



Teesside Pension Fund

Quarterly Investment Report - Q3 2022

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Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,275,951,871
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£(14,663,997)
Value at end of the quarter	£2,261,287,875

Over Q3 2022, Teesside's holdings performed as follows:

- The UK Listed Equity Fund outperformed its benchmark by 0.49%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.27%
- The Emerging Markets Equity Fund outperformed its benchmark by 1.14%

Teesside made no subscriptions or redemptions during Q3 2022.

Note

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

Portfolio Analysis - Teesside Pension Fund at 30 September 2022

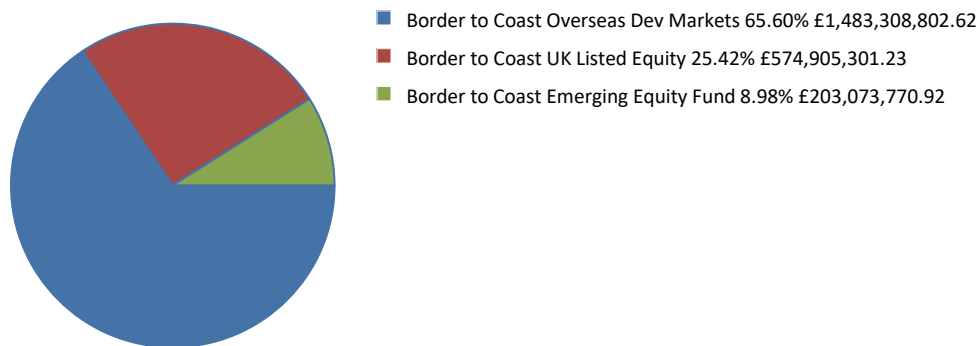
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	574,905,301.23	25.42
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	1,483,308,802.62	65.60
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark ²	203,073,770.92	8.98

Available Fund Range

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

Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund at 30 September 2022

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity	25.42	(2.96)	(3.45)	0.49	(0.73)
Border to Coast Overseas Dev Markets	65.60	0.37	0.09	0.27	0.22
Border to Coast Emerging Equity Fund	8.98	(1.26)	(2.39)	1.14	(0.13)
Total	100.00	(0.64)			

The UK Listed Equity Fund returned –2.96% over the quarter, which was 0.49% ahead of the FTSE All Share Index.

The Overseas Developed Markets Equity Fund returned 0.37% over the quarter, which was 0.27% ahead of the composite benchmark.

The Emerging Markets Equity Fund returned –1.26% over the quarter, which was 1.14% ahead of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned –0.64% during Q3 2022.

Note

1) Source: Northern Trust & Border to Coast

2) Performance shown is investor-specific, calculated using a time-weighted methodology which accounts for the impact of investor flows, whereby investments held for a longer period of time will have more of an impact than those held for a shorter time.

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

4) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.

Valuation Summary at 30 September 2022

Fund	Market value at start of the quarter		Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter	
	GBP (mid)	Total weight (%)				GBP (mid)	Total weight (%)
Border to Coast UK Listed Equity	592,415,639.61	26.03			(17,510,338.38)	574,905,301.23	25.42
Border to Coast Overseas Dev Markets	1,477,879,017.12	64.93			5,429,785.50	1,483,308,802.62	65.60
Border to Coast Emerging Markets Equity	205,657,214.75	9.04			(2,583,443.83)	203,073,770.92	8.98
Total	2,275,951,871.48	100.00			(14,663,996.71)	2,261,287,874.77	100.00

Note

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

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 30 September 2022

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	1.98	0.96	1.02	(2.96)	(3.45)	0.49	(2.46)	(4.00)	1.54	1.59	0.80	0.80	--	--	--
Border to Coast Overseas Dev Markets	7.21	5.94	1.27	0.38	0.09	0.28	(4.87)	(6.70)	1.83	7.11	5.61	1.50	--	--	--
Border to Coast Emerging Markets Equity	3.06	4.93	(1.87)	(1.26)	(2.39)	1.14	(10.56)	(8.84)	(1.72)	0.67	2.33	(1.66)	--	--	--

Note

- 1) Source: Northern Trust
- 2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
- 3) Performance inception dates are shown in the appendix.
- 4) Performance for periods greater than one year are annualised.
- 5) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
- 6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 30 September 2022

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	1.99	0.96	1.03	(2.96)	(3.45)	0.49	(2.46)	(4.00)	1.54	1.60	0.80	0.80	--	--	--
Border to Coast Overseas Dev Markets	7.22	5.94	1.29	0.38	0.09	0.29	(4.86)	(6.70)	1.84	7.12	5.61	1.51	--	--	--
Border to Coast Emerging Markets Equity	3.20	4.93	(1.73)	(1.19)	(2.39)	1.21	(10.32)	(8.84)	(1.47)	0.83	2.33	(1.50)	--	--	--

Note

- 1) Source: Northern Trust
- 2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
- 3) Performance inception dates are shown in the appendix.
- 4) Performance for periods greater than one year are annualised.
- 5) Performance shown is gross of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
- 6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund - Overview

at 30 September 2022

UK Listed Equity Fund

The fund generated a total return of -2.96% during the quarter, compared to the benchmark return of -3.45%, resulting in 0.49% of outperformance.

The UK underperformed the broader global market indices during the quarter. This was due to a lower weighting in Consumer Discretionary stocks, which performed strongly on a global basis, and a higher weighting in Materials stocks which lagged. Inflation is higher and the Bank of England is under pressure to raise rates more aggressively to bring it under control. This will weigh on the growth outlook, although to this point the Bank has proceeded more slowly than some might have hoped.

The Fund benefited from the following factors:

- Underweight Real Estate where the sharp rise in yields has impacted property valuations, whilst increasing the cost of debt.
- Underweight Consumer Discretionary, where consumer confidence has fallen sharply and disposable income is under pressure from rising energy and mortgage costs, combined with stock selection (overweight Flutter which continues to take significant market share in the rapidly growing US sports betting and gaming market).
- Stock selection in Technology with an overweight holding in Aveva which received a cash bid from its largest shareholder.

This was partly offset by the following:

- Stock selection in Materials with an underweight position in Glencore (beneficiary of higher coal prices) and an overweight position in Hill & Smith (unexpected CEO departure).
- Stock selection in Telecoms with an overweight position in BT (sustainability of consumer price increases and future returns from fibre capex).
- Overweight Collectives where the underperformance of UK smaller companies has impacted the Liontrust and Schroder holdings.

The Portfolio Managers have continued to selectively add to mid-cap exposure, including more cyclical stocks, during the quarter. Heightened political uncertainty following a rocky start to the new Truss Government, a potential looming energy crisis, and the likelihood of higher interest rates to combat inflation, have impacted the outlook but we remain vigilant for opportunities to add to quality long term holdings at attractive valuations.

Note

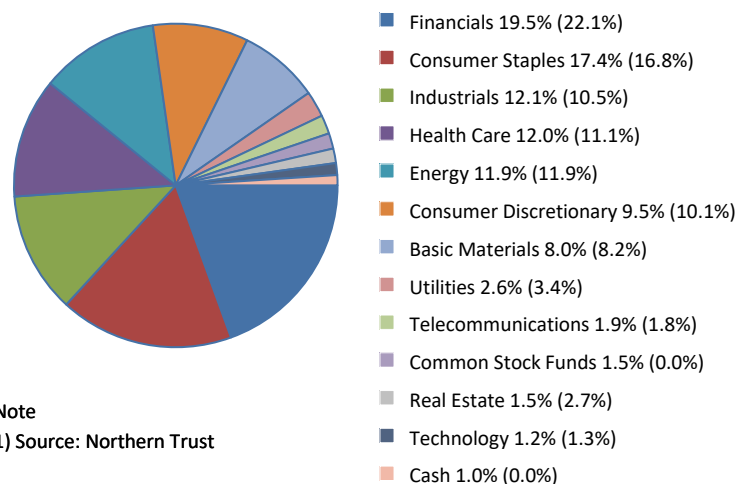
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2022

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.54
Industrials	+1.53
Health Care	+0.85
Consumer Staples	+0.57
Telecommunications	+0.06
Financials	-2.65
Real Estate	-1.20
Utilities	-0.80
Consumer Discretionary	-0.59
Basic Materials	-0.19

Sector Portfolio Breakdown



Note

1) Source: Northern Trust

UK Listed Equity Fund

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

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

Sector Weights:

Common Stock Funds (o/w) – Whilst UK small caps have underperformed the wider market recently, over the longer-term they benefit from stronger growth potential and the funds have long-term track records of outperformance.

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

Healthcare (o/w) – Benefits from the long-term growth drivers of rising global population, ageing demographics and increased incidence of chronic illnesses, which typically sees healthcare expenditure growth (government funded and private healthcare) exceeding GDP growth.

Financials (u/w) – Predominantly due to being underweight investment trusts and Asian-focused banks. Increased near-term recessionary risks with potential for deteriorating bank loan books and rising credit risk in insurers bond portfolios.

Real Estate (u/w) – Concerns around retail/leisure sector exposure such as long-term vacancy rates and downward rent re-negotiations, costs associated with mandatory energy rating improvements, negative impact of rising yields on valuations and uncertainty around the impact of home/flexible working on the longer-term demand for office space.

Utilities (u/w) – Government policy risk and potential for increased regulatory intervention around allowable investment returns, increased operational and capital expenditure costs to meet rising environmental standards and elevated costs associated with an accelerated energy transition.

Border To Coast UK Listed Equity Fund Attribution at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
TP ICAP PLC	0.37	74.73	0.07	74.53	0.13
Aveva	0.57	41.06	0.17	41.04	0.13
Biotech Growth Trust	0.60	22.78	0.02	23.63	0.12
SEGRO	0.00	0.00	0.42	(22.32)	0.10
Haleon	0.89	(14.43)	0.65	(21.78)	0.07

TP ICAP PLC (o/w) – Beneficiary of market volatility, cost savings from acquisitions, and the potential for excess capital return to shareholders.

Aveva (o/w) – Aveva’s majority shareholder, Schneider Electric (59% shareholder), announced an all-cash bid to buy-out the minority shareholders.

Biotech Growth Trust (o/w) – Biotech valuations have started to recover from 20-year lows as takeover activity returns and the passing of drug pricing legislation in the US removes an overhang for the sector.

SEGRO (u/w) – Recent sharp increase in bond yields is placing downward pressure on property valuations whilst adding to debt funding costs, compounding weaker property sector sentiment due to recession concerns and comments from Amazon regarding excess logistics supply.

Haleon (o/w) – Formerly the consumer healthcare division of GlaxoSmithKline. Initial market valuation post the new listing was towards the lower end of expectations but solid maiden interim results were well received, demonstrating the organic growth and cash generating capability of the business.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	2.11	12.04	2.93	12.32	(0.11)
BT	0.62	(32.44)	0.39	(32.61)	(0.10)
Melrose Industries	0.50	(31.04)	0.19	(31.24)	(0.10)
GSK	0.00	0.00	0.00	0.00	(0.09)
Persimmon	0.34	(33.42)	0.18	(33.57)	(0.07)

Glencore (u/w) – Benefitted from elevated commodity prices driven by the need for energy security and substitution of Russian gas. The company is gradually emerging from regulatory investigations.

BT (o/w) – Concerns over the sustainability of consumer price increases, impact of fibre investment requirements on potential returns and increased competition.

Melrose Industries (o/w) – Positive interim results were overshadowed by the announcement of the intention to separate its automotive assets (GKN Auto and Powder Met) into a separate listed entity next year.

GSK (o/w) – Concerns over the potential scale of Zantac litigation claims (former common ulcer and heartburn medication), with early-stage court proceedings commencing in the US.

Persimmon (o/w) – Slowing house price growth/volumes, ongoing build cost inflation and mortgage affordability concerns as interest rates rise, have combined to weigh on the housebuilding sector.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.91
Schroder UK Smaller Companies Fund	+0.81
Liontrust UK Smaller Companies	+0.74
Biotech Growth Trust	+0.58
Shell	+0.54
Glencore	-0.82
NatWest	-0.54
Scottish Mortgage Investment Trust	-0.53
3i Group plc	-0.49
Bunzl	-0.44

Top 5 Holdings Relative to Benchmark:

Impax Environmental Markets – Leading ESG-focused fund, specialising in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environment, pollution control and waste technology.

Schroder UK Smaller Companies Fund – Strong long term track record; smaller companies typically out-perform over the longer term given their higher growth potential. Schroders incorporate proprietary ESG scoring systems in their investment process.

Liontrust UK Smaller Companies – Focussed on intellectual property, strong distribution channels and durable competitive advantage, factors considered relevant to the stronger long-term growth profile of smaller companies.

Biotech Growth Trust – Focussed on investments at the forefront of innovative therapeutic areas such as oncology, cell therapy and gene editing/gene therapy. The majority of new pharmaceutical drug approvals have their origins in biotechnology.

Shell – Shares continue to benefit from elevated oil and gas prices.

Bottom 5 Holdings Relative to Benchmark:

Glencore – Historically a higher risk commodity company with significant operations in geographies with weaker governance and coal exposure higher than peers. Regulatory investigations into allegations of bribery and market manipulation been significant factors.

NatWest – The increased risk of the UK entering recession may impact provisioning, surplus capital and shareholder distributions.

Scottish Mortgage Investment Trust – Specialist investment trust with a focus on global large-cap technology stocks; the Fund has similar global technology exposure through its holding in Allianz Technology Trust.

3i Group plc – Global private equity investor with a highly concentrated investment portfolio. Over half (~55%) of the current net asset value is invested in a single asset – Action, a European discount retailer.

Bunzl – Supplier of non-food consumable products to business which benefitted significantly from the sale of PPE equipment during the Covid pandemic, at which point we exited the holding on concerns this would be difficult to replicate.

Major transactions during the Quarter

Purchases:

Haleon (£7.0m) – Consumer healthcare business recently spun-out of GSK. Initial debt on listing and potential exposure to Zantac claims weighed on the shares. Added to holding as concerns appear overdone given the attractive product portfolio and cash generating capability.

Sales:

Homeserve (£5.1m) – Reduced holding following the recently agreed all-cash bid from Brookfield.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 September 2022

Overseas Developed Markets Fund

The Fund generated a total return of 0.38% during the quarter compared to the composite benchmark return of 0.09% resulting in outperformance of 0.28%. The US was the best performing region (3.4%), while Pacific Ex-Japan was the weakest (-3.0%). The Europe ex-UK and US portfolios outperformed their respective benchmarks during the quarter, while Japan and Pacific ex-Japan underperformed. The Europe ex-UK portfolio's strong performance (+1%) had the largest positive contribution to the Fund's relative performance.

The Fund has navigated the volatility in markets, with differing regions showing strength and weakness at differing times. Interest rate sensitive stocks have come under pressure, certain cyclical sectors have recovered, and classic defensive sectors like consumer staples and healthcare have generally performed in line. Earnings expectations have remained relatively firm but are likely to move lower if the economy slows meaningfully.

The Fund has outperformed due to the following:

- Strong stock selection in Europe ex-UK; and
- Strong stock selection within Industrials and across most regions, together with relatively low exposure to Real Estate and Utilities.

This has been partly offset by:

- Weaker stock selection in Consumer Discretionary stocks; and
- Weaker stock selection generally in Japan.

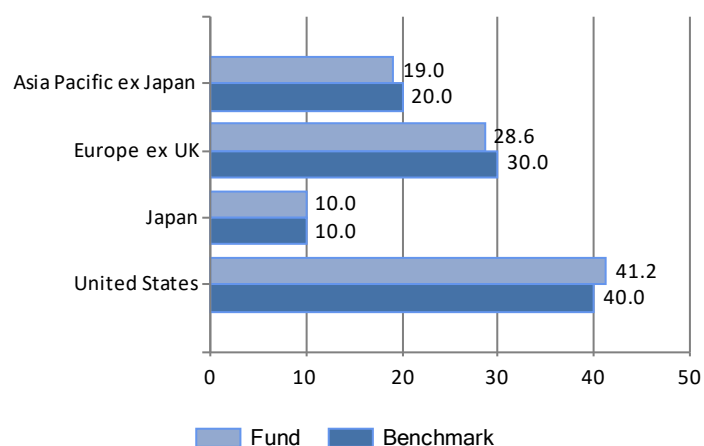
The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio 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 30 September 2022

Regional Breakdown



Overseas Developed Markets Fund

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

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

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

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

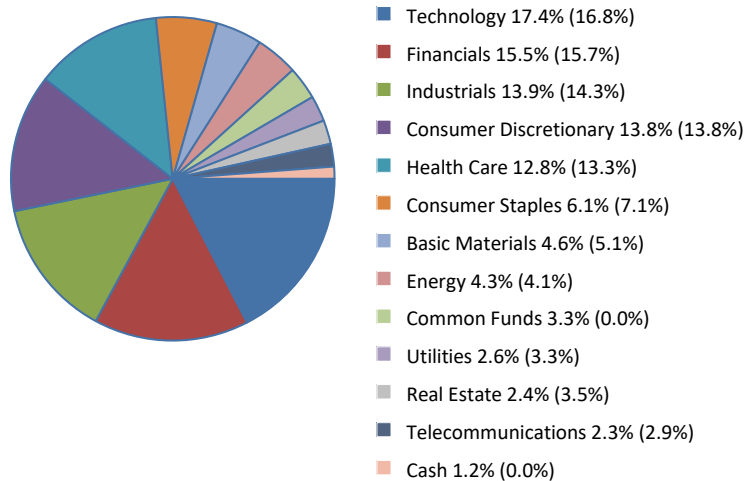
Fund	Inception to Date			Quarter			1 Year			3 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	7.21	5.94	1.27	0.38	0.09	0.28	(4.87)	(6.70)	1.83	7.11	5.61	1.50
United States	12.44	11.25	1.19	3.66	3.35	0.31	3.21	1.62	1.59	12.78	11.24	1.54
Japan	2.79	1.27	1.51	(0.55)	0.77	(1.32)	(15.41)	(13.98)	(1.43)	2.20	0.81	1.39
Europe ex UK	3.63	2.34	1.29	(1.39)	(2.43)	1.04	(9.12)	(13.61)	4.49	2.89	1.52	1.37
Asia Pacific ex Japan	4.07	2.65	1.42	(3.09)	(2.97)	(0.12)	(9.32)	(9.16)	(0.16)	4.02	2.42	1.59

Note

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

Border To Coast Overseas Developed Markets Equity Fund at 30 September 2022

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

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

Energy (o/w) – Small overweight position driven by overweight in Europe ex-UK, Pacific ex-Japan, and Japan offsetting small underweight in the US. Supply dislocations and disruptions likely to support higher prices in the medium term, generating strong cashflows with which to address the challenges of the energy transition and offer attractive returns for shareholders.

Real Estate (u/w) – High leverage leaves the sector exposed in a rising interest rate environment. Improving economies would ordinarily be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post-Covid world.

Consumer Staples (u/w) – Although favoured as a safe haven during recessions, high valuations and vulnerability to margin compression due to higher input costs and weaker end demand make the sector less attractive even with the uncertainty surrounding the economy.

Utilities (u/w) – Companies generally facing higher capital expenditure requirements necessary to position for the energy transition which is expected to challenge their business models and leave them facing increasing political risk.

Note

1) Source: Northern Trust

2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Border To Coast Overseas Developed Markets Equity Fund Attribution at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.84	4.25	0.00	0.00	0.11
ConocoPhillips	0.56	26.39	0.17	25.55	0.08
Deere & Co	0.43	21.78	0.12	21.58	0.05
Verizon Communications	0.00	0.00	0.21	(17.88)	0.05
TJX Companies	0.37	21.63	0.10	21.40	0.05

Vanguard Mid Cap ETF (o/w) – More muted valuation compression relative to larger companies resulted in outperformance.

ConocoPhillips (o/w) – Energy names continued to outperform despite a moderation in oil prices.

Deere & Co (o/w) – Shares were buoyed by firming agricultural commodity prices after a weak second quarter.

Verizon Communications (u/w) – Challenging combination of a levered balance sheet in the face of heavy capital commitments and growing price competition.

TJX Companies (o/w) – Better navigation of inventory and margin challenges than peers resulted in outperformance.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.94	28.56	(0.20)
Alphabet A	1.87	(4.53)	0.76	(4.50)	(0.05)
Hong Kong Exchanges & Clearing	0.52	(23.22)	0.36	(23.22)	(0.05)
Exxon Mobil	0.00	0.00	0.48	11.65	(0.05)
Sanofi	0.62	(17.07)	0.42	(17.04)	(0.04)

Tesla (u/w) – Resilient electric vehicle sales, potential leverage from new factory openings and strong management of supply chain challenges.

Alphabet A (o/w) – Ongoing concerns on the outlook for digital advertising which, owing to its ubiquity, is seen are being more exposed to the economy than in previous cycles.

Hong Kong Exchanges & Clearing (o/w) – Underperformed due to lower than average trade volumes and ongoing challenging business conditions.

Exxon Mobil (u/w) – Material exposure to positive outlook for LNG with energy companies continuing to outperform despite a moderation in oil prices.

Sanofi (o/w) – The company underperformed due to concerns with the ongoing lawsuit around Zantac, a popular antacid that has been alleged to cause cancer, which may result in considerable damages.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.84
Alphabet A	+1.11
Novo Nordisk	+0.60
Microsoft	+0.58
Visa Inc	+0.52
Tesla	-0.94
Alphabet C	-0.68
Exxon Mobil	-0.48
Mastercard	-0.32
AbbVie	-0.32

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – Provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

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

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

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.

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

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 results in a moderate overweight exposure to Alphabet overall.

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

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

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

Note

1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 September 2022

Fund	Inception to Date			Quarter to Date			1 Year			Benchmark
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	3.06	4.93	(1.87)	(1.26)	(2.39)	1.14	(10.56)	(8.84)	(1.72)	EM Equity Fund Benchmark ³
Border to Coast	1.75	4.43	(2.68)	6.32	5.86	0.45	(3.16)	(1.03)	(2.13)	FTSE Emerging ex China (Net)
FountainCap	(23.55)	(25.53)	1.98	(11.04)	(15.73)	4.69	(24.91)	(21.70)	(3.21)	FTSE China (Net)
UBS	(26.04)	(25.53)	(0.51)	(14.43)	(15.73)	1.30	(19.66)	(21.70)	2.04	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 30 September 2022

Emerging Markets Equity Fund

New quarter, same story. In Q3 2022, emerging market equities continued to struggle with slowing global growth and inflation concerns. China was again the laggard, with continued lockdowns and property market woes curtailing domestic demand. October's Communist Party Congress could yet be the positive impetus the market desperately needs.

Other areas of weakness were those Eastern European names on the periphery of Russia's war in Ukraine and growth-sensitive markets like Taiwan which suffered from increasingly pessimistic global trades expectations. Surprisingly, Turkey, despite sky-high inflation was the best performing market as the economy continues to perform strongly.

Against this tough backdrop, the Fund outperformed the benchmark by 1.1%, but delivered negative absolute returns (minus 1.3%). On a since inception to date basis, however, the Fund is still behind benchmark.

Looking through to the underlying mandates, the internally managed emerging markets ex. China portfolio had a strong relative quarter, outperforming its benchmark by 0.5%. Key contributors were stock selection in Energy (Petrobras) and Industrials (Bharat Electronics), as well as stock selection in Brazil (Petrobras and Itaú Unibanco) and Chile (SQM).

Despite negative absolute returns from China, the Fund's China specialists contributed meaningfully to relative performance, with the aggregate allocation 2.5% ahead of benchmark over the period (which was down ~16%). FountainCap, in particular, performed strongly (+5%), helping to claw back some year-to-date losses. Sungrow Power (renewables), Sonoscape Medical (ultrasound equipment) and Chow Tai Fook (jewellery) were key contributors. For UBS, stronger than market performance (though still negative) from top position Kweichow Moutai was the key driver of outperformance.

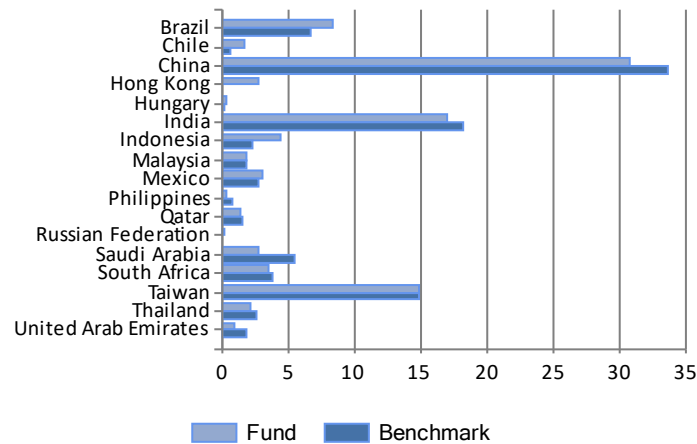
As we have discussed before, volatility is likely to persist throughout 2022 and longer. We also expect large regional dispersions to continue. Despite many headwinds, we are cautiously optimistic about the long-term prospects for emerging market equities. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning should help turn short-term volatility into opportunities.

Note

1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund at 30 September 2022

Regional Breakdown



Emerging Markets Equity Fund

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

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

Sector Weights:

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

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

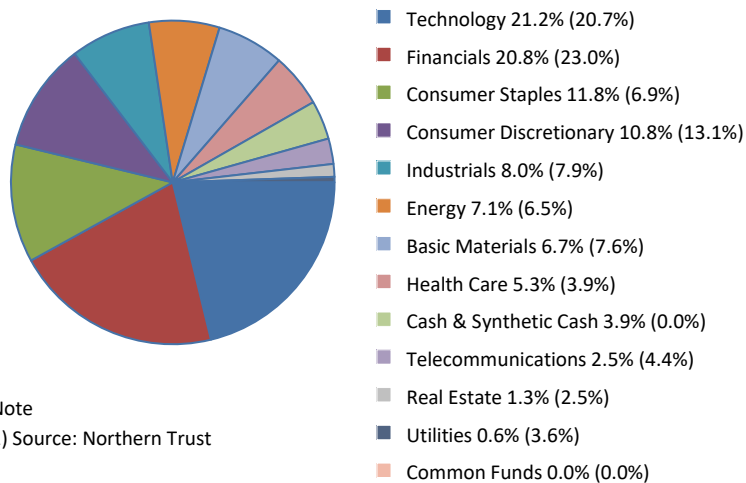
Energy (o/w) – The Fund is marginally overweight in the energy sector, taking positions in select names, like Petrobras, that trade cheaply despite strong cashflow generation and shareholder return.

Consumer Discretionary (u/w) – The Fund's underweight to this sector is primarily driven by the material underweight to Alibaba and other online marketplaces in China (such as JD.com and Pinduoduo). The Fund also has limited exposure to the Chinese electric vehicle sub-sector (which is now a relatively sizeable portion of the 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 underweighted to this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

Sector Portfolio Breakdown



Note

1) Source: Northern Trust

Border to Coast Emerging Markets Equity Fund Attribution at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Alibaba	0.96	(23.39)	2.70	(24.24)	0.52	Consumer Discretionary	China
Petrobras	1.84	35.47	0.56	37.54	0.45	Energy	Brazil
SQM	1.66	25.60	0.23	25.31	0.32	Basic Materials	Chile
Itau Unibanco	1.59	31.53	0.45	31.70	0.30	Financials	Brazil
ITC	1.35	27.89	0.22	28.28	0.27	Consumer Staples	India
Bharat Electronics	0.82	37.98	0.07	37.16	0.22	Industrials	India
ICICI Bank	1.15	29.38	0.30	29.28	0.21	Financials	India
Grasim Industries	0.86	35.19	0.14	34.64	0.20	Industrials	India
BYD	0.00	0.00	0.37	(32.67)	0.17	Consumer Discretionary	China
Banco Bradesco	1.13	21.54	0.34	21.66	0.16	Financials	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 30 September 2022

Positive Issue Level Impacts

Alibaba (u/w) – Alibaba continues to struggle on domestic consumption and competition fears. The stock had rallied somewhat in June but gave all this back again in Q3 2022. The Fund is materially underweight Alibaba and therefore this added to performance.

Petrobras (o/w) – Despite strong political pressure to lower gasoline prices for Brazilian households (effective subsidies), Petrobras has continued to adhere to a market based pricing mechanism and substantial capital has returned to shareholders. This has marked the company out as materially undervalued and contributed to strong share price performance.

SQM (o/w) – Is a leading low cost producer of fertilisers and lithium. A key concern facing the business was the potential for further taxation and environmental regulations. The defeat of the new constitution in the recent referendum was very supportive for the outlook and future profitability of SQM.

Itaú Unibanco (o/w) – Is a leading Brazilian banking franchise with a strong consumer business. The interest rate environment in Brazil (high, and ahead of inflation) is very supportive for Itaú and should support increased levels of profitability.

ITC (o/w) – As a leading Indian conglomerate, ITC has investments across hotels, consumer goods, agriculture and tobacco. The Indian economy has been recovering well post-COVID and this has translated into strong performance across all of ITC's divisions. Commodity price inflation that could affect its consumer division has been a boon due to its vertical integration, as both revenue and profitability in its agricultural division has been strong.

Note

1) Source: Northern Trust & Border to Coast

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

Border to Coast Emerging Markets Equity Fund Attribution at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Hong Kong Exchanges & Clearing	0.89	(23.24)	0.00	0.00	(0.25)	Financials	Hong Kong
China Merchants Bank	1.09	(21.36)	0.32	(21.90)	(0.20)	Financials	China
Netease	2.32	(11.09)	0.50	(10.24)	(0.19)	Consumer Discretionary	China
Hengli Hydraulic	0.58	(24.94)	0.01	(24.94)	(0.17)	Industrials	China
Petrobras	0.00	0.00	0.41	37.46	(0.14)	Energy	Brazil
Ping An Bank	0.73	(17.78)	0.04	(17.84)	(0.13)	Financials	China
LONGi Green Energy	0.45	(26.42)	0.06	(26.44)	(0.13)	Technology	China
Bajaj Finance	0.00	0.00	0.38	43.46	(0.12)	Financials	India
Kweichow Moutai	2.97	(6.35)	0.42	(6.32)	(0.12)	Consumer Staples	China
Chinasoft International	0.24	(34.59)	0.00	0.00	(0.12)	Technology	Hong Kong

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 30 September 2022

Negative Issue Level Impacts

Hong Kong Exchanges and Clearing (o/w) – 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. Weak operating results and fears that economic headwinds would continue to restrict volumes resulted in poor share price performance over the quarter.

China Merchants Bank (o/w) – A leading Chinese banking group. Slowing economic activity and fears over credit contagion from the property sector resulted in weak performance from the Chinese banking sector over the period. CMB was not immune from this weakness despite a strong market position.

NetEase (o/w) – Is a Chinese internet technology company that primarily develops and operates online PC and mobile games and content. Despite reasonably positive operating results in the period, the firm's share price tracked the broad market lower, ending the period some 10% down.

Hengli Hydraulic (o/w) – Is a leading producer of hydraulic equipment for use in heavy machinery (like excavators). Property market woes and the general slowing of economic activity weighed on the firm's share price during the quarter.

Petrobras (Common Shares) (u/w) – The Fund is overweight in aggregate to Petrobras but does not own the Common Shares.

Note

1) Source: Northern Trust & Border to Coast

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

Border to Coast Emerging Markets Equity Fund at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.55
Netease	+1.82
SQM	+1.43
Petrobras	+1.28
Itaú Unibanco	+1.13
Alibaba	-1.73
China Construction Bank	-0.98
Tencent	-0.72
ICBC	-0.67
Baidu	-0.59

Top 5 Holdings Relative to Benchmark:

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

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

SQM – Is a leading low cost producer of fertilisers and lithium from the Atacama desert in Chile. The firm's low cost production base has placed it in an enviable position to cater for the growing demand for lithium from battery demand driven by the electronic vehicle boom.

Petrobras – The state-owned Brazilian oil and gas company. Despite increasing political pressure to help manage the rising cost of gasoline and diesel, Petrobras continues to benefit from a high oil price which should underpin its strong cashflow generation and generous dividend payments.

Itaú Unibanco – Is one of the best run banks in Brazil with a leading consumer franchise. Brazil's proactive approach to tackling inflation has set the foundation for banks like Itaú to return to pre-COVID levels of profitability and loan growth.

Bottom 5 Holdings Relative to Benchmark:

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

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

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.

Industrial and Commercial Bank of China – 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.

Baidu – Operates a Chinese internet search engine (think Google in China). The Chinese internet sector continues to remain under pressure (from regulation) and, for Baidu in particular, a slow recovery in advertising revenue could constrain any upside from other business units (e.g. autonomous driving).

Major Transactions During the Quarter

Purchases:

Elite Material (New Addition, £4m) – Produces halogen-free substrates for printed circuit boards, which are the building block for most electronic products. Elite Material has a technological lead which provides it with a sustainable competitive advantage. This allows it to charge higher prices and generate better margins. In addition, the broadening utilisation of its products provides both diversification and the potential for higher growth than the market currently anticipates.

Shenzen Inovance Tech (New Addition, £1m) – Leading manufacturer that produces and sells automate control products such as low frequency converter, servo drive, and programmable logic controller (PLC) to EV, solar, and other new energy sectors. The company has a strong record in management capabilities that can be employed to capture China's automation demand and contribute to its market share increase as well as sustaining its long-term competitiveness.

Note

1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.84	0.00	0.11
ConocoPhillips	0.56	0.17	0.08
Deere & Co	0.43	0.12	0.05
Verizon Communications	0.00	0.21	0.05
TJX Companies	0.37	0.10	0.05

Vanguard Mid Cap ETF (o/w) – More muted valuation compression relative to larger companies resulted in outperformance.

ConocoPhillips (o/w) – Energy names continued to outperform despite a moderation in oil prices.

Deere & Co (o/w) – Shares were buoyed by firming agricultural commodity prices after a weak second quarter.

Verizon Communications (u/w) – Challenging combination of a levered balance sheet in the face of heavy capital commitments and growing price competition.

TJX Companies (o/w) – Better navigation of inventory and margin challenges than peers resulted in outperformance.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.94	(0.20)
Alphabet A	1.87	0.76	(0.05)
Exxon Mobil	0.00	0.48	(0.05)
Charter Communications	0.14	0.04	(0.04)
PayPal	0.00	0.13	(0.03)

Tesla (u/w) – Resilient electric vehicle sales, potential leverage from new factory openings and strong management of supply chain challenges.

Alphabet A (o/w) – Ongoing concerns on the outlook for digital advertising which, owing to its ubiquity, is seen are being more exposed to the economy than in previous cycles.

Exxon Mobil (u/w) – Material exposure to positive outlook for LNG with energy companies continuing to outperform despite a moderation in oil prices.

Charter Communications (o/w) – Financially levered in the face of increasing price competition and moderating demand for broadband cable.

PayPal (u/w) – Recovery from record low relative to the market reached in the previous quarter.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.84
Alphabet A	+1.11
Microsoft	+0.58
Visa Inc	+0.52
Chevron	+0.43
Tesla	-0.94
Alphabet C	-0.68
Exxon Mobil	-0.48
Mastercard	-0.32
AbbVie	-0.32

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – Provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

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

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.

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

Chevron – Preferred integrated oil company, providing diversified exposure to elevated energy prices.

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 results in a moderate overweight exposure to Alphabet overall.

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

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

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

Major transactions during the Quarter

Sales:

Broadcom Inc (£2.9m), NVIDIA Corp Inc (£2.8m) and Texas Instruments Inc (£2.6m) – reduced exposure to the semiconductor sector on concerns of a cyclical slowdown and a possible inventory overhang resulting from overordering through the recent supply drought.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Munich Re	0.48	0.17	0.04
Telefonica	0.00	0.08	0.03
Prosus	0.00	0.23	0.03
Enel SPA	0.00	0.16	0.03
Vonovia	0.00	0.09	0.02

Munich Re (o/w) – The reinsurance company confirmed their profit guidance in spite of a more challenging macroeconomic environment. The sector is becoming more defensive as it offers companies with robust balance sheets and strong capital returns.

Telefonica (u/w) – The Spanish telecom company underperformed on growing fears that it may not be as immune from broader macro pressures as previously thought.

Prosus (u/w) – Negative impact of higher interest rates on the high valuations of technology growth stocks.

Enel SPA (u/w) – Visibility of returns impacted by high gas and power prices (reduced margins) and regulatory uncertainties.

Vonovia (u/w) – The German real estate developer has underperformed due to concerns regarding highly leveraged companies in a rising interest rate environment.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Sanofi	0.62	0.42	(0.04)
Koninklijke Philips	0.18	0.07	(0.03)
Orange	0.23	0.09	(0.03)
Teleperformance	0.33	0.07	(0.03)
Continental	0.00	0.02	(0.03)

Sanofi (o/w) – The company underperformed due to concerns with the ongoing lawsuit around Zantac, a popular antacid that has been alleged to cause cancer, which may result in considerable damages.

Koninklijke Philips (o/w) – Impacted by reduced sales guidance due to inflationary pressures and supply chain troubles, as well as legal action over the safety of one of its products.

Orange (o/w) – Revenue declined due to ongoing competition in the telecom sector, particularly in Spain.

Teleperformance (o/w) – A growth stock with a high valuation failed to beat analyst expectations in the latest results update.

Continental (o/w) – Impacted by the Ukraine invasion, disrupted supply chains and the shortage of electronic components, as well as price increases for raw materials, energy and logistics.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.60
TotalEnergies	+0.47
AXA	+0.36
LVMH	+0.32
Schneider Electric	+0.31
Zurich Insurance Group	-0.30
Prosus	-0.23
Mercedes-Benz	-0.22
EssilorLuxottica	-0.21
Banco Santander	-0.20

Top 5 Holdings Relative to Benchmark:

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

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.

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

LVMH – A strong management team with a good understanding of the luxury end of the market, and potentially less impacted by a consumer slowdown with a focus on high net worth customers.

Schneider Electric – Well-run global company positioned in the structural growth markets in Energy Management and Industrial Automation.

Bottom 5 Holdings Relative to Benchmark:

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

Prosus – Concerns over concentrated exposure in its largest investment, Tencent (Chinese technology company) and a management team that is not always considered to be aligned with shareholders.

Mercedes-Benz – Concerns that margins are peaking, and valuation is high relative to peers.

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

Banco Santander – Considered to be one of the weakest banks in the sector with concern over its future direction.

Major transactions during the Quarter

Purchases:

Inditex (£3.7m) – Reinvesting proceeds from the sale of H&M, higher quality company with a strategy expected to generate higher future returns.

Sales:

H&M (£5.7m) – Full disposal due to potential impact from currency movements and increased input prices.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Pan Pacific International	0.15	0.02	0.02
Ballie Gifford Shin Nippon	0.31	0.00	0.02
ZOZO	0.12	0.01	0.02
MatsukiyoCocokara	0.14	0.02	0.02
HOYA	0.19	0.10	0.02

Pan Pacific International (o/w) – Discount store chain benefited from strong results and solid forward guidance.

Baillie Gifford Shin Nippon (o/w) – Stronger performance from underlying holdings and a stabilisation in the Yen, current discount to net asset value provides further scope for performance improvement.

ZOZO (o/w) – Online fashion operator benefited from good results and receding fears of losing market share to physical operators as Covid risks recede.

MatsukiyoCocokara (o/w) – Drug store chain operator supported in the recent market shift to more defensive domestic names, as well as potential growth and synergies from the Cocokara acquisition.

HOYA (o/w) – Manufacturer of electro-optics products has benefitted from solid earnings and recent addition to the flagship Japanese index.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tokyo Electron	0.27	0.11	(0.03)
Daiichi Sankyo	0.00	0.16	(0.03)
Sony	0.38	0.25	(0.02)
Eisai	0.00	0.04	(0.01)
Shiseido	0.00	0.04	(0.01)

Tokyo Electron (o/w) – Manufacturer of semiconductor manufacturing machines impacted by the recent market aversion to growth and technology themes, combined with continued expectations of falling microchip demand.

Daiichi Sankyo (u/w) – A strong quarter from this volatile pharmaceutical company on more positive news regarding trials of its breast cancer drug, Enhertu (developed jointly with AstraZeneca).

Sony (o/w) – Although results were roughly in line with expectations Sony has continued to be weighed down by the market aversion to growth and technology themes.

Eisai (u/w) – Share priced leapt by over 30% at the end of September on unexpectedly positive trial results for Alzheimer drug.

Shiseido (o/w) – Impacted by further delays to inbound tourism from China and concerns about brand positioning – position has been exited.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.31
Hitachi	+0.21
Shin-Etsu Chemical	+0.19
Sumitomo Mitsui Financial	+0.19
Mitsubishi UFJ Financial	+0.18
Daiichi Sankyo	-0.16
Honda Motor	-0.11
Mitsui & Co	-0.10
NTT	-0.10
Mizuho Financial	-0.08

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – Focussed on growth stocks, with strong long-term relative performance.

Hitachi – The benefits from restructuring are becoming apparent as the company enters a new growth phase, with a strong balance sheet supporting increased returns for shareholders.

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

Sumitomo Mitsui Financial – Exposure to the banking sector is obtained via the larger banks as these are likely to be better managed with improved governance compared to the regional banks.

Mitsubishi UFJ Financial – Exposure to the banking sector via larger banks.

Bottom 5 Holdings Relative to Benchmark:

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

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

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

NTT – Preference for KDDI as a purer play in the mobile and broadband sector.

Mizuho Financial – Exposure to the banking sector through Sumitomo Mitsui Financial and Mitsubishi UFJ Financial.

Major transactions during the Quarter

Purchases:

Kansai Electric Power (£6.7m) – New holding, resuming exposure to the utility sector due to potential for a rerating on the restart of nuclear power production.

Sales:

Toyota Motor (£6.0m) – Reduced overweight on concern that global recession may reduce pent up demand caused by chip shortages, and raw material costs may reduce profit margins.

Note

1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
DBS Group	0.55	0.35	0.03
Samsung Electronics Prefs	0.00	0.22	0.03
Kakao	0.00	0.10	0.02
Qantas Airways	0.16	0.02	0.02
CSL	0.91	0.73	0.01

DBS Group (o/w) – Continued to enjoy rising net interest margins on the back of rising interest rates and dollar strength whilst keeping costs controlled and improving shareholders’ returns via higher dividends.

Samsung Electronics Prefs (u/w) – Underperformed due to impact of slowing economic growth on demand for its memory chips and consumer electronic products.

Kakao (u/w) – Underperformed on concerns relating to the deteriorating environment and increased competition for its advertisement, e-commerce and internet related services as a result of slowing economic growth.

Qantas Airways (o/w) – Outperformed due to strong passenger demand, a strong competitive position in the domestic market, improving balance sheet and announcement of a share buyback.

CSL (o/w) – Benefitted from recovering plasma donations in the US and the operational leverage provided by its technological edge on plasma collection.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Hong Kong Exchanges & Clearing	0.52	0.36	(0.05)
SK Innovation	0.16	0.04	(0.04)
AIA Group	1.02	0.83	(0.04)
Samsung Electronics	1.83	1.46	(0.04)
NAVER	0.30	0.16	(0.04)

Hong Kong Exchanges & Clearing (o/w) – Underperformed due to lower than average trade volumes and ongoing challenging business conditions.

SK Innovation (o/w) – Impacted by expectations of lower refining and petrochemical margins, less benefits from the US stimulus package, and a tougher financing environment for its expanding EV battery business.

AIA Group (o/w) – Impacted by difficult operating conditions due to protracted Covid-related restrictions in Hong Kong and China.

Samsung Electronics (o/w) – See Samsung Electronics Prefs above.

NAVER (o/w) – In a similar position to Kakao (above) the company continued to underperform on concerns relating to the deteriorating environment for its advertisement and e-commerce businesses as a result of slowing economic growth and increased competition.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.37
Techtronic Industries	+0.22
DBS Group	+0.20
Samsung SDI	+0.20
AIA Group	+0.19
Samsung Electronics Prefs	-0.22
UOB	-0.20
Celltrion	-0.11
Kia	-0.11
Kakao	-0.10

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; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Techtronic Industries – The group’s technology leading focus on cordless power tools market should lead to improving margins and market share as global penetration continues rising on the back of innovative products.

DBS Group – Leading bank in Singapore trading at a justified premium on the back of its superior returns, capital position and digitalization strategy whilst benefiting from rising interest rates in Singapore and Hong Kong.

Samsung SDI – One of the global market leaders in terms of the development of EV batteries with attractive competitive position in premium EV battery cells and small-size batteries.

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

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.

Celltrion – Position was exited in early 2022 as reports of accounting regularities emerged as well as concerns over the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

Kia – preference for Hyundai Motor and Hyundai Mobis in the Korean autos sector although this positioning is currently under review.

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

Major transactions during the Quarter

Purchase:

Woodside Energy Group (£5.3m) – added on relative weakness and would be a beneficiary of higher oil prices.

Note

1) Source: Northern Trust

Market Background at 30 September 2022

The third quarter was a tale of two halves. For the first half, markets enjoyed a rally driven by the sense that inflation in the US was peaking and the Federal Reserve would be less aggressive in raising interest rates. By mid-August equity markets had recovered nearly half of their fall in 2022 and bond yields had trended lower despite a mixed picture of the relative strength of the US economy. Continued strength in economic data and high inflation resulted in stronger language from the Fed, bond yields rebounded by ~100bps in anticipation of further monetary tightening, and equity markets retreated. It doesn't appear that the Fed are going to back off from further interest rate rises to curb inflation, despite signs that the economy may be weakening. Monetary tightening is being mirrored by other central banks which suggests that a global recession is a real possibility. A side effect of the Fed's aggressive stance is dollar strength which has been compounded by its traditional safe haven status. This does little to alleviate inflationary pressures around the world.

For Europe in particular, the economic headwinds presented by higher interest rates are compounded by the gas supply crisis. With Russia squeezing supplies ever tighter and showing every sign that it is prepared to halt them entirely, Europe is facing the prospect of severe disruptions this winter despite higher than hoped for storage levels. The only way a crisis will be averted is by fortune (normal or mild winter) or force majeure (enforced demand curtailment). Industrial users have already responded to the high gas price and reduced demand, but early signs are that consumers have yet to respond with lower consumption. The substantial support package in Germany, ahead of broad EU agreement, was unhelpful in reaching a coordinated approach.

In the UK, there was a significant adverse reaction to the "mini-Budget". Markets do not like uncertainty and an unfunded package of significant tax cuts without an independent assessment of the impact resulted in a few days of chaos with a sharp rise in gilt yields and a short-term collapse in sterling. The potential "doom loop" of forced selling of gilts to meet collateral calls also highlighted that there are some flaws with the plumbing of the financial system. The Bank of England's announcement to purchase government bonds soothed

market fears without having to use much of this firepower, although markets remain nervous.

The Ukraine crisis appears to have swung back in favour of the defenders and their NATO backers but has raised fears that Putin may double down on his stance and raise the stakes even higher. The prospect of potential regime change in Russia is not one that is very comforting as it seems as likely to be an equally hard-line would be adopted by any new regime. Thus, the war seems likely to drag on with increasing economic cost and tail risks around more extreme negative outcomes.

In aggregate, global equity markets (MSCI ACWI) produced a return of 2.1% in sterling terms during the quarter, but this return was flattered by sterling weakness with a dollar return of -6.7%. Developed Markets (+2.8%) outperformed Emerging Markets (-3.1%) as China weakened due to ongoing Covid lockdown restrictions. The US was the most resilient major developed market whilst the UK and Europe ex-UK were the weakest.

At a sector level, Consumer and Energy outperformed which supported the notion of a peaking in the interest rate cycle although this was contradicted by weakness in Real Estate, Utilities and Telecoms which tend to be more sensitive to higher interest rates. This perhaps supports the view that short rates could peak sooner but long rates remain higher in the event of a mild recession and subsequent recovery. However, it is also possible that the Consumer sector was rebounding from a weak second quarter and the Energy sector continued to be buoyed by high prices.

As we enter the final quarter of the year, it seems most market participants share the belief that the world's central banks will regain control over inflation, assisted to some degree by a natural rebalancing of supply dynamics across both the commodity space and global supply chains. The debate now seems firmly centred on whether central banks will pause too early and risk a resurgence in inflation which may be difficult to tame or overshoot and cause a deeper contraction in economic activity. With financial markets having already shown signs

Note

1) Source: Border to Coast

Market Background at 30 September 2022

of structural dysfunctionality in recent weeks, this latter scenario could have profound repercussions.

To complicate the picture a little further, central banks are removing, and in some cases reversing, the unconventional monetary stimulus provided by quantitative easing that has supported economic growth, and asset prices, for the last decade. Being a net seller at the same time as governments increasing debt issuance to fund support for higher energy prices will have a significant impact on the supply/demand balance and, ultimately, bond yields. As witnessed recently, it does not take much to cause significant volatility in the bond markets under current conditions, and this is a source of risk as we progress through this cycle.

It should be noted that, despite the weak economic backdrop, we have not seen a sharp fall in corporate earnings which, in certain areas, have remained robust. Nor have we seen much of a correction in earnings expectations, although analysts are notorious for not anticipating slowdowns.

It seems an act of consistency and reason, rather than laziness, to conclude the market summary with only a few amendments to the same words we concluded the market summary last quarter.

“In the face of these risks it is natural that valuations of equity markets move lower, and they have. By many measures they now incorporate the risk of a mild recession. Further adjustment will be necessary though if a recession proves deeper. The comfort is that both consumer and industrial balance sheets are in a healthy state, over-inflated property markets are confined to a few smaller economies such as Canada, and the global banking system is seemingly well-capitalised. Those looking for clouds can easily find them though in the shape of high levels of government debt, inflated central bank balance sheets, and weak political incumbents in most of the Western democracies, Europe’s need to adjust to permanently higher energy prices, and China’s continuing reliance on lockdowns to suppress Covid.”

“The global economy is at a juncture which presents multiple risks for investors, with the possibility of a mild global recession reliant upon central banks not prioritising the restoration of their reputations above all else and the potential for further geopolitical events and financial market dislocations to add even more volatility to the mix. In this context, and even in light of the weakness in equity markets and thus incorporation of a degree of these concerns into investor expectations, it remains more likely that equity markets will move lower than higher over the remainder of the year. Careful stock selection, and conservative positioning, thus seem appropriate.

Note

1) Source: Border to Coast

Border to Coast News

People:

- We are delighted to confirm that Mark Lyon, currently our Head of Internal Management, is to take on a new role of Deputy Chief Investment Officer. In addition, Ian Sandiford has been promoted into a new role of Head of Alternatives, Richard McBeath has been promoted into a new role of Senior Portfolio Risk Manager, and Daniel Loughney has been promoted into a new role of Senior Portfolio Manager – Fixed Income.
- We are pleased that four new graduates have joined our Graduate Programme. The graduates will spend time across the different investment teams to gain hands-on experience.

Investment Funds:

- Townsend Group have been appointed to support the development of Border to Coast's global Real Estate proposition. As a consultant, it will work in close partnership with Border to Coast to help leverage the scale of pooling, expanding access to cost-effective investment opportunities in global real estate. This marks a key step in the launch of real estate investments for Border to Coast's Partner Funds.
- We have appointed Northern Trust (NT) as our Third-Party Administrator (TPA) and Depositary to support the development of our real estate investment capabilities. NT will deliver fund accounting, custody services and investment operations support for the real estate offering, alongside depositary services. The appointment marks an important step in the ongoing development of the real estate offering, and further builds on the strong relationship we have built with NT in recent years.

Responsible Investment:

- Early in the quarter, we published both our Annual Responsible Investment and Stewardship (RI) Report and Taskforce on Climate-related Financial Disclosures (TCFD) Report for 2021/22. The report sets out our work as a responsible investor during 2021/22, highlight the strength of the collective voice provided by pooling, and the positive impact it can have. The RI Report provides a detailed view into our approach to

stewardship and the management of the investment risks and opportunities associated with ESG factors, demonstrating our commitment to the UK Stewardship Code. The 2021/22 period was our third year of reporting in line with the recommendations of the TCFD. The report details our approach to managing climate-related risks and opportunities within the four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets.

- We recently launched our Net Zero Implementation Plan detailing how we will address the systemic risk of climate change, drive reductions in real world carbon emissions, and reduce our carbon footprint to Net Zero by 2050 or sooner. The plan demonstrates how we will continue to leverage our collective scale and influence to proactively engage with companies to decarbonise and create investment propositions aligned with net zero emission goals. The plan is aligned with the global goals of the Paris Agreement and follows the Net Zero Investment Framework (NZIF) set by the Institutional Investors Group for Climate Change (IIGCC). Its publication comes a year after we formally committed to the 2050 goal and joined the Net Zero Asset Managers' initiative.

Other News:

- A huge thank you to everyone who attended our annual conference at the end of September. It was the fifth time we have gathered in Leeds and we hope you found it an insightful, interesting, and enjoyable two days.

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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Fund List and Inception Dates

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