

TEESSIDE PENSION FUND COMMITTEE

Date: Friday 8th October, 2021
Time: 11.00 am
Venue:

Please note this is a virtual meeting.

**The meeting will be livestreamed via
the Council's YouTube channel at
[Middlesbrough Council - YouTube](#)**

AGENDA

1. Welcome
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Minutes - Teesside Pension Fund Committee - 23 June 2021 3 - 10
5. Investment Activity Report 11 - 36
6. External Managers' Reports 37 - 96
7. Border to Coast Update including Real Estate Proposal 97 - 110
8. Investment Advisors' Reports 111 - 120
9. CBRE Property Report 121 - 128

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| 10. | Internal Audit Reports | 129 - 132 |
| 11. | Risk Register | 133 - 150 |
| 12. | XPS Pensions Administration Report | 151 - 172 |
| 13. | Any other urgent items which in the opinion of the Chair, can be considered | |

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Thursday 30 September 2021

MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, B Foulger, T Furness, J Hobson, G Nightingale, J Rostron, M Storey, S Walker, A Waters and T Watson

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 23 June 2021.

PRESENT: Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, (Stockton Council), A Bell, R Creevy, (Hartlepool Council), T Furness, J Hobson, G Nightingale, (Redcar and Cleveland Council), J Rostron, M Storey and A Waters
B Foulger, GMB

ALSO IN ATTENDANCE: W Bourne, Independent Adviser
A Owen, A Peacock, CBRE
S Hayes, GBB
E Simpson, Gresham House

OFFICERS: S Bonner, W Brown, S Lightwing, N Orton, W Brown, I Wright

APOLOGIES FOR ABSENCE: were submitted on behalf of T Watson

21/1 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Fire Evacuation Procedure.

21/2 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non pecuniary	Member of Teesside Pension Fund
Councillor Creevy	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund
Councillor M Storey	Non pecuniary	Member of Teesside Pension Fund
B Foulger	Non pecuniary	Member of Teesside Pension Fund

21/3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 10 MARCH 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 10 March 2021 were taken as read and approved as a correct record.

21/4 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members of the Teesside Pension Fund Committee how the Investment Advisors' recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash. The Fund had no investments in Bonds currently.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of March 2021 were 7.5%. The Fund would continue to use cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property would continue on an opportunistic basis where the property had

good covenant, yield and lease terms. No property transactions were undertaken in this quarter.

During the quarter, £36 million was invested in Alternatives. The Fund was considerably underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 January 2021 to 31 March 2021. There were net purchases of £10.1 million in the period, this compared to net purchases of £45.4 million in the previous reporting period.

As at 31 December 2020, the Fund had £340.8 million invested with approved counterparties. This was a decrease of £20.7 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 March 2021, including cash, was £4,553 million, compared with the last reported valuation as at 31 December 2020, of £4,385 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 31 March 2021 compared with the Fund's customised benchmark. Work continued on the strategic asset allocation with significant commitments into Alternatives.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years.

Details of the current commitments in equities, bonds and cash, property and alternatives were included in paragraph 8 of the submitted report. As at 31 March 2021 total commitments to private equity, infrastructure and other alternatives were approaching £931 million.

ORDERED that the report was received and noted.

21/5

EXTERNAL MANAGERS' REPORTS

A report of the Director of Finance was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (Border to Coast) and with State Street Global Advisers (State Street).

As at 30 September 2020 the Fund had investments in the Border to Coast UK Listed Equity Fund and the Border to Coast Overseas Developed Markets Equity Fund. For both sub funds the return target was an annual amount, expected to be delivered over rolling three year periods, before calculation of the management fee.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/2021, in addition to £100 million commitments to each sub-fund in 2019/2020. Up to 31 March 2021, around 15% of this total had been invested and these investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 March 2021.

State Street continued to include additional information with their report this quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. As the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The latest report showed the performance of the State Street funds against revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufactured controversial weapons. As expected for a passive fund, performance closely matched the performance of the respective indices.

ORDERED that the report was received and noted.

21/6

BORDER TO COAST UPDATE

A report was presented which provided an update on the following:

- Border to Coast (BCP) – Progress Update.
- Investment Update
 - UK Listed Equity Fund
 - Overseas Developed
 - Emerging Markets Hybrid
 - Alternatives.
- Real Estate.
- Approach to Responsible Investment.

The Head of Pensions Governance and Investments highlighted that at the end of March 2021, BCP had eleven partner funds and just under £22 billion of assets under management. There were also commitments of £5 billion to invest in private markets. BCP now had approximately 100 employees which was more than originally anticipated, partly because they had been very successful in getting private market commitments and therefore needed more staff.

In relation to responsible investment, BCP had a Voting Adviser who voted on over 12,000 company votes on a range of issues and actively engaged with 902 companies. This was a general benefit of pooling as the Teesside Pension Fund (TPF) did not have the resources to engage with that many companies.

Information regarding the Funds that had been launched by BCP was contained in the submitted report and also details of the performance of those Funds that the TPF was invested in.

The TPF had recently invested £200 million in the Emerging Markets Fund and a couple of external managers had been employed to do investments in China and other countries managed and invested in by BCP.

BCP had put forward a Real Estate proposition and the Committee would receive further details at the September meeting.

Finally, Members were invited to attend the BCP Annual Conference which would be held on 30 September and 1 October 2021 in Leeds. Further information would be forwarded to all Committee Members.

ORDERED that the report was received and noted.

21/7

REVISED FUNDING STRATEGY STATEMENT/EMPLOYER FLEXIBILITIES

A report of the Director of Finance was presented to advise Members of proposed changes to the Funding Strategy Statement which took into account recently published guidance on flexibilities available to employers in the Fund in relation to contribution rates, including contributions due when an employer exited the Fund.

The Funding Strategy Statement set out how the administering authority attempted to balance the conflicting aims of affordable contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

The Funding Strategy Statement was reviewed at least every three years, as part of the Fund's actuarial valuation, and was subject to review when changes to the regulations or

guidance governing the Local Government Pension Scheme (LGPS) required.

A copy of the revised Funding Strategy Statement was attached at Appendix A to the submitted report. The substantive changes from the previous version were as follows:

- The Statement explained how Deferred Employers and their liabilities would be treated. For example; for most Deferred Employers the expectation was that the funding target for employers with orphan liabilities would be used, as usually no employer would be supporting their liabilities once their deferred debt agreement ended.
- Any employer exits calculated after 23 June 2021 would include an allowance for the cost management process and the proposed remedy for the 'McCloud' discrimination as set out in MHCLG's consultation on draft regulations, as well as an allowance for payment of increases on Guaranteed Minimum Pensions (GMPs) at the full rate of CPI (price inflation) for members with a State Pension Age after 5 April 2016, consistent with the Government's policy intention. This was currently expected to result in an increase in exit liabilities of approximately 0.7%.
- The factors to be considered when considering allowing payment of exit debt in instalments and/or entering into a deferred debt arrangement were set out - such as employer covenant and whether any security or guarantee was available.
- Details of the how the process for reviewing an employer's contribution rate between valuations would operate, including dealing with an employer-generated request in relation to this. This included clarification that an employer request based purely on a change in market conditions affecting the value of assets and or liabilities would not be allowed. Detail of an appeals process – separate and in addition to the existing dispute resolution procedure which the Fund operates – was also included.
- The section on risks and control had been updated, adding risks relating to climate change and Covid-19 and updating the regulatory risks wording.

ORDERED as follows that:

- the revised Funding Strategy Statement was approved.
- the revised Funding Strategy Statement would be circulated to Fund employers for comment. Any substantive changes following the consultation would be reported back to the Committee for approval. At the end of the consultation period, the revised Funding Strategy Statement would be published.

21/8

INVESTMENT ADVISORS' REPORTS

The Independent Investment Advisors had provided reports on current capital market conditions to inform decision-making on short-term and longer-term asset allocation, which were attached as Appendices A and B to the submitted report.

Further commentary was provided at the meeting by William Bourne, in relation to the current state of the economic and the implications of the recovery from the Covid-19 pandemic and the potential for inflation. It was highlighted that Government legislation in relating to pooling was likely to become stricter. However, it was suggested that the Teesside Pension Fund should also look to invest outside of the pool arrangements and diversify. In relation to the Fund's cash holdings it was stressed that holding cash was a short, rather than a long term strategy.

ORDERED that the information provided was received and noted.

21/9

CBRE PROPERTY REPORT

A report was submitted that provided an overview of the current property market and informed Members of the individual property transactions relating to the Fund.

While the outlook was improving and positive the UK economy was sitting around 8% below its pre-Covid level. Property sectors were behaving differently, with logistics different from online and retail. Demand for warehouses was huge but the high street was still suffering

with too much retail and rents were in decline. Shopping parks and supermarkets were also more positive with improving values. Office accommodation was a wait and see situation as it was not yet fully understood how and when people would return to office working following the pandemic.

In relation to a query regarding local investments, CBRE confirmed that they did not focus on a region when looking for acquisitions. The investment market had generally been very quiet with much less demand. Buyers had been unable to view properties during the pandemic and sellers were nervous about bringing assets to the market and selling too low. When CBRE recommended an asset to the Fund it was to improve the portfolio and consideration was also given as to whether the asset had an alternative use.

There were no sales during the last quarter, however leases on six properties had been negotiated. The Asset Management Update in the submitted report provided further details.

The rent collection across the entire portfolio in the previous three quarters was as follows:

March 2021 – 90.1%
 December 2020 – 88.4%
 September 2020- 95.1%

The total Collectable Arrears on the entire portfolio was £1,531,781 as at 28 May 2021. Details of the top six tenants with the greatest arrears, accounting for 76.5% of the total arrears were provided in the report. The remaining £560,621 (23.5% of the collectable arrears) of arrears was spread across 56 tenants.

The Committee was informed that the Government had extended the protection in relation to evictions until March 2022. On a positive note, the majority of the Fund's property tenants were acting responsibly and working with CBRE to ensure rents were paid.

ORDERED that the report was received and noted.

21/10

XPS PENSION ADMINISTRATION REPORT

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The following items were highlighted:

- 2020 LGPS Scheme Annual Report.
- DWP Consultation on pension scams.
- Direction on GMP indexation.
- Prudential.
- Covid-19 – XPS update.
- Membership Movement.
- Member Self-Service.
- Complaints.
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development
- Performance.
- Employer Liaison.

There had been an increase in active memberships which was good for cash flow coming into the Fund. There was also a sixth consecutive increase in pensions, with people over 55, some who had been made redundant, or people making life choices to retire.

Activation tokens had been developed to assist scheme members to get online on the website to check how their benefits were tracking and learn more about their pensions.

Work on the Guaranteed Minimum Pension continued. Work was beginning on calculations and then XPS would write to scheme members to advise them of the impact and how their benefits might be affected.

There were three complaints under investigation currently: 1 Stage One, 1 Stage Two and the third with the Ombudsman. With 71K scheme members, 3 complaints was a small number and there was no trend in the issues complained about. XPS endeavoured to learn from any mistakes and make sure they were not repeated.

From 2023 a pension dashboard programme would be introduced and the public sector would have to submit data. Logging onto an app would enable users to view all pension details in one place.

XPS continued to improve testing Conditional Data to ensure that it was a high standard.

The new Teesside Pension Fund website was launched in April 2021 for members and scheme employees. XPS was developing a feedback form and would use newsletters as a way of getting as much feedback from users as possible.

XPS were currently working on the year end exercise to ensure that the Annual Benefits Statements would be sent by 31 August 2021.

Finally, XPS had achieved 100 percent on the KPIs and details were attached at Appendix A to the submitted report.

Responding to a question regarding members who might not have access to the internet, it was confirmed that traditional methods of communication would continue and members would not be mandated to go online.

A request was made for information in relation to the demographics of active and deferred members.

ORDERED that:

1. the information provided was received and noted.
2. XPS would establish whether information in relation to the demographics of active and deferred members could be provided to the Committee.

21/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

21/12 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

21/13 **LOCAL INVESTMENT PROPOSAL - FOLLOW-ON INVESTMENT**

The Head of Pensions Governance and Investments presented a report to advise Members of a proposal for a follow-on local investment and to request approval to proceed.

ORDERED that the recommendations, as set out in the submitted report, were approved.

21/14 **LOCAL INVESTMENT PROPOSAL - CO-INVESTMENT**

The Head of Pensions Governance and Investments presented a report to advise Members of a proposal for a Local Investment and to request approval to proceed.

ORDERED that the recommendation, as set out in the submitted report, was approved.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INVESTMENT ACTIVITY REPORT

1. PURPOSE OF THE REPORT

- 1.1 To inform Members how the Investment Advisors recommendations are being implemented.
- 1.2 To provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation.
- 1.3 To report on the treasury management of the Fund's cash balances.
- 1.4 To present to Members the latest Forward Investment Programme.

2. RECOMMENDATION

- 2.1 That Members note the report and pass any comments.

3. FINANCIAL IMPLICATIONS

- 3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. IMPLEMENTATION OF INVESTMENT ADVICE FOR THE PERIOD April - June 2021

- 4.1 The Fund continues to favour growth assets over protection assets. It is considered that in the long run, Bond yields will rise, but at present and while central banks intervene in the Bond markets, through quantitative easing, yields do not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless they are held as a short term alternative to cash.

The Fund has no investments in Bonds at this time.

- 4.2 At the June 2018 Committee it was agreed that, a maximum level of 20% of the Fund would be held in cash – cash levels at the end of June 2021 were 8.31% . The Fund will look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

- 4.3 Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

A Development Funding Agreement was completed in respect of a £30m property in Yeovil.

- 4.4 Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They come with additional risks of being illiquid, traditionally they have costly management fees and investing capital can be a slow process. However, the Fund is considerably underweight its customised benchmark and, providing suitable investment opportunities are available, the Fund will look to increase its allocation to this asset class up to the customised benchmark level.

An amount of £47.2m was invested in the quarter.

5. TRANSACTION REPORT

- 5.1 It is a requirement that all transactions undertaken are reported to the Investment Panel. Appendix A details transactions for the period 1 April 2021 – 30 June 2021
- 5.2 There were net sales of £76.6m in the period, this compares to net purchases of £10.1m in the previous reporting period.

6. TREASURY MANAGEMENT

- 6.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) sets out how cash balances should be managed. The Code states that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested is more important than the interest rate received.
- 6.2 Middlesbrough Council adopted the Code on its inception and further determined that the cash balances held by the Fund should be managed using the same criteria. The policy establishes a list of counterparties (banks, building societies and others to whom the Council will lend) and sets limits as to how much it will lend to each counterparty. The counterparty list and associated limits are kept under constant review by the Strategic Director Finance, Governance and Support.
- 6.3 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.
- 6.4 As at 30 June 2021, the Fund had £389.8 million invested with approved counterparties. This is an increase of £49.0 million over the last quarter.
- 6.5 The attached graph (Appendix B) shows the maturity profile of cash invested. It also shows the average rate of interest obtained on the investments for each time period.

6.6 Delegated authority was given— to the Strategic Director Finance, Governance and Support by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to this committee.

7. FUND VALUATION

7.1 The Fund Valuation details all the investments of the Fund as at 30 June 2021, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£4,705 million**. The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 30 March of **£4,553 million**.

7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 30 June 2021 compared with the Fund's customised benchmark.

8. FORWARD INVESTMENT PROGRAMME

8.1 The Forward Investment Programme provides commentary on activity in the current quarter and looks ahead for the next three to five years.

8.2 At the March 2021 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target Strategic Asset Allocation	31 March 2022 Target Strategic Asset Allocation
GROWTH ASSETS	75%	78%
UK Equities	10%	12%
Overseas Equities	45%	53%
Property	10%	7%
Private Equity	5%	3%
Other Alternatives	5%	3%
PROTECTION ASSETS	25%	22%
Bonds / Other debt / Cash	15%	14%
Infrastructure	10%	8%

8.3 EQUITIES

As at the end of June 2021 the Fund's equity weighting was 75.68%.

A schedule is in place to reduce our investment in equities over the period 1 April 2021– 31 March 2022 by £725m, this figure will be reviewed throughout the year. In the quarter March '21 – June '21 we sold £125m, further transactions will be reported at future meetings.

The overweight position will also be reduced over time through further investment in Alternative assets, however, as noted in 4.4 above because the investments happen over a period of years this is a slow process.

At the 11th March 2020 Pension Fund Committee Meeting it was ordered that:

“The majority of the Fund's passively managed equities held with State Street Global Advisers should be transitioned to the actively managed equity sub-funds held with Border to Coast Pension Partnership.”

The transfer of £1.3bn from the SSGA Passively Managed Funds to the Border to Coast Actively Managed Overseas Developed Fund completed in May 2021.

Summary of equity returns for the quarter 1 April 2021 – 30 June 2021:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	5.22%	5.60%	-0.39%
BCPP Overseas	6.37%	6.62%	-0.25%
BCPP Emerging Market	4.97%	6.38%	-1.41%
SSGA Pacific	4.85%	4.88%	-0.03%
SSGA Japan	-0.58%	-0.61%	0.03%
SSGA Europe	8.30%	8.13%	0.17%
SSGA North America	8.80%	8.71%	0.09%

(BCPP – Border to Coast Pension Partnership – Active Internal Management)

(SSGA – State Street Global Advisers – Passive Management)

8.4 BONDS + CASH

The Fund has no investments in bonds at this time, the level of cash invested is 8.31%. Until there is clear instruction from the Committee, through its Investment Advisors, to invest in bonds this will remain the short term strategy. It is planned to reduce cash through investment into other asset classes (property, alternatives and equities) in the near term. In addition, cash is being used to supplement the gap in contribution receipts and pension payments.

8.5 PROPERTY

Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

8.6 LOCAL INVESTMENT

At the March 2021 Pension Fund Committee there was a request to include details of any Local Investments made by the Pension Fund.

To date the Fund has agreed 3 Local Investments:

GB Bank – Initial agreement of a £20m investment, this has been called in full. A further investment was agreed at the June 2021 Committee, this is dependent on the bank meeting agreed criteria.

Ethical Housing Company - £5m investment of which £361k has been called.

Waste Knot - £10m investment agreed at the June 2021 Committee, nothing called to date.

8.7 ALTERNATIVES

In the medium to long term, it is proposed that commitments will be made through Border to Coast. These commitments are reviewed on an annual basis.

As at 30 August 2021 total commitments to private equity, infrastructure and other alternatives were approaching £1,007m, as follows:

	Total committed	Total draw down
Border to Coast Infrastructure	£150m	£37m
Other infrastructure managers:	£237m	£114m
Border to Coast Private Equity :	£150m	£40m
Other private equity managers:	£326m	£141m
Other alternatives (various managers):	£144m	£90m
Totals	£1,007m	£422m

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

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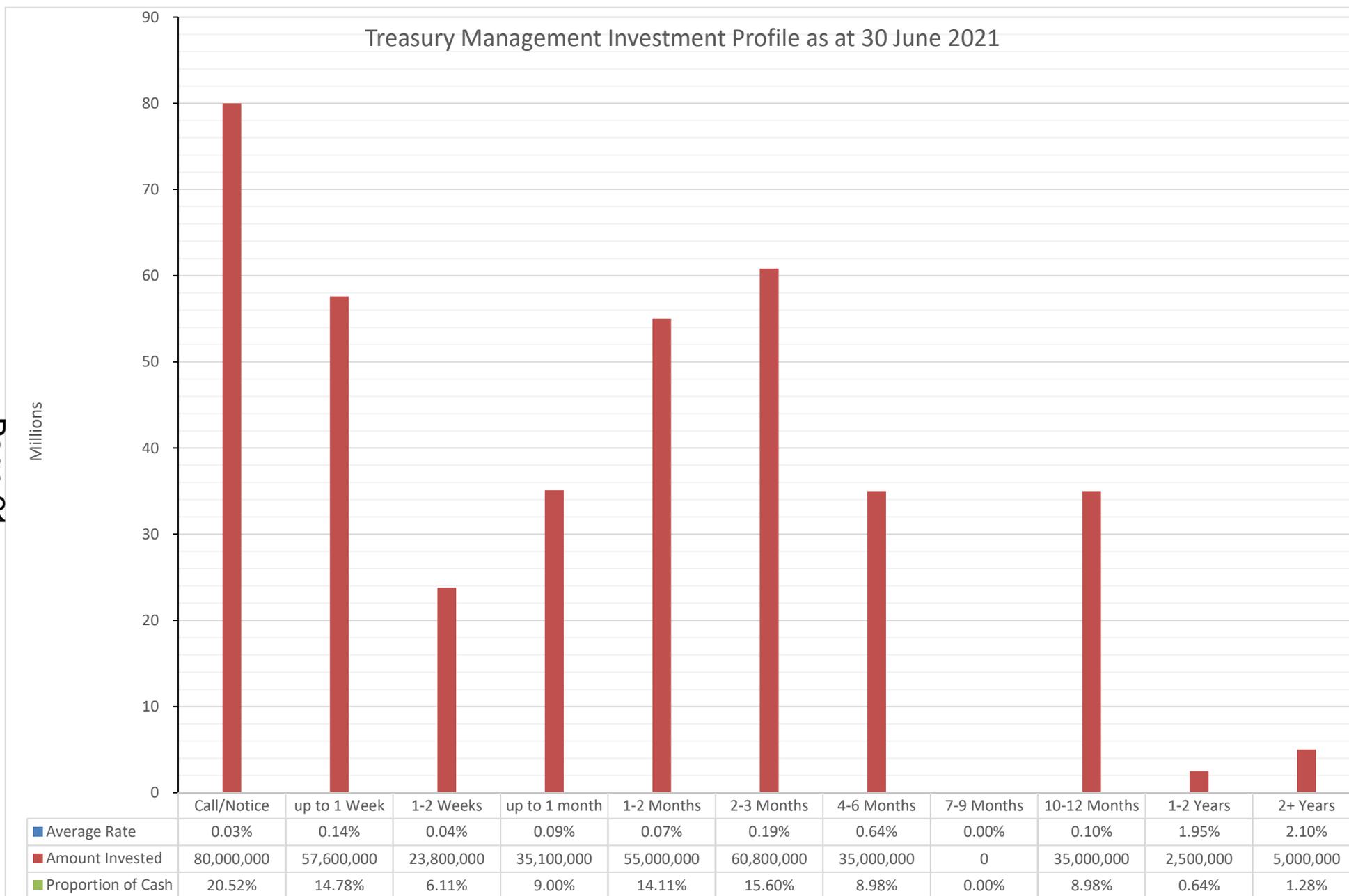
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<u>Bargain Date</u>	<u>Buy / Sell</u>	<u>Stock Name</u>	<u>Country/Category</u>	<u>Sector/Country</u>	<u>Nominal Amount of Shares</u>	<u>Price</u>	<u>CCY</u>	<u>Purchase Cost / Sale Proceeds £</u>	<u>Book Cost of Stock Sold</u>	<u>Profit/ (Loss) on Sale</u>
						(P)		(£)	(£)	(£)
08 April 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,726.51	1,726.51	0.00
09 April 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	86,017.22	86,017.22	0.00
09 April 2021	S	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-693,319.58	-693,319.58	0.00
19 April 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-225,965.29	-225,965.29	0.00
23 April 2021	P	ACIF Infrastructure I LP	Infrastructure	Infrastructure	~	~	EUR	181,578.95	181,578.95	0.00
05 May 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-58,591.37	-58,591.37	0.00
05 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	78,861.15	78,861.15	0.00
06 May 2021	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-652,454.23	-652,454.23	0.00
07 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	703,577.90	703,577.90	0.00
10 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	237,651.20	237,651.20	0.00
17 May 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	97,971.19	97,971.19	0.00
17 May 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-266,815.28	-266,815.28	0.00
17 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	69,331.88	69,331.88	0.00
17 May 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-249,919.38	-249,919.38	0.00
20 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	2,382,108.44	2,391,773.36	0.00
20 May 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-3,473.07	-3,473.07	0.00
20 May 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	9,664.92	9,664.92	0.00
20 May 2021	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	500,936.54	500,936.54	0.00
27 May 2021	P	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	219,313.45	219,313.45	0.00
28 May 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	311,580.41	311,580.41	0.00
02 June 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	253,647.66	253,647.66	0.00
02 June 2021	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	773,255.71	773,255.71	0.00
03 June 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	319,066.24	319,066.24	0.00
09 June 2021	S	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-354,387.58	-354,387.58	0.00
10 June 2021	S	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	-1,502,874.02	-1,502,874.02	0.00
15 June 2021	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	1,163,023.61	1,163,023.61	0.00
18 June 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-117,881.07	-117,881.07	0.00
23 June 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-32,602.95	-32,602.95	0.00
25 June 2021	S	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-395,277.39	-395,277.39	0.00
25 June 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-615.32	-615.32	0.00
25 June 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	25,086.80	25,086.80	0.00
25 June 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	447,450.46	447,450.46	0.00
29 June 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-10,437.84	-10,437.84	0.00
18 June 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	66,222.53	66,222.53	0.00
18 June 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-163,403.35	-163,403.35	0.00
18 June 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	39,984.85	39,984.85	0.00
18 June 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-81,682.30	-81,682.30	0.00
								3,158,357.61		
06 April 2021	P	Pantheon Senior Debt Secondaries II	Other Alternatives	Other Alternatives	~	~	USD	1,351,156.59	1,351,156.59	0.00
23 April 2021	P	Darwin Bereavement Services Fund, Income Units	Other Alternatives	Other Alternatives	10,000,000.00	1.00	GBP	10,000,000.00	10,000,000.00	0.00
10 May 2021	P	Gresham House BSI Housing LP	Other Alternatives	Other Alternatives	~	~	GBP	1,271,186.00	1,271,186.00	0.00
03 June 2021	P	Hearthstone Residential Fund 2	Other Alternatives	Other Alternatives	~	~	GBP	2,784,729.00	2,784,729.00	0.00
28 June 2021	P	Hearthstone Residential Fund 1 LP	Other Alternatives	Other Alternatives	~	~	GBP	249,820.85	249,820.85	0.00
								15,656,892.44		

12 May 2021	S	Europe ex UK ESG Screened Index Equity Sub-Fund	Overseas Equities	Europe	-12,377,162.21	7.70	GBP	-95,245,976.33	-78,619,243.49	16,626,732.84
12 May 2021	S	Europe ex UK ESG Screened Index Equity Sub-Fund	Overseas Equities	Europe	-19,590.49	7.70	GBP	-150,754.67	-124,437.99	26,316.68
								-95,396,731.00		
21 April 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-9,576,501.11	13.18	GBP	-126,189,555.07	-87,731,136.40	38,458,418.67
21 April 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-27,020.11	13.18	GBP	-356,043.93	-247,533.47	108,510.46
12 May 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-12,223,329.20	12.65	GBP	-154,600,667.68	-111,978,952.35	42,621,715.33
12 May 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-205.67	12.65	GBP	-2,601.32	-1,884.16	717.16
19 May 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-12,288,983.99	12.78	GBP	-157,053,215.33	-112,580,421.42	44,472,793.91
19 May 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-230,559.79	12.78	GBP	-2,946,784.67	-2,112,177.73	834,606.94
								-441,148,868.00		
21 April 2021	P	Border to Coast Overseas Dev Markets Equity Fund	Overseas Equities	Overseas Developed	182,627,835.44	136.74	GBP	250,000,000.00	250,000,000.00	0.00
12 May 2021	P	Border to Coast Overseas Dev Markets Equity Fund	Overseas Equities	Overseas Developed	186,771,174.06	133.76	GBP	250,000,000.00	250,000,000.00	0.00
19 May 2021	P	Border to Coast Overseas Dev Markets Equity Fund	Overseas Equities	Overseas Developed	118,766,584.97	134.57	GBP	160,000,000.00	160,000,000.00	0.00
19 May 2021	P	Border to Coast Emerging Markets Equity Fund	Overseas Equities	Overseas Developed	41,877,301.47	119.17	GBP	50,000,000.00	50,000,000.00	0.00
26 May 2021	P	Border to Coast Emerging Markets Equity Fund	Overseas Equities	Overseas Developed	40,915,946.68	121.97	GBP	50,000,000.00	50,000,000.00	0.00
09 June 2021	P	Border to Coast Emerging Markets Equity Fund	Overseas Equities	Overseas Developed	40,386,161.82	123.57	GBP	50,000,000.00	50,000,000.00	0.00
16 June 2021	P	Border to Coast Emerging Markets Equity Fund	Overseas Equities	Overseas Developed	40,570,018.83	123.01	GBP	50,000,000.00	50,000,000.00	0.00
								860,000,000.00		
21 April 2021	S	Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-18,431,515.36	6.69	GBP	-123,277,347.32	-88,177,649.94	35,099,697.38
21 April 2021	S	Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-26,429.47	6.70	GBP	-177,053.68	-126,440.43	50,613.25
								-123,454,401.00		
07 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	745,194.81	745,194.81	0.00
07 April 2021	P	Capital Growth Opportunities Global III	Private Equity	Private Equity	8,861.32	~	EUR	1,037,523.78	1,037,523.78	0.00
09 April 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	234,388.04	234,388.04	0.00
09 April 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-184,918.05	-184,918.05	0.00
14 April 2021	P	Blackrock Private Opportunities IV	Private Equity	Private Equity	~	~	USD	1,556,733.44	1,556,733.44	0.00
19 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	775,838.14	775,838.14	0.00
21 April 2021	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	3,300.00	~	USD	238,974.58	238,974.58	0.00
22 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	129,354.71	129,354.71	0.00
26 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	121,945.30	121,945.30	0.00
29 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	56,371.63	56,371.63	0.00
30 April 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	978,884.86	978,884.86	0.00
04 May 2021	P	Access Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	1,660,628.02	1,660,628.02	0.00
04 May 2021	P	Unigestion Direct II - Asia	Private Equity	Private Equity	~	~	EUR	17,913.23	17,913.23	0.00
04 May 2021	P	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	647,308.29	647,308.29	0.00
04 May 2021	S	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	-173,919.87	-173,919.87	0.00
04 May 2021	P	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	2,202,528.80	2,202,528.80	0.00
04 May 2021	S	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	-155,988.61	-155,988.61	0.00
05 May 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	242,462.04	242,462.04	0.00
06 May 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	347,836.44	347,836.44	0.00
07 May 2021	S	Access Capital Fund VIII Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	-256,497.95	-256,497.95	0.00

11 May 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	393,912.46	393,912.46	0.00
11 May 2021	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	5,173,305.74	5,173,305.74	0.00
12 May 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	18,000.00	~	USD	1,273,434.74	1,273,434.74	0.00
13 May 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	252,741.24	252,741.24	0.00
14 May 2021	P	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	1,088,185.42	1,088,185.42	0.00
14 May 2021	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-757,380.14	-757,380.14	0.00
18 May 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	715,240.12	715,240.12	0.00
19 May 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-45,420.02	-45,420.02	0.00
19 May 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	601,298.63	601,298.63	0.00
19 May 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	101,940.12	101,940.12	0.00
27 May 2021	S	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-1,651,935.12	-1,651,935.12	0.00
27 May 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	8,378.13	~	EUR	1,037,882.72	1,037,882.72	0.00
04 June 2021	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	3,954.71	128.96	USD	358,297.04	358,297.04	0.00
10 June 2021	P	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	540,410.45	540,410.45	0.00
11 June 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-6,273.25	-6,273.25	0.00
11 June 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,088,036.77	1,088,036.77	0.00
13 June 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	26,829.96	26,829.96	0.00
14 June 2021	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	2,853,460.90	2,853,460.90	0.00
15 June 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	61,245.57	61,245.57	0.00
15 June 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-4,160.65	-4,160.65	0.00
15 June 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	2,017,727.53	2,017,727.53	0.00
17 June 2021	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	6,000.00	~	USD	437,245.47	437,245.47	0.00
18 June 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	6,804.10	~	USD	717,411.58	717,411.58	0.00
25 June 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	612,293.14	612,293.14	0.00
28 June 2021	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	1,389.74	~	USD	129,424.79	129,424.79	0.00
28 June 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	1,156,148.57	1,156,148.57	0.00
								28,393,865.39		
03 June 2021	P	Yeovil - Leonardo Warehouse Unit	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	1,513,972.48	1,513,972.48	0.00
								1,513,972.48		
14 April 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-23,115,849.52	108.27	GBP	-25,027,530.28	-23,113,719.07	1,913,811.21
19 May 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-23,068,974.35	108.49	GBP	-25,027,530.28	-23,066,848.22	1,960,682.06
19 May 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-46,137,948.71	108.49	GBP	-50,055,060.56	-46,133,696.46	3,921,364.10
26 May 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,762,646.91	109.95	GBP	-25,027,530.28	-22,760,549.02	2,266,981.26
26 May 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-45,525,293.82	109.95	GBP	-50,055,060.56	-45,521,098.03	4,533,962.53
07 May 2021	S	Candover Investments	UK Equities	United Kingdom	~	0.09	GBP	-5,490.32	-5,490.32	0.00
09 June 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,591,879.58	110.77	GBP	-25,025,025.02	-22,022,995.11	3,002,029.91
09 June 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-45,183,759.18	110.77	GBP	-50,050,050.05	-45,179,594.87	4,870,455.18
16 June 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-44,675,578.01	112.03	GBP	-50,050,050.05	-44,671,460.53	5,378,589.52
30 June 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,714,706.11	110.16	GBP	-25,022,520.26	-22,712,612.63	2,309,907.63
								-325,345,847.66		
								-76,622,759.74		
Periods April, May and June 21 (Cumulative) Total										
Total Profit - NB: Losses are shown with a ()										208,457,906.04

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◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Equities					
Common stock					
Australia					
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00 AUD	428.000	0.000	0.07000000	16.280
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,451.730
Total Australia	0.00	225,819.000	287,505.650		8,468.010
Europe Region					
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	19,154,520.010	17,087,750.600	1.10988360	18,249,944.730
Total Europe Region	0.00	19,154,520.010	17,087,750.600		18,249,944.730
Guernsey, Channel Islands					
Common Stock AMEDEO AIR FOUR PL RED ORD NPV SEDOL : BKY41C6	0.00 GBP	6,666,666.000	6,114,034.800	0.24000000	1,599,999.840
Total Guernsey, Channel Islands	0.00	6,666,666.000	6,114,034.800		1,599,999.840
Malta					
Common Stock BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV SEDOL : 3A1MX0W	0.00 EUR	200,000.000	0.000	0.00000000	0.000
Total Malta	0.00	200,000.000	0.000		0.000
United Kingdom					
Common Stock AFREN ORD GBP0.01 SEDOL : B067275	0.00 GBP	1,000,000.000	1,089,449.060	0.01785000	17,850.000
Common Stock CARILLION ORD GBP0.50 SEDOL : 0736554	0.00 GBP	436,400.000	0.000	0.14200000	61,968.800
Common Stock NEW WORLD RESOURCE ORD EUR0.0004 A SEDOL : B42CTW6	0.00 GBP	250,000.000	1,294,544.760	0.00150000	375.000
Total United Kingdom	0.00	1,686,400.000	2,383,993.820		80,193.800
Total Common stock	0.00	27,933,405.010	25,873,284.870		19,938,606.380
Funds - common stock					
United Kingdom					
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	939,167,383.190	939,080,825.850	1.10160000	1,034,586,789.320
Total United Kingdom	0.00	939,167,383.190	939,080,825.850		1,034,586,789.320

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Equities					
Total Funds - common stock	0.00	939,167,383.190	939,080,825.850		1,034,586,789.320
Unit trust equity					
Guernsey, Channel Islands					
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00 GBP	14,359,563.469	15,000,000.000	1.12370000	16,135,841.470
Total Guernsey, Channel Islands	0.00	14,359,563.469	15,000,000.000		16,135,841.470
Japan					
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00 GBP	48,440,992.757	89,842,364.060	2.22210000	107,640,730.010
Total Japan	0.00	48,440,992.757	89,842,364.060		107,640,730.010
Luxembourg					
Unit Trust Equity STD LIFE PROPERTY GROWTH LP SEDOL : 8A8TB3U	0.00 EUR	324.970	21,282,170.990	133.6809600000	37,292,858.390
Total Luxembourg	0.00	324.970	21,282,170.990		37,292,858.390
Pacific Region					
Unit Trust Equity SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00 GBP	50,692,305.509	242,515,511.220	6.84860000	347,171,323.510
Total Pacific Region	0.00	50,692,305.509	242,515,511.220		347,171,323.510
United Kingdom					
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00 GBP	60,000.000	323,674.020	0.00000000	0.000
Unit Trust Equity DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS SEDOL :	0.00 GBP	15,000,000.000	15,000,000.000	1.17510000	17,626,500.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00 GBP	1,368,174.000	1,282,865.490	3.03685000	4,154,939.210
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00 GBP	15,402,552.970	97,836,405.640	8.09620000	124,702,149.360
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00 GBP	2,621,178.211	24,012,835.230	13.76600000	36,083,139.250
Total United Kingdom	0.00	34,451,905.181	138,455,780.380		182,566,727.820
Total Unit trust equity	0.00	147,945,091.886	507,095,826.650		690,807,481.200
Total Equities	0.00	1,115,045,880.086	1,472,049,937.370		1,745,332,876.900

◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Real Estate					
Real estate					
Europe Region					
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00 EUR	7,600,000.000	6,692,263.650	1.22786720	8,010,835.920
Total Europe Region	0.00	7,600,000.000	6,692,263.650		8,010,835.920
United Kingdom					
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00 GBP	9,645,954.780	9,645,954.780	0.91991730	8,873,480.680
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00 GBP	280,289,446.350	280,289,446.350	0.95383540	267,349,996.180
Total United Kingdom	0.00	289,935,401.130	289,935,401.130		276,223,476.860
Total Real Estate	0.00	297,535,401.130	296,627,664.780		284,234,312.780
Funds - real estate					
United Kingdom					
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00 GBP	6,493,057.480	8,967,056.480	3.53250000	22,936,725.550
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00 GBP	15,000,000.000	15,000,000.000	1.02880000	15,432,000.000
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00 GBP	663,638.000	720,122.990	6.71600000	4,456,992.810
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00 GBP	108,263.760	385,000.000	56.52010000	6,119,078.540
Funds - Real Estate ROYAL LONDON PROPERTY INVESTMENT CO SEDOL : B65M0K2	1,413.16 GBP	3,532,903.656	8,197,204.760	2.86100000	10,107,637.360
Funds - Real Estate THREADNEEDLE PROP PROPERTY UNIT TRUST GBP INC SEDOL : 0508667	0.00 GBP	12,750.000	1,527,939.200	284.55000000	3,628,012.500
Total United Kingdom	1,413.16	25,810,612.896	34,797,323.430		62,680,446.760
Total Funds - real estate	1,413.16	25,810,612.896	34,797,323.430		62,680,446.760
Total Real Estate	1,413.16	323,346,014.026	331,424,988.210		346,914,759.540

◆ Asset Detail - Customizable

Asset Subcategory					
Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships					
Partnerships					
Europe Region					
Partnerships					
ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00 EUR	8,135,036.990	7,348,891.830	1.02896940	7,185,795.240
Partnerships					
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00 EUR	6,744,880.640	5,967,615.100	0.81430170	4,714,899.670
Partnerships					
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00 EUR	1,995,000.000	1,795,595.530	1.00000000	1,712,599.240
Partnerships					
ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00 EUR	4,700,000.000	4,150,798.300	0.99935450	4,032,090.550
Partnerships					
Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00 GBP	10,000,000.000	10,000,000.000	1.00000000	10,000,000.000
Total Europe Region	0.00	31,574,917.630	29,262,900.760		27,645,384.700
Global Region					
Partnerships					
CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00 GBP	8,541,365.000	8,541,365.000	1.69662260	14,491,472.890
Partnerships					
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00 USD	19,412,130.030	14,560,321.130	1.41302260	19,855,785.210
Partnerships					
LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00 GBP	2,700,000.000	2,700,000.000	1.10941960	2,995,432.920
Partnerships					
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00 USD	19,800,000.000	16,034,925.400	0.85540690	12,260,345.410
Partnerships					
UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00 EUR	2,047,196.600	1,835,877.800	1.20150820	2,111,539.140
Total Global Region	0.00	52,500,691.630	43,672,489.330		51,714,575.570
United Kingdom					
Partnerships					
ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00 EUR	15,975,382.070	14,467,708.490	0.76104570	10,436,979.640
Partnerships					
BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00 GBP	49,905,180.160	49,905,180.160	1.00000000	49,905,180.160
Partnerships					
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00 GBP	729,830,169.840	729,830,169.840	2.33614350	1,704,988,007.380
Partnerships					
BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00 USD	1,283,972.560	919,174.080	1.00992020	938,658.390
Partnerships					
BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00 GBP	242,462.080	242,462.080	1.00000000	242,462.080
Partnerships					
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00 GBP	4,518,348.790	4,518,348.790	1.04183430	4,707,370.750
Partnerships					
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSP CUSIP : 993FP0991	0.00 GBP	8,960,808.270	8,960,808.270	0.97846480	8,767,835.470

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
United Kingdom						
Partnerships	GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00 GBP	6,588,324.630	6,588,324.630	1.07802610	7,102,385.910
Partnerships	GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00 GBP	12,959,852.980	12,959,852.980	0.96742890	12,537,736.310
Partnerships	HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00 GBP	4,871,740.540	4,871,740.540	1.35774190	6,614,566.260
Partnerships	INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00 GBP	8,672,972.000	8,672,972.000	1.12423170	9,750,430.060
Partnerships	INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00 GBP	7,728,331.000	7,728,331.000	1.07228900	8,287,004.320
Partnerships	THE MODEL T FINANCE COMPANY - GBP CUSIP : 993QJB990	0.00 GBP	19,999,950.000	19,999,950.000	1.00000000	19,999,950.000
Total United Kingdom		0.00	871,537,494.920	869,665,022.860		1,844,278,566.730
United States						
Partnerships	BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00 USD	9,257,488.000	7,253,034.470	0.56614030	3,793,866.060
Partnerships	BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00 USD	1,481,686.000	1,123,851.560	0.92461560	991,704.220
Partnerships	BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00 USD	2,234,270.000	1,740,627.650	1.00000000	1,617,336.620
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00 USD	36,898,132.620	28,500,602.920	0.71320450	19,049,484.540
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00 USD	6,556,058.530	4,903,232.720	0.61523070	2,919,749.460
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00 USD	38,973,544.650	29,355,945.630	0.98483590	27,784,241.460
Partnerships	BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00 GBP	360,633.330	360,633.330	0.92429980	333,333.310
Partnerships	CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00 USD	330,000.000	237,239.380	1.00000000	238,879.400
Partnerships	CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00 USD	12,280,000.000	9,402,604.100	1.20035100	10,670,171.300
Partnerships	Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00 USD	16,785,083.910	12,469,919.290	1.28404290	15,601,552.500
Partnerships	FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00 USD	3,074,619.710	2,400,504.320	1.15435280	2,569,181.190
Partnerships	LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00 USD	7,675,000.000	5,997,718.990	1.46968470	8,165,209.340
Partnerships	PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00 USD	6,367,323.000	4,676,290.270	0.97402240	4,489,423.670

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued	Nominal	Book Cost	Market Price	Market Value
Description/Asset ID	Income/Expense Curr				
Venture Capital and Partnerships					
Partnerships					
United States					
Partnerships					
UNIGESTION SA CUSIP : 993FYL995	0.00 USD	7,944,005.610	5,925,979.840	1.47877700	8,503,681.700
Total United States					
	0.00	150,217,845.360	114,348,184.470		106,727,814.770
Total Partnerships					
	0.00	1,105,830,949.540	1,056,948,597.420		2,030,366,341.770
Total Venture Capital and Partnerships					
	0.00	1,105,830,949.540	1,056,948,597.420		2,030,366,341.770

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued				
Description/Asset ID	Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Hedge Fund					
Hedge equity					
Global Region					
Hedge Equity					
IIF UK I LP CUSIP : 993FP3995	0.00 USD	49,620,763.510	37,923,084.750	0.99094300	35,594,007.120
Total Global Region	0.00	49,620,763.510	37,923,084.750		35,594,007.120
Total Hedge equity	0.00	49,620,763.510	37,923,084.750		35,594,007.120
Total Hedge Fund	0.00	49,620,763.510	37,923,084.750		35,594,007.120

◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
All Other					
Recoverable taxes					
Recoverable taxes					
GBP - British pound sterling	87,584.44	0.000	0.000	0.00000000	0.000
Recoverable taxes					
DKK - Danish krone	292,998.32	0.000	0.000	0.00000000	0.000
Recoverable taxes					
EUR - Euro	1,105,388.28	0.000	0.000	0.00000000	0.000
Recoverable taxes					
CHF - Swiss franc	2,112,869.05	0.000	0.000	0.00000000	0.000
Total	3,598,840.09	0.000	0.000		0.000
Total Recoverable taxes	3,598,840.09	0.000	0.000		0.000
Total All Other	3,598,840.09	0.000	0.000		0.000

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◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash					
GBP - British pound sterling	0.00	255.910	255.910	1.00000000	255.910
Total	0.00	255.910	255.910		255.910
Total Cash	0.00	255.910	255.910		255.910
Cash (externally held)					
Cash (externally held)					
GBP - British pound sterling	0.00	390,348,844.560	390,348,844.560	1.00000000	390,348,844.560
Total	0.00	390,348,844.560	390,348,844.560		390,348,844.560
Total Cash (externally held)	0.00	390,348,844.560	390,348,844.560		390,348,844.560
Funds - short term investment					
Funds - Short Term Investment					
GBP - British pound sterling	0.00	814,000.000	814,000.000	1.00000000	814,000.000
Total	0.00	814,000.000	814,000.000		814,000.000
Total Funds - short term investment	0.00	814,000.000	814,000.000		814,000.000
Total Cash and Cash Equivalents	0.00	391,163,100.470	391,163,100.470		391,163,100.470
Report Total:					
	3,600,253.25	2,985,006,707.632	3,289,509,708.220		4,549,371,085.800

Although this report has been prepared using information believed to be reliable, it may contain information provided by third parties or derived from third party information, and/or information that may have been obtained from, categorized or otherwise reported based upon client direction. The Northern Trust Company does not guarantee the accuracy, timeliness or completeness of any such information. The information included in this report is intended to assist clients with their financial reporting needs, but you must consult with your accountants, auditors and/or legal counsel to ensure your accounting and financial reporting complies with applicable laws, regulations and accounting guidance. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

***If three stars are seen at the right edge of the report it signifies that the report display configuration extended beyond the viewable area. To rectify this situation please adjust the number or width of display values to align with the area available.

Asset	Book Cost	Price	Value	% of Fund
Equities				
UK Equities				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	939,080,825.85	1.10	1,034,586,789.32	21.99%
AFREN ORD GBP0.01	1,089,449.06	0.02	17,850.00	0.00%
CARILLION ORD GBP0.50	0.00	0.14	61,968.80	0.00%
CANDOVER INVSTMNTS PLC GBP0.25	323,674.02	0.00	0.00	0.00%
NEW WORLD RESOURCE ORD EURO.0004 A	1,294,544.76	0.00	375.00	0.00%
Total UK Equities			1,034,666,983.12	21.99%
Overseas Equities				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,451.73	0.00%
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.07	16.28	0.00%
BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV	0.00	0.00	0.00	0.00%
SSGA MPF PAC BASIN EX-JAPAN INDEX	242,515,511.22	6.85	347,171,323.51	7.38%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.22	107,640,730.01	2.29%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	8.10	124,702,149.36	2.65%
MPF N AMER EQTY SUB-FUND	24,012,835.23	13.77	36,083,139.25	0.77%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	729,830,169.84	2.34	1,704,988,007.38	36.23%
BORDER TO COAST EMERGING MARKET HYBRID FUND	200,000,000.00	1.00	205,931,281.66	4.38%
Total Overseas Equities			2,526,525,099.18	53.69%
Total Equities			3,561,192,082.30	75.68%
Alternatives				
Private Equities				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	2,700,000.00	1.11	2,995,432.92	0.06%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	14,560,321.13	1.41	19,855,785.21	0.42%
CROWN CO INVESTMENT OPPORTUNITIES III	237,239.38	1.00	238,879.40	0.01%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	5,997,718.99	1.47	8,165,209.34	0.17%
UNIGESTION SA	5,925,979.84	1.48	8,503,681.70	0.18%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	16,034,925.40	0.86	12,260,345.41	0.26%
CROWN GLOBAL OPPORTUNITIES VII	9,402,604.10	1.20	10,670,171.30	0.23%
CROWN GROWTH GLOBAL OPPORTUNITIES III	12,469,919.29	1.28	15,601,552.50	0.33%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	1,740,627.65	1.00	1,617,336.62	0.03%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	29,355,945.63	0.98	27,784,241.46	0.59%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	919,174.08	1.01	938,658.39	0.02%

BORDER TO COAST PRIVATE EQUITY SERIES 1C	242,462.08	1.00	242,462.08	0.01%
UNIGESTION DIRECT II	1,835,877.80	1.20	2,111,539.14	0.04%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	5,967,615.10	0.81	4,714,899.67	0.10%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	4,150,798.30	1.00	4,032,090.55	0.09%
HERMES GPE INNOVATION FUND	4,871,740.54	1.36	6,614,566.26	0.14%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	8,541,365.00	1.70	14,491,472.89	0.31%
CAPITAL MID-MARKET DIRECT V	6,692,263.65	1.23	8,010,835.92	0.17%
THE MODEL T FINANCE COMPANY	19,999,950.00	1.00	19,999,950.00	0.43%
Total Private Equities			168,849,110.76	3.59%

Infrastructure

ACIF INFRASTRUCTURE FUND LP	17,087,750.60	1.11	18,249,944.73	0.39%
ACCESS CAPITAL FUND INFRASTRUCTURE II	7,348,891.83	1.03	7,185,795.24	0.15%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	1,795,595.53	1.00	1,712,599.24	0.04%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.12	9,750,430.06	0.21%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.07	8,287,004.32	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	28,500,602.92	0.71	19,049,484.54	0.40%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	4,903,232.72	0.62	2,919,749.46	0.06%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	7,253,034.47	0.57	3,793,866.06	0.08%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	1,123,851.56	0.92	991,704.22	0.02%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	4,518,348.79	1.04	4,707,370.75	0.10%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSP	8,960,808.27	0.98	8,767,835.47	0.19%
IIF UK I LP	37,923,084.75	0.99	35,594,007.12	0.76%
ANCALA INFRASTRUCTURE FUND II SCSP	14,467,708.49	0.76	10,436,979.64	0.22%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	2,400,504.32	1.15	2,569,181.19	0.05%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	12,959,852.98	0.97	12,537,736.31	0.27%
Total Infrastructure			146,553,688.35	3.11%

Other Alternatives

AMEDEO AIR FOUR PLUS LTD	6,114,034.80	0.24	1,599,999.84	0.03%
DARWIN LEISURE PRO UNITS CLS 'C'	8,967,056.48	3.53	22,936,725.55	0.49%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.12	16,135,841.47	0.34%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.00	10,000,000.00	0.21%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.18	17,626,500.00	0.37%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	15,000,000.00	1.03	15,432,000.00	0.33%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	9,645,954.78	0.92	8,873,480.68	0.19%
GRESHAM HOUSE BSI HOUSING LP	6,588,324.63	1.08	7,102,385.91	0.15%
PANTHEON SENIOR DEBT SECONDARIES II	4,676,290.27	0.97	4,489,423.67	0.10%
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	360,633.33	0.92	333,333.31	0.01%
Total Other Alternatives			104,529,690.43	2.21%

Total Alternatives			419,932,489.54	8.92%
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Property

Direct Property

TEESSIDE PENSION FUND - DIRECT PROPERTY	280,289,446.35	0.95	267,349,996.18	5.68%
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Total Direct Property			267,349,996.18	5.68%
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Property Unit Trust

STD LIFE PROPERTY GROWTH LP	21,282,170.99	133,680.96	37,292,858.39	0.79%
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ROYAL LONDON PROPERTY INVESTMENT CO	8,197,204.76	2.86	10,107,637.36	0.21%
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LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	3.04	4,154,939.21	0.09%
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HERMES PROPERTY PUT	720,122.99	6.72	4,456,992.81	0.09%
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THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	284.55	3,628,012.50	0.08%
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LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	56.52	6,119,078.54	0.13%
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Total Property Unit Trust			65,759,518.81	1.40%
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Total Property			333,109,514.99	7.08%
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Cash

Custodian Cash	255.91	1.00	255.91	0.00%
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	814,000.00	1.00	814,000.00	0.02%
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			814,255.91	0.02%
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Invested Cash	390,348,844.56	1.00	390,348,844.56	8.30%
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Total Cash			391,163,100.47	8.31%
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Total Fund Value - 30th June 2021			4,705,397,187.30	100%
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Investment Market Value timing differences at 30th June 21

Market Value

Private Equities

Blackrock Private Opportunities Fund IV
Border to Coast Private Equity Series 1B

9,168,046.32

2,713,025.33

11,881,071.65

Infrastructure

Border to Coast Infrastructure Series 1B

2,589,334.66

2,589,334.66

Direct Property

Direct Property

13,275,003.82

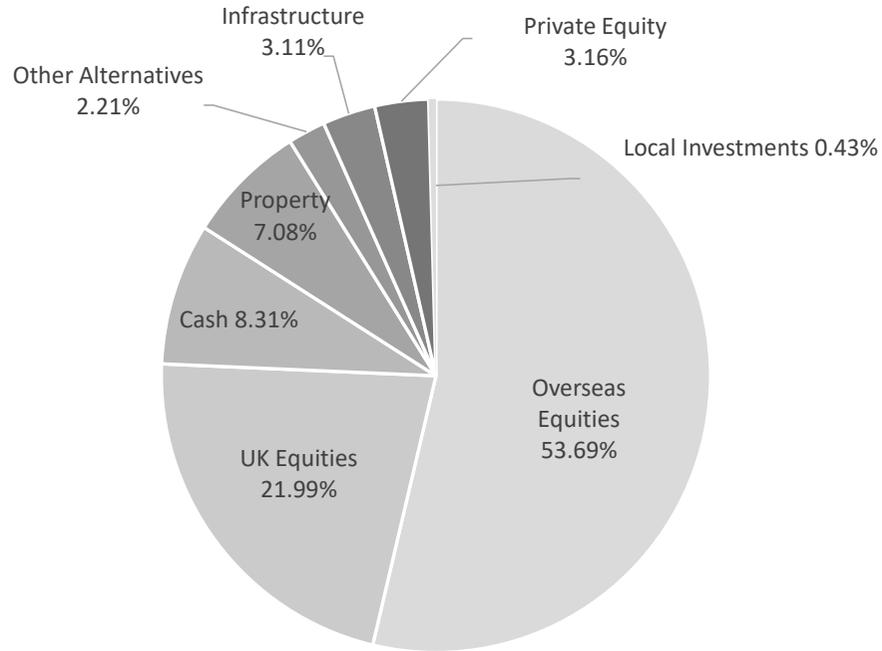
13,275,003.82

Total

27,745,410.13

Asset Allocation Summary

	Actual	Benchmark
Overseas Equities	2,526,525,099.18	53.69% 28%
UK Equities	1,034,666,983.12	21.99% 22%
Cash	391,163,100.47	8.31% 20%
Property	333,109,514.99	7.08% 15%
Other Alternatives	104,196,357.12	2.21% 5%
Infrastructure	146,553,688.35	3.11% 5%
Private Equity	148,849,160.76	3.16% 5%
Local Investments	20,333,283.31	0.43% 0%
	4,705,397,187.30	99.99% 100%



TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

EXTERNAL MANAGERS' REPORTS

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast') and with State Street Global Advisers ('State Street')

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 Any decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. PERFORMANCE

- 4.1 As at 30 June 2021 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which has an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which has an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which has an active emerging markets equity portfolio aiming to produce long term returns at least 1% above the FTSE Emerging markets indices. Part of the Fund is managed externally (for Chinese equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

For all three sub-funds the return target is an annual amount, expected to be delivered over rolling 3 year periods, before calculation of the management fee.

The Fund also has investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/21, in addition to £100 million commitments to each sub-fund in 2019/20. Up to 30 June 2021 only around 15% of this total had been invested. These investments are not reflected within the Border to Coast report (at Appendix A).

- 4.2 The Border to Coast report shows the market value of the portfolio as at 30 June 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast has also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast are also included. Border to Coast's UK Listed Equity and Overseas Developed Markets Equity performance have dipped slightly over the last quarter and last year but both still remains broadly in line with target since inception. The performance of the Emerging Markets Equity Fund was below benchmark in the initial quarter, however the Fund's investments only began in the second half of the quarter and it is too early to draw any meaningful conclusions from such a short investment period.
- 4.3 State Street has a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (at Appendix B) shows the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 June 2021. Performance figures are also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date is 1 June 2001, as the Fund has been investing a small proportion of its assets in these regions passively for since then; for North America and Europe ex UK the inception date was in September 2018 so performance figures only cover around two and three quarter years as this represents a comparatively new investment for the Fund. The nature of passive investment – where an index is closely tracked in an automated or semi-automated way – means deviation from the index should always be low.
- 4.4 State Street continues to include additional information with their report this quarter, giving details of how the portfolio compares to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. As the State Street investments are passive and closely track the appropriate regional equity indices, the portfolio's rating in these terms closely matches the benchmark indices ratings.
- 4.5 Members will be aware that the Fund holds equity investments over the long term, and performance can only realistic be judged over a significantly longer time-frame than a single quarter. However, it is important to monitor investment performance regularly and to understand the reasons behind any under of over performance against benchmarks and targets.
5. **RECENT CHANGES TO STATE STREET'S BENCHMARKS – EXCLUSION OF CERTAIN COMPANIES**

5.1 As reported to the 9 December 2020 Pension Fund Committee meeting, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that is decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they track.

5.2 The Ten Principles of the United Nations Global Compact (derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption) are as follows (shown against four sub-categories):

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

5.3 As was previously reported, for the four State Street funds the Fund is invested in the combined effect of applying this change to benchmarks excluded around 3.6% by value of the companies / securities across the regions.

5.4 The latest report shows performance of the State Street funds against the revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufacture controversial weapons. As expected for a passive fund, performance closely matches the performance of the respective indices.

6. **BORDER TO COAST – QUARTERLY ESG REPORTING**

6.1 Border to Coast has been working with its reporting providers to develop reporting which covers the Environmental Social and Governance (ESG) issues and impact of the investments it manages, together with an assessment of the carbon exposure of these investments. This is easier with some asset classes than others, and Border to Coast has initially focused on

reporting on listed equities as this is the asset class where most information is available and this type of reporting is more advanced.

- 6.2 Appendix C contains the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports include information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure is also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.
- 6.3 Colleagues from Border to Coast will be available at the meeting to answer any questions Members may have on the information shown in the Quarterly ESG Reports.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040



Teesside Pension Fund

Quarterly Investment Report - Q2 2021

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Note

1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,246,094,118
Inflows	£902,565,025
Outflows	£(325,000,000)
Net Inflows / Outflows	£577,565,025
Realised / Unrealised gain or loss	£121,846,940
Value at end of the quarter	£2,945,506,082

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Over Q2 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.39%
- The Overseas Developed Markets Equity Fund underperformed its benchmark by 0.25%
- The Emerging Markets Equity Fund underperformed its benchmark by 1.41%

Teesside made subscriptions totalling £660,000,000 to the Overseas Developed Markets Equity Fund, subscriptions totalling £200,000,000 to the Emerging Markets Equity Fund and redemptions totalling £325,000,000 from the UK Listed Equity Fund during Q2 2021.

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. The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.

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 2021

Funds Held

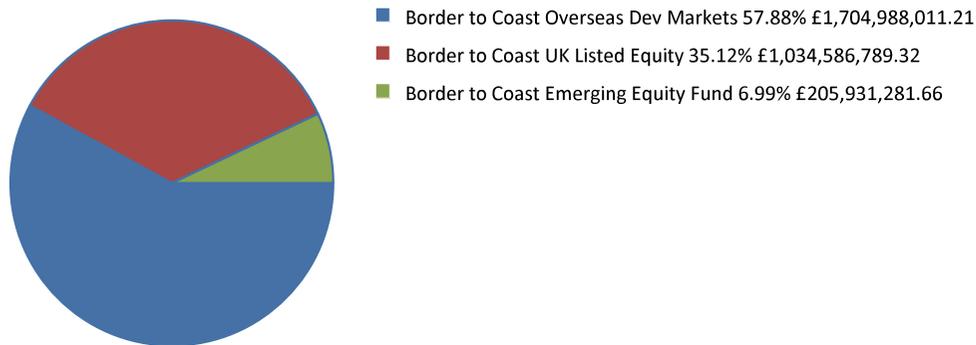
Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	1,034,586,789.32	35.12
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,704,988,011.21	57.88
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark ²	205,931,281.66	6.99

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 Inv Grade Credit
Border to Coast Sterling Index-Linked Bond

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Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund at 30 June 2021

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	35.12	5.22	5.60	(0.39)	2.80
Border to Coast Overseas Dev Markets	57.88	6.37	6.62	(0.25)	3.35
Border to Coast Emerging Equity Fund	6.99	4.97	6.38	(1.41)	0.21
Total	100.00	6.36			

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The UK Listed Equity Fund returned 5.22% over the quarter, which was 0.39% behind the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 6.37% over the quarter, which was 0.25% behind the composite benchmark.
The Emerging Markets Equity Fund returned 4.97% over the quarter, which was 1.41% behind the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 6.36% during Q2 2021.

Note

- 1) Source: Northern Trust & Border to Coast
- 2) The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.

Valuation Summary at 30 June 2021

Fund	Market value at start of the quarter			Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter		
	GBP (mid)	Total weight (%)	Strategy weight (%)				GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	1,292,615,905.09	57.55		36,151,751.22	325,000,000.00	30,819,133.01	1,034,586,789.32	35.12	
Border to Coast Overseas Dev Markets	953,478,212.49	42.45		666,413,273.41		85,096,525.31	1,704,988,011.21	57.88	
Border to Coast Emerging Markets Equity	0.00	0.00		200,000,000.00		5,931,281.66	205,931,281.66	6.99	
Total	2,246,094,117.58	100.00		902,565,024.63	325,000,000.00	121,846,939.98	2,945,506,082.19	99.99	

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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 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	3.00	2.03	0.97	5.24	5.60	(0.37)	20.64	21.45	(0.81)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	11.74	10.79	0.95	6.43	6.62	(0.19)	24.41	24.00	0.41	--	--	--	--	--	--
Border to Coast Emerging Markets Equity	10.73	12.97	(2.24)	3.08	4.79	(1.71)	20.96	23.61	(2.64)	--	--	--	--	--	--

Note

- 1) Source: Northern Trust
- 2) Values do not always sum due to rounding
- 3) Performance start date of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.
- 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 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	3.01	2.03	0.98	5.24	5.60	(0.37)	20.65	21.45	(0.80)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	11.75	10.79	0.97	6.43	6.62	(0.19)	24.42	24.00	0.42	--	--	--	--	--	--
Border to Coast Emerging Markets Equity	10.80	12.97	(2.17)	3.18	4.79	(1.61)	21.12	23.61	(2.49)	--	--	--	--	--	--

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. The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.
- 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 2021

UK Listed Equity Fund

The Fund generated a total return of 5.24% during the quarter compared to the benchmark return of 5.60% resulting in 0.37% of underperformance.

The UK continued to perform strongly albeit modestly underperforming other major markets. Good progress in the vaccine roll-out helped mitigate the impact of the rapid spread of the so-called *Delta PlusVariant*, although the relaxation of restrictions was postponed. Despite this setback economic data has been positive. The Northern Ireland Protocol continues to be a source of friction with the EU in the aftermath of Brexit, but the relatively high exposure to Materials and other *value*-biased sectors probably better explains why the UK market's performance was not as strong as some other markets.

Positive performance derived from the following factors:

- Strong stock selection in Industrial Goods and Services such as those companies exposed to US construction activities;
- Overweight position and stock selection in Telecommunications, specifically BT; and
- Overweight positions in specialist UK small cap funds benefitting from the re-opening of the domestic economy;

This was offset by:

- Stock selection and underweight position in Basic Resources where commodity prices have rebounded during the quarter on the prospects of global economic recovery;
- Stock selection in Financial Services, primarily not owning non-UK focussed investment trusts such as the Scottish Mortgage Investment Trust, which benefitted from a rebound in global technology stocks; and an overweight position to cash;

- Overweight Large-Caps which have been impacted by sterling strength and an underweight to Mid-Caps which have benefitted from a broad economic re-opening; and
- Cash position.

The portfolio's risk profile has been gradually increased as concerns over Brexit have receded and the recovery from COVID-related economic weakness becomes clearer. The international backdrop remains clouded by tensions in relations between China and the West and with COVID-19 continuing to negatively impact developing regions of the world in particular, a degree of caution remains appropriate. In addition, although Brexit is now at least notionally resolved, the impact on specific sectors and companies will only become clear over time. The portfolio managers have increased exposure to more cyclical, *value*-oriented stocks in acknowledgement of the shifting balance of risks and to add to favoured companies at lower valuations. This has largely helped protect performance as these segments have led the market in recent months. 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

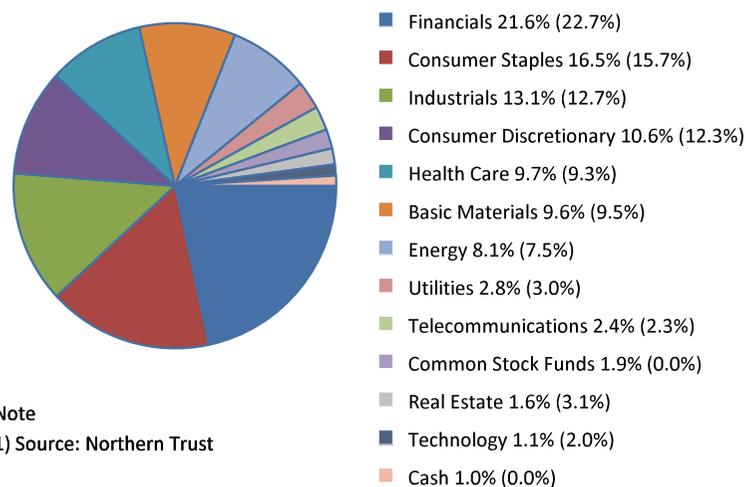
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2021

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.93
Consumer Staples	+0.80
Energy	+0.60
Health Care	+0.39
Industrials	+0.37
Consumer Discretionary	-1.68
Real Estate	-1.48
Financials	-1.04
Technology	-0.89
Utilities	-0.22

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 UK smaller-cap companies via specialist funds/collective vehicles with long-term track records of outperformance.

Consumer Staples (o/w) – broad mix of food and beverage producers together with food retailers which collectively offer strong cash generation, robust balance sheets and have benefited from resilient trading throughout the pandemic.

Energy (o/w) – oil prices have continued to rally from last year on the prospects of economic recovery post the global pandemic and a tightening in supply/demand, supported by OPEC+ production discipline. Strong cash flows support re-based dividends and balance sheet repair. UK integrated oil companies have announced ambitious net-zero carbon intentions and are key enablers of energy transition.

Consumer Discretionary (u/w) – bricks and mortar non-food retail structurally challenged by increasing on-line penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the COVID-19 pandemic. Timetable for re-opening of international travel remains unclear, with travel sector balance sheets carrying higher levels of debt than seen pre-pandemic.

Real Estate (u/w) – concerns around retail/leisure sector exposure including vacancy rates, rent re-negotiations and accumulated rent arrears, together with uncertainty around the impact of COVID-19 and continuation of home/flexible working on the long-term demand for office space.

Financials (u/w) – predominantly due to being underweight investment trusts and Asian-focused banks (US-China relations remain strained), partly offset by overweight positions in Insurers and Wealth Managers as they are expected to benefit from the long-term increase in Asian and Emerging Market wealth.

Border To Coast UK Listed Equity Fund Attribution at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Flutter Entertainment	0.60	(16.00)	0.91	(15.22)	0.13
AstraZeneca	5.46	19.74	4.77	19.82	0.07
Morrisons	0.48	37.90	0.23	39.09	0.07
St Modwen	0.00	35.93	0.04	37.53	0.07
BT	0.99	25.21	0.71	25.32	0.06

Flutter Entertainment (u/w) – potential partial IPO of Flutter’s US subsidiary, Fan Duel delayed by the departure of the well-regarded divisional CEO, alongside an ongoing dispute with Fox over an option entitlement/price that Fox can acquire an 18% stake in Fan Duel.

AstraZeneca (o/w) – series of positive drug portfolio announcements benefitted the company, following recent negative publicity regarding its COVID-19 vaccine and a poor initial reaction to its plans to acquire Alexion, a US rare disease biotech company for \$39bn.

Morrisons (o/w) – takeover interest from a US private equity firm - rejected by the Board but other bidders also likely to be interested.

St Modwen (u/w) – Board recommended approval of an increased all-cash offer from private equity firm Blackstone, at a substantial premium to the undisturbed share price. The Fund sold off previously-overweight position during the quarter.

BT (o/w) – acquisition of a 12% stake by European telecoms heavyweight, Patrick Drahi although stated no intention of making a takeover offer.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Antofagasta	0.89	(13.29)	0.21	(13.42)	(0.15)
Prudential	1.93	(10.87)	1.50	(10.84)	(0.09)
Scottish Mortgage Investment Trust	0.00	0.00	0.79	17.25	(0.08)
TP ICAP PLC	0.30	(18.81)	0.06	(19.09)	(0.07)
Intercontinental Hotels	0.97	(3.33)	0.37	(3.32)	(0.06)

Antofagasta (o/w) – a pull-back in the copper price from recent highs and ongoing COVID-19 disruption to operations, alongside political pressure in Chile to increase taxation of mining profits, have combined to weigh on the shares.

Prudential (o/w) – disappointment with a delay to the de-merger of Prudential’s US subsidiary Jackson into the second half of 2021 and an intention to undertake a post de-merger equity raise, mainly via Hong Kong, has been re-iterated.

Scottish Mortgage Investment Trust (u/w) – a global large-cap tech investment trust that has benefitted from a partial rotation back from *value* into *growth* stocks as inflation concerns have eased.

TP ICAP PLC (o/w) – despite completing the acquisition of Liquidnet earlier in the year, a weaker revenue outlook for the financial market intermediaries in 2021, falling short of expectations, was subsequently confirmed at the quarterly results.

Intercontinental Hotels (o/w) – concerns over the delayed return to international travel and pandemic impact upon the group’s hotel development pipeline, potentially slowing future growth, have weighed on the shares.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.05
Impax Environmental Markets	+0.99
Liontrust UK Smaller Companies	+0.89
BHP Billiton	+0.79
AstraZeneca	+0.69
Glencore	-1.14
Scottish Mortgage Investment Trust	-0.79
SEGRO	-0.55
Just Eat Takeaway	-0.51
3i Group plc	-0.47

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Note

1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Schroder UK Smaller Companies Fund – specialist fund manager providing UK small-cap exposure, with a long-term track record of out-performance. UK small-cap stocks have continued to outperform larger-caps as the UK domestic economy re-opens.

Impax Environmental Markets – leading ESG-focused fund delivering strong long-term out-performance, specialising in alternative energy, energy efficiency, water treatment, pollution control and waste technology.

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 durable competitive advantage.

BHP Billiton – diversified commodity exposure and strong cash generator benefitting from operating at the lower end of the cost curve, proximity to end markets and continued robust global commodity demand, particularly from China.

AstraZeneca – beneficiary of increasing global healthcare expenditure and ageing demographics. Broad marketed drug portfolio experiencing strong top-line growth, with particular strengths in oncology and a material presence in China.

Bottom 5 Holdings Relative to Benchmark:

Glencore – historically a higher risk commodity company with significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; and coal exposure higher than peers. Signs of improvements in governance and completion of wide-ranging management change.

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

SEGRO – real estate holding company focussed upon logistics and industrial units across Europe; fund had similar UK exposure through St Modwen until recently agreeing to be acquired by private equity firm Blackstone.

Just Eat Takeaway – online food ordering sector remains highly competitive, with intensive marketing and capex expenditure. Limited profitability generated to date and valuation appears stretched.

3i Group plc – global private equity investor but with a highly concentrated investment portfolio, with nearly half the current net asset value invested in a single asset - Action, a European discount retailer.

Major transactions during the Quarter

Purchases:

Flutter Entertainment (£19.3m) – continued to build weighting in a recently added holding. Attractive growth opportunities in North America for on-line sports betting and gaming where it has developed significant market share.

Sales:

St Modwen (£17.5m) – sold holding as company recommends acceptance of Blackstone all-cash bid at a significant premium to the undisturbed share price.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 June 2021

Overseas Developed Markets Fund

The Fund generated a total return of 6.43% during the quarter compared to the composite benchmark return of 6.62% resulting in under-performance of 0.19%. The US (8.3%) was the strongest region and Japan (-0.5%) was the weakest. The US and Japanese portfolios outperformed their respective benchmarks while the Europe ex-UK and Pacific ex-Japan portfolios lagged.

The Fund has continued to benefit from ongoing strength in equity markets supported by extensive monetary and fiscal stimulus. Markets have also been buoyed by the prospect of vaccines bringing an end to the COVID-19 pandemic and carrying the prospect of what would seem likely to be a V-shaped recovery in many economies given the level of stimulus being applied.

The Fund has underperformed due to the following:

- Weaker stock selection in Asia ex-Japan and Europe particularly within Industrials and IT;
- Underweight position in Energy stocks, which have outperformed as oil prices have risen; and
- Underweight position in the Real Estate sector, which has outperformed the market.

This has been partly offset by:

- Overweight position in Technology stocks, which have outperformed;
- Underweight position in utilities which have underperformed; and
- Stronger stock selection in the US.

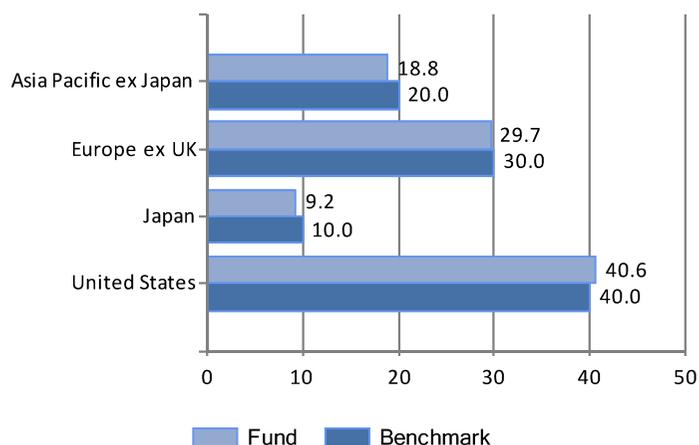
The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the near term. The current emphasis on focusing on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility has proven a resilient approach across different market regimes in recent years.

Note

1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2021

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

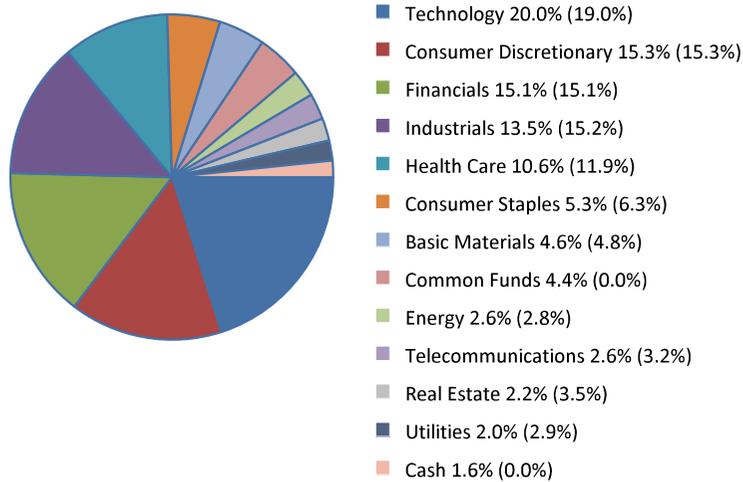
Fund	Inception to Date			Quarter			1 Year			3 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	11.74	10.79	0.95	6.43	6.62	(0.19)	24.41	24.00	0.41	--	--	--
United States	15.40	14.66	0.74	8.56	8.30	0.26	24.48	25.37	(0.89)	--	--	--
Japan	7.19	4.79	2.40	(0.44)	(0.52)	0.07	16.76	11.59	5.16	--	--	--
Europe ex UK	8.43	8.42	--	7.59	7.89	(0.30)	21.41	22.18	(0.77)	--	--	--
Asia Pacific ex Japan	11.46	9.18	2.28	3.98	4.92	(0.94)	32.29	29.81	2.48	--	--	--

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 2021

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) – high relative exposure in Europe and Pacific ex-Japan, along with full allocations in the US and Japan based on 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.

Industrials (u/w) – driven in general by a preference for the higher secular growth rates and lower leverage of IT companies, particularly given the uneven nature of the recovery in Europe and potential for interest rates to trend higher.

Real Estate (u/w) – the high leverage that is typically associated with the sector leaves it exposed in a rising interest rate environment. Normally improving economies would be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post COVID-19 world.

Healthcare (u/w) – one of the sectors to benefit from the pandemic, but this has been reflected in valuations. With economic recovery fuelling a rebound in earnings in other segments of the market, opportunities have appeared more attractive elsewhere.

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 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
NVIDIA Corporation	1.14	49.47	0.55	49.69	0.17
Alphabet A	1.81	18.22	0.81	18.24	0.10
Novo Nordisk	0.78	23.02	0.47	23.22	0.04
Daiichi Sankyo	0.00	0.00	0.09	(26.17)	0.04
Enel SPA	0.00	0.00	0.25	(7.07)	0.04

NVIDIA Corporation (o/w) – strong results, plans to extend product verticals, improving prospects for a key merger and the announcement of a stock split, provided a positive backdrop.

Alphabet A (o/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

Novo Nordisk (o/w) – stronger than expected results and announcement trials of new obesity product.

Daiichi Sankyo (u/w) – volatile pharmaceutical company reversed gains seen in late 2020, following results in line with expectations.

Enel SPA (u/w) – mediocre results and impacted by increase in bond yields and rotation out of defensives into cyclical stocks.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.79	21.00	(0.10)
Kakao	0.00	0.00	0.23	64.26	(0.08)
Koninklijke Philips	0.47	(11.82)	0.16	(12.16)	(0.06)
Softbank Group Corp	0.37	(17.17)	0.21	(17.14)	(0.05)
Samsung Electronics	2.43	(0.62)	1.97	(0.15)	(0.04)

Alphabet C (u/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

Kakao (u/w) – positive impact from potential IPOs of two divisions.

Koninklijke Philips (o/w) – impacted by higher provisions relating to a safety recall on a respiratory and sleep care product.

Softbank Group Corp (o/w) – negative sentiment due to absence of an extension of the share buyback scheme.

Samsung Electronics (o/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.00
Vanguard US Small Cap Value ETF	+0.85
NVIDIA Corporation	+0.59
Microsoft	+0.52
Alphabet C	-0.79
Tesla	-0.58
PayPal	-0.38
Mastercard	-0.35
Samsung Electronics Prefs	-0.32

Top 5 Holdings Relative to Benchmark:

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

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and a structural growth story in data centre AI workloads.

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.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds.

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

Note

1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 June 2021

Fund	Inception to Date			Quarter to Date			1 Year			Benchmark
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	10.73	12.97	(2.24)	3.08	4.79	(1.71)	20.96	23.61	(2.64)	EM Equity Fund Benchmark ³
Border to Coast	3.08	3.89	(0.82)	--	--	--	--	--	--	FTSE Emerging ex China (Net)
FountainCap	2.62	(0.66)	3.27	--	--	--	--	--	--	FTSE China (Net)
UBS	(3.90)	(0.66)	(3.24)	--	--	--	--	--	--	FTSE China (Net)

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Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	58%	58%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy,	17%	18%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and	25%	24%

Note

1) Source: Northern Trust & Border to Coast

2) Values do not always sum due to rounding and use of different benchmarks

3) ³EM Benchmark = S&P EM BMI Net (22-Oct-18 to 9-Apr-21); Fund Return (10-Apr-21 to 28-Apr-21); FTSE EM Net (29-Apr-21 to current)

Border to Coast Emerging Markets Equity Fund - Overview

at 30 June 2021

Due to China's strategic importance and complexity, Border to Coast has restructured the Emerging Market portfolio to consist of three sleeves (collectively, the "Fund"); an internally managed sleeve focusing on Emerging Markets excluding China and two China-focused sleeves managed externally by specialists in the Chinese market:

- FountainCap - China specialist with long-term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.
- UBS - China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.

The restructuring activity took place between 10 April 2021 and 28 April 2021, during which time a performance holiday was in effect. The restructure involved an update of benchmark from the S&P Emerging Markets BMI (Net) to the FTSE Emerging Markets (Net). The outperformance target was also revised from 1% per annum above benchmark over rolling three year periods to 1.5% per annum over the same periods. These changes better reflect the Fund's investment universe and expected return.

Some measure of calm returned to emerging market equities after a turbulent start to the year, with the FTSE Emerging Markets Index delivering a 4.8% return over the second quarter. There was a high level of inter-country return dispersion, however, with the more commodity-sensitive economies (including Saudi Arabia, Russia, United Arab Emirates and Brazil) performing particularly strongly over the quarter, as they benefited from the rebound in commodity (including oil) prices. By contrast, China underperformed the broader emerging markets index as investors adopted a more bearish view on the Chinese market due to increased regulatory scrutiny from state authorities (particularly on the Technology sector).

The broad-based rally in commodity prices had a positive impact on the Energy sector, which outperformed the broader index. This had an impact on the Fund's performance as it has an underweight to the Energy sector (given the structural headwinds faced by the oil and gas sector in particular). Conversely, the Utilities sector – which is sensitive to fuel prices – underperformed the broader index.

Against this backdrop, the Fund delivered a positive absolute return of 3.1% over the full quarter, lagging the benchmark return by 1.7%. Over the post-restructuring period – that is, the period from 28 April 2021 to 30 June 2021 – the Fund delivered a return of 1.2%, underperforming the benchmark by 0.7% over the same period. The remainder of our commentary will relate to the post-restructuring period only.

Note

1) Source: Border to Coast

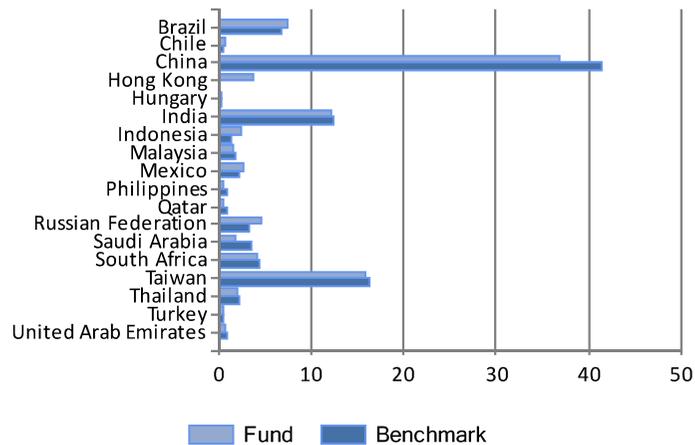
The EM ex-China sleeve, managed internally by Border to Coast, delivered a positive absolute return, though it underperformed its benchmark by 0.8% over the period. The Consumer Discretionary and Industrials sectors were notable drags on performance: Naspers, which is an overweight position in the sleeve and highly correlated to Tencent's performance given its c. 29% ownership stake, was a key detractor within the Consumer Discretionary sector as it saw its share price decline on news of increased scrutiny by Chinese regulators on the Technology sector. Within Industrials, not holding Evergreen Marine (which owns the Ever Given, the vessel that infamously got stuck in the Suez Canal in March 2021) detracted as the share price more than doubled over the period. Supply chain disruption caused by the COVID-19 recovery and increase in international trade has led to higher shipping rates, greatly benefitting names like Evergreen Marine. The underweight to India was the largest detractor from relative performance from a country perspective, driven predominantly by adverse stock selection therein. Notably, while the overweight to the Indian Electronics and Technology sectors boosted performance, this was not enough to offset the drag on performance by the underweight in the Indian Industrials sector, which saw strong returns over the period on hopes of a global economic recovery.

Performance across the two externally managed China specialists was more uneven. FountainCap delivering strong positive and relative returns of 2.6% and 3.3% respectively, benefiting from its underweight to technology and technology-adjacent names like Alibaba and Tencent which saw stark reversals in their fortunes. The FountainCap portfolio was not completely immune to regulatory risk, however, with TAL Education (a leader in the Chinese after-school tutoring market and an overweight in the FountainCap portfolio) seeing a c. 60% share price decline over the period, for example. Positions in the Energy sector (e.g., PetroChina) were additive to performance, as was the large overweight to Anta Sports, a sports equipment manufacturer and distributor, was a tailwind to performance as the retailer delivered strong Q1 earnings and delivered positive guidance for Q2.

The UBS portfolio, which has a higher allocation to the tech and tech-adjacent names than FountainCap – and was therefore exposed to the companies that fell on news of increased regulatory scrutiny – was harder-hit over the period, lagging its benchmark by 3.3%. UBS' overweight position to TAL Education also detracted, for reasons discussed above. Other consumer-facing companies in the UBS portfolio also detracted. Yihai, which produces condiments for hot products, saw its share price decline after a weak Q1 earnings report and a negative outlook for Q2 amid rising material costs and ever-intensifying competition in its segment of the market. Midea Group, which operates in the household electrical products space, likewise suffered over the quarter amid rising raw materials costs and lower demand for its products.

Border to Coast Emerging Markets Equity Fund at 30 June 2021

Regional Breakdown



Emerging Markets Equity Fund

The Border to Coast Emerging Markets Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE Emerging Markets benchmark by at least 1.5% 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:

Consumer Staples (o/w) – the rapidly growing Emerging Market middle class population is expected to lead to an increase in the consumption of staple goods over the long-term. The Fund is overweight a number of stocks (particular in China) that are well positioned to benefit from such a tailwind.

Common Funds (o/w) – the aggregate ETF/Investment Trust exposure within the Fund, used to express country positioning in the internally managed Emerging Markets ex. China sleeve.

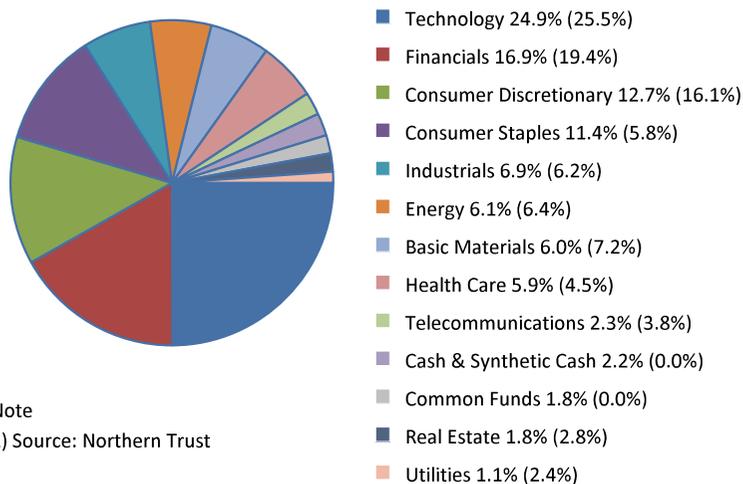
Health Care (o/w) – demographic trends (aging EM populations), increasing prosperity and perhaps even medical tourism are expected to drive medical spending higher (both personal and governmental) in Emerging Markets. The Fund is exposed to a diverse set of innovative businesses in this sector.

Consumer Discretionary (u/w) – the Chinese e-commerce giant Alibaba is roughly 5% of the FTSE Emerging benchmark and dominates the consumer discretionary sector. The Fund is underweight Alibaba, instead deploying capital in names such as Anta Sports and NetEase. The Fund is also underweight to the automobiles sub-sector, where Chinese EV firm Nio is a large index weight.

Financials (u/w) – the Fund maintains a broad exposure to a number of sub-sectors that fall under the broader Financials heading (for example, insurance, exchanges, and banking). The underweight position is driven primarily by an underweight exposure to banks, particular state-owned banks in China which are large index constituents.

Telecommunications (u/w) – the Fund is marginally underweight to this highly regulated sector, maintaining a select exposure to some of the more interesting businesses in the space (for example, providers of equipment and parts to end-users and/or service providers).

Sector Portfolio Breakdown



Note

1) Source: Northern Trust

Border to Coast Emerging Markets Equity Fund Attribution at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
ANTA Sports Products	1.51	30.28	0.35	30.24	0.27	Consumer Discretionary	China
Chinasoft International	0.53	58.47	0.00	0.00	0.19	Technology	Hong Kong
Alibaba	2.54	(3.71)	5.30	(4.42)	0.16	Consumer Discretionary	China
Sungrow Power	0.59	37.78	0.02	37.78	0.15	Energy	China
Petrobras	0.97	33.51	0.43	33.37	0.14	Energy	Brazil
Tencent	4.62	(6.31)	5.93	(6.17)	0.14	Technology	China
Bharat Electronics	0.38	39.84	0.03	39.18	0.09	Industrials	India
Sunny Optical	0.78	26.00	0.27	26.34	0.09	Technology	China
Hefei Meyer	0.54	22.46	0.00	22.54	0.09	Industrials	China
LONGi Green Energy	0.47	33.34	0.07	33.06	0.09	Technology	China

Note

1) Source: Northern Trust & Border to Coast

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 June 2021

Positive Issue Level Impacts

Anta Sports Products (o/w) – the share price rallied strongly during the quarter after the business posted strong results (across all underlying brands) in early April. Continued positive news flow came in mid-June when the business issued a positive profit alert for H1 2021 alongside positive forward guidance on sales, discount normalisation and future investments.

Chinasoft International (o/w) – after a relatively uneventful first five months of 2021, the share price jumped materially in June when Huawei debuted a new Operating System for its hardware (e.g. mobile phones) – Harmony2.0. Chinasoft is Harmony's core ecological partner and should be a beneficiary of a successful rollout and adoption cycle.

Alibaba (u/w) – best known for e-commerce and online payment platforms. The stock has trended slowly downwards since November 2020 when the IPO for affiliate Ant Group was cancelled following a last-minute intervention from the Chinese government. The potential for increased regulation of the sector weighs on investor sentiment.

Sungrow Power (o/w) – the stock benefitted from Joe Biden and Xi Jinping announcing or reiterating ambitious climate goals. The sector also felt tailwinds from two new solar listings on Shanghai's STAR exchange and the easing of concerns over US plans to restrict some purchases of products from Xinjiang.

Petrobras (o/w) – Brazil's leading oil producer not only benefited from the positive backdrop of rising crude oil prices (which climbed over 10% in US dollars in Q2), but also from a strong recovery in investor sentiment, following a sharp sell-off in Q1, when the incumbent CEO was ousted for challenging government policy on fuel subsidies.

Tencent (u/w) – the Fund benefited from an underweight position in Tencent as it, and the wider Chinese technology sector, came under increased scrutiny from regulators as they took further steps to regulate the Chinese technology industry.

Bharat Electronics (o/w) – a leading defence electronics manufacturer, the company occupies a niche position in India, where strong government support for indigenous production and a growing defence budget have prompted bullish statements from management on the outlook.

Sunny Optical (o/w) – designs and manufactures optical products including lenses, prisms, and mobile phone cameras. Shipment numbers during the quarter were promising with investors perhaps most interested in the performance of the company's automobile-related products (e.g. lens/cameras for use in autonomous driving solutions).

Hefei Meyer (o/w) – the company is benefiting from the recovery of the dental market in China which was severely impacted by the COVID-19 pandemic. Is well positioned to capture the growth of dental cone-beam computed tomography (CBCT) as CBCT market penetration, currently at 21% in China, catches up to other developed markets.

LONGi Green Energy (o/w) – another beneficiary of the tailwinds caused by pledges at Biden's climate summit. In addition, the business announced continued investment in new solar cell technologies – the firm has a very strong track record in technology development.

Note

1) Source: Northern Trust & Border to Coast

2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund Attribution at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
TAL Education	0.14	(59.10)	0.15	(59.21)	(0.91)	Consumer Discretionary	China
NIO	0.00	0.00	0.91	30.01	(0.19)	Consumer Discretionary	China
Evergreen Marine	0.00	0.00	0.24	158.84	(0.14)	Industrials	Taiwan
Smoores International	0.41	(22.11)	0.13	(22.10)	(0.12)	Consumer Staples	China
China Gas	0.68	(13.22)	0.12	(13.13)	(0.11)	Utilities	China
Gazprom	0.00	0.00	0.53	24.81	(0.10)	Energy	Russian Federation
Yihai International	0.22	(30.19)	0.04	(30.29)	(0.09)	Consumer Staples	China
Naspers	1.82	(10.47)	1.13	(10.35)	(0.09)	Technology	South Africa
Li Auto	0.00	0.00	0.21	74.46	(0.08)	Consumer Discretionary	China
Midea	0.57	(10.24)	0.00	0.00	(0.08)	Consumer Discretionary	China

Note

1) Source: Northern Trust & Border to Coast

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 June 2021

Negative Issue Level Impacts

TAL Education (u/w) – TAL has faced regulatory uncertainty in recent months as touted Government policies have the potential to materially impact the companies' fundamentals – for example, banning weekend/summer holiday tutoring. This turned sentiment negative and caused increased volatility in the position. This holding was reduced during the quarter.

NIO (u/w) – the share price rallied 30% in a quarter where the company posted encouraging Q1 2021 results, with better than expected sales and record vehicle margins. Management also provided encouraging order guidance for the rest of the year despite chip uncertainty still remaining.

Evergreen Marine (u/w) – the owner of the Ever Given – the ship that famously blocked the Suez Canal in late March – saw its share price more than double in Q2. A strong recovery in global trade and a spike in shipping freight rates boosted the shares. Even the prospect of a large fine from the Suez Authorities (\$200-500m speculated) has not dented investor enthusiasm for these shares.

Smoores International (o/w) – Smoores International offers advanced vaping solutions throughout Hong Kong, manufacturing different vaping devices and components. The company has delivered strong results of late, but potential regulation which could restrict the expansion of e-cigarette brands in the short-term looms over the sector.

China Gas (o/w) – owns and operates natural gas distribution pipelines. In late April, China Gas raised \$1.5bn via an equity placing (at a discount to the market price) which caught some investors by surprise given the expectations of positive free cash flow through 2021. The shares fell further when a potentially value-accretive acquisition hit a hurdle.

Gazprom (u/w) – the Fund does not hold a position in Russian Gas titan, Gazprom, for two reasons. One, Gazprom has a record of poor governance, and two, because the Fund owns peer (and affiliate) Novatek, which has better long-term growth prospects driven by demand for LNG. However, a tightening supply/demand balance in Q2 pushed up gas prices by almost 40%, thus lifting Gazprom's share price.

Yihai International (o/w) – Yihai produces condiments for hot pot products. Expectations of weaker sales growth, as competition intensifies and consumer preferences change, weigh on the share price. Rising raw material costs are also expected to put pressure on margins.

Naspers (o/w) – following the regulatory attack on leading FinTech Ant Financial in November 2020, Chinese oligopolistic internet giants have continued to suffer from government clampdowns. Investment sentiment continued to ebb during Q2 and Tencent, the main holding in Naspers' portfolio, saw its share price slip lower.

Li Auto (u/w) – shares in the Chinese electric SUV manufacturer roughly doubled from mid-May as the company reported better than expected first quarter sales, and guided for 10,000 deliveries a month by September, nearly double April's level. Despite ongoing chip shortages, accelerating EV adoption levels and governmental commitments buoyed the sector.

Midea (o/w) – despite some decent results, the share price slipped gradually lower over the quarter, with raw material price headwinds (impacting margins) and relatively cooler summer temperatures (in China) impacting domestic air conditioning unit sales.

Note

1) Source: Northern Trust & Border to Coast

2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.28
iShares South Africa ETF	+1.43
ANTA Sports Products	+1.16
Hengli Hydraulic	+1.10
Hong Kong Exchanges & Clearing	+1.01
Alibaba	-2.77
Tencent	-1.31
China Construction Bank	-0.97
NIO	-0.91
Pinduoduo	-0.62

Top 5 Holdings Relative to Benchmark:

Kweichow Moutai – a leading Chinese baijiu (liquor) producer with strong brand presence and scale. The business is well positioned to benefit from the consumption upgrade story in mainland China.

iShares South Africa ETF – provides exposure to a basket of South African businesses. Overall, the Fund is broadly neutral vs. the benchmark in respect of South African stocks.

ANTA Sports Products – produces own brand goods, as well as operating numerous sub-brands, including Fila (in China, Hong Kong, and Macao). Is expected to benefit from rising consumer spending and greater focus on health and wellbeing.

Hengli Hydraulic – manufacturers a range of hydraulic components for heavy industry. The firm is well positioned to benefit from continued urbanisation and infrastructure spending in mainland China (as well as globally).

Hong Kong Exchanges & Clearing – the firm is a key conduit of capital flows to/from China and should benefit from increasing Northbound (foreign investment into China) and Southbound (Chinese investors accessing global markets) volumes over time.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – best known for e-commerce and online payment platforms. The stock is a material proportion of the benchmark, and whilst the Fund has some exposure, there are deemed to be better opportunities elsewhere.

Tencent – technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The Fund does hold some exposure but there are deemed to be better opportunities elsewhere.

China Construction Bank – one of the “big four” banks in China, offering services to personal and corporate customers. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

NIO – a Chinese automobile manufacturer which specialises in designing and developing electric vehicles. Operating in a highly competitive sector, with significant execution risk, the stock appears expensive on traditional measures.

Pinduoduo – the largest agriculture-focused technology platform in China. Pinduoduo connects farmers and distributors directly with end-consumers. There are deemed to be better opportunities elsewhere in the China universe.

Major Transactions During the Quarter

Purchases:

Taiwan Semiconductor (£11.6m) – TSMC accounts for over 11% of the index and similarly it is the largest holding of the ex-China portfolio. We believe the company’s production prowess in this vital growth industry will benefit shareholders immensely.

Sales:

TAL Education (£3.6m) – has faced material regulatory uncertainty in recent months as touted Government policies have the potential to materially impact the companies’ fundamentals. Rumours and speculation over the extent of any regulatory measures have materially increased share price volatility.

Note

1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NVIDIA Corporation	1.14	0.55	0.17
Alphabet A	1.81	0.81	0.10
Microsoft	2.77	2.25	0.04
Tesla	0.00	0.58	0.03
Eli Lilly	0.41	0.20	0.03

NVIDIA Corporation (o/w) – strong results, plans to extend product verticals, improving prospects for a key merger and the announcement of a stock split, provided a positive backdrop.

Alphabet A (o/w) – reasonable valuation provided headroom for continued momentum from the results driven rally of the previous quarter.

Microsoft (o/w) – benefited from rotation into quality growth names toward the end of the quarter as the recent cyclical rally faded.

Tesla (u/w) – negative news flow regarding fatal accidents, vehicle recalls, Chinese regulatory friction and increasing competition in battery electric cars.

Eli Lilly (o/w) – FDA's approval of a rival company's Alzheimer's treatment was seen as greatly increasing Eli Lilly's prospects for success with their own pipeline product.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.79	(0.10)
PayPal	0.00	0.38	(0.04)
The Cheesecake Factory	0.21	0.00	(0.03)
Abbott Laboratories	0.51	0.23	(0.03)
Walt Disney	0.60	0.35	(0.03)

Alphabet C (u/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

PayPal (u/w) – supported by strong inflation hedging credentials and rebound in quality growth names.

The Cheesecake Factory (o/w) – strong reopening rally of the previous two quarters faded somewhat.

Abbott Laboratories (o/w) – company guided to lower near-term earnings as the COVID-19 vaccine roll out is likely to temper the company's opportunity in rapid testing.

Walt Disney (o/w) – elevated valuation and an announcement of accelerated spending on media content.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States

at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.00
Vanguard US Small Cap Value ETF	+0.85
NVIDIA Corporation	+0.59
Microsoft	+0.52
Alphabet C	-0.79
Tesla	-0.58
PayPal	-0.38
Mastercard	-0.35
Exxon Mobil	-0.29

Top 5 Holdings Relative to Benchmark:

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

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and a structural growth story in data centre AI workloads.

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.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, similar exposure to growth trends in the payments space, on valuation grounds.

Exxon Mobil – integrated oil company exposure gained via names with better record of ESG engagement.

Major transactions during the Quarter

Purchases:

NVIDIA Corporation (£8.9m) – strong trading in both gaming and data centre, and the company plans to expand into new verticals and better monetise software IP (sold into strong performance later in the quarter).

Sales:

Altria Group (£10.7m) – concern over the potential for new FDA initiatives, aimed at reducing US smoker numbers, outweighs what is otherwise a strong dividend income story.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	0.78	0.47	0.04
Enel SPA	0.00	0.25	0.04
Prosus	0.00	0.15	0.03
Volkswagen Prefs	0.00	0.16	0.03
LVMH	1.01	0.68	0.03

Novo Nordisk (o/w) – stronger than expected results and announcement trials of new obesity product.

Enel SPA (u/w) – mediocre results for the Italian manufacturer and utilities company, which was impacted by an increase in bond yields and rotation out of defensives into cyclical stocks.

Prosus (u/w) – a beneficiary of COVID-19 but demand growth expected to slow as economies start to reopen.

Volkswagen Prefs (u/w) – stretched valuation following significant share price growth earlier in 2021, resulting in profit taking.

LVMH (o/w) – positive results for the luxury goods group, and announcement of share buyback programme.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Koninklijke Philips	0.47	0.16	(0.06)
Munich Re	0.38	0.13	(0.04)
Kering	0.00	0.22	(0.04)
Siemens	0.74	0.41	(0.03)
Hermes	0.00	0.16	(0.03)

Koninklijke Philips (o/w) – impacted by higher provisions relating to a safety recall on a respiratory and sleep care product.

Munich Re (o/w) – underwhelming results for the reinsurer, including a modest deterioration in its solvency position.

Kering (u/w) – strong results belied the concern that the Gucci brand was suffering.

Siemens (o/w) – valuation at the top of the range and a capital markets day considered to be too conservative in the current market environment.

Hermes (u/w) – luxury goods companies have benefited from a more positive economic outlook and the reopening of economies.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

ASML	+0.37
TotalEnergies	+0.36
Schneider Electric	+0.35
Teleperformance	+0.35
LVMH	+0.34
Daimler	-0.26
Enel SPA	-0.25
Kering	-0.22
Zurich Insurance Group	-0.21
EssilorLuxottica	-0.19

Top 5 Holdings Relative to Benchmark:

ASML – strong demand expected due to economic recovery, ongoing chip shortages, and increasing trend for companies and governments to reduce their reliance on imported chips.

TotalEnergies – shifting away from its core oil business and is now the second largest player in LNG as well as seeking to diversify further into green energy.

Schneider Electric – it is the only company with an integrated approach offering all critical aspects of the value chain with superior market access and high market share in higher margin low voltage products.

Teleperformance – experiencing high growth with high levels of operational gearing with the expectation of cost reductions as workforce moves more towards home working.

LVMH – high demand for the majority of its brands and the ability to pass on cost increases resulting in margin improvement. Should also experience a recovery in its beverages division as economies reopen.

Bottom 5 Holdings Relative to Benchmark:

Daimler – structural concerns regarding the sector as a whole and particular concerns regarding the strength of the balance sheet.

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

Kering – heavy reliance on Gucci brand which has not been as resilient as other luxury brands during COVID-19.

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

Essilorluxottica – high valuation and although previous governance concerns have been resolved there is integration risk around its last major acquisition.

Major transactions during the Quarter

Purchases:

Adyen (£7.9m) – new holding to increase exposure to fintech, considered to be the highest quality company in the sector with organic growth supported by using an in-house system.

Sales:

Atlantia (£4.4m) – disposed of entire holding to consolidate exposure in infrastructure companies.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Daiichi Sankyo	0.00	0.09	0.04
Hitachi	0.30	0.12	0.03
Fujifilm	0.21	0.06	0.02
Daikin Industries	0.00	0.11	0.02
Nidec	0.00	0.12	0.01

Daiichi Sankyo (u/w) – volatile pharmaceutical company reversed gains seen in late 2020 following results in line with expectations.

Hitachi (o/w) – positive results and the market has a favourable view of the restructuring and more focussed approach.

Fujifilm (o/w) – growth prospects as a result of economic recovery.

Daikin Industries (u/w) – poor results and cautious near-term outlook for commercial air-conditioning demand.

Nidec (u/w) – poor results, lack of positive catalysts and a change in CEO.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Softbank Group Corp	0.37	0.21	(0.05)
Oji Holdings	0.19	0.01	(0.04)
Ballie Gifford Shin Nippon	0.30	0.00	(0.03)
Sony Corp	0.41	0.27	(0.02)
ITOCHU	0.20	0.09	(0.02)

Softbank Group Corp (o/w) – negative sentiment due to absence of an extension of the share buyback scheme.

Oji Holdings (o/w) – the paper products manufacturer’s share price drifted lower following good performance in the last few months and despite positive results.

Baillie Gifford Shin Nippon (o/w) – adversely impacted by combination of weak Yen and lacklustre performance of underlying holdings during the quarter.

Sony Corp (o/w) – concerns about future growth prospects and PS5 stock shortages due to global chip supply issues.

ITOCHU (o/w) – the conglomerate’s results were in line with expectations but shares reversed previous quarter’s gain, with no obvious catalyst.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.30
Tokyo Electron	+0.20
Shin-Etsu Chemical	+0.19
Hitachi	+0.18
Oji Holdings	+0.17
Recruit Holdings	-0.15
Honda Motor	-0.12
Nidec	-0.12
Daikin Industries	-0.11
Fanuc	-0.10

Top 5 Holdings Relative to Benchmark:

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

Tokyo Electron – good growth prospects, strong balance sheet and potential for increased returns.

Shin-Etsu Chemical – best in sector with strong cash generation, good growth prospects, margin sustainability and increasing shareholder returns.

Hitachi – diverse industrial should continue to reap the benefits from restructuring and a more focused approach. Acquisition of GlobalLogic should prove to be a good long-term strategic move.

Oji Holdings – potential for growth from switch from plastic to paper and cardboard packaging, and for market to appreciate value of carbon negative position from forestry operations.

Bottom 5 Holdings Relative to Benchmark:

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

Honda Motor – preference for Toyota (EV strategy and growth prospects) and Subaru (on prospects from collaboration with Toyota, US sales resilience, and possibility of Toyota increasing stake).

Nidec – concern that future strategy is unclear and company forecasts are too optimistic; move away from declining HDD (hard disk drive) motors will continue to squeeze margins.

Daikin Industries – not held due to concerns regarding exposure to declining air-conditioning demand in China and pandemic impact on customer demand. Revisiting this stock as prospects now look better and there is potential strong growth in air source heat pumps as countries set ambitious emissions targets

Fanuc – preference for Keyence in factory automation due to quality of earnings.

Major transactions during the Quarter

Purchases:

Impex (£1.0m) – increased holding on LNG (Liquefied Natural Gas) prospects as economy recovers and Japan Strategic Energy Plan calls for a ratio of at least 27% LNG until 2030.

Sales:

Aeon Financial Service Co (£5.6m) – exited holding on slow growth and poor profit outlook.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Aristocrat Leisure	0.23	0.12	0.02
Lenovo	0.00	0.05	0.02
Goodman	0.36	0.17	0.02
Samsung Electronics Prefs	0.00	0.32	0.01
Celltrion Healthcare	0.00	0.04	0.01

Aristocrat Leisure (o/w) – outperformance driven by very strong results, taking share in key markets in gaming and using its strong balance sheet position to continue to invest for future growth.

Lenovo (u/w) – strong results driven by PC demand outweighed by weaker expectations and disruption caused by short term component shortage.

Goodman (o/w) – results highlighted the property group’s strong development pipeline, backed up by a strong balance sheet.

Samsung Electronics Prefs (u/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Celltrion Healthcare (u/w) – possible over-enthusiasm for its COVID-19 treatment drug and restructuring uncertainty.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Kakao	0.00	0.23	(0.08)
Samsung Electronics	2.43	1.97	(0.04)
Galaxy Entertainment	0.21	0.10	(0.02)
Wilmar	0.13	0.04	(0.02)
Sands China	0.13	0.06	(0.02)

Kakao (u/w) – positive impact from potential IPOs of two of the Korean internet company’s divisions.

Samsung Electronics (o/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Galaxy Entertainment (o/w) – the on-off opening up of the Macau borders has led to continued uncertainty.

Wilmar (o/w) – despite relatively strong results, the outlook for the agribusiness group was mixed, combined with concerns about input cost impact on margins.

Sands China (o/w) – the on-off opening up of the Macau borders has led to continued uncertainty for the resort developer & operator over this period.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.46
Hyundai Motor	+0.21
NAVER	+0.20
Techtronic Industries	+0.20
Samsung SDI	+0.19
Samsung Electronics Prefs	-0.32
Kakao	-0.23
UOB	-0.15
Kia	-0.12
Afterpay	-0.12

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – the group has a diversified earnings stream and large shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Hyundai Motor – leading the way with regards to development of electric vehicle (EV) model and an overall beneficiary of the overall recovery in global auto demand.

NAVER – the company has leveraged its dominance in search to expand into e-commerce and other services. The Search engine is the stable margin cash cow which leads to the strong balance sheet and enables Naver to invest in the future growth of the business.

Techtronic Industries – the group’s technology-leading focus on cordless power tools market should lead to improving margins and market share, especially as it starts to skew more to the professional market in the US.

Samsung SDI – a market leader in the supply of batteries to the growing EV market; the longer-term trend to transition to electric vehicles is a structural growth story and SDI is well positioned to serve this market.

Bottom 5 Holdings Relative to Benchmark:

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

KaKao – although this Korean internet company has benefited from COVID-19 via its fintech, e-commerce, and entertainment businesses, the Fund has a preference for NAVER.

UOB – preference for other Singaporean banks with stronger capital positions.

Kia – similar exposure as the preferred holding, Hyundai Motor which also owns 34% of Kia.

Afterpay – has grown rapidly in recent years and the lack of a holding represents a significant underweight; further research is being conducted as to whether this would be a suitable holding for the Fund.

Major transactions during the Quarter

Purchases:

SK Innovation (£7.9m) – new holding driven by potential growth in its EV business, resolution of lawsuit with LG Chem, whilst the refining business is benefiting from economic recovery.

Note

1) Source: Northern Trust

Market Background

at 30 June 2021

Markets continued to rise following a slow start to 2021 as investors digested the prospect of a more hawkish stance to Fed policy than had been expected. Bond yields stabilised having risen sharply during the first quarter, due to inflationary concerns driven by economic recovery and short-term supply shortages. As a result, *growth* stocks and large caps outperformed *value* stocks and small caps as the recovery trade began to fade.

Overall global equity markets returned 7.3% in the second quarter. Developed markets (7.6%) outperformed emerging markets (4.8%). Returns were higher in the US (8.3%), but Japan lagged and recorded a negative return in the quarter (-0.5%). At a sector level, Technology benefited from the resurgence of investor preference for *growth*, while Real Estate also benefitted as bond yields stabilised. Communications stocks also rose while Energy stocks continued to benefit as oil prices moved higher. Utilities were weak and Industrials, Materials and Financials failed to keep pace with the rest of the market.

Developed countries, led by the USA and UK, made good progress with their vaccine roll-out programmes while vaccine efficacy has to-date proven as good as trials had indicated supporting the belief that, for Western economies at any rate, the economic impact from drastic lockdown measures would be far more muted from this point onwards. The impact on the global economy may linger as developing countries struggle to vaccinate quickly enough to mitigate the impact from subsequent waves, but the aggregate impact on the global economy will not be as marked, allowing the broad recovery to continue. Corporate earnings have begun to recover, as evidenced by recent first quarter earnings, and this has provided some fundamental justification for the strong rebound in markets.

This strong performance may begin to fade though as there are increasing indications that the extensive fiscal and monetary support which has allowed economies to weather the worst of the disruption caused by Covid will be eased in 2022, with tighter monetary policy and the spectre of tax increases being openly discussed in several regions. This, combined with the high debt levels most countries now find themselves encumbered by, may constrain

economic growth in the short term, although this may be partly offset by pent-up demand from a consumer with a much-improved balance sheet and corporates playing catch-up on delayed capital expenditures.

The US would seem to now be one of the leaders in the economic recovery with the success of its vaccine programme and ongoing and aggressive fiscal stimulus underpinning its rapid rebound. This rebound has caused tightness in supply chains and parts of the labour markets which are flashing warning signs on inflation. This has resulted in the Fed acknowledging that interest rate rises may occur earlier than previously communicated, although the official view remains that this spike in inflation will be transitory. Rising commodity prices, stretched supply chains and fractured global trading relations all indicate supply side pressures building as demand is rebounding from depressed levels - and there are multiple reports of labour market tightness, particularly in the US. With central banks reluctant to withdraw stimulus too soon and appearing comfortable with higher short-term inflation, the priority remains getting economies back on their feet. Therefore, there is a danger that inflation takes hold, which will continue to test the nerves of bond investors for some time.

The enormous short-term fiscal stimulus in the US is being accompanied by the Democrats' longer-term infrastructure plans and green initiatives, both of which imply sustained high spending levels. These will provide lasting impetus but are likely to necessitate an increased tax burden, particularly for companies and the wealthy, which will have implications for earnings and equity markets. The recent international agreement on a minimum corporate tax rate is indicative of the direction of travel. Together with tighter monetary conditions, this could impact the liquidity that has buoyed markets for many years now and is something that investors will need to monitor closely in the short term.

Investors are having to contend with the fact that the new US administration is rebuilding its relationships with allies in order to adopt a more unified approach to dealing with strategic rivals. This suggests that political tensions will remain high as the US and China face off, and

Note

1) Source: Border to Coast

Market Background

at 30 June 2021

Russia continues to disrupt from the sidelines. It is encouraging that the US and its allies are finding common ground to rebuild relationships, which have under-pinned an established order largely benefitting investors over several decades. However, the stance in dealing with China is another indicator that we may be entering a period when commercial interests may be subjugated to other concerns, in a reversal of the pattern which has dominated recent history.

Valuations of equity markets are above their long-term average and investor sentiment remains positive, but recent results have certainly gone some way towards justifying that optimism, even if further progress would seem to remain heavily dependent upon continued strong economic growth. The stronger relative performance of large cap stocks and growth companies may only be a temporary situation if the economy does continue to go from strength to strength, but a pause was certainly due given the strength of the relative move in *value* and small caps over preceding months. This rotation has come despite increasing signs that governments seem to be coalescing around the view that the power of large technology companies is something that has to be constrained, and their ability to arrange their affairs in such a way as to pay very little in taxes needs to be addressed. Other multi-national companies will similarly be impacted by any moves to rectify this tax issue, but it is the dominant technology companies such as Amazon, Apple and Google who have drawn attention to this issue alongside that of the political perception that their power needs to be reined in – both from a competitive perspective but also a societal one. It is one issue where China appears similarly aligned with the West given the moves it has taken to bring its tech titans to heel, even if the motivation may be different. There are no signs of this going away, indeed the political will to address it seems only to be growing, so continued strength in large cap tech stocks is not something that can be relied upon. In a similar vein, the benefits from a resurgent global economy may not feed through to all companies evenly if governments reach a unified stance on enforcing a minimum tax rate.

Last quarter we touched upon the shift occurring in the established market order as retail investors in the US have become increasingly active and increasingly influential in determining the moves of individual stocks and potentially the broader market as a whole. This has continued to be evident during the second quarter even if institutional players have become a little more cautious as to how they approach situations where this retail effect is dominant. It is likely to remain a phenomenon and could ultimately see a levelling of the playing field whereby companies that might otherwise have expired under the old order are given the opportunity to reinvent themselves, almost irrespective of the investment merits of the original business. In many ways this shares the same characteristics as the venture funded/investment bank backed unicorn models which have seen loss-making businesses sustained for far longer than they might have been without that support. Perhaps this will in some way contribute to sustaining the *value* trade.

We also touched upon the implosion of Archegos and how that, along with the Greensill collapse, illustrated the increasing difficulty banks and regulators are having in keeping track of leverage in the system and getting a full picture on where it is concentrated. First quarter results have revealed that the damage from Archegos was severe even outside of Credit Suisse and Nomura. Others whose silence implied they had escaped substantial damage revealed associated losses in their quarterly results that might normally have warranted an exceptional disclosure. Despite clean bills of health during stress tests, it seems evident that, certainly amongst the leading global banks, there remains the potential for (both known and unknown) unknowns to trigger events which have the potential to impact many of the “too big to fail” in concurrent fashion, representing a key vulnerability in the financial markets.

Note

1) Source: Border to Coast

Border to Coast News

People:

- We are pleased to welcome Lloyd Thomas and Ahmed Ali to our External Management team. Lloyd is an experienced portfolio manager with more than 12 years' experience, previously working on the multi-asset strategy at Insight Investment. Ahmed joins us as an Assistant Portfolio Manager, having started his career as a risk analyst at Centrica, and moved to Aon as an investment consultant.
- We also welcome Gavin Butt, joining us as a Research Manager. Gavin previously worked at RBC Capital Markets in equity research, and prior to this he qualified as a chartered accountant at EY.
- Kieron Crossley joins us as an Assistant Portfolio Manager supporting the Alternatives team. Kieron previously worked in investment consulting, working with UK-based defined benefit pension schemes.
- We are delighted to announce that Peri Thomas will be staying with us as our Head of HR. Peri initially decided to leave Border to Coast given her recent relocation to Manchester. However, as we evolve our ways of working, Peri has reconsidered her situation. Peri was one of the first to join Border to Coast and has been at the heart of building our business.

Investment Funds:

- During Q2 we completed the restructuring of our Emerging Market Equity Fund, reflecting the increasing importance of China within emerging markets. The Fund will now be managed as two sleeves – one focused on China (managed by two specialist external managers, UBS and FountainCap), the other for the remaining markets - managed internally.
- Following strong performance, new inflows and changes to the UK index, we have been considering the optimal construction of our UK Listed Equity Alpha Fund. This may, subject to a cost-benefit analysis, result in the addition of a further manager to the line-up. The Fund was launched in December 2018 to give Partner Funds exposure to UK equities through three complementary investment strategies. A video created to explain the Fund's philosophy and approach to the market can be viewed at www.bordertocoast.org.uk.
- We have received confirmed commitments of £2.7bn for our next Private Market series (series 1C) from across ten of our Partner Funds. This

represents a significant increase in commitments relative to the first two series and brings Border to Coast's Private Market programme to £5.7 billion. This highlights the importance of Private Markets in our Partner Funds' investment strategies and the confidence of our Partner Funds in Border to Coast to deliver the right investment opportunities.

Responsible Investment:

- The standalone Climate Change Policy is progressing through our governance process and is being shared at the Joint Committee for feedback. The aim is for Board approval of the Policy in September.
- We provided a response to the DWP's consultation on the consideration of social risks and opportunities in investment decisions.
- Our Head of Responsible Investment, Jane Firth, appeared in an AssetTV masterclass on Sustainable Investing in Equities, discussing sustainable investing issues ranging from whether there is a threat of a bubble in "sustainable funds", to how regulation is impacting asset managers.
- As supporters of the Task Force on Climate-related Financial Disclosures (TCFD) we will be publishing our second TCFD report aligned with the recommendations. This covers the approach to climate change across Governance, Strategy, Risk Management, and Metrics and Targets and demonstrates the improvements and developments made in these areas.

Other news:

- Our CEO, Rachel Elwell, joined The Economist's Sustainability Insight Hour Panel to discuss how climate science is being taken into account in investment decision-making. You can read more about our approach to Responsible Investment in our latest quarterly stewardship report on our website.

Disclosures

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).
Registered in England (Registration number 10795539) at the office 5th Floor, Toronto Square, Leeds, LS1 2HJ

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STATE STREET
GLOBAL ADVISORS

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For the Period 01 Apr 2021 to 30 Jun 2021

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 2981631.1 Published: 12 Jul 2021

Quarterly Investment Report - 80237

As of 30 Jun 2021

Middlesbrough Borough Council

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As of 30 Jun 2021

Middlesbrough Borough Council

Accounting Summary (expressed in GBP)

As of 30 Jun 2021

Middlesbrough Borough Council

	Market Value 01 Apr 2021		Contributions	Withdrawals	Change in Market Value	Market Value 30 Jun 2021	
Passive Equity Portfolio							
North America ESG Screened Index Equity Sub-Fund	467,716,328	37.86%	0	441,148,868	9,515,679	36,083,139	5.86%
Europe ex UK ESG Screened Index Equity Sub-Fund	207,819,269	16.82%	0	95,396,731	12,279,611	124,702,149	20.26%
Japan ESG Screened Index Equity Sub-Fund	108,265,619	8.76%	0	0	(624,889)	107,640,730	17.49%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	451,647,945	36.56%	0	123,454,401	18,977,779	347,171,324	56.40%
Total	1,235,449,161	100.00%	0	660,000,000	40,148,181	615,597,342	100.00%

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As of 30 Jun 2021

Middlesbrough Borough Council

Performance Summary (expressed in GBP)

As of 30 Jun 2021

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								
North America ESG Screened Index Equity Sub-Fund								21 Sep 2018
Total Returns	5.72%	8.80%	13.96%	27.36%	N/A	N/A	N/A	15.80%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.69%	8.71%	13.71%	27.05%	N/A	N/A	N/A	15.65%
Difference	0.03%	0.09%	0.25%	0.31%	N/A	N/A	N/A	0.15%
Total Returns (Net)	5.72%	8.80%	13.95%	27.34%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.69%	8.71%	13.71%	27.05%	N/A	N/A	N/A	N/A
Difference	0.03%	0.09%	0.24%	0.29%	N/A	N/A	N/A	N/A
Europe ex UK ESG Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	1.76%	8.30%	10.98%	22.60%	N/A	N/A	N/A	9.16%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	1.75%	8.13%	10.75%	22.54%	N/A	N/A	N/A	9.16%
Difference	0.01%	0.17%	0.23%	0.06%	N/A	N/A	N/A	0.00%
Total Returns (Net)	1.76%	8.30%	10.97%	22.58%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	1.75%	8.13%	10.75%	22.54%	N/A	N/A	N/A	N/A
Difference	0.01%	0.17%	0.22%	0.04%	N/A	N/A	N/A	N/A
Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	2.62%	-0.58%	0.57%	11.81%	5.67%	9.84%	9.27%	4.41%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	2.61%	-0.61%	0.36%	11.57%	5.58%	9.79%	9.24%	4.27%
Difference	0.01%	0.03%	0.21%	0.24%	0.09%	0.05%	0.03%	0.14%

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Middlesbrough Borough Council

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	2.62%	-0.58%	0.57%	11.80%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	2.61%	-0.61%	0.36%	11.57%	N/A	N/A	N/A	N/A
Difference	0.01%	0.03%	0.21%	0.23%	N/A	N/A	N/A	N/A
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	2.32%	4.86%	7.66%	29.05%	9.05%	11.91%	7.66%	10.35%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.38%	4.88%	7.74%	29.12%	9.04%	11.88%	7.64%	10.29%
Difference	-0.06%	-0.02%	-0.08%	-0.07%	0.01%	0.03%	0.02%	0.06%
Total Returns (Net)	2.32%	4.85%	7.65%	29.03%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.38%	4.88%	7.74%	29.12%	N/A	N/A	N/A	N/A
Difference	-0.06%	-0.03%	-0.09%	-0.09%	N/A	N/A	N/A	N/A

For information regarding performance data, including net performance data, please refer to the section entitled "Important Information" at the end of the report.

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As of 30 Jun 2021

Middlesbrough Borough Council

R-Factor™ Summary

As of 30 Jun 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	71.86	71.87	-0.01
ESG	72.68	72.69	-0.01
Corporate Governance	44.11	44.12	-0.01

Source: SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

What is R-Factor?

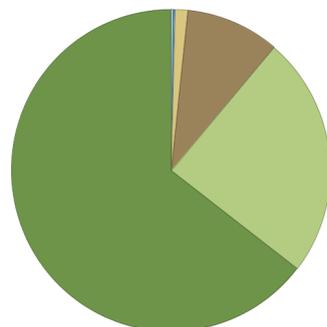
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	442	98.88%	99.81%
Total Number of Securities in Portfolio	447		

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Fund R-Factor Profile

Not Available	0.19%
Laggard	0.18%
Underperformer	1.30%
Average Performer	9.53%
Outperformer	24.25%
Leader	64.55%



Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.20%	4.20%	-0.01%	87.43
ASML Holding NV	3.25%	3.25%	-0.01%	76.95
Roche Holding Ltd	3.23%	3.13%	0.10%	66.24
LVMH Moet Hennessy Louis...	2.34%	2.34%	0.00%	79.02
SAP SE	1.87%	1.87%	0.00%	82.69
Novo Nordisk A/S Class B	1.63%	1.62%	0.01%	73.46
Siemens AG	1.43%	1.42%	0.01%	76.60
Sanofi	1.36%	1.36%	0.00%	81.58
TotalEnergies SE	1.31%	1.31%	-0.01%	77.26
L'Oreal SA	1.29%	1.28%	0.01%	89.98

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Top 5 R-Factor Ratings

Unibail-Rodamco-Westfield...	0.14%	0.14%	0.00%	97.22
Covivio SA	0.05%	0.05%	0.00%	94.16
Henkel AG & Co. KGaA	0.11%	0.11%	0.00%	93.64
Henkel AG & Co. KGaA Pref	0.22%	0.22%	0.00%	93.64
Industria de Diseno Textil S...	0.44%	0.44%	0.00%	93.16

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Bottom 5 R-Factor Ratings

Sofina SA	0.08%	0.08%	0.00%	26.94
EXOR N.V.	0.10%	0.10%	0.00%	27.20
CTS Eventim AG & Co. KGa...	0.05%	0.04%	0.00%	32.42
EMS-CHEMIE HOLDING AG	0.09%	0.08%	0.00%	32.98
PSP Swiss Property AG	0.07%	0.07%	0.00%	33.60

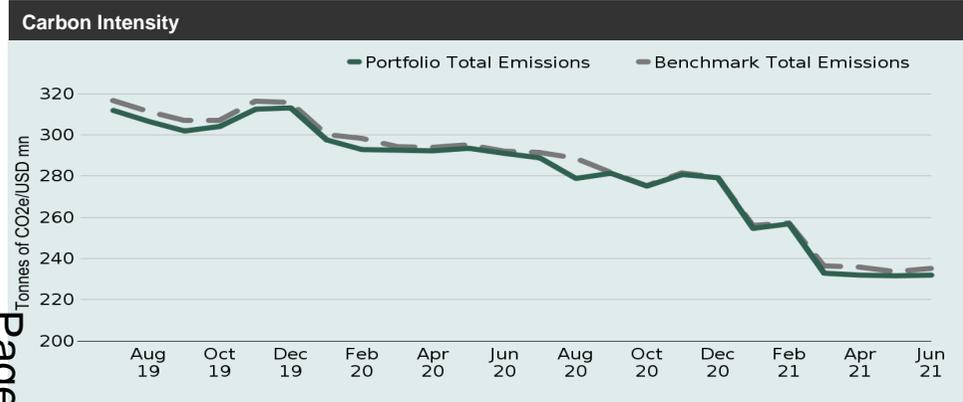
Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Climate Profile

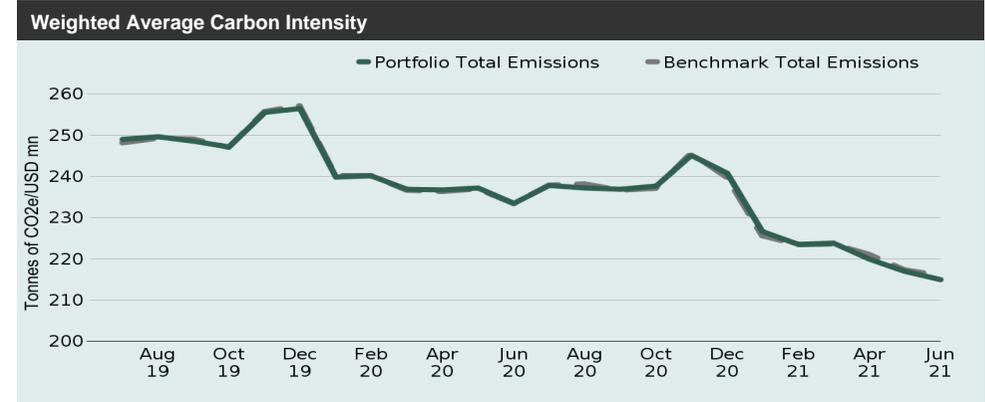
As of 30 Jun 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

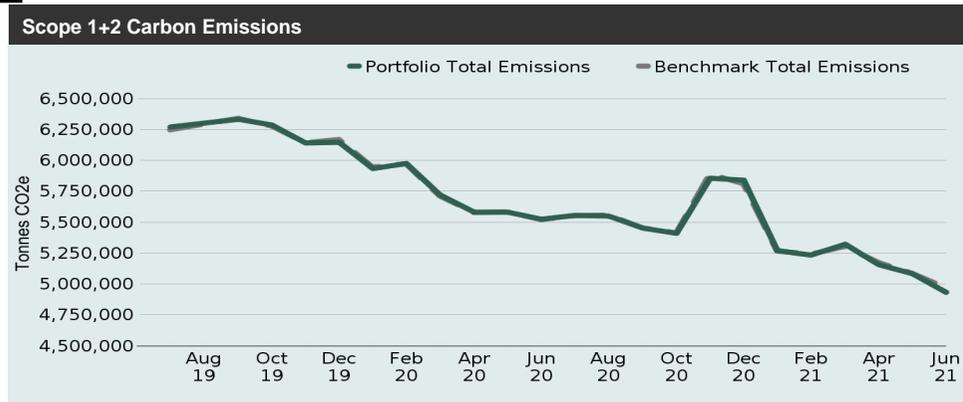
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX



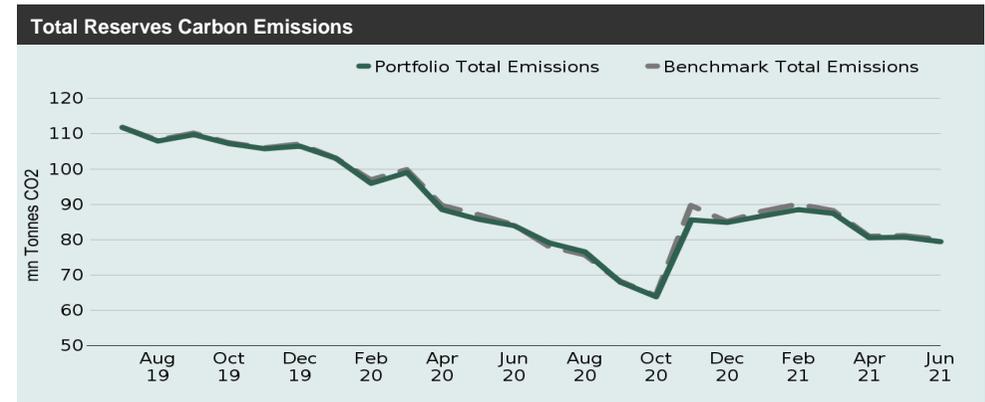
Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.

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Stewardship Profile

As of 30 Jun 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2021
Number of Meetings Voted	469
Number of Countries	14
Management Proposals	1,591
Votes for	91.89%
Votes Against	8.11%
Shareholder Proposals	36
With Management	88.89%
Against Management	11.11%

Source: SSGA as of 31 Mar 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity	
Women on Board	Number of Securities
0	10
1	27
2	59
3	92
4	83
5	66
6	56
7	33
8	10
9	8
10	2
10+	1
Not Available	0
Total	447

Source: Factset/SSGA. Holdings as of 30 Jun 2021, Factset data as of 31 May 2021.

Quarterly Investment Report - 80237

As of 30 Jun 2021

Middlesbrough Borough Council

R-Factor™ Summary

As of 30 Jun 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.60	63.55	0.05
ESG	62.23	62.18	0.05
Corporate Governance	64.24	64.17	0.07

Source: SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

What is R-Factor?

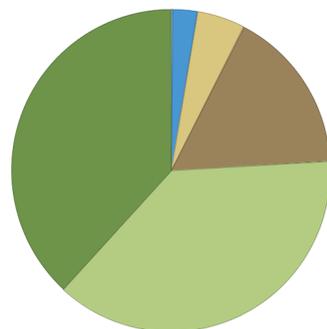
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	640	98.92%	99.86%
Total Number of Securities in Portfolio	647		

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Fund R-Factor Profile

Not Available	0.14%
Laggard	2.56%
Underperformer	4.86%
Average Performer	16.50%
Outperformer	37.74%
Leader	38.20%



Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	5.57%	5.56%	0.01%	85.70
Microsoft Corporation	5.30%	5.28%	0.02%	73.68
Amazon.com Inc.	3.88%	3.86%	0.02%	65.35
Facebook Inc. Class A	2.17%	2.15%	0.02%	58.91
Alphabet Inc. Class A	1.92%	1.90%	0.02%	58.54
Alphabet Inc. Class C	1.84%	1.84%	0.00%	58.54
Tesla Inc	1.37%	1.36%	0.00%	62.42
NVIDIA Corporation	1.24%	1.24%	0.00%	77.65
JPMorgan Chase & Co.	1.22%	1.21%	0.01%	72.52
Visa Inc. Class A	1.03%	1.02%	0.01%	71.45

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Top 5 R-Factor Ratings

HP Inc.	0.10%	0.10%	0.01%	100
Cisco Systems Inc.	0.59%	0.58%	0.01%	96.24
Host Hotels & Resorts Inc.	0.03%	0.03%	0.00%	89.53
Ball Corporation	0.07%	0.07%	0.00%	89.32
Accenture Plc Class A	0.48%	0.48%	-0.01%	87.73

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Bottom 5 R-Factor Ratings

Lennar Corporation Class A	0.07%	0.07%	0.00%	9.52
Lennar Corporation Class B	0.00%	0.00%	0.00%	9.52
Roku Inc. Class A	0.13%	0.14%	-0.01%	11.26
Constellation Software Inc.	0.07%	0.07%	0.00%	12.12
D.R. Horton Inc.	0.08%	0.08%	0.00%	13.25

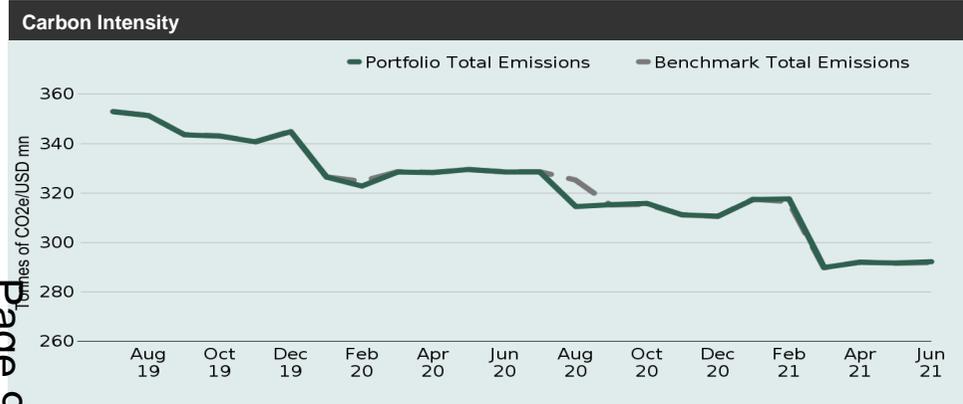
Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Climate Profile

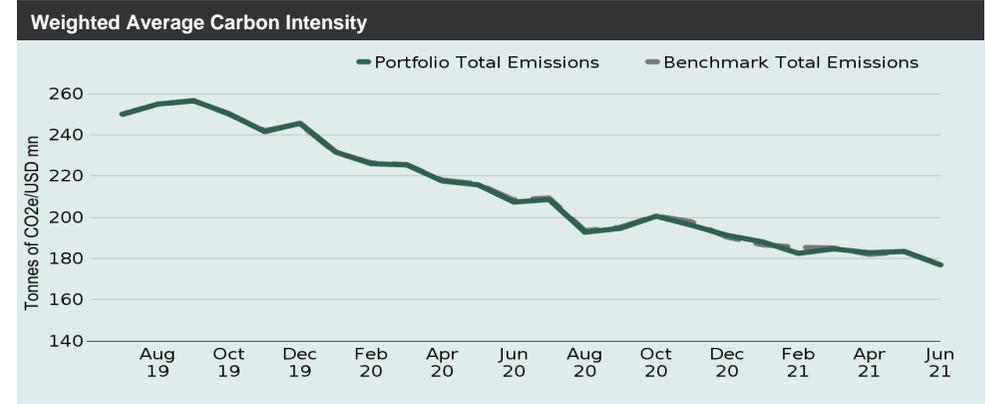
As of 30 Jun 2021

North America ESG Screened Index Equity Sub-Fund

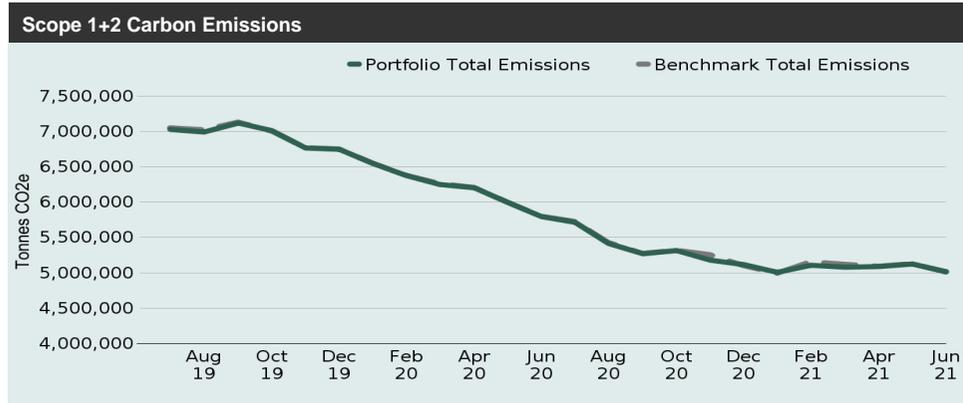
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX



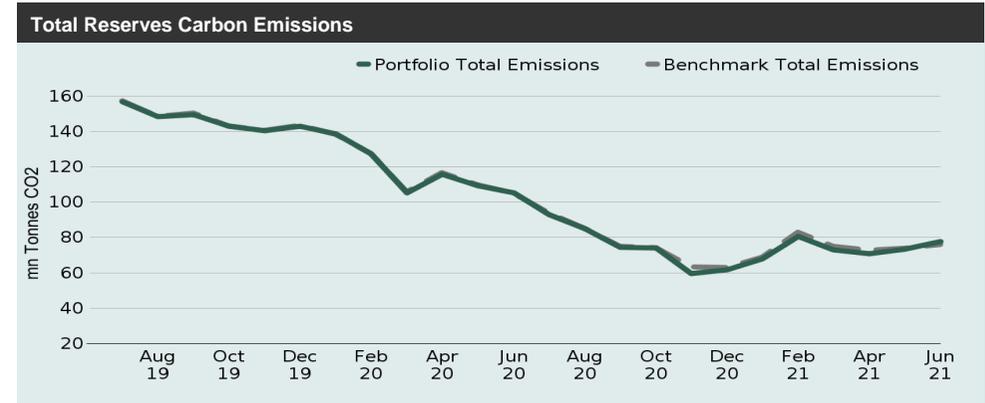
Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.

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Stewardship Profile

As of 30 Jun 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2021
Number of Meetings Voted	617
Number of Countries	7
Management Proposals	556
Votes for	92.45%
Votes Against	7.55%
Shareholder Proposals	16
With Management	87.50%
Against Management	12.50%

Source: SSGA as of 31 Mar 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity	
Women on Board	Number of Securities
0	1
1	33
2	150
3	230
4	146
5	57
6	20
7	5
8	2
9	0
10	0
10+	0
Not Available	3
Total	647

Source: Factset/SSGA. Holdings as of 30 Jun 2021, Factset data as of 31 May 2021.

R-Factor™ Summary

As of 30 Jun 2021

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	60.59	60.58	0.01
ESG	58.95	58.93	0.02
Corporate Governance	66.30	66.29	0.01

Source: SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

What is R-Factor?

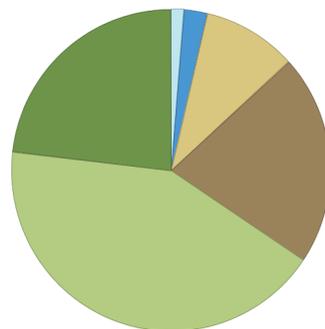
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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	480	95.05%	98.73%
Total Number of Securities in Portfolio	505		

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Fund R-Factor Profile

Not Available	1.27%
Laggard	2.38%
Underperformer	9.61%
Average Performer	21.14%
Outperformer	42.42%
Leader	23.18%



Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.86%	4.86%	-0.01%	66.60
Sony Group Corporation	2.74%	2.72%	0.01%	82.20
SoftBank Group Corp.	2.15%	2.15%	0.00%	56.97
Keyence Corporation	2.05%	2.05%	0.00%	41.68
Shin-Etsu Chemical Co Ltd	1.51%	1.50%	0.01%	61.13
Mitsubishi UFJ Financial Gr...	1.51%	1.51%	0.00%	60.49
Recruit Holdings Co. Ltd.	1.48%	1.49%	0.00%	67.59
Tokyo Electron Ltd.	1.44%	1.44%	-0.01%	73.76
Nintendo Co. Ltd.	1.41%	1.40%	0.01%	64.03
Honda Motor Co. Ltd.	1.24%	1.23%	0.01%	77.86

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Top 5 R-Factor Ratings

Konica Minolta Inc.	0.06%	0.06%	0.01%	88.56
Kao Corp.	0.65%	0.64%	0.01%	83.02
Sony Group Corporation	2.74%	2.72%	0.01%	82.20
Japan Real Estate Investme...	0.18%	0.18%	0.00%	81.26
Nippon Paper Industries Co....	0.03%	0.02%	0.00%	80.72

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Bottom 5 R-Factor Ratings

Relo Group Inc.	0.05%	0.05%	0.00%	5.25
ABC-MART INC.	0.04%	0.03%	0.00%	14.30
Japan Airport Terminal Co....	0.05%	0.05%	0.00%	19.09
Zensho Holdings Co. Ltd.	0.05%	0.06%	0.00%	19.51
Iida Group Holdings Co. Ltd.	0.08%	0.08%	0.00%	19.65

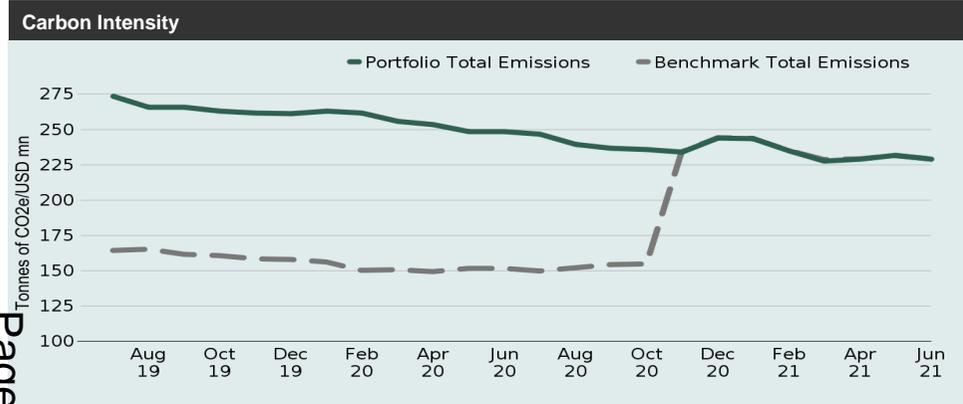
Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Climate Profile

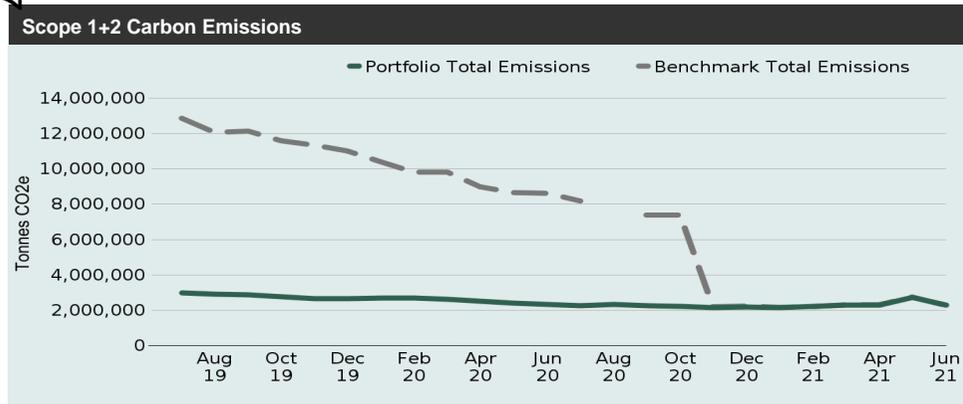
As of 30 Jun 2021

Japan ESG Screened Index Equity Sub-Fund

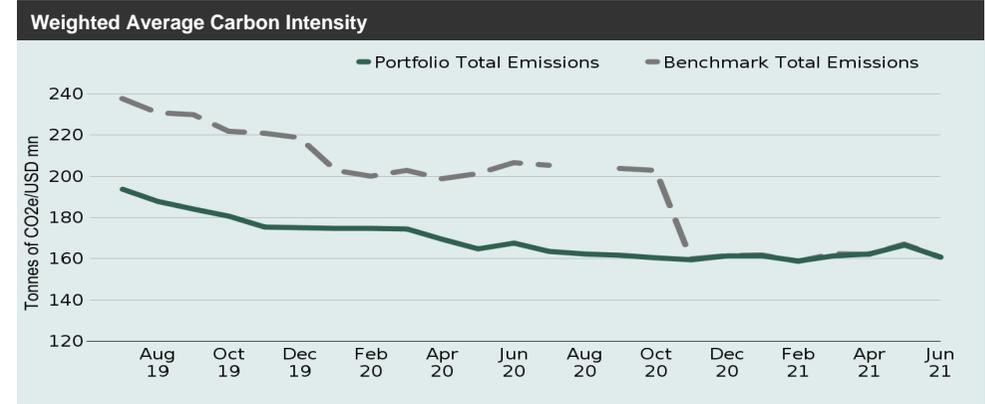
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX



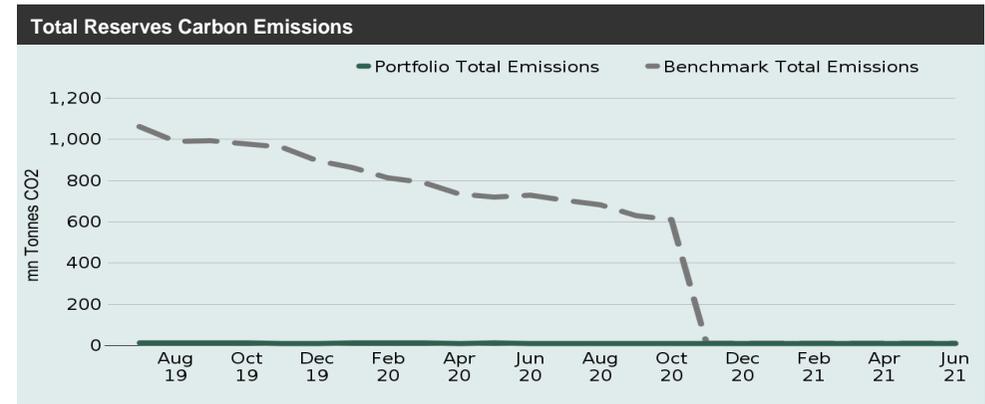
Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.

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Quarterly Investment Report - 80237

As of 30 Jun 2021

Middlesbrough Borough Council

Stewardship Profile

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2021
Number of Meetings Voted	525
Number of Countries	1
Management Proposals	721
Votes for	93.76%
Votes Against	6.24%
Shareholder Proposals	0
With Management	0%
Against Management	0%

Source: SSGA as of 31 Mar 2021

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As of 30 Jun 2021

Gender Diversity	
Women on Board	Number of Securities
0	175
1	227
2	82
3	18
4	3
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	505

Source: Factset/SSGA. Holdings as of 30 Jun 2021, Factset data as of 31 May 2021.

R-Factor™ Summary

As of 30 Jun 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	61.27	61.32	-0.05
ESG	60.93	60.98	-0.05
Corporate Governance	54.27	54.29	-0.02

Source: SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

What is R-Factor?

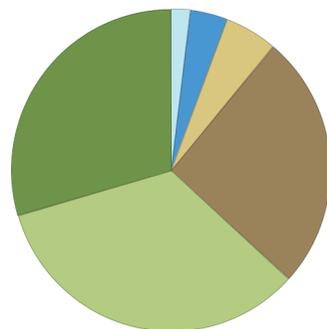
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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	371	94.88%	98.04%
Total Number of Securities in Portfolio	391		

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Fund R-Factor Profile

Not Available	1.96%
Laggard	3.78%
Underperformer	5.36%
Average Performer	25.65%
Outperformer	33.68%
Leader	29.55%



Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	10.27%	10.26%	0.02%	80.77
AIA Group Limited	4.59%	4.59%	0.00%	68.68
Commonwealth Bank of Aus...	4.06%	4.07%	-0.01%	66.56
CSL Limited	2.97%	2.97%	-0.01%	64.02
Hong Kong Exchanges & Cl...	2.31%	2.31%	0.00%	64.81
Westpac Banking Corporati...	2.17%	2.17%	-0.01%	66.43
National Australia Bank Limi...	1.98%	1.98%	-0.01%	68.22
Australia and New Zealand...	1.83%	1.84%	-0.01%	70.82
SK hynix Inc	1.78%	1.78%	0.00%	68.60
Samsung Electronics Co Ltd...	1.64%	1.64%	0.00%	80.77

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Top 5 R-Factor Ratings

Dexus	0.26%	0.26%	0.00%	95.44
GPT Group	0.22%	0.22%	0.00%	91.64
COWAY Co. Ltd.	0.12%	0.12%	0.00%	82.02
Lenovo Group Limited	0.26%	0.26%	0.00%	81.63
Samsung Electronics Co Ltd...	1.64%	1.64%	0.00%	80.77

Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Bottom 5 R-Factor Ratings

KOREA INVESTMENT HOLD...	0.11%	0.11%	0.00%	0
HOTEL SHILLA CO. LTD.	0.08%	0.08%	0.00%	9.78
Medy-Tox Inc.	0.03%	0.03%	0.00%	10.88
Hanssem Co. Ltd	0.03%	0.03%	0.00%	11.08
LS Corp.	0.03%	0.03%	0.00%	12.42

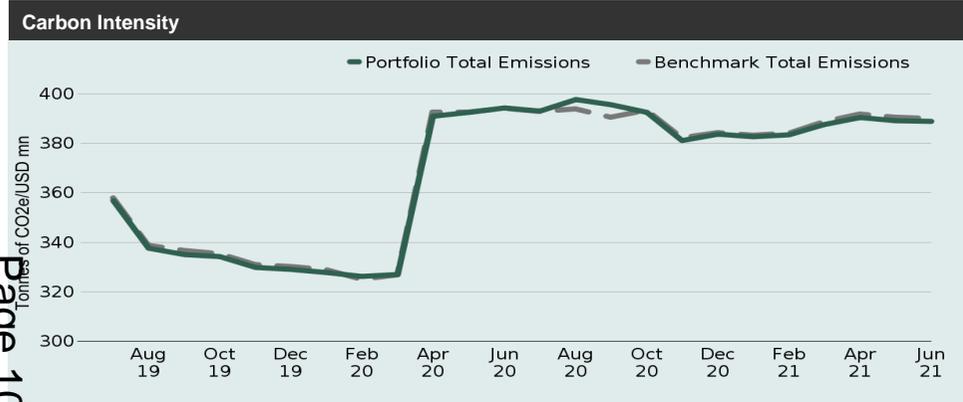
Source: Factset/SSGA. Holdings as of 30 Jun 2021, R-Factor data as of 31 May 2021.

Climate Profile

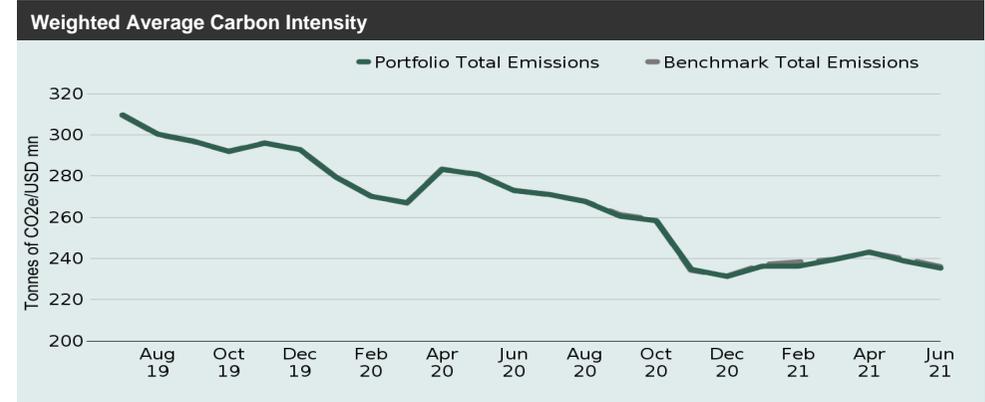
As of 30 Jun 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

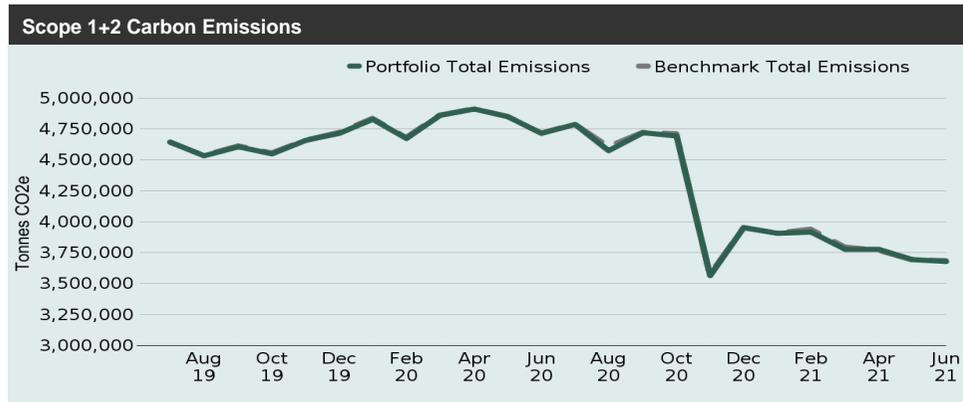
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX



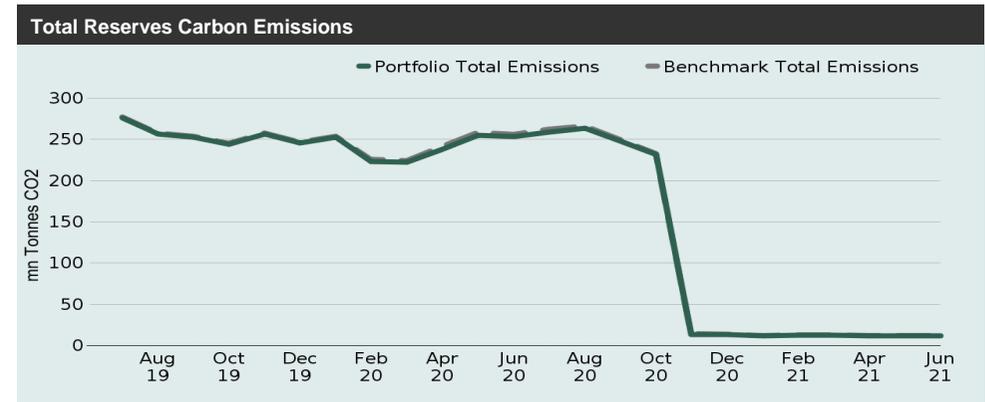
Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.



Source: SSGA Holdings as of 30 Jun 2021. Trucost data as of 31 May 2021.

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Stewardship Profile

As of 30 Jun 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2021
Number of Meetings Voted	393
Number of Countries	6
Management Proposals	972
Votes for	79.42%
Votes Against	20.58%
Shareholder Proposals	6
With Management	100%
Against Management	0%

Source: SSGA as of 31 Mar 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity	
Women on Board	Number of Securities
0	119
1	79
2	77
3	81
4	25
5	6
6	0
7	0
8	1
9	0
10	0
10+	0
Not Available	3
Total	391

Source: Factset/SSGA. Holdings as of 30 Jun 2021, Factset data as of 31 May 2021.

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As of 30 Jun 2021

Middlesbrough Borough Council

Relationship Management Team



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Important Information

- R-Factor™ is an ESG scoring system that leverages commonly accepted materiality frameworks to generate a unique ESG score for listed companies. The score is powered by ESG data from four different providers in an effort to improve overall coverage and remove biases inherent in existing scoring methodologies. R-Factor™ is designed to put companies in the driver's seat to help create sustainable markets.
- R-Factor™ Scores are comparable across industries. The ESG and Corporate Governance (CorpGov) scores are designed to be based on issues that are material to a company's industry and regulatory region. A uniform grading scale allows for interpretation of the final company level score to allow for comparison across companies.
- Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.
- The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.
- The R-Factor™ scoring process comprises two underlying components. The first component is based on the framework published by the Sustainability Accounting Standards Board ("SASB"), which is used for all ESG aspects of the score other than those relating to corporate governance issues. The SASB framework attempts to identify ESG risks that are financially material to the issuer-based on its industry classification. This component of the R-Factor™ score is determined using only those metrics from the ESG data providers that specifically address ESG risks identified by the SASB framework as being financially material to the issuer-based on its industry classification.
- The second component of the score, the CorpGov score, is generated using region-specific corporate governance codes developed by investors or regulators. The governance codes describe minimum corporate governance expectations of a particular region and typically address topics such as shareholder rights, board independence and executive compensation. This component of the R-Factor™ uses data provided by ISS Governance to assign a governance score to issuers according to these governance codes.
- Within each industry group, issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five ESG performance classes (Laggard - 10% of universe, Underperformer - 20% of universe, Average Performer - 40% of universe, Outperformer - 20% of universe or Leader - 10% of universe) by comparing the company's R-Factor™ score against a band. R-Factor™ scores are normally distributed using normalized ratings on a 0-100 rating scale.
- Discrepancy between the number of holdings in the R-Factor™ Summary versus the number of holdings in the regular reporting package may arise as the R-Factor™ Summary is counted based on number of issuers rather than number of holdings in the portfolio.
- For examples of public language regarding R-Factor see the ELR Registration Statement here: <https://www.sec.gov/Archives/edgar/data/1107414/000119312519192334/d774617d497.html>
- Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).
- Weighted Average Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over

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Middlesbrough Borough Council

revenues), weighted by the proportion of each constituent in the index.

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO₂e. The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company
- Total Reserves CO₂ Emissions - Measured in Metric tons of CO₂. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested. Unlike carbon intensity and carbon emissions, the S&P Trucost Total Reserves Emissions metric is a very specific indicator that is only applicable to a very selected number of companies in extractive and carbon-intensive industries. Those companies are assigned Total Reserves Emissions numerical results by Trucost, whereas the rest of the holdings in other industries do not have numerical scores and are instead displaying "null", blank values. In order to present a more comprehensive overview of a portfolio's overall weighted average fossil fuel reserves, State Street Global Advisors replaces blank results with "zeros". While that might slightly underestimate the final weighted average volume, it provides a more realistic result, given that most companies in global indices have no ownership of fossil fuel reserves.
- We are currently using FactSet's own "People" dataset to disclose the number of women on the board, for each company in the Fund's portfolio.
- Data and metrics have been sourced as follows from the following contributors as of the date of this report, and are subject to their disclosures below. All other data has been sourced by SSGA.
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- All data sourced by State Street Global Advisors Limited unless stated otherwise.
- All valuations are based on Trade Date accounting.
- Performance figures are calculated 'Gross of Fees' unless otherwise stated.
- Returns are annualised for periods greater than one year.
- Returns are calculated using the accrual accounting method.
- Performance figures are calculated by the Modified Dietz method or by the True Time-Weighted return method.
- Past performance is not necessarily indicative of future investment performance.
- Performance returns greater than one year are calculated using a daily annualisation formula. Returns for the same time period based on other formulas, such as monthly annualisation, may produce different results.
- The account summary page details the opening balance at the start of the reporting period which is the equivalent of the closing balance of the previous reporting period.
- If you are invested into any pooled fund or common trust fund, it may use over-the-counter swaps, derivatives or a synthetic instrument (collectively "Derivatives") to increase or decrease exposure in a particular market, asset class or sector to effectuate the fund's strategy. Derivatives agreements are privately negotiated agreements between the fund and the counterparty, rather than an exchange, and therefore Derivatives carry risks related to counterparty creditworthiness, settlement default and market conditions. Derivatives agreements can require that the fund post collateral to the counterparty consistent with the mark-to-market price of the Derivative. SSGA makes no representations or assurances that the Derivative will perform as intended.
- If you are invested in an SSGA commingled fund or common trust fund that participates in State Street's securities lending program (each a "lending fund"), the Fund participates in an agency securities lending program sponsored by State Street Bank and Trust Company (the "lending agent") whereby the lending agent may lend up to 100% of the Fund's securities, and invest the collateral posted by the borrowers of those loaned securities in collateral reinvestment funds (the "Collateral Pools"). The Collateral Pools are not registered money market funds and are not guaranteed investments. The Fund compensates its lending agent in connection with operating and maintaining the securities lending program. SSGA acts as investment manager for the Collateral Pools and is compensated for its services. The Collateral Pools are managed to a specific investment objective as set forth in the governing documents for the Collateral Pools. For more information regarding the Collateral Pool refer to the "US Cash Collateral Strategy Disclosure Document." Securities lending programs and the subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investments held in the Collateral Pool may decline in value, be sold at a loss or incur credit losses. The net asset value of the Collateral Pool is subject to market conditions and will fluctuate and may decrease in the future. More information on the securities lending program and on the Collateral Pools, including the "US Cash Collateral Strategy Disclosure Document" and the current mark to market unit price are available on Client's Corner and also available upon request from your SSGA Relationship Manager.
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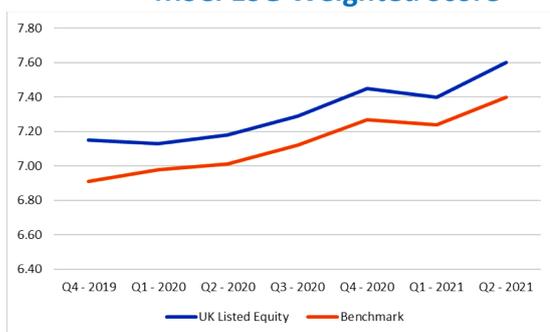
- If you are invested in a Luxembourg sub-fund applying swing pricing (as set out in the prospectus of the SSGA Luxembourg SICAV, the "Prospectus"), performance of the fund is calculated on an unswung pricing basis, however, the fund price quoted and your mandate's return may be adjusted to take into consideration any Swing Pricing Adjustment (as defined in the Prospectus) . Please refer to the Prospectus for further information.
- The Net performance returns reflected in the Performance Summary report is from Jan 2020 reporting onwards.

ESG Summary

Fund	Q2 2021 Position ¹		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
UK Listed Equity	AAA ¹	7.6 ¹	
Benchmark (FTSE All Share)	AAA ¹	7.4 ¹	

¹Source: MSCI ESG Research 16/07/2021

MSCI ESG Weighted Score ¹



¹Source: MSCI ESG Research 16/07/2021

ESG Ratings Distribution ^{1, 2}



¹Source: MSCI ESG Research 16/07/2021

MSCI ESG Ratings



Highest ESG Rated Companies ¹			Lowest ESG Rated Companies ¹		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Diageo PLC	3.8%	AAA ¹	Melrose Industries PLC	0.6%	BB ¹
National Grid PLC	1.8%	AAA ¹	Fresnillo PLC	0.4%	BB ¹
RELX PLC	1.8%	AAA ¹	TP ICAP PLC	0.3%	BB ¹
CRH Public Limited	1.5%	AAA ¹	Capital & Counties Prop.	0.3%	BB ¹
Ferguson PLC	1.3%	AAA ¹	Rolls-Royce	0.2%	BB ¹

¹Source: MSCI ESG Research 16/07/2021

ESG Commentary

- High quality Fund from an ESG perspective with a consistent AA or AAA rating since launch. The ESG Weighted score has increased again in Q2 2021.
- Consistently above benchmark (itself highly rated by MSCI). The Fund has a higher exposure to ESG Leaders with no exposure to ESG Laggards.

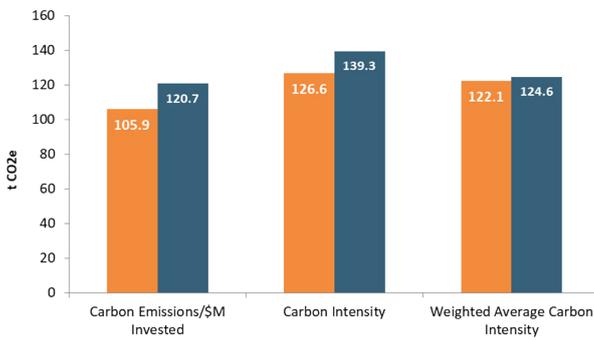
Feature Stock: Melrose Industries PLC

Melrose Industries PLC (Melrose) has a strong track record of acquiring underperforming industrial businesses, improving/restructuring and then exiting the investment. The acquisition of GKN in 2018 has proved more challenging, not least due to exposure to the automotive and aerospace industries during the pandemic. The prospects for both, however, are improving. Melrose is a beneficiary of the switch to electric vehicles, manufacturing several key components, whilst simultaneously reducing its internal combustion engine (ICE) exposure. The recently announced disposals of Nortek Air and Brush have demonstrated the Melrose model is back on track, enabling a return to shareholder distributions.

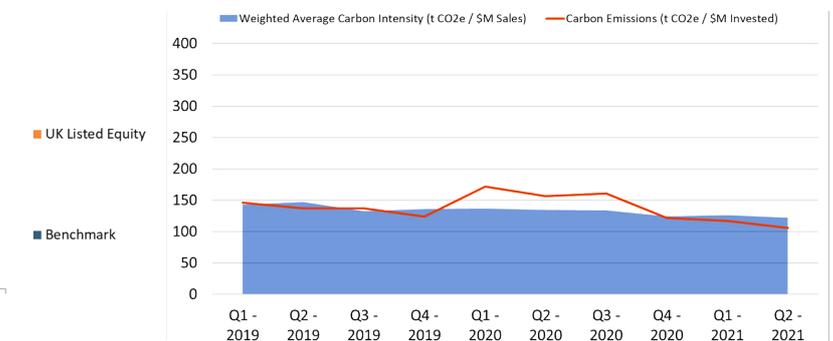
Melrose is currently rated as 'BB' by MSCI. The company is rated above the industry average for governance and opportunities in clean technology. Given the business model of acquiring businesses, labour management and unrest is highlighted as a key risk. However, Melrose has strong practices in areas such as collective agreements and staff benefits and has not witnessed any strikes or material unrest within the last three years.

¹ Source: MSCI ESG Research LLC. 16/07/2021 ² Companies not covered are detailed in the footnote on page 3.

Carbon Summary ¹

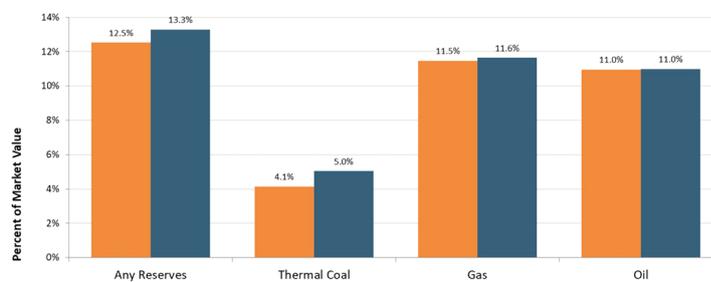


¹Source: MSCI ESG Research 16/07/2021



¹Source: MSCI ESG Research 16/07/2021

Weight of Holdings Owning Fossil Fuel Reserves ¹



¹Source: MSCI ESG Research 16/07/2021

Largest Contributors to Weighted Average Carbon Intensity ¹

	Company	Contribution	CA100+	TPI Level
1	CRH PLC	17% ¹	Yes	4
2	Rio Tinto PLC	13% ¹	Yes	4
3	Royal Dutch Shell PLC	11% ¹	Yes	4
4	BHP Group PLC	9% ¹	Yes	4*
5	National Grid PLC	6% ¹	Yes	4

¹Source: MSCI ESG Research 16/07/2021

Carbon Commentary

- Carbon emissions, carbon intensity and weighted average carbon intensity have all decreased in the quarter and remain below the index.
- The top 5 contributors to weighted carbon intensity, accounting for 50% of total portfolio carbon intensity, are all ranked highly by the Transition Pathway Initiative (TPI) and are under engagement by Climate Action 100+ (CA100+).

Feature Stock: CRH

CRH is a leading global diversified building material business, which manufactures and supplies a range of products including concrete, asphalt, and cement. Approximately half of its revenues come from the US. The company has a high carbon footprint as a function of its exposure to cement within its business mix. There are substitutes for cement in a modest number of uses, which remains a critical component in the construction industry, however its carbon footprint is expected to reduce as electricity generation shifts more towards renewable energy.

CRH has an ambition to achieve carbon neutrality along the cement and concrete value chain by 2050 and has committed to reducing the CO₂ intensity of cement products by 2030. The company is rated at level 4 by the Transition Pathway Initiative (companies are rated between Level 0 and Level 4*) which indicates that CRH is considering climate risk as part of its business strategy.

² Issuers Not Covered

Reason	Percent (%)
Company not covered	0.8%
Investment Trust	4.1%
Fund	1.0%
Cash	2.8%

Important Information

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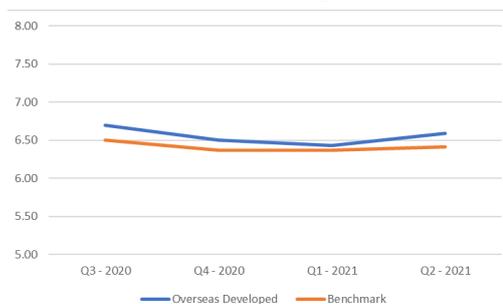
PENSIONS PARTNERSHIP

ESG Summary – Overseas Developed ¹

Fund	Q2 2021 Position ¹		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
Overseas Developed Markets Fund	A ¹	6.6 ¹	
Benchmark	A ¹	6.4 ¹	

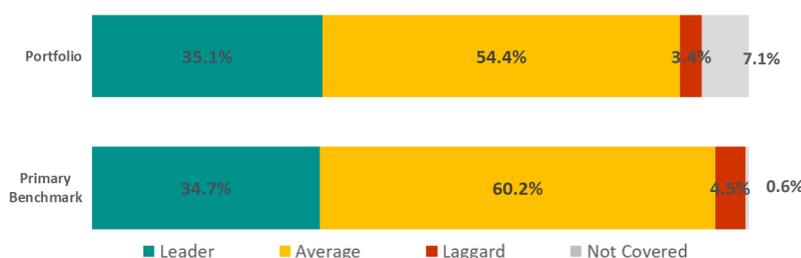
¹Source: MSCI ESG Research 16/07/2021

MSCI ESG Weighted Score ¹



¹Source: MSCI ESG Research 16/07/2021

ESG Ratings Distribution ^{1,2}



MSCI ESG Ratings

AAA	LEADER
AA	
A	AVERAGE
BBB	
BB	
B	LAGGARD
CCC	

¹Source: MSCI ESG Research 16/07/2021

Highest ESG Rated Companies ¹			Lowest ESG Rated Companies ¹		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Microsoft Corporation	2.8%	AAA ¹	Jardine Matheson	0.1%	CCC ¹
ASML Holding N.V	1.3%	AAA ¹	Facebook, Inc.	1.0%	B ¹
NVIDIA Corp.	1.1%	AAA ¹	Pfizer Inc	0.4%	B ¹
Novo Nordisk	0.8%	AAA ¹	Hyundai Motor Company	0.4%	B ¹
L'Oréal SA	0.7%	AAA ¹	Charter Communications	0.3%	B ¹

¹Source: MSCI ESG Research 16/07/2021

ESG Commentary

- The Fund's weighted ESG score increased in the quarter. It remains rated as an 'A' by MSCI and above the benchmark.
- Last quarter Jardine Matheson was downgraded by MSCI from B to CCC due to scoring methodology enhancements and not based on a material change at the company.

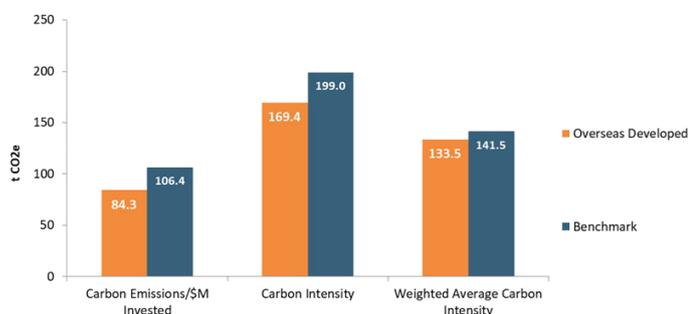
Featured stock: Jardine Matheson

Jardine Matheson ("JM") is a holding company with a diversified portfolio of companies across a wide range of sectors including property, retail, leisure, engineering and transport. Historically, the company has underperformed the Fund's benchmark due, in part, to being penalised by the market for a relatively complicated corporate structure (via Jardine Strategic - "JS") and the onset of COVID-19 impacting much of their business. However, since the announcement of the privatisation of JS in March 2021, the complexity of the structure has reduced, and the shares have subsequently outperformed. JM gives the Fund a well-diversified asset portfolio for recovery from the potentially subsiding COVID-19 impact over the next 12 months.

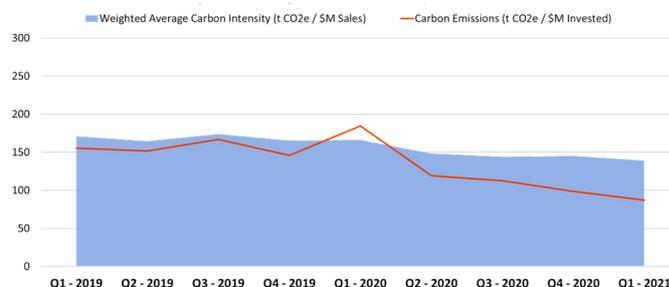
Last quarter JM was downgraded to CCC by MSCI primarily based on historic governance concerns regarding its cross-holding structure and the controlling power of the founding family who possess 75% of voting the rights. Border To Coast, like other shareholders, have expressed concerns at prior AGMs on these issues. The company has begun to address these issues by starting to unwind the cross-holding structure and reducing the family's controlling power to less than 50%. These changes are likely to be concluded by May 2022. JM is also addressing concerns regarding the approach to climate change by developing a new Sustainability Strategy and starting to monitor carbon emissions and targets in 2021.

¹ Source: MSCI ESG Research LLC. 16/07/2021 ² Companies not covered are detailed in the footnote on page 3.

Carbon Summary ¹

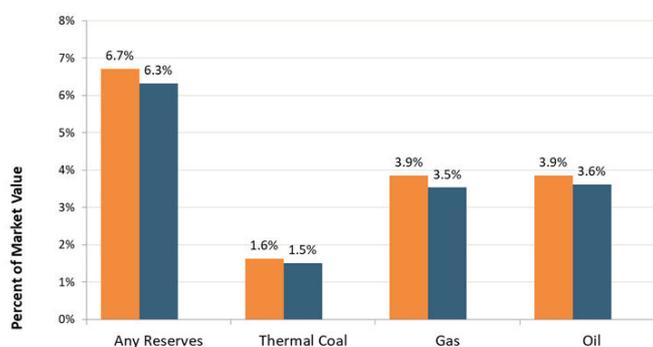


¹Source: MSCI ESG Research 16/07/2021



¹Source: MSCI ESG Research 16/07/2021

Weight of Holdings Owning Fossil Fuel Reserves ¹



¹Source: MSCI ESG Research 16/07/2021

Largest Contributors to Weighted Average Carbon Intensity ¹

	Company	Contribution	CA100+	TPI Level
1	RWE	12% ¹	Yes	3
2	Holcim	9% ¹	Yes	4
3	NextEra Energy	7% ¹	Yes	2
4	Linde PLC.	5% ¹	No	3
5	Air Liquide	4% ¹	Yes	4*

¹Source: MSCI ESG Research 16/07/2021

Carbon Commentary

- Carbon emissions, carbon intensity and WACI all reduced in the quarter. The Fund is below the index for all carbon metrics which is primarily driven by a sectoral underweight to utilities.
- The majority of the top 5 contributors to weighted carbon intensity are rated highly by the Transition Pathway Initiative and/or are under engagement by Climate Action 100+.

Feature Stock: RWE

RWE is a German utility company which generates and trades electricity. The company currently trades at a 13% discount to its nearest competitor and a 26% discount to its peer group average. The stock is expected to re-rate to a higher valuation as the company transitions away from coal to renewables. RWE's current power generation base is 27% coal, 35% gas, 7% nuclear, 25% renewables and 6% pumped storage and batteries. Germany is seeking to end coal-fired power generation by 2038 at the latest. An asset swap with E.ON in 2020, resulted in the company becoming the third-largest renewable energy producer in Europe behind Enel and Iberdrola.

RWE has ambitious climate protection plans which are in line with the targets of the 2015 Paris Climate Agreement. The company is expected to be climate-neutral by 2040, while carbon emissions are to be reduced by 75% by 2030, compared to 2012. RWE is investing heavily in renewables, with net investments of €5bn by 2022. RWE is one of a small number of companies covered by the Climate Action 100+ Net-Zero Company Benchmark which has explicitly committed to align future capital expenditure with long-term emissions reduction targets.

¹ Source: MSCI ESG Research LLC. 16/07/2021

² Issuers Not Covered

Reason	Percent (%)
Company not covered	0.0%
Investment Trust / Fund	5.1%
Cash	2.0%

Important Information

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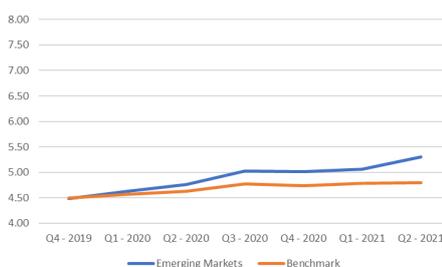
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ESG Summary ¹

Fund	Q2 2021 Position ¹		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
Emerging Markets Equity	BBB ¹	5.3 ¹	
Benchmark (FTSE Emerging)	BBB ¹	4.8 ¹	

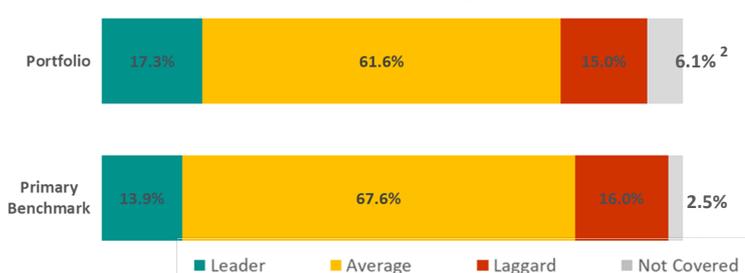
¹Source: MSCI ESG Research 16/07/2021

MSCI ESG Weighted Score ¹



¹Source: MSCI ESG Research 16/07/2021

ESG Ratings Distribution ^{1,2}



¹Source: MSCI ESG Research 16/07/2021

MSCI ESG Ratings



Highest ESG Rated Companies ¹			Lowest ESG Rated Companies ¹		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Taiwan Semiconductor Ltd.	6.1%	AAA ¹	Kweichow Moutai Co Ltd	1.0%	CCC ¹
Banco Bradesco S.A.	1.3%	AA ¹	Vale S.A.	0.9%	CCC ¹
Hong Kong Exchanges	1.0%	AA ¹	Petrochina Company Limited	0.8%	CCC ¹
B3 S.A.	1.0%	AA ¹	Sun Pharmaceutical	0.8%	CCC ¹
Fubon Financial Holding	1.0%	AA ¹	Pt Gudang Garam Tbk	0.7%	CCC ¹

¹Source: MSCI ESG Research 16/07/2021

ESG Commentary

- Following the creation of the externally managed China sleeve to supplement the existing Emerging Market Equity Fund, the benchmark has been changed. Therefore, Q2 2021 ESG data is considerably different to previous quarters.
- The Fund has a “BBB” MSCI ESG rating, typical in this geography and in-line with the Fund historically. The fund is above the benchmark for weighted ESG Score and consists of more ESG Leaders and less ESG laggards than the benchmark.

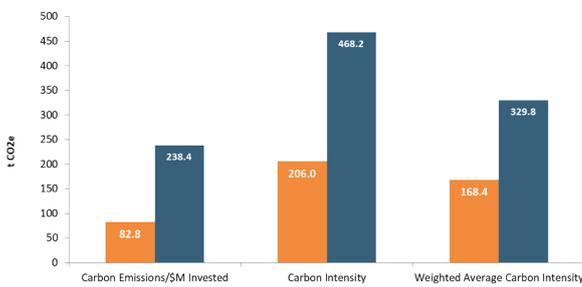
Feature Stock: Kweichow Moutai Co Ltd

Moutai manufactures and distributes the spirit baijiu, a distilled Chinese liquor. It is one of China’s most recognisable luxury consumer brands, with a dominant market share in the premium beverage category with strong pricing power. The company also benefits from a large distribution network. Brand strength and an increasing focus on direct-to-consumer sales are expected to support continued growth and profitability.

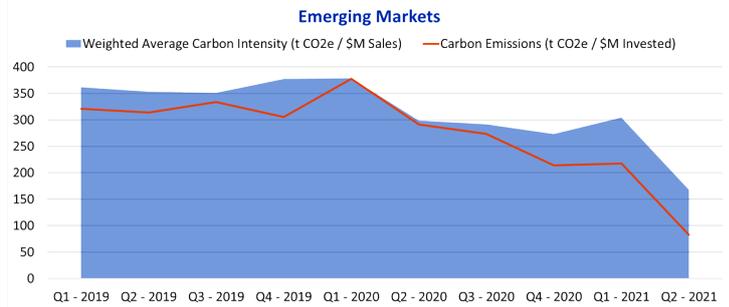
Moutai has pro-actively undertaken various environmental projects to conserve soil, energy, and water, as well as reduce pollution levels in the Chishui River, its main water source. The company is also seeking to make a positive social contribution by providing support to farmers in order to increase productivity. As a State-Owned Entity, the company does score below peers on governance owing to a perceived risk of corruption and would benefit from enhanced practices and disclosure. The Government is supportive of modernisation methods to improve alignment with minority shareholders. Increased external recognition of such initiatives should help to support the stock’s valuation over time.

¹ Source: MSCI ESG Research LLC. 16/07/2021 ² Companies not covered are detailed in the footnote on page 3.

Carbon Summary ¹

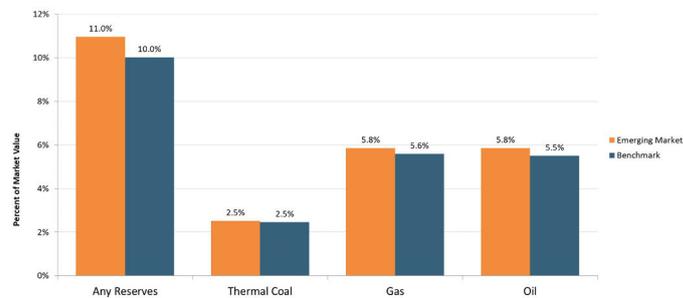


¹Source: MSCI ESG Research 16/07/2021



¹Source: MSCI ESG Research 16/07/2021

Weight of Holdings Owning Fossil Fuel Reserves ¹



¹Source: MSCI ESG Research 16/07/2021

Largest Contributors to Weighted Average Carbon Intensity ¹

	Company	Contribution	CA100+	TPI Level
1	Taiwan Semiconductor Manufacturing	12% ¹	No	–
2	Tenaga Nasional Berhad	7% ¹	Yes	1
3	Reliance Industries Limited	5% ¹	Yes	1
4	Petroleo Brasileiro S.A. (Petrobras)	5% ¹	Yes	4
5	SITC International Holdings Co Ltd	4% ¹	No	–

¹Source: MSCI ESG Research 16/07/2021

Carbon Commentary

- Following the creation of the externally managed China sleeve to supplement the existing Emerging Market Equity Fund, the benchmark has been changed. Consequently Q2 2021 carbon data is considerably different to previous quarters and for that reason hard to compare.
- However, the Fund is significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity.

Feature Stock: Taiwan Semiconductor Manufacturing

TSMC is a contract manufacturer for semiconductor companies. It has a dominant global market share, exceeding 50%, and manufactures semiconductors for chip design companies that do not have their own manufacturing facilities. It also manufactures for integrated chip companies, such as Intel, which have outsourced some production. It is a market leader in innovation, supported by extensive research and development expenditure which drives economies of scale and creates a significant competitive advantage. This results in high margins and free cash flow generation which supports capital expenditure and an increasing dividend.

TSMC has historically been one of the leaders in ESG in Emerging Markets and MSCI has recently upgraded the company to the highest rating of AAA. The company became the first semiconductor company worldwide to commit to resource 100% renewable power globally by 2050 and has set a target of 100% of power from renewable sources by 2030.

¹ Source: MSCI ESG Research LLC. 16/07/2021

² Issuers Not Covered

Reason	Percent (%)
Company	2.2%
Investment Trust	0.4%
Fund	1.8%
Cash	1.7%

Important Information

The material in this report has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

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* In accordance with the licence agreement between Border to Coast and MSCI

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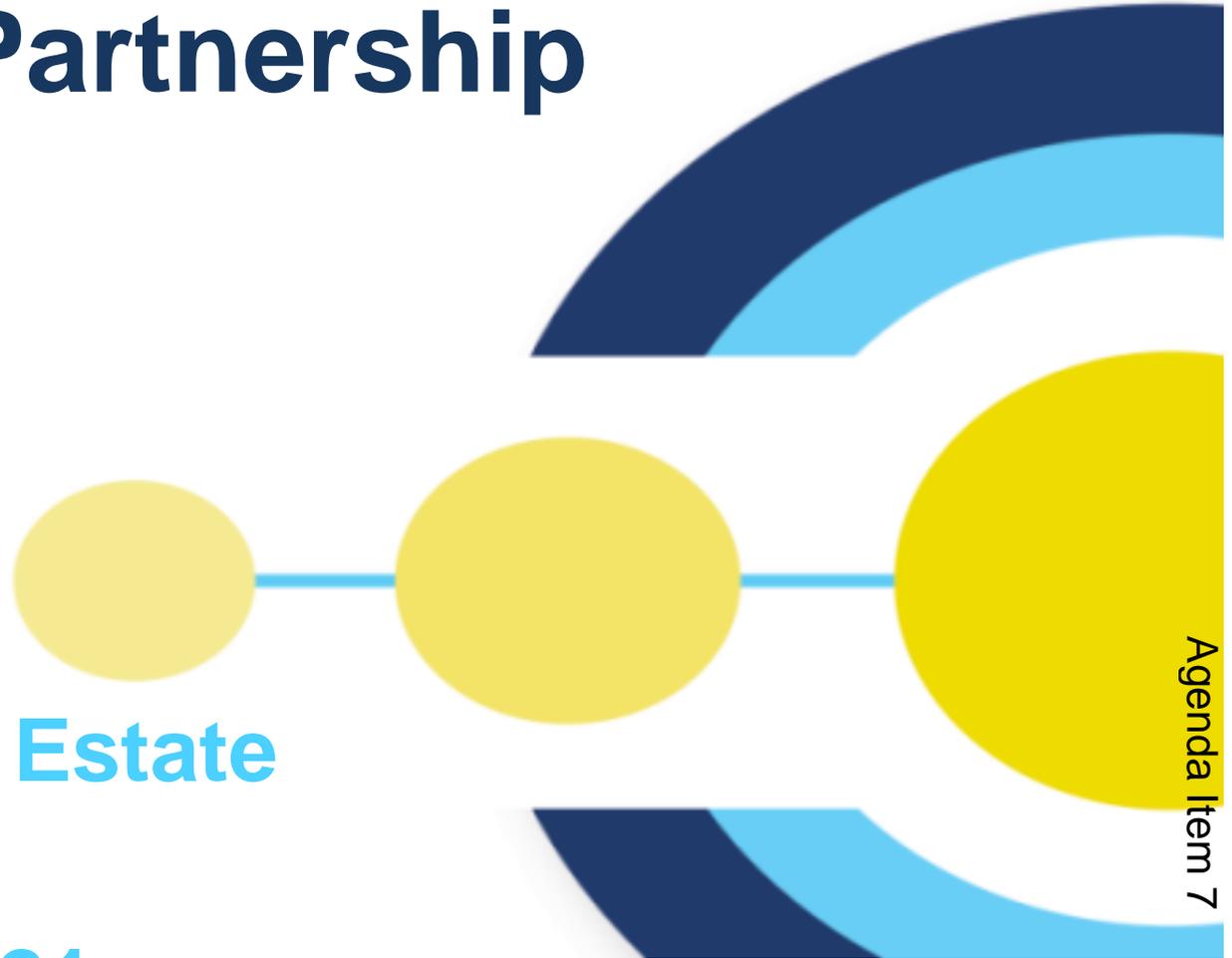
Border to Coast Pensions Partnership

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Teesside Real Estate
Update

8th October 2021

Agenda Item 7

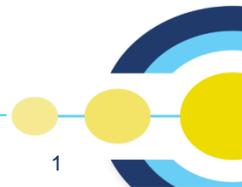


Introduction

Agenda

- Update on UK proposition
- Update on Global proposition
- Business case for Teesside
- Timeline
- Conclusion

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UK Proposition

Main UK Fund

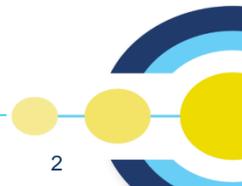
- Mostly physical real estate investments
- Minimal operating cash
- Long-term investment approach
- Targeting CPI +4% over the long term
- Regulated, unitised structure
- Sub fund within CoACS structure

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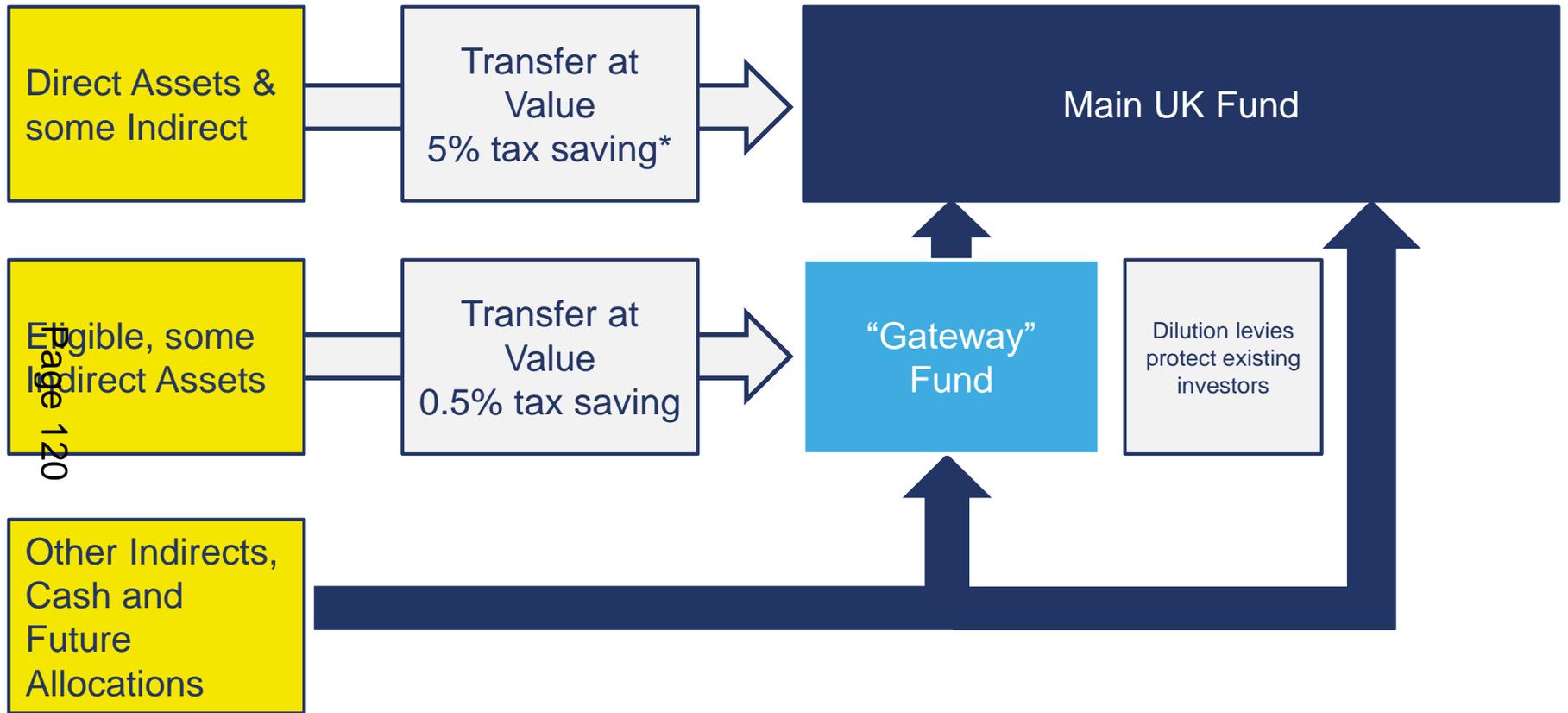
Gateway Fund

- Transition vehicle
- Fund of funds investing in balanced UK funds + passive REITs for liquidity
- Designed to reflect UK market
- Targeting MSCI Quarterly Universe
- Sub fund alongside Main Fund

Two funds: one long-term solution, one transition vehicle



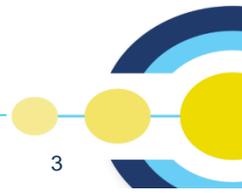
Transition of Assets



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Fair queuing system needs agreement

* Tax position of Scottish and Welsh Assets TBC



Global Proposition

Two funds: one lower risk, one higher

Lower Risk Fund

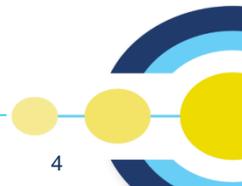
- Investing in established, 'open-ended' funds
- Global universe: predominantly N America, Asia and Europe (UK not excl.)
- Seeking the best, lower risk strategies
- Targeting returns of 6% net of costs
- More liquidity dictated by underlying funds

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Higher Risk Fund

- Investing in 'closed-ended' funds and potentially co-investing directly
- Global universe: predominantly N America, Asia and Europe (UK not excl.)
- Seeking the best value add and opportunistic strategies
- Targeting returns of 10%, net of costs
- Less liquidity due to the underlying funds

Partner Funds may choose to allocate to either fund or both, in whichever proportions suit their strategic asset allocation and objectives



New Proposal: What do you get from Dual Strategy?

Access

- Scale gives access to larger funds
- Scale brings access to co-investment opportunities
- No change to previous single fund strategy

Expertise

- Global Fund Consultant (costs shared)
- Border to Coast capability
- No change to previous single fund strategy

Cost effective

- Shared costs
- Greater potential for fee savings
- Fee savings from co-investment opportunities
- Higher operating cost (marginal) - BUT

Flexibility

- Partner Funds can set their own risk, return and liquidity profiles

Management Costs

UK Fund Full participation	Base long-term cost 0.11%	Ext manager (15yr av.) 0.07%	Max. cost indirects 0.10%
UK Fund No direct assets	Base long-term cost 0.18%	External Manager N/A	Max. cost indirects 0.10%
Global Fund	Base long-term cost 0.11%		

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Set up costs per Partner Fund	Phase 1 £75k	Phases 2 & 3 £500k
-------------------------------	-----------------	-----------------------

Directly invested Partner Funds:

- Lower transition costs but smaller savings
- Quicker payback, smaller long-term savings

Indirectly invested Partner Funds:

- Higher transition costs but bigger savings
- Slower payback, bigger long-term savings



Teesside: Holding Assumptions

Fund Size	£4.08bn	UK	Allocation: 10% Target: £408m Actual: £295m Difference: -£113m	Global	Allocation: 0% Target: £0m Actual: £23m Difference: +£23m
Holdings expected to transition to the UK Main Fund		Holdings expected to transition to the UK Gateway Fund		UK Holdings not expected to transition	
1. Teesside Direct Property Portfolio		1. Hermes PUT 2. Royal London Property Fund 3. Threadneedle PUT		1. LAMIT Local Auth. Property Fund 2. LGIM UK PUT	

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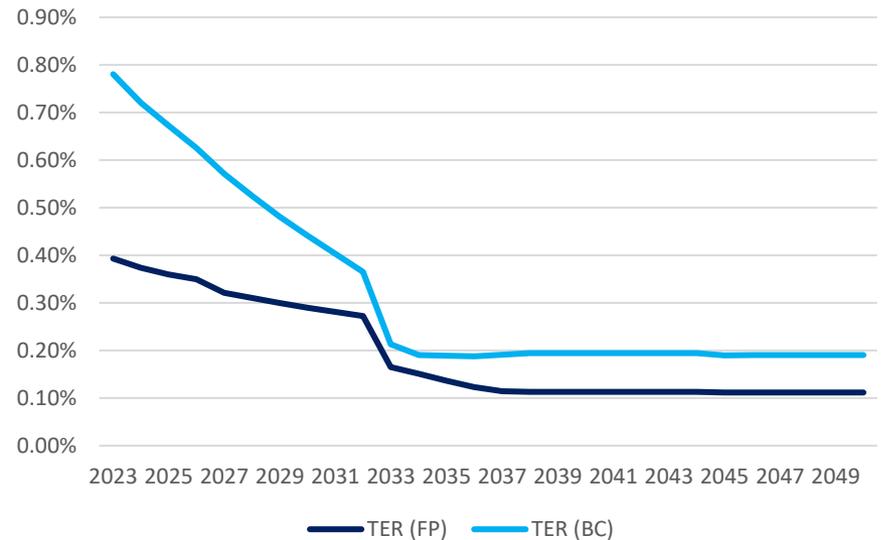
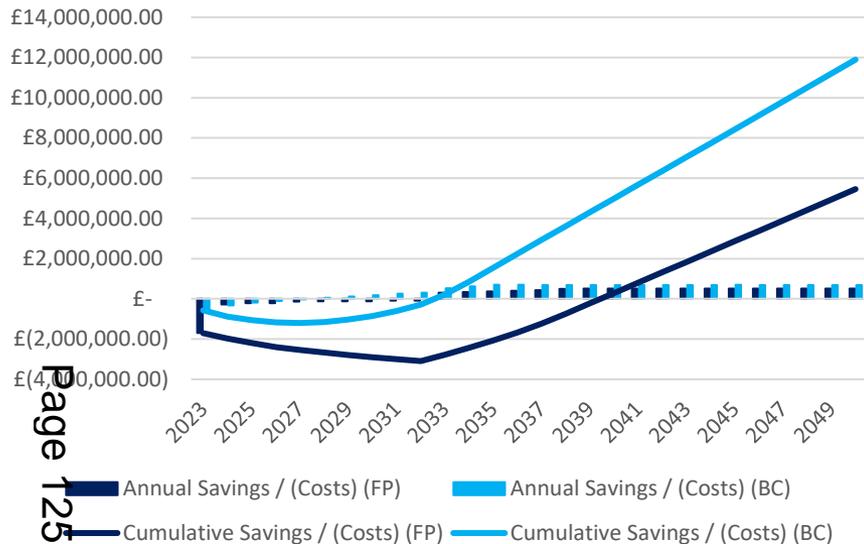
Other key assumptions here:

- Teesside participate and transfer all their direct property holdings into the new UK Main Fund and invest their underweight cash
- The Funds identified for the UK Gateway Fund are eligible and pass due diligence checks



Teesside: Economic Business Case

Teesside PF J Curve & TER chart below



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Key factors:

- Current direct investments are cost efficient
- Large underweight position takes time to transition through UK Gateway Fund

Major cost items:

- £1.2m cost of property DD (26 x £45k)
- £1.7m net cost of subscription to the Main Fund
- £420k project cost (£80k allocated to Global Fund)
- Peak annual saving of £510k (FP) and £680k (BC) after transition

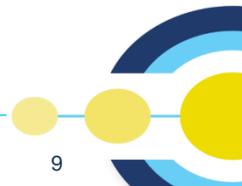


Additional benefits of pooling

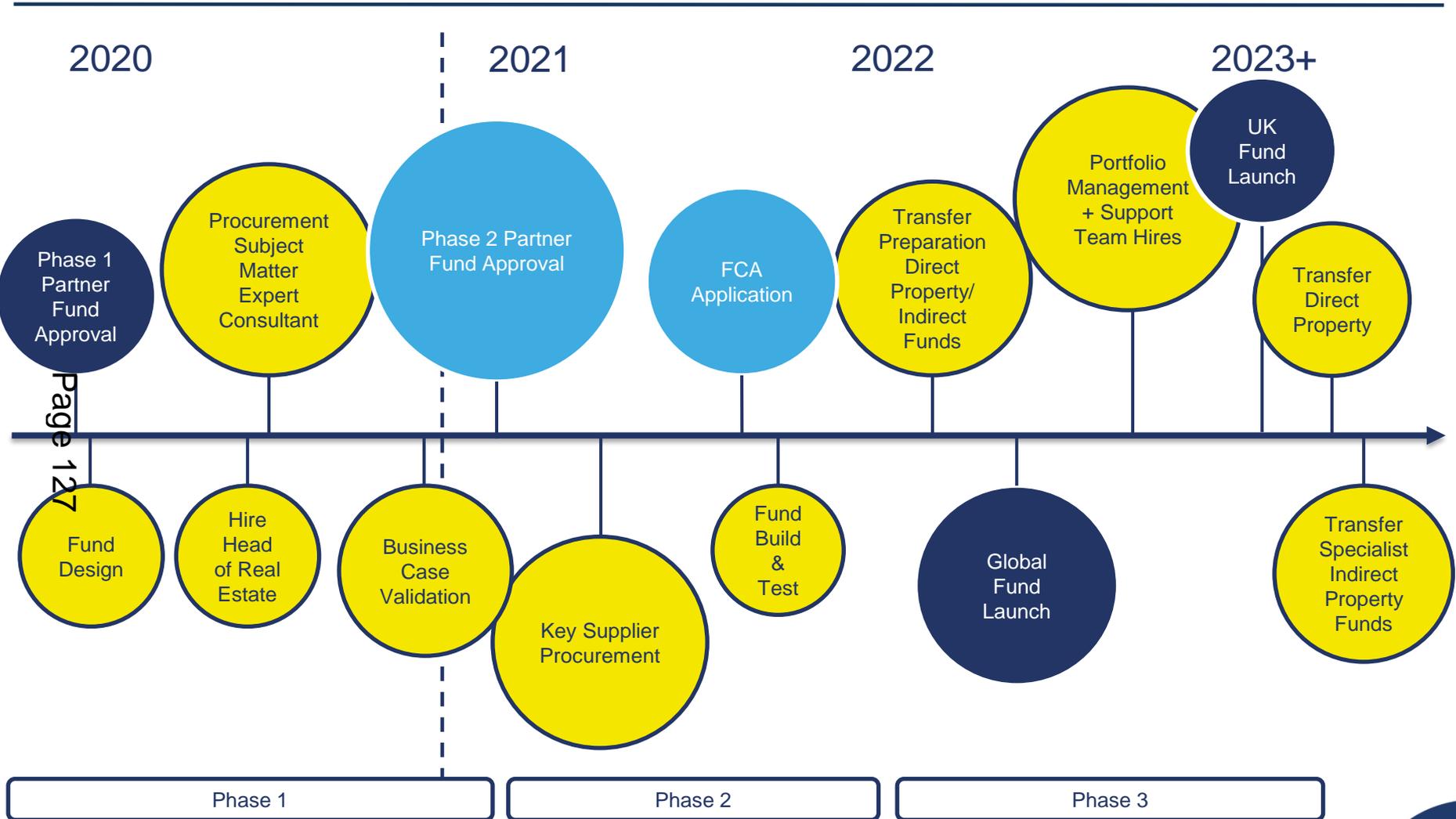
Beyond the economic benefits of pooling...

- Access to larger, more dominant assets with durable income characteristics
- Access to Global Real Estate markets
- Investment strategy appropriate for long-term investing
- ESG factors imbedded into investment strategy
- Flexible, unitised structure
- Dedicated, professional investment management team

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High-Level Timeline



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Conclusion

Ambition to create an institutional quality, low-cost Real Estate capability for our Partner Funds and launch UK and Global Funds

- Phase one complete. Viability for both UK and Global propositions tested and independently validated
- ‘Soft’ benefits not quantified
 - Full market access to dominant, durable assets
 - Strategic alignment
 - Institutional investment management
- Business case supports pooling of all assets



Important Information

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INVESTMENT ADVISORS' REPORTS

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with an update on current capital market conditions to inform decision-making on short-term and longer-term asset allocation.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. BACKGROUND

- 4.1 The Fund has appointed Peter Moon and William Bourne to act as its independent investment advisors. The advisors will provide written and verbal updates to the Committee on a range of investment issues, including investment market conditions, the appropriateness of current and proposed asset allocation and the suitability of current and future asset classes.
- 4.2 Brief written summaries of current market conditions from William Bourne and Peter Moon are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

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Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne

27th September 2021

1. When I last wrote in June, I suggested that a global recovery was now in place, but that was not necessarily a good environment for financial markets. I said there was a growing likelihood that the long rising market in equities (by some measures since 1981) would end over the next twelve months.
2. Recent headline economic numbers show a post-COVID recovery in most parts of the world, as might be expected after the unprecedented plunge in 2020. For example, both the U.S. and the U.K. are forecast to grow by around 6 to 7% in 2021, though this is still not sufficient to take them back to 2019 levels of activity. However, recent indicators of business momentum are clearly slowing down, suggesting that the recovery has already reached its peak.
3. The one large economy on a different path is China. They took tougher countermeasures against the pandemic early on and their economy recovered sooner. However, in recent months growth has slowed down and the Peoples' Bank of China has in fact eased policy over the past few months, most recently in association with the likely insolvency of real estate developer Evergrande. **China's actions over the next few months are likely to be a more important determinant of the course of the global economic recovery than the U.S.**
4. New variants of COVID-19 continue to put pressure on the world's ability to move on. Despite successful vaccination programmes in many countries, new strains have caused a third wave of infections, even in hitherto relatively unaffected countries such as China and Japan. While this has not, at least in the West, resulted in many deaths, it has knocked back confidence in the world's ability to return to normal. The travel and entertainment industries have been particularly affected.
5. The authorities continue to provide substantial monetary and fiscal support but are now on the path of reducing it. For example, in the U.K. the Chancellor has raised NI contributions, which is effectively a tax rise, and the Bank of England's monetary policy is now no more than neutral.
6. This tapering of support has led some to fear a repeat of the 'taper tantrum' in 2013 when bond yields soared. This year, against investors' expectations, government bond yields have been falling over the summer. In my view the major reason for this is some 'stealth' tightening by the U.S. authorities - i.e. beginning to taper support without making it as obvious as the Bank of England. But it may also be down to investors' reduced appetite for risk as the recovery weakens.
7. Lower bond yields have resulted in a partial return to the 2020 investing environment. Tech and quality stocks have generally done well, buoyed yet again by good earnings figures. As a result, the U.S. market has continued to rise, while other equity markets – and value stocks in particular - have

gone sideways or fallen. The Chinese market has been weakest, affected by both slowing growth but also the likely insolvency of Evergrande.

8. **Inflation is at the centre of investors' concerns.** It is not surprising that easy money over 12 years has led to asset prices, housing in particular, rising even further. But supply-side bottlenecks in a wide range of commodities from natural gas through petrol to carbon dioxide have - for the first time since 2008 - led to a rise in high street inflation. U.S. consumer inflation rose by 5.3% in August, close to a 20-year high. The Bank of England is now forecasting 4% inflation in the U.K.
9. The consensus view, at least among commentators, seems to be that this is the start of a sustained period of higher consumer inflation. I am not so sure. Bond yields would normally rise to anticipate inflation but have been going in the other direction. There also remain many powerful disinflationary trends, such as technology, in place. That said, **higher inflation is clearly the major risk which the Fund faces, because of its impact on our liabilities, and it is sensible to invest to mitigate it.**
10. There are several possible scenarios for markets from here. In a more optimistic one, the Chinese authorities will ease policy further and provide an engine for continued global economic growth. The Federal Reserve will continue to 'stealth' tighten and may even raise rates slightly. Inflation will return to the 2 to 2.5% level and investor confidence will provide some support for equities.
11. In a less positive one, confidence and global economic growth tail off and investors are faced with either 'stagflation' if inflation rates remain high, or Japanese-style disinflation if they fall back. **Neither of these are comfortable places for equity investors**, which is why I believe the long rising market may be nearly over. Disinflation ratchets up the real value of debt, squeezing both investment and spending, with a negative impact on earnings. If, on the other hand, inflation remains high and long bond yields rise, the pressure will come on equity valuations rather than earnings, especially on the long-term growth tech stocks which dominate the US index.
12. Equities are also under threat from governments' attempts to extract more money from them, whether through anti-trust actions (e.g. EU vs Apple, China vs Tencent and Alibaba) or higher taxation (the introduction of a sales-based minimum tax rate).
13. I said last time that it is hard to see a painless exit in the longer term. The world badly needs higher interest rates so that money has a cost and borrowers can make rational decisions. With 'free' money they fall into the same trap as Japan did in the 1990s where debt levels rise without generating a return from the borrowing. However, higher interest rates would cause an immense political cost in the West, which politicians do not yet wish to pay. **The best hope is that China eases policy and engineers enough global growth to allow the West to raise interest rates.**
14. The Fund remains heavily weighted to equities. While the process of diversification away from equities continues, it is important that the Fund does not overpay for in-demand assets such as infrastructure. The substantial cushion of prudence built into the Strategic Asset Allocation by the actuary and the Fund means that there is little risk to the payment of pensions even in the more negative scenarios. However, the Committee should be aware that the funding level might well fall.

Investment report for Teesside Pension Fund September 2021

Political and economic outlook

I had little idea when I wrote in the June report to you about the incompetence of the government in managing the transportation of goods in the UK since Brexit that we would be in the situation we are currently. The total absence of planning and sheer incompetence has led to an extraordinarily dangerous position for the UK economy. As yet the government has done little to remedy the problems.

The unacceptable difficulties associated with the Northern Ireland border and free travel of goods which there should be between Eire and the United Kingdom has not been addressed. We now have a position where the UK government is prepared to act unilaterally in the face of an agreement previously ratified. Effectively we have become a bandit prepared to ignore international rules which can only diminish this country's standing in the world.

The news on Covid is a lot better with heroic attempts being made to reach herd immunity in the UK although some of the experts are now saying that this is an impossible aspiration. Economic performance will be determined by our re-entry to normal living so it's rather important that we get it right. As we all know the UK is a small-time player in world politics and world economics, the major players are the USA and China. Things have changed significantly since I last wrote in June when I was implying there was a power struggle for world leadership between China and the USA. In the last quarter USA has relinquished any pretence that it is interested in remaining the world's policeman. This has devastating consequences for western democracy and Global stability.

After significant improvements in global relationships between Russia, China and the West up until the year 2000 there has been a telling

deterioration since the arrival of presidents Putin and Xi. They have repressed their own people and taken an aggressive stance against the USA which has accommodated their every thrust for increased power. The consequence of successive presidents of the USA not using their undoubted firepower to respond to unacceptable behaviour and the crossing of red lines has been that China and Russia have seized countries and islands and sponsored despots to cement strategic advantage. Until August the US response had been pathetic and in August it was disastrous. It gave a clear signal to China and Russia that they could dictate the world agenda going forward. It signalled that the USA and by association the West were no longer interested in looking after areas of significance.

Additionally the retreat from Afghanistan has left a void for the terrorist sponsoring Nations to occupy and train new recruits which is likely to increase the rate of terrorism and civilian casualties amongst the Western democracies. The world's gone from the relative stability of the Cold War with two opposing Nations to a scenario where there are significantly more players which by definition increases the chances of misunderstanding and conflict.

Uncertainty has also increased in Europe after the German election. The departure of Angela Merkel could well lead to a fight for the leadership within the European Union.

The impact of the supply chain difficulties outlined above will be for higher future inflation and lower future economic growth, however in the last quarter the UK economy continued to respond positively to the opening up of the economy after Covid. Both wage and price inflation has embedded itself across many countries very quickly and there is no reason to believe given the extended period of loose money that these pressures will subside anytime soon. The changing shape of the world economy and the move away from globalisation will add fuel to the fire.

Markets

Equity markets dislike inflation and and dislike rising inflation even more which is the situation we find ourselves in now. International equity markets have marked time over the last 3 months or so and the Asian markets have fallen significantly since the beginning of the year partly due to protectionist measures against companies taken by the Chinese authorities.

Despite extremely low short-term interest rates, bond yields are on the rise, given the inflationary pressures within the economy this is a trend that is likely to continue for some time. This is yet another reason for equities to struggle.

As the UK economy has moved out of lockdown the property market has returned to some level of normality. Rent collection levels have improved significantly as tenants' ability to pay has improved as the economy has recovered. Uncertainties persist as the impact of pandemic on working and consumer preferences is still not fully known.

Large infrastructure projects look pretty fully valued as too much money is devoted to the sector. However this overvaluation might well persist if equity markets trend down. Some smaller projects in more niche areas still appear attractive.

In the other alternative investment areas private equity will no doubt have some attractive investments given the range of sectors.

If bond markets continue to fall, attractive credit opportunities will become increasingly difficult to find, however there might be some merit in fixed interest funds which provide higher return than cash If we decide to liquidate further our position in equities.

Cash continues to be unattractive.

Portfolio recommendations

My portfolio recommendations remain unchanged.

Our largest investment area equities along with the rest of the quoted markets is looking less attractive. The problem will be to find attractive investments in the alternative space , including property, which will return a similar amount to equities.

Over the past few years we've enjoyed this situation where equity markets have risen as we've moved money into alternative investments. that position looks increasingly likely not to be the case in the medium term future.

Therefore cash levels within the fund are likely to rise and alternatives to cash which are uncorrelated with equity markets and other quoted investments but with a higher yield than cash will need to be researched.

Peter Moon

29 September 2021

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TEESSIDE PENSION FUND Q2 2020

Quarterly Report
Prepared: 7th September 2021

Fund Objectives

Teesside's Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. It does this through investing into a wide range of asset classes, of which Real Estate is one.

The objective of the direct property allocation is to create a portfolio which produces a consistent total return, over the long-term, to meet Teesside Pension Fund's liabilities.

Portfolio Strategy

The portfolio will hold core/core plus properties, over the long term, diversifying the portfolio through different property types, unit sizes, occupier businesses, income expiry and geographical regions.

Stock selection will be favoured over a default asset allocation bias, with a focus on maintaining a long term overweighted position in industrial and retail, alongside an under weight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

Individual assets will be well suited to the current occupational market, whilst offering future flexibility. Properties will be leased to good quality businesses on institutional lease terms together with some index linked assets.

Responsible Investment

In line with Teesside's Pension Fund's Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its decision making process.

Executive Summary (Valuation)

At 30th June 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £280.63m. This reflects an overall Net Initial Yield of 5.19%, and an Equivalent Yield of 5.60%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 87.3% of the portfolio by capital value. There are 75 demises and a total net lettable area of 1,949,442 sq ft.

The portfolio has a current gross passing rent of £16,124,049 per annum against a gross market rent of £16,472,145 per annum, making the portfolio slightly reversionary in nature.

The weighted average unexpired term is 7.9 years to the earlier of first break or expiry, and 8.8 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (December 2020)	£4,385m
Real Estate Weighting (allocation)	6% (9%)
Direct Portfolio Value	£280.63m

Direct Portfolio

Direct portfolio value	£280.63m
Number of holdings	28
Average lot size	£10.02m
Number of demises	75
Void rate (% of ERV) (Benchmark)	1.5% (8.0%)
WAULT to expiry (break)	8.8 years (7.9 years)
Current Gross Passing Rent (Per Annum)	£16,124,049
Current Gross Market Rent (Per Annum)	£16,472,145
Net Initial Yield	5.19%
Reversionary Yield	5.50%
Equivalent Yield	5.60%

Portfolio Highlight (Q2 2021)



The Fund has completed the purchase of an income strip as a liability matching asset. This is focussed on the forward funding of the development of a 210,000 sq ft industrial unit. Purchased for £30.0m reflecting 5.24% NIY.

UK Economic Commentary

- **Rising Covid-19 (Delta variant) cases, global supply chain disruptions and labour shortages are weighing on activity in the third quarter. That said, we expect these to subside as the vaccination programme progresses and the furlough scheme unwinds at the end of September. We remain optimistic that GDP will return to its pre-pandemic level in Q4 of this year.**
- The recent wave of Covid-19 cases (mostly delta variant) was a reminder that we have not yet achieved the vaccination levels required to stop mass transmission. Rising cases feeding into hospitalisations has lessened but evidence suggests that consumer confidence can be hit by rising cases. This may slow the return to normal patterns of leisure spending which is why it is a key potential downside risk being monitored.
- This is evident in retail sales. Retail sales volumes fell by 2.5% between June and July. While some of this reflects changing consumption patterns following the reopening of services, consumer spending more broadly was flat during July suggesting this is likely concerns around rising Covid-19 case numbers.
- Internet sales as a percentage of total retail sales increased by 0.7pp in July to 27.9%. The proportion of internet sales has continued to fall as shops have reopened but remains well above end-2019 levels.
- Overall, individuals borrowed no additional credit and continued to accumulate cash in July at a faster rate than before Covid-19, taking “excess savings” to 176bn, or 8.3% of 2020 GDP.
- The end of the furlough scheme has been timed about right. Demand for labour is strong and we expect that the end of the furlough scheme will allow most to either return to their job or to find new work.
- The UK is experiencing a spike in inflation. Supply chain issues and increased spending are contributing to this, but are mainly transitory elements. Also this is largely the result of base effects whereby current prices are being compared with the depressed prices a year. As this is likely to be only a temporary spike in inflation, we expect the Bank of England to keep interest rates on hold for the next few years.
- Long-term interest rates are expected to drift upwards from the very low levels seen during the pandemic, but we see the UK remaining in a low interest rate environment for the coming years, which remains favourable to property markets.

UK Real Estate Market Commentary

- Year on year total returns for All UK Property grew by 7.4% (1.1%* capital return, 6.2%* income return) for the period Q2 2020 to Q2 2021**. This returns figure is above the 5 year average and marks a strong bounce back after the negative returns of the previous 12 month period.
- Quarterly total returns for All UK Property for Q2 2021 recorded 3.2% (1.8% capital return, 1.3% income return).
- Industrials total returns were 7.0% over Q2 2021 (5.9% capital return, 1.1% income return).
- Rental values for All UK Property increased by 0.2% over the second quarter of 2021. This figure was largely pulled up by the 1.5% rise in values in the Industrial sector. Office sector rents fell marginally by -0.2% over the quarter while Retail rents fell -0.7%.
- The investment market for UK commercial real estate reached volumes of £13.9bn in Q2 2021. This brings the half year total to nearly £25bn. International investors were responsible for over half the capital invested into UK commercial real estate for the third consecutive quarter.
- The Central London office market saw £2.7bn of transactions complete in Q2, close to average quarterly volumes in 2019 (£2.8bn). This activity was driven by large £100m+ transactions, which accounted for almost 90% of the market volumes. Q2 also saw the largest transaction in this market since 2019 Q1, with the £635m sale of 30 Fenchurch Street.
- Regional Office volumes were £2.4bn in 2021 Q2, boosted by the £730m sale of 36 Arlington assets to Brookfield. Over the last 12 months, regional office sales reached £6.5bn.
- Industrial volumes reached £3.9bn in Q2, bringing the 12-month rolling total to an all-time high of £14.3bn.
- Retail saw £1.3bn in transactions in Q2, bringing the 12-month rolling total to £5.2bn (the highest total since 2019 Q2).

* Return figures will not always sum due to separate compound calculations

** Based on CBRE Monthly Index, all property total returns June 2021

Investments

Sales

No sales this period.

Acquisitions

The Fund has completed the purchase of an income strip as a liability matching asset. This is focussed on the forward funding of the development of a 210,000 sq ft industrial unit. Purchased for £30.0m reflecting 5.24% NIY. The unit will be let to Leonardo UK Limited on a 35-year lease, with fixed annual uplifts. There is an option to purchase the asset in favour of the tenant at lease expiry. Construction started on-site in the first week of August.

Direct Portfolio Analysis

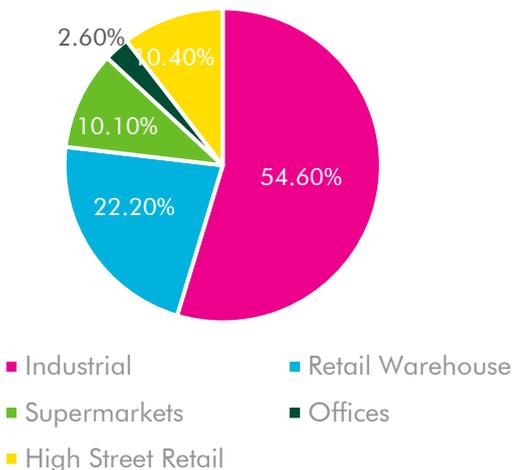
Top Ten Holdings (by Value)

No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£32,150,000	11.5%
2	GATESHEAD - Team Valley	Industrial	£21,000,000	7.5%
3	BIRMINGHAM - Bromford Central	Industrial	£18,150,000	6.5%
4	RUGBY - Valley Park	Industrial	£17,250,000	6.1%
5	LUTTERWORTH - Magna Park	Industrial	£16,650,000	5.9%
6	STOW-ON-THE-WOLD - Fosse Way	Supermarkets	£15,175,000	5.4%
7	PARK ROYAL - Minerva Road	Industrial	£14,500,000	5.2%
8	SWADLINCOTE - WILLIAM NADIN WAY	Industrial	£13,175,000	4.7%
9	EXETER - H&M High Street	High Street Retail	£13,100,000	4.7%
10	PARK ROYAL - Coronation Road	Industrial	£12,300,000	4.4%
Total			£168,975,00	61.8%

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile. In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

Set against a backdrop of low economic growth, we will seek to make purchases where both occupational and investment supply and demand conditions are strong. This will ensure that purchases are accretive to the portfolio's performance.

Sector Allocation (by Value)



Geographical Allocation (by Value)



Direct Portfolio Analysis (continued)

Top Ten Tenants (by Contracted Income)

The portfolio currently has 75 different demises let to 65 tenants. The largest tenant is Omega Plc which accounts for c.8.4% of the annual contracted income. Experian currently lists Omega as representing a “Very Low Risk” of business failure.

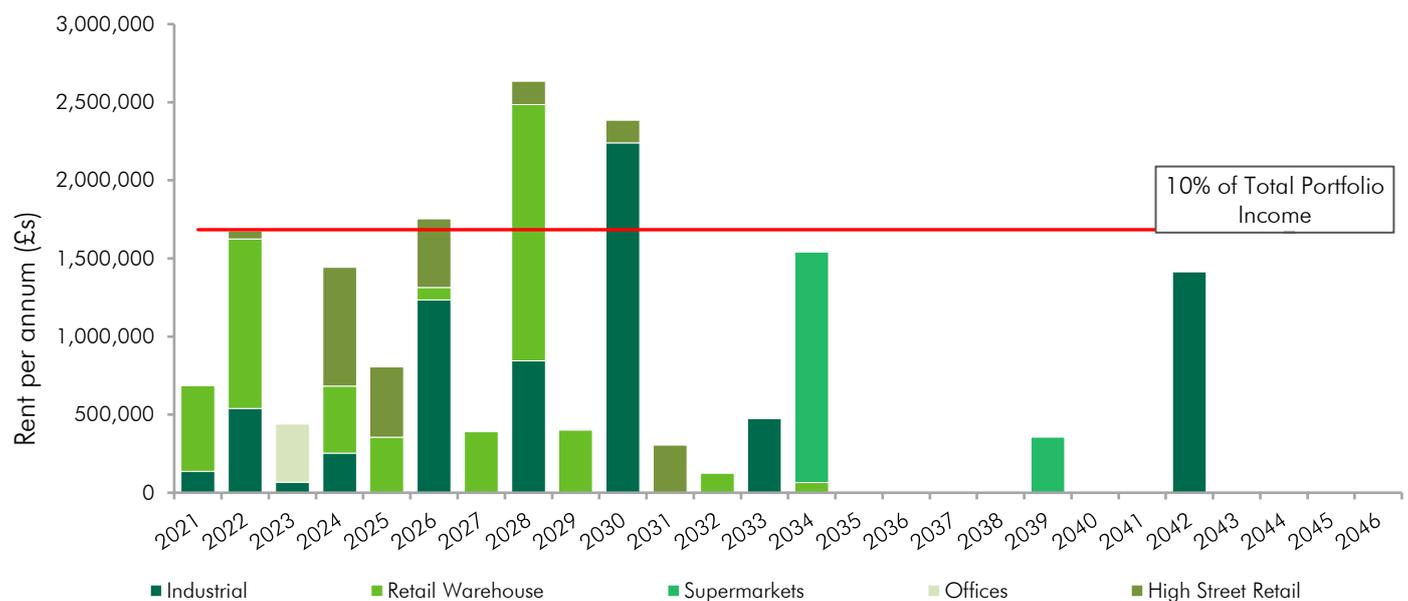
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. This is particularly relevant at the current time as the Covid-19 pandemic is putting increased pressure on all businesses. Our most recent assessment shows that all of these tenants are classed as having a “low risk” of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Gross Contracted Rent	% of Portfolio Rent	Risk Rating (Experian)
1	Omega Plc	Industrial	1	£1,413,690	8.39%	Very Low Risk
2	Royal Mail Group Limited	Industrial	1	£1,040,000	6.17%	Very Low Risk
3	B&Q plc	Retail	2	£997,000	5.92%	Very Low Risk
4	DHL Supply Chain Ltd.	Industrial	1	£868,635	5.16%	Very Low Risk
5	Brunel Healthcare	Industrial	1	£843,761	5.01%	Very Low Risk
6	Libra Textiles	Retail	1	£762,500	4.53%	Very Low Risk
7	ASDA Stores Limited	Industrial	1	£755,000	4.48%	Very Low Risk
8	H&M	Industrial	1	£740,000	4.39%	Very Low Risk
9	Tesco Stores Limited	Supermarkets	1	£713,853	4.24%	Very Low Risk
10	Matalan Retail Limited	Retail	1	£500,000	2.97%	Very Low Risk
Total				£8,634,439	51%	

Key Expiries / Income Risk

There is a focus to mitigate against lease expiry risk, by either purchasing properties where the lease expiry profile does not match that of the portfolio, or through active asset management. The below graph identifies the years where more than 10% of the portfolio income is due to expire.



Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index linked income streams identified within the Funds strategy. Whilst many of these have not progressed quickly we are optimistic that we may gain traction over the next few weeks as investors begin to consider their strategies and start making decisions. TPF's requirement has been articulated to the market and we are still receiving a substantial number of investment ideas each week.

Asset Management Update

Unit 1, Cirencester – June 2021

The Fund has completed a new 15-year lease to PureGym at Cirencester Retail Park. The lease reflects a passing rent of £125,000 per annum benefits from 5-yearly RPI linked rent reviews with a tenant break option on the 10th anniversary.

Unit 2, Cirencester – July 2021

The Fund has surrendered the lease for Peacock stores at Cirencester and subsequently agreed a new lease with Hobbycraft for a new 10-year lease with a tenant only break option on the 5th anniversary. The lease is in solicitors hand and due to complete in September.

Acre Road, Reading – June 2021

The Fund has completed a new 10 year lease to Active PCB, an existing occupier of Unit C on the estate; Active PCB will take a lease on Unit B & C. Both leases reflects a total rent of £226,000 per annum, an uplift in passing rent of 9% on Unit C.

Halfords, Congleton – May 2021

The Fund completed a 5-year reversionary lease with Halfords at a rent of £79,650 per annum, including a tenant only break option on the 3rd anniversary of the reversionary lease.

Halfords, Dorchester – April 2021

The Fund completed a 5-year reversionary lease with Halfords at a rent of £111,282 per annum.

Royal Mail, Gateshead – March 2021

The Fund has instructed a rent review surveyor to settle the September 2020 outstanding rent review. An uplift in passing rent is anticipated to be agreed.

Portfolio Arrears Update

			Targets	92.00%	96.00%	98.00%	99.00%		
	Rent Due 24 June	Collectable Rent	Quarter Date up to and including 24/06/2021	Week 1 up to and including 01/07/2021	Week 2 up to and including 08/07/2021	Week 3 up to and including 15/07/2021	Week 4 up to and including 22/07/2021	Payment after 22/07/2021	Difference
	4,396,245.79	4,396,245.79	2,602,962.77	246,262.02	254,053.36	39,299.83	0.00	331,302.10	922,365.71
Non Collectable Total		0.00							
Collections Including non collectables			59.21%	64.81%	70.59%	71.48%	71.48%	79.02%	
Collections Excluding non collectables			59.21%	64.81%	70.59%	71.48%	71.48%	79.02%	

Portfolio Arrears Update – 1st September 2021

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

June 2021 – 79.0%

March 2021 – 94.0%

December 2020 – 91.3%

The total Collectable Arrears on the entire portfolio is £2,066,973 as at 1st September.

The Collectable Arrears exclude the following:

Tenants that are insolvent (99p Stores Limited at Cirencester, Laura Ashley Ltd at Congleton, Homestyle Group Operations Ltd at Congleton) and also tenants that have overall credit balances on their accounts.

Below, is a summary of the top six tenants with the greatest arrears, which account for 62.5% (£1,292,521) of the total arrears:

Matalan Retail Limited (Northwich) – Total arrears of £300,445 (14.5% of the collectable arrears). These arrears relate mainly to the March and June 2021 quarter's rent, to which Matalan have made no payments towards.

Nuffield Health (Guildford) – Total arrears of £269,593 (13.0% of collectable arrears). These relate mainly to the June 2020 rent (where they paid zero) plus December 2020 and June 2021 quarters (where they have only paid about one third).

Halcyon Fine Art Group Holding Limited (Park Royal) – Total arrears of £210,986 (10.2% of the collectable arrears). Most of these arrears relate to a back dated rent review increase going back to 2018. Covid concessions have been granted and legal notice has been served on the previous tenant. The tenant is currently adhering to their payment plan and reducing their arrears.

Libra Textiles Limited (Rotherham) - Total arrears of £210,000 (10.2% of the collectable arrears). This relates solely to part of their June 2021 quarterly rent where a side letter has been agreed. This sum will be repaid under three instalments on 29 September 2021, 25 December 2021 and 25 March 2022.

Sportsdirect.com Retail Limited (Cirencester) – Total arrears of £185,336 (9.0% of the collectable arrears). This tenant has not been granted any rent concession and the arrears relates to their monthly rent from 28th March 2020 through to 27th September 2021 (18-months), plus service charge and insurance premium. No payments have been received at all since 2nd March 2020.

Saint Gobain Building distribution Limited (Bromford Central) - Total arrears of £116,161 (5.6% of the collectable arrears). These arrears are spread across their two leases and relate mainly to a back dated rental uplift. We are liaising with the tenant over payment.

The remaining £774,452 (37.5% of the collectable arrears) of arrears is spread across 57 tenants, ranging from £77,380 to £100.

Responsible Investment Initiatives

Environmental, Social and Governance (ESG) criteria are having an increasingly prominent role in investment decision making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is put at the forefront of the strategy and that ESG factors are considered within each investment and asset management initiative. This will help ensure that the investment portfolio remains resilient over the long term.

We have summarised the relevant of each of the ESG factors below. These will be expanded upon with portfolio level principles and asset specific initiatives as the importance of ESG grows.

Environmental – sustainable factors will continue to play a part in the definition of ‘prime’ real estate, and buildings that don’t meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand their buildings adhere to the highest environmental standards.

Social - real estate’s impact on the local community and on a company’s workforce are becoming equally important. Buildings that contribute positively to the world are therefore likely to be more resilient than those that do not, and as such are likely to benefit from increased occupier demand, leading to future rental and capital growth.

Governance - market participants will increasingly question the governance and management practices of their partners and supply chain. Rigorous standards will mean businesses will need to become more transparent and engage with their stakeholders to ensure access to the best opportunities.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INTERNAL AUDIT REPORTS

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with the outcome of two recent internal audit reports into the investment and administration of the Pension Fund.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications arising from this report.

4. BACKGROUND

- 4.1 Veritau is a shared services group currently owned by nine local authorities in Yorkshire and the North East, including Redcar & Cleveland and Middlesbrough Councils. They act as the internal auditor for the Council and the Pension Fund.
- 4.2 Veritau carried out two planned audits of the Pension Fund's activities during the 2020/21 financial year, one covering investments and one covering administration. The reports and recommendations in respect of these audits are enclosed as appendices A and B, and a brief summary is included below.

5. INVESTMENTS AUDIT - AUDIT OBJECTIVES, SCOPE, FINDINGS AND CONCLUSIONS

- 5.1 The Investments audit looked at the transition of assets from the Pension Fund to Border to Coast Pensions Partnership to determine whether this was carried out in a planned, controlled manner and if plans were adequately monitored and appropriately reviewed.
- 5.2 Although the audit did identify some issues in relation to how up to date some policies were, and whether risk reviews were being appropriately documents, the overall conclusion was that a sound system of governance, risk management and control exists and that this provided substantial assurance.

- 5.3 One priority three agreed action was identified: “The Council was unable to demonstrate that the TPF risk register had been reviewed on a regular basis.” It was agreed that “Going forward, every time the TPF risk register is presented to the Committee, Pentana will be updated to reflect the fact that a review of the risk register has taken place.” Pentana is the software the Council and the Pension Fund uses for risk management.

6. PENSION FUND ADMINISTRATION AUDIT - AUDIT OBJECTIVES, SCOPE, FINDINGS AND CONCLUSIONS

- 6.1 The scope and objectives of the Pension Fund Administration audit were as follows:

To provide assurance to management that procedures and controls within the system will ensure that:

- Pensions Administration is operated in accordance with relevant legislation and agreed processes, and that that support and guidance is provided to employers to ensure the quality of returns.
- Correct and timely payments are received from employers, which are regularly reconciled to Business World and to the TPF bank account.
- For those members who retired early where there is a strain on the fund payments from employers are monitored to ensure the deficit is paid in full within agreed timescales.
- Processes are in place for monitoring and recording the receipt of income from member transfers in from previous employment.

- 6.2 The overall conclusion of the audit was that a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Veritau’s overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance. Three priority 3 agreed actions were identified as follows:

- Several strategy and policy documents relating to the administration of the Pension Fund had passed their scheduled review date without being reviewed. Revised documents will be prepared and presented to the December 2021 Pension Fund Committee.
- The Pension Fund should consider introducing a charging policy to cover circumstances where employers consistently fail to provide required information in respect of pension administration.
- A formal process should be put in place to ensure late payment of invoices in respect of employer pension scheme costs is monitored and escalated as appropriate.

7. NEXT STEPS

- 7.1 A representative from Veritau will be present at the meeting to provide further detail and more information in relation to the audits should this be required.
- 7.2 Target dates to complete the actions identified are set out in the appendices, progress will be monitored and reported back to subsequent Committee meetings.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

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Teesside Pension Fund - Pension Fund Investments

Middlesbrough Council

Internal Audit Report 2020/21

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Business Unit: Finance
 Responsible Officer: Director of Finance
 Service Manager: Head of Pensions, Governance and Investments
 Date Issued: 28 July 2021
 Status: Final
 Reference: 71900/001

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

In the 2015 July Budget, the Chancellor announced the Government's intention to work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. The Chancellor announced that the pools should take the form of up to six British Wealth Funds instead of 89 Local Government Pension Scheme (LGPS), each with assets of at least £25bn. The objective of the pools was to ensure they met four key criteria; asset pools that achieve the benefits of scale, strong governance and decision making, reduced costs and excellent value for money and an improved capacity to invest in infrastructure.

Prior to this each of the 89 funds operated independently of each other with each managing their own investments and employing their own investment advisor. The responsibilities for determining the investment strategy and asset allocation strategy remain with the Pension Fund Committee. Pooling investments does offer an opportunity to share knowledge and reduce external investment management fees, as the fund manager is able to treat the funds as a single client.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 included the requirement for all LGPS Funds to pool their assets. Teesside Pension Fund (TPF) is one of twelve Funds who are shareholder partners in Border to Coast Pension Partnership Limited (BCPP). The TPF has a number of risks on their risk register in relation to pooling and investments. These include inadequate Border to Coast oversight, an asset pooling transition risk, inadequate pooling data, Border to Coast failure, inadequate pooling investments expertise, inappropriate investment strategy, and others relating to transparency, cost and underperformance.

In March 2020 the Covid-19 pandemic had a significant impact on global stock markets and trading conditions. Despite the unprecedented circumstances, TPF continued working toward its strategy of transferring investments to the Pool in conjunction with fund advisors. Middlesbrough Council officers worked from home and processes were adapted to continue to maintain service delivery and investment management.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that there are appropriate procedures and controls in place surrounding the transferring of funds to the Border to Coast Pensions Partnership (BCPP). This included that

- There was an approved transition plan that is sufficiently detailed with timescales for the transfer of funds into the BCPP and plan in place to manage the risk of transition;
- The transition plan was monitored and funds are transferred in accordance with that plan;
- Transfers by the TPF into the BCPP have been undertaken in accordance with procedures;
- Post transfer reviews are undertaken to identify lessons learnt and support future transfers.

Key Findings

We were provided with evidence to confirm that the process of the TPF joining the BCPP was discussed with Council members and steps taken to ensure that the required governance arrangements were in place. We were able to confirm that the decision for the Council to act as the Administering Authority for the TPF in the BCPP Pooling Arrangement was approved at a meeting of the Council in February 2017 and implemented.

The TPF transferred £1.2bn of UK equity to BCPP in 2018; this was the only transition made to the BCPP, although the transfer of overseas equity is planned for 2021.

We saw that that the TPF has an approved Investment Strategy Statement (ISS) in place in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016. We found that Legal and General Investment Management was used to implement the transition as the transition manager for the transfer of the UK equity. The transition was supported by a transition plan which detailed timescales for the transfer, and the process was supported by Inalytics, as transition advisor assisting BCPP in reviewing the transition strategy and monitoring implementation. Our testing confirmed that the transfer to BCPP was completed with adherence to the TPF Investment strategy, with an appropriately authorised transaction, and we saw evidence of consultation with the TPF Committee had taken place.

We reviewed the TPF risk register and found it has been developed to include investment risks relating to the transition to BCPP. Whilst we were able to demonstrate that the risks are regularly presented to the TPF committee we were unable to demonstrate that the risks had been reviewed.

We found the transfer had been undertaken in accordance with required procedures; although the governance policies from 2017 which support the investment strategy were found to be in need of review. The review of the policies is currently on hold in order to incorporate statutory guidance to be issued following a report produced for the Local Government and Pension Scheme Advisory Boards titled the 'Good Governance Report'. The good governance project was found to have reported delays as a result of COVID. A review of the report identified proposals to produce statutory guidance with a view of establishing new governance requirements that will affect the policies pending review, such as the Pension Funds Governance Policy, Conflicts of Interest Policy, Training Policy and the Risk Management Policy. However, a separate 'Pension Fund Administration' audit has also been undertaken by Veritau, which includes a finding regarding the need for a review of pension fund governance policies.

Our review of the post transfer reports following the transition found that both Legal and General and Inalytics provided detailed analysis of the transition, and both reported the transition to be a success as this was a large and complex transition undertaken within the expected cost range and within the expected time horizon.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Risk reviews

Issue/Control Weakness

The Council was unable to demonstrate that the TPF risk register had been reviewed on a regular basis.

Risk

The Council are unable to evidence that risks are being regularly reviewed in line with the TPF's Risk Management Policy.

Findings

The TPF Risk Management Policy states that risk monitoring is the final part of the risk management cycle and will be the responsibility of the TPF Committee. We reviewed the Council's risk management system (Pentana) and found the TPF risk register had been developed to capture risks associated with the transition of funds to BCPP. The TPF Risk Management Policy states the 'risk register is the primary control document for the subsequent analysis, control and monitoring of those risks'.

The TPF risk register is held on Pentana, and details a number of relevant risks relating to pooling and investments. We noted risks relating specifically BCPP, with risks such as 'inadequate BCPP oversight, an asset pooling transition risk, inadequate pooling data, BCPP failure, insufficient range of pooling asset classes, inadequate pooling investments expertise, pooling systemic risks, inappropriate investment strategy, inadequate pooling transparency, higher than expected costs of investment pooling, and pooling investment underperformance'.

However, whilst the TPF risk register was found to be regularly presented at the Committee meetings in line with the TPF's Risk Management Policy; we were unable to demonstrate that the risks had been subject to regular review as the point of review had not been recorded on Pentana to demonstrate a review taking place.

Agreed Action 1.1

Going forward, every time the TPF risk register is presented to the Committee, Pentana will be updated to reflect the fact that a review of the risk register has taken place.

Priority

3

Responsible Officer

Head of Pensions Governance and Investments

Timescale

30 September 2021

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

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Teesside Pension Fund - Pension Fund Administration
Middlesbrough Council
Internal Audit Report 2020/21

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Business Unit: Finance
 Responsible Officer: Director of Finance
 Service Manager: Head of Pensions Governance and Investments
 Date Issued: 4 August 2021
 Status: Final
 Reference: 71920/001

	P1	P2	P3
Actions	0	1	2
Overall Audit Opinion	Substantial Assurance		



Summary and Overall Conclusions

Introduction

Teesside Pension Fund (TPF) is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from fund investments. The TPF's assets, after payment of benefits, are invested as directed by the Pension Fund Committee.

The day to day running of the TPF is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions, Governance and Investments who oversees two groups. The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the TPF. This function is currently outsourced and is delivered by XPS Administration.

The Pensions Governance and Investments Team manages the investment of the TPF in conjunction with the advice of TPF's external investment advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board (TPB). The TPB assists Middlesbrough Council, as the Administering Authority, to: a) secure compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by the Pension Regulator in relation to the scheme; and b) to ensure the effective and efficient governance and administration of the TPF.

The 2020/21 XPS Administration service delivery report confirms that, as at Q2 total membership was 73,851, broken down as follows: 23,018 actives (31.2%), 25,936 deferred (35.1%), 21,763 pensioner (29.5%), 3,134 widow/dependent (4.2%). Every three years the TPF has its triennial health check known as the valuation. The last health check was undertaken in 2019 and confirmed that the TPF had a surplus of £527.3m relative to the liabilities, meaning that the funding level (the value of assets divided by the liabilities) was 115%.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Pensions Administration is operated in accordance with relevant legislation and agreed processes, and that that support and guidance is provided to employers to ensure the quality of returns.
- Correct and timely payments are received from employers, which are regularly reconciled to Business World and to the TPF bank account.
- For those members who retired early where there is a strain on the fund payments from employers are monitored to ensure the deficit is paid in full within agreed timescales.
- Processes are in place for monitoring and recording the receipt of income from member transfers in from previous employment.

The scope that was originally agreed included an objective 'To confirm that effective controls are in place for applying pension increases, creating and paying new pension records, and identifying and recovering overpayments'. However these areas will now be included in a separate piece of work to be undertaken during 2021/22.

Key Findings

We were provided with evidence and explanations to confirm that pension administration is being operated in accordance with relevant legislation and that processes ensure any changes in legislation are identified and acted upon promptly. We have noted that there are several governance documents that have exceeded their review date. The documents have not been updated since 2017, and although we did not note any fundamental changes that are required, they do not reflect any requirements arising from the introduction of (UK) GDPR in 2018. There are also references to the previous administration provider and the links to the Teesside pensions website contained in these documents are broken.

We found that detailed guidance is provided to TPF employers in relation to their year-end annual returns, and that the employee liaison team works closely with TPF employers to address any issues relating to data quality. The guidance details the option for the TPF to pass on fines received from the pensions regulator in the event of statutory deadlines being missed, if TPF employers were the cause of the delay. Our work at a partner council found that the North Yorkshire Pension Fund (NYPF) has produced a charging policy that details the option to charge employers for costs incurred from additional work needing to be undertaken in a range of areas including data quality, year-end returns, monthly contributions, accounting, actuarial and legal advice, and technical advice. TPF management should consider producing a similar document in order to ensure a clear and consistent approach to be taken in respect of data quality issues from TPF employers.

We requested data relating to the number of annual returns that have been submitted late for the current and previous 2 years, or the number of data errors identified via sample testing of annual returns. XPS management confirmed that this information hasn't been regularly collated and analysed in the past, but is now starting to be gathered for analysis, with the employer liaison team then approaching TPF employers to address any issues identified. XPS Administration are also currently exploring methods to report on Conditional Data (data that links a person to their particular pension scheme). The TPF has not missed its statutory deadline for issuing annual benefit statements by the 31st August in the time that the Head of Pensions and Investments has been in post (3 years), which suggests that any data quality issues are not impacting on the statutory obligations of the TPF.

Our testing confirmed that correct and timely payments are received monthly from employers and are reconciled to the TPF bank account. Late payment statistics are reported quarterly by XPS to the Pension Fund Committee. The latest statistics reported to the Committee show that, between April 2020 and March 2021, the average number of TPF employer late payers was 2.7% of employers per month.

We reviewed pension strains relating to 2020/21 and identified that some invoices were paid late and others had not been paid at all. Payment should be made within 14 days as stated on the invoice and there are no reasons why the payments should not have been

made. It was confirmed that there is currently no formal, documented escalation process for pursuing late payments, in order to help ensure that the TPF receives income owed to it in a timely manner.

Our review of members transferring into the TPF did not highlight any concerns. The lack of any issues reflects the results the XPS performance report presented to the pension fund committee in March 2021, which states that the transfers-in process should be completed within 1 month of the date of receipt of the request, with minimum performance target of 98.5%. Performance data due to be presented to the Pension fund Committee in June 2021 confirms that this target was exceeded in every month between April 2020 and March 2021.

We reviewed new pensioner records created during the year and found no areas for concern. Again, this is consistent with the results of the XPS performance report which states that all new entrant are processed within eighteen working days of receipt of notification being received by pensions. Performance data due to be presented to the Pension fund Committee in June 2021 confirms that this target was exceeded in every month between April 2020 and March 2021.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

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1 Pension fund governance documentation

Issue/Control Weakness

Several strategy and policy documents relating to the administration of the TPF have passed their scheduled review date of September 2020, contain outdated information, and make no reference to their requirements under the (UK) GDPR.

Risk

Governance documentation does not reflect current best practise, or the TPF's requirements under the (UK) GDPR.

Findings

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the TPF, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers, and a Governance Policy which sets out the procedures for the governance of the TPF. The regulations also provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

The TPF Communication Strategy states that the document was approved in September 2017 and will be formally reviewed every 3 years or sooner if the communication management arrangements or other matters included within it merit reconsideration. Examples of this would be if there are any changes to the LGPS or other relevant regulations or guidance which need to be taken into account. The communications strategy has not been reviewed since September 2017. We saw that the strategy makes multiple references to the previous administration provider (Kier) and contains contact emails addresses relating to Kier. The document makes no reference to any obligations or requirements as a result of (UK) GDPR implemented in 2018.

We also reviewed the Funds Administration strategy and the Governance Policy, and noted the same issues as highlighted for the communications strategy. All 3 documents also contain links to the TPF website which are broken, due to a recent refresh of the website. Additional governance documents that have not been reviewed within the required 3 year timeframe are the training policy, the conflict of interest policy, the risk management policy, and procedures for reporting breaches of law. The requirement to update all of the above documents was included in the XPS performance report that was presented to the Pension Fund Committee in March 2021.

Agreed Action 1.1

Updates to the governance-related policies had been delayed pending the outcome of the Scheme Advisory Board's Good Governance Project (launched in April 2019). It now looks likely that the final recommendations will be consulted on later on 2021 and implemented in Q1 2022. However, given the delay in reviewing the governance-

Priority

2

Responsible Officer

Head of Pensions Governance and Investments

related policies highlighted in this audit it is reasonable to update the policies before the final regulations / guidance are in place based on existing guidance / best practice and taking into account the final report from the Good Governance Project and any available draft regulations / guidance where relevant. Revised documents can be prepared and presented to the December 2021 Pension Fund Committee.



Timescale

31 December 2021

2 Charging policy

Issue/Control Weakness

The TPF does not currently have a charging policy document.

Risk

Financial loss to the TPF resulting from excessive time taken to resolve data quality issues.

Findings

The LGPS regulations provide pension funds with the ability to recover from an employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employer. Guidance is provided to TPF employers by XPS detailing what is expected from them in relation to their year-end annual returns. The guidance details the option for the TPF to pass on fines received from the pensions regulator in the event of statutory deadlines being missed, if TPF employers were the cause of the delay.

Our work at a partner Council found that the North Yorkshire Pension Fund (NYPF) has produced a charging policy that details the option to charge employers for costs incurred from work needing to be undertaken in a range of areas including data quality, year-end returns, monthly contributions, accounting, actuarial and legal advice, and technical advice. The approach of the TPF is to work collaboratively with TPF employers to resolve any data quality issues; however management should consider the benefits of implementing a structured, documented policy which ensures a consistent approach to addressing data quality issues.

Agreed Action 2.1

The Fund already routinely recharges employers for work in relation to accounting, actuarial and legal advice, and technical advice. It does not have an agreed approach for routinely charging employers who are late in submitting information to the Fund. This could be developed and introduced as part of a refresh of the Pension Administration Strategy document (see action 1.1 above). Liaison with XPS and consultation with employers is likely to be required progress this. Discussions will be held with colleagues at NYPF (and perhaps other administration contacts at within Border to Coast or more widely) to understand how effective a charging policy has been in practice and whether there are any learning points which our Fund could adopt from their introduction and maintenance of such a policy.

Priority

3

Responsible Officer

Head of Pensions Governance and Investments

Timescale

31 December 2021

3 Pension strain costs

Issue/Control Weakness

Income relating to pension strain costs is not being received within the required payment terms.

Risk

Delay in receiving income that is owed to the TPF.

Findings

Pension strain costs occur when there is a clear shortfall in the assumed level of funding needed to provide a particular pension benefit. Often, strain costs occur when a member draws their benefits earlier than expected.

We reviewed a sample of payment strains and identified that 8 invoices were raised in respect of these strain costs. The payment terms on the invoices issued by TPF are 14 days. Two of the 8 were paid late and a further 2 due for payment at the end of January 2021 but not been paid at all at the time of the audit. Therefore 4 out of 8 (50%) had not been paid within the 14 day payment terms stated on the invoice.

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It was confirmed by XPS that there was no reason why payment had not been received within the required deadline, and that there is no formal process for escalating invoices that continue to go unpaid.

Agreed Action 3.1

Discussions will be held with XPS to agree a formal process for chasing, escalating and reporting on unpaid invoices. Initial investigations have confirmed the scale of this issue is as outlined in the findings above, and XPS has agreed the following as an initial response:

"Going forward we have implemented a process where all outstanding invoices will be chased the first week of the month. We are sending chasers now for the invoices that are currently outstanding." Work will continue with XPS to develop and document a more formal escalation and reporting process for outstanding invoices.

Priority

3

Responsible Officer

Head of Pensions Governance and Investments

Timescale

31 October 2021

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

RISK REGISTER REVIEW

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of an additional risk that has been added to the Pension Fund Risk Register and to provide Members with an opportunity to review the Risk Register

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications arising from this report.

4. RISK REGISTER – CLIMATE CHANGE

- 4.1 The Pension Fund's Risk Register is an attempt to document the various investment, funding, governance, administration, demographic, economic and other risks there are that could prevent or make it harder for the Fund to achieve its long term objectives. The Committee is presented with a copy of the Risk Register at its March meeting each year as part of the Pension Fund's Business Plan.
- 4.2 When the Fund's Funding Strategy Statement was updated in June this year, an additional risk was added in relation to climate change and the impact that could have on the Fund's assets and liabilities. This risk has now been formally included within the Fund's Risk Register, an updated copy of which is included at Appendix A.
- 4.3 Climate change has the potential to have wide-ranging impacts on all aspects of human society, including economies, trade, the value of companies and all classes of financial assets. As such, it is sensible to include it as a separate stand-alone risk instead of allowing it to be covered by existing risks like "Global Financial Instability" or "Investment Class Failure".

4.4 The full description of the climate change risk is as follows:

The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

4.5 Likely sources and risk triggers are:

Global climate change, the financial impact of both the change and the policies implemented to tackle the change.

4.5 Potential impacts and consequences of this risk are:

Significant changes to valuations of assets and asset classes. Potential for some assets owned by companies to become effectively worthless 'stranded assets', significantly impacting company valuations. Opportunities will also arise, for example in respect of sectors seen as positively contributing to the transition to a low carbon economy

5. NEXT STEPS

5.1 The Risk Register will continue to be presented to the Committee at least on an annual basis.

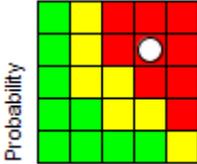
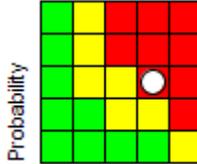
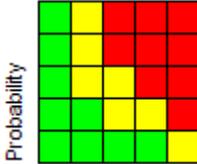
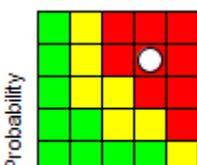
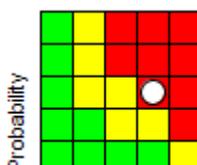
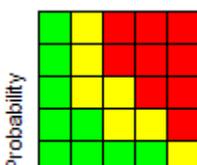
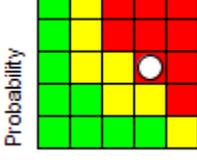
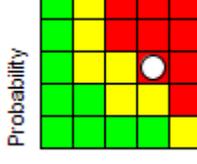
5.2 In relation to climate change risk, the Fund will continue to work with its advisers and investment managers (including Border to Coast) in order to better understand its exposure to this risk, how this can be mitigated and how to take advantage of any opportunities that may arise as global markets increasingly take account of this risk.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

Appendix A - Teesside Pension Fund Risk Register

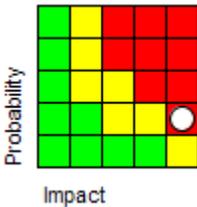
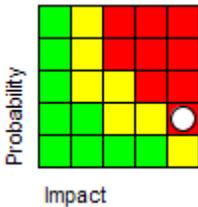
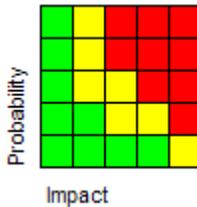
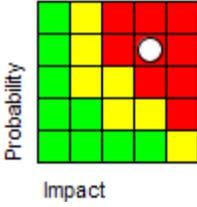
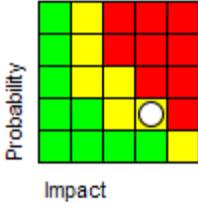
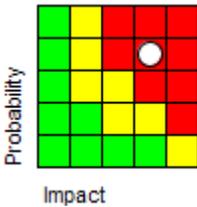
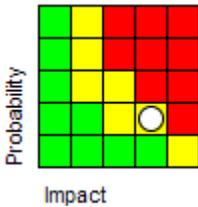
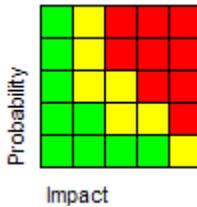
Code	Title	Original Score	Current Score	Target Score
TPF001	<p>INFLATION</p> <p>Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.				
Code	Title	Original Score	Current Score	Target Score
TPF002	<p>ADVERSE ACTUARIAL VALUATION</p> <p>Impact of increases to employer contributions following the actuarial valuation.</p> <p>Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Interim valuations provide early warnings. Actuary has scope to smooth both impact for most employers.				
Code	Title	Original Score	Current Score	Target Score
TPF003	<p>GLOBAL FINANCIAL INSTABILITY</p> <p>Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>	<p style="text-align: center;">Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score

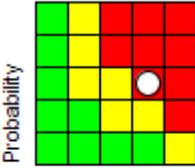
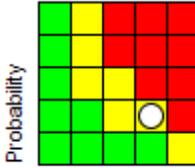
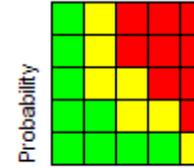
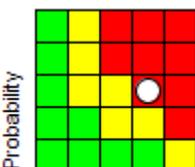
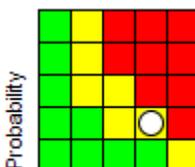
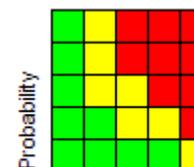
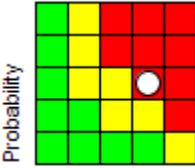
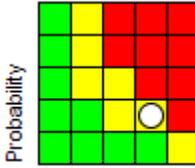
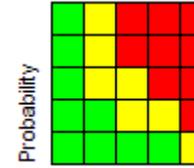
TPF004	POLITICAL RISK Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	 Probability Impact	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score
TPF005	INVESTMENT CLASS FAILURE A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	 Probability Impact	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score
TPF012	POOLING INVESTMENT UNDERPERFORMANCE Investments in the investment pool not delivering the required return. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	 Probability Impact	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score

TPF053	CLIMATE CHANGE	<p>The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.</p>	 Probability Impact	20	 Probability Impact	15	 Probability Impact
	Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		

Code	Title	Original Score	Current Score	Target Score		
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING	 Probability Impact	21	 Probability Impact	14	 Probability Impact
	<p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p> <p>Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1</p>					
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		
<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 12 partner funds. Expenditure is monitored and reported to the quarterly Joint Committee meetings. Tenders for on-going suppliers and staff are all now in place.</p>						

Code	Title	Original Score	Current Score	Target Score		
TPF010	INADEQUATE POOLING TRANSPARENCY	 Probability Impact	21	 Probability Impact	14	 Probability Impact
	<p>Lack of transparency around investment pooling arrangements.</p> <p>Fund & Reputation Impact-7 Employers Impact-1 Member Impact-1</p>					
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		
<p>With the pooling of investment assets TPF staff will work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with</p>						

training provided to TPF staff as required.				
Code	Title	Original Score	Current Score	Target Score
TPF021	<p>INAPPROPRIATE INVESTMENT STRATEGY</p> <p>Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy.</p> <p>Fund & Reputation Impact-7 Employers Impact-7 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.				
Code	Title	Original Score	Current Score	Target Score
TPF007	<p>KEYMAN RISK</p> <p>Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning.</p> <p>Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
The Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.				
Code	Title	Original Score	Current Score	Target Score
TPF008	<p>INSUFFICIENT STAFF</p> <p>Causes failure to have time to adopt best practice by properly developing staff and processes.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.				
Code	Title	Original Score	Current Score	Target Score

TPF011	<p>UNANTICIPATED PAY RISES</p> <p>Increases are significantly more than expected for employers within the Fund.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>1) Fund employers will monitor own experience.</p> <p>2) Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review.</p> <p>3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.</p>				
Code	Title	Original Score	Current Score	Target Score
TPF013	<p>POOLING SYSTEMIC RISKS</p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and reported to TPF Committee and Board.</p>				
Code	Title	Original Score	Current Score	Target Score
TPF014	<p>LONGEVITY</p> <p>Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three year Actuarial</p>				

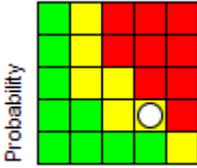
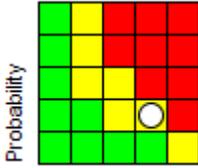
valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.

Code	Title	Original Score	Current Score	Target Score
TPF017	<p>BULK TRANSFER VALUE DISPUTE</p> <p>Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members.</p> <p>Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.				

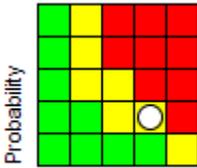
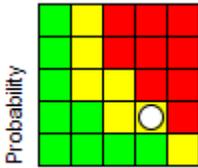
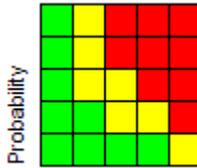
Code	Title	Original Score	Current Score	Target Score
TPF018	<p>TPF INVESTMENT UNDERPERFORMANCE</p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of X% on the investment target will result in an annual impact of £ Y m.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>1) The asset allocation made up of equities, bonds, property, cash etc funds, is sufficiently diversified to limit exposure to one asset category.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation.</p> <p>3) Actuarial valuation and asset/liability study take place automatically every three years.</p> <p>4) Interim valuation data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.</p>				

Code	Title	Original Score	Current Score	Target Score
TPF019	<p>TPF GOVERNANCE SKILLS SHORTAGE</p> <p>Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance.</p> <p>Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1</p>			

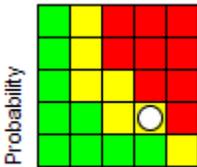
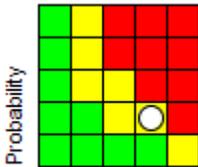
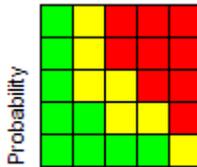
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Pension Fund Committee new members have an induction programme and will have subsequent training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			

Code	Title	Original Score	Current Score	Target Score
TPF025	<p>OUTSOURCED MEMBER ADMIN FAILURE</p> <p>XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5</p>	 <p>10</p>	 <p>10</p>	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			

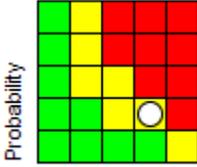
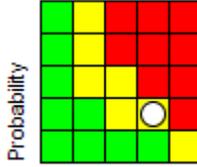
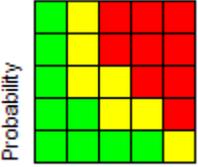
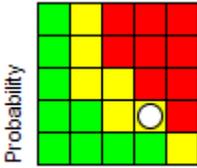
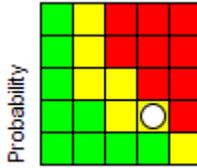
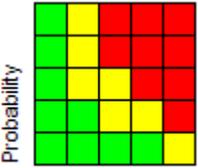
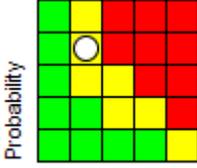
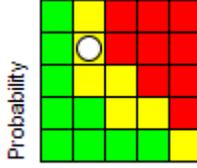
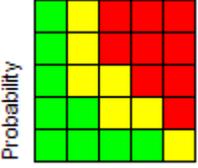
Code	Title	Original Score	Current Score	Target Score
TPF026	<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p> <p>Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5</p>	 <p>10</p>	 <p>10</p>	

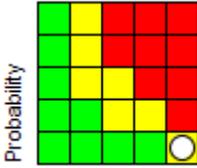
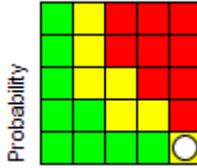
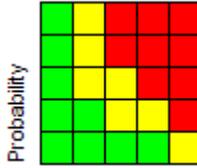
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration have advised they are not aware of any attempted hacking events.			

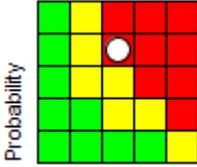
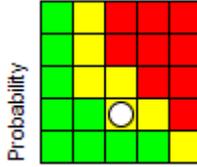
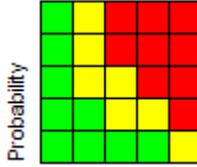
Code	Title	Original Score	Current Score	Target Score
TPF028	<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>10</p>	 <p>10</p>	

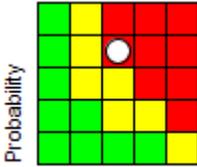
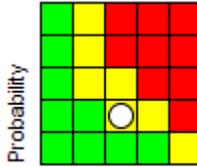
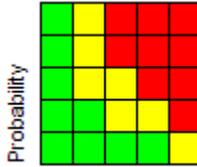
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast has completed recruitment of experienced and capable management team, alongside most of its final expected complement of 70 staff.			

Code	Title	Original Score	Current Score	Target Score
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TPF029	<p>INSUFFICIENT RANGE OF POOLING ASSET CLASSES</p> <p>Insufficient range of asset classes or investment styles being available through the investment pool.</p> <p>Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1</p>	 <p>10</p>	 <p>10</p>	 <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
There is now in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes				
Code	Title	Original Score	Current Score	Target Score
Page 180 F031	<p>INTERNAL COMPLIANCE FAILURES</p> <p>Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.</p> <p>Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1</p>	 <p>10</p>	 <p>10</p>	 <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF030	<p>COMMITTEE MEMBERSHIP CHANGE</p> <p>Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding.</p> <p>Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	 <p>8</p>	 <p>8</p>	 <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Officers and advisers provide continuity and training following changes to Committee membership.				
Code	Title	Original Score	Current Score	Target Score

TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1	 Probability Impact	7	 Probability Impact	7	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		

Code	Title	Original Score	Current Score	Target Score			
TPF015	EMPLOYER FAILURE An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-3	 Probability Impact	12	 Probability Impact	6	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
	1) Fund employers should monitor own experience. Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long term assumption, would lead to further review. 2) Employer covenant review.						

Code	Title	Original Score	Current Score	Target Score			
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3	 Probability Impact	12	 Probability Impact	6	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
	The process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.						

Code	Title	Original Score	Current Score	Target Score
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TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.				
Code	Title	Original Score	Current Score	Target Score
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Administration data quality is being assessed as part of the annual valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.				
Code	Title	Original Score	Current Score	Target Score
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
The new XPS Administration employer liaison team will improve this by working closely with employers.				
Code	Title	Original Score	Current Score	Target Score
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	6	6	6

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
With the pooling of investment assets TPF staff will work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.			

Code	Title	Original Score	Current Score	Target Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast provides increased focus on Responsible Investment.			

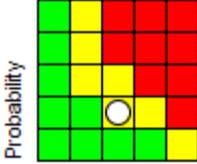
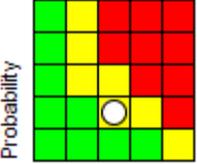
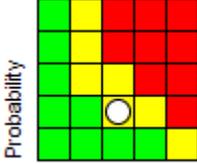
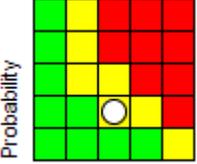
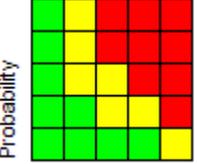
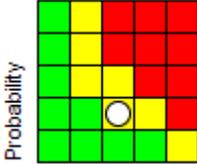
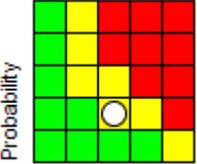
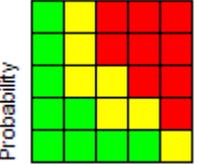
Code	Title	Original Score	Current Score	Target Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score

TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	 6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0	 6	 6	 6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	 6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score

TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	15	 Probability Impact	5	 Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.						
Code	Title	Original Score		Current Score		Target Score
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome
Code	Title	Original Score		Current Score		Target Score
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome
Code	Title	Original Score		Current Score		Target Score
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 Probability Impact	8	 Probability Impact	4	 Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF040	INACCURATE FUND INFORMATION In public domain leads to damage to reputation and loss of confidence. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	4	4	4
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	4	4	4
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	3	3	3
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	2	2	2
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score

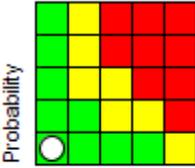
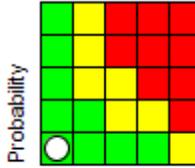
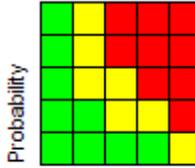
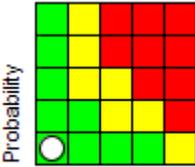
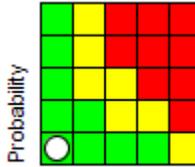
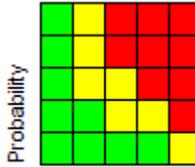
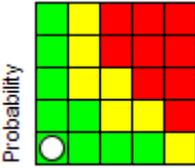
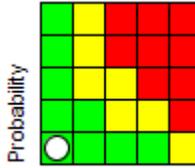
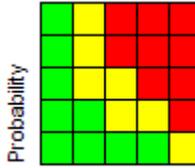
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS		2		2	
	Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score		
TPF047	BORDER TO COAST CESSATION		2		2	
	Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer	Expected Outcome	

Code	Title	Original Score	Current Score	Target Score		
TPF048	POOLING CUSTODIAN FAILURE		2		2	
	Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer	Expected Outcome	

Code	Title	Original Score	Current Score	Target Score		
TPF049	OFFICER FRAUD		1		1	
	Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer	Expected Outcome	

Code	Title	Original Score	Current Score	Target Score
------	-------	----------------	---------------	--------------

TPF050	<p>EXCESSIVE ADMIN COSTS</p> <p>Excessive costs of member benefit administration leads to lack of VFM and loss of reputation.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome
Code	Title	Original Score		Current Score		Target Score
TPF051	<p>ERRONEOUS MEMBER BENEFIT CALCS</p> <p>Risk of incorrect calculation of members benefits.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2</p>	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome
Code	Title	Original Score		Current Score		Target Score
TPF052	<p>INADEQUATE MEMBER COMMS</p> <p>Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood.</p> <p>Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>	1	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

XPS PENSIONS ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

- 1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

2. RECOMMENDATIONS

- 2.1 That Board Members note the contents of the paper.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications for the Fund.

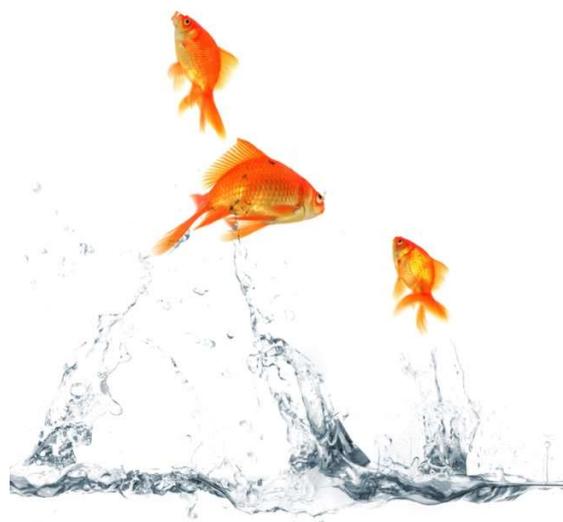
4. BACKGROUND

- 4.1 To enable the Board to gain an understanding of the work undertaken by XPS Administration and whether they are meeting the requirements of the contract. The report is contained within Appendix A.
- 4.2 The report will also cover progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

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Teesside Pension Fund

Service Delivery Report

2020/21

Teesside Pensions Fund

Headlines

High Court judgement on exit credits

On 27 May 2021, the High Court handed down judgement in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit. The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020.

The judgement also clarified that excluding the possibility of paying an exit credit because a pass-through arrangement is in place is an incorrect application of the regulations. Please check the wording in funding strategy documents to ensure it complies with this.

The full judgement can be found online on bailii.org

Response to consultation on new codes of practice

On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the Scheme Advisory Board (SAB).

The response can be accessed on the responses to consultations page of SAB's website.

LGPS mortality data

On 15 June 2021, the SAB in England and Wales updated its LGPS mortality data to the end of March 2021. On the same day, the SAB published updated records from Aon and Barnett Waddingham which sets out analysis of the mortality data of a single LGPS fund during the pandemic.

The data and the reports can be seen on the [SAB COVID-19 Mortality page](#).

Treasury launches consultation on cost control mechanism

On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism alongside a written ministerial statement. It sets out the Treasury's response to GAD's findings in a recent review of the mechanism and proposes several changes. The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Treasury launches consultation on the SCAPE discount rate methodology

On 24 June 2021, HM Treasury launched a consultation on the methodology the Government uses to set the SCAPE discount rate alongside a written ministerial statement.

The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Actuarial guidance

LGA have published a revised log of outstanding queries relating to actuarial guidance. The old log, which includes resolved queries that have been resolved, will be available for a limited period. Both logs can be found on the Actuarial guidance page of www.lgpsregs.org.

MHCLG consultation on special severance payments

The MHCLG has published draft statutory guidance and a covering letter covering special severance payments for local authorities in England. It can be found on the Scheme consultations page of www.lgpsregs.org as well as the LGA's initial comments on the proposals.

MHCLG publishes data on local authority exit payments

On 20 July 2021, MHCLG published 'Local Authority Exit Payments (First Estimates)', covering payments made by English authorities in 2019/20 and 2020/21. It can be found on the gov.uk website.

Consultation response, policy paper and draft legislation on increasing NMPA published

On 20 July 2021, HM Treasury published their response to the consultation on implementing the increase to the normal minimum pension age from 55 to 57 (NMPA). On the same day, HMRC published a policy paper and draft legislation which will be part of the next Finance Bill and will amend the Finance Act 2004. For more information on this see bulletin 209 and 206 which can be found on LGPSregs.org.

Stronger nudge to pensions guidance consultation

On 9 July 2021, DWP launched a consultation on draft regulations that will require occupational pension schemes to nudge members into seeking independent advice when they come to request access to or a transfer for the purposes of accessing their pension benefits. It appears the draft regulations will apply to LGPS members with AVCs.

Stronger nudge to pensions guidance consultation

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Scheme return

TPR is sending out scheme return notices to manager of public service pension schemes in September. They are encouraging scheme managers to double check their details by logging into the Exchange before submitting their return. Failing to submit the return by the deadline could result in a fine.

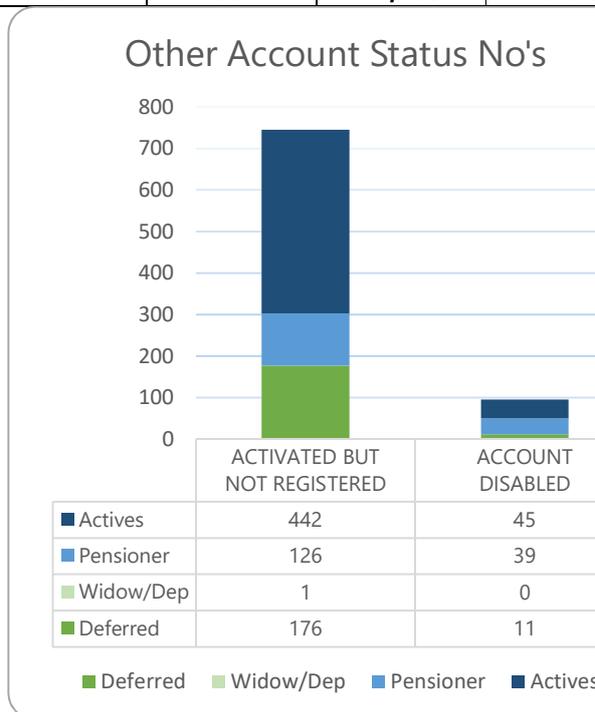
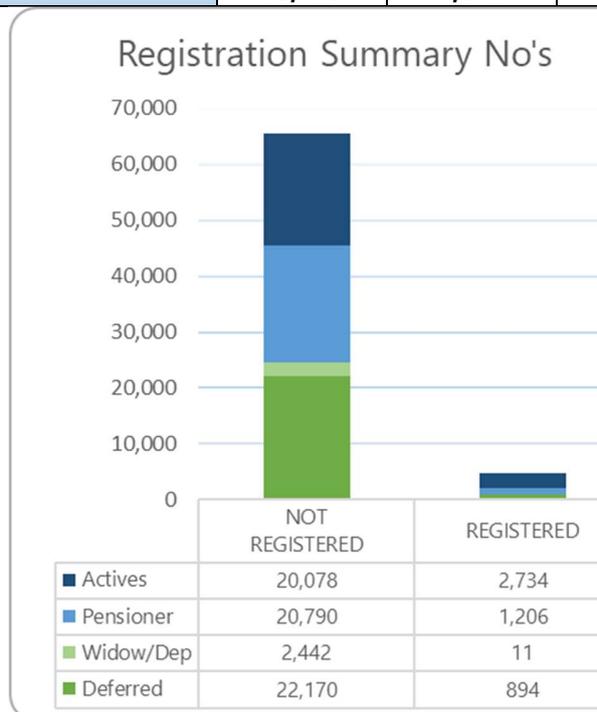
Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q1 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲
Q2 2020/21	23,018	▼	25,936	▼	21,763	▲	3,134	▲
Q1 2020/21	23,243	▲	25,958	▲	21,538	▲	3,101	▼
Q4 2019/20	22,997	▼	25,799	▼	21,521	▲	3,114	▲

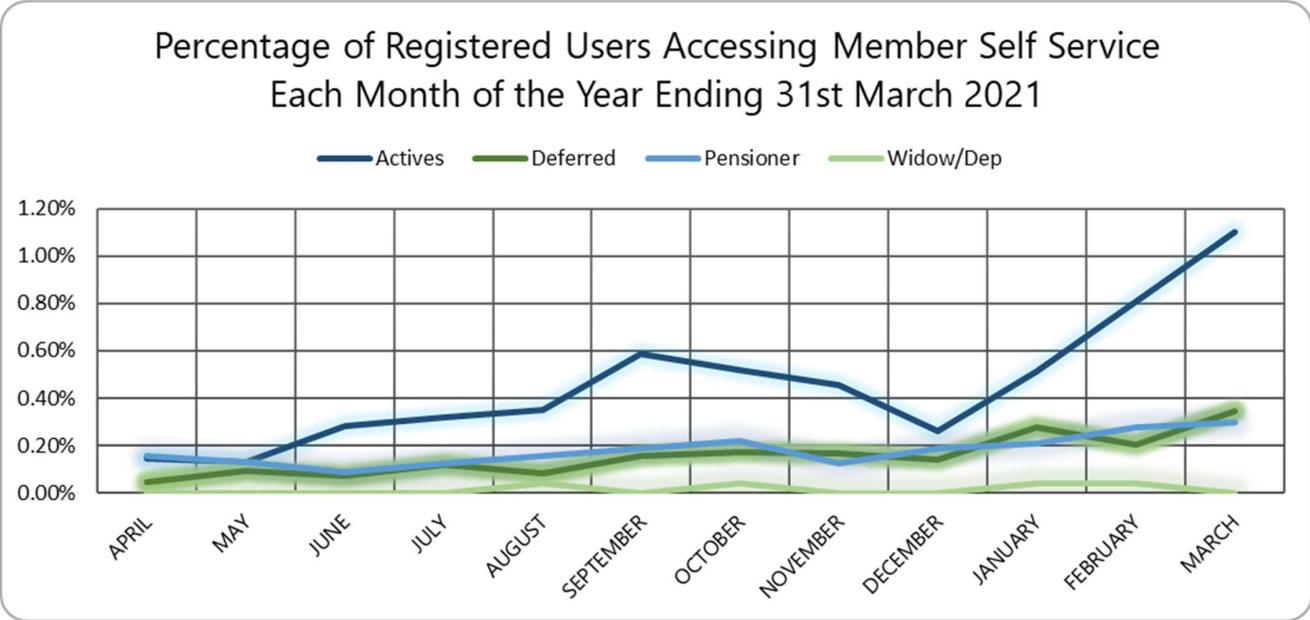
Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

	NOT REGISTERED	REGISTERED	ACTIVATED BUT NOT REGISTERED	ACCOUNT DISABLED	TOTAL	% Uptake
Actives	20,078	2,734	442	45	23,299	11.9%
Deferred	22,170	894	176	11	23,251	3.9%
Pensioner	20,790	1,206	126	39	22,161	5.6%
Widow/Dep	2,442	11	1	0	2,454	0.4%
Total	65,480	4,845	745	95	71,165	6.9%



		APRIL		MAY		JUNE	
QUARTER 1	Actives	34	0.15%	30	0.13%	66	0.28%
	Deferred	10	0.04%	22	0.09%	17	0.07%
	Pensioner	34	0.15%	29	0.13%	19	0.09%
	Widow/Dep	-	-	-	-	-	-
	Total	78		81		102	
		JULY		AUGUST		SEPTEMBER	
QUARTER 2	Actives	74	0.32%	82	0.35%	137	0.59%
	Deferred	27	0.12%	19	0.08%	36	0.15%
	Pensioner	27	0.12%	35	0.16%	42	0.19%
	Widow/Dep	-	-	1	0.04%	-	-
	Total	128		137		215	
		OCTOBER		NOVEMBER		DECEMBER	
QUARTER 3	Actives	121	0.52%	106	0.45%	61	0.26%
	Deferred	40	0.17%	38	0.16%	33	0.14%
	Pensioner	48	0.22%	28	0.13%	41	0.19%
	Widow/Dep	1	0.04%	-	-	-	-
	Total	210		172		135	
		JANUARY		FEBRUARY		MARCH	
QUARTER 4	Actives	119	0.51%	188	0.81%	257	1.10%
	Deferred	64	0.28%	47	0.20%	80	0.34%
	Pensioner	46	0.21%	61	0.28%	66	0.30%
	Widow/Dep	1	0.04%	1	0.04%	-	-
	Total	230		297		403	



Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 2 will be complete by end of May. We will then move on to Rectification Stage 1 which will highlight those cases that need recalculating.

Complaints

Type of complaint	Date received	Date responded

Internal Dispute Resolution Process

For the period from 1st April to 31st August 2021 there are two known IDRPs cases:

- Relates to Scheme Employer quoting redundancy as reason for leaving then stating this was in error once costs were requested – member had been overpaid benefits.
- Member had not received inflationary increases. This has been remedied with arrears plus interest paid.

Pensions Ombudsman

For the period from 1st April to 31st August 2021 there are no known cases passed for consideration to, nor a ruling by, the Pensions Ombudsman. We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

High Court Ruling

For the 3 months to 30th June 2021 there are no known cases.

Common Data

Data Item	Teesside Pension Fund				107 dependents	
	Max Population	Total Fails	% OK	Prev %		
NINo	74,742	140	99.81%	99.80%	107 dependents	
Surname	74,742	0	100.00%	100.00%		
Forename / Inits	74,742	0	100.00%	100.00%		
Sex	74,742	0	100.00%	100.00%		
Title	74,742	52	99.93%	99.96%		
DoB Present	74,742	0	100.00%	100.00%		
Dob Consistent	74,742	0	100.00%	100.00%		
DJS	74,742	0	100.00%	100.00%		
Status	74,742	0	100.00%	100.00%		
Last Status Event	74,742	652	99.13%	99.27%		
Status Date	74,742	1,349	98.20%	98.62%		
No Address	74,742	349	99.53%	99.53%		
No Postcode	74,742	467	99.38%	99.37%		
Address (All)	74,742	4,104	94.51%	94.61%		
Postcode (All)	74,742	4,115	94.49%	94.61%		
Common Data Score	74,742	2,597	96.53%	97.07%		
Members with Multiple Fails	74,742	396	99.47%	99.50%		

Conditional Data

XPS Administration, Middlesbrough are working on a method to report Conditional Data. Discussions are ongoing with Aquila Heywood on a cost for this reporting function along with investigation on whether this can be achieved internally. This follows the issuance by SAB of 22 data fields that should be reported on.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

Scheme	Member Total	Errors from tests carried out	%age accuracy based on tests carried out
TPF (inc GMP)	68,296	9,151	86.60
TPF (exc GMP)	68,296	1,197	98.25

These scores come from the following tests. Only those tests shown in **yellow** have been reported on; the other reports will be developed and added to results in future reports.

Report	Report Description	Test 1	Test 2	Test 3	Member Totals	Errors	%
1.1.1	Divorce Details						
1.1.2	Transfers in	Date the transfer in was received is present on record	Ensure the transfer value on record isn't blank	N/A	45,183	65	99.86
1.1.3	Additional Voluntary Contribution (AVC) Details and other additional benefits						
1.1.4	Total Original Deferred Benefit						
1.1.5	Tranches of Original Deferred Benefit						
1.1.6	Total Gross Pension						
1.1.7	Tranches of Pension						
1.1.8	Total Gross Dependant Pension						
1.1.9	Tranches of Dependant Pension						
1.2.1	Date of Leaving	Date of Leaving Blank	Date joined blank or <01/01/1900	Date joined later than Date of Leaving	4,164	43	98.97
1.2.2	Date Joined scheme	Check all Key Dates are present and later than 01/01/1900	N/A	N/A	68,296	11	99.98
1.2.3	Employer Details	Employer Code present	N/A	N/A			

1.2.4	Salary	Pay not within 12 months	N/A	N/A	46,338	1,078	97.67
1.3.1	CARE Data	CARE Missing on relevant records	N/A	N/A			
1.3.2	CARE Revaluation						
1.4.1	Benefit Crystallisation Event (BCE) 2 and 6						
1.4.2	Lifetime allowance						
1.4.3	Annual allowance						
1.5.1	Date Contracted Out	Date Contracted Out missing					
1.5.1	NI contributions and earnings history						
1.5.2	Pre-88 GMP				24,400	7,954	67.40
1.5.3	Post-88 GMP						

Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
16,162	3,066	18.97

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.26	4.27
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.03	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.43	4.44
7. Do you feel you know enough about your employers retirement process	76.46%	76.68%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.27%	47.75%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.59%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.75%	23.80%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Service Development

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

On 1st May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24th June 2019.

Since appointment, they have undertaken numerous tasks including Employer training, late contribution monitoring, and data cleansing. They have recently started Employer Health checks, which are now undertaken virtually due to the Covid restrictions.

The team are also working with the actuary to provide relevant and timely information.

Next steps will be to work with the Fund to determine how to undertake employer covenant and introducing the monthly contribution process across all employers.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 and feedback received from both cohorts has been very positive. We are conducting a full feedback review of the site and will share this with the Board.

Underpinning the website is a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for.

Below is an infographic showing a number of measures for the month 5th May 2021 to 4th June 2021:



We can learn a lot from this data and we will of course be trying to increase footfall to the site by strategically linking the site with participating employers.

As well as these above analytics, we are testing the website regularly to prove its structural and technical integrity. This ensures that people see exactly what we want them to see, regardless of

what browser or device they use. We are able to test these levels and do so several times per week to ensure the web coding is robust and modern. It all helps with the overall Member and Employer experience and allows web indexation to be that much better. This promotes the website in something like a google search.

Next Steps

XPS are currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies, and more up to date information on member records. It is expected that this will occur during the 2021/22 financial year. Since March 2018, the plan has changed from the recruitment of two additional members of staff to use a piece of software that will provide an auditable process that will allow employers to upload member data directly to records. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

The next steps will include the procurement of the additional software and the recruitment of at least one further member of staff to assist with the processing of the data.

Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

Employer Liaison

Employers & Members

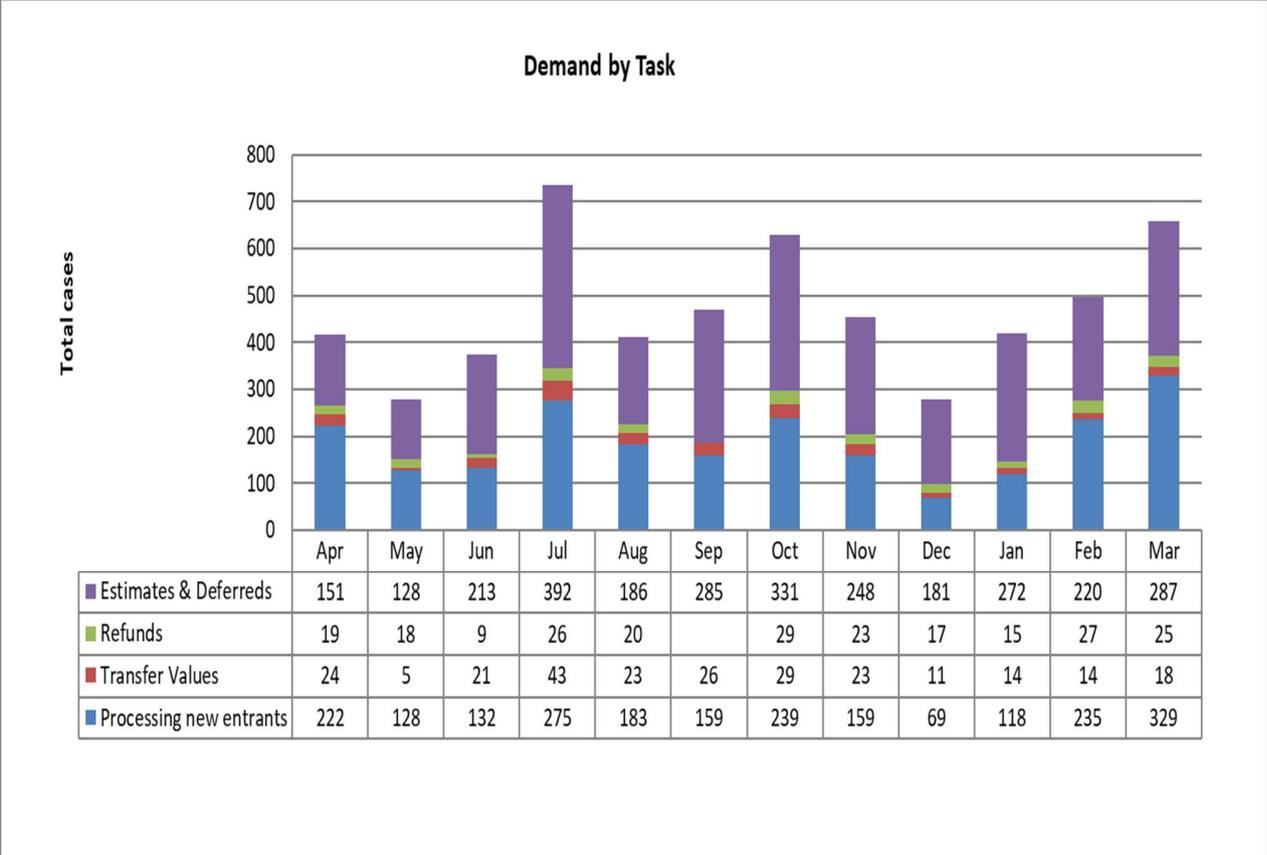
Employer Health Checks have continued as well as some face to face employer training which has been extremely well received and a lovely easing back into a normal way of life. With restrictions easing we are keen to get back out and about and already the enquiries on delivering member awareness sessions and employer training have increased, I believe this is due to the pandemic and members reassessing options in relation to their pension and retirement.

Late Payment of Contributions

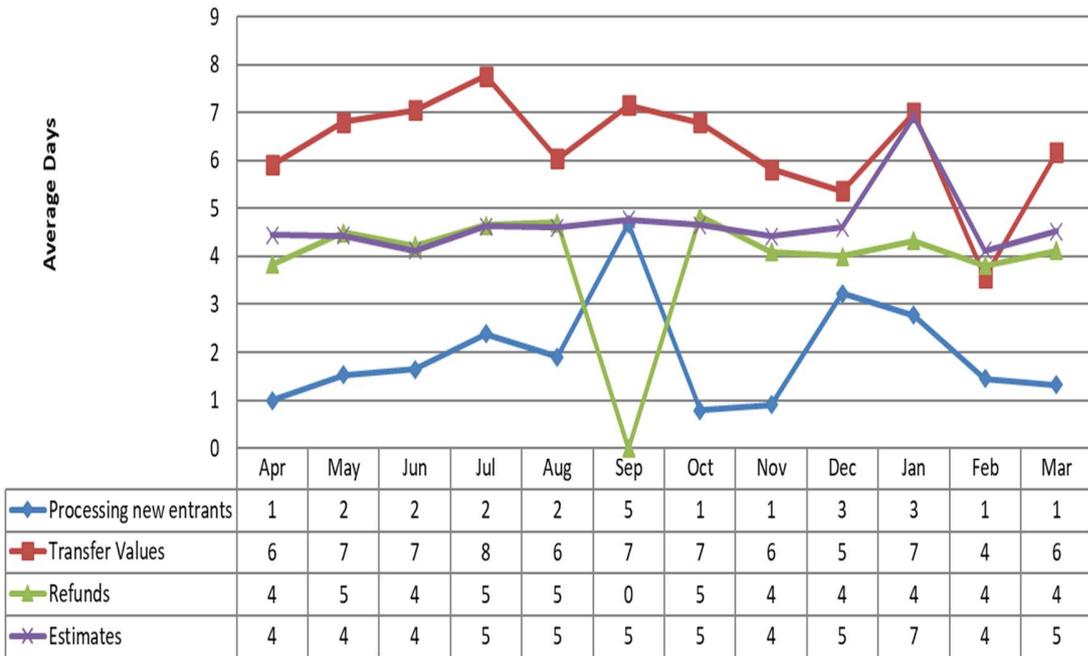
Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Apr-20	4	151	3.00%	0	4
May-20	3	151	2.00%	0	3
Jun-20	2	151	1.00%	1	1
Jul-20	6	150	4.00%	6	0
Aug-20	9	150	6.00%	0	9
Sep-20	8	149	5.00%	3	5
Oct-20	3	149	2.00%	3	0
Nov-20	3	149	2.00%	3	0
Dec-20	2	149	1.00%	0	2
Jan-21	2	149	1.00%	2	0
Feb-21	4	149	3.00%	0	4
Mar-21	3	149	2.00%	1	2
Apr-21	8	148	5.00%	7	1
May-21	0	148	0.00%	0	0
Jun-21	3	149	2.00%	3	0
Jul-21	1	149	1.00%	1	0

Performance Charts

Overall Demand



Average days by Task



The following charts show performance against individual service level requirements.

April 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.83	266	0	266	266
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	28	0	28	28
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	18	0	18	18
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	181	0	181	181
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.61	185	0	185	185
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	16	0	16	16
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	12	0	12	12
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	12	208	0	208	208
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.87	246	0	246	246
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	21	0	21	21
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	259	0	259	259
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		