated with significant emissions. We are aware that there is still much work to be done and this is one of the reasons why in 2022 we introduced exclusions in the Diversified Assets Funds, as outlined above.

We believe our role as a shareholder in such businesses is to engage to bring about positive change and to help businesses make the transition to a greener future.

Aviva Investors' multi-asset funds team



Sunil Krishnan – Head of Multi-asset Funds

Main responsibilities

Sunil heads the team which manages long-only multi-asset funds and mandates. He is also a member of the Multi-Assets leadership group and a contributor to the AIMS (Aviva Investors multi-strategy portfolios) investment process.

Experience and qualifications

Prior to joining Aviva Investors, Sunil was a Senior Multi-Asset Portfolio Manager at Santander Asset Management, having been Head of Global Asset Allocation at Hermes Investment Management and Head of Market Strategy at the British Telecom Pension Scheme. He also spent 10 years at BlackRock Investment Management in a number of roles including portfolio management, research and strategy. He holds an MSc (Hons) in Economics from Birkbeck College, University of London and an MA in Philosophy, Politics and Economics from Balliol College, University of Oxford. He is also a CFA® Charterholder.



Guillaume Paillat – Fund Manager, Multi-assets

Main responsibilities

Guillaume is a portfolio manager within the long-only Multi-asset team.

Experience and qualifications

Guillaume joined Aviva Investors from First State Investments where he managed Multi-asset portfolios. Prior to that he was in charge of Global Fixed Income portfolios with Colonial First State in Sydney. He began his career with AXA Investment Managers. Guillaume holds a Master's degree in Investment Management from Paris Dauphine University.



Sotirios Nakos – Fund Manager, Multi-asset & Macro

Main responsibilities

Sotirios is a fund manager on the Aviva With-Profits Funds and co-manages the Aviva Investors Multi-asset Core Funds and the Aviva Investors Pensions ranges.

Experience and qualifications

Sotirios joined Aviva Investors as an Assistant Fund Manager in the Multi-asset team, before moving into his current fund management role. Prior to joining Aviva Investors, Sotirios completed internships with PwC and Crowe Horwath. Prior to this, he served in the Greek army for a year. Sotirios holds a Bachelor's degree in Accounting and Finance from Athens University of Economics and Business, and an MSc in Finance from London School of Economics. He is also a CFA® charterholder.



Peter Fitzgerald – Chief Investment Officer, Multi-asset & Macro and Portfolio Manager, AIMS Target Return and Target Income Funds

Main responsibilities

Peter leads our global Multi-asset & Macro investment team and is responsible for the team's strategic direction. Additionally, he is a portfolio manager of the AIMS Target Return and Target Income funds.

Experience and qualifications

Peter began his career at Old Mutual in 1995 before joining BNP Wealth Management's Multi-asset team. He has extensive international experience having worked in Asia, Latin America and Europe. Peter holds a postgraduate diploma in Education from Trinity College Dublin and a degree in European studies from the University of Cork. He is also a CFA® charterholder.



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