For employers and financial advisers only. Not for use by customers

My Future Choice

A governed, risk-graded investment solution for workplace pensions

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My Future Choice is our governed, risk-graded default solution, designed to provide a robust investment solution for workplace pensions over the long term.
The objective is to manage risk while providing the potential for long-term growth through exposure to a wide range of asset classes via our Diversified Assets Funds (DAFs).

My Future Choice is designed to make it easier for your clients to invest in a mix of funds that suits their attitude to risk, their proximity to retirement and the way they wish to take their pension savings, without the need to choose individual funds. At the same time, My Future Choice enables you to cater for the various needs of your clients all within one, governed solution.

You can choose between five ready-made portfolios for your clients, each offering an investment selection appropriate to a different level of investment risk.

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

My Future Choice up close

How does My Future Choice work?

My Future Choice has been designed to be flexible enough to cater for a wide range of customer needs.

Once you've assessed each client's risk profile, you can match them to a corresponding growth portfolio in My Future Choice. And you're not limited to one option - you can select multiple options to cater for the diverse needs of individuals within a scheme.

Our growth portfolios are designed to grow customers' pension savings over time while targeting a specific level of risk. Each one is made up of either one or two of our Diversified Assets Funds (DAFs).

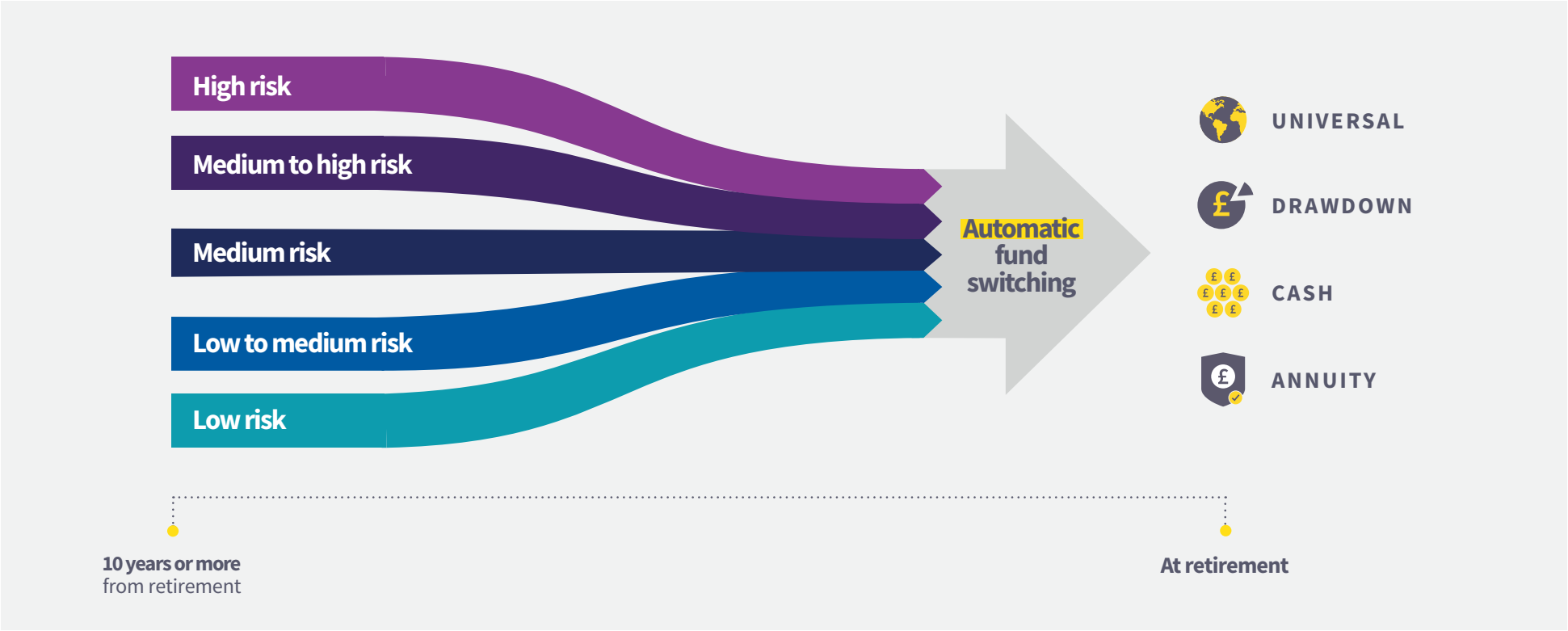
The table below shows the funds that are used in each growth portfolio and their respective volatility targets.

Risk profile	Growth funds	Volatility of global equities (%)
High	DAF 5	90.0
Medium to high	50% DAF 4 & 50% DAF 5	82.5
Medium	DAF 4	75.0
Low to medium	50% DAF 3 & 50% DAF 4	62.5
Low	DAF 3	50.0

Over the 10 years leading up to retirement, customers are de-risked into their chosen retirement outcome: Universal, Drawdown, Cash or Annuity. The Universal option has been designed for members who haven't yet decided how they'd like to take their pension benefits, or would prefer to keep their options open.

Should a customer's needs change, then you can switch them into a different option at any time.

The diagram below details the potential paths to retirement. There are 20 different glidepath combinations.



The Diversified Assets Funds

How do the Diversified Assets Funds work?

The funds aim to maximise returns for specific 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 the Aviva Investors' asset allocation process.

The objective is to determine a diversified asset exposure in order to achieve the volatility target, considering 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 team managing the DAFs will aim to keep the funds' risk levels within their target over the medium to long term.

These funds come at no additional cost to members. This could change in the future. Please see the terms and conditions for more information.

Why do the funds target 'risk' and not 'return'?

'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 enables customers to be aligned with the most suitable option for them. Clients can rest assured that the amount of risk a customer is taking at any point is commensurate with where they are in their retirement journey and how they want to use their pension savings.

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How are the Diversified Assets Funds managed?

The Diversified Assets Funds are actively managed by Aviva Investors' experienced 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: Strong construction

Aviva Investors establishes the longer-term investment framework, based on our in-house strategic asset allocation model. This is where the team identifies the optimum blend of assets from a global universe to achieve the investment objectives outlined above, while also seeking to enhance diversification. This global approach means that the funds do not have a UK bias. Exposure to each asset class will be implemented as cost efficiently as possible by using a combination of passive and active strategies.

Step 2: Responsibility built-in

There are more than 30 environmental, social and governance (ESG) analysts in Aviva Investors' dedicated ESG team. They work with the investment teams. They are responsible for ensuring that their quantitative and qualitative research is integrated into the investment process for all of the mandates that Aviva Investors, our dedicated asset manager, looks after on our behalf including the funds that make up My Future Choice. Aviva Investors also proactively engages with companies and uses its vote as a shareholder to drive companies in a positive direction. The solution is aligned with Aviva's exclusion policy. This means that sectors which are not aligned with our values are excluded from the underlying funds in My Future Choice.

Step 3: Dynamic Management

Markets move day by day, and we proactively manage the funds by making tactical asset allocation decisions at any time to add value and reduce risk. At the hub of our investment view is the Asset Allocation Committee. This forum brings together the multi-asset fund managers, key representatives of the investment strategy team and fund managers who specialise in a variety of different asset classes. The team analyses risk using a variety of tools to ensure that the portfolios are robust and not excessively exposed to any one source of risk.

Integrating ESG

Aviva Investors believes that incorporating environmental, social and governance (ESG) factors into the investment process will help to enhance returns by mitigating risk, and as a result, will help to identify better quality opportunities, as well as making the world a better place. The fund managers at Aviva Investors are responsible for taking ESG factors into account when making investment decisions. As mentioned on the previous page, they are in turn supported by a dedicated ESG team of more than 30 ESG professionals, who specialise in issues such as climate change, biodiversity, modern slavery and corporate governance. The ESG team provides crucial quantitative and qualitative research. The quantitative research is Aviva Investors' proprietary ESG score that is referred to as "ESG Elements". This score is applied to over 30,000 securities. The team also provides top down thematic as well as sector and industry research, which is linked to the UN Sustainable Development Goals.

Investment integration

- The ESG team works in collaboration with the multi-asset and the wider business to contribute to the formation of our macro House View and idea generation, such as the tactical asset allocation decisions.
- Where the fund range invests in other active funds managed outside Aviva Investors, the ESG policies and procedures of the underlying funds will be assessed as part of the fund selection process.

Active ownership

Aviva Investors believes that meaningful engagement with companies is a more powerful tool than exclusion. Aviva Investors seeks to hold to account the companies that they invest in across the Diversified Assets Funds.

In the 12 months to end December 2022:

Aviva Investors carried out 818 engagements with companies related to environmental, social and governance issues.

The fund manager voted at 6700 meetings and voted on 73,137 resolutions, which included voted against pay (approximately 49% of votes), against director elections (approximately 31% of votes) and against management (27% of votes).

Five reasons to choose My Future Choice

1.	**Global diversification** Investing across an extensive range of asset classes	First, there's more asset diversification here than you might expect. It's wider, broader and deeper than many traditional pension portfolios and extends across a globally diverse range of asset classes, from equities to corporate bonds, property to high yield debt.
2.	**Risk targeting** Providing a clearer link between risk and investment outcome	Unlike more traditional multi-asset funds, the Diversified Assets Funds aim to maximise returns while targeting a specific level of risk. We work hard to keep the funds within their risk tolerances and regularly rebalance them to ensure they stay on track.
3.	**Active asset allocation** Keeping abreast of market developments	We believe asset allocation is the key driver of returns, so we put active asset allocation at the heart of our investment process.
4.	**Automatic lifestyling** Managing risk all the way to retirement	We automatically de-risk customers as they approach retirement, so clients can rest assured that the amount of risk customers are taking at any point is appropriate for where they are in their retirement journey.
5.	**ESG integration** Investing sustainably for the future	Environmental, social and governance factors are integrated into our investment processes, and we actively engage with the companies we invest in to promote good practice and reduce ESG-related risks.

Fund objectives and volatility targets

The My Future Choice funds focus on long-term volatility targets to help manage risk and reduce the likelihood of members' savings experiencing large fluctuations in value. The volatility targets are set by Aviva.

Fund name, risk rating & risk warnings	Fund objective	Volatility target
Diversified Assets Fund 5 Risk rating: 5 Risk warnings: A, B, C, F	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).
Diversified Assets Fund 4 Risk rating: 4 Risk warnings: A, B, C, E, F	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 five-year basis).
Diversified Assets Fund 3 Risk rating: 3 Risk warnings: A, B, C, E, F	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 five-year basis).
Diversified Assets Fund 2 Risk rating: 2 Risk warnings: A, B, C, E, F	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 funds targets volatility of 25% of Global Equities (as measured on a rolling five-year basis).
Diversified Assets Fund 1 Risk rating: 2 Risk warnings: A, E, F	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 five-year basis).

Information correct at time of publication.

Risk ratings and warnings

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. We calculate our risk ratings using historical performance data and information from each fund's investment manager(s).

The table to the right details each of the risk ratings and their descriptions

Risk rating	Volatility	Description
7	**Highest**	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**	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**	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**	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**	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**	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**	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.

We review each fund's risk rating annually so they may change over time.

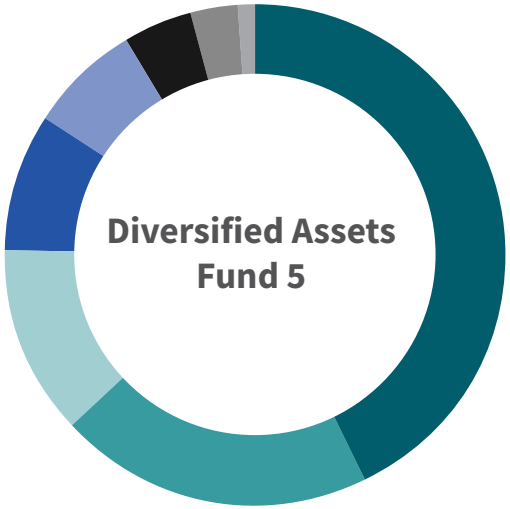
Risk Codes

There are specific risks associated with investing in funds. To help you understand what these are, we assign risk warning codes (letters A to J) to each fund. You'll see these letters underneath the fund names in the table earlier in the document. Each type of risk is explained clearly in this table.

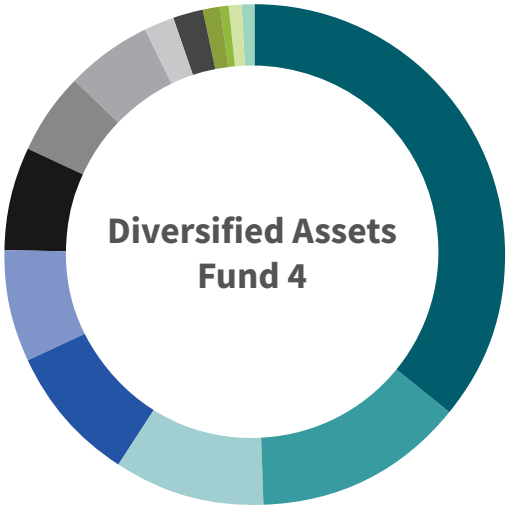
Risk code	Risk code description
A	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in. **Specialist funds:** Some funds invest only in a specific or limited range of sectors and this will be set out 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. **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. **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. 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 Risk:** 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 is likely to fall.

Risk code	Risk code description
F	**Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. 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.
H	**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 'cash in' or switch part or all of their holding and you may not be able to access your money during this time. • Property valuations are made by independent valuers, but are ultimately subjective and a matter of judgement. • 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.

Asset allocations



US equities	42.8%
European equities	20.3%
Emerging market equities	12.4%
UK commercial property	8.7%
Japanese equities	7.3%
Pacific Basin equities	4.6%
UK equities	3.0%
Cash	0.9%

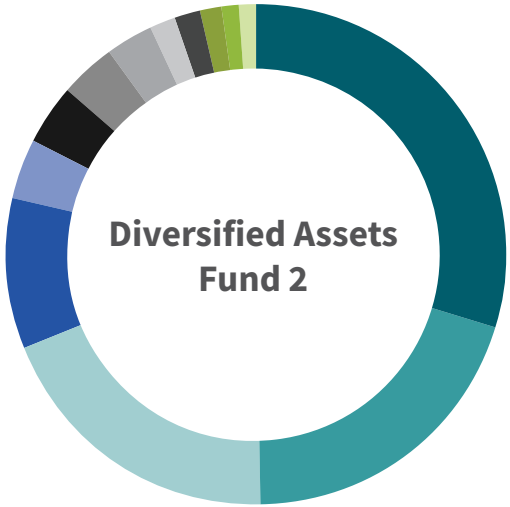


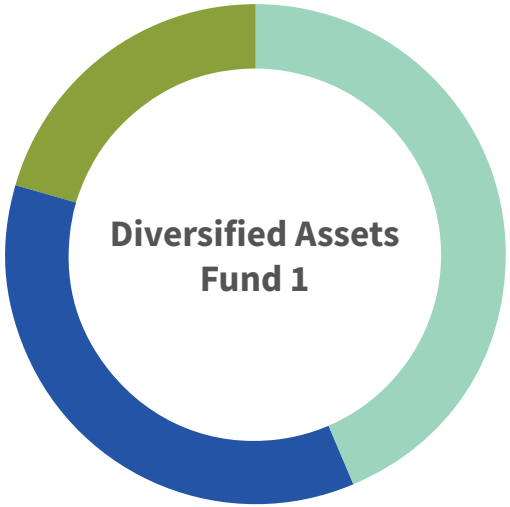
US equities	35.9%
European equities	13.7%
UK commercial property	9.8%
Emerging market bonds	8.8%
Emerging market equities	7.3%
UK equities	6.6%
Japanese equities	5.4%
Pacific Basin equities	5.4%
UK corporate bonds	1.9%
Global high yield bonds	1.9%
Global corporate bonds	1.1%
Global government bonds	0.8%
UK government bonds	0.7%
Cash	0.7%

US equities	20.8%
UK corporate bonds	14.4%
UK commercial property	9.8%
Global government bonds	9.6%
Emerging market bonds	7.9%
European equities	7.8%
UK government bonds	6.8%
Global corporate bonds	5.1%
Emerging market equities	4.5%
UK equities	4.0%
Japanese equities	3.2%
Pacific Basin equities	2.9%
High yield bonds	2.0%
Cash	1.2%

As at end September 2023

Please note totals may not add up to 100% due to impact of rounding





UK corporate bonds	29.9%
Global government bonds	19.9%
UK government bonds	19.3%
US equities	9.7%
Emerging market bonds	3.9%
European equities	3.7%
UK commercial property	3.6%
Cash	3.1%
UK equities	1.7%
Japanese equities	1.7%
Emerging market equities	1.3%
Pacific Basin equities	1.3%
High yield bonds	0.9%

Short-dated UK corporate bonds	43.8%
Short-dated UK government bonds	35.9%
Cash	20.3%

As at end September 2023

Please note totals may not add up to 100% due to impact of rounding

SP991106 12/2023

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