# Changes to your investment approach Frequently Asked Questions

**Here is more information about the changes we are making to the My Future Focus investment solution.**

## What is the My Future Focus investment solution?

The **My Future Focus** investment solution is a range of investment options designed to manage a member's pension savings from the time they join a pension scheme up to retirement. It consists of four options:

- **My Future Focus**: designed for members who haven't decided how they want to take their pension savings or prefer to keep their options open.
- **My Future Focus Target Drawdown**: designed for members intending to leave their money invested and withdraw a bit at a time through income drawdown.
- **My Future Focus Target Cash Lump Sum**: designed for members intending to take their money in one or more cash lump sums.
- **My Future Focus Target Annuity**: designed for members intending to purchase a guaranteed income for life, known as an annuity.

## What changes are you making to the My Future Focus solution?

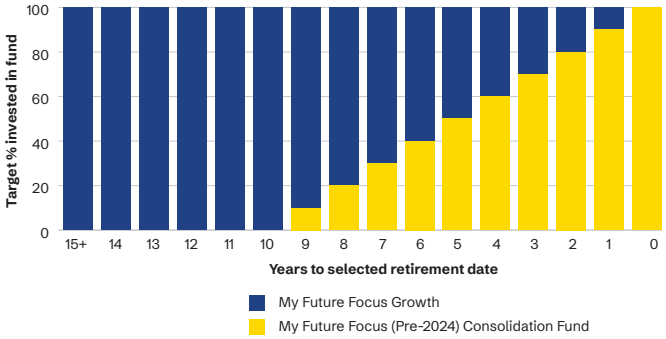
For each **My Future Focus** approach, we have introduced a new and enhanced glidepath. The solution invests your pension savings through your journey to retirement. We are changing the funds that you are moved into as you get closer to retirement, to improve the potential for capital growth and better reflect how people are choosing to take their savings at retirement. The glidepath enables us to see where you are in your investment journey, and therefore how far you are from retirement. It helps to determine what you are invested in. For example, you will have a bigger position in growth assets (company shares) the further you are from retirement, and this then reduces as you move through the glidepath and get closer to retirement.

We are introducing a new fund in the growth stage of the savings journey - My Future Focus Long Term Growth - and you will be invested in this up to 15 years from retirement. Then, from 15 to 10 years to retirement, your money will be gradually moved into the My Future Focus Growth fund. And from 10 years, each glidepath moves you into an appropriate fund for the way you want to take money at retirement.

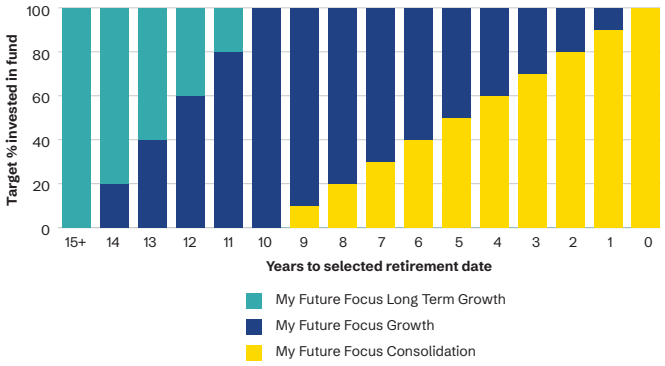
We'll be running online webinars where you can find out more about the changes we are making to the investment approach and ask any questions you might have. Visit **aviva.co.uk/mffwebinar** to register for a webinar.

The graphs below show the previous glidepath for the solution and the new glidepath for the enhanced solution.

### My Future Focus (Pre-2024)




### My Future Focus




## Why are we making these changes?

During our latest review, we identified the changes we are making - following our analysis - as a good way to improve outcomes for members in retirement.

## Where can I find more information on the funds?

| Fund Name | Fund Factsheet Link |
|---|---|
| Aviva Pension My Future Focus Consolidation S6 | **https://www.fundslibrary.co.uk/fundslibrary.dataretrieval/documents.aspx?user=Aviva_lifecust&type=packet_lp_fund_unit_doc_factsheet&citicode=AS4UB** |
| Aviva Pension My Future Focus Growth S6 | **http://www.fundslibrary.co.uk/fundslibrary.dataretrieval/documents.aspx?user=Aviva_lifecust&type=packet_lp_fund_unit_doc_factsheet&citicode=ERP7** |
| Aviva Pension My Future Focus Long Term Growth S6 | **https://www.fundslibrary.co.uk/fundslibrary.dataretrieval/documents.aspx?user=Aviva_lifecust&type=packet_lp_fund_unit_doc_factsheet&citicode=AL9US** |

## What are the funds' risk ratings?

We give each of our funds a risk rating, ranging from 1 (lowest volatility) to 7 (highest volatility). These ratings reflect the potential for a fund to go up and down in value over time. We calculate our risk ratings using historical performance data and information from each fund's investment manager(s). We review our risk ratings each year, so they may change over time.

Risk and return are linked. This means funds with a rating of 1 are less likely to lose money, but your money might not grow very much. It's also important to bear in mind the impact of charges on a fund's performance. Funds with a rating of 7 have a much higher risk of losing money, but the potential for your money to grow over the long term is higher.

These investment risk ratings are based on our interpretation of investment risk and are only meant as a guide. These levels of investment risk are not guaranteed and may change in the future. Risk tends to be associated with potentially higher volatility. The higher the risk levels, the more likely the value of a fund may go up and down from day to day.

| Risk rating | Description |
|---|---|
| **7. Highest Volatility** | Funds typically investing in the highest risk sectors, such as specific themes or shares of companies in emerging markets. These funds offer the highest potential for long-term returns, but also experience the largest day-to-day price movements compared to other funds. They therefore present the highest risk that the value of your investment could fall. |
| **6. High Volatility** | Funds typically investing in high-risk sectors, such as shares of companies in developed overseas markets. These funds offer high potential for long-term returns, but also experience large day-to-day price movements, and so present a significant risk that the value of your investment could fall. |
| **5. Medium to High Volatility** | Funds typically investing in shares of companies in the UK or a mix of other major stock markets. These funds offer the potential for good returns over the long term, but fund prices will move up and down and so present a high risk that the value of your investment could fall. |
| **4. Medium Volatility** | Funds typically investing in a mix of assets with the potential for better long-term returns than lower risk funds. Compared to lower risk funds there is a greater risk that the value of your investment could fall. |
| **3. Low to Medium Volatility** | 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. |
| **2. Low Volatility** | Funds typically investing in assets like the highest quality corporate bonds, which normally offer better long-term returns than savings accounts. There is still a risk that the value of your investment could fall. |
| **1. Lowest Volatility** | Funds typically investing in the lower risk sectors - like the money market - which usually aim to provide returns similar to those available from deposit and savings accounts. These funds offer the lowest potential for long-term returns, but also experience the smallest day-to-day price movements compared to other funds. They present the lowest risk to your investment, although there is still a risk it could fall in value. |

The way we describe our risk ratings was updated in March 2020 and may differ from your investment literature. This does not affect the level of risk we associate to each rating.

## Fund risk warnings

As well as the risk ratings there are specific risks associated with investing in some funds, or types of funds. We recommend you read through these before deciding which fund(s) to invest in.

Not all of these warnings apply to each fund and there is no direct relationship between the number of fund risk warnings and the investment risk rating for a fund.

| Risk Warning Code | Risk Warning Description |
|---|---|
| **A - 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.<br><br>**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.<br><br>**Suspend trading:** Fund managers often have the ability, in certain circumstances, to suspend trading in their funds for as long as necessary. When this occurs, we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period.<br><br>**Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. Most funds can invest in derivatives for the purpose of managing the fund more efficiently or reducing risk.<br><br>Some funds also use derivatives to increase potential returns, known as 'speculation'. For those funds we apply an additional risk warning (see Risk F). |
| **B - Foreign Exchange** | When funds invest in overseas assets the value will go up and down in line with movements in exchange rates as well as the changes in value of the fund's holdings. |
| **C - Emerging Markets** | 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. |
| **D - Smaller Companies** | Where a fund invests in the shares of smaller companies, its value is likely to move up and down by large amounts and more frequently than one that invests in larger company shares. The shares can also be more difficult to buy and sell, so smaller companies funds can carry more risk. |
| **E - Fixed Interest** | Where a fund invests in fixed interest securities, such as company, government, index-linked or convertible 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 may fall. |
| **F - Derivatives** | Derivatives are financial contracts whose value is based on the prices of other assets.<br><br>The fund invests in derivatives as part of its investment strategy, over and above their use for managing the fund more efficiently. Under certain circumstances, derivatives can result in large movements in the value of the fund and increase the risk profile, compared to a fund that only invests in, for example, equities. The fund may also be exposed to the risk that the company issuing the derivative may not honour their obligations, which could lead to losses. |
| **G - Cash/Money Market Funds** | These are different to cash deposit accounts and their value can fall. Also, in a low interest rate environment the product or fund charges may be greater than the return, so you could get back less than you have paid in. |

| Risk Warning Code | Risk Warning Description |
|---|---|
| **H - Property Funds** | The fund invests substantially in property funds, property shares or direct property. You should bear in mind that<br>• Properties are not always readily saleable and this can lead to times in which clients are unable to 'cash in' or switch part or all of their holding and you may not be able to access your money during this time<br>• Property valuations are made by independent valuers, but are ultimately subjective and a matter of judgement<br>• Property transaction costs are high due to legal costs, valuations and stamp duty, which will affect the fund's returns |
| **I - High Yield Bonds** | The fund invests in high yield (non- investment grade) bonds. Non-investment grade bonds carry a higher risk that the issuer may not be able to pay interest or return capital. In addition, economic conditions and interest rate movements will have a greater effect on their price. There may be times when these bonds are not easy to buy and sell. In exceptional circumstances, we may need to delay the 'cashing in' or switching of units in the fund and you may not be able to access your money during this period. |
| **J - Reinsured Funds** | Where a fund invests in an underlying fund operated by another insurance company through a reinsurance agreement, if the other insurance company were to become insolvent, you could lose some or all of the value of your investment in this fund. |
| **K - Long - Term Asset Funds** | The fund invests partly in one or more long-term asset funds (LTAFs), giving access to sectors such as infrastructure, venture capital, private equity and debt investments. LTAFs add diversity to the fund, but it takes longer to move money out of them than from many types of asset. This could mean that in exceptional circumstances cashing-in or switching your investment in the fund may need to be delayed. To reduce this risk, we set strict limits on how much of the fund can be invested in LTAFs and monitor this closely. |

## Will there be an increase to the level of investment risk I'm exposed to?

Some of the funds in the enhanced solution take on more risk than those in the current investment solution.

## Will the charges on my plan increase?

No, there will be no increase to your charges as a result of these changes.

## Will I incur any charges as a result of this change?

Aviva has to buy and sell assets in the market, dealing costs could be incurred and these are expected to be in the region of 0.05%-0.10%. Whilst you will not see these costs as charges from your plan, they will be reflected in the unit price of the funds that will be used to complete the switches in your plan.

Dealing costs could still be incurred if you decide to change where your savings are invested and could also be incurred within any investment solution leading up to retirement as the strategy begins to de-risk.

## Will the new default investment solution increase the value of my plan more than the current investment solution?

As with any of your investment choices, there are no guarantees of future investment performance. The value of investments can go down as well as up. We cannot say now which funds or investment approach will perform better in the future. The investment mix will change but it doesn't mean that you will necessarily end up with a plan that has a higher value when you take your benefits, than if there had been no change. However, we are making these changes as we believe - based on our analysis - they have the potential to improve the returns for our customers.

## When will the switch take place?

The switch is planned to take place from April 2025. As a result of any event beyond Aviva's reasonable control, including but not limited to:

- an epidemic or pandemic resulting in significant business interruptions
- a material increase in market volatility
- the closure of, or suspension of dealings on, a main stock exchange
- any period when assets and funds cannot be valued or sold or it is impracticable to do so
- assets unable to be sold without a significant reduction or increase in price
- circumstances outside of our control such that conducting the transfer may not be fair to members or Aviva or potentially affected customers at any time.

Aviva may delay the switch for such a period as may reasonably be required.

## What can I do if I don't like the changes?

If you feel that the enhanced **My Future Focus** solution is unsuitable for you, you can select your own funds or choose a different investment solution before the switch. A full list of funds available can be found in our **fund library** or by logging into your account online.

Don't worry if you don't take action beforehand; you can select your own funds or choose a different investment solution after the switch into the enhanced default investment solution has completed. Refer to your email for details on how to contact us about any changes you'd like to make.

## What is an Annual Fund Charge (AFC)?

This is the annual fee, deducted from your plan. This covers both the costs of running the fund and any product charges which may be applicable.

## What are Fund Manager Expense Charges (FMEC)?

Some funds may have extra charges, the Additional Yearly Charge and/or a Fund Manager Expense Charge (FMEC). FMECs are additional charges that cover the fund manager's expenses connected with buying, selling, valuing, owning and maintaining the assets in the funds. This charge is taken into account in the unit price. FMECs may vary from year to year.

## What is a Transaction Cost?

All funds have transaction costs which cover the costs incurred when buying and selling assets within the fund. They're deducted from the fund and reflected in the fund price.

## Is it important to review where my pension money is invested?

Yes. You should regularly review your pension investments. However, you might be satisfied with the changes we are making to your investment approach. If you're unsure, it could be the right time to consider the alternative investment solutions and funds available to you at **aviva.co.uk/myaviva** and to think about the different ways you could take your pension benefits in the future. You can also request a printed copy of the funds available from us.

If you require this email in large print, Braille or audio CD, please contact us on the number at the top of your email.

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