



people's
partnership

People's Pension – Quarterly investment report

October to December 2025

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Introduction

At People's Pension, we're 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.

October to December 2025 Investment Commentary

Q4 2025 – A strong end to a very good year

The final quarter of 2025 saw broad-based, steady growth, capping a strong year for global equity markets, with several markets ending the year at or near record or multi-year highs.

In a reversal of recent trends, the markets were not led by the US, which underperformed the UK, European, Japanese, emerging, and global markets in sterling terms. The underperformance was driven by a weaker dollar, a partial rotation out of tech stocks, and more attractive valuations in other regions.

Overall, equities gained support thanks to a favourable backdrop of earnings growth, inflation moving towards targets, and expectations of central bank rate cuts in 2026.

Over the longer term, global equity markets performed strongly, returning 16.1% annualised over three years and 11.7% annualised over five years to 31 December 2025.

During 2025, currency movements significantly affected overseas stock returns, particularly for UK investors in US stocks as the dollar fell against the pound. After a dip in Q3, the pound strengthened against the dollar again in Q4.

US – S&P positive despite the longest government shutdown

The S&P 500 rose in Q4, finishing the year up over 17% in US dollar terms despite a prolonged government shutdown, marking the third consecutive year of double-digit gains.

There was notable sector rotation, with only two of the 'Magnificent 7' stocks – Nvidia and Alphabet (Google) – outperforming the broader S&P 500 over 2025. It should be noted that the dollar declined in value against a number of currencies over 2025, and the S&P 500's return in sterling was 9.8%, the lowest of all the major markets.

The market responded positively to the Federal Reserve's interest rate cut in December and its indication that further cuts may follow if inflation continues to moderate.

On the bearish side, concerns remain about a potential bubble in Artificial Intelligence (AI) stocks, particularly given the circularity involved in some AI financing.

UK – FTSE 100 approaches 10,000

Building on Q3, both the FTSE 100 and the broader FTSE All-Share had strong quarters, with the All-Share posting a gain of 24.0%, its best year in over a decade, comfortably outperforming the S&P 500 in dollar terms but also significantly above in sterling terms. Key drivers included large internationally focused firms – led by financials, alongside defence, mining, and commodities.

Inflation eased to 3.2% in November, and the Bank of England cut rates to 3.75% in December. However, unemployment remains a concern, rising to 5.1% over the quarter.

Eurozone – Shares rise, manufacturing struggles

Q4 saw European stocks advance, in line with other developed markets, with several national indices near multi-year highs. The FTSE Europe ex UK returned 27.9% over 2025, making it the best-performing regional index.

The strong performance came against a mixed macroeconomic backdrop: employment trends stabilised, inflation pressures eased, and the European Central Bank (ECB) revised growth projections up to 1.4% for 2026 from 1.2%. However, manufacturing – particularly in Germany – continued to struggle, contracting over the quarter.

Japan – Steady as she goes

Japanese stocks had another strong quarter, with the MSCI Japan index up over 6.0% in sterling terms. Demand for defence and AI-related stocks remained buoyant, and markets benefited from corporate governance reforms introduced during 2025.

Politically, the formation of a new government between the Liberal Democratic Party and Japan Innovation Party was well received, boosting confidence in political stability and expectations of a more stimulative fiscal policy. In December, the Bank

of Japan also raised interest rates, a sign of growing confidence in Japan's economy.

Emerging Markets – What a year for South Korea

In Q4, South Korea led emerging markets, capping a year in which the FTSE Korea Index surged 80%. Taiwan also had a strong quarter, with gains in both markets driven by technology stocks.

This quarter's laggards were China – where softer macroeconomic data and renewed property sector concerns triggered a pullback after a strong year – and Saudi Arabia, where lower oil prices weighed on returns.

Over the quarter, the MSCI Emerging Markets Index rose 4.8%, and it gained 24.4% over the year, making it the second-best-performing region after Europe ex UK.

Global Fixed Interest – Gilts shine

The UK's November budget was well received by bond markets, with gilts outperforming US Treasuries and Japanese government bonds. In Europe, peripheral countries – particularly Italy – performed strongly.

The yield on German bunds rose across the curve (indicating falling prices) as markets expressed concerns about the health of the German economy and increased German debt issuance.

Corporate bonds posted positive total returns, with both Euro and sterling-denominated corporate bonds outperforming government bonds.

Outlook

It was another positive quarter for investments, particularly equities. Markets continued to benefit from interest in AI and tech stocks – led by Nvidia and Alphabet in the US – while Asian technology companies also thrived. The global macroeconomic picture remains relatively benign, with most major economies growing and inflation moving back towards target.

On the downside, Germany's manufacturing sector faced challenges, US job growth appeared subdued, and current valuations will require revenue growth to remain strong to justify current valuations.

We believe that returns across asset classes and regions will not always move in unison over the medium to long term and that risk can be mitigated for our members through a well-constructed, diversified portfolio. Our approach is to spread investments across a wide range of companies and sectors globally, rather than placing concentrated bets on any single area.

* Unless stated otherwise, all returns are quoted in sterling, not local currency.





How we manage our members' money

People's Pension has a long-term strategic approach to investments. We look after over £39bn¹ 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 companies, or to avoid or reduce investments in particular companies of a certain type we will do this. For example, part of our default fund invests so that investments in companies that produce lots of greenhouse gases 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's a buy, sell and talk approach:

- Buy into companies that reflect ESG factors that we believe will lead to improved, long-term returns
- Sell from 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, ESG policies, our climate change policy or view our fund factsheets, they can all be found here peoplespension.co.uk/investment-downloads

1. 31/12/2025.

Balanced investment profile – Growth phase*

Global Investments (up to 85% shares) Fund

Purpose

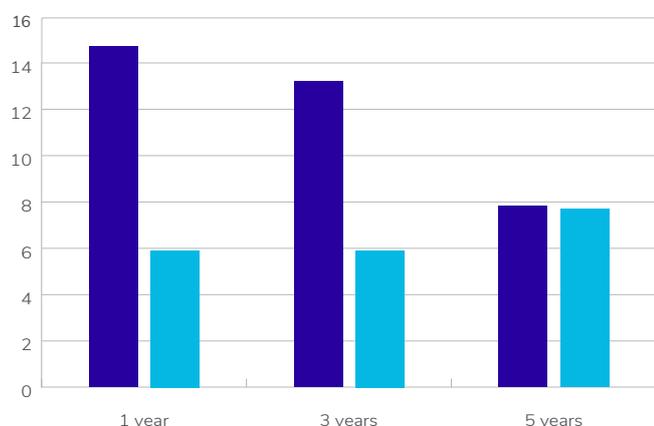
The fund is a balanced medium to high-risk capital growth fund.

Return objective

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

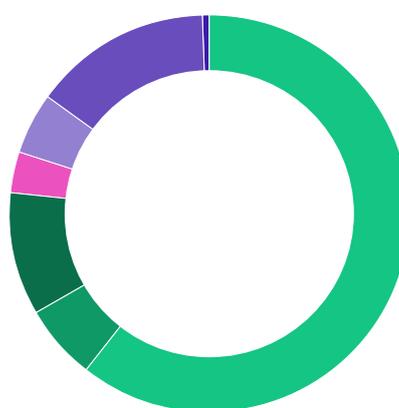
	1 year	3 years	5 years
Annualised fund performance	14.7	13.2	7.8
Annualised performance objective	5.9	5.9	7.7
Annualised fund volatility	8.9	8.1	9.5

Fund and performance objective



- Global Investments (up to 85% shares) Fund
- UK Consumer Price Index +2.5%

Asset allocation†



- Developed World Climate Aware Equity Index 60.7%
- UK Climate Aware Equity 6.2%
- Emerging Markets ESG Screened Equity 10.0%
- Multi-Asset Global Infrastructure 3.2%
- Developed Market Government Bonds 5.0%
- Developed Market Corporate Bonds 14.5%
- Emerging Market Bonds 0.5%

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.

* This is People's Pension's default profile.

† Rounded up to 1 decimal place.

All investment profiles – Consolidation phase

Pre-Retirement Fund

Purpose

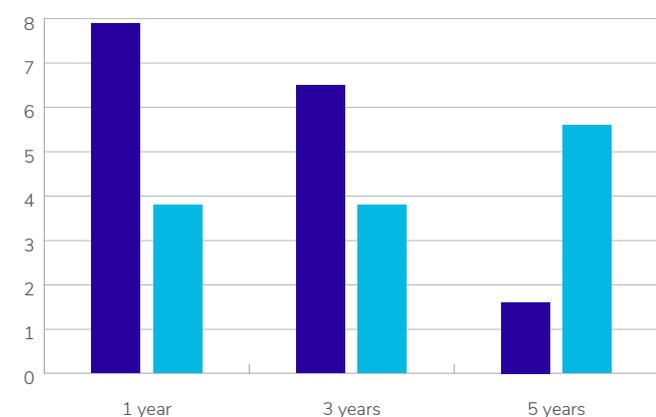
The fund is a low to medium-risk fund that balances capital preservation and capital growth.

Return objective

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

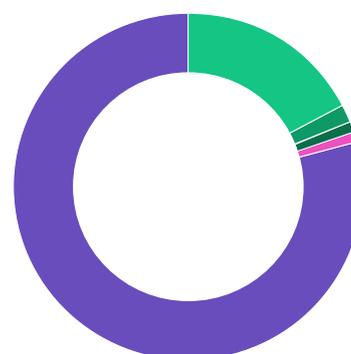
	1 year	3 years	5 years
Annualised fund performance	7.9	6.5	1.6
Annualised performance objective	3.8	3.8	5.6
Annualised fund volatility	2.9	4.3	5.3

Fund and performance objective



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

Asset allocation*



- Developed World Climate Aware Equity Index 17.5%
- UK Climate Aware Equity 1.5%
- Emerging Markets ESG Screened Equity 1.0%
- Multi-Asset Global Infrastructure 1.0%
- Developed Market Government Bonds 0.0%
- Developed Market Corporate Bonds 79.0%
- Emerging Market Bonds 0.0%
- Money Market 0.0%

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.

* Rounded up to 1 decimal place.

Adventurous profile – Growth phase

Global Investments (up to 100% shares) Fund

Purpose

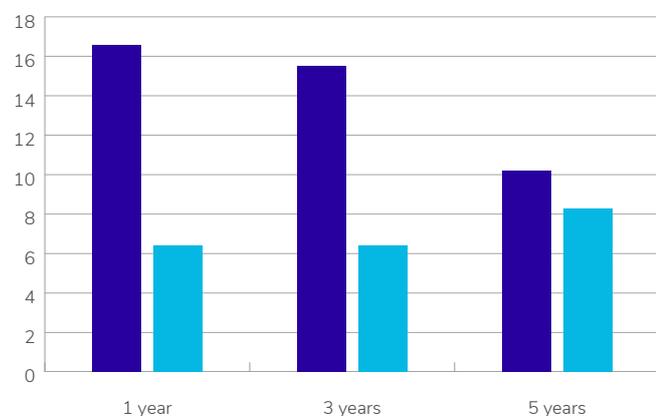
The fund is a higher-risk fund compared to the Global Investments (up to 85% shares) Fund. It aims for capital growth and invests up to 100% in global equities.

Return objective

UK Consumer Price Index 3.0% per annum on a net of fees basis.

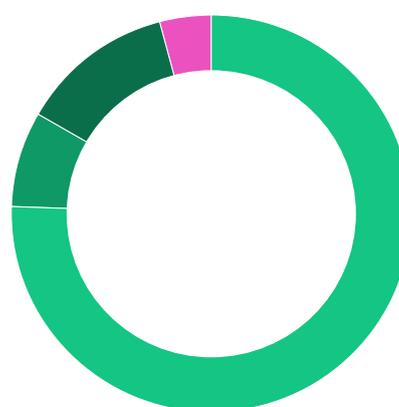
	1 year	3 years	5 years
Annualised fund performance	16.6	15.5	10.2
Annualised performance objective	6.4	6.4	8.3
Annualised fund volatility	11.2	9.7	11.0

Fund and performance objective



- Global Investments (up to 100% shares) Fund
- UK Consumer Price Index 3.0%

Asset allocation*



- Developed World Climate Aware Equity Index 75.9%
- UK Climate Aware Equity 7.7%
- Emerging Markets ESG Screened Equity 12.4%
- Multi-Asset Global Infrastructure 4.0%

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.

* Rounded up to 1 decimal place.

Cautious profile – Growth phase

Global Investments (up to 60% shares) Fund

Purpose

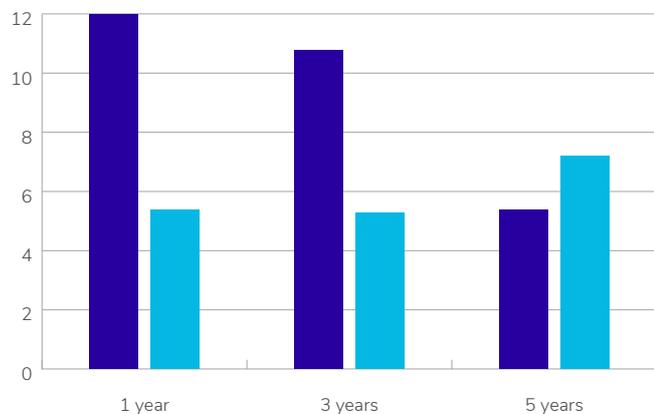
The fund is a lower-risk fund - compared to the Global Investments (up to 85% shares) Fund. It targets a combination of capital and income.

Return objective

UK Consumer Price Index 2.0% per annum on a net of fees basis.

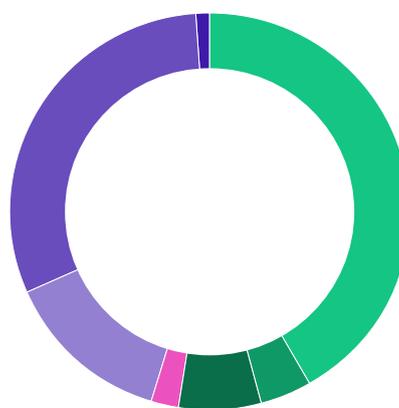
	1 year	3 years	5 years
Annualised fund performance	12.0	10.8	5.4
Annualised performance objective	5.4	5.3	7.2
Annualised fund volatility	6.8	7.0	8.3

Fund and performance objective



- Global Investments (up to 60% shares) Fund
- UK Consumer Price Index 2.0%

Asset allocation*



- Developed World Climate Aware Equity Index **41.7%**
- UK Climate Aware Equity **4.2%**
- Emerging Markets ESG Screened Equity **6.8%**
- Multi-Asset Global Infrastructure **2.2%**
- Developed Market Government Bonds **11.3%**
- Developed Market Corporate Bonds **32.6%**
- Emerging Market Bonds **1.1%**
- Money Market **0.0%**

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.

* Rounded up to 1 decimal place.

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 Performance objective (IA Sterling Long Bond)	The Annuity Fund is 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	3.9 (4.5)	1.3 (0.1)	-8.8 (-9.6)	8.0	11.5	14.4
Cash Fund Performance objective (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	4.1 (4.3)	4.4 (4.7)	2.7 (3.1)	0.2	0.2	0.6
Ethical Fund Performance objective (CPI+3.0%)	The 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	11.4 (6.4)	15.2 (6.4)	11.5 (8.3)	12.6	9.4	11.0
Shariah Fund Performance objective (CPI+3.0%)	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 in company shares from around the world and is compliant with Islamic Shariah principles.	100% Global Shariah Compliant Equities	12.7 (6.4)	22.7 (6.4)	14.5 (8.3)	17.7	12.8	14.1

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
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	14.9%	12.7%	10.5%	14.4%	12.2%	10.0%
Member 10 Years to Retirement	13.6%	11.6%	9.5%	13.1%	11.1%	8.9%
Member 5 Years to Retirement	8.3%	6.9%	4.9%	7.7%	6.3%	4.3%

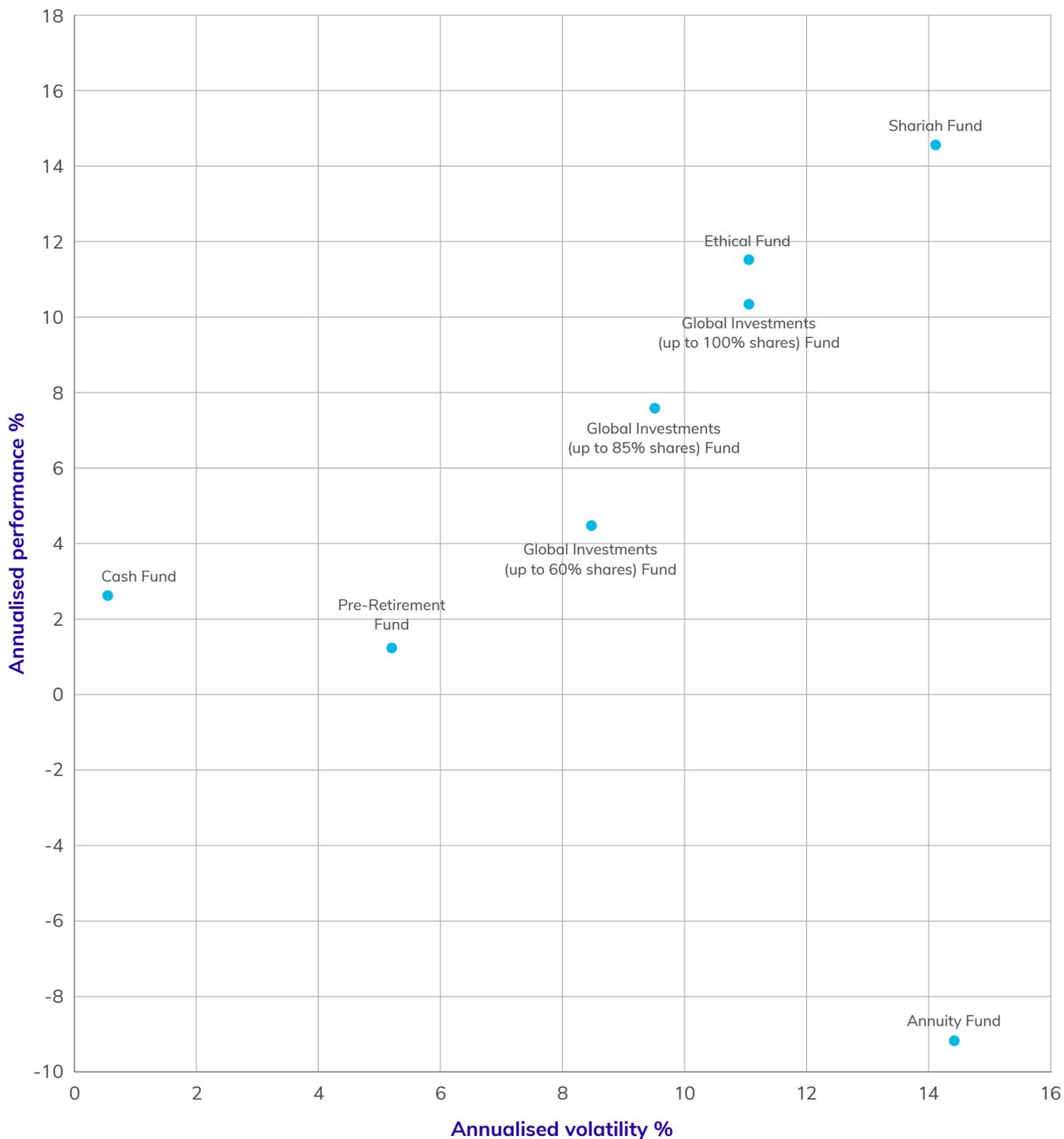
As of 31/12/2025. Source People's Partnership and Financial Express.

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

People's Pension's Balanced Investment Profile is composed of the Global Investments (up to 85% shares) Fund and Pre-Retirement Fund.

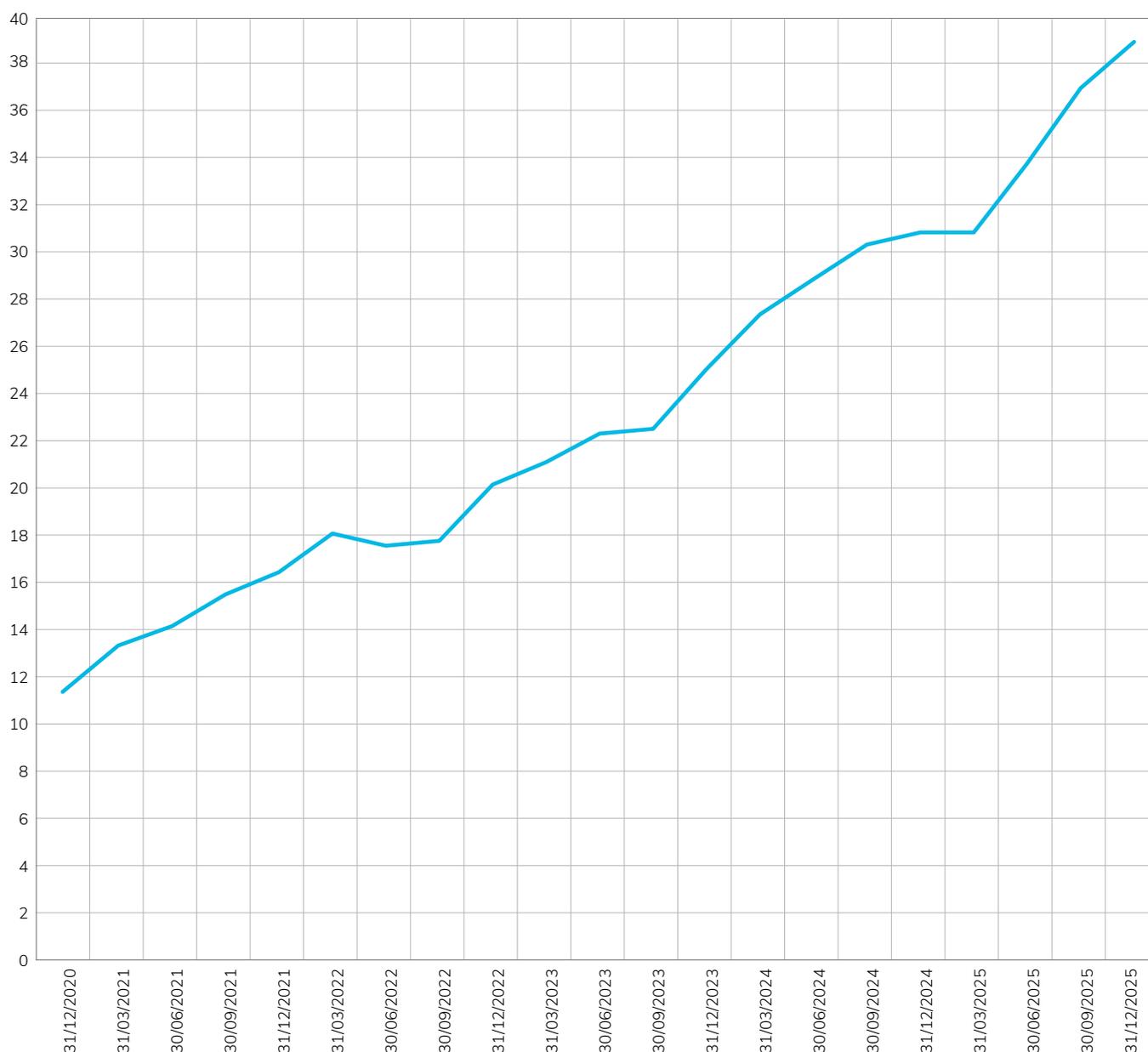
Net of charges performance is net management charge of 0.5%.

Five year annualised performance vs volatility



As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of management charge.

People's Pension Assets Under Management (£ bn)



Fund sizes as at 31 December 2025	(£ bn)*
People's Pension Total	£39.2
Global Investments (up to 85% shares) Fund	£30.6
Pre-Retirement Fund	£6.2
Global Investments (up to 100% shares) Fund	£1.9
Shariah Fund	£0.3
Ethical Fund	£0.2
Cash Fund	£0.1
Global Investments (up to 60% shares) Fund	£0.1
Annuity Fund	£0.0

As of 31/12/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* Rounded up to 1 decimal place.

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