KraftHeinz

Bean Counting:

Investment Report
Update Q4 2024

At a glance…

Market background

Global equity markets rose during the fourth quarter of 2024, largely driven by the US. US equities benefited from better-than-expected economic growth and the depreciation of the pound against the US dollar, which resulted in higher returns in sterling terms.

Government bonds fell in value over the quarter due to rising yields, driven by a gradual increase in global inflation and the expectation of fewer interest rate cuts in 2025 across most major economies. The Bank of England cut interest rates by 0.25% to 4.75% p.a., while the US Federal Reserve reduced its rate twice by 0.25%, bringing interest rates down to a range of 4.25% to 4.50% p.a. Meanwhile, the European Central Bank also cut its interest rate by 0.25%, to 3.50% p.a.

Investment-grade corporate bonds also fell in value over the quarter, as rising bond yields more than offset the benefits of falling credit spreads (the difference between government and corporate bond yields) and the income return.

In the Labour Party's first budget for 14 years, Chancellor Rachel Reeves announced several changes to the UK's tax system, resulting in £40 billion in tax increases. Meanwhile, across the Atlantic, the Republican Party, led by Donald Trump, achieved a decisive victory, gaining a majority in the White House as well as the US Senate and House of Representatives.

Performance: Retirement Pathway Funds

Over the quarter, all members invested in the Aon Managed Retirement Pathway Funds experienced positive returns, benefiting from positive equity returns, despite falling corporate and government bond markets.

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

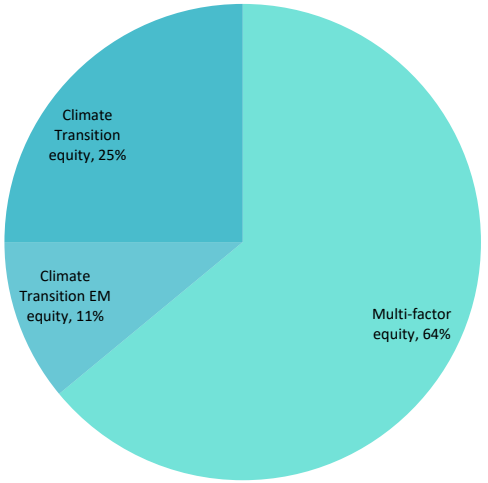
Over Q4 2024, Aon DC Solutions continued with the implementation of the strategic asset allocation changes outlined in the Q1 update:

During the quarter Aon made further reductions to the allocation to multi-factor equities with a corresponding increase in exposure to Climate Transition equities. This change is being implemented over a twelve-month period; further switches will be made in early 2025 with the revised allocation expected to be in place by 28 February 2025.

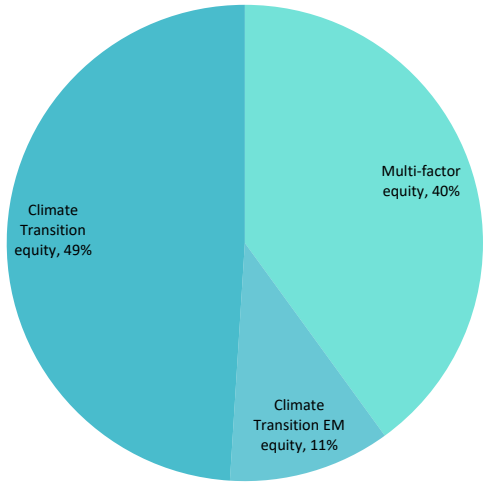
Longer term, Aon will consider further reductions in exposure to multi-factor equities and the potential to incorporate an alternative index fund to complement the current holdings. Aon is currently evaluating several options.

The revised target allocation is shown in the chart below:

Aon Managed Global Equity Fund: Previous allocation



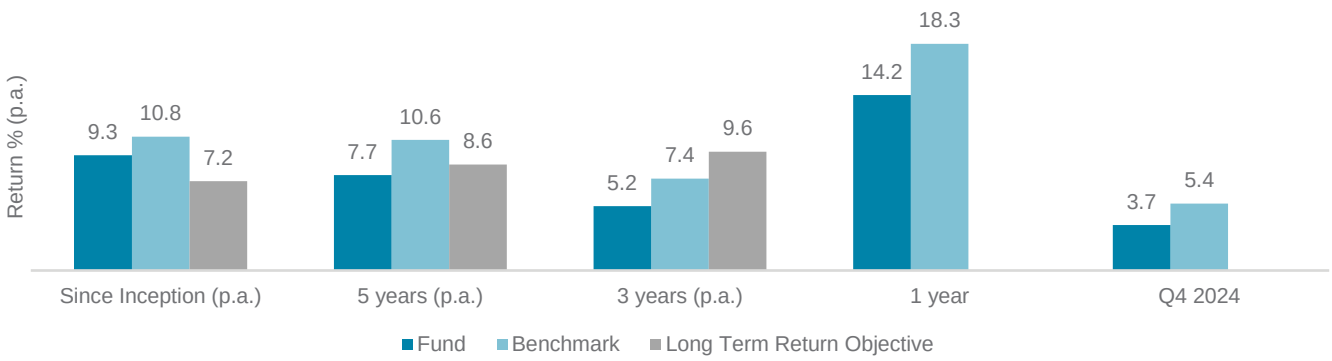
Aon Managed Global Equity Fund: Revised allocation



Additionally, over the quarter, within the Aon Managed Diversified Asset Fund, Aon increased the allocation to absolute return bonds and reduced the exposure to asset-backed securities. This reflects Aon's medium-term view of the increased attractiveness of absolute return bonds, especially with the expectation of falling interest rates over the next 12-18 months.

Aon Managed Retirement Pathway 2052-54 Fund
Member 30 years from retirement

Scheme performance & benchmark



5 year (annualised)

+7.7% ↑

Underperformed long-term return objective of CPI +4.0% p.a. by 0.9% p.a.

Since inception(annualised)

+9.3% ↑

Outperformed long-term return objective of CPI +4.0% p.a. by 2.1% 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 2023[1]

Source: Aegon, Aon Investments Limited. Returns are to 31 December 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 June 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 3.7% against a backdrop of positive equity market returns.

The Aon Managed Initial Growth Phase Fund returned 3.8%. The UBS Global Equity Climate Transition Fund returned 6.3%. The multi-factor equity allocation returned 4.0%, although lagged the broader market, mainly due to its underweight to large-cap technology. The UBS Global Emerging Market Equity Climate Transition Fund returned -1.8%, reflecting weak returns from emerging market equities.

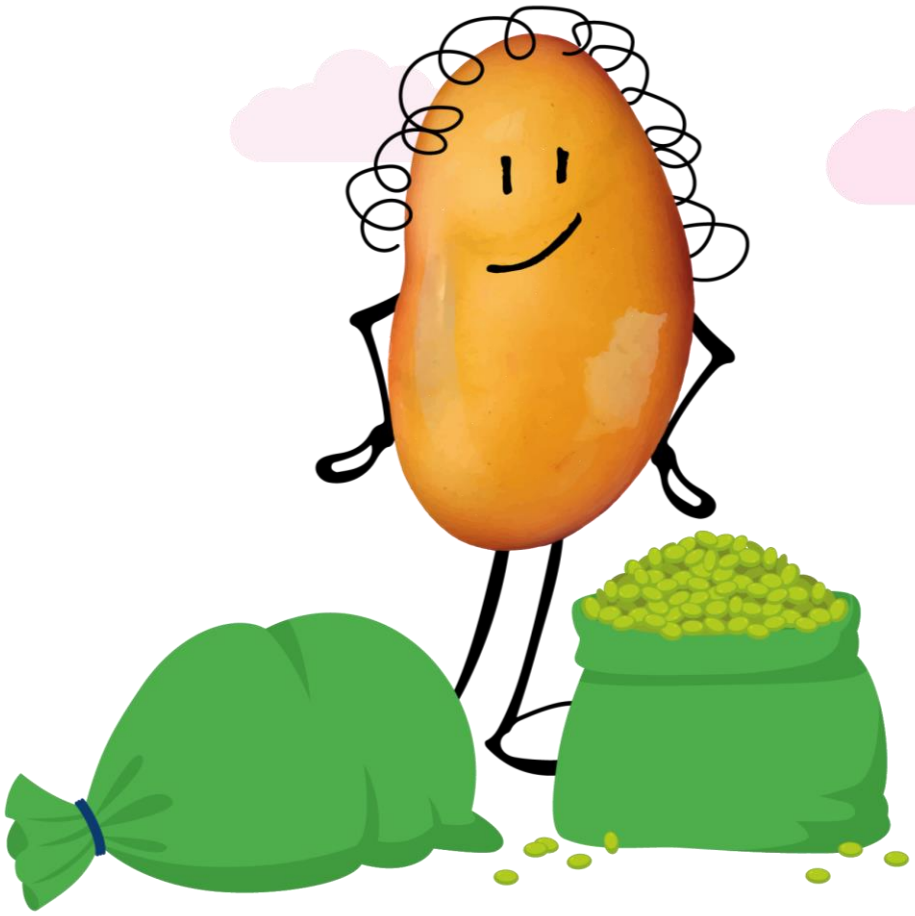
The allocation to property and infrastructure returned -2.0%. The listed property values fell by 3.9%, although this was partly offset by gains in listed infrastructure. UK commercial property contributed positively through a combination of income returns, rental growth, and rising capital values.

The Aon Managed Global Impact Fund returned 2.6%. The underweight to large-cap technology stocks detracted from performance, as well as exposure to the industrial sector which performed poorly.

New and notable

The Fund invests mainly in diversified global equities with a smaller allocation to property and infrastructure. This 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.



Source: Aon Investments Limited. The Plan's assets are managed on the Trustee's behalf by Aon DC Solutions. The commentary on fund performance and asset allocation changes included in this report has been provided to the Trustee by Aon DC Solutions.

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

Scheme performance & benchmark

5 year (annualised)

+6.9%↑

Underperformed long-term return objective of CPI +3.7% p.a. by 1.4% p.a.

Since inception (annualised)

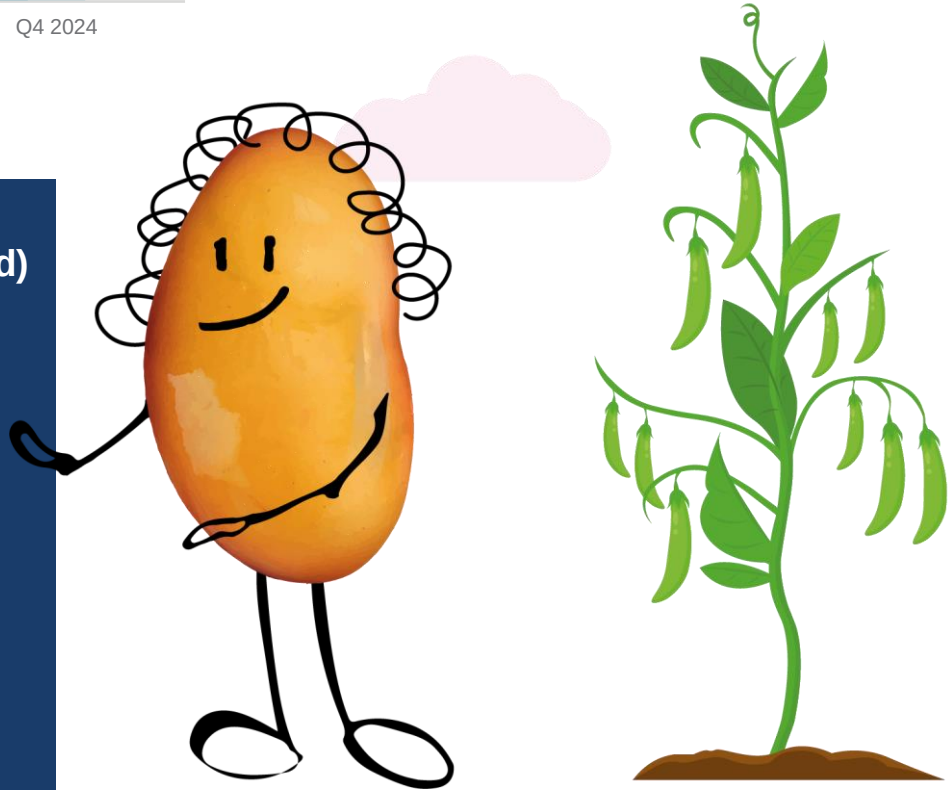
+8.9% ↑

Outperformed long-term return objective of CPI +3.9% p.a. by 1.8% p.a.

Comments

During Q4 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.



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

Performance comments

Over the quarter, the Fund returned 3.2% against a backdrop of positive equity and mixed bond market returns.

The Aon Managed Initial Growth Phase Fund returned 3.8%. The allocation to climate transition equities was the best performing strategy, with multi-factor equities also providing positive returns. This was partially offset by exposure to emerging market equities, property and infrastructure, which fell. The Aon Managed Global Impact Fund returned 2.6%, with returns impacted by its underweight to large-cap technology stocks .

The Aon Managed Diversified Asset Fund returned 1.6%, driven by gains from its allocations to climate transition and multi-factor equities, absolute return bonds, asset-backed securities and cash.

The Aon Managed Diversified Multi-Strategy Bond Fund returned 1.3%, with gains from asset-backed securities and absolute return bonds.

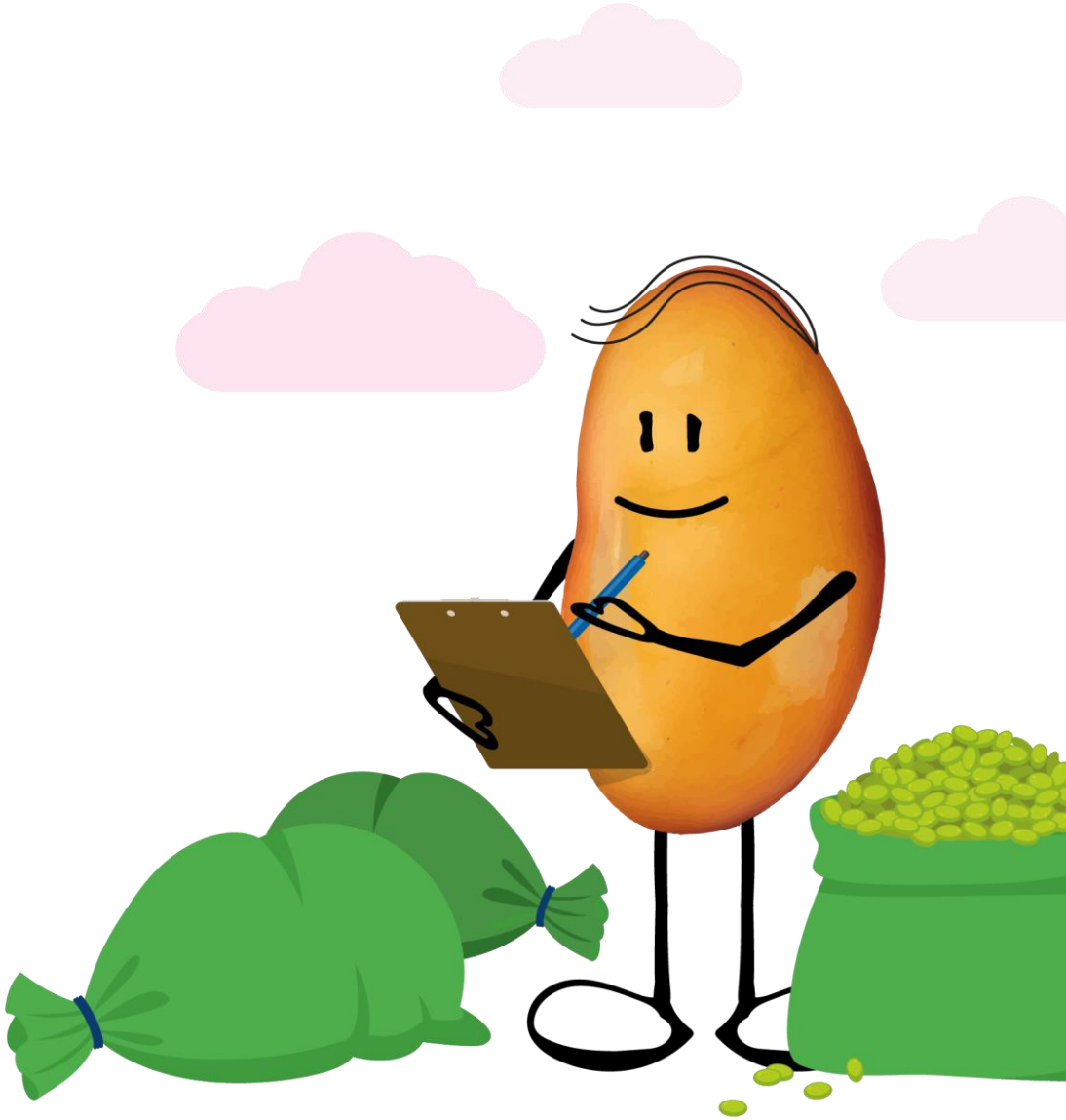
The Aon Managed Up to 5 Year Gilt Index Fund and the Aon Managed Short Term Inflation Linked Fund returned 0.1% and 0.2% respectively, as short-dated government bonds rose in value.

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 fourth 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.

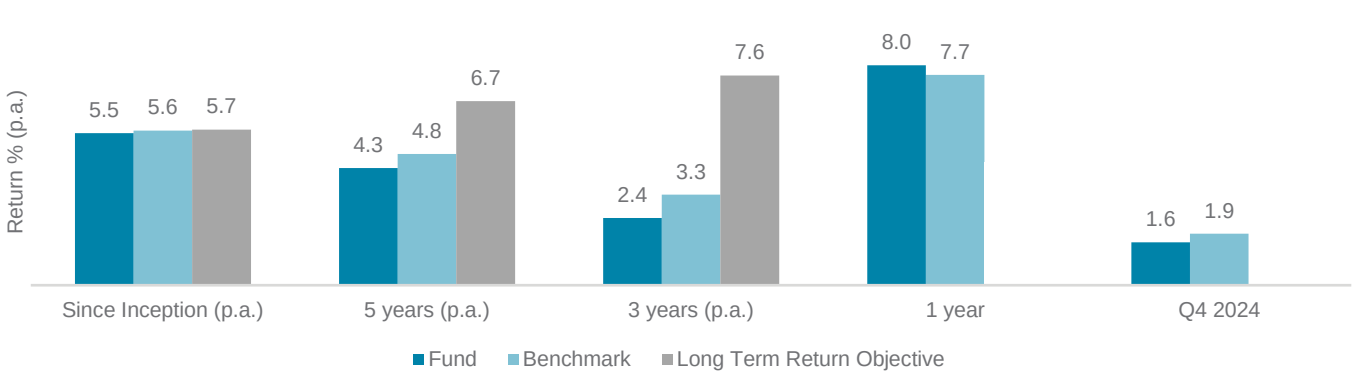
We continue to monitor this regularly going forward.



Source: Aon Investments Limited. The Plan's assets are managed on the Trustee's behalf by Aon DC Solutions. The commentary on fund performance and asset allocation changes included in this report has been provided to the Trustee by Aon DC Solutions.

Aon Managed Retirement Pathway 2022-24 Fund
Member at retirement

Scheme performance & benchmark



5 year (annualised)

+4.3% ↑

Underperformed long-term return objective of CPI +2.1% p.a. by 2.4% p.a.

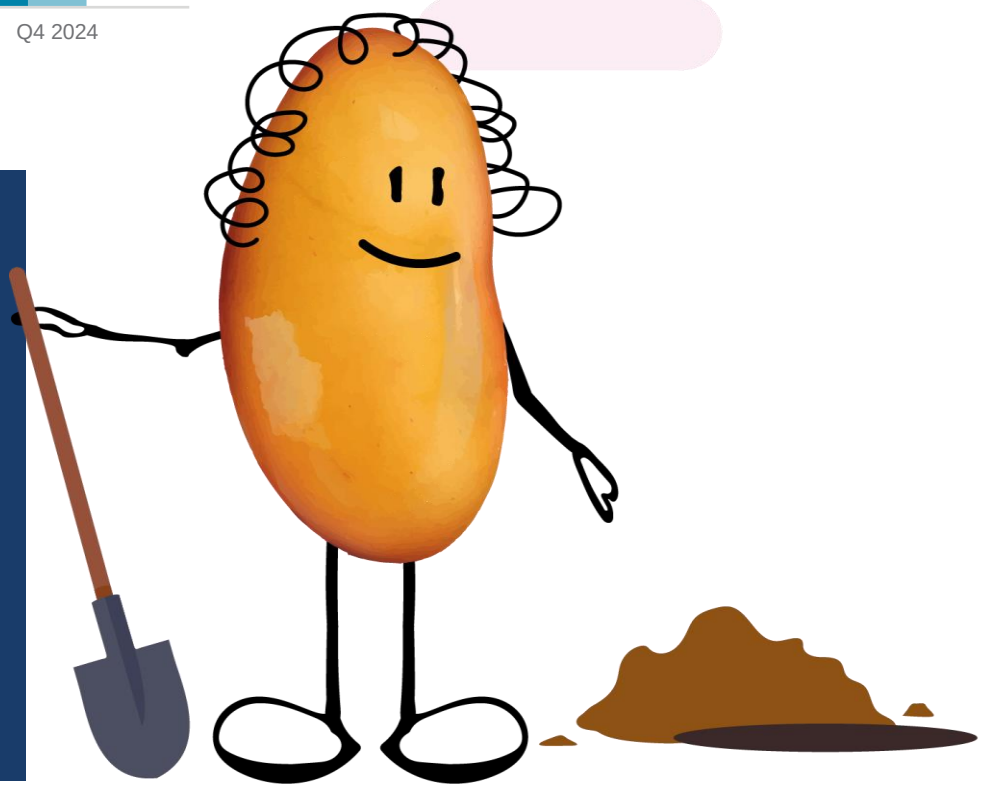
Since inception (annualised)

+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.



Source: Aegon, Aon Investments Limited. Returns are to 31 December 2024 and are shown gross of fees. Following the change in performance methodology implemented on 30 June 2024, returns are calculated using daily dealing prices and have been restated over longer time periods to reflect this change. Benchmarks are chain-linked using underlying fund benchmarks and asset allocations and have been restated over long time periods to allow for this change. Please note the long term CPI+ objective is not shown for periods less than three years.

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

Performance comments

Over the quarter, the Fund returned 1.6% against a backdrop of positive equity and mixed bond market returns.

The Aon Managed Initial Growth Phase Fund returned 3.8%. The allocation to climate transition equities was the best performing strategy, with multi-factor equities also providing positive returns. This was partially offset by exposure to emerging market equities, property and infrastructure, which fell. The Aon Managed Global Impact Fund returned 2.6%, with returns impacted by its underweight to large-cap technology stocks.

The Aon Managed Diversified Asset Fund returned 1.6%, driven by gains from its allocations to climate transition and multi-factor equities, absolute return bonds, asset-backed securities and cash.

The Aon Managed Diversified Multi-Strategy Bond Fund returned 1.3%, with gains from 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 0.1% and 0.2% 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 fourth 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.

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Market – Snapshot Q4 2024

Global Equities

6.1% ↑

Global equity markets generated 1.4% in local currency terms and 6.1% in sterling terms.

UK Equities

-0.2% ↓

UK equities fell in value, driven by high weighting in poor performing sectors such as Industrials and Health Care.

US Equities

10.1% ↑

US equities were the best performing market in sterling terms in Q4 and returned 2.8% in local terms.

Index-Linked Gilts

-6.0% ↓

Fixed-interest gilts outperformed Index-linked gilts across maturities, except the short end.

UK Corporate Bonds

-0.5% ↓

Rising bond yields more than offset the benefits of falling credit spreads (the difference between government and corporate bond yields) and the income return.

Property

2.8% ↑

Property capital values continued to rise, and income returns remained relatively stable.

Fixed Interest Gilts

-3.1% ↓

Short-dated gilts outperformed medium and long-dated gilts due to their lower duration and reduced sensitivity to changes in interest rates.

Pound Sterling

-6.6% ↓

Sterling weakened against the US dollar ending the quarter at $1.25/£.

Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)