

# Secure Growth Fund

and Investment Summary



This guide provides a summary of how we manage the **Aviva Life & Pensions UK Limited Secure Growth Fund** (the “**Fund**”), along with details of the asset mix and investment returns.

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](https://www.aviva.co.uk/ppfm)

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## 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.

# What's an Aviva with-profits investment?

## At a glance

An Aviva with-profits investment in the Secure Growth Fund is a low 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 5.

- The Secure Growth Fund is rated as a **low volatility** fund.
- The objective of the Secure Growth Fund is to provide stable income and long-term capital guarantees.
- All policies share in the investment profits made in the Fund.
- We use your premiums to buy units in the Fund. We add regular interest, if any, by increasing the unit price daily in line with the regular interest rate we declare, less any charges.
- Other forms of profit distributions may also be used to ensure fairness between policyholders over time. This might include a special interest addition or a final bonus when your policy ends.
- There are likely to be guarantees under your policy 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 9.

### What does it mean?

Aviva assesses its risk ratings using historical performance data.

#### **Low volatility – 2**

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.

You can find out more about our risk ratings at [aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings](https://www.aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings)

#### **Assets**

An asset is a type of investment. Different types of assets include shares (equities), 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 Secure Growth Fund, which invests in a mix of assets, including:

- shares (equities) (UK & international)
- fixed interest - gilts and other bonds
- cash/money market

## How do we invest your money?

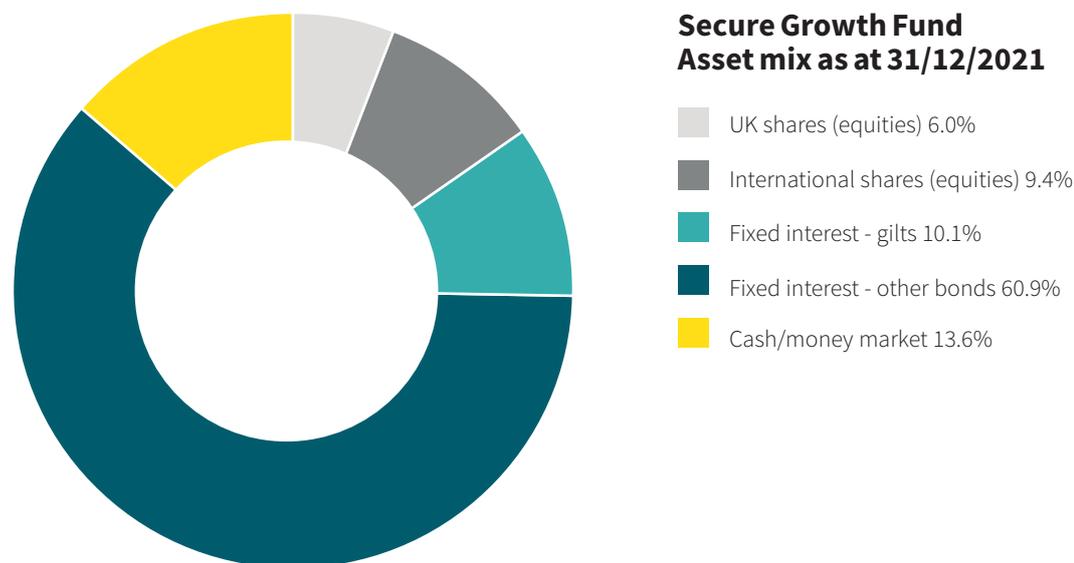
The Secure Growth Fund invests mainly in **fixed interest (gilts and other bonds)** investments.

We aim to provide the best possible investment returns for the benefit of policyholders generally, allowing for:

- the objective of investing mainly in fixed interest investments;
- the level of guarantees within the Fund; and
- the amount of excess assets in the Fund.

We set guidelines for our investment managers that specify the proportions of the Fund that should be invested in each type of asset. We also control any potential risks to the Fund by setting guidelines covering the quality of the assets, and range of investments within each asset class.

For details of the December 2021 asset mix see the illustration below. Recent asset mixes are shown in the table in the Appendix.



# Asset mix (continued)

## What does it mean?

### **Shares (equities)**

Shares (or 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. In our Secure Growth Fund the equity part of the asset mix includes equity-type assets that aren't quoted on stock exchanges.

### **Fixed interest - gilts**

These are bonds issued by the UK government. The government pays interest on the bonds and promises to pay back the principal amount (money borrowed) at a certain point in the future. If the government defaults on a bond, the principal amount and interest will not be paid. However, gilts are regarded as less risky than corporate bonds.

### **Fixed interest - other bonds**

This can be various types of non-gilt investments, including bonds issued by non-UK governments, corporate bonds (i.e. loans issued by companies to be paid at a point in the future) and alternative credit (including non-traditional corporate, private or emerging market debt). The value of fixed interest investments can go down as well as up. If a company defaults on a bond, the principal amount (money borrowed) and interest will not be paid. Corporate bonds are regarded as riskier than gilts.

### **Cash/money market**

Cash means a range of short-term deposits – similar to a bank/building society account. Cash also includes money market securities, which are interest-generating investments, issued by governments, banks and other major institutions. The value of cash and money market securities can go down as well as up.

# Investment returns and market overview

## The investment returns achieved by the Secure Growth Fund in recent years are:

|                              | 2021 | 2020 | 2019  | 2018  | 2017 |
|------------------------------|------|------|-------|-------|------|
| <b>Before tax (pensions)</b> | 0.8% | 6.2% | 10.9% | -1.9% | 7.3% |

The investment returns above are on the whole Fund and aren't applicable to any individual policy or plan. These figures are before any deduction for charges and investment expenses. This is past performance. Past performance isn't a guide to the future.

## Investment markets in 2021

Investment markets continued to recover in 2021 quicker than many forecasters, business or households expected. This was driven by unprecedented amounts of government support, leading to a rapid recovery in consumer demand and 2021 saw a move away from services to buying goods.

However, the combination of manufacturing shutdowns and lingering restrictions has meant supply of goods is low, and delivery times increased which has led to significant pressure on prices and interest rates. COVID continues to have large impacts on markets and experiences between Developed and Emerging markets have varied greatly.

Between 1 January and 31 December 2021, the FTSE®100\* Share index, a commonly used indicator of the performance of UK shares, delivered positive returns of 18.4% (see Note 1). UK government bonds (gilts) returned minus 5.2% (see Note 2) and UK corporate bonds returned minus 3.1% (see Note 3).

### Notes:

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).

\* Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

# How are interest rates determined?

## At a glance

All policies share in the investment profits made in the Secure Growth Fund through the addition of regular interest.

Other forms of profit distributions may also be used to ensure fairness between policyholders over time. This might include a special interest addition to policies in force at a specified date, or a final bonus when a policy ends.

## Regular interest rates

We base the regular interest rates on the future investment return we expect to earn in the long term on the assets of the Fund.

Excess assets exist when the assets of the Fund are higher than the amount required to pay policy and other benefits (including the payment of guaranteed benefits and future interest) plus an amount to meet adverse events. If there are excess assets in the Fund we increase regular interest rates to allow the distribution of some, or all, of the excess assets over the lifetime of the remaining policies. Similarly, if excess assets don't exist in the Fund, we reduce the regular interest rates to allow any shortfall to be recovered over the lifetime of remaining policies.

Regular interest rates are reviewed at least once a year. We last reviewed regular interest rates in December 2021 and concluded that the rate should be 2.0% p.a. gross of any management charge. The rate was implemented from 1st January 2022.

The history of regular interest rate additions in the last 10 years is given below year.

| Year     | Regular Interest rate – gross (%) |
|----------|-----------------------------------|
| 1/1/2021 | 2.0                               |
| 1/1/2020 | 3.0                               |
| 1/1/2019 | 4.0                               |
| 1/1/2018 | 5.0                               |
| 1/2/2017 | 5.5                               |
| 1/1/2016 | 6.5                               |
| 1/1/2015 | 6.5                               |
| 1/1/2014 | 6.5                               |
| 1/2/2013 | 6.5                               |
| 1/1/2012 | 5.5                               |

The information shown refers to the past. Past performance isn't a guide to the future.

The declared interest rates shown above are before any charges have been deducted. For details of charges please refer to your policy documents.



## Things you need to be aware of

- Our primary aim is to make sure that all guarantees are met and that all policyholders are treated fairly. Future interest rates can't be guaranteed as they come from profits that haven't yet been earned. This means that it's possible that very low levels of interest may be added for a period.
- Some policies include guarantees of minimum interest rates over the full term of the policy. Please check your policy conditions for more details.

# How are interest rates determined? (continued)

## Special interest additions and final bonus

We aim to fairly balance the interests of policyholders cashing in units in the Fund in the immediate future and those who'll remain invested in the Fund for many years. From time to time, we may consider that the excess assets of the Fund have reached a level at which its distribution, through an increased regular interest rate alone, wouldn't achieve this aim. In this case, we may then make a special interest payment to all policies in force at a specified date or add a final bonus to units when they're cashed in.

The history of special interest rate additions over the last 10 years is given below.

| Year | Special Interest addition |
|------|---------------------------|
| 2017 | 5%                        |
| 2016 | 10%                       |
| 2014 | 15%                       |

The information shown refers to the past. Past performance isn't a guide to the future.

In order to enable a fairer distribution of excess assets among policyholders, we commenced adding a final bonus to claims from 1 January 2018 (subject to units being held for a minimum number of years when they're encashed). As a result it's less likely that further special interest additions will be made.



## Things you need to be aware of

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.

## Smoothing

Over time, the value of the investments held by the Fund will rise or fall. We restrict the pace of change in the value of your policy from year to year, so that in normal circumstances there's a maximum change that we may make from one year to the next. In adverse circumstances, we may make changes larger than this maximum. This could be, for example, where the investment return earned on the Fund in the last year has been very low or negative.

Over the long term, we wouldn't expect the Fund itself to gain or lose from smoothing and we adjust regular interest rates to ensure this.

There may be times in poor market conditions when smoothing can't fully protect your investment. 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 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 Secure Growth Fund early?'

# What are the guarantees?

There are likely to be guarantees under your policy if certain events happen or on dates as set out in your policy document. For example, it may be the date you intended to retire when you started the policy.

Some policies have a guaranteed minimum lifetime interest rate where the minimum payment at your original retirement date is the value of premiums, less any charges, accumulated at a guaranteed rate.

Certain pension policies offer **guaranteed annuity rates** (referred to as GARs) which specify the minimum annual income that can be bought from us for each pound of the unit fund value when the policyholder retires.

We won't apply a market value reduction (MVR) on death, or on retirement at the age(s) specified in the policy documents. For some policies, there are other circumstances when an MVR may not be applied. You should refer to your policy documents to find out more information on MVRs and when they may be applied.



## 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 cashing-in, transferring or switching any benefits in the future.

# What happens if you leave the Secure Growth Fund early?

You may decide to move some or all of your investment out of the Fund early.

For example you might:

- cash-in your policy;
- transfer to another company; or
- switch to another type of Aviva fund.

We work out the cash-in, transfer or switch value by looking at the value of the units in your policy and then apply any reduction (as described in your policy conditions) and any final bonus.

If the assets in the Fund which back your policy have performed poorly, then we may reduce your payout by applying what's known as a **market value reduction (MVR)**. We apply an MVR to make sure that a fair share of the Fund is left for the remaining policyholders. MVRs won't be applied on death or on retirement at the age, or ages, specified in the policy document. For certain policies we guarantee not to apply an MVR in other circumstances. Your policy document will tell you if this is the case.

An MVR reduces the unit price used to calculate the value of units for policyholders. When it's applied, it'll reduce the value of your investment, which may mean that you get back less than you invested.

A **short term investment charge (STIC)** may also be applied where you started to invest in the Fund (or made a one off contribution or switch to the Fund) less than five years before you wish to take your benefits from the Fund. The cash-in value may be reduced to ensure that a fair share of the Fund is left for the remaining policyholders.

## Things you need to be aware of

You should view an investment in the Secure Growth Fund as a long-term investment. This means leaving the Fund early may be the wrong option for you, especially if you have guarantees.

If you're considering leaving the 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 at the end of this guide.

# Questions and answers

## What's the With-Profits Committee?

Our customers are at the heart of everything we do and we're fully committed to treating you 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](https://www.aviva.co.uk/wpcommittee)

## How are business risks managed?

There are a few factors which could affect the Secure Growth Fund. We call these business risks. Most business risks are borne by the Aviva Life & Pensions UK Limited Non-Profit Sub-Fund. Risks arising from investment performance guarantees are the responsibility of the Fund.

These include:

- having to cash-in units at the current price on normal retirement dates and, for some policies, on some other occasions irrespective of the value of the Fund's assets
- smoothing limits on reducing the regular interest rate
- having to add interest at a non-zero rate where this is a policy requirement
- meeting the minimum lifetime interest guarantee which some policies possess.

The risk that large volumes of new premiums may have an adverse effect on existing investors is controlled by the ability to apply a short term investment charge (STIC).

We control the risks to the Fund by monitoring risks and taking action to reduce our exposure to risk, when necessary, establishing appropriate reserves and setting interest rates prudently over time.

If the assets of the Fund are insufficient to pay the guaranteed benefits of Secure Growth Fund policies, other assets of Aviva Life & Pensions UK Limited will be used to do this.

## What are the charges and expenses?

Expenses are what it actually costs us to look after your policy and to meet certain guarantee costs. Charges are the deductions taken from your policy to meet our expenses.

All expenses associated with the management of policies invested in the Fund are met by the Non-Profit Sub-Fund of Aviva Life & Pensions UK Limited. In addition, the cost of providing Guaranteed Annuity Rates at retirement is met by the Non-Profit Sub-Fund.

Charges deducted from your policy are paid to the Non-Profit Sub-Fund. Details, including the circumstances in which they may be changed, are specified in your policy documents.

## What is the estate used for?

The estate is used to pay an interest rate in excess of the return we expect to earn on the Fund's assets.

If the size of the estate becomes an unreasonably large percentage of the total value of units in the Fund, we'll make a special interest addition or add a final bonus to payouts in order to reduce that percentage.

If at any time we believe that the amount of the excess assets is too low then we'll take action to increase it by reducing the regular interest rate.

The excess assets:

- provide us with investment flexibility; and
- enhance the security of policy benefits generally.

We review the size of the estate in the Secure Growth Fund every year to determine whether there is additional surplus that can be shared between eligible policies as an estate distribution.

You can find out about the estate distributions that are currently applying at [aviva.co.uk/estate-distributions](https://www.aviva.co.uk/estate-distributions)

## Are new policies still being issued?

No new policies are being issued, although existing policyholders can still top-up their plans and new members can still join existing group pension policies. Also, some existing policyholders not currently invested in the Fund retain the right to switch their unit-linked investments into the Fund and to pay future premiums into it.

## How are the profits shared?

Profit from the Fund is only distributable to its with-profits policyholders in the form of bonuses added to their policies. Shareholders don't receive a share in the investment profits, or losses, of the Fund.

# Appendix

## Recent Secure Growth Fund asset mix

|                                 | 2019  | 2020  | 2021  |
|---------------------------------|-------|-------|-------|
| UK shares (equities)            | 20.8% | 5.8%  | 6.0%  |
| International shares (equities) | 0.0%  | 9.1%  | 9.4%  |
| Fixed interest - gilts          | 0.0%  | 10.0% | 10.1% |
| Fixed interest - other bonds    | 77.7% | 60.8% | 60.9% |
| Cash/money market               | 1.5%  | 14.3% | 13.6% |

# Where can you find out more?

We hope this guide has helped you understand how our Secure GrowthFund 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/#secure-growth](https://www.aviva.co.uk/ppfm/#secure-growth)

If there are any differences between the information in this guide and the relevant Principles and Practices of Financial Management, 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

**0117 989 9000**

Monday to Friday 9am to 5pm. Calls may be monitored and/or recorded.



Write to us at:

**Aviva, PO Box 582  
Bristol  
BS34 9FX**



You can use the link below to find out more about our Sub-Funds at:

**[aviva.co.uk/ppfm](https://www.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](https://www.unbiased.co.uk)**

Please note, your financial adviser may charge you for any advice provided.



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## Need this in a different format?

Please get in touch if you'd prefer this summary (**HL04002**) in large font, braille or as audio.

## How to contact us



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