

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

PENSION FUND COMMITTEE REPORT

3 FEBRUARY 2026

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

INVESTMENT ACTIVITY REPORT

1. PURPOSE OF THE REPORT

- 1.1 To inform Members how the Investment Advisors' recommendations are being implemented.
- 1.2 To provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice, and to provide the Fund's Valuation.
- 1.3 To report on the treasury management of the Fund's cash balances.

2. RECOMMENDATION

- 2.1 That Members note the report and pass any comments.

3. FINANCIAL IMPLICATIONS

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

4. IMPLEMENTATION OF INVESTMENT ADVICE FOR THE PERIOD JULY - SEPTEMBER 2025

- 4.1 The Fund continues to favour growth assets over protection assets. For the period under discussion here, bonds were still not considered value for the Fund.

The Fund has no investments in Bonds at this time.

- 4.2 At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash.

Cash level at the end of September 2025 was 7.79%

- 4.3 Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They come with additional risks of being illiquid, traditionally they have costly management fees and investing capital can be a slow process.

An amount of £18.3m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period July - September 2025.

5.2 There were net purchases of £0.5m in the period.

6. TREASURY MANAGEMENT

6.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) sets out how cash balances should be managed. The Code states that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested is more important than the interest rate received.

6.2 Middlesbrough Council adopted the Code on its inception and further determined that the cash balances held by the Fund should be managed using the same criteria. The policy establishes a list of counterparties (banks, building societies and others to whom the Council will lend) and sets limits as to how much it will lend to each counterparty. The counterparty list and associated limits are kept under constant review by the Director of Finance.

6.3 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.

6.4 As at 30 September 2025, the Fund had £463.2m invested with approved counterparties. This is a decrease of £28m over the last quarter.

6.5 The attached graph (Appendix B) shows the maturity profile of cash invested. It also shows the average rate of interest obtained on the investments for each time period.

6.6 Delegated authority was given to the Director of Finance and Transformation by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to this committee.

7. FUND VALUATION

7.1 The Fund Valuation details all the investments of the Fund as at 30 September 2025, and is prepared by the Fund's custodian, Northern Trust (NT). The total value of all investments, including cash, is **£5,943 million**. This compares with the last reported valuation, as at 30 June 2025 of **£5,706 million**. The NT copy shows an overstated value at £6.383m, the transfer of the Funds Real Estate portfolio has not been accounted for correctly, this will be amended for the next valuation.

- 7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 30 September 2025 compared with the Fund's customised benchmark.

8. INVESTMENT PROGRAMME

- 8.2 At the September 2024 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target SAA	Current 30/09/25	Minimum	Maximum
GROWTH ASSETS	70%	67.68%	50%	90%
UK Equities	10%	11.52%	5%	20%
+Overseas Equities	45%	44.41%	30%	60%
Private Equity	15%	11.75%	0%	20%
PROTECTION ASSETS	30%	32.06%	10%	50%
Bonds / Other debt / Cash	10%	10.55%	0%	20%
Property	10%	9.78%	0%	20%
Infrastructure	10%	11.73%	0%	20%

(Local Investments account for the missing 0.26% in the "current" totals - there is no allocation within the SAA for these assets)

8.4 EQUITIES

As at the 30 September 2025 the Fund's equity weighting was 55.93% compared to 54.27% at the end of June 2025

Summary of equity returns for the quarter July - September 2025:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	7.15%	6.87%	0.28%
BCPP Overseas	7.90%	8.42%	-0.52%
BCPP Emerging Market	12.33%	12.47%	-0.14%

(BCPP – Border to Coast Pensions Partnership – Active Internal Management)

8.5 BONDS + CASH

The Fund has no investments in bonds at this time, the level of cash invested is 7.79%. Whilst discussions have been held with the Committee around investing in bonds, there has been no directive to invest as yet.

8.7 LOCAL INVESTMENT

To date the Fund has 3 Investments classified as “Local”:

Ethical Housing Company - £5m investment of which £765k has been called.

Waste Knot - £10m investment agreed at the June 2021 Committee, payment made in full December 2021.

FW Capital – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund.
£4.09m has been called to date.

8.8 ALTERNATIVES

As at November 2025 total commitments to private equity, infrastructure and other debt were £2,003m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£630m	£364m
Other Infrastructure Managers	£429m	£388m
Border to Coast Private Equity	£450m	£247m
Other Private Equity Managers	£414m	£359m
Other Debt	£159m	£151m
Totals	£2,003m	£1,509m

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