

LV= Smoothed Managed Funds – how does our smoothing mechanism work?

Our Smoothed Managed Funds have a built-in smoothing mechanism which has been designed to provide your clients with a calmer investment experience in a simple and effective way.

Our mechanism works in two parts to ensure your clients experience a smoother investment journey from day two of investment.



How does it work?

Your client's money is invested into their chosen fund at the fund prices for that day (daily fund price).



On day two, the averaging begins.

The daily fund prices on days one and two are added together, and divided in two. This gradually averaged price is what they will see reflected in their investment value.



On day three, the daily fund prices for all three days are added together and divided by three. It continues like this for the next 26 weeks (roughly six months).

When they've been invested for six months, we'll take an average of the daily fund prices from the past six months. This approach then continues on a rolling basis.

The graph below illustrates how our smoothing mechanism can provide a steadier investment journey for you.

■ Daily fund price
 ■ Gradual price*
 ■ Smoothed price



*The gradual smoothing process only applies during the first 26 weeks of the investment; after this, a rolling 26-week average is used.

For customers investing in our ISA, the process is a little different:

- In the first 26 weeks** – when your client invests in our smoothed funds, the investment is valued at the daily fund price for the first 26 weeks.
- After the first 26 weeks** – the smoothing mechanism starts and the fund is usually valued at the averaged daily price of the previous 26 weeks.

The chart above is an illustration of how our smoothing mechanism works to soften the impact of fluctuations in the daily fund value. Simulated daily fund prices have been used with the smoothing mechanism applied to illustrate how the smoothing mechanism would react over a period of 18 months. Our smoothing process helps reduce the impact of market volatility, but it doesn't eliminate the risk of the investment losing value.

What does this mean for my clients?

Our smoothing mechanism is designed to give clients a calmer, more predictable investment journey. While growth in rising markets may be steadier, the real advantage is in falling markets, where smoothing helps to soften sudden drops in value of their investment. This balance can provide clients with peace of mind, knowing their money is working for them with less extreme ups and downs, and they begin to feel the benefit of smoothing from day two of their investment.

A client may find this valuable if they're nearing retirement, already taking a retirement income, or simply looking to reduce the impact of short-term market fluctuations and volatility on their investments.

When could we suspend smoothing?

Although it's unlikely, we may need to suspend the smoothing mechanism to protect our members and our business.

This could be required if the daily fund price drops to below 80% of the value of the smoothed price, or in other exceptional circumstances.

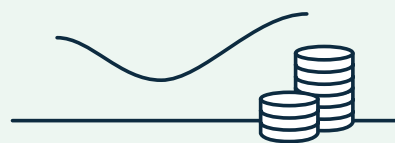
In the rare event we do need to take this step, the fund would typically be valued on the daily fund price or, at our discretion, on a daily gradual averaged price until smoothing is reintroduced. The LV= ISA would always be valued on the daily fund price in this scenario.

Every day we work out the daily fund price (which will rise and fall with market conditions) and the smoothed price.

How has the mechanism fared?

Our smoothing mechanism has stood the test of time, too. It has consistently delivered calmer investment journeys to members since its launch in 2005 - including the financial crisis of 2008, COVID-19 pandemic in 2020 and volatility during the Trump tariffs.

We're proud that at the date of publication our smoothing mechanism has never been suspended, and we continue to monitor market activity to maintain our strong track record.



Important

Please remember that past performance doesn't reflect what will happen in the future. The value of the investment can go down as well as up.

To help you explain our mechanism to your clients a client-facing video is available here



[LV.com/investments/investment-products](https://lv.com/investments/investment-products)

Or, for more information on our smoothing mechanism and our wrappers visit



[LVadviser.com/smoothed-investments](https://lvadviser.com/smoothed-investments)

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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