

Kraft*Heinz*

Bean Counting:
Investment Report
Update Q1 2023



At a glance...

Market background

Markets experienced a positive start to 2023, as initially investors felt confident a recession would be avoided and major central banks slowed the pace of monetary tightening with smaller interest rate hikes. Inflation fears resurfaced in February, followed by concerns about the global banking system in March as Silicon Valley Bank entered receivership and UBS stepped in to buy Credit Suisse.

Over Q1, the Federal Reserve, European Central Bank and Bank of England all increased their policy rates by between 0.5%-1.0%, taking them to 4.75%-5.0% p.a., 3.0% p.a. and 4.25% p.a. respectively. Headline Inflation posted a mixed picture. UK inflation unexpectedly accelerated to 10.4% year on year (y-o-y) in February, while US and Eurozone inflation declined to 6.0% and 8.5% (y-o-y) respectively. Whilst inflation is expected to fall over the next few months, core inflation (excluding energy and other volatile items) continues to remain elevated due to a tight labour market.

Geopolitical tension remained heightened, as the US unveiled plans to impose fresh sanctions on entities supporting Russia's war effort, while Russia announced it would suspend its nuclear weapons treaty with the US and unveiled plans to deploy tactical nuclear weapons in Belarus.

Performance: Retirement Pathway Funds

Over the quarter, the Aon Managed Retirement Pathway Funds generated strong positive returns for all members, reflecting positive returns from most asset classes. Longer term, the Aon Managed Retirement Pathway Funds have generated positive returns albeit behind their long-term inflation linked return objectives, reflecting a sharp rise in inflation combined with falling markets over 2022.

Fund changes

Within the Aon Managed Diversified (Multi) Asset Fund, we reduced our gold allocation after a period of strength and subsequently increased exposure to UK gilts and asset-backed securities, reflecting our view that yields are relatively attractive. At the quarter end, we made a slight increase to our equity allocation and also adjusted the equity portfolio to increase exposure to overseas currencies.

Within the Aon Managed Diversified Multi-Strategy Bond Fund, we reduced our allocation to absolute return bonds and increased our allocation to high-quality asset-backed securities, as we believe these assets now offer better value following increases in yield.



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

Scheme performance & benchmark



5 year (annualised)

+7.6% ↑

Underperformed long-term return objective of CPI +4.0% p.a. by 0.6% p.a.

Comments

78% of the Fund is invested in funds with a climate / ESG focus, with a further 10% invested in the Aon Managed Global Impact Fund.

This provides a c63% reduction in carbon footprint (scope 1 & 2) from 2019 to 2021*.

3 year (annualised)

+12.6% ↑

Outperformed long-term return objective of CPI +4.0% p.a. by 2.7% p.a.



Source: Aegon, Aon Investments Limited. Returns are to 31 March 2023 and are shown gross of fees. Please note the long term CPI+ objective is not shown for periods less than three years.

*Source: Aon, MSCI, underlying managers. Carbon footprint reduction relates to scope 1 & 2 greenhouse gas emissions only and shows the reduction from 2019 to 2021 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 2.2% gross of fees, against a backdrop of positive equity market returns.

The Aon Managed Global Impact Fund was the best-performing holding over the quarter, returning 5.1% and benefiting from its underweight to the financial and energy sectors.

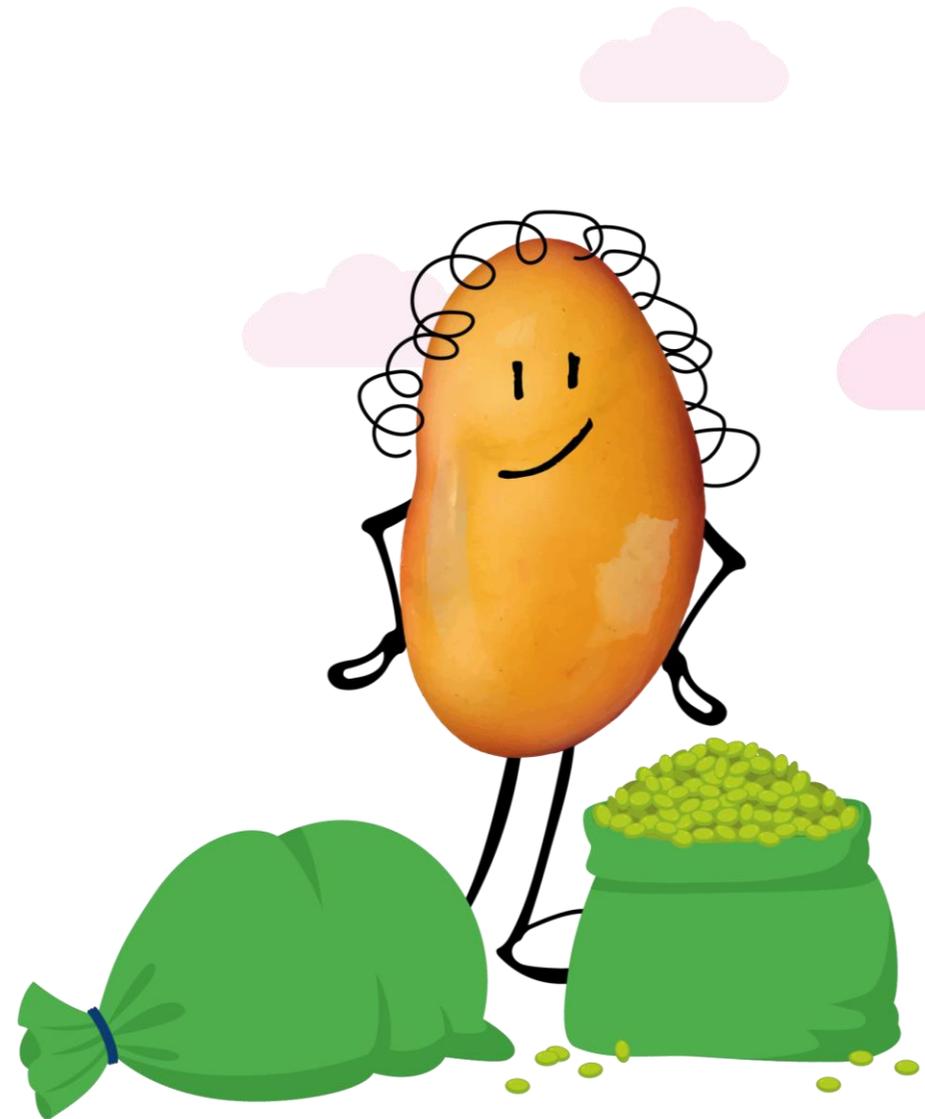
The Aon Managed Global Equity Fund returned 2.4% over the quarter, with all the underlying holdings generating a positive return. The UBS Global Climate Transition fund generated a strong positive return of 4.8%, while the factor-based equities allocation lagged the wider market, due to its underweight to growth-focused stocks (particularly technology).

The allocation to property and infrastructure fell in value. The listed property allocation fell, as concerns increased over commercial property following the failure of Silicon Valley Bank. Listed infrastructure also fell, partly due to falling energy prices.

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.

BlackRock recently made changes to the listed property fund to introduce an ESG screen that removes exposure to oil sands, thermal coal, controversial weapons, tobacco, civilian firearms and conduct related exclusions.



Aon Managed Retirement Pathway 2031-33 Fund Member 10 years from retirement

Scheme performance & benchmark



5 year (annualised)

+6.1% ↑

Underperformed long-term return objective of CPI +3.6% p.a. by 1.6% p.a.

Comments

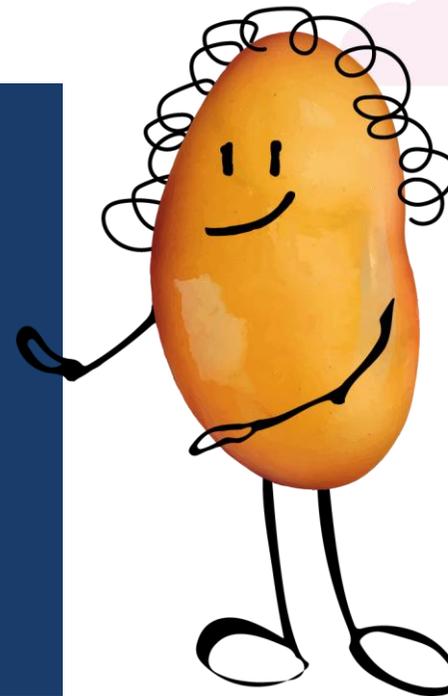
During Q1 2023, the Fund's asset allocation was unchanged, with no de-risking taking place.

The Fund remains slightly ahead of its original de-risking plan, further reducing risk for members as the Fund approaches its target date.

3 year (annualised)

+9.3% ↑

Performed in line with the long-term return objective of CPI +3.4% p.a.



Aon Managed Retirement Pathway 2031-33 Fund - Member 10 years from retirement (continued)

Performance comments

Over the quarter, the Fund returned 2.2% gross of fees, against a backdrop of positive equity and bond market returns.

During the quarter, all the underlying holdings generated positive returns.

The Aon Managed Global Impact Fund was the best performing holding and returned 5.1%. The Aon Managed Initial Growth Phase Fund returned 1.8%, with the UBS Global Equity Climate Transition Fund generating a strong positive return of 4.8%.

The Aon Managed Diversified Asset Fund returned 2.6%, benefiting from allocations to gold, currency-hedged factor-based equities and asset-backed securities.

The Aon Managed Diversified Multi Strategy Bond Fund returned 1.1%, while the Aon Managed Passive Corporate Bond Fund returned 2.1%, reflecting an increase in corporate bond values.

New and notable

Following the latest review, the Fund's allocation remained unchanged over the first quarter of 2023. This reflected higher inflation and weaker returns seen over 2022.

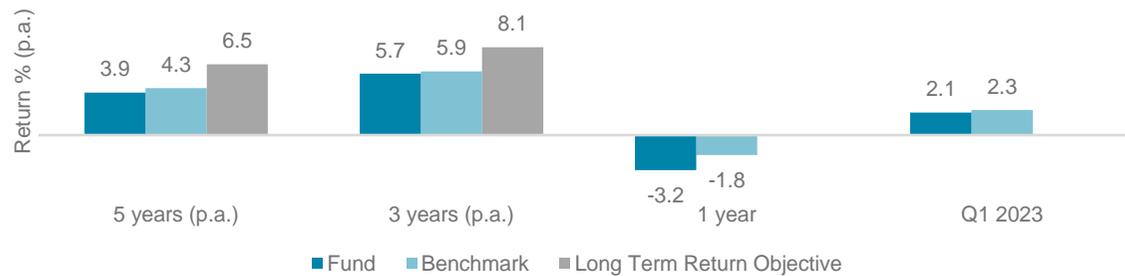
Previously, we took the opportunity to bring forward some of the planned de-risking in the first half of 2021 and 2022 to further reduce risk as the Fund approaches its target date, reflecting strong market performance since the Fund's inception.

We continue to monitor this regularly going forward.



Aon Managed Retirement Pathway 2022-24 Fund Member at retirement

Scheme performance & benchmark



5 year (annualised)

+3.9% ↑

Underperformed long-term return objective of CPI +2.4% p.a. by 2.6% p.a.

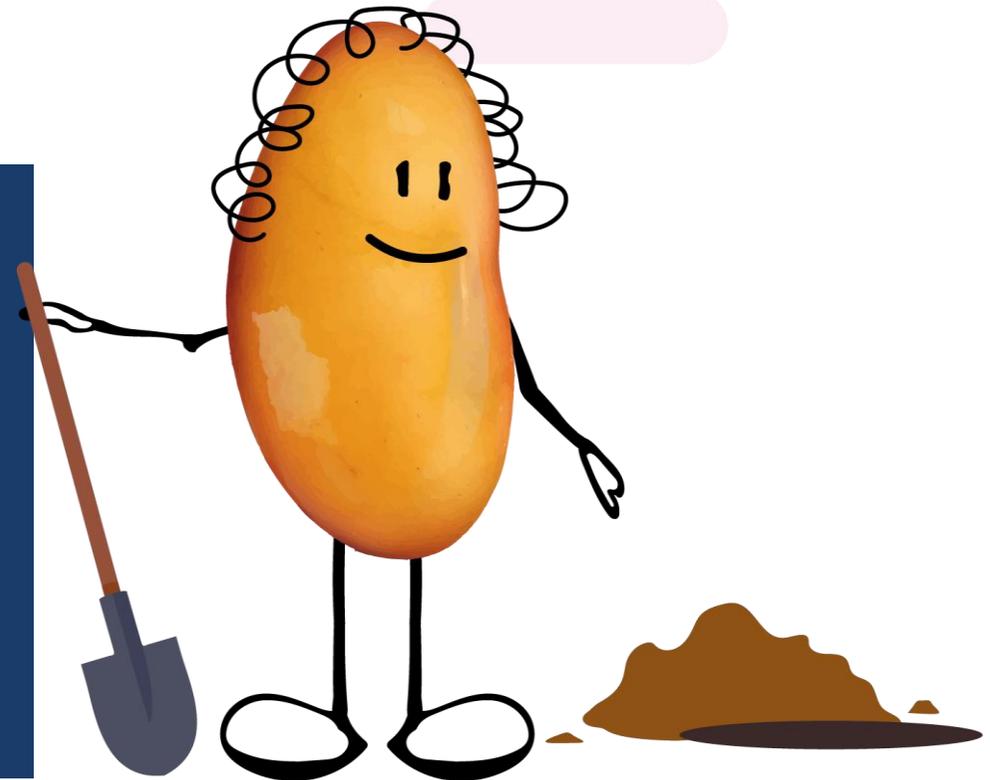
Comments

During Q1 2023 we de-risked the Fund in line with our original plan as the Fund approaches its target date.

3 year (annualised)

+5.7% ↑

Underperformed long-term return objective of CPI +2.2% p.a. by 2.4% p.a.



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

Performance comments

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

During the quarter, all the underlying holdings generated positive returns.

The Aon Managed Global Impact Fund was the best performing holding and returned 5.1%. The Aon Managed Initial Growth Phase Fund returned 1.8%, with the UBS Global Equity Climate Transition Fund generating a strong positive return of 4.8%.

The Aon Managed Diversified Asset Fund returned 2.6%, benefiting from allocations to gold, currency-hedged factor-based equities and asset backed securities.

The Aon Managed Diversified Multi Strategy Bond Fund returned 1.1%, while the Aon Managed Passive Corporate Bond Fund returned 2.1%.

New and notable

Following the latest review, we de-risked the Fund in line with our original plan over the first quarter of 2023.

Previously, we took the opportunity to bring forward some of the planned de-risking in the first half of 2021 to further reduce risk as the Fund approaches its target date, reflecting strong market performance since the Fund's inception.

We continue to monitor this regularly going forward.



Global Equities

4.5% ↑

Global equity markets generated 7.2% return in local currencies but the appreciation of sterling against the US dollar pushed down returns.

UK Equities

3.2% ↑

UK equities generated positive returns, as economically sensitive sectors outperformed.

US Equities

4.8% ↑

The notable appreciation of sterling against the US dollar pushed returns in sterling terms down.

Index-Linked Gilts

4.3% ↑

Yields on index-linked gilts rose strongly for shorter maturities but fell across other maturities.

UK Corporate Bonds

5.7% ↑

UK investment grade credit spreads fell by 0.01% to 1.67%, based on iBoxx Sterling Non-Gilts data.

Property

0.2% ↑

UK property capital values continued to fall over the quarter largely offsetting the increase in income return.

Fixed Interest Gilts

2.0% ↑

The UK gilt curve fell across all maturities except short maturities.

Pound Sterling

2.8% ↑

Sterling strengthened against the dollar ending the quarter at \$1.24/£.

