

**Kraft***Heinz*

**Bean Counting:**  
Investment Report  
Update Q2 2022



## At a glance...

### Market background

Inflation fears continued to unsettle central banks over Q2, leading to significant interest rate rises across the globe. The Bank of England ('BoE') increased the base interest rate to 1.25% p.a., its highest level in 13 years. The BoE now expects inflation to rise above 11.0% by the end of 2022. Geopolitical risk remained over Q2, as the conflict in Ukraine entered its fifth month.

Global equity markets fell in response to continued inflationary pressure and fears of corresponding tighter monetary policy. Government and corporate bonds also fell as gilt yields, and especially real yields, rose sharply.

### Performance: Retirement Pathway Funds

Over the quarter, the Aon Managed Retirement Pathway Funds generated negative returns, although the later dated funds (where most of the Plan members' assets are invested) outperformed their market based benchmarks.

Longer term performance remains strong, although the Aon Managed Retirement Pathway Funds have generated returns behind their long-term inflation linked return objectives, reflecting a sharp rise in inflation combined with falling markets over the last few months.

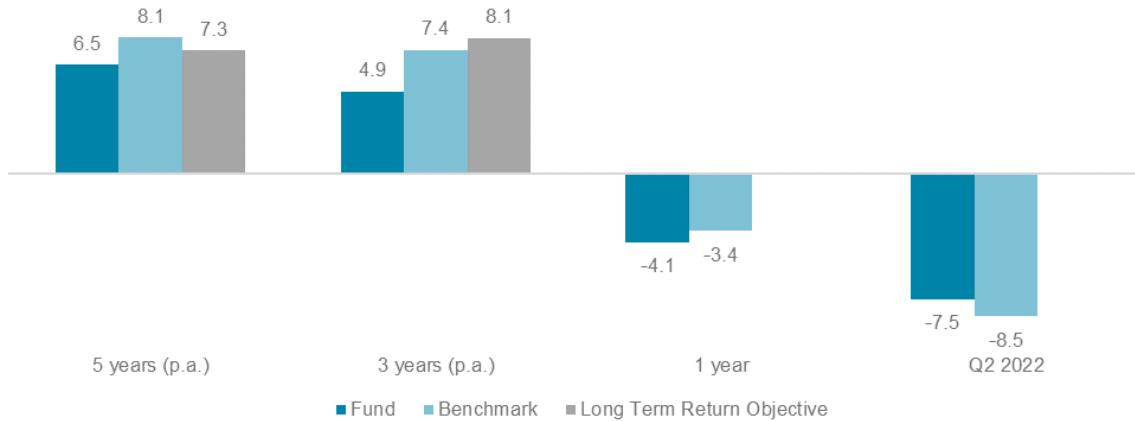
### Fund changes

Within the Aon Managed Diversified (Multi) Asset Fund we increased exposure to equities and gold and reduced our allocation to corporate and government bonds. We also introduced the Janus Henderson ABS fund in order to diversify exposure to asset-backed securities.



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

## Scheme performance & benchmark



### 5 year (annualised)

**+6.5%** ↑

Underperformed long-term return objective of CPI +4% p.a. by 0.8% p.a.

### Comments

Following the addition of the UBS Global Equity Climate Transition Fund, c80% of the Fund is invested in funds with a specific ESG focus.

### 3 year (annualised)

**+4.9%** ↑

Underperformed long-term return objective of CPI +4% p.a. by 3.2% p.a.



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

## Performance comments

The Aon Managed Global Equity Fund returned -6.7% and outperformed its benchmark. The allocation to factor-based equities outperformed the broader market. All four factors contributed positively to returns, with the low volatility and momentum factors contributing most.

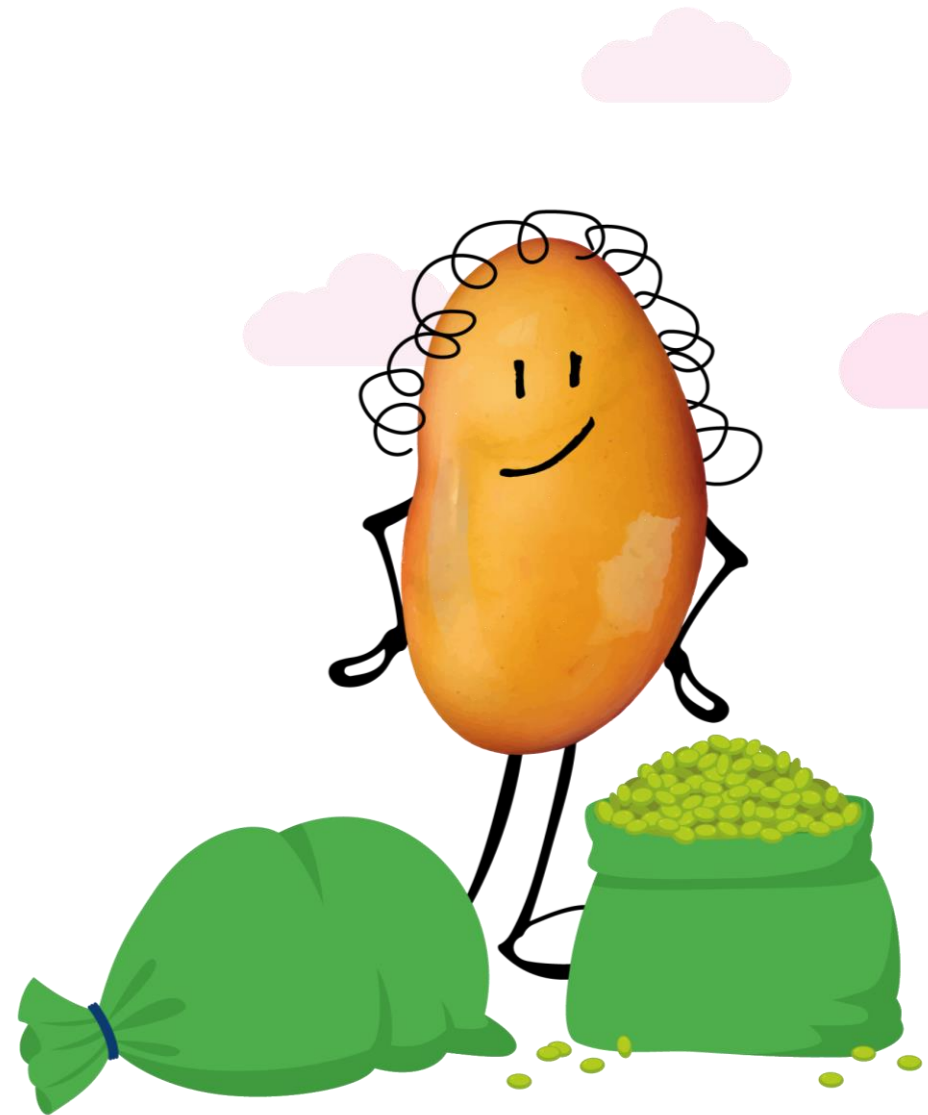
The newly introduced UBS Global Equity Climate Transition Fund outperformed the benchmark with stock selection in the Health Care, Consumer Staples and Financial sectors contributing positively.

The direct UK property allocation generated a positive return, although the listed property and infrastructure funds fell in value.

The Aon Managed Global Impact Fund's bias to growth orientated companies detracted in the current rising interest rate environment.

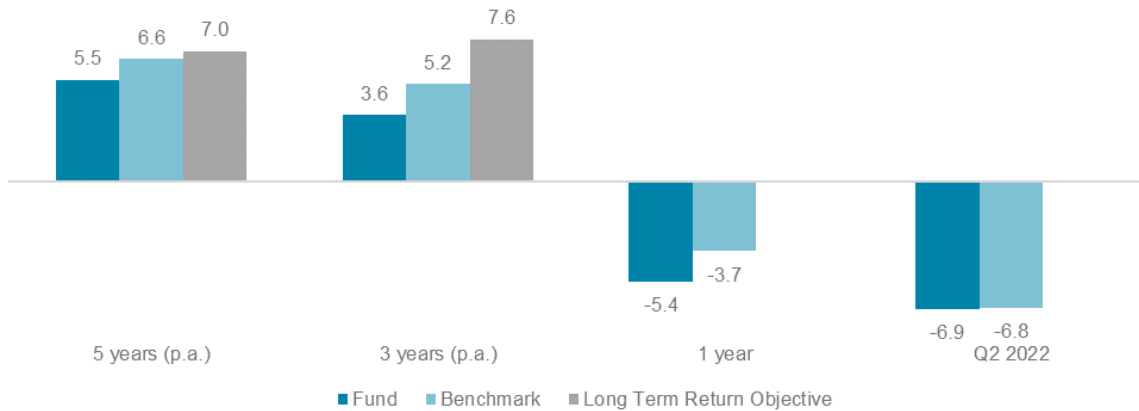
## New and notable

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)

**+5.5% ↑**

Underperformed long-term return objective of CPI +3.7% p.a. by 1.5% p.a.

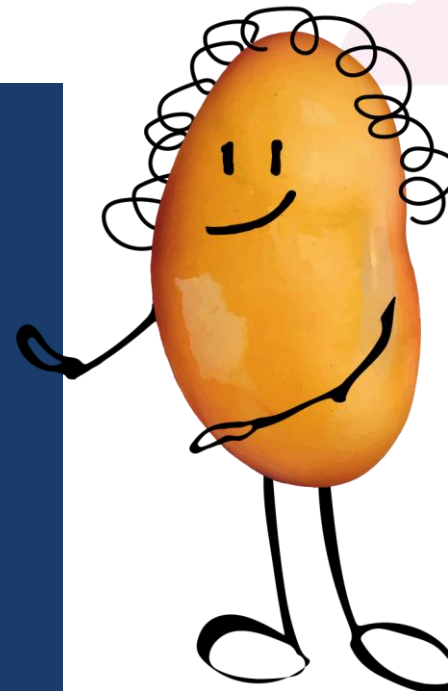
### Comments

Reflecting strong market performance over 2021, we brought forward some of the planned de-risking during the first half of 2022 to further reduce risk as the Fund approaches its target date.

### 3 year (annualised)

**+3.6% ↑**

Underperformed long-term return objective of CPI +3.5% p.a. by 4.0% p.a.



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

## Performance comments

During the quarter, the Aon Managed Initial Growth Phase Fund returned -6.8% and outperformed its benchmark. Most of the holdings generated negative returns, reflecting equity market falls, with the exception of the direct UK property allocation which rose in value.

The Aon Managed Global Impact Fund also generated a negative return.

The Aon Managed Diversified Asset Fund returned -5.5% and provided some protection against falling equity and bond markets.

The Aon Managed Diversified Multi Strategy Bond Fund returned -2.0% over the quarter, outperforming the broader corporate bond market and benefiting from the defensive positioning within the absolute return bond funds.

## New and notable

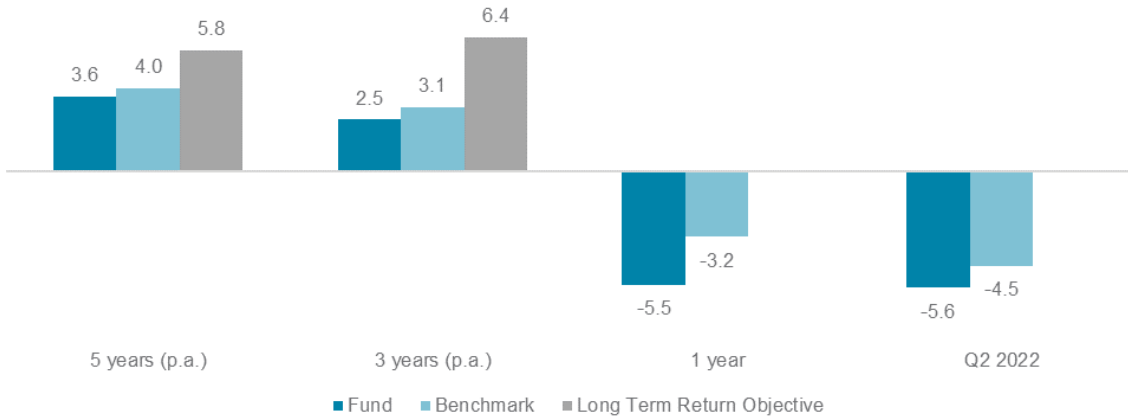
Following our latest review and reflecting strong performance over 2021, we decided to bring forward some of the planned de-risking to further reduce risk as the Fund approaches its target date; this was implemented over the first half of 2022. This follows from additional de-risking we carried out in the first half of 2021.





# Aon Managed Retirement Pathway 2022-24 Fund Member at retirement

## Scheme performance & benchmark



### 5 year (annualised)

**+3.6% ↑**

Underperformed long-term return objective of CPI +2.5% p.a. by 2.2% p.a.

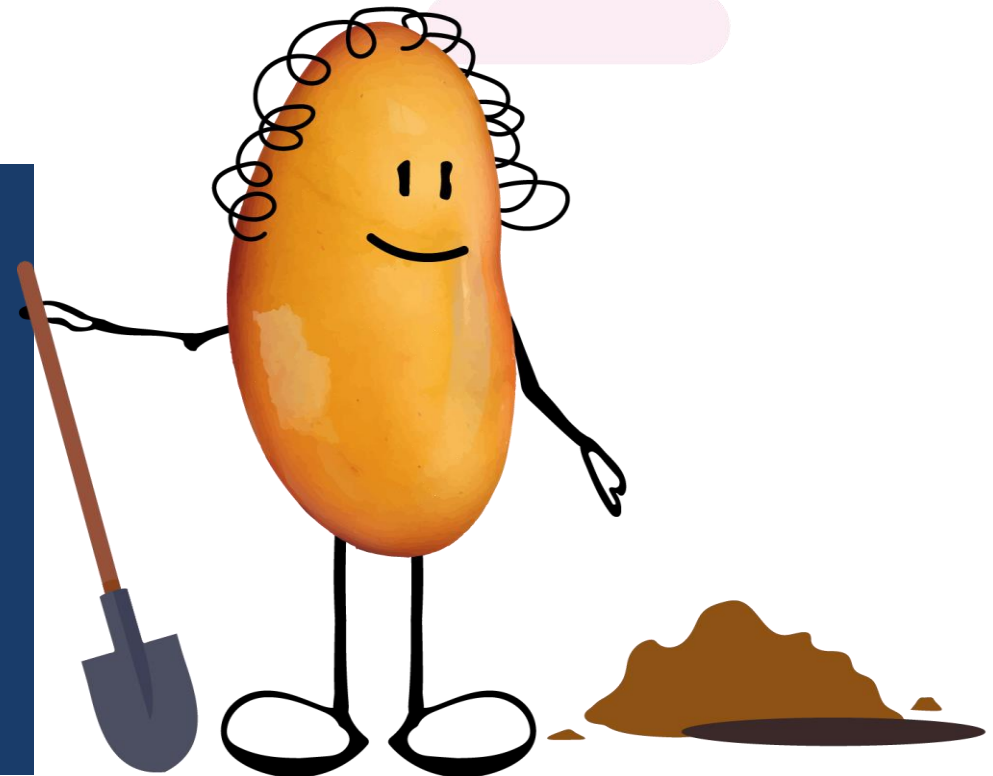
### 3 year (annualised)

**+2.5% ↑**

Underperformed long-term return objective of CPI +2.3% p.a. by 3.9% p.a.

### Comments

During Q2 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

During the quarter, the Aon Managed Initial Growth Phase Fund returned -6.8% and outperformed its benchmark. Most of the holdings generated negative returns, reflecting equity market falls, with the exception of the direct UK property allocation which rose in value.

The Aon Managed Global Impact Fund also generated a negative return.

The Aon Managed Diversified Asset Fund returned -5.5% and provided some protection against falling equity and bond markets.

The Aon Managed Diversified Multi Strategy Bond Fund returned -2.0% over the quarter, outperforming the broader corporate bond market and benefiting from the defensive positioning within the absolute return bond funds.

## 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

**-8.4%** ↓

Global equity markets fell in response to continued inflationary pressure and fears of corresponding tighter monetary policy leading to recession fears.

## UK Equities

**-2.9%** ↓

UK equities were the best performing equity market region.

## US Equities

**-9.8%** ↓

US equities performed the worst amongst major equity regions.

## Index-Linked Gilts

**-17.5%** ↓

The FTSE All Stocks Index-Linked Gilts Index produced negative returns as falling inflation expectations caused breakevens to fall.

## UK Corporate Bonds

**-6.8%** ↓

UK investment grade credit spreads rose by 44bps to 175bps, based on IBoxx Sterling Non-Gilts data.

## Property

**+3.8%** ↑

MSCI UK Monthly Property Index reached an all-time high index level.

## Fixed Interest Gilts

**-7.4%** ↓

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

## Pound Sterling

**-7.8%** ↓

Sterling weakened against the US dollar over the quarter (-7.8% move to \$1.32/£).

