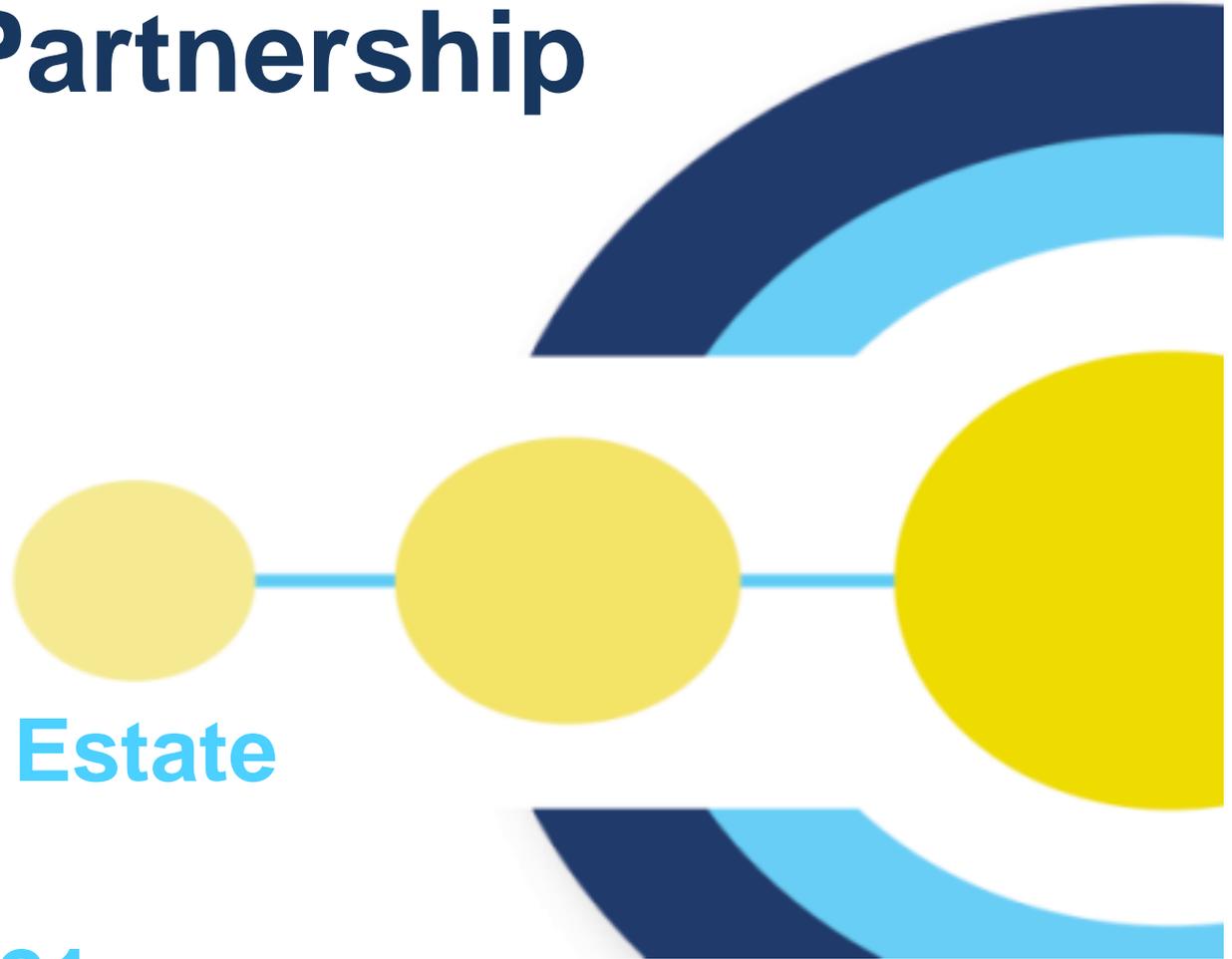


Border to Coast Pensions Partnership

Teesside Real Estate
Update

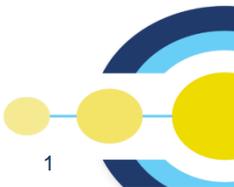
8th October 2021



Introduction

Agenda

- Update on UK proposition
- Update on Global proposition
- Business case for Teesside
- Timeline
- Conclusion



UK Proposition

Main UK Fund

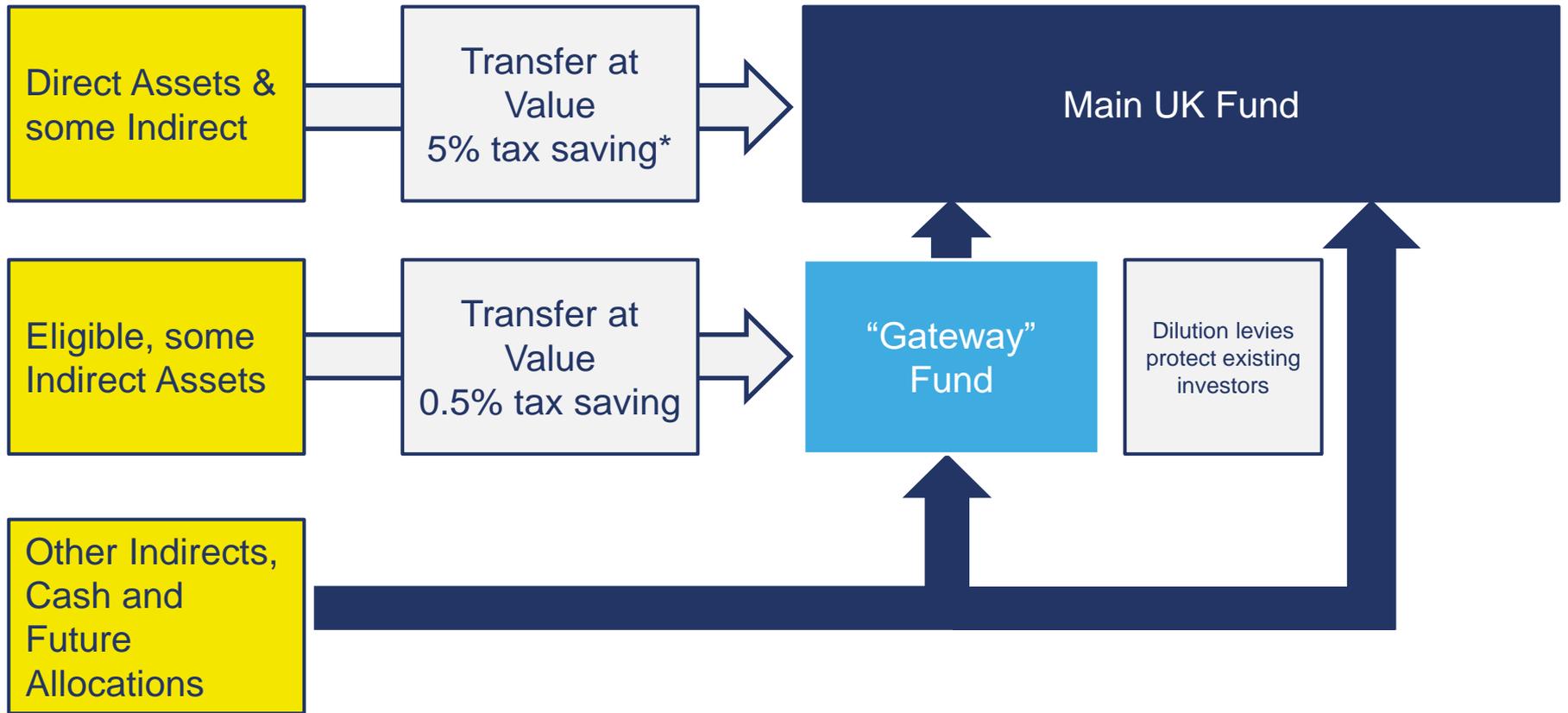
- Mostly physical real estate investments
- Minimal operating cash
- Long-term investment approach
- Targeting CPI +4% over the long term
- Regulated, unitised structure
- Sub fund within CoACS structure

Gateway Fund

- Transition vehicle
- Fund of funds investing in balanced UK funds + passive REITs for liquidity
- Designed to reflect UK market
- Targeting MSCI Quarterly Universe
- Sub fund alongside Main Fund

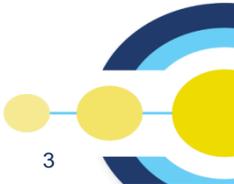
Two funds: one long-term solution, one transition vehicle

Transition of Assets



Fair queuing system needs agreement

* Tax position of Scottish and Welsh Assets TBC



Global Proposition

Two funds: one lower risk, one higher

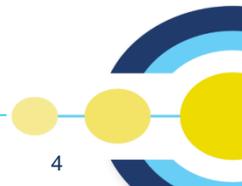
Lower Risk Fund

- Investing in established, 'open-ended' funds
- Global universe: predominantly N America, Asia and Europe (UK not excl.)
- Seeking the best, lower risk strategies
- Targeting returns of 6% net of costs
- More liquidity dictated by underlying funds

Higher Risk Fund

- Investing in 'closed-ended' funds and potentially co-investing directly
- Global universe: predominantly N America, Asia and Europe (UK not excl.)
- Seeking the best value add and opportunistic strategies
- Targeting returns of 10%, net of costs
- Less liquidity due to the underlying funds

Partner Funds may choose to allocate to either fund or both, in whichever proportions suit their strategic asset allocation and objectives



New Proposal: What do you get from Dual Strategy?

Access

- Scale gives access to larger funds
- Scale brings access to co-investment opportunities
- No change to previous single fund strategy

Expertise

- Global Fund Consultant (costs shared)
- Border to Coast capability
- No change to previous single fund strategy

Cost effective

- Shared costs
- Greater potential for fee savings
- Fee savings from co-investment opportunities
- Higher operating cost (marginal) - BUT

Flexibility

- Partner Funds can set their own risk, return and liquidity profiles

Management Costs

UK Fund Full participation	Base long-term cost 0.11%	Ext manager (15yr av.) 0.07%	Max. cost indirects 0.10%
UK Fund No direct assets	Base long-term cost 0.18%	External Manager N/A	Max. cost indirects 0.10%
Global Fund	Base long-term cost 0.11%		

Set up costs per Partner Fund	Phase 1 £75k	Phases 2 & 3 £500k
-------------------------------	-----------------	-----------------------

Directly invested Partner Funds:

- Lower transition costs but smaller savings
- Quicker payback, smaller long-term savings

Indirectly invested Partner Funds:

- Higher transition costs but bigger savings
- Slower payback, bigger long-term savings



Teesside: Holding Assumptions

Fund Size	£4.08bn	UK	Allocation: 10% Target: £408m Actual: £295m Difference: -£113m	Global	Allocation: 0% Target: £0m Actual: £23m Difference: +£23m
Holdings expected to transition to the UK Main Fund		Holdings expected to transition to the UK Gateway Fund		UK Holdings not expected to transition	
1. Teesside Direct Property Portfolio		1. Hermes PUT 2. Royal London Property Fund 3. Threadneedle PUT		1. LAMIT Local Auth. Property Fund 2. LGIM UK PUT	

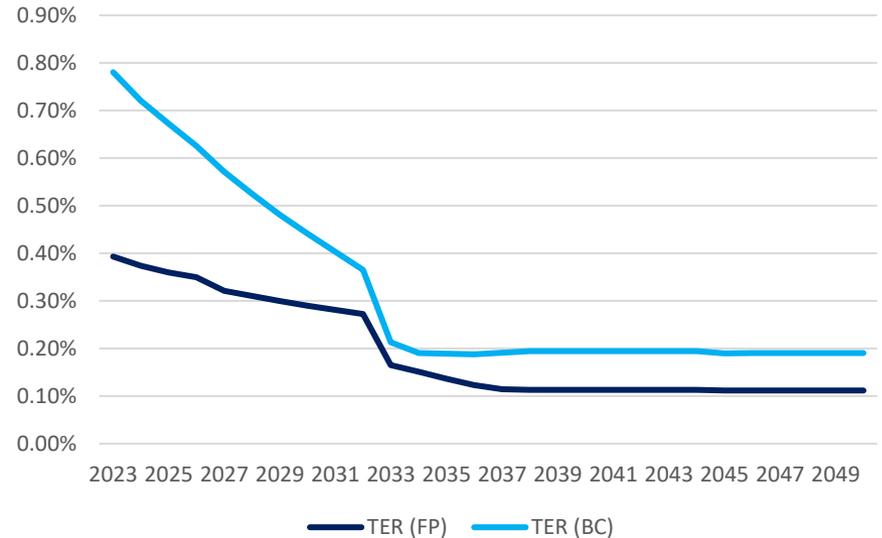
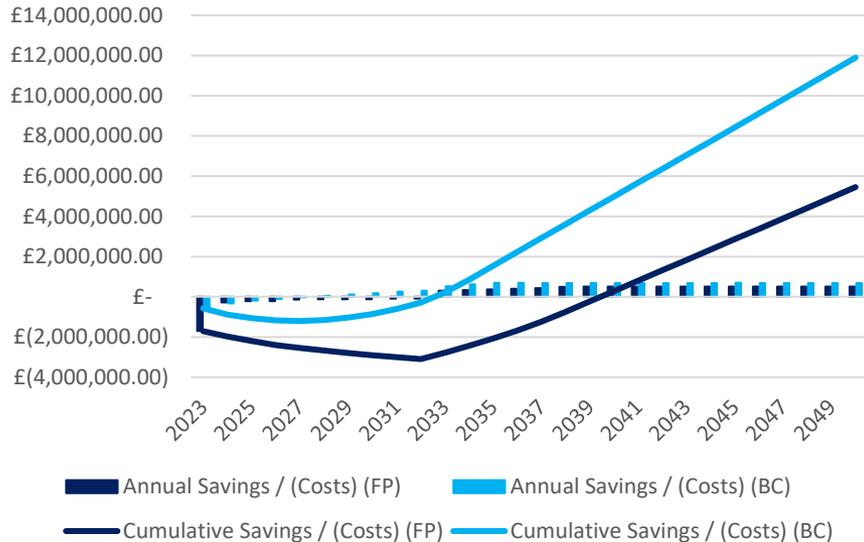
Other key assumptions here:

- Teesside participate and transfer all their direct property holdings into the new UK Main Fund and invest their underweight cash
- The Funds identified for the UK Gateway Fund are eligible and pass due diligence checks



Teesside: Economic Business Case

Teesside PF J Curve & TER chart below



Key factors:

- Current direct investments are cost efficient
- Large underweight position takes time to transition through UK Gateway Fund

Major cost items:

- £1.2m cost of property DD (26 x £45k)
- £1.7m net cost of subscription to the Main Fund
- £420k project cost (£80k allocated to Global Fund)
- Peak annual saving of £510k (FP) and £680k (BC) after transition

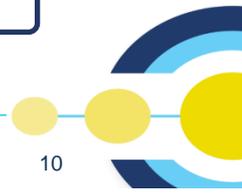
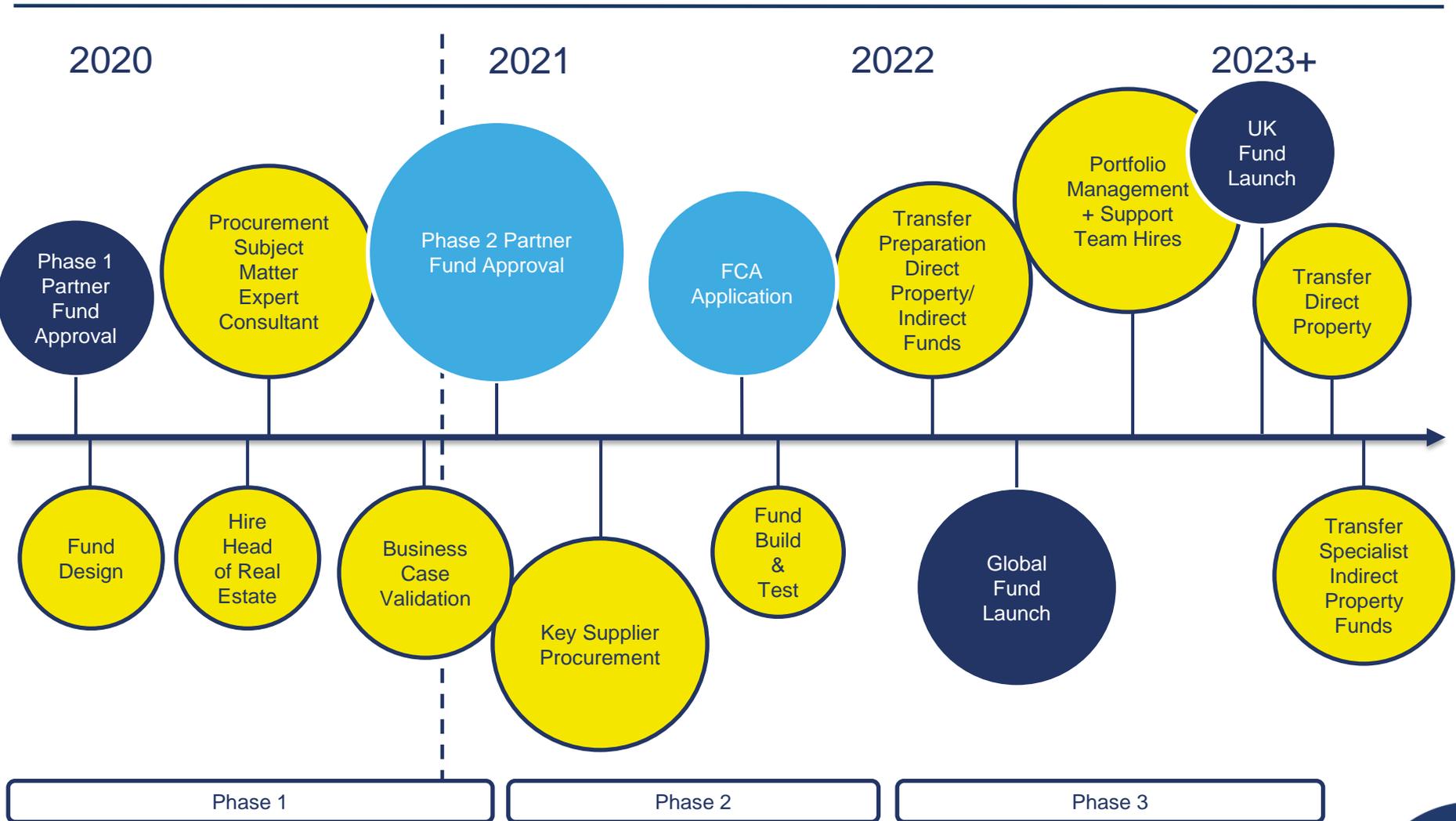
Additional benefits of pooling

Beyond the economic benefits of pooling...

- Access to larger, more dominant assets with durable income characteristics
- Access to Global Real Estate markets
- Investment strategy appropriate for long-term investing
- ESG factors imbedded into investment strategy
- Flexible, unitised structure
- Dedicated, professional investment management team



High-Level Timeline



Conclusion

Ambition to create an institutional quality, low-cost Real Estate capability for our Partner Funds and launch UK and Global Funds

- Phase one complete. Viability for both UK and Global propositions tested and independently validated
- ‘Soft’ benefits not quantified
 - Full market access to dominant, durable assets
 - Strategic alignment
 - Institutional investment management
- Business case supports pooling of all assets

Important Information

The material in this presentation has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is current as at the date of this presentation. This information is given in summary form and does not purport to be complete. The source of all information is Border to Coast unless otherwise stated.

Information in this presentation, including any forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

Investments in the Alternative products are held within an unregulated collective investment scheme which is not authorised or regulated by the FCA. There are significant risks associated with investment in Alternative products and services provided by Border to Coast. Fluctuations in exchange rates may have a positive or an adverse effect on the value of foreign-currency denominated financial instruments. Certain investments, in particular alternative funds, distressed debt and emerging markets, involve an above-average degree of risk and should be seen as long-term in nature. Derivative instruments involve a high degree of risk. Different types of funds or investments present different degrees of risk.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Border to Coast’s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. Border to Coast does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of any forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Border to Coast’s control. Past performance is not a reliable indication of future performance. The information in this presentation is provided “as is” and “as available” and is used at the recipient’s own risk. To the fullest extent available by law, Border to Coast accepts no liability (including tort, strict liability or otherwise) for any loss or damage arising from any use of, or reliance on, any information provided in this presentation howsoever caused.

This presentation is for the recipient only and may not be distributed to any other person without express consent from Border to Coast Pensions Partnership Ltd. Authorised and Regulated by Financial Conduct Authority (FRN 800511)

