

The People's Pension – Quarterly investment report

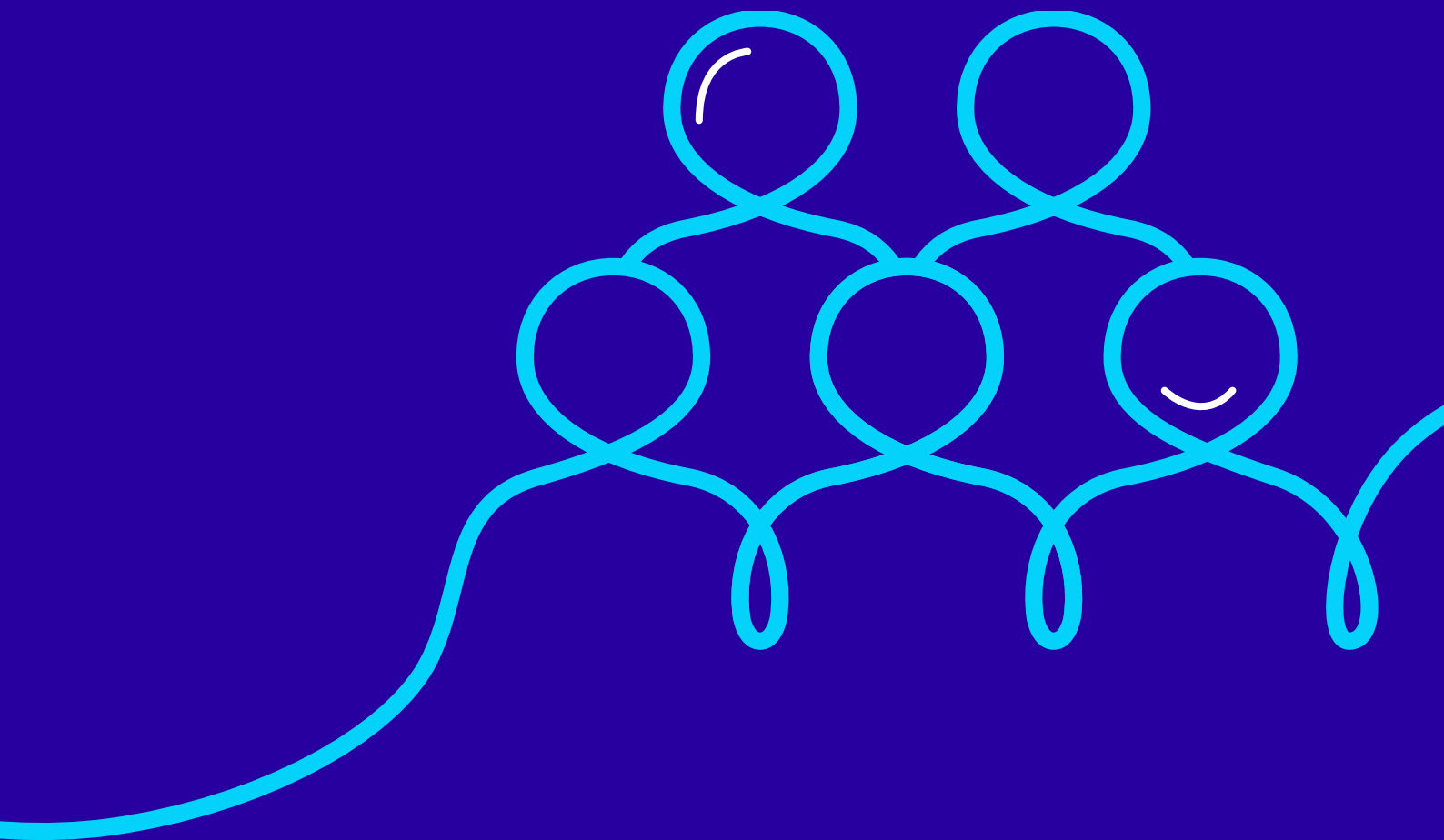
April to June 2024



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.



April to June 2024 Investment Commentary

Summertime and the living is (reasonably) easy...

The US and UK stock markets recorded all-time highs as global stock markets grew over the quarter, although not as strongly as in the previous 2. The MSCI All World Index increased over 3% over the quarter and is up 20% over the last 12 months. Global economic activity has remained resilient, and optimism surrounding stocks connected to advancements in artificial intelligence (AI) continues largely unabated.

Although the European Central Bank (ECB) cut interest rates, other central banks in developed markets were unable to do the same due to inflation being "sticky". During the quarter, the value of UK Gilts and US Treasuries both decreased.

Taking a longer view, shares have performed well over the last 3 and 5-year periods, with annualised growth until the end of the quarter exceeding 9% and 11%, respectively. Bonds' longer-term performance, which has been mostly flat over the previous 5 years and slightly down over the last 3, is still influenced by the market sell-off in 2022. As a result of these falls in value, bonds offer more appealing yields going forward.

US – Magnificent Seven still leading the charge

Throughout the first half of the year, the US continued to be a major driver of global growth, supported by robust Q1 profits, particularly from large-cap technology stocks. Towards the end of the quarter, several weaker data points in consumer demand and the labour market started to emerge. Expectations of rate cuts have decreased due to inflation remaining higher than expected in Q1. The fundamental economic story for 2024 continues to be the US economy's surprising strength in the face of higher interest rates. The market is grappling with the question of whether or not artificial intelligence could generate a productivity boom over the next 5-10 years.

April to June 2024

Investment Commentary (Continued)

UK – (Some) singing in the rain

Although the UK has been suffering from a historically wet winter and spring, at least economically, things are looking up. Following a mild recession last year, the economy expanded by 0.6% in Q1 and is expected to do the same in Q2. The Bank of England's 2% inflation target was eventually fulfilled in May, and the FTSE hit all-time highs. The Bank of England remains concerned about inflation in the services sector and has indicated that interest rates are likely to remain higher for longer, with gilt yields increasing (and prices falling) as a result. The election campaign appears to have had little impact on UK markets.

Eurozone – Macron's gambit declined

European share prices were down over the quarter, bucking the global trend. The French market underperformed due to a combination of diminished expectations of steep interest rate cuts and the uncertainty created by French President Macron's call for a snap parliamentary election.

Bright spots included the return to GDP growth this quarter and the performance of technology, particularly semiconductor manufacturers.

Japan – Spring wage deals help Japan blossom

Japan's stock market is close to record highs. Salary increases from this year's wage negotiations have been the highest for decades, and share buybacks are still being driven by corporate governance changes like these. However, weak consumer spending and concerns about the weak yen contributed to a fall in GDP growth in Q1.

April to June 2024 Investment Commentary (Continued)

Emerging Markets – Turkey cheered to the rafters and Springboks ahead of the herd

The 2 developing markets with the best performance were Turkey and South Africa, as Turkey's President Erdogan indicated conventional economic policies would be used to combat high inflation. In South Africa, the formation of a government of national unity following the recent elections was well received by the markets.

China, Taiwan, and India also grew strongly through the quarter, with emerging markets outperforming developed ones.

Global Fixed Interest – To cut or not to cut?

This was definitely the question preoccupying the fixed-interest market this quarter, as inflation figures stabilised near targets for most of the Eurozone and UK. Although US inflation figures remained higher than their European counterparts, the Fed retained its dovish stance, and markets continued to price in 2 cuts to rates during 2024. For US Treasuries and UK Gilts, however, it was a volatile quarter as yields rose and prices fell, with sharp sell-offs in April and May. Nonetheless, government bonds remain attractively valued, offering a high yield for relatively low risk.

Expectations for central bank policy rates indicate that the market is pricing in rates above the very low levels from the past decade, supporting the higher-for-longer viewpoint and suggesting we have entered a new interest rate regime.

Positive economic developments supported the corporate bond market, although valuations may be a little tight given that the difference in yields (spread) between investment grade and government bonds is close to historically low levels.

High-yield bonds fared better, helped by attractive yields that are driving demand. During the quarter, spreads were generally steady, although we are beginning to see greater dispersion in spreads between BB (higher credit rated) high yields and CCC (lower credit quality bonds), which continue to face pressure.

April to June 2024

Investment Commentary (Continued)

Outlook

We're no longer expecting bond returns to benefit as much from falling yields (and rising prices) as the market moves interest rate expectations to be "higher for longer." Future income yields, however, remain attractive and are likely to be positive in real terms. These will, over time, be reflected in the performance of our fixed income portfolio. The Pre-Retirement fund will benefit most from these higher yields. We also expect that cash will provide a positive real return in the short term again, with the Pre-Retirement fund gaining the most benefit from this.

Over the last year, we've seen robust equity returns, particularly in America. However, we don't anticipate this level of growth to occur every quarter. In the long term, though, we believe that performance will tend to align with historical averages, providing great returns for our members savings over the lifetime of their pensions.

We believe that the returns of different asset classes won't always move in tandem over the medium to long term and that a well-constructed, diversified portfolio allows risk to be spread for our members. Our approach is to spread our members investments over a wide range 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 £27bn* 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 30/06/2024.

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	13.6	3.3	5.7
Annualised performance objective	4.5	9.1	7.1
Annualised fund volatility	9.5	10.8	11.7



As of 30/06/2024. 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	6.6	-1.0	0.9
Annualised performance objective	2.5	6.9	5.0
Annualised fund volatility	5.7	6.3	5.9



As of 30/06/2024. 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

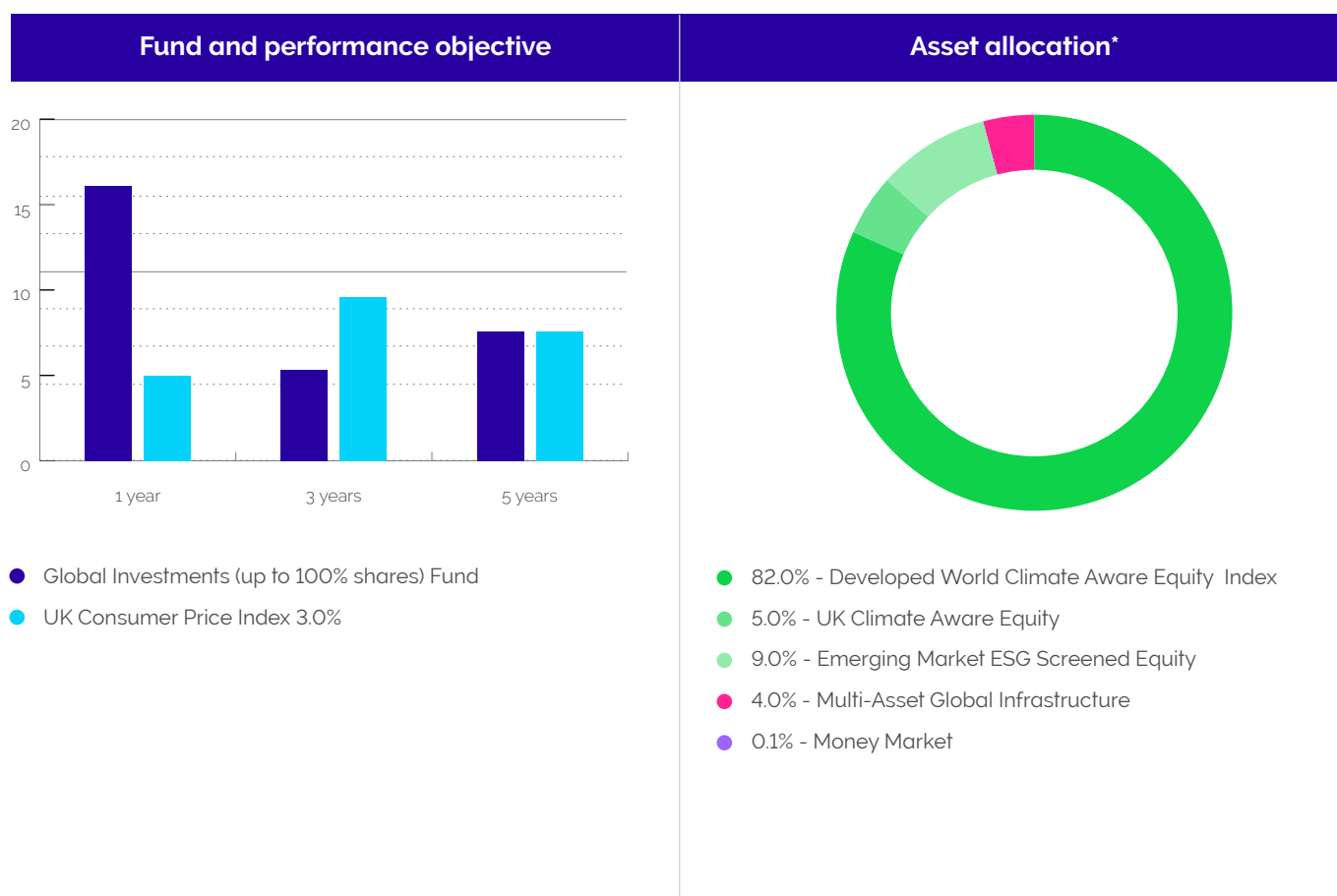
Purpose

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	16.1	5.3	7.6
Annualised performance objective	5.0	9.6	7.6
Annualised fund volatility	10.9	12.2	13.8



As of 30/06/2024. 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

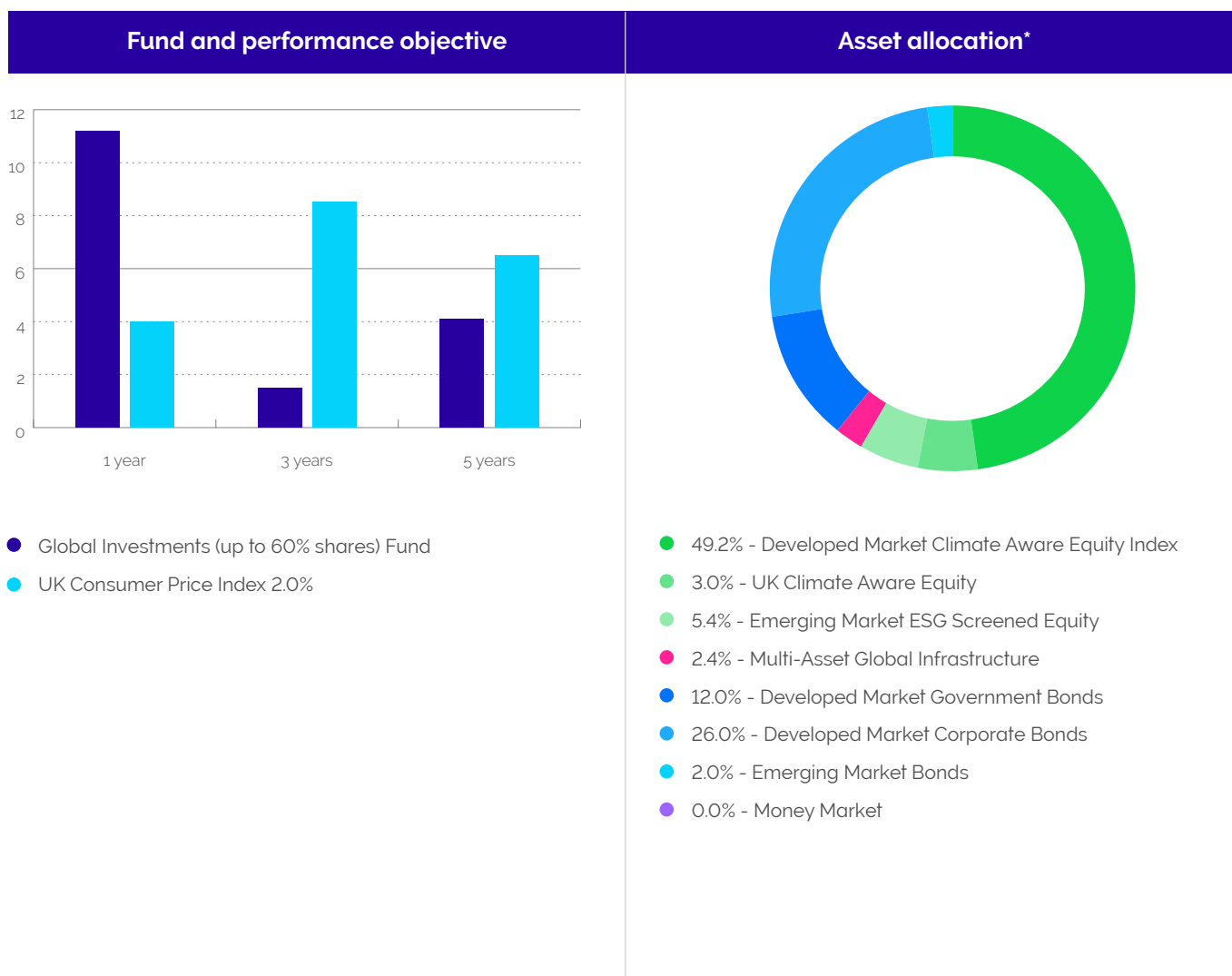
Purpose

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	11.2	1.5	4.1
Annualised performance objective	4.0	8.5	6.5
Annualised fund volatility	8.7	9.6	10.0



As of 30/06/2024. 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	5.3 (4.3)	-12.6 (-13.5)	-5.2 (-7.0)	14.5	17.0	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 (5.3)	2.4 (2.9)	1.4 (1.9)	0.1	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	20.9 (5.0)	9.7 (9.6)	11.8 (7.6)	9.0	11.4	12.8
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 (5.0)	14.0 (9.6)	17.0 (7.6)	10.8	14.3	14.0

As of 30/06/2024. 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

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	14.2%	3.8%	6.3%	13.6%	3.3%	5.8%
Member 10 Years to Retirement	11.9%	2.6%	5.3%	11.4%	2.1%	4.7%
Member 5 Years to Retirement	9.7%	1.3%	3.8%	9.2%	0.7%	3.2%

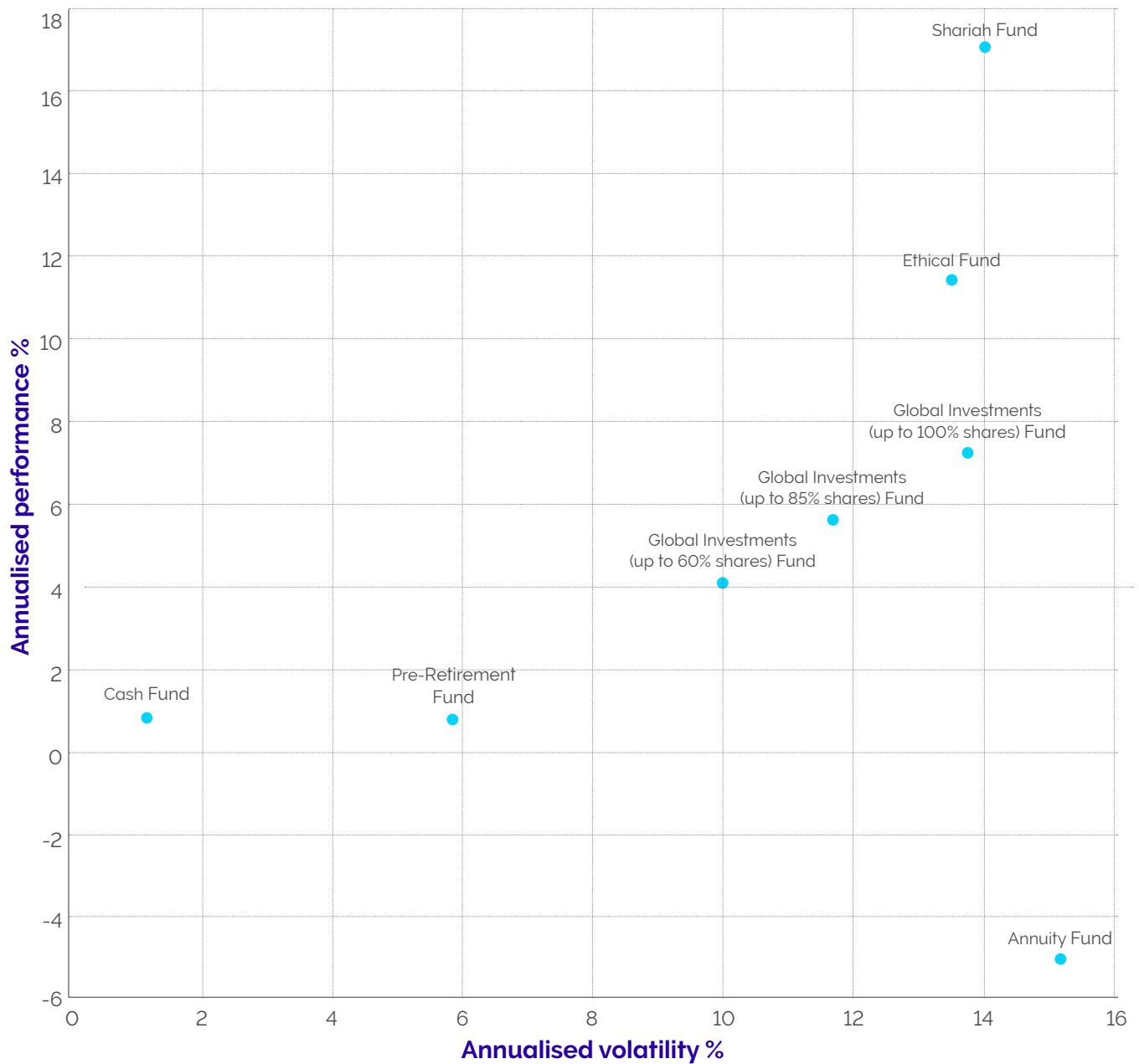
As of 30/06/2024. Source People's Partnership and Financial Express.

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

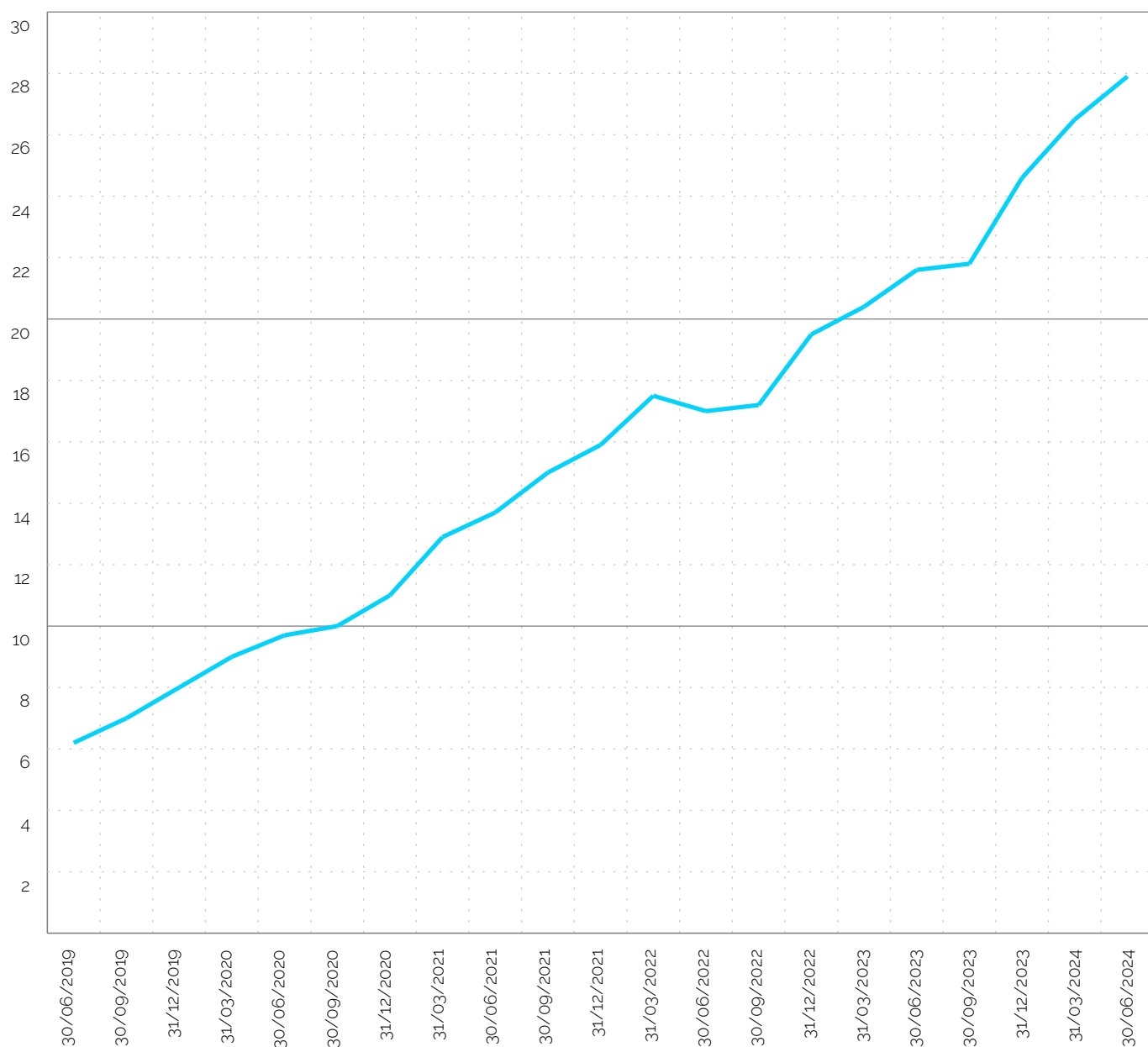
The People's Pension Balanced Investment Profile is composed of the Global Investments (up to 85% shares) Fund and Pre-Retirement Fund.

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

Five year annualised performance vs volatility



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



Fund sizes as at 30 June 2024	(£ bn) *
The People's Pension Total	£27.9
Global Investments (up to 85% shares) Fund	£22.2
Pre-Retirement Fund	£4.3
Global Investments (up to 100% shares) Fund	£1.0
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 30/06/2024. Source People's Partnership.
*Values rounded to 1 decimal place.

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