The People's Pension – Quarterly investment report

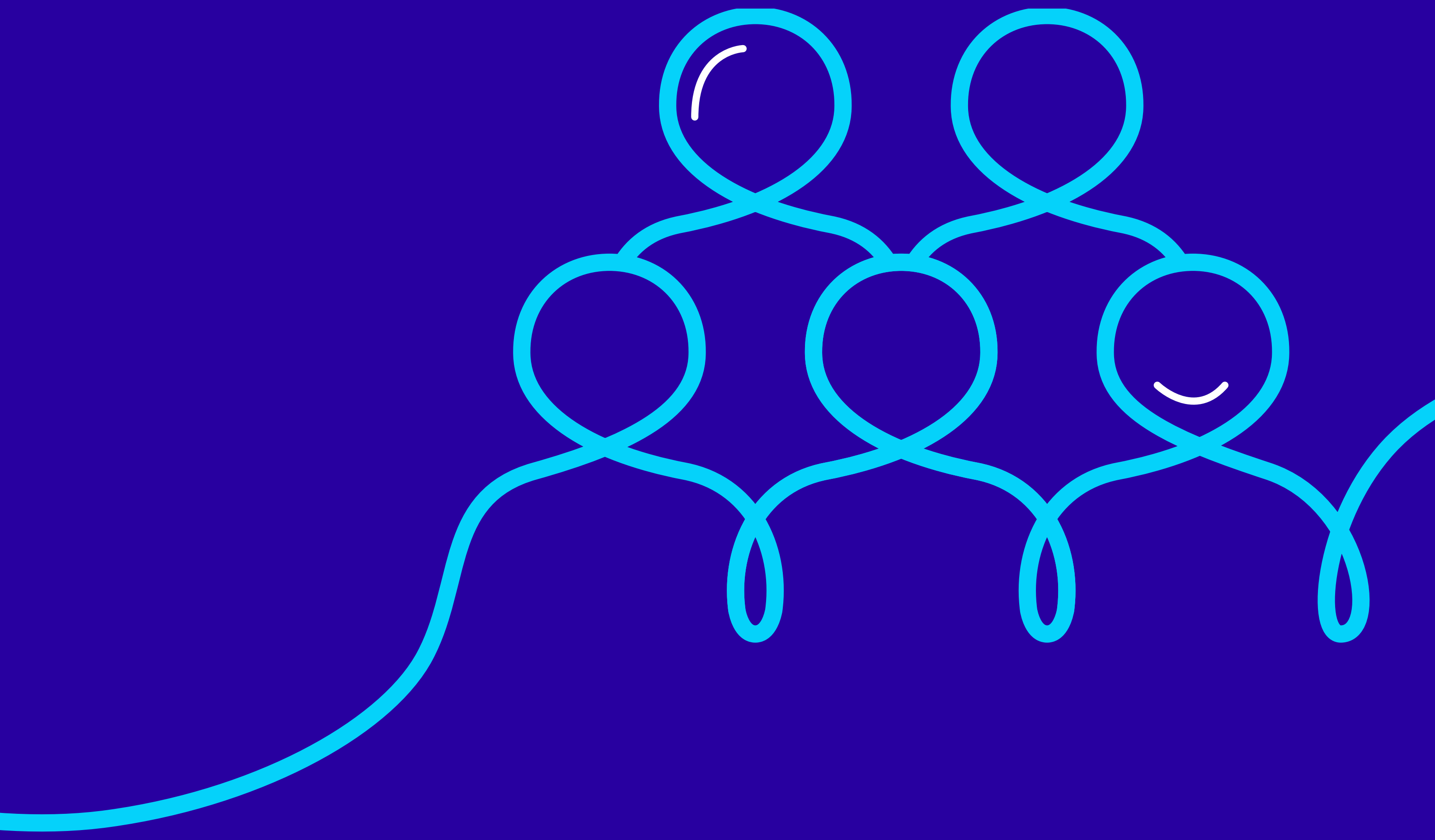
October to December 2024

Profit for people

Introduction

At The People's Pension, 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.



October to December 2024 Investment Commentary

As 2024 came to a close, investor sentiment diminished after a run of robust growth throughout most of the year. Overall, however, many investors in global stock markets will look back at the year fondly, having registered positive returns. Donald Trump's decisive victory in the presidential election helped to remove political uncertainty, leading to investor optimism, which helped US stock markets rally to new heights. Outside of the US, stock market performance was less rosy. Japanese markets performed well, but most other regional stock market indices fell slightly towards the year's end.

Central banks cut interest rates during the quarter but suggested the speed of anticipated cuts would likely slow in 2025. The main causes of this approach were future government spending commitments and stubborn inflation. This higher-for-longer outlook led to government bonds posting negative returns, a trend that has continued into early 2025.

Returns for investors have been good historically over the past 5 years and beyond, aided by positive stock market growth, in particular the US markets and the big technology stocks. The S&P 500 has produced returns of nearly 14%[1] per year over the 5 years to the end of December 2024. Bond returns are still in a recovery period following the rising interest rate cycle of late 2022 and early 2023. Starting yields in fixed income are now at multi-decade highs and may provide opportunities for investors. The growth fund of our default investment – the Global Investments (up to 85% shares) Fund – has returned 6% per year over the 5 years to the end of December 2024.

In the UK, the autumn budget, which levied tax rises on businesses, sparked doubts from investors about future economic growth. A government promise of investment in priority areas of the public sector may push up UK inflation further. In response, UK government bond (gilts) yields were higher over the period and sterling weaker. Our equity portfolios, which are 50% currency hedged, benefitted from this outlook in Q3 but detracted from performance in Q4.

1 Source: Financial Express to 31 December 2024, 5-year annualised total returns in US dollars.

October to December 2024 Investment Commentary (Continued)

US – a strong finish for US stocks

Following Donald Trump's election victory in November, US stock markets continued their impressive growth, reaching new highs in Q4 with markets excited about the prospects for pro-growth policies, including lower taxes and less regulation. Following a 3.1% GDP rise in Q3, this quarter saw further positive economic data. The US Central Bank – the Federal Reserve – cut interest rates by 0.25% in November and December but reduced the number of interest rate cuts expected in 2025 to 0.5% (from 1%) given persistent inflation.

UK – tax increases weigh on market sentiment

UK stock markets declined (-3%) throughout the quarter due to concerns about the new government's first budget. Tax rises have lowered expectations for future consumer spending and corporate investment, adding to existing signs of weakening in consumer demand and employment. The October economic growth figure was marginally negative at -0.1%. The Bank of England's (BOE) Monetary Policy Committee (MPC) kept interest rates at 4.75% in December; however, some members voted for an interest rate cut due to weakening demand.

Eurozone – concerns about US trade tariffs and political uncertainty

Eurozone stock markets fell by 4% in the fourth quarter of 2024 due to growing fears of a recession. Weak economic data, political instability in France and Germany, and discussions by Trump about imposing trade tariffs on US imports further fuelled uncertainty. In response, the European Central Bank (ECB) cut interest rates by 0.25% in both October and November. Projections for economic growth and positive inflation figures in 2025 were also revised downward, leading to anticipation of fewer interest rate cuts in the year ahead.

Japan – Positive fundamentals boost optimism

Japanese stock markets grew in Q4 with the TOPIX up 5.4%. A weaker currency, ongoing corporate reforms, and better economic data were the main drivers of this. With the yen's decline, business outlook improved further, and Japanese exports became more attractive to foreign buyers. At its December meeting, the Bank of Japan held interest rates

October to December 2024 Investment Commentary (Continued)

steady, but markets continued to anticipate a short-term rate increase due to inflation optimism. If moderate inflation can be maintained, in line with the central bank's target, it should make it easier to service the country's high level of public debt and support economic stability.

Emerging Markets – no Santa rally

Emerging market stock markets experienced a challenging quarter, declining by 8%, primarily due to fears of US trade tariffs, a stronger US dollar, and uncertainties surrounding the new Trump administration. Political instability and the impeachment of the president weakened South Korea's markets, while Brazil's stock market performance suffered from concerns over its budget deficit. Meanwhile, China faced weaker-than-expected economic data and a more limited government stimulus than anticipated, leading to a dampening of investor confidence.

Global Fixed Interest – all change – re-assessing global economic strength

The fixed interest markets saw significant shifts in the final quarter of 2024. In the US, volatility increased as markets reacted to a second Trump presidency and concerns over the impact of his administration's fiscal policy on inflation. Stronger-than-expected economic data reduced expectations for additional interest rate cuts, causing US Treasury yields to rise and prices to fall. The market now anticipates fewer rate cuts and higher long-term yields for Treasuries and has 'priced in' these changes accordingly. Meanwhile, market commentator opinion remains divided on the health of the US economy, with early signs of softening creating uncertainty, although economic data still suggests growth.

In the UK, government bonds experienced similar difficulties due to the autumn budget and resurgent 'stagflation' concerns. Gilt yields climbed to their highest level of the year in Q4, despite a 0.25% interest rate cut by the BOE. The market's concerns that the Chancellor's budget would not significantly boost UK economic growth were the main cause of the Q4 gilt sell-off. Additionally, the government's announcement of increased borrowing raised concerns about higher gilt issuance, which the market may struggle to absorb. With the UK economy slowing

October to December 2024 Investment Commentary (Continued)

and inflation remaining high and persistent, it is increasingly likely that the BOE will scale back its plans for future interest rate cuts.

Despite a marginal improvement in Q4, corporate bond yields rose in tandem with changes in sovereign debt yields. Indicating confidence in the business outlook, investors' demand for holding company debt is still 'tight', as measured by the spread between corporate bond yields and government bond yields (the extra yield you get from a corporate bond compared to a government bond). The move higher in sovereign debt yields now means that the overall yield for corporate debt is more attractive. The divergence of business and consumer confidence in different economies is leading to pricing variations between developed market economies.

Outlook

Central banks have scaled back their forecasts for interest rate cuts in 2025, driven by higher-than-expected inflation and the potential inflationary pressures from the incoming Trump administration's proposed trade tariffs. Additionally, concerns are mounting over the funding of government deficits, as investors begin demanding higher returns, pushing up yields globally to multi-year highs. Geopolitical developments are expected to remain a key influence on the macroeconomic outlook, with elections in Europe and the potential resolution of the war in Ukraine likely to shape market dynamics.

Despite these challenges, the overall outlook for economic growth remains positive, supported by the continued belief in the transformative potential of AI and growing evidence of an economic 'soft landing', even in the context of elevated interest rates. While periods of volatility are inevitable, we remain confident that a well-constructed portfolio from a wide mix of assets will provide diversification and positive returns for our members' savings over the lifetime of their pensions.

How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after over £31bn* 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 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 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'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 be all found here thepeoplespension.co.uk/investment-downloads/

* 31/12/2024.

Balanced investment profile – Growth phase*

Global Investments (up to 85% shares) Fund

Purpose

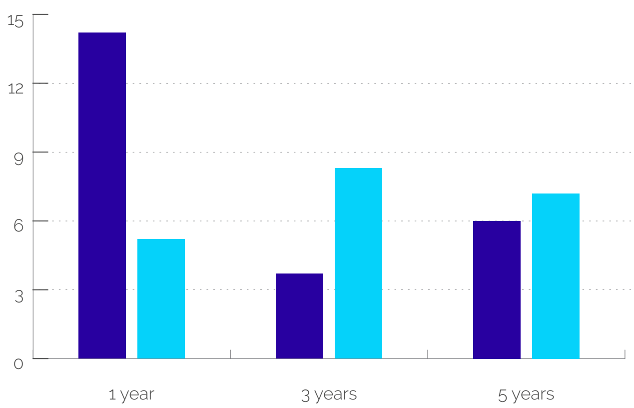
The fund is a balanced medium to high-risk capital growth fund.

Return objective

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

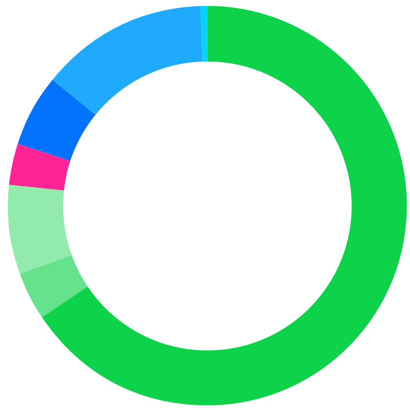
	1 year	3 years	5 years
Annualised fund performance	14.2	3.7	6.0
Annualised performance objective	5.2	8.3	7.2
Annualised fund volatility	5.7	10.6	11.7

Fund and performance objective



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

Asset allocation*



- 65.6% - Developed World Climate Aware Equity Index
- 4.0% - UK Climate Aware Equity
- 7.2% - Emerging Markets ESG Screened Equity
- 3.2% - Multi-Asset Global Infrastructure
- 6.0% - Developed Market Government Bonds
- 13.5% - Developed Market Corporate Bonds
- 0.5% - Emerging Market Bonds
- 0.0% - Money Market

As of 31/12/2024. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* This is The People's Pension's default profile.
* Rounded up to 1 decimal place.

All investment profiles – Consolidation phase

Pre-Retirement Fund

Purpose

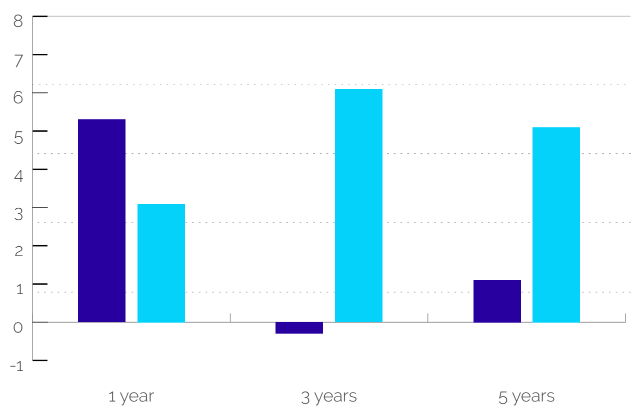
The fund is a low to medium-risk fund that balances capital preservation and capital growth.

Return objective

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

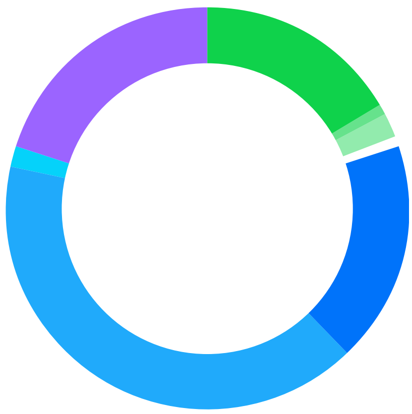
	1 year	3 years	5 years
Annualised fund performance	5.3	-0.3	1.1
Annualised performance objective	3.1	6.1	5.1
Annualised fund volatility	3.7	6.4	5.9

Fund and performance objective



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

Asset allocation*



- 16.4% - Developed World Climate Aware Equity Index
- 1.0% - UK Climate Aware Equity
- 1.8% - Emerging Market ESG Screened Equity
- 0.8% - Multi-Asset Global Infrastructure
- 18.0% - Developed Market Government Bonds
- 40.5% - Developed Market Corporate Bonds
- 1.5% - Emerging Market Bonds
- 20.0% - Money Market

As of 31/12/2024. 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

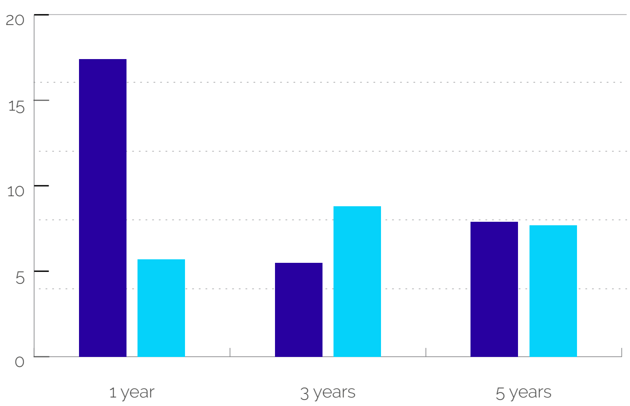
The fund is a higher-risk fund compared to the Global Investments (up to 85% shares) Fund. It aims for capital growth and invests up to 100% in global equities.

Return objective

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

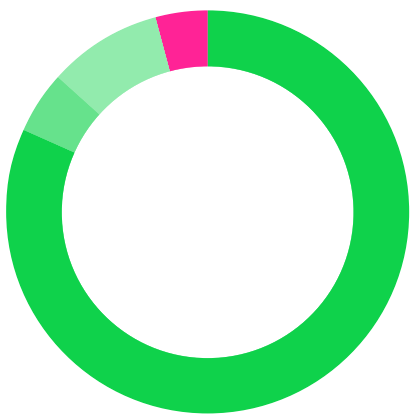
	1 year	3 years	5 years
Annualised fund performance	17.4	5.5	7.9
Annualised performance objective	5.7	8.8	7.7
Annualised fund volatility	6.9	12.1	13.8

Fund and performance objective



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

Asset allocation*



- 82.0% - Developed World Climate Aware Equity Index
- 5.0% - UK Climate Aware Equity
- 9.0% - Emerging Market ESG Screened Equity
- 4.0% - Multi-Asset Global Infrastructure
- 0.1% - Money Market

As of 31/12/2024. 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

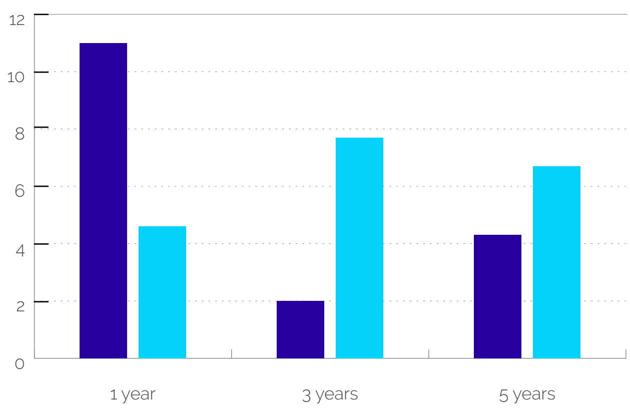
The fund is a lower-risk fund - compared to the Global Investments (up to 85% shares) Fund. It targets a combination of capital and income.

Return objective

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

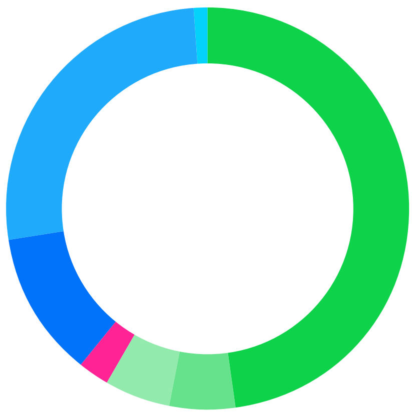
	1 year	3 years	5 years
Annualised fund performance	11.0	2.0	4.3
Annualised performance objective	4.6	7.7	6.7
Annualised fund volatility	5.3	9.6	10.0

Fund and performance objective



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

Asset allocation*



- 49.2% - Developed Market Climate Aware Equity Index
- 3.0% - UK Climate Aware Equity
- 5.4% - Emerging Market ESG Screened Equity
- 2.4% - Multi-Asset Global Infrastructure
- 12.0% - Developed Market Government Bonds
- 27.0% - Developed Market Corporate Bonds
- 1.0% - Emerging Market Bonds
- 0.0% - Money Market

As of 31/12/2024. 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	-6.9 (-8.2)	-13.6 (-15.0)	-6.8 (-8.3)	9.0	16.4	15.2
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	4.8 (5.2)	3.3 (3.8)	1.9 (2.3)	0.1	0.5	0.7
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	18.3 (5.7)	8.0 (8.8)	11.7 (7.7)	7.5	11.3	12.7
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	29.0 (5.7)	11.2 (8.8)	16.5 (7.7)	10.2	13.8	14.0

As of 31/12/2024. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
The funds do not have a volatility benchmark.

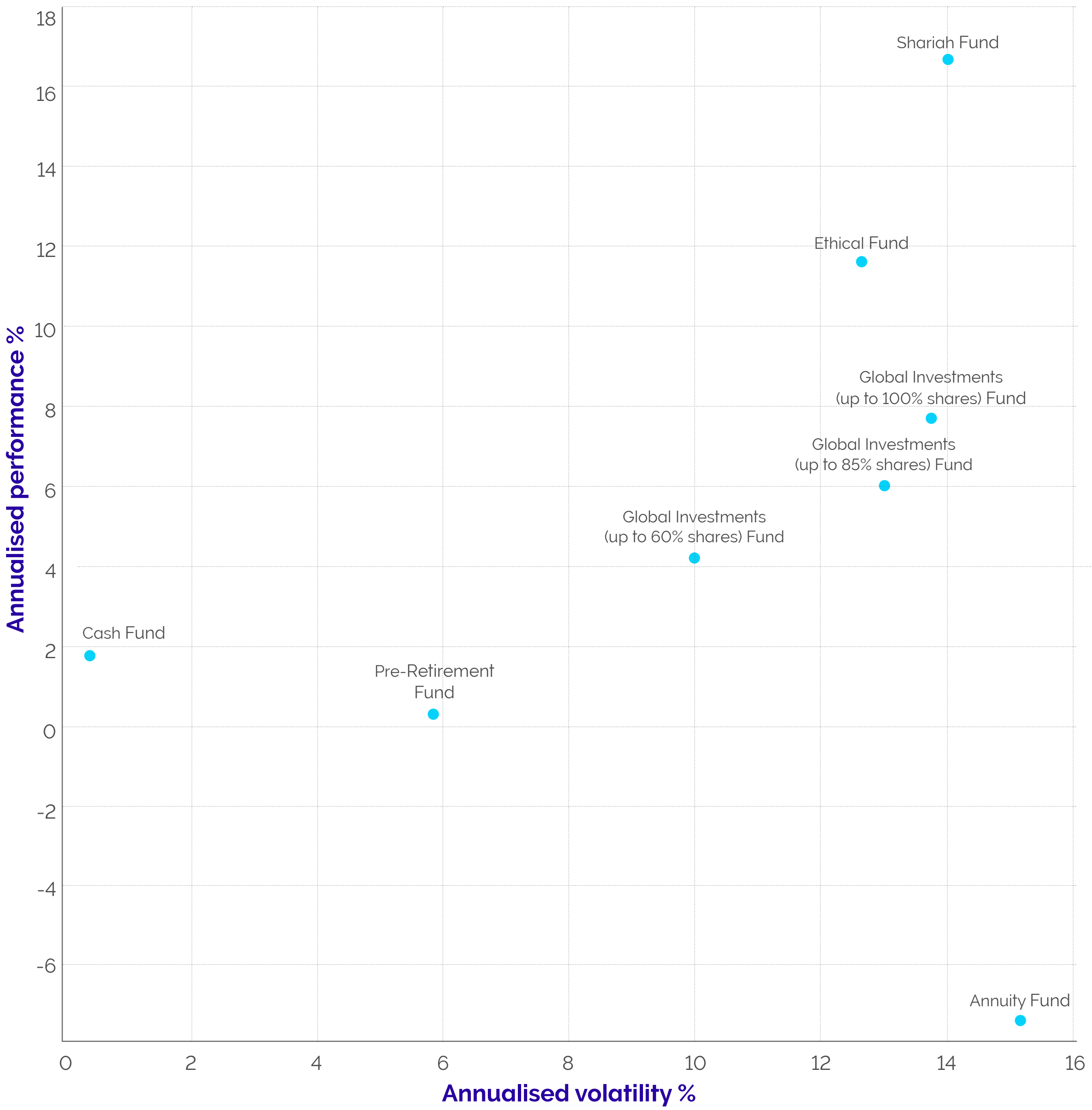
Value for Money Performance

Balanced Profile

	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	14.6%	4.2%	6.6%	14.0%	3.7%	6.0%
Member 10 Years to Retirement	11.2%	2.8%	5.2%	10.7%	2.2%	4.7%
Member 5 Years to Retirement	8.4%	1.5%	3.7%	7.9%	1.0%	3.2%

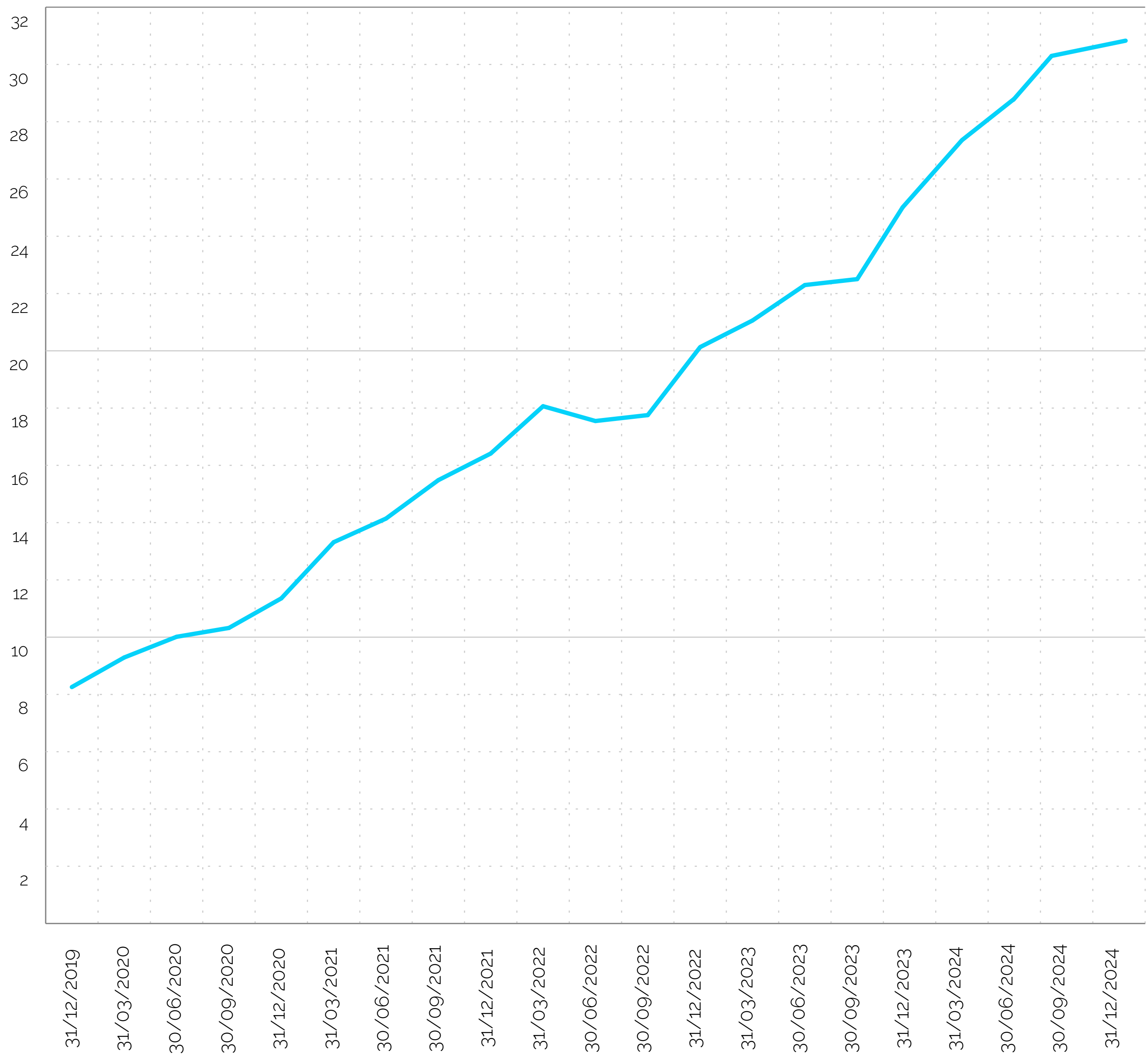
As of 31/12/2024. Source People's Partnership and Financial Express.
Member's time to retirement is at the date of performance calculation.
The People's Pension Balanced Investment Profile is composed of the Global Investments (up to 85% shares) Fund and Pre-Retirement Fund.
Net of charges performance is net management charge of 0.5%.

Five year annualised performance vs volatility



As of 31/12/2024. Source People's Partnership and Financial Express. Performance Net of management charge.

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



Fund sizes as at 31 December 2024	(£ bn) *
The People's Pension Total	£31.3
Global Investments (up to 85% shares) Fund	£24.7
Pre-Retirement Fund	£4.8
Global Investments (up to 100% shares) Fund	£1.3
Shariah Fund	£0.2
Ethical Fund	£0.1
Cash Fund	£0.1
Global Investments (up to 60% shares) Fund	£0.1
Annuity Fund	£0.0

As of 31/12/2024. Source People's Partnership.
*Values rounded to 1 decimal place.

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