BORDER TO COAST PENSIONS PARTNERSHIP

Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q2 2019

Contents

Note
1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£1,432,236,412
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£31,249,444
Value at end of the quarter	£1,498,170,063

Over Q2 2019, Teesside's holdings performed as follows:

- The UK Listed Equity Fund outperformed its benchmark by 0.96%
- The Overseas Listed Equity Fund outperformed its benchmark by 0.09%

Teesside did not make any subscriptions or redemptions during Q2 2019.

Note
1) Source: Northern Trust
2) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
3) Returns for periods greater than one year are annualised
4) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
5) Income is not included within the Net Inflows / Outflows or Unrealised Gain or Loss figures.

Portfolio Analysis - Teesside Pension Fund
at 30 June 2019

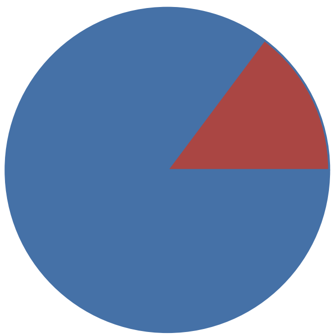
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	1,276,932,116.04	85.23
Border to Coast Overseas Developed	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	221,237,947.29	14.77

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Developed
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha

Teesside Pension Fund - Fund Breakdown



Border to Coast UK Listed Equity 85.23% £1,276,932,116.04

Border to Coast Overseas Developed 14.77% £221,237,947.29

Note

1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 30 June 2019

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity Fund	85.23	4.21	3.26	0.96	3.61
Border to Coast Overseas Dev Markets Equity	14.77	6.92	6.82	0.09	0.99
Total	**100.00**	**4.60**			

The UK Listed Equity Fund returned 4.21% over the quarter, which was 0.96% ahead of the FTSE All Share Index.
The Overseas Listed Equity Fund returned 6.92% over the quarter, which was 0.09% ahead of the composite benchmark.

Overall, Teesside's investments with Border to Coast returned 4.60% during Q2 2019.

Note
1) Source: Northern Trust & Border to Coast

Valuation Summary
at 30 June 2019

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)	Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast Overseas Developed Equity	206,924,956.25	14.45				12,785,304.16	221,237,947.29	14.77	
Border to Coast UK Listed Equity	1,225,311,456.03	85.55				18,464,139.62	1,276,932,116.04	85.23	
Total	**1,432,236,412.28**	**100.00**				**31,249,443.78**	**1,498,170,063.33**	**100.00**	

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Income is not included within the Net Inflows / Outflows or Unrealised Gain or Loss figures.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 30 June 2019

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Border to Coast UK Listed Equity Fund	2.36	0.36	2.00	4.21	3.26	0.96	--	--	--	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	5.93	5.85	0.09	6.89	6.82	0.07	--	--	--	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 30 June 2019

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity Fund	2.37	0.36	2.01	4.22	3.26	0.96	--	--	--	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	5.96	5.85	0.11	6.89	6.82	0.07	--	--	--	--	--	--	--	--	--

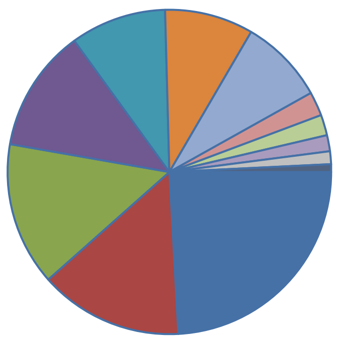
Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund at 30 June 2019

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.28
Industrials	+0.80
Basic Materials	+0.71
Consumer Goods	+0.39
Oil & Gas	+0.09
Consumer Services	-1.95
Financials	-1.94
Technology	-0.38
Telecommunications	-0.36
Utilities	-0.20

Sector Portfolio Breakdown



Note
1) Source: Northern Trust

UK Listed Equity Fund

The Border to Coast UK Listed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3 year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

The Fund generated a total return of 4.21% during the quarter compared to 3.26% for the benchmark resulting in 0.95% of out-performance.

Sector Weights:

Common Stock Funds (+) – exposure to smaller companies and sector-specialist investments via collective vehicles.

Industrials (+) – diversified sector benefiting from increased global investment capital expenditure.

Basic Materials (+) – strong cash generation enabling significant debt reduction, increased shareholder distributions, and capital investment into the longer term at current commodity prices.

Technology (-) – relatively small sector in the UK benchmark following M&A activity in recent years - remaining stocks are of a mixed quality.

Financials (-) – underweight Banks due to concerns over UK consumer debt and Brexit uncertainty, partly offset by overweight positions in Insurers and Wealth Managers as they are expected to benefit from increase in Asian and Emerging Market wealth.

Consumer Services (-) – high street expected to continue to suffer from pressure on UK consumer discretionary spending and high occupancy costs. Remains structurally challenged by increased online penetration, although online operators are also not immune to a more cautious UK consumer.

Border To Coast UK Listed Equity Fund Attribution at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	0.00	0.00	1.32	(11.99)	0.23
British American Tobacco	2.21	(12.21)	2.72	(12.35)	0.09
Intercontinental Hotels	1.37	12.00	0.41	12.07	0.08
Royal Bank of Scotland	0.00	0.00	0.43	(11.01)	0.07
Prudential	2.75	11.42	1.93	11.61	0.06

Glencore (u/w) - was adversely affected by the deaths of illegal artisanal miners following a mine wall collapse in the Democratic Republic of Congo.

British American Tobacco (u/w) - under-performed due to a proposed ban on new generation products in San Francisco. With the potential for other states to follow suit, this risks undermining the company's strategy to develop products away from traditional smoking.

Intercontinental Hotels (o/w) - benefited from improved investor sentiment with the Q1 *revpar* (revenue per available room) performance measure proving more robust than analyst expectations.

Royal Bank of Scotland (u/w) - was adversely impacted as UK domestic banks suffered during the quarter due to the continued fall in bond yields, adding pressure to concerns over net interest margins in the UK.

Prudential (o/w) - benefited from reduced concerns on the outlook for the Asian business, due to signs of a reversal in weak economic data in China.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
3I Group plc	0.00	0.00	0.46	15.21	(0.05)
South32	0.26	(13.26)	0.00	0.00	(0.05)
Standard Life Aberdeen	0.00	0.00	0.31	17.71	(0.04)
IP Group	0.24	(15.06)	0.03	(15.03)	(0.04)
Intermediate Capital Group	0.00	0.00	0.17	33.12	(0.04)

3I Group plc (u/w) – the private equity company benefited from net asset growth in excess of expectations driven by its largest holding in Action, the European non-food discounter which accounts for 33% of NAV.

South32 (o/w) - was adversely impacted by the fall in certain commodity prices and a trading update indicating a higher cost of production following some mine issues.

Standard Life Aberdeen (u/w) - saw a share price recovery from recent lows due to a relatively positive trading update - this follows a period of persistent net fund outflows since the merger.

IP Group (o/w) - the intellectual property business was adversely impacted by a perceived stock overhang from its second largest holder, Woodford Investment, which is liquidating holdings to meet investor redemptions in its own vehicles.

Intermediate Capital Group (u/w) - the specialist asset manager out-performed due to very strong full year results which exceeded expectations.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Antofagasta	+0.98
Intercontinental Hotels	+0.96
Prudential	+0.82
BHP Billiton	+0.79
Impax Environmental Markets	+0.74
Glencore	-1.32
BP	-0.79
British American Tobacco	-0.51
3I Group plc	-0.46
Royal Bank of Scotland	-0.43

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Antofagasta – operates at the lower end of the cost curve and benefits from attractive long term demand for copper, driven by electric vehicles and Chinese infrastructure.

Intercontinental Hotels – operates a return-enhancing capital-light franchise model with significant US exposure and a substantial pipeline of capacity additions, particularly in Asia.

Prudential – exposure to long term wealth growth trends in Asia/ Emerging Markets in addition to significant US exposure and the imminent divestment of M&G, which should crystallise its inherent valuation.

BHP Billiton– diversified commodity exposure operating at the lower end of the cost curve with strong cash generation enabling increased dividends and share buybacks.

Impax Environmental Markets – leading ESG-focused fund delivering strong long term outperformance.

Bottom 5 Holdings Relative to Benchmark:

Glencore – higher risk commodity company with significant operations in Democratic Republic of Congo (ongoing US Department of Justice investigation in relation to acquisition of assets) and a poor ESG score relative to peer group.

BP – preference for Royal Dutch Shell with its broader diversification across oil and gas and its exposure to liquefied natural gas.

British American Tobacco – traditional tobacco sales under pressure and a weak strategy for new generation products.

3I Group plc – over-reliance on a single asset in the non-food retail space.

Royal Bank of Scotland – we have a preference for Lloyds (given government overhang and political risk) and Asian focussed banks.

Major transactions during the Quarter

Purchases:

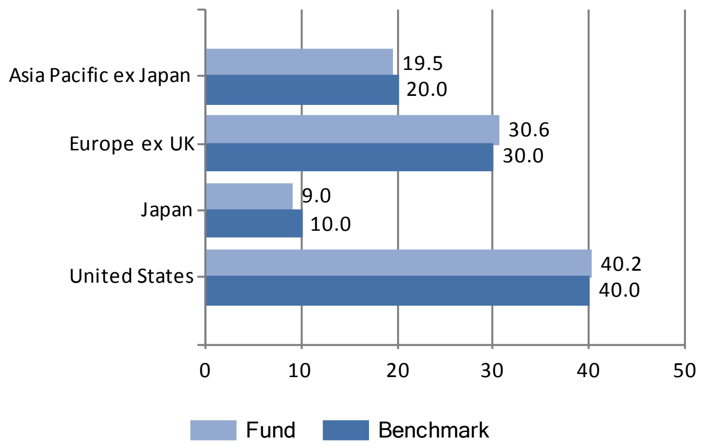
William Hill (£8.1m) – new holding expected to benefit from the growth in online gambling, and a tie-up with Eldorado in US.
BP (£6.1m) – modest reduction in our large underweight position.
Euromoney Institutional Investor (£5.6m) – added to holding as liquidity increased due to DMGT's sale of its 50% stake.
Vodafone (£5m) – reduced underweight position as share price fell due to increased capital expenditure concerns for 5G.

Sales:

Biotech Growth Trust (£4.6m) – reduced overweight position towards target weight as shares have out-performed.
Intercontinental Hotels (£3.5m) – reduced overweight position as shares have performed exceptionally well.

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2019

Regional Breakdown



Overseas Developed Markets Fund

The Border to Coast Overseas Developed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the Benchmark(*) by at least 1% per annum over rolling 3 year periods (before calculation of the management fee).

The Fund will not generally make active regional allocation decisions and the majority of its performance will arise from stock selection.

(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

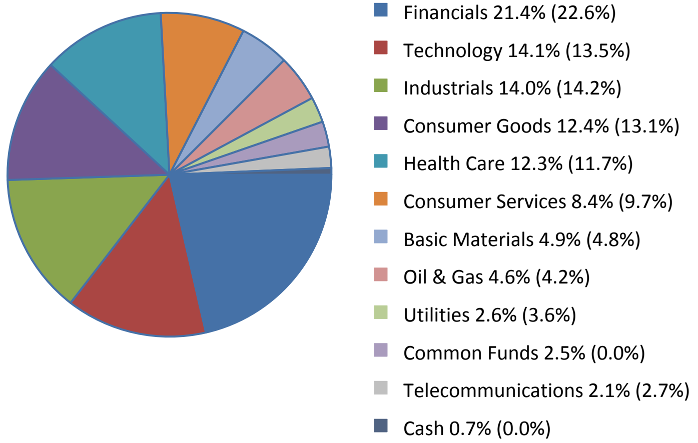
The Fund generated a total return of 6.89% during the quarter compared to 6.82% for the composite benchmark resulting in 0.07% of out-performance. Europe ex-UK (8.8%) was the strongest market in relative terms, followed by the US (6.8%), Pacific-ex Japan (5.9%), and Japan (2.9%).

	Inception to Date			Quarter			1 Year			3 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	**5.93**	**5.85**	**0.09**	**6.89**	**6.82**	**0.07**	**--**	**--**	**--**	**--**	**--**	**--**
United States	8.76	8.86	(0.10)	6.57	6.80	(0.23)	--	--	--	--	--	--
Japan	(1.99)	(2.97)	0.99	3.49	2.88	0.60	--	--	--	--	--	--
Europe ex UK	4.63	4.65	(0.02)	8.96	8.82	0.14	--	--	--	--	--	--
Asia Pacific ex Japan	6.66	5.89	0.77	6.16	5.86	0.31	--	--	--	--	--	--

Note
1) Please note that only the total Overseas Developed Equity Fund performance line is net of ACS charges such as depository and audit fees.
Investment management fees have not been included in the performance.

Border To Coast Overseas Developed Markets Equity Fund
at 30 June 2019

Sector Portfolio Breakdown



Sector Weights:

Common Stock Funds (+) – exposure to smaller companies via collectives, specifically in US and Europe.

Health Care (+) – strong long-term fundamentals driven by demographics, with demand growth from an ageing developed world population and increased disposable income in the emerging market middle classes.

Technology (+) – long term structural growth drivers including Internet of Things, Artificial Intelligence, Electric/Autonomous vehicles, new generation memory chips, and change in software business models to long term subscription revenues.

Utilities (-) – pressure from increased capital investment, changes in government policy and technological advances in renewable power generation are having an adverse impact on "traditional" power generation companies. In addition, there is long standing government influence, particularly in Europe, where the sector is considered to be of strategic importance and where interests are not always aligned with shareholders.

Financials (-) – significant underweight in Banks due to concerns over non-performing loans, legacy litigation issues and the risk of increased regulation. Partly offset by overweight in Insurers and Wealth Managers.

Consumer Services (-) – concerns over consumer spending, continuing structural shift to online retail, and disintermediation in media space with digital delivery of content away from cable.

Note

1) Source: Northern Trust

2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Border To Coast Overseas Developed Markets Equity Fund Attribution at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.54	(5.68)	0.07
Walt Disney	0.68	28.79	0.40	28.77	0.05
Anadarko Petroleum	0.18	59.54	0.06	59.52	0.04
SAP	0.90	22.66	0.60	23.38	0.03
Philip Morris Intl	0.00	0.00	0.20	(7.69)	0.03

Alphabet C (u/w) – declined after earnings results revealed a deceleration in advertising revenue, the reasons for which were poorly explained by the company.

Walt Disney (o/w) – advanced to an all-time high as details of the company's planned direct-to-consumer TV platform convinced investors that the product will be sufficiently compelling to win profitable market share.

Anadarko Petroleum (o/w) – was the best performing stock in the index over the quarter having been the subject of a two-way takeover battle between Chevron and Occidental.

SAP (o/w) – the German software company benefited from a good set of results after two disappointing quarters and the disclosure of an activist investor, Elliott, taking a €1.2bn stake (c. 1%) in the company.

Philip Morris Intl (u/w) – fell on poor volume trends in traditional cigarettes, just as regulatory oversight is creating uncertainty around the potential growth prospects for new reduced risk products.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.01	(5.83)	0.53	(5.80)	(0.07)
Umicore	0.12	(25.07)	0.03	(25.17)	(0.04)
Altria Group	0.29	(14.03)	0.15	(14.27)	(0.04)
Ubisoft Entertainment	0.22	(9.91)	0.03	(9.93)	(0.03)
Qualcomm	0.00	0.00	0.15	37.83	(0.03)

Alphabet A (o/w) – declined after earnings results revealed a deceleration in advertising revenue, the reasons for which were poorly explained by the company.

Umicore (o/w) – underperformed as the company is experiencing slowing demand for electric vehicles (EVs) in China and South Korea and competitors are sourcing cheaper cobalt from less respectable sources.

Altria Group (o/w) – underperformed due to broad concerns around weakening tobacco trends and scrutiny of the timing of its recent investment in vaping company Juul, given growing regulatory oversight in the space.

Ubisoft Entertainment (o/w) – underperformed as quarterly earnings missed expectations and the company delayed the release of a highly anticipated new title.

Qualcomm (u/w) – rallied over 50% on the favourable resolution of the company's litigation with Apple, regarding the licensing of key intellectual property.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.04
Airbus	+0.58
Alphabet A	+0.48
JP Morgan European Smaller Companies Trust	+0.39
Visa Inc	+0.37
Alphabet C	-0.54
Mastercard	-0.39
Comcast	-0.31
PepsiCo	-0.30
Walmart Inc	-0.25

Top 5 Holdings Relative to Benchmark:

Vanguard US MidCap ETF – provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

Airbus – very large order book with accelerating deliveries, despite concern over production delays, which should result in higher cash flow generation through operational gearing.

Alphabet A – zero holding in C shares results in a modest underweight exposure to Alphabet overall.

JP Morgan European Smaller Companies Trust – provides relatively defensive exposure to smaller companies in Europe with weighting likely to be reduced over time.

Visa Inc – exposed to strong drivers of the move to cashless payments and growth in cross border transactions.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares results in a modest underweight exposure to Alphabet overall.

Mastercard – preference for Visa, the other global payment network company due to relative valuation.

Comcast – sub-scale studio business and broadband expansion that is constrained due to already high penetration and growing competition.

PepsiCo – current valuation does not adequately reflect the trend away from carbonated drinks and increasing competition in the snack category.

Walmart Inc. – high valuation attaches too much credit to the continued successful penetration of Walmart's online offering.

Note
1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.54	0.07
Walt Disney	0.68	0.40	0.05
Anadarko Petroleum	0.18	0.06	0.04
Philip Morris Intl	0.00	0.20	0.03
Microsoft	1.97	1.68	0.03

Alphabet C (u/w) - declined after earnings results revealed a deceleration in advertising revenue, the reasons for which were poorly explained by the company.

Walt Disney (o/w) - advanced to an all-time high as details of the company's planned direct-to-consumer TV platform convinced investors that the product will be sufficiently compelling to win profitable market share.

Anadarko Petroleum (o/w) - was the best performing stock in the index over the quarter having been the subject of a two-way takeover battle between Chevron and Occidental.

Philip Morris Intl (u/w) - fell on poor volume trends in traditional cigarettes, just as regulatory oversight is creating uncertainty around the potential growth prospects for new reduced risk products.

Microsoft (o/w) - rallied as part of a strong technology sector – plus the announcement of a major cloud-based alliance with Oracle during the quarter served to underline the strength of Microsoft's presence in the cloud space.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.01	0.53	(0.07)
Altria Group	0.29	0.15	(0.04)
Qualcomm	0.00	0.15	(0.03)
NVIDA Corporation	0.38	0.16	(0.03)
Occidental Petroleum	0.14	0.06	(0.03)

Alphabet A (o/w) - declined after earnings results revealed a deceleration in advertising revenue, the reasons for which were poorly explained by the company.

Altria Group (o/w) - under-performed due to broad concerns around weakening tobacco trends and scrutiny of the timing of its recent investment in vaping company Juul, given growing regulatory oversight in the space.

Qualcomm (u/w) - rallied over 50% on the favourable resolution of the company's litigation with Apple, regarding the licensing of key intellectual property.

NVIDIA Corporation (o/w) - set a cautious tone in earnings results, guiding down full year profits due to worsening visibility in the server market, which more than eclipsed better news in the company's gaming segment.

Occidental Petroleum (o/w) - declined as investors baulked at the company's successful bid to acquire Anadarko, which will result in an elevation of Occidental's debt profile.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.04
Alphabet A	+0.48
Visa Inc	+0.37
Xylem Inc	+0.34
Pfizer	+0.29
Alphabet C	-0.54
Mastercard	-0.39
Comcast	-0.31
PepsiCo	-0.30
Walmart Inc	-0.25

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet A – zero holding in C shares results in a modest underweight exposure to Alphabet overall.

Visa Inc – exposed to strong drivers of the move to cashless payments and growth in cross border transactions.

Xylem Inc – complete transport, management and monitoring solutions for water and wastewater, driving strong top line growth and solid forward order book.

Pfizer – a modest valuation, fading exposure to patent expiries, a promising product pipeline and a commitment to shareholder returns rather than large scale M&A.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares results in a modest underweight exposure to Alphabet overall.

Mastercard – preference for Visa, the other global payment network company due to relative valuation.

Comcast – sub-scale studio business and broadband expansion that is constrained due to already high penetration and growing competition.

PepsiCo – current valuation does not adequately reflect the trend away from carbonated drinks and increasing competition in the snack category.

Walmart – high valuation attaches too much credit to the continued successful penetration of Walmart's online offering.

Major transactions during the Quarter

Purchases:

Allergan Plc (£4.9m) – new holding at a valuation giving insufficient credit for the strong core brand franchise.

Tapestry Inc (£4.3m) – new position in the fashion holding company at an all-time relative valuation low.

Sales:

Eaton Plc (£2.8m) – sold holding in the broad industrial company to reduce sector exposure.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
SAP	0.90	0.60	0.03
Jupiter European Opportunities Fund	0.28	0.00	0.03
Wirecard	0.20	0.09	0.02
Airbus	0.93	0.35	0.02
Nokia	0.00	0.13	0.02

SAP (o/w) – the German software company benefited from a good set of results after two disappointing quarters and the disclosure of an activist investor, Elliott, taking a €1.2bn stake (c. 1%) in the company.

Jupiter European Opportunities Fund (o/w) – the fund outperformed on the back of significant increases in Wirecard and Adidas, two of its largest holdings.

Wirecard (o/w) – outperformed on the back of Softbank buying a 5.6% equity stake for $1.4bn, the closing of the internal fraud investigation and management expectations that the Singapore criminal investigation will be closed with no negative implications for the company.

Airbus (o/w) – outperformed on the back of increased production of the A320 and strong orders for new aircraft from the Paris air show.

Nokia (u/w) – underperformed after experiencing a weak financial quarter which took the market by surprise. This was due to slower than expected revenue recognition and increased competition.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Umicore	0.12	0.03	(0.04)
Ubisoft Entertainment	0.22	0.03	(0.03)
Ahold Delhaize	0.28	0.11	(0.03)
EssilorLuxottica	0.00	0.17	(0.03)
Novo Nordisk	0.69	0.38	(0.02)

Umicore (o/w) – underperformed as the company is experiencing slowing demand for electric vehicles (EVs) in China and South Korea and competitors are sourcing cheaper cobalt from less respectable sources.

Ubisoft Entertainment (o/w) – underperformed as quarterly earnings missed expectations and the company delayed the release of a highly anticipated new title.

Ahold Delhaize (o/w) – underperformed due to an 11-day strike that took place at its Stop & Shop stores, resulting in management reducing their guidance on margins and earnings to levels below last year's figures.

EssilorLuxottica (u/w) – the luxury eyewear company outperformed as first quarter sales were better than expected due to initiatives to increase the cross-selling of brands and optimise the supply chain.

Novo Nordisk (o/w) – underperformed on the back of drug pricing - a big issue in US politics with the country gearing up for elections next year. North America is the dominant market for the company and a forced reduction in prices will impact earnings.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Airbus	+0.58
JP Morgan European Smaller Companies Trust	+0.39
Total	+0.37
NN Group	+0.35
Koninklijke Philips	+0.35
Enel SPA	-0.25
Zurich Insurance Group	-0.23
Daimler AG	-0.22
Kering	-0.20
EssilorLuxottica	-0.17

Top 5 Holdings Relative to Benchmark:

Airbus – very large order book with accelerating deliveries, despite concern over production delays, which should result in higher cash flow generation through operational gearing.

JP Morgan European Smaller Companies Trust – provides relatively defensive exposure to smaller companies in Europe with weighting likely to be reduced over time.

Total – higher oil prices, falling unit costs, and increase in production should be beneficial for cash flow generation and increased exposure to gas provides diversification.

NN Group – synergies being generated from acquisition of domestic insurance competitor Delta Lloyd.

Koninklijke Philips – increased demand for healthcare equipment driven by Emerging Markets and the increased adoption of image guided radiation therapy equipment.

Bottom 5 Holdings Relative to Benchmark:

Enel SPA – the energy group has a higher risk profile due to large exposure to Italy, with the risk of political uncertainty, as well as exposure to Latin America, particularly Brazil.

Zurich Insurance Group – high valuation relative to peers and over ambitious profitability targets.

Daimler AG – weak balance sheet, slowdown in major markets, and adversely impacted by increased emissions testing requirements in Europe.

Kering – over reliance on Gucci brand.

EssilorLuxottica – there are significant concerns that the expected benefits of the recent merger will be captured amid tensions between senior management from the respective companies.

Major transactions during the Quarter

No major transactions during the quarter, other than reinvesting dividends in the majority of holdings within the portfolio.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Nintendo	0.22	0.11	0.02
Central Japan Railway	0.00	0.10	0.02
Sony Corp	0.30	0.18	0.02
Japan Tobacco	0.00	0.07	0.01
AEON Company	0.00	0.03	0.01

Nintendo (o/w) – benefited from strong sales of Switch portable system, and announcement of a deal with Tencent to distribute Switch hardware and software in China.

Central Japan Railway (u/w) – fell due to concerns about Maglev (magnetic levitation) project costs and impact on dividend outlook.

Sony Corp (o/w) – benefited from the announcement of a strategic partnership with Microsoft on game streaming – allaying fears of competition from Google Stadia – plus a positive reaction to the involvement of an activist investor, Third Point.

Japan Tobacco (u/w) – under-performed due to concerns regarding increased regulation and recent emerging market acquisitions.

AEON Company (u/w) – the retailer suffered from a downward revision to profit guidance and analysts' lack of confidence in medium-term targets.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Takeda Pharmaceutical	0.29	0.15	(0.03)
Ryohin Keikaku	0.05	0.01	(0.02)
Fast Retailing	0.00	0.09	(0.02)
KDDI	0.00	0.12	(0.01)
AEON Financial Services	0.05	0.01	(0.01)

Takeda Pharmaceutical (o/w) – suffered a negative reaction to higher than expected integration costs of recent acquisition, Shire, despite management's increased target for longer term synergies from the acquisition.

Ryohin Keikaku (o/w) – the retailer under-performed due to a poor set of results that missed both its own and analyst consensus guidance despite a downward revision in January.

Fast Retailing (u/w) – benefited from strong quarterly results with sales beating analyst consensus estimates.

KDDI (u/w) – the telecoms operator outperformed due to price cuts by competitors being less severe than anticipated.

AEON Financial Services (o/w) – underperformed as recent results disappointed with profits falling short of guidance.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Vanguard FTSE Japan ETF	+0.22
Takeda Pharmaceutical	+0.14
Sony Corp	+0.12
Nintendo	+0.11
Hitachi	+0.10
KDDI	-0.12
Recruit Holdings	-0.11
Central Japan Railway	-0.10
Fanuc	-0.10
Daikin Industries	-0.10

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard FTSE Japan ETF – temporary use of ETF to enable profit taking from out-performing holdings prior to earnings season and long market holiday whilst maintaining market exposure.

Takeda Pharmaceutical – scale benefits from Shire acquisition and strong pipeline, valuation re-rating expected once strong cash flows and disposals reduce debt taken on at time of Shire deal.

Sony Corp – diversified portfolio with growth potential in gaming, financial services and car image sensors.

Nintendo – good potential from gaming with Switch product selling well, and valuation does not reflect potential from online subscription service.

Hitachi – conglomerate discount expected to narrow with highly regarded Board now in place, a focus on profitability, and disposals likely as changes continue to the business portfolio.

Bottom 5 Holdings Relative to Benchmark:

KDDI – lowest profitability of the three incumbent telecom operators – and recent entry of a fourth player could have an adverse impact.

Recruit Holdings – trades on a premium valuation relative to peers in a difficult environment for recruitment.

Central Japan Railway – portfolio exposure to railway companies is via the two other major railway companies. Exposure to Maglev (magnetic levitation) train project is considered high risk due to the significant costs involved.

Fanuc – preference for Keyence which is considered to be a better-quality company in the robotics sector.

Daikin Industries – growth concerns due to exposure to declining air-conditioning demand in China, combined with chemicals business exposure to auto and technology sectors.

Major transactions during the Quarter

Purchases:

MFC Vanguard FTSE Japan (£6.0m) – temporary use of ETF to enable profit taking from out-performing holdings prior to earnings season and long market holiday, whilst maintaining market exposure.

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2019

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Aristocra Leisure	0.22	0.11	0.02
AIA Group	1.25	1.00	0.01
HLB	0.00	0.01	0.01
Helixmith	0.00	0.02	0.01
Techtronic Industries	0.18	0.07	0.01

Aristocrat Leisure (o/w) – the Australian gambling machine manufacturer out-performed due to better than expected results driven by the positive impact of operating leverage in the US.

AIA Group (o/w) – recovered strongly following trade-related weakness earlier in the quarter as the market appreciated the potential growth within the Chinese insurance market.

HLB (u/w) – shares of this Korean biotechnology company fell significantly after the failure of a phase III clinical trial.

Helixmith (u/w) – shares of another Korean biotechnology company fell on the back of the HLB news (above) and announcement of a rights issue.

Techtronic Industries (o/w) – outperformed due to an improvement in demand expectations for power tools in the US – confirmed when Home Depot, one of their biggest customers, reported strong results.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2019

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
LG Chemical	0.24	0.11	(0.02)
Hyundai Mipo Dockyard	0.08	0.01	(0.02)
CK Hutchinson Holdings	0.38	0.20	(0.01)
SK Innovation	0.12	0.06	(0.01)
Samsung Fire & Marine Insurance	0.11	0.06	(0.01)

LG Chemical (o/w) – fell due to continued weakness on the back of concerns about fires in energy storage systems combined with a potential counter lawsuit from a competitor, SK Innovation, regarding trade secrets.

Hyundai Mipo Dockyard (o/w) – under-performed due to slower order intake as ship owners consider the impact of new environmental regulations on their operations.

CK Hutchison Holdings (o/w) – the conglomerate's shares have been underperforming due to investor concerns regarding the UK exposure (and Brexit); the shares now trade on a very large discount to NAV.

SK Innovation (o/w) – weaker results due to lower petrochemical pricing, combined with concerns over counter lawsuit with LG Chemicals, led to underperformance.

Samsung Fire & Marine Insurance (o/w) – challenging market environment and added pressure over lack of capital under new accounting regulations has led to underperformance.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2019

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.31
AIA Group	+0.25
CSL	+0.25
BHP Group	+0.24
Macquarie Group	+0.22
Samsung Electronics Prefs	-0.21
Hong Kong & China Gas	-0.17
Commonwealth Bank of Australia	-0.10
Westpac Bank	-0.10
ASX Limited	-0.09

Top 5 Holdings Relative to Benchmark:

Samsung Electronics Ords – the stock is exposed to structural growth in memory market (despite current weakness), has a diversified earnings stream, and shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.

AIA Group – strongest pan Asian insurer, good distribution franchise, strong balance sheet, and recent licence wins in China confirm its growth potential in an underpenetrated country.

CSL – justifies its premium rating due to its competitive advantage in the plasma market and strong growth expected for Immunoglobulins (antibodies).

BHP Group – beneficiary of strong iron ore price, restructuring potential, good free cashflow generation, strong balance sheet, and shareholder returns.

Macquarie Group – well diversified financial services company which is a preferred holding compared to the large Australian banks, strong balance sheet and very highly regarded management.

Bottom 5 Holdings Relative to Benchmark:

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.

Hong Kong & China Gas – although the company has a monopoly on gas supply in Hong Kong it has a very high rating with potentially slowing earnings growth and China regulatory risk.

Commonwealth Bank of Australia and **Westpac Bank** – fragile Australian economic environment has led to a reduction in interest rates, which is not positive for bank earnings, although low valuations and high dividend yields could be a potential support in the short term.

ASX Limited – prefer to gain exposure to the stock exchange sub-sector via Hong Kong, rather than Australia, due to the positive impact from the opening up of the Chinese market.

Note
1) Source: Northern Trust

Market Background
at 30 June 2019

Global economic growth has continued to soften during the quarter and leading indicators, particularly for manufacturing, suggest that this weakness may continue in the short term. This has been driven by the uncertainty caused by the ebb and flow of trade tensions between the US and China, as well as the fading impact from tax cuts and a softer Federal Reserve policy in the US. Fiscal stimulus in China and lower economic growth in Europe, particularly Germany, have also been contributing factors.

The US has been impacted by escalating trade tensions with China and, more recently, Mexico - two of the country's largest trading partners. This increased uncertainty is having an adverse impact on business investment. Tax cuts in 2018 and strong labour markets have supported consumer expenditure, but disposable income growth is likely to weaken as this stimulus fades. In response to this weakness, there has been an abrupt change in interest rate expectations in the last few months with a series of rate cuts now expected in 2019. The yield curve remains inverted (long interest rates are below short interest rates) which has typically presaged a recession. However, it should be noted that the most closely watched yield curve (10 year/2 year) has yet to invert although it is close to doing so.

Europe continues to feel the effects of the trade dispute and the negative impact on global trade growth. However, there has been an improvement in leading indicators of domestic demand following a period of weakness. The consensus is for continued softer growth rather than a recession. The ECB has responded by altering its forward guidance to push the timing of any interest rate increase into 2020 and pressure for additional monetary stimulus is likely to build.

The UK continues to be impacted by the uncertainty around Brexit, with growth in the last quarter driven by inventory building in advance of the original Brexit deadline date. This has subsequently reversed in the second quarter but may provide some support in the run up to the next deadline date at the end of October. What is clear is that the political and economic uncertainty is having a detrimental impact on investment expenditure. Despite this, the labour market remains relatively robust and wage growth has picked up, which could support consumer expenditure in the short term. Given the uncertainty regarding the impact of Brexit it is unlikely that interest rates will increase in the short term.

Japan has also been adversely affected by the slowdown in global trade given its sizeable export manufacturing sector, although the domestic economy appears stronger. Despite the labour market remaining exceptionally tight this is not being reflected in wage growth. Also, despite cost pressures in certain parts of the economy, inflation continues to disappoint. The increase in VAT remains scheduled for October 2019 and, whilst this will have an inflationary impact, it may also constrain recent domestic demand.

The rest of developed Asia has been impacted by both increased trade tensions - given its proximity to China - and also a slowdown in the technology sector, due to softer demand and excess capacity in some parts of the industry. There are also domestic pressures including a housing market slowdown in Australia, with the accompanying risk of increased loan defaults, and the increase in political uncertainty in Hong Kong following recent demonstrations regarding China's influence.

There has been a continued slowdown in economic growth in Emerging Markets, driven partly by the increased trade tensions and ongoing weakness in Europe. Economic growth in Latin America is recovering more slowly than expected and Mexico has been particularly impacted by the threat of increased US tariffs. Further fiscal and monetary stimulus, with an expected focus on infrastructure spending, will probably be required in China in the event of an underwhelming trade deal with the US. There is also scope for other emerging economies to increase monetary and/or fiscal stimulus including The Philippines, Indonesia, and Malaysia. The risk of political uncertainty has abated to a degree with elections in India, Indonesia and Thailand producing results broadly in line with expectations.

Market Background
at 30 June 2019

Global inflation remains relatively benign and, despite relatively strong labour markets, wage growth appears contained. There are concerns, however, regarding the lack of productivity growth. Although food inflation has accelerated, due to weaker harvests and the Asian swine flu outbreak, this has been offset in the short term by falling energy prices. On balance, however, emerging markets tend to be impacted more by food prices and so inflationary pressures are moderately greater in this region. Monetary conditions have become more accommodative in recent months, as inflation and interest rate expectations have fallen in response to weaker global economic growth. The key concern remains that there is insufficient room for central banks to use monetary policy to stimulate economies in the event of a recession, as interest rates are not high enough to enable cuts to have an impact. Additionally, further quantitative easing risks merely boosting asset prices, rather than the real economy. Due to high rates of government debt it is unlikely that fiscal policy can be used to stimulate economic growth.

There has been a continued appreciation in global equity markets (MSCI ACWI) with a total return of 6.2% during the quarter. Developed markets (+6.6%), which had also out-performed in the previous quarter, continued to out-perform Emerging Markets (+3.1%). However, this belies the volatility in equity markets during the quarter with a sharp fall in May due to an escalation in the trade disputes between the US and China, and fleetingly between the US and Mexico. This reversed in June as a result of a more conciliatory tone between the two main protagonists. As a long term investor, it can be difficult to navigate markets of this type - and there has to be an element of trying to ignore the short term noise and focus on long term company fundamentals. This is sometimes easier said than done.

Expanding price earnings ratios, as opposed to earnings growth prospects, have driven equity market returns so far in 2019. There is a question as to whether this is sustainable, particularly as multiples are above their long term average in most markets. Earnings expectations have actually reduced significantly over the last few months for most developed markets with the exception of Japan. We believe that market conditions are likely to remain volatile, with a slowdown in global economic growth punctuated by rising and falling trade.

Note
1) Source: Border to Coast

Border to Coast News

People:

- One of our ongoing strategic objectives is to further develop and enhance our internal investment team, so it's great to bring on board Richard McBeath (Risk Manager), Andrei Kiselev (Senior Research Manager) and Richard Tan (Graduate Trainee Analyst) to our risk and research teams. Their roles involve supporting the portfolio managers in their investment decision making.

- We have also recently welcomed Andrew Durkin (Head of Performance), Femi Sobo-Allen (Deputy Company Secretary) and Jonathan Smart (Assistant Portfolio Manager) to the Border to Coast team.

Investment Funds:

- Following a huge number of applicants and a very detailed selection process (incorporating scoring for technical quality, value for money and complementarity of fit) we are pleased to announce the appointment of the underlying managers for the Border to Coast Global Equity Alpha Fund. Harris Associates, Lindsell Train, Loomis Sayles and two distinct mandates from Investec Asset Management complete the line-up for the Fund, which is scheduled to launch later in 2019 with assets of over £5bn.

- The drawdown for our first private equity investment took place in late June, which was Border to Coast's inaugural commitment to private markets. This is the culmination of a lot of hard work, involving the negotiation of 1,885 pages across 10 legal agreements between Border to Coast, our Partner Funds and Northern Trust - with support from Deloitte, Eversheds and Burness Paull. Over 100 documents were signed in order to bring this to life.

- In keeping with our approach to engaging with the asset management industry, we shared the next phase of our plans at two Manager Days – covering Fixed Income on 17th June and Private Markets on 2nd July. These events were very well attended, with over 100 managers at each day, demonstrating the high levels of industry interest. These events provided a great opportunity to speak with the industry about how we can work together to make a difference to LGPS investment outcomes.

- We have truly appreciated all the hard work and assistance from our Partner Fund Officers and Committees, plus their advisors, in confirming commitments to our funds over the past couple of months. We look forward to working with you all further as we continue to develop our range of offerings over the course of this year.

Responsible Investment:

- Our Climate Change Working Party has continued to meet through Q2 with a focus this quarter on engagement. Presentations were welcomed from both Robeco and LGIM on how they engage with companies, determining policy, how they report to and support their customers and how we should be challenging third party asset managers. Our aim from these workshops is to develop a plan to help Pensions Committees to consider and manage climate change as part of strategic asset allocation decision-making.

- We are delighted to announced that Jane Firth, Head of Responsible Investment, took home the award for Best ESG programme at the Institutional Investor UK & Ireland Peer to Peer awards on 21 June in London.

Other news:

- In addition to Jane's plaudits, our CEO Rachel Elwell was also recognised at the Institutional Investor event, being awarded Influencer of the Year.

Disclosures