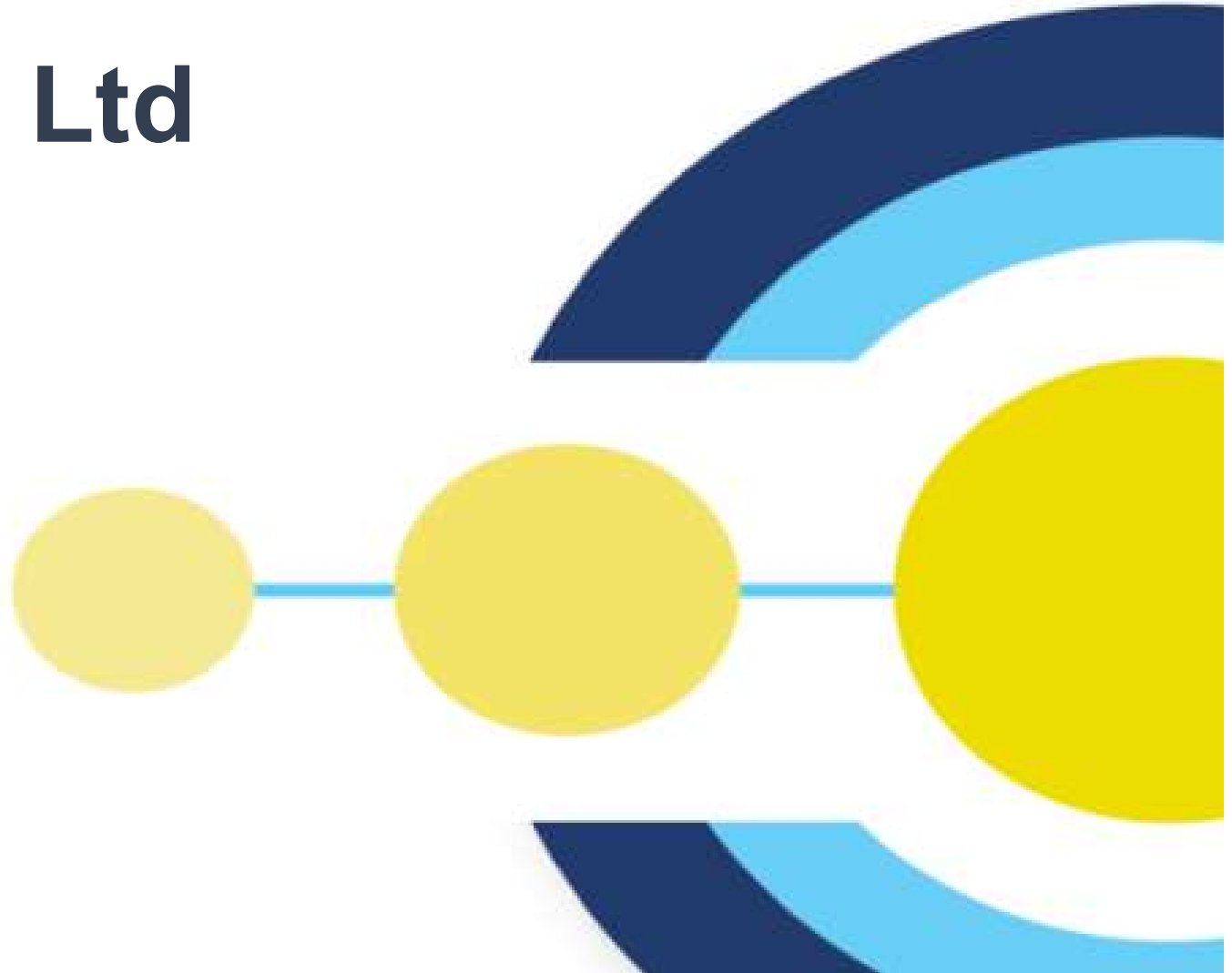


Border to Coast Pensions Partnership Ltd

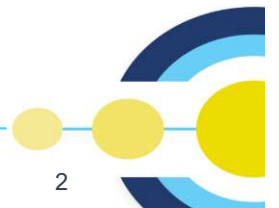
Teesside
Pension Fund

22 January 2020



Agenda

- **Border to Coast Update** **3**
- **Equity Investments - Q3 2019** **5**
- **Alternatives Update** **14**
 - **Private Equity** **16**
 - **Infrastructure** **21**
- **Appendix** **25**



Border to Coast Pensions Partnership

- Established in 2018
- 12 Local Government Pension Funds with c. £45bn Assets
- Internal & External Management



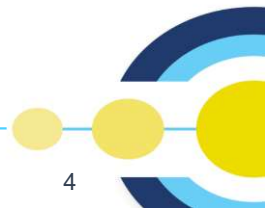
Border to Coast: progress in 2019

Milestones achieved

- Fifth equity fund (Global Equity Alpha) launched
- Three *alternative* assets funds launched
- First bond fund designed and managers selected (Q1 20 launch)
- Statutory accounts approved
- Graduate programme up & running

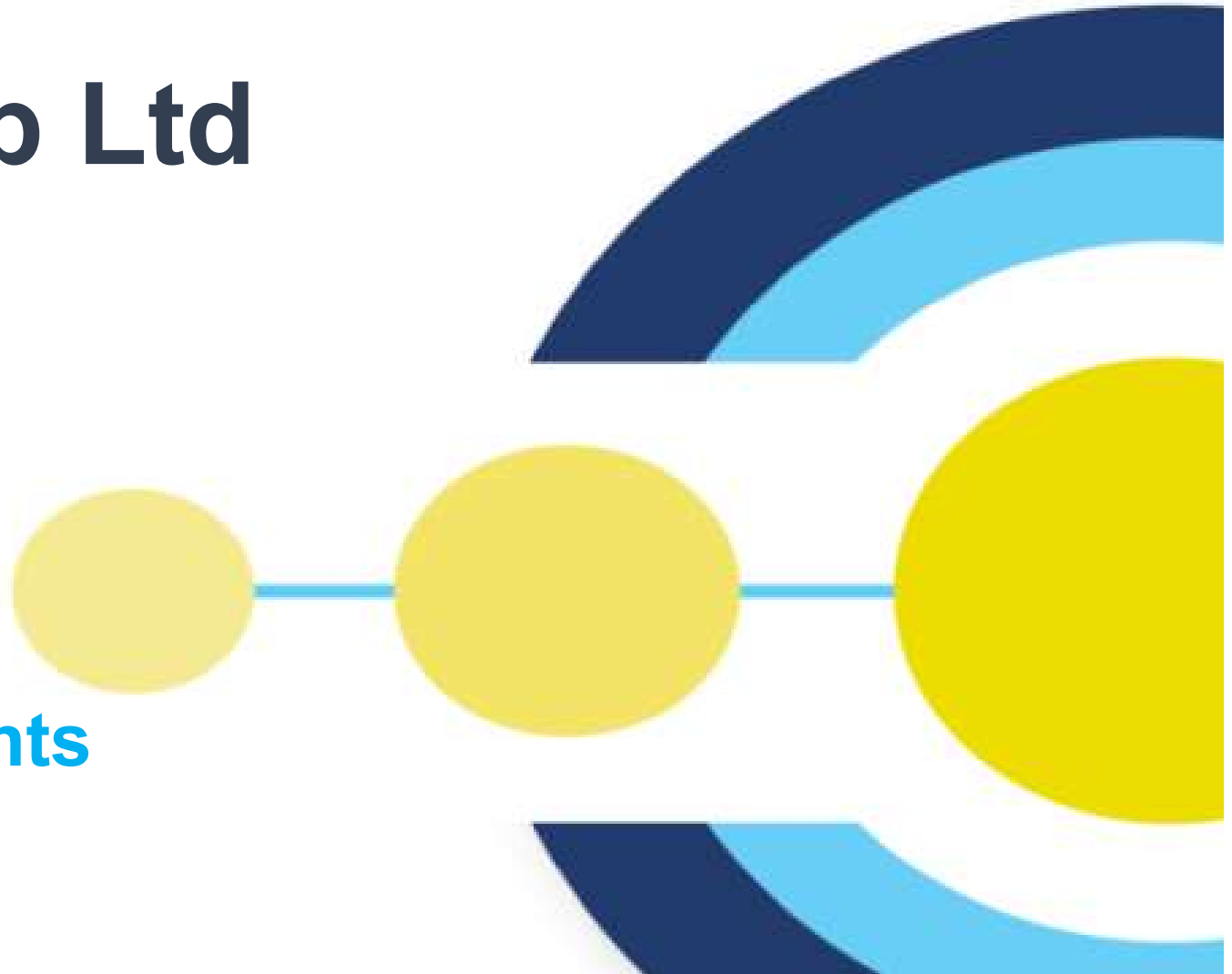
Key statistics

- £14bn equities under management at end Sept 2019 (11 investors)
- Initial £1.75bn committed to alternatives (10 investors)
- Team increased from 51 (Dec 2018) to 73 (Oct 2019)
- 200+ legal agreements in place
- 37 procurement exercises completed
- 25 Board meetings supported

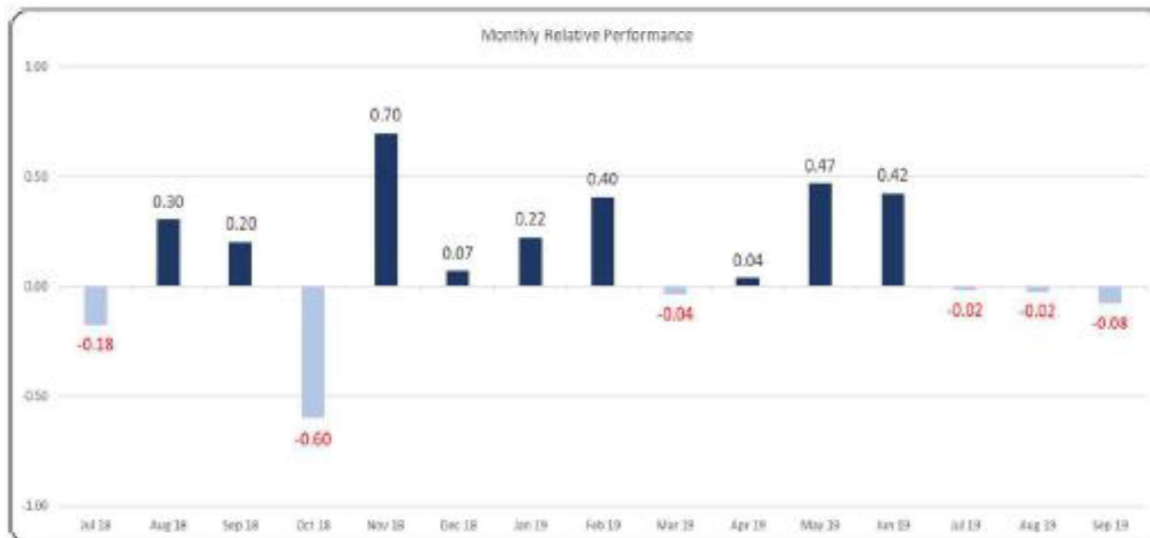


Border to Coast Pensions Partnership Ltd

Equity Investments
- Q3 2019



UK Listed Equity Fund – Q3 2019 Performance



	QTD	1 Yr	ITD
Fund	1.15%	4.25%	2.98%
Benchmark	1.27%	2.68%	1.38%
Relative	-0.12%	1.57%	1.60%

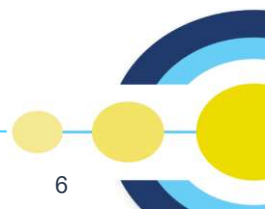
As at 30 September 2019
Inception date: 2 July 2018
Benchmark: FTSE All Share
Performance is net of fees

Investment Objective:

To outperform the Benchmark by at least 1% p.a. over rolling 3 year periods

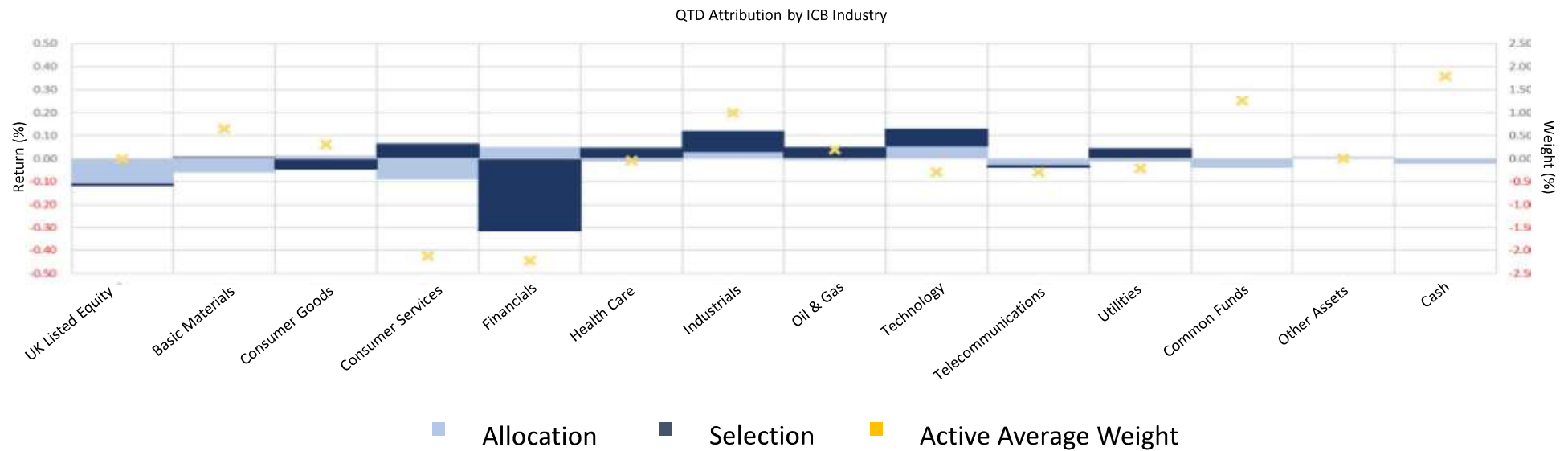
Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

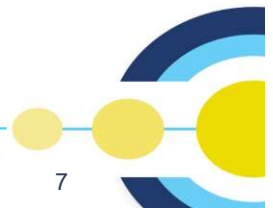


UK Listed Equity Fund

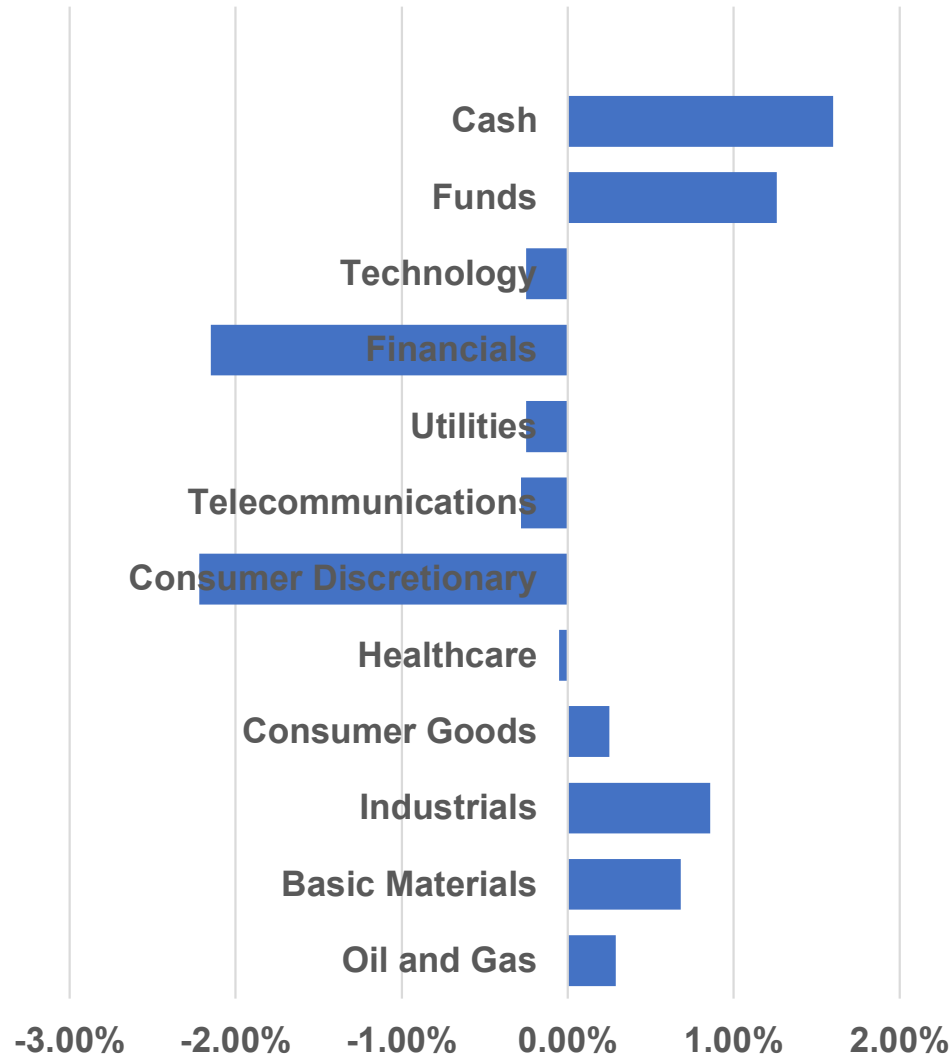
– Q3 2019 Performance Attribution



Past performance is not a reliable indicator of future performance and is not guaranteed.
 Source: Northern Trust, Border to Coast



UK Listed Equity Fund – Q3 2019 Portfolio Positioning

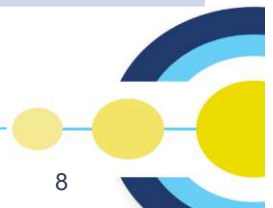


Top 5	Relative weight
Antofagasta	+0.95%
Intercontinental Hotels Group	+0.79%
Impax Environmental Markets	+0.74%
Prudential	+0.70%
Schroder UK Smaller Companies	+0.67%

Bottom 5	Relative weight
Glencore	-1.16%
BP	-0.72%
British American Tobacco	-0.62%
3i Group	-0.48%
Royal Bank of Scotland	-0.41%

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast



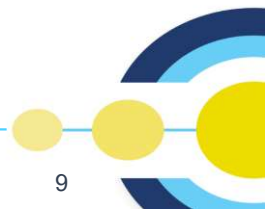
UK Listed Equity Fund

– Q3 2019 Performance Contributors

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
Micro Focus (u/w)	0.00	0.17	0.13	Profit Warning taken poorly by the market
Glencore (u/w)	0.00	1.16	0.11	Operational issues and unresolved investigations
Cobham (o/w)	0.26	0.16	0.10	Deal with Advent International at a premium
Next (o/w)	0.92	0.34	0.06	Online sales outweighing declining instore sales.
Ultra Electronics (o/w)	0.33	0.06	0.05	Earnings ahead of expectations.
Prudential (o/w)	2.36	1.66	-0.12	Concerns over Asia growth slowdown
Fresnillo (o/w)	0.40	0.05	-0.10	Silver and gold output guidance disappointed
BHP Group PLC (o/w)	2.22	1.56	-0.09	Falling commodity prices from slowing global growth
Flutter Entertainment (u/w)	0.00	0.25	-0.06	US division delivered profit earlier than anticipated
Biotech Growth Trust (o/w)	0.43	0.01	-0.05	Healthcare reform weighs on the biotech sector

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast



Overseas Developed Equity – Q3 2019 Performance



	QTD	1yr	ITD
Fund	2.81%	6.61%	7.48%
Benchmark	2.81%	6.81%	7.40%
Relative	0.00%	-0.2%	0.08%

As at 30 September 2019

Inception date: 9 July 2018

Benchmark: S&P 500 (40%), FTSE Developed Europe ex-UK (30%), FTSE Developed Pacific ex-Japan (20%), FTSE Japan (10%)

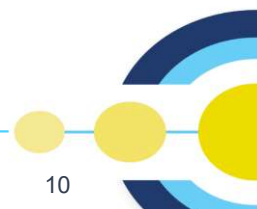
Performance is net of fees

Investment Objective:

To outperform the Benchmark by at least 1% p.a. over rolling 3 year periods

Past performance is not a reliable indicator of future performance and is not guaranteed.

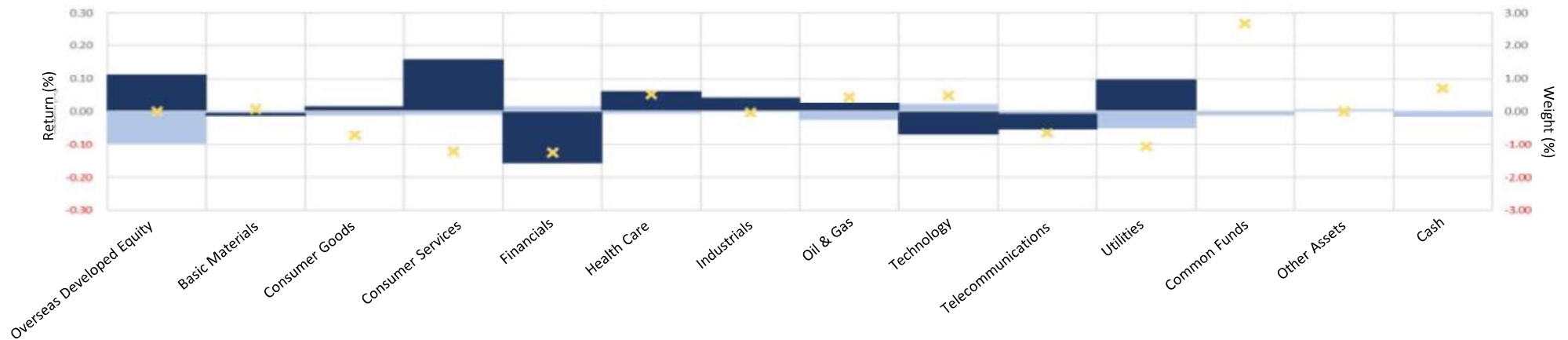
Source: Northern Trust, Border to Coast



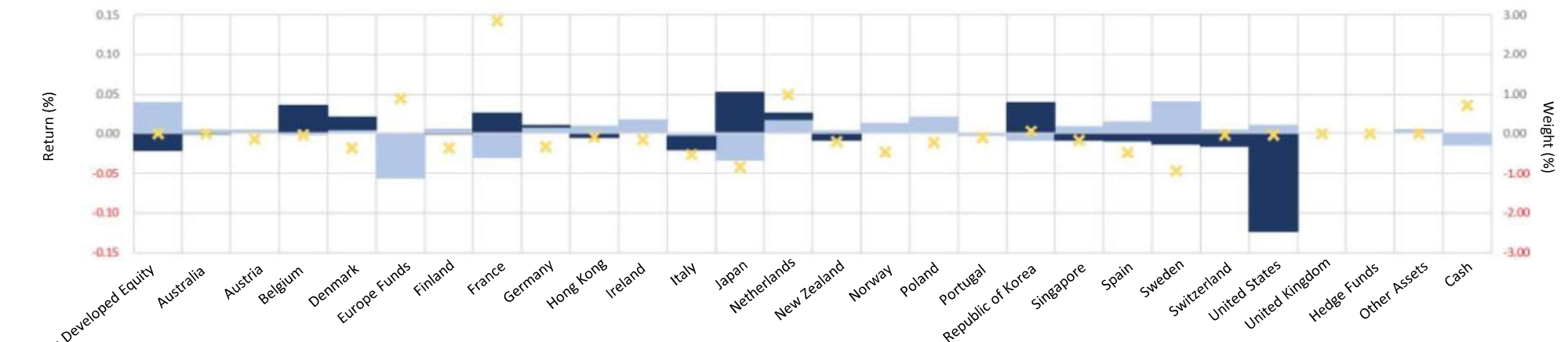
Overseas Developed Equity

– Q3 2019 Performance Attribution

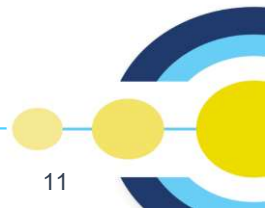
QTD Attribution by ICB Industry



QTD Attribution by Country

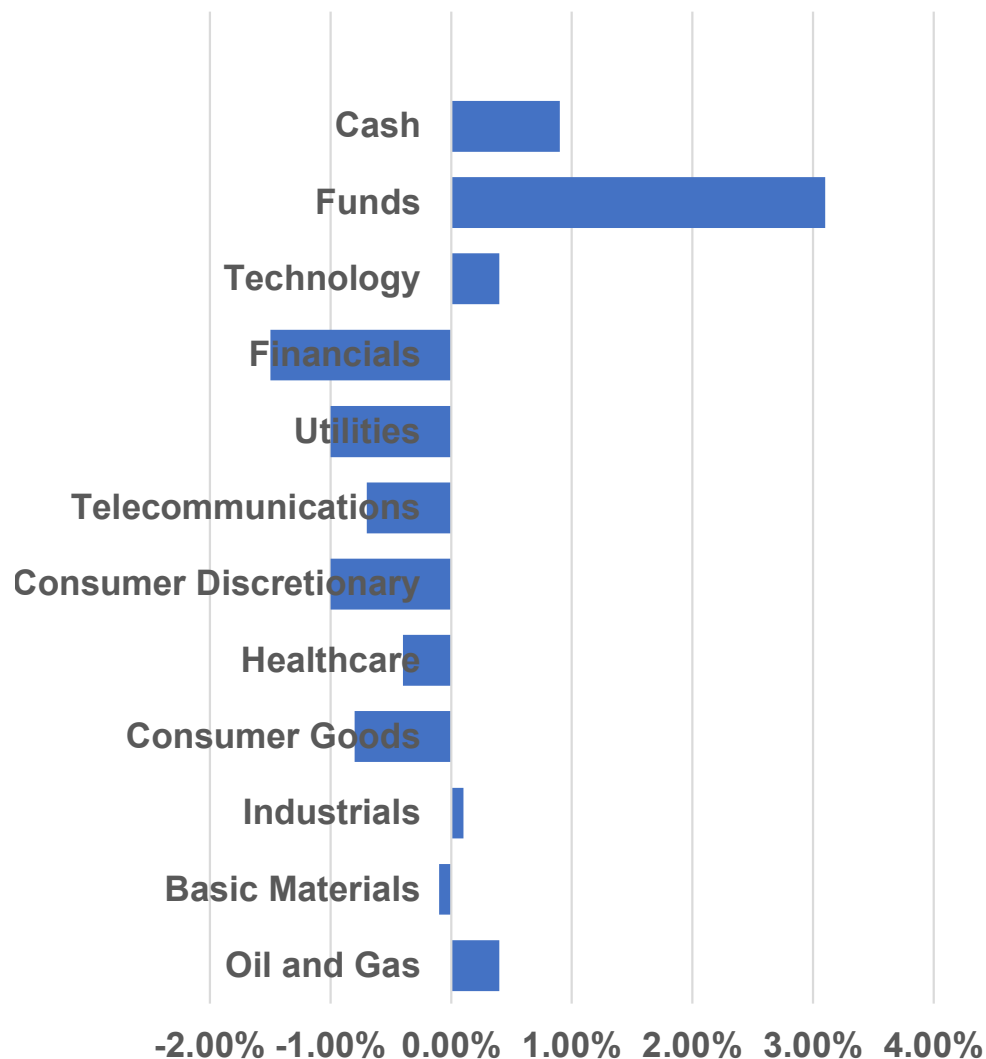


Allocation Selection Active Average Weight



Overseas Developed Equity

– Q3 2019 Portfolio Positioning

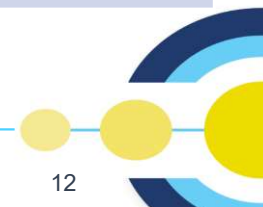


Top 5	Relative weight
Vanguard US Mid Cap ETF	+2.63%
Alphabet A	+0.56%
Airbus	+0.53%
Visa Inc	+0.39%
Koninklijke Philips	+0.37%

Bottom 5	Relative weight
Alphabet C	-0.60%
Mastercard	-0.39%
Comcast	-0.33%
PepsiCo	-0.31%
Walmart Inc	-0.27%

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

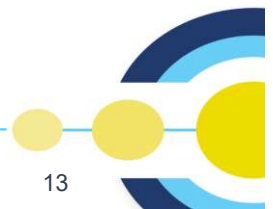


Overseas Developed Equity

– Q3 2019 Performance Contributors

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
Alphabet A (o/w)	1.15	0.59	0.06	Strong results resulted in the shares recovering
Dollar General (o/w)	0.40	0.07	0.05	Sales growth and operational efficiencies
Zimmer Biomet (o/w)	0.28	0.05	0.03	New management team showing early benefits
Home Depot (o/w)	0.72	0.41	0.03	Positive housing sentiment boosted DIY business
Proctor & Gamble (o/w)	0.76	0.50	0.03	New product initiatives & increased marketing spend
Alphabet C (u/w)	0.00	0.60	-0.07	Strong results resulted in the shares recovering
Pfizer (o/w)	0.57	0.32	-0.05	Merger with Upjohn & Mylan poorly received
Tapestry (o/w) (*)	0.00	0.01	-0.05	Struggling “Kate Spade” brand has failed to deliver
Airbus (o/w)	0.85	0.33	-0.05	Adverse ruling from the World Trade Organisation
SAP (o/w)	0.77	0.52	-0.04	Slowdown in revenue growth & decrease in margins

(*) Initially overweight but position was sold down by the end of August.

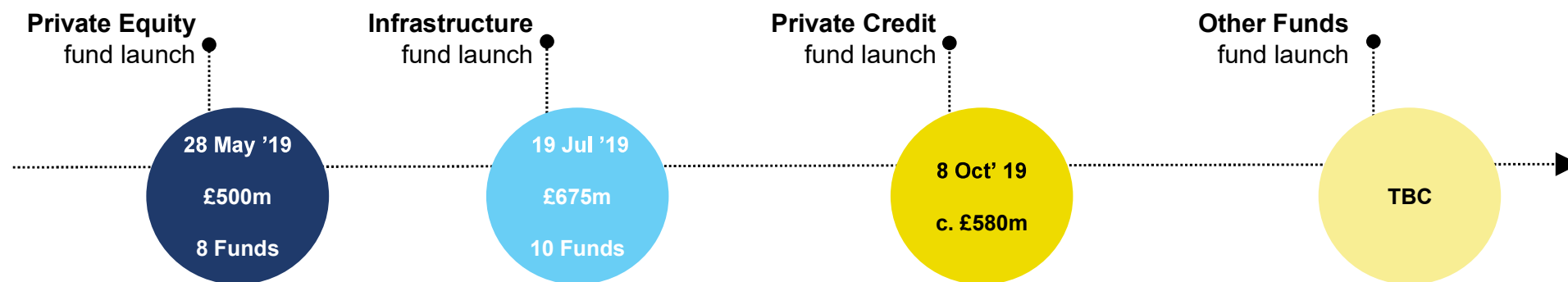


Border to Coast Pensions Partnership Ltd

Alternatives Update



Alternatives - Product Update



- Teesside committed £100m to each of Private Equity and Infrastructure in the first 12-month investment window (“Series 1A”).
- Private Credit – Now closed for commitments with c. £580m to be invested over the next 18 months.
- A total of £1.75bn in alternatives commitments in the first investment window (50% greater than initial indications).
- Commitments to next investment window (“Series 1B”) required by end of March.

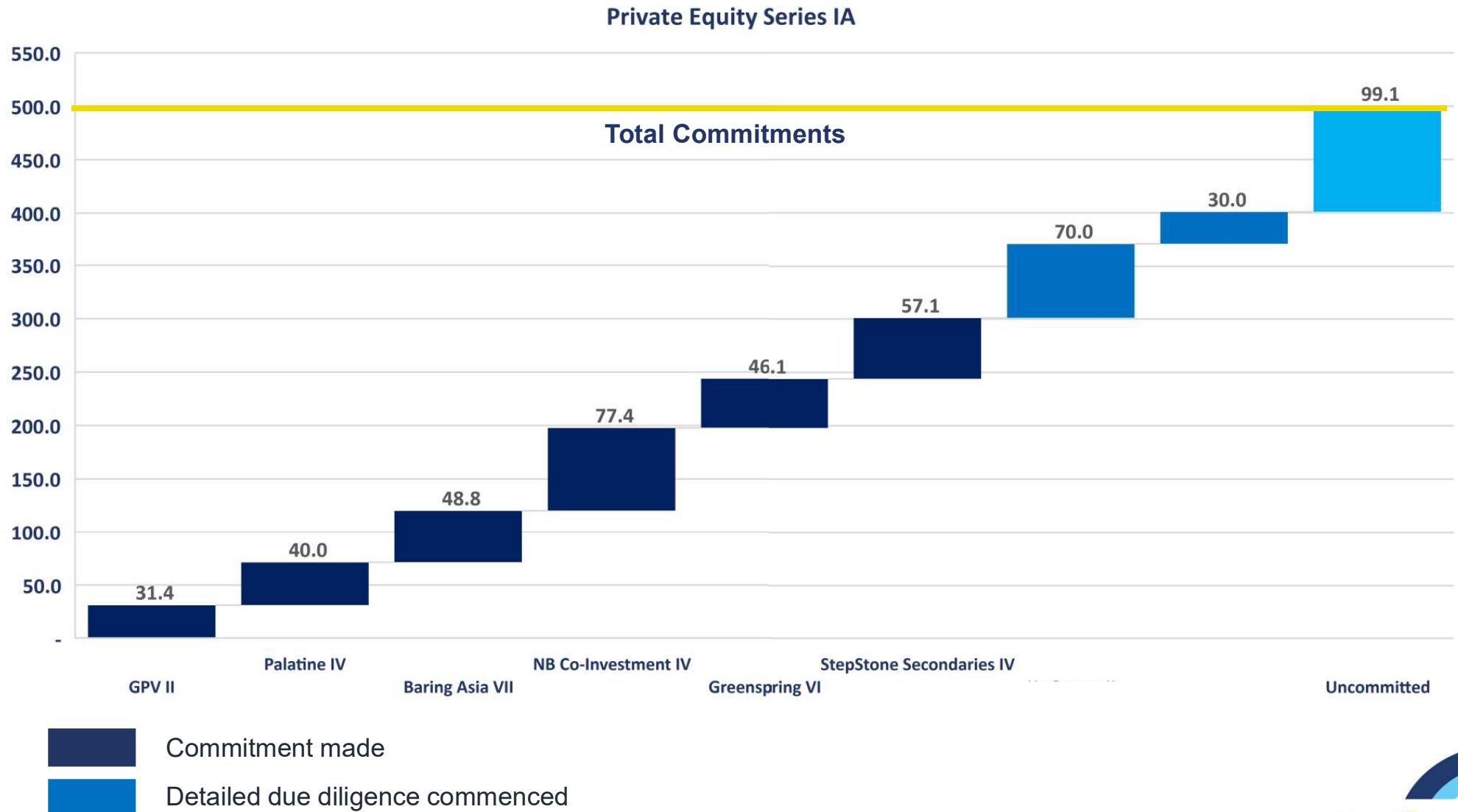


Border to Coast Pensions Partnership Ltd

Private Equity



Private Equity: Commitments to Date



Note: Commitments in £m using exchange rates at time of approval

Uncommitted capital – expected to be deployed before the end of the investment period although completion may occur post

Private Equity: Commitments



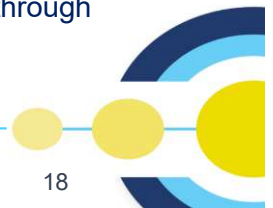
GreatPoint Ventures Innovation II

- \$40m commitment (June 2019)
- Early stage Venture Capital manager based in San Francisco
- Targets revenue generating companies disrupting existing industries:
 - Enterprise Software
 - Food / Nutrition
 - Digital Health
 - Life Sciences
- Management team has excellent long term track record
- Border to Coast themes: **Technology, Healthcare**
- Benefits of pooling:
 - Access to capacity constrained manager through existing relationships



Palatine Private Equity IV

- £40m commitment (August 2019)
- UK lower middle market management buyout manager with regional focus (HQ in Manchester)
- Strong ESG culture – multiple award winners
- Strong long term track record
- Experienced management team with strong origination and sourcing capability
- Focus on “buy and build” and “buy and roll-out” strategies – reduces overall entry multiples
- Conservative approach to pricing and leverage
- Border to Coast themes: **Mid-Market, Operational Value Add, Buy and Build**
- Benefits of pooling:
 - Access to capacity constrained manager through existing relationships



Private Equity: Commitments

BPEA

Baring Private Equity Asia

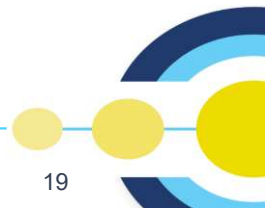
Baring Private Equity Asia VII

- \$60m commitment (September 2019)
- Pan-Asian regional buyout manager
- Focus on operational improvements
- Experienced and well resourced management team with a long successful track record across market cycles
- Strong regional presence and experience in cross-border transactions
- Proven ability to exit investments at attractive valuations
- Lower management fee (1.75%) than market standard
- Border to Coast themes: **Operational Value Add, Emerging Markets**
- Benefits of pooling:
 - Access to co-investment opportunities

NEUBERGER BERMAN

NB Strategic Co-Investment Partners IV

- \$100m commitment (November 2019)
- Global co-investment strategy
- Middle market focus
- Differentiated investment approach – focus on less competitive co-underwriting and mid-life transactions
- Long successful track record
- Attractive management fee (1%) relative to primary funds plus LGPS discount
- Border to Coast themes: **Mid-Market, Operational Value Add, Buy and Build**
- Benefits of pooling:
 - Additional 0.15% p.a. management fee saving due to scale alongside another LGPS pool
 - Educational and due diligence support



Private Equity: Commitments



StepStone Secondaries Opportunities IV

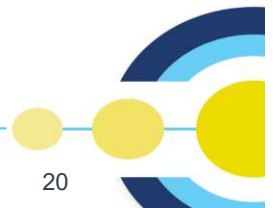
- \$75m commitment (December 2019)
- Global secondaries strategy
- Secondaries strategies tend to produce more stable returns with lower loss rates
- Experienced management team with a long successful track record
- Strong origination and sourcing capability
- Ability to consistently select high performing funds
- Conservative use of leverage
- Border to Coast themes: **Mid-market**
- Benefits of pooling:
 - 0.125% p.a. management fee saving due to scale
 - Access to capacity constrained manager through existing relationships

GREENSPRING ASSOCIATES

Trusted Relationships. Better Outcomes.

Greenspring Opportunities VI

- \$60m commitment (December 2019)
- US-focused late stage venture capital and growth co-investment fund
- Experienced and well resourced team with long, successful track record
- Benefits from the wider Greenspring platform for sourcing and due diligence of investment opportunities
- Differentiated investment approach – tends to be the lead investor which is beneficial to securing investments
- Management fee (2%) is lower than typical VC funds (typically 2.5%) and charged on invested capital only
- Border to Coast themes: **Mid-Market, Operational Value Add, Buy and Build**
- Benefits of pooling:
 - Educational and due diligence support

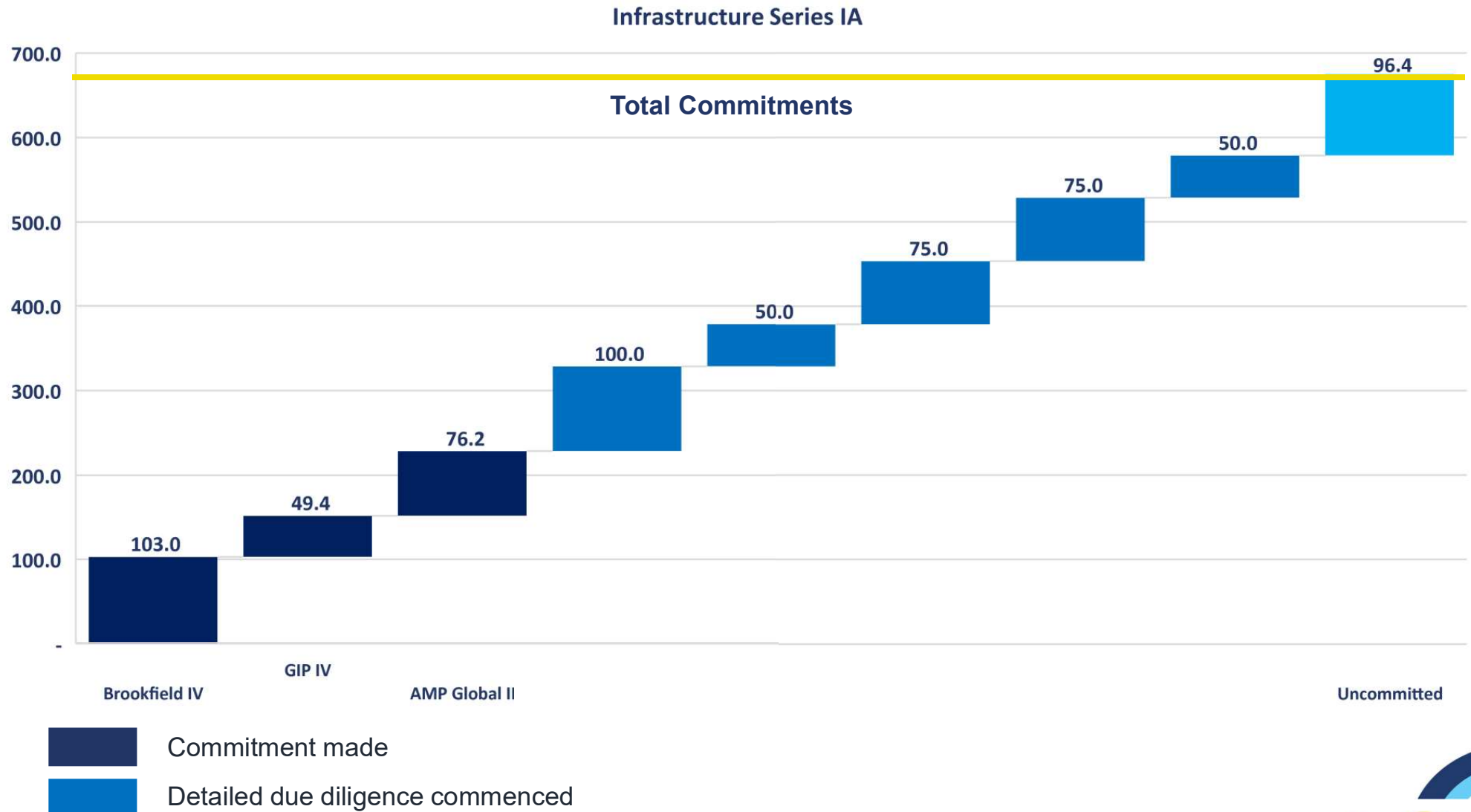


Border to Coast Pensions Partnership Ltd

Infrastructure



Infrastructure: Commitments to Date



Note: Commitments in £m using exchange rates at time of approval

Uncommitted capital – expected to be deployed before the end of the investment period although completion may occur post

Infrastructure: Commitments

Brookfield

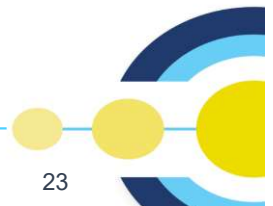
Brookfield Infrastructure IV

- \$125m commitment (August 2019)
- Global strategy including Emerging Markets
- Core / Core+ approach blending stable, income yielding assets with growth focused strategies
- Large experienced team with both financial and operational expertise and proven track record of executing large and complex transactions
- Significant asset management capability
- Strong ESG component
- Brookfield has made a significant commitment (25% of total commitments) demonstrating strong alignment with investors
- Border to Coast themes: **Operational Value Add, Emerging Markets, Energy Transition**
- Benefits of pooling:
 - 0.1% p.a. management fee saving due to scale
 - Access to co-investment opportunities



Global Infrastructure Partners IV

- \$60m commitment (August 2019)
- Global strategy (predominantly OECD)
- Core / Core+ approach
- Focus on large, complex transactions
- Targets assets with growth opportunities
- Strong long term track record with a focus on operational improvements
- Proven ability to exit investments at attractive valuations
- Border to Coast themes: **Operational Value Add, Emerging Markets**
- Benefits of pooling:
 - Access to capacity constrained manager through existing relationships
 - Access to co-investment opportunities

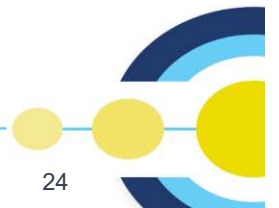


Infrastructure: Commitments

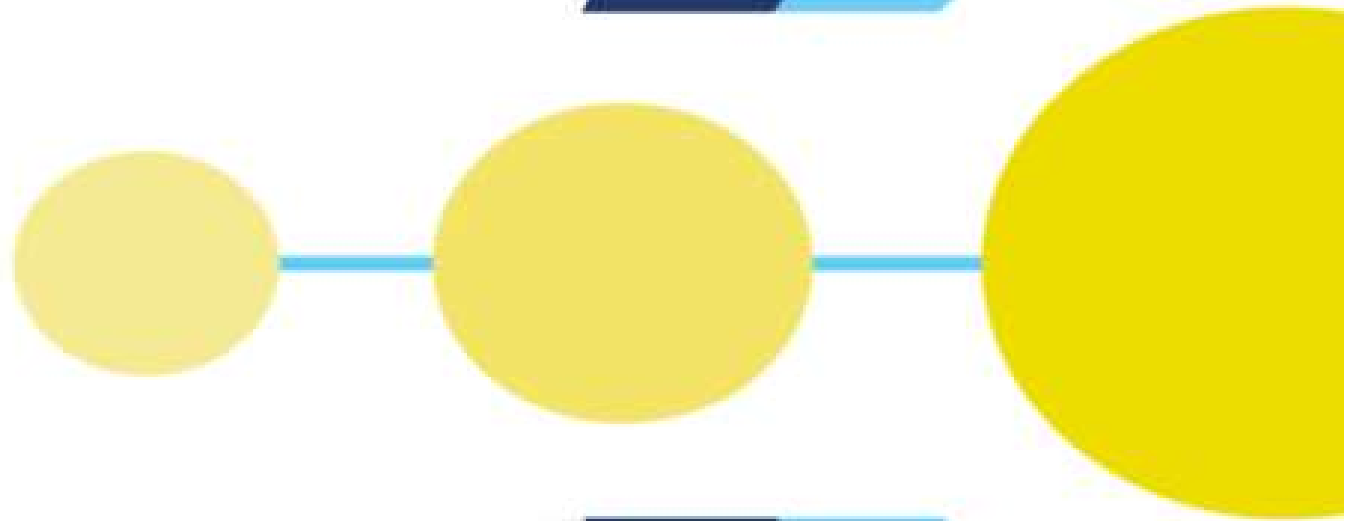


AMP Global Infrastructure II

- \$100m commitment (December 2019)
- Global strategy with a focus on Europe and North America
- Core / Core+ approach with the following target sectors – Transport, Energy & Utilities, Communications, Health
- Experienced and well resourced team with strong long term track record
- Ability to access high quality assets whilst maintaining pricing discipline and conservative use of leverage
- Large seed portfolio reduces blind pool risk and J-curve impact
- Border to Coast themes: **Operational Value Add, Energy Transition**
- Benefits of pooling:
 - 0.35% p.a. management fee saving due to scale
 - Access to co-investment opportunities
 - Educational and due diligence support



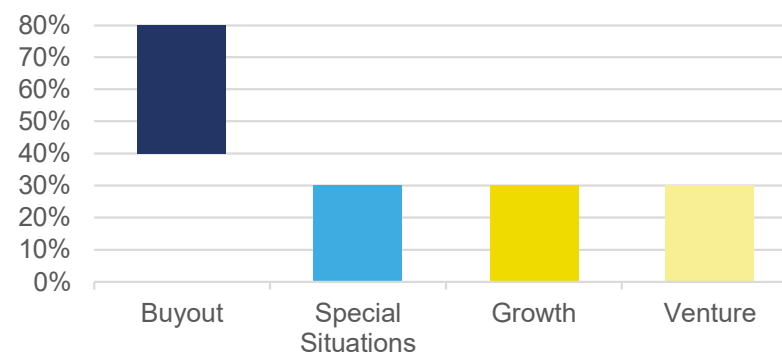
Border to Coast Pensions Partnership Ltd



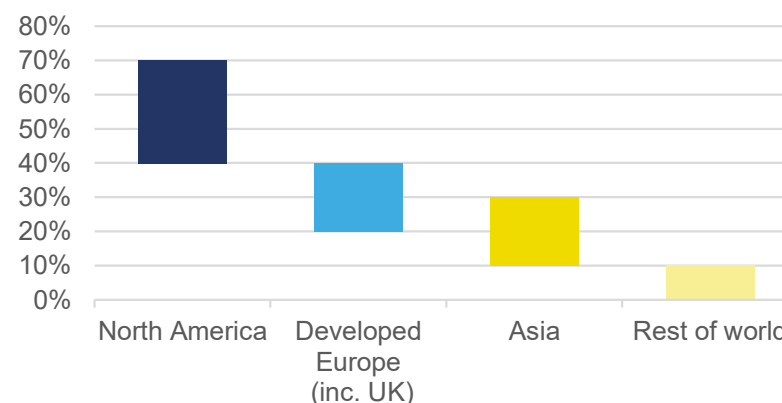
Appendix – Private Equity

Private Equity: Asset Allocation

Strategy	Permitted Range ¹
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%



Geography	Permitted Range ¹
North America	40 – 70%
Developed Europe (inc. UK)	20 – 40%
Asia	10 – 30%
Rest of world	0 – 10%

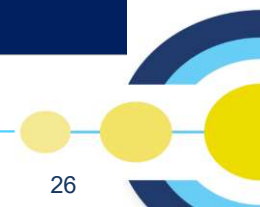


Benchmark 10% p.a. (net)²

Commitments (1A) £500m

¹ Based on total commitments over a full Series (e.g. 1A, 1B, 1C)

² Secondary benchmark – MSCI ACWI + 3% (PME+ basis)



Private Equity: Areas of Focus

OPERATIONAL VALUE ADD

Deliver enhanced returns through operational improvements rather than being reliant on leverage.

BUY AND BUILD

Adding value through building a platform and taking advantage of higher multiples for scale businesses.

MID-MARKET FOCUS

Lower valuation multiples and leverage levels.

CO-INVESTMENTS

Access to a diversified range of investments, either through co-investment funds or direct co-investments, with a lower fee structure.

Note: These are areas of focus and will form part of a suitably diversified portfolio

Private Equity: Areas of Focus

ASIA

Stronger economic growth over the long term, less developed Private Equity market, and lower valuation multiples.

TECHNOLOGY

Potential for technological disruption to generate significant value.

HEALTHCARE

Trends in global demographics and increased per capita spending.

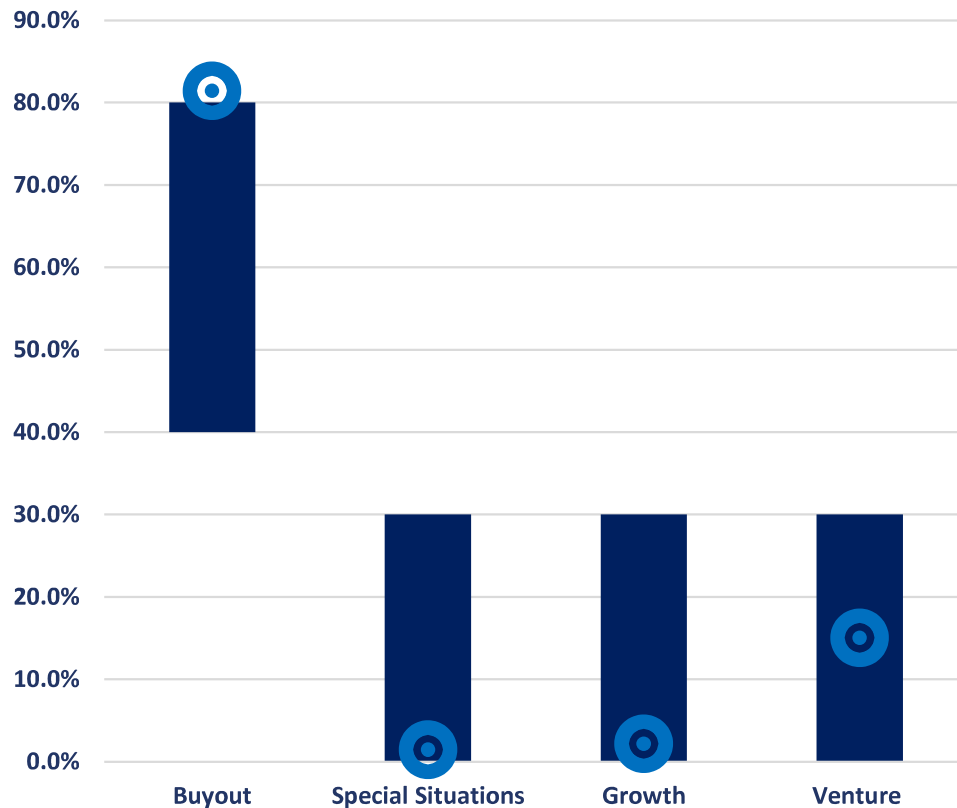
DISTRESSED

Potential for attractive opportunities given position in business cycle and extended valuations.

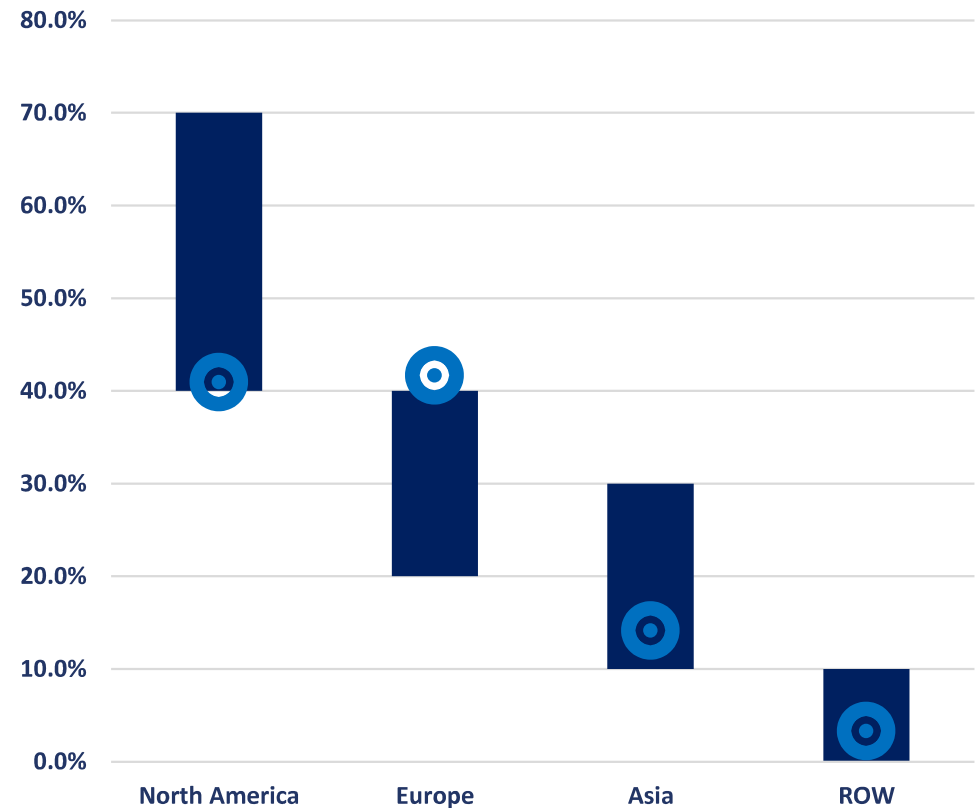
Note: These are areas of focus and will form part of a suitably diversified portfolio

Private Equity: Asset Allocation

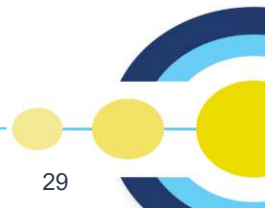
Private Equity Series I – Strategy



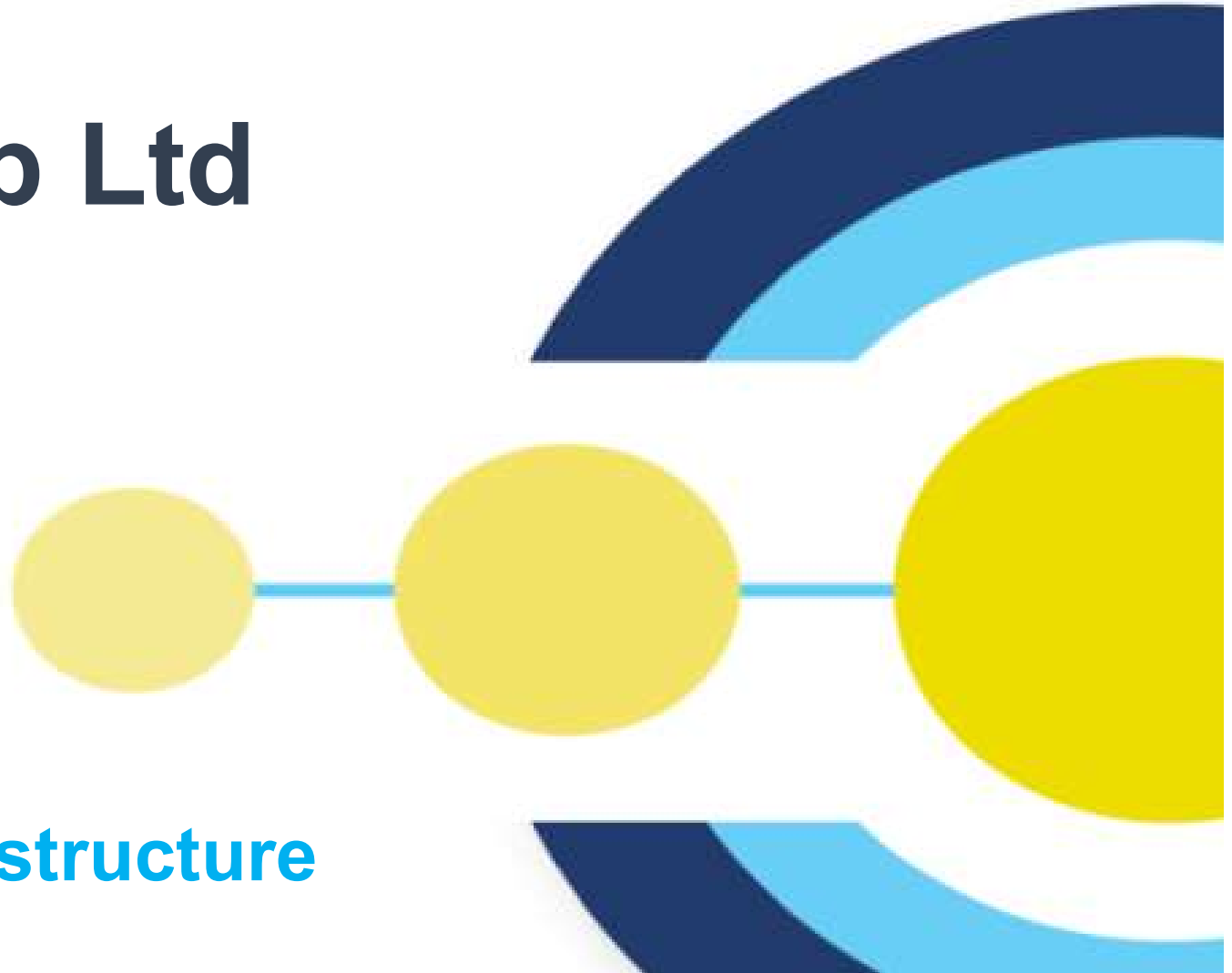
Private Equity Series I – Geography



Note: Current allocation is based on commitments made to date or where detailed due diligence has commenced and is in reference to the permitted ranges for Series I as a whole



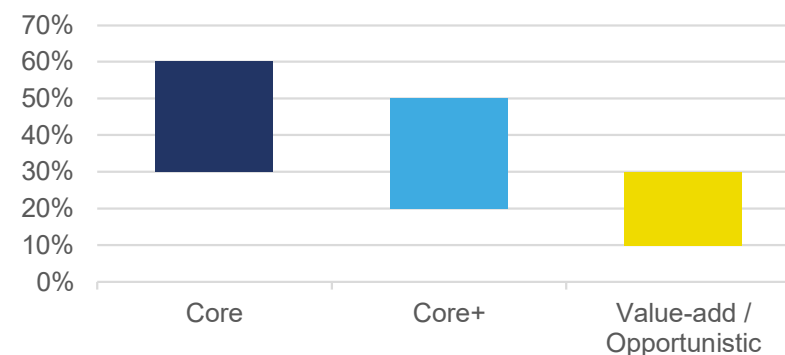
Border to Coast Pensions Partnership Ltd



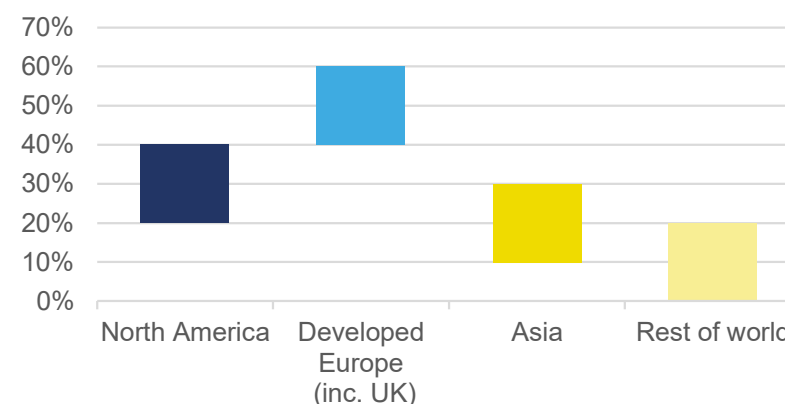
Appendix – Infrastructure

Infrastructure: Asset Allocation

Strategy	Permitted range ¹
Core	30 – 60%
Core+	20 – 50%
Value-add / Opportunistic	10 – 30%



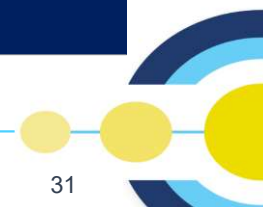
Geography	Permitted range ¹
North America	20 – 40%
Developed Europe (inc. UK)	40 – 60%
Asia	10 – 30%
Rest of world	0 – 20%



Benchmark 8% p.a. (net)

Commitments (1A) £675m

¹ Based on total commitments over a full Series (e.g. 1A, 1B, 1C)



Infrastructure: Areas of Focus

OPERATIONAL VALUE ADD

Deliver enhanced returns through operational improvements with a focus towards income and less reliance on leverage to generate returns.

ENERGY TRANSITION

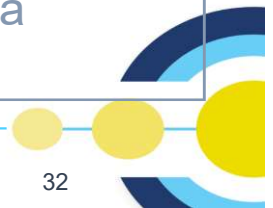
Tilt towards investments that are enabling or benefiting from the move to a lower carbon economy (e.g. renewable energy, battery technology)

GREENFIELD

Capture additional returns from development/extension opportunities whilst demonstrating strong risk mitigation techniques.

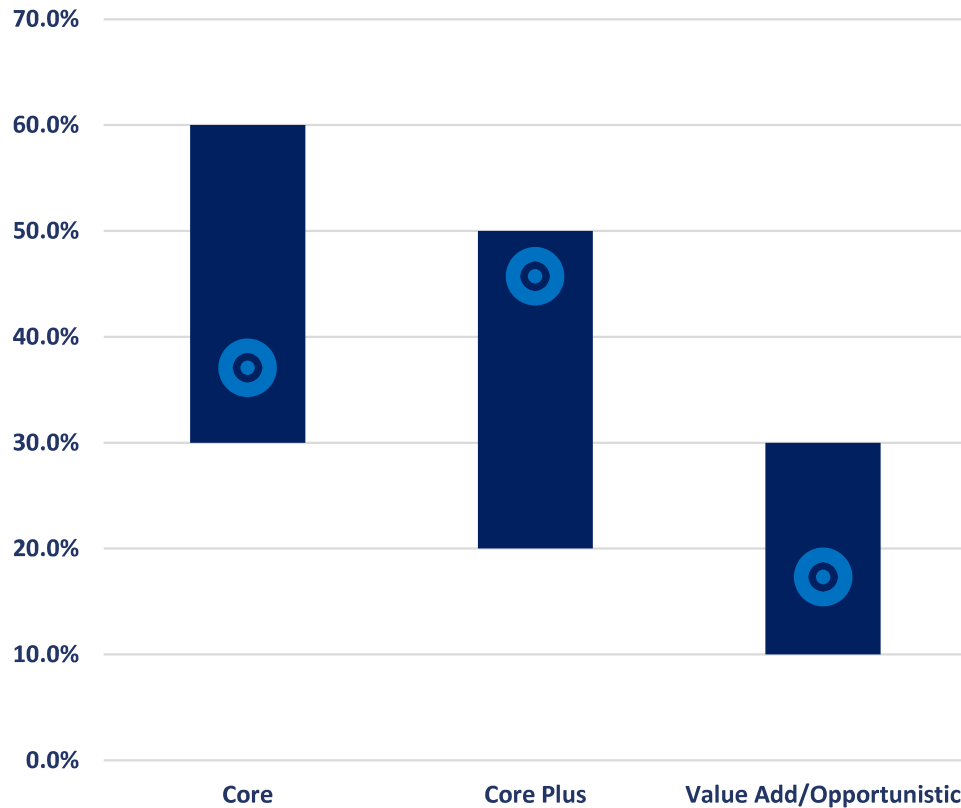
EMERGING MARKETS

Stronger economic growth and longer term demographics driving demand for infrastructure in a less developed market with lower valuation and leverage levels albeit with a different risk profile.

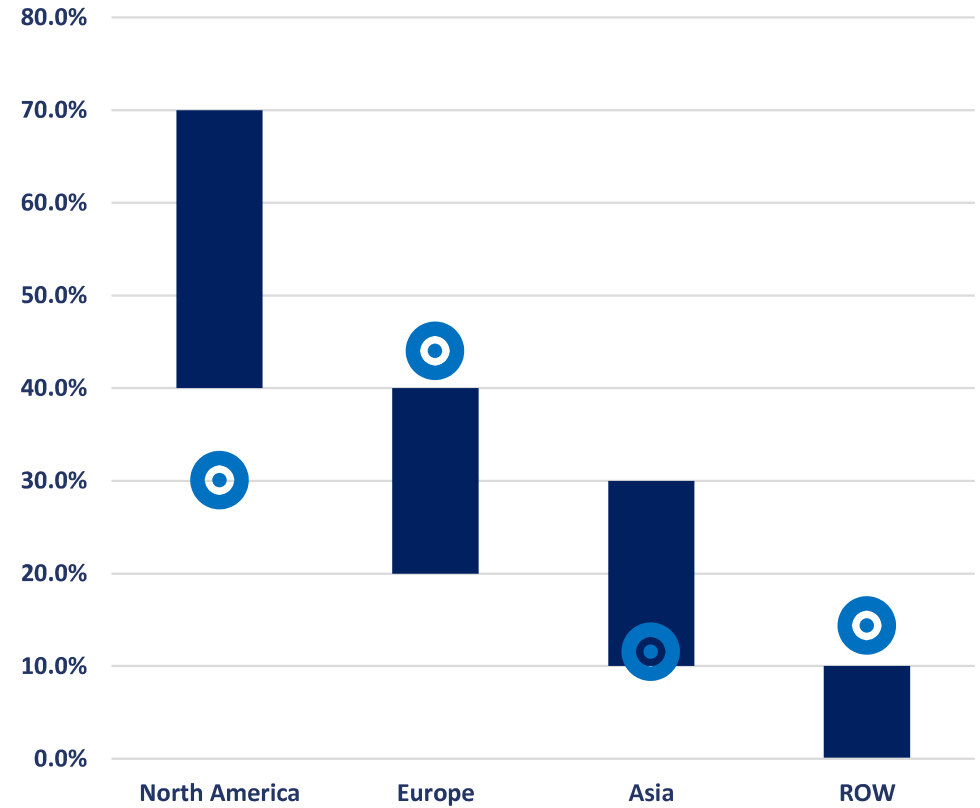



Infrastructure: Asset Allocation

Infrastructure Series I – Strategy

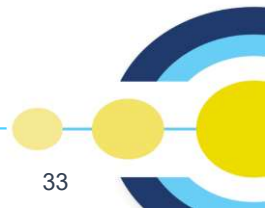


Infrastructure Series I – Geography



 Permitted range
 Current allocation

Note: Current allocation is based on commitments made to date or where detailed due diligence has commenced and is in reference to the permitted ranges for Series I as a whole



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