The People's Pension – Quarterly investment report

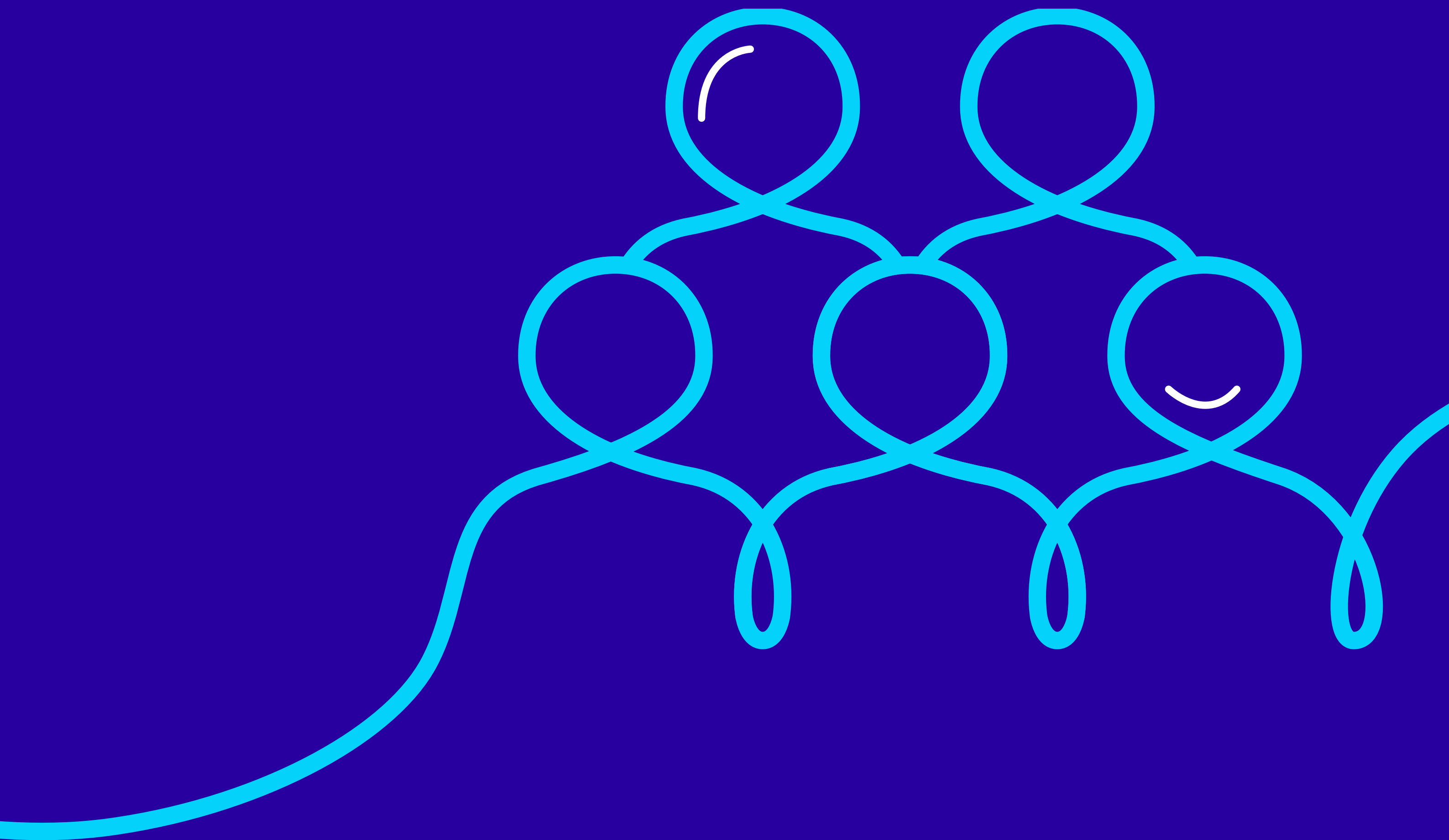
January to March 2024

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.



January to March 2024 Investment Commentary

In February, we entered the Chinese year of the Wood Dragon, traditionally associated with growth and abundance.

With another very strong quarter, it certainly felt like that for global equity markets. Highlights include positive macroeconomic data from the US and investors' ongoing excitement about the potential growth opportunities that AI may bring. Fixed-interest investment had a more challenging quarter as interest rate expectations shifted, with this year's anticipated cuts now expected to be fewer in number and later than market forecasts made last autumn.

Taking a longer view, global shares remain in strongly positive territory over both 3 and 5 years, with average annual growth above 10% and 12%, respectively, easily brushing off both the Covid crash and the Ukrainian invasion. Bonds continue to struggle with the end of the zero-interest rate era in 2021/2022 and are still negative, losing 2% per year over the last 3 years.

US: on top of the world

The S&P 500 reached an all-time high at the end of the quarter thanks to a combination of strong corporate earnings – especially in the information technology, communication services, and energy sectors – robust economic growth, and non-farm payroll statistics.

A 'soft landing' for the US economy was one of the main topics of conversation last year, and increasingly, this appears to be happening, with inflation approaching Federal Reserve targets and annualised GDP growth revised up to 3.4% for Q4 2023.

UK: few signs of spring after a winter of some discontent

UK shares, along with the rest of the developed world, had a positive quarter, but the UK market underperformed Europe, North America, and Japan.

Even though February's inflation dropped to 3.4%, it's still higher than the Bank of England's target. In March, despite the UK economy being in a technical recession, the Bank of England kept rates at 5.25%. According to the last 2 quarterly GDP figures, the UK economy shrank by 0.1% and 0.3% for Q3 and Q4 2023.

January to March 2024 Investment Commentary (Continued)

Eurozone: halfway between the gutter and the stars

Like the rest of the developed world, Eurozone stocks enjoyed positive returns in Q1 2024. Tech stocks led the pack as many things AI-related continue to shine. This rise was supported by the industrial, consumer discretionary, and finance sectors.

Inflation continues to fall towards its target, reaching 2.6% in February. Growth, however, is less encouraging, with Eurozone GDP flat for Q4 and down 0.3% in Germany.

Even with this lacklustre growth, the European Central Bank (ECB) has downplayed expectations of interest rate cuts in the near future, indicating that the ECB wants to ensure it doesn't have to reverse any cuts.

Emerging markets: jam today for Peru; Taiwan cashes in on its chips.

Overall, it was another quarter of relative underperformance for emerging market (EM) stocks compared to developed market shares. The Chinese market continued to struggle as investors remained concerned over its growth prospects. In the emerging markets space, Peru was the standout performer, with its shares benefiting from a reduction in interest rates and the relaxation of foreign currency controls. Strong returns were also achieved by the Taiwanese market, which surfed the global tech and AI wave.

Brazil and Egypt underperformed their peer countries, with investors in Brazil profit taking after a very strong year in 2023 and Egypt feeling the effects of a currency devaluation of over 30%.

January to March 2024 Investment Commentary (Continued)

Global fixed interest: 'Crouching Tiger, Hidden Dragon'

In fixed-income markets, expectations of the Wood Dragon's abundance were reflected in positive sentiment, yet we also saw a significant adjustment to inflation and interest rate expectations. At the forefront of investors' minds was when the Federal Reserve (Fed) would begin to cut interest rates. The old adage that the Bank of England (BOE) follows the Fed remains true, and the first quarter proved to be something of a waiting game.

Up to 6 cuts were priced into the market at the beginning of 2024, but sticky inflation, heightened geopolitical risk, and the US economy's strong performance have reduced the expectation to 3 cuts this year. As a result, fixed interest prices have fallen, and yields on UK Gilt, US Treasury, and German Bund have increased over the quarter.

In the corporate debt space, there are more signs of plenty as spreads (the difference between yields of government and corporate bonds) narrowed for both investment and high-yield bonds, meaning their prices went up, reflecting positive market sentiment improvements in credit quality for investment-grade bonds and low levels of default in high-yield bonds.

Outlook

Bond returns this year are likely to be lower than were anticipated due to the slowdown in the speed and depth of expected interest rate cuts. On a more positive note, high corporate earnings, ongoing interest in AI, and a robust US economy provide a positive environment for equities and a hint of the Wood Dragon's abundance.

Although the last 2 quarters have delivered excellent returns from global equities, we do not expect these returns every quarter. In the long term, though, we believe that performance will tend to be in line with historical averages, providing great returns for our members savings over the lifetime of their pensions.

We believe that over the medium to long term, the returns of different asset classes won't always move in tandem, and a well-constructed, diversified portfolio allows risk to be spread for our members. Our approach is to spread our members' investments over a wide array of companies and sectors globally, rather than placing concentrated bets on which area might do best.

How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after over £26bn* 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/

* As of 31/03/2024.

Balanced investment profile – Growth phase*

Global Investments (up to 85% shares) Fund

Purpose

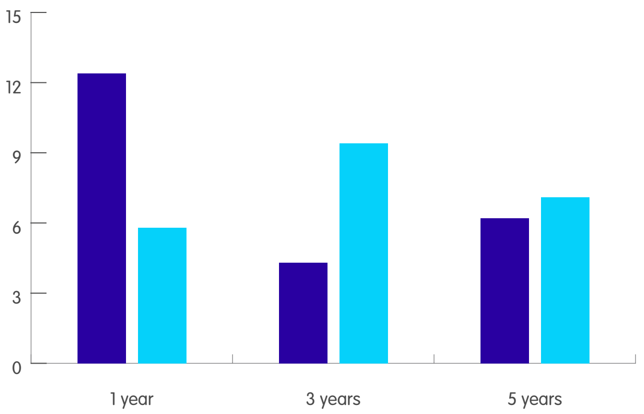
The fund is a balanced medium to high-risk capital growth fund.

Return objective

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

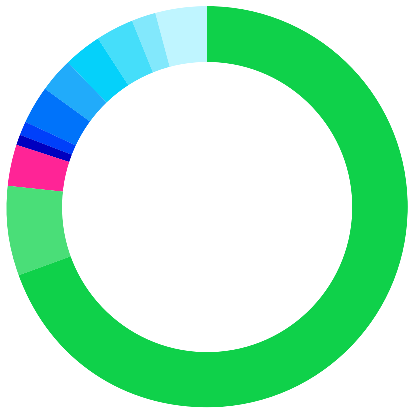
	1 year	3 years	5 years
Annualised fund performance	12.4	4.3	6.2
Annualised performance objective	5.8	9.4	7.1
Annualised fund volatility	9.1	10.6	11.7

Fund and performance objective



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

Asset allocation*



- 69.6% - Developed World Climate Aware Equity
- 7.2% - Emerging Markets ESG Screened Equity
- 3.2% - Multi-Asset Global Infrastructure
- 1.0% - Global High Yield Bond (Hedged)
- 1.0% - Emerging Market Bond (Hedged)
- 3.0% - US Corporate Bond (Hedged)
- 3.0% - Short Dated Sterling Corporate Bond
- 3.0% - Sterling Corporate Bond All Stocks ESG Screened Index
- 3.0% - European Corporate Bond (Hedged)
- 2.0% - US Treasury (Hedged)
- 4.0% - UK Gilts Index
- 0.0% - Money Market

As of 31/03/2024. 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.

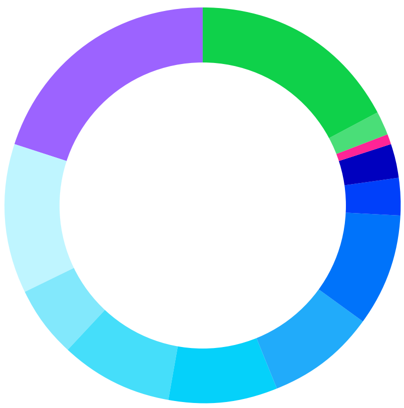
Return objective

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	-0.6	1.2
Annualised performance objective	3.7	7.3	5.0
Annualised fund volatility	5.3	6.2	5.8

Fund and performance objective

Asset allocation*



- 17.4% - Developed World Climate Aware Equity
- 1.8% - Emerging Markets ESG Screened Equity
- 0.8% - Multi-Asset Global Infrastructure
- 3.0% - Global High Yield Bond (Hedged)
- 3.0% - Emerging Market Bond (Hedged)
- 9.0% - US Corporate Bond (Hedged)
- 9.0% - Short Dated Sterling Corporate Bond
- 9.0% - Sterling Corporate Bond All Stocks
- 9.0% - European Corporate Bond (Hedged)
- 6.0% - US Treasury (Hedged)
- 12.0% - UK Gilts
- 20.0% - Money Market

As of 31/03/2024. 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

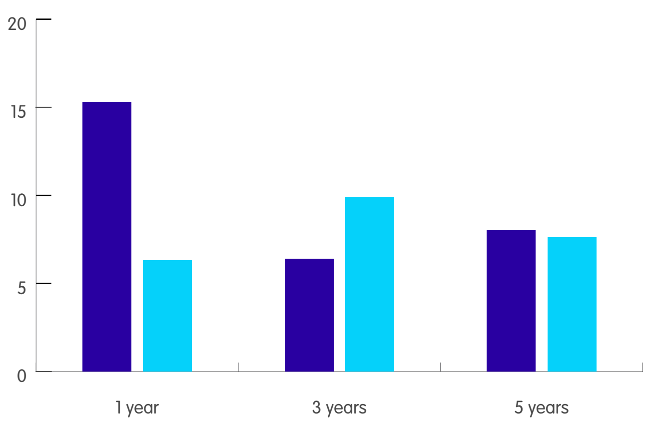
The fund is a higher-risk fund compared to the Global Investments (up to 85% shares) Fund. It aims for capital growth and invests up to 100% in global equities.

Return objective

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

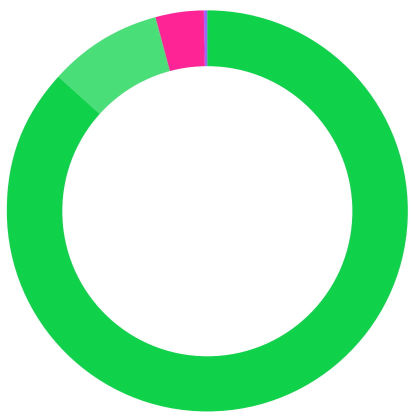
	1 year	3 years	5 years
Annualised fund performance	15.3	6.4	8.0
Annualised performance objective	6.3	9.9	7.6
Annualised fund volatility	10.4	12.1	13.8

Fund and performance objective



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

Asset allocation*



- 87.0% - Developed World Climate Aware Equity
- 9.0% - Emerging Markets ESG Screened Equity
- 4.0% - Multi-Asset Global Infrastructure
- 0.1% - Money Market

As of 31/03/2024. 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

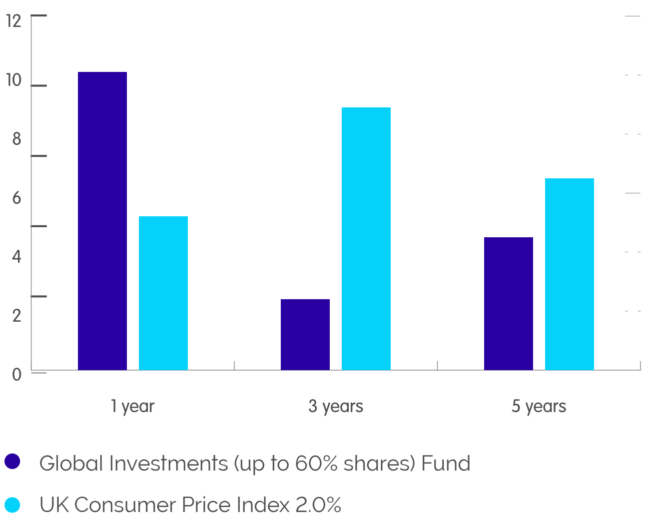
The fund is a lower-risk fund - compared to the Global Investments (up to 85% shares) Fund. It targets a combination of capital and income.

Return objective

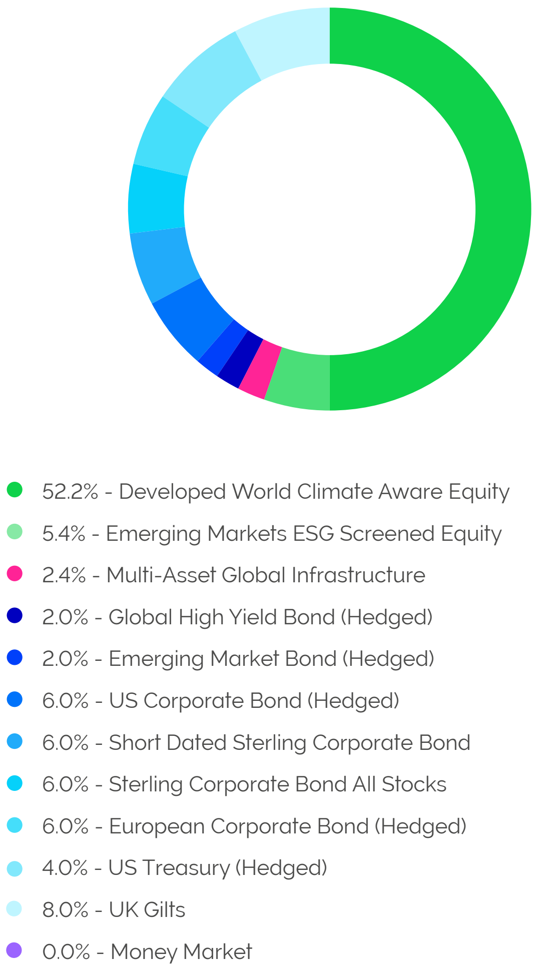
UK Consumer Price Index 2.0% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	10.1	2.4	4.5
Annualised performance objective	5.2	8.9	6.5
Annualised fund volatility	8.3	9.5	9.9

Fund and performance objective



Asset allocation*



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* 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	2.0 (-1.3)	-11.0 (-12.2)	-4.3 (-6.2)	14.8	16.9	15.1
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	4.6 (5.0)	2.0 (2.5)	1.2 (1.6)	0.2	0.6	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	22.3 (6.3)	11.5 (9.9)	12.7 (7.6)	8.4	11.6	13.0
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	29.9 (6.3)	14.4 (9.9)	16.6 (7.6)	9.2	14.4	14.0

As of 31/03/2024. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
The funds do not have a volatility benchmark.

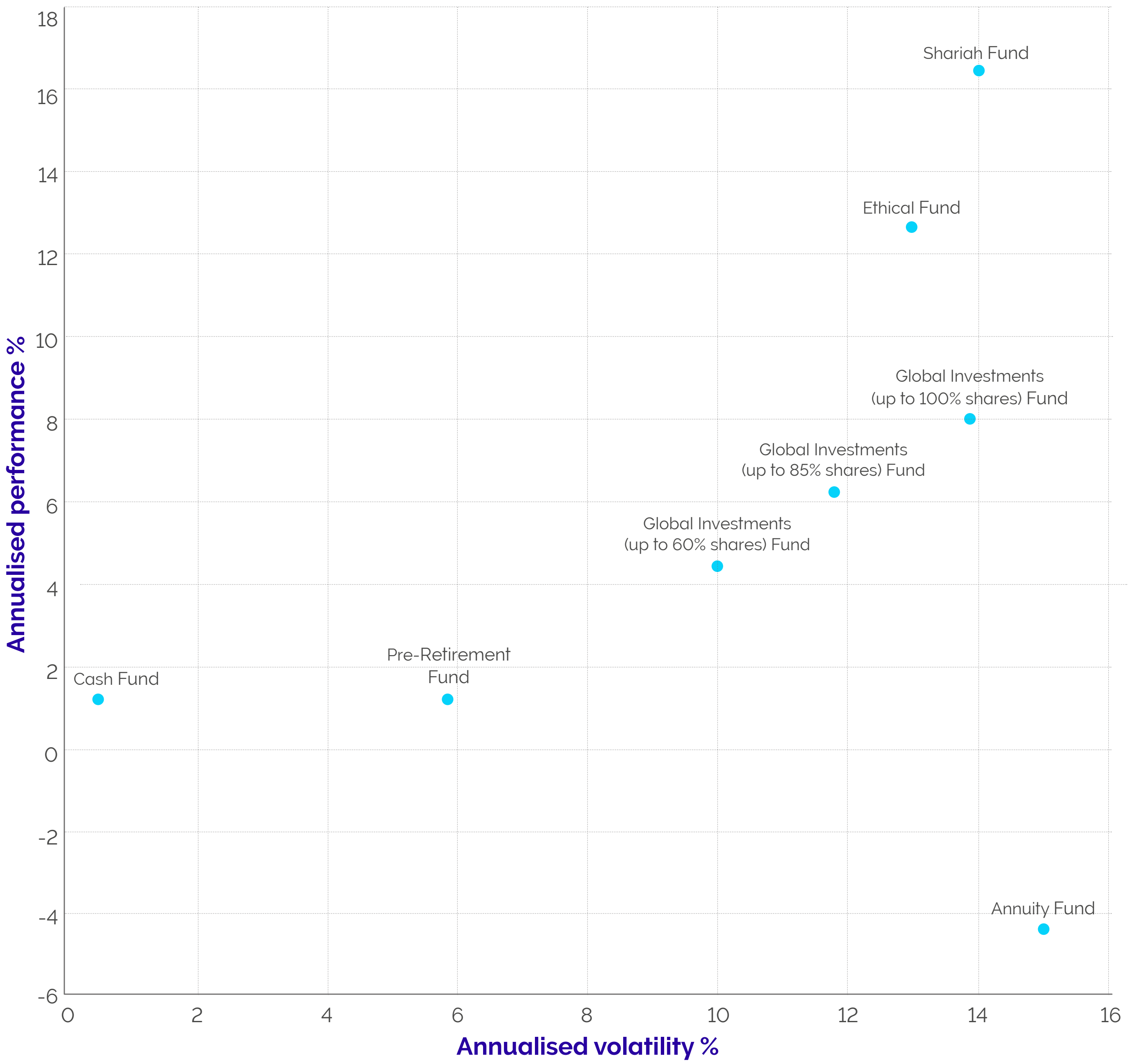
Value for Money Performance

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	13.0%	4.8%	6.7%	12.4%	4.3%	6.2%
Member 10 Years to Retirement	10.8%	3.6%	5.7%	10.3%	3.1%	5.1%
Member 5 Years to Retirement	8.5%	2.1%	4.1%	8.0%	1.5%	3.6%

As of 31/03/2024. 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



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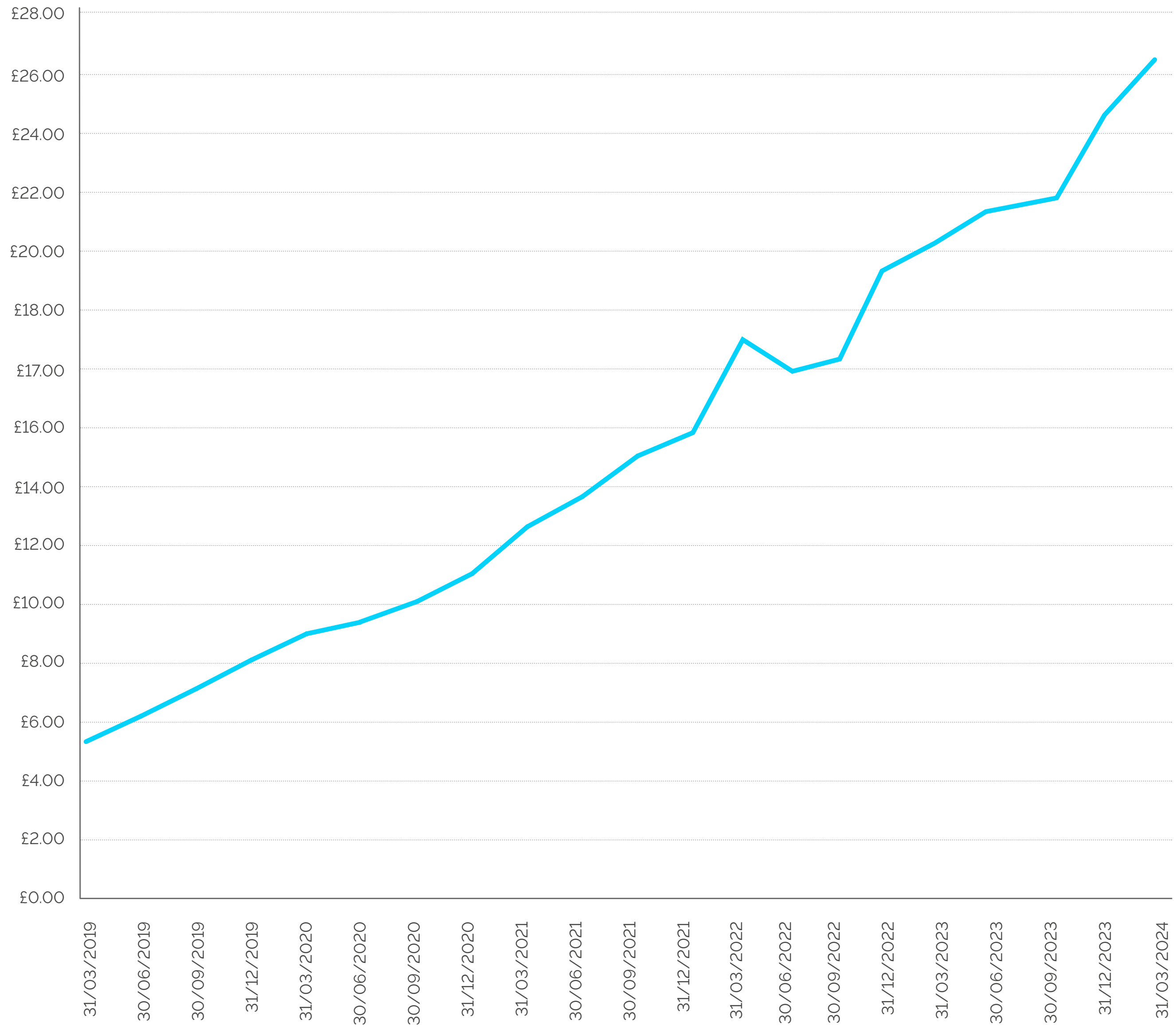
The People's Pension Assets Under Management (£ bn)



Fund sizes as at 31 March 2024	(£ bn) *
The People's Pension Total	£26.4
Global Investments (up to 85% shares) Fund	£21.1
Pre-Retirement Fund	£4.0
Global Investments (up to 100% shares) Fund	£0.9
Shariah Fund	£0.1
Ethical Fund	£0.1
Cash Fund	£0.1
Global Investments (up to 60% shares) Fund	£0.1
Annuity Fund	£0.0

As of 31/03/2024. Source People's Partnership.
*Values rounded to 1 decimal place.

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