

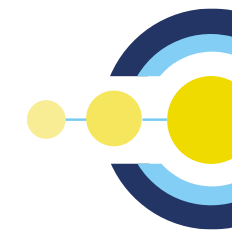


# TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - June 2024

# YOUR INVESTMENTS WITH BORDER TO COAST



## LISTED INVESTMENTS AS AT 31<sup>ST</sup> MARCH 2024

Listed Investments	Value (as at 31/03/2024)	Value % of Total Assets
UK Listed Equity	£613m	23.0
Overseas Developed Markets	£1,833m	68.9
Emerging Markets Equity	£215m	8.1

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

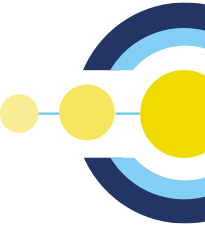
Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

Border to Coast – Teesside Pensions Committee

INTERNAL

# GLOBAL MARKET OUTLOOK – Q1 2024



## What has Changed?

- **Manufacturing data** has improved providing a cyclical uplift to economies.
- **Geopolitical tensions** in the middle East have intensified putting pressure on oil prices.
- The **pace of disinflation** has halted with rate cuts now pushed out further into the future.

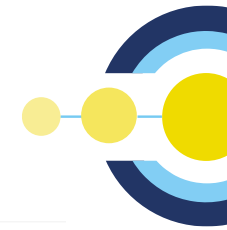
## What has stayed the same?

- **Liquidity** drain continues as the Fed reduces its balance sheet and excess savings are being depleted.
- **Sentiment** is still strong for risk assets in particular Equities .
- **Equity Markets** are priced for perfection and valuations are stretched.

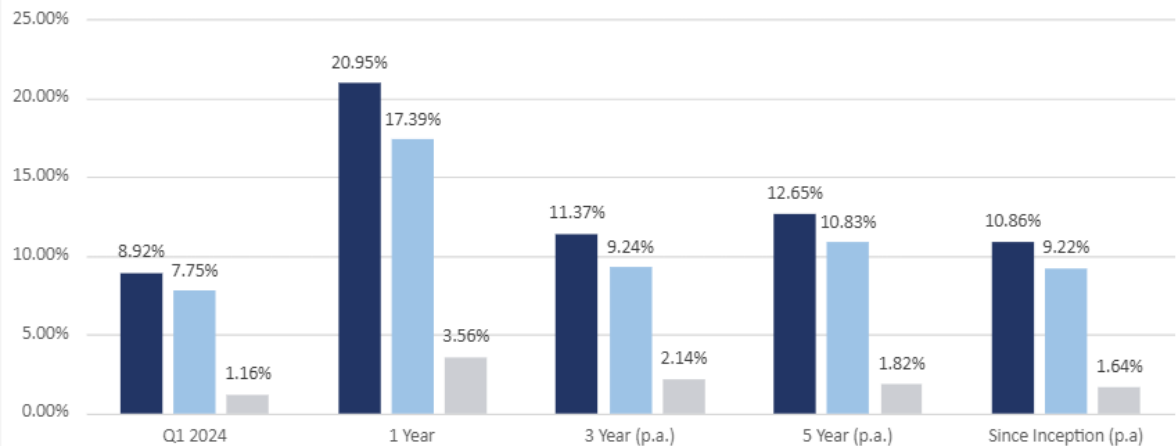
## What are we watching?

- Signs for a **sustained pickup in inflation** in categories that exclude Food and Energy.
- **Consumer credit** and **increase in delinquencies** as savings have largely been depleted.
- **Geopolitics:** the US elections will start to dominate the news cycle.

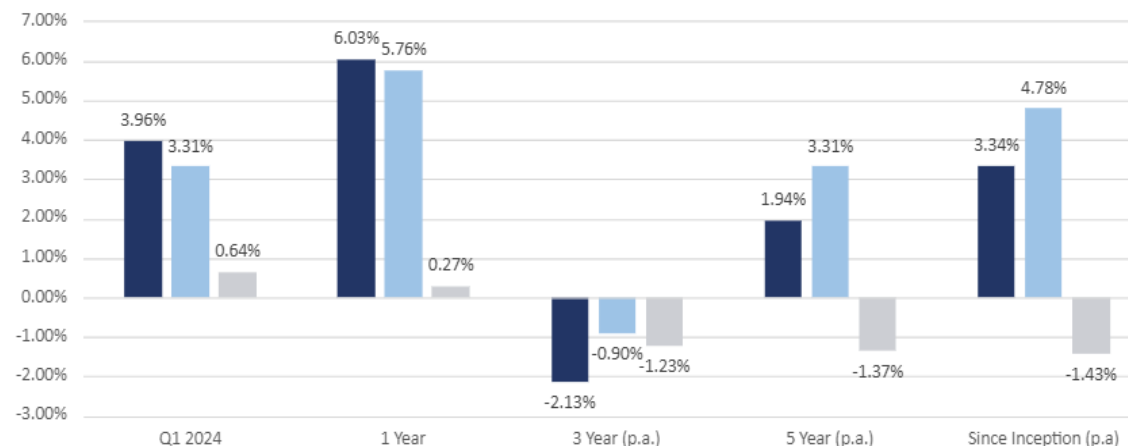
# LISTED INVESTMENTS – PERFORMANCE TO Q1 2024



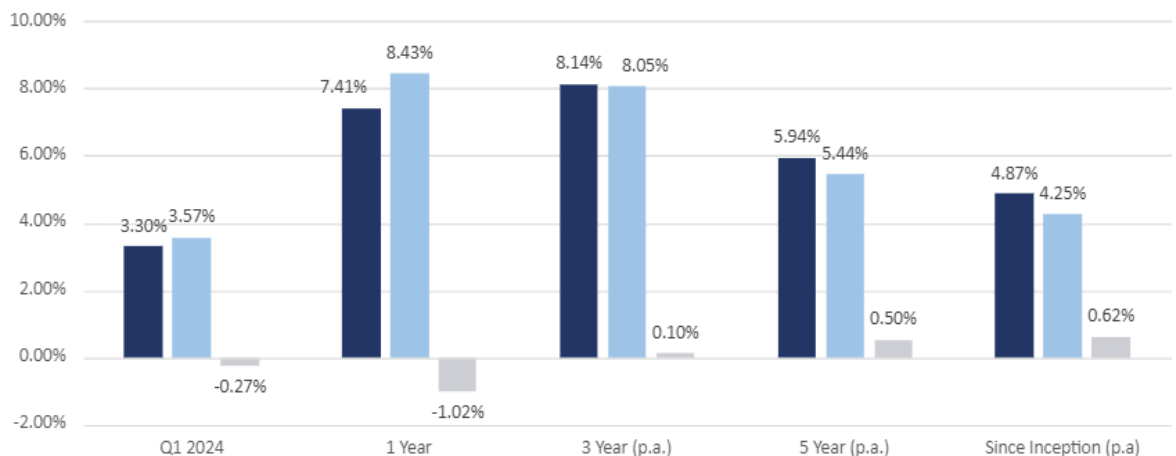
### Overseas Developed Markets



### 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

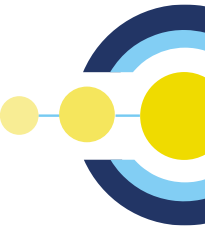
<sup>1</sup>S&P Emerging Markets BMI (Net) between 22<sup>nd</sup> October 2018 to 9<sup>th</sup> April 2021. Benchmark equal to fund return between 10<sup>th</sup> April to 28<sup>th</sup> April 2021 (Performance holiday for fund restructure)

Source: Northern Trust, Border to Coast 31st March 2024

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

INTERNAL

# PRIVATE EQUITY: SUMMARY



Private Equity	Key Metrics - 31 December 2023
Target IRR	10%
Series 1 IRR	15.4%
Series 1 TVPI	1.28x

Series 1A	29 Mar 2024	31 Dec 2023
Capital Committed	99.7%	99.7%
Capital Drawn	82.1%	80.5%
Capital Distributed <sup>1</sup>	19.5%	18.5%

Series 1B	29 Mar 2024	31 Dec 2023
Capital Committed	99.1%	99.1%
Capital Drawn	74.6%	69.7%
Capital Distributed <sup>1</sup>	7.1%	4.5%

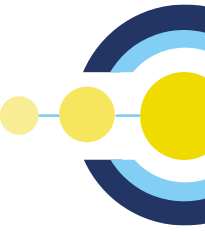
Series 1C	29 Mar 2024	31 Dec 2023
Capital Committed	100.0%	100.0%
Capital Drawn	53.6%	47.4%
Capital Distributed <sup>1</sup>	0.2%	0.1%

Series 2A	29 Mar 2024	31 Dec 2023
Capital Committed	99.8%	99.8%
Capital Drawn	18.0%	14.1%
Capital Distributed <sup>1</sup>	0.8%	0.0%

Series 2B	29 Mar 2024	31 Dec 2023
Capital Committed	90.6%	75.5%
Capital Drawn	7.3%	1.0%
Capital Distributed <sup>1</sup>	0.1%	0.0%

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

# INFRASTRUCTURE: SUMMARY



Infrastructure	Key Metrics - 31 December 2023
Target IRR	8%
Series 1 IRR	8.5%
Series 1 TVPI	1.16x

Series 1A	29 Mar 2024	31 Dec 2023
Capital Committed	98.7%	98.7%
Capital Drawn	83.8%	79.9%
Capital Distributed <sup>1</sup>	15.0%	14.3%

Series 1B	29 Mar 2024	31 Dec 2023
Capital Committed	98.7%	98.7%
Capital Drawn	64.7%	58.3%
Capital Distributed <sup>1</sup>	3.4%	3.2%

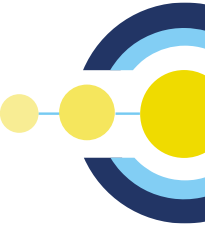
Series 1C	29 Mar 2024	31 Dec 2023
Capital Committed	100.0%	100.0%
Capital Drawn	80.2%	79.0%
Capital Distributed <sup>1</sup>	11.3%	10.6%

Series 2A	29 Mar 2024	31 Dec 2023
Capital Committed	99.7%	99.7%
Capital Drawn	44.4%	35.2%
Capital Distributed <sup>1</sup>	1.0%	0.5%

Series 2B	29 Mar 2024	31 Dec 2023
Capital Committed	78.7%	73.8%
Capital Drawn	10.1%	1.9%
Capital Distributed <sup>1</sup>	0.0%	0.0%

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

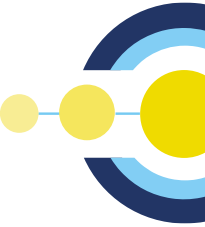
# CLIMATE OPPORTUNITIES: SUMMARY



Series 2	29 Mar 2024	31 Dec 2023
Target IRR	8%	
Capital Committed	99.9%	84.9%
Capital Drawn	30.7%	22.5%
Capital Distributed <sup>1</sup>	0.7%	0.7%

Source: Allbourne / Private Monitor  
1 Including Recallable Distributions.

# PRIVATE MARKETS: NEW COMMITMENTS FOR Q1 2024



## PRIVATE EQUITY – SERIES 2B CVC ASIA VI

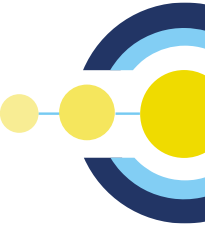
- \$115m commitment (February 2024)
- CVC Asia is an established pan-Asian platform with leading Southeast Asia focus. First established in 1999 and under sole ownership of CVC Capital Partners since 2010, the manager has a proven strategy, strong reputation and well-established sourcing network across its 9 Asian offices.
- The fund will target control-oriented and partnership investments focusing on quality assets in growing consumer sectors, business services and TMT (technology, media and telecoms). Joint-control partnerships help to unlock prized family assets.
- The highly experienced team will aim to create a portfolio of 20-30 deals, well-diversified across the target sectors and countries, in order to capitalise upon the positive macroeconomic and demographic trends in Asia.
- Border to Coast themes: **Operational value-add, Asia Exposure**
- **Benefits of pooling:**
  - Reduction of fees
  - Access to an over-subscribed fund

## CLIMATE OPPORTUNITIES – SERIES 2 BLACKSTONE ENERGY TRANSITION PARTNERS IV

- \$110m commitment (March 2024)
- The Fund will make control-oriented private equity investments in the energy transition and climate solutions space. Investments will be focused on long term trends of the energy transition such as renewable penetration, electrification, energy efficiency and decarbonisation. Although it is an equity strategy, the manager retains the flexibility to consider investments across a range of company lifecycle stages and structures, including greenfield energy assets, growth equity, buy and build and structured equity.
- The manager has a track record of making investments in the energy transition sector which is advantageous versus peers and new entrants into the space. The expertise and networks that the Blackstone has developed in the sector should position it well in finding and executing on appropriate opportunities.
- Experienced senior team led by David Foley who has been involved in every energy related private equity deal the firm has made since joining Blackstone in 1995, providing good continuity and strong networks.
- Border to Coast themes: **Energy Transition**
- **Benefits of pooling:**
  - Underwriting specialist strategy



# BORDER TO COAST UPDATE



## SUPPORTING THE TRANSITION TO NET ZERO

Through our existing Climate Opportunities portfolio, we have supported investment in six green energy projects recently acquired by Macquarie's Green Energy and Climate Opportunities Fund, in which we have a \$145m commitment. The projects include the offshore wind farm Outer Dowsing. Located off the Lincolnshire coast, it aims to produce enough energy to power 1.6million homes by 2030. Other assets cover solar, wind, energy storage, and natural capital solutions across the US, Asia Pacific, and Southern and Central America recognising the global nature of the investment opportunity in climate solutions. The projects represent a total of 17GW of green energy capacity –equivalent to powering 13 million homes.

## INDUSTRY RECOGNITION

We were delighted to win 'Active Manager of the Year' at the 2024 Pensions Age Awards. The award sought evidence of performance and innovation, and we were up against established names in the asset management industry. Our entry focused on our largest internally managed equity fund, Overseas Developed, which was launched in July 2018. Having reached its 5th anniversary, it is a great example of how Partner Fund support has enabled the delivery of performance at a low-cost ratio.

## OUR STRATEGIC PLAN

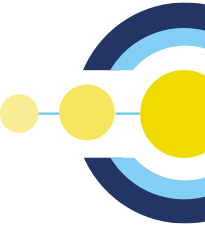
We are pleased to share more about our 2024-27 Strategic Plan, which has achieved unanimous approval from Partner Funds. There are no radical changes and by 2027 we seek to:

- Have enabled the pooling of all Partner Fund assets (and legacy alternatives by business case), and support Partner Funds with assets held outside the pool.
- Be seen as a full investment partner by Partner Funds across implementation, strategy support, reporting, training, thought leadership and policy influence.
- Further enhance our ability to deliver long-term risk-adjusted investment performance with a strong collective voice on Responsible Investment and full cost chain control and reporting.
- Strengthen the resilience and sustainability of the organisation across people, finance, and operations; with a focus on remaining forward-looking, flexible and adaptable to Partner Fund needs.



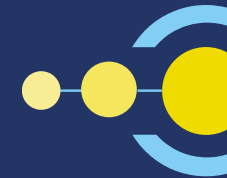
**APPENDIX**

# PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS



## IRR and TVPI (Pages 5 - 6)

- **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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