

Border to Coast Pensions Partnership Ltd

Teesside
Pension Fund

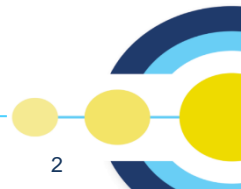
16 September 2020



Agenda

- **Border to Coast - Update**
- **Market Update**
- **Equity Funds - Update**
- **Private Equity - Update**
- **Infrastructure – Update**

Please note that the following presentation is for professional investors only.



Border to Coast Pensions Partnership Ltd

Border to Coast
– Update



Border to Coast Team

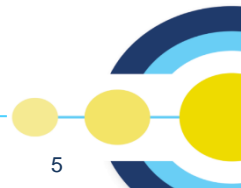
CEO: Rachel Elwell			
CIO: Daniel Booth	COO: Fiona Miller	CRO: Manda McConnell	CEO Team
Investment Team 35 people (internal mgt, external mgt, risk, research, alternatives, real estate)	Operations Team 33 people (operations, fund accounting, tax, legal, finance, admin)	Risk Team (2nd Line) 5 people	CRM, HR, Policy/Comms 7 people

- Team of 84 in total (as at 30 June 2020)
- Increase this year of 10 FTEs, 7 of which are at mid-senior levels of experience



Capability Launch – Timetable

	Launched 2018/19	2020 Launches	2021 and beyond	
Internal Equities	UK Listed Equity Overseas Developed Emerging Markets		Hybrid Emerging Markets	
External Equities	UK Listed Equity Alpha Global Equity Alpha		ESG Passive/Factor Regional Alpha Emerging Markets Alpha	
Alternatives	Private Equity Infrastructure Private Credit	Private Equity Series 1b Infrastructure Series 1b <i>(continued annually)</i>	Listed Alternatives Cashflow Management & Asset Allocation	Legacy Diversified Alternatives
Fixed Income		UK IG Credit Sterling Index Linked Bond	Multi-Asset Credit	
Property			Global Property	UK Property



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Market Update

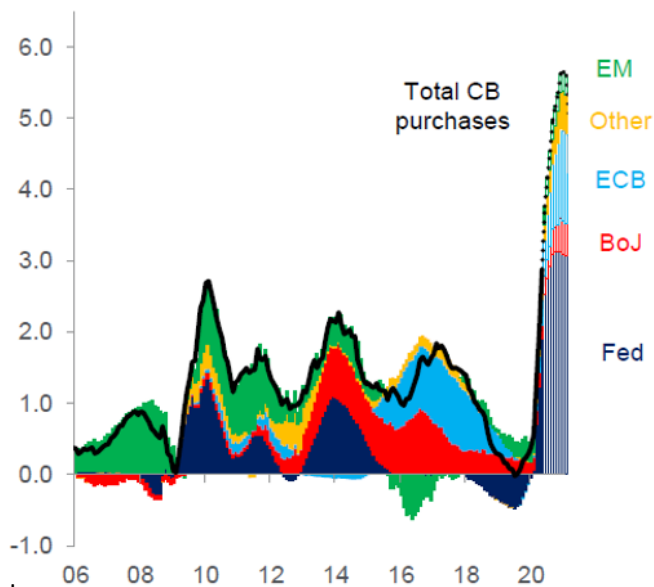


Market Update

- Lockdown caused a significant impact hit to US growth and employment.
 - Over 20m registered for unemployment in April alone.
- Enormous stimulus packages – multiples of Global Financial Crisis responses.
- Even pre-Covid-10, there were significant challenges...
 - Ageing populations, near-record debt levels, etc
- Liquidity from central banks can postpone debt problems –not solve them

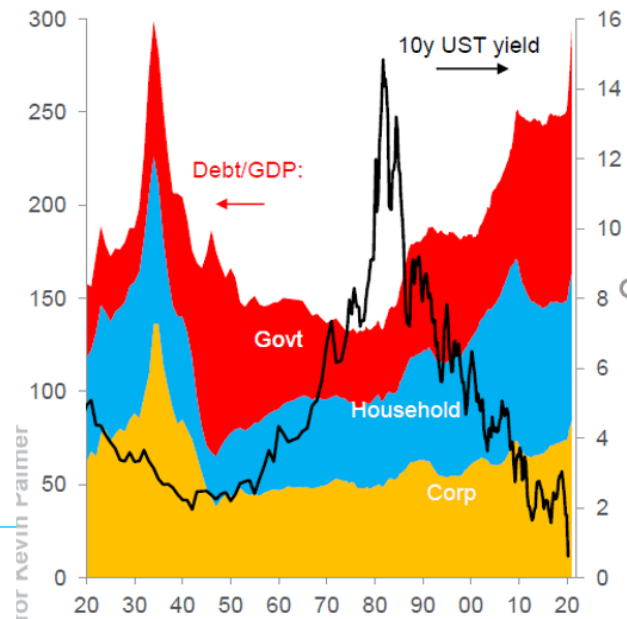
An unprecedented wave of liquidity...

Global central bank securities purchases, 12m rolling, \$tn

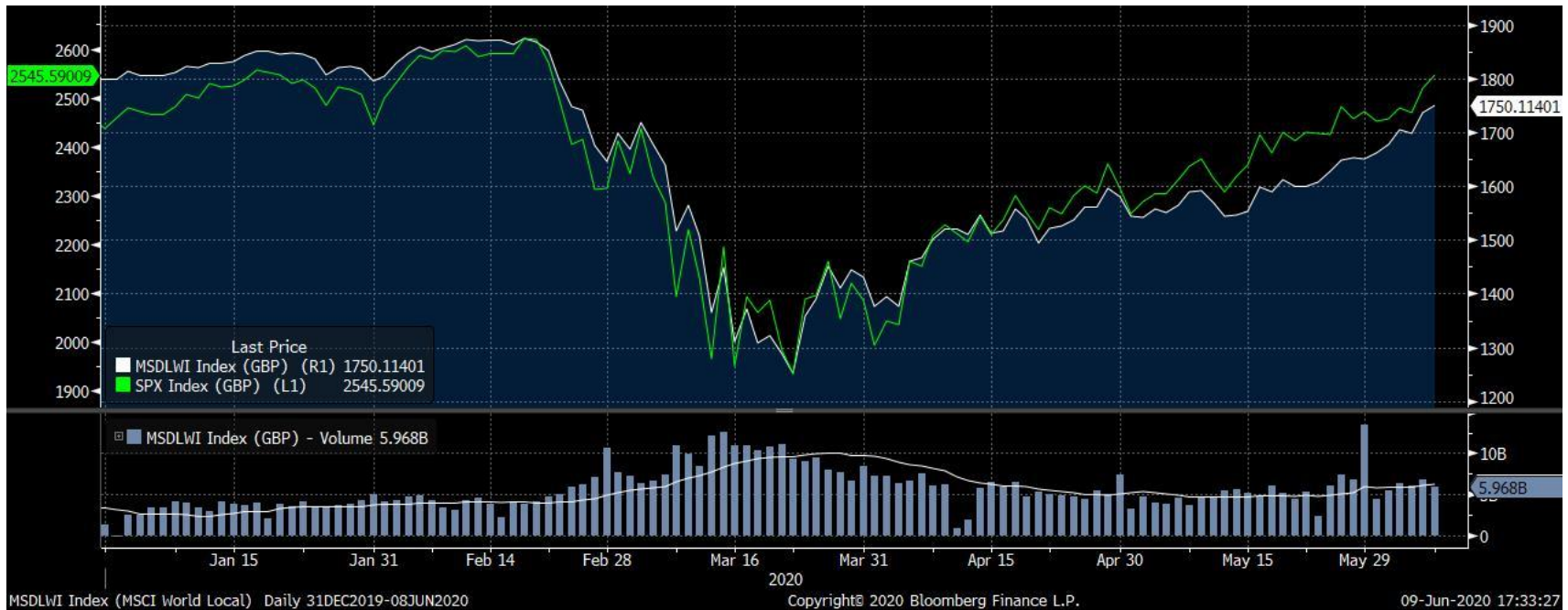


Debt is starting from near-record levels

US debt/GDP by sector (%) vs yields (%)



Equity Markets – 1st Half of 2020



- YTD return for Global (shaded blue) & US (green line) equities
- S&P 500 dropped 34% in 23 days and rallied 25% in the following 13 days
- As of 8th June the US (S&P 500) equity market was flat year-to-date

Looking forwards...

- Near-term deflation from ongoing lockdown restrictions, reduced consumer corporate spending, delayed spending, etc
- Long-term potential inflation – Treasuries borrowing money created by central banks
- Possible Covid-19 vaccine?
- UK probability of a hard Brexit (minimal/no trade deal) has increased
- US election outcome
- US / China uncertainties



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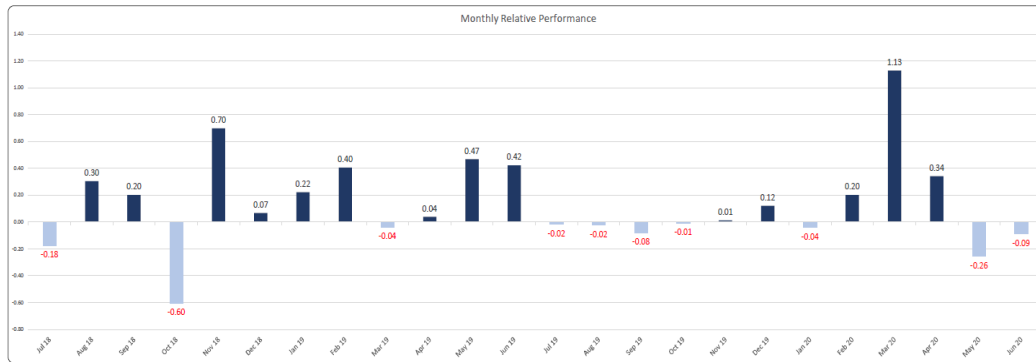
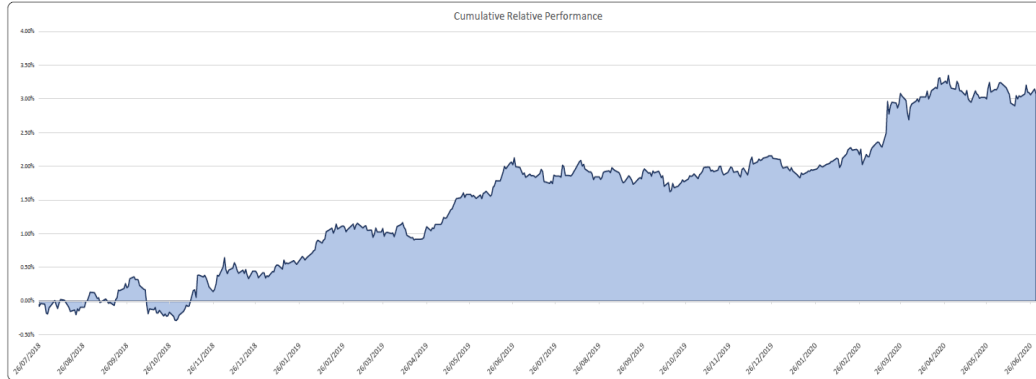
Equity Investments - Update

UK Equity Overview

Q2 2020

- 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.

UK Listed Equity Fund – Performance



	QTD	1 Yr	ITD*
Fund	10.16	-11.69	-5.09
Benchmark	10.17	-12.99	-6.77
Relative	-0.01	1.31	1.68

As at 30 June 2020

Inception date: 26 July 2018

Benchmark: FTSE All Share

Performance is net of fees

*ITD return is per annum

Investment Objective:

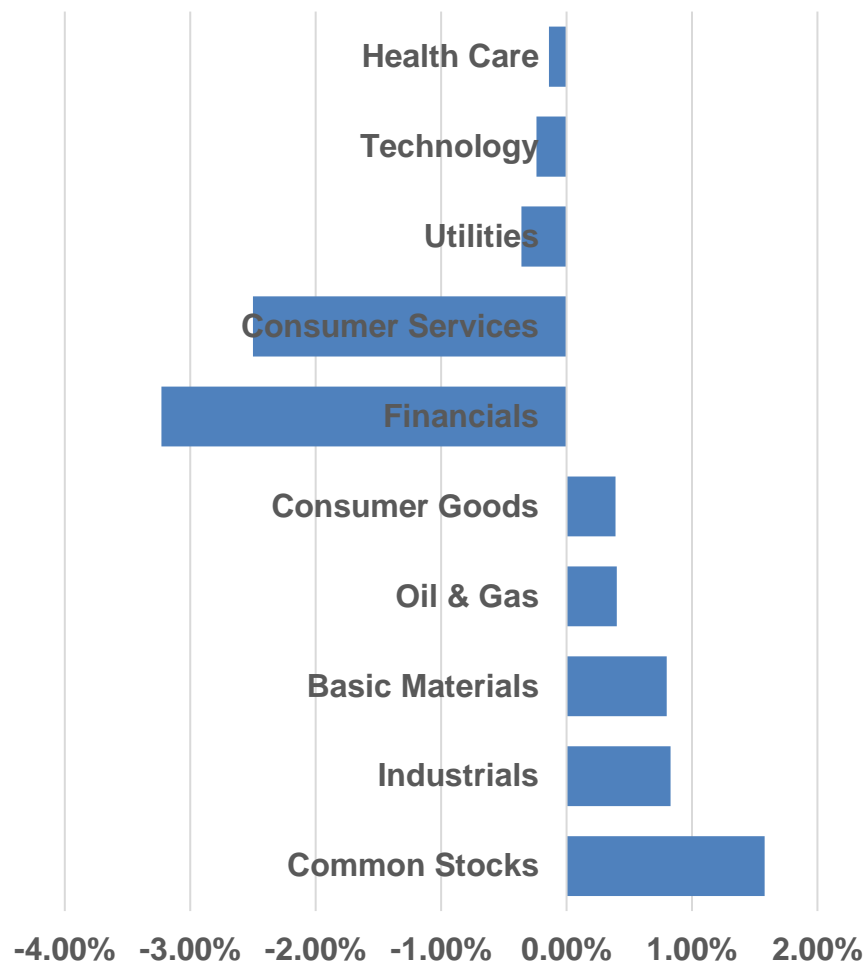
To outperform the Benchmark by at least 1% p.a. over rolling 3 year periods

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

Values may not always sum due to rounding.

Source: Northern Trust, Border to Coast

UK Listed Equity Fund – Portfolio Positioning



Top 5	Relative weight
Antofagasta	+1.05
BHP Billiton	+0.89
Impax Environmental Markets	+0.86
Schroder UK Smaller Companies	+0.82
Liontrust UK Smaller Companies	+0.76

Bottom 5	Relative weight
Glencore	-0.95
Flutter Entertainment	-0.65
Scottish Mortgage Investment Trust	-0.61
SEGRO	-0.55
Just Eat Takeaway	-0.51

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

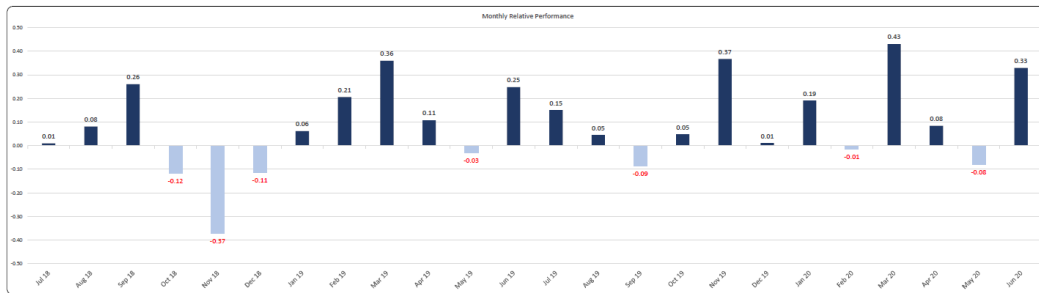
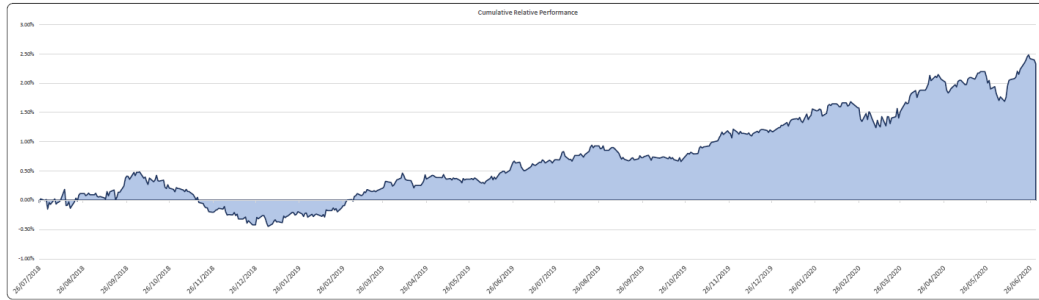
Source: Northern Trust, Border to Coast

Overseas Developed Equity Overview

Q2 2020

- 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.

Overseas Developed Equity – Performance



	QTD	1yr	ITD*
Fund	19.75	5.09	5.70
Benchmark	19.37	3.51	4.52
Relative	0.38	1.58	1.18

As at 30 June 2020

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

*ITD return is per annum

Investment Objective:

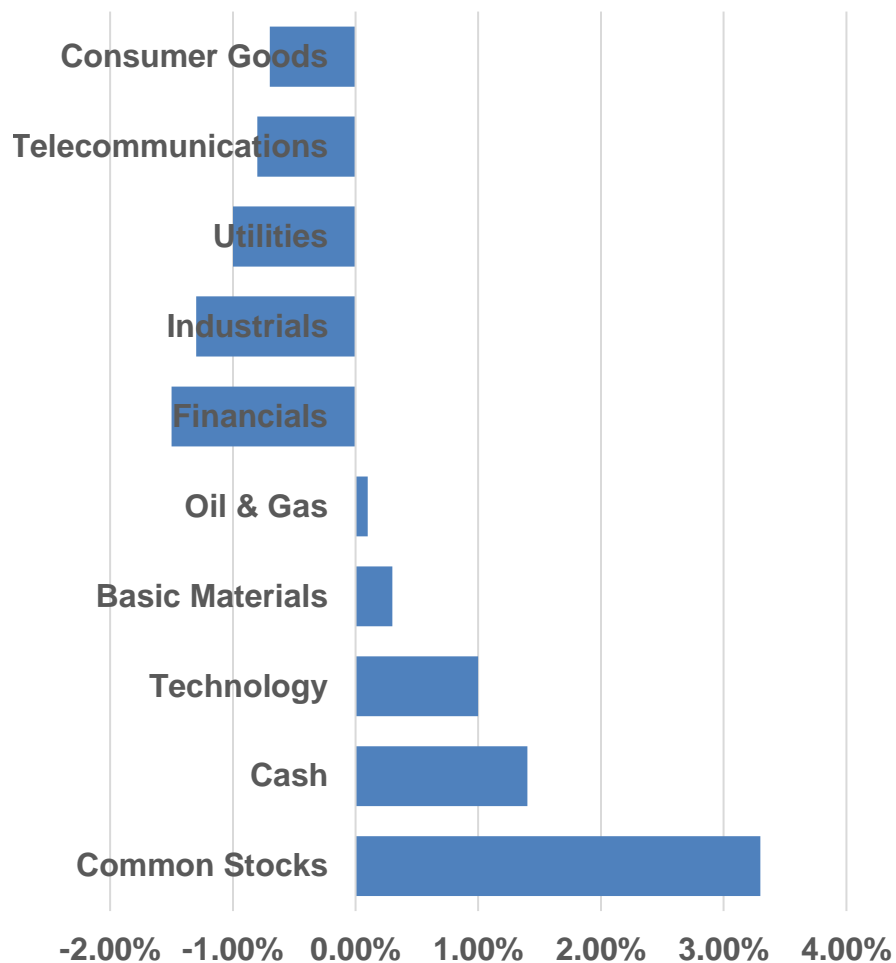
To outperform the Benchmark by at least 1% p.a. over rolling 3 year periods

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

Figures may not sum due to rounding

Source: Northern Trust, Border to Coast

Overseas Developed Equity – Portfolio Positioning



Top 5	Relative weight
Vanguard US Mid Cap ETF	+2.73%
Alphabet A	+0.71%
Visa Inc	+0.48%
Microsoft	+0.47%
NVIDIA Corporation	+0.43%

Bottom 5	Relative weight
Alphabet C	-0.65%
Mastercard	-0.41%
AT&T	-0.34%
PayPal	-0.32%
Enel SPA	-0.31%

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

Source: Northern Trust, Border to Coast

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Alternative Investments
- Update



Alternative Fund Range

	Launched Alternative Asset Classes			Other Alternatives
	Private Equity <i>Investment in privately held companies</i>	Infrastructure <i>Real assets providing essential services</i>	Private Credit <i>Lending to privately held companies</i>	
Series 1A	£500m	£675m	£580m	<ul style="list-style-type: none"> • Diversified • Liquid • Listed
Series 1B	£485m	£760m	n/a	
Target ¹	10% p.a.	8% p.a.	6% p.a.	

Border to Coast – Unregulated Collective Investment Scheme

Investments are held within an unregulated collective investment scheme which is not authorised or regulated by the Financial Conduct Authority.

¹ Measured over rolling three year periods net of costs.

Future forecasts are for Illustration purposes only and are not a reliable indicator of future performance.

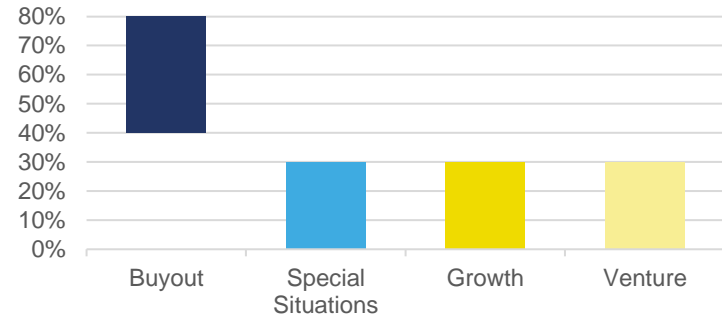
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Private Equity

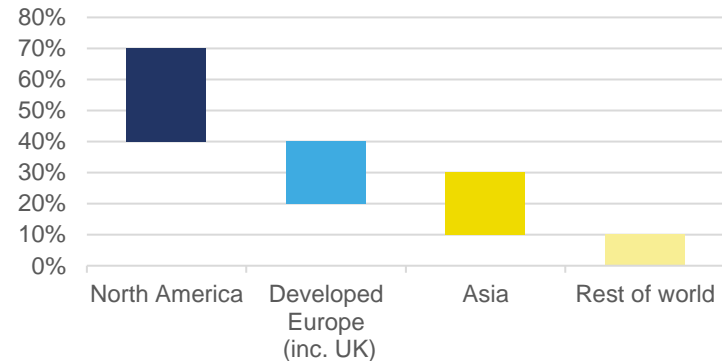


Private Equity: Asset Allocation

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
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Teesside Series 1A Commitments £100m
Teesside Series 1B Commitments £50m

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; greater opportunity for operational value add and buy and build strategies.

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 and less developed Private Equity market.

SECTOR SPECIALISTS

Industry expertise a real differentiator in terms of value creation and deal sourcing.

SECTOR THEMES

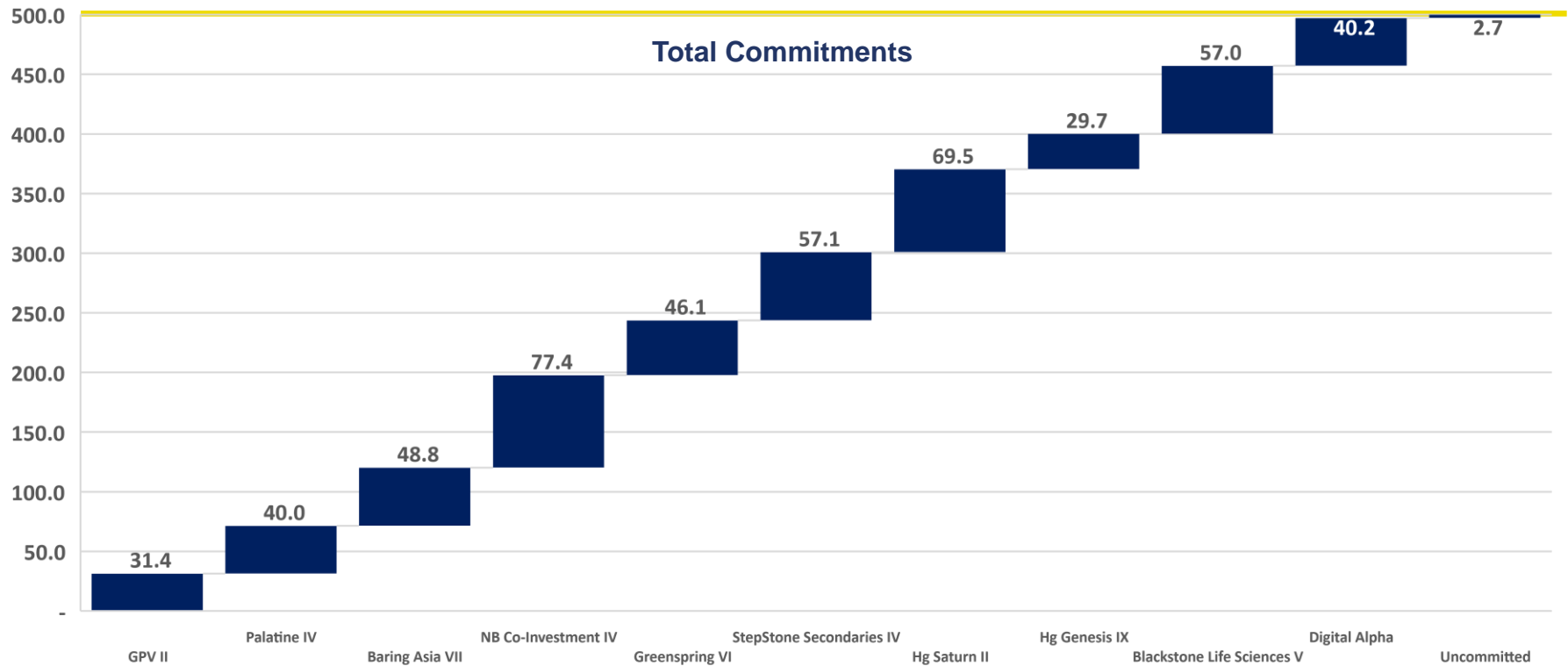
Long term structural drivers – Technology (AI, IoT, cloud) and Healthcare (trends in global demographics and increased per capita spending).

DISTRESSED

Potential for attractive opportunities given position in business cycle and extended valuations in addition to impact from Covid-19.

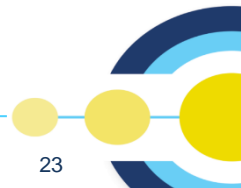
Private Equity 1A: Commitments to Date

Private Equity Series IA

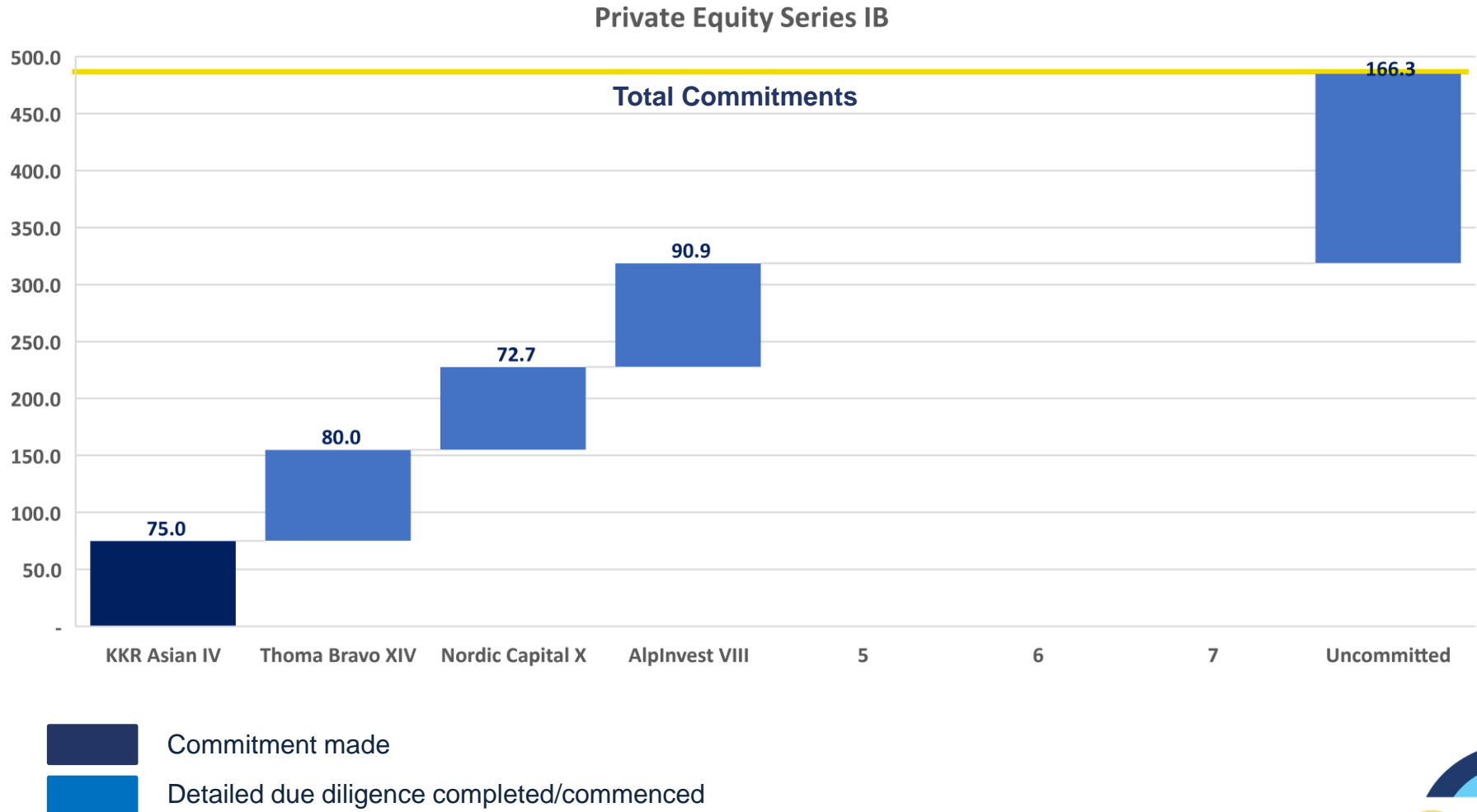


- Commitment made
- Detailed due diligence completed/commenced

Note: Commitments in £m using exchange rates at time of approval
Residual uncommitted capital to be cancelled



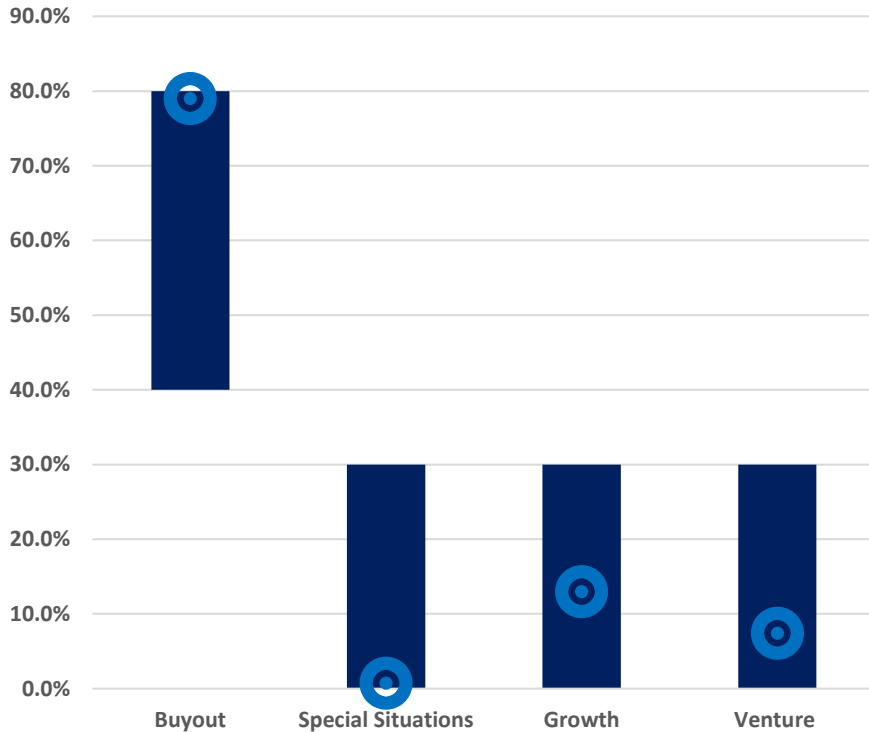
Private Equity 1B: Commitments to Date



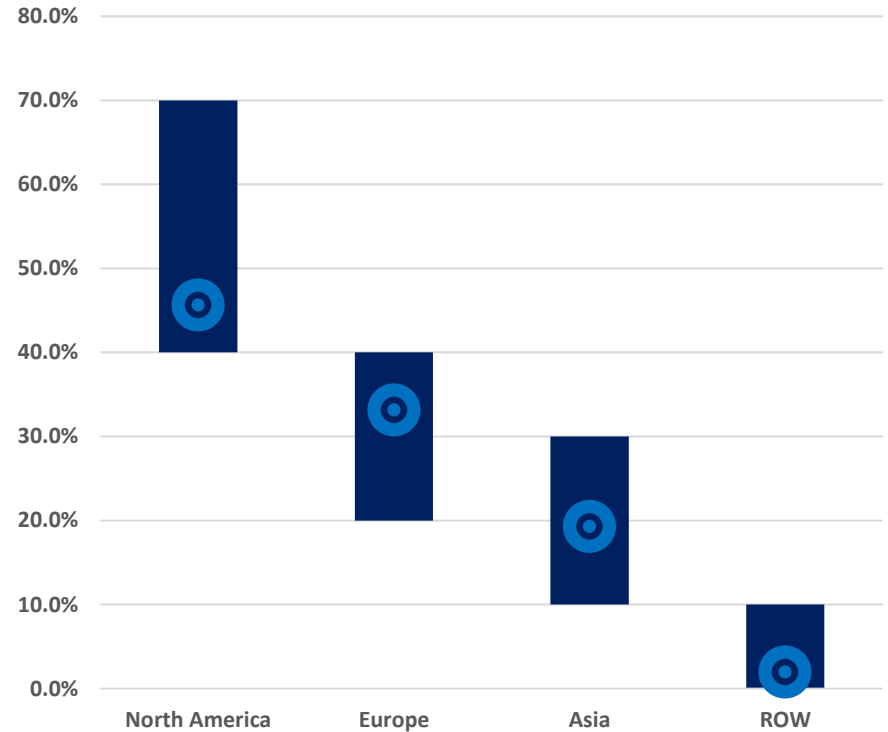
Note: Commitments in £m using exchange rates at time of approval
Residual uncommitted capital to be cancelled

Private Equity: Asset Allocation

Private Equity Series I

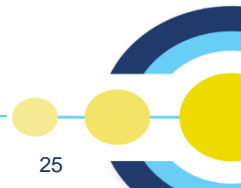


Private Equity Series I



- 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



Private Equity 1B: Commitments



KKR Asian IV

- \$94m commitment (June 2020)
- Asian Buy-Out fund from established global manager targeting upper mid-market and large cap companies
- Well-resourced and experienced investment team – one of the largest in Asia – with access to KKR’s global platform
- Extensive operations team which helps to drive value
- Strong track record
- Strong GP alignment – manager is committing \$1.3bn to the fund (c. 10% of fund target compared to a typical 2% GP commitment)
- Complementary to Baring Asia VII commitment in Series 1A
- Border to Coast themes: **Operational Value Add, Healthcare, Asia**
- Benefits of pooling:
 - Access to capacity constrained manager through existing relationships

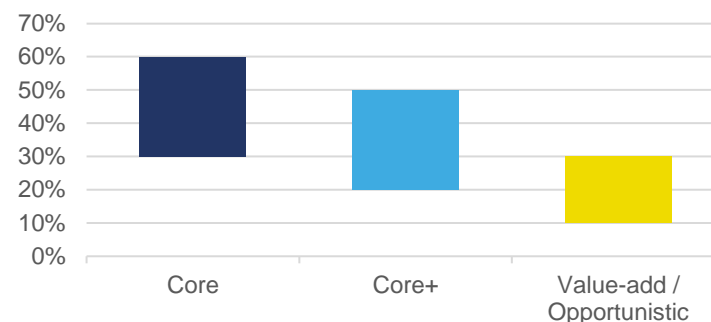
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Infrastructure

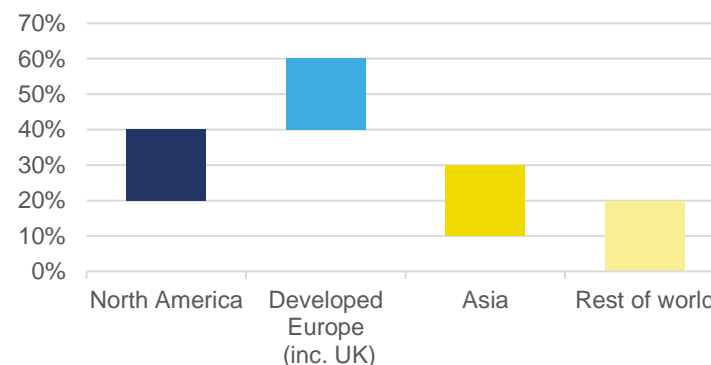


Infrastructure: Asset Allocation

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)
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Teesside Series 1A Commitments £100m
Teesside Series 1B Commitments £50m

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.

SECTOR THEMES

Energy transition – investments that enable or benefit from the move to a lower carbon economy; Digital revolution – growing demand for data and access to networks

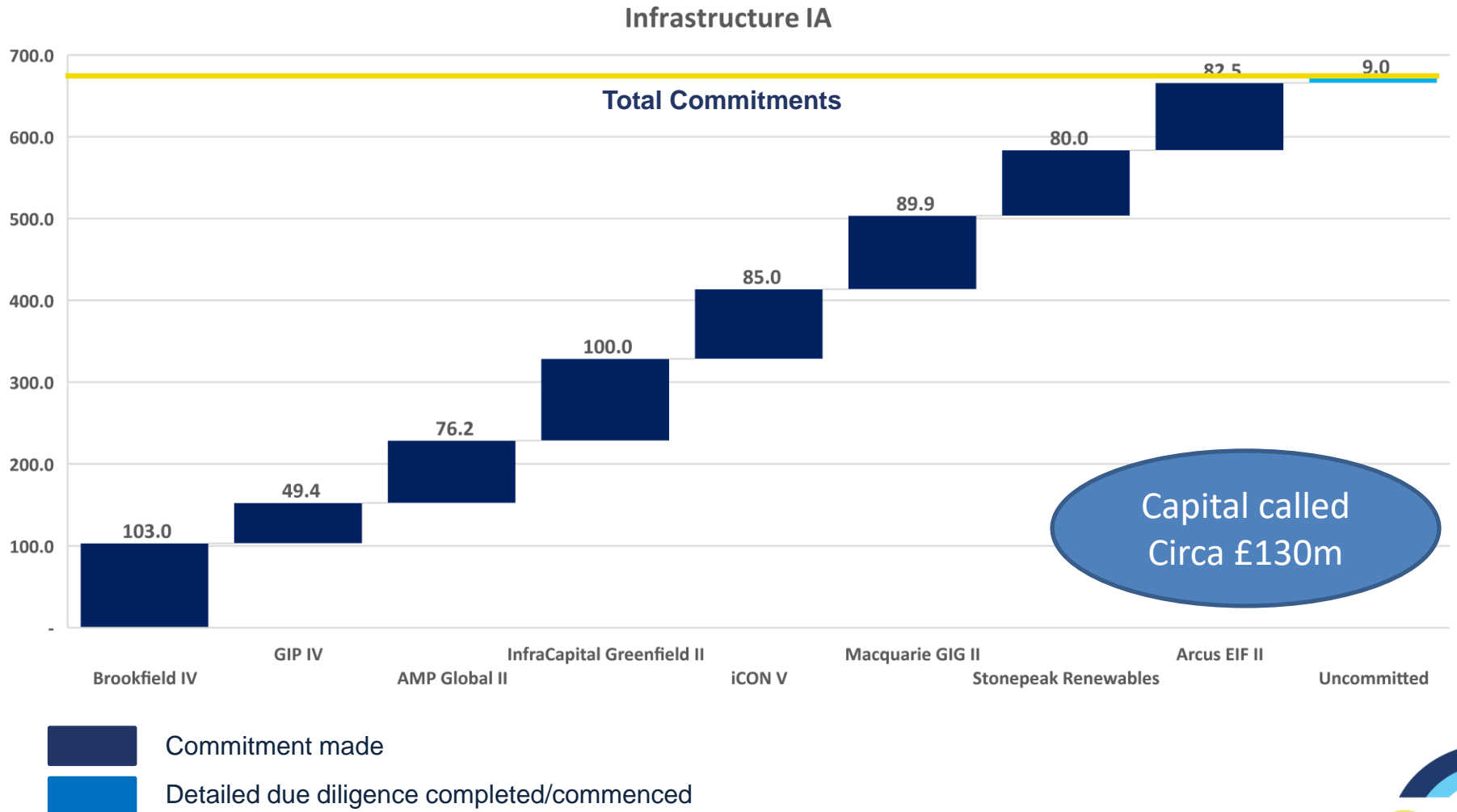
GREENFIELD

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

EMERGING MARKETS

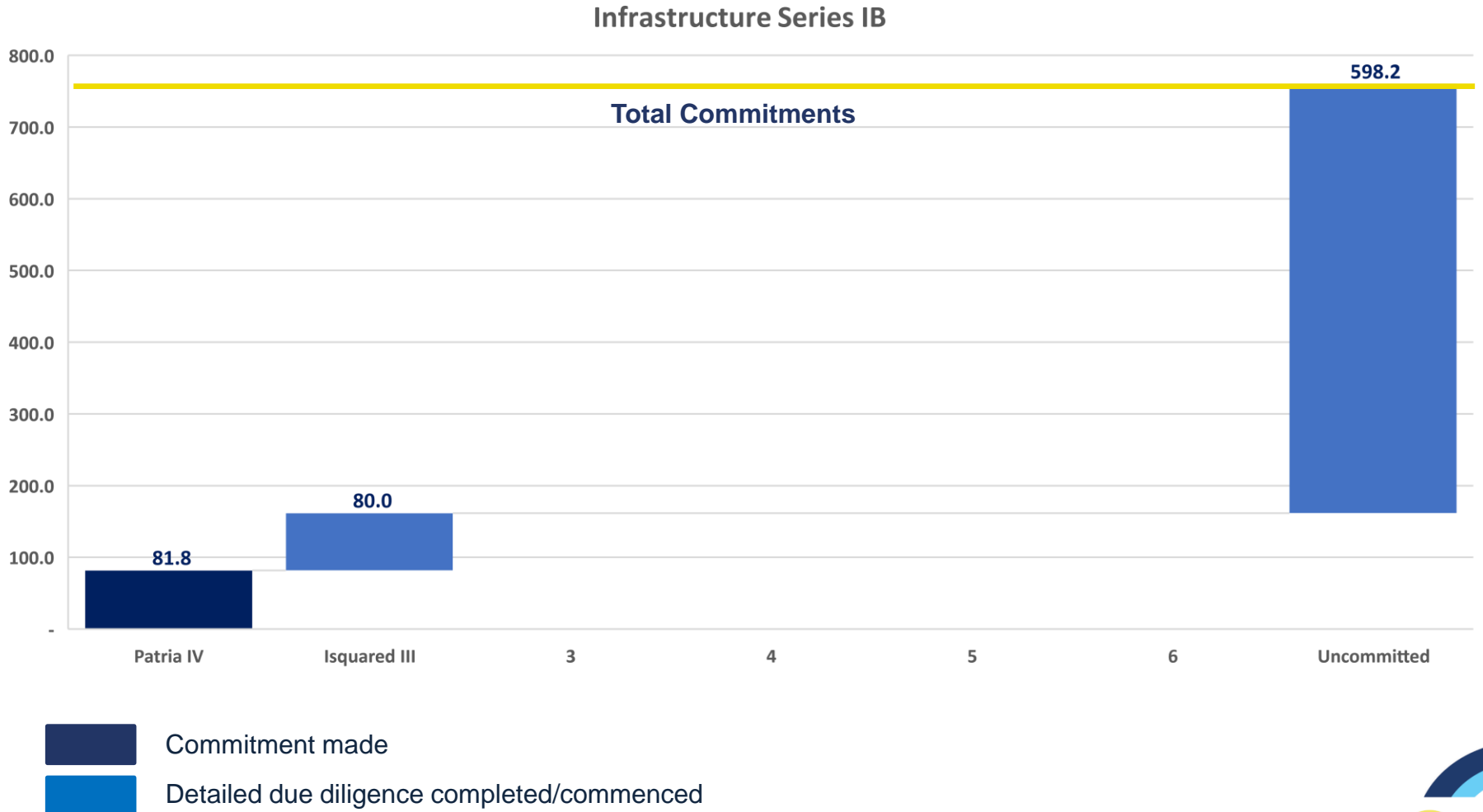
Stronger economic growth and longer term demographics driving demand for infrastructure in a less developed market with lower valuation and leverage levels albeit with a different risk profile.

Infrastructure 1A: Commitments to Date

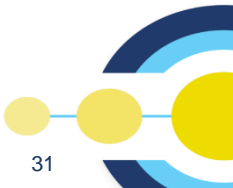


Note: Commitments in £m using exchange rates at time of approval
Residual uncommitted capital to be cancelled

Infrastructure 1B: Commitments to Date

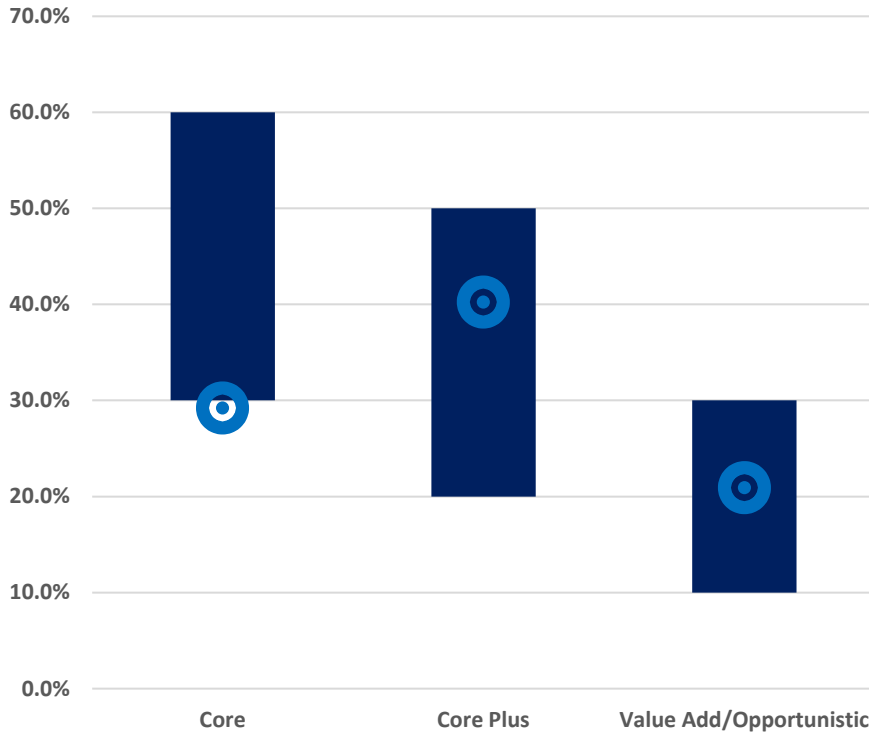


Note: Commitments in £m using exchange rates at time of approval
Residual uncommitted capital to be cancelled

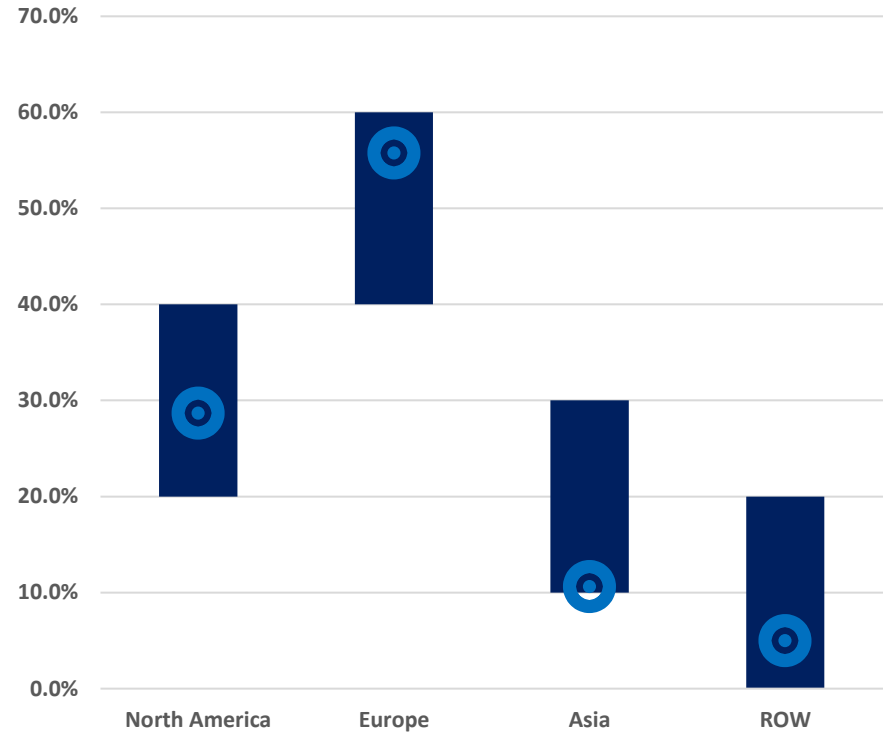


Infrastructure: Asset Allocation

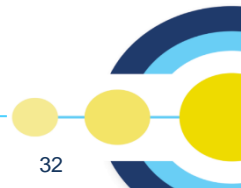
Infrastructure Series I



Infrastructure Series I



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



Infrastructure 1B: Commitments

PATRIA

In partnership with

Blackstone

Patria IV

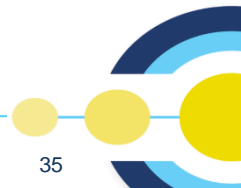
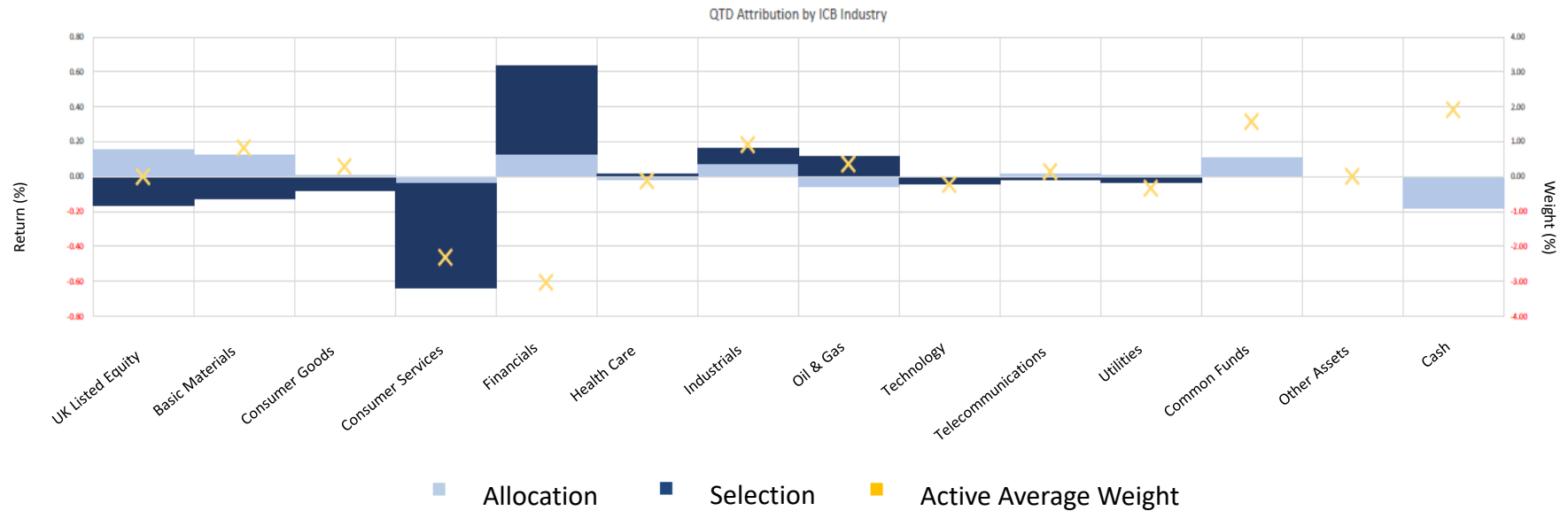
- \$100m commitment (May 2020)
- Leading Latin American specialist infrastructure manager
- Strong local presence and networks facilitating sourcing of investment opportunities often on a proprietary basis
- Significant demand for new infrastructure in Latin America
- Ability to manage greenfield risk and capture additional value
- Hands-on operational capability to drive value enhancements
- Buy and build and consolidation strategies benefit from economies of scale and higher valuation multiples on exit
- Border to Coast themes: **Energy Transition, Digital Infrastructure, Operational Value Add, Greenfield, Emerging Markets**
- Benefits of pooling:
 - Reduction of both management and performance fees due to scale
 - Access to co-investment opportunities

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Additional Information
- Equities



UK Listed Equity Fund – Q2 2020 Performance Attribution



UK Listed Equity Fund

– Q2 2020 Performance Contributors

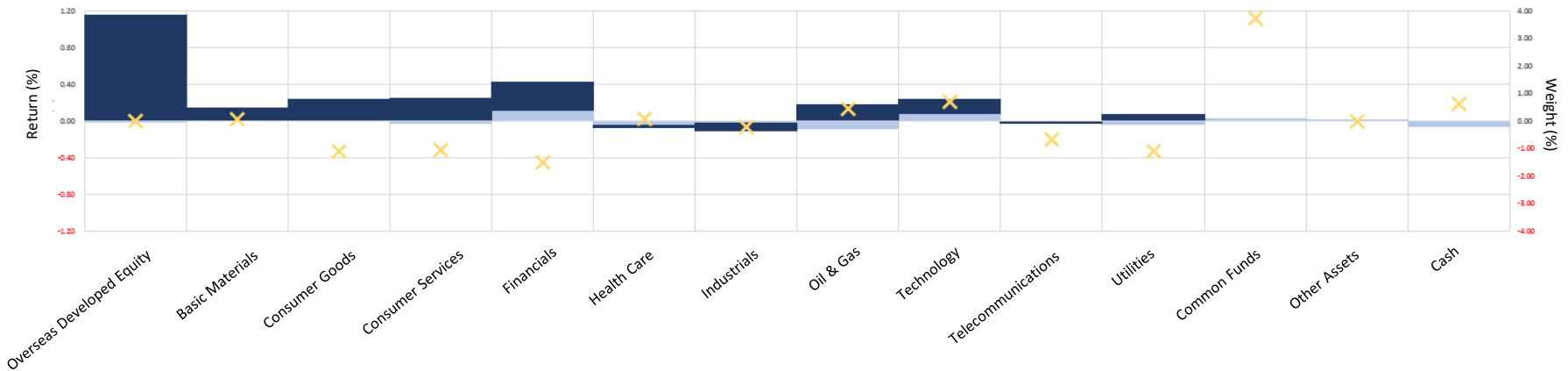
Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
HSBC (u/w)	3.61	3.97	0.26	Impact of the deteriorating situation in Hong Kong, as China seeks to impose greater control, has weighed heavily on the shares.
Biotech Growth Trust (o/w)	0.72	0.02	0.21	Development of treatments and vaccines for COVID-19 has attracted investor interest.
BHP Billiton (o/w)	2.66	1.77	0.15	Benefited from higher iron ore and copper prices, driven by stronger demand from China and ongoing supply restrictions.
Herald Investment Trust (o/w)	0.60	0.05	0.12	With a focus on technology and communications, portfolio holdings have benefited significantly from COVID-19 disruption.
Antofagasta (o/w)	1.21	0.17	0.10	Benefited from higher copper prices driven by robust demand from China and COVID-19 related supply restrictions at major producers.
Glencore (u/w)	0.00	0.95	-0.19	Despite ongoing investigations and a new criminal probe opened by Swiss authorities, has benefited from rebound in commodity prices.
Ocado (u/w)	0.00	0.48	-0.16	UK online grocery delivery has seen a significant spike in demand during the COVID-19 lockdown.
Scottish Mortgage Inv Trust (u/w)	0.00	0.61	-0.14	Biased towards global large-cap technology companies which have benefited during the COVID-19 lockdown.
Flutter Entertainment (u/w)	0.00	0.65	-0.11	US sports betting continues to grow as states legalise online sports betting - Flutter completed the acquisition of Stars Group.
Just Eat Takeaway (u/w)	0.00	0.51	-0.10	Continued to perform well during the lockdown despite announcing its intention to acquire US operator GrubHub in an all-share deal.

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

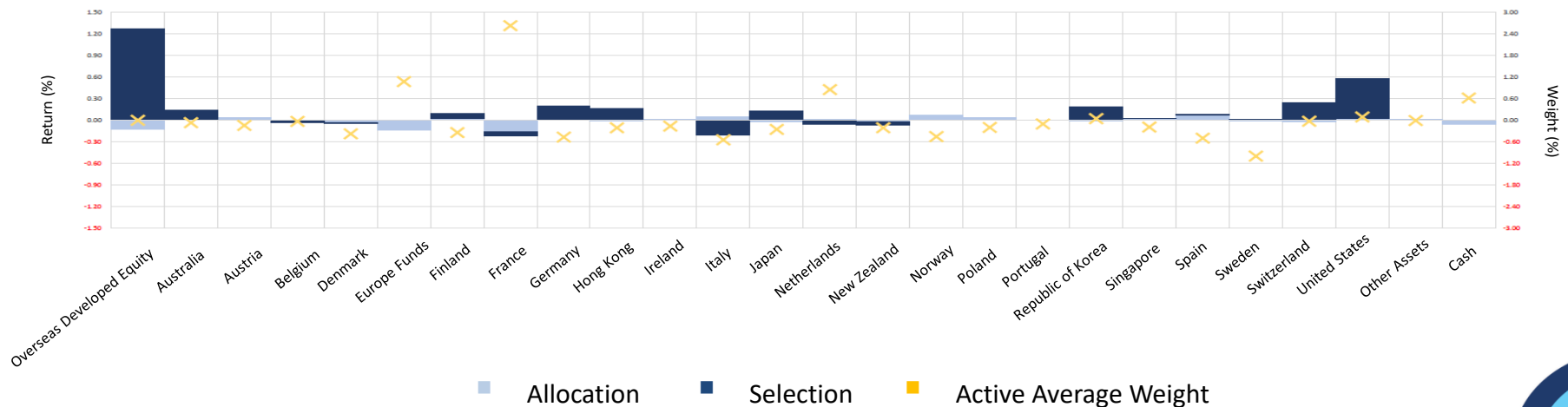
Source: Northern Trust, Border to Coast

Overseas Developed Equity – Q2 2020 Performance Attribution

ITD Attribution by Industry



ITD Attribution by Country



Allocation Selection Active Average Weight

Overseas Developed Equity

– Q2 2020 Performance Contributors

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
Vanguard US Mid Cap ETF (o/w)	2.73	0.00	0.13	Rebound in smaller companies following underperformance in the previous quarter.
NVIDIA Corporation (o/w)	0.80	0.36	0.08	Exposure to hyperscale data centre servers, machine learning applications and gaming have lent resilience.
Logitech International (o/w)	0.41	0.04	0.07	The company has experienced an increase in demand due to COVID-19 induced lockdowns and increased working from home.
Xinyi Solar(o/w)	0.25	0.03	0.07	Chinese subsidies higher than expected, leading to increased demand for solar products and positive trading update.
Samsung SDI (o/w)	0.39	0.13	0.06	Continued to benefit from expectations of significant medium-term growth following the announcement of the EU Green Deal.
PayPal (u/w)	0.00	0.32	-0.11	A dominant position within global online payments proving to be a haven amidst a global pandemic.
Adyen (u/w)	0.00	0.18	-0.06	Payments company benefiting from increased online transactions during COVID-19 restrictions.
Afterpay (u/w)	0.00	0.07	-0.05	Australian fintech benefited from the acquisition of a 5% stake by Tencent.
Ageas (o/w)	0.16	0.03	-0.05	Wider under-performance of insurance sector due to concerns that the industry will be inundated with claims in current environment.
Oji Holdings (o/w/)	0.15	0.01	-0.05	Paper and packaging company has experienced a COVID-19 induced reduction in demand for paper for printing.

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Source: Northern Trust, Border to Coast

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