

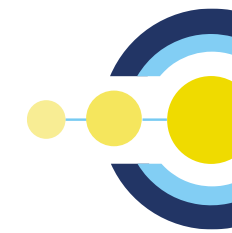


# TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - September 2023

# YOUR INVESTMENTS WITH BORDER TO COAST



## LISTED INVESTMENTS AS AT 30<sup>TH</sup> JUNE 2023

Listed Investments	Value (as at 30/06/2023)	Value % of Total Assets
UK Listed Equity	£644m	25.28
Overseas Developed Markets	£1,703m	66.88
Emerging Markets Equity	£200m	7.84

## COMMITMENT TO BORDER TO COAST'S PRIVATE MARKET STRATEGIES

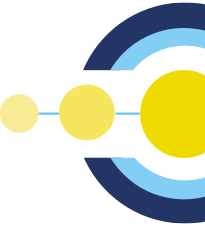
Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

Border to Coast – Teesside Pensions Committee

INTERNAL

# MARKET OVERVIEW – Q2 2023



## MIXED PERFORMANCE IN MAJOR MARKETS

Following a positive start to the year, the second quarter saw a more challenging macro environment emerge. Among the major equity market indices, the US and Japan delivered relatively strong performance, whilst the UK and emerging markets lagged as the pace of global economic growth slowed and central banks around the world continued their interest rate hikes.

Economic data and company earnings continued to be more resilient than markets anticipated, though increasing stress in pockets of the economy challenge the notion that this can persist indefinitely.

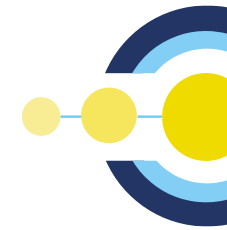
## RISING YIELDS

Within fixed income, yields climbed considerably as expectations shifted in favour of higher terminal rates and delayed pivots by central banks.

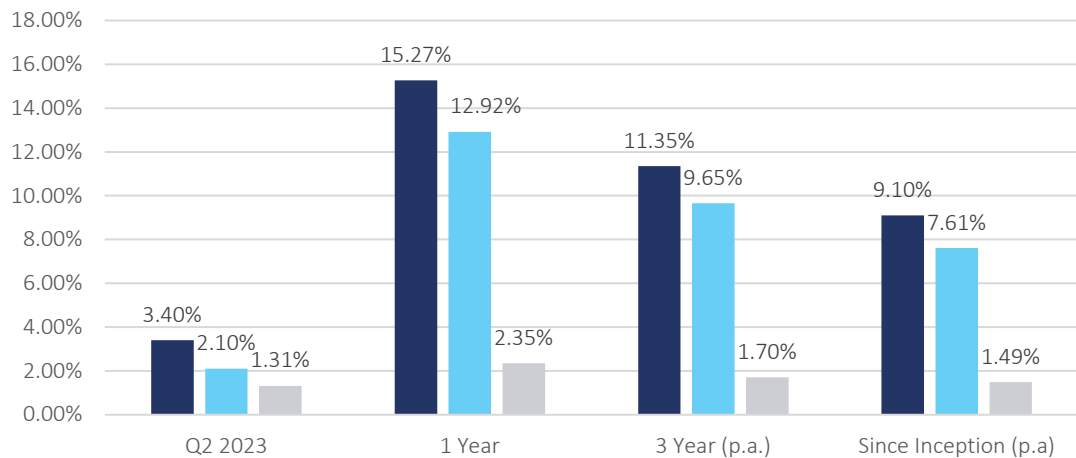
## A GLOBAL ECONOMIC RECOVERY?

The reopening of China, expected to drive a global economic recovery, has yet to materialize, whilst economic resilience, apparent progress on inflation in the US and the explosion of hype surrounding the use case for artificial intelligence has provided some counteracting optimism for investors.

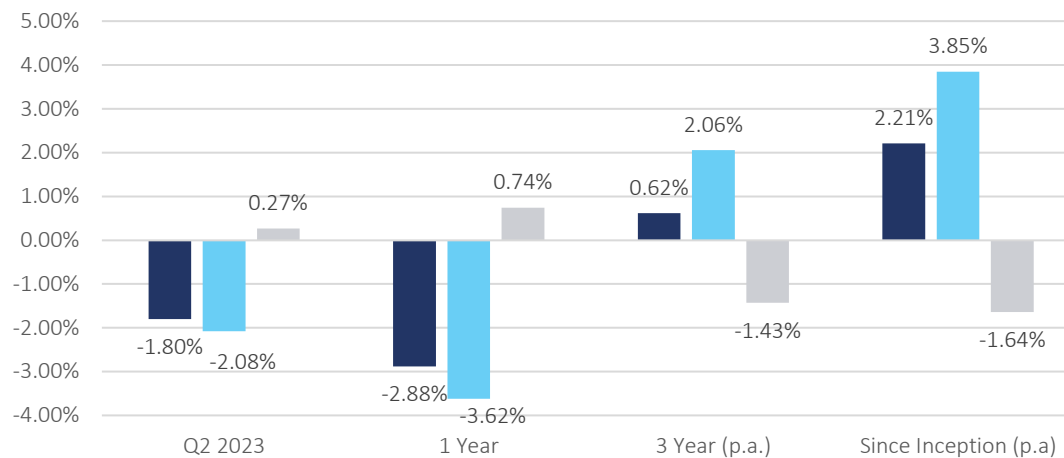
# LISTED INVESTMENTS – PERFORMANCE TO Q2 2023



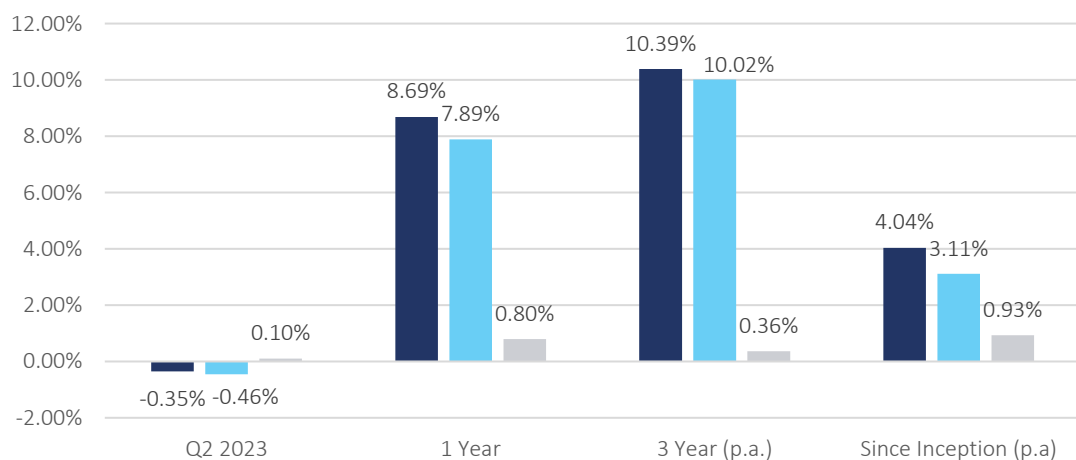
## Overseas Developed Markets



## Emerging Markets Equity



## UK Listed Equity



- Fund
- Benchmark
- Relative Performance

**Overseas Developed Markets Benchmark:** 40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Ex Japan, 10% FTSE Japan

**UK Listed Equity Market Benchmark:** FTSE All Share GBP

**Emerging Market Equity Benchmark<sup>1</sup>:** FTSE Emerging Markets

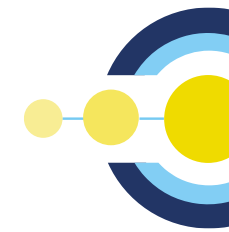
<sup>1</sup>S&P Emerging Markets BMI (Net) between 22<sup>nd</sup> October 2018 to 9<sup>th</sup> April 2021. Benchmark equal to fund return between 10<sup>th</sup> April to 28<sup>th</sup> April 2021 (Performance holiday for fund restructure)

**Source:** Northern Trust, Border to Coast 30th June 2023

**Note:** Figures refer to the past. Past performance is not an indicator of future performance and is not guaranteed.

INTERNAL

# PRIVATE MARKETS UPDATE: CAPITAL DEPLOYMENT (FUND LEVEL)



Private Equity	Key Metrics - 31 March 2023
Target IRR	10%
Series 1 IRR	18.1%
Series 1 TVPI	1.23x

Infrastructure	Key Metrics - 31 March 2023
Target IRR	8%
Series 1 IRR	12.5%
Series 1 TVPI	1.16x

Series 1A	30 June 2023	31 March 2023
Capital Committed	99.7%	99.7%
Capital Drawn	73.8%	67.4%
Capital Distributed <sup>1</sup>	13.0%	12.6%

Series 1A	30 June 2023	31 March 2023
Capital Committed	87.4%	98.7%
Capital Drawn	69.8%	66.9%
Capital Distributed <sup>1</sup>	13.9%	11.4%

Series 1B	30 June 2023	31 March 2023
Capital Committed	99.1%	99.1%
Capital Drawn	60.4%	54.6%
Capital Distributed <sup>1</sup>	0.7%	0.5%

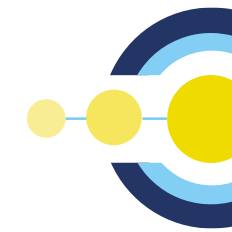
Series 1B	30 June 2023	31 March 2023
Capital Committed	98.7%	98.7%
Capital Drawn	51.9%	44.9%
Capital Distributed <sup>1</sup>	2.5%	2.2%

Series 1C	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	39.2%	31.6%
Capital Distributed <sup>1</sup>	0.1%	0.1%

Series 1C	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	76.3%	68.6%
Capital Distributed <sup>1</sup>	8.5%	8.0%

Source: Allbourne / Private Monitor  
<sup>1</sup> Including Recallable Distributions.

# PRIVATE MARKETS UPDATE: CAPITAL DEPLOYMENT (FUND LEVEL)



## PRIVATE EQUITY

Series 2A	30 June 2023	31 March 2023
Capital Committed	99.9%	91.2%
Capital Drawn	5.0%	3.6%
Capital Distributed <sup>1</sup>	0.0%	0.1%

Series 2B	30 June 2023
Capital Committed	26.2%
Detailed Due Diligence In Progress	19.9%
Capital Uncommitted	53.9%

## INFRASTRUCTURE

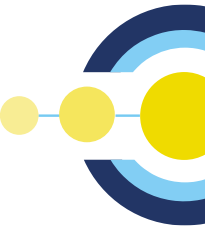
Series 2A	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	22.4%	10.8%
Capital Distributed <sup>1</sup>	0.0%	0.0%

Series 2B	30 June 2023
Capital Committed	21.0%
Detailed Due Diligence In Progress	0.0%
Capital Uncommitted	79.0%

Source: Allbourne

<sup>1</sup> Including Recallable Distributions

# PRIVATE MARKETS: NEW COMMITMENTS FOR Q2 2023



## PRIVATE EQUITY – SERIES 2B CVC CAPITAL PARTNERS IX

€100m commitment (June 2023)

CVC Capital Partners is the flagship private equity offering of CVC, a large, multi-strategy private markets manager. Since 1996, CVC has raised eight pan-European private equity funds. It also has dedicated private equity funds in Asia, Strategic Opportunities (long hold PE), Growth and, following the acquisition of Glendower in 2021, Secondaries.

The investment strategy for Fund IX remains consistent with previous CVC Europe funds. The manager will target fundamentally sound, well-managed and cash-generative businesses with sustainable, long-term value creation opportunities.

The Fund will aim to provide diversification of exposure by investment size, sector, geography, and vintage year, with 30 – 40 companies expected. CVC will generally seek to target companies in the upper middle market (EVs between \$1bn-\$5bn) although retains the flexibility to invest in businesses above or below this range.

**Border to Coast themes:** Operational Value Add, Buy and Build

## INFRASTRUCTURE – SERIES 2B STONE PEAK OPPORTUNITIES FUND

\$100m commitment (April 2023)

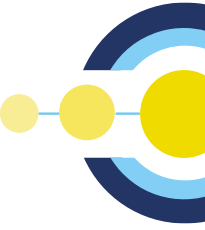
Stonepeak is a well-established manager focusing on private real assets investing. Despite being founded in 2011, Stonepeak has grown to be the sixth largest infrastructure manager in the world.

The Fund will seek to invest in middle market equity investments within the digital infrastructure, transportation & logistics, energy transition and social infrastructure sectors, and can be underwritten at a valuation and with a structure such that the investment is expected to deliver target returns of 15-20%.

Specifically, SOF will focus on opportunities that are less competed in today's infrastructure market. Like most leading infrastructure managers, Stonepeak's flagship strategy has grown significantly, increasing the size of underlying target deal. SOF allows Stonepeak to refocus on lower and middle market infrastructure transactions.

**Border to Coast themes:** Digital Revolution, Energy Transition, Operational Value Add

# BORDER TO COAST UPDATE



## SUMMARY TO DATE

83% of Partner Fund assets are pooled, £40.3bn of which Border to Coast are directly responsible for. £8.3bn of this is now invested in assets supporting the transition to Net Zero.

## JUST TRANSITION

We have announced a new programme of engagement on Just Transition, which enables investors to address systemic threats to long-term stability and support the transition to Net Zero.

## GOVERNMENT CONSULTATION ON POOLING

The government has now published its consultation on the future of pooling, and we have been working with Officers to assess the consultation to develop a joint response which will be shared ahead of the October 2<sup>nd</sup> deadline.

## OTHER CONSULTATIONS

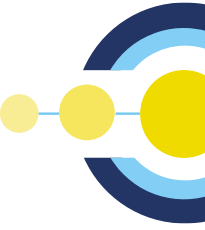
We are also working with other important consultations, including the Economic Activity of Public Bodies (Overseas Matters) Bill, which seeks to ban public bodies from imposing their own boycott, which has obvious impact on Pension Committees.





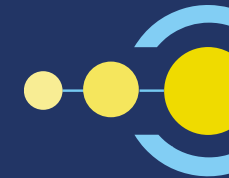
# APPENDIX

# PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS



## IRR and TVPI (Pages 5)

- **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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