

PETER PETER & WRIGHT STERLING GROUP PLAN ('the Scheme')
SCHEME NUMBER: S30722

INVESTMENT PERFORMANCE REVIEW
(November 2023)

1. How contributions are invested

1.1 All contributions paid into the Scheme are invested by AVIVA in a large pooled fund (the **With Profits Sub-Fund**), which is made up of a mixture of international shares, UK shares, property, UK gilts, corporate bonds, international bonds and other investments.

1.2 The value of this Sub-Fund fluctuates from day to day depending on changes in the value of the underlying investments.

1.3 The value of the individual pension pot of each member of the Scheme does not however fluctuate in this way. Instead, each member has their own pension "account" which is expressed in £s, rather like a bank statement, and the amount of all contributions are added to the account.

1.4 Then, at the end of each year, interest (referred to as "**bonus interest**") is credited to each member's account on all contributions and **bonus interest** which has already been credited to their account at the end of the previous year, and on all contributions made during the year from the date on which the contributions were received. The rate of **bonus interest** can be nil, but it can never be negative.

1.5 In determining the rate of "**bonus interest**" at the end of each year there is an element of "smoothing" involved whereby some of the gains earned on the Sub-Fund in good investment years are kept back to help pay **bonus interest** in poor investment years.

1.6 The aim of the **bonus interest** is to provide a progressive build-up of guaranteed benefits over the lifetime of the policy, whilst retaining sufficient profits from the Sub-Fund to provide an additional payment (referred to as a "**final bonus**") when the member retires or upon death or transfer of their fund into another pension scheme.

1.7 The **final bonus** is calculated as a flat percentage of the total accrued **bonus interest**. The percentage rate is not fixed, nor is it guaranteed. The rate is reviewed regularly, usually on 1 January and 1 July each year, and it can go up or down. In determining **final bonuses** the aim, over the long term, is to pay out maturing policies as a group and on average 100% of the value of the underlying Sub-Fund. Sometimes, and in certain market conditions, this can involve reducing the **final bonus** to ensure fairness to all policyholders across all generations.

2. Investment Objectives

2.1 AVIVA describes the Fund Objective of the underlying With-Profits Fund as follows:

"Our With-Profit Fund offers the potential for returns that are higher than those received from a bank or building society average savings account. Although the fund has no fixed term, you should be prepared to invest for at least 5 to 10 years. The main

difference between with-profits and other more volatile investments is that the value is smoothed over the long term.”

2.2 The Trustees apply the same investment objective to the Scheme, subject to certain guarantees which prevent contributions to the Scheme reducing in value in absolute terms from the date of investment.

3. Performance Review

Guaranteed pension benefits

3.1 The Table at Appendix 1 shows (in column A) how a Scheme policy with a “Fund Value” of £10,000 in May 2023, excluding any final bonus and without any additional contributions, would have increased in value net of costs over a period of 20 years to June 2023 with the addition of bonus interest each year, comparing this against (in column B) an equivalent £10,000 investment in the BlackRock Cash Fund over the same period and (in column C) an equivalent £10,000 investment increased in line with the RPI. The BlackRock Cash Fund invests in cash and money market instruments and Short Term Money Market Funds, the returns on which are thought broadly to represent the returns on bank and building society average accounts during the period in question.

3.2 The Table shows that over the 20 year period from 2003 to 2023 the guaranteed element of members’ benefits in the Scheme (ie. “Fund Value”), excluding any final bonus:

- achieved cumulative returns approximately 52.9% higher overall than might have been achieved investing in the BlackRock Cash Fund; and
- kept pace cumulatively with inflation (measured by reference to the RPI) for the first 19 years, before slipping behind inflation in 2023.

Overall pension benefits (including non-guaranteed final bonus)

3.3 The Table at Appendix 2 is the same as the Table at Appendix 1, save that (in column A) it charts increases in the overall “Transfer Value” of a Scheme policy (including final bonus uplift), rather than the “Fund Value”.

3.3 The Table shows that over the 20 year period from 2003 to 2023 the Transfer Value of a Scheme policy without additional contributions:

- achieved cumulative returns approximately 120.9% higher overall than would have been achieved investing in the BlackRock Cash Fund; and
- achieved a cumulative real return approximately 36.5% above inflation by reference to the RPI.

3.4 Over the assessment period of 20 years the Scheme is considered to have met the investment objectives referred to in paragraph 2, with limited or no risk to capital invested and any bonus interest awarded, and relatively low overall volatility.

13 November 2023

TOBY J ROWLAND
(Chair of Trustees)

APPENDIX 1

Guaranteed "Fund Value" Performance over 20 years

(assuming no additional contributions, and excluding final bonus)

	A	B	C		
Date	Guaranteed "Fund Value" performance over 20 years net of costs	Equivalent investment in Blackrock Cash Fund over 20 years	Equivalent investment increased in line with RPI over 20 years	Performance of Guaranteed "Fund Value" against cash over 20 years	Performance of Guaranteed "Fund Value" against RPI over 20 years
01.05.03	£10,000	£10,000	£10,000		
01.05.04	£10,512	£10,249	£10,276	102.6%	102.3%
01.05.05	£10,857	£10,614	£10,585	102.3%	102.6%
01.05.06	£11,270	£10,952	£10,899	102.9%	103.4%
01.05.07	£11,678	£11,294	£11,379	103.4%	102.6%
01.05.08	£12,107	£11,863	£11,875	102.1%	102.0%
01.05.09	£13,051	£12,234	£11,726	106.7%	111.3%
01.05.10	£13,960	£12,257	£12,328	113.9%	113.2%
18.04.11	£14,670	£12,278	£12,956	119.5%	113.2%
01.05.12		£12,298	£13,359		
01.05.13	£15,355	£12,303	£13,773	124.8%	111.5%
01.05.14	£15,744	£12,315	£14,120	127.8%	111.5%
01.05.15	£16,143	£12,315	£14,258	131.1%	113.2%
01.05.16	£16,553	£12,328	£14,462	134.3%	114.5%
01.05.17	£16,890	£12,328	£14,975	137.0%	112.8%
01.05.18	£17,318	£12,328	£15,477	140.5%	111.9%
08.08.19	£17,805	£12,368	£16,034	144.0%	111.0%
14.08.20	£18,307	£12,388	£16,211	147.8%	112.9%
16.08.21	£18,730	£12,382	£16,944	151.3%	110.5%
06.06.22	£19,160	£12,388	£18,599	154.7%	103.0%
06.06.23	£19,411	£12,692	£20,673	152.9%	93.9%

APPENDIX 2

Non-guaranteed "Transfer Value" performance over 20 years

(assuming no additional contributions, and including final bonus)

	A	B	C		
Date	"Transfer Value" performance over 20 years (including non-guaranteed final bonus)	Equivalent investment in Blackrock Cash Fund over 20 years	Equivalent investment increased in line with RPI over 20 years	Performance of Transfer Value against cash over 20 years	Performance of Transfer Value against RPI over 20 years
01.05.03	£10,000	£10,000	£10,000		
01.05.04	£10,512	£10,249	£10,276	102.6%	102.3%
01.05.05	£10,857	£10,614	£10,585	102.3%	102.6%
01.05.06	£11,270	£10,952	£10,899	102.9%	103.4%
01.05.07	£11,678	£11,294	£11,379	103.4%	102.6%
01.05.08		£11,863	£11,875		
01.05.09		£12,234	£11,726		
01.05.10	£13,960	£12,257	£12,328	113.9%	113.2%
18.04.11	£15,727	£12,278	£12,956	128.1%	121.4%
01.05.12		£12,298	£13,359		
01.05.13	£17,730	£12,303	£13,773	144.1%	128.7%
01.05.14	£19,707	£12,315	£14,120	160.0%	139.6%
01.05.15	£19,892	£12,315	£14,258	161.5%	139.5%
01.05.16	£21,770	£12,328	£14,462	176.6%	150.5%
01.05.17	£24,123	£12,328	£14,975	195.7%	161.1%
01.05.18	£25,847	£12,328	£15,477	209.7%	167.0%
08.08.19	£27,054	£12,368	£16,034	218.7%	168.7%
14.08.20	£26,987	£12,388	£16,211	217.9%	166.5%
16.08.21	£28,739	£12,382	£16,944	232.1%	169.6%
06.06.22	£29,620	£12,388	£18,599	239.1%	159.3%
06.06.23	£28,034	£12,692	£20,673	220.9%	135.6%