



Smart Pension Investment Report

Quarter 4 2025

[smartpension.co.uk](https://www.smartpension.co.uk)



Welcome to your investment report

This report is for members of the Smart Pension Master Trust. As a member, your money is invested in one, or a combination, of our funds. If you do not make an active choice, your money is invested in a default strategy. This is designed by the Trustee of the scheme to be suitable for most members and it uses one of our default growth funds (Smart Sustainable Growth Core, Smart Sustainable Growth or Smart Sustainable Growth Plus) up to eight years prior to your chosen retirement date, at which point additional funds are also used (Smart Income, Smart Annuity and Smart Cash)

Please note this report is not applicable to members in the Mercer, Schroders or Halal Workplace Pension sections. You can login to your member account to check whether you are in one of these arrangements and which default investment strategy is available to you.



Pensions are an investment. As a pension saver, your savings will be affected by a whole host of factors that influence the returns of, for example, stocks and shares over the lifetime of your savings. The first section of this report gives an overview of events in the financial markets and the economy over the last three months, and why you may have seen the value of your pension savings grow or shrink.

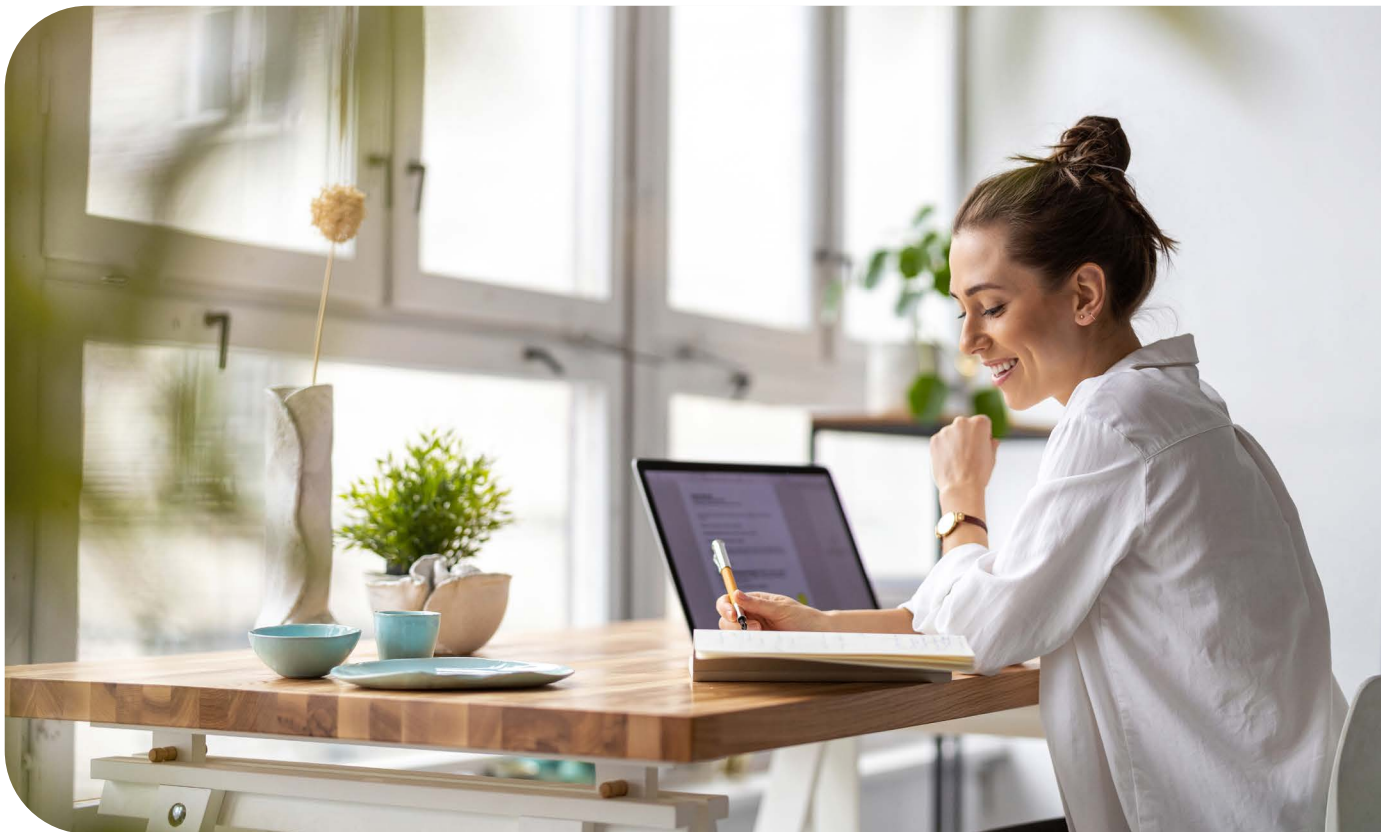
Remember, markets can go up and down quite a lot over the short term. Pensions are a long-term investment and, as our funds are invested for the long term, this report should not be used to make investment decisions. This report gives a generalised perspective and is not specifically focused on any single fund option.

Our investment strategies are made up of multiple different funds that react differently to market events. That's why, in the second section of this report, we have included the most recent performance data for all our funds. This shows

you how they have been performing over the past three months, one year, three years and five years (where available). How your own savings are doing will relate to these performance figures.

Pensions savings are powerful – if invested wisely, they can grow in value as well as help with major global issues, such as climate change. We therefore aim to invest your money sustainably, investing for a world that is fit for you to retire into. We do this by investing into companies that are benefiting the people and planet around us, removing companies that are doing the most harm and aligning our main default, the Smart Sustainable Growth Fund, to our 2040 net zero goal. You can find out more about our investments and sustainability approach [here](#).

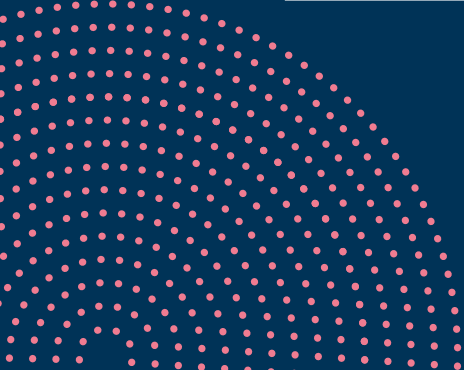
We have included a glossary at the end to help you with any jargon that may be unfamiliar to you.





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What's been happening in the markets?

Market overview

The fourth quarter saw investment markets return broadly positive. Equities returned positively due to easing inflation and continued positive sentiment of Artificial Intelligence (AI). US equities gained 2.7% (US S&P 500), they had led global markets earlier in 2025 but lagged behind other regions over the year. The UK market rose by 6.4% (UK FTSE All-Share), Japan by 8.8% (Japan TOPIX), and Emerging Markets by 4.8% (MSCI Emerging Markets).

US stocks underperformed as they became expensive making investors more cautious. There was also growing concern of the concentration of the US stock market in AI and technology, particularly the “Magnificent Seven” stocks. As a result, there was more diversification away from US stocks.

Bond markets also performed notably during the quarter, particularly US Treasuries (government bonds) and UK Gilts, boosted by interest rate cuts by the Federal Reserve and Bank of England. Emerging market bonds outperformed developed regions due to the higher yields offered by emerging markets, particularly in Latin America, and less sticky inflation. In contrast, government bonds in Germany and Japan performed poorly as those countries increased government spending or raised their own rates. Europe saw a surprising shift where severe political instability caused French bonds to perform poorly, lagging behind the bonds of usually riskier neighbours like Italy and Spain.

Commodities such as gold and silver continued their rally in the fourth quarter of 2025, and proved to be one of the best performing assets over the year.

Smart Sustainable Growth Fund (“Growth Fund”)

The Sustainable Growth Fund performed positively over the quarter, resulting in a 12% return over 2025. Equities, which make up c. 80% of the fund slowed down over the quarter, particularly across US technology stocks. Caution was exercised by the market on US technology stocks as their prices reached all-time highs following the recent fervor observed in the market for AI and technology companies. Other regions outperformed US equities as investors looked to diversify their investments, coupled with a falling US Dollar. Moreover, Asia provided attractive investment opportunities in AI hardware, which boosted the performance for emerging market stocks.

Beyond equities, the fund has exposure to listed bonds including green bonds and private debt, amounting to c. 20%. Green bonds benefitted from interest rate cuts by major economies such as the UK, Europe (the largest green bond market) and the US. Private debt also performed positively as there was stronger deal flow (which helped boost private equity acquisitions called buyouts that require private debt financing) due to interest rate cuts by central banks across major economies.

Over 2025, the fund performed 12%. Early in the year, markets saw large bouts of volatility following the US Administration's "Liberation Day" tariffs levied on almost all US trade partners, however, equity markets bounced back sharply and fears of a spike in inflation in the US due to tariffs waned over the latter part of the year. AI and Technology were the main drivers of performance within equities, however, the focus has moved beyond the US, with emerging markets and Japan benefitting from supplying parts of the AI supply chain and investors looking to diversify their holdings from expensive US stocks. As a result, US equities were the worst performing major equity market relative to other markets, however, they still returned 17.9% over the year.

Smart Sustainable Core Fund ("Core Fund")

The Core Fund invests in passive equities similar to the Growth Fund, alongside passive corporate bonds. The Core Fund doesn't have allocations to private markets or actively managed funds like the Smart Sustainable Growth Fund. The fixed income allocation of the Core Fund, which makes about 20% of the fund, comprises three regional corporate bond allocations (US, UK and Europe).

Corporate Bonds rallied over the quarter as central banks cut interest-rates, which pushed bond prices up (bond prices are inversely related to their yield). In the US, concerns over the tariff-driven inflation spike did not materialise and the Federal Reserve cut interest rates in December. The UK's Bank of England also cut interest rates as support for the labour market weakened, which implied inflation may cool down. European bond performance was more mixed as France went through political uncertainty and Germany increased government spending, which caused caution for investors.

The Core Fund returned 3.7% over the quarter, marginally outperforming the Growth Fund. Over the year, the Core Fund returned 13%.

Smart Income Fund

The Income Fund has a 60% allocation to corporate bonds, as the fund is designed to provide more stable returns for members entering their pre-retirement phase. Therefore, the Income Fund is expected to provide lower performance versus the growth funds, with lower volatility.

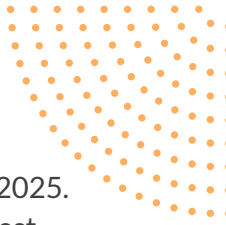
The Income Fund's main equity exposures performed positively as discussed in the previous commentary. The Income Fund also has a 35% allocation to the same fixed income funds as the Core Fund.

Over the year, the Income Fund returned 9.3%. Corporate bonds performed well in 2025. The Bloomberg Global Aggregate Bond Index, which tracks global investment grade corporate bonds, performed 10.3%. The strongest performer across the Income Fund's bond funds is the allocation to UK Corporate Bonds; 2.5% over the quarter before fees.

Smart Annuity Fund

The Annuity Fund is a fund designed to track annuity prices by investing in a way which matches (goes up and down with) the broad characteristics of investments underlying the pricing of an annuity. Therefore, due to the nature of annuity rates being closely correlated with long-term interest rates, the fund has a large allocation to long-term gilts (UK government bonds).

Long-term gilts performed strongly over the quarter as the November budget evoked positive reception in the market and the government announced a larger-than-expected buffer for government spending. Gilts performance was further supported by the Bank of England interest-rate cut in December, which pushed prices up.

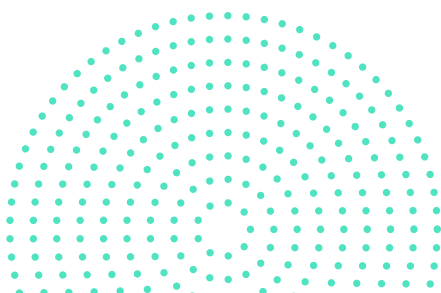


The Annuity Fund performed 5.6% due to interest rate cuts by the Bank of England throughout 2025. This is a large increase in performance relative to 2024, during which the fund lost 3.3% as interest rates remained high due to a more stubborn inflation.

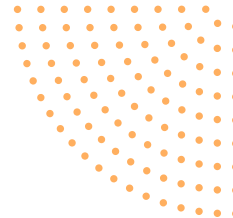
Smart Cash Fund

Cash Fund is designed to reflect UK SONIA, the benchmark market reference rate for cash and money-market investments. Similar to last quarter, the Bank of England announced another interest-rate cut, and performance for the cash fund has slightly reduced by 0.1% to 1.0%.

In 2025, the Cash Fund returned 4.4%, which was lower than its performance of 5.3% in 2024. This is mainly due to the lower interest rates over 2025 as inflation eased down in the UK.



How have our funds performed?



This quarter's performance tables

These tables show you the returns for each of our funds over different time periods. All performance is up to 31 December 2025.

All values are shown gross of fees, i.e. before the Total Expense Ratio (TER) is deducted. You can learn more about the charges applicable to you in your online account.

The performance tables show both annualised and cumulative returns.

The cumulative return (CR) is the total return on your investment over that period. The annualised return (AR) is the equivalent annual return you would have received for each year in the period.

For example, a 30% cumulative return over three years is equivalent to a 9.1% annualised return.

Further information can be found on factsheets, available [here](#).

Funds used in our investment strategies

Smart Blended Funds	3m	1y	3y	5y
Smart Sustainable Growth Core				
Fund (returns beyond 1y are annualised)	3.7%	13.0%	13.7%	Fund has been in existence for less than five years.
Fund (cumulative returns)	3.7%	13.0%	46.8%	
Benchmark (UK CPI +3.5%)	1.4%	6.8%	6.8%	
Smart Sustainable Growth				
Fund (returns beyond 1y are annualised)	3.3%	12.0%	13.4%	9.3%
Fund (cumulative returns)	3.3%	12.0%	45.7%	56.2%
Benchmark (UK CPI +3.5%)	1.4%	6.8%	6.8%	8.6%
Smart Sustainable Growth Plus				
Fund (returns beyond 1y are annualised)	0.4%	5.7%	8.0%	Fund has been in existence for less than five years.
Fund (cumulative returns)	0.4%	5.7%	26.1%	
Benchmark (UK CPI +3.5%)	1.4%	6.8%	6.8%	
Smart Growth – Higher Risk				
Fund (returns beyond 1y are annualised)	3.7%	13.6%	14.5%	11.4%
Fund (cumulative returns)	3.7%	13.6%	50.1%	71.8%
Benchmark (UK CPI +5.0%)	1.8%	8.3%	8.3%	10.1%

Smart Growth – Lower Risk				
Fund (returns beyond 1y are annualised)	3.2%	12.2%	12.7%	8.2%
Fund (cumulative returns)	3.2%	12.2%	43.3%	48.3%
Benchmark (UK CPI +3.0%)	1.3%	6.3%	6.3%	8.1%
Smart Income				
Fund (returns beyond 1y are annualised)	2.2%	9.3%	9.5%	4.9%
Fund (cumulative returns)	2.2%	9.3%	31.3%	21.0%
Benchmark (UK CPI +2.0%)	1.3%	6.3%	6.3%	8.1%
Equity	3m	1y	3y	5y
Smart Active Impact Equity				
Fund (returns beyond 1y are annualised)	-0.5%	3.0%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	-0.5%	3.0%		
Smart UK Equity Index				
Fund (returns beyond 1y are annualised)	6.3%	22.1%	12.3%	12.0%
Fund (cumulative returns)	6.3%	22.1%	41.7%	75.9%
Smart World (ex UK) Developed Equity Index				
Fund (returns beyond 1y are annualised)	4.2%	13.8%	18.3%	13.3%
Fund (cumulative returns)	4.2%	13.8%	65.6%	86.8%
Smart North America Equity Index				
Fund (returns beyond 1y are annualised)	4.1%	11.8%	20.1%	15.2%
Fund (cumulative returns)	4.1%	11.8%	73.0%	102.9%
Smart World Emerging Markets Equity Index				
Fund (returns beyond 1y are annualised)	3.7%	25.4%	12.2%	6.0%
Fund (cumulative returns)	3.7%	25.4%	41.1%	33.5%
Fixed Interest	3m	1y	3y	5y
Smart Active Impact Bond				
Fund (returns beyond 1y are annualised)	1.0%	4.5%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	1.0%	4.5%		

Smart All Stocks Index-Linked Gilts Index				
Fund (returns beyond 1y are annualised)	3.5%	1.2%	-1.8%	-8.2%
Fund (cumulative returns)	3.5%	1.2%	-5.2%	-34.9%
Smart Global Bond Index				
Fund (returns beyond 1y are annualised)	1.5%	7.0%	6.0%	1.0%
Fund (cumulative returns)	1.5%	7.0%	19.0%	5.2%
Smart Annuity				
Fund (returns beyond 1y are annualised)	4.3%	5.6%	3.3%	-6.0%
Fund (cumulative returns)	4.3%	5.6%	10.4%	-21.9%
Cash	3m	1y	3y	5y
Smart Cash				
Fund (returns beyond 1y are annualised)	1.0%	4.4%	4.8%	3.1%
Fund (cumulative returns)	1.0%	4.4%	15.1%	16.7%
Smart Specialist Funds	3m	1y	3y	5y
Smart Sharia				
Fund (returns beyond 1y are annualised)	6.0%	12.9%	23.2%	15.1%
Fund (cumulative returns)	6.0%	12.9%	87.1%	102.2%
Smart Ethical and Climate				
Fund (returns beyond 1y are annualised)	4.9%	13.8%	17.0%	13.0%
Fund (cumulative returns)	4.9%	13.8%	60.4%	84.6%
Smart Wahed Growth+				
Fund (returns beyond 1y are annualised)	6.7%	15.0%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	6.7%	15.0%		
Smart Wahed Growth				
Fund (returns beyond 1y are annualised)	6.2%	15.0%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	6.2%	15.0%		
Smart Wahed Balanced				
Fund (returns beyond 1y are annualised)	4.1%	9.5%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	4.1%	9.5%		

Source: Smart Pension, investment managers, Mobius Life and ONS. Fund returns calculated by Smart based on gross unit prices provided by Mobius Life as the investment platform. CPI benchmarks calculated from ONS index prices. Benchmark performance is annualised.

How do we manage your money?

Your pension scheme is managed by a group of independent and non-affiliated trustees. They look after your interests and work for you. Your relationship is with the trustees, not Smart Pension Limited.



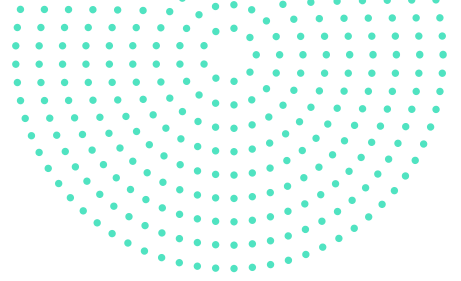
They keep an eye on:

- the investment strategy
- how your investments are performing
- value for money
- member communications
- member engagement

The trustees look after your money to ensure it is invested in line with the statement of investment principles.

The statement of investment principles is a trustee document that outlines the way trustees will invest the scheme assets. This also includes the trustees' policy on responsible investment (also known as Environmental, Social and Governance (ESG) issues).

The trustees work alongside fund managers and the scheme's investment manager to ensure performance is in line with the agreed benchmarks. You can view the [statement of investment principles here](#). You can also view the trustees' [ESG policy here](#).



Trustees



Raj Mody, Chair of Trustee

Raj Mody joined the Smart Pension Master Trust Board in 2025. He brings over 30 years of experience in the pensions industry, spanning Defined Contribution, Defined Benefit, technology, policy, and governance. He has held several senior executive and non-executive roles, with a portfolio of Board and Chair

Anna Darnley, Trustee Director

Before joining the Trustee Board in September 2019, Anna was a trustee of the Accenture Retirement Savings Plan (UK). She previously worked as a digital strategy consultant with Oliver Wyman specialising in the design, build and launch of digital banks and retail investment apps in East Asia. She currently works as a Senior Product Manager for a leading payments app.



David Brown, Trustee Director

David joined the Smart Pension Master Trust Board in October 2018. He is a Fully Accredited Professional Pension Trustee with a range of Board appointments. David has over 35 years' experience worldwide in the pension and investment industry, working as an operator and consultant. He has worked for two of the Big Four consulting firms and was the UK and ROI Pensions and Payroll Manager for Tesco.

Nikesh Patel, Trustee Director

Nikesh Patel joined the board in 2021 and chairs our investment sub-committee. He has nearly two decades of experience in consulting trustees and employers on defined benefit (DB) and defined contribution (DC) pension schemes on all investment matters, including as an award-winning Chief Investment Officer for his role in managing the assets for a number of pension funds in the UK. He has a keen interest in responsible investment, alongside a deep expertise in both public and private markets. He is an actuary by training and is also a trustee director of the Church of England Pensions Board.



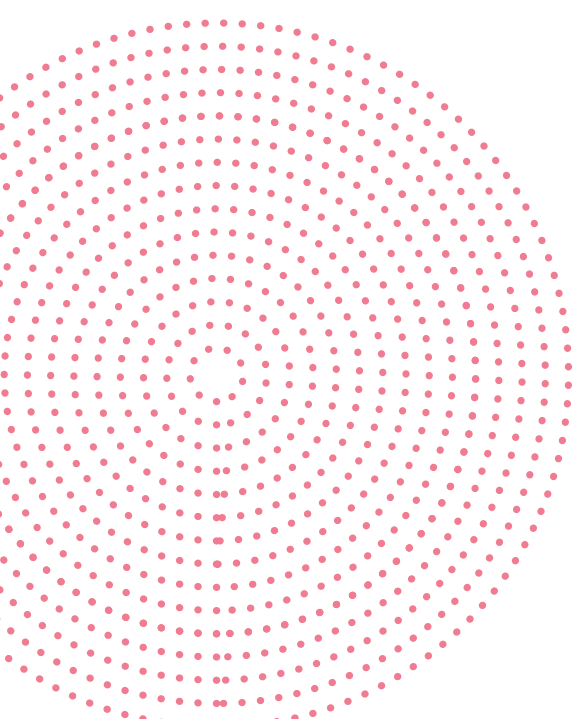


Kim Gubler, Trustee Director

Kim Gubler joined the Smart Pension Master Trust Board in May 2024. Kim has over 30 years' experience in the pensions industry, including as a founding director of the Pensions Administration Standards Association (PASA) and has been its Chair since 2019. She is a Fellow of both the Pensions Management Institute (PMI) and the Pensions Advisory Service and was an independent Trustee Director of the Crystal Master Trust. Kim sits on the Pension Dashboards Programme Advisory Group and DWP's Default Consolidator Delivery Group and is the PMI's Principal Examiner for Professionalism and Governance.

Paul Bucksey, Trustee Director

Paul joined the Smart Pension Master Trust Board in June 2025. He is passionate about helping individuals build wealth via the workplace and has spent more than 20 years working for some of the UK's leading workplace pension providers. Prior to joining the Board, up until December 2024, he served as Chief Investment Officer of the Smart Pension Master Trust, where he also chaired the Scheme Strategist. Before his time at Smart Pension, Paul was Managing Director at BlackRock and later Aegon, where he led their UK defined contribution workplace pension scheme. He is also an independent member of the Prudential Independent Governance Committee.



The trustees would love to hear from you

The trustees are keen to get as much feedback as possible about how they can improve the pension scheme. If you have a suggestion, please do not hesitate to contact them at trustees@smartpension.co.uk.

Want to find out more?

For up to date information about the performance of your investments, you can download the Smart Pension app or sign in to smartpension.co.uk/sign-in.

You can also download the investment guide to find out more information about your investment strategy.

You can also contact us for any other information relating to your pension savings at member@smartpension.co.uk.

Glossary

Bonds

A bond represents a loan made by an investor to a borrower and is often referred to as a fixed income security. This is because fixed interest payments are made as part of the returns. They can be issued by a government to raise money for things like infrastructure projects, or by private or public companies.

Central banks

Central banks around the world set the base interest rates of a country. The setting of these rates is part of something called monetary policy. For instance, increasing interest rates makes it more expensive to borrow and more profitable to save. In theory, this means people would spend less and save more, taking money out of circulation from the economy and reducing inflation rates. Reducing the interest rates level would have the opposite effects. Too high, very low or negative inflation rates can be bad for the economy.

Equities

Shares in publicly-traded companies such as Apple, Facebook, BP or HSBC. They are grouped in major indices depending on the country in which they are traded. (for instance the FTSE in the UK, or the Dow Jones in the US).

Equity index

An index is a number that represents the value of a group of stocks and shares, often combined by country and/or type of companies. For instance, the UK FTSE 100 is an index that represents the value of the largest 100 companies in the UK. Similarly, the Dow Jones Index is representative of the 50 largest companies in the United States.

Inflation

Inflation is a measure of the rate at which the average price of a “basket” of goods and services in an economy increases over a period of time. As the cost of goods rises, a single unit of currency for example, (£1) buys fewer and fewer goods and services. This loss of purchasing power has an impact upon the general cost of living. Excessive inflation makes goods and services too expensive to buy and is bad for the economy.

Interest rate

An interest rate is the amount to be paid over a given period and is given as a proportion of the amount lent, borrowed or saved. For example, if you saved £100 in an account with a 1% annual interest rate, then after one year you would be paid £1 in interest.

Investment strategy

Is a way of investing your money over time with the aim of growing your pension savings. As you get closer to your retirement age, we move your money into funds that are less likely to fall in value.

The default fund

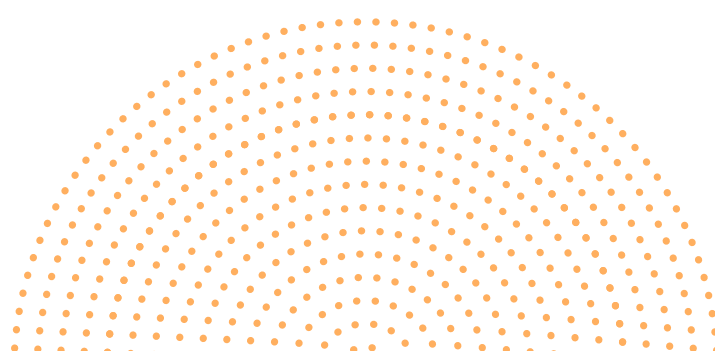
Unless you actively choose otherwise you will automatically be invested in our default fund during the growth phase, up to eight years before your selected retirement age. Our default fund is the Smart Growth – Moderate Risk fund. It has been created so that it will typically suit most of our members.

The default strategy

If you do not make an active investment choice, your savings will be invested according to the default strategy. It uses our default fund during the growth phase, and then switches to funds designed to protect your savings as you approach retirement. The full details of the default strategy can be found in our investment guide.

Volatility

Volatility refers to the amount of risk or uncertainty due to the size of changes in value (of currencies or equities).



ADDITIONAL DISCLOSURE

Important Notices

Smart does not take any liability for the information provided. Please see official fund factsheets for further information. Where a date is not a dealing day, the previous dealing day has been used. Where data differs from factsheets, this may be due to differentials in fees, dealing and valuation dates.

Legal disclaimer

The value of investments may go up or down due to fluctuations in currencies, financial markets and other risk factors. Default funds may not fulfil their objectives: performance is not guaranteed and future performance may not be in line with the past. This report has been created by Smart Pension and is valid at the date it is published. It has been created for general information only and does not constitute specific legal advice or opinion. You should not rely on any of the information contained within this report without seeking further advice from qualified investment advisers. The facts and data contained in this report shall not be copied, made available, reproduced, extracted or published within your business, for commercial purposes, or to the public or for any other purposes unless Smart Pension gives you consent.

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