

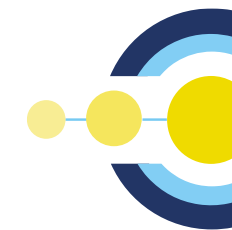


# TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - December 2024

# YOUR INVESTMENTS WITH BORDER TO COAST



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

Listed Investments	Value (as at 30/09/2024)	Value % of Total Assets
UK Listed Equity	£594m	20.3
Overseas Developed Markets	£2,096m	71.7
Emerging Markets Equity	£233m	8.0

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

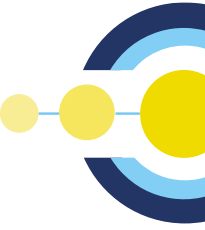
Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

Border to Coast – Teesside Pensions Committee

INTERNAL

# MACRO OUTLOOK – Q3 2024



## What has Changed?

- The **Fed surprised markets** with its jumbo rate cut of 0.5%.
- **China released a series of fiscal and monetary measures** to boost ailing economy.
- **Further escalation** of the conflict in the wider region of the **Middle East**.

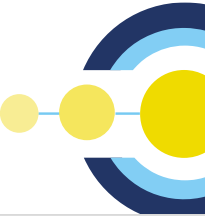
## What has stayed the same?

- **Blowout US employment** report reinforces economic resilience.
- **Resilient Q3 2024 Earnings** with supporting fundamentals.
- **AI narrative** continues to be the primary driver of market performance.

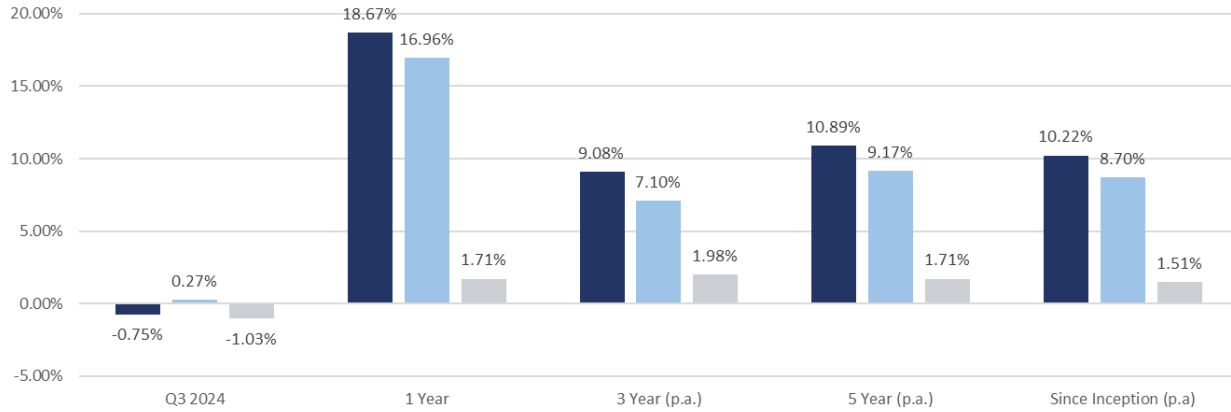
## What are we watching?

- **US Presidential Elections** could lead to increase market uncertainty given diverging policy views.
- **Commodity prices** given China stimulus and wider conflict in the Middle East.

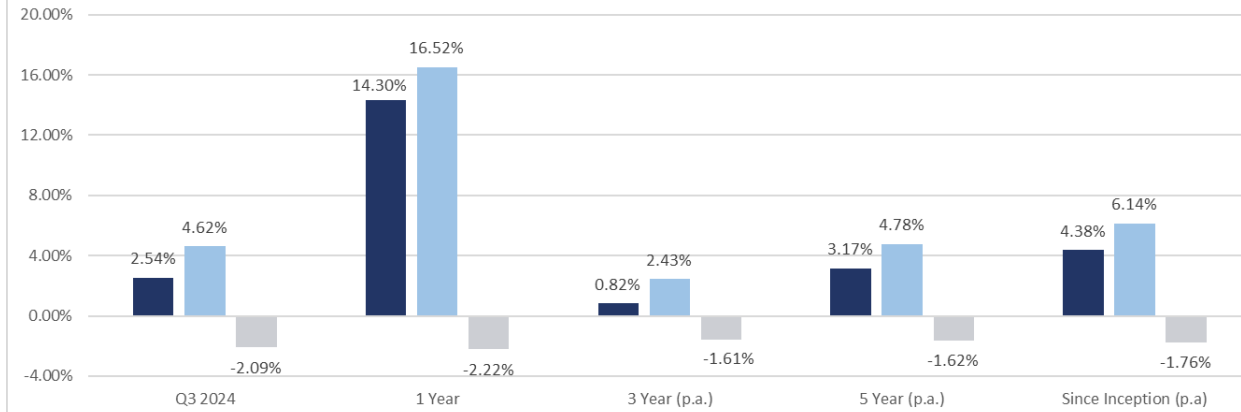
# LISTED INVESTMENTS – PERFORMANCE TO Q3 2024



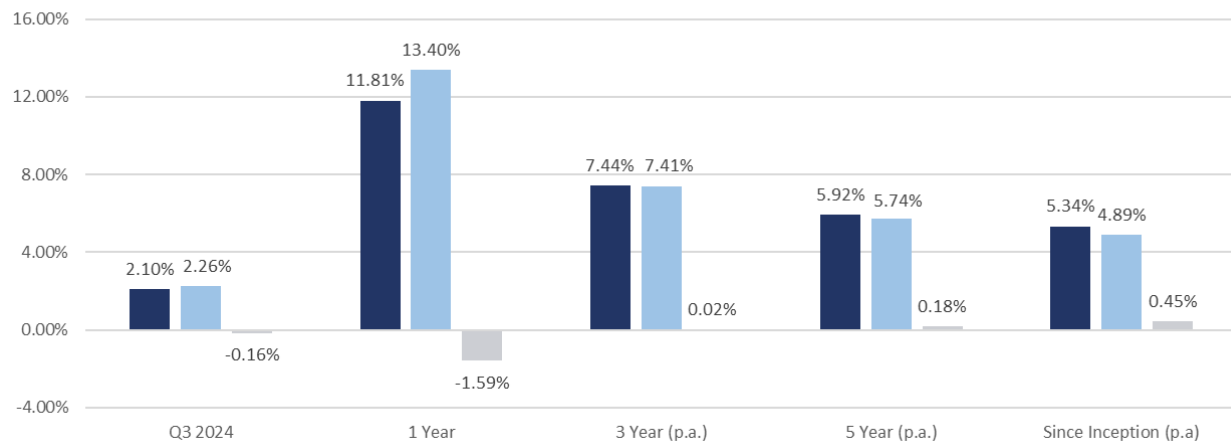
Overseas Developed Markets



Emerging Markets Equity



UK Listed Equity



■ Fund  
■ Benchmark  
■ Relative Performance

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

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

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

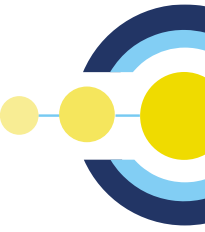
<sup>1</sup>S&P Emerging Markets BMI (Net) between 22<sup>nd</sup> October 2018 to 9<sup>th</sup> April 2021. Benchmark equal to fund return between 10<sup>th</sup> April to 28<sup>th</sup> April 2021 (Performance holiday for fund restructure)

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

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

INTERNAL

# PRIVATE EQUITY: SUMMARY



Private Equity	Key Metrics - 28 Jun 2024
Target IRR	10%
Series 1 IRR	15.2%
Series 1 TVPI	1.33x

Series 1A	30 Sept 2024	28 Jun 2024
Capital Committed	99.7%	99.7%
Capital Drawn	86.5%	85.8%
Capital Distributed <sup>1</sup>	24.1%	22.7%

Series 1B	30 Sept 2024	28 Jun 2024
Capital Committed	99.1%	99.1%
Capital Drawn	78.6%	75.8%
Capital Distributed <sup>1</sup>	10.5%	7.8%

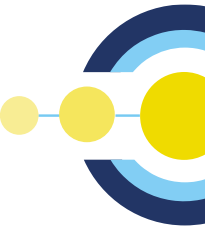
Series 1C	30 Sept 2024	28 Jun 2024
Capital Committed	100.0%	100.0%
Capital Drawn	67.4%	60.1%
Capital Distributed <sup>1</sup>	0.2%	0.2%

Series 2A	30 Sept 2024	28 Jun 2024
Capital Committed	99.8%	99.8%
Capital Drawn	26.1%	23.0%
Capital Distributed <sup>1</sup>	0.0%	0.0%

Series 2B	30 Sept 2024	28 Jun 2024
Capital Committed	99.0%	99.0%
Capital Drawn	11.1%	9.5%
Capital Distributed <sup>1</sup>	0.4%	0.2%

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

# INFRASTRUCTURE: SUMMARY



Infrastructure	Key Metrics - 28 Jun 2024
Target IRR	8%
Series 1 IRR	8.5%
Series 1 TVPI	1.19x

Series 1A	30 Sept 2024	28 Jun 2024
Capital Committed	98.7%	98.7%
Capital Drawn	87.4%	84.6%
Capital Distributed <sup>1</sup>	16.2%	15.8%

Series 1B	30 Sept 2024	28 Jun 2024
Capital Committed	98.7%	98.7%
Capital Drawn	71.7%	67.1%
Capital Distributed <sup>1</sup>	4.4%	3.7%

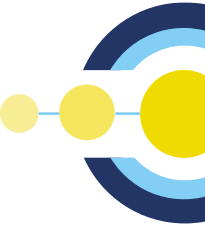
Series 1C	30 Sept 2024	28 Jun 2024
Capital Committed	100.0%	100.0%
Capital Drawn	82.7%	79.7%
Capital Distributed <sup>1</sup>	13.3%	12.6%

Series 2A	30 Sept 2024	28 Jun 2024
Capital Committed	99.7%	99.7%
Capital Drawn	52.1%	49.1%
Capital Distributed <sup>1</sup>	1.5%	1.2%

Series 2B	30 Sept 2024	28 Jun 2024
Capital Committed	99.9%	99.9%
Capital Drawn	25.6%	23.1%
Capital Distributed <sup>1</sup>	0.1%	0.0%

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

# CLIMATE OPPORTUNITIES: SUMMARY



Series 2	30 Sept 2024	28 Jun 2024
Target IRR	8%	
Capital Committed	99.9%	99.9%
Capital Drawn	44.4%	40.5%
Capital Distributed <sup>1</sup>	5.8%	0.9%

Source: Allbourne / Private Monitor

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

# EQT INFRASTRUCTURE V – EDGECONNEX

Investment Date	August 2021
Realisation Date	To close Q4 2024
Business	Datacentres and adjacent services.
Sector	Digital
Location	US/global
Ownership (Peak)	100% (across Funds IV + V)
Invested Amount	€770m
Proceeds	\$360m net proceeds expected to Fund V

## Business Overview and Sourcing

- EdgeConnex is a global provider of custom-build data center solution.
- The business is a developer and owner of data centres and an integrated provider of adjacent solutions (cloud, data infrastructure services).
- EdgeConnex works closely with its customers to provide the scalable capacity, power, and connectivity they need to meet the growing demands of their business and their end users.
- EQT identified EdgeConnex as presenting a strong greenfield opportunity given its development pipeline and relationships with customers seeking capacity expansion

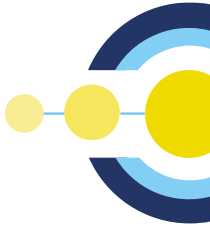
## Strategy and Execution

- EQT’s investment helped fund development work to bring new sites into operations and add more to pipeline.
- At acquisition EdgeConnex included 40 sites (across operational and development assets) in 33 markets.
- Today EdgeConnex has 80 sites across 50 different markets, having delivered meaningful growth, and providing significant diversification.
- The site footprint has been expanded across new geographies, including Asia, Latin America and new areas of Europe.
- This partial sell down enables to EQT to derisk the original capital invested and provides additional capital to deliver next phase of capacity and customer growth.
- Business expansion is on plan and the partial sale benefits from high valuations. Sectoral tailwinds are expected to continue for several years (data usage, capacity issues for data centers, demand for services), supporting ongoing expansion.

## Partial exit

- Sold 11% stake to Sixth Street for 3.0x MOIC, 52% IRR gross
- Sixth Street are a financial investor with property and digital asset expertise who are seen as bringing complementary benefits to the business alongside EQT.
- Expected to return \$360m to Fund V investors once completed in Q4

EQT

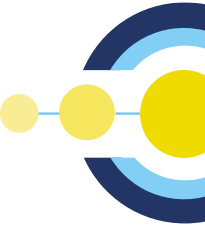


edgeconnex®





# BORDER TO COAST UPDATE



## **LGPS REFORM AT MANSION HOUSE**

In her speech on 14 November, the Chancellor provided an update on the Pensions Review, with a focus on the LGPS.

We are now working closely with Partner Funds and the Joint Committee on a collaborative response to the consultation on LGPS reform, due on 16 January, and on the pool submission setting out our collective plan to deliver the required pooling standards, due on 1 March.

## **ENGAGING FOR A LIVING WAGE**

All workers should earn a decent wage with dignity and – following Border to Coast's own accreditation as a Living Wage Employer – we have joined the Good Work Coalition. The group engages with FTSE350 retail companies on paying the Living Wage to all employees, including third party staff. We continue to actively engage companies with high exposure to labour-intensive operations to promote sustained, inclusive growth with productive and decent work for all.

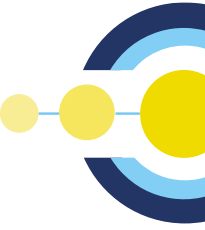
## **THE POWER OF PARTNERSHIP**

We were delighted that our collective endeavours were recognised at the LAPF Investment awards. Border to Coast won Pool Achievement of the Year, Sustainable Investment Strategy (Climate), and were highly commended for Best Approach to RI. The joint initiative #LGPSJobs won LGPS Promotional Initiative, while SYPA won 'Investment Innovation'. Our Climate Change Report was recognised by Pensions for Purpose and Surrey won the 'Impact Investing Principles Adopter'. Congratulations all



**APPENDIX**

# PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS



## IRR and TVPI (Pages 5 - 6)

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



# RESPONSIBLE INVESTMENT UPDATE

Border to Coast

Teesside Pensions Committee - December 2024

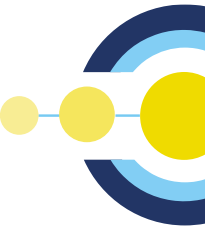
# RESPONSIBLE INVESTMENT UPDATE

- ESG Integration
- Active Ownership
- Industry Engagement
- Reporting and Governance



# ESG INTEGRATION

## CLIMATE RISKS, OPPORTUNITIES AND NET ZERO



BORDER TO COAST'S NORMALISED FINANCED EMISSIONS WERE **58% BELOW** 2019 LEVELS AHEAD OF OUR TARGET OF A **53% REDUCTION** BY 2025

**£8bn** INVESTED IN CLIMATE SOLUTIONS VIA OUR EQUITY AND FIXED INCOME PORTFOLIOS

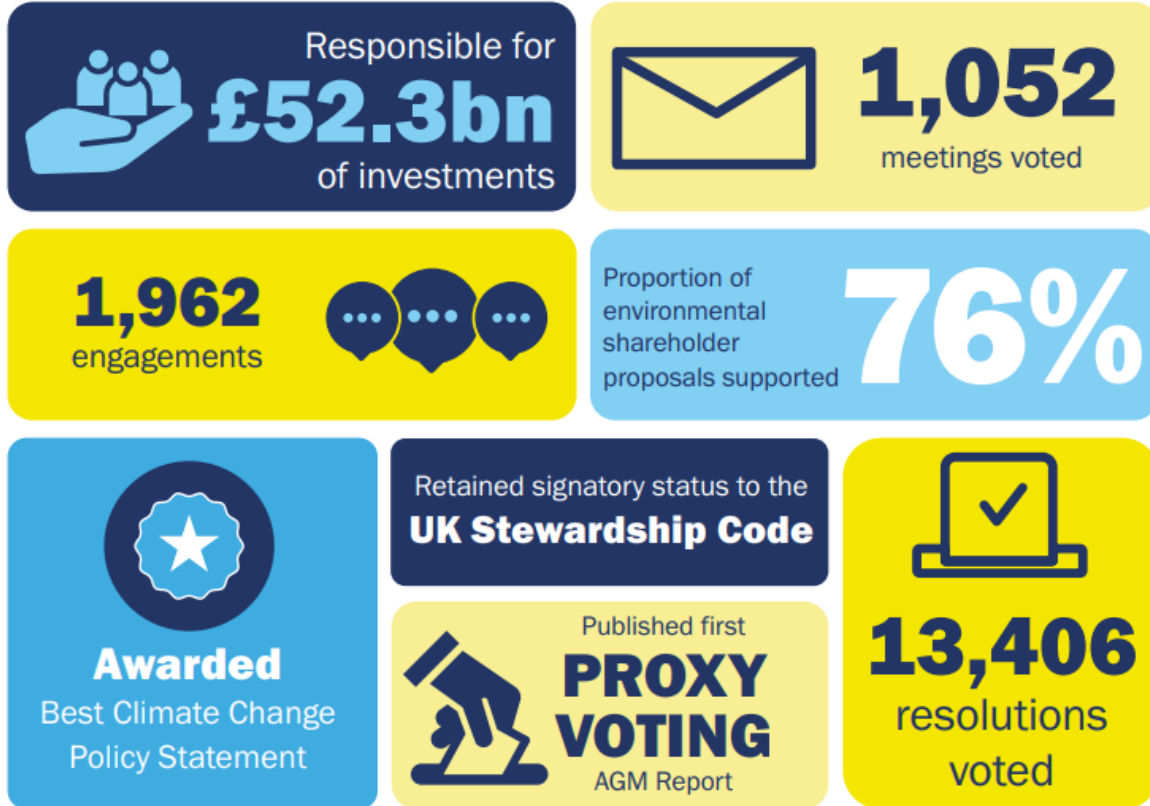
WE ARE ENGAGING WITH COMPANIES REPRESENTING **68%** OF THE EMISSIONS COVERED BY OUR NET ZERO ROADMAP, AN INCREASE OF 20 COMPANIES FROM LAST YEAR

**38%** OF OUR FINANCED EMISSIONS ARE EMITTED BY COMPANIES CONSIDERED TO BE ALIGNED OR ALIGNING WITH NET ZERO

OUR PARTNER FUNDS HAVE COMMITTED **£2.6bn** TO OUR CLIMATE OPPORTUNITIES OFFERING

# ACTIVE OWNERSHIP

## ENGAGEMENT, VOTING – AND WATER COMPANIES INITIATIVE



### Yorkshire Water given green light for wetland to reduce sewage discharges

By Tony Gardner



[Comment](#)

Published 10th Sep 2024, 12:30 BST



Source: Border to Coast / BBC

# INDUSTRY ENGAGEMENT

## ENGAGEMENT VS DIVESTMENT – AND POLICY ACTION



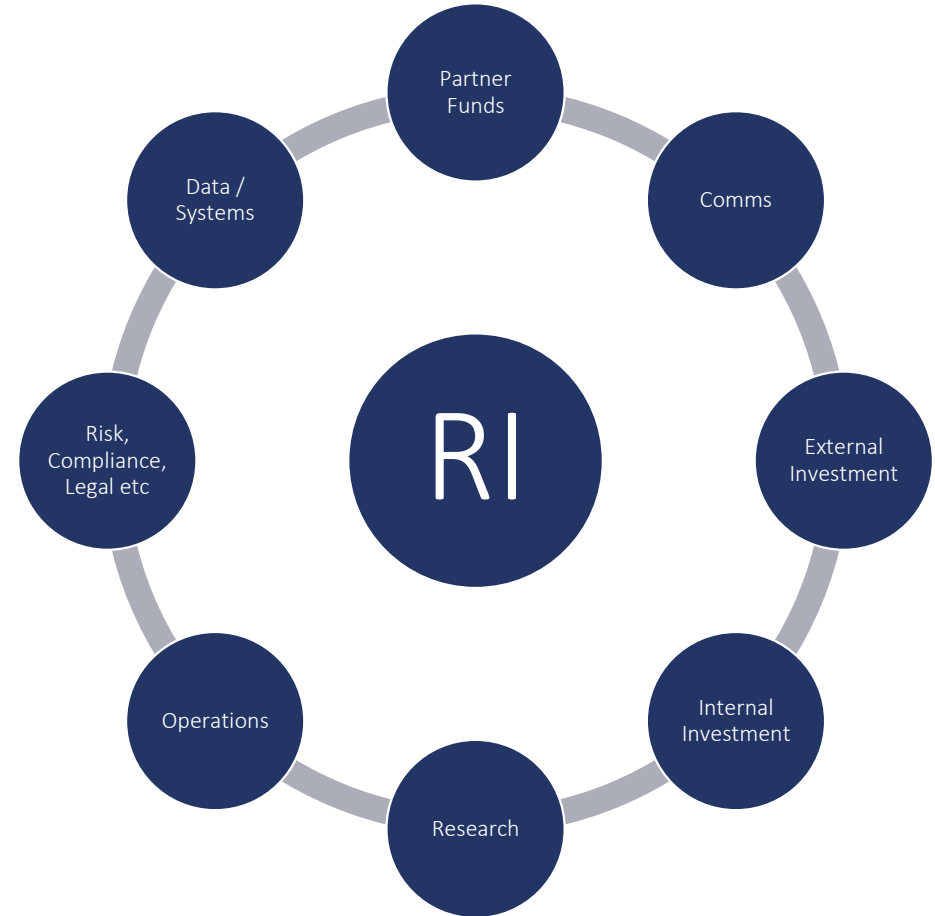
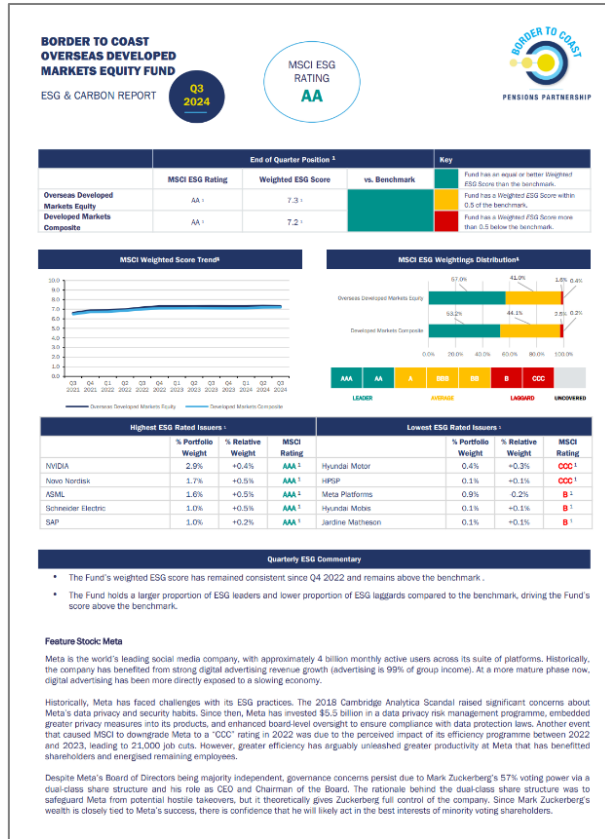
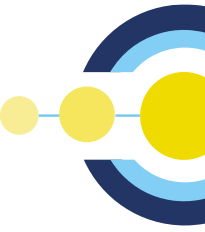
Source: Border to Coast / IFM

Border to Coast – Teesside Pensions Committee



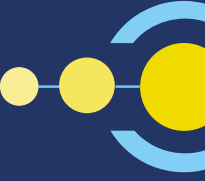
# REPORTING AND GOVERNANCE

## WORKING BETTER TOGETHER



Source: Border to Coast

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