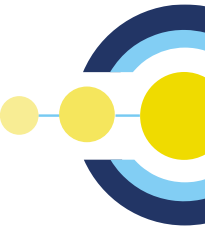


# TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - September 2024

# YOUR INVESTMENTS WITH BORDER TO COAST



## LISTED INVESTMENTS AS AT 30<sup>TH</sup> JUNE 2024

Listed Investments	Value (as at 30/06/2024)	Value % of Total Assets
UK Listed Equity	£607m	22.8
Overseas Developed Markets	£1,827m	68.7
Emerging Markets Equity	£227m	8.5

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

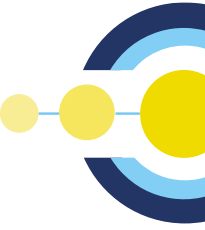
Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

Border to Coast – Teesside Pensions Committee

INTERNAL

# GLOBAL MARKET OUTLOOK – Q2 2024



## What has Changed?

- **US economic growth** has started to moderate. Measures of labour and industrial utilisation have turned negative for the first time.
- **Surprise increase** in **US unemployment** with deterioration in housing data.
- Outcome of the **French snap election** increases the uncertainty around the fiscal discipline in Europe's second largest economy.

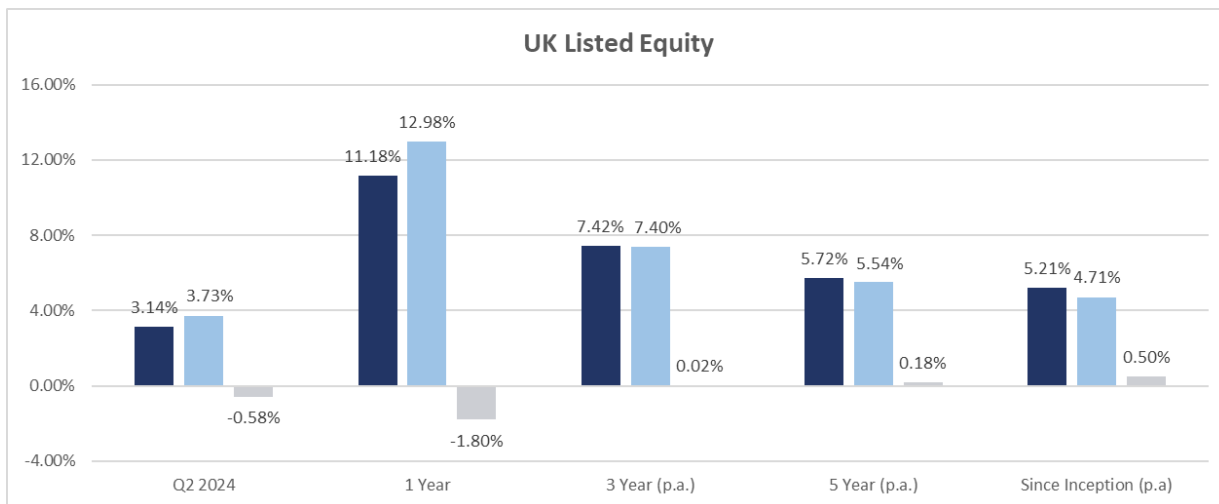
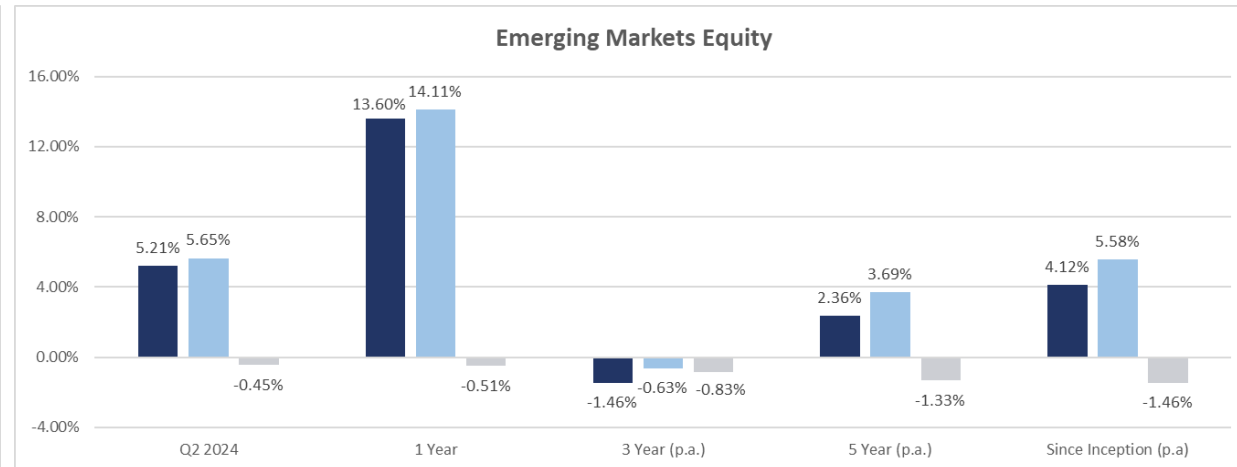
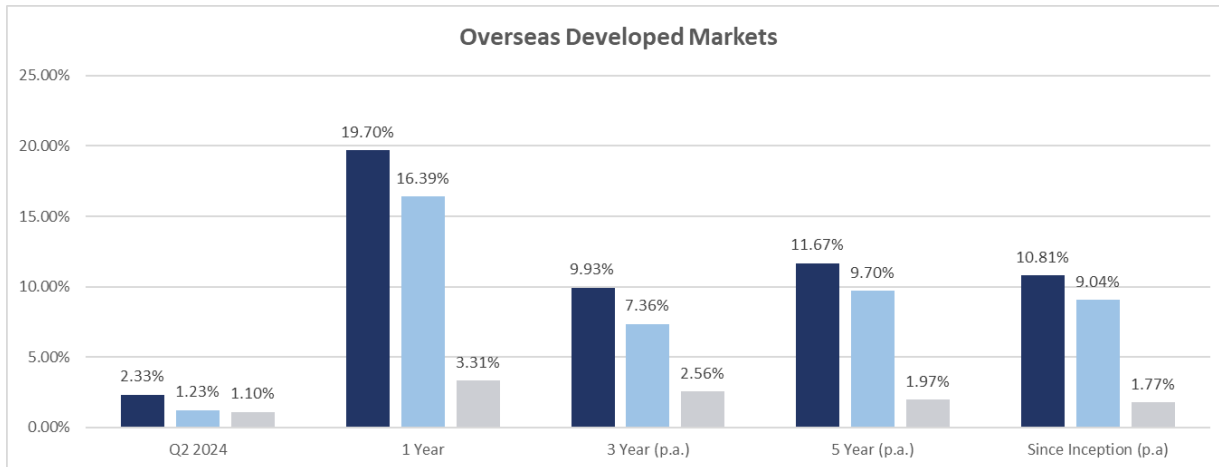
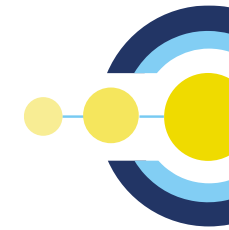
## What has stayed the same?

- **Continued depletion** of household excess savings, especially at the bottom of the income distribution.
- **Corporate defaults** and **bankruptcy filings** are still elevated. Consumer credit card delinquencies are at the highest levels in a decade.
- **AI narrative** continues to be the primary driver of market performance.

## What are we watching?

- **US consumer confidence** and further weakness in the labour market.
- Signs for a pickup in **market volatility** especially as we get closer to the **US presidential election**.
- **China's Third Plenum** and any indications for stronger stimulus to spur their economic recovery.

# LISTED INVESTMENTS – PERFORMANCE TO Q2 2024



- Fund
- Benchmark
- Relative Performance

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

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

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

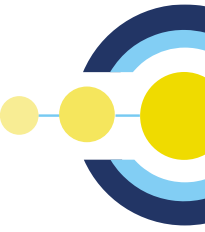
<sup>1</sup>S&P Emerging Markets BMI (Net) between 22<sup>nd</sup> October 2018 to 9<sup>th</sup> April 2021. Benchmark equal to fund return between 10<sup>th</sup> April to 28<sup>th</sup> April 2021 (Performance holiday for fund restructure)

Source: Northern Trust, Border to Coast as at 30<sup>th</sup> June 2024

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

INTERNAL

# PRIVATE EQUITY: SUMMARY



Private Equity	Key Metrics - 31 March 2024
Target IRR	10%
Series 1 IRR	16.1%
Series 1 TVPI	1.33x

Series 1A	28 Jun 2024	31 Mar 2024
Capital Committed	99.7%	99.7%
Capital Drawn	85.8%	82.1%
Capital Distributed <sup>1</sup>	22.7%	19.5%

Series 1B	28 Jun 2024	31 Mar 2024
Capital Committed	99.1%	99.1%
Capital Drawn	75.8%	74.6%
Capital Distributed <sup>1</sup>	7.8%	7.1%

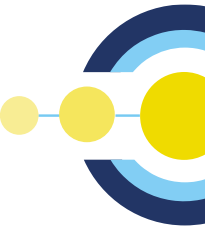
Series 1C	28 Jun 2024	31 Mar 2024
Capital Committed	100.0%	100.0%
Capital Drawn	60.1%	53.6%
Capital Distributed <sup>1</sup>	0.2%	0.2%

Series 2A	28 Jun 2024	31 Mar 2024
Capital Committed	99.8%	99.8%
Capital Drawn	23.0%	18.0%
Capital Distributed <sup>1</sup>	0.0%	0.8%

Series 2B	28 Jun 2024	31 Mar 2024
Capital Committed	99.0%	90.6%
Capital Drawn	9.5%	7.3%
Capital Distributed <sup>1</sup>	0.2%	0.1%

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

# INFRASTRUCTURE: SUMMARY



Infrastructure	Key Metrics - 31 March 2024
Target IRR	8%
Series 1 IRR	8.3%
Series 1 TVPI	1.17x

Series 1A	28 Jun 2024	31 Mar 2024
Capital Committed	98.7%	98.7%
Capital Drawn	84.6%	83.8%
Capital Distributed <sup>1</sup>	15.8%	15.0%

Series 1B	28 Jun 2024	31 Mar 2024
Capital Committed	98.7%	98.7%
Capital Drawn	67.1%	64.7%
Capital Distributed <sup>1</sup>	3.7%	3.4%

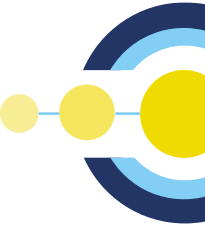
Series 1C	28 Jun 2024	31 Mar 2024
Capital Committed	100.0%	100.0%
Capital Drawn	79.7%	80.2%
Capital Distributed <sup>1</sup>	12.6%	11.3%

Series 2A	28 Jun 2024	31 Mar 2024
Capital Committed	99.7%	99.7%
Capital Drawn	49.1%	44.4%
Capital Distributed <sup>1</sup>	1.2%	1.0%

Series 2B	28 Jun 2024	31 Mar 2024
Capital Committed	99.9%	78.7%
Capital Drawn	27.6%	10.1%
Capital Distributed <sup>1</sup>	0.0%	0.0%

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

# CLIMATE OPPORTUNITIES: SUMMARY



Series 2	28 Jun 2024	31 Mar 2024
Target IRR	8%	
Capital Committed	99.9%	99.9%
Capital Drawn	40.5%	30.7%
Capital Distributed <sup>1</sup>	0.9%	0.7%

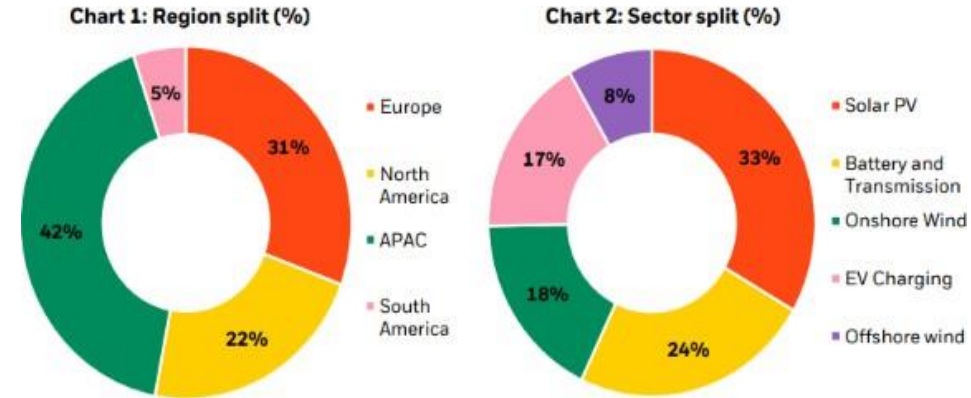
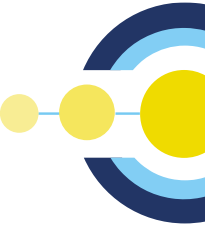
Source: Allbourne / Private Monitor

<sup>1</sup>Including Recallable Distributions.

# INFRASTRUCTURE SELECTED FUND UPDATES

## BLACKROCK GLOBAL RENEWABLE POWER FUND III (GRP III)

- GRP III offers geographically diversified exposure to large scale climate infrastructure assets, with a focus on renewable power generation assets (predominantly wind and solar), it also makes smaller allocations across the climate infrastructure value chain including energy storage, energy distribution and electrified transport. These can come in the form of early operating (brownfield), construction or pre-construction (greenfield) stages.
- Series 1B commitment of \$125m ~ £100m.
- The investment period ends in August 2025, Currently capital is committed across 18 portfolio companies with expectations that the fund will be 85% drawn by the end of the year.
- Performance 11% net IRR, 1.18x net TVPI & 2.7% average net cash yield as at Q1 2024. The renewable energy portfolio continues to grow with 900MW of operational capacity, 1.4GW under construction and a pipeline of a further 20GW (Q1 BlackRock Fund report).
- Portfolio company Akaysha is a leading Battery Energy Storage System (BESS) developer In Australia with 1GW under construction and a further pipeline of 2GW.

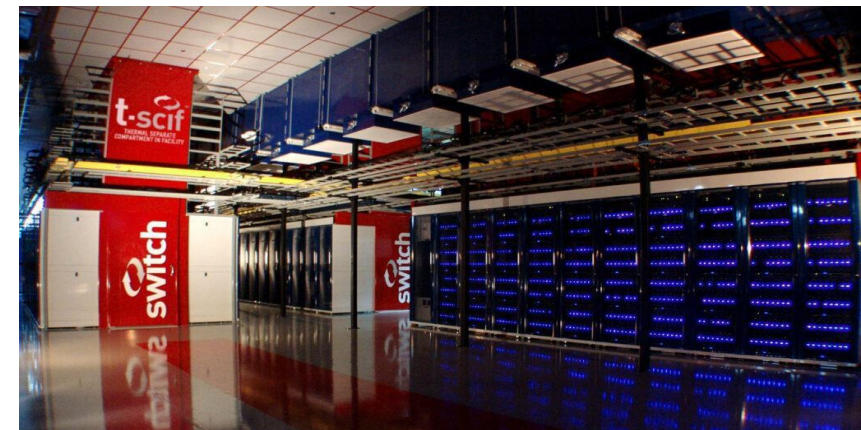
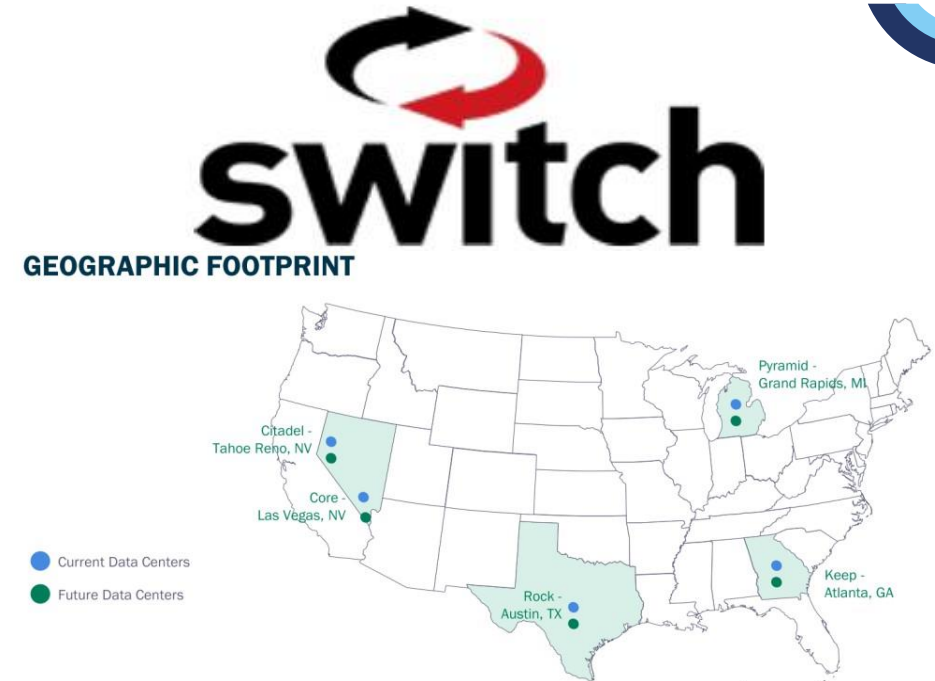




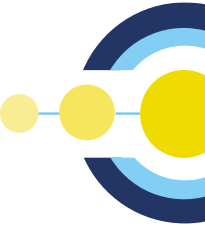
# INFRASTRUCTURE SELECTED CO-INVESTMENT UPDATES

## SWITCH DATA CENTRES – DB SUNSHINE HOLDINGS

- Switch is a developer, operator and owner of enterprise data centres in the US, which are sophisticated and powered by 100% renewable electricity. Switch focuses on public and private cloud deployments supporting a high-quality diversified client base.
- Series 2A commitment of \$60m ~ £50m into a co-mingled co-investment vehicle DB Sunshine Holdings LP alongside Digital Bridge II a Series 1C commitment of \$210m ~ £166m.
- The investment was made in December 2022 on a fee free, carry free basis and has delivered a local currency IRR of 13% since investment with an equity multiple of 1.1x.
- The business continues to grow with further capital raises having already taken place to support this growth. Last twelve-month Revenue growth was 13% with EBITDA growing by 11% when including contracts signed for booked but not built data centres EBITDA growth is 22%.



# BORDER TO COAST UPDATE



## CENTRAL GOVERNMENT & THE FUTURE OF THE LGPS

In May the Local Government Minister wrote to the LGPS on driving efficiencies. Our Partnership has issued a joint response, where we highlighted our progress on pooling, ensuring sustainability of the Funds, and investing in the UK. We also reiterated that we share a vision for an LGPS with a strong and resilient framework in which we can continue to deliver the pensions of our members in a cost effective and sustainable manner.

Meanwhile, in one of her first key announcements, the new Chancellor announced a wide-ranging pensions review to ‘boost growth and make every part of Britain better off’. The review includes the LGPS and will consider both scheme efficiency and its role in supporting the UK growth agenda.

## LAPF NOMINATIONS

We are delighted to share that Border to Coast has been recognised in the shortlist for three categories in this year’s LAPF Investment Awards: Investment Innovation, Best Approach to Responsible Investment, and Sustainable Investment Strategy (Climate). The LGPS-wide collaboration we supported, the film and campaign #LGPSJobs, is also shortlisted for both LGPS Promotional Initiative of the Year and for Outstanding Contribution of the Year.

## DIVESTMENT AND ENGAGEMENT IN THE CONTEXT OF CLIMATE CHANGE – OUR NEW REPORT

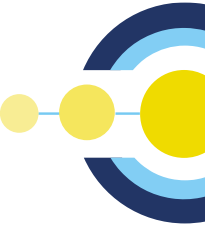
As an investor, we recognise the risks of systemic issues such as climate change. A key question has been how to deal with fossil fuel companies. What is our role? Should we be open to investing and engaging with them? Or simply wash our hands and divest from the sector?

To help inform the debate over which is the best and most effective approach for managing these risks, we commissioned Tom Gosling to examine the topic. Tom is a former Partner at PwC and is currently an Executive Fellow at London Business School where he works on issues relating to corporate governance, responsible business, and sustainable investing. The report is a detailed analysis of the different arguments for divestment which ‘myth busts’ several preconceptions about divestment and its impact.



**APPENDIX**

# PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

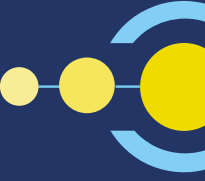


## IRR and TVPI (Pages 5 - 6)

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



PENSIONS PARTNERSHIP



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