Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q3 2024

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,661,246,912
Inflows	£330,000,000
Outflows	£(75,000,000)
Net Inflows / Outflows	£255,000,000
Realised / Unrealised gain or loss	£6,776,892
Value at end of the quarter	£2,923,023,804

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 September 2024

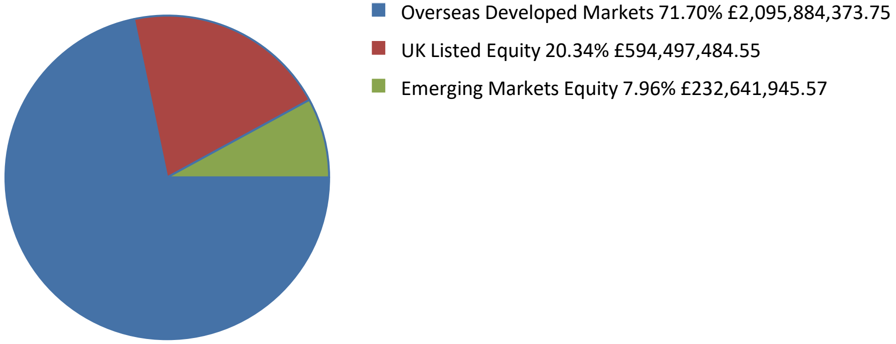
Funds Held

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	2,095,884,373.75	71.70
Emerging Markets Equity	FTSE Emerging Markets (Net)[2]	232,641,945.57	7.96
UK Listed Equity	FTSE All Share GBP	594,497,484.55	20.34

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 September 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	71.70	(0.75)	0.27	(1.03)	(0.47)
Emerging Markets Equity	7.96	2.53	4.62	(2.09)	0.19
UK Listed Equity	20.34	2.10	2.26	(0.16)	0.48
Total	**100.00**	**0.20**			

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 September 2024

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)
Overseas Developed Markets	1,827,029,093.59	68.65	330,000,000.00	50,000,000.00	(11,144,719.84)	2,095,884,373.75	71.70
Emerging Markets Equity	226,890,483.03	8.53			5,751,462.54	232,641,945.57	7.96
UK Listed Equity	607,327,335.50	22.82		25,000,000.00	12,170,149.05	594,497,484.55	20.34
Total	**2,661,246,912.12**	**100.00**	**330,000,000.00**	**75,000,000.00**	**6,776,891.75**	**2,923,023,803.87**	**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 September 2024

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	10.22	8.70	1.51	(0.75)	0.27	(1.03)	18.67	16.96	1.71	9.08	7.10	1.98	10.89	9.17	1.71
Emerging Markets Equity	4.38	6.14	(1.76)	2.54	4.62	(2.09)	14.30	16.52	(2.22)	0.82	2.43	(1.61)	3.17	4.78	(1.62)
UK Listed Equity	5.34	4.89	0.45	2.10	2.26	(0.16)	11.81	13.40	(1.59)	7.44	7.41	0.02	5.92	5.74	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 September 2024

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	10.24	8.70	1.53	(0.73)	0.27	(1.00)	18.73	16.96	1.77	9.10	7.10	2.00	10.90	9.17	1.73
Emerging Markets Equity	4.55	6.14	(1.59)	2.62	4.62	(2.01)	14.55	16.52	(1.97)	1.05	2.43	(1.38)	3.36	4.78	(1.43)
UK Listed Equity	5.36	4.89	0.47	2.12	2.26	(0.14)	11.84	13.40	(1.56)	7.45	7.41	0.04	5.93	5.74	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 September 2024

Overseas Developed Markets Fund

During the second quarter the fund lost 0.75% compared to the composite benchmark that gained 0.27%; resulting in a relative underperformance of 1.03**%**. Year to date the fund has delivered a total return of 10.61%, outperforming its benchmark by 1.24%.

The primary detractor from performance during the quarter was the fund's exposure to Japanese equities. While the strength of the Japanese Yen mitigated some market weakness, the fund’s investments in export-oriented companies and banks hindered relative performance. In contrast, the Asia Pacific ex-Japan region emerged as the best performer, benefiting from a robust recovery in Hong Kong, where the fund is overweight, following the announcement of a stimulus package in China. Despite the strong absolute performance of Asia Pacific ex-Japan, the fund struggled to achieve relative outperformance across its regions, largely due to its sector allocation structure.

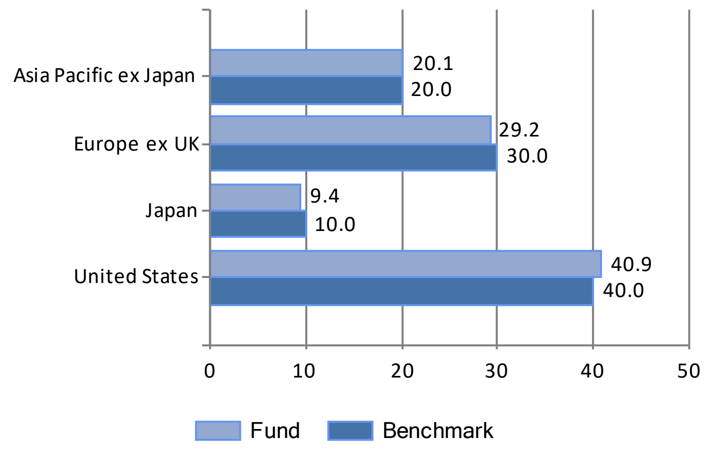
At the sector level, the healthcare sector proved the biggest detractor from performance over the quarter, closely followed by both the technology and communication services. The strong sector rotation experienced throughout the quarter meant that it was little surprise that what were the strongest performing sectors year to date experienced a material reversal. We are less worried about the valuation and expectations attached to some of the companies within the healthcare sector such as Novo Nordisk, the Danish company at the centre of the GLP 1 diabetes and weight loss revolution. This is in comparison to leaders in the technology sector such as Nvidia where we have been slowly reducing our exposure. The best performing sectors of the period were Utilities and Real Estate, both of which proved a slight headwind to returns due to the funds underweight position within these rate sensitive sectors.

Neither sector nor country analysis provide a perfect explanation for the underperformance of the fund over the past quarter. The strong performance of small and mid-sized companies should also be highlighted as a contributing factor. The potential decline in interest rates combined with an easing of wage pressures could prove an attractive environment for smaller businesses that have struggled over the past few years provided the US manages to avoid a recession. We therefore expect a gradual reduction in our exposure to some of the largest companies as we look for other, potentially more attractive, long term investment opportunities.

Note
1) Source: Border to Coast

Overseas Developed Markets Fund
at 30 September 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.

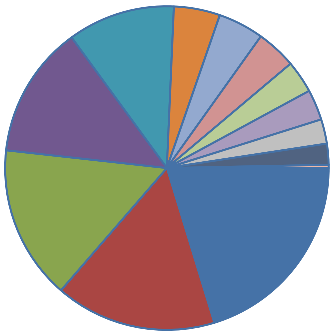
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	**10.22**	**8.70**	**1.51**	**(0.75)**	**0.27**	**(1.03)**	**18.67**	**16.96**	**1.71**	**9.08**	**7.10**	**1.98**	**10.89**	**9.17**	**1.71**
United States	14.56	13.05	1.51	(0.71)	(0.31)	(0.40)	26.53	23.54	2.99	13.59	11.59	2.00	15.29	13.48	1.81
Japan	7.23	4.73	2.50	(2.19)	0.53	(2.72)	14.38	10.29	4.10	5.12	2.80	2.32	7.95	5.29	2.66
Europe ex UK	8.27	6.81	1.46	(1.37)	0.18	(1.55)	15.40	14.69	0.71	8.58	5.64	2.93	8.94	7.39	1.55
Asia Pacific ex Japan	5.56	4.27	1.28	0.86	1.47	(0.61)	11.23	10.49	0.74	2.36	1.80	0.56	5.88	4.53	1.36

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 September 2024

Sector Portfolio Breakdown



- Technology 20.3% (19.8%)
- Industrials 16.1% (15.2%)
- Financials 15.4% (17.1%)
- Consumer Discretionary 13.2% (13.1%)
- Health Care 10.7% (11.7%)
- Consumer Staples 4.6% (5.3%)
- Basic Materials 4.6% (4.6%)
- Telecommunications 4.0% (4.1%)
- Energy 3.3% (3.1%)
- Common Funds 3.1% (0.0%)
- Utilities 2.4% (3.0%)
- Real Estate 2.1% (3.1%)
- Cash 0.3% (0.0%)

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 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.66	(14.02)	0.11
Vanguard US Mid Cap ETF	3.05	3.04	0.00	0.00	0.08
AIA Group	0.97	25.44	0.64	25.50	0.06
Techtronic Industries	0.41	26.70	0.13	26.72	0.06
Oracle	0.73	14.04	0.22	13.95	0.06

Alphabet Class C (u/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Vanguard Mid-Cap ETF (o/w) – Driven by stronger relative performance from mid and small cap stocks in general.

AIA (o/w) – Supported by low valuations, AIA benefited from firm ongoing business trends and bullish expectations for Hong Kong stocks on the back of new economic stimulus measures in China.

Techtronic Industries (o/w) – Benefited from better sentiment towards Hong Kong stocks as well as expectations of demand improvement in the US on the back of lower interest rates.

Oracle (o/w) – Oracle's share price was helped by impressive revenue growth in its cloud-hosting business. Orders for future business have also been impressive, providing comfort that strong sales performance should continue for some time.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund Attribution Continued at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.92	(14.02)	0.80	(14.11)	(0.19)
Samsung Electronics	2.01	(24.72)	1.42	(24.82)	(0.18)
Novo Nordisk	1.68	(22.87)	1.21	(22.97)	(0.15)
ASML	1.55	(23.92)	1.09	(23.99)	(0.12)
Tesla	0.00	0.00	0.60	24.60	(0.12)

Alphabet Class A (o/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Samsung Electronics (o/w) – As per the Preferred shares, Samsung Electronics underperformed affected by a slow recovery in legacy memory products on the back of weak demand from consumer electronic applications such as PCs / smartphones.

Novo Nordisk (o/w) – Competition in the obesity space is starting to increase with Roche now looking to enter the market with its initial study showing a greater weight reduction. Also, Novo reported a mixed set of data for Monlunabant during its mid stage trial which at higher levels did not give any additional weight loss, however there were mild to moderate neuropsychiatric side effects.

ASML (o/w) – The Dutch lithography company underperformed on concerns the US was looking to bring in tighter restrictions on chip/chip equipment sales to China. At the same time capex cuts at Intel also contributed to the underperformance as this might imply lower demand for EUV machines.

Tesla (u/w) – Earnings expectations for Tesla have continued to decline but that has coincided with incongruous share price strength. Investors seem to be hoping that Tesla is on the cusp of achieving safe autonomous driving as demand for its electric vehicles remains subdued.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Microsoft	+0.61
Samsung Electronics	+0.59
Amazon	+0.52
Alphabet C	-0.66
Tesla	-0.60
Westpac Bank	-0.48
Exxon Mobil	-0.43
Zurich Insurance Group	-0.29

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business.

Microsoft Corp – Continues to benefit from secular growth within its cloud hosting business and resilient demand for its productivity software led by Microsoft Office. The company looks well placed to increase its share of wallet from enterprise customers by upselling AI augmented, or co-pilot, versions of its software.

Samsung Electronics – Exposed to structural growth in the memory chip market, including high bandwidth applications. Also has 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 preference shares.

Amazon – Amazon's leading cloud infrastructure hosting business looks well placed to continue to enjoy attractive profitable revenue growth. Its retail business should also enjoy higher margins, over time, as it reaps greater scale benefits and enjoys a more meaningful contribution from high margin advertising sales.

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 – We are concerned that the company may need to cut vehicle prices further to stimulate demand at a time of increasing credible competition while its own offering becomes increasingly dated. The high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving.

Westpac Bank – 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.

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

Zurich Insurance – 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.

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

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Emerging Markets Equity	**4.38**	**6.14**	**(1.76)**	**2.54**	**4.62**	**(2.09)**	**14.30**	**16.52**	**(2.22)**	**0.82**	**2.43**	**(1.61)**	**3.17**	**4.78**	**(1.62)**
Border to Coast	7.58	8.33	(0.74)	(1.50)	(0.02)	(1.48)	18.90	18.75	0.15	6.67	6.96	(0.29)	--	--	--
FountainCap	(12.09)	(9.71)	(2.38)	13.08	16.70	(3.62)	5.10	12.16	(7.06)	(10.87)	(5.66)	(5.22)	--	--	--
UBS	(12.07)	(9.71)	(2.36)	12.83	16.70	(3.87)	6.88	12.16	(5.28)	(7.38)	(5.66)	(1.72)	--	--	--

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.	69%	69%
FountainCap	FTSE China (Net)	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	12%	12%
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.	19%	19%

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 September 2024

Emerging Markets Equity Fund

The EM Equity Fund returned 2.5% through Q3 2024, 2.1% below the FTSE EM benchmark. Over one year, it has returned 14.3%, underperforming the benchmark by 2.2%. Since the Fund was restructured (April 2021) it has returned an annualised -0.2%, underperforming the benchmark by 1.5%.

Over the quarter, the Chinese market materially outperformed the EM ex-China region (+16.7% vs. 0.0%). However, this outperformance was exclusively driven by the final two weeks of the quarter. To the end of the week 20th September, the FTSE China Index had fallen c. 4% over the quarter, whilst the FTSE EM ex-China Index had fallen c. 0.1%. On the 24th of September, the Chinese Central Bank announced a new set of stimulus measures covering, *inter alia,* interest rate cuts, a reduction in bank reserve requirements, and a new facility offering financial institutions and companies financing to buy shares and fund buy backs respectively. In addition, the September Politburo session was dedicated to economic policies, (which is out of kilter with the typical agenda for the September meeting), and announcements followed whereby support was committed to the property sector and to re-invigorate consumer demand. The market interpreted this co-ordinated set of announcements positively, with the general consensus being that it represented a policy pivot. We expect continued volatility through to the end of the year, with policy implementation risk high. Global positioning towards China has been predominantly underweight and whilst positive momentum may tempt investors back in and push the market higher, there is an implicit expectation that the policy announcements represent "just the start", and a lack of follow through could lead to a sharp reversal. We are currently positioned neutrally on China as we balance both the upside opportunity and downside risks.

During the quarter, our China managers underperformed with Fountain Cap returning 13.1% (-3.6% underperformance), and UBS returning 12.8% (-3.9% underperformance). The sharp rally within China has been broad, with rising water 'lifting all boats'. The largest beneficiaries have been online tech and consumer businesses with large index weightings and more concentrated market underweight/short positions, meaning such stocks have experienced an outsized benefit from ETF buying and underweights closing/short positions being covered. Alibaba, Meituan, and JD.com are large underweights within both portfolios, and these stocks negatively contributed. FountainCap was also negatively impacted by its holding in PetroChina which has been affected by the declining oil price. NetEase detracted from performance for UBS, driven by a slowdown in the company's results.

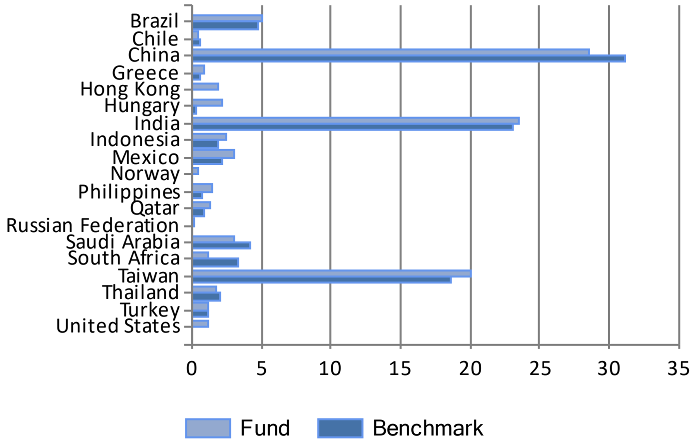
Generally, there has been little price discovery within China for an extended period of time, with the market broadly de-rating in between short, sharp rebounds which, as of yet, have not proved sustainable. We continue to see strong fundamental performance across the majority of our portfolio companies and believe that with time, investment returns will ultimately follow earnings growth. The Chinese market has been driven by sentiment more recently, but we strongly believe our Managers are well-placed to deliver out-performance through a normalised market environment.

Within EM ex-China, the internal mandate returned -1.5% vs. a flat benchmark. The underperformance was predominantly driven by a moderation in some of the stocks which have outperformed YTD, whilst positioning within the Taiwanese semi-conductor supply chain was also buffeted by "air coming out of" global chip providers such as Nvidia during the quarter. The mandate is now -0.3% relative to the benchmark on a YTD basis.

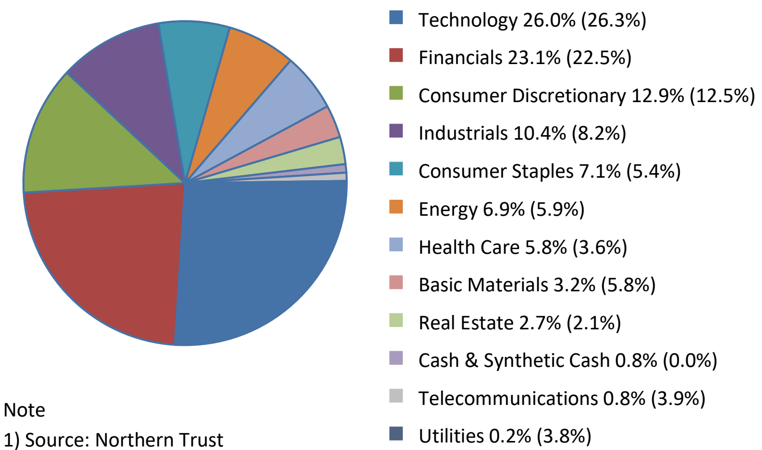
Note
1) Source: Border to Coast

Emerging Markets Equity Fund
at 30 September 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:

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.

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.

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 (particularly in China) that are well positioned to benefit from such a tailwind.

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 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Sungrow Power	1.01	57.80	0.03	57.82	0.33	Energy	China
Ayala Land	1.49	27.01	0.06	26.58	0.24	Real Estate	Philippines
Kasikornbank	1.48	29.57	0.10	29.59	0.23	Financials	Thailand
Kweichow Moutai	2.30	17.07	0.27	17.11	0.22	Consumer Staples	China
ITC	1.15	13.47	0.23	14.36	0.16	Consumer Staples	India

Positive Issue Level Impacts

Sungrow Power (o/w) – A renewable energy equipment company. Sungrow Power manufactures solar PV inverters, wind power inverters, and also operates in the energy storage industry. The company has had a positive year, demonstrating fundamental growth as well as recently winning a major energy storage order from Saudi Arabia. The company also participated in the broader China rally at the end of September.

Ayala Land (o/w) – Ayala is a property developer in the Philippines. Philippine shares performed strongly during the quarter after its central bank started its rate cutting cycle in August, ahead of the US Federal Reserve. Financials and Real Estate sectors, best placed to benefit from lower rates, performed strongest and Ayala Land, the largest property developer in the Philippines, participated in the rally.

Kasikorn Bank (o/w) – A commercial bank based in Thailand providing corporate and retail banking services. The stock performed strongly during the quarter driven by the stabilising Thai political environment, and news of potential government support through digital wallets or direct cash handouts to low income individuals. The Thai market outperformed the wider EM ex-China market.

Kweichow Moutai (o/w) – A leading Chinese baijiu (liquor) producer. Moutai is a significant active weight in the UBS portfolio, and it is also held by Fountain Cap. The stock rose sharply, alongside the wider China market, following the economic stimulus announcements at the end of the September, and given its concentrated position in the portfolio, it was a large contributor to the Fund's overall performance.

ITC Ltd (o/w) – An Indian conglomerate focused on fast moving consumer goods. The stock performed strongly during the quarter, driven by India's Finance Minister budget speech which left tobacco taxes unchanged, and indicated stable Goods and Services Taxes until 2026, providing relief to ITC which has a sizeable cigarettes business.

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 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Aegis Logistics	1.55	(17.96)	0.00	0.00	(0.44)	Energy	India
Alibaba	1.71	43.45	2.96	47.80	(0.42)	Consumer Discretionary	China
Meituan ‘B’	0.59	46.55	1.54	46.65	(0.27)	Technology	China
ASE Technology	1.57	(10.12)	0.20	(11.26)	(0.23)	Technology	Taiwan
CreditAccess Grameen	1.04	(14.80)	0.00	0.00	(0.23)	Financials	India

Negative Issue Level Impacts

Aegis Logistics (o/w) – A major provider of port infrastructure for the import/export of LPG and industrial liquids. The company's share price moderated in Q3, after rising >150% over the first half of 2024. The company's latest earnings results slightly missed revenue expectations, although margin and net profits surpassed expectations.

Alibaba Group Holding (u/w) – A Chinese multinational technology company, best known for e-commerce and online payment platforms. The shares rose sharply over the last few days of September following a change in sentiment as a result of further economic stimulus. Consumer stocks in particular have benefitted from this, given the meaningful impact the announcements may have on domestic consumption.

Meituan (u/w) – A large, Chinese technology company, offering platforms for consumers across food delivery, and retail. Similar to Alibaba, the company’s share price has risen sharply following the announcement of further stimulus.

ASE Technology (o/w) – The global leader in outsourced semiconductor assembly and test (“OSAT”), from Taiwan. Alongside other Taiwanese semiconductor related stocks, the company's share price suffered some volatility through the quarter, in part due to the relationship with global chip providers, including Nvidia, which announced delays in the production of its Blackwell chips. ASE’s results indicated sluggish growth outside of AI-related applications, however, advanced packaging services (for AI chips) are likely to increase in materiality in the future.

CreditAccess Grameen (o/w) – The company provides consumer finance services within India. The company continued its negative share price momentum during Q3. The company is majority owned by a single corporate shareholder based in the Netherlands, which is rumoured to be looking to exit the business. This is causing negative implications for the company's share price.

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 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.03
Mahindra & Mahindra	+1.60
Grasim Industries	+1.55
Aegis Logistics	+1.55
Netease	+1.54
Alibaba	-1.25
Meituan ‘B’	-0.94
China Construction Bank	-0.87
Infosys	-0.72
JD.com	-0.71

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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.

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).

Grasim Industries – An Indian industrial company which manufactures several products used in wider industry including cement, fibre, chemicals and textiles. The company is positioned to benefit from India’s ongoing infrastructure boom.

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

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.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – A Chinese multinational technology company, best known for e-commerce and online payment platforms. 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.

Meituan – Another large Chinese technology company. Similar to JD.com, there are deemed to be better opportunities elsewhere.

China Construction Bank – Is one of the “big four” SOE banks in China that the Fund maintains a structural underweight to.

Infosys – An Indian IT consulting and software services business. The company is held underweight with our EM ex-China manager favouring other global competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

JD.com – A Chinese e-commerce company. The stock is a material proportion of the Chinese benchmark, however, alongside other large Chinese technology companies, our managers view the growth opportunity to be sub-optimal compared to other companies within the universe and therefore are meaningfully underweight, in favour of other opportunities.

Emerging Markets Equity Fund
at 30 September 2024

Major transactions during the Quarter:

Purchases:

Akums Drugs & Pharmaceutical ***(new position EM ex-China)*** – Akums provides access into pharmaceutical volume growth within India. The company manufactures for several companies across the sector producing drugs for acute and chronic conditions as well as injectables. The company is attractively valued and is forecast to grow earnings at c. 15% p.a.

Jindal Steel & Power ***(new position EM ex-China)*** – JSP is one of the lowest cost producers of steel in India with an expected double-digit growth profile over the coming three years to meet demand from real estate and infrastructure investment.

ZTE Corp ***(new position China)*** – The company has transformed itself into a leading company offering 5G solutions globally with significant growth coming from emerging markets. Our Manager believes it has the potential to capture a majority portion of domestic telecom operators investment in computing given it possesses leading-edge chip design capability unlike Nokia and Ericsson which outsources chip design. It has an attractive valuation and dividend yield and the potential to grow top and bottom line at low teens over the next few years.

UK Listed Equity Fund - Overview
at 30 September 2024

UK Listed Equity Fund

The fund generated a total return of 2.10% during the quarter, compared to the benchmark return of 2.26%, resulting in 0.16% of underperformance.

The Fund's underperformance primarily resulted from the following:

- Stock selection in Common Stock Funds where both Liontrust UK Smaller and Schroder Institutional UK Smaller Company funds were impacted by the partial reversal during the quarter of recent gains made by UK smaller cap stocks.
- Weak stock selection in Industrials where an underweight position in Rolls Royce weighed, with the company seeing continued recovery under the current CEO's turnaround strategy and reinstating its dividend.
- Stock selection in Real Estate where overweight positions in Segro and Grainger detracted as prospects for a turn in the rate cycle have moderated.

This underperformance was partly mitigated by the following:

- Overweight allocation to Consumer Staples which have demonstrated their defensive qualities in a more volatile period for global equities, combined with stock selection where an overweight position in Marks & Spencer (strong trading momentum) was the largest contributor.
- Stock selection in Healthcare where overweight positions in Smith & Nephew, Genus, Haleon and AstraZeneca all outperformed.

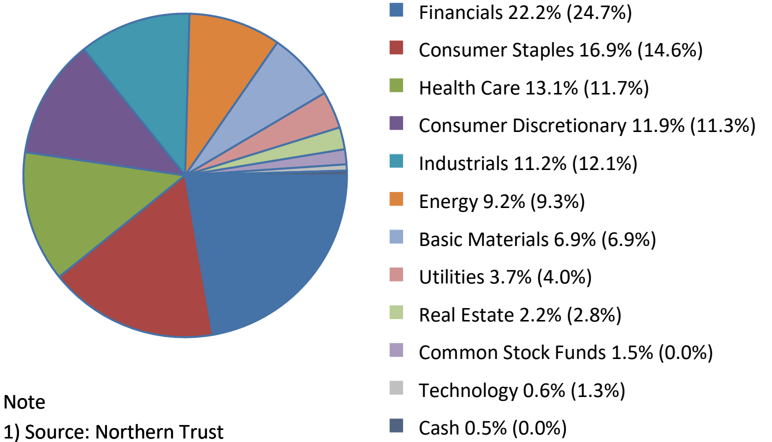
Note
1) Source: Border to Coast

UK Listed Equity Fund
at 30 September 2024

Largest Relative Over/Underweight Sector Positions (%)

Consumer Staples	+2.30
Common Stock Funds	+1.50
Health Care	+1.40
Consumer Discretionary	+0.65
Other Assets	+0.03
Financials	-2.44
Telecommunications	-1.26
Industrials	-0.94
Technology	-0.68
Real Estate	-0.59

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) – 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, 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 (an ageing and growing global population), 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 also HSBC – where strained US-China relations, increased near-term recessionary/commercial real estate risks and the potential for deteriorating bank loan books has been a concern. 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 industrial firms have benefitted from the broad post-pandemic global economic re-opening, end-market recovery such as the aerospace sector, supply chain normalisation and rising infrastructure expenditure, especially in the US. The fund's relative sector weighting can fluctuate due to benchmark changes – for example the benchmark weight of Rolls Royce PLC (not held) increased over the last quarter.

UK Listed Equity Fund Attribution
at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Marks & Spencer	0.88	30.09	0.32	30.05	0.12
Flutter Entertainment	0.62	21.54	0.00	0.00	0.10
Coats	0.46	26.72	0.07	26.77	0.07
BP	2.15	(16.35)	2.69	(16.37)	0.07
St. James's Place	0.45	35.43	0.17	35.47	0.07

Marks & Spencer Group PLC (o/w) – M&S continues to see strong trading momentum versus peers, particularly in the larger food division where it is gaining market share but also across clothing & home as the group continues to benefit from its store optimisation programme.

Flutter Entertainment PLC (o/w) – despite some concerns around increased state taxation, Flutter continues to consolidate its leading position in US on-line sports betting and gaming, where growth continues to exceed expectations and is now reaching a key breakeven hurdle in the US division.

Coats Group PLC (o/w) – global leader in high performance threads for clothing and footwear, where recent acquisitions have been performing strongly, and the significant de-risking of the pension scheme and cost saving announcements were well received.

BP PLC (u/w) – weaker energy prices, market concerns over BP's strategy and low confidence it can generate sufficient returns from elevated capex into its transition growth engines such as bioenergy and renewables have weighed on the shares.

St James's Place PLC (o/w) – after a challenging year following an overhaul of its fee structure and provisioning for service charge redress, the half year results were well received with fund outflows stabilising and management confident that current provisioning remains sufficient.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund Attribution Continued at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Rolls Royce	0.00	0.00	1.87	15.41	(0.21)
John Wood Group	0.23	(39.00)	0.04	(38.55)	(0.10)
Allianz Technology Trust	0.62	(11.36)	0.06	(11.22)	(0.08)
Melrose Industries	0.53	(17.31)	0.25	(17.32)	(0.07)
3I Group plc	0.00	0.00	1.28	7.80	(0.07)

Rolls-Royce Holdings PLC (u/w) – confident half year results confirming further progress with its strategic turnaround saw guidance raised alongside further cost efficiencies, with the dividend also reinstated for the first time since cancellation during Covid.

John Wood Group PLC (o/w) – shares fell sharply as Sidara, a Middle East engineering business, determined not to proceed with an offer for the company following several attempted bids, citing rising geopolitical risks and financial market uncertainty.

Allianz Technology Trust PLC (o/w) – following a sustained period of growth in global technology stock valuations, increased volatility in the sector has seen some of those gains partially reverse over the last quarter.

Melrose Industries PLC (o/w) – the aerospace sector is experiencing a period of weakness following the solid recovery in demand over the last couple of years post-Covid, as supply constraints continue to impact aircraft deliveries such as highlighted by the recent Airbus warning and ongoing issues at Boeing.

3i Group PLC (u/w) – not held. Action, the European discount retailer which represents over 70% of the investment company's portfolio, has continued to deliver strong trading performance, 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 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.86
Schroder UK Smaller Companies Fund	+0.83
Liontrust UK Smaller Companies	+0.67
Next	+0.62
Flutter Entertainment	+0.62
Rolls Royce	-1.87
3I Group plc	-1.28
Vodafone	-0.67
NatWest	-0.62
Aviva	-0.54

Note
1) Source: Northern Trust

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. Whilst the sector has been out of favour more recently, it has delivered strong performance over the long term.

Schroder Institutional UK Smaller Companies Fund – a specialist UK smaller companies fund with a strong long-term track record. Albeit not reflected in current UK small cap valuations, smaller companies typically out-perform over the longer term given their higher growth potential. 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.

Next PLC – regarded as one of the strongest and most consistent retail operators which has managed the generational shift from store to online sales exceptionally well, with a highly scalable online platform available to third party brands providing a further avenue of growth. Strong focus on shareholder returns with a very well regarded and long-standing CEO.

Flutter Entertainment PLC – retained our holding with an increased weighting following its move to a US primary listing earlier this year. Has successfully maintained and grown its market leading position in the US sports betting and gaming market, a market which continues to experience a strong growth profile, alongside further selective acquisitions in other regulated international markets.

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 etc) 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 over 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 remains a key barrier to consolidation.

NatWest Group PLC – whilst the UK government has been reducing its shareholding, it remains a significant shareholder and the fund has similar UK bank exposure through an overweight position in Lloyds Bank.

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

UK Listed Equity Fund
at 30 September 2024

Major transactions during the Quarter:

Purchases

SSE PLC (£12.1m) – moved from neutral weighting to overweight. Attractive growth profile in the regulated asset base and a key player in energy transition in the UK with SSE set to double renewable energy generation capacity by 2027 through an already permitted pipeline.

Shell PLC (£10.0m) – switch from BP. Leading global LNG production and distribution portfolio which benefits from regional price dislocation. Shell has been more proactive in focussing on returns from capital investment, reducing balance sheet debt, with elevated shareholder returns also seen as more sustainable than peers.

Sales

Montanaro UK Smaller Companies Investment Trust PLC (£12.7m) – exited position. Consolidated UK small cap exposure into other existing investment trust holdings where longer-term performance has been stronger.

BP PLC (£12.5m) – switch into Shell and increased underweight position to BP which has been slower to address concerns over lower returns from capital investment and where recently increased shareholder distributions appear less sustainable should energy prices remain around current levels.

Croda International PLC (£12.4m) – exited holding as limited visibility on a recovery in a number of Croda's end markets. Consolidated into other Basic Materials holdings where we see stronger recovery/growth opportunities.

APPENDICES

Overseas Developed Markets Fund - United States at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.66	0.11
Vanguard US Mid Cap ETF	3.05	0.00	0.08
Oracle	0.73	0.22	0.06
Walmart Inc	0.74	0.29	0.05
Home Depot	0.80	0.33	0.05

Alphabet Class C (u/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Vanguard Mid-Cap ETF (o/w) – Driven by stronger relative performance from mid and small cap stocks in general.

Oracle (o/w) – Oracle's share price was helped by impressive revenue growth in its cloud-hosting business. Orders for future business have also been impressive, providing comfort that strong sales performance should continue for some time.

Walmart (o/w) – Walmart has invested heavily in its price proposition and eCommerce capability. Shareholders are now harvesting the fruits of this labour as Walmart takes market share in US general retail.

Home Depot (o/w) – Trading at Home Depot remains subdued but the expectation of lower official interest, and so mortgage rates has improved investor sentiment. Lower rates should lead to a thaw in the frozen US housing market encouraging homeowners to take out home equity loans, at more favourable rates, to finance home remodelling and repairs.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.92	0.80	(0.19)
Tesla	0.00	0.60	(0.12)
Microsoft	3.24	2.63	(0.06)
Amazon	1.95	1.43	(0.05)
Merck	0.54	0.24	(0.05)

Alphabet Class A (o/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Tesla (u/w) – Earnings expectations for Tesla have continued to decline but that has coincided with incongruous share price strength. Investors seem to be hoping that Tesla is on the cusp of achieving safe autonomous driving as demand for its electric vehicles remains subdued.

Microsoft (o/w) – The shares have persistently outperformed for some time but recent results that were merely good rather than exceptional encouraged investors to take profits. Management suggested that revenues are presently being capped by the unavailability of hardware, namely Nvidia GPUs, rather than by a drop in demand, which is encouraging.

Amazon (o/w) – Amazon is gaining retail market share in more everyday low-cost items. The costs of home delivery for inexpensive items can be disproportionate to their value for eCommerce companies and Amazon's success in these categories has come at the cost of margins. We expect management to be successful in encouraging shoppers to bundle more items together to lower the cost to serve consumers.

Merck (o/w) – The share price was hit by a falloff in Chinese orders for a cervical cancer vaccine. This took the company's management by surprise which has hurt its credibility with investors.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Microsoft	+0.61
Amazon	+0.52
Oracle	+0.51
Alphabet C	-0.66
Tesla	-0.60
Exxon Mobil	-0.43
AbbVie	-0.29
AMD	-0.22

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business.

Microsoft Corp – Microsoft continues to benefit from secular growth within its cloud hosting business as well as resilient demand for its ubiquitous productivity software led by Microsoft Office. The company looks well placed to increase its share of wallet from enterprise customers by upselling AI augmented, or co-pilot, versions of its software.

Amazon – Amazon's leading cloud infrastructure hosting business looks well placed to continue to enjoy attractive profitable revenue growth. Its retail business should also enjoy higher margins, over time, as it reaps greater scale benefits and enjoys a more meaningful contribution from high margin advertising sales.

Oracle Corp – Oracle provides critical hardware and software for enterprises around the world that help provides it a high degree of recurring revenues. Moreover, growth for Oracle, as for many of your portfolio's information technology holdings, looks set to remain elevated given ongoing strong demand for generative AI solutions.

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 – We are concerned that the company may need to cut vehicle prices further to stimulate demand at a time of increasing credible competition while its own offering becomes increasingly dated. The high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving.

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 is a leading provider of microprocessors used in personal computing and datacentres. AMD also has a nascent graphic processing units (GPUs) business, but we believe that it lags Nvidia's market offering and so its future share of the GPU market may remain modest.

Note
1) Source: Northern Trust

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

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
AXA	0.61	0.23	0.04
Industria de Diseno Textil	0.58	0.21	0.03
Intesa Sanpaolo	0.55	0.23	0.03
Engie	0.32	0.10	0.03
DSM-Firmenich	0.30	0.08	0.03

AXA (o/w) – The French insurance company has managed to sell their investment management arm to BNP Paribas for €5.1bn which in turn would simplify AXA's business model and focus on its core insurance activities. The capital will be used to initiate a share buyback programme.

Inditex (o/w) – The Spanish clothing retailer managed to defy industry trends thanks to having an agile supply chain which saw growth in Q3 sales coming in at 11%, higher than the 8% growth recorded in Q2.

Intesa Sanpaolo (o/w) – The Italian bank reported better than expected results due to higher lending income and fees. The bank has upgraded net income guidance to above €8.5bn for 2024-25 with the cost to income ratio now at 38.5%, far below the estimated 40.3%.

Engie (o/w) – The French utility was hit hard on the back of President Macron calling a snap election in June. Although the far-right NR party won the first round it was with a smaller majority than feared, with the stock recovering as possible policy changes, such as freezing all new wind projects, appeared less likely.

DSM Firmenich (o/w) – The Dutch flavour and fragrance company has raised its outlook for the year as the vitamin market is starting to recover and cost efficiencies start to come through. DSM is also benefiting from the announcement of it separating the animal health and nutrition business unit.

Note
1) Source: Northern Trust & Border to Coast

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

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	1.68	1.21	(0.15)
ASML	1.55	1.09	(0.12)
Stellantis	0.08	0.00	(0.04)
TotalEnergies	0.92	0.44	(0.03)
Prosus	0.00	0.19	(0.03)

Novo Nordisk (o/w) – Competition in the obesity space is starting to increase with Roche now looking to enter the market with its initial study showing a greater weight reduction. Also, Novo reported a mixed set of data for Monlunabant during its mid stage trial which at higher levels did not give any additional weight loss, however there were mild to moderate neuropsychiatric side effects.

ASML (o/w) – The Dutch lithography company underperformed on concerns the US was looking to bring in tighter restrictions on chip/chip equipment sales to China. At the same time capex cuts at Intel also contributed to the underperformance as this might imply lower demand for EUV machines.

Stellantis (o/w) – The automaker saw a larger than expected drop in earnings as demand fell away in the US leading to larger inventory. Management have highlighted that price cuts will be needed to offload excess inventory as well as reducing production.

TotalEnergies (o/w) – The French oil and gas company experienced falling oil and gas prices during the quarter which meant it underperformed as concerns about the global macroenvironment increased. At the end of the quarter Saudi Arabia is now also looking to abandon their $100 per barrel oil price target as it plans to increase output to regain market share.

Prosus (u/w) – The Naspers-controlled internet investment firm has been exiting some of their Chinese tech names as they look to reduce their exposure to the Chinese market. The exit coincided with Chinese tech valuations benefitting from Chinese stimulus measures being announced.

Note
1) Source: Northern Trust & Border to Coast

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

Largest Relative Over/Underweight Stock Positions (%)

Schneider Electric	+0.52
TotalEnergies	+0.48
Novo Nordisk	+0.47
ASML	+0.46
Siemens	+0.40
Zurich Insurance Group	-0.29
Hermes	-0.28
Banco Santander	-0.26
UniCredit	-0.23
Enel SPA	-0.21

Top 5 Holdings Relative to Benchmark:

Schneider Electric (o/w) – 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 (o/w) – 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.

Novo Nordisk (o/w) – 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 (o/w) – 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.

Siemens (o/w) – Siemens is transforming 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:

Zurich Insurance (u/w) – 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.

Hermes (u/w) – 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.

Banco Santander (u/w) – 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 (u/w) – 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.

Enel (u/w) – The Italian government is the largest shareholder of the power company and there are concerns that the government could use their position that would not be in the best interest for their shareholders.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Japan
at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
ZOZO	0.21	0.01	0.06
Hitachi	0.42	0.25	0.02
Shimano	0.18	0.03	0.02
Secom	0.14	0.03	0.02
KDDI	0.23	0.10	0.02

Zozo (o/w) – Shares of this high-quality ecommerce company improved on the back of two factors: (1) recovery in the rate of transaction growth on its core apparel platform following a lengthy post-Covid correction; and (2) a flight to domestic-demand-related stocks, which are perceived as safer during periods of market volatility such as we saw throughout the quarter.

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. Q1 results reinforced the positive-growth trend, and the stock bucked the pessimism that surrounded many of its cyclical peers during the quarter.

Shimano (o/w) – Shares outperformed on signs that the inventory correction for bicycle parts is finally coming to an end. Sales had surged during the Covid era, and post-covid normalisation left many of the company's retail customers holding excess levels of inventory.

Secom (o/w) – Secom benefitted from a flight to safety during the quarter as investors embraced this "steady-eddy" recurring-revenue-type business model and shunned previous winners in the more cyclical export sector of the economy amid turmoil in currency markets and overall equity market volatility.

KDDI (o/w) – Similar to Secom, investor appetite for stable revenues and earnings from domestic-demand-driven companies surged amid the summer's high volatility. Investors also appear to have taken a more sanguine view of the company's acquisition of convenience store operator Lawson, as management more enthusiastically began presenting its case to the market in a series of presentations and investor roadshows.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
DISCO Corporation	0.14	0.05	(0.05)
Renesas Electronics	0.18	0.05	(0.05)
Tokyo Electron	0.28	0.17	(0.03)
Subaru	0.13	0.02	(0.03)
Mitsubishi Heavy Industries	0.00	0.09	(0.02)

Disco (o/w) – Similar to Tokyo Electron, shares of this high-quality semiconductor equipment producer corrected significantly as the market began to question the strength of the current upswing in semiconductor demand and related capex. Given the cyclical nature of the industry, semiconductor-related stocks tend to experience relatively high levels of volatility in the short term, but we continue to see value-creating opportunities in the longer term.

Renesas Electronics (o/w) – Renesas suffered during the quarter on a general sell-off in the semiconductor sector and some evidence that important end-markets like power and industrial had begun to weaken. Valuations for this industry leader remain attractive, however, and we continue to rate it highly as among our top picks in Japanese technology.

Tokyo Electron (o/w) – Tokyo Electron enjoyed a strong rerating in 2023 and the start of 2024 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 soured on the stock during the quarter, however, given historically high valuations and some signs that the AI buildout is starting to slow.

Subaru (o/w) – Given the nature of its business model, Subaru's shares are highly correlated to movement in the yen-dollar exchange rate: the company manufactures automobiles in Japan and sells them in the United States. Turmoil in exchange rates in late July/early August caused the market to reassess yen-denominated earnings power. We continue to rate this high-quality niche producer very highly, however, as fundamentals remain strong.

Mitsubishi Heavy Industries (u/w) – The shares of this diversified industrial company have been attracting market attention over the last few quarters as long-running restructuring efforts that have frustrated investors in the past have finally started to bear tangible fruit, and end markets begin to improve in its mainstay gas turbine business. The shares received an additional boost from the perception that Japanese government is prepared to increase defence spending, as well as the appointment of long-time defence hawk Shigeru Ishiba as PM.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

ZOZO	+0.20
TDK	+0.18
Sumitomo Mitsui Financial	+0.18
Hitachi	+0.17
Takeda Pharmaceutical	+0.17
Mitsui & Co	-0.14
Daiichi Sankyo	-0.13
Fast Retailing	-0.13
Mizuho Financial	-0.11
Honda Motor	-0.11

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

ZOZO – One of Japan's best-run pure-play ecommerce companies. We have long admired the company's ability to continue growing in line with penetration of ecommerce even as it adds high-quality service offerings for its platform customers that reinforce its competitive advantage and deepen the moat surrounding its business.

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 and sensors.

Sumitomo Mitsui Financial Group – We favour Sumitomo Mitsui Financial Group among Japanese banks 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 14 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.

Takeda – A core pharmaceutical holding in Japan owing to the breadth of its drug portfolio and the depth of its pipeline, as well as current very attractive valuations. The company's ample cash generation has allowed it to rapidly pay down debt and deliver significant improvement in its balance sheet since acquiring Shire in 2019.

Bottom 5 Holdings Relative to Benchmark:

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.

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

Fast Retailing – We rate this high-quality, high-growth apparel retailer very favourably but struggle to find an attractive entry point as valuations reflect greater positive performance than we believe is feasible.

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.

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

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
AIA Group	0.97	0.64	0.06
Techtronic Industries	0.41	0.13	0.06
Samsung Electronics Prefs	0.00	0.20	0.05
Hong Kong Exchanges & Clearing	0.58	0.34	0.05
Lynas Rare Earths	0.19	0.03	0.04

AIA (o/w) – Supported by low valuations, AIA benefited from firm ongoing business trends and bullish expectations for Hong Kong stocks on the back of new economic stimulus measures in China.

Techtronic Industries (o/w) – Also benefited from better sentiment towards Hong Kong stocks as well as expectations of demand improvement in the US on the back of lower interest rates.

Samsung Electronics Prefs (u/w) – Undermined by a slower than expected recovery demand by PC / smartphone makers for legacy memory products.

Hong Kong Exchanges & Clearing (o/w) – Was also supported by expectations of improving earnings driven by higher trading values and market activity on the back of the Chinese stimulus measures.

Lynas Rare Earths (o/w) – Benefited by improving rare earth prices on the back of expectations of better supply and demand conditions going forward driven by modest Chinese production increases and renewed demand strength from key sectors such as EVs and consumer electronics.

Note

1) Source: Northern Trust & Border to Coast

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

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung Electronics	2.01	1.42	(0.18)
SK Hynix	0.78	0.46	(0.10)
Westpac Bank	0.00	0.48	(0.06)
Hyundai Motors	0.36	0.16	(0.04)
LG Innotek	0.13	0.01	(0.03)

Samsung Electronics (o/w) – As per the Preferred shares, Samsung Electronics underperformed affected by a slow recovery in legacy memory products on the back of weak demand from consumer electronic applications such as PCs / smartphones.

SK Hynix (o/w) – In spite of its prominent position in Nvidia's supply chain (supplying the most advanced high bandwidth memory chips), SK Hynix was also undermined by weaker-than-expected demand for commodity memory products.

Westpac Bank (u/w) – The major Australian bank continued enjoying resilient economic and business conditions translating into firm asset quality whilst benefiting from high interest rates.

Hyundai Motor (o/w) – Was undermined by poor sentiment towards auto OEMS with European peers issuing profit warnings on expectations of weak demand going forward.

LG Innotek (o/w) – After having rebounded strongly in 2Q, LG Innotek corrected on decreasing expectations of iPhone 16 sales due to delayed Apple Intelligence launch.

Note
1) Source: Northern Trust & Border to Coast

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

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.59
AIA Group	+0.33
SK Hynix	+0.32
Techtronic Industries	+0.29
KB Financial Group	+0.26
Westpac Bank	-0.48
Samsung Electronics Prefs	-0.20
UOB	-0.19
Celltrion	-0.14
Shinhan Financial	-0.13

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.

AIA Group – Best-in-class provider of insurance and financial services with a strong distribution franchise in Asia Pacific and sizeable potential for growth in the underpenetrated Life Insurance market in China and ASEAN.

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.

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.

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

Bottom 5 Holdings Relative to Benchmark:

Westpac Bank – 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.

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

Shinhan Financial Group – Although very similar, the Fund prefers KB Financial Group given its slightly more diversified and resilient business model and higher dividend pay-out ratio.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund
at 30 September 2024

Major transactions during the Quarter:

United States

Purchases:

Marriott International (£20.4m) – We initiated a new holding in Marriott International. Marriott owns an enviable collection of hotel brands which it franchises out to hotel developers and owners. In exchange for the use of its hotel brand names, such as Marriott and Ritz-Carlton, Marriott collects royalties on hotel stay expenditure. We value this capital-light model and the long-term tailwinds of people's wish to travel.

Sales:

Honeywell (-£13.1m) – We continued to reduce the holding in Honeywell so that it has become an underweight position. We are not convinced that accelerated organic revenue growth will come as quickly as management is projecting.

Nike (-£12.9m) – We exited the holding of Nike in the quarter. Several years ago, Nike shifted its focus to sell more of its clothes and equipment through its own stores and eCommerce websites. It was felt that this would ensure an elevated buying experience for the consumer while improving Nike's margins. Unfortunately, with the benefit of hindsight, this allowed competitors to displace Nike in the wholesale channel. Greater competition is the new reality and so we elected to dispose of the holding at still a premium valuation.

Costco (-£12.3m) – Costco's earnings valuation multiple continued to expand as trading remains resilient. We could no longer justify an overweight position and so reduced the holding to an underweight.

Europe (ex UK)

Purchases:

SAP (£11.5m) – The German software company is benefitting from its larger clients moving to the cloud and operational gearing should now start to boost margins.

Capgemini (£10.6m) – Buying on weakness and lower valuation. The sector is looking attractive as lower interest rates could mean that Capgemini's clients look to increase capex.

Sales:

Ageas (-£10.7m) – This was a small position in the insurance sector and so now looking to consolidate the positions in the sector.

Heineken (-£7.8m) – Looking to consolidate the names in the beverage sector and feel that with current valuation there are better opportunities elsewhere.

Adyen (-£7.5m) – The position was sold due to concerns around the company being able to meet its growth rates going forward.

ArcelorMittal (-£7.1m) – The Dutch steelmaker is one of the highest carbon companies in the portfolio and there is concern that capex will have to increase substantially into carbon capture projects to meet its carbon targets.

Dassault Systemes (-£5.7m) – Consolidating positions in the software sector with some of their peers seeing better growth metrics going forward.

Wacker Chemie (-£5.6m) – The company will be looking to increase capex as they start to develop high grade polysilicon for the chip industry and therefore shareholder returns could suffer.

Overseas Developed Markets Fund
at 30 September 2024

Asia Pacific (ex Japan)

Purchases:

Samsung Electronics (£10.7m) – Increased position as company softened into a mid-cycle lull in demand for memory. We believe it is supported by low valuations and whilst the overall sector will be supported by growing demand for more advanced memory products for AI and general purposes servers, Samsung could also benefit as its product catch up with SK Hynix and received qualification by Nvidia for use in its high-end GPU units.

SK Hynix (£5.3m) – Added exposure to SK Hynix on the back its leading memory position and expectations of further demand recovery whilst underpinned by attractive valuations.

Seatrium (£4.1m) – The leading Singaporean marine engineering group was added to the Fund due to its improving profitability supported by a large and rising orderbook as well as its position and technical capabilities to capture the ongoing need for offshore oil & gas production platforms and the rising capex needed for renewables as part of the global energy transition.

Sales:

None.

Japan

Purchases:

MatsukiyoCocokara (£1.8m) – Added to existing position in Japan's leading retail pharmacy and drugstore operator on attractive valuations and improving fundamentals.

Sales:

Recruit (-£2.1m) – Reduced our position in this increasingly online and tech-driven employment search company following outperformance and resulting higher valuations.

Shin-Etsu Chemical: (-£2.1m) – We trimmed our holdings in this blue-chip chemical manufacturer during the quarter following strong YTD performance and expectation that sales of semiconductor supply-chain-related products would begin to weaken.

Mitsubishi UFG Financial Group (-£1.7m) – We reduced our position in Japan's largest banking group as valuations began to look more appropriate.

Market Background at 30 September 2024

In the third quarter, global equities posted a modest return of 0.3% in Sterling terms. This marks an unbroken streak of nine consecutive quarters of positive returns. In contrast, US Dollar returns for global equities were significantly stronger, gaining 6.4%. This disparity was largely due to the strength of Sterling, which appreciated just under 6% against the US Dollar and 1.8% against the Euro, resulting in more subdued returns when measured in our domestic currency.

The 6.4% return from global equities in US Dollar terms, along with consistently positive monthly figures, masked a surprisingly volatile period for equity markets. Towards the latter half of July, equity markets suffered a precipitous 8% decline, only to recover back to new highs by the end of September. It was a confluence of macro-economic and geopolitical factors that caused this underlying volatility and notable rotation in performance between sectors rather than any material operational or financial change in the companies themselves.

At the beginning of the quarter, the economic data from the US supported continued momentum in equity markets. Notably, the US reported one of its lowest inflation rates since 2021, with headline inflation falling to 3.0% from 3.3% in May. The stickier core inflation, which had seemed a material determinant of Federal Reserve's hawkish policy stance, dropped to 3.3% from a high of 3.9% at the start of the year. With inflation now less of an immediate threat, the focus has shifted to the health of the economy. However, in July, Jerome Powell refrained from cutting rates and issued a statement that was more hawkish than the market had anticipated. This delay likely contributed to short-term market volatility, as well as to the subsequent 0.5% cut in September, indicating that the Federal Reserve is on a clear path toward further rate reductions over the next 18 months.

The Fed's shift from hawkish to dovish, the dis-inversion of the yield curve, and the onset of a clear rate-cutting cycle prompted significant sector rotation in equity markets. Most notably, smaller companies outperformed; the Russell 2000, an index of US small-cap stocks, outpaced the larger-cap S&P 500 by nearly 3.5% over the quarter—the largest outperformance in over three years. Additionally, sectors like Real Estate and Utilities, which typically carry higher debt loads and are more sensitive to interest costs, emerged as the best performers. Within the utilities and real estate sectors, companies such as American Tower Corp (a cell tower operator), Welltower (a provider of senior living) and NextEra (a power generator and distributor) have all reported robust numbers over the past quarters, however it would be hard to use those solely to justify their re-ratings over the period.

In sharp contrast, whilst the unloved sectors had their time in the sun, the technology sector struggled to generate a positive return. Part of the mid-quarter weakness in equity markets could be attributed to the Magnificent 7 (7 of the largest US companies). Their elevated valuations are a clear concern for investors, which was further exacerbated by comments from the companies themselves. The issue has become their guidance on the scale of capital expenditure they had undertaken and anticipate to undertake in the ongoing scramble for dominance in the field of artificial intelligence. Mark Zuckerberg's recent remarks about the necessity of overinvesting to avoid being left behind underscored these concerns. Meta's overinvestment should be Nvidia's revenue growth, however moderating future expectations meant even Nvidia struggled over the quarter, breaking a seven quarter streak which has seen the company increase in value by a spectacular 9x.

The pain in equity markets was not restricted to the technology sector alone. Despite the escalating conflict in the Middle East (with around a fifth of the world's oil coming from the gulf regions), it was the energy sector which proved the weakest over the quarter. Despite the growing risk of supply disruption in the middle east, it has been the consistency and gradual increase in production from US combined with over-production by OPEC members such as Russia that has continued to undermine Saudia Arabia's attempts at stabilising the oil price. As a result, since hitting a peak at $91 in April, the oil price has continued to slip lower, dropping below $70 in September. Without exception, Hess, Chevron, Shell and Total all dropped over the quarter and have contributed to making the energy sector one of the worst performing sectors of the year.

Attributing the energy sector's struggles solely to supply issues would ignore the impact of a softer global growth backdrop. In July, the IMF projected a modest deceleration in global growth from 3.3% in 2023 to 3.2% in 2024, assuming a stable US, a recovering Europe, and a

Note
1) Source: Border to Coast

Market Background at 30 September 2024

China that meets its 5.0% growth target. However, signs of softening growth in China, driven by a struggling property market, impacted consumer sentiment, despite strengths in manufacturing and exports. The third quarter showed little improvement, with Chinese PPI entering deflationary territory and CPI plateauing below 1%.

The slowdown in growth in China has reverberated through its trading partners. This is particularly visible in Europe, and especially Germany, where the slowdown in demand for companies such as Volkswagen, who sold just over 3 million cars in China last year is very apparent from their recently announced layoffs and factory closures. Having been the powerhouse for European growth, Germany's latest GDP growth figure of -0.1% paints a very different picture reinforced by a gradually increasing unemployment rate and pessimistic business expectations.

It is possible that some resolution may be found to China's problems with the announcement of a surprise stimulus package at the end of the quarter. Though we do not doubt the intent and the positive signalling from the Chinese Communist Party and the Peoples Bank of China, we do worry that the scale and impact of the stimulus could be mis-characterised. The market has been eager to view it as placing a floor to the struggling property and equity markets and lift the economy by spurring further investment. We do not doubt that these aims will be achieved to some degree however to place the stimulus in context, the additional 2trn yuan of bonds the government intends to issue amounts to 1.5% of GDP, certainly not insignificant, but hardly similar in scale to the 4trn yuan in 2009 that was closer to 30% of GDP at the time. We also wonder whether the required structural reform will be truly undertaken to ensure more than just a short-term recovery such as that experienced nearly a decade ago in 2015 which resulted in a short term bubble, then crash, in the Chinese A share market.

In Asia we would be remiss not to mention Japan. The weakness of the Yen followed by its swift reversal over the quarter was exacerbated by a strong rotation across sectors within the equity market. The market had largely been underpinned by companies such as TDK, Toyota or Renesas, exporters that were beneficiaries of a weak currency and the increasing desire of western companies to purchase goods from any country other than China. This rapidly reversed with the equity market experiencing a 25% peak to trough decline as investors worried about how closely the fortunes of their companies were tied to that of US technology companies, the changing US interest rate differential and their currency. Although the market rebounded in the latter half of the quarter, this trend raises caution. The markets concerns were further exacerbated by the announcement of Shigeru Ishiba as the replacement of Kishida following his decision not to run again as prime-minister and leader of the LDP. Ishiba's background as a conservative ex-defence minister with hawkish fiscal tendencies could mark a change in policy direction. However, we think this risk is overstated due to his history of taking a largely consensus driven approach.

Politics across the rest of the western world are not without their issues. As the 5th of November approaches, all eyes are on the US. Last quarter the Democratic convention and more importantly, Biden himself, recognised that he was no longer the best candidate they could field. With Kamala Harris stepping in to take his place the Democrats saw an immediate jump in the polls which were further strengthened by her strong performance in a televised debate. We advise caution when it comes to drawing conclusions as not only are the polls notoriously unreliable, but the margins are thin and the election hangs in the hands of a few swing states. While our portfolios are designed to endure beyond any single presidential cycle, a Harris presidency may be perceived as a less risky outcome, while a Trump victory could boost domestic US market sentiment in the short term

Europe is also of concern. As a result of Marine La Pen's ascendancy in France we are now faced with greater uncertainty in France. Macron has called on eurocrat Michel Barnier to step in as Prime minister and attempt to unite parties from opposing political spectrums. It is hard to see him as more than a lame duck however we worry the market implications could be greater than originally anticipated. Early suggestions of increased corporate tax rates on larger businesses as well as punitive taxes on capital returned to investors in the form of share buy backs are populist measures that are unlikely to be supportive of their domestic equity market.

The UK presents a contrasting scenario. The recent election resulted in a significant Labour majority, providing a mandate for growth. However, challenges persist, given the UK's fiscal

Note
1) Source: Border to Coast

Market Background
at 30 September 2024

deficit and high debt-to-GDP ratio. How the new government will deliver this growth in investment whilst respecting its election pledges is yet to be seen however the comparative stability has been rewarded by markets in the form of both the appreciation in the sterling and a long overdue recovery in the undervalued domestic equity market.

In conclusion, we are encouraged by signs the Chinese are attempting to reverse their faltering economy and believe it could have positive implications for Europe. We also think the US economy remains in good health and that there is a chance the gradual easing of interest rates by the Federal Reserve could result in the much desired soft landing. The risks remain focused around the concentration and high valuation of technology companies in the US and the unpredictability of geopolitics, in particular the current escalation of the conflict in the middle east. As a result, we remain optimistic that the equity markets should continue to deliver reasonable returns, but also take some comfort from our process of targeting high quality companies at reasonable valuations as a means of managing some of the ever present risks.

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