

# Your Guide to Fund Factsheets



**This guide is designed to help you understand all the information contained in our fund factsheets.**

**If you're still unsure, please contact your financial adviser. If you don't have an adviser visit [www.unbiased.co.uk](http://www.unbiased.co.uk) to find a financial adviser in your local area.**

## **Fund objective**

This is a brief statement to explain what the fund aims to do and the goals it sets out to achieve.

## **Performance**

**Please note past performance is not a guide to the future.**

*Past performance* – The chart displays the percentage investment returns achieved by the fund over a five year period (or since the launch of the fund if that is less than 5 years) compared with its sector, where appropriate. The table shows the performance of the fund in percentage terms over the last 3 months, last 6 months, last year, 3 years and 5 years.

*Year on year performance* – This displays the performance of the fund in percentage terms over the last five years, with this performance split into five separate one year periods. The periods run up to the latest calendar month.

The quartile rank of the fund is sometimes displayed with these figures. This is a measure of how well a fund has performed against all other funds within its sector. Quartile rankings are compiled by sorting the funds by performance over a specified time period. Funds in the top 25% are assigned a quartile ranking of 1, the next 25% are assigned a ranking of 2, the next 25% are given a 3 and the bottom 25% are assigned a ranking of 4.

The past performance shown in our factsheets assume we've taken an actual or indicative net charge (i-net). This gives an indication of the most common yearly charge experienced by customers investing in the fund, and is reviewed annually.

## **Fund manager**

The fund manager decides when and where to invest the money in the fund. Their decisions are governed by the stated fund objective.

## **Fund manager report/profile**

For funds managed by Aviva Investors, this is a brief view of the market and economic conditions that may have affected the fund over the past month and the possible outlook.

For funds managed by other companies, this gives some background to the company managing the fund.

## **Fund information**

*Fund size* – The total value of the assets managed within the fund.

On our With-Profit factsheets we quote fund size figures based on all the With-Profit funds managed by Aviva in the UK.

*Launch date* – The date that the fund was opened for new business by Aviva.

*Charges* – As charges are specific to the product you have taken out, please refer to your policy documentation, fund guide or our fund centre for further detail on these.

*SEDOL & MEXID* – The unique identifiers given to funds by the London Stock Exchange and the Financial Times.

*Benchmark* – The performance of a fund is often measured against a standard, which is called the benchmark. The benchmark can, for example, be an index, a combination of indexes, a *hypothetical* fund, or the aggregate results of similar funds.

*Sector* – Funds are grouped into sectors, so that funds with similar characteristics are classed together. This makes it easier to make a fair comparison of funds.

*External fund* – an Aviva fund that invests in another fund. The other fund may be managed by a different company in the Aviva group (for example Aviva Investors UK Fund Services Ltd) or by another fund management company.

*WP Sub Fund* – We have a small number of With-Profit sub funds which will each have different holdings. The sub fund you are invested in will be determined by which product you made your initial investment into, the company who sold the product and when the investment was made.

## **Ratings**

There are several independent companies who monitor funds, provide ratings and give awards to top performing funds. We currently show any ratings received from Morningstar OBSR.

Morningstar OBSR ratings are awarded to funds which consistently produce the returns they set out to deliver, and Morningstar OBSR believe will continue to do so. The ratings are as follows; Bronze = Good, Silver = Very Good and Gold = Exceptional.

Our With-Profit factsheets show various company-wide financial strength ratings which are closely linked to the strength of our With-Profit funds.

## **Asset allocation**

Each fund invests in different types of assets, such as equities (shares), bonds, property and cash. This chart shows the types of asset the fund invests in and the percentage/proportion currently invested in each one. The figures are rounded to the nearest decimal place so the total may not always exactly equal 100%.

## **Equities – UK and International**

Equities are shares in companies listed on stock exchanges around the world. As shares can rise and fall in value very easily, equities are riskier than most other investments. However, they usually offer the greatest chance of higher returns over the long term.

## **Corporate bonds – UK and International**

Corporate bonds are issued by UK and international companies as a way for them to borrow money. The company pays interest on the loan and promises to repay the debt at a certain point in time.

They are seen as riskier investments than gilts, which are loans to the UK government. This is because companies are more likely to fail to repay the loan than the UK government. However, they often offer a higher rate of return to balance out this higher risk. The highest risk bonds tend to offer the highest potential returns; these are known as high yield bonds.

International (global) bonds are issued by companies and governments from around the world.

Interest rate movements have an impact on corporate bond and fund unit prices. So for example, as interest rates rise, bond prices fall. This would affect the value of your investment.

If you need to access your money quickly it is possible that, in extreme market conditions, it could be hard to sell holdings in corporate bond funds. This means there could be a delay in receiving your money.

### **Gilts**

Gilts are bonds issued by the UK government as a way for them to borrow money, usually for a fixed term. The government pays interest on the loan. As they are issued by the UK government, they are generally seen as lower risk investments than bonds issued by companies (corporate bonds).

### **Property**

This usually refers to commercial property, such as shopping centres and business offices. Property funds may also invest in indirect property investments, including quoted property trusts and unregulated collective investment schemes.

### **Cash and Equivalents**

Cash means a range of short-term deposits – similar to a bank/building society account.

Cash alternatives (equivalents) are money market securities, which are interest generating investments, issued by governments, banks and other major institutions.

### **Alternative Trading Strategies**

Non-traditional assets with independent risks used to enhance expected return and add diversity eg derivatives, commodities, absolute return, hedge funds and private equity.

### **Investment Trusts**

Listed public companies which hold and manage a portfolio of investments. The price of their shares is dependent on supply and demand and not necessarily related to the value of the company's assets.

### **Fund Breakdown/Sector Allocation**

These provide information about the holdings of certain specialist funds. These funds typically have significant investments in derivatives as well as other assets. The information shown can include:

Long (exposure) – refers to “long positions” which are investments held to produce growth from their positive returns.

Short – refers to “short positions” which are investments designed to provide growth when a separate investment falls in value.

Pairs – where long and short positions are held in two different stocks at the same time to take advantage of differences in their relative performance.

Net – shows the percentage of long positions minus the percentage of short positions.

Gross – combines the value of both long and short positions.

Sector Allocation shows the fund's net position in assets related to different types of industry.

Strategies – investments selected to achieve specific strategies.

### **Top 10 holdings**

This lists the ten largest assets, by value that the fund holds. Where percentages are shown these show how much of the total fund is invested in that asset.

### **Top 10 Funds**

If the fund holds investments in other funds then this lists the largest ten of these holdings. The percentages show how much of the total fund is invested in these funds.

### **Sector breakdown**

If the fund holds equities (shares) then this chart shows the type of companies in which the fund invests.

### **Property Sectors**

This identifies how much of a fund's investments are made up of different types of property, for example office, industrial or retail.

### **Regional Allocation/Country Allocation**

This shows where in the world the fund invests.

### **Credit quality**

Independent ratings agencies assign different grades to bonds depending on the bond issuers' ability to pay interest on time. We use an aggregate of the ratings from Standard & Poor's, Moody's and Fitch. The most secure bonds are rated AAA and those at the lowest end are rated D.

### **Credit Maturity**

This shows the time remaining to maturity of the bonds held by the fund. Generally the longer the duration of a holding, the greater the price sensitivity to any changes in interest rates.

### **Duration of Holdings**

This shows the time remaining to maturity of cash and cash equivalent assets held by the fund. Where an asset has no fixed term this is included in the 0-1 Days figure.

### **Market capitalisation**

If the fund holds equities (shares) then this diagram shows the size of the companies in which the fund invests.

### **Risk rating**

Every fund carries some risk of losing money. We give each fund a risk rating number to show where it sits on the scale: 1 is low risk, 5 is high risk. As a general rule, the higher the risk rating the more risk is being taken with the money invested in the fund, but there is a greater potential for reward.

### **Risk factors**

*Emerging markets* – The fund invests in emerging markets, which are generally less well regulated than the UK. There is an increased chance of political and economic instability and assets can be more difficult to buy and sell. A fund investing in overseas markets is also affected by currency exchange rates, which will affect the value of the fund. These factors all mean that an investment in an emerging market carries more risk.

*Smaller companies* – The fund invests in smaller companies. The shares of smaller companies can be more volatile and more difficult to buy and sell than larger company shares, so smaller companies funds can carry more risk.

*High yield bonds* – The fund invests in high yield (non investment grade) bonds. This means bonds that have a 'Credit Quality' rating of BB or less. High yield bonds carry a greater risk than investment grade bonds 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.

*Geared investments* – The fund holds geared investments. This means that the underlying investments include a level of borrowing. It is possible that the fund may suffer sudden and large falls in value compared with a fund that has no geared investments.

*Long Term Investments* – You should always look at an investment as a long-term commitment. You shouldn't invest money that you may need in the short term, but keep it in reserve.

*Property funds* – The fund invests substantially in property funds, property shares or direct property. You should bear in mind that:

- properties are not always readily saleable and this can lead to times in which clients are unable to dispose of part or all of their holding.
- property valuations are made by independent agents, but are ultimately subjective and a matter of judgement.

- property transaction costs are high (typically around 7% due to legal costs, valuations and stamp duty), which will affect the fund's returns.

*Exchange rate* – 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.

*Performance charges* – This fund can charge a fee dependent upon the fund's performance. Details of how the fee is calculated can be found on the relevant fund factsheet.

*Derivative exposure* – Derivatives are financial contracts whose value is based on the prices of other assets. Two examples of how a fund manager may use derivatives are:

- they can be used to help reduce the risk of losing money due to changes in the value of the underlying asset. This is known as 'hedging'.
- they can also be used to increase profit if the value of the underlying asset goes in the direction you expect. This is known as 'speculation'.

The fund invests in derivatives as part of its investment strategy, over and above their use for efficient portfolio management. Under certain circumstances, derivatives can increase the volatility and risk profile of a fund 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.