The Aviva Smooth Managed Fund

As the UK enters unprecedented times, many investors are understandably cautious about short-term market movements—but still need their money to work hard for their future, with interest rates remaining low. In this climate, Aviva’s Smooth Managed Fund brings much-needed choice to a market place where investors are currently short of options. The Fund is designed to deliver growth over the medium to long term. It seeks to reduce the impact of volatility by investing globally, also taking care to spread investments across a range of asset classes. But diversification isn’t the Fund’s only weapon as it strives to achieve steady growth. It employs a ‘smoothing’ process which aims to Shelter investors from some of the impact of short-term market movements.

John’s story

John just celebrated his 60th birthday with his family, including his wife, his son and daughter, and his three grandchildren. He has an existing Final Salary pension, no mortgage and wants to set up an income directly from his pension, which is currently worth around £300,000.

John is concerned about the impacts of inflation on his savings and is happy to take some risk with his money for the potential for higher returns. However, he doesn’t want capital to erode too quickly – he’d like to leave a sum of money to his grandchildren from his pension. For Inheritance Tax (IHT) purposes, this money would fall outside of his estate.

John initially wants to take 5% income (£15,000 per year) to top up the income he’s getting from his older Final Salary Scheme. He may reduce this to 3% when his state pension begins at age 66. As John is taking a higher level of income in the early years, he is concerned about short-term volatility and the risk that his pension fund falls in value at the same time he’s taking an income.

John speaks to his adviser and they agree to invest the £300,000 into the Aviva Smooth Managed Fund. The Aviva Smooth Managed Fund has a Smooth Growth rate of 5% plus Bank of England Base Rate. An adjustment to the price is only made if the price of the fund is 6.5% higher or lower than the price of the underlying assets in the fund. So, while the fund can go down in value, it will smooth out some of the short-term volatility that John is concerned about. The fund also invests in a wide range of global assets which diversifies John’s investments, reducing the impact of falls in values in any one asset class or region.

The Aviva Smooth Managed Fund can help to reduce the effect of ‘sequencing risk’, which can significantly impact the amount of income available during retirement. Someone who retires and starts to take an income when markets are falling in value could have a much worse financial outcome than someone who retires when markets are performing well – even if returns averaged-out over the long term are the same.

This is a fictitious case study.

You can find out more about the latest performance information in this Smooth Managed Fund sales aid.
The Aviva Smooth Managed Fund

The value of the investment in the Smooth Managed Fund can go down as well as up and investors may get back less than has been paid in. As with all funds of this type, fund price adjustments could cause a fall in fund value.

For investors seeking a Fund that has the potential to offer them more than deposit accounts, while aiming to provide some shelter from short-term market movements, the Aviva Smooth Managed Fund could be an appropriate option.

The fund does not target the Smooth Growth Rate and may earn more or less than the Bank of England base rate + 5% per year.

Find out more at aviva.co.uk/advisers