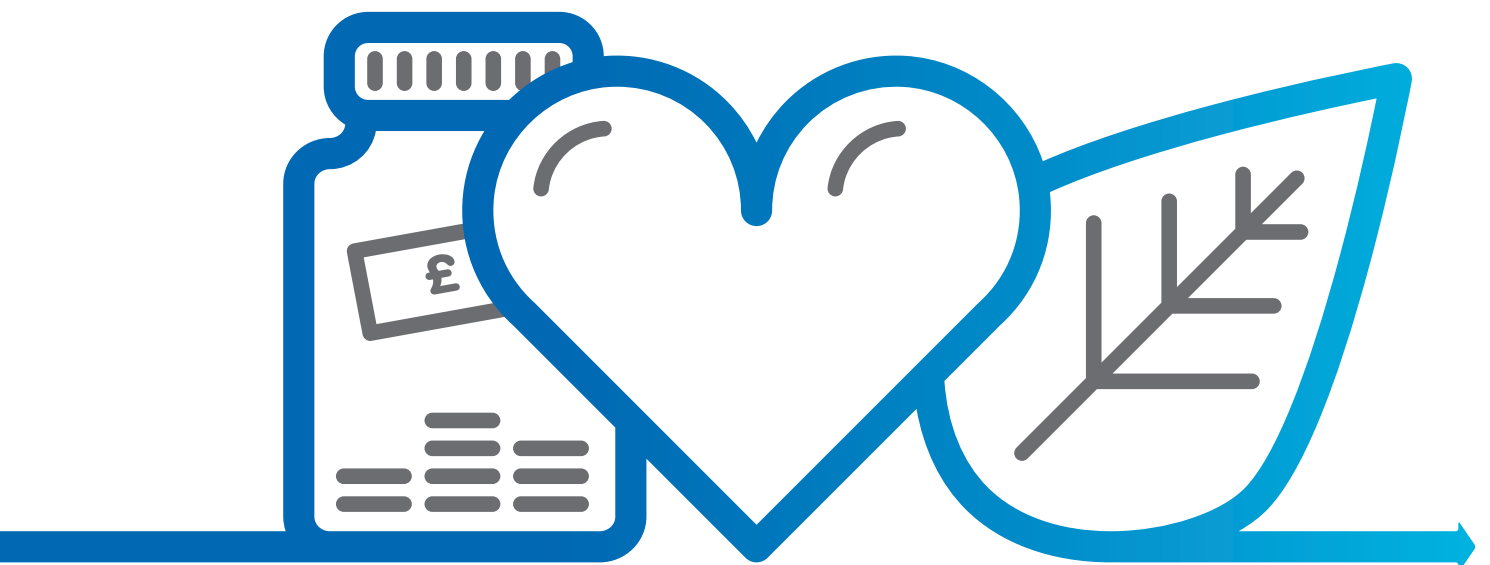


# The People's Pension – Quarterly investment report

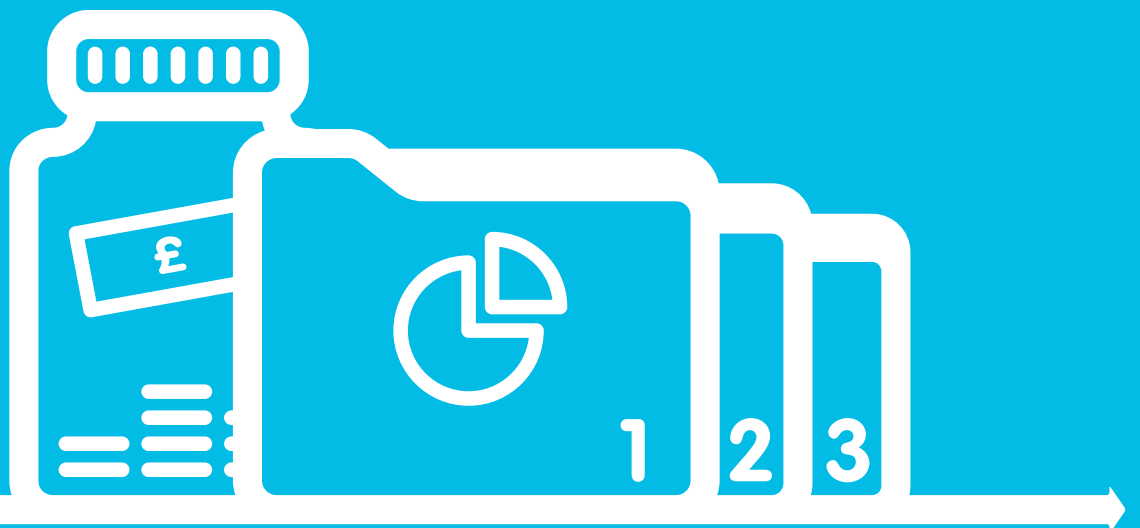
July to September 2022



# 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.



# July to September 2022 Investment Commentary

Financial markets reached yearly lows at the end of the quarter. The economic outlook for the rest of this year and 2023 has significantly deteriorated due to a combination of global inflation (averaging 10%) and rapid interest rate increases signalled by central banks. Global growth is now anticipated to be well below trend next year, with the UK and Eurozone lucky to avoid recession. Against this backdrop, corporate earnings growth is anticipated to slow further, declining from 10% year-over-year to the low single digits by 2023.

It has been another disappointing quarter for investment returns, with both the equity and bond markets showing negative returns. Gaining access to assets that provide diversification has been particularly challenging, even for multi-asset investors. In this scenario, the US dollar has become the asset of choice, rallying 8% against sterling and boosting the unhedged returns of overseas assets for the sterling-based investor. The bond market has received a lot of attention this quarter. US government bond yields climbed 100 basis points (bps) on average, but this increase was dwarfed by the doubling of UK government bond (gilt) yields, which rose on average by 200bps. Corporate bond yields jumped even more, highlighting the market's fears of a recession, which would clearly be negative for the creditworthiness of borrowers.

The UK Government's plan to cut taxes without supplying the revenue and spending forecasts was a significant cause of the outsized shift in gilt yields and the dramatic loss in sterling as the quarter came to a close. Financial markets, already concerned about the impact of government financial support to help households pay their energy bills and its subsequent effect on government borrowing, were alarmed by the prospect of unfunded tax cuts. As defined benefit pension funds were at risk of failing to fulfil collateral calls on their liability matching interest rate hedges, the Bank of England (BoE) was compelled to intervene and commit to unprecedented support for long-dated UK gilts.

Given that the BoE's commitment to support long-dated gilts is strictly time-bound, it is likely that the UK Government will have to bring forward the disclosure of its fiscal forecasts in order to calm markets.

# July to September 2022 Investment Commentary

As we head into the winter, the stagflationary environment is likely to intensify as the already exceptionally tight energy markets are expected to be further exacerbated by Russia's restriction of gas supply. This is prompting collective cutbacks on the part of businesses and households. In this context, fiscal support from governments needs to be considered credible by financial markets, otherwise there will be a damaging tightening of financial conditions.

Evidence that the rate of inflation in the main economies is beginning to fall will lead to a sustained improvement in financial market performance. In this sense, recent data from the United States and Eurozone has been disappointing, with higher-than-expected inflation rates driven by the service sector. However, with wage growth trailing inflation by a significant margin, we're concerned that central banks may be too focused on the spill over effects of inflation on wages, risking raising rates too much. In light of this, we think there will be a central bank 'pivot' in the coming months, signalling that interest rates have increased sufficiently, and that inflation is likely to decline markedly as economic growth slows. In addition, the prospects of a better tone in the bond market could relieve the downwards pressure on equity valuations caused by the sharp rises in bond yields.

With bond markets discounting US and UK policy rates comfortably above 5%, global bond yields at their highest level since the global financial crisis, and equity valuations comfortably below the last decade's average, there are opportunities. In spite of the inevitable volatility that lies ahead of us due to the uncertain geopolitical environment, we're confident that long-term investors will be well rewarded by future market performance.

# How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after over £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/](http://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.

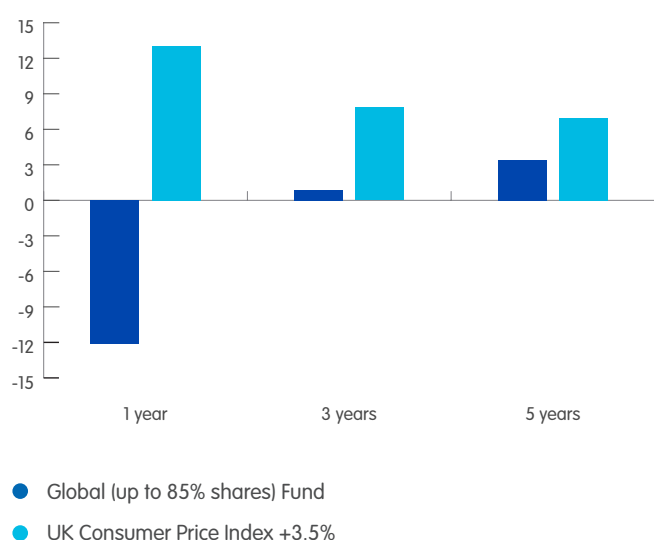
### Return objective

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

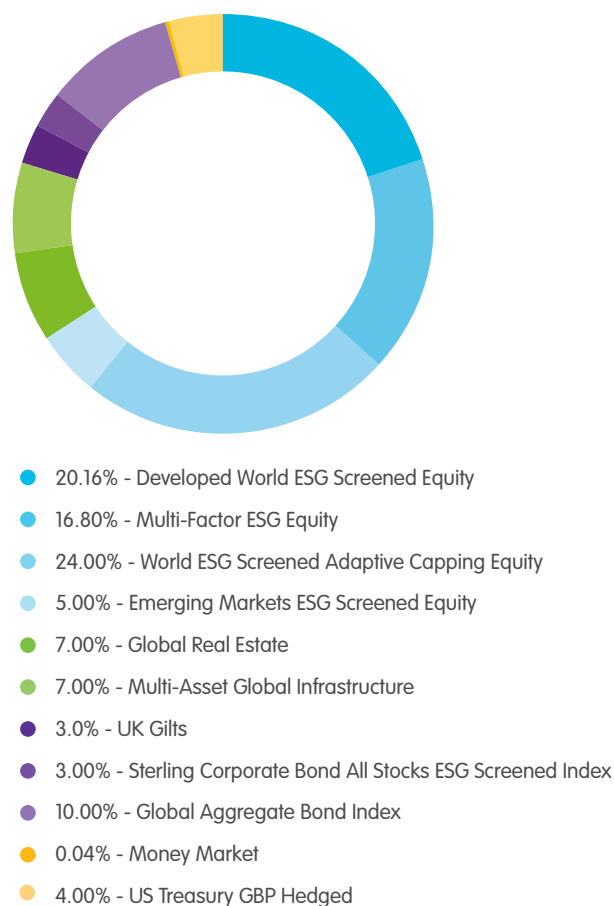
	1 year	3 years	5 years
Annualised fund performance	-12.13	0.90	3.41
Annualised benchmark performance	13.03	7.85	6.97
Annualised fund volatility	12.85	13.27	11.30

## 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.

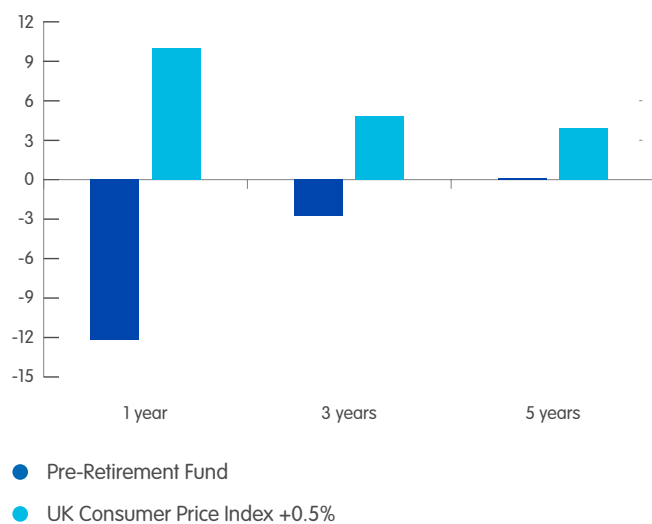
### Return objective

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

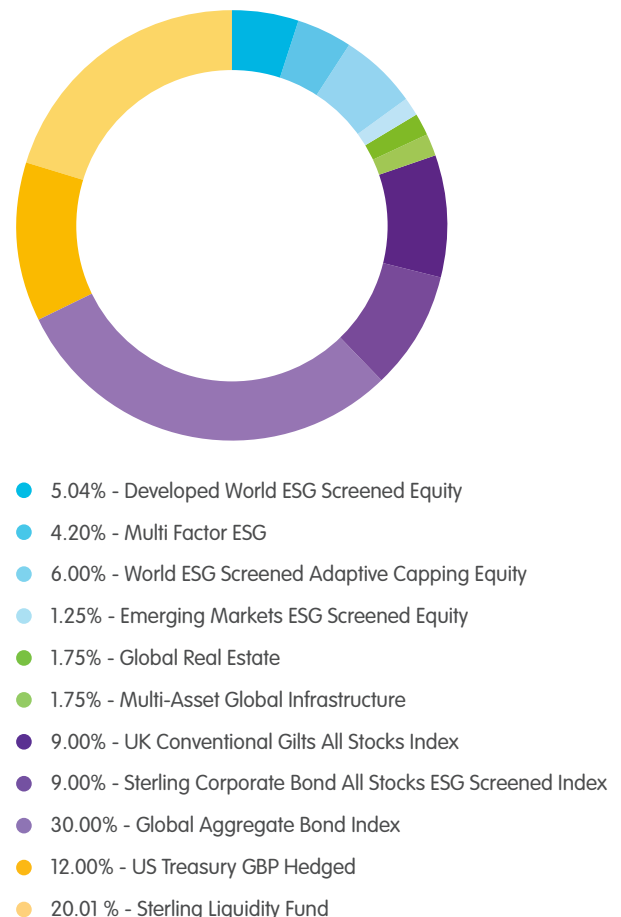
	1 year	3 years	5 years
Annualised fund performance	-12.17	-2.76	0.14
Annualised benchmark performance	10.02	4.80	3.92
Annualised fund volatility	6.88	6.15	5.17

## 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.

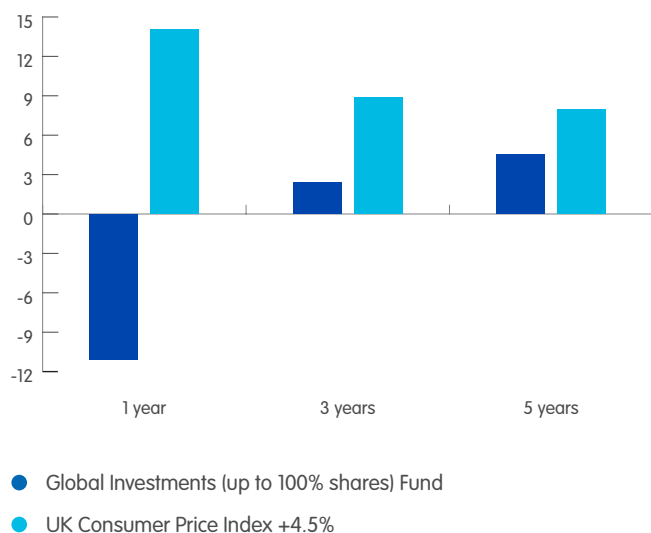
### Return objective

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

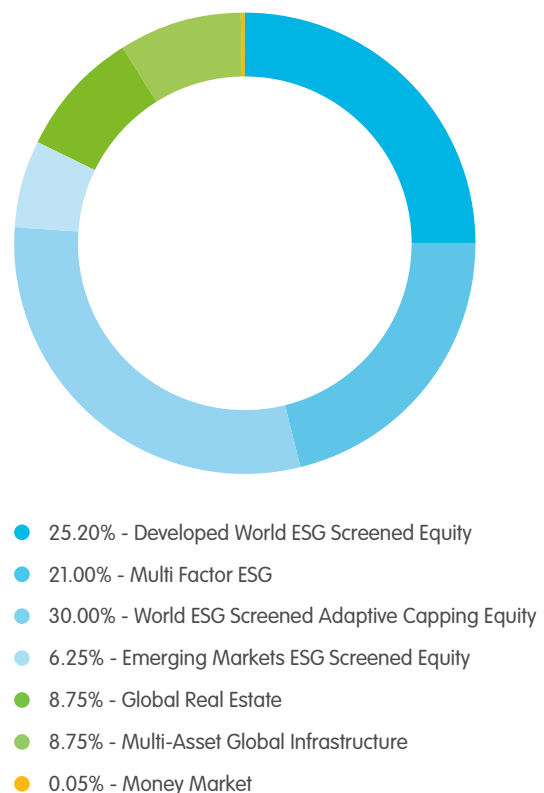
	1 year	3 years	5 years
Annualised fund performance	-11.09	2.42	4.52
Annualised benchmark performance	14.03	8.86	7.99
Annualised fund volatility	14.91	15.80	13.53

## Global Investments (up to 100% shares) Fund

### Fund and benchmark performance



### 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.

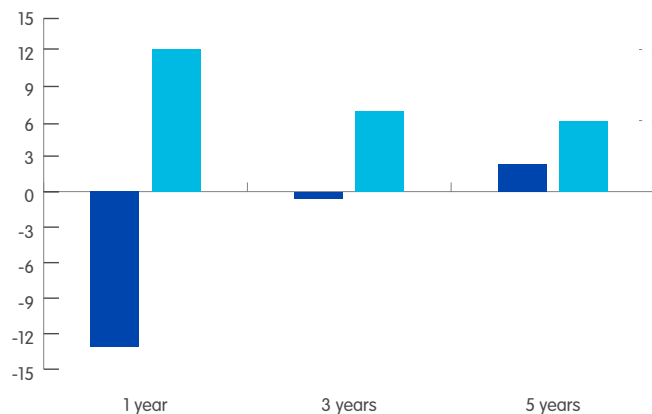
### Return objective

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

	1 year	3 years	5 years
Annualised fund performance	-13.12	-0.58	2.31
Annualised benchmark performance	12.03	6.83	5.95
Annualised fund volatility	11.18	11.02	9.32

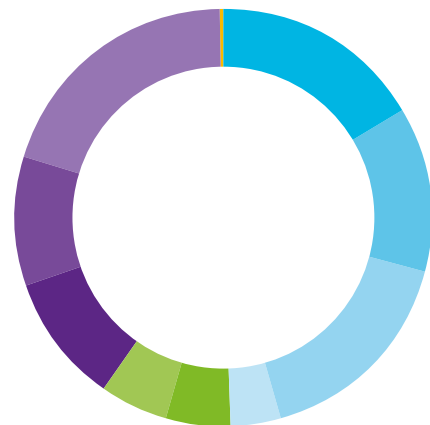
## Global Investments (up to 60% shares) Fund

### Fund and benchmark performance



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

### Asset allocation



- 15.12% - Developed World ESG Screened Equity
- 12.60% - Multi Factor ESG
- 18.00% - World ESG Screened Adaptive Capping Equity
- 3.75% - Emerging Markets ESG Screened Equity
- 5.25% - Global Real Estate
- 5.25% - Multi-Asset Global Infrastructure
- 6.00% - UK Conventional Gilts All Stocks Index
- 6.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 20.00% - Global Aggregate Bond Index
- 0.03% - Money Market
- 8.00% - US Treasury GBP Hedged

# 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
<b>Annuity Fund</b>  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	-35.64 (-35.69)	12.89 (-14.48)	-4.70 (-5.60)	18.37	15.48	13.14
<b>Cash Fund</b>  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	0.27 (0.73)	-0.04 (0.38)	0.05 (0.46)	0.18	0.14	0.12
<b>Ethical Fund</b>  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	-4.15 (14.03)	7.59 (8.86)	8.90 (7.99)	14.86	14.86	13.30
<b>Shariah Fund</b>  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	-3.29 (14.03)	11.43 (8.86)	12.67 (7.99)	17.93	15.50	13.95

As of 30/09/2022. 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	-11.67%	1.42%	3.94%	-12.11%	0.87%	3.39%
Member 10 Years to Retirement	-11.64%	0.26%	3.10%	-11.98%	-0.24%	2.58%
Member 5 Years to Retirement	-11.66%	-0.89%	2.09%	-11.99%	-1.37%	1.57%

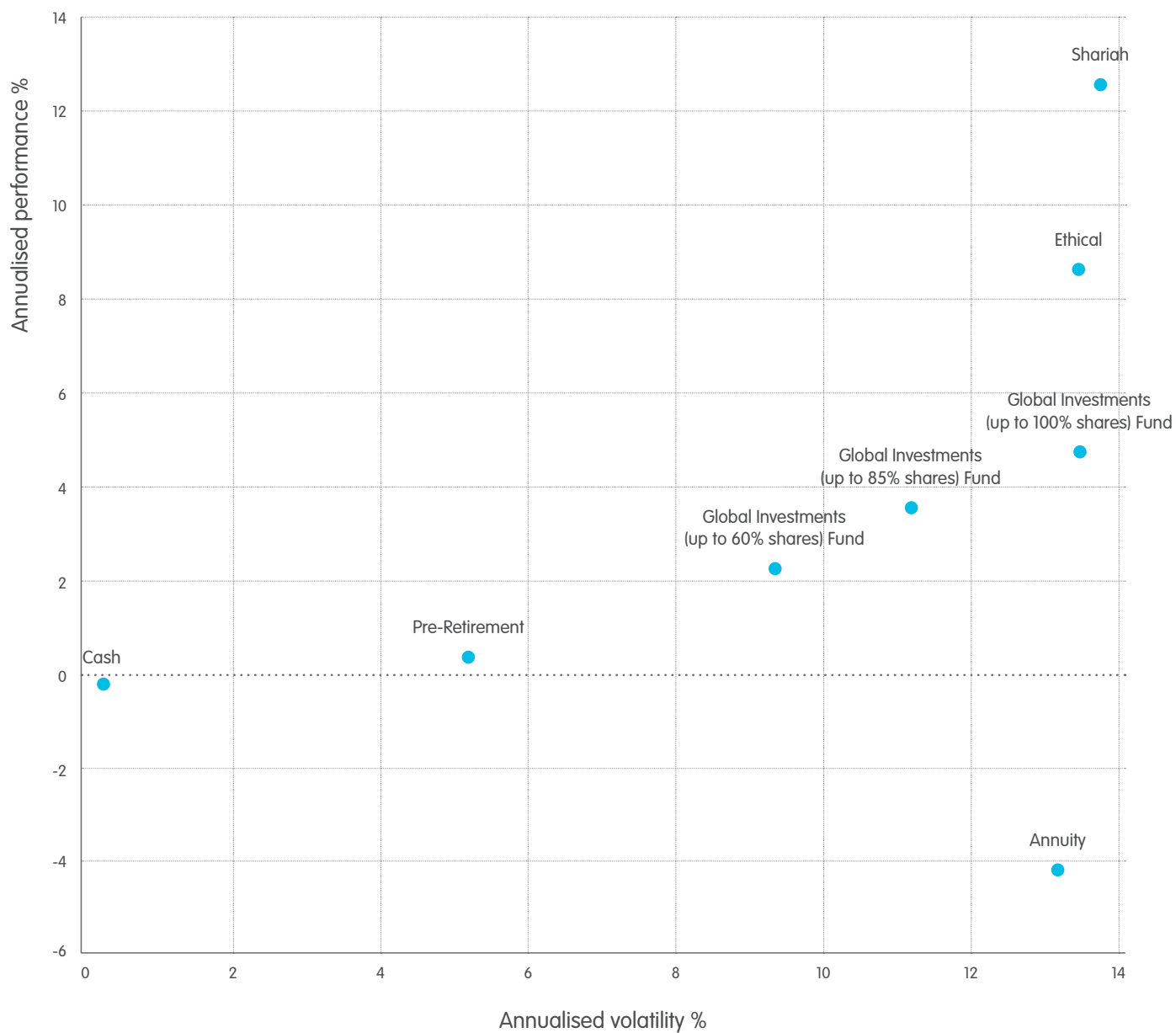
As of 30/09/2022. Source B&CE and Financial Express.

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

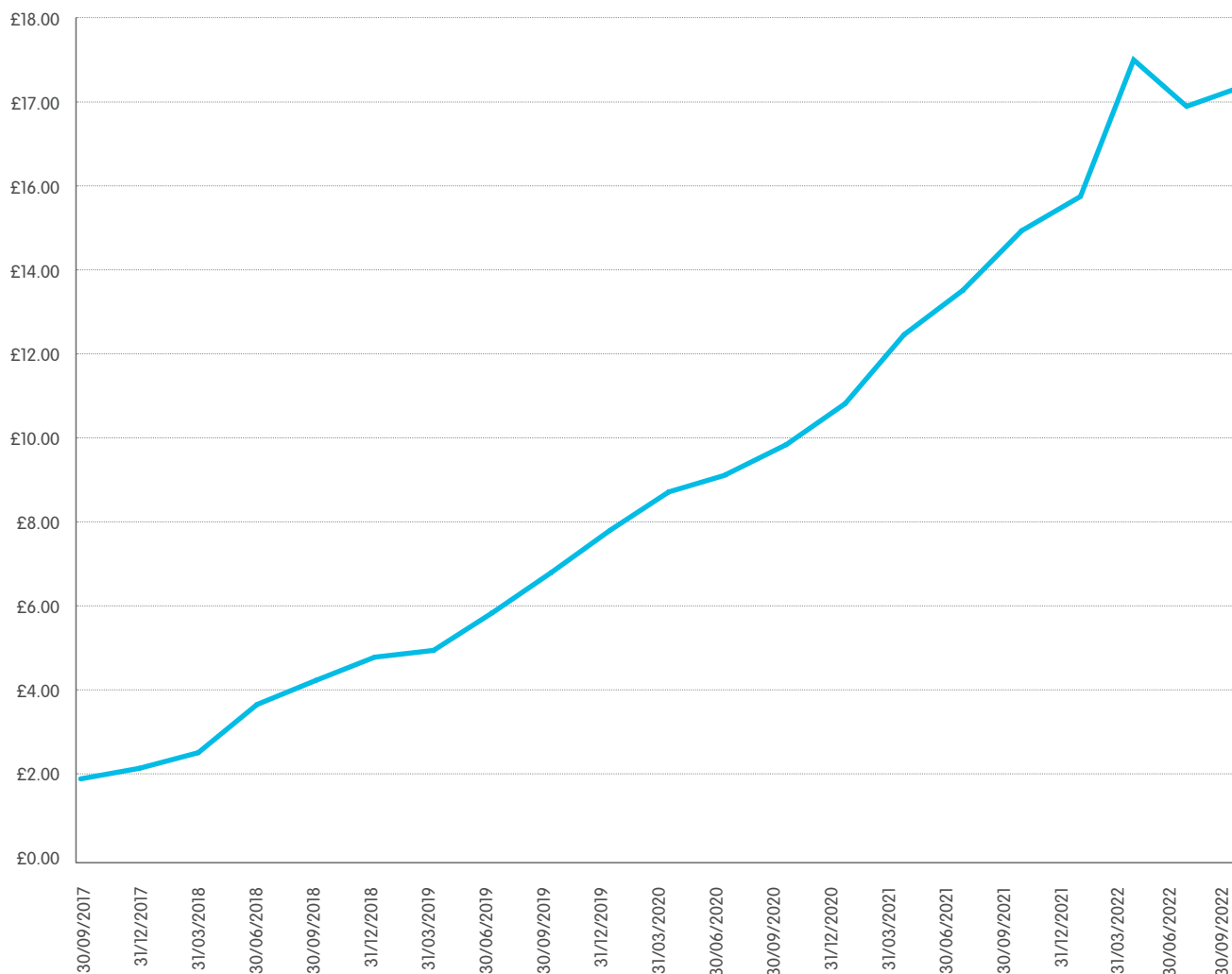
The People's Pension Balanced Profile is composed of the Global Investment up to 85% Shares Fund and Pre-Retirement Funds

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 September 2022	(£ Bn)
The People's Pension Total	£17.14
Global Investments (up to 85% shares) Fund	£13.81
Pre-Retirement Fund	£2.61
Global Investments (up to 100% shares) Fund	£0.51
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

For more information:

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