



TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee 15.03.23

AGENDA

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- **Alternatives Update** **17**

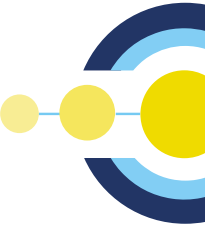




STRATEGIC PLAN

2023-2026 STRATEGIC PLAN

BUILDING A RESILIENT ORGANISATION



FINANCIAL

- Funding model review
- Capital / financial risk oversight
- Benchmarking

PEOPLE

- Strengthening structures and capacity of teams (reducing key person dependencies)
- Remuneration strategy and wider EVP development

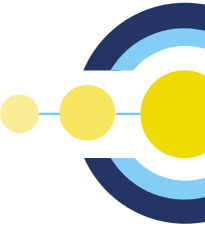


PROCESS AND TECHNOLOGY

- Documenting, embedding and streamlining, through improved use of technology and data, core processes, controls and MI
- Core to this are the next steps in data strategy including implementation of ERM and CRM software

2023-2026 STRATEGIC PLAN

KEY THEMES & RISKS



PEOPLE & CULTURE

- Retention and recruitment
- Real Estate work and resource integration

POLITICAL LANDSCAPE

- Implementation of Cumbria and North Yorkshire structure changes
- Levelling up
- Climate Change / TCFD Reporting
- Pooling consultation

ECONOMIC LANDSCAPE

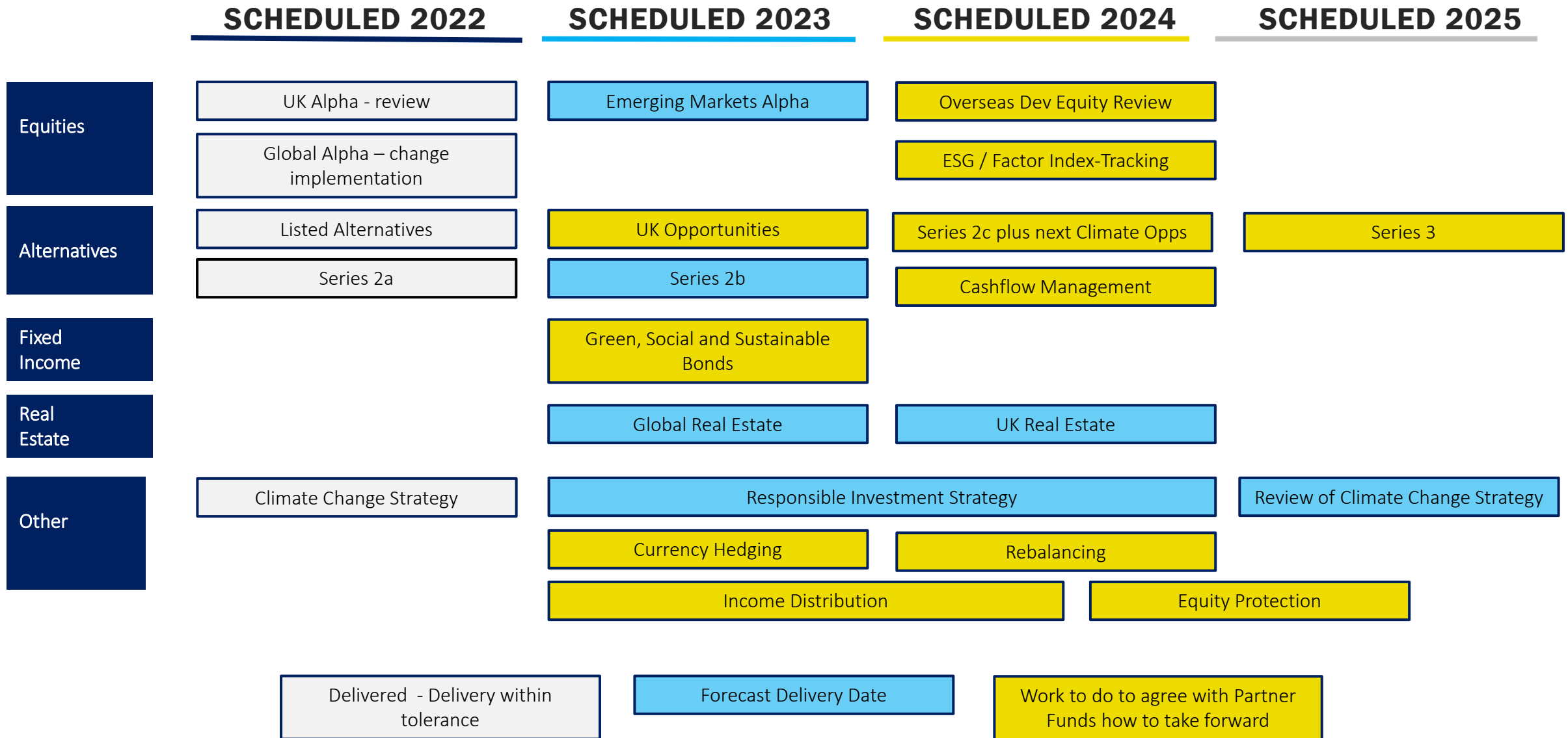
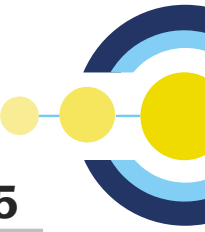
- Possibility of Market Correction
- Inflation:
 - contract pressures
 - effect on liabilities
- Currency: contracts invoiced in dollars / euros

LEGAL, REGULATORY & RESILIENCE

- FCA, Audit, HMRC, public contracting, etc.
- External & internal (cyber and outsourcer resilience)
- Data Management – how to create, store and share information.
- Building longer term financial resilience



INVESTMENT STRATEGY: CAPABILITY LAUNCH TIMELINE



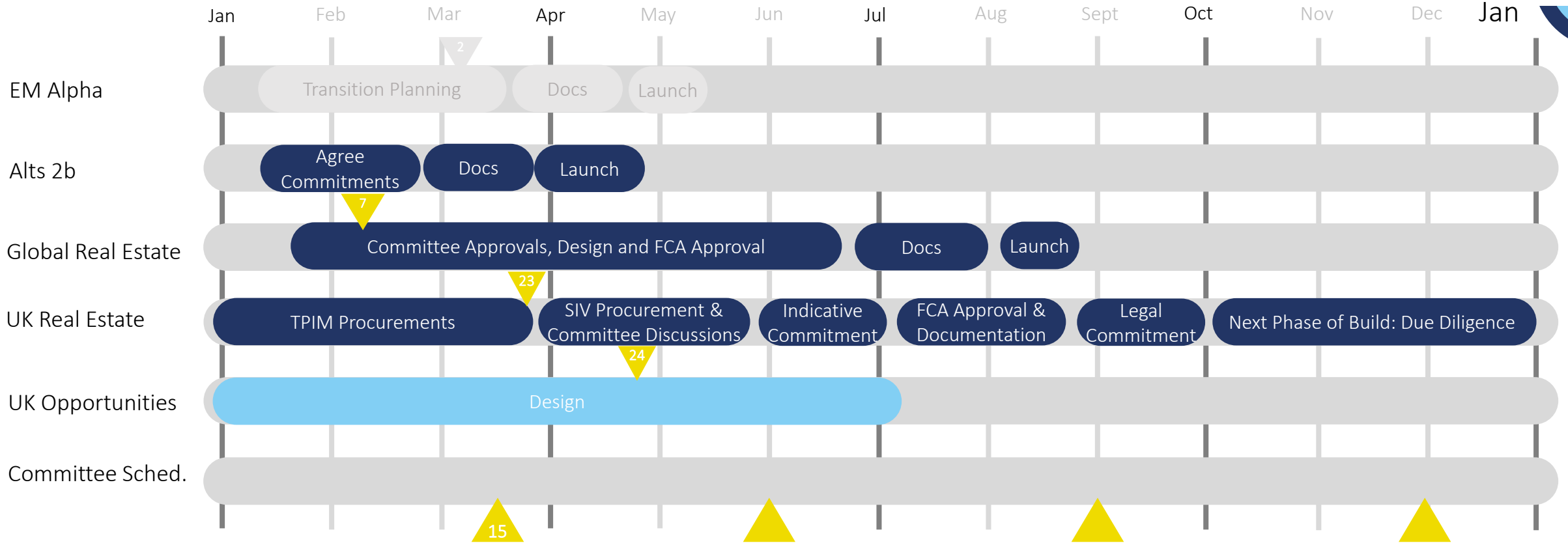
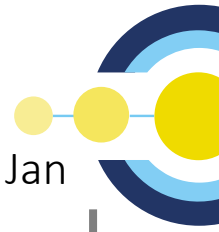
TEESSIDE: KEY DATES

Planned

TBC

▼ Border to Coast workshop / meeting

▲ Committee workshop / meeting



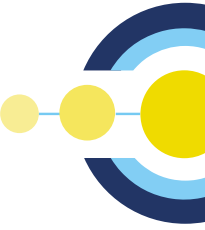
15 March: Committee Meeting – General performance update

June: Committee Meeting

Sept: Committee Meeting

Dec: Committee Meeting

RESPONSIBLE INVESTMENT: COLLECTIVE VOICE & REPORTING



RI REPORTING

- With the increase in RI reporting (especially on the revised Stewardship Code and enhanced TCFD reporting) we intend to strengthen structures, capacity and breadth of teams, thereby reducing key person dependencies. This includes moving work from front office professionals
- This will enable us to support Partner Funds with their TCFD reporting expected to become mandatory under the recent DLUHC consultation

COLLECTIVE VOICE

- Build on our programme of activity to ensure we can effectively communicate our RI activities, commitments and progress. This includes activity on our strategic engagement themes*; our journey to Net Zero; shareholder resolutions; collaborative engagement; and responses to consultations
- *Low Carbon Transition; Waste and Water Management; Social Inclusion and Labour Management; Diversity of Thought

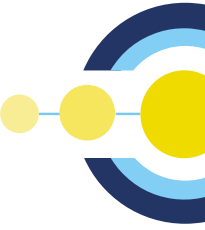


INVESTMENTS SUMMARY

Border to Coast Teesside Pensions Committee



TEESSIDE – VALUATION & COMMITMENTS



Listed Investments	Teesside Value (as at 31/12/2022)	Total Fund Value (as at 31/12/2022)
	£	£
UK Listed Equity Fund	627m	3.5bn
Overseas Developed Markets Equity	1,574m	5.4bn
Emerging Markets Equity	202m	935m

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

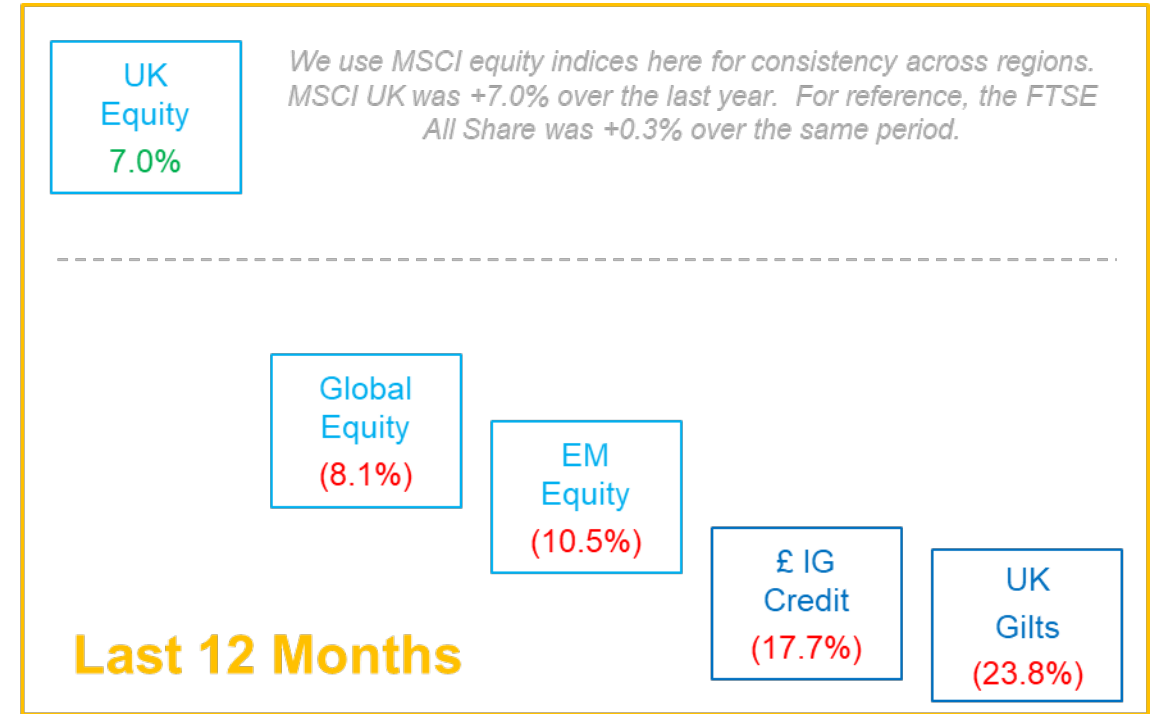
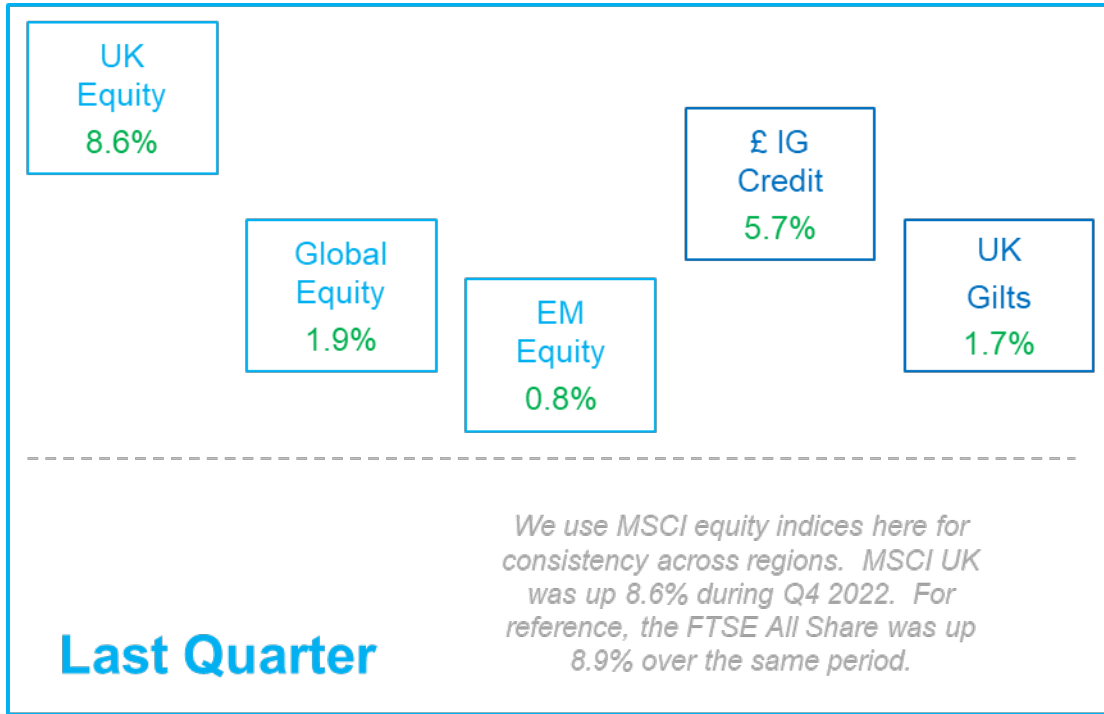
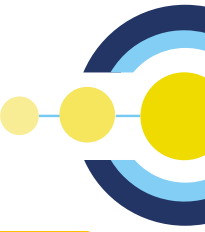
Source: Border to Coast (2022)

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



EQUITY FUND PERFORMANCE

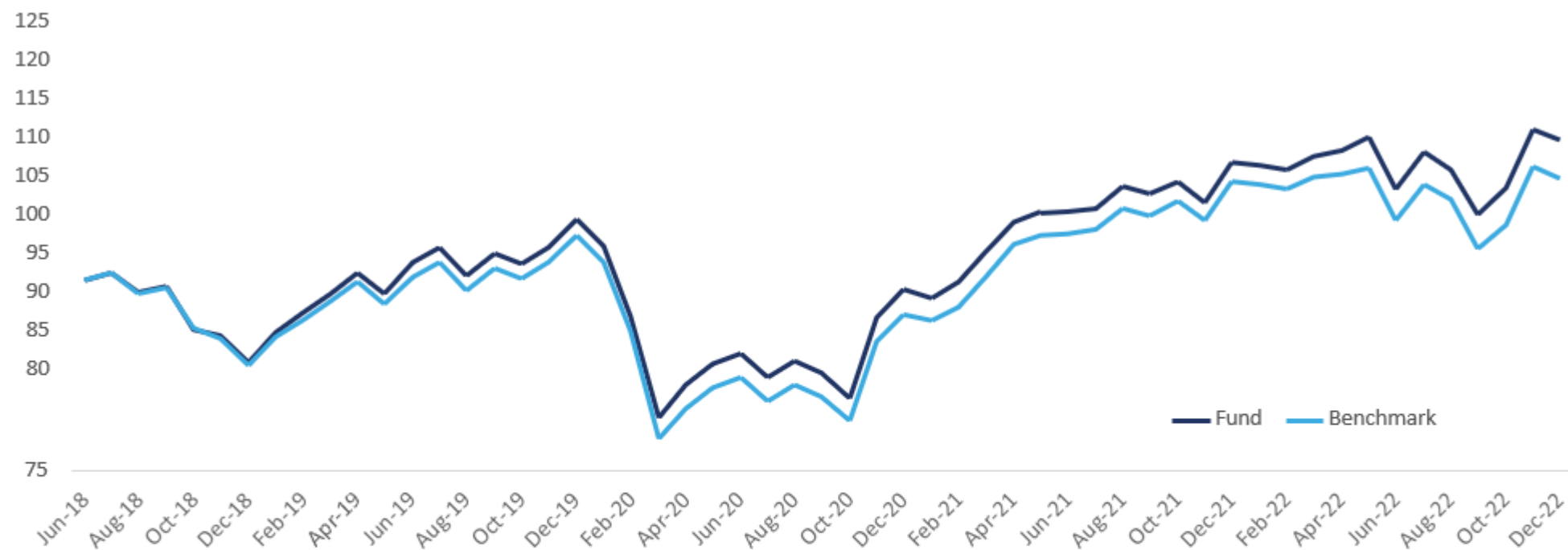
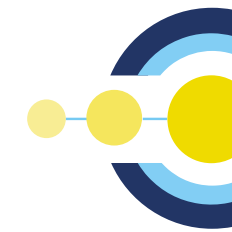
MARKET MOVEMENTS (TO 31 DECEMBER 2022)



- A volatile year ended somewhat positively with markets in Q4 gaining back some of their losses. Inflation readings began to ease, and markets started to discuss the potential for a slower pace of interest rate increases in 2023. This was beneficial for both equities and bonds.
- The quarter's major news was that the Chinese authorities rapidly loosened previously strict COVID-19 restrictions. This elevated investors' hopes for a timely economic recovery. Chinese equities have performed strongly since this policy reversal.

Source: Bloomberg (2023). Note: Charts for illustration only and are not to scale.

UK LISTED EQUITY FUND – PERFORMANCE TO 31 DECEMBER 2022

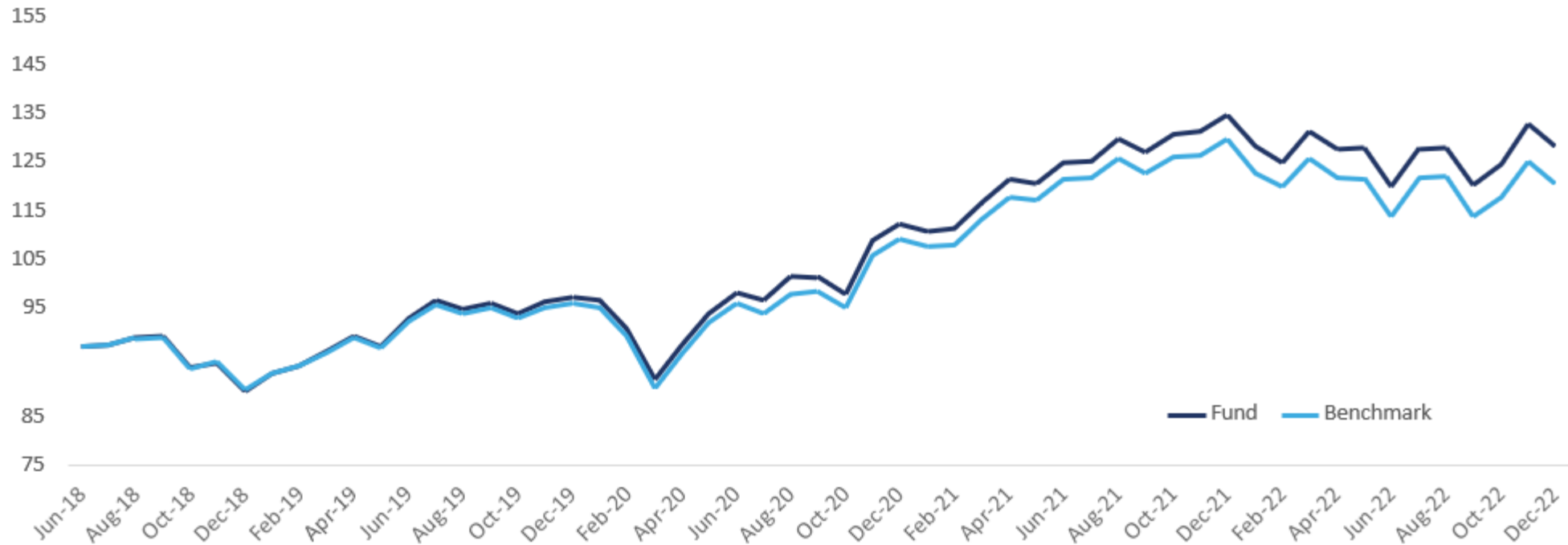
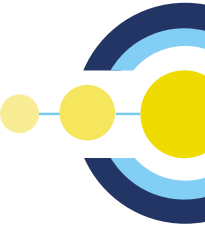


Period	1m (%)	3m (%)	6m (%)	1 Year (%)	3 Years p.a. (%)	Since Inception p.a. (%)
Fund	-1.18%	9.00%	5.77%	2.40%	3.10%	3.86%
Benchmark	-1.42%	8.90%	5.14%	0.34%	2.30%	2.86%
Relative Performance	0.24%	0.10%	0.60%	2.06%	0.80%	1.00%

Source: Northern Trust, Border to Coast. Note: Inception date for the UK Listed Equity Fund was 26 July 2018.

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

OVERSEAS DEVELOPED EQUITY FUND– PERFORMANCE TO 31 DECEMBER 2022

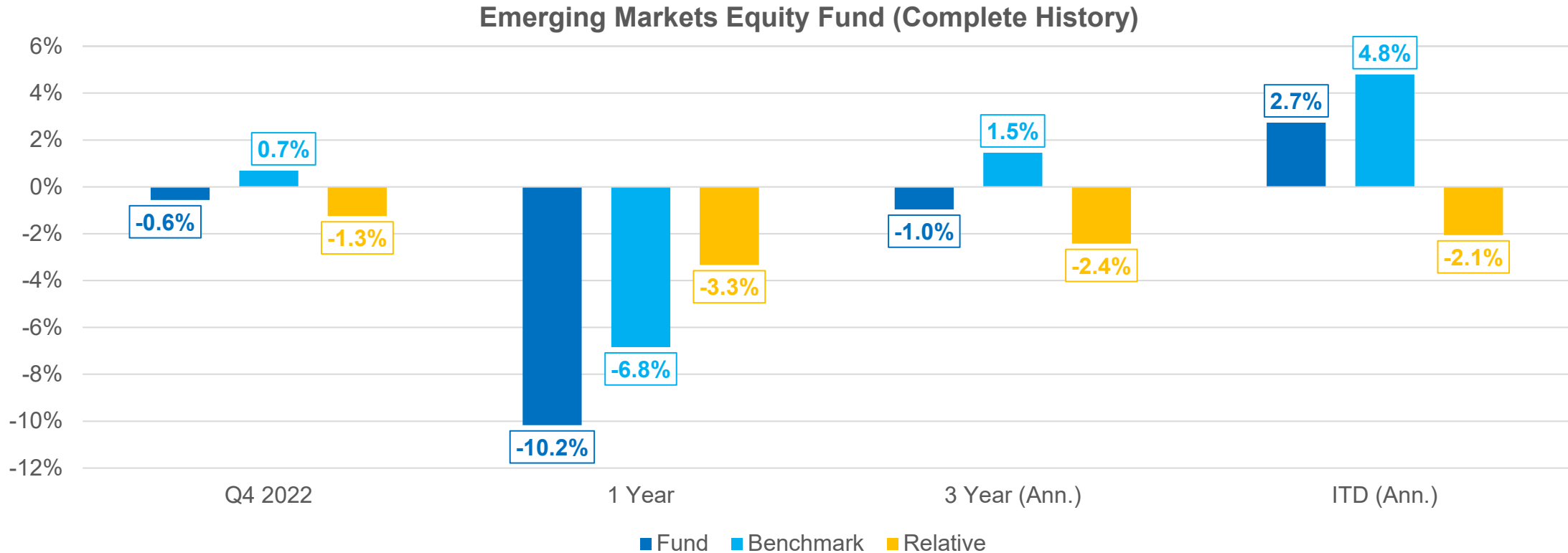
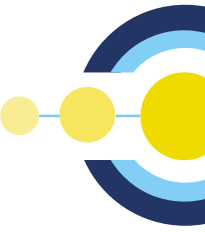


Period	1m (%)	3m (%)	6m (%)	1 Year (%)	3 Years p.a. (%)	Since Inception p.a. (%)
Fund	-3.10%	6.12%	6.52%	-4.40%	8.77%	8.23%
Benchmark	-3.29%	5.46%	5.56%	-6.42%	7.18%	6.86%
Relative Performance	0.20%	0.66%	0.96%	2.02%	1.60%	1.36%

Source: Northern Trust, Border to Coast. Note: Inception date for the Overseas Developed Equity Fund was 26 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 31 DECEMBER 2022

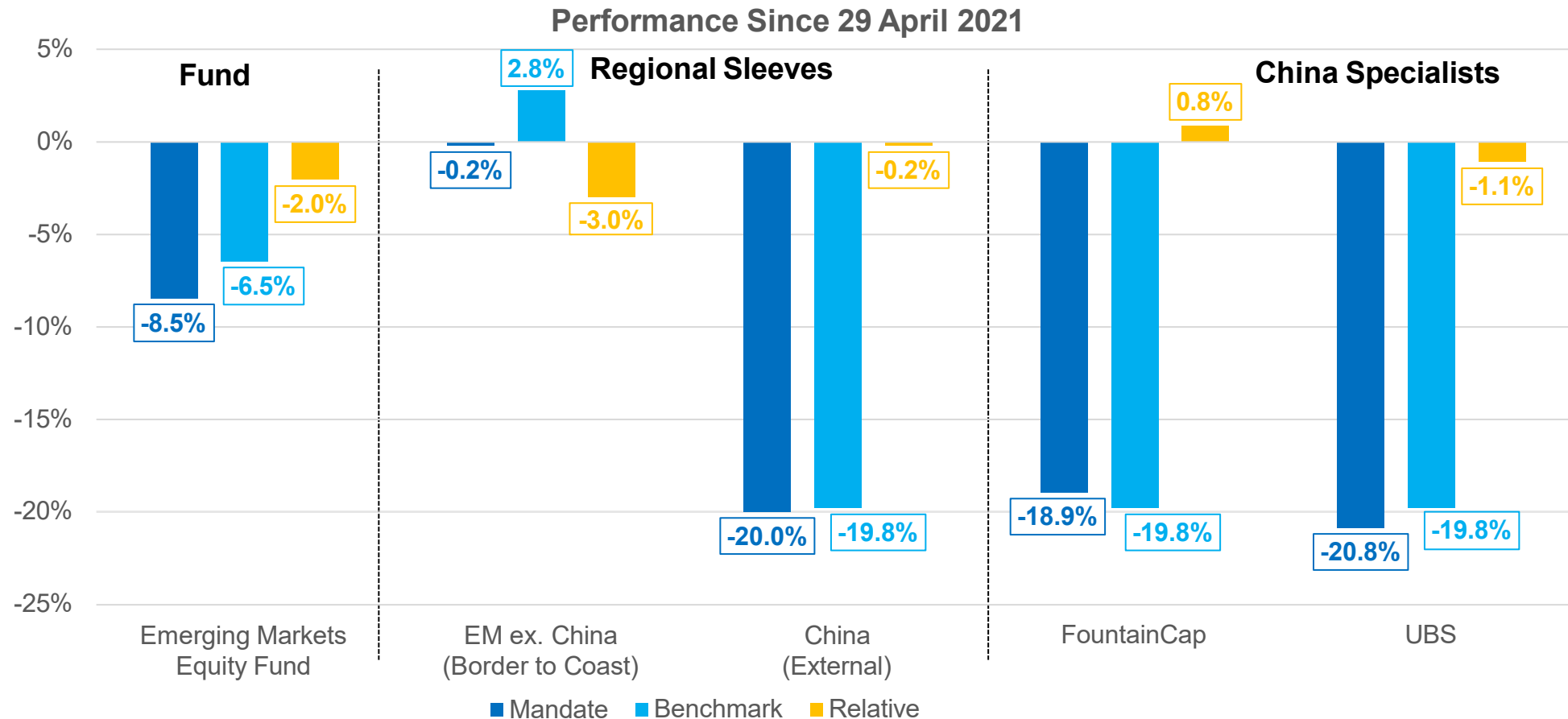
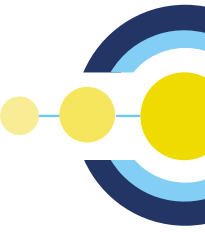


From **29 April 2021**, the Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees). Between 10 April and 28 April 2021, the benchmark return was equal to the Fund return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



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.



ALTERNATIVES UPDATE

PRIVATE EQUITY

CAPITAL DEPLOYMENT

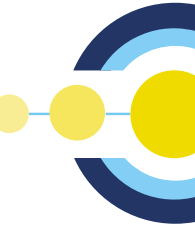
Series 1A	31 December 2022	30 September 2022
Capital Committed	99.7%	99.7%
Capital Drawn	64.7%	58.7%
Capital Distributed ¹	12.2%	11.4%
Series 1B	31 December 2022	30 September 2022
Capital Committed	99.1%	99.1%
Capital Drawn	46.0%	40.0%
Capital Distributed ¹	0.5%	0.3%
Series 1C	31 December 2022	30 September 2022
Capital Committed	100.0%	100.0%
Capital Drawn	25.9%	18.0%
Capital Distributed ¹	0.1%	0.1%

¹ Including Recalable Distributions

Source: Albourne

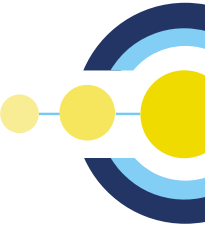
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INTERNAL



PRIVATE EQUITY SERIES 2

CAPITAL DEPLOYMENT



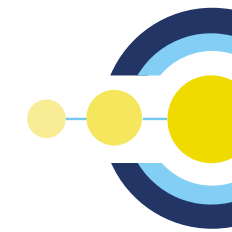
Series 2A	31 December 2022	30 September 2022
Capital Committed	62.7%	47.6%
Capital Drawn	1.4%	0.1%
Capital Distributed ¹	0.0%	0.0%

¹ Including Recalable Distributions

Source: Albourne

PRIVATE EQUITY

PERFORMANCE



Series	Fund	IRR (%)	TVPI
Series 1A	GreatPoint Ventures Innovation Fund II, L.P.	51.7	2.87
	Palatine Private Equity IV	25.4	1.27
	Baring Asia Fund VII	38.9	1.92
	Neuberger Berman Co-investment IV	46.5	1.52
	StepStone Opportunities Fund VI	26.5	1.48
	StepStone Secondaries Op Fund IV	55.5	1.75
	Hg Saturn 2	40.8	1.38
	Hg Genesis 9	46.5	1.52
	Blackstone Life Sciences V	11.0	1.18
	Digital Alpha Fund II-A, LP	27.7	1.31
Series 1A		39.9	1.62
Series 1B	KKR Asian IV	30.4	1.22
	Thoma Bravo XIV-A, LP	6.2	1.07
	Nordic Capital X Alpha LP	N/M	1.28
	AlpInvest Co-Investment Fund VIII	N/M	1.23
	Endless V	N/M	1.17
	C-Bridge Healthcare Fund V	N/M	1.66
Series 1B		25.8	1.21
Series 1C	Strategic Value Special Situations Fund V	N/M	1.33
	Insight Partners XII	N/M	0.98
	HarbourVest Co-investment Fund VI Feeder AIF SCSp	N/M	1.05
	Baring Asia (BPEA) VIII	N/M	N/A
	StepStone VC Opportunities VII	N/M	N/A
	General Catalyst Group XI - Aggregator	N/M	1.11
	PAI Partners VIII	N/M	N/A
	Veritas VIII	N/M	N/A
Series 1C		12.1	1.08
Series 1		34.1	1.38

Performance as at 30/09/2022. Past Performance is not a reliable indicator for future results.

Source: Private Monitoring Report

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INFRASTRUCTURE

CAPITAL DEPLOYMENT

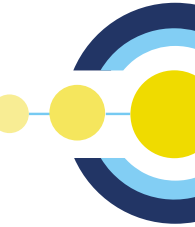
Series 1A	31 December 2022	30 September 2022
Capital Committed	98.7%	98.7%
Capital Drawn	63.5%	54.8%
Capital Distributed ¹	10.0%	8.2%
Series 1B	31 December 2022	30 September 2022
Capital Committed	98.7%	98.7%
Capital Drawn	38.2%	33.4%
Capital Distributed ¹	2.0%	1.8%
Series 1C	31 December 2022	30 September 2022
Capital Committed	100.0%	100.0%
Capital Drawn	67.5%	44.8%
Capital Distributed ¹	28.8%	5.4%

¹ Including Recalable Distributions

Source: Albourne

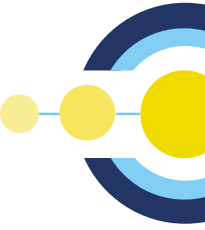
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INTERNAL



INFRASTRUCTURE SERIES 2

CAPITAL DEPLOYMENT



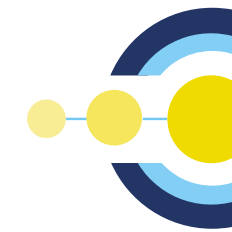
Series 2A	31 December 2022	30 September 2022
Capital Committed	67.5%	51.2%
Capital Drawn	7.3%	0.0%
Capital Distributed ¹	0.0%	0.0%

¹ Including Recalable Distributions

Source: Albourne

INFRASTRUCTURE

PERFORMANCE



Series	Fund	IRR (%)	TVPI
Series 1A	Brookfield Infrastructure Fund IV	19.9	1.42
	Global Infrastructure Partners IV-C2, L.P.	23.1	1.20
	AMP Global Infra Fund II	8.9	1.20
	Infracapital Greenfield Partners II	>99	2.03
	iCON Infrastructure Partners V - B, LP	19.5	1.23
	Macquarie GIG Renewable Energy Fund 2	14.8	1.13
	Stonepeak Global Renewable Fund	22.0	1.50
	Arcus European Infrastructure Fund 2 ScSp	20.6	1.28
	Series 1A	19.0	1.30
Series 1B	Patria Infrastructure Fund IV	35.9	1.31
	I Squared Global Infrastructure Fund III	N/M	1.24
	Greencoat Carlisle Place LP	N/M	1.21
	BlackRock Global Renewable Power III	N/M	1.17
	Stonepeak Infrastructure Fund IV	N/M	1.21
	Infranode II	N/M	0.90
	Antin Mid Cap I	N/M	1.04
	EQT Infrastructure Fund V	N/M	1.10
	Series 1B	30.6	1.17
Series 1C	Meridiam Sustainable Infrastructure Europe IV	N/M	0.82
	KKR Core	N/M	1.16
	Stonepeak Asia Infrastructure Fund	N/M	2.84
	DigitalBridge Partners II	N/M	1.23
	KKR Aqueduct Co-invest LP	N/M	1.34
	DC Trident Holdings II LP	N/M	1.31
	Axium Infrastructure North America IV L.P.	N/M	N/A
	Arcus European Infrastructure Fund 3 SCSp (Lux)	N/M	N/A
	Series 1C	30.6	1.17
	Series 1	21.1	1.20

Performance as at 30/09/2022. Past Performance is not a reliable indicator for future results.

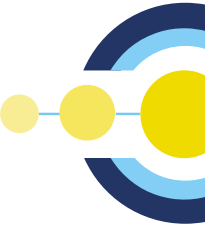
Source: Private Monitoring Report

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APPENDIX

PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

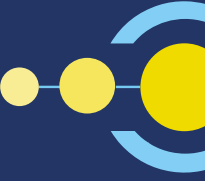


IRR and TVPI (Pages 20 and 23)

- **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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