

**TEESSIDE PENSION FUND**  
Administered by Middlesbrough Council

**AGENDA ITEM 8**

**PENSION FUND COMMITTEE REPORT**

**18 JUNE 2025**

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE**

**EXTERNAL MANAGERS' REPORTS**

**1. PURPOSE OF THE REPORT**

- 1.1 To provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast').

**2. RECOMMENDATION**

- 2.1 That Members note the report.

**3. FINANCIAL IMPLICATIONS**

- 3.1 Any decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

**4. PERFORMANCE**

- 4.1 At 31 March 2025 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which has an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which has an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which has an active emerging markets equity portfolio aiming to produce long term returns at least 1.5% above the FTSE Emerging markets indices. Part of the Fund is managed externally (for Chinese equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

For all three sub-funds the return target is expected to be delivered over rolling 3 year periods, before calculation of the management fee.

The Fund also has investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. To date, total commitments of £900 million have been made to these sub-funds (£500m to infrastructure and £400m to private equity). In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

- 4.2 The Border to Coast report shows the market value of the portfolio at 31 March 2025 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast's UK Listed Equity Fund's returns were 2.43% below benchmark over the last year, the Overseas Developed Markets Equity Fund's return were 0.78% below benchmark over the last year. Since inception, the UK fund has delivered performance of 0.18% a year above benchmark, and the overseas fund has delivered performance of 1.26% above benchmark. The performance of the Emerging Markets Equity Fund has been below benchmark throughout much of the period of our Fund's investment. The recent position remains disappointing, with performance over the quarter and the year to 31 March 3.94% below benchmark. Since inception the Fund is 1.81% a year behind benchmark.
- 4.3 Members will be aware that the Fund holds equity investments over the long term, and performance can only realistic be judged over a significantly longer time-frame than a single quarter. However, it is important to monitor investment performance regularly and to understand the reasons behind any under of over performance against benchmarks and targets.

## **5. BORDER TO COAST – QUARTERLY CARBON AND ESG REPORTING**

- 5.1 Border to Coast has worked with its reporting providers to develop reporting which covers the Environmental Social and Governance (ESG) issues and impact of the investments it manages, together with an assessment of the carbon exposure of these investments. This is easier with some asset classes than others, and Border to Coast has initially focussed on reporting on listed equities as this is the asset class where most information is available, and this type of reporting is more advanced.
- 5.2 Appendix B contains the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports include information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure is also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.
- 5.3 A colleague from Border to Coast will be available at the meeting to answer any questions Members may have on the information shown in the Quarterly ESG Reports.

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