

Kraft*Heinz*

Bean Counting:
Investment Report
Update Q3 2022



At a glance...

Market background

Markets were dominated by soaring inflation and geopolitical uncertainty against the backdrop of a higher interest rate environment. Inflation slowed slightly but remained historically high with the annual UK Consumer Price Index reaching 10.1% in July. The Bank of England raised interest rates to 2.25% p.a., the highest level since 2008, with central banks around the world also raising interest rates.

The rise in government bond yields was exacerbated by the former UK Chancellor's mini budget in September which unveiled a £45 billion package of tax cuts and an increase in borrowing. This resulted in the pound hitting its lowest level against the US Dollar since 1985 and a sharp rise in UK government bond yields.

Global equity markets fell as inflationary pressures and corresponding tighter monetary policy continued to drive market sentiment, although this was more than offset by falls in Sterling. Government bond yields rose sharply and UK investment grade credit spreads increased, resulting in falls in value, particularly for longer dated bonds.

Performance: Retirement Pathway Funds

Over the quarter, the Aon Managed Retirement Pathway Funds generated positive returns for members further from requirement. This reflects falling global equity markets, offset by exposure to overseas currencies as Sterling fell in value. Members closer to retirement experienced negative returns over the quarter, as falls in government and corporate bonds more than offset positive returns from equities. The impact was mitigated to some extent by holding short maturity bonds.

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 the last few months.

Fund changes

Within the Aon Managed Diversified (Multi) Asset Fund we reduced our allocation to equities and corporate bonds and replaced this exposure with more defensive assets such as gold, asset backed securities, government bonds and cash.

Within the Aon Managed Diversified Multi Strategy Bond Fund we decreased our allocation to absolute return bonds and the rules-based fixed income strategy and introduced an allocation to cash.



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

Scheme performance & benchmark



5 year (annualised)

+6.3% ↑

Underperformed long-term return objective of CPI +4% p.a. by 1.2% p.a.

3 year (annualised)

+3.6% ↑

Underperformed long-term return objective of CPI +4% p.a. by 4.9% p.a.

Comments

70% of the Fund is invested in funds with a climate / ESG focus, with a further 10% invested in the Aon Managed Global Impact Fund.



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

Performance comments

Over the quarter, the Fund returned 0.4% gross of fees, underperforming its benchmark.

The Aon Managed Global Equity Fund returned 0.9%. Global equities fell in value, although this was more than offset by exposure to overseas currencies, which added value as Sterling fell.

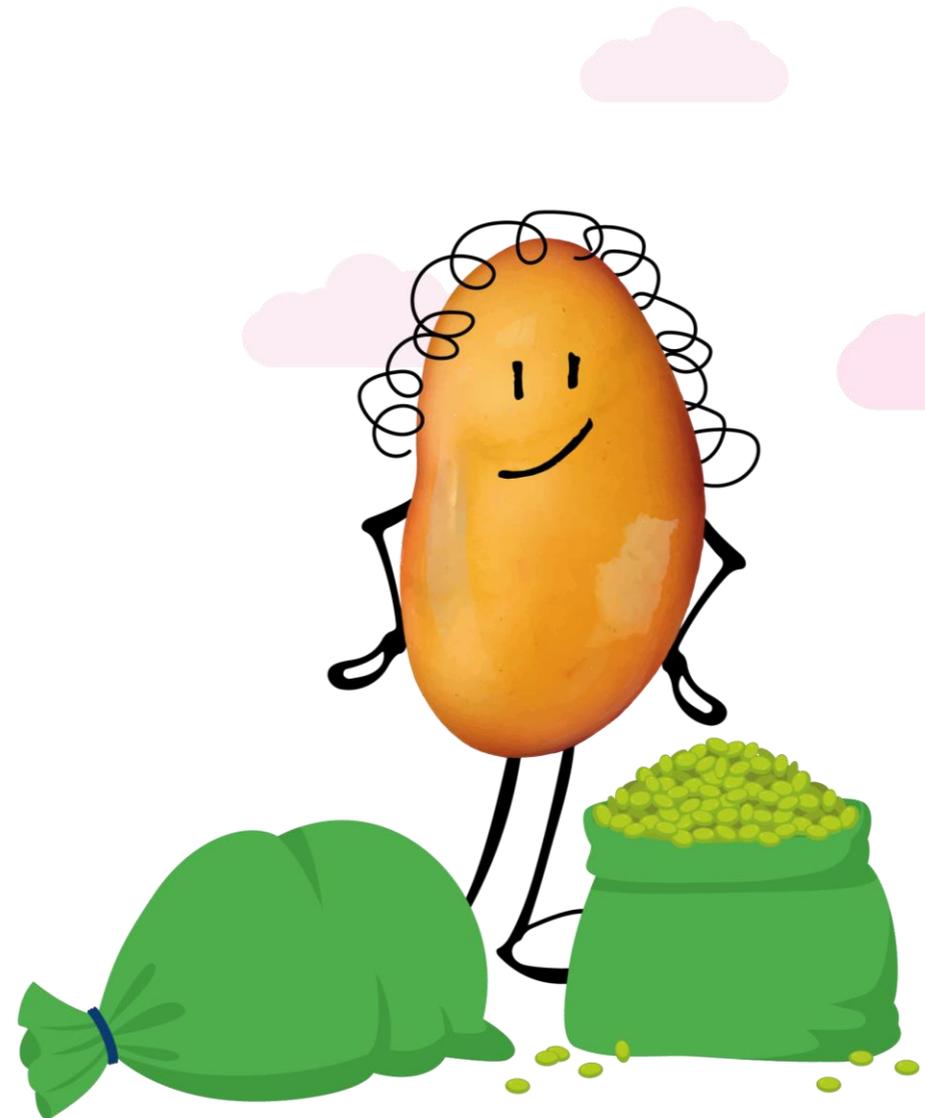
The UBS Global Equity Climate Transition Fund returned 2.0% and the allocation to factor-based equities returned 1.5%. Positive contributions from the momentum factor were partly offset as the value, quality and low volatility factors lagged. Emerging Market equities fell in value.

The Aon Managed Global Impact Fund was flat over the quarter, with mixed returns from its underlying managers.

The allocation to property and infrastructure fell in value as property values were impacted by rising interest rates.

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.



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

Scheme performance & benchmark



5 year (annualised)

+4.8% ↑

Underperformed long-term return objective of CPI +3.6% p.a. by 2.4% p.a.

Comments

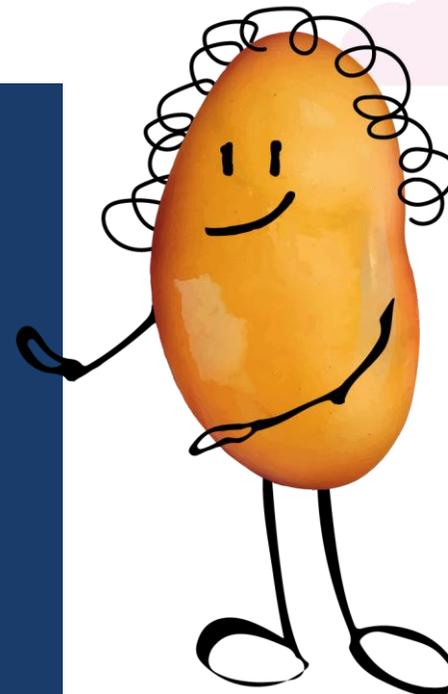
During Q3 2022, the Fund's asset allocation was unchanged, with no de-risking taking place.

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)

+1.7% ↑

Underperformed long-term return objective of CPI +3.5% p.a. by 6.3% p.a.



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

Performance comments

Over the quarter, the Fund returned -1.7% gross of fees, underperforming its benchmark.

The Aon Managed Initial Growth Phase Fund returned 0.9%, while the Aon Managed Global Impact Fund was flat. Global equities fell in value, although this was more than offset by exposure to overseas currencies, which added value as Sterling fell.

The Aon Managed Diversified Asset Fund returned -3.0%, providing some protection against broader bond market falls. Allocations to absolute return bond funds, gold and asset backed securities proved more resilient as interest rates rose.

The Aon Managed Diversified Multi Strategy Bond Fund returned -1.0%, outperforming the broader corporate bond market.

New and notable

Following our latest review, we decided to pause de-risking over the third quarter so that the Fund's asset allocation remained unchanged.

This follows from additional de-risking we carried out in the first half of 2022 reflecting strong performance in 2021 and further de-risking in the half of 2021, reflecting strong performance of the Fund since inception.

As at 30 September 2022 the Fund remains slightly ahead of its original de-risking plan, further reducing risk for members as the Fund approaches its target date.



Aon Managed Retirement Pathway 2022-24 Fund Member at retirement

Scheme performance & benchmark



5 year (annualised)

+2.8% ↑

Underperformed long-term return objective of CPI +2.4% p.a. by 3.2% p.a.

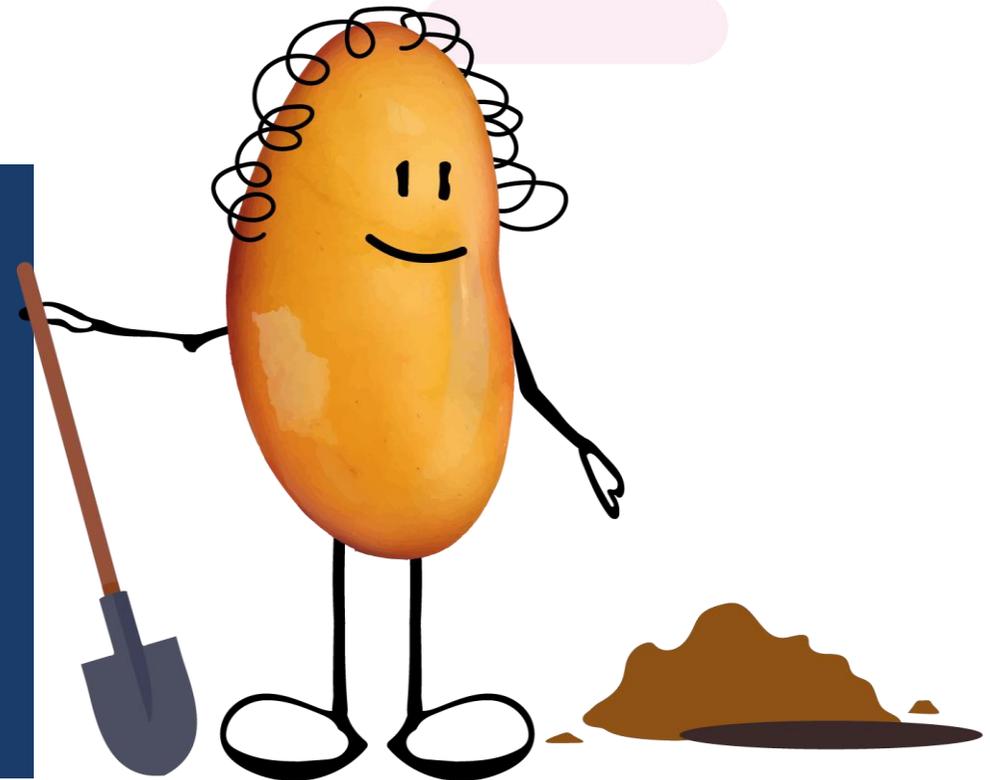
3 year (annualised)

+0.4% ↑

Underperformed long-term return objective of CPI +2.3% p.a. by 6.4% p.a.

Comments

During Q3 2022 we de-risked the Fund in line with our original plan as the Fund approaches its target date.



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

Performance comments

Over the quarter, the Fund returned -2.8% gross of fees, underperforming its benchmark.

The Aon Managed Initial Growth Phase Fund returned 0.9%, while the Aon Managed Global Impact Fund was flat. Global equities fell in value, although this was more than offset by exposure to overseas currencies, which added value as Sterling fell.

The Aon Managed Diversified Asset Fund returned -3.0%, providing some protection against broader bond market falls. Allocations to absolute return bond funds, gold and asset backed securities proved more resilient as interest rates rose.

The Aon Managed Diversified Multi Strategy Bond Fund returned -1.0%, outperforming the broader corporate bond market.

New and notable

Following our latest review, over the quarter we de-risked the Fund in line with our original plan as the Fund approaches its target date. This follows from additional de-risking we carried out in the first half of 2021.



Global Equities

1.5% ↑

Global equity markets posted a negative return, however, the sharp depreciation of sterling against most major currencies pushed up returns in sterling terms.

UK Equities

-2.9% ↓

UK equities reversed all their gains made in July as a sharp rise in bond yields put pressure on the markets.

US Equities

3.7% ↑

US equities performed the second worst amongst major equity regions. However, the sharp depreciation of sterling against the US dollar pushed up returns in sterling terms.

Index-Linked Gilts

-9.3% ↓

The FTSE All Stocks Index-Linked Gilts Index produced negative returns as both real and nominal yields rose sharply.

UK Corporate Bonds

-11.0% ↓

UK investment grade credit spreads rose by 27bps to 202bps, based on IBoxx Sterling Non-Gilts data.

Property

-4.1% ↓

MSCI UK Monthly Property Index posted a negative return, falling from the all time high-index level.

Fixed Interest Gilts

-12.8% ↓

The FTSE All Stocks Gilts Index fell as gilt yields rose sharply.

Pound Sterling

-8.1% ↓

Sterling weakened against the US dollar over the quarter (-8.1% move to \$1.12/£).

