

Our ref: Sample

(Date)

# Sample copy

Dear (Salutation)

## Aviva Investors UK Smaller Companies – fund closure

**Account number:**

**Your financial adviser:**

The Aviva Investors UK Smaller Companies fund that you invest in as part of a model portfolio set up by your financial adviser is due to be closed from 10 May 2024.

The fund's strategy is to invest in UK smaller companies. These can be harder to sell than other types of investment, particularly for a fair value, as demand can be lower. As the fund decreases in size, it would likely have a smaller, more concentrated pool of these investments, impacting Aviva's ability to manage the fund fairly in line with its objectives and to close the fund in an orderly effective manner.

Consequently, Aviva has suspended trading in the fund since 05 April 2024 as they believe this will allow the fund's investments to be sold in an organised way and ensure that all investors receive their fair share of the money raised from the sale of those investments.

**Your financial adviser will take any action that needs to be taken and, if necessary, help to address any questions you may have.**

### How the fund closing will affect your account

- **Phasing and Rebalancing** – Any **phased investment** or **rebalancing** instructions using the fund will automatically continue. These will either buy units in your other assets proportionally, or go into cash, depending on how your adviser set up the model portfolio. Alternatively, we will update the instruction if your financial adviser provides a revised asset choice.
- **Direct Debits** – If you are paying into the fund by Direct Debit future payments will either buy units in your other assets proportionally, or go into cash, depending on how your adviser set up the model portfolio. Alternatively, we will update the instruction if your financial adviser provides a revised asset choice.
- **Fund Management Fee (FMF)** – Aviva will apply a 20% discount to the FMF throughout this closure period.
- **Closure Proceeds** – Aviva has advised that due to the fund's underlying investments, whilst they expect to sell a large majority of the portfolio (approx. 90%) within 10 days of the effective date, there will be a minority of these investments which will take longer to sell. Consequently, closing proceeds will be returned in phases with the initial payment made within 3 weeks of the effective date, then one or more subsequent smaller distributions at later dates.

Cash may not be suitable for your long-term investment needs. If you're happy for the amount to stay in cash, you don't need to do anything. Your financial adviser will take any action that needs to be taken and help to answer any questions you may have.

### **Capital gains tax – Collective Investment Account only**

This is a disposal for capital gains tax purposes. Please speak to your financial adviser to understand how this may affect you.

### **The cost of the closure**

Aviva estimate that the direct transaction costs for selling the fund's investments (such as transaction taxes and broker commissions) will be 0.027% of the total value of the fund which will be borne by the fund.

### **Why the fund manager is closing the fund**

The fund aims to grow your investment and provide an average annual net return greater than the FTSE® Small Cap ex Investment Trusts Index (the "Index") over a rolling 5-year period, by investing in shares of small UK companies.

Over the past three years, the fund has underperformed the Index and this has also impacted the longer-term fund performance. Its performance has been below the range of outcomes Aviva would expect for an actively managed fund of this nature, and they have therefore concluded the fund is no longer providing value for investors.

Aviva believes this poor performance has also contributed to investor withdrawals from the fund over the past few years and the fund is now too small to achieve its investment objective, with investors no longer benefiting from the efficiencies and economies of scale that investing in a fund normally brings.

They have therefore decided that closing the fund would be in the best interests of investors.

If you have any questions about this letter, please speak to your financial adviser who will be able to help you. Alternatively, you can call or email us using the details shown and we will be happy to help. Our Customer Service Centre is open 8:30am – 5:30pm, Monday to Friday.

Yours sincerely



### **Callum Earl**

*Head of Customer Operations*