

Panel Investment Report

Quarter to 31 December 2025

Steve Turner



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Executive Summary

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Executive Summary

Market background

- Over Q4, economic resilience and ongoing AI-led optimism drove financial markets, despite uncertainty driven by regional politics.
- While some developed market central banks continued cutting rates, the narrative of a sharp slowdown was brushed aside, supported by abating risks from tariffs and trade. The US Federal Reserve reduced its policy rate amidst a weakening labour market and cooling inflation. Meanwhile, fundamentals in the UK favoured a further rate cut by the Bank of England, with the Autumn Budget easing fiscal credibility concerns.
- Overall, equity markets ended higher across developed markets and bond yields were mixed during Q4. UK gilt yields fell as cooling inflation and weakening labour market built the case for more BoE cuts.

Funding level and risk

- The funding level is estimated to have decreased marginally over the quarter to c.108%. The rise in the value of assets was largely matched by a rise in the estimated present value of liabilities, but cashflow payments out of the Fund led to a minor fall in the position.
- The funding level is estimated to be c. 3% higher over the year to 31 December 2025.



- The Value-at-Risk (“VaR”) increased over the quarter to £1,278m, due to the rise in the value of the assets as well as an increase in the underlying volatility assumptions.
- As a percentage of liabilities, the VaR increased to c.22%.



Asset allocation and strategy

- During the quarter, the Fund made progress in implementing the new strategy, with the termination of the Diversified Growth Fund allocation, the topping up of Multi-Asset Credit, and the topping up of the risk management portfolio alongside a restructuring of the interest rate hedging (i.e. investment in UK gilts).
- There was a net amount of c. £1m drawn down to the private market portfolio during the period.

Executive Summary

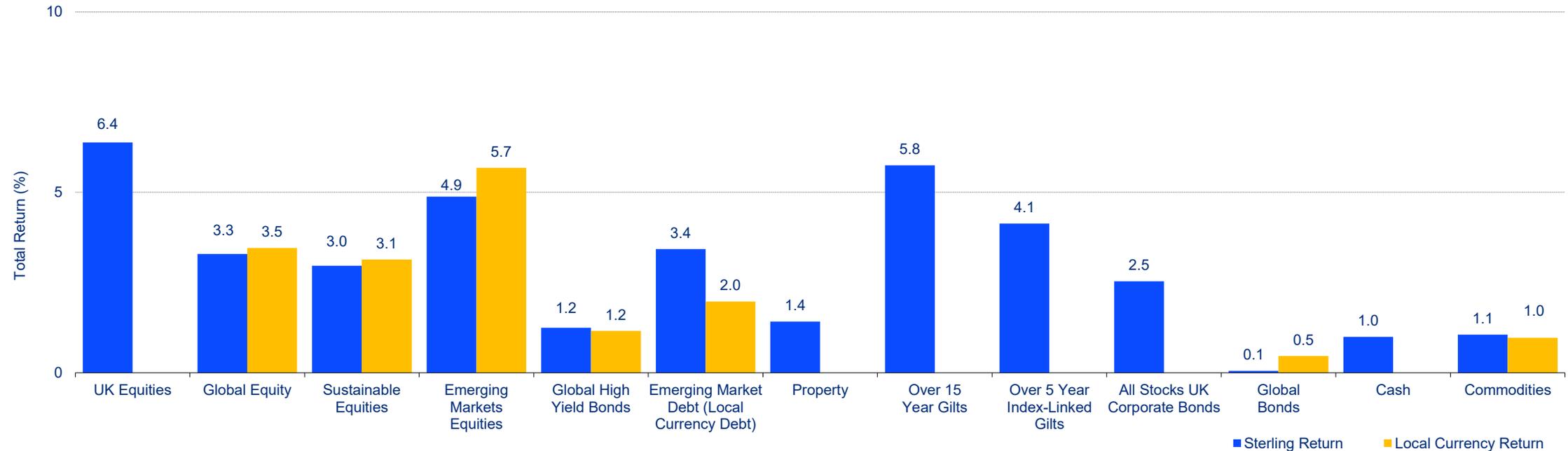
	<ul style="list-style-type: none"> In aggregate, positive returns were driven mainly by the equity and LDI holdings. Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception. The Equity Protection Strategy detracted from returns, which was in line with expectations given rising markets. 																
Performance	<ul style="list-style-type: none"> At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity and Private Debt mandates detracted, though most of the alternative Growth portfolios delivered positive relative returns. Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Equity Protection Strategy and the Secured Income mandates. Underperformance over the three year period was mostly due to the Active Equity mandates, with Equity Protection, Infrastructure and Secured Income also detracting. The Currency Hedge added to returns over the one-year and three-year periods due to Sterling strengthening. The impact was marginal over three months. <table border="1" data-bbox="1592 349 2395 649"> <thead> <tr> <th></th> <th>3 Months (%)</th> <th>1 Year (%)</th> <th>3 Years (% p.a.)</th> </tr> </thead> <tbody> <tr> <td>Total Fund (1)</td> <td>2.6</td> <td>7.5</td> <td>6.5</td> </tr> <tr> <td>Strategic Benchmark (2) (ex currency hedge)</td> <td>3.5</td> <td>9.2</td> <td>9.7</td> </tr> <tr> <td>Relative (1 - 2)</td> <td>-0.9</td> <td>-1.7</td> <td>-3.2</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for all of the Equity mandates. Amongst the alternative Growth portfolios, relative returns have been positive for the Multi-Asset Credit and Private Debt mandates, but negative for Property and the other Private Market mandates. However, many of these assets are still in the drawdown phase. 		3 Months (%)	1 Year (%)	3 Years (% p.a.)	Total Fund (1)	2.6	7.5	6.5	Strategic Benchmark (2) (ex currency hedge)	3.5	9.2	9.7	Relative (1 - 2)	-0.9	-1.7	-3.2
	3 Months (%)	1 Year (%)	3 Years (% p.a.)														
Total Fund (1)	2.6	7.5	6.5														
Strategic Benchmark (2) (ex currency hedge)	3.5	9.2	9.7														
Relative (1 - 2)	-0.9	-1.7	-3.2														
Liability hedging mandate	<ul style="list-style-type: none"> BlackRock was in compliance with the investment guidelines over the quarter. As part of the investment strategy review, it was agreed to discontinue the yield trigger framework in favour of adopting a strategic hedge ratio target of 50%. This was implemented in October. At the end of the quarter, the interest rate and inflation hedge ratios were c. 50% and c. 59% respectively (as a proportion of assets). 																
Collateral position	<ul style="list-style-type: none"> Inclusive of assets within the collateral waterfall and the updated collateral monitoring framework, there was a total interest rate buffer of c.5.8% as at end December 2025. BlackRock would request additional collateral if the interest rate buffer fell below 3%. 																

Market Background

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Market Background

Return over 3 months to 31 December 2025 (%)



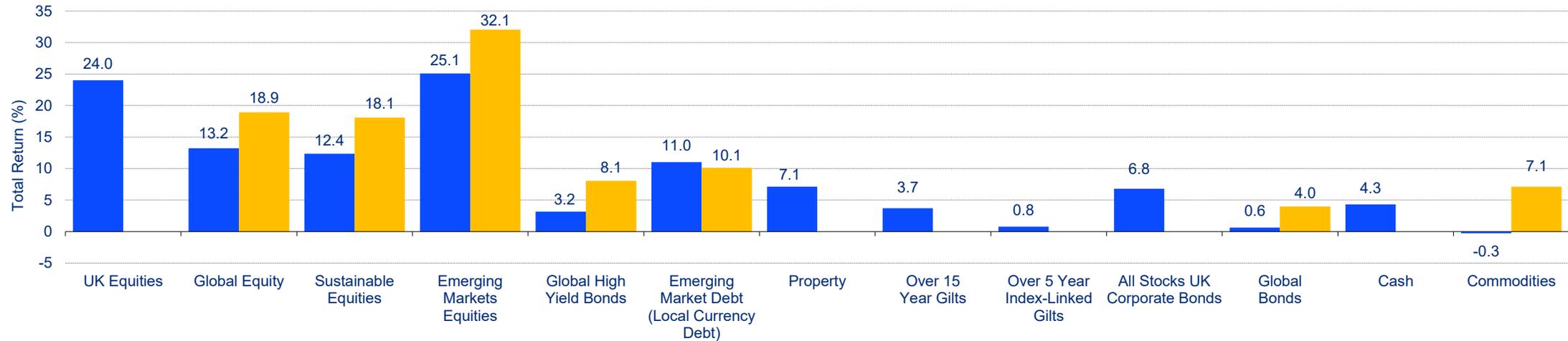
Over Q4, economic resilience and ongoing AI-led optimism drove financial markets, despite uncertainty driven by regional politics.

While some developed market central banks continued cutting rates, the narrative of a sharp slowdown was brushed aside, supported by abating risks from tariffs and trade. During Q4, the US Federal Reserve reduced its policy rate amidst a weakening labour market and cooling inflation. In Europe, political upheaval in France and German fiscal stimulus largely dominated market sentiments, and the ECB left rates unchanged. Meanwhile, fundamentals in the UK favoured a further rate cut by the Bank of England, with the Autumn budget easing fiscal credibility concerns. In Japan, leadership under new President Sanae Takaichi and her fiscal plans stirred some volatility. The Bank of Japan continued hiking interest rates against the backdrop of favourable fundamentals.

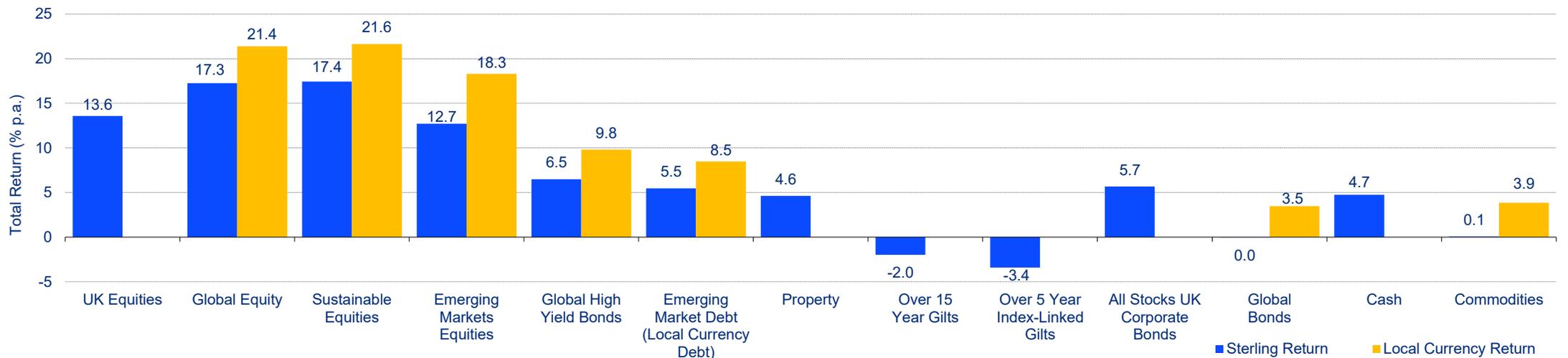
Overall, equity markets ended higher across developed markets and bond yields were mixed during Q4.

Market Background – 1& 3 years

Return over 1 year to 31 December 2025 (%)



Return over 3 years to 31 December 2025 (% p.a.)



Funding Level and Risk

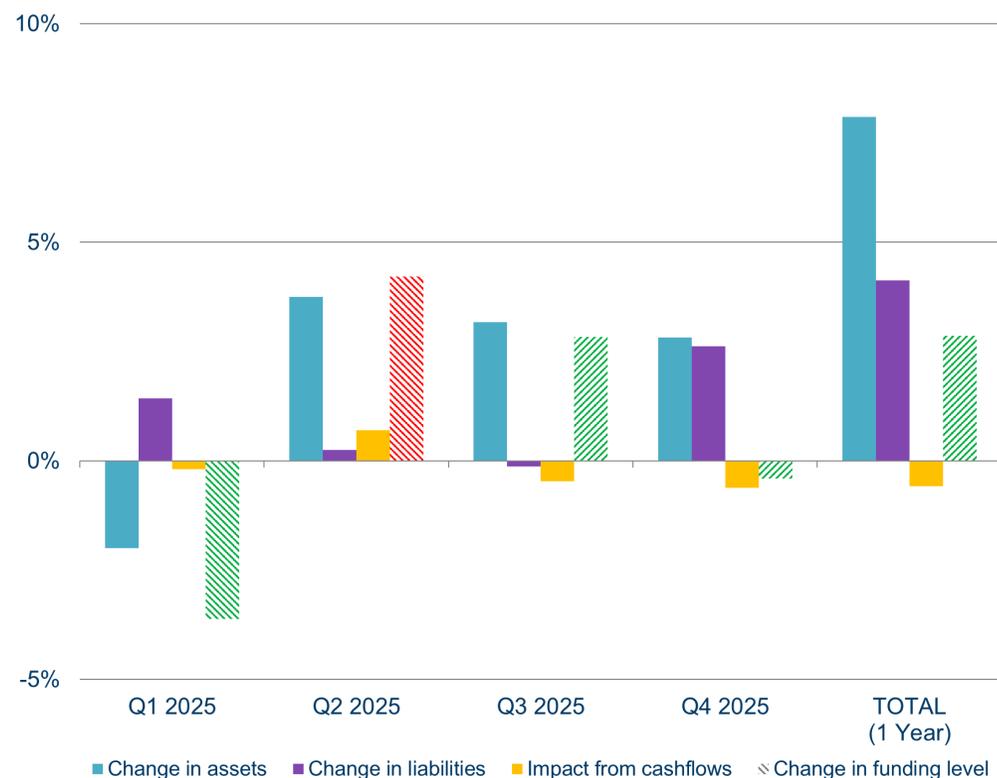
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Funding Level and Deficit

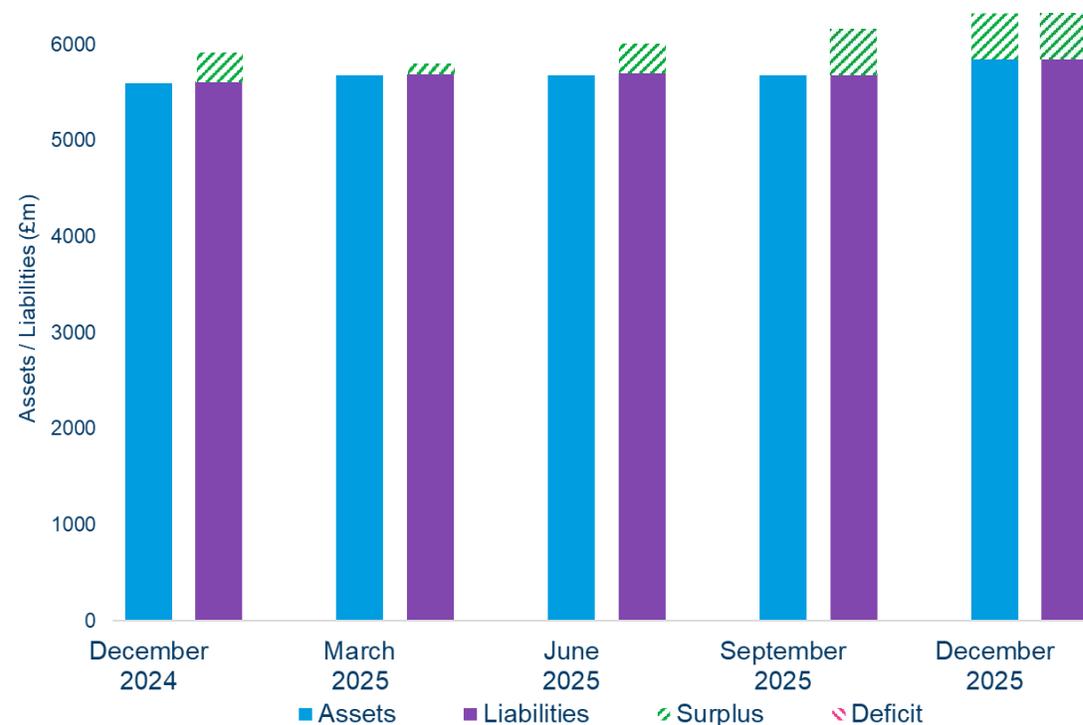
The Fund's assets returned 2.6% over the quarter. The liabilities are estimated to have increased by 2.6%, which allows for market movements, benefit accrual and benefits paid.

Given there was a net cash outflow from the Fund assets over the period, taken together the estimated funding level decreased slightly to c.108%.

The funding level is estimated to be c.3% higher over the year to 31 December 2025.



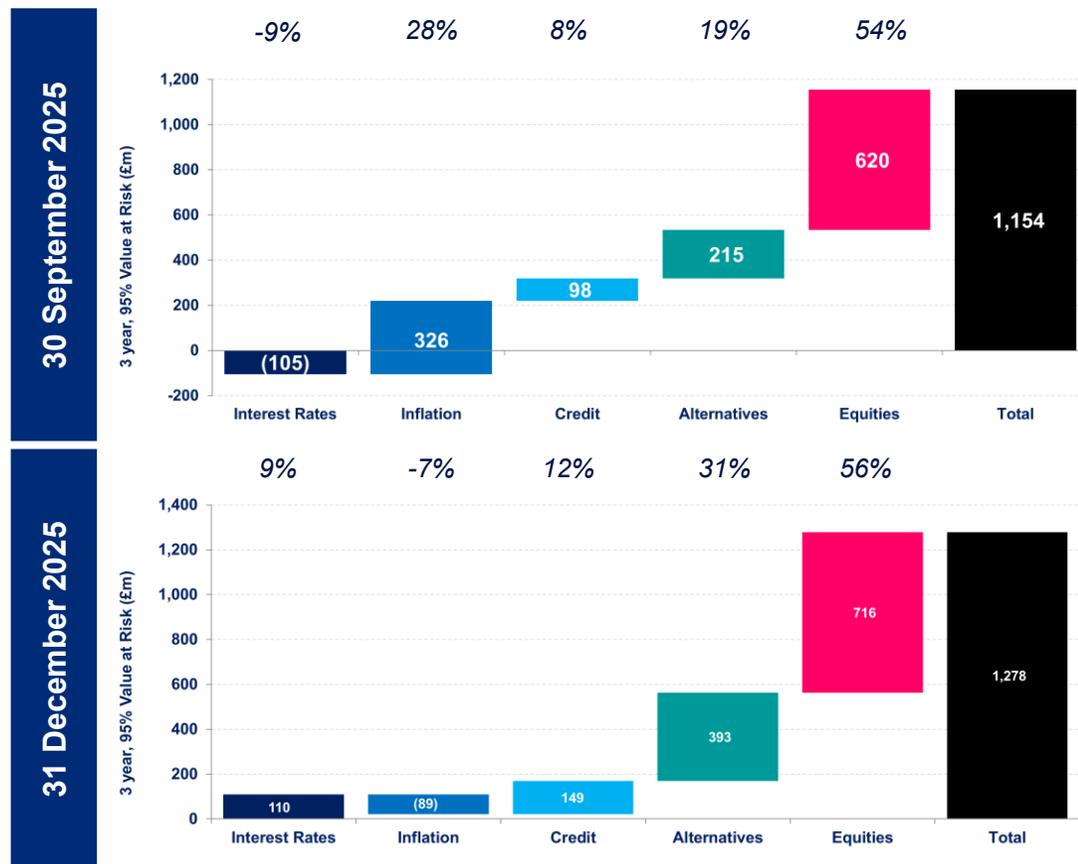
The surplus was estimated to have decreased over Q4 from £487m to £476m.



Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis. This margin above CPI is dynamic, and so changes on a monthly basis due to market conditions and is reviewed each quarter to also consider any changes in return outlook. This can sometimes result in retrospective changes to previous liability value estimates presented in previous reports. Impact figures are estimated by Mercer.

Risk Decomposition – 3 Year Value at Risk

- The two charts below illustrate the main risks that the Fund is exposed to, and the size of these risks.
- The purpose of showing these is to ensure there is an awareness of the risks faced and how they change over time, and to initiate debate on an ongoing basis around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The final columns show the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.



- As at 31 December 2025, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.3bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options*).
- **Overall, the VaR increased by £124m over the quarter.** The reflection of the new investment strategy resulted in a modest increase (consistent with the findings of the strategy review), however the increase over the period was predominantly driven by the rise in the value of the assets as well as an increase in the underlying volatility assumptions.
- VaR rose as a percentage of liabilities over the quarter from c. 20.3% to c. 21.9%.

*The offset to risk from the equity options are shown implicitly within the 'Equities' bucket, rather than separately, due to modelling refinements.

Performance Summary

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Total Fund Performance

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	2.6	7.5	6.5
Total Fund (ex currency hedge)	2.5	6.2	5.6
Strategic Benchmark (2) (ex currency hedge)	3.5	9.2	9.7
Relative (1 - 2)	-0.9	-1.7	-3.2

Source: Custodian, Mercer estimates. Returns are net of fees. 'Relative' figures may not sum due to rounding.

Commentary

- As illustrated on the next slide, positive absolute returns were predominantly driven by the Equity holdings and the LDI portfolio (due to falling UK gilt yields).
- Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception. The Equity Protection strategy offset a proportion of equity market gains as expected.
- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity and Private Debt mandates detracted, whilst most of the other Growth portfolios delivered positive relative returns.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Equity Protection Strategy and the Secured Income mandates. The way in which the Synthetic Equity is benchmarked also impacted the relative position*.
- Underperformance over the three year period was mostly due to the Active Equity mandates, with Equity Protection, Infrastructure and Secured Income also detracting.
- The Currency Hedge added to returns over the one-year and three-year periods due to Sterling strengthening. The impact was marginal over three months.

*With regards to Synthetic Equity, the benchmark is the MSCI PAB index, however the total Fund benchmark solely reflects the FTSE PAB index, which delivered higher returns than the MSCI index. Also note Synthetic Equity returns are impacted by funding costs.

Total Fund Performance Attribution – Quarter



Source: Custodian, Mercer estimates.

Positive returns were driven by the Equity holdings and the LDI portfolio (due to falling UK gilt yields). Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception.

The Equity Protection offset some equity market gains as expected given the role of the allocation.

The Currency Hedge contribution was slightly positive due to the slight strengthening of Sterling in aggregate against the other relevant currencies.

Total Fund Performance Attribution – 1 Year



Source: Custodian, Mercer estimates.

The Equity holdings primarily drove positive returns over the one year period.

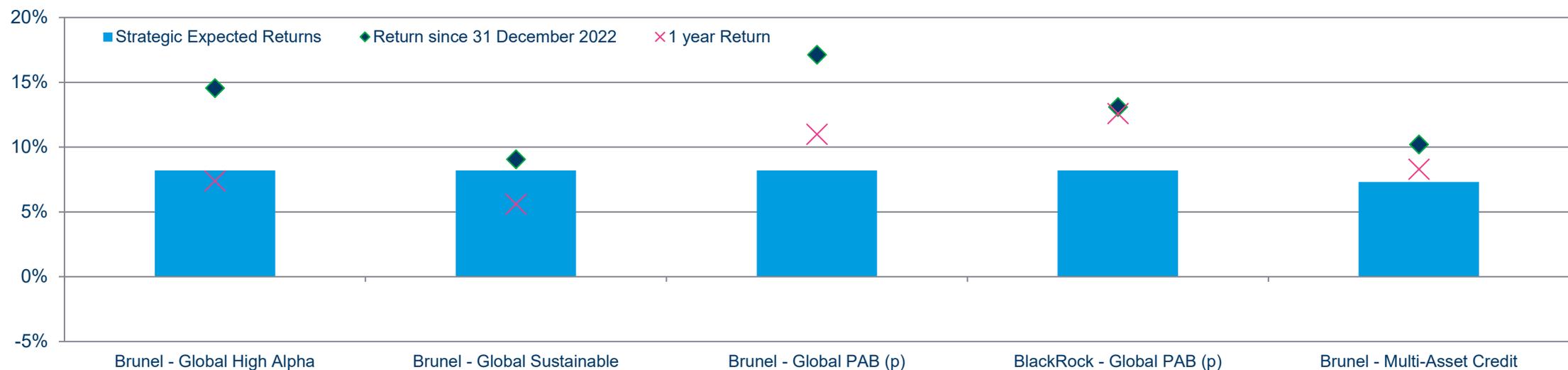
The other Growth asset class buckets were all also positive, with the exception of the Impact Portfolio for which the assets are early in their drawdown phase.

The LDI portfolio was positive due to a fall in UK gilt yields, in line with the interest rate hedged element of the liabilities.

The Equity Protection detracted due to the rise in underlying equity markets.

Performance vs. Expected Strategic Returns

	Brunel Global High Alpha	Brunel Global Sustainable	Brunel / BlackRock Passive Global PAB	Brunel Multi-Asset Credit
Benchmark Allocation	10.5%	10.5%	20.5%	6.0%
Commentary	Returns above expectations since December 2022 due to equity market strength, though mandate has underperformed the benchmark over this period.	Returns slightly above expectations since December 2022 due to equity market, though mandate has underperformed the benchmark over this period.	Brunel PAB (FTSE index) returns above expectations since December 2022 due to equity market strength. BlackRock synthetic PAB (MSCI index) returns above expectations since May 2023; when exposure was put in place.	Returns above expectations since December 2022 largely due to strength in high-yield debt markets.



Notes:

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 31 December 2025. Returns for periods over a year have been annualised. The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions. Mandates with a track record less than one year have not yet been included.

Performance vs. Expected Strategic Returns

	Brunel UK Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt	Schroders Greencoat - Renewables
Benchmark allocation	3.5%	9.0%	4.0%	5.0%	4.5%	3%
Commentary	Returns below expectations since December 2022 due to the challenges seen in Property markets. The Secured Income mandates came out of the drawdown phase relatively recently, with the last capital call to Cycle 3 occurring in 2024.		Returns slightly below expectations since December 2022, though performance has picked up again in the past year.	Returns for all cycles below expectations since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in 2019, 2020 and 2022 respectively.	Returns above expectations since December 2022. Mandates are still in the drawdown phase.	Return below expectations, but mandate is still early in the drawdown phase.



Notes:

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 31 December 2025. Returns for periods over a year have been annualised. The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions. Mandates with a track record less than one year have not yet been included.

Mandate Performance to 31 December 2025

Manager / Asset Class	3 Months			1 Year			3 Year			3 Year Performance Target (% p.a.)**	3 Year Performance vs Target	5 Year		
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)			Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)
Brunel Global High Alpha Equity	1.1	3.3	-2.2	7.4	13.2	-5.8	13.7	17.3	-3.6	+2-3	Target not met	9.1	13.0	-3.9
Brunel Global Sustainable Equity	1.4	3.5	-2.1	5.6	14.4	-8.8	8.8	16.8	-8.0	+2	Target not met	5.5	12.1	-6.6
Brunel Passive Global Equity Paris-Aligned	4.2	4.2	0.0	11.0	11.1	-0.1	17.2	17.3	-0.1	-	N/A (p)	-	-	-
MSCI World Paris-Aligned (Synthetic)*	1.5	2.7	-1.2	12.6	10.2	2.4	-	-	-	-	N/A (p)	-	-	-
Brunel Multi-Asset Credit	1.5	2.0	-0.5	8.3	8.4	-0.1	9.9	8.9	1.0	-	Target met	-	-	-
Brunel UK Property	0.4	1.0	-0.6	4.6	5.2	-0.6	2.0	2.9	-0.9	-	Target not met	-	-	-
Brunel Secured Income - Cycle 1	2.2	0.6	1.6	5.5	3.3	2.2	1.1	3.3	-2.2	+2	Target not met	1.0	5.1	-4.1
Brunel Secured Income - Cycle 2	1.2	0.6	0.6	1.8	3.3	-1.5	2.3	3.3	-1.0	+2	Target not met	-	-	-
Brunel Secured Income - Cycle 3	1.3	0.6	0.7	0.7	3.3	-2.6	-	-	-	+2	N/A	-	-	-
IFM Core Infrastructure	3.3	2.3	1.0	9.4	9.5	-0.1	7.5	9.9	-2.4	-	Target not met	9.6	8.3	1.3
Brunel Renewable Infrastructure - Cycle 1	3.1	0.6	2.5	8.5	3.3	5.2	5.5	3.3	2.2	+4	Target not met	6.8	5.1	1.7
Brunel Renewable Infrastructure - Cycle 2	-1.3	0.6	-1.9	0.3	3.3	-3.0	1.2	3.3	-2.1	+4	Target not met	5.3	5.1	0.2
Brunel Renewable Infrastructure - Cycle 3	3.2	0.6	2.6	9.3	3.3	6.0	2.8	3.3	-0.5	+4	Target not met	-	-	-
Brunel Private Debt - Cycle 2	-6.3	2.0	-8.3	8.8	8.4	0.4	8.4	8.9	-0.5	-	Target not met	-	-	-
Brunel Private Debt - Cycle 3	1.6	2.0	-0.4	8.9	8.4	0.5	10.5	8.9	1.6	-	Target met	-	-	-
Schroders Greencoat Wessex Gardens	2.5	1.7	0.8	-1.6	7.4	-9.0	-	-	-	-	N/A	-	-	-
Octopus Affordable Housing	0.8	1.7	-0.9	-	-	-	-	-	-	-	N/A	-	-	-
Foresight Regional Investment	-6.1	1.7	-7.8	-	-	-	-	-	-	-	N/A	-	-	-
BlackRock Corporate Bonds	3.2	3.2	0.0	7.4	7.4	0.0	5.6	5.6	0.0	-	N/A (p)	-4.9	-4.9	0.0
BlackRock LDI	6.3	4.8	1.5	3.0	1.9	1.0	-2.2	-2.0	-0.2	-	N/A (p)	-1.6	-1.4	-0.2
Equity Protection Strategy	-0.4	N/A	N/A	-2.9	N/A	N/A	-3.5	N/A	N/A	-	N/A	-2.7	N/A	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees, unless otherwise stated. Returns are in GBP terms

Relative returns are calculated arithmetically.

A summary of the benchmarks for each of the mandates is given in the Appendix.

Green = mandate exceeded target. Red = mandate underperformed target. Black = mandate performed in line with target (mainly reflecting passive mandates).

Performance of the Equity Protection Strategy is estimated by Mercer based on the change in market value of the options over time, accounting for realised profit/loss upon rolling of the strategy.

Performance for the LDI portfolio is estimated by Mercer based on the change in exposure. These returns are gross of fees.

*Performance for MSCI World Paris-Aligned (Synthetic) has been converted to GBP by Mercer, as the associated index is denominated in USD. There will therefore be differences between actual performance and the benchmark shown as a result of only a portion of the mandate (the profit/loss on the positions) being exposed to currency movements, whilst the benchmark is entirely exposed to currency movements. The funding leg cost of synthetic equity will also have an impact on the mandate's relative performance, however this is offset elsewhere within the BlackRock portfolio so does not have an impact on overall relative performance.

**Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.

Asset Allocation

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Valuation by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)	Relative (%)
Global Equity*	914,746	892,362	14.8%	14.1%	10.5%	5.5 - 15.5	+3.6%
Global Sustainable Equity	709,091	718,803	11.5%	11.4%	10.5%	5.5 - 15.5	+0.9%
Paris-Aligned Equity**	1,136,073	1,174,470	18.4%	18.6%	20.5%	12.5 - 28.5	-1.9%
Total Equity	2,759,910	2,785,635	44.6%	44.1%	41.5%	36.5 - 46.5	+2.6%
Diversified Returns Fund	402,613	-	6.5%	-	-	-	-
Multi-Asset Credit	387,300	674,333	6.3%	10.7%	10.0%	5 - 15	+0.7%
Total Liquid Growth	789,913	674,333	12.8%	10.7%	10.0%	5 - 15	-1.3%
Property	286,638	282,849	4.6%	4.5%	4.0%	No set range	+0.5%
Secured Income	609,209	610,586	9.9%	9.7%	9.0%	No set range	+0.7%
Core Infrastructure	256,837	265,299	4.2%	4.2%	4.0%	No set range	+0.2%
Renewable Infrastructure	237,528	244,146	3.8%	3.9%	5.0%	No set range	-1.1%
Private Debt	289,006	279,551	4.7%	4.4%	3.5%	No set range	+0.9%
Local Impact	53,899	62,147	0.9%	1.0%	5.0%	No set range	-4.0%
Natural Capital	-	-	-	-	2.0%	No set range	-2.0%
Total Illiquid Growth	1,733,117	1,744,579	28.0%	27.6%	32.5%	No set range	-4.9%
Corporate Bonds	189,643	195,768	3.1%	3.1%	2.0%	No set range	+1.1%
LDI & Equity Protection	1,143,069	1,348,320	18.5%	21.3%	14.0%	No set range	+7.3%
Total Protection	1,332,712	1,544,088	21.5%	24.4%	14.0%	No set range	+8.4%
<i>Synthetic Equity Offset**</i>	-625,403	-642,268	-10.1%	-10.2%	-	-	-
Other***	194,205	216,181	3.1%	3.4%	0.0%	0 - 5	+3.4%
Total	6,184,471	6,322,548	100.0%	100.0%	100.0%		

Source: Custodian, Investment Managers, Mercer.

Totals may not sum due to rounding.

*Global Equity valuation also includes the collateral holdings for the currency overlay which are held in overseas equities and two residual equity portfolios.

**Paris-Aligned includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

***Valuation includes the Fund of Hedge Fund mandate (due to be terminated), internal cash, the ETF and currency instruments.

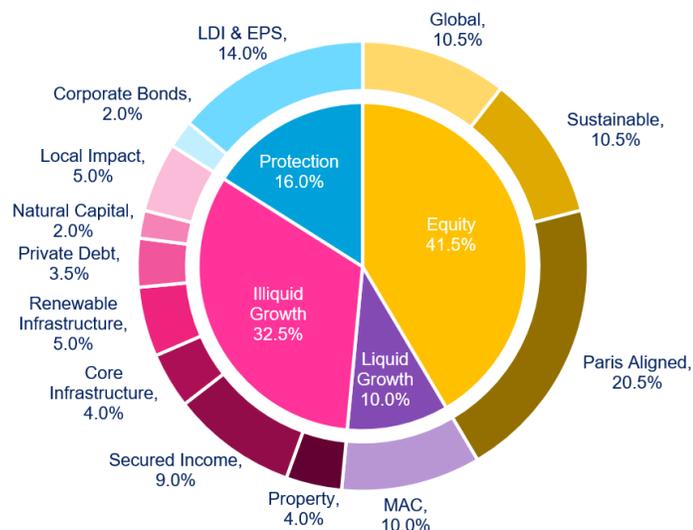
Valuation by Mandate

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	811,548	-	820,435	13.1%	13.0%
Brunel	Global Sustainable Equity	709,091	-	718,803	11.5%	11.4%
Brunel	Passive Global Equity Paris Aligned	510,669	-12	532,202	8.3%	8.4%
BlackRock	MSCI World Paris-Aligned (Synthetic)	625,403	-	642,268	10.1%	10.2%
Brunel	Diversified Returns Fund	402,613	-403,601	-	6.5%	-
Brunel	Multi-Asset Credit	387,300	280,000	674,333	6.3%	10.7%
Brunel	UK Property	193,168	-53	193,992	3.1%	3.1%
Schroders	UK Property	13,420	-	13,554	0.2%	0.2%
Partners	Overseas Property	80,050	-2,287	75,303	1.3%	1.2%
Brunel	Secured Income – Cycle 1	285,182	-5,363	286,165	4.6%	4.5%
Brunel	Secured Income – Cycle 2	96,424	-1,096	96,479	1.6%	1.5%
Brunel	Secured Income – Cycle 3	227,603	-2,512	227,942	3.7%	3.6%
IFM	Core Infrastructure	256,837	-	265,299	4.2%	4.2%
Brunel	Renewable Infrastructure – Cycle 1	119,386	-1,854	121,240	1.9%	1.9%
Brunel	Renewable Infrastructure – Cycle 2	92,513	634	92,026	1.5%	1.5%
Brunel	Renewable Infrastructure – Cycle 3	25,629	4,253	30,880	0.4%	0.5%
Brunel	Private Debt - Cycle 2	208,537	-1,546	194,376	3.4%	3.1%
Brunel	Private Debt - Cycle 3	80,470	3,283	85,175	1.3%	1.3%
Schroders Greencoat	Local Impact – Renewables	34,744	-1,103	34,505	0.6%	0.5%
Octopus	Local Impact - Affordable Housing	15,586	3,272	18,981	0.3%	0.3%
Foresight	Local Impact - SME Financing	3,569	5,235	8,661	0.1%	0.1%
BlackRock	Corporate Bonds	189,643	-	195,768	3.1%	3.1%
BlackRock	LDI & derivatives MTM	1,143,069	120,017	1,348,320	18.5%	21.3%
BlackRock	Synthetic offset	-625,403	-	-642,268	-10.1%	-10.2%
JP Morgan	Fund of Hedge Funds	15,265	-	14,585	0.2%	0.2%
Record	Currency Hedging	130,099	-40,000	100,308	2.1%	1.6%
BlackRock	ETF	25,907	-	26,544	0.4%	0.4%
Internal Cash	Cash	125,681	19,475	146,218	2.0%	2.3%
Residual assets	Residual Assets	451	-	452	0.0%	0.0%
Total		6,184,471	-24,228	6,322,548	100.0%	100.0%

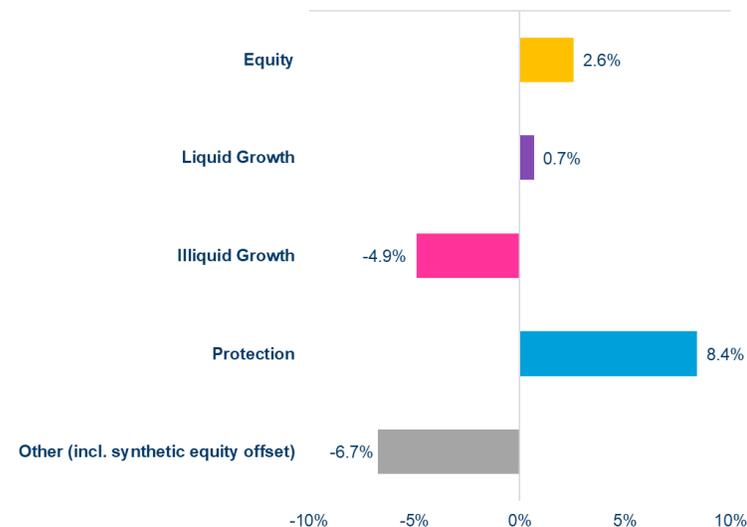
Source: Custodian, Investment Managers, Mercer. Totals may not sum due to rounding. The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund. * MSCI Paris-Aligned synthetic exposure is via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

Positioning relative to target

Strategic Asset Allocation (“SAA”)



Relative positioning



Commentary

- The Committee agreed changes to the Strategic Asset Allocation as part of the 2025 Investment Strategy Review. This is now reflected in the report.
- The Fund made progress in implementing the new strategy over Q4:
 - The DGF allocation was redeemed in October; proceeds were €-£403.6m.
 - The Multi-Asset Credit allocation was topped up, with an investment of £280m.
 - The BlackRock risk management portfolio was topped up by £120m in October, and restructured to reflect the new strategic interest rate hedge ratio target of 50%, alongside reducing portfolio leverage.
- The right-hand side chart displays the actual relative weights of the key portfolio building blocks compared to the SAA:
 - The underweight to Illiquid Growth reflects the fact that in aggregate, capital is still being drawn (i.e. in excess of distributions being returned). Included within this is the target allocation to Natural Capital, which the Fund has not yet committed to due to the pooling transition.
 - The overweight to Protection reflects the collateral boost provided by the synthesising of some of the Equity allocation; meaning that in practice an overweight to this building block is likely to persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.
- Over the quarter, a net amount of c. £1m was drawn down to the private market portfolio.

Appendix

Q4 2025 Equity Market Review

In Q4 2025, global equity markets rose, supported by robust earnings, easing inflation, and anticipation of lower interest rates. However, concerns over stretched tech and AI stock valuations persisted throughout the quarter.

Global equities rose 3.3% in unhedged sterling terms and 3.5% in local currency terms as the sterling remained flat against the US dollar.

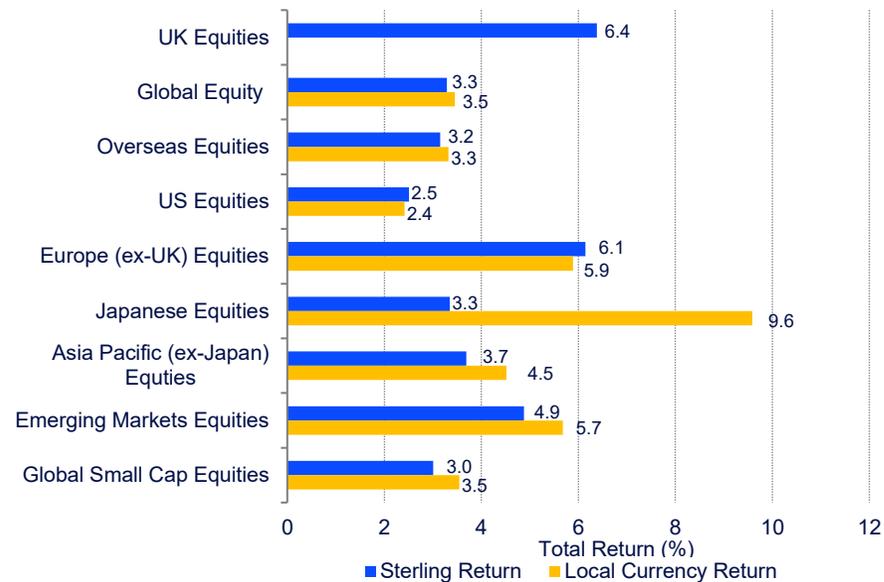
US equities returned 2.4% in local currency terms, whilst European (ex-UK) equities returned 5.9%, and Japanese equities returned 9.6%.

Emerging markets equities returned 5.7% in local terms.

Global small cap stocks returned 3.5% in local terms, driven by rising expectations for near-term policy easing from the Fed.

The **FTSE All Share** index returned 6.4% over the quarter, with the large-cap **FTSE 100** index returning 6.9%. More domestically focused equities (**FTSE 250**) produced returns of 2.9%. The **small-cap** index produced a positive 4.6% return.

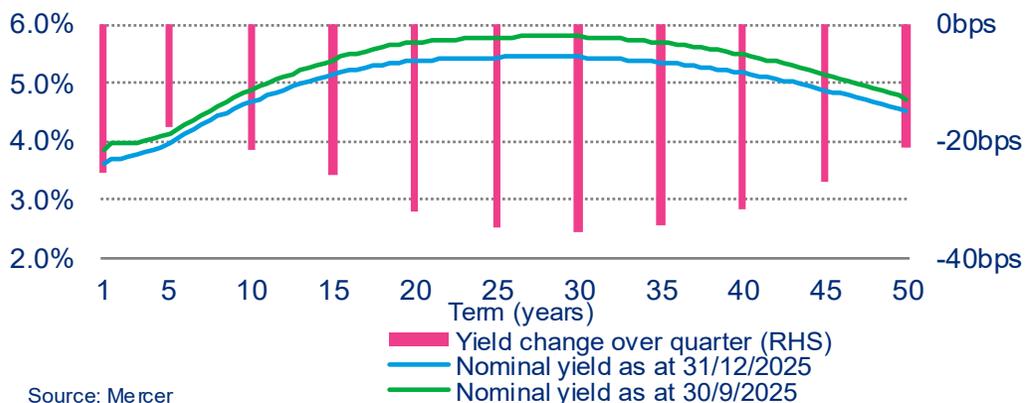
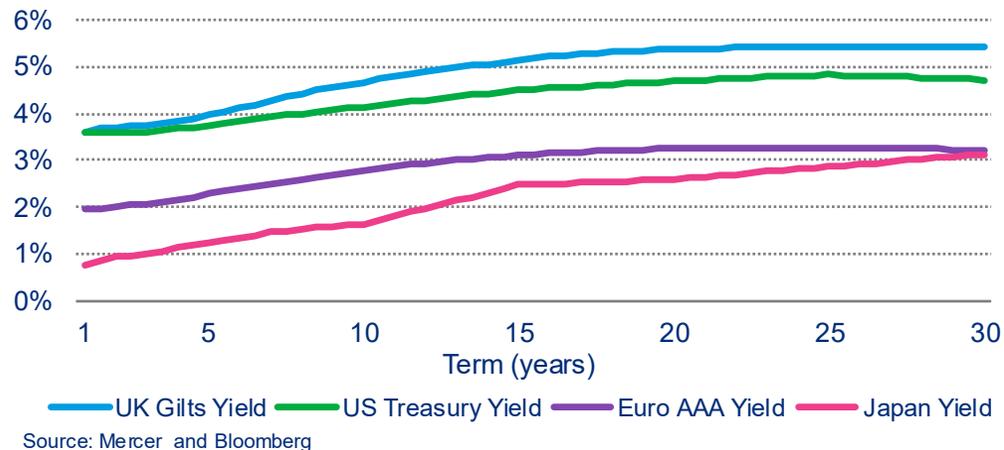
Equity Performance



FTSE Performance by Market Cap



Q4 2025 Bond Market Review



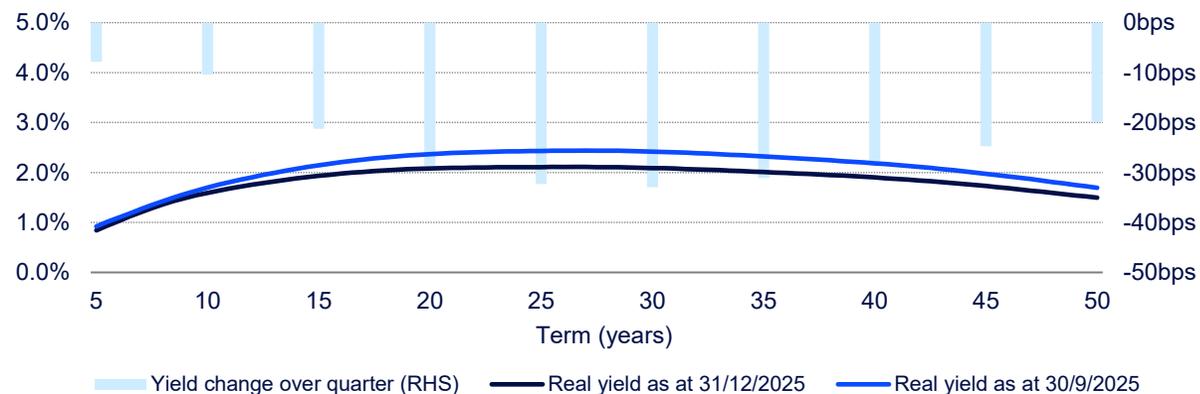
Government Bond Yields

Government bond yields showed a mixed trend across economies in Q4.

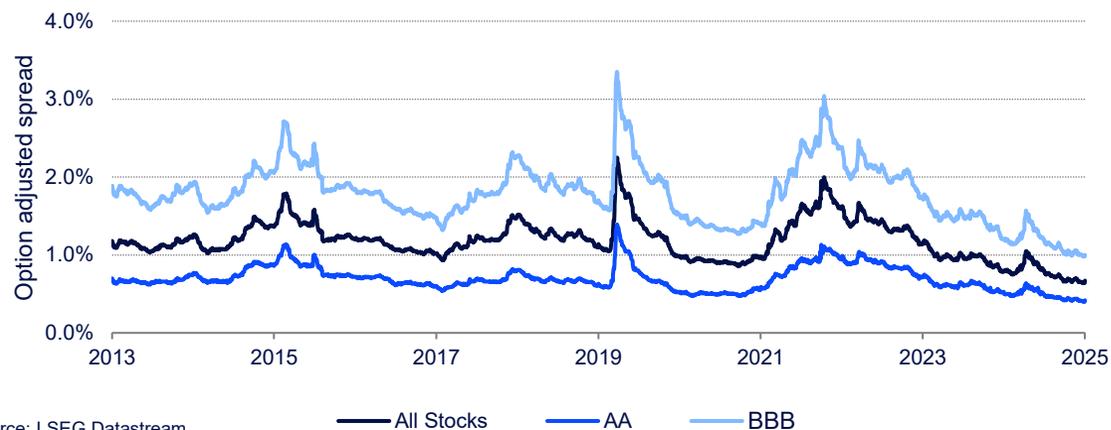
In the US, the yield curve steepened, with the 2-year yield declining 13bps, while the longer-end moved modestly higher. This was due to market pricing of more Fed rate cut into 2026, even as economic landscape held up relatively well. Meanwhile, bond yields in Germany and Japan were higher across the curve in Q4. The 10-year JGB yield rose sharply by 42bps as BoJ continued hiking rates, amidst fiscal expansion plans under the new Prime Minister Sanae Takaichi. In the Euro area, the 14bps rise in German bund yields was driven by its expansive spending plans and geopolitical headwinds.

In contrast, in the UK, the 10-year gilt yield eased 22bps (to 4.48%) as cooling inflation and weakening labour market built the case for more BoE cuts.

Q4 2025 Bond Market Review



Source: Mercer



Source: LSEG Datastream

UK Index-Linked Gilt Yields

UK real yields were mixed across the curve over the previous quarter. In Q4, inflation, both headline and services, showed signs of easing, which was accompanied by a weakening labour market. This not only prompted the BoE to cut rates by 25bps in Q4 but also led the forward guidance to emphasise on an easing bias. The UK 5-year, 10-year and 30-year breakeven rates finished the quarter at 3.10%, 2.93% and 3.09%, respectively. The 10-year breakeven rate fell below 3% for the first time since 2020.

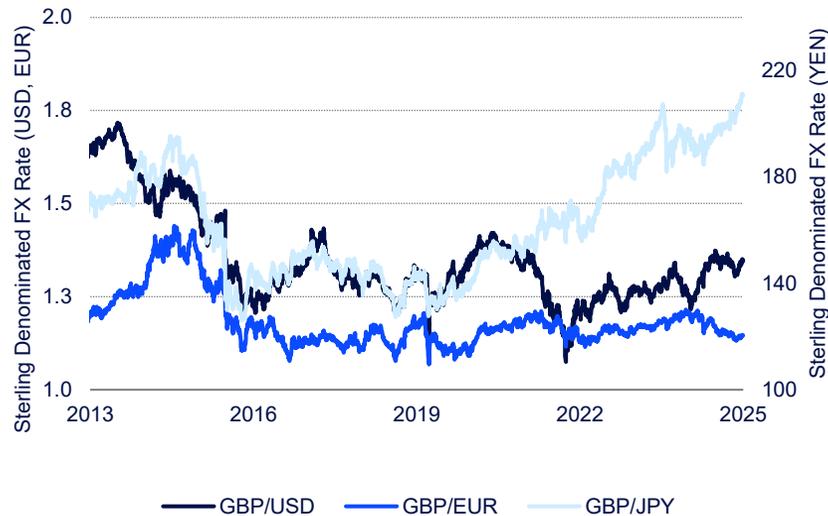
Corporate bonds

Spreads on UK investment-grade credit tightened across the credit quality spectrum through the fourth quarter, falling to multi-year lows. Spreads on AA-rated credit was down 1bps at 42bps, and that for BBB-rated credit was lower by 4bps at 100bps.

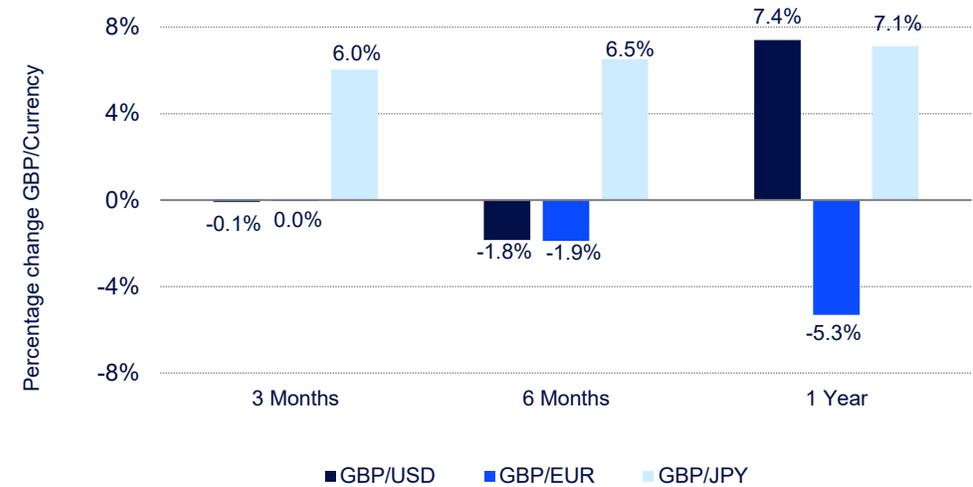
Q4 2025 Currency Market Review

In the fourth quarter of 2025, sterling remained flat against the US dollar and the euro, whilst strengthening 6.0% against the Japanese yen. Meanwhile, the dollar index gained ~1% over the quarter, supported by economic resilience and AI-driven exuberance. On a 1-year basis, sterling strengthened 7.4% against USD and 7.1% against JPY, while declining 5.3% against EUR.

Sterling Denominated FX Rate



Change in sterling against foreign currencies



Q4 2025 Property

UK property as measured by the MSCI Index increased by 1.4% over the fourth quarter of 2025.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Equity Protection Strategy	n/a	n/a	November 2017
BlackRock	Passive Paris-Aligned Equity (Synthetic Exposure)	MSCI World Climate PAB Index (USD - converted to GBP for performance measurement purposes)	-	May 2023
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
Brunel	Passive Paris-Aligned Equity	FTSE Developed World PAB Index	-	October 2021
Brunel	Multi-Asset Credit	SONIA +4-5% p.a.	-	June 2021
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-	January 2021
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-	September 2009
Brunel	Secured Income (Cycles 1-3)	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure (Cycles 1-3)*	CPI	+4%	January 2019
Brunel	Private Debt (Cycles 2-3)	SONIA + 4% p.a.	-	September 2021
Schroders Greencoat	Local Impact – Renewables*	SONIA + 3% p.a.	-	February 2024
Octopus	Local Impact - Affordable Housing*	SONIA + 3% p.a.	-	March 2025
Foresight	Local Impact - SME Financing*	SONIA + 3% p.a.	-	April 2025
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-	February 2016
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-	February 2016
Record	Passive Currency Hedging	N/A	-	March 2016
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-	March 2019
Cash	Internally Managed	-	-	-

* The primary performance objective for Renewable Infrastructure is a net GBP IRR of 8% p.a., for Local Impact – Renewables and Local Impact - Affordable Housing it is 7% p.a., and for Local Impact – SME Financing it is 15% p.a. The inflation/cash-plus benchmarks are used by the custodian due to a greater ability to incorporate and the objective has value over the relative short-term, however, over time, comparison against the IRR objective will become more relevant. The cash-plus objective is aligned for the Local Impact portfolio despite underlying differences to reflect the return which was strategically targeted for this portfolio.

Market Background Indices

Asset Class	Index
UK Equity	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equity	FTSE World ex-UK
US Equity	FTSE USA
Europe (ex-UK) Equity	FTSE World Europe ex-UK
Japanese Equity	FTSE Japan
Asia Pacific (ex-Japan) Equity	FTSE World Asia Pacific ex-Japan
Emerging Markets Equity	FTSE Emerging
Global Small Cap Equity	MSCI World Small Cap
Sustainable Equity	MSCI World Low Carbon Target
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	ICE BofAML Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	MSCI UK Monthly Total Return: All Property
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	ICE BofAML Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	ICE BofAML Global Broad Market
Global Credit	Bloomberg Capital Global Credit
Eurozone Government Bonds	ICE BofAML EMU Direct Government
Cash	SONIA

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