



Teesside Pension Fund

Quarterly Investment Report - Q4 2021

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1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,829,667,434
Inflows	£30,000,000
Outflows	£(215,000,000)
Net Inflows / Outflows	£(185,000,000)
Realised / Unrealised gain or loss	£123,616,657
Value at end of the quarter	£2,768,284,091

Over Q4 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.16%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.95%
- The Emerging Markets Equity Fund outperformed its benchmark by 0.30%

Teesside made redemptions totalling £160,000,000 from the UK Listed Equity Fund and £55,000,000 from the Overseas Developed Markets Fund, and a Subscription of £30,000,000 to the Emerging Markets Equity Fund during Q4 2021.

Note

- 1) Source: Northern Trust
- 2) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
- 3) Returns for periods greater than one year are annualised
- 4) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
- 5) Inflows and Outflows values may include income.

Portfolio Analysis - Teesside Pension Fund at 31 December 2021

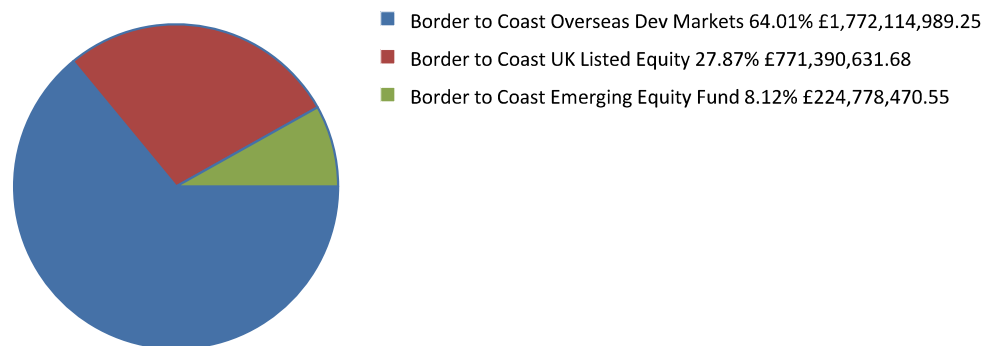
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	771,390,631.68	27.87
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,772,114,989.25	64.01
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark ³	224,778,470.55	8.12

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Dev Markets
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha
Border to Coast Global Equity Alpha
Border to Coast Sterling Inv Grade Credit
Border to Coast Sterling Index-Linked Bond
Border to Coast Multi Asset Credit

Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund at 31 December 2021

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity	27.83	4.04	4.20	(0.16)	1.21
Border to Coast Overseas Dev Markets	64.09	6.09	5.14	0.95	3.75
Border to Coast Emerging Equity Fund	8.07	(1.16)	(1.47)	0.30	(0.11)
Total	100.00	4.85			

The UK Listed Equity Fund returned 4.04% over the quarter, which was 0.16% behind the FTSE All Share Index.

The Overseas Developed Markets Equity Fund returned 6.09% over the quarter, which was 0.95% ahead of the composite benchmark.

The Emerging Markets Equity Fund returned -1.16% over the quarter, which was 0.30% ahead of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 4.85% during Q4 2021.

Note

1) Source: Northern Trust & Border to Coast

Valuation Summary at 31 December 2021

Fund	Market value at start of the quarter			Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter		
	GBP (mid)	Total weight (%)	Strategy weight (%)				GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	900,513,489.25	31.82			160,000,000.00	30,877,142.43	771,390,631.68	27.87	
Border to Coast Overseas Dev Markets	1,731,999,632.57	61.21			55,000,000.00	95,115,356.68	1,772,114,989.25	64.01	
Border to Coast Emerging Markets Equity	197,154,312.28	6.97		30,000,000.00		(2,375,841.73)	224,778,470.55	8.12	
Total	2,829,667,434.10	100.00		30,000,000.00	215,000,000.00	123,616,657.38	2,768,284,091.48	100.00	

Note

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

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 31 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	4.29	3.61	0.68	3.83	4.20	(0.37)	16.88	18.32	(1.45)	8.99	8.34	0.65	--	--	--
Border to Coast Overseas Dev Markets	12.20	11.07	1.13	5.59	5.14	0.45	18.32	17.13	1.19	17.91	16.45	1.46	--	--	--
Border to Coast Emerging Markets Equity	7.15	8.74	(1.59)	(1.00)	(1.47)	0.47	2.26	0.42	1.84	7.50	8.79	(1.29)	--	--	--

Note

- 1) Source: Northern Trust
- 2) Values do not always sum due to rounding
- 3) Performance start date of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
- 4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
- 5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 31 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	4.30	3.61	0.69	3.82	4.20	(0.37)	16.88	18.32	(1.45)	8.99	8.34	0.66	--	--	--
Border to Coast Overseas Dev Markets	12.22	11.07	1.15	5.60	5.14	0.45	18.33	17.13	1.20	17.92	16.45	1.47	--	--	--
Border to Coast Emerging Markets Equity	7.26	8.74	(1.48)	(0.92)	(1.47)	0.55	2.55	0.42	2.12	7.62	8.79	(1.16)	--	--	--

Note

- 1) Source: Northern Trust
- 2) Values do not always sum due to rounding
- 3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
- 4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
- 5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund - Overview

at 31 December 2021

UK Listed Equity Fund

The fund generated a total return of 3.83% during the quarter, compared to the benchmark return of 4.20%, resulting in 0.37% of underperformance.

The UK lagged broader global market indices by a small margin during the quarter. The Omicron variant impacted the UK before Europe, affecting sentiment towards UK markets as restrictive measures were adopted, threatening a second consecutive Christmas under lockdown. Ultimately, having a high proportion of the population vaccinated and successfully ramping the booster roll-out, along with the seemingly milder nature of the Omicron variant, combined to allow the Government to avoid imposing the level of restrictions of previous waves. Nonetheless, Omicron impacted sentiment and had a material negative impact on the hospitality and travel sectors. In addition, the Bank of England mismanaged its communication of the likely future path of interest rate rises while the Chancellor raised taxes in his November budget statement, further impacting sentiment. The relatively high index representation of the Energy and Materials sectors also acted as a headwind, as these segments lagged the broader markets.

The Fund benefited from the following factors:

- Underweight Consumer Discretionary, in particular Travel & Leisure, which was impacted by the emergence of the Omicron variant;
- Overweight Consumer Staples, with overweight positions in Diageo, Reckitts and Tesco the main contributors; and
- Positive stock selection in Healthcare with an overweight position in GlaxoSmithKline.

This was offset by the following:

- Underweight Real Estate with an underweight position in Segro (logistics) the main contributor;
- Underweight Financial Services with the largest contributor an underweight position in 3i Group; and
- Underweight Technology with the largest contribution from Autotrader (underweight).

The Portfolio Managers have increased exposure to mid-cap companies (generally those present in the FTSE 250 index) as Brexit risks have diminished and high vaccination rates suggest more limited potential impact from further Covid variants going forward.

They have also increased exposure to more cyclical, value-oriented stocks in acknowledgement of the shifting balance of risks and to add to favoured companies at lower valuations. This has largely helped protect performance as these segments have led the market in recent months. The Fund will continue to focus on long term fundamentals with a bias towards quality companies with strong balance sheets, earnings and income visibility.

Note

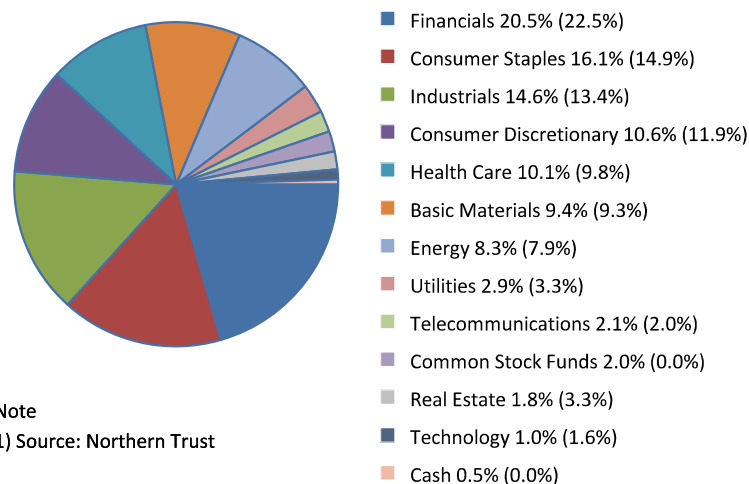
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 31 December 2021

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+2.01
Consumer Staples	+1.21
Industrials	+1.13
Energy	+0.44
Health Care	+0.32
Financials	-2.00
Real Estate	-1.55
Consumer Discretionary	-1.32
Technology	-0.64
Utilities	-0.40

Sector Portfolio Breakdown



UK Listed Equity Fund

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

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

Sector Weights:

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

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

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

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

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

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

Border To Coast UK Listed Equity Fund Attribution at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Entain	0.00	0.00	0.39	(20.99)	0.12
Scottish Mortgage Investment Trust	0.00	0.00	0.76	(6.24)	0.08
National Grid	2.08	21.75	1.53	21.89	0.08
IAG	0.00	0.00	0.21	(20.18)	0.06
Marks & Spencer	0.49	26.16	0.18	26.10	0.06

Entain (u/w) – DraftKings abandoned its bid for the company and UK regulatory risk weighed on the shares from the ongoing review of the UK Gambling Act over concerns it may incorporate a cap on online betting.

Scottish Mortgage Investment Trust (u/w) – impacted by poor performance of two of its largest holdings – Moderna (Covid antiviral competition and US patent challenge) and Illumina (depressed sales and heavily dilutive Grail acquisition).

National Grid (o/w) – interim results beat expectations with guidance raised, disposals on track and positive reaction to capital markets day.

IAG (u/w) – emergence of the Omicron variant risks further delays to the recovery of the travel sector, with long-haul and business travel particularly exposed.

Marks & Spencer (o/w) – interim results confirmed strategic progress and profit guidance raised following a positive trading outcome from both the Food and Clothing & Home divisions.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
SEGRO	0.00	0.00	0.69	20.21	(0.09)
Schroder UK Smaller Companies Fund	1.04	(4.19)	0.00	0.00	(0.09)
James Fisher & Sons	0.07	(56.60)	0.01	(56.98)	(0.08)
Prudential	1.71	(12.41)	1.40	(12.41)	(0.06)
Johnson Matthey	0.32	(22.87)	0.16	(22.99)	(0.06)

SEGRO (u/w) – positive trading statement and significant growth in the development pipeline driven by continued strong demand for logistics/warehouse space.

Schroder UK Smaller Companies Fund (o/w) – UK small-cap stocks underperformed during the quarter following an extended period of outperformance since the initial onset of the Covid lockdown.

James Fisher & Sons (o/w) – profit warning and potential bad debt issue triggered the announcement of a review of the group's cost base and balance sheet.

Prudential (o/w) – risks from the impact of extended Hong Kong/China border closure on sales growth, triggered by the emergence of the omicron variant and China's zero Covid policy.

Johnson Matthey (o/w) – surprise strategy announcement to exit the battery materials business, and key departures with the head of Clean Air division leaving and the CEO to retire.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.04
Impax Environmental Markets	+0.98
Liontrust UK Smaller Companies	+0.97
Antofagasta	+0.64
Herald Investment Trust	+0.56
Glencore	-0.80
Scottish Mortgage Investment Trust	-0.76
SEGRO	-0.69
3i Group plc	-0.55
NatWest	-0.46

Note

1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Schroder UK Smaller Companies Fund – specialist UK small-cap fund with a strong long term track record. Schroders incorporate proprietary ESG scoring systems in their investment process and undertake significant direct ESG engagement with portfolio holdings.

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

Liontrust UK Smaller Companies – specialist UK small-cap fund with an investment style focussed on intellectual property, strong distribution channels and durable competitive advantage. Strong emphasis on sustainable investment and undertakes extensive ESG engagement and reporting.

Antofagasta – benefits from attractive long-term demand for copper, driven by electric vehicles, transition to renewable energy and global infrastructure investment. Water supply and self-sufficiency, key environmental concerns in Chile, are set to improve significantly with the completion of the company's desalination plant in 2023.

Herald Investment Trust – specialist UK small-cap investment fund with a strong long term track record, focussed on telecommunications, multimedia and technology opportunities.

Bottom 5 Holdings Relative to Benchmark:

Glencore – historically a higher risk commodity company with significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; and coal exposure higher than peers. Glencore's MSCI ESG rating is currently BBB.

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

SEGRO – real estate holding company focussed on logistics and industrial units across Europe; fund benefitted from similar UK exposure through its holding in St Modwen until its acquisition by private equity firm Blackstone.

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

NatWest – UK-focussed retail and commercial bank, with the UK government as the controlling shareholder (53% stake). The fund has similar UK bank exposure through the holding in Lloyds Bank PLC.

Major transactions during the Quarter

Purchases:

Glencore (£11.0m) – further reduced underweight position on valuation grounds, largely funded by sector switch from BHP Group.

Sales:

WM Morrison PLC (£16.1m) – exited holding following competitive private equity auction and cash bid from Clayton, Dubilier & Rice.

Border To Coast Overseas Developed Markets Equity Fund - Overview

at 31 December 2021

Overseas Developed Markets Fund

The Fund generated a total return of 5.59% during the quarter compared to the composite benchmark return of 5.14% resulting in outperformance of 0.45%. The US (10.4%) was the strongest region, while Japan (-4.9%) was the weakest. All regional portfolios outperformed their respective benchmarks, with the Asia Pacific ex-Japan portfolio making the largest contribution to the Fund's outperformance.

The Fund has continued to benefit from ongoing strength in equity markets, supported by extensive monetary and fiscal stimulus, along with the natural recovery from Covid disruptions. Companies have, by and large, managed to deal with the problems created by supply chain disruptions and continue to generate strong earnings growth, though this may become more difficult the longer the situation persists.

The Fund has outperformed due to the following:

- Strong stock selection across all regions, but particularly in Asia Pacific ex-Japan and Europe; and
- Small overweight to Technology across most regions which has performed strongly.

This has been partly offset by:

- Underweight position in Real Estate and Utilities across most regions, sectors which performed well.

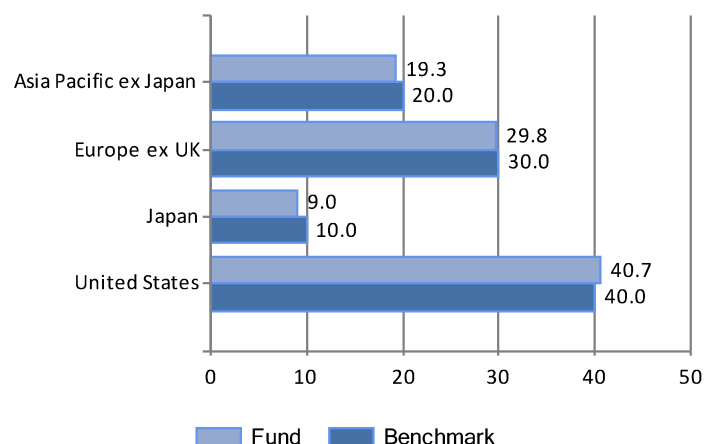
The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio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

Note

1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 31 December 2021

Regional Breakdown



Overseas Developed Markets Fund

The Border to Coast Overseas Developed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the Benchmark (*) by at least 1% per annum over rolling 3 years period (before calculation of the management fee).

The Fund will not generally make active regional allocation decisions and the majority of its performance will arise from stock selection.

(*) The Benchmark is a composite of the following indices:

- 40% S&P 500
- 30% FTSE Developed Europe ex UK
- 20% FTSE Developed Asia Pacific ex Japan
- 10% FTSE Japan

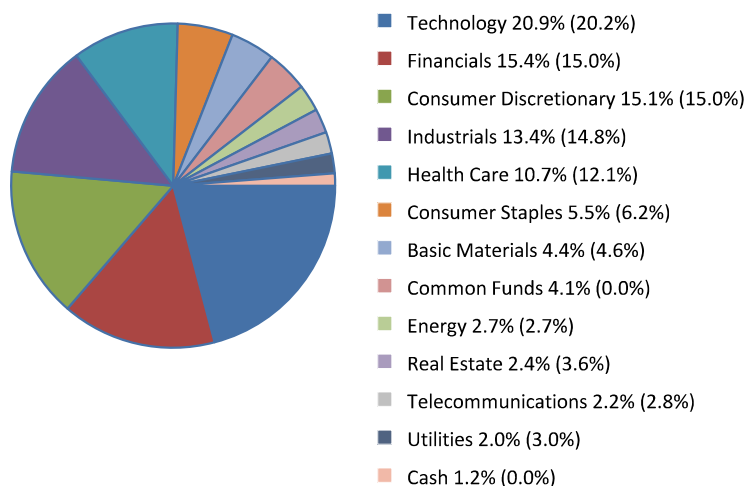
Fund	Inception to Date			Quarter			1 Year			3 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	12.20	11.07	1.13	5.59	5.14	0.45	18.32	17.13	1.19	17.91	16.45	1.46
United States	17.70	16.65	1.06	10.64	10.41	0.23	30.94	29.35	1.59	23.78	22.88	0.90
Japan	7.13	4.56	2.57	(4.46)	(4.91)	0.45	5.01	2.13	2.88	11.99	8.95	3.04
Europe ex UK	9.10	8.89	0.21	5.61	5.07	0.54	17.74	16.75	0.99	15.60	14.66	0.94
Asia Pacific ex Japan	8.26	6.08	2.18	0.81	(0.26)	1.07	2.25	2.19	0.06	12.40	9.74	2.65

Note

1) Please note that only the total Overseas Developed Equity Fund performance line is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance.

Border To Coast Overseas Developed Markets Equity Fund at 31 December 2021

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

Technology (o/w) – high relative exposure in Europe and Pacific ex-Japan, along with full allocations in the US and Japan, based on long term structural growth drivers including Internet of Things, Artificial Intelligence, Electric/Autonomous vehicles, new generation memory chips, the continued transition towards cloud-based services and change in software business models to long term subscription revenues.

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

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

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

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

Note

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

Border To Coast Overseas Developed Markets Equity Fund Attribution at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
NVIDIA Corporation	1.23	41.45	0.73	41.35	0.15
PayPal	0.00	0.00	0.22	(27.85)	0.10
Home Depot	0.83	26.31	0.43	26.22	0.07
Vanguard US Mid Cap ETF	2.95	7.48	0.00	0.00	0.07
Microsoft	3.04	19.06	2.50	18.91	0.06

NVIDIA Corporation (o/w) – shares buoyed by exposure to the embryonic “metaverse”, continued growth in AI workloads and the semi-conductor growth cycle.

PayPal (u/w) – concern around competitive disruption of the payment sector weighed on the share’s premium rating.

Home Depot (o/w) – strong results and forward guidance confounded the market’s anticipation of a moderation in business conditions.

Vanguard US Mid Cap ETF (o/w) – although US mid-cap companies underperformed the broader US market, outperformance of the Fund’s composite benchmark, reflecting the relative strength of US equities, was beneficial.

Microsoft (o/w) – defensive growth companies outperformed.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.85	35.66	(0.20)
Qualcomm	0.00	0.00	0.20	41.53	(0.06)
Ballie Gifford Shin Nippon	0.31	(10.98)	0.00	0.00	(0.05)
Koninklijke Philips	0.31	(16.50)	0.11	(16.52)	(0.05)
LG Chemical	0.30	(20.20)	0.15	(20.44)	(0.05)

Tesla (u/w) – despite a volatile quarter, optimism around electric vehicle (“EV”) demand and Tesla’s resilience in production had a positive impact overall.

Qualcomm (u/w) – positive results and guidance on continuing strength in handsets and broader digital connectivity.

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

Koninklijke Philips (o/w) – weakness in sleep and respiratory business in part due to a significant product recall and the potential for regulatory intervention.

LG Chemical (o/w) – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company’s upcoming IPO of its energy solutions business.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund

at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.95
Alphabet A	+1.16
Vanguard US Small Cap Value ETF	+0.67
Microsoft	+0.54
NVIDIA Corporation	+0.50
Tesla	-0.85
Alphabet C	-0.80
Mastercard	-0.31
Samsung Electronics Prefs	-0.31
Exxon Mobil	-0.26

Top 5 Holdings Relative to Benchmark:

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

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

Vanguard US Small Cap Value ETF – at a time of economic expansion the fund offers exposure to small, recovery names to which the portfolio otherwise has limited exposure.

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

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

Bottom 5 Holdings Relative to Benchmark:

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

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

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

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

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

Note

1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 31 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			Benchmark
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	7.15	8.74	(1.59)	(1.00)	(1.47)	0.47	2.26	0.42	1.84	EM Equity Fund Benchmark ³
Border to Coast	6.77	8.80	(2.03)	0.88	1.23	(0.35)	--	--	--	FTSE Emerging ex China (Net)
FountainCap	(12.99)	(21.13)	8.14	(4.21)	(6.02)	1.81	--	--	--	FTSE China (Net)
UBS	(21.92)	(21.13)	(0.79)	(3.59)	(6.02)	2.42	--	--	--	FTSE China (Net)

Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	58%	62%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	17%	17%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	25%	21%

Note

1) Source: Northern Trust & Border to Coast

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

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

Border to Coast Emerging Markets Equity Fund - Overview

at 31 December 2021

Emerging Markets Equity Fund

China woes continued into Q4 2021 as concerns over slowing growth, the re-emergence of Covid and government intervention in markets continued. It was, however, Turkey that was the weakest market over the period, falling more than 10% in GBP terms as extreme currency volatility caused havoc for investors. Brazil and Russia also lagged, with sentiment weighted down by political uncertainty (upcoming Presidential elections and Russian troops on the border with Ukraine respectively).

On the positive side, Taiwan (driven by IT stocks), Indonesia and Mexico all outperformed. Strength in these markets, as well as smaller constituents like UAE, Egypt, and Peru, was not sufficient to lift emerging markets in aggregate into positive territory, with the FTSE Emerging Index down 1.5% on the quarter.

Against this backdrop, the Fund outperformed the benchmark by 0.5%, bringing full-year 2021 relative performance to +1.8%. Absolute performance, however, was negative, with the benchmark again dragged down by China (roughly a third of the index) – which fell 6% in the period. Since the restructure of the Fund in April 2021, performance is flat vs. the benchmark, with the new externally-managed allocation to China outperforming by 2.9%. The EM ex-China allocation, however, has detracted (down 2% vs. the respective benchmark).

Over the quarter, the EM ex-China sleeve, managed internally by Border to Coast, delivered a positive absolute return, though it underperformed its benchmark by 0.4%. Underperformance was primarily driven by stock selection in Financials (0.6% detractor) and being overweight consumer staples (0.2% detractors). Within Financials, it was the Fund's overweight to Sberbank that distracted most, as investors took profits (net selling) in the face of political uncertainty. Positive contributions from stock selection in Communication Services (Emirate Telecom) and an overweight to Information Technology ("IT") were not sufficient to offset the aforementioned detractors.

In aggregate, the Fund's allocation to China was a positive contributor to relative returns, with the China portion of the Fund outperforming by 2.1% over the quarter. Within this allocation, both Fountain Cap and UBS were positive for performance. Since inception, Fountain Cap has outperformed UBS by roughly 9%. A key driver of this performance differential is positioning in big tech and tech-adjacent names (which are large benchmark constituents – and fall across a variety of sectors, for example Alibaba is Consumer Discretionary). FountainCap are materially underweight these names, instead taking select exposure in those names that are less likely to be caught in the regulatory headlights. UBS, in comparison, are closer to market weight in this part of the market.

In Q4 2021, Fountain Cap's outperformance was driven primarily by stock selection in the Healthcare and IT sectors – names like Sunny Optical and Will Semiconductor. Outperformance here was partially offset by an overweight to Anta Sports. For UBS, it was stock selection in Communication Services and Healthcare that drove returns – an overweight to NetEase the most important factor (+0.9% at the UBS level). An overweight to Kweichow Moutai in the Consumer Staples sector (+0.6%) was also a key positive for UBS in the period.

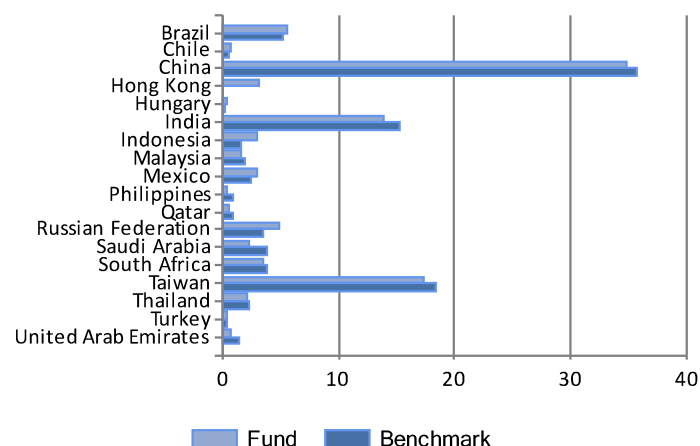
As we head into 2022, we remain cautiously optimistic about the global economic recovery but are cognisant of the risks that we face. While some are arguing recent Covid variants are milder, we are still seeing rolling lockdowns in some countries, restricting economic activity, and once again squeezing supply chains. Inflation continues to soar in certain economies and regulatory risks – particularly in China – are ever-present in investors' minds. Key political elections (e.g. Brazil and China) are also on the horizon. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning, particularly in China, will serve us well in the long term.

Note

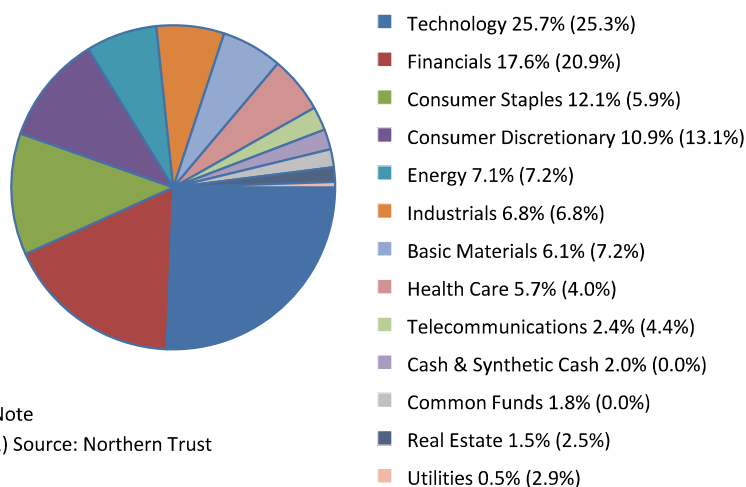
1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund at 31 December 2021

Regional Breakdown



Sector Portfolio Breakdown



Note

1) Source: Northern Trust

Emerging Markets Equity Fund

The Border to Coast Emerging Markets Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE Emerging Markets benchmark by at least 1.5% per annum over rolling 3 year periods (before calculation of the management fee).

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

Sector Weights:

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

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

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

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

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

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

Border to Coast Emerging Markets Equity Fund Attribution at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Kweichow Moutai	2.94	13.14	0.40	13.18	0.33	Consumer Staples	China
Alibaba	1.26	(20.09)	3.08	(16.89)	0.28	Consumer Discretionary	China
MediaTek	1.67	31.47	0.90	31.82	0.19	Technology	Taiwan
Netease	1.78	18.28	0.43	19.26	0.14	Consumer Discretionary	China
Will Semiconductor	0.55	29.49	0.03	29.42	0.11	Technology	China
Sunny Optical	0.99	19.84	0.29	19.69	0.10	Technology	China
Pinduoduo	0.00	(36.06)	0.31	(35.99)	0.10	Consumer Discretionary	China
Grupo Mexico	0.93	10.33	0.20	10.36	0.08	Basic Materials	Mexico
Etisalat	0.41	29.23	0.43	31.38	0.08	Telecommunications	United Arab Emirates
WuXi Biologics	0.30	(27.01)	0.55	(27.28)	0.08	Health Care	China

Note

- 1) Source: Northern Trust & Border to Coast
- 2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund Attribution Continued at 31 December 2021

Positive Issue Level Impacts

Kweichow Moutai (o/w) – shares of the leading Chinese baijiu (liquor) producer rallied in Q4 2021 after earnings results indicated that Moutai has begun to make positive (in the market's eyes) adjustments to key distribution channels which should improve real consumption and support long-term sustainable growth for the business.

Alibaba (u/w) – Alibaba's shares, which have suffered in 2021, continued to slide over the fourth quarter as slower revenue/earnings growth disappointed the market, with the firm coming under more competition from the likes of JD.com and Pinduoduo, but also newer players like ByteDance (TikTok).

MediaTek (o/w) – strong earnings and the prospect of growing demand for 5G chipsets awakened investor interest in Taiwan's leading "fabless" semi-conductor designer during the period. Strong balance sheet, healthy margins, and attractive valuation, mean MediaTek looks a world away from the speculative "profitless" tech names facing headwinds currently.

Netease (o/w) – despite wider 'tech' headwinds, underlying business performance at NetEase, a leading Chinese online PC and mobile games developer, remains strong. Investors are excited by the firm's portfolio of games and expect continued penetration into the key global markets of the US, Europe, and Japan (reducing reliance on the domestic market).

Will Semiconductor (o/w) – is a Chinese manufacturer of image sensor and semiconductor products. The firm's share price rallied some 30% in Q4 2021 as investors began to price in opportunities for Will Semi in the metaverse and smart car arenas. For example, high-end virtual reality headsets are expected to contain 15 or more sensors/cameras, a potentially lucrative revenue stream for Will Semi if metaverse gaming/content delivery becomes mainstream in the near future.

Sunny Optical (o/w) – despite relatively soft results from core markets (e.g. phone cameras), much like with Will Semiconductor, investor interest in Sunny Optical picked up in the fourth quarter as a result of opportunities in the smart car and metaverse arena (e.g. lens and glass for VR/AR products).

Pinduoduo (u/w) – PDD operates a Chinese 'group buying' focused e-commerce platform, which is arguably the preferred e-commerce platform in lower-tier cities and the countryside. Uninspiring earnings results and continued regulatory headwinds saw the firm's share price drift materially lower during the period.

Grupo Mexico (o/w) – Mexico's largest mining company saw its share price slip over the summer on the back of stalling copper prices and fears of new mining taxes and regulation, particularly in Peru. Shares were arguably oversold heading into Q4 2021. As investors became less fearful of the socialist agenda of Peru's new President, the stock price began to recover.

Etisalat (u/w) – based in Abu Dhabi, Etisalat is one of the leading providers of telecom services across the Middle East, with sizeable operations in the UAE, Morocco, and Egypt. The firm is conservatively financed and has an impressive track record of value creation, with Return on Equity above 20% for most of the last decade. An up-lift to the company's weighting in emerging market equity indices helped boost demand for its shares during the quarter.

WuXi Biologics (u/w) – despite positive underlying business momentum, the firm's shares performed poorly over the period, not helped by speculation that the firm could be placed on a US sanctions list – these rumours ultimately turned out to be false (and the shares partially recovered).

Note

1) Source: Northern Trust & Border to Coast

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

Border to Coast Emerging Markets Equity Fund Attribution at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
ANTA Sports Products	1.03	(20.82)	0.24	(20.84)	(0.18)	Consumer Discretionary	China
China Gas	0.12	(30.25)	0.09	(29.99)	(0.15)	Utilities	China
Chinasoft International	0.38	(26.58)	0.00	0.00	(0.13)	Technology	Hong Kong
Jereh Group	0.58	(16.55)	0.01	(16.53)	(0.11)	Energy	China
XPeng	0.25	0.00	0.35	40.98	(0.10)	Consumer Discretionary	China
Sberbank of Russia	1.16	(15.20)	0.57	(16.77)	(0.08)	Financials	Russian Federation
America Movil	0.00	0.00	0.44	19.88	(0.08)	Telecommunications	Mexico
Unimicron	0.00	0.00	0.15	75.43	(0.07)	Technology	Taiwan
Yum China	0.35	(17.24)	0.00	0.00	(0.06)	Consumer Discretionary	China
Fleury	0.24	(20.62)	0.01	(20.44)	(0.06)	Health Care	Brazil

Note

1) Source: Northern Trust & Border to Coast

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

Border to Coast Emerging Markets Equity Fund Attribution Continued at 31 December 2021

Negative Issue Level Impacts

ANTA Sports Products (o/w) – Anta has exclusive rights to the FILA brand in China but also operates its own range of brands, which stand to benefit from younger Chinese consumers' increasing propensity to buy Chinese. Rising cotton costs during the year have put pressure on margins which, alongside Covid related supply issues, led to downgrades from analysts.

China Gas (o/w) – the share price fell sharply after China Gas reported half-yearly earnings that missed analyst expectations. While the firm saw strong growth in its core gas sales business, this wasn't enough to offset the decline in new residential household connections, the latter driven principally by a slowdown in new property development in cities.

Chinasoft International (o/w) – many investors like Chinasoft for its symbiotic relationship with Huawei (a private company) and the firm's share price suffered over the quarter as weak Huawei results suggest that margins at key suppliers (like Chinasoft) could get squeezed.

Jereh Group (o/w) – investors reacted negatively to a weak set of results (modest new order growth plus cost inflation pressure) in October with the share price falling some 15% before stabilising. Jereh, however, remains well positioned to benefit from the government's plan to grow shale gas production at the expense of coal.

XPeng (u/w) – shares rallied 40% during the period on the back of strong Q3 operating results as it ramps up volumes and margins improve. Investors are also starting to factor in wider applications for XPeng technology – e.g. partnering with robo-taxi firms. The Fund initiated a position in XPeng during the quarter (but was, on average, underweight during the period).

Sberbank of Russia (o/w) – Russia's leading bank began the quarter well, benefiting from domestic monetary tightening and higher energy prices. Investors began to worry that Russia could face further sanctions due to build-up of troops on Ukrainian border and with healthy profits to lock in, Sberbank fell victim to heavy profit taking, ending the quarter down 15%.

America Movil (u/w) – a pickup in Broadband subscriber growth in Q3, and the prospects of new revenue streams from 5G services helped propel the shares 20% higher over the quarter. The Fund has no exposure to America Movil.

Unimicron (u/w) – is one of the world's leading manufacturers of printed circuit boards (used in computers and mobile communications devices). Strong demand over the last two years – and in particular, better-than-expected Q3 results – have seen the shares re-rate sharply amidst analyst upgrades. The Fund has no exposure to Unimicron.

Yum China (o/w) – Yum operates restaurants for KFC (largest revenue source), Pizza Hut and Taco Bell, as well as some local Chinese brands. Pressures on leisure spending caused by the re-emergence of Covid and the uncertainty of zero tolerance local lockdowns have made this quarter difficult for the firm, softening the share price.

Fleury (o/w) – one of the leading diagnostics and testing companies in Brazil, Fleury's shares slipped by 20% in Q4 2021, in spite of reporting better than expected Q3 results in October. The Brazilian market has generally been very weak since the summer, with investors unimpressed by the government's recent decision to break its own fiscal rules.

Note

1) Source: Northern Trust & Border to Coast

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

Border to Coast Emerging Markets Equity Fund

at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.53
iShares South Africa ETF	+1.40
Netease	+1.34
Hong Kong Exchanges & Clearing	+1.09
Jiangsu Hengrui Medical	+0.92
Alibaba	-1.82
Tencent	-0.94
China Construction Bank	-0.92
Gazprom	-0.68
ICBC	-0.63

Note

1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

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

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

Hong Kong Exchanges & Clearing – operates a range of equity, commodity, fixed income, and currency markets through its range of subsidiaries. The firm is a key conduit of capital flows to/from China and should benefit from increasing Northbound (foreign investment into China) and Southbound (Chinese investors accessing global markets) volumes over time.

Jiangsu Hengrui Medical – JHM is a leader in the structural transformation from the generic drug model into the innovative drug model and should benefit from strong demand driven by demographic changes in China.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – Chinese multinational technology company, best known for e-commerce and online payment platforms. Stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

Tencent – a Chinese technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

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

Gazprom – the Fund does not hold a position in Russian Gas titan, Gazprom. Gazprom has a record of poor governance and looks a less compelling investment than peer (and affiliate) Novatek, which has better long-term growth prospects driven by demand for LNG.

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

Major Transactions During the Quarter

Purchases:

Netease (£7.4m) – whilst the firm was subject to regulatory challenges over 2021, underlying business performance has remained strong. The firm has experienced growing success on the international stage and has developed a strong pipeline of games for global launches. In addition, the firm’s new metaverse gaming platform will see it compete for a share of this new and exciting market.

Sales:

Xiaomi (£4m) – despite Xiaomi’s improving business fundamentals (i.e. improving product mix with competitive high-end products rollout and market share gain through offline channel expansions), the company is very susceptible to a prolonged economic slowdown, frequent lockdowns in China, and ongoing supply chain disruptions.

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NVIDIA Corporation	1.23	0.73	0.15
PayPal	0.00	0.22	0.10
Home Depot	0.83	0.43	0.07
Vanguard US Mid Cap ETF	2.95	0.00	0.07
Microsoft	3.04	2.50	0.06

NVIDIA Corporation (o/w) – shares buoyed by exposure to the embryonic “metaverse”, continued growth in AI workloads and the semi-conductor growth cycle.

PayPal (u/w) – concern around competitive disruption of the payment sector weighed on the share’s premium rating.

Home Depot (o/w) – strong results and forward guidance confounded the market’s anticipation of a moderation in business conditions.

Vanguard US Mid Cap ETF (o/w) – although US mid-cap companies underperformed the broader US market, outperformance of the Fund’s composite benchmark, reflecting the relative strength of US equities, was beneficial.

Microsoft (o/w) – defensive growth companies outperformed.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.85	(0.20)
Qualcomm	0.00	0.20	(0.06)
Citigroup	0.33	0.12	(0.04)
AMD	0.00	0.17	(0.04)
AbbVie	0.00	0.24	(0.04)

Tesla (u/w) – despite a volatile quarter, optimism around electric vehicle (“EV”) demand and Tesla’s resilience in production had a positive impact overall.

Qualcomm (u/w) – positive results and guidance on continuing strength in handsets and broader digital connectivity.

Citigroup (o/w) – impacted by international exposure in the face of concern around Omicron and a sense that new management may be slower than hoped in implementing self-help initiatives.

AMD (u/w) – strong semi-conductor cycle with particular strength in data centres.

AbbVie (u/w) – the pharmaceutical company was buoyed by better than anticipated results and company optimism around the near-term drug pipeline.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.95
Alphabet A	+1.16
Vanguard US Small Cap Value ETF	+0.67
Microsoft	+0.54
NVIDIA Corporation	+0.50
Tesla	-0.85
Alphabet C	-0.80
Mastercard	-0.31
Exxon Mobil	-0.26
PepsiCo	-0.24

Top 5 Holdings Relative to Benchmark:

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

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

Vanguard US Small Cap Value ETF – at a time of economic expansion the fund offers exposure to small, recovery names to which the portfolio otherwise has limited exposure.

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

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

Bottom 5 Holdings Relative to Benchmark:

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

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

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

Exxon Mobil – energy company exposure gained via names with a better record of ESG engagement.

PepsiCo – preference for Coca Cola which has a greater exposure to a recovery from Covid via higher on-trade penetration.

Major transactions during the Quarter

Purchases:

Walmart (£12.3m) – added to get to target position.

Sales:

Meta Platforms (£18.2m) – (née Facebook) concerns around impediment to tracking, resulting from new Apple privacy settings and potential political and regulatory oversight following whistle blower revelations.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Richemont	0.48	0.26	0.06
Novo Nordisk	1.07	0.59	0.05
Schneider Electric	0.77	0.35	0.04
Vestas Wind Systems	0.00	0.10	0.04
LVMH	1.03	0.69	0.03

Richemont (o/w) – impressive sales growth and discussions around forming an alliance with online luxury platform, Farfetch including the sale of subsidiary, Yoox Net-A-Porter.

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

Schneider Electric (o/w) – positive capital markets day with expectations for an improvement in organic revenue growth.

Vestas Wind Systems (u/w) – impacted by the departure of the CFO, supply chain issues and increasing commodity prices.

LVMH (o/w) – higher than expected sales growth, particularly in jewellery from recent acquisition, Tiffany.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Koninklijke Philips	0.31	0.11	(0.05)
Umicore	0.10	0.03	(0.04)
Sika	0.00	0.20	(0.04)
BB Biotech	0.26	0.00	(0.03)
Hermes	0.00	0.18	(0.03)

Koninklijke Philips (o/w) – weakness in sleep and respiratory business in part due to a significant product recall and the potential for regulatory intervention.

Umicore (o/w) – battery recycler impacted by a production plant fire.

Sika (u/w) – positive response to takeover of German rival, MBCC Group, which enables the Swiss building materials company to broaden its product range.

BB Biotech (o/w) – Swiss biotech fund impacted by profit taking as currently trading at a 25% premium to net asset value.

Hermes (u/w) – benefited from the broad outperformance of luxury goods companies and expectations of positive pricing power.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.47
ASML	+0.43
Schneider Electric	+0.42
TotalEnergies	+0.38
Teleperformance	+0.37
Prosus	-0.25
Zurich Insurance Group	-0.22
Daimler	-0.22
EssilorLuxottica	-0.21
Enel SPA	-0.21

Top 5 Holdings Relative to Benchmark:

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

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

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

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

Teleperformance – a French business process outsourcing company expected to benefit from the recent acquisition of Senture, a US government services provider.

Bottom 5 Holdings Relative to Benchmark:

Prosus – concerns about management conflict of interest with Naspers, an associated company in South Africa.

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

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

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

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

Major transactions during the Quarter

Purchases:

Sanofi (£2.2m) – increasing overweight on drug pipeline expectations.

Sales:

European Opportunities Trust (£2.6m) – continuing to reduce exposure to off-benchmark collective holdings.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tokyo Electron	0.44	0.19	0.05
Fast Retailing	0.00	0.07	0.02
M3	0.00	0.05	0.02
Honda Motor	0.00	0.11	0.02
Central Japan Railway	0.00	0.05	0.01

Tokyo Electron (o/w) – excellent results combined with continued strong demand for chip making equipment.

Fast Retailing (u/w) – sales continued to disappoint with mild Autumn weather delaying purchases of some clothing lines combining with the continued cautious approach of the Japanese to Covid reducing footfall.

M3 (u/w) – this medical information services provider continues the decline from the “Covid winner” inspired over valuation at the start of the year.

Honda Motor (u/w) – stock drifted lower in the quarter, giving up some of the outperformance from earlier in the year.

Central Japan Railway (u/w) – stock drifted lower in the quarter on expectations that reopening to inbound tourism and a new “Go To” travel subsidy program will be delayed by the Covid Omicron variant.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Ballie Gifford Shin Nippon	0.31	0.00	(0.05)
Softbank Group Corp	0.25	0.14	(0.04)
Pan Pacific International	0.07	0.01	(0.03)
Fujifilm	0.16	0.06	(0.03)
Takeda Pharmaceutical	0.19	0.09	(0.03)

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

Softbank Group Corp (o/w) – negative sentiment continues on general weakness in the Technology sector, and implications of Chinese policy on Alibaba and other Softbank holdings. The announcement of a substantial share buyback only provided a short-lived bounce.

Pan Pacific International (o/w) – very weak following poor results and concern that the Covid impacts are continuing due to avoidance of its confined space store format, lack of late-night shoppers, and no inbound tourist footfall.

Fujifilm (o/w) – stock drifted lower following a very good performance in the previous quarter.

Takeda Pharmaceutical (o/w) – shares reacted badly to drug trial news, particularly discontinuing two mid-stage narcolepsy trials on safety grounds.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.31
Tokyo Electron	+0.25
Shin-Etsu Chemical	+0.19
Renesas Electronics	+0.17
Hitachi	+0.16
Recruit Holdings	-0.18
Nidec	-0.12
Honda Motor	-0.11
Daiichi Sankyo	-0.11
Fanuc	-0.09

Top 5 Holdings Relative to Benchmark:

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

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

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

Renesas Electronics – continuing global chip shortages should support demand for chip production and enable increased margins with production now fully resumed following the fire earlier this year.

Hitachi – should continue to reap the benefits from restructuring and a more focused approach. The acquisition of GlobalLogic should expand the digital portfolio and prove to be a good long-term move.

Bottom 5 Holdings Relative to Benchmark:

Recruit Holdings – trades at premium valuation relative to peers, but environment for recruitment improving.

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

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

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

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

Major transactions during the Quarter

Purchases:

Baillie Gifford Shin Nippon (£1.1m) – increasing exposure to smaller companies in anticipation of stronger performance from this segment of the market.

Sales:

Fujifilm (£2.5m) – reduced overweight, following outperformance, to limit exposure to this potentially volatile healthcare and imaging solutions company.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 December 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Afterpay	0.00	0.08	0.04
Goodman	0.48	0.22	0.04
SK Hynix	0.55	0.36	0.04
BeiGene	0.00	0.08	0.03
Macquarie Group	0.55	0.32	0.02

Afterpay (u/w) – weaker due to concerns around the delay in the acquisition by Square and continued regulation within the BNPL (“Buy Now Pay Later”) sector.

Goodman (o/w) – outperformance driven by another upgrade in guidance in all areas of the business, led by continued structural growth momentum in the Australian property sector.

SK Hynix (o/w) – after a mid-year lull for memory chips the outlook is turning more positive, with average selling prices recovering.

BeiGene (u/w) – Chinese biotechnology company with its US Nasdaq listing under threat.

Macquarie Group (o/w) – continued positive earnings guidance for this Australian financial services company due to favourable market conditions.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 December 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
LG Chemical	0.30	0.15	(0.05)
AIA Group	0.93	0.76	(0.04)
SK Innovation	0.24	0.07	(0.03)
Samsung SDI	0.36	0.18	(0.03)
LG Household & Health Care	0.14	0.05	(0.02)

LG Chemical (o/w) – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company's upcoming IPO of its energy solutions business.

AIA Group (o/w) – ongoing Covid disruption and potential for Chinese regulatory concerns to be expanded to the life insurance sector.

SK Innovation (o/w) – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company's upcoming IPO of its battery business.

Samsung SDI (o/w) – general underperformance of EV battery companies despite positive results and outlook.

LG Household & Health Care (o/w) – market concerns regarding the slowdown of cosmetics sales in China.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 December 2021

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.49
Goodman	+0.26
Macquarie Group	+0.23
James Hardie	+0.23
Techtronic Industries	+0.22
Samsung Electronics Prefs	-0.31
UOB	-0.16
Kakao	-0.16
Kia	-0.11
Hong Kong & China Gas	-0.11

Top 5 Holdings Relative to Benchmark:

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

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

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

James Hardie – the group continues to benefit from a multi-year recovery in US housing, taking market share in all regions and generating industry-leading margins.

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

Bottom 5 Holdings Relative to Benchmark:

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

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

Kakao – this Korean internet company is benefiting from its fintech, e-commerce and entertainment businesses; the Fund has a preference for NAVER.

Kia – South Korean auto company with similar exposure as the preferred holding, Hyundai Motor, which also owns 34% of Kia.

Hong Kong & China Gas – although the company has a monopoly on gas supply in Hong Kong, it has a very high valuation with potentially slowing earnings growth and increased regulatory risk in China.

Major transactions during the Quarter

Sales:

Hyundai Mobis (£3.9m) – weighting reduced following weak results and lack of potential catalysts.

Note

1) Source: Northern Trust

Market Background at 31 December 2021

Markets overcame the jitters experienced late in the third quarter and rallied early in the fourth quarter, establishing new highs before the end of October and making further progress through to the end of the year. Higher volatility became evident though as the rise of the Omicron variant threatened Christmas for the second year running and cast a shadow over the prospects for economic recovery.

Bonds failed to offer much by way of direction as yields moved higher then lower before rising again towards year end, but this represented a respite for equity markets after the sharp rise in yields that had spooked investors at the end of the third quarter. Yields were impacted by mixed messaging from central banks, high energy prices, the spread of Omicron and its likely impact on economies, and political tension around the West's relations with China and Russia ratcheting higher. Given the backdrop the rise in equity markets in aggregate during the quarter was somewhat confounding. Weakness in Sterling resulted in stronger returns for UK investors.

In aggregate, global equity markets (MSCI indices) generated a total return (in sterling) of ~6% in the quarter, and 20% for the year marking a third successive year of double digit returns for equity markets. During the quarter, developed markets (7.3%) outperformed emerging markets (-1.8%) continuing a trend that has seen developed markets outperform emerging markets by ~25% in 2021. The US was the strongest performer boosted by its high representation of technology stocks. Japan was the weakest having been the strongest major market last quarter, while performance across the rest of the Asia Pacific region remained lacklustre as Chinese equities remained under a cloud affecting sentiment towards the rest of the region.

At a sector level, the respite from the rise in bond yields allowed longer duration investments such as real estate, technology and utilities sectors to outperform. The rise in yields was less favourable for the energy, industrials and financials sectors and they lagged the broad market, but the communication services sector was the worst performing, with the poor

performance of Facebook (now Meta Platforms) in particular putting pressure on the sector and compounding underwhelming performance from more traditional telecom companies.

Inflation remains the primary variable moving markets at present. In part this is because inflation is somewhat more fathomable than geopolitical risk, and partly because the inflation risk is more likely to manifest sooner than geopolitical risk where events and impacts tend to ratchet up more slowly. The inflation debate hinges around the degree to which current spikes in inflation will prove transitory or feed into something more sustained and more material than has been experienced for over 30 years. Price increases have become more widespread and there is evidence of them feeding through into wage inflation where low unemployment and skills shortages are resulting in inflation-busting pay deals in many spaces.

On the geopolitical front, China remains a concern as it seeks to manage the deflation of an unhealthy bubble in the property market whilst shifting its economic policy towards fairer distribution and greater control over certain elements of the economy – particularly the fast-growing technology segments. The unease of the US and its allies over China's human rights issues and more aggressive stance towards Taiwan has also increased in recent months. There is also a growing realisation that the dependence on China for the technology and materials necessary for the planned transition to a greener and more technologically enabled economy is a strategic weakness and countries will look to diversify their supply chains where possible.

Russia has meanwhile become more provocative in its actions, with the massing of troops on the Ukrainian border in recent months being a source of particular concern to the EU and US and other aligned countries. Europe has meanwhile become very dependent on Russian gas supplies to manage its energy transition which makes finding a solution much harder.

Note

1) Source: Border to Coast

Market Background at 31 December 2021

The concerns around China and Russia combined are as high as they have been for almost a generation, and the issues at the heart of these tensions will not be easily or speedily resolved.

Valuations of equity markets remain above their long-term averages though strong earnings have managed to offset much of the rise in markets feeding into higher valuations. Investor sentiment has become more cautious as headwinds to markets have risen in the face of tighter monetary policy and heightened geopolitical risks and with stretched valuations not providing convincing support. Seemingly the only potential olive branch for markets is economic growth.

With China continuing to manage its way carefully through an economic transition alongside a shift in political priorities, the onus is likely to fall on the US and Europe to pick up the reins and drive global growth.

Consumer balance sheets are very strong suggesting the consumer spending should be firm while capital spending should also provide some support to growth as companies invest both to position for the energy transition and also to raise productivity in the face of increasing wage inflation.

Fiscal spending in Europe should also remain supportive as many of the programmes devised to support economies through Covid were of a longer duration than those devised in the US or elsewhere. While the strength of the prospective fiscal stimulus in the US has been eroded recently through a failure by the Democrats to draft a package which would secure the necessary majority it is still relatively substantial. The prospect of tax increases to repair sovereign balance sheets severely damaged by Covid could present a headwind to growth but remains relatively muted in 2022 even if some countries such as the UK have moved relatively early to address this.

The major threat to growth in 2022, though, seemingly remains Covid -and the possibility that the emergence of further variants of concern prompt another round of restrictive measures in those economies where vaccination rates are not yet high enough to provide governments with the comfort they need to “live with” the virus. Absent this, and to the extent that Omicron provides the natural immunisation that some have predicted, growth prospects in 2022 could be fairly robust. The flip side to that stronger growth though is the threat of inflation.

Entering 2022 there are a multitude of hurdles markets will have to overcome and challenges investors face. Leaving aside Covid, and the potential for a “Nexticrom”, geopolitical and monetary risks are at levels not encountered for many years with equity markets in many peoples’ eyes as precariously poised as they have been for over a decade. The inflation risk is one that presents potentially the biggest challenge for investors, as geopolitical risks can really head in two directions – higher or lower, with a relatively orthodox playbook for each scenario. With inflation there are the three scenarios outlined above, each with very different playbooks, making it more challenging for investors to plan for.

Thus, uncertainty rules, and challenges lie ahead, but the only outcome it seems reasonable to predict with any confidence is that 2022 will not be the third year in a row that equity markets return over 20%... although we would love to be proven wrong.

Note

1) Source: Border to Coast

Border to Coast News

People:

- Daniel Booth, our Chief Investment Officer (CIO), has announced his decision to leave the business. Having joined us in mid-2018, Daniel has been key in developing our investment capabilities and building a strong and capable team. He is leaving to establish a UK-based family office for a wealthy individual seeking a CIO to manage his assets, which will enable Daniel to do more of the elements of the CIO role he really loves: investing on a day-to-day basis.
- We have appointed John Harrison as our interim CIO. He will be a familiar figure to many of you – he acted as our interim CIO at our launch and has continued to provide support and advice (including being a member of our Investment Committee as well as chairing our annual conference). John has extensive asset management experience - having been the UK CIO for UBS, he has acted as an independent advisor to the LGPS for the last decade, served as Managing Director of MJ Hudson and, most recently, acted as the interim CIO for the British Airways Pension Fund.
- We are delighted to announce that Safa Al-Nagar joined us in October as Customer Relationship Manager. Safa previously worked for Halkin Asset Management, Bank of America Merrill Lynch and, most recently, Marathon Asset Management, where she worked in client service. She holds a BSc in Business and Law and an MSc in Accounting and Financial Management.

Investment Funds:

- After much work by all involved, we're delighted to confirm that our Multi-Asset Credit Fund is now live. At £3.7bn and 10 of our 11 Partner Funds invested, it is one of our largest funds, and provides an innovative, diversified and cost-effective fixed income proposition to support Partner Funds' long-term asset allocations.
- We have formally announced the launch of our £1.3bn Listed Alternatives Fund. Scheduled to launch in early 2022, to be managed internally, it will hold listed securities that provide exposure to infrastructure, specialist real estate, private equity and alternative credit, complementing Border to Coast's existing £5.7bn private markets investment programme and providing funding for critical projects in the UK and beyond.

- We have committed a further £1.2bn to private markets as we continue to deliver new investment opportunities for our Partner Funds. The investments form part of the £2.7bn private markets programme announced in July 2021. The commitments include £593m to four infrastructure funds, £426m to four private equity funds, and £148m to one private credit fund.

Responsible Investment:

- In October, following our commitment to achieving net zero carbon across our investments by 2050, we joined the global Net Zero Asset Managers initiative. The initiative, which now numbers 220 investors in total, seeks to mobilise action by the asset management industry to drive the transition to net zero and provides a forum to share best practice and overcome barriers to achieving it.
- As part of our work with our voting and engagement partner, Robeco, we participated in their client panel providing input to shape potential engagement themes for launch in 2022. We have carried out a significant amount of work to identify our own priority themes, with input from our Partner Funds and we are pleased to note that the new themes for 2022 are very much aligned with our work to date. These forthcoming themes include: 'Net Zero Emissions', 'Natural Resource Management', 'Diversity, Equity, and Inclusion' and adoption of a new, collaborative initiative 'Nature Action, which seeks to address a company's potential impact on biodiversity, such as deforestation, overfishing and pollution.

Disclosures

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

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