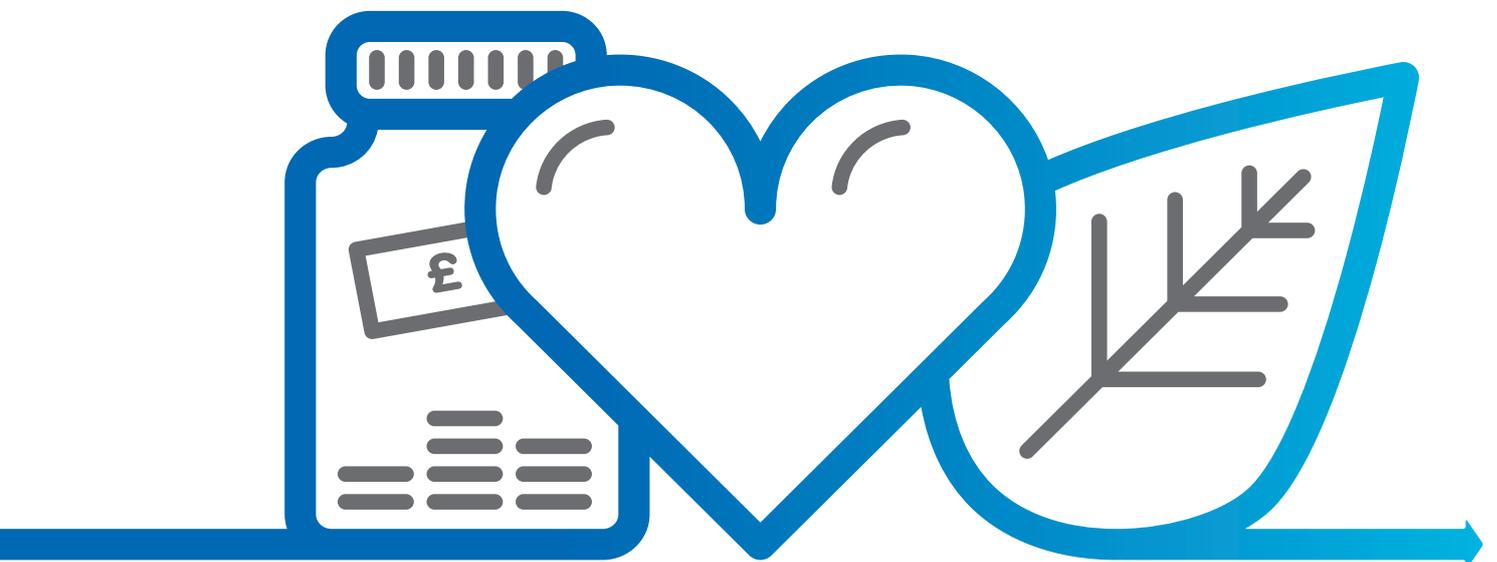


The People's Pension – Quarterly investment report

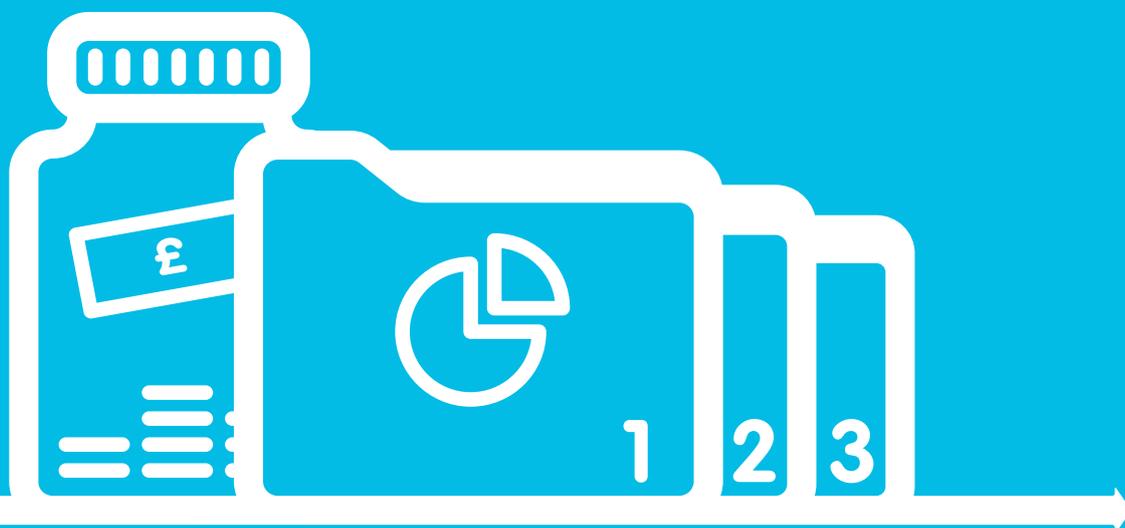
October to December 2021



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.



October to December 2021 Investment Commentary

The fourth quarter of 2021 saw a strong equity market rally. Global stocks returned +5.8% over the quarter, bringing full-year returns to +17.8%. As has been the pattern since the 2008-2009 Global Financial Crisis, US equities led the way, returning 10.4%, with big tech the standout performer. The UK and Europe posted solid but more modest returns, whilst Asia and emerging markets lost ground on the back of the regulatory assault on big tech in China as the authorities pursued their new policy of 'common prosperity'.

A resurgence in demand

After a sluggish third quarter, economic activity lifted markedly in most regions, reflecting the easing of supply-side constraints, which boosted the manufacturing sector. Once more, corporate earnings delivery was exceptionally strong. More broadly, we witnessed a resurgence in demand as economies reopened.

Equities rallied

There was some fundamental support for the equity rally over the quarter, with year-on-year blended earnings per share for the S&P500, the main US equity index, running at 40% as we headed into the fourth quarter, and this was the third strongest earnings report since 2010. Equity earnings in other regions were similarly strong.

Inflationary pressures

Inflation surprised on the upside as increased demand boosted commodity and food prices, while lower labour market participation rates continued to create labour market shortages and some upward pressure on wages. With UK and US inflation running at 5% and 6% respectively (and likely to run above target for the next 18 months) the earlier mantra that inflationary pressures were transitory is beginning to wear thin.

Increasing interest rates

Against this background the US Central Bank (Federal Reserve) could no longer maintain its dovish guidance and signalled that its key Fed funds rate may have to rise more rapidly over the next two years than

October to December 2021 Investment Commentary

previous guidance. Elsewhere, the Bank of England increased its base rate from 0.15% to 0.25% and signalled more rate hikes in 2022.

While other major central banks (notably the Bank of Japan and the European Central Bank) are generally less hawkish, investors are viewing the trade-off between growth and inflation in the months ahead in a less favourable light, and this caused a reversal in the earlier Omicron-related bond market rally as we headed through year end.

Post-pandemic outlook

It's now generally known that the Omicron variant is much more transmissible but less virulent. This suggests that, despite the record high level of Covid infections, high vaccination rates and better treatments should support a much-reduced link between the spread of Covid and economic activity during this year, which should help deliver above-trend global growth, even with tighter monetary policy and less fiscal support.

Looking ahead - bonds and equities in 2022

As we head into 2022, there is great focus on the bond market and whether rising yields will cause a meaningful correction in equity markets. Certainly, a further sharp adjustment higher in yields will be disruptive in the short term, and the more interest rate-sensitive growth stocks in the US (big tech in particular) have come under periodic pressure via this channel.

However, if we are entering a period of relatively solid, broad-based economic growth, we would expect less highly-rated companies with earnings more closely linked to the economic cycle to fare the best if inflation remains high and bond markets are under pressure. This supports a slightly less US-centric asset allocation and a higher degree of exposure to more cyclically geared regions such as Europe and the UK, which is how TPP is currently positioned.

As far as our expectations for broad equity market performance for 2022 are concerned, our modelling suggests that a cocktail of solid economic growth, reasonable corporate earnings delivery and less policy support should deliver positive but nonetheless much more moderate returns than last year.

How we manage our members' money

The People's Pension has a long-term strategic approach to investments. We look after more than £15Bn 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/

Balanced investment profile – Growth phase

Global Investments (up to 85% shares) Fund

Purpose

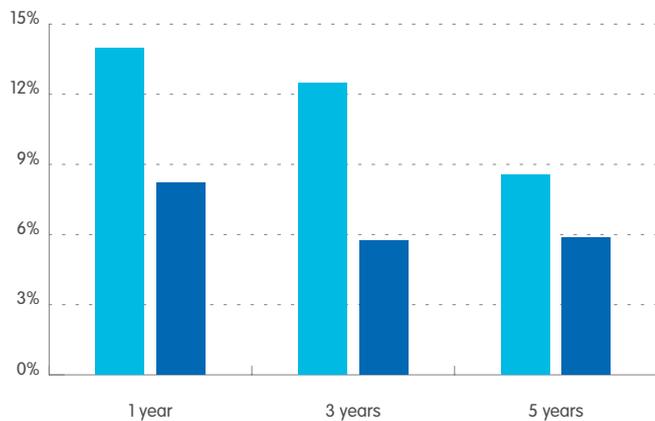
The fund is a balanced risk long-term capital growth fund.

Return objective

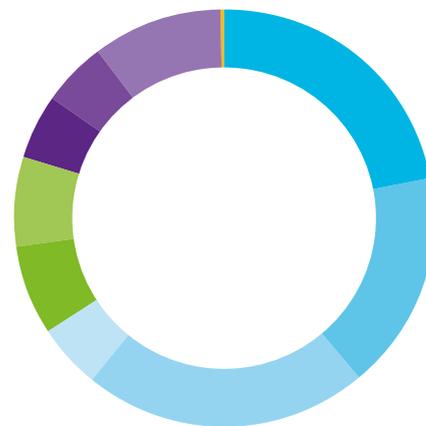
UK Consumer Price Index +3.5% per annum on a net of fees basis.

Fund	1 year	3 years	5 years
Annualised Performance	18.15	8.01	8.15
Annualised Volatility	6.04	5.16	5.60

Global Investments (up to 85% shares) Fund



- Global Investment (up to 85% shares) Fund
- UK Consumer Price index +3.5%



- 22.16% - Developed World ESG Screened Equity
- 16.80% - Multi Factor ESG
- 22.00% - World ESG Screened Adaptive Capping Equity
- 5.00% - Emerging Markets ESG Screened Equity
- 7.00% - Global Real Estate
- 7.00% - Multi-Asset Global Infrastructure
- 5.00% - UK Gilts
- 5.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 10.00% - Global Aggregate Bond Index
- 0.04% - Money Market

All investment profiles – Consolidation phase

Pre-Retirement Fund

Purpose

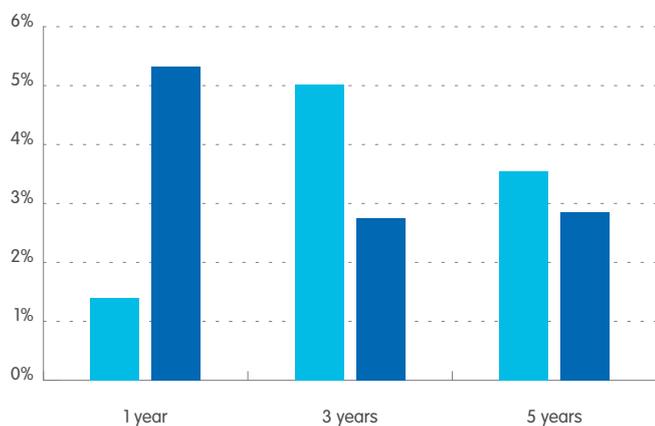
The fund is a low to medium risk fund which balances capital preservation and capital growth.

Return objective

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

Fund	1 year	3 years	5 years
Annualised Performance	2.80	4.02	3.08
Annualised Volatility	3.22	2.19	2.59

Pre-Retirement Fund



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



- 5.54% - Developed World ESG Screened Equity
- 4.20% - Multi Factor ESG
- 5.50% - World ESG Screened Adaptive Capping Equity
- 5.00% - Emerging Markets ESG Screened Equity
- 1.75% - Global Real Estate
- 1.75% - Multi-Asset Global Infrastructure
- 15.00% - UK Gilts
- 15.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 30.00% - Global Aggregate Bond Index
- 20.01% - Money Market

Adventurous profile – Growth phase

Global Investments (up to 100% shares) Fund

Purpose

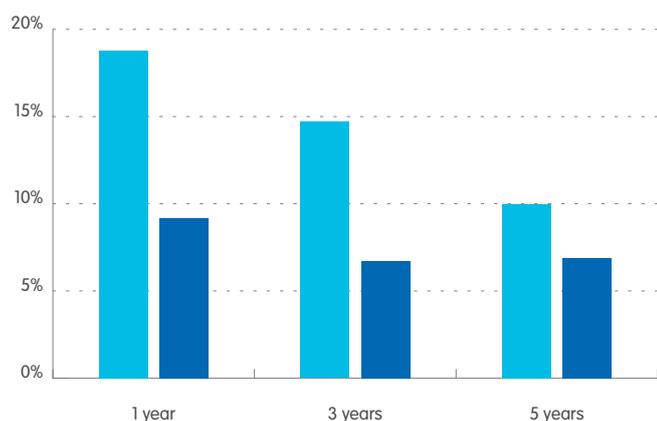
The fund is a higher risk fund than the Global Investments (up to 85% shares) Fund which aims for capital growth and invests up to 100% in global equities.

Return objective

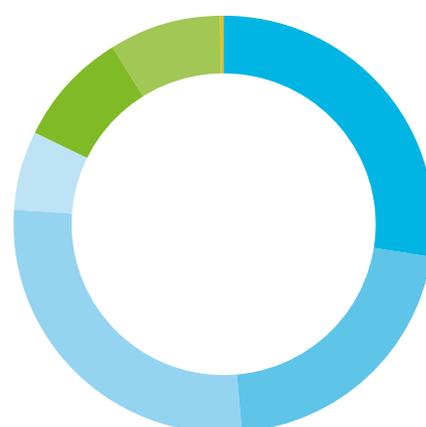
UK Consumer Price Index +4.5% per annum on a net of fees basis.

Fund	1 year	3 years	5 years
Annualised Performance	23.93	8.98	9.78
Annualised Volatility	6.98	6.15	6.60

Global Investments (up to 100% shares) Fund



- Global Investments (up to 100% shares) Fund
- UK Consumer Price Index +4.5%



- 27.20% - Developed World ESG Screened Equity
- 21.00% - Multi Factor ESG
- 27.50% - World ESG Screened Adaptive Capping Equity
- 6.25% - Emerging Markets ESG Screened Equity
- 8.75% - Global Real Estate
- 8.75% - Multi-Asset Global Infrastructure
- 0.05% - Money Market

Cautious profile – Growth phase

Global Investments (up to 60% shares) Fund

Purpose

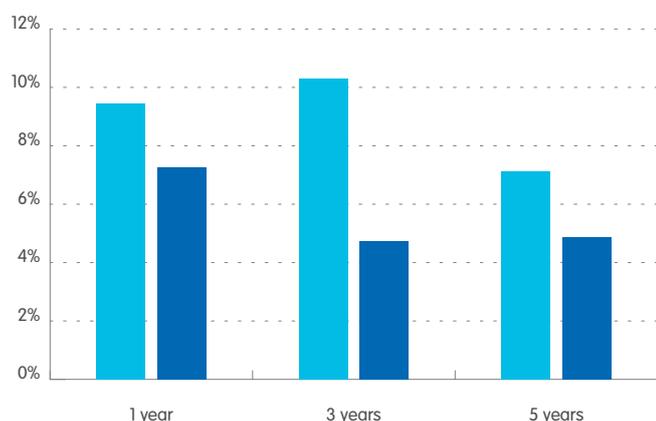
The fund is a lower risk fund than the Global Investments (up to 85% shares) Fund, it aims for a combination of capital and income.

Return objective

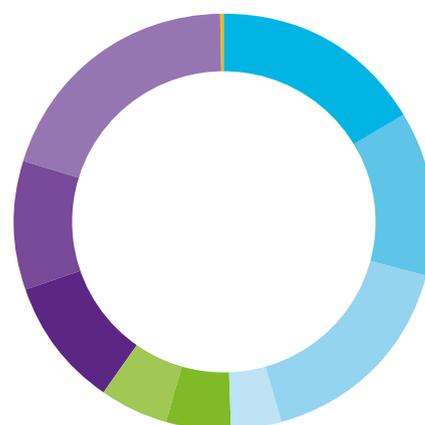
UK Consumer Price Index +2.5% per annum on a net of fees basis.

Fund	1 year	3 years	5 years
Annualised Performance	12.68	7.05	6.52
Annualised Volatility	5.10	4.17	4.60

Global Investments (up to 60% shares) Fund



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



- 16.62% - Developed World ESG Screened Equity
- 12.60% - Multi Factor ESG
- 16.50% - World ESG Screened Adaptive Capping Equity
- 3.75% - Emerging Markets ESG Screened Equity
- 5.25% - Global Real Estate
- 5.25% - Multi-Asset Global Infrastructure
- 10.00% - UK Gilts
- 10.00% - Sterling Corporate Bond All Stocks ESG Screened Index
- 20.00% - Global Aggregate Bond Index
- 0.03% - Money Market

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 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	-5.83 (-6.18)	8.33 (5.69)	5.19 (3.77)	13.48	11.43	9.91
Cash Fund 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	-0.39 (0.06)	-0.08 (0.32)	-0.04	0.02	0.10	0.09
Ethical Fund 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	23.08 (9.16)	19.48 (6.72)	1282 (6.89)	88.49	13.08	11.87
Shariah Fund 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	17.72 (9.16)	17.05 (6.72)	16.28 (6.89)	11.53	12.77	12.09

As of 31/12/2021. 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

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	14.58%	12.99%	9.13%	13.99%	12.47%	8.56%
Member 10 Years to Retirement	10.50%	11.07%	8.02%	9.93%	10.56%	7.45%
Member 5 Years to Retirement	6.55%	8.73%	6.46%	5.98%	8.23%	5.90%

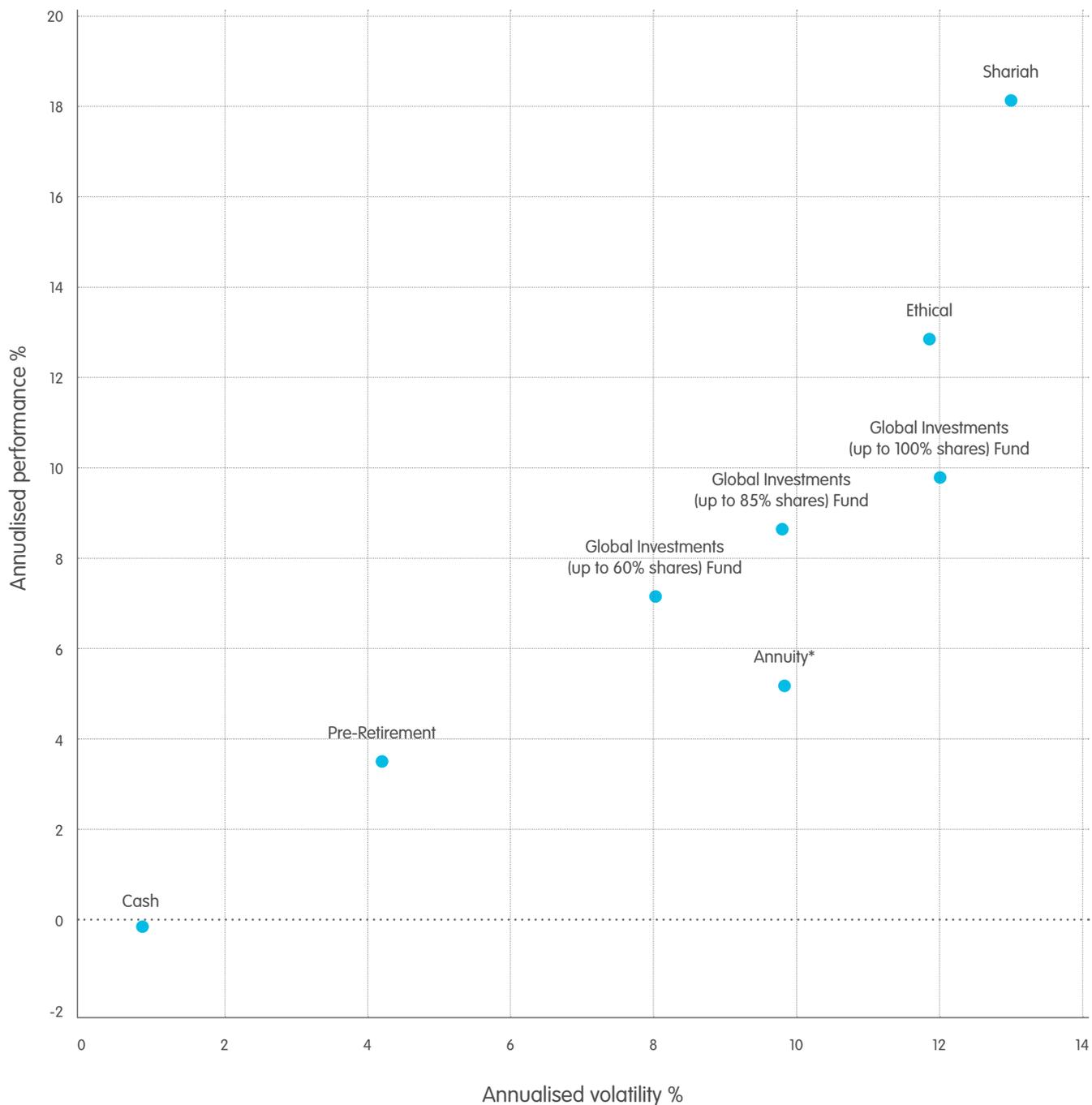
As of 31/12/2021. Source B&CE and Financial Express.

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

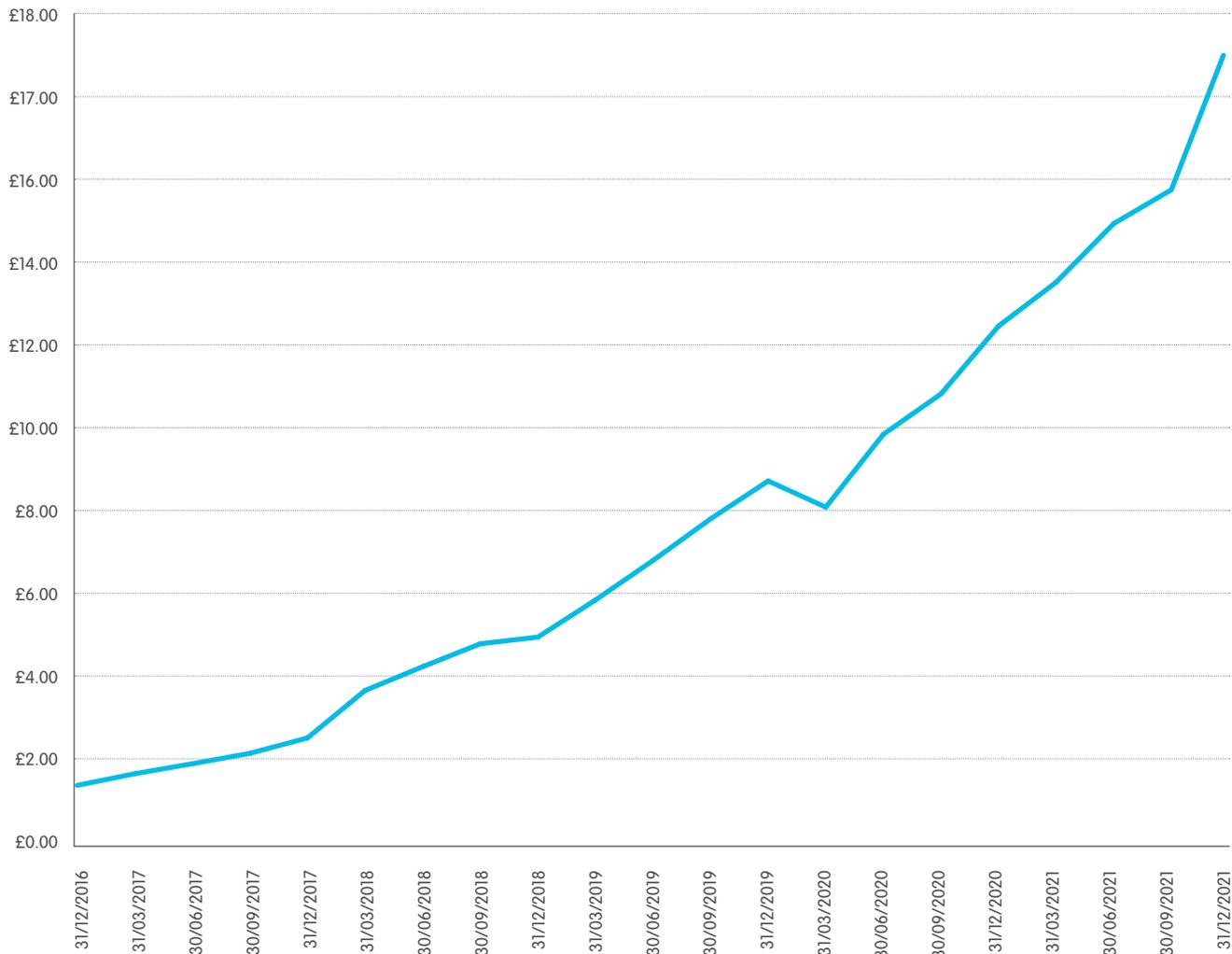
The People's Pension Balanced Profile is composed of the Global Investment up to 85% Shares Fund and Pre-Retirement Funds

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 31 December 2021	(£ Bn)
The People's Pension Total	£17.44
Global Investments (up to 85% shares) Fund	£14.32
Pre-Retirement Fund	£2.42
Global Investments (up to 100% shares) Fund	£0.50
Shariah Fund	£0.06
Ethical Fund	£0.06
Cash Fund	£0.04
Global Investments (up to 60% shares) Fund	£0.04
Annuity Fund	£0.00

For more information:

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