LV= Smoothed Managed Fund range

Investment principles, practice and governance

For UK financial advisers only



LV= INVESTMENTS

LV= Smoothed Managed Fund range

Investment principles, practice and governance

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Supporting your advice recommendations

Introduction – LV= Smoothed Managed Funds

This document has been developed to support your due diligence research and to help you feel confident in the suitability of any recommendation you make.

The LV= Smoothed Managed Fund range has been developed to help financial advisers address the challenge of investment volatility, particularly as 65% of mass affluent investors say stock market volatility influences their day-to-day financial decision-making*.

The funds are a range of multi-asset, risk-rated funds designed to grow your clients' money while providing them with a reliable, low volatility investor experience. These funds may be particularly attractive for investors who are uncomfortable with financial uncertainty and more concerned with losses rather than gains.

3 in 4

UK adults say economic uncertainty influences their day-to-day financial decision making*.

Important note

Our range of Smoothed Managed Funds can be accessed through a range of both off platform and on platform product solutions:

1. A pension – LV= Smoothed Pension, available through the LV= SIPP
2. A bond – the LV= Smoothed Bond
3. An ISA – the LV= ISA
4. A Trustee Investment Plan available via other providers' SIPPs (Self-invested personal pension) and SSASs (Small self-administered scheme) - the LV= TIP (Trustee Investment Plan)
5. LV= Platform Services - LV= ISA Portfolio, LV= Pension Portfolio and LV= Junior ISA Portfolio

The LV= Smoothed Managed Funds are with-profits investments and will therefore be eligible to participate in distribution to with-profit policyholders. You can find more information about the LV= Smoothed Managed Funds on our website: LV.com/smoothed

*LV= Wealth and Wellbeing monitor, September 2025. Mass affluent is defined by LV= as clients with between £100,000 and £500,000 of assets excluding property.

How the funds are managed

Our investment philosophy and principles

We manage the funds to a clear investment philosophy and set of principles. These principles are regularly reviewed by the LV= Investment Committee to ensure that they remain appropriate for customers and the market environment.

We believe

An investment mix with active asset management at its heart is currently an appropriate strategy for the range of Smoothed Managed Funds, and is better suited to consistently achieving stronger net investment returns than a purely passive asset management strategy.

Returns in excess of the benchmarks (often referred to as 'alpha') can be generated through investing in the right stocks at the right price and through tactical asset allocation.

There are opportunities for excess returns through tactical asset allocation that we seek to optimise, subject to mandated ranges and other restrictions.

Responsible investing is important and well-governed companies are more likely to outperform in the long run.

Opportunities for excess returns vary over time and by market. Investments should be made to optimise the potential return whilst maintaining the risk budget both in terms of total risk and also risk relative to the benchmark. This may mean that at certain points it may be efficient to reduce active exposure in certain markets and increase it in others.

Investment performance is considered over the expected duration of the products, which ranges from the medium (5-10 years) to longer term.

A clear investment mandate and regular monitoring to oversee the asset management are vital. These need to be supported by having the right governance structures and the right in-house people in place to monitor investments efficiently and effectively.

Responsible investing is important, and well-governed companies are more likely to outperform in the long run. A clear investment mandate and regular monitoring to oversee the asset management are vital.



Picking the right partner

We have extensive expertise in overseeing investment managers and believe in enabling them to focus on what they do best. That's why we outsource the day-to-day investment management of our Smoothed Managed Fund range to them.

What do we look for in an asset manager?

Established global manager: We expect our Asset Managers to have a global presence with significant scale. We believe local knowledge can provide a competitive advantage.

Investment philosophy: Strong, well-articulated portfolio construction processes and strategy that can adapt over time as markets develop.

Building blocks: Capabilities in all major asset classes such as developed and emerging market equities, fixed income, commodities, UK property and multi-asset solutions. Appetite to explore new areas and opportunities.

Responsible investment: We want our managers to be aware and considerate of the non-financial impacts of our investments.

Regulatory and risk management: Strong control environment for both investments and operations.

Corporate and financial strength: We expect our managers to be of sufficient scale.

A strong working relationship: We expect our investment managers to be engaged. Our ability to meet, understand and challenge our partners on all aspects of the investment process is key to providing optimal outcomes for our members. Our strategic interests should be aligned.

Past performance: We look for credible, consistent and repeatable strong performance.



Strategic Asset Allocation (SAA) is a long-term investment approach that sets a target mix of asset classes designed to align with an investor's risk profile and objectives. The allocation is reviewed periodically but remains broadly stable over time, providing a disciplined framework to balance risk and return.

Our primary asset management partnership

Who are BlackRock?

Our Smoothed Managed Funds are managed in partnership with BlackRock. BlackRock is one of the world's largest asset managers and leading providers of investment, advisory and risk management solutions.

The diversity of BlackRock's platform across asset classes, investment styles and regions, positions them to partner with LV= through market cycles and deliver whole-portfolio solutions to meet our members' evolving needs.

BlackRock bring access to top-rated flagship funds (as rated by external rating agencies) to the proposition as well as access to their insights and global retirement experience and world class research processes.

How does our partnership work?

- **Our responsibility:** Although we outsource the asset management behind the Smoothed Managed Funds, the responsibility for producing strong risk-adjusted investment returns for policyholders rests with LV=.
- **In-house expertise:** Our Investment Team design the investment strategy and oversee performance of the Smoothed Managed Funds. We ensure that the funds are managed in line with our investment objectives and seek the best outcomes for our members.
- **Meeting our expectations:** Meeting our expectations - We regularly review the funds' strategic asset allocations and stock selections with the fund managers to ensure that performance and risk-management align with our expectations.

What gives BlackRock their competitive advantage?

- **Breadth of capability, depth of resource:** The diversity of BlackRock's platform across asset classes, investment styles and regions, positions them to partner with LV= through market cycles and deliver whole-portfolio solutions to meet our member's evolving needs.
- **Robust, disciplined investment processes and controlled risk:** BlackRock have strong investment performance and risk management across a breadth and depth of global investment capabilities with a strong track record of delivering repeatable performance over the long term.
- **Performance track record and Retirement and Saving Industry Insight:** BlackRock will bring access to a number of top-rated flagship funds (as rated by external rating agencies) to the proposition as well as access to their insights and global retirement experience and world class research processes.
- **Economies of scale:** The scale BlackRock commands enables them to identify and achieve cost efficiencies that we expect will benefit Smoothed Managed Funds investors.
- **Responsible investing:** With a deep bench of researchers and insights, market-leading analytics and reporting tools and over 500 sustainable products to provide sustainable building blocks for our Smoothed Managed Funds, LV= can leverage the considerable strength of BlackRock in this area. As a member of the United Nations backed Principles for Responsible Investment (UNPRI) responsible investment and ESG considerations are integrated into BlackRock's investment capability.

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Governance and investment oversight

A robust monitoring framework

Although we outsource the asset management behind the Smoothed Managed Funds, the responsibility for producing strong risk-adjusted investment returns for policyholders rests with LV=.

We have developed a robust monitoring framework to provide support for, and oversight of, the operation and investment performance of the funds.

- At the heart of the LV= oversight framework is the LV= Investment Team. This is a dedicated team of LV= investment professionals who are in daily contact with their counterparts at the Asset Manager.
- The team is made up of CFA (Chartered Financial Analyst) charter holders and Investment Actuaries (Fellows of the Institute and Faculty of Actuaries). Both professional designations are only earned by passing several mathematically rigorous examinations, are required to demonstrate continuing professional development and are bound by ethical professional standards. The CFA credential is the professional standard of choice for more than 31,000 investment firms worldwide – a prerequisite for many investment roles in asset managers and investment banks. Similarly, the Investment Actuaries have a deep understanding of the mechanics of insurance products and how to structure investments to suit the product. This means the team is well-placed to lead on and respond to technical investment issues whilst having a good understanding of the insurance landscape and the LV= products in particular.
- As well as providing insight to the Investment Committee, the LV= Investment Team also provide regular investment reports to other management committees within LV=.
- As part of the governance and oversight of the Smoothed Managed Funds, the LV= Investment Team regularly challenge and assess the fund managers and their investment strategies and styles.
- This is done through formal in-depth quarterly meetings with each fund manager where current performance, market outlook and any changes to the fund are analysed.
- Regular performance is analysed at least monthly, including an attribution analysis of investment return resulting from stock selection, asset allocation and, where relevant, the element of return due to currency movements.
- Working closely with our asset managers also allows dialogue outside of any regular cycle. This means we can understand the impact of market events in real time
- The quarterly fund manager meetings are a key part of the oversight framework. As well as a powerful tool to hold the managers to account over poor performance or divergences in strategy or style, they also represent an excellent opportunity to monitor key people within the organisation.
- Investment performance is measured in absolute terms but also relative to agreed benchmarks. This is measured and managed at underlying fund level.

Responsibility for the oversight of fund managers is discharged by the LV= Board through delegation to **the Investment Committee**, a sub-committee of the Board chaired by a Non-Executive Director. The Investment Committee is tasked with monitoring external fund managers.

The Board has ultimate approval for extending, suspending or revoking contractual relationship with external fund managers.

Visit our centralised hub to meet the Investment Team, access timely market insights, expert analysis from our CIO and BlackRock, and easy access to our Fund Centre.

Visit the LV= Adviser Investment Centre:
lvadviser.com/smoothed-investments/adviser-investment-centre

As part of the governance and oversight of the Smoothed Managed Funds, the LV= Investment Team regularly challenge and assess the fund managers and their investment strategies and styles.

Oversight

- Our contracts include investment mandated, service level agreements (SLAs) which set out our expectations of our Asset Managers.
- The investment mandates set out the universe from which the manager can invest. Compliance is monitored by LV= on a monthly basis.
- SLAs are reviewed at monthly operational client relationship meetings. Investment performance is constantly monitored and is formally reviewed at least monthly. Poor investment performance against agreed benchmarks over an agreed time horizon is one of the key circumstances which could lead to replacement of a strategy.
- LV= has full look-through into the funds and a host of analysis of the fund's position against the agreed benchmarks in terms of geographical and counterparty exposures

The role of the investment mandate

Our Asset Managers work to an Investment Mandate Agreement (usually referred to as IMA) set by LV=. The IMA, which LV= has the ability to change at any time, is a set of rules laying out:

- the permitted investment universe
- the strategic asset allocation as well as the ranges that can be allowed for Tactical Asset Allocation
- the benchmarks for each fund

The Smoothed Managed Funds are monitored against the mandate daily. In the rare event of a breach, LV= is notified immediately. Mandate compliance is also monitored by LV= on a monthly basis.

Strategic Asset Allocation as part of the LV= mandate

To optimise expected investment returns relative to our customers' risk appetites, LV= set the Strategic Asset Allocation parameters for the Smoothed Managed Funds which our Asset Managers are required to adhere to as part of the investment mandate.

Typical mandate restrictions relate to Equity Backing Ratios, the prevention of short-selling and not allowing borrowed capital (leveraging/gearing) so that future losses are well understood.

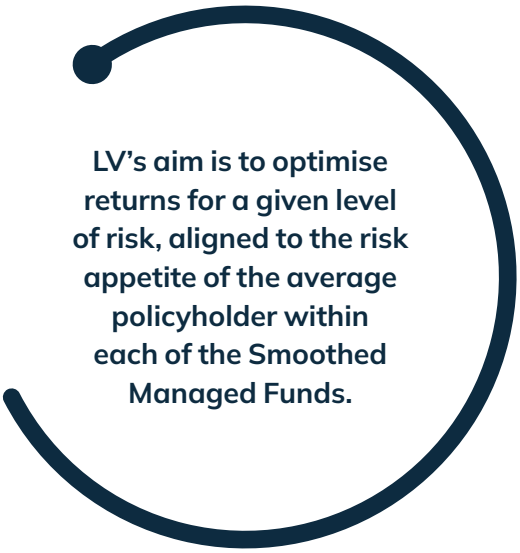
Tactical Asset Allocation (TAA) sits with BlackRock. However we have retained some CTI products.

For further information please get in touch with your usual LV= contact.

Strategic Asset Allocation

- The Strategic Asset Allocation (SAA) reflects LV's expectations of medium to long term investment returns across a range of asset classes.
- Working together with our primary asset manager, an asset allocation for a given level of risk is modelled to optimise the asset allocation using their views of expected returns and volatilities. The modelling involves thousands of asset allocations and thousands of scenarios. The results are subjected to analysis and due diligence from the LV= Investment Team bringing in the views of other asset managers, economists, banks and other market participants to challenge market assumptions used in the models.
- LV= considers a wide range of views on the investment cycle and the volatility of investment returns for each asset class. This is combined with LV's risk appetite and internal views, which are formed by the nature and duration of the business backed by the underlying assets in each fund.
- LV's aim is to optimise returns for a given level of risk, aligned to the risk appetite of the average policyholder within each of the Smoothed Managed Funds.
- As part of this process, LV= sets out the investment universe (the asset classes and particular funds to invest in) along with a central benchmarked position for each asset class and for each Smoothed Managed Fund.
- Ultimate approval for the SAA is given by LV's Investment Committee on behalf of the LV= Board.
- The Investment Committee takes advice from the Board Risk Committee, the Life Chief Actuary, and for the with profits products, advice from the With-Profits Actuary and the With-Profits Committee before approving any changes to the SAA.

The Strategic Asset Allocation are reviewed regularly and are subject to change. Details of the most recent SAA can be obtained from your usual LV= contact.



Practice

Delivering returns

We believe markets can be inefficient and an active approach benefits investors in terms of risk and return. Our investment managers take the SAA, investment universe, constraints and target outperformance levels and then overlay their expertise to maximise the returns. They can do this in two ways:

- Tactical asset allocation (holding more of the good asset classes or investment strategies in a particular economic cycle and less of those performing poorly).
- Stock selection (picking the right companies or instruments at the right time for the right price).

Investment philosophy

- Dynamic management of managed portfolios can deliver positive returns over the longer term.
- Active return is generated at both the tactical asset allocation and fund selection levels.
- Target higher conviction strategies in those markets where there is the greatest potential for outperformance whilst maintaining a balanced exposure to global markets.

In pursuit of alpha

'Alpha' is a commonly used investment metric that refers to the excess return of an investment relative to the return of a benchmark index.

Alpha may be positive or negative and is the result of active investing.

Responsible investing

We've developed a principles based approach to Responsible Investing which you can read about in this document.

We engaged with multiple teams across LV= (incl. financial risk, actuarial, sales and executive directors) to ensure that our approach is fit for the whole business. The principles, which form the core of our approach, are intended to be enduring statements and we don't expect them to change often. However, we do have the ability to change them at any time, subject to satisfying any relevant regulatory requirements and member considerations.

Our approach will cover most LV= funds, including the Royal National Pension Fund for Nurses (RNPFN) and Teachers Assurance sub-funds. We intend to expand this approach to include over 200 funds invested via the Self- Invested Personal Pensions (SIPP) wrapper once they've been assessed.

Our Responsible Investing Approach encompasses all Environmental, Social and Governance (ESG) issues.

2025 has been characterised by relative stability in macroeconomic factors, despite ongoing uncertainty and volatility from geo-political risks. Further detail in relation to this can be found on page 20. Climate change continues to have a focus from regulators and government bodies. Further details in relation to the climate change risks impacting LV= are shown in the sustainable business review on pages 24 to 32 of our 2025 Annual Report.

Governance

Our Investment Team at LV= will ensure that our asset managers follow this approach and they'll monitor compliance on an on-going basis. Where appropriate, they'll report to our Asset and Liability Committee (ALCO) and the Investment Committee.

The principles

We believe that in the long-term, we'll achieve better financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy.

In order to achieve this we expect:

- Our Asset Managers to consider ESG information, alongside traditional analysis, when making investment decisions on our behalf.
- All Asset Managers to comply with the principles set out in this approach. Where any Asset Manager does not comply, we expect them to have a plan to address this. If we feel that insufficient progress is being made towards compliance, we may decide to stop working with them.
- All Asset Managers to be signatories to either the United Nations Principles for Responsible Investing or the UK Stewardship Code. We have an obligation to our members to invest their money responsibly. By doing so we aim to achieve strong investment returns and contribute to the sustainable development of the world and society. Through this document, our Responsible Investing principles are publicly available to provide transparency for our members and prospective consumers.

We believe that engagement with investee companies is an effective way to drive positive ESG change and contribute to the long-term success of the global economy. Any prohibited investments will continue to be excluded from our investment portfolios.

United Nations Principles for Responsible Investing

There are six voluntary, and aspirational, investment principles that offer possible actions to incorporate ESG issues into investment practice. In implementing them, signatories contribute to developing a more sustainable global financial system.

Stewardship

In order to practice good stewardship, we require our Asset Managers to engage with investee companies and where applicable, vote on our behalf. Asset Managers are also required to:

- Provide us with timely updates when requested, for any investment holdings which have the potential to impact the reputation of LV=.
- Consider ESG factors, alongside other criteria, in order to make informed investment decisions. We also require them to be able to demonstrate this process on request.
- Identify and manage any conflicts of interest that arise during the engagement process with investee companies.

Where our investments are held in specific sustainable or impact investing funds, we expect the Asset Manager to provide a regular report to us on how the investee company is meeting their stated goals. We expect these to be aligned to the Sustainable Development Goals set by the United Nations.

We're designing a process to ensure that, as far as possible, all our investments are quantitatively monitored using independent ESG criteria.

UK Stewardship Code

The UK Stewardship Code 2020 took effect on 1 January 2020 and sets high expectations of those investing money on behalf of UK savers and pensioners.

It defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Responsible investing with our investment partners

Responsible Investing is key for LV=, and we leverage the considerable strength of our investment partners in this area.

LV= is an advocate of responsible investing and some investment mandates are geared around ensuring this position.

- LV's partnership with BlackRock will further strengthen our sustainable investing proposition by leveraging their expansive sustainability platform, research and resources.
- With 500+ dedicated sustainable products, BlackRock can provide a wide range of sustainable building blocks for our Smoothed Managed Funds across their index and alpha ranges.
- With access to BlackRock's deep bench of researchers and insights, we will be able to articulate our environmental and societal impact through market-leading analytics and reporting tools.
- As a member of the United Nations backed Principles for Responsible Investment (UNPRI), and signatory of the UK Stewardship Code, responsible investment and ESG considerations are integrated into BlackRock's investment capability.
- In addition, the BlackRock Stewardship team engages with investee companies on material risks and opportunities to enhance long-term value for our clients, including, when relevant, material sustainability-related risks and opportunities. BLK have two separate teams, BlackRock Investment Stewardship (BIS) and BlackRock Active Investment Stewardship (BAIS), who together cover the full spectrum of their assets across index and active strategies.

BlackRock's approach to ESG integration

- As a fiduciary, BlackRock's approach to investing is grounded in three principles. 1) They start by understanding the client's investment objectives and provide choice to meet their needs; 2) They seek the best risk-adjusted returns within the scope of the mandate clients give us; and 3) They underpin our work with research, data and analytics.
- BlackRock define ESG integration to be the practice of incorporating financially material ESG data or information into their firmwide investment processes with the objective of enhancing risk-adjusted returns of our clients' portfolios.
- This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective.
- BlackRock's Investment Teams have access to a range of third-party data sets and internal materiality-focused ratings across core Aladdin tools, allowing investors to identify financially material ESG data or information for their unique investment process where appropriate.
- Aladdin also offers a set of analytic tools to assess material ESG-related risks and opportunities. This includes Aladdin Climate, which amongst other analytics, provides scenario analysis capabilities to help investors identify investment risks and opportunities associated with the physical impacts of a changing climate and the uncertain transition to a low-carbon world.

Key facts about our primary asset manager

About BlackRock

BlackRock is one of the world's largest investment managers, founded in 1988.

Their role is simple: to help people invest for their future — whether that's retirement, building long-term wealth, or generating income

Over the past three decades, BlackRock have built a globally diversified investment platform. That means they manage money across a wide range of investments, including shares, bonds and multi-asset portfolios, helping investors access opportunities around the world.

BlackRock combine global investment expertise with technology and data to support better decision-making and risk management. Above all, they focus on helping clients stay invested and achieve their long-term goals.

BlackRock believe investing should be:

- Long term
- Transparent
- Diversified
- Built around managing risk

As markets evolve, BlackRock continue to adapt - with the aim of delivering strong outcomes for investors over time.

Assets Under Management

$14.0 trillion

24,000
Global employees

4,550
UK employees

Data reflects approximate values as at 31 December 2025

How to invest

Two routes to access, via one simple to use Adviser Portal.

Why LV= Platform Services?

LV= Platform Services aims to bring you leading financial technology together with exclusive platform access to our Smoothed Managed Funds.

The platform can integrate easily with your advice business, and support you to achieve the best outcomes for your clients:



- Manage portfolios your way - key processes are fully automated
- Fully accessible through our adviser portal
- You can manage all your LV= clients in one place
- Access an extensive fund universe
- Manage your clients' wealth through a range of flexible product wrappers
- Embed the platform into your advice business with ease, thanks to support from our Platform Specialists

For more information, please get in touch with your LV= Business Development Manager.

Five great reasons to invest with LV=

1. Choose from a range of global, multi-asset funds
2. Smoothed returns
3. Funds risk-rated by multiple agencies to help you assess client suitability
4. 10 year guarantee option available on the Smoothed Managed Cautious fund (product eligibility applies)
5. Simple application process.

To view our latest risk ratings visit

lvadviser.com/smoothed-investments/fund-management

Contact us

If you would like further information about the investment principles, practice or governance of the Smoothed Managed Funds range, contact your usual LV= contact, or:



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advisersupportteam@LV.com

Lines are open 9am – 5pm Monday to Friday.
Calls will be monitored and/or recorded for training and audit purposes.

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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