

# Smoothed Managed Funds

## Customer guide

LV= Smoothed Managed Funds Pension Series 1

LV= Smoothed Managed Funds Bond Series 1

LV= Smoothed Managed Funds Trustee Investment Plan (LV= TIP)

LV= ISA



# Smoothed Managed Funds

## Customer guide

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## Why LV=?

We've been providing financial stability to our members since 1843. We pride ourselves on taking a longer-term view to prioritise what's right for our customers and members.

We serve over a million members and customers across the UK and as a protection, investment and retirement specialist, we offer a range of products, services and advice.

### Backed by award-winning service and support

We're proud of our position in the savings and retirement market, and can trace our retirement and income planning expertise back over 30 years.

Our strong service and support ethic, together with a reputation for providing innovative products, means our retirement products and award-winning customer service are highly regarded by industry experts, advisers and customers.

### Financial strength

LV='s financial strength is independently recognised, but in the unlikely event that we're unable to meet our financial liabilities, investments would be covered by the Financial Services Compensation Scheme (FSCS) up to the limits applying at that time.

#### Capital Coverage Ratio (CCR) – 204%

(Source LV= Annual Report 2023)

We aim to ensure the long-term sustainability of the group by maintaining a robust Solvency II Capital Coverage Ratio (CCR). Our ratio of 204% is significantly above our risk-appetite target level of 140%.

### Overall financial strength rating

#### B (strong)

(Source:  
AKG Consulting,  
Company Profile & Financial  
Strength Report, November 2023)



### Award-winning products

We've received some great awards for our products, including the Defaqto Gold Service Rating for the LV= Pension. This is the highest rating possible, meaning we are proven to offer excellent customer service.



# Our smoothed wrappers at a glance

## The LV= Smoothed Pension

The LV= Smoothed Pension offers you a range of options at retirement, gives you control over your pension planning, and each fund is risk-rated so you can feel confident that your choice matches your attitude to risk.

- The Smoothed Pension offers access to our unique smoothing process (gradual averaging), which aims to reduce the impact of market fluctuations, starting from day two.
- Aims to provide steady medium to long term growth, with no unexpected price adjustments to date\*
- The Smoothed Pension is a with-profits investment.
- An optional 10-year capital guarantee is available for investments in the Cautious fund\*\*.

## The LV= ISA

The LV= ISA offers you the flexibility to choose from one of our global, multi asset smoothed ISA funds to meet your own attitude to risk.

- Benefits from our original smoothing mechanism. During the first 26 weeks funds are valued on the underlying price. After 26 weeks, the funds are valued using a transparent 26-week historic average of the daily underlying price, to help smooth out the impact of market fluctuations.
- Investment growth is free from UK Income and Capital Gains Tax.
- Ability to transfer in your previous years' ISA savings, up to an overall total of £1,000,000.
- Allows an initial lump sum from £10,000, with additional amounts from £2,000 or £10,000 with a guarantee (subject to the annual ISA allowance of £20,000).
- Allows ad-hoc withdrawals.
- The LV= ISA is a with-profits investment.
- Offers an optional 10-year capital guarantee for investments in the Cautious fund^.

## The LV= TIP

The LV= Smoothed Managed Funds Trustee Investment Plan (LV= TIP) is a single-contribution investment policy for Trustees of UK registered pension schemes, and an alternative way to access our Smoothed Managed Funds. It allows you to invest in our Smoothed Managed Funds via your current Self-Invested Personal Pension (SIPP) or Small Self-Administered Scheme (SSAS).

- The LV= TIP offers access to our unique smoothing process (gradual averaging), which aims to reduce the impact of market fluctuations, starting from day two.
- Should you wish to change your SIPP/SSAS provider at a later date, then the smoothed funds can be easily transferred with your other investments.
- It also offers unlimited withdrawals, and daily valuations are available to SIPP/SSAS trustees.
- The LV= TIP is a with-profits investment.
- An optional 10-year capital guarantee is available for investments in the Cautious fund\*\*.

## The LV= Smoothed Bond

The LV= Smoothed Bond is an onshore investment that aims to deliver long term growth alongside a level of investment security.

- The Smoothed Bond offers access to our unique smoothing process (gradual averaging), which aims to reduce the impact of market fluctuations, starting from day two.
- A tax planning vehicle – you won't have to pay any Capital Gains Tax or basic rate income tax† on money you take out of your Bond as you'll have already paid tax on income and gains.
- It also offers Gift & Loan Trusts (available through LV=) for effective inheritance tax planning.
- The LV= Smoothed Bond is a with-profits investment.
- Offers an optional 10-year capital guarantee for investments in the Cautious fund\*\*.

The maximum investment is £1,000,000 across aggregated investments into the Smoothed Managed Funds product range.

\* As of March 2024.

\*\* Available at outset, or on the expiry of a previous guarantee, if available at that time.

^ Available on initial and subsequent investments or transfers-in at the point of application, or on the expiry of a previous guarantee, if available at that time.

† If you are a higher rate taxpayer or the withdrawal from the Bond added to your yearly income takes you into the higher rate tax band, you will have an income tax liability. The tax paid within the fund can't be reclaimed if you are a non-taxpayer and will count towards any means-tested benefits you may receive. Any references we make to taxation are based on our understanding of current legislation and HM Revenue & Customs practice, which can change.

# How can the LV= Smoothed Managed Funds work for you?

**We are living in uncertain times, which means erratic market conditions are to be expected.**

You want to know that your investment isn't on the list of things to worry about. LV's Smoothed Managed Funds are designed to offer you a calmer investment experience, by knowing your money will not bear the full impact of daily market changes.

The stock market has consistently demonstrated its potential to deliver superior returns over the medium to long-term compared to cash, fixed interest and property investments.

However, the price of these returns is uncertainty. Large daily fluctuations in stock values have the potential to dramatically impact the value of an investment and its ability to provide you with a consistent level of retirement income - even if stock values later recover.

Our smoothing process aims to reduce the stress and worry of stock market investing by averaging daily fund prices to avoid sudden shocks and cliff-edge falls in investment performance.

## How does it work?



Your money is invested into your chosen fund(s) at the fund's underlying unit price.



On **day two** the daily underlying unit prices for **day one** and **day two** are added together and divided by two.



On **day three** the daily underlying unit price for all three days are added together and divided by three, and so on. This process continues until you've been invested for 26 weeks (roughly six months). From 26 weeks onwards your investment value will be an average of the preceding 26 weeks on a rolling basis.

This is still a stock market investment, so values can go up and down, but the aim of the smoothing mechanism is to provide you with a more comfortable, confident investment journey by cushioning your investment from daily stock market fluctuations. We do have the ability to suspend smoothing if necessary\*, but we have not done so since the funds were launched in 2006 to date (March 2024).

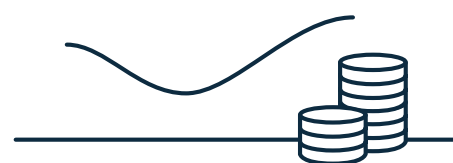
Please remember that past performance doesn't reflect what will happen in the future. The value of your investment can go down as well as up.

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

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

Although smoothing won't eliminate the risk of your investment going down in value in sustained poor market conditions, it's specifically aimed at 'smoothing out' the impact of sharp market variations.

This mechanism helps you to be confident in the value of your investment, not worry about daily stock market fluctuations, and have time to consider any investment decisions, since sudden market changes will not dramatically affect your money.



\* Please note that smoothing can be suspended at our discretion in exceptional conditions or if the underlying price is 80% or less of the averaged or 'smoothed' price. The fund will typically be valued on the underlying price, or at our discretion, the funds may be valued on the daily gradual averaged price (except ISA which would be valued on the underlying price). We will reinstate smoothing after the price being used to value units recovers to equal to or greater than the averaged price, or at our discretion.



This graph demonstrates the impact our smoothing mechanism can have, illustrating the journey of a Smoothed Managed Funds investor versus investing in the underlying assets. It also demonstrates the two phases of our smoothing mechanism.



This chart is an illustration of how our smoothing mechanism works to soften the impact of fluctuations in the underlying fund value. Please remember that the LV= ISA will only be smoothed once you've been invested for 26 weeks.

**We're the only company to offer this unique and transparent process for smoothing away the day-to-day turbulence of investing money.**

# Key features of the Smoothed Managed Fund product range

**Our Smoothed Managed Fund product range is made up of the LV= Smoothed Pension, LV= Smoothed Bond, LV= ISA and the LV= TIP.**

While one product may be more suited to you, they all have a few things in common:



Each product benefits from our unique smoothing process to help level out the peaks and troughs of the stock market.



Should you pass away while you hold your investment, we will make a payment of a percentage of the fund value to your family.\*



You can choose from a range of independently risk-rated investment funds to meet your attitude to risk.



Optional guarantees\*\* are available to secure capital on Cautious fund investments.



Our funds are managed in partnership with BlackRock, one of the world's largest asset managers.



Access up-to-date valuations and manage your policies and accounts online through our customer portal, My LV=.



Our smoothed funds have low impact charges, meaning your investment won't be eaten into by high fees.



Should you wish to change the funds you invest in, a 10 working day wait period is applied for all fund switch requests.

A wait period of up to 10 working days may also be applied for withdrawals, ad-hoc adviser charges and transfers out.

\* LV= TIP pays 100% of the fund value back to the SIPP/SSAS bank and the LV= Smoothed Pension pays an uplifted fund value back to the LV= Pension bank account. The LV= Smoothed Bond and LV= ISA pays an uplifted fund value to the deceased's estate.

\*\* Guarantees are available on investments in the Smoothed Managed Cautious fund only.

More info can be found here [LV.com/investments/investment-products](https://www.lv.com/investments/investment-products)

# Member benefits

**We are proud of our heritage as a mutual, providing our members with support and peace of mind for generations.**

As a Smoothed Managed Funds investor, you are also a member of LV=. This means a range of member benefits are available to you.

We invest in delivering the very best products, services, and returns possible to support our aim of making financial security and peace of mind available to everyone.



## With-profits member mutual bonus

Members investing in our LV= Smoothed Pension, Bond, LV= ISA and LV= TIP invest in our LV= With-Profits Fund, and are therefore eligible to participate in our mutual bonus scheme. This gives the potential for an additional mutual bonus to be added to the value of your investment once it has been in force for at least 12 months.



## Product discounts

Members can get exclusive discounts on the price of general insurance cover, such as 10% off motor and home insurance, and 5% off pet insurance. General insurance products are provided by LV= General Insurance Group, a subsidiary of Allianz Holdings plc.



## Member Support Fund

A helping hand when life throws you a curve ball. You can reach out to us and apply for practical support or a financial boost.



## Voting rights

Have your say and vote on key matters affecting the business at any LV= Annual General Meeting or Special General Meeting.

## LV= Doctor Services

As a demonstration of our commitment to provide positive outcomes for our customers, we've also partnered with Square Health to bring you LV= Doctor Services. Members will benefit from free access to online medical services such as 24/7 remote GP appointments, second opinion services and prescriptions.

Doctor Services are provided by third party companies. These services are not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.



## Care Navigator

We've partnered with MorganAsh to offer their Care Navigator service to all our members and customers, which aims to make it easier to navigate the UK's elderly care system. Get a free consultation and a free care home guide. And, if you'd like even more support, you'll receive an exclusive 10% discount on the various service options available.



**To find out more about being a member, visit [LV.com/members](https://www.lv.com/members)**

# Fund objectives and asset allocation – where do we invest your money?

When you invest in our Smoothed Managed Fund range, you have a choice of risk-rated funds to suit your appetite to investment risk.

We have carefully selected these funds, which offer a blend of investment types to reduce volatility risk while still allowing the funds to benefit from long term growth.

We regularly review the funds to ensure they offer you an appropriate balance of risk and reward. Funds are globally invested to reduce the impact of market fluctuations in any particular region.

The following tables show our benchmark investment percentages across the Smoothed Managed Fund range.

## LV= Smoothed Managed Extra Cautious Fund

The fund is designed to provide **long term steady growth** together with a **very low level of investment risk**.

Asset group/class	%
Cash	5.0
Global Sovereign Bonds	26.0
UK Gilts	13.0
US Treasuries	13.0
Global Corporate Bonds	41.0
UK Corporate Bonds	18.0
DM Corporate Bonds	18.0
High Yield Bonds	5.0
Developed Market Equities	9.0
UK Equities	1.5
US Equities	2.0
European Equities ex UK	3.0
Japanese Equities	2.5
Sustainable Equities	2.0
UK Sustainable Equities	1.0
Global Sustainable Equities	1.0
Multi-asset	10.0
Property	7.0
<b>Total</b>	<b>100.0</b>
Equity Backing Ratio*	23.0

## LV= Smoothed Managed Cautious Fund

The fund is designed to provide **long term steady growth** together with a **low level of investment risk**.

Asset group/class	%
Cash	2.0
Global Sovereign Bonds	20.0
UK Gilts	10.0
US Treasuries	10.0
Global Corporate Bonds	39.5
UK Corporate Bonds	16.0
DM Corporate Bonds	16.0
High Yield Bonds	7.5
Developed Market Equities	15.0
UK Equities	4.0
US Equities	4.0
European Equities ex UK	4.0
Japanese Equities	3.0
Emerging Market Equities	8.0
APAC ex Japan Equities	4.0
EM Equities	4.0
Sustainable Equities	3.0
UK Sustainable Equities	1.5
Global Sustainable Equities	1.5
Multi-asset	7.5
Property	5.0
<b>Total</b>	<b>100.0</b>
Equity Backing Ratio*	34.8

\* The calculation of the Equity Backing Ratio (Total Equities + Property) includes 50% of the multi-asset allocation as equities.



### LV= Smoothed Managed Balanced Fund

The fund is designed to provide **long term moderate growth** together with a **low to medium level of investment risk**.

Asset group/class	%
Cash	2.0
Global Sovereign Bonds	16.0
UK Gilts	8.0
US Treasuries	8.0
Global Corporate Bonds	26.5
UK Corporate Bonds	10.0
DM Corporate Bonds	10.0
High Yield Bonds	6.5
Developed Market Equities	26.0
UK Equities	7.0
US Equities	7.0
European Equities ex UK	7.0
Japanese Equities	5.0
Emerging Market Equities	12.0
APAC ex Japan Equities	6.0
EM Equities	6.0
Sustainable Equities	5.0
UK Sustainable Equities	2.5
Global Sustainable Equities	2.5
Multi-asset	7.5
Property	5.0
<b>Total</b>	<b>100.0</b>
Equity Backing Ratio*	51.8

### LV= Smoothed Managed Growth Fund

The fund is designed to provide **long term growth** together with a **medium level of investment risk**.

Asset group/class	%
Cash	2.0
Global Sovereign Bonds	10.0
UK Gilts	5.0
US Treasuries	5.0
Global Corporate Bonds	20.0
UK Corporate Bonds	8.0
DM Corporate Bonds	8.0
High Yield Bonds	4.0
Developed Market Equities	32.5
UK Equities	10.0
US Equities	10.0
European Equities ex UK	9.0
Japanese Equities	3.5
Emerging Market Equities	15.0
APAC ex Japan Equities	7.5
EM Equities	7.5
Sustainable Equities	6.0
UK Sustainable Equities	3.0
Global Sustainable Equities	3.0
Multi-asset	7.5
Property	7.0
<b>Total</b>	<b>100.0</b>
Equity Backing Ratio*	64.3

### LV= Smoothed Managed Growth Plus Fund

The fund is designed to provide **long-term steady and sustainable growth** together with a **medium level of investment risk**. Within this objective we aim to invest in more sustainable assets in this fund.

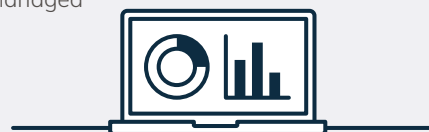
Asset group/class	%
Cash	2.0
Global Sovereign Bonds	7.0
UK Gilts	3.5
US Treasuries	3.5
Global Corporate Bonds	21.0
UK Corporate Bonds	7.0
DM Corporate Bonds	7.0
High Yield Bonds	7.0
Sustainable Equities	45.0
UK Sustainable	10.0
Global Sustainable	10.0
Global equity ESG fund	25.0
Emerging Market Equities	20.0
APAC ex Japan Equities	10.0
EM Equities	10.0
Property	5.0
<b>Total</b>	<b>100.0</b>
Equity Backing Ratio*	70.0

\* The calculation of the Equity Backing Ratio (Total Equities + Property) includes 50% of the multi-asset allocation as equities.

# The Fund Manager

Our Smoothed Managed Funds are managed in partnership with BlackRock. LV= appointed BlackRock in 2023 as our primary asset manager for the investment management of our Smoothed Managed Funds and legacy back book, following a comprehensive and strictly governed tender.

Prior to selecting BlackRock, LV= had a successful investment management partnership with Columbia Threadneedle Investments who successfully delivered for LV= members and customers for 12 years.



## Annualised fund performance at 31 January 2024

Annualised performance demonstrates the average gains per year, over multiple years. We have displayed it here as a percentage and gross of charges.

LV= Smoothed Bond	1 year	3 year	5 year	10 year
Extra Cautious*				
Cautious	2.32%	-1.27%	1.49%	3.00%
Balanced	3.45%	0.40%	2.66%	4.02%
Growth	3.65%	0.89%	3.07%	4.49%
Growth Plus*	1.79%			

LV= Smoothed Pension	1 year	3 year	5 year
Extra Cautious*			
Cautious	2.68%	-1.54%	1.83%
Balanced	3.60%	0.45%	3.19%
Growth	3.82%	1.25%	3.78%
Growth Plus*	3.17%		

LV= ISA	1 year	3 year	5 year
Extra Cautious*	1.88%		
Cautious	2.54%	-1.54%	1.82%
Balanced	3.59%	0.57%	3.26%
Growth	3.52%	1.31%	3.81%
Growth Plus*			

LV= TIP	1 year	3 year	5 year
Extra Cautious*			
Cautious	2.58%	-1.57%	1.81%
Balanced	3.63%	0.46%	3.20%
Growth	3.65%	1.27%	3.79%
Growth Plus*			

The performance shown in the tables above has been extended back prior to the launch of the current Smoothed Managed Funds using the performance of previous versions of the same funds which have the same mix of assets.

\* Our Extra Cautious fund and some Growth Plus funds do not yet have sufficient historic performance to appear on this table. If you would like to see the latest performance, please contact your financial adviser.

**Please remember that past performance is not a reliable guide to the future. The value of an investment can go down as well as up.**

# Glossary

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**Averaging (also known as 'smoothing')** – means the underlying unit price in your chosen fund option, averaged over the previous 26 weeks. Averaging the daily underlying unit price means you experience a 'smoother' investment journey, rather than seeing daily fluctuations reflected in your investment value.

**Gradual Averaging** – means the method used to determine the daily gradual averaged unit price based on an increasing average of the daily underlying unit price during the first 26 weeks of investment, or change of fund option.

**Mutual Bonus** – our mutual bonus rewards eligible members for their support of the development and growth of Liverpool Victoria Financial Services (LV=). It is not a guaranteed benefit, and the amount can vary. Eligible policies must have been in place for 12 months before a bonus will be awarded.

**Property** – in this context, 'Property' is a type of asset. It refers to investing in, usually commercial, property such as coffee shops and industrial premises.

**Shares / equities** – refers to one of the equal parts into which a company's capital is divided. Owning a share entitles the holder to a portion of any profits.

**Trustee Investment Plan** – a with-profits plan which invests in our unit-linked LV= Smoothed Managed TIP Funds.

**Underlying Unit Price** – for each fund option this reflects the market value of the investments, divided by the number of units that own a share of these investments. This is the underlying unit price before our smoothing mechanism is applied.

**Volatility** – refers to the level of fluctuation in an investment's value.

## Contact us

For more information about our Smoothed Managed Fund range, speak to your financial adviser, or visit:



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

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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