

## TEESSIDE PENSION FUND COMMITTEE

<b>Date:</b> Wednesday 12th March, 2025
<b>Time:</b> 11.00 am
<b>Venue:</b> Mandela Room (Municipal Buildings)

### AGENDA

1. Welcome and Fire Evacuation Procedure  
  
In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.
2. Apologies for Absence
3. Declarations of Interest
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6. Investment Activity Report (incl. TM Report, Valuation & Forward Investment Programme) 19 - 48
7. External Managers' Reports (Border to Coast & State Street Global Advisors) with Border to Coast ESG Reports 49 - 116
8. Pension Fund Business Plan 2025-28 117 - 164
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11. Border to Coast Presentation 181 - 192
12. Investment Advisors' Reports 193 - 200
13. CBRE Property Report 201 - 208

14. XPS Pensions Administration Report 209 - 226
15. Any other urgent items which in the opinion of the Chair, can be considered

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Tuesday 4 March 2025

#### MEMBERSHIP

Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, T Furness, D Jackson, D McCabe, J Young, J Beall, M Fairley, Scarborough, Ms J Flaws, Mr T Watson and Mr B Foulger

#### **Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information please contact Claire Jones/Susan Lightwing, 01642 729112/01642 729712, [claire\\_jones@middlesbrough.gov.uk](mailto:claire_jones@middlesbrough.gov.uk)/[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 11 December 2024.

**PRESENT:** Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Coupe, D Jackson, J Young, J Beall, M Fairley, M Scarborough, Ms J Flaws and Mr T Watson

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser) D Knight (Border to Coast), T Manuel (Border to Coast) A Owen (CBRE), R Quinn (CBRE), G Rutter (CBRE) M Rutter (Ernst Young), J Baillie (Hymans Robertson) L Pelmeear (XPS)

**OFFICERS:** N Orton, C Jones and D Middleton

**APOLOGIES FOR ABSENCE:** Councillors D Branson, T Furness and S Hill

**24/39 WELCOME AND FIRE EVACUATION PROCEDURE**

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

**24/40 DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Non-Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund

**24/41 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 25 SEPTEMBER 2024**

The minutes of the meeting of the Teesside Pension Fund Committee held on 25 September 2024 were taken as read and approved as a correct record.

**24/42 FINAL AUDIT RESULTS REPORTS - YEAR ENDING 31 MARCH 2022 AND YEAR ENDING 31 MARCH 2023**

A report was presented by Ernst & Young (EY) which summarised the audit conclusion in relation to the audit of Teesside Pension Fund for 2021/22. The audit was designed to express an opinion on the 2021/22 financial statements and addressed current statutory and regulatory requirements. The report contained the findings of EY, related to the areas of audit emphasis, their views on Teesside Pension Fund’s accounting policies and judgements and material internal control findings.

The report identified key areas of focus for the audit of the Pension Fund’s financial statements, and set out the Auditor’s observations and conclusions, including their views on areas which might be conservative, and where there was potential risk and exposure. The consideration of these matters, and any others identified, were summarised in the “Areas of Audit Focus” section of the report.

The following Areas of Audit Focus were discussed for the 2021/22 report:

- Misstatements due to fraud or error (fraud risk)  
As reported in the Outline Audit Planning Report, audit planning procedures identified a large unexpected increase in investment income which increased from £13.7m in 2020/21 to £176.4m in 2021/22. Initial enquiries of management identified this as erroneous and EY recognised a significant risk in relation to investment income. This matter had been corrected within the financial statements, and Auditors were satisfied it arose as a result of error rather than fraud.

As at 31 March 2022, the Pension Fund's financial statements included a £26.5m investment in a start-up challenger bank. Management asserted that the valuation at 31 March 2022, which significantly exceeded the Pension Fund's share of the net assets of the bank at that date, was reasonable and reflected the anticipated future profitability of the bank. It was noted that at 31 March 2022, the bank was still going through licensing and was not yet actively trading. However, the financial statements for the year ended 31 March 2023 included a significant impairment of this investment to reflect changes in management's expectations for recoverability of the Pension Fund's investment. It was the view of Auditors that the Pension Fund should also have impaired its investment. As at 31 March 2022, Auditors were reporting an uncorrected misstatement of £19.9m in relation to this investment.

- Valuation of pooled investment vehicles  
The agreement of investment valuations to third party confirmations from investment managers identified a number of errors in the recording of investment valuations, including incorrectly recording investments denominated in foreign currencies without converting amounts to sterling and omission of purchases made in the final quarter of the year. The net impact of these misstatements overstated investment assets by net £35.8m, which management had corrected the financial statements for. However, the size of the gross misstatement, overstatements of investments assets by £71.4m and understatement of investment assets by £35.6m, indicated that controls over the recording of investment valuations were not operating effectively. In addition, without impacting the overall valuation of investment assets, Auditors identified £52.5m of classification errors between the categories of investments disclosed within the notes to the financial statements. Management have corrected the financial statements for these classification misstatements. Following correction of the majority of identified misstatements, Auditors were satisfied that the valuation of pooled investment vehicles was not materially misstated.
- Valuation of private market investments  
Additional audit procedures over private market investments identified that one of the Fund's external investment managers had provided valuations to the Pension Fund which were based on historic cost, rather than market value which was required for reporting in the Pension Fund's financial statements. The Pension Fund had not identified as part of their review processes that valuations were not being provided on the correct basis. As a result of the incorrect valuation methodology being used by the fund manager, investment assets were understated by £7.7m. Management had opted not to correct the financial statements for this matter.
- Valuation of directly held property  
The analysis of the valuation of the Pension Fund's property assets as at 31 March 2022 identified 12 individual property valuations which were considered to exhibit indicators of having a higher risk of misstatement. Factors indicative of a higher risk of misstatement included: changes in valuations from the prior year; valuations which were out-of-line with similar assets; assets with a high proportion of tenants on expiring leases; and assets whose tenants were more exposed to adverse financial impacts of the Covid-19 pandemic. These 12 assets covered 41% of the total balance by value and EY Real Estate specialists were asked to review the valuations of these assets. The EY Real Estate specialists concluded that, other than a clearly trivial variance on one property, all valuations were within a reasonable range. There were no other observations to report in relation to directly held property. EY were therefore satisfied that directly held property was not materially misstated.

The conclusions of the 2022/23 report were:

- Valuation of pooled investment vehicles

Pooled Investment Vehicles reported in the financial statements were £10.1 million lower than confirmations received from fund managers. Of this, £8.1 million relates information from fund managers not being available until after the financial statements were prepared. The two investments totalling £7.3 million were noted as being incorrectly classified as level 3 instead of level 1 related to Pooled Property Investments. Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices. No control observations were noted from the review of investment manager control report.

- Valuation of private market investments

It was identified that for two investments totalling £18.6 million, fund managers provided valuations on cost rather than on a revaluation basis. This understated the investments reported by £7.3 million. The Fund held investments in a limited company with a reported value of £40.1 million. It was noted that the Fund had continued to value this at the cost of the investment, rather than revaluing its investment at 31 March 2023. The value reported was in excess of the Fund's share of the net book value of the company by £30.3 million (£9.8 million total). This had been adjusted by management. Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices.

- Valuation of directly held property

The Fund's valuer was appropriately objective, competent and capable. It was noted that the principal signatory of the valuation report had performed the valuation since 2012, in excess of suggested timings under RICS recommendations. It was identified that properties were mostly valued at the upper end of expected valuation ranges. From properties reviewed, expected valuations were not significantly different to underlying lease agreements and wider market indices and costs. No audit differences were identified.

During discussion, Members queried follow-up actions to the audit findings. The Director of Finance directed Members to Appendix C: The Management Representation Letter and advised the Committee that updates were routinely reported to Middlesbrough Council's Audit Committee. It was further advised that Mazars would complete an Audit Report of 2023/24 with an update provided on the recommendations set out in the 2022/23 report.

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

24/43

## **INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)**

A report of the Director of Finance was presented to inform Members of how the Investment Advisors' recommendations were being implemented and provided a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation. The treasury management of the Fund's cash balances and the Forward Investment Programme were also presented.

The Fund continued to favour growth assets over protection assets. For the period under discussion, bonds were still not considered value for the Fund and the Fund had no investment in bonds at this time.

Cash level at the end of September 2024 was 5.97%.

Investment in direct property where the property had a good covenant, yield and lease terms would continue. There were no purchases or sales in the quarter.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally they had costly management fees and investing capital could be a slow process. An amount of £34m was invested in the quarter.

Appendix A of the report detailed transactions for the period 1 July 2024 – 30 September 2024. There were net sales of £147m in the period.

As at 30 September 2024, the Fund had £326m invested with approved counterparties. This was an increase of £135m over the last quarter. Appendix B of the report showed a graph of the maturity profile of cash invested. It also showed the average rate of interest obtained on the investments for each time period.

The Fund Valuation detailed all the investments of the Fund as at 30 September 2024, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,483 million. The detailed valuation was attached to the report at Appendix C. This compared with the last reported valuation, as at 31 March 2024 of £5,524 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2024 compared with the Fund's customised benchmark.

As at 30 September 2024, the Fund's equity weighting was 57.49% compared to 60.26% at the end of June 2024. It has been agreed between the Investment Advisers and the Head of Pensions Governance & Investments that the Fund would disinvest from State Street (SSGA) Passive Equity Funds.

In the quarter July – September £435m was redeemed, of that, £330m was re-invested in the Border to Coast Overseas Developed Equity Fund with the remainder held as cash at the Fund. A summary of equity returns for the quarter 1 July 2024 – 30 September 2024 was set out at paragraph 8.4 of the report.

The Fund had no investments in bonds at this time, the level of cash invested was 5.97%. Discussions were held within the Committee Meeting regarding investment in bonds. Although there was no directive to invest at this time, the Advisers had since indicated the levels at which they felt investment would be appropriate. Officers were monitoring the situation, when the levels come into range, there would be further discussion with the advisers. At present, it was considered that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

To date the Fund had agreed 4 Local Investments:

- GB Bank – £20m initial investment called in full in September 2020. £6.5m was paid to the bank in December 2021. £13.5m paid August 2022 as the bank received regulatory approval to exit mobilisation. £4m was agreed at the September 2023 Committee and paid to GB Bank in October. £5m agreed at March 2024 Committee and paid May 2024.
- Ethical Housing Company - £5m investment of which £765k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee, payment made in full December 2021.
- FW Capital – At the September Committee meeting, agreement was given for an investment of £20m into the Teesside Flexible Investment Fund. The money would be called down as and when investments were made.

As at 31 October 2024 total commitments to private equity, infrastructure and other debt were £1,920m, as set out at paragraph 8.8 of the report.

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

24/44

## **EXTERNAL MANAGER REPORTS (BORDER TO COAST & STATE STREET GLOBAL ADVISORS) WITH BORDER TO COAST ESG 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')

At 30 September 2024 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which had 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 had 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 had an active emerging markets equity portfolio aiming to produce long term returns at least 1.5% above the FTSE Emerging markets indices. Part of the Fund was 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 was expected to be delivered over rolling three-year periods, before calculation of the management fee.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report, shown at Appendix B showed the market value of the State Street passive equity portfolio and the proportions invested in each region at 30 September 2024. Performance figures were also shown in the report over a number of time periods and from inception.

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.

Border to Coast had worked with its reporting providers to develop reporting which covered the Environmental Social and Governance (ESG) issues and impact of the investments it managed, together with an assessment of the carbon exposure of these investments.

Appendix C contained 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 included 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 was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

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

24/45

## **GOVERNANCE POLICIES REVIEW**

A report of the Director of Finance was presented to provide Members with updated versions of a number of governance policies for comment / noting, as appropriate.

Most of the Pension Fund's governance policies were required to be formally updated every three years. At the last review, in December 2021, an overarching review of Local Government Pension Scheme (LGPS) governance had been expected for over a year, as a follow-on from work carried out on behalf of the Scheme Advisory Board. This review, which was expected to introduce the "Good Governance" proposals, had not yet taken place, but the governance issues fund and pool level were a key element of the Government's recently issued LGPS (England and Wales) 'Fit for the Future' consultation.

The latest consultation was expected to mean further guidance on LGPS governance, and would be published in the New Year. In addition, the Fund was due to be working with a different pensions administrator from June 2025. Consequently, this was a 'light touch' review of the Fund's governance policies, as further changes were likely to be required for some of them during 2025.

The following documents had been reviewed and updated (where necessary) based on the existing regulations and guidance:

- Governance Policy and Compliance Statement.
- Training Policy.
- Conflict of Interest Policy.
- Risk Management Policy.
- Procedures for Reporting Breaches of Law.

- Communication Policy.
- Pension Administration Strategy and Charging Policy.
- Fund Officers' Scheme of Delegation.

The documents were shown at Appendices A to H of the report.

**ORDERED** that:

- The information provided was received and noted.
- The revised governance policies would take immediate effect.

24/46

### **LGPS NATIONAL KNOWLEDGE ASSESSMENT OUTCOME**

A report of the Director of Finance was presented to inform Members of the outcome of the National Knowledge Assessment recently undertaken by Teesside Pension Board and Pension Fund Committee members, and to discuss a potential training plan to address gaps in knowledge identified by the assessment.

The National Knowledge Assessment (NKA) allowed a direct insight into the knowledge and skills of their key decision makers and oversight body. Participants answered a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on responses, a score was recorded for each member, and also collectively for both the Committee and Board.

The report included benchmarking against the results of all other participating Funds. The assessment would help the Fund assess and report on the Knowledge and Skills of Committee and Board members, demonstrating that they had met the requirements laid out in The Pensions Regulator's General Code of Practice.

The performance of the Board (average overall score of 76.4 %) was stronger than that of the Committee (average overall score of 53.5 %). The performance for the Committee and Board diverged the most in the Financial Markets and Product Knowledge section, when Board were 40.7 % higher than the Committee. The Committee performed most strongly in the areas of Pensions Governance and Investment Performance and Risk Management. The Board areas of strongest knowledge were Pensions Governance and Investment Performance and Risk Management.

Based on the results from the assessment, potential training sources had been prepared based on what would be most valuable to the Fund at the present time.

A discussion took place whereby the training budget was reflected on; a Member suggested that all Members offer firm commitment to the Committee because of this. It was further highlighted by the Director of Finance that there was great value in having stability on the Pension Fund and would encourage members to remain on the Committee.

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

24/47

### **PRESENTATION FROM THE ACTUARY - 2025 VALUATION PREPARATION**

A presentation on the 2025 Valuation Preparation was provided by the Actuary. The presentation included:

- How the Fund works.
- Role of the Actuary.
- Reasons behind a valuation.
- How a valuation is completed.
- 2022 valuation results.
- What has happened since 2022.
- Key funding decisions.

The presentation highlighted areas of what the actuary carried out for stakeholders, with the main focus on carrying out fund valuations. It was noted that there was a statutory



requirement to complete a valuation every three years with assumptions and estimations also included. The actuary also performed ongoing health checks to ensure there were enough funds set aside.

The information provided showed a funding level of 116%, with a total average employer rate of 14.8%. Funding had improved since 2022, with assets returns positive. There had been rising interest rates and high inflation with a higher expected return on the Fund's assets.

For 2025 there were key funding decisions that the Fund should make; how much should be collected in contributions, and how much in investment returns.

The Actuary highlighted the results of national assessment as a useful resource, with on-demand learning which could be revisited multiple times. It was advised that Committee Members complete modules 7: Financial Markets and Product Knowledge and 8: Actuarial Methods, Standards and Practices, and Board Members should complete modules 4: Pensions Accounting and Audit Standards and 8: Actuarial Methods, Standards and Practices.

A Member queried the timeline for the valuation preparation and how this aligned with Local Authority's budget planning. The Actuary advised that in March 2025 a comprehensive set of assumptions would be compiled, conversations with Officers would begin in June and discussions with Employers in Autumn. The Director of Finance advised that there would be an expectation that this would be available for September when most Local Authorities commenced budget planning.

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

24/48

## **BORDER TO COAST RESPONSIBLE INVESTMENT POLICY, CORPORATE GOVERNANCE & VOTING GUIDELINES AND CLIMATE CHANGE POLICY**

A report was presented which advised the Committee of recent changes made by Border to Coast Pensions Partnership Limited ('Border to Coast') to its Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) required the Fund to have a policy on:

- Environmental, social and governance (ESG) considerations. The policy was required to take into account the selection, non-selection, retention and realisation of assets.
- The exercise of rights, including voting rights attached to investments.

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment (RI) Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve that applied across all the investments it held on their behalf. In 2021, Border to Coast also introduced a standalone Climate Change Policy. The latest version of all three documents (as approved at the 13 December 2023 Pension Fund Committee) could be found on Border to Coast's website at the following link:

[https://www.bordertocoast.org.uk/publications/?\\_sfm\\_publication\\_document\\_type=Responsible%20Investment%20Policies](https://www.bordertocoast.org.uk/publications/?_sfm_publication_document_type=Responsible%20Investment%20Policies)

Border to Coast would continue to work with its Partner Funds to develop and update its approach to Responsible Investment (including Climate Change) and Corporate Governance.

A Member raised the issue of Responsible Investment and tobacco exclusion being considered as part of the policy. Border to Coast advised that further exclusions will be considered more fully in 2025 and will bring forward tobacco as part of that discussion.

**ORDERED** that Members noted and approved the changes made to the Border to Coast documents – relevant extracts were included as Appendices A, B and C to the report.

24/49

## **PRESENTATION FROM BORDER TO COAST - RESPONSIBLE INVESTMENT**

The Committee received a summary and update on the Fund's investments with Border to Coast.

The presentation provided information on the following:

- Listed Investments as at 30 September 2024.
- Macro outlook Q3 2024.
- Listed Investments: Performance Q3, 2024.
- Private Equity.
- Infrastructure.
- Responsible Investment Update.

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

24/50

## **GOVERNMENT CONSULTATION - LGPS (ENGLAND AND WALES) FIT FOR THE FUTURE**

A report of the Director of Finance was presented to inform Members of the consultation issued by the Government intended to make the Local Government Pension Scheme (LGPS) in England and Wales 'fit for the future', outline some key points from that consultation, how the Teesside Fund could be impacted and the timetable, and process for responding to the consultation. The report also asked Members to agree that the Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) could draft and submit a consultation response on behalf of the Fund / the Council as administering authority for the Fund.

The Government confirmed on 4 September 2024 that it would carry out a pensions review, which it described as follows: "The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

The Government issued a 'call for evidence' which focussed on the following three topics; some questions under those topics related to defined contribution schemes, others purely related to the LGPS, and some potentially covered both:

- Scale and consolidation.
- Costs vs Value.
- Investing in the UK.

In addition, the document referred to the consultation carried out by the previous Government last year and stated, "Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions."

There was a three-week deadline for responses. The Head of Pensions Governance and Investments had worked with colleagues in Border to Coast and its Partner Funds to produce a response that emphasised:

- The benefits of scale provided by the Fund's participation in Border to Coast.
- The extent to which the Fund already invested in the UK.

Consideration was also given as to whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seemed to imply.

On 14 November 2024, Chancellor of the Exchequer Rachel Reeves announced as part of her Mansion House speech that she would be "publishing the interim report of the Pensions Investment Review. It sets out our plans to create Canadian and Australian style-"megafunds" to power growth in our economy... underpinned by a clear commitment to legislate for these changes for the first time in the Pension Scheme Bill next year." and that the Government would "legislate on measures to consolidate the Local Government Pension Scheme... and

require that the 86 Local Government Pension Scheme administering authorities consolidate all their assets into 8 pools.”

This was followed by the publication of a set of documents including a consultation “Local Government Pension Scheme (England and Wales): Fit for the future” which would close on 16 January 2025.

Some significant points from the consultation included:

- LGPS Pool companies would need to be regulated by the Financial Conduct Authority (FCA) and able to offer internal management (Border to Coast was already FCA regulated and offers internal management in some asset classes).
- Funds/Administering Authorities would need to transfer all their listed assets to their Pool by 31 March 2025 and would be expected to transfer legacy assets to the management of the Pool by 31 March 2026.
- Pool companies would be expected to be the principal source of investment advice to Funds/Administering Authorities.

During discussion, a Member suggested that it would be more inclusive if large employer stakeholders were able to contribute directly to the consultation. The Head of Pensions, Governance and Investments advised that it was an open consultation, allowing anyone to respond. However, the draft response of the Teesside Pension Fund Committee would be shared with S151 Officers in the neighbouring authorities.

**ORDERED:**

- That the Committee agreed that consultation responses would be drafted and submitted.
- The Committee had the opportunity to provide any suggestions in relation to the Fund’s consultation response at this meeting or, over the following weeks, through feedback to the Chair or Vice Chair.

24/51

**INVESTMENT ADVISORS' REPORTS**

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

Further commentary was provided at the meeting.

Both Advisors spoke of the United States, with the focus on what a Trump administration meant for the economy, in particular the expectation of substantial trade tariffs.

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

24/52

**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 report included:

- Economic Commentary.
- Direct Portfolio Analysis.
- Property Portfolio Returns.
- Investment and Asset Management Updates.
- Portfolio Arrears Update.
- Lending Update.
- Existing Loan Portfolio.
- Responsible Investment Initiatives.

As of 30 November 2024, the portfolio comprised of 34 properties located throughout the UK,

with a combined value of £485.1m. This reflected an overall Net Initial Yield of 5.5%, and an Equivalent Yield of 5.88%. The portfolio comprised of principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprised 94% of the Portfolio by capital value. There were 91 demises and a total net lettable area of 2,751,651 sq. ft. The portfolio had a current gross passing rent of £28,613,928 per annum against a gross market rental value of £27,578,437 per annum. The weighted average unexpired lease term was 8.9 years to the earlier of the first break or expiry and 9.6 years to expiry, ignoring break dates.

The portfolio highlight was that the Fund was negotiating a £25m Bridge Loan Facility to Verdant Regeneration Limited. The loan would aid the borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire. On completion, the Fund's loan book would reach the current target allocation of £100m.

A member raised a query in respect of the portfolio arrears, in particular a tenant's total arrears of £108,123 (27.3% of the collectable arrears). CBRE confirmed that this was due to the reporting cycle and that some tenants preferred to pay monthly rather than quarterly. It was noted that the rent collection figure was more meaningful to the Fund.

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

24/53 **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 report provided information on the following:

- Overview.
- Membership Movement.
- Errors and Complaints.
- Membership Engagement.
- Data Quality.
- Regulations and Guidance.
- SLAs.
- Administration Team.

The report was taken as read with further commentary provided at the meeting.

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

24/54 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

24/55 **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.

24/56 **PROPERTY MANAGEMENT**

A report was presented to request that Members consider a revised approach to the management of the Pension Fund's directly held property portfolio, in the light of the requirements set out in the Government's recently issued "LGPS (England and Wales): Fit for the Future" consultation.

**ORDERED** that option one, as detailed in the report, was approved.

24/57 **PROCUREMENT UPDATE**

11 December 2024

A report was presented which provided Members of the Teesside Pension Fund Committee (the Committee) with an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

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

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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

### PENSION FUND COMMITTEE REPORT

12 MARCH 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

#### CONTRIBUTION RATE REVIEW REQUEST

#### 1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to provide the Members of the Pension Fund Committee (the Committee) with details of a request for a reduction in employer contribution rates received from the four main councils in the Fund.

#### 2. RECOMMENDATION

- 2.1 That the Committee notes this report, and that the outcome of the review will be reported to a future Committee meeting.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications resulting from this report.

#### 4. BACKGROUND

- 4.1 Employer contribution rates are set every three years following the actuarial valuation of the Fund. These rates are set and certified by the actuary in a 'rates and adjustments certificate' that forms part of the formal valuation report.
- 4.2 Under normal circumstances the rates are set for the three-year inter-valuation period and are not reviewed until the next valuation. However, the regulations governing the Fund do envisage certain circumstances where an employer's contribution rate can be reviewed between valuations. There is also statutory and non-statutory guidance on when employer rates can be reviewed, and LGPS Funds are expected to take the regulations and guidance into account when setting out how will deal with employer requests for contribution rate reviews within their Funding Strategy Statement.
- 4.3 Our Fund's Funding Strategy Statement (which can be accessed at the following link: [tees-2022-valuation-fs-30-march-2023.pdf](#)) sets out the Fund's approach to employer requests for contribution rate reviews as follows:

### **“Reviewing contributions between valuations**

The fund may amend contribution rates between formal valuations for a ‘significant change’ to the liabilities or covenant of an employer, in line with its policy on contribution reviews. A review may be instigated by the fund or at the request of a participating employer.

The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

The fund’s approach reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

The fund would consider one or more of the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (eg a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring.

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.”



## **5. REQUEST FOR A CONTRIBUTION RATE REVIEW**

- 5.1 The finance directors of the four main councils in the Fund (Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton) have written to request a contribution rate review, further information on the request is included in Appendix A which has been provided by the four councils.
- 5.2 As the councils do not meet the criteria set out in 4.3 above which would trigger a review of their rate by the Fund, this will be treated as a review requested and funded by the four councils.
- 5.3 Initial meetings have taken place to understand the rationale and any information that may be relevant in respect of the review. The review will be undertaken by the Fund actuary and in line with the Fund's Funding Strategy Statement.

## **6. NEXT STEPS**

- 6.1 The outcome of the review will be reported to the next available Pension Fund Committee.
- 6.2 The four councils, in common with all employers in the Fund, will have their employer contribution rates assessed as part of the 31 March 2025 valuation of the Fund, with new rates applying from 1 April 2026.

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## **Appendix A – Summary prepared on behalf of the four councils**

### **Teesside Pension Fund (“the Fund”): Request for Interim Contribution Rate Review**

The four local authorities within the Fund (Hartlepool, Middlesbrough, Redcar & Cleveland, and Stockton-on-Tees Borough Councils) have formally requested an interim review of their contribution rates in the Fund. Specifically, they are seeking a reduction to their 2025/26 contribution rates i.e. the rates effective from 1 April 2025 to 31 March 2026.

A formal request (under Regulation 64A(1)(b)(iii) of the Local Government Pension Scheme Regulations 2013) was first put to the Fund in a joint letter from the four local authorities dated 9 December 2024.

As the Pension Fund Committee has a specific role relating to Funding Strategy, including ensuring that appropriate funding plans are in place for all employers in the Fund, and overseeing any interim valuations, the local authorities wish to bring this request to your attention.

#### **Rationale for the request**

- The local authorities are facing significant financial pressures, impacting their ability to maintain services and manage short-medium term cash flow. In their formal request to the Fund, each local authority highlighted specific examples of budget gaps and measures taken to address them, including transformation programmes, reserve utilisation, and cuts to services. Further information can be provided to the Fund, as necessary.
- The Fund’s very strong funding position, with a recent funding update (for the whole Fund as at 30 September 2024) revealing an estimated funding level of 157% and a surplus of over £2bn. This compares to an already healthy funding level of 116% and surplus of £685M at the 2022 valuation. The funding position is expected to have improved further since 30 September 2024.
- The local authorities have already experienced a 0.5% increase in their contribution rates for 2024/25, with a further 1.0% increase scheduled to be applied from 1 April 2025.

The initial request sought a reduction in each local authority’s contribution rate to 0.6% in 2025/26 (which would cover the Fund’s administration expenses only). This was proposed as a temporary easement, with contribution rates for 2026/27 onwards to be reassessed at the 2025 valuation.

While the cash savings that would be achieved through such a reduction would be substantial for each local authority, they would represent less than 3% of the current funding surplus. Following discussions, the Fund and its actuaries have confirmed that such a reduction would not be permissible based on the modelling carried out at the 2022 valuation.

#### **Current status**

The local authorities acknowledge the Fund’s decision to decline their initial request for a 0.6% contribution rate in 2025/26. However, they are keen to explore with the Fund and its actuaries the extent to which a more modest reduction for 2025/26 could be facilitated. Whilst any reduction would be insignificant compared to the current surplus, it would represent a substantial saving for each local authority in the context of their current financial pressures, with every pound of spend open to scrutiny.

The local authorities have requested that the Fund and its actuaries share details of the modelling used at the 2022 valuation, including any secondary parameters used in the Fund’s decision-making process, and that the Fund and its actuaries then work with them to identify any flexibility that may facilitate a reduction in contribution rates for the upcoming financial year.

**TEESSIDE PENSION FUND**  
Administered by Middlesbrough Council

AGENDA ITEM 6

**PENSION FUND COMMITTEE REPORT**

**12 MARCH 2025**

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE**

**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 OCTOBER - DECEMBER 2024**

- 4.1 The Fund continues to favour growth assets over protection assets. For the period under discussion here, bonds were still not considered value for the Fund.

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 level at the end of December 2024 was 9.1%

- 4.3 There were no Direct Property purchases or sales in the quarter.

- 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.

An amount of £74m was invested in the quarter.

## 5. TRANSACTION REPORT

- 5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period 1 October 2024 – 31 December 2024.
- 5.2 There were net sales of £167m in the 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 Director of Finance.
- 6.3 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.
- 6.4 As at 30 December 2024, the Fund had £505.5m invested with approved counterparties. This is an increase of £179.5m 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 Director of Finance 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 December 2024, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,565 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 30 September 2024 of **£5,483 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 December 2024 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 September 2024 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target SAA	Current 31/12/24	Minimum	Maximum
<b>GROWTH ASSETS</b>	<b>70%</b>	<b>65.07%</b>	<b>50%</b>	<b>90%</b>
UK Equities	10%	10.59%	5%	20%
+Overseas Equities	45%	42.52%	30%	60%
Private Equity	15%	11.96%	0%	10%
<b>PROTECTION ASSETS</b>	<b>30%</b>	<b>34.71%</b>	<b>10%</b>	<b>50%</b>
Bonds / Other debt / Cash	10%	12.22%	0%	20%
Property	10%	10.51%	0%	20%
Infrastructure	10%	11.98%	0%	20%

(Local Investments account for the missing 0.22% in the "current" totals - there is no allocation within the SAA for these assets)

### 8.4 EQUITIES

As at the 31 December 2024 the Fund's equity weighting was 53.11% compared to 57.49% at the end of September 2024.

The Fund completed the redemption of the SSGA Passive Equity Funds in the quarter.

Summary of equity returns for the quarter 1 October 2024 – 31 December 2024:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	-1.50%	-0.35%	-1.15%
BCPP Overseas	1.68%	1.60%	0.08%
BCPP Emerging Market	-0.14%	0.14%	-0.28%
SSGA Pacific	0.26%	0.19%	0.07%
SSGA Japan	5.78%	5.75%	0.03%
SSGA Europe	-2.14%	-2.20%	0.06%
SSGA North America	11.94%	11.87%	0.07%

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

(SSGA – State Street Global Advisers – Passive Management)

## 8.5 BONDS + CASH

The Fund has no investments in bonds at this time, the level of cash invested is 9.1%. Discussions were held within the Committee Meeting re investing in bonds, although there was no directive to invest at this time the Advisers have since indicated the levels at which they feel investment would be appropriate. Officers are monitoring the situation, when the levels come into range we will have a further discussion with the advisers, current thinking is that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

## 8.6 PROPERTY

At the December 2024 Committee it was agreed that the Fund's Direct Property would transfer to Border to Coast, when the transfer is complete, the Fund will own units in Border to Coast's UK Real Estate Main Fund.

## 8.7 LOCAL INVESTMENT

To date the Fund has 3 Investments classified as "Local":

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

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

**FW Capital** – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund. £2.8m has been called to date.

## 8.8 ALTERNATIVES

As at 31 January 2025 total commitments to private equity, infrastructure and other debt were £1,899m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£500m	£279m
Other Infrastructure Managers	£426m	£373m
Border to Coast Private Equity	£400m	£205m
Other Private Equity Managers	£414m	£333m
Other Debt	£159m	£155m
<b>Totals</b>	<b>£1,899m</b>	<b>£1,345m</b>

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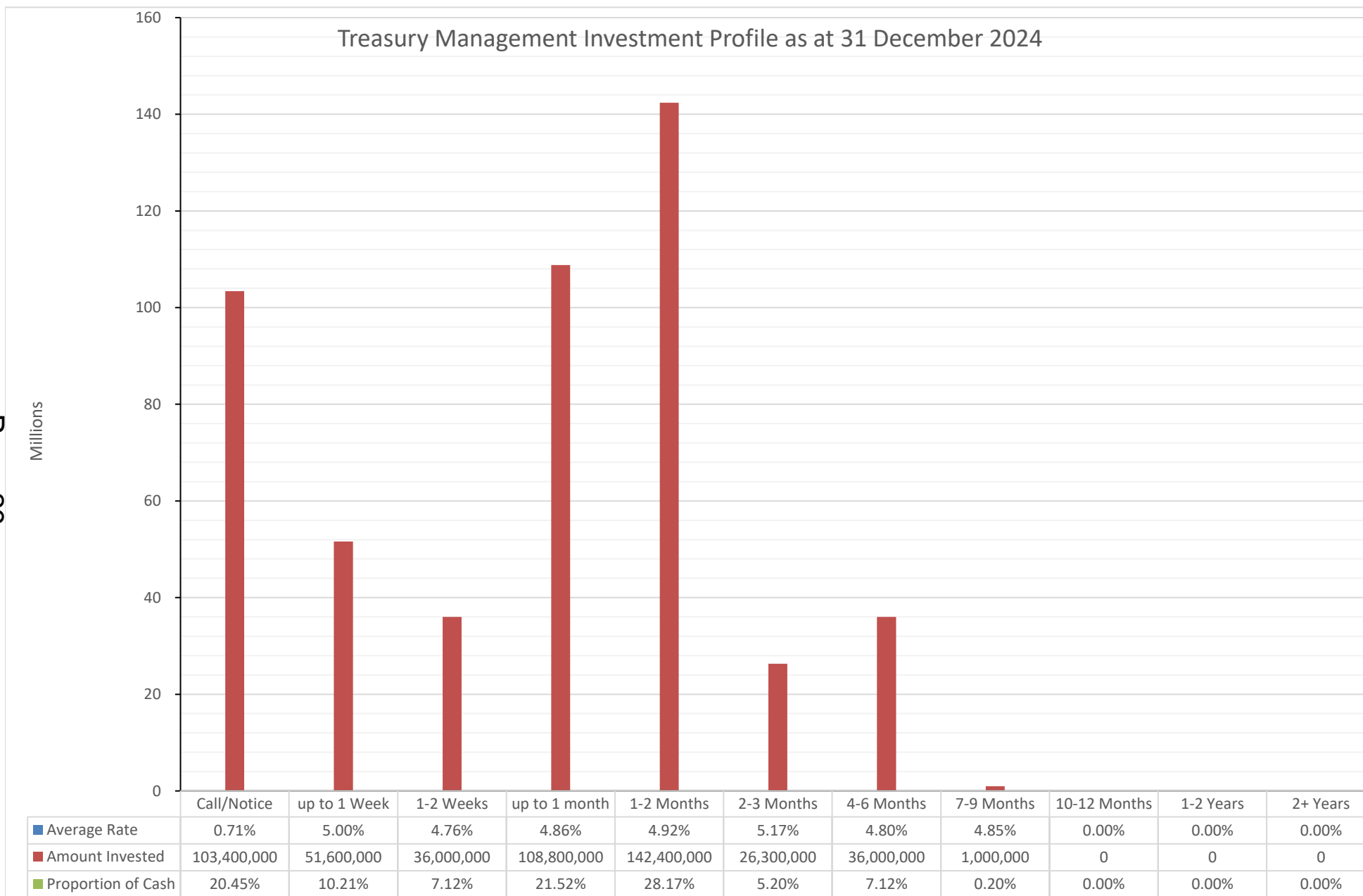
# Appendix A

<u>Settlement 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)		(£)	(£)	(£)
02 October 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-197,353.91	-197,353.91	0.00
02 October 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	-54,730.30	-54,730.30	0.00
03 October 2024	S	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	-249,097.46	-249,097.46	0.00
04 October 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	8,439.24	8,439.24	0.00
04 October 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	45,218.46	45,218.46	0.00
08 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	130,797.76	130,797.76	0.00
08 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-91,252.63	-91,252.63	0.00
09 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	694,333.00	694,333.00	0.00
09 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-1,482,120.69	-1,482,120.69	0.00
09 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	221,919.01	221,919.01	0.00
09 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-2,436.94	-2,436.94	0.00
09 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	24,259.33	24,259.33	0.00
09 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-55,177.86	-55,177.86	0.00
10 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	15,825.23	15,825.23	0.00
10 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-15,825.23	-15,825.23	0.00
10 October 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	3,429,463.33	3,429,463.33	0.00
10 October 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-2,656,750.97	-2,656,750.97	0.00
11 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	2,289.12	2,289.12	0.00
11 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	147,489.73	147,489.73	0.00
14 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	-707,725.55	-707,725.55	0.00
15 October 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-88,024.76	-88,024.76	0.00
16 October 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	32,204.58	32,204.58	0.00
16 October 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	2,334,496.73	2,334,496.73	0.00
16 October 2024	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-2,639.18	-2,639.18	0.00
21 October 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	261,547.00	261,547.00	0.00
21 October 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-123,134.86	-123,134.86	0.00
22 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	-110,712.46	-110,712.46	0.00
22 October 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	1,115.86	1,115.86	0.00
23 October 2024	S	ACIF Infrastructure II LP	Infrastructure	Infrastructure	~	~	EUR	-35,444.75	-35,444.75	0.00
24 October 2024	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	165,175.64	165,175.64	0.00
24 October 2024	S	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-85,023.59	-85,023.59	0.00
25 October 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	1,177,814.12	1,177,814.12	0.00
25 October 2024	S	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	-136,664.78	-136,664.78	0.00
30 October 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	-32,787.34	-32,787.34	0.00
01 November 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	825,301.88	825,301.88	0.00
01 November 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	1,014,820.16	1,014,820.16	0.00
04 November 2024	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	225,883.64	225,883.64	0.00
04 November 2024	P	ACIF Infrastructure II LP	Infrastructure	Infrastructure	~	~	EUR	689,542.76	689,542.76	0.00
05 November 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	841,321.39	841,321.39	0.00
06 November 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	2,516.40	2,516.40	0.00
12 November 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	15,800.95	15,800.95	0.00
13 November 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	249,325.33	249,325.33	0.00
13 November 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-27,370.59	-27,370.59	0.00
13 November 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-133,346.89	-133,346.89	0.00
13 November 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	123,013.63	123,013.63	0.00
14 November 2024	P	Capital Dynamics Clean Energy UK	Infrastructure	Infrastructure	~	~	GBP	3,600,000.00	3,600,000.00	0.00
14 November 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	313,891.67	313,891.67	0.00
20 November 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	270,982.72	270,982.72	0.00
25 November 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	218,492.06	218,492.06	0.00
25 November 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-262,543.35	-262,543.35	0.00
26 November 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-5,030,429.04	-5,030,429.04	0.00
26 November 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	406,803.32	406,803.32	0.00
26 November 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-12,739.85	-12,739.85	0.00

27 November 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	279,229.19	279,229.19	0.00
27 November 2024	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-156,985.32	-156,985.32	0.00
28 November 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	1,172,387.97	1,172,387.97	0.00
28 November 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-689,660.99	-689,660.99	0.00
28 November 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	3,369,030.75	3,369,030.75	0.00
29 November 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	287,350.26	287,350.26	0.00
02 December 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	2,896.54	2,896.54	0.00
02 December 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	237,617.36	237,617.36	0.00
02 December 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-69,652.39	-69,652.39	0.00
04 December 2024	P	Blackrock Global Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	875,890.44	875,890.44	0.00
04 December 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	377,598.64	377,598.64	0.00
06 December 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	913,633.22	913,633.22	0.00
06 December 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	218,816.76	218,816.76	0.00
06 December 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-1,958.65	-1,958.65	0.00
06 December 2024	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-100,001.12	-100,001.12	0.00
09 December 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	765,750.66	765,750.66	0.00
09 December 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-26,849.99	-26,849.99	0.00
10 December 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	EUR	133,838.88	133,838.88	0.00
12 December 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	EUR	201,234.11	201,234.11	0.00
12 December 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	EUR	-16,791.53	-16,791.53	0.00
12 December 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	409,266.74	409,266.74	0.00
13 December 2024	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	316,126.03	316,126.03	0.00
16 December 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	246,001.15	246,001.15	0.00
16 December 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	1,028,691.12	1,028,691.12	0.00
17 December 2024	P	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	144,701.28	144,701.28	0.00
17 December 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	225,102.96	225,102.96	0.00
17 December 2024	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	-183,894.62	-183,894.62	0.00
17 December 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	85,663.78	85,663.78	0.00
17 December 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-80,263.03	-80,263.03	0.00
18 December 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	202,792.46	202,792.46	0.00
18 December 2024	S	ACIF Infrastructure II LP	Infrastructure	Infrastructure	~	~	EUR	-89,209.56	-89,209.56	0.00
19 December 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	92,085.48	92,085.48	0.00
20 December 2024	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	163,568.50	163,568.50	0.00
20 December 2024	S	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-36,631.14	-36,631.14	0.00
20 December 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-326,528.52	-326,528.52	0.00
20 December 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	2,226.86	2,226.86	0.00
20 December 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	36,279.04	36,279.04	0.00
23 December 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,010,132.47	1,010,132.47	0.00
23 December 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-13,437.53	-13,437.53	0.00
27 December 2024	S	Gresham House British Strategic Investment Infrastructure Fund	Infrastructure	Infrastructure	~	~	GBP	-600,000.00	-600,000.00	0.00
								<b>16,302,799.35</b>		
03 October 2024	P	St Arthur Homes	Other Debt	Other Debt	~	~	GBP	2,004,970.00	2,004,970.00	0.00
04 October 2024	P	Titan - Preston East	Other Debt	Other Debt	~	~	GBP	2,609,600.00	2,609,600.00	0.00
21 October 2024	S	Greyhound Retail Park, Chester	Other Debt	Other Debt	~	~	GBP	-109,375.00	-109,375.00	0.00
12 December 2024	P	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	1,356,215.56	1,356,215.56	0.00
12 December 2024	S	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	-42,697.35	-42,697.35	0.00
12 December 2024	P	St Arthur Homes	Other Debt	Other Debt	~	~	GBP	1,039,060.00	1,039,060.00	0.00
21 October 2024	S	St Arthur Homes	Other Debt	Property Debt	~	~	GBP	-145,914.00	-145,914.00	0.00
31 October 2024	P	Verdant Regeneration Ltd	Other Debt	Property Debt	~	~	GBP	25,000,000.00	25,000,000.00	0.00
13 November 2024	P	La Salle Real Estate Debt Strategies IV	Other Debt	Property Debt	~	~	EUR	450,674.50	450,674.50	0.00
13 November 2024	P	La Salle Real Estate Debt Strategies IV	Other Debt	Property Debt	~	~	GBP	721,582.29	721,582.29	0.00
12 December 2024	P	La Salle Real Estate Debt Strategies IV	Other Debt	Property Debt	~	~	EUR	356,731.03	356,731.03	0.00
12 December 2024	P	La Salle Real Estate Debt Strategies IV	Other Debt	Property Debt	~	~	GBP	687,087.80	687,087.80	0.00
12 December 2024	S	La Salle Real Estate Debt Strategies IV	Other Debt	Property Debt	~	~	GBP	-45,423.98	-45,423.98	0.00

							<b>33,882,510.85</b>			
09 October 2024	S	Japan Screen Index Equity Sub-Fund	Overseas Equities	Japan	-14,940,062.20	2.68	GBP	-40,000,000.00	-27,708,980.16	12,291,019.84
24 October 2024	S	North America Screened Index Equity Sub-Fund	Overseas Equities	North America	-1,956,181.53	20.45	GBP	-40,000,000.00	-17,920,744.44	22,079,255.56
04 November 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-6,062,843.17	6.62	GBP	-40,000,000.00	-29,005,062.93	10,994,937.07
21 November 2024	S	Europe ex UK Screened Index Equity Sub-Fund	Overseas Equities	Europe	-2,671,288.85	9.36	GBP	-25,000,000.00	-16,968,188.47	8,031,811.53
21 November 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-1,482,465.92	6.75	GBP	-10,000,000.00	-7,092,219.96	2,907,780.04
29 November 2024	S	Japan Screen Index Equity Sub-Fund	Overseas Equities	Japan	-15,168,542.07	2.64	GBP	-40,000,000.00	-28,132,736.37	11,867,263.63
05 December 2024	S	Europe ex UK Screened Index Equity Sub-Fund	Overseas Equities	Europe	-861,986.61	9.57	GBP	-8,246,527.79	-5,475,391.10	2,771,136.69
05 December 2024	S	Japan Screen Index Equity Sub-Fund	Overseas Equities	Japan	-2,807,969.94	2.76	GBP	-7,756,890.62	-5,207,875.47	2,549,015.15
05 December 2024	S	North America Screened Index Equity Sub-Fund	Overseas Equities	North America	-664,996.68	21.80	GBP	-14,496,262.56	-6,092,090.78	8,404,171.78
05 December 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-624,673.81	6.80	GBP	-4,241,349.94	-2,988,482.89	1,252,867.05
							<b>-229,741,030.91</b>			
03 October 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	129,868.65	129,868.65	0.00
07 October 2024	S	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-571,589.84	-571,589.84	0.00
08 October 2024	S	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	-501,554.98	-501,554.98	0.00
08 October 2024	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	882,131.88	882,131.88	0.00
09 October 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	512,792.40	512,792.40	0.00
09 October 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-659,845.76	-659,845.76	0.00
10 October 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-127,907.02	-127,907.02	0.00
11 October 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	338,821.94	338,821.94	0.00
11 October 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	802,674.09	802,674.09	0.00
11 October 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-48,233.93	-48,233.93	0.00
15 October 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	4,649.60	4,649.60	0.00
15 October 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	165.76	165.76	0.00
15 October 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-40,330.45	-40,330.45	0.00
21 October 2024	P	Foresight Regional Investment IV	Private Equity	Private Equity	~	~	GBP	27,457.00	27,457.00	0.00
22 October 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,060,070.64	1,060,070.64	0.00
22 October 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	230,354.72	230,354.72	0.00
24 October 2024	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	~	~	USD	1,158,077.59	1,158,077.59	0.00
24 October 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	578,933.60	578,933.60	0.00
25 October 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	473,952.18	473,952.18	0.00
29 October 2024	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	366,121.49	366,121.49	0.00
29 October 2024	S	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	-393,344.04	-393,344.04	0.00
30 October 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	876,557.42	876,557.42	0.00
30 October 2024	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-28,084.91	-28,084.91	0.00
30 October 2024	S	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	-225,430.90	-225,430.90	0.00
31 October 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	121,795.18	121,795.18	0.00
01 November 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	152,664.37	152,664.37	0.00
05 November 2024	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-228,982.42	-228,982.42	0.00
05 November 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	35,852.13	35,852.13	0.00
07 November 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	618,541.61	618,541.61	0.00
08 November 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	2,330.50	2,330.50	0.00
08 November 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-202,099.18	-202,099.18	0.00
14 November 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	219,289.48	219,289.48	0.00
15 November 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,034,935.62	1,034,935.62	0.00
15 November 2024	S	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	-1,705,238.78	-1,705,238.78	0.00
15 November 2024	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	227,365.17	227,365.17	0.00
18 November 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	329,864.91	329,864.91	0.00
26 November 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-34,491.84	-34,491.84	0.00
26 November 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	905,563.41	905,563.41	0.00
27 November 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	EUR	4,303.77	4,303.77	0.00
27 November 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	EUR	-4,303.77	-4,303.77	0.00

27 November 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	4,683.91	4,683.91	0.00
27 November 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-4,683.91	-4,683.91	0.00
28 November 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	42,216.40	42,216.40	0.00
28 November 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	2,208,326.80	2,208,326.80	0.00
28 November 2024	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-594,835.50	-594,835.50	0.00
29 November 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	EUR	2,209,287.84	2,209,287.84	0.00
29 November 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	EUR	-2,623.01	-2,623.01	0.00
29 November 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	661,444.74	661,444.74	0.00
02 December 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	1,286,596.94	1,286,596.94	0.00
02 December 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	925,941.44	925,941.44	0.00
03 December 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	2,274,315.47	2,274,315.47	0.00
03 December 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-2,866.36	-2,866.36	0.00
05 December 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	213,655.99	213,655.99	0.00
06 December 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,220,034.78	1,220,034.78	0.00
06 December 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	642,039.51	642,039.51	0.00
10 December 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	162,093.69	162,093.69	0.00
10 December 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	-138,984.25	-138,984.25	0.00
11 December 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	749,046.23	749,046.23	0.00
11 December 2024	S	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	-1,313,481.96	-1,313,481.96	0.00
12 December 2024	S	Access Capital VIII Growth Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	-155,470.20	-155,470.20	0.00
12 December 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	1,549,298.95	1,549,298.95	0.00
13 December 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	18,275.75	18,275.75	0.00
13 December 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	31,162.03	31,162.03	0.00
17 December 2024	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	~	~	USD	714,949.60	714,949.60	0.00
17 December 2024	P	Teesside Flexible Investment Fund	Private Equity	Local Investments	~	~	GBP	2,755,000.00	2,755,000.00	0.00
18 December 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	1,235,792.73	1,235,792.73	0.00
18 December 2024	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-131,168.69	-131,168.69	0.00
19 December 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	22,354.94	22,354.94	0.00
20 December 2024	S	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	-369,165.19	-369,165.19	0.00
20 December 2024	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-5,151.63	-5,151.63	0.00
20 December 2024	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	220,671.42	220,671.42	0.00
20 December 2024	S	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	-308,794.94	-308,794.94	0.00
23 December 2024	P	Unigestion Direct II - Asia	Private Equity	Private Equity	~	~	EUR	403,026.68	403,026.68	0.00
23 December 2024	P	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	1,245,428.40	1,245,428.40	0.00
23 December 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	352,923.54	352,923.54	0.00
23 December 2024	S	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	-179,506.87	-179,506.87	0.00
30 December 2024	S	Unigestion Direct III - Global	Private Equity	Private Equity	~	~	EUR	-66,974.87	-66,974.87	0.00
31 December 2024	S	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	-46,412.39	-46,412.39	0.00
31 December 2024	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-710,898.98	-710,898.98	0.00
								<b>23,441,246.37</b>		
15 October 2024	P	Hearthstone Residential Fund 2 LP	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	999,600.76	999,600.76	0.00
12 November 2024	P	Leonardo Warehouse Unit, Yeovil	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	480,068.01	480,068.01	0.00
13 December 2024	P	Leonardo Warehouse Unit, Yeovil	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	7,556.00	7,556.00	0.00
05 December 2024	S	Legal & General Property Unit Trust	Property Unit Trusts/Direct Property	Property Unit Trusts	-104,420.40	6134.94	GBP	-6,406,128.89	-371,332.51	6,034,796.38
05 December 2024	S	Legal & General Property Unit Trust	Property Unit Trusts/Direct Property	Property Unit Trusts	-3,843.36	6066.24	GBP	-233,147.44	-13,667.49	219,479.95
10 December 2024	S	Threadneedle Property Unit Trust	Property Unit Trusts/Direct Property	Property Unit Trusts	-12,750.00	258.32	GBP	-3,293,580.00	-1,527,939.20	1,765,640.80
23 December 2024	S	Aberdeen Standard European Property Growth Fund LP	Property Unit Trusts/Direct Property	Property Unit Trusts	~	~	EUR	-2,338,565.27	-2,338,565.27	0.00
								<b>-10,784,196.83</b>		
								<b>-166,898,671.18</b>		
<b>Periods October, November and December 2024 (Cumulative) Total</b>										
<b>Total Profit - NB: Losses are shown with a ( )</b>										<b>91,169,175.47</b>



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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	85.000	0.000	0.30000000	12.610
Common Stock	YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	283,349.800	0.06900000	7,688.450
<b>Total Australia</b>		<b>0.00</b>	<b>225,476.000</b>	<b>283,349.800</b>		<b>7,701.060</b>
<b>Europe Region</b>						
Common Stock	ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	24,360,367.930	21,643,778.920	0.83396880	16,797,347.260
<b>Total Europe Region</b>		<b>0.00</b>	<b>24,360,367.930</b>	<b>21,643,778.920</b>		<b>16,797,347.260</b>
<b>Guernsey, Channel Islands</b>						
Common Stock	AMEDEO AIR FOUR PL ORD NPV SEDOL : BNDVLS5	0.00 GBP	4,666,665.000	3,907,776.010	0.56800000	2,650,665.720
<b>Total Guernsey, Channel Islands</b>		<b>0.00</b>	<b>4,666,665.000</b>	<b>3,907,776.010</b>		<b>2,650,665.720</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 PLC 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>30,938,908.930</b>	<b>28,218,898.550</b>		<b>19,535,907.840</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	0.82690000	12,403,500.000
<b>Total Guernsey, Channel Islands</b>		<b>0.00</b>	<b>15,000,000.000</b>	<b>15,000,000.000</b>		<b>12,403,500.000</b>
<b>United Kingdom</b>						
Funds - Common Stock	BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	426,407,606.190	442,856,209.700	1.37340000	585,628,206.340
<b>Total United Kingdom</b>		<b>0.00</b>	<b>426,407,606.190</b>	<b>442,856,209.700</b>		<b>585,628,206.340</b>

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>					
<b>Total Funds - common stock</b>	<b>0.00</b>	<b>441,407,606.190</b>	<b>457,856,209.700</b>		<b>598,031,706.340</b>
<b>Unit trust equity</b>					
<b>Guernsey, Channel Islands</b>					
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00 GBP	14,359,563.469	15,000,000.000	1.30760000	18,776,565.190
<b>Total Guernsey, Channel Islands</b>	<b>0.00</b>	<b>14,359,563.469</b>	<b>15,000,000.000</b>		<b>18,776,565.190</b>
<b>Luxembourg</b>					
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00 EUR	324.970	20,636,888.600	95,102.19000000	25,552,938.060
<b>Total Luxembourg</b>	<b>0.00</b>	<b>324.970</b>	<b>20,636,888.600</b>		<b>25,552,938.060</b>
<b>United Kingdom</b>					
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00 GBP	60,000.000	321,939.430	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	2.79968900	3,830,461.700
<b>Total United Kingdom</b>	<b>0.00</b>	<b>1,428,174.000</b>	<b>1,604,804.920</b>		<b>3,830,461.700</b>
<b>Total Unit trust equity</b>	<b>0.00</b>	<b>15,788,062.439</b>	<b>37,241,693.520</b>		<b>48,159,964.950</b>
<b>Total Equities</b>	<b>0.00</b>	<b>488,134,577.559</b>	<b>523,316,801.770</b>		<b>665,727,579.130</b>



◆ 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	16,968,371.510	14,617,168.260	1.56653560	21,977,965.480
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00 EUR	16,235,813.340	14,268,646.690	1.09701950	14,726,361.290
<b>Total Europe Region</b>	<b>0.00</b>	<b>33,204,184.850</b>	<b>28,885,814.950</b>		<b>36,704,326.770</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	0.99854630	9,985,463.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00 GBP	20,000,000.000	20,000,000.000	0.89765050	17,953,010.000
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00 GBP	448,746,433.310	448,746,433.310	1.08095570	485,075,014.940
<b>Total United Kingdom</b>	<b>0.00</b>	<b>478,746,433.320</b>	<b>478,746,433.320</b>		<b>513,013,487.950</b>
<b>Total Real Estate</b>	<b>0.00</b>	<b>511,950,618.170</b>	<b>507,632,248.270</b>		<b>549,717,814.720</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	10,611,644.050	1.85930000	12,072,541.770
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00 GBP	34,527,436.047	35,000,000.000	0.52170000	18,012,963.390
Funds - Real Estate HERMES INVEST MNGM HERMES PROPERTY UNIT TRUST SEDOL : 0426219	0.00 GBP	2,589,184.000	15,720,126.330	6.10500000	15,806,968.320
Funds - Real Estate THREADNEEDLE ASSET THREADNEEDLE PROP UNIT TRST SEDOL : 0508667	27,048.19 GBP	0.000	0.000	262.29000000	0.000
<b>Total United Kingdom</b>	<b>27,048.19</b>	<b>43,609,677.527</b>	<b>61,331,770.380</b>		<b>45,892,473.480</b>
<b>Total Funds - real estate</b>	<b>27,048.19</b>	<b>43,609,677.527</b>	<b>61,331,770.380</b>		<b>45,892,473.480</b>
<b>Total Real Estate</b>	<b>27,048.19</b>	<b>555,560,295.697</b>	<b>568,964,018.650</b>		<b>595,610,288.200</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	16,105,898.270	14,106,302.070	1.19646200	15,932,756.380
Partnerships	ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00 EUR	19,344,311.760	16,688,178.810	1.49241220	23,869,819.090
Partnerships	ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00 EUR	10,878,911.700	9,396,927.910	1.17182260	10,540,334.060
Partnerships	ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00 EUR	12,516,986.070	10,753,970.830	1.11059210	11,493,740.910
Partnerships	Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00 GBP	30,000,000.000	30,000,000.000	0.97855940	29,356,782.000
Partnerships	FORESLIGHT ENERGY I NFRASTRUCTURE PARTNERS - EUR CUSIP : 995KLQ995	0.00 EUR	12,524,504.940	12,138,837.800	1.12242050	11,623,133.140
Partnerships	UNIGESTION DIRECT III - EUR CUSIP : 994RLP993	0.00 EUR	16,454,474.920	14,269,533.320	1.29383260	17,602,290.000
<b>Total Europe Region</b>		<b>0.00</b>	<b>117,825,087.660</b>	<b>107,353,750.740</b>		<b>120,418,855.580</b>
<b>Global Region</b>						
Partnerships	CAPITAL DYNAMICS GLOBAL SECONDARIES V (FEEDER) SCSP CUSIP : 995F09997	0.00 USD	8,387,790.190	10,891,965.170	2.63400400	17,640,906.380
Partnerships	CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00 USD	8,540,130.030	6,460,759.150	3.24788290	22,147,349.150
Partnerships	INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00 GBP	50,000,000.000	50,000,000.000	1.02342140	51,171,070.000
Partnerships	LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00 GBP	7,679,550.000	7,679,550.000	1.48221330	11,382,731.150
Partnerships	PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00 USD	21,553,526.000	16,935,212.210	1.80907980	31,133,859.310
Partnerships	UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00 EUR	20,579,519.200	17,748,223.670	1.42521200	24,250,558.690
<b>Total Global Region</b>		<b>0.00</b>	<b>116,740,515.420</b>	<b>109,715,710.200</b>		<b>157,726,474.680</b>
<b>United Kingdom</b>						
Partnerships	ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00 EUR	19,106,884.650	16,778,194.450	1.20168720	18,984,028.230
Partnerships	BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00 GBP	32,368,720.870	32,368,720.870	0.99722450	32,278,881.490
Partnerships	BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00 GBP	233,625,118.960	233,625,118.960	0.99627600	232,755,099.020
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00 USD	100,711,483.000	79,868,606.010	1.05929430	85,182,921.890

◆ 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>United Kingdom</b>						
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00 USD	42,773,858.900	33,495,373.470	1.16426600	39,763,770.070
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00 GBP	38,505,914.940	38,505,914.940	1.14265800	43,999,091.750
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00 GBP	75,830,165.280	75,830,165.280	1.04436870	79,194,651.130
Partnerships	BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00 GBP	1,500,180,187.320	1,500,180,187.320	1.42962770	2,144,699,150.780
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00 USD	89,804,939.740	69,991,234.100	1.42247020	102,000,032.250
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00 USD	42,414,937.970	33,681,603.280	1.40124310	47,455,792.420
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00 GBP	39,320,596.272	39,320,596.270	1.04205470	40,974,212.150
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00 GBP	29,949,256.144	29,949,256.140	0.98546060	29,513,811.930
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 2B CUSIP : 994WH4994	0.00 GBP	15,243,867.850	15,243,867.850	1.04234000	15,889,293.210
Partnerships	Capital Dynamics Clean Energy Infrastructure Uk - GBP CUSIP : 995J65991	0.00 GBP	3,768,854.910	3,768,854.910	0.95489370	3,598,855.810
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00 GBP	9,117,043.720	9,117,043.720	1.02134980	9,311,690.780
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00 GBP	18,938,627.970	18,938,627.970	1.07676050	20,392,366.520
Partnerships	FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00 GBP	1,568,056.490	1,568,056.490	0.77759130	1,219,307.080
Partnerships	GB Bank Limited CUSIP : 993QJB990	0.00 GBP	55,043,723.040	55,043,723.040	0.63665340	35,043,773.420
Partnerships	GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00 GBP	19,546,066.490	19,546,066.490	1.08651660	21,237,125.710
Partnerships	GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00 GBP	17,533,330.700	17,533,330.700	1.40653010	24,661,157.380
Partnerships	GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00 GBP	24,740,491.880	24,740,491.880	1.11846320	27,671,329.720
Partnerships	GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00 GBP	19,168,988.000	19,168,988.000	0.92391350	17,710,486.790
Partnerships	HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00 GBP	14,844,968.770	14,844,968.770	1.29163850	19,174,333.190
Partnerships	INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00 GBP	8,672,972.000	8,672,972.000	1.04182120	9,035,686.100
Partnerships	INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00 GBP	7,728,331.000	7,728,331.000	1.00971370	7,803,401.690

◆ Asset Detail - Customizable

Asset Subcategory	Accrued	Nominal	Book Cost	Market Price	Market Value
Description/Asset ID	Income/Expense Curr				
<b>Venture Capital and Partnerships</b>					
<b>Partnerships</b>					
<b>United Kingdom</b>					
Partnerships					
St Arthur Homes CUSIP : 994NJF997	0.00 GBP	14,113,266.000	14,113,266.000	0.98887960	13,956,320.840
Partnerships					
Teesside Flexible Investment Fund - GBP CUSIP : 995EFQ996	0.00 GBP	213,443.650	213,443.650	0.44508230	94,999.990
Partnerships					
Titan- investors loan for Hogmor House, Templars way, bordon CUSIP : 995EEZ997	0.00 GBP	10,983,472.000	10,983,472.000	1.00000000	10,983,472.000
Partnerships					
TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00 GBP	10,000,000.000	10,000,000.000	1.26021710	12,602,171.000
Partnerships					
Verdant Regeneration Ltd - GBP CUSIP : 995J64994	0.00 GBP	25,000,000.000	25,000,000.000	1.00000000	25,000,000.000
<b>Total United Kingdom</b>	<b>0.00</b>	<b>2,520,817,568.516</b>	<b>2,459,820,475.560</b>		<b>3,172,187,214.340</b>
<b>United States</b>					
Partnerships					
BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00 USD	19,711,493.000	15,527,950.820	1.11262730	17,511,612.500
Partnerships					
BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00 USD	21,190,608.410	16,749,729.810	1.00183910	16,951,116.550
Partnerships					
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00 USD	19,138,900.000	14,507,867.160	1.37786240	21,056,186.990
Partnerships					
BORDER TO COAST INFRASTRUCTURE SERIES 2B- GBP CUSIP : 9952EV992	0.00 GBP	42,624,572.620	42,624,572.620	0.96312400	41,052,748.880
Partnerships					
BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00 GBP	792,749.280	792,749.280	0.96049790	761,434.020
Partnerships					
CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00 USD	22,380,000.000	17,552,726.180	1.22232210	21,842,515.500
Partnerships					
CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00 USD	22,252,842.320	17,659,028.460	1.33635260	23,744,523.570
Partnerships					
Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00 USD	28,959,164.160	21,720,841.080	1.60777220	37,176,409.580
Partnerships					
LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00 USD	19,904,147.100	15,523,320.900	1.33535680	21,222,561.530
Partnerships					
PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00 USD	24,281,887.960	19,134,879.660	0.85345660	16,547,058.360
Partnerships					
TITAN - PRESTON EAST CUSIP : 994XQ0990	0.00 USD	7,895,023.410	6,188,777.000	1.03417040	6,519,322.000
Partnerships					
UNIGESTION SA CUSIP : 993FYL995	0.00 USD	34,095,852.490	26,424,348.320	1.39140230	37,880,105.230
<b>Total United States</b>	<b>0.00</b>	<b>263,227,240.750</b>	<b>214,406,791.290</b>		<b>262,265,594.710</b>
<b>Total Partnerships</b>	<b>0.00</b>	<b>3,018,610,412.346</b>	<b>2,891,296,727.790</b>		<b>3,712,598,139.310</b>
<b>Total Venture Capital and Partnerships</b>					

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued		Nominal	Book Cost	Market Price	Market Value
Description/Asset ID	Income/Expense	Curr				
	<b>0.00</b>		<b>3,018,610,412.346</b>	<b>2,891,296,727.790</b>		<b>3,712,598,139.310</b>

◆ **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	96,854,761.450	80,595,460.340	1.10658490	85,578,096.420
<b>Total Global Region</b>	<b>0.00</b>	<b>96,854,761.450</b>	<b>80,595,460.340</b>		<b>85,578,096.420</b>
<b>Total Hedge equity</b>	<b>0.00</b>	<b>96,854,761.450</b>	<b>80,595,460.340</b>		<b>85,578,096.420</b>
<b>Total Hedge Fund</b>	<b>0.00</b>	<b>96,854,761.450</b>	<b>80,595,460.340</b>		<b>85,578,096.420</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	281,406.37	0.000	0.000	0.00000000	0.000
Recoverable taxes					
EUR - Euro	1,064,655.46	0.000	0.000	0.00000000	0.000
Recoverable taxes					
CHF - Swiss franc	2,377,131.13	0.000	0.000	0.00000000	0.000
<b>Total</b>	<b>3,820,908.71</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Recoverable taxes</b>	<b>3,820,908.71</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total All Other</b>	<b>3,820,908.71</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>

◆ **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					
AUD - Australian dollar	0.61	3,899.940	3,899.940	1.00000000	3,899.940
Cash					
GBP - British pound sterling	0.00	529.020	529.020	1.00000000	529.020
Cash					
THB - Thai baht	0.00	5,058.480	5,058.480	1.00000000	5,058.480
Cash					
USD - United States dollar	77.02	73,357.110	73,357.110	1.00000000	73,357.110
<b>Total</b>	<b>77.63</b>	<b>82,844.550</b>	<b>82,844.550</b>		<b>82,844.550</b>
<b>Total Cash</b>	<b>77.63</b>	<b>82,844.550</b>	<b>82,844.550</b>		<b>82,844.550</b>
<b>Cash (externally held)</b>					
Cash (externally held)					
GBP - British pound sterling	0.00	505,531,170.820	505,531,170.820	1.00000000	505,531,170.820
Cash (externally held)					
EUR - Euro	0.00	0.320	0.320	1.00000000	0.320
<b>Total</b>	<b>0.00</b>	<b>505,531,171.140</b>	<b>505,531,171.140</b>		<b>505,531,171.140</b>
<b>Total Cash (externally held)</b>	<b>0.00</b>	<b>505,531,171.140</b>	<b>505,531,171.140</b>		<b>505,531,171.140</b>
<b>Funds - short term investment</b>					
Funds - Short Term Investment					
GBP - British pound sterling	2,568.92	228,000.000	228,000.000	1.00000000	228,000.000
<b>Total</b>	<b>2,568.92</b>	<b>228,000.000</b>	<b>228,000.000</b>		<b>228,000.000</b>
<b>Total Funds - short term investment</b>	<b>2,568.92</b>	<b>228,000.000</b>	<b>228,000.000</b>		<b>228,000.000</b>
<b>Total Cash and Cash Equivalents</b>	<b>2,646.55</b>	<b>505,842,015.690</b>	<b>505,842,015.690</b>		<b>505,842,015.690</b>
<b>Report Total:</b>					
	<b>3,850,603.45</b>	<b>4,665,002,062.742</b>	<b>4,570,015,024.240</b>		<b>5,565,356,118.750</b>



◆ **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>
<b><u>GROWTH ASSETS</u></b>				
<b><u>UK EQUITIES</u></b>				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	520,974,766.24	1.26	585,628,206.34	10.54%
AMEDEO AIR FOUR PLUS LTD	3,907,776.01	0.02	2,650,665.72	0.05%
AFREN ORD GBPO.01	1,089,449.06	0.02	17,850.00	0.00%
CARILLION ORD GBPO.50	0.00	0.14	61,968.80	0.00%
CANDOVER INVESTMENTS PLC GBPO.25	321,939.43	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>588,359,065.86</b>	<b>10.59%</b>
<b><u>OVERSEAS EQUITIES</u></b>				
BORDER TO COAST EMERGING MARKET HYBRID FUND	246,131,815.69	0.97	232,321,372.25	4.18%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,638,336,692.28	1.19	2,131,089,472.44	38.34%
FINEXIA FINL GROUP NPV	85.00	0.29	12.61	0.00%
YOUNG AUSTRALIAN MINES LTD	225,391.00	0.07	7,688.45	0.00%
<b>TOTAL OVERSEAS EQUITIES</b>			<b>2,363,418,545.75</b>	<b>42.52%</b>
<b>TOTAL EQUITIES</b>			<b>2,951,777,611.61</b>	<b>53.11%</b>
<b><u>PRIVATE EQUITY</u></b>				
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,858,117.11	0.98	11,493,740.91	0.21%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	14,502,844.73	1.43	23,869,819.09	0.43%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.20	21,056,186.99	0.38%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	65,530,115.76	1.09	102,000,032.25	1.84%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	28,741,211.36	0.99	47,455,792.42	0.85%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	21,162,341.01	1.04	40,974,212.15	0.74%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	4,957,913.17	0.76	29,513,811.93	0.53%
BORDER TO COAST PRIVATE EQUITY SERIES 2B	6,508,313.21	0.98	15,889,293.21	0.29%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	11,042,925.55	1.66	17,640,906.38	0.32%
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,979,550.00	1.36	11,382,731.15	0.20%
CAPITAL DYNAMICS MID-MARKET DIRECT V	13,201,080.63	1.25	21,977,965.48	0.40%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,309,133.55	2.04	22,147,349.15	0.40%

CROWN CO INVESTMENT OPPORTUNITIES III	10,447,059.01	1.14	21,842,515.50	0.39%
CROWN GLOBAL OPPORTUNITIES VII	15,563,768.96	1.31	23,744,523.57	0.43%
CROWN GROWTH OPPORTUNITIES GLOBAL III	20,496,138.42	1.52	37,176,409.58	0.67%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,140,741.71	1.34	21,222,561.53	0.38%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.10	12,403,500.00	0.22%
DARWIN LEISURE PRO UNITS CLS 'C'	10,611,644.05	2.53	12,072,541.77	0.22%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	0.70	18,012,963.39	0.32%
DARWIN LEISURE PROPERTY FUND, T INCOME UNITS	5,000,000.00	1.00	3,685,500.00	0.07%
FORESIGHT REGIONAL INVESTMENTS IV LP	777,508.40	0.85	1,219,307.08	0.02%
GB BANK LIMITED	50,043,721.94	1.00	17,645,966.90	0.32%
HERMES GPE INNOVATION FUND	13,341,398.86	1.32	19,174,333.19	0.34%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	19,141,292.79	1.63	31,133,859.31	0.56%
UNIGESTION DIRECT II	14,547,379.23	1.33	24,250,558.69	0.44%
UNIGESTION DIRECT III	7,213,426.37	0.90	17,602,290.00	0.32%
UNIGESTION SA	22,917,577.35	1.35	37,880,105.23	0.68%
<b>PRIVATE EQUITY</b>			<b>664,468,776.85</b>	<b>11.96%</b>
FW CAPITAL TEESIDE FLEXIBLE INVESTMENT FUND	2,850,019.00	0.00	95,019.00	0.00%
<b>PRIVATE EQUITY - LOCAL INVESTMENT</b>			<b>95,019.00</b>	<b>0.00%</b>
<b>TOTAL PRIVATE EQUITY</b>			<b>664,563,795.85</b>	<b>11.96%</b>
<b>PROPERTY</b>				
<b>DIRECT PROPERTY</b>				
TEESSIDE PENSION FUND - DIRECT PROPERTY	399,152,598.72	1.03	488,725,000.00	8.79%
<b>TOTAL DIRECT PROPERTY</b>			<b>488,725,000.00</b>	<b>8.79%</b>
<b>PROPERTY FUNDS</b>				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	120,966.80	25,552,938.06	0.46%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.87	3,830,461.70	0.07%
HERMES PROPERTY PUT	15,720,126.33	6.37	15,806,968.32	0.28%
GRESHAM HOUSE BSI HOUSING LP	15,638,997.82	1.10	21,237,125.71	0.38%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	9,985,463.01	0.18%
HEARTHSTONE RESIDENTIAL FUND 2	13,740,773.16	0.91	17,953,010.00	0.32%
<b>TOTAL PROPERTY FUNDS</b>			<b>94,365,966.80</b>	<b>1.70%</b>
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	761,434.02	0.01%

<b>PROPERTY FUNDS - LOCAL INVESTMENT</b>			<b>761,434.02</b>	<b>0.01%</b>
<b>TOTAL PROPERTY</b>			<b>583,852,400.82</b>	<b>10.51%</b>
<b><u>PROTECTION ASSETS</u></b>				
<b><u>INFRASTRUCTURE</u></b>				
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,946,299.76	1.11	15,932,756.38	0.29%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	7,629,082.71	1.02	10,540,334.06	0.19%
ACIF INFRASTRUCTURE FUND LP	13,421,191.08	0.74	16,797,347.26	0.30%
ANCALA INFRASTRUCTURE FUND II SCSP	16,729,179.08	1.12	18,984,028.23	0.34%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	15,874,716.01	0.98	17,511,612.50	0.32%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	11,308,739.08	1.06	16,951,116.55	0.30%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	67,321,263.18	0.87	85,182,921.89	1.53%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	24,942,901.60	0.89	39,763,770.07	0.72%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	33,456,001.70	1.08	43,999,091.75	0.79%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	32,109,979.63	0.98	79,194,651.13	1.42%
BORDER TO COAST INFRASTRUCTURE SERIES 2B	6,540,791.64	1.00	41,052,748.88	0.74%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	12,551,872.31	1.02	32,278,881.49	0.58%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE UK	3,770,000.00	1.00	3,598,855.81	0.06%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.27	18,776,565.19	0.34%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	30,000,000.00	1.01	29,356,782.00	0.53%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	17,500,754.07	1.01	20,392,366.52	0.37%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	8,750,377.05	1.04	9,311,690.78	0.17%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	8,516,087.18	0.93	11,623,133.14	0.21%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	18,010,845.93	1.07	27,671,329.72	0.50%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,070,660.40	1.21	24,661,157.38	0.44%
IIF UK I LP	80,595,460.34	1.05	85,578,096.42	1.54%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.20	9,035,686.10	0.16%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.17	7,803,401.69	0.14%
<b>INFRASTRUCTURE</b>			<b>665,998,324.94</b>	<b>11.98%</b>
CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.11	12,602,171.00	0.23%
<b>INFRASTRUCTURE - LOCAL INVESTMENT</b>			<b>12,602,171.00</b>	<b>0.23%</b>
<b>TOTAL INFRASTRUCTURE</b>			<b>678,600,495.94</b>	<b>12.21%</b>

**OTHER DEBT**

INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.98	51,171,070.00	0.92%
GREYHOUND RETAIL PARK CHESTER	19,715,863.00	0.98	17,710,486.79	0.32%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	7,833,117.70	0.95	14,726,361.29	0.26%
TITAN - PRESTON EAST	18,776,850.00	1.00	18,776,850.00	0.34%
TITAN - TEMPLAR'S WAY	10,983,472.00	1.00	10,983,472.00	0.20%
ST ARTHUR HOMES	18,265,116.33	1.00	18,265,116.33	0.33%
PANTHEON SENIOR DEBT SECONDARIES II	18,185,235.62	0.60	16,547,058.36	0.30%
VERDANT REGENERATION LTD	25,000,000.00	1.00	25,000,000.00	0.45%
<b>TOTAL OTHER DEBT</b>			<b>173,180,414.77</b>	<b>3.12%</b>

**CASH**

	71,874.10	1.00	301357.11	0.01%
	5,541.86	1.00	4,429.28	0.00%
	8,000.00	1.00	5,058.48	0.00%
<b>CUSTODIAN CASH</b>			<b>310,844.87</b>	<b>0.01%</b>
<b>INVESTED CASH</b>	<b>198,539,861.68</b>	<b>1.00</b>	<b>505,531,170.82</b>	<b>9.10%</b>
<b>TOTAL CASH</b>			<b>505,842,015.69</b>	<b>9.10%</b>
<b>TOTAL FUND VALUE - 31st December 2024</b>			<b>5,557,816,734.68</b>	<b>100.00%</b>

**Market Value timing differences included in valuation above**

**Overseas Equities**

BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A

**Market Value**

-13,609,678.34

**-13,609,678.34**

**Private Equity**

GB BANK LIMITED

-17,397,806.52

**-17,397,806.52**

**Direct Property**

TEESSIDE PENSION FUND - DIRECT PROPERTY

3,649,985.00

**3,649,985.00**

**Other Debt**

TITAN - PRESTON EAST

12,257,528.00

ST ARTHUR HOMES

4,308,795.49

**16,566,323.49**

**Total**

**-10,791,176.37**

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Asset Allocation Summary

UK Equities

588,359,065.86

**Actual**

10.59%

Overseas Equities

2,363,418,545.75

42.52%

Private Equity

664,468,776.85

11.96%

Property

583,852,400.82

10.51%

Infrastructure

665,998,324.94

11.98%

Other Debt

173,180,414.77

3.12%

Cash & Bonds

505,842,015.69

9.10%

Local Investments - Private Equity, Other Alternatives & Infrastructure

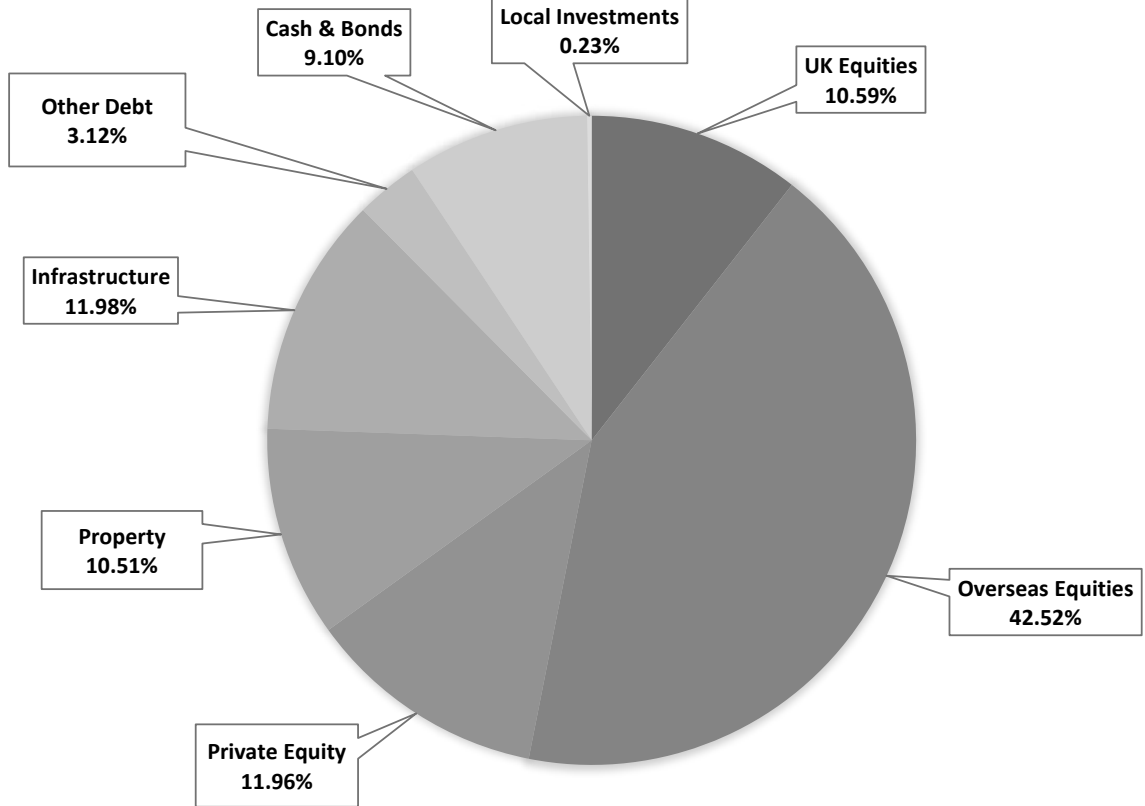
12,697,190.00

0.23%

5,557,816,734.68

100.00%

### FUND % AT 31 DECEMBER 24



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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

AGENDA ITEM 7

**PENSION FUND COMMITTEE REPORT**

12 MARCH 2025

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE****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 At 31 December 2024 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 1.5% 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. To date, total commitments of £900 million have been made to these sub-funds (£500m to infrastructure and £400m to private equity) with around 54% of this commitment invested at 31 December 2024. In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

- 4.2 The Border to Coast report shows the market value of the portfolio at 31 December 2024 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's returns were 2.32% below benchmark over the last year, or 3.32% under its overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 1.34% above benchmark over the last year, above its 1% overachievement target. Since inception, the UK fund has delivered performance of 0.25% a year above benchmark, below its long-term target, and the overseas fund has delivered performance of 1.46% above benchmark, above its long-term target. The performance of the Emerging Markets Equity Fund has been below benchmark throughout much of the period of our Fund's investment. The recent position remains disappointing, with performance over the quarter and the year to 31 December 2024 below benchmark. Since inception the Fund is 1.73% a year behind benchmark, so 3.23% a year behind target.
- 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 at 31 December 2024. As the Fund has completed its disinvestment from State Street over the quarter, the end values are all shown as zero. Roughly half of the State Street proceeds were reinvested in global equities through investment in the Border to Coast Overseas Developed Markets Equity Fund, with the remainder being held as cash in the short term to fund future drawdown requests in respect of private markets commitments.
- 4.4 Performance figures are also shown in the State Street 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 are over just over six years. 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.
- 4.5 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 or over performance against benchmarks and targets.

## **5. BORDER TO COAST – QUARTERLY CARBON AND ESG REPORTING**

- 5.1 Border to Coast has worked 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.
- 5.2 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.
- 5.3 A colleague 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

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# Teesside Pension Fund

## Quarterly Investment Report - Q4 2024

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## Executive Summary

### Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,923,023,804
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£26,015,247
Value at end of the quarter	£2,949,039,051

#### 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.
- 3) Inflows and outflows may include income paid out and/or reinvested.
- 4) Values do not always sum due to rounding.

# Portfolio Analysis - Teesside Pension Fund at 31 December 2024

## Funds Held

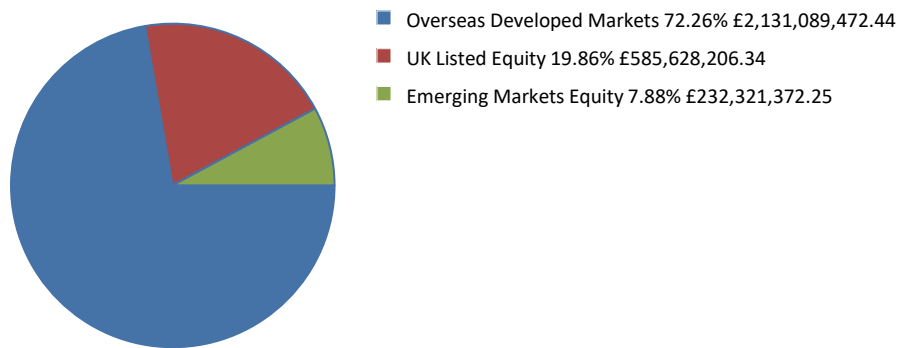
Fund	Market Index	Market Value (£)	Value (%)
Overseas Developed Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	2,131,089,472.44	72.26
Emerging Markets Equity	FTSE Emerging Markets (Net) <sup>2</sup>	232,321,372.25	7.88
UK Listed Equity	FTSE All Share GBP	585,628,206.34	19.86

## Available Fund Range

Fund
Global Equity Alpha
Overseas Developed Markets
Emerging Markets Equity
Emerging Markets Equity Alpha
UK Listed Equity
UK Listed Equity Alpha
Listed Alternatives
Sterling Investment Grade Credit
Sterling Index-Linked Bond
Multi-Asset Credit

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## Teesside Pension Fund - Fund Breakdown



### Note

1) Source: Northern Trust

2) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).



## Portfolio Contribution - Teesside Pension Fund at 31 December 2024

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Overseas Developed Markets	72.26	1.68	1.60	0.08	1.20
Emerging Markets Equity	7.88	(0.14)	0.14	(0.28)	(0.01)
UK Listed Equity	19.86	(1.49)	(0.35)	(1.14)	(0.30)
<b>Total</b>	<b>100.00</b>	<b>0.89</b>			

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### Note

- 1) Source: Northern Trust & Border to Coast
- 2) Performance shown is investor-specific, calculated using a time-weighted methodology which accounts for the impact of investor flows, whereby investments held for a longer period of time will have more of an impact than those held for a shorter time.
- 3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
- 4) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. For the period to 31st March 2024, performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).

## Valuation Summary at 31 December 2024

Fund	Market value at start of the quarter		Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter	
	GBP (mid)	Total weight (%)				GBP (mid)	Total weight (%)
Overseas Developed Markets	2,095,884,373.75	71.70			35,205,098.69	2,131,089,472.44	72.26
Emerging Markets Equity	232,641,945.57	7.96			(320,573.32)	232,321,372.25	7.88
UK Listed Equity	594,497,484.55	20.34			(8,869,278.21)	585,628,206.34	19.86
<b>Total</b>	<b>2,923,023,803.87</b>	<b>100.00</b>			<b>26,015,247.16</b>	<b>2,949,039,051.03</b>	<b>100.00</b>

### Note

- 1) Source: Northern Trust
- 2) Purchases and sales may include income paid out and/or reinvested.
- 3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
- 4) Values do not always sum due to rounding.

## Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 31 December 2024

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
Overseas Developed Markets	10.08	8.62	1.46	1.68	1.60	0.08	12.47	11.13	1.34	7.71	5.88	1.83	10.96	9.33	1.64
Emerging Markets Equity	4.18	5.91	(1.73)	(0.14)	0.14	(0.28)	11.99	14.36	(2.37)	1.10	2.98	(1.88)	2.25	4.13	(1.88)
UK Listed Equity	4.88	4.64	0.25	(1.50)	(0.35)	(1.15)	7.15	9.47	(2.32)	5.57	5.83	(0.26)	4.72	4.81	(0.09)

### Note

- 1) Source: Northern Trust
- 2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
- 3) Performance inception dates are shown in the appendix.
- 4) Performance for periods greater than one year are annualised.
- 5) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. For the period to 31st March 2024, performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).
- 6) 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 December 2024

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
Overseas Developed Markets	10.10	8.62	1.49	1.70	1.60	0.10	12.55	11.13	1.42	7.74	5.88	1.86	10.99	9.33	1.66
Emerging Markets Equity	4.34	5.91	(1.57)	(0.07)	0.14	(0.21)	12.27	14.36	(2.10)	1.35	2.98	(1.64)	2.44	4.13	(1.69)
UK Listed Equity	4.90	4.64	0.26	(1.48)	(0.35)	(1.13)	7.20	9.47	(2.26)	5.59	5.83	(0.24)	4.73	4.81	(0.08)

### Note

- 1) Source: Northern Trust
- 2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
- 3) Performance inception dates are shown in the appendix.
- 4) Performance for periods greater than one year are annualised.
- 5) Performance shown is gross of all fees.
- 6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

# Overseas Developed Markets Fund - Overview

## at 31 December 2024

### Overseas Developed Markets Fund

During the fourth quarter the fund gained 1.68% compared to the composite benchmark that gained 1.60%; resulting in a relative outperformance of 0.08%. Year to date the fund has delivered a total return of 12.47%, outperforming its benchmark by 1.34%.

The fund's allocation to US equities was the main contributor to performance over the quarter following strong performance triggered by the result of the US election. The fund's investments in a range of technology companies such as Alphabet, Broadcom and Amazon all contributed strongly to this quarter's returns. The fund's Japanese equity allocation also contributed to returns generating both a positive absolute return and outperforming its domestic market. The main detractor from performance over the quarter originated from the fund's investments in Pacific ex-Japan. This was particularly visible in South Korea where domestic politics combined with weakness in export-oriented companies undermined performance.

At the sector level the healthcare sector proved to be the largest detractor from performance over the quarter. A disappointing result in a drug trial for Novo Nordisk, the Danish pharmaceutical company at the centre of the GLP1 diabetes and weight loss revolution, proved a material headwind. Though this damaged short term expectations for the company's growth prospects, we remain still believe they have strong long term growth prospects in a highly attractive therapeutic area. The best performing sectors were technology and the consumer sector where global heavy weights such as Nvidia, Broadcom, Apple and Amazon all finished the year strongly.

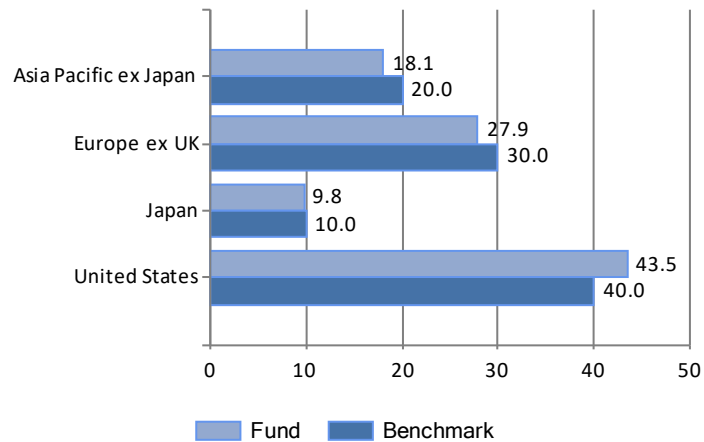
The dominance of the Magnificent 7 proved a deciding factor for returns for 2024. They offer unparalleled exposure to some of the most exciting long term growth opportunities. Despite this, we harbour concerns over the concentration risk this creates as both valuations and expectations are high. For 2025 we therefore think it is important to walk a tightrope of managing the risks these companies represent whilst still maintaining some exposure to ensure we can benefit from the unique opportunities they continue to offer.

#### Note

1) Source: Border to Coast

# Overseas Developed Markets Fund at 31 December 2024

## 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

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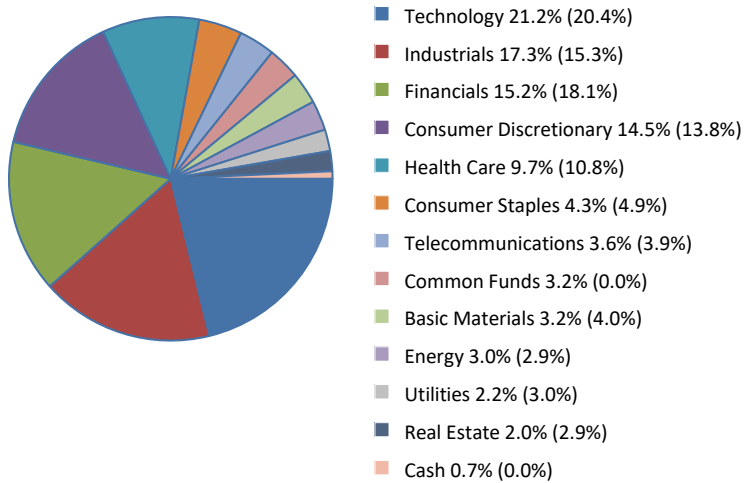
Fund	Inception to Date			Quarter			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
<b>Overseas Developed Markets</b>	<b>10.08</b>	<b>8.62</b>	<b>1.46</b>	<b>1.68</b>	<b>1.60</b>	<b>0.08</b>	<b>12.47</b>	<b>11.13</b>	<b>1.34</b>	<b>7.71</b>	<b>5.88</b>	<b>1.83</b>	<b>10.96</b>	<b>9.33</b>	<b>1.64</b>
United States	15.67	14.12	1.55	10.09	9.57	0.51	30.67	26.74	3.93	13.39	11.30	2.09	17.13	15.28	1.85
Japan	7.71	4.98	2.72	4.72	2.73	1.99	14.24	9.71	4.52	8.38	5.48	2.90	8.75	5.81	2.94
Europe ex UK	7.16	5.85	1.31	(4.55)	(4.11)	(0.43)	1.52	1.99	(0.47)	4.98	2.47	2.51	7.78	6.32	1.47
Asia Pacific ex Japan	4.04	3.05	0.99	(7.66)	(6.33)	(1.33)	(5.10)	(3.90)	(1.20)	(0.59)	(0.31)	(0.28)	3.86	3.07	0.79

### 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.

# Overseas Developed Markets Fund at 31 December 2024

## Sector Portfolio Breakdown



## Overseas Developed Markets Fund

### Sector Weights:

**Common Stock Funds (o/w)** – Exposure to smaller companies via collective vehicles, specifically in the US.

**Industrials (o/w)** – Regional divergences in valuation and expectations mean that high relative exposure in Europe and Pacific ex-Japan more than compensate for underweights in the US and Japan.

**Technology (o/w)** – Adoption of artificial intelligence – along with other technology themes – has the potential to benefit technology companies for multiple years.

**Healthcare (u/w)** – Despite beneficial long-term trends and structural demand from an ageing population weak pipelines and company specific factor lead to a sector underweight.

**Real Estate (u/w)** – High leverage leaves the sector vulnerable to a higher interest rate regime, and concerns around the impact of home/flexible working on the longer-term demand for office space remain.

**Financials (u/w)** – Improved returns haven't materialised despite higher interest rates. Elevated credit cycle risk (non-performing, or defaulted loans) should recessionary pressures mount.

### Note

- 1) Source: Northern Trust
- 2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

## Overseas Developed Markets Fund Attribution at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	2.22	22.35	0.89	22.34	0.22
Broadcom	1.54	44.37	0.87	44.20	0.20
Vanguard US Mid Cap ETF	3.20	7.62	0.00	0.00	0.18
Amazon	2.38	26.05	1.65	26.11	0.12
Walmart Inc	0.84	20.20	0.31	20.02	0.08

**Alphabet Class A (o/w)** – In early December Alphabet unveiled Willow, a new quantum computing chip. The company hailed this as a meaningful breakthrough in computing, with Willow able to perform computations that would take the current most powerful computers 10 septillion years – that’s 10 and 24 zeros. This got investors thinking about a world even beyond AI, and what role Alphabet will play in it. Alphabet’s third-quarter results were also very robust, with the company’s core search advertising showing impressive resiliency, along with notable strength from YouTube and improving momentum with Google Cloud.

**Broadcom (o/w)** – The application specific integrated circuit (ASIC) maker delivered standout third-quarter results and suggested future potential revenues that far outstripped investor expectations.

**Vanguard Mid-Cap ETF (o/w)** – Even though small and medium sized stocks underperformed the broader S&P 500 for the quarter, our large position size in the Vanguard Mid-Cap ETF – which gives the portfolio exposure to the smaller end of the US stock market – delivered a positive contribution.

**Amazon (o/w)** – Amazon’s relentless focus on costs has boosted profitability at the company’s massive retail operation, lifting overall company profit margins. It also led to further price reductions for customers, extending the retail giant’s lead. What’s more, Amazon’s cloud business – AWS – has benefitted from explosive demand for its AI offerings. In summary, the outlook for all parts of Amazon’s business looks attractive.

**Walmart (o/w)** – Walmart’s transformation from a bricks-and-mortar retailer to a genuine omnichannel (physical and digital) retailer has led to impressive market share gains – and an equally impressive stock price performance. While Walmart’s stock valuation has expanded, the company’s financial performance has justified the gains.

Note

1) Source: Northern Trust & Border to Coast



## Overseas Developed Markets Fund Attribution Continued at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.36	0.00	0.91	65.32	(0.33)
Alphabet C	0.00	0.00	0.73	22.09	(0.13)
Samsung Electronics	1.61	(17.33)	1.26	(17.27)	(0.11)
Novo Nordisk	1.25	(21.58)	1.00	(21.19)	(0.10)
Samsung SDI	0.20	(37.57)	0.06	(37.59)	(0.08)

**Tesla (u/w)** – Tesla fans believe that Elon Musk’s proximity to the incoming US administration will give the electric vehicle maker a significant advantage over its competitors. Reduced incentives, for example, are seen as less impactful for Tesla than America’s other big carmakers. And that could improve the competitive position for Tesla markedly. While we recognise that the size of emerging markets like robotics has widened the potential outcomes for the company (reflected in us closing our underweight) we still believe that extremely optimistic assumptions and forecasts are required to even get close to justifying Tesla’s current stock valuation.

**Alphabet Class C (u/w)** – Our underweight in Alphabet class C shares is more than offset by our overweight in the class A shares.

**Samsung Electronics (o/w)** – As per the Preferred shares, Samsung Electronics underperformed as the expected recovery in legacy memory products was delayed on sluggish demand for IT products including PCs and smartphones. Progress on achieving approval for the use of its high-bandwidth memory with Nvidia also remained slow though we are optimistic this should be resolved in 2025

**Novo Nordisk (o/w)** – Novo reported a disappointing result from the trial of its next generation anti-obesity drug, CagriSema where the weight loss from the drug was below the company’s expectation. Novo should still see an increase in revenue as the supply issue starts to become less of a concern as Novo starts to integrate the three fill and finish Catalent sites acquired from Novo Holdings.

**Samsung SDI (o/w)** – Despite very undemanding valuations and attractive long-term growth prospects, the leading EV battery maker underperformed, affected by weak sales and deteriorating earnings guidance. Demand for EV batteries has been sluggish despite a long term growth trend and recent sentiment has softened due to concerns of potential changes to US government policies.

Note

1) Source: Northern Trust & Border to Coast

# Overseas Developed Markets Fund at 31 December 2024

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

Vanguard US Mid Cap ETF	+3.20
Alphabet A	+1.33
Microsoft	+0.80
Amazon	+0.73
Broadcom	+0.67
Alphabet C	-0.73
Tesla	-0.55
Westpac Bank	-0.51
Exxon Mobil	-0.38
Zurich Insurance Group	-0.32

### Top 5 Holdings Relative to Benchmark:

**Vanguard Mid-Cap ETF** – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

**Alphabet Inc Class A** – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business. Additionally, Alphabet is emerging as the leader in a new technology race – quantum computing.

**Microsoft Corp** – Microsoft continues to benefit from secular growth within its cloud hosting business as well as resilient demand for its ubiquitous productivity software led by Microsoft Office. The company looks well placed to increase its share of wallet from enterprise customers by upselling AI augmented, or co-pilot, versions of its software. Microsoft is spending aggressively on data centre capacity to support the growth of AI. This has caused some consternation among investors, but we remain confident in the firm's leading position.

**Amazon** – Amazon's leading cloud infrastructure hosting business looks well placed to continue to enjoy attractive profitable revenue growth. Its retail business should also enjoy higher margins, over time, as it reaps greater scale benefits and enjoys a more meaningful contribution from high margin advertising sales. Amazon has made impressive progress lowering costs within its retail operation too, via investing in efficiency-improving technology. This has led to a rapid increase in the company's profitability overall.

**Broadcom** – Half of Broadcom's revenue is derived from reliable, recurring software sales which it recently boosted through the acquisition of VMware. The other half comes from semiconductors, of which a sizable and rapidly growing portion flows from AI semiconductors. Broadcom is, therefore, an investment in the hottest theme around, along with a long-term play on the through-cycle growth of the broader semiconductor industry. All that is supported by a very cash generative software business.

### Bottom 5 Holdings Relative to Benchmark:

**Alphabet Inc Class C** – The large holding in the A share class results in an overweight exposure overall.

**Tesla Inc** – We bought a position in Tesla during the quarter, but we remain underweight. While we believe that the stock remains overvalued, the explosion in AI has widened the range of potential outcomes for the company. Robotics, humanoids, and the company's energy storage business could become very valuable over time, whilst Elon Musk's alignment with the Republican party could result in preferential treatment in the short term.

**Westpac Banking Group** – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

**Exxon Mobil Corp** – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

**Zurich Insurance** – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Note

1) Source: Northern Trust

## Summary of Performance - Funds (Net of Fees) Emerging Markets Equity Fund at 31 December 2024

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
<b>Emerging Markets Equity</b>	<b>4.18</b>	<b>5.91</b>	<b>(1.73)</b>	<b>(0.14)</b>	<b>0.14</b>	<b>(0.28)</b>	<b>11.99</b>	<b>14.36</b>	<b>(2.37)</b>	<b>1.10</b>	<b>2.98</b>	<b>(1.88)</b>	<b>2.25</b>	<b>4.13</b>	<b>(1.88)</b>
Border to Coast	7.29	7.91	(0.61)	0.85	0.59	0.26	11.50	11.51	(0.01)	6.66	6.74	(0.08)	--	--	--
FountainCap	(11.43)	(9.28)	(2.14)	(0.50)	(0.85)	0.35	16.78	21.51	(4.73)	(9.74)	(3.96)	(5.78)	--	--	--
UBS	(12.13)	(9.28)	(2.85)	(3.45)	(0.85)	(2.61)	12.24	21.51	(9.27)	(7.34)	(3.96)	(3.38)	--	--	--

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Manager/Strategy	Benchmark	Role in fund	Target	Actual
<b>Emerging Markets Equity</b>	<b>FTSE Emerging Markets (Net)<sup>3</sup></b>	<b>NA</b>	<b>100%</b>	<b>100%</b>
Border to Coast	FTSE Emerging ex China (Net)	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	69%	70%
FountainCap	FTSE China (Net)	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	12%	12%
UBS	FTSE China (Net)	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	19%	18%

### Note

- 1) Source: Northern Trust & Border to Coast
- 2) Values do not always sum due to rounding and use of different benchmarks
- 3) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).

# Emerging Markets Equity Fund - Overview

## at 31 December 2024

Emerging Markets Equity Fund

The EM Equity Fund returned -0.1% through Q4 2024, -0.3% below the FTSE EM benchmark. Over one year, it has returned 12.0%, underperforming the benchmark by 2.4%. Since the Fund was restructured, (April 2021), its returns are flat, underperforming the benchmark by an annualised 1.5%.

The FTSE EM ex-China Index marginally outperformed the FTSE China Index by c. 1.4% (0.6% vs. -0.8%), driven predominantly by the performance of Taiwanese equities. The country ended 2024 as Asia's best performing market and has benefitted throughout the past twelve months from the consistent positive sentiment, and elevated capex in relation to AI. The country is home to key parts of the supply chain for semiconductors, including the largest semiconductor manufacturing company, TSMC, which forms over 30% of the local market. TSMC performed strongly after its management guided towards 30% revenue growth for the full year. Meanwhile, the Indian market experienced its first negative quarter since Q1 2023, (having risen c. 50% since then to the end of Q3 2024), as investors digested a softening in short term growth expectations.

With this backdrop, the internal Border to Coast EM ex-China mandate returned 0.9%, outperforming its regional benchmark by 0.3%. Driving the modest outperformance were holdings in several Taiwanese companies, which operate within the semiconductor supply chain, including (as referenced above) TSMC, ASE Technology, Elite Materials, and Mediatek. However, companies with greater sensitivity to the interest rate regime struggled, after an unexpectedly hawkish meeting of the Federal Reserve at the end of December led to the number of forecasted rate cuts in 2025 being scaled back. This includes Ayala Land, a property developer in the Philippines - where the interest regime is heavily influenced by the US yield curve - impacting the company's residential business.

The China market had continued its extremely strong momentum from the end of September into the start of October, however as policy implementation disappointed, share prices fell back. Uncertainty remains in relation to the impact that the Trump election will have on China, amid speculation of various levels of tariff programmes to be implemented. However, Mr Trump's victory has not led to an immediate market reaction with the China market falling just c. 2% from 5<sup>th</sup> November 2024.

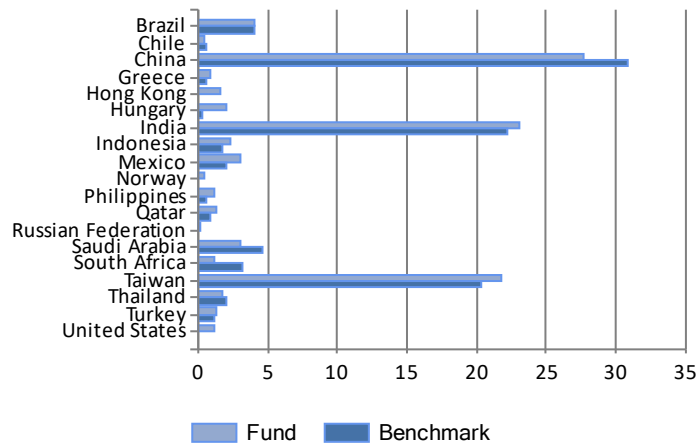
From a manager perspective, FountainCap returned -0.5%, outperforming the FTSE China by +0.4%, however, UBS returned -3.5% underperforming by 2.6%. Both managers faced headwinds from state-owned banks outperforming, driven in part by the Chinese government announcing its monetary policy would move to be "reasonably loose". FountainCap's performance was mixed despite beating the benchmark over the quarter. Its largest portfolio position, Pop Mart International, rose c. 80% as the retail store company reported strong growth amid its overseas expansion. However, other large portfolio holdings such as Sungrow Power and Anta Sports reported disappointing results. UBS fared similar to FountainCap for the most part, underperforming due to not holding some heavier index constituents which performed well, however, whereas Fountain Cap owned Pop Mart to offset the underperformance, UBS' strongest contributors performed more modestly.

Note

1) Source: Border to Coast

# Emerging Markets Equity Fund at 31 December 2024

## 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:

**Industrials (o/w)** – The Fund is overweight in the industrials sector, a diverse sector ranging from shipping and airports to glass manufacturing. The Fund’s largest positions within this sector are manufacturers (or lessors) of heavy machinery and parts, which should benefit from continued urbanisation in emerging markets, and the manufacturer of electric cables with key relationships with global renewables businesses – i.e., a beneficiary of the green energy transition.

**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 in several stocks (particularly in China) that are well positioned to benefit from such a tailwind.

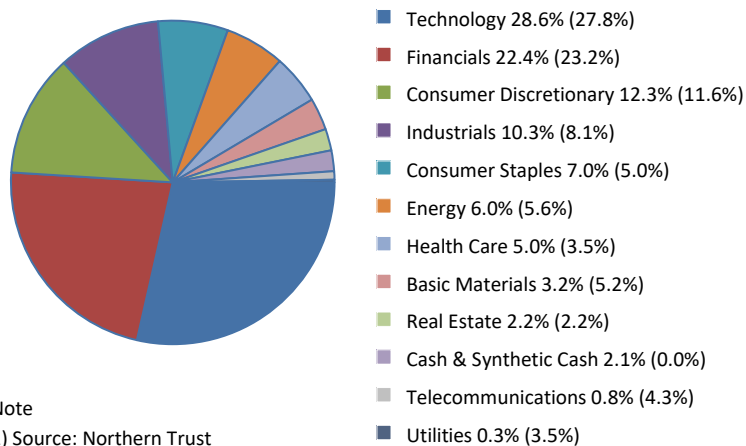
**Health Care (o/w)** – Demographic trends (aging EM populations), increasing prosperity and perhaps even medical tourism are expected to drive medical spending higher (both personal and government) in Emerging Markets. The Fund is exposed to a diverse set of innovative businesses in this sector.

**Basic Materials (u/w)** – The Fund is underweight in the Materials sector, driven predominantly by the underlying managers believing there are few quality companies and attractive opportunities, that said, the Fund does hold some stocks, particularly in the EM-ex China component of the portfolio.

**Telecommunications (u/w)** – The Fund is underweight in this relatively low growth, cap-ex intensive sector, which can also be buffeted by political risk (control and pricing implications). Where exposures are taken, they are to dominant market players with strong balance sheets in markets with solid growth prospects.

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

## Sector Portfolio Breakdown



Note

1) Source: Northern Trust

# Emerging Markets Equity Fund Attribution at 31 December 2024

## Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
POP MART	1.13	80.31	0.10	80.30	0.53	Consumer Discretionary	China
Alibaba	1.42	(17.42)	2.36	(19.78)	0.29	Consumer Discretionary	China
Taiwan Semiconductor	11.88	16.69	10.32	16.48	0.24	Technology	Taiwan
Aegis Logistics	1.71	12.74	0.00	0.00	0.19	Energy	India
Globant	1.14	15.92	0.00	0.00	0.18	Technology	United States

## Positive Issue Level Impacts

**Pop Mart International Group Ltd (o/w)** – A global retailer domiciled in China. The company reported a +60% rise in revenues over the period 1H 24 driven by strong momentum in the firm’s overseas expansion as well as witnessing resilient domestic demand for its products.

**Alibaba Group Holding (u/w)** – A Chinese multinational technology company, best known for e-commerce and online payment platforms. The company’s share price declined amidst continued competition impacting its e-commerce and cloud business units.

**TSMC (o/w)** – The leading global semiconductor manufacturer. The company reported strong earnings over the quarter that evidenced profit growth of >50% from a year earlier, which came in above estimates, as well as other financial results exceeding analyst expectations.

**Aegis Logistics (o/w)** – An India-based integrated oil, gas and chemical logistics company. Management reiterated strong guidance of the company achieving 25% YoY volume expansion for March 2025, driven by additions to both liquid and gas terminal capacity.

**Globant SA (o/w)** – An IT and software development company. Its management announced an acquisition which will deepen its data & AI offering throughout North America and expand its global footprint across other regions.

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

# Emerging Markets Equity Fund Attribution at 31 December 2024

## Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Ayala Land	1.10	(25.43)	0.04	(25.23)	(0.36)	Real Estate	Philippines
Chailease	0.95	(28.28)	0.07	(28.55)	(0.35)	Financials	Taiwan
Xiaomi	0.00	0.00	0.95	64.21	(0.34)	Telecommunications	China
Sungrow Power	0.77	(24.29)	0.02	(24.30)	(0.24)	Energy	China
CreditAccess Grameen	0.68	(22.29)	0.00	0.00	(0.23)	Financials	India

## Negative Issue Level Impacts

**Ayala Land Inc (o/w)** – A Philippines based property developer focused on developing integrated and mixed-use real estates. Shares of the company retreated in response to rising yields in the US which will likely delay rate cuts in the Philippines, impacting growth of the company’s residential development business.

**Chailease Holding (o/w)** – A Taiwanese equipment leasing organisation. The company reported earnings below market expectations and highlighted slower portfolio growth and elevated credit costs across major regions. Performance was also hindered by delinquency rates trending higher across China and Southeast Asia, reflective of a sluggish economy in the region.

**Xiaomi Corporation (not held)** – A China-based company principally engaged in the research, development and sales of smartphones. Xioami’s quarterly earnings exceeded analyst expectations, reporting 31% revenue growth YoY, driven by robust performance in its high-end smartphone segment. The firm also benefitted from continued momentum in electric vehicle sales.

**Sungrow Power Supply Inc (o/w)** – A renewable energy equipment company. The company’s earnings report illustrated strong energy storage systems shipments, however, reported revenue growth was below expectations. Donald Trump’s re-election also raised concerns on the impacts of tariffs on the company’s exports.

**CreditAccess Grameen (o/w)** – An India-based microfinance company. The company reported a weak set of results over the quarter which highlighted a deterioration in asset quality. Its management revised annual growth outlook downwards which further weighed on the company’s shares over the period.

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

# Emerging Markets Equity Fund at 31 December 2024

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

Kweichow Moutai	+1.81
Aegis Logistics	+1.71
HDFC Bank	+1.61
Taiwan Semiconductor	+1.56
Netease	+1.54
China Construction Bank	-1.02
Xiaomi	-0.95
Alibaba	-0.94
Infosys	-0.75
ICBC	-0.69

### Top 5 Holdings Relative to Benchmark:

**Kweichow Moutai** – A leading Chinese baijiu (liquor) producer with strong brand presence and scale. Although the company has suffered from a slowdown in consumer spending, it is still on track to deliver its 2024 growth target and remains well positioned to benefit from the return of consumer confidence in mainland China.

**Aegis Logistics** – A major provider of port infrastructure for the import/export of LPG and industrial liquids. The company has large expansion plans and is forecast to significantly grow its capacity in the near future.

**HDFC Bank Ltd** – India’s largest private sector bank. The bank faced challenges after its 2023 acquisition of HDFC Ltd, however the bank remains well positioned to benefit from India’s increased rate of financial inclusion and digitisation of its financial system.

**TSMC** – TSMC is the leading global semiconductor manufacturer, and it contracts with fabless semiconductor customers such as AMD and Nvidia to produce their semiconductor designs. The company has significant competitive advantages in relation to its scale, production capacity, and technology. The chips it produces are used in smart phones, high performance computing (with some chips required for the emerging AI technology), automobiles and other consumer electronics.

**NetEase Inc** – A Chinese internet technology company that primarily develops and operates online PC and mobile games and content. Despite some headwinds in its domestic market, growing success on the international stage (in particular in Japan) along with a strong pipeline of games, should bode well for sales and profit growth.

### Bottom 5 Holdings Relative to Benchmark:

**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 the banking and finance sector.

**Xiaomi Corporation** – The performance of the China-based company has been bolstered by its successful entry into the smart EV market over the past year, with shares now trading at all-time highs. However, it remains early days for the company, and it is yet to be seen whether this demand can be sustained. The company also faces domestic competition from Huawei.

**Alibaba Group Holding** – Chinese multinational technology company, best known for e-commerce and online payment platforms. The company continues to experience intensified competition across its core markets which is exerting pressure on profit margins.

**Infosys** – An Indian IT consulting and software services business. The company is held underweight, with our EM ex-China manager favouring other global competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

**Industrial & Commercial Bank China** – 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 the banking and finance sector.

Note

1) Source: Northern Trust



# Emerging Markets Equity Fund at 31 December 2024

## Major transactions during the Quarter:

### **Purchases:**

**SF Holding** (*New Position – China*) – A Chinese logistics services company, operating domestically and internationally. The Manager believes that the company is positioned to be a key beneficiary from both Chinese firms expanding internationally, and multinational corporations adopting a "China+1" strategy.

**China Resources Beverage (Holdings) Company Ltd** (*New Position – China*)– Principally engaged in the manufacturing and sales of packaged water products and beverage products. Our manager participated in the IPO of CR Beverage due to its strong positioning in the underpenetrated bottled water segment in China and it expects margin expansion to drive strong earnings growth going forwards.

### **Sales:**

**Budweiser Brewing Co APAC** (*Exited Position – China*)– Fountain Cap sold the company noting a declining market share and expectations of low growth over the next few years.

**Yum China** (*Exited Position – China*) – Fountain Cap sold the company noting it expects decreasing same store sales, which would bring pressure on profit margins.

**Hangzhou Tigermed Consulting Co.Ltd** (*Exited Position – China*) – UBS sold the position after the share price rose to an attractive level.

# UK Listed Equity Fund - Overview

## at 31 December 2024

### UK Listed Equity Fund

The fund generated a total return of -1.50% during the quarter, compared to the benchmark return of -0.35%, resulting in 1.15% of underperformance.

The Fund's underperformance primarily resulted from the following:

- Stock selection in Industrials, an underweight position in Rolls Royce for the majority of the quarter, and overweight positions in both Experian and Ashtead were the largest contributors.
- Underweight allocation to Financials, where an underweight allocation to Financial Services was the main contributor.
- Stock selection in Utilities, where an overweight position in SSE and underweight holding in Centrica weighed on performance.

This underperformance was partly mitigated by the following:

- Combination of an underweight allocation to Telecoms alongside positive stock selection where an initial underweight position in BT followed by a move to an overweight position during the quarter and an underweight holding in Vodafone were the key drivers.
- Positive stock selection in Consumer Staples where an overweight position in Imperial Brands was the most significant contributor.

Note

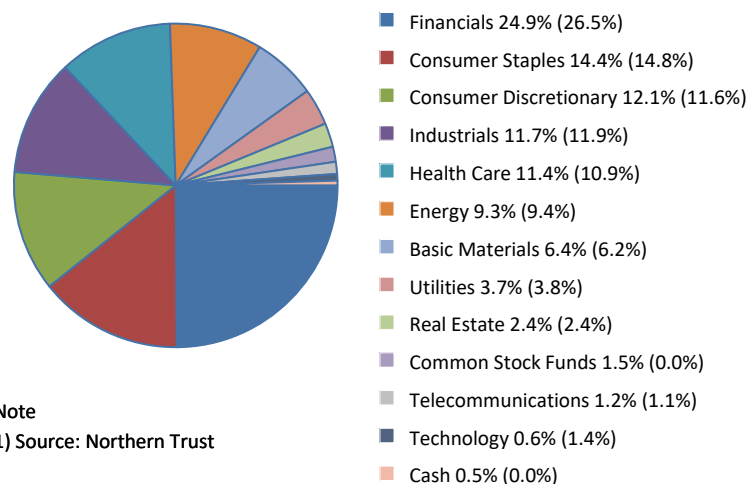
1) Source: Border to Coast

# UK Listed Equity Fund at 31 December 2024

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

Common Stock Funds	+1.51
Health Care	+0.48
Consumer Discretionary	+0.46
Basic Materials	+0.25
Telecommunications	+0.09
Financials	-1.65
Technology	-0.71
Consumer Staples	-0.40
Industrials	-0.22
Energy	-0.14

## Sector Portfolio Breakdown



Note

1) Source: Northern Trust

## UK Listed Equity Fund

The Border to Coast UK Listed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3-year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

### Sector Weights:

**Common Stock Funds (o/w)** – the fund holds two specialist funds/collective vehicles forming part of our exposure to UK smaller companies. UK small caps, in common with other geographies, have underperformed the wider market in recent years leaving current valuations increasingly attractive. Over longer periods of time, helped by their higher growth potential, small cap companies have a track record of delivering outperformance.

**Healthcare (o/w)** – secular growth industry driven by global demographics (an ageing and growing global population), greater incidence of chronic health conditions, and increasing ability of emerging market populations to fund modern healthcare, with healthcare spending typically growing ahead of GDP. Additionally, the sector benefits from significant barriers to entry – from patent protection and rigorous drug approval processes – enhancing pricing power.

**Consumer Discretionary (o/w)** – broad mix of exposure to higher quality names within the sector such as RELX, Compass & Next plus travel and leisure holdings Intercontinental Hotels, Whitbread and Carnival which are experiencing a strong post-Covid recovery, together with Flutter which continues to benefit from strong growth in US on-line sports betting and gaming.

**Financials (u/w)** – predominantly due to an underweight position in investment trusts and stock specific underweights in 3i Group and Lloyds Banking Group, partly compensated by overweight positions in Barclays and selective financials with Asian exposure such as Standard Chartered and Prudential where rising wealth levels provide attractive long term growth potential, plus overweight positions in UK small cap investment trusts which typically outperform the broader equity market over the long term.

**Technology (u/w)** – small sector within the UK benchmark with the sector underweight position compensated by holdings elsewhere such as Allianz Technology Trust (global technology focussed investment trust), biotechnology investment trust holdings and Herald Investment Trust (small cap technology /communications /media focussed investment vehicle).

**Consumer Staples (u/w)** – small underweight to the sector primarily due to stock specific underweights (Diageo & Reckitt). The wider sector boasts a broad mix of food and beverage, beauty, personal care, and home care product manufacturers and food retailers which typically offer strong cash generation, robust balance sheets and provide quality through-cycle compounding characteristics. Consumer staples companies demonstrated resilient trading throughout the pandemic, and would be expected to perform strongly, relative to the wider equity market, during a global downturn.

## UK Listed Equity Fund Attribution at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Imperial Brands	1.89	19.66	0.91	19.96	0.16
Glencore	0.95	(16.99)	1.82	(17.37)	0.15
Intercontinental Hotels	1.42	22.37	0.67	22.35	0.14
Standard Chartered	1.52	24.64	0.85	24.67	0.13
Flutter Entertainment	0.74	17.91	0.00	0.00	0.11

**Imperial Brands PLC (o/w)** – shares continue to outperform peers with full year results during the quarter confirming sales and market share growth across its top 5 markets. Pricing helped drive Imperial’s strongest earnings growth in over a decade, supporting elevated shareholder returns through a combination of buybacks and dividends.

**Glencore PLC (u/w)** – softer commodity prices and delays to anticipated China stimulus have weighed, with the decision to retain coal assets post the acquisition of Teck Resources coal division leaving gearing higher than anticipated, potentially delaying additional shareholder distributions.

**Intercontinental Hotels Group PLC (o/w)** – continues to see strong trading in its key markets such as the US, with China in particular beating expectations. Announced new US co-branded credit card deal during the quarter on materially improved financial terms.

**Standard Chartered PLC (o/w)** – higher base rates and reviving Asia trade post Covid disruption supportive with Standard Chartered also well placed as wider Asia trade benefits from China substitution, management commitment to increasing returns on tangible equity (“ROTE”) and expectations for strong growth in its Asian wealth business.

**Flutter Entertainment PLC (o/w)** – consolidating its leading position in US on-line sports betting and gaming, where growth continues to exceed expectations and now reaching a key breakeven hurdle in the US division. Positive reaction to its Capital Markets Day which set out a credible strategy to double EBITDA over the next 3 years.

Note

1) Source: Northern Trust & Border to Coast

## UK Listed Equity Fund Attribution Continued at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Vistry Group	0.29	(56.36)	0.07	(56.20)	(0.28)
IAG	0.00	0.00	0.47	46.98	(0.15)
Persimmon	0.53	(26.18)	0.16	(26.25)	(0.13)
3i Group plc	0.00	0.00	1.40	8.74	(0.12)
Rolls Royce	2.04	(0.84)	2.05	7.85	(0.11)

**Vistry Group PLC (o/w)** – affordable/social housing focussed builder where demand continues to exceed supply however three profit warnings during the period have seen the shares fall sharply, initially centred upon previously unidentified building cost overruns in its largest Southern division, leading to the exit of its COO, followed by a further announcement of delayed completions /termination of unprofitable contract negotiations towards the end of the quarter.

**International Consolidated Airlines Group PLC (u/w)** – shares have performed strongly on the back of a continued recovery in long haul air travel. Capacity constraints remain in its key transatlantic market, supporting both pricing and margins, with a new share buyback also announced during the quarter.

**Persimmon PLC (o/w)** – a strong performance for UK housebuilders following the UK election result on the prospect of planning reforms faded during the quarter triggered by affordability concerns (inflationary impact of Budget on mortgage rates), homebuyer stamp duty increases and likely delays to potential planning reforms.

**3i Group PLC (u/w)** – not held. Positive reaction to interim results where Action, the European discount retailer representing over 70% of the investment company's portfolio, has continued to deliver strong trading performance, with the remainder of the private equity portfolio also proving resilient.

**Rolls Royce Holdings PLC (neutral)** – continues to deliver operational improvements following significant restructuring and seeing a sustained recovery in aftermarket business, underpinning confidence in free cash generation growth. During the quarter the fund closed its underweight position.

Note

1) Source: Northern Trust & Border to Coast

# UK Listed Equity Fund at 31 December 2024

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

Shell	+1.03
Imperial Brands	+0.98
Barclays	+0.94
Impax Environmental Markets	+0.86
Unilever	+0.85
3i Group plc	-1.40
Diageo	-1.25
Lloyds Banking Group	-0.95
BP	-0.93
Glencore	-0.87

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### Top 5 relative stock weights

**Shell PLC** – increased overweight position funded by a reduced position in BP (overall neutral weighting to Energy). Shell’s global LNG assets offer unique exposure to a key component of the global energy market and the transition away from more polluting energy sources such as thermal coal. Elevated shareholder returns appear more sustainable given strong cash flow and following significant reduction in balance sheet debt.

**Imperial Brands PLC** – Growing market share in its key markets for traditional tobacco products generating strong cash generation where pricing continues to offset volume declines and a more disciplined approach to new generation product development, leading to elevated shareholder returns through a combination of share buy backs and progressive dividend.

**Barclays PLC** – provides diversified banking exposure mix from its UK, Wealth, Investment Bank and global card business, with the group generating double digit ROTE and shareholder returns. Valuation remains undemanding compared to peers at c0.7x Price/Tangible Book Value.

**Impax Environmental Markets PLC** – leading ESG-focused fund which specialises in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environments, pollution control and waste technology. Whilst more recently the sector has been out of favour, over the long term it has delivered strong performance.

**Unilever PLC** – preferred staples exposure with a switch from Diageo and Reckitt during the quarter. Attractive mix of emerging market and developed market exposure, with investment now more focussed toward higher growth/higher margin areas, whilst also benefitting from recent restructuring/improving operational performance under a new management team.

### Bottom 5 relative stock weights

**3i Group PLC** – global private equity investor albeit with an unusually concentrated investment portfolio where over 70% of the current net asset value is invested in a single asset, Action, a European discount retailer. Whilst Action continues to trade strongly, the valuation of 3i appears demanding, with the premium at which the shares are trading near historic highs.

**Diageo PLC** – staples preference for Unilever and Haleon. Diageo continues to be impacted by a prolonged de-stocking within the global spirits market and where the longer-term impact from an increase in the adoption of weight loss drugs and lower alcohol consumption by younger generations remains unclear.

**Lloyds Banking Group PLC** – preference for NatWest, which provides similar UK banking exposure, and Barclays for broader global banking mix, with both having significantly lower risk associated with potential motor finance redress following the recent unfavourable court ruling and ongoing FCA review.

**BP PLC** – sector rotation with preference for Shell whilst maintaining neutral Energy sector weighting. Shell offers a more attractive business mix (greater LNG exposure) whereas BP has been slower to address concerns over lower returns from capital investment and higher debt levels, with shareholder distributions appearing less sustainable should energy prices fall from current levels.

**Glencore PLC** – the recent acquisition of Elk Valley Resources from Teck Resources has significantly increased Glencore’s exposure to metallurgical/coking coal. We prefer Rio Tinto & Antofagasta where we see a more attractive blend of commodity exposures (copper & iron ore assets).

Note

1) Source: Northern Trust

# UK Listed Equity Fund at 31 December 2024

## Major transactions during the Quarter:

### Purchases

**Rolls Royce Holdings PLC (£68.3m)** – new holding. Neutralised the fund’s largest risk position. Significant restructuring and improvement in operational delivery, supported by a strong recovery in aftermarket revenues, underpinning free cash generation and growth.

**NatWest Group PLC (£45.7m)** – switch from Lloyds Banking Group. NatWest offers similar UK domestic banking exposure but with much less material risk from potential motor finance redress following the recent adverse court ruling. The UK government stake has continued to reduce significantly, removing a potential overhang whilst also increasing liquidity/benchmark weight.

**BT Group PLC (£39.3m)** – new holding. After a number of years of underperformance, the investment case appears stronger under new management, with a reduced risk from alternative network providers (increased funding costs) and a cleaner/more reliable free cash flow profile as capex nears its peak.

**Rio Tinto PLC (£31.2m)** – closing the fund’s underweight to mining stocks following China’s initial policy action. Attractive mix of copper/iron ore assets with increased visibility on growth plans and operating towards the lower end of the commodity cost curve.

### Sales

**Diageo PLC (£49.6m)** – global spirits continue to be impacted by an extended period of de-stocking post the boost to in-home consumption experienced during the Covid lockdown. The longer-term impact of increased use of weight-loss drugs and lower alcohol consumption amongst younger generations remains unclear.

**Lloyds Banking Group PLC (£47.8m)** – switch to NatWest which offers similar UK domestic banking exposure but with a much lower risk from potential motor finance redress following the recent adverse court ruling concerning undisclosed motor finance commissions.

**Reckitt Benckiser Group PLC (£34.8m)** – moved to underweight position. Material litigation risk within the infant nutrition business following a recent adverse US court ruling which is likely to remain an overhang on the shares for some considerable time.

**Associated British Foods PLC (£26.1m)** – exited position following a profit warning in its sugar division and over concerns Primark’s sales growth, a key part of the investment case, may be moderating after experiencing a number of years of strong growth.

## APPENDICES



## Overseas Developed Markets Fund - United States at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	2.22	0.89	0.22
Broadcom	1.54	0.87	0.20
Vanguard US Mid Cap ETF	3.20	0.00	0.18
Amazon	2.38	1.65	0.12
Walmart Inc	0.84	0.31	0.08

**Alphabet Class A (o/w)** – In early December Alphabet unveiled Willow, a new quantum computing chip. The company hailed this as a meaningful breakthrough in computing, with Willow able to perform computations that would take the current most powerful computers 10 septillion years – that’s 10 and 24 zeros. This got investors thinking about a world even beyond AI, and what role Alphabet will play in it. Alphabet’s third-quarter results were also very robust, with the company’s core search advertising showing impressive resiliency, along with notable strength from YouTube and improving momentum with Google Cloud.

**Broadcom (o/w)** – The application specific integrated circuit (ASIC) maker delivered standout third-quarter results and suggested future potential revenues that far outstripped investor expectations.

**Vanguard Mid-Cap ETF (o/w)** – Even though small and medium sized stocks underperformed the broader S&P 500 for the quarter, our large position size in the Vanguard Mid-Cap ETF – which gives the portfolio exposure to the smaller end of the US stock market – delivered a positive contribution.

**Amazon (o/w)** – Amazon’s relentless focus on costs has boosted profitability at the company’s massive retail operation, lifting overall company profit margins. It also led to further price reductions for customers, extending the retail giant’s lead. What’s more, Amazon’s cloud business – AWS – has benefitted from explosive demand for its AI offerings. In summary, the outlook for all parts of Amazon’s business looks attractive.

**Walmart (o/w)** – Walmart’s transformation from a bricks-and-mortar retailer to a genuine omnichannel (physical and digital) retailer has led to impressive market share gains – and an equally impressive stock price performance. While Walmart’s stock valuation has expanded, the company’s financial performance has justified the gains.

Note

1) Source: Northern Trust & Border to Coast

## Overseas Developed Markets Fund - United States at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.36	0.91	(0.33)
Alphabet C	0.00	0.73	(0.13)
Palantir Technologies	0.00	0.12	(0.07)
Salesforce	0.00	0.26	(0.06)
Elevance Health	0.25	0.07	(0.05)

**Tesla (u/w)** – Tesla fans believe that Elon Musk’s proximity to the incoming US administration will give the electric vehicle maker a significant advantage over its competitors. Reduced incentives, for example, are seen as less impactful for Tesla than America’s other big carmakers. And that could improve the competitive position for Tesla markedly. While we recognise that the size of emerging markets like robotics has widened the potential outcomes for the company (reflected in us closing our underweight) we still believe that extremely optimistic assumptions and forecasts are required to even get close to justifying Tesla’s current stock valuation.

**Alphabet Class C (u/w)** – Our underweight in Alphabet class C shares is more than offset by our overweight in the class A shares.

**Palantir Technologies (u/w)** – Palantir’s solutions continue to benefit from the explosion in AI related demand. The stock’s valuation has benefitted even more, however, with Palantir trading on a remarkable 167 times 2025 forecast earnings.

**Salesforce (u/w)** – Salesforce is rapidly becoming known as the market leader for Agentic Computing – meaning digital agents that displace human labour. This could be a massive market, and the company’s Agentforce product is proving popular in its early days. Markets that have unimaginable potential capture the imagination of investors. They are also difficult to accurately size, leaving room for dramatic valuation expansion in the early stages of growth.

**Elevance (o/w)** – Health insurers suffered during the quarter as results showed that rising health care costs – particularly from government insurance programme Medicaid – were not matched by insurance premium increases. This mismatch will take some time to equalise.

Note

1) Source: Northern Trust & Border to Coast

## Overseas Developed Markets Fund - United States at 31 December 2024

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

Vanguard US Mid Cap ETF	+3.20
Alphabet A	+1.33
Microsoft	+0.80
Amazon	+0.73
Broadcom	+0.67
Alphabet C	-0.73
Tesla	-0.55
Exxon Mobil	-0.38
Johnson & Johnson	-0.28
Salesforce	-0.26

#### Top 5 Holdings Relative to Benchmark:

**Vanguard Mid-Cap ETF** – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

**Alphabet Inc Class A** – Alphabet, Google's parent company, has two share classes. Although the fund doesn't own class C shares, our position remains overweight. Google excels in internet advertising and cloud computing, and Alphabet is leading in quantum computing.

**Microsoft Corp** – Microsoft is thriving with growth in cloud hosting and strong demand for Office. It's well-positioned to upsell AI-enhanced software to enterprises. Despite concerns over AI-related data center spending, we remain confident in Microsoft's leadership.

**Amazon** – Amazon's cloud infrastructure business is set for profitable growth, while its retail division should see higher margins from scale benefits and high-margin advertising. Cost reductions through efficiency technology have significantly boosted overall profitability.

**Broadcom** – Half of Broadcom's revenue is from recurring software sales, boosted by acquiring VMware. The other half is from semiconductors, with a growing share from AI chips. This makes Broadcom a strong AI and semiconductor investment, supported by a cash-generative software business.

#### Bottom 5 Holdings Relative to Benchmark:

**Alphabet Inc Class C** – The large holding in the A share class results in an overweight exposure overall.

**Tesla Inc** – We acquired a position in Tesla this quarter but remain underweight. Despite believing the stock is overvalued, AI advancements have expanded Tesla's potential. Robotics, humanoids, and energy storage could become valuable, and Elon Musk's Republican alignment might offer short-term benefits.

**Exxon Mobil Corp** – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

**Johnson & Johnson** – We sold Johnson & Johnson on concerns about the company's inability to replace key drugs that are losing their patents. The stock has continued to underperform post our exit.

**Salesforce** – We see more AI opportunities in enterprise resource planning (ERP) than in customer relationship management (CRM). While Salesforce has potential in Agentic Computing, we believe this market is unproven and may be smaller than projected.

Note

1) Source: Northern Trust

## Overseas Developed Markets Fund - Europe (ex UK) at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Bayer	0.00	0.07	0.04
Airbus	0.63	0.35	0.04
Sika	0.00	0.13	0.04
Vestas Wind Systems	0.00	0.05	0.03
Givaudan	0.00	0.13	0.02

**Bayer (u/w)** – The German healthcare and chemicals conglomerate saw its share price fall substantially. This followed it lowering the outlook for revenues at its agricultural products division due to low prices for crop protection products and due to slower than expected growth in its consumer health business. It also guided for earnings to fall year on year in 2025.

**Airbus (o/w)** – The French aircraft manufacturer saw orders confirmed from a Middle Eastern airline for its flagship A350 product. This confirmed the strong demand for their products and underpinned their full year guidance on deliveries which was heavily weighted towards the end of the year.

**Sika (u/w)** – The Swiss specialty chemicals company which provides products for the construction industry held a Capital Markets Day which disappointed investors. During this event, the CEO noted that the company was not seeing an acceleration on growth and margins would be lower in H2 compared to H1 2024.

**Vestas Wind System (u/w)** – The Danish wind turbine manufacturer saw its shares fall sharply during the quarter as it cut its margin guidance for 2024 due to a whole host of factors. Vestas has seen increased competition and lower demand as project delays have put pressure on pricing. At the same time, the company has been burdened by rising raw material costs and higher provisions for equipment warranties.

**Givaudan (u/w)** – The Swiss flavours and fragrances group, saw its share price fall over the quarter despite strong Q3 2024 numbers showing good organic growth as investors started to question whether volume growth and margins had peaked. The company also indicated that it would reinvest some of the higher-than-expected cashflow back in the business which would lead to lower margins in 2025.

Note

1) Source: Northern Trust & Border to Coast

## Overseas Developed Markets Fund - Europe (ex UK) at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	1.25	1.00	(0.10)
Capgemini	0.38	0.10	(0.06)
DSM-Firmenich	0.31	0.07	(0.06)
TotalEnergies	0.78	0.41	(0.05)
ASML	1.32	1.03	(0.05)

**Novo Nordisk (o/w)** – Novo reported a disappointing result from the trial of its next generation anti-obesity drug, CagriSema where the weight loss from the drug was below the company’s expectation. Novo should still see an increase in revenue as the supply issue starts to become less of a concern as Novo starts to integrate the three fill and finish Catalent sites acquired from Novo Holdings.

**Capgemini (o/w)** – The French IT consulting group underperformed following weaker than expected quarterly results which have led to it cutting its outlook for 2024 revenues given the softer aerospace and automotive end markets. The consultancy market has been soft, and expectations are that industrial consultancy will start to see improvements in the second half of 2025.

**DSM-Firmenich (o/w)** – The Dutch flavours and fragrances company declined over the quarter despite raising its guidance for 2024 on the back of higher vitamin prices. Higher vitamin prices should only be a short-term driver due to peers currently experiencing production difficulties. Going forward the company should now start to see sales synergies coming through as DSM and Firmenich are becoming more integrated.

**TotalEnergies (o/w)** – The French oil and gas company fell due to concerns surrounding global economic growth which impacted the results from the downstream segment during the quarter. In addition, the oil price fell after Israel stated it would not target Iran’s oil infrastructure. The company is still one of the lowest cost oil producers and diversification into LNG and renewables will help to reduce its risk to oil prices.

**ASML (o/w)** – The Dutch lithography company underperformed on weaker than expected Q3 2024 orders with the company also cutting guidance for 2025. Valuation is now at the lower end and as lithography will be an important part in semiconductor chip production ASML should benefit due to its monopoly position.

Note

1) Source: Northern Trust & Border to Coast

# Overseas Developed Markets Fund - Europe (ex UK) at 31 December 2024

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

Schneider Electric	+0.45
Deutsche Telekom	+0.42
Industria de Diseno Textil	+0.38
TotalEnergies	+0.37
Munich Re	+0.34
Zurich Insurance Group	-0.32
Hermes	-0.30
Banco Santander	-0.26
UniCredit	-0.23
BBVA	-0.21

### Top 5 Holdings Relative to Benchmark:

**Schneider Electric (o/w)** – Schneider is a highly regarded and well-managed electrical power equipment company that enjoys a strong global position in the structural growth markets of Energy Management and Industrial Automation where growth is being driven by strong demand for Data Centres.

**Deutsche Telekom (o/w)** – Deutsche Telekom in Germany is Europe’s largest listed telecoms company which owns a majority stake in a US mobile telecoms operator which generates 2/3rds of profits. Strong growth in the US mobile market is driving improved cashflow and earnings which is leading to improved cash returns for shareholders through higher dividends and buybacks

**Inditex (o/w)** – The Spanish listed retailer is the largest fashion retailer globally by revenues with 8 different retail formats in 213 markets. It has grown strongly over the last 20 years due to its flexible business model which has seen it adapt better to digital competition than other bricks and mortar retailers. It has a strong balance sheet and still has opportunities for growth whilst now trading at a valuation discount to its history.

**TotalEnergies (o/w)** – The French petroleum company has recently been shifting away from its core oil business and has now become the second largest player in LNG. The management team is looking to diversify further into green energy and renewables. This diversification as well as being one of the lowest cost oil producers lead us to being overweight the name.

**Munich Re (o/w)** – The German financial company is one of the world’s leading providers of reinsurance where the group can use its strong balance sheet to drive faster growth and generate higher shareholder returns.

### Bottom 5 Holdings Relative to Benchmark:

**Zurich Insurance (u/w)** – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

**Hermes (u/w)** – Hermes trades on a higher valuation and has a less diversified portfolio than some of its peers. The portfolio has an overweight position in LVMH, which trades at a lower valuation despite its best-in-class characteristics.

**Banco Santander (u/w)** – Santander’s balance sheet is considered one of the weakest in the sector, and its end markets are especially vulnerable to the impact of higher interest rates. The bank’s strategy to expand into investment banking remains risky, in our opinion.

**Unicredit (u/w)** – The Italian bank is not held in the portfolio as we think it is less well managed with management considering M&A that we believe could destroy shareholder value. We prefer its competitor, Intesa Sanpaolo, as it benefits from a more diversified revenue base, strong asset gathering capability and a potential recovery in fees & trading to largely offset sector wide the margin pressures.

**BBVA (u/w)** – BBVA’s recent acquisition of Banco Sabadell, a local competitor, adds integration and deal risk, which we believe is not adequately compensated for in the equity valuation. BBVA is also less diversified than to some of its peers which the Sabadell deal does little to alleviate due to its exposure outside of Spain consisting largely of Mexico and Turkey.

Note

1) Source: Northern Trust

## Overseas Developed Markets Fund - Japan at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Recruit Holdings	0.42	0.22	0.04
Mitsubishi UFJ Financial	0.49	0.30	0.03
Sumitomo Mitsui Financial	0.40	0.20	0.03
Sony	0.46	0.29	0.02
Nintendo	0.31	0.14	0.02

**Recruit Holdings (o/w)** – Owner of popular US employment search-engine Indeed.com, Recruit attracted market attention as a Japanese beneficiary of the “Trump Trade” with the share price buoyed by expectations of an improving US labour market. Current fundamentals also appear more resilient than expected.

**Mitsubishi UFJ (o/w)** – Interest-rate sensitive stocks outperformed the broader market during the quarter as Bank of Japan guidance turned more hawkish and JGB yields resumed their upward trajectory following the summer’s notable macro volatility. Blue-chip stocks like MUFG fared particularly well in recognition of their strong balance sheets and solid growth potential in a higher-rate environment.

**Sumitomo Mitsui Financial Group (o/w)** – Interest-rate sensitive stocks tended to outperform the broader market during the quarter as JGB yields resumed their upward trajectory and the Bank of Japan reverted to a more hawkish outlook. As with MUFG, blue-chip stocks like SMFG fared particularly well.

**Sony (o/w)** – The shares had underperformed for some time as investors struggled to understand the growth trajectory of the company’s core gaming and network services business. Sentiment shifted during the quarter, however, on news that PS5 consoles had become profit-making, as well as improving growth numbers in key network services metrics like monthly average users (MAU) and total game playtime.

**Nintendo (o/w)** – Investors responded positively to a rare strategic update from senior management in November. Management appears confident that next-generation Switch gaming console can generate comparable sales and earnings to the current generation — a particularly salient point given the feast-and-famine-type volatility traditionally associated with Nintendo new console launches.

Note

1) Source: Northern Trust & Border to Coast

## Overseas Developed Markets Fund - Japan at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
KEPCO	0.13	0.02	(0.04)
Shimano	0.14	0.03	(0.04)
Mizuho Financial	0.00	0.14	(0.03)
Advantest	0.00	0.10	(0.02)
Asahi	0.18	0.03	(0.02)

**Kansai Electric Power (o/w)** – The company issued new equity during the quarter, pressuring the share price. In addition, a significant portion of capital raised from the new equity issuance looks to be allocated toward replacing existing capital stock rather than growing sales and earnings.

**Shimano (o/w)** – Shares reversed course from previous quarter’s outperformance. Despite signs earlier in the year that an inventory correction for the company’s core bicycle parts business is finally coming to an end, quarterly results disappointed the market. Sales had surged during the Covid era, and post-covid normalisation left many of the company’s retail customers holding excess levels of inventory.

**Mizuho Financial Group (u/w)** – As we pointed out in our discussion on Top 5 contributors Mitsubishi UFG and Sumitomo Mitsui Financial Group, interest-rate sensitive stocks outperformed the broader market during the quarter on a resumption of hawkish language from the BoJ and further gains in JGB yields. We prefer these two megabanks to Mizuho, however, due to their superior positioning and strong business portfolio.

**Advantest (u/w)** – Shares of this back-end chip testing-equipment maker managed to avoid the boom-and-bust volatility that characterized its peer group in the semiconductor production equipment sector (including our core holdings, Tokyo Electron and Disco) during the earlier part of the year. As a result, the stock was well positioned to benefit from a year-end tech rally following the summer selloff in the sector.

**Asahi Group (o/w)** – The market reacted unfavourably to weakness in Australian operations, one of the Japanese beer-maker’s key markets. Japanese domestic volumes also appear weak. We continue to see solid longer-term opportunities in these markets, however, as well as the company’s growth markets of Central and Eastern Europe.

Note

1) Source: Northern Trust & Border to Coast



# Overseas Developed Markets Fund - Japan at 31 December 2024

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

Sumitomo Mitsui Financial	+0.20
Recruit Holdings	+0.19
Mitsubishi UFJ Financial	+0.19
TDK	+0.19
Hitachi	+0.18
Mizuho Financial	-0.14
Fast Retailing	-0.14
Mitsui & Co	-0.13
Daiichi Sankyo	-0.11
Mitsubishi Heavy Industries	-0.10

### Top 5 Holdings Relative to Benchmark:

**Sumitomo Mitsui Financial Group** – We maintain an overweight position on large Japanese banks. Among these we favour Sumitomo Mitsui Financial Group because of the success management has enjoyed in shifting the group’s business model beyond traditional reliance on loan-deposit spread, as well as building a credible overseas operation.

**Recruit Holdings** – We value this company’s ability to grow its digital properties over the last decade and transform its business model from a domestic player focused on in-person recruitment to a global enterprise with comprehensive capabilities across recruitment functions. In our view, the company still has significant leeway to grow through ever-greater monetization of its digital properties.

**Mitsubishi UFG** – As Japan’s largest and highest-quality bank, MUFG is well placed to benefit from the long-awaited normalization of Japanese interest rates and the positive impact this will have on bank earnings. We are also bullish on its high-quality overseas assets, such as the investment bank Morgan Stanley.

**TDK** – We rate the company’s industry-leading battery technology highly, as well as its diversified end-market exposure. Management has shown itself adept at adopting to industry changes, and we believe the market will be surprised by the positive effects of its strategy in areas such as mid-sized batteries and sensors.

**Hitachi** – Over the last 14 years, large-scale corporate restructuring has transformed this company from a sprawling and inefficient corporate behemoth into a lean and focused creator of industrial value. Management is now shifting its attention from restructuring to growth, led by world-class technology and industrial integration, as well as electric distribution and traditional industrial verticals like rolling stock.

### Bottom 5 Holdings Relative to Benchmark:

**Mizuho Financial Group** – While we maintain our overweight in financials, we prefer MUFG for the higher quality of its domestic franchise as well as its blue-chip overseas assets like Morgan Stanley. We also prefer to hold Sumitomo Mitsui Financial Group for its successful efforts to build profitable non-lending businesses.

**Fast Retailing** – We rate this high-quality, high-growth apparel retailer very favourably but struggle to find an attractive entry point as valuations reflect greater positive performance than we believe is feasible.

**Mitsui & Co** – While we rate Mitsui & Co. highly, we prefer Mitsubishi Corp. and Itochu Corporation, due to their more diversified business portfolios with relatively lower weighting on resources/commodities. Mitsubishi Corp. in particular has learned the lessons of the last bull cycle and is more keenly focused on free cash flow generation.

**Daiichi Sankyo** – Despite derating during the quarter, the current share price continues to reflect an unrealistically optimistic outlook for the company’s oncology drugs, in our view.

**Mitsubishi Heavy Industries** – The shares of this diversified industrial company have been attracting market attention over the last year as long-running restructuring efforts that have frustrated investors in the past have finally started to bear tangible fruit. We prefer Hitachi, however, given its better growth profile, superior industry positioning, and the fact that its portfolio restructuring has progressed far further.

Note

1) Source: Northern Trust

## Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2024

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung Electronics Prefs	0.00	0.18	0.04
Shinhan Financial	0.00	0.11	0.03
DBS Group	0.60	0.47	0.02
Aristocrat Leisure	0.34	0.20	0.02
NAVER	0.32	0.13	0.02

**Samsung Electronics Prefs (u/w)** – Samsung Electronics underperformed as the expected recovery in legacy memory products was delayed on sluggish demand for IT products including PCs and smartphones. Progress on achieving approval for the use of its high-bandwidth memory with Nvidia also remained slow though we are optimistic this should be resolved in 2025. The Fund is overall overweight in Samsung with an underweight in the preferred Samsung shares more than offset by an overweight in the common shares.

**Shinhan Financial Group (u/w)** – In line with the wider banking sector in Korea, Shinhan underperformed on the back of the political turmoil in the country. The increased prospects of the left-leaning opposition party winning the next presidential elections could impact the ability of banks to release capital and lift shareholders’ returns going forward. Potential political pressure leading to new social lending programmes also affected the sentiment towards the stock and sector.

**DBS Group (o/w)** – Outperformed benefitting from the rise in global bond yields and an improved outlook for profitability as interest rates remain higher for longer.

**Aristocrat Leisure (o/w)** – Continued to gain market share in its gaming operations in the US. Their social casino business also performed strongly following optimisation measures that resulted in lower user acquisition spending and further costs savings.

**Naver (o/w)** – Underpinned by its low valuation, Naver outperformed as revenue grew from both its search and e-commerce platforms. Margins also improved, supported by their efficient cost management.

Note

1) Source: Northern Trust & Border to Coast

## Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2024

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung Electronics	1.61	1.26	(0.11)
Samsung SDI	0.20	0.06	(0.08)
AIA Group	0.83	0.58	(0.04)
Lynas Rare Earths	0.17	0.03	(0.04)
Newmont Corporation	0.12	0.00	(0.04)

**Samsung Electronics (o/w)** – As per the Preferred shares, Samsung Electronics underperformed as the expected recovery in legacy memory products was delayed on sluggish demand for IT products including PCs and smartphones. Progress on achieving approval for the use of its high-bandwidth memory with Nvidia also remained slow though we are optimistic this should be resolved in 2025.

**Samsung SDI (o/w)** – Despite very undemanding valuations and attractive long-term growth prospects, the leading EV battery maker underperformed, affected by weak sales and deteriorating earnings guidance. Demand for EV batteries has been sluggish despite a long term growth trend and recent sentiment has softened due to concerns of potential changes to US government policies.

**AIA Group (o/w)** – Though they are set to benefit from the low penetration in life insurance markets and rising living standards in China/ASEAN, after being one of the best performers in 3Q24, AIA suffered from overall weakness in sentiment towards Chinese-related stocks.

**Lynas Rare Earths (o/w)** – The largest and only fully vertically-integrated rare earths manufacturer outside China was another China-related name which struggled in Q4 and gave back some of the outperformance in the prior quarter. This also reflected softness in rare earth materials prices which we believe to be temporary.

**Newmont (o/w)** – The largest gold producer in the world was affected by a slight deterioration in margin profile and conservative guidance with 2025 production cuts set against lofty expectations. This should be placed in the longer-term context of a strong recovery in Newmont's revenue back to post-pandemic highs, still overall resilient margins, a solid balance sheet and expanding share buybacks.

Note

1) Source: Northern Trust & Border to Coast

# Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2024

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

Samsung Electronics	+0.35
SK Hynix	+0.26
AIA Group	+0.26
KB Financial Group	+0.23
Techtronic Industries	+0.21
Westpac Bank	-0.51
UOB	-0.24
Samsung Electronics Prefs	-0.18
Celltrion	-0.14
QBE Insurance	-0.13

### Top 5 Holdings Relative to Benchmark:

**Samsung Electronics** – Samsung is exposed to structural growth in the memory chip market, including high bandwidth applications. The group also has a diversified earnings stream, stronger balance sheet than peers, and large potential for shareholder returns. The overweight in the ordinary shares is partly offset by not owning the preference shares.

**SK Hynix** – A leader in semiconductor memory with high teens global market share in both NAND (storage) and DRAM (processing) chips, benefitting from structural demand growth with improving penetration and increasing number of applications (including AI) for its technologically leading high bandwidth memory.

**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 and ASEAN.

**KB Financial Group** – Largest financial group in Korea, with sector-high return on equity, strong capital position, and increasing focus on improving shareholder returns.

**Techtronic Industries** – Technology-leading focus on the cordless power tools market should lead to improving margins and market share as global penetration continues to rise – thanks to innovative, easy-to-use products. The company's focus on the higher-margin professional market in the US should also benefit.

### Bottom 5 Holdings Relative to Benchmark:

**Westpac Banking Group** – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

**UOB** – While Singaporean banks tend to be highly correlated, the portfolio prefers competitors DBS and OCBC – both enjoy stronger capital positions and more differentiated profiles. DBS is the leader in terms of profitability and carries a high valuation, whilst OCBC is slightly more expensive than UOB, with similar profitability but paying a slightly higher dividend yield.

**Samsung Electronics Prefs** – The portfolio is overweight Samsung Electronics overall via the more liquid ordinary shares. The discount of the preferred shares to the ordinary shares has widened in recent months. Should this trend continue, we would consider some partial switching to preferred shares going forward, allowing for liquidity considerations.

**Celltrion** – Exited the position in early 2022 as reports of accounting irregularities emerged as well as concerns over product concentration, uncertain pipeline and pricing/margins and the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

**QBE** – Largest Australian insurer by market cap with strong revenues from its North America and international segments. The fund has a preference for Insurance Australia Group given its historically higher returns profile and scope for outperformance on premiums growth.

Note

1) Source: Northern Trust

# Overseas Developed Markets Fund

## at 31 December 2024

### Major transactions during the Quarter:

#### United States

##### **Purchases:**

**Sherwin-Williams (£35.1m)** – Sherwin is a paint manufacturer and seller, serving primarily professional painters through its network of high-touch paint stores. The company’s intense focus on customer service, and its unrivalled distribution, has led to years of market share gains and enviable profitability in this consolidated industry. Higher interest rates have curtailed housing transactions, which has dragged down residential repainting activity – although Sherwin has continued to grow through share gains. Pent-up demand for housing means transactions will recover eventually, and that should lead to outsized sales for Sherwin, given recent share gains.

**Tesla (£11.5m)** – While our view that Tesla’s stock price is overvalued is unchanged, the rapid advance of AI technology – and the need for clean energy to power it – has brought into view several potentially massive markets for Tesla to chase. Other risks remain, not least governance concerns surrounding the company’s CEO.

**Microsoft (£9.1m)** – Microsoft underperformed in 2024 due to concerns around the company’s massive capital spending plans to support its AI ambitions. However, we ultimately believe that these investments will prove fruitful, and that Microsoft will emerge an AI software leader, as well as one of a handful of scaled AI infrastructure providers. The stock’s valuation had contracted a little, so we took the opportunity to top up our core overweight.

**Veralto (£7.2)** – Veralto, the maker of water quality test and measurement instruments and consumables, is a high-quality investment with attractive long-term growth prospects. We inherited a small position courtesy of a spin-off from Danaher, and after an in-depth review we decided to increase our position size.

##### **Sales:**

**Linde (-£39.3m)** – Linde is an extremely well-managed company with a leadership team highly focused on costs. The company’s revenue growth has been robust too, having been boosted by inflation over the past couple of years. However, with the inflation tailwind petering out, we believe that it will be difficult for Linde to meet the level of profit growth its stock price valuation would appear to demand.

**Johnson & Johnson (-£33.0m)** – Johnson & Johnson’s pharma business must overcome a few key drugs going off patent over the coming years. And while there are some promising replacements in the pipeline, visibility over the long-term prospects of the pharma segment is low. The share price is cheap, but we felt that there are better – and equally defensive – businesses in our portfolio that deserve the capital we had tied up in Johnson & Johnson.

**Xylem (-£14.7m)** – Xylem benefits from the same thematic water-related tailwinds as Veralto. However, much of Xylem’s profit growth targets hinge on management’s ability to continue to execute a cost-led streamlining of the company (which includes shedding unprofitable relationships). This might be achievable, but with an expensive stock price, any disappointment will be received poorly.

**Apple (-£10.1m)** – Apple’s stock price has continued to drift higher, driven mostly by continued valuation expansion. Much of this appreciation is in sympathy with the broader AI theme, with investors feeling that Apple is well positioned to capture a lion’s share of AI edge (consumer devices) opportunity. To date, though, Apple’s AI announcements have been disappointing, in our view. Ultimately the smartphone market is mature and slow growing, and despite relatively sluggish growth expectations for Apple, the company’s stock price commands a price-to-earnings ratio similar to that of its mega cap peer Nvidia – which should grow multiple times faster than Apple.

#### Europe (ex UK)

##### **Purchases:**

# Overseas Developed Markets Fund

## at 31 December 2024

**Deutsche Telekom (£13.6m)** – Consolidating positions within the telecoms sector into one name. DT’s execution is now best in class, and its organic growth outlook both in the US and Germany is still enviable. Shareholder returns are expected to increase over time thanks to higher growth and better profitability.

**Atlas Copco (£11.0m)** – Increasing position to overweight. Atlas Copco is a giant in niche markets 3x the size of its nearest competitors in compressors and with a ~50% market share in semiconductor vacuums. Atlas Copco derives >60% of operating profits from its aftermarket and service franchise. This is more than 2x the sector average which supports high-margin revenue growth and protects earnings downside.

**SBM Offshore (£2.3m)** – SBM Offshore is a new position in the portfolio. It is the market leader in FPSOs (Floating Production and Storage Offshore) and is seeing demand increase. The company has a strong balance sheet with good cash generation. The long term cashflows from leasing FPSOs are undervalued and the group is building a new business in building FPSO’s for sale which is not reflected in the current valuation.

### Sales:

**Orange (-£14.9m)** – Orange was sold to consolidate the position in the telecom sector and adding to Deutsche Telekom. Competition in its main market France is increasing, with Orange pushing through price cuts to maintain market share and this should lead to margin pressure.

**Symrise (-£12.4m)** – Exited Symrise to consolidate position in the Flavours and Fragrances space. Symrise has limited growth as pet foods, the main driver of revenue, has seen demand normalising following the increase in the domestic pet population during Covid. DSM Firmenich is preferred as it should deliver growth through synergies via cost-cutting and cross selling.

**Stellantis (-£11.8m)** – Exited Stellantis as we believe the company will be impacted heavily by Chinese competition at the lower end of the market. Stellantis will also be impacted by the new European carbon emissions rules coming into effect in 2025.

**Eiffage (-£8.3m)** – Consolidating position in the infrastructure space. Eiffage faces the expiry of its toll road concession in 2031 which will leave a sizeable gap in its revenue. The risk is that Eiffage decides to try and acquire other assets to fill in this gap which leaves the company at risk of overpaying given high competition for infrastructure assets.

**BB Biotech (-£6.6m)** – Exited BB Biotech, a listed investment company which invests in US and European biotech companies. The position was sold in order to consolidate our holding in the space by adding to HBM Healthcare, our preferred play in the space.

**Stora Enso (-£6.0m)** – Exited the investment due to the company’s weak balance sheet and high-cost assets making it vulnerable to the recent pulp price weakness.

### Asia Pacific (ex Japan)

#### Purchases:

**Seatrium (£5.2m)** – continued building the position in this leading Singaporean marine engineering group on expectations improving profitability supported by a large and rising orderbook as well as its position and technical capabilities to capture the ongoing need for offshore oil & gas production platforms and the rising capex needed for renewables as part of the global energy transition.

**Park Systems (£5.2m)** – the Korean atomic force microscopes manufacturer was added to the Fund on the back of high technological barriers to entry, increasing penetration of its equipment in semiconductor manufacturing and development of new applications addressing different stages of the chip production process.

#### Sales:

## Overseas Developed Markets Fund at 31 December 2024

None.

### Japan

#### **Purchases:**

None.

#### **Sales:**

**Sumitomo Mitsui Financial Group (-£1.8m)** – Reduced our position in this megabank to rebalance after strong outperformance.

**Mitsubishi UFG Financial Group (-£1.1m)** – We reduced our position in Japan’s largest banking group on strong outperformance and less attractive valuations.

**TDK (-£1.1m)** – This electronic-components manufacturer remains a core holding, but the valuation has become less attractive as the position size has grown following strong share price performance.

## Market Background at 31 December 2024

Global equities gained 7% in the fourth quarter in sterling terms, capping a terrific year for stock investors which saw global markets jump more than 20%. For the quarter, sterling's 6% decline took the shine off returns in dollar terms, however.

The full year 20% return is even more impressive considering it followed a return of 16% the year before. It has been a remarkable two decades for equity markets, with an annualised return of around 8% in sterling terms. What's more, that annualised figure includes major market corrections in 2022, 2020 and 2008. But, after periods of strong performance complacency can creep in, so as experienced investors it's important to remember the pain of large market declines. That's why we remain vigilant to global risks – perhaps more so than ever.

The events of the fourth quarter might go some way to showing us what could be in store for the coming twelve months. Flat dollar-based returns belie what was in fact a very eventful quarter. Diverging global economic fortunes, along with a rapidly changing political and geopolitical backdrop caused sizable volatility intra quarter. An outlook for stable growth and gradually easing inflation meant the markets started out on a strong footing. But as the quarter progressed, the world's asynchrony became apparent. In the US, stronger-than-expected economic data boosted the S&P 500 by 10%, despite a deteriorating inflationary picture. While in Europe, the softer-than-anticipated economic growth led a 4% drop in equities. Further east, initial reaction to government stimulus efforts pushed the Chinese equity market higher. The enthusiasm faded, though, as the stimulus appeared insufficient to release the country from a two-handed grip of sagging consumer confidence and a deflating property bubble. As for 2025, whilst the world's political landscape could normalise, and the global economy could hit smoother waters, it's unlikely. That means we're probably in for another year of uncertainty, with the accompanying volatility.

At the start of the year, we highlighted that 76 countries – and over half the world's population – faced an election of some sort. Elections always bring uncertainty, and 2024's elections saw no shortage of drama, but by and large democracy passed its test, with dissatisfied citizens either removing – or significantly weakening – incumbent governments, with limited unrest. In the UK, the Conservatives almost graciously ceded power to the Labour party after 14 years. In often-fraught emerging markets, Indian and South African elections concluded peacefully

despite a significant loss of majority for India's ruling BJP, and a forced alliance between the ANC and Democratic Alliance in South Africa.

The election with probably the biggest impact was held in the US. During the run up, investors were fearful of a contested result and large-scale unrest. Contested elections aren't a new thing, but as everyone knows, markets prefer certainty. These concerns proved unfounded, the election passed without incident, and the Democrats conceded defeat to the Republican Party. But, when one door to uncertainty closes another one opens, and the rhetoric from Donald Trump and his close circle of advisors in recent weeks once again has the world on the edge of its seat. This is just another reason why we believe that 2025 will be yet another year of investor anxiety and potential equity market volatility. It's also why we remain steadfast in our long-term approach.

That said, Trump's policies (or at least his stated wish lists) might further increase the potential for global equity market divergence in the near term – something we are watching closely. His famous protectionist approach is likely to be inflationary, as higher import costs will probably get passed onto consumers. That, combined with a stronger economic outlook fuelled by tax cuts and a dismantling of regulations, means inflation will probably prove stickier than previously thought. That puts the Federal Reserve's 2% target out of reach, in our view. Throw in high concentration in expensive mega cap technology companies, overall market valuations that are by no means cheap, and a sprinkle of animal spirits that has lifted the US market to heights few people expected, and it's hard not to be incrementally more alert to increasing risks.

On the flip side, though, an improving domestic economic outlook, the potential for equity market performance to broaden beyond large cap tech companies, and a rampant artificial intelligence (AI) theme that shows little sign of fading, all make the US an attractive destination for capital. In summary, while we are less enthusiastic about the US than before, it remains our favoured equity market.

Across the pond, Europe continues to struggle with glacial economic growth and political uncertainty. In France and Germany, Europe's two biggest and previously political-stable countries – at least in recent times – ascending populist parties are unsettling the

Note

1) Source: Border to Coast



## Market Background at 31 December 2024

establishment. The German AfD and French National Rally both trumpet Republican-style protectionism, as well as anti-immigration policies. Notably, the National Rally is demanding more fiscal largess to fund its populist agenda. That's possibly not all that wise against the backdrop of an already high national debt and a ballooning fiscal deficit.

Unsurprisingly, then, the broader European equity market has been relatively poor over the past year. Germany, however, managed to churn out strong equity performance despite its political wranglings and weak domestic economy. Two things explain this. First, the constituents of the Dax – the country's leading stock index – are similar to the FTSE 100 in that they derive less than a quarter of their revenues from their home country. Second, the German index has a heavy weighting in high-flying technology companies. SAP – the software giant – was responsible for nearly 40% of the Dax's gains in 2024. That's more than the entire auto sector combined. While this has supported German equity returns, and similar to our view on the US, this high level of concentration is a worry. What's more, while the gale force strength AI tailwind should continue to support US technology companies at least in the near term, large parts of the German market rely on global exports – especially to an economically weak China. That means an increasingly protectionist world presents an additional risk. Looked at through this lens, while the UK, and its FTSE 100 Index, isn't littered with exciting technology firms, its comparatively stable political backdrop, and cheap valuations makes it look relatively well positioned.

There has been significant divergence in sector performance over the past twelve months. The Technology sector has continued its un-contested leadership, while sectors like Basic Materials and Energy have struggled. Basic Materials – the worst performing sector – underperformed Technology by over 50%. What's clear is that the excitement surrounding the development of AI stands in sharp contrast to the waning demand for base metals as the world re-tools and Chinese growth continues to moderate. But this level of underperformance brings our concern over both valuation and market expectations into sharper focus. The Technology sector is now valued at double that of the Materials sector – and that's with already elevated growth expectations. In contrast, growth expectations for the Materials sector have dropped precipitously. Materials stocks are now valued similarly to Energy companies, even though they do not face the same energy-transition fuelled existential angst.

Despite this turbulent backdrop we remain optimistic that 2025 will be another year of positive equity market returns. Equity bull markets are known to climb a wall of worry, after all, and while the wall might be steepening, we think the foundations remain strong. Most importantly against a backdrop of never-ending uncertainty, we take comfort from our ability to look through short term concerns and differentiate between companies. Our focus on investing in reasonably valued companies that have strong balance sheets, good track records and generate high and sustainable returns will stand us in good stead. This differentiation should allow us to participate in the current equity market strength while protecting us from ongoing risks.

## Disclosures

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### Fund List and Inception Dates

Fund	Inception Date
Global Equity Alpha	24/10/2019
Overseas Developed Markets	26/07/2018
Emerging Markets Equity	22/10/2018
Emerging Markets Equity Alpha	31/07/2023
UK Listed Equity	26/07/2018
UK Listed Equity Alpha	14/12/2018
Listed Alternatives	18/02/2022
Sterling Investment Grade Credit	18/03/2020
Sterling Index-Linked Bond	23/10/2020
Multi-Asset Credit	11/11/2021

# Quarterly Investment Report - 80237

For the Period 01 Oct 2024 to 31 Dec 2024

## Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 4506331.1 Published: 15 Jan 2025

**Quarterly Investment Report - 80237**

As of 31 Dec 2024

Middlesbrough Borough Council

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## Quarterly Investment Report - 80237

As of 31 Dec 2024

Middlesbrough Borough Council

# Accounting Summary (expressed in GBP)

As of 31 Dec 2024

## Middlesbrough Borough Council

	Market Value 01 Oct 2024		Contributions	Withdrawals	Change in Market Value	Market Value 31 Dec 2024	
<b>Passive Equity Portfolio</b> Termination Date: 03 Dec 2024							
<b>North America Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024	51,044,824	22.49%	0	54,496,263	3,451,438	0	N/A
<b>Europe ex UK Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024	34,547,661	15.22%	0	33,246,528	(1,301,133)	0	N/A
<b>Japan Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024	85,978,092	37.88%	0	87,756,891	1,778,799	0	N/A
<b>Asia Pacific ex Japan Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024	55,383,497	24.40%	0	54,241,350	(1,142,147)	0	N/A
<b>Total</b>	<b>226,954,074</b>	<b>100.00%</b>	<b>0</b>	<b>229,741,031</b>	<b>2,786,957</b>	<b>0</b>	<b>N/A</b>

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**Quarterly Investment Report - 80237**

As of 31 Dec 2024

Middlesbrough Borough Council

**Performance Summary** (expressed in GBP)

As of 31 Dec 2024

**Middlesbrough Borough Council**

**Partial Periods**

	MTD	QTD	YTD	Inception
<b>Passive Equity Portfolio</b> Termination Date: 03 Dec 2024				
<b>North America Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024 21 Sep 2018				
Total Returns	0.78%	11.94%	29.14%	15.00%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	0.77%	11.87%	28.63%	14.62%
<b>Difference</b>	<b>0.01%</b>	<b>0.07%</b>	<b>0.51%</b>	<b>0.38%</b>
Total Returns (Net)	0.78%	11.94%	29.12%	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	0.77%	11.87%	28.63%	N/A
<b>Difference</b>	<b>0.01%</b>	<b>0.07%</b>	<b>0.49%</b>	<b>N/A</b>
<b>Europe ex UK Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024 26 Sep 2018				
Total Returns	1.15%	-2.14%	4.40%	6.83%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.13%	-2.20%	4.16%	6.59%
<b>Difference</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.24%</b>	<b>0.24%</b>
Total Returns (Net)	1.15%	-2.14%	4.38%	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.13%	-2.20%	4.16%	N/A
<b>Difference</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.22%</b>	<b>N/A</b>
<b>Japan Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024 01 Jun 2001				
Total Returns	3.88%	5.78%	13.31%	4.72%
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	3.88%	5.75%	12.94%	4.54%
<b>Difference</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.37%</b>	<b>0.18%</b>

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## Quarterly Investment Report - 80237

As of 31 Dec 2024

Middlesbrough Borough Council

### Partial Periods

	MTD	QTD	YTD	Inception
Total Returns (Net)	3.88%	5.78%	13.29%	N/A
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	3.88%	5.75%	12.94%	N/A
<b>Difference</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.35%</b>	<b>N/A</b>
<b>Asia Pacific ex Japan Screened Index Equity Sub-Fund</b> Termination Date: 03 Dec 2024				01 Jun 2001
Total Returns	1.16%	0.26%	3.42%	8.74%
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.16%	0.19%	3.61%	8.67%
<b>Difference</b>	<b>0.00%</b>	<b>0.07%</b>	<b>-0.19%</b>	<b>0.07%</b>
Total Returns (Net)	1.16%	0.26%	3.40%	N/A
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.16%	0.19%	3.61%	N/A
<b>Difference</b>	<b>0.00%</b>	<b>0.07%</b>	<b>-0.21%</b>	<b>N/A</b>

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

**Quarterly Investment Report - 80237**

As of 31 Dec 2024

Middlesbrough Borough Council

## Relationship Management Team



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## Quarterly Investment Report - 80237

As of 31 Dec 2024

Middlesbrough Borough Council

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- All valuations are based on Trade Date accounting.
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- 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.
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- 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.
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- 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

## Quarterly Investment Report - 80237

As of 31 Dec 2024

Middlesbrough Borough Council

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.

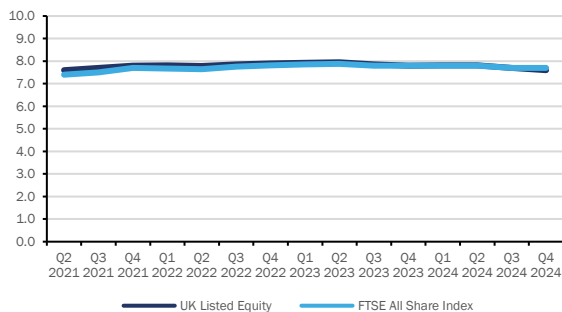
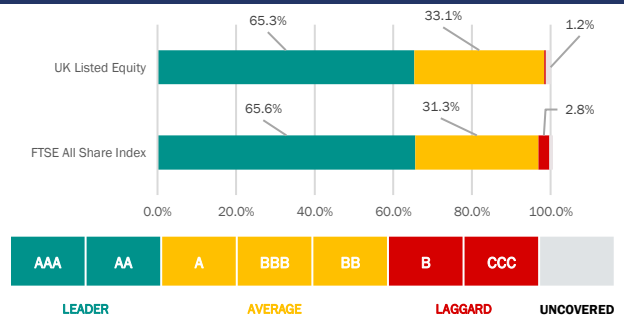
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- The Net performance returns reflected in the Performance Summary report is from Jan 2020 reporting onwards.
- If your account holds Russian securities and instruments, then as of the date of this publication, they have been fair valued. Such fair 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

**Q4  
2024**
**MSCI ESG  
RATING  
AA**


	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>UK Listed Equity</b>	AA <sup>1</sup>	7.6 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE All Share Index</b>	AA <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>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Unilever	5.6%	+0.9%	AAA <sup>1</sup>	Carnival	0.6%	+0.5%	BB <sup>1</sup>
Relx	3.6%	+0.7%	AAA <sup>1</sup>	Rolls Royce	2.1%	+<0.1%	BBB <sup>1</sup>
National Grid	2.3%	+0.4%	AAA <sup>1</sup>	Imperial Brands	1.9%	+1.0%	BBB <sup>1</sup>
SSE	1.3%	+0.6%	AAA <sup>1</sup>	Glencore	1.0%	+0.9%	BBB <sup>1</sup>
Diageo	1.1%	-1.3%	AAA <sup>1</sup>	Shaftesbury Capital	0.5%	+0.4%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The Fund's overall ESG score dropped slightly and now sits below benchmark. The Fund saw a drop in ESG Leaders, with the Fund more than halving its position in AAA rated Diageo. The Fund also saw an increase in the average rated entities held with new positions in Rolls Royce, BT and Carnival.
- The Fund's ESG score continues to rank highly, this is in large part due to the nature of the UK market's approach to ESG risk management, meaning UK companies typically have a higher ESG rating compared to other markets. Unilever, this quarter's feature stock, is an example of how listed UK entities approach ESG risks.

**Feature Stock: Unilever**

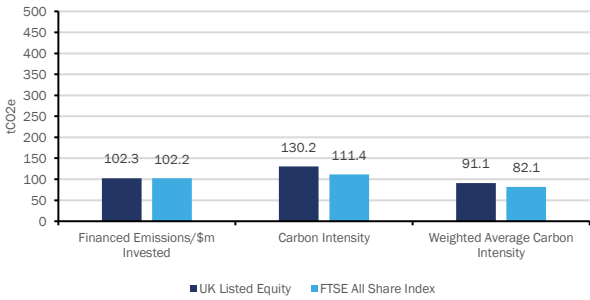
Unilever is one of the world's largest consumer goods companies, employing around 128,000 people and operating across 280 sites worldwide. Its leading brands include Dove and Sunsilk in Beauty & Wellbeing, Lux and Lifebuoy in Personal Care, Domestos & Cif in Homecare, Hellmans & Knorr in Foods, and Walls and Ben & Jerry's in Ice Cream. Recent leadership changes, including the CEO & CFO, have seen an increased focus on operational efficiency and a shift to higher growth categories such as prestige beauty and health & wellbeing benefitting margins, with lower growth businesses such as Tea sold and a planned exit from Ice Cream announced. The recent Capital Markets Day in November outlined Unilever's strategy to prioritise its top 30 brands (75% of sales) and top 34 markets (85% of sales), with more stretching targets for cash conversion and returns on investment. Exposure to emerging markets, in particular its presence in India through Hindustan Unilever, is a key part of the growth opportunity.

Unilever is AAA ESG-rated by MSCI, which places it within the top 14% of the Household and Personal Products industry, having been successively upgraded to AA in June 2021 then to AAA in October 2022. MSCI sees Unilever as continuing to lead global peers around corporate governance practices, including having a majority independent and diverse board, and adoption of industry leading product carbon footprint reduction activities, where net zero emissions are targeted by 2039, well ahead of many peers. Notwithstanding this there are areas for improvement such as single-use packaging materials, where reductions to date have been limited in scope. Unilever's business mix of home & personal care and food products potentially leaves it more exposed to product contamination and liability risks. In this regard Unilever has replaced petrochemical-based agents with biodegradable alternatives with all manufacturing facilities certified to FSC standards including regular product quality inspections and oversight

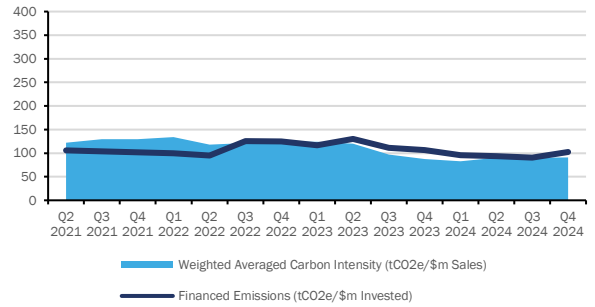
<sup>1</sup>Source: MSCI ESG Research 31/12/2024



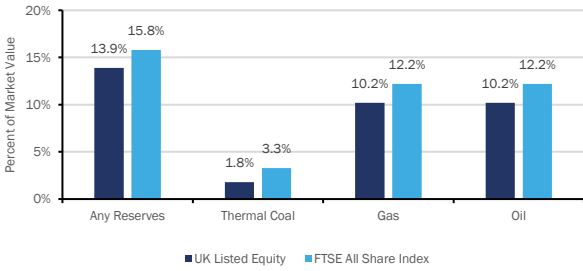
**Carbon Emissions and Intensity<sup>1</sup>**



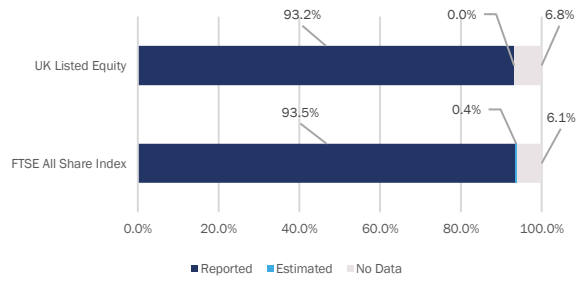
**Carbon Trends<sup>1</sup>**



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



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



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	7.5%	+1.1%	37.7% <sup>1</sup>	Yes	4
Carnival	0.7%	+0.5%	17.4% <sup>1</sup>	No	3
Rio Tinto	2.9%	+0.7%	12.9% <sup>1</sup>	Yes	4
BP	1.8%	-0.9%	7.9% <sup>1</sup>	Yes	4*
Glencore	0.9%	-0.9%	4.9% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The Fund saw a 13% increase in financed emissions and 8% in carbon intensity quarter on quarter, with a marginal increase in the Fund's weighted average carbon intensity. With this increase the Fund now sits marginally above benchmark on financed emissions and continues to sit significantly above benchmark on carbon intensity and WACI.
- Despite reduced positions in BP and Glencore and the Fund exiting EasyJet, increased positions in top emitters Shell and Rio Tinto and a new carbon intensive position in Carnival drove the increase in the Fund's financed emissions and carbon intensity. Carnival is this quarter's feature stock.

**Feature Stock: Carnival**

Carnival is the one of the world's largest leisure travel companies commanding approximately 37% of the worldwide cruise liner fleet. The company has operations in North America, Australia, Europe and Asia, with about 10 cruise lines and a fleet of over 90 ships. Carnival serves British and Australian passengers primarily through P&O Cruises, while brands such as AIDA and Costa Cruises serve travellers across the rest of Europe. In North America, Carnival operates Princess Cruise Lines, Holland America, Seabourn, P&O Cruises Australia, and its flagship Carnival Cruise Lines. The company generates around 70% of its sales from North America.

The company has targeted a 20% reduction in carbon intensity by 2030 from its 2019 baseline. To achieve this the company is using a number of levers. As the cruise fleet renews, fuel efficiency has improved at a rate of 2.4% per year since 2005. This is better than airlines which have improved by 0.5-1% per year over the same period. To reduce the pollution from ship exhaust gasses Carnival has also deployed air quality systems across the fleet and is expanding its LNG programme.

The company has increased its use of "cold ironing", the powering of ships in port from shore-side supplies, with shore power connections now viable to 60% of the fleet. The company is aspiring to achieve net zero emissions from ship operations, and 100% fleet shore power by 2050. While there is clearly work to do in reducing absolute emissions, Carnival continues to comply with all relevant environmental standards across its geographies.

<sup>1</sup>Source: MSCI ESG Research 31/12/2024

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

Reason	ESG (%) <sup>1</sup>	Carbon (%) <sup>1</sup>
Company not covered	0.0%	0.0%
Investment Trust / Funds	1.2%	6.8%

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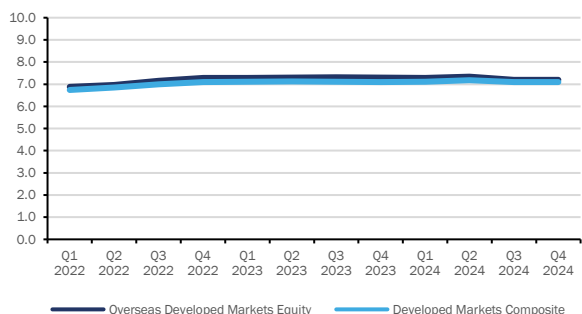
**BORDER TO COAST  
OVERSEAS DEVELOPED  
MARKETS EQUITY FUND**

ESG & CARBON REPORT

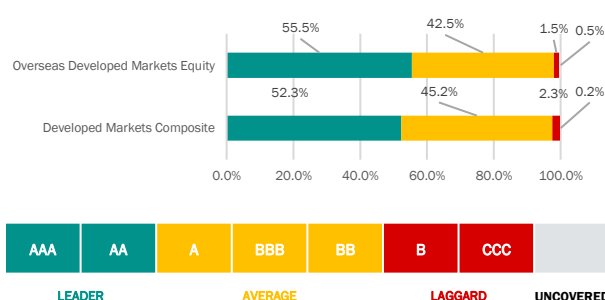


	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
Overseas Developed Markets Equity	AA <sup>1</sup>	7.2 <sup>1</sup>	Green	Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
Developed Markets Composite	A <sup>1</sup>	7.1 <sup>1</sup>		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>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
NVIDIA	3.1%	+0.5%	AAA <sup>1</sup>	Hyundai Motor	0.3%	+0.1%	CCC <sup>1</sup>
ASML	1.3%	+0.3%	AAA <sup>1</sup>	Hyundai Mobis	0.1%	+0.1%	CCC <sup>1</sup>
Novo Nordisk	1.3%	+0.3%	AAA <sup>1</sup>	HPSP	0.1%	+0.1%	CCC <sup>1</sup>
SAP	1.2%	+0.2%	AAA <sup>1</sup>	Park Systems Corp	0.1%	+0.1%	CCC <sup>1</sup>
Schneider Electric	1.0%	+0.5%	AAA <sup>1</sup>	Meta Platforms	0.9%	-0.1%	B <sup>1</sup>

**Quarterly ESG Commentary**

- Despite marginal reductions in the overall ESG Score of both the Fund and benchmark, the Fund remains above benchmark on this measure.
- The number of companies held by the Fund with an ESG Rating of CCC increased to four following the downgrade of Hyundai Mobis and the acquisition of Park System Corp. Despite the increase in CCC rated companies, the Fund continues to hold favourable proportions of ESG leaders and ESG laggards compared to the benchmark, contributing to the Fund’s overall differential versus the benchmark.

**Feature Stock: HPSP**

HPSP Co Ltd is a Korean company which is specialised in high pressure heat treatment semiconductor equipment increasingly used in the production of smaller logic nodes and memory chips. HPSP has technology (protected by over 30 patents) and expertise in handling high-density hydrogen in high pressure environments, where the risk of explosion is high and rigorous safety standards are needed. This provides high barriers to entry and makes costs high for HPSP’s customers (the largest semiconductor foundries and memory makers) should they wish to switch to other suppliers.

MSCI initiated coverage of HPSP in April 2023 with an ESG rating of “CCC” and reiterated it March 2024, with the company trailing its peers. This can be typical of small Korean companies which are growing rapidly and have not yet made improvements according to their new status. MSCI’s “formulaic” approach tends to penalise smaller companies with fewer resources in terms of ESG-dedicated teams and specialists.

Expectations are for HPSP to improve its labour and governance practices as it develops, sets up better systems and improves disclosure. Whilst the criticism in terms of corporate governance practices is not undeserved and improvement desirable and to be demanded, in recent years HPSP has delivered great shareholder value and risen to prominence in a very competitive industry with a strong IP prowess led by a professional management team.

<sup>1</sup>Source: MSCI ESG Research 31/12/2024

**BORDER TO COAST  
OVERSEAS DEVELOPED  
MARKETS EQUITY FUND**

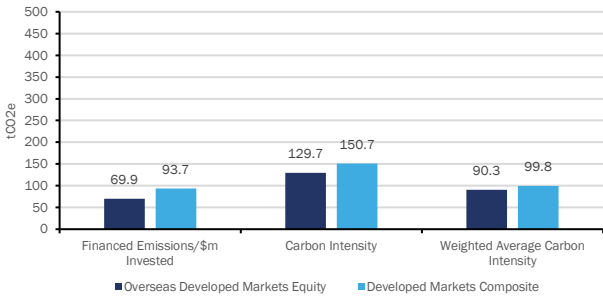
ESG & CARBON REPORT

**Q4  
2024**

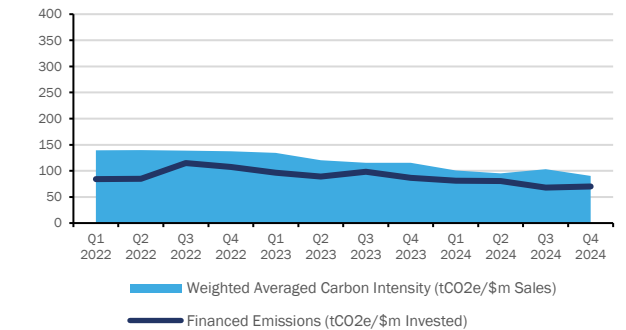
MSCI ESG  
RATING  
**AA**



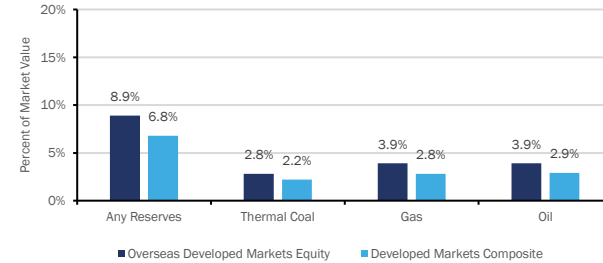
**Carbon Emissions and Intensity<sup>1</sup>**



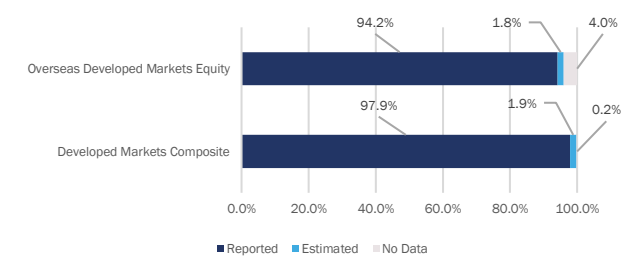
**Carbon Trends<sup>1</sup>**



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



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



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
RWE	0.2%	+0.1%	10.0% <sup>1</sup>	Yes	4
POSCO	0.1%	+<0.1%	9.9% <sup>1</sup>	Yes	4
Holcim	0.4%	+0.2%	9.2% <sup>1</sup>	Yes	4
L'Air Liquide	0.7%	+0.3%	4.1% <sup>1</sup>	Yes	3
Rio Tinto	0.2%	+<0.1%	4.0% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The Fund saw small increases in its financed emissions and carbon intensity and a 12% decrease in weighted average carbon intensity (WACI). The Fund sits below benchmark across all emissions metrics.
- The reduction in WACI is largely explained by movements in the Fund's top 5 contributors to its WACI. The Fund's exit from Linde, a top contributor at end Q3 2024, a 34% increase in NextEra's revenue and a reduced position in RWE were the major contributors to the reduction in Fund's WACI.

**Feature Stock: RWE**

In November 2023, RWE outlined a €55bn investment plan to expand its green portfolio to more than 65 gigawatts (GW) by 2030, adding net capacity of >30GW between 2024-30. It is making good progress towards this goal with over 11GW of renewables capacity under construction. RWE's goal is to be carbon neutral by 2040 and to achieve this it is increasing the pace of its transformation and aiming to reduce its emissions in line with the 1.5°C reduction path across all corporate activities and all greenhouse gases. This includes the construction of renewable energy plants based on offshore and onshore wind power, solar energy, and battery storage as well as investments in hydrogen-ready gas-fired power plants. RWE has a goal to phase out the use of coal as an energy source by 2030 and is decommissioning coal power plants as soon as their utilisation is no longer required. It is unlikely that RWE will be able to close earlier than this (as it previously wished to do so) given that Germany is having to import electricity from its Neighbours. To achieve the goal of net zero by 2040, the decarbonisation of fossil-fueled power plants is another key element. RWE is converting its Dutch power plants to run on biomass and is currently developing carbon capture and storage projects in the UK and the Netherlands.

The investment thesis for owning RWE has slightly changed over the last year. It still has a good balance sheet relative to the sector and is investing heavily in renewables for future earnings growth. Given the slower deployment of capital into renewables, the group is looking to return cash to shareholders through a share buyback. The group remains at a valuation discount to its peers, which is mainly due to its coal-fired power generation exposure. As the exposure to coal/lignite reduces, RWE should re-rate to be in line with its peers.

<sup>1</sup>Source: MSCI ESG Research 31/12/2024

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

Reason	ESG (%) <sup>1</sup>	Carbon (%) <sup>1</sup>
Company not covered	0.1%	0.1%
Investment Trust/ Funds	0.4%	3.9%

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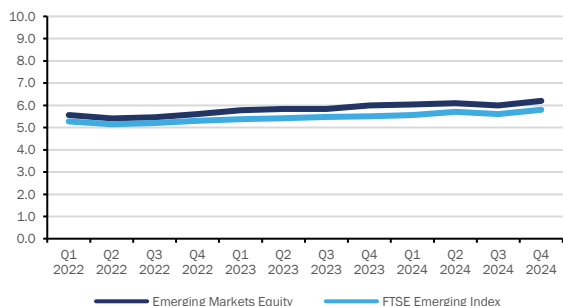
# BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

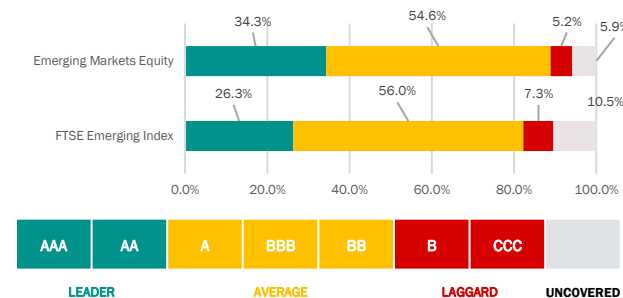


	End of Quarter Position <sup>1</sup>			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		
Emerging Markets Equity	A <sup>1</sup>	6.2 <sup>1</sup>			Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
FTSE Emerging Index	A <sup>1</sup>	6.0 <sup>1</sup>			Fund has a <i>Weighted 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>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Taiwan Semiconductor	11.8%	+4.3%	AAA <sup>1</sup>	PDD Holdings	0.5%	-0.1%	CCC <sup>1</sup>
China Merchants Bank	1.1%	+0.9%	AAA <sup>1</sup>	Jiangsu Hengli Hydraulic	0.5%	+0.5%	CCC <sup>1</sup>
Sanlam Limited	0.2%	+0.1%	AA <sup>1</sup>	Jindal Steel and Power Limited	0.8%	+0.8%	B <sup>1</sup>
Wuxi Biologics	<0.1%	-0.1%	AA <sup>1</sup>	PetroChina	0.7%	+0.5%	B <sup>1</sup>
HDFC Bank	3.2%	+2.0%	AA <sup>1</sup>	Zijin Mining	0.4%	+0.3%	B <sup>1</sup>

## Quarterly ESG Commentary

- Both the Fund and benchmark saw an uptick in their overall ESG score. Following upgrades to existing holdings, the Fund saw a 6%, by weight, increase in the proportion of leaders held. The Fund's better ESG score versus the benchmark is driven by the greater proportion of ESG laggards held by the benchmark.
- The quarter saw PDD Holdings' ESG Rating downgraded from B to CCC. The company joins Jiangsu Hengli Hydraulic as the second CCC-rated company held by the Fund. Jiangsu Hengli Hydraulic is this quarter's feature stock.

### Feature Stock: Jiangsu Hengli Hydraulic

Jiangsu Hengli Hydraulic (Hengli) is a China-based manufacturer of professional hydraulic components and hydraulic systems. Hengli is a market leader with around 50% of market share in key hydraulic components for excavators in China.

The company has been successful in diversifying its markets and products. International sales have increased from 12% in 2020 to 35% in 2024 with Hengli becoming an important strategic partner to major construction equipment companies Caterpillar and JLG. Hengli has also expanded sales outside construction machinery into agricultural and aerial work platform machinery. These markets now account for 50% of total sales in 2024, up from less than 30% in 2020. Hengli leads competitors in research and development. Hengli has increased research and development spending from 4% of sales in 2020 to 8% in 2024. This commitment to research and development is expected to help Hengli maintain its strong competitive edge.

The company's ESG Rating of CCC is mainly due to the governance practices that lag global peers. The Wang family holds 70% of the Company, the Board is chaired by the former CEO and the Board is not majority independent of management. These factors highlight potential conflicts of interests and poor oversight of management. The company is also seen to be behind peers on oversight of business ethics, audits on ethics standards and whistleblower protection.

Despite these governance concerns, Hengli's market leading position, potential for further expansions and strong commitment to research and development is expected to see the company continue as one of the best quality companies in China's mechanical industry.

<sup>1</sup>Source: MSCI ESG Research 31/12/2024

<sup>2</sup>We have restated Q3 2024 % Coverage Values to the following:

EM Equity Leader:28.3% Average:59.9% Laggard:6.8% Not Covered:4.5%

FTSE EM Leader:25.6% Average:59.9% Laggard:11.7% Not Covered:2.8%

# BORDER TO COAST EMERGING MARKETS EQUITY FUND

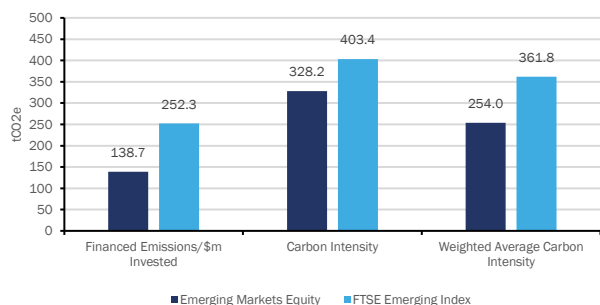
ESG & CARBON REPORT

**Q4  
2024**

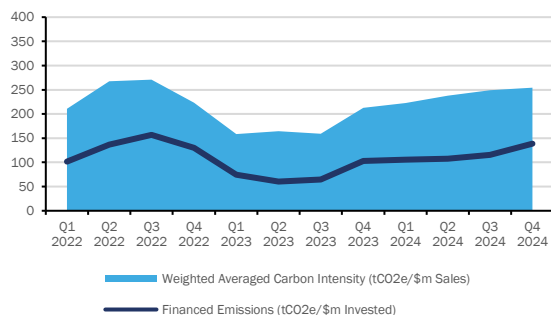
MSCI ESG  
RATING  
**A**



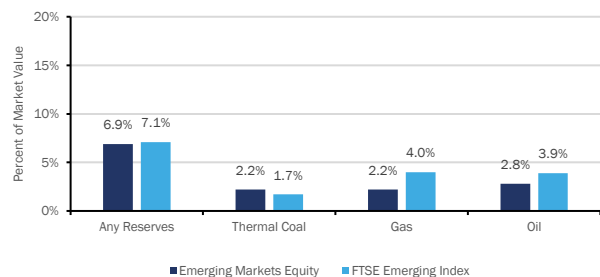
## Carbon Emissions and Intensity<sup>1</sup>



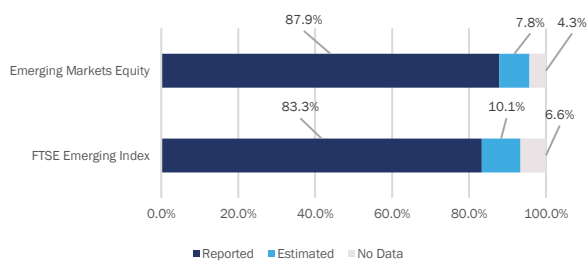
## Carbon Trends<sup>1</sup>



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



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



## Largest Contributors to Financed Emissions<sup>1</sup>

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Grasim Industries	1.6%	+0.8%	48.7% <sup>1</sup>	No	3
Jindal Steel and Power Limited	0.8%	+0.8%	10.6% <sup>1</sup>	No	3
Qatar Gas Transport Company	0.9%	+0.9%	6.0% <sup>1</sup>	No	N/A
Traxion	0.5%	-0.3%	4.2% <sup>1</sup>	Yes	N/A
Petrochina	0.7%	+0.5%	4.1% <sup>1</sup>	No	3

## Quarterly Carbon Commentary

- The Fund continues to be significantly below the benchmark across all emissions metrics; carbon emissions, carbon intensity and Weighted Average Carbon Intensity (“WACI”).
- Changes in the Fund’s two largest emitters Grasim and Jindal Steel and Power drove the majority of a 20% quarter-on-quarter increase in financed emissions. The combination of a 13% increase in Grasim’s reported emissions, an increased position in Jindal Steel and Power, alongside reductions in each company’s market capitalisation accounted for a significant proportion of the Fund’s increased footprint. Grasim Industries, the Fund’s largest emitter, is this quarter’s feature stock.

### Feature Stock: Grasim Industries

Grasim is an Indian conglomerate operating in three core sectors: cement, viscose staple fibre (VSF), and financial services. Grasim’s cement subsidiary, UltraTech, is India’s largest cement manufacturer by volume and benefits from rising spend on house building. Its VSF subsidiary is the largest supplier of fibres for viscose yarn in India and is primarily driven by domestic apparel spending. India’s cement consumption is growing slightly faster than GDP growth, while use of VSF is also rising. Both businesses lead the competition in scale and profitability. Grasim provides the portfolio with exposure to the India growth story from the perspective of both basic infrastructure and consumption.

Cement production is the greatest source of carbon emissions for Grasim (>80%) as the production of clinker for cement is very energy intensive. Grasim aims to achieve Net Zero overall by 2050. Within cement specifically, Grasim has committed to reduce Scope 1 and Scope 2 emissions (the most material emissions for the cement industry) by 30% by FY30 (versus FY17). This will be achieved by increasing the share of renewable power to 25% by FY25 and investing in waste heat recovery systems. In the VSF business, Grasim has committed to reduce GHG emission intensity by 50% by FY30 and achieve Net Zero Emissions by FY40. The decarbonisation strategy targets new technologies, operational efficiency gains, and new low carbon product offerings. While Grasim is a large carbon producer, cement production is nevertheless vital in pursuing basic development goals, and thus a high carbon intensity is inherent in delivering affordable and safe housing, communications infrastructure, clean water and sanitation. It is therefore an important industry to support in its transition towards net zero.

<sup>1</sup>Source: MSCI ESG Research 31/12/2024

#### Issuers Not Covered

Reason	ESG (%) <sup>1</sup>	Carbon (%) <sup>1</sup>
Company not covered	3.8%	2.2%
Investment Trust/ Funds	2.1%	2.1%

#### Important Information

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

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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

AGENDA ITEM 8

**PENSION FUND COMMITTEE REPORT****12 MARCH 2025****DIRECTOR OF FINANCE AND TRANSFORMATION, ANDREW HUMBLE****PENSION FUND BUSINESS PLAN 2025/28****1. PURPOSE OF THE REPORT**

- 1.1 To present to Members of the Teesside Pension Fund Committee (the Committee) the annual Business Plan for the Fund.

**2. RECOMMENDATION**

- 2.1 That Members approve the Business Plan including the 2025/26 Pension Fund budget.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The 2025/26 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	<b>£ millions</b>
Income from employers / members	134.7
Expenditure to members	(213.7)
Administration and management expenses	(13.8)
Estimated net investment income	151.0*
<b>Net increase (decrease) in net assets available for benefits</b>	<b>58.2</b>

*\*Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.*

**4. BACKGROUND**

- 4.1 In order to comply with the recommendations of the Myners Review of Institutional Investment it was agreed that an annual Business Plan should be presented to Members for approval. The Business Plan should contain financial estimates for the Fund, including the budgeted costs for investment and management expenses.
- 4.2 The Teesside Pension Fund Business Plan is designed to set out how the Pension Fund Committee operates, what powers are delegated and to provide information on key issues. The Business Plan sits alongside the Fund's other governance

documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

4.3 The Business Plan for 2025/28 is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2025/26, and a summary of the performance for 2024/25 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2024/25 and an estimate for income and expenditure for 2025/26 (see Appendix D and page 22 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2025/26 and an outline work plan for 2027 – 2028.

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

TEL NO.: 01642 729040

# Business Plan

## 2025 – 2028



Teesside Pension Fund

## EXECUTIVE SUMMARY

The purpose of this Business Plan is to outline the Fund's objectives and provide a plan of action as to how key priorities will be achieved in order to further these objectives.

Over the last few years the Fund has faced increasing complexities and there has been and continues to be new legislation that has fundamentally changed the way in which we work and our relationship with our stakeholders. The complexities have stemmed from but are not limited to the following;

- Asset Pooling
- The Public Service Pensions Act 2013
- Increased risk monitoring
- Funding pressures resulting from longevity risk and volatile financial markets
- Overriding HMRC legislation
- Increased diversity of scheme employers resulting from alternative service provision models
- Changing Local Government Pension Scheme regulations

To manage these challenges the Fund needs to be flexible and responsive to adapt in a timely and effective manner.

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2024-25, and projections for 2025-26, as well as the administration and investment expenses.

The Business Plan also details the key performance indicators by which the Fund's performance will be measured. A full listing of these indicators can be found in section 5.

Officers will update the Pensions Committee and the Pension Board on the progress made against aspects of the Business Plan in update reports presented at future meetings.



## INTRODUCTION

Middlesbrough Borough Council is the Administering Authority for the Teesside Pension Fund (the Fund). The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme providing ongoing benefits on a career average revaluated earnings (CARE) basis, with most benefits earned before April 2014 calculated on a final salary basis. It is funded primarily by contributions from its constituent employers and members and by investment income.

The Fund currently has over 82,000 scheme members from around 150 employer bodies, including four Local (Unitary) Authorities.

The results of the latest actuarial valuation, as at March 2022 showed the assets worth £5.036 billion, were sufficient to meet 116% of the Fund's liabilities. The formal result of the next valuation (based on asset and liability figures as at 31 March 2025) is due by 31 March 2026 with employer contribution rates being set to reflect the outcome of this valuation for the three year period starting 1 April 2026.

## PURPOSE OF THE FUND

### Mission Statement

*“To provide an efficient and effective pension scheme for all scheme members and employers in accordance with the requirements of the regulations and legislation for the Local Government Pension Scheme.”*

### Purpose

The Fund is a vehicle by which scheme benefits are delivered. The purpose of the Fund is to:

- Receive monies in respect contributions from employers and employees, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations 2013 and as required in the LGPS (Management and Investment of Funds) Regulations 2016.

### Aims

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to

taxpayers, and the employing bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk exposure policies of the administering authority and employers alike.

- Seek returns on investments within reasonable risk parameters.

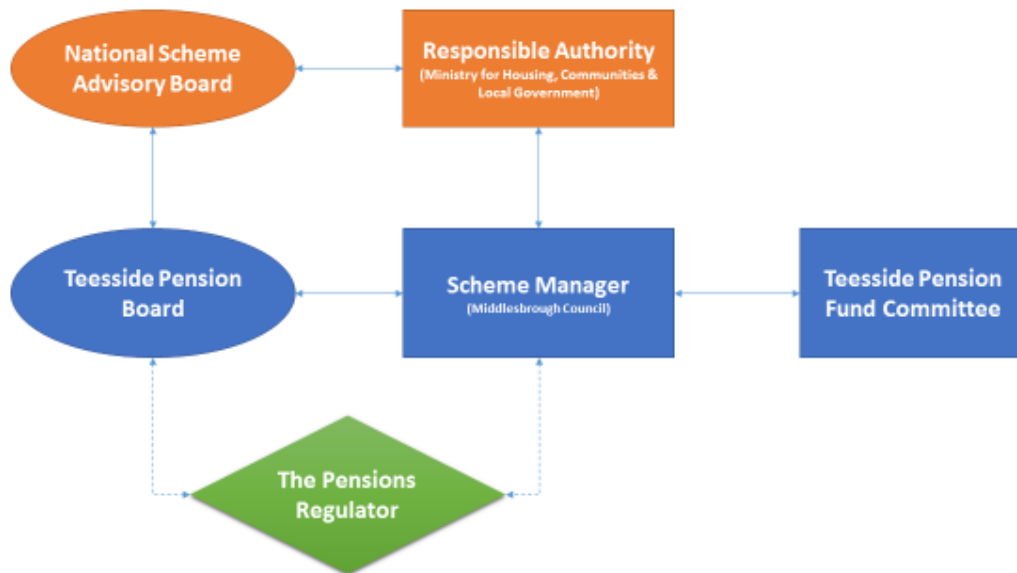
**Service Promise**

*“We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.”*

The full service promise is attached as Appendix A, and sets out the promises to the four key stakeholders of the Fund.

**GOVERNANCE ARRANGEMENTS**

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below.



**Responsible Authority**

For the LGPS, this is the Ministry of Housing, Communities & Local Government (MHCLG); its primary roles being:

- The LGPS Scheme ‘sponsor’;
- Ensuring affordability of the LGPS for members and employing authorities;

- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience; and
- Commissioning and updating legislation and actuarial guidance.

More information can be found on MHCLG at the following website:

<https://www.gov.uk/government/organisations/ministry-of-housing-communities-local-government>

## **The Local Government Pension Scheme Advisory Board – England and Wales**

The Local Government Pension Scheme Advisory Board (SAB):

- Advises on policy, best practice, and governance issues;
- Reporting responsibility;
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator.

Further information on the Scheme Advisory Board, its role and operation can be found at the SAB website: <http://www.lgpsboard.org/> .

## **The Pensions Regulator**

The statutory objectives of the Pension Regulator that are relevant to the LGPS are:

- Protect member benefits (although they accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Please visit The Pensions Regulator website for more information:

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>

In addition to the national bodies, each individual LGPS Fund has a single employing authority designated as the administering authority for its geographic area. Middlesbrough Council was appointed the Administering Authority for the Teesside Pension Fund by the Secretary of State, replacing the former Cleveland County Council Fund following Local Government Reorganisation in 1996.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Teesside Fund, this function is delegated to the Teesside Pension Fund Committee, which is assisted by the Teesside Pension Board.

## **Teesside Pension Fund Committee**

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, His Majesty's Revenue & Customs (HMRC)'s requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and any interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
  - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.

- 
- v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
- vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Border to Coast Pensions Partnership ('Border to Coast'); the Asset Pooling Collaboration arrangements:
- i) Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or the Mayor's Nominee (in their role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
- ii) Undertake the role of Authority in relation to the Border to Coast Inter Authority Agreement, including but not limited to:
- Requesting variations to the Inter Authority Agreement
  - Withdrawing from the Inter Authority Agreement
  - Appointing Middlesbrough Council officers to the Officer Operations Group.
- g) Considering the Fund's financial statements and the Fund's annual report.
- h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, independent professional advisers and Additional Voluntary Contribution (AVC) provider.
- i) Liaison with internal and external audit, including providing or agreeing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
- j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- l) Agreeing Pension Fund business plans and monitoring progress against them.
- m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing

training plans and monitoring compliance with the policy.

- n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

### Teesside Pension Board

The Board is responsible for assisting the Administering Authority:

- a) To secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

### Teesside Pension Officer Support

In order to support the Teesside Pension Fund Committee and Teesside Pensions Board and enable them to fulfil their obligations under the LGPS investment regulations administering authorities are required to take proper advice. "*Proper advice*" is defined in the LGPS Investment Regulations 2016 as "*the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters.*" Advice is taken from internal and external sources:

- Internal advice comes from the **Director of Finance**, who has Section 151 responsibilities. It is the Director who is responsible for ensuring that adequate expertise is available internally and, where the Director deems that not to be the case, they will advise when external advice should be sought. Internal expertise and advice is provided by:
  - The **Head of Legal Services** on legal matters pertaining to the Fund.
  - The **Head of Pensions Governance and Investments** on pensions, investments and LGPS governance issues.
  - The **Client Manager / Client Director** of the Fund's partners on administration and regulatory issues.

- The **Head of Finance and Investment** on issues relating to the Statement of Accounts.
- External advice is provided by:
  - The **Fund’s Investment Advisors** on asset allocation and investment matters.
  - The **Fund’s Actuary**, Hymans Robertson LLP, on actuarial matters.
  - The **Fund’s Solicitors**, Nabarro, on regulatory and administrative matters, and Freeths LLP, on legal matters relating to the Fund’s property investments.
  - The **Fund’s Auditor**, Forvis Mazars LLP, regarding auditing the accounts and internal controls and systems.
  - Other external advisors as the Director of Finance shall see fit to recommend.

## PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

The Fund’s management arrangements, the arrangements for the appointment of advisors and other external service providers and the regular review of those arrangements have been determined by the Committee.

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited (‘Border to Coast’) and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund. A recent Government consultation [“LGPS \(England and Wales\): Fit for the Future”](#) (outcome still pending) strongly suggests investment oversight of all the Fund’s assets (with the exception of cash) will move to the pool (Border to Coast) over the next few years.
- Initial asset transfers took place during 2018-19 which resulted in all the Fund’s UK equities being transferred to be under Border to Coast’s management. During 2021 most of the Fund’s overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. During 2024-25 the passive Equity holdings with State Street were sold and partly reinvested with Border to Coast’s (internally managed) overseas equity fund. All of the Fund’s liquid assets (except cash) are now invested through Border to Coast.
- There are a number of investment assets which currently remain with the Fund to manage, either because they are unlikely to transfer to Border to Coast, e.g. cash, or because it is not practical or cost-effective to do so, such as existing private markets investments. Following the recent Government consultation it looks likely that while ownership of these private markets investments will remain with the Pension Fund

(because of the cost and complexity of transferring this), in future the investment oversight of the assets may transfer be the responsibility of Border to Coast. In addition, following a decision taken at the December 2024 Pension Fund Committee, the Fund is looking to transfer the management of its own UK Real Estate portfolio to Border to Coast, to be managed as part of Border to Coast's UK Real Estate Fund. This decision reversed an early Committee decision and was taken in the knowledge that the Government's direction of travel is now clearly towards greater asset pooling in the LGPS.

- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.
- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019, was reawarded to Northern Trust following a procurement exercise from 1 June 2022 and is due to be reviewed in 2026.
- Pension Administration Services are provided by XPS Administration (formerly Kier Group) under the terms of a contract commencing 1 June 2001. This contract was extended several times with the final extension lasting until the end of May 2025. In 2024 an open procurement exercise was carried out. The successful bidder was South Tyneside Council (the administering authority for the Tyne & Wear Pension Fund) and work is underway to transfer to service and potentially some of the staff carrying out the service to the new provider. South Tyneside Council is due to start providing the administration service, under a partnership arrangement with Middlesbrough Council from 1 June 2025.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hymans Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.



## PERFORMANCE TARGETS

Targets are set for each of these key areas to monitor the performance of the Fund.

### Funding

The Funding Strategy Statement sets out a comprehensive strategy for the whole Fund, balancing and reconciling the many interests which arise from the nature of the Scheme and the requirements to fund benefits now and in the future. The Funding Strategy Statement was updated in line with the production of the most recent triennial valuation and was published in March 2023.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund's Actuary carries out a full actuarial valuation every three years, with the last valuation undertaken based on the assets and membership at 31 March 2022 – the final valuation report was published on 30 March 2023. The next valuation will be carried out based on assets, membership and financial conditions as at 31 March 2025 with the final report due by the end of March 2026.

### Investments

The Investment Strategy Statement sets out the Fund's strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in 2024, and an updated Investment Strategy Statement was published in December 2024.

Monitoring investment performance is one way in which Members can assess how well the Fund is being managed. Performance is measured against the tailor-made mix of investments which should produce returns over the medium and long term to meet the Fund's liabilities; the strategic asset allocation and customised benchmark.

The Fund's investment performance is measured by Hymans Robertson following their acquisition of Portfolio Evaluation Limited (PEL), a leading provider of performance services to public and private sector pension schemes. Investment performance is reported as part of the Fund's Annual Report & Accounts and to the Pension Fund Committee each year.

Investment performance is measured against the customised benchmark over three time periods; one year, three year and ten year (i.e. short, medium and long term performance).

## Pensions Administration

Key Performance Indicators (KPIs) relating to pensions administration are included within the terms of the contract with XPS Administration and performance against those KPIs is monitored as part of that contract. The current KPIs and targets are:

Pension Administration KPI	Target
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%
Pension costs to be recharged monthly to all employers.	98.75%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%
All calculations and payments are correct.	98.75%

These KPIs were reviewed as part of the process for retendering the pensions administration contract. Results against these KPIs are reported to each meeting of the Pension Fund Committee and the Pension Board. Revised KPIs based on the new partnership arrangement with the South Tyneside Council will be reported to the Pension Fund Committee and Pension Board starting from December 2025.

## Accounting

The Fund's Annual Report and Accounts are prepared in line with the current guidelines and reported to the Teesside Pension Fund Committee. The Annual Report and Accounts are audited by the Fund's External Auditors (Forvis Mazars LLP). Forvis Mazars present their

audit findings to the Teesside Pension Fund Committee and provide their audit opinion based on the findings of the report. The target is for the External Auditors to report that the Annual Report & Accounts show a true and fair view of the transactions the Fund.

To ensure there are adequate internal controls in place to manage and administer the Fund effectively, Internal Audit carry out an independent audit review every year, and the final reports are presented to the Teesside Pension Fund Committee and the Teesside Pension Board. Internal Audit report their findings and an audit assurance level. The target for both internal audits is to receive an assurance level of a strong control environment.

## **Governance**

In addition to the Funding Strategy Statement and Investment Strategy Statement, the Fund is required to have in place a number of other key governance documents to allow the Fund to run effectively and smoothly. These additional governance documents are:

- Governance Policy and Compliance Statement
- Training Policy
- Conflicts of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of the Law
- Communication Policy
- Pension Administration Strategy and Employer Guide
- Discretions Policy and Fund Officers' Scheme of Delegation

All governance documents should be reviewed at least every three years to ensure they are still relevant and represent best practice.

A summary of performance against all targets is presented in Appendix B of this report.

## **RISK MANAGEMENT**

The Fund's Risk Management Policy details the risk management strategy for the Fund, including:

- The risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk.
- How risk management is implemented.
- Risk management responsibilities.
- The procedures that are adopted in the Fund's risk management process.
- The key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Fund can:

- Demonstrate best practice in governance.
- Improve financial management.
- Minimise the risk and effect of adverse conditions.
- Identify and maximise opportunities that might arise.
- Minimise threats.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

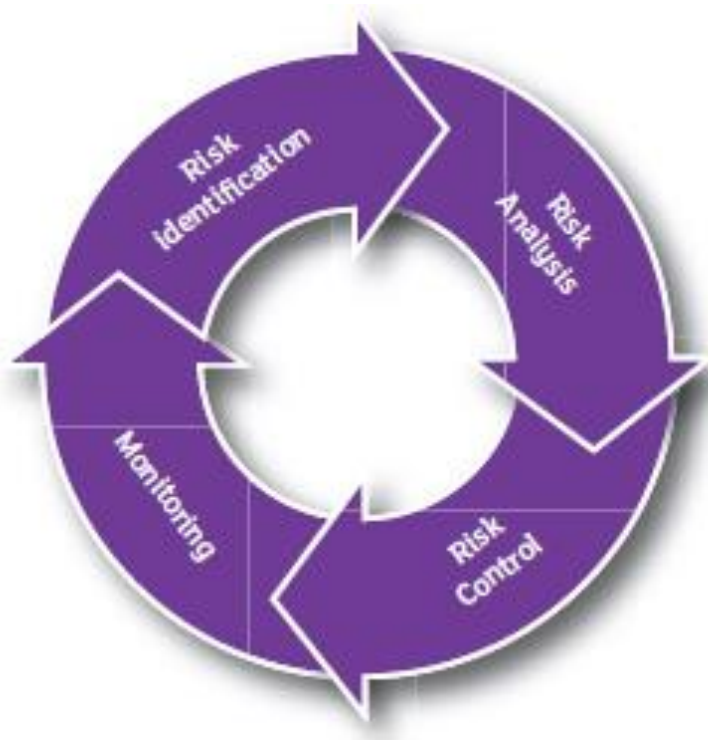
In relation to understanding and monitoring risk, the Administering Authority aims to:

- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- The CIPFA Managing Risk publication.
- The Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



## Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

## Risk Analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating.

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

## Risk Control

Risk control specifies actions taken to reduce the likelihood of a risk event happening, the frequency it could happen and reducing the impact if it does occur. Possible courses of action against risk:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;

- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

### **Risk Monitoring**

Risk monitoring is the final part of the risk management cycle and is the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Administering Authority / Committee considers whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to be learned for the future assessment and management of risks.

### **Risk Reporting**

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided at least on an annual basis to the Pension Fund Committee – see attached Appendix C. The Pension Fund Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review will be carried out at least twice a year.

As a matter of course, the Teesside Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Teesside Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it will be included in the Risk Register.

### **Risk Matrix**

The risk matrix is adapted from the one used by the Council and the External Auditor's assessment of materiality (for the 2022/23 audit £50 million) is used as the high value for the purposes of scoring the identified risks.

**TEESSIDE PENSION FUND  
BUSINESS PLAN 2025 – 2028**

<b>Likelihood</b>	<b>5</b>	<b>Almost Certain &gt;80%</b>	Low (5)	Medium (10)	Medium (15)	High (25)	High (35)
	<b>4</b>	<b>Likely 51% - 80%</b>	Low (4)	Low (8)	Medium (12)	High (20)	High (28)
	<b>3</b>	<b>Possible 21% - 50%</b>	Low (3)	Low (6)	Medium (9)	Medium (15)	High (21)
	<b>2</b>	<b>Unlikely 6- 20%</b>	Low (2)	Low (4)	Low (6)	Medium (10)	Medium (14)
	<b>1</b>	<b>Rare &lt;6%</b>	Low (1)	Low (2)	Low (3)	Low (5)	Low (7)
			<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>7</b>
			<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Extreme</b>

## TRAINING PLAN

The Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. It is a requirement of the Code that an annual statement on compliance must be included in the Fund's Statement of Accounts.

Investment Officers are required to acquire, by examination, the Investment Management Certificate (IMC) or relevant qualification. Officers without the relevant qualification and with less than five years relevant experience must undergo a minimum of twenty hours relevant training.

The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

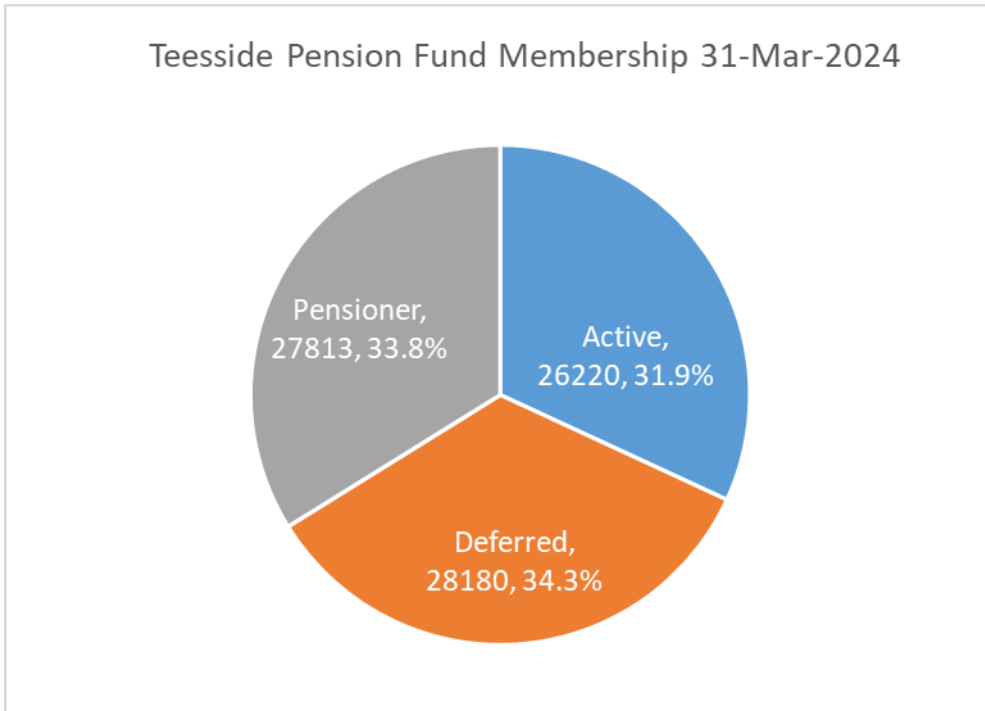
It is a requirement that all Members serving on the Teesside Pension Fund Committee and those who may act as substitute received adequate training. This facility is extended to also include non-Middlesbrough Council members of the Committee. All Teesside Pension Board Members have received training and are encouraged to undertake the Pension Regulator's toolkit.

Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts / partnership arrangements with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration / South Tyneside Council managing the Fund's pension administration service.

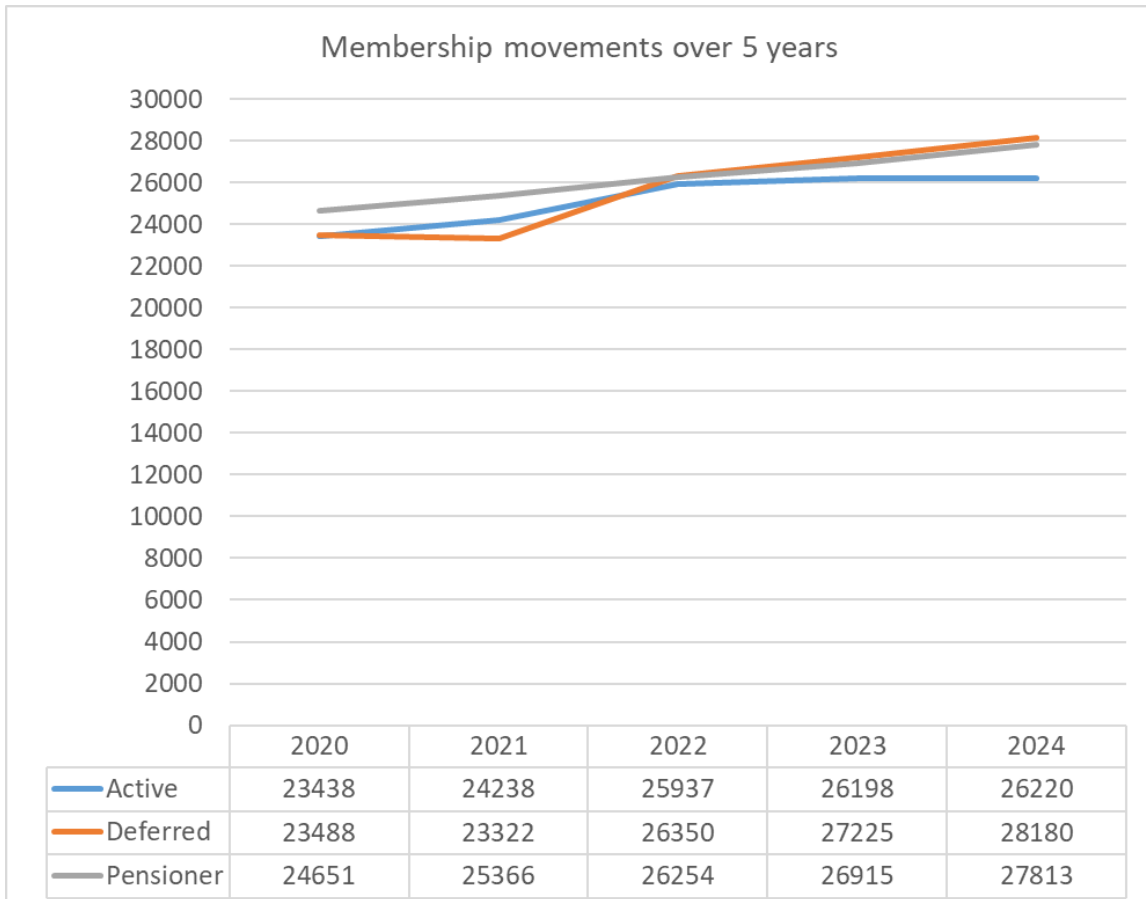
## MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2024 was 82,213 made up of the following membership types:



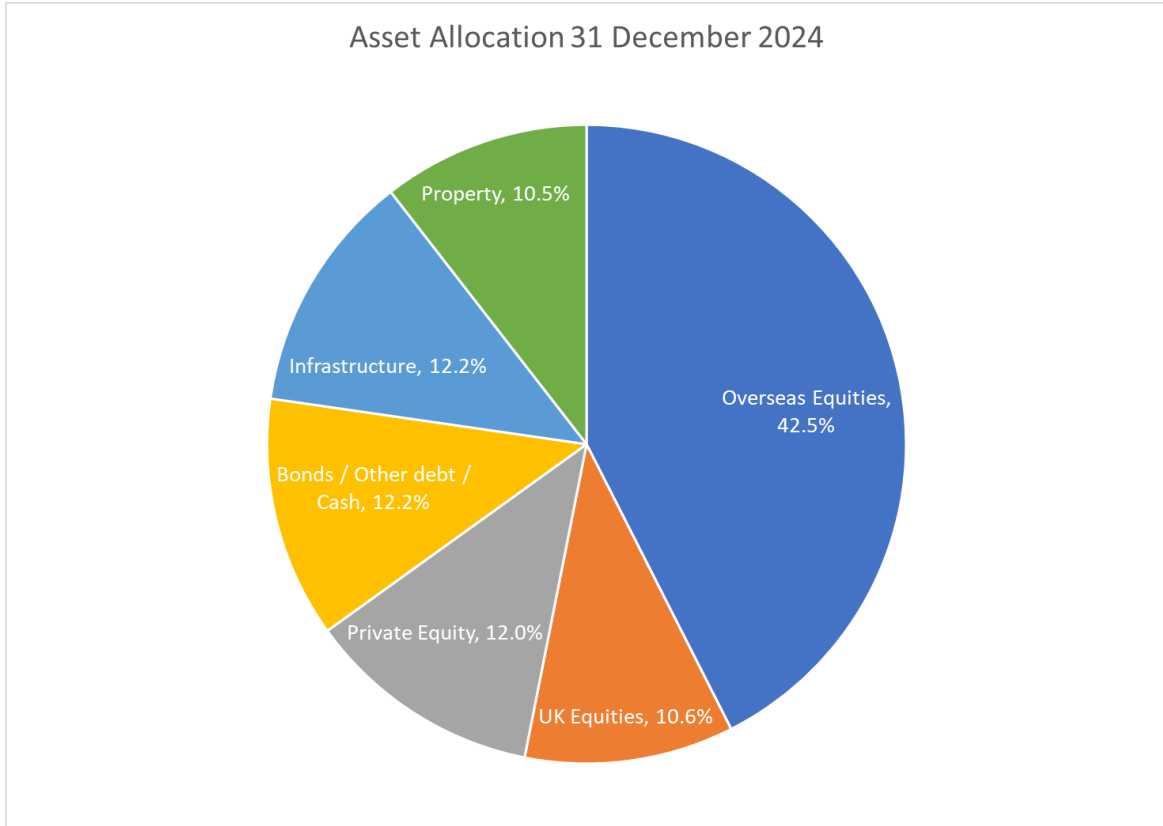


The changes to the scheme membership types over the last five years are shown below. While the total membership has increased by approx. 10,600 members over the period, the numbers of deferred members have fluctuated but increased, whereas the numbers of actives and pensioner members have increased more steadily over the period.

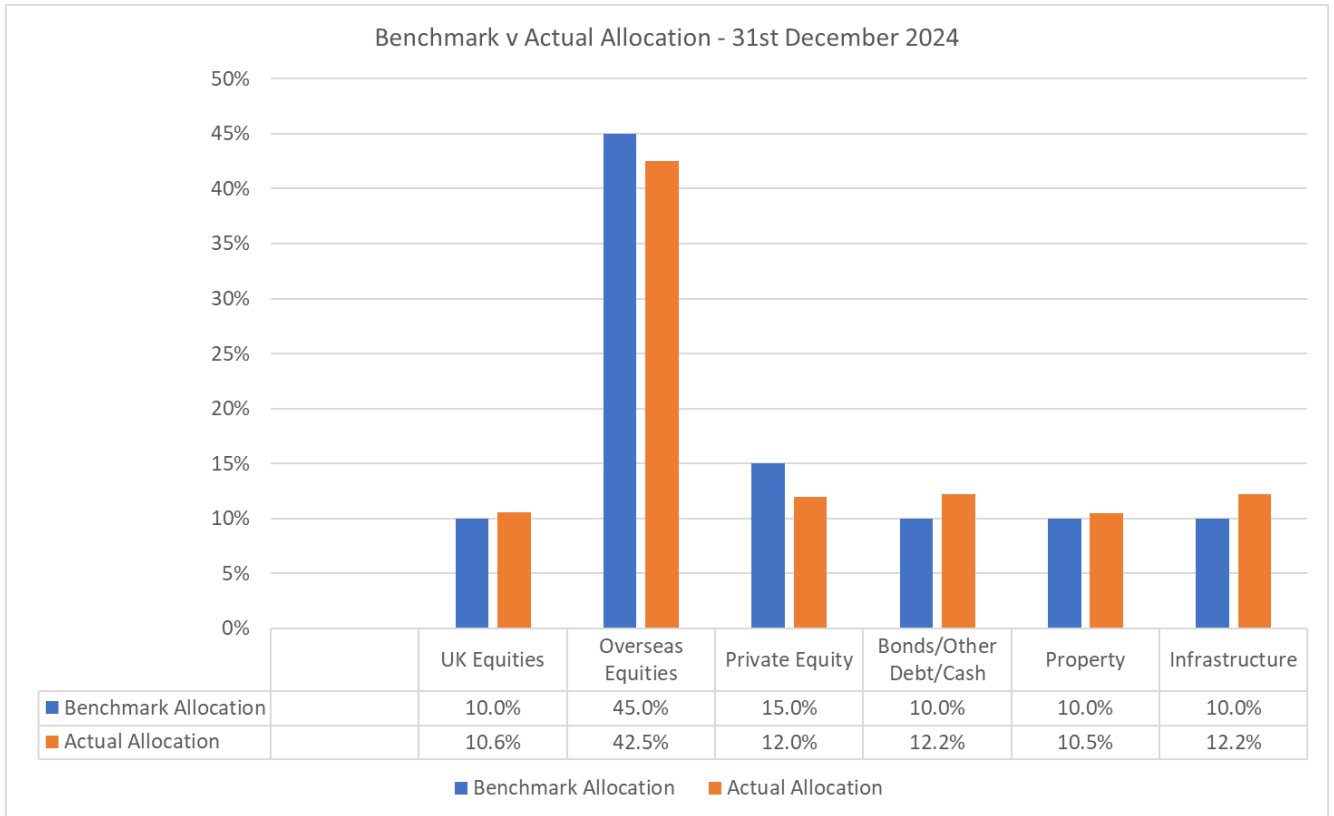


## INVESTMENTS AND FUNDING

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



The Fund’s Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three years as part of the Fund’s Asset/Liability study to ensure that it remains appropriate to the Fund’s liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. A revised strategic benchmark was agreed by the Pension Fund Committee at its September 2024 meeting, and this revised benchmark was used to update the Investment Strategy Statement in December 2024. As at 31 December 2024 the actual assets compared to the revised strategic benchmark as follows:



Actuarial valuations are carried out every three years with the last completed valuation dated 31 March 2022. These valuations calculate the value of the Fund’s liabilities and compare them to the market value of the assets to determine a funding ratio. At the 2022 valuation, there was a surplus of £684 million, which corresponded to a funding ratio of 116%.

The next triennial valuation (as at 31 March 2025) will be published by 31 March 2026. The result of that valuation will be implemented from 1 April 2026, with any changes to employer contribution rates due to take effect then.

**FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS**

The following table provides a summary of the fund account, investment and administration income and expenditure:

Description	2023-24 Actual £'000s	<b>2024-25 Forecast £'000s</b>	<b>2025-26 Estimate £'000s</b>
Contributions	-116,328	-120,886	-123,302
Transfers in from other pension funds	-8,055	-5,931	-5,931
Other income	-2,060	-5,418	-5,418
<b>Total income from members</b>	<b>-126,443</b>	<b>-132,235</b>	<b>-134,651</b>
Benefits payable	182,512	194,150	197,991
Payments to and on account of leavers	12,318	15,697	15,697
<b>Total expenditure to members</b>	<b>194,830</b>	<b>209,847</b>	<b>213,688</b>
Management expenses	12,126	11,295	13,795
<b>Total income less expenditure</b>	<b>80,513</b>	<b>88,907</b>	<b>92,832</b>
Investment income	-70,293	-104,000	-151,000*
Change in Asset Market Value	-467,735	0	0
<b>Net return on investments</b>	<b>-538,028</b>	<b>-104,000</b>	<b>-151,000</b>
<b>Net (increase) / decrease in net assets available for benefits during the year</b>	<b>-457,515</b>	<b>-15,093</b>	<b>-58,168</b>

\*Assumes the Fund takes £70 million dividend income from Border to Coast equity funds.

Further detail behind the above summary is attached in Appendix D.

**ANNUAL PLAN FOR RECEIVING REPORTS**

The Teesside Pension Fund Committee meets four times each year, with an additional (July) meeting to approve the Annual Report & Accounts. These should be before the end of:

- June;
- July;
- September;
- December; and
- March.

This allows for the presentation of key reports, which are needed to meet statutory deadlines:

June	Fund Performance Report
July	Annual Report & Accounts Audit Report
September	Interim Actuarial Valuation Report (where relevant)
December	Shareholder Governance Annual Report
March	Business Plan Annual External Audit Plan

**FORWARD PLAN FOR KEY DECISIONS**

A number of reviews and reports have been scheduled as a result of earlier Pension Fund Committee decisions and the requirement to put out to external tender services provided to the Fund. It may be necessary to delay non-contractual elements of the Plan, depending on resources available.

**2025/26:**

<p>Pooling of Investment Assets:</p> <ul style="list-style-type: none"> <li>➤ Where appropriate, taking into account Investment Advisors’ views, continue to commit assets to Border to Coast’s private equity, infrastructure and climate opportunities funds as they become available.</li> <li>➤ Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.</li> </ul>
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- Work with Border to Coast to consider whether / how investment oversight of the 'legacy' private market assets that the Fund owns can transfer to Border to Coast.
- Work with Border to Coast and its Partner Funds to continue to develop the investment oversight and (as appropriate) company oversight of Border to Coast.

Pension Fund Governance:

- Assess the Fund against the Scheme Advisory Board's recommended governance standards (due to become statutory guidance).
- Monitor progress against full compliance with Pensions Regulator's General Code of Practice, including best practice areas.
- Prepare UK Stewardship Code submission.

Pension Investments:

- Review / restate Fund's investment beliefs, in the context of ensuring these are appropriately understood and taken into account by Border to Coast.
- Complete the transfer of property assets to Border to Coast, subject to reasonable agreement being reached over asset values.
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Monitor Fund's liquidity and consider whether / when to invest in fixed income.

Pension Administration:

- Complete onboarding of new pensions administration partner.
- Review business continuity plans / cyber security arrangements of new provider
- Work to identify potential efficiencies and improvements possible through new partnership arrangement.
- Complete implementation of 'McCloud' changes, including retrospective review of leavers since 2014 - this is an additional check on leaving / drawing benefits to give certain scheme members the better of benefits under the current CARE scheme or under the old final salary rules for service from 1 April 2014 to 31 March 2022.
- Implement outcome of GMP reconciliation exercise.

- Prepare data and system functionality for compliance with Pensions Dashboard requirements and for the 31 October 2025 connection date.

**Funding:**

- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.
- Work with actuary on production of 31 March 2025 valuation.
- Ensure data is prepared for submission to actuary for 31 March 2025 triennial valuation. Work with actuary on reviewing assumptions.
- Notify employers of required contribution rates for three year period from 1 April 2026 onwards. Ensure Committee is kept informed of progress and outcome of valuation exercise.

**2026/27:**

- Depending on outcome of Government consultation exercise:
- Work with Border to Coast and Partner Funds to agree process for transferring oversight of ‘legacy’ private market assets to Border to Coast.
- Consider how Border to Coast can be principal source of investment advice for the Fund.
- Review role of independent advisor in the light of expected regulation / legislation – agree how to source independent advice.

**2027/28:**

- Evaluate process for oversight of the Pool company – on investment performance, investment advice and ensure governance structures are appropriate.
- Re-assess compliance with Pension Regulator’s Code of Practice
- Evaluate partnership approach to delivery of pensions administration function – ensure efficiencies and opportunities are being identified and delivered.

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# Teesside Pension Fund

## Our Service Promise

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*We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.*

**Contact:**

Nick Orton, Head of Pensions Governance and Investments  
nick\_orton@middlesbrough.gov.uk / 01642 729040.

### Scheme Members

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- Payment of pension payments/retirement grants
- New entrants to the LGPS processed
- Accurate transfer values calculated and paid
- Provide annual benefit statements

### Scheme Employers

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- Accurate contribution calculated and collected
- Pension costs accurately calculated and recharged
- Cash flow data supplied to the Actuary for IAS19/FRS17 reports

### Pension Fund Committee

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- Safe custody of the Fund's assets
- Invest the Fund's monies in accordance with LGPS Regulations and Pension Fund Committee instructions
- Manage the relationship with the Fund's pooling asset management company (Border to Coast Pensions Partnership)
- Report the Fund's investment transactions & asset valuations
- Produce a Business Plan for approval
- Hold accurate scheme membership data
- Statutory and selected non-statutory returns will be completed.

### Pension Board

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- Annual Report & Accounts produced in accordance with the latest CIPFA LGPS Code of Practice.

### What we'll do for you:

- We will administer and manage the Fund in accordance with the relevant statute and regulations.
- We will process transactions and payments listed in this Service Promise in line with the timescales stipulated.
- We will provide annual benefit statements to all scheme members, in accordance with the LGPS Regulations by 31 August every year.
- We will provide Rates & Adjustment Certificates to scheme employers following the triennial valuation of the Fund's assets and liabilities, in accordance with the LGPS Regulations by 31 March the year following the valuation.



### What you can do for us:

- Scheme employers provide all required information within the timeliness required for the task and in the format required.
- Scheme employers make contribution payments on time and in line with the Regulations and their Admission Agreements.
- Scheme employers provide a bond or other guarantee required by their Admission Agreements.
- All scheme members and scheme employers provide updated information relevant to the general upkeep of the data needed to maintain their records accurately.

## SUMMARY OF PERFORMANCE AGAINST TARGETS

### **Funding:**

	Target	Actual
2022 Triennial Actuarial Valuation	100%	116%

### **Investments:**

	As at 30 September 2024		
	Benchmark	Actual	Excess Return
Performance Return – 1 Year	10.8%	9.8%	<b>-1.0%</b>
Performance Return – 3 Year (per annum)	4.2%	6.4%	<b>2.3%</b>
Performance Return – 5 Year (per annum)	5.0%	7.0%	<b>2.0%</b>
Performance Return – 10 Year (per annum)	7.1%	8.0%	<b>0.9%</b>

### **Pensions Administration:**

	As at 31 December 2021	
	Target	Actual
All new entrant processed within twenty working days of receipt of notification being received by pensions.	98.50%	100.00%
Transfer Values - To complete the process within ten working days of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within ten working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%	99.23%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	88.92% (shortfall relates to missing pay information from employers)

	As at 31 December 2021	
	Target	Actual
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%	99.54%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%	100.00%
All calculations and payments are correct.	98.75%	100.00%

**Accounting:**

	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View 2021/22 and 2022/23 accounts. The 2023/24 accounts were 'disclaimed' by the auditor, principally owing to lack of time to complete the necessary work.
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

**Governance:**

	Target	Actual
Funding Strategy Statement	Last 3 Years	March 2023
Investment Strategy Statement	Last 3 Years	December 2024
Governance Policy & Compliance Statement	Last 3 Years	December 2024
Training Policy	Last 3 Years	December 2024
Conflict of Interest Policy	Last 3 Years	December 2024
Risk Management Policy	Last 3 Years	December 2024
Procedures for Reporting Breaches of Law	Last 3 Years	December 2024
Communication Policy	Last 3 Years	December 2024
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2024
Fund Officers' Scheme of Delegation	Last 3 Years	December 2024

### Appendix C - Teesside Pension Fund Risk Register

Code	Title	Original Score	Current Score
TPF001	<p><b>INFLATION</b> Price inflation is significantly more than anticipated: an increase in long-term CPI inflation of 0.2% a year will increase the liability valuation by 3%.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-5</p>	<p>Probability</p> <p>Impact</p> <p>20</p>	<p>Probability</p> <p>Impact</p> <p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF002	<p><b>ADVERSE ACTUARIAL VALUATION</b> Impact of increases to employer contributions following the actuarial valuation.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>20</p>	<p>Probability</p> <p>Impact</p> <p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF003	<p><b>GLOBAL FINANCIAL INSTABILITY</b> Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>20</p>	<p>Probability</p> <p>Impact</p> <p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

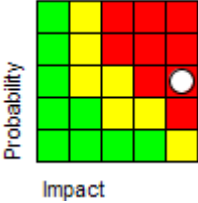
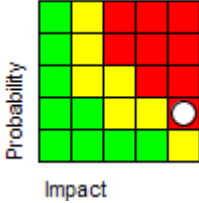
Code	Title	Original Score	Current Score
TPF004	<p><b>POLITICAL RISK</b> Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>20</p>	<p>Probability</p> <p>Impact</p> <p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>

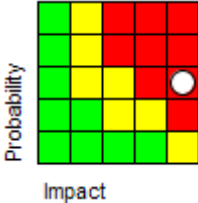
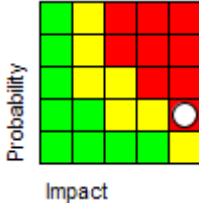
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.		Head of Pensions Governance and Investments
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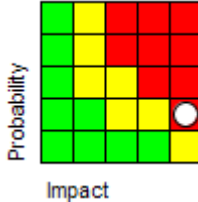
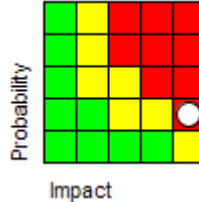
Code	Title	Original Score	Current Score
TPF005	<p><b>INVESTMENT CLASS FAILURE</b></p> <p>A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>20</p>	<p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

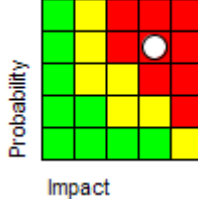
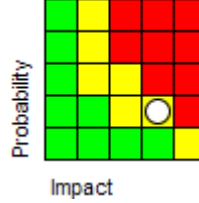
Code	Title	Original Score	Current Score
TPF012	<p><b>POOLING INVESTMENT UNDERPERFORMANCE</b></p> <p>Investments in the investment pool not delivering the required return.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>15</p>	<p>15</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing monitoring by officers and advisors			Head of Pensions Governance and Investments

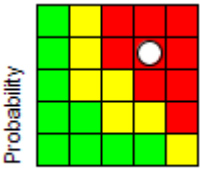
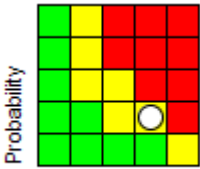
Code	Title	Original Score	Current Score
TPF053	<p><b>CLIMATE CHANGE</b></p> <p>The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector,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

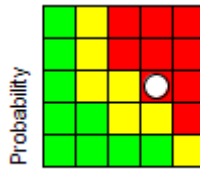
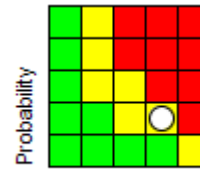
Code	Title	Original Score	Current Score
TPF009	<p>HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING</p> <p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-2 Member Impact-1</p>	 <p>21</p>	 <p>14</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.</p>			<p>Head of Pensions Governance and Investments</p>

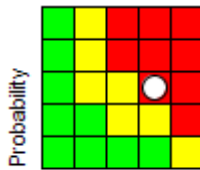
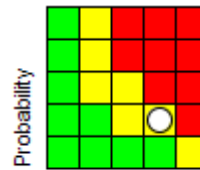
Code	Title	Original Score	Current Score
TPF010	<p>INADEQUATE POOLING TRANSPARENCY</p> <p>Lack of transparency around investment pooling arrangements.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-1 Member Impact-1</p>	 <p>21</p>	 <p>14</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>With the pooling of investment assets TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF021	<p>INAPPROPRIATE INVESTMENT STRATEGY</p> <p>Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-7 Member Impact-1</p>	 <p>14</p>	 <p>14</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF007	<p>KEY PERSON RISK</p> <p>Concentration of knowledge &amp; skills in small number of officers and risk of departure of key staff - failure of succession planning.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>	 <p>20</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF008	<p><b>INSUFFICIENT STAFF</b></p> <p>Causes failure to have time to adopt best practice by properly developing staff and processes.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>20</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff (albeit with two current vacancies). With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF011	<p><b>UNANTICIPATED PAY RISES</b></p> <p>Increases are significantly more than expected for employers within the Fund.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>1) Fund employers will monitor own experience. 2) Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits. 4) Over time, a diminishing proportion of LGPS liabilities are linked to final salary following the introduction of the career average scheme from April 2014.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF013	<p><b>POOLING SYSTEMIC RISKS</b></p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.</p>			<p>Head of Pensions Governance and Investments</p>



Code	Title	Original Score	Current Score
TPF014	<p>LONGEVITY</p> <p>Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>15</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three-year Actuarial valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF017	<p>BULK TRANSFER VALUE DISPUTE</p> <p>Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>15</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF018	<p>TPF INVESTMENT UNDERPERFORMANCE</p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>15</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>1) The asset allocation made up of equities, bonds, property, alternatives, cash etc. funds, is sufficiently diversified to limit exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place every three years. 4) Interim valuation data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.</p>			<p>Head of Pensions Governance and Investments</p>

Code	Title	Original Score	Current Score
TPF019	<p>TPF GOVERNANCE SKILLS SHORTAGE</p> <p>Lack of knowledge of Committee &amp; Board members relating to the investment arrangement and related legislation and guidance.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-3 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>15</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Pension Fund Committee new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF025	<p>OUTSOURCED MEMBER ADMIN FAILURE</p> <p>XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-5</p>	<p>Probability</p> <p>Impact</p> <p>10</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF026	<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-5</p>	<p>Probability</p> <p>Impact</p> <p>10</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
XPS Administration have advised they have robust data security and are not aware of any attempted hacking events.			Head of Pensions Governance and Investments

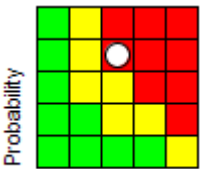
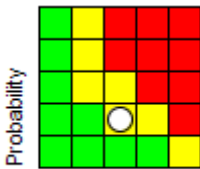
Code	Title	Original Score	Current Score
TPF028	<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p>10</p>	<p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.			Head of Pensions Governance and Investments

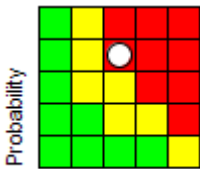
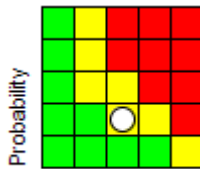
Code	Title	Original Score	Current Score
TPF029	<p><b>INSUFFICIENT RANGE OF POOLING ASSET CLASSES</b></p> <p>Insufficient range of asset classes or investment styles being available through the investment pool.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-3 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
There is in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes			Head of Pensions Governance and Investments

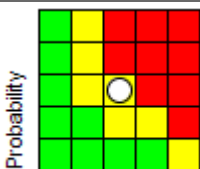
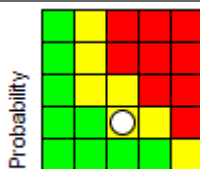
Code	Title	Original Score	Current Score
TPF031	<p><b>INTERNAL COMPLIANCE FAILURES</b></p> <p>Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
The Head of Pensions Governance and Investments attends all Committee and Board meetings and acts as a conduit between the two, ensuring any Board recommendations are relayed to the Committee.			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF030	<p><b>COMMITTEE MEMBERSHIP CHANGE</b></p> <p>Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-1 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Officers and advisers provide continuity and training following changes to Committee membership.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF039	<p><b>BORDER TO COAST FAILURE</b></p> <p>Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-4 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF015	<p><b>EMPLOYER FAILURE</b></p> <p>An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-3 Member Impact-3</p>	 <p>Probability</p> <p>Impact</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>1) Fund employers should monitor own experience. 2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long-term assumption, would lead to further review. 3) Employers rates are set taking into account the strength of an employer and any underwriting by other employers in the Fund.</p>			Head of Pensions Governance and Investments

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

Code	Title	Original Score	Current Score
TPF022	<p><b>GDPR COMPLIANCE</b></p> <p>Non-compliance with GDPR regulations.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.</p>			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF023	<p><b>INACCURATE DATA RECORD COLLATION</b></p> <p>Failure to maintain proper, accurate and complete data records leading to increased errors and complaints.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-3 Member Impact-3</p>	 <p>Probability</p> <p>Impact</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.</p>			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF024	<p><b>STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP</b></p> <p>Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-3 Member Impact-2</p>	<p>9</p>	<p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
The XPS Administration employer liaison team will improve this by working closely with employers.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF032	<p><b>INADEQUATE POOLING DATA</b></p> <p>Inability to gather robust, quality or timely information from Border to Coast.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-1</p>	<p>6</p>	<p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.			

Code	Title	Original Score	Current Score
TPF033	<p><b>ESG REPUTATIONAL DAMAGE</b></p> <p>Insufficient attention to environmental, social and governance (ESG) leads to reputational damage.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	<p>6</p>	<p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Border to Coast provides increased focus on Responsible Investment.			Head of Pensions Governance and Investments

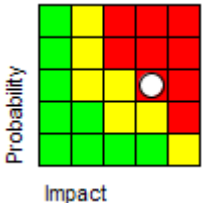
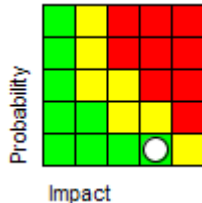
Code	Title	Original Score	Current Score
TPF034	<p><b>THIRD PARTY SUPPLIER FAILURE</b></p> <p>Financial failure of third party supplier results in service impairment and financial loss.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-1</p>	<p>6</p>	<p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.			Head of Pensions Governance and Investments

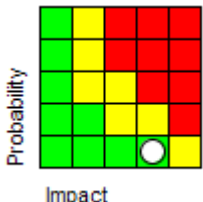
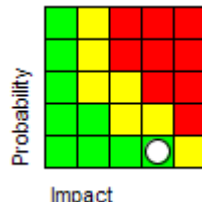
Code	Title	Original Score	Current Score
TPF035	<p>PROCUREMENT PROCESS CHALLENGES</p> <p>Procurement processes may be challenged if seen to be non-compliant with procurement regulations. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Advice sought from Council's procurement specialist on regulatory compliance,			Head of Pensions Governance and Investments

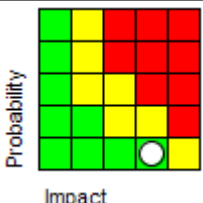
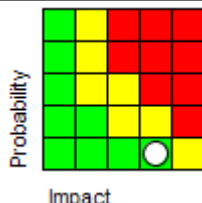
Code	Title	Original Score	Current Score
TPF036	<p>ASSET POOLING TRANSITION RISK</p> <p>Loss or impairment as a result of Asset transition.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Listed assets already transferred			Head of Pensions Governance and Investments

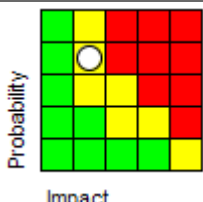
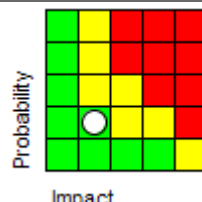
Code	Title	Original Score	Current Score
TPF037	<p>COMPLIANCE FAILURES</p> <p>Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-2 Member Impact-0</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Advice sought where needed on compliance e.g. ISS, FSS			Head of Pensions Governance and Investments

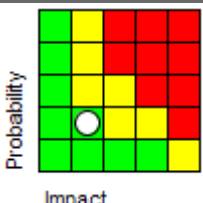
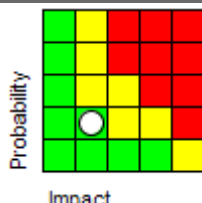
Code	Title	Original Score	Current Score
TPF038	<p>CUSTODY DEFAULT</p> <p>The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-1</p>		
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Issues are now largely historic and relate to withholding tax claims or corporate actions in relation to assets previously held by the Fund.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF020	<p>INADEQUATE BORDER TO COAST OVERSIGHT</p> <p>Insufficient resources to properly monitor pooling &amp; Border to Coast.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>5</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.			Head of Pensions Governance and Investments

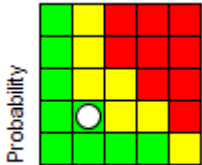
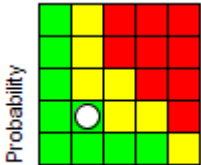
Code	Title	Original Score	Current Score
TPF042	<p>DECISION MAKING FAILURES</p> <p>Failure to take difficult decisions inhibits effective Fund management.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-2 Member Impact-1</p>	 <p>5</p>	 <p>5</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing challenge and advice from two independent advisors			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF043	<p>CASH INVESTMENT FRAUD</p> <p>Financial loss of cash investments from fraudulent activity.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>5</p>	 <p>5</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Approval processes and systems			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF027	<p>SCHEME MEMBER FRAUD</p> <p>Fraud by scheme members or their relatives (e.g. identity, death of member).</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-2</p>	 <p>8</p>	 <p>4</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
XPS checking processes – e.g. mortality screening			Head of Pensions Governance and Investments


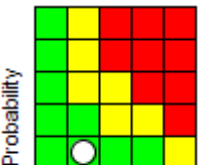
Code	Title	Original Score	Current Score
TPF040	<p>INACCURATE FUND INFORMATION</p> <p>In public domain leads to damage to reputation and loss of confidence.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-2 Member Impact-1</p>	 <p>4</p>	 <p>4</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>


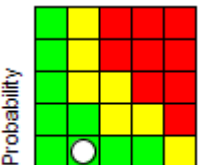
Checking and reviewing processes, internal and external audit		Head of Pensions Governance and Investments
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Code	Title	Original Score	Current Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 4 Probability Impact	 4 Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Daily monitoring of cash position, cash-flow planning			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	 3 Probability Impact	 3 Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Disaster recovery plans			Head of Pensions Governance and Investments

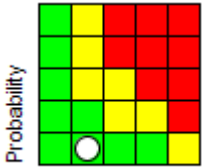
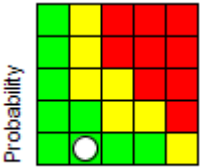
Code	Title	Original Score	Current Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 2 Probability Impact	 2 Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing monitoring of contribution collection at employer level			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	 2 Probability Impact	 2 Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Process is in place and operating effectively.			Head of Pensions Governance and Investments

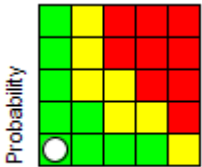
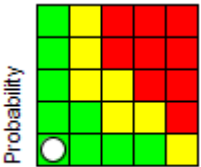
Code	Title	Original Score	Current Score
TPF047	BORDER TO COAST CESSATION Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2 Probability Impact	 2 Probability Impact



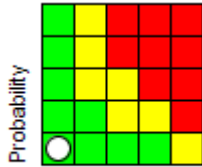
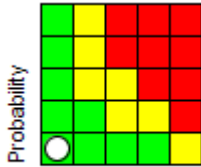
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast in place – Fund has oversight and jointly owns the company.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF048	<p>POOLING CUSTODIAN FAILURE</p> <p>Failure to ensure safe custody of assets.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-2 Member Impact-1</p>		

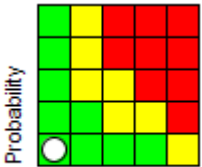
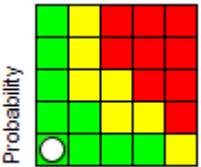
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast's custodian is financially secure and keeps pool's assets segregated.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF049	<p>OFFICER FRAUD</p> <p>Fraud by administration staff.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>		

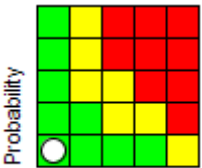
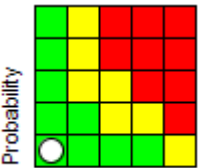
Current Mitigation	Future Mitigation	Responsible Officer
Approval processes, verification on transactions, restricted options in place re payments		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF050	<p>EXCESSIVE ADMIN COSTS</p> <p>Excessive costs of member benefit administration leads to lack of VFM and loss of reputation.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-1</p>		

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF051	<p>ERRONEOUS MEMBER BENEFIT CALCS</p> <p>Risk of incorrect calculation of members benefits.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-2</p>		

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF052	<p>INADEQUATE MEMBER COMMS</p> <p>Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-1 Member Impact-1</p>		

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

***Fund account, investment and administration - detailed analysis***

	<b>2023-24 Actual £'000s</b>	<b>2024-25 Forecast £'000s</b>	<b>2025-26 Estimate £'000s</b>
<b><i>Income from members</i></b>			
Employers' contributions normal	-79,548	-84,067	-85,748
Employers' contributions additional	-16	-6	-6
Employers' contributions deficit recovery	-50	-70	-70
Members' contributions	-36,714	-36,743	-37,478
Transfers in from other schemes	-8,055	-5,931	-5,931
Other income	-2,060	-5,418	-5,418
	<b>-126,443</b>	<b>-132,235</b>	<b>-134,651</b>

	<b>2023-24 Actual £'000s</b>	<b>2024-25 Forecast £'000s</b>	<b>2025-26 Estimate £'000s</b>
<b><i>Expenditure to members</i></b>			
Pensions paid	150,993	162,608	165,860
Commutations and lump sum retirement benefits	27,950	29,477	30,066
Lump sum death benefits	3,569	2,065	2,065
Payments to and on account of leavers	12,318	15,697	15,697
	<b>194,830</b>	<b>209,847</b>	<b>213,688</b>

## Appendix D

	2023-24 Actual £'000s	2024-25 Forecast £'000s	2025-26 Estimate £'000s
<b>Management expenses:</b>			
<b>Administration costs</b>	<b>2,234</b>	<b>2,500</b>	<b>2,500</b>
<b>Investment management expenses</b>			
Custody fees	19	25	25
External investment management expenses	8,671	7,500	10,000
Internal investment management expenses	579	600	600
Transaction costs	0	0	0
<b>Total Investment management expenses</b>	<b>9,269</b>	<b>8,125</b>	<b>10,625</b>
External audit cost	112	120	120
<b>Oversight &amp; governance costs</b>	<b>511</b>	<b>550</b>	<b>550</b>
<b>Total Management Expenses cost</b>	<b>12,126</b>	<b>11,295</b>	<b>13,795</b>

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
<b>Investment Income</b>			
Investment income from pooled investment vehicles	-32,278	-60,000	-130,000*
Other investment income	0	0	0
Property gross rental income	-30,641	-29,000	-7,500
Property expenses	3,010	2,000	1,500
Interest on cash deposits	-10,384	-17,000	-15,000
	<b>-70,293</b>	<b>-104,000</b>	<b>-151,000</b>

<b>Change in Asset Market Value</b>	<b>-457,515</b>	<b>tbc</b>	<b>tbc</b>
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\*Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.

**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

AGENDA ITEM 9

**PENSION FUND COMMITTEE REPORT**

12 MARCH 2025

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE****PENSIONS REGULATOR GENERAL CODE OF PRACTICE REVIEW - UPDATE****1. PURPOSE OF THE REPORT**

- 1.1 To provide Members with an update on progress towards ensuring the Fund achieves full compliance with the Pensions Regulator's General Code of Practice

**2. RECOMMENDATION**

- 2.1 That Members note the report.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications associated with this report.

**4. BACKGROUND**

- 4.1 The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. It has a wide range of responsibilities in relation to regulating trust-based (private sector) pension schemes and plays a more limited but still very significant, role in regulating public service pension schemes such as the Local Government Pension Scheme (LGPS).
- 4.2 The TPR produces guidance in relation to the governance and administration (but not the investment or funding) of public service pension schemes. As reported to the 13 March 2024 Committee, TPR went through an exercise to merge its existing codes of practice into a single new code, the General Code of Practice, which came into force on 27 March 2024. The General Code of Practice can be found on TPR's website at the following link:  
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-of-practice.ashx>
- 4.3 The General Code of Practice is divided into five sections (shown in bold below). Also shown below are the new modules included in the General Code of Practice (not present in the previous codes of practice). Some of these (asterisked and shown in italics) will not directly apply to the LGPS but where this is the case, compliance will usually be viewed as 'best practice' by TPR.

### **The governing body**

- Meetings and decision-making
- *Remuneration and fee policy \**
- *Managing advisers and service providers \**
- *Scheme continuity planning \**
- *Own risk assessment \**

### **Funding and investment**

- *Investment governance \**
- *Investment monitoring \**
- *Climate change \**

### **Administration**

- Planning and maintaining administration
- Financial transactions
- Transfers out
- Record-keeping
- Data monitoring and improvement
- Maintenance of IT systems
- *Cyber controls \**

### **Communications and disclosure**

- General principles for member communications
- Scams

## **5. COMPLIANCE WITH THE CODE**

5.1 Although the General Code of Practice took effect from 27 March 2024, TPR indicated that it did not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. However, what is expected that schemes will have an awareness of where there are potential gaps in compliance and, ideally, a plan setting out how and when these gaps will be filled.

5.2 As reported to the 13 March 2024 Committee, the Fund carried out an initial assessment to determine its level of compliance with the Code, with the aid of a spreadsheet-based assessment tool developed by Hymans Robertson (the Fund's actuary). That initial assessment showed that, from the 14 chapters of the General Code of Practice that are analysed in the report, five showed full compliance, with the remaining nine showing levels of compliance between around 57% and 93%. A task list was produced showing what steps needed to be taken to reach full compliance with the Code.

5.3 An updated version of this task list is attached at Appendix A.

## **6. NEXT STEPS**

6.1 The Code of Practice checklist will be provided to future Pension Fund Committee and Teesside Pension Board meetings as required.

**AUTHOR:** Nick Orton (Head of Pensions Governance and Investments)

**TEL NO:** 01642 729024

## Appendix A

Task	Original Target Timescale	Status	Revised Target Timescale
<b>The Governing Body: Board Structure and Activities</b>			
1. Include Nolan principles within induction training for Pension Fund Committee and Teesside Pension Board, to ensure non-Councillors are aware of required characteristics.	30/06/2024	Complete	
2. Note - Going forward, Appendix 2 (qualities of a Chair) could be shared with group leaders prior to any appointment process for a future chair of the Pension Fund Committee	30/06/2024	In-hand (for May 2025 annual Council meeting)	
<b>Administration: Scheme Administration</b>			
3. Develop a strategy for the long-term administrative objectives of the scheme and agree a process for delivering these with the administrator - will be picked up as part of the ongoing re-procurement of the outsourced pensions administration function.	31/12/2024	Initially align with Tyne & Wear Pension Fund's stated administration strategy objectives: "comply with...statutory requirements, improve data quality and reduce the risk of breaching rules and regulations that could result in penalties and reputational damage. The focus of the strategy is to ensure the timely flow of required and accurate information between employers and the Fund."	
<b>Administration: IT &amp; Cyber Security</b>			
4. Consider providing more detail to Committee on cyber risks and controls	30/09/2024	Ongoing – Cyber risk, data security and business continuity were covered extensively in Tyne & Wear Pension Fund's administration proposal. These will be referenced in the Pension Fund Business Plan and more detail can be provided to subsequent Committee meetings.	30/09/2025

Task	Original Target Timescale	Status	Revised Target Timescale
<b>Communications and Disclosure: Information to Members</b>			
5. Deferred members where no address is known do not receive benefit statements (although, technically, those statements are produced). Ongoing discussions about bulk address tracing with outsourced pensions administrator will be progressed. Assess on-line availability as a longer-term alternative.	31/12/2024	Discussions with XPS were put on hold following the announcement of the tender outcome. Will be considered once new pensions administrator onboarded.	30/09/2025
<b>The Governing Body: Knowledge &amp; Understanding</b>			
6. Maintain list of key scheme documents available to access outside of the on-line learning academy.	30/09/2024	Key scheme documents are currently held on <a href="https://www.teespen.org.uk/lgps-members/investments-and-funds/trust-documents/">https://www.teespen.org.uk/lgps-members/investments-and-funds/trust-documents/</a> These will be transferred to another site (tbc) from June 2025.	30/06/2025
7. Further review of the Pension Committee and Board knowledge and understanding should be scheduled.	30/09/2024	National Knowledge Assessment carried out in 2024 with Board and Committee participation, reported to Committee and Board in November/December 2024	
8. Pension Board knowledge and understanding could be further reinforced by scheduling further Board training through the Pension Board workplan	30/09/2024	Ongoing – Pension Board workplan is flexible enough to incorporate training opportunities	Ongoing
9. Could develop and document Pension Committee and Board training plans more fully.	30/09/2024	Ongoing	30/06/2025
<b>The Governing Body: Risk Management</b>			
10. More formal annual review of all internal control documents need to be put in place.	31/12/2024		30/06/2025
11. Further analysis is required to ensure all TPR expectations on the design of internal controls are covered.	31/12/2024		30/06/2025



Task	Original Target Timescale	Status	Revised Target Timescale
12. Diarise review of assurance reports (from external providers), assess whether any gaps exist i.e. any investment managers who do not / can not provide reports. Liaise with external audit, who also go through a process to collate these reports, to avoid duplication of effort.	30/09/2024		30/06/2025
13. Review pensions administration provider's Business Continuity Plan at same six month frequency as the Fund's Plan Develop an annual review process of any potential conflicts of interest in relation to the six non-Middlesbrough Council Committee members.	31/12/2024	New provider's business continuity plan assessed as part of tender exercise.	Complete
14. Develop an annual review process of any potential conflicts of interest in relation to the six non-Middlesbrough Council Committee members.	30/09/2024	Under discussion with Democratic Services	30/06/2025
15. Arrange to publish Board conflict register on website (although this is currently a 'nil' return).	30/06/2024	To be discussed with Democratic Services	30/06/2025
<b>Investment</b>			
16. Develop written policy on the use of advisers "These policies should consider the specific circumstances of the scheme, such as the investment knowledge and experience available to the governing body and the relevant legal requirements"	31/12/2024	On hold pending outcome of Government 'LGPS Fit for the Future' consultation exercise, which looks likely to require Funds to use their Pool company as their principal source of investment advice	30/09/2025
17. Further onward reporting and additional analysis required to fully meet the standard outlined, for example including stress testing, scenario testing and any early warning triggers that are relevant. Work with other managers to fully understand their climate risk approach.	31/12/2024	Need to identify internal (or external) resource to carry this out.	31/12/2025

Task	Original Target Timescale	Status	Revised Target Timescale
<b>Administration: Information Handling</b>			
18. Annual review of processes and systems for financial transactions recommended. Finalise reporting on scheme-specific data.	31/12/2024	Scheme-specific data report finalised with XPS. Need to ensure reporting carried forward with new pensions administration provider	30/09/2025
19. Formal data improvement plan should be devised and implemented - will progress once new pensions administration contract is in place.	31/12/2024	Develop data improvement plan with new provider post-31 <sup>st</sup> May 2025 transfer	30/09/2025
20. Carry out data reviews annually.	31/12/2024	Implement with new pensions administration provider	30/09/2025
<b>Communications and Disclosure: Public Information</b>			
21. Update IDRPs guide leaflet to include correct contact details of Money and Pensions Service.	30/06/2024	Updated	30/06/2024
<b>Reporting to TPR: Reporting Breaches</b>			
22. Update breaches policy to include reference to advising TPR if another regulatory body e.g. ICO is advised of a breach.	30/06/2024	Updated	30/06/2024

# Teesside Pension Fund

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## 2025 valuation

Pensions Committee: 12 March 2025

Julie Baillie FFA C.Act

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Agenda Item 10

# Today's session

## 1. Change in environment since 2022

## 2. 2025 valuation

- Assumption setting
- Funding strategy

Questions and comments welcome throughout

# Changes affecting financial markets since 2022

The main changes since the 2022 valuation date are set out below:

## Economic conditions

- Increase in interest rates from historic lows to rates closer to the long-term average.
- Higher than expected inflation so far: Pension Increase Orders in 2023 (10.1%) and 2024 (6.7%) but expecting 1.7% in April 2025
- Increased market volatility, impacting expected future investment returns.

## Climate risk

- Climate change could have significant implications for financial markets.
- In particular, there is evidence to suggest that the risk of extreme events occurring is increasing
- Further information on the uncertainty around future climate pathways will be available later this year.

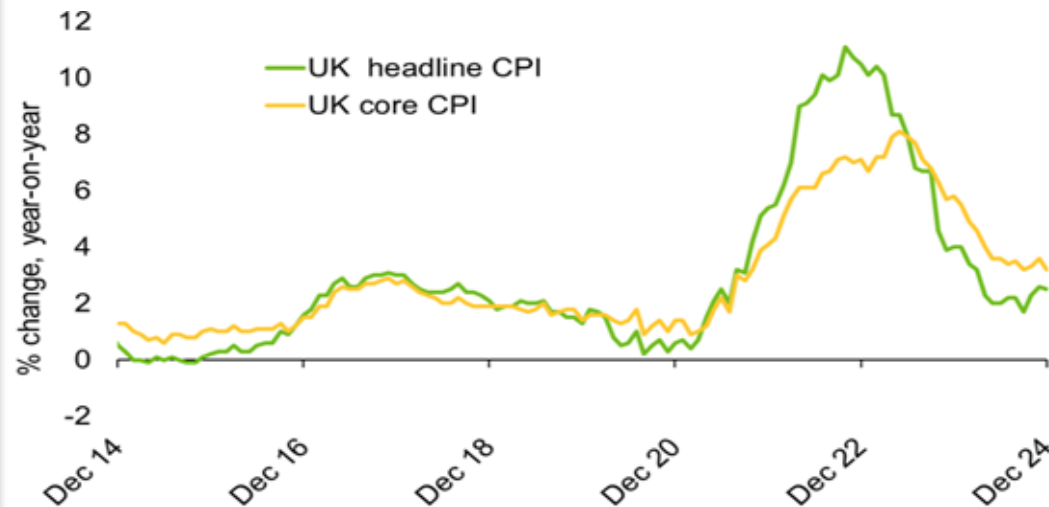
## Political risks

- The geo-political landscape has shifted significantly e.g. increases in regional conflicts, potential trade wars
- In July 2024, the Government launched its Pensions Investment Review.
- In November 2024, the UK Government launched the “LGPS – Fit for the future” consultation.

**Material change for the purpose of funding at 2025 valuation is the change in economic conditions**

# What has happened since 2022 valuation?

## UK inflation over past 10 years



## General insights



Whole Fund funding position has improved since 2022 (on comparable, updated basis)



Assets returns have been positive



Rising interest rates & high inflation



Higher expected future return on the Fund's assets

**2025 valuation will reflect actual experience since 31 March 2022**

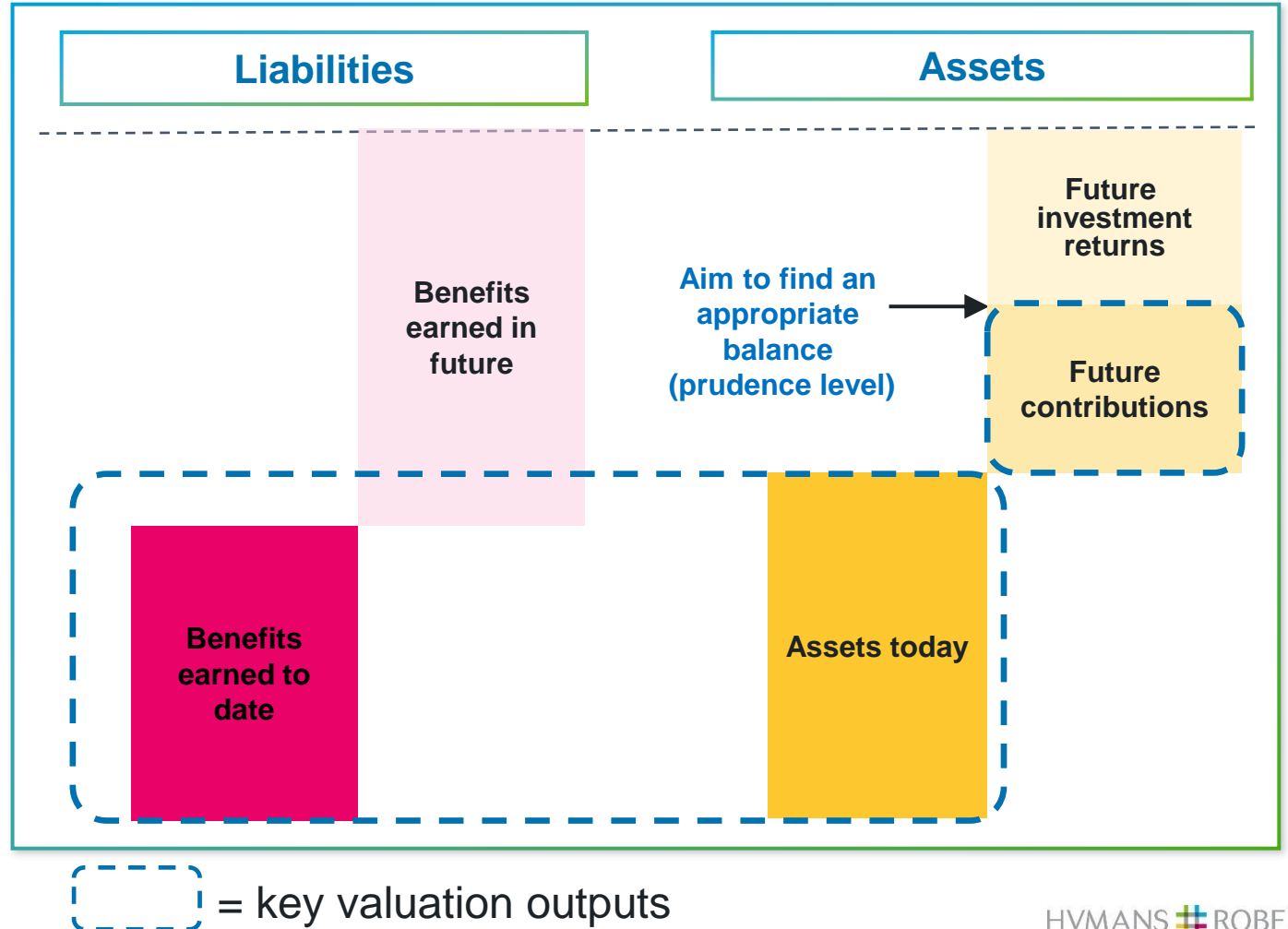
# Why we need assumptions

Required for key valuation outputs:

- **Employer contribution rates**
- **Funding level**

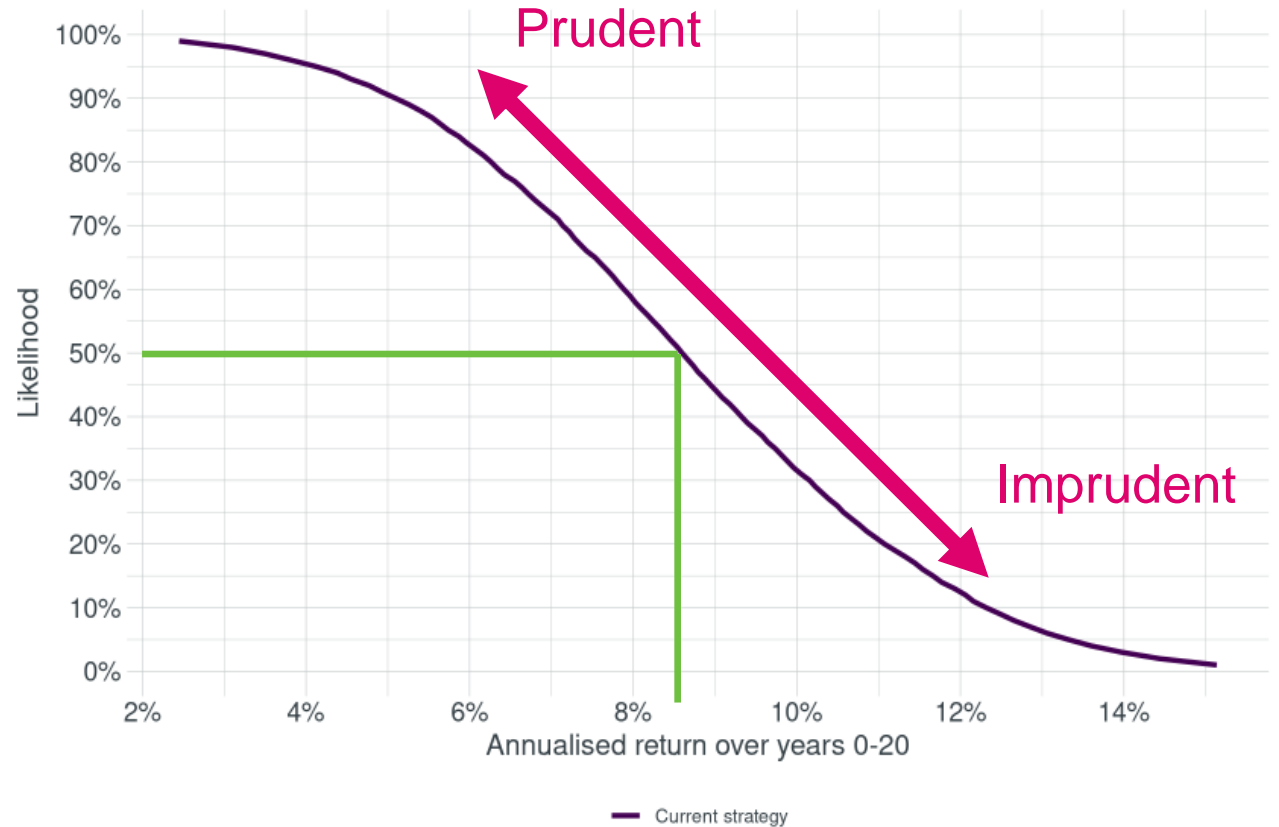
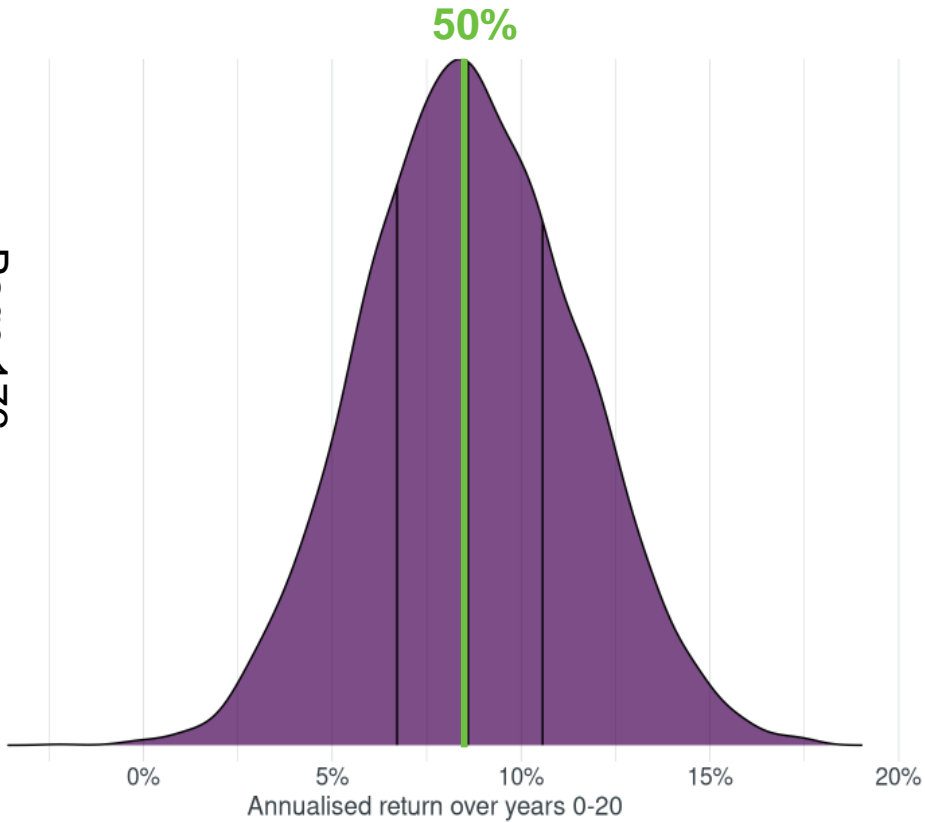
To calculate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments.

Assets today are known, but we need to make an assumption about future investment returns.



# How much prudence is appropriate?

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Fund must be prudent...but choosing the *level* of prudence is a subjective decision



# Longevity – how long members live



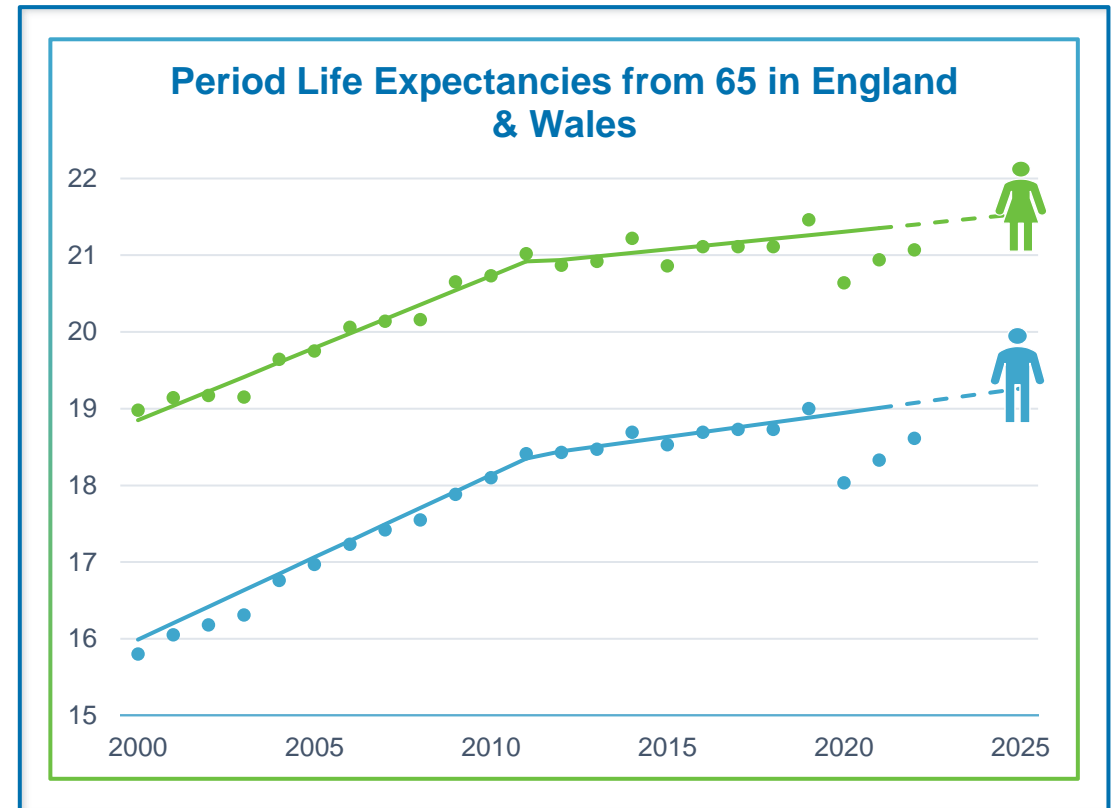
## Baseline longevity assumption

How long people *currently* live, based on observed life expectancies



## Future longevity improvement assumption

How will life expectancies change (increase) in the *future*



Source: CMI 2022 model. Life expectancies calculated using projected  $q_x$  rates, using calibration data, with  $W_{2020}$  through  $W_{2022}$  set to 100% and  $S_x$  set to 0%

**UK life expectancy continues to increase...but at a slower pace than previously assumed**

# Funding strategy decisions

## 1. Long-term funding objective

Should the Fund change the amount of money it wants to set aside in the long-term to pay members' benefits? Consider the target funding level



## 2. Contribution rates

What is an appropriate contribution rate in the short and long-term? Consider the 3-year pattern, and the longer-term requirement



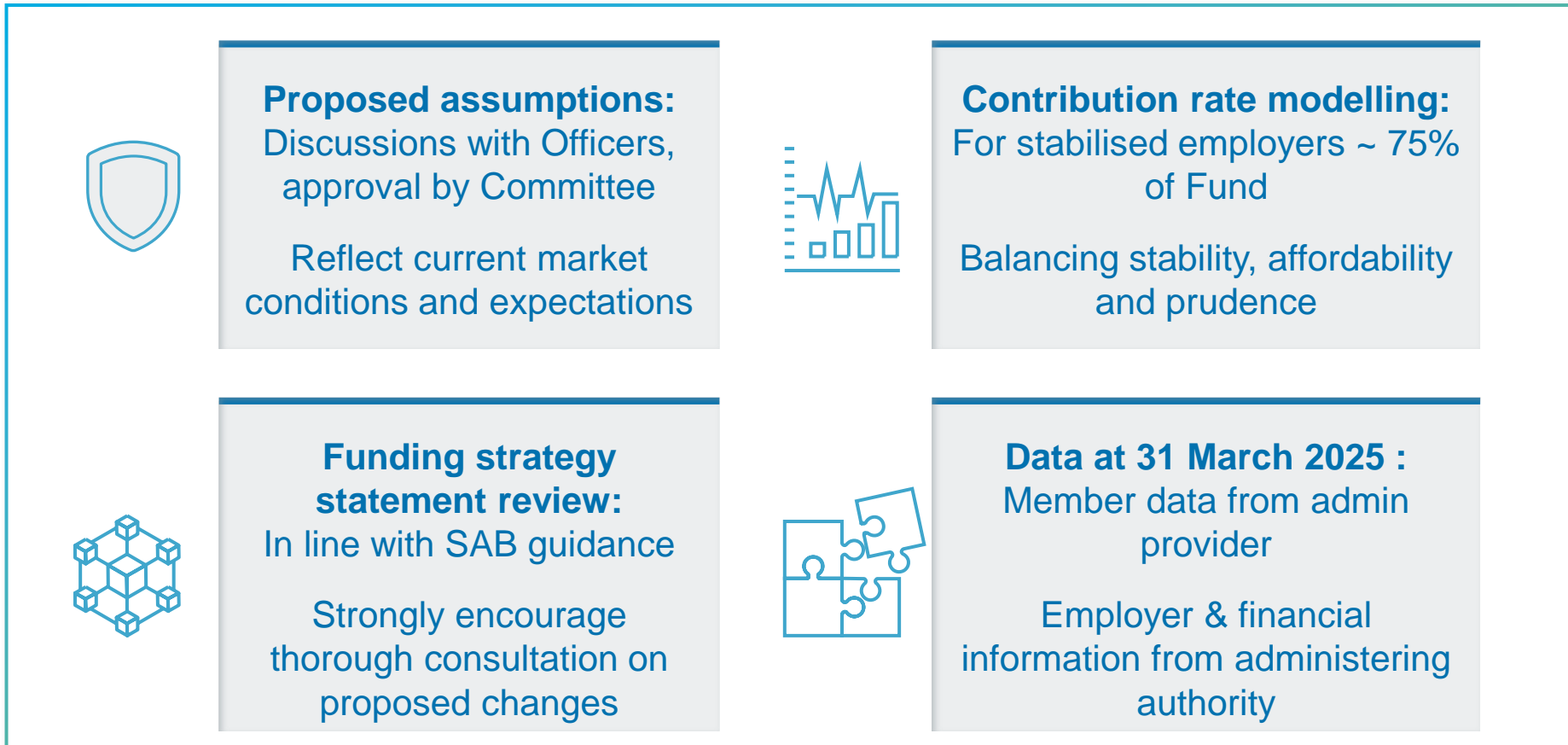
## 3. Investment strategy

How may a change in investment strategy impact the funding strategy? Both strategies need to support each other



**Objective is to have a sufficient likelihood of being able to pay members benefits over the long term**

# Next steps in 2025



**Stakeholder engagement is an important part of the valuation process**

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# Thank you

Hymans Robertson LLP (HR) has relied upon or used third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst reasonable efforts have been made to ensure the accuracy of such estimates or data, these estimates are not guaranteed, and HR is not liable for any loss arising from their use. This report does not constitute legal or tax advice. Hymans Robertson LLP (HR) is not qualified to provide such advice, which should be sought independently.





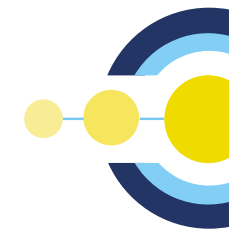
# TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - March 2025

Agenda Item 11

# YOUR INVESTMENTS WITH BORDER TO COAST



## LISTED INVESTMENTS AS AT 31<sup>ST</sup> DECEMBER 2024

Listed Investments	Value (as at 31/12/2024)	Value % of Total Assets
UK Listed Equity	£586m	19.9%
Overseas Developed Markets	£2,131m	72.2%
Emerging Markets Equity	£232m	7.9%

## COMMITMENT TO BORDER TO COAST'S PRIVATE MARKET STRATEGIES

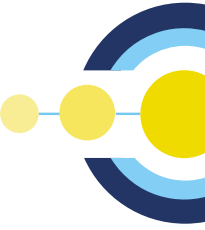
Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

Border to Coast – Teesside Pensions Committee

INTERNAL

# MACRO OUTLOOK – Q4 2024



## Macro and Monetary Outlook

- Global real growth to remain resilient, however, regional divergences in inflation and policy rates could become prominent.
- Sticky inflation limits further policy rate easing in 2025.

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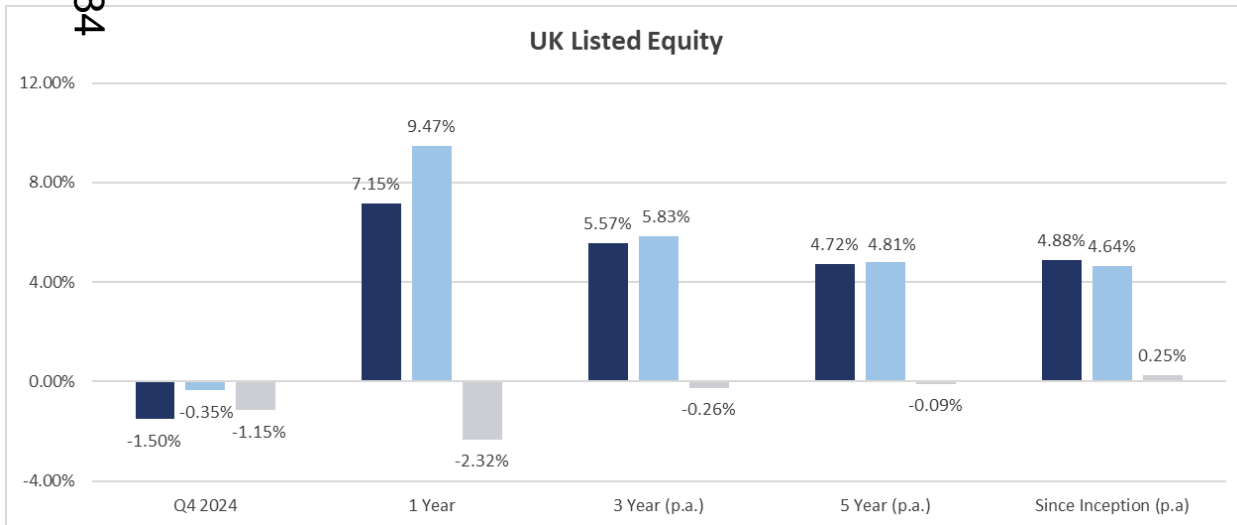
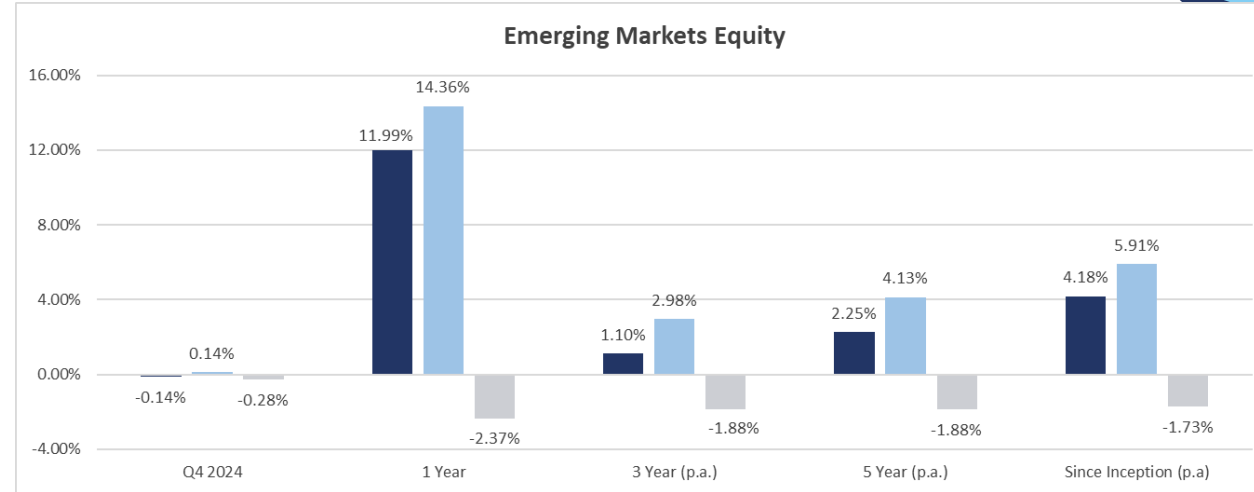
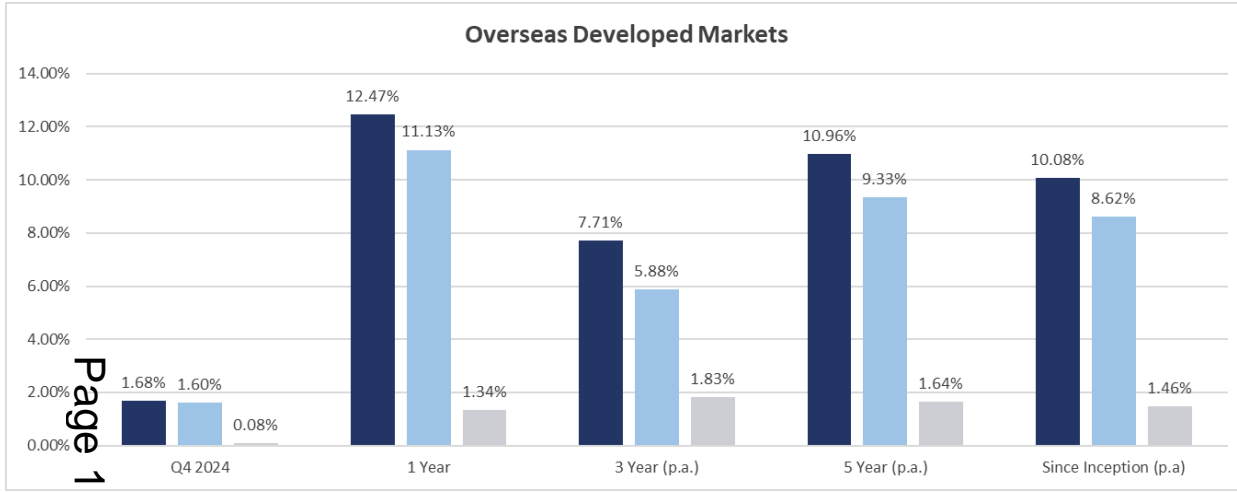
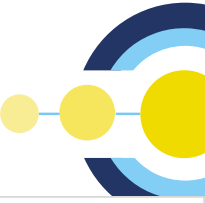
## Market Outlook

- US economy expected to maintain robust growth, supported by strong consumer spending and favourable financial conditions.
- Technological innovation and the broadening of the AI cycle is expected to remain an important driver across equity markets.

## Risks

- Weaker than expected earnings growth could undermine the positive outlook on equities and the hefty valuation expectations.
- Ongoing or escalating trade disputes could disrupt global supply chains and feed into inflationary pressures.

# LISTED INVESTMENTS – PERFORMANCE TO Q4 2024



■ Fund  
■ Benchmark  
■ Relative Performance

**Overseas Developed Markets Benchmark:** 40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Ex Japan, 10% FTSE Japan

**UK Listed Equity Market Benchmark:** FTSE All Share GBP

**Emerging Market Equity Benchmark<sup>1</sup>:** FTSE Emerging Markets

<sup>1</sup>S&P Emerging Markets BMI (Net) between 22<sup>nd</sup> October 2018 to 9<sup>th</sup> April 2021. Benchmark equal to fund return between 10<sup>th</sup> April to 28<sup>th</sup> April 2021 (Performance holiday for fund restructure)

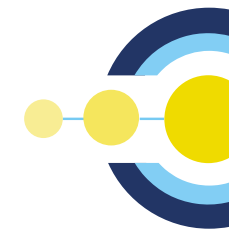
Source: Northern Trust, Border to Coast as at 31<sup>st</sup> December 2024

Note: Figures refer to the past. Past performance is not an indicator of future performance and is not guaranteed.

INTERNAL



# PRIVATE EQUITY: SUMMARY



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Private Equity	Key Metrics - 30 Sep 2024
Target IRR	10%
Series 1 IRR	12.4%
Series 1 TVPI	1.29x

Series 1A	31 Dec 2024	30 Sept 2024
Capital Committed	99.7%	99.7%
Capital Drawn	87.0%	86.5%
Capital Distributed <sup>1</sup>	24.6%	24.1%

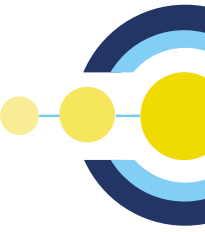
Series 1B	31 Dec 2024	30 Sept 2024
Capital Committed	99.1%	99.1%
Capital Drawn	80.3%	77.5%
Capital Distributed <sup>1</sup>	10.4%	10.3%

Series 1C	31 Dec 2024	30 Sept 2024
Capital Committed	100.0%	100.0%
Capital Drawn	72.4%	66.8%
Capital Distributed <sup>1</sup>	0.4%	0.2%

Series 2A	31 Dec 2024	30 Sept 2024
Capital Committed	99.8%	99.8%
Capital Drawn	32.3%	26.1%
Capital Distributed <sup>1</sup>	0.0%	0.0%

Series 2B	31 Dec 2024	30 Sept 2024
Capital Committed	99.0%	99.0%
Capital Drawn	19.9%	11.1%
Capital Distributed <sup>1</sup>	0.7%	0.4%

# INFRASTRUCTURE: SUMMARY



Page 186

Infrastructure	Key Metrics - 30 Sep 2024
Target IRR	8%
Series 1 IRR	6.7%
Series 1 TVPI	1.16x

Series 1A	31 Dec 2024	30 Sept 2024
Capital Committed	98.7%	98.7%
Capital Drawn	89.3%	87.4%
Capital Distributed <sup>1</sup>	22.0%	16.2%

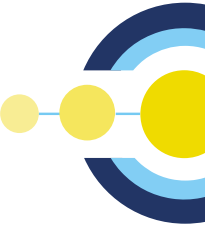
Series 1B	31 Dec 2024	30 Sept 2024
Capital Committed	98.7%	98.7%
Capital Drawn	74.6%	71.7%
Capital Distributed <sup>1</sup>	5.1%	4.4%

Series 1C	31 Dec 2024	30 Sept 2024
Capital Committed	100.0%	100.0%
Capital Drawn	88.0%	82.7%
Capital Distributed <sup>1</sup>	13.8%	13.3%

Series 2A	31 Dec 2024	30 Sept 2024
Capital Committed	99.7%	99.7%
Capital Drawn	54.0%	52.1%
Capital Distributed <sup>1</sup>	3.6%	1.5%

Series 2B	31 Dec 2024	30 Sept 2024
Capital Committed	99.9%	99.9%
Capital Drawn	28.8%	25.6%
Capital Distributed <sup>1</sup>	0.2%	0.1%

# CLIMATE OPPORTUNITIES: SUMMARY



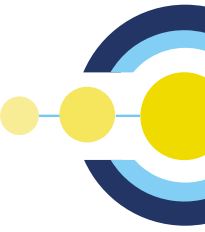
Page 187

	31 Dec 2024	30 Sept 2024
Target IRR	8%	
Capital Committed	99.9%	99.9%
Capital Drawn	45.0%	44.4%
Capital Distributed <sup>1</sup>	4.3%	5.8%

Source: Allbourne / Private Monitor  
<sup>1</sup>Including Recallable Distributions.

# NOTABLE EXITS - INFRABRIDGE GIF II – STERLITE TRANS. PLATFORM

## INFRASTRUCTURE SERIES 1A



### Overview

Investment Date	March 2021
Realisation Date	May 2024
Business	Power Transmission Infrastructure Developer
Sector	Energy & Utilities
Location	India
Ownership (Peak)	50%
Invested Amount	\$133m
Business Overview	<p>Development of energy transmission projects in India in March 2021.</p> <p>The projects have a circuit length of nearly 1800km of transmission lines across India. This provides critical infrastructure required for evacuating power from multiple renewable energy generation projects.</p>

### Strategy and Execution

- Infrabridge GIF III (Then AMP Capital) established a 50/50 partnership with Sterlite Power Transmission Limited.
- The investment thesis was to build and flip the assets once built.
- Infrabridge supported the projects in achieving several key milestones in a challenging macroenvironmental backdrop, including:
  - Completion of the Lakadia Vadodra Transmission Project - a purpose-built project to evacuate renewable energy from the western part of India to the demand centres.
  - Commissioning two out of four elements of the Mumbai Urja Marg Limited Project.
  - Successful refinancing of the Lakadia Vadodra Transmission Project, reducing cost and providing cash back to shareholders (GIF II realised \$11.1 million on a post-tax basis in January 2024 from such refinancing); refinancing of the Goa Tamnar Transmission Project to increase leverage and reduce interest cost in a difficult macro-economic environment.
  - Establishment and enhancement of operational processes, driving efficiencies within the business.

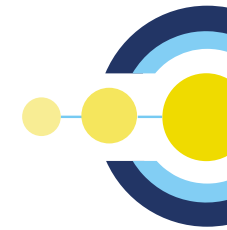
### Exit

- Infrabridge announced the sale of GIF II's 50% stake in the platform to a JV of Sterlite Power and GIC.



# NOTABLE EXITS - EQT INFRASTRUCTURE V – REWORLD

## INFRASTRUCTURE SERIES 1B



### Overview

Investment Date	November 2021
Realisation Date	To close Q1 2025
Business	Energy from Waste and waste handling
Sector	Energy, waste
Location	US/Canada (HQ US)
Ownership (Peak)	100% (Fund V, dropping to 75% post close)
Invested Amount	€872m
Business Overview	21 material processing facilities and 37 EfW plants  4,000 employees, up from ~3,200 at acquisition  EQT see the business as a critical contributor to circular economy aims.

### Strategy and Execution

- EQT’s initial investment thesis helped fund expansion work to bring new sites into operations.
- Reworld has a dominant position in key localities resulting in customer stickiness and pricing power.
- Number of operational facilities has doubled since acquisition.
- The partial exit is partly driven by the desire to monetise the significant progress made since acquisition.
- Business has hit underwrite case 2025 EBITDA a year early.

### Partial Exit

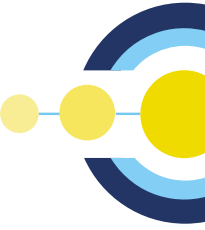
- Sold 25% stake to GIC, EQT retain majority control position.
- GIC are expected to be a capital contributor to drive further investment in the business.





**APPENDIX**

# PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

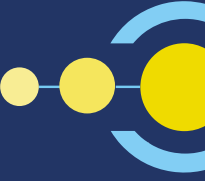


## IRR and TVPI (Pages 5 - 6)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.
- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.
- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.
- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.



PENSIONS PARTNERSHIP



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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

### **PENSION FUND COMMITTEE REPORT**

12 MARCH 2025

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE**

#### **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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## Investment report for Teesside Pension Fund March 2025

### Political and economic outlook

In my last report I was worried about the unpredictability of Donald Trump and the fact that this raised uncertainty. This clearly was an understatement and Trump's predictable unpredictability is something that the world is going to have to learn to deal with. However even when you adopt this stance the speed with which Trump has moved is breathtaking. I think it's safe to say that nobody would have taken his previous threat to annex Greenland seriously but I'm not so sure now. Likewise The United States voted with Russia against a non-contentious UN resolution stating that Russia was the aggressor in the Ukraine / Russia conflict. The first time that the US has voted with Russia since 1945. The recent despicable behaviour by Trump and Vance against President Zelensky in the Oval Office unfortunately shows that this is a trend in motion which could be difficult to reverse. Furthermore, apart from Bernie Sanders, there appear to be very few voices, in the US political arena, against Trump regardless of how outrageous his actions are. Suggestions that the US is moving towards a fascist dictatorship are probably not too far-fetched unless a coherent opposition stands up soon to be counted.

The complete revamp of the political order appears in the short term at least to be bringing a more cohesive approach by the majority of European countries. Hungary and Slovakia still seem to be making overtures to Russia so a united European front is unlikely. The recent shift to the right in Germany looks to have resulted in an even more supportive approach to Ukraine. However, whatever the intentions of Europe, without U.S support in the supply of weapons, logistics, communications and

satellite surveillance it will not be able to adequately provide Ukraine with the necessary firepower.

The deterioration of relations between the US and Western Europe has given the Prime Minister ( and the King) the chance to shine upon the world stage. Up to now Keir Starmer hasn't made a bad job of it, let's hope that he can restore, to some extent, the old political order. Despite some successes on the international front things have not been going that well domestically and the Prime Minister will be hoping for a sustained uplift in economic activity.

I really don't think I can add anything more given the level of confusion and uncertainty. Maybe I will be able to see more clearly when it's time to write the next quarterly report but I somehow doubt it.

## **Markets**

With the political system in such disarray it is difficult to make any meaningful predictions on market movements. As an observation however, markets generally, both equity and fixed interest, have held pretty steady during the tumultuous events of the past couple of months since Trump's inauguration. This is quite a result! This will all change radically if Ukraine is overrun by Russia which is increasingly likely given the United States current approach.

So looking forward I would assume much of the same with conventional fixed interest markets remaining pretty steady in a stable inflationary environment.

Likewise index markets should also remain flat. Similarly I expect equity markets to remain quiet unless there is a significant change in Ukraine's position.

Property markets will be steady.

Funding remains extremely tight in private equity and in other alternatives. This is a reflection of the market and also to yet another pensions consultation.

Apologies, I should have just said that there is no change in market outlook from last time.

## **Portfolio recommendation**

My advice remains the same as in previous recent reports. Given the degree of uncertainty and distress it seems wise to keep our heads down and take a steady as she goes approach of no change.

**Peter Moon**

**3 March 2025**

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## Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne

28th February 2025

### Market Commentary

1. Six months ago I thought the environment for investors remained reasonably benign: growth was slow, but monetary and fiscal policy was in the main loose. Three months ago I maintained that stance, but I expected bond yields to move higher and thought the effectiveness of monetary policy was diminishing. Returns from assets generally might be expected gradually to reduce.
2. In practice, in early January 2025 bond yields reached the highest levels since the Global Financial Crisis (in 2008) before they rallied slightly. Investors worried about a tsunami of issuance against a background of low growth and higher than expected inflation. Equities, on the other hand, seemed to ignore the bad news and several markets have reached or are close to new highs.
3. Within days of reassuming power Donald Trump imposed tariffs on Mexico, Canada, and China, with the E.U. not far behind. So far the U.K. and Japan seem to have escaped. His preferred negotiating tactic seems to start with a thump from a big stick. It may work with allies, who have more to lose than gain by thumping him back; it is higher risk with China (whose initial response was relatively measured). That said, markets seem to have discounted much of the geo-political risk as 'known'.
4. Economic growth generally continues to slow. Except for the U.S.A and Spain, all western nations' growth rate is below 2%, and Germany's is negative. Emerging markets are showing stronger growth, though even China's is relatively pedestrian at 5%. State spending (e.g. defence, healthcare) is increasingly dominating consumption. This implies higher taxes, which will throttle back private consumption further. It is difficult to see how higher growth can be sustained in the long-term.
5. Some of the Chancellor's chickens are already coming home to roost. At the time of her Budget, I commented that the fiscal arithmetic was tight. Since then, growth has slowed, the cost of debt service has risen, and inflation is sticky at 3%. She has no head-room and will have to either increase taxes or reduce spending.

6. The imposition of tariffs will increase producer inflation: if the U.S.A. could produce domestic steel more cheaply than China, it would already be doing so. Buyers will in the future inevitably pay more than they have previously for their U.S.A.-sourced (or China-sourced with tariffs) steel.
7. Central banks have continued to cut rates in the belief that the financial system's fragility and a relapse into recession pose greater danger than the risk of inflation staying higher for longer. The Federal Reserve has now cut rates by 100bps from the peak and the Bank of England by 75bps. It is uncertain whether this will have any positive impact on growth and how much further they will go.
8. I am slowly turning more negative about the medium-term prospects (i.e. out to ten years) for equities. My largest concern is about valuations. The U.S. Price to Earnings Ratio (one year rolling average) is 25x, above the peak of the dotcom bubble in 2000. It is also now about 25% higher than the global index PER, whereas until 2020 it always traded closely in line.
9. The optimists will explain this in terms of higher earnings growth prospects from U.S. mega-tech. I believe that there are significant risks, ranging from the sheer size of the companies (they need to eat the lunches of more and more competitors to maintain, let alone grow, their earnings) to the threats which tariff wars and anti-trust legislation bring.
10. As well as earnings disappointments, valuations are vulnerable to the impact of the recent rise in bond yields, which equity markets have largely ignored so far. Because the indices are dominated by the mega-tech companies, I therefore conclude that index returns from equities will be lower over the next five to ten years than they have been over the past.
11. The new Administration is giving some signs that it is committed to 'sound money' and will try to rein in the reliance on quantitative easing to solve all problems. If they are successful, that will probably mean lower inflation in the longer term, but a reversal of the asset price bubble of the past 15 years. However, it is still too early to take any portfolio actions on this front.

## Portfolio recommendations

12. I have no recommendations to make on the portfolio's asset allocation. The focus over the next twelve months or so will inevitably be on the details of how the Fund can meet with the proposals in the Government's consultation. At the time of writing, we have not yet seen their response, but I expect the timeline to be extended, simply because they would be open to judicial challenge on the basis of unreasonableness if they do not. However, I do not expect many other changes to their proposals.



# TEESSIDE PENSION FUND Q4 2024

Quarterly Report  
Prepared: 26 February, 2025

## Fund Objectives

Teesside Pension Fund’s primary objective is to create a sustainable income stream to match its long-term pension liabilities. This is achieved through investing in 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 and 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 underweight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio and diversify 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 Pension Fund’s Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its investment decision making process and ongoing asset management.

## Executive Summary

As of 25th December 2025, the portfolio comprised 34 properties located throughout the UK, with a combined value of £488.7m. This reflects an overall Net Initial Yield of 5.64%, and an Equivalent Yield of 5.84%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 94% of the Portfolio by capital value. There are 91 demises and a total net lettable area of 2,751,651 sq ft.

The portfolio has a current gross passing rent of £29,296,042 per annum against a gross market rental value of £27,532,556 per annum.

The weighted average unexpired lease term is 8.7 years to the earlier of the first break or expiry and 9.5 years to expiry, ignoring break dates.

## Fund Summary

<b>Total Pension Fund Value</b> (September 2024)	<b>£5,483m</b>
Real Estate Weighting (long term target allocation)	8.9% (10%)
Direct Portfolio Value (December 2024)	£488.7m

## Direct Portfolio

<b>Direct Portfolio Value</b> (December 2024)	£488.7m
Number of Holdings	34
Average Lot Size	£14.4m
Number of Demises	91
Void rate (% of ERV) (Estimated UK Benchmark)	1.5% (7.0% – 9.0%)
WAULT to Expiry (break)	9.5 years (8.7 years)
Current Gross Passing Rent (Per Annum)	£29,296,042
Current Gross Market Rent (Per Annum)	£27,532,556
Net Initial Yield	5.64%
Reversionary Yield	5.60%
Equivalent Yield	5.84%

## Portfolio Highlight (Q4 2024) – Unit 1 Bromford Settlement Dilapidations Settlement



The Fund has reached a favourable dilapidations settlement at Unit 1, Bromford Central following the vacation of the previous tenant. The settlement totalled £125,000. This settlement concludes one of two settlements at Bromford Central, with the funds being recirculated to refurbish the assets with a view to reletting.

## UK Economic Commentary

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- Real GDP showed no growth in the 3 months to November owed to slowing services sector output. Against the backdrop of no growth in Q3, the UK economy slowed towards the end of 2024.
- Since falling beneath the BoE's target, inflation has steadily risen reaching 2.5% in December. The increase has been caused by stubborn services inflation (4.4%) and nominal wage growth (5.6%) in addition to falling energy prices being removed from the year-on-year calculation. We expect inflation will remain marginally above but close to target for the remainder of 2025 as core signals abate, albeit slowly.
- The labour market remains relatively tight with unemployment at 4.4% and redundancies remaining low, particularly for a period of low growth. The tight labour market continues to drive strong nominal and real earnings growth. We don't expect unemployment to peak above 4.5% in the medium term.
- Despite bond market volatility linked to the US as well as the UK's current fiscal position we anticipate most economic indicators point towards 2 further interest rate cuts in 2025, following the 19<sup>th</sup> February 2025 cut down to 4.5%. We anticipate falling debt costs in addition to real earnings growth and improved business and consumer confidence will be conducive to increased consumption and investment in 2025 with GDP growing 1.5% and 1.8% in 2025 and 2026.
- The key risk to the outlook is the stickiness of core and wage inflation which if more volatile than we anticipate would lead to less rate cuts and lower growth. Business responses to an increase in minimum wage and NIC could also alter our inflation outlook. Businesses increasing prices would provide upward pressure while a reduction in wage increases would likely be deflationary, according to a survey of 51 major retailers by the BoE both are equally likely.

## UK Real Estate Market Commentary

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- The CBRE Index recorded an All-Property Annual Total Return of 7.7% over the course of 2024. The annual figure was driven by quarterly total returns of 2.9% in Q4 2024, as capital values increased by 1.5% over the quarter, and increased by 1.8% throughout the year.
- All-Property rental values increased by 2.9% throughout 2024, after rental values grew by 0.9% in Q4 2024. Rental value growth picked up in Q4, after rising by 0.7% in Q3 2024. However, annual rental growth was slightly below 2023, which saw rental values increase by 3.6% over the year.
- The Retail and Industrial sectors posted the highest total returns for the quarter, with 3.7% and 3.5% respectively. The Industrial sector recorded higher capital value growth of 2.3%, however Retail total returns continue to be driven by income return, which was 1.8% throughout Q4 2024. The Office sector posted a total return of 1.7% throughout the quarter, and also saw capital values begin to recover, as capital values increased by 0.3% in Q4.
- Investment in UK commercial real estate markets totalled £16.8bn in Q4 2024, which brings total investment throughout 2024 to £53.6bn. Investment increased by 63% throughout Q4 2024 compared with Q3 2024. There was also a 20% increase in the annual figure compared with 2023 which saw £44.8bn transacted throughout the year.
- Domestic purchasers had the largest share of UK real estate investment for the second consecutive year, with local investors accounting for 56% of transaction volumes. This follows 2023, where domestic buyers represented 55% of investment volumes. Overseas buyers however were more active in larger deals, accounting for 57% of transaction volumes for lot sizes above £100m.
- Looking to 2025, investors are still targeting the Industrial and Living sectors, as these sectors have exhibited from stable vacancy and income growth resulting from tight demand-supply dynamics. Investors also continue to seek exposure to alternative sectors such as Data Centres and Senior Living as emerging technology and demographic trends favourably affect these assets.

## Investments

### Sales

The Fund made no disposals this quarter.

### Acquisitions

The Fund is currently under offer to acquire a southeast based supermarket. The transaction is expected to conclude in Q1 2025.

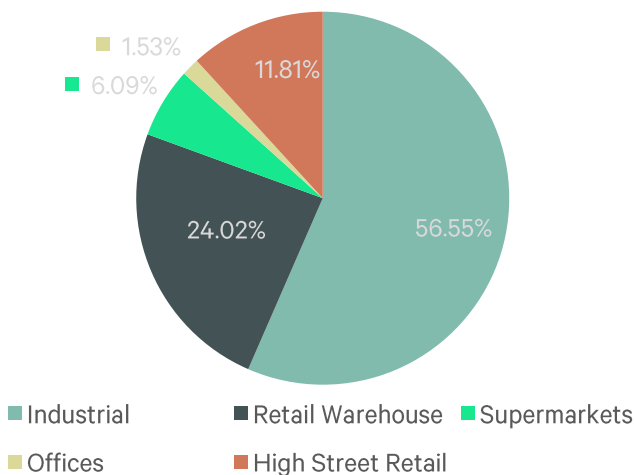
## Direct Portfolio Analysis

### Top Ten Holdings (by Capital Value)

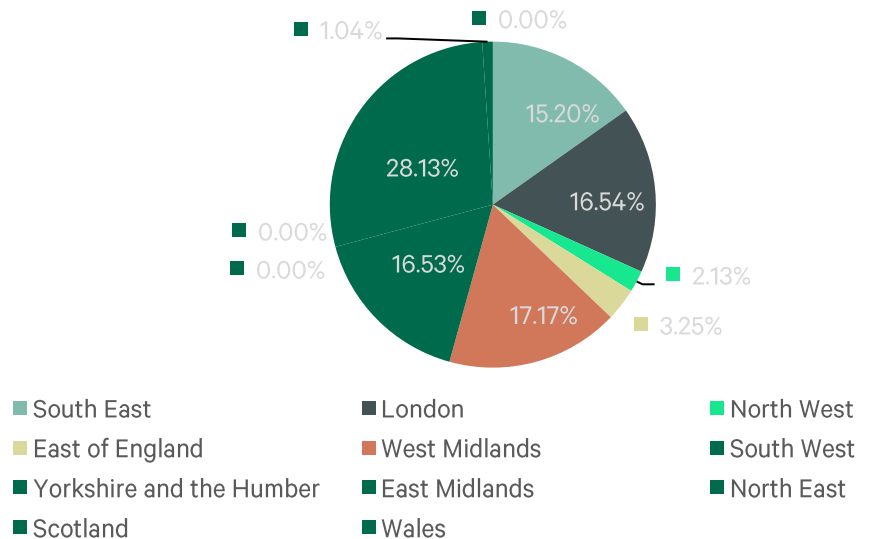
No.	Asset	Sector	Value	% of Direct Portfolio
1	WASHINGTON - Radial 64	Industrial	£50,600,000	10.4%
2	SWINDON - Symmetry Park	Industrial	£31,800,000	6.5%
3	LONDON - Long Acre	High Street Retail	£31,000,000	6.3%
4	ST ALBANS - Griffiths Retail Park	Retail Warehouse	£30,500,000	6.2%
5	THORNE – Capitol Park	Industrial	£30,000,000	6.1%
6	YEOVIL - Lysander Road	Industrial	£28,000,000	5.7%
7	BIRMINGHAM - Bromford Central	Industrial	£20,800,000	4.3%
8	GATESHEAD - Team Valley	Industrial	£20,300,000	4.2%
9	PARK ROYAL - Minerva Road	Industrial	£19,850,000	4.1%
10	TONBRIDGE – Tonbridge Retail Park	Retail Warehouse	£19,650,000	4.0%
<b>Total</b>			<b>£282,500,000</b>	<b>57.8%</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.

Sector Allocation (by Capital Value)



Geographical Allocation (by Capital Value)



## Direct Portfolio Analysis (continued)

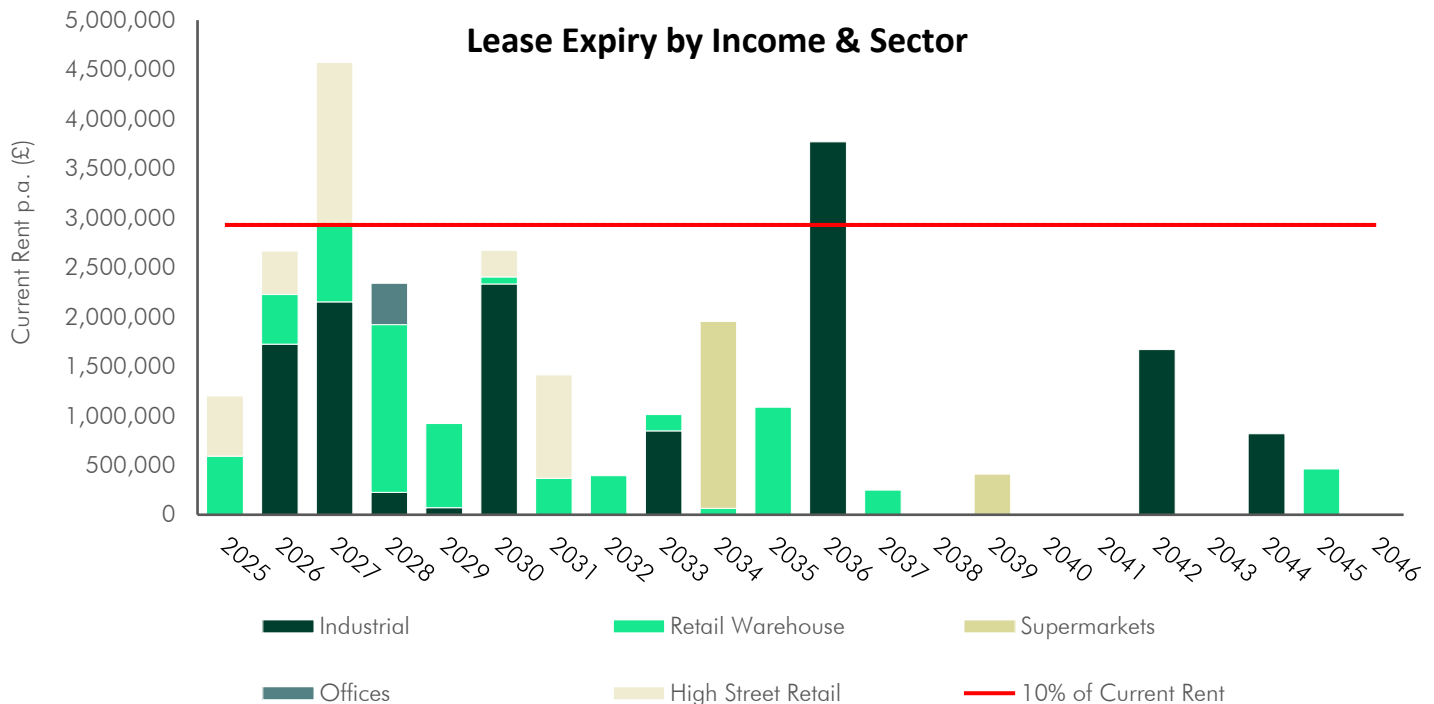
### Top Ten Tenants (by Contracted Income)

The Portfolio has 91 demises let to 64 tenants. Of the top ten tenants, 80% have an INCANS classification of Medium-Low Risk or better, a strong rating. A summary of the top ten tenants' covenant strength is detailed below.

#	Tenant	Sector	Leases	Contracted Rent p.a.	% of Portfolio Rent	INCANS Global Score	INCANS Category
1	BAE Systems Global Combat Systems Munitions Ltd	Industrial	1	£3,767,977	12.9%	88/100	Medium-Low Risk
2	B&Q Ltd	Retail	3	£2,084,211	7.1%	92/100	Medium-Low Risk
3	Iceland Food Limited	Industrial / Retail	2	£1,892,500	6.5%	57/100	Medium-High Risk
4	Omega Plc	Industrial	1	£1,670,903	5.7%	92/100	Medium-Low Risk
5	Leonardo UK Ltd	Industrial	1	£1,653,120	5.6%	94/100	Medium-Low Risk
6	Zara UK Limited	Retail	2	£1,580,000	5.4%	89/100	Medium-Low Risk
7	Unipart Logistics Limited	Industrial	1	£1,077,000	3.7%	83/100	Medium-Low Risk
8	Royal Mail Group Limited	Industrial	1	£1,074,000	3.7%	17/100	High Risk
9	Libra Textiles Ltd	Industrial	1	£1,050,000	3.6%	93/100	Medium-Low Risk
10	Halycon Fine Art Ltd	Industrial	1	£848,628	2.9%	87/100	Medium-Low Risk
<b>Total</b>				<b>£16,698,339</b>	<b>57.0%</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.



## Property Portfolio Returns

The below table demonstrates the Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index\* is provided for illustrative purposes only:

	1 Year Dec 23 – Dec 24			3 Year (p.a.) Dec 21 – Dec 24			5 Year (p.a.) Dec 19 – Dec 24		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
<b>Income Return</b>	5.88%	5.83%	+0.05%	5.48%	5.45%	+0.04%	5.57%	5.50%	+0.07%
<b>Capital Return</b>	0.86%	1.78%	(0.92%)	(1.90%)	(5.35%)	+3.44%	2.32%	(2.26%)	+4.58%
<b>Total Return</b>	6.79%	7.70%	(0.91%)	3.68%	(0.17%)	+3.84%	8.15%	3.12%	+5.02%

\* Note that the CBRE Property Index is not the performance benchmark for the Portfolio.

## Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index-linked income streams identified within the Fund's strategy. The Fund's requirement is regularly articulated to the investment market, and we receive a substantial number of investment opportunities each week.

## Asset Management Update

### B&Q, Arbroath Retail Park – December 2024

The Fund has agreed to terms to regear B&Q's lease for an additional 13 years, creating an effective 15-year term. The rent will be £252,000 per annum and will bring an end to the historic service charge dispute at this asset.

### Carpentright, Tonbridge – December 2024

The tenant recently entered Administration. The Fund has entered into letting discussions with a prospective tenant with lease terms currently being negotiated.

### BAE, Washington – December 2024

The Fund has agreed terms for a reversionary lease with BAE Systems plc. The term will be extended until December 2042, and the break clause moved out to December 2037. The rent will be reviewed annually at a fixed uplift of 3% pa. In return for the extension, the Fund will provide 3 months rent-free to the tenant. The lease is expected to complete by the end of Q1 2025.

### M&S, Congleton – December 2024

M&S currently occupies unit A1 at Congleton. The tenant has a lease expiry in June 2025. The Fund is continuing negotiations towards an early lease renewal settlement with the tenant.

### Royal Mail, Gateshead – December 2024

Royal Mail currently occupies the Fund's holding within Team Valley Trading Estate. The Fund is currently in rent review negotiations to settle the forthcoming September 2025 review, following positive rental growth within the region.

## Portfolio Arrears Update – As at 26 February 2025

The table below details the collection statistics for Q4 2024. Rent due for the quarter totalled £7,417,129.58, of which £7,170,537.44 has been collected, reflecting a difference of £246,592.14.

Collection Milestones	Rent Due 25/12/2024	Quarter Date 25/12/2024	Week 1 01/01/2025	Week 2 08/01/2025	Week 3 15/01/2025	Week 4 22/01/2025	After 29/01/2025	Difference
<b>Total (£)</b>	7,417,129	5,381,910	594,641	352,397	597,695	7,965	235,930	246,592
<b>Collection Target (%)</b>			92.0%	96.0%	98.0%	99.0%		
<b>Total Collections (%)</b>		72.6%	80.6%	85.3%	93.4%	93.9%	96.6%	

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

December 2024 – 96.57%

September 2024 – 92.9%

June 2024 – 98.9%

The total collectable arrears on the entire portfolio as at December 2025 is £361,988.

The Collectable Arrears exclude the following:

- Tenants that have overall credit balances on their accounts
- Tenants with recent charges raised within the last month
- Tenants that are insolvent

Below is a summary of the top ten tenants with the greatest arrears.

**B&Q plc** (St Albans) – Total arrears of £132,578 (36.6% of the collectable arrears). This mainly relates to the third monthly instalment of the December 2024 quarter's rent, which we are continuing to chase. They also have service charge and insurance arrears, and we are working with the tenant to resolve their queries.

**Leonardo UK Limited** (Yeovil) - Total arrears of £48,688 (13.5% of the collectable arrears). This relates solely to a backdated rent review increase that was invoiced recently. We are chasing the tenant for payment.

**Iceland Foods Limited** (Swindon) – Total arrears of £30,018 (8.3% of the collectable arrears). This relates to the recharge of the head landlord's service charge. The tenant has queried these charges, which we are seeking to resolve.

**B&Q plc** (Arbroath) – Total arrears of £24,564 (6.8% of the collectable arrears). This relates solely to service charge arrears and a dispute over charges. These arrears will be paid as part of the lease renewal process.

**Encore Property Management** (123 Old Brompton Road) – Total arrears of £15,000 (4.1% of the collectable arrears). This relates solely to latest charge for the lift replacement loan repayment and has been chased.

**B&M Retail Limited** (Ipswich) – Total arrears of £14,599 (4.0% of the collectable arrears). This relates solely to the December quarter's service charge.

**Halfords Limited** (Dorchester) – Total arrears of £11,994 (3.3% of the collectable arrears). This mainly relates to the third instalment of the December 2024 quarter's rent, which we are continuing to chase.

**River island Fashion Limited** (Lincoln) – Total arrears of £10,777 (3.3% of the collectable arrears). This relates mainly to the misallocation of the May 2022 rent. We continue to work with the tenant to resolve this.

**Aldi Stores Limited** (St Albans) – Total arrears of £10,566 (2.9% of the collectable arrears). This relates solely to a balancing service charge sum, which we are continuing to chase.

**HWS Restaurants Limited** (Ipswich) – Total arrears of £9,506 (2.6% of the collectable arrears). Although there are service chargers that have been recently raised, this mainly relates to the monthly rent for February.

Footnote: This tenant (**HWS Restaurants Limited**) entered voluntary administration in January 2025. The administrator has proposed an assignment of the lease. Discussions are ongoing.

## Lending Update

Debt Investment Portfolio	Sector	Loan Limit	Drawn Balance	Interest Rate	Fully Drawn Income p.a.	Maturity	LTV	ICR
Chester Greyhound	Retail	£19.17m	£19.17m	3.70%	£0.71m	Nov-25	58.5%	2.71x
St Arthur Homes	Affordable Housing	£25.37m	£17.37m	5.40%	£1.37m	Nov-26	55.0%	1.36x
Preston East	Industrial & Logistics	£18.78m	£18.78m	5.21%	£0.84m	Jun-27	53.7%	1.80x
Bordon	Industrial & Logistics	£11.30m	£11.02m	5.54%	£0.63m	Jun-29	52.5%	1.53x
Verdant	Infrastructure	£25.00m	£25.00m	8.25%	£1.59m	Oct-26	25.0%	N/A
<b>TOTAL CURRENT</b>		<b>£99.6m</b>	<b>£91.3m</b>	<b>5.77%</b>	<b>£5.75m</b>		<b>49.7%</b>	<b>1.96x</b>

As at 31 December 2024, the Fund had five committed loans, of which £91.3m of the combined £99.6m limits had been drawn. These loans produce a blended return of 5.77%. In the period, the loan to Verdant Regeneration was closed and fully drawn down. The facility is a bridge loan to support the Borrower with infrastructure and enabling works at New Stanton Park in Derbyshire. Tranche C (Unit 3) of the Preston East loan was also drawn down, taking the total drawn loan balance to the facility's £18.78m limit.

The Bank of England base rate was cut by 25bps to 4.75% in November, however SONIA 3-year swap rates actually increased by 0.39% in the quarter, reflecting market sentiment that future rate cuts may be slower than previously anticipated. At 4.11% on 31<sup>st</sup> December, the 3 year swap was within 3 basis points of the full year average of 4.09%. Economic indicators such as inflation and bond yields continue to fluctuate, and while financial markets anticipate further BoE based rate cuts, opinion is divided on the timing of these.

We are continuing to see good opportunities in the lending space across multiple sectors, in particular stabilisation bridge loans where borrowers need short term finance post development in anticipation of a more favourable sales market in the future.

## Existing Loan Portfolio

- All existing loans are performing in line with their loan agreements. All are covenant compliant and all interest and amortisation payments have been made on time.
- **Chester Greyhound:** A £20.0m senior loan to fund Aprirose's acquisition of Greyhound Retail Park, Chester. Ongoing scheduled amortisation has de-levered the loan to <£19.2m since completion. On 22<sup>nd</sup> July 2024, Carpetright, a tenant at the scheme, went into administration. The Borrower has now agreed an 'agreement for lease' with Tapi, who have taken over the Carpetright brand.
- **St Arthur Homes:** A £25.4m loan secured against a portfolio of 329 shared ownership units of which 245 have been refinanced to date.
- **Preston East:** An £18.8m loan secured against 4x long-let, Grade A logistics units near Preston.
- **Bordon:** An £11.3m loan secured against a fully let logistics unit in Bordon, Hampshire with a WAULT >14 years. The loan closed in June 2024.
- **Verdant:** A £25.0m Bridge Loan Facility to Verdant Regeneration Limited. The Loan has been provided to support the Borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire.



Titan Investors – Bordon, Hampshire



Titan Investors – Preston East Unit 3, Preston

## Responsible Investment Initiatives

Environmental, Social, and Governance (ESG) criteria are increasingly prominent in investment decision-making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is 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 relevance of each of the ESG factors below. As the importance of ESG grows, we will expand upon these with portfolio-level principles and asset-specific initiatives.

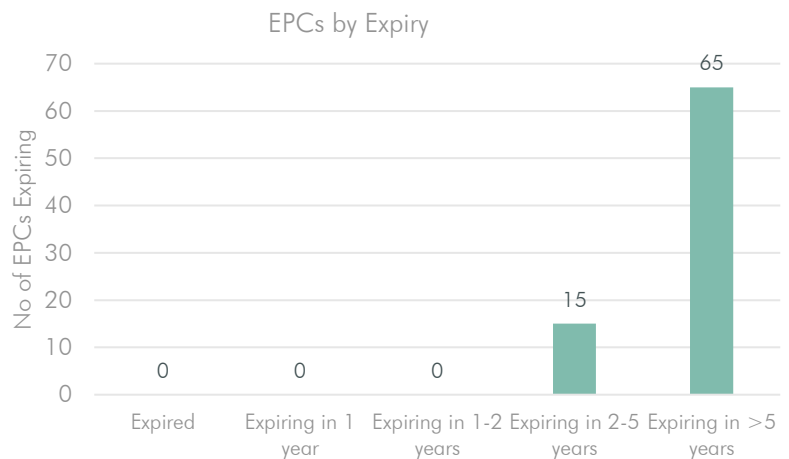
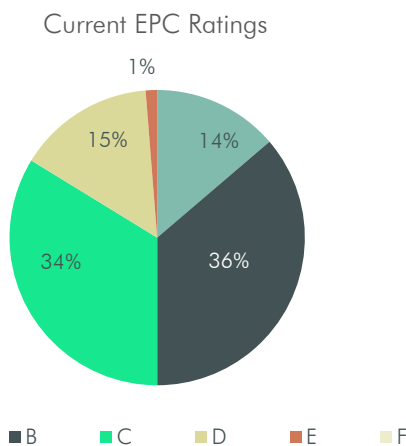
**Environmental** – sustainable factors will continue to play a part in the definition of ‘prime’ real estate, and buildings that don’t meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand that their buildings adhere to the highest environmental standards.

**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.

### Minimum Energy Efficiency Standards (MEES)

Teesside Pension Fund’s property Portfolio currently complies with MEES regulation. The Fund has undertaken a strategic review of the Portfolio to ensure continued compliance with incoming regulations in 2025. Energy Performance Certificates (EPCs) are used to measure compliance. A breakdown of the current ratings and expiry profile across the Portfolio is detailed below:



## Fund Advisor Contacts

### Investment Advisors – CBRE Capital Advisors



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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 14

### PENSION FUND COMMITTEE REPORT

12 MARCH 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

#### 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 Committee 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.

CONTACT OFFICER: Graeme Hall (Head of Public Sector Relations, XPS Administration)

TEL. NO.: (01642) 030643

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# **Teesside Pension Fund**

## **Performance Delivery Report**

2023-2024

# Contents

01 Overview

02 Member Movement

03 Member Self Service

04 Pension Regulator Data Scores

05 Customer Service

06 Completed Cases Overview

07 Completed Cases by Month

08 Complaints

## Regulations and Guidance

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Confirmation of annual revaluation, earnings and pensions increase

On 25 January 2024, HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase due to apply from April 2024. The statement confirms that public service pensions and career average benefits within the LGPS will increase by 6.7% alongside the Consumer Price Index from the prior September.

2024/25 employee contribution bands

The 2024/2025 Employee contribution bandings have been released which are effective from 1 April 2024. These are calculated by increasing the 2023/24 employee contribution bands by the September 2023 CPI figure of 6.7 percent and then rounding down the result to the nearest £100. A bulletin to all employers will be issued shortly to confirm these.

DLUHC publishes response on investment reforms

On 22 November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on investment reforms. The response largely adopts the measures the Government originally consulted on. The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity. It will do this by:

- setting out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
- issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
- implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
- issuing revised guidance on annual reports to include: – a standard asset allocation and the proportion of assets pooled – a comparison between actual and strategic asset allocation

net savings from pooling – net returns for each asset class against their chosen benchmark.

net savings from pooling – net returns for each asset class against their chosen benchmark.

- making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
- issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity

HMT confirms LTA abolition from April 2024

The Finance Bill 2023 confirms the lifetime allowance (LTA) will be abolished from 6 April 2024. HMRC have issued a Lifetime Allowance guidance newsletter found at <https://www.gov.uk/government/publications/lifetime-allowance-guidance-newsletter-december-2023/lifetime-allowance-guidance-newsletter-december-2023> giving further information and several updates are provided within the HMRC Pension Schemes newsletter 155 found at <https://www.gov.uk/government/publications/pension-schemes-newsletter-155-january-2024>.

The lifetime allowance is being replaced with new tax rules which broadly seeks to maintain the current treatment for the PCLS, that it is limited to the lower of 25% of the member's benefits crystallising, or so much of the member's lump sum allowance or lump sum death benefit allowance available when the member becomes entitled to the lump sum.

### Governance and administration Survey 2022-23 results

TPR published the results of its survey on governance and administration practices among public service pension schemes on 27 November 2023. The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes. The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities.

### SAB issues statement on surpluses

The Scheme Advisory Board issued a statement on surpluses on 20 December 2023. The statement was drafted with the input from members of the working group on surpluses. The report can be found at [https://lgpsboard.org/images/Other/SAB\\_Statement\\_on\\_Surpluses.pdf](https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf)

### SAB commissions report on the LGPS and Sharia law

In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS. More information can be found on the SAB website - <https://lgpsboard.org/index.php/welcome>

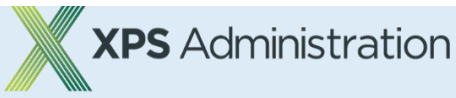
# 02 Membership Movement

This document was classified as: OFFICIAL

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2023/24	26,040	▲	28,101	▼	24,321	▲	3,427	▲
Q2 2023/24	25,921	▼	28,186	▲	24,136	▲	3,424	▲
Q1 2023/24	27,074	▲	27,542	▲	23,834	▲	3,392	▲
Q4 2022/23	26,194	▲	27,284	▲	23,581	▲	3,344	▲
Q3 2022/23	25,868	▲	27,002	▲	23,468	▲	3,311	▲

# 03 Member Self Service

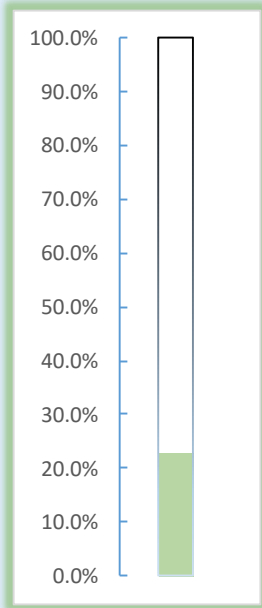
Below is an overview on the activity and registration of the Member Self Service System:



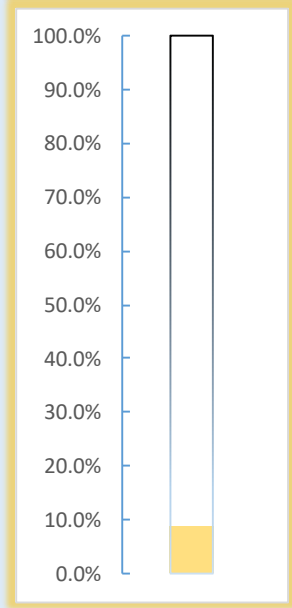
## Member Self Service User Statistics For: Teesside Pension Fund

Quarter 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	4,615	66	832	20,449	<b>20,449</b>	<b>22.9%</b>
Deferred	1,877	15	355	21,287	<b>21,287</b>	<b>8.9%</b>
Pensioner	2,715	71	313	21,315	<b>21,315</b>	<b>13.1%</b>
Widow/Dep	19	0	1	2,252	<b>2,252</b>	<b>0.8%</b>
<b>Total</b>	<b>9,226</b>	<b>152</b>	<b>1,501</b>	<b>65,303</b>	<b>65,303</b>	<b>14.4%</b>

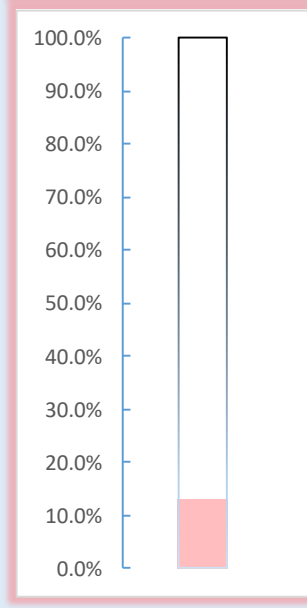
Active Up Take



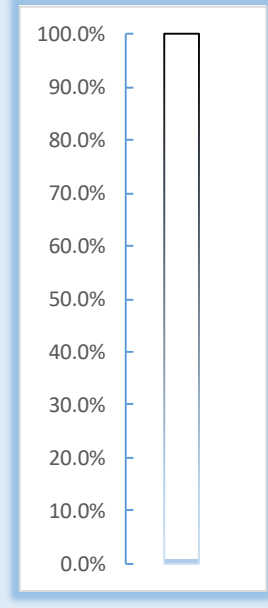
Deferred Up Take



Pensioner Up Take



Widow / Dep Up Take





# 04 Pension Regulator Data Scores

## Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
<b>NINo</b>	81,071	182	99.78%
<b>Surname</b>	81,071	0	100.00%
<b>Forename / Inits</b>	81,071	0	100.00%
<b>Sex</b>	81,071	0	100.00%
<b>Title</b>	81,071	164	99.80%
<b>DoB Present</b>	81,071	0	100.00%
<b>Dob Consistent</b>	81,071	0	100.00%
<b>DJS</b>	81,071	0	100.00%
<b>Status</b>	81,071	0	100.00%
<b>Last Status Event</b>	81,071	663	99.18%
<b>Status Date</b>	81,071	1,804	97.77%
<b>No Address</b>	81,071	427	99.47%
<b>No Postcode</b>	81,071	587	99.28%
<b>Address (All)</b>	81,071	4,887	93.97%
<b>Postcode (All)</b>	81,071	4,946	93.90%
<b>Common Data Score</b>	<b>81,071</b>	<b>3,317</b>	<b>95.91%</b>
<b>Members with Multiple Fails</b>	<b>81,071</b>	<b>485</b>	<b>99.40%</b>

## Scheme Specific Data

In readiness for the pensions dashboard, there is a minimum requirement pension schemes must be able to demonstrate against as required and defined by the Pensions Regulator.

This standard is available to XPS through a product used by our central team, and we are currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work has been completed, we will be able to report a data score in accordance with the Pensions Regulator standards.

Public sector pension schemes need to be able to connect to the Dashboard by October 2026, so in advance of this, the scheme data must be tested and where necessary, brought up to the requisite standards required.

# 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	4.27	4.26
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	4.04	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.44	4.43
7. Do you feel you know enough about your employers retirement process	76.68%	76.75%
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)	47.75%	46.21%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.59%	26.45%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.80%	22.25%

\*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Communications

A new website was launched to Scheme Members and Employers on the 5<sup>th</sup> May 2021 which is underpinned with 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. The following chart provides an overview of the information we have collected.



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. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. 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 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

Pension awareness sessions and employer training sessions continue with a positive uptake and response. Sessions on tax will commence shortly now the Pension Saving Statements have been issued. Processing of new admissions to the fund is ongoing with the new standardised passthrough approach being adopted.

### Late Payment Analysis

This table shows analysis of contributions received from participating employers.

We do chase these on a monthly basis and an e-mail has been sent to regular offenders asking them to explain why contributions are being paid across late. Health Checks have been initiated with these employers.

<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>
Jun-22	3	142	2.00%	2	1
Jul-22	2	142	1.00%	0	2
Aug-22	4	140	3.00%	1	3
Sep-22	2	140	1.00%	0	2
Oct-22	8	139	6.00%	8	0
Nov-22	2	140	1.00%	1	1
Dec-22	3	140	2.00%	3	0
Jan-23	3	140	2.00%	0	3
Feb-23	5	140	4.00%	1	4
Mar-23	4	140	3.00%	0	4
Apr-23	10	140	7.00%	6	4
May-23	4	140	3.00%	1	3
Jun-23	7	142	5.00%	5	2
Jul-23	3	144	2.00%	0	3
Aug-23	3	144	2.00%	0	3
Sep-23	4	143	3.00%	0	4
Oct-23	6	143	5.00%	2	4
Nov-23	4	143	3.00%	0	4
Dec-23	3	143	3.00%	0	3

# 06 Completed Cases Overview

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
<b>LG Team – Admin Manager Mathew Spurrell</b>				
April	416	416	0	100.00%
May	417	417	0	100.00%
June	450	450	0	100.00%
<b>Quarter 1</b>	<b>1,283</b>	<b>1,283</b>	<b>0</b>	<b>100.00%</b>
July	382	382	0	100.00%
August	497	496	1	99.80%
September	532	528	4	99.25%
<b>Quarter 2</b>	<b>1,411</b>	<b>1,406</b>	<b>5</b>	<b>99.65%</b>
October	529	528	1	99.81%
November	586	586	0	100.00%
December	489	489	0	100.00%
<b>Quarter 3</b>	<b>1,604</b>	<b>1,603</b>	<b>1</b>	<b>99.94%</b>
January	582	582	0	100.00%
February				
March				
<b>Quarter 4</b>	<b>582</b>	<b>582</b>		<b>100.00%</b>
<b>Year - Total</b>	<b>4,880</b>	<b>4,874</b>	<b>6</b>	<b>99.88%</b>

# 07 Completed Cases by Month

## October 2023

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%	4.51	104	0	104	104	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100.00%	7	51	0	51	51	
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	22	0	22	22	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.7%	5	352	1	352	351	
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			

## November 2023

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%	3.72	179	0	179	179	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	33	0	33	33	
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	47	0	47	47	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	327	0	327	327	
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			

## December 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (day)	Number of Cases	Over targ	TOTAL (case	Within Targ	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.86	155	0	155	155	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	26	0	26	26	
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	14	0	14	14	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	294	0	294	294	
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			

# January 2024

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%	2.11	157	0	157	157	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	44	0	44	44	
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	27	0	27	27	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	398	0	398	398	
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			

## 08 Complaints

Overview	Outcome
IDRP Stage 1 Case - Disinvestment of AVC's took longer than expected due to request not being received by AVC provider.	XPS and Prudential agreed to pay the compensation suggested by the IDRP1 adjudicator.



**Graeme Hall**  
Operations Manager  
01642 030643

**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

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