

Fund options for LV= Smoothed Managed Funds Trustee Investment Plan (LV= TIP)

Investment Report 2021

This information does not constitute investment advice and we recommend that you speak to a suitably qualified financial adviser before making any investment decision based upon this, or any other information.

This report provides information on the performance of your LV= TIP, for the period 1 January 2021 to 31 December 2021.

Columbia Threadneedle Investments

Since 1 November 2011 the asset management of our funds has been undertaken on our behalf by Columbia Threadneedle Investments. Columbia Threadneedle is responsible for the day to day management of the assets within investment guidelines set by LV=.

Columbia Threadneedle is a leading international investment manager that manages £557bn of assets (as at 31 December 2021), investing on behalf of individuals, pension funds, insurers and corporations. Columbia Threadneedle is the global asset management group of Ameriprise Financial, a leading US-based financial services provider. Columbia Threadneedle's website address is columbiathreadneedle.co.uk.

How we manage the LV= ISA funds

Your LV= TIP is a non-profit investment. LV= provides information on how these funds are managed in a technical document called 'Your guide to how we manage our unit-linked Smoothed Managed Funds business' so that investors can understand what to expect from the provider they invest with, or are considering investing with.

The current version of the fund guide that relates to your investment, is available on our website at LV.com/investments.

Unit price and performance of each fund option available

Within the following pages you'll find the performance of each available fund option.

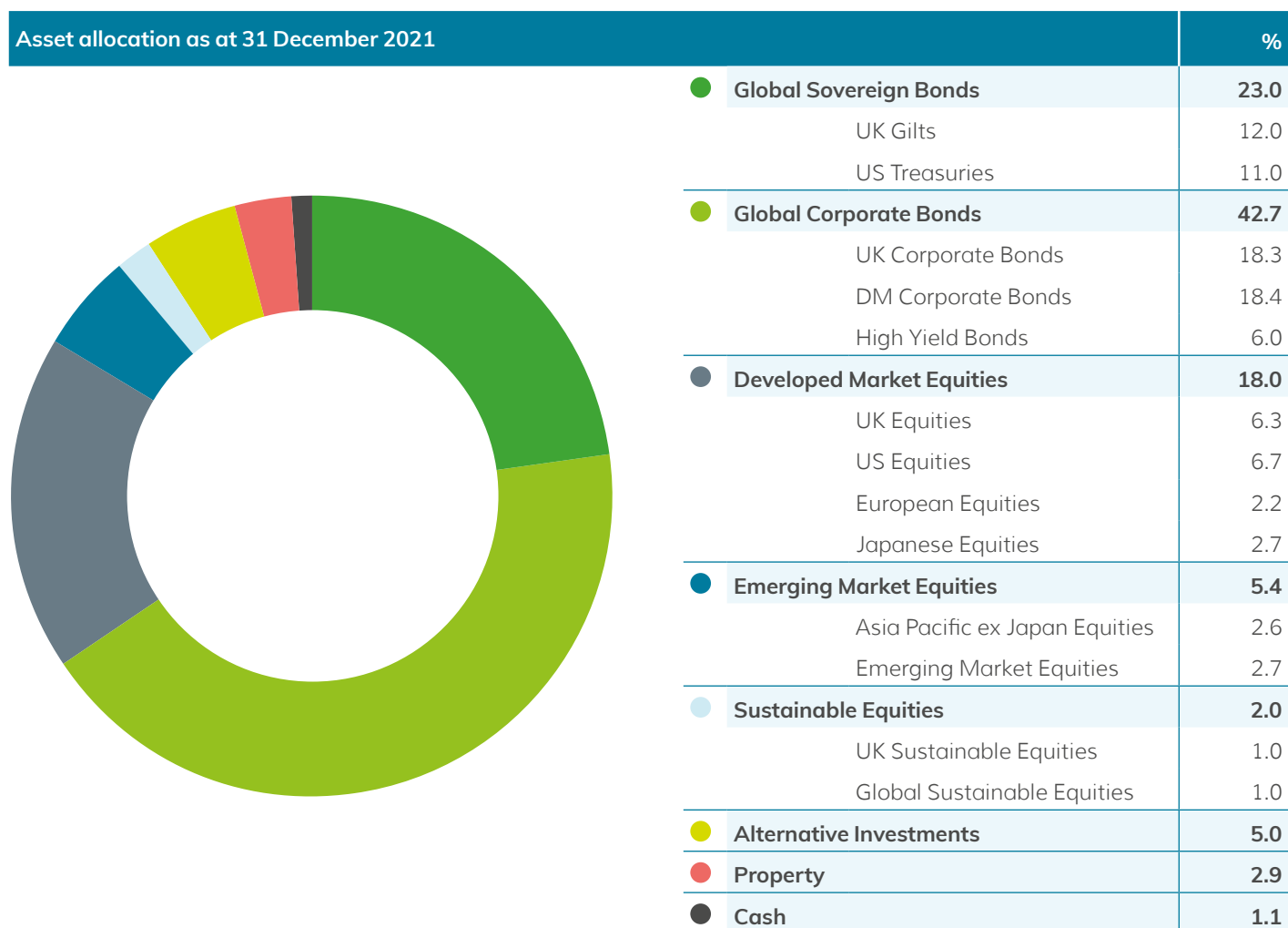
You can find the current unit price of your investment on our website at LV.com/investments/investment-fund-prices. This information should be read alongside your LV= TIP Conditions and Key Information Document.

You need to be aware that in each fund option your investment can go down as well as up. The higher the amount invested in equities (also known as stocks and shares), the more frequently this will happen and the more significant the changes in value are likely to be.



Smoothed Managed TIP Cautious

This fund is designed to provide long term steady growth together with a low level of investment risk. The fund invests, either directly or indirectly, in a diversified portfolio of fixed interest securities, equities, property, cash and other related instruments..



The table below shows the unit prices for the LV= TIP

LV= TIP

Unit price date	31 December 2021*	31 December 2020**	19 October 2020**
Unit price*	106.4p	103.1p	100.0p
Growth (%) for the 12 months to date shown	3.2%	N/A	N/A
Total percentage growth of unit price from 19 October 2020 (launch date) to 31 December 2021			6.4%

*The unit price quoted is the Averaged Price.

**The unit price quoted is the Underlying Price as there was no Averaged Price available until 6 May 2021.

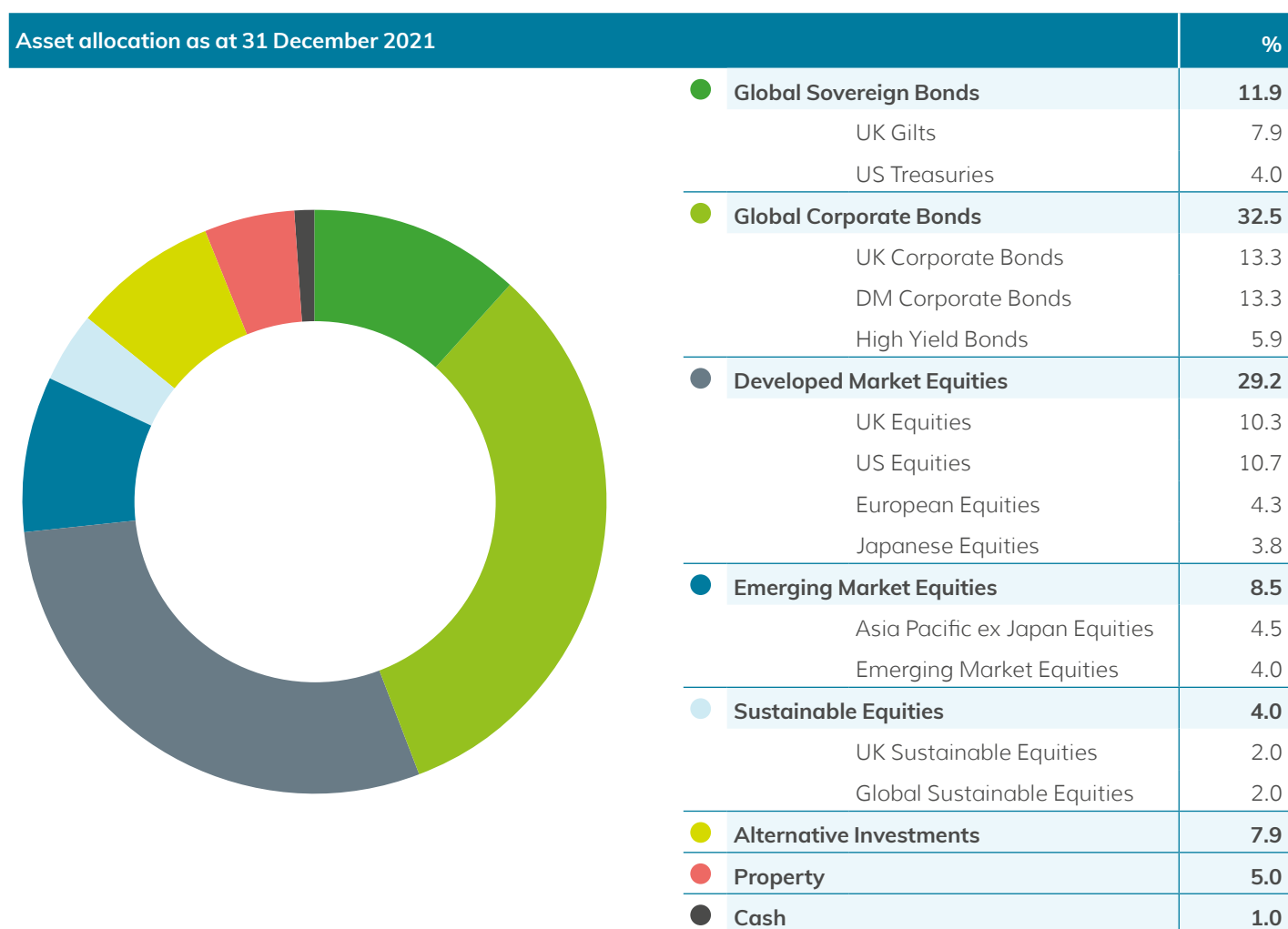
The percentage growth from launch is based on the Underlying Price at launch and the Averaged Price at 31 December 2021.

During the first 26 weeks each individual investment will enter the fund on the Underlying Price on day 1 and then usually move to a Gradual Averaged price from day 2. Please see your LV= TIP documentation for an explanation of Averaged, Gradual Averaged and Underlying Prices.

Please note: Product charges are paid by the cancellation of units rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Smoothed Managed TIP Balanced

This fund is designed to provide long term moderate growth together with a low to medium level of investment risk. The fund invests, either directly or indirectly, in a diversified portfolio of fixed interest securities, equities, property, cash and other related instruments.



The table below shows the unit prices for the LV= TIP

LV= TIP

Unit price date	31 December 2021*	31 December 2020**	19 October 2020**
Unit price*	108.4p	102.4p	100.0p
Growth (%) for the 12 months to date shown	5.9%	N/A	N/A%
Total percentage growth of unit price from 19 October 2020 (launch date) to 31 December 2021			8.4%

*The unit price quoted is the Averaged Price.

**The unit price quoted is the Underlying Price as there was no Averaged Price available until 6 May 2021.

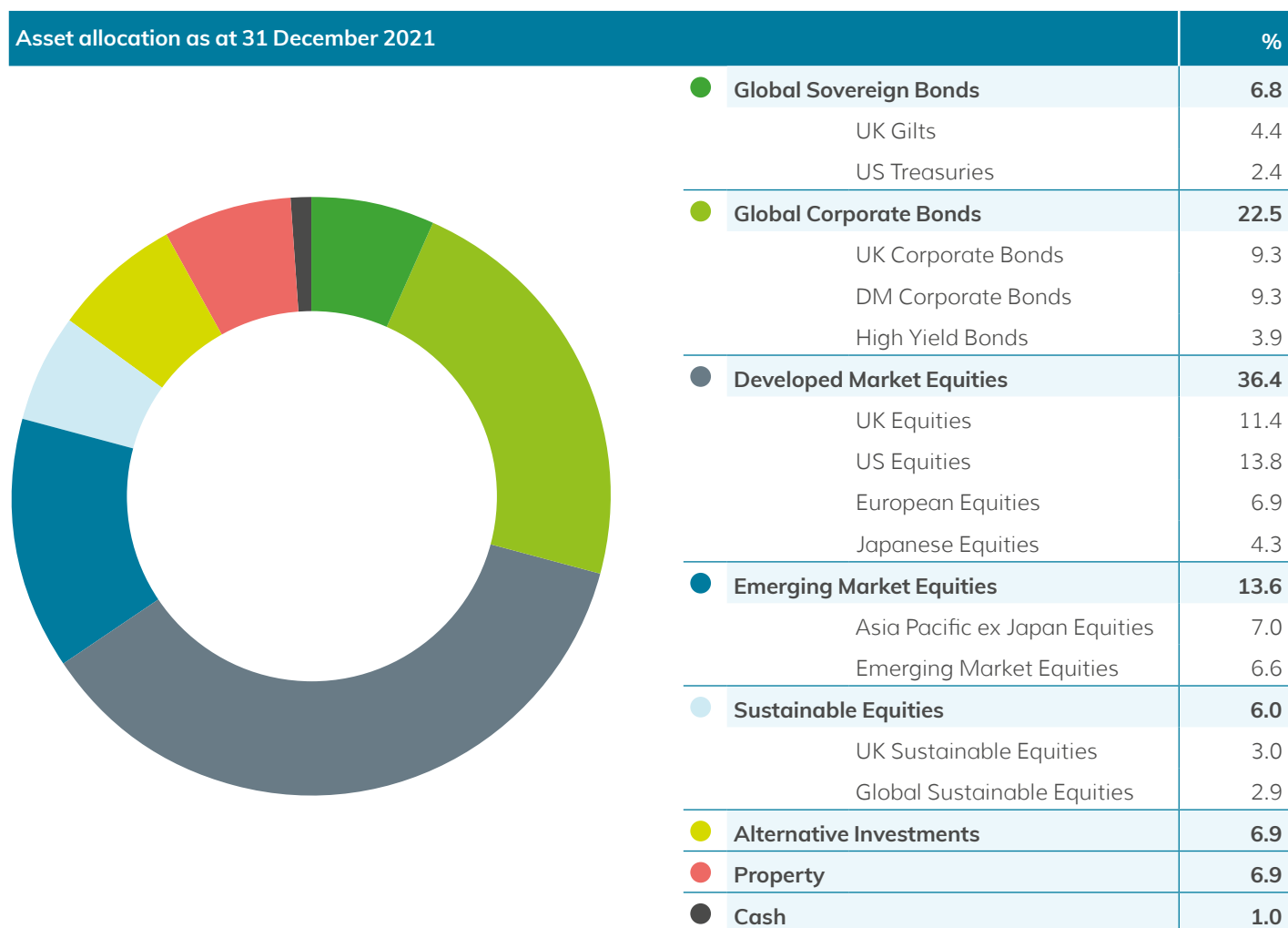
The percentage growth from launch is based on the Underlying Price at launch and the Averaged Price at 31 December 2021.

During the first 26 weeks each individual investment will enter the fund on the Underlying Price on day 1 and then usually move to a Gradual Averaged price from day 2. Please see your LV= TIP documentation for an explanation of Averaged, Gradual Averaged and Underlying Prices.

Please note: Product charges are paid by the cancellation of units rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Smoothed Managed TIP Growth

This fund is designed to provide long term growth together with a medium level of investment risk. The fund invests, either directly or indirectly, in a diversified portfolio of fixed interest securities, equities, property, cash and other related instruments.



The table below shows the unit prices for the LV= TIP

LV= TIP

Unit price date	31 December 2021*	31 December 2020**	19 October 2020**
Unit price*	110.5p	102.7p	100.0p
Growth (%) for the 12 months to date shown	7.6%	N/A	N/A%
Total percentage growth of unit price from 19 October 2020 (launch date) to 31 December 2021			10.5%

*The unit price quoted is the Averaged Price.

**The unit price quoted is the Underlying Price as there was no Averaged Price available until 6 May 2021.

The percentage growth from launch is based on the Underlying Price at launch and the Averaged Price at 31 December 2021.

During the first 26 weeks each individual investment will enter the fund on the Underlying Price on day 1 and then usually move to a Gradual Averaged price from day 2. Please see your TIP documentation for an explanation of Averaged and Underlying Prices.

Please note: Product charges are paid by the cancellation of units rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Please remember that past performance doesn't necessarily reflect what will happen in the future.

Performance Review

Global equities rose at a double-digit pace in 2021, even as volatility increased towards the end of the year. After a weak start in January, shares notched seven straight monthly gains, driven by robust corporate profits, ultra-loose monetary policy, the rollout of Covid vaccines and optimism about further US fiscal stimulus. From September onwards however, performance was more mixed as central banks in developed markets looked to address rising inflation concerns. Volatility spiked in November amid concerns about a rapid rise in Covid cases driven by the new Omicron variant.

Nevertheless, equities ended the year on a positive note, posting a gain in December and trading near record highs. Commodities (natural resources and agricultural products) also ended the year strongly, lifted by pandemic-related supply bottlenecks and the positive demand implications of economic reopening. Core government bond markets posted negative returns as accelerating inflation fostered anticipation of higher interest rates. Corporate debt held up better; the bullish earnings backdrop and a low default rate helping.

The pandemic continued to dominate investor sentiment over the period. Developed market countries rolled out vaccines in the first few months of the year with relative smoothness, helping to promote a revival in economic activity, which bolstered equities. Less positively, initial progress was slow in many emerging markets, but some Asian countries made good headway later in the year. But there was some relief as initial evidence suggested that Omicron, while highly contagious, was relatively mild in effect and caused fewer hospitalisations and deaths.

A shift in the outlook for monetary policy was a prominent theme of the year as inflation readings in numerous countries indicated that prices were rising swiftly. During the initial months, the key developed market central banks argued that higher prices would likely prove to be temporary and maintained their ultra-loose policies, continuing monetary stimulus and holding their key interest rates near or below zero.

The picture began to change around mid-year as inflation continued to accelerate, rising well above official targets in the US, the UK and the Eurozone. As the year came to a close, core developed market central banks made a dramatic shift toward tightening policy: just days apart in mid-December, the Federal Reserve in the US projected as many as three rate hikes before the end of 2023 while the UK's Bank of England raised rates for the first time since 2018 and the European Central Bank laid out plans to end their pandemic stimulus programme.

The MSCI All Country World Index, a measure of global equities, returned 20.1% in pound terms. Overweight positions in the US and Europe benefitted the fund where stocks were lifted by stimulus-related optimism and strong corporate profits. In Europe, stock selection further accelerated performance. UK equities performed strongly but below the global average. The other dominant theme of the year was slowing economic growth in China exacerbated by high borrowing in the Chinese property sector and regulatory clampdowns in pursuit of 'common prosperity'.

Throughout the year we maintained a strong underweight in China which offset some but not all the poor performance in Emerging Markets and Asia. Previously a weak asset class, property performance improved significantly over 2021 – particularly in the second half of the year as inflationary concerns buoyed our portfolios. The performance of our allocation to alternative investments, though positive, was somewhat subdued and below expectations.

In core government bond markets, yields rose (meaning prices fell) owing to rising inflation and anticipation that key central banks would rein in their stimulus measures. Our underweight position in government bonds – and especially Gilts – helped to cushion this underperformance.

Corporate bonds proved more resilient, helped by generally robust earnings and a low default rate. Over the year we favoured High Yield bonds which delivered a positive return over Investment Grade bonds which were slightly negative.

Responsible Investing

As we strive to be responsible investors, we apply Environmental, Social and Governance (ESG) principles to our Smoothed Managed Funds.

Our responsible investment framework has been developed to ensure that the investments within our smoothed fund portfolios are in line with UN sustainable development goals.

Over the year, we improved our ESG data to assess the funds against a composite benchmark of indices. The funds typically outperformed the benchmark with lower carbon intensities and emissions whilst holding better ESG-rated assets.

Cautious

2021 ESG Metric	Fund	Benchmark
Carbon Intensity	129	165
Carbon Emissions	67	108
CTI ESG Ratings	2.32	2.38

Balanced

2021 ESG Metric	Fund	Benchmark
Carbon Intensity	127	162
Carbon Emissions	66	111
CTI ESG Ratings	2.30	2.39

Growth

2021 ESG Metric	Fund	Benchmark
Carbon Intensity	128	165
Carbon Emissions	63	114
CTI ESG Ratings	2.27	2.39

Portfolio coverage (percent of portfolio represented by the data) ranges from 57% to 80%, except Carbon Emissions, which range from 45% to 68%. In all cases the fund coverage is above the benchmark coverage.

Carbon Emissions and Carbon Intensity are calculated on a rolling 12-month basis.

The measures shown are as at 31 December 2021 and are defined as:

Carbon Intensity is the tonnes CO2 emitted per \$1m of sales. This is a company's carbon emissions relative to the size of the business adjusted for the weighting in a portfolio or benchmark. Carbon intensity assessments provide an indication of carbon efficiency. This measure is agnostic to ownership share and facilitates comparison relative to other portfolios including non-equity asset classes.

Carbon Emissions is the tonnes CO2 emitted per \$1m invested. This is a normalised measure of a portfolio's contribution to climate change that enables comparisons with a benchmark, between multiple portfolios, and over time, regardless of portfolio size.

CTI ESG rating is our asset manager Columbia Threadneedle Investment's proprietary ESG rating system from **1** (very good ESG) to **5** (poor ESG).

You can get this and other documents from us in large print or other formats by contacting us.



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