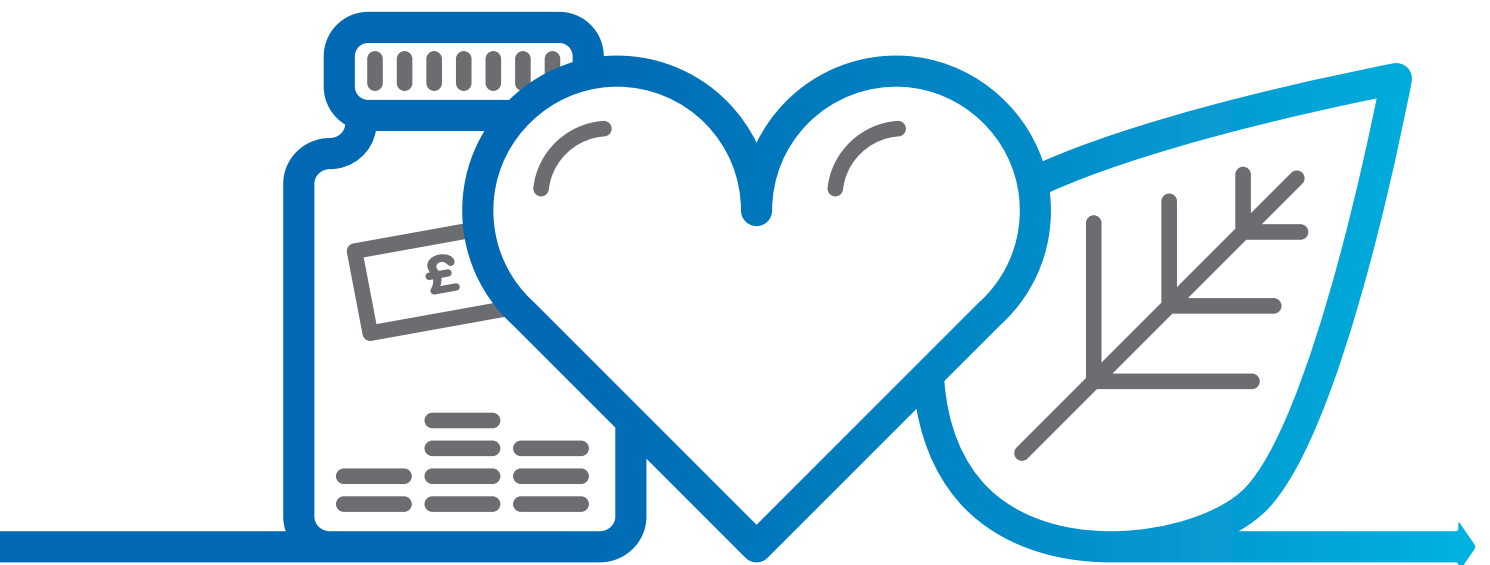


The People's Pension – Quarterly investment report

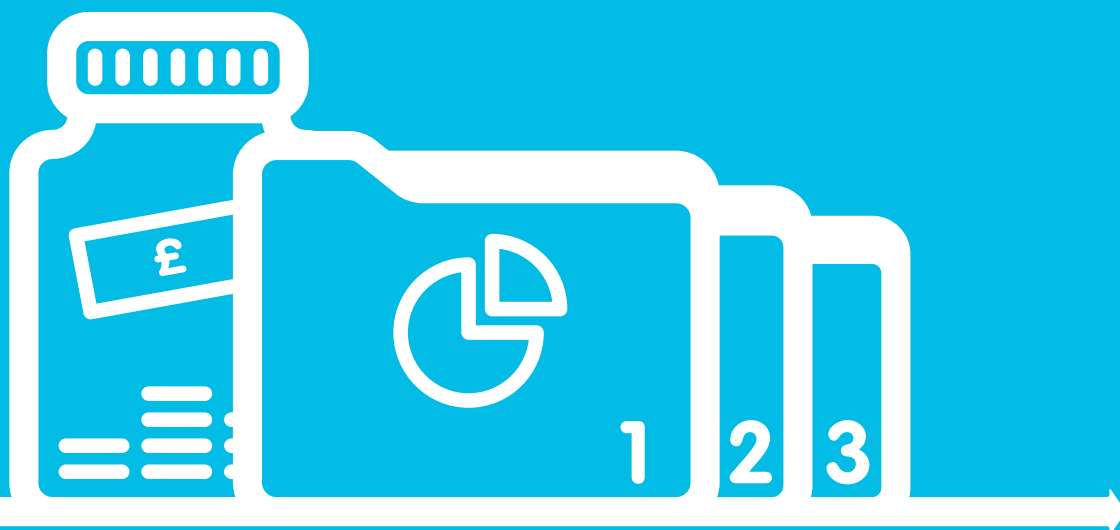
April to June 2022



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.



April to June 2022

Investment Commentary

Global equities fell sharply in the second quarter, with the US faring the worst of the major stock markets. The S&P500 lost 16% on top of the 5.6% fall in the first quarter, making US equity market performance in the first half of 2022 the worst for any six-month period in 50 years.

The problems that affected market sentiment in the first quarter became more pronounced as the second quarter progressed. With no prospect of an end to the war in Ukraine in the near future, supply-side constraints are now likely to last until well into 2023, and inflation is now expected to remain well above the key central banks' targets for most of 2024. Market participants are concerned that the inflationary peak has not yet been reached, and it's likely that household spending will be increasingly constrained, growth will weaken, and corporate profit margins will decline.

This unfavourable environment for equities was exacerbated by an aggressive shift in central bank interest rate guidance. The Federal Reserve, the US central bank, raised rates twice (by a total of 1.25%), raising its key policy rate up to 1.625%, which is now forecast to rise to 3.25% by the end of the year. Elsewhere, the Bank of England hiked interest rates twice, with further increases to 3% expected.

The sharp rise in bond yields caused by this rapid rise in interest rate expectations put significant pressure on equities with the highest earnings multiples. So, it is no surprise that US growth stocks, particularly those in the technology sector, have fallen out of favour and have suffered substantial declines in earnings multiples.

With global bonds posting their worst six-month returns on record, a traditional balanced portfolio has reaped little advantage from blending different asset classes together. Sterling weakness as a result of a significant relative deterioration in the UK's inflation and growth forecasts for next year, as well as a rapid deterioration in the UK's trade deficit, has boosted the Sterling returns of overseas equities, but, aside from this, there has been precious little diversification available.

Against this context, there are growing fears that a number of developed economies (notably the UK) may enter a recession in 2023. With inflation running much too high, central banks are attempting

April to June 2022

Investment Commentary

to catch up, and there is a definite risk that in tackling inflation via aggressive rate hikes, central banks could put even further pressure on already stretched household and corporate balance sheets. In this context, a key concern is that high levels of borrowing in the broad economy significantly increase its sensitivity to rate rises.

Financial markets are no longer 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, as seen by the significant falls in equity prices. The price earnings ratio on the global stock market based upon expected earnings for the next 12 months has fallen from 18 to 13.5, somewhat below the 10-year average, and is beginning to look like an attractive entry point to the stock for the long-term investor.

So, whilst the macro environment suggests that market volatility will increase further in the coming months, it is also reasonable to believe that we are approaching the point when we may begin to see a recovery in equities. Bond yield stability will be a significant driver of this outcome as the market becomes more comfortable with the degree of central bank policy tightening priced into the market.

How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after nearly £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.

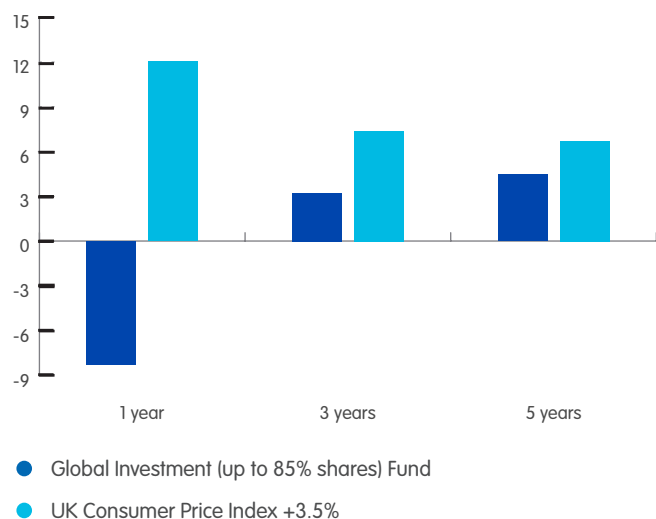
Return objective

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

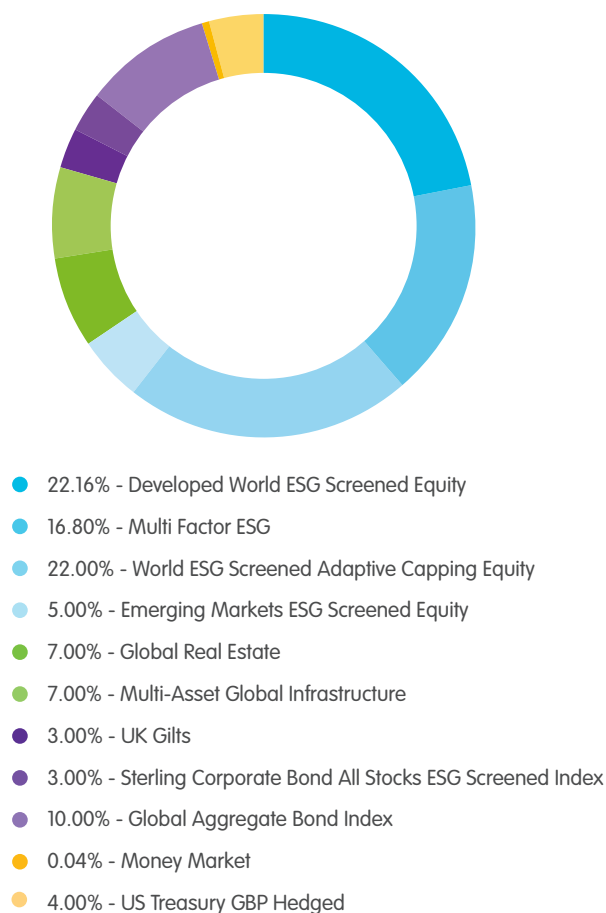
	1 year	3 years	5 years
Annualised fund performance	-8.29	3.25	4.48
Annualised benchmark performance	12.02	7.38	6.73
Annualised fund volatility	9.93	12.35	10.60

Global Investments (up to 85% shares) Fund

Fund and benchmark performance



Asset allocation



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.

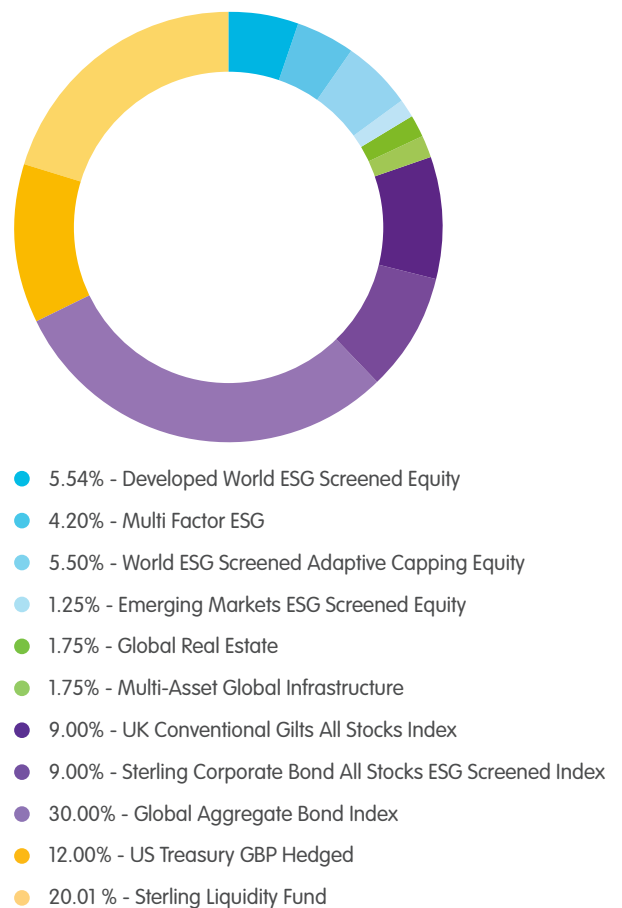
	1 year	3 years	5 years
Annualised fund performance	-8.28	-0.34	1.10
Annualised benchmark performance	9.03	4.34	3.69
Annualised fund volatility	4.69	5.24	4.54

Pre-Retirement Fund

Fund and benchmark performance



Asset allocation



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.

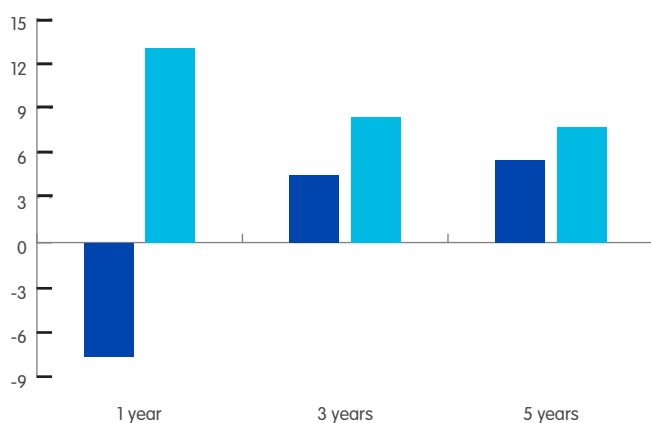
Return objective

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

	1 year	3 years	5 years
Annualised fund performance	-7.61	4.50	5.53
Annualised benchmark performance	13.01	8.39	7.74
Annualised fund volatility	11.82	14.91	12.82

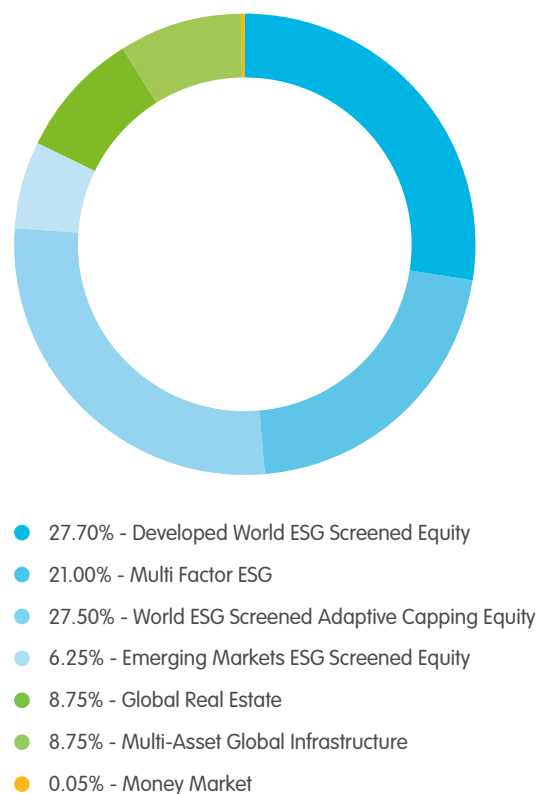
Global Investments (up to 100% shares) Fund

Fund and benchmark performance



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

Asset allocation



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.

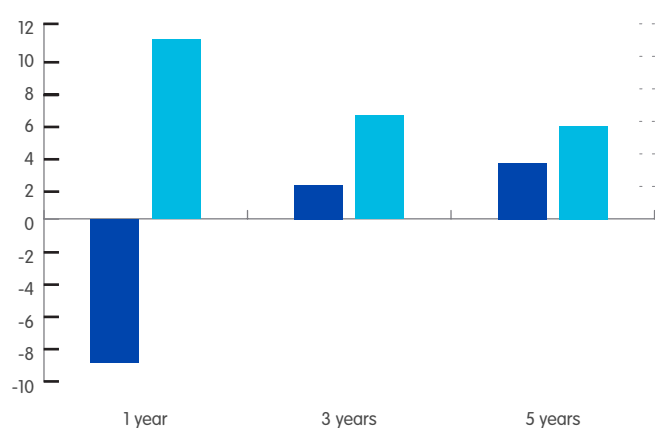
Return objective

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

	1 year	3 years	5 years
Annualised fund performance	-8.78	2.10	3.44
Annualised benchmark performance	11.02	6.36	5.72
Annualised fund volatility	8.27	10.02	8.58

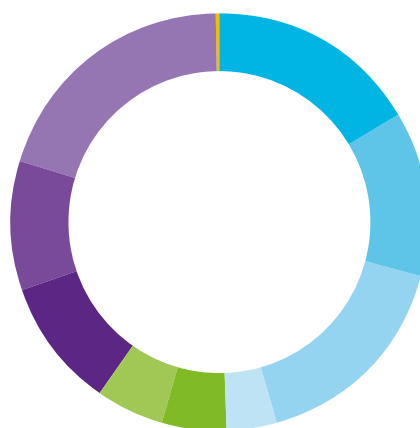
Global Investments (up to 60% shares) Fund

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	-23.93 (-23.03)	-4.44 (-6.16)	-1.06 (-1.96)	13.35	12.95	11.04
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	-0.10 (0.14)	-0.11 (0.29)	-0.02 (0.36)	0.11	0.10	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	-2.94 (13.01)	8.72 (8.39)	8.94 (7.74)	12.00	14.03	12.68
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	-2.38 (13.01)	13.00 (8.39)	12.94 (7.74)	15.55	14.50	13.29

As of 30/06/2022. 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

Gross of charges				Net of charges		
Fund	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	-7.82%	3.79%	5.02%	-8.39%	3.21%	4.46%
Member 10 Years to Retirement	-7.78%	2.85%	4.35%	-8.35%	2.27%	3.79%
Member 5 Years to Retirement	-7.77%	1.73%	3.31%	-8.34%	1.17%	2.76%

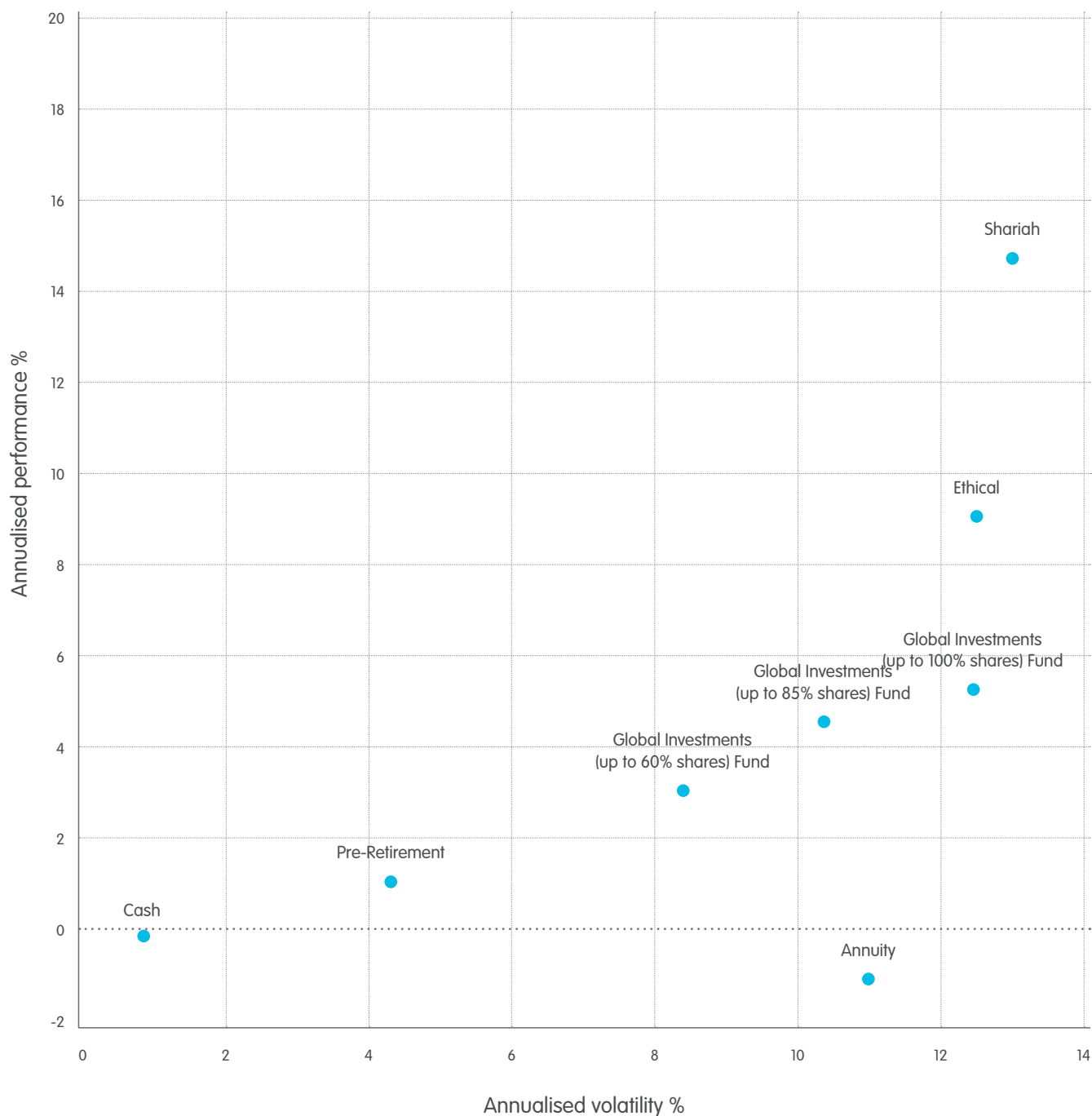
As of 30/06/2022. Source B&CE and Financial Express.

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

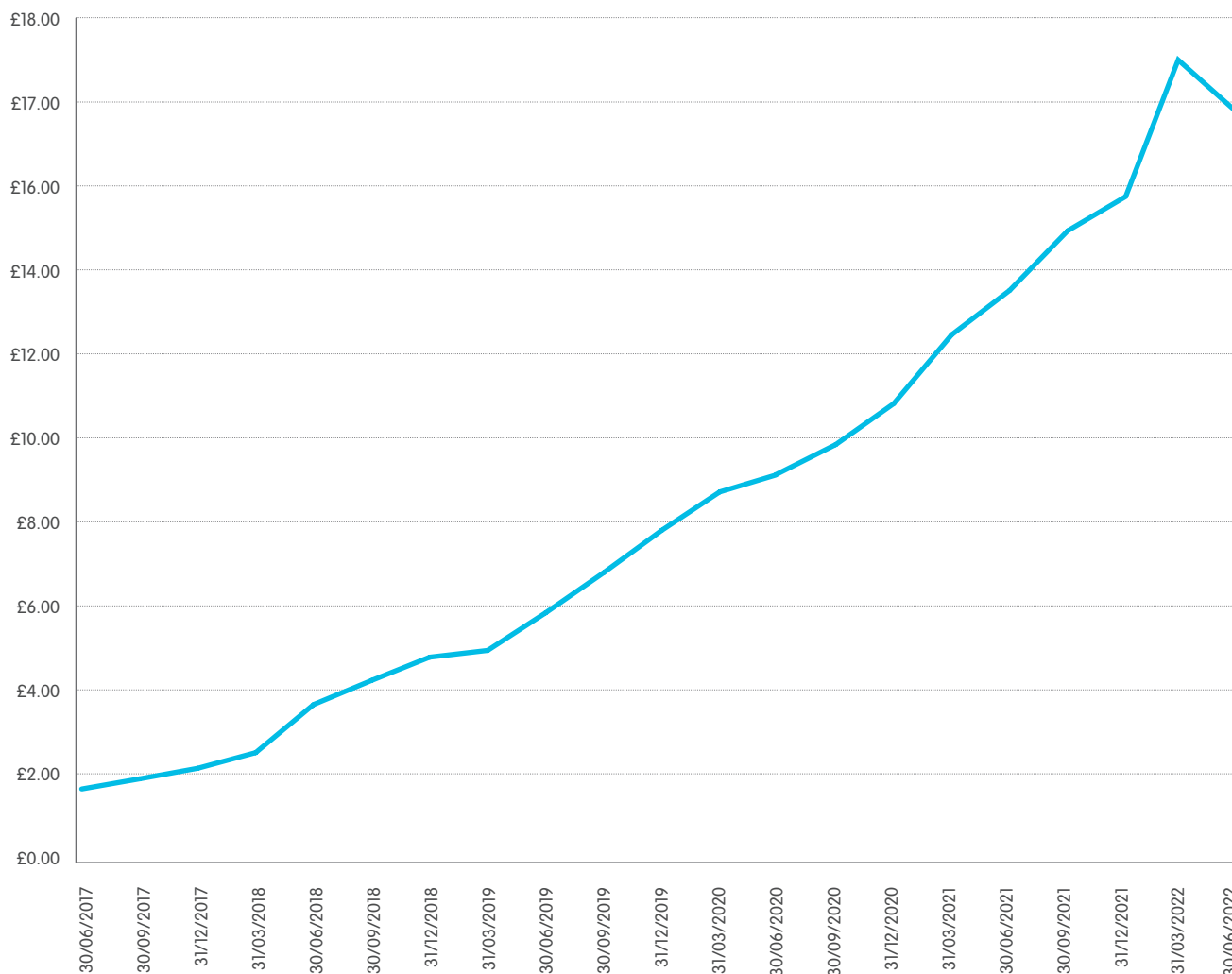
The People's Pension Balanced Profile is composed of the Global Investment up to 85% Shares Fund and Pre-Retirement Funds

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 30 June 2022	(£ Bn)
The People's Pension Total	£16.96
Global Investments (up to 85% shares) Fund	£13.70
Pre-Retirement Fund	£2.58
Global Investments (up to 100% shares) Fund	£0.49
Shariah Fund	£0.06
Ethical Fund	£0.06
Cash Fund	£0.05
Global Investments (up to 60% shares) Fund	£0.04
Annuity Fund	£0.00

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