



Teesside Pension Fund

Quarterly Investment Report - Q2 2024

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Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,661,157,276
Inflows	£64,880,482
Outflows	£(75,000,000)
Net Inflows / Outflows	£(10,119,518)
Realised / Unrealised gain or loss	£10,209,154
Value at end of the quarter	£2,661,246,912

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 June 2024

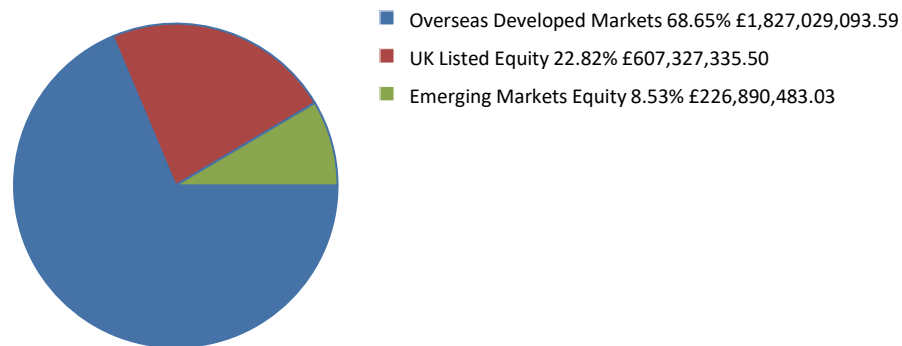
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Overseas Developed Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,827,029,093.59	68.65
Emerging Markets Equity	FTSE Emerging Markets (Net) ²	226,890,483.03	8.53
UK Listed Equity	FTSE All Share GBP	607,327,335.50	22.82

Available Fund Range

Fund
Global Equity Alpha
Overseas Developed Markets
Emerging Markets Equity
Emerging Markets Equity Alpha
UK Listed Equity
UK Listed Equity Alpha
Listed Alternatives
Sterling Investment Grade Credit
Sterling Index-Linked Bond
Multi-Asset Credit

Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

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

Portfolio Contribution - Teesside Pension Fund at 30 June 2024

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Overseas Developed Markets	68.65	2.43	1.23	1.19	1.65
Emerging Markets Equity	8.53	5.37	5.65	(0.29)	0.44
UK Listed Equity	22.82	3.14	3.73	(0.59)	0.75
Total	100.00	2.84			

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. For the period to 31st March 2024, 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. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).

Valuation Summary at 30 June 2024

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 (%)
Overseas Developed Markets	1,833,037,684.08	68.88	38,044,706.63	50,000,000.00	5,946,702.88	1,827,029,093.59	68.65
Emerging Markets Equity	215,330,986.18	8.09	5,604,564.53		5,954,932.32	226,890,483.03	8.53
UK Listed Equity	612,788,605.33	23.03	21,231,211.22	25,000,000.00	(1,692,481.05)	607,327,335.50	22.82
Total	2,661,157,275.59	100.00	64,880,482.38	75,000,000.00	10,209,154.15	2,661,246,912.12	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 June 2024

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
Overseas Developed Markets	10.81	9.04	1.77	2.33	1.23	1.10	19.70	16.39	3.31	9.93	7.36	2.56	11.67	9.70	1.97
Emerging Markets Equity	4.12	5.58	(1.46)	5.21	5.65	(0.45)	13.60	14.11	(0.51)	(1.46)	(0.63)	(0.83)	2.36	3.69	(1.33)
UK Listed Equity	5.21	4.71	0.50	3.14	3.73	(0.58)	11.18	12.98	(1.80)	7.42	7.40	0.02	5.72	5.54	0.18

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. For the period to 31st March 2024, 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. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).
- 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 June 2024

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
Overseas Developed Markets	10.83	9.04	1.79	2.35	1.23	1.12	19.73	16.39	3.34	9.94	7.36	2.58	11.69	9.70	1.99
Emerging Markets Equity	4.34	5.58	(1.24)	5.49	5.65	(0.17)	14.14	14.11	0.03	(1.12)	(0.63)	(0.49)	2.61	3.69	(1.08)
UK Listed Equity	5.22	4.71	0.51	3.16	3.73	(0.57)	11.19	12.98	(1.79)	7.43	7.40	0.02	5.73	5.54	0.19

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 all fees.
- 6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Overseas Developed Markets Fund - Overview

at 30 June 2024

Overseas Developed Markets Fund

Over the second quarter the fund delivered a total return of 2.33% compared to the composite benchmark return of 1.23% resulting in a relative outperformance of 1.10%. Year to date the fund has delivered a total return of 11.45%, outperforming its benchmark by 2.38%.

The key contributor to relative performance over the quarter was the fund's North American exposure. The US was yet again the strongest performing market, and our allocation outperformed its regional benchmark (the S&P500) by 1.61%. In a clear repeat of the prior quarter, the biggest contributor to the fund performance was its investment in Nvidia which gained 25% and where the fund remains overweight despite having reduced its relative weighting. The Technology sector was the largest contributor to relative returns over the period; this would be expected given the contribution from Nvidia, however investments in Microsoft, Apple and Broadcom also contributed very strong positive performance. The similarities with last quarter do not end there; as with the prior quarter, both Europe and Japan also delivered strong relative performance over the period with Japan yet again being the region that delivered the best relative returns.

The technology sector remained the best performing sector for the fund as a whole however the contribution from both the consumer and health care sectors should not be under stated. The fact that we have been generating returns from a spread of sectors is encouraging as we are concerned about the valuations and excitement currently linked to the technology sector and to specific companies within the sector. As a result, we have been slowly reducing our relative weighting in companies such as Nvidia where, despite confidence in their business model, we worry about their valuation and the long-term expectations being built into their numbers. Within our sector weights, it was notable that the materials sector delivered both negative absolute and relative returns. Investments such as James Hardie in Australia and Arcelor Mittal in France struggled to perform.

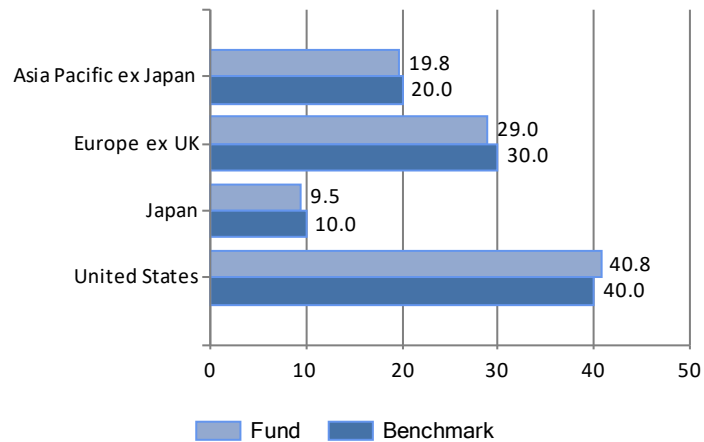
We think it is important to draw attention to the lengthy and continued outperformance of large cap equities at the expense of smaller companies. This divergence can continue for long periods of time and has been beneficial to the fund. That said, it cannot continue indefinitely as small and mid-sized companies are now looking increasingly attractively valued. We therefore expect a very gradual reduction in exposure to the largest companies as we seek to find attractive long term investment opportunities across our investment universe.

Note

1) Source: Border to Coast

Overseas Developed Markets Fund at 30 June 2024

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

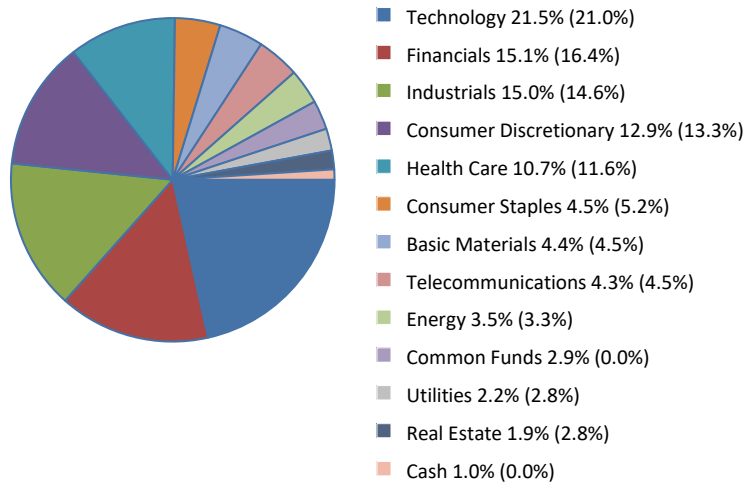
Fund	Inception to Date			Quarter			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Markets	10.81	9.04	1.77	2.33	1.23	1.10	19.70	16.39	3.31	9.93	7.36	2.56	11.67	9.70	1.97
United States	15.36	13.70	1.66	5.71	4.11	1.61	28.48	24.71	3.77	15.33	12.79	2.54	16.52	14.64	1.88
Japan	7.95	4.85	3.11	(2.57)	(4.66)	2.09	20.07	12.91	7.16	8.71	4.90	3.80	9.95	6.50	3.45
Europe ex UK	8.89	7.08	1.81	0.05	(0.43)	0.48	15.60	12.20	3.40	9.34	5.79	3.55	9.65	7.66	1.98
Asia Pacific ex Japan	5.65	4.20	1.44	1.65	0.91	0.74	9.58	8.02	1.56	0.28	(0.44)	0.73	5.37	3.87	1.50

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.

Overseas Developed Markets Fund at 30 June 2024

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

Industrials (o/w) – Regional divergences in valuation and expectations mean that high relative exposure in Europe and Pacific ex-Japan more than compensate for underweights in the US and Japan.

Technology (o/w) – Adoption of artificial intelligence – along with other technology themes – has the potential to benefit technology companies for multiple years.

Healthcare (u/w) – Despite beneficial long-term trends and structural demand from an ageing population weak pipelines and company specific factor lead to a sector underweight.

Real Estate (u/w) – High leverage leaves the sector vulnerable to a higher interest rate regime, and concerns around the impact of home/flexible working on the longer-term demand for office space remain.

Financials (u/w) – Improved returns haven't materialised despite higher interest rates. Elevated credit cycle risk (non-performing, or defaulted loans) should recessionary pressures mount.

Note

1) Source: Northern Trust

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

Overseas Developed Markets Fund Attribution at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	2.31	20.78	0.93	20.70	0.22
NVIDIA Corporation	3.08	36.53	2.65	36.64	0.14
Broadcom	1.15	21.52	0.61	21.33	0.09
SK Hynix	0.98	26.33	0.63	26.43	0.08
Novo Nordisk	2.23	12.81	1.56	13.18	0.07

Alphabet Class A (o/w) – When Chat GPT burst onto the scene in 2022 investors began to fear for Alphabet’s primary profit driver –search. But recent results have proved the doubters wrong, and with the company’s cloud business picking up momentum, Alphabet is one of the better valued big tech firm’s benefitting from the AI boom.

Nvidia (o/w) – Nvidia’s revenue has skyrocketed in line with its share price, with the most recent quarterly figure of \$26 billion some 260% higher than the same quarter last year. That figure was just \$5.6 billion only three years ago, underscoring the firm’s undisputed title as ‘AI leader’.

Broadcom (o/w) – Broadcom isn’t quite in the same realm as Nvidia, but investors believe it’s not that far off. The firm’s AI focused networking and custom accelerator revenue jumped 44% in the most recent quarter. What’s more, Broadcom signalled that its cyclical businesses are approaching the bottom of the current down cycle. The company’s stock rallied 13% after its second quarter results release.

SK Hynix (o/w) – continued to benefit from its prominent position in Nvidia’s supply chain (supplying the most advanced high bandwidth memory chips) and expectations of a strong recovery in the broader memory market.

Novo Nordisk (o/w) – There are improving signs that Novo is making progress in easing its supply shortages. The company is gradually increasing production of the lower strength or "starter" doses of its weight loss drug Wegovy in the US after struggling with supply. During the quarter Novo also received the green light from regulators to start supplying the Chinese market.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund Attribution Continued at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.78	20.48	(0.13)
Vanguard US Mid Cap ETF	2.91	(2.75)	0.00	0.00	(0.12)
Samsung SDI	0.29	(26.53)	0.09	(26.54)	(0.07)
Airbus	0.45	(24.08)	0.28	(24.32)	(0.05)
Tesla	0.00	0.00	0.48	12.49	(0.05)

Alphabet Class C (u/w) – When ChatGPT burst onto the scene in 2022 investors began to fear for Alphabet's primary profit driver –search. But recent results have proved the doubters wrong, and with the company's cloud business picking up momentum, Alphabet is one of the better valued big tech firm's benefitting from the AI boom. The fund's underweight in Alphabet Class C shares is more than compensated for by the overweight in Class A shares.

Vanguard Mid-Cap ETF (o/w) – Driven by strong performance from mega cap technology firms, large cap indices continued to outperform their mid and small cap counterparts.

Samsung SDI (o/w) – in spite of relatively firm profits in 1Q24, similarly to LG Chem it underperformed on the back of slowing growth of EV batteries sales.

Airbus (o/w) – The French aircraft manufacturer lowered guidance for both earnings and aircraft deliveries. Despite strong demand, aircraft deliveries were cut from 800 to 770 as the company continued to struggle with supply chain issues.

Tesla (u/w) – Tesla's car deliveries might have skidded into decline, but investors voted through a monstrous pay package for the firm's leader, Elon Musk. That allayed fears that he might take his ball home in a sulk – in other words, quit the firm.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.91
Alphabet A	+1.38
Novo Nordisk	+0.67
Samsung Electronics	+0.64
Microsoft	+0.58
Alphabet C	-0.78
Tesla	-0.48
Exxon Mobil	-0.45
Westpac Bank	-0.43
Hermes	-0.27

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – The ETF provides exposure to mid and smaller companies in the US. Overall, though, the fund has an underweight exposure to smaller companies.

Alphabet Inc Class A – While the fund doesn't own Alphabet Class C shares, our position in Class A shares means the net position is overweight. Google-parent Alphabet enjoys a strong and profitable internet advertising market position whilst also benefitting from a fast-growing cloud computing infrastructure business.

Novo Nordisk – Novo has a strong market position in Type-2 diabetes and has branched out into treatment of obesity. Wegovy, the firm's flagship GLP-1 obesity drug, is seeing demand far outstrip supply as Novo extends its offering to other countries. Trials have also shown that GLP-1s could help with cardiovascular and kidney failure for diabetic/obese patients.

Samsung Electronics – Samsung is exposed to structural growth in the memory chip market, including high bandwidth applications. The group also has a diversified earnings stream, stronger balance sheet than peers, and large potential for shareholder returns. The overweight in the ordinary shares is partly offset by not owning the preference shares.

Microsoft Corp – The company looks well placed to benefit from the explosion of AI by increasing its share of wallet from enterprise customers by upselling AI augmented – co-pilot – versions of its software.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Inc Class C – The large holding in the A share class results in an overweight exposure overall.

Tesla Inc – The high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving. That may happen, but in the meantime, Tesla is grappling with sagging demand for its electric cars, as competition ramps. Further price cuts might be needed to stimulate demand.

Exxon Mobil Corp – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

Westpac Banking Group – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

Hermes – Hermes trades on a higher valuation and has a less diversified portfolio than some of its peers. The portfolio has an overweight position in LVMH, which trades at a lower valuation despite its best-in-class characteristics.

Note

1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Emerging Markets Equity Fund at 30 June 2024

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
Emerging Markets Equity	4.12	5.58	(1.46)	5.21	5.65	(0.45)	13.60	14.11	(0.51)	(1.46)	(0.63)	(0.83)	2.36	3.69	(1.33)
Border to Coast	8.73	9.02	(0.30)	6.57	5.41	1.16	23.12	22.06	1.05	8.16	8.19	(0.03)	--	--	--
FountainCap	(16.29)	(14.69)	(1.60)	0.29	6.28	(5.99)	(6.22)	(2.12)	(4.10)	(17.86)	(15.29)	(2.57)	--	--	--
UBS	(16.21)	(14.69)	(1.52)	3.53	6.28	(2.75)	(3.38)	(2.12)	(1.26)	(15.96)	(15.29)	(0.67)	--	--	--

Manager/Strategy	Benchmark	Role in fund	Target	Actual
Emerging Markets Equity	FTSE Emerging Markets (Net)³	NA	100%	100%
Border to Coast	FTSE Emerging ex China (Net)	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	72%	71%
FountainCap	FTSE China (Net)	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	11%	11%
UBS	FTSE China (Net)	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	17%	18%

Note

1) Source: Northern Trust & Border to Coast

2) Values do not always sum due to rounding and use of different benchmarks

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

Emerging Markets Equity Fund - Overview

at 30 June 2024

Emerging Markets Equity Fund

Overall, the EM Equity Fund returned 5.2% through Q2 2024, 0.4% below the FTSE EM benchmark. Over one year it has returned 13.6%, underperforming the benchmark by 0.5%. Since the Fund was restructured (April 2021) it has returned an annualised -1.0%, underperforming the benchmark by effectively the same amount.

Over the quarter, the Chinese market marginally outperformed the EM ex-China region (6.3% vs 5.4%). Through the first part of the quarter, the Chinese market continued its strong momentum, after rebounding off its recent lows in January, gaining c. 15% to mid-May, before moderating to the end of the quarter. The index was led higher by the majority of the largest index constituents. Tencent, the largest index holding rose c. 25% during the quarter, and six of the top seven holdings, which have a collective index weight of more than 30%, each rose c. 15% or more. The exception was Alibaba which had rallied c. 20% until mid-May, before moderating to a c. 3% total return over the quarter. The make-up of the index's top contributors to performance is indicative of the drivers of return. Whilst idiosyncratic stories remain at individual companies/ stocks, the market rally was predominantly driven by an abatement in the bearish sentiment which has been dominant for the past 15 months. EM funds started to buy into extremely low Chinese valuations, closing their underweights, whilst domestic China funds sitting on cash began to re-allocate into the market. As these allocation decisions played out, unsurprisingly, large index constituents were the main beneficiaries.

Both of our China Managers underperformed through the quarter, with Fountain Cap returning 0.3%, (-6.0% relative performance) and UBS returning 3.5%, (-2.8% relative performance). Given the Managers have an aggregate underweight position to the large index constituents, (most prominently the SOE banks), and Fountain Cap has the greater underweight position, the relative performance was as expected in this type of environment. Some key positions also underperformed during the quarter but for reasons which should not cause long term concern. Kweichow Moutai (-12.5%) declined despite continuing to grow earnings in line with double-digit expectations (+16%), driven by a slight reduction in the wholesale price which is having a short term impact but is expected to stabilise. Anta Sports (-8.5%) was swept up in a broad sell-off of Chinese sportswear names following the cut in full-year sales guidance from Nike, despite remaining on track to deliver its mid-teens growth target for the year. Sungrow Power (-15.5%) suffered due to Biden's tariff hike on China-made solar and energy storage products, although

a large part of the company's export to the US is already made in Thailand and India, so the impact of the tariff hike is expected to be limited.

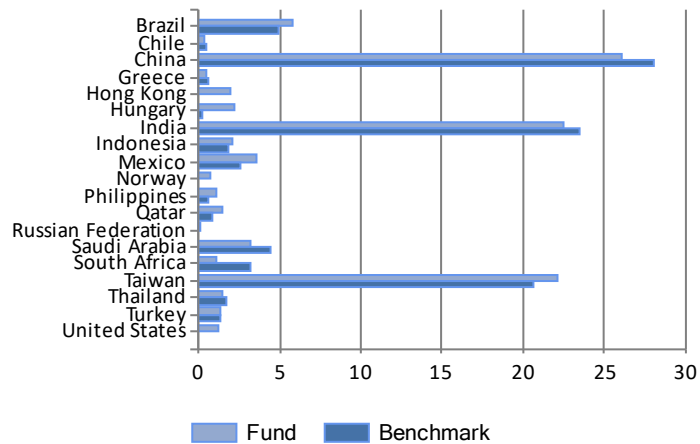
Within EM ex-China regions there was some volatility driven by elections. The Mexican market declined over 10% in the days following Claudia Sheinbaum receiving a larger majority than expected (raising concerns that some populist policies may be enacted), whilst India fell c. 6%, before rebounding, following Modi losing his majority and being forced to form a coalition. The internal mandate outperformed its benchmark returning 6.6% and +1.2% on an absolute and relative basis respectively. Key performance drivers within India (Aegis Logistics +c. 100%, Mahindra & Mahindra + c. 50%, and Bharat Electronics + c. 50%) were all driven on earnings beats, whilst the Fund also maintains exposure to the continued AI boom and TSMC was again a top contributor.

Note

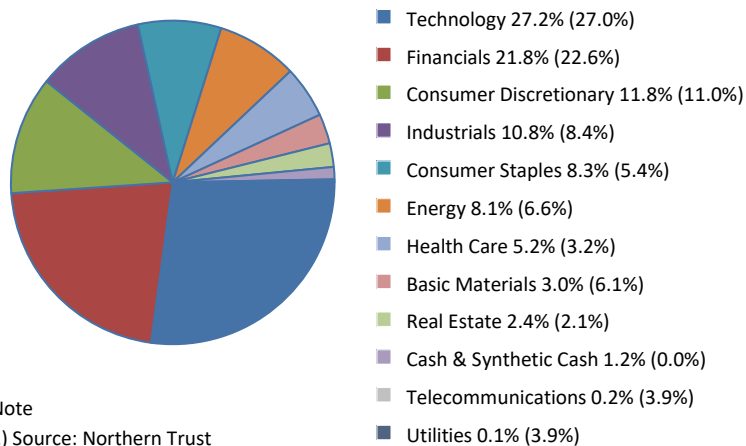
1) Source: Border to Coast

Emerging Markets Equity Fund at 30 June 2024

Regional Breakdown



Sector Portfolio Breakdown



Note
1) Source: Northern Trust

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 several stocks (particular in China) that are well positioned to benefit from such a tailwind.

Industrials (o/w) – The Fund is overweight the industrials sector, a diverse sector ranging from shipping and airports to glass manufacturing. The Fund's largest positions within this sector are manufacturers (or lessors) of heavy machinery and parts, which should benefit from continued urbanisation in emerging markets, and the manufacturer of electric cables with key relationships with global renewables businesses – i.e., a beneficiary of the green energy transition.

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.

Basic Materials (u/w) - The Fund is underweight the Materials sector, driven predominantly by the underlying managers believing there are few quality companies and attractive opportunities, that said, the Fund does hold some stocks, particularly in the EM-ex China component of the portfolio.

Telecommunications (u/w) – The Fund is underweight this relatively low growth, cap-ex intensive sector, which can also be buffeted by political risk (control and pricing implications). Where exposures are taken, they are to dominant market players with strong balances sheets in markets with solid growth prospects.

Utilities (u/w) – The Fund is underweight this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

Emerging Markets Equity Fund Attribution at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Aegis Logistics	2.04	96.59	0.00	0.00	1.19	Energy	India
Mahindra & Mahindra	2.02	49.14	0.46	49.13	0.51	Consumer Discretionary	India
Bharat Electronics	1.03	52.96	0.18	51.74	0.31	Industrials	India
Taiwan Semiconductor	11.90	22.74	9.79	22.62	0.30	Technology	Taiwan
Akbank	1.30	35.04	0.08	35.02	0.29	Financials	Turkey

Positive Issue Level Impacts

Aegis Logistics (o/w) – A major provider of port infrastructure for import/export of LPG and industrial liquids. The company continued its strong share price momentum with the stock almost doubling during the quarter. The company's net profit for the full financial year increased >20% YoY, and the market has been pricing in a strong expansion in capacity and earnings, whilst the company continues to grow its dividend.

Mahindra & Mahindra (o/w) – An Indian industrial company which manufactures automobiles and farm equipment. The company experienced strong share price performance with the stock increasing by almost 50% during the quarter. The company reported Q1 revenues and earnings which beat expectations and has provided strong guidance, announcing its intention to launch 23 new models by 2030.

Bharat Electronics (o/w) – An Indian state owned aerospace and defence electronics company. Bharat Electronics reported strong Q1 results; revenue up >30% YoY and EBITDA up >25% YoY. The company has continued to benefit from Indian defense spending, and despite some volatility following Modi's narrower than expected election victory, the stock rose >50% over the quarter.

TSMC (o/w) – The leading global semiconductor manufacturer. TSMC continued its strong Q1 share price performance rising more than 20% in Q2. The company continues to benefit from the AI boom, and in May, it announced a 30% YoY net revenue increase. There have been reports that the company will raise its prices leading to continued revenue and earnings growth.

Akbank (o/w) – A large banking group in Turkey. Akbank's share price rose c. 35% during the quarter, despite Q1 earnings falling 12% QoQ. Earnings did rise >20% YoY and the bank provided strong forward guidance in relation to profitability and loan growth. The Turkish banking sector has continued to benefit following a policy pivot to economic normalisation just over one year ago.

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

Emerging Markets Equity Fund Attribution at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Kweichow Moutai	2.00	(12.78)	0.24	(12.77)	(0.39)	Consumer Staples	China
Oncoclinicas	0.49	(36.96)	0.00	0.00	(0.30)	Health Care	Brazil
Itau Unibanco	1.36	(15.08)	0.39	(15.05)	(0.26)	Financials	Brazil
Ayala Land	1.09	(15.33)	0.05	(15.29)	(0.24)	Real Estate	Philippines
Netease	2.14	(7.62)	0.47	(7.80)	(0.24)	Consumer Discretionary	China

Negative Issue Level Impacts

Kweichow Moutai (o/w) – A leading Chinese baijiu (liquor) producer. The company reported Q1 results which were in line with expectations. However, a drop in the company's wholesale price of its Baiju has driven a reduction in its share price. E-commerce platforms looking to clear their inventory pushed prices down and this may have a short-term impact before prices stabilize. This does not impact Moutai's ex-factory price and there continues to be a wide margin between ex-factory price and wholesale/retail price.

Oncoclinicas (o/w) – A leading provider of outpatient oncology treatments in Brazil. Oncoclinicas suffered a volatile quarter with the stock falling >35% overall. The key driver is an increase in the time it takes for Oncoclinicas (and its peers) to get paid by health insurance companies, which is an industry wide problem in Brazil. However, a local family office displayed confidence in the company by funding a capital raising at a >70% premium to the market price on the day of the announcement, which will be used to pay down debt taken to fund working capital.

Itaú Unibanco (o/w) – The largest private sector bank in Brazil. Itaú Unibanco reported Q1 earnings which were in line with consensus estimates, and is positioned well in its market, given its earnings diversification, strong asset quality and good payout ratios. However, the share price fell during the quarter alongside the wider Brazilian market which has retrenched, given the extension of Fed rate cut expectations and unhelpful comments by Lula regarding the fiscal consolidation process.

Ayala Land (o/w) – Ayala is a property developer in the Philippines. The company reported strong revenue and earnings growth in Q1. The company's core profit growth of 39% YoY was generally in line with expectations and sell-side analysts believe the company is positioned well vs peers given its diversification across asset type and exposure to upper income residential development. However, the Indonesian Real Estate sector is facing headwinds from continued high rates.

NetEase (o/w) – A Chinese internet technology company that primarily develops and operates online PC and mobile games and content. The company's reported results were generally in line with expectations, however its share price declined following a lukewarm reception to its latest releases and a soft patch for its legacy titles. Our managers believe NetEase remains a leader in game development and has a promising pipeline of titles.

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

Emerging Markets Equity Fund at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Taiwan Semiconductor	+2.11
Aegis Logistics	+2.04
Kweichow Moutai	+1.76
Netease	+1.67
Mahindra & Mahindra	+1.57
Alibaba	-0.95
China Construction Bank	-0.95
PDD Holdings	-0.92
Infosys	-0.90
Hon Hai Precision	-0.68

Top 5 Holdings Relative to Benchmark:

Taiwan Semiconductor Manufacturing Company – TSMC is the leading global semiconductor manufacturer, and it contracts with fabless semiconductor customers such as AMD and Nvidia to produce their semiconductor designs. The company has significant competitive advantages in relation to its scale, production capacity, and technology. The chips it produces are used in smart phones, high performance computing (with some chips required for the emerging AI technology), automobiles and other consumer electronics.

Aegis Logistics - A major provider of port infrastructure for import/export of LPG and industrial liquids. The company has large expansion plans and is forecasted to significantly grow capacity in the near future.

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 – 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, should bode well for sales and profit growth.

Mahindra & Mahindra – An Indian industrial company which manufactures automobiles and farm equipment. The company is judged to have a superior model pipeline versus its peers and a greater focus on the SUV segment which has better growth prospects (than traditional passenger cars).

Bottom 5 Holdings Relative to Benchmark:

Alibaba – A Chinese multinational technology company, best known for e-commerce and online payment platforms. Again, 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” SOE banks in China, the Fund maintains a structural underweight to.

PDD – Another Chinese technology company, owning a number of e-commerce businesses, such as TEMU. 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.

Infosys – An Indian IT consulting and software services business. The company was a previous holding in the EM-ex China portfolio, however, the position was exited during Q3 '23 following poor guidance, and positioning has been rotated into competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

Hon Hai Precision - The company provides electronic manufacturing services, and produces mobile phones, computers, servers and TVs, for customers such as Apple, Cisco, Dell and Amazon. The Fund holds different exposures in the electronic manufacturing industry.

Note

1) Source: Northern Trust

Emerging Markets Equity Fund

at 30 June 2024

Major transactions during the Quarter:

Purchases:

Banco Santander Chile (new position) – The company is the leading bank in the country by market share and has demonstrated robust profitability in a challenging macro environment. The position provides the portfolio with exposure to the Chilean economy.

Haidilao International (new position) – Haidilao is a restaurant brand focusing on Chinese hot pot cuisine. The company has been focusing on improving restaurant profitability in the past and UBS believe that the business environment has stabilized and the stock is trading at an attractive valuation.

UK Listed Equity Fund - Overview

at 30 June 2024

UK Listed Equity Fund

The fund generated a total return of 3.14% during the quarter, compared to the benchmark return of 3.73%, resulting in 0.58% of underperformance.

The Fund's underperformance primarily resulted from the following:

- Stock selection in Financial Services where an underweight position in 3i Group (dominant holding Action continues to trade strongly) and an overweight position in Impax Environmental Markets (drifted lower during quarter after recent rally) were the key detractors.
- Weak stock selection in Industrials where an overweight position in Melrose (supply chain disruption) and underweight position in Rolls Royce (continued recovery under new CEO's strategy) weighed on performance.
- Stock selection in Consumer Discretionary where overweight positions in both SSP Group (industrial action and increased capex) and EasyJet (softening pricing expectations) have weighed.

This underperformance was partly mitigated by the following:

- Overweight allocation to Common Stock Funds where both Liontrust UK Smaller and Schroder Institutional UK Smaller Company funds have benefitted from the recovery in UK small cap stocks relative to larger cap stocks.
- Stock selection in Energy where overweight positions in Shell (increased focus on shareholder returns) and John Wood Group (multiple bids from trade peer) outperformed.

Note

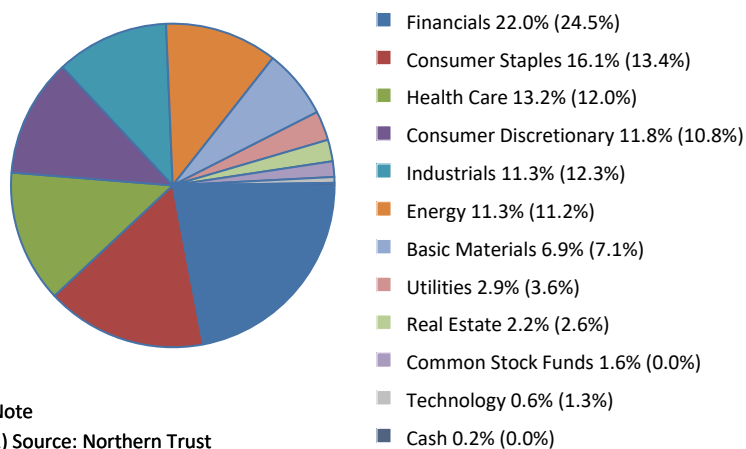
1) Source: Border to Coast

UK Listed Equity Fund at 30 June 2024

Largest Relative Over/Underweight Sector Positions (%)

Consumer Staples	+2.65
Common Stock Funds	+1.55
Health Care	+1.26
Consumer Discretionary	+0.95
Energy	+0.07
Financials	-2.51
Telecommunications	-1.21
Industrials	-1.05
Technology	-0.76
Utilities	-0.66

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:

Consumer Staples (o/w) – Consumer staples companies demonstrated resilient trading throughout the pandemic, and would be expected to perform strongly, relative to the wider equity market, during a global downturn.

Common Stock Funds (o/w) – UK small caps, in common with other geographies, have underperformed the wider market in recent years leaving current valuations increasingly attractive. Over longer periods of time, though, helped by strong growth potential, small cap companies have a track record of delivering outperformance.

Healthcare (o/w) – secular growth industry driven by global demographics, greater incidence of chronic health conditions, and increasing ability of emerging market populations to fund modern healthcare, with healthcare spending typically growing ahead of GDP. Additionally, the sector benefits from significant barriers to entry – from patent protection and rigorous drug approval processes – enhancing pricing power.

Financials (u/w) – predominantly due to underweights in investment trusts and HSBC – where strained US-China relations, increased near-term recessionary/commercial real estate risks, potential for deteriorating bank loan books and rising credit risk in insurers bond portfolios continue to be concerning. This overall sector position is partly offset by overweight positions in wealth managers and insurers – particularly those with Asian exposure where rising wealth levels provide attractive long term growth potential.

Telecommunications (u/w) – The sector remains highly capital-intensive, and features industry overbuild of fibre networks. As such, elevated investment leads to highly uncertain future returns. Regulatory structures restrict consolidation in Europe and the UK, and recent above-inflation pricing increases – like the ones enacted by BT – appear unsustainable.

Industrials (u/w) – In general, UK industry firms have been benefitting from the broad post-pandemic global economic re-opening, end-market recovery (e.g. aerospace and automobiles), supply chain normalisation and rising infrastructure expenditure, especially in the US. The fund's relative sector weighting can fluctuate due to benchmark changes – e.g. the benchmark weight of Rolls Royce PLC (not held) increased over the last quarter.

UK Listed Equity Fund Attribution at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
John Wood Group	0.37	55.87	0.06	55.86	0.10
Molten Ventures	0.32	54.86	0.03	54.69	0.09
Schroder UK Smaller Companies Fund	0.83	13.88	0.00	0.00	0.07
Allianz Technology Trust	0.70	13.86	0.06	14.10	0.06
QinetiQ	0.46	21.42	0.09	21.36	0.05

John Wood Group PLC (o/w) – Wood Group has been subject to multiple cash bids from Sidara, a Middle East engineering business. Having rejected the first three bids, its board ended the quarter engaging with Sidara following receipt of the fourth.

Molten Ventures PLC (o/w) – venture capital investment fund focussed on high growth technology opportunities where portfolio valuations have proven resilient as exits recommenced during the first half of the year, helping to reduce the valuation discount. Full year results highlighted the managers expectations of accelerated realisations going forward, supporting their announcement to allocate part of those proceeds to share buy backs.

Schroder Institutional UK Smaller Companies Fund (o/w) - UK small cap companies have started to see a recovery in valuations over the last quarter after an extended period of under-performance, in common with small caps globally, as the rate cycle nears itspeak and the UK domestic economy proves more resilient than anticipated.

Allianz Technology Trust PLC (o/w) – continues to reflect sustained growth in global technology valuations and expectations of a peak in the rate cycle, particularly benefiting the funds mid-cap bias, helped by a narrowing of the NAV discount at which the shares traded through the quarter.

Qinetiq Group PLC (o/w) - Full year results confirmed record order intake and backlog, supporting a progressive dividend increase. Benefitting from the increased focus on defence spending by NATO members, in particular higher technology and capability testing solutions, in response to the Russia-Ukraine and Israel-Hamas conflicts and ongoing China-Taiwan tensions.

Note

1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund Attribution Continued at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Melrose Industries	0.65	(17.72)	0.30	(17.77)	(0.09)
Diageo	2.68	(14.92)	2.31	(14.90)	(0.09)
SSP	0.22	(31.91)	0.05	(31.95)	(0.08)
easyJet	0.39	(19.78)	0.12	(19.81)	(0.08)
3i Group plc	0.00	0.00	1.19	10.38	(0.07)

Melrose Industries PLC (o/w) – weak quarter for the aerospace sector following the solid recovery in demand seen over the last 18 months, as supply constraints continue to impact aircraft deliveries such as highlighted by the recent Airbus warning.

Diageo PLC (o/w) - continues to be impacted by an extended period of wholesale channel de-stocking in spirits, in particular US & LatAm, and softer consumer demand as the boost from increased home consumption during Covid normalises.

SSP Group PLC (o/w) – interim results highlighted the ongoing impact from industrial action in Continental Europe, and to a lesser degree the UK, weighing on margins, alongside an increased capex requirement for new openings as the company pivots towards higher growth markets in the US & Asia.

Easyjet PLC (o/w) – after an extended period of pricing strength since Covid restrictions were lifted, as demand exceeded expectations and capacity remained constrained, a more cautious commentary for the peak summer period from both Easyjet and Ryanair weighed on the budget airline sector.

3i Group PLC (u/w) – Not held. Action, the European discount retailer which represents around 70% of the investment company's portfolio, has continued to deliver strong trading performance through the first half of 2024, with the remainder of the private equity portfolio also proving resilient.

Note

1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.85
Schroder UK Smaller Companies Fund	+0.83
Liontrust UK Smaller Companies	+0.72
Herald Investment Trust	+0.64
Allianz Technology Trust	+0.64
Rolls Royce	-1.60
3i Group plc	-1.19
Vodafone	-0.64
Aviva	-0.54
Scottish Mortgage Investment Trust	-0.52

Top 5 relative stock weights

Impax Environmental Markets PLC – The leading ESG-focused fund which specialises in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environments, pollution control and waste technology has delivered strong outperformance over the long term.

Schroder Institutional UK Smaller Companies Fund – A specialist UK smaller companies fund with a strong long-term track record. Smaller companies typically out-perform over the longer term, given their higher growth potential. This is not reflected in current UK small cap valuations. Schroders incorporate proprietary ESG scoring systems in their investment process and undertake significant direct ESG engagement with portfolio holdings.

Liontrust UK Smaller Companies Fund – A specialist UK small-cap fund with an investment style focussed on intellectual property, strong distribution channels, and durable competitive advantages: all factors considered relevant to the attractive long-term growth profile of smaller companies. The managers have a strong emphasis on sustainable investment and adopt extensive ESG engagement and reporting.

Herald Investment Trust PLC – A specialist investment trust with a global mandate that focusses on smaller quoted companies in the telecommunications, multimedia and technology sectors. The trust has a long track record of outperformance, with the investment team led by experienced investor Katie Potts.

Allianz Technology Trust PLC – global technology investment trust managed by an experienced US-based team with a bias towards mid and large cap global technology holdings where the managers see higher growth potential. Held to balance the small technology weighting/opportunity in the UK benchmark.

Bottom 5 relative stock weights

Rolls-Royce Holdings PLC – exited the holding in 2022 ahead of the change in CEO, on uncertainty over the recovery profile of long-haul air travel post-Covid lockdown relative to that of short-haul, and the associated demand for wide-bodied engines and engine flying hours. Performance has since exceeded expectations under the new CEO (restructuring progress, recovery in engine flying hours) albeit questions remain over the sustainability of the recovery and current valuation.

3i Group PLC – global private equity investor albeit with an unusually concentrated investment portfolio where approximately 70% of the current net asset value is invested in a single asset, Action, a European discount retailer.

Vodafone Group PLC – exited holding on weakening competitive position in key markets including Vodafone's largest market Germany where cable revenues face increased competition following regulatory changes and, until recently, a lack of management commitment towards strategic consolidation such as in the UK & Italy, where approval from competition authorities also remain key barriers to consolidation.

Aviva PLC – exited our holding last year to consolidate holdings within the insurance sector into companies where growth prospects appear stronger such as Admiral, Prudential and Legal & General.

Scottish Mortgage Investment Trust PLC – investment trust focussed on global large-cap technology stocks but also an unusually high exposure to less liquid and potentially riskier unlisted companies currently representing around 30% of the fund's value. We have similar listed global technology exposure through our holding in Allianz Technology Trust.

Note

1) Source: Northern Trust

UK Listed Equity Fund at 30 June 2024

Major transactions during the Quarter:

Purchases

Segro PLC (£5.0m) – increasing the relative overweight position in the fund. Segro boasts an attractive logistics/data centre portfolio/development pipeline which is exposed to structural growth sectors and robust rental growth. Asset valuations have been negatively impacted by rising interest rates, but an expected turn in the rate cycle should support a recovery.

Sales

Flutter Entertainment PLC (-£30.3m) – Reduced absolute weighting as the company switched its primary listing to the US but also increased the relative overweight through the process as the company continues to trade robustly as the leading online sports betting/gaming company in the US, alongside its more established businesses in the UK and Australia.

Shell PLC (-£13.4m) – Trimmed holding on recent strength to maintain our neutral weighting to the energy sector due to concerns around weaker global energy demand and near-term supply outlook/elevated European natural gas storage levels.

Spirent Communications PLC (-£9.0m) – Exited overweight holding following shareholder approval for the improved Keysight bid for the company, following a competitive bid process between Viavi and Keysight, given the likely extended delay in obtaining regulatory approval (competition concerns).

HSBC Holdings PLC (-£7.5m) – Reduced holding as part of a customer redemption as well as ongoing concerns over China/US tensions and China real estate exposure.

Unilever PLC (-£6.9m) - Reduced holding as part of a customer redemption, whilst also maintaining the relative overweight position given recent strong share price outperformance.

AstraZeneca PLC (-£6.7m) – Reduced holding (large index/fund weight) as part of a customer redemption request whilst maintaining relative weight given recent share price strength.

BP PLC (-£5.7m) – Trimmed holding to maintain our neutral weighting to the energy sector due to concerns around weaker global energy demand and near-term supply outlook.

British American Tobacco PLC (-£5.5m) – Reduced holding as part of a customer redemption request (large index weight).

RELX PLC (-£5.3m) – Reduced holding as part of a customer redemption, whilst also maintaining the relative overweight position given recent strong share price outperformance.

APPENDICES

Overseas Developed Markets Fund - United States at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	2.31	0.93	0.22
NVIDIA Corporation	3.08	2.65	0.14
Broadcom	1.15	0.61	0.09
Intel	0.00	0.12	0.05
Eli Lilly	0.92	0.63	0.05

Alphabet Class A (o/w) – When Chat GPT burst onto the scene in 2022 investors began to fear for Alphabet’s primary profit driver –search. But recent results have proved the doubters wrong, and with the company’s cloud business picking up momentum, Alphabet is one of the better valued big tech firm’s benefitting from the AI boom.

Nvidia (o/w) – Nvidia’s revenue has skyrocketed in line with its share price, with the most recent quarterly figure of \$26 billion some 260% higher than the same quarter last year. That figure was just \$5.6 billion only three years ago, underscoring the firm’s undisputed title as ‘AI leader’.

Broadcom (o/w) – Broadcom isn’t quite in the same realm as Nvidia, but investors believe it’s not that far off. The firm’s AI focused networking and custom accelerator revenue jumped 44% in the most recent quarter. What’s more, Broadcom signalled that its cyclical businesses are approaching the bottom of the current down cycle. The company’s stock rallied 13% after its second quarter results release.

Intel (u/w) – Intel continues to struggle, and the company’s long-awaited turnaround is yet to gain momentum. Having lost market share over recent years, Intel has also been grappling with weak market demand for its PC and server chips. The company's second-quarter guidance was significantly below analysts’ expectations.

Eli Lilly (o/w) – The company continues to build out the supply chain for its key GLP-1 franchises as investor excitement over the ultimate size of the obesity and co-morbidity market continues to grow.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.78	(0.13)
Vanguard US Mid Cap ETF	2.91	0.00	(0.12)
Tesla	0.00	0.48	(0.05)
Home Depot	0.62	0.30	(0.04)
Zimmer Biomet	0.17	0.02	(0.03)

Alphabet Class C (u/w) – When Chat GPT burst onto the scene in 2022 investors began to fear for Alphabet’s primary profit driver –search. But recent results have proved the doubters wrong, and with the company’s cloud business picking up momentum, Alphabet is one of the better valued big tech firm’s benefitting from the AI boom. The fund’s underweight in Alphabet Class C shares is more than compensated for by the overweight in Class A shares.

Vanguard Mid-Cap ETF (o/w) – Driven by strong performance from mega cap technology firms, large cap indices continued to outperform their mid and small cap counterparts.

Tesla (u/w) – Tesla’s car deliveries might have skidded into decline, but investors voted through a monstrous pay package for the firm’s leader, Elon Musk. That allayed fears that he might take his ball home in a sulk – in other words, quit the firm.

Home Depot (o/w) – With 30-year mortgage rates in the US hovering around 7%, housing transactions remain weak. While transaction-driven revenue for home improvement retailers normally makes up a small proportion of total sales, the current depressed level of activity is weighing on Home Depot’s sales – and investor confidence.

Zimmer Biomet (o/w) – While Zimmer’s results showed promise, and the company has issued new aggressive financial targets, investors remain unconvinced that the firm can return to delivering attractive returns.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.91
Alphabet A	+1.38
Microsoft	+0.58
Broadcom	+0.54
Amazon	+0.47
Alphabet C	-0.78
Tesla	-0.48
Exxon Mobil	-0.45
AbbVie	-0.26
AMD	-0.23

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – the ETF provides exposure to mid and smaller companies in the US. Overall, though, the fund has an underweight exposure to smaller companies.

Alphabet Inc Class A – while the fund doesn't own Alphabet Class C shares, our position in Class A shares means the net position is overweight. Google-parent Alphabet enjoys a strong and profitable internet advertising market position whilst also benefitting from a fast-growing cloud computing infrastructure business.

Microsoft Corp – the company looks well placed to benefit from the explosion of AI by increasing its share of wallet from enterprise customers by upselling AI augmented – co-pilot – versions of its software.

Broadcom – the company is a designer and developer of semiconductors serving an array of growing end markets. Its networking and custom accelerators are benefitting from the large-scale buildout of AI infrastructure, while the firm's software products provide reliable and profitable growth.

Amazon – Amazon's AWS hosting platform is the largest public cloud on the planet. Amazon's cloud business continues to propel the firm's revenue growth, while boosting probability at the same time. Amazon is a lead runner in the AI race, too.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Inc Class C – the large holding in the A share class results in an overweight exposure overall.

Tesla Inc – the high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving. That may happen, but in the meantime, Tesla is grappling with sagging demand for its electric cars, as competition ramps. Further price cuts might be needed to stimulate demand.

Exxon Mobil Corp – we prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

AbbVie Inc – the pharmaceutical company's largest franchise, Humira, has lost important patent protection and may pursue expensive acquisitions to reinvigorate revenue growth.

Advanced Micro Devices Inc – AMD's microprocessors used in personal computing and datacentres have performed well and taken share. The company produces graphic processing units (GPUs) that compete with Nvidia, and investor excitement over their potential has lifted the stock's valuation. We continue to believe, however, that Nvidia possesses crucial competitive advantages that should ensure that it remains dominant for the foreseeable future.

Note

1) Source: Northern Trust

Overseas Developed Markets Fund - Europe (ex UK) at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	2.23	1.56	0.07
ABB	0.54	0.31	0.04
BBVA	0.00	0.20	0.03
Hermes	0.00	0.27	0.03
Schneider Electric	0.93	0.45	0.03

Novo Nordisk (o/w) – There are improving signs that Novo is making progress in easing its supply shortages. The company is gradually increasing production of the lower strength or "starter" doses of its weight loss drug Wegovy in the US after struggling with supply. During the quarter Novo also received the green light from regulators to start supplying the Chinese market.

ABB (o/w) – The Swiss industrial technology company raised its profitability guidance for full year despite more recent results showing slower sales growth in the first half. This was partly supported by the company seeing strong order momentum from data centres and utilities in its electrification business.

Banco Bilbao Vizcaya Argentaria (u/w) – As an underweight the fund benefitted from the Spanish bank making a hostile bid for Banco de Sabadell which was taken poorly by the market. The Spanish government opposed the deal and suggested that it had the final say in the matter.

Hermes (u/w) – As an underweight the fund benefitted from the slowdown in growth in the luxury goods sector and the weaker than expected demand from China. Management have indicated there will be little room for price increases for the rest of the year which is marked deterioration in their expectations at the end of last year.

Schneider Electric (o/w) – The French company saw a rise in revenue with management saying that they saw a rise across most sectors and regions and in particular data centres which saw double digit growth and infrastructure.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Airbus	0.45	0.28	(0.05)
Stellantis	0.12	0.00	(0.04)
LVMH	0.88	0.66	(0.04)
VINCI	0.36	0.18	(0.03)
AXA	0.56	0.21	(0.03)

Airbus (o/w) – The French aircraft manufacturer lowered guidance for both earnings and aircraft deliveries. Despite strong demand, aircraft deliveries were cut from 800 to 770 as the company continued to struggle with supply chain issues.

Stellantis (o/w) – The European automaker reported poor results. Revenue dropped by 12% with major falls coming from its two largest markets the US and Europe with earnings also slipping.

LVMH (o/w) – The French luxury goods company was a victim of a sector slowdown. Certain parts of the business were affected more than others such as Wines and Spirits still being lacklustre. Also, the snap election called by Macron did not help the French names.

Vinci (o/w) – The French infrastructure/construction company was another casualty of the snap election being called. The main concern was centred on the far-right RN party's pledge to nationalise all domestic motorways of which Vinci is a major operator.

AXA (o/w) – The French insurer like many of the French names sold off after the European elections with a major surprise coming from Macron as he dissolved Parliament and called a snap election in the hope that this would stop the growing support for the far right.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.67
ASML	+0.48
Schneider Electric	+0.48
TotalEnergies	+0.41
Siemens	+0.41
Hermes	-0.27
Zurich Insurance Group	-0.27
Banco Santander	-0.25
UniCredit	-0.21
Mercedes-Benz	-0.20

Top 5 Holdings Relative to Benchmark:

Novo Nordisk – Novo has a strong market position in Type-2 diabetes and has branched out into treatment of obesity. Wegovy, the firm’s flagship GLP-1 obesity drug, is seeing demand far outstrip supply as Novo extends its offering to other countries. Trials have also shown that GLP-1s could help with cardiovascular and kidney failure for diabetic/obese patients.

ASML – The Dutch hardware company is the sole supplier of lithography equipment to the semiconductor/chip makers globally. The company has monopolistic power and enjoys tight relationships with its customers, which rely on ASML’s equipment to build better and faster chips.

Schneider Electric – Schneider is a highly regarded and well-managed electrical power equipment company that enjoys a strong global position in the structural growth markets of Energy Management and Industrial Automation.

TotalEnergies – The French petroleum company has recently been shifting away from their core oil business and has now become the second largest player in liquefied natural gas (“LNG”). The management team is looking to diversify further into green energy and renewables.

Siemens – Siemens has transformed from being a large conglomerate to a focused niche player, focusing on three main areas: DI (Digital Industries), SI (Smart Infrastructure) and Mobility. The company is well placed to benefit from long term secular growth drivers such as automation and energy efficiency.

Bottom 5 Holdings Relative to Benchmark:

Hermes – Hermes trades on a higher valuation and has a less diversified portfolio than some of its peers. The portfolio has an overweight position in LVMH, which trades at a lower valuation despite its best-in-class characteristics.

Zurich Insurance Group – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly-ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Banco Santander – Santander’s balance sheet is considered one of the weakest in the sector, and its end markets are especially vulnerable to the impact of higher interest rates. The bank’s strategy to expand into investment banking remains risky, in our opinion.

UniCredit - The Italian bank is not held in the portfolio as we think it higher risk and less well managed compared to other banks in the country. There are concerns around the shareholder return story and we believe Intesa Sanpaolo is the better way to play this part of the market.

Mercedes-Benz Group – The German luxury auto manufacturer trades on a high valuation at a time when we believe there is a risk of peaking profitability. Additionally, the auto sector is highly cyclical, and a weak consumer and high interest rates could materially impact demand.

Note

1) Source: Northern Trust

Overseas Developed Markets Fund - Japan at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Hitachi	0.40	0.23	0.04
TDK	0.23	0.05	0.03
Recruit Holdings	0.33	0.17	0.03
Tokio Marine	0.32	0.16	0.03
KEPCO	0.18	0.03	0.02

Hitachi (o/w) – Positive exposure to popular themes like IT/AI and energy distribution buildout continued to support demand for the shares as the company emerges from its decade-plus restructuring phase into solid secular growth. Better-than-expected fourth quarter earnings, as well as consensus-beating guidance for the current fiscal year also contributed to greater investor demand.

TDK (o/w) – Electronic component stocks rallied during the quarter as inventory adjustments in key regions such as China showed signs of bottoming out. In addition, TDK announced a major technological breakthrough in solid-state battery development, which promises much higher energy density and markedly increased performance.

Recruit Holdings (o/w) – Bullish FY guidance buoyed the shares, as did the growing sense that the company’s portfolio of businesses is beginning to gain critical mass. The US employment search business, which the market feared would underperform in a job downturn, also appears more resilient than expected.

Tokio Marine (o/w) – Investors reacted bullishly to management’s announcement that it plans to accelerate its unwinding of cross shareholdings, which will likely allow for a large redistribution of capital to shareholders.

Kansai Electric Power (o/w) – The electric power generation sector enjoyed renewed market attention as investors contemplated the positive impact of a power capacity buildout to meet the needs of electrification as well as the power-hungry AI industry. The restart of nuclear power generation in Japan was also rated positively by investors, an area where Kansai Electric Power stands to benefit more than the peer group, in our opinion.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Shionogi	0.15	0.02	(0.04)
Tokyo Electron	0.36	0.22	(0.03)
Toyota Motor	0.64	0.55	(0.03)
Mitsubishi Estate	0.18	0.04	(0.03)
Keisei Electric Railway	0.10	0.01	(0.03)

Shionogi (o/w) – Phase two clinical trial data for the company’s obesity drug released during the quarter underwhelmed investors hoping perhaps for a blockbuster announcement. We continue to believe the market is underestimating the strengths of this company, especially its world-class AIDs treatment franchise, as well as the potential of its COVID mediation in Japan and its overall pipeline of potential new drugs.

Tokyo Electron (o/w) – Tokyo Electron enjoyed a strong rerating during the previous fifteen months as a key player supporting the buildout of the chipmaking industry and a natural choice for investors wanting exposure to Japanese tech and AI, in our opinion. Investors appear to have taken profit on this stock as valuations approached historically high levels.

Toyota Motor (o/w) – Shares corrected on profit-taking after exceptionally strong performance in prior quarters. The market also appears unwilling to capitalize earnings growth resulting from the weaker yen. Finally, the company was cited by Japanese regulators, along with several of its Japanese peers in the auto OEM space, for incorrect safety-testing procedures. The latter is in our opinion immaterial to the company’s brand or business results.

Mitsubishi Estate (o/w) – The shares had rallied hard during the tail end of Q4 2023 and Q1 as investors began to change their view on Mitsubishi Estate, which owns some of the most attractive prime property in Japan, amid the first signs of rental income growth—a rare event during the deflationary era. The shares corrected during the quarter, in our view partially on profit taking but also on rotation into other real estate developers that had not yet rerated.

Keisei Electric Rail (o/w) – Keisei Electric was targeted by activist investors during the final quarter of 2023, and investors hoped for a quick sale of non-core assets such as the company’s stake in Oriental Land – the operator of Tokyo Disneyland. Management’s initial announcement on asset sales and increased payouts to shareholders, while significant, appeared to undershoot the high expectations that had buoyed the share price at the start of the year.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Mitsubishi UFJ Financial	+0.19
Sumitomo Mitsui Financial	+0.18
Hitachi	+0.18
TDK	+0.18
Renesas Electronics	+0.17
Daiichi Sankyo	-0.15
Mitsui & Co	-0.13
Mizuho Financial	-0.12
Honda Motor	-0.12
HOYA	-0.09

Top 5 Holdings Relative to Benchmark:

Mitsubishi UFG – As Japan’s largest and highest-quality bank, MUFG is well placed to benefit from the long-awaited normalization of Japanese interest rates and the positive impact this will have on bank earnings. We are also bullish on its high-quality overseas assets, such as the investment bank Morgan Stanley.

Sumitomo Mitsui Financial Group – We maintain an overweight position on large Japanese banks. Among these we favour Sumitomo Mitsui Financial Group because of the success management has enjoyed in shifting the group’s business model beyond traditional reliance on loan-deposit spread, as well as building a credible overseas operation.

Hitachi – Over the last 13 years, large-scale corporate restructuring has transformed this company from a sprawling and inefficient corporate behemoth into a lean and focused creator of industrial value. Management is now shifting its attention from restructuring to growth, led by world-class technology and industrial integration, as well as electric distribution and traditional industrial verticals like rolling stock.

TDK – We rate the company’s industry-leading battery technology highly, as well as its diversified end-market exposure. Management has shown itself adept at adopting to industry changes, and we believe the market will be surprised by the positive effects of its strategy in areas such as mid-sized batteries.

Renesas – The strengths of the company’s Micro processing units for automobiles, where it enjoys global number one or two market share, are well known. We believe the market is underestimating Renesas’ success in building comprehensive capability across categories, however. We are also bullish on the planned acquisition of Australian chip-design company Altium, which we believe will not only enhance Renesas competitive advantage but also open new markets for its products.

Bottom 5 Holdings Relative to Benchmark:

Daiichi Sankyo – The current share price continues to reflect an unrealistically optimistic outlook for the company’s oncology drugs, in our view.

Mitsui & Co – While we rate Mitsui & Co. highly, we prefer Mitsubishi Corp. and Itochu Corporation, due to their more diversified business portfolios with relatively lower weighting on resources/commodities. Mitsubishi Corp. in particular has learned the lessons of the last bull cycle and is more keenly focused on free cash flow generation.

Mizuho Financial Group – While we maintain our overweight in financials, we prefer MUFG for the higher quality of its domestic franchise as well as its blue-chip overseas assets like Morgan Stanley. We also prefer to hold Sumitomo Mitsui Financial Group for its successful efforts to build profitable non-lending businesses.

Honda Motor – We prefer Toyota for its EV/hybrid strategy and growth prospects; we also like Subaru owing to the resilience of its US sales, greater potential from its collaboration with Toyota, and the possibility that Toyota may increase its stake.

Hoya – We exited this manufacturer of electro-optical products on competition concerns and expected continuing weakness of EUV mask blanks used to imprint the integrated circuit pattern in the semiconductor manufacturing process.

Note

1) Source: Northern Trust

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 June 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
SK Hynix	0.98	0.63	0.08
Hyundai Motors	0.45	0.19	0.05
LG Innotek	0.16	0.02	0.04
HLB	0.00	0.03	0.03
Samsung Electronics Prefs	0.00	0.26	0.03

SK Hynix (o/w) – continued to benefit from its prominent position in Nvidia’s supply chain (supplying the most advanced high bandwidth memory chips) and expectations of a strong recovery in the broader memory market.

Hyundai Motor (o/w) – with expectations of resilient volumes (flat for 2024) but improvement in ASP mix gains on higher SUVs penetration and exposure to hybrid vehicles, Hyundai Motor outperformed benefiting also from the government’s corporate value up program (trading at 0.6x book value, with room for increasing shareholders’ returns and potentially large benefits from the unwinding of cross-shareholdings with Hyundai Mobis and Kia).

LG Innotek (o/w) – rebounded strongly on expectations of Apple’s iPhones AI capabilities leading to rising revenues, iPhones sales recovery in China and speculation surrounding supply of AI semiconductor substrates to be used in server GPUs starting later in the year.

HLB (u/w) – after soaring in 1Q24 on the back of phase 2 trial results of chemotherapy for gastric cancer patients using a combination of its drugs showed efficacy, the small and volatile Korean biopharmaceutical company corrected heavily in 2Q24 on news of US FDA rejecting the approval of the drug on minor critiques during sites inspections and incomplete inspections of other sites due to travel restrictions.

Samsung Electronics Prefs (u/w) – in spite of attractive valuations and improving overall memory market, Samsung Electronics underperformed the benchmark on uncertainty regarding its potential entry to Nvidia’s list of suppliers for the most advanced high bandwidth memory chips for its GPU.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 June 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung SDI	0.29	0.09	(0.07)
Techtronic Industries	0.35	0.10	(0.05)
James Hardie	0.23	0.09	(0.04)
Westpac Bank	0.00	0.43	(0.04)
LG Chemical	0.19	0.08	(0.03)

Samsung SDI (o/w) – in spite of relatively firm profits in 1Q24, similarly to LG Chem (see below) it underperformed on the back of slowing growth of EV batteries sales.

Techtronic Industries (o/w) – similarly to James Hardie (see below), Techtronic underperformed on near-term headwinds for the US housing market affecting sales of its power tools. The market was also concerned about the retirement of its CEO after successfully leading the business since 2008.

James Hardie Industries (o/w) – after outperforming in the last 5 quarters and with record FY24 profits, it gave back some of the gains when it communicated below expectations FY25 guidance on headwinds for its repair and remodel market due to interest rates affecting demand.

Westpac Banking (u/w) – the major Australian bank outperformed on the back of resilient economic and business conditions with firm asset quality and benefits from high interest rates.

LG Chemical (o/w) – underperformed on the back of slowing EV demand affecting its battery material business whilst petrochemical operations have been undermined by weak demand leading to low products' spreads.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 June 2024

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.64
SK Hynix	+0.36
Hyundai Motors	+0.26
KB Financial Group	+0.26
Techtronic Industries	+0.25
Westpac Bank	-0.43
Samsung Electronics Prefs	-0.26
UOB	-0.19
Kia	-0.16
Celltrion	-0.12

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – Samsung is exposed to structural growth in the memory chip market, including high bandwidth applications. The group also has a diversified earnings stream, stronger balance sheet than peers, and large potential for shareholder returns. The overweight in the ordinary shares is partly offset by not owning the preference shares.

SK Hynix – A leader in semiconductor memory with high teens global market share in both NAND (storage) and DRAM (processing) chips, benefitting from structural demand growth with improving penetration and increasing number of applications (including AI) for its technologically leading high bandwidth memory.

Hyundai Motor – Hyundai Motor is the leading Korean auto OEM producing compact, SUVs and luxury cars, has great flexibility in terms of the different powertrains (producing internal combustion as well as hybrid and battery electric vehicles) and commands around 5% of global market share and around 9% when combined with sister company Kia.

KB Financial Group – Largest financial group in Korea, with sector-high return on equity, strong capital position, and increasing focus on improving shareholder returns.

Techtronic Industries – Technology-leading focus on the cordless power tools market should lead to improving margins and market share as global penetration continues to rise – thanks to innovative, easy-to-use products. The company's focus on the higher-margin professional market in the US should also benefit.

Bottom 5 Holdings Relative to Benchmark:

Westpac Banking Group – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

Samsung Electronics Prefs – The portfolio is overweight Samsung Electronics overall via the more liquid ordinary shares. The discount of the preferred shares to the ordinary shares has widened in recent months. Should this trend continue, we would consider some partial switching to preferred shares going forward, allowing for liquidity considerations.

UOB – While Singaporean banks tend to be highly correlated, the portfolio prefers competitors DBS and OCBC – both enjoy stronger capital positions and more differentiated profiles. DBS is the leader in terms of profitability and carries a high valuation, whilst OCBC is slightly more expensive than UOB, with similar profitability but paying a slightly higher dividend yield.

Kia Corp – The portfolio retains its preference for Hyundai Motor and Hyundai Mobis in the Korean autos sector. Kia has made great strides in profitability, along with brand development and awareness in recent years. We continue to monitor Kia for possible investment.

Celltrion – Exited the position in early 2022 as reports of accounting regularities emerged as well as concerns over margins and the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

Note

1) Source: Northern Trust

Overseas Developed Markets Fund

at 30 June 2024

Major transactions during the Quarter:

United States

Purchases:

Core & Main (£14.9m) - We started a position in Core & Main, a specialty distributor of water, wastewater, storm and drainage products to the utility, residential and non-residential construction markets. Core & Main benefits from being a leading player with scale advantages in a fragmented industry. The firm should enjoy reliable organic and sizable inorganic growth over the long term.

Meta Platforms (£2.4m) - Meta has demonstrated it is slowly building a significant AI capability, while its advertising business has performed better than expected. We reduced the fund's underweight position during the quarter.

Sales:

Nvidia (-£39m) - After a meteoric rise in Nvidia's share price, the investment had become the fund's largest overweight position. While we have confidence in the company's long-term prospects, the valuation had risen to a level where we felt it was prudent to meaningfully reduce our overweight.

Eli Lilly (-£10m) - The excitement over GLP-1s and the potential size of the combined obesity and diabetes markets has propelled Eli Lilly's valuation to lofty heights. We are confident Lilly's franchises will command significant share, but the stock price had reached a level where we felt profit taking was the sensible course of action.

Honeywell (-£10m) - Honeywell has been immensely successful acquiring and integrating businesses over the years. The firm has industry leading margins and solid market positions. However, with a recent pivot towards organic growth, and ambitious targets, we feel it will become increasingly challenging for the firm to meet investor expectations. We reduced our position but remain overweight.

Costco (-£7m) - Costco's unique customer-centric approach to retailing, along with its famed culture and very famous cheerleader (the late Charlie Munger) has earned Costco cult-like status among investors. Costco's financial performance continues to outshine other retailers, but the stock's valuation had reached a level where we could no longer justify a meaningfully overweight position. We are now roughly equal weight.

Europe (ex UK)

Sales:

Credit Agricole (-£12.4m) - Exited the holding after disappointing guidance and on concern surrounding the upcoming French election. The high valuation stands in sharp contrast to its poor capital position.

Philips (-£12.1m) - Exited position as the business struggles to deliver growth and the market continues to worry about the litigation overhang from foam degradation within its sleep apnoea products.

Bayer (-£9.9m) - Exited the position as we remain concerned about their growth prospects and continued uncertainty surrounding their outstanding litigation related to weed killers and chemical leakages.

Ericsson (-£7.0m) - Exited the position on concerns over capex commitments from their customers within the global network equipment market.

Overseas Developed Markets Fund

at 30 June 2024

Asia Pacific (ex Japan)

Purchases:

Samsung Electronics (£4.4m) – increased on expectations of catching up with SK Hynix in terms of the development of vanguard high bandwidth memory (including qualification by Nvidia for use in its high-end GPU units) and benefits from memory and overall IT market recovery over the next years.

HPSP (£2.9m) – increased on more attractive valuations following recent underperformance and expectations of recovery in profits due to its exposure to the improving semiconductor industry and ongoing demand for its mainstay high-pressure hydrogen annealing tools that facilitate the technological transition to smaller chips.

Sales:

Cochlear (-£8.8m) – In spite of its strong balance sheet and consistently high returns supported by leading hearing implants products, the Fund exited the position on expensive valuations and expectations of high revenues and earnings growth.

SK Hynix (-£5.9m) – Shifting its preference for Samsung Electronics, the Fund reduced SK Hynix on recent strong share price performance and high valuations discounting some of the expected growth of cutting-edge high bandwidth memory as well as the recovery in commodity memory.

Lendlease Group (-£3.7m) – Lendlease was sold due to low confidence in the management's ability to successfully consolidate its business on the Australian operations given the high execution risks and the disappointing track record.

Japan

Purchases:

Matsumoto Kiyoshi (£1.4m) – The shares have underperformed year-to-date despite strong fundamentals and an emerging industry structure that looks favourable for the company's prospects. We took advantage of resulting attractive valuations to add to our position.

Sales:

Hitachi: (-£5.7m) – Although a high-conviction position, we trimmed the position following the stock's very strong performance during the quarter.

Disco: (-£4.0m) – Although still a core position we used the opportunity of a strong share price to reallocate capital to laggards.

Softbank (-£2.2m) – We reduced the position following strength in the previous quarter. Although we continue to value this innovative company, we remain mindful of position size amid current market interest in areas such as AI.

Market Background at 30 June 2024

Following a rocky start in April, global equities managed to deliver a healthy return of 2.7% in Sterling terms over the second quarter. The prior two quarters, which returned 9.4% and 6.2% respectively were certainly stronger, but this is now the eighth quarter in a row that global equities have delivered a positive return and the second longest streak of uninterrupted gains since the mid-90s.

The first quarter's strength meaningfully lifted expectations, and so it was perhaps inevitable that markets would struggle in April. They declined by just over 3%, before recovering in May and June. The intensifying conflict in the Middle East may have played a part, with the Houthis attacks on ships passing through the Red Sea affecting supply chains by forcing up shipping times and costs and even contributing to the oil price temporarily spiking back above \$90 a barrel. The quarter was also characterised by a re-assessment in the pace of inflation's decline, and its impact on the trajectory of global interest rates. Headline US consumer price inflation came in at 3.5% - the fourth month in a row above expectations. The more important core inflation was unchanged at 3.8%, but service prices remained sticky, and the jobs market is still tight. No surprise, then, that the Federal Reserve's tone turned markedly more hawkish. This, and the fact that a pre-election rate cut is politically complicated, has led to financial markets revising their expectations of interest rate cuts from three, to just one in the fourth quarter.

The interest rate trajectory change in the US stood in stark contrast to the rest of the world, where almost without exception interest rates have started to move lower. In developed markets the Swiss National Bank and Sweden's Riksbank both cut rates in May, with the ECB following up in June with its first cut. The Bank of England does not appear far behind either. Across emerging markets rate cuts have come faster with China, Brazil, Mexico, Chile and Peru all lowering their benchmark rates this year. Japan stands out as one major market with a growing divergence in its interest rate trajectory. In fact, there are now clear signs the Bank of Japan is closing in on a hike, which would take rates meaningfully above zero for the first time since 2007. The steady weakening of the Yen, while helpful for Japanese exporters, is becoming a problem for policy makers due to the country's overall reliance on food and energy imports.

In last quarter's commentary we discussed our developed market - particularly Europe's - economic growth concerns. In fact, second-quarter data was mostly encouraging. In the US, despite weaker-than-expected statistics for April, the rest of the quarter saw economic data that pointed to relatively robust economic growth. As for Europe, it now looks like economic growth will recover from recessionary levels in the first quarter. Even in the UK, recent data confirmed the economy had exited its technical recession at the turn of the year. Turning to Emerging Markets, Chinese data continued to suggest an economy performing close to trend growth of 5%. We struggle to contain our scepticism, though, as deep problems within the property sector remain unresolved, and government support - despite the cut in a key reference interest rate for mortgages - remains piecemeal.

Though having a strong economic backdrop is helpful to global equity markets, it should be stressed that the equity market is never a perfect translation of the activity in the underlying economy. Take the FTSE 100: over 80% of its revenue is generated from outside the UK. That said, the strength of the US economy has certainly been a tailwind for corporate earnings growth, and thus the equity market. The S&P 500, the US large cap index, delivered 3.1% earnings growth in the first quarter, which accelerated to 4.1% in the second quarter. For the full year, the index is forecast to produce more than 10% earnings growth. In Europe, after zero growth in the first quarter, profit growth accelerated to around 3% in the second quarter. This turnaround was particularly visible in France and Germany, economies that were flirting with recession at the start of the year. The resilience in earnings growth is very encouraging. Ultimately, stock prices rise for two reasons: valuation expansion - i.e. stock prices going up more than profit growth - and underlying earnings growth. Arguably, the latter is more important in the long run.

Investors in Japanese equities have enjoyed these twin pillars of equity market gains. The country's stock market is heavily concentrated in export-oriented firms that have benefitted from a weaker domestic currency. That's meant that local currency earnings growth has been exceptionally strong, and investors have cheered this with a healthy dose of valuation

Note

1) Source: Border to Coast

Market Background

at 30 June 2024

expansion too. The impressive 21% Yen stock market return translates into a less spectacular – but still respectable – 7% in sterling.

As the year has progressed, and confidence in the Bank of Japan's interest rate hiking regime has grown, equity market leadership has shown signs of shifting from the dominant exporters such as Disco, TDK and Hitachi to large financial institutions – such as Mitsubishi UFJ and Tokio Marine – that do not rely on a weak currency and should benefit from higher interest rates.

From a sector perspective, very little has changed over the past twelve months. Returns remain dominated by the technology and communication services sectors. In fact, the big six – Microsoft, Nvidia, Alphabet, Meta, Apple and Amazon – continue to account for most of the US market's gains (note the omission of Tesla, the seventh magnificent member). Their collective earnings grew at 20%. That, coupled with continued multiple expansion meant they delivered a 36% return in US dollars over the first half of the year (split relatively evenly over both quarters). As all the newspapers captured, Nvidia, the US chip designer, soared through the \$3 trillion market cap level, peaking at \$3.3 trillion before unceremoniously dropping \$500 billion in market cap over three days. Probably not coincidentally, the firm breaking the \$3 trillion barrier coincided with CEO Jensen Huang filing to sell \$95 million of shares. That probably contributed to Nvidia's sharp – albeit comparatively small - correction. To put this in context, the entire market cap of the FTSE All Share is \$3.2 trillion and the largest company with the FTSE is Shell PLC, with a market cap of \$231 billion. The meteoric rise of Nvidia – its profit and stock price - together the increased volatility, and the growing hero worship of Mr Huang himself – his choice of expensive leather jackets, and recent rock star behaviour (signing female body parts) – certainly gives us cause for concern.

This type of environment is not without precedent. We have looked back through history to understand what the future could teach us. In our view, the best comparisons are the so-called Nifty-Fifty in the early 1970s, and the more recent dot-com bubble in 1999. On both occasions, the "darling" companies of the time - instant camera market dominator Polaroid, and networking giant Cisco Systems - reached exceptionally high valuations before stomach churning corrections. Case in point, Cisco's market cap soared to \$500 billion during the

internet craze, but still languishes below \$200 billion today. Focusing on single companies may overstate the risk and Nvidia is a far better company today than Cisco was back then, that said, there are still lessons that can be taken from looking at the market as a whole. A good example of this is the S&P500, a US large cap index, which outperformed the Russell 2000, a US small cap index) by 90% in the 5 years leading up to the dot.com bubble. This reversed between 2000 and 2014 with smaller companies outperforming by 114%. 10 years have now passed since 2014 and large caps have notched up an astounding 85% outperformance. This outperformance of large cap is increasingly concerning as the S&P 500 currently trades on double the valuation of the Russell 2000 when looked at on an underlying Price to Book (or asset value) basis.

We would be remiss not to touch on global political events. We have already had elections in some of the most populous countries in the world, and most have passed without disruption. India for example, suffered what the press saw as an upset when Modi failed to obtain the much-predicted outright majority. We, however, were perhaps a little relieved that a more balanced Lok Sabha (Parliament) might temper any authoritarian tendencies – even if it might have the negative effect of slowing the implementation of market friendly reform. We are more concerned about the outcomes of the elections across developed markets. The UK is perhaps the exception as it has the hallmarks of passing without upset. France and US however are likely to be far more contentious. Though the latest result of the French election showed the RN (National Rally) party, run by Marine Le Pen, failed to secure a majority in parliament, this was achieved at a cost. The co-ordinated anti-RN strategy by left-wing and centrist parties tactically withdrawing their candidates from run-off ballots has left no party with an absolute majority and placing Melancon, from the far left LFP (La France Insoumise) in a strong position to call for a leftwing Prime Minister. Not only does this render Macron a lame duck but there is a high risk such an approach would put France on a collision course with the European Union. In the US, Biden's disastrous performance in the first June election debate, coupled with signs that he is unlikely to step down as the Democratic candidate, appears to further increase the odds of a second Trump presidency. The prior Trump presidency was marked by a strong US equity market rally up to the onset of Covid. His pro-America stance is likely to be beneficial to

Note

1) Source: Border to Coast

Market Background at 30 June 2024

the domestic equity market, however the question we must focus is at what cost to international markets.

To sum up, the US economy remains resilient, and we are encouraged by some of the signs of recovering growth coming out of other developed countries. We are less concerned about inflation and expect a gradual easing of interest rates globally that should provide some further support to markets. We are aware of increased short-term risk caused by geopolitics and longer-term risk centred around the current strong outperformance of large caps, especially the concentration of returns in a few key companies. Whilst we do not think there is sufficient evidence to suggest equity markets may be peaking, we do prefer a more cautious approach and take comfort from our process of targeting high quality companies at reasonable valuations as a means of generating attractive returns over the long term without exposure to excessive risk.

Note

1) Source: Border to Coast

Disclosures

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Fund List and Inception Dates

Fund	Inception Date
Global Equity Alpha	24/10/2019
Overseas Developed Markets	26/07/2018
Emerging Markets Equity	22/10/2018
Emerging Markets Equity Alpha	31/07/2023
UK Listed Equity	26/07/2018
UK Listed Equity Alpha	14/12/2018
Listed Alternatives	18/02/2022
Sterling Investment Grade Credit	18/03/2020
Sterling Index-Linked Bond	23/10/2020
Multi-Asset Credit	11/11/2021