Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q2 2021

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Note
1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,246,094,118
Inflows	£902,565,025
Outflows	£(325,000,000)
Net Inflows / Outflows	£577,565,025
Realised / Unrealised gain or loss	£121,846,940
Value at end of the quarter	£2,945,506,082

Over Q2 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.39%
- The Overseas Developed Markets Equity Fund underperformed its benchmark by 0.25%
- The Emerging Markets Equity Fund underperformed its benchmark by 1.41%

Teesside made subscriptions totalling £660,000,000 to the Overseas Developed Markets Equity Fund, subscriptions totalling £200,000,000 to the Emerging Markets Equity Fund and redemptions totalling £325,000,000 from the UK Listed Equity Fund during Q2 2021.

Note
1) Source: Northern Trust
2) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.
3) Returns for periods greater than one year are annualised
4) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
5) Inflows and Outflows values may include income.

Portfolio Analysis - Teesside Pension Fund
at 30 June 2021

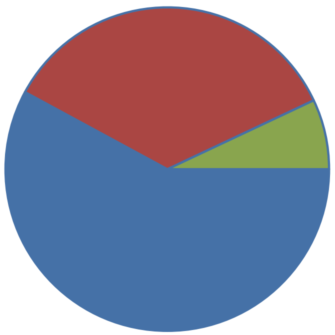
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	1,034,586,789.32	35.12
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,704,988,011.21	57.88
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark[3]	205,931,281.66	6.99

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Dev Markets
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha
Border to Coast Global Equity Alpha
Border to Coast Sterling Inv Grade Credit
Border to Coast Sterling Index-Linked Bond

Teesside Pension Fund - Fund Breakdown



- Border to Coast Overseas Dev Markets 57.88% £1,704,988,011.21
- Border to Coast UK Listed Equity 35.12% £1,034,586,789.32
- Border to Coast Emerging Equity Fund 6.99% £205,931,281.66

Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 30 June 2021

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity	35.12	5.22	5.60	(0.39)	2.80
Border to Coast Overseas Dev Markets	57.88	6.37	6.62	(0.25)	3.35
Border to Coast Emerging Equity Fund	6.99	4.97	6.38	(1.41)	0.21
Total	**100.00**	**6.36**			

The UK Listed Equity Fund returned 5.22% over the quarter, which was 0.39% behind the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 6.37% over the quarter, which was 0.25% behind the composite benchmark.
The Emerging Markets Equity Fund returned 4.97% over the quarter, which was 1.41% behind the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 6.36% during Q2 2021.

Note
1) Source: Northern Trust & Border to Coast
2) The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.

Valuation Summary
at 30 June 2021

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)	Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	1,292,615,905.09	57.55		36,151,751.22	325,000,000.00	30,819,133.01	1,034,586,789.32	35.12	
Border to Coast Overseas Dev Markets	953,478,212.49	42.45		666,413,273.41		85,096,525.31	1,704,988,011.21	57.88	
Border to Coast Emerging Markets Equity	0.00	0.00		200,000,000.00		5,931,281.66	205,931,281.66	6.99	
Total	**2,246,094,117.58**	**100.00**		**902,565,024.63**	**325,000,000.00**	**121,846,939.98**	**2,945,506,082.19**	**99.99**	

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Inflows and Outflows values may include income.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 30 June 2021

	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**
Border to Coast UK Listed Equity	3.00	2.03	0.97	5.24	5.60	(0.37)	20.64	21.45	(0.81)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	11.74	10.79	0.95	6.43	6.62	(0.19)	24.41	24.00	0.41	--	--	--	--	--	--
Border to Coast Emerging Markets Equity	10.73	12.97	(2.24)	3.08	4.79	(1.71)	20.96	23.61	(2.64)	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start date of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.
4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
5) 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 June 2021

	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**
Border to Coast UK Listed Equity	3.01	2.03	0.98	5.24	5.60	(0.37)	20.65	21.45	(0.80)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	11.75	10.79	0.97	6.43	6.62	(0.19)	24.42	24.00	0.42	--	--	--	--	--	--
Border to Coast Emerging Markets Equity	10.80	12.97	(2.17)	3.18	4.79	(1.61)	21.12	23.61	(2.49)	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund.The Emerging Markets Fund is measured from the performance start date of 18 May 2021 to the end of the quarter.
4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund - Overview at 30 June 2021

UK Listed Equity Fund

The Fund generated a total return of 5.24% during the quarter compared to the benchmark return of 5.60% resulting in 0.37% of underperformance.

The UK continued to perform strongly albeit modestly underperforming other major markets. Good progress in the vaccine roll-out helped mitigate the impact of the rapid spread of the so-called *Delta PlusVariant*, although the relaxation of restrictions was postponed. Despite this setback economic data has been positive. The Northern Ireland Protocol continues to be a source of friction with the EU in the aftermath of Brexit, but the relatively high exposure to Materials and other *value*-biased sectors probably better explains why the UK market's performance was not as strong as some other markets.

Positive performance derived from the following factors:

- Strong stock selection in Industrial Goods and Services such as those companies exposed to US construction activities;
- Overweight position and stock selection in Telecommunications, specifically BT; and
- Overweight positions in specialist UK small cap funds benefitting from the re-opening of the domestic economy;

This was offset by:

- Stock selection and underweight position in Basic Resources where commodity prices have rebounded during the quarter on the prospects of global economic recovery;
- Stock selection in Financial Services, primarily not owning non-UK focussed investment trusts such as the Scottish Mortgage Investment Trust, which benefitted from a rebound in global technology stocks; and an overweight position to cash;
- Overweight Large-Caps which have been impacted by sterling strength and an underweight to Mid-Caps which have benefitted from a broad economic re-opening; and
- Cash position.

The portfolio's risk profile has been gradually increased as concerns over Brexit have receded and the recovery from COVID-related economic weakness becomes clearer. The international backdrop remains clouded by tensions in relations between China and the West and with COVID-19 continuing to negatively impact developing regions of the world in particular, a degree of caution remains appropriate. In addition, although Brexit is now at least notionally resolved, the impact on specific sectors and companies will only become clear over time. The portfolio managers have increased exposure to more cyclical, *value*-oriented stocks in acknowledgement of the shifting balance of risks and to add to favoured companies at lower valuations. This has largely helped protect performance as these segments have led the market in recent months. The fund will continue to focus on long-term fundamentals with a bias towards *quality* companies with strong balance sheets and earnings and income visibility.

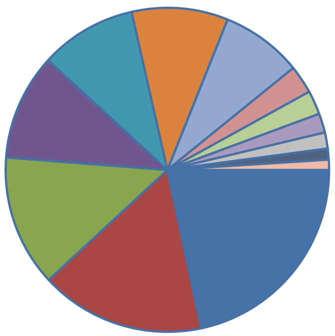
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2021

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.93
Consumer Staples	+0.80
Energy	+0.60
Health Care	+0.39
Industrials	+0.37
Consumer Discretionary	-1.68
Real Estate	-1.48
Financials	-1.04
Technology	-0.89
Utilities	-0.22

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:

Common Stock Funds (o/w) – exposure to UK smaller-cap companies via specialist funds/collective vehicles with long-term track records of outperformance.

Consumer Staples (o/w) – broad mix of food and beverage producers together with food retailers which collectively offer strong cash generation, robust balance sheets and have benefited from resilient trading throughout the pandemic.

Energy (o/w) – oil prices have continued to rally from last year on the prospects of economic recovery post the global pandemic and a tightening in supply/demand, supported by OPEC+ production discipline. Strong cash flows support re-based dividends and balance sheet repair. UK integrated oil companies have announced ambitious net-zero carbon intentions and are key enablers of energy transition.

Consumer Discretionary (u/w) – bricks and mortar non-food retail structurally challenged by increasing on-line penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the COVID-19 pandemic. Timetable for re-opening of international travel remains unclear, with travel sector balance sheets carrying higher levels of debt than seen pre-pandemic.

Real Estate (u/w) – concerns around retail/leisure sector exposure including vacancy rates, rent re-negotiations and accumulated rent arrears, together with uncertainty around the impact of COVID-19 and continuation of home/flexible working on the long-term demand for office space.

Financials (u/w) – predominantly due to being underweight investment trusts and Asian-focused banks (US-China relations remain strained), partly offset by overweight positions in Insurers and Wealth Managers as they are expected to benefit from the long-term increase in Asian and Emerging Market wealth.

Border To Coast UK Listed Equity Fund Attribution at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Flutter Entertainment	0.60	(16.00)	0.91	(15.22)	0.13
AstraZeneca	5.46	19.74	4.77	19.82	0.07
Morrisons	0.48	37.90	0.23	39.09	0.07
St Modwen	0.00	35.93	0.04	37.53	0.07
BT	0.99	25.21	0.71	25.32	0.06

Flutter Entertainment (u/w) – potential partial IPO of Flutter's US subsidiary, Fan Duel delayed by the departure of the well-regarded divisional CEO, alongside an ongoing dispute with Fox over an option entitlement/price that Fox can acquire an 18% stake in Fan Duel.

AstraZeneca (o/w) – series of positive drug portfolio announcements benefitted the company, following recent negative publicity regarding its COVID-19 vaccine and a poor initial reaction to its plans to acquire Alexion, a US rare disease biotech company for $39bn.

Morrisons (o/w) – takeover interest from a US private equity firm - rejected by the Board but other bidders also likely to be interested.

St Modwen (u/w) – Board recommended approval of an increased all-cash offer from private equity firm Blackstone, at a substantial premium to the undisturbed share price. The Fund sold off previously-overweight position during the quarter.

BT (o/w) – acquisition of a 12% stake by European telecoms heavyweight, Patrick Drahi although stated no intention of making a takeover offer.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Antofagasta	0.89	(13.29)	0.21	(13.42)	(0.15)
Prudential	1.93	(10.87)	1.50	(10.84)	(0.09)
Scottish Mortgage Investment Trust	0.00	0.00	0.79	17.25	(0.08)
TP ICAP PLC	0.30	(18.81)	0.06	(19.09)	(0.07)
Intercontinental Hotels	0.97	(3.33)	0.37	(3.32)	(0.06)

Antofagasta (o/w) – a pull-back in the copper price from recent highs and ongoing COVID-19 disruption to operations, alongside political pressure in Chile to increase taxation of mining profits, have combined to weigh on the shares.

Prudential (o/w) – disappointment with a delay to the de-merger of Prudential's US subsidiary Jackson into the second half of 2021 and an intention to undertake a post de-merger equity raise, mainly via Hong Kong, has been re-iterated.

Scottish Mortgage Investment Trust (u/w) – a global large-cap tech investment trust that has benefitted from a partial rotation back from *value* into *growth* stocks as inflation concerns have eased.

TP ICAP PLC (o/w) – despite completing the acquisition of Liquidnet earlier in the year, a weaker revenue outlook for the financial market intermediaries in 2021, falling short of expectations, was subsequently confirmed at the quarterly results.

Intercontinental Hotels (o/w) – concerns over the delayed return to international travel and pandemic impact upon the group's hotel development pipeline, potentially slowing future growth, have weighed on the shares.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.05
Impax Environmental Markets	+0.99
Liontrust UK Smaller Companies	+0.89
BHP Billiton	+0.79
AstraZeneca	+0.69
Glencore	-1.14
Scottish Mortgage Investment Trust	-0.79
SEGRO	-0.55
Just Eat Takeaway	-0.51
3I Group plc	-0.47

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Schroder UK Smaller Companies Fund – specialist fund manager providing UK small-cap exposure, with a long-term track record of out-performance. UK small-cap stocks have continued to outperform larger-caps as the UK domestic economy re-opens.

Impax Environmental Markets – leading ESG-focused fund delivering strong long-term out-performance, specialising in alternative energy, energy efficiency, water treatment, pollution control and waste technology.

Liontrust UK Smaller Companies – specialist UK small-cap fund manager with long-term track record of outperformance; investment style focussed on intellectual property, strong distribution channels and durable competitive advantage.

BHP Billiton – diversified commodity exposure and strong cash generator benefitting from operating at the lower end of the cost curve, proximity to end markets and continued robust global commodity demand, particularly from China.

AstraZeneca – beneficiary of increasing global healthcare expenditure and ageing demographics. Broad marketed drug portfolio experiencing strong top-line growth, with particular strengths in oncology and a material presence in China.

Bottom 5 Holdings Relative to Benchmark:

Glencore – historically a higher risk commodity company with significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; and coal exposure higher than peers. Signs of improvements in governance and completion of wide-ranging management change.

Scottish Mortgage Investment Trust – investment trust with a focus on global large-cap technology; the fund has a preference for Allianz Technology Trust with a similar investment focus.

SEGRO – real estate holding company focussed upon logistics and industrial units across Europe; fund had similar UK exposure through St Modwen until recently agreeing to be acquired by private equity firm Blackstone.

Just Eat Takeaway – online food ordering sector remains highly competitive, with intensive marketing and capex expenditure. Limited profitability generated to date and valuation appears stretched.

3I Group plc – global private equity investor but with a highly concentrated investment portfolio, with nearly half the current net asset value invested in a single asset - Action, a European discount retailer.

Major transactions during the Quarter

Purchases:

Flutter Entertainment (£19.3m) – continued to build weighting in a recently added holding. Attractive growth opportunities in North America for on-line sports betting and gaming where it has developed significant market share.

Sales:

St Modwen (£17.5m) – sold holding as company recommends acceptance of Blackstone all-cash bid at a significant premium to the undisturbed share price.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 June 2021

Overseas Developed Markets Fund

The Fund generated a total return of 6.43% during the quarter compared to the composite benchmark return of 6.62% resulting in under-performance of 0.19%. The US (8.3%) was the strongest region and Japan (-0.5%) was the weakest. The US and Japanese portfolios outperformed their respective benchmarks while the Europe ex-UK and Pacific ex-Japan portfolios lagged.

The Fund has continued to benefit from ongoing strength in equity markets supported by extensive monetary and fiscal stimulus. Markets have also been buoyed by the prospect of vaccines bringing an end to the COVID-19 pandemic and carrying the prospect of what would seem likely to be a V-shaped recovery in many economies given the level of stimulus being applied.

The Fund has underperformed due to the following:

- Weaker stock selection in Asia ex-Japan and Europe particularly within Industrials and IT;
- Underweight position in Energy stocks, which have outperformed as oil prices have risen; and
- Underweight position in the Real Estate sector, which has outperformed the market.

This has been partly offset by:

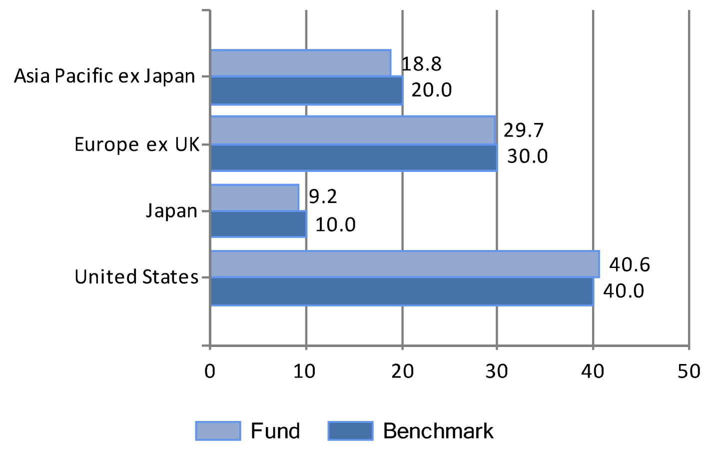
- Overweight position in Technology stocks, which have outperformed;
- Underweight position in utilities which have underperformed; and
- Stronger stock selection in the US.

The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the near term. The current emphasis on focusing on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility has proven a resilient approach across different market regimes in recent years.

Note
1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 30 June 2021

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.

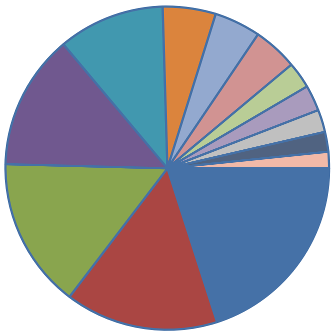
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	**11.74**	**10.79**	**0.95**	**6.43**	**6.62**	**(0.19)**	**24.41**	**24.00**	**0.41**	**--**	**--**	**--**
United States	15.40	14.66	0.74	8.56	8.30	0.26	24.48	25.37	(0.89)	--	--	--
Japan	7.19	4.79	2.40	(0.44)	(0.52)	0.07	16.76	11.59	5.16	--	--	--
Europe ex UK	8.43	8.42	--	7.59	7.89	(0.30)	21.41	22.18	(0.77)	--	--	--
Asia Pacific ex Japan	11.46	9.18	2.28	3.98	4.92	(0.94)	32.29	29.81	2.48	--	--	--

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.

Border To Coast Overseas Developed Markets Equity Fund
at 30 June 2021

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

Common Stock Funds (o/w) – exposure to smaller companies via collective vehicles, specifically in US, Europe and Japan.

Technology (o/w) – high relative exposure in Europe and Pacific ex-Japan, along with full allocations in the US and Japan based on long-term structural growth drivers including Internet of Things, Artificial Intelligence, Electric/Autonomous vehicles, new generation memory chips, the continued transition towards cloud-based services and change in software business models to long term subscription revenues.

Industrials (u/w) – driven in general by a preference for the higher secular growth rates and lower leverage of IT companies, particularly given the uneven nature of the recovery in Europe and potential for interest rates to trend higher.

Real Estate (u/w) – the high leverage that is typically associated with the sector leaves it exposed in a rising interest rate environment. Normally improving economies would be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post COVID-19 world.

Healthcare (u/w) – one of the sectors to benefit from the pandemic, but this has been reflected in valuations. With economic recovery fuelling a rebound in earnings in other segments of the market, opportunities have appeared more attractive elsewhere.

Note
1) Source: Northern Trust
2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Border To Coast Overseas Developed Markets Equity Fund Attribution at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
NVIDIA Corporation	1.14	49.47	0.55	49.69	0.17
Alphabet A	1.81	18.22	0.81	18.24	0.10
Novo Nordisk	0.78	23.02	0.47	23.22	0.04
Daiichi Sankyo	0.00	0.00	0.09	(26.17)	0.04
Enel SPA	0.00	0.00	0.25	(7.07)	0.04

NVIDIA Corporation (o/w) – strong results, plans to extend product verticals, improving prospects for a key merger and the announcement of a stock split, provided a positive backdrop.

Alphabet A (o/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

Novo Nordisk (o/w) – stronger than expected results and announcement trials of new obesity product.

Daiichi Sankyo (u/w) – volatile pharmaceutical company reversed gains seen in late 2020, following results in line with expectations.

Enel SPA (u/w) – mediocre results and impacted by increase in bond yields and rotation out of defensives into cyclical stocks.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.79	21.00	(0.10)
Kakao	0.00	0.00	0.23	64.26	(0.08)
Koninklijke Philips	0.47	(11.82)	0.16	(12.16)	(0.06)
Softbank Group Corp	0.37	(17.17)	0.21	(17.14)	(0.05)
Samsung Electronics	2.43	(0.62)	1.97	(0.15)	(0.04)

Alphabet C (u/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

Kakao (u/w) – positive impact from potential IPOs of two divisions.

Koninklijke Philips (o/w) – impacted by higher provisions relating to a safety recall on a respiratory and sleep care product.

Softbank Group Corp (o/w) – negative sentiment due to absence of an extension of the share buyback scheme.

Samsung Electronics (o/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.00
Vanguard US Small Cap Value ETF	+0.85
NVIDIA Corporation	+0.59
Microsoft	+0.52
Alphabet C	-0.79
Tesla	-0.58
PayPal	-0.38
Mastercard	-0.35
Samsung Electronics Prefs	-0.32

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the US index, although the portfolio retains an underweight exposure to smaller companies in aggregate.

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and a structural growth story in data centre AI workloads.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds.

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 June 2021

	Inception to Date			Quarter to Date			1 Year			Benchmark
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	10.73	12.97	(2.24)	3.08	4.79	(1.71)	20.96	23.61	(2.64)	EM Equity Fund Benchmark[3]
Border to Coast	3.08	3.89	(0.82)	--	--	--	--	--	--	FTSE Emerging ex China (Net)
FountainCap	2.62	(0.66)	3.27	--	--	--	--	--	--	FTSE China (Net)
UBS	(3.90)	(0.66)	(3.24)	--	--	--	--	--	--	FTSE China (Net)

Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	58%	58%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy,	17%	18%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and	25%	24%

Note

1) Source: Northern Trust & Border to Coast
2) Values do not always sum due to rounding and use of different benchmarks
3) [3]EM Benchmark = S&P EM BMI Net (22-Oct-18 to 9-Apr-21); Fund Return (10-Apr-21 to 28-Apr-21); FTSE EM Net (29-Apr-21 to current)

Border to Coast Emerging Markets Equity Fund - Overview at 30 June 2021

Due to China's strategic importance and complexity, Border to Coast has restructured the Emerging Market portfolio to consist of three sleeves (collectively, the "Fund"); an internally managed sleeve focusing on Emerging Markets excluding China and two China-focused sleeves managed externally by specialists in the Chinese market:

- FountainCap - China specialist with long-term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.
- UBS - China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.

The restructuring activity took place between 10 April 2021 and 28 April 2021, during which time a performance holiday was in effect. The restructure involved an update of benchmark from the S&P Emerging Markets BMI (Net) to the FTSE Emerging Markets (Net). The outperformance target was also revised from 1% per annum above benchmark over rolling three year periods to 1.5% per annum over the same periods. These changes better reflect the Fund's investment universe and expected return.

Some measure of calm returned to emerging market equities after a turbulent start to the year, with the FTSE Emerging Markets Index delivering a 4.8% return over the second quarter. There was a high level of inter-country return dispersion, however, with the more commodity-sensitive economies (including Saudi Arabia, Russia, United Arab Emirates and Brazil) performing particularly strongly over the quarter, as they benefited from the rebound in commodity (including oil) prices. By contrast, China underperformed the broader emerging markets index as investors adopted a more bearish view on the Chinese market due to increased regulatory scrutiny from state authorities (particularly on the Technology sector).

The broad-based rally in commodity prices had a positive impact on the Energy sector, which outperformed the broader index. This had an impact on the Fund's performance as it has an underweight to the Energy sector (given the structural headwinds faced by the oil and gas sector in particular). Conversely, the Utilities sector – which is sensitive to fuel prices – underperformed the broader index.

Against this backdrop, the Fund delivered a positive absolute return of 3.1% over the full quarter, lagging the benchmark return by 1.7%. Over the post-restructuring period – that is, the period from 28 April 2021 to 30 June 2021 – the Fund delivered a return of 1.2%, underperforming the benchmark by 0.7% over the same period. The remainder of our commentary will relate to the post-restructuring period only.

Note

1) Source: Border to Coast

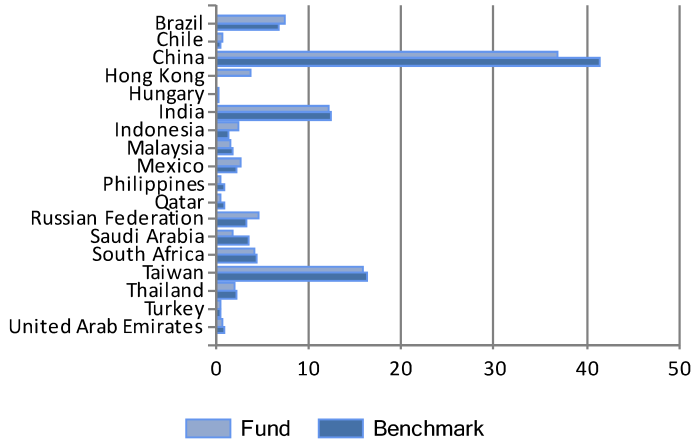
The EM ex-China sleeve, managed internally by Border to Coast, delivered a positive absolute return, though it underperformed its benchmark by 0.8% over the period. The Consumer Discretionary and Industrials sectors were notable drags on performance: Naspers, which is an overweight position in the sleeve and highly correlated to Tencent's performance given its c. 29% ownership stake, was a key detractor within the Consumer Discretionary sector as it saw its share price decline on news of increased scrutiny by Chinese regulators on the Technology sector. Within Industrials, not holding Evergreen Marine (which owns the Ever Given, the vessel that infamously got stuck in the Suez Canal in March 2021) detracted as the share price more than doubled over the period. Supply chain disruption caused by the COVID-19 recovery and increase in international trade has led to higher shipping rates, greatly benefitting names like Evergreen Marine. The underweight to India was the largest detractor from relative performance from a country perspective, driven predominantly by adverse stock selection therein. Notably, while the overweight to the Indian Electronics and Technology sectors boosted performance, this was not enough to offset the drag on performance by the underweight in the Indian Industrials sector, which saw strong returns over the period on hopes of a global economic recovery.

Performance across the two externally managed China specialists was more uneven. FountainCap delivering strong positive and relative returns of 2.6% and 3.3% respectively, benefiting from its underweight to technology and technology-adjacent names like Alibaba and Tencent which saw stark reversals in their fortunes. The FountainCap portfolio was not completely immune to regulatory risk, however, with TAL Education (a leader in the Chinese after-school tutoring market and an overweight in the FountainCap portfolio) seeing a c. 60% share price decline over the period, for example. Positions in the Energy sector (e.g., PetroChina) were additive to performance, as was the large overweight to Anta Sports, a sports equipment manufacturer and distributor, was a tailwind to performance as the retailer delivered strong Q1 earnings and delivered positive guidance for Q2.

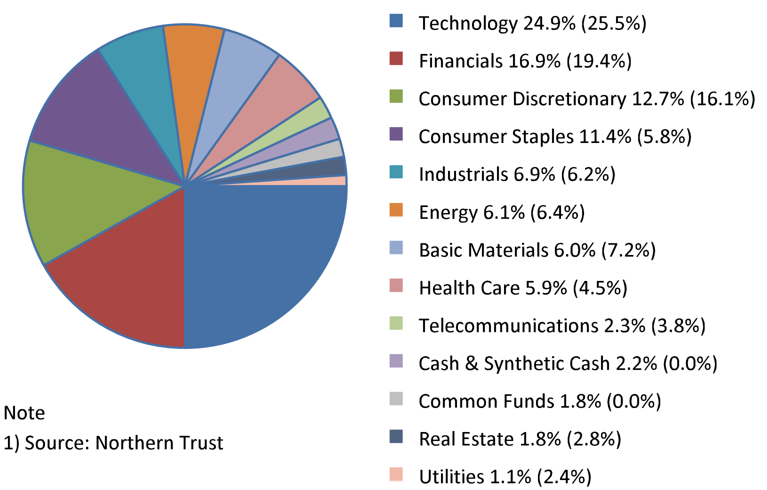
The UBS portfolio, which has a higher allocation to the tech and tech-adjacent names than FountainCap – and was therefore exposed to the companies that fell on news of increased regulatory scrutiny – was harder-hit over the period, lagging its benchmark by 3.3%. UBS' overweight position to TAL Education also detracted, for reasons discussed above. Other consumer-facing companies in the UBS portfolio also detracted. Yihai, which produces condiments for hot products, saw its share price decline after a weak Q1 earnings report and a negative outlook for Q2 amid rising material costs and ever-intensifying competition in its segment of the market. Midea Group, which operates in the household electrical products space, likewise suffered over the quarter amid rising raw materials costs and lower demand for its products.

Border to Coast Emerging Markets Equity Fund
at 30 June 2021

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:

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 a number of stocks (particular in China) that are well positioned to benefit from such a tailwind.

Common Funds (o/w) – the aggregate ETF/Investment Trust exposure within the Fund, used to express country positioning in the internally managed Emerging Markets ex. China sleeve.

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.

Consumer Discretionary (u/w) – the Chinese e-commerce giant Alibaba is roughly 5% of the FTSE Emerging benchmark and dominates the consumer discretionary sector. The Fund is underweight Alibaba, instead deploying capital in names such as Anta Sports and NetEase. The Fund is also underweight to the automobiles sub-sector, where Chinese EV firm Nio is a large index weight.

Financials (u/w) – the Fund maintains a broad exposure to a number of sub-sectors that fall under the broader Financials heading (for example, insurance, exchanges, and banking). The underweight position is driven primarily by an underweight exposure to banks, particular state-owned banks in China which are large index constituents.

Telecommunications (u/w) – the Fund is marginally underweight to this highly regulated sector, maintaining a select exposure to some of the more interesting businesses in the space (for example, providers of equipment and parts to end-users and/or service providers).

Border to Coast Emerging Markets Equity Fund Attribution at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
ANTA Sports Products	1.51	30.28	0.35	30.24	0.27	Consumer Discretionary	China
Chinasoft International	0.53	58.47	0.00	0.00	0.19	Technology	Hong Kong
Alibaba	2.54	(3.71)	5.30	(4.42)	0.16	Consumer Discretionary	China
Sungrow Power	0.59	37.78	0.02	37.78	0.15	Energy	China
Petrobas	0.97	33.51	0.43	33.37	0.14	Energy	Brazil
Tencent	4.62	(6.31)	5.93	(6.17)	0.14	Technology	China
Bharat Electronics	0.38	39.84	0.03	39.18	0.09	Industrials	India
Sunny Optical	0.78	26.00	0.27	26.34	0.09	Technology	China
Hefei Meyer	0.54	22.46	0.00	22.54	0.09	Industrials	China
LONGi Green Energy	0.47	33.34	0.07	33.06	0.09	Technology	China

Note
1) Source: Northern Trust & Border to Coast

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 June 2021

Positive Issue Level Impacts

Anta Sports Products (o/w) – the share price rallied strongly during the quarter after the business posted strong results (across all underlying brands) in early April. Continued positive news flow came in mid-June when the business issued a positive profit alert for H1 2021 alongside positive forward guidance on sales, discount normalisation and future investments.

Chinasoft International (o/w) – after a relatively uneventful first five months of 2021, the share price jumped materially in June when Huawei debuted a new Operating System for its hardware (e.g. mobile phones) – Harmony2.0. Chinasoft is Harmony's core ecological partner and should be a beneficiary of a successful rollout and adoption cycle.

Alibaba (u/w) – best known for e-commerce and online payment platforms. The stock has trended slowly downwards since November 2020 when the IPO for affiliate Ant Group was cancelled following a last-minute intervention from the Chinese government. The potential for increased regulation of the sector weighs on investor sentiment.

Sungrow Power (o/w) – the stock benefitted from Joe Biden and Xi Jinping announcing or reiterating ambitious climate goals. The sector also felt tailwinds from two new solar listings on Shanghai's STAR exchange and the easing of concerns over US plans to restrict some purchases of products from Xinjiang.

Petrobas (o/w) – Brazil's leading oil producer not only benefited from the positive backdrop of rising crude oil prices (which climbed over 10% in US dollars in Q2), but also from a strong recovery in investor sentiment, following a sharp sell-off in Q1, when the incumbent CEO was ousted for challenging government policy on fuel subsidies.

Tencent (u/w) – the Fund benefited from an underweight position in Tencent as it, and the wider Chinese technology sector, came under increased scrutiny from regulators as they took further steps to regulate the Chinese technology industry.

Bharat Electronics (o/w) – a leading defence electronics manufacturer, the company occupies a niche position in India, where strong government support for indigenous production and a growing defence budget have prompted bullish statements from management on the outlook.

Sunny Optical (o/w) – designs and manufactures optical products including lenses, prisms, and mobile phone cameras. Shipment numbers during the quarter were promising with investors perhaps most interested in the performance of the company's automobile-related products (e.g. lens/cameras for use in autonomous driving solutions).

Hefei Meyer (o/w) – the company is benefiting from the recovery of the dental market in China which was severely impacted by the COVID-19 pandemic. Is well positioned to capture the growth of dental cone-beam computed tomography (CBCT) as CBCT market penetration, currently at 21% in China, catches up to other developed markets.

LONGi Green Energy (o/w) – another beneficiary of the tailwinds caused by pledges at Biden's climate summit. In addition, the business announced continued investment in new solar cell technologies – the firm has a very strong track record in technology development.

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

Border to Coast Emerging Markets Equity Fund Attribution at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
TAL Education	0.14	(59.10)	0.15	(59.21)	(0.91)	Consumer Discretionary	China
NIO	0.00	0.00	0.91	30.01	(0.19)	Consumer Discretionary	China
Evergreen Marine	0.00	0.00	0.24	158.84	(0.14)	Industrials	Taiwan
Smoore International	0.41	(22.11)	0.13	(22.10)	(0.12)	Consumer Staples	China
China Gas	0.68	(13.22)	0.12	(13.13)	(0.11)	Utilities	China
Gazprom	0.00	0.00	0.53	24.81	(0.10)	Energy	Russian Federation
Yihai International	0.22	(30.19)	0.04	(30.29)	(0.09)	Consumer Staples	China
Naspers	1.82	(10.47)	1.13	(10.35)	(0.09)	Technology	South Africa
Li Auto	0.00	0.00	0.21	74.46	(0.08)	Consumer Discretionary	China
Midea	0.57	(10.24)	0.00	0.00	(0.08)	Consumer Discretionary	China

Note
1) Source: Northern Trust & Border to Coast

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 June 2021

Negative Issue Level Impacts

TAL Education (u/w) – TAL has faced regulatory uncertainty in recent months as touted Government policies have the potential to materially impact the companies' fundamentals – for example, banning weekend/summer holiday tutoring. This turned sentiment negative and caused increased volatility in the position. This holding was reduced during the quarter.

NIO (u/w) – the share price rallied 30% in a quarter where the company posted encouraging Q1 2021 results, with better than expected sales and record vehicle margins. Management also provided encouraging order guidance for the rest of the year despite chip uncertainty still remaining.

Evergreen Marine (u/w) – the owner of the Ever Given – the ship that famously blocked the Suez Canal in late March – saw its share price more than double in Q2. A strong recovery in global trade and a spike in shipping freight rates boosted the shares. Even the prospect of a large fine from the Suez Authorities ($200-500m speculated) has not dented investor enthusiasm for these shares.

Smoore International (o/w) – Smoore International offers advanced vaping solutions throughout Hong Kong, manufacturing different vaping devices and components. The company has delivered strong results of late, but potential regulation which could restrict the expansion of e-cigarette brands in the short-term looms over the sector.

China Gas (o/w) – owns and operates natural gas distribution pipelines. In late April, China Gas raised $1.5bn via an equity placing (at a discount to the market price) which caught some investors by surprise given the expectations of positive free cash flow through 2021. The shares fell further when a potentially value-accretive acquisition hit a hurdle.

Gazprom (u/w) – the Fund does not hold a position in Russian Gas titan, Gazprom, for two reasons. One, Gazprom has a record of poor governance, and two, because the Fund owns peer (and affiliate) Novatek, which has better long-term growth prospects driven by demand for LNG. However, a tightening supply/demand balance in Q2 pushed up gas prices by almost 40%, thus lifting Gazprom's share price.

Yihai International (o/w) – Yihai produces condiments for hot pot products. Expectations of weaker sales growth, as competition intensifies and consumer preferences change, weigh on the share price. Rising raw material costs are also expected to put pressure on margins.

Naspers (o/w) – following the regulatory attack on leading FinTech Ant Financial in November 2020, Chinese oligopolistic internet giants have continued to suffer from government clampdowns. Investment sentiment continued to ebb during Q2 and Tencent, the main holding in Naspers' portfolio, saw its share price slip lower.

Li Auto (u/w) – shares in the Chinese electric SUV manufacturer roughly doubled from mid-May as the company reported better than expected first quarter sales, and guided for 10,000 deliveries a month by September, nearly double April's level. Despite ongoing chip shortages, accelerating EV adoption levels and governmental commitments buoyed the sector.

Midea (o/w) – despite some decent results, the share price slipped gradually lower over the quarter, with raw material price headwinds (impacting margins) and relatively cooler summer temperatures (in China) impacting domestic air conditioning unit sales.

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

Border to Coast Emerging Markets Equity Fund at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.28
iShares South Africa ETF	+1.43
ANTA Sports Products	+1.16
Hengli Hydraulic	+1.10
Hong Kong Exchanges & Clearing	+1.01
Alibaba	-2.77
Tencent	-1.31
China Construction Bank	-0.97
NIO	-0.91
Pinduoduo	-0.62

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.

iShares South Africa ETF – provides exposure to a basket of South African businesses. Overall, the Fund is broadly neutral vs. the benchmark in respect of South African stocks.

ANTA Sports Products – produces own brand goods, as well as operating numerous sub-brands, including Fila (in China, Hong Kong, and Macao). Is expected to benefit from rising consumer spending and greater focus on health and wellbeing.

Hengli Hydraulic – manufacturers a range of hydraulic components for heavy industry. The firm is well positioned to benefit from continued urbanisation and infrastructure spending in mainland China (as well as globally).

Hong Kong Exchanges & Clearing – the firm is a key conduit of capital flows to/from China and should benefit from increasing Northbound (foreign investment into China) and Southbound (Chinese investors accessing global markets) volumes over time.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – best known for e-commerce and online payment platforms. The stock is a material proportion of the benchmark, and whilst the Fund has some exposure, there are deemed to be better opportunities elsewhere.

Tencent – technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The Fund does hold some exposure but there are deemed to be better opportunities elsewhere.

China Construction Bank – one of the "big four" banks in China, offering services to personal and corporate customers. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

NIO – a Chinese automobile manufacturer which specialises in designing and developing electric vehicles. Operating in a highly competitive sector, with significant execution risk, the stock appears expensive on traditional measures.

Pinduoduo – the largest agriculture-focused technology platform in China. Pinduoduo connects farmers and distributors directly with end-consumers. There are deemed to be better opportunities elsewhere in the China universe.

Major Transactions During the Quarter

Purchases:

Taiwan Semiconductor (£11.6m) – TSMC accounts for over 11% of the index and similarly it is the largest holding of the ex-China portfolio. We believe the company's production prowess in this vital growth industry will benefit shareholders immensely.

Sales:

TAL Education (£3.6m) – has faced material regulatory uncertainty in recent months as touted Government policies have the potential to materially impact the companies' fundamentals. Rumours and speculation over the extent of any regulatory measures have materially increased share price volatility.

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NVIDIA Corporation	1.14	0.55	0.17
Alphabet A	1.81	0.81	0.10
Microsoft	2.77	2.25	0.04
Tesla	0.00	0.58	0.03
Eli Lilly	0.41	0.20	0.03

NVIDIA Corporation (o/w) – strong results, plans to extend product verticals, improving prospects for a key merger and the announcement of a stock split, provided a positive backdrop.

Alphabet A (o/w) – reasonable valuation provided headroom for continued momentum from the results driven rally of the previous quarter.

Microsoft (o/w) – benefited from rotation into quality growth names toward the end of the quarter as the recent cyclical rally faded.

Tesla (u/w) – negative news flow regarding fatal accidents, vehicle recalls, Chinese regulatory friction and increasing competition in battery electric cars.

Eli Lilly (o/w) – FDA's approval of a rival company's Alzheimer's treatment was seen as greatly increasing Eli Lilly's prospects for success with their own pipeline product.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.79	(0.10)
PayPal	0.00	0.38	(0.04)
The Cheesecake Factory	0.21	0.00	(0.03)
Abbott Laboratories	0.51	0.23	(0.03)
Walt Disney	0.60	0.35	(0.03)

Alphabet C (u/w) – reasonable valuation provided headroom for continued momentum from the results-driven rally of the previous quarter.

PayPal (u/w) – supported by strong inflation hedging credentials and rebound in quality growth names.

The Cheesecake Factory (o/w) – strong reopening rally of the previous two quarters faded somewhat.

Abbott Laboratories (o/w) – company guided to lower near-term earnings as the COVID-19 vaccine roll out is likely to temper the company's opportunity in rapid testing.

Walt Disney (o/w) – elevated valuation and an announcement of accelerated spending on media content.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.00
Vanguard US Small Cap Value ETF	+0.85
NVIDIA Corporation	+0.59
Microsoft	+0.52
Alphabet C	-0.79
Tesla	-0.58
PayPal	-0.38
Mastercard	-0.35
Exxon Mobil	-0.29

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the US index, although the portfolio retains an underweight exposure to smaller companies in aggregate.

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and a structural growth story in data centre AI workloads.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value-added sales and increased customer stickiness.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, similar exposure to growth trends in the payments space, on valuation grounds.

Exxon Mobil – integrated oil company exposure gained via names with better record of ESG engagement.

Major transactions during the Quarter

Purchases:

NVIDIA Corporation (£8.9m) – strong trading in both gaming and data centre, and the company plans to expand into new verticals and better monetise software IP (sold into strong performance later in the quarter).

Sales:

Altria Group (£10.7m) – concern over the potential for new FDA initiatives, aimed at reducing US smoker numbers, outweighs what is otherwise a strong dividend income story.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	0.78	0.47	0.04
Enel SPA	0.00	0.25	0.04
Prosus	0.00	0.15	0.03
Volkswagen Prefs	0.00	0.16	0.03
LVMH	1.01	0.68	0.03

Novo Nordisk (o/w) – stronger than expected results and announcement trials of new obesity product.

Enel SPA (u/w) – mediocre results for the Italian manufacturer and utilities company, which was impacted by an increase in bond yields and rotation out of defensives into cyclical stocks.

Prosus (u/w) – a beneficiary of COVID-19 but demand growth expected to slow as economies start to reopen.

Volkswagen Prefs (u/w) – stretched valuation following significant share price growth earlier in 2021, resulting in profit taking.

LVMH (o/w) – positive results for the luxury goods group, and announcement of share buyback programme.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Koninklijke Philips	0.47	0.16	(0.06)
Munich Re	0.38	0.13	(0.04)
Kering	0.00	0.22	(0.04)
Siemens	0.74	0.41	(0.03)
Hermes	0.00	0.16	(0.03)

Koninklijke Philips (o/w) – impacted by higher provisions relating to a safety recall on a respiratory and sleep care product.

Munich Re (o/w) – underwhelming results for the reinsurer, including a modest deterioration in its solvency position.

Kering (u/w) – strong results belied the concern that the Gucci brand was suffering.

Siemens (o/w) – valuation at the top of the range and a capital markets day considered to be too conservative in the current market environment.

Hermes (u/w) – luxury goods companies have benefited from a more positive economic outlook and the reopening of economies.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

ASML	+0.37
TotalEnergies	+0.36
Schneider Electric	+0.35
Teleperformance	+0.35
LVMH	+0.34
Daimler	-0.26
Enel SPA	-0.25
Kering	-0.22
Zurich Insurance Group	-0.21
EssilorLuxottica	-0.19

Top 5 Holdings Relative to Benchmark:

ASML – strong demand expected due to economic recovery, ongoing chip shortages, and increasing trend for companies and governments to reduce their reliance on imported chips.

TotalEnergies – shifting away from its core oil business and is now the second largest player in LNG as well as seeking to diversify further into green energy.

Schneider Electric – it is the only company with an integrated approach offering all critical aspects of the value chain with superior market access and high market share in higher margin low voltage products.

Teleperformance – experiencing high growth with high levels of operational gearing with the expectation of cost reductions as workforce moves more towards home working.

LVMH – high demand for the majority of its brands and the ability to pass on cost increases resulting in margin improvement. Should also experience a recovery in its beverages division as economies reopen.

Bottom 5 Holdings Relative to Benchmark:

Daimler – structural concerns regarding the sector as a whole and particular concerns regarding the strength of the balance sheet.

Enel SPA – higher risk profile due to large exposure to Italy (political uncertainty) as well as exposure to Latin America, particularly Brazil.

Kering – heavy reliance on Gucci brand which has not been as resilient as other luxury brands during COVID-19.

Zurich Insurance Group – high valuation relative to peers and over ambitious profitability targets.

Essilorluxottica – high valuation and although previous governance concerns have been resolved there is integration risk around its last major acquisition.

Major transactions during the Quarter

Purchases:

Adyen (£7.9m) – new holding to increase exposure to fintech, considered to be the highest quality company in the sector with organic growth supported by using an in-house system.

Sales:

Atlantia (£4.4m) – disposed of entire holding to consolidate exposure in infrastructure companies.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Daiichi Sankyo	0.00	0.09	0.04
Hitachi	0.30	0.12	0.03
Fujifilm	0.21	0.06	0.02
Daikin Industries	0.00	0.11	0.02
Nidec	0.00	0.12	0.01

Daiichi Sankyo (u/w) – volatile pharmaceutical company reversed gains seen in late 2020 following results in line with expectations.

Hitachi (o/w) – positive results and the market has a favourable view of the restructuring and more focussed approach.

Fujifilm (o/w) – growth prospects as a result of economic recovery.

Daikin Industries (u/w) – poor results and cautious near-term outlook for commercial air-conditioning demand.

Nidec (u/w) – poor results, lack of positive catalysts and a change in CEO.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Softbank Group Corp	0.37	0.21	(0.05)
Oji Holdings	0.19	0.01	(0.04)
Ballie Gifford Shin Nippon	0.30	0.00	(0.03)
Sony Corp	0.41	0.27	(0.02)
ITOCHU	0.20	0.09	(0.02)

Softbank Group Corp (o/w) – negative sentiment due to absence of an extension of the share buyback scheme.

Oji Holdings (o/w) – the paper products manufacturer’s share price drifted lower following good performance in the last few months and despite positive results.

Baillie Gifford Shin Nippon (o/w) – adversely impacted by combination of weak Yen and lacklustre performance of underlying holdings during the quarter.

Sony Corp (o/w) – concerns about future growth prospects and PS5 stock shortages due to global chip supply issues.

ITOCHU (o/w) – the conglomerate’s results were in line with expectations but shares reversed previous quarter’s gain, with no obvious catalyst.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.30
Tokyo Electron	+0.20
Shin-Etsu Chemical	+0.19
Hitachi	+0.18
Oji Holdings	+0.17
Recruit Holdings	-0.15
Honda Motor	-0.12
Nidec	-0.12
Daikin Industries	-0.11
Fanuc	-0.10

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – smaller companies focused with strong long-term relative performance.

Tokyo Electron – good growth prospects, strong balance sheet and potential for increased returns.

Shin-Etsu Chemical – best in sector with strong cash generation, good growth prospects, margin sustainability and increasing shareholder returns.

Hitachi – diverse industrial should continue to reap the benefits from restructuring and a more focused approach. Acquisition of GlobalLogic should prove to be a good long-term strategic move.

Oji Holdings – potential for growth from switch from plastic to paper and cardboard packaging, and for market to appreciate value of carbon negative position from forestry operations.

Bottom 5 Holdings Relative to Benchmark:

Recruit Holdings – trades on a premium valuation relative to peers in a difficult environment for recruitment.

Honda Motor – preference for Toyota (EV strategy and growth prospects) and Subaru (on prospects from collaboration with Toyota, US sales resilience, and possibility of Toyota increasing stake).

Nidec – concern that future strategy is unclear and company forecasts are too optimistic; move away from declining HDD (hard disk drive) motors will continue to squeeze margins.

Daikin Industries – not held due to concerns regarding exposure to declining air-conditioning demand in China and pandemic impact on customer demand. Revisiting this stock as prospects now look better and there is potential strong growth in air source heat pumps as countries set ambitious emissions targets

Fanuc – preference for Keyence in factory automation due to quality of earnings.

Major transactions during the Quarter

Purchases:

Inpex (£1.0m) – increased holding on LNG (Liquefied Natural Gas) prospects as economy recovers and Japan Strategic Energy Plan calls for a ratio of at least 27% LNG until 2030.

Sales:

Aeon Financial Service Co (£5.6m) – exited holding on slow growth and poor profit outlook.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Aristocrat Leisure	0.23	0.12	0.02
Lenovo	0.00	0.05	0.02
Goodman	0.36	0.17	0.02
Samsung Electronics Prefs	0.00	0.32	0.01
Celltrion Healthcare	0.00	0.04	0.01

Aristocrat Leisure (o/w) – outperformance driven by very strong results, taking share in key markets in gaming and using its strong balance sheet position to continue to invest for future growth.

Lenovo (u/w) – strong results driven by PC demand outweighed by weaker expectations and disruption caused by short term component shortage.

Goodman (o/w) – results highlighted the property group’s strong development pipeline, backed up by a strong balance sheet.

Samsung Electronics Prefs (u/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Celltrion Healthcare (u/w) – possible over-enthusiasm for its COVID-19 treatment drug and restructuring uncertainty.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Kakao	0.00	0.23	(0.08)
Samsung Electronics	2.43	1.97	(0.04)
Galaxy Entertainment	0.21	0.10	(0.02)
Wilmar	0.13	0.04	(0.02)
Sands China	0.13	0.06	(0.02)

Kakao (u/w) – positive impact from potential IPOs of two of the Korean internet company's divisions.

Samsung Electronics (o/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to continued chip shortage concerns.

Galaxy Entertainment (o/w) – the on-off opening up of the Macau borders has led to continued uncertainty.

Wilmar (o/w) – despite relatively strong results, the outlook for the agribusiness group was mixed, combined with concerns about input cost impact on margins.

Sands China (o/w) – the on-off opening up of the Macau borders has led to continued uncertainty for the resort developer & operator over this period.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2021

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.46
Hyundai Motor	+0.21
NAVER	+0.20
Techtronic Industries	+0.20
Samsung SDI	+0.19
Samsung Electronics Prefs	-0.32
Kakao	-0.23
UOB	-0.15
Kia	-0.12
Afterpay	-0.12

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – the group has a diversified earnings stream and large shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Hyundai Motor – leading the way with regards to development of electric vehicle (EV) model and an overall beneficiary of the overall recovery in global auto demand.

NAVER – the company has leveraged its dominance in search to expand into e-commerce and other services. The Search engine is the stable margin cash cow which leads to the strong balance sheet and enables Naver to invest in the future growth of the business.

Techtronic Industries – the group's technology-leading focus on cordless power tools market should lead to improving margins and market share, especially as it starts to skew more to the professional market in the US.

Samsung SDI – a market leader in the supply of batteries to the growing EV market; the longer-term trend to transition to electric vehicles is a structural growth story and SDI is well positioned to serve this market.

Bottom 5 Holdings Relative to Benchmark:

Samsung Electronics Prefs – overweight Samsung Electronics overall via the more liquid Ordinary shares.

KaKao – although this Korean internet company has benefited from COVID-19 via its fintech, e-commerce, and entertainment businesses, the Fund has a preference for NAVER.

UOB – preference for other Singaporean banks with stronger capital positions.

Kia – similar exposure as the preferred holding, Hyundai Motor which also owns 34% of Kia.

Afterpay – has grown rapidly in recent years and the lack of a holding represents a significant underweight; further research is being conducted as to whether this would be a suitable holding for the Fund.

Major transactions during the Quarter

Purchases:

SK Innovation (£7.9m) – new holding driven by potential growth in its EV business, resolution of lawsuit with LG Chem, whilst the refining business is benefiting from economic recovery.

Note

1) Source: Northern Trust

Market Background at 30 June 2021

Markets continued to rise following a slow start to 2021 as investors digested the prospect of a more hawkish stance to Fed policy than had been expected. Bond yields stabilised having risen sharply during the first quarter, due to inflationary concerns driven by economic recovery and short-term supply shortages. As a result, *growth* stocks and large caps outperformed *value* stocks and small caps as the recovery trade began to fade.

Overall global equity markets returned 7.3% in the second quarter. Developed markets (7.6%) outperformed emerging markets (4.8%). Returns were higher in the US (8.3%), but Japan lagged and recorded a negative return in the quarter (-0.5%). At a sector level, Technology benefited from the resurgence of investor preference for *growth*, while Real Estate also benefitted as bond yields stabilised. Communications stocks also rose while Energy stocks continued to benefit as oil prices moved higher. Utilities were weak and Industrials, Materials and Financials failed to keep pace with the rest of the market.

Developed countries, led by the USA and UK, made good progress with their vaccine roll-out programmes while vaccine efficacy has to-date proven as good as trials had indicated supporting the belief that, for Western economies at any rate, the economic impact from drastic lockdown measures would be far more muted from this point onwards. The impact on the global economy may linger as developing countries struggle to vaccinate quickly enough to mitigate the impact from subsequent waves, but the aggregate impact on the global economy will not be as marked, allowing the broad recovery to continue. Corporate earnings have begun to recover, as evidenced by recent first quarter earnings, and this has provided some fundamental justification for the strong rebound in markets.

This strong performance may begin to fade though as there are increasing indications that the extensive fiscal and monetary support which has allowed economies to weather the worst of the disruption caused by Covid will be eased in 2022, with tighter monetary policy and the spectre of tax increases being openly discussed in several regions. This, combined with the high debt levels most countries now find themselves encumbered by, may constrain economic growth in the short term, although this may be partly offset by pent-up demand from a consumer with a much-improved balance sheet and corporates playing catch-up on delayed capital expenditures.

The US would seem to now be one of the leaders in the economic recovery with the success of its vaccine programme and ongoing and aggressive fiscal stimulus underpinning its rapid rebound. This rebound has caused tightness in supply chains and parts of the labour markets which are flashing warning signs on inflation. This has resulted in the Fed acknowledging that interest rate rises may occur earlier than previously communicated, although the official view remains that this spike in inflation will be transitory. Rising commodity prices, stretched supply chains and fractured global trading relations all indicate supply side pressures building as demand is rebounding from depressed levels - and there are multiple reports of labour market tightness, particularly in the US. With central banks reluctant to withdraw stimulus too soon and appearing comfortable with higher short-term inflation, the priority remains getting economies back on their feet. Therefore, there is a danger that inflation takes hold, which will continue to test the nerves of bond investors for some time.

The enormous short-term fiscal stimulus in the US is being accompanied by the Democrats' longer-term infrastructure plans and green initiatives, both of which imply sustained high spending levels. These will provide lasting impetus but are likely to necessitate an increased tax burden, particularly for companies and the wealthy, which will have implications for earnings and equity markets. The recent international agreement on a minimum corporate tax rate is indicative of the direction of travel. Together with tighter monetary conditions, this could impact the liquidity that has buoyed markets for many years now and is something that investors will need to monitor closely in the short term.

Investors are having to contend with the fact that the new US administration is rebuilding its relationships with allies in order to adopt a more unified approach to dealing with strategic rivals. This suggests that political tensions will remain high as the US and China face off, and

Note
1) Source: Border to Coast

Market Background at 30 June 2021

Russia continues to disrupt from the sidelines. It is encouraging that the US and its allies are finding common ground to rebuild relationships, which have under-pinned an established order largely benefitting investors over several decades. However, the stance in dealing with China is another indicator that we may be entering a period when commercial interests may be subjugated to other concerns, in a reversal of the pattern which has dominated recent history.

Valuations of equity markets are above their long-term average and investor sentiment remains positive, but recent results have certainly gone some way towards justifying that optimism, even if further progress would seem to remain heavily dependent upon continued strong economic growth. The stronger relative performance of large cap stocks and growth companies may only be a temporary situation if the economy does continue to go from strength to strength, but a pause was certainly due given the strength of the relative move in *value* and small caps over preceding months. This rotation has come despite increasing signs that governments seem to be coalescing around the view that the power of large technology companies is something that has to be constrained, and their ability to arrange their affairs in such a way as to pay very little in taxes needs to be addressed. Other multi-national companies will similarly be impacted by any moves to rectify this tax issue, but it is the dominant technology companies such as Amazon, Apple and Google who have drawn attention to this issue alongside that of the political perception that their power needs to be reined in – both from a competitive perspective but also a societal one. It is one issue where China appears similarly aligned with the West given the moves it has taken to bring its tech titans to heel, even if the motivation may be different. There are no signs of this going away, indeed the political will to address it seems only to be growing, so continued strength in large cap tech stocks is not something that can be relied upon. In a similar vein, the benefits from a resurgent global economy may not feed through to all companies evenly if governments reach a unified stance on enforcing a minimum tax rate.

Last quarter we touched upon the shift occurring in the established market order as retail investors in the US have become increasingly active and increasingly influential in determining the moves of individual stocks and potentially the broader market as a whole. This has continued to be evident during the second quarter even if institutional players have become a little more cautious as to how they approach situations where this retail effect is dominant. It is likely to remain a phenomenon and could ultimately see a levelling of the playing field whereby companies that might otherwise have expired under the old order are given the opportunity to reinvent themselves, almost irrespective of the investment merits of the original business. In many ways this shares the same characteristics as the venture funded/investment bank backed unicorn models which have seen loss-making businesses sustained for far longer than they might have been without that support. Perhaps this will in some way contribute to sustaining the *value* trade.

We also touched upon the implosion of Archegos and how that, along with the Greensill collapse, illustrated the increasing difficulty banks and regulators are having in keeping track of leverage in the system and getting a full picture on where it is concentrated. First quarter results have revealed that the damage from Archegos was severe even outside of Credit Suisse and Nomura. Others whose silence implied they had escaped substantial damage revealed associated losses in their quarterly results that might normally have warranted an exceptional disclosure. Despite clean bills of health during stress tests, it seems evident that, certainly amongst the leading global banks, there remains the potential for (both known and unknown) unknowns to trigger events which have the potential to impact many of the “too big to fail” in concurrent fashion, representing a key vulnerability in the financial markets.

Note
1) Source: Border to Coast

Border to Coast News

People:

- We are pleased to welcome Lloyd Thomas and Ahmed Ali to our External Management team. Lloyd is an experienced portfolio manager with more than 12 years' experience, previously working on the multi-asset strategy at Insight Investment. Ahmed joins us as an Assistant Portfolio Manager, having started his career as a risk analyst at Centrica, and moved to Aon as an investment consultant.
- We also welcome Gavin Butt, joining us as a Research Manager. Gavin previously worked at RBC Capital Markets in equity research, and prior to this he qualified as a chartered accountant at EY.
- Kieron Crossley joins us as an Assistant Portfolio Manager supporting the Alternatives team. Kieron previously worked in investment consulting, working with UK-based defined benefit pension schemes.
- We are delighted to announce that Peri Thomas will be staying with us as our Head of HR. Peri initially decided to leave Border to Coast given her recent relocation to Manchester. However, as we evolve our ways of working, Peri has reconsidered her situation. Peri was one of the first to join Border to Coast and has been at the heart of building our business.

Investment Funds:

- During Q2 we completed the restructuring of our Emerging Market Equity Fund, reflecting the increasing importance of China within emerging markets. The Fund will now be managed as two sleeves – one focused on China (managed by two specialist external managers, UBS and FountainCap), the other for the remaining markets - managed internally.
- Following strong performance, new inflows and changes to the UK index, we have been considering the optimal construction of our UK Listed Equity Alpha Fund. This may, subject to a cost-benefit analysis, result in the addition of a further manager to the line-up. The Fund was launched in December 2018 to give Partner Funds exposure to UK equities through three complementary investment strategies. A video created to explain the Fund's philosophy and approach to the market can be viewed at www.bordertocoast.org.uk.
- We have received confirmed commitments of £2.7bn for our next Private Market series (series 1C) from across ten of our Partner Funds. This represents a significant increase in commitments relative to the first two series and brings Border to Coast's Private Market programme to £5.7 billion. This highlights the importance of Private Markets in our Partner Funds' investment strategies and the confidence of our Partner Funds in Border to Coast to deliver the right investment opportunities.

Responsible Investment:

- The standalone Climate Change Policy is progressing through our governance process and is being shared at the Joint Committee for feedback. The aim is for Board approval of the Policy in September.
- We provided a response to the DWP's consultation on the consideration of social risks and opportunities in investment decisions.
- Our Head of Responsible Investment, Jane Firth, appeared in an AssetTV masterclass on Sustainable Investing in Equities, discussing sustainable investing issues ranging from whether there is a threat of a bubble in "sustainable funds", to how regulation is impacting asset managers.
- As supporters of the Task Force on Climate-related Financial Disclosures (TCFD) we will be publishing our second TCFD report aligned with the recommendations. This covers the approach to climate change across Governance, Strategy, Risk Management, and Metrics and Targets and demonstrates the improvements and developments made in these areas.

Other news:

- Our CEO, Rachel Elwell, joined The Economist's Sustainability Insight Hour Panel to discuss how climate science is being taken into account in investment decision-making. You can read more about our approach to Responsible Investment in our latest quarterly stewardship report on our website.

Disclosures

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).
Registered in England (Registration number 10795539) at the office 5th Floor, Toronto Square, Leeds, LS1 2HJ

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