

## 2022 DC Fund Performance Commentary

Whilst the short term performance of the Aon Managed Retirement Pathway funds has improved over the most recent quarter, the longer term performance from these funds relative to benchmark has been disappointing. The Aon Managed Initial Growth Phase Fund outperformed its benchmark by 2% over Q4 2022 (and is 1% ahead of benchmark over calendar year 2022).

The main contributor to the periods of underperformance has been the Aon Managed Active Global Equity Fund, a component part of all Retirement Pathway Funds during the 'growth' phase (for members further from retirement) and also available as a self-select option within the Scheme. This Fund has a significant allocation which uses a 'factor-based' approach, assessing the underlying holdings against four key factors - value, low volatility, momentum and quality. This approach is used as an alternative to simply investing in line with the benchmark index, where the portfolio would have higher weightings to the largest companies and to stocks that have increased in price. Aon Investments Limited, as investment manager of the Fund, maintains its conviction in this approach and its ability to outperform the benchmark over the long term.

For members closer to retirement, the default Retirement Pathway arrangement includes an allocation to the Aon Managed Diversified Asset Fund (also available as a self-select option). This fund holds a broad range of asset classes, to reduce the level of risk within the portfolio in the lead up to retirement. The Fund is measured against a benchmark of 3.25% p.a. in excess of cash. Over 2022, the market environment saw most major asset classes perform poorly. Whilst the Fund has performed relatively well compared with both equities and bonds, helping to mitigate some of the broader market volatility experienced, it has sharply underperformed the benchmark.

The Trustee and its advisors meet regularly with Aon Investments Limited and keep the investment performance under close review.

[Figures taken from 'Pearl Group Staff Pension Scheme, Aon's Q4 2022 Summary Investment Report', 14 February 2023]