

Border to Coast Pensions Partnership Ltd

Teesside
Pension Fund

14 December 2022



Agenda

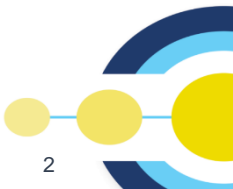
1. Recent Developments

- Border to Coast Update
- Personnel Update
- Fund Launch Pipeline
- RI Policies Review
- TCFD

2. Investments Summary

3. Equity Fund Performance

4. Alternatives Update



Border to Coast Pensions Partnership Ltd

Recent Developments



Border to Coast

WHAT

- Founded to manage assets for our LGPS Partner Funds, who own Border to Coast equally

HOW

- Providing the building blocks for Partner Funds to implement their investment strategies

WHO

- Our Partner Funds represent c2,800 employers and are responsible for paying the benefits of c.1 million members

Highlights from FY 21/22:

11

Partner Funds
Invested
c.£60bn assets in total

£38.3bn

Assets under Management

£14m

of savings

Pledged to be
Net Zero
by 2050
or sooner

£9.7bn

Private Markets
Commitments

Colleagues

139

Propositions
launched to date

13

Voted on

12,206

Shareholder Resolutions

Engaged with companies

1,672

times

Welcoming our new CIO: Joe McDonnell

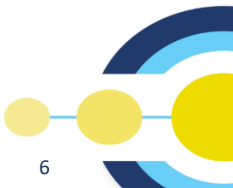
- We are delighted that Joe McDonnell will be joining us in early January 2023 as our new Chief Investment Officer.
- Joe is currently Managing Director, Head of Portfolio Solutions, at Neuberger Berman. He has held several investment leadership roles including ten years at Morgan Stanley and, before that, internal asset management at Shell and IBM.
- John Harrison will be stepping back from his current role as interim CIO. We are delighted that John will continue as an advisor on our Investment Committee.



Border to Coast Team

CEO: Rachel Elwell					
Interim-CIO: John Harrison	Deputy-CEO: Fiona Miller		CRO: Richard Charlton	CSO: Ewan McCulloch	CPO: Peri Thomas
Investment Team	Operations Team	Corporate Functions	Risk & Compliance Team (2 nd Line)	CRM, Policy, Comms	HR
53 people	11 people	33 people	7 people	6 people	3 people

- Team of 119 in total (as at June 2022)

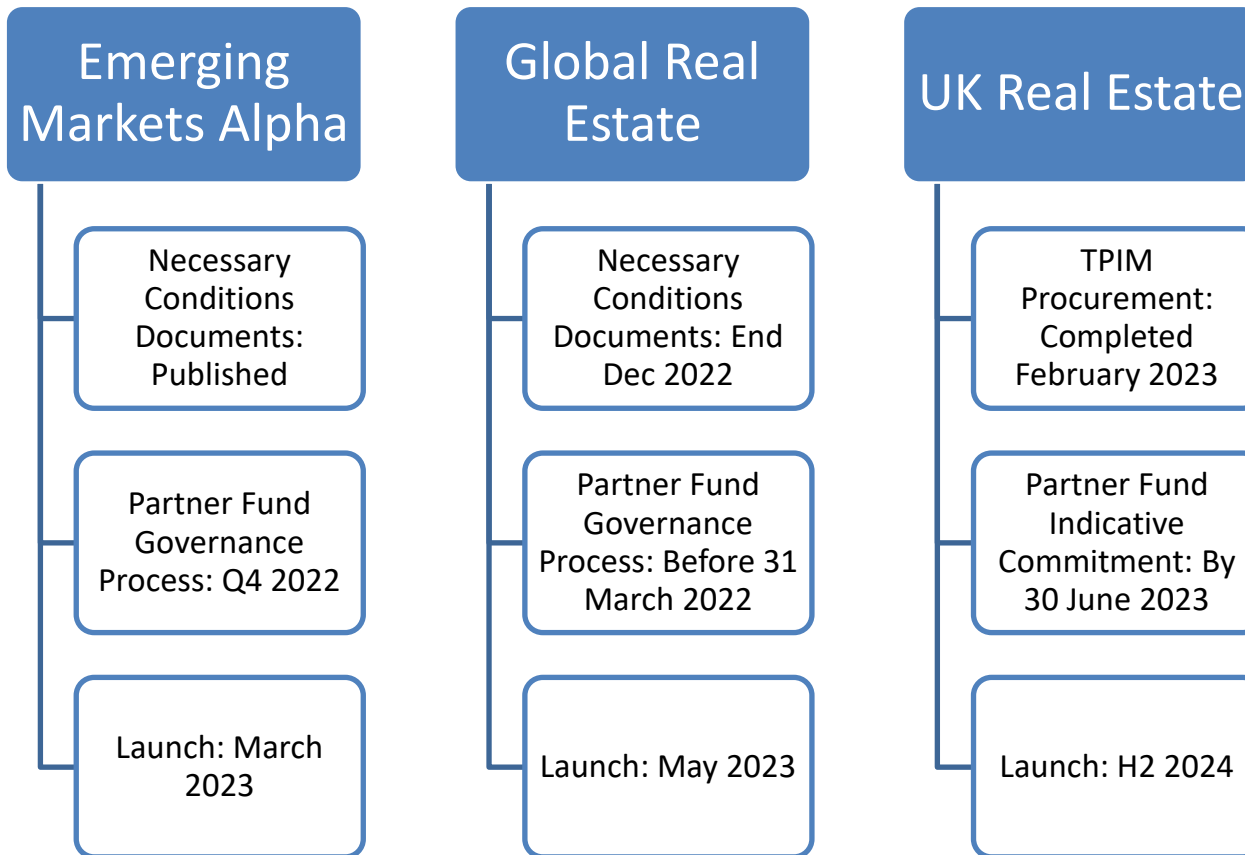


Investment Strategy – Asset Capability Launch Timetable

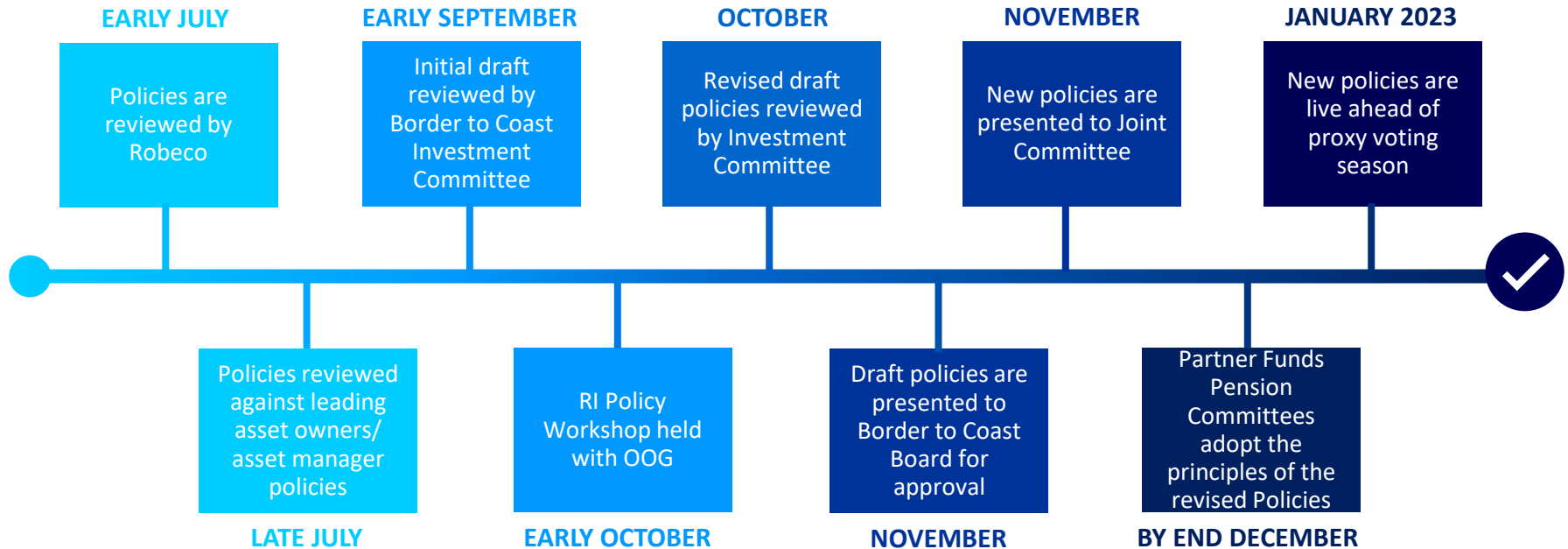
	Scheduled 2022	Scheduled 2023	Scheduled 2024	Scheduled 2025
Equities	<i>UK Alpha - review</i>	<i>Emerging Markets Alpha</i>	<i>Overseas Dev Equity Review</i>	
	<i>Global Alpha - change implementation</i>		<i>ESG / Factor Index-Tracking</i>	
Alternatives	<i>Listed Alternatives</i>	<i>UK Opportunities</i>		
	<i>Series 2a</i>	<i>Series 2b</i>	<i>Series 2c plus next Climate Opps</i>	<i>Series 3</i>
			<i>Cashflow Mgmt</i>	
Fixed Income		<i>Green, Social and Sustainable Bonds</i>		
Real Estate		<i>Global Real Estate</i>		
			<i>UK Real Estate</i>	
Other	<i>Climate Change Strategy</i>	<i>Responsible Investment Strategy</i>		<i>Review of Climate Change Strategy</i>
		<i>Currency Hedging</i>	<i>Rebalancing</i>	
		<i>Income Distribution</i>	<i>Equity Protection/Hedging</i>	
	<i>Delivered</i> <i>Delivery within tolerance</i>	<i>Forecast Delivery Date</i>	<i>Work to do to agree with PF how to take forward</i>	



Fund Launches: Key Dates

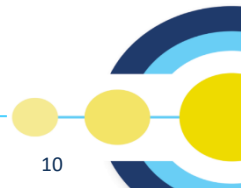


RI Policies annual review process



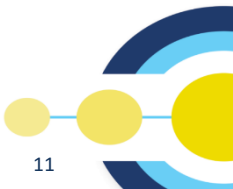
TCFD consultation – key requirements

- Establish and maintain a Governance approach for oversight of climate risks and opportunities.
- Assess impact of climate related risks/opportunities on funding and investment strategies.
- Carry out scenario analysis at least once in each valuation period reflecting different temperature pathway alignments (one being Paris aligned).
- Establish and maintain processes for identifying/managing climate related risks and opportunities.
- Report on minimum of four defined climate metrics, measured and disclosed annually.
- Set a (non-binding) target in relation to one metric, chosen by the Authority.
- AAs will need to publish an annual climate risk report.
- Scheme Advisory Board to prepare an annual report, linking to LGPS reports and aggregate figures for the four defined metrics.
- Take proper advice and have the knowledge and skills required.



TCFD consultation

- DLUHC launched TCFD consultation on 1st September - deadline 24th November.
- No surprises – similar to requirements for occupational pension schemes.
- Some differences:
 - No staged implementation
 - Regs to be in place by April 2023
 - First reporting year 2023-24, report required by December 2024
 - Data quality proposed as a mandatory metric
 - SAB produce a Scheme Climate Risk Report
- Refers to the role of pools in supporting AAs regarding conducting analyses of both pooled and non-pooled assets - joint procurement for scenario analysis/legacy assets data?
- Border to Coast have drafted a response and shared with Partner Funds for comments.
- Encourage Partner Funds to respond to the consultation.



Border to Coast Pensions Partnership Ltd

Teesside Pension Fund – Investments Summary



Teesside – Valuation & Commitments

Listed Investments	Teesside Value (as at 30/09/2022)	Total Fund Value (as at 30/06/2022)
	£	£
UK Listed Equity Fund	574m	3.3bn
Overseas Developed Markets Equity	1,480m	5.2bn
Emerging Markets Equity	203m	940m

Alternative Investments	Teesside Commitment (Series 1)	Teesside Commitment (Series 2A)	Total Series 1 Commitment (all Partner Funds)	Total Series 2A Commitment (all Partner Funds)
	£	£	£	£
Infrastructure	200m	150m	2,455m	1,025m
Private Equity	200m	100m	1,720m	705m
Private Credit	-	-	1,501m	985m
Climate Opportunities	-	80m	-	1,350m

Source: Border to Coast.

Past performance is not a reliable indicator of future performance and is not guaranteed.

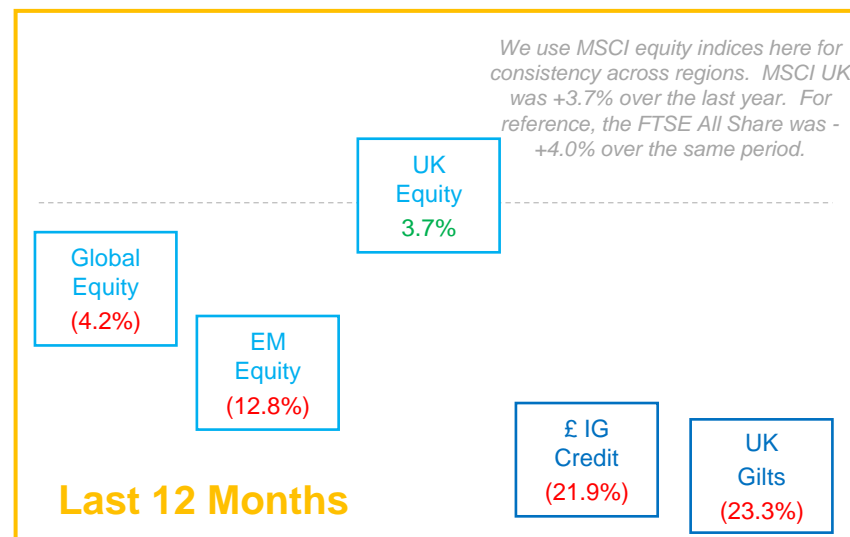
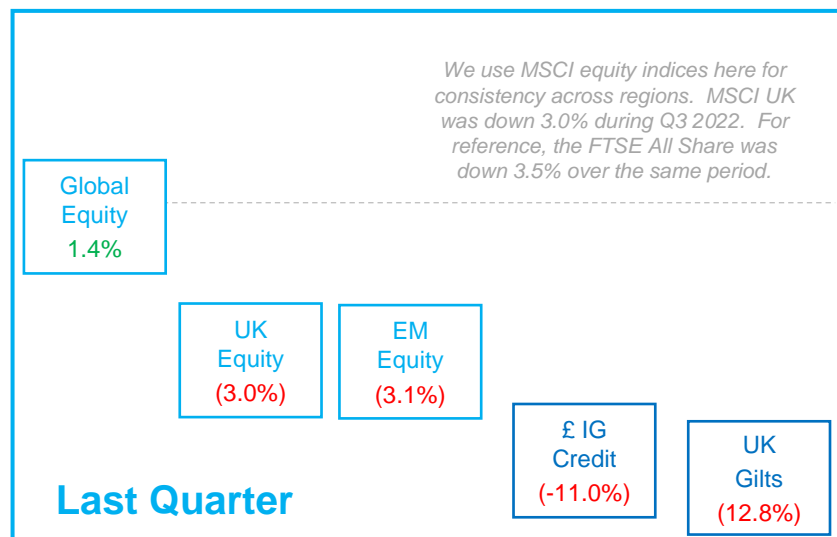
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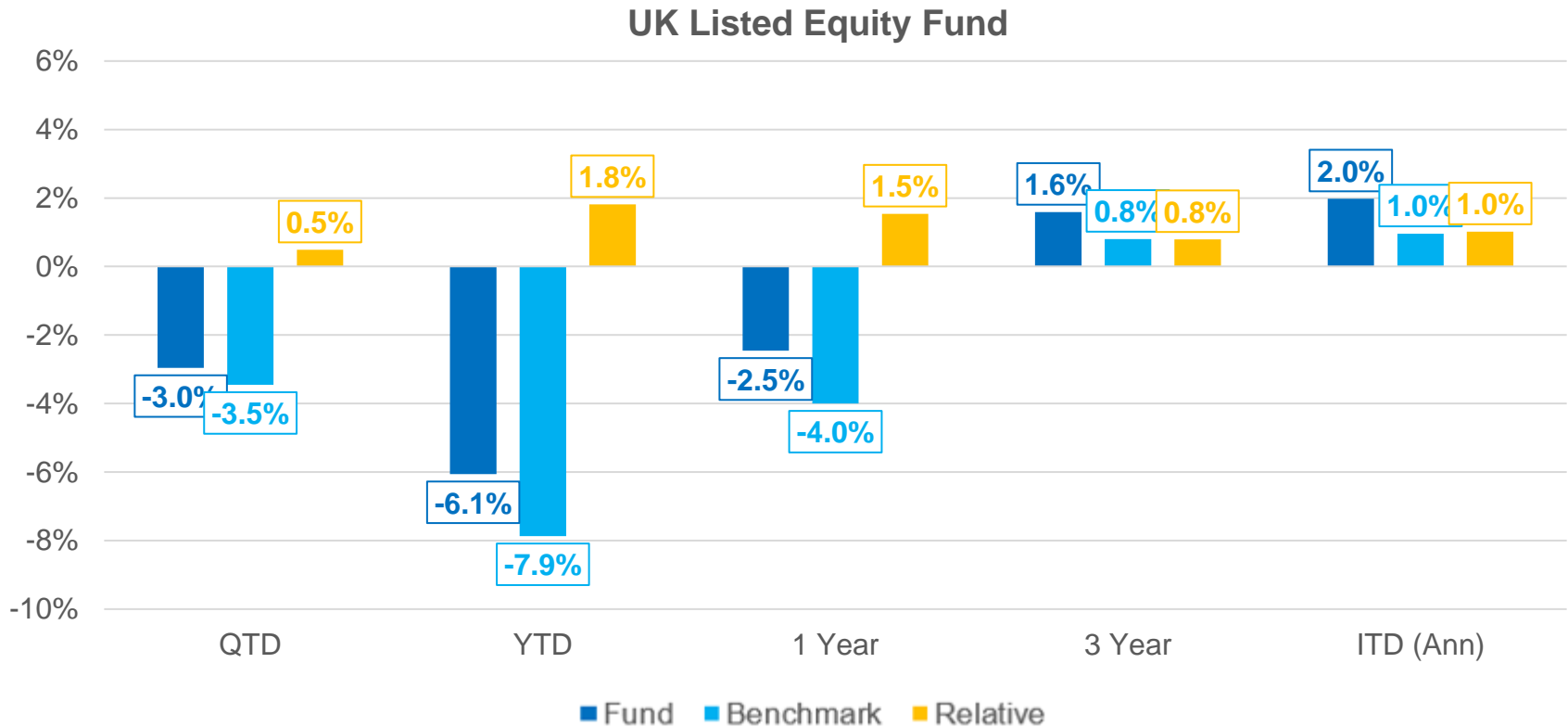
Equity Fund Performance – Q3 2022

Market Movements (to 30 September 2022)



- Market turbulence continued through Q3, which could be attributed to the now familiar macroeconomic themes (e.g., geopolitical unrest, energy prices). Central Banks are continuing to act in combatting soaring price levels by **raising interest rates at speed**, which has had the effect of increasing the discount rate used to value equities and reducing prices.
- Having traded largely sideways for much of Q3, a largely un-funded fiscal plan announced by the UK government – **already challenging macroeconomic backdrop** - resulted in significant weakness experienced across Sterling based assets into the end of the period.

UK Listed Equity Fund – Performance to 30 September 2022



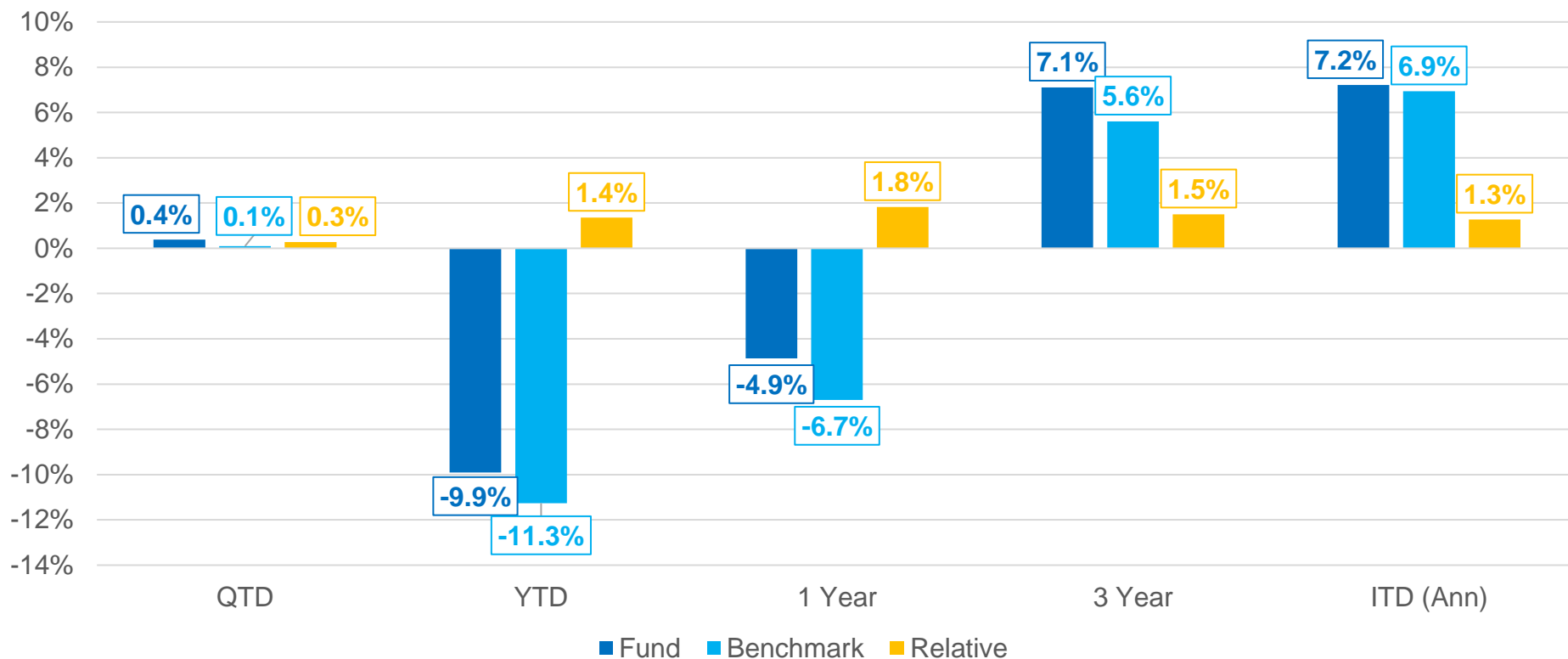
- Performance benefitted from good selection in consumer discretionary and healthcare stocks, together with relatively lower exposure to the consumer discretionary sector and higher exposure to the materials sector
- Performance showing an improving trend in recent months as portfolio changes beginning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

Source: Northern Trust, Border to Coast **Note:** Inception date: 26 July 2018.

Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

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Overseas Developed Equity Fund – Performance to 30 September 2022

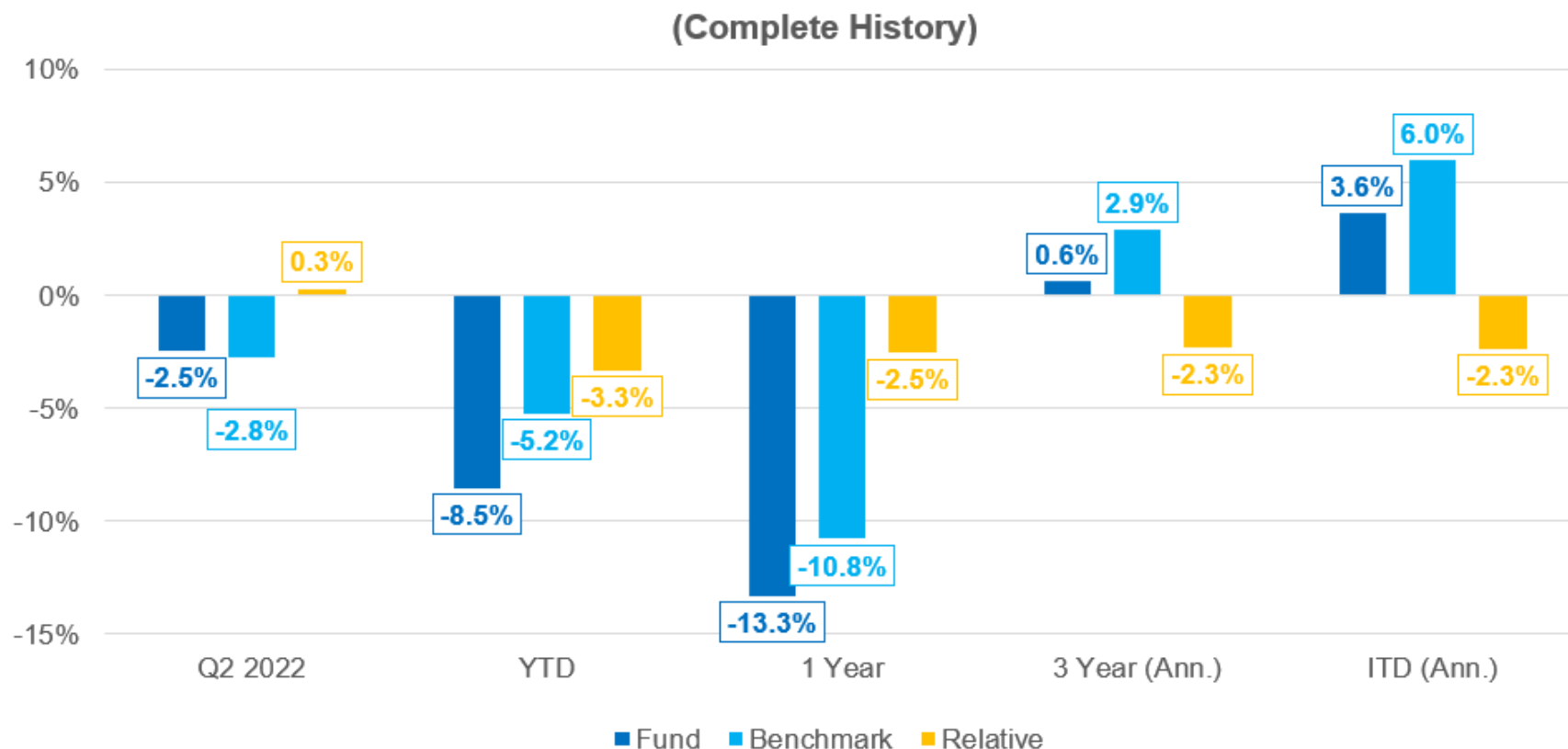


- Continued strong performance in US and Europe portfolios ensured a solid start to 2022

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

Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

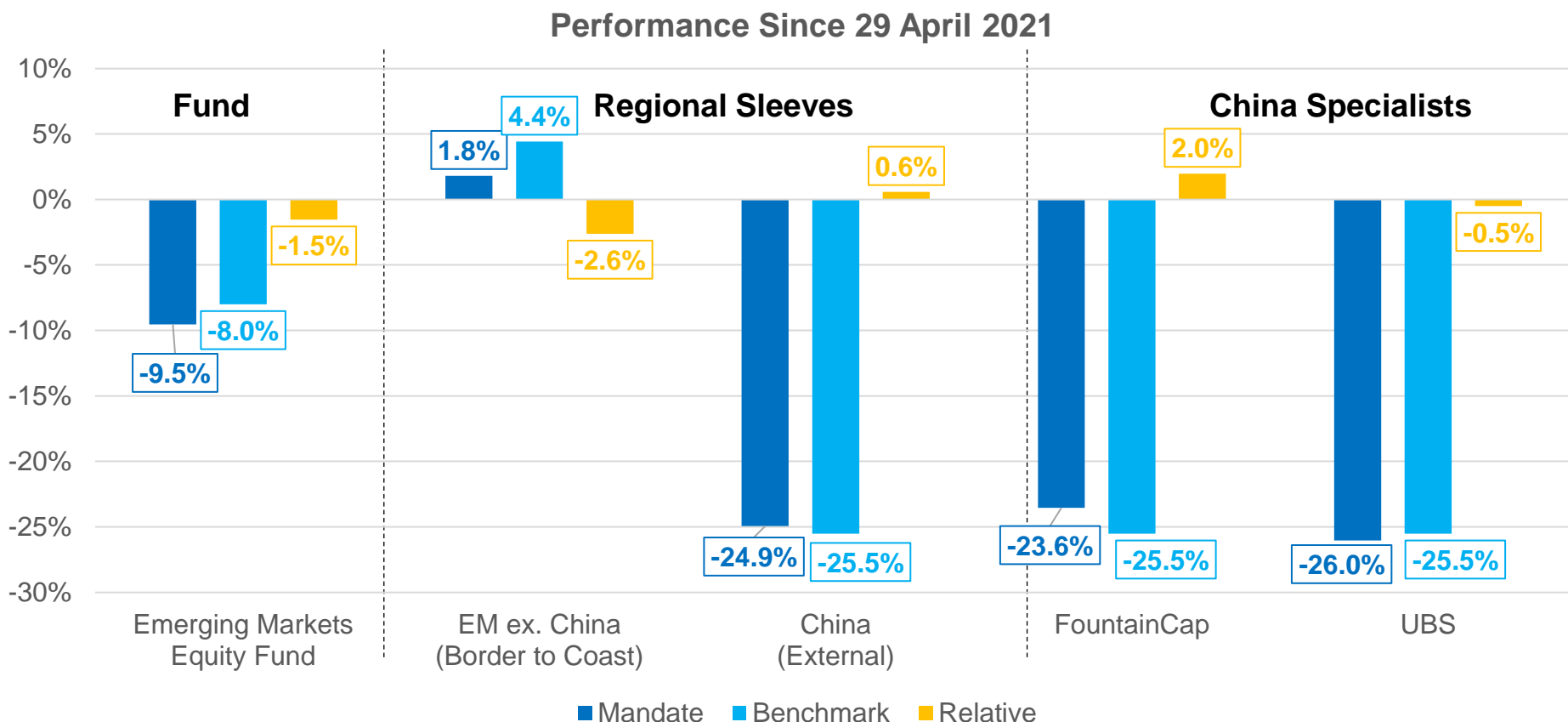
Emerging Markets Equity Fund – Performance to 30 September 2022



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.
Figures refer to past performance. Past performance is not a reliable indicator for future results.

Emerging Markets Equity Fund – Post Restructure Performance to 30 September 2022



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.
Figures refer to past performance. Past performance is not a reliable indicator for future results.

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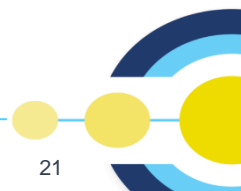
Alternatives



Private Equity Series 1: Capital Deployment

Series 1A	30 September 2022	30 June 2022
Capital Committed	99.7%	99.7%
Capital Drawn	58.7%	51.7%
Capital Distributed ¹	11.4%	9.8%
Series 1B	30 September 2022	30 June 2022
Capital Committed	99.1%	99.1%
Capital Drawn	40.0%	39.2%
Capital Distributed ¹	0.3%	0.3%
Series 1C	30 September 2022	30 June 2022
Capital Committed	100.0%	100.0%
Capital Drawn	18.0%	16.0%
Capital Distributed ¹	0.1%	0.0%

¹ Including recallable distributions
Source: Albourne



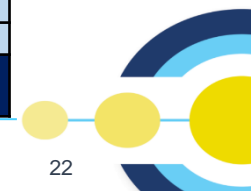
Private Equity Series 1: Performance

Series	Fund	IRR	TVPI
Series 1A	GreatPoint Ventures Innovation Fund II, L.P.	52.9	2.7
	Palatine Private Equity IV	24.0	1.2
	Baring Asia Fund VII	38.4	2.0
	Neuberger Berman Co-investment IV	54.6	1.5
	StepStone Opportunities Fund VI	30.4	1.4
	StepStone Secondaries Op Fund IV	68.4	1.8
	Hg Saturn 2	43.9	1.5
	Hg Genesis 9	26.6	1.2
	Blackstone Life Sciences V	5.4	1.1
	Digital Alpha Fund II-A, LP	22.6	1.2
	Series 1A	41.6	1.6
Series 1B	KKR Asian IV	11.4	1.1
	Thoma Bravo XIV-A, LP	N/M	1.1
	Nordic Capital X Alpha LP	N/M	1.4
	AlpInvest Co-Investment Fund VIII	N/M	1.0
	Endless V	N/M	1.2
	C-Bridge Healthcare Fund V	N/M	1.4
	Series 1B	34.9	1.2
Series 1C	Strategic Value Special Situations Fund V	N/M	1.1
	Insight Partners XII	N/M	0.9
	HarbourVest Co-investment Fund VI Feeder AIF SCSp	N/M	N/M
	Baring Asia (BPEA) VIII	N/M	N/M
	StepStone VC Opportunities VII	N/M	N/M
	General Catalyst Group XI – Aggregator	N/M	1.0
	PAI Partners VIII	N/M	N/M
	Veritas VIII	N/M	N/M
	Series 1C	1.6	1.0
	Series 1	36.1	1.35

Performance is effective 30/06/22. **Past performance is not a reliable indicator of future results.**

Source: Private Monitor

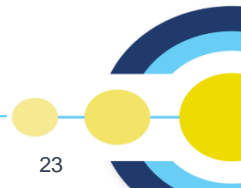
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Infrastructure Series 1: Capital Deployment

Series 1A	30 September 2022	30 June 2022
Capital Committed	98.7%	98.7%
Capital Drawn	54.8%	50.9%
Capital Distributed ¹	8.2%	7.5%
Series 1B	30 September 2022	30 June 2022
Capital Committed	98.7%	98.7%
Capital Drawn	33.4%	29.9%
Capital Distributed ¹	1.8%	1.1%
Series 1C	30 September 2022	30 June 2022
Capital Committed	100.0%	100.0%
Capital Drawn	44.8%	60.9%
Capital Distributed ¹	5.4%	6.2%

¹ Including recallable distributions
Source: Albourne



Infrastructure Series 1: Performance

Series	Fund	IRR	TVPI
Series 1A	Brookfield Infrastructure Fund IV	16.8	1.3
	Global Infrastructure Partners IV-C2, L.P.	14.8	1.1
	AMP Global Infra Fund II	7.0	1.2
	Infracapital Greenfield Partners II	>99	2.0
	iCON Infrastructure Partners V - B, LP	8.4	1.1
	Macquarie GIG Renewable Energy Fund 2	10.7	1.1
	Stonepeak Global Renewable Fund	-0.5	1.0
	Arcus European Infrastructure Fund 2 ScSp	22.2	1.3
Series 1A		16.1	1.2
Series 1B	Patria Infrastructure Fund IV	43.6	1.3
	I Squared Global Infrastructure Fund III	N/M	0.9
	Greencoat Carlisle Place LP	N/M	1.2
	BlackRock Global Renewable Power III	N/M	1.1
	Stonepeak Infrastructure Fund IV	N/M	1.1
	Infranode II	N/M	0.9
	Antin Mid Cap I	N/M	1.0
	EQT Infrastructure Fund V	N/M	1.0
Series 1B		8.4	1.1
Series 1C	Meridiam Sustainable Infrastructure Europe IV	N/M	0.9
	KKR Core	N/M	1.1
	Stonepeak Asia Infrastructure Fund	N/M	1.1
	Digital Colony Partners II	N/M	1.1
	KKR Aqueduct Co-invest LP	N/M	1.2
	for DC Lower Tier Trident Holdings II LP	N/M	1.1
	Axiom Infrastructure North America IV L.P.	N/M	N/M
	Arcus European Infrastructure Fund 3 SCSp (Lux)	N/M	N/M
Series 1C		23.7	1.1
Series 1		16.9	1.2

Performance is effective 30/06/22. **Past performance is not a reliable indicator of future results.**

Source: Private Monitor

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Appendix



MAC* – Secondary Benchmarks

Secondary Benchmarks (Page 14)

- **Ashmore** – Custom Benchmark (*made up of Local Currency and Corporate EM Debt*)
- **Barings** – Credit Suisse GLLI (Hdgd)
- **PGIM** – JPM A CLO Index (Hdgd)
- **PIMCO** – Custom Benchmark (*composite of underlying asset class benchmarks*)
- **Wellington** – ICE Dev Market High Yield Constrained (Hdgd)
- **Border to Coast** – JPM EMBI Global Diversified (Hdgd)

Private Equity / Infrastructure – IRR and TVPI Definitions

IRR and TVPI (Pages 29 and 32)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.
- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.
- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.
- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

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