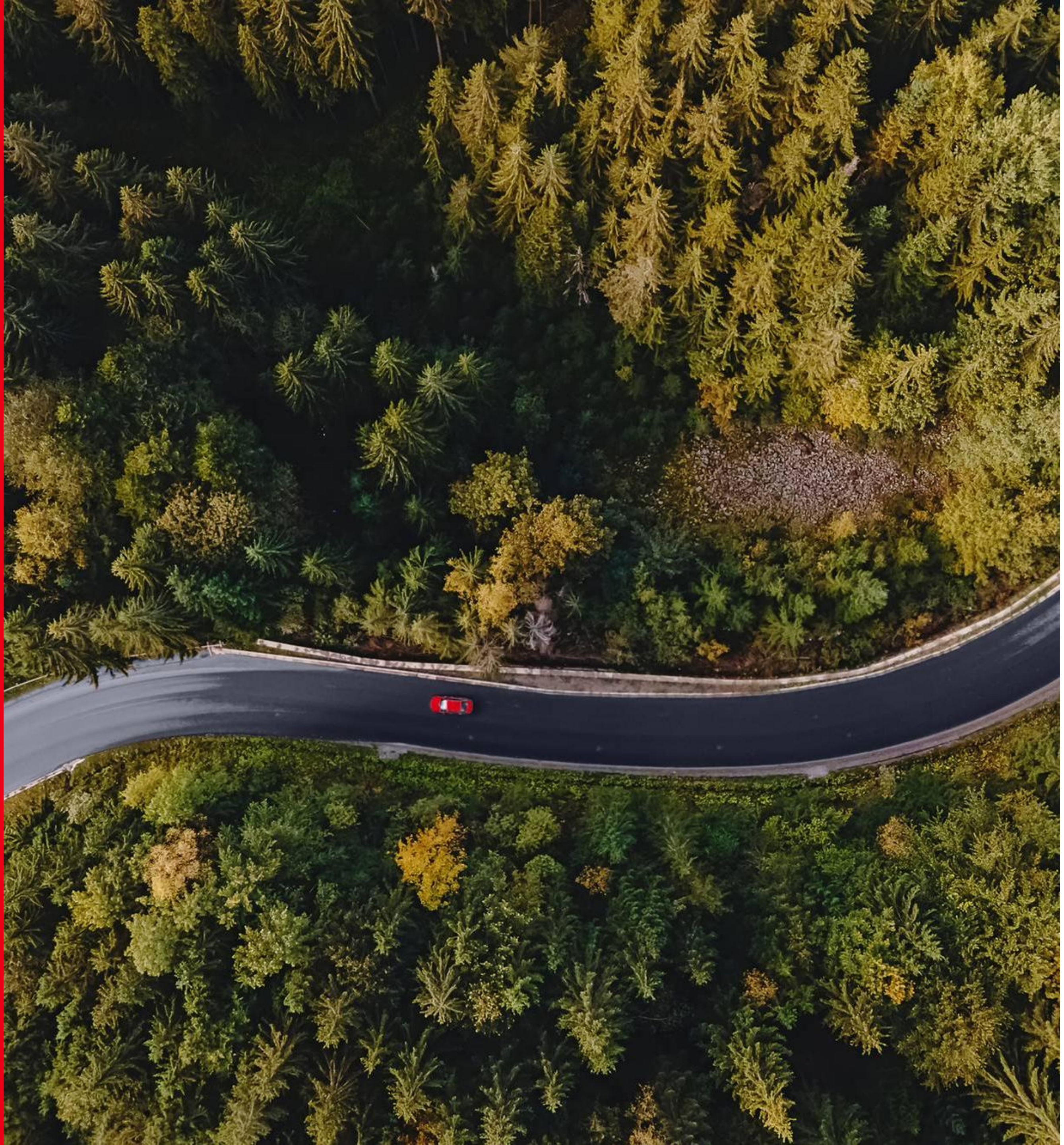
AON



Quarterly Funding & Investment Report

End March 2026

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

Prepared by: Aon

22 May 2026

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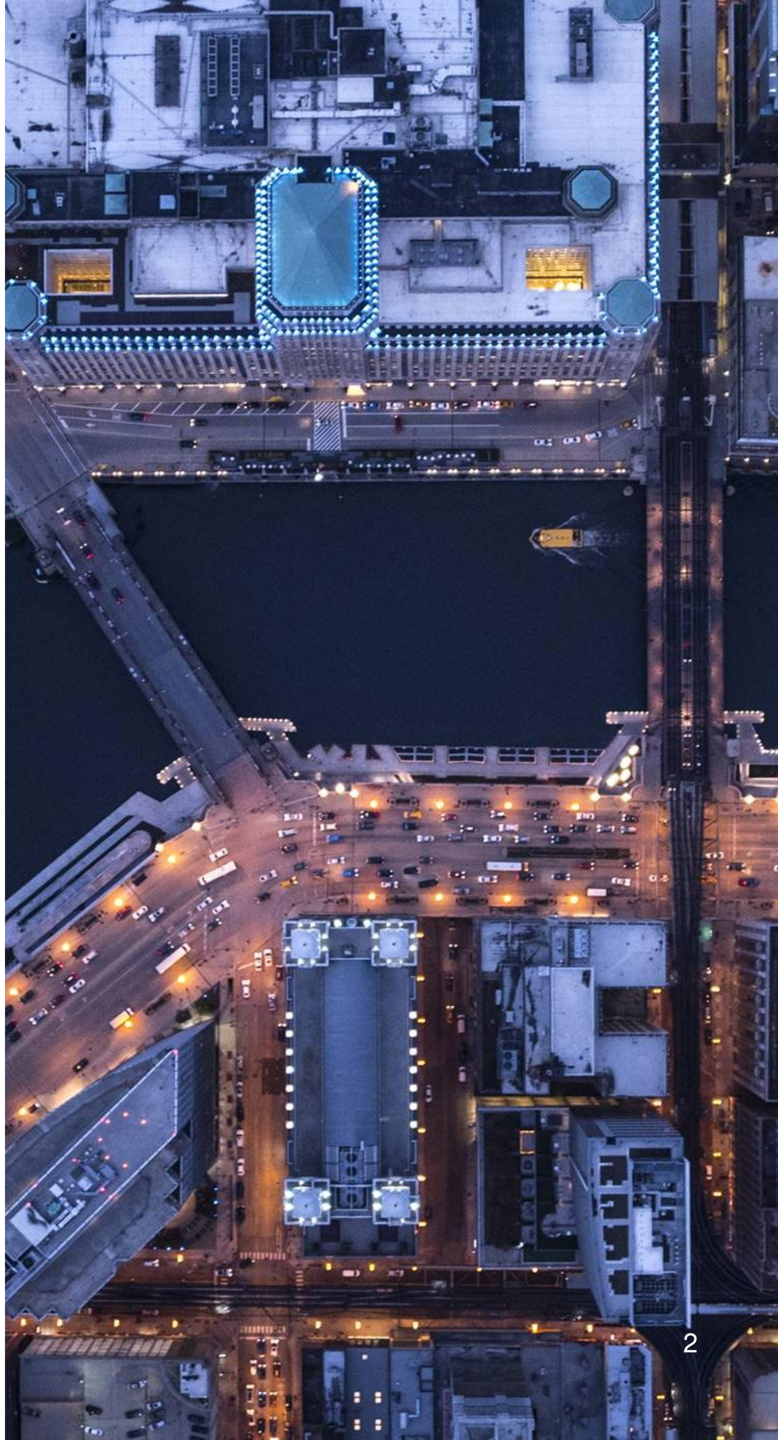
Contents



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At a glance

A high level summary of your investments and funding

At a glance...

Funding

Since the results of the valuation at 31 March 2025 the Fund's ongoing funding has level decreased by 1%, and the surplus has decreased by £17M.

Asset returns have been broadly in line with expected and the assumptions are broadly unchanged.

The pension increase applied in April 2026 of 3.8% was higher than our long-term assumption which has resulted in a slight worsening of the funding position.

Asset Allocation and Implementation

Post quarter end PFC members agreed to the following commitments and investments:

- £220m commitment to series 3b of Border to Coast's Private Credit programme
- £80m commitment to series 3b of Border to Coast's Infrastructure programme
- £50m commitment to Border to Coast's UK Property fund
- £100m investment at launch in Border to Coast's Global Sustainable Bonds fund

Performance

Over the quarter the Fund underperformed the benchmark returning -3.7% vs -0.1%.

Total Fund performance is behind the composite benchmark over the quarter, 1 year, 3 year and 5 year periods to 31 March 2026.

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.

Market Background and Investment Outlook (April 2026)*

In Q1, the MSCI All-Country World Index fell 1.2% in sterling terms, with the UK the strongest region (+4.1%), the US lagging (-2.6% in sterling), Emerging Markets (+1.9%).

US markets were driven by Energy sharply ahead (+38.3%) as escalating US–Iran tensions and effective closure of the Strait of Hormuz pushed oil prices sharply higher and re-introduced a stagflation risk narrative. While Technology declined (-9.4%) amid concerns over AI-related earnings and capital expenditure.

Whilst markets have been cheered by the ceasefire between Iran and the U.S., we fear it could be an unstable one, with Iran unlikely to want to relinquish control over the Strait of Hormuz.

Markets are trying to digest the potential implications of AI and conflict in the Middle East. Whilst this has created significant turbulence in financial markets, the drawdown in public equities has been small relative to 2025's gains. It is still not too late to think about resilience.

KEY ACTIONS

- PFC members to consider the contents of this report.

Note: *The opinions referenced are as of the date of publication (9 April 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 – Q1 2026

Assets **£4,946M** Assets increased by £192m since 2025 valuation £4,754M at 2025 valuation	**Funding level** **119%** Funding level decreased by 1% since 2025 valuation 120% at 2025 valuation	**Return on Assets since 2025 Valuation** **5.0% pa**
Current Assets Expected Return (10 year p.a.) **+7.4%** 0.0% increase since 2025 Valuation 7.4% at 2025 valuation	**Long-term Strategy Expected Return (10 year p.a.)** **+7.6%** 0.0% increase since 2025 Valuation 7.6% at 2025 valuation	**Discount rate** **4.9%** Discount rate has increased by 0.1% since 2025 valuation 4.8% at 2025 valuation
Current Assets Value at Risk (1 Year 1 in 20) **£890m**	**Long-term Strategy Assets Value at Risk (1 Year 1 in 20)** **£866m**	**Estimated Total Employer cost** **10.6%** Total employer contribution rate has increased by 0.3% since 2025 valuation 10.3% at 2025 valuation

Note: This funding update rolls forward the results of the 2025 valuation of the Fund. We have made allowance for actual pension increases since the valuation (allowing for pension increases awarded in April 2026).

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Funding

A review of your funding position and contributions

Funding position

Funding level

119%

at 31 March 2026

Decreased from 120% at 31 March 2025

Surplus

£781M

at 31 March 2026

Decreased from £798M at 31 March 2025

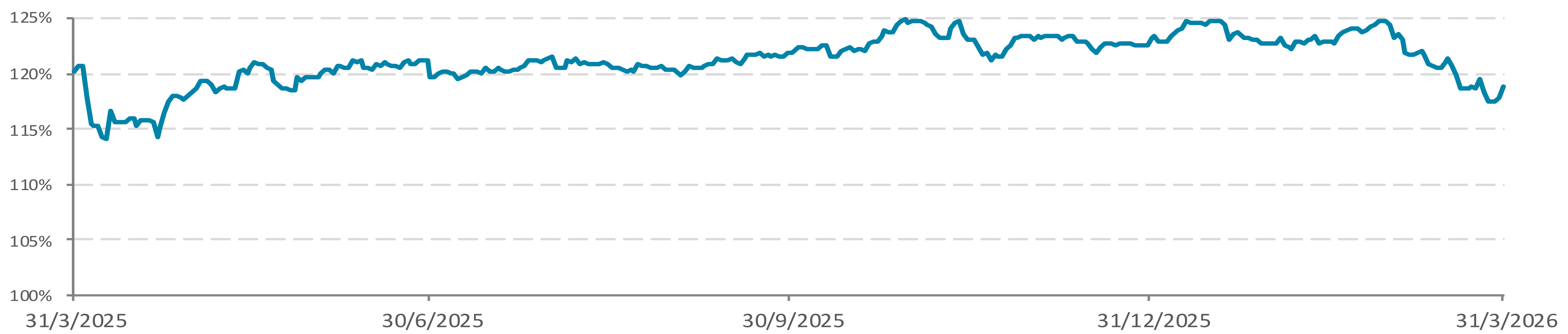
Comments

Since the results of the valuation at 31 March 2025 the Fund's ongoing funding has level decreased by 1%, and the surplus has decreased by £17M.

Asset returns have been broadly in line with expected and the assumptions are broadly unchanged.

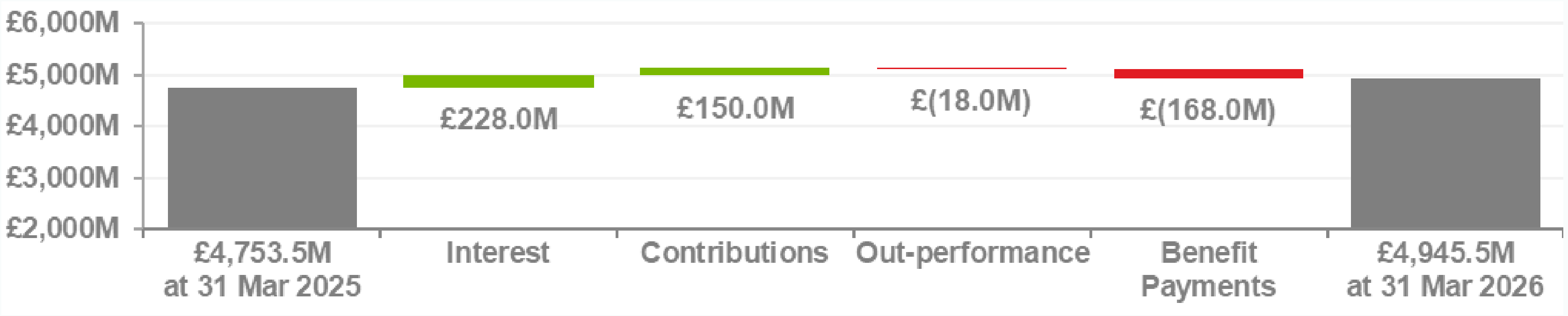
The pension increase applied in April 2026 of 3.8% was higher than our long-term assumption which has resulted in a slight worsening of the funding position.

Change to funding level since 31 March 2025

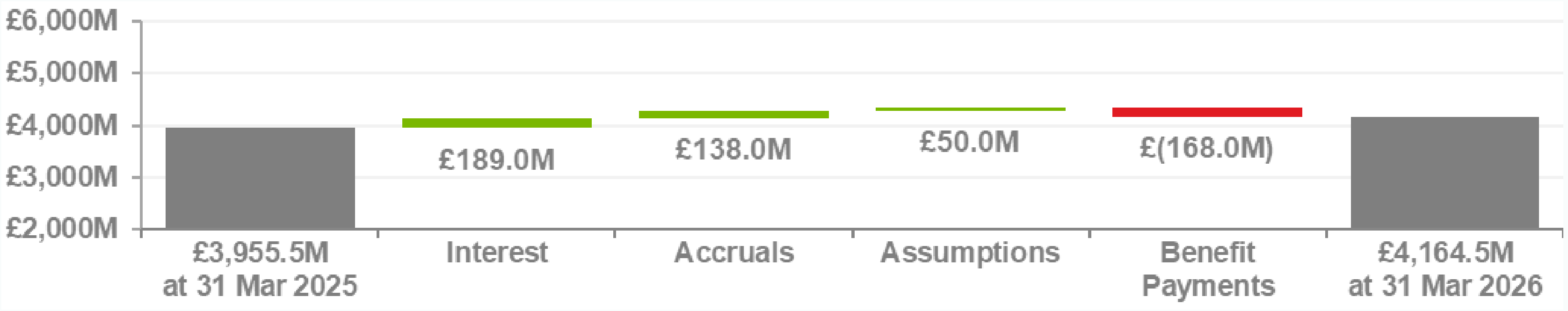


Analysis – Ongoing funding target

Reason for change since 31 March 2025 – Asset Attribution



Reason for change since 31 March 2025 – Liability Attribution



Comments

Since the 2025 valuation the surplus has decreased by £17M.

Aggregate Employer contributions – ongoing funding target

Total employer contribution rate	Employer cost of accrual	Comments
10.6% at 31 March 2026 Up from 10.3% at 31 March 2025	**15.0%** at 31 March 2026 Unchanged from 15.0% at 31 March 2025	The total employer contribution rate has increased slightly since the 2025 valuation. This is largely due to the small drop in funding level.

Notes

The total employer contribution rate quoted above is based on the average total employer contribution rates across the Fund. Individual employer contributions can be very different to the average figure across the Fund shown above depending on their own characteristics, membership profile and funding target. The individual employer contributions have been reviewed as part of the triennial valuation at 31 March 2025.

Funding position – Low Risk funding target

Funding level	Funding level
110%	**110%**
at 31 March 2026	at 31 March 2025

Surplus	Surplus
£445M	**£441M**
at 31 March 2026	at 31 March 2025

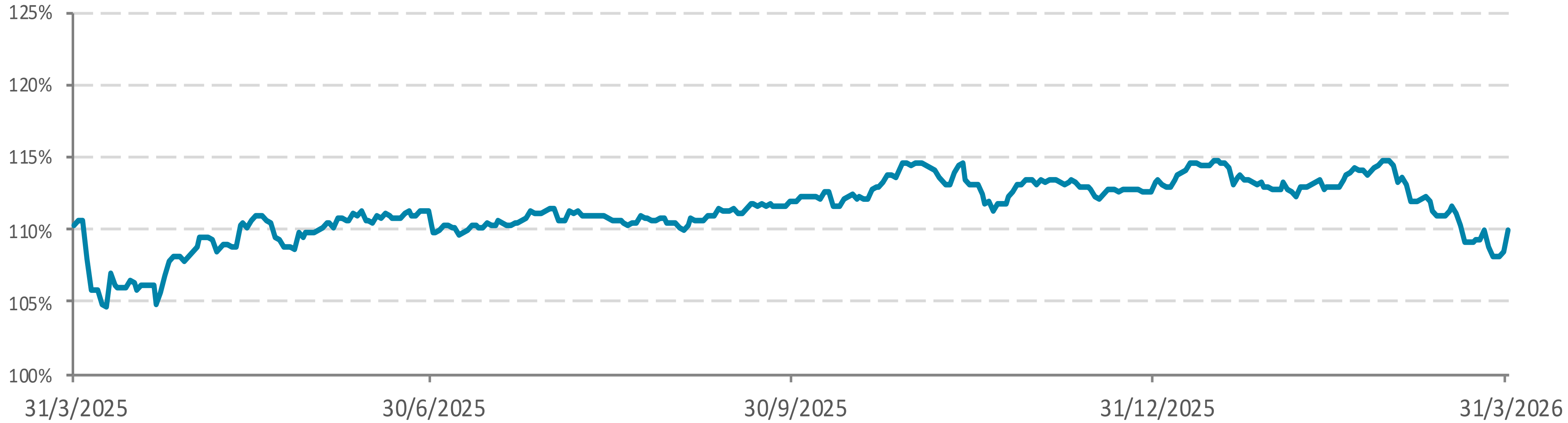
Basis: Low Risk funding target
Effective date: 31 March 2026

Comments

The funding level on the low risk funding target is the same as at the 2025 valuation.

Low risk funding target

Change to funding level since 31 March 2025



Notes: This chart is provided to give an illustration of the change in the funding level based on the low-risk funding target since the 2025 valuation date. It has been produced based on changes in daily gilt yields and market implied inflation assumptions.

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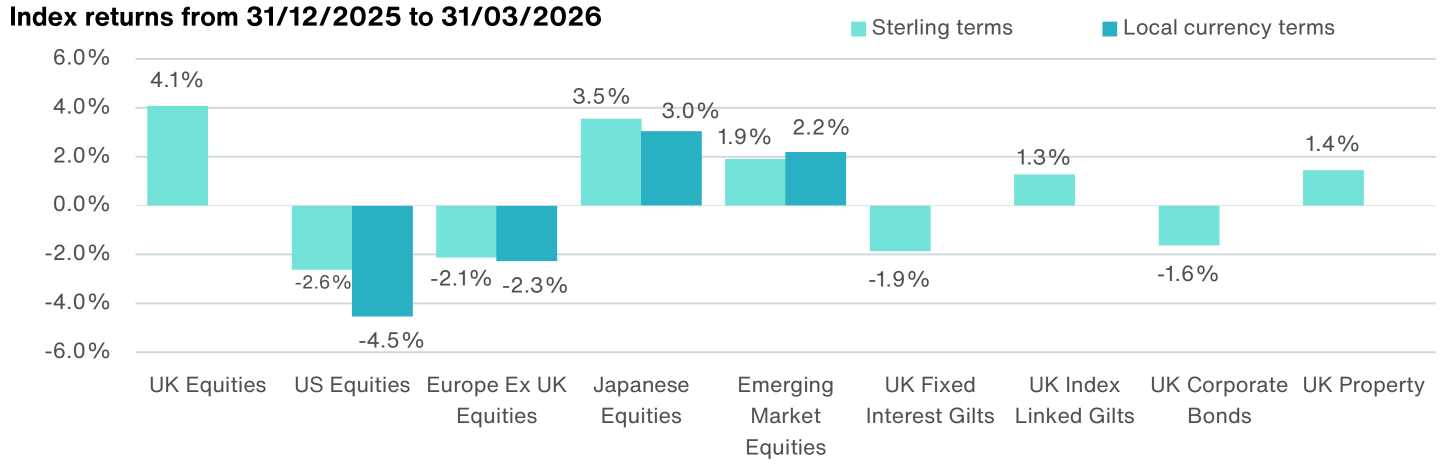
Market background

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

Market Background Q1 2026



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

Key Themes

Middle East conflict and energy shock: Escalating US–Iran tensions and effective closure of the Strait of Hormuz pushed oil prices sharply higher and re-introduced a stagflation risk narrative.

Inflation and central banks: The Fed and Bank of England held rates but shifted more hawkish as higher-for-longer inflation risks grew; markets moved from pricing cuts to considering further hikes.

Tariffs, trade and geopolitics: US tariff policy and sanctions shift continued to reshape global trade flows, while the conflict highlighted vulnerabilities for major energy importers.

Bond yields: Higher yields and rising breakeven inflation weighed on government bonds and risk assets, credit spreads widened slightly across most maturities.

Equities

In Q1, the MSCI All-Country World Index fell 1.2% in sterling terms. The UK was the best performing region, as it rose 4.1%.

Meanwhile, the US had a poor quarter, falling 4.5% in US dollar terms (and 2.6% in sterling terms). Indeed, most regions outperformed the US, including the Emerging Markets (+1.9% in sterling terms).

Energy was the clear outperformer, rising 38.3%, supported by elevated oil and gas prices.

Technology fell by 9.4%, with investors questioning the earnings potential of AI and the impact of large AI related capital expenditure plans on company balance sheets.

Bonds

Global bond yields trended higher over the quarter across major economies, except for China, where yields moved lower.

UK investment grade credit spreads widened by 0.9% to 0.90% over the quarter, based on the iBoxx Sterling Non-Gilts index. Generally, both higher-quality and lower-quality bond credit spreads widened.The iBoxx Sterling Non-Gilts Index posted a return of -1.6%.

Global investment grade credit spreads rose by 0.13% to 0.92% over the quarter.

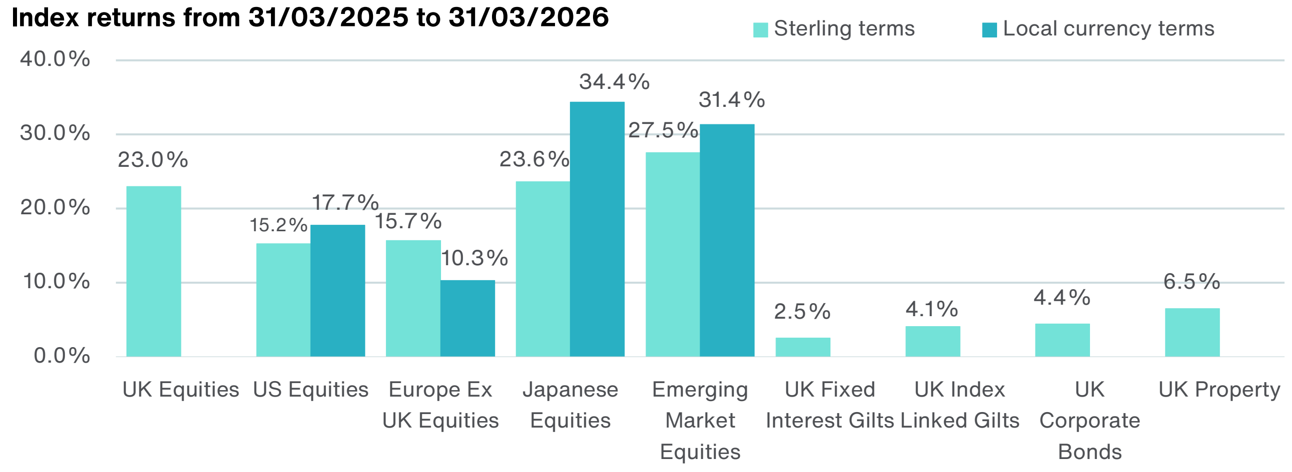
Gilts

UK gilt yields moved sharply higher over the quarter on concerns that a prolonged energy shock from the Iran conflict could lead to higher inflation and a more persistent high-rate environment.

The UK 10-year benchmark bond yield touched 4.95% (crossing 5% on an intraday basis), its highest levels since the 2008 financial crisis. It ended the quarter at 4.84%, up by 0.37% over Q1 2026.

The index-linked gilt yield curve mostly shifted downwards over the quarter, except for the 20- and 30-year terms, where it rose. Breakeven inflation rose across all maturities with the 10-year breakeven inflation rising by 0.59% to 3.59%.

Annual Market Background



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

Key Themes

- **UK Budget:** The Autumn Budget delivered structurally higher taxes amid a challenging fiscal backdrop.
- **Tariffs, trade deals and legal uncertainty:** US–China trade tensions eased in late 2025 as a temporary deal was reached, but US tariff policy remained in flux, with the Supreme Court ultimately striking down International Emergency Economic Powers Act tariffs, with the administration pivoting to alternative tools.
- **Middle East conflict and energy shock:** Escalating tensions in the Middle East and the effective closure of the Strait of Hormuz drove a sharp rise in oil prices, bringing stagflation concerns and weighing on risk sentiment.
- **Central banks – from easing to renewed hawkishness:** Through 2025, the BoE and Fed continued their rate-cutting cycles; by Q1 2026, higher inflation risks, caused in part by the middle-east drive energy shock, saw both hold rates and adopt a “wait-and-see” approach.

Equities

Global equity markets rose over the last twelve months. The MSCI ACWI rose 19.7% in local currency and 18.0% in sterling terms.

UK equities returned 23.0% over the twelve month period, supported by broad based gains.

US equities delivered 17.7% in local terms over the twelve-month period, with gains recorded across all sectors. Energy led performance, rising 35.5%, supported by elevated oil and gas prices and strong cash-flow generation. Communication Services and Information Technology also posted robust returns of 32.3% and 28.3%, respectively, reflecting continued strength in platform companies and AI-related growth themes.

Bonds

Global bond yields trended higher over the twelve-month period across major economies, except for China, where yields fell slightly.

Gilts

UK gilt yields moved higher across the curve. In Q1 2026, the UK 10-year benchmark bond yield touched 4.95% (crossing 5% on an intraday basis), its highest level since the 2008 financial crisis amid concerns that a prolonged energy shock from the Iran conflict could lead to higher inflation and a more persistent high-rate environment.

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Asset Allocation

A review of your current and strategic asset allocations

Overall Asset Allocation – 31 March 2026

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Equities		**1,764.0**	**35.7%**	**39.0%**	**-3.3%**	✓
	BCPP Global Equity Alpha	1,456.6	29.5%	31%	-1.5%	
	Baillie Gifford LTGG	307.4	6.2%	8%	-1.8%	
Property		**324.8**	**6.6%**	**4.3%**	**+2.3%**	⏱
	BCPP UK Real Estate	24.8	0.5%	4.3%	-3.8%	
	L&G	50.2	1.0%	-	+1.0%	
	Threadneedle	249.7	5.0%	-	+5.0%	
Infrastructure		**914.1**	**18.5%**	**15.0%**	**+3.5%**	⏱
	BCPP Infrastructure	496.2	10.0%	10.0%	0.0%	
	BCPP Climate Opportunities	110.3	2.2%	4.0%	-1.8%	
	BCPP UK Opportunities	8.1	0.2%	1.0%	-0.8%	
	BCPP Listed Alternatives	299.4	6.1%	0.0%	+6.1%	

⚠ Action taken / potential action required

⏱ Awaiting drawdown

✓ No action required

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

Overall Asset Allocation – 31 March 2026 (cont.)

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Private Credit		**222.2**	**4.5%**	**11.0%**	**-6.5%**	
	BCPP Private Credit	212.0	4.3%	11.0%	-6.7%	
	Arcmont	8.2	0.2%	-	+0.2%	
	Permira	2.0	0.0%	-	-	
Non-Investment Grade Credit		**278.4**	**5.6%**	**5.2%**	**+0.4%**	✓
	BCPP Multi Asset Credit	278.4	5.6%			
Investment Grade Credit		**383.9**	**7.8%**	**8.0%**	**-0.2%**	✓
	BCPP Investment Grade Credit	383.9	7.8%			
Gilts		**964.0**	**19.5%**	**17.5%**	**+2.0%**	✓
	BCPP Index Linked Bonds	964.0	19.5%			
Cash		**94.3**	**1.9%**	**0.0%**	**+1.9%**	
	Internal Cash	94.3	1.9%			
Total		**4,945.5**	**100.0%**	**100.0%**		

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

Investment strategy update

Recent and upcoming activity

- Post quarter end PFC members agreed to the following commitments and investments:
  - £220m commitment to series 3b of Border to Coast's Private Credit programme
  - £80m commitment to series 3b of Border to Coast's Infrastructure programme
  - £50m commitment to Border to Coast's UK Property fund
  - £100m investment at launch in Border to Coast's Global Sustainable Bonds fund

Transitions and cashflows

The following rebalancing activities took place over the quarter:

Border to Coast net capital calls and distributions:

- Infrastructure: c.+£8.5m (23 capital calls and 43 distributions)
- Climate Opportunities: c.+£2.1m (10 capital calls and 11 distributions)
- UK Opportunities: c.-£0.5m (3 capital calls and 6 distributions)
- Private Credit: c.-£0.9m (11 capital calls and 41 distributions)

- No Distribution or Capital Call Activity was recorded for Permira, Arcmont or BCPP UK Real Estate during the period.

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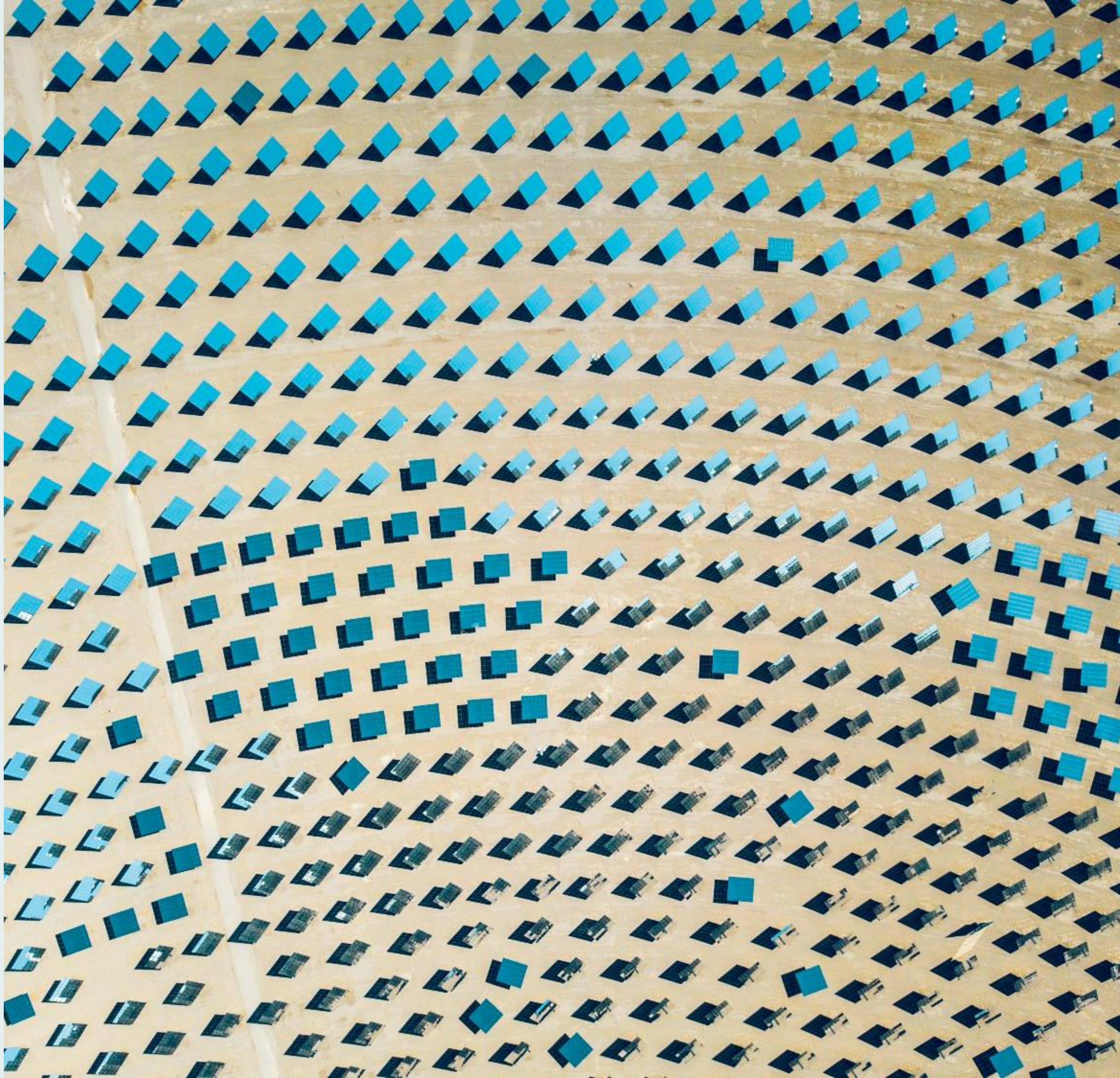
Fund performance

A review of your investment performance



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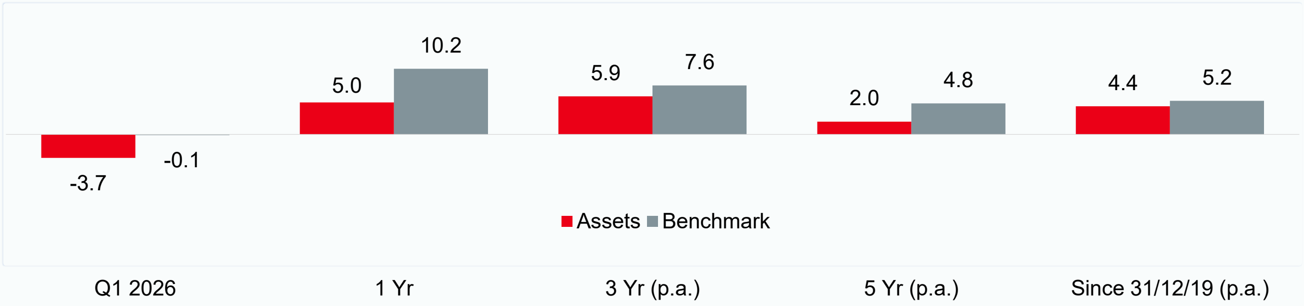
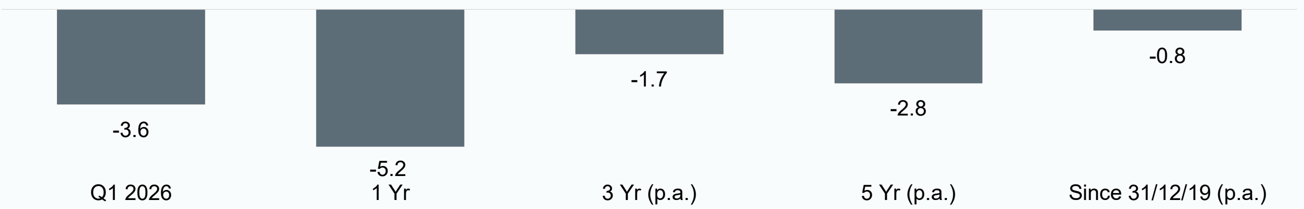
Total Fund performance – snapshot

Fund performance & benchmark





Source: Northern Trust, Aon. Performance is shown net of fees.

Quarterly (relative)

-3.6%

The Fund underperformed the benchmark returning -3.7%vs -0.1% over the quarter.

3 year (relative)

-1.7% p.a.

Over 3 years the Fund has underperformed the benchmark returning 5.9% p.a. vs 7.6% p.a.

Comments

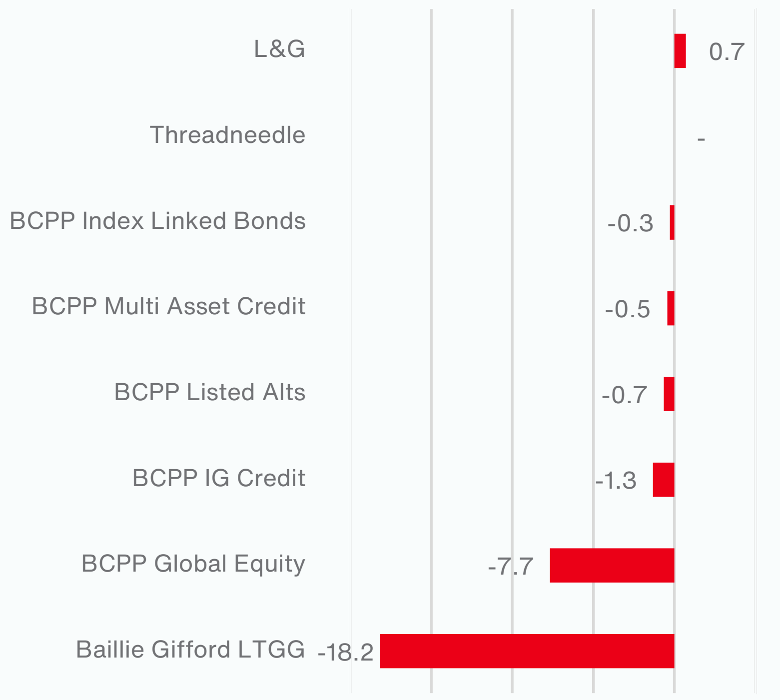
Total Fund performance is behind the composite benchmark over the quarter, 1 year, 3 year and 5 year period to 31 March 2026.

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.

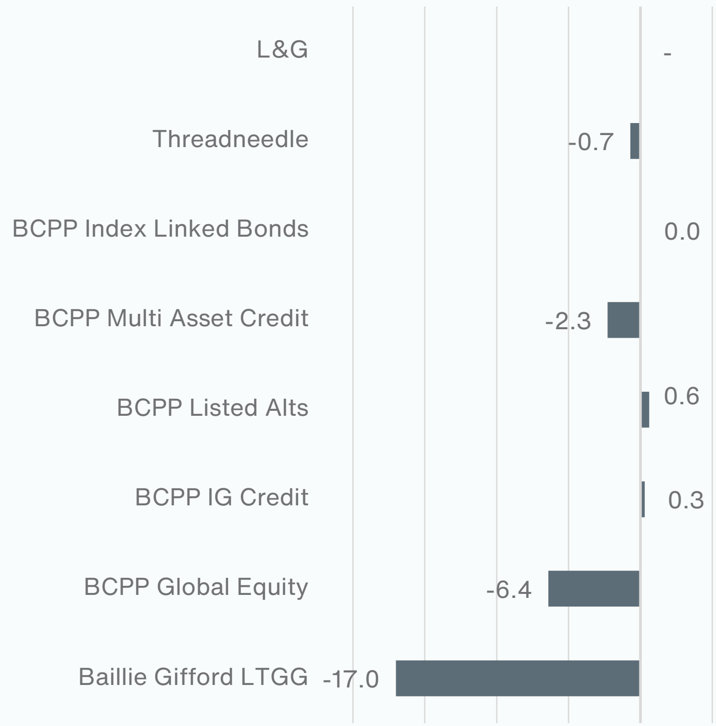
The performance figure since 31/12/19 is provided to illustrate how the Fund has performed over the entire period, including both before and after major market events in the 2020s. This allows for a more comprehensive assessment of long-term performance and the impact of significant market changes.

Manager performance – quarter snapshot

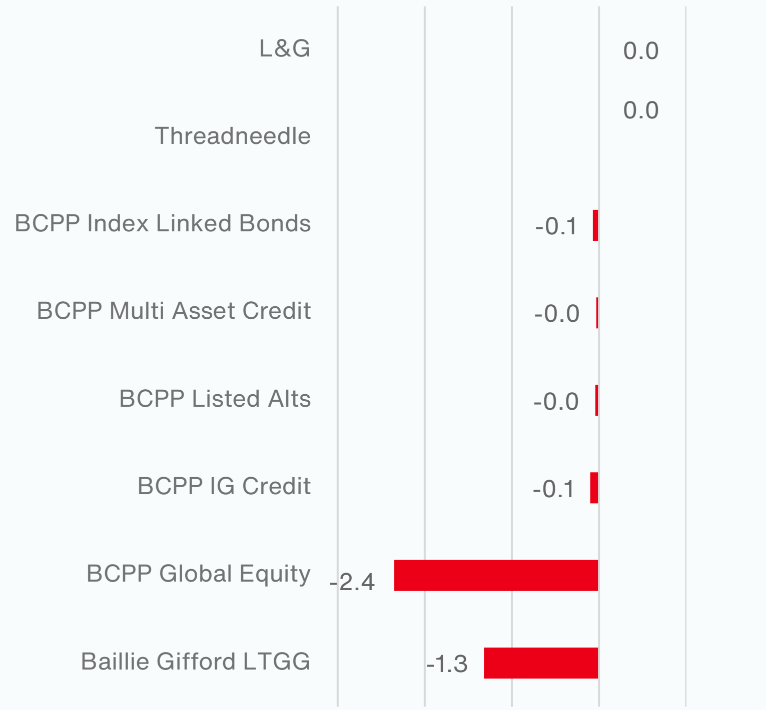
Absolute performance (%)



Relative performance (%)



Contribution to absolute return (%)



Source: Northern Trust, Managers, Aon. Performance is shown net of fees.
Note: BCPP Private Markets performance shown on pages (24-27). L&G, Threadneedle; MSCI data was used for fund performance and benchmarking purposes, total Fund performance calculated using Northern Trust data.

Manager performance – longer term

	Q1 26 asset allocation	1 Year (%) Perf	1 Year (%) B'mark	1 Year (%) Rel	3 Years (% p.a.) Perf	3 Years (% p.a.) B'mark	3 Years (% p.a.) Rel	5 Years (% p.a.) Perf	5 Years (% p.a.) B'mark	5 Years (% p.a.) Rel	Since 31/12/19 (% p.a.) Perf	Since 31/12/19 (% p.a.) B'mark	Since 31/12/19 (% p.a.) Rel	Since inception (% p.a.) Perf	Since inception (% p.a.) B'mark	Since inception (% p.a.) Rel	Inception date
Equity																	
Global Equity																	
BCPP Global Equity	**29.5%**	5.2	17.5	-12.3	8.2	14.1	-5.9	7.1	10.6	-3.5	8.3	11.2	-2.9	8.8	11.5	-2.7	Oct-19
Baillie Gifford LTGG	**6.2%**	-2.1	18.0	-20.1	9.5	14.6	-5.1	-0.6	11.0	-11.6	10.3	11.5	-1.2	13.5	10.1	3.4	Sep-06
Property																	
L&G	**1.0%**	5.1	4.3	0.8	4.3	3.3	1.0	3.7	3.0	0.7	-	-	-	-	-	-	Dec-12
Threadneedle	**5.0%**	3.6	4.3	-0.7	3.3	3.3	0.0	3.3	3.0	0.3	-	-	-	-	-	-	Jun-12
Infrastructure																	
BCPP Listed Alternatives	**6.1%**	4.4	17.4	-13.0	7.8	14.1	-6.3	-	-	-	-	-	-	3.5	10.0	-6.5	Feb-22
Investment grade credit																	
BCPP Investment Grade Credit	**7.8%**	4.8	4.4	0.4	5.0	4.3	0.7	0.0	-0.7	0.7	-	-	-	0.1	-0.9	1.0	Aug-20
Non-investment grade credit																	
BCPP Multi-Asset Credit	**5.6%**	7.6	7.6	0.0	8.1	8.2	-0.1	-	-	-	-	-	-	3.4	7.2	-3.8	Nov-21
Gilts																	
BCPP Index Linked Bonds	**19.5%**	3.4	3.2	0.2	-8.0	-8.3	0.3	-13.2	-13.4	0.2	-	-	-	-12.7	-13.3	0.6	Oct-20
Total		**5.0**	**10.2**	**-5.2**	**5.9**	**7.6**	**-1.7**	**2.0**	**4.8**	**-2.8**	**4.4**	**5.2**	**-0.8**	**6.8**	**7.3**	**-0.5**	**Jan-02**

Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding. Performance is shown net of fees.
Note: BCPP Private Markets performance shown on pages (24-27). L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes.

Border to Coast Pensions Partnership – private infrastructure performance summary

BCPP Infrastructure

Fund	Q1 2026 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A	**98.7%**	**95.0%**	**31.5%**	**6.3%**	**1.22x**
Series 1B	**98.7%**	**85.2%**	**8.7%**	**3.2%**	**1.09x**
Series 1C	**100.0%**	**95.6%**	**18.4%**	**8.0%**	**1.25x**
Series 1	**-**	**-**	**-**	**6.3%**	**1.20x**
Series 2A	**99.7%**	**70.1%**	**9.0%**	**6.4%**	**1.13x**
Series 2B	**99.9%**	**43.3%**	**1.4%**	**0.8%**	**1.01x**
Series 2C	**100.0%**	**45.4%**	**3.9%**	**4.8%**	**1.03x**
Series 2	**-**	**-**	**-**	**5.0%**	**1.07x**
Series 3A	**95.8%**	**20.2%**	**0.4%**	**-**	**-**

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.

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 December 2025

Border to Coast Pensions Partnership – private credit performance summary

BCPP Private Credit

Fund	Q1 2026 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A/B	**99.5%**	**97.5%**	**50.5%**	**8.7%**	**1.25x**
Series 1C	**99.5%**	**96.5%**	**46.5%**	**8.3%**	**1.16x**
Series 1	-	-	-	**8.5%**	**1.20x**
Series 2A	**100.0%**	**64.2%**	**13.0%**	**6.4%**	**1.10x**
Series 2B	**99.1%**	**42.4%**	**6.2%**	**7.0%**	**1.07x**
Series 2C	**100.0%**	**20.3%**	**0.4%**	**8.8%**	**1.06x**
Series 2	-	-	-	**6.8%**	**1.08x**
Series 3A	**46.3%**	**4.7%**	**0.1%**	-	-

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.

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 December 2025

Border to Coast Pensions Partnership - private diversified funds performance summary

BCPP Climate Opportunities

Fund	Q1 2026 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Climate Opps Series 1 (Series 2A/B)	**99.9%**	**65.3%**	**9.1%**	**4.8%**	**1.08x**
Climate Opps Series 2 (Series 2C)	**60.2%**	**37.7%**	**1.4%**	-	-

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.

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 December 2025.

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

BCPP UK Opportunities

Fund	Q1 2026 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
UK Opps (Series 1)	**46.1%**	**41.5%**	**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.

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 December 2025.

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	3B
Private Credit	£195m	£75m		£120m	£210m	£70m	£70m	£70m	£440m	£220m	£220m
Infrastructure	£320m	£70m	£50m	£200m	£360m	£120m	£120m	£120m	£160m	£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	

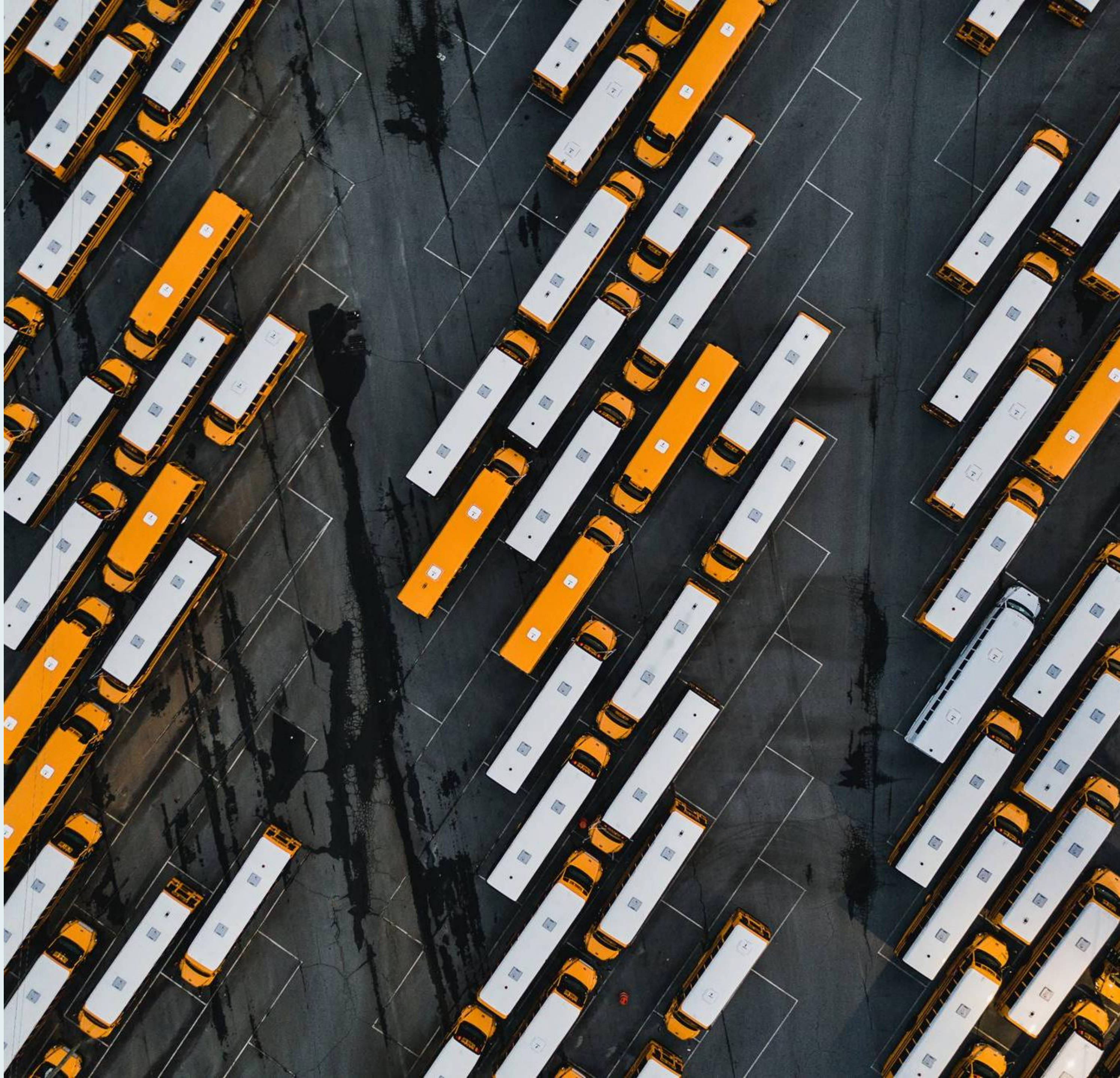
UK Real Estate - £37.49m committed on 30 June 2025

Source: BCPP, Aon, 31 March 2026.

6

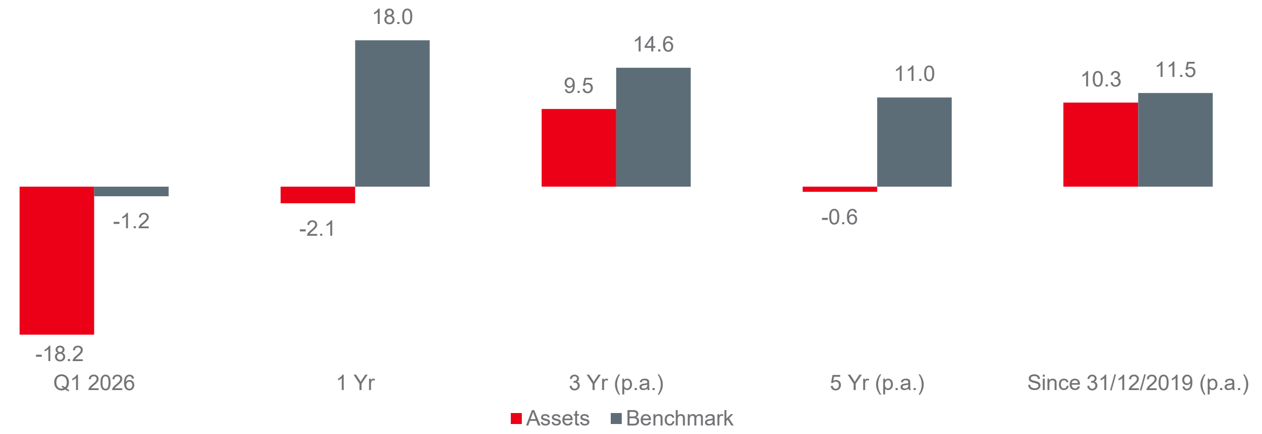
Manager review

Aon ratings and understanding manager performance



Baillie Gifford - LTGG

Fund performance & benchmark



Performance

- The strategy underperformed over the first quarter with the team citing difficult market conditions for the style and a dislocation in sentiment and fundamentals.
- The largest contributors to performance over the quarter were ASML, Cloudflare, and TSMC.
- ASML, benefited from its critical role in semiconductor equipment and AI-related supply chains.
- Cloudflare, was supported by its positioning as infrastructure-like exposure with ongoing product innovation and providing essential cloud services.
- TSMC contributed positively, supported by its critical role in semiconductor manufacturing and positioning within the AI supply chain.
- The largest detractors from performance over the quarter were AppLovin, Adyen, and Reddit. Detractors were concentrated in software and e-commerce exposures, reflecting broader weakness across software names.

Source: Fund Manager/Aon.

Buy
Reviewed: May 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 (cont)

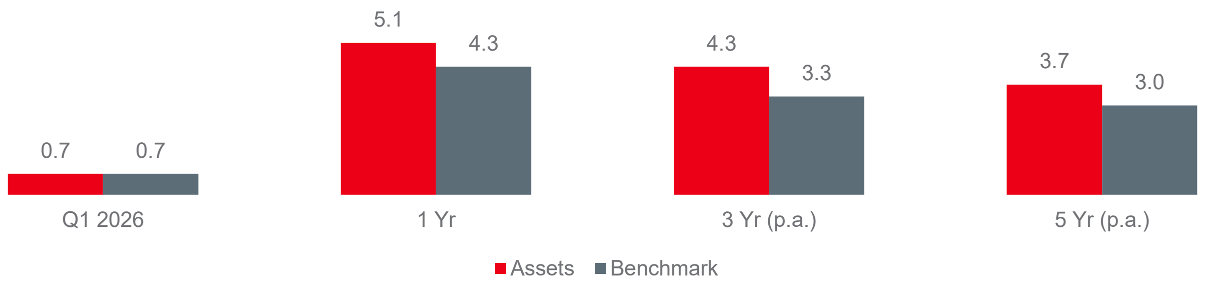
- AppLovin detracted, reflecting broader weakness across software and digital advertising names in the current market environment. Despite this, the team added to the position during the quarter, indicating continued conviction in the company's longer-term growth potential.
- With Adyen, market concerns continue to focus on execution risk and sensitivity to uncertainty.
- Reddit detracted over the quarter as part of the broader sell-off in growth and platform-based businesses. The team increased exposure during the period, reflecting higher conviction in Reddit within digital advertising and platform monetisation opportunities.
- Coupang was also impacted by concerns around international expansion and a recent data breach, with the team monitoring customer behaviour closely. More broadly, e-commerce performance reflected the team's view that no single global winner is likely to emerge, with competition from local champions remaining elevated.

Positioning and Transactions

- The team initiated a position in MakeMyTrip, following a period of research and a c.40% share price drawdown, providing a more attractive entry point. The investment reflects exposure to India's growing middle class and domestic travel demand, with scenario analysis conducted around risks such as oil price shocks and geopolitical disruption.
- The team fully exited Trade Desk, after a prolonged period of underperformance. The decision reflected operational challenges, delayed product rollout, increasing competition (notably from Amazon), and senior management turnover.
- Within digital advertising, capital was reallocated towards higher-conviction positions, with additions to AppLovin and Reddit during the quarter.
- The portfolio remains high conviction and concentrated, with ongoing exposure to technology-enabled growth businesses and selective e-commerce platforms.

LGIM – Managed Property Fund

Fund performance & benchmark



Performance commentary (Q4 2025)

- As of Q4 2025, the fund was marginally overweight to the alternatives (13.5% versus 12.0%) and residential (5.7% versus 1.8%) sectors and also maintained a strong cash position (6.7%). When compared to the benchmark, the fund holds a similar position to retail (19.3% versus 19.8%) and marginally underweight positions to industrials (37.6% versus 40.4%) and offices (17.2% versus 18.7%).
- Over the quarter, there were 34 successfully executed asset management initiatives, creating £31 million in added value based on an assessment by the fund's independent valuer. Over the course of the year the fund generated £70 million through asset management initiatives which has helped deliver outperformance against the benchmark.
- For the quarter, new lettings, regears and renewals totalled annual rent of over c.£8.3 million p.a. and completed rent reviews have increased the annual rent roll by £2.1 million p.a. Over the course of the second half of the year, the fund completed several office lettings, in particular in the fund's fitted space offerings, which has increased the rental tone and includes a profit rent for managing the space.

Buy
Reviewed: Q4 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.

Source: MSCI data was used for fund performance and benchmarking purposes

LGIM – Managed Property Fund

Performance (Q4 2025)

- At the office building Apex, Reading, the fund completed eight deals causing the net rent to increase by 58% over the year and has helped reduce the vacancy in the building to below 10% of Estimated Rental Value. Additionally, asset management initiatives at Templepoint, Bristol which included creating a new drying room, upgrading the bike shed, toilets and lobbies have boosted the building's rental tone and generated over £1 million in added value.
- The fund has also driven outperformance through the development portfolio, with a focus on ESG credentials and substantial development profit. The fund completed a 90,000 sq ft unit development at Woodside Industrial Estate, Brentford which has generated over £10 million in profit. Additionally, the development of Vision 44, the 44,000 sq ft unit at Woodside Industrial Estate, is progressing towards practical completion, with terms out to an occupier for a 10-year lease, £0.50 above the underwritten Estimated Rental Value, with two other parties also interested in the space. Furthermore, Unit 10 is under offer on the industrial estate, which is a 55,000 sq ft unit, which is expected to close in Q1 2026.
- In total, approximately 36% of the fund's total direct property holdings are in the top 10 assets. The fund has committed £123 million to asset management and development projects and currently has a development exposure of 3.4%. The fund plans to increase exposure to value-add developments over the next five years, forecasting total capital commitments of £480 million, with the pipeline including 21 development projects. Projects will include office refurbishments, retail park configurations, industrial and purpose-built student accommodation developments.

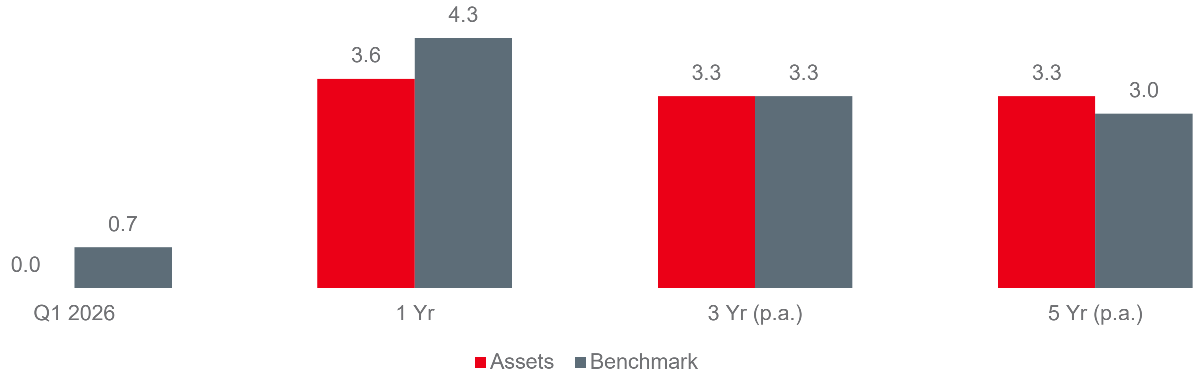
Transactions

- The fund's performance has benefitted from acquisition activity over the past 18 months, totalling £1.2 billion, capitalising on buying high-quality assets during a low point in the market cycle, with a focus on the alternatives sector. In Q4 2025, the fund acquired an Ibis Hotel in Edinburgh for c.£30 million. This is a value creation strategy, with a planned c.£6.2 million capital investment programme implemented to upgrade the building and refresh the hotel, to support the assets competitive position and to sustain above-market trading. This asset is forecasted to deliver a stabilised yield of 8.4% and a 5-year IRR of c.8.7% p.a. The Fund also continued to exit from non-core assets held by the FHPUT portfolio, selling three assets over the quarter including Christopher Place, St Albans (mixed-use) for c. £15 million, Round Foundry, Leeds (office) for c.£15 million and Horizon Building, Maidenhead (office) for c. £5 million.

Threadneedle – TPEN

Buy
Reviewed: Q4 2025

Fund performance & benchmark



Major Developments (Q4 2025)

- As at the end of Q4 2025, the fund had outstanding redemption payments of approximately £140 million. The fund has been queuing redemptions pending asset sales. The Manager estimated this will paid at the end of March, subject to a successful sales programme.

Performance (Q4 2025)

- The fund continues to have an overweight position to industrials, with 52.2% of the portfolio invested in the sector versus the benchmark at 40.4%. The fund remains marginally underweight to retail at 19.4% versus 19.8%, however has an overweight position to retail warehouses (16.4% versus 12.2%). The Manager believes this sector is going to continue to outperform, benefitting from structural tailwinds, including ongoing supply chain reconfiguration and the continued evolution of omnichannel retail.
- The Manager continues to look for out-of-town retail opportunities with repositioning potential, but the appetite for town centres and dominant regional shopping centres is growing albeit on a selective basis. The fund still holds a marginal overweight position to offices (19.0% versus 18.7%) but is underweight to both residential (0.0% versus 1.9%) and alternatives (8.0% versus 12.0%).

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%.

Source: MSCI data was used for fund performance and benchmarking purposes

Threadneedle – TPEN

Performance (Q4 2025) – cont.

- Asset management initiatives remain a key part of TPEN's portfolio strategy, a total of 109 new lettings/lease renewals were successfully completed in the 12 months to end Q4 2025, with a combined rental value of c.£8.8 million per annum. The fund continues to maintain a high tenant retention rate of c.82%. It is estimated that from new letting activity and fixed rental value increases for the existing portfolio, the total rental income will increase by £0.7 million per annum over the next 12 months.
- During Q4 2025, the fund completed a new letting for its office holding, Discovery House in London, EC1 for 10,263 sq ft, with an existing tenant Eric Parry Architects Limited, extending occupation to March 2030. The fund also completed a regear on a retail warehouse unit in Newport for 16.389 sq ft to Smyths Toys, removing the tenant break in 2027 and securing an additional five-year lease term, beyond the current expiry in May 2030. A lease renewal was also completed on a retail unit in Tottenham for 11,076 sq ft with Sportsdirect.com Retail Ltd, securing a new five-year lease. The new agreement achieved an annual rent of £175,000, which represents a c.3% uplift on the Estimated Rental Value.

Transactions

- During the quarter, the fund made three strategic asset sales totalling £24.1 million, with a further c.£150.1 million of sales under offer which are expected to complete in H1 2026. 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, to focus on repositioning the portfolio towards high conviction sectors. The fund sold Banbury, Blenheim Court (town centre offices) for c.£2.5 million, Centennial Park, Borehamwood (out of town offices) for c.£10 million and 8 Park Row, Leeds (town centre offices) for c.£5 million.

Border to Coast Pensions Partnership – Quarterly high-level monitoring (Q1 2026)

Changes to views of External and Internal Managers

BCPP Global Equity Alpha

- Lindsell Train are being removed from the portfolio. Due to the persistent underperformance, low turnover, high conviction approach has compounded earnings in line with Lindsell Train's expectations but failed to keep pace with the benchmark return.
- Alliance Bernstein is the manger being added to replace Lindsell Train.
- The portfolio's emerging market managers, Fountain Cap China and GSAM EM Ex-China have also been removed.
- 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.

Source: Aon, BCPP External Quarterly Reports (Global Equity Alpha Q1 2026)

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

[1]This 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 redisseminated 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

Q1 2026 data not yet available

Source: BCPP/MSCI[1]

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**

[1]This 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 redisseminated 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

Q1 2026 data not yet available

Source: BCPP/MSCI[1]

7

Market outlook and Aon's latest thinking

Forward looking views

AON

Quarterly Investment Outlook – April 2026*

- Whilst markets have been cheered by the ceasefire between Iran and the U.S., we fear it could be an unstable one, with Iran unlikely to want to relinquish control over the Strait of Hormuz.
- Markets are trying to digest the potential implications of AI and conflict in the Middle East. Whilst this has created significant turbulence in financial markets, the drawdown in public equities has been small relative to 2025's gains. It is still not too late to think about resilience.
- Inflation expectations have now converged to our original view for 2026, but energy and other supply chain shocks from fertiliser to aluminium could put upward pressure on prices. We think the Federal Reserve shouldn't cut this year and if it does it could be forced into multiple hikes in 2027.
- Our view had been that rates markets were predicting about the right number of cuts in the UK but too many for the US. We now think they're pricing in too many hikes in the UK and are right to have no cuts for the US.
- Readers of the Financial Times could be forgiven for thinking that there is a crisis in private credit. Issues tend to be concentrated in Business Development Companies (BDCs), where prices now reflect current outlook, and retail funds, where redemption caps have been hit. We still think this is an attractive area for institutional investors.

Note: The opinions referenced are as of the date of publication (9 April 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.

Latest Thinking

Middle East conflict – looking forward

With the conflict taking place in the Middle East, potential drivers of tail risks for portfolios have become more visible. We believe in constructing robust portfolios rather than shifting strategies in response to geopolitical events, but with markets being relatively subdued now is a good time to review and consider whether additional asset classes could help with diversification and resilience against tougher conditions. A key question is how this conflict will develop over the near- and long-term. Will we see peace, ceasefires, conflict, or escalation? We cannot predict what will happen, so our main objective is to ensure portfolios are sufficiently resilient to weather the storm.

Private credit – navigating the new frontier

Private credit is an asset class we continue to favour, and one that can play an important role in portfolios. The asset class offers a compelling combination of attractive return potential, stable and predictable income, and meaningful diversification. However, manager selection is a critical factor given the variety of strategy types and that performance dispersion between upper and lower quartile managers is persistent and material. With the recent development of more liquid evergreen structures, we are seeing markets offering greater access and flexibility in the asset class. Overall, private credit is becoming both more relevant and more sophisticated as an investment opportunity.

Real estate – allocations in 2026

We believe global real estate markets are entering an attractive phase following meaningful repricing, with valuations better reflecting higher rates and offering a compelling entry point. While the Middle East conflict is contributing to a more volatile backdrop and delaying monetary easing, the most attractive opportunities lie in sectors where structural demand is strong and new supply is constrained. These include Living, Industrial and Data Centres. Although we are still seeing redemptions, new inflows are beginning to emerge, led by strategies focused on the sectors mentioned above. If you are looking to make further allocations to real estate, we consider 2026 to be a favourable vintage.

Contact us. For more information on any of these topics, please contact your usual Aon consultant.

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Further information

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.

Source: Border to Coast, Aon.

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 formal 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 results of the formal 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 valuation 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.

It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the investment strategy or economic outlook.

Assets

For the purpose of this funding update, we have used an unaudited value of the assets at 31 March 2026 as provided by the Administering Authority.

Contributions

The whole of fund total employer contribution rates shown in this funding update allow for a recovery period ending 31 March 2041 and allow for any surplus in excess of 110% to be recovered as set out in the Funding Strategy Statement.

Assumptions

	Discount rate (Ongoing/Low Risk)	Pay growth (Ongoing/Low Risk)	Pension increases (Ongoing/Low Risk)
31 March 2025	4.80% / 5.00%	3.35% / 4.20%	2.10% / 2.95%
31 March 2026	4.90% / 5.30%	3.45% / 4.45%	2.20% / 3.20%

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 March 2026
- 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	7.1%	19.1%
Property	6.5%	12.6%
Infrastructure	9.3%	16.4%
Listed alternatives	7.1%	19.1%
Climate opportunities	9.2%	16.3%
UK opportunities	8.5%	9.6%
Illiquid credit	8.2%	7.6%
Investment grade credit	6.2%	10.3%
Non-investment grade credit	6.9%	8.7%
Absolute Return	8.0%	5.4%
Gilts	4.6%	9.7%
Cash	4.4%	1.2%

Note: all statistics are 10 year median expected returns/volatility of returns.

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%	22%	-6%	-2%
Property		100%	18%	34%	18%	61%	18%	4%	25%	7%	-1%	7%
Infrastructure			100%	61%	100%	70%	9%	2%	21%	21%	-3%	1%
Listed Alternatives				100%	62%	68%	19%	5%	51%	22%	-6%	-2%
Climate opportunities					100%	71%	9%	3%	21%	20%	-3%	1%
UK opportunities						100%	36%	24%	42%	21%	3%	9%
Illiquid credit							100%	67%	62%	15%	5%	14%
IG Credit								100%	33%	17%	47%	35%
Non-IG Credit									100%	20%	2%	9%
Absolute Return										100%	9%	29%
Gilts											100%	29%
Cash												100%

Data and assumptions

Date of calculation	31 March 2026
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,945.5M

- 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 that 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 the North Yorkshire Council and Aon Solutions UK 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).

The compliance is on the basis that North Yorkshire Council is the addressee and the only user and that the document is for information only and is not to be used to make any decisions on the contributions payable or the investment strategy. If you intend to make any decisions after reviewing this document, please let me know and I will consider what further information I need to provide to help you make those decisions.

This document should be read in conjunction with:

- The report on the most recent actuarial valuation of the Fund as at 31 March 2025.
- The latest Funding Strategy Statement.

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

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