The People's Pension – Quarterly investment report

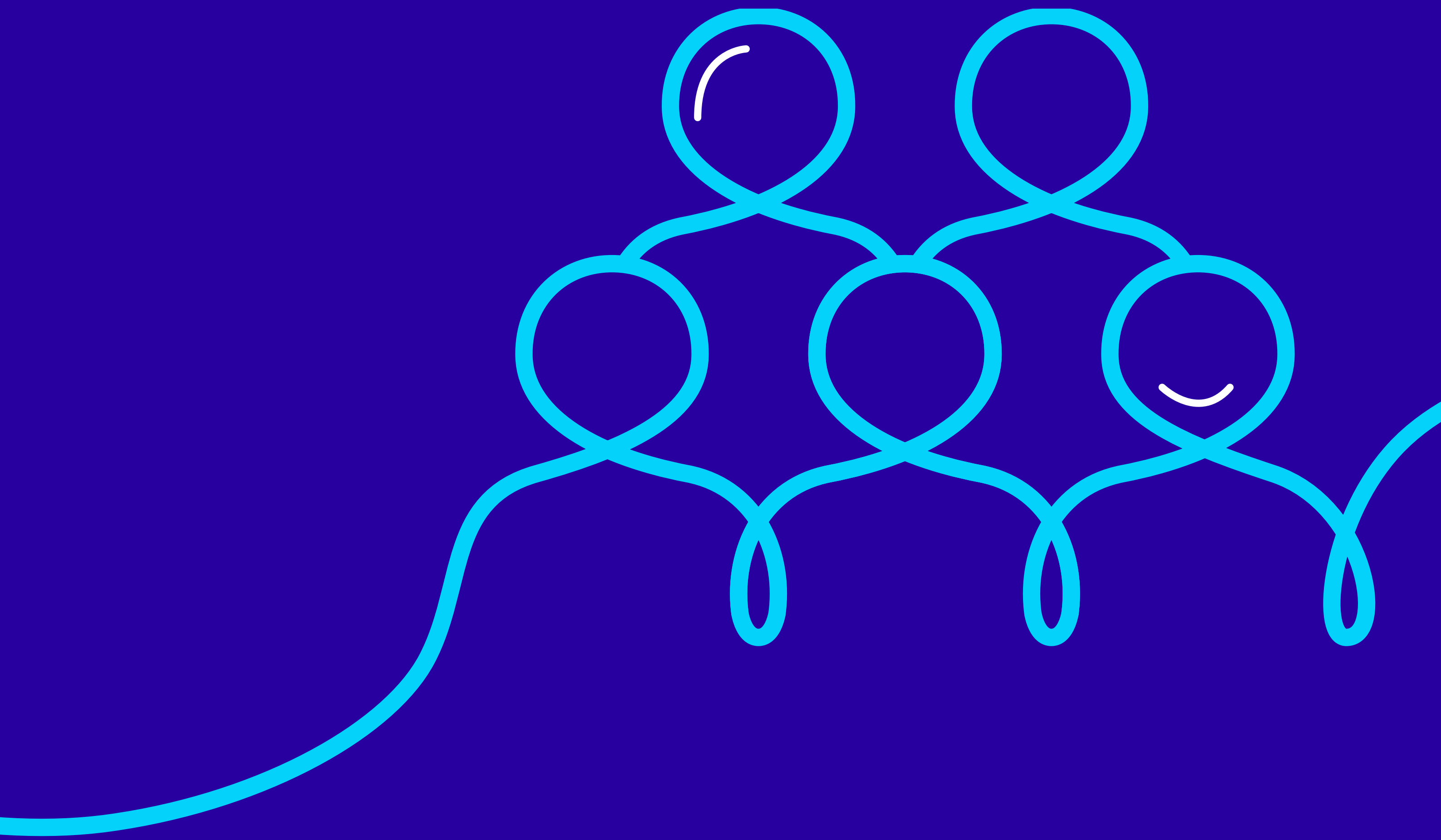
July to September 2024

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.



July to September 2024 Investment Commentary

All is well that ends well?

In a year of exceptional investment performance, asset returns have been strong once again this quarter; global equities are up almost 20% so far this year[1] (as per the FTSE All World index in pounds). However, there were some bumps along the way, most notably in August 2024, when a rate hike in Japan and concerning US economic indicators led to significant market volatility. On the back of momentum from a 0.5% cut in interest rates, the S&P500 powered to another series of all-time highs to round off Q3. Emerging market shares had a strong quarter as well, responding to the Chinese hitting the 'stimulus button'. With rate cuts from the Bank of England (BoE), Federal Reserve (the Fed), and European Central Bank as well as attractive yields on offer, it was a good quarter to be a bond investor too.

Over the longer term, 3 and 5-year global stock index returns are still very healthy – it's been a strong 5 years for investors, with returns coming in marginally below 9% over 3 years and 11% annualised over 5 years. Bond returns are still recovering from 2022 over the longer term, and forward yields remain attractive. As central banks continue to cut their interest rates, there is potential for some capital growth as well.

Currency has been an important story for UK investors. With the pound strengthening considerably over the quarter, this typically means that the returns for a sterling investor get dragged lower, so sterling's strength has worked against global stock markets rising. However, sterling investors that have implemented "currency hedging" have fared better. Our equity portfolios are 50% currency hedged.

1 Bloomberg.

July to September 2024 Investment Commentary (Continued)

US – AI subdued, but real estate and utilities rise

It was another strong quarter for American equities, but there was some sector rotation. While the big technology stocks dominated the picture early in 2024, other sectors such as real estate and utilities have now enjoyed good returns. In July, the Federal Reserve cut interest rates by 0.5%, beginning the process of normalising interest rates, and the current consensus is rates will level out at about 3% in a couple of years.

UK – Things can only get better?

For the first time since 1997, the quarter saw a new Labour government elected. However, early optimism has been dampened somewhat by the latest GDP growth forecasts, as Q2 growth projections were revised down to 0.5%, a fall of 0.2% since Q1.

The Labour government suggested that there is a £22bn shortfall in the public finances and that fiscal tightening is inevitable in the approaching budget, while the BoE warned that caution will be the priority where rate cuts are concerned. In spite of these headwinds, UK equities were up over the quarter. In September, inflation fell to 1.7% (below the BoE's 2% target).

Eurozone – Shares prosper, but there may be trouble ahead

Rebounding from Q2, European shares were up throughout Q3, exhibiting a sector rotation similar to that of America. Utilities, real estate, and healthcare were the places to invest, while energy and technology were overripe and on the turn. The manufacturing sector appears to be slowing down, according to Purchasing Managers Index (PMI) surveys, and the fact that inflation dropped from 2.6% in July to 1.8% in September has increased anticipation of further rate cuts from the European Central Bank and a weakening of the economy.

July to September 2024 Investment Commentary (Continued)

Japan – Swings and roundabouts

After last quarter's record highs, this quarter saw record volatility. When worse US data and rising interest rates from the Bank of Japan (BOJ) arrived, the atmosphere changed dramatically in late July and early August. The markets had a steep decline that persisted until the end of September. The increase in interest rates also resulted in a sharp appreciation of the yen against the dollar. This benefitted domestically focused sectors such as construction at the expense of exporters like car manufacturers. Small cap beat large cap.

Emerging Markets – All smiles in Thailand

There was reason to be smiling in the 'land of smiles' as Thailand led the way in another positive quarter for emerging markets. It's stimulus package, along with China's, led to large gains (measured in dollars), although some of these have subsequently been given back with growth worries in China persisting. South Africa also benefitted from political stability. Both South Korea and Mexico had a negative quarter due to tech rotation (ie, the movement of money from tech to other sectors) and concerns over judicial reforms, respectively, weighing on returns.

Global Fixed Interest – To cut or not to cut?

Alongside a lacklustre summer, Q3 saw divergent policies from central banks, volatility in the markets, and economic uncertainty. The shift in investors' expectations for interest rates helped sovereign debt and was generally supportive for fixed income markets.

The Fed started its rate-cutting cycle with a 0.5% reduction in September. Although this would often indicate concern for the economy, this time it appears that the rate-cutting cycle won't be accompanied by a recession. Markets were one step ahead of the game and 'priced in' the move as well as further cuts over the year.

July to September 2024 Investment Commentary (Continued)

Across the pond, the Bank of England (BOE) decided to leave interest rates unchanged at 5% in September after previously reducing rates by 0.25%. Market expectations point toward further rate cuts in the near future, but the BOE has sent strong signals that these will be data-dependent. The BOE has indicated it will balance further rate cuts against falling inflation and stalling economic growth (which would typically prompt further cuts) with a tighter labour market and the prospect of higher oil prices due to conflict in the Middle East, which gives pause to their willingness to cut rates.

Despite economic uncertainties and a bout of volatility in August, the corporate bond market has shown resilience. Investment-grade corporate bonds continue to benefit from healthy yield levels around 5% p.a., and although spreads (the extra yield you get from a corporate bond compared to a government bond) are low, those bonds still represent solid investments.

Outlook

After what feels like an age talking about it, we are finally beginning to see interest rates fall across the developed world and inflation move towards central bank targets. Typically, this would be seen as a pretty favourable environment for stock markets if economies continue to avoid recession. Conditions are also good for bonds due to declining inflation, declining interest rates, and attractive yields.

Over the last year we have seen robust equity returns globally; we do not expect this level of growth to occur every quarter. In the long term, though, we believe that performance will tend to be in line with historical averages, providing positive 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 unison over the medium to long term, and that risk can be spread for our members through a well-constructed, diversified portfolio. 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 £29bn* 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/

* 30/09/2024.

Balanced investment profile – Growth phase*

Global Investments (up to 85% shares) Fund

Purpose

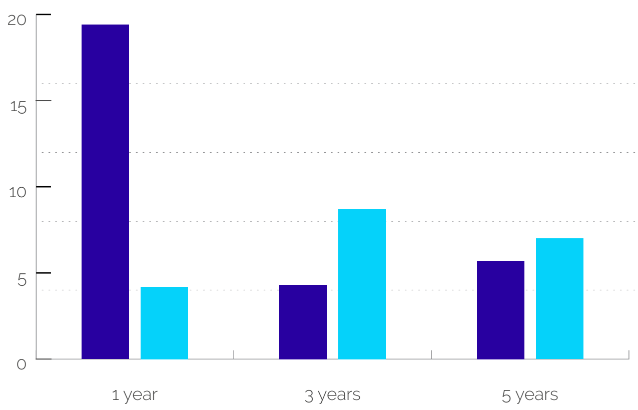
The fund is a balanced medium to high-risk capital growth fund.

Return objective

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

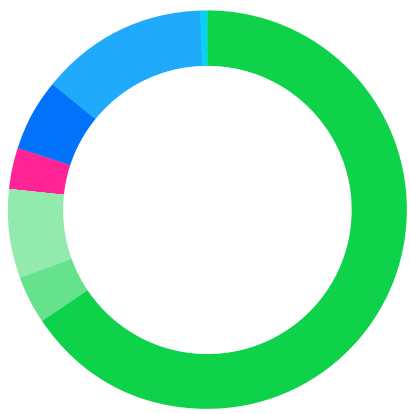
	1 year	3 years	5 years
Annualised fund performance	19.4	4.3	5.8
Annualised performance objective	4.2	8.7	7.0
Annualised fund volatility	8.3	10.6	11.7

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 30/09/2024. 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

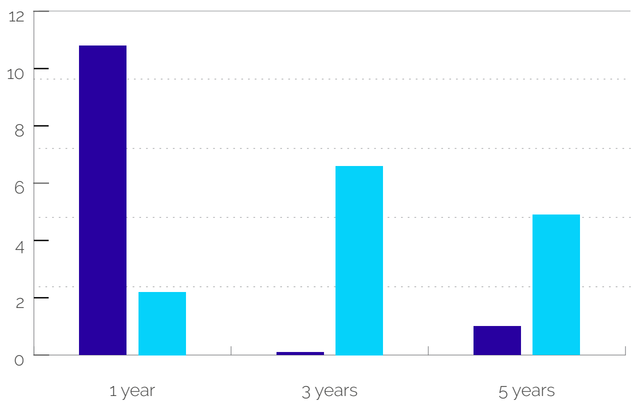
The fund is a low to medium-risk fund that balances capital preservation and capital growth.

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	10.8	0.1	1.0
Annualised performance objective	2.2	6.6	4.9
Annualised fund volatility	5.1	6.3	5.9

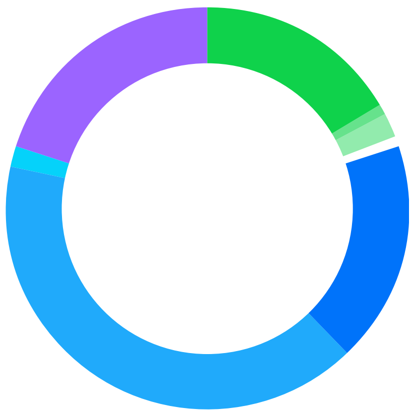
Fund and performance objective



Pre-Retirement Fund

UK Consumer Price Index +0.5%

Asset allocation*



- 16.4% - Developed Market 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 30/09/2024. 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

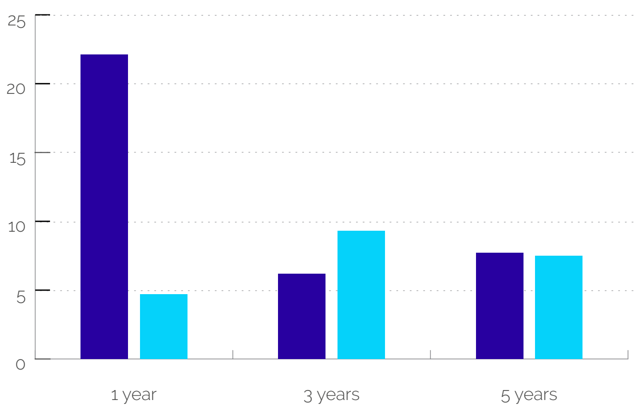
The fund is a higher-risk fund compared to the Global Investments (up to 85% shares) Fund. It aims for capital growth and invests up to 100% in global equities.

Return objective

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

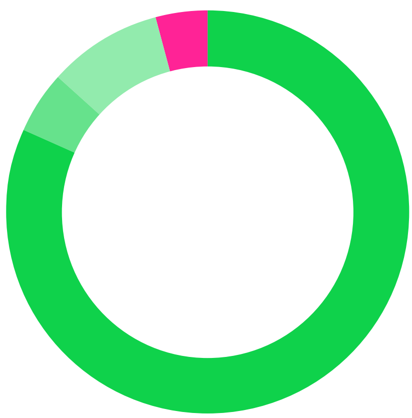
	1 year	3 years	5 years
Annualised fund performance	22.1	6.2	7.7
Annualised performance objective	4.7	9.3	7.5
Annualised fund volatility	9.5	12.1	13.7

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 30/09/2024. 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

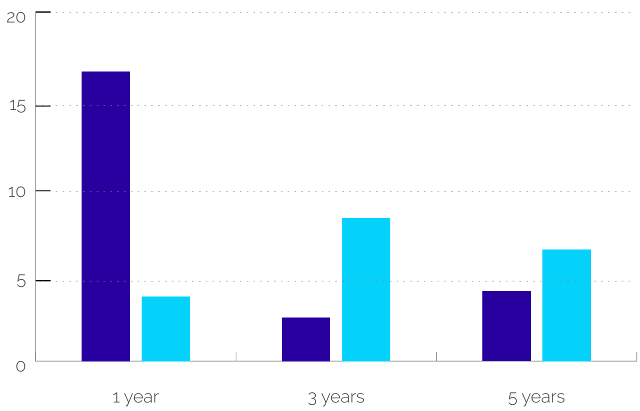
The fund is a lower-risk fund - compared to the Global Investments (up to 85% shares) Fund. It targets a combination of capital and income.

Return objective

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

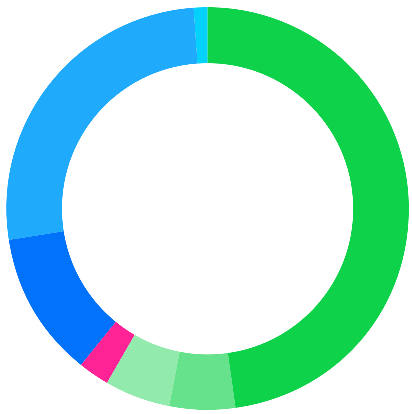
	1 year	3 years	5 years
Annualised fund performance	16.6	2.5	4.0
Annualised performance objective	3.7	8.2	6.4
Annualised fund volatility	7.7	9.5	9.9

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 30/09/2024. 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	11.8 (10.6)	-11.3 (-12.5)	-6.5 (-8.2)	13.8	16.7	15.0
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	4.9 (5.3)	2.9 (3.4)	1.6 (2.1)	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	20.5 (4.7)	8.9 (9.3)	10.9 (7.5)	8.8	11.2	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	26.6 (4.7)	12.3 (9.3)	15.3 (7.5)	11.2	14.1	14.0

As of 30/09/2024. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
The funds do not have a volatility benchmark.

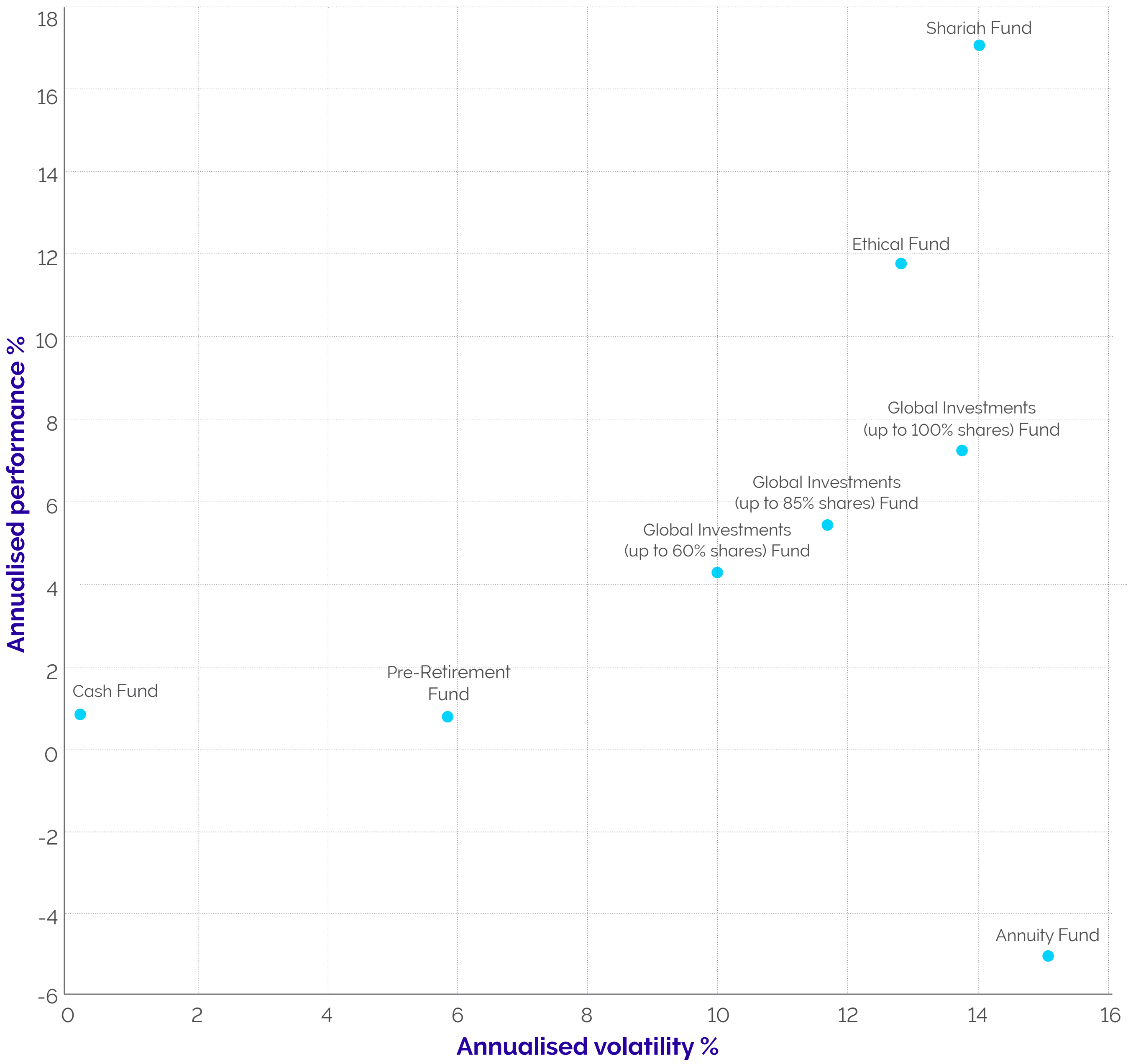
Value for Money Performance

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	19.2%	4.7%	6.3%	18.6%	4.2%	5.7%
Member 10 Years to Retirement	16.5%	3.4%	5.0%	16.0%	2.9%	4.5%
Member 5 Years to Retirement	13.9%	2.0%	3.5%	13.3%	15.0%	3.0%

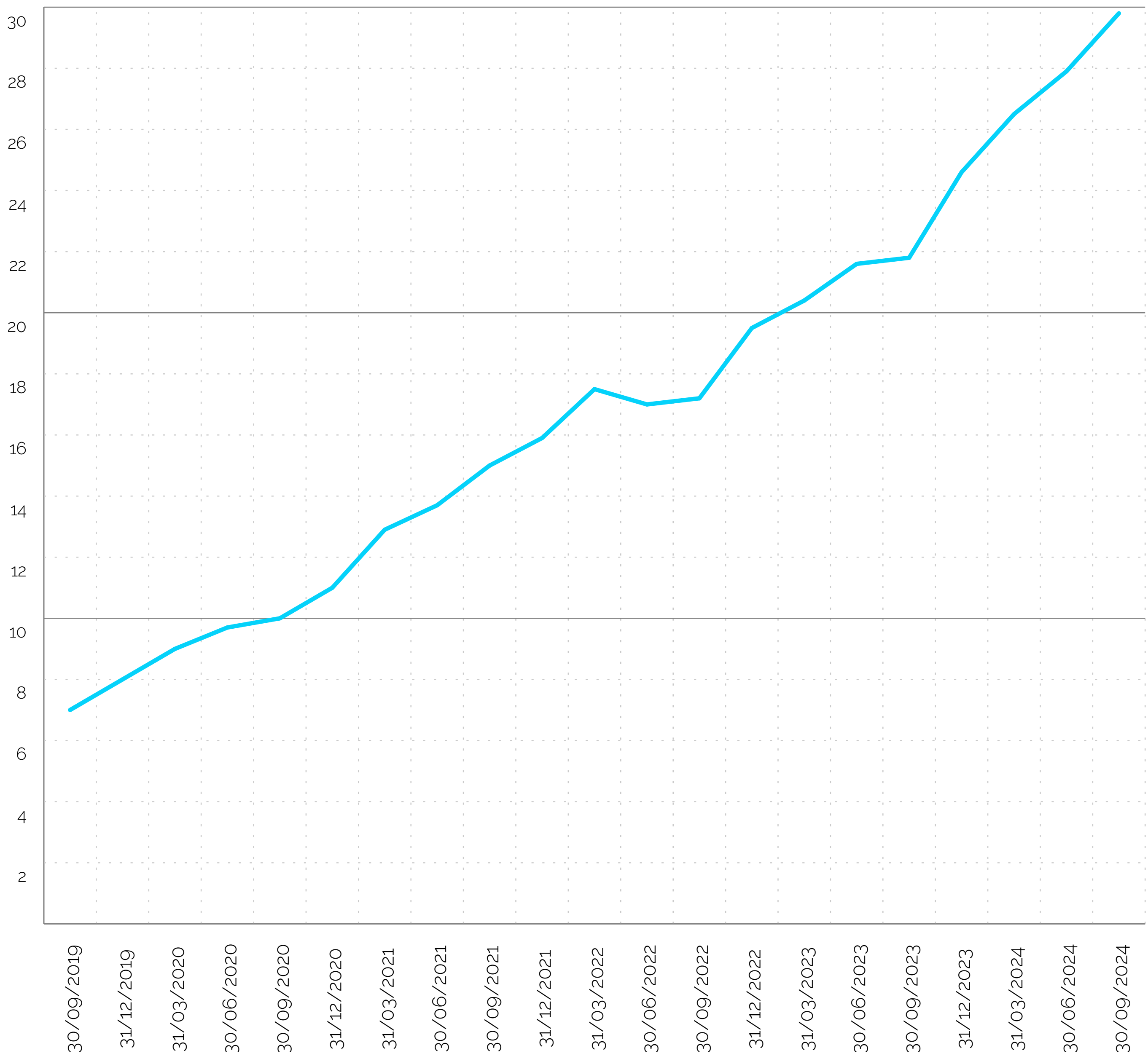
As of 30/09/2024. Source People's Partnership and Financial Express.
Member's time to retirement is at the date of performance calculation.
The People's Pension Balanced Investment Profile is composed of the Global Investments (up to 85% shares) Fund and Pre-Retirement Fund.
Net of charges performance is net management charge of 0.5%.

Five year annualised performance vs volatility



As of 30/09/2024. Source People's Partnership and Financial Express. Performance Net of management charge.

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



Fund sizes as at 30 September 2024	(£ bn) *
The People's Pension Total	£29.8
Global Investments (up to 85% shares) Fund	£23.6
Pre-Retirement Fund	£4.6
Global Investments (up to 100% shares) Fund	£1.2
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 30/09/2024. Source People's Partnership.
*Values rounded to 1 decimal place.

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