

Additional Voluntary Contributions (AVC) Funds

Investment Commentary 2024/25



AVC Summary

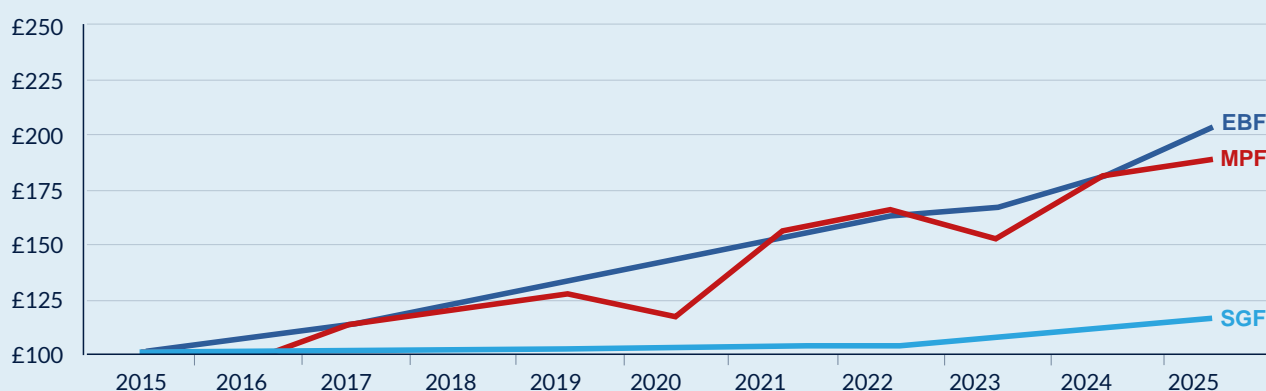
Our three AVC Funds are the Short-Dated Gilts Fund (the SGF), the Equity Biased Fund (the EBF), and the Mixed Portfolio Fund (the MPF). This report explains how the three AVC Funds performed during the year ending 31 March 2025. It also provides detailed information on how the MPF assets are invested.

You can find our 'AVC Plan – information leaflet' on the AVC Funds page of our website, www.mybapension.com. The leaflet describes the three AVC Funds in more detail and provides information about how you can manage your AVC investments between the three Funds.

At a Glance: Performance of the Funds

The chart below shows how £100 invested in each of the three Funds would have changed in value over the ten years to March 2025. £100 invested in the SGF in 2015 would be worth £116 in 2025. The same amount invested in the EBF would be worth £203, or £189 if invested in the MPF.

Total Fund Growth over 10 years



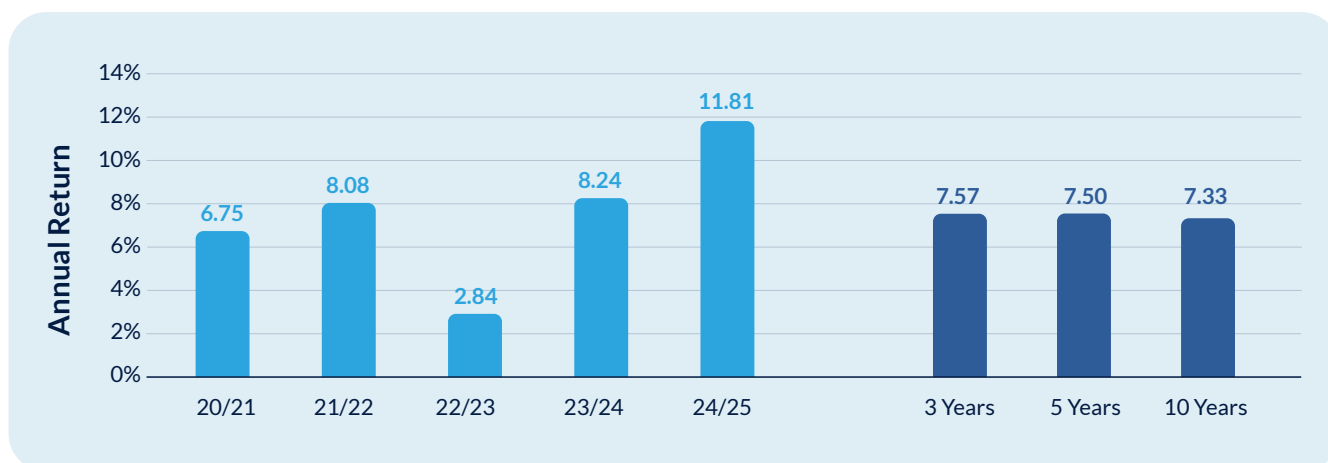
Important Risk Statement

The EBF and SGF have an element of investment return that is guaranteed. This means that investments made in these Funds cannot go down in value. However, as a result, neither the EBF nor the SGF is classified as a pure money purchase fund. There is a risk that money invested in the EBF or the SGF might be used partly or wholly to make other promised APS or NAPS benefits good if either Scheme were to have insufficient funds to pay them in full.

For clarity, APS and NAPS are segregated under separate Trusts; one having insufficient funds will not affect the benefits of the other. The MPF is a pure money purchase arrangement similar to a unit trust. Money invested in an MPF account is used to buy units, the value of which depends on the value of the underlying assets of the MPF. The value of an investment in the MPF can fall as well as rise.

Equity Biased Fund (EBF)

The percentage returns for the EBF in each of the last five fiscal years are shown below, along with the returns over the most recent three, five, and ten-year periods. Multi-year returns are shown as average annual rates.



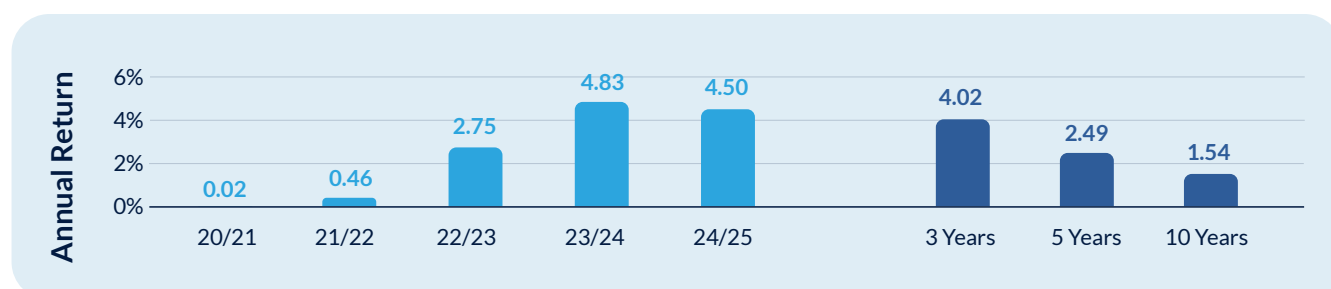
Money invested in the EBF for the year ending 31 March 2025 received a return of 11.81%.

The investment objective of the EBF is to produce gains over the long term that are similar to investing in the stock market while smoothing some of the volatility. This smoothing sacrifices some market gains to guarantee that the EBF can never lose money. The total EBF return comprises of two components: a Guarantee Component and a Bonus Component. You can find an explanation of how the returns are worked out for each component in our AVC Plan information leaflet.

The Guarantee Component returned 5.02% over the year. It is based on the interest rate banks use to lend money to each other (called the SONIA rate). The Bonus Component returned 6.79% over the year. It is worked out using the returns from a mix of different assets, primarily global stock markets. Although the returns are smoothed out, the monthly returns still vary as markets rise and fall.

Short-Dated Gilts Fund (SGF)

The percentage returns for the SGF in each of the last five fiscal years are shown below, along with the returns over the most recent three, five and ten-year periods. Multi-year returns are shown as average annual rates.

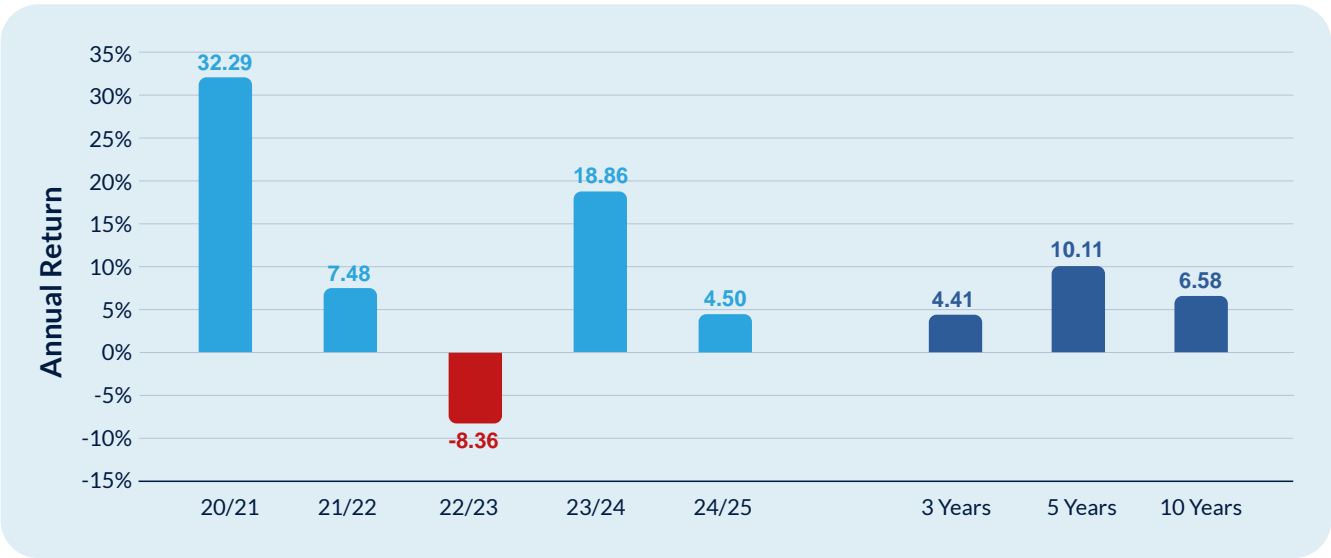


Money invested in the SGF for the year ending 31 March 2025 received a return of 4.50%.

Interest rates significantly in 2022 and 2023 in response to higher inflation. Since then, the Bank of England has been monitoring prices carefully and has said that it expects to reduce interest rates gradually as inflation returns towards its long-term target. The Bank cut interest rates by 0.25% in each of August 2024, November 2024, and February 2025.

Mixed Portfolio Fund (MPF)

The percentage returns for the MPF in each of the last five fiscal years are shown below, along with the returns over the most recent three, five and ten-year periods. Multi-year returns are shown as average annual rates.

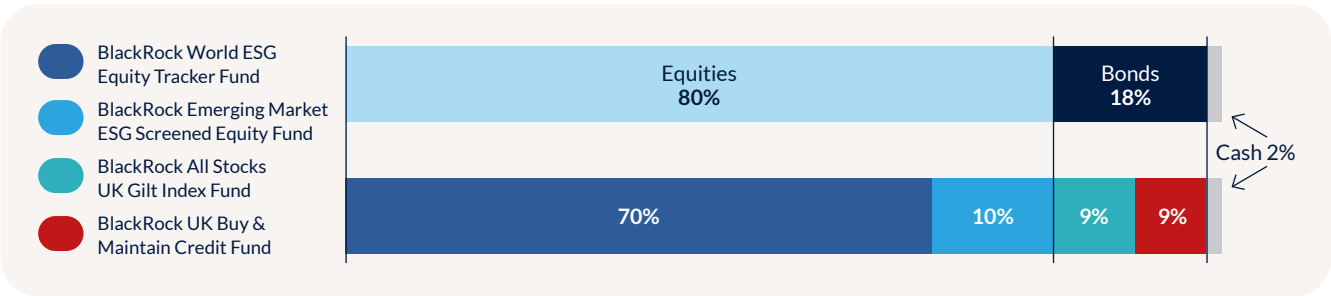


Money invested in the MPF for the year ending 31 March 2025 received a return of 4.50%.

MPF Composition

The MPF is invested in a mixture of global equities (which are partially hedged into sterling), corporate bonds, and UK government bonds. The Trustee decides the asset classes the MPF invests in and - since the transfer of the Scheme’s investment management to BlackRock on 1 June 2021 - has the additional responsibility of choosing the BlackRock funds that are used.

The MPF invests in four different asset classes in the proportions shown in the chart below. It also aims to hold a small amount of cash. Since 1 June 2021, the MPF has been invested in passive “index” funds which are designed to track the performance of different asset classes as closely as possible. The Trustee has chosen the following BlackRock funds, which are detailed below:



BlackRock World ESG Equity Tracker Fund

This fund aims to provide a return on investments by tracking closely the performance of the MSCI World ESG Focus Low Carbon Screen index. The index aims to reflect the performance characteristics of a subset of equity securities within the MSCI World Index, which seek to maximise exposure to positive Environmental and Social Governance (ESG) factors while minimising carbon exposure.

BlackRock Emerging Market ESG Screened Equity Fund

This fund aims to provide capital and income returns from global emerging equity markets, however, it excludes companies involved in activities that may have a detrimental impact from an ESG perspective.

BlackRock All Stocks UK Gilt Index Fund

Consisting of UK government bonds, the fund aims to track the performance of the FTSE Actuaries UK Conventional Gilts All Stocks index.

BlackRock UK Buy and Maintain Credit Fund

This fund consists mainly of corporate bonds and aims to produce an income for investors by investing in a diversified portfolio of high-quality, non-government bonds. The buy and maintain nature of the fund means that individual bonds are generally held for the long term, in a very stable structure, with very low turnover and volatility.

Market Analysis

The 12 months to 31 March 2025 were shaped by significant political and economic uncertainty around the world. Even so, stock markets ended the year higher, helped by strong job markets, more government spending, and falling interest rates.

Inflation began to ease during the summer of 2024, helping to lift investor confidence. In the UK, retail price inflation fell below 3.5% in early 2024, as post-COVID supply chain pressures faded and energy prices dropped. The European Central Bank was the first major central bank to lower interest rates in June 2024. The Bank of England followed with a rate cut in August, and the US Federal Reserve made its first move in September.

Markets rose strongly over the summer as falling interest rates and steady economic growth boosted confidence. But uncertainty returned later in the year, driven by elections and government policy changes.

Elections in 2024 brought major political changes. New leadership took office in France, Germany, Japan, the UK, and the US. The most market-sensitive events were the UK general election in July 2024, the US Presidential and Congressional elections in November 2024, and the German federal election in February 2025.

In the UK, July's general election saw the Labour Party win a majority. Chancellor Rachel Reeves reassured investors that the new government would focus on growth while keeping borrowing in check. However, questions remain about how the government will balance the books in the years ahead, particularly regarding spending and taxation.

In the US, Donald Trump was re-elected President in November, with Republicans also winning control of both houses of Congress. Markets responded positively at first due to expectations of tax cuts,

reduced regulation, and increased spending. US stock markets rallied strongly through late 2024 and into early 2025.

Germany's federal election in February 2025 was won by the Christian Democratic Union (CDU), led by Friedrich Merz. His government quickly responded to shifting US foreign policy by announcing a significant long-term boost to defence and infrastructure spending, expected to support economic growth over the next decade.

However, markets turned more cautious in February after President Trump adopted a more aggressive tone on trade, including threats of new tariffs. Fears of a global trade slowdown caused both stock and bond markets to fall sharply, and the US dollar weakened against major currencies towards the end of the quarter.

Looking back over the year to 31 March 2025:

- Global equities rose just over 5%, with strong performance in several European markets, particularly Germany.
- Long dated UK government bond prices are down modestly, as investors considered the potential for increased government borrowing.
- Corporate bonds performed relatively well, helped by stronger-than-expected economic growth, although they lagged behind cash in the short term.
- Sterling performed relatively well, gaining just over 3% versus other currencies.

Corporate Governance

Responsible Investment

The following documents can be found in the Responsible Investment section of the Scheme documents page on our website www.mybapension.com:

- The Schemes' latest Responsible Investment Policy
- The latest Schemes' Taskforce on Climate-Related Financial Disclosure (TCFD) report – the Trustee's identification, assessment and management of climate change risk;
- The latest Statement of Investment Principles implementation statements – an updated version of these reports will be available in autumn 2025.

The Schemes' Responsible Investment Policy includes the following mission statement.

'Environmental (including climate change), social and governance ("ESG") issues are multifaceted and represent long-term systemic risks.

We recognise that ESG risks are financially material and need to be managed as we have a long-term payment horizon. We therefore seek to integrate ESG considerations into our decision-making and reporting processes across all asset classes.

Where consistent with our fiduciary duties and applicable to our investment strategy, we will require our investment managers to actively engage and utilise their proxy voting rights/engagement to drive up ESG standards in the organisations in which we invest.'

UK Stewardship Code

The Schemes' investment manager is a signatory to the UK Stewardship Code, which aims to improve and enhance the quality of engagement between companies and institutional investors. The investment manager is required to engage with investee companies and other relevant stakeholders to protect or enhance the value of the Schemes' assets over the medium to long term.

Engagements may relate to a company's performance, strategy, risks, capital structure or management. Engagement may also aim to change an investee company's wider ESG practices. Should an investee company fail to make progress on material strategic or ESG issues raised within a reasonable time, the investment manager may - in extreme circumstances - decide to divest from the investee company.

You can read BlackRock's 2024 Investment Stewardship Annual Report [here](#). The report covers the stewardship activities BlackRock has conducted on behalf of clients from 1 January 2024 through 31 December 2024 and is the basis on which the FRC assesses BlackRock's adherence to the UK Stewardship Code.





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