Pension Fund

Clerical Medical UK Index-linked Gilt

Fund Aim

The Fund aims to provide income and capital growth by investing in UK government Index-Linked bonds (gilts). The benchmark index for the Fund is the FTSE Actuaries Government Securities UK Index Linked TR All Stocks (the “Index”). The Fund is actively managed. The Fund Manager aims to outperform the Index by 0.35% per annum on a rolling 3 year basis, before deduction of fees. At least 80% of the Fund will invest in UK government Index-Linked bonds. It may also invest in other types of index-linked securities, including bonds from other governments and investment grade corporate bonds. Investment in the asset classes will be direct and indirect using derivatives to seek to meet the Fund’s aim. The use of derivatives depends on market conditions and is limited as the intention is this should not change the Fund’s risk profile. In addition the Fund may invest in other funds, cash and cash like investments. Derivatives and stock lending may be used in a way that is designed to reduce risk, or cost and/or generate extra income or growth (often referred to as efficient portfolio management).

‘Fl and MA Fund Changes’

Asset Allocation (as at 29/09/2023)

- UK Index-Linked Gilts: 96.6%
- Futures: 2.8%
- Money Market: 0.6%

Credit Rating Breakdown (as at 29/09/2023)

- AA: 96.6%
- Not rated: 3.4%

Maturity Breakdown (as at 29/09/2023)

- +15 Years: 45.5%
- 0-5 Years: 25.0%
- 10-15 Years: 14.7%
- 5-10 Years: 14.6%
- Other: 0.3%

The composition of asset mix and asset allocation may change at any time and exclude cash unless otherwise stated.

Information Statement

The fund invests via the Scottish Widows Unit Trust Managers Limited (SWUTM) UK Index Linked Gilt OEIC Fund. A shortened version of the OEIC Fund aim is detailed under the heading Fund Aim. The Fund Manager is limited in the extent to which positions can vary to those of the Index: to help provide a balance between the spread of assets within the Fund and risk management; to provide a balance between the amount the Fund can vary from the Index and provide flexibility to seek to outperform the Index. Fund performance may differ from the Index. Please note: the Scottish Widows unit-linked funds aim to provide long-term growth in the price of units. Any income generated will not be distributed, but added to the fund value. In 2020 we increased the range of investment options for this Fund and added more detail to explain how it’s invested. Please see our Fl and MA Fund Changes web page for more information.

Basic Fund Information

- Fund Launch Date: 23/11/1987
- Fund Size: £23.1m
- Sector: ABI UK Index - Linked Gilts
- ISIN: GB0002040516
- MEX ID: CMIIL
- SEDOL: 0204051
- Manager Name: Paul Grainger
- Manager Since: 08/11/2019

Top Ten Holdings (as at 29/09/2023)

- TREASURY IL REGS 1.25% 22 NOV 2032: 4.9%
- TSY 2 1/2% 2024 I/L STOCK SR REGS 2.5% 17 JUL 2024: 4.8%
- TREASURY IL REGS .5% 22 MAR 2050: 4.6%
- US SYR NOTE DEC 23 (FVZ3): 4.4%
- TREASURY IL REGS .125% 10 AUG 2028: 4.4%
- TREASURY IL REGS .125% 22 MAR 2029: 4.1%
- UK TREASURY IL GILT SR REGS .125% 22 MAR 2024: 4.1%
- TREASURY IL REGS .625% 22 MAR 2040: 4.0%
- TSY 2% 2035 I/L STOCK SR REGS 2% 26 JAN 2035: 4.0%
- TREASURY IL REGS .125% 22 MAR 2039: 3.7%
- TOTAL: 43.0%
Past Performance

Clerical Medical UK Index-linked Gilt Pension
ABI UK Index - Linked Gilts

Past performance is not a guide to future performance. Investment value and income from it may fall as well as rise, as a result of market and currency movements. You may not get back the amount originally invested.

Discrete Performance

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Clerical Medical UK Index-linked Gilt</th>
<th>ABI UK Index - Linked Gilts</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/09/2022 - 30/09/2023</td>
<td>-4.9%</td>
<td>-9.5%</td>
</tr>
<tr>
<td>30/09/2021 - 30/09/2022</td>
<td>-34.7%</td>
<td>-32.8%</td>
</tr>
<tr>
<td>30/09/2020 - 30/09/2021</td>
<td>-0.9%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>30/09/2019 - 30/09/2020</td>
<td>-0.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>30/09/2018 - 30/09/2019</td>
<td>18.2%</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

Information is shown as unavailable if prior to the launch of fund.

Cumulative Performance

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Clerical Medical UK Index-linked Gilt</th>
<th>ABI UK Index - Linked Gilts</th>
<th>Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/08/2023 - 30/09/2023</td>
<td>-2.1%</td>
<td>-3.6%</td>
<td>1</td>
</tr>
<tr>
<td>30/06/2023 - 30/09/2023</td>
<td>-3.7%</td>
<td>-5.3%</td>
<td>1</td>
</tr>
<tr>
<td>30/09/2022 - 30/09/2023</td>
<td>-4.9%</td>
<td>-9.5%</td>
<td>2</td>
</tr>
<tr>
<td>30/09/2020 - 30/09/2023</td>
<td>-38.4%</td>
<td>-39.5%</td>
<td>3</td>
</tr>
<tr>
<td>30/09/2018 - 30/09/2023</td>
<td>-27.5%</td>
<td>-27.9%</td>
<td></td>
</tr>
</tbody>
</table>

Source: FE fundinfo as at 30/09/2023

Performance figures are in £ Sterling on a single pricing basis, with income (where applicable) reinvested net of UK tax and net of total annual fund charges. These figures do not include any initial charge or other product charge(s) that may be applicable.

Quarterly Fund Manager Review

During Q3 the US economy continued to surprise in its resilience, with the labour market remaining relatively robust and signs of improvement in the manufacturing sector. Concerns over rising US debt issuance weighed on the Treasury market. August saw Fitch Ratings downgrade the US’s triple-A rating drop to double-A plus, citing the growing debt burden and an "erosion of governance" as reasons for its decision. Despite a significant rise in oil prices, there were better news on the inflation front, with year-on-year core measures easing across most economies. This allowed many major central banks to indicate a pause in further rate hikes. Both the US Federal Reserve (Fed) and the European Central Bank (ECB) raised rates in July by 0.25%, with the latter continuing to hike in September. The ECB suggested that this rate might be sufficient to guide inflation back to its target. Despite the Federal Reserve and the Bank of England keeping rates steady in September, the market anticipates a longer period of elevated rates. This was the key driver of higher yields (meaning lower bond prices) over the quarter. Led by the US, global government bond yields peaked in September before slightly retreating at the quarter’s end. The US 10-year yield rose from 3.81% to 4.57%, and the two-year yield increased from 4.87% to 5.05%. In Europe, Germany’s 10-year yield increased from 2.39% to 2.84%. While the Bank of England raised the base rate to 5.25% in August, signs of slowing inflation allowed the central bank to keep rates unchanged in September. This helped gilts outperform, with the 10-year gilt remaining relatively unchanged over the quarter. Corporate bond markets outperformed government bonds, with spreads narrowing across both investment grade (IG) and high yield (HY). Despite a weaker growth trajectory, European credit outperformed the US. Euro IG saw the slowest quarter for net issuance in a decade with, among other things, companies’ limited new funding needs due to a lower number of deals in the acquisition pipeline.

Paul Grainger 30/09/2023

The views, opinions and forecasts expressed in this document are those of the fund management house. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact, nor should reliance be placed on these views when making investment decisions.