



Bean Counting:

Investment Report

Update Q3 2024



At a glance...

Market background

Global equity markets rose in the third quarter of 2024, driven by strong company earnings and easing inflation. Gains were partially offset by sterling's appreciation against major currencies. Market uncertainty increased in August due to concerns over a US economic slowdown, but confidence rebounded in September.

Government bonds rose in value as yields fell, driven by interest rate cuts and expectations of further reductions. The Bank of England lowered interest rates by 0.25% to 5.0% p.a., while the US Federal Reserve reduced interest rates by 0.5% to a range of 4.75%-5.50% p.a. Elsewhere, the European Central Bank cut its interest rate by another 0.25% to 3.50% p.a.

Investment-grade corporate bonds also saw gains throughout the quarter, benefiting from falling government bond yields and positive returns from income. Credit spreads (the difference between government and corporate bond yields) remained unchanged.

Across the Atlantic, President Biden announced he would not seek re-election and endorsed Vice President Kamala Harris as the Democratic nominee. Meanwhile, former President Trump was injured in an attempted assassination at a Pennsylvania rally.

Performance: Retirement Pathway Funds

Over the quarter, all members invested in the Aon Managed Retirement Pathway Funds experienced positive returns, benefiting from the positive equity and bond market returns.

Longer term, the Aon Managed Retirement Pathway Funds generated positive returns, albeit slightly behind their long-term inflation linked return objectives. This reflects strong returns from equities against an environment of higher inflation and rising interest rates.



At a glance...

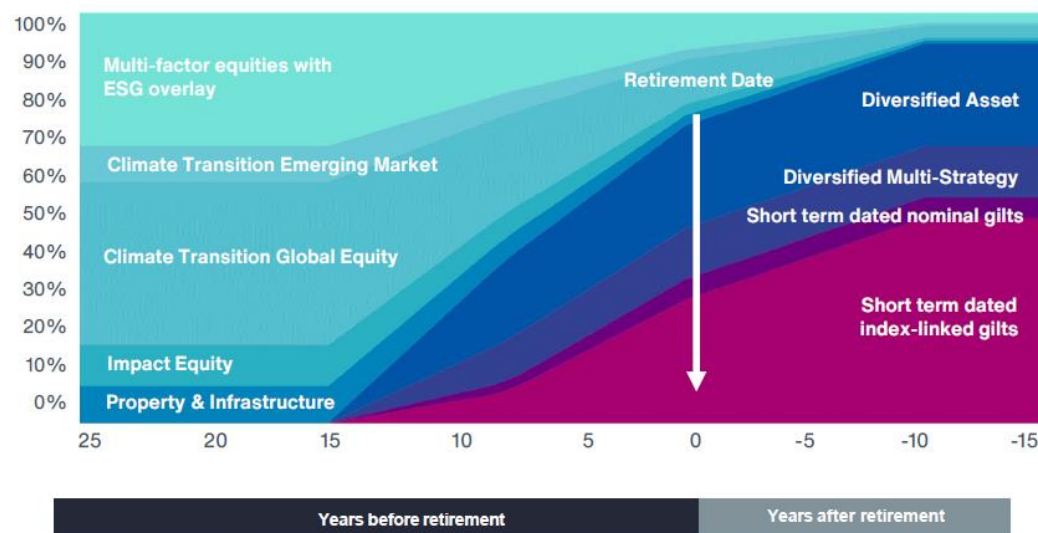
Fund changes

Over Q3 2024 we continued with the implementation of the strategic asset allocation changes outlined in the Q1 update:

- We continued to decrease our exposure to multi-factor equities within the Aon Managed Global Equity Fund in favour of climate transition equities. This change increases the Fund's exposure to larger companies and strategies with specific objectives around the energy transition and is also expected to reduce the performance variability between the Fund and the benchmark.
- Further changes to increase the allocation to climate transition equities within the Aon Managed Global Equity Fund are expected to take place in the next few months.

The revised target allocation (allowing for these further changes over the next few months) is shown in the chart below:

Revised Asset Allocation as at 30 June 2024



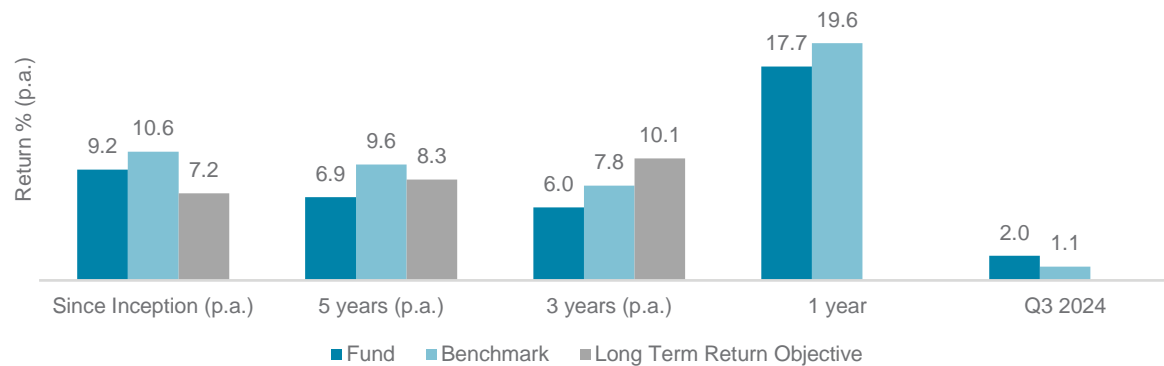
Additionally, over the quarter, within the Aon Managed Diversified Asset Fund, we increased our allocation to asset-backed securities and absolute return bonds to take advantage of continued high interest rates. We also increased our allocation to gold, while we reduced the allocation to multi-asset credit and cash.



Aon Managed Retirement Pathway 2052-54 Fund

Member 30 years from retirement

Scheme performance & benchmark



5 year (annualised)

+6.9% ↑

Underperformed long-term return objective of CPI +4.0% p.a. by 1.4% p.a.

Comments

Since 1 August 2023, c99% of the Fund is invested in funds with a climate / ESG focus including a 10% allocation to the Aon Managed Global Impact Fund.

This provides a c66% reduction in carbon footprint (scope 1 & 2) from 2019 to 2023¹

Since inception(annualised)

+9.2% ↑

Outperformed long-term return objective of CPI +4.0% p.a. by 2.0% p.a.



Source: Aegon, Aon Investments Limited. Returns are to 30 September 2024 and are shown gross of fees. Returns are calculated using daily dealing prices and restated over all time periods to reflect the change in performance methodology implemented on 30 September 2024. Benchmarks are chain-linked using monthly underlying fund benchmarks and asset allocations and have been restated over all time periods to reflect this change. Please note the long term CPI+ objective is not shown for periods less than three years.

1. Source: Aon, MSCI, underlying managers. Carbon footprint reduction relates to scope 1 & 2 greenhouse gas emissions only and shows the reduction from 2019 to 2023 based on those assets where emissions data is available.

Aon Managed Retirement Pathway 2052-54 Fund

Member 30 years from retirement (continued)

Performance comments

Over the quarter, the Fund returned 2.0% against a backdrop of positive equity market returns.

The Aon Managed Initial Growth Phase Fund returned 2.4%. The UBS Global Emerging Market Equity Climate Transition Fund returned 3.5%, outperforming its benchmark. The UBS Global Equity Climate Transition Fund returned 0.4%. The multi-factor equity allocation returned 2.2% and outperformed the broader market, benefitting from an underweight to technology, particularly large cap technology stocks.

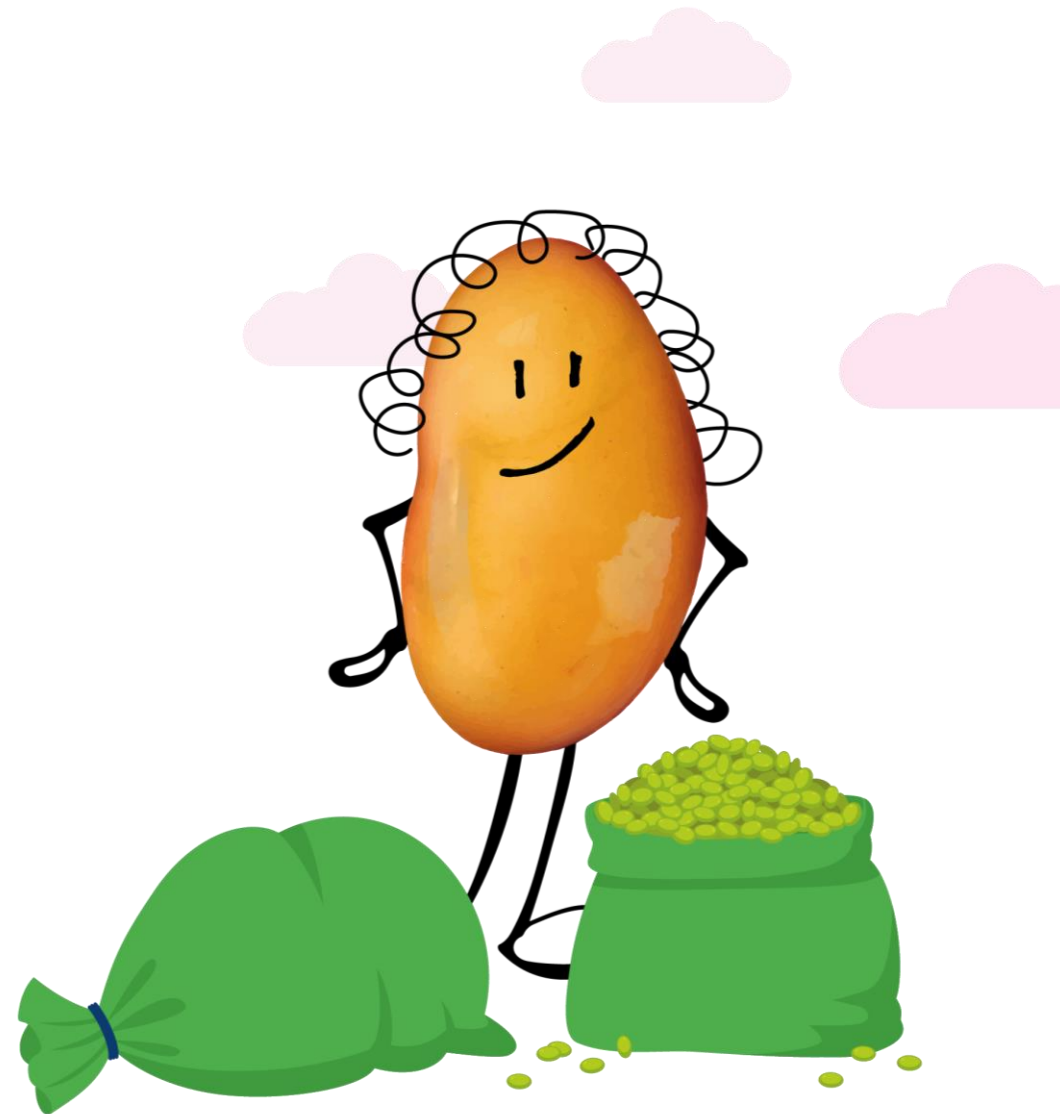
The allocation to property and infrastructure returned 8.5%. The listed property holding was the best performing strategy, driven by recent interest rate cuts and expectation of further rate reductions. The allocations to listed infrastructure and UK commercial property also saw positive returns.

The Aon Managed Global Impact Fund returned -1.1%. Stock selection, particularly in the technology sector, detracted from performance, although this was partly offset by the Fund's lack of exposure to energy.

New and notable

The Fund invests mainly in diversified global equities with a smaller allocation to property and infrastructure. The equity allocation includes a 10% allocation to the Aon Managed Global Impact Fund.

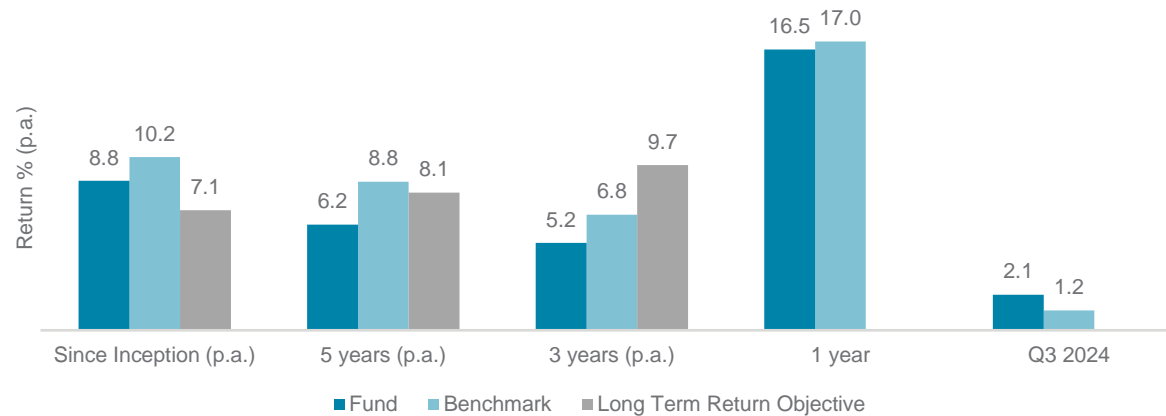
During the quarter we increased the allocation to the UBS Global Equity Climate Transition Fund, with a corresponding reduction in multi-factor equities. These changes increase exposure to funds with specific climate objectives, while also reducing the expected performance variability vs the market benchmark.



Aon Managed Retirement Pathway 2034-36 Fund

Member 10 years from retirement

Scheme performance & benchmark



5 year (annualised)

+6.2% ↑

Underperformed long-term return objective of CPI +3.8% p.a. by 1.9% p.a.

Since inception (annualised)

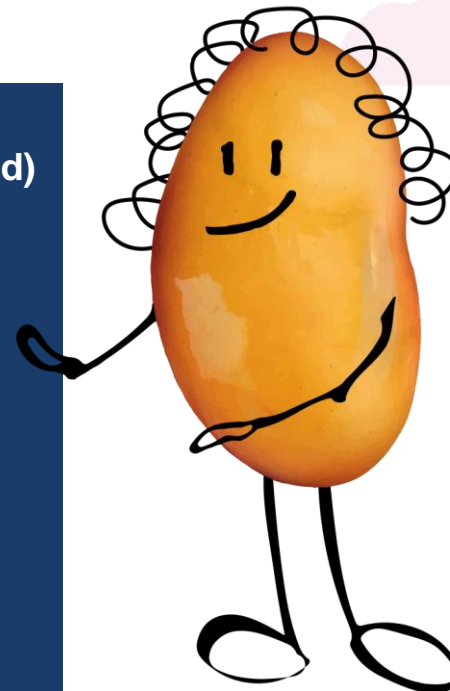
+8.8% ↑

Outperformed long-term return objective of CPI +3.9% p.a. by 1.7% p.a.

Comments

During Q3 2024, we de-risked the Fund in line with its original plan.

This follows changes to the asset allocation made in the first half of 2024 to allow for the impact of higher interest rates.



Aon Managed Retirement Pathway 2034-36 Fund - Member 10 years from retirement (continued)

Performance comments

Over the quarter, the Fund returned 2.1% against a backdrop of positive equity and bond market returns.

The Aon Managed Initial Growth Phase Fund returned 2.4%, with all the underlying funds providing positive returns. The allocation to property and infrastructure was the best performing strategy, returning 8.5%. Performance was also driven by strong returns from multi-factor equities and emerging market equities. The Aon Managed Global Impact Fund returned -1.1%. Stock selection detracted and more than offset the Fund's lack of exposure to energy.

The Aon Managed Diversified Asset Fund returned 3.1%, driven by gains from multi-factor equities, sterling, gold and multi-asset credit. The Aon Managed Diversified Multi-Strategy Bond Fund returned 2.2%, with gains from allocations to multi-asset credit, asset-backed securities and absolute return bonds.

The Aon Managed Up to 5 Year Gilt Index Fund and the Aon Managed Short Term Inflation Linked Fund returned 1.8% and 1.2% respectively, as short-dated government bonds rose in value.

New and notable

Following the latest review carried out in June 2024, we de-risked the Fund in line with our original plan over the third quarter of 2024.

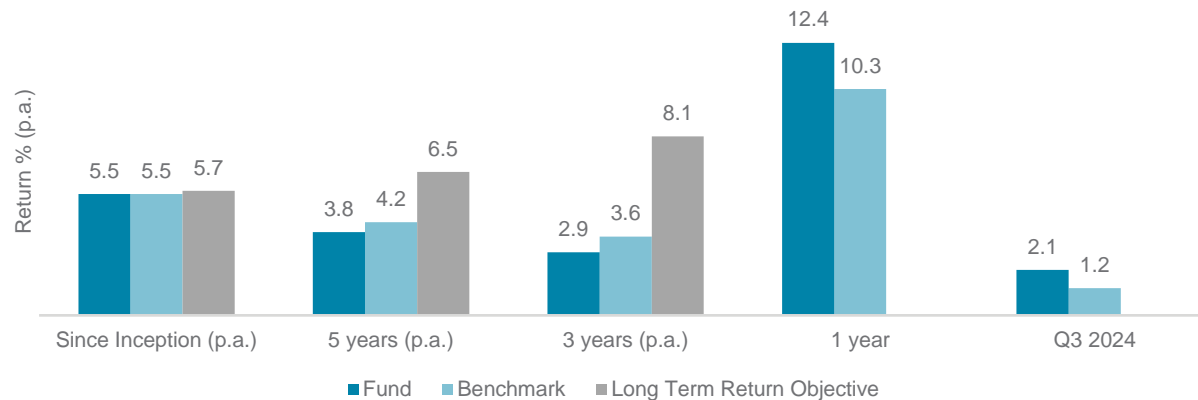
Previously, we made changes to the Fund's allocation to allow for the impact of higher interest rates. These changes were implemented in the first half of 2024.

We continue to monitor this regularly going forward.



Aon Managed Retirement Pathway 2022-24 Fund Member at retirement

Scheme performance & benchmark



5 year (annualised)

+3.8% ↑

Underperformed long-term
return objective of CPI
+2.2% p.a. by 2.7% p.a.

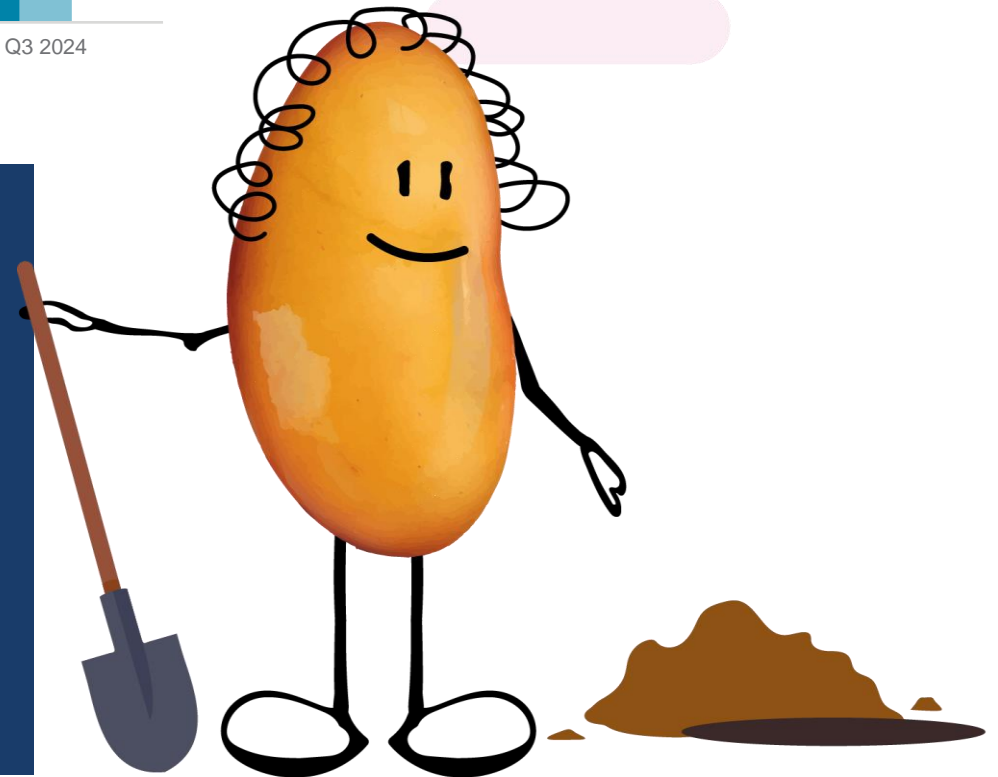
Since inception (annualised)

+5.5% ↑

Underperformed long-term
return objective of CPI
+2.5% p.a. by 0.2% p.a.

Comments

As the Fund progresses past its target date, assets continue to be switched out of the Aon Managed Initial Growth Phase Fund and Aon Managed Global Impact Fund and invested across a range of assets.



Aon Managed Retirement Pathway 2022-24 Fund Member at retirement (continued)

Performance comments

Over the quarter, the Fund returned 2.1% against a backdrop of positive equity and bond market returns.

The Aon Managed Initial Growth Phase Fund returned 2.4%, with all the underlying funds providing positive returns. The allocation to property and infrastructure was the best performing strategy, returning 8.5%. Performance was also driven by strong returns from multi-factor equities and emerging market equities. The Aon Managed Global Impact Fund returned -1.1%. Stock selection detracted and more than offset the Fund's lack of exposure to energy.

The Aon Managed Diversified Asset Fund returned 3.1%, driven by gains from multi-factor equities, sterling, gold and multi-asset credit. The Aon Managed Diversified Multi-Strategy Bond Fund returned 2.2%, with gains from allocations to multi-asset credit, asset-backed securities and absolute return bonds.

The Aon Managed Up to 5 Year Gilt Index Fund and the Aon Managed Short Term Inflation Linked Fund returned 1.8% and 1.2% respectively, as short-dated government bonds rose in value.

New and notable

The Fund reached its target date on 30 June 2023. We continue to de-risk the Fund as it moves past its target date and, over the third quarter, we de-risked in line with the original plan.

Previously, we made changes to the Fund's allocation to allow for the impact of higher interest rates. These changes were implemented in the first half of 2024.

We continue to monitor this regularly going forward.



Market – Snapshot Q3 2024

Global Equities

0.2% ↑

Global equity markets generated 5.0% in local currency terms, but the appreciation of sterling against the Euro and Japanese Yen decreased returns.

UK Equities

1.7% ↑

UK equities rose in value, driven by optimism for a sustainable economic recovery following Labour's decisive general election win.

US Equities

-0.2% ↓

US equities were the second worst-performing market in sterling terms, although they were the best performer, returning 5.9%, in local terms

Index-Linked Gilts

1.4% ↑

Fixed-interest gilts outperformed Index-linked gilts across maturities.

UK Corporate Bonds

2.3% ↑

UK investment grade credit spreads remained unchanged over the quarter, based on iBoxx Sterling Non-Gilts data.

Property

1.8% ↑

Property capital values rose and income returns remained relatively stable.

Fixed Interest Gilts

2.3% ↑

Long-dated gilts outperformed medium and short-dated gilts over the quarter, due to their higher duration and sensitivity to changes in interest rates.

Pound Sterling

6.1% ↑

Sterling strengthened against the US dollar ending the quarter at \$1.34/£.

