Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q2 2020

Contents

Note
1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£1,217,708,809
Inflows	£53,884,156
Outflows	£0
Net Inflows / Outflows	£53,884,156
Realised / Unrealised gain or loss	£88,416,052
Value at end of the quarter	£1,360,009,017

Over Q2 2020, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.02%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.38%

Teesside did not make any subscriptions or redemptions during Q2 2020.

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) Inflows and Outflows values may include income.

Portfolio Analysis - Teesside Pension Fund
at 30 June 2020

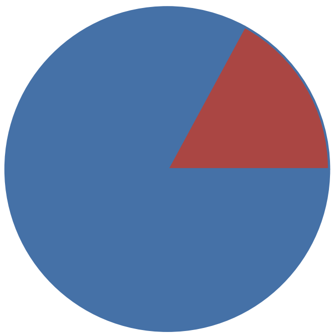
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	1,127,627,384.10	82.91
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	232,381,633.18	17.09

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Dev Markets
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha
Border to Coast Global Equity Alpha
Border to Coast Sterling Investment Grade Credit Fund

Teesside Pension Fund - Fund Breakdown



Border to Coast UK Listed Equity 82.91% £1,127,627,384.10
Border to Coast Overseas Dev Markets 17.09% £232,381,633.18

Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 30 June 2020

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	82.91	10.16	10.17	(0.02)	8.54
Border to Coast Overseas Dev Markets	17.09	19.75	19.37	0.38	3.15
Total	**100.00**	**11.69**			

The UK Listed Equity Fund returned 10.16% over the quarter, which was 0.02% behind the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 19.75% over the quarter, which was 0.38% ahead of the composite benchmark.

Overall, Teesside's investments with Border to Coast returned 11.69% during Q2 2020.

Note
1) Source: Northern Trust & Border to Coast

Valuation Summary
at 30 June 2020

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 UK Listed Equity	1,023,645,097.66	84.06		48,260,377.33		55,721,909.11	1,127,627,384.10	82.91	
Border to Coast Overseas Dev Markets	194,063,711.44	15.94		5,623,778.65		32,694,143.09	232,381,633.18	17.09	
Total	**1,217,708,809.10**	**100.00**		**53,884,155.98**		**88,416,052.20**	**1,360,009,017.28**	**100.00**	

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Inflows and Outflows values may include income.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 30 June 2020

	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	(5.09)	(6.77)	1.68	10.16	10.17	(0.01)	(11.69)	(12.99)	1.31	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	5.70	4.52	1.18	19.75	19.37	0.38	5.09	3.51	1.58	--	--	--	--	--	--

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 2020

	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	(5.08)	(6.77)	1.69	10.16	10.17	(0.01)	(11.68)	(12.99)	1.31	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	5.72	4.52	1.20	19.75	19.37	0.39	5.10	3.51	1.59	--	--	--	--	--	--

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 - Overview at 30 June 2020

UK Listed Equity Fund

The Fund generated a total return of 10.16% during the quarter, compared to 10.17% for the benchmark, resulting in 0.01% of underperformance.

The key theme affecting the Fund during Q2 has been the recovery in the market following the sharp fall in the previous quarter as the COVID-19 crisis escalated. However, it should be noted that the UK market underperformed the majority of developed markets. This is principally due to sector composition, with a greater exposure to Energy stocks - which have continued to underperform despite a recovery in the oil price - and minimal exposure to Technology, which has been more resilient.

The Fund performed broadly in line with the benchmark following significant outperformance in the last quarter. This was due to the following factors:

- Bias toward quality companies with relatively strong balance sheets and resilient business models, partly offset by underweight to smaller companies, which rebounded in the recent market bounce, and modest overweight to high yielding companies which experienced dividend cuts.
- Exposure to companies with overseas earnings which have benefited from relative weakness in sterling.
- Overweight to Materials which benefited from a recovery in commodity prices.
- Underweight to Financials, where Banks and Insurers underperformed due to lower bond yields and an expected increase in COVID-19 related claims.
- Strong stock selection in Financials, with a bias towards asset managers who benefited from a recovery in equity markets, offset by weaker selection in Consumer sectors, predominantly due to less exposure to beneficiaries of COVID-19 disruption.
- Performance dilution from modest cash holdings.

The portfolio has been positioned with a relatively low risk profile since launch, initially due to the uncertainty regarding Brexit. This low risk profile was beneficial in the previous quarter and the Fund has been able to hold on to the majority of relative outperformance in the rebound. There has been some modest rotation into more cyclical, value-oriented stocks to take advantage of relative performance as well as adding to favoured companies at lower valuations. The Fund will continue to focus on long-term fundamentals with a bias towards quality companies with strong balance sheets, earnings and income visibility.

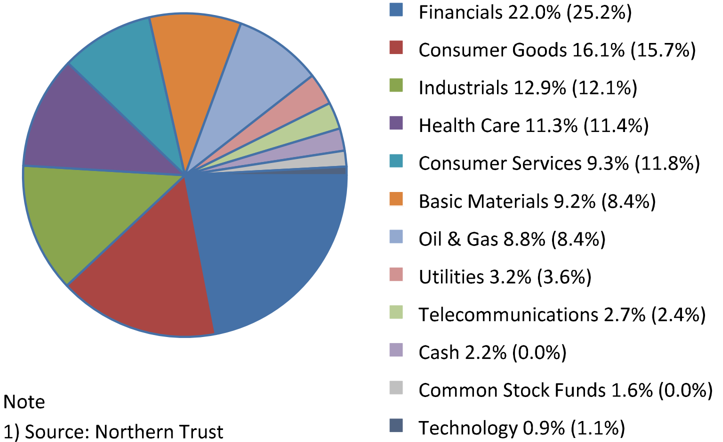
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2020

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.58
Industrials	+0.83
Basic Materials	+0.80
Oil & Gas	+0.40
Consumer Goods	+0.39
Financials	-3.23
Consumer Services	-2.50
Utilities	-0.36
Technology	-0.24
Health Care	-0.14

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.

Sector Weights:

Common Stock Funds (o/w) – exposure to smaller companies and sector-specialist investments via collective vehicles with long-term track records of outperformance.

Industrials (o/w) – diversified sector benefiting from exposure to longer-term growth in global investment capital expenditure.

Basic Materials (o/w) – strong cash generation enabling significant debt reduction, increased shareholder distributions, and increased capital investment over the long term.

Financials (u/w) – underweight in Banks due to concerns over UK consumer debt, rising unemployment, growing impairments linked to COVID-19 lockdown and residual Brexit uncertainty, partly offset by overweight positions in Insurers and Wealth Managers which are expected to benefit from increase in Asian and Emerging Market wealth.

Consumer Services (u/w) – high street and leisure expected to continue to see pressure on discretionary spending from a more cautious UK consumer, slow footfall recovery from COVID-19 shutdowns and high occupancy costs; high street retail remains structurally challenged by increased online penetration.

Utilities (u/w) – regulatory and political headwinds alongside increased scrutiny of shareholder returns**.**

Border To Coast UK Listed Equity Fund Attribution at 30 June 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
HSBC	3.61	(16.76)	3.97	(19.83)	0.26
Biotech Growth Trust	0.72	53.24	0.02	52.83	0.21
BHP Billiton	2.66	32.10	1.77	32.14	0.15
Herald Investment Trust	0.60	39.53	0.05	39.64	0.12
Antofagasta	1.21	21.96	0.17	22.38	0.10

HSBC (u/w) – the deteriorating situation in Hong Kong as China seeks to impose greater control has weighed heavily on the shares.

Biotech Growth Trust (o/w) – momentum in the biotech sector has been particularly strong – in addition to the usual drivers of innovation and acquisition activity, the development of therapeutic treatments and vaccines for COVID-19 has attracted investor interest.

BHP Billiton (o/w) – benefited from higher iron ore and copper prices driven by stronger demand from China and ongoing supply restrictions.

Herald Investment Trust (o/w) – with a focus on technology and communications, portfolio holdings have benefited significantly from COVID-19 disruption.

Antofagasta (o/w) – benefited from higher copper prices driven by robust demand from China and COVID-19 related supply restrictions at major producers in central and southern America.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	0.00	0.00	0.95	38.30	(0.19)
Ocado	0.00	0.00	0.48	66.23	(0.16)
Scottish Mortgage Investment Trust	0.00	0.00	0.61	43.34	(0.14)
Flutter Entertainment	0.00	0.00	0.65	47.81	(0.11)
Just Eat Takeaway	0.00	0.00	0.51	39.31	(0.10)

Glencore (u/w) – despite ongoing investigations and a new criminal probe opened by Swiss authorities, Glencore has benefited from the rebound in commodity prices.

Ocado (u/w) – UK online grocery delivery has seen a significant spike in demand during the COVID-19 lockdown.

Scottish Mortgage Investment Trust (u/w) – the trust holdings are biased towards global large-cap technology companies which have benefited during the COVID-19 lockdown; the Fund is exposed to these trends via Allianz Technology Trust.

Flutter Entertainment (u/w) – US sports betting opportunity continues to grow as individual states legalise online sports betting - and Flutter successfully completed the acquisition of Stars Group.

Just Eat Takeaway (u/w) – the online food ordering platform has continued to perform well during the lockdown despite announcing its intention to acquire US operator GrubHub in an all-share deal.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

Antofagasta	+1.05
BHP Billiton	+0.89
Impax Environmental Markets	+0.86
Schroder UK Smaller Companies Fund	+0.82
Liontrust UK Smaller Companies	+0.76
Glencore	-0.95
Flutter Entertainment	-0.65
Scottish Mortgage Investment Trust	-0.61
SEGRO	-0.55
Just Eat Takeaway	-0.51

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

BHP Billiton – diversified commodity exposure and strong cash generator benefitting from operating at the lower end of the cost curve and proximity to end markets.

Impax Environmental Markets – leading ESG-focused fund delivering strong long-term outperformance and focussing upon alternative energy, energy efficiency, water treatment, pollution control and waste technology.

Schroder UK Smaller Companies Fund – specialist fund manager providing UK small-cap exposure, with a long-term track record of outperformance.

Liontrust UK Smaller Companies – specialist UK small-cap fund manager with long term track record of outperformance; investment style focussed on intellectual property, strong distribution channels and recurring business.

Bottom 5 Holdings Relative to Benchmark:

Glencore – higher risk commodity company with significant operations in geographies with weak governance; ongoing corruption investigations and allegations of bribery; poor relative ESG score.

Flutter Entertainment – beneficiary of the ongoing deregulation taking place in the US online/sports betting market; the Fund has similar exposure via William Hill.

Scottish Mortgage Investment Trust – investment trust with a focus on global large-cap technology; Fund has preference for Allianz Technology Trust with a similar investment focus.

SEGRO – real estate holding company focussed upon logistics/industrial units across Europe; Fund has a preference for UK-exposed real estate companies.

Just Eat Takeaway – acquisitive online food ordering and delivery platform with a stretched valuation.

Major transactions during the Quarter

Purchases:

BT (£8.4m) – added on weakness around the dividend cancellation as the longer-term valuation appears attractive.

British American Tobacco (£7.0m) – reduced underweight position – strong financials and easing of regulatory headwinds.

Sales:

HSBC (£5.1m) – increased underweight position as the situation in Hong Kong deteriorated further.

Antofagasta (£3.9m) – trimmed overweight position as the shares benefited from recovery in copper prices.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 June 2020

Overseas Developed Markets Fund

The Fund generated a total return of 19.75% during the quarter compared to 19.37% for the composite benchmark, resulting in 0.38% of out-performance. Pacific ex-Japan (21.5%) was the strongest market in relative terms, with Japan (12.2%) the weakest, which is the reverse of the previous quarter.

The key theme affecting the Fund during the quarter has been the sharp rebound in equity markets due to extensive global monetary and fiscal stimulus and tentative signs of a loosening of COVID-19 restrictions, particularly in Asia and Europe.

The Fund has continued to modestly outperform due to the following:

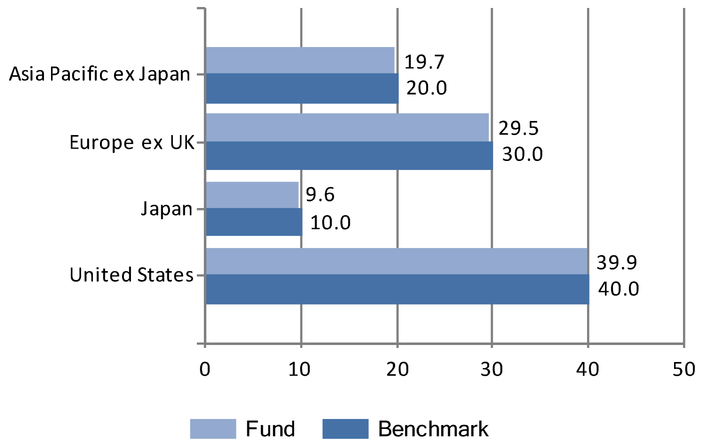
- Bias towards quality companies with relatively strong balance sheets and resilient business models which have continued to outperform despite the sharp recovery in equity markets, partly offset by an underweight in smaller companies which have rebounded;
- Overweight position in Technology which has continued to benefit from COVID-19 lockdowns;
- Underweight position in Utilities which have lagged the broader market recovery; and
- Strong stock selection in Financials, Technology and Consumer broadly offset by weaker selection in Industrials and Healthcare.

The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle of the targeted range for tracking error of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the short term and the Fund will continue to focus on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility.

Note
1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 30 June 2020

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 years period (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

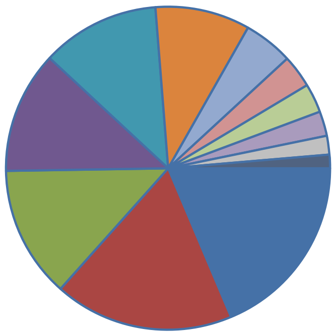
	Inception to Date			Quarter			1 Year			3 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	**5.70**	**4.52**	**1.18**	**19.75**	**19.37**	**0.38**	**5.09**	**3.51**	**1.58**	**--**	**--**	**--**
United States	10.97	9.48	1.48	21.04	20.81	0.23	12.44	10.08	2.37	--	--	--
Japan	2.56	1.44	1.12	12.62	12.22	0.40	7.14	6.34	0.80	--	--	--
Europe ex UK	2.27	1.93	0.34	18.83	18.44	0.39	(0.18)	--	(0.19)	--	--	--
Asia Pacific ex Japan	2.01	(0.16)	2.18	22.79	21.51	1.28	(2.56)	(5.61)	3.05	--	--	--

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 2020

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

Common Stock Funds (o/w) – exposure to smaller companies via collective vehicles, specifically in US, Europe and Japan.

Technology (o/w) – long term structural growth drivers including Internet of Things, Artificial Intelligence, Electric/Autonomous vehicles, new generation memory chips, the continued transition towards cloud-based services and change in software business models to long term subscription revenues.

Basic Materials (o/w) – valuations significantly below the long term average and strong free cash flow generation enabling increased shareholder distributions.

Financials (u/w) – significant underweight in Banks due to concerns over profitability in a persistent low interest rate environment, non-performing loans, legacy litigation issues and the risk of increased regulation. This is partly offset by overweight positions in Insurers and Wealth Managers as they are expected to benefit from long term increase in investment wealth, although shorter term pressures from the sharp fall in financial markets.

Industrials (u/w) – short term disruption from current macroeconomic uncertainty and longer term concerns regarding capital expenditure with some attractive opportunities in high value add sectors such as automation.

Utilities (u/w) – considered to be a relatively defensive sector in current market conditions; however, pressure from increased capital investment, changes in government policy, increased regulatory risk 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.

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 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.73	25.27	0.00	0.00	0.13
NVIDIA Corporation	0.80	44.74	0.36	44.68	0.08
Logitech International	0.41	50.17	0.04	51.50	0.07
Xinyi Solar	0.25	70.31	0.03	70.45	0.07
Samsung SDI	0.39	53.53	0.13	53.50	0.06

Vanguard US Mid Cap ETF (o/w) – rebound in smaller companies following underperformance in the previous quarter.

NVIDIA Corporation (o/w) – exposure to hyperscale data centre servers, machine learning applications and gaming have lent resilience, and the company may benefit further in the current situation.

Logitech International (o/w) – the technology company has experienced an increase in demand due to COVID-19 induced lockdowns and increased working from home.

Xinyi Solar (o/w) – Chinese subsidies higher than expected, leading to increased demand for solar products and positive trading update.

Samsung SDI (o/w) – Korean electric vehicle battery companies continued to benefit from expectations of significant medium-term growth following the announcement of the EU Green Deal.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
PayPal	0.00	0.00	0.32	82.62	(0.11)
Adyen	0.00	0.00	0.18	72.69	(0.06)
Afterpay	0.00	0.00	0.07	266.22	(0.05)
Ageas	0.16	(13.67)	0.03	(14.04)	(0.05)
Oji Holdings	0.15	(12.95)	0.01	(13.11)	(0.05)

PayPal (u/w) – a dominant position within global online payments proving to be a haven amidst a global pandemic.

Adyen (u/w) – payments company benefiting from increased online transactions during COVID-19 restrictions.

Afterpay (u/w) – Australian fintech benefited from the acquisition of a 5% stake by Tencent.

Ageas (o/w) – wider under-performance of the insurance sector due to concerns that the industry will be inundated with claims in current environment.

Oji Holdings (o/w) – paper and packaging company has experienced a COVID-19 induced reduction in demand for paper for printing.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.73
Alphabet A	+0.71
Visa Inc	+0.48
Microsoft	+0.47
NVIDIA Corporation	+0.43
Alphabet C	-0.65
Mastercard	-0.41
AT&T	-0.34
PayPal	-0.32
Enel SPA	-0.31

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 the non-voting 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.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

NVIDIA Corporation – sells into strong end markets for cloud servers, machine learning and cutting-edge gaming graphics.

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.

AT&T – high debt level compromises the ability to invest in 5G and newly acquired media business.

PayPal – payments platform and processing exposure accessed through companies including Visa and FIS.

Enel SPA – higher risk profile due to large exposure to Italy (political uncertainty) as well as exposure to Latin America, particularly Brazil.

Note
1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.73	0.00	0.13
NVIDIA Corporation	0.80	0.36	0.08
Amazon	2.08	1.80	0.05
Wells Fargo	0.00	0.15	0.05
AT&T	0.00	0.34	0.05

Vanguard US Mid Cap ETF (o/w) – rebound in smaller companies following underperformance in the previous quarter.

NVIDIA Corporation (o/w) – exposure to hyperscale data centre servers, machine learning applications and gaming have lent resilience, and the company may benefit further in the current situation.

Amazon (o/w) – whilst the company has been incurring material additional costs, demand for both online retail and the AWS cloud hosting business have been strong.

Wells Fargo (u/w) – banks weaker due to margin compression and increased credit risk, and the company is the most vulnerable to upcoming Fed stress tests.

AT&T (u/w) – continued uncertainty around 5G implementation and possible concerns around balance sheet leverage.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
PayPal	0.00	0.32	(0.11)
Biogen Inc	0.19	0.07	(0.05)
Xylem Inc	0.24	0.02	(0.04)
Lowe's Companies	0.00	0.16	(0.04)
NextEra Energy	0.39	0.18	(0.04)

PayPal (u/w) – a dominant position within global online payments proving to be a haven amidst a global pandemic.

Biogen Inc (o/w) – shares reacted poorly to trial delays for the company's Alzheimer's therapy drug.

Xylem Inc (o/w) – results revealed that the water technology company is failing to convert customer interest into signed contracts in its water measurement and control division.

Lowe's Companies (u/w) – recovered strongly from underperformance in the previous quarter as resilience of DIY store trading became evident.

NextEra Energy (o/w) – in a stronger market, defensive utility stocks underperformed.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.73
Alphabet A	+0.71
Visa Inc	+0.48
Microsoft	+0.47
NVIDIA Corporation	+0.43
Alphabet C	-0.65
Mastercard	-0.41
AT&T	-0.34
PayPal	-0.32
PepsiCo	-0.29

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 – parent company of Google: zero holding in the 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.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, opportunity for value added sales and increased customer stickiness.

NVIDIA Corporation – technology company that sells into strong end markets for cloud servers, machine learning and cutting-edge gaming graphics.

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.

AT&T – high debt level compromises the ability to invest in 5G and newly acquired media business.

PayPal – payments platform and processing exposure accessed through companies including Visa and FIS.

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

Major transactions during the Quarter

Purchases:
The Walt Disney Co (£2m) – sell-off of shares thought to be overly discounting closure of theme parks given a concurrent acceleration in media streaming subscriptions.

Sales:
AT&T (£9.6m) – full disposal due to leveraged balance sheet and the pressure to invest in 5G infrastructure and acquired media businesses.
Exelon Corp (£4.1m) – full disposal of leveraged electricity generator/retailer on risks from high exposure to industrial end users at current time and uncertainty around State legislation.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Logitech International	0.41	0.04	0.07
Zalando	0.19	0.05	0.05
HBM Healthcare	0.43	0.00	0.04
JP Morgan European Smaller Companies	0.34	0.00	0.04
Zurich Insurance Group	0.00	0.25	0.04

Logitech International (o/w) – the company has experienced an increase in demand due to COVID-19 induced lockdowns and increased working from home.

Zalando (o/w) – e-commerce company benefited from consumers reverting to online shopping as non-essential stores were closed due to COVID-19 restrictions, resulting in increased earnings guidance from management.

HBM Healthcare (o/w) – sale of portfolio company at attractive valuation.

JP Morgan European Smaller Companies (o/w) – rebound in smaller companies following significant underperformance in previous quarter and the fund also benefited from rotation from quality into value stocks.

Zurich Insurance Group (u/w) – wider underperformance of the insurance sector due to concerns that the industry will be inundated with claims in current environment.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Adyen	0.00	0.18	(0.06)
Ageas	0.16	0.03	(0.05)
Roche	1.42	1.13	(0.04)
Novo Nordisk	0.90	0.49	(0.04)
Orange	0.30	0.11	(0.04)

Adyen (u/w) – payments company benefiting from increased online transactions during COVID-19 restrictions.

Ageas (o/w) – wider under-performance of the insurance sector due to concerns that the industry will be inundated with claims in current environment.

Roche (o/w) – pharmaceutical sector has underperformed due to rotation from quality defensive companies into cyclical companies as equity markets rebounded.

Novo Nordisk (o/w) – pharmaceutical sector has underperformed due to rotation from quality defensive companies into cyclical companies as equity markets rebounded.

Orange (o/w) – concerns over revenue growth in core areas of the business due to slowdown in France and Spain.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

HBM Healthcare	+0.43
Novo Nordisk	+0.41
Koninklijke Philips	+0.37
Logitech International	+0.37
JP Morgan European Smaller Companies Trust	+0.34
Enel SPA	-0.31
Zurich Insurance Group	-0.25
Kering	-0.19
Prosus	-0.19
Lonza	-0.18

Top 5 Holdings Relative to Benchmark:

HBM Healthcare – specialist healthcare investment trust with an excellent long term track record, particularly generating value from the listing of private companies.

Novo Nordisk – market-leading position in diabetes treatment. Potential to adapt an existing drug to be effective against Alzheimer's, and a developing programme in obesity treatments.

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

Logitech International – at the forefront of supplying computer hardware for both businesses and personal users with increased demand for home working and gaming.

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

Bottom 5 Holdings Relative to Benchmark:

Enel SPA – higher risk profile for this energy company, due to large exposure to Italy (political uncertainty) as well as exposure to Latin America, particularly Brazil.

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

Kering – over reliance on Gucci brand.

Prosus – recent spin-off from Naspers, South African conglomerate with significant stakes in technology businesses, but some initial concerns around Naspers retaining significant control over new entity.

Lonza – current high valuation does not leave any room for disappointment.

Major transactions during the Quarter

Purchases:
Roche (£4.7m) – increasing overweight position on positive news relating to cancer drug pipeline reducing risk of patent expiry on legacy drugs.

Sales:
Wirecard (£2.3m) – full disposal of the holding following confirmation of significant accounting irregularities.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Ballie Gifford Shin Nippon	0.31	0.00	0.04
ZOZO	0.15	0.01	0.04
NTT DoCoMo	0.00	0.08	0.03
Softbank Group Corp	0.39	0.23	0.03
KDDI	0.19	0.14	0.03

Baillie Gifford Shin Nippon (o/w) – recovery in smaller companies following underperformance in previous quarter and reduction in the Fund's discount to NAV.

ZOZO (o/w) – e-commerce company considered to be a beneficiary from increased trend to online shopping.

NTT DoCoMo (u/w) – reversal of telecoms outperformance in previous quarter.

Softbank Group Corp (o/w) – positive response to technology investor's disposals enabling debt reduction and share buybacks.

KDDI (o/w) – reversal of telecoms outperformance in previous quarter. (The Fund did not hold this stock until June)

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Oji Holdings	0.15	0.01	(0.05)
East Japan Railway	0.24	0.07	(0.04)
Toyota Motor	0.56	0.43	(0.02)
Chubu Electric Power	0.09	0.02	(0.02)
Fujifilm	0.12	0.04	(0.02)

Oji Holdings (o/w) – paper and packaging company has experienced a COVID-19 induced reduction in demand for paper for printing.

East Japan Railway (o/w) – lack of clarity when commuter rail traffic will improve as the impact from COVID-19 continues.

Toyota Motor (o/w) – global auto demand subdued due to COVID-19 disruption.

Chubu Electric Power (o/w) – reduction in electricity demand from commercial customers (two thirds of revenue) as a result of COVID-19 disruption.

Fujifilm (o/w) – approval for COVID-19 drug therapy delayed due to a shortage of infected individuals for trial.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.31
Nintendo	+0.18
Takeda Pharmaceutical	+0.18
East Japan Railway	+0.17
Sony Corp	+0.17
Daiichi Sankyo	-0.14
Honda Motor	-0.12
Recruit Holdings	-0.12
Daikin Industries	-0.12
Kao Corporation	-0.10

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – a smaller companies-focused fund with strong long term relative performance.

Nintendo – Switch selling very well, games moving to higher margin digital sales due to lockdown and huge potential from underutilised Intellectual Property rights.

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.

East Japan Railway – underweight travel sector as a whole but preference for this company due to greater exposure to commuters, where demand expected to recover quicker than tourism.

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

Bottom 5 Holdings Relative to Benchmark:

Daiichi Sankyo – preference for other names in the healthcare sector.

Honda Motor – preference for Toyota and Subaru due to growth prospects and strategy for electric vehicles.

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

Daikin Industries – concerns due to exposure to declining air-conditioning demand in China and exposure of chemicals business to the auto and technology sectors.

Kao Corporation – personal care company experiencing margin pressure due to rising input prices; portfolio preference for quality premium brand, Shiseido.

Major transactions during the Quarter

Purchases:

KDDI (£5.5m) – new telecoms holding to replace NT&T on slightly better outlook and valuation.

Asahi (£3.7m) – to replace Kirin due to clearer strategy, overseas growth prospects and attractive valuation.

Sales:

NT&T (£4.9m) – switch into KDDI which has a better outlook and more attractive valuation.

Kirin (£3.6m) – disposal of holding to switch into Asahi.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2020

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Xinyi Solar	0.25	0.03	0.07
Samsung SDI	0.39	0.13	0.06
Macquarie Group	0.44	0.22	0.05
LG Chemical	0.33	0.16	0.04
NAVER	0.43	0.25	0.04

Xinyi Solar (o/w) – Chinese subsidies higher than expected, leading to increased demand for solar products and positive trading update.

Samsung SDI (o/w) – Korean electric vehicle battery companies continued to benefit from expectations of significant medium term growth following the announcement of the EU Green Deal.

Macquarie Group (o/w) – despite increased impairments and cut in the dividend, the shares outperformed as the market appreciated its strong finances, exposure to infrastructure demand and global decarbonisation.

LG Chemical (o/w) – Korean electric vehicle battery companies continued to benefit from expectations of significant medium-term growth following the announcement of the EU Green Deal.

NAVER (o/w) – internet services company benefited from increased demand for e-commerce during COVID-19 disruption.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2020

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Afterpay	0.00	0.07	(0.05)
SMIC	0.00	0.09	(0.04)
KaKao	0.00	0.10	(0.03)
CSL	1.07	0.76	(0.03)
AIA Group	1.17	0.95	(0.03)

Afterpay (u/w) – Australian fintech benefited from the acquisition of a 5% stake by Tencent.

SMIC (u/w) – share price benefited from dual listing on Shanghai equivalent of Nasdaq.

KaKao (u/w) – South Korean internet services company benefited from COVID-19 disruption with strong demand for its e-commerce and online entertainment services.

CSL (o/w) – Australian biotech company suffered short-term disruption for plasma collection, positive trial results from a competitor and the resignation of the CFO.

AIA Group (o/w) – Asian insurance company was adversely impacted by increasing political tensions in Hong Kong.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2020

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.41
CSL	+0.31
Samsung SDI	+0.26
BHP Group	+0.25
Macquarie Group	+0.22
Samsung Electronics Prefs	-0.27
Hong Kong & China Gas	-0.14
Fisher & Paykel	-0.11
KaKao	-0.10
ASX Limited	-0.10

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – the stock is exposed to the structural growth in the memory chip market; the group also has a diversified earnings stream and large shareholder return potential.

CSL – competitive advantage in the plasma market and strong growth expected for Immunoglobulins (antibodies) and recent positive results underpin the investment rationale.

Samsung SDI – market leader in the supply of batteries to the growing electric vehicle market.

BHP Group – restructuring potential, strong cash generation, strong balance sheet, and shareholder returns; shorter term concerns regarding impact of global growth on commodity demand.

Macquarie Group – uniquely leveraged to the global move to public infrastructure stimulus and decarbonisation of global energy infrastructure.

Bottom 5 Holdings Relative to Benchmark:

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

Hong Kong & China Gas – very high valuation and increased regulatory risk in China.

Fisher & Paykel – beneficiary of the COVID-19 crisis - humidification devices used to alleviate respiratory conditions.

KaKao – has benefited from COVID-19 via its Fintech, ecommerce, and entertainment businesses.

ASX Limited – preference for HK Exchange which should benefit from the opening up of the Chinese market.

Major transactions during the Quarter

Purchases:

Samsung Electronics (£3.4m) – long term growth prospects remain positive.

Sales:

Kepco (£2.8m) – disposal of holding - unlikely to see electricity price increases required for investment in renewables.

Market Background at 30 June 2020

What a difference a quarter makes! Equity markets fell by over 25% from peak to trough in the first quarter as the COVID-19 pandemic caused significant disruption to global economic activity. Unprecedented levels of fiscal and monetary stimulus and expectations (or hope) of a rapid return to normality resulted in a near 30% rebound in the space of three months, one of the fastest market recoveries in history.

The pandemic does appear to have peaked, and has even started to recede, in some regions including parts of Europe and Asia. However, there has been an acceleration in cases in the US and the pandemic shows no sign of abating in Latin America, the Indian sub-continent and more recently Africa. There have even been further outbreaks in Australia, whose stringent lockdown measures appeared to have been effective.

A large number of healthcare companies, foundations and research facilities are working hard to develop vaccines or treatments to alleviate the worst symptoms of the virus. There is a sense of optimism that a successful vaccine will be widely available in 2021.

Following the sharpest fall in economic activity (50 – 70% reduction, depending on the region) since the Depression it is not surprising to see that economic data has started to recover as lockdown measures start to be eased. At the peak, lockdown measures had been introduced in countries accounting for 65% of global GDP. This has reduced to less than 10%. However, activity remains weak, at levels which are 20 – 40% lower than normal. There is also concern that a second wave of COVID-19, or the failure to suppress the first wave, may result in the reintroduction of some restrictions, with a further adverse impact on economic activity.

Financial markets have anticipated a V-shaped recovery, supported by a level of global fiscal and monetary stimulus which, at an estimated $16 trillion, is more than double the level of stimulus introduced following the global financial crisis. It is perhaps no surprise, given this quantum of support, that equity markets have recovered strongly. However, if the recovery in the real economy takes longer than expected, equity markets may struggle to hold onto these gains. It is also notable that market volatility remains high, which is reflective of the current level of uncertainty.

There is also the question as to how this support is withdrawn in the long term. There is likely to be a significant increase in fiscal deficits which will need to be addressed at some point in the future, either through increased taxation, austerity measures or inflation. However, governments will only attempt to tackle this issue once the crisis has been contained. Further stimulus measures may be necessary if economic activity fails to rebound quickly.

Inflation is likely to remain low in the short term, despite supply chain disruptions and a recovery in oil prices following substantial production cuts by OPEC and Russia. The level of fiscal and monetary stimulus is likely to be inflationary over the longer term – but this is not something that monetary authorities are concerned about at present and may actually welcome.

There has been a sharp increase in unemployment in a number of countries in recent months. Whilst this has not occurred in some countries due to generous furlough schemes, unemployment rates are likely to increase as temporary schemes come to an end. This will have a knock-on effect for wage growth and consumer confidence, resulting in pressures on consumer spending. There may be a short term boost to consumer spending when current restrictions are lifted. However, there has been an increase in the level of precautionary saving, partly due to increased uncertainty but also attributable to economies being effectively closed.

High yield bond spreads have fallen as part of the rebound, although they remain higher than pre-correction, perhaps due to concerns around default rates. Investment grade bond spreads have also fallen, supported by the extension of quantitative easing programmes.

Note
1) Source: Border to Coast

Market Background
at 30 June 2020

Government bond yields have been relatively stable, and the amount of negative yielding debt has increased from less than $8 trillion in March to $13 trillion in June.

Following a 16% fall in the last quarter, equity markets experienced a 20% rebound during the second quarter (based on MSCI ACWI). This has heralded a new bull market (defined as a 20% rise from the recent low) and is the sharpest increase in equity markets since the global financial crisis. However, there are signs that this is tapering off as COVID-19 cases have started to accelerate in the US and continue to increase in Latin America and parts of Asia. There have also been renewed trade frictions, most recently between the US and Europe. Developed markets (+20%) have modestly outperformed Emerging Markets (+18%).

The US has been the strongest performing major developed market (+21%) driven by the extensive fiscal and monetary stimulus, as well as favourable sector composition with a higher weight to Technology stocks which have proved resilient during the recent disruption. The UK (+10%) has been the weakest major developed market due to a greater impact on economic activity from COVID-19, continued uncertainty regarding Brexit, and the significant exposure to Resource companies which have only partially benefited from the recent rebound in commodity prices. In Emerging Markets, South Africa has been the strongest performer (+28%) having been one of the weakest performers in the previous quarter, with a tailwind from a recovery in commodity prices and stabilisation in the currency. Mexico (-12%) has been the weakest emerging market, due to an acceleration in COVID-19 infections.

Although equity markets have generally recovered strongly, companies that exhibit Quality and strong balance sheet characteristics have continued to outperform, which does not typically happen during market rebounds. Value stocks have continued to underperform and trade at a substantial discount to the market. High-yielding companies have also underperformed, which is perhaps unsurprising given the scale of dividend cuts. Smaller companies have recovered in most regions although this outperformance started to fade toward the end of the quarter.

Technology has been the strongest performing sector, given its resilience during the current macroeconomic uncertainty. There has also been a rebound in sectors that were adversely impacted during the early stages of the COVID-19 crisis, including Consumer Discretionary (expectations of easing of lockdowns) and Materials (higher commodity prices). Financials is a sector that stands out as underperforming during the market correction but not participating in the recent rebound – and is second only to Energy as the worst performing sector in 2020. This is due to concerns regarding non-performing loans in both corporate and household sectors.

There has been a significant reduction (c. 30%) in 2020 corporate earnings forecasts in the last few months but analysts expect a large part of this to be recovered in 2021 amid anticipation of a strong recovery in economic activity. The sharp rise in equity markets and the reduction in earnings forecasts has resulted in valuations rising to well above their long-term averages. Therefore, in the absence of a sustained earnings recovery, or additional stimulus measures, equity markets may struggle to rise further in the short term and remain susceptible to negative COVID-19 developments.

In addition to macroeconomic uncertainty and stretched valuations, there is likely to be an increase in the level of political uncertainty due to the forthcoming US Presidential Election. Recent polls suggest that Trump has a 10% probability of being re-elected and a Democratic clean sweep of the White House, Senate and House of Representatives is a real possibility. This could have wide ranging implications for the US equity market in general and two of its best performing sectors, Technology and Healthcare, with the risk of increased regulation and taxation.

Note
1) Source: Border to Coast

Border to Coast News

People:

- Our CEO Rachel Elwell was featured in the Financial Times this quarter, discussing Border to Coast's purpose and the value pooling is delivering to our Partner Funds.

- This quarter, we welcomed two new Portfolio Managers: James Thelwell and Dominic Purches.
  James joined our Alternatives team, moving from Greater Manchester Pension Fund where he spent 5 years focused on infrastructure. Previously James worked in accountancy.
  Dominic has joined our Fixed Income team. He was previously a Portfolio Manager at BCV Investment Management in Switzerland. Prior to this, he was with Macquarie for 8 years working on global fixed income funds. Dominic also has experience in investment risk and holds an FRM qualification.

- We also welcomed Luc Pascal as an Assistant Portfolio Manager in our External Team. Luc joins from Lane Clark & Peacock, where he provided investment advice to institutional investors (primarily pension schemes and charities) and conducted research. Prior to this he was an Investment Consultant at KPMG.

Investment Funds:

- In May, we launched our search for China Specialists to manage an external mandate in our Emerging Market Equity Fund and received over 50 submissions. This mandate is expected to total £200 - 300m - around a third of the Fund. We are aiming to make the appointment(s) in Q3 2020.

- In April we launched Series 1B of our Infrastructure and Private Equity investment programmes, with an additional £1.2bn in commitments across 10 of our Partner Funds.

- Development of our Multi-Asset Credit Fund is progressing well. We are aiming to announce our preferred managers to our Partner Funds in July 2020.

Responsible Investment:

- Deforestation and its associated impacts are systemic risks to our Funds, and as long-term investors we need to use our influence to encourage action. We therefore signed a letter, along with 28 other investors, asking for Brazil's government to show clear commitment to eliminating deforestation. This was sent to 9 Brazilian embassies and received media coverage in the Financial Times.

- The impact of COVID-19 has led to a challenging peak proxy voting season, with some AGMs postponed and others moved to a virtual-only format. We have worked closely with Robeco, our voting and engagement partner, and voted at a total of 521 AGMs on 7,909 proposals globally this quarter.

- Jane Firth, Head of RI, took part in a discussion on Asset TV where she discussed how we are engaging with corporates, and why Coronavirus has made the S in ESG more important than ever.

Full voting and engagement reports will be published on the Sustainability section of our website. We aim to publish reports 30 business days after quarter end.

Coronavirus Impact:

COVID-19 has continued to influence the investment environment and our ways of working throughout the first half of 2020. To ensure we are maintaining open dialogue with our Partners, we have continued to embed new virtual ways of working.

This has included attending Committee meetings virtually, holding Partner Fund workshops via WebEx, and recording market update 'Vlogs'. These have served as valuable learning opportunities to inform how we work collaboratively moving forwards.

Working together as a pool to create a better outcome remains one of our core values and we will continue to seek ways to collaborate effectively.

Disclosures