

Border to Coast Pensions Partnership Ltd

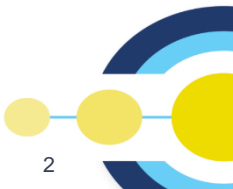
Teesside
Pension Fund

29th June 2022



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Border to Coast Pensions Partnership Ltd

Border to Coast Update



Investment Strategy – Asset Capability Launch Timetable

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

Border to Coast Pensions Partnership Ltd

Teesside Pension Fund –
Investments



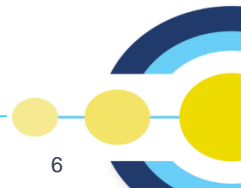
Teesside – Valuation & Commitments

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

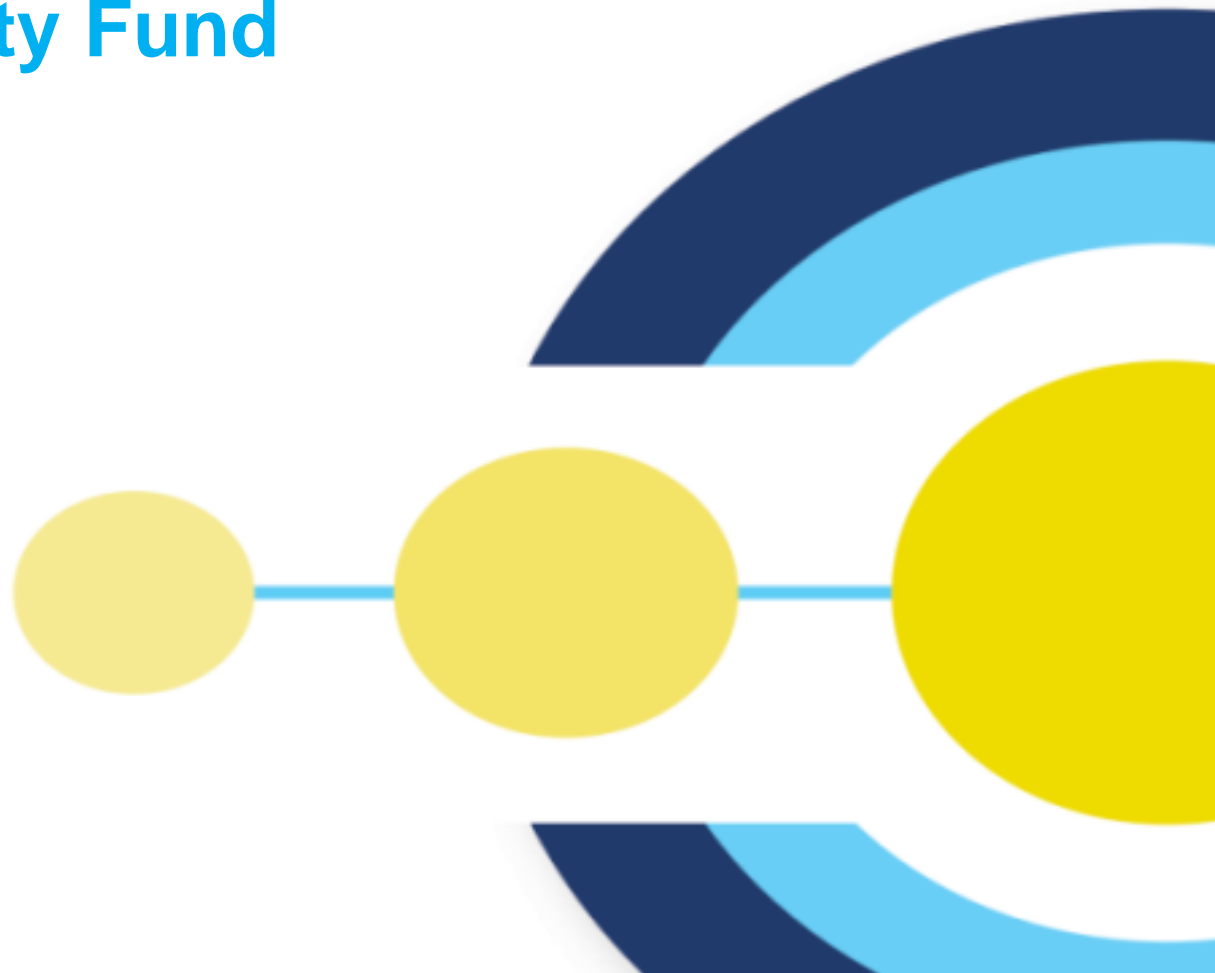
Alternative Investments	Teesside Commitment (Series 1)	Committed by Border to Coast to Managers (*)	Total Series 1 Commitment (all Partner Funds)
	£	£ (% of commitment)	£
Infrastructure	200m	199m (99.5%)	2,455m
Private Equity	200m	198 (99%)	1,720m
Private Credit	-	-	1,501m

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

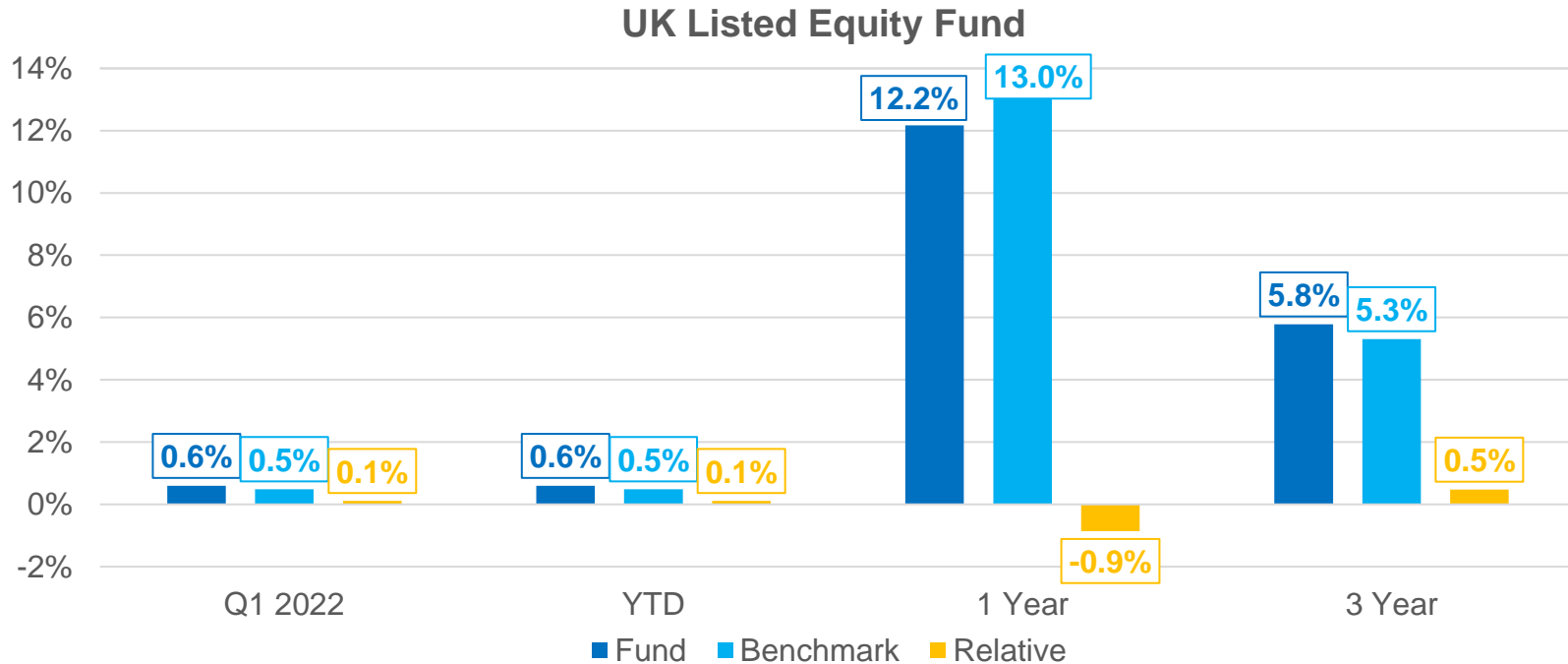
(*) As at 31/03/2022.



UK Listed Equity Fund

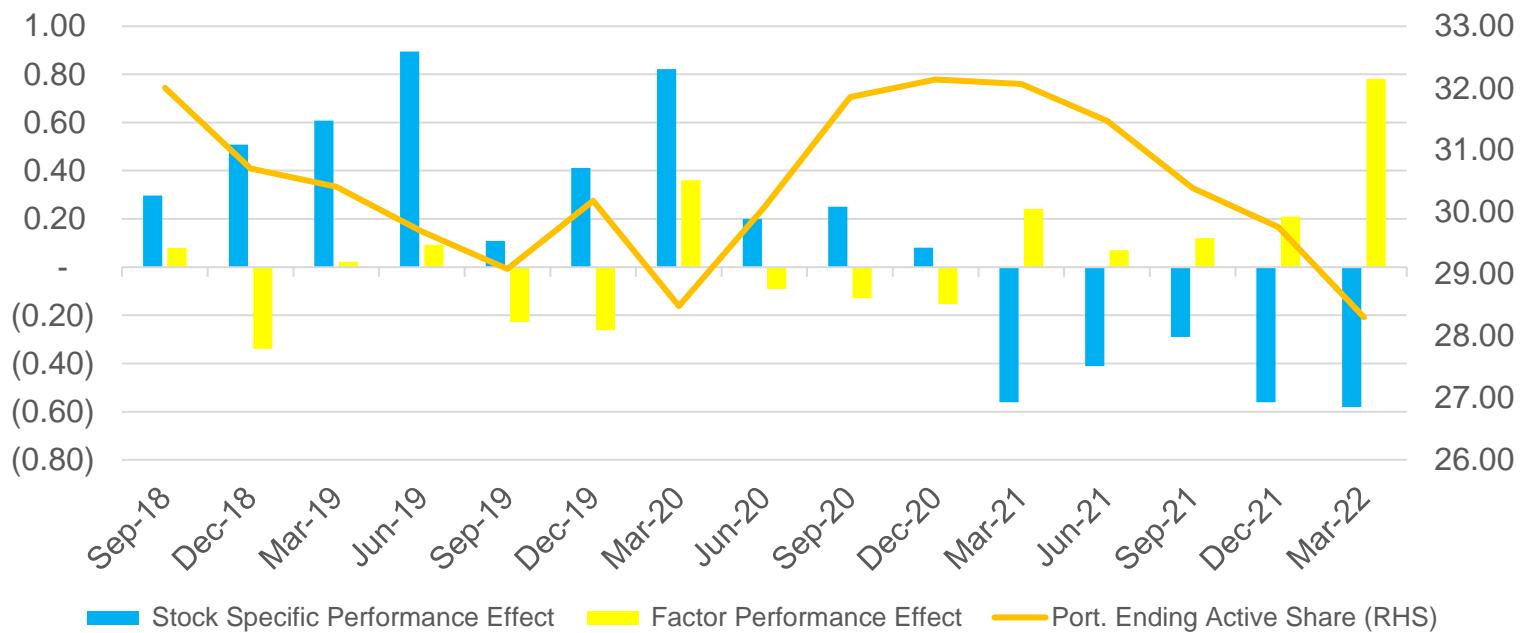


UK Listed Equity Fund – Performance to 31st March 2022

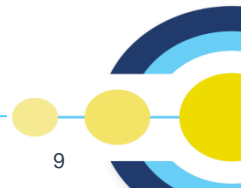


- Performance benefitted from good selection in consumer discretionary and healthcare stocks, together with relatively lower exposure to the consumer discretionary sector and higher exposure to the materials sector
- Performance showing an improving trend in recent months as portfolio changes beginning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

UK Listed Equity Fund – Risk Based Performance Attribution



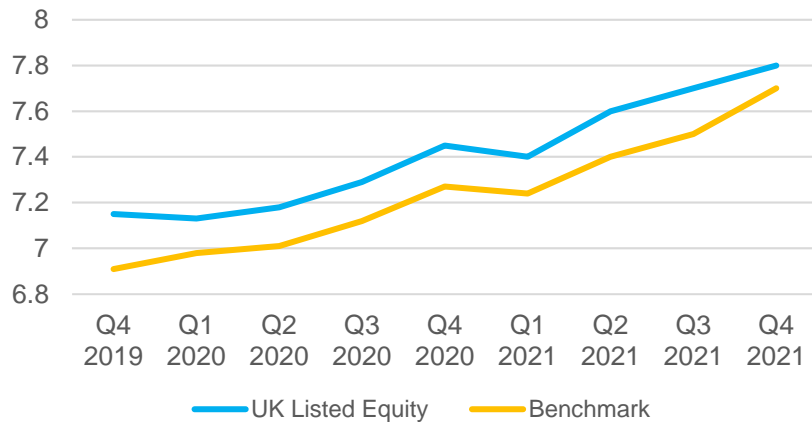
- Consistent positive impact from stock selection has inverted to persistent negative impact in recent quarters, while factor impact has swung from inconsistent to consistent positive impact over same period
- Statistical noise may exaggerate the relative impact of stock vs factor performance effects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



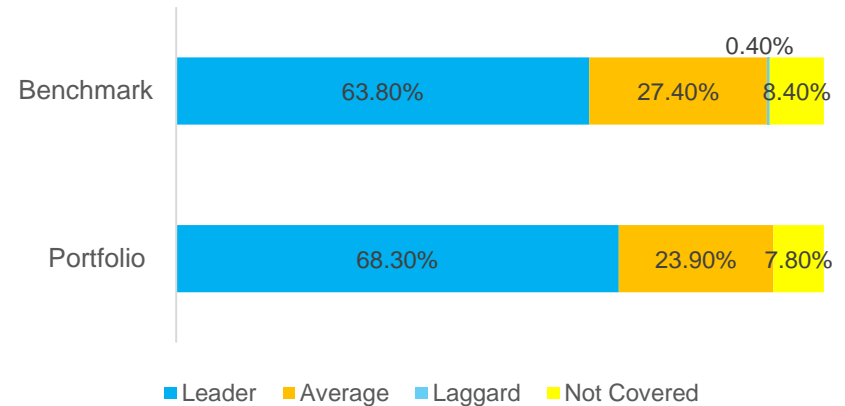
UK Listed Equity Fund – ESG Summary

MSCI ESG Rating: **AAA**

MSCI ESG Weighted Score



ESG Ratings Distribution



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

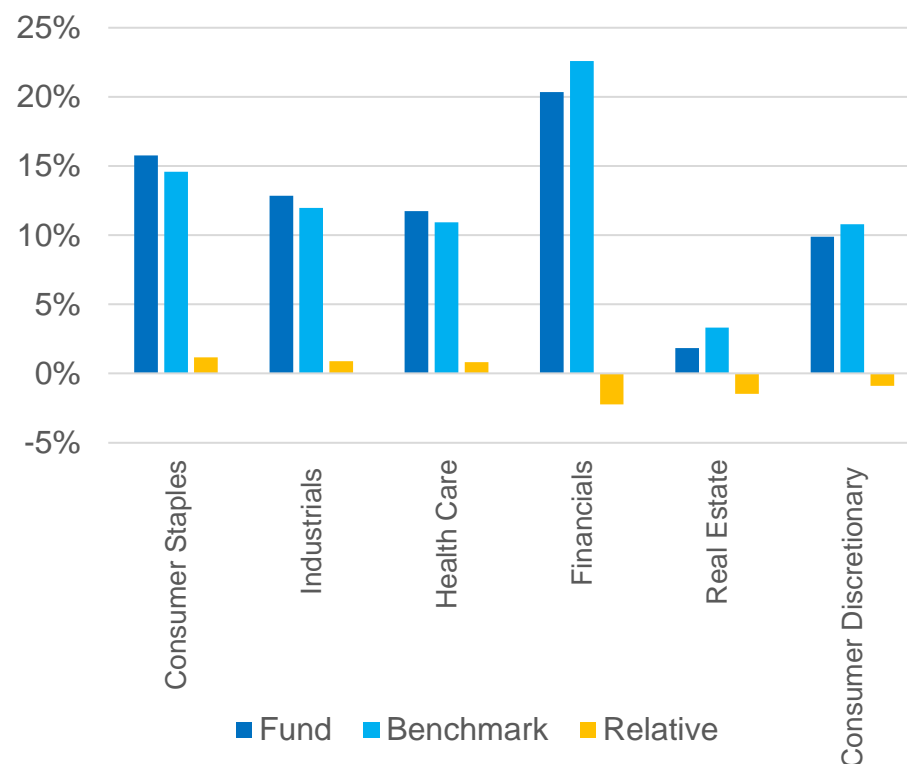
Portfolio Positioning as at 31 March 2022

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

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

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

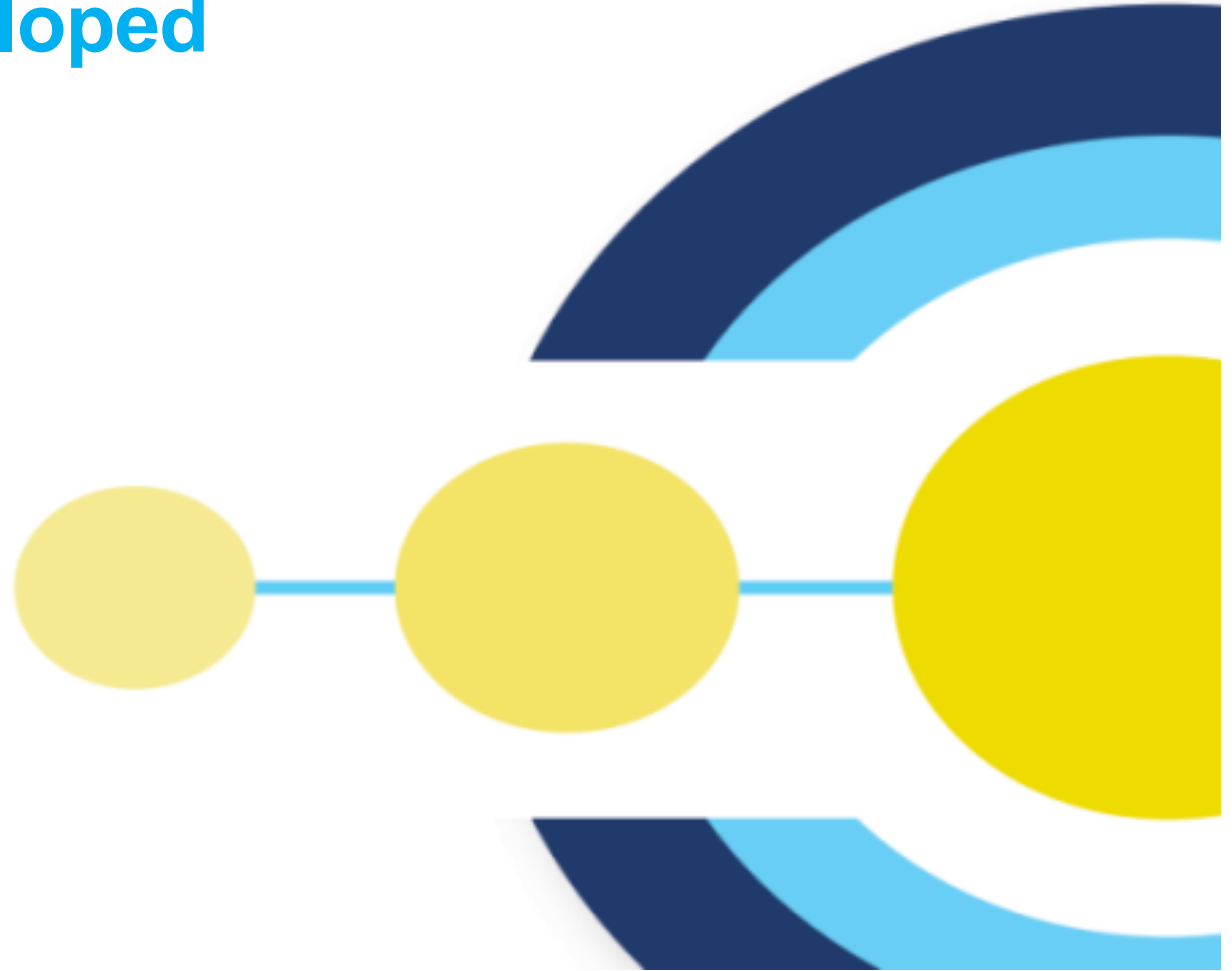
Sector Positioning – Top/Bottom Relative Weights



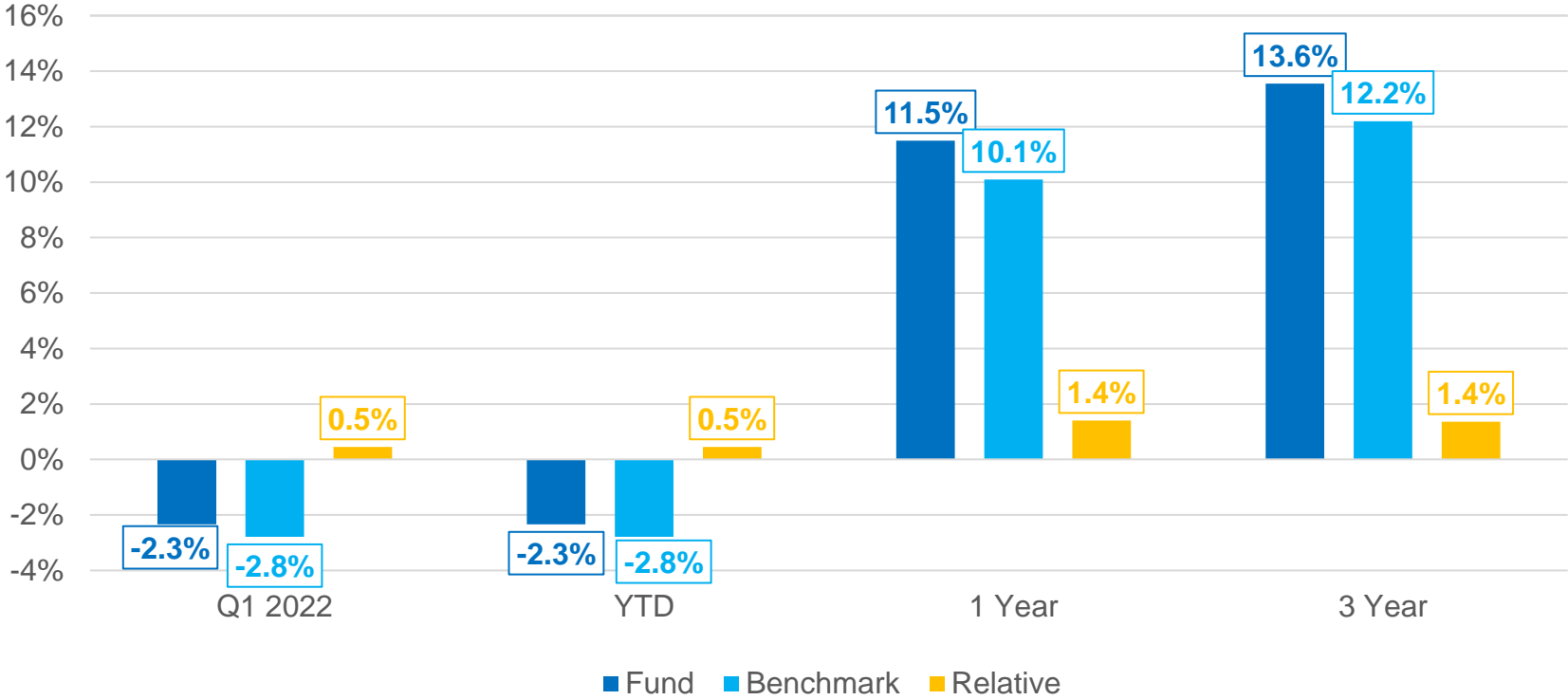
- Large underweights in Glencore and Flutter were reduced or closed in 2021, while a number of positions were initiated in mid cap stocks

Source: Northern Trust, Bloomberg (2022) Note: Numbers may not sum due to rounding.

Overseas Developed

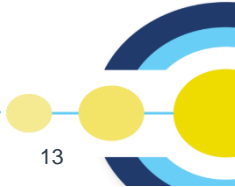


Overseas Developed Equity Fund – Performance to 31 March 2022

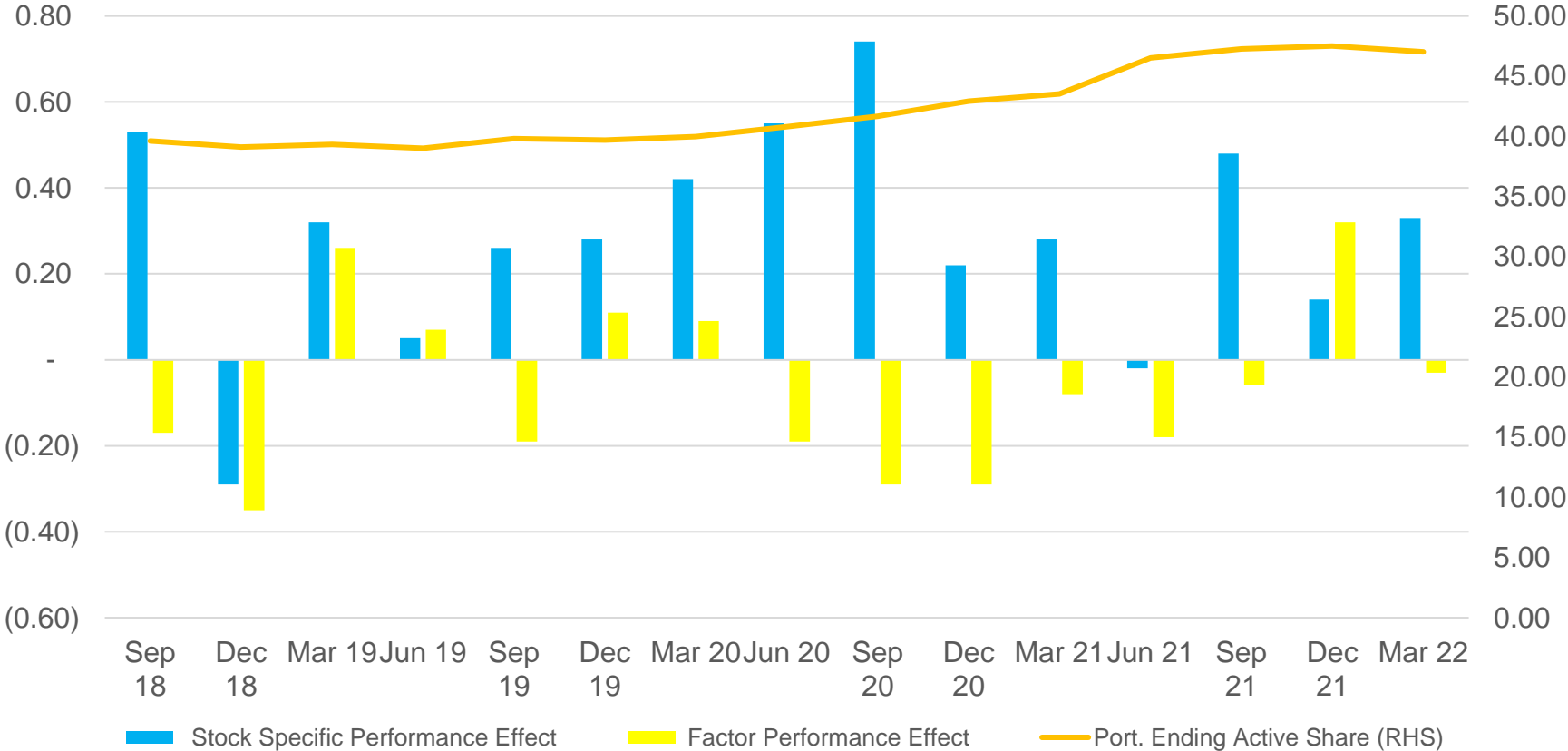


- Continued strong performance in Europe and Japan portfolios ensured a solid start to 2022

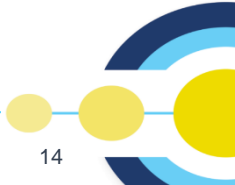
Source: Northern Trust, Border to Coast Note: Inception date 9 July 2018.



Overseas Developed Equity Fund – Risk Based Performance Attribution



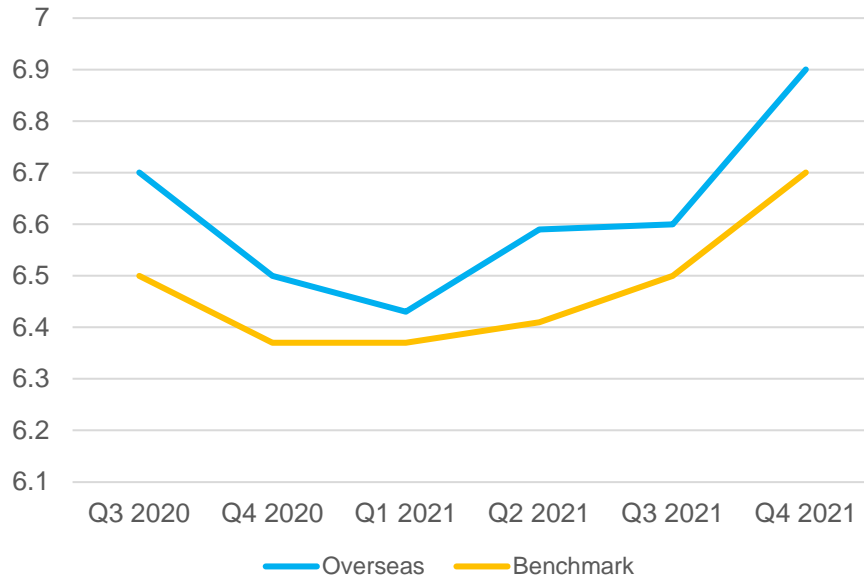
- Stock selection consistently positive, while low and fluctuating contributions from factor exposures reflect low correlation between portfolios



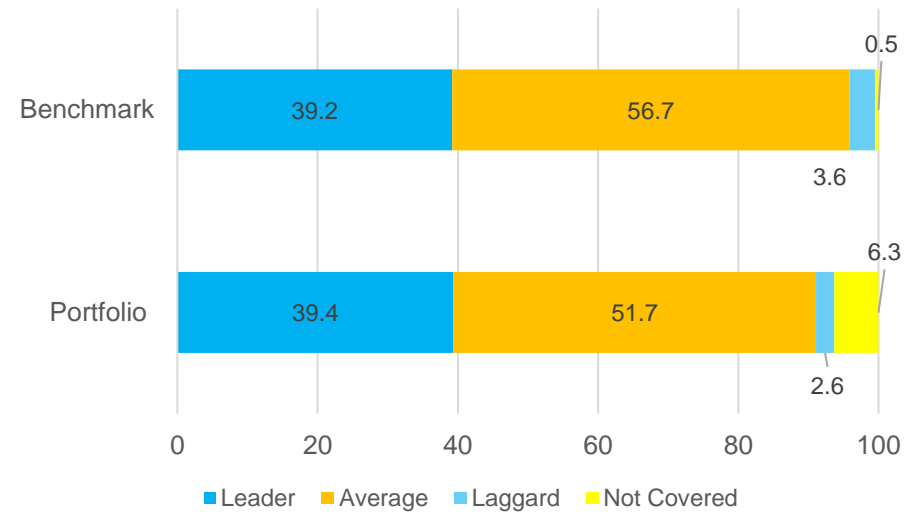
Overseas Developed – ESG Summary

MSCI ESG Rating: AA

MSCI ESG Weighted Score



ESG Ratings Distribution



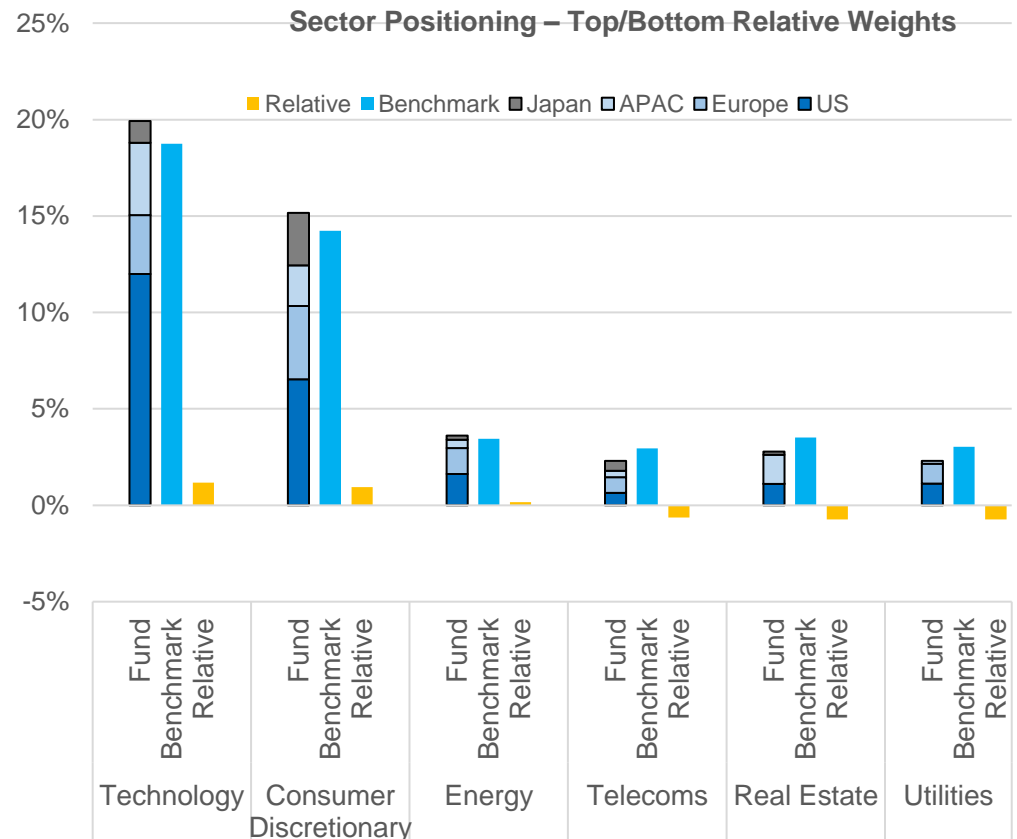
- High quality portfolio with strong representation of ESG leaders slightly obscured by Collectives not being covered
- Consistently above benchmark
- Rating changes have impacted both Sub-fund and benchmark over time

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

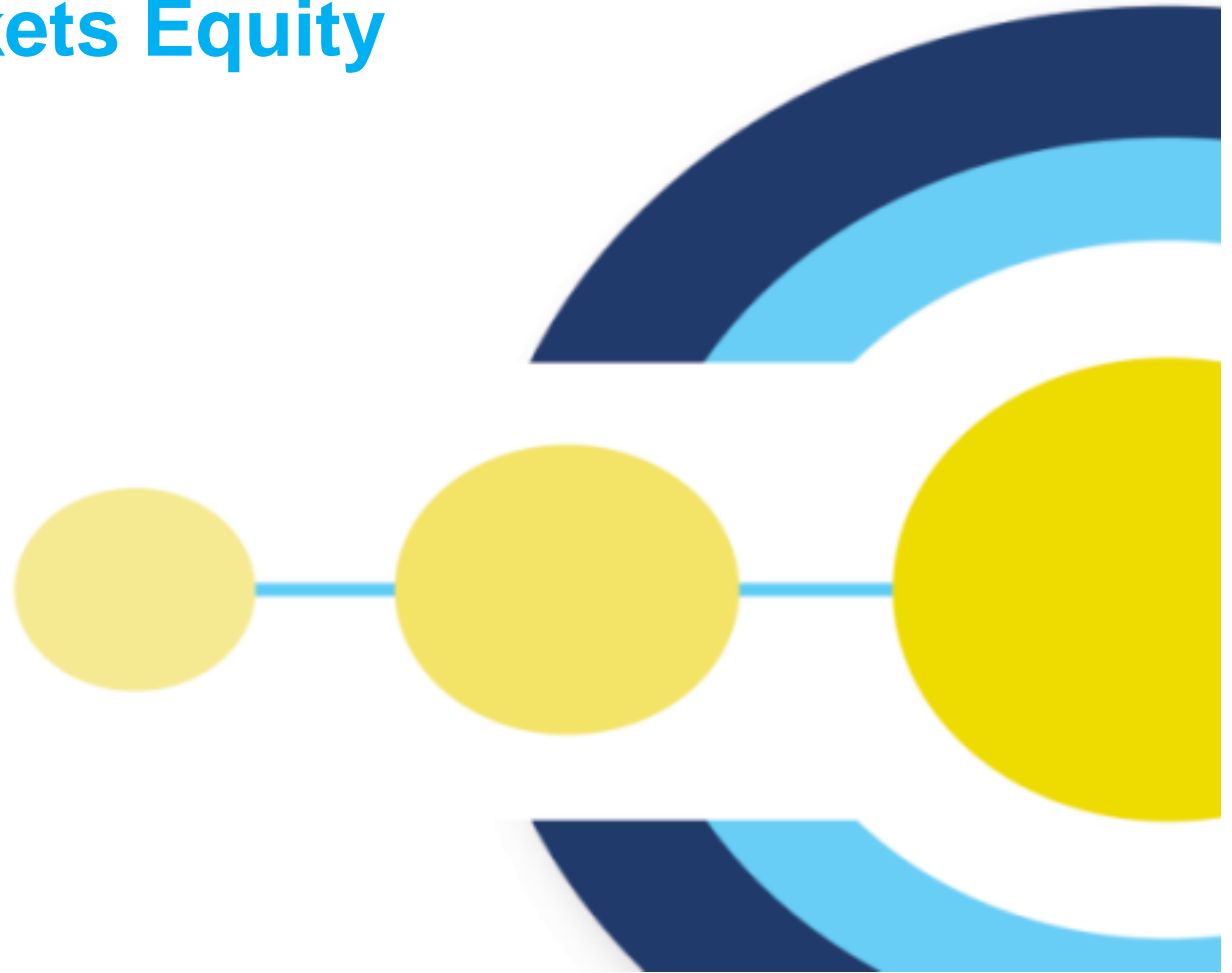
Top 5 Active Positions	Portfolio Weight	Index Weight	Active Weight
Vanguard US Mid-Cap	2.60%	-	+2.60%
Alphabet 'A'	1.97%	0.87%	+1.10%
Vanguard US Small-Cap Value	0.62%	-	+0.62%
Samsung Electronic	2.24%	1.66%	+0.58%
Novo-Nordisk	1.15%	0.66%	+0.49%

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

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

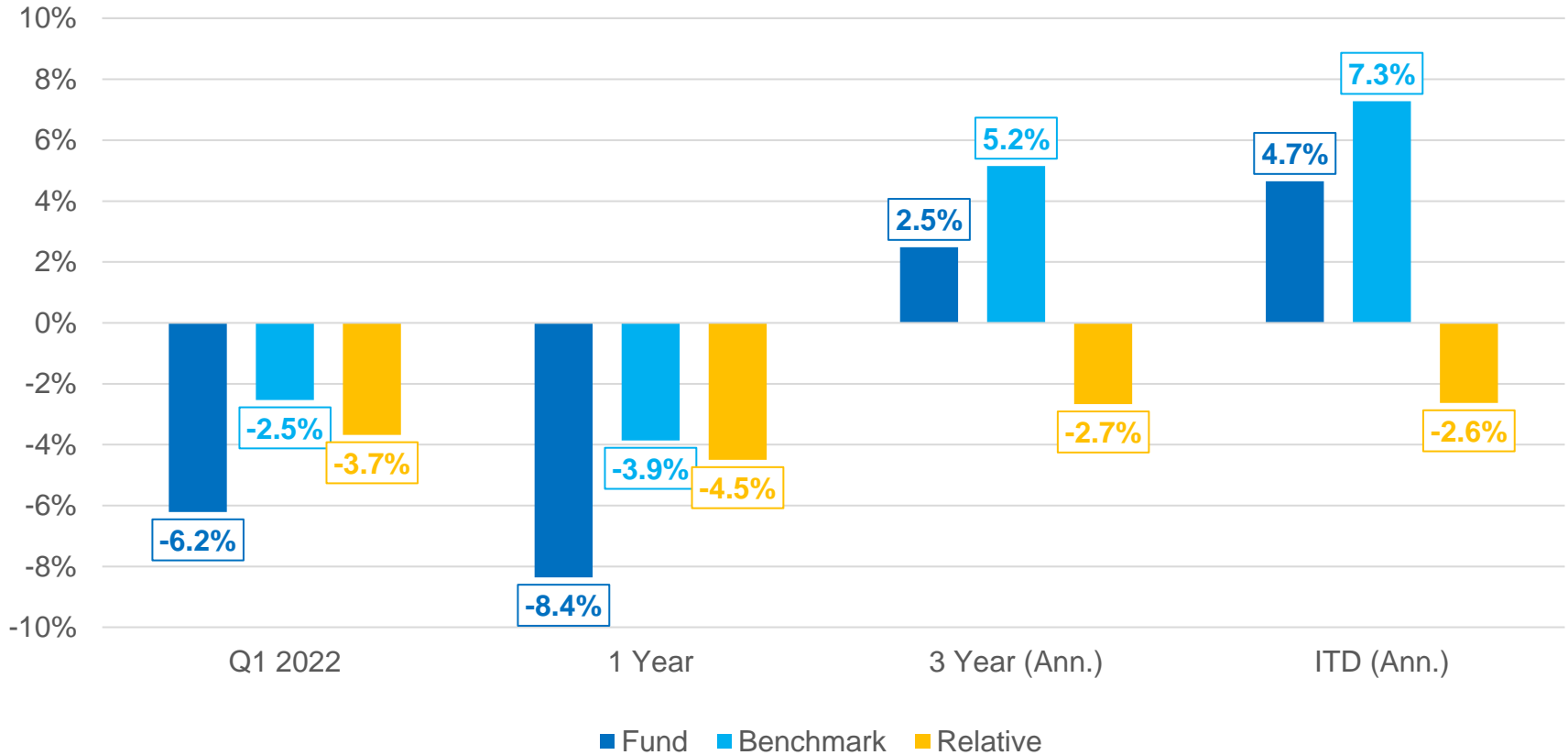


Emerging Markets Equity



Performance to 31 March 2022

Emerging Markets Equity Fund (Complete History)

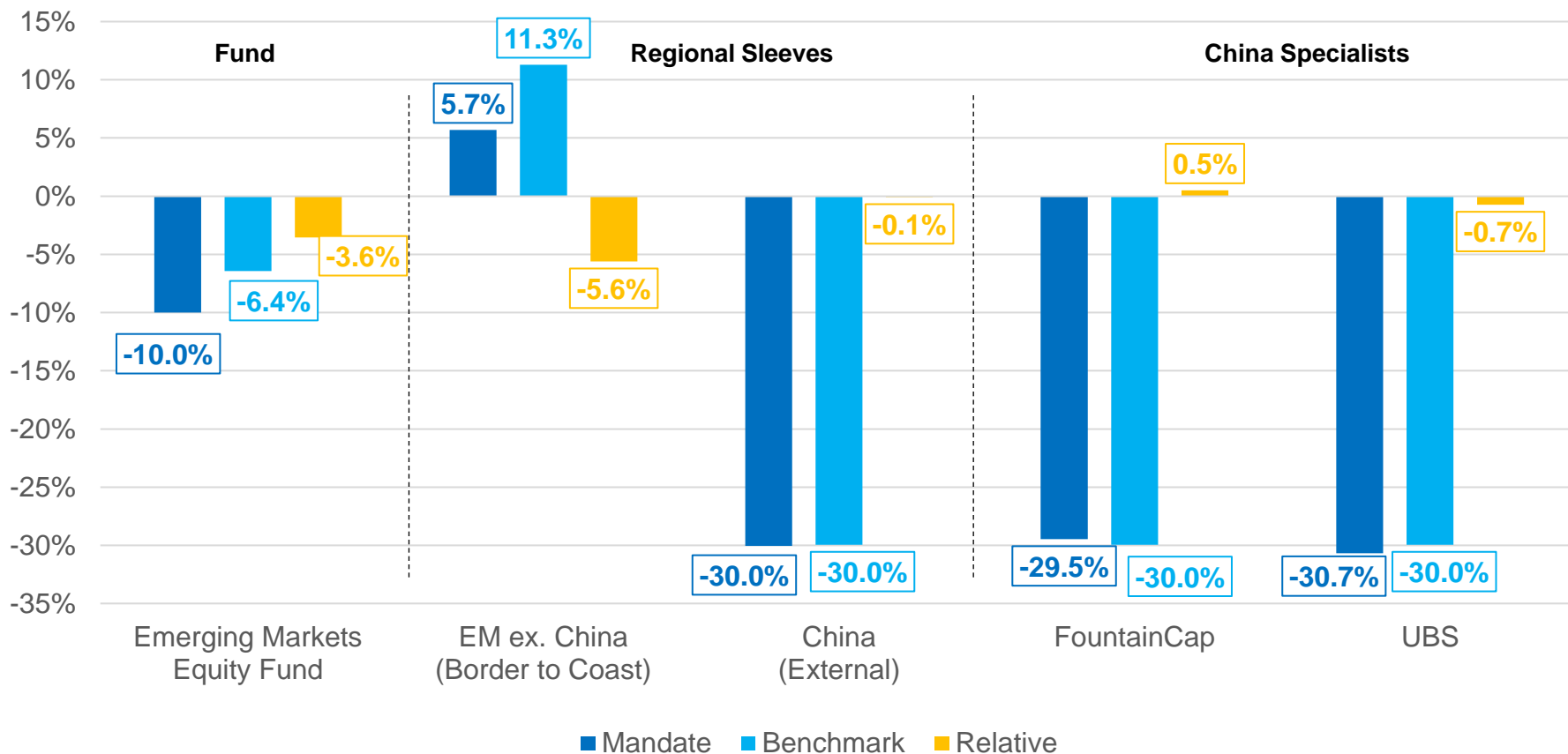


From **29 April 2021**, the Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees). Between 10 April and 28 April 2021, the benchmark return was equal to the Fund return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

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

Post Restructure Performance

Performance Since 29 April 2021



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

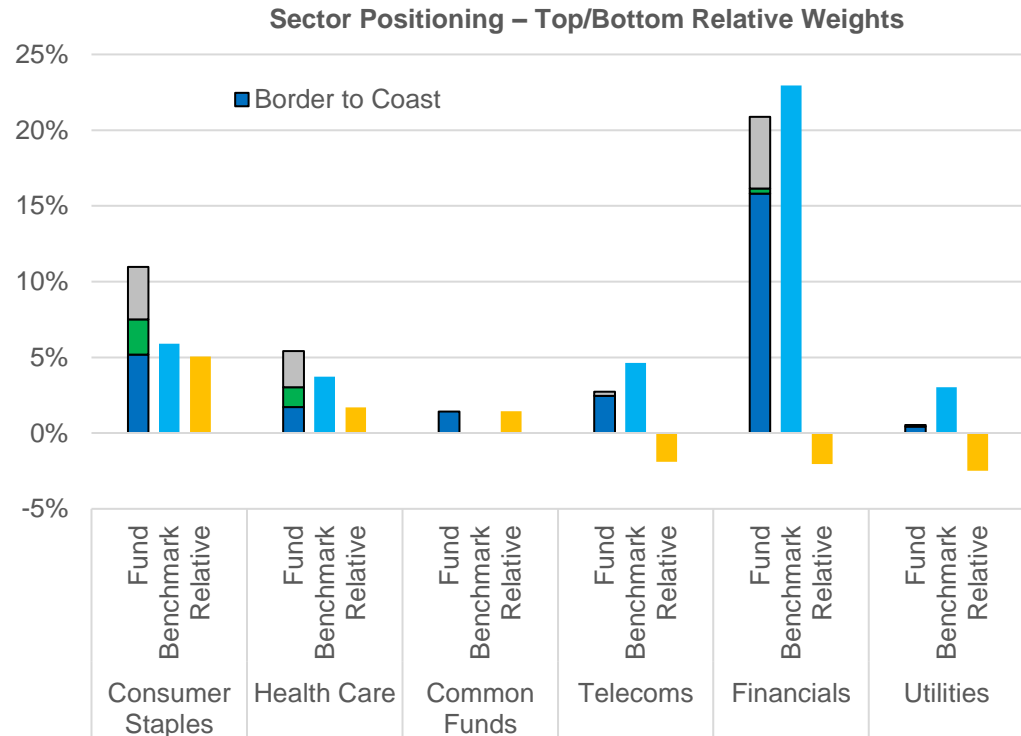
Source: Northern Trust (2022) Note: Restructure of the Emerging Markets Equity Fund completed on 28 April 2021.

Portfolio Positioning as at 31 March 2022

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

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

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

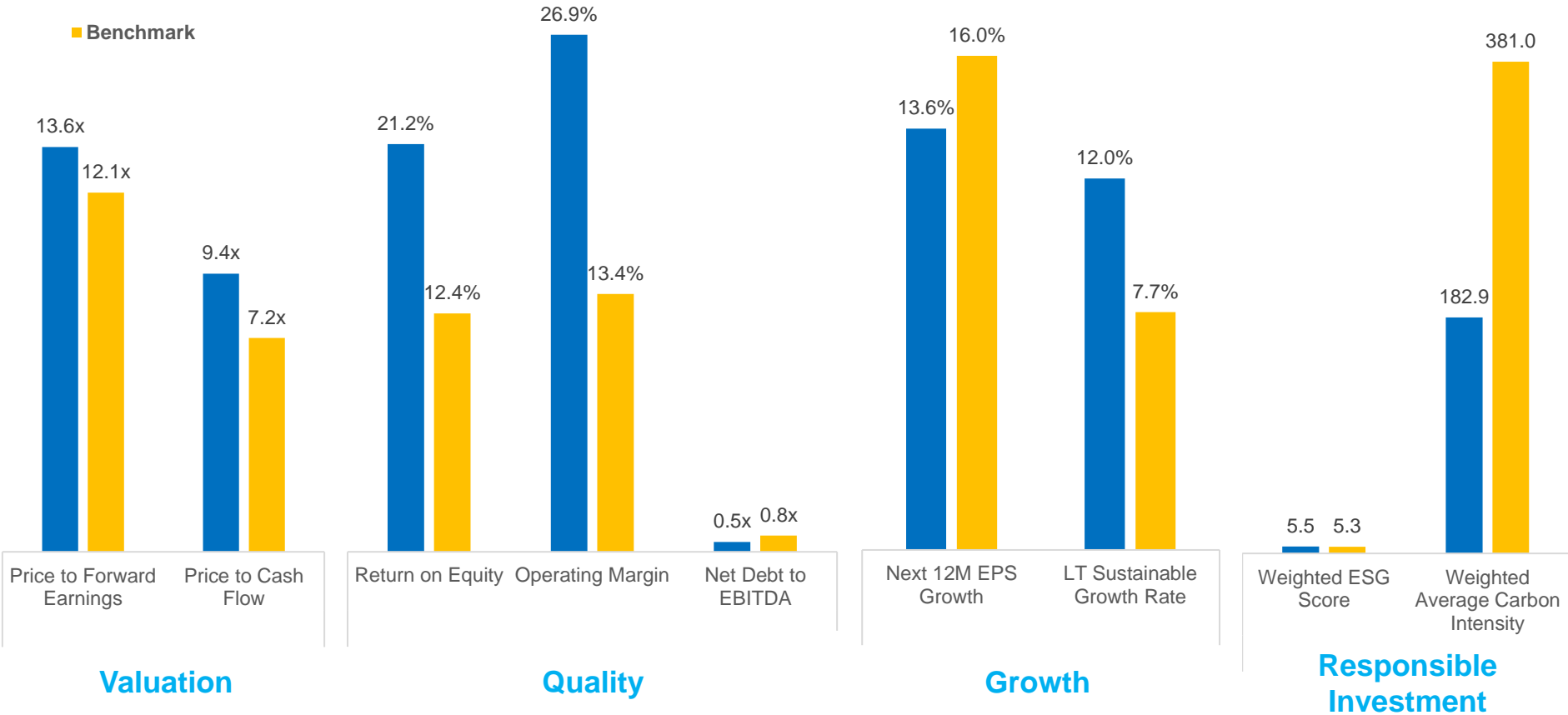


- The portfolio was **restructured** in April 2021, with the new China mandates handed over to FountainCap and UBS on 28 April 2021. A further £200m was invested into the portfolio in tranches spread over May and June. **A £30m inflow in October 2021 was used to top-up UBS and increase the weight to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

Fundamental Characteristics – Fund

■ Emerging Markets

■ Benchmark

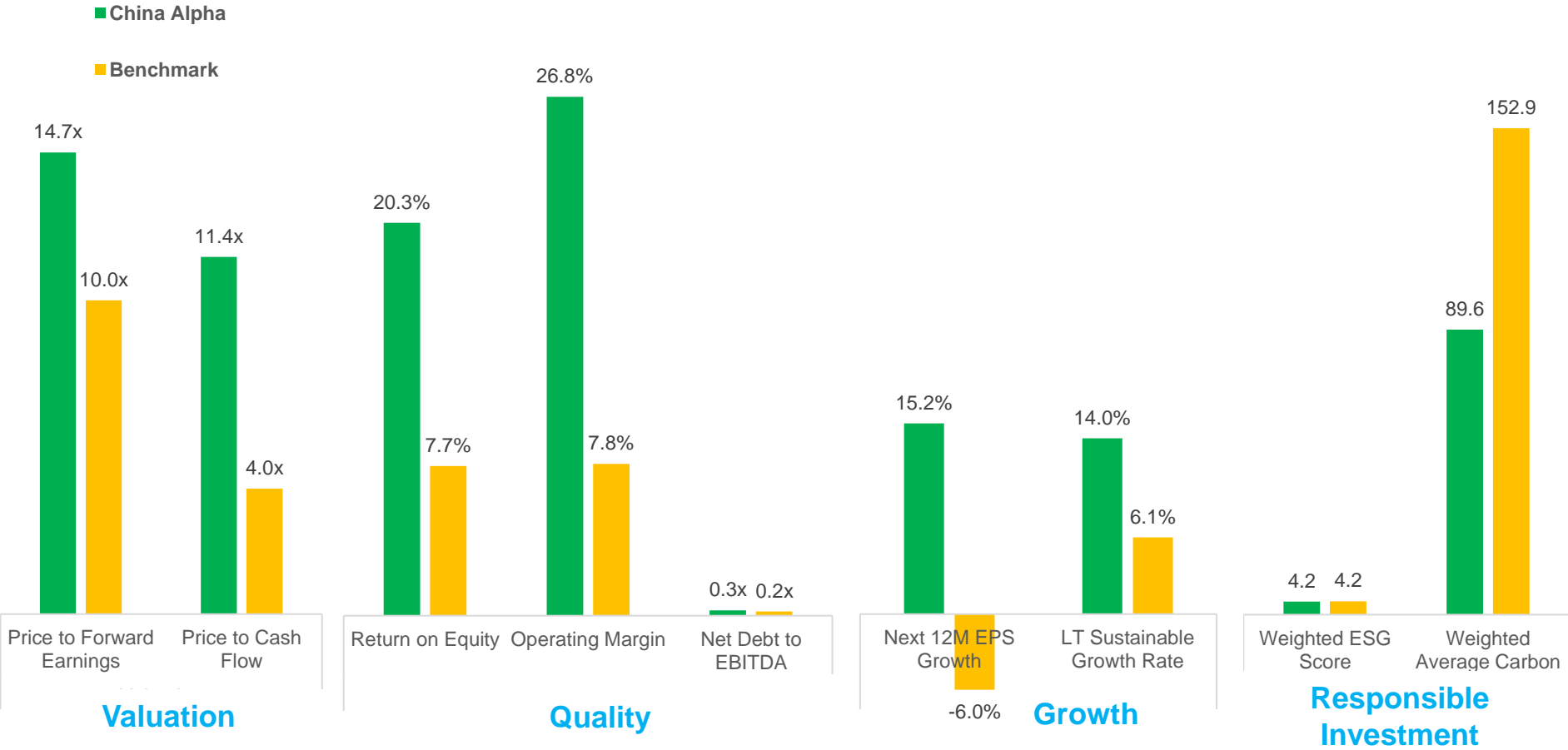


Notes:

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

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

Fundamental Characteristics – China Managers



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

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



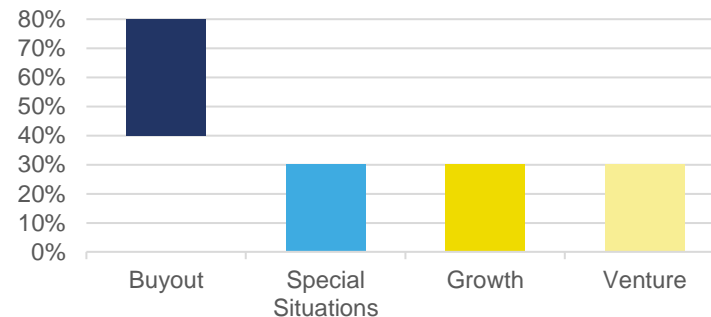
Border to Coast Pensions Partnership Ltd

Private Equity

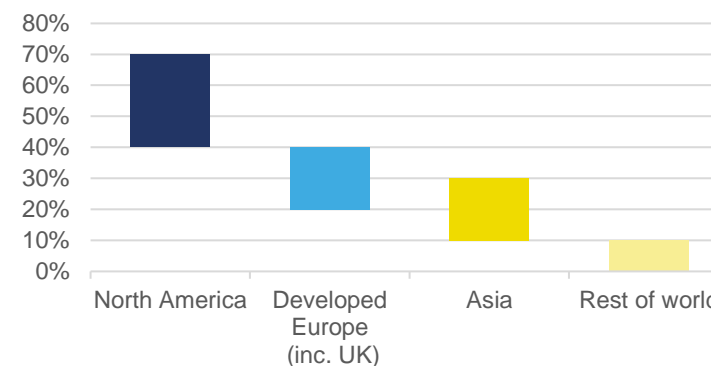


Private Equity: Asset Allocation

Strategy	Permitted Range ¹
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%



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



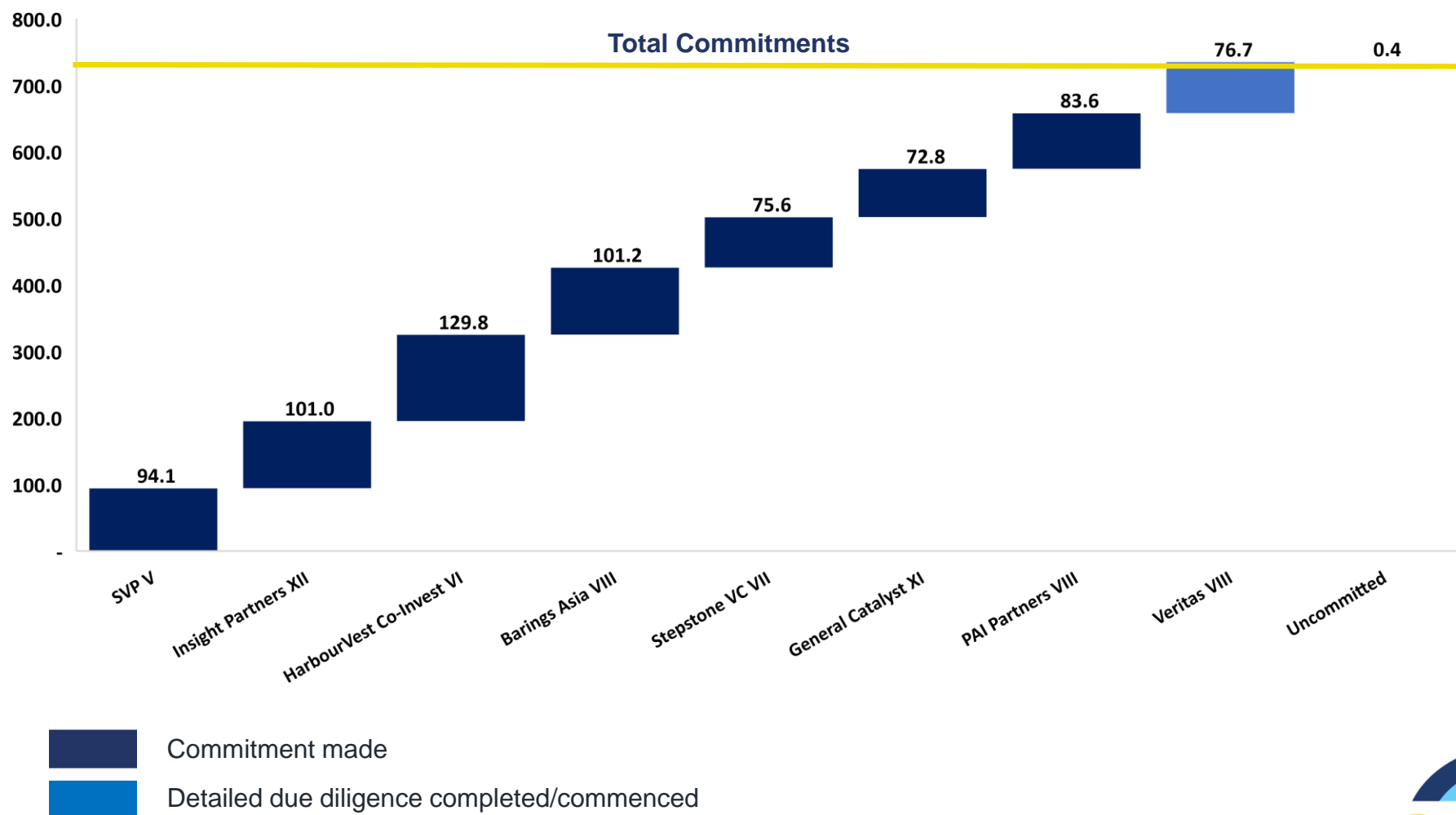
Benchmark	10% p.a. (net)²
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Commitments (1A)	£500m
Commitments (1B)	£485m
Commitments (1C)	£735m

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

² Secondary benchmark – MSCI ACWI + 3% (PME+ basis)

Private Equity 1C Commitments to Date



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

Private Equity: Capital Deployment

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

¹ Including recallable distributions

Source: Albourne

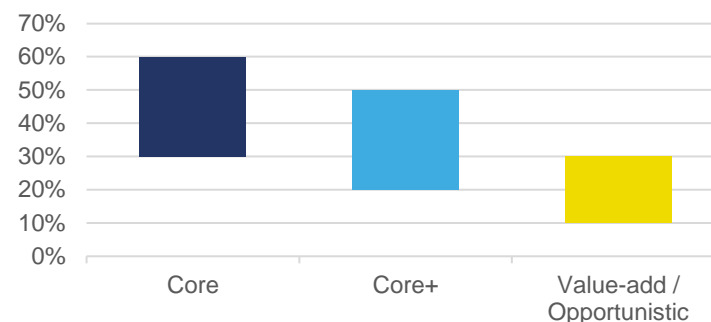
Border to Coast Pensions Partnership Ltd

Infrastructure

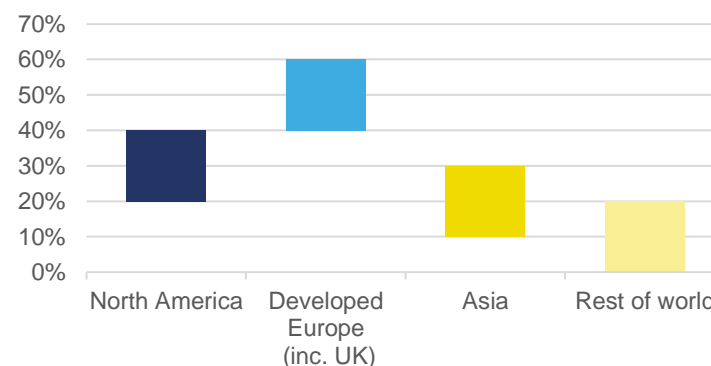


Infrastructure: Asset Allocation

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



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



Benchmark	8% p.a. (net)
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Commitments (1A)	£675m
Commitments (1B)	£760m
Commitments (1C)	£1,020m

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

Infrastructure 1C: Commitments to Date



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

Infrastructure: Capital Deployment

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

¹ Including recallable distributions

Source: Albourne

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