

Quarterly Funding & Investment Report

End December 2025

Prepared for: North Yorkshire Pension Fund ("the Fund")

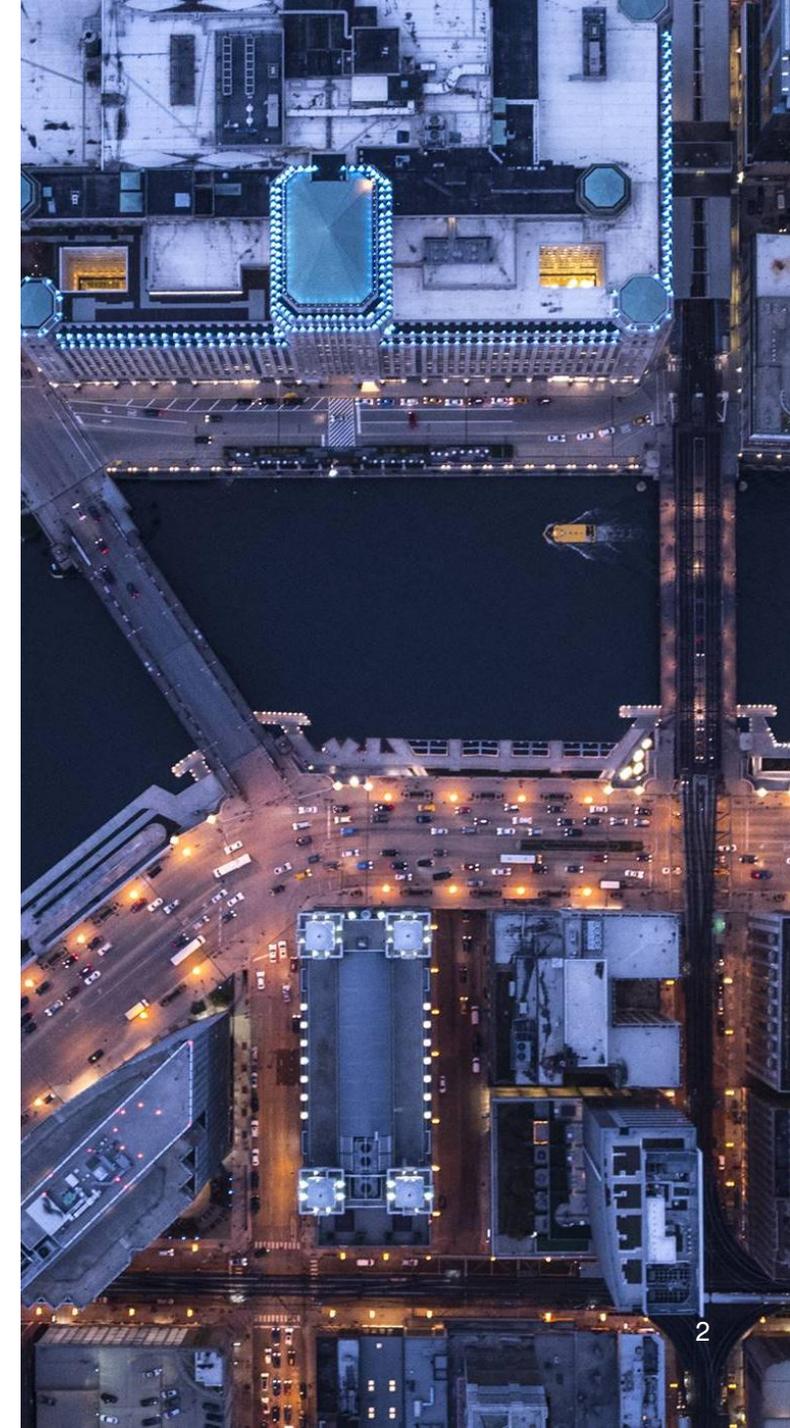
Prepared by: Aon

6 March 2026

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At a glance

A high level summary of your investments and funding

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At a glance...

Funding	Asset Allocation and Implementation	Performance	Market Background and Investment Outlook (February 2026)*
<p>The 31 March 2025 triennial actuarial valuation is ongoing with initial results presented at the 12 September 2025 Pension Fund Committee (“PFC”) meeting.</p> <p>Once the triennial actuarial valuation has been signed off which is required to be done by 31 March 2026, we will be able to carry out a full funding update as at 31 March 2026 which we expect to be available for the May 2026 PFC meeting. This will show approximately how the funding level has changed since 31 March 2025.</p> <p>In the interim period, this Funding and Investment report covers the expected funding position at 31 December 2025</p> <p>Since 31 March 2025, the Fund’s ongoing funding level is expected to have increased moderately (by approx. 3%) to c.123%.</p>	<p>A new strategic asset allocation was agreed by the PFC at the February 2025 meeting, ahead of the 31 March 2025 actuarial valuation. Further rebalancing steps (as noted below) have been made.</p> <p>During Q4, Officers and Advisors agreed to rebalance £45m from Baillie Gifford Equity to Index Linked Gilts as part of moving towards the new investment strategy.</p> <p>Further detail on other actions are included on page 15 of this report.</p>	<p>Over the quarter the Fund underperformed the benchmark returning 1.8% vs 3.3%.</p> <p>Total Fund performance is behind the composite benchmark over the quarter, 1 year and 5 year period to 31 December 2025, with the return over the 3 year period ahead of the composite benchmark.</p> <p>Note the 3 and 5 year performance periods are still impacted by elevated volatility and challenging markets conditions over the 2020s which has included the Covid-19 pandemic, elevated inflation levels, and increased geopolitical tensions.</p>	<p>In Q4, the MSCI All-Country World Index gained 3.5% in sterling terms. The UK was the best performing region, as it rose 7.1%. Meanwhile, the US lagged and returned a relatively muted 2.4% in US dollar terms (and 2.5% in sterling terms). Indeed, most regions outperformed the US, including the Emerging Markets (+4.9% in sterling terms). This pattern of returns was partly driven by flows into non-US stocks, as investors became increasingly concerned about expensive valuations for the large US technology companies.</p> <p>The global geopolitical environment has become more complicated. Major market drawdowns have been avoided but Aon still think resilience in portfolios is more important than ever.</p> <p>Despite geopolitical risks, Aon’s expectation is above consensus on 2026 GDP growth for both the US and the UK. Aon does not share market concerns that the US labour market is stalling.</p> <p>Inflation remains a risk for 2026, with new Fed leadership potentially being less reactive.</p>

KEY ACTIONS

- PFC members are to consider making an investment in Border to Coast’s new Global Sustainable Bonds Sub-Fund. Further detail will be provided separate to this report.
- PFC members to consider the contents of this report.

Note: *The opinions referenced are as of the date of publication (5 February 2026) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Key Stats – Q4 2025

Assets

£5,125m

Assets increased by £388m since 2025 initial results
£4,737m at 31 March 2025 valuation (initial results) 

Funding level

Approx. 123%

Funding level increased by approx. 3% since 31 March
2025 initial results
120% at 31 March 2025 valuation (initial results) 

Return on Assets since 2025 Valuation

8.8% cumulatively

since 31 March 2025. This is above the assumed rate of
return which is cumulatively 3.6% for 9 months 

Current Assets Expected Return (10 year p.a.)

7.2%

0.2% decrease from
7.4% at 31 March 2025 valuation (initial results) 

Long-term Strategy Expected Return (10 year p.a.)

7.4%

0.2% decrease from
7.6% at 31 March 2025 valuation (initial results) 

Discount rate

4.85% p.a.

Discount rate has increased by 0.05% since 2025
valuation
4.80% at 31 March 2025 valuation (initial results) 

Current Assets Value at Risk (1 Year 1 in 20)

£943m

Long-term Strategy Assets Value at Risk (1 Year 1 in 20)

£894m

CPI inflation

2.20% p.a.

Inflation assumption has increased by 0.1% since 2025
valuation
2.10% at 31 March 2025 valuation (initial results) 

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Funding

A review of your funding position

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Initial 2025 whole of fund past service results

£M	31 March 2022	31 March 2025
	2022 Valuation results	Initial valuation results
Probability of Funding Success (PoFS)	80%	85%
Assets	4,634.5	4,736.6
Past service liabilities	3,994.7	3,955.5
Past service surplus / (deficit)	639.8	781.1
Funding ratio	116%	120%



Funding ratio increased between 2022 and 2025 valuations

Market movements between 31 March 2025 and 31 December 2025



Liabilities
Net discount rate slightly down since 31 March 2025 (reduces the funding ratio)

2026 Pension Increase
April 2026 pension increase will be based on September 2025 CPI increase.

The September 2025 CPI inflation of 3.8% is higher than our long-term assumption of 2.1% p.a. (reduces the funding ratio)



Assets
Investment returns higher than expected since 31 March 2025 over 9 months cumulative return achieved was 8.8% compared to 3.6% assumed (increases the funding ratio)

 Funding level expected to have increased slightly since 31 March 2025 (by approx. 3%)
Not expecting to allow for post valuation experience within the 2025 valuation but will continue to monitor

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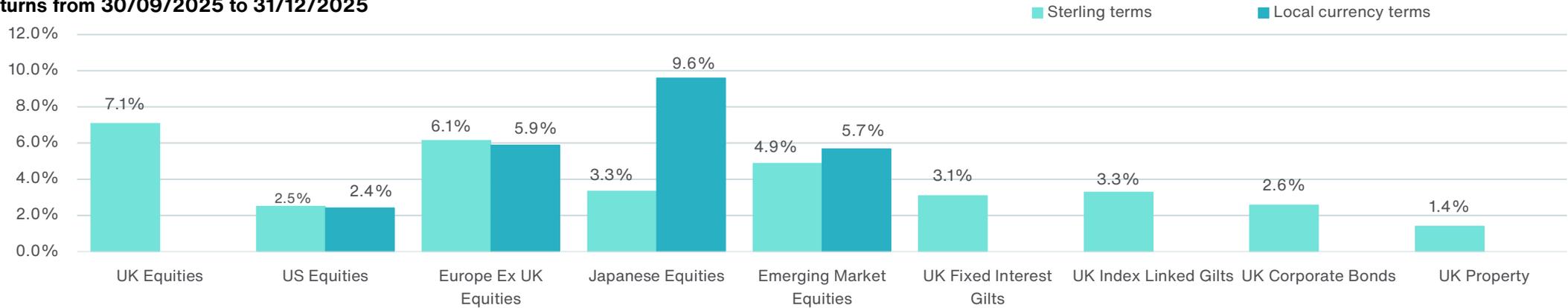
Market background

Aon's views, snapshot of investment markets
and key economic data



Market Background Q4 2025

Index returns from 30/09/2025 to 31/12/2025



Sources: FactSet, MSCI (Equities*, Property), FTSE (Gilts), iBoxx (Credit). *MSCI Indices show LOC gross total returns.

Equities

In Q4, the MSCI All-Country World Index gained 3.5% in sterling terms. The UK was the best performing region, as it rose 7.1%. Meanwhile, the US lagged and returned a relatively muted 2.5% in sterling terms. Indeed, most regions outperformed the US, including the Emerging Markets (+4.9%). This pattern of returns was partly driven by flows into non-US stocks, as investors became increasingly concerned about expensive valuations for the large US technology companies.

Bonds

UK investment grade credit spreads narrowed by 0.01% to 0.80% over the quarter, based on the iBoxx Sterling Non-Gilts index. Generally, both higher-quality and lower-quality bond credit spreads narrowed. The iBoxx Sterling Non-Gilts Index posted a return of 2.6%.

Global investment grade credit spreads rose by 0.02% to 0.79% over the quarter. US high yield saw its credit spreads rise marginally by 0.01%, ending the quarter at 2.81%

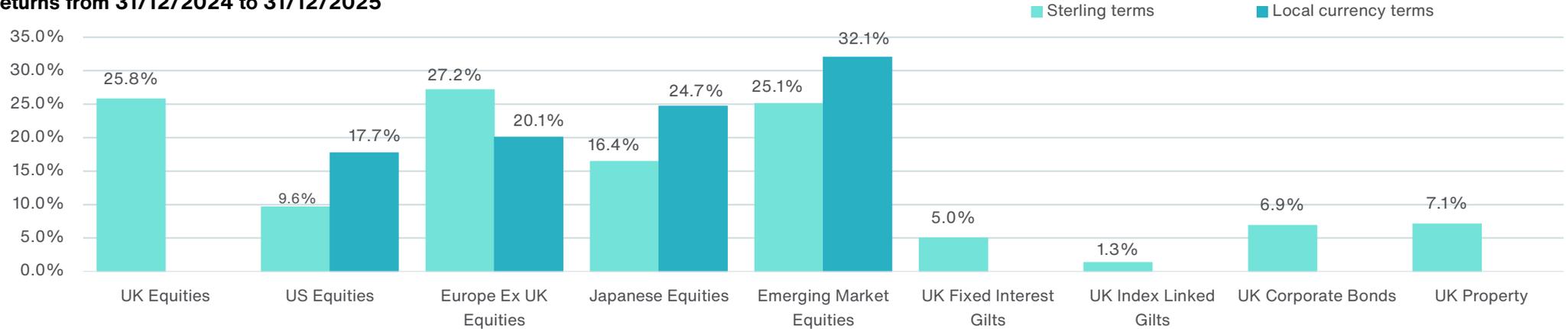
Gilts

The UK nominal gilt yield curve shifted downwards across all maturities. The 10-year nominal bond yield fell by 0.20% to 4.68%, whereas the 30-year nominal bond yield fell by 0.37% to 5.46%.

The index-linked gilt yield curve mostly shifted downwards over the quarter, except for the 2 years to 8 years terms, where it rose.

Market Background 2025

Index returns from 31/12/2024 to 31/12/2025



Sources: FactSet, MSCI (Equities*, Property), FTSE (Gilts), iBoxx (Credit). *MSCI Indices show LOC gross total returns.

Equities

Global equity markets rose over the last twelve months. The MSCI ACWI rose 20.2% in local currency and 14.4% in sterling terms. Supported by resilient growth, gradually easing inflation, and measured central bank easing. Leadership was still concentrated in large-cap growth and technology-related names, but performance broadened somewhat as cyclical and value stocks participated. Periodic sell-offs occurred around monetary policy, geopolitical, economic and earnings news flow, however markets generally recovered quickly.

Bonds

Credit markets benefited from a more stable rate environment and tight default expectations, with spreads tightening over much of the year. Investment grade credit offered attractive all-in yields with modest spread compression.

Based on the iBoxx Sterling Non-Gilt Index, narrowed by 0.27% to 0.82%. The index rose 6.9% over the year

Gilts

Gilts experienced a somewhat volatile year, long-dated yields remained sensitive to both policy expectations and fiscal headlines.

Over the past 12 months, the 20-year nominal gilt yield rising slightly by 0.03% to 5.10%. Over the same period, real yields increased, with the 20-year real yields up 0.32% to 2.11%.

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Asset Allocation

A review of your current and strategic asset allocations



Overall Asset Allocation – 31 December 2025

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Equities		1,953.8	38.1%	39.0%	-0.9%	✓
	BCPP Global Equity Alpha	1,579.8	30.8%	31%	-0.2%	
	Baillie Gifford LTGG	374.0	7.3%	8%	-0.7%	
Property		312.5	6.1%	4.3%	+1.8%	🕒
	BCPP UK Real Estate	13.1	0.3%	4.3%	-4.0%	
	L&G	49.8	1.0%	-	+1.0%	
	Threadneedle	249.6	4.9%	-	+4.9%	
Infrastructure (and		889.5	17.4%	15.0%	+2.4%	🕒
	BCPP Infrastructure	478.1	9.3%	10.0%	-0.7%	
	BCPP Climate Opportunities	101.5	2.0%	4.0%	-2.0%	
	BCPP UK Opportunities	8.5	0.2%	1.0%	-0.8%	
	BCPP Listed Alternatives	301.4	5.9%	0.0%	+5.9%	

⚠️ Action taken / potential action required

🕒 Awaiting drawdown

✓ No action required

Overall Asset Allocation – 31 December 2025 (cont.)

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Private Credit		233.7	4.6%	11.0%	-6.4%	
	BCPP Private Credit	216.9	4.2%	11.0%	-6.8%	
	Arcmont	15.5	0.3%	-	+0.3%	
	Permira	1.3	0.0%	-	-	
Non-Investment Grade Credit		279.6	5.5%	5.2%	+0.3%	
	BCPP Multi Asset Credit	279.6	5.5%			
Investment Grade Credit		389.3	7.6%	8.0%	-0.4%	
	BCPP Investment Grade Credit	389.3	7.6%			
Gilts		966.8	18.9%	17.5%	+1.4%	
	BCPP Index Linked Bonds	966.8	18.9%			
Cash		100.1	2.0%	0.0%	+2.0%	
	Internal Cash	100.1	2.0%			
Total		5,125.3	100.0%	100.0%		

Investment strategy update

Recent and upcoming activity

- A new strategic asset allocation was agreed by the PFC at the February 2025 meeting, ahead of the 31 March 2025 actuarial valuation. Further rebalancing steps (as noted below) have been made over Q4 2025.
- Officers and Advisors agreed to rebalance, as part of moving towards the new strategic asset allocation, by making the following trades:
 - Partial redemptions were made from Ballie Gifford Long Term Global Growth in October (c.£45m) with proceeds invested in the Border to Coast Inflation Linked Bond fund.
- The Fund has committed c.£37.5m to the Border to Coast UK Real Estate fund, of which a further c.£13m has been drawn down from cash holdings in October 2025 and the remaining c.£11.3m to be drawn down in following quarters.
- Post quarter end:
 - PFC members, Officers and Advisors participated in a currency hedging training workshop delivered by Aon, to consider the pros and cons of currency hedging the Fund's unhedged non-GBP exposures. After further consideration, it was agreed no immediate action was to be taken. It is expected to be revisited at the next full strategy review when Border to Coast may offer solutions in this area.
 - Border to Coast presented an overview of the new Global Sustainable Bonds Sub-Fund to PFC members, Officers and Advisors. Furthermore, Aon prepared a high-level review of Border to Coast's new Global Sustainable Bonds Sub-Fund for the Fund's Officers and Advisor. Further discussion is expected to take place at the March PFC meeting with regards to a potential investment.

Transitions and cashflows

The following rebalancing activities took place over the quarter:

Trading:

- £45m disinvestment from Baillie Gifford LTGG
- £45m subscription to BCCP Index Linked Bond Fund

Border to Coast net capital calls and distributions:

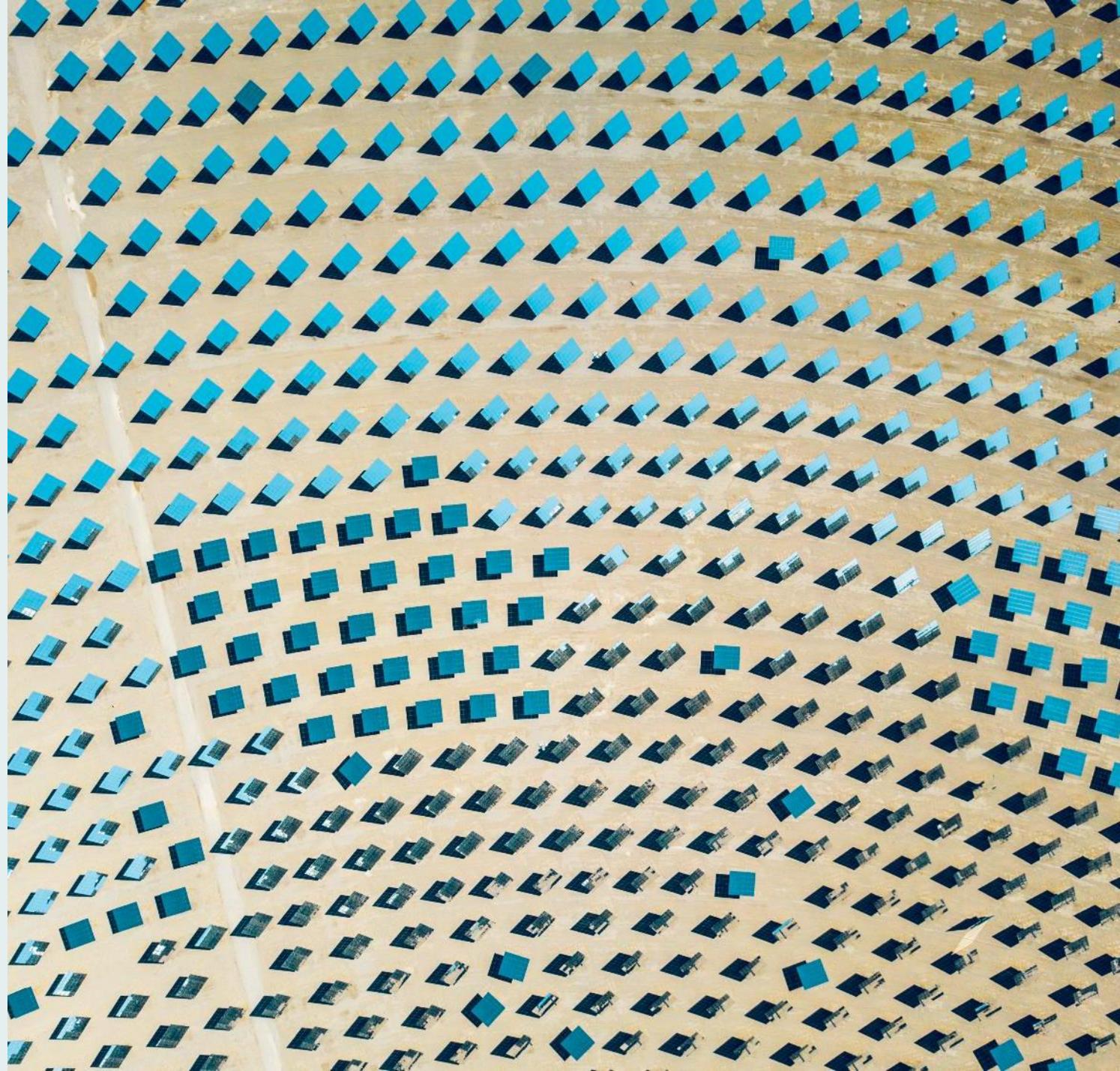
- Infrastructure: c.+£29.6m (39 capital calls and 20 distributions)
- Climate Opportunities: c.+£14.1m (19 capital calls and 6 distributions)
- UK Opportunities: c.+£2.2m (7 capital calls and 9 distributions)
- Private Credit: c.+£9.5m (11 capital calls and 11 distributions)
- Real Estate: c.+£13.1m (1 capital call)

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Fund performance

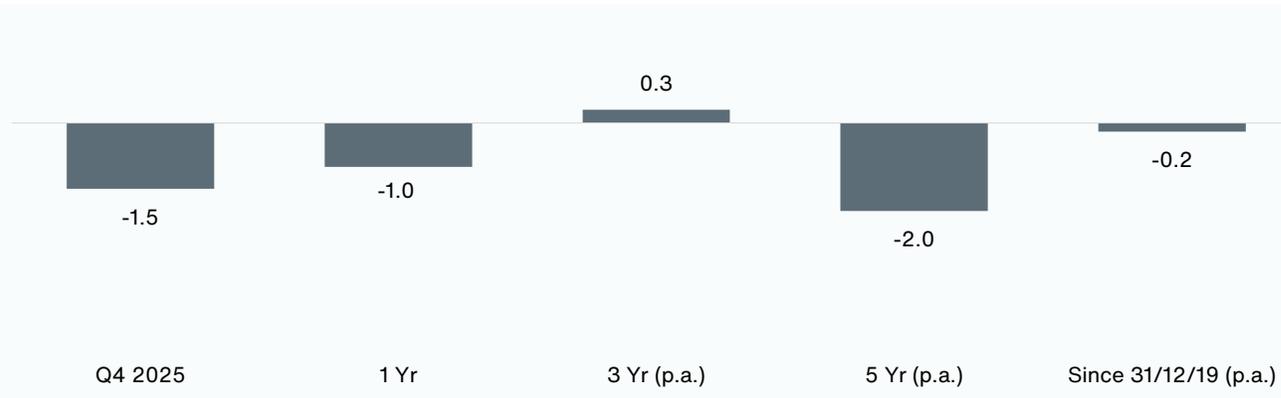
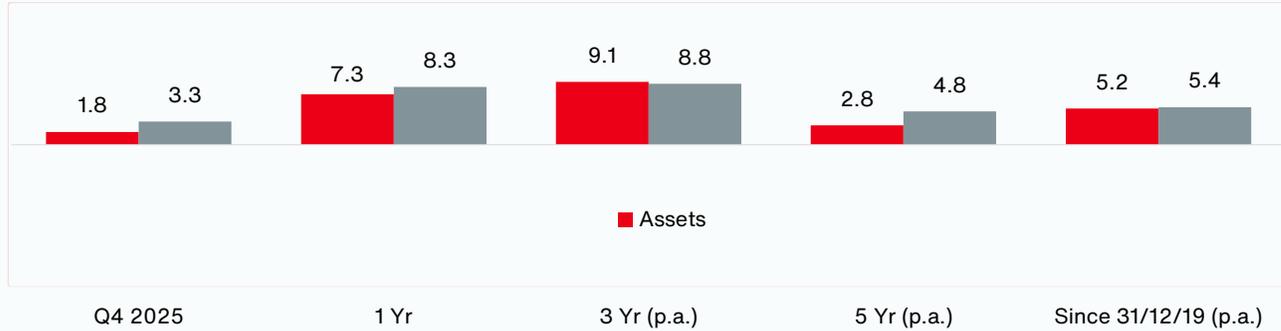
A review of your investment performance

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Total Fund performance – snapshot

Fund performance & benchmark



Quarterly (relative)

-1.5%

The Fund underperformed the benchmark returning 1.8% vs 3.3% over the quarter.



3 year (relative)

0.3% p.a.

Over 3 years the Fund has outperformed the benchmark returning 9.1% p.a. vs 8.8% p.a.



Comments

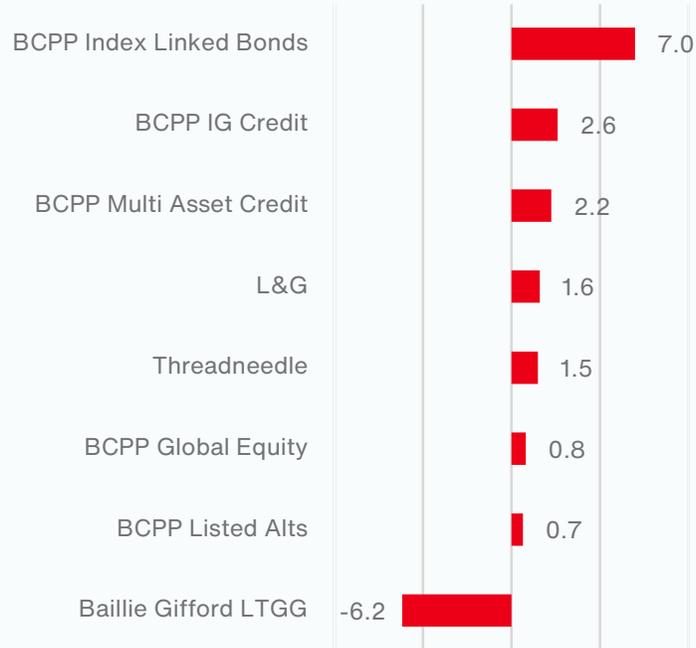
Total Fund performance is behind the composite benchmark over the quarter, 1 year and 5 year period to 31 December 2025, with the 3 year period ahead of the composite benchmark.

Note the 5 year performance is impacted by elevated volatility and challenging markets conditions over the 2020s which has included the Covid-19 pandemic, elevated inflation levels, and increased geopolitical tensions.

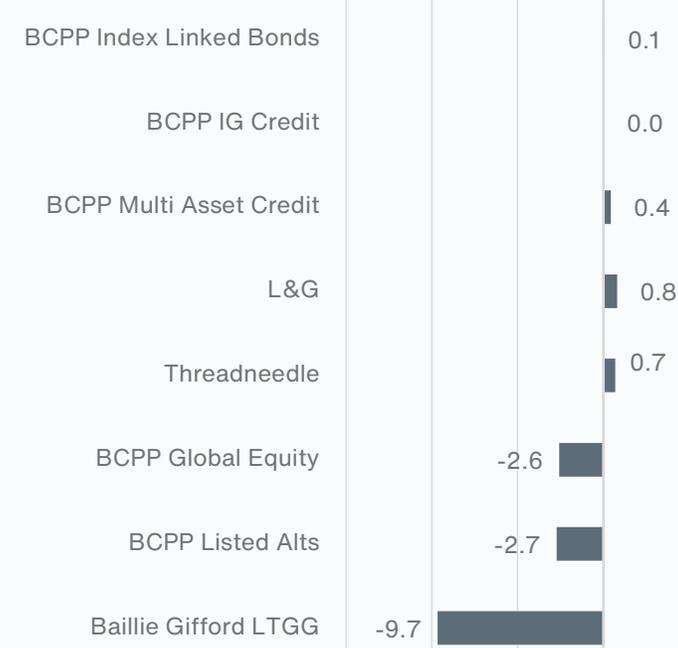
The performance figure since 31/12/19 is provided to illustrate how the Fund has performed over the entire period, including both before and after major market events in the 2020s. This allows for a more comprehensive assessment of long-term performance and the impact of significant market changes.

Manager performance – quarter snapshot

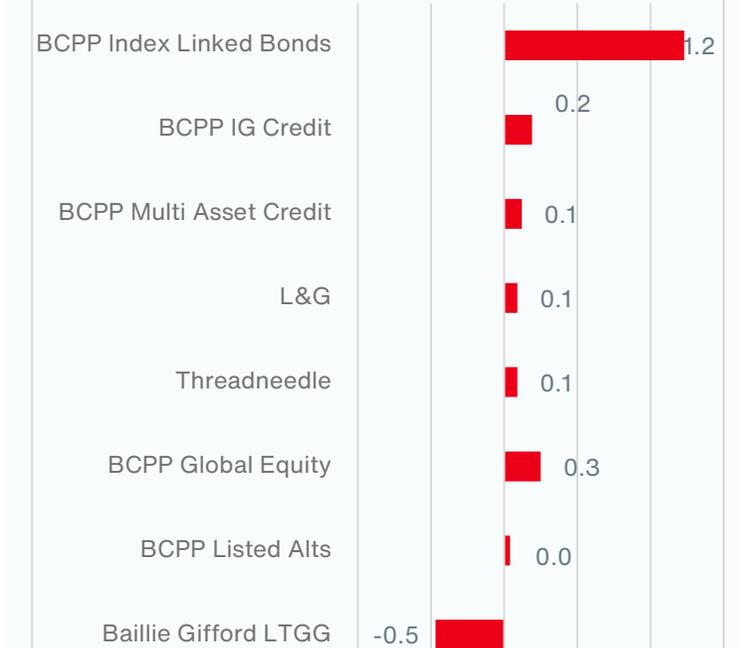
Absolute performance (%)



Relative performance (%)



Contribution to absolute return (%)



Manager performance – longer term

	Q4 25 asset allocation	1 Year (%)			3 Years (% p.a.)			5 Years (% p.a.)			Since 31/12/19 (% p.a.)			Since inception (% p.a.)			Inception date
		Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	
Equity																	
Global Equity																	
BCPP Global Equity	30.8%	11.4	13.9	-2.5	13.5	16.3	-2.8	10.2	11.7	-1.5	10.1	11.9	-1.8	10.5	12.2	-1.7	Oct-19
Baillie Gifford LTGG	7.3%	9.5	14.7	-5.2	22.6	16.7	5.9	3.1	12.1	-9.0	14.8	12.2	2.6	14.9	10.3	4.6	Sep-06
Property																	
L&G	1.0%	6.0	5.1	0.9	3.4	3.0	0.4	4.0	3.3	0.7	-	-	-	-	-	-	Dec-12
Threadneedle	4.9%	5.3	5.1	0.2	3.5	3.0	0.5	3.8	3.3	0.5	-	-	-	-	-	-	Jun-12
Infrastructure																	
BCPP Listed Alternatives	5.9%	3.2	13.9	-10.7	7.8	16.3	-8.5	-	-	-	-	-	-	3.9	11.0	-7.1	Feb-22
Investment grade credit																	
BCPP Investment Grade Credit	7.6%	7.1	6.9	0.2	6.5	5.7	0.8	-0.5	-1.2	0.7	-	-	-	0.3	-0.6	0.9	Aug-20
Non-investment grade credit																	
BCPP Multi-Asset Credit	5.5%	10.2	7.8	2.4	9.2	8.2	1.0	-	-	-	-	-	-	3.7	7.2	-3.5	Nov-21
Gilts																	
BCPP Index Linked Bonds	18.9%	0.5	0.1	0.4	-6.5	-6.8	0.3	-14.6	-14.9	0.3	-	-	-	-13.2	-13.9	0.7	Oct-20
Total		7.3	8.3	-1.0	9.1	8.8	0.3	2.8	4.8	-2.0	5.2	5.4	-0.2	7.1	7.4	-0.3	Jan-02

Border to Coast Pensions Partnership – private infrastructure performance summary

BCPP Infrastructure

Fund	Q4 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed ¹	IRR ²	TVPI ²
Series 1A	98.7%	94.4%	30.6%	6.6%	1.22x
Series 1B	98.7%	83.8%	7.9%	3.6%	1.10x
Series 1C	100.0%	95.6%	17.9%	8.0%	1.24x
Series 1	-	-	-	6.4%	1.19x
Series 2A	99.7%	66.1%	7.9%	7.1%	1.13x
Series 2B	99.9%	42.3%	0.4%	0.5%	1.01x
Series 2C	100.0%	41.1%	2.7%	5.9%	1.08x
Series 2	-	-	-	5.6%	1.05x
Series 3A	94.8%	31.3%	0.2%	-	-

Launched in July 2019, Border to Coast's Infrastructure offering targets investments into infrastructure assets and related companies, **with the objective of delivering long-term annual net returns of 8% p.a.** generated through a combination of income and capital return. Infrastructure investments provide exposure to assets that deliver, or facilitate, essential services which support economic growth, generate productivity and underpin societal and business operations.

Border to Coast Pensions Partnership – private credit performance summary

BCPP Private Credit

Fund	Q4 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed ¹	IRR ²	TVPI ²
Series 1A/B	99.5%	98.3%	48.2%	9.1%	1.24x
Series 1C	99.5%	93.9%	42.3%	8.6%	1.16x
Series 1	-	-	-	8.8%	1.19x
Series 2A	100.0%	61.9%	11.8%	7.3%	1.10x
Series 2B	99.1%	38.6%	5.5%	7.0%	1.07x
Series 2C	100.0%	20.5%	0.5%	4.7%	1.03x
Series 2	-	-	-	7.2%	1.08x
Series 3A	27.6%	1.9%	0.0%	-	-

Launched in October 2019, Board to Coast's Private Credit offering seeks to invest in a variety of private credit instruments. **The objective for Series 1 and 2 is to deliver a long-term annual net return of 6% p.a. The objective for Series 3, launched in April 2025, is to deliver a long-term annual net return of 7%.** Private credit investments typically provide capital to privately held companies to support growth, refinancing, mergers and acquisitions, or to provide liquidity or capital structuring solutions.

Border to Coast Pensions Partnership - private diversified funds performance summary

BCPP Climate Opportunities

Fund	Q4 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed ¹	IRR ²	TVPI ²
Climate Opps Series 1 (Series 2A/B)	99.9%	64.2%	8.9%	4.7%	1.08x
Climate Opps Series 2 (Series 2C)	57.1%	38.7%	1.5%	-	-

Launched in April 2022, the Climate Opportunities offering seeks investments that will have a material positive impact on climate change and support long-term net zero carbon emission goals **with the objective of delivering a long-term annual net return of 8% p.a.** It includes investments across private equity, infrastructure and private credit.

Border to Coast Pensions Partnership - private diversified funds performance summary (cont.)

BCPP UK Opportunities

Fund	Q4 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed ¹	IRR ²	TVPI ²
UK Opps (Series 1)	46.1%	40.9%	0.0%	-	-

Launched in April 2024, the UK Opportunities offering seeks investments that contribute to the growth of the UK economy **with the objective of delivering a long-term annual net return of 8%**. It includes investments across real estate, private equity, infrastructure and private credit.

Border to Coast Pensions Partnership - private markets commitments summary

Strategy	Total Fund Commitments									
	Series 1	1A	1B	1C	Series 2	2A	2B	2C	Series 3	3A
Private Credit	£195m	£75m		£120m	£210m	£70m	£70m	£70m	£220m	£220m
Infrastructure	£320m	£70m	£50m	£200m	£360m	£120m	£120m	£120m	£80m	£80m
Climate Opportunities	N/A	N/A			£260m	£140m		£120m	N/A	N/A
UK Opportunities	N/A	N/A			£50m	N/A		£50m	N/A	N/A

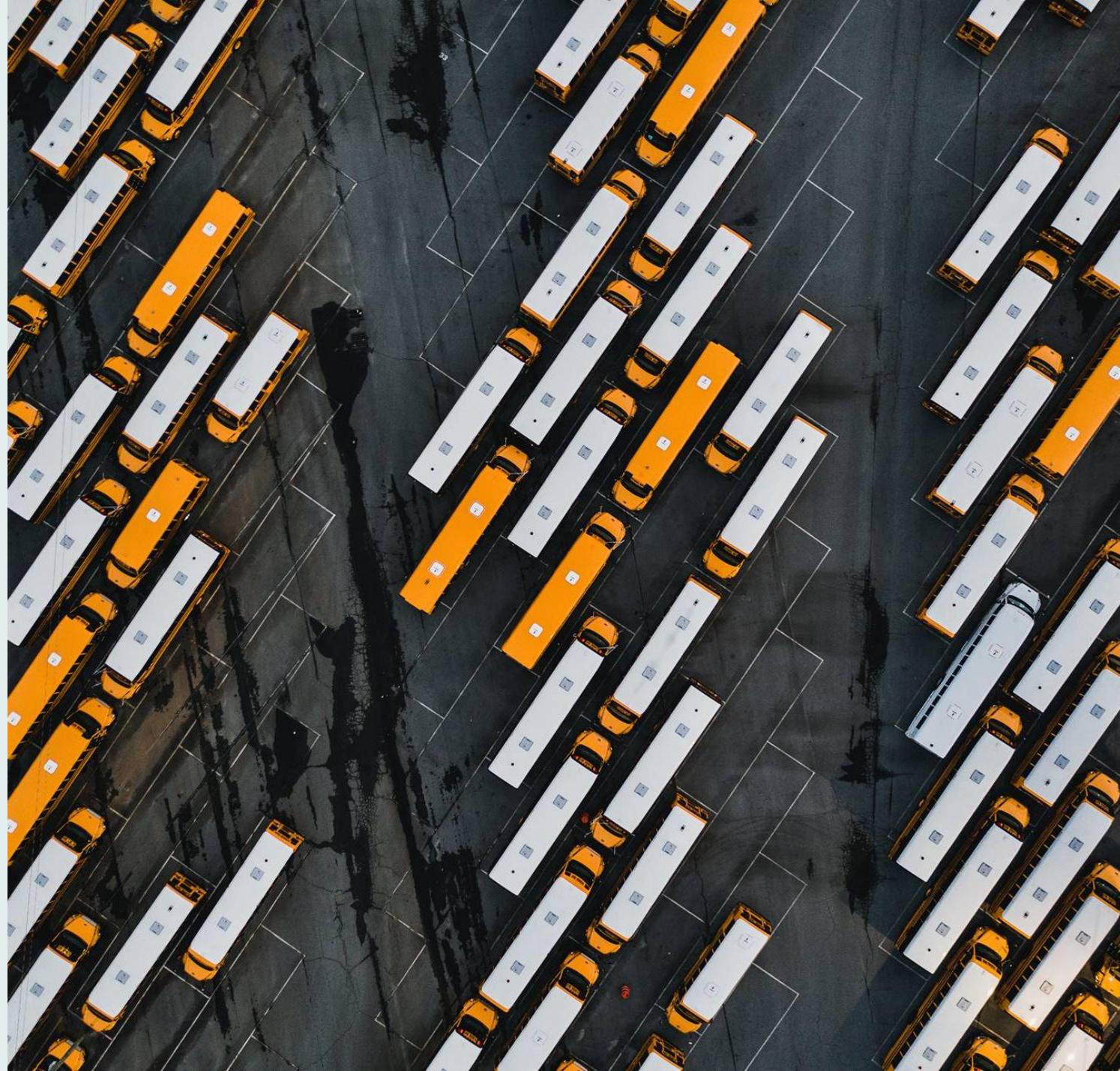
UK Real Estate - £37.49m committed on 30 June 2025

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Manager review

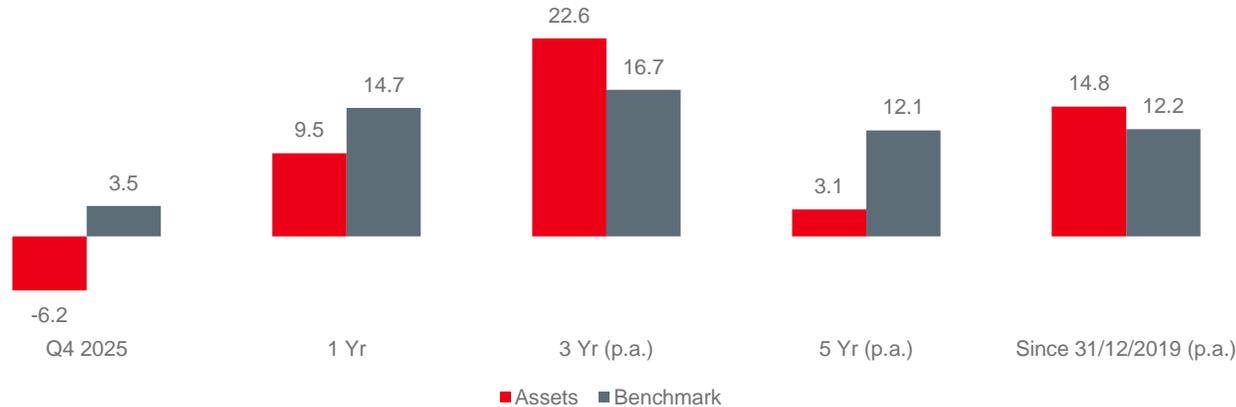
Aon ratings and understanding
manager performance

AON



Baillie Gifford - LTGG

Fund performance & benchmark



Major Developments

- Effective 1 April 2026, Gemma Barkhuizen, will join the partnership. Barkhuizen has been with the firm since 2017, is a decision maker on LTGG and co-manages Global Outliers alongside acting as a Trusted Advisor to Global Alpha.
- Alongside the appointment, Michael Pye, a decision-maker on LTGG, will leave Baillie Gifford to explore opportunities outside the firm. Pye has been working closely with the LTGG team to ensure a thorough handover of company relationships and research. Pye will depart at the end of February.
- As a result, the number of LTGG Decision Makers will fall from four to three: Mark Urquhart, John MacDougall and Gemma Barkhuizen.
- LTGG and its team-based approach has demonstrated resilience to personnel change in the past, including following the high-profile retirement of James Anderson in 2021.
- Our “Buy” rating on LTGG remains unchanged.

Buy

Reviewed: January 2026

Ratings detail

ODD: A2 pass **Risk:** ●●●●
Business: ●●●● **Perf:** ●●●●
Staff: ●●●● **Terms:** ●●●●
Process: ●●●● **ESG:** Integrated

Key Info

Appointed: 29 September 2006

Vehicle: Baillie Gifford Long Term Global Growth (+3% over 5-10yrs)

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

Target: To outperform the benchmark by 3% p.a. over rolling three-year periods.

Baillie Gifford – LTGG (cont.)

Performance

- The strategy **underperformed** over the fourth quarter.
- The **largest contributors** were Rocket Lab, Intuitive Surgical, and Rivian.
- **Rocket Lab** delivered strong returns following a substantial increase in revenue, a higher number of successful launches, and continued momentum in its satellite-services division. The team believe the company is benefiting from improved scale, resilient demand for its Electron rocket and steady, disciplined progress on its next, larger Neutron vehicle.
- **Intuitive Surgical** contributed positively as global use of robotic-assisted surgery continued to expand. Procedures grew materially year-on-year, helped by the rollout of the next-generation da Vinci 5 system and increasing adoption of the Ion lung-biopsy robot. Baillie Gifford argue that the breadth of its instruments, software and services ecosystem strengthens customer loyalty and supports long-term growth.
- **Rivian** added to performance as operational execution improved and cost discipline strengthened. The team believe continued progress on the R2 platform, combined with new AI-enabled software features, offers the potential for deeper customer engagement and more diversified revenue streams over time.
- The **largest detractors** were Roblox, SEA Ltd, and Coupang
- **Roblox** detracted despite strong user activity and a growing content ecosystem. Baillie Gifford argue that investor hesitation reflects uncertainty about whether the company can maintain its elevated growth rate after a period of rapid expansion to more than 100 million daily active users.
- **SEA Ltd** underperformed due to investor concerns around competition and the near-term financial impact of increased investment in logistics, fulfilment infrastructure and user acquisition. The team believe these investments, while costly now, are strategically important to strengthening SEA's long-term position across e-commerce, digital payments and gaming.
- **Coupang** declined following a cybersecurity incident that raised questions about potential remediation costs and regulatory responses. Baillie Gifford argue there is currently no clear indication that the company's fundamental value proposition – low prices and rapid delivery – has been meaningfully compromised, but they continue to monitor customer behaviour closely.

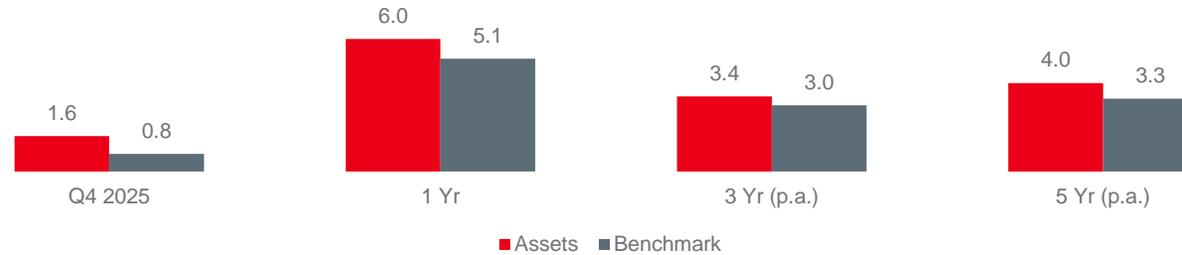
Baillie Gifford – LTGG (cont.)

Positioning and Transactions

- The team **initiated new positions** in Duolingo and Axon Enterprises.
- **Duolingo** is an online language learning platform. The company is viewed by the team as a high-quality, founder-led business with a strong global brand and meaningful optionality beyond language learning. Baillie Gifford believe the share-price pullback provided an attractive opportunity to invest in a company with a proven monetisation pathway and high profitability.
- **Axon Enterprises** develops integrated public-safety technology, including non-lethal devices, cameras, drones and cloud-based AI software. Baillie Gifford argue that Axon's strong network effects, high switching costs and early-stage international expansion create a long runway for growth.
- The team **exited** BioNTech and Datadog.
- **BioNTech** was sold because the team believe rising strategic uncertainty, mixed clinical progress and a valuation heavily influenced by cash balances and shrinking Covid-related revenues reduce the company's long-term upside
- **Datadog** was sold as Baillie Gifford believe differentiation in observability software has narrowed amid cost-sensitive customers, heightened competition and the emergence of AI-native alternatives. Profitability also fell short of expectations, prompting capital to be redeployed elsewhere.
- The strategy remains concentrated (**38 holdings**), with significant exposure to **tech-related businesses** and a continued focus on **long-term growth opportunities**.

LGIM – Managed Property Fund

Fund performance & benchmark



Major Developments (Q3 2025)

- The fund successfully completed the acquisition of the Federated Hermes Property Unit Trust in August. This included the transfer of £790 million of high-quality assets which complement the Managed fund's existing portfolio and has enhanced sector and geographic diversification, which should be accretive to returns in the long-term.

Performance (Q3 2025)

- To end-Q3 2025, the fund has outperformed the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Property Fund Index over every reporting period. The fund's quarterly return was 1.5%, delivering outperformance of 0.30%. On a 1-year, 3-year and 5-year annualised basis the fund outperformed by 0.41%, 0.67% and 0.52%, respectively.
- As of Q3 2025, the fund was marginally overweight to the alternatives (12.6% versus 12.0%) and residential (5.8% versus 1.8%) sectors and also maintained a strong cash position (7.5% versus 6.3%). When compared to the benchmark, the fund holds a similar position to retail (19.6% versus 19.4%), and underweight positions to industrials (37.3% versus 41.4%) and offices (17.3% versus 19.0%).

Buy

Reviewed: Q3 2025

Key Info

Appointed: 1 November 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: MSCI/AREF UK Quarterly Property Fund Index

Target: To outperform the benchmark over three year rolling periods.

LGIM – Managed Property Fund

Performance (Q3 2025)

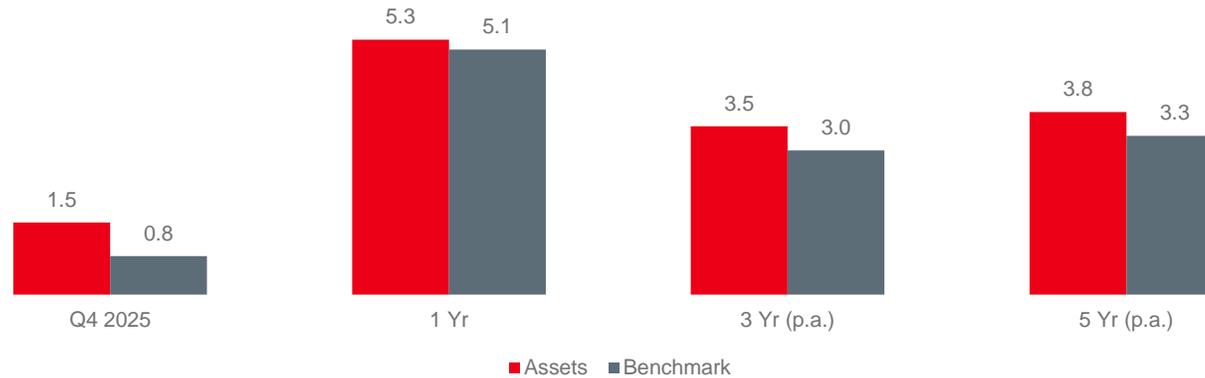
- Over the quarter, there were 27 successfully executed asset management initiatives, creating £19 million in added value based on an assessment by the fund's independent valuer. New lettings, renewals and re-gears totalled annual rent of over c.£4.1 million p.a. and completed rent reviews have increased the annual rent roll by £430,000 p.a. The fund completed several retail warehouse lettings, including a letting at the newly refurbished unit at Elgar Retail Park, Worcester to Furniture Village for 15 years at £21.50 psf, which was 7.6% ahead of current ERV.
- In total approximately 36% of the fund's total direct property holdings are in the top 10 assets. The fund has committed £125 million to asset management and development projects and currently has a development exposure of 2.6%. The fund plans to increase exposure to value-add developments over the next five years, forecasting total capital commitments of £360 million, with projects including office refurbishments, retail park re-configurations along with industrial and purpose-built student accommodation developments. The total pipeline includes 19 development projects.

Transactions

- The fund completed two acquisitions over the quarter. The fund acquired a newly developed hotel in Leeds for c.£50 million, which is the fund's second investment into an operational hotel, in line with the fund's strategy to increase exposure to this opportunity set.
- Additionally, the fund purchased development land in Southampton for c.£10 million to efficiently gain access to high quality urban logistic industrial schemes.
- Planning consent has been achieved for the scheme comprising of five multi let units, ranging from 25k to 95k sq ft.
- The fund also completed the sale of five assets over the quarter, including an office in Farringdon for c.£15 million, three industrial estates as a portfolio for c.£25 million and a pub in Battersea. All sales proceeds will be reinvested into new opportunities.

Threadneedle – TPEN

Fund performance & benchmark



Buy

Reviewed: Q3 2025

Key Info

Appointed: 21 June 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: MSCI/AREF UK Quarterly Property Fund Index

Target: To outperform the benchmark by 1 to 1.5%.

Performance (Q3 2025)

- Over the previous quarter (Q3 2025), the Fund underperformed the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Property Fund Index, returning 1.0% versus 1.2%. The Fund also underperformed on a 12-month basis, returning 5.8% versus 6.8%. Over the three- and five-year annualised periods, ending Q3 2025, the Fund outperformed the benchmark by 0.50% and 0.12%, respectively.
- The Fund continues to have an overweight position to industrials, with 51.6% of the portfolio invested in the sector versus the benchmark at 41.4%. The Fund remains marginally underweight to retail at 19.3%, however has an overweight position to retail warehouses (16.3% versus 12.1%). The Manager believes this sector is set to outperform, benefiting from enduring structural tailwinds, including ongoing supply chain reconfiguration and the continued evolution of omnichannel retail.

Threadneedle – TPEN

Performance (Q3 2025) – cont.

- A total of 119 new lettings/lease renewals were successfully completed in the 12 months to the end of Q3 2025, with a combined rental value of c.£9.3 million per annum. The fund continues to maintain a high tenant retention rate of c.84%. It is estimated that from new letting activity and fixed rental value increases for the existing portfolio, the total rental income will increase by c.£2.3 million per annum over the next 12 months.
- The fund continues to concentrate on asset repositioning and monetising building improvements. During the quarter, the fund secured a re-gear for a new 10-year lease at a 60,000 sq ft warehouse unit in Doncaster for £7.25 per sq ft, in return for agreeing to extend the unit by 15,000 sq ft. The deal reflects a c.40% uplift on the previous passing rent. The fund has also completed a CAT A+ refurbishment at the vacant offices on Wardour Street, quoting £79.50 per sq ft which is a 66% increase on the previous passing rent of £48 per sq ft.

Transactions

- During the quarter, the fund did not make any strategic asset sales but did have c. £41.1 million under offer. Asset sales have been focused on exiting non-core assets including offices and high street retail, complemented by selective industrial assets capitalising on residual market liquidity.
- There were no acquisitions made over the quarter.

Redemptions

- As at the end of Q3 2025, the fund had outstanding redemptions of approximately £50 million. The fund has been queuing redemptions pending asset sales. This redemption sum is scheduled for payment at the end of the next quarter.

Border to Coast Pensions Partnership – Quarterly high-level monitoring (Q4 2025)

Changes to views of External and Internal Managers

BCPP Global Equity Alpha

- Lindsell Train remain under review. The low turnover, high conviction approach has compounded earnings in line with Lindsell Train's expectations but has failed to keep pace with the benchmark return. Due to the persistent underperformance, BCPP retain concerns about the Manager and continue the Manager Search process with the intention of identifying a replacement manager.
- 91 Franchise was removed from the watchlist in Q3 2025, but focus remains on long-term performance. The Franchise team has constructed a well rounded portfolio of high quality businesses and BCPP believe that despite the underperformance delivered to date, the Manager provides the fund access to highly profitable companies, with stable and defensive characteristics.

Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

Global Equity Alpha Fund

Fund	Q4 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Global Equity Alpha	27.2	7.0
Benchmark (MSCI ACWI)	111.0	6.7

Sterling Investment Grade Credit Fund

Fund	Q4 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	44.4	7.4
Benchmark (iBoxx Sterling Non Gilt Index)	53.2	7.6

Listed Alternatives Fund

Fund	Q4 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Listed Alternatives	166.6	7.1
Benchmark (MSCI ACWI)	111.0	6.7

¹This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form* and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

*In accordance with the Licence Agreement between Border to Coast Pensions Partnership Limited and MSCI ESG Research (UK) Limited

Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

Multi-Asset Credit

Fund	Q4 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Multi Asset Credit	293.9	4.9
MAC Benchmark	265.9	4.9

Sterling Index-Linked Bond Fund

Fund	Q4 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	63.8	6.7
Sterling Index-Linked Bond Fund Benchmark	0.0	6.6

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7

Market outlook and Aon's latest thinking

Forward looking views

AON



Quarterly Investment Outlook – February 2026*

- The global geopolitical environment has become more complicated. Major market drawdowns have been avoided but we still think resilience in portfolios is more important than ever.
- Despite geopolitical risks, we're above consensus on 2026 GDP growth for both the US and the UK. We do not share market concerns that the US labour market is stalling.
- Inflation remains a risk for 2026, with new Fed leadership potentially being less reactive.
- Nuance is everything – similar sounding opportunities can have very different outcomes. This is illustrated by datacentre development. Best-in-class operators with proven ability to deliver datacentres on schedule and in-budget, whilst also being able to reduce risk (with long-term leases to hyperscalers with low credit risk) can deliver extremely attractive risk-adjusted returns. Speculative datacentre development with either no pre-let or a let to a speculative operator look high risk.
- The supply-side potential of the global economy could be transformed in the coming decades by technology. We argue that this points to a more active approach to equity investing. We strongly encourage investors with longer-time horizons to consider private markets given superior risk-adjusted returns.
- With increased secondary activity, and new types of private credit assets which amortise quickly, distinctions between private and public markets are likely to become increasingly less pronounced. We encourage investors add opportunity buckets ready to take advantages of the best opportunities.

Note: The opinions referenced are as of the date of publication (5 February 2026) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Aon's Latest Thinking



Rebuilding credit

While traditional credit still retains strategic appeal in terms of overall yield, cashflow generation, and hedging, credit spreads remain towards the lower end of their historical ranges, leaving limited scope for further compression to enhance returns.

As such, we see greater tactical value and more attractive levels of risk-return in alternative credit markets, such as subscription-line finance, credit risk sharing, and asset-based lending. Your Aon consultant can assist with reviewing your existing credit holdings and restructuring them to meet your scheme's specific requirements more efficiently and effectively.



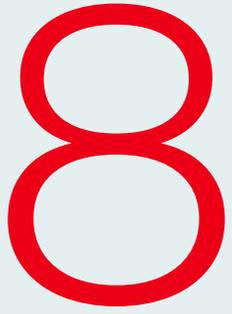
Fully contracted infrastructure development

Whether it is nuclear power stations or datacentres we think infrastructure development can be extremely attractive.



Diversify return sources

Select private opportunities we think will provide returns similar to or higher than equities but are less vulnerable to shorter-term declines.



Further information

AON



Border to Coast

Benchmark and Targets

Fund	Benchmark	Target
Global Equity Alpha Fund	MSCI ACWI (Net)	The fund aims to provide a total return (income and capital) which outperforms the total return of the MSCI All Country World (Net) Index by at least 2% per annum over rolling 5-year periods (after fees and expenses, including the calculation of the ACS Manager's Annual Management Charge).
Listed Alternatives Fund	MSCI ACWI (Net)	The fund aims to provide a total return (income and capital) in excess of the MSCI All Country World (Net) Index over rolling 5-year periods (after fees and expenses, including the calculation of the ACS Manager's Annual Management Charge).
Multi Asset Credit Fund	SONIA +3-4% p.a.	The fund aims to provide a total return (income and capital) in excess of the Sterling Overnight Interbank Average (SONIA) plus 3%-4% per annum over rolling 5-year periods (after fees and expenses, including the calculation of the ACS Manager's Annual Management Charge).
Sterling Investment Grade Credit Fund	iBoxx Sterling Non-Gilts Index	The fund aims to provide a total return (income and capital) in excess of the iBoxx-Sterling Non-Gilts Index plus 0.6% per annum over rolling 5-year periods (after fees and expenses, including the calculation of the ACS Manager's Annual Management Charge).
Sterling Index Linked Bond Fund	FTSE A Index Linked Gilts > 15 Years	The fund aims to provide a total return (income and capital) in excess of the FTSE Actuaries UK Index-Linked Gilts over 15 Years Index plus 0.2% per annum over rolling 5-year periods (after fees and expenses, including the calculation of the ACS Manager's Annual Management Charge).
UK Real Estate	MSCI UK Quarterly Property Index	CPI +4% over a rolling 10-year period.

Explanation of Ratings

Overall Ratings

Overall Ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Explanation of Ratings

ODD

Operational Due Diligence (“ODD”)

The ODD factor is assigned a rating. The table below describes what these ratings mean.

Please note: Operational due diligence inputs provided to the research team by Aon’s Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Hewitt Investment Consulting, Inc., and Aon Hewitt Inc./Aon Hewitt Investment Management Inc. Investment advice is provided by these Aon entities.

Overall ODD Rating	What does this mean?
A1 Pass	No material operational concerns – the firm’s operations largely align with a well-controlled operating environment.
A2 Pass	The firm’s operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass (“CP”)	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm’s rating.

Explanation of Ratings

Overall Ratings

ESG Factor

The ESG factor is assigned a rating and can be interpreted as follows:

Overall ESG Rating	What does this mean?
Advanced	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited	The fund management team has taken limited steps to address ESG considerations in the portfolio.
Not Applicable	ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance

Method

Liabilities

This funding update is consistent with the calculations for the initial results of the actuarial valuation at 31 March 2025. The assumptions used have been modified only insofar as is necessary to maintain consistency with the approach set out in the latest Funding Strategy Statement, reflecting the change in the effective date and in relevant market conditions.

The funding update is projected from the initial results of the actuarial valuation at 31 March 2025 and is therefore approximate. Since the update is not based on up-to-date membership data, it becomes more approximate the longer the period of time that has elapsed since the last actuarial valuation.

The funding update takes account of the following over the period since the last formal actuarial valuation:

- Known fund returns provided; and
- Actual price inflation and its impact on benefit increases.

Demographic experience since the last formal actuarial valuation has been assumed to be in line with the assumptions set out in the 2025 initial valuation results report.

This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

Assets

For the purpose of this approximate funding update, we have used an unaudited value of the assets at 31 December 2025 as provided by the Administering Authority.

Assumptions

	Discount rate	Pay growth	Pension increases
31 March 2025	4.80%	3.35%	2.10%
30 September 2025	4.90%	3.55%	2.30%
31 December 2025	4.85%	3.45%	2.20%

Risk/Return Assumptions



- The table to the right sets out the 10-year median returns and volatility assumptions in absolute terms used in the modelling.
- Assumptions are based on Aon's Capital Market Assumptions as at 31 December 2025
- Allocations modelled are those set out in the main body of this presentation. Allocations are assumed to be annually rebalanced.
- Allowance for active management is made in some of the assets classes, in particular where there is no real passive version of the asset, for example private equity funds.
- Unless stated otherwise, all returns are net of underlying manager fees.

High level asset class	Expected Return	Expected Volatility
Global equity	6.9%	19.1%
Property	6.5%	12.6%
Infrastructure	9.2%	16.4%
Listed alternatives	6.9%	19.1%
Climate opportunities	9.2%	16.3%
UK opportunities	8.4%	9.6%
Illiquid credit	8.0%	8.0%
Investment grade credit	5.6%	10.3%
Non-investment grade credit	6.4%	8.7%
Absolute Return	7.4%	5.5%
Gilts	4.6%	9.7%
Cash	4.1%	1.2%

Correlation Table

High level asset class	Global Equity	Property	Infrastructure	Listed Alternatives	Climate Opportunities	UK Opportunities	Illiquid credit	IG Credit	Non-IG Credit	Absolute Return	Gilts	Cash
Global Equity	100%	34%	61%	100%	62%	68%	19%	5%	51%	21%	-6%	-2%
Property		100%	18%	34%	18%	61%	18%	4%	25%	8%	-1%	6%
Infrastructure			100%	61%	100%	70%	9%	2%	20%	20%	-2%	1%
Listed Alternatives				100%	62%	68%	19%	5%	51%	21%	-6%	-2%
Climate opportunities					100%	71%	9%	2%	21%	20%	-2%	0%
UK opportunities						100%	36%	25%	43%	21%	3%	9%
Illiquid credit							100%	67%	62%	18%	4%	18%
IG Credit								100%	34%	19%	46%	38%
Non-IG Credit									100%	22%	1%	11%
Absolute Return										100%	8%	31%
Gilts											100%	29%
Cash												100%

Data and assumptions

Date of calculation	31 December 2025
Number of simulations	5000
Time horizon	10 years
Asset value	£ 5,125.3M

- Infrastructure is modelled as a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Listed Alternatives are modelled as passive global equities (including emerging markets).
- Climate Opportunities has been modelled as 60% US and 40% Euro Infrastructure.
- UK Opportunities has been modelled as 30% UK property, 30% Euro Infrastructure, 15% private equity, 15% direct lending and 10% UK corporate bonds (A-rated with average duration of 10 years)
- Private Credit modelled as combination of 2/3 Senior Direct Lending (for Arcmont and Permira) and 1/3 Whole Property Debt (for BCPP).
- Gilts are modelled as a 62.9% 15 year index-linked gilts and 37.1% 20 year index-linked gilts.
- Property is modelled as UK Property.
- Liquid IG Credit modelled as UK corporate bonds (A-rated with average duration of 10 years)
- Liquid Non-IG Credit modelled as high yield multi-asset credit.
- Absolute Return is modelled as Leadenhall Insurance Linked Securities modelled as an equal blend of Aggressive, Conservative and Moderate ILS.
- The Fund has an allocation to Global Equities which make up 39% of the long term allocation.
- For modelling purposes (and for consistency with the approach taken by the Actuary) we do not allow for any outperformance from active management (alpha).
- We have not allowed for the impact of equity protection on the risk and return of the portfolio
- Equities have been modelled as Passive Global Equity (including Emerging Markets) which reflects the current allocation.

Purpose, key assumptions and judgements of the model

The purpose of this analysis is to consider and monitor the return and risk characteristics of the current and long term investment strategy of the Fund. The key assumptions and judgements of the model are set out below and we believe are reasonable for the intended purpose.

- The calculation considers (5000 stochastic) simulations of annual absolute returns over the period modelled. The simulations are constructed using Aon's Stochastic Asset Model, further details and assumptions are outlined in this appendix.
- A liability proxy is not considered.
- Allocations are assumed to be annually rebalanced, in practice this may not always be possible for illiquid assets.
- The calculations do not take into account any cashflows payable.

Limitations

Material risks to the Fund include covenant, longevity, market, inflation, contributions, expenses and liquidity.

- Our stochastic scenarios include market risk only, and this risk is present in the distribution of returns and is reflected in the risk metrics shown. Market risk has been calculated on an asset only basis.
- This modelling does not cover liability basis, inflation, covenant, longevity, contributions, expenses and liquidity risk. When using the modelling analysis, the user should consider how these risks apply and whether they are material to the decisions under consideration.

There are other factors that could materially affect the Fund's funding and strategy decisions, or the exposure or realisation of the risks above:

- These other factors include external factors such as climate change or political, regulatory and legislative change.
- The general risk factors of economic or technological change are reflected in our economic assumptions and the prevalence of extreme events in our economic model, but not all specific risks can be captured (e.g. disruptions to the financial system, or technological change leading to improvements in longevity).
- There are other risks to which the Fund is exposed that we assume are not material to long-term funding and investment strategy decisions, such as timing of member options or operational risks

Limitations (continued)

There are necessarily some limitations associated with the stochastic scenarios calibrated to Aon's Capital Market Assumptions used for asset-liability modelling.

- CMAs and asset-liability modelling. Asset-liability projections rely on views of the future and whilst median projections are our Aon-house views (intended to reflect no bias), we do not know what will materialise in practice (for example it cannot be predicted exactly how the equity market and bond market will develop over the next year). To help build up a more complete picture of possible outcomes, we project assets and liabilities stochastically with the aim of capturing the uncertainty associated with the projections. This approach is designed to be coherent with each asset being calibrated to target a CMA median return, volatility and set of interdependencies (correlations) assumptions. Nevertheless, there remain some limitations, including but not limited to those set out below.
- Whilst Aon's CMA assumptions are supported by historical data, current financial market prices and expert views there are necessary some limitations in the analysis, including, but not limited to, the following:
 - Long-term versus short-term. The stochastic scenario calibration primarily seeks to capture a realistic long-term distribution of outcomes but is also mindful of short-term risk behaviours. These, sometimes competing, objectives can lead to some trade-offs within stochastic scenario calibration and the requirement for significant expert judgement. Where significant focus is applied to an individual asset class, particularly for more extreme outcomes, the user should bear this limitation in mind, and/or may wish to consider the use of deterministic scenarios.
 - Only 5,000 scenarios are produced. There is necessarily a trade-off between running more scenarios and spurious accuracy. Notably as you approach extreme tails, i.e., 1-200 this is an area of the distributions where there is insufficient market information to apply rigorous statistical analysis to explicitly calibrate models to, as such seeking to define the model outcome with a high degree of confidence is to some extent spurious and will be heavily driven by model selection.
 - Data used for the CMAs may be limited and/or be subject to interpretation for relevance today. The issues that arise from a lack of or poor historical data may be compounded by changing context. For example, for part of the last 100 years the UK was either on the gold standard or a quasi-gold standard, which is a very different economic framework than floating currencies. This obviously creates significant issues for the relevance of any cash rate and bond yield data.
 - Defined randomness rather than chaotic behaviour. The model, by necessity, assumes an underlying distribution of returns and yields. This presumes the underlying asset returns are random in nature rather than deterministic and chaotic. In a deterministic and/or chaotic framework the concept of a 1-in-X event has no meaning and so is not used in this modelling.
 - Some extreme events are not modelled. Our model is built on the premise that the current monetary and political framework will continue and presumes that there will not be a breakdown of civil order, a major natural disaster, UK government default or a significant global armed conflict. We view these risks as being outside the typical use case, however where very extreme scenarios are considered these may be relevant and should be addressed through deterministic scenario analysis.
 - Unknown unknowns. The model deals with known risks and therefore does not allow for "black swan events" or "unknown unknowns", while our model does have fat tails, it is not possible to fully allow for these types of unknown risks.
 - Volatilities and correlations. Volatility and the correlation of assets are only observable after the fact and can change over time. Within the stochastic scenario calibration, volatility and correlations vary for each of 5,000 scenarios, with the distribution of outcomes largely a function of the chosen economic models and the median long-term volatility and correlation targets. Some correlation behaviour is introduced in the tails e.g., large equity falls with more downward credit transitions.

Capital Market Assumptions

Aon's Capital Market Assumptions (CMAs) are our asset class return, volatility, and correlation assumptions. The return assumptions are "best estimates" of annualised returns. Below we set out the key features and approach taken in setting these assumptions.

- Aon's CMAs. Market risk is the primary risk considered as part of the CMA setting process.
 - The return assumptions are Aon's "best estimate" returns, with the uncertainty around the expected return represented by the volatility (annualised standard deviation of returns over the projection period) assumptions. Correlation assumptions allow for the interconnectedness of the risks facing different asset classes.
 - By 'best estimate' we specifically refer to the median annualised return. That is, there is a 50/50 chance that outcomes will be above or below the assumptions.
 - Assumptions are set by Aon's Global Asset Allocation Team and represent the long-term (10 and 30 year) market outlook.
 - Our long-term assumptions are based on historical results, current market characteristics, our professional judgment, and forward-looking consensus views.
- Consideration of other approaches. Alternative approaches include using generalized global models, such as the Capital Asset Pricing Model (CAPM) or a fixed risk premia approach, but we believe these approaches over-simplify the analysis and do not capture as much of the intricacies around each asset class.
- Climate risks. We consider the impacts of climate change when setting our assumptions. Making direct adjustments is challenging and subject to a high degree of subjectivity, as climate change effects are extremely 'non-linear'. Aon's capital market assumptions (CMAs) are based on long-term consensus views of what is priced into the market, and therefore indirectly capture the climate risk that is currently captured in current market conditions. A separate range of deterministic scenarios focusing on climate change scenarios can be used to inform and help aid decisions.
- Other risks. The effects of other internal or external environmental factors, such as technological, economic, political and geopolitical, regulatory and legislative changes, are also indirectly captured, in consensus views on the economic outlook and market pricing, which feed into our return assumptions.

Aon's Stochastic Scenario Generator (SSG) Model

Aon's Stochastic Scenario Generator (SSG) Model is a set of 5,000 stochastic scenarios, calibrated quarterly to Aon's Capital Market Assumptions. These stochastic scenarios can be used to evaluate the risk and return characteristics of a Fund's assets versus its liabilities.

Asset-liability modelling

- Stochastic scenarios. Aon's Capital Market Assumptions CMAs are used as targets to calibrate a set (typically 5,000) of stochastic scenarios for each economic variable. This allows us to perform stochastic asset-liability studies i.e. project portfolios of assets and liabilities many times into the future, building up a coherent picture of possible outcomes. Allowing for the interactions of asset and liabilities stochastically impacts median outcomes and enables percentile outcomes and probabilistic metrics to be considered.
- Consistent framework. All the major markets and asset classes are modelled within a consistent framework allowing for the interactions between them to be properly taken into account.
- Model choice. When setting assumptions, we have opted to use different economic models for different asset classes (listed on this slide), as we believe this would be the best way to capture the specific characteristics associated with each asset class.

Key economic models used

- Nominal yields are modelled using an extended displaced Black-Karasinski model, which enables us to model full yield curves. Yields are positively skewed, and the model can fit the starting curve. In the current calibration, average nominal yields are assumed to broadly follow the market for the first c.20 years of the projections.
- Real yields are modelled using a Hull-White model, this enables us to model unbounded full yield curves. The model can fit the starting curve. In the current calibration, average real yields are assumed to broadly follow the market for the first c.20 years of the projections
- Inflation is taken as the difference between nominal and real short rates, and the positive skew of the nominal yield model ensures realised inflation is positively skewed. For realised inflation a 'surprise' element is allowed for making inflation more volatile than purely predicted by the short rates.
- Investment grade corporate bonds are modelled using an extended Jarrow-Lando-Turnbull framework which assumes bonds can be modelled based on their credit rating and anticipated cashflows. This ensures positive credit spreads with positive skew and ratings transitions which broadly reflect historically observed transitions.
- Return-seeking assets are modelled using exposures to factors, where each factor can contain stochastic volatility and/or jump diffusion process. This gives the flexibility to capture more complex tail behaviour than is typically observed in simpler log-normal models.
- Other assets generally use outputs from the models above and exposure to some degree of idiosyncratic element in order to capture desired properties for the asset being considered.

TAS compliance

This document has been prepared in accordance with the framework set out below.

This document has been requested by the Administering Authority. It has been prepared under the terms of the Agreement between North Yorkshire Pension Fund and Aon Solutions UK Limited / Aon Investments Limited on the understanding that it is solely for the benefit of the addressee.

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100') (updated July 2023).

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This document should be read in conjunction with:

- The Initial Results – Actuarial Valuation as at 31 March 2025 report.
- The latest Funding Strategy Statement.

If you require further copies of any of these documents, please let us know.

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