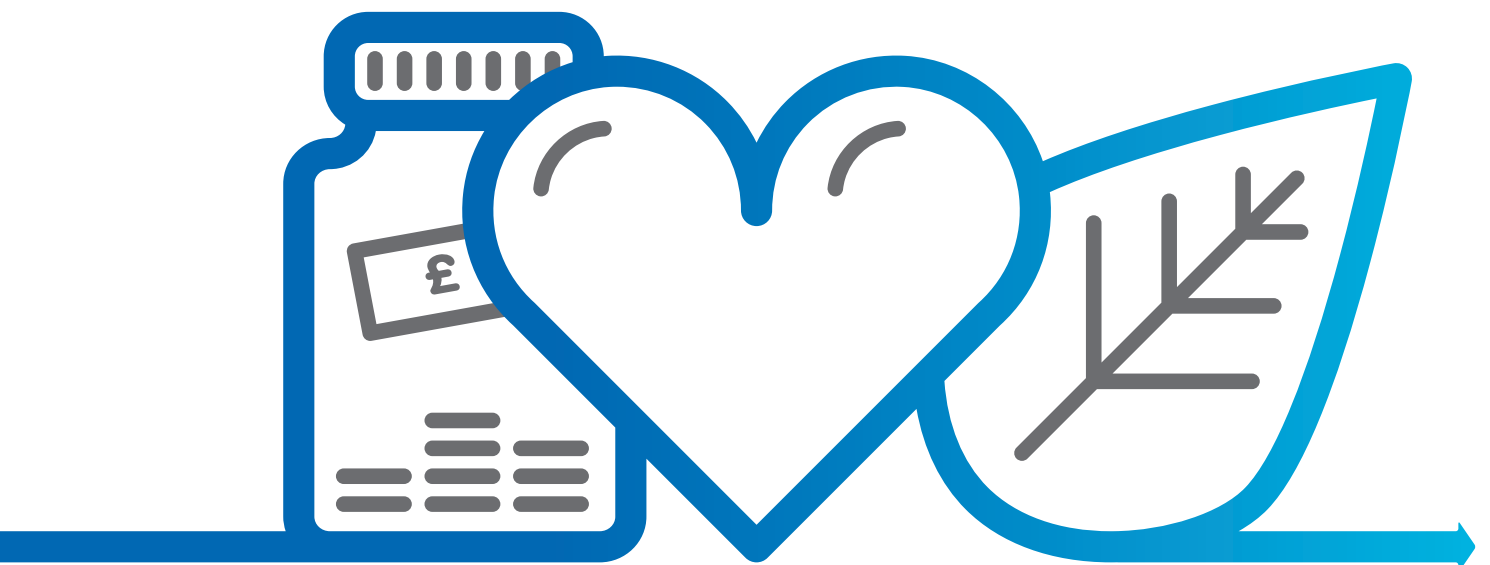


The People's Pension – Quarterly investment report

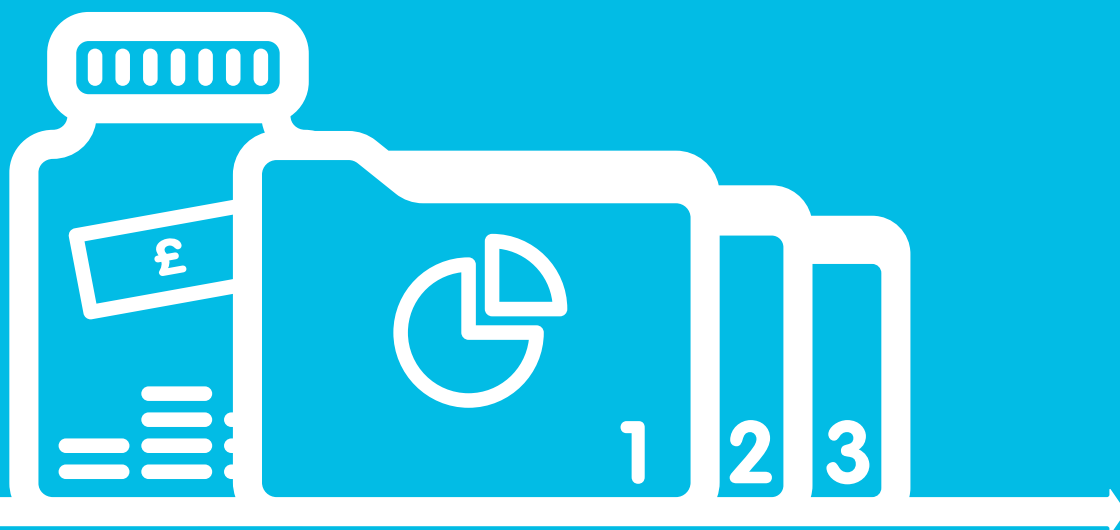
January to March 2022



Introduction

At B&CE, we are committed to improving the financial lives of our members through the responsible growth and the performance of our investment funds. This document provides an overview of last quarter's fund performance and how we manage our members' money.

This document is purely for information purposes only and shouldn't be taken as advice. All our funds carry some degree of risk and their value can go down as well as up. Past performance is not a reliable indicator of future results.



January to March 2022 Investment Commentary

Financial markets have had to contend with a challenging macro-economic environment over recent months. A rapid rise in inflation, which was previously characterised by central banks as transitory, is now in danger of becoming endemic as the war in Ukraine exacerbates the energy price crisis and adds to the supply-side pressures that have created a broad-based commodity price boom.

Rising interest rates

Central banks were exceptionally patient throughout 2021, but many are now beginning to raise interest rates and signal that the stock of bonds acquired as part of their quantitative easing programmes will be reduced. This amounts to quite a significant shift in stance, and market participants have been fearful that this reduced monetary policy stimulus will be a headwind for equities.

The Russian invasion of Ukraine in late February, which caused a further rally in the already tight energy markets, added an additional round of price pressures which could weigh on households and companies through negative real income growth and declining profit margins. On the back of this, at its low point, the MSCI World Equity index was down 11% on a year-to-date basis (in GBP) in early March, with European stocks bearing the brunt of the selling pressure given the region's reliance on Russian oil and gas.

Inflationary pressures

Inflation expectations also rose markedly, and in the immediate aftermath of the Russian assault on Ukraine, there were genuine concerns that the major central banks – notably the US Federal Reserve – were in danger of losing credibility in delivering stable inflation over the long term. The US central bank hiked its key fed funds rate by 0.25% to 0.375% at its March meeting, but with much more aggressive guidance on future moves (such as the fed funds rate to reach 2.75% in 2024) and the rate at which it would reduce the size of its bond portfolio.

January to March 2022 Investment Commentary

Rising inflation was unhelpful for highly rated mega-cap US equities, particularly technology shares. However, the revised interest rate guidance did help stabilise the equity market, enabling it to recover much of the lost ground towards the end of the quarter. Unsurprisingly, energy stocks were the standout performers. Higher interest rates also benefited financial companies, and consumer staples were boosted by less discretionary spending as the economic outlook began to deteriorate.

A perfect storm for bonds

Over the quarter, global equities returned -2.3%, but this was outstripped by the 6.2% lost by global investment grade bonds – their worst performance on record. The steep rise in bond yields, reflecting fears over inflation and the degree to which central banks may hike interest rates, was a perfect storm for bonds. In addition, with bonds not providing protection against falling equities, portfolios with a greater weight in bonds, somewhat unusually, underperformed in a stock market sell-off.

Looking ahead

Currently, there is talk about the prospects of a global recession in 2023. This could certainly occur if central banks tighten monetary policy too rapidly to deal with what has been mainly a supply-side commodity shock, or, on the other hand, allow inflation expectations to run out of control and then are forced by the market to play catch up.

For the time being, financial markets are giving central banks the benefit of the doubt in their attempt to engineer a soft landing for inflation in 2023 while maintaining reasonable economic growth, and this remains our baseline scenario. If this occurs, financial markets should perform moderately well as we head through this year. However, if central banks lose control of the inflationary narrative, expect further weakness in markets.

How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after more than £17Bn in members' pension savings so we understand how important it is to manage risk for our members, as well as seeking reward.

We aim to balance the risk and reward profile of our core funds alongside ensuring member investment costs remain competitive.

Where we believe there are good reasons for long-term investment in certain types of company, or to avoid or reduce investments in particular company types we will do this. For example, part of our default fund invests so that investments in companies that produce lots of greenhouse gasses are reduced. This technique is known as smart beta.

We use a technique called currency hedging to reduce the risk of our developed world equity funds. We do this because we don't believe the risks of major currencies changing value against each other provide a good enough reward for our members.

We believe our environmental, social and governance (ESG) approach to investments will lead to better long-term returns. It is a buy, sell and talk approach:

- Buy into companies that reflect ESG factors that we believe will lead to improved, long-term returns
- Sell companies whose operations we disagree with and that don't have an impact on our returns
- Talk, engage and use our voting power on companies that we invest in whose behaviour we'd like to change

If you'd like to know more about our investment process, environmental, social and governance policies (ESG), our climate change policy or our fund factsheets, they can be all found here

www.thepeoplespension.co.uk/investment-downloads/

Balanced investment profile – Growth phase

Global Investments (up to 85% shares) Fund

Purpose

The fund is a balanced risk long-term capital growth fund.

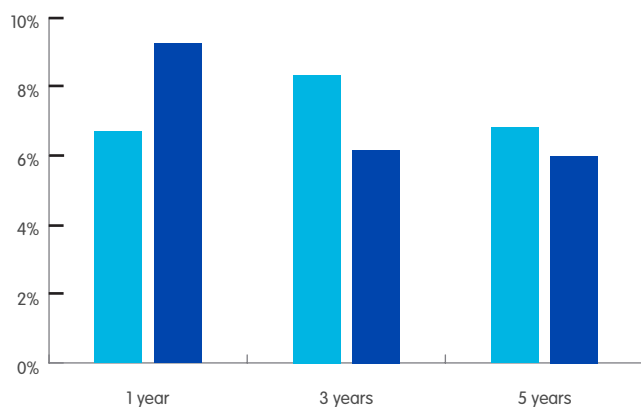
Return objective

UK Consumer Price Index +3.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	6.70	8.33	6.82
Annualised benchmark performance	9.24	6.17	5.99
Annualised fund volatility	8.14	11.79	10.17

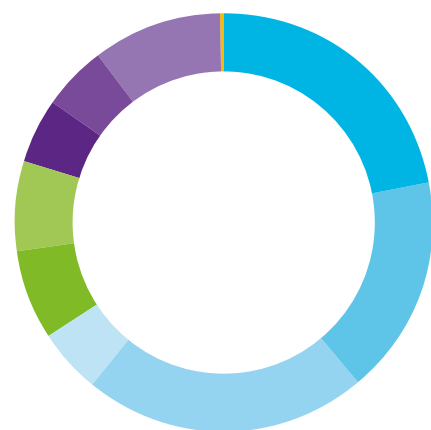
Global Investments (up to 85% shares) Fund

Fund and benchmark performance



- Global Investment (up to 85% shares) Fund
- UK Consumer Price Index +3.5%

Asset allocation



- 22.16% - Developed World ESG Screened Equity
- 16.80% - Multi Factor ESG
- 22.00% - World ESG Screened Adaptive Capping Equity
- 5.00% - Emerging Markets ESG Screened Equity
- 7.00% - Global Real Estate
- 7.00% - Multi-Asset Global Infrastructure
- 5.00% - UK Gilts
- 5.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 10.00% - Global Aggregate Bond Index
- 0.04% - Money Market

All investment profiles – Consolidation phase

Pre-Retirement Fund

Purpose

The fund is a low to medium risk fund which balances capital preservation and capital growth.

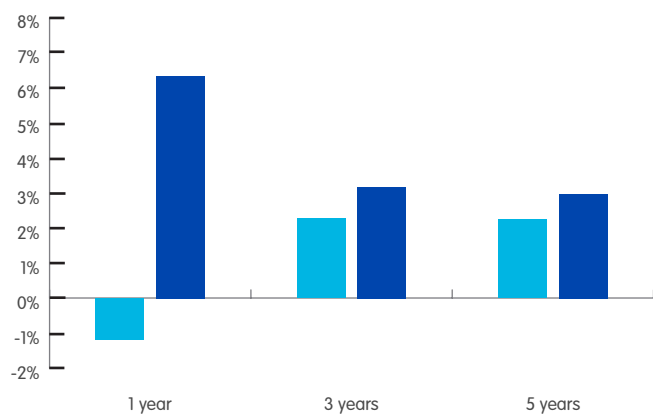
Return objective

UK Consumer Price Index +0.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	-1.18	2.27	2.24
Annualised benchmark performance	6.33	3.17	2.97
Annualised fund volatility	4.11	4.88	4.28

Pre-Retirement Fund

Fund and benchmark performance



- Pre-Retirement Fund
- UK Consumer Price Index +0.5%

Asset allocation



- 5.54% - Developed World ESG Screened Equity
- 4.20% - Multi Factor ESG
- 5.50% - World ESG Screened Adaptive Capping Equity
- 1.25% - Emerging Markets ESG Screened Equity
- 1.75% - Global Real Estate
- 1.75% - Multi-Asset Global Infrastructure
- 15.00% - UK Gilts
- 15.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 30.00% - Global Aggregate Bond Index
- 20.01% - Money Market

Adventurous profile – Growth phase

Global Investments (up to 100% shares) Fund

Purpose

The fund is a higher risk fund than the Global Investments (up to 85% shares) Fund which aims for capital growth and invests up to 100% in global equities.

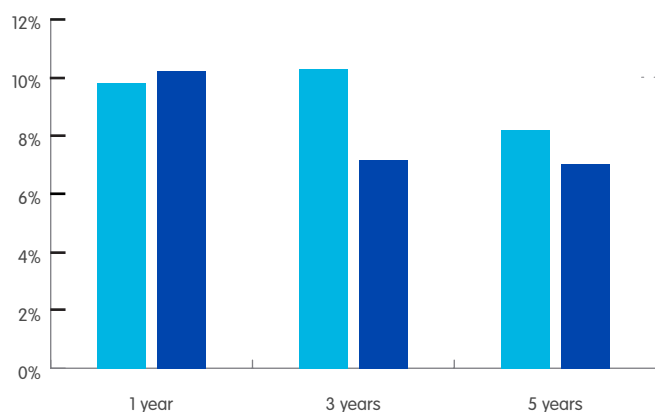
Return objective

UK Consumer Price Index +4.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	9.79	10.27	8.20
Annualised benchmark performance	10.20	7.16	7.00
Annualised fund volatility	9.77	14.36	12.37

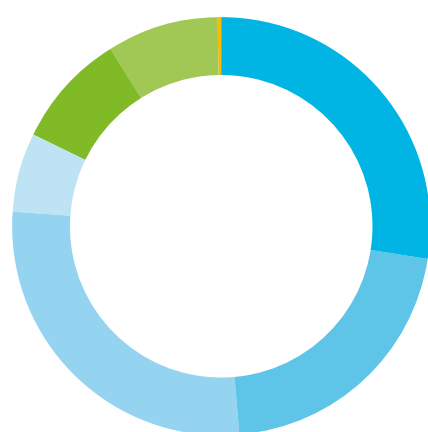
Global Investments (up to 100% shares) Fund

Fund and benchmark performance



- Global Investments (up to 100% shares) Fund
- UK Consumer Price Index +4.5%

Asset allocation



- 27.20% - Developed World ESG Screened Equity
- 21.00% - Multi Factor ESG
- 27.50% - World ESG Screened Adaptive Capping Equity
- 6.25% - Emerging Markets ESG Screened Equity
- 8.75% - Global Real Estate
- 8.75% - Multi-Asset Global Infrastructure
- 0.05% - Money Market

Cautious profile – Growth phase

Global Investments (up to 60% shares) Fund

Purpose

The fund is a lower risk fund than the Global Investments (up to 85% shares) Fund, it aims for a combination of capital and income.

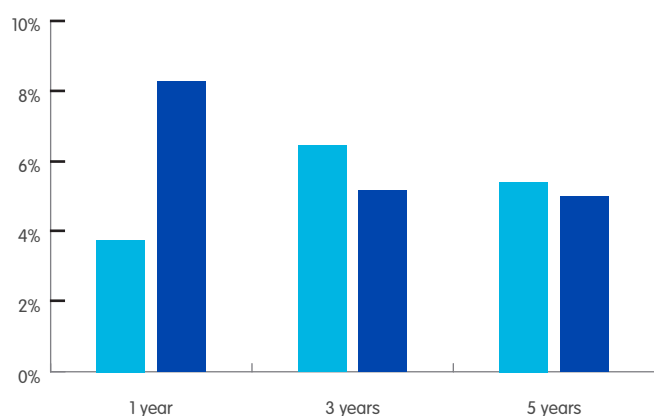
Return objective

UK Consumer Price Index +2.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	3.76	6.46	5.41
Annualised benchmark performance	8.27	5.17	4.99
Annualised fund volatility	6.88	9.51	8.22

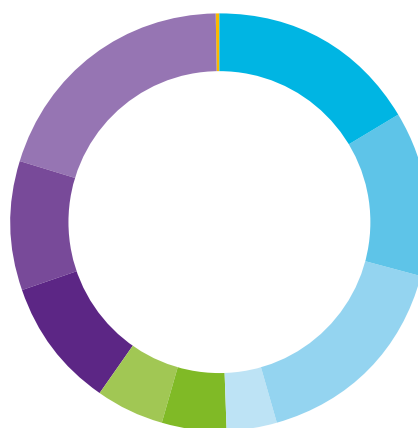
Global Investments (up to 60% shares) Fund

Fund and benchmark performance



- Global Investments (up to 60% shares) Fund
- UK Consumer Price Index +2.5%

Asset allocation



- 16.62% - Developed World ESG Screened Equity
- 12.60% - Multi Factor ESG
- 16.50% - World ESG Screened Adaptive Capping Equity
- 3.75% - Emerging Markets ESG Screened Equity
- 5.25% - Global Real Estate
- 5.25% - Multi-Asset Global Infrastructure
- 10.00% - UK Gilts
- 10.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 20.00% - Global Aggregate Bond Index
- 0.03% - Money Market

Annuity, Cash, Ethical and Shariah Funds

Fund	Objective	Asset allocation	1 year performance	3 years annualised performance	5 years annualised performance	1 year volatility	3 year volatility	5 year volatility
Annuity Fund Benchmark (IA Sterling Long Bond)	The fund suitable for those approaching retirement and looking to buy an annuity (a regular income, usually for life). It aims to protect against the effect of falls in the level of annuity rates.	70% Global Corporate Fixed Interest 30% UK Gilts	-8.74 (-7.87)	1.24 (-0.43)	1.87 (0.88)	12.54	12.07	10.39
Cash Fund Benchmark (SONIA)	The Cash Fund aims to maintain the value of investments by investing in short term money market instruments and fixed deposits.	100% Money Market	-0.32 (0.14)	-0.12 (0.29)	-0.05 (0.36)	0.04	0.09	0.09
Ethical Fund Benchmark (CPI+4.5%)	The B&CE Ethical Fund aims to invest across the global stock market while taking into account how a company performs across a variety of Environmental, Social and Governance ("ESG") issues.	100% Developed Global ESG Screened Equities	14.5 (10.20)	14.47 (7.16)	10.97 (7.00)	11.04	13.74	12.3
Shariah Fund Benchmark (CPI+4.5%)	The fund tracks the Dow Jones Islamic Market Titans Index, which comprises Shariah-compliant companies endorsed by the HSBC Amanah Shariah Supervisory Committee. This fund invests company shares from around the world and is compliant with Islamic Shariah principles.	100% Global Shariah Complaint Equities	19.09 (10.20)	19.68 (7.16)	15.60 (7.00)	15.21	14.03	12.82

As of 31/03/2022. Source B&CE and Financial Express. Performance Net of Annual Management Fee.
 The funds do not have a volatility benchmark.

Value for Money Performance

Balanced Profile

Fund	Gross of charges			Net of charges		
	1 year performance	3 years annualised performance	5 years annualised performance	1 year performance	3 years annualised performance	5 years annualised performance
Member 15 Years to Retirement	7.24%	8.90%	7.36%	6.70%	8.33%	6.82%
Member 10 Years to Retirement	4.75%	7.03%	6.16%	4.21%	6.47%	5.61%
Member 5 Years to Retirement	2.28%	5.14%	4.74%	1.74%	4.60%	4.20%

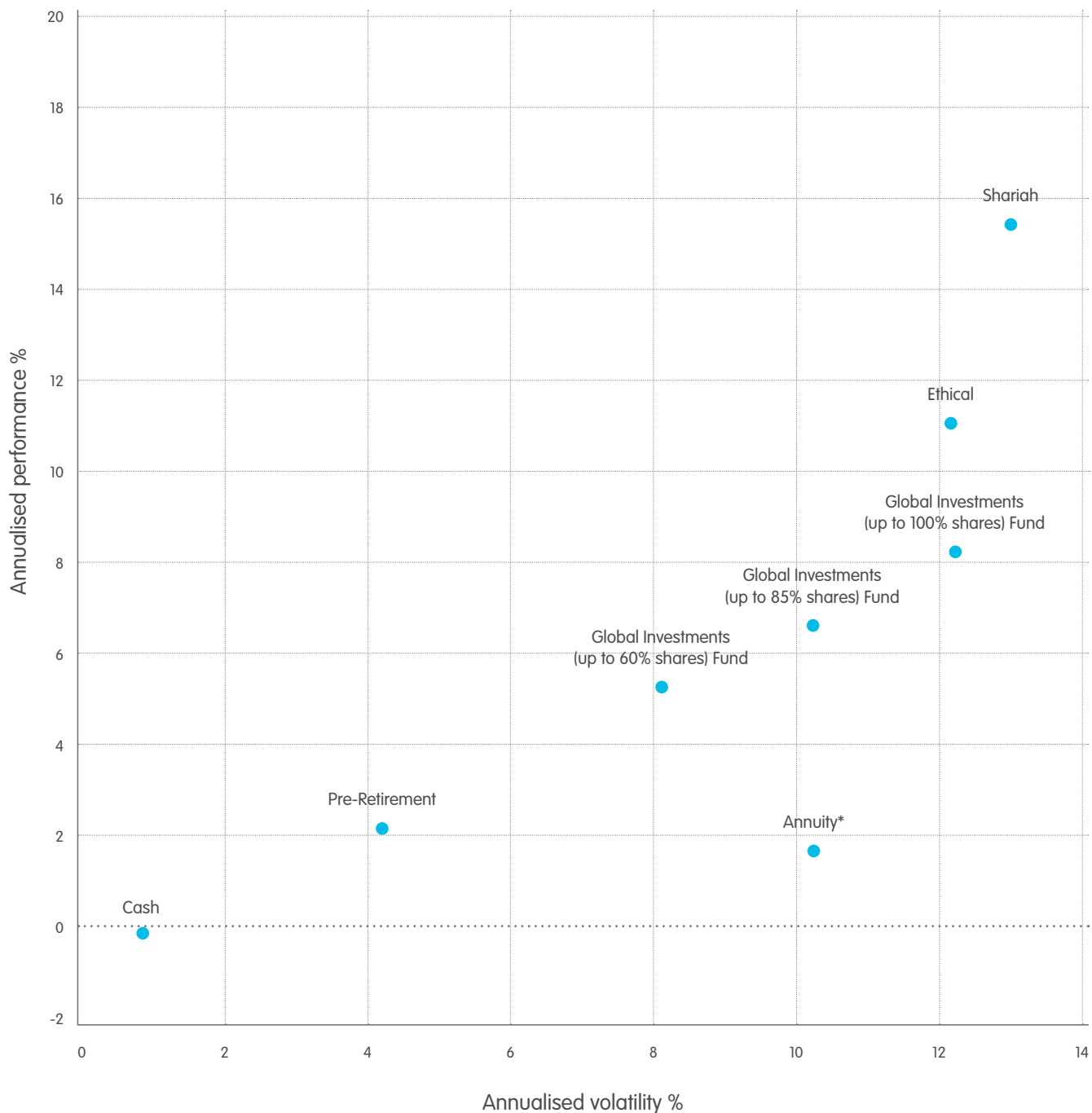
As of 31/03/2022. Source B&CE and Financial Express.

Member's time to retirement is at the date of performance calculation

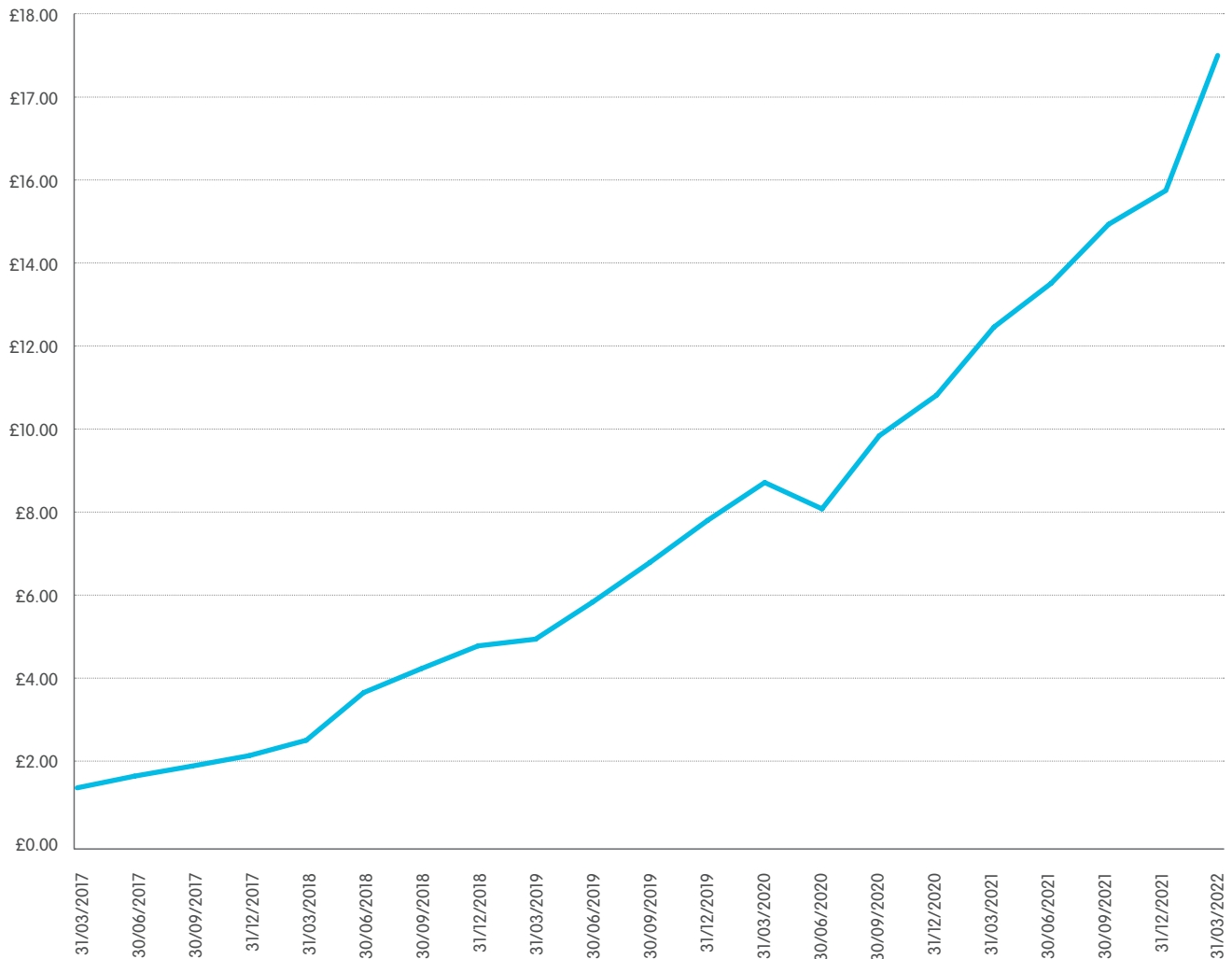
The People's Pension Balanced Profile is composed of the Global Investment up to 85% Shares Fund and Pre-Retirement Funds

Net of charges performance is net of 0.5% AMC

5 year annualised performance vs volatility



The People's Pension Assets Under Management (£ Bn)



Fund sizes as at 31 December 2021	(£ Bn)
The People's Pension Total	£17.60
Global Investments (up to 85% shares) Fund	£14.39
Pre-Retirement Fund	£2.49
Global Investments (up to 100% shares) Fund	£0.52
Shariah Fund	£0.06
Ethical Fund	£0.06
Cash Fund	£0.04
Global Investments (up to 60% shares) Fund	£0.04
Annuity Fund	£0.00

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