

Kraft*Heinz*

Bean Counting:
Investment Report
Update Q4 2022



At a glance...

Market background

The future path of inflation and resulting central bank responses constituted the dominant theme in capital markets throughout the quarter. Headline inflation continued to ease, primarily due to falling energy prices. UK CPI slowed to 10.7% year-on-year in November, down from the previous month's 11.1% and below economists' expectations of 10.9%.

The Bank of England increased interest rates by 1.25% p.a. to 3.5% p.a. in a bid to tackle soaring inflation. Similar increases were seen around the world, with the US Federal Reserve and European Central Bank also raising interest rates by 1.25% p.a.

Geopolitical tensions remained elevated while the UK battled with a self-inflicted crisis of financial confidence. Following the UK's "mini-budget," the gilt market saw significant volatility, leading to the Bank of England's subsequent intervention to restore normal market function.

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 the last year.

Fund changes

Within the Aon Managed Diversified (Multi) Asset Fund, we reduced exposure to government bonds, reflecting our concern that government bonds could fall further in value. Alongside, we increased our exposure to more defensive assets with increased allocations to gold and cash. Within the equity portfolio we reduced our exposure to emerging markets, and correspondingly increased our allocation to developed markets.



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

Scheme performance & benchmark



5 year (annualised)

+6.1% ↑

Underperformed long-term return objective of CPI +4.0% p.a. by 1.8% 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.

3 year (annualised)

+4.9% ↑

Underperformed long-term return objective of CPI +4.0% p.a. by 4.5% p.a.



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

Performance comments

Over the quarter, the Fund returned 3.5% gross of fees, outperforming its benchmark by 2.0%.

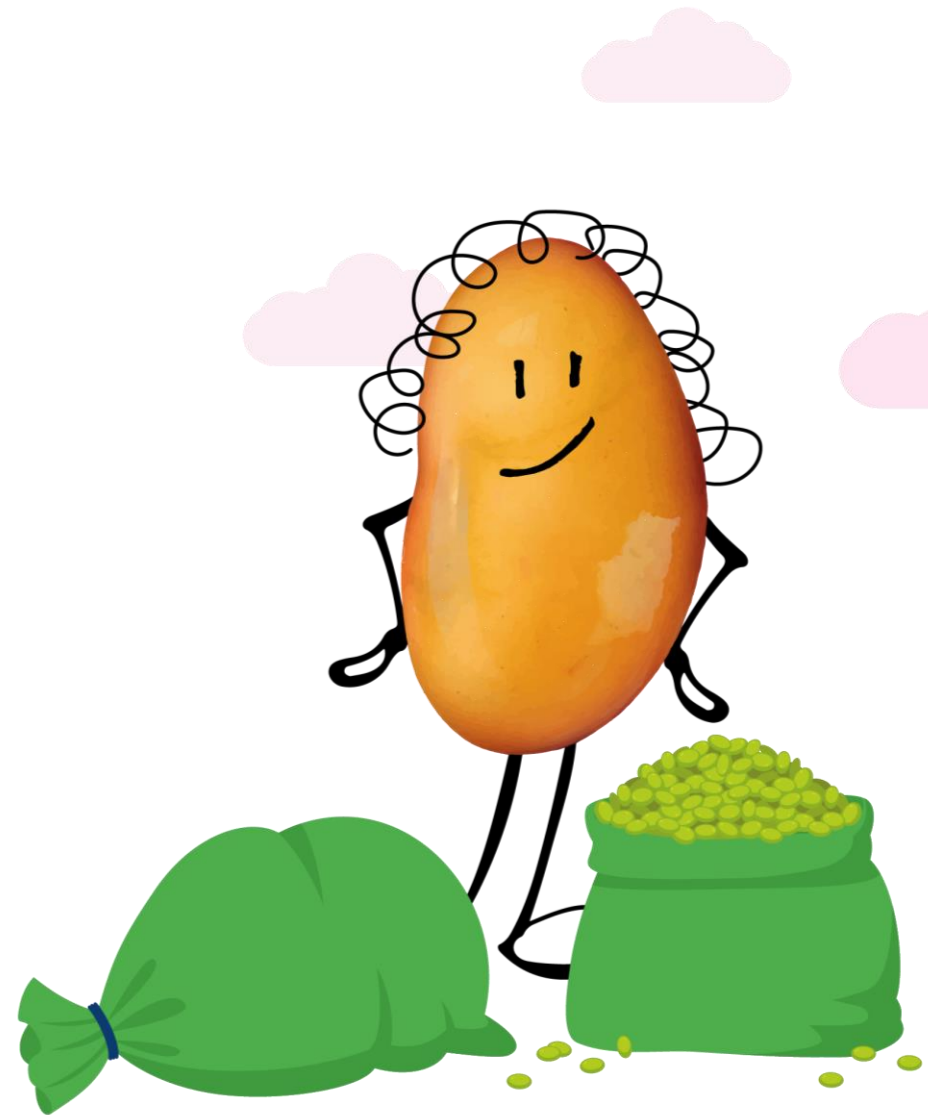
The Aon Managed Global Impact Fund was the best performing holding over the quarter, with all the underlying funds generating positive returns, and returned 5.8%.

The Aon Managed Global Equity Fund returned 3.8% over the quarter. The Fund's allocation to factor-based equities generated a strong positive return of 4.5% , benefiting from a relative overweight to the information technology sector. The UBS Global Equity Climate Transition Fund also outperformed the benchmark.

The allocation to property and infrastructure fell in value. Modest gains from listed property and infrastructure holdings were offset by the allocation to UK commercial property, as capital values declined.

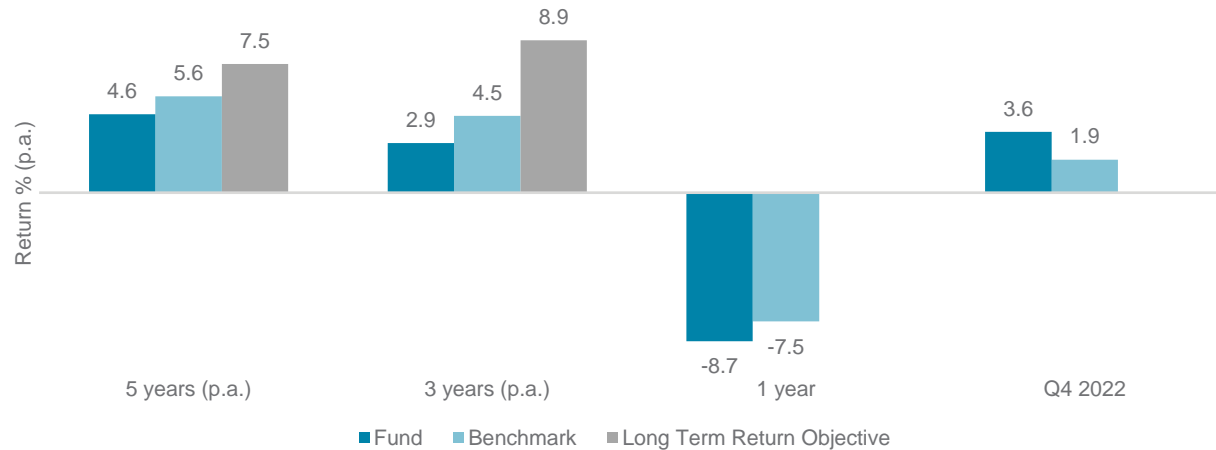
New and notable

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)

+4.6% ↑

Underperformed long-term return objective of CPI +3.6% p.a. by 2.9% p.a.

Comments

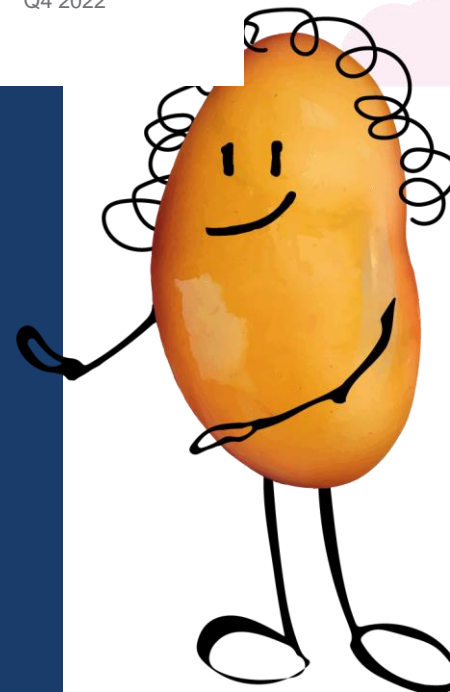
During Q4 2022, the Fund's asset allocation was unchanged, with no de-risking taking place.

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)

+2.9% ↑

Underperformed long-term return objective of CPI +3.5% p.a. by 6.0% p.a.



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

Performance comments

Over the quarter, the Fund returned 3.6% gross of fees, outperforming its benchmark by 1.7%.

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

The Aon Managed Global Impact Fund was the best performing holding and returned 5.8%. The Aon Managed Initial Growth Phase Fund returned 3.3%.

The Aon Managed Diversified Asset Fund returned 2.6%, benefiting from allocations to factor-based equities, actively managed bond strategies and asset backed securities.

The Aon Managed Diversified Multi Strategy Bond Fund returned 1.7%, while the Aon Managed Passive Corporate Bond Fund returned 5.4%, reflecting an increase in corporate bond values.

New and notable

Following the latest review, the Fund's allocation remained unchanged over the fourth quarter of 2022. 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 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)

+2.9% ↑

Underperformed long-term return objective of CPI +2.4% p.a. by 3.4% p.a.

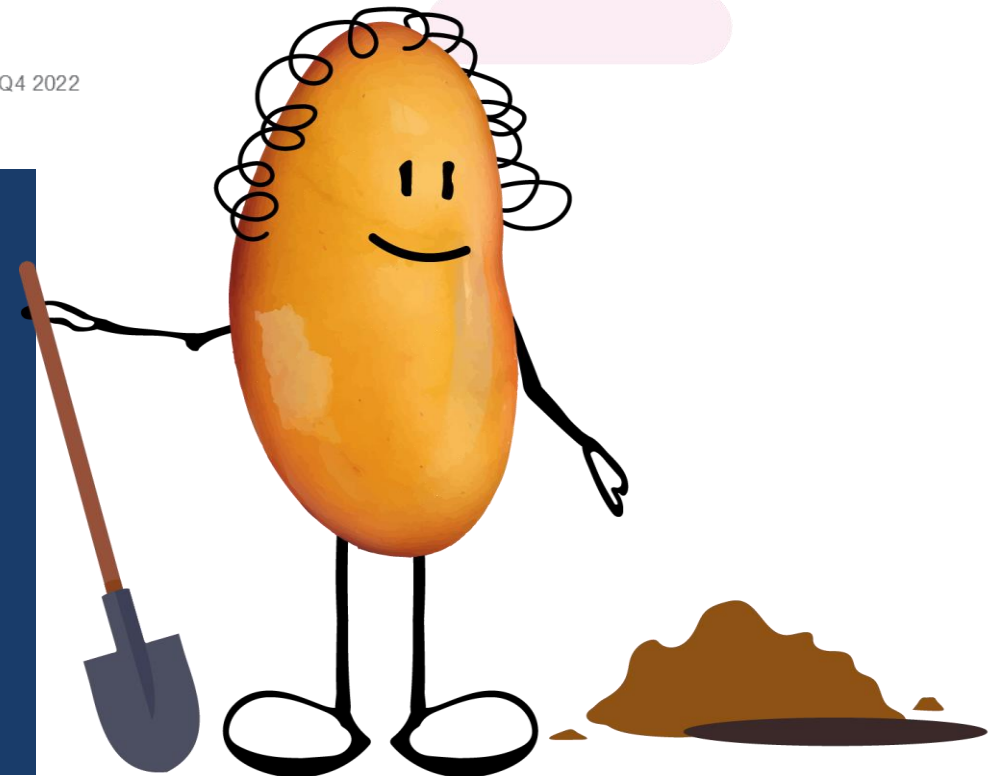
3 year (annualised)

+1.8% ↑

Underperformed long-term return objective of CPI +2.3% p.a. by 5.9% p.a.

Comments

During Q4 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 3.4% gross of fees, outperforming its benchmark by 1.2%.

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

The Aon Managed Global Impact Fund was the best performing holding and returned 5.8%. The Aon Managed Initial Growth Phase Fund returned 3.3%.

The Aon Managed Diversified Asset Fund returned 2.6%, benefiting from allocations to factor-based equities, actively managed bond strategies and asset backed securities.

The Aon Managed Diversified Multi Strategy Bond Fund returned 1.7%, while the Aon Managed Passive Corporate Bond Fund returned 5.4%, reflecting an increase in corporate bond values.

New and notable

Following the last review, we de-risked the Fund in line with our original plan over the fourth quarter of 2022.

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.

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Global Equities

2.0% ↑

Global equity markets posted 7.5% return in local currencies but the appreciation of sterling against the US dollar pushed down returns.

UK Equities

8.6% ↑

UK equities posted relatively strong returns after bond yields fell and many government fiscal policies were reversed.

US Equities

-0.6% ↓

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

Index-Linked Gilts

-6.0% ↑

The FTSE All Stocks Index-Linked Gilts Index produced negative returns as nominal yields fell.

UK Corporate Bonds

5.7% ↑

UK investment grade credit spreads fell by 33bps to 168bps, based on iBoxx Sterling Non-Gilts data.

Property

-14.5% ↓

MSCI UK Monthly Property Index posted a negative return driven by a sudden sharp rise in interest rates and borrowing costs.

Fixed Interest Gilts

1.7% ↑

The UK gilt curve fell across shorter maturities but rose modestly at longer maturities over the fourth quarter.

Pound Sterling

7.8% ↑

Sterling strengthened against the dollar ending the quarter at \$1.20/£.

