

## TEESSIDE PENSION FUND COMMITTEE

<b>Date:</b> Wednesday 29th June, 2022
<b>Time:</b> 11.00 am
<b>Venue:</b> Mandela Room

### AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest  
To receive any declarations of interest.
4. Minutes - Teesside Pension Fund Committee - 16 March 2022 3 - 12
5. Investment Activity Report 13 - 42
6. External Managers' Reports 43 - 122
7. Presentation from Border to Coast 123 - 154
8. Current Issues 155 - 164
9. Investment Advisors' Reports 165 - 174
10. CBRE Property Report 175 - 182
11. XPS Pensions Administration Report 183 - 202

12. Any other urgent items which in the opinion of the Chair, can be considered

13. Exclusion of Press and Public

To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3, of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. Fund Actuary - Advice on 31 March 2022 Valuation Assumptions 203 - 246

15. Local Investments Update 247 - 252

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Tuesday 21 June 2022

#### MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, Ms J Flaws, Mr B Foulger, T Furness, S Hill, J Hobson, D McCabe, G Nightingale, J Rostron, Mr T Watson and Vacancy

#### **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](mailto:susan_lightwing@middlesbrough.gov.uk)**

**TEESSIDE PENSION FUND COMMITTEE**

A meeting of the Teesside Pension Fund Committee was held on Wednesday 16 March 2022.

**PRESENT:** Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall (Stockton On Tees Council), A Bell, R Creevy (Hartlepool Council), T Furness and G Wilson

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser)  
R Elwell (Border to Coast Pension Partnership)  
D Green (Hymans Robertson)  
P Mudd (XPS Administration)  
C Martindale (CBRE), A Owen (CBRE), A Peacock (CBRE)

**OFFICERS:** W Brown, S Lightwing, J McNally and N Orton

**APOLOGIES FOR ABSENCE:** Councillors J Hobson, G Nightingale, J Rostron, M Storey, S Walker  
Ms J Flaws, Mr B Foulger, Mr T Watson

21/45 **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

21/46 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 15 DECEMBER 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 15 December 2021 were taken as read and approved as a correct record.

21/47 **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.

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 December 2021 were 11.23%. 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. There were no sales or purchases during the quarter.

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. £87.2 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 October 2021 to 31 December 2021. There were net sales of £60.3 million in the period, this compared to net sales of £100.8 million in the previous reporting period.

As at 30 December 2021, the Fund had £565.2 million invested with approved counterparties. This was an increase of £30.5million 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 December 2021, including cash, was £5,040 million, compared with the last reported valuation as at 30 September 2021, of £4,871 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 31 December 2021 compared with the Fund's customised benchmark.

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 long term target Strategic Asset Allocation and the targets for 31 March 2022 were shown at paragraph 8.2 of the submitted report.

At the end of December 2021 the Fund's equity weighting was 67.1% compared to 70.9% at the end of September 2021. A schedule was in place to reduce investment in equities over the period 1 April 2021– 31 March 2022 by £725 million, and this figure would be reviewed throughout the year. In the quarter October-December 2021 the Fund sold £185 million. Further transactions would be reported at future meetings.

A summary of equity returns for the quarter 1 October–31 December 2021 was contained at paragraph 8.3 of the submitted report.

The Border to Coast Series 2 Alternative Funds would be live from 1 April 2022, and the Fund had agreed to commit £150 million per year for the next 3 years to the Infrastructure Fund and £100 million per year for the next 3 years to the Private Equity Fund. The Fund would also commit £100 million over the 3 year period to a new Border to Coast Climate Opportunities Fund. This amount might be scaled back to £80 million due to over-commitments.

As at 28 February 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,203 million and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

**ORDERED** that the report was received and noted.

21/48

## **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 31 December 2021, the Fund had investments in the Border to Coast UK Listed Equity Fund, the Border to Coast Overseas Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Funds. For all three 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. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

The Border to Coast report showed the market value of the portfolio as at 31 December 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had 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 were also included. Border to Coast's UK Listed Equity Fund was slightly below target and their Overseas Developed Markets Equity Fund was slightly above target since inception. The performance of the Emerging Markets Equity Fund was above benchmark (but below target) in the last quarter, however the Fund's investments only began

earlier this year and it was too early to draw any meaningful conclusions from such a short investment period.

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 December 2021. Performance figures were 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 was 1 June 2001, as the Fund had been investing a small proportion of its assets in these regions passively since then. For North America and Europe ex UK the inception date was in September 2018, therefore performance figures only covered just over three years as this represented a comparatively new investment for the Fund. The nature of passive investment – where an index was closely tracked in an automated or semi-automated way – meant deviation from the index should always be low.

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. Since the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in those terms closely matched the benchmark indices ratings.

As previously reported to the Committee, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that it had decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they tracked.

The latest report showed performance of the State Street funds against the 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.

It was confirmed that immediately prior to Russia's invasion of Ukraine, through the Border to Coast Emerging Markets Equity Fund approximately 0.1% of the Teesside Pension Fund was invested in Russia – about £5 million. Whilst the Teesside Pension Fund would look to disinvest, those assets could not currently be traded as the markets were closed. The value of those assets would be written down to zero or close to zero value in any case. There would be impacts on markets more widely because of the conflict but it was too early to say the longer term impact of this would be including, for example, on global energy prices.

**ORDERED** that the report was received and noted.

21/49

## **PRESENTATION FROM THE FUND ACTUARY**

A representative from Hymans Robertson, the Fund's Actuary, gave a presentation covering the following items:

- Background to the Actuarial Valuation.
- Key Valuation Decisions and Outcomes.
- Outlook for the 2022 Valuation.
- Valuation Timetable.

Work had started on the valuation and assumptions would be presented to the Teesside Pension Fund Committee in the next quarter. Some modelling on Council contributions would also be presented. The Whole Fund results would be presented in the autumn and new contributions would be implemented from April 2023.

**ORDERED** that the information provided was received and noted.

21/50

## **PENSION FUND BUSINESS PLAN 2021-22**

The Head of Pensions Governance and Investments presented the annual Pension Fund Business Plan 2022/2025, including the 2022/2023 Pension Fund budget, for approval.

The 2022/23 forecast income and expenditure was set out in the Business Plan, and

summarised at paragraph 3.1 of the submitted report. It was highlighted that income was expected to be about £62 million less than expenditure and there were additional administration and management expenses of £7.5 million. Estimated investment income was £56 million, leaving a shortfall of around £12 million in the year. This was not of great concern currently as the Fund continued to hold large amounts of cash - anticipated to be over £700 million by the end of March 2022.

A copy of the Business Plan for 2022/25 was attached at Appendix 1 to the submitted report. The Business Plan included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (Appendix A).
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2022/23, and a summary of the performance for 2021/22 (Appendix B).
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C).
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2021/22 and an estimate for income and expenditure for 2022/23 (see Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2022/23 and an outline work plan for 2022 – 2025.

The Committee was informed that Stockton On Tees Borough Council had recently undertaken a scrutiny investigation regarding Pension Fund Membership and how to encourage uptake. It was agreed that a copy of the Final Report would be forwarded to the Head of Pensions Governance and Investment for information.

**ORDERED** that the Pension Fund Business Plan 2022/2025 was approved.

21/51

## **CURRENT ISSUES**

A report of the Director of Finance was submitted to provide Members of the Pension Fund Committee (the Committee) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The issues covered in the report included:

- LGPS and Levelling Up.
- Government Actuary's Department Section 13 Report – Main Findings.
- Government Actuary's Department Section 13 Report – Fund Comparisons.
- Triennial Actuarial Valuation as at 31 March 2022.
- Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboard Regulations 2022.
- Public Service Pensions and Judicial Offices Bill – Amendment.

The Head of Pensions Governance and Investment highlighted the following points:

### LGPS and Levelling Up

The Government published its "Levelling up the United Kingdom" White Paper on 2 February 2022. The scope of the White Paper was broad: its stated objective was to take radical steps to improve UK prosperity by "tackling the regional and local inequalities that unfairly hold back communities and to encourage private sector investment right across the UK". The White Paper included information about the role the Local Government Pension Scheme will be expected to play with a number of references to Local Government Pension Scheme (LGPS) Funds being used to support local investment.

There was huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently held UK pension assets of over £3.5tn. Within that, the LGPS had total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of those funds were currently allocated to local projects. If all LGPS funds were to allocate 5% to local

investing, this would unlock £16bn in new investment.

Since 2016 the Teesside Pension Fund had put in place a protocol to enable local investment opportunities to be considered and, where suitable, approved by the Pension Fund Committee. The Fund defined “local” within the context of its own geographical area, so local investments in this context were those within the Teesside area (the areas covered by Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees Councils). The Fund’s investment approach allowed up to 5% of its assets to be invested in local projects. One of the important criteria for assessing any potential local investment was to ensure it had the right risk and return characteristics to meet the Fund’s financial objectives. Any local investment in itself needed to generate an acceptable economic return for the Fund.

A consultation document was expected later in the year which should provide more clarity on the government’s ambition for LGPS Funds to invest 5% of their assets in projects that supported local areas, and on whether this would be implemented through statutory guidance or legislation.

#### Government Actuary’s Department Section 13 Report – Main Findings

On 16 December 2021 the Government Actuary’s Department (GAD) published its Section 13 Report on the actuarial valuations carried out across the LGPS as at 31 March 2019. The Report was named after Section 13 of the Public Service Pensions Act 2013 which required the government to commission a report after each triennial valuation to assess whether the following four aims had been achieved: compliance, consistency, solvency and long term cost efficiency. A summary of the report’s findings was included in the submitted report.

The Report was broadly positive about the LGPS and acknowledged that since the 31 March 2016 valuation, market value of the scheme’s assets increased from £217 billion to £291 billion and its aggregate funding position on prudent local bases had increased from 85% to 98%. GAD added a note of caution about potential funding issues in the future: “the size of funds has grown significantly over the three years to 31 March 2019. However, the ability of tax backed employers to increase contributions if this was to be required (as measured by their core spending power) has not kept pace. This could be a risk if, for example, there was to be a severe shock to return seeking asset classes.”

#### Government Actuary’s Department Section 13 Report – Fund Comparisons

In producing the Report, GAD compared each LGPS Fund’s 31 March 2019 valuation on a single standard basis which was typically less prudent than the Fund’s own basis but allowed better comparison between Funds. An extract from the Report’s appendix including several relevant graphs was attached at Appendix A to the submitted report. The main points to note from the comparison graphs were as highlighted as follows:

- The Teesside Pension Fund had the second highest funding level in the LGPS on a local valuation basis but was only the twentieth highest on a Scheme Advisory Board standard basis.
- The Fund had the sixth smallest percentage difference between the funding level it reported in its valuation report and the standard basis funding level.
- The Fund had the 22nd highest pre-retirement discount rate and the 10th highest assumed asset outperformance within its discount rate. This was an assessment by GAD of the degree of investment return the Fund was assuming compared with ‘risk-free’ (government bonds) investment taking inflation into account.

These points indicated that the Fund might have probability of funding success that could be lower than average, and might also be anticipating a higher return from its assets than the average LGPS Fund. However this needed to be considered in the context of the Fund’s asset mix which, at the last valuation, was significantly more heavily weighted towards equities than the average LGPS Fund. By its nature, GAD’s Report was primarily backward looking, although the recommendations would be considered and taken into account, where relevant, by the Fund’s actuary as the 31 March 2022 valuation was undertaken.

Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboards Regulations 2022

On 31 January 2022 the DWP published a consultation document on draft regulations designed to implement pensions dashboards. Pensions dashboards would be an internet-based service which allowed individuals to access information about their pensions, ideally from all sources (private sector, public sector and state pension) all in one place. The intention was that pensions dashboards would put individuals in control of planning for their retirement by bringing together their pensions information from multiple sources, including information on their State Pension, which could be accessed at a time of their choosing.

Consultation responses were required by 13 March 2022. The Local Government Association (LGA) had prepared a response to the consultation and would share this with LGPS Funds prior to the response deadline. The Head of Pensions Governance and Investments would consider whether a separate response was required from the Fund and, if so, would submit this after consultation with the Chair and Vice Chair of the Pension Fund Committee.

Public Service Pensions and Judicial Offices Bill – Amendment

The Government was progressing a bill through parliament: the Public Service Pensions and Judicial Offices Bill, designed primarily to remove unlawful discrimination in the protections introduced when public sector schemes were changed in 2014 and 2015. Robert Jenrick MP, proposed an amendment to the Bill which, supported by the government, was subsequently accepted which will add an additional unconnected provision that directly affects the LGPS.

The amendment changed the Public Service Pensions Act 2013 to give the Secretary of State the explicit power to issue guidance or directions to administering authorities on investment decisions which it was not proper for the scheme manager to make in light of UK foreign and defence policy.

It was disappointing that the amendment to this Bill allowed the Secretary of State to gain potentially significant additional power to direct how LGPS funds could invest without allowing appropriate consultation with the LGPS itself. Also, without sight of the guidance, it was not clear how this new power would work.

Further information on this issue would be presented to the Committee as and when it became available.

**ORDERED** as follows that the:

1. information provided was received and noted.
2. Head of Pensions Governance and Investments would submit a response to the Draft Pensions Dashboards Regulations 2022 consultation, if required, in consultation with the Chair and Vice Chair of the Pension Fund Committee.

21/52 **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 by both Advisors at the meeting in relation to the current conflict in the Ukraine and the potential impact on the economy and markets, inflation and rising energy costs.

The Advisors recommended that the Fund continued with its current asset allocation strategy.

**ORDERED** that the information provided was received and noted.

21/53 **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.



The market remained strong for primary assets in all sectors leading to limited stock availability. Although this was positive in terms of the Fund's existing assets it made buying new assets very challenging.

There were no sales or acquisitions during the last quarter.

The Fund had agreed terms for a lease renewal at Bromford Central to Harrow Green Ltd. This leasing transaction maintained a fully let estate and increased the rent on Unit 4 by 23% (+£31,455 p.a). This was part of the wider estate asset management plan, whereby a number of leasing negotiations would take place in 2022. It was confirmed that existing arrears would be cleared by the company prior to the lease agreement being signed off.

The Fund had also agreed terms with Pure Gym for a new 15-year lease at Unit H, Congleton.

CBRE continued 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 Fund's strategy. Whilst many of these have not progressed quickly CBRE was optimistic that they may gain traction over the next few weeks as investors began to consider their post pandemic strategies.

The report was written prior to the invasion in Ukraine and it was suggested that this might discourage investment in eastern Europe which could have a knock-on effect on property in London, which was in high demand. This could force investors into the regional markets where the Teesside Pension Fund operated.

CBRE continued to work on reducing tenants' rent arrears through continued dialogue. The protection scheme put in place for tenants during the Covid-19 remained in place until the end of March.

**ORDERED** that the information provided was received and noted.

21/54

## **XPS PENSIONS 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:

- Headlines.
- Membership Movement.
- Member Self Service.
- Additional Work.
- Complaints
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development.
- Performance.
- Employer Liaison.
- Annual Benefit Statements.
- Performance Charts.

In relation to performance it had been a really strong quarter with only two instances of failure within the KPIs that did not impact pension payment or experience. There were no new complaints.

XPS had been working on closing off 2021/2022 and opening 2022/2023 and had sent templates to all Employers to capture the year end data. This data would inform annual benefit statement production, the actuarial valuation and the pension saving exercise.

All Employers had received a reminder about their contribution rates effective from 1 April 2022.

An error was noted in the Membership Movement figures and the officer undertook to ensure this was amended for the next report.

**ORDERED** that the information provided was received and noted.

21/55

### **BREACHES LOG**

A report of the Director of Finance was reported to provide Members of the Pension Fund Committee (the Committee) with an update on a regulatory breach that had been added to the Breaches Log.

Under the Pensions Act 2004 certain categories of people involved with a pension scheme had a duty to make a report to the Pensions Regulator where they had reasonable cause to believe that:

- a) a legal duty relating to the administration of the scheme had not been or was not being complied with; and
- b) the failure to comply was likely to be of material significance to the Pensions Regulator.

The Fund had a policy on reporting breaches, which was reviewed and approved by the 15 December 2021 Pension Fund Committee, a copy of which was attached at Appendix A to the submitted report. The policy included information on how to report a suspected breach of regulations and how a reported breach was evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.

The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log was attached as Appendix B to the submitted report. This contained one new addition relating to the provision of benefit statements to deferred members.

Deferred members were members of the pension scheme who had left active employment and no longer contributed to the scheme, but had not yet drawn their pension benefits, normally because they were not old enough yet. Depending on the age of the individual, it could be many years between their leaving the scheme and drawing their pension, and it was not unusual for the individual to move house and not inform the pension scheme during that time. This resulted in mail being returned from that address and that individual being categorised as a 'gone-away'. This in turn makes it impossible to provide that individual with an annual benefit statement (which, according to the LGPS regulations, needs to be provided to all active and deferred members by 31 August each year).

The entry in the Breaches Log outlined the position, and explained that a decision had been taken to record but not report this breach, as it had a straightforward explanation, did not result in a loss to the individual and steps were being taken to look to improve the situation. These steps involved XPS working with the Head of Pensions Governance and Investments to consider cost-effective ways to trace the 'gone-aways' with a view to substantially reducing their number for the 2022 annual benefit statements.

**ORDERED** that the information provided was received and noted.

21/56

### **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

21/57

### **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.

21/58

### **PRESENTATION FROM BORDER TO COAST'S CEO**

The Chief Executive Officer from Board to Coast Pensions Partnership provided an update.

**ORDERED** that the information provided was received and noted.

21/59

**BORDER TO COAST ESG REPORTS**

A report of the Director of Finance was presented to provide Members of the Committee with Border to Coast's Environmental Social and Governance (ESG) reports for the quarter ending 31 December 2021 in relation to the three listed equity sub-funds the Pension Fund invested in.

**ORDERED** that the information provided was received and noted.

21/60

**LOCAL INVESTMENTS UPDATE**

**ORDERED** that the report was **DEFERRED** for consideration at a future meeting.

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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

### PENSION FUND COMMITTEE REPORT

29 JUNE 2022

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 January – March 2022

- 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 March 2022 were 16.13%. 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. There are a couple of assets that we are currently looking to purchase, one of which will hopefully complete this month, progress will be reported at the next committee.

No purchases or sales were made in the period.

- 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 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 £26.7m 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 January 2022 – 31 March 2022.
- 5.2 There were net sales of £252m in the period, this compares to net sales of £60.3m 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 31 March 2022, the Fund had £817.4 million invested with approved counterparties. This is an increase of £252.2 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 31 March 2022, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,071 million**. The detailed valuation attached as Appendix C is also available on the Fund's website [www.teespen.org.uk](http://www.teespen.org.uk). This compares with the last reported valuation, as at 31 December of £5,040 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 31 March 2022 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
<b>GROWTH ASSETS</b>	<b>75%</b>	<b>78%</b>
UK Equities	10%	12%
Overseas Equities	45%	53%
Property	10%	7%
Private Equity	5%	3%
Other Alternatives	5%	3%
<b>PROTECTION ASSETS</b>	<b>25%</b>	<b>22%</b>
Bonds / Other debt / Cash	15%	14%
Infrastructure	10%	8%

### 8.3 EQUITIES

As at the end of March 2022 the Fund's equity weighting was 59.91% compared to 67.1% at the end of December 2021.

A schedule was in place to reduce our investment in equities over the period 1 April 2021–31 March 2022 by £725m. In the quarter January – March 2022 we sold £280m, no further redemptions are planned at this time.

Summary of equity returns for the quarter 1 January 2022 – 31 March 2022:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	0.60%	0.49%	0.11%
BCPP Overseas	-2.34%	-2.79%	0.45%
BCPP Emerging Market	-6.21%	-2.53%	-3.68%
SSGA Pacific	1.38%	1.39%	-0.01%
SSGA Japan	-3.63%	-3.73%	0.10%
SSGA Europe	-7.09%	-7.29%	0.20%
SSGA North America	-2.58%	-2.71%	0.13%

(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 16.13%. 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 £20m called in full in September 2020.



A further investment was agreed at the June 2021 Committee, dependent on the bank meeting agreed criteria.

An additional £6.5m was paid to the bank in December 2021.

**Ethical Housing Company** - £5m investment of which £765k has been called.

**Waste Knot** - £10m investment agreed at the June 2021 Committee, payment was made in full in December 2021.

## 8.7 ALTERNATIVES

The Border to Coast Series 2 Alternative Funds went live on 1<sup>st</sup> April, we have agreed to commit £150m per year for the next 3 years to the Infrastructure Fund and £100m per year for the next 3 years to the Private Equity Fund.

We subscribed to an investment of £100m over the 3 year period to a new Border to Coast Climate Opportunities Fund, however due to over-commitments this was scaled back to £80m

As at 31 May 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,533m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£350m	£74m
Other Infrastructure Managers	£257m	£162m
Border to Coast Private Equity	£300m	£71m
Other Private Equity Managers	£327m	£181m
Other Alternatives	£224m	£102m
Other Debt	£75m	£53m
<b>Totals</b>	<b>£1,533m</b>	<b>£643m</b>

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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)		(£)	(£)	
04 January 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	481.66	481.66	0.00
07 January 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-72,186.84	-72,186.84	0.00
13 January 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	262,236.75	262,236.75	0.00
13 January 2022	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	638,963.57	638,963.57	0.00
14 January 2022	P	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	655,672.99	655,672.99	0.00
14 March 2022	S	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-760,695.68	-760,695.68	0.00
04 February 2022	P	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	792,750.30	792,750.30	0.00
04 February 2022	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-290,030.60	-290,030.60	0.00
14 January 2022	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	307,965.37	307,965.37	0.00
18 February 2022	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	268,053.85	268,053.85	0.00
24 February 2022	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	705,705.03	705,705.03	0.00
14 January 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	298,031.14	298,031.14	0.00
17 January 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	208,885.16	208,885.16	0.00
25 January 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	11,232.20	11,232.20	0.00
25 January 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-11,123.74	-11,123.74	0.00
31 January 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	58,849.66	58,849.66	0.00
02 February 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	1,077,526.61	1,077,526.61	0.00
10 February 2022	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-452,991.32	-452,991.32	0.00
10 February 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	375,088.19	375,088.19	0.00
11 February 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	399,949.71	399,949.71	0.00
16 February 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,499,188.61	1,499,188.61	0.00
17 February 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	675,778.58	675,778.58	0.00
17 February 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-37,047.09	-37,047.09	0.00
23 February 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	622,520.24	622,520.24	0.00
25 February 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-129,490.94	-129,490.94	0.00
04 March 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	317,389.81	317,389.81	0.00
04 March 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-106,034.29	-106,034.29	0.00
10 March 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	608,260.79	608,260.79	0.00
10 March 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-99,194.61	-99,194.61	0.00
11 March 2022	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	741,977.50	741,977.50	0.00
14 March 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	1,644,009.61	1,644,009.61	0.00
16 March 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	121,046.25	121,046.25	0.00
21 March 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	2,755,701.09	2,755,701.09	0.00
22 March 2022	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-69,344.45	-69,344.45	0.00
24 March 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	GBP	881,257.00	881,257.00	0.00
31 March 2022	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	348,544.84	348,544.84	0.00
								<b>14,248,926.95</b>		
10 February 2022	P	TPF Co-Investment BSI LP - Waste Knot	Infrastructure	Local Investments	~	~	GBP	50,000.00	50,000.00	0.00
								<b>50,000.00</b>		
21 January 2022	S	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	-1,531,309.09	-1,531,309.09	0.00
03 February 2022	P	Bridges Evergreen TPF Housing Co-Investment	Other Alternatives	Local Investments	~	~	GBP	404,547.05	404,547.05	0.00
11 March 2022	P	Hearthstone Residential Fund 1 LP	Other Alternatives	Other Alternatives	~	~	GBP	104,224.38	104,224.38	0.00
22 March 2022	P	Hearthstone Residential Fund 2	Other Alternatives	Other Alternatives	~	~	GBP	946,732.70	946,732.70	0.00
23 March 2022	S	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	-543,348.01	-543,348.01	0.00
								<b>-619,152.97</b>		

11 January 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
19 January 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	342,522.33	342,522.33	0.00
24 February 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	370,094.83	370,094.83	0.00
28 March 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	586,827.68	586,827.68	0.00
								<b>1,302,594.84</b>		
12 January 2022	S	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed Markets	-26,712,057.92	149.88	GBP	-40,036,032.42	-34,192,398.14	5,843,634.28
09 February 2022	S	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed Markets	-27,096,599.37	147.62	GBP	-40,000,000.00	-34,684,625.07	5,315,374.93
09 March 2022	S	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed Markets	-28,636,029.19	139.81	GBP	-40,036,032.42	-36,655,150.80	3,380,881.62
								<b>-120,072,064.84</b>		
04 January 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-28,052.96	-28,052.96	0.00
06 January 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	662,649.18	662,649.18	0.00
10 January 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	45,832.72	45,832.72	0.00
10 January 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	263,804.31	263,804.31	0.00
18 January 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,088,161.53	1,088,161.53	0.00
18 January 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-14,350.06	-14,350.06	0.00
21 January 2022	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-1,344,954.75	-1,344,954.75	0.00
21 January 2022	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	119,515.76	119,515.76	0.00
21 January 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	92,030.95	92,030.95	0.00
25 January 2022	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	~	~	USD	800,819.45	800,819.45	0.00
27 January 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	357,071.04	357,071.04	0.00
03 February 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,213,337.47	1,213,337.47	0.00
03 February 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-73,538.60	-73,538.60	0.00
04 February 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-2,386,014.02	-2,386,014.02	0.00
16 February 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	639,458.86	639,458.86	0.00
18 February 2022	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	452,086.38	452,086.38	0.00
22 February 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	496,415.15	496,415.15	0.00
25 February 2022	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	400,000.00	400,000.00	0.00
02 March 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	722,440.09	722,440.09	0.00
02 March 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	319,927.85	319,927.85	0.00
02 March 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	-132,451.22	-132,451.22	0.00
03 March 2022	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	1,268,885.24	1,268,885.24	0.00
04 March 2022	P	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	749,092.01	749,092.01	0.00
09 March 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	852,791.21	852,791.21	0.00
09 March 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	366,729.67	366,729.67	0.00
15 March 2022	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	457,135.89	457,135.89	0.00
15 March 2022	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	680,675.33	680,675.33	0.00
15 March 2022	S	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	-563,785.14	-563,785.14	0.00
17 March 2022	P	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	2,447,891.83	2,447,891.83	0.00
17 March 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	82,823.40	82,823.40	0.00
21 March 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,085,934.08	1,085,934.08	0.00
21 March 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	131,393.97	131,393.97	0.00
22 March 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	68,776.55	68,776.55	0.00
22 March 2022	P	Access Capital Fund VIII Growth Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	2,647,028.88	2,647,028.88	0.00
23 March 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	251,782.83	251,782.83	0.00
25 March 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	274,667.38	274,667.38	0.00
29 March 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-584,089.64	-584,089.64	0.00
30 March 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	35,438.71	35,438.71	0.00
30 March 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	-862,988.56	-862,988.56	0.00

							<u>13,084,372.78</u>			
19 January 2022	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-33,726,448.82	118.72	GBP	-40,040,040.04	-36,934,152.41	3,105,887.63
02 February 2022	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-33,946,621.48	117.95	GBP	-40,040,040.04	-37,175,265.57	2,864,774.47
23 February 2022	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-34,556,002.45	115.87	GBP	-40,040,040.04	-37,842,604.42	2,197,435.62
23 March 2022	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-34,399,148.22	116.41	GBP	-40,044,048.45	-37,670,831.88	2,373,216.57
							<u>-160,164,168.57</u>			
<b>Periods January, February and March 22 (Cumulative) Total</b>							<u>-252,169,491.80</u>			
<b>Total Profit - NB: Losses are shown with a ( )</b>										<u>25,081,205.12</u>

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◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>						
<b>Common stock</b>						
<b>Australia</b>						
Common Stock	FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00 AUD	428.000	0.000	0.05750000	14.040
Common Stock	YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,870.060
<b>Total Australia</b>		<b>0.00</b>	<b>225,819.000</b>	<b>287,505.650</b>		<b>8,884.100</b>
<b>Europe Region</b>						
Common Stock	ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	25,954,190.330	23,066,858.670	0.80643540	17,687,450.940
<b>Total Europe Region</b>		<b>0.00</b>	<b>25,954,190.330</b>	<b>23,066,858.670</b>		<b>17,687,450.940</b>
<b>Guernsey, Channel Islands</b>						
Common Stock	AMEDEO AIR 4 PLUS LIMITED SEDOL : BMZQ5R8	0.00 GBP	5,333,332.000	4,682,127.850	0.30400000	1,621,332.930
<b>Total Guernsey, Channel Islands</b>		<b>0.00</b>	<b>5,333,332.000</b>	<b>4,682,127.850</b>		<b>1,621,332.930</b>
<b>Malta</b>						
Common Stock	BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV SEDOL : 3A1MX0W	0.00 EUR	200,000.000	0.000	0.00000000	0.000
<b>Total Malta</b>		<b>0.00</b>	<b>200,000.000</b>	<b>0.000</b>		<b>0.000</b>
<b>United Kingdom</b>						
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
<b>Total United Kingdom</b>		<b>0.00</b>	<b>1,686,400.000</b>	<b>2,383,993.820</b>		<b>80,193.800</b>
<b>Total Common stock</b>		<b>0.00</b>	<b>33,399,741.330</b>	<b>30,420,485.990</b>		<b>19,397,861.770</b>
<b>Funds - common stock</b>						
<b>Guernsey, Channel Islands</b>						
Funds - Common Stock	VISTRA FD SERVICES DARWIN LEISURE DEV D GBP SEDOL : BD41T35	0.00 GBP	15,000,000.000	15,000,000.000	1.24370000	18,655,500.000
<b>Total Guernsey, Channel Islands</b>		<b>0.00</b>	<b>15,000,000.000</b>	<b>15,000,000.000</b>		<b>18,655,500.000</b>

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>						
<b>Funds - common stock</b>						
<b>United Kingdom</b>						
Funds - Common Stock	BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	524,261,627.970	524,213,309.960	1.17420000	615,588,003.560
<b>Total United Kingdom</b>		<b>0.00</b>	<b>524,261,627.970</b>	<b>524,213,309.960</b>		<b>615,588,003.560</b>
<b>Total Funds - common stock</b>		<b>0.00</b>	<b>539,261,627.970</b>	<b>539,213,309.960</b>		<b>634,243,503.560</b>
<b>Unit trust equity</b>						
<b>Guernsey, Channel Islands</b>						
Unit Trust Equity	DARWIN S REAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00 GBP	14,359,563.469	15,000,000.000	1.18680000	17,041,929.930
<b>Total Guernsey, Channel Islands</b>		<b>0.00</b>	<b>14,359,563.469</b>	<b>15,000,000.000</b>		<b>17,041,929.930</b>
<b>Japan</b>						
Unit Trust Equity	SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00 GBP	48,440,992.757	89,842,364.060	2.18020000	105,611,052.410
<b>Total Japan</b>		<b>0.00</b>	<b>48,440,992.757</b>	<b>89,842,364.060</b>		<b>105,611,052.410</b>
<b>Luxembourg</b>						
Unit Trust Equity	ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00 EUR	324.970	21,282,170.990	139,706.94000000	38,366,256.880
<b>Total Luxembourg</b>		<b>0.00</b>	<b>324.970</b>	<b>21,282,170.990</b>		<b>38,366,256.880</b>
<b>Pacific Region</b>						
Unit Trust Equity	SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00 GBP	50,692,305.509	242,515,511.220	6.60270000	334,706,085.580
<b>Total Pacific Region</b>		<b>0.00</b>	<b>50,692,305.509</b>	<b>242,515,511.220</b>		<b>334,706,085.580</b>
<b>United Kingdom</b>						
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	LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00 GBP	1,368,174.000	1,282,865.490	3.45165600	4,722,466.000
Unit Trust Equity	MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00 GBP	15,402,552.970	97,836,405.640	7.97720000	122,869,245.550
Unit Trust Equity	MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00 GBP	2,621,178.211	24,012,835.230	15.10900000	39,603,381.590
<b>Total United Kingdom</b>		<b>0.00</b>	<b>19,451,905.181</b>	<b>123,455,780.380</b>		<b>167,195,093.140</b>

◆ Asset Detail - Customizable

Asset Subcategory	Accrued				
Description/Asset ID	Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>					
<b>Total Unit trust equity</b>	<b>0.00</b>	<b>132,945,091.886</b>	<b>492,095,826.650</b>		<b>662,920,417.940</b>
<b>Total Equities</b>	<b>0.00</b>	<b>705,606,461.186</b>	<b>1,061,729,622.600</b>		<b>1,316,561,783.270</b>

31 Mar 22

TEESSIDE PENSION FUND

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## ◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Real Estate</b>					
<b>Real estate</b>					
<b>Europe Region</b>					
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00 EUR	10,069,689.260	8,709,527.750	1.34154700	11,415,899.610
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00 EUR	794,988.550	678,543.750	0.78101750	524,698.490
<b>Total Europe Region</b>	<b>0.00</b>	<b>10,864,677.810</b>	<b>9,388,071.500</b>		<b>11,940,598.100</b>
<b>United Kingdom</b>					
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00 GBP	10,000,000.010	10,000,000.010	0.95659880	9,565,988.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00 GBP	2,143,297.630	2,143,297.630	1.04123830	2,231,683.580
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00 GBP	280,289,446.350	280,289,446.350	1.02875800	288,350,010.250
<b>Total United Kingdom</b>	<b>0.00</b>	<b>292,432,743.990</b>	<b>292,432,743.990</b>		<b>300,147,681.840</b>
<b>Total Real Estate</b>	<b>0.00</b>	<b>303,297,421.800</b>	<b>301,820,815.490</b>		<b>312,088,279.940</b>
<b>Funds - real estate</b>					
<b>United Kingdom</b>					
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00 GBP	6,493,057.480	9,659,054.080	3.61740000	23,487,986.130
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00 GBP	15,000,000.000	15,000,000.000	1.02990000	15,448,500.000
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00 GBP	663,638.000	720,122.990	7.63000000	5,063,557.940
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00 GBP	108,263.760	385,000.000	67.37080000	7,293,816.120
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	0.00 GBP	12,750.000	1,527,939.200	322.68000000	4,114,170.000
<b>Total United Kingdom</b>	<b>0.00</b>	<b>22,277,709.240</b>	<b>27,292,116.270</b>		<b>55,408,030.190</b>
<b>Total Funds - real estate</b>	<b>0.00</b>	<b>22,277,709.240</b>	<b>27,292,116.270</b>		<b>55,408,030.190</b>
<b>Total Real Estate</b>	<b>0.00</b>	<b>325,575,131.040</b>	<b>329,112,931.760</b>		<b>367,496,310.130</b>

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>						
<b>Partnerships</b>						
<b>Europe Region</b>						
Partnerships	ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00 EUR	12,478,000.000	11,037,411.980	1.06084710	11,186,286.910
Partnerships	ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00 EUR	11,640,000.000	10,061,709.950	1.16436070	11,453,248.890
Partnerships	ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00 EUR	5,340,000.000	4,577,717.770	1.00567960	4,538,256.900
Partnerships	ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00 EUR	5,950,000.000	5,163,671.250	1.10107610	5,536,336.530
Partnerships	Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00 GBP	10,000,000.000	10,000,000.000	1.02640000	10,264,000.000
<b>Total Europe Region</b>		<b>0.00</b>	<b>45,408,000.000</b>	<b>40,840,510.950</b>		<b>42,978,129.230</b>
<b>Global Region</b>						
Partnerships	CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00 GBP	10,827,634.350	10,827,634.350	1.80063760	19,496,645.530
Partnerships	CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00 USD	24,692,130.030	18,643,041.070	1.29473870	24,281,209.060
Partnerships	INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00 GBP	25,000,000.000	25,000,000.000	0.99020170	24,755,042.500
Partnerships	LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00 GBP	5,100,000.000	5,100,000.000	1.25999750	6,425,987.250
Partnerships	PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00 USD	23,111,069.000	18,220,866.580	1.50472190	26,412,280.420
Partnerships	UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00 EUR	11,775,305.980	10,249,396.120	0.71279970	7,092,966.180
<b>Total Global Region</b>		<b>0.00</b>	<b>100,506,139.360</b>	<b>88,040,938.120</b>		<b>108,464,130.940</b>
<b>United Kingdom</b>						
Partnerships	ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00 EUR	19,663,222.600	17,586,273.130	0.81803900	13,593,049.060
Partnerships	BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00 GBP	230,000,000.000	230,000,000.000	0.98933610	227,547,303.000
Partnerships	BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00 GBP	1,420,016,235.210	1,420,016,235.210	1.11049880	1,576,926,325.180
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00 USD	59,155,660.170	44,132,027.790	1.10649410	49,713,579.150
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00 USD	17,807,883.990	12,996,861.840	1.08131870	14,624,992.600
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00 GBP	6,968,590.250	6,968,590.250	1.00097180	6,975,362.330

◆ Asset Detail - Customizable

Asset Subcategory	Accrued				
Description/Asset ID	Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>					
<b>Partnerships</b>					
<b>United Kingdom</b>					
Partnerships					
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00 GBP	4,550,377.040	4,550,377.040	1.07176260	4,876,923.930
Partnerships					
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00 GBP	8,866,776.550	8,866,776.550	1.03703760	9,195,180.670
Partnerships					
GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00 GBP	13,096,624.570	13,096,624.570	1.01437290	13,284,861.050
Partnerships					
GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00 GBP	17,971,505.340	17,971,505.340	0.97399560	17,504,167.130
Partnerships					
GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00 GBP	20,000,000.000	20,000,000.000	1.00000000	20,000,000.000
Partnerships					
HERMES SPE INNOVATION FUND CUSIP : 993NEB992	0.00 GBP	9,631,282.650	9,631,282.650	1.33136170	12,822,720.840
Partnerships					
INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00 GBP	8,672,972.000	8,672,972.000	1.14987820	9,972,861.430
Partnerships					
INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00 GBP	7,728,331.000	7,728,331.000	1.15463870	8,923,430.060
Partnerships					
LEONARDO WAREHOUSE UNIT CUSIP : 9948YW996	0.00 GBP	3,494,180.930	3,494,180.930	0.99729550	3,484,730.920
Partnerships					
THE MODEL T FINANCE COMPANY - GBP CUSIP : 993QJB990	0.00 GBP	26,499,975.000	26,499,975.000	1.00000000	26,499,975.000
<b>Total United Kingdom</b>	<b>0.00</b>	<b>1,874,123,617.300</b>	<b>1,852,212,013.300</b>		<b>2,015,945,462.350</b>
<b>United States</b>					
Partnerships					
BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00 USD	11,749,624.000	9,085,471.480	1.02948270	9,186,977.350
Partnerships					
BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00 USD	1,481,686.000	1,123,851.560	1.74349900	1,962,038.400
Partnerships					
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00 USD	17,998,407.000	13,417,209.230	1.68063360	22,974,006.190
Partnerships					
BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00 USD	51,950,423.440	39,567,006.650	0.85171830	33,605,835.250
Partnerships					
BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00 USD	15,397,550.790	11,410,017.770	0.83719310	9,790,545.930
Partnerships					
BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00 GBP	24,603,044.850	24,603,044.850	0.99695740	24,528,187.630
Partnerships					
BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00 GBP	765,180.380	765,180.380	0.94177270	720,625.990
Partnerships					
CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00 USD	5,340,000.000	3,893,682.070	0.99843410	4,049,396.340
Partnerships					
CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00 USD	13,480,000.000	10,309,462.080	1.23078150	12,600,868.390

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>					
<b>Partnerships</b>					
<b>United States</b>					
Partnerships					
Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00 USD	24,267,421.820	17,974,077.540	1.58070350	29,134,238.940
Partnerships					
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00 USD	4,151,351.490	3,092,951.950	0.84433870	2,662,170.250
Partnerships					
LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00 USD	14,287,500.000	10,795,168.810	1.23522440	13,403,916.970
Partnerships					
PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00 USD	9,319,883.750	6,792,931.490	1.07910080	7,638,395.360
Partnerships					
UNIGESTION SA CUSIP : 993FYL995	0.00 USD	28,431,426.760	21,098,394.380	1.30269770	28,130,141.980
<b>Total United States</b>	<b>0.00</b>	<b>223,223,500.280</b>	<b>173,928,450.240</b>		<b>200,387,344.970</b>
<b>Total Partnerships</b>	<b>0.00</b>	<b>2,243,261,256.940</b>	<b>2,155,021,912.610</b>		<b>2,367,775,067.490</b>
<b>Total Venture Capital and Partnerships</b>	<b>0.00</b>	<b>2,243,261,256.940</b>	<b>2,155,021,912.610</b>		<b>2,367,775,067.490</b>

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◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued	Nominal	Book Cost	Market Price	Market Value
Description/Asset ID	Income/Expense Curr				
<b>Hedge Fund</b>					
<b>Hedge equity</b>					
<b>Global Region</b>					
Hedge Equity					
IIF UK I LP CUSIP : 993FP3995	0.00 USD	49,777,967.640	38,039,680.710	0.93198670	35,235,180.390
<b>Total Global Region</b>	<b>0.00</b>	<b>49,777,967.640</b>	<b>38,039,680.710</b>		<b>35,235,180.390</b>
<b>Total Hedge equity</b>	<b>0.00</b>	<b>49,777,967.640</b>	<b>38,039,680.710</b>		<b>35,235,180.390</b>
<b>Total Hedge Fund</b>	<b>0.00</b>	<b>49,777,967.640</b>	<b>38,039,680.710</b>		<b>35,235,180.390</b>



◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>All Other</b>					
<b>Recoverable taxes</b>					
Recoverable taxes					
GBP - British pound sterling	97,715.75	0.000	0.000	0.00000000	0.000
Recoverable taxes					
DKK - Danish krone	288,344.38	0.000	0.000	0.00000000	0.000
Recoverable taxes					
EUR - Euro	1,088,153.58	0.000	0.000	0.00000000	0.000
Recoverable taxes					
CHF - Swiss franc	2,226,732.48	0.000	0.000	0.00000000	0.000
<b>Total</b>	<b>3,700,946.19</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Recoverable taxes</b>	<b>3,700,946.19</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total All Other</b>	<b>3,700,946.19</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>

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◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Cash and Cash Equivalents</b>					
<b>Cash</b>					
Cash					
GBP - British pound sterling	0.00	76.780	76.780	1.00000000	76.780
<b>Total</b>	<b>0.00</b>	<b>76.780</b>	<b>76.780</b>		<b>76.780</b>
<b>Total Cash</b>	<b>0.00</b>	<b>76.780</b>	<b>76.780</b>		<b>76.780</b>
<b>Invested cash</b>					
Invested cash					
USD - United States dollar	0.00	12,188.890	12,188.890	1.00000000	12,188.890
<b>Total</b>	<b>0.00</b>	<b>12,188.890</b>	<b>12,188.890</b>		<b>12,188.890</b>
<b>Total Invested cash</b>	<b>0.00</b>	<b>12,188.890</b>	<b>12,188.890</b>		<b>12,188.890</b>
<b>Cash (externally held)</b>					
Cash (externally held)					
GBP - British pound sterling	0.00	817,903,857.360	817,903,857.360	1.00000000	817,903,857.360
Cash (externally held)					
EUR - Euro	0.00	-0.010	-0.010	1.00000000	-0.010
<b>Total</b>	<b>0.00</b>	<b>817,903,857.350</b>	<b>817,903,857.350</b>		<b>817,903,857.350</b>
<b>Total Cash (externally held)</b>	<b>0.00</b>	<b>817,903,857.350</b>	<b>817,903,857.350</b>		<b>817,903,857.350</b>
<b>Funds - short term investment</b>					
Funds - Short Term Investment					
GBP - British pound sterling	181.53	0.000	0.000	1.00000000	0.000
<b>Total</b>	<b>181.53</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Funds - short term investment</b>	<b>181.53</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Cash and Cash Equivalents</b>	<b>181.53</b>	<b>817,916,123.020</b>	<b>817,916,123.020</b>		<b>817,916,123.020</b>
<b>Report Total:</b>					
	3,701,127.72	4,142,136,939.826	4,401,820,270.700		4,904,984,464.300

◆ **Asset Detail - Customizable**

Asset Subcategory

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Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
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<u>ASSET</u>	<u>BOOK COST</u>	<u>PRICE</u>	<u>MARKET VALUE</u>	<u>FUND %</u>
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**GROWTH ASSETS**

**UK EQUITIES**

BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	574,123,856.78	1.17	615,588,003.56	12.14%
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%
<b>TOTAL UK EQUITIES</b>			<b>615,668,197.36</b>	<b>12.14%</b>

**OVERSEAS EQUITIES**

YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,870.06	0.00%
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.06	14.04	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	6.60	334,706,085.58	6.60%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.18	105,611,052.41	2.08%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	7.98	122,869,245.55	2.42%
MPF N AMER EQTY SUB-FUND	24,012,835.23	15.11	39,603,381.59	0.78%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,390,064,277.99	1.11	1,608,519,656.22	31.72%
BORDER TO COAST EMERGING MARKET HYBRID FUND	230,000,000.00	0.99	210,824,102.41	4.16%
<b>TOTAL OVERSEAS EQUITIES</b>			<b>2,422,142,407.86</b>	<b>47.77%</b>

<b>TOTAL EQUITIES</b>			<b>3,037,810,605.22</b>	<b>59.91%</b>
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**PRIVATE EQUITY**

CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	5,100,000.00	1.26	6,425,987.25	0.13%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	18,643,041.07	1.29	36,949,856.00	0.73%
CROWN CO INVESTMENT OPPORTUNITIES III	3,893,682.07	1.00	5,304,980.00	0.10%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	10,795,168.81	1.24	19,718,256.00	0.39%
UNIGESTION SA	21,098,394.38	1.30	28,130,141.98	0.55%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	18,220,866.58	1.50	26,412,280.42	0.52%
CROWN GLOBAL OPPORTUNITIES VII	10,309,462.08	1.23	16,590,934.00	0.33%
CROWN GROWTH OPPORTUNITIES GLOBAL III	17,974,077.54	1.58	36,710,573.00	0.72%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	13,417,209.23	1.68	22,974,006.19	0.45%

BORDER TO COAST PRIVATE EQUITY SERIES 1A	44,132,027.79	1.11	64,718,183.00	1.28%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	12,996,861.84	1.08	13,019,358.00	0.26%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	6,968,590.25	1.00	6,975,362.33	0.14%
UNIGESTION DIRECT II	10,249,396.12	0.71	11,043,894.00	0.22%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	12,718,014.84	1.16	13,553,158.73	0.27%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,735,755.41	1.10	5,536,336.53	0.11%
HERMES GPE INNOVATION FUND	9,631,282.65	1.33	12,822,720.84	0.25%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	10,827,634.35	1.80	19,496,645.53	0.38%
CAPITAL MID-MARKET DIRECT V	8,709,527.75	1.34	11,415,899.61	0.23%
<b>PRIVATE EQUITY</b>			<b>357,798,573.41</b>	<b>7.06%</b>
THE MODEL T FINANCE COMPANY	26,499,975.00	1.00	26,499,975.00	0.52%
<b>PRIVATE EQUITY - LOCAL INVESTMENT</b>			<b>26,499,975.00</b>	<b>0.52%</b>
<b>TOTAL PRIVATE EQUITY</b>			<b>384,298,548.41</b>	<b>7.58%</b>

#### OTHER ALTERNATIVES

AMEDEO AIR FOUR PLUS LTD	4,682,127.85	0.30	1,621,332.93	0.03%
DARWIN LEISURE PRO UNITS CLS 'C'	9,659,054.08	3.62	23,487,986.13	0.46%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.19	17,041,929.93	0.34%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.03	10,264,000.00	0.20%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.24	18,655,500.00	0.37%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	15,000,000.00	1.03	15,448,500.00	0.30%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	9,565,988.01	0.19%
HEARTHSTONE RESIDENTIAL FUND 2	3,090,030.33	1.04	2,231,683.58	0.04%
GRESHAM HOUSE BSI HOUSING LP	13,096,624.57	1.01	13,284,861.05	0.26%
PANTHEON SENIOR DEBT SECONDARIES II	6,792,931.49	1.08	7,638,395.36	0.15%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	2,952,190.14	0.78	524,698.49	0.01%
<b>OTHER ALTERNATIVES</b>			<b>119,764,875.48</b>	<b>2.36%</b>
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.94	720,625.99	0.01%
<b>OTHER ALTERNATIVES - LOCAL INVESTMENT</b>			<b>720,625.99</b>	<b>0.01%</b>
<b>TOTAL OTHER ALTERNATIVES</b>			<b>120,485,501.47</b>	<b>2.38%</b>

#### PROPERTY

##### DIRECT PROPERTY

TEESSIDE PENSION FUND - DIRECT PROPERTY	280,289,446.35	1.03	331,115,000.00	6.53%
<b>TOTAL DIRECT PROPERTY</b>			<b>331,115,000.00</b>	<b>6.53%</b>

#### **PROPERTY UNIT TRUSTS**

ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	21,282,170.99	139,706.94	46,347,201.90	0.91%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	3.45	4,722,466.00	0.09%
HERMES PROPERTY PUT	720,122.99	7.63	5,063,557.94	0.10%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	322.68	4,114,170.00	0.08%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	67.37	7,293,816.12	0.14%
<b>TOTAL PROPERTY UNIT TRUSTS</b>			<b>67,541,211.96</b>	<b>1.33%</b>

<b>TOTAL PROPERTY</b>			<b>398,656,211.96</b>	<b>7.86%</b>
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#### **PROTECTION ASSETS**

##### **INFRASTRUCTURE**

ACIF INFRASTRUCTURE FUND LP	19,131,610.36	0.81	22,632,376.54	0.45%
ACCESS CAPITAL FUND INFRASTRUCTURE II	11,037,411.98	1.06	12,551,249.78	0.25%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	4,577,717.77	1.01	4,538,256.90	0.09%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.15	9,972,861.43	0.20%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.15	8,923,430.06	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	39,567,006.65	0.85	34,667,161.00	0.68%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	11,410,017.77	0.84	10,038,377.00	0.20%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	24,603,044.85	1.00	24,528,187.63	0.48%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	9,085,471.48	1.03	12,201,600.00	0.24%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	3,763,906.68	1.74	4,120,120.44	0.08%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	4,550,377.04	1.07	9,269,676.00	0.18%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	8,866,776.55	1.04	9,195,180.67	0.18%
IIF UK I LP	38,039,680.71	0.93	47,209,302.09	0.93%
ANCALA INFRASTRUCTURE FUND II SCSp	17,586,273.13	0.82	18,922,213.00	0.37%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	3,092,951.95	0.84	2,662,170.25	0.05%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	17,971,505.34	0.97	21,167,313.00	0.42%

<b>INFRASTRUCTURE</b>			<b>252,599,475.79</b>	<b>4.98%</b>
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CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.00	10,000,000.00	0.20%
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<b>INFRASTRUCTURE - LOCAL INVESTMENT</b>			<b>10,000,000.00</b>	<b>0.20%</b>
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<b>TOTAL INFRASTRUCTURE</b>			<b>262,599,475.79</b>	<b>5.18%</b>
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**OTHER DEBT**

INSIGHT IIFIG SECURED FINANCE II FUND	25,000,000.00	0.99	24,755,042.50	0.49%
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	4,405,528.91	1.00	4,405,528.91	0.09%
GREYHOUND RETAIL PARK CHESTER	20,000,000.00	1.00	20,000,000.00	0.39%
<b>TOTAL OTHER DEBT</b>			<b>49,160,571.41</b>	<b>0.97%</b>

**CASH**

	76.78	1.00	76.78	0.00%
	12,188.89	1.00	12,188.89	0.00%
<b>CUSTODIAN CASH</b>			<b>12,265.67</b>	<b>0.00%</b>

<b>INVESTED CASH</b>	817,903,857.36		<b>817,903,857.36</b>	<b>16.13%</b>
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<b>TOTAL CASH</b>			<b>817,916,123.03</b>	<b>16.13%</b>
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<b>TOTAL FUND VALUE - 31st March 2022</b>			<b>5,070,927,037.29</b>	<b>100%</b>
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**Market Value timing differences included in valuation above****Market Value****Private Equity**

CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,668,646.94
BORDER TO COAST PRIVATE EQUITY SERIES 1A	15,004,603.85
UNIGESTION DIRECT II	3,950,897.82
CROWN GLOBAL OPPORTUNITIES VII	3,990,065.61
CROWN GROWTH OPPORTUNITIES GLOBAL III	7,576,334.06
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	6,314,339.03
	<b>49,504,887.31</b>

**Direct Property**

TEESSIDE PENSION FUND - DIRECT PROPERTY	42,764,989.75
	<b>42,764,989.75</b>

**Property Unit Trusts**

ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	7,980,945.02
	<b>7,980,945.02</b>

**Infrastructure**

IIF UK I LP	11,974,121.70
ANCALA INFRASTRUCTURE FUND II SCSP	5,329,163.94
GRESHAM HOUSE BSI INFRASTRUCTURE LP	3,663,145.87
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	3,014,622.65
	<b>23,981,054.16</b>

**Other Debt**

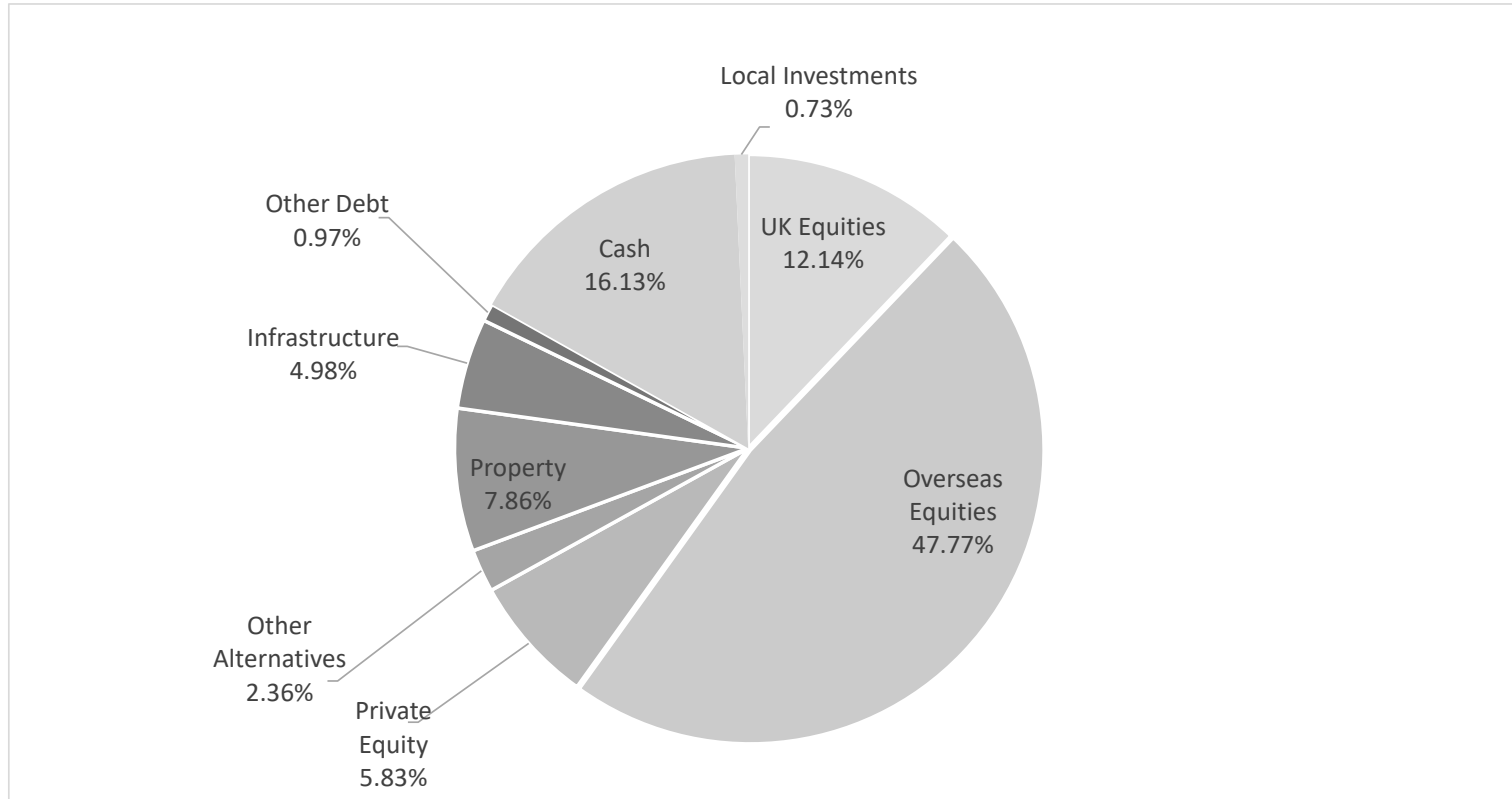
CO-INVESTMENT BSI LP - WASTE KNOT	9,950,000.00
	<b>9,950,000.00</b>

<b>Total</b>	<b>134,181,876.24</b>
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**Asset Allocation Summary**

	Actual	Benchmark
UK Equities	615,668,197.36	12.14%
Overseas Equities	2,422,142,407.86	47.77%
Private Equity	357,798,573.41	7.06%
Other Alternatives	119,764,875.48	2.36%
Property	398,656,211.96	7.86%
Infrastructure	252,599,475.79	4.98%
Other Debt	49,160,571.41	0.97%
Cash & Bonds	817,916,123.03	16.13%
Local Investments - Private Equity, Other Alternatives & Infrastructure	37,220,600.99	0.73%
	5,070,927,037.29	100.00%



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# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

## PENSION FUND COMMITTEE REPORT

29 JUNE 2022

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 31 March 2022 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 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. As at 31 May 2022 total commitments of £750 million have been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 20% of this commitment invested so far. 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 31 March 2022 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 Fund has underperformed over the last year, whereas the Overseas Developed Markets Equity Fund has overperformed. Since inception, both Funds have delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund has been below benchmark throughout most of the period of our Fund's investment – recent performance has been adversely affected by an overweight position in Russia prior to the invasion of Ukraine.
- 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 31 March 2022. 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 three and a half 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. 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 focussed 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 - Q1 2022

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### Note

1) Border to Coast



# Executive Summary

## Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,768,284,091
Inflows	£0
Outflows	£(280,000,000)
Net Inflows / Outflows	£(280,000,000)
Realised / Unrealised gain or loss	£(53,352,329)
Value at end of the quarter	£2,434,931,762

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Over Q1 2022, Teesside's holdings performed as follows:

- The UK Listed Equity Fund outperformed its benchmark by 0.09%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.45%
- The Emerging Markets Equity Fund underperformed its benchmark by 3.68%

Teesside made redemptions totalling £160,000,000 from the UK Listed Equity Fund and £120,000,000 from the Overseas Developed Markets Fund during Q1 2022.

### 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. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.

3) Returns for periods greater than one year are annualised

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

5) Inflows and Outflows values may include income.

# Portfolio Analysis - Teesside Pension Fund at 31 March 2022

## Funds Held

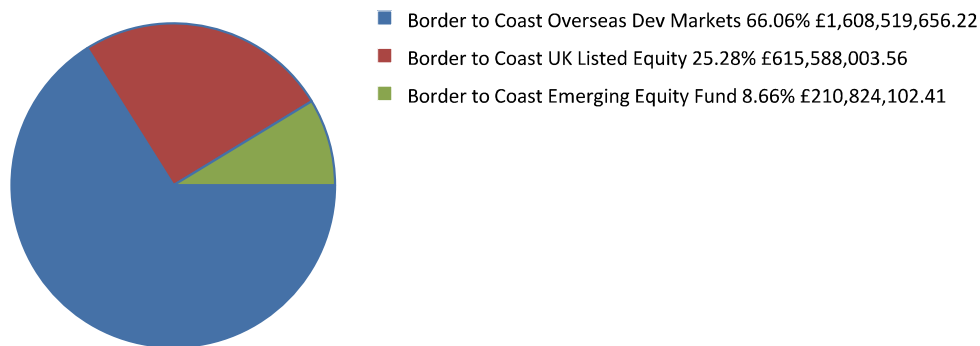
Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	615,588,003.56	25.28
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,608,519,656.22	66.06
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark <sup>3</sup>	210,824,102.41	8.66

## 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
Border to Coast Multi Asset Credit
Border to Coast Listed Alternatives

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## Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

## Portfolio Contribution - Teesside Pension Fund at 31 March 2022

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	25.28	0.58	0.49	0.09	0.15
Border to Coast Overseas Dev Markets	66.06	(2.34)	(2.79)	0.45	(1.36)
Border to Coast Emerging Equity Fund	8.66	(6.21)	(2.53)	(3.68)	(0.59)
<b>Total</b>	<b>100.00</b>	<b>(1.79)</b>			

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The UK Listed Equity Fund returned 0.58% over the quarter, which was 0.091% ahead of the FTSE All Share Index.  
 The Overseas Developed Markets Equity Fund returned -2.34% over the quarter, which was 0.45% ahead of the composite benchmark.  
 The Emerging Markets Equity Fund returned -6.21% over the quarter, which was 3.68% behind of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned -1.79% during Q1 2022.

### Note

1) Source: Northern Trust & Border to Coast

## Valuation Summary at 31 March 2022

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	771,390,631.68	27.87			160,000,000.00	4,197,371.88	615,588,003.56	25.28	
Border to Coast Overseas Dev Markets	1,772,114,989.25	64.01			120,000,000.00	(43,595,333.03)	1,608,519,656.22	66.06	
Border to Coast Emerging Markets Equity	224,778,470.55	8.12				(13,954,368.14)	210,824,102.41	8.66	
<b>Total</b>	<b>2,768,284,091.48</b>	<b>100.00</b>			<b>280,000,000.00</b>	<b>(53,352,329.29)</b>	<b>2,434,931,762.19</b>	<b>100.00</b>	

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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 31 March 2022

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	4.17	3.50	0.67	0.60	0.49	0.11	12.17	13.03	(0.86)	5.78	5.31	0.47	--	--	--
Border to Coast Overseas Dev Markets	10.63	9.45	1.18	(2.34)	(2.79)	0.45	11.49	10.09	1.40	13.55	12.19	1.35	--	--	--
Border to Coast Emerging Markets Equity	4.65	7.28	(2.63)	(6.21)	(2.53)	(3.68)	(8.36)	(3.86)	(4.51)	2.48	5.15	(2.67)	--	--	--

### 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. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
- 4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
- 5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

## Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 31 March 2022

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	4.18	3.50	0.68	0.60	0.49	0.11	12.18	13.03	(0.85)	5.78	5.31	0.47	--	--	--
Border to Coast Overseas Dev Markets	10.64	9.45	1.19	(2.34)	(2.79)	0.46	11.50	10.09	1.42	13.56	12.19	1.36	--	--	--
Border to Coast Emerging Markets Equity	4.77	7.28	(2.51)	(6.15)	(2.53)	(3.62)	(8.06)	(3.86)	(4.21)	2.62	5.15	(2.54)	--	--	--

### 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. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
- 4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
- 5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

# Border To Coast UK Listed Equity Fund - Overview at 31 March 2022

## UK Listed Equity Fund

The Fund generated a total return of 0.60% during the quarter, compared to the benchmark return of 0.49%, resulting in 0.11% of outperformance.

The UK outperformed the broader global market indices during the quarter. This was due to being impacted by the Omicron variant earlier, and being able to cope with it better, than other countries partly as a result of an effective vaccination programme. As a result, the economic growth outlook was encouraging although this was likely to be impacted by an aggressive response from the Bank of England to counteract higher inflation. The events in Ukraine have dampened the growth outlook although the high proportion of Energy and Materials stocks, which have benefited from higher commodity prices, has supported the equity market.

The Fund benefited from the following factors:

- Underweight Consumer Discretionary together with positive stock selection as the sector was initially impacted by the Omicron variant and more latterly by rising inflation and consumer confidence concerns;
- Stock selection in Healthcare with an overweight position in AstraZeneca (revenue and margin growth expectations) and not holding Dechra Pharma (veterinary growth normalizing post-Covid) and Genus (headwinds in China); and
- Overweight Basic Materials where commodities continue to benefit from the re-opening of the global economy post-Covid and more recent supply concerns triggered by the Russia/Ukraine conflict.

This was offset by the following:

- Stock selection in Financial Services where overweight positions in Herald and Biotech Growth have been impacted by the rotation from growth stocks driven by the interest rate cycle;
- Overweight Collectives together with stock selection as Schroder UK Smaller Companies and Liontrust UK Smaller Companies have been impacted by the underperformance of small cap quality stocks; and
- Overweight Industrials which have continued to be impacted by global supply chain disruption post-Covid and input cost inflationary concerns.

The Portfolio Managers have continued to selectively add to mid-cap exposure including more cyclical stocks during the quarter, which typically outperform during periods of economic recovery as had been expected as global lockdown restrictions were removed. The conflict in Ukraine has impacted the outlook but we remain vigilant for opportunities to add to quality long term holdings at attractive valuations.

Note

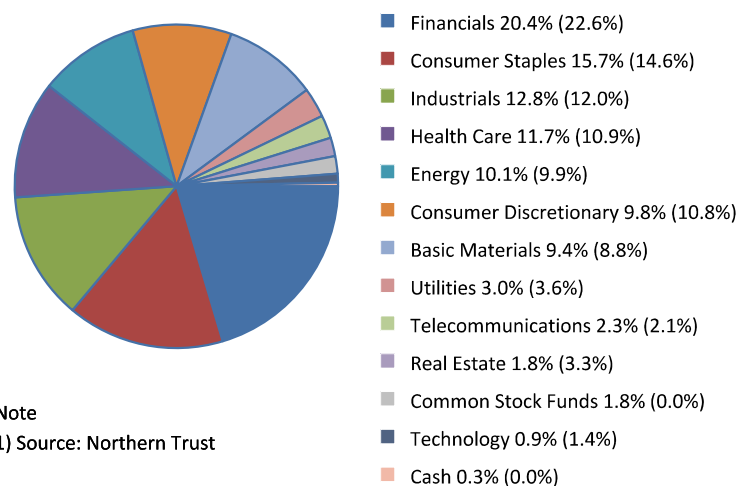
1) Source: Border to Coast

# Border To Coast UK Listed Equity Fund at 31 March 2022

## Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.76
Consumer Staples	+1.12
Industrials	+0.82
Health Care	+0.78
Basic Materials	+0.62
Financials	-2.21
Real Estate	-1.48
Consumer Discretionary	-0.94
Utilities	-0.64
Technology	-0.55

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

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

**Industrials (o/w)** – broad mix of companies typically with significant global market positions, benefitting from the post-pandemic global economic re-opening and rising infrastructure expenditure such as in the US.

**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.

**Real Estate (u/w)** – concerns around retail/leisure sector exposure including vacancy rates, costs associated with mandatory energy rating improvements, rent re-negotiations and accumulated rent arrears, together with uncertainty around the on-going impact of Covid and home/flexible working on the long-term demand for office space.

**Consumer Discretionary (u/w)** – bricks and mortar non-food retail structurally challenged by increasing online penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the Covid pandemic. International travel restrictions have left travel sector balance sheets carrying significantly higher levels of debt, with an unclear longer-term impact on business travel.



## Border To Coast UK Listed Equity Fund Attribution at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Polymetal International	0.00	0.00	0.00	(100.00)	0.19
Scottish Mortgage Investment Trust	0.00	0.00	0.61	(23.29)	0.18
EVRAZ	0.00	0.00	0.00	(100.00)	0.15
BHP Group	0.54	37.91	0.00	0.00	0.14
Barratt Developments	0.00	0.00	0.22	(30.16)	0.09

**Polymetal International (u/w)** – Russian precious metal mining company heavily impacted by sanctions imposed on Russian owned companies following the invasion of Ukraine.

**Scottish Mortgage Investment Trust (u/w)** – driven by the turn in the interest rate cycle, with the shares moving to a discount to net asset value.

**EVRAZ (u/w)** – predominantly Russian-based and controlled steel and mining business impacted by Russian sanctions. The shares are currently suspended from trading.

**BHP Billiton (o/w)** – increased returns as a result of increased demand for commodities as global economic growth recovers post-Covid and higher prices driven by supply disruptions as a result of the Ukraine conflict.

**Barratt Developments (u/w)** – housebuilders have been weak due to expectations of higher interest rates, potentially impacting mortgage affordability and house prices.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast UK Listed Equity Fund Attribution Continued at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	1.97	33.23	2.68	33.35	(0.21)
Impax Environmental Markets	0.93	(14.36)	0.06	(14.39)	(0.14)
Herald Investment Trust	0.51	(24.54)	0.05	(24.31)	(0.14)
Liontrust UK Smaller Companies	0.83	(13.31)	0.00	0.00	(0.13)
Biotech Growth Trust	0.41	(24.71)	0.02	(24.41)	(0.13)

**Glencore (u/w)** – benefiting from higher commodity prices and increased volumes in its commodity trading division enabling accelerated debt reduction and balance sheet strengthening the balance sheet.

**Impax Environmental Markets (o/w)** – specialising in water and energy efficiency adversely impacted by underperformance of renewable energy investments due to concerns over stretched valuations.

**Herald Investment Trust (o/w)** – underperformed due to rotation from growth stocks triggered by the interest rate cycle; and compounded by a widening of the discount to net asset value.

**Liontrust UK Smaller Companies (o/w)** – smaller companies have underperformed in general and the Fund's quality/growth focus has been impacted by rising interest rates.

**Biotech Growth Trust (o/w)** – impacted by a rotation away from growth stocks triggered by the turn in the interest rate cycle, alongside the Fund's bias towards smaller biotech companies and an exposure to China.

Note

1) Source: Northern Trust & Border to Coast

# Border To Coast UK Listed Equity Fund at 31 March 2022

## Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+0.93
Impax Environmental Markets	+0.87
Liontrust UK Smaller Companies	+0.83
Shell	+0.57
BHP Group	+0.54
Glencore	-0.71
SEGRO	-0.66
Scottish Mortgage Investment Trust	-0.61
3i Group plc	-0.54
NatWest	-0.45

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### Top 5 Holdings Relative to Benchmark:

**Schroder UK Smaller Companies Fund** – Schroders incorporate proprietary ESG scoring systems in their investment process and undertake significant direct ESG engagement with portfolio holdings.

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

**Liontrust UK Smaller Companies** – investment style focussed on intellectual property, strong distribution channels and durable competitive advantage. Strong emphasis on sustainable investment and undertakes extensive ESG engagement and reporting.

**Shell** – energy stocks have performed strongly as the global economy recovers post-Covid. Shell is a key player in energy transition and energy security, generates significant free cash flow and continues to benefit from its global reach and scale in LNG.

**BHP Billiton** – diversified mining company with a high-quality portfolio of assets operating towards the lower end of the cost curve. Modest position retained following its removal from the UK index following the unification of the UK/Australian share classes.

### Bottom 5 Holdings Relative to Benchmark:

**Glencore** – operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; and high coal exposure.

**SEGRO** – strong demand for online fulfilment/logistics sites and valued accordingly with shares trading at a premium to net asset value although interest rate cycle may act as a headwind.

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

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

**NatWest** – UK-focussed retail and commercial bank, with the UK government as the major shareholder. The Fund has similar UK bank exposure through a holding in Lloyds Bank.

### Major transactions during the Quarter

#### Sales:

**BHP Billiton (£80.3m)** – reduced holding following the removal from the UK index due to the unification of the UK/Australian share classes; modest position retained to maintain exposure to a quality diversified mining company.

**Informa PLC (£18.0m)** – decision to exit the holding over ongoing concerns for the recovery of the events business amid continuing Covid restrictions in Asia/China.

Note

1) Source: Northern Trust

# Border To Coast Overseas Developed Markets Equity Fund - Overview at 31 March 2022

## Overseas Developed Markets Fund

The Fund generated a total return of -2.34% during the quarter compared to the composite benchmark return of -2.79% resulting in outperformance of 0.45%. Asia Pacific ex-Japan was the best performing region (+2.8%), while Europe was the weakest (-7.3%). All portfolios outperformed their respective benchmarks during the quarter with the exception of Pacific ex-Japan, with the Europe ex-UK portfolio having the largest positive contribution to the Fund's relative performance.

The Fund has navigated the volatility in markets, with differing regions showing strength and weakness at differing times. Growth stocks have come under pressure from the increase in bond yields, while more cyclical segments have been challenged by supply chain impacts and cost pressures as well as fears over future strength in the global economy. To this point companies have largely navigated the challenges of supply chain disruptions well, but this may become more difficult the longer the situation persists.

The Fund has outperformed due to the following:

- Strong stock selection in Japan and Europe ex-UK; and
- Strong stock selection within the Technology and Healthcare sectors across all regions.

This has been partly offset by:

- Overweight position in Technology and Consumer Discretionary stocks which under-performed.

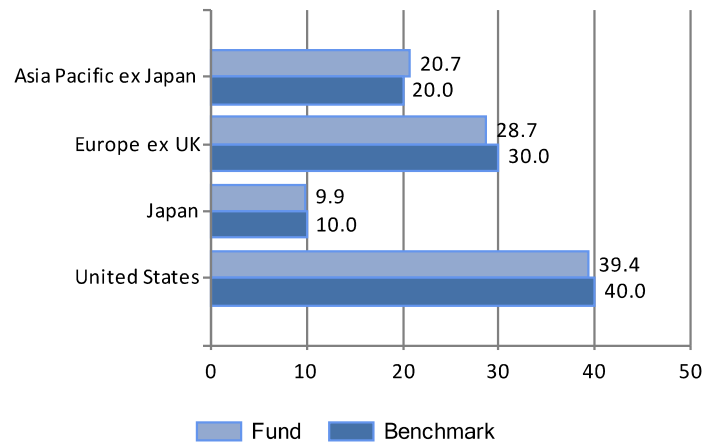
The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the near term. The 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 31 March 2022

## 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

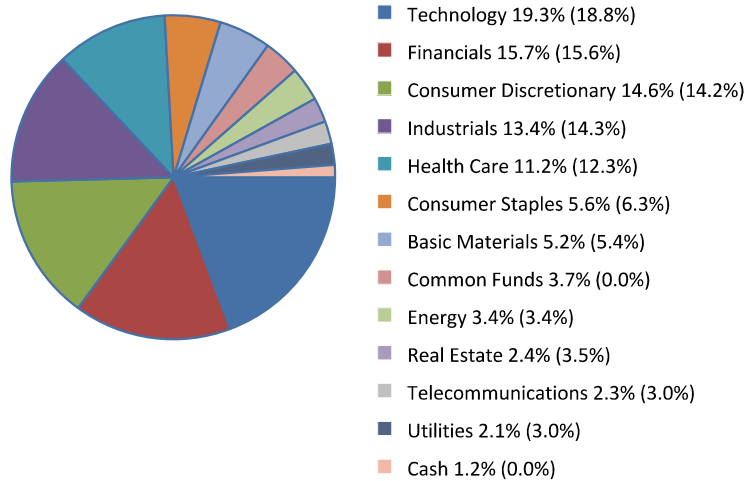
Fund	Inception to Date			Quarter			1 Year			3 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
<b>Overseas Developed Equity Fund</b>	<b>10.63</b>	<b>9.45</b>	<b>1.18</b>	<b>(2.34)</b>	<b>(2.79)</b>	<b>0.45</b>	<b>11.49</b>	<b>10.09</b>	<b>1.40</b>	<b>13.55</b>	<b>12.19</b>	<b>1.35</b>
United States	15.85	14.83	1.02	(1.80)	(1.97)	0.16	22.65	20.68	1.97	19.00	17.92	1.07
Japan	5.95	3.19	2.76	(2.35)	(3.69)	1.34	0.47	(2.67)	3.14	9.32	6.09	3.23
Europe ex UK	6.63	6.06	0.57	(6.09)	(7.32)	1.22	7.52	5.70	1.82	9.68	9.01	0.67
Asia Pacific ex Japan	8.27	6.45	1.82	2.00	2.79	(0.79)	1.35	2.09	(0.75)	10.08	8.05	2.03

### 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 31 March 2022

## 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.

**Financials (o/w)** – small overweight position driven by larger overweight in Pacific ex-Japan and more neutral positions in other regions. Interest rate cycle looking more favourable for Banks’ earnings than has been the case for some time, particularly in the Pacific region.

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

**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.

**Real Estate (u/w)** – the high leverage that is typically associated with Real Estate leaves the sector 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 world.

### 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 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Chevron	0.65	43.92	0.33	43.80	0.11
ConocoPhillips	0.40	43.61	0.14	43.31	0.09
Prosus	0.00	0.00	0.18	(33.51)	0.08
PayPal	0.00	0.00	0.14	(36.91)	0.08
BHP Group	1.44	38.28	1.20	38.46	0.07

**Chevron (o/w)** – benefited from higher energy prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**ConocoPhillips (o/w)** – due to disruption as a result of the Russia/Ukraine conflict, ConocoPhillips benefited from higher energy prices.

**Prosus (u/w)** – principal holding in Tencent impacted on concerns that Chinese internet sector would be hit with further restrictions and its Russian subsidiary could be affected by the Russia/Ukraine conflict.

**PayPal (u/w)** – reduced guidance from company for near-term revenue growth weighed on already fragile sentiment.

**BHP Group (o/w)** – experiencing strong cash generation enabling increased shareholder returns as a result of increased demand for commodities and higher prices driven by Ukraine conflict.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Exxon Mobil	0.00	0.00	0.37	39.93	(0.11)
Home Depot	0.59	(25.25)	0.33	(25.49)	(0.09)
Tesla	0.00	0.00	0.94	4.90	(0.07)
AbbVie	0.00	0.00	0.30	24.07	(0.07)
Ballie Gifford Shin Nippon	0.29	(19.14)	0.00	0.00	(0.05)

**Exxon Mobil (u/w)** – benefited from higher energy prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**Home Depot (o/w)** – sentiment impacted by sharp rise in mortgage rates given the strong correlation between company turnover and housing activity.

**Tesla (u/w)** – benefited from increased demand for electric vehicles as a result of higher fuel prices, new factory opening, strong management of supply headwinds and announcement of a stock split.

**AbbVie (u/w)** – benefited from a rotation into value companies and strong trial data for its pipeline arthritis treatment.

**Baillie Gifford Shin Nippon (o/w)** – impacted by a weak Yen and underperformance of smaller growth companies.

#### Note

1) Source: Northern Trust & Border to Coast



# Border To Coast Overseas Developed Markets Equity Fund at 31 March 2022

## Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.60
Alphabet A	+1.10
Vanguard US Small Cap Value ETF	+0.62
Samsung Electronics	+0.58
Novo Nordisk	+0.49
Tesla	-0.94
Alphabet C	-0.81
Exxon Mobil	-0.37
Mastercard	-0.32
AbbVie	-0.30

### Top 5 Holdings Relative to Benchmark:

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

**Alphabet A** – parent company of Google; zero weight in the C shares nets to a moderate overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

**Vanguard US Small Cap Value ETF** – offers exposure to small, recovery names to which the portfolio otherwise has limited exposure.

**Samsung Electronics** – 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.

**Novo Nordisk** – strong market position in diabetes treatment with extension of products into obesity treatment.

### Bottom 5 Holdings Relative to Benchmark:

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

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

**Exxon Mobil** – integrated energy exposure gained via companies with a better record of ESG engagement.

**Mastercard** – preference for Visa Inc, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

**AbbVie** – patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

Note

1) Source: Northern Trust

## Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 31 March 2022

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	4.65	7.28	(2.63)	(6.21)	(2.53)	(3.68)	(8.36)	(3.86)	(4.51)	EM Equity Fund Benchmark <sup>3</sup>
Border to Coast	5.63	11.29	(5.66)	(1.07)	2.29	(3.36)	--	--	--	FTSE Emerging ex China (Net)
FountainCap	(29.46)	(29.96)	0.50	(18.93)	(11.20)	(7.73)	--	--	--	FTSE China (Net)
UBS	(30.69)	(29.96)	(0.72)	(11.23)	(11.20)	(0.03)	--	--	--	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%	62%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	17%	17%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	25%	21%

### Note

1) Source: Northern Trust & Border to Coast

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

3) <sup>3</sup>EM 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 31 March 2022

### Emerging Markets Equity Fund

Q1 2022 was dominated by Russia's invasion of Ukraine which caused global ripples in equity, bond and particularly commodity markets. Russia is a key producer of many important commodities, in particular oil and gas, and this supply shock exacerbated existing inflation fears and questions of slowing growth and recession risks.

The Chinese market was once again under pressure as new Covid outbreaks and subsequent lockdowns (of important commercial and manufacturing hubs) put renewed pressure on supply chains and the prospect of weaker than anticipated Chinese GDP growth. The announcement of economic stimulus measures (amongst other things) at the National People's Congress in March, however, did go some way to stopping the rot; with markets rebounding somewhat late in the period.

For net commodity exporters like South Africa, Saudi Arabia and the UAE, the fallout from the conflict in Ukraine was beneficial for performance, with these markets posting strong gains on the back of commodity price increases. Brazil was also a strong performer over the quarter, with financials in particular performing well as beneficiaries of the rate hiking cycle.

Against this backdrop, the Fund struggled, returning minus 6.2% in the quarter vs. the benchmark return of minus 2.5%. Since the restructure of the Fund in April 2021, the Fund has underperformed its benchmark (and therefore performance objective), returning minus 10%, 3.6% behind the benchmark. In absolute terms, the allocation to China has been a drag, with the Chinese market down some 30% since the Fund was restructured. On a relative basis, the Fund's small overweight to Russia has been the biggest detractor, with South Africa (Naspers holding) and Taiwan other material detractors.

Over the quarter, the EM ex-China sleeve, managed internally by Border to Coast, delivered negative absolute (-1.1%) and relative returns (-3.4%). This, unsurprisingly, was driven by the Fund's Russian exposure, with share prices effectively going to zero over the period. The other area of weakness was South Africa, with the Naspers overweight detracting as a result of underlying Russian exposures (e.g. Avito, a Russian classified ads website). Positive performance from Brazilian financials and the Fund's commodity exposures (e.g. Petrobras, SQM and Grupo Mexico) did help offset some of the Russia linked underperformance.

In aggregate, the Fund's allocation to China was a negative contributor to relative returns, with the China portion of the Fund underperforming by 2.8% over the quarter. Within this allocation, Fountain Cap was a material detractor, underperforming by almost 7% as a number of 2021's winners (like Sungrow Power and Sunny Optical) gave up gains as wider market sentiment eventually caught up with these stocks. The allocation to UBS was flat over the period (with positive allocation and selection within Consumer Discretionary offset by having no exposure to the energy sector). Despite Fountain Cap's underperformance in Q1 2022, it remains slightly above water since restructure. With UBS marginally behind (minus 0.7%), the Fund's China specialists are now flat on a since restructure basis.

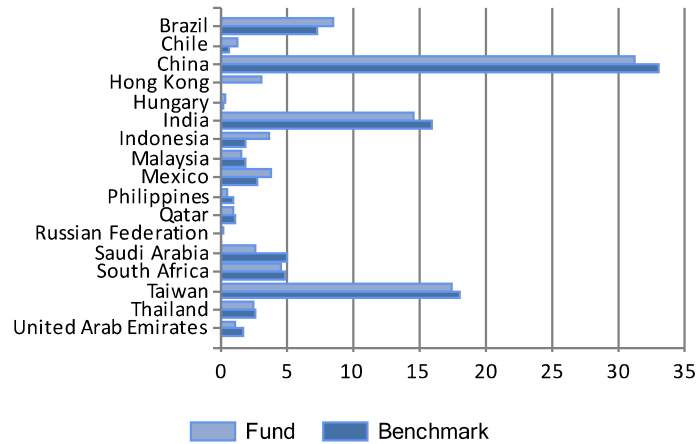
Volatility, either as a result of the conflict in Ukraine, China's zero-Covid policy, or as a result of interest rate hiking cycles, is likely to remain a feature of emerging market equities throughout 2022. Economies fighting inflation will need to tread a fine line between suppressing price spirals and choking economic growth. Key political elections (e.g. Brazil and China) are also on the horizon and could drive market performance; particularly in China. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning, will serve us well in the long term.

Note

1) Source: Border to Coast

# Border to Coast Emerging Markets Equity Fund at 31 March 2022

## 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.

**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.

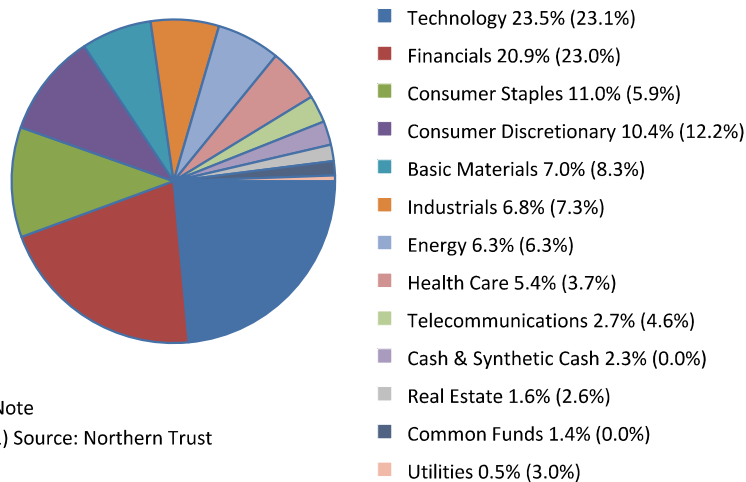
**Common Funds (o/w)** – the aggregate ETF/Investment Trust exposure within the Fund, used to express country positioning in the internally managed Emerging Markets ex. China sleeve.

**Utilities (u/w)** – the Fund is underweight to this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

**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 underweight to this relatively low growth, cap-ex intensive sector which can be buffeted by political risk (control and pricing implications). Where exposures are taken, they are to dominant market players with strong balances sheets in markets with solid growth prospects.

## Sector Portfolio Breakdown



Note

1) Source: Northern Trust

## Border to Coast Emerging Markets Equity Fund Attribution at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Gazprom	0.00	0.00	0.00	(100.00)	0.68	Energy	Russian Federation
SQM	1.24	74.89	0.17	74.18	0.47	Basic Materials	Chile
iShares South Africa ETF	1.44	22.42	0.00	0.00	0.37	Common Stock Funds	South Africa
Grupo Mexico	1.39	42.04	0.28	42.77	0.35	Basic Materials	Mexico
Petrobras	1.56	41.77	0.58	41.77	0.30	Energy	Brazil
Itau Unibanco	1.45	57.65	0.41	58.54	0.29	Financials	Brazil
B3	0.96	72.52	0.30	72.71	0.28	Financials	Brazil
Banco Bradesco	1.07	39.85	0.32	39.80	0.22	Financials	Brazil
NIO	0.00	0.00	0.40	(31.65)	0.17	Consumer Discretionary	China
Tatneft	0.00	0.00	0.00	(100.00)	0.14	Energy	Russian Federation

#### 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 Continued at 31 March 2022

### Positive Issue Level Impacts

**Gazprom (u/w)** – shares of the Russian gas titan went to zero during Q1 2022 after Russia's invasion of Ukraine in late February resulted in economic sanctions being placed on strategically important assets (e.g. financials and energy firms). The Fund had no exposure to Gazprom.

**SQM (o/w)** – a Chilean lithium and fertiliser producer. SQM shares performed exceptionally (+75%) in the period as the commodity prices for Lithium and fertilisers soared following Russia's invasion of Ukraine (with Russia a substantial fertiliser and gas, used in the manufacturing process, exporter).

**iShares South Africa ETF (o/w)** – this ETF provides exposure to a basket of South African businesses. The South African market, a net commodity exporter, performed well as commodity prices moved higher in response to the war in Ukraine. Overall, the Fund is broadly neutral vs. the benchmark in respect of South African stocks.

**Grupo Mexico (o/w)** – a Mexican infrastructure and mining group (in particular copper, third largest globally). Like elsewhere this quarter, the firm's share price performed well against the backdrop of rising commodity prices.

**Petrobras (o/w)** – is a state-owned Brazilian oil and gas multinational. The firm's share price moved steadily higher over the period as prices for oil and gas rocketed following Russia's invasion of Ukraine and the decision of many nations to stop buying Russian oil and gas (effectively constraining supply).

**Itau Unibanco (o/w)** – is the largest private bank in Brazil. The business is well positioned to capture the benefits of a rising interest rate environment in Brazil (which is ahead of developed market peers in hiking interest rates) and the stock outperformed as a result of this macro tailwind.

**B3 (o/w)** – is the owner-operator of the Brazilian stock exchange. After a difficult 2021, the share price rallied (+70%) in the period as management signalled that the operating environment for the business should improve and the threat of competition seems to have reduced.

**Banco Bradesco (o/w)** – is a Brazilian financial services company (primarily commercial banking). As with Itaú Unibanco, Bradesco performed well against the backdrop of rising interest rates in Brazil.

**NIO (u/w)** – Nio is a leading Chinese electric vehicle manufacturer. Despite promising operating results (record deliveries), the share price was weighed down by Covid-driven lockdowns (impacting supply chains) and rising raw material costs. The Fund has no exposure to Nio.

**Tatneft (u/w)** – as with Gazprom, the shares of the Russian oil and gas company went to zero in the quarter following Russia's invasion of Ukraine. The Fund held no exposure to Tatneft.

#### 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 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Sberbank of Russia	0.00	(99.71)	0.00	(100.00)	(0.69)	Financials	Russian Federation
Novatek	0.00	(99.72)	0.00	(100.00)	(0.51)	Energy	Russian Federation
Norilsk Nickel	0.00	(93.86)	0.00	(100.00)	(0.47)	Basic Materials	Russian Federation
Lukoil	0.00	(99.19)	0.00	(100.00)	(0.45)	Energy	Russian Federation
Magnit	0.00	(99.92)	0.00	(100.00)	(0.42)	Consumer Staples	Russian Federation
Polymetal International	0.11	(76.77)	0.00	0.00	(0.36)	Basic Materials	Russian Federation
Sunny Optical	0.60	(47.58)	0.15	(47.63)	(0.35)	Technology	China
Hengli Hydraulic	0.62	(34.41)	0.01	(34.43)	(0.29)	Industrials	China
Kweichow Moutai	2.75	(13.58)	0.35	(13.59)	(0.29)	Consumer Staples	China
Jiangsu Hengrui Medical	0.50	(25.15)	0.04	(25.18)	(0.19)	Health Care	China

#### 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 Continued at 31 March 2022

### Negative Issue Level Impacts

**Sberbank of Russia, Novatek, Norilsk Nickel, Lukoil PJSC, Magnit, and Polymetal International (all o/w)** – the Fund held six Russian names heading into the quarter and was, in aggregate, overweight Russia vs. the benchmark. Following Russia's invasion of Ukraine in February, the share prices of the Fund's six Russian holdings collapsed as economic sanctions started to bite. These names have now dropped out of the Fund's benchmark.

**Sunny Optical (o/w)** – designs and manufactures optical products including lenses, prisms, and mobile phone cameras. The share price fell materially (almost 50%) during the period as investors became more bearish on the shorter-term outlook for the business following weak 2021 results (especially in smartphone related product lines). Long-term opportunities remain intact however (e.g. AR/VR).

**Hengli Hydraulic (o/w)** – a Chinese manufacturer of hydraulic components and systems for use in industrial equipment (e.g. excavators, presses and cranes). The share price had a rough quarter (down some 30%) as production guidance was disappointing, indicating woes in the real estate sector are dampening shorter-term expectations in adjacent businesses.

**Kweichow Moutai (o/w)** – a leading Chinese baijiu (liquor) producer. Despite positive operating results and channel shifts during the period, the shares traded gradually on general market volatility. Moutai is the Fund's largest active weight (+2.4%).

**Jiangsu Hengrui Medical (o/w)** – develops, manufactures, and markets a variety of medicines and related packing materials. The firm's share price came under pressure in Q1 2022 as investors became concerned once again that China's centralised procurement scheme would force prices lower, reducing the profitability of pharmaceutical and health care service names.

#### 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 31 March 2022

## Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.40
Netease	+1.46
iShares South Africa ETF	+1.44
Grupo Mexico	+1.11
China Merchants Bank	+1.07
Alibaba	-1.97
China Construction Bank	-1.03
ICBC	-0.71
Tencent	-0.68
Baidu	-0.59

### 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.

**Netease** – despite some headwinds in its domestic market, growing success on the international stage (in particular Japan) along with a strong pipeline of games, including a new metaverse gaming platform, should bode well for sales and profit growth.

**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.

**Grupo Mexico** – while the Group operates the dominant railroad in Mexico, it is the mining unit that is well positioned to drive value for shareholders. Has access to large, low-cost reserves of copper in Peru and Mexico, and should benefit from the increased demand.

**China Merchants Bank** – has embraced technology in traditional banking areas, investing heavily in mobile banking apps and related technology. This strong market position should enable them to continue to deliver better-than-peers profit growth.

### Bottom 5 Holdings Relative to Benchmark:

**Alibaba** – the stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

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

**ICBC** – is the world’s largest bank providing a multitude of services to corporate customers and individuals. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

**Tencent** – a Chinese technology conglomerate with numerous business units. The stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

**Baidu** – the Chinese internet sector continues to remain under pressure (from regulation) and, for Baidu in particular, a slow recovery in advertising revenue could constrain any upside from other business units.

### Major Transactions During the Quarter

#### **Purchases:**

**FirstRand (£6m)** – FirstRand is a leading South African financial institution with a strong deposit franchise. It is well positioned to benefit from any increase in interest rates as well as any recovery in credit growth.

**Anglo American Platinum (£6m)** – the business is primed to benefit from the potential disruption to global metals supply caused by the conflict in Ukraine and should be a long-term winner as the demand for metals increases.

Note

1) Source: Northern Trust

**APPENDICES**

## Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Chevron	0.65	0.33	0.11
ConocoPhillips	0.40	0.14	0.09
PayPal	0.00	0.14	0.08
Hess	0.21	0.03	0.06
Deere & Co	0.40	0.12	0.06

**Chevron (o/w)** – benefited from higher energy prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**ConocoPhillips (o/w)** – due to disruption as a result of the Russia/Ukraine conflict, ConocoPhillips benefited from higher energy prices.

**PayPal (u/w)** – reduced guidance from company for near-term revenue growth weighed on already fragile sentiment.

**Hess (o/w)** – benefited from higher oil prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**Deere & Co (o/w)** – benefited from the high correlation of farm equipment sales to higher agricultural prices; sharp increase in corn and wheat prices due to expected supply disruption from Russia and Ukraine.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Exxon Mobil	0.00	0.37	(0.11)
Home Depot	0.59	0.33	(0.09)
Tesla	0.00	0.94	(0.07)
AbbVie	0.00	0.30	(0.07)
Xylem Inc	0.17	0.02	(0.05)

**Exxon Mobil (u/w)** – benefited from higher energy prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**Home Depot (o/w)** – sentiment impacted by sharp rise in mortgage rates given the strong correlation between company turnover and housing activity.

**Tesla (u/w)** – benefited from increased demand for electric vehicles as a result of higher fuel prices, new factory opening, strong management of supply headwinds and announcement of a stock split.

**AbbVie (u/w)** – benefited from a rotation into value companies and strong trial data for its pipeline arthritis treatment.

**Xylem Inc (o/w)** – impacted by poor results, weak guidance and supply bottlenecks, and broad market pressure for highly rated growth names.

#### Note

1) Source: Northern Trust & Border to Coast

# Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2022

## Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.60
Alphabet A	+1.10
Vanguard US Small Cap Value ETF	+0.62
Microsoft	+0.47
Visa Inc	+0.46
Tesla	-0.94
Alphabet C	-0.81
Exxon Mobil	-0.37
Mastercard	-0.32
AbbVie	-0.30

### Top 5 Holdings Relative to Benchmark:

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

**Alphabet A** – zero weight in C shares nets to a slight overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

**Vanguard US Small Cap Value ETF** – offers exposure to small, recovery names to which the portfolio otherwise has limited exposure.

**Microsoft** – structural growth from Azure cloud hosting business and migration of Business Office to MS365 online, opportunity for value added sales and increased customer stickiness.

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

### Bottom 5 Holdings Relative to Benchmark:

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

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

**Exxon Mobil** – integrated energy exposure gained via companies with a better record of ESG engagement.

**Mastercard** – preference for Visa Inc, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

**AbbVie** – patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

### Major transactions during the Quarter

#### **Purchases:**

**Netflix (£5.9m)** – added after share price decline on conviction that concerns around subscription weakness for the quarter were overdone.

#### **Sales:**

**Vanguard US Mid Cap ETF (£6.6m)** – moderating weighting in smaller companies in light of potential economic headwinds, given higher exposure to leverage.

## Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Prosus	0.00	0.18	0.08
Thales	0.19	0.05	0.05
TotalEnergies	0.85	0.45	0.04
Delivery Hero	0.00	0.03	0.04
Novo Nordisk	1.15	0.66	0.03

**Prosus (u/w)** – principal holding in Tencent impacted on concerns that Chinese internet sector would be hit with further restrictions and its Russian subsidiary could be affected by the Russia/Ukraine conflict.

**Thales (o/w)** – defence company expected to benefit from increased European defence spending as a result of the Russia/Ukraine conflict.

**TotalEnergies (o/w)** – benefited from higher energy prices driven by increased demand and supply disruption as a result of the Russia/Ukraine conflict.

**Delivery Hero (u/w)** – online food ordering service fell sharply due to concerns over the path to profitability.

**Novo Nordisk (o/w)** – improved revenue and earnings outlook from new diabetes and obesity drug.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
HBM Healthcare	0.29	0.00	(0.05)
JPMorgan European Discovery Trust	0.26	0.00	(0.05)
Siemens	0.70	0.39	(0.05)
ASML	1.36	0.96	(0.04)
Infineon Technologies	0.33	0.17	(0.04)

**HBM Healthcare (o/w)** – growth stocks have been adversely impacted by a change in the interest rate cycle.

**JPMorgan European Discovery Trust (o/w)** – impacted by general underperformance of smaller companies as well as investors rotating into more defensive stocks as a result of increased market uncertainty.

**Siemens (o/w)** – adversely impacted by the Russia/Ukraine conflict as well as a profit warning from wind turbine subsidiary, Siemens Gamesa.

**ASML (o/w)** – impacted by production disruption as a result of a factory fire as well as general investor rotation away from highly valued growth stocks.

**Infineon Technologies (o/w)** – adversely impacted by investor rotation away from highly valued growth stocks.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2022

### Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.49
TotalEnergies	+0.40
ASML	+0.40
AXA	+0.37
Schneider Electric	+0.37
Zurich Insurance Group	-0.27
Mercedes-Benz	-0.22
EssilorLuxottica	-0.20
Lonza	-0.20
Enel SPA	-0.19

### Top 5 Holdings Relative to Benchmark:

**Novo Nordisk** – strong market position in diabetes treatment with extension of products into obesity.

**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.

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

**AXA** – attractive valuation, trading at a significant discount to key peers such as Allianz and Zurich, despite having an increasingly similar business mix.

**Schneider Electric** – 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.

### Bottom 5 Holdings Relative to Benchmark:

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

**Mercedes-Benz** – concern that margins are peaking and valuation is high relative to peers leaving less room for disappointment.

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

**Lonza** – high valuation relative to peers with question marks over achievability of growth targets.

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

### Major transactions during the Quarter

#### **Purchases:**

**Nordea (£6.8m)** – new holding in the portfolio; one of the higher quality European banks with a strong balance sheet, high dividend yield and attractive growth expectations.

#### **Sales:**

**Banco Santander (£13.2m)** – exiting the company as it is considered to be lower quality than the Nordic banks.

Note

1) Source: Northern Trust



## Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
INPEX	0.22	0.03	0.06
Recruit Holdings	0.00	0.16	0.04
Nidec	0.00	0.09	0.03
Mitsubishi UFJ Financial	0.36	0.19	0.03
ITOCHU	0.27	0.11	0.03

**INPEX (o/w)** – energy producer with a strong position in LNG benefited from higher energy prices as a result of strong demand and supply disruption as a result of the Russia/Ukraine conflict.

**Recruit Holdings (u/w)** – weakness due to concerns that margins have peaked and risk that some large shareholders may reduce their exposure as Japan reforms its cross-shareholdings structure.

**Nidec (u/w)** – poor results from manufacturer of small precision motors, and lack of confidence that future strategy can support high valuation.

**Mitsubishi UFJ Financial (o/w)** – benefitting from rising global interest rates and limited exposure to Russia.

**ITOCHU (o/w)** – general trading company that has benefitted from rising commodity prices.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Baillie Gifford Shin Nippon	0.29	0.00	(0.05)
LIXIL	0.09	0.01	(0.02)
Terumo	0.13	0.05	(0.02)
KEYENCE	0.30	0.21	(0.02)
Sony	0.48	0.32	(0.02)

**Baillie Gifford Shin Nippon (o/w)** – impacted by a weak Yen and underperformance of smaller growth companies.

**LIXIL (o/w)** – this manufacturer and distributor of housing materials has been under pressure due to rising raw material and logistics costs.

**Terumo (o/w)** – medical equipment company weak on rising costs and lingering impact of Covid hospitalisations delaying surgical procedures.

**KEYENCE (o/w)** – factory automation company impacted by investor rotation out of growth stocks with high valuations.

**Sony (o/w)** – concerns over competition impact from Microsoft-Activision deal, concerns regarding announcement on moving into crowded electric vehicle market, and general weakness in the technology sector.

#### Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 March 2022

### Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.29
Tokyo Electron	+0.25
Shin-Etsu Chemical	+0.22
Renesas Electronics	+0.19
INPEX	+0.19
Recruit Holdings	-0.16
Honda Motor	-0.12
Mitsui & Co	-0.11
Daiichi Sankyo	-0.10
Nidec	-0.09

### Top 5 Holdings Relative to Benchmark:

**Ballie Gifford Shin Nippon** – a smaller companies fund, focussed on growth stocks, 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.

**Renesas Electronics** – continuing global chip shortages should support demand for chip production and enable increased margins.

**INPEX** – energy producer with a strong market position in LNG benefiting from higher energy prices due to strong demand and supply disruption as a result of the Russia/Ukraine conflict.

### Bottom 5 Holdings Relative to Benchmark:

**Recruit Holdings** – trades on a premium valuation relative to peers although the environment for recruitment is improving.

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

**Mitsui & Co** – preference for other general trading companies, Itochu and Mitsubishi Corp.

**Daiichi Sankyo** – preference for other names in the health care sector due to the significant volatility of this pharmaceutical stock.

**Nidec** – concern that future strategy is unclear for this manufacturer of small precision motors, and company forecasts are too optimistic. Stock was priced for perfection.

### Major transactions during the Quarter

#### **Purchases:**

**Baillie Gifford Shin Nippon (£1.5m)** – increasing exposure to smaller growth companies in anticipation of stronger performance from this segment of the market.

#### **Sales:**

**Obic (£4.5m)** – fully exited due to uncertain prospects and relatively high valuation.

Note

1) Source: Northern Trust

## Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2022

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
BHP Group	1.44	1.20	0.07
Bank of China (Hong Kong)	0.23	0.08	0.03
CapitaLand Investment	0.18	0.05	0.03
KRAFTON	0.00	0.04	0.03
Samsung Electronics Prefs	0.00	0.26	0.02

**BHP Group (o/w)** – experiencing strong cash generation enabling increased shareholder returns as a result of increased demand for commodities and higher prices driven by Ukraine conflict.

**Bank of China (Hong Kong) (o/w)** – the bank enjoyed strong momentum on expectations of rising interest rates and its strong domestic franchise.

**CapitaLand Investment (o/w)** – the largest real estate investment management business in Asia was a beneficiary of investor rotation into companies with stable earnings profiles.

**KRAFTON (u/w)** – adversely impacted by slowing growth in its key mobile games.

**Samsung Electronics Prefs (u/w)** – underperformed on the potential impact of slowing economic growth on demand for its memory chips and consumer electronic products.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2022

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
James Hardie	0.23	0.08	(0.04)
UOB	0.00	0.19	(0.04)
Samsung Electronics	2.24	1.66	(0.03)
South32	0.00	0.11	(0.03)
Santos	0.00	0.11	(0.03)

**James Hardie (o/w)** – increasing costs, rising interest rates, and the dismissal of the CEO following conduct breaches offset positive results for this building materials company.

**UOB (u/w)** – beneficiary of rising interest rates.

**Samsung Electronics (o/w)** – underperformed on the potential impact of slowing economic growth on demand for its memory chips and consumer electronic products.

**South32 (u/w)** – outperformed due to its diversified metals exposure against a backdrop of rising commodity prices.

**Santos (u/w)** – oil and gas company with a leading position in LNG benefited from higher energy prices as a result of strong demand and supply disruption as a result of the Russia/Ukraine conflict.

Note

1) Source: Northern Trust & Border to Coast

## Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2022

### Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.58
AIA Group	+0.25
Macquarie Group	+0.25
BHP Group	+0.24
Goodman	+0.23
Samsung Electronics Prefs	-0.26
UOB	-0.19
Kakao	-0.15
Santos	-0.11
South32	-0.11

#### Top 5 Holdings Relative to Benchmark:

**Samsung Electronics** – 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.

**AIA Group** – best-in-class provider of insurance and financial services with a strong distribution franchise in Asia Pacific and sizeable potential for growth in the underpenetrated Life Insurance market in China.

**Macquarie Group** – well diversified financial services company with large exposure to structural growth areas within infrastructure, strong balance sheet and very highly regarded management.

**BHP Group** – diversified miner with strong positions on the cost curve of all its commodity exposures, a focus on shareholders' returns and a robust track record of outperformance.

**Goodman** – offers above-peer earnings growth supported by strong structural demand for modern logistics and warehouse space.

#### Bottom 5 Holdings Relative to Benchmark:

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

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

**Kakao** – Korean internet company with fintech, e-commerce and entertainment businesses; the Fund has a preference for NAVER.

**Santos** – preference for energy exposure via Woodside Petroleum.

**South32** – preference for mining exposure via BHP, Rio Tinto and Newcrest Mining.

#### Major transactions during the Quarter

##### **Purchase:**

**BHP Group (£16.9m)** – added to the holding to maintain target overweight position following unification of the UK and Australian share classes.

Note

1) Source: Northern Trust

# Market Background

## at 31 March 2022

The Russian invasion of Ukraine has undoubtedly been an event that will come to define 2022 and likely affect global developments for many years to come. Its impact on the people of Ukraine is a tragedy beyond the comprehension of most of those outside of the conflict zone or personally touched by the unfolding events.

Equity markets have been buffeted during the first quarter of 2022 though in the context of the events market reactions could be considered relatively benign. The build-up of Russian troops on the Ukrainian border had been visible for several weeks and had increasingly impacted investors' risk appetites. As such, although the commencement of hostilities still came as an unpleasant surprise for markets and prompted some further weakness it was, outside of European markets, limited in extent and duration. Perhaps more surprising was the unity and strength of the response from the Western alliance which went beyond what most had thought probable given the economic cost that would accompany such a response.

In aggregate, global equity markets (MSCI indices) generated a total return (in sterling) of ~6% in the quarter. During the quarter, developed markets (7.3%) outperformed emerging markets (-1.8%) with Asia Pacific ex-Japan the strongest region. UK stocks also proved resilient during the quarter, with the US also closing the quarter with only a minor negative return while Europe ex-UK was the weakest region. The Chinese market remained weak, due to concerns over government action to rebalance the economy and a resurgence of Covid cases, although government announcements to reassure investors helped stem the fall.

At a sector level, the consumer discretionary sector was hit hard by concerns that rising interest rates and higher energy bills would dampen spending while highly valued technology and communications stocks came under pressure from rising bond yields. At the other end of the scale, energy stocks surged during the quarter as oil and gas prices spiked in the aftermath of the invasion. Materials stocks also benefitted from higher commodity prices, and it was felt that utilities would also profit from the squeeze on supplies.

Aside from the immediate and direct impact of the Ukraine conflict on the activities of companies operating and investing in Russia and Ukraine, which has been to materialise an almost total loss of economic value, the wider impacts on corporate activity, global trade, and geopolitical dynamics are far more profound. Russia is a major energy producer, and in particular a critical supplier of natural gas to Europe, but it is also a significant producer and resource holder of many of the commodities critical to the energy transition, such as nickel. In addition, both Russia and the Ukraine are major exporters of grain and wheat, and significant producers of fertilizers. As such, potential disruption to both energy and food supply chains is significant, and so abrupt that adoption of alternate supply in sufficiently short-order as to avert a crisis is almost impossible.

Inflation was front and centre of investors' minds as we entered 2022 and was already running hotter than most had predicted. Central bank references to "transitory" were notably absent from statements and the latest spike in oil and gas prices is only likely to add further upward pressure on inflation. Supply disruptions are also likely to take years to resolve, suggesting there will be no swift retracement in prices. Supply chains across multiple sectors were already stretched and impacting economic growth, and disruptions stemming from the situation in the Ukraine have added or compounded problems providing further inflationary impetus.

Labour markets meanwhile are getting even tighter as unemployment has continued to fall, exacerbated by higher absenteeism due to Covid, and is feeding through to wage inflation. The dilemma facing markets is whether central banks are too far behind the curve to avoid causing a recession as a result of their efforts to bring inflation under control. Central banks have indicated they will be aggressive in combating inflation, and bond yields have risen very sharply since the start of the year. However, longer-dated yields have not risen as much leading to a flattening of the yield curve. Although an "inverted yield curve" often precedes recessions current conditions are different to prior cycles – interest rates and bond yields are low and economic growth is only just recovering post-Covid. Higher energy prices and

Note

1) Source: Border to Coast

## Market Background at 31 March 2022

housing costs could dampen consumer spending and a deterioration in the labour market could undermine sentiment quite quickly. Central banks will have to manage monetary conditions exceptionally well to hit the goldilocks scenario and avoid falling into recession

Of equal importance, but possibly more imponderable in nature, is the impact on the established global order. Although the reaction of the Western alliance has been to draw closer and act with unity, it should be remembered that countries representing more than 50% of the global population did not support the UN resolution. The fissures between China and the US and its allies were already evident before the Ukraine crisis and have widened since, and the conflict has seen other countries more affirmatively declaring on which side of the divide they stand. For China too, it is evident that they do not want their own strategic goals to be impeded by any reliance or inter-dependence on the US and its partners and will seek to insulate their economy from this.

Companies will reconfigure their supply chains and countries will seek security of supply for goods of strategic importance, such as energy, materials, food and technology. Capital allocation will not always be driven by the desire to optimise the economics of that allocation. Spending on defence is going to increase. Localisation, and the strengthening of strategic positions, is going to come at a cost. This cost may be in the form of higher taxes and prices, with negative implications for economic growth, or through cutting spending elsewhere and reducing margins. Neither is particularly positive for equity markets, particularly if accompanied by higher interest rates.

Valuations of equity markets are more supportive now than in the recent past, and in many regions earnings yields still compare favourably with fixed income alternatives – particularly so in Europe. This is just as well because prospects for growth were already being threatened by the imminent sharp interest rate increases necessary to combat inflation, and the economic measures taken to punish Russia will come at a further cost to the broader global economy. Despite these pressures, expectations for earnings growth so far this year have

remained remarkably firm although, with global economic growth slowing, it seems hard to envisage this trend being maintained. Growth in Europe is now extremely challenged given its proximity to Russia both geographically and economically. In recent months Europe had begun to look relatively attractive but that is no longer as clear-cut.

The only economies or markets which are deemed likely to benefit from current events are those heavily geared to natural resources. Australia and Canada are thus the standout developed markets, though the UK equity market has also benefitted from its high representation of mining and energy stocks. Several emerging markets have also benefitted – notably those in Latin America and South Africa.

Consumer balance sheets are very strong suggesting that consumer spending should be firm although sentiment has turned negative. Capital spending should also provide some support to growth as companies invest both to position for the energy transition but also to raise productivity in the face of increasing wage inflation and adjust supply chains for the new era of localisation.

There seem few easy or obvious solutions to the multiple challenges currently facing the world and its equity markets, and as such it is hard to envisage a positive outcome for equity markets over the remainder of the year. Careful stock selection, and conservative positioning thus seem appropriate.

Note

1) Source: Border to Coast



## Border to Coast News

### People:

- We regretfully announce that Andrew Stone our Head of CRM, left us in March and will be returning to LGIM as a Client Director, where he previously worked for almost a decade. Milo Kerr will be replacing Andrew and joining as Head of CRM in July 2022. Milo is currently a client director within Mercer's Investment Team.
- Alistair Smith will be joining us in May as our new Head of Real Estate. Alistair brings a wealth of experience, having started his career focussing on UK Real Estate and directly managing property portfolios.

### Investment Funds:

- Thanks to the hard work of many the £1.3bn Listed Alternatives Fund is now live. The fund holds listed securities that provide exposure to infrastructure, specialist real estate, private equity, and alternative credit, complementing Border to Coast's existing £5.7bn private markets investment programme and providing funding for critical projects in the UK and beyond.
- We are also proud to have added a £1.35bn dedicated Climate Opportunities offering to Series Two of our Alternatives Program. This will be invested over a three-year period and will target investments that will have a material positive impact on climate change and support long-term net zero carbon emission goals.

### Responsible Investment:

- In March the Financial Reporting Council published an updated list of signatories to the UK Stewardship Code for applicants submitting reports for the end of October deadline. We were pleased to be accepted as a signatory, which recognises the work we are doing in this area practicing active stewardship across our investments.
- Robeco launched the Acceleration to Paris engagement theme last quarter which focuses on triggering climate action at companies that have a large carbon footprint and assessed as laggards. As part of the initial engagement launch Robeco sent a letter to the top carbon emitting companies which Border to Coast, along with other Robeco engagement clients, supported. The letter outlines the expectations of investee companies regarding climate change. Border to Coast hold 40 of the companies that have received the letter.

### Other News:

- Border to Coast were shortlisted in several categories at the delayed 2021 LAPF Investments awards held in March. We won the award for Good Governance and were highly commended in the Best Approach to Responsible Investment category.
- We have also been shortlisted for the Diversity and Inclusion Excellence Award and the DB Investment Innovation Award at the Professional Pensions UK Pension Awards 2022 which are being held on 30<sup>th</sup> June 2022.

## 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

The information contained herein is strictly confidential and is intended for review by the intended parties, their advisors and legal counsel only. It is not marketing material. The value of your investments may fluctuate. Past performance is not a reliable indication for the future. All reasonable care has been taken to ensure that the information contained herein is clear, fair and not misleading.

STATE STREET  
GLOBAL ADVISORS

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# Quarterly Investment Report - 80237

For the Period 01 Jan 2022 to 31 Mar 2022

## Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3231122.1 Published: 14 Apr 2022

# Quarterly Investment Report - 80237

As of 31 Mar 2022

Middlesbrough Borough Council

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## Quarterly Investment Report - 80237

As of 31 Mar 2022

Middlesbrough Borough Council

# Accounting Summary (expressed in GBP)

As of 31 Mar 2022

## Middlesbrough Borough Council

	Market Value 01 Jan 2022		Contributions	Withdrawals	Change in Market Value	Market Value 31 Mar 2022	
<b>Passive Equity Portfolio</b>							
North America ESG Screened Index Equity Sub-Fund	40,651,853	6.64%	0	0	(1,048,471)	39,603,382	6.57%
Europe ex UK ESG Screened Index Equity Sub-Fund	132,233,998	21.59%	0	0	(9,364,752)	122,869,246	20.38%
Japan ESG Screened Index Equity Sub-Fund	109,578,370	17.89%	0	0	(3,967,317)	105,611,052	17.52%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	330,148,847	53.89%	0	0	4,557,238	334,706,086	55.53%
<b>Total</b>	<b>612,613,068</b>	<b>100.00%</b>	<b>0</b>	<b>0</b>	<b>(9,823,303)</b>	<b>602,789,765</b>	<b>100.00%</b>

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## Quarterly Investment Report - 80237

As of 31 Mar 2022

Middlesbrough Borough Council

# Performance Summary (expressed in GBP)

As of 31 Mar 2022

## Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
<b>Passive Equity Portfolio</b>								
<b>North America ESG Screened Index Equity Sub-Fund</b>								21 Sep 2018
Total Returns	5.52%	-2.58%	-2.58%	19.42%	18.34%	N/A	N/A	15.24%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.49%	-2.71%	-2.71%	18.88%	18.07%	N/A	N/A	15.01%
<b>Difference</b>	<b>0.03%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.54%</b>	<b>0.27%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.23%</b>
Total Returns (Net)	5.52%	-2.58%	-2.58%	19.41%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.49%	-2.71%	-2.71%	18.88%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.03%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.53%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Europe ex UK ESG Screened Index Equity Sub-Fund</b>								26 Sep 2018
Total Returns	2.08%	-7.08%	-7.08%	6.71%	9.64%	N/A	N/A	6.68%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	1.99%	-7.29%	-7.29%	6.21%	9.56%	N/A	N/A	6.59%
<b>Difference</b>	<b>0.09%</b>	<b>0.21%</b>	<b>0.21%</b>	<b>0.50%</b>	<b>0.08%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.09%</b>
Total Returns (Net)	2.08%	-7.09%	-7.09%	6.69%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	1.99%	-7.29%	-7.29%	6.21%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.09%</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.48%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Japan ESG Screened Index Equity Sub-Fund</b>								01 Jun 2001
Total Returns	1.13%	-3.62%	-3.62%	-2.45%	6.42%	5.15%	8.97%	4.16%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	1.04%	-3.73%	-3.73%	-2.77%	6.23%	5.03%	8.92%	4.01%
<b>Difference</b>	<b>0.09%</b>	<b>0.11%</b>	<b>0.11%</b>	<b>0.32%</b>	<b>0.19%</b>	<b>0.12%</b>	<b>0.05%</b>	<b>0.15%</b>

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## Quarterly Investment Report - 80237

As of 31 Mar 2022

Middlesbrough Borough Council

### Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	1.13%	-3.63%	-3.63%	-2.47%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	1.04%	-3.73%	-3.73%	-2.77%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.09%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.30%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund</b>								01 Jun 2001
Total Returns	6.35%	1.38%	1.38%	1.09%	7.57%	5.83%	7.88%	9.76%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	6.40%	1.39%	1.39%	0.98%	7.54%	5.80%	7.84%	9.70%
<b>Difference</b>	<b>-0.05%</b>	<b>-0.01%</b>	<b>-0.01%</b>	<b>0.11%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.04%</b>	<b>0.06%</b>
Total Returns (Net)	6.35%	1.38%	1.38%	1.07%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	6.40%	1.39%	1.39%	0.98%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>-0.05%</b>	<b>-0.01%</b>	<b>-0.01%</b>	<b>0.09%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

# R-Factor™ Summary

As of 31 Mar 2022

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	75.10	75.07	0.03
ESG	75.73	75.70	0.03
Corporate Governance	46.43	46.40	0.03

Source: SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## What is R-Factor?

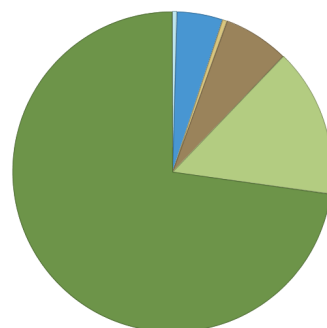
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	455	98.70%	99.53%
Total Number of Securities in Portfolio	461		

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Fund R-Factor Profile

Not Available	0.47%
Laggard	4.82%
Underperformer	0.50%
Average Performer	6.95%
Outperformer	15.66%
Leader	76.01%



Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

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.	4.48%	4.46%	0.02%	89.75
Roche Holding Ltd Dividend...	3.49%	3.47%	0.02%	72.20
ASML Holding NV	3.23%	3.24%	0.00%	78.17
Novartis AG	2.31%	2.30%	0.01%	89.92
LVMH Moet Hennessy Louis...	2.24%	2.25%	0.00%	68.65
Novo Nordisk A/S Class B	2.21%	2.22%	0.00%	73.99
SAP SE	1.55%	1.56%	0.00%	91.54
TotalEnergies SE	1.52%	1.52%	0.00%	79.40
Sanofi	1.39%	1.40%	0.00%	87.25
Siemens AG	1.31%	1.31%	0.00%	77.34

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Top 5 R-Factor Ratings

Danone SA	0.42%	0.42%	0.00%	99.63
Stellantis N.V.	0.41%	0.42%	0.00%	95.96
L'Oreal S.A.	1.24%	1.24%	0.00%	93.99
AXA SA	0.71%	0.71%	0.00%	93.60
Covivio SA	0.05%	0.05%	0.00%	93.25

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Bottom 5 R-Factor Ratings

Sofina SA	0.07%	0.07%	0.00%	29.26
InPost S.A.	0.02%	0.02%	0.00%	30.07
CTS Eventim AG & Co. KGa...	0.05%	0.05%	0.00%	30.08
arGEN-X SE	0.20%	0.20%	0.00%	30.30
PSP Swiss Property AG	0.07%	0.07%	0.00%	30.63

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

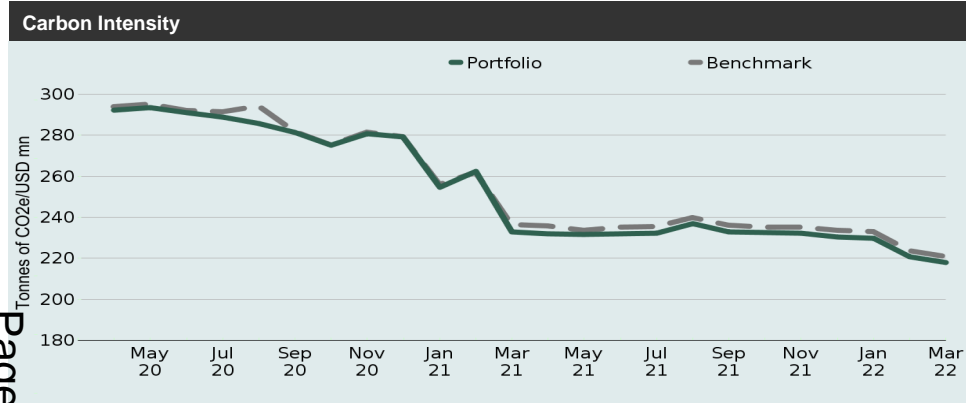


# Climate Profile

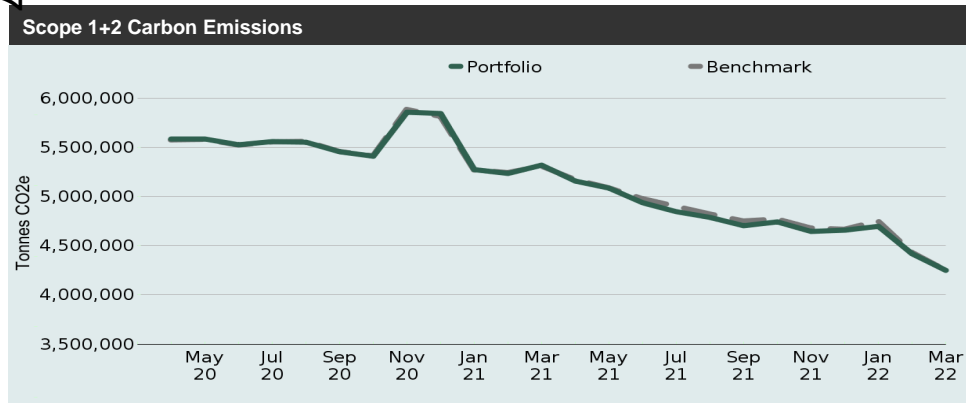
As of 31 Mar 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

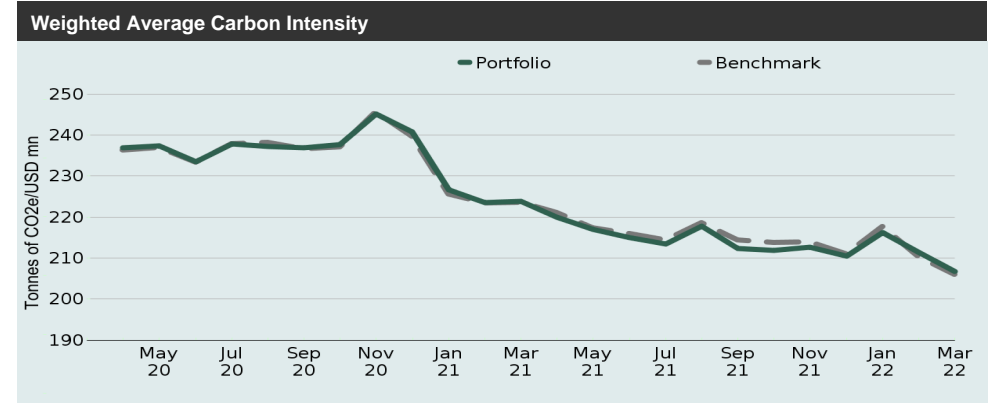
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX



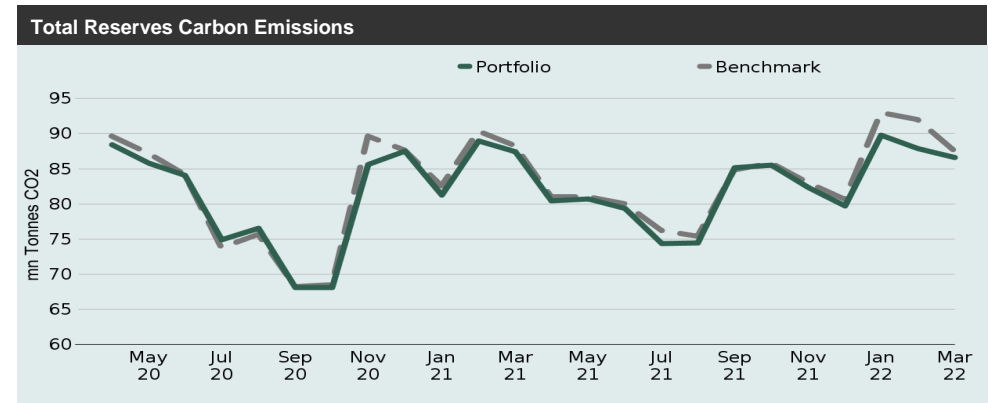
Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



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Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

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## Stewardship Profile

As of 31 Mar 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

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

Stewardship Profile	Q4 2021
Number of Meetings Voted	540
Number of Countries	10
Management Proposals	275
Votes for	92%
Votes Against	8%
Shareholder Proposals	6
With Management	100%
Against Management	0%

Source: SSGA as of 31 Dec 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	9
1	29
2	58
3	99
4	81
5	70
6	56
7	35
8	11
9	7
10	1
10+	3
Not Available	2
<b>Total</b>	<b>461</b>

Source: Factset/SSGA. Holdings as of 31 Mar 2022, Factset data as of 28 Feb 2022.

# R-Factor™ Summary

As of 31 Mar 2022

## 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	67.99	68.02	-0.03
ESG	66.62	66.66	-0.04
Corporate Governance	64.00	63.99	0.01

Source: SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

### What is R-Factor?

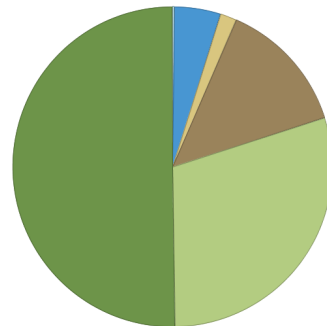
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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	647	98.33%	99.83%
Total Number of Securities in Portfolio	658		

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

### Fund R-Factor Profile

Not Available	0.17%
Laggard	4.82%
Underperformer	1.71%
Average Performer	13.85%
Outperformer	30.38%
Leader	51.48%



Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	6.71%	6.70%	0.01%	94.41
Microsoft Corporation	5.78%	5.77%	0.00%	78.98
Amazon.com Inc.	3.52%	3.52%	0.00%	66.84
Tesla Inc	2.23%	2.23%	0.00%	58.11
Alphabet Inc. Class A	2.08%	2.08%	0.00%	71.64
Alphabet Inc. Class C	1.92%	1.92%	0.00%	71.64
NVIDIA Corporation	1.62%	1.62%	0.00%	78.60
Meta Platforms Inc. Class A	1.27%	1.27%	0.00%	74.75
UnitedHealth Group Incorpo...	1.20%	1.19%	0.01%	53.37
Berkshire Hathaway Inc. Cla...	1.14%	1.14%	-0.01%	21.37

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

### Top 5 R-Factor Ratings

HP Inc.	0.09%	0.10%	0.00%	100
Cisco Systems Inc.	0.59%	0.59%	0.00%	97.41
Apple Inc.	6.71%	6.70%	0.01%	94.41
Adobe Incorporated	0.53%	0.53%	0.00%	86.04
Host Hotels & Resorts Inc.	0.03%	0.03%	-0.01%	85.95

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

### Bottom 5 R-Factor Ratings

Constellation Software Inc.	0.08%	0.08%	0.00%	5.59
Peloton Interactive Inc. Clas...	0.02%	0.02%	0.00%	12.85
AMC Entertainment Holding...	0.03%	0.03%	0.00%	13.71
Live Nation Entertainment In...	0.04%	0.04%	0.00%	15.57
Lennar Corporation Class A	0.05%	0.05%	0.00%	18.05

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

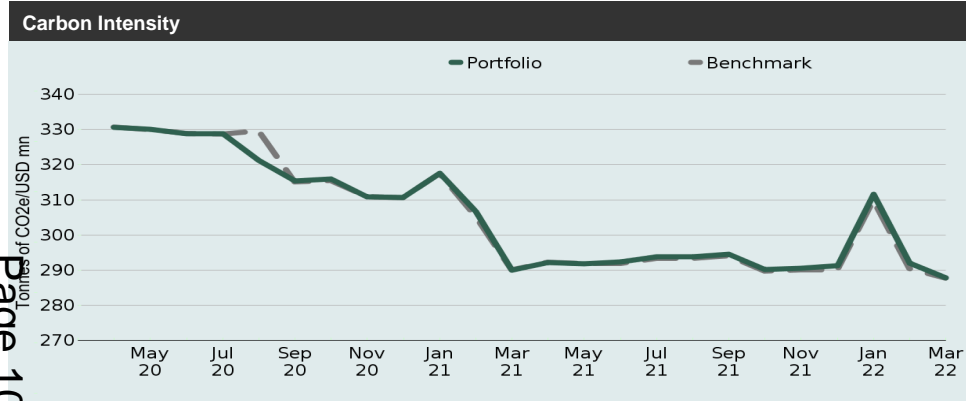
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# Climate Profile

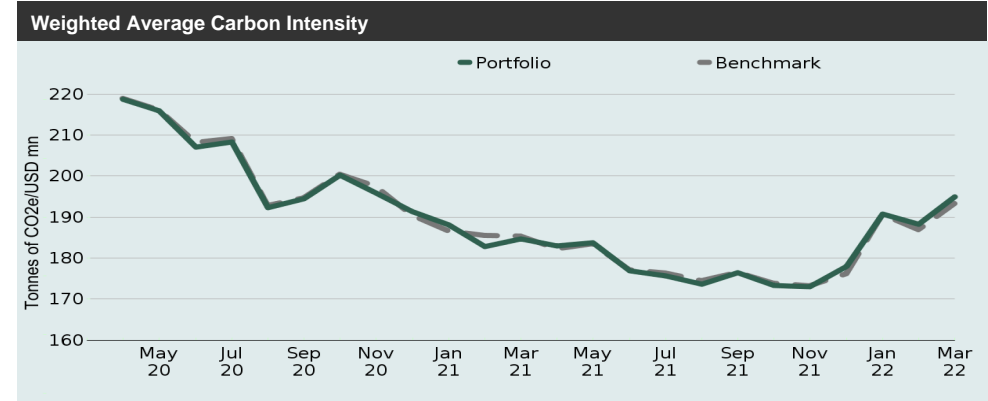
As of 31 Mar 2022

North America ESG Screened Index Equity Sub-Fund

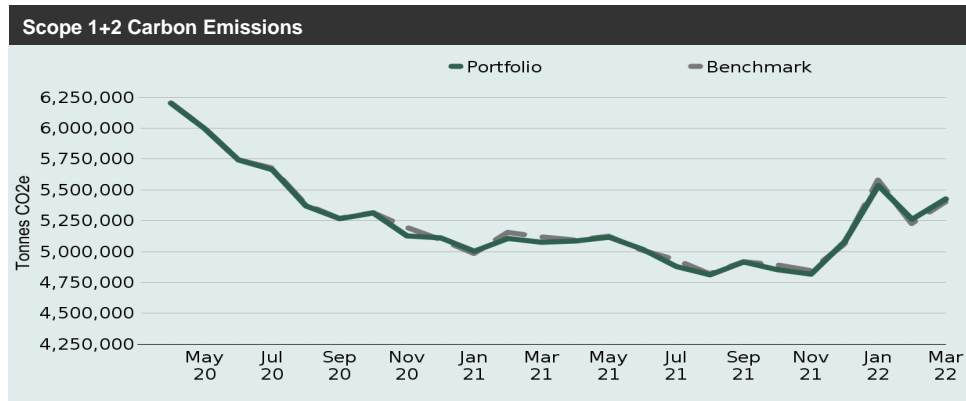
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX



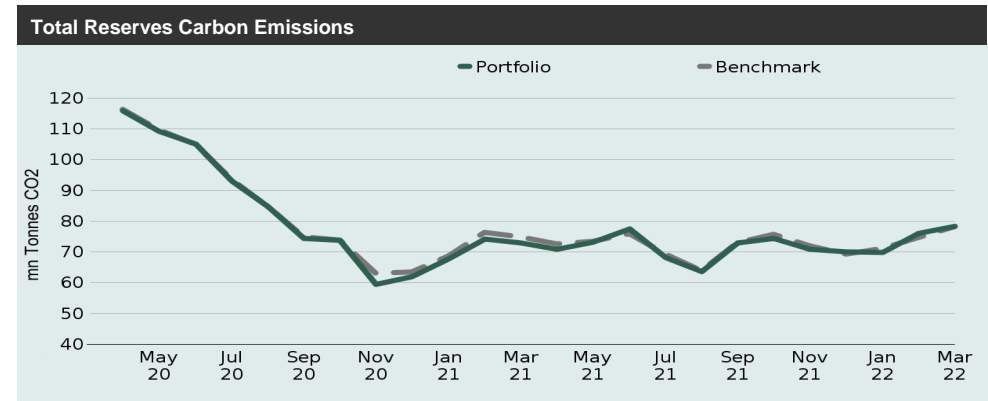
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Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

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## Quarterly Investment Report - 80237

As of 31 Mar 2022

Middlesbrough Borough Council

# Stewardship Profile

As of 31 Mar 2022

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2021
Number of Meetings Voted	639
Number of Countries	7
Management Proposals	423
Votes for	89.13%
Votes Against	10.87%
Shareholder Proposals	31
With Management	61.29%
Against Management	38.71%

Source: SSGA as of 31 Dec 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	4
1	22
2	117
3	235
4	168
5	72
6	28
7	6
8	3
9	0
10	0
10+	0
Not Available	3
<b>Total</b>	<b>658</b>

Source: Factset/SSGA. Holdings as of 31 Mar 2022, Factset data as of 28 Feb 2022.

# R-Factor™ Summary

As of 31 Mar 2022

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.63	63.58	0.05
ESG	61.87	61.82	0.05
Corporate Governance	67.62	67.62	0.00

Source: SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## What is R-Factor?

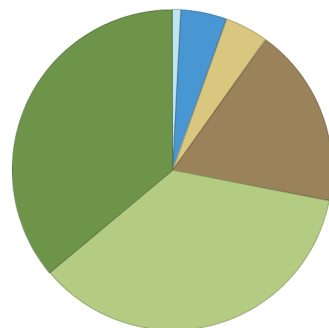
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	484	95.84%	99.16%
Total Number of Securities in Portfolio	505		

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Fund R-Factor Profile

Not Available	0.84%
Laggard	4.82%
Underperformer	4.54%
Average Performer	18.61%
Outperformer	36.74%
Leader	37.04%



Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

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.	5.45%	5.45%	0.00%	74.86
Sony Group Corporation	3.18%	3.18%	0.00%	84.18
Keyence Corporation	2.08%	2.08%	0.00%	52.59
Tokyo Electron Ltd.	1.88%	1.88%	0.00%	75.02
Mitsubishi UFJ Financial Gr...	1.87%	1.88%	-0.01%	65.81
Recruit Holdings Co. Ltd.	1.57%	1.56%	0.01%	66.20
Shin-Etsu Chemical Co Ltd	1.50%	1.50%	-0.01%	63.78
SoftBank Group Corp.	1.47%	1.48%	-0.01%	56.31
KDDI Corporation	1.33%	1.34%	-0.01%	64.97
Nintendo Co. Ltd.	1.32%	1.31%	0.01%	65.92

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Top 5 R-Factor Ratings

Sony Group Corporation	3.18%	3.18%	0.00%	84.18
Kao Corp.	0.46%	0.47%	-0.01%	84.00
Bridgestone Corporation	0.55%	0.55%	0.00%	83.71
NEC Corp.	0.28%	0.27%	0.00%	81.18
Nomura Research InstituteL...	0.22%	0.22%	0.00%	80.96

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Bottom 5 R-Factor Ratings

Relo Group Inc.	0.04%	0.04%	0.00%	8.21
SMS Co. Ltd.	0.03%	0.03%	0.00%	12.64
Sankyo Co. Ltd.	0.04%	0.03%	0.01%	13.05
Kotobuki Spirits Co. Ltd.	0.02%	0.02%	0.00%	15.04
TSURUHA Holdings Inc.	0.05%	0.06%	0.00%	16.24

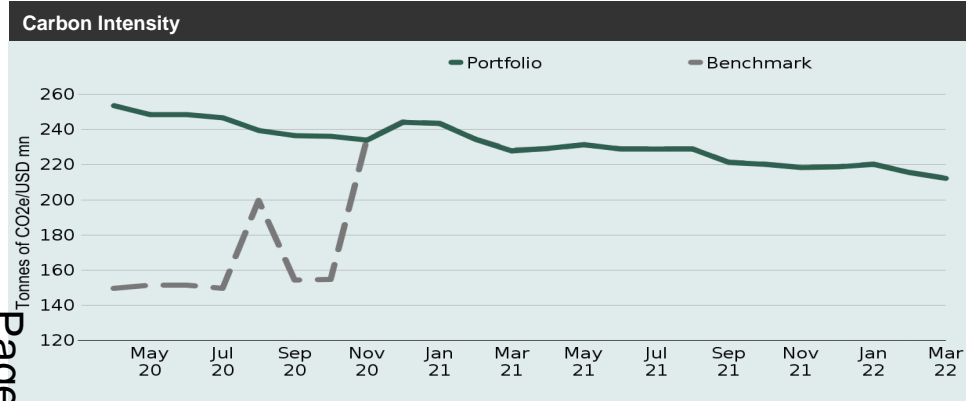
Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

# Climate Profile

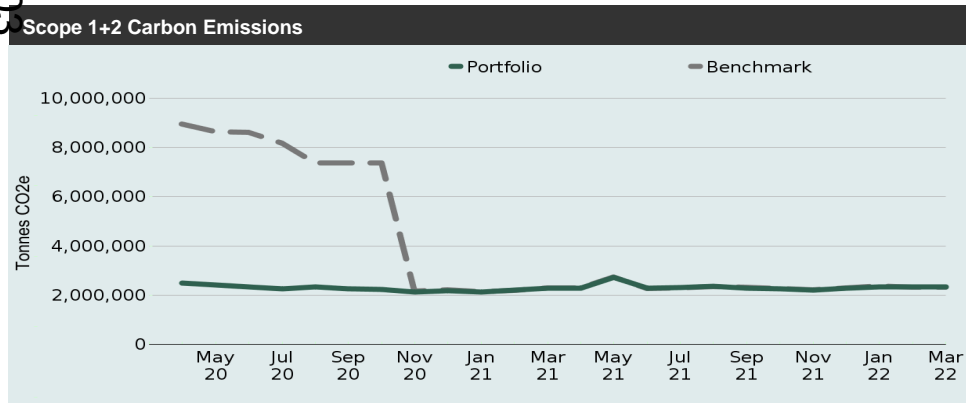
As of 31 Mar 2022

Japan ESG Screened Index Equity Sub-Fund

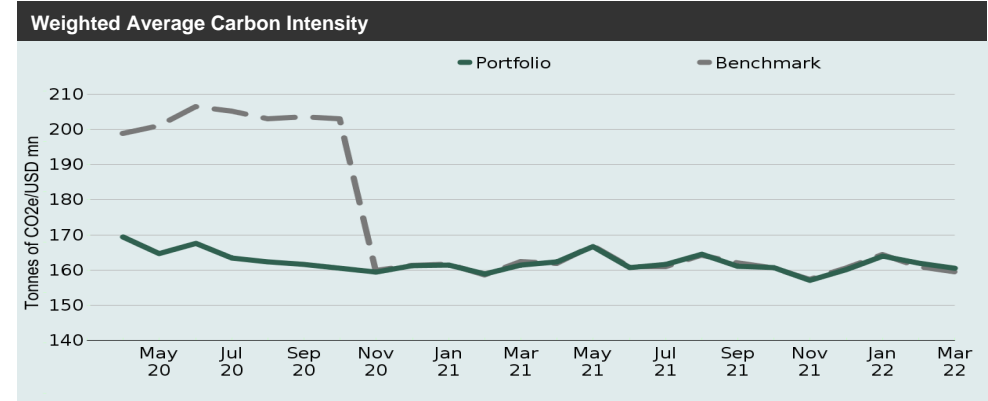
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX



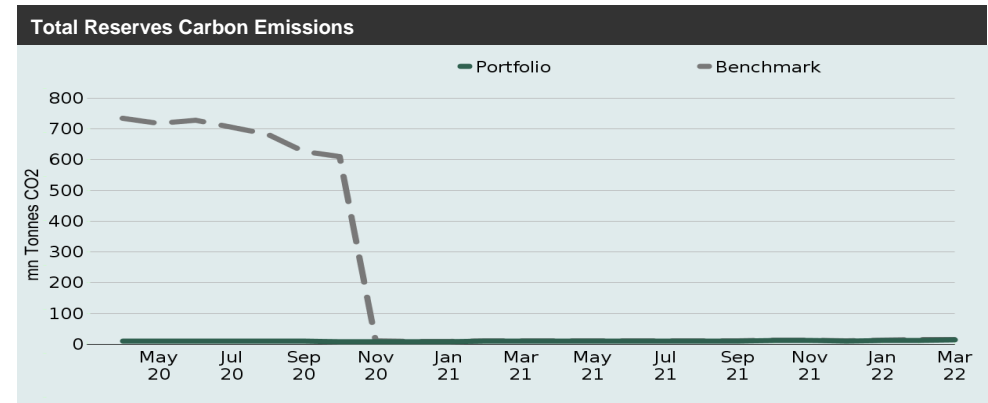
Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

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As of 31 Mar 2022

Middlesbrough Borough Council

# Stewardship Profile

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2021
Number of Meetings Voted	531
Number of Countries	1
Management Proposals	191
Votes for	92.15%
Votes Against	7.85%
Shareholder Proposals	0
With Management	0%
Against Management	0%

Source: SSGA as of 31 Dec 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.

As of 31 Mar 2022

Gender Diversity	
Women on Board	Number of Securities
0	157
1	217
2	103
3	23
4	5
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
<b>Total</b>	<b>505</b>

Source: Factset/SSGA. Holdings as of 31 Mar 2022, Factset data as of 28 Feb 2022.



# R-Factor™ Summary

As of 31 Mar 2022

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	64.94	64.95	-0.01
ESG	64.88	64.89	-0.01
Corporate Governance	52.20	52.21	-0.01

Source: SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## What is R-Factor?

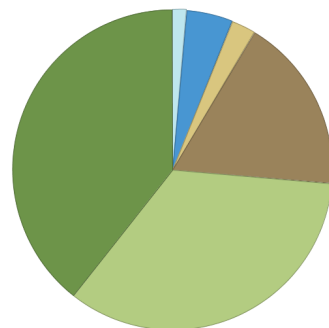
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	393	96.09%	98.56%
Total Number of Securities in Portfolio	409		

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Fund R-Factor Profile

Not Available	1.44%
Laggard	4.82%
Underperformer	2.53%
Average Performer	18.05%
Outperformer	34.92%
Leader	40.15%



Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

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...	8.94%	8.95%	0.00%	79.61
Commonwealth Bank of Aus...	4.48%	4.48%	0.00%	75.68
AIA Group Limited	4.21%	4.20%	0.00%	76.86
CSL Limited	3.17%	3.17%	0.00%	67.55
National Australia Bank Limi...	2.60%	2.60%	0.00%	78.45
Westpac Banking Corporati...	2.11%	2.10%	0.00%	71.81
Hong Kong Exchanges & Cl...	1.98%	1.98%	0.00%	67.16
Australia and New Zealand...	1.93%	1.93%	0.00%	83.54
Macquarie Group Limited	1.75%	1.75%	0.00%	64.63
SK hynix Inc.	1.66%	1.66%	0.00%	70.05

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Top 5 R-Factor Ratings

GPT Group	0.25%	0.25%	0.00%	88.17
Dexus	0.30%	0.29%	0.00%	87.69
Australia and New Zealand...	1.93%	1.93%	0.00%	83.54
City Developments Limited	0.09%	0.09%	0.00%	83.01
LG Electronics Inc.	0.35%	0.35%	0.00%	81.07

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

## Bottom 5 R-Factor Ratings

JS Global Lifestyle Compan...	0.02%	0.02%	0.00%	3.37
SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	5.13
Hanssem Co. Ltd	0.02%	0.02%	0.00%	6.01
Medy-Tox Inc.	0.02%	0.02%	0.00%	8.92
Paradise Co. Ltd	0.02%	0.02%	0.00%	9.91

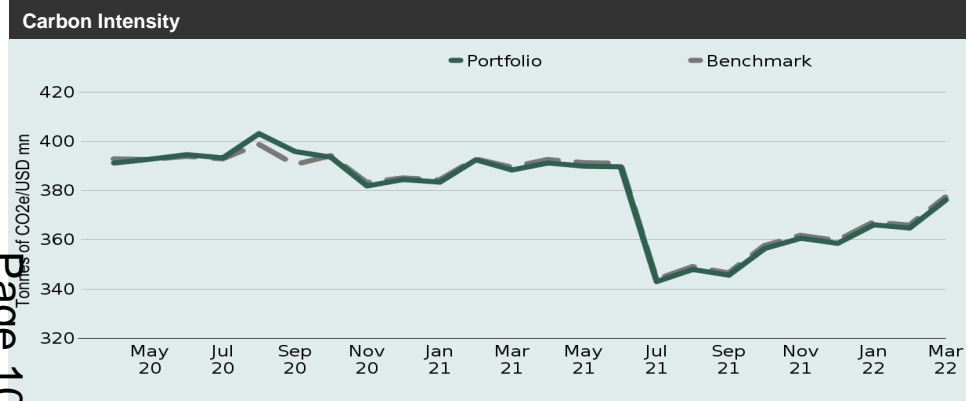
Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

# Climate Profile

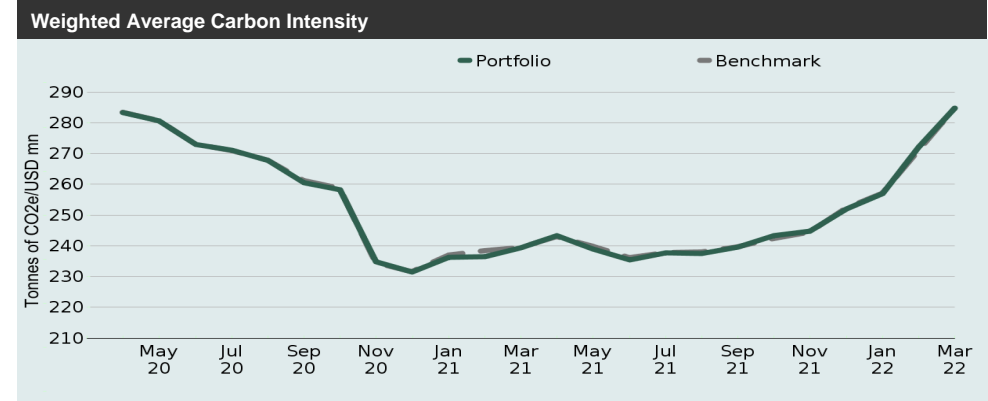
As of 31 Mar 2022

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

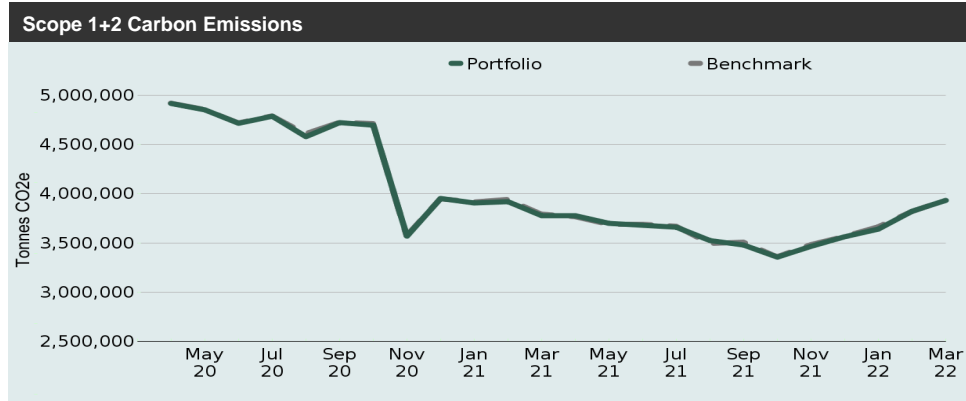
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX



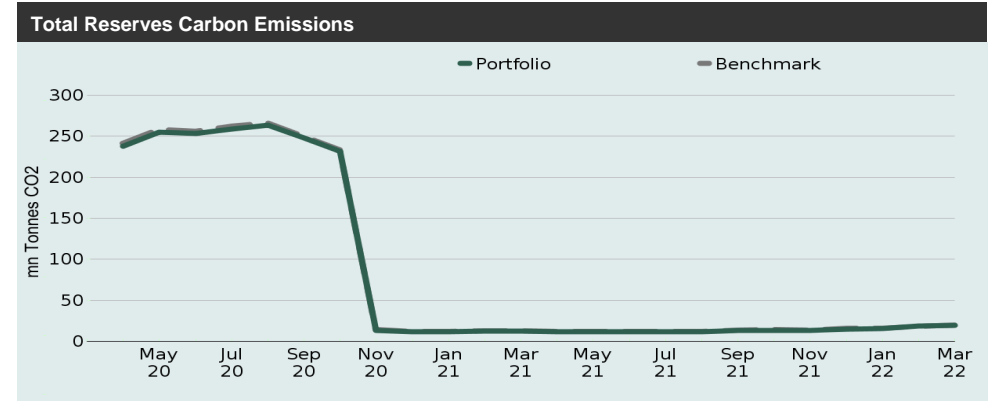
Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

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As of 31 Mar 2022

Middlesbrough Borough Council

# Stewardship Profile

As of 31 Mar 2022

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

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

Stewardship Profile	Q4 2021
Number of Meetings Voted	430
Number of Countries	7
Management Proposals	656
Votes for	82.93%
Votes Against	17.07%
Shareholder Proposals	24
With Management	100%
Against Management	0%

Source: SSGA as of 31 Dec 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	127
1	76
2	85
3	75
4	33
5	10
6	0
7	0
8	1
9	0
10	0
10+	0
Not Available	2
<b>Total</b>	<b>409</b>

Source: Factset/SSGA. Holdings as of 31 Mar 2022, Factset data as of 28 Feb 2022.

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As of 31 Mar 2022

Middlesbrough Borough Council

**Relationship Management Team**



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Sr Relationship Mgr II

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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 CO<sub>2</sub>e. 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 CO<sub>2</sub> Emissions - Measured in Metric tons of CO<sub>2</sub>. 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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Middlesbrough Borough Council

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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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State Street Global Advisors Limited believe that the information is correct when this report was produced, no warranty or representation is given to this effect and no responsibility can be accepted by State Street Global Advisors Limited to any intermediaries or end users for any action taken on the basis of the information.

- 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.
- If your account holds Russian securities and instruments, then as of the date of this publication, they have been fair valued. Such fair value may be zero. If your portfolio holds such Russian securities and instruments, then the portfolio may not be able to dispose of such securities and instruments depending on the relevant market, applicable sanctions requirements, and/or Russian capital controls or other counter measures. In such circumstances, the portfolio would continue to own and have exposure to Russian-related issuers and markets. Please refer to your portfolio holdings report.

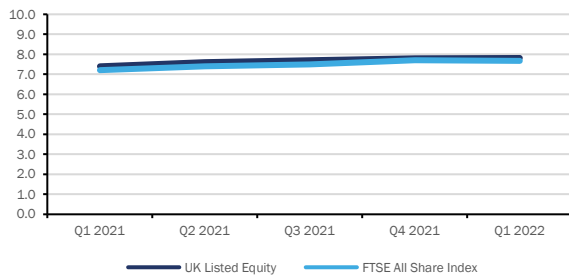
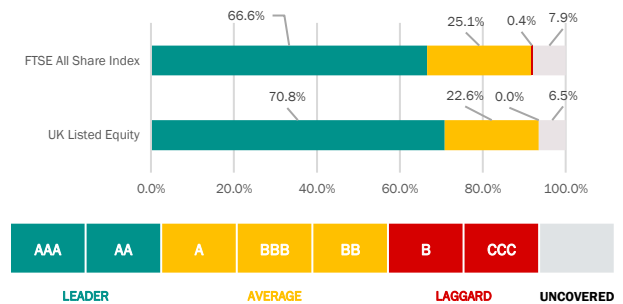


**BORDER TO COAST  
UK LISTED EQUITY FUND**

ESG &amp; CARBON REPORT

**Q1  
2022**
**MSCI ESG  
RATING  
AAA**


	Q1 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>UK Listed Equity</b>	AAA <sup>1</sup>	7.8 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE All Share Index</b>	AAA <sup>1</sup>	7.7 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**

**MSCI ESG Weightings Distribution<sup>1</sup>**


Highest ESG Rated Issuers <sup>1</sup>			Lowest ESG Rated Issuers <sup>1</sup>		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Diageo	4.1%	AAA <sup>1</sup>	TP ICAP Group	0.3%	BB <sup>1</sup>
RELX	2.3%	AAA <sup>1</sup>	British American Tobacco	2.8%	BBB <sup>1</sup>
National Grid	2.2%	AAA <sup>1</sup>	Glencore	2.0%	BBB <sup>1</sup>
CRH	1.2%	AAA <sup>1</sup>	Smith & Nephew	0.7%	BBB <sup>1</sup>
Legal & General Group	1.0%	AAA <sup>1</sup>	M&G	0.6%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The ESG Weighted score was stable both on an absolute basis and relative to the benchmark over the period.
- 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: Glencore**

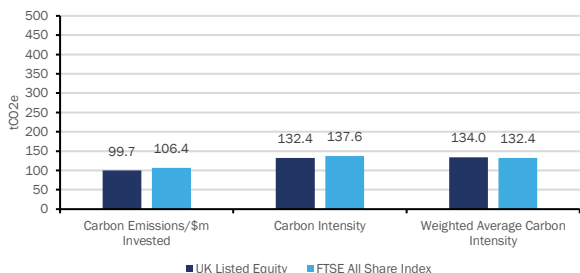
Glencore is an international mining and commodity marketing company headquartered in Switzerland. Commodities mined include Copper, Zinc, Coal, Cobalt and Nickel, which in total account for 67% of EBITDA. The balance is accounted for by the marketing division. The underlying metals exposure for Glencore is reasonably attractive with copper exposure a positive and a strong global position in Cobalt. On an operating basis the group is well positioned on the cost curve for its underlying metals exposures. The company is well positioned in metals that are suited to the energy transition and the underlying metals should perform well into the medium-term.

Glencore has seen a high number of executives and board members replaced resulting in a significant positive cultural shift within the company. The new management team is addressing historic governance concerns and the company is becoming much more transparent on ESG issues. Going forwards the company has a portfolio of underlying commodity exposures that facilitate the energy transition such as production of cobalt and copper required for increased electrification from renewables. The change is still in its infancy, but the cultural shift is becoming more established and engrained in the way the company operates that continues to support the increasing level of investment within the portfolio.

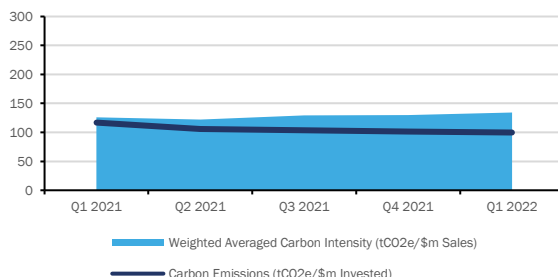
Glencore is rated BBB by MSCI, above the average for the global industry. It is also rated as Level 4 by the Transition Pathway Initiative (TPI) meaning that it is making a "Strategic Assessment of the management of its greenhouse gas emissions and of risks and opportunities related to the low-carbon transition". The company continues to engage with shareholders on their Climate Transition Plan; including how to cap coal output in line with its net-zero ambitions.



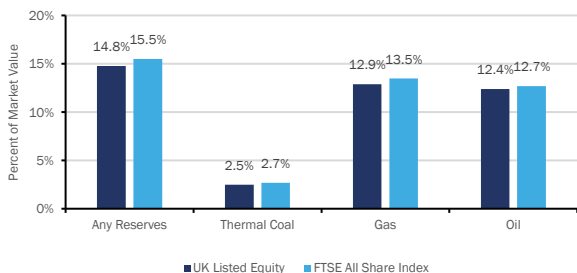
**Carbon Emissions and Intensity<sup>1</sup>**



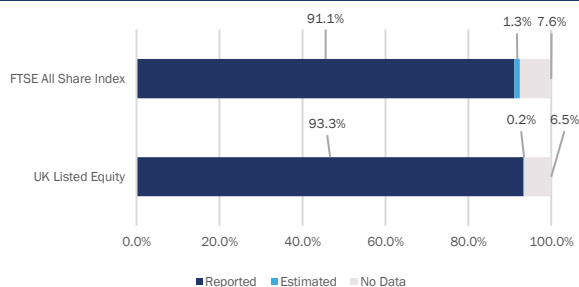
**Weighted Average Carbon Intensity Trend<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>**

Company	Contribution	CA100+	TPI Level
Shell	23.0% <sup>1</sup>	Yes	4
CRH	12.2% <sup>1</sup>	Yes	4
Rio Tinto	9.8% <sup>1</sup>	Yes	4
Anglo American	7.3% <sup>1</sup>	Yes	4*
National Grid	6.0% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The Fund is currently below the benchmark for carbon emissions and carbon intensity.
- Weighted average carbon intensity (WACI) increased slightly over the period and is marginally above the benchmark. This absolute, and relative, increase was largely driven by the strong performance of Shell in the reporting period, which increased the weight of the company in the portfolio. There were also some anomalies from COVID-19 such as the sales figures for Intercontinental Hotels Group being reduced; this resulted in a greatly artificially inflated carbon intensity and WACI.

**Feature Stock: Anglo American**

Anglo American has the most diversified exposure to commodities of the large UK listed mining companies offering investors protection through a cycle. The ramp up of production from new mines, post a period of ongoing investment, should see the company offering investors the most significant growth in cashflow amongst peers into the medium term.

According to MSCI, Anglo American has a carbon intensity ~50% below the industry average. This has been achieved through both organic operational improvements, the disposal of its stake in the Cerrejon coal mine in Columbia and the spin-off of the Thungela Resources operation in South Africa.

The company has a net zero by 2040 ambition and its intermediate targets covering scope 1&2 emissions are aligned with 1.5°C scenario. This is confirmed by the TPI carbon performance assessment of "1.5-degree alignment in 2025". Anglo is also rated as 4\* by TPI scoring positively on all 19 metrics in the Management Quality Assessment. On-site energy requirements are the largest source of Anglo's operational emissions; it has secured 100% renewable electricity supply for all South American sites and is working with EDF Renewables for South African operations to be 100% renewable by 2030. Anglo have ambitions to reduce scope 3 emissions by 50% by 2040. Border to Coast is scheduled to engage with the company on these targets in the near future. Anglo American is rated A by MSCI, above the average for the global industry.

<sup>1</sup>Source: MSCI ESG Research 06/04/2022

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	0.1%	0.1%
Investment Trust/ Funds	6.5%	6.5%

<sup>1</sup>Source: MSCI ESG Research 06/01/2022

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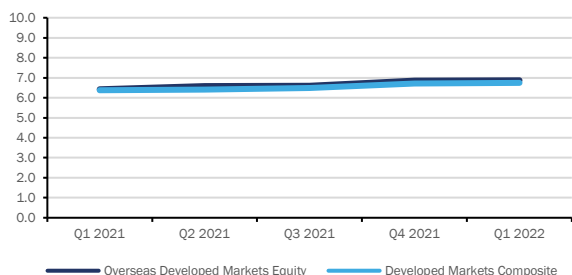
# BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

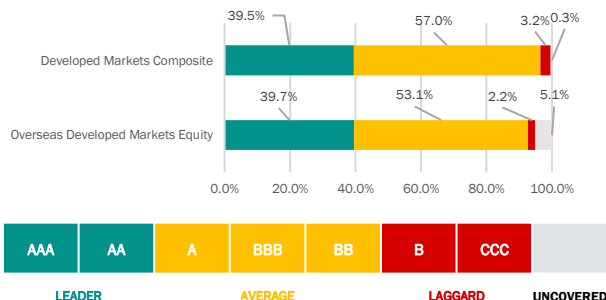


	Q1 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Overseas Developed Markets Equity</b>	AA <sup>1</sup>	6.9 <sup>1</sup>	[Green]	Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>Developed Markets Composite</b>	AA <sup>1</sup>	6.7 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
			[Red]	Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

## MSCI Weighted Score Trend<sup>1</sup>



## MSCI ESG Weightings Distribution<sup>1</sup>



Highest ESG Rated Issuers <sup>1</sup>			Lowest ESG Rated Issuers <sup>1</sup>		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Microsoft Corporation	2.9%	AAA <sup>1</sup>	Jardine Matheson	0.1%	CCC <sup>1</sup>
ASML Holding	1.4%	AA <sup>1</sup>	Hyundai Mobis	0.1%	CCC <sup>1</sup>
Nvidia Corporation	1.2%	AA <sup>1</sup>	META Platforms	0.5%	B <sup>1</sup>
Novo Nordisk	1.2%	AA <sup>1</sup>	Pfizer	0.5%	B <sup>1</sup>
Schneider Electric	0.7%	AA <sup>1</sup>	Hyundai Motor	0.3%	B <sup>1</sup>

## Quarterly ESG Commentary

- The ESG Weighted score remained consistent in the quarter, in line with the benchmark.
- Hyundai Mobis was downgraded to 'CCC' from 'B' over the period. Reversing an upgrade in the previous quarter. The downgrade was largely due to corporate governance concerns about the cross-shareholding structure with Hyundai Motor Group. The company, via Hyundai Motors, remains under engagement with Robeco under the "Corporate Governance in Emerging Markets" theme. This singular downgrade was offset by several upgrades across all the sleeves in the Fund.

### Feature Stock: Pfizer

Pfizer is a leading global research-based biopharmaceutical company with a broad portfolio of approved and pipeline medicines and vaccines. A modest valuation relative to peers reflects a likely steep sales decline from the Pfizer/BioNTech Covid vaccine and Paxlovid Covid antiviral treatment, and a low growth rate for the core product portfolio. That outlook could be eclipsed should a recent reorganisation of the company's R&D effort improve outcomes for Pfizer's stable of potential blockbuster pipeline prospects. In addition, the cash windfall resulting from the Covid franchise provides Pfizer with significant M&A flexibility.

Pfizer is rated by MSCI below the sector average relative to pharmaceutical peers for ESG. The company is currently the subject (with 19 other companies) of a 2020 investigation looking into allegations of generic drug price fixing. However, since these allegations the division involved has been divested. Although sales from COVID-19 vaccines are expected to slow (approximately 25% of the company's USD 14.6 billion earnings in Q1 2021 were from COVID-19 vaccine sales) all the vaccine manufacturers are facing growing criticism on their equitable vaccine distribution programs. At the 2022 AGM there were several shareholder resolutions focusing on 'Intellectual Property' and 'Anticompetitive Practices' that Border to Coast are supporting calling for improved reporting on responsible drug pricing and distribution. We believe both resolutions are beneficial to shareholders while allowing Pfizer to maintain their market lead in mRNA technologies.

# BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

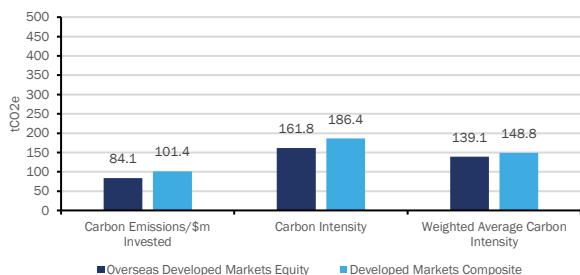
ESG & CARBON REPORT

Q1  
2022

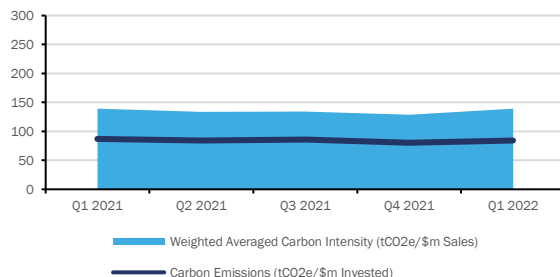
MSCI ESG  
RATING  
**AA**



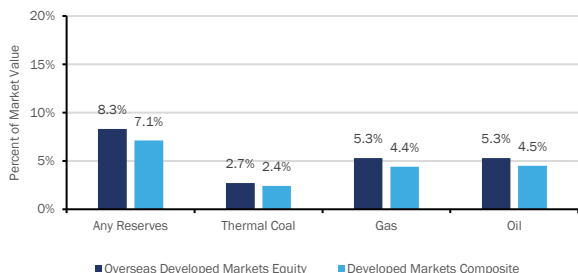
## Carbon Emissions and Intensity<sup>1</sup>



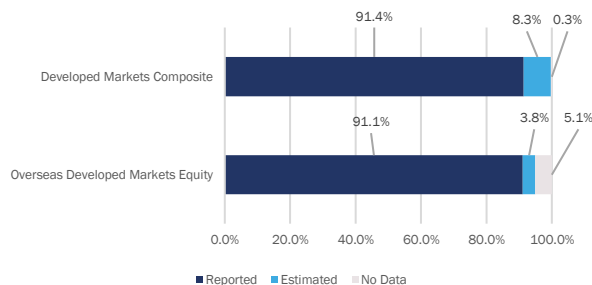
## Weighted Average Carbon Intensity Trend<sup>1</sup>



## Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>



## Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>



## Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>

Company	Contribution	CA100+	TPI Level
RWE	10.9% <sup>1</sup>	Yes	3
NextEra Energy	7.7% <sup>1</sup>	Yes	2
Holcim	7.2% <sup>1</sup>	Yes	4
Linde	5.0% <sup>1</sup>	No	4
L'Air Liquide	4.9% <sup>1</sup>	Yes	4

## Quarterly Carbon Commentary

- All reported carbon metrics increased in the quarter. However, the Fund is below the benchmark index for all carbon metrics, primarily driven by a sectoral underweight to utilities. The relatively minor quarterly increase was a result of a combination of factors including; an increased position in RWE, an increased weight in BHP (following the sole listing in Australia) and increased weight in Energy companies such as Chevron and Conoco Phillips following a strong quarterly performance.
- The majority of the top 5 contributors to WACI are rated highly by the Transition Pathway Initiative and/or are under engagement by Climate Action 100+.

## Feature Stock: L'Air Liquide

French gas supplier, L'Air Liquide, announced its new strategic plan for 2025 earlier this year named ADVANCE, which sets out the carbon strategy. The 2025 target to start reducing its absolute CO2 emissions will be followed by a goal of achieving a 33% reduction in its Scope 1 and Scope 2 CO2 emissions by 2035, using 2020 as its comparative starting point. To decarbonise its assets, L'Air Liquide will leverage on capturing CO2, accelerating low-carbon hydrogen production through electrolysis or by using renewable feedstock such as biomethane. With regards to indirect emissions, L'Air Liquide will focus on increasing energy efficiency and low carbon electricity consumption. L'Air Liquide will also deploy a broad range of low-carbon solutions for its clients to help them decrease their CO2 footprint.

L'Air Liquide sees business opportunities in the emerging hydrogen sector linked to reducing carbon emissions from the industrial sector, heavy-duty trucking, and elsewhere. The company has said it will invest approximately \$9.5 billion in the hydrogen supply chain as part of its carbon-neutrality goals and aim to accelerate its hydrogen developments to "at least triple" its annual revenue from hydrogen activities to more than \$7.5 billion by 2035. L'Air Liquide will also develop complete CO2 abatement solutions, leveraging its ongoing CCS initiatives in Northern Europe and its proprietary technology Cryocap™ which is able to capture up to 95% of CO2 emissions from industrial facilities.

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	0.0%	0.0%
Investment Trust/ Funds	5.1%	5.1%

<sup>1</sup>Source: MSCI ESG Research 06/01/2022

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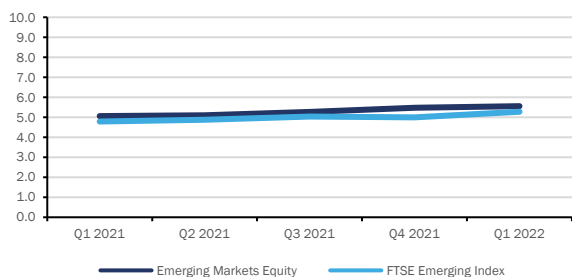
# BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

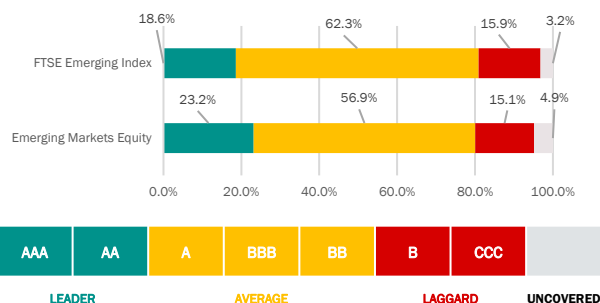


	Q1 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Emerging Markets Equity</b>	A <sup>1</sup>	5.6 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE Emerging Index</b>	BBB <sup>1</sup>	5.3 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

## MSCI Weighted Score Trend<sup>1</sup>



## MSCI ESG Weightings Distribution<sup>1</sup>



Highest ESG Rated Issuers <sup>1</sup>			Lowest ESG Rated Issuers <sup>1</sup>		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Taiwan Semiconductor	8.3%	AAA <sup>1</sup>	Kweichow Moutai	2.8%	CCC <sup>1</sup>
Meituan	1.1%	AA <sup>1</sup>	Vale	1.3%	CCC <sup>1</sup>
Banco Bradesco	1.1%	AA <sup>1</sup>	Formosa Plastics	0.5%	CCC <sup>1</sup>
Hong Kong Exchanges & Clearing	1.1%	AA <sup>1</sup>	Sun Pharmaceutical Industries	0.5%	CCC <sup>1</sup>
Fubon Financial Holding	1.0%	AA <sup>1</sup>	Will Semiconductor	0.4%	CCC <sup>1</sup>

## Quarterly ESG Commentary

- The ESG Weighted score increased slightly over the quarter, retaining its 'A' Rating and slightly above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders' and fewer 'Laggards'.
- Formosa Plastics is the Feature Stock this quarter following the downgrade to 'CCC' last quarter.

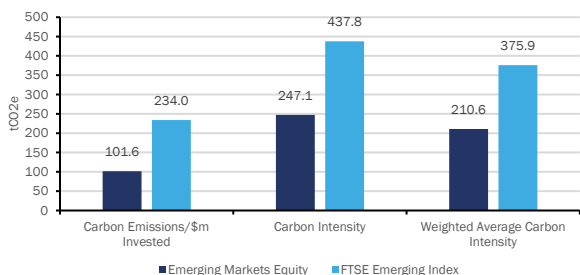
### Feature Stock: Formosa Plastics

Formosa Plastics is a Taiwanese chemical company and is the world's second largest PVC resin producer. Almost half of the world's PVC is produced in China with over 80% of Chinese production using coal as its key feedstock. Unsurprisingly, this therefore has a very substantial Carbon footprint. The majority of the production in China is based in Xianjing, Inner Mongolia and Shaanxi, all of which have tightening environmental standards, which are affecting production and increasing costs. Formosa's production facilities are based in Ningbo and use ethylene as the key feedstock for PVC production. Though not without issue, its carbon footprint and environmental standards are considerably higher than those of domestic Chinese. This has put it in an enviable position for what is a commodity currently in relatively tight supply and where environmental licensing for new capacity is lengthy and complicated.

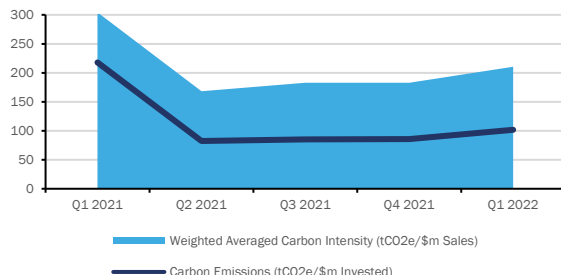
A key contributor to its 'CCC' rating by MSCI is its corporate structure, with the Woo Family maintaining control through a convoluted corporate structure. Though not ideal for minority shareholders, this structure has remained stable over history and does confer some advantages to the company. Currently, for example, their 28% stake in Formosa Petrochemical Corp provides them with a hedge against volatility in their key oil-based feedstocks which would otherwise have the potential to undermine profitability.



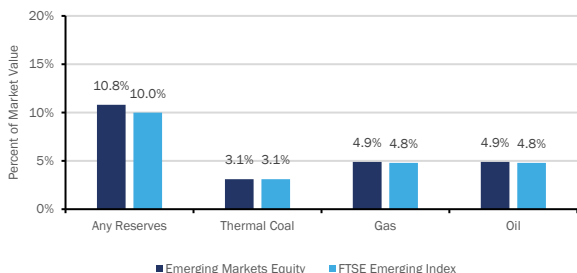
**Carbon Emissions and Intensity<sup>1</sup>**



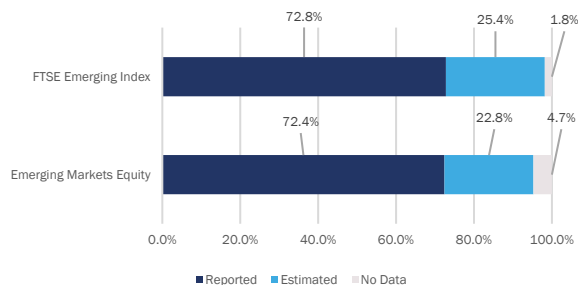
**Weighted Average Carbon Intensity Trend<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>**

Company	Contribution	CA100+	TPI Level
Taiwan Semiconductor	9.0% <sup>1</sup>	No	N/A
Petrobras	8.4% <sup>1</sup>	Yes	4
China Resources Power Holdings	8.2% <sup>1</sup>	No	2
Tenaga Nasional	7.8% <sup>1</sup>	No	1
Reliance Industries	7.2% <sup>1</sup>	Yes	1

**Quarterly Carbon Commentary**

- The Fund is currently significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- There was an increase in carbon emissions and WACI within the quarter, largely driven by the addition of China Resources Power Holdings (covered below).

**Feature Stock: China Resources Power Holdings (CR Power)**

China Resources Power Holdings (CR Power) is an integrated energy company. CR Power primarily operates through three segments: thermal power, renewable energy, and coal mining. The company runs its coal operations with a high level of efficiency, whilst also maintaining superior utilisation hours for thermal/wind projects (100-200 hours higher than the national average). A number of structural changes are expected to be supportive for the company, including (1) a potential power/coal price linkage mechanism that allows CR Power to pass-through higher coal prices to end-users; (2) the launch of the green electricity market, which leads to revenue upside for CR Power's renewable projects; (3) Tariff reform that may lead to revenue upside for CR Power's thermal plants.

CR Power has the ambition to become one of the largest renewable operators by 2025 via investment in clean energy and adding significant new capacity. The company pledges to hit a CO2 emissions peak by 2025 and has a green transition target to add 40GW of renewables which represents more than 50% of total capacity. The company is taking steps to improve emissions intensity; building carbon capture projects (it currently has two pilot schemes), co-generation (95% of thermal plants possessing heating supply) and exploring other energy transition opportunities, including energy storage, green hydrogen, and integrated energy.



**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	1.3%	1.1%
Investment Trust/ Funds	3.6%	3.6%

<sup>1</sup>Source: MSCI ESG Research 06/01/2022

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# Border to Coast Pensions Partnership Ltd

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Tesside  
Pension Fund

29<sup>th</sup> June 2022



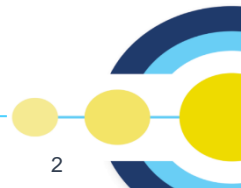
Agenda Item 7

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- Listed Equity Fund Updates
  - UK Listed Equity Fund
  - Overseas Developed Markets
  - Emerging Markets Equity
- Alternatives Update
  - Private Equity
  - Infrastructure



# Border to Coast Pensions Partnership Ltd

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**Border to Coast Update**



# Investment Strategy – Asset Capability Launch Timetable

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	Scheduled 2021	Scheduled 2022	Scheduled 2023	Scheduled 2024
Equities	Emerging Markets Hybrid	UK Alpha - review	Regional Alpha	Overseas Dev Equity Review
		Global Alpha review	Emerging Markets Alpha	ESG / Factor / Index-Tracking
		Listed Alternatives	Impact Investing	
Alternatives	Series 1C	Series 2 + Climate Opps		
		Cashflow Mgmt Asset Allocation Legacy		
Fixed Income	Multi-Asset Credit		Green bonds	
Real Estate		UK Real Estate		
		Global Real Estate		
Other	Climate Change Policy	Responsible Investment including Climate Change Strategy		
			Hedging / Income / Liquidity Management	
	Delivered Delivery within tolerance	Forecast Delivery Date	Work to do to agree with PF how to take forward	

# Border to Coast Pensions Partnership Ltd

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## Teesside Pension Fund – Investments



# Teesside – Valuation & Commitments

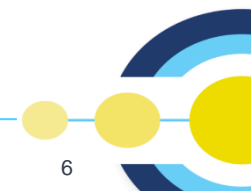
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Listed Investments	Teesside Value (as at 31/03/2022)	Total Fund Value (as at 31/03/2022)
	£	£
UK Listed Equity Fund	616m	4.2bn
Overseas Developed Markets Equity	1.61bn	5.2bn
Emerging Markets Equity	211m	1.0bn

Alternative Investments	Teesside Commitment (Series 1)	Committed by Border to Coast to Managers (*)	Total Series 1 Commitment (all Partner Funds)
	£	£ (% of commitment)	£
Infrastructure	200m	199m (99.5%)	2,455m
Private Equity	200m	198 (99%)	1,720m
Private Credit	-	-	1,501m

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

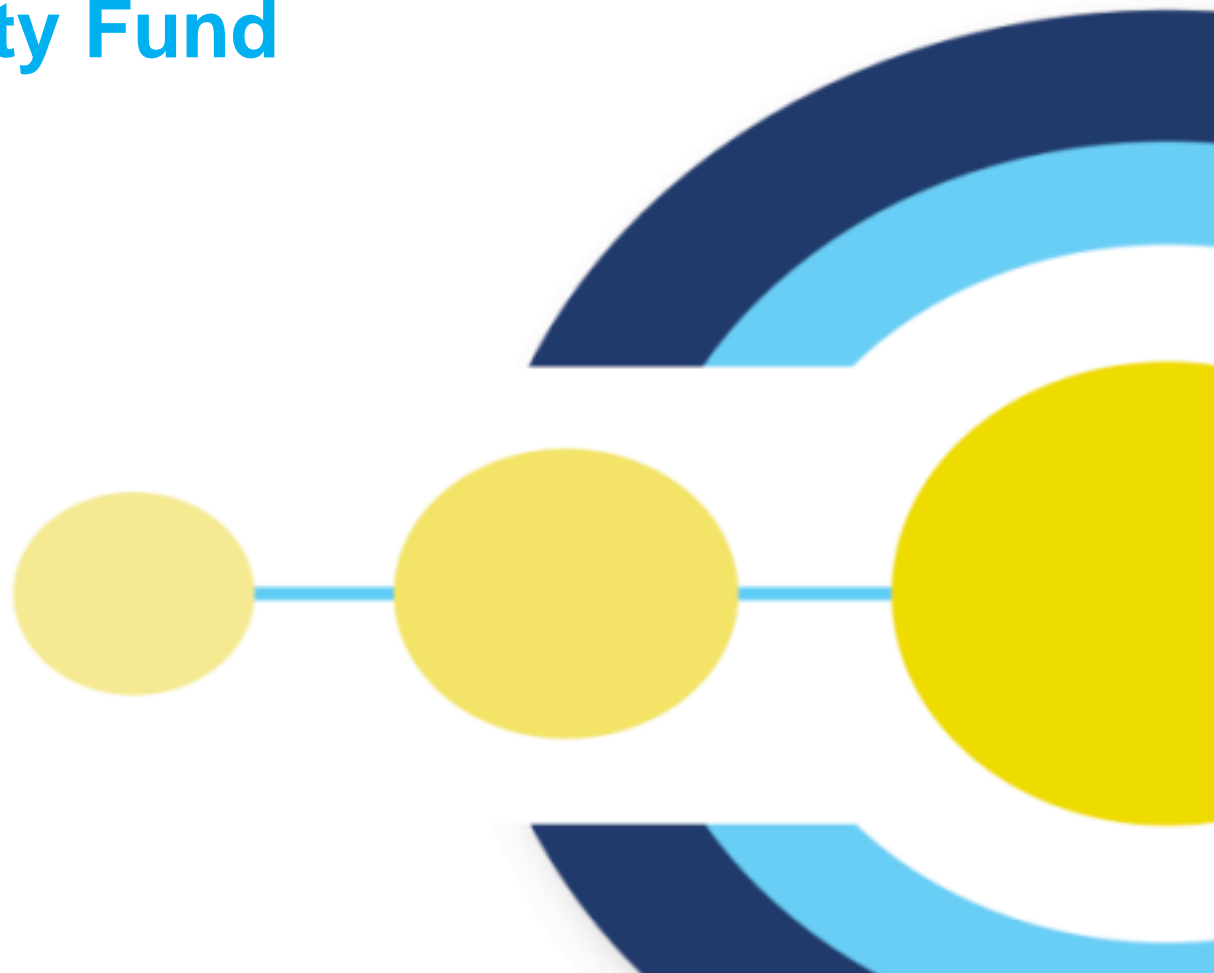
(\*) As at 31/03/2022.



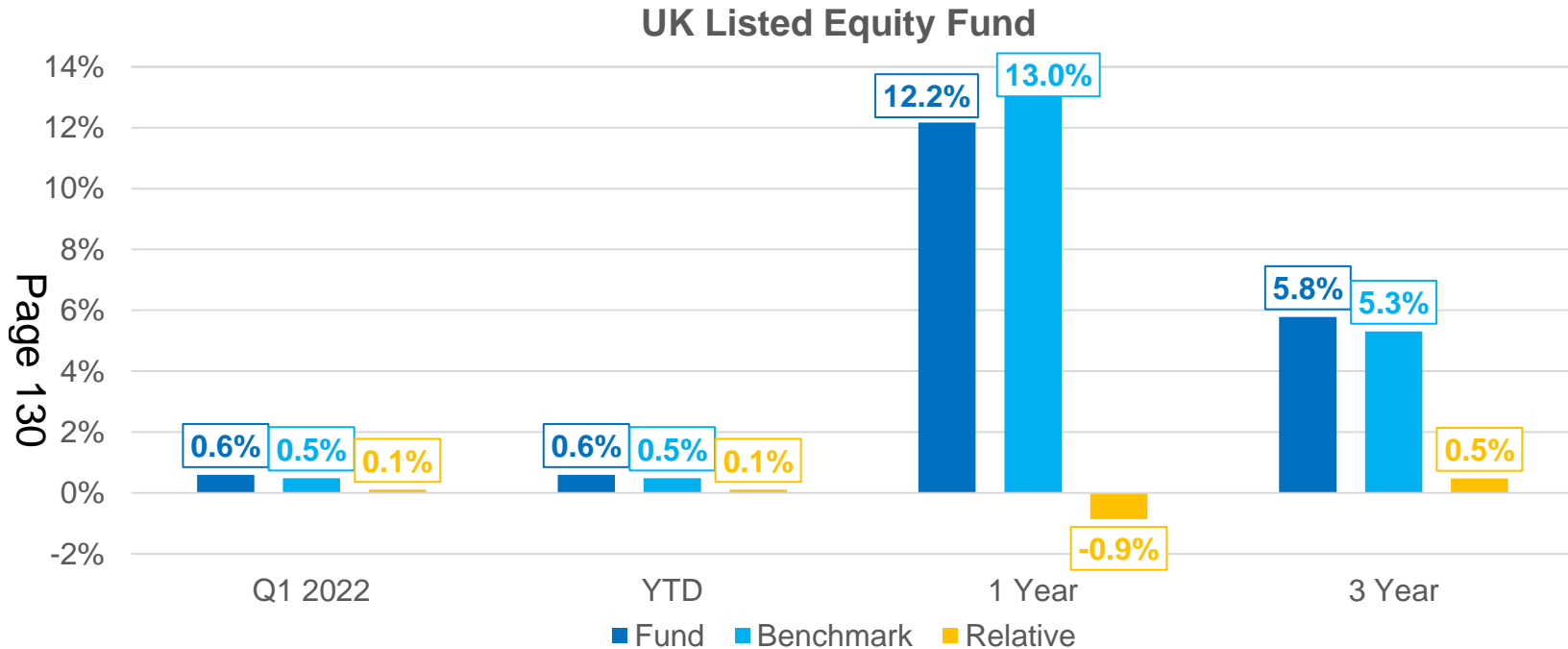


# UK Listed Equity Fund

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# UK Listed Equity Fund – Performance to 31<sup>st</sup> March 2022



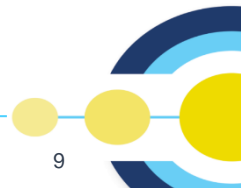
- Performance benefitted from good selection in consumer discretionary and healthcare stocks, together with relatively lower exposure to the consumer discretionary sector and higher exposure to the materials sector
- Performance showing an improving trend in recent months as portfolio changes beginning to impact

# UK Listed Equity Fund – Risk Based Performance Attribution

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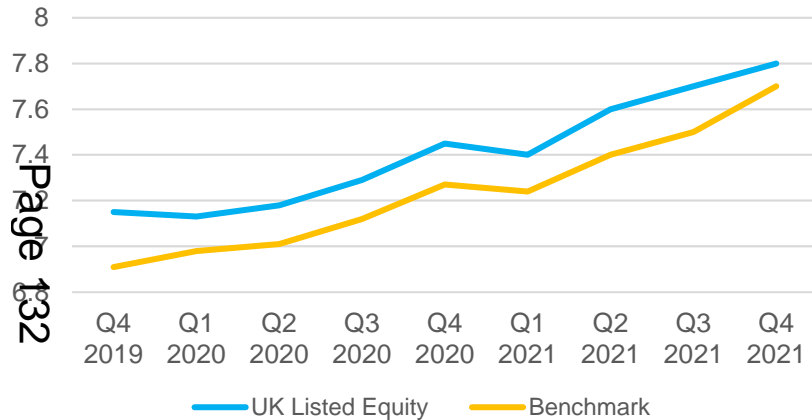
- Consistent positive impact from stock selection has inverted to persistent negative impact in recent quarters, while factor impact has swung from inconsistent to consistent positive impact over same period
- Statistical noise may exaggerate the relative impact of stock vs factor performance effects in last quarter



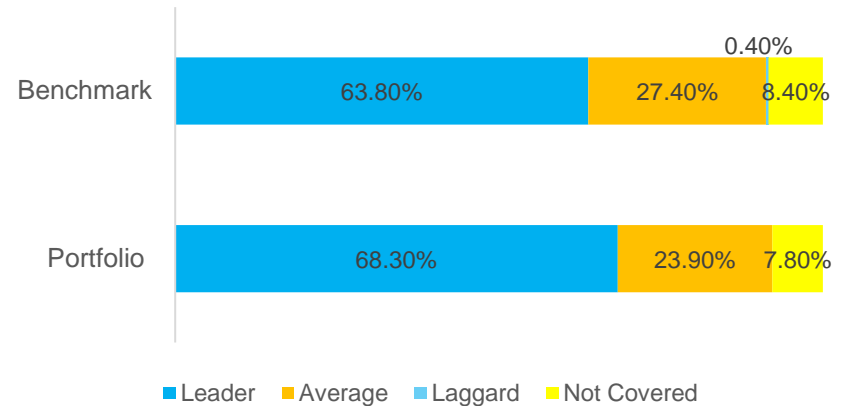
# UK Listed Equity Fund – ESG Summary

MSCI ESG Rating: **AAA**

### MSCI ESG Weighted Score



### ESG Ratings Distribution



- High quality portfolio with strong representation of ESG leaders
- Has rated consistently above benchmark
- Companies not covered more likely to be in small-cap and collectives segments

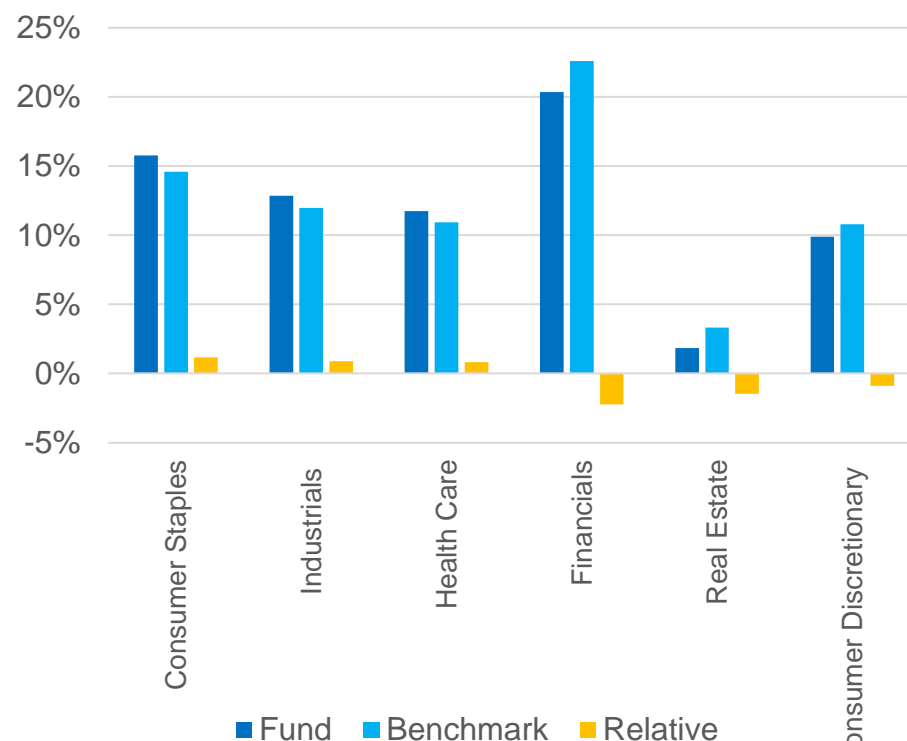
# Portfolio Positioning as at 31 March 2022

	Portfolio Weight	Index Weight	Active Weight
<b>Large Cap</b>	83.84%	81.85%	1.99%
<b>Mid Cap</b>	5.88%	6.73%	(0.85%)
<b>Small Cap</b>	3.99%	5.01%	(1.02%)
<b>Other</b>	6.28%	6.41%	(0.13%)

Top 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Schroder UK Smaller Comp	0.93%	-	+0.93%
Imperial Environmental Markets	0.93%	0.06%	+0.87%
Liontrust UK Smaller Cap	0.83%	-	+0.83%
Shell	7.16%	6.60%	+0.57%
BHP	0.54%	-	+0.54%

Bottom 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Severn	-	0.32%	(0.80%)
Smurfit Kappa	-	0.36%	(0.76%)
Informa	-	0.37%	(0.37%)
Entain	-	0.39%	(0.39%)
Bunzl	-	0.41%	(0.41%)

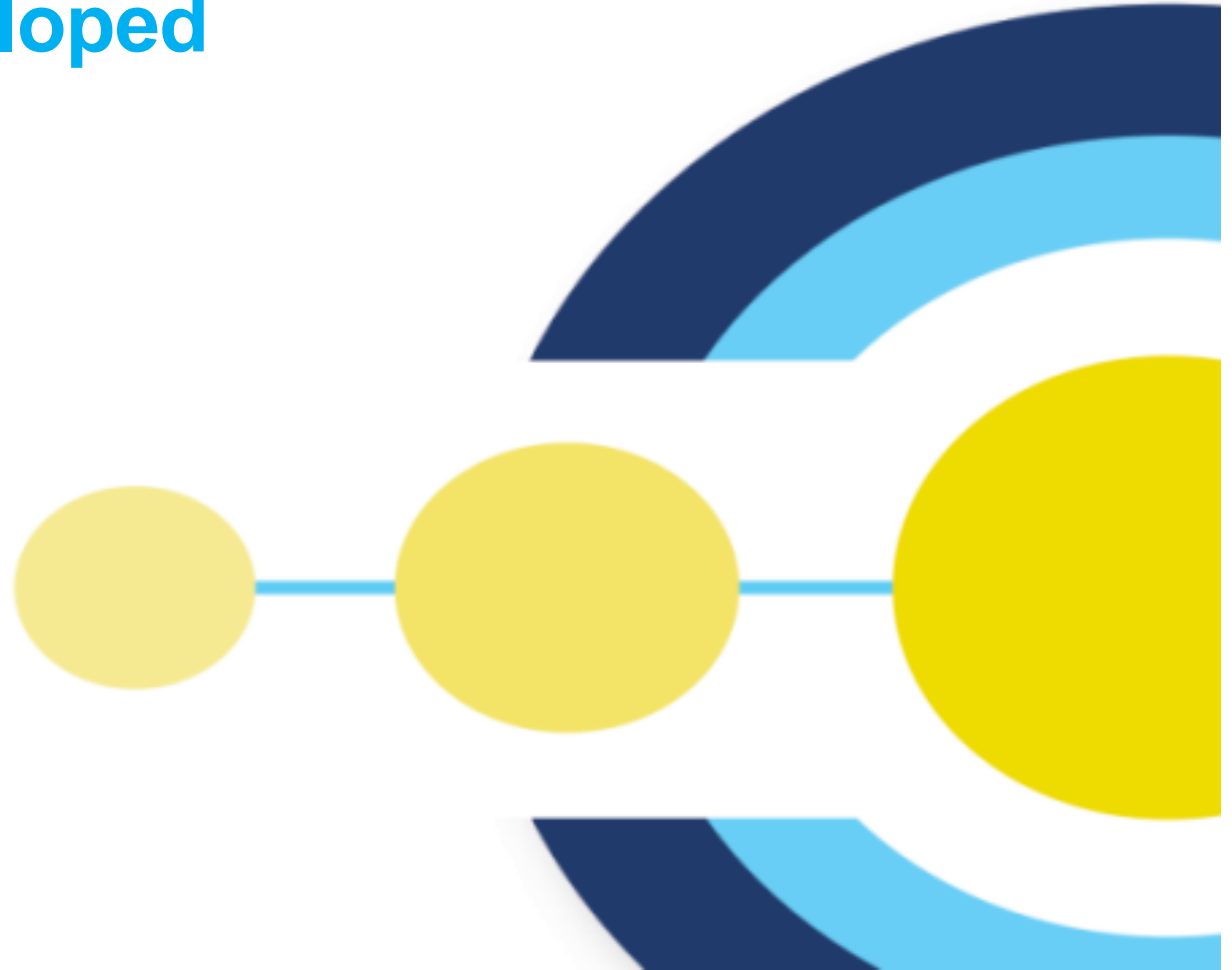
Sector Positioning – Top/Bottom Relative Weights



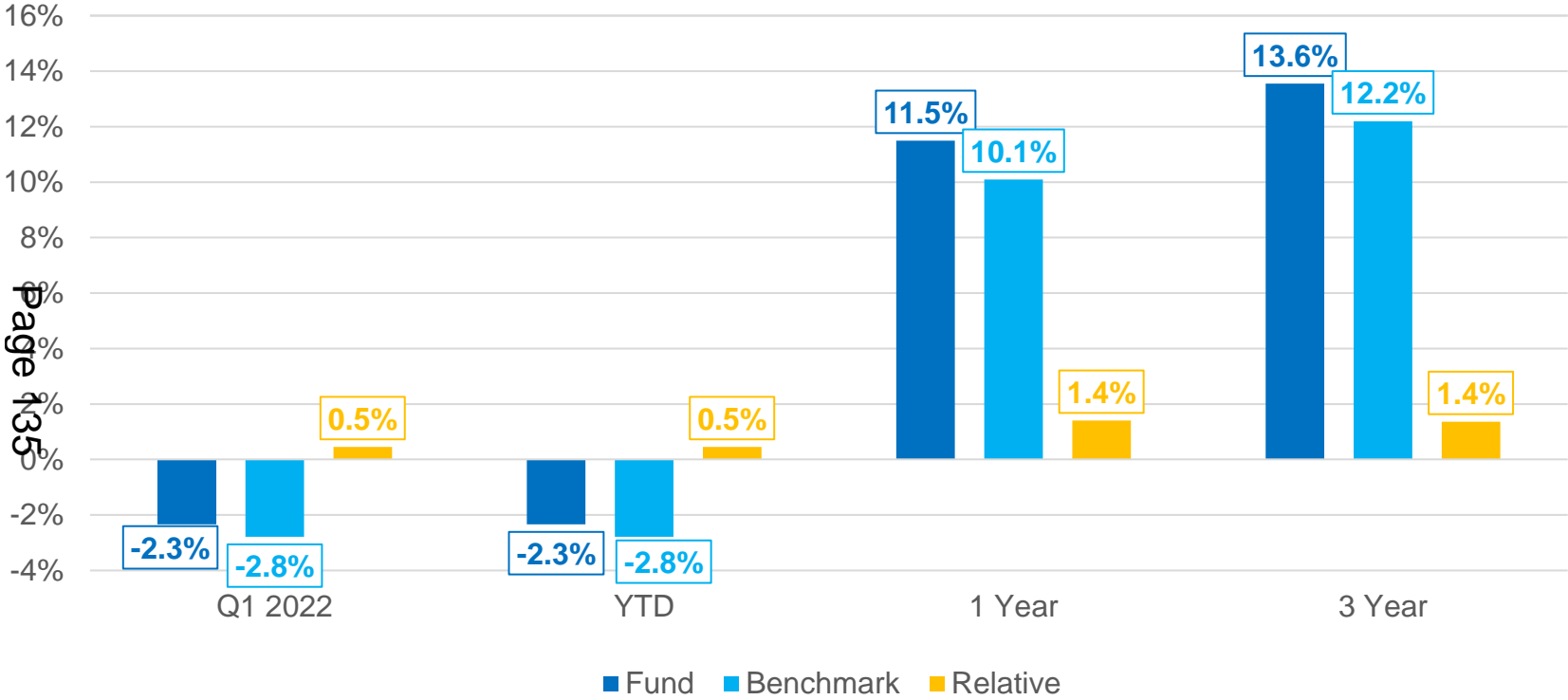
- Large underweights in Glencore and Flutter were reduced or closed in 2021, while a number of positions were initiated in mid cap stocks

# Overseas Developed

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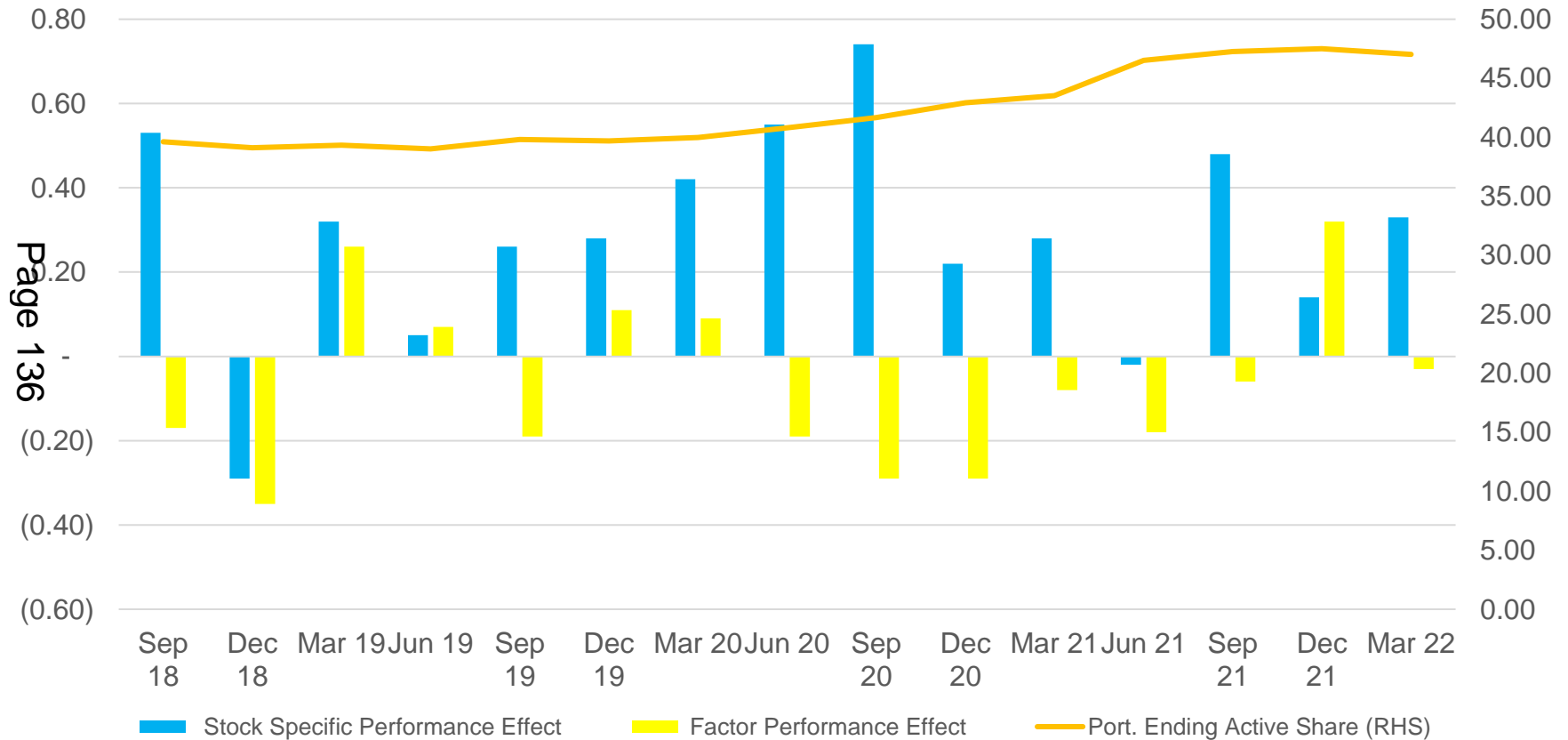
# Overseas Developed Equity Fund – Performance to 31 March 2022



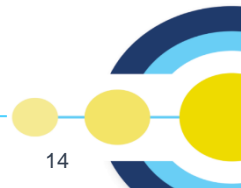
- Continued strong performance in Europe and Japan portfolios ensured a solid start to 2022

Source: Northern Trust, Border to Coast Note: Inception date 9 July 2018.

# Overseas Developed Equity Fund – Risk Based Performance Attribution



- Stock selection consistently positive, while low and fluctuating contributions from factor exposures reflect low correlation between portfolios

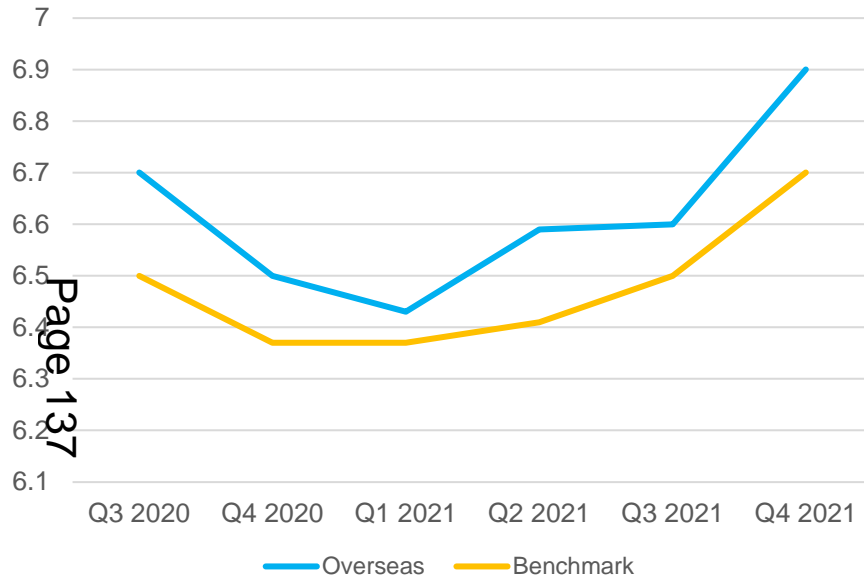




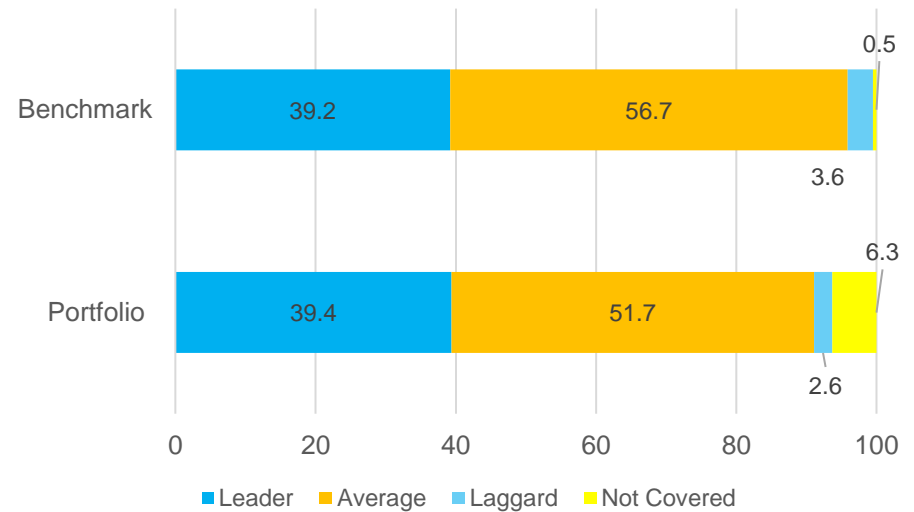
# Overseas Developed – ESG Summary

MSCI ESG Rating: AA

## MSCI ESG Weighted Score



## ESG Ratings Distribution



- High quality portfolio with strong representation of ESG leaders slightly obscured by Collectives not being covered
- Consistently above benchmark
- Rating changes have impacted both Sub-fund and benchmark over time

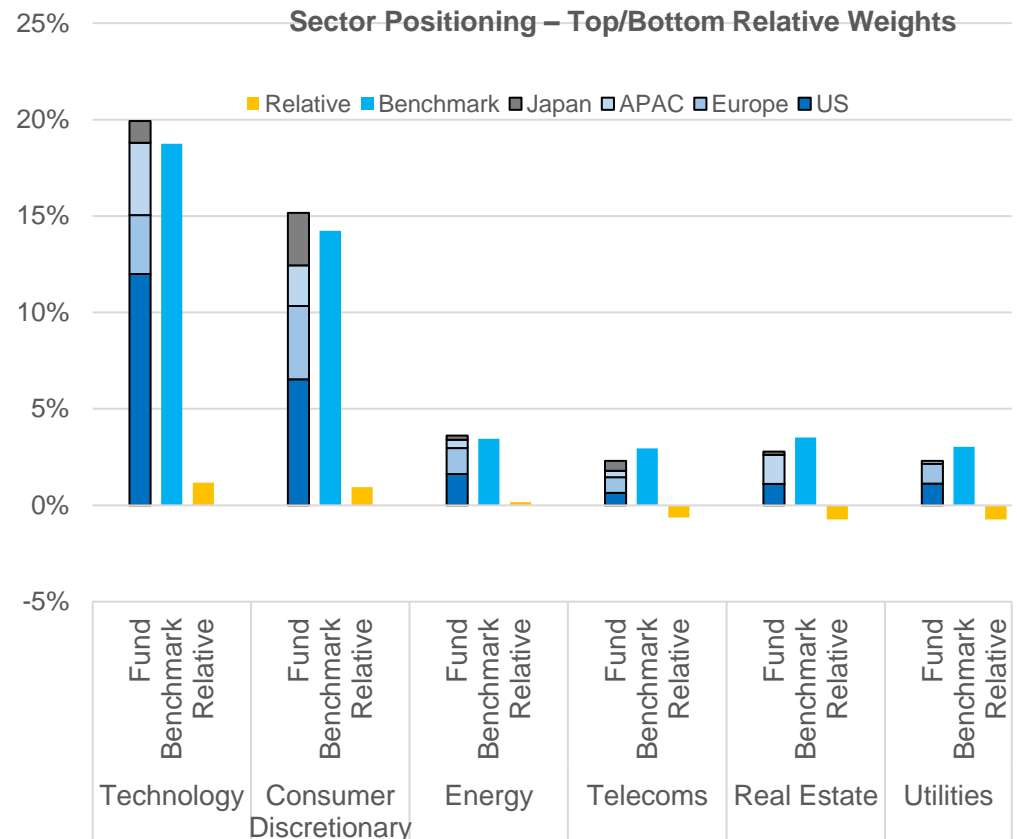
# Overseas Developed Equity Fund – Portfolio Positioning as at 31 March 2022

Top 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Vanguard US Mid-Cap	2.60%	-	+2.60%
Alphabet 'A'	1.97%	0.87%	+1.10%
Vanguard US Small-Cap Value	0.62%	-	+0.62%
Samsung Electronic	2.24%	1.66%	+0.58%
Novo Nordisk	1.15%	0.66%	+0.49%

Bottom 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Tesla	-	0.94%	(0.94%)
Alphabet 'C'	-	0.81%	(0.81%)
Exxon Mobil	-	0.37%	(0.37%)
Mastercard	-	0.32%	(0.32%)
AbbVie	-	0.30%	(0.30%)

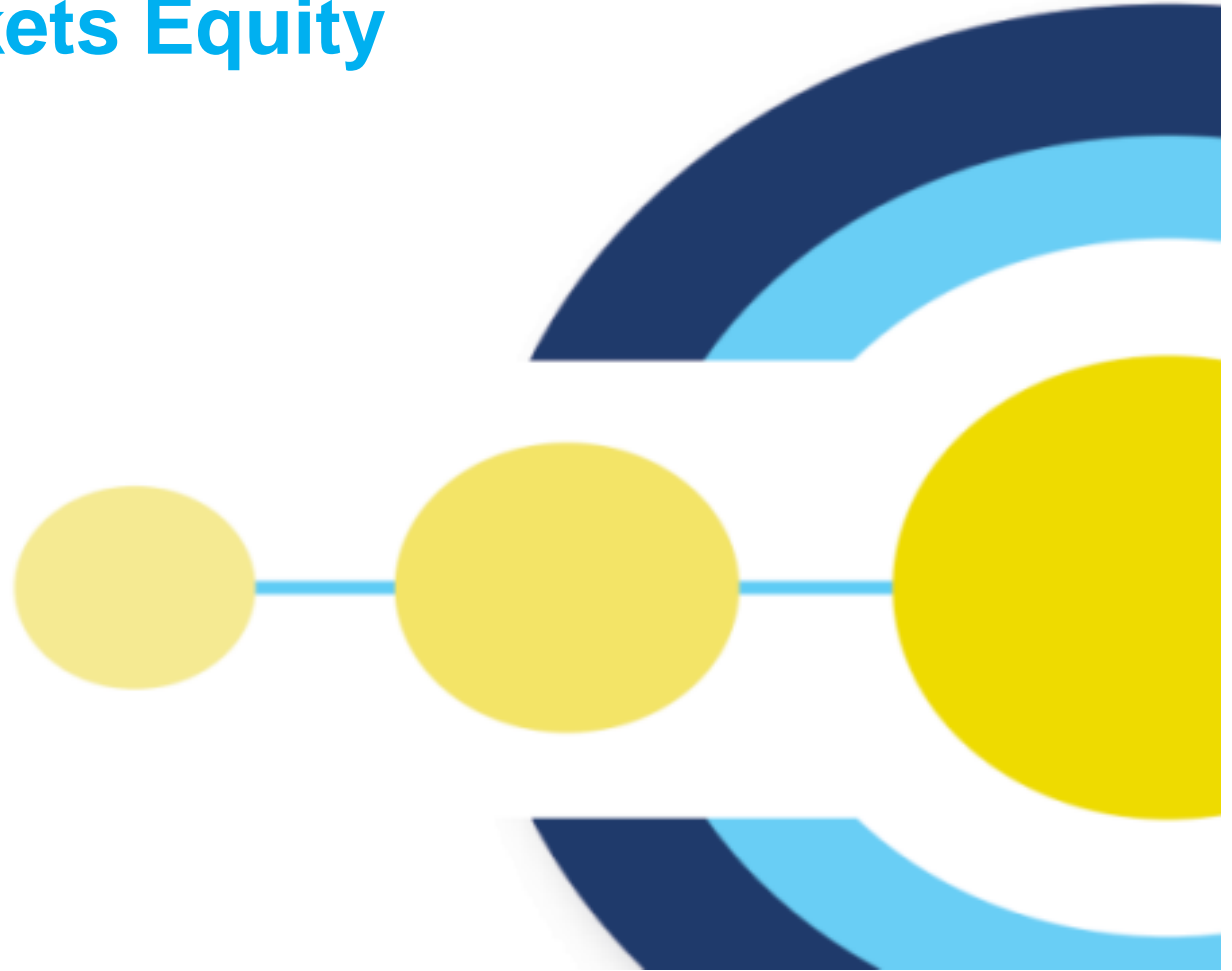
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- Highly diversified portfolio, largest active stock position < +/- 1.0%, ~270 positions
- Sector positioning shown on look-through basis, reduces underweight and increases overweight positions – most particularly for Technology (o/w) and Healthcare (u/w)



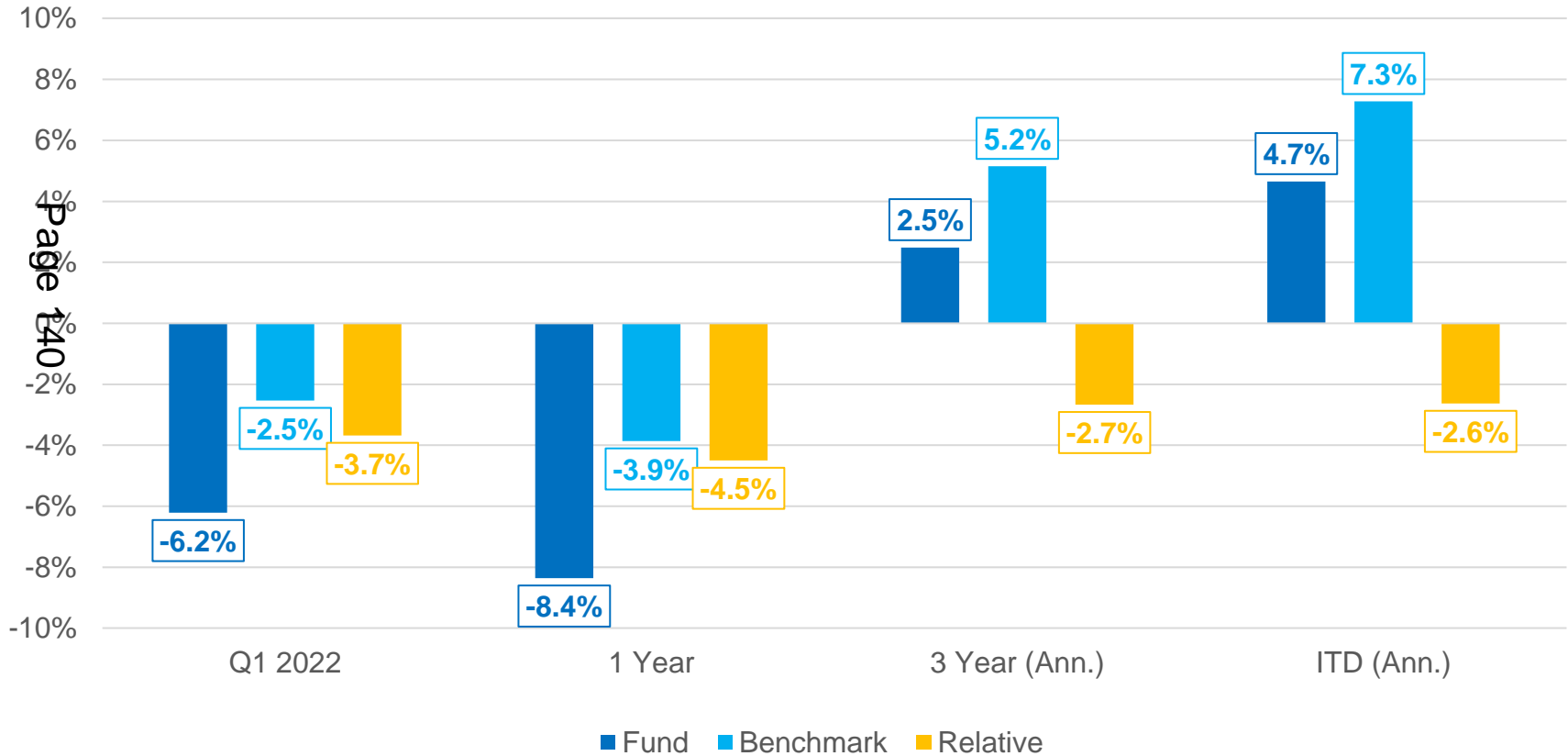
# Emerging Markets Equity

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# Performance to 31 March 2022

## Emerging Markets Equity Fund (Complete History)

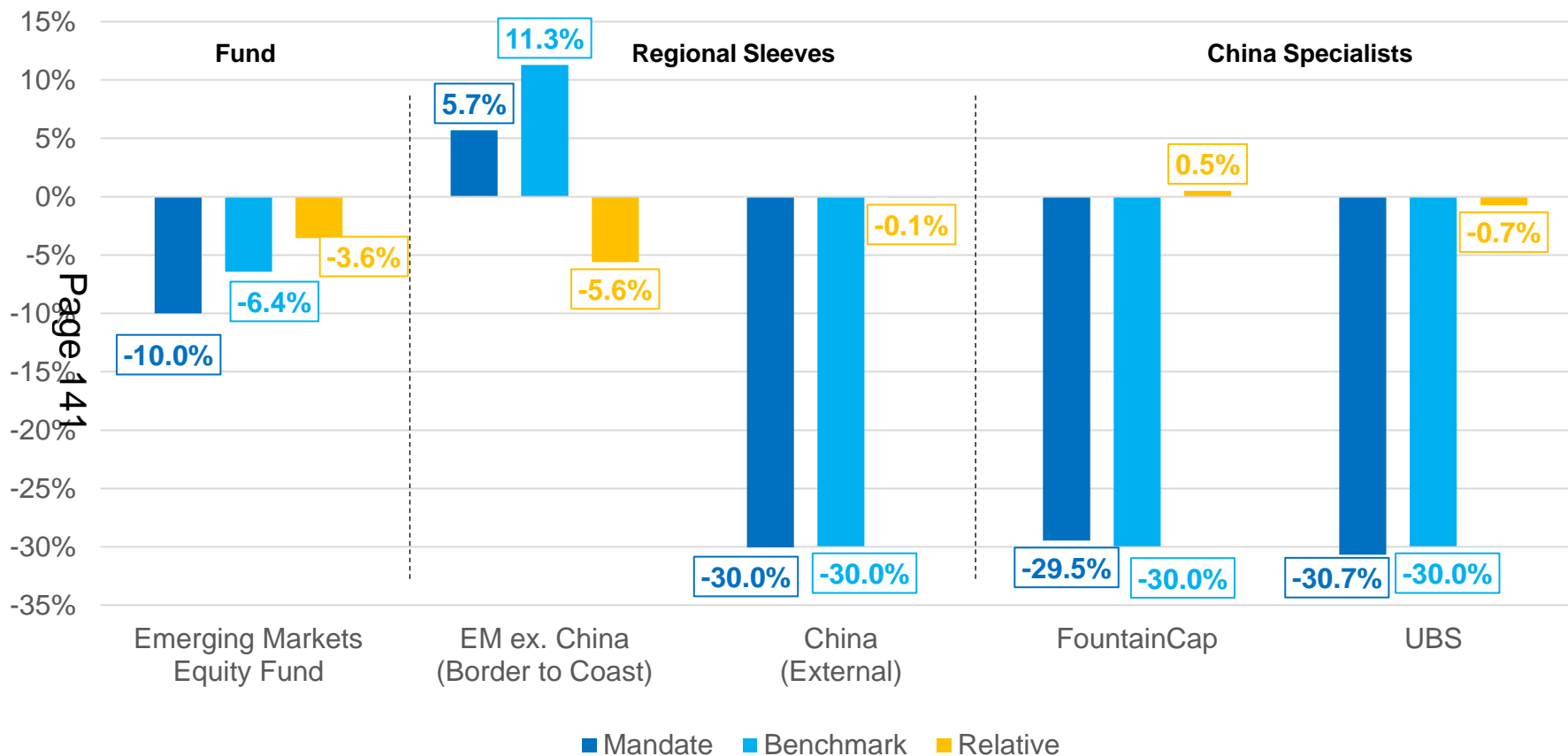


From 29 April 2021, the Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees). Between 10 April and 28 April 2021, the benchmark return was equal to the Fund return (performance holiday for restructure) and prior to 9 April 2021, the benchmark was S&P Emerging BMI with a performance target of 1% per annum.

**Source:** Northern Trust (2022) **Note:** Inception date for the Emerging Markets Equity Fund was 22 October 2018.

# Post Restructure Performance

Performance Since 29 April 2021



The Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees).

Source: Northern Trust (2022) Note: Restructure of the Emerging Markets Equity Fund completed on 28 April 2021.

# Portfolio Positioning as at 31 March 2022

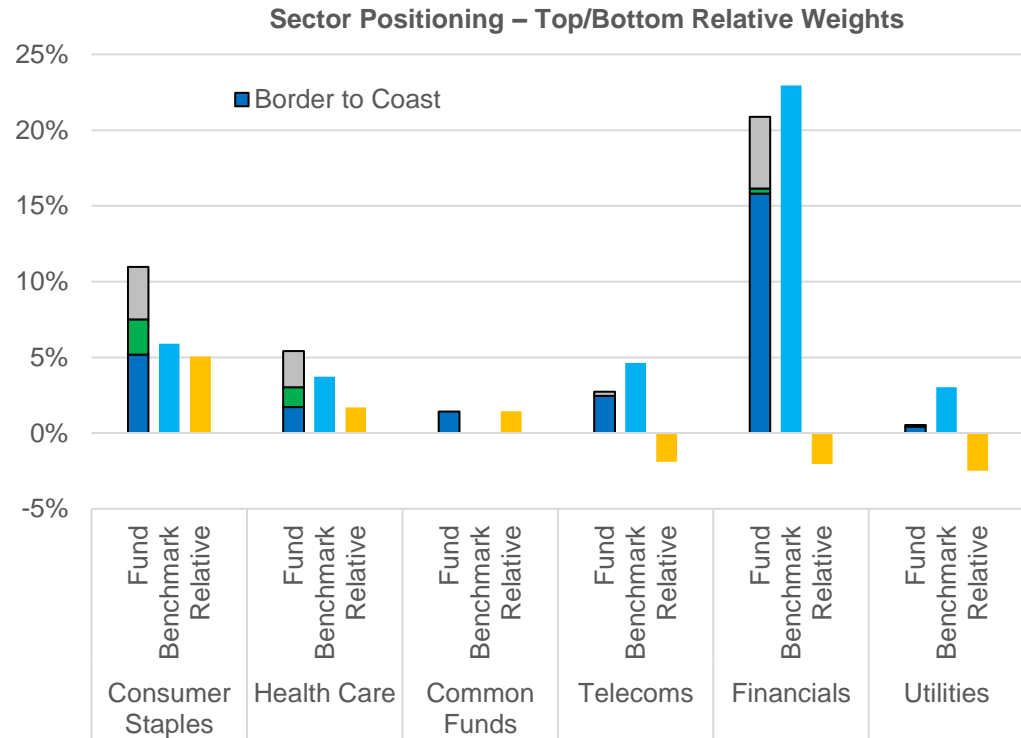
Manager Allocations	Mandate	Target Weight	Portfolio Weight
<b>Border to Coast</b>	EM. ex China	67%	65%
<b>FountainCap</b>	China	13%	14%
<b>UBS</b>	China	20%	21%

Top 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Kweichow Moutai	2.8%	0.4%	+2.4%
NetEase	1.9%	0.4%	+1.5%
MSCI South Africa ETF	1.4%	0.0%	+1.4%
Grupo Mexico	1.4%	0.3%	+1.1%
China Merchants Bank	1.5%	0.4%	+0.1%

Bottom 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Baidu	-	0.6%	(0.6%)
Tencent	3.5%	4.2%	(0.7%)
ICBC	-	0.7%	(0.7%)
China Construction Bank	-	1.0%	(1.0%)
Alibaba	1.0%	3.0%	(2.0%)



- The portfolio was **restructured** in April 2021, with the new China mandates handed over to FountainCap and UBS on 28 April 2021. A further £200m was invested into the portfolio in tranches spread over May and June. **A £30m inflow in October 2021 was used to top-up UBS and increase the weight to China.**
- Given the higher conviction approach employed by the China Specialists, the Fund's stock and sector positioning is most influenced by positioning in these mandates. The Fund is overweight Consumer Staples and Health Care, sectors expected to benefit from secular EM tailwinds (spending/demographics).

# Fundamental Characteristics – Fund

■ Emerging Markets

■ Benchmark

13.6x

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12.1x

9.4x

7.2x

21.2%

12.4%

26.9%

13.4%

0.5x

0.8x

13.6%

16.0%

12.0%

7.7%

5.5

5.3

182.9

381.0

Price to Forward Earnings

Price to Cash Flow

Return on Equity

Operating Margin

Net Debt to EBITDA

Next 12M EPS Growth

LT Sustainable Growth Rate

Weighted ESG Score

Weighted Average Carbon Intensity

## Valuation

## Quality

## Growth

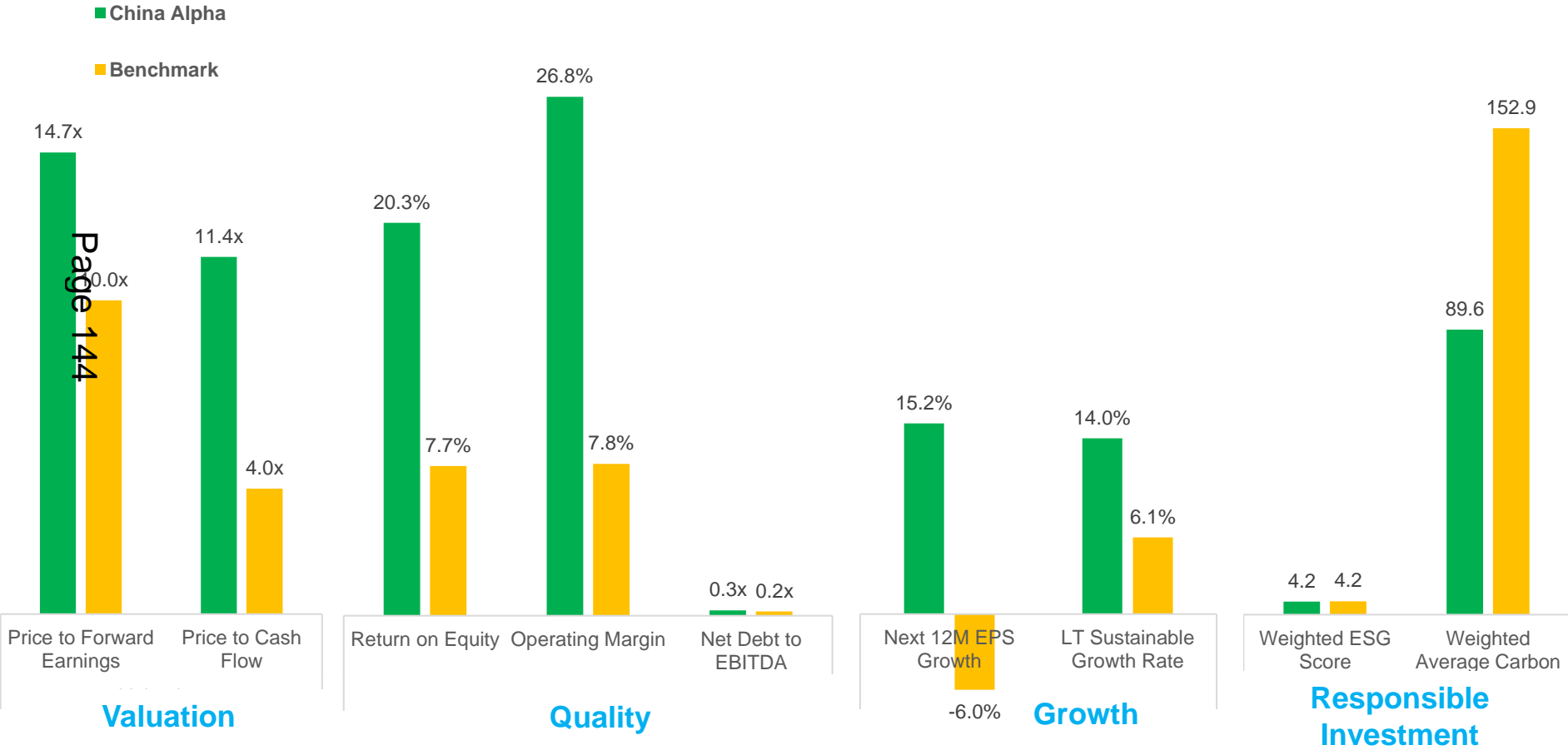
## Responsible Investment

### Notes:

For illustration only. Data as of 31 March 2022 – except for RI data (31 December 2021). Forward looking metrics are calculated using average brokerage estimates and may significantly differ to reported data.

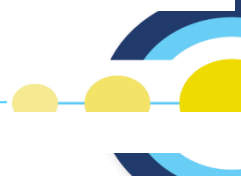
Source: Bloomberg (2022), MSCI ESG Research LLC as of 31 December 2021

# Fundamental Characteristics – China Managers



**Notes:**  
 For illustration only. Data as of 31 March 2022 – except for RI data (30 June 2021). Forward looking metrics are calculated using average brokerage estimates and may significantly differ to reported data.

Source: Bloomberg (2022), MSCI ESG Research LLC as of 30 June 2021





# Border to Coast Pensions Partnership Ltd

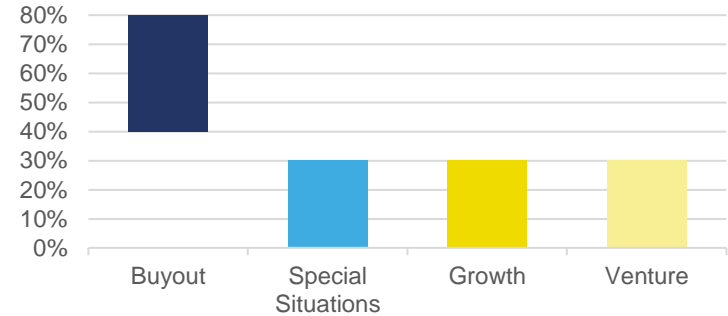
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Private Equity

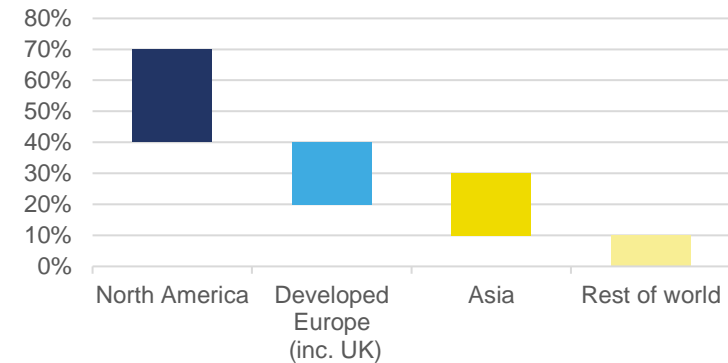


# Private Equity: Asset Allocation

Strategy	Permitted Range <sup>1</sup>
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%



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



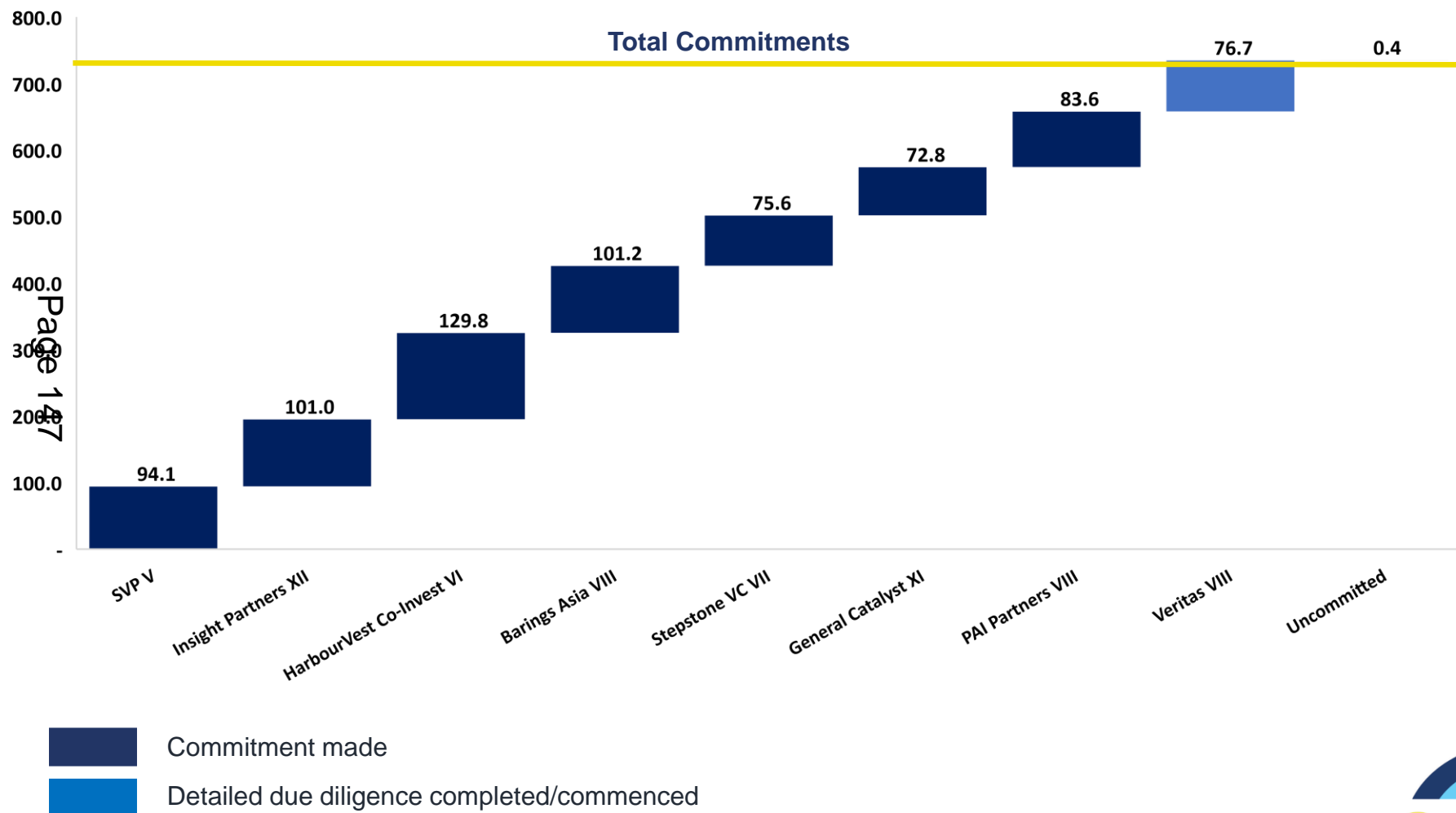
<b>Benchmark</b>	<b>10% p.a. (net)<sup>2</sup></b>
------------------	-----------------------------------

<b>Commitments (1A)</b>	<b>£500m</b>
<b>Commitments (1B)</b>	<b>£485m</b>
<b>Commitments (1C)</b>	<b>£735m</b>

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

<sup>2</sup> Secondary benchmark – MSCI ACWI + 3% (PME+ basis)

# Private Equity 1C Commitments to Date



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

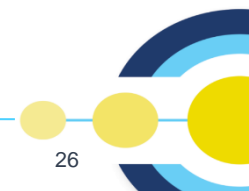
# Private Equity: Capital Deployment

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Series 1A	31 March 2022	31 December 2021
Capital Committed	99.7%	99.7%
Capital Drawn	51.1%	47.7%
Capital Distributed <sup>1</sup>	9.5%	4.4%
Series 1B	31 March 2022	31 December 2021
Capital Committed	99.1%	99.1%
Capital Drawn	35.0%	27.3%
Capital Distributed <sup>1</sup>	0.7%	0.0%
Series 1C	31 March 2022	31 December 2021
Capital Committed	100.0%	78.1%
Capital Drawn	14.2%	12.9%
Capital Distributed <sup>1</sup>	0.0%	0.0%

<sup>1</sup> Including recallable distributions

Source: Albourne



# Border to Coast Pensions Partnership Ltd

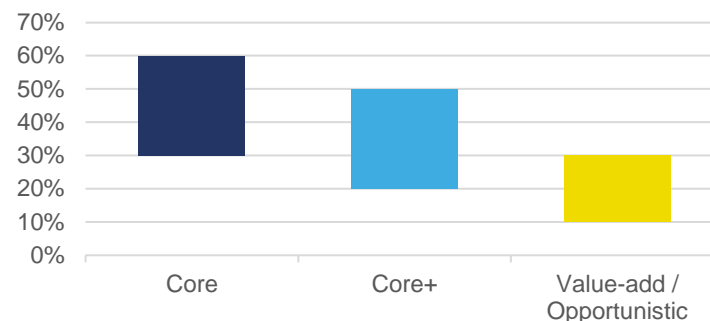
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Infrastructure

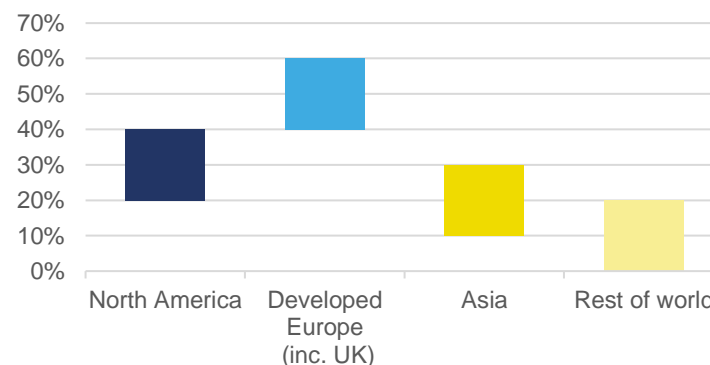


# Infrastructure: Asset Allocation

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



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



<b>Benchmark</b>	<b>8% p.a. (net)</b>
------------------	----------------------

<b>Commitments (1A)</b>	<b>£675m</b>
<b>Commitments (1B)</b>	<b>£760m</b>
<b>Commitments (1C)</b>	<b>£1,020m</b>

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

# Infrastructure 1C: Commitments to Date



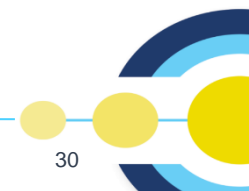
Note: Commitments in £m using exchange rates at time of approval  
 Residual uncommitted capital to be cancelled

# Infrastructure: Capital Deployment

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<b>Series 1A</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Capital Committed	98.7%	98.7%
Capital Drawn	46.6%	38.8%
Capital Distributed <sup>1</sup>	3.9%	3.7%
<b>Series 1B</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Capital Committed	98.7%	98.7%
Capital Drawn	27.0%	21.8%
Capital Distributed <sup>1</sup>	0.5%	0.3%
<b>Series 1C</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Capital Committed	84.2%	69.0%
Capital Drawn	62.3%	41.7%
Capital Distributed <sup>1</sup>	0.3%	1.5%

<sup>1</sup> Including recallable distributions  
Source: Albourne





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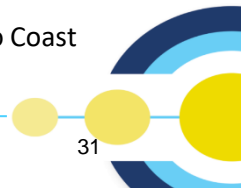
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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

### PENSION FUND COMMITTEE REPORT

29 JUNE 2022

DIRECTOR OF FINANCE – IAN WRIGHT

#### Update on Current Issues

#### 1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Pension Fund Committee (the Committee) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

#### 2. RECOMMENDATIONS

- 2.1 That Members note this report.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications in respect of the information contained in this report.

#### 4. LGPS AND 'LEVELLING UP'

- 4.1 As was reported to the March Committee, the Government's "Levelling up the United Kingdom" White Paper issued on 2 February 2022 stated that the Local Government Pension Scheme (LGPS) could (or perhaps should) be using some of its assets to fund the Government's levelling up agenda. The White Paper included a statement that "to boost Britain's long-term growth. The UK Government will...work with **Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.**"
- 4.2 Since then the Fund, along with other LGPS Funds and pooling companies (including Border to Coast) have been trying to obtain further detail in relation to these plans. As yet, nothing is confirmed but the current expectation is that the Government will not be expecting LGPS Funds to report on investments made within their specific local area, but is instead looking to leverage LGPS assets to invest further in projects across the UK (or possibly across England and Wales) – primarily infrastructure but possibly private equity investments as well. Further updates will be provided when they are available.

## **5. SCHEME ADVISORY BOARD ANNUAL REPORT 2021/22**

5.1 Earlier this month the Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The report can be found on the SAB website at the following link:

<https://lgpsboard.org/index.php/foreword-2021>

5.2 The report emphasises that the LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with 14,448 active employers, 6.2m members and assets of £342bn. Key highlights for the LGPS are listed as follows:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 m members in 2021 from 6.160 m in 2020
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%
- The scheme maintained a positive cash-flow position overall, including investment income
- Over 1.8m pensioners were paid over the year
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

5.3 The main activity for the SAB during the year ending 31 March 2021 is listed as dealing with issues relating to the McCloud discrimination case, the good governance project, the government's introduction of the £95k exit payment cap (subsequently removed) and responsible investment guidance. In addition, the SAB directed a large part of its resources to responding to the Covid-19 crisis and supporting the sector through that and the ensuing changes in ways of working.

## **6. LGPS ON-LINE LEARNING ACADEMY**

6.1 As Members should be aware, the Fund has recently purchased Hymans Robertson's LGPS On-Line Learning Academy and has ensured that every Pension Fund Committee and Local Pension Board member has access to it. The Learning Academy allows you to access a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension issues such as measuring the carbon exposure of the Fund's investments and other responsible investment

issues. It is intended to cover all of the 'knowledge and understanding' requirements that Pension Board members are legally required to obtain (and Pension Committee members are strongly encouraged to obtain).

- 6.2 There are a lot of topics covered within the Learning Academy and I would strongly recommend that Members set aside some time each week to work through them at their own pace. There are short quizzes included to ensure the training is working, and certificates are available for completion of different sections.
- 6.3 Appendix A contains a few introductory slides showing what you can expect from the Learning Academy. I would be very interested in any feedback Members have at any point in relation to the product.

## **7. NEXT STEPS**

- 7.1 Further updates will be provided periodically.

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

TEL NO.: 01642 729040

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# Teesside PF - LGPS Online Learning Academy

Online training for Pension Committee,  
Board members and Fund Officers

- Short and engaging 10 – 20 minute videos
- Jargon busters and Knowledge checks
- Members can go at their own pace
- Regular reporting to Teesside Pension Fund
- Easily evidence members' knowledge and skills
- Track and record all training on One platform
- Covers key areas of TPR Code of Practice and CIPFA Knowledge and Skills framework

HYMANS  ROBERTSON

# Learning Academy - Landing page

Page 160



Completed

Module 1 - An introduction to the LGPS

EN

E-Learning




In Progress

Module 2 - LGPS Governance & Oversight Bodies

EN

E-Learning



In Progress

Module 3 - Administration & Fund Management

EN

E-Learning



In Progress

Module 4 - Funding and Actuarial Matters

EN

E-Learning

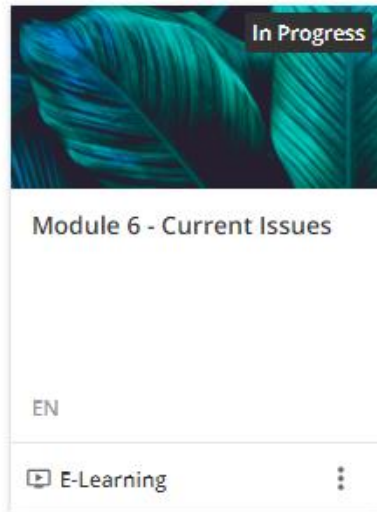


In Progress

Module 5 - Investments

EN

E-Learning



In Progress

Module 6 - Current Issues

EN

E-Learning





# Learning Academy – current topics

## May 2022

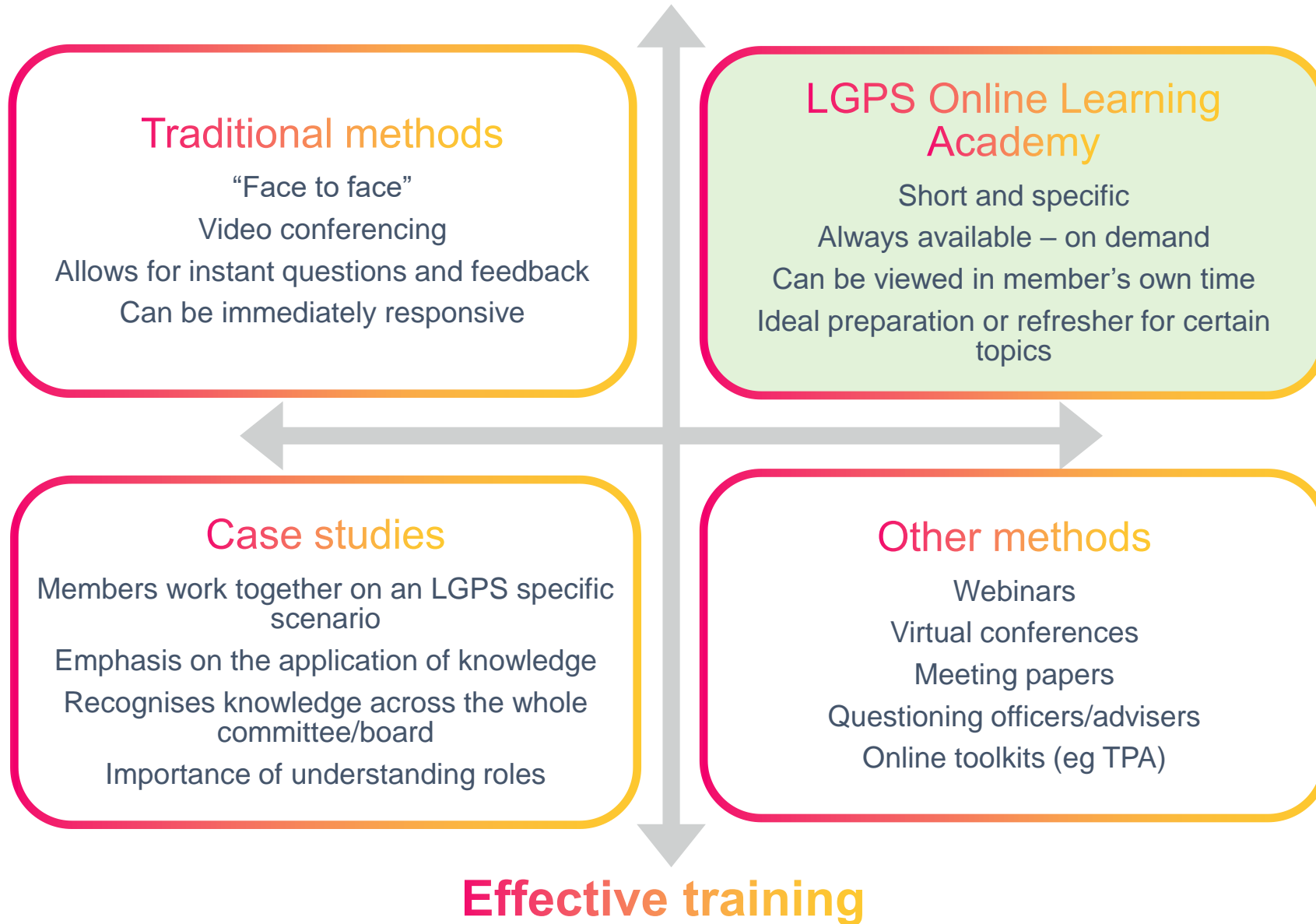
- **Module 1 - Introduction**
  - Introduction to the LGPS
  - Role of Elected Members on Committee (podcast)
- **Module 2 – Governance & Regulators**
  - LGPS Governance
  - LGPS Oversight Bodies & Regulators (TPR)
  - LPGS Oversight Bodies & Regulators (Section 13)
  - Business Planning
- **Module 3 – Administration & Management**
  - Introduction to Administration
  - Policies and Procedures
  - Public Procurement
  - Additional Voluntary Contributions
  - Accounting & Audit
- **Module 4 – Funding & Actuarial Matters**
  - Introduction to Funding Strategy
  - LGPS Actuarial Valuations (Process)
  - LGPS Actuarial Valuations (Technical Aspects)
  - LGPS Employers
- **Module 5 – Investments**
  - Introduction to Investment Strategy
  - Performance Monitoring
  - Pooling (England and Wales only)
  - Responsible Investment
  - MiFID II
- **Module 6 – Current Issues**
  - McCloud
  - Goodwin
  - Cost-sharing
  - Cyber Security
  - GAD Section 13

# Key Learning Academy guide documents



- [LGPS Online Learning Academy - "How to" User Guide](#)
- [LGPS Online Learning Academy - Guide to Reporting](#)
- [External learning - user progress reports](#)
- [External training – Individual user recording guide](#)

# Teesside Pension Fund – training approach



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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 9**

**PENSION FUND COMMITTEE REPORT**

**29 JUNE 2022**

**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

16<sup>th</sup> June 2022

### Market commentary

1. For twelve months I have warned of the potential for falls in equity and bond markets, and said in March that it was hard to see a return to normality without pain somewhere. **Nearly three months on, all bond and many major equity markets have fallen substantially.**
2. Russia's war on Ukraine, as expected, has poured fuel on the inflationary fire. The impact has been most obvious in energy and food costs, but second order effects are beginning to come through too. Ukraine, Russia and Belarus are between them major producers of a range of commodities which are material to our lives: grain, fertiliser, oil, gas, lithium, and platinum.
3. As a result, the US consumer inflation level for May hit 8.6% and are at similar levels in most of the western economies. Japan is the major outlier where inflation remains in the 0 to 2% range. **We are probably close to the inflationary peak, and the question now is where it will settle when it moderates.** The U.S. Federal Reserve is forecasting 4.3% inflation in December 2022 and 2.7% in 2023. Anywhere much above 2% is probably bad for financial assets in the long-term.
4. Global growth is slowing. After a better 4<sup>th</sup> quarter, the U.S. economy contracted by 0.4% in the 1<sup>st</sup> quarter of 2022. The UK economy also dropped for the second quarter in succession. The biggest factor in the slow-down is the Chinese economy, which for the last ten years has been responsible for 75% of global growth. It is reeling from the lockdowns imposed to try and combat the latest COVID wave: 2022 growth will be the lowest since the country emerged from Maoism in 1981.
5. The Fed. raised rates by 75bps in June, the most for nearly 30 years, in an attempt to throttle inflation psychology back. As a result, U.S. ten-year bond yields have risen to 3.4% (compared to a low of 0.5% in 2020) and are now back within the 3% to 5% range where they have over the long term normally traded. The era of negative nominal yields has passed, even in countries such as Japan.
6. Credit spreads (i.e. the difference between corporate and government bond yields) are widening, a warning indicator of trouble ahead. Investors are now being paid 4% to buy AAA (the safest) corporate debt in the U.S. At the lowest end, junk bonds are yielding 15% compared to about 7% at the low in 2021.
7. As I pointed out last time, higher interest rates and bond yields are the pivot of the changes happening in markets. While the U.S. S&P index fell for seven weeks in a row and is down more than 20% from its end 2021 high, it is worth noting that many tech companies met earnings forecasts, and that the

march of tech has not slowed down. Investors are placing a lower value on their earnings' streams because of the change in bond yields. That said, if there is a recession ahead, there may well be another leg down as earnings forecasts are downgraded.

8. Closer to home, political threats continue to rumble round Europe. The conflict in Ukraine seems to be settling into a longer-term war in the eastern half of the country. This will add further to inflationary pressures, as the military are not price-conscious, as well as forming a less stable background for markets generally. The uncertainty over Boris Johnson's position and the tussle with the E.U. over the Irish border suggest more volatility too.
9. The social divisions in Europe were also laid clear in the French presidential election, despite Macron's comfortable victory. The divide between the haves and have-nots mirror those made clear in the U.K.'s BREXIT referendum in 2016. Politicians will have to respond, and the pendulum is likely to start swinging back towards labour (i.e. the workforce) and away from capital (i.e. shareholders and investors). That may well be a healthy move but will again add to inflationary pressures.
10. **The odds of a full-blown global recession in 2023 are very high.** China, the engine of growth over the last ten years, is sputtering and the U.S. Fed. seems to see a recession as a necessary evil in order to bear down on inflation.
11. If this happens, investors will find themselves in an environment of negative growth and relatively high inflation, where corporate earnings and valuations will both be under pressure. Companies who are either running 'old' business models (e.g. high street retail) or who have high levels of debt will be the most vulnerable. Their assets and employees may be taken over by new owners (e.g. private equity), but shareholders will be losers. The newsagent, McColl's, problems are just an early example.
12. Investors should brace themselves for lower returns over the next few years, and quite probably negative real returns. This, combined with high inflation, is uncomfortable for LGPS funds, because liabilities are linked to consumer inflation without a cap. Index-linked gilts, the only robust hedge, trade at a real yield of around minus 1.0%. This opportunity cost is lower than it has been over the last few years, but is still significant in the context of an open and active fund. Infrastructure and real assets provide a much better return but are unlikely to provide full mitigation if U.K. inflation is sustained above about 5%.
13. The Fund is likely to experience a lower funding level for a period, as a result of its choice to maintain a relatively high equity weighting. I remind readers that the Fund's investment horizon is long, and periods of poorer performance are inevitable. It is almost certainly wrong to reduce equities now at these lower levels, but when the result of the March 2022 actuarial valuation is ready, it may be time to consider whether or not some further de-risking is appropriate.



# Investment report for Teesside Pension Fund

## June 2022

### Political and economic outlook

The war in Ukraine continues to drag on with Russia making gains in the east of the country. The atrocities being committed by Russia will have long-term impacts on world politics and the outcome of the war will have an even greater impact politically and economically. To my mind it is inconceivable that western powers would let Ukraine fall to Russia giving it control of a significant amount of the World's energy and food supply. Therefore if the West is unable or unwilling to supply sophisticated weapons in enough quantities (and this alone might be a lot enough) to ensure Ukraine victory the west itself may well find itself at War. Or to put it another way the West will be indefinitely held to ransom by Russia if it wins the war, a position not to be relished. This would be a significant shift in the scales of power since August of last year when the West quit Afghanistan. It is a position that no politician in the West could contemplate accepting, but I've been wrong in the past!

Politics across the globe doesn't seem to be in very good shape. Joe Biden doesn't seem to have much of a grasp on things in the United States. Our own prime minister is increasingly finding it difficult to decide fact from fiction and any compass, moral or otherwise is determinedly pointed to saving his own skin, a task in which, amazingly, his own party is acquiescent. European politicians are understandably finding the waters a bit choppy given the balancing act of energy supply and defeating Putin without humiliating him. Meanwhile the "strong" leaders in China and Russia continue to take advantage of this perceived weakness and indecision to consolidate power.

Now let's look at the global economic situation. It is really difficult to make any sensible short-term predictions given the situation in Ukraine.

Furthermore the unprecedentedly rapid rise in inflation across the globe has thrown a spanner in the works.

Additionally it would only take a decision from Russia to cut off gas supplies to Europe to cripple that economy and that is not out of the question.

Nor is it inconceivable that Russia would cut Ukraine's food exports which would bring a significant humanitarian crisis (and coincidentally further inflationary pressures).

The rise in inflation has been 10 times faster than it was in the 1970s. This is caused in part by the rise of the unemployment at the beginning of covid and the subsequent very rapid recovery; by serious supply shortages as a result of covid and the war in Ukraine; the build up of savings during the pandemic and a rapid decline in savings recently. Initially I thought this might be the beginning of a new period of stagflation as GDP growth appeared to be slowing but it's too early to tell. Job vacancy and unemployment data internationally would suggest we are not about to enter a period of stagflation. GDP growth could well surprise on the upside as could inflation with a strong jobs market as supply constraints. However I would expect inflation to fall all from over 10% to a 4% level over a couple of years. Low unemployment will accelerate wage increases and lead to labour's share in GDP rising making corporate earnings growth rather pedestrian at best.

We should expect high energy prices and high food prices to exert downward pressure on GDP growth over the short term and likewise increasing inflation pressures. However over the longer term the stability of the services sector and a return to real wage growth should support modest GDP growth.

## **Markets**

The high and rising inflation rate will have a negative impact on fixed interest markets over the short term. Even over the longer term if inflation

settles back at about 4 percent this will still be negative for bond markets which are likely to fall from their current levels.

The uncertainties over corporate profitability will put pressure on other areas of the credit market.

Index linked Securities are likely to give modest returns over the next few quarters as we move closer to a positive real interest rate economy despite the higher inflation levels.

Cash over the short term is looking to give a return of about 10% negative.

I think we can safely say this is going to be a difficult period for non real assets.

Equity markets are likely to struggle against the headwinds of a declining share of corporate profits in GDP. This will be offset to some extent by the negative interest rate environment which will still exist over the medium term. Over the longer term inflation is beneficial for equities but not over the short term. We could therefore be in for a short period of declining equity markets. The pressure will continue as inflation subsides over the medium term and as we start to move towards a real positive interest rate scenario. Valuations of equities will also be reduced by the higher interest rate environment but the impact will be modest compared to fixed interest markets.

The pressures within the property market remain similar to those that have existed since the start of the pandemic. In that offices will remain under pressure and warehouses will continue to flourish.

Alternative investments will continue to provide opportunities which are differentiated from, and uncorrelated with, equities in particular. As always there will be resource pressure issues related to the internal team.

Borders to Coast do not themselves seem to be adequately resourced either so are unlikely to relieve the pressure on the Teesside investment staff.

## **Portfolio recommendations**

Uncertainty levels remain high, at levels similar to those seen back in February at the beginning of the Russian offensive against Ukraine. The unprecedented rise in inflation over a very limited period of time makes any short term forecasting of markets extremely difficult, in fact futile.

With that health warning I would expect our best chances of success to lie within the alternatives area. We should attempt to deploy some of our cash resources here although I know that will be difficult. Given current uncertainties, valuation levels should become more attractive.

I continue to be relatively neutral on equities but believe their valuation over the long term is attractive versus fixed interest where I remain negative. Rising interest rates will temper the valuation of equities but at the same time will reduce the real value of the fund's liabilities.

The property manager should continue to search for suitable properties for inclusion in the property portfolio.

**Peter Moon**

**17 June 2022**



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# TEESSIDE PENSION FUND Q1 2022

Quarterly Report  
Prepared: 8th June 2022

## Fund Objectives

Teesside's Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. This is achieved 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 31<sup>st</sup> March 2022, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £331.1m. This reflects an overall Net Initial Yield of 4.85%, and an Equivalent Yield of 4.95%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 88.6% 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 £17,271,310 per annum against a gross market rent of £17,247,045 per annum, making the portfolio broadly rack-rented in nature.

The weighted average unexpired term is 7.3 years to the earlier of first break or expiry, and 8.4 years to expiry, ignoring break dates.

## Fund Summary

<b>Total Pension Fund Value</b> (December 2021)	<b>£5,040m</b>
Real Estate Weighting (target allocation)	6.6% (9%)
Direct Portfolio Value (March 2022)	£331.1m

## Direct Portfolio

<b>Direct portfolio value</b> (March 2022)	<b>£331.1m</b>
Number of holdings	28
Average lot size	£11.83m
Number of demises	75
Void rate (% of ERV) (Estimated UK Benchmark)	0.70% (7.0% – 9.0%)
WAULT to expiry (break)	8.4 years (7.3 years)
Current Gross Passing Rent (Per Annum)	£17,271,310
Current Gross Market Rent (Per Annum)	£17,247,045
Net Initial Yield	4.85%
Reversionary Yield	4.88%
Equivalent Yield	4.95%

## Portfolio Highlight (Q1 2022) – Leonardo, Yeovil



In Q2 2021, the Fund completed the purchase of an income strip to forward fund the development of a 210,000 sq ft industrial unit. A year on, the development is coming to fruition with ground works being complete and the recent assembly of the steel frame.

## UK Economic Commentary

- UK GDP is estimated to have increased by 0.8% in Q1 2022, following growth of 1.3% in Q4 2021. The level of quarterly GDP in Quarter 1 2022 is now 0.8% above its pre-pandemic (Q4 2019) level.
- Retail sales volumes rose by 1.4% in April 2022 following a fall of 1.2% in March 2022; sales volumes were 4.1% above their pre-pandemic February 2020 levels.
- The proportion of retail sales online rose to 27.0% in April 2022 from 25.9% in March and remains substantially higher than pre-pandemic (19.9% in February 2020).
- The UK unemployment rate fell by 0.2 percentage points in the three months to February 2022. Economic inactivity increased by 0.2 percentage points to 21.4%. This increase was driven by those who are economically inactive because they are looking after family, retired or long-term sick.
- The number of job vacancies in January to March 2022 rose to a new record of 1,288,000. However, the rate of growth in vacancies continued to slow down. Over the quarter the number of vacancies increased by 50,200 with the largest increase in human health and social work.
- Growth in average total pay (including bonuses) was 5.4% and growth in regular pay (excluding bonuses) was 4.0% in December 2021 to February 2022. In real terms (adjusted for inflation), growth in total pay was 0.4% and regular pay fell on the year at negative 1.0%; strong bonus payments over the past six months have kept recent real total pay growth positive. Previous months' strong growth rates were affected upwards by base and compositional effects.
- Looking forward, CBRE forecast UK GDP growth of 3.3% in 2022. The biggest risks to outlook are the rising cost of energy and fuel and the ensuing real income squeeze, which may act as a significant drag on consumer spending; particularly in the second half of the year.
- The Bank of England increased Bank Rate to 1.0% in May 2022. CBRE's base case is that short term interest rates will continue rising throughout 2022 broadly in line with current market pricing. This would see Bank Rate return to 2% by the end of the year.

## UK Real Estate Market Commentary

- Year on year total returns for All UK Property grew by 23.5% (17.5%\* capital return, 5.2%\* income return) for the period Q1 2021 to Q1 2022\*\*. This total returns figure is above the 5 year average and year on year total returns for Q4 2020 to Q4 2021. The quarterly total return for All UK Property for Q1 2022 was recorded at 5.1% (3.9% capital return, 1.2% income return).
- Industrials total returns were 7.5% over Q1 2022 (3.4% capital return, 0.9% income return).
- Rental values for All UK Property increased by 1.1% over the first quarter of 2022. This figure was largely pulled up by the 3.4% rise in values in the Industrial sector. In Q1 2022, both Office and Retail sector rents rose by 0.4%.
- In the first quarter of 2022, investment volumes reached £17.3bn. The rolling 12-month total for UK investment was £68.2bn, the highest since 2018 Q1.
- Central London Office volumes reached £5.5bn in Q1, the highest start to the year ever for this market. The five largest deals accounted for £3.4bn. In particular, the sale of 5 Broadgate to Korean pension fund NPS for £1.2bn was of note as it is the largest transaction in the market since 2017.
- For offices outside of Central London, investment totalled £1.8bn in the first quarter of the year. This included four transactions over £100m, all of which were bought by overseas investors.
- £1.5bn was invested in the Retail market in 2022 Q1, including the £600m sale of two designer outlet parks to LaSalle IM. This was the largest deal in this market since the sale of Westfield in 2018.
- Industrial volumes were £4.1bn in Q1, another strong quarter. This pushed the rolling 12-month total to a new all-time high of £17.1bn.

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

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



## Investments

### Sales

No sales this period.

### Acquisitions

No acquisitions this period.

The Fund has agreed terms in respect of two new assets.

## Direct Portfolio Analysis

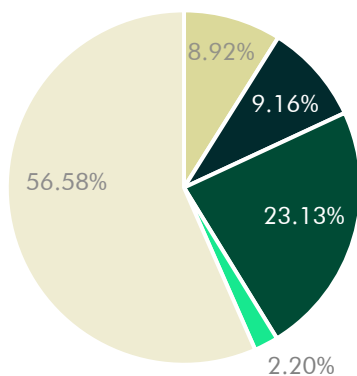
### Top Ten Holdings (by Capital Value)

No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£37,800,000	11.4%
2	BIRMINGHAM - Bromford Central	Industrial	£23,950,000	7.2%
3	GATESHEAD - Team Valley	Industrial	£23,600,000	7.1%
4	PARK ROYAL - Minerva Road	Industrial	£21,600,000	6.5%
5	LUTTERWORTH - Magna Park	Industrial	£19,700,000	5.9%
6	RUGBY - Valley Park	Industrial	£18,200,000	5.5%
7	PARK ROYAL - Coronation Road	Industrial	£18,000,000	5.4%
8	STOW-ON-THE-WOLD - Fosse Way	Supermarket	£15,350,000	4.9%
9	SWADLINCOTE - William Nadin Way	Industrial	£14,000,000	4.5%
10	EXETER - H&M High Street	High Street Retail	£13,100,000	4.2%
<b>Total</b>			<b>£207,100,000</b>	<b>62.5%</b>

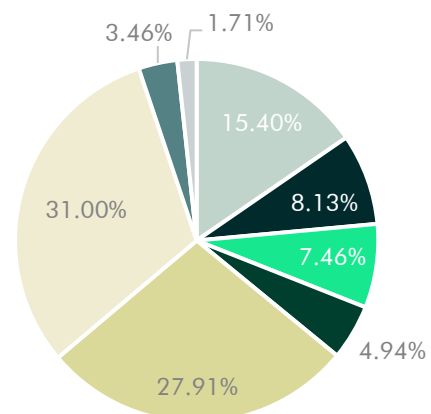
We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile. In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields 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 Capital Value)



### Geographical Allocation (by Capital Value)



High Street Retail

Supermarkets

Retail Warehouse

London

South East

South West

Offices

Industrial

East

West Midlands

North East

North West

Scotland



## Direct Portfolio Analysis (continued)

### Top Ten Tenants (by Contracted Income)

The portfolio currently has 75 different demises let to 61 tenants. The largest tenant is Omega Plc which accounts for c.8.2% 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. 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	Contracted Rent p.a.	% of Portfolio Rent	Risk Rating (Experian)
1	Omega Plc	Industrial	1	£1,413,690	8.2%	Very Low Risk
2	B&Q plc	Retail	2	£997,000	5.8%	Very Low Risk
3	Royal Mail Group Limited	Industrial	1	£899,162	5.2%	Very Low Risk
4	Unipart Logistics Limited	Industrial	1	£868,635	5.0%	Very Low Risk
5	B&M Retail Limited	Retail	3	£863,400	5.0%	Very Low Risk
6	Libra Textiles	Retail	1	£850,000	4.9%	Very Low Risk
7	Brunel Healthcare	Industrial	1	£843,761	4.9%	Very Low Risk
8	ASDA Stores Limited	Industrial	1	£755,000	4.4%	Very Low Risk
9	H&M	Retail	1	£740,000	4.3%	Very Low Risk
10	Tesco Stores Limited	Supermarkets	1	£737,823	4.3%	Very Low Risk
<b>Total</b>				<b>£8,968,471</b>	<b>51.9%</b>	

### Key Lease 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 graph below identifies the years where more than 10% of the portfolio income is due to expire.



## Investment Management Update

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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 Fund's strategy. Whilst many of these have not progressed quickly, we remain optimistic. The Fund's requirement has been articulated to the investment market and we are receiving a substantial number of investment opportunities each week.

## Asset Management Update

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### Nuffield Health, Guildford – June 2022

The Fund has successfully cleared all Nuffield Health arrears. At its height, arrears totalled £310,000, representing one of the Fund's biggest debtors.

### Harrow Green, Bromford Central – February 2022

The Fund has completed a lease renewal with Harrow Green for a 10-year term with 3-months rent-free at £7.25 psf, a 23% rental uplift on the previous passing rent. The tenant benefits from a break on the 5<sup>th</sup> anniversary of the lease commencement.

### Royal Mail, Gateshead – February 2022

The Fund has instructed a rent review surveyor to agree the September 2020 outstanding rent review.

### Pets at Home, Arbroath – October 2021

The Fund has agreed terms with Pets at Home for a 5-year reversionary lease reflecting £12.00 psf, a 5% increase in the Retail Park's estimated rental value.

### Unipart, Rugby – August 2021

The Fund has instructed a rent review surveyor to agree the October 2021 rent review. An uplift in the passing rent is anticipated to be agreed.

## Portfolio Arrears Update – 8<sup>th</sup> June 2022

			Targets	92.00%	96.00%	98.00%	99.00%		
	Rent Due 25 March	Collectable Rent	Quarter Date up to and including 25/03/2022	Week 1 up to and including 01/04/2022	Week 2 up to and including 08/04/2022	Week 3 up to and including 15/04/2022	Week 4 up to and including 22/04/2022	Payment after 22/04/2022	Difference
<b>Non Collectable Total</b>	<b>4,651,599.15</b>	<b>4,651,599.15</b>	<b>3,137,584.54</b>	<b>1,064,953.65</b>	<b>18,517.50</b>	<b>25,581.36</b>	<b>56,575.00</b>	<b>300,431.72</b>	<b>47,955.38</b>
<b>Collections Including non collectables</b>		<b>0.00</b>	<b>67.45%</b>	<b>90.35%</b>	<b>90.74%</b>	<b>91.29%</b>	<b>92.51%</b>	<b>98.97%</b>	
<b>Collections Excluding non collectables</b>			<b>67.45%</b>	<b>90.35%</b>	<b>90.74%</b>	<b>91.29%</b>	<b>92.51%</b>	<b>98.97%</b>	

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

March 2022 – 99.0%

December 2021 – 99.1%

September 2021 – 98.8%

The total Collectable Arrears on the entire portfolio is £451,552 as at 8<sup>th</sup> June 2022 (£1,012,720 as of 28<sup>th</sup> February 2022 and £1,892,102 as of 22<sup>nd</sup> November 2021). It should be noted that the annual insurance premium was charged to all tenants on 4<sup>th</sup> April. Although these charges are now 2-months old, there are still a number outstanding, which we are continuing to chase.

The Collectable Arrears exclude the following:

- Tenants that are insolvent (99p Stores Limited and Peacocks Stores Limited at Cirencester, Laura Ashley Ltd at Congleton).
- Tenants that have overall credit balances on their accounts
- Tenants with recent charges raised within the last month

Below, is a summary of the top ten tenants with the greatest arrears, accounting for 81.2% (£366,698) of the total collectable arrears:

**Shoe Zone Retail Ltd (Congleton)** – Total arrears of £75,598 (16.7% of the collectable arrears). The majority of this tenant's arrears relates to the December 2020, June 2021 and September 2021 quarter's rent and service charge, which the tenant has not yet paid anything towards. Our Accounts Team are in regular dialogue with this tenant.

**B&Q plc (Arbroath)** – Total arrears of £56,247 (12.5% of the collectable arrears). This relates to service charge arrears and the latest insurance premium. B&Q have service charge queries and we are working with them to resolve.

**Royal Mail Group Limited (Gateshead)** – Total arrears of £49,316 (10.9% of the collectable arrears). This relates solely to insurance.

**Omega plc (Doncaster)** – Total arrears of £43,420 (9.6% of the collectable arrears). This relates solely to insurance.

**Pizza Hut (UK) Limited (Ipswich)** – Total arrears of £40,891 (9.1% of the collectable arrears). Current rents are being paid and this relates to the period of insolvency. We are working with Pizza Hut to justify these arrears in line with their CVA and Deed of Variation to the lease.

**Matalan Retail Limited (Northwich)** – Total arrears of £37,945 (8.4% of the collectable arrears). These arrears relate mainly to the March 2021 quarter's rent. The tenant has an agreed payment plan of £12,500, which they are meeting, and this will be repaid by 1st September 2022.

**Asda Stores Limited (Lutterworth)** – Total arrears of £17,242 (3.8% of the collectable arrears). This relates solely to insurance.

## Portfolio Arrears Update – 8<sup>th</sup> June 2022

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**Toni & Guy (South) Limited (Gloucester Road)** – Total arrears of £16,601 (3.7% of the collectable arrears). This relates mainly to the March 2021 quarter’s rent and we are trying to establish why this has not been paid.

**American Dry Cleaning Company Limited (Gloucester Road)** – Total arrears of £16,125 (3.6% of the collectable arrears). This relates to a range of charges but the majority is the December 2021 and March 2022 rents to which the tenant has made no payments towards.

**Knight Frank (Old Brompton Road)** – Total arrears of £13,313 (2.9% of the collectable arrears). This relates solely to insurance.

The remaining £84,855 (18.8% of the collectable arrears) of arrears is spread across 35 tenants, ranging from £10,781 to £25.

## Responsible Investment Initiatives

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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.

## Fund Advisor Contacts

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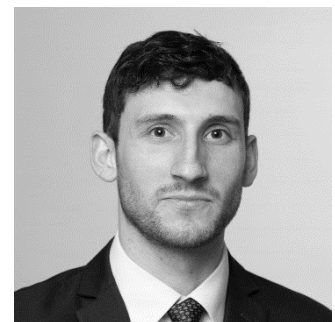
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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 11**

**PENSION FUND COMMITTEE REPORT**

**29 JUNE 2022**

**DIRECTOR OF FINANCE – IAN WRIGHT**

**XPS 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 Committee 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)

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# **Teesside Pension Fund**

## **Performance Delivery Report**

2022-2023

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01 Overview

02 Membership Movement

03 Member Self Service

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05 Customer Service

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# 01 Overview

## Regulations and Guidance

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### Stronger nudge to pensions guidance

The Stronger Nudge regulations come into force from 1<sup>st</sup> June 2022. Guidance on the requirements in respect of the Local Government Pension Scheme (LGPS) has been published by the Local Government Association (LGA) and our administration teams have been advised accordingly.

### Legal opinion on prepayment of contributions

The Scheme Advisory Board (SAB) has obtained a legal opinion on the prepayment of primary employer and/or employee contributions. This is in response to a request from an administering authority. The opinion is provided by James Goudie QC. In summary, James Goudie QC finds no legal barrier to the prepayment of these contributions. However, the advice makes clear that any prepayment should be taken on the basis of 'reasonableness, proportionality and prudence'. The full opinion and further information is available on the legal opinions page of the SAB website.

### Investments in line with UK foreign and defence policy

A last-minute amendment to the Public Service Pensions and Judicial Offices Bill was accepted before the Bill received Royal Assent on 10 March 2022. The amendment introduces the power for the Secretary of State to give guidance or directions to the LGPS on investment decisions that conflict with the UK's foreign and defence policy. There are no changes that LGPS administering authorities need to make now. Changes will only be needed if the Department for Levelling Up, Housing & Communities (DLUHC) issues guidance or directions, which would be subject to the usual 12-week consultation process. See the Boycotts Divestment and Sanctions page of the SAB website for more information.

LGPS investments in Russia- On 4 March 2022, the SAB published more information on Russian sanctions and divestment.

This follows the coming into force of The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 on 1 March 2022. On 9 March 2022, DLUHC sent a letter to all LGPS Committee Chairs, copying in the Chair of the SAB. It urges all parties to keep up to date with the list of Russian sanctions which is expected to grow.

### Consultation on draft pensions dashboards regulations

The LGA have published their response to Department for Work and Pensions (DWP) consultation on the Pensions Dashboards Regulations 2022. You can find the [response](#) on the non-scheme consultations page of [www.lgpsregs.org](http://www.lgpsregs.org)

### Public Service Pensions and Judicial Offices Bill - 10 March 2022

The Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to give the relevant government departments the regulation powers to resolve the discrimination identified in the McCloud judgment.

### Mandatory scheme pays deadlines changed

Section 9 of the Finance Act 2022 and the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 have changed the annual allowance deadlines. The changes apply in certain situations where annual allowance calculations for previous years are retrospectively amended. The LGA have published their interpretation of these changes in bulletin [223](#).

### Disclosure requirements for Normal Minimum Pension Age (NMPA) increase

The LGA have received several questions about whether an administering authority must tell its members about the NMPA increase. In particular whether regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of

Information) Regulations 2013 is triggered. The change to the NMPA has not triggered regulation 8. This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the NMPA. The relevant government department will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether members who qualify for protection will be allowed to receive payment before 57. When the LGPS rules change, regulation 8 will then be triggered.

#### Prudential performance update

Representatives from Prudential attended the SAB meeting in December 2021 to discuss the performance issues experienced by administering authorities since November 2020. Prudential issued a communication on 13/05/2022 which can be found here [Prudential letter](#).

#### Department for Levelling Up, Housing & Communities (DLUHC) publishes statutory guidance on special severance payments

On 12 May 2022, DLUHC published [statutory guidance on special severance payments](#). Best Value authorities in England must have regard to the guidance in circumstances in which it may be appropriate to make special severance payments. The guidance also covers approval, disclosure and reporting requirements

#### The Pensions Ombudsman (TPO) - New online application form launched

TPO recently launched an enhanced online application form. The more user-friendly form is also smarter, with customers only required to answer relevant questions.

#### The Pensions Regulator (TPR) Enforcement and prosecution policies consultation

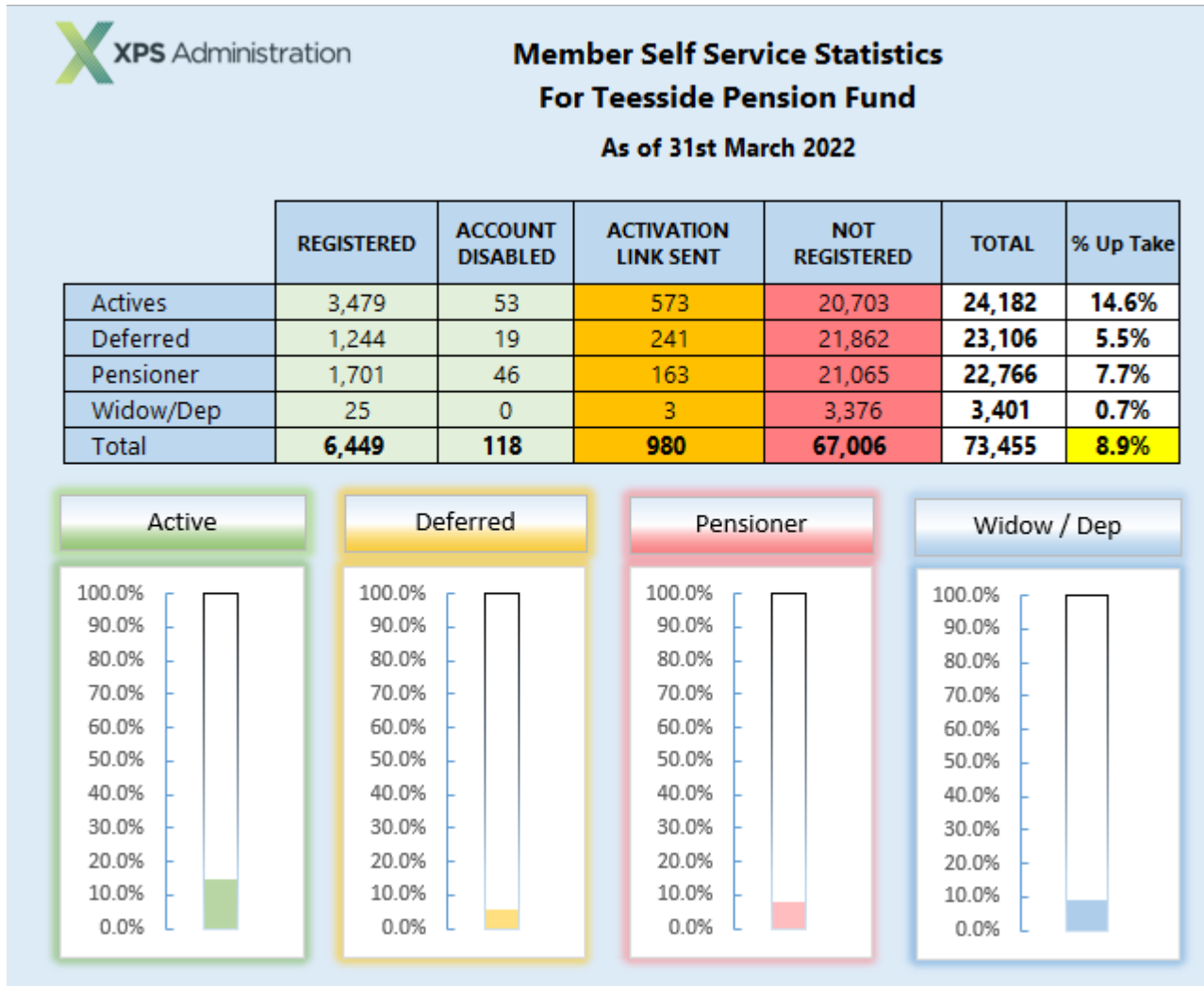
On 4 May 2022, TPR launched a consultation on its new consolidated and simpler draft enforcement policy and an updated prosecution policy. The [Enforcement and prosecution policies consultation](#) will close on 24 June 2022. The [Draft scheme management enforcement policy](#) will replace existing policies for defined benefit, defined contribution and public service pension schemes. The [Draft prosecution policy](#) explains how TPR will approach the prosecution of workplace pension criminal offences or offences that are otherwise related to TPR functions. Both policies have been updated to include the new powers granted to TPR in the Pension Schemes Act 2021.

## 02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q4 2021/22	25,609	▲	26,240	▲	22,918	▲	3,309	▲
Q3 2021/22	24,729	▼	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,736	▲	26,040	▲	22,640	▲	3,261	▲
Q1 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲

# 03 Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:



# 04 Pension Regulator Data Scores

## Common Data

Data Test	Common data score		
	Max Population	Total Fails	% OK
NINO	6422	15	99.77%
Surname	6422	0	100.00%
Forename / Inits	6422	0	100.00%
Sex	6422	0	100.00%
Title	6422	1	99.98%
DoB Present	6422	0	100.00%
DJS	6422	0	100.00%
Status	6422	0	100.00%
Last Status Event	6422	4	99.94%
Status Date	6422	37	99.42%
No Address	6422	18	99.72%
No Postcode	6422	39	99.39%
Address (All)	6422	60	99.07%
Postcode (All)	6422	71	98.89%
Members with a Fail	6422	68	98.94%
Members with Multiple Fails	6422	59	99.08%

# Scheme Specific 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, this work will be complete by the 31<sup>st</sup> March 2022.

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 Guaranteed Minimum Pension)	68,296	9,151	86.60
TPF (exc Guaranteed Minimum Pension)	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 Guaranteed Minimum Pension (GMP)				24,400	7,954	67.40
1.5.3	Post-88 Guaranteed Minimum Pension (GMP)						

# 05 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 <a href="http://www.teespen.org.uk">www.teespen.org.uk</a> 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 7<sup>th</sup> 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 11<sup>th</sup> July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

### Employer Liaison

On 1<sup>st</sup> May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24<sup>th</sup> 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 5<sup>th</sup> 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.



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 can 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 2022/23 financial year. 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. I have also established a relationship with all Local Authorities Financial Wellbeing officers in which we are making ourselves available to work with them on their events and promotions alongside our usual employer and member sessions.

<b>Date</b>	<b>Late Payments</b>	<b>Expected Payments</b>	<b>% Late</b>	<b>&lt; 10 Days Late</b>	<b>&gt; 10 Days Late</b>
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
Aug-21	4	149	3.00%	3	1
Sep-21	4	149	3.00%	1	3
Oct-21	3	144	2.00%	0	3
Nov-21	2	144	1.00%	0	2
Dec-21	4	144	3.00%	1	3
Jan-22	10	146	7.00%	1	9
Feb-22	8	146	5.00%	1	7
Mar-22	8	146	5.00%	0	8
Apr-22	8	146	5.00%	0	8

# 06 Completed Cases Overview

2021/22

	Cases Completed	Cases Completed within Target	Cases Completed Outside Target	Cases: % Within Target
April	493	493	0	100.00%
May	421	421	0	100.00%
June	548	548	0	100.00%
<b>Quarter 1</b>	<b>1462</b>	<b>1462</b>	<b>0</b>	<b>100.00%</b>
July	793	792	1	99.87%
August	381	379	2	99.48%
September	502	502	0	100.00%
<b>Quarter 2</b>	<b>1676</b>	<b>1673</b>	<b>3</b>	<b>99.82%</b>
October	474	474	0	100.00%
November	605	605	0	100.00%
December	618	616	2	99.68%
<b>Quarter 3</b>	<b>1697</b>	<b>1695</b>	<b>2</b>	<b>99.88%</b>
January	407	407	0	100.00%
February	340	339	1	99.71%
March	304	304	0	100.00%
<b>Quarter 4</b>	<b>1051</b>	<b>1050</b>	<b>1</b>	<b>99.90%</b>

2022/23

	Cases Completed	Cases Completed within Target	Cases Completed Outside Target	Cases: % Within Target
April	390	388	2	99.49%
May	0	0	0	0.00%
June	0	0	0	0.00%
<b>Quarter 1</b>	<b>390</b>	<b>388</b>	<b>2</b>	<b>99.49%</b>
July	0	0	0	0.00%
August	0	0	0	0.00%
September	0	0	0	0.00%
<b>Quarter 2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
October	0	0	0	0.00%
November	0	0	0	0.00%
December	0	0	0	0.00%
<b>Quarter 3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
January	0	0	0	0.00%
February	0	0	0	0.00%
March	0	0	0	0.00%
<b>Quarter 4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>

# 07 Completed Cases by Month

## January 2022

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%	2.49	216	0	216	216
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	14	0	14	14
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	13	0	13	13
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	178	0	178	178
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%	0%	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		

## February 2022

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	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.66	97	0	97	97	
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	13	0	13	13	
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	11	0	11	11	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.5%	5	219	1	219	218	
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			

## March 2022

<b>KEY PERFORMANCE REQUIREMENTS (KPR)</b>	<b>MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)</b>	<b>KPR Days</b>	<b>MINIMUM PERFORMANCE LEVEL (MPL)</b>	<b>ACTUAL PERFORMANCE LEVEL (APL)</b>	<b>Average Case Time (days)</b>	<b>Number of Cases</b>	<b>Over target</b>	<b>TOTAL (cases)</b>	<b>Within Target</b>
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	3.94	80	0	80	80
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	3	3	0	3	3
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%	3	7	0	7	7
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	214	0	214	214
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%	0%	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		

## April 2022



## 08 Complaints

Full Name	Description	Date received	Date completed	Comment
Nil return				

**Graeme Hall**  
Operations Manager  
01642 030643

XPS Pensions Group, XPS Pensions, XPS Group, XPS Administration, XPS Investment and XPS Transactions are the trading names of Xafinity Consulting Ltd, Punter Southall Ltd and Punter Southall Investment Consulting Ltd.

XPS Administration is the trading name of PS Administration Ltd.

**Registration**

Xafinity Consulting Ltd, Registered No. 2459442. Registered office: Phoenix House, 1 Station Hill, Reading RG1 1NB. Punter Southall Investment Consulting Ltd Registered No. 6242672, Punter Southall Ltd Registered No. 03842603, PS Administration Ltd Registered No. 9428346. All registered at: 11 Strand, London WC2N 5HR. All companies registered in England and Wales.

**Authorisation**

Punter Southall Investment Consulting Ltd (FCA Register number 528774) and Xafinity Consulting Ltd (FCA Register number 194270) are both authorised and regulated by the Financial Conduct Authority (FCA) for investment business.

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