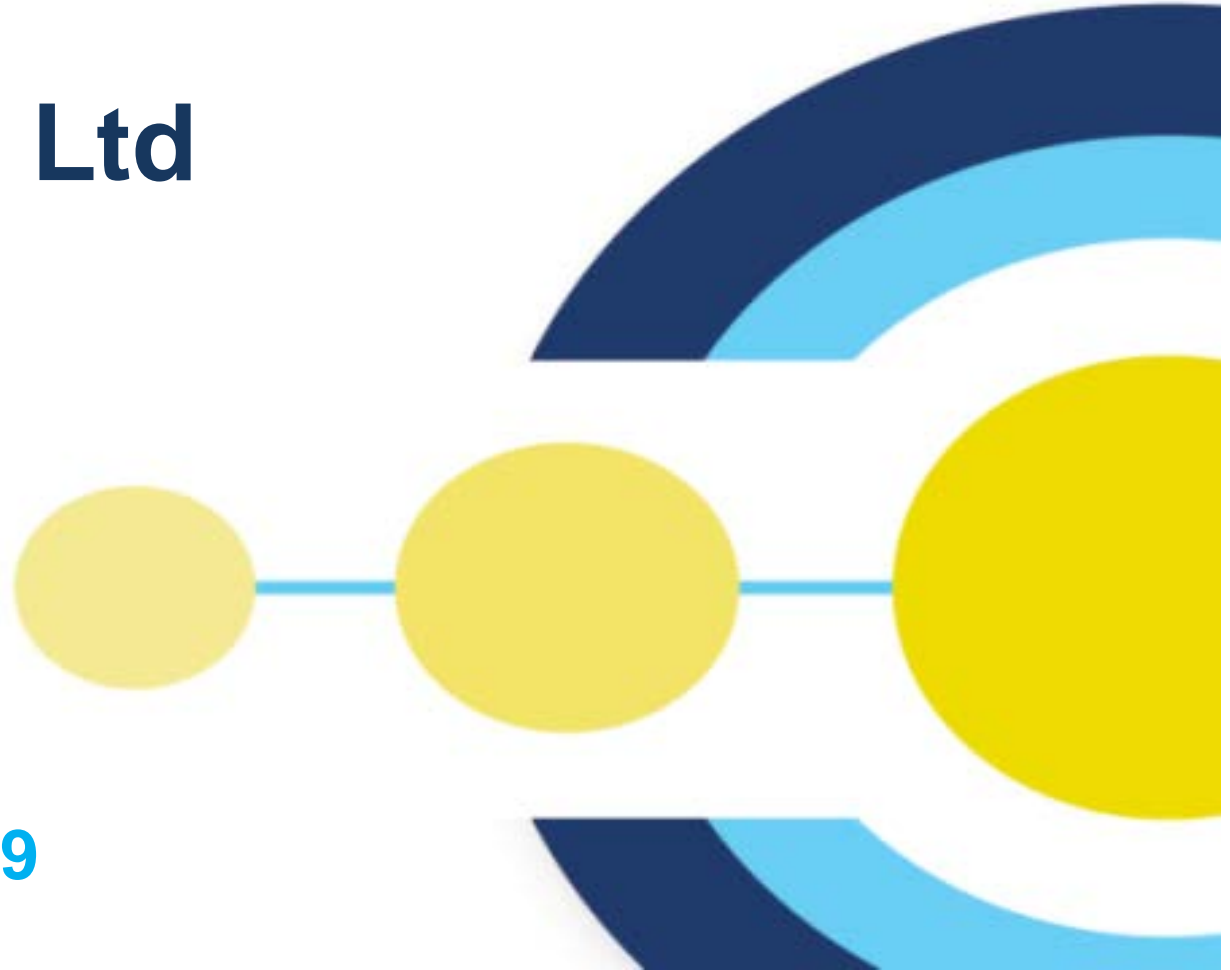




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South Yorkshire
Pension Fund

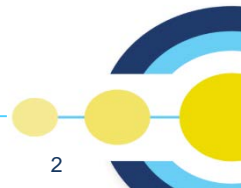
12 September 2019





Agenda

- **Border to Coast - Progress Update** 3
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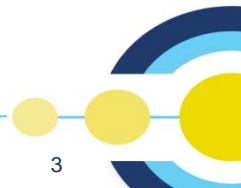


Equity Funds launched to date

Border to Coast – FCA Regulated ACS Structure

UK Listed Equity Fund	Overseas Developed Markets Equity Fund	Emerging Markets Equity Fund	UK Listed Equity Alpha Fund
Approx. size: £4.5bn Launch: Jul 2018	Approx. size: £3.0bn Launch: Jul 2018	Approx. size: £0.7bn Launch: Oct 2018	Approx. size: £1.3bn Launch: Dec 2018
BM: FTSE All Share Target¹: BM +1% p.a.	BM: Regional Comp Target¹: BM +1% p.a.	BM: S&P Emerging Target¹: BM +1% p.a.	BM: FTSE All Share Target¹: BM +2% p.a.

¹ Measured over three year rolling periods net of costs.



Capability Launch - Timetable

	Launched in 2018	Scheduled for 2019	2020 onwards
Equities	<ul style="list-style-type: none"> UK Listed Equity Overseas Developed Emerging Markets 	<ul style="list-style-type: none"> Global Equity Alpha Emerging Markets PE, Infra, Private Credit IG Credit 	<ul style="list-style-type: none"> Factor Equities Other Equities (tbc)
	<ul style="list-style-type: none"> UK Listed Equity Alpha 		<ul style="list-style-type: none"> Diversified Alts
Alternatives			<ul style="list-style-type: none"> MAC, Index Linked Bonds
Bonds			<ul style="list-style-type: none"> TBC
Multi-asset			<ul style="list-style-type: none"> TBC (UK, Global)
Property			

Border to Coast Pensions Partnership Ltd

Investment Grade Credit



Sterling Investment Grade Credit

Starting AUM:	£2-3bn
Strategies:	2-3
Benchmark:	iBoxx GBP Non-Gilts Index
Performance Target:	+60bps pa rolling 5 years (net)



What Are We Looking For?

- 2-3 complementary investment grade credit managers.
- Low turnover, long-term approaches - conservative risk management.
- Focus on value-add from credit selection.
- Limits on non-IG and non-GBP issues.
- Do not wish to be constrained by the index:
 - Credit indices are sub-optimally constructed
 - Will consider traditional active or buy and maintain styles
 - Looking for strategies aligned to long-term performance objectives
 - Likely to set wide or absolute investment guidelines



Indicative Timeline

Date	Action	Notes
Q2 2019	RFP launched	RFP launched in June 2019
Q3 2019	RFP responses	Responses to RFP within 3 weeks of launch
Q3 2019	Pass/Fail	Responses screened on pass/fail criteria
Q3 2019	Scoring	Scoring by Border to Coast
Q3 2019	Complementarity	Top 4-6 managers tested
Q3 2019	Manager Interviews	Clarification of RFP responses
Q3/4 2019	Appointments	Manager of Appointments
Q4 2019	Regulatory Approval	Approval from the regulator
Q4 2019	Transition Preparation	Pre-transition work carried out
Q1 2020	Transition	Transition of assets
Q1 2020	Fund launch	Fund launch date

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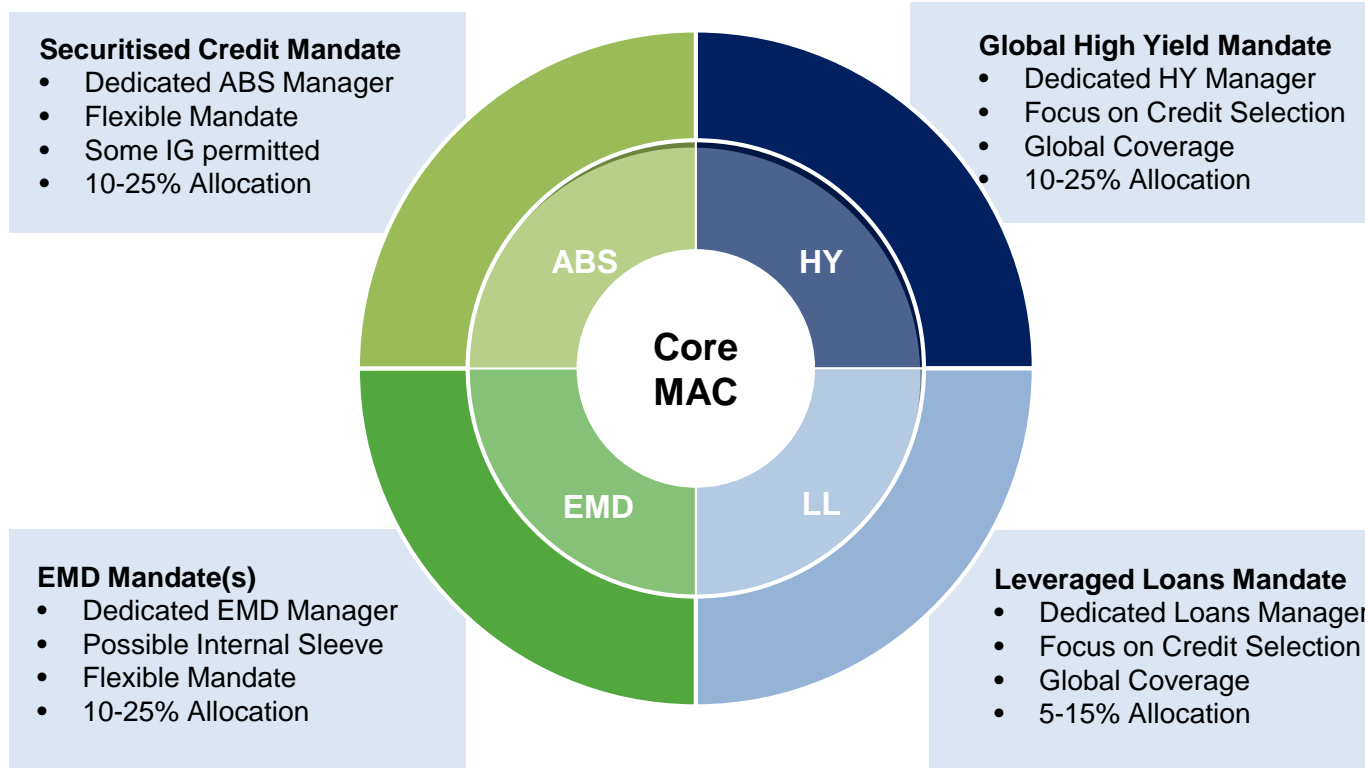
Multi-Asset Credit



Our Approach to Multi-Asset Credit (MAC)

- Broad exposure to a diversified array of credit risks
- Focus on sub-investment grade or structured credit
- Two key return drivers:
 1. Security selection
 2. Asset allocation
- Transparent and cost-effective implementation
- Allocations to high yield, emerging market debt (EMD), leveraged loans and asset-back securities (ABS).

Multi-Asset Credit - Sub-Fund Structure



Multi-Asset Credit - Return Drivers

Security Selection

- Most persistent source of excess return in credit markets.
- Individual allocations to complementary asset class specialists maximises potential for positive security selection.
- Allows greater depth in specific market niches than appointing a single Multi-Asset Credit manager.

Asset Allocation

- Two areas of asset allocation – dynamic and strategic views.
- Core MAC manager provides shorter-term asset allocation views within its portfolio. Specialists also provide bottom-up tilts.
- Partnership with MAC manager on asset allocation between specialist buckets via joint investment committee.

Multi-Asset Credit - Sub-Fund Specification

Starting AUM:	£2-3bn
Strategies:	5-6 (1 core plus specialists)
Primary Benchmark:	SONIA (cash)
Performance Target:	Benchmark +3% to 4% pa (net) over rolling 5 year periods
Comparator:	Blended asset class benchmark

Multi-Asset Credit Fund - Indicative Timetable

Q3 2019	Core RFP launched	RFP launched in Q3 2019
Q4 2019	Core Scoring	Scoring by selection adviser and Border to Coast
Q4 2019	Core Manager Interviews	Clarification of RFP responses
Q4 2019	Appointments	Core MAC Manager appointed
Q4 2019	Investment Strategy	Border to Coast and Core Manager finalise fund strategy
Q1 2020	Specialist RFP launched	Specialist RFP released in Q1 2020
Q1 2020	Specialist Scoring	Scoring by selection adviser and Border to Coast
Q1 2020	Specialist Manager Interviews	Clarification of RFP responses
Q1/2 2020	Appointments	Specialist Managers appointed
Q2 2020	Transition	Transition targeting Q2 2020
Q2 2020	Fund launch	Tentative Fund Launch Date late Q2 2020

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Private Credit

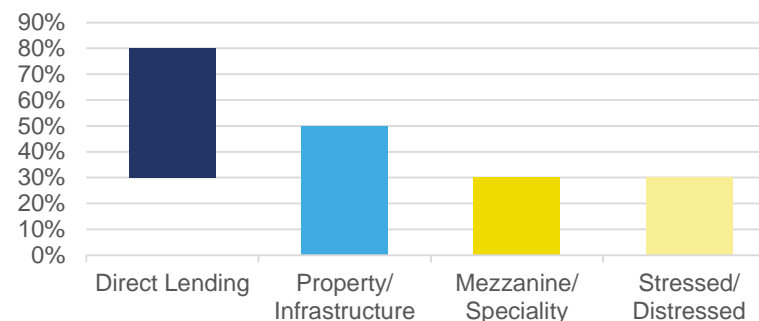


Investments are held within an unregulated collective investment scheme which is not regulated by the Financial Conduct Authority

Private Credit: Asset Allocation

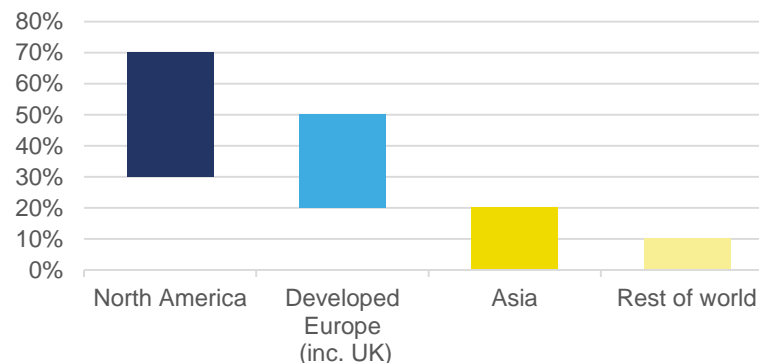
Strategy	Proposed range ¹
Direct Lending	30 – 80%
Property/Infrastructure	0 – 50%
Mezzanine/Speciality	0 – 30%
Stressed/Distressed	0 – 30%

Proposed strategy ranges



Geography	Proposed range ¹
North America	30 – 70%
Developed Europe (inc. UK)	20 – 50%
Asia	0 – 20%
Rest of world	0 – 10%

Proposed geographical ranges



Benchmark	6% p.a. (net)
------------------	----------------------

¹ Based on total commitments over a Series

Private Credit: Areas of Focus

FOCUS ON SENIOR DEBT

Defensive approach at this point in the credit cycle with a focus on quality credits.

MANAGER TRACK RECORD

Managers with experience of investing through the cycle, and sufficient resources with a robust process for dealing with problem credits including workout experience.

STRESSED/DISTRESSED

Potential for attractive opportunities given position in economic cycle, extended leverage levels, and current “innovative” structuring.

FOCUS ON REAL ASSETS

Focus on quality collateral from real assets with a current preference for infrastructure over real estate.

Note: These are areas of focus and will form part of a suitably diversified portfolio

Border to Coast Pensions Partnership Ltd

Climate Change
Working Party



Climate Change Working Party

- Objectives

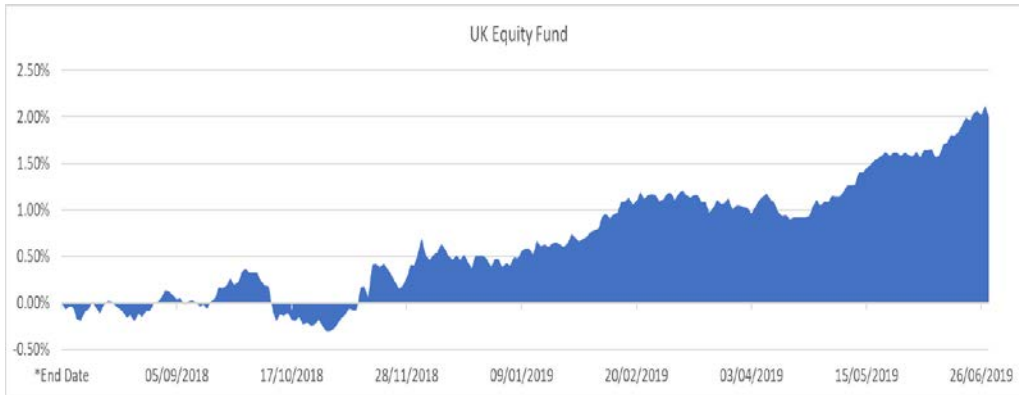
- To improve working party and wider pool understanding of climate change
 - Risks and opportunities, possible management actions
- Identify what we can change to improve investment outcomes. What does “good” look like in the following key areas:
 - Engagement or divestment / exclusion
 - Risk analysis and integration into investment process
 - Collaboration and influencing policy
 - Communication and education
- Develop a clear strategy on climate change, including what we will and won't do, with metrics to measure success
- Develop a plan to help Pensions Committees consider and manage climate change as part of strategic asset allocation decision-making

Border to Coast Pensions Partnership Ltd

Equities
- Performance Update

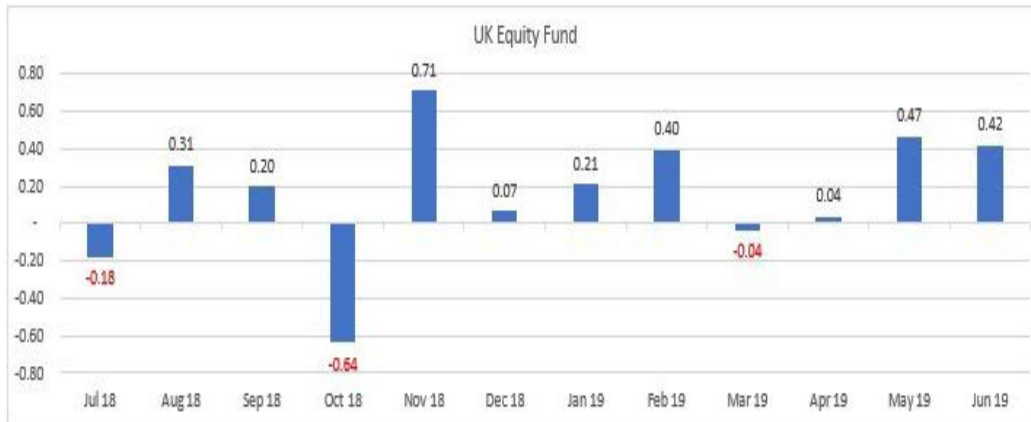


UK Listed Equity Fund – Performance

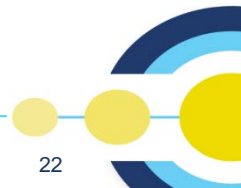


	QTD	YTD	ITD
Fund	4.21%	14.67%	2.36%
Benchmark	3.26%	12.97%	0.36%
Relative	0.95%	1.70%	2.00%

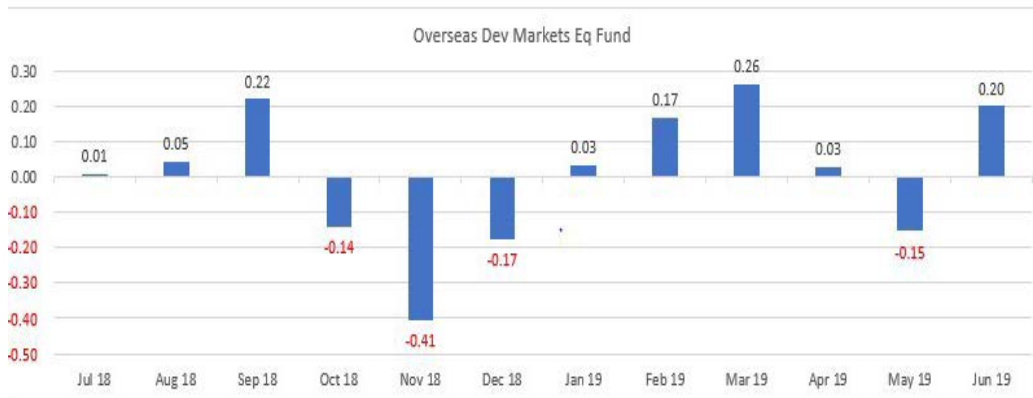
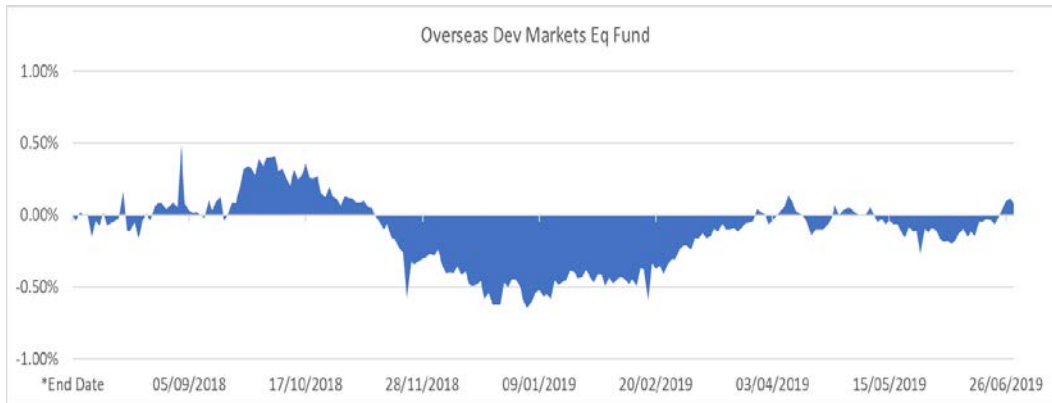
As at 30 June 2019
 Inception date: 2 July 2018
 Benchmark: FTSE All Share



Past performance is not a reliable indicator of future performance and is not guaranteed.
 Source: Northern Trust, Border to Coast



Overseas Developed Equity – Performance

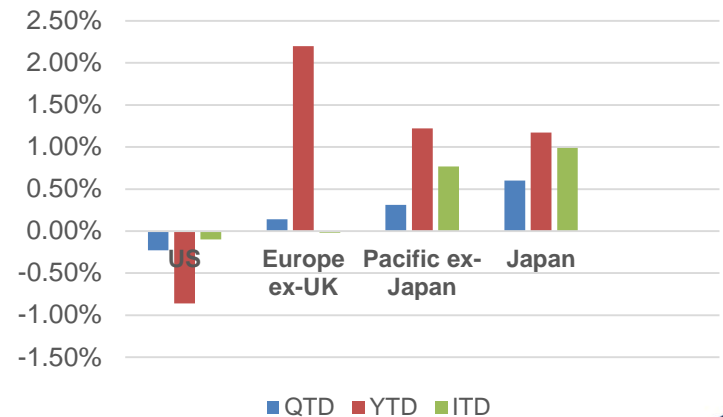


	QTD	YTD	ITD
Fund	6.92%	16.89%	5.93%
Benchmark	6.82%	16.27%	5.85%
Relative	0.09%	0.62%	0.09%

As at 30 June 2019

Inception date: 9 July 2018

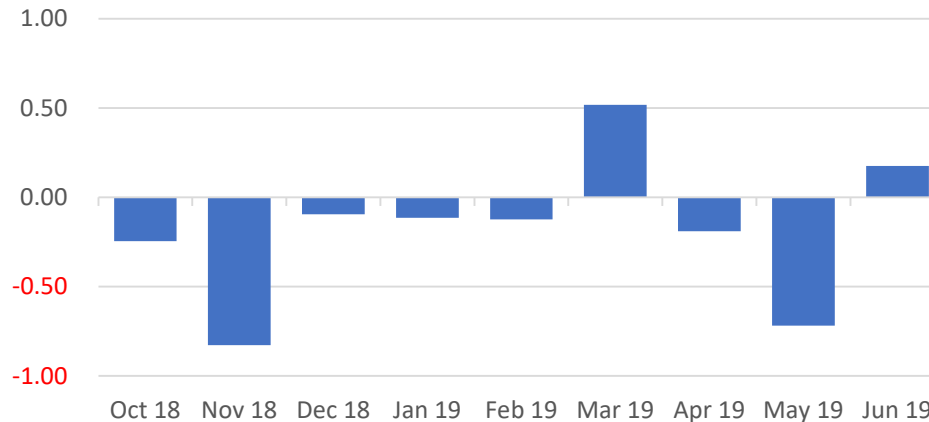
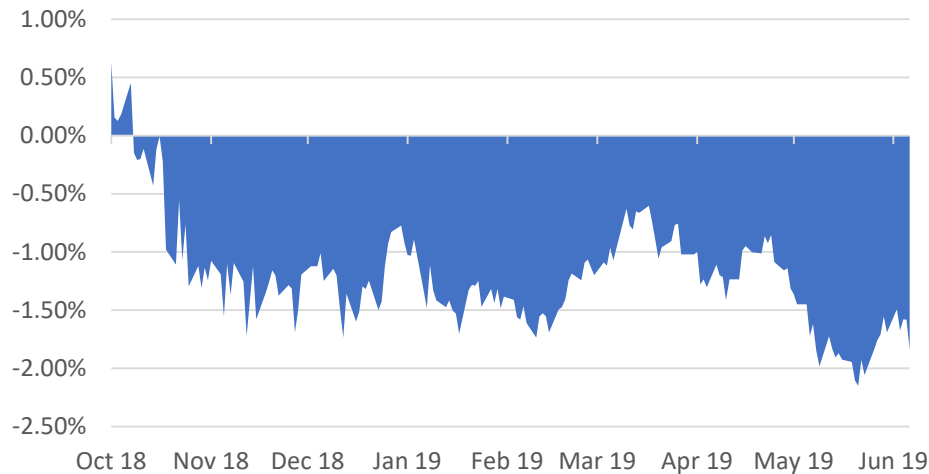
Benchmark: S&P 500 (40%), FTSE Developed Europe ex-UK (30%), FTSE Developed Pacific ex-Japan (20%), FTSE Japan (10%)



Past performance is not a reliable indicator of future performance and is not guaranteed.

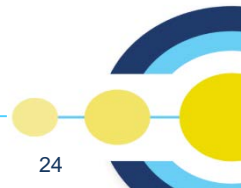
Source: Northern Trust, Border to Coast

Emerging Markets – Performance



	QTD	YTD	ITD
Fund	3.06%	11.57%	11.98%
Benchmark	3.87%	12.13%	13.85%
Relative	(0.81%)	(0.57%)	(1.87%)

As at 30 June 2019
 Inception date: 22 October 2018
 Benchmark: S&P Emerging BMI

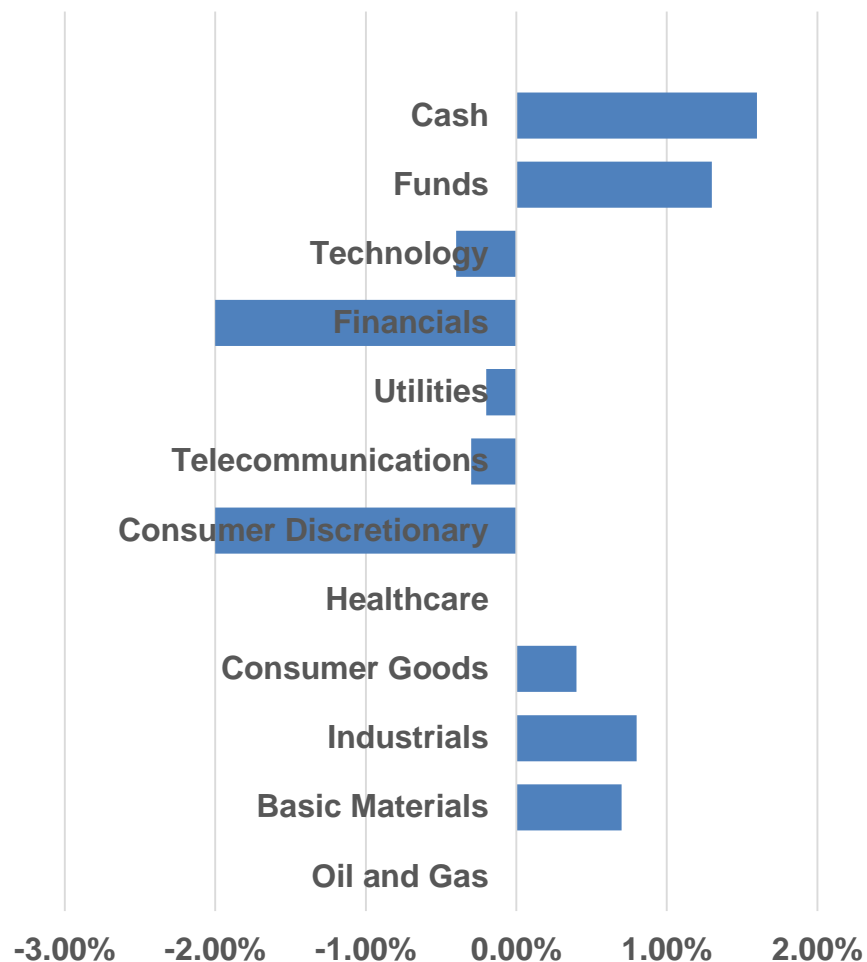


Border to Coast Pensions Partnership Ltd

Appendix - Performance Update



UK Listed Equity Fund – Portfolio Positioning



Top 5	Relative weight
Antofagasta	+0.98%
Intercontinental Hotels Group	+0.96%
Prudential	+0.82%
BHP Billiton	+0.79%
Impax Environmental Markets	+0.74%

Bottom 5	Relative weight
Glencore	-1.32%
BP	-0.79%
British American Tobacco	-0.51%
3i Group	-0.46%
Royal Bank of Scotland	-0.43%

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

UK Listed Equity Fund

– Quarterly Performance Contributors

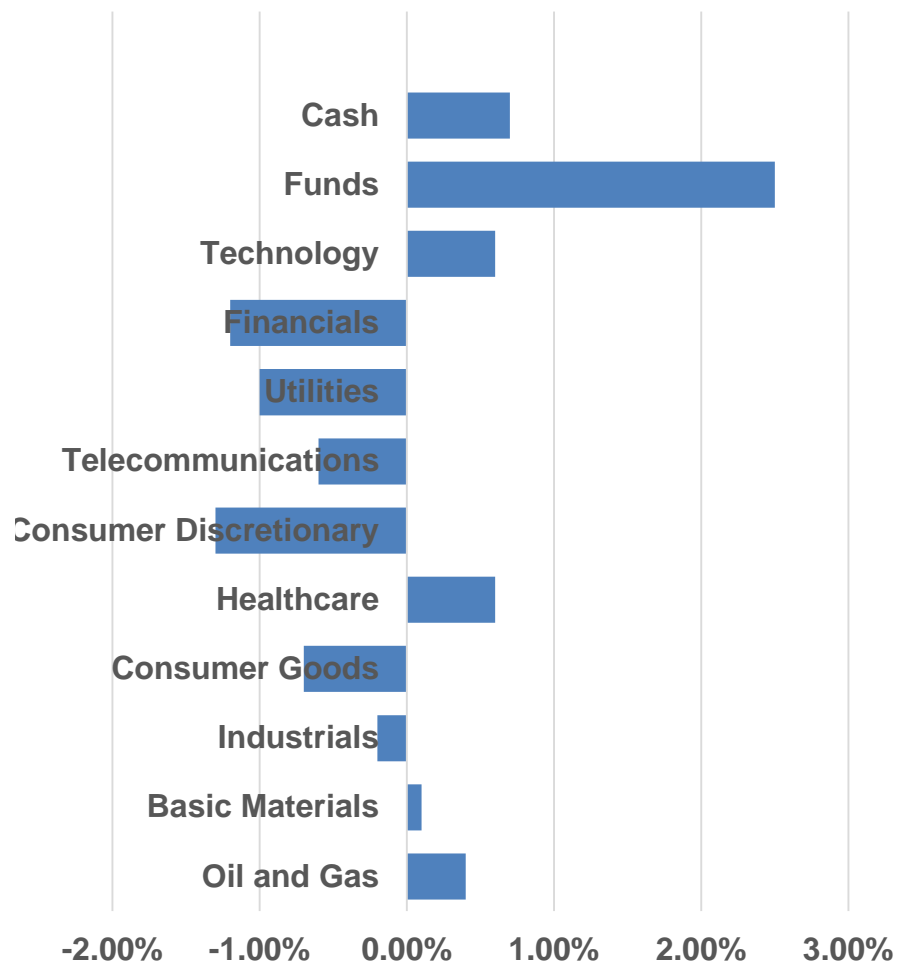
Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
Glencore (u/w)	0.00	1.32	0.23	Impact of mine wall collapse in DR Congo
British American Tobacco (u/w)	2.21	2.72	0.09	Proposed ban on new smoking products in San Fran
Intercontinental Hotels (o/w)	1.37	0.41	0.08	Performance measure beat analyst expectations
Royal Bank of Scotland (u/w)	0.00	0.43	0.07	UK banks suffered – concerns over margins
Prudential (o/w)	2.75	1.93	0.06	Reduced concerns on outlook for Asian business
3I Group plc (u/w)	0.00	0.46	-0.05	Benefitted from its holding in Action
South32 (o/w)	0.26	0.00	-0.05	Fall in commodity prices and higher production costs
Standard Life Aberdeen (u/w)	0.00	0.31	-0.04	Relatively positive trading update
IP Group (o/w)	0.24	0.03	-0.04	Impacted by Woodford liquidation (2 nd largest holder)
Intermediate Capital Group (u/w)	0.00	0.17	-0.04	Full year results beat expectations

- Sector allocation had little overall impact - underweighting struggling Telecommunications had the largest impact.
- Positive Impact of stock selection within Consumer Discretionary – overweight Intercontinental Hotels and zero holdings in Ocado and M&S.
- Stock selection within Financials contributed positively. Negative impact to underweighting this sector, however.
- Underweighting British American Tobacco and Imperial Brands within Consumer Goods contributed positively.

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

Overseas Developed Equity – Portfolio Positioning



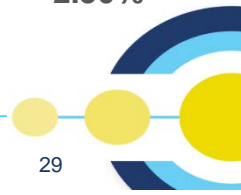
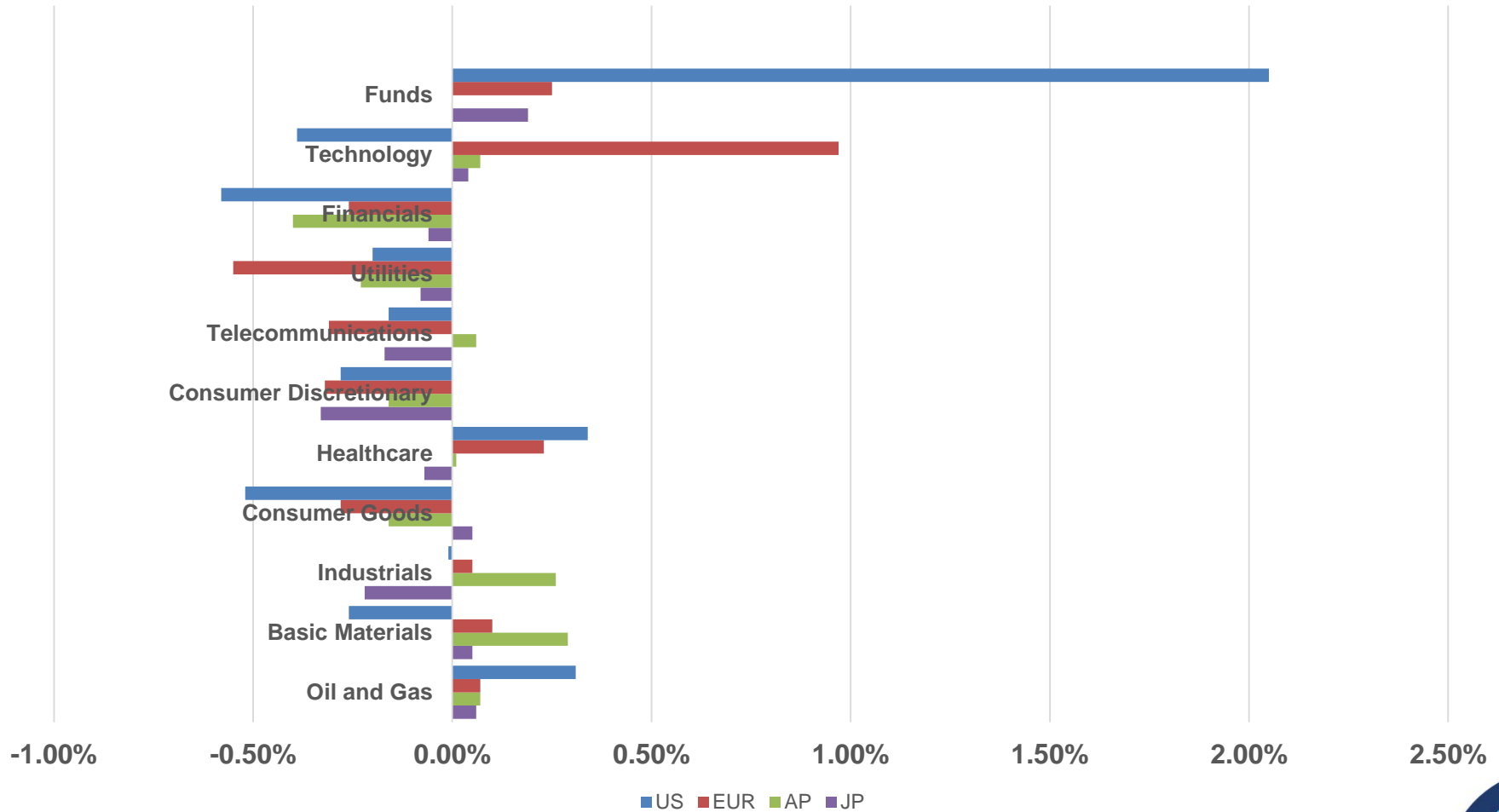
Top 5	Relative weight
Vanguard US Mid Cap ETF	+2.04%
Airbus	+0.58%
Alphabet A	+0.48%
JP Morgan European Smaller	+0.39%
Visa	+0.37%

Bottom 5	Relative weight
Alphabet C	-0.54%
Mastercard	-0.39%
Comcast	-0.31%
PepsiCo	-0.30%
Walmart Inc	-0.25%

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

Overseas Developed Equity – Portfolio Positioning



Overseas Developed Equity

– Quarterly Performance Contributors

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)	Commentary
Alphabet C (u/w)	0.00	0.54	0.07	Slow-down in advertising revenue, poorly explained
Walt Disney (o/w)	0.68	0.40	0.05	New TV platform convinced investors
Anadarko Petroleum (o/w)	0.18	0.06	0.04	Subject to two-way takeover battle
SAP (o/w)	0.90	0.60	0.03	Good results and new activist investor
Philip Morris Intl (u/w)	0.00	0.20	0.03	Regulatory uncertainty & weak tobacco trends
Alphabet A (o/w)	1.01	0.53	-0.07	Slow-down in advertising revenue, poorly explained
Umicore (o/w)	0.12	0.03	-0.04	Slowing demand for electric vehicles
Altria Group (o/w)	0.29	0.15	-0.04	Regulatory uncertainty & weak tobacco trends
Ubisoft Entertainment (o/w)	0.22	0.03	-0.03	Earnings low & delay for anticipated new title
Qualcomm (u/w)	0.00	0.15	-0.03	Favourable resolution over IP litigation with Apple

- US sleeve underperformed by 0.23%. Industrials was the major performance detractor.
- Europe ex UK sleeve outperformed by 0.14%, with key positive contributions from the Financials sector and Germany on a country level.
- The Japan sleeve outperformed by 0.60%, led up by Consumer Goods.
- Asia Pacific ex Japan outperformed by 0.31%. At a sector level Health Care led the way. At a country level Hong Kong provided the impetus.

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Northern Trust, Border to Coast

Emerging Markets – Performance



As at 30 June 2019

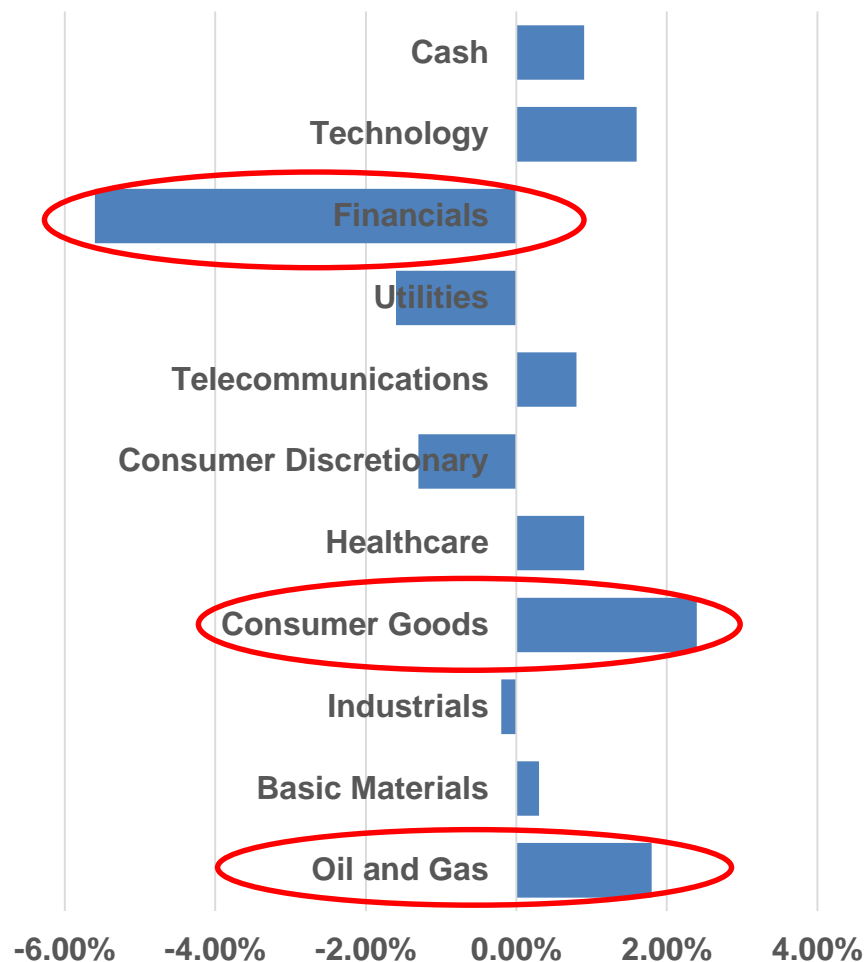
	Performance to 31/05/2019		
	QTD	YTD	Since 31/10/18
Max	12.6%	24.0%	26.8%
75th	-0.3%	8.9%	10.7%
Median	-1.3%	6.5%	8.0%
25th	-1.9%	4.9%	6.1%
Min	-4.6%	-0.6%	-1.7%
BCPP	-1.6%	6.5%	7.8%
Percentile	0.37	0.50	0.47
<i>MSCI</i>	-2.5%	5.1%	6.7%
<i>S&P</i>	-1.1%	7.1%	9.1%

As at 31 May 2019

Past performance is not a reliable indicator of future performance and is not guaranteed.

Source: Bloomberg

Emerging Markets – Portfolio Positioning

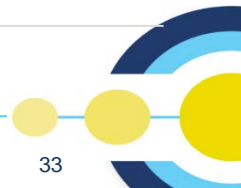
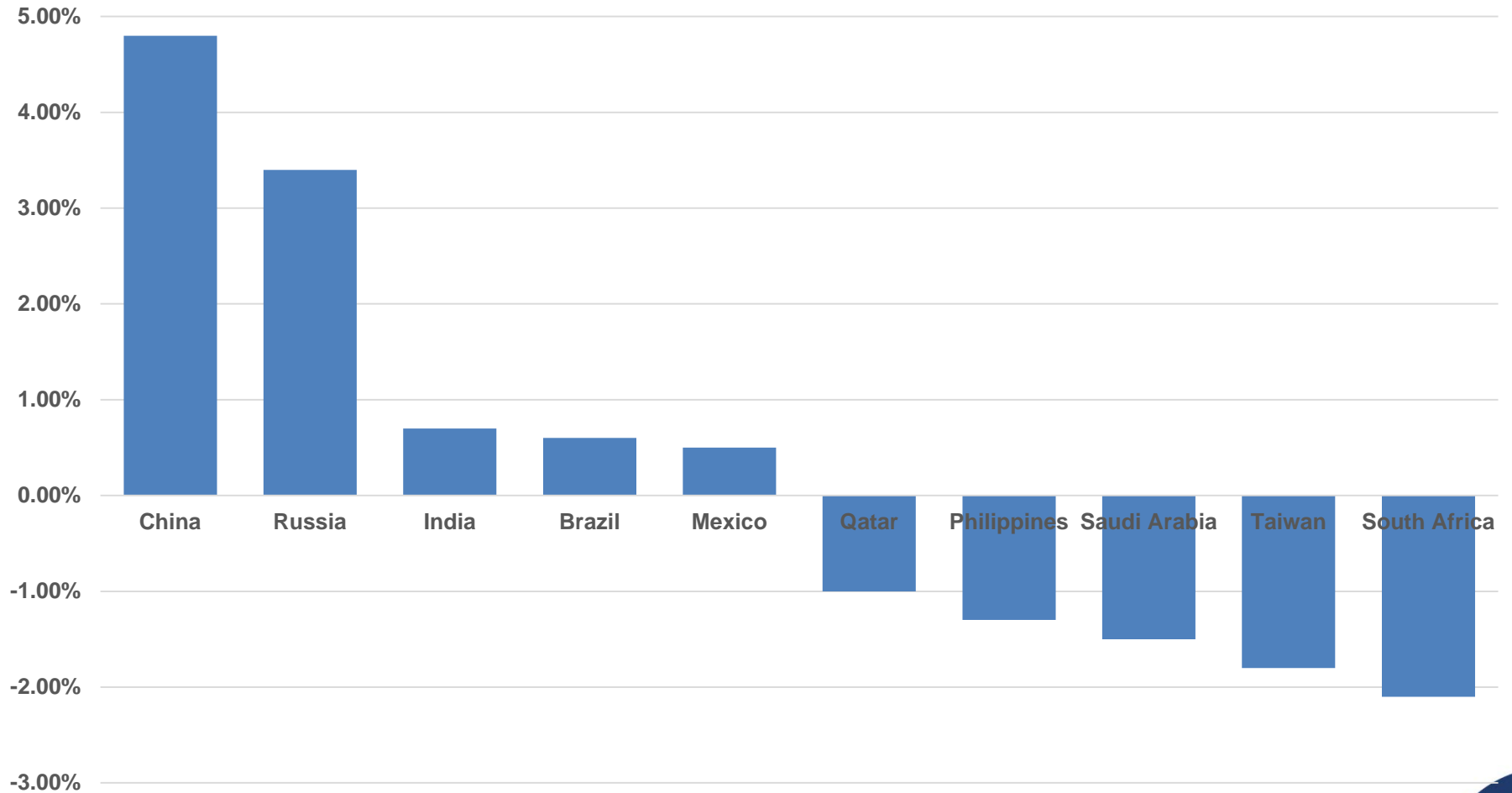


Top 5	Relative weight
iShares MSCI South Africa	+4.52%
Sberbank	+1.21%
Ping An Insurance	+1.17%
iShares India 50	+1.16%
Ashmore Latin America Small Cap	+1.12%

Bottom 5	Relative weight
Naspers	-1.86%
HDFC Bank	-0.98%
Lukoil	-0.55%
Meituan Dianping	-0.55%
Qatar National Bank	-0.42%



Emerging Markets – Portfolio Positioning



Border to Coast Pensions Partnership Ltd

Appendix - Investment Grade
Credit



What Are We Looking For In A Manager?

- High quality, bottom-up credit selection is the most important attribute for an asset manager in investment grade credit.
- Ability to limit downgrades and avoid defaults is critical and the most persistent source of alpha given asymmetry of returns in credit.
- A long-term approach with low portfolio turnover is preferred. Strategies that churn the portfolio in an attempt to generate additional returns should be avoided.
- Sector selection also important, but should be driven more by fundamental bottom-up factors than top down.
- Assessment of performance attribution is extremely important. Need to look out for managers that have performed well through beta factors or significant off-benchmark positions.
- Be wary of 'easy wins' such as being permanently underweight supranationals, sub-sovereigns and agencies.
- Not in favour of strategies that involve alpha generation through derivative strategies, e.g. rates overlays, etc.

Minimum Criteria for Investment Grade RFP

1. Performance target consistent with long-term objective of index +60bps net
2. Strategy assets under management and capacity constraints consistent with expected mandate size
3. At least 5-years of realised track record
4. Fees relating to performance are unacceptable
5. Maximum fee of 25bps – overall outcome will be materially lower

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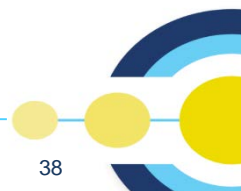


Appendix - Multi-Asset Credit

Core MAC Manager

- What Are We Looking For?

- Deeply-resourced credit research capabilities across a broad spectrum of credit sub-categories. No heavy-bias to one core asset.
- Track record of generating outperformance through both security selection and asset allocation.
- Experience partnering with large institutions on asset allocation.
- Willingness to conduct ad-hoc analysis (e.g. portfolio risk modelling) as well as to provide operational guidance on Sub-Fund structure.
- Transparent approach to MAC – no excessive complexity.
- Well developed, conservative approach to risk management.



Specialist Mandates

- What Are We Looking For?

- Specialists in high yield, emerging market debt, loans and securitised credit
 - *Note - final buckets may vary*
- Focus on value-add from credit selection and asset sourcing
- Diversified portfolios given asymmetry of potential return outcomes
- Conservative approach to risk management
- Low turnover and long-term focus
- Not excessively benchmark aware given sub-optimal structure of credit indices
- Multiple responses are acceptable (e.g. for multiple buckets)

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